

# Transport Corporation of India (TRPC IN)

## Strong performance in Shipping continues

### INDIA | LOGISTICS | Quarterly Update

06 August 2022

#### Top takeaways from 1QFY23

- Results better than expectations. Strong profitability in shipping continues.
- Benefit of integrated diversified services and multi-modal capabilities.
- Recovery in SCM and freight business.

#### Key highlights

Standalone revenue grew by 32.2% yoy (up 1.2% qoq) to Rs 8.0bn (7.7% higher than estimates of Rs 7.5bn). Freight division revenue up by 30.8%yoy (down 3.6% qoq) to Rs 3.7bn; Supply Chain revenue increased by 33.4%yoy (+11.6% qoq) to Rs 2.8bn; Seaway's revenue grew by 32.6%yoy (-5.1%qoq) to Rs 1.5bn. Gross margins improved by 20bps yoy to 21.0% in 1QFY23 due to higher share from high margin shipping business. EBITDA increased by 39.5% yoy (-12.7% qoq) to Rs 992mn, 5.2% higher than estimates of Rs 942mn. EBITDA margins increased from 11.6% in 1QFY22 to 12.3% in 1QFY23. EBIT in supply chain increased by 34.4%yoy to Rs 155mn while up by 27.4% to Rs 133mn in freight division. EBIT in seaways grew by 57%yoy from Rs 293mn in 1QFY22 to Rs 461mn in 1QFY23. Interest cost declined by 54.2%yoy to Rs 19mn. PBT increased by 57.2% yoy to Rs 854mn, supported by 49.1%yoy growth in other income to Rs 159mn in 1QFY23. Adjusted profit up 58.4%yoy at Rs 766mn in 1QFY23, higher than estimates of Rs 582mn. Consolidated profit grew by 65.9%yoy to Rs 777mn in 1QFY23.

#### Conference call takeaways

- EBITDA in freight division grew by 25.2%yoy to Rs 144mn with margin decline of 17bps yoy to 3.8% in 1QFY23; EBITDA in SCM increased by 14.5%yoy to Rs 261mn and in seaways up by 54.5%yoy to Rs 621mn. EBITDA margins in SCM declined by 151bps to 9.1% and Seaways improved from 35.0% in 1QFY22 to 40.7% in 1QFY23.
- Seaways division benefited from increased freight rates and utilization with high value return cargo from Myanmar. It has planned 3 dry docks out of which 1 completed in 1QFY23 and remaining will be done in 2QFY23. Strong growth amid lower base of last year and improving economic activities helped freight and SCM business.
- LTL is c. 35% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Freight rates have increased across major routes with cost increase. Uptrend in Auto segment accounting c.75% of revenue is positive for SCM business and TCI is actively using rail transport to offset fuel price impact.
- JV performance: TCI Concor operating asset light rail operations reported 8.6% growth in revenue to Rs 818mn in 1QFY23. Transystem focused on automotive logistics reported revenue growth of 84.9%yoy to Rs 1.4bn from low base while TCI Cold chain reported revenue growth of 29.6%yoy to Rs 162mn in 1QFY23.
- TCI had capital expenditure of Rs 468mn in FY22 and has planned capex of Rs 3.15bn in FY23 including ship purchase of c. Rs 900mn. Capex in 1QFY23 was Rs 292mn.

**Outlook and valuation:** At CMP, stock trades at 18.0x our FY24 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. We maintain valuation at 20x FY24EPS and target of Rs 810 (Unchanged).

Consolidated (Rs mn)	1QFY23	1QFY22	yoy	4QFY22	qoq %	vs. expect. %	Comments
Revenue	8072	6108	32.2	7979	1.2	7.7	Freight +30.8%yoy; SCM +33.4%yoy; Seaways +32.6%yoy
EBITDA	992	711	39.5	1136	-12.7	5.2	Cost control, revenue mix and realization growth
EBITDA margins	12.3%	11.6%	65bps	14.2%	-195bps		Strong performance in shipping
Other income	159	107	49.1	78	105.2	67.6	
Depreciation	278	234	19.2	360	-22.6	-20.5	
Interest	19	41	-54.2	19	-1.6	-6.5	Repayment of debt in Shipping
PBT	854	543	57.2	835	2.2	28.0	
PAT	766	484	58.4	731	4.8	30.5	

#### NEUTRAL (Maintain)

CMP RS 725

TARGET RS 810 (+12%)

