

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR251
Target Price	: INR350
Potential Return	: 40%

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Market data

Sensex	:	50,256
Sector	:	Transport
Market Cap (INRbn)	:	19.2
Market Cap (USDbn)	:	0.264
O/S Shares (m)	:	77.0
52-wk HI/LO (INR)	:	280/121
Avg Daily Vol ('000)	:	32
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY21e	FY22e	FY23e
EPS (INR)	18.0	22.6	26.9
P/E(x)	13.9	11.1	9.3
P/BV(x)	1.7	1.5	1.3
EV/EBITDA(x)	9.5	7.7	6.5
Dividend Yield (%)	0.8	0.8	0.8

Source: Company, Antique

Returns (%)

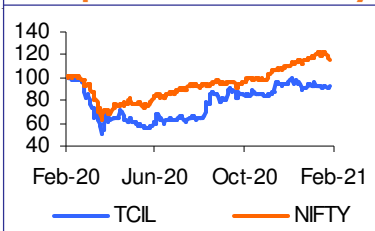
	1m	3m	6m	12m
Absolute	(1)	11	43	(6)
Relative	(5)	(11)	5	(25)

Source: Company, Antique

Shareholding pattern

Promoters	:	67%
Public	:	33%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg, Indexed to 100

3QFY21 RESULT REVIEW

Transport Corporation of India

Gaining lost ground faster than expected

TCIL's 3QFY21 consolidated performance was better than expected as topline grew 14%YoY to INR8.1 bn (vs Antique est: INR7.5bn) led by 11%/24%/+5% YoY growth in Freight/Supply Chain/Seaways segment. EBITDA grew 23% YoY to INR797mn (Antique est: INR690mn). EBITDA Margins expanded YoY to 9.9% vs. vs. 9.2% YoY/8.9% QoQ (Antique est: 9.2%). Adjusting for exceptional impairment loss, PAT grew 51% YoY to INR520mn (Antique est: INR435mn). Management highlighted that in 3Q it witnessed robust demand from ecommerce, automotive, certain capital goods and other sectors. Also, business reached to pre-covid levels driven by growth across segments aided by pent-up demand and restocking due to festive season. Multimodal logistics continued to gain pace and benefit TCI. Sectors like Pharma, Ecommerce, consumer durables and Agri are likely to drive growth in near term. Company is ramping up cold chain business and also participate in vaccine logistics. FY21 Capex spend targets remains at INR1.5bn (including ship which still remain to be bought). Post 3Q, we have raised FY22/FY23 EPS estimates by ~8% and value the stock at 13x FY23 EPS at INR350 (INR320 earlier). Earnings will track macro recovery; maintain BUY on strong fundamentals and attractive valuations.

Segment-wise performance

Freight division: Freight segment (consol) revenues grew 11% YoY to INR4.15bn while PBIT grew ~35%YoY in 3QFY21 to INR173mn. Segment PBIT margins expanded to 4.2% vs. 3.4% YoY/3.4%QoQ. Company recorded highest segment margins since FY16. Company was able to ramp up operations to 85-90% levels amid increased movement of goods pent up demand and restocking due to festive season. Margin improvement continued in this quarter with better cost management. Standalone freight segment revenues grew 2% YoY, while TCI-Concor JV business registered ~60%YoY growth in 3Q (64% in 9MFY21); management suggested of healthy business pipeline ahead as well.

Supply Chain Segment (SCS): Segment revenue/PBIT grew ~24%/52% YoY in 3Q. PBIT margins during 3Q expanded YoY to 6.7% vs 5.4% YoY/6.6% QoQ. The company indicated that division registered growth amid automotive demand revival and Growth in E-commerce & FMCG. Margins have remained intact and improved with better revenue realization and cost optimization measures. Company is also closely looking at cold chain business opportunity for vaccine logistics and has commenced capacity creation for this segment. Revenue growth for Transystem JV also turned positive to 7% YoY during 3Q.

Seaways division registered revenue/PBIT growth of 5%/+4% YoY in 3Q. Segment PBIT margins during 3Q stood at 22.6% vs. 22.9% YoY (+16.6% QoQ). Revenues YoY benefitted from operations being ramped up to pre-COVID Levels amid high cargo volumes at West ports. However, margins were a bit compressed due to higher Depreciation on account of dry-dock amortization.

