

Q1FY22 Result Update

Hold

Industry	Logistics
CMP (Rs)	426
FY23E Target Price (Rs)	457
52 Week H/L (Rs)	510/185
Volumes (BSE+NSE)*	28,243
Shares O/S (mn)	77.1
Market Cap (Rs bn)	32.7
Free Float (%)	33.3
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (30/06/2021)

Particulars	Shares (mn)	Holding (%)
Promoters	51.4	66.7
FIIIs	1.9	2.4
DIIIs	9.5	12.4
Others	14.3	18.5
Total	77.1	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY21	FY22E	FY23E
Sales	28,024	31,387	36,095
EBITDA	2,612	2,919	3,573
EBITDA Margin	9.3%	9.3%	9.9%
Net Profit	1,586	1,795	2,335
EPS (Rs)	21.0	23.4	30.5
EV/EBITDA (x)	13.2	11.7	9.1
P/E (x)	20.2	18.2	14.0
RoE	14.7%	14.7%	16.7%

Stock price chart


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Transport Corporation of India (TCI) reported consolidated revenues of Rs 6961mn, a y-o-y increase of 71.6%. We were expecting a revenue growth of 54.4% y-o-y.

The various Divisions (consolidated) revenues performed thus :

- Transport Division: 58.5% growth y-o-y.
- Supply Chains Solution Division: 97.6% growth y-o-y. This was led by a recovery in autos which contributes to 80% of revenues. Also helping growth was growth in FMCG sector.
- Seaways Division: 68.6% y-o-y growth.

EBITDA margins recorded 340bps y-o-y increase because of growth across key divisions. EBIT margins of the various Divisions are :

- 170bps y-o-y increase in margin in Transport Division to 3.5%.
- 260bps y-o-y growth in margin in the Supply Chain Solutions Division to 5.3%.
- 1950bps y-o-y increase in Seaways Division to 25.5%.

The net profit increase was at 897.5% y-o-y to Rs 471mn, better than our expectation of a growth of 429.6% y-o-y. This was due to lower employee cost and other expenses.

Changing product mix in favour of the Supply Chain Solution business, which largely caters to the auto sector

Supply Chain Solution has higher EBIT margins as compared to the Transport division. Another division, which TCI is focusing on is the Seaways division, which has the highest EBIT margins amongst all the divisions. Within Freight division, LTL segment continued to increase its share and currently generate 33% division's revenue. In next few years, management expects it to increase to 40%.

Finance costs continue to decline

This is because, of the continued improvement in working capital management.

TCI's JVs have generated good profit

TCI has JVs with Concor (to provide multi modal solutions) and Mitsui & Co (for auto supply chain solutions for Toyota and other Japanese companies present in India). The TCI-Concor JV generated revenues of Rs 753mn, a y-o-y increase of 3.7%. The Transystem (TCI-Mitsui JV) generated revenues of Rs 773mn, a y-o-y increase of 167.9%. A TCI cold chain solution which mainly provides temperature controlled warehousing solutions to its customers reported revenues of Rs 125mn, a y-o-y increase of 89%.

Outlook and Valuations

TCI trades at a P/E of 18.2x and 14.0x FY22E and FY23E earnings respectively. We value TCI at 15x FY23E EPS. On that basis, we assign a fair price of Rs 457 and recommend a Hold rating on TCI.

Segmental Performance (Consolidated)