SEBI CATEGORY: SMALL CAP

#### COMPANY DATA

O/S SHARES (MN) :	78
MARKET CAP (RSBN) :	56
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	859 / 388
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	2

#### SHARE HOLDING PATTERN, %

	Jun 22	Mar 22	Dec 21
PROMOTERS :	66.6	66.6	66.5
DII :	12.0	12.2	12.6
FII :	3.1	2.7	2.3
OTHERS :	18.3	18.5	18.5

#### KEY FINANCIALS

Rs mn	FY22E	FY23E	FY24E
Net Sales	32,567	36,556	41,857
EBITDA	4,087	4,204	4,806
Net Profit	2,896	2,711	3,098
EPS, Rs	37.6	35.2	40.2
PER, x	19.3	20.6	18.0
EV/EBITDA, x	13.7	13.5	11.6
PBV, x	3.9	3.3	2.8
ROE, %	22.0	17.0	16.5

#### CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY23E	FY24E	FY23E	FY24E
Revenue	36,556	41,857	0%	0%
EBITDA	4,204	4,806	0%	0%
Core PAT	2,711	3,098	0%	0%
EPS (Rs)	35.2	40.2	0%	0%

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**Consolidated**

Year End March (Rs mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Revenue	6108	7365	7593	7979	8072
Operating expense	4835	5730	5839	6144	6374
Opex as % of sales	79.2%	77.8%	76.9%	77.0%	79.0%
Employee	391	404	422	422	453
Other expenses	171	243	264	277	254
EBITDA	711	988	1069	1136	992
EBITDA margins (%)	11.6%	13.4%	14.1%	14.2%	12.3%
Other Income	106.8	55.8	71.2	77.6	159.2
Depreciation	233.5	241.9	241.0	359.5	278.4
Interest	40.8	27.7	21.5	19.0	18.7
PBT	543.3	774.6	877.6	835.4	853.9
Tax	59.4	91.1	101.7	104.4	87.6
Tax rate (%)	10.9%	11.8%	11.6%	12.5%	10.3%
Adj PAT	484	684	776	731	766
Extraordinary	0.0	0.0	0.0	0.0	0.0
Reported PAT	484	684	776	731	766
EPS (Rs)	6.3	8.9	10.1	9.5	10.0

Source: PhillipCapital India Research

**Segmental details**

Standalone	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Freight Division	2878	3393	3540	3906	3764
Supply chain	2145	2700	2644	2564	2862
Seaways	1150	1342	1479	1607	1525
Energy	15	21	6	12	16
<b>EBIT (Rs mn)</b>					
Freight Division	105	140	162	170	133
Supply chain	116	161	155	183	155
Seaways	293	480	540	477	461
Energy	10	15	1	6	8
<b>EBIT (%)</b>					
Freight Division	3.6%	4.1%	4.6%	4.4%	3.5%
Supply chain	5.4%	5.9%	5.9%	7.1%	5.4%
Seaways	25.5%	35.8%	36.5%	29.7%	30.2%

Source: PhillipCapital India Research

**Coverage Universe**

Company	Size	Fw PE (FY23)	Reco/Upside	
Container Corporation	M	30.3	BUY	15%
Praj Industries Ltd	S	26.4	BUY	18%
Pennar Industries Ltd	S	7.5	BUY	58%
Indo Count Industries	S	10.4	BUY	53%
KDDL	S	27.5	BUY	18%
Gateway Distriparks Ltd	S	17.9	BUY	57%
Navkar Corporation	S	14.7	BUY	11%
Allcargo Logistics Ltd	S	8.9	Neutral	23%
Aegis Logistics	S	23.5	BUY	-4%
Mahindra Logistics Limited	S	41.9	BUY	41%
Transport Corporation of India	S	20.5	Neutral	12%
VRL Logistics Ltd	S	25.0	BUY	24%

