

Retail Equity Research (South India Focus) Transport Corporation of India Ltd

Logistics

BSE CODE : 532349 NSE CODE: TCI
 BLOOMBERG CODE: TRPC:IN SENSEX : 51,423

Accumulate

12Months investment Period Rating as per Small Cap

CMP Rs.423 TARGET Rs.483 RETURN 14% ↑
 (Closing: 28-05-21)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

Margin expands...on a growth path

Transport Corporation of India Ltd (TCI) is one of the largest integrated players in the organised logistics industry providing Freight, supply chain, warehousing solutions and shipping services.

- Revenue grew by 27% YoY, led by pick-up in movement of goods as economy opens-up and pent-up demand.
- EBITDA margins expanded by 147bps YoY to 10.7% on account of improved scale and lower cost. Consequently, PAT was up by 69% YoY.
- Focus on E-commerce space, strong volumes in seaway business, and strong rebound in Auto sector will continue to drive growth.
- Though Covid second wave might bring hiccups to current growth momentum, but gradual normalization of freight operations, strong growth in E-commerce and revival in supply chain business, will support earnings.
- TCI has strong presence in warehousing space, multimodal logistics services and supply chain management. We continue to maintain positive view, given strong earnings outlook of 26% CAGR.
- We value TCI at P/E of 17x on FY23E, given earnings upgrade. However, given sharp up-move in stock prices we downgrade to Accumulate, with a target price of Rs.483.

Supply chain drives growth...

TCI's Q4FY21 grew by 27.3% YoY, led by supply chain segment which grew by 41% on account of strong recovery in Auto segment including personal mobility, Agri and Industrial related segments in the value chain. Further, overall growth was also supported by strong demand from FMCG & E-commerce segments. TCI's 37% of revenue comes from supply chain business while from this 80% is contributed by Auto sector, which has witnessed strong. Freight revenue grew by 20% on account of improvement in movement of goods on account pent-up & restocking and revival in MSME demand. Seaway business grew by 24.4% YoY despite 3 ships were under dry-dock. Strong overall capacity utilisation picked-up led by improvement in cargo volumes in East & West coast similar to pre-Covid levels. CAPEX plan amounts to Rs225cr FY22E. We expect demand back to pre-Covid levels starting from Q2FY22 leading to improvement in fleet utilisation. We factor revenue to grow by 21% CAGR over FY21-FY23E.

EBITDA margin improves...

Q4FY21, EBITDA margins improved by 147bps YoY to 10.7%, led by lower employee cost and Other expenses. Segmental profitability witnessed strong growth with Freight, Supply chain and Seaway EBIT grew by 37% 101%, & 36% YoY, respectively. Consequently, PAT grew by 69% YoY (after impairment of Rs.3.5cr). Though some near demand headwinds related to ongoing Covid second wave might slowdown the growth. However, we expect the Covid situation to normalise in Q2FY22. Given likely higher going ahead, we expect EBITDA margin to improve led by better scale. We marginally upgrade our EBITDA margin estimates by 10bps & 20bps for FY22E & FY23E. Consequently, our EPS estimates stands increased by xx% & xx% for FY21E & FY22E. We expect PAT to grow by 27% CAGR over FY21-23E.

Valuations

TCI has a strong presence in warehousing space, multimodal logistics services and supply chain management. Given its strong pan India network, technology driven and capability in providing customized solutions, we remain positive on TCI. Given strong earnings of 26% CAGR, we value TCI at P/E of 17x on FY23E, however given sharp run-up in stocks prices we downgrade to Accumulate with target price of Rs.483.

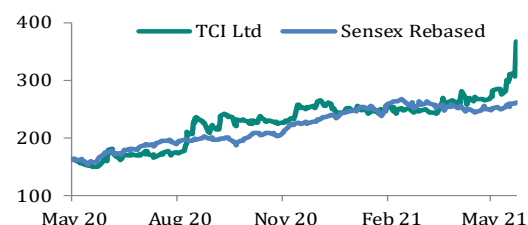
Company Data

Market Cap (cr)	Rs.3,242
Enterprise Value (cr)	Rs.3,442
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	0.47%
52 week high	Rs.495
52 week low	Rs.150
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs.2

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	66.7	66.8	66.7
FII's	1.6	1.5	1.7
MFs/Institutions	12.2	12.5	12.2
Public	13.0	12.9	10.9
Others	6.5	6.4	8.5
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	74.1%	67.0%	178.5%
Absolute Sensex	4.7%	16.5%	59.7%
Relative Return*	69.4%	50.5%	118.8%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Sales	2,452	3,079	3,601
Growth (%)	(2.4)	25.6	17.0
EBITDA	248	311	367
EBITDA Margin(%)	10.1	10.1	10.2
PAT Adj.	135	178	219
Growth (%)	6.6	32.4	19.6
Adjusted EPS	17.5	23.2	28.4
Growth (%)	6.4	32.4	22.6
P/E	24.2	18.3	14.9
P/B	3.0	2.6	2.2
EV/EBITDA	13.9	11.1	9.4
ROE (%)	13.3	15.4	16.3
D/E	0.2	0.2	0.2

Quarterly Financials

Profit & Loss

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %
Sales	797	626	27.3	715	11.4
EBITDA	86	58	48.0	75	13.4
EBITDA margins	10.7	9.3	+150bps	10.5	+20bps
Depreciation	27	20	36.2	22	22.0
EBIT	59	38	53.4	53	10.1
Interest	6	8	(30.0)	6	(4.0)
Other Income	11	7	58.3	9	22.0
	-	-	-	-	-
PBT	64	37	72.2	56	13.3
Exceptional Items	(4)	-	-	(10)	-
Tax	7	6	(28.3)	6	28.0
Share of profit from Associate	-	-	-	-	-
Reported PAT	53	31	69.0	40	32.0
Adjustments	-	-	-	-	-
Adjusted PAT	53	31	69.0	40	32.0
No. of Shares	7.7	7.7	-	7.7	-
EPS (Rs)	6.9	4.1	69.0	5.2	32.0

