

Transport Corporation of India (TRPC IN)

Recovery across segments

INDIA | LOGISTICS | Quarterly Update

30 January 2023

Top takeaways from 3QFY23

- Results better than expectations. Sustained performance in shipping.
- Benefit of integrated diversified services and multi-modal capabilities.

Key highlights

Standalone revenue grew by 16.0% yoy (up 3.5% qoq) to Rs 8.8bn (4.1% higher than estimates of Rs 8.5bn). Freight division revenue up by 14.3%yoy (up 2.6% qoq) to Rs 4.04bn; Supply Chain revenue increased by 20.9%yoy (-6.8% qoq) to Rs 3.2bn; Seaway's revenue grew by 15.1%yoy (+37.1%qoq) to Rs 1.7bn. Gross margins declined by 189bps yoy to 21.2% in 3QFY23 due impact in shipping division. EBITDA increase by 1.8% yoy (+9.7% qoq) to Rs 1.08bn, 9.7% higher than estimates of Rs 992mn. EBITDA margins down from 14.1% in 3QFY22 to 12.4% in 3QFY23. EBIT in supply chain increased by 20.9%yoy to Rs 187mn while it is up by 15.0% to Rs 187mn in freight division. EBIT in seaways declined by 15.1%yoy from Rs 540mn in 3QFY22 to Rs 458mn in 3QFY23. Interest cost remained negligible at Rs 22mn. PBT grew by 20% yoy to Rs 1bn, mainly supported by other income of Rs 289mn (includes c. Rs 200mn dividend income from subsidiaries). Adjusted profit up by 22.9%yoy at Rs 953mn in 3QFY23, higher than estimates of Rs 637mn. Consolidated profit increased by 4.7%yoy to Rs 858mn in 3QFY23.

Conference call takeaways

- EBITDA in freight division grew by 13.2%yoy to Rs 197mn with stable margins on yoy basis to 4.9% in 3QFY23; EBITDA in SCM increased by 9.7%yoy to Rs 294mn and in seaways down by 2.0%yoy to Rs 642mn. EBITDA margins in SCM declined by 94bps to 9.2% and Seaways down from 44.3% in 3QFY22 to 37.7% in 3QFY23.
- Seaways division benefited from increased volume and full capacity utilization while margins impacted in Exim business. Strong growth and improving economic activities helped freight and SCM business.
- LTL is c. 36% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Freight rates are stable across major routes with growth momentum amidst festive seasons. Uptrend in Auto segment accounting c.75% of revenue is positive for SCM business and TCI is actively using rail transport to offset fuel price impact.
- JV performance: TCI Concor operating asset light rail operations reported marginal 3.0% growth in revenue to Rs 2.25bn in 9MFY23. Transystem focused on automotive logistics reported revenue growth of 47.0%yoy to Rs 4.9bn while TCI Cold chain reported revenue growth of 5.8%yoy to Rs 456mn in 9MFY23.
- TCI had capital expenditure of Rs 468mn in FY22 and has planned capex of Rs 3.15bn in FY23 including ship purchase of c. Rs 900mn and container addition of Rs 600mn. Capex in 9MFY23 was Rs 817mn.

Outlook and valuation: At CMP, stock trades at 14.4x our FY24 earnings. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. We maintain valuation at 20x FY24 EPS and revise target price to Rs 875 (earlier Rs 810).

BUY (Upgrade)

CMP RS 625

TARGET RS 875 (+40%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

| | |
|------------------------|-----------|
| O/S SHARES (MN) : | 78 |
| MARKET CAP (RSBN) : | 48 |
| MARKET CAP (USDBN) : | 0.6 |
| 52 - WK HI/LO (RS) : | 845 / 527 |
| LIQUIDITY 3M (USDMN) : | 1 |
| PAR VALUE (RS) : | 2 |

SHARE HOLDING PATTERN, %

| | Dec 22 | Sep 22 | Jun 22 |
|-------------|--------|--------|--------|
| PROMOTERS : | 69.0 | 69.0 | 66.6 |
| DII : | 11.7 | 11.8 | 12.0 |
| FII : | 3.3 | 3.3 | 3.1 |
| OTHERS : | 16.0 | 15.8 | 18.3 |

