

Transport Corporation of India (TRPCIN)

Advantage of multimodal capabilities

INDIA | LOGISTICS | Quarterly Update

20 May 2023

Top takeaways from 4QFY24

- Results in line with expectations. Improvement in SCM while weakness in Shipping.
- Benefit of integrated diversified services and multi-modal capabilities.

Key highlights

Standalone revenue grew by 11.5% yoy (up 1.0% qoq) to Rs 8.89bn (in line with estimates of Rs 8.88bn). Freight division revenue up by 8.3%yoy (up 4.5% qoq) to Rs 4.2bn; Supply Chain revenue increased by 29.4%yoy (3.8% qoq) to Rs 3.3bn; Seaway's revenue declined 5.3%yoy (-10.6%qoq) to Rs 1.5bn. Gross margins declined by 180bps yoy to 21.2% in 4QFY23 due impact in shipping division. EBITDA declined by 7.2% yoy (flat qoq) to Rs 1.05bn, in line with estimates of Rs 1.05mn. EBITDA margins down from 14.2% in 4QFY22 to 11.9% in 4QFY23. EBIT in supply chain increased by 17.7%yoy to Rs 216mn while it is up by 12.1% to Rs 191mn in freight division. EBIT in seaways declined by 11.6%yoy from Rs 477mn in 4QFY22 to Rs 422mn in 4QFY23. Interest cost remained negligible at Rs 21mn. PBT grew by 1.7% yoy to Rs 850mn, supported by other income of Rs 114mn. Adjusted profit up by 2.8%yoy at Rs 751mn in 4QFY23, 5.2% higher than estimates of Rs 714mn. Consolidated profit remained flat yoy to Rs 849mn in 4QFY23.

Conference call takeaways

- EBITDA in freight division grew by 11.7%yoy to Rs 201mn with 20bps margin improvement on yoy basis to 4.8% in 4QFY23; EBITDA in SCM increased by 10.7%yoy to Rs 322mn and in seaways down by 15.9%yoy to Rs 602mn. EBITDA margins in SCM declined by 164bps to 9.7% and Seaways down from 44.6% in 4QFY22 to 39.6% in 4QFY23.
- Seaways has long term potential while financial performance impacted due to dry docking and lack of exim business in FY23. It has one dry docking in FY24 compared to 3 in FY23.
- LTL is c. 35% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Freight division benefited from benign freight rates which offset cost pressure and higher volumes from large customers. Uptrend in Auto segment accounting c.75% of revenue is positive for SCM business and TCI is actively using rail transport to offset fuel price impact as well as green mode of transport.
- JV performance: TCI Concor operating asset light rail operations reported marginal 1.2% growth in revenue to Rs 3.04bn in FY23, business impacted due to competition from road. Transystem focused on automotive logistics reported revenue growth of 48.3%yoy to Rs 6.9bn while TCI Cold chain reported revenue growth of 2.6%yoy to Rs 601mn in FY23. It discontinued some customers to maintain profitability in cold chain business.
- TCI had capital expenditure of Rs 468mn in FY22 and Rs 1.2bn in FY23. Capex planned for FY24 is Rs 3.75bn including ship and automotive rake purchase of c. Rs 1.2bn and container addition of Rs 340mn.

Outlook and valuation: At CMP, stock trades at 13.5x our FY25 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 revise our valuation from 20x FY24EPS to 18x FY25EPS with target price to Rs 875 (Unchanged).

BUY (Maintain)

CMP RS 650

TARGET RS 875 (+35%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

| | |
|-----------------------|-----------|
| O/S SHARES (MN): | 78 |
| MARKET CAP (RSBN): | 50 |
| MARKET CAP (USD\$): | 0.6 |
| 52 - WK HI/LO (RS): | 845 / 555 |
| LIQUIDITY 3M (USD\$): | 1 |
| PAR VALUE (RS): | 2 |

SHARE HOLDING PATTERN, %

| | Mar 23 | Dec 22 | Sep 22 |
|------------|--------|--------|--------|
| PROMOTERS: | 69.0 | 69.0 | 69.0 |
| DII: | 12.2 | 11.7 | 11.8 |
| FII: | 2.8 | 3.3 | 3.3 |
| OTHERS: | 16.0 | 16.0 | 15.8 |

