

Transport Corporation of India

Estimate change



TP change



Rating change


CMP: INR724
TP: INR880 (+22%)
Buy

Seaways segment drives performance yet again

Robust margin improves earnings outlook

- TCI reported a strong 3QFY22, with a revenue growth of 4% YoY to ~INR8.4b. Among key segments, revenue from Seaways/Freight rose 43%/4% YoY.
- Overall EBITDA margin came in healthy at 13%, led by the Seaways segment (margin in Seaways improved on higher freight rates and return load from Myanmar).
- We raise our FY23E/FY24E EPS estimate marginally to factor in higher than expected margin improvement and increasing contribution from the Seaways division in the revenue mix. We maintain our Buy rating with a revised TP of INR880/share (17x FY24E EPS).

EBITDA margin at a record high; PAT up 57% YoY

- Revenue grew 4% YoY to ~INR8.4b (+2% QoQ). Revenue contribution from the Seaways segment in the overall mix rose to 17% in 3QFY22 (v/s 13% YoY).
- EBITDA grew 37% YoY to INR1.1b. EBITDA margin touched a record high of 13% (+316bp YoY). On a QoQ basis, margin improved by 37bp.
- EBITDA margin improvement was led by strong margin generated in the Seaways segment. PAT rose 57% YoY to INR821m on strong operating performance and lower tax outgo.
- The board has declared a second interim dividend of INR2/share.

Highlights from the management commentary

- The higher EBIT margin (~36%) in the Seaways segment is due to availability of return loads from Myanmar. Margin is likely to stabilize at 25% ahead.
- The plan of buying the seventh ship has been postponed to FY23 as ship rates continue to stay elevated. The new ship may be purchased in 2HFY23.
- The LTL/FTL business in the Freight division stood at 34%/66% in 3QFY22. The management's focus remains on increasing share of LTL revenue, which would result in an improvement in margin.
- The Supply Chain segment was impacted due to challenges in the Auto vertical. The management expects the situation to normalize over the next few months.

Valuation and view

- We expect rising contribution from the high margin Seaways segment and improving share in the less than truckload (LTL) business in the Freight division to support margin performance (~12% margin in FY24E).
- We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~18%/28%/36% over FY21-24E. The stock trades at 14x FY24 EPS. We maintain our Buy rating with a revised TP of INR882/share (17x FY24E EPS).

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	55.9 / 0.7
52-Week Range (INR)	858 / 237
1, 6, 12 Rel. Per (%)	2/60/178
12M Avg Val (INR M)	130

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	28.0	32.8	38.9
EBITDA	2.6	4.0	4.5
Adj. PAT	1.6	2.9	3.2
EBITDA Margin (%)	9.3	12.2	11.6
Adj. EPS (INR)	20.8	37.3	41.5
EPS Gr. (%)	5.2	79.3	11.3
BV/Sh. (INR)	151.7	186.0	223.9

Ratios

Net D:E	0.2	0.0	0.0
RoE (%)	14.5	21.9	20.1
RoCE (%)	12.4	18.8	18.3
Payout (%)	13.1	8.1	8.4

Valuations

P/E (x)	34.8	19.4	17.5
P/BV (x)	4.8	3.9	3.2
EV/EBITDA(x)	21.7	13.7	12.0
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	3.2	3.8	0.3

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	66.5	66.5	66.8
DII	12.6	12.7	12.4
FII	2.3	2.1	1.5
Others	18.5	18.7	19.3

FII Includes depository receipts

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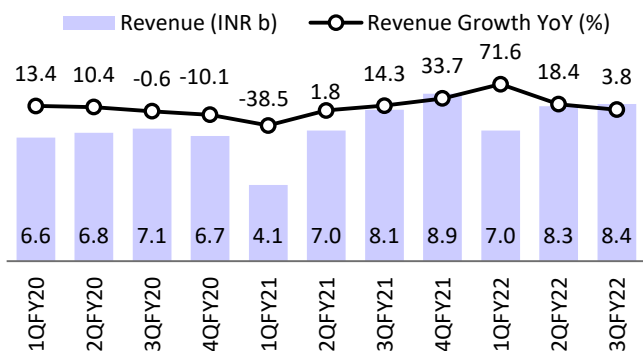
Quarterly performance

