

Q2FY22 Result Update

Hold

Industry	Logistics
CMP (Rs)	689
FY23E Target Price (Rs)	745
52 Week H/L (Rs)	721/222
Volumes (BSE+NSE)*	28,243
Shares O/S (mn)	77.3
Market Cap (Rs bn)	53.3
Free Float (%)	33.5
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (30/09/2021)

Particulars	Shares (mn)	Holding (%)
Promoters	51.4	66.5
FIIIs	1.6	2.1
DIIIs	9.8	12.7
Others	14.5	18.7
Total	77.3	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY21	FY22E	FY23E
Sales	28,024	32,928	37,867
EBITDA	2,612	3,392	4,165
EBITDA Margin	9.3%	10.3%	11.0%
Net Profit	1,504	2,223	2,868
EPS (Rs)	21.0	28.8	37.2
EV/EBITDA (x)	21.0	16.0	12.5
P/E (x)	32.8	23.9	18.5
RoE	14.7%	17.7%	19.5%

Stock price chart



Analyst: Prashant Sharma
 +91- 22- 40287021
 prashant@qsmail.com

Transport Corporation of India (TCI) reported consolidated revenues of Rs 8251mn, a y-o-y increase of 18.4%. We were expecting a revenue growth of 5.0% y-o-y.

The various Divisions (consolidated) revenues performed thus :

- Transport Division: 16.3% growth y-o-y. Transport division regained momentum due to economic recovery.
- Supply Chains Solution Division: 13.1% growth y-o-y. Slower growth was mainly due to underperformance in Auto Segment
- Seaways Division: 68.6% y-o-y growth. Seaway division regained momentum due to increasing freight rates and high value return cargo from Myanmar.

EBITDA margins recorded 370bps y-o-y increase because of growth across key divisions. EBIT margins of the various Divisions are :

- 50bps y-o-y increase in margin in Transport Division to 3.9%.
- 80bps y-o-y decline in margin in the Supply Chain Solutions Division to 5.8%.
- 1810bps y-o-y increase in Seaways Division to 35.8%.

The net profit increase was at 105.7% y-o-y to Rs 760mn, better than our expectation of a growth of 34.5% y-o-y. This was due to lower operating cost and other expenses.

TCI focus in the future

The Capex cycle got delayed due to high cost of marine assets. The company has only spent Rs 144mn in capital expenditure out of planned Rs 2250mn.

The management has increased guidance for revenue growth to 15-20% & PAT growth to 35-40% from PAT growth of 20% earlier.

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 1484mn, a y-o-y decrease of 1.5%. The Transystem (TCI-Mitsui JV) generated revenues of Rs 2041mn, a y-o-y increase of 76.3%. A TCI cold chain solution which mainly provides temperature controlled warehousing solutions to its customers reported revenues of Rs 278mn, a y-o-y increase of 89%.

Outlook and Valuations

TCI trades at a P/E of 23.9x and 18.5x FY22E and FY23E earnings respectively. We are increasing our target multiple to 20x (vs. 15x earlier), due to increase in ROCE and considering the high growth potential of high margin seaways division. On that basis, we assign a fair price of Rs 745 and assign a Hold rating.

Segmental Performance (Consolidated)

