

Q1FY21 Result Update

Accumulate

Industry	Logistics
CMP (Rs)	210
FY22E Target Price (Rs)	236
52 Week H/L (Rs)	312/121
Volumes (BSE+NSE)*	28,243
Shares O/S (mn)	76.6
Market Cap (Rs bn)	16.1
Free Float (%)	33.2
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (30/06/2020)

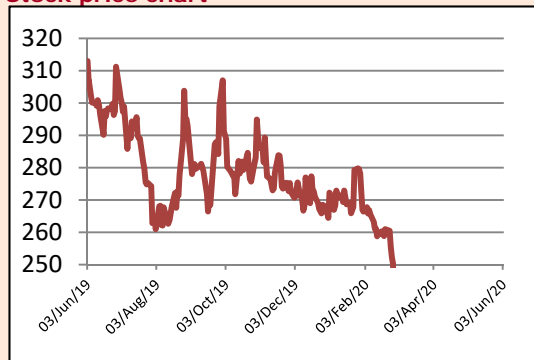
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.8
FII's	1.4	1.8
DII's	7.7	10.1
Others	16.3	21.3
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY20	FY21E	FY22E
Sales	27,178	23,570	27,440
EBITDA	2,405	1,933	2,470
EBITDA Margin	8.9%	8.2%	9.0%
Net Profit	1,523	1,017	1,506
EPS (Rs)	19.9	13.3	19.7
EV/EBITDA (x)	8.1	9.2	7.1
P/E (x)	10.6	15.9	10.7
RoE	15.9%	9.7%	13.5%

Stock price chart



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Transport Corporation of India (TCIL) reported consolidated revenues of Rs 4.0bn, a y-o-y decline of 38.5%. We were expecting a revenue decline of 26.9% y-o-y.

The various Divisions (consolidated) revenues performed thus :

- Transport Division: -38.4% growth y-o-y.
- Supply Chains Solution Division: -57.7% growth y-o-y.
- Seaways Division: -37.3% y-o-y growth.

EBITDA margins recorded a 140bps y-o-y decrease because of decline across all divisions. EBIT margins of the various Divisions are :

- 60bps y-o-y decrease in margin in Transport Division to 1.8%.
- 340bps y-o-y decline in margin in the Supply Chain Solutions Division to 2.8%.
- 840bps y-o-y decrease in Seaways Division to 6.0%

Net profit decrease was at 86.3% y-o-y to Rs 47mn, lower than our expectation of a decline of -66.8% y-o-y.

Sales are impacted due to a lockdown in April and part of May

TCI, however delivered essentials during the quarter like Food Grains, Farm Equipment, Pharmaceuticals, Polymers for PPEs, Sanitizers, Chemicals, etc.

TCI is operating at upwards of 80% capacity now

TCI management hopes to be at 80-90% of FY20 sales in FY21. This is in the context of a likely negative GDP growth in FY21. It will be the management's effort to maintain EBITDA margins at FY20 levels.

Current update on the industry

- Supply Chains are now operating at 75-80%. These were severely broken in April & May.
- For Road Transport (63% of freight traffic) 70-80% of trucks are operational now; this is up from 35-40% q-o-q.
- There is a shortage of drivers though the situation is improving.
- Labour is also in shortage in many industrial zones.
- Rail movement still faces shortage of containers /crews. There are exports but no imports that are taking place.
- Ecom contribution to sales is now in double digits vs low single digits earlier.
- Congestion at Ports is much better now.

Freight rates have gone up in some sectors

This is driven by shortage of drivers and higher fuel prices. Delhi to Bangalore rates are higher by 9.6% y-o-y, Mumbai – Delhi rates are higher by 9.7% y-o-y. In some cases, rates have come down. Freight rates are likely to continue where they are, as capacity addition is slow.

Automotive segment is doing well

This is driven by the need for personal mobility, infrastructure and agriculture.

