

Transport Corporation of India

Estimate change



TP change



Rating change



CMP: INR630

TP: INR730 (+16%)

Buy

Seaways segment drives profitability

Improving margins keep earnings outlook positive

- TCI reported strong 2QFY22 results, with its topline up 18% YoY to ~INR8.3b.
- Among the key segments, Seaways was up 44% YoY. The Freight segment and Supply Chain segment registered a growth of 16% YoY and 12% YoY, respectively.
- We raise our EPS estimates by 21%/17% for FY23/24 to factor in the improved margin outlook for TCI. The margins in the Seaways segment are expected to be higher than anticipated earlier, driven by high freight rates. We maintain our Buy rating on TCI with a revised TP of INR730/share (15x FY24E EPS).

Stellar show with EBITDA margin at all time high; PAT doubles YoY

- EBITDA grew 68% YoY to INR1b (+38% QoQ). EBITDA margin jumped to a record high of 12.7% (+373bp YoY and 178bp QoQ).
- The EBITDA margin improvement was driven by strong margins generated in the Seaways segment.
- A strong operating performance and lower tax outgo led to the PAT doubling YoY to INR754m.
- The revenue contribution from the Seaways segment to the overall mix rose to 16% in 2QFY22 (v/s 13% in 2QFY21), while the contribution of the Freight/Supply Chain segments stood at ~50%/34%.
- The board declared an interim dividend of INR2/equity share.

Highlights of management commentary

- Revenue guidance was revised upwards to 15-20% YoY for FY22. PAT growth YoY is expected to be in the range of 35-40% in FY22.
- The company's plan to invest in the seventh ship has been pushed to FY23, as the rates for ships have gone up in the recent quarters and are expected to moderate by May'22.
- The higher EBIT margin (~36% levels) clocked by the Seaways segment was due to return payloads available from Myanmar and high freight rates.
- The Less than Truck Load (LTL)/Full Truck Load (FTL) mix of the Freight division remained stagnant at 33%/67% in 1HFY22 (same as 1HFY21). Management expects the LTL share to improve, going forward.

Valuation and view

- We expect the increasing contribution from the high-margin Seaways segment and improving share in the high-margin LTL business to result in the overall EBITDA margin touching ~11% by FY24.
- We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~17%/25%/33% over FY21-24E. The stock trades at 13x FY24 EPS. We maintain our Buy rating with a revised TP of INR730/share (15x FY24E EPS).

	TRPC IN
Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	48.7 / 0.6
52-Week Range (INR)	696 / 222
1, 6, 12 Rel. Per (%)	50/118/128
12M Avg Val (INR M)	87

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	28.0	32.4	38.4
EBITDA	2.6	3.7	4.2
Adj. PAT	1.6	2.6	3.0
EBITDA Margin (%)	9.3	11.3	10.9
Adj. EPS (INR)	20.8	33.6	38.5
EPS Gr. (%)	5.2	61.7	14.4
BV/Sh. (INR)	151.7	182.3	217.3

Ratios

Net D:E	0.2	0.1	0.0
RoE (%)	14.5	20.0	19.1
RoCE (%)	12.4	17.5	17.4
Payout (%)	13.1	8.9	9.1

Valuations

P/E (x)	30.3	18.7	16.4
P/BV (x)	4.2	3.5	2.9
EV/EBITDA(x)	18.9	13.1	11.4
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	3.7	2.9	-0.2

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	66.5	66.7	66.7
DII	12.7	12.4	12.2
FII	2.1	2.4	1.6
Others	18.7	18.5	19.5

FII Includes depository receipts

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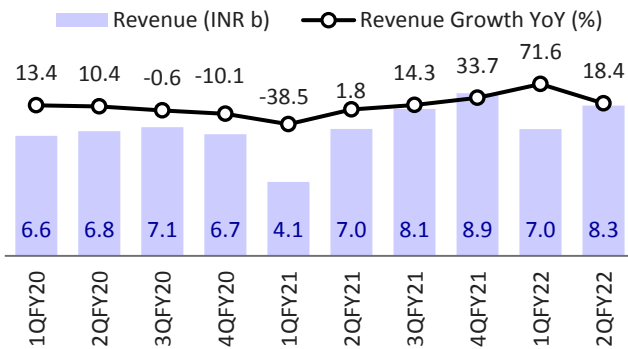
Quarterly Performance

