

# Transport Corporation of India

Estimate change

TP change

Rating change


**CMP: INR745**
**TP: INR870 (+17%)**
**Buy**

## Seaways segment continues to drive performance

### Multi-modal capabilities to support earnings

- TCI reported a strong 4QFY22, with revenue of ~INR9.0b, in line with our estimate. Among the key segments, revenue from Seaways/Freight rose 24%/1% YoY, respectively.
- Overall, EBITDA margin came in healthy at 13.3%, led by the Seaways segment (margin in Seaways stood healthy on higher freight rates and return load from Myanmar). The new ship procurement has been delayed and it is likely to be completed by end-FY23E.
- We marginally reduce our FY23/FY24 estimates to factor in the delay in ship procurement leading to lower growth in Seaways segment in the near term. **We maintain our BUY rating with a TP of INR870 (based on 17x FY24E EPS).**

### EBITDA margin at a record high; PAT up 27% YoY

- TCI reported revenue of ~INR9.0b in 4QFY22 (+7% QoQ, flat YoY), in line with our estimate. Growth was driven by the Seaways segment (+24% YoY).
- EBITDA margin jumped to an all-time high level of 13.3% (+336bp YoY, +26bp QoQ). EBITDA margin improvement was driven by strong margin generated in the Seaways segment. EBITDA grew 35% YoY to INR1.2b (9% above our estimate).
- Strong operating performance saw PAT grow 27% YoY to INR854m (our estimates of INR829m).
- The Board has declared a final dividend of INR2/equity share and also approved issuance of NCD/Bonds/Other similar Instruments for an amount of upto INR2b.

### Highlights from the management commentary

- The LTL/FTL businesses in the Freight division stood at 35%/65% in FY22. The management's focus remains on increasing the share of LTL revenue, which would result in an improvement in margin.
- The cost of buying ship continues to stay elevated. The new ship may be purchased at end-FY23.
- The Seaways segment is benefiting from return loads from Myanmar and higher freight rates. Margin is likely to normalize going ahead.
- The Supply Chain segment was impacted adversely by challenges in the Auto vertical and drop in Farm Equipment. Margin, however, was stable with tight cost control measures.

### Valuation and view

- We continue to see TCI as a long-term play, backed by: a) a diversified clientele, b) improving share in the LTL business in the Road Freight division and c) elevated contribution from the high-margin Seaways segment.
- We lower our estimates marginally and expect TCI to clock Revenue and PAT CAGR of ~18% and 19% over FY22-24, respectively. The stock trades at 14x FY24E EPS. **Maintain BUY with a TP of INR870 (based on 17x FY24E EPS).**

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USD\$b)	57.6 / 0.7
52-Week Range (INR)	858 / 388
1, 6, 12 Rel. Per (%)	8/10/67
12M Avg Val (INR M)	141

### Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	32.6	38.0	45.2
EBITDA	4.1	4.3	5.4
Adj. PAT	2.9	3.1	4.1
EBITDA Margin (%)	12.6	11.4	12.0
Adj. EPS (INR)	37.6	40.7	52.7
EPS Gr. (%)	80.8	8.2	29.6
BV/Sh. (INR)	185.5	222.7	271.9

### Ratios

Net D:E	0.0	0.0	-0.1
RoE (%)	22.0	19.6	21.0
RoCE (%)	19.6	18.6	20.3
Payout (%)	6.7	8.6	6.6

### Valuations

P/E (x)	19.8	18.3	14.1
P/BV (x)	4.0	3.3	2.7
EV/EBITDA(x)	13.7	12.9	9.9
Div. Yield (%)	0.3	0.5	0.5
FCF Yield (%)	5.2	-0.3	3.4

### Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	66.6	66.5	66.7
DII	12.3	12.6	12.2
FII	2.7	2.3	1.7
Others	18.5	18.5	19.4

FII Includes depository receipts

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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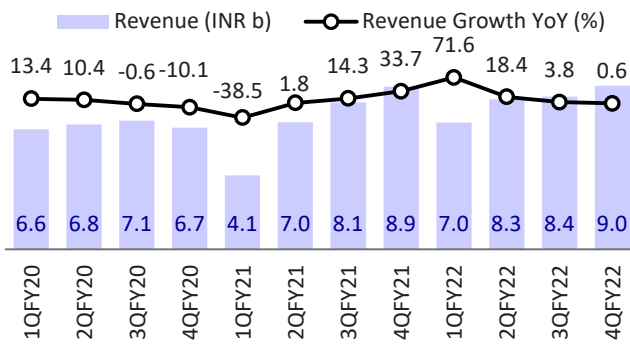
Quarterly snapshot (Cons)