Capex of Rs 1.25bn in FY21 is mostly self funded

This will be incurred mostly towards hub centres and small warehouses and trucks.

Outlook and Valuations

TCIL trades at a P/E of 15.9x and 10.7x FY21E and FY22E earnings respectively. We value TCIL at 12x FY22E EPS. On that basis, we assign a fair price of Rs 236 and recommend an Accumulate rating on TCIL.

Segmental Performance (Consolidated)

Particulars	Q1FY21	Q1FY20	Y-o-Y Change	Q4FY20	Q-o-Q Change
Revenue (Rs mn)					
Transport	2,301	3,386	-32.0%	3,671	-37.3%
Supply Chain Solutions	1,145	2,439	-53.1%	2,142	-46.5%
Seaways Division	682	789	-13.5%	1,046	-34.8%
Power Division	14	15	-7.5%	6	130.5%
Unallocable & Corporate	26	54	-52.3%	-40	NA
Less: Intersegment Revenue	80	56	44.1%	79	1.8%
Less: Other Income	30	35	-13.6%	68	-55.1%
Total Revenue	4,057	6,592	-38.5%	6,678	-39.2%
PBT (Rs mn)					
Transport	41	90	-55.1%	121	-66.6%
Supply Chain Solutions	32	168	-81.1%	107	-70.2%
Seaways Division	41	157	-74.1%	225	-82.0%
Power Division	8	5	45.3%	0	NA
Less : Interest	74	87	-15.2%	85	-12.8%
Less: Unallocable Expense	15	102	-85.0%	-35	NA
Add: Unallocable Income	25	-103	NA	42	-39.4%
Add: Share of Profit/loss of JV	-1	84	NA	57	NA
Total PBT	56	417	-86.6%	418	-86.7%
EBIT Margins					
Transport	1.8%	2.4%	-60 bps	3.2%	-140 bps
Supply Chain Solutions	2.8%	6.2%	-340 bps	4.4%	-160 bps
Seaways Division	6.0%	14.4%	-840bps	22.7%	-1670bps

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q1FY21	Q1FY20	Y-o-Y Change	Q4FY20	Q-o-Q Change
Operating Income	4,057	6,592	-38.5%	6,678	-39.2%
Less: Expenditures					
Operating Cost	3,313	5,369	-38.3%	5,406	-38.7%
Staff Costs	301	384	-21.6%	420	-28.4%
Other Operating Costs	138	255	-46.1%	266	-48.3%
EBITDA	306	584	-47.6%	586	-47.7%
EBITDA Margin	7.5%	8.9%	-140 bps	8.8%	-130 bps
Other Income	30	35	-13.6%	68	-55.1%
Depreciation	206	199	3.4%	208	-0.7%
EBIT	131	420	-68.9%	446	-70.7%
Interest	74	87	-15.2%	85	-12.8%
Profit/Loss of JV	-1	84	NA	57	NA
Profit Before tax	56	417	-86.6%	418	-86.7%
Tax	9	72	-88.2%	57	-85.1%
Profit After Tax	47	344	-86.3%	362	-86.9%
Non Controlling Interest	0	2	NA	1	NA
Exceptional Items	0	0	NA	0	NA
Net Profit	47	343	-86.2%	361	-86.9%
EPS (Rs)	0.6	4.5	-86.2%	4.7	-86.9%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Income from operations	23,461	27,537	27,178	23,570	27,440
<i>Growth y-o-y</i>	<i>20.8%</i>	<i>17.4%</i>	<i>-1.3%</i>	<i>-13.3%</i>	<i>16.4%</i>
Less: Expenditures					
Operating costs	19,068	22,515	22,143	19,327	22,364
Staff costs	1,245	1,408	1,572	1,367	1,509
Other operating & admin costs	1,021	1,124	1,058	943	1,098
EBITDA	2,127	2,489	2,405	1,933	2,470
<i>EBITDA margin</i>	<i>9.1%</i>	<i>9.0%</i>	<i>8.9%</i>	<i>8.2%</i>	<i>9.0%</i>
Other income	182	195	201	165	192
Depreciation	687	774	825	901	978
EBIT	1,623	1,910	1,782	1,196	1,683
Interest	322	374	343	310	310
Share in net profit of JV	224	251	251	250	300
Profit before tax	1,525	1,787	1,690	1,137	1,674
Tax	287	333	159	114	167
Profit after tax	1,238	1,454	1,531	1,023	1,506
Exceptional items	0	7	99	0	0
Adjusted net profit	1,244	1,463	1,523	1,017	1,506
<i>Growth y-o-y</i>	<i>52.1%</i>	<i>17.5%</i>	<i>4.1%</i>	<i>-33.2%</i>	<i>48.1%</i>
EPS (Rs)	16.2	19.1	19.9	13.3	19.7

