

Transport Corporation of India (TRPC)

Benefit of Integrated services

INDIA | LOGISTICS | Quarterly Update

04 August 2021

Top takeaways from 1QFY22

- ✓ Results better than expectations. Recovery in all business segments.
- ✓ Cost control, value added services and revenue growth supporting margins.

Key highlights

Consolidated revenue increased by 86.2%yoy (down 23.3% qoq) to Rs 6.1bn (2% lower than estimates of Rs 6.2bn). Gross margins impacted marginally by 30bps yoy to 20.8% in 1QFY22. EBITDA increased by 155% yoy (-16.9% qoq) to Rs 711mn, 7% higher than estimates of Rs 661mn. EBITDA margins increased from 8.5% in 1QFY21 to 11.6% in 1QFY22. Other income increased from Rs 89mn in 1QFY21 to Rs 107mn in 1QFY22. Interest cost declined by 41.4%yoy to Rs 41mn. PBT increased by 429% yoy to Rs 543mn. Adjusted profit at Rs 484mn in 1QFY22 vs estimates of profit of Rs 361mn.

Conference call takeaways

- Freight division revenue up by 82.3%yoy (down 25.7% qoq) to Rs 2.87bn; Supply Chain revenue increased by 103%yoy (down 26.6% qoq) to Rs 2.1bn; Seaway's revenue grew by 68.6%yoy (down 11.6%qoq) to Rs 1.1bn.
- EBITDA in freight division grew by 194%yoy to Rs 115mn with margin improvement of 150bps yoy to 4.0% in 1QFY22; EBITDA in SCM grew by 92%yoy to Rs 228mn and in seaways increased by 215%yoy to Rs 402mn. EBITDA margins in SCM declined marginally by 60bps yoy to 10.7% and Seaways improved from 19.7% in 1QFY21 to 36.7% in 1QFY22.
- LTL is c. 33% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Growth in SCM was supported by recovery in Auto, Pharma, Chemical and FMCG. Was able to maintain healthy margin with improvement in realization.
- Coastal Shipping recovered with high volume growth on east coast including return cargo from Myanmar. West Coast demand bit subdued. Shipping division has dry-docking planned in coming quarter.
- JV performance: TCI Concor operating asset light rail operations reported stable revenue of Rs 753mn in 1QFY22. Transystem focused on automotive logistics reported revenue growth of 168%yoy to Rs 773mn in 1QFY22. TCI Cold chain reported revenue of Rs 125mn in 1QFY22 compared to Rs 66mn in 1QFY21.
- The company has aggressive capex plan to capture next cycle of growth and has planned capex of Rs 2.25bn in FY22 compared to Rs 1.1bn in FY21. Capex is mainly for developing hub centers, warehouses and ship addition.

Outlook and valuation: At CMP, stock trades at 14.0x our FY23 earnings. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. The level playing field for organized players post GST and E-way Bill would help to increase market share. We have revised earnings by 4%/5% for FY22/FY23 and value 17x/FY23EPS (earlier 15x/FY23) to arrive at a target of Rs 545 (earlier Rs 458).

BUY (Maintain)

CMP RS 446

TARGET RS 545 (+22%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	34
MARKET CAP (USDBN) :	0.5
52 - WK HI/LO (RS) :	510 / 168
LIQUIDITY 3M (USDMN) :	2
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Jun 21	Mar 21	Dec 20
PROMOTERS :	66.7	66.7	66.8
DII :	12.4	12.2	12.4
FII :	2.4	1.7	1.5
OTHERS :	18.5	19.4	19.2

KEY FINANCIALS

Rs mn	FY21	FY22E	FY23E
Net Sales	28,024	33,483	37,768
EBITDA	2,612	3,274	3,704
Net Profit	1,471	2,084	2,462
EPS, Rs	19	27	32
PER, x	23.4	16.5	14.0
EV/EBITDA, x	14.1	11.4	10.1
PBV, x	2.9	2.5	2.2
ROE, %	13.3	16.4	16.6