Other highlights

- **Expenses:** Operating expenses grew 14% YoY/15% QoQ while Employee expenses declined 2% YoY/+9% QoQ. Other expenses grew 24% YoY/+23% QoQ
- **Capex:** Company has capex plans of INR1.5bn for FY21 out of which ~INR870mn is spent in 9MFY21. The major capex still pending is of ship purchase estimated at INR400mn.
- **Exceptional item:** There was an exceptional item of INR104mn representing impairment of assets on account of classification of a ship as an asset held for sale.
- **Interim dividend:** Board has declared interim dividend of INR1.2/share.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	8,071	7,531	7.2	7,280	10.9
EBITDA	797	691	15.4	689	15.7
EBITDA margin (%)	9.9	9.2	70bps	9.5	41bps
Adj net income	520	435	19.5	398	30.7
FDEPS (Rs)	6.8	5.7	19.5	5.2	30.7

Source: Company, Antique

Quarterly snapshot

(Rs mn)	3QFY21	3QFY20	% Chg YoY	2QFY21	% Chg QoQ
Net sales	8,071	7,063	14.3	6,969	15.8
Expenditure	7,274	6,415	13.4	6,346	14.6
EBITDA	797	648	23.0	622	28.0
Other income	46	57	(19.9)	66	(30.0)
Interest	63	89	(29.2)	69	(8.4)
Depreciation	233	215	8.3	209	11.4
PBT	494	420	17.7	457	8.3
Tax	65	77	(15.0)	84	(22.3)
PAT	520	344	51.3	373	39.5
EBITDA margin (%)	9.9	9.2	70bps	8.9	94bps
EPS (Rs)	6.8	4.5	51.3	4.9	39.5

Source: Company, Antique

Sales mix

(INR mn)	3QFY21	3QFY20	Chg YoY	2QFY21	Chg QoQ
Freight Division	4,149	3,746	10.8	3,549	16.9
Supply Chain Solutions Division	3,011	2,431	23.9	2,513	19.8
Seaways division	1,038	989	4.9	932	11.3
Energy Division	3	5	(43.5)	17	(84.5)
Unallocable & Corporate	27	22	22.0	62	(56.1)
Less Inter Segment Revenue	111	73	52.1	39	182.2
Total Sales	8,117	7,120	14.0	7,035	15.4

Source: Company, Antique

PBIT Margin

(%)	3QFY21	3QFY20	Chg YoY	2QFY21	Chg QoQ
Freight	4.2	3.4	75bps	3.4	80bps
Supply Chain Solutions	6.7	5.4	122bps	6.6	3bps
Seaways	22.6	22.9	-24bps	16.6	607bps

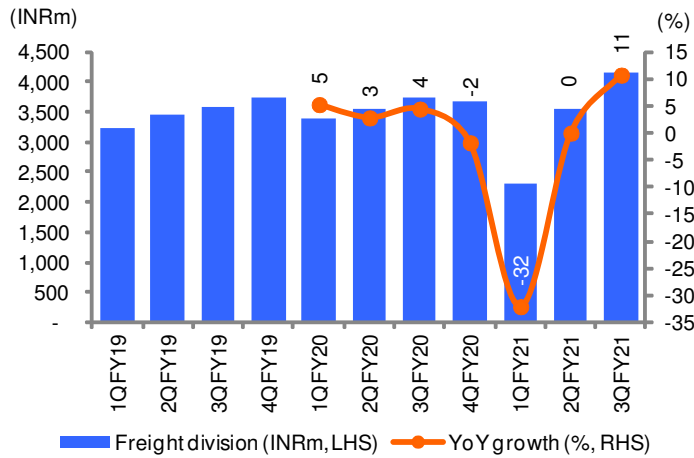
Source: Company, Antique

Change in estimates

Key parameters	FY21E			FY22E			FY23E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	25,615	26,822	4.7	29,735	31,591	6.2	33,705	35,838	6.3
EBITDA (Rs mn)	2,236	2,405	7.6	2,729	2,911	6.7	3,141	3,350	6.7
EBITDA margin (%)	8.7	9.0	24bps	9.2	9.2	4bps	9.3	9.3	3bps
Net profit (Rs mn)	1,211	1,381	14.1	1,605	1,731	7.9	1,904	2,059	8.1
EPS (Rs)	15.8	18.0	14.1	21.0	22.6	7.9	24.9	26.9	8.1

