

TCI Limited (TRPC IN)

Strong recovery in Supply Chain

INDIA | LOGISTICS | Quarterly Update

8 February 2021

BUY (Maintain)

CMP RS 254 / TARGET Rs 390 (+54%)

Top takeaways from 3QFY21

- ✓ Results better than expectations. Recovery in Supply Chain while crossed pre-Covid levels in freight and costal shipping business.
- ✓ Benefit of multimodal solutions and an improvement in margins with cost control.

Key highlights

Consolidated revenue increased by 10.5%yoy to Rs 7.15bn (higher than estimates of Rs 6.5bn). Gross margins improved by 50bps to 19.5 in 3QFY21. EBITDA increased by 20.3% yoy (+27.8% qoq) to Rs 754mn, higher than estimates of Rs 678mn. EBITDA margins increased from 9.7% in 3QFY20 to 10.5% in 3QFY21. Interest cost declined by 31%yoy to Rs 58mn. PBT increased by 41.9% yoy to Rs 562mn. Adjusted reported profit at Rs 505mn in 3QFY21 vs estimates of profit of Rs 371mn. The reported profit increased by 25%yoy to Rs 401mn, impacted due to impairment on ship of Rs 104mn in 3QFY21.

Conference call takeaways

- Freight division revenue increased marginally by 2.3%yoy (up +17.9% qoq) to Rs 3.27bn; Supply Chain revenue increased by 23.7%yoy (up +18.7% qoq) to Rs 2.9bn; Seaways revenue grew by 4.9%yoy (up +11.3%qoq) to Rs 1bn.
- EBITDA in freight division grew by 8.5%yoy to Rs 147mn with margin improvement of 30bps to 4.5% in 3QFY21; EBITDA in SCM grew by 37.3%yoy to Rs 298mn and in seaways increased by 6.5%yoy to Rs 344mn. EBITDA margins in SCM and Seaways improved by 100bps yoy to 10.2% and 60bps yoy to 35.4% respectively in 3QFY21.
- Improvement in freight segment with increased movement of goods, pent up demand and festive season demand. LTL is c. 31% of freight business supporting the margins along with better cost management. Expect limited impact of fuel cost increase.
- Growth in SCM was supported by automotive demand revival and growth in E-commerce & FMCG. SCM margins improved due better revenue realization.
- Coastal Shipping recovered to pre-Covid level while margins impacted to dry docking. TCI has contracted to sale one old small capacity ship to rationalise cost structure.
- JV performance: TCI Concor operating asset light rail operations reported revenue growth of 64%yoy to Rs 2.3bn in 9MFY21. Transystem focused on automotive logistics reported revenue decline of 35.5%yoy to Rs 2.17bn in 9MY21. TCI Cold chain reported revenue of Rs 241mn in 9MFY21 compared to Rs 258mn in FY20.
- It had capital expenditure of Rs 870mn in 9MY21 and expect capex of Rs 1.5bn in FY21 compared to Rs 1.1bn in FY20. Capex is mainly for developing hub centers, warehouses and ship addition.

Outlook and valuation: At CMP, stock trades at 9.7x our FY23 earnings. We have revised earnings considering strong operating performance in 3QFY21. 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 maintain valuation at 15x FY23EPS to arrive at a target of Rs 390 (earlier Rs 345).

COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	76
MARKET CAP (USDBN) :	1.1
52 - WK HI/LO (RS) :	280 / 121
LIQUIDITY 3M (USDMMN) :	0.3
PAR VALUE (RS) :	10

SHARE HOLDING PATTERN, %

	Dec 20	Sep 20	Jun 20
PROMOTERS :	66.8	66.7	66.9
FII / NRI :	2.2	2.3	2.4
FI / MF :	11.7	11.5	9.5
NON PRO :	7.6	7.6	9.0
PUBLIC & OTHERS :	11.7	11.9	12.2

KEY FINANCIALS

Rs mn	FY20	FY21E	FY22E
Net Sales	27178	26959	31614
EBITDA	2405	2523	2918
Net Profit	1531	1426	1770
EPS, Rs	19.9	18.6	23.0
PER, x	12.7	13.7	11.0
EV/EBITDA, x	9.7	9.3	7.9
PBV, x	1.9	1.7	1.5
ROE, %	15.0	12.4	13.4
Debt/Equity (%)	0.4	0.4	0.4

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY21E	FY22E	FY21E	FY22E
Revenue	26,959	31,614	11%	11%
EBITDA	2,523	2,918	19%	16%
Core PAT	1,426	1,770	24%	15%
EPS (Rs)	18.6	23.0	24%	15%

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Consolidated (Rs mn)	3QFY21	3QFY20	yoy	2QFY21	qoq growth %	vs. expect. %	Comments
Revenue	7152	6473	10.5	6122	16.8	9.4	Freight +2.3%yoy; SCM +23.7%yoy; Seaways +4.9%yoy
EBITDA	754	627	20.3	590	27.8	11.3	Cost control in employee and operating cost
EBITDA margins	10.5%	9.7%	86bps	9.6%	91bps		Recovery in margins
Other income	86	58		71	22.0	44.0	
Depreciation	220	204	7.9	198	11.3	10.1	Capex of Rs 870mn in 9MFY21
Interest	58	84	-31.0	64	-8.6	-27.3	
PBT	562.3	396.2	41.9	399.3	40.8	22.8	
PAT	505	321	57.1	320	57.7	36.1	