(Rs mn) Consolidated	Q2FY22	Q2FY21	Y-o-Y Change	Q1FY22	Q-o-Q Change	H1FY22	H1FY21	Y-o-Y Change
Transport Division	4,128	3,549	16.3%	3,647	13.2%	7,775	5,877	32.3%
Supply Chain Solutions	2,843	2,513	13.1%	2,263	25.7%	5,106	3,658	39.6%
Seaways Division	1,342	873	53.7%	1,150	16.7%	2,492	1,614	54.4%
Energy Division	21	17	23.8%	15	38.7%	36	30	17.8%
Unallocable & Corporate	24	62	-61.5%	29	-17.3%	53	73	-27.5%
Less : Intersegment Revenues	78	39	97.2%	101	-23.1%	178	119	49.3%
Less: Other Income	29	66	-55.5%	41	-28.4%	70	107	-34.6%
Total	8,251	6,910	19.4%	6,961	18.5%	15,213	11,026	38.0%
PBT								
Transport Division	162	120	35.1%	127	27.7%	289	159	81.9%
Supply Chain Solutions	166	166	-0.1%	121	37.8%	287	199	44.3%
Seaways Division	480	155	210.7%	293	63.7%	773	195	296.4%
Power Division	15	11	42.6%	10	57.1%	25	19	36.2%
Less : Interest	33	69	-52.4%	47	-30.1%	80	143	-44.0%
Less: Unallocable Expense	31	34	-8.8%	28	10.6%	59	50	20.0%
Less: Unallocable income	25	62	-59.0%	29	-11.2%	54	87	-38.2%
Add : Profit/loss of JV	73	47	56.6%	35	110.4%	107	45	137.1%
Less : Exceptional items	0	0	NA	0	NA	0	0	NA
Total	858	457	87.9%	539	59.3%	1,396	512	173.0%
EBIT Margins (%)								
Transport Division	3.9%	3.4%	+50 bps	3.5%	+40 bps	3.7%	2.7%	+100 bps
Supply Chain Solutions	5.8%	6.6%	-80 bps	5.3%	+50 bps	5.6%	5.4%	+20 bps
Seaways Division	35.8%	17.7%	+1810bps	25.5%	+1030bps	31.0%	12.1%	+1890 bps

Quarterly Financials (Consolidated)

(Rs mn) Consolidated	Q2FY22	Q2FY21	Y-o-Y Change	Q1FY22	Q-o-Q Change	H1FY22	H1FY21	Y-o-Y Change
Income from operations	8,251	6,969	18.4%	6,961	18.5%	15,213	11,026	38.0%
Less:								
Operating Cost	6,542	5,763	13.5%	5,609	16.6%	12,151	9,075	33.9%
Staff cost	412	341	20.6%	413	-0.2%	824	642	28.4%
Other operating exp	253	243	4.2%	182	38.9%	435	380	14.4%
EBITDA	1,045	622	67.9%	758	38.0%	1,803	929	94.1%
EBITDA margin	12.7%	8.9%	+370 bps	10.9%	+240 bps	11.8%	8.4%	+340 bps
Other income	29	66	-55.5%	41	-28.4%	70	96	-27.1%
Depreciation	256	209	22.7%	247	3.7%	504	415	21.4%
EBIT	818	479	70.7%	551	48.4%	1,369	610	124.5%
Financial expenses	33	69	-52.4%	47	-30.1%	80	143	-44.0%
Profit/loss of JV	73	47	56.6%	35	NA	107	45	137.1%
PBT	858	457	87.9%	539	59.3%	1,396	512	172.6%
Taxation	96	84	14.7%	64	50.8%	160	92	73.2%
PAT	762	373	104.3%	475	60.4%	1,236	420	194.4%
Non Controlling Interest	2	3	NA	4	NA	6	3	75.0%
Net Profit	760	369	105.7%	471	61.4%	1,231	417	195.3%
EPS (Rs)	9.9	4.8	105.7%	6.1	61.4%	16.1	5.4	195.3%

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	32,928	37,867
Growth (%)	20.8%	17.4%	-1.3%	3.1%	17.5%	15.0%
Less:						
Operating cost	19,068	22,515	22,143	22,972	26,738	30,483
Staff cost	1,245	1,408	1,572	1,455	1,646	1,893
Other operating exp	1,021	1,124	1,058	984	1,152	1,325
EBITDA	2,127	2,489	2,405	2,612	3,392	4,165
EBITDA Margin (%)	9.1%	9.0%	8.8%	9.3%	10.3%	11.0%
Exceptional Items		7	-99	-104	0	0
Other income	182	195	201	255	181	227
Depreciation & amortization	687	774	825	928	930	1,000
EBIT	1,623	1,917	1,682	1,835	2,643	3,393
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	2,584	3,335
Taxation	287	333	159	238	362	467
PAT	1,238	1,460	1,431	1,504	2,223	2,868
Minority interest	6	9	15	23	14	15
Adjusted Net Profit	1,232	1,445	1,515	1,586	2,209	2,853
Growth	52.6	17.3	4.9	4.7	39.3	29.2
EPS (Rs)	16.1	18.9	19.8	21.0	28.8	37.2