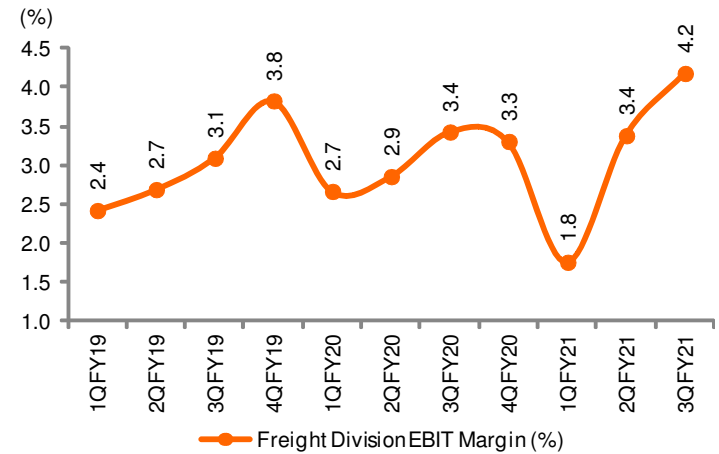
Source: Company, Antique

Freight division sales and growth trend



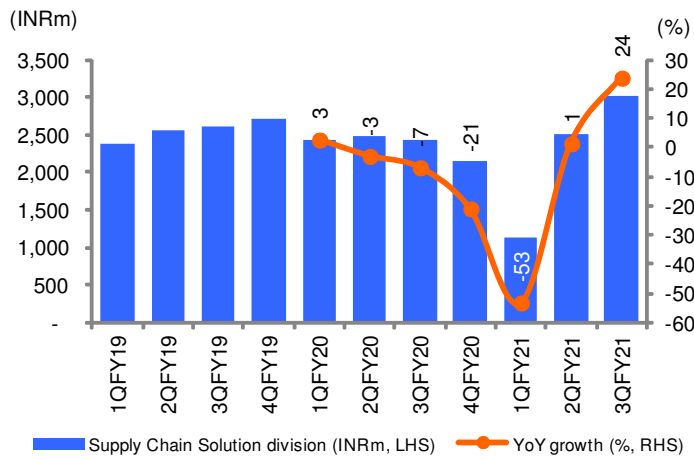
Source: Company, Antique

Freight division EBIT margin trend



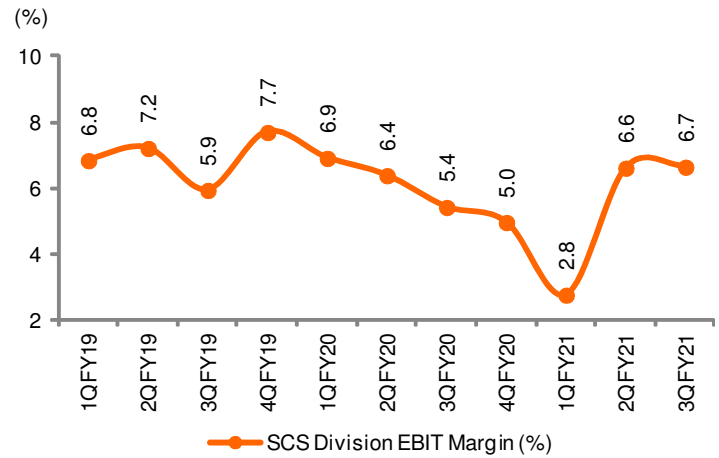
Source: Company, Antique

SCS division sales and growth trend



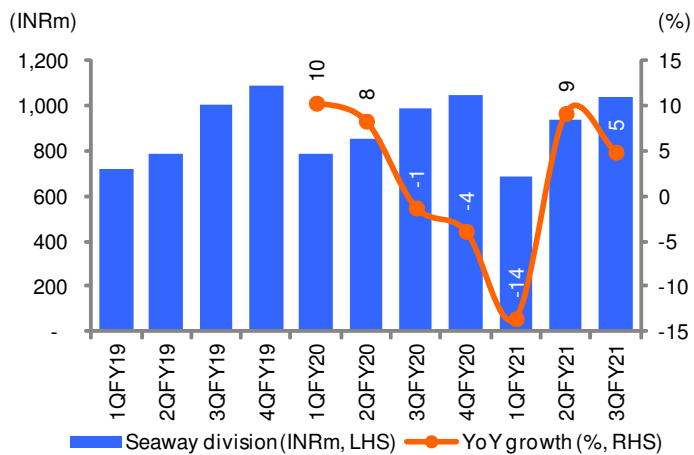
Source: Company, Antique

