

TRANSPORT CORPORATION OF INDIA

Rating: ◀▶ | Target price: ▲ | EPS: ◀▶

CMP
Rs. 744

Target Price
Rs. 855

Rating
BUY



ONE YEAR OUTLOOK

Business & Earnings ◀▶

- Maintain our positive stance on TRPC as it is expected to benefit from 1) sustained thrust in demand for coastal shipping, 2) recovery in automotive demand coupled with addition of new clientele driving 3PL growth (TCI Supply Chain (SCS)), 3) traction in multimodal logistics & 4) increasing contribution of less-than-truckload (LTL) in freight segment (margin accretive).
- In 4QFY22, Seaways revenue grew 24% YoY while EBITDA margins at 44.6% expanded 30bps QoQ due to availability of return cargo at Myanmar (fleeting opportunity available till Mar-23). We factor in margins to hover at 38% in FY23E and normalize to ~31% in FY24E. Given sharp rise in ship procurement cost, we pencil in ship addition for 2HFY23E. Expect Seaways segment revenue/EBITDA CAGR of 26%/8% (FY22-24E).
- SCS segment's revenue declined 12% YoY as automotive demand declined sharply in farm segment. Expect recovery in automotive demand (~80% of revenues), multimodal opportunities (3 trains to carry finished automotive) and cold chain opportunities to drive revenue & EBITDA CAGR of 18%/20% (FY22-24E).
- Expect freight division to benefit from 1) higher LTL contribution (40% by FY25 from 35% in FY22), 2) shift from unorganised sector, and 3) growth in multimodal logistics. Expect revenue and EBITDA CAGR (FY22-24E) of 14%/23% respectively.

Valuation Multiples ◀▶

- Valuing TRPC based on SOTP (page 3) to arrive at TP of Rs.855 (FY24). Our multiple in Freight (7x EVEBITDA) and Seaways (11x EVEBITDA) factors increasing share of LTL in overall freight revenues (RoCE accretive), strong growth drivers, and healthy margins. Despite capex (~Rs. 4.5bn through FY23-24) towards addition of ship, infrastructure and technology, RoCEs likely to sustain at 19% through FY24.

FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY21	24,520	10.1	1,348	17.6	43	24	13
FY22	29,046	13.4	2,674	34.6	21	15	22
FY23E	33,742	12.8	2,874	37.2	20	13	20
FY24E	40,205	12.6	3,417	44.2	17	11	20
FY25E	45,674	13.3	4,293	55.5	13	9	21

THREE YEAR OUTLOOK

Business & Earnings ◀▶

- Expect TRPC to benefit from 1) shift in volumes from unorganised to organized sector, and 2) traction in multimodal logistics (TRPC is one of the few players with presence across value chain), which would drive revenue & EBITDA CAGR of 16%/25% respectively through FY21-25E.
- TRPC's established infrastructure, long-standing customer relationships and experienced management team (vintage of ~six decades) are expected to aid its position as a preferred 3PL partner. Furthermore, presence across multimodal logistics value chain (JV with Concor for rail transportation and fleet of ships for waterway transportation) allows TRPC to provide efficient end-to-end logistics solutions. Robust demand for multimodal logistics is expected to drive coastal shipping volume growth, benefiting Seaways division. Expect addition of new ship every 15-18 months to cater to incremental demand. However, increasing competition may dilute realization and profitability.
- Expect freight segment to benefit from higher contribution from LTL services. Freight segment's share of overall revenues to reduce from 47% in FY22 to ~42% by FY25E.

Valuation Multiples ◀▶

- Improving operating cashflows, combined with reducing debt, are expected to drive RoCE (12% in FY21 to ~20% in FY25E). Based on FY25E estimates, we see a potential upside of 38% (incl. dividends).