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

## Financials

### Income Statement

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>28,024</b>	<b>32,567</b>	<b>36,556</b>	<b>41,857</b>
Growth, %	3.1	16.2	12.2	14.5
Other operating income	-	-	-	-
Raw material expenses	22,972	25,766	29,172	33,485
Employee expenses	1,455	1,700	1,901	2,260
Other Operating expenses	984	1,013	1,280	1,305
<b>EBITDA (Core)</b>	<b>2,612</b>	<b>4,087</b>	<b>4,204</b>	<b>4,806</b>
Growth, %	8.6	56.5	2.8	14.3
Margin, %	9.3	12.6	11.5	11.5
Depreciation	928	1,130	1,480	1,598
<b>EBIT</b>	<b>1,684</b>	<b>2,957</b>	<b>2,724</b>	<b>3,208</b>
Growth, %	6.6	75.6	(7.9)	17.8
Margin, %	6.0	9.1	7.5	7.7
Interest paid	267	128	100	97
Other Income	255	199	221	232
Non-recurring Items	-	-	-	-
<b>Pre tax profit</b>	<b>1,672</b>	<b>3,028</b>	<b>2,845</b>	<b>3,344</b>
Tax provided	238	377	427	568
<b>Profit after tax</b>	<b>1,602</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Minorities/JV shares	168	245	294	323
<b>Net Profit</b>	<b>1,471</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Growth, %	26.6	(21.8)	11.1	5.0
<b>Net Profit (adjusted)</b>	<b>1,471</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Unadj. shares (m)	77	77	77	77
Wtd avg shares (m)	77	77	77	77

### Balance Sheet

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Cash & bank	395	745	176	1,052
Marketable securities at cost	29	147	153	159
Debtors	5,110	5,083	7,011	8,027
Inventory	71	85	93	102
Loans & advances	265	13	15	18
Other current assets	1,340	1,776	2,131	2,557
Total current assets	7,181	7,700	9,426	11,757
Investments	1,883	2,031	2,335	3,270
Gross fixed assets	10,653	11,616	14,116	15,616
<b>Less: Depreciation</b>	<b>(3,275)</b>	<b>(4,405)</b>	<b>(5,885)</b>	<b>(7,484)</b>
Add: Capital WIP	52	73	183	183
Net fixed assets	7,461	7,314	8,466	8,368
Non - current assets	638	773	880	900
<b>Total assets</b>	<b>17,191</b>	<b>17,965</b>	<b>21,261</b>	<b>24,453</b>
Trade Payables	759	851	901	1,032
Provisions	86	252	277	305
Total current liabilities	2,308	2,141	2,781	3,057
Non - current liabilities	2,816	934	905	850
Total liabilities	14,884	15,823	18,480	21,397
Paid - up capital	154	154	154	154
Reserves & surplus	11,543	14,148	16,822	19,781
Minorities	86	274	279	285
Shareholders' equity	11,783	14,576	17,256	20,220
<b>Total equity &amp; liabilities</b>	<b>17,191</b>	<b>17,965</b>	<b>21,261</b>	<b>24,453</b>

### Cash Flow

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,672	3,028	2,845	3,344
Depreciation	928	1,130	1,480	1,598
Chg in working capital	(187)	(336)	(1,655)	(1,179)
Total tax paid	(238)	(377)	(427)	(568)
<b>Cash flow from operating activities</b>	<b>2,355</b>	<b>3,619</b>	<b>2,416</b>	<b>3,382</b>
Capital expenditure	101	(984)	(2,610)	(1,500)
Chg in investments	(113)	(266)	(311)	(940)
Chg in marketable securities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>243</b>	<b>(1,051)</b>	<b>(2,700)</b>	<b>(2,208)</b>
Free cash flow	2,827	2,680	(198)	1,254
Equity raised/(repaid)	80	338	-	-
Debt raised/(repaid)	(1,177)	(1,747)	(22)	(49)
Dividend (incl. tax)	(92)	(139)	(139)	(139)
<b>Cash flow from financing activities</b>	<b>(2,462)</b>	<b>(2,227)</b>	<b>(391)</b>	<b>(414)</b>
Net chg in cash	136	341	(675)	760

### Valuation Ratios

	FY21	FY22E	FY23E	FY24E
<b>Per Share data</b>				
EPS (INR)	19.1	37.6	35.2	40.2
Growth, %	3.3	96.8	(6.4)	14.3
Book NAV/share (INR)	151.7	185.5	220.2	258.6
FDEPS (INR)	19.1	37.6	35.2	40.2
CEPS (INR)	31.1	52.2	54.4	60.9
CFPS (INR)	30.6	46.9	31.3	43.9
DPS (INR)	1.2	1.5	1.5	1.5

### Return ratios

Return on assets (%)	8.8	16.5	13.8	13.6
Return on equity (%)	13.3	22.0	17.0	16.5
Return on capital employed (%)	11.2	17.5	13.5	13.3
ROIC (%)	10.0	17.2	12.6	13.1