KEY FINANCIALS

| Rs mn | FY22 | FY23E | FY24E |
|--------------|--------|--------|--------|
| Net Sales | 32,567 | 38,006 | 43,159 |
| EBITDA | 4,087 | 4,321 | 4,805 |
| Net Profit | 2,896 | 3,150 | 3,355 |
| EPS, Rs | 37.6 | 40.9 | 43.5 |
| PER, x | 16.6 | 15.3 | 14.4 |
| EV/EBITDA, x | 11.8 | 11.2 | 9.9 |
| PBV, x | 3.4 | 2.7 | 2.3 |
| ROE, % | 22.0 | 19.2 | 16.9 |

CHANGE IN ESTIMATES

| Rs mn | Revised Est. | | % Revision | |
|----------|--------------|--------|------------|-------|
| | FY23E | FY24E | FY23E | FY24E |
| Revenue | 38,006 | 43,159 | 4% | 3% |
| EBITDA | 4,321 | 4,805 | 3% | 0% |
| Core PAT | 3,150 | 3,355 | 16% | 8% |
| EPS (Rs) | 40.9 | 43.5 | 16% | 8% |

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| Standalone (Rs mn) | 3QFY23 | 3QFY22 | yoy | 2QFY23 | qoq % | vs. expect. % | Comments |
|--------------------|--------|--------|---------|--------|--------|---------------|---|
| Revenue | 8808 | 7593 | 16.0 | 8509 | 3.5 | 4.1 | Freight +14.3%yoy; SCM +20.9%yoy; Seaways +15.1%yoy |
| EBITDA | 1088 | 1069 | 1.8 | 916 | 18.8 | 9.7 | Revenue mix and decline in shipping profits |
| EBITDA margins | 12.4% | 14.1% | -173bps | 10.8% | 158bps | | |
| Other income | 289 | 71 | 305.6 | 76 | 280.5 | 243.8 | Dividend income of c. Rs 200mn. |
| Depreciation | 301 | 241 | 25.1 | 289 | 4.2 | 3.2 | |
| Interest | 22 | 22 | 1.9 | 21 | 3.8 | -12.4 | |
| PBT | 1053 | 878 | 20.0 | 682 | 54.5 | 38.8 | |
| PAT | 953 | 776 | 22.9 | 574 | 66.1 | 49.6 | |

Standalone

| Year End March (Rs mn) | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|------------------------|--------|--------|--------|--------|--------|
| Revenue | 7593 | 7979 | 8072 | 8509 | 8808 |
| Operating expense | 5839 | 6144 | 6374 | 6799 | 6939 |
| Opex as % of sales | 76.9% | 77.0% | 79.0% | 79.9% | 78.8% |
| Employee | 422 | 422 | 453 | 475 | 476 |
| Other expenses | 264 | 277 | 254 | 319 | 305 |
| EBITDA | 1069 | 1136 | 992 | 916 | 1088 |
| EBITDA margins (%) | 14.1% | 14.2% | 12.3% | 10.8% | 12.4% |
| Other Income | 71.2 | 77.6 | 159.2 | 75.9 | 288.8 |
| Depreciation | 241.0 | 359.5 | 278.4 | 289.3 | 301.4 |
| Interest | 21.5 | 19.0 | 18.7 | 21.1 | 21.9 |
| PBT | 877.6 | 835.4 | 853.9 | 681.6 | 1053.4 |
| Tax | 101.7 | 104.4 | 87.6 | 107.5 | 100.0 |
| Tax rate (%) | 11.6% | 12.5% | 10.3% | 15.8% | 9.5% |
| Adj PAT | 776 | 731 | 766 | 574 | 953 |
| Extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported PAT | 776 | 731 | 766 | 574 | 953 |
| EPS (Rs) | 10.1 | 9.5 | 10.0 | 7.5 | 12.4 |

Source: PhillipCapital India Research

Segmental details

| Standalone | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---------------------|--------|--------|--------|--------|--------|
| Freight Division | 3540 | 3906 | 3764 | 3944 | 4045 |
| Supply chain | 2644 | 2564 | 2862 | 3429 | 3196 |
| Seaways | 1479 | 1607 | 1525 | 1242 | 1702 |
| Energy | 6 | 12 | 16 | 19 | 15 |
| EBIT (Rs mn) | | | | | |
| Freight Division | 162 | 170 | 133 | 158 | 187 |
| Supply chain | 155 | 183 | 155 | 220 | 187 |
| Seaways | 540 | 477 | 461 | 304 | 458 |
| Energy | 1 | 6 | 8 | 10 | 8 |
| EBIT (%) | | | | | |
| Freight Division | 4.6% | 4.4% | 3.5% | 4.0% | 4.6% |
| Supply chain | 5.9% | 7.1% | 5.4% | 6.4% | 5.9% |
| Seaways | 36.5% | 29.7% | 30.2% | 24.5% | 26.9% |

