

Transport Corporation of India

BUY



Healthy performance led by a strong revival in SCM

Institutional Research

CMP (Rs)	257
Target (Rs)	310
Upside (%)	20%

Nifty: 14,924 Sensex: 50,732

Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR10)	76.8
Mkt Cap(USD Mn/INR Bn)	0.3/19.7
52-week high/low	280/121
6m daily avg vol(INR Mn)	18
Free Float %	35

Price Performance

(%)	3m	1yr	3yr
TRPC	13.4	(3.0)	(0.3)
Nifty	23.2	25.3	13.4
NSE500	23.7	25.2	11.0
BSE Midcap	23.7	25.2	6.6

Shareholding Pattern

(%)	Jun20	Sep20	Dec20
Promoter	66.9	66.7	66.8
FII	1.7	1.6	1.5
DII	10.2	12.2	12.4
Others	21.2	19.5	19.3

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Transport Corporation of India (TCI) reported a healthy performance led by strong growth recovery in SCM segment. Consolidate Sales/EBITDA/net profit increased by 14%/23%/23% y-o-y respectively. SCM witnessed a sharp growth recovery with a sale growth of 24% y-o-y largely led by recovery in automobile sector along with healthy traction in e-commerce fulfillment and warehousing segment. Freight segment also reported a healthy growth of 11% y-o-y led by pent-up demand and restocking due to festive season. Coastal shipping grew by 5% y-o-y with operations ramped up to pre-covid level. Consolidated EBITDA margin improved by 70bps y-o-y to 9.9% largely led by lower staff cost along with stable operating overheads. Consolidated net profit increased by 23% y-o-y to Rs 418.4mn. Though the same is not comparable due to exceptional item w.r.t. impairment of asset held of sale of Rs 104mn. Adjusting the same, comparable earnings grew by 54% y-o-y. Going ahead, SCM should continue to see healthy traction due to recovery in automobile sector and freight division also should see an improvement due to improving demand situations. We remain positive on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals. It is currently trading at an attractive valuation of 10x on FY22E EPS. Maintain 'Buy'.

Strong growth recovery in SCM led by automotive demand recovery

SCM division witnessed a strong growth recovery led by recovery in automobile sector along with healthy demand from e-commerce (fulfillment center and warehousing). SCM reported a sales growth of 24% y-o-y to Rs 3bn, highest ever quarterly revenue. We see further uptick in the coming period on the back of healthy cyclical revival in automobile sector along with growth in e-commerce and FMCG sectors. We remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. On the back of superior business model and sound expertise, TCI's SCM division is better placed to winning new accounts and increasing wallet share from the existing customers.

Freight and coastal shipping should see a further uptick

Though the freight division reported a recovery with a 10% y-o-y sales growth, we see further uptick as LTL segment (~1/3rd of freight revenue) is likely to see significant revival on the back of growth recovery in MSME segments. Despite, one ship was under dry docking, coastal shipping division reported a decent growth (+5% y-o-y) with operations ramped up to pre-covid levels and good port volume visibility. It is witnessing a better demand on the western coast for a cargo movement from Gujarat to southern states.

Outlook & Recommendation

TCI witnessed a better recovery than expected and should see a better growth trajectory over the near-medium term mainly on account of recovery in automotive and industrial sectors. /Further, its return ratios will continue to improve due to favorable change in business mix and prudent capital allocation. **Despite, expected capex of Rs 3.5-4bn over the next three years, TCI will generate cumulative FCF of ~Rs 3bn over FY21-23E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last three years stands at 98%.** At CMP, TCI trades at 10x and 9x on FY22E and FY23E earnings respectively. We maintain 'Buy' with a price target of Rs 310 based on 12x FY22E earnings.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Sales	27,537	27,178	26,554	30,363	34,277
yoy (%)	17.4	-1.3	-2.3	14.3	12.9
EBITDA	2,495	2,405	2,415	2,957	3,325
yoy (%)	17.3	-3.6	0.4	22.4	12.4
PAT	1,460	1,531	1,457	1,983	2,189
yoy (%)	17.9	4.9	-4.8	36.1	10.4
EBITDAM (%)	9.1%	8.9%	9.1%	9.7%	9.7%
NPM (%)	5.3%	5.6%	5.5%	6.5%	6.4%
EPS (Rs)	19.0	18.6	17.6	25.8	28.5