KEY ESTIMATES REVISION

	FY23E			FY24E		
	Old	New	Change	Old	New	Change
Sales	33,369	33,742	1%	39,220	40,205	3%
EBITDA (%)	12.0%	12.8%	80 bps	13.1%	12.6%	-55 bps
PAT	2,714	2,874	6%	3,651	3,417	-6%
EPS	35.1	37.2	6%	47.2	44.2	-6%
Implied P/E	Before Results: 19.0			After Results: 19.0		

All figures in Rs.Mn

OUTLOOK REVIEW 4QFY22 31 May 2022

Industry LOGISTICS

Key Stock Data

Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 57bn (\$741mn)
52-wk High-Low	Rs. 859-388
3m ADV	Rs. 83mn (\$1mn)
F&O	No

Latest Shareholding (%)

	Sep-21	Dec-21	Mar-22
Promoters	66.5	66.5	66.6
Institutions	14.8	14.9	14.9
Public	18.7	18.5	18.5
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
TRPC	5.8	20.0	76.3
Sensex	-2.0	-0.6	8.8

RESEARCH ANALYSTS

Mukesh Saraf
mukesh@sparkcapital.in
+91 44 4344 0041

N.J. Krupashankar
krupashankar@sparkcapital.in
+91 44 4344 0098

Quarterly Financial Statement

Consolidated Financial Results

Rs. mn\Period	4QFY22	4QFY21	yoy Growth	3QFY22	qoq Growth	FY21	FY22	Yoy Growth
Revenue	7,979	7,966	0.2%	7,593	5.1%	24,520	29,046	18.5%
Operating expense	6,144	6,416	-4.2%	5,839	5.2%	19,738	22,548	14.2%
Emp. cost	422	425	-0.7%	422	0.0%	1,402	1,638	16.8%
Other expenses	277	271	2.5%	264	5.0%	902	956	6.0%
Total Expenditure	6,843	7,111	-3.8%	6,525	4.9%	22,042	25,141	14.1%
EBITDA	1,136	856	32.8%	1,069	6.3%	2,479	3,904	57.5%
Margin %	14.2%	10.7%	350 bps	14.1%	16 bps	10.1%	13.4%	333 bps
D&A	360	268	34.3%	241	49.2%	881	1,076	22.1%
EBIT	777	588	32.1%	828	-6.2%	1,598	2,829	77.1%
Other income	78	105	-26.4%	71	9.0%	352	311	-11.4%
Net Interest exp (inc)	19	56	-66.1%	22	-11.6%	248	109	-56.0%
PBT	835	637	31.1%	878	-4.8%	1,702	3,031	78.1%
Tax provision	104	73	42.2%	102	2.7%	214	357	66.4%
Tax rate %	12.5%	11.5%	8.5%	11.6%	91 bps	12.6%	11.8%	-83 bps
PAT (Reported)	731	555	31.7%	776	-5.8%	1,487	2,674	79.8%
PAT (Adjusted)	731	529	38.3%	776	-5.8%	1,452	2,674	84.2%
Adjusted PAT Margin %	9.2%	6.6%	253 bps	10.2%	-106 bps	5.9%	9.2%	328 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	9.5	7.2	30.5%	10.0	-5.8%	19.4	34.6	78.1%
EPS (Adjusted)	9.5	6.9	37.0%	10.0	-5.8%	19.0	34.6	82.4%