(Rs mn) Consolidated	Q1FY22	Q1FY21	Y-o-Y Change	Q4FY21	Q-o-Q Change
Transport Division	3,647	2,301	58.5%	4,763	-23.4%
Supply Chain Solutions	2,263	1,145	97.6%	3,041	-25.6%
Seaways Division	1,150	682	68.6%	1,301	-11.6%
Energy Division	15	14	10.3%	5	183.0%
Unallocable & Corporate	29	26	12.5%	81	-64.2%
Less : Intersegment Revenues	101	80	25.8%	152	-33.6%
Less: Other Income	41	30	34.2%	113	-63.8%
Total	6,961	4,057	71.6%	8,927	-22.0%
PBT					
Transport Division	127	41	213.3%	190	-33.1%
Supply Chain Solutions	121	32	280.8%	209	-42.2%
Seaways Division	293	41	622.4%	306	-4.0%
Power Division	10	8	27.3%	-1	-1500.0%
Less : Interest	47	74	-36.1%	61	-22.7%
Less: Unallocable Expense	28	15	84.3%	69	-59.2%
Less: Unallocable income	29	25	12.2%	85	-66.4%
Add : Profit/loss of JV	35	-1	-2983.3%	104	-66.7%
Less : Exceptional items	0	0	NA	-26	NA
Total	539	56	866.8%	736	-26.8%
EBIT Margins (%)					
Transport Division	3.5%	1.8%	+170 bps	4.0%	-50 bps
Supply Chain Solutions	5.3%	2.8%	+260 bps	6.9%	-160 bps
Seaways Division	25.5%	6.0%	+1950bps	23.5%	+200bps

Quarterly Financials (Consolidated)

(Rs mn) Consolidated	Q1FY22	Q1FY21	Y-o-Y Change	Q4FY21	Q-o-Q Change
Income from operations	6,961	4,057	71.6%	8,927	-22.0%
Less:					
Operating Cost	5,609	3,313	69.3%	7,295	-23.1%
Staff cost	413	301	37.1%	440	-6.2%
Other operating exp	182	138	32.4%	305	-40.4%
EBITDA	758	306	147.3%	886	-14.5%
EBITDA margin	10.9%	7.5%	+340 bps	9.9%	+100 bps
Exceptional Items	0	0	NA	-26	NA
Other income	41	30	34.2%	113	-63.8%
Depreciation	247	206	20.0%	280	-11.8%
EBIT	551	131	321.9%	693	-20.4%
Financial expenses	47	74	-36.1%	61	-22.7%
Profit/loss of JV	35	-1	-2983.3%	104	NA
PBT	539	56	866.8%	736	-26.8%
Taxation	64	9	650.6%	81	-20.9%
PAT	475	47	905.7%	655	-27.5%
Non Controlling Interest	4	0	NA	9	NA
Net Profit	471	47	897.5%	672	-30.0%
EPS (Rs)	6.1	0.6	897.5%	8.8	-30.0%

Income Statement (Consolidated)

Y/E March (Rs mn) Consolidated	FY18	FY19	FY20	FY21	FY22E	FY23E
Income from operations	23,461	27,537	27,178	28,024	31,387	36,095
<i>Growth (%)</i>	<i>20.8%</i>	<i>17.4%</i>	<i>-1.3%</i>	<i>3.1%</i>	<i>12.0%</i>	<i>15.0%</i>
Less:						
Operating cost	19,068	22,515	22,143	22,972	25,580	29,273
Staff cost	1,245	1,408	1,572	1,455	1,726	1,985
Other operating exp	1,021	1,124	1,058	984	1,161	1,263
EBITDA	2,127	2,489	2,405	2,612	2,919	3,573
EBITDA Margin (%)	9.1%	9.0%	8.8%	9.3%	9.3%	9.9%
Exceptional Items		7	-99	-104	0	0
Other income	182	195	201	255	173	217
Depreciation & amortization	687	774	825	928	930	1,000
EBIT	1,623	1,917	1,682	1,835	2,162	2,790
Financial expenses	322	374	343	267	258	258
Share in Net Profit of JV	224	251	251	201	200	200
PBT	1,525	1,794	1,590	1,743	2,103	2,732
Taxation	287	333	159	238	294	382
PAT	1,238	1,460	1,431	1,504	1,809	2,350
Minority interest	6	9	15	23	14	15
Adjusted Net Profit	1,232	1,445	1,515	1,586	1,795	2,335
<i>Growth</i>	<i>52.6</i>	<i>17.3</i>	<i>4.9</i>	<i>4.7</i>	<i>13.2</i>	<i>30.1</i>
EPS (Rs)*	16.1	18.9	19.8	21.0	23.4	30.5