SCS division EBIT margin trend



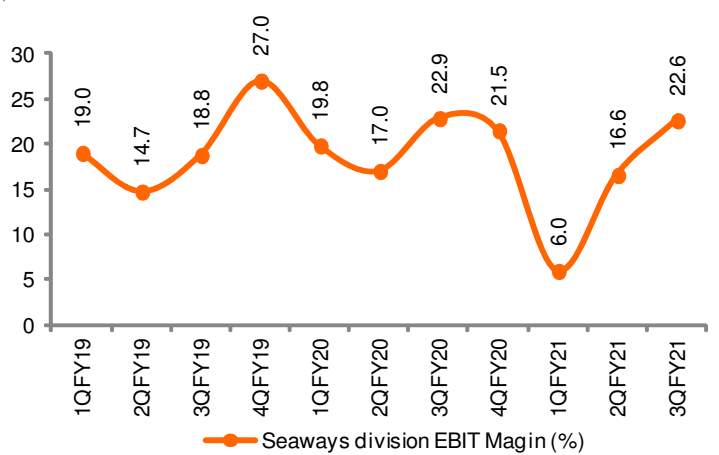
Source: Company, Antique

Seaway division sales and growth trend



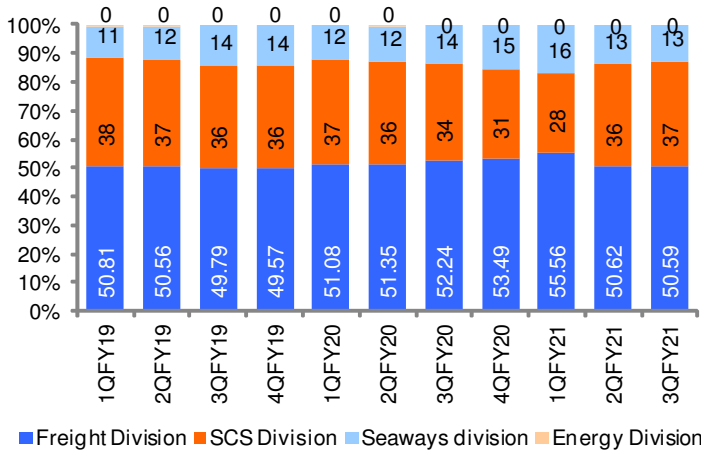
Source: Company, Antique

Seaway division EBIT margin trend



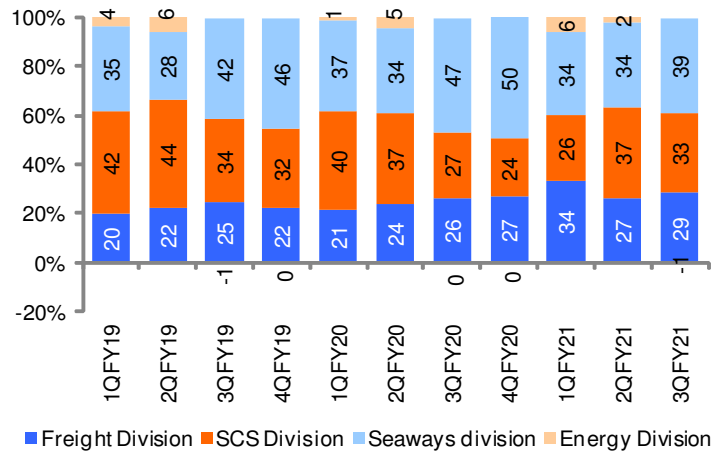
Source: Company, Antique

Sales Mix (%)



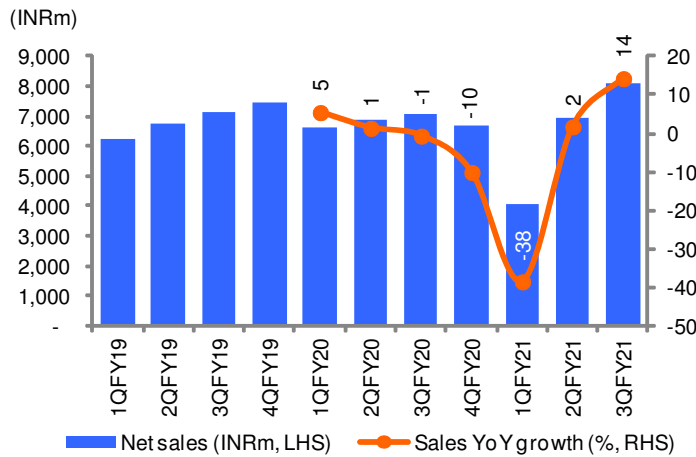
Source: Company, Antique

EBIT Mix (%)