Y/E March (INR m)	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	4,057	6,969	8,071	8,927	6,961	8,251	8,377	9,182	28,024	32,771
YoY change (%)	-38.5	1.8	14.3	33.7	71.6	18.4	3.8	2.9	3.1	16.9
EBITDA	306	622	797	886	758	1,045	1,092	1,097	2,612	3,992
Margin (%)	7.5	8.9	9.9	9.9	10.9	12.7	13.0	12.0	9.3	12.2
YoY change (%)	-47.6	6.0	23.0	51.3	147.3	67.9	37.0	23.8	8.6	52.8
Depreciation	206	209	233	280	247	256	255	254	928	1,013
Interest	74	69	63	61	47	33	26	35	267	141
Other income	30	66	46	113	41	29	53	55	255	178
PBT before EO expense	57	410	547	658	504	785	864	863	1,672	3,016
Extra-Ord. expense	0	0	104	26	0	0	0	0	131	0
PBT	57	410	443	632	504	785	864	863	1,541	3,016
Tax	9	84	65	81	64	96	108	109	238	377
Rate (%)	14.9	20.5	14.7	12.8	12.7	12.3	12.5	12.6	15.5	12.5
Minority Interest	-6.4	-6.7	-10.9	-8.9	-6.0	-7.5	-7.5	-9.0	-32.9	-30.0
Profit/Loss of Asso. Cos	-1	47	52	104	35	73	72	84	201	264
Reported PAT	41	366	418	646	469	754	821	829	1,471	2,873
Adj. PAT	41	366	523	672	469	754	821	829	1,602	2,873
YoY change (%)	-88.1	-23.5	53.6	86.5	1,049	106.0	57.0	23.3	5.2	79.3
Margin (%)	1.0	5.3	6.5	7.5	6.7	9.1	9.8	9.0	5.7	8.8

