

Retail Equity Research (South India Focus) Transport Corporation of India Ltd

Logistics

BSE CODE : 532349 NSE CODE: TCI
 BLOOMBERG CODE: TRPC:IN SENSEX : 58,014

Accumulate

12Months investment Period Rating as per Small Cap

CMP Rs. 700 TARGET Rs. 820 RETURN 17% ↑
 (Closing: 31-01-22)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Profits surge...outlook strong

Transport Corporation of India Ltd (TCI) is one of the largest integrated players in the organised logistics industry providing Freight, supply chain, warehousing solutions and shipping services.

- Revenue grew by modest 4% YoY, as Supply chain segment declined due to weakness in Auto sector.
- EBITDA margins expanded by 370bps YoY to 13.0% on account better realization & higher profit from seaway business. Consequently, PAT was up by 91% YoY.
- Normalization of freight operations, strong growth in E-commerce and shipping business, will continue to drive growth.
- We continue to maintain positive view on TCI, given strong earnings outlook of 27% CAGR over FY21-24E.
- We value TCI at P/E of 19x on FY24E, given strong earnings outlook we have upgrade to Accumulate, with a target price of Rs.820.

Higher realisation supports growth...

TCI's Q3FY22 revenue grew by 4% YoY, as revenue growth from Supply chain segment declined by 7% YoY due to weakness in Auto sector volumes. While freight and seaway business grew by 4% & 43% YoY respectively. Freight division was supported by improved realisation on account of LTL volumes. Seaway division was supported by higher freight rates and high value cargo in the revenue mix. Despite volatility in Auto sector volumes, diversified customer base in the supply segment including retail and FMCG volumes supported. CAPEX for FY22 is expected to in the range of Rs-60cr versus earlier guidance of Rs.225cr on account of significant increase in Ship prices. Going forward, there is significant opportunities for players like TCI as retail market is shifting to online, while the pandemic has accelerated this momentum. With increasing vaccine coverage, strong revival in economy boosted by higher government spending and E-commerce is expected to drive revenue growth. Though we may see some near term hiccups due to third wave concerns. We factor revenue to grow by 16% CAGR over FY21-FY24E.

EBITDA margin improves...

Q3FY22, gross margin improved by 340bps YoY to 21.5%, on account of higher realisation and better margin from seaway division. EBITDA grew by 37% YoY, while EBITDA margin improved by 370 bps to 13.0% on account of better product mix & lower other expenses. Segmental EBIT of seaway business grew by 130% YoY and margin expanded by 13.8%, largely on account of certain high value volume business. Additionally, contribution from JV business was up by 39% YoY. Consequently, PAT grew by 91% YoY to 82cr. We largely maintain our EPS estimates given healthy growth across segments. We expect PAT to grow by 27% CAGR over FY21-24E.

Valuations

TCI has a pan India network, with technology driven capabilities, providing customized solutions in warehousing, multimodal logistics services and supply chain management. We expect profitability to grow by 27% CAGR over FY21-24E. We value TCI at P/E of 19x on FY24E, and upgrade to Accumulate with target price of Rs.820

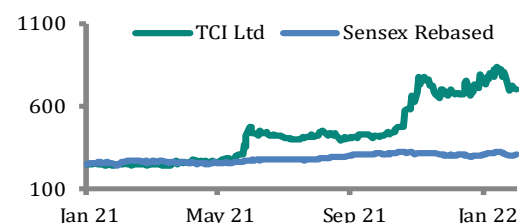
Company Data

Market Cap (cr)	Rs.5,293
Enterprise Value (cr)	Rs.5,551
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	0.57%
52 week high	Rs.858
52 week low	Rs.237
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs.2

Shareholding (%)	Q1FY22	Q2FY22	Q3FY22
Promoters	66.7	66.5	66.5
FII's	2.4	2.1	2.3
MFs/Institutions	12.4	12.7	12.6
Public	10.6	10.5	10.3
Others	7.9	8.2	8.3
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-9.9%	56.7%	181.5%
Absolute Sensex	-3.4%	6.7%	25.3%
Relative Return*	-6.6%	50.0%	156.1%