KEY FINANCIALS

| Rs mn | FY23 | FY24E | FY25E |
|--------------|--------|--------|--------|
| Net Sales | 37,826 | 43,159 | 48,191 |
| EBITDA | 4,241 | 4,805 | 5,311 |
| Net Profit | 3,208 | 3,367 | 3,730 |
| EPS, Rs | 41.4 | 43.4 | 48.1 |
| PER, x | 15.7 | 15.0 | 13.5 |
| EV/EBITDA, x | 11.7 | 10.0 | 8.8 |
| PBV, x | 3.0 | 2.3 | 2.0 |
| ROE, % | 20.1 | 17.1 | 15.7 |

CHANGE IN ESTIMATES

| Rs mn | Revised Est. | | % Revision | |
|----------|--------------|--------|------------|-------|
| | FY24E | FY25E | FY24E | FY25E |
| Revenue | 43,159 | 48,191 | 0% | 0% |
| EBITDA | 4,805 | 5,311 | 0% | 0% |
| Core PAT | 3,367 | 3,730 | 0% | 0% |
| EPS (Rs) | 43.4 | 48.1 | 0% | 0% |

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| Standalone (Rs mn) | 4QFY23 | 4QFY22 | yoy | 3QFY23 | qoq % | vs. expect. % | Comments |
|--------------------|--------|--------|---------|--------|--------|---------------|---|
| Revenue | 8897 | 7979 | 11.5 | 8808 | 1.0 | 0.1 | Freight +8.3%yoy; SCM +29.4%yoy; Seaways -5.3%yoy |
| EBITDA | 1054 | 1136 | -7.2 | 1088 | -3.1 | -0.5 | Revenue mix and decline in shipping profits |
| EBITDA margins | 11.9% | 14.2% | -239bps | 12.4% | -50bps | | |
| Other income | 114 | 78 | 47.4 | 289 | -60.4 | 14.4 | Dividend income. |
| Depreciation | 299 | 360 | -17.0 | 301 | -1.0 | -1.9 | |
| Interest | 21 | 19 | 8.4 | 22 | -5.9 | -17.6 | |
| PBT | 850 | 835 | 1.7 | 1053 | -19.3 | 2.4 | |
| PAT | 751 | 731 | 2.8 | 953 | -21.2 | 5.2 | |

Standalone

| Year End March (Rs mn) | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 |
|------------------------|--------|--------|--------|--------|--------|
| Revenue | 7979 | 8072 | 8509 | 8808 | 8897 |
| Operating expense | 6144 | 6374 | 6799 | 6939 | 7010 |
| Opex as % of sales | 77.0% | 79.0% | 79.9% | 78.8% | 78.8% |
| Employee | 422 | 453 | 475 | 476 | 493 |
| Other expenses | 277 | 254 | 319 | 305 | 340 |
| EBITDA | 1136 | 992 | 916 | 1088 | 1054 |
| EBITDA margins (%) | 14.2% | 12.3% | 10.8% | 12.4% | 11.9% |
| Other Income | 77.6 | 159.2 | 75.9 | 288.8 | 114.4 |
| Depreciation | 359.5 | 278.4 | 289.3 | 301.4 | 298.5 |
| Interest | 19.0 | 18.7 | 21.1 | 21.9 | 20.6 |
| PBT | 835.4 | 853.9 | 681.6 | 1053.4 | 849.7 |
| Tax | 104.4 | 87.6 | 107.5 | 100.0 | 98.4 |
| Tax rate (%) | 12.5% | 10.3% | 15.8% | 9.5% | 11.6% |
| Adj PAT | 731 | 766 | 574 | 953 | 751 |
| Extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported PAT | 731 | 766 | 574 | 953 | 751 |
| EPS (Rs) | 9.5 | 10.0 | 7.5 | 12.4 | 9.8 |