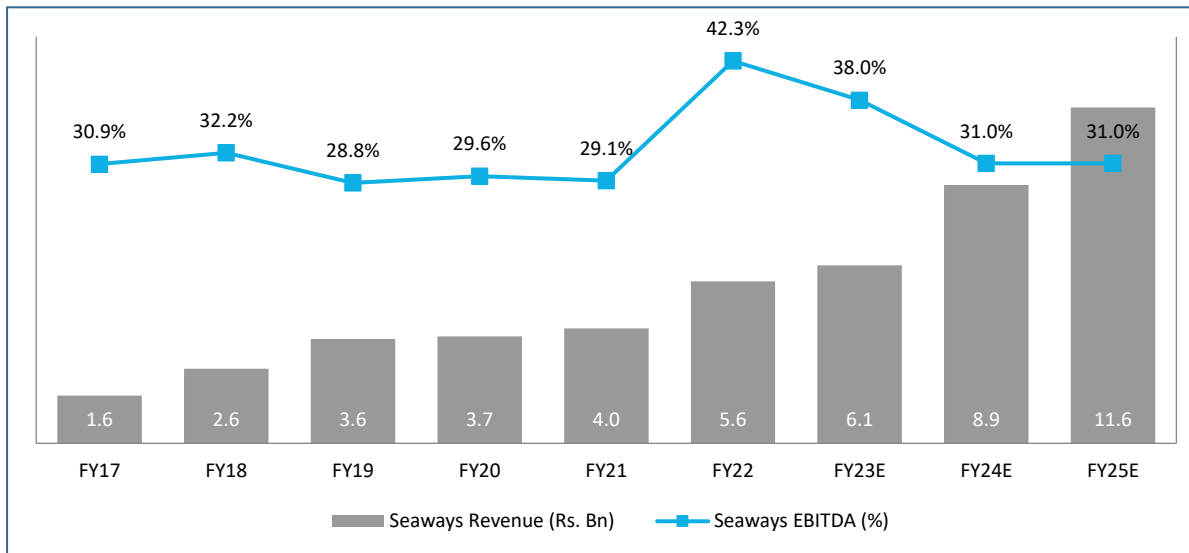
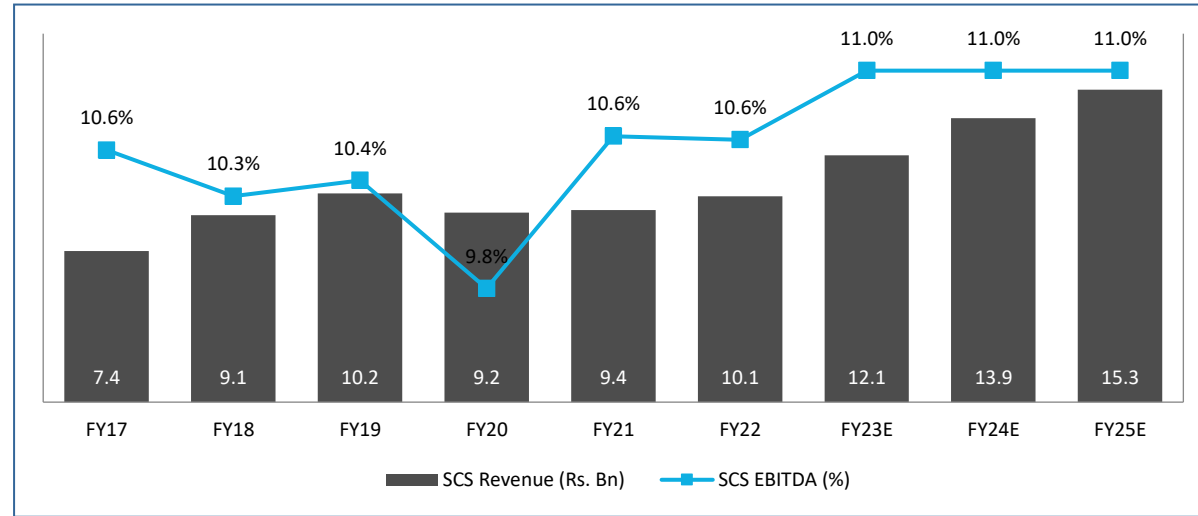
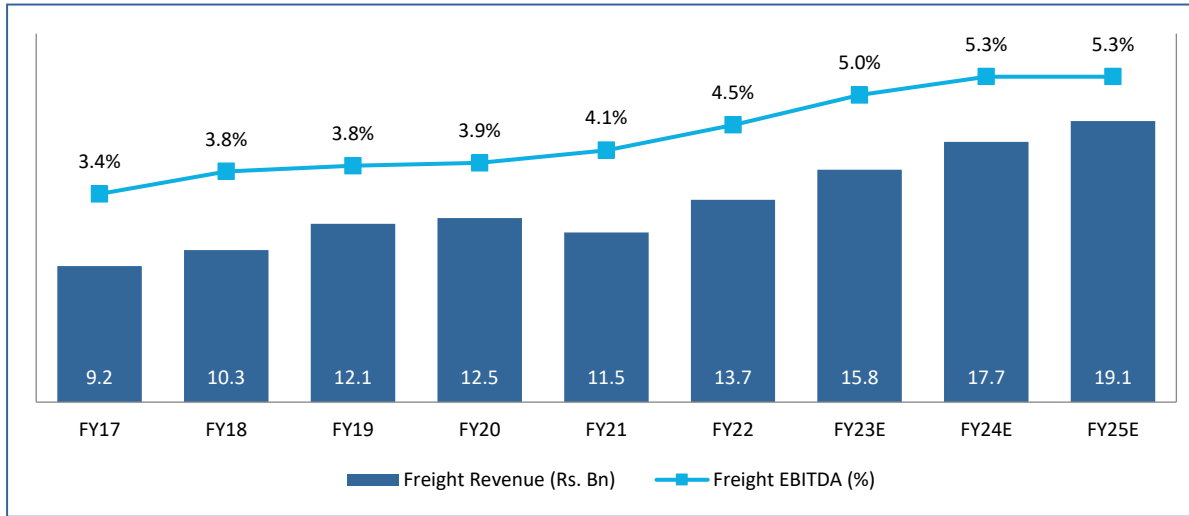
- TCI's freight segment reported revenues of Rs. 3.9bn, flat YoY and up 10% QoQ. The segment's EBIT margins at 4.4%, was down 20bps sequentially