*over or under performance to benchmark index



Standalone (cr)	FY22E	FY23E	FY24E
Sales	3,415	3,903	4,540
Growth (%)	22.0	14.3	16.3
EBITDA	359	422	481
EBITDA Margin(%)	10.5	10.8	10.6
PAT Adj.	231	283	332
Growth (%)	45.0	22.4	17.1
Adjusted EPS	30.0	36.7	43.0
Growth (%)	45.0	22.4	17.1
P/E	21.6	19.8	16.2
P/B	3.8	3.2	2.7
EV/EBITDA	15.0	13.9	11.8
ROE (%)	18.1	18.5	18.2
D/E	0.2	0.2	0.1

Quarterly Financials

Profit & Loss

	Q3FY22	Q3FY21	YoY growth %	9MFY22	9MFY21	YoY growth %
Sales	838	807	3.8	2359	1910	23.5
EBITDA	109	80	37.0	289	173	67.7
EBITDA margins	13.0	9.9	+320bps	12.3	9.0	3.2
Depreciation	26	23	9.6	76	65	17.2
EBIT	84	56	48.3	214	108	98.1
Interest	3	6	(59.1)	11	21	(49.0)
Other Income	5	5	16.0	12	14	(13.2)
Share of profit from Associate	7	5	39.1	18	10	85.0
PBT	94	60	56.3	233	111	110.0
Exceptional Items	-	-	-	-	-	-
Tax	11	7	65.6	27	16	70.1
	-	-	-	-	-	-
Reported PAT	82	43	91.0	204	85	140.5
Adjustments	-	-	-	-	-	-
Adjusted PAT	82	43	91.0	204	85	140.5
No. of Shares	7.7	7.7		7.7	7.7	-
EPS (Rs)	10.6	5.6	91.0	26.5	11.0	140.5

Change in Estimates

Year / Rs cr	Old estimates			New estimates			Change %		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	3,415	3,903	4,540	3,238	3,744	4,390	(6.1)	(4.1)	(3.7)
EBITDA	359	422	481	371	401	472	3.2	(5.1)	(1.8)
Margins (%)	10.5	10.8	10.6	11.6	10.8	10.7	+60bps	(10bps)	(20bps)
Adj. PAT	231	283	332	249	273	333	7.8	(3.6)	0.3
EPS	30.0	36.7	43.0	32.3	35.4	43.2	7.8	(3.6)	0.3

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	2,718	2,802	3,208	3,744	4,373
% change	-1.3	3.1	14.5	16.7	16.8
EBITDA	241	261	371	401	472
% change	-3.6	8.6	41.8	8.1	17.9
Depreciation	82	93	102	119	131
EBIT	158	168	268	281	342
Interest	34	27	14	14	13
Other Income	20	25	17	24	28
Share of JV	25	20	25	30	35
PBT	159	174	296	321	392
% change	-10.9	9.5	69.7	8.6	22.0
Tax	16	24	44	48	59
Tax Rate (%)	10.0	13.7	15.0	15.0	15.0
Reported PAT	142	147	249	273	333
Adj.*	10	13	-	-	-
Adj. PAT	152	160	249	273	333
% change	4.8	5.2	55.5	9.5	22.0
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	19.8	20.8	32.3	35.4	43.2
% change	-1.0	-7.1	38.4	15.2	15.2
DPS (Rs)	2.4	2.4	2.4	2.4	2.4
CEPS (Rs)	26.6	26.2	33.9	38.4	38.4