Y/E March (INR m)	FY21				FY22				FY21	FY22	FY22	INR m
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. v/s Est
<b>Net Sales</b>	<b>4,057</b>	<b>6,969</b>	<b>8,071</b>	<b>8,927</b>	<b>6,961</b>	<b>8,251</b>	<b>8,377</b>	<b>8,977</b>	<b>28,024</b>	<b>32,567</b>	<b>9,182</b>	<b>(2)</b>
YoY Change (%)	-38.5	1.8	14.3	33.7	71.6	18.4	3.8	0.6	3.1	16.2	2.9	
<b>EBITDA</b>	<b>306</b>	<b>622</b>	<b>797</b>	<b>886</b>	<b>758</b>	<b>1,045</b>	<b>1,092</b>	<b>1,193</b>	<b>2,612</b>	<b>4,087</b>	<b>1,097</b>	<b>9</b>
Margins (%)	7.5	8.9	9.9	9.9	10.9	12.7	13.0	13.3	9.3	12.6	12.0	
YoY Change (%)	-47.6	6.0	23.0	51.3	147.3	67.9	37.0	34.6	8.6	56.5	23.8	
Depreciation	206	209	233	280	247	256	255	371	928	1,130	254	
Interest	74	69	63	61	47	33	26	22	267	128	35	
Other Income	30	66	46	113	41	29	53	76	255	199	55	
<b>PBT before EO expense</b>	<b>57</b>	<b>410</b>	<b>547</b>	<b>658</b>	<b>504</b>	<b>785</b>	<b>864</b>	<b>875</b>	<b>1,672</b>	<b>3,028</b>	<b>863</b>	<b>1</b>
Extra-Ord expense	0	0	104	26	0	0	0	0	131	0	0	
<b>PBT</b>	<b>57</b>	<b>410</b>	<b>443</b>	<b>632</b>	<b>504</b>	<b>785</b>	<b>864</b>	<b>875</b>	<b>1,541</b>	<b>3,028</b>	<b>863</b>	<b>1</b>
Tax	9	84	65	81	64	96	108	109	238	377	109	
Rate (%)	14.9	20.5	14.7	12.8	12.7	12.3	12.5	12.4	15.5	12.4	12.6	
Minority Interest	-6.4	-6.7	-10.9	-8.9	-6.0	-7.5	-7.5	-9.8	-32.9	-32.1	-9.0	
Profit/Loss of Asso. Cos	-1	47	52	104	35	73	72	97	201	277	84	
<b>Reported PAT</b>	<b>41</b>	<b>366</b>	<b>418</b>	<b>646</b>	<b>469</b>	<b>754</b>	<b>821</b>	<b>854</b>	<b>1,471</b>	<b>2,896</b>	<b>829</b>	<b>3</b>
<b>Adj PAT</b>	<b>41</b>	<b>366</b>	<b>523</b>	<b>672</b>	<b>469</b>	<b>754</b>	<b>821</b>	<b>854</b>	<b>1,602</b>	<b>2,896</b>	<b>829</b>	<b>3</b>
YoY Change (%)	-88.1	-23.5	53.6	86.5	1,049	106.0	57.0	27.0	5.2	80.8	23.3	
Margins (%)	1.0	5.3	6.5	7.5	6.7	9.1	9.8	9.5	5.7	8.9	9.0	