Y/E March (INR m)	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	4,057	6,969	8,071	8,927	6,961	8,251	8,152	8,998	28,024	32,362
YoY Change (%)	-38.5	1.8	14.3	33.7	71.6	18.4	1.0	0.8	3.1	15.5
EBITDA	306	622	797	886	758	1,045	873	996	2,612	3,672
Margins (%)	7.5	8.9	9.9	9.9	10.9	12.7	10.7	11.1	9.3	11.3
YoY Change (%)	-47.6	6.0	23.0	51.3	147.3	67.9	9.6	12.4	8.6	40.6
Depreciation	206	209	233	280	247	256	240	238	928	981
Interest	74	69	63	61	47	33	60	70	267	210
Other Income	30	66	46	113	41	29	70	145	255	285
PBT before EO expense	57	410	547	658	504	785	643	834	1,672	2,766
Extra-Ord expense	0	0	104	26	0	0	0	0	131	0
PBT	57	410	443	632	504	785	643	834	1,541	2,766
Tax	9	84	65	81	64	96	114	141	238	415
Rate (%)	14.9	20.5	14.7	12.8	12.7	12.3	17.7	16.9	15.5	15.0
Minority Interest	-6.4	-6.7	-10.9	-8.9	-6.0	-7.5	-13.0	-15.5	-32.9	-42.0
Profit/Loss of Asso. Cos	-1	47	52	104	35	73	78	97	201	282
Reported PAT	41	366	418	646	469	754	594	774	1,471	2,591
Adj PAT	41	366	523	672	469	754	594	774	1,602	2,591
YoY Change (%)	-88.1	-23.5	53.6	86.5	1,049	106.0	13.7	15.1	5.2	61.7
Margins (%)	1.0	5.3	6.5	7.5	6.7	9.1	7.3	8.6	5.7	8.0

