

Retail Equity Research

Transport Corporation of India Ltd

Logistics

BSE CODE : 532349 NSE CODE: TCI
 BLOOMBERG CODE: TRPC:IN SENSEX : 59,333

Accumulate

12Months Investment Period Rating as per Small Cap

CMP Rs. 730 TARGET Rs. 829 RETURN 14% ↑
 (Closing: 11-08-22)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Earnings momentum to continue...

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 30% YoY, led by normalization of economic activities & higher freight rates.
- EBITDA grew by 37% YoY and margins expanded by 60bps YoY to 11.5%. Consequently, PAT grew by 68% YoY.
- Higher freight rates, healthy consumer demand, strong growth in E-commerce and higher contribution from better margin shipping business is expected to drive growth.
- We maintain positive view on TCI, given new capacity additions, healthy earnings of 18% CAGR over FY22-24E and improving outlook for the sector.
- We value TCI at P/E of 16x on FY24E and maintain Accumulate rating with a target price of Rs. 829.

Supply chain witnessed revival...

TCI's Q1FY23 revenue grew by 30% YoY, led by broad based growth across segments. Supply chain segment witnessed strong bounce back, grew by 34% YoY due to pick-up in auto sector volumes. Freight and seaway business grew by 27% & 33% YoY respectively. Seaway division was supported by higher freight rates and high value cargo in the revenue mix. Diversified customer base in the supply segment including retail and FMCG volumes supported. CAPEX for FY23 is expected to in the range of Rs.300cr to be spent on assets including ships, warehouses, containers and rakes. The ship rates continue to remain high which might delay the purchase. Going forward, there are significant opportunities for players like TCI, as retail market is shifting to online, while the pandemic has accelerated this momentum. Strong revival in economy boosted by higher government spending, E-commerce and revival in Auto sector is expected to drive the revenue growth. Festive stocking and FMCG volumes will continue to provide fillip to growth. We factor revenue to grow by 17% CAGR over FY22-FY24E.

EBITDA margin healthy...

Q1FY23, gross margin improved by 40bps YoY to 19.8%, on account of higher realisation and better margin from seaway division. EBITDA grew by 37% YoY, while EBITDA margin improved by 60 bps to 11.5% on account of cost controls. Segmental EBIT of seaway business grew by 57% YoY and margin expanded by 470bps YoY, largely on account of certain high value volume business. Besides, contribution from JV business was up by 30% YoY. Consequently, PAT grew by 68% YoY to 79cr. Given healthy growth across segments and healthy margins, we upgrade our EPS estimates by 18% for FY23E & FY24E. We expect PAT to grow by 18% CAGR over FY22-24E.

Valuations

The sector outlook has significantly improved, given normalization of economic activities, healthy consumer demand and strong growth in E-commerce. With new capacity additions and healthy earnings of 18% CAGR over FY22-24E, we value TCI at P/E of 16x on FY24E, and maintain Accumulate rating, with target price of Rs. 829.

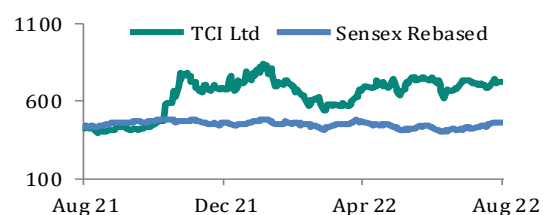
Company Data

Market Cap (cr)	Rs.5,521
Enterprise Value (cr)	Rs.5,544
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	0.57%
52 week high	Rs.858
52 week low	Rs.388
6m average volume (cr)	0.01
Beta	0.75
Face value	Rs.2

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	66.5	66.6	66.5
FII's	2.3	2.7	3.1
MFs/Institutions	12.6	12.3	12.0
Public	10.3	10.3	10.2
Others	8.3	8.2	8.2
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	14.2%	7.4%	68.6%
Absolute Sensex	11.1%	1.1%	7.8%
Relative Return*	3.1%	6.2%	60.8%

*over or under performance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Sales	3,257	3,849	4,494
Growth (%)	16.2	18.2	16.8
EBITDA	409	458	548
EBITDA Margin(%)	12.6	11.9	12.2
PAT Adj.	290	325	401
Growth (%)	81.0	12.2	23.3
Adjusted EPS	37.5	42.0	51.8
Growth (%)	81.0	12.2	23.3
P/E	19.5	17.4	14.1
P/B	3.9	3.2	2.6
EV/EBITDA	13.6	12.2	10.1
ROE (%)	22.3	20.5	20.6
D/E	0.1	0.1	0.0

ANIL R
 Research Analyst

Quarterly Financials

Profit & Loss

	Q1FY23	Q1FY22	YoY growth (%)	Q4FY22	QoQ growth (%)
Sales	903	696	30.0	898	0.6
EBITDA	104	76	37.4	119	(13.0)
EBITDA margins	11.5	10.9	+60bps	13.3	(180bps)
Depreciation	29	25	17.0	37	(22.2)
EBIT	75	51	47.3	82	(8.5)
Interest	2	5	(51.0)	2	3.1
Other Income	5	4	30.4	8	(30.0)
Share of profit from Associate	10	3	182.0	10	0.4
PBT	88	54	63.3	97	(9.6)
Exceptional Items	-	-	-	-	-
Tax	9	6	46.4	11	(14.0)
-	-	-	-	-	-
Reported PAT	79	47	68.0	86	(9.0)
Adjustments	-	-	-	-	-
Adjusted PAT	79	47	68.0	85	(9.0)
No. of Shares	7.7	7.7	-	7.7	-
EPS (Rs)	10.2	6.1	68.0	11.2	(9.0)