Source: PhillipCapital India Research

Segmental details

| Standalone | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 |
|---------------------|--------|--------|--------|--------|--------|
| Freight Division | 3906 | 3764 | 3944 | 4045 | 4228 |
| Supply chain | 2564 | 2862 | 3429 | 3196 | 3317 |
| Seaways | 1607 | 1525 | 1242 | 1702 | 1521 |
| Energy | 12 | 16 | 19 | 15 | 11 |
| EBIT (Rs mn) | | | | | |
| Freight Division | 170 | 133 | 158 | 187 | 191 |
| Supply chain | 183 | 155 | 220 | 187 | 216 |
| Seaways | 477 | 461 | 304 | 458 | 422 |
| Energy | 6 | 8 | 10 | 8 | 4 |
| EBIT (%) | | | | | |
| Freight Division | 4.4% | 3.5% | 4.0% | 4.6% | 4.5% |
| Supply chain | 7.1% | 5.4% | 6.4% | 5.9% | 6.5% |
| Seaways | 29.7% | 30.2% | 24.5% | 26.9% | 27.7% |

Source: PhillipCapital India Research

Coverage Universe

| Company | Size | Fw PE (FY24) | Reco/Upside | |
|--------------------------------|------|--------------|-------------|------|
| Container Corporation | M | 25.9 | BUY | 42% |
| Praj Industries Ltd | S | 20.0 | BUY | 26% |
| Pennar Industries Ltd | S | 9.9 | BUY | 23% |
| Indo Count Industries | S | 11.3 | BUY | 25% |
| KDDL | S | 21.2 | BUY | 20% |
| Gateway Distriparks Ltd | S | 13.3 | BUY | 59% |
| Navkar Corporation | S | 10.6 | BUY | 42% |
| Allcargo Logistics Ltd | S | 12.7 | BUY | 34% |
| Aegis Logistics | S | 25.1 | SELL | -20% |
| Mahindra Logistics Limited | S | 45.6 | BUY | 41% |
| Transport Corporation of India | S | 15.0 | BUY | 35% |
| VR Logistics Ltd | S | 24.3 | BUY | 15% |

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

Financials

Income Statement

| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|------------------------------|---------------|---------------|---------------|---------------|
| Net sales | 32,567 | 37,826 | 43,159 | 48,191 |
| Growth, % | 16.2 | 16.1 | 14.1 | 11.7 |
| Other operating income | - | - | - | - |
| Raw material expenses | 25,766 | 30,307 | 34,528 | 38,552 |
| Employee expenses | 1,700 | 1,965 | 2,331 | 2,699 |
| Other Operating expenses | 1,013 | 1,314 | 1,497 | 1,628 |
| EBITDA (Core) | 4,087 | 4,241 | 4,805 | 5,311 |
| Growth, % | 56.5 | 3.7 | 13.3 | 10.5 |
| Margin, % | 12.6 | 11.2 | 11.1 | 11.0 |
| Depreciation | 1,130 | 1,214 | 1,342 | 1,476 |
| EBIT | 2,957 | 3,027 | 3,463 | 3,835 |
| Growth, % | 75.6 | 2.3 | 14.4 | 10.8 |
| Margin, % | 9.1 | 8.0 | 8.0 | 8.0 |
| Interest paid | 128 | 98 | 120 | 115 |
| Other Income | 199 | 303 | 222 | 233 |
| Non-recurring Items | - | - | - | - |
| Pre tax profit | 3,028 | 3,231 | 3,565 | 3,953 |
| Tax provided | 377 | 434 | 642 | 712 |
| Profit after tax | 2,896 | 3,208 | 3,367 | 3,730 |
| Minorities/JV shares | 245 | 411 | 444 | 488 |
| Net Profit | 2,896 | 3,208 | 3,367 | 3,730 |
| Growth, % | (21.8) | 52.0 | (26.5) | 5.0 |
| Net Profit (adjusted) | 2,896 | 3,208 | 3,367 | 3,730 |
| Unadj. shares (m) | 77 | 78 | 78 | 78 |
| Wtd avg shares (m) | 78 | 78 | 78 | 78 |