Source: PhillipCapital India Research

Coverage Universe

| Company | Size | Fw PE | Reco/Upside | |
|--------------------------------|------|-------|-------------|------|
| Container Corporation | M | 25.8 | BUY | 42% |
| Praj Industries Ltd | S | 17.4 | Neutral | 45% |
| Pennar Industries Ltd | S | 9.9 | BUY | 50% |
| Indo Count Industries | S | 8.7 | BUY | 61% |
| KDDL | S | 21.2 | BUY | 20% |
| Gateway Distriparks Ltd | S | 13.3 | BUY | 59% |
| Navkar Corporation | S | 10.7 | BUY | 40% |
| Allcargo Logistics Ltd | S | 12.4 | Neutral | 13% |
| Aegis Logistics | S | 28.0 | Neutral | -29% |
| Mahindra Logistics Limited | S | 23.9 | BUY | 46% |
| Transport Corporation of India | S | 14.4 | BUY | 40% |
| VR Logistics Ltd | S | 19.5 | BUY | 43% |

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

| Y/E Mar, Rs mn | FY21 | FY22 | FY23E | FY24E |
|------------------------------|---------------|---------------|---------------|---------------|
| Net sales | 28,024 | 32,567 | 38,006 | 43,159 |
| Growth, % | 3.1 | 16.2 | 16.7 | 13.6 |
| Other operating income | - | - | - | - |
| Raw material expenses | 22,972 | 25,766 | 30,329 | 34,528 |
| Employee expenses | 1,455 | 1,700 | 1,976 | 2,331 |
| Other Operating expenses | 984 | 1,013 | 1,380 | 1,497 |
| EBITDA (Core) | 2,612 | 4,087 | 4,321 | 4,805 |
| Growth, % | 8.6 | 56.5 | 5.7 | 11.2 |
| Margin, % | 9.3 | 12.6 | 11.4 | 11.1 |
| Depreciation | 928 | 1,130 | 1,220 | 1,342 |
| EBIT | 1,684 | 2,957 | 3,101 | 3,463 |
| Growth, % | 6.6 | 75.6 | 4.9 | 11.7 |
| Margin, % | 6.0 | 9.1 | 8.2 | 8.0 |
| Interest paid | 267 | 128 | 100 | 121 |
| Other Income | 255 | 199 | 235 | 222 |
| Non-recurring Items | - | - | - | - |
| Pre tax profit | 1,672 | 3,028 | 3,236 | 3,564 |
| Tax provided | 238 | 377 | 485 | 642 |
| Profit after tax | 1,602 | 2,896 | 3,150 | 3,355 |
| Minorities/IV shares | 168 | 245 | 400 | 432 |
| Net Profit | 1,471 | 2,896 | 3,150 | 3,355 |
| Growth, % | 26.6 | (21.8) | 18.1 | (5.4) |
| Net Profit (adjusted) | 1,471 | 2,896 | 3,150 | 3,355 |
| Unadj. shares (m) | 77 | 77 | 77 | 77 |
| Wtd avg shares (m) | 77 | 77 | 77 | 77 |