E: MOFSL Estimates

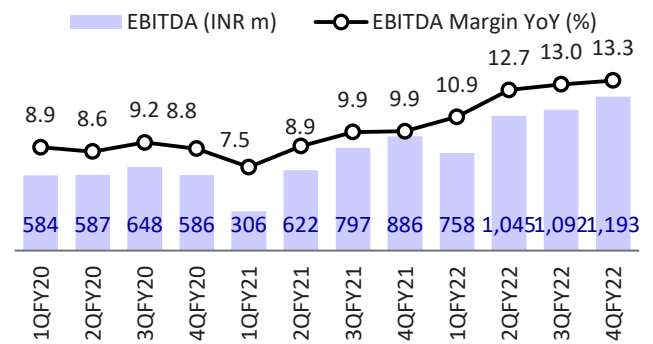
4QFY22 in charts

Exhibit 1: Revenue flat YoY on a very high base



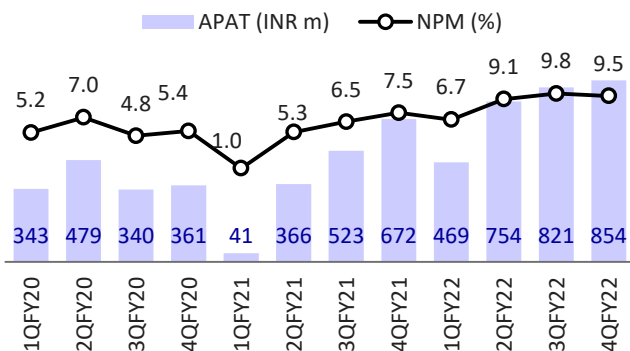
Source: Company, MOFSL

Exhibit 2: EBITDA margin at a record high



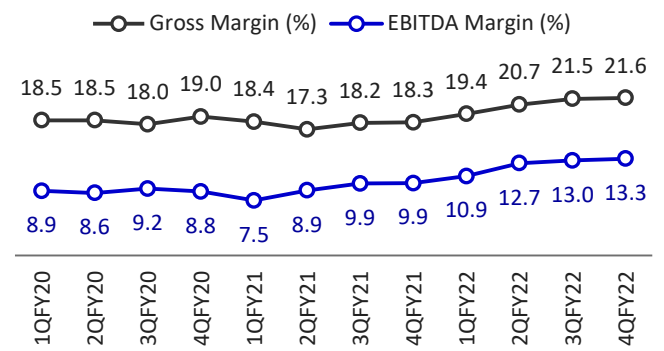
Source: Company, MOFSL

Exhibit 3: PAT up 24% YoY



Source: Company, MOFSL

Exhibit 4: Strong operating performance helps improve margin



Source: Company, MOFSL

**Exhibit 5: Segmental performance**

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
<b>Segment Revenue (INR m)</b>								
Freight	2,301	3,572	4,149	4,763	3,647	4,128	4,323	4,797
Supply chain	1,145	2,541	3,011	3,041	2,263	2,843	2,788	2,745
Seaways	682	932	1,038	1,301	1,150	1,342	1,479	1,607
Energy	14	17	3	5	15	21	6	12
<b>Net segment Revenue</b>	<b>4,142</b>	<b>7,061</b>	<b>8,201</b>	<b>9,111</b>	<b>7,074</b>	<b>8,334</b>	<b>8,596</b>	<b>9,161</b>
<b>Growth YoY (%)</b>								
Freight	-32.0	0.7	10.8	32.0	58.5	15.6	4.2	0.7
Supply chain	-53.1	2.5	23.9	42.0	97.6	11.9	-7.4	-9.7
Seaways	-13.5	9.2	4.9	24.4	68.6	44.0	42.6	23.5
Energy	-7.5	-43.4	-43.5	-10.2	10.3	23.8	111.5	117.0
<b>Net segment Revenue</b>	<b>-37.5</b>	<b>2.2</b>	<b>14.4</b>	<b>33.9</b>	<b>70.8</b>	<b>18.0</b>	<b>4.8</b>	<b>0.6</b>
<b>Revenue Share (%)</b>								
Freight	56	51	51	52	52	50	50	52
Supply chain	28	36	37	33	32	34	32	30
Seaways	16	13	13	14	16	16	17	18
Energy	0	0	0	0	0	0	0	0
<b>Total Revenue Share</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Segment Results (EBIT) - (INR m)</b>								
Freight	41	119	173	190	127	162	188	198
Supply chain	32	166	200	209	121	166	167	196
Seaways	41	155	235	306	293	480	540	477
Energy	8	11	-3	-1	10	15	-1	6
<b>Total Segment Results</b>	<b>121</b>	<b>450</b>	<b>605</b>	<b>703</b>	<b>551</b>	<b>824</b>	<b>893</b>	<b>877</b>
<b>Segmental EBIT Margin (%)</b>								
Freight	1.8	3.3	4.2	4.0	3.5	3.9	4.3	4.1
Supply chain	2.8	6.5	6.7	6.9	5.3	5.8	6.0	7.1
Seaways	6.0	16.6	22.6	23.5	25.5	35.8	36.5	29.7
Energy	56.6	64.3	-126.9	-13.2	65.3	74.0	-14.5	48.7
<b>Total</b>	<b>2.9</b>	<b>6.4</b>	<b>7.4</b>	<b>7.7</b>	<b>7.8</b>	<b>9.9</b>	<b>10.4</b>	<b>9.6</b>
<b>EBIT Margin Change YoY (bps)</b>								
Freight	-91	46	78	58	172	61	16	15
Supply chain	-410	16	122	190	257	-70	-67	27
Seaways	-1,389	-45	-24	196	1,956	1,919	1,384	619
Energy	2,056	-440	15,569	-1,151	872	975	11,238	6,190
<b>Total</b>	<b>-342</b>	<b>22</b>	<b>79</b>	<b>104</b>	<b>488</b>	<b>351</b>	<b>301</b>	<b>185</b>



