

Transport Corporation of India (TRPC IN)

Benefit of return cargo and better rates in Shipping

INDIA | LOGISTICS | Quarterly Update

27 January 2022

Top takeaways from 3QFY22

- Results better than expectations. Strong profitability in shipping continues.
- Benefit of integrated diversified services and multi-modal capabilities.
- Lower growth in SCM and freight as company is not chasing low margin business and weakness in auto sector due to production linked issues, and higher base effect.

Key highlights

Consolidated revenue increased by 6.2%yoy (up 3.1% qoq) to Rs 7.5bn (3.6% lower than estimates of Rs 7.8bn). Freight division revenue up by 8.0%yoy (up 4.3% qoq) to Rs 3.5bn; Supply Chain revenue declined by 9.7%yoy (down 2.1% qoq) to Rs 2.6bn; Seaway's revenue grew by 42.6%yoy (up 10.2%qoq) to Rs 1.5bn. Gross margins increased by 360bps yoy to 23.1% in 3QFY22. EBITDA increased by 41.7% yoy (8.1% qoq) to Rs 1.06bn, 3.2% higher than estimates of Rs 1.03bn. EBITDA margins increased from 10.5% in 3QFY21 to 14.1% in 3QFY22. EBIT in supply chain declined by 21.9% to Rs 155mn while up by 18.4% to Rs 162mn in freight division. **EBIT in seaways grew by 129.7%yoy from Rs 235mn in 3QFY21 to Rs 540mn in 3QFY22.** Other income down from Rs 86mn in 3QFY21 to Rs 71mn in 3QFY22. Interest cost declined by 63.1%yoy to Rs 22mn with debt repayment from improved cashflows (repaid load related to shipping business) and lower capex. PBT increased by 56.1% yoy to Rs 877mn. Adjusted profit at Rs 776mn in 3QFY22 vs estimates of profit of Rs 676mn.

Conference call takeaways

- EBITDA in freight division grew by 16.8%yoy to Rs 174mn with margin improvement of 40bps yoy to 4.9% in 3QFY22; EBITDA in SCM declined by 10.1%yoy to Rs 268mn and in seaways increased by 90.4%yoy to Rs 655mn. EBITDA margins in SCM remained stable at 10.1% and Seaways improved from 33.2% in 3QFY21 to 44.3% in 3QFY22.
- Seaways division: Container volume declined by c.19.7% in 9MFY22 while benefited from increased freight rates and utilization with high value return cargo from Myanmar.
- LTL is c. 34% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Growth and profits in SCM were impacted by supply chain and chip shortage issue in Auto sector which account for c.75% of SCM division.
- JV performance: TCI Concor operating asset light rail operations reported 8% decline in revenue to Rs 2.1bn in 9MFY22. Transystem focused on automotive logistics reported revenue growth of 53%yoy to Rs 3.3bn in 9MFY22. TCI Cold chain reported revenue of Rs 431mn in 9MFY22 compared to Rs 241mn in 9MFY21.
- Capex could be lower in FY22 to c. Rs 500-600mn vs planned Rs 2.2bn considering postponement of ship purchase due to increase in asset prices.

Outlook and valuation: At CMP, stock trades at 17.7x our FY24 earnings. 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. We have revised earnings by 5%/3% for FY22/FY23 considering strong profits in seaways and value at 20x FY24EPS (earlier 20x FY23) to arrive at a target of Rs 810 (earlier Rs 665).

Consolidated (Rs mn)	3QFY22	3QFY21	yoy	2QFY22	qoq %	vs. expect. %	Comments
Revenue	7593	7152	6.2	7365	3.1	-3.6	Freight +8.0%yoy; SCM -9.7%yoy; Seaways +42.6%yoy
EBITDA	1069	754	41.7	988	8.1	3.2	Cost control and realization growth
EBITDA margins	14.1%	10.5%	353bps	13.4%	66bps		Recovery in margins with strong performance in shipping
Other income	71	86	-17.6	56	27.6	-11.0	
Depreciation	241	220	9.4	242	-0.4	-10.7	
Interest	22	58	-63.1	28	-22.4	-57.0	Repayment of debt in Shipping
PBT	877.6	562.3	56.1	774.6	13.3	10.3	
PAT	776	505	53.7	684	13.5	14.7	