Consolidated

Year End March (Rs mn)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Revenue	6473	6257	3280	6122	7152
Operating expense	5241	5025	2587	4976	5760
Opex as % of sales	81.0%	80.3%	78.9%	81.3%	80.5%
Employee	370	408	289	329	359
Other expenses	235	245	126	227	278
EBITDA	627	580	279	590	754
EBITDA margins (%)	9.7%	9.3%	8.5%	9.6%	10.5%
Other Income	57.5	66.6	89.0	70.8	86.4
Depreciation	204.0	196.6	195.2	197.9	220.2
Interest	84.3	79.8	69.6	63.7	58.2
PBT	396.2	370.0	102.7	399.3	562.3
Tax	74.9	57.2	4.1	79.3	57.5
Tax rate (%)	18.9%	15.5%	4.0%	19.9%	10.2%
Adj PAT	321	313	99	320	505
Extraordinary	0.0	0.0	1.4	5.2	-104.3
Reported PAT	321	313	100	325	401
EPS (Rs)	4.2	4.1	1.3	4.2	6.6

Segmental details

Standalone	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Freight Division	3203	3227	1578	2781	3278
Supply chain	2368	2078	1056	2467	2929
Seaways	989	1046	682	932	1038
Energy	5	6	14	17	3
EBIT (Rs mn)					
Freight Division	117	117	20	98	137
Supply chain	131	101	31	164	198
Seaways	226	225	41	155	235
Energy	-1	-1	8	11	-3
EBIT (%)					
Freight Division	3.6%	3.6%	1.3%	3.5%	4.2%
Supply chain	5.6%	4.9%	3.0%	6.6%	6.8%
Seaways	22.9%	21.5%	6.0%	16.6%	22.6%

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY20	FY21E	FY22E	FY23E
Net sales	27,178	26,959	31,614	34,973
Growth, %	-1	-1	17	11
Freight expense	-22,143	-21,972	-25,765	-28,503
Employee expenses	-1,572	-1,510	-1,770	-1,958
Other Operating expenses	-1,058	-955	-1,160	-1,312
EBITDA (Core)	2,405	2,523	2,918	3,200
Growth, %	(3.6)	4.9	15.7	9.7
Depreciation	-825	-837	-873	-905
EBIT	1,580	1,686	2,045	2,295
Growth, %	(8.2)	6.7	21.3	12.2
Margin, %	5.8	6.3	6.5	6.6
Interest paid	-343	-305	-371	-383
Other Non-Operating Income	201	195	204	215
Non-recurring Items	-99	0	0	0
Pre-tax profit	1,340	1,576	1,879	2,127
Tax provided	-159	-299	-319	-362
Profit after tax	1,181	1,276	1,560	1,765
Others (Minorities, Associates)	252	150	210	242
Net Profit	1,432	1,426	1,770	2,007
Growth, %	4.9	(6.8)	24.1	13.4
Net Profit (adjusted)	1,531	1,426	1,770	2,007
Unadj. shares (m)	77	77	77	77

Balance Sheet

Y/E Mar, Rs mn	FY20	FY21E	FY22E	FY23E
Cash & bank	259	490	1,144	1,329
Debtors	4,873	5,613	6,063	6,707
Inventory	66	72	80	88
Loans & advances	268	300	360	403
Other current assets	1,121	1,143	1,257	1,383
Total current assets	6,586	7,618	8,904	9,910
Investments	1,799	1,978	2,410	2,770
Gross fixed assets	10,527	11,624	12,944	14,744
Less: Depreciation	-3,043	-3,880	-4,753	-5,658
Add: Capital WIP	216	183	183	183
Net fixed assets	7,699	7,927	8,374	9,269
Non-current assets	234	234	234	234
Total assets	16,319	17,758	19,923	22,183
Current liabilities	1,934	1,920	2,165	2,395
Provisions	102	112	124	136
Total current liabilities	2,036	2,033	2,289	2,531
Non-current liabilities	3,988	4,142	4,420	4,569
Total liabilities	6,024	6,175	6,709	7,100
Paid-up capital	154	154	154	154
Reserves & surplus	10,085	11,373	13,004	14,873
Shareholders' equity	10,295	11,583	13,214	15,083
Total equity & liabilities	16,319	17,758	19,923	22,183