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Equity	153.3	153.7	153.7	153.7	153.7
RoE (%)	17.6	14.9	12.5	16.2	15.5
RoCE (%)	15.6	13.2	12.3	14.5	14.9
ROIC (%)	15.8	14.1	13.8	16.1	16.8
D:E (x)	0.5	0.4	0.3	0.3	0.2
PER (x)	13.6	13.8	14.6	10.0	9.0
P/BV (x)	2.2	1.9	1.7	1.5	1.3
EV/Sales (x)	0.9	0.9	0.8	0.7	0.6
EV/ EBITDA (x)	9.5	9.6	9.3	7.5	6.5

Exhibit 3: 3QFY21 Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Y-o-y change	Q-o-Q change	9MFY21	9MFY20	Y-o-y change
Income from operations	7,063.1	6,677.8	4,057.2	6,968.9	8,070.9	14.3%	15.8%	19,097.1	20,500.6	-6.8%
Less: Expenditures										
Operating cost	5,792.1	5,405.8	3,312.6	5,762.6	6,601.9	14.0%	14.6%	15,677.1	16,737.1	-6.3%
Staff cost	382.3	420.4	300.8	341.1	373.1	-2.4%	9.4%	1,015.00	1,151.80	-11.9%
Others	240.4	266	137.5	242.7	298.8	24.3%	23.1%	679	792	-14.3%
EBITDA	648.3	585.6	306.3	622.5	797.1	23.0%	28.0%	1,725.9	1,819.7	-5.2%
Other Income	57.3	67.7	30.4	65.6	45.9	-19.9%	-30.0%	141.9	133.5	6.3%
Depreciation	214.9	207.5	206.1	208.9	232.8	8.3%	11.4%	647.8	617.4	4.9%
EBIT	490.7	445.8	130.6	479.2	610.2	24.4%	27.3%	1,220.0	1,335.8	-8.7%
Interest	89.4	84.5	73.7	69.1	63.3	-29.2%	-8.4%	206.1	258.7	-20.3%
Profit Before Tax	401.3	361.3	56.9	410.1	546.9	36.3%	33.4%	1,013.9	1,077.1	-5.9%
Tax	76.7	56.9	8.5	83.9	65.2	-15.0%	-22.3%	157.6	102.2	54.2%
Profit after Tax	324.6	304.4	48.4	326.2	481.7	48.4%	47.7%	856.3	974.9	-12.2%
Extraordinary items	-	-	-	-	-104.3	NA	NA	-104.3	-98.8	5.6%
Net Profit	324.6	304.4	48.4	326.2	377.4	16.3%	15.7%	752	876.1	-14.2%
share in profits	19	57.1	-1.2	46.5	51.9	173.2%	11.6%	97.2	194.3	-50.0%
Minority Int	3.2	1	6.4	6.7	10.9	240.6%	62.7%	24	7.3	228.8%
Net Profit	340.4	360.5	40.8	366	418.4	22.9%	14.3%	825.2	1,063.1	-22.4%
EPS	4.4	4.7	0.5	4.8	5.4	22.9%	14.3%	10.7	13.8	-22.4%
Operating Matrix										
Operating cost/Sales	82.0%	81.0%	81.6%	82.7%	81.8%	-21	-89	82.1%	81.6%	45
Staff cost/Sales	5.4%	6.3%	7.4%	4.9%	4.6%	-79	-27	5.3%	5.6%	-30
Others/Sales	3.4%	4.0%	3.4%	3.5%	3.7%	30	22	3.6%	3.9%	-31
EBITDA Margin	9.2%	8.8%	7.5%	8.9%	9.9%	70	94	9.0%	8.9%	16
Net Margin	4.8%	5.4%	1.0%	5.3%	5.2%	36	-7	4.3%	5.2%	-86
ETR	19.1%	15.7%	14.9%	20.5%	11.9%	-719	-854	15.5%	9.5%	606

Source: Company, AMSEC Research,

Exhibit 4: 3QFY21 Segmental Highlights (Consolidated)

