

Retail Equity Research
Transport Corporation of India Ltd.

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 61,964

BUY

12 Months Investment Period Rating as per Small Cap

CMP Rs. 660 TARGET Rs. 813 RETURN 23% ↑
(Closing: 22-05-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Q4 mixed...long term outlook intact

Transport Corporation of India Ltd. (TCI) is one of the largest integrated players in the organised logistics industry. Key business segments include freight, supply chain, warehousing solutions, & shipping services.

- Revenue grew by 9% YoY, led by healthy volume from supply chain & freight business, was in-line with our expectations.
- EBITDA declined by 9% YoY, and margins dipped by 230bps YoY 11%. This was on account of an increase in operating expenses and a lower contribution from seaway businesses.
- Expect stable volumes in freight, E-commerce, and supply chain businesses, while seaway business is expected to improve with the addition of a new ship.
- We expect PAT to grow at a 15% CAGR over FY23-25E, with 40bps improvement in margins supported by lower fuel prices.
- We value TCI at a P/E of 15x on FY25E, given healthy earning and return ratios, we maintain a BUY rating on the stock with a target price of Rs.813.

Revenue growth stable...

TCI's Q4FY23 revenue grew by 9% YoY, led by strong growth in its supply chain business and stable freight business. The supply chain business saw strong momentum of 26% YoY, led by retention and the addition of new clients. Freight business grew by stable 5% YoY, despite a higher base. Revenue from seaway the segment business declined by 5.3% YoY, largely due to subdued volumes and a fall in rates. Myanmar cargo volumes, which have high margins, were subdued during the quarter. While drydocking, certain ships also impact utilisation rates. In the near term, consumer sentiments is anticipated to see some moderation due to current high inflation levels. However, in the long term, higher government spending on infrastructure, penetration of e-commerce, and a revival in consumer sentiment will drive growth. Addition of a ship in FY24 and higher utilisation of existing ships are expected to drive growth in H2FY24E. CAPEX plans for FY24 were ~Rs.340cr. We expect revenue growth to normalise starting from FY24E and factor revenue to grow at a 13% CAGR over FY23-FY25E.

Margins to improve

In Q4FY23, gross margin declined by 170bps YoY to 20.0% on account of lower volumes from the high margins seaway division and higher operating expenses. EBITDA margin declined by 230bps YoY to 11.0%, and consequently, PAT declined by 5% YoY. We lower our EPS estimates by 2% for FY24E to factor in higher costs. We expect PAT to grow by 15% CAGR over FY23-25E.

Valuations

The long term outlook for the sector remains positive, given strong economic growth prospects, increasing penetration of e-commerce and GST & e-way bills. Given TCI's well-diversified service offerings, multi sectorial presence and healthy balance sheet, we maintain our positive stance. We value TCI at a P/E of 15x on FY25E and maintain BUY rating, with a target price of Rs. 813.

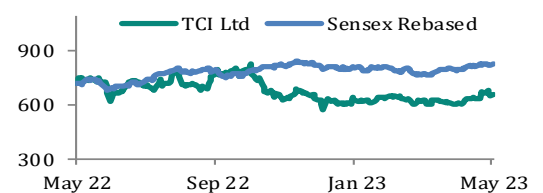
Company Data

Market Cap (cr)	Rs.5,123
Enterprise Value (cr)	Rs.5,032
Outstanding Shares (cr)	7.7
Free Float	31.0%
Dividend Yield	0.88%
52 week high	Rs.844
52 week low	Rs.556
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q2FY23	Q3FY23	Q4FY23
Promoters	69.0	69.0	69.0
FII's	3.3	3.3	3.3
MFs/Institutions	11.8	11.7	11.7
Public	10.8	11.0	11.0
Others	5.1	5.0	5.0
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.5%	3.8%	-8.8%
Absolute Sensex	2.1%	0.7%	14.1%
Relative Return*	-0.6%	3.0%	-22.8%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	3,783	4,282	4,836
Growth (%)	16.1	13.2	12.9
EBITDA	424	480	561
EBITDA Margin(%)	11.2	11.2	11.6
PAT Adj.	321	359	421
Growth (%)	10.4	11.9	17.2
Adjusted EPS	41.3	46.3	54.2
Growth (%)	10.4	11.9	17.2
P/E	16.0	14.3	12.2
P/B	3.0	2.6	2.2
EV/EBITDA	11.6	10.5	8.9
ROE (%)	20.5	19.4	19.2
D/E	0.1	0.0	0.0

ANIL R
Research Analyst



Quarterly Financials

Profit & Loss

Rs (cr)	Q4FY23	Q4FY22	YoY growth (%)	Q3FY23	QoQ growth (%)
Sales	979	898	9.1	967	1.3
EBITDA	108	119	(9.4)	114	(5.6)
EBITDA margins	11.0	13.3	(230bps)	11.8	(80bps)
Depreciation	31	37	(16.2)	31	-
EBIT	77	82	(6.4)	83	(7.3)
Interest	2	2	-	3	(9.6)
Other Income	12	8	59.0	7	7.2
Share of profit from Associate	11	10	9.2	10	4.1
PBT	97	97	-	98	(0.4)
Exceptional Items	(3)	-	-	-	-
Tax	11	11	-	11	-
	-	-	-	-	-
Reported PAT	82	86	(4.6)	87	(4.8)
Adjustments	-	-	-	-	-
Adjusted PAT	82	86	(4.6)	87	(4.8)
No. of Shares	7.7	7.7		7.7	-
EPS (Rs)	10.7	11.2	(4.6)	11.2	(4.8)