E: MOSL estimates

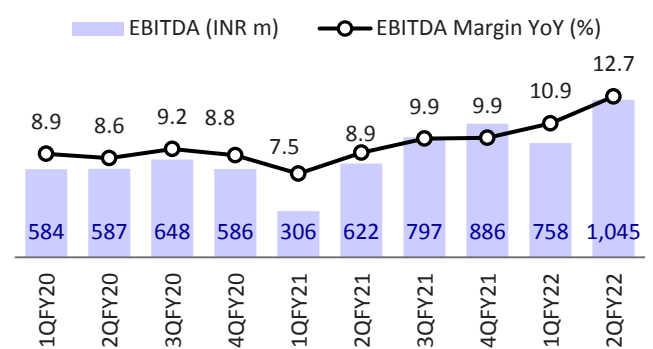
2QFY22 in charts

Exhibit 1: Revenue grow by a robust 18% YoY



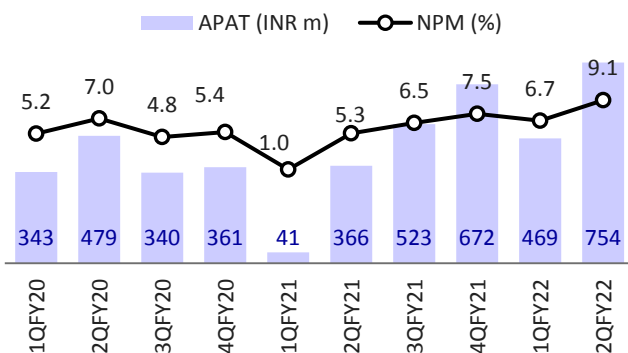
Source: Company, MOFSL

Exhibit 2: EBITDA margin at all time high



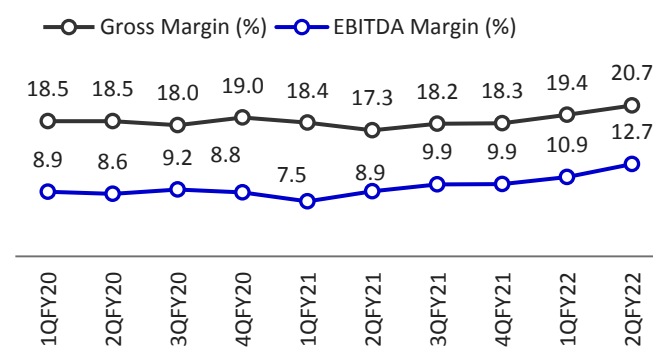
Source: Company, MOFSL

Exhibit 3: PAT doubles YoY



Source: Company, MOFSL

Exhibit 4: Strong operating performance drives margin improvement



Source: Company, MOFSL

Exhibit 5: Segmental performance

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Segment Revenue (INR m)								
Freight	3,746	3,609	2,301	3,572	4,149	4,763	3,647	4,128
Supply chain	2,431	2,142	1,145	2,541	3,011	3,041	2,263	2,843
Seaways	989	1,046	682	932	1,038	1,301	1,150	1,342
Energy	5	6	14	17	3	5	15	21
Net segment Revenue	7,171	6,802	4,142	7,061	8,201	9,111	7,074	8,334

Growth YoY (%)								
Freight	4.5	-3.4	-32.0	0.7	10.8	32.0	58.5	15.6
Supply chain	-6.8	-20.8	-53.1	2.5	23.9	42.0	97.6	11.9
Seaways	-1.3	-3.9	-13.5	9.2	4.9	24.4	68.6	44.0
Energy	-23.3	-18.1	-7.5	-43.4	-43.5	-10.2	10.3	23.8
Net segment Revenue	-0.4	-9.7	-37.5	2.2	14.4	33.9	70.8	18.0

Revenue Share								
Freight	52	53	56	51	51	52	52	50
Supply chain	34	31	28	36	37	33	32	34
Seaways	14	15	16	13	13	14	16	16
Energy	0	0	0	0	0	0	0	0
Total Revenue Share	100	100	100	100	100	100	100	100

Segment Results (EBIT) - (INR m)								
Freight	128	123	41	119	173	190	127	162
Supply chain	132	107	32	166	200	209	121	166
Seaways	226	225	41	155	235	306	293	480
Energy	-13	0	8	11	-3	-1	10	15
Total Segment Results	473	454	121	450	605	703	551	824

Segmental EBIT Margin (%)								
Freight	3.4	3.4	1.8	3.3	4.2	4.0	3.5	3.9
Supply chain	5.4	5.0	2.8	6.5	6.7	6.9	5.3	5.8
Seaways	22.9	21.5	6.0	16.6	22.6	23.5	25.5	35.8
Energy	-282.6	-1.7	56.6	64.3	-126.9	-13.2	65.3	74.0
Total	6.6	6.7	2.9	6.4	7.4	7.7	7.8	9.9

EBIT Margin Change YoY (bp)								
Freight	31	-43	-91	46	78	58	172	61
Supply chain	-52	-273	-410	16	122	190	257	-70
Seaways	409	-552	-1,389	-45	-24	196	1,956	1,919
Energy	-23,761	2,469	2,056	-440	15,569	-1,151	872	975
Total	32	-186	-342	22	79	104	488	351

**Highlights of management commentary****Operational highlights**

- A strong growth was seen across key segments like Freight Services (+16%), Seaways (+44%), and Supply Chain (+12%)
- Revenues remained intact despite a significant decline in the containers handling volume from 67,048 TEUs in 1HFY21 to 61,790 TEUs in 1HFY22 due to a decrease in shorter distance contracts.
- Fuel price increases have been passed on to the customers by the company, sometimes with a lag.
- TCI has a subsidiary, TCI Ventures, which spots and invests in new age start-ups in the logistics space.

Freight

- The LTL/FTL mix in the Freight division remained stagnant at 33%/67% in 1HFY22 (same as 1HFY21). However, management expects the LTL share to improve, going forward.
- No significant truck additions are targeted in 3Q and 4QFY22.

Supply chain

- Automotive sector contributes 75-80% of the revenues of the supply chain segment.
- The company expects demand from the automotive sector to pick-up in 3Q and 4QFY22, as the issues of semiconductor shortage and high raw material prices subside.
- In the Cold Chain segment, capacity addition is done as per the client's requirement. Some of the assets are taken on a lease basis, as it helps in capital management.

Shipping

- The Seaways segment's EBIT margin increased by 19pp YoY in 2QFY22 to reach 36% due to the availability of return loads from Myanmar.
- The current EBIT margin (~36% levels) may not be sustainable in the medium-to-long term.
- One ship was on dry dock in 2QFY22, but is back on route from Oct'21. Two more ships will undergo dry docking in 3Q and 4QFY22.
- The ships bought by TCI are usually 10-12 years old and hence, account for lesser depreciation and higher profitability.
- Shipping rates are high, as 2% of the global shipping fleet are stuck on the shores of North America. Shipping rates are expected to remain high until 2HCY22.