E: MOSL estimates

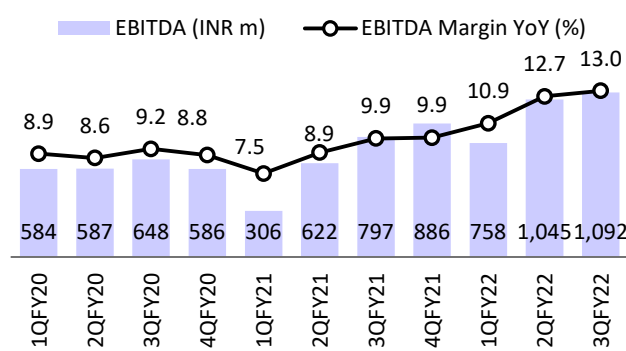
3QFY22 in charts

Exhibit 1: Revenue growth robust at 4% YoY



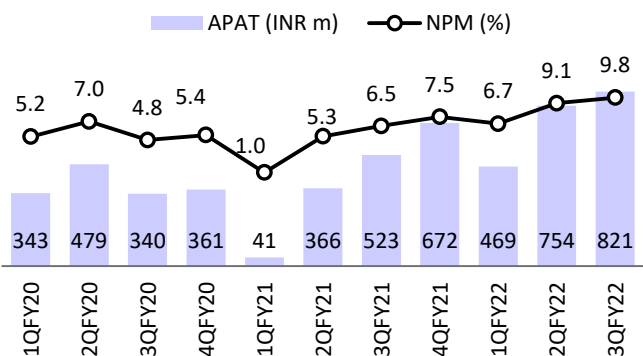
Source: Company, MOFSL

Exhibit 2: EBITDA margin at a record high



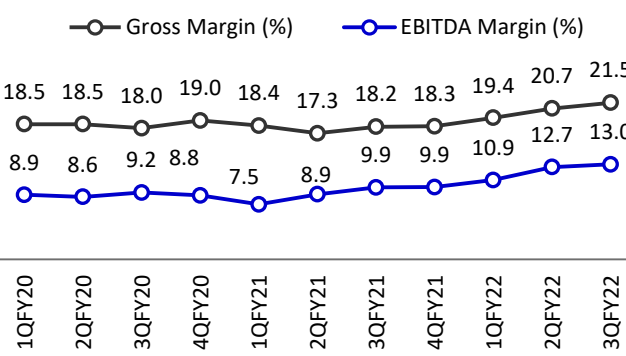
Source: Company, MOFSL

Exhibit 3: PAT up 57% YoY



Source: Company, MOFSL

Exhibit 4: Strong operating performance helps improve margin



Source: Company, MOFSL

Exhibit 5: Segmental performance

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Segmental revenue (INR m)								
Freight	3,609	2,301	3,572	4,149	4,763	3,647	4,128	4,323
Supply Chain	2,142	1,145	2,541	3,011	3,041	2,263	2,843	2,788
Seaways	1,046	682	932	1,038	1,301	1,150	1,342	1,479
Energy	6	14	17	3	5	15	21	6
Net segmental revenue	6,802	4,142	7,061	8,201	9,111	7,074	8,334	8,596
Growth YoY (%)								
Freight	-3.4	-32.0	0.7	10.8	32.0	58.5	15.6	4.2
Supply Chain	-20.8	-53.1	2.5	23.9	42.0	97.6	11.9	-7.4
Seaways	-3.9	-13.5	9.2	4.9	24.4	68.6	44.0	42.6
Energy	-18.1	-7.5	-43.4	-43.5	-10.2	10.3	23.8	111.5
Net segmental revenue	-9.7	-37.5	2.2	14.4	33.9	70.8	18.0	4.8
Revenue share								
Freight	53	56	51	51	52	52	50	50
Supply Chain	31	28	36	37	33	32	34	32
Seaways	15	16	13	13	14	16	16	17
Energy	0	0	0	0	0	0	0	0
Total revenue share	100	100	100	100	100	100	100	100
Segmental results (EBIT) - (INR m)								
Freight	123	41	119	173	190	127	162	188
Supply Chain	107	32	166	200	209	121	166	167
Seaways	225	41	155	235	306	293	480	540
Energy	0	8	11	-3	-1	10	15	-1
Total segmental results	454	121	450	605	703	551	824	893
Segmental EBIT margin (%)								
Freight	3.4	1.8	3.3	4.2	4.0	3.5	3.9	4.3
Supply Chain	5.0	2.8	6.5	6.7	6.9	5.3	5.8	6.0
Seaways	21.5	6.0	16.6	22.6	23.5	25.5	35.8	36.5
Energy	-1.7	56.6	64.3	-126.9	-13.2	65.3	74.0	-14.5
Total	6.7	2.9	6.4	7.4	7.7	7.8	9.9	10.4



Highlights from the management commentary

Operational highlights

- Revenue grew 4% YoY to ~INR8.4b led by the Seaways (+43% YoY) and Freight Services segment (+4%).
- EBITDA margin touched to a record high of 13% (+316bp YoY). On a QoQ basis, margin improved by 37bp. The improvement was led by the strong margin generated in the Seaways segment.
- Fuel price cut of Nov'21 has been passed on to the customers and hence no major benefit of the same has been witnessed.
- While Freight Services and Seaways have done exceedingly well, the Supply Chain segment has been weak due to a slowdown in the Auto vertical.

Freight segment

- The Freight business in 3QFY22 witnessed: a) pre-festive season stocking in Oct'21, b) slower industrial activity in Nov'21, and c) a strong recovery in Dec'21.
- The LTL/FTL business in the Freight division stagnated at 34%/66% in 3QFY22. However, the management expects the share of LTL to rise beyond 34% in FY22.
- Fuel price cut in Nov'21 has been passed on to the customers as per the terms of the contracts. No major benefit due to the cut was seen for TCI.
- No significant truck additions are expected in 4QFY22.

Supply Chain segment

- The segment was impacted due to supply-side disruptions in Automotive mobility and sluggish demand for high value Consumer Goods.
- The Auto sector contributes a lion's share of revenue in the Supply Chain division.
- The management expects demand from the Auto sector to return as semiconductor shortages and high raw material prices subside.
- It is looking at a diversified customer base and service offerings to maintain the growth momentum and tackle competition in this segment.