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	3,744	4,390	3,849	4,494	2.8	2.4
EBITDA	401	472	458	548	14.2	16.2
Margins (%)	10.8	10.7	11.9	12.2	101bps	150bps
Adj. PAT	273	333	325	401	19.1	20.4
EPS	35.4	43.2	42.0	51.8	18.8	20.0

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Sales	2,718	2,802	3,257	3,849	4,494
% change	(1.3)	3.1	16.2	18.2	16.8
EBITDA	241	261	409	458	548
% change	-3.6	8.6	56.5	12.1	19.7
Depreciation	82	93	113	132	146
EBIT	158	168	296	326	403
Interest	34	27	13	9	9
Other Income	20	25	20	30	36
Share of JV	25	20	28	35	42
PBT	159	174	330	382	472
% change	(10.9)	9.5	89.6	15.7	23.3
Tax	16	24	38	57	71
Tax Rate (%)	10.0	13.7	11.4	15.0	15.0
Reported PAT	142	147	290	325	401
Adj.*	10	13	-	-	-
Adj. PAT	152	160	290	325	401
% change	4.8	5.2	23.3	12.2	23.3
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	19.8	20.8	37.5	42.0	51.8
% change	4.6	4.8	80.3	12.2	23.3
DPS (Rs)	2.6	1.9	1.2	1.2	1.2

BALANCE SHEET

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	13	34	68	53	98
Accounts Receivable	487	511	508	633	763
Inventories	7	7	8	11	13
Other Cur. Assets	248	227	241	285	332
Investments	135	150	193	223	298
Gross Fixed Assets	1,083	1,133	1,314	1,614	1,894
Net Fixed Assets	771	802	798	967	1,101
CWIP	22	5	7	40	50
Intangible Assets	0	3	3	3	3
Def. Tax (Net)	(30)	(27)	(28)	(28)	(28)
Other Assets	-	-	-	-	-
Total Assets	1,653	1,711	1,799	2,186	2,631
Current Liabilities	239	267	219	294	343
Provisions	10	9	25	21	25
Debt Funds	374	257	98	98	98
Other Liabilities	6	9	27	27	27
Equity Capital	15	15	15	15	15
Reserves & Surplus	1,009	1,154	1,415	1,730	2,122
Shareholder's Fund	1,024	1,170	1,430	1,746	2,137
Total Liabilities	1,653	1,711	1,799	2,186	2,631
BVPS	133	152	185	226	276

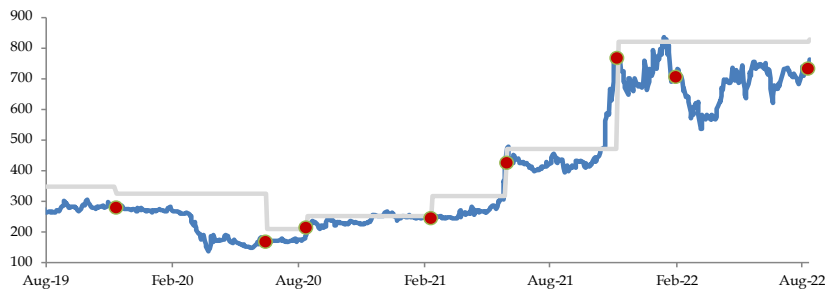
CASH FLOW

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	204	223	375	343	395
Non-cash adj.	(4)	35	(20)	(22)	(27)
Changes in W.C	23	18	(16)	(99)	(127)
C.F. Operation	243	305	368	302	350
Capital exp.	(132)	(124)	(71)	(333)	(290)
Change in inv.	(5)	(2)	(3)	(30)	(75)
Other invest.CF	2	20	(3)	65	78
C.F - Investment	(135)	(106)	(76)	(297)	(287)
Issue of equity	2	4	3	-	-
Issue/repay debt	(52)	(145)	(226)	-	-
Dividends paid	(20)	(10)	(41)	(10)	(10)
Other finance.CF	(34)	(27)	6	(9)	(9)
C.F - Finance	(104)	(178)	(258)	(19)	(18)
Chg. in cash	3	21	34	(14)	44
Closing cash	13	34	68	53	98

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	8.9	9.3	12.6	11.9	12.2
EBIT margin (%)	5.8	6.0	9.1	8.5	9.0
Net profit mgn.(%)	5.6	5.7	8.9	8.4	8.9
ROE (%)	15.9	14.6	22.3	20.5	20.6
ROCE (%)	11.0	10.4	18.0	16.9	17.1
W.C & Liquidity					
Receivables (days)	67.3	65.0	57.1	54.1	56.7
Inventory (days)	0.8	0.9	0.9	0.9	1.0
Payables (days)	0.7	0.9	2.0	2.6	2.2
Current ratio (x)	3.0	2.8	3.4	3.1	3.3
Quick ratio (x)	2.1	2.0	2.6	2.3	2.5
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.5	2.7	2.6	2.6
Total asset T.O (x)	1.7	1.7	1.9	1.9	1.9
Int. covge. ratio (x)	4.6	6.3	23.1	35.0	45.6
Adj. debt/equity (x)	0.4	0.2	0.1	0.1	0.0
Valuation					
EV/Sales (x)	2.2	2.0	1.7	1.4	1.2
EV/EBITDA (x)	24.4	22.0	13.6	12.2	10.1
P/E (x)	36.8	35.1	19.5	17.4	14.1
P/BV (x)	5.5	4.8	3.9	3.2	2.6

Recommendation summary (Last 3 Years)



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

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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