Particulars (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Y-o-y change	Q-o-Q change	9MFY21	9MFY20	Y-o-y change
Revenue										
Freight	3,740.0	3,670.7	2,301.4	3,571.9	4,149.0	10.9%	16.2%	10,025.8	10,724.7	-6.5%
SCM	2,430.9	2,142.0	1,145.0	2,540.5	3,011.3	23.9%	18.5%	6,669.7	7,348.4	-9.2%
Coastal Shipping	989.3	1,045.6	682.0	932.2	1,037.6	4.9%	11.3%	2,651.8	2,631.8	0.8%
Wind	4.6	5.9	13.6	16.8	2.6	-43.5%	-84.5%	33.0	49.0	-32.7%
Others/inter segment	(101.7)	(186.4)	(84.8)	(92.5)	(129.6)	27.4%	40.1%	(283.3)	(253.3)	11.8%
Total	7,063.1	6,677.8	4,057.2	6,968.9	8,070.9	14.3%	15.8%	19,097.0	20,500.6	-6.8%
EBIT										
Freight	128.5	121.4	40.5	120.0	173.4	34.9%	44.5%	332.3	320.4	3.7%
SCM	132.0	106.5	31.7	166.4	200.3	51.7%	20.4%	398.4	459.1	-13.2%
Coastal Shipping	226.3	225.0	40.6	154.5	234.9	3.8%	52.0%	430.0	528.2	-18.6%
Wind	(1.3)	(0.1)	7.7	10.8	(3.3)	153.8%	-130.6%	15.2	24.4	-37.7%
Total	485.5	452.8	120.5	451.7	605.3	24.7%	34.0%	1,175.9	1,332.1	-11.7%
EBIT %										
Transport	3.4%	3.3%	1.8%	3.4%	4.2%	74	82	3.3%	3.0%	33
SCM	5.4%	5.0%	2.8%	6.5%	6.7%	122	10	6.0%	6.2%	(27)
Coastal Shipping	22.9%	21.5%	6.0%	16.6%	22.6%	(24)	607	16.2%	20.1%	(385)
Wind	-28.3%	-1.7%	56.6%	64.3%	-126.9%	NA	NA	46.1%	49.8%	(374)
Total	6.9%	6.8%	3.0%	6.5%	7.5%	63	102	6.2%	6.5%	(34)

Source: Company, AMSEC Research

Financials (Consolidated)**(Rs mn)****Profit and Loss Account**

Y/E (Mar)	FY19	FY20	FY21E	FY22E	FY23E
Operating Income	27,537	27,178	26,554	30,363	34,277
Less:					
Operating expenses	22,515	22,143	21,509	24,382	27,525
Staff expenses	1,402	1,572	1,572	1,808	2,057
Selling, admin and other expenses	1,124	1,058	1,058	1,217	1,371
EBITDA	2,495	2,405	2,415	2,957	3,325
Depreciation	774	825	841	885	950
Operating profit	1,721	1,580	1,574	2,072	2,375
Other income	195	201	212	243	274
EBIT	1,916	1,782	1,787	2,315	2,650
Interest	374	343	276	313	313
Exceptional items	-	-	-	-	-
Profit before tax	1,542	1,438	1,510	2,001	2,336
Tax	333	159	242	320	374
Profit share in JVs	251	252	189	302	226
PAT	1,460	1,531	1,457	1,983	2,189
EO Items	(7)	(99)	(104)	-	-
Net Profit	1,453	1,432	1,353	1,983	2,189
Share O/s mn	76.7	76.9	76.9	76.9	76.9
EPS Rs	19.0	18.6	17.6	25.8	28.5

Cash Flow Statement

Y/E (Mar)	FY19	FY20	FY21E	FY22E	FY23E
PBT	1,786	1,591	1,406	2,001	2,336
Non-cash adjustments	1,141	1,231	1,117	1,198	1,263
Chg in working capital	(719)	117	(115)	(471)	(689)
Tax & Interest Paid	(342)	(410)	(242)	(320)	(374)
Cashflow from oper.	1,830	2,523	2,167	2,409	2,536
Capital expenditure	(1,259)	(1,321)	(1,000)	(1,500)	(1,500)
Chg in investments	56	(14)	-	-	-
Other invest. cashflow	(373)	(113)	-	-	-
Cashflow from invest	(1,576)	(1,448)	(1,000)	(1,500)	(1,500)
Issue of equity	12	24	-	-	-
Issue/repay debt					
Interest Paid	(377)	(343)	(276)	(313)	(313)
Inc./ (Dec.) Loan Funds	307	(517)	-	-	-
Dividends paid	(182)	(201)	(214)	(214)	(214)
Other finan. cashflow	-	67	-	-	-
Cashflow from finan.	(241)	(971)	(490)	(527)	(527)
Chg cash & cash eq	13	104	677	382	509
Open cash & cash eq	142	155	259	936	1,318
Clsq cash & cash eq	155	259	936	1,318	1,827
Free cashflow to firm	571	1,202	1,167	909	1,036