### Turnover ratios

Asset turnover (x)	3.8	4.5	4.3	5.0
Sales/Net FA (x)	3.8	4.5	4.3	5.0
Working capital/Sales (%)	17.4	17.1	18.2	20.8
Receivable days	65.0	57.1	60.4	65.6
Inventory days	1.1	1.1	1.1	1.1
Payable days	9.1	9.0	8.7	8.4
Working capital days	63.5	62.3	66.4	75.9

### Liquidity ratios

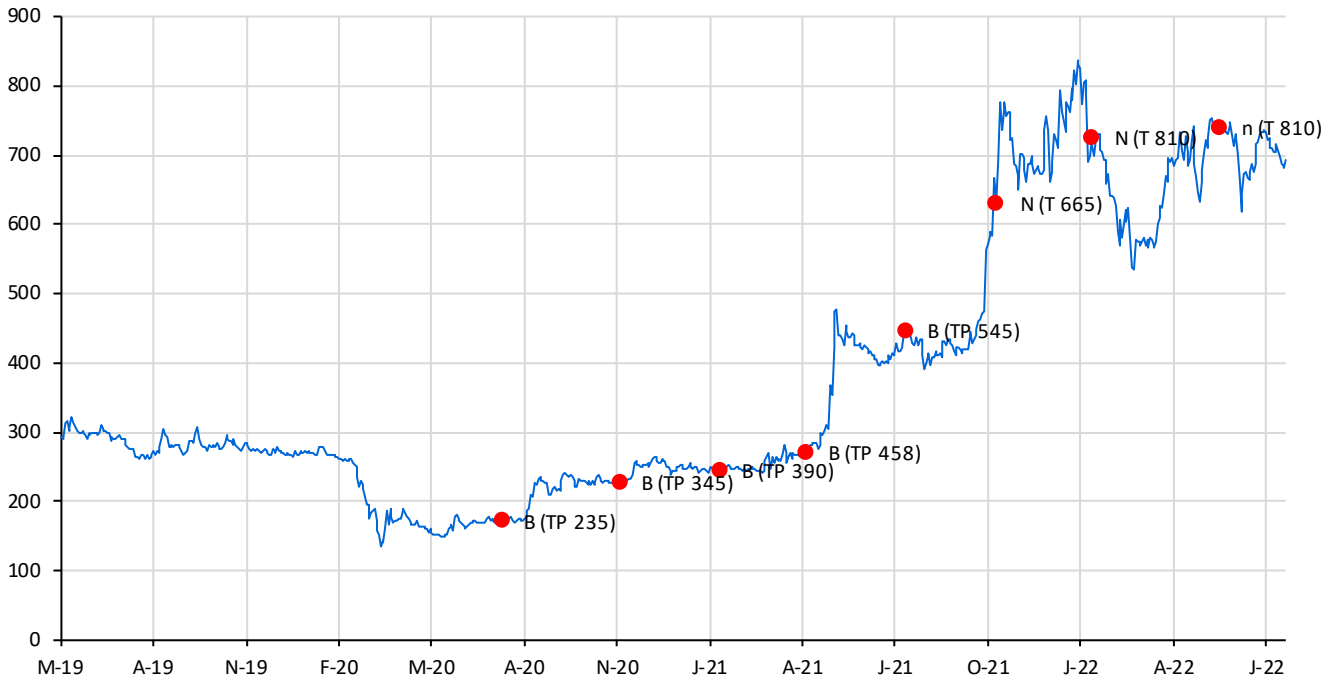
Current ratio (x)	3.1	3.6	3.4	3.8
Quick ratio (x)	0.5	0.5	0.5	0.5
Interest cover (x)	6.3	23.0	27.1	33.2
Total debt/Equity (x)	0.2	0.1	0.1	0.0
Net debt/Equity (x)	0.2	0.0	0.0	0.0

### Valuation

PER (x)	38.0	19.3	20.6	18.0
PEG (x) yoy growth	11.4	0.2	(3.2)	1.3
Price/Book (x)	4.8	3.9	3.3	2.8
EV/Net sales (x)	2.1	1.7	1.5	1.3
EV/EBITDA (x)	22.3	13.7	13.5	11.6
EV/EBIT (x)	34.6	19.0	20.8	17.4

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	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$(10\% > \text{to} < +10\%)$	Target price is less than +10% but more than (10%
SELL	$\leq (10\%)$	Target price is less than or equal to (10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$(15\% > \text{to} < +15\%)$	Target price is less than +15% but more than (15%
SELL	$\leq (15\%)$	Target price is less than or equal to (15%.

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