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY23E	FY24E
Revenue	4,320	-	4,282	4,836	(0.9)	-
EBITDA	495	-	480	561	(3.1)	-
Margins (%)	11.5	-	11.2	11.6	(30bps)	-
Adj. PAT	365	-	359	421	(2.0)	-
EPS	47.2	-	46.3	54	(2.0)	-

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	2,802	3,257	3,783	4,282	4,836
% change	3.1	16.2	16.1	13.2	12.9
EBITDA	261	409	424	480	561
% change	8.6	56.5	3.7	13.1	17.0
Depreciation	93	113	121	134	152
EBIT	168	296	303	346	409
Interest	27	13	10	11	12
Other Income	25	20	30	38	48
Share of JV	20	28	44	50	50
PBT	174	330	364	422	495
% change	9.5	89.6	10.2	16.0	17.2
Tax	24	38	43	63	74
Tax Rate (%)	13.7	11.4	11.9	15.0	15.0
Reported PAT	147	290	317	359	421
Adj.*	13	-	3	-	-
Adj. PAT	160	290	321	359	421
% change	5.2	23.3	10.7	11.9	17.2
No. of shares (cr)	7.7	7.7	7.8	7.8	7.8
Adj EPS (Rs)	20.8	37.5	41.3	46.3	54.2
% change	4.8	80.3	10.4	11.9	17.2
DPS (Rs)	1.9	5.3	7.0	7.0	7.0

BALANCE SHEET

Y.E March (Rs Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	34	68	170	34	83
Accounts Receivable	511	508	561	634	729
Inventories	7	8	5	11	14
Other Cur. Assets	227	241	262	341	425
Investments	150	193	286	346	426
Gross Fixed Assets	1,133	1,314	1,426	1,801	2,001
Net Fixed Assets	802	798	788	1,030	1,077
CWIP	5	7	26	30	50
Intangible Assets	3	3	3	3	3
Def. Tax (Net)	(27)	(28)	(30)	(30)	(30)
Other Assets	-	-	-	-	-
Total Assets	1,711	1,799	2,071	2,398	2,777
Current Liabilities	267	219	217	235	244
Provisions	9	25	28	33	37
Debt Funds	257	98	94	94	94
Other Liabilities	9	27	30	30	30
Equity Capital	15	15	16	16	16
Reserves & Surplus	1,154	1,415	1,686	1,991	2,357
Shareholder's Fund	1,170	1,430	1,702	2,006	2,373
Total Liabilities	1,711	1,799	2,071	2,398	2,777
BVPS	152	185	219	259	306

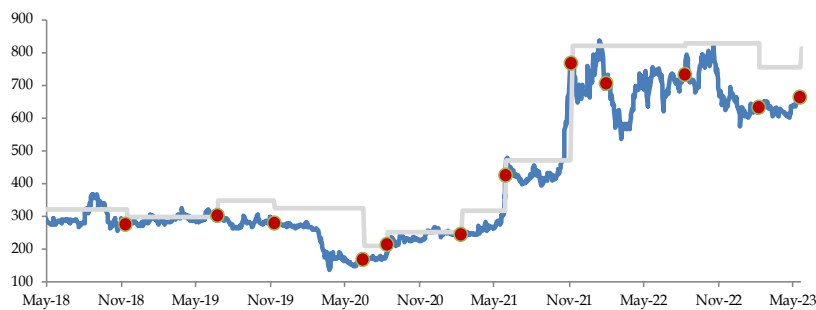
CASH FLOW

Y.E March (Rs Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	243	406	442	493	573
Non-cash adj.	43	(22)	(8)	(76)	(86)
Changes in W.C	18	(16)	(73)	(136)	(169)
C.F. Operation	305	368	361	281	318
Capital exp.	(124)	(71)	(153)	(379)	(220)
Change in inv.	(2)	(3)	(7)	(60)	(80)
Other invest.CF	20	(3)	(33)	88	98
C.F - Investment	(106)	(76)	(193)	(351)	(202)
Issue of equity	4	3	4	-	-
Issue/repay debt	(145)	(226)	(8)	-	-
Dividends paid	(10)	(41)	(54)	(54)	(54)
Other finance.CF	(27)	6	(7)	(11)	(12)
C.F - Finance	(178)	(258)	(65)	(66)	(66)
Chg. in cash	21	34	102	(136)	50
Closing cash	34	68	170	34	83

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab & Return					
EBITDA margin (%)	9.3	12.6	11.2	11.2	11.6
EBIT margin (%)	6.0	9.1	8.0	8.1	8.5
Net profit mgn.(%)	5.7	8.9	8.5	8.4	8.7
ROE (%)	14.6	22.3	20.5	19.4	19.2
ROCE (%)	10.4	18.0	17.5	16.1	16.1
W.C & Liquidity					
Receivables (days)	65.0	57.1	51.6	50.9	51.4
Inventory (days)	0.9	0.9	0.6	0.7	0.9
Payables (days)	0.9	2.0	2.8	2.6	2.3
Current ratio (x)	2.8	3.4	4.1	3.8	4.5
Quick ratio (x)	2.0	2.6	3.4	2.8	3.3
Turnover & Leverage					
Gross asset T.O (x)	2.5	2.7	2.8	2.7	2.5
Total asset T.O (x)	1.7	1.9	2.0	1.9	1.9
Int. covge. ratio (x)	6.3	23.1	30.8	30.7	33.6
Adj. debt/equity (x)	0.2	0.1	0.1	0.0	0.0
Valuation					
EV/Sales (x)	1.9	1.6	1.3	1.2	1.1
EV/EBITDA (x)	20.4	12.6	11.9	10.8	9.2
P/E (x)	31.8	17.6	16.0	14.3	12.2
P/BV (x)	4.4	3.6	3.0	2.6	2.2

Recommendation summary



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
12-August-22	Accumulate	829
09-February-23	Buy	755
23-May-23	Buy	813

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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