

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR210
Target Price	: INR275
Potential Return	: 31%

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Market data

Sensex	:	38,310
Sector	:	Transport
Market Cap (INRbn)	:	16.2
Market Cap (USDbn)	:	0.216
O/S Shares (m)	:	77.0
52-wk HI/LO (INR)	:	313/121
Avg Daily Vol ('000)	:	93
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY20	FY21e	FY22e
EPS (INR)	20.0	15.2	21.2
P/E	10.5	13.8	9.9
P/BV	1.6	1.4	1.3
EV/EBITDA	8.4	9.1	6.9
Dividend Yield (%)	1.0	1.0	1.0

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	25	32	(19)	(20)
Relative	20	10	(12)	(23)

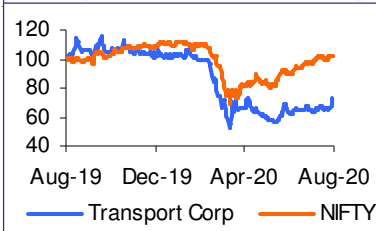
Source: Company, Antique

Shareholding pattern

Promoters	:	67%
Public	:	33%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

1QFY21 RESULT REVIEW

Transport Corporation of India

Revenue and margins both better than estimates

TCIL's 1QFY21 consolidated topline fell 38%YoY to INR4.1bn (est: INR3.3bn) led by 32%/53%/13% YoY decline in Freight/Supply Chain/Seaways segment. EBITDA declined 48% YoY to INR306mn (est: INR 90mn). EBITDA Margins contracted YoY to 7.5% vs. 9.2% YoY/9.3% QoQ. PAT fell 86% YoY to INR47mn. In 1Q, revenue runrate in April was 10-15%, in May at 30-35%, in June 65-80%. Currently operations have reached to ~80-85% of normal runrate as business re-stocking has begun ahead of festive season. The drivers/labours availability is also improving gradually. For FY21, the company is targeting to reach atleast 80-90% of last year's revenue and maintain similar margins. As per the management, the demand in FY21 would be mostly fueled by e-commerce, consumption, along with ongoing movement in agriculture, food processing, pharmaceuticals, and the chemicals sector. Going forward, Management expects (1) Moderate shift in traffic from road to rail to continue in the medium term; (2) Increased demand for Grade-A warehousing for safety stock with consolidation of locations; Customers moving from Just In Time to Just in Safe environment; (3) Improving traction in multimodal transportation; (4) Possible consolidation in the sector with shift from unorganized to organized. In FY21, TCI is targeting to spend INR1.25bn capex on Hub centers, warehouses, and trucks/other vehicles. Post 1Q, we have maintained our estimates for Company. We value the stock INR275. Earnings will track macro recovery; maintain BUY on inexpensive valuations.

Segment-wise performance

Freight division: Freight segment's revenue/PBIT fell ~32%/55%YoY in 1QFY20 to INR2.3bn/INR41mn. PBIT margins in the segment contracted to 1.8% vs. 2.7% YoY/3.3%QoQ. The company was able to ramp up operations to 55-60% in 1Q in the segment (on average). For TCI-Concor JV, revenues increased ~80% YoY in 1Q and lot of business was seen from essential services; there was shift from road to rail some of which would be permanent. As per company, freight rates have gone up inline with fuel prices as most contracts have fuel escalation clause. On certain routes like Delhi-Bangalore/Mumbai-Delhi rates have increased by ~10%.

Supply Chain Segment (SCS) revenue/PBIT fell ~53%/81% YoY during 1Q to INR1.1bn/INR32mn. PBIT margins during 1Q contracted YoY to 2.8% vs 6.9% YoY/5% QoQ on account of negative operating leverage. The company was able to ramp-up operations to 45-50% amid downward trends in automotive sector. In Supply chain segment, ~80% of the business is from Automotive businesses and the company has 8-10% market share in Automotive logistics. The company is seeing mixed trends on customer's preference towards willingness to outsource their supply chain requirements; for complete outsourcing, clients are still skeptical, and the transition might be gradual, at best.