## Highlights from the management commentary

### Operational highlights

- Revenue growth was flat YoY at ~INR9.0b. This was due to very strong base of last year which had some pent-up demand. Seaways segment grew +24% YoY.
- EBITDA margin touched a record high of 13.3% (+336bp YoY). On a QoQ basis, margin improved by 26bp. The improvement was led by the strong margin generated in the Seaways segment.
- The freight rates have increased by 5-10% across end-use segments. The ROCE in Freight business is on improving trend with asset light model and stable margins.
- While Freight Services and Seaways have done well, the Supply Chain segment has been weak due to a slowdown in the Auto vertical.

### Freight segment

- The LTL/FTL proportion in the Freight division stood at 35%/65% in FY22. The management expects the share of LTL to rise to 40% in FY25.
- Fuel price change is embedded in contract with the customers and it is passed on to the customers as per the terms of the contracts. No major benefit due to the diesel cut is there for TCI.

### Supply Chain segment

- The segment saw de-growth during 4Q FY22 amid supply disruption in automotive segment and drop in Farm Equipment business.
- The Company added 3<sup>rd</sup> Automobile Freight Train Operator (AFTO) rake during the quarter.
- Margins are stable for the segment with controlled cost structure & lower interest cost which off-setting depreciation and other fixed cost.
- The Auto sector contributes a lion's share of revenue in the Supply Chain division.
- Company 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

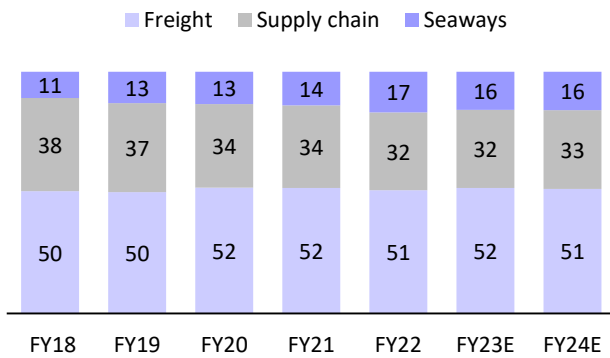
- Margin in the Seaways segment remained elevated in 4QFY22 due to availability of return loads from Myanmar and freight rates.
- Margin may sustain in the short term, but is likely to stabilize at 25% going forward.
- Three ships would be dry docking in FY23.
- The Cost of ships has increase and freight rates have also increased. So payback period has not changed.
- Global Shipping rates have remained elevated and rates are expected to remain firm in the next few quarters.

### Capex

- FY23 capex guidance has been pegged at INR3.15b and would mainly be spent on assets like Ships, Warehouses, Container and rakes.
- The plan of buying the seventh ship is expected by end of FY23 as ship rates continue to remain elevated.
- The management expects rates to moderate by 2H FY23.