Capex

- TRPC's capex will be limited to INR1b for FY22 and will be allocated mainly towards assets like land and buildings, rakes and trucks for older fleet replacement.
- The company's plan to buy a new ship has been postponed to FY23, as ship rates have gone up significantly in the recent quarters and management expects the rates to moderate by May'22.

Guidance for FY22

- Revenue guidance was revised upwards to 15-20% YoY for FY22 v/s 15% provided in 1QFY22. PAT growth is expected to be in the range of 35-40% YoY.
- Management expects the revenue growth in 3Q and 4QFY22 to be moderate due to the higher revenue base of 3Q and 4QFY21, and fears of a possible third wave of the pandemic.

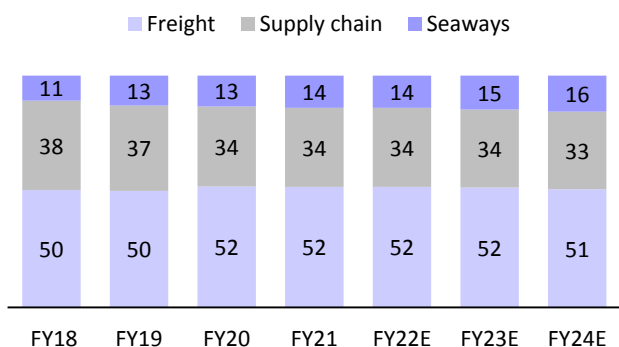
Exhibit 6: Revised estimates

(INR m)	FY22E			FY23E			FY24E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	32,362	32,362	0.0	38,379	38,379	0.0	45,113	45,113	0.0
EBITDA	3,672	3,150	16.6	4,199	3,816	10.0	5,087	4,638	9.7
EBITDA Margin (%)	11.3	9.7	165bps	10.9	9.9	104bps	11.3	10.3	98bps
PAT	2,591	1,970	31.5	2,965	2,446	21.2	3,736	3,188	17.2
EPS (INR)	33.6	25.5	31.8	38.5	31.7	21.3	48.5	41.3	17.3

Source: Company, MOFSL

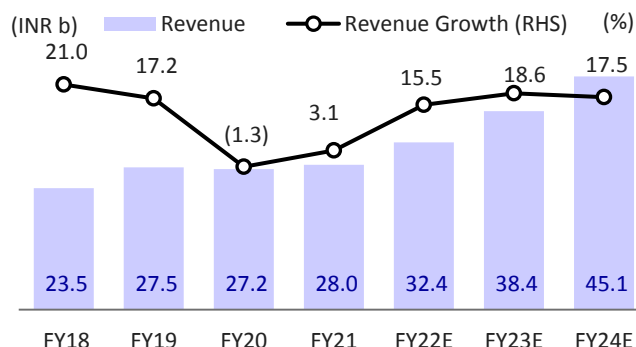
Financial story in charts

Exhibit 7: Freight and 3PL to dominate



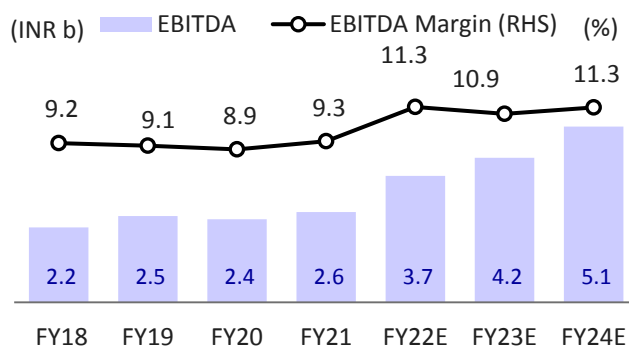
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



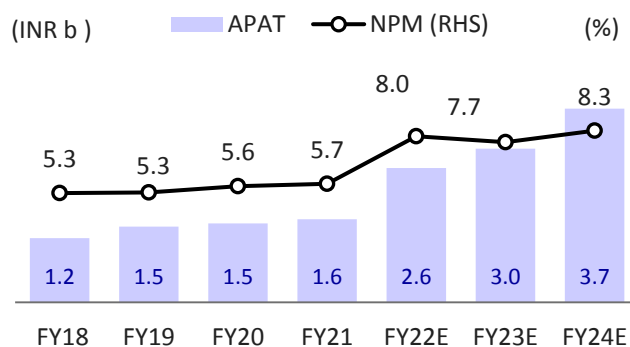
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