Seaways division registered revenue/PBIT decline of 14%/74% YoY in 1Q to INR682mn/INR41mn. Segment PBIT margins during 1Q stood at 6% vs. vs. 19.8% YoY (21.5% QoQ). The segment was not majorly impacted in terms of revenue and operations could be ramped up to 70-80% during the quarter amid high cargo volumes due to shift from Road & Rail. Overall margins were impacted to some extent because of increase in fuel costs by 15-20%. The company plans a capex of INR400mn in FY21, mainly towards the addition of 1 ship by end of 2Q. The company is adding ship 1) to improve multimodal capability, 2) one ship is going for Dry dock which will reduce capacity, 3) Current Asset prices are attractive.

Capex update

The company is targeting to incur INR1.25bn of capex in FY21 vs INR1.1bn YoY. This would be towards 1) Hubs & small centers - INR150mn; 2) Ships- INR400mn; 3) Container-INR280mn; 4) Trucks & Others-INR340mn and Others-INR80mn. The capex is expected to be funded by INR400mn of debt and rest from accruals.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	4,057	3,279	23.7
EBITDA	306	90	241.8
EBITDA margin (%)	7.5	2.7	482bps
Adj net income	47	(89)	NM
FDEPS (Rs)	1	(1)	NM

Source: Company, Antique

Quarterly snapshot

(Rs mn)	1QFY21	1QFY20	% Chg YoY	4QFY20	% Chg QoQ
Net sales	4,057	6,592	(38.5)	6,678	(39.2)
Expenditure	3,751	6,008	(37.6)	6,092	(38.4)
EBITDA	306	584	(47.6)	586	(47.7)
Other income	30	35	(13.6)	68	(55.1)
Interest	74	87	(15.2)	85	(12.8)
Depreciation	206	199	3.4	208	(0.7)
PBT	56	417	(86.6)	418	(86.7)
Tax	9	72	(88.2)	57	(85.1)
PAT	47	344	(86.3)	362	(86.9)
EBITDA margin (%)	7.5	8.9	-131bps	8.8	-122bps
EPS (Rs)	0.6	4.5	(86.3)	4.7	(86.9)

Source: Company, Antique

Sales mix

(INR mn)	1QFY21	1QFY20	Chg YoY	4QFY20	Chg QoQ
Freight Division	2,301	3,386	(32.0)	3,671	(37.3)
Supply Chain Solutions Division	1,145	2,439	(53.1)	2,142	(46.5)
Seaways division	682	789	(13.5)	1,046	(34.8)
Energy Division	14	15	(7.5)	5	195.7
Unallocable & Corporate	26	54	(52.3)	(40)	(164.3)
Less Inter Segment Revenue	80	56	44.1	79	1.8
Total Sales	4,088	6,627	(38.3)	6,744	(39.4)

Source: Company, Antique

PBIT Margin %

	1QFY21	1QFY20	Chg YoY	4QFY20	Chg QoQ
Freight	1.8	2.7	-91bps	3.3	-155bps
Supply Chain Solutions	2.8	6.9	-415bps	5.0	-220bps
Seaways	6.0	19.8	-1389bps	21.5	-1557bps