NEUTRAL (Maintain)

CMP RS 713

TARGET RS 810 (+14%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	55
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	859 / 235
LIQUIDITY 3M (USDMN) :	3
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Dec 21	Sep 21	Jun 21
PROMOTERS :	66.5	66.5	66.7
DII :	12.6	12.7	12.4
FII :	2.3	2.1	2.4
OTHERS :	18.5	18.7	18.5

KEY FINANCIALS

Rs mn	FY22E	FY23E	FY24E
Net Sales	32,834	37,285	42,840
EBITDA	3,911	3,824	4,330
Net Profit	2,787	2,627	3,108
EPS, Rs	36.1	34.1	40.3
PER, x	19.7	20.9	17.7
EV/EBITDA, x	14.6	14.9	13.2
PBV, x	3.8	3.3	2.8
ROE, %	21.3	16.8	17.0

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY22E	FY23E	FY22E	FY23E
Revenue	32,834	37,285	-2%	-2%
EBITDA	3,911	3,824	1%	0%
Core PAT	2,787	2,627	5%	3%
EPS (Rs)	36.1	34.1	5%	3%

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Consolidated

Year End March (Rs mn)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Revenue	7152	7966	6108	7365	7593
Operating expense	5760	6416	4835	5730	5839
Opex as % of sales	80.5%	80.5%	79.2%	77.8%	76.9%
Employee	359	425	391	404	422
Other expenses	278	271	171	243	264
EBITDA	754	856	711	988	1069
EBITDA margins (%)	10.5%	10.7%	11.6%	13.4%	14.1%
Other Income	86.4	105.4	106.8	55.8	71.2
Depreciation	220.2	267.7	233.5	241.9	241.0
Interest	58.2	56.0	40.8	27.7	21.5
PBT	562.3	637.3	543.3	774.6	877.6
Tax	57.5	73.4	59.4	91.1	101.7
Tax rate (%)	10.2%	11.5%	10.9%	11.8%	11.6%
Adj PAT	505	564	484	684	776
Extraordinary	-104.3	-35.3	0.0	0.0	0.0
Reported PAT	401	529	484	684	776
EPS (Rs)	6.6	7.3	6.3	8.9	10.1

Source: PhillipCapital India Research

Segmental details

Standalone	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Freight Division	3278	3871	2878	3393	3540
Supply chain	2929	2924	2145	2700	2644
Seaways	1038	1301	1150	1342	1479
Energy	3	5	15	21	6
EBIT (Rs mn)					
Freight Division	137	161	105	140	162
Supply chain	198	203	116	161	155
Seaways	235	305	293	480	540
Energy	-3	-1	10	15	1
EBIT (%)					
Freight Division	4.2%	4.1%	3.6%	4.1%	4.6%
Supply chain	6.8%	6.9%	5.4%	5.9%	5.9%
Seaways	22.6%	23.5%	25.5%	35.8%	36.5%