Balance Sheet

| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Cash & bank | 745 | 1,846 | 3,092 | 4,400 |
| Marketable securities at cost | 147 | 882 | 917 | 954 |
| Debtors | 5,083 | 5,609 | 8,277 | 9,242 |
| Inventory | 85 | 50 | 55 | 61 |
| Loans & advances | 13 | 12 | 14 | 17 |
| Other current assets | 1,776 | 1,866 | 2,239 | 2,687 |
| Total current assets | 7,700 | 9,383 | 13,678 | 16,406 |
| Investments | 2,031 | 2,482 | 3,474 | 3,995 |
| Gross fixed assets | 11,616 | 12,796 | 14,296 | 16,296 |
| Less: Depreciation | (4,405) | (5,619) | (6,961) | (8,437) |
| Add: Capital WIP | 73 | 260 | 183 | 183 |
| Net fixed assets | 7,314 | 7,465 | 7,570 | 8,094 |
| Non - current assets | 773 | 707 | 900 | 1,000 |
| Total assets | 17,964 | 20,918 | 26,539 | 30,449 |
| Trade Payables | 851 | 760 | 1,064 | 1,188 |
| Provisions | 252 | 283 | 312 | 343 |
| Total current liabilities | 2,141 | 2,135 | 3,149 | 3,511 |
| Non - current liabilities | 934 | 962 | 900 | 846 |
| Total liabilities | 15,823 | 18,784 | 23,390 | 26,938 |
| Paid - up capital | 154 | 155 | 155 | 155 |
| Reserves & surplus | 14,148 | 16,863 | 21,518 | 25,109 |
| Minorities | 274 | 301 | 307 | 313 |
| Shareholders' equity | 14,576 | 17,319 | 21,980 | 25,577 |
| Total equity & liabilities | 17,964 | 20,918 | 26,539 | 30,449 |

Cash Flow

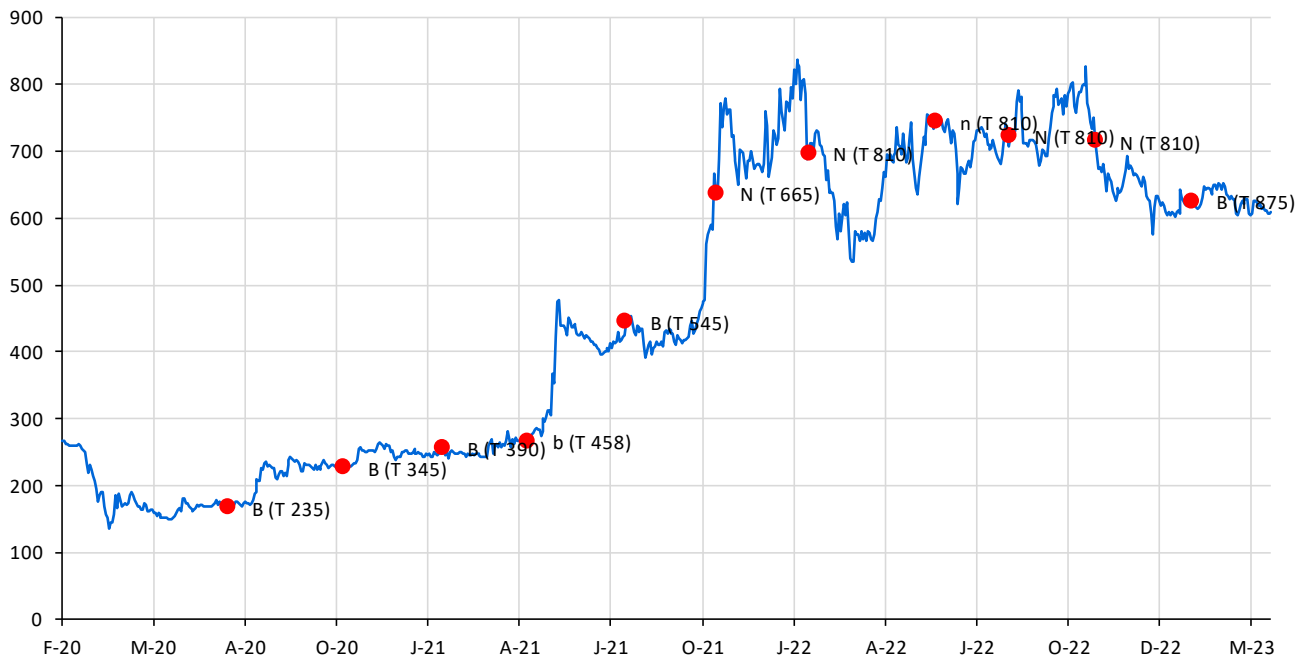
| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|--|----------------|----------------|----------------|----------------|
| Pre-tax profit | 3,028 | 3,231 | 3,565 | 3,953 |
| Depreciation | 1,130 | 1,214 | 1,342 | 1,476 |
| Chg in working capital | (336) | (588) | (2,034) | (1,059) |
| Total tax paid | (377) | (434) | (642) | (712) |
| Cash flow from operating activities | 3,619 | 3,629 | 2,573 | 4,029 |
| Capital expenditure | (984) | (1,367) | (1,424) | (2,000) |
| Chg in investments | (265) | (1,186) | (1,028) | (558) |
| Chg in marketable securities | - | - | - | - |
| Cash flow from investing activities | (1,051) | (2,250) | (2,229) | (2,324) |
| Free cash flow | 2,681 | 1,464 | 442 | 1,799 |
| Equity raised/(repaid) | 67 | 271 | - | - |
| Debt raised/(repaid) | (1,747) | (22) | (55) | (49) |
| Dividend (incl. tax) | (139) | (140) | (140) | (140) |
| Cash flow from financing activities | (2,498) | (118) | (445) | (433) |
| Net chg in cash | 71 | 1,261 | (101) | 1,271 |