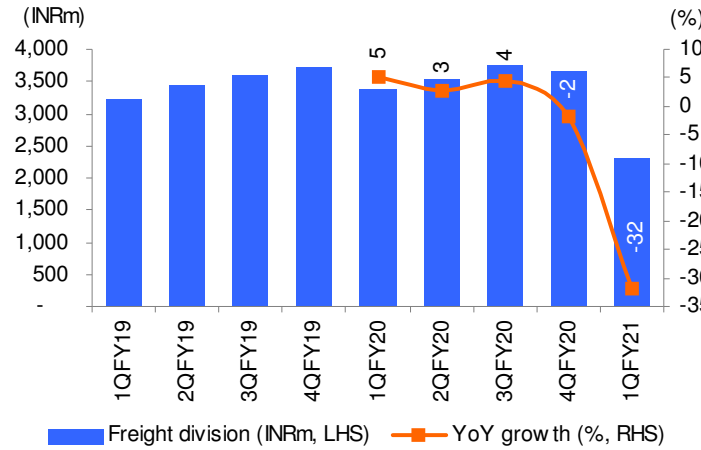
Source: Company, Antique

Change in estimates

Key parameters	FY21e			FY22e		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	24,865	24,886	0.1	29,777	29,802	0.1
EBITDA (Rs mn)	2,195	2,189	(0.3)	2,782	2,789	0.2
EBITDA margin (%)	8.8	8.8	-3bps	9.3	9.4	1bps
Net profit (Rs mn)	1,174	1,166	(0.7)	1,628	1,622	(0.4)
EPS (Rs)	15.3	15.2	(0.7)	21.3	21.2	(0.4)