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE	Reco/UpSide	
Container Corporation	M	24.8	BUY	30%
Praj Industries Ltd	S	27.6	BUY	8%
Pennar Industries Ltd	S	8.5	BUY	19%
Indo Count Industries	S	12.1	BUY	31%
KDDL	S	38.9	Neutral	-21%
Gateway Distriparks Ltd	S	18.9	BUY	36%
Navkar Corporation	S	7.5	BUY	58%
Allcargo Logistics Ltd	S	21.5	Neutral	-30%
Aegis Logistics	S	15.7	BUY	58%
Mahindra Logistics Limited	S	36.2	Neutral	-3%
Transport Corporation of India	S	20.9	Neutral	14%
VRL Logistics Ltd	S	20.1	BUY	24%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Net sales	28,024	32,834	37,285	42,840
Growth, %	3.1	17.2	13.6	14.9
Other operating income	-	-	-	-
Raw material expenses	22,972	25,775	30,387	34,915
Employee expenses	1,455	1,707	2,088	2,399
Other Operating expenses	984	1,441	986	1,196
EBITDA (Core)	2,612	3,911	3,824	4,330
Growth, %	8.6	49.7	(2.2)	13.2
Margin, %	9.3	11.9	10.3	10.1
Depreciation	928	1,030	1,090	1,080
EBIT	1,684	2,881	2,734	3,250
Growth, %	6.6	71.1	(5.1)	18.9
Margin, %	6.0	8.8	7.3	7.6
Interest paid	267	177	196	180
Other Income	255	211	221	232
Non-recurring Items	-	-	-	-
Pre tax profit	1,672	2,915	2,760	3,302
Tax provided	238	408	497	594
Profit after tax	1,602	2,787	2,627	3,108
Minorities/JV shares	168	280	364	400
Net Profit	1,471	2,787	2,627	3,108
Growth, %	26.6	(17.3)	5.0	5.0
Net Profit (adjusted)	1,471	2,787	2,627	3,108
Unadj. shares (m)	77	77	77	77
Wtd avg shares (m)	77	77	77	77

Balance Sheet

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Cash & bank	395	509	381	186
Marketable securities at cost	29	30	31	33
Debtors	5,110	6,117	7,150	8,216
Inventory	71	78	86	95
Loans & advances	265	317	381	457
Other current assets	1,340	1,474	1,768	2,122
Total current assets	7,181	8,496	9,767	11,076
Investments	1,883	2,825	3,249	4,548
Gross fixed assets	10,653	11,453	13,253	14,753
Less: Depreciation	(3,275)	(4,305)	(5,395)	(6,475)
Add: Capital WIP	52	183	183	183
Net fixed assets	7,461	7,383	8,093	8,513
Non - current assets	638	750	880	900
Total assets	17,191	19,484	22,020	25,069
Trade Payables	759	810	919	1,056
Provisions	86	94	104	114
Total current liabilities	2,278	2,523	2,658	2,931
Non - current liabilities	2,846	2,498	2,412	2,219
Total liabilities	14,914	16,960	19,362	22,138
Paid - up capital	154	154	154	154
Reserves & surplus	11,543	14,140	16,628	19,597
Minorities	86	57	57	57
Shareholders' equity	11,783	14,351	16,839	19,808
Total equity & liabilities	17,191	19,484	22,020	25,069

Cash Flow

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,672	2,915	2,760	3,302
Depreciation	928	1,030	1,090	1,080
Chg in working capital	(217)	(955)	(1,265)	(1,230)
Total tax paid	(238)	(408)	(497)	(594)
Cash flow from operating activities	2,325	2,828	2,426	2,906
Capital expenditure	101	(931)	(1,800)	(1,500)
Chg in investments	(113)	(943)	(425)	(1,301)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	243	(1,663)	(2,004)	(2,568)
Free cash flow	2,797	1,317	583	485
Equity raised/(repaid)	80	338	-	-
Debt raised/(repaid)	(1,147)	(521)	(86)	(193)
Dividend (incl. tax)	(92)	(139)	(139)	(139)
Cash flow from financing activities	(2,432)	(1,050)	(551)	(642)
Net chg in cash	136	114	(128)	(305)

Valuation Ratios

	FY21	FY22E	FY23E	FY24E
Per Share data				
EPS (INR)	19.1	36.1	34.1	40.3
Growth, %	3.3	89.4	(5.7)	18.3
Book NAV/share (INR)	151.7	185.4	217.7	256.2
FDEPS (INR)	19.1	36.1	34.1	40.3
CEPS (INR)	31.1	49.5	48.2	54.3
CFPS (INR)	30.2	36.7	31.5	37.7
DPS (INR)	1.2	1.5	1.5	1.5

Return ratios

Return on assets (%)	8.8	15.2	12.7	13.2
Return on equity (%)	13.3	21.3	16.8	17.0
Return on capital employed (%)	11.1	15.7	12.5	12.9
ROIC (%)	9.9	15.1	11.8	12.1