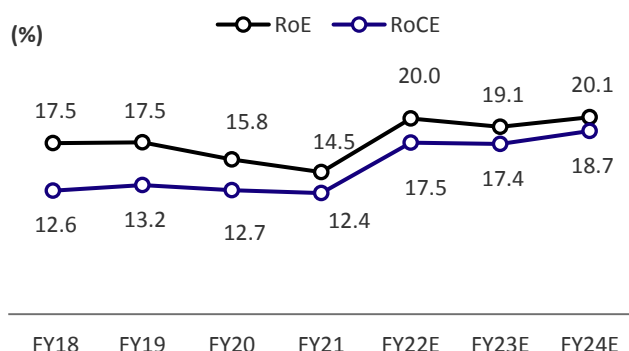
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



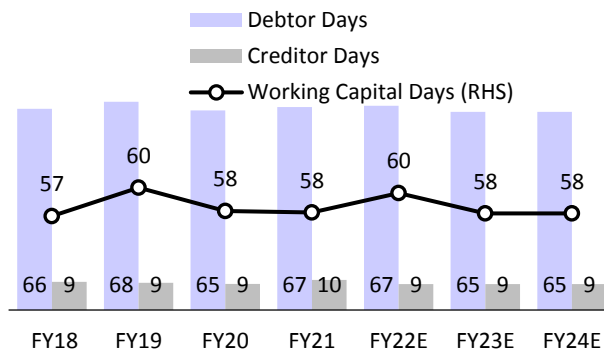
Source: Company, MOFSL

Exhibit 11: Return ratios to remain elevated



Source: Company, MOFSL

Exhibit 12: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Consolidated– Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	23,499	27,536	27,178	28,024	32,362	38,379	45,113
Change (%)	21.0	17.2	-1.3	3.1	15.5	18.6	17.5
Gross Margin (%)	18.9	18.2	18.5	18.0	19.8	19.2	19.5
EBITDA	2,165	2,495	2,405	2,612	3,672	4,199	5,087
Margin (%)	9.2	9.1	8.9	9.3	11.3	10.9	11.3
Depreciation	686	774	825	928	981	1,094	1,273
EBIT	1,478	1,721	1,580	1,684	2,691	3,105	3,814
Int. and Finance Charges	322	374	343	267	210	193	166
Other Income	144	195	201	255	285	348	452
PBT	1,301	1,542	1,438	1,672	2,766	3,260	4,100
Tax	287	333	159	238	415	587	738
Effective Tax Rate (%)	22.0	21.6	11.1	14.3	15.0	18.0	18.0
PAT before MI, Associates, and EO Items	1,014	1,209	1,279	1,434	2,351	2,673	3,362
Share of profit/(loss) of Associates and JVs	224	251	252	201	282	348	437
Minority Interest	0	0	-8	-33	-42	-56	-63
Extraordinary Items	0	7	99	131	0	0	0
Reported PAT	1,238	1,453	1,424	1,471	2,591	2,965	3,736
Adjusted PAT	1,238	1,460	1,522	1,602	2,591	2,965	3,736
Change (%)	52.4	17.9	4.3	5.2	61.7	14.4	26.0
Margin (%)	5.3	5.3	5.6	5.7	8.0	7.7	8.3