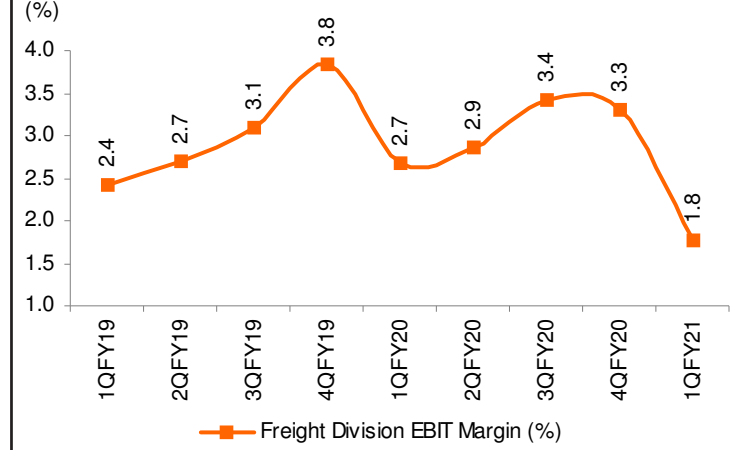
Source: Company, Antique

Freight division sales and growth trend



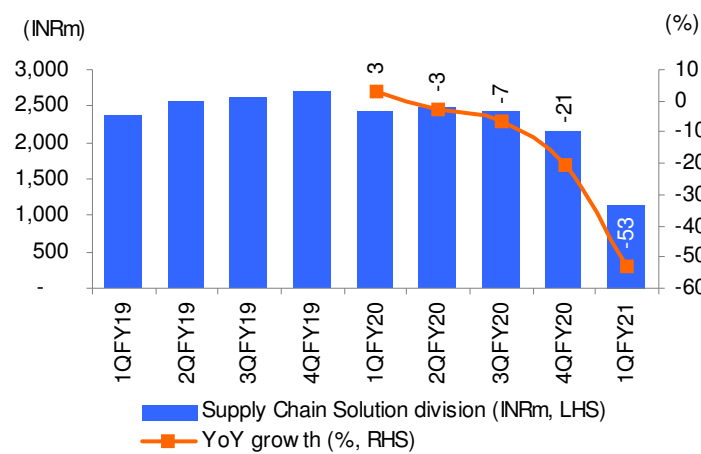
Source: Company, Antique

Freight division EBIT margin trend



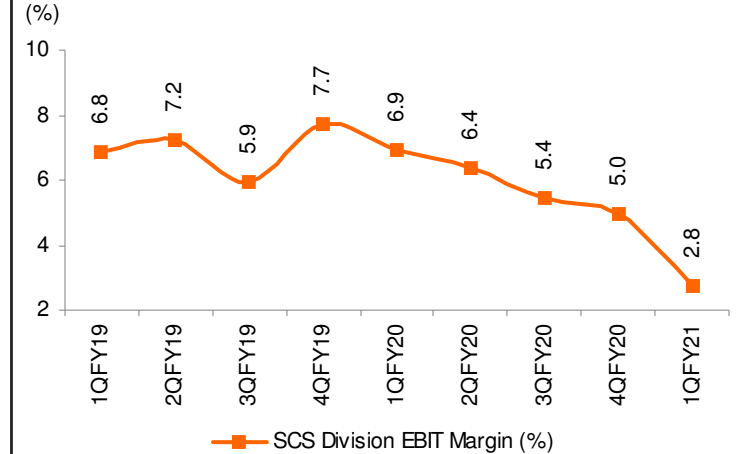
Source: Company, Antique

SCS division sales and growth trend



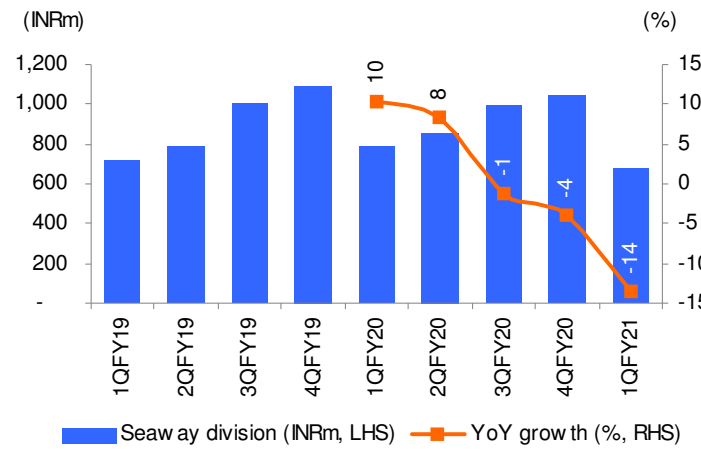
Source: Company, Antique