Turnover ratios

Asset turnover (x)	3.8	4.5	4.6	5.1
Sales/Net FA (x)	3.8	4.4	4.6	5.0
Working capital/Sales (%)	17.5	18.2	19.1	19.0
Receivable days	65.0	62.4	64.9	65.5
Inventory days	1.1	1.1	1.0	0.9
Payable days	9.1	8.7	8.5	8.4
Working capital days	63.9	66.4	69.6	69.4

Liquidity ratios

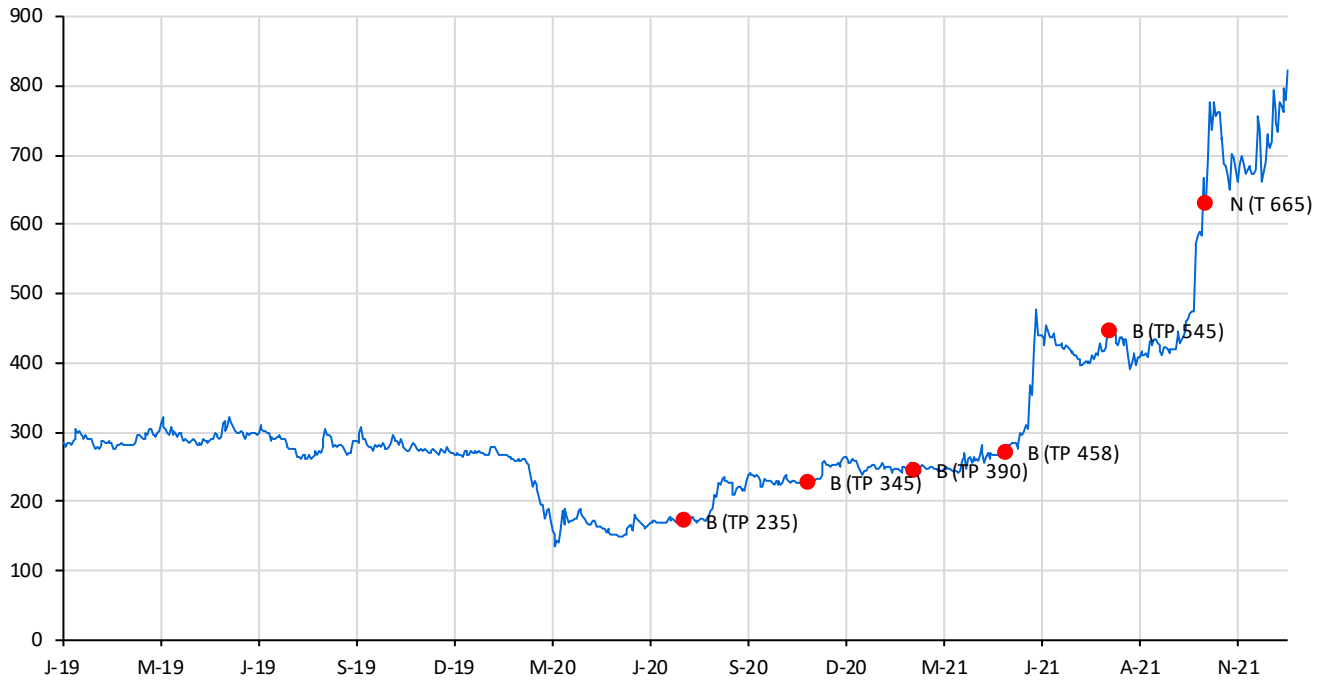
Current ratio (x)	3.2	3.4	3.7	3.8
Quick ratio (x)	0.5	0.5	0.5	0.5
Interest cover (x)	6.3	16.3	14.0	18.0
Total debt/Equity (x)	0.2	0.2	0.1	0.1
Net debt/Equity (x)	0.2	0.1	0.1	0.1

Valuation

PER (x)	37.4	19.7	20.9	17.7
PEG (x) yoy growth	11.2	0.2	(3.6)	1.0
Price/Book (x)	4.7	3.8	3.3	2.8
EV/Net sales (x)	2.0	1.7	1.5	1.3
EV/EBITDA (x)	22.0	14.6	14.9	13.2
EV/EBIT (x)	34.1	19.8	20.8	17.5

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

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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