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	13,045	15,897
Shareholders' funds	7,618	8,920	10,239	11,697	13,198	16,051
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	16,022	18,875
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	9,751	13,152
Less: Current liabilities & provisions	1,915	2,656	1,493	2,776	3,262	3,751
Net current assets	3,883	5,027	4,828	4,974	6,490	9,401
Total Assets	12,062	13,504	14,115	14,521	16,022	18,875

Cash Flow Statement (Consolidated)

(Y/E March) (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Profit before tax	1525	1794	1590	1743	2584	3335
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	-894	-901
Change in other current assets	-8	-20	-13	-5	-10	-12
Change in current liabilities	366	-949	1201	-1061	-382	-385
Taxes paid, net	-287	-333	-159	-238	-362	-467
CF from Operations	2247	1486	2917	2703	2626	3335
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	714	2103
Opening cash balance	190	142	155	259	385	1099
Closing cash balance	142	155	259	385	1099	3202

Key Ratios (Consolidated)

Y/E March (Consolidated)	FY18	FY19	FY20	FY21	FY22E	FY23E
Profitability						
ROE	17.5%	17.5%	15.8%	14.7%	17.7%	19.5%
ROCE	14.2%	15.0%	12.2%	12.8%	17.3%	19.4%
Margins						
EBITDA	9.1%	9.0%	8.8%	9.3%	10.3%	11.0%
Net Profit	5.2%	5.2%	5.6%	5.8%	6.7%	7.5%
Leverage and Coverage						
Interest Coverage	19.8%	19.5%	20.4%	14.6%	9.8%	7.6%
Debt/Equity	0.5	0.5	0.4	0.2	0.2	0.1
Per Share						
EPS (Rs)	16.1	18.9	19.8	21.0	28.8	37.2
Book Value Per Share (Rs)	99.4	116.4	133.7	152.7	172.3	209.5
Valuation						
P/E	42.9	36.6	34.9	32.8	23.9	18.5
P/BV	6.9	5.9	5.2	4.5	4.0	3.3
EV/Sales	2.4	2.1	2.1	2.0	1.6	1.4
EV/EBITDA	26.6	22.8	23.4	21.0	16.0	12.5

Disclaimer: Quantum Securities Pvt. Ltd. (QSPL) offers discount and full Service brokerage services and is not involved in any investment banking or merchant banking activities. This document is based on information obtained from sources believed to be reliable and due diligence has been conducted to that effect. We do not have any other material conflict of interest at the time of publication of the research report. Opinions & theories expressed are based on present circumstances & judgment and are subject to change without notice. Quantum Securities Pvt. Ltd. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or further communication given in relation to this document.

If annualized returns are greater than 15%, then the stock is rated as BUY, between a range of 10-15% is rated as Accumulate. If annualized returns are lower than -15%, then the stock is rated as SELL and between a range of -10% to -15% is rated as Reduce. In the range of +/- (-) 10%, the stock is rated as Hold. However, within this zone we may choose to give an Accumulate, Reduce or Hold rating.

Quantum Securities Pvt. Ltd. does not have any financial interest in the subject company and has not been engaged in market making activity for the subject company; QSPL or any of its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report or any other compensation from the subject company in the past twelve months. Further, Prashant Sharma has not served as an officer, director or employee of the subject company; QSPL does not have actual/beneficial ownership of one per cent or more of securities of the subject company, at the end of the month immediately preceding the date of publication of the research report.