SCS division EBIT margin trend



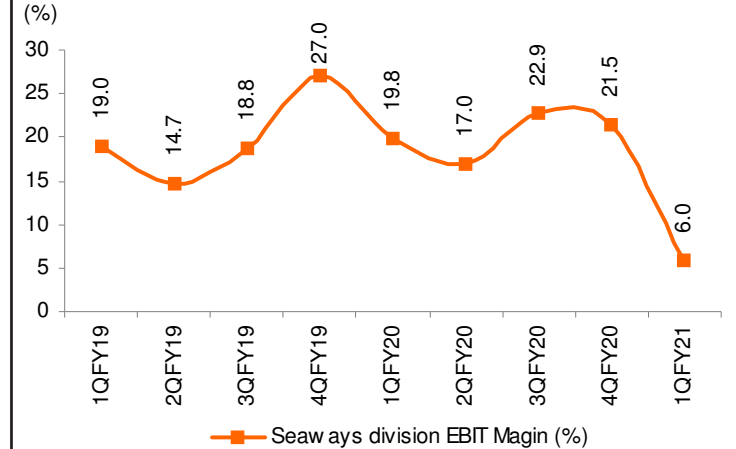
Source: Company, Antique

Seaway division sales and growth trend



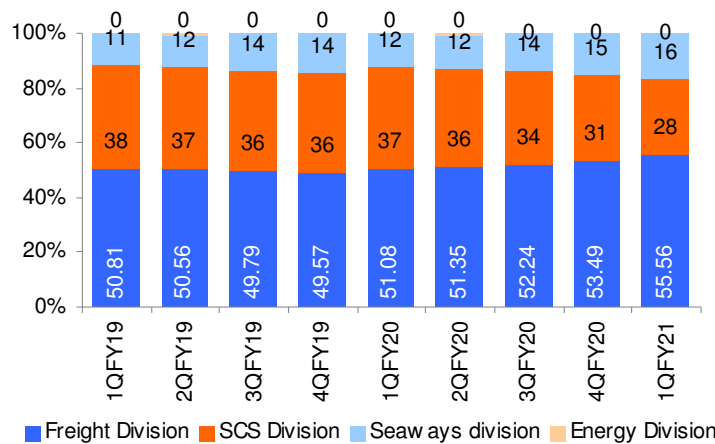
Source: Company, Antique

Seaway division EBIT margin trend



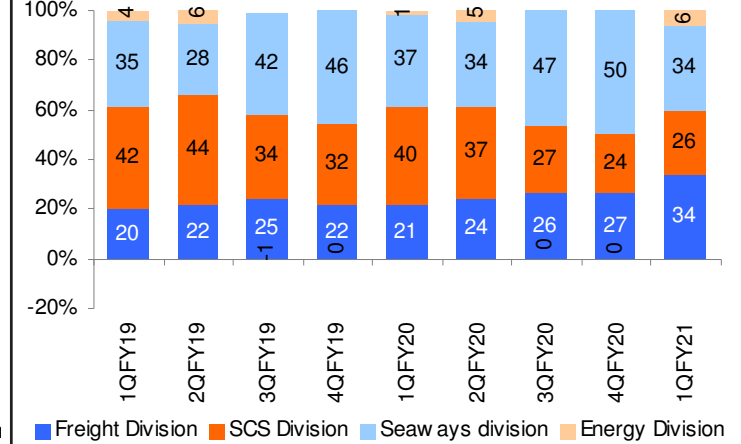
Source: Company, Antique

Sales Mix (%)



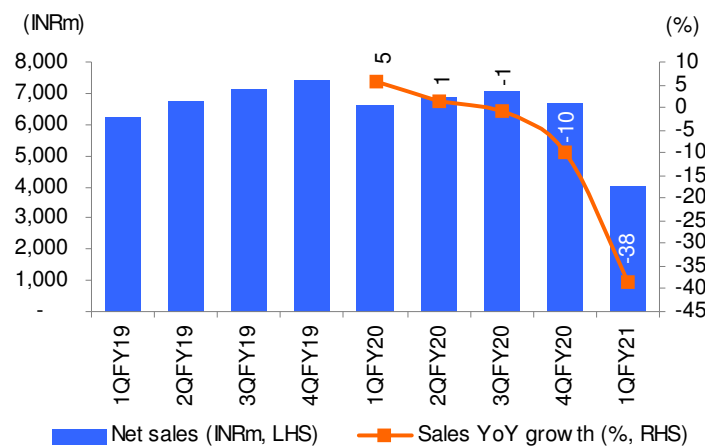
Source: Company, Antique

EBIT Mix (%)