Seaways segment

- Margin in the Seaways segment remained elevated in 3QFY22 due to availability of return loads from Myanmar.
- Sea freight rates on the west coast have increased by ~20% in 3QFY22, which aided margin.
- Margin may sustain in the short term, but is likely to stabilize at 25% going forward (from current levels of ~36%).
- The two ships would be dry docking in 4QFY22.
- The ships acquired by TCI are usually 10-12 years old and hence account for lesser depreciation and higher profitability.
- Global Shipping rates have remained elevated and rates are expected to remain firm in the next few quarters.

Capex

- FY22 capex guidance has been revised lower to INR600-700m and would mainly be spent on assets like land and building and rakes.

- The plan of buying the seventh ship has been postponed to FY23 as ship rates continue to remain elevated and buying at such high prices would result in very low return ratios.
- The management expects rates to moderate by 2HFY23.

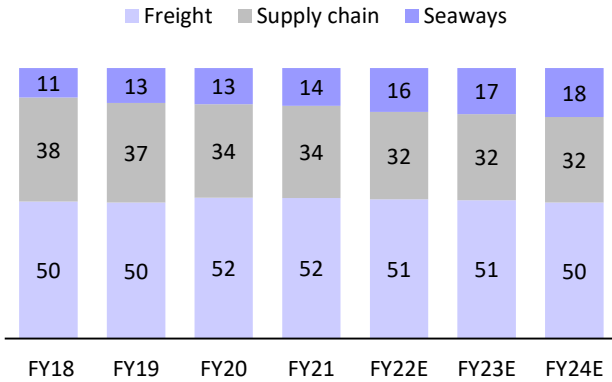
Exhibit 6: Revisions to our forecast

(INR m)	FY22E			FY23E			FY24E		
	Revised	Old	Change (%)	Revised	Old	Change (%)	Revised	Old	Change (%)
Net sales	32,771	32,965	-0.6	38,926	39,097	-0.4	45,847	45,960	-0.2
EBITDA	3,992	3,892	2.6	4,520	4,404	2.6	5,458	5,285	3.3
EBITDA margin (%)	12.2	11.8	37.4	11.6	11.3	34.7	11.9	11.5	40
PAT	2,873	2,800	2.6	3,198	3,154	1.4	4,000	3,934	1.7
EPS (INR)	37.3	36.3	2.6	41.5	40.9	1.4	51.9	51.0	1.7

Source: Company, MOFSL

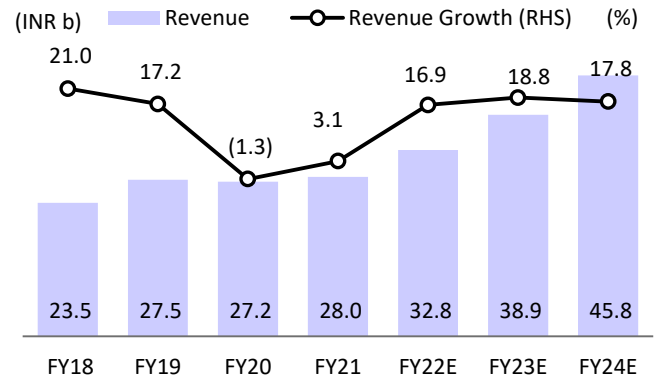
Story in charts

Exhibit 7: Freight and 3PL to dominate; Seaways share to rise



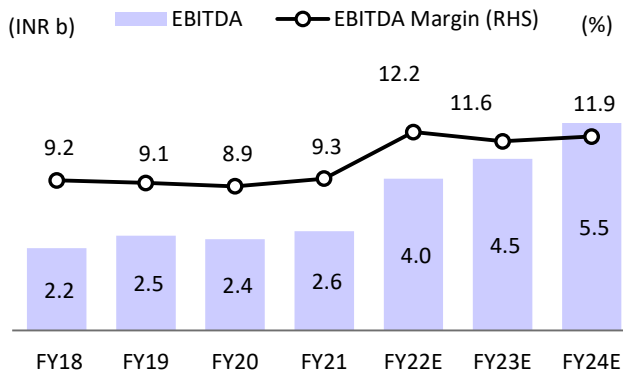
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