BALANCE SHEET

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	13	34	111	176	279
Accounts Receivable	487	511	571	667	767
Inventories	7	7	8	9	11
Other Cur. Assets	248	227	250	293	343
Investments	135	150	162	192	242
Gross Fixed Assets	1,083	1,133	1,313	1,493	1,653
Net Fixed Assets	771	802	879	940	969
CWIP	22	5	10	30	50
Intangible Assets	0	3	3	3	3
Def. Tax (Net)	(30)	(27)	(27)	(27)	(27)
Other Assets	-	-	-	-	-
Total Assets	1,653	1,711	1,967	2,283	2,636
Current Liabilities	239	267	281	332	359
Provisions	10	9	11	12	14
Debt Funds	374	257	257	257	257
Other Liabilities	6	9	9	9	9
Equity Capital	15	15	15	15	15
Reserves & Surplus	1,009	1,154	1,394	1,657	1,980
Shareholder's Fund	1,024	1,170	1,409	1,673	1,996
Total Liabilities	1,653	1,711	1,967	2,283	2,636
BVPS	133	152	183	217	259

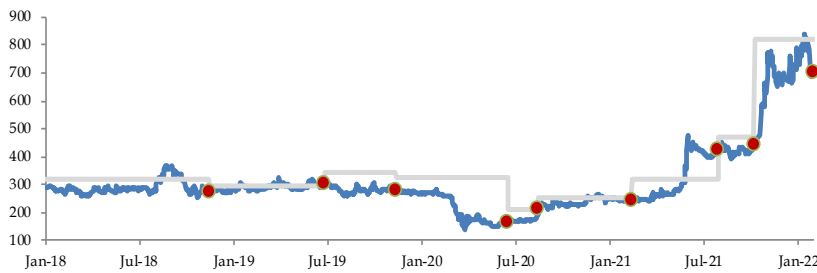
CASH FLOW

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	204	223	302	343	395
Non-cash adj.	(4)	35	(14)	(22)	(27)
Changes in W.C	23	18	(69)	(87)	(122)
C.F. Operation	243	305	258	266	292
Capital exp.	(132)	(124)	(185)	(200)	(180)
Change in inv.	(5)	(2)	(12)	(30)	(50)
Other invest.CF	2	20	41	54	63
C.F - Investment	(135)	(106)	(156)	(176)	(167)
Issue of equity	2	4	-	-	-
Issue/repay debt	(52)	(145)	-	-	-
Dividends paid	(20)	(10)	(10)	(10)	(10)
Other finance.CF	(34)	(27)	(14)	(14)	(13)
C.F - Finance	(104)	(178)	(23)	(24)	(22)
Chg. in cash	3	21	79	66	102
Closing cash	13	34	111	176	279

RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	8.9	9.3	11.6	10.7	10.8
EBIT margin (%)	5.8	6.0	8.4	7.5	7.8
Net profit mgn.(%)	5.6	5.7	7.8	7.3	7.6
ROE (%)	15.9	14.6	19.3	17.7	18.1
ROCE (%)	11.0	10.4	14.4	13.6	14.1
W.C & Liquidity					
Receivables (days)	67.3	65.0	61.6	60.3	59.8
Inventory (days)	0.8	0.9	0.8	0.8	0.8
Payables (days)	0.7	0.9	1.0	0.8	0.7
Current ratio (x)	3.0	2.8	3.2	3.3	3.7
Quick ratio (x)	2.1	2.0	2.4	2.5	2.9
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.5	2.6	2.7	2.8
Total asset T.O (x)	1.7	1.7	1.7	1.8	1.8
Int. covge. ratio (x)	4.6	6.3	19.7	19.9	26.6
Adj. debt/equity (x)	0.4	0.2	0.2	0.2	0.1
Valuation					
EV/Sales (x)	2.1	2.0	1.7	1.5	1.3
EV/EBITDA (x)	23.6	21.2	15.0	13.9	11.8
P/E (x)	35.3	33.7	21.6	19.8	16.2
P/BV (x)	5.2	4.6	3.8	3.2	2.7

Recommendation summary (Last 3 Years)



Dates	Rating	Target
14-November-2018	Accumulate	298
25-June-2019	Buy	346
11-November-19	Buy	325
16-June-20	Buy	209
14-August-20	Buy	253
09-Novemebr-20	Buy	262
11-February-21	Buy	317
31-May-21	Accumulate	471
08-November-21	Hold	818
01-February-22	Accumulate	820

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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