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	153	153	154	154	154
Reserves and surplus	7,465	8,766	10,085	10,572	11,372
Shareholders' funds	7,618	8,920	10,239	10,726	11,525
Borrowed funds	3,953	4,142	2,686	3,686	3,686
Lease liability	0	0	31	31	31
Minority interest	47	52	57	57	57
Deferred tax liability (Net)	445	390	102	102	102
Total Liabilities	12,062	13,504	13,114	14,601	15,401
Net fixed assets	6,821	7,308	7,933	8,184	8,456
Investments	1,358	1,168	1,354	1,294	1,234
Current assets, loans & advances	5,799	7,683	6,321	7,217	8,148
Less: Current liabilities & provisions	1,915	2,656	2,493	2,094	2,437
Net current assets	3,883	5,027	3,828	5,123	5,711
Total Assets	12,062	13,504	13,114	14,601	15,401

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Profit before tax	1525	1787	1690	1137	1674
Depreciation	687	774	825	901	978
Interest expense	322	374	343	310	310
Change in receivables	0	0	0	0	0
Change in inventories	-679	-902	278	768	-674
Change in other current assets	-8	-20	-13	8	-10
Change in other current liabilities	366	-949	1201	177	-155
Taxes paid, net	-287	-333	-159	-114	-167
CF from operations	2247	1480	4010	2795	2301
Capex, net	-1440	-1980	-1533	-1529	-1529
(Purchase)/sale of investments	-458.4	189.4	-185.3	60	60
Others	-545	644.6	0	0	0
Cash from investing	-2443	-1146	-1719	-1469	-1469
Interest paid	-322	-374	-343	-310	-310
Change in borrowings, net	157.5	188.9	-1456.2	0	0
Dividends paid	-141	-159	-530	-530	-707
Equity issuance	0.00	0.10	0.40	0.00	0.00
Cash from financing	149	-321	-2188	-444	-620
Net change in cash and equivalents	-47	13	103	882	213
Opening cash balance	190	142	155	1224	2106
Closing cash balance	142	155	259	2106	2319

Key Ratios (Consolidated)

Y/E March	FY18	FY19	FY20	FY21E	FY22E
Profitability					
ROE	17.6%	17.7%	15.9%	9.7%	13.5%
ROCE	14.2%	14.9%	12.9%	8.3%	11.2%
Margins					
EBITDA	9.1%	9.0%	8.9%	8.2%	9.0%
Net Profit	5.3%	5.3%	5.6%	4.3%	5.5%
Leverage and Coverage					
Interest Coverage	19.8%	19.6%	19.3%	25.9%	18.4%
Debt/Equity	0.5	0.5	0.4	0.3	0.3
Per Share					
EPS (Rs)	16.2	19.1	19.9	13.3	19.7
Book Value Per Share (Rs)	99.4	116.4	133.7	140.0	150.5
Valuation					
P/E	13.0	11.1	10.6	15.9	10.7
P/BV	2.1	1.8	1.6	1.5	1.4
EV/Sales	0.9	0.7	0.7	0.8	0.6
EV/EBITDA	9.4	8.1	8.1	9.2	7.1

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