Source: Company, PhillipCapital India Research Estimates

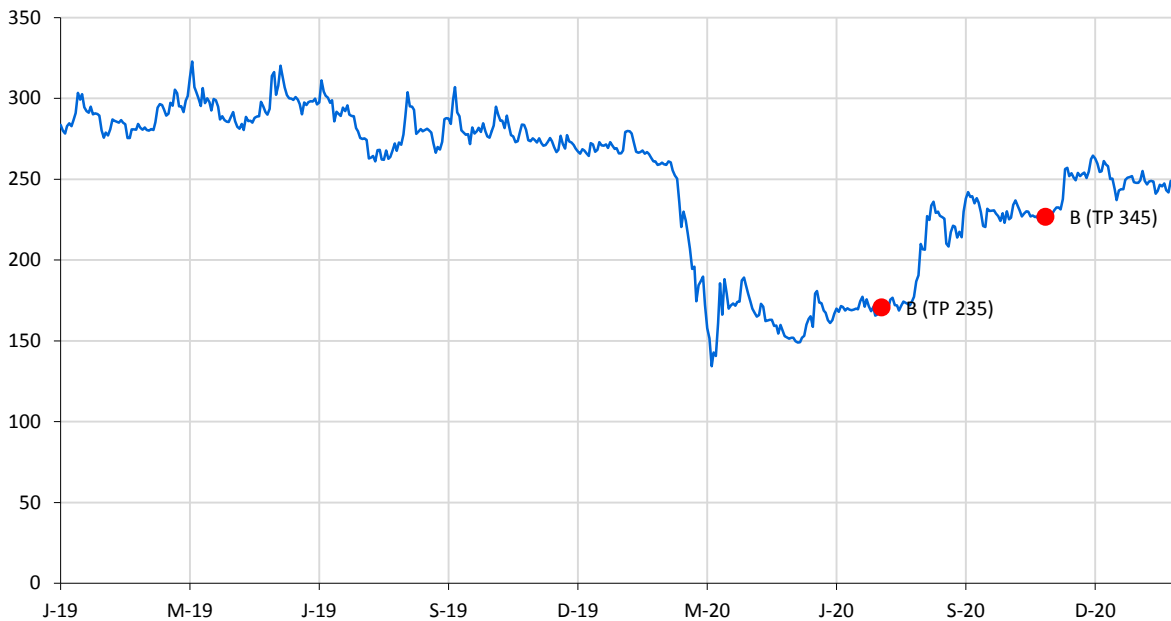
Cash Flow

Y/E Mar, Rs mn	FY20	FY21E	FY22E	FY23E
Pre-tax profit	1,340	1,576	1,879	2,127
Depreciation	825	837	873	905
Chg in working capital	-315	-815	-386	-591
Total tax paid	-417	-299	-319	-362
Cash flow from operating activities	1,432	1,298	2,047	2,079
Capital expenditure	-1,216	-1,065	-1,320	-1,800
Chg in investments	112	-179	-432	-360
Cash flow from investing activities	-1,104	-1,244	-1,752	-2,160
Free cash flow	329	54	294	-80
Equity raised/(repaid)	496	470	470	470
Debt raised/(repaid)	-405	155	277	149
Dividend (incl. tax)	-101	-128	-127	-126
Cash flow from financing activities	246	647	830	735
Net chg in cash	575	700	1,125	654

Valuation Ratios

	FY20	FY21E	FY22E	FY23E
Per Share data				
EPS (INR)	19.9	18.6	23.0	26.1
Growth, %	4.7	(6.8)	24.1	13.4
Book NAV/share (INR)	133.3	150.1	171.3	195.7
FDEPS (INR)	19.9	18.6	23.0	26.1
CEPS (INR)	32.0	29.5	34.4	37.9
CFPS (INR)	19.1	14.4	24.0	24.3
DPS (INR)	1.5	1.5	1.5	1.5
Return ratios				
Return on assets (%)	9.5	9.3	10.2	10.2
Return on equity (%)	15.0	12.4	13.4	13.4
Return on capital employed (%)	10.9	10.5	11.6	11.5
Turnover ratios				
Asset turnover (x)	2.3	2.1	2.3	2.4
Sales/Total assets (x)	1.7	1.6	1.7	1.7
Sales/Net FA (x)	3.6	3.5	3.9	4.0
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Fixed capital/Sales (x)	65.4	76.0	70.0	70.0
Receivable days	0.9	1.0	0.9	0.9
Payable days	9.4	9.9	9.9	9.9
Working capital days	57.6	69.0	63.2	63.1
Liquidity ratios				
Current ratio (x)	3.2	3.7	3.9	3.9
Quick ratio (x)	3.2	3.7	3.9	3.9
Interest cover (x)	4.6	5.5	5.5	6.0
Total debt/Equity (%)	41.0	37.8	35.2	31.8
Net debt/Equity (%)	38.5	33.5	26.5	23.0
Valuation				
PER (x)	12.7	13.7	11.0	9.7
PEG (x) - y-o-y growth	2.7	(2.0)	0.5	0.7
Price/Book (x)	1.9	1.7	1.5	1.3
EV/Net sales (x)	0.9	0.9	0.7	0.7
EV/EBITDA (x)	9.7	9.3	7.9	7.2
EV/EBIT (x)	14.8	13.9	11.2	10.0

Stock Price, Price Target and Rating History



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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