Consolidated– Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	153	153	154	154	154	154	154
Total Reserves	7,465	8,766	10,085	11,543	13,902	16,597	20,063
Net Worth	7,618	8,920	10,239	11,697	14,057	16,752	20,218
Minority Interest	47	52	57	86	86	86	86
Deferred Tax Liabilities	445	390	302	273	273	273	273
Total Loans	4,396	4,703	4,186	2,767	2,367	2,022	1,677
Capital Employed	12,505	14,065	14,784	14,823	16,783	19,133	22,254
Gross Block	7,873	9,503	10,595	10,684	11,684	14,434	15,934
Less: Accum. Deprn.	1,615	2,235	3,111	3,275	4,256	5,351	6,624
Net Fixed Assets	6,258	7,268	7,483	7,409	7,427	9,083	9,310
Capital WIP	563	40	450	690	700	650	620
Total Investments	1,044	1,168	1,354	1,500	1,500	1,500	1,500
Curr. Assets, Loans, and Adv.	6,113	7,683	7,547	7,790	9,994	11,050	14,526
Inventory	33	53	66	71	89	105	124
Account Receivables	4,249	5,151	4,873	5,110	5,940	6,835	8,034
Cash and Bank Balances	142	155	259	395	1,499	1,185	2,683
Cash	127	101	132	341	1,444	1,130	2,629
Bank Balance	15	55	128	55	55	55	55
Loans and Advances	235	268	268	124	143	170	200
Others	1,453	2,056	2,081	2,089	2,323	2,755	3,486
Current Liab. and Prov.	1,472	2,095	2,050	2,565	2,838	3,149	3,702
Account Payables	597	674	639	759	754	894	1,051
Other Current Liabilities	820	1,355	1,309	1,719	1,986	2,138	2,513
Provisions	55	65	102	86	99	118	138
Net Current Assets	4,641	5,589	5,497	5,225	7,156	7,900	10,824
Application of Funds	12,505	14,065	14,784	14,823	16,783	19,133	22,254

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)							
EPS	16.1	18.9	19.7	20.8	33.6	38.5	48.5
EPS growth (%)	52.4	17.9	4.3	5.2	61.7	14.4	26.0
Cash EPS	25.0	29.0	30.4	32.8	46.3	52.6	65.0
BV/Share	98.8	115.7	132.8	151.7	182.3	217.3	262.2
DPS	1.6	1.8	2.0	2.5	3.0	3.5	3.5
Payout (Incl. Div. Tax, %)	13.2	12.6	14.1	13.1	8.9	9.1	7.2
Valuation (x)							
P/E	39.2	33.3	31.9	30.3	18.7	16.4	13.0
Cash P/E	25.2	21.7	20.7	19.2	13.6	12.0	9.7
EV/EBITDA	23.9	20.8	21.3	18.9	13.1	11.4	9.1
EV/Sales	2.2	1.9	1.9	1.8	1.5	1.2	1.0
P/BV	6.4	5.4	4.7	4.2	3.5	2.9	2.4
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.5	0.6	0.6
Return Ratios (%)							
RoE	17.5	17.5	15.8	14.5	20.0	19.1	20.1
RoCE	12.6	13.2	12.7	12.4	17.5	17.4	18.7
RoIC	11.4	11.5	11.1	11.6	18.1	17.6	18.8
Working Capital Ratios							
Fixed Asset Turnover (x)	3.3	3.2	2.7	2.6	2.9	2.9	3.0
Asset Turnover (x)	1.9	2.0	1.8	1.9	1.9	2.0	2.0
Inventory (Days)	1	1	1	1	1	1	1
Debtors (Days)	66	68	65	67	67	65	65
Creditors (Days)	9	9	9	10	9	9	9
Leverage Ratio (x)							
Net Debt/Equity	0.6	0.5	0.4	0.2	0.1	0.0	0.0

Consolidated– Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	1,525	1,786	1,591	1,743	2,766	3,260	4,100
Depreciation	686	774	825	928	981	1,094	1,273
Direct Taxes Paid	-368	-342	-410	52	-415	-587	-738
(Inc.)/Dec. in WC	-576	-758	181	232	-840	-989	-1,347
Other Items	301	331	242	93	-75	-155	-286
CF from Operations	1,568	1,791	2,428	3,047	2,417	2,624	3,001
(Inc.)/Dec. in FA	-1,511	-1,259	-1,321	-1,241	-1,010	-2,700	-1,470
Free Cash Flow	57	532	1,108	1,807	1,407	-76	1,531
Change in Investments	-8	-49	-55	-17	0	0	0
Others	209	-268	22	196	277	249	342
CF from Investments	-1,309	-1,576	-1,353	-1,062	-733	-2,451	-1,128
Change in Equity	0	12	24	40	0	0	0
Inc./(Dec.) in Debt	184	307	-523	-1,419	-400	-345	-345
Dividends Paid	-163	-182	-201	-96	-231	-270	-270
Others	-323	-338	-343	-302	51	128	240
CF from Fin. Activity	-303	-202	-1,044	-1,776	-581	-487	-374
Inc./(Dec.) in Cash	-44	13	31	209	1,104	-314	1,499
Opening Balance	187	142	101	132	341	1,444	1,130
Closing Balance	142	155	132	341	1,444	1,130	2,629

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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