Valuation Ratios

| | FY22 | FY23 | FY24E | FY25E |
|--------------------------------|-------|-------|-------|-------|
| Per Share data | | | | |
| EPS (INR) | 37.3 | 41.4 | 43.4 | 48.1 |
| Growth, % | 96.8 | 10.8 | 5.0 | 10.8 |
| Book NAV/share (INR) | 184.4 | 219.4 | 279.4 | 325.7 |
| FDEPS (INR) | 37.3 | 41.4 | 43.4 | 48.1 |
| CEPS (INR) | 51.9 | 57.0 | 60.7 | 67.1 |
| CFPS (INR) | 46.7 | 46.8 | 33.2 | 51.9 |
| DPS (INR) | 1.5 | 1.5 | 1.5 | 1.5 |
| Return ratios | | | | |
| Return on assets (%) | 16.5 | 16.5 | 14.2 | 13.1 |
| Return on equity (%) | 22.0 | 20.1 | 17.1 | 15.7 |
| Return on capital employed (%) | 17.5 | 15.3 | 12.9 | 12.4 |
| ROIC (%) | 17.2 | 15.5 | 14.0 | 14.0 |
| Turnover ratios | | | | |
| Asset turnover (x) | 4.5 | 5.1 | 5.7 | 6.0 |
| Sales/Net FA (x) | 4.5 | 5.1 | 5.7 | 6.0 |
| Working capital/Sales (%) | 17.1 | 19.2 | 24.4 | 26.8 |
| Receivable days | 57.1 | 51.6 | 58.7 | 66.3 |
| Inventory days | 1.1 | 0.8 | 0.6 | 0.5 |
| Payable days | 9.0 | 7.8 | 7.7 | 8.5 |
| Working capital days | 62.3 | 69.9 | 89.0 | 97.7 |
| Liquidity ratios | | | | |
| Current ratio (x) | 3.6 | 4.4 | 4.3 | 4.7 |
| Quick ratio (x) | 0.5 | 0.5 | 0.6 | 0.6 |
| Interest cover (x) | 23.0 | 30.8 | 28.9 | 33.3 |
| Total debt/Equity (x) | 0.1 | 0.1 | 0.0 | 0.0 |
| Net debt/Equity (x) | 0.0 | (0.1) | (0.1) | (0.1) |
| Valuation | | | | |
| PER (x) | 17.4 | 15.7 | 15.0 | 13.5 |
| PEG (x) yoy growth | 0.2 | 1.5 | 3.0 | 1.3 |
| Price/Book (x) | 3.5 | 3.0 | 2.3 | 2.0 |
| EV/Net sales (x) | 1.6 | 1.3 | 1.1 | 1.0 |
| EV/EBITDA (x) | 12.4 | 11.7 | 10.0 | 8.8 |
| EV/EBIT (x) | 17.1 | 16.4 | 13.9 | 12.2 |

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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