

Q3FY22 Result Update

Hold

Industry	Logistics
CMP (Rs)	724
FY23E Target Price (Rs)	757
52 Week H/L (Rs)	858/237
Volumes (BSE+NSE)*	28,243
Shares O/S (mn)	77.3
Market Cap (Rs bn)	55.3
Free Float (%)	33.5
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (31/12/2021)

Particulars	Shares (mn)	Holding (%)
Promoters	51.4	66.5
FIIIs	1.8	2.3
DIIIs	9.7	12.6
Others	14.4	18.6
Total	77.3	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY21	FY22E	FY23E
Sales	28,024	33,348	38,351
EBITDA	2,612	4,035	4,219
EBITDA Margin	9.3%	12.1%	11.0%
Net Profit	1,586	2,764	2,901
EPS (Rs)	21.0	36.1	37.9
EV/EBITDA (x)	22.0	13.9	12.8
P/E (x)	34.4	20.1	19.1
RoE	14.7%	21.7%	19.1%

Stock price chart


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Transport Corporation of India (TCI) reported consolidated revenues of Rs 8377mn, a y-o-y increase of 3.8%. We were expecting a revenue growth of 8.0% y-o-y.

The various Divisions (consolidated) revenues performed thus :

- Transport Division: 4.2% growth y-o-y. Slower growth was mainly due to slowdown in industrial activities
- Supply Chains Solution Division: 7.4% decline y-o-y. Decline was mainly due to disruption in the automotive segment and sluggish demand in high value consumer goods
- Seaways Division: 42.6% y-o-y growth. Seaways division regained momentum due to increasing freight rates and high value return cargo from Myanmar.

EBITDA margins recorded 310bps y-o-y increase because of growth across key divisions. EBIT margins of the various Divisions are :

- 10bps y-o-y increase in margin in Transport Division to 4.3%.
- 70bps y-o-y decline in margin in the Supply Chain Solutions Division to 6.0%.
- 1390bps y-o-y increase in Seaways Division to 36.5%.

The net profit increase was at 61.3% y-o-y to Rs 843mn, better than our expectation of a growth of 51.9% y-o-y. This was due to better margin in seaways division and lower operating cost and other expenses.

TCI's focus in the future

The Capex cycle got delayed due to the high cost of marine assets. The company planned to spend a capital expenditure of Rs 2500mn in FY22. The management has increased guidance for its revenue growth to 18-20% (Vs earlier guidance of 15-20% growth) & PAT growth to 35-40%.

Finance costs continue to decline

Finance cost declined by 59.1% due to repayment of loan and continued improvement in the working capital management.

TCI's JVs have generated good profit

TCI has JVs with Concor (to provide multi modal solutions) and Mitsui & Co (for auto supply chain solutions for Toyota and other Japanese companies present in India). The TCI-Concor JV generated revenues of Rs 2185mn, a y-o-y decrease of 7.5%. The Transystem (TCI-Mitsui JV) generated revenues of Rs 3337mn, a y-o-y increase of 53.4%. A TCI cold chain solution which mainly provides temperature controlled warehousing solutions to its customers, reported revenues of Rs 431mn, a y-o-y increase of 78.8%.

Outlook and Valuations

TCI trades at a P/E of 20.1x and 19.1x FY22E and FY23E earnings respectively. We value TCI at 20x FY23E EPS. On that basis, we assign a fair price of Rs 757 and recommend a Hold rating on TCI.

Segmental Performance (Consolidated)