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	2,936	3,322	3,079	3,601	5.0	8.4
EBITDA	294	332	311	367	5.8	10.5
Margins (%)	10.0	10.0	10.1	10.2	+10bps	+20bps
Adj. PAT	163	188	178	219	9.2	16.4
EPS	21.1	24.4	23.2	28.4	9.0	16.4

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	2,558	2,513	2,452	3,079	3,601
% change	17.3	-1.8	-2.4	25.6	17.0
EBITDA	244	233	248	311	367
% change	15.2	-4.4	6.2	25.5	18.1
Depreciation	75	78	88	98	113
EBIT	169	156	160	213	254
Interest	36	32	25	25	26
Other Income	27	28	35	35	45
PBT	160	142	156	223	273
% change	21.8	-11.5	10.1	42.7	22.6
Tax	33	15	21	45	55
Tax Rate (%)	20.4	10.9	13.7	20.0	20.0
Reported PAT	128	126	135	178	219
Adj.*	6	0	0	0	0
Adj. PAT	128	126	135	178	219
% change	23.0	-1.0	6.6	32.4	22.6
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	16.6	16.5	17.5	23.2	28.4
% change	23.0	-1.0	6.4	32.4	22.6
DPS (Rs)	2.2	2.4	2.4	2.4	2.4
CEPS (Rs)	26.5	26.6	28.9	35.9	43.1

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	7	11	25	6	19
Accounts Receivable	477	454	457	548	641
Inventories	5	6	7	9	10
Other Cur. Assets	228	239	228	253	313
Investments	94	89	86	86	86
Gross Fixed Assets	911	1,041	1,153	1,353	1,553
Net Fixed Assets	705	752	775	878	964
CWIP	4	22	5	25	25
Intangible Assets	0	0	3	3	3
Def. Tax (Net)	(39)	(30)	(26)	(26)	(26)
Other Assets	-	-	-	-	-
Total Assets	1,480	1,544	1,560	1,782	2,035
Current Liabilities	240	224	246	305	356
Provisions	6	10	9	11	13
Debt Funds	397	360	225	225	225
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	822	935	1,065	1,225	1,425
Shareholder's Fund	837	950	1,080	1,240	1,440
Total Liabilities	1,480	1,544	1,560	1,782	2,035
BVPS	111	126	143	164	190

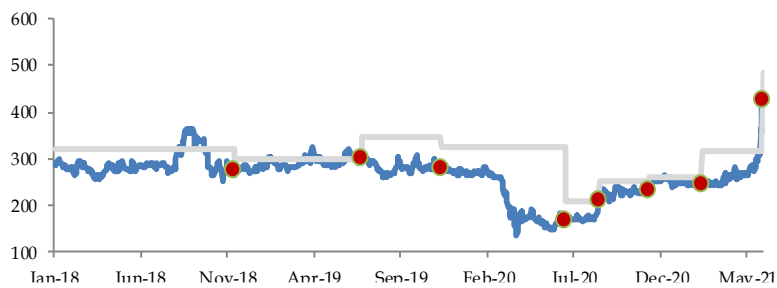
CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	203	204	223	276	332
Non-cash adj.	23	(4)	35	(10)	(19)
Changes in W.C	(57)	25	31	(57)	(101)
C.F. Operation	169	235	304	210	212
Capital exp.	(105)	(129)	(113)	(220)	(200)
Change in inv.	(34)	(15)	2	-	-
Other invest.CF	11	9	15	35	45
C.F - Investment	(148)	(135)	(96)	(185)	(155)
Issue of equity	1	2	40	-	-
Issue/repay debt	83	42	(110)	-	-
Dividends paid	(14)	(15)	(9)	(18)	(18)
Other finance.CF	(96)	(125)	(76)	(25)	(26)
C.F - Finance	(26)	(96)	(194)	(44)	(44)
Chg. in cash	(6)	4	14	(19)	13
Closing cash	7	11	25	6	19

RATIOS

Y.E March	FY19A	FY20A	FY21E	FYE22E	FY23E
Profitab & Return					
EBITDA margin (%)	9.5	9.3	10.1	10.1	10.2
EBIT margin (%)	6.6	6.2	6.5	6.9	7.1
Net profit mgn.(%)	5.0	5.0	5.5	5.8	6.1
ROE (%)	16.9	14.1	13.3	15.4	16.3
ROCE (%)	14.1	11.8	12.0	15.4	16.2
W.C & Liquidity					
Receivables (days)	61.8	67.6	67.8	59.6	60.3
Inventory (days)	0.8	1.1	1.2	1.2	1.2
Payables (days)	36.0	41.7	43.4	40.6	41.8
Current ratio (x)	2.9	3.0	2.8	2.6	2.7
Quick ratio (x)	2.0	2.1	2.0	1.8	1.9
Turnover & Leverage					
Gross asset T.O (x)	3.1	2.6	2.2	2.5	2.5
Total asset T.O (x)	1.9	1.7	1.6	1.8	1.9
Int. covge. ratio (x)	4.8	4.8	6.5	8.4	9.5
Adj. debt/equity (x)	0.5	0.4	0.2	0.2	0.2
Valuation					
EV/Sales (x)	1.4	1.4	1.4	1.1	1.0
EV/EBITDA (x)	14.9	15.4	13.9	11.1	9.4
P/E (x)	25.5	25.7	24.2	18.3	14.9
P/BV (x)	3.8	3.4	3.0	2.6	2.2

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	483

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	-	-	-

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 : 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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