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY22E	FY23E	FY22E	FY23E
Revenue	33,483	37,768	0%	0%
EBITDA	3,274	3,704	3%	4%
Core PAT	2,084	2,462	4%	5%
EPS (Rs)	27.0	31.9	4%	5%

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Consolidated (Rs mn)	1QFY22	1QFY21	yoy	4QFY21	qoq %	vs. expect. %	Comments
Revenue	6108	3280	86.2	7966	-23.3	-2.2	Freight +82.3%yoy; SCM +103%yoy; Seaways +68.6%yoy
EBITDA	711	279	155.2	856	-16.9	7.6	Cost control and realization growth
EBITDA margins	11.6%	8.5%	315bps	10.7%	90bps		Recovery in margins with growth in shipping
Other income	107	89		105	1.3	20.0	
Depreciation	234	195	19.6	268	-12.8	-11.9	Capex of Rs 1.1bn FY21
Interest	41	70	-41.4	56	-27.1	-32.0	
PBT	543.3	102.7	429.0	637.3	-14.7	27.9	
PAT	484	99	390.8	564	-14.2	34.0	

Consolidated

Year End March (Rs mn)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue	3280	6122	7152	7966	6108
Operating expense	2587	4976	5760	6416	4835
Opex as % of sales	78.9%	81.3%	80.5%	80.5%	79.2%
Employee	289	329	359	425	391
Other expenses	126	227	278	271	171
EBITDA	279	590	754	856	711
EBITDA margins (%)	8.5%	9.6%	10.5%	10.7%	11.6%
Other Income	89.0	70.8	86.4	105.4	106.8
Depreciation	195.2	197.9	220.2	267.7	233.5
Interest	69.6	63.7	58.2	56.0	40.8
PBT	102.7	399.3	562.3	637.3	543.3
Tax	4.1	79.3	57.5	73.4	59.4
Tax rate (%)	4.0%	19.9%	10.2%	11.5%	10.9%
Adj PAT	99	320	505	564	484
Extraordinary	1.4	5.2	-104.3	-35.3	0.0
Reported PAT	100	325	401	529	484
EPS (Rs)	1.3	4.2	6.6	7.3	6.3

Source: PhillipCapital India Research

Segmental details

Standalone	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Freight Division	1578	2781	3278	3871	2878
Supply chain	1056	2467	2929	2924	2145
Seaways	682	932	1038	1301	1150
Energy	14	17	3	5	15
EBIT (Rs mn)					
Freight Division	20	98	137	161	105
Supply chain	31	164	198	203	116
Seaways	41	155	235	305	293
Energy	8	11	-3	-1	10
EBIT (%)					
Freight Division	1.3%	3.5%	4.2%	4.1%	3.6%
Supply chain	3.0%	6.6%	6.8%	6.9%	5.4%
Seaways	6.0%	16.6%	22.6%	23.5%	25.5%

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE	Reco/UpSide	
Container Corporation	M	26.3	BUY	12%
Praj Industries Ltd	S	30.3	BUY	-17%
Pennar Industries Ltd	S	9.9	BUY	-2%
Indo Count Industries	S	19.2	BUY	-32%
KDDL	S	16.9	BUY	19%
Gateway Distriparks Ltd	S	19.5	BUY	24%
Navkar Corporation	S	9.6	BUY	4%
Allcargo Logistics Ltd	S	15.1	Neutral	-21%
Aegis Logistics	S	22.6	Neutral	10%
Mahindra Logistics Limited	S	36.6	Neutral	-4%
Transport Corporation of India	S	14.0	BUY	22%
VRL Logistics Ltd	S	17.3	BUY	15%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
Net sales	27,178	28,024	33,483	37,768
Growth, %	(1.3)	3.1	19.5	12.8
Other operating income	-	-	-	-
Raw material expenses	22,143	22,972	27,288	30,781
Employee expenses	1,572	1,455	1,875	2,115
Other Operating expenses	1,058	984	1,045	1,168
EBITDA (Core)	2,405	2,612	3,274	3,704
Growth, %	(3.6)	8.6	25.3	13.1
Margin, %	8.9	9.3	9.8	9.8
Depreciation	825	928	960	1,000
EBIT	1,580	1,684	2,314	2,704
Growth, %	(8.2)	6.6	37.4	16.8
Margin, %	5.8	6.0	6.9	7.2
Interest paid	343	267	268	288
Other Income	201	255	211	221
Non-recurring Items	-	-	-	-
Pre tax profit	1,438	1,672	2,257	2,637
Tax provided	159	238	384	448
Profit after tax	1,523	1,602	2,084	2,462
Minorities/JV shares	243	168	211	274
Net Profit	1,424	1,471	2,084	2,462
Growth, %	3.1	26.6	(17.3)	5.0
Net Profit (adjusted)	1,424	1,471	2,084	2,462
Unadj. shares (m)	77	77	77	77
Wtd avg shares (m)	77	77	77	77