Balance Sheet

| Y/E Mar, Rs mn | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Cash & bank | 395 | 745 | 767 | 1,658 |
| Marketable securities at cost | 29 | 147 | 153 | 159 |
| Debtors | 5,110 | 5,083 | 7,289 | 8,277 |
| Inventory | 71 | 85 | 93 | 102 |
| Loans & advances | 265 | 13 | 15 | 18 |
| Other current assets | 1,340 | 1,776 | 2,131 | 2,557 |
| Total current assets | 7,181 | 7,700 | 10,295 | 12,612 |
| Investments | 1,883 | 2,031 | 2,335 | 3,270 |
| Gross fixed assets | 10,653 | 11,616 | 14,116 | 15,616 |
| Less: Depreciation | (3,275) | (4,405) | (5,625) | (6,967) |
| Add: Capital WIP | 52 | 73 | 183 | 183 |
| Net fixed assets | 7,461 | 7,314 | 8,726 | 8,884 |
| Non-current assets | 638 | 773 | 880 | 900 |
| Total assets | 17,191 | 17,964 | 22,389 | 25,825 |
| Trade Payables | 759 | 851 | 937 | 1,064 |
| Provisions | 86 | 252 | 277 | 305 |
| Total current liabilities | 2,308 | 2,141 | 2,880 | 3,142 |
| Non-current liabilities | 2,816 | 934 | 905 | 850 |
| Total liabilities | 14,884 | 15,823 | 19,509 | 22,682 |
| Paid-up capital | 154 | 154 | 154 | 154 |
| Reserves & surplus | 11,543 | 14,148 | 17,851 | 21,067 |
| Minorities | 86 | 274 | 279 | 285 |
| Shareholders' equity | 11,783 | 14,576 | 18,284 | 21,506 |
| Total equity & liabilities | 17,191 | 17,964 | 22,389 | 25,825 |

Cash Flow

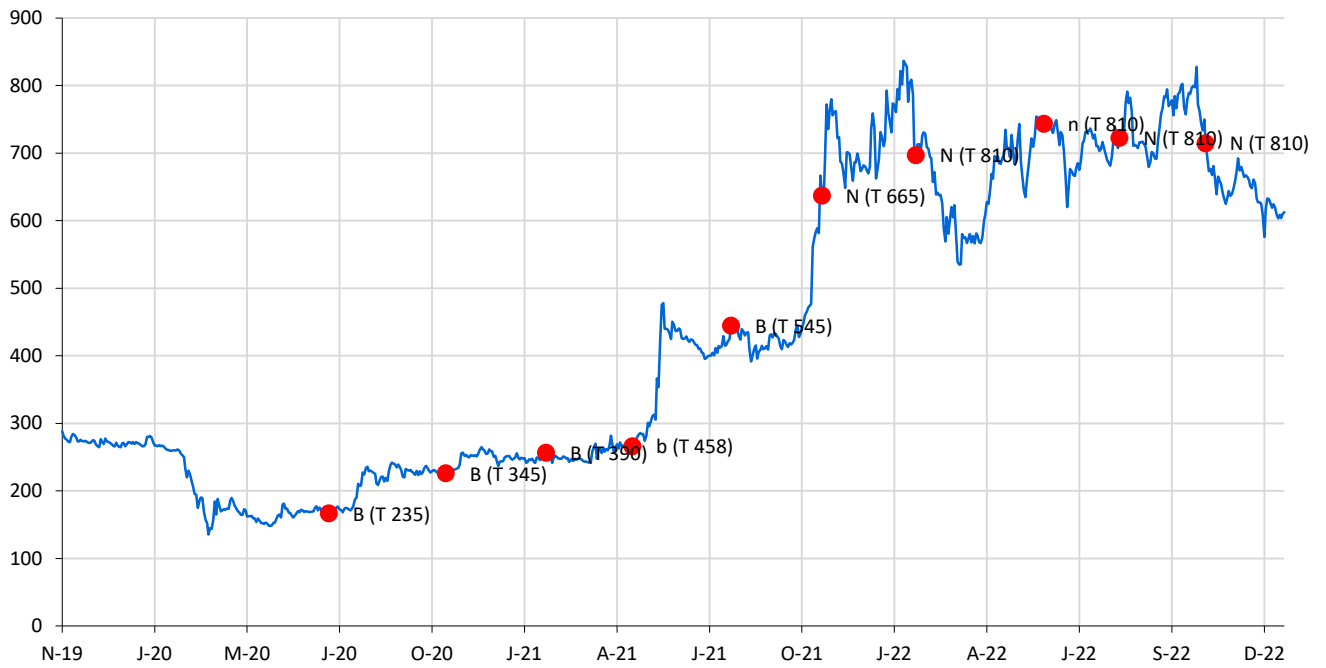
| Y/E Mar, Rs mn | FY21 | FY22 | FY23E | FY24E |
|--|----------------|----------------|----------------|----------------|
| Pre-tax profit | 1,672 | 3,028 | 3,236 | 3,564 |
| Depreciation | 928 | 1,130 | 1,220 | 1,342 |
| Chg in working capital | (187) | (336) | (1,833) | (1,164) |
| Total tax paid | (238) | (377) | (485) | (642) |
| Cash flow from operating activities | 2,355 | 3,619 | 2,402 | 3,431 |
| Capital expenditure | 101 | (984) | (2,610) | (1,500) |
| Chg in investments | (113) | (265) | (310) | (940) |
| Chg in marketable securities | - | - | - | - |
| Cash flow from investing activities | 243 | (1,051) | (2,686) | (2,218) |
| Free cash flow | 2,827 | 2,681 | (198) | 1,312 |
| Equity raised/(repaid) | 80 | 67 | 271 | - |
| Debt raised/(repaid) | (1,177) | (1,747) | (22) | (49) |
| Dividend (incl. tax) | (92) | (139) | (139) | (139) |
| Cash flow from financing activities | (2,462) | (2,498) | (121) | (438) |
| Net chg in cash | 136 | 71 | (404) | 775 |