- Supply Chain segment reported revenues at Rs. 2.6bn, was down 12% YoY and 3% QoQ. EBIT margins at 7.1%, was up 130bps sequentially

- Seaways segment revenues at Rs. 1.6bn, was up 24% YoY and 9% QoQ. EBIT margins at 29.7% contracted 680bps QoQ due to higher depreciation cost post diminishing value of asset.

- OCF for FY22 was at Rs. 3.6bn while capex incurred for the period was Rs. 730mn

Healthy growth in Seaways segment driven by ship addition in 2HFY23E; SCS segment to benefit from automotive demand recovery



SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		5,618	6x FY24e EV/EBITDA
TCI SCS		22,888	15x FY24e EV/EBITDA
TCI Seaways		30,337	11x FY24e EV/EBITDA
Others		75	2x FY24e EV/EBITDA
Net Cash(Net Debt)		1,288	
Value from TCI	780	60,206	91.3% of Total
Value from JV	74	5,727	8.7% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	855	65,933	

Financial Summary

Consolidated Financial Statements

Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profit & Loss									
Revenue	18,042	21,778	25,583	25,134	24,520	29,046	33,742	40,205	45,674
Gross profit	3,502	4,288	4,888	4,864	4,782	6,498	7,086	8,523	9,774
EBITDA	1,575	2,083	2,442	2,335	2,479	3,904	4,316	5,056	6,084
Depreciation	578	673	752	777	881	1,076	1,153	1,288	1,388
EBIT	996	1,410	1,690	1,558	1,598	2,829	3,163	3,768	4,696
Other Income	177	245	269	283	352	311	339	395	523
Interest expense	286	299	356	324	248	109	39	46	46
Exceptional items	0	40	0	99	140	0	0	0	0
PBT	888	1,316	1,603	1,419	1,562	3,031	3,463	4,117	5,173
Reported PAT (after minority interest)	703	1,037	1,276	1,264	1,348	2,674	2,874	3,417	4,293
Adj PAT	703	1,037	1,276	1,264	1,348	2,674	2,874	3,417	4,293
EPS (Rs.)	9.2	13.5	16.7	16.5	17.6	34.6	37.2	44.2	55.5
Balance Sheet									
Net Worth	5,809	6,769	8,370	9,500	10,804	13,131	15,595	18,603	22,487
Total debt	4,066	4,238	4,496	4,083	2,735	765	965	965	965
Other liabilities and provisions	318	535	1,290	1,263	1,375	1,491	1,693	1,970	2,204
Total Networth and liabilities	10,584	11,985	14,546	15,109	15,177	15,634	18,500	21,785	25,903
Gross Fixed assets	8,761	10,345	11,917	13,159	14,305	15,382	18,532	19,922	21,512
Net fixed assets	5,325	6,236	7,055	7,521	7,786	7,787	9,784	9,886	10,088
Capital work-in-progress	568	563	40	216	52	73	73	73	73
Intangible Assets	0	0	0	0	0	0	0	0	0
Investments	298	313	938	888	858	998	998	998	998
Cash and bank balances	184	130	122	178	308	581	448	2,252	5,002