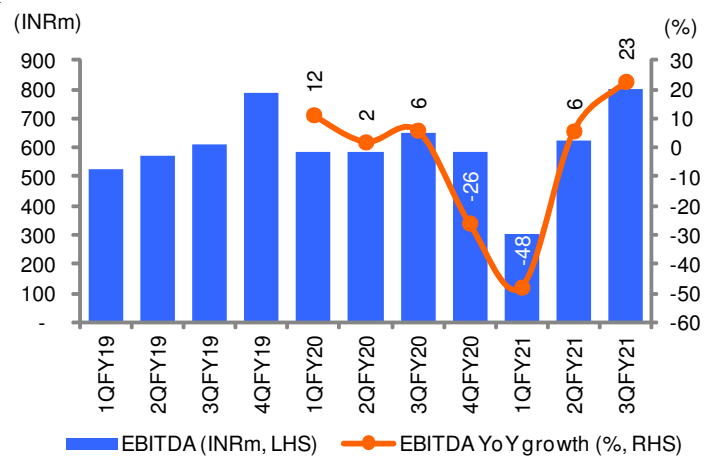
Source: Company, Antique

Total sales and sales growth trend



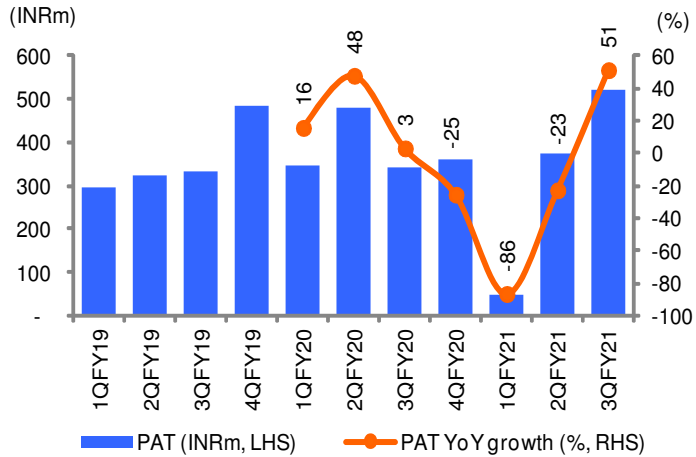
Source: Company, Antique

EBITDA and EBITDA growth trend



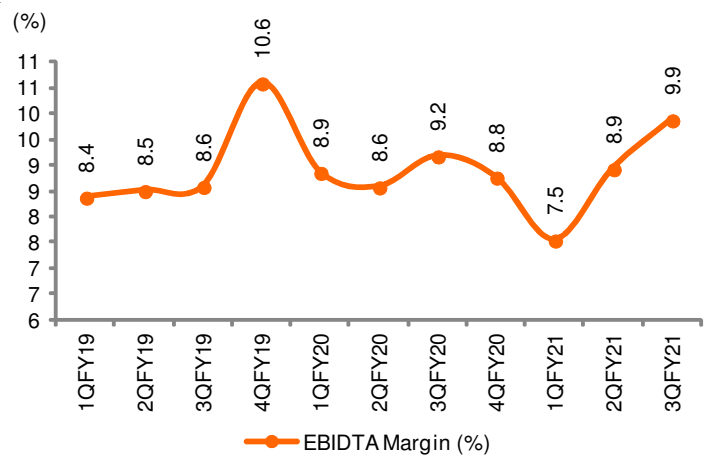
Source: Company, Antique

PAT and PAT growth trend



Source: Company, Antique

EBITDA margin trend



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Net Revenue	27,536	27,178	26,822	31,591	35,838
Op. Expenses	25,041	24,773	24,417	28,680	32,487
EBITDA	2,495	2,405	2,405	2,911	3,350
Depreciation	774	825	872	953	1,024
EBIT	1,721	1,580	1,533	1,958	2,326
Other income	195	201	205	209	214
Interest Exp.	374	343	292	282	278
Extra Ordinary Items -gain/(loss)	(7)	(99)	-	-	-
Reported PBT	1,542	1,438	1,446	1,885	2,262
Tax	333	159	253	380	452
Reported PAT	1,202	1,180	1,192	1,505	1,810
Minority Int./Profit (loss) From Asso.	251	252	189	226	249
Net Profit	1,453	1,432	1,381	1,731	2,059
Adjusted PAT	1,453	1,531	1,381	1,731	2,059
Adjusted EPS (INR)	19.0	20.0	18.0	22.6	26.9