Balance Sheet

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
Cash & bank	259	395	484	711
Marketable securities at cost	16	29	30	31
Debtors	4,873	5,110	6,238	7,243
Inventory	66	71	78	86
Loans & advances	268	265	317	355
Other current assets	1,122	1,340	1,474	1,621
Total current assets	6,587	7,181	8,592	10,017
Investments	1,783	1,883	2,298	2,642
Gross fixed assets	10,590	10,653	11,973	13,773
Less: Depreciation	(3,111)	(3,275)	(4,235)	(5,235)
Add: Capital WIP	216	52	183	183
Net fixed assets	7,699	7,461	7,973	8,773
Non - current assets	234	638	750	880
Total assets	16,320	17,191	19,642	22,343
Trade Payables	639	759	826	931
Provisions	102	86	94	104
Total current liabilities	2,036	2,278	2,571	2,691
Non - current liabilities	4,166	2,846	3,312	3,570
Total liabilities	14,283	14,914	17,071	19,653
Paid - up capital	154	154	154	154
Reserves & surplus	10,085	11,543	13,437	15,760
Minorities	57	86	57	57
Shareholders' equity	10,296	11,783	13,648	15,971
Total equity & liabilities	16,320	17,191	19,642	22,343

Cash Flow

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
Pre-tax profit	1,438	1,672	2,257	2,637
Depreciation	825	928	960	1,000
Chg in working capital	(44)	(217)	(1,028)	(1,079)
Total tax paid	(159)	(238)	(384)	(448)
Cash flow from operating activities	2,446	2,325	2,073	2,450
Capital expenditure	(1,285)	101	(1,451)	(1,800)
Chg in investments	112	(113)	(415)	(346)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(971)	243	(1,656)	(1,925)
Free cash flow	1,780	2,797	639	765
Equity raised/(repaid)	47	80	338	-
Debt raised/(repaid)	(405)	(1,147)	293	258
Dividend (incl. tax)	(138)	(92)	(139)	(139)
Cash flow from financing activities	(1,371)	(2,432)	(327)	(299)
Net chg in cash	104	136	89	227

Valuation Ratios

	FY20	FY21	FY22E	FY23E
Per Share data				
EPS (INR)	18.5	19.1	27.0	31.9
Growth, %	(2.0)	3.3	41.6	18.2
Book NAV/share (INR)	132.8	151.7	176.3	206.4
FDEPS (INR)	18.5	19.1	27.0	31.9
CEPS (INR)	29.2	31.1	39.5	44.9
CFPS (INR)	31.7	30.2	26.9	31.8
DPS (INR)	1.5	1.2	1.5	1.5

Return ratios

Return on assets (%)	8.9	8.8	11.3	11.7
Return on equity (%)	14.8	13.3	16.4	16.6
Return on capital employed (%)	11.1	11.1	12.3	12.4
ROIC (%)	10.0	9.9	11.6	11.8

Turnover ratios

Asset turnover (x)	3.5	3.8	4.2	4.3
Sales/Net FA (x)	3.5	3.8	4.2	4.3
Working capital/Sales (%)	16.7	17.5	17.9	19.4
Receivable days	67.3	65.0	61.9	65.1
Inventory days	1.0	1.1	1.0	1.0
Payable days	8.8	9.1	8.6	8.5
Working capital days	61.1	63.9	65.6	70.8