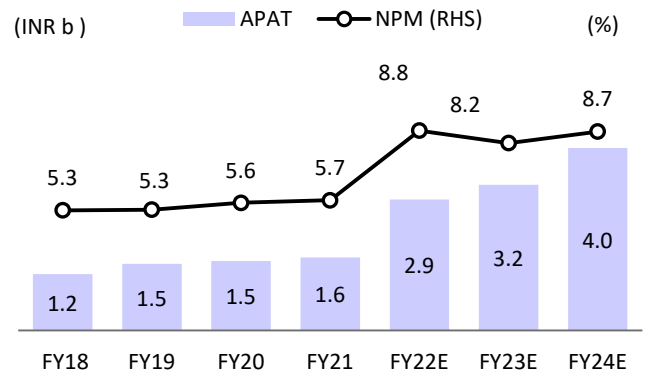
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



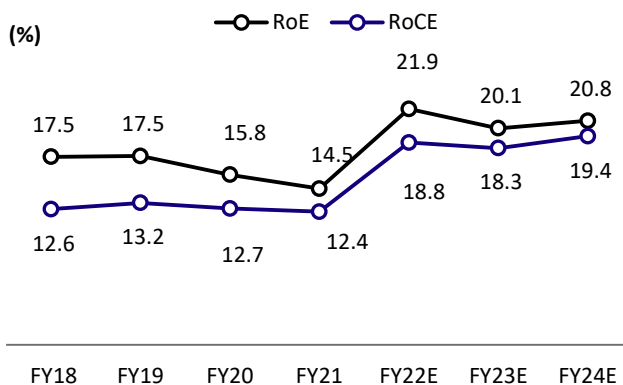
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



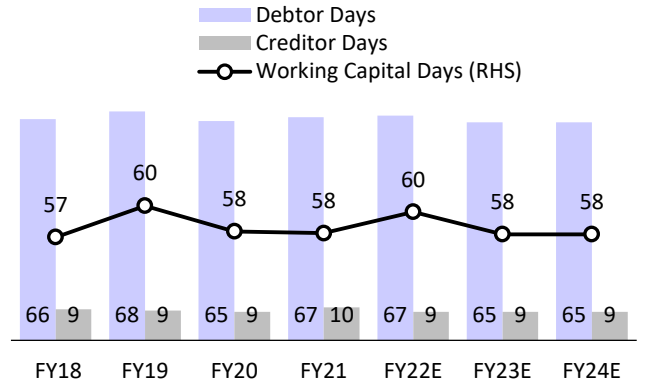
Source: Company, MOFSL

Exhibit 11: Return ratios 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	32,771	38,926	45,847
Change (%)	21.0	17.2	-1.3	3.1	16.9	18.8	17.8
Gross Margin (%)	18.9	18.2	18.5	18.0	20.3	19.8	20.0
EBITDA	2,165	2,495	2,405	2,612	3,992	4,520	5,458
Margin (%)	9.2	9.1	8.9	9.3	12.2	11.6	11.9
Depreciation	686	774	825	928	1,013	1,061	1,224
EBIT	1,478	1,721	1,580	1,684	2,979	3,459	4,233
Int. and Finance Charges	322	374	343	267	141	193	166
Other Income	144	195	201	255	178	218	283
PBT	1,301	1,542	1,438	1,672	3,016	3,483	4,350
Tax	287	333	159	238	377	627	783
Effective Tax Rate (%)	22.0	21.6	11.1	14.3	12.5	18.0	18.0
PAT before MI, Associates, and EO Items	1,014	1,209	1,279	1,434	2,639	2,856	3,567
Share of profit/(loss) of Associates and JVs	224	251	252	201	264	371	464
Minority Interest	0	0	-8	-33	-30	-30	-30
Extraordinary Items	0	7	99	131	0	0	0
Reported PAT	1,238	1,453	1,424	1,471	2,873	3,198	4,000
Adjusted PAT	1,238	1,460	1,522	1,602	2,873	3,198	4,000
Change (%)	52.4	17.9	4.3	5.2	79.3	11.3	25.1
Margin (%)	5.3	5.3	5.6	5.7	8.8	8.2	8.7