Balance sheet (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Share Capital	153	154	154	154	154
Reserves & Surplus	8,766	10,085	11,281	12,827	14,700
Networth	8,920	10,239	11,435	12,981	14,854
Debt	4,703	4,186	3,936	3,686	3,436
Minority Interest	52	57	57	57	57
Net deferred Tax liabilities	390	302	302	302	302
Capital Employed	14,065	14,784	15,729	17,025	18,649
Net Fixed Assets	7,308	7,933	8,461	8,808	9,083
Investments	1,168	1,354	1,542	1,768	2,017
Non Current Investments	1,168	1,354	1,542	1,768	2,017
Current Assets, Loans & Adv.	7,683	7,547	7,799	8,772	10,094
Inventory	53	66	66	66	66
Debtors	5,151	4,873	4,556	5,193	5,891
Cash & Bank balance	155	259	622	731	1,102
Loans & advances and others	2,324	2,349	2,554	2,782	3,035
Current Liabilities & Prov.	2,095	2,050	2,073	2,323	2,546
Liabilities	2,030	1,948	1,971	2,221	2,444
Provisions	65	102	102	102	102
Net Current Assets	5,589	5,497	5,726	6,449	7,548
Application of Funds	14,065	14,784	15,729	17,025	18,649

Per share data

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	116.4	133.7	149.3	169.5	193.9
CEPS (INR)	25.8	26.2	27.0	32.1	37.0
DPS (INR)	1.8	2.0	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
PBT	1,786	1,591	1,634	2,111	2,511
Depreciation & amortisation	774	825	872	953	1,024
Interest expense	374	343	292	282	278
(Inc)/Dec in working capital	(719)	117	134	(614)	(727)
Tax paid	(342)	(410)	(253)	(380)	(452)
Less: Interest/Div. Income Recd.	(32)	(11)	(205)	(209)	(214)
Other operating Cash Flow	(11)	68	4	-	-
CF from operating activities	1,830	2,523	2,479	2,143	2,420
Capital expenditure	(1,291)	(1,336)	(1,405)	(1,300)	(1,300)
Inc/(Dec) in investments	(302)	(61)	(189)	(226)	(249)
Add: Interest/Div. Income Recd.	17	22	205	209	214
CF from investing activities	(1,576)	(1,375)	(1,388)	(1,317)	(1,335)
Inc/(Dec) in share capital	12	24	-	-	-
Inc/(Dec) in debt	307	(517)	(250)	(250)	(250)
Dividend Paid	(560)	(545)	(478)	(467)	(463)
Others	-	(6)	-	-	-
CF from financing activities	(241)	(1,044)	(728)	(717)	(713)
Net cash flow	13	104	363	108	372
Opening balance	142	155	259	622	731
Closing balance	155	259	622	731	1,102

Growth indicators (%)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Revenue(%)	17.2	-1.3	-1.3	17.8	13.4
EBITDA(%)	15.3	-3.6	0.0	21.0	15.1
Adj PAT(%)	18.0	5.4	-9.8	25.4	18.9
Adj EPS(%)	18.0	5.4	-9.8	25.4	18.9

Valuation (x)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
P/E	13.2	12.6	13.9	11.1	9.3
P/BV	2.2	1.9	1.7	1.5	1.3
EV/EBITDA	9.5	9.7	9.5	7.7	6.5
EV/Sales	0.9	0.9	0.9	0.7	0.6
Dividend Yield (%)	0.7	0.8	0.8	0.8	0.8

Financial ratios

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
RoE (%)	17.6	16.0	12.7	14.2	14.8
RoCE (%)	14.4	12.4	11.4	13.2	14.2
Asset/T.O (x)	2.3	2.1	1.9	2.1	2.2
Net Debt/Equity (x)	0.51	0.38	0.29	0.23	0.16
EBIT/Interest (x)	5.1	5.2	5.9	7.7	9.1

Margins (%)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
EBITDA Margin(%)	9.1	8.9	9.0	9.2	9.3
EBIT Margin(%)	6.2	5.8	5.7	6.2	6.5
PAT Margin(%)	5.3	5.6	5.1	5.5	5.7

Source: Company Antique

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