Balance Sheet

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS :					
Share Capital	153	154	154	154	154
Reserves	8,766	10,085	11,225	12,994	14,969
T. Shareholders Funds	8,920	10,239	11,378	13,148	15,123
Minority interest	52	57	57	57	57
Non-Current Liab.					
Long term borrowings	4,142	3,686	3,686	3,686	3,686
Lease Liability	-	35	35	35	35
Deferred tax liability	390	302	302	302	302
Current Liab. & Prov.	2,656	2,515	2,447	2,778	3,138
Total Equity & Liab.	16,160	16,833	17,904	20,005	22,340
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets	7,268	7,483	7,642	8,257	8,808
Capital work in progress	40	216	216	216	216
Right to use	-	234	234	234	234
Goodwill	-	-	-	-	-
Noncurrent investment	1,168	1,354	1,542	1,844	2,070
Current Assets					
Current investment					
Inventories	53	66	59	67	75
Sundry debtors	5,151	4,873	4,947	5,407	6,104
Cash and bank	155	259	936	1,318	1,827
Short loans & advances	2,324	2,349	2,328	2,662	3,005
Others current assets	-	-	-	-	-
Total Assets	16,160	16,833	17,904	20,005	22,340
Net working capital	4,872	4,772	4,887	5,358	6,047
Total Gross Debt	4,142	3,686	3,686	3,686	3,686
Total Net debt	3,987	3,426	2,749	2,368	1,858
Total capital employed	13,504	14,318	15,458	17,227	19,202

Key Ratios

Y/E (Mar)	FY19	FY20	FY21E	FY22E	FY23E
PER SHARE					
EPS Rs	19.0	18.6	17.6	25.8	28.5
CEPS Rs	29.1	29.4	28.5	37.3	40.8
Book Value Rs	116.4	133.2	148.1	171.1	196.8
VALUATION					
EV / Net Sales	0.9	0.9	0.8	0.7	0.6
EV / EBITDA	9.5	9.6	9.3	7.5	6.5
P / E Ratio	13.6	13.8	14.6	10.0	9.0
P / BV Ratio	2.2	1.9	1.7	1.5	1.3
GROWTH YOY%					
Sales Growth	17.4	-1.3	-2.3	14.3	12.9
EBITDA Growth	17.3	-3.6	0.4	22.4	12.4
Net Profit Growth	17.3	-1.4	-5.5	46.6	10.4
Gross Fixed Asset Growth	15.2	7.7	6.8	9.6	8.8
PROFITABILITY					
Gross Profit/ Net sales (%)					
EBITDA / Net Sales (%)	9.1	8.9	9.1	9.7	9.7
EBIT / Net sales (%)	7.0	6.6	6.7	7.6	7.7
NPM / Total income (%)	5.3	5.3	5.1	6.5	6.4
ROE (%)	17.6	14.9	12.5	16.2	15.5
ROCE (%)	15.6	13.2	12.3	14.5	14.9
Tax / PBT %	21.6	11.1	16.0	16.0	16.0
TURNOVER					
Net Working Cycle					
Debtors Velocity (Days)	68.3	65.4	68.0	65.0	65.0
Inventory (Days)	0.9	1.1	1.0	1.0	1.0
Creditors Velocity (Days)					
Current Ratio	2.9	3.0	3.4	3.4	3.5
Quick Ratio	2.9	3.0	3.4	3.4	3.5
LIQUIDITY					
Gross Asset Ratio	2.2	1.9	1.8	1.9	1.9
Total Asset Ratio	2.2	2.0	1.8	1.9	1.9
Net Debt-Equity Ratio	0.4	0.3	0.2	0.2	0.1
Interest Coverage	4.6	4.6	5.7	6.6	7.6
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	119.0	131.0	138.9	138.9	138.9
Yield %	0.9	1.0	1.1	1.1	1.1

Source: Company, AMSEC Research;

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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