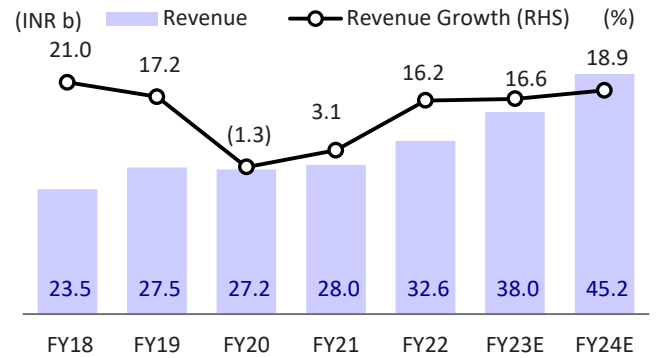
## Story in charts

**Exhibit 6: Freight and 3PL to dominate**



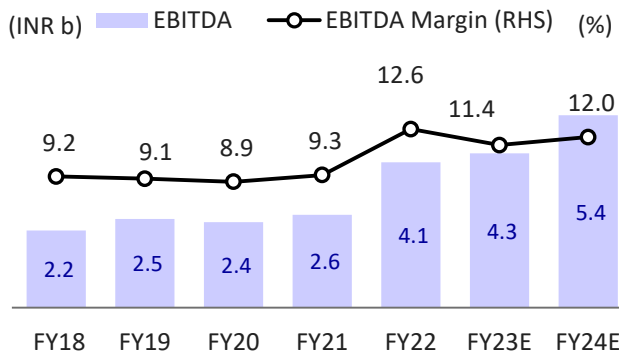
Source: Company, MOFSL

**Exhibit 7: Revenue growth to remain strong**



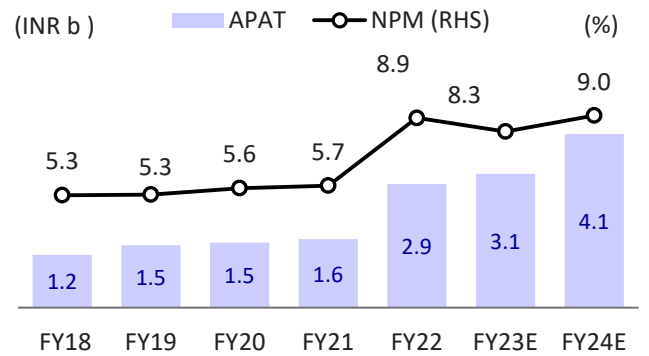
Source: Company, MOFSL

**Exhibit 8: Margin to remain stable**



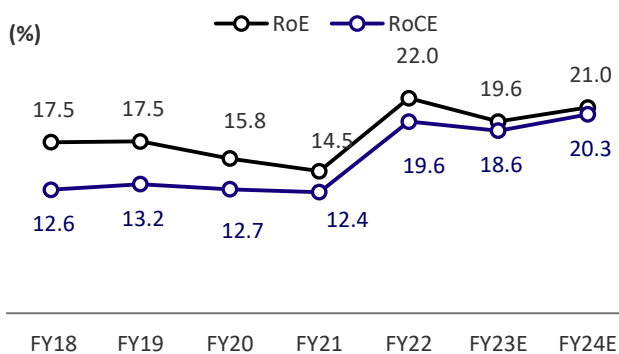
Source: Company, MOFSL

**Exhibit 9: Strong operating performance to drive PAT**



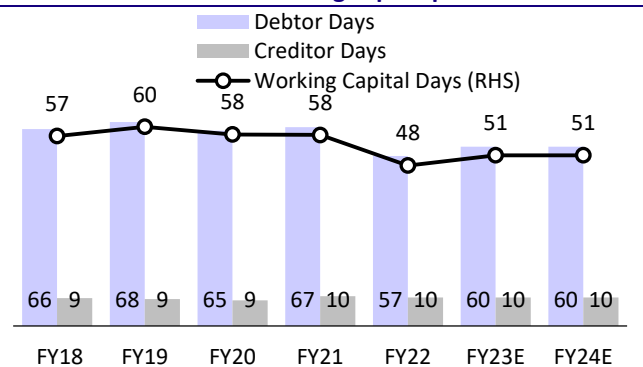
Source: Company, MOFSL

**Exhibit 10: Return ratios remain elevated**



Source: Company, MOFSL

**Exhibit 11: Comfortable working capital position**



Source: Company, MOFSL

## Financials and valuations

### Consolidated Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>23,499</b>	<b>27,536</b>	<b>27,178</b>	<b>28,024</b>	<b>32,567</b>	<b>37,987</b>	<b>45,157</b>
Change (%)	21.0	17.2	-1.3	3.1	16.2	16.6	18.9
Gross Margin (%)	18.9	18.2	18.5	18.0	20.9	19.8	20.0
<b>EBITDA</b>	<b>2,165</b>	<b>2,495</b>	<b>2,405</b>	<b>2,612</b>	<b>4,087</b>	<b>4,340</b>	<b>5,412</b>