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	14,184	17,112	20,843
Net Worth	7,618	8,920	10,239	11,697	14,338	17,266	20,997
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	17,065	19,648	23,033
Gross Block	7,873	9,503	10,595	10,684	11,284	14,034	15,534
Less: Accum. Deprn.	1,615	2,235	3,111	3,275	4,288	5,349	6,573
Net Fixed Assets	6,258	7,268	7,483	7,409	6,995	8,685	8,960
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	10,744	12,007	15,715
Inventory	33	53	66	71	90	107	126
Account Receivables	4,249	5,151	4,873	5,110	6,015	6,932	8,165
Cash and Bank Balances	142	155	259	395	2,141	2,002	3,680
Cash	127	101	132	341	2,086	1,947	3,625
Bank Balance	15	55	128	55	55	55	55
Loans and Advances	235	268	268	124	145	172	203
Others	1,453	2,056	2,081	2,089	2,352	2,794	3,542
Current Liab. and Prov.	1,472	2,095	2,050	2,565	2,874	3,194	3,762
Account Payables	597	674	639	759	763	906	1,068
Other Current Liabilities	820	1,355	1,309	1,719	2,011	2,168	2,554
Provisions	55	65	102	86	100	119	140
Net Current Assets	4,641	5,589	5,497	5,225	7,869	8,813	11,953
Application of Funds	12,505	14,065	14,784	14,823	17,065	19,648	23,033

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	37.3	41.5	51.9
EPS growth (%)	52.4	17.9	4.3	5.2	79.3	11.3	25.1
Cash EPS	25.0	29.0	30.4	32.8	50.4	55.2	67.8
BV/Share	98.8	115.7	132.8	151.7	186.0	223.9	272.3
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	8.1	8.4	6.7
Valuation (x)							
P/E	39.2	33.3	31.9	30.3	19.4	17.5	14.0
Cash P/E	25.2	21.7	20.7	19.2	14.4	13.1	10.7
EV/EBITDA	23.9	20.8	21.3	18.9	13.7	12.0	9.6
EV/Sales	2.2	1.9	1.9	1.8	1.7	1.4	1.1
P/BV	6.4	5.4	4.7	4.2	3.9	3.2	2.7
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4	0.5	0.5
Return Ratios (%)							
RoE	17.5	17.5	15.8	14.5	21.9	20.1	20.8
RoCE	12.6	13.2	12.7	12.4	18.8	18.3	19.4
RoIC	11.4	11.5	11.1	11.6	20.9	20.1	21.2
Working Capital Ratios							
Fixed Asset Turnover (x)	3.3	3.2	2.7	2.6	3.0	3.1	3.1
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 ratio	0.6	0.5	0.4	0.2	0.0	0.0	-0.1

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	3,016	3,483	4,350
Depreciation	686	774	825	928	1,013	1,061	1,224
Direct Taxes Paid	-368	-342	-410	52	-377	-627	-783
(Inc.)/Dec. in WC	-576	-758	181	232	-907	-1,011	-1,382
Other Items	301	331	242	93	-37	-24	-116
CF from Operations	1,568	1,791	2,428	3,047	2,708	2,881	3,293
(Inc.)/Dec. in FA	-1,511	-1,259	-1,321	-1,241	-610	-2,700	-1,470
Free Cash Flow	57	532	1,108	1,807	2,098	181	1,823
Change in Investments	-8	-49	-55	-17	0	0	0
Others	209	-268	22	196	163	116	169
CF from Investments	-1,309	-1,576	-1,353	-1,062	-447	-2,584	-1,301
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	116	178	301
CF from Fin. Activity	-303	-202	-1,044	-1,776	-515	-437	-314
Inc./(Dec.) in Cash	-44	13	31	209	1,746	-139	1,678
Opening Balance	187	142	101	132	341	2,086	1,947
Closing Balance	142	155	132	341	2,086	1,947	3,625

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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