

Transport Corporation

BUY

CMP Rs257

Target Rs329

Upside 28%

Robust outlook - BUY

Conference call takeaways

- ✓ **TCI Freight business:** Revenue grew by 11% yoy on consolidated basis to Rs 4.1 bn. EBIT grew by 36% yoy to Rs.173 mn while EBIT margin stood at 4.2% vs 3.4% yoy/3.3% qoq. The company was able to ramp up operations to 85-90% amid increased movement of goods pent up demand and restocking due to festive season. The margins improved on the back of better cost management. Freight rates have increased due to fuel hikes and they have been able to pass on to large extent. The LTL mix which dropped marginally during the lockdown is improving and will be back to ~1/3 of the total mix. The farmers' protest had a very nominal impact on the business as the transportation of goods was done via alternative routes. Business was normal in the North with some difficulty.
- ✓ **Supply Chain business:** Revenues grew by 24% yoy to Rs 3 bn amid automotive demand revival and Growth in E-commerce & FMCG. Margins have been robust with better revenue realization and cost optimization measures. EBIT grew 52% yoy to Rs.200 mn. EBIT margins came higher at 6.7% vs 5.4% yoy/6.5% qoq. The Auto segment saw a good demand pickup along with FMCG and consumer durables segments. Heavy Machinery segment (Capital Goods) have dipped but it will revive once the capex cycle begins. Further infra support will also boost the demand. General consumption cargo is also seen good traction. The company is also into Yard management which has seen traction in recent times. The company owns 2 automotive rakes and it remains positive on the segment with growth coming in the auto segment. It does mix loading (2-3 customer coming together, and company gets larger business) in this vertical.
- ✓ **Seaways business:** Revenue grew by 5% yoy to Rs 1 bn with operations ramped up back to Pre-COVID levels amid high cargo volumes at ports. The EBIT margin stood at 22.6% vs 22.9% yoy/16.6% qoq. Margins compressed marginally due to higher depreciation on account of dry-dock amortization. The decision to sell a ship is due to 1) The ship that was sold had 400 TEU capacity and consumed fuel of an 800 TEU capacity vessel 2) the selling price of this ship has doubled 3) Dry dock for this ship will come in Sept-21 amounting Rs100 mn.
- ✓ **JV revenues during 9M FY21 stood as follows:** a) TCI Concor (Rs.2.4 bn) b) TCI ColdChain (Rs241 mn) c) Transystem (Rs.2.2 bn).

Other details

- ✓ **Capex:** The company has spent Rs 870 mn till 9M FY21 and targets for Rs 1.5 Bn for FY21. The company is still looking for the right type of ship at right price. The capex of Rs400-500mn towards purchase of new ship may get delayed (FY22).
- ✓ **Dividend** of Rs1.2/sh has been announced.
- ✓ **Vaccine:** The company is in talks with one of the large manufacturing company for the last mile delivery. Don't foresee much long haul opportunity. When the vaccine programme will be available for the common public, that time may get some mid and last mile delivery. Overall opportunity is small as the vails are small in size and large volumes could be transported with lesser trips.
- ✓ **DFCC:** The company remains positive on the benefits that would accrue from commissioning of DFC. The Company's presence across verticals would help capitalize on the benefits of DFC.
- ✓ **Multi modal** helps the company in providing end to end service. It forms ~45-50% of the revenue.

ALOK DEORA

Lead Analyst

alok.deora@ysil.in

+91 98205 13792



NISHANT SHAH, Associate

nishant.shah@ysil.in

AMAR AMBANI, Sr. President, Head of Research

amar.ambani@ysil.in

- ✓ **Warehousing:** Overall good demand in the warehousing side. The investments have increased in past few months. The demand has been able to match the growth of supply. May see double digit growth in coming year.
- ✓ **Customers:** The company has seen customer addition during the quarter and are in talks with few under different categories.
- ✓ **Scrapping policy:** The management is of the view that the voluntary scrapping of vehicles will be effective only if higher incentives are given.
- ✓ **IT system:** Many IT practices have been implemented at company level and at customer level for digitization of the process. However, as per the management, the customers are still asking for physical copy despite government rule of e-invoice.

Our view: Demand for logistics is likely to continue with the pickup in the economy and improving outlook. The pickup in the automotive will drive the demand in the supply chain segment while double digit growth is seen by the management in the warehousing segment. The Multi Modal operations catering to the end to end service will supplement the business post the commissioning of DFC. We maintain our FY21/FY22 earnings estimates and roll over to FY23 with revised target of Rs.329 and maintain our BUY rating.