Margin (%)	9.2	9.1	8.9	9.3	12.6	11.4	12.0
Depreciation	686	774	825	928	1,130	1,091	1,255
<b>EBIT</b>	<b>1,478</b>	<b>1,721</b>	<b>1,580</b>	<b>1,684</b>	<b>2,957</b>	<b>3,249</b>	<b>4,157</b>
Int. and Finance Charges	322	374	343	267	128	76	55
Other Income	144	195	201	255	199	243	316
<b>PBT</b>	<b>1,301</b>	<b>1,542</b>	<b>1,438</b>	<b>1,672</b>	<b>3,028</b>	<b>3,416</b>	<b>4,418</b>
Tax	287	333	159	238	377	615	795
Effective Tax Rate (%)	22.0	21.6	11.1	14.3	12.4	18.0	18.0
<b>PAT before MI, Associates, and EO Items</b>	<b>1,014</b>	<b>1,209</b>	<b>1,279</b>	<b>1,434</b>	<b>2,652</b>	<b>2,801</b>	<b>3,623</b>
Share of profit/(loss) of Associates and JVs	224	251	252	201	277	364	471
Minority Interest	0	0	-8	-33	-32	-30	-30
Extraordinary Items	0	7	99	131	0	0	0
<b>Reported PAT</b>	<b>1,238</b>	<b>1,453</b>	<b>1,424</b>	<b>1,471</b>	<b>2,896</b>	<b>3,135</b>	<b>4,064</b>
<b>Adjusted PAT</b>	<b>1,238</b>	<b>1,460</b>	<b>1,522</b>	<b>1,602</b>	<b>2,896</b>	<b>3,135</b>	<b>4,064</b>
Change (%)	52.4	17.9	4.3	5.2	80.8	8.2	29.6
Margin (%)	5.3	5.3	5.6	5.7	8.9	8.3	9.0