Liquidity ratios

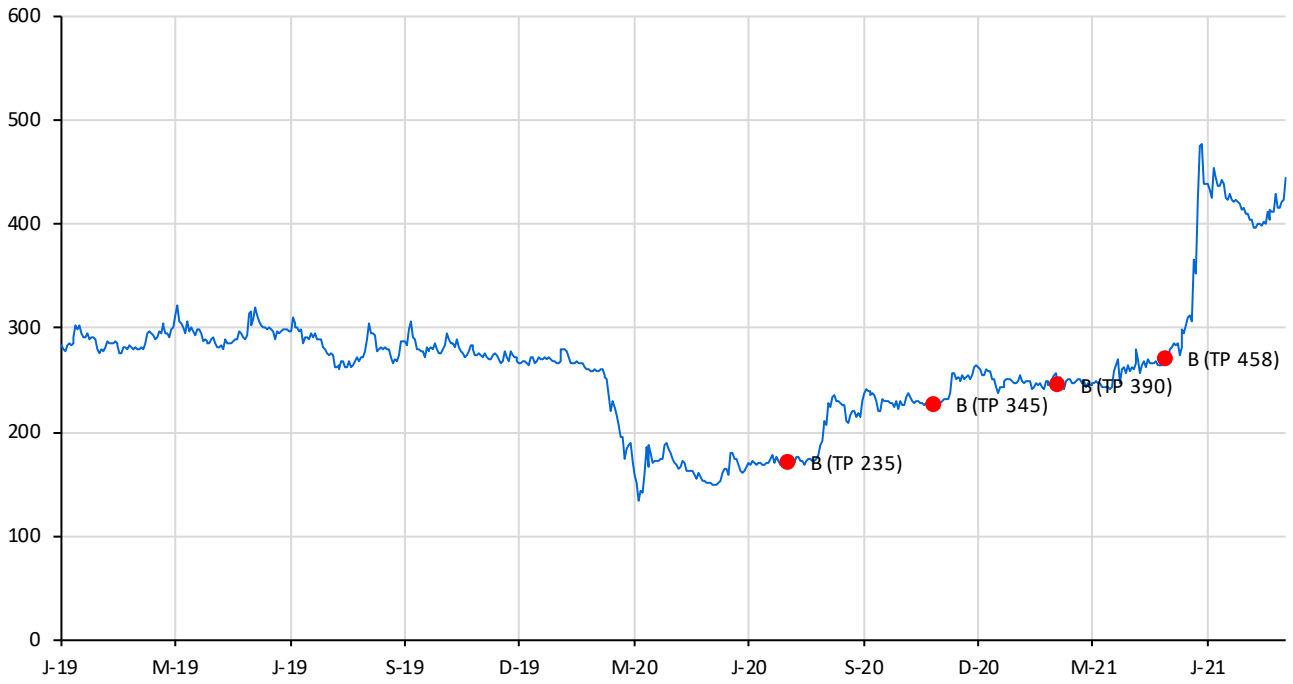
Current ratio (x)	3.2	3.2	3.3	3.7
Quick ratio (x)	0.5	0.5	0.5	0.5
Interest cover (x)	4.6	6.3	8.6	9.4
Total debt/Equity (x)	0.4	0.2	0.2	0.2
Net debt/Equity (x)	0.4	0.2	0.2	0.2

Valuation

PER (x)	24.2	23.4	16.5	14.0
PEG (x) yoy growth	(12.0)	7.0	0.4	0.8
Price/Book (x)	3.4	2.9	2.5	2.2
EV/Net sales (x)	1.4	1.3	1.1	1.0
EV/EBITDA (x)	15.9	14.1	11.4	10.1
EV/EBIT (x)	24.2	21.9	16.1	13.8

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	>= +10%	Target price is equal to or more than 10% of current market price
NEUTRAL	(10% > to < +10%)	Target price is less than +10% but more than (10%
SELL	<= (10%)	Target price is less than or equal to (10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	(15% > to < +15%)	Target price is less than +15% but more than (15%
SELL	<= (15%)	Target price is less than or equal to (15%.

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