Valuation Ratios

| | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|-------|-------|-------|-------|
| Per Share data | | | | |
| EPS (INR) | 19.1 | 37.6 | 40.9 | 43.5 |
| Growth, % | 3.3 | 96.8 | 8.8 | 6.5 |
| Book NAV/share (INR) | 151.7 | 185.5 | 233.6 | 275.3 |
| FDEPS (INR) | 19.1 | 37.6 | 40.9 | 43.5 |
| CEPS (INR) | 31.1 | 52.2 | 56.7 | 60.9 |
| CFPS (INR) | 30.6 | 46.9 | 31.2 | 44.5 |
| DPS (INR) | 1.2 | 1.5 | 1.5 | 1.5 |
| Return ratios | | | | |
| Return on assets (%) | 8.8 | 16.5 | 15.6 | 13.9 |
| Return on equity (%) | 13.3 | 22.0 | 19.2 | 16.9 |
| Return on capital employed (%) | 11.2 | 17.5 | 14.5 | 13.3 |
| ROIC (%) | 10.0 | 17.2 | 14.1 | 13.5 |
| Turnover ratios | | | | |
| Asset turnover (x) | 3.8 | 4.5 | 4.4 | 4.9 |
| Sales/Net FA (x) | 3.8 | 4.5 | 4.4 | 4.9 |
| Working capital/Sales (%) | 17.4 | 17.1 | 19.5 | 21.9 |
| Receivable days | 65.0 | 57.1 | 59.4 | 65.8 |
| Inventory days | 1.1 | 1.1 | 1.1 | 1.0 |
| Payable days | 9.1 | 9.0 | 8.6 | 8.5 |
| Working capital days | 63.5 | 62.3 | 71.2 | 80.1 |
| Liquidity ratios | | | | |
| Current ratio (x) | 3.1 | 3.6 | 3.6 | 4.0 |
| Quick ratio (x) | 0.5 | 0.5 | 0.5 | 0.6 |
| Interest cover (x) | 6.3 | 23.0 | 30.9 | 28.7 |
| Total debt/Equity (x) | 0.2 | 0.1 | 0.0 | 0.0 |
| Net debt/Equity (x) | 0.2 | 0.0 | 0.0 | 0.0 |
| Valuation | | | | |
| PER (x) | 32.8 | 16.6 | 15.3 | 14.4 |
| PEG (x) yoy growth | 9.8 | 0.2 | 1.7 | 2.2 |
| Price/Book (x) | 4.1 | 3.4 | 2.7 | 2.3 |
| EV/Net sales (x) | 1.8 | 1.5 | 1.3 | 1.1 |
| EV/EBITDA (x) | 19.4 | 11.8 | 11.2 | 9.9 |
| EV/EBIT (x) | 30.1 | 16.4 | 15.6 | 13.7 |

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



S

Source: PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

| Rating | Criteria | Definition |
|---------|-----------------------------|---|
| BUY | $\geq +10\%$ | Target price is equal to or more than 10% of current market price |
| NEUTRAL | $(10\% > \text{to} < +10\%$ | Target price is less than +10% but more than (10% |
| SELL | $\leq (10\%$ | Target price is less than or equal to (10%. |

Mid cap and Small cap stocks

| Rating | Criteria | Definition |
|---------|-----------------------------|---|
| BUY | $\geq +15\%$ | Target price is equal to or more than 15% of current market price |
| NEUTRAL | $(15\% > \text{to} < +15\%$ | Target price is less than +15% but more than (15% |
| SELL | $\leq (15\%$ | Target price is less than or equal to (15%. |

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