Consolidated (Rs mn)	Q3FY22	Q3FY21	Y-o-Y Change	Q2FY22	Q-o-Q Change	9MFY22	9MFY21	Y-o-Y Change
Transport Division	4,323	4,149	4.2%	4,128	4.7%	12,098	10,000	21.0%
Supply Chain Solutions	2,788	3,011	-7.4%	2,843	-1.9%	7,894	6,669	18.4%
Seaways Division	1,479	1,038	42.6%	1,342	10.2%	3,971	2,593	53.2%
Energy Division	6	3	111.5%	21	-73.6%	41	33	25.2%
Unallocable & Corporate	23	27	-16.2%	24	-4.6%	76	115	-34.2%
Less : Intersegment Revenues	188	111	69.9%	78	143.1%	367	171	114.1%
Less: Other Income	53	46	15.9%	29	82.2%	123	142	-13.2%
Total	8,377	8,071	3.8%	8,251	1.5%	23,590	19,097	23.5%
PBT								
Transport Division	188	173	8.1%	162	15.7%	477	334	42.7%
Supply Chain Solutions	167	200	-16.7%	166	0.3%	454	398	13.9%
Seaways Division	540	235	129.7%	480	12.4%	1313	430	205.3%
Power Division	-1	-3	75.8%	15	NA	24	15	60.5%
Less : Interest	26	63	-59.1%	33	-21.3%	106	206	-48.6%
Less: Unallocable Expense	27	22	25.5%	31	-13.1%	87	71	21.7%
Less: Unallocable Income	24	27	-9.8%	25	-5.5%	78	114	-31.6%
Add : Profit/loss of JV	72	52	39.1%	73	-0.8%	180	97	84.8%
Less : Exceptional Items	0	-104	NA	0	NA	0	-104	NA
Total	936	495	89.4%	858	9.2%	2,332	1,007	131.7%
EBIT Margins								
Transport Division	4.3%	4.2%	+10 bps	3.9%	+40 bps	3.9%	3.3%	+60 bps
Supply Chain Solutions	6.0%	6.7%	-70 bps	5.8%	+20 bps	5.7%	6.0%	-30 bps
Seaways Division	36.5%	22.6%	+1390bps	35.8%	+70bps	33.1%	16.6%	+1650 bps

Quarterly Financials (Consolidated)

Consolidated (Rs mn)	Q3FY22	Q3FY21	Y-o-Y Change	Q2FY22	Q-o-Q Change	9MFY22	9MFY21	Y-o-Y Change
Income from operations	8,377	8,071	3.8%	8,251	1.5%	23,590	19,097	23.5%
Less:								
Operating cost	6,575	6,602	-0.4%	6,542	0.5%	18,727	15,677	19.5%
Staff cost	436	373	17.0%	412	6.1%	1,260	1,015	24.2%
Other operating expenses	273	299	-8.7%	253	8.0%	708	679	4.2%
EBITDA	1,092	797	37.0%	1,045	4.5%	2,895	1,726	67.7%
EBITDA margin	13.0%	9.9%	+310 bps	12.7%	+30 bps	12.3%	9.0%	+330 bps
Other income	53	46	15.9%	29	82.2%	123	142	-13.2%
Depreciation	255	233	9.6%	256	-0.5%	759	648	17.2%
EBIT	890	610	45.9%	818	8.8%	2,259	1,220	85.2%
Financial expenses	26	63	-59.1%	33	-21.3%	106	206	-48.6%
Profit/loss of JV	72	52	39.1%	73	NA	180	97	84.8%
PBT	936	495	89.4%	858	9.2%	2,333	1,007	131.7%
Taxation	108	65	65.6%	96	12.3%	268	158	70.1%
PAT	828	429	93.0%	762	8.8%	2,065	849	143.1%
Non controlling interest	-15	11	NA	2	NA	-9	14	NA
Net Profit	843	523	61.3%	760	11.0%	2,074	939	120.8%
EPS (Rs)	11.0	6.8	61.3%	9.9	11.0%	27.1	12.3	120.8%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Income from operations	23,461	27,537	27,178	28,024	33,348	38,351
<i>Y-o-Y Growth</i>	20.8%	17.4%	-1.3%	3.1%	19.0%	15.0%
Less:						
Operating cost	19,068	22,515	22,143	22,972	26,479	30,872
Staff cost	1,245	1,408	1,572	1,455	1,667	1,918
Other operating expenses	1,021	1,124	1,058	984	1,167	1,342
EBITDA	2,127	2,489	2,405	2,612	4,035	4,219
EBITDA Margin	9.1%	9.0%	8.8%	9.3%	12.1%	11.0%
Exceptional items	0	7	-99	-104	0	0
Other income	182	195	201	255	183	230
Depreciation & amortization	687	774	825	928	930	1,000
EBIT	1,623	1,917	1,682	1,835	3,289	3,449
Financial expenses	322	374	343	267	258	258
Share in Net Profit of JV	224	251	251	201	200	200
PBT	1,525	1,794	1,590	1,743	3,230	3,391
Taxation	287	333	159	238	452	475
PAT	1,238	1,460	1,431	1,504	2,778	2,916
Minority interest	6	9	15	23	14	15
Adjusted Net Profit	1,232	1,445	1,515	1,586	2,764	2,901
<i>Y-o-Y Growth</i>	52.6	17.3	4.9	4.7	74.3	5.0
EPS (Rs)	16.1	18.9	19.8	21.0	36.1	37.9