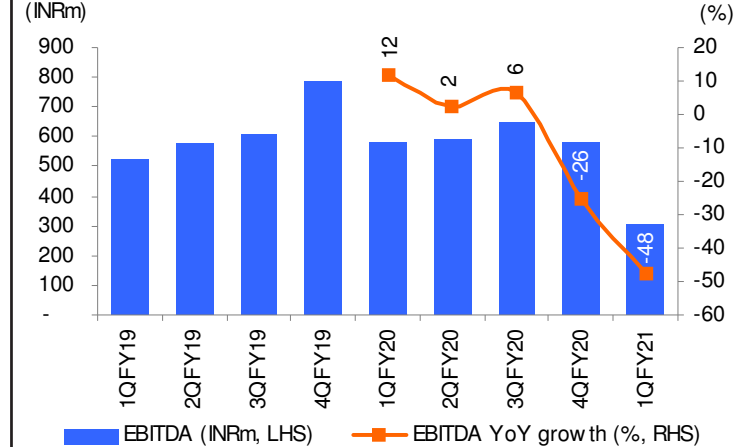
Source: Company, Antique

Total sales and sales growth trend



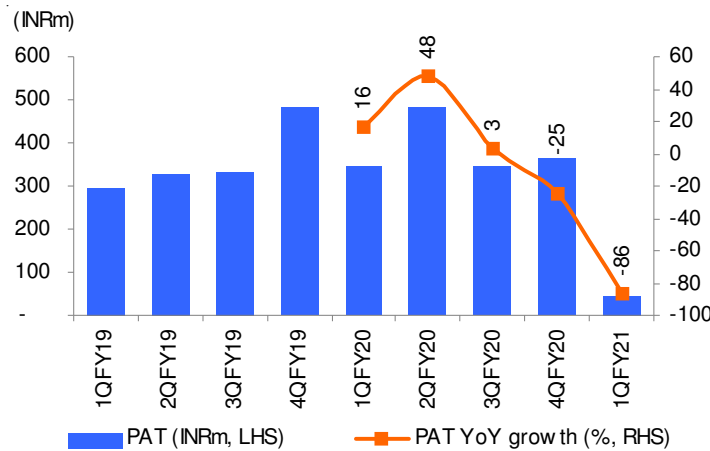
Source: Company, Antique

EBITDA and EBITDA growth trend



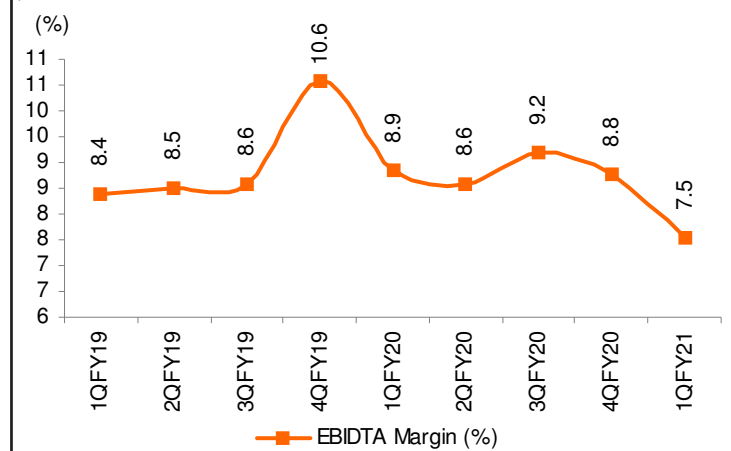
Source: Company, Antique

PAT and PAT growth trend



Source: Company, Antique

EBITDA margin trend



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
Net Revenue	23,499	27,536	27,178	24,886	29,802
Op. Expenses	21,334	25,041	24,773	22,697	27,013
EBITDA	2,165	2,495	2,405	2,189	2,789
Depreciation	686	774	825	864	971
EBIT	1,479	1,721	1,580	1,325	1,818
Other income	144	195	201	205	209
Interest Exp.	322	374	343	326	335
Extra Ordinary Items -gain/(loss)	-	(7)	(99)	-	-
Reported PBT	1,301	1,542	1,438	1,204	1,692
Tax	287	333	159	239	332
Reported PAT	1,014	1,202	1,180	965	1,360
Minority Int./Profit (loss) From Asso.	224	251	252	201	262
Net Profit	1,238	1,453	1,432	1,166	1,622
Adjusted PAT	1,232	1,453	1,531	1,166	1,622
Adjusted EPS (INR)	16.1	19.0	20.0	15.2	21.2