### Consolidated Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	153	153	154	154	155	155	155
Total Reserves	7,465	8,766	10,085	11,543	14,148	17,013	20,807
<b>Net Worth</b>	<b>7,618</b>	<b>8,920</b>	<b>10,239</b>	<b>11,697</b>	<b>14,303</b>	<b>17,168</b>	<b>20,962</b>
Minority Interest	47	52	57	86	274	274	274
Deferred Tax Liabilities	445	390	302	273	276	276	276
Total Loans	4,396	4,703	4,186	2,767	1,039	694	521
<b>Capital Employed</b>	<b>12,505</b>	<b>14,065</b>	<b>14,784</b>	<b>14,823</b>	<b>15,892</b>	<b>18,412</b>	<b>22,032</b>
Gross Block	7,873	9,503	10,595	10,684	11,646	14,396	15,896
Less: Accum. Deprn.	1,615	2,235	3,111	3,275	4,405	5,496	6,751
<b>Net Fixed Assets</b>	<b>6,258</b>	<b>7,268</b>	<b>7,483</b>	<b>7,409</b>	<b>7,241</b>	<b>8,899</b>	<b>9,145</b>
Capital WIP	563	40	450	690	846	796	766
<b>Total Investments</b>	<b>1,044</b>	<b>1,168</b>	<b>1,354</b>	<b>1,500</b>	<b>1,927</b>	<b>1,927</b>	<b>1,927</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>6,113</b>	<b>7,683</b>	<b>7,547</b>	<b>7,790</b>	<b>8,257</b>	<b>9,448</b>	<b>13,355</b>
Inventory	33	53	66	71	85	104	124
Account Receivables	4,249	5,151	4,873	5,110	5,083	6,244	7,423
Cash and Bank Balances	142	155	259	395	745	428	2,633
Cash	127	101	132	341	679	362	2,567
Bank Balance	15	55	128	55	66	66	66
Loans and Advances	235	268	268	124	12	14	17
Others	1,453	2,056	2,081	2,089	2,333	2,657	3,159
<b>Current Liab. and Prov.</b>	<b>1,472</b>	<b>2,095</b>	<b>2,050</b>	<b>2,565</b>	<b>2,379</b>	<b>2,659</b>	<b>3,161</b>
Account Payables	597	674	639	759	851	993	1,180
Other Current Liabilities	820	1,355	1,309	1,719	1,276	1,373	1,632
Provisions	55	65	102	86	251	293	349
<b>Net Current Assets</b>	<b>4,641</b>	<b>5,589</b>	<b>5,497</b>	<b>5,225</b>	<b>5,878</b>	<b>6,789</b>	<b>10,195</b>
<b>Application of Funds</b>	<b>12,505</b>	<b>14,065</b>	<b>14,784</b>	<b>14,823</b>	<b>15,891</b>	<b>18,411</b>	<b>22,032</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
EPS	16.1	18.9	19.7	20.8	37.6	40.7	52.7
EPS growth (%)	52.4	17.9	4.3	5.2	80.8	8.2	29.6
Cash EPS	25.0	29.0	30.4	32.8	52.2	54.8	69.0
BV/Share	98.8	115.7	132.8	151.7	185.5	222.7	271.9
DPS	1.6	1.8	2.0	2.5	2.5	3.5	3.5
Payout (Incl. Div. Tax, %)	13.2	12.6	14.1	13.1	6.7	8.6	6.6
<b>Valuation (x)</b>							
P/E	46.4	39.4	37.7	35.9	19.8	18.3	14.1
Cash P/E	29.8	25.7	24.5	22.7	14.3	13.6	10.8
EV/EBITDA	28.0	24.4	25.0	22.3	13.7	12.9	9.9
EV/Sales	2.6	2.2	2.2	2.1	1.7	1.5	1.2
P/BV	7.5	6.4	5.6	4.9	4.0	3.3	2.7
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.3	0.5	0.5
<b>Return Ratios (%)</b>							
RoE	17.5	17.5	15.8	14.5	22.0	19.6	21.0
RoCE	12.6	13.2	12.7	12.4	19.6	18.6	20.3
RoIC	11.4	11.5	11.1	11.6	21.0	19.3	21.3
<b>Working Capital Ratios</b>							
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	2.0	2.1	2.0
Inventory (Days)	1	1	1	1	1	1	1
Debtors (Days)	66	68	65	67	57	60	60
Creditors (Days)	9	9	9	10	10	10	10
<b>Leverage Ratio (x)</b>							
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	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,525	1,786	1,591	1,743	3,305	3,416	4,418
Depreciation	686	774	825	928	1,130	1,091	1,255
Direct Taxes Paid	-368	-342	-410	52	-494	-615	-795
(Inc.)/Dec. in WC	-576	-758	181	232	-163	-1,214	-1,204
Other Items	301	331	242	93	-98	-167	-261
<b>CF from Operations</b>	<b>1,568</b>	<b>1,791</b>	<b>2,428</b>	<b>3,047</b>	<b>3,680</b>	<b>2,512</b>	<b>3,412</b>
(Inc.)/Dec. in FA	-1,511	-1,259	-1,321	-1,241	-707	-2,700	-1,470
<b>Free Cash Flow</b>	<b>57</b>	<b>532</b>	<b>1,108</b>	<b>1,807</b>	<b>2,973</b>	<b>-188</b>	<b>1,942</b>
Change in Investments	-8	-49	-55	-17	-28	0	0
Others	209	-268	22	196	-27	182	257
<b>CF from Investments</b>	<b>-1,309</b>	<b>-1,576</b>	<b>-1,353</b>	<b>-1,062</b>	<b>-762</b>	<b>-2,518</b>	<b>-1,213</b>
Change in Equity	0	12	24	40	34	0	0
Inc./(Dec.) in Debt	184	307	-523	-1,419	-2,148	-345	-173
Dividends Paid	-163	-182	-201	-96	-410	-270	-270
Others	-323	-338	-343	-302	-56	305	449
<b>CF from Fin. Activity</b>	<b>-303</b>	<b>-202</b>	<b>-1,044</b>	<b>-1,776</b>	<b>-2,580</b>	<b>-310</b>	<b>6</b>
<b>Inc./(Dec.) in Cash</b>	<b>-44</b>	<b>13</b>	<b>31</b>	<b>209</b>	<b>338</b>	<b>-317</b>	<b>2,205</b>
Opening Balance	187	142	101	132	341	679	362
<b>Closing Balance</b>	<b>142</b>	<b>155</b>	<b>132</b>	<b>341</b>	<b>679</b>	<b>362</b>	<b>2,567</b>

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

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