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Share capital	153	153	154	154	154	154
Reserves and surplus	7,465	8,766	10,085	11,543	13,600	16,501
Shareholders' funds	7,618	8,920	10,239	11,697	13,754	16,655
Borrowed fund	3,953	4,142	3,686	2,347	2,347	2,347
Lease liability	0	0	31	118	118	118
Minority interest	47	52	57	86	86	86
Deferred tax liability (Net)	445	390	102	273	273	273
Total Liabilities	12,062	13,504	14,115	14,521	16,578	19,479
Net fixed assets	6,821	7,308	7,933	8,046	8,093	8,094
Investments	1,358	1,168	1,354	1,500	1,440	1,380
Current assets, loans & advances	5,799	7,683	6,321	7,750	10,348	13,804
Less: Current liabilities & provisions	1,915	2,656	1,493	2,776	3,303	3,799
Net current assets	3,883	5,027	4,828	4,974	7,045	10,005
Total Assets	12,062	13,504	14,115	14,521	16,578	19,479

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Profit before tax	1525	1794	1590	1743	3230	3391
Depreciation	687	774	825	928	930	1000
Interest expense	322	374	343	267	258	258
Change in receivables	0	0	0	0	0	0
Change in inventories	-679	-902	278	-237	-971	-912
Change in other current assets	-8	-20	-13	-5	-11	-12
Change in current liabilities	366	-949	1201	-1061	-415	-390
Taxes paid, net	-287	-333	-159	-238	-452	-475
CF from Operations	2247	1486	2917	2703	3113	3373
Capex, net	-1440	-1980	-1480	-1469	-1678	-1679
(Purchase)/sale of investments	-458.4	189.4	-185.3	-146.4	60	60
Others	-545	644.6	0	0	0	0
Cash from investing	-2443	-1146	-1665	-1615	-1618	-1619
Interest paid	-322	-374	-343	-267	-258	-258
Change in borrowings, net	157.5	188.9	-456.2	-1338.8	0	0
Dividends paid	-141	-159	-530	-530	-707	0
Equity issuance	0.00	0.10	0.40	0.00	0.00	0.00
Cash from financing	149	-328	-1149	-961	-294	387
Net change in cash and equivalents	-47	13	103	126	1201	2141
Opening cash balance	190	142	155	259	385	1586
Closing cash balance	142	155	259	385	1586	3727

Key Ratios (Consolidated)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Profitability						
ROE	17.5%	17.5%	15.8%	14.7%	21.7%	19.1%
ROCE	14.2%	15.0%	12.2%	12.8%	21.1%	19.1%
Margins						
EBITDA	9.1%	9.0%	8.8%	9.3%	12.1%	11.0%
Net Profit	5.2%	5.2%	5.6%	5.8%	8.3%	7.6%
Leverage and Coverage						
Interest Coverage	19.8%	19.5%	20.4%	14.6%	7.9%	7.5%
Debt/Equity	0.5	0.5	0.4	0.2	0.2	0.1
Per Share						
EPS (Rs)	16.1	18.9	19.8	21.0	36.1	37.9
Book Value Per Share (Rs)	99.4	116.4	133.7	152.7	179.6	217.4
Valuation						
P/E	45.0	38.4	36.6	34.4	20.1	19.1
P/BV	7.3	6.2	5.4	4.7	4.0	3.3
EV/Sales	2.5	2.2	2.2	2.0	1.7	1.4
EV/EBITDA	27.9	23.9	24.5	22.0	13.9	12.8

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