Balance sheet (INRm)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
Share Capital	153	153	154	154	154
Reserves & Surplus	7,465	8,766	10,085	11,066	12,502
Networth	7,618	8,920	10,239	11,220	12,656
Debt	4,396	4,703	4,186	4,186	4,186
Minority Interest	47	52	57	57	57
Net deferred Tax liabilities	445	390	302	302	302
Capital Employed	12,505	14,065	14,784	15,764	17,200
Net Fixed Assets	6,821	7,308	7,933	8,269	8,798
Investments	1,044	1,168	1,354	1,555	1,816
Non Current Investments	1,044	1,168	1,354	1,555	1,816
Current Assets, Loans & Adv.	6,113	7,683	7,547	7,912	8,814
Inventory	33	53	66	66	66
Debtors	4,249	5,151	4,873	4,227	5,062
Cash & Bank balance	142	155	259	1,065	903
Loans & advances and others	1,689	2,324	2,349	2,554	2,782
Current Liabilities & Prov.	1,472	2,095	2,050	1,971	2,227
Liabilities	1,417	2,030	1,948	1,869	2,125
Provisions	55	65	102	102	102
Net Current Assets	4,641	5,589	5,497	5,941	6,586
Application of Funds	12,505	14,065	14,784	15,764	17,200

Per share data

Year ended 31 Mar	2018	2019	2020	2021e	2022e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	99.4	116.4	133.7	146.5	165.2
CEPS (INR)	22.2	25.8	26.2	23.9	30.4
DPS (INR)	1.6	1.8	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
PBT	1,525	1,786	1,591	1,405	1,954
Depreciation & amortisation	686	774	825	864	971
Interest expense	322	374	343	326	335
(Inc)/Dec in working capital	(576)	(719)	117	362	(807)
Tax paid	(368)	(342)	(410)	(239)	(332)
Less: Interest/Div. Income Recd.	(8)	(32)	(11)	(205)	(209)
Other operating Cash Flow	(13)	(11)	68	4	-
CF from operating activities	1,568	1,830	2,523	2,518	1,911
Capital expenditure	(1,591)	(1,291)	(1,336)	(1,205)	(1,500)
Inc/(Dec) in investments	273	(302)	(61)	(201)	(262)
Add: Interest/Div. Income Recd.	9	17	22	205	209
CF from investing activities	(1,309)	(1,576)	(1,375)	(1,200)	(1,552)
Inc/(Dec) in share capital	-	12	24	-	-
Inc/(Dec) in debt	184	307	(517)	-	-
Dividend Paid	(486)	(560)	(545)	(512)	(520)
Others	-	-	(6)	-	-
CF from financing activities	(303)	(241)	(1,044)	(512)	(520)
Net cash flow	(44)	13	104	805	(161)
Opening balance	187	142	155	259	1,065
Closing balance	142	155	259	1,065	903

Growth indicators (%)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
Revenue(%)	21.0	17.2	-1.3	-8.4	19.8
EBITDA(%)	33.6	15.3	-3.6	-9.0	27.4
Adj PAT(%)	52.6	18.0	5.4	-23.8	39.1
Adj EPS(%)	52.6	18.0	5.4	-23.8	39.1

Valuation (x)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
P/E	13.1	11.1	10.5	13.8	9.9
P/BV	2.1	1.8	1.6	1.4	1.3
EV/EBITDA	9.4	8.3	8.4	9.1	6.9
EV/Sales	0.9	0.7	0.7	0.8	0.6
Dividend Yield (%)	0.8	0.9	1.0	1.0	1.0

Financial ratios

Year ended 31 Mar	2018	2019	2020	2021e	2022e
RoE (%)	17.5	17.6	16.0	10.9	13.6
RoCE (%)	13.7	14.4	12.4	10.0	12.3
Asset/T.O (x)	2.2	2.3	2.1	1.8	2.0
Net Debt/Equity (x)	0.56	0.51	0.38	0.28	0.26
EBIT/Interest (x)	5.0	5.1	5.2	4.7	6.1

Margins (%)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
EBITDA Margin(%)	9.2	9.1	8.9	8.8	9.4
EBIT Margin(%)	6.3	6.2	5.8	5.3	6.1
PAT Margin(%)	5.2	5.3	5.6	4.7	5.4

Source: Company Antique

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