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn) Consolidated	FY18	FY19	FY20	FY21	FY22E	FY23E
Share capital	153	153	154	154	154	154
Reserves and surplus	7,465	8,766	10,085	11,543	12,631	14,965
Shareholders' funds	7,618	8,920	10,239	11,697	12,784	15,119
Borrowed fund	3,953	4,142	3,686	2,347	2,347	2,347
Lease Liability			31	118	118	118
Minority interest	47	52	57	86	86	86
Deferred tax liability (Net)	445	390	102	273	273	273
Total Liabilities	12,062	13,504	14,114	14,521	15,608	17,943
Net fixed assets	6,821	7,308	7,933	8,046	8,093	8,094
Investments	1,358	1,168	1,354	1,500	1,440	1,380
Current assets, loans & advances	5,799	7,683	6,321	7,750	9,185	12,044
Less: Current liabilities & provisions	1,915	2,656	1,493	2,776	3,109	3,575
Net current assets	3,883	5,027	4,828	4,974	6,076	8,469
Total Assets	12,062	13,504	14,115	14,521	15,608	17,943

Cash Flow Statement (Consolidated)

(Y/E March) (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Profit before tax	1525	1794	1590	1743	2103	2732
Depreciation	687	774	825	928	930	1000
Interest expense	322	374	343	267	258	258
Change in receivables	0	0	0	0	0	0
Change in inventories	-679	-902	278	-237	-613	-858
Change in other current assets	-8	-20	-13	-5	-6	-12
Change in current liabilities	366	-949	1201	-1061	-262	-367
Taxes paid, net	-287	-333	-159	-238	-294	-382
CF from Operations	2247	1486	2917	2703	2465	2855
Capex, net	-1440	-1980	-1480	-1469	-1678	-1679
(Purchase)/sale of investments	-458.4	189.4	-185.3	-146.4	60	60
Others	-545	644.6	0	0	0	0
Cash from investing	-2443	-1146	-1665	-1615	-1618	-1619
Interest paid	-322	-374	-343	-267	-258	-258
Change in borrowings, net	157.5	188.9	-456.2	-1338.8	0	0
Dividends paid	-141	-159	-530	-530	-707	0
Equity issuance	0.00	0.10	0.40	0.00	0.00	0.00
Cash from financing	149	-328	-1149	-961	-294	387
Net change in cash and equivalents	-47	13	103	126	553	1623
Opening cash balance	190	142	155	259	385	938
Closing cash balance	142	155	259	385	938	2561

Key Ratios (Consolidated)

Y/E March (Consolidated)	FY18	FY19	FY20	FY21	FY22E	FY23E
Profitability						
ROE	17.5%	17.5%	15.8%	14.7%	14.7%	16.7%
ROCE	14.2%	15.0%	12.2%	12.8%	14.3%	16.6%
Margins						
EBITDA	9.1%	9.0%	8.8%	9.3%	9.3%	9.9%
Net Profit	5.2%	5.2%	5.6%	5.8%	5.7%	6.5%
Leverage and Coverage						
Interest Coverage	19.8%	19.5%	20.4%	14.6%	11.9%	9.3%
Debt/Equity	0.5	0.5	0.4	0.2	0.2	0.2
Per Share						
EPS (Rs)	16.1	18.9	19.8	21.0	23.4	30.5
Book Value Per Share (Rs)	99.4	116.4	133.7	152.7	166.9	197.4
Valuation						
P/E	26.5	22.6	21.5	20.2	18.2	14.0
P/BV	4.3	3.7	3.2	2.8	2.6	2.2
EV/Sales	1.6	1.3	1.3	1.2	1.1	0.9
EV/EBITDA	17.1	14.7	15.0	13.2	11.7	9.1

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