Transport Corporation Q3 FY21 results: Robust performance

- ✓ Transport Corporation reported Consolidated topline growth of 14% yoy (to Rs.8.1 bn) led by robust demand from ecommerce, automotive, certain capital goods and other sectors. The company's end to end multimodal services to the neighbouring countries have provided new business opportunities. The revenues came higher than our estimates of Rs.6.7 bn.
- ✓ Freight division moved back on track and reported revenues of Rs.4.1 bn (11% yoy/ 16% qoq) while supply chain solutions business grew by 24% yoy/ 19% qoq.
- ✓ Seaways division posted 5% yoy revenue growth (to Rs.1bn).
- ✓ EBIT margins saw marked improvement in Freight segment (biggest revenue contributor). It stood at 4.2% during Q3 FY21 (3.4% in Q3 FY20).
- ✓ Overall Operating margin stood at 9.9% (+70 bps yoy).
- ✓ Exceptional item of Rs.104 mn was on account of impairment of asset under IND-AS 36.
- ✓ APAT stood at Rs.534 mn (64% yoy).

Exhibit 1: Result table (Consolidated)

Y/e 31 Mar (Rs mn)	Q3 FY21	Q3 FY20	yoy(%)	Q2 FY21	qoq (%)
Revenue	8,071	7,063	14.3	6,969	15.8
Operating Profit	797	648	23.0	622	28.0
OPM(%)	9.9	9.2	70 bps	8.9	94 bps
Other Income	46	57	(19.9)	66	(30.0)
Depreciation	(233)	(215)	8.3	(209)	11.4
Interest	(63)	(89)	(29.2)	(69)	(8.4)
Exceptional item	(104)	-	NA	-	NA
PBT	443	401	10.3	410	7.9
Tax	(65)	(77)	(15.0)	(84)	(22.3)
Minority Interest	52	19	173.2	47	11.6
Reported PAT	429	344	24.9	373	15.2
Adjusted PAT	534	344	55.3	373	43.2

Exhibit 2: Segmental results (Consolidated)

Particular	Q3 FY21	Q3 FY20	yoy(%)	Q2 FY21	qoq (%)
Revenue (Rs. mn)					
Freight Division	4,149	3,740	10.9	3,572	16.2
Supply Chain Solution	3,011	2,431	23.9	2,541	18.5
Seaways Division	1,038	989	4.9	932	11.3
Energy Division	3	5	(43.5)	17	(84.5)
Revenue Mix (%)					
Freight Division	50.6%	52.2%		50.6%	
Supply Chain Solution	36.7%	33.9%		36.0%	
Seaways Division	12.7%	13.8%		13.2%	
Energy Division	0.0%	0.1%		0.2%	
EBIT (Rs. mn)					
Freight Division	173	128	34.9	119	44.5
Supply Chain Solution	200	132	52.1	166	20.7
Seaways Division	235	226	3.8	155	52.0
Energy Division	(3)	(13)	NA	11	NA
EBIT Margin (%)					
Freight Division	4.2%	3.4%		3.3%	
Supply Chain Solution	6.7%	5.4%		6.5%	
Seaways Division	22.6%	22.9%		16.6%	
Energy Division	-126.9%	-282.6%		64.3%	

Exhibit 3: Financial summary (Cons)

Y/e 31 Mar (Rs mn)	FY20	FY21E	FY22E	FY23E
Revenues	27,178	26,894	31,130	35,930
yoy growth (%)	-1.3%	-1.0%	15.7%	15.4%
Operating profit	2,405	2,398	2,878	3,557
OPM (%)	8.9%	8.9%	9.2%	9.9%
Adjusted PAT	1,531	1,291	1,625	2,116
yoy growth (%)	-1.4%	-9.9%	25.9%	30.2%
EPS (Rs)	18.6	16.7	21.1	27.5
P/E (x)	13.8	15.3	12.1	9.3
EV/EBITDA (x)	9.8	9.6	7.8	6.1
Debt/Equity (x)	0.4	0.3	0.3	0.2
RoE (%)	15.0	11.9	13.4	15.3

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DISCLOSURE OF INTEREST

Name of the Research Analyst : Alok Deora, Nishant Shah

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

YES Securities (India) Limited

Registered Address: Unit No. 602 A, 6th Floor, Tower 1 & 2,
One International Center, Senapati Bapat Marg, Elphinstone Road,
Mumbai - 400013, Maharashtra, India
Email: research@ysil.in | Website: <https://yesinvest.in>

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 |
MERCHANT BANKER: INM000012227 | RESEARCH ANALYST:
INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and
Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI
Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338 |

Details of Compliance Officer: Vaibhav Purohit,
Email: compliance@ysil.in, Contact No.: +91-22-33479208

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Potential return >15% over 12 months

ADD: Potential return +5% to +15% over 12 months

REDUCE: Potential return -10% to +5% over 12 months

SELL: Potential return <-10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.