Loans & advances and other assets	1,601	1,604	2,221	2,324	2,223	2,237	2,598	3,096	3,517
Net working capital	2,608	3,139	4,170	3,982	3,951	3,959	4,599	5,480	6,225
Total assets	10,584	11,985	14,546	15,109	15,177	15,634	18,500	21,785	25,903
Capital Employed	10,266	11,450	13,256	13,846	13,802	14,142	16,807	19,815	23,699
Invested Capital (CE - cash - CWIP)	9,514	10,757	13,094	13,452	13,442	13,489	16,286	17,489	18,623
Net debt	3,882	4,109	4,375	3,905	2,427	184	516	-1,288	-4,038
Cash Flow									
Cash flows from Operations (Pre-tax)	1,115	2,119	2,060	2,748	2,976	3,993	3,816	4,304	5,629
Cash flows from Operations (post-tax)	883	1,768	1,729	2,353	3,043	3,556	3,227	3,604	4,749
Capex	1,141	1,582	1,046	1,289	1,129	678	3,150	1,390	1,590
Free cashflows	-258	186	682	1,064	1,914	2,878	77	2,214	3,159
Free cashflows (post interest costs)	-544	-113	327	741	1,667	2,769	39	2,168	3,113
Cash flows from Investing	-1,174	-1,538	-1,481	-1,346	-959	-727	-3,150	-1,390	-1,590
Cash flows from Financing	370	316	-255	-964	-1,941	-2,567	-210	-410	-410
Total cash & liquid investments	184	130	122	178	308	581	448	2,252	5,002

Financial Summary

Consolidated Financial Statements

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Key Variables									
TCI Freight Revenue	9,223.1	10,311.0	12,096.4	12,477.9	11,508.2	13,715.7	15,773.1	17,665.8	19,079.1
TCI SCS Revenue	7,374.4	9,125.5	10,189.0	9,249.5	9,376.4	10,051.9	12,062.3	13,871.6	15,258.8
TCI Seaways Revenue	1,639.3	2,564.2	3,593.4	3,677.4	3,952.8	5,577.8	6,135.6	8,896.6	11,565.6
Growth ratios (%)									
Revenue	-20	21	17	-2	-2	18	16	19	14
EBITDA	-14	32	17	-4	6	58	11	17	20
Adj PAT	-17	48	23	-1	7	98	7	19	26
Margin ratios (%)									
Gross	19.4	19.7	19.1	19.4	19.5	22.4	21.0	21.2	21.4
EBITDA	8.7	9.6	9.5	9.3	10.1	13.4	12.8	12.6	13.3
Adj PAT	3.9	4.8	5.0	5.0	5.5	9.2	8.5	8.5	9.4
Performance ratios									
Pre-tax OCF/EBITDA (%)	71	102	84	118	120	102	88	85	93
OCF/IC (%)	9	16	13	17	23	26	20	21	26
RoE (%)	13	16	17	14	13	22	20	20	21
RoCE (%)	10	12	13	12	12	20	19	19	20
RoCE (Pre-tax) (%)	12	15	16	14	14	22	23	23	24
Fixed asset turnover (x)	2.2	2.3	2.3	2.0	1.8	2.0	2.0	2.1	2.2
Total asset turnover (x)	1.8	1.9	1.9	1.7	1.6	1.9	2.0	2.0	1.9
Financial stability ratios									
Net Debt to Equity (x)	0.7	0.6	0.5	0.4	0.2	0.0	0.0	-0.1	-0.2
Net Debt to EBITDA (x)	2.5	2.0	1.8	1.7	1.0	0.0	0.1	-0.3	-0.7
Interest cover (x)	3	6	5	7	12	33	84	78	103
Cash conversion days	53	53	59	58	59	50	50	50	50
Total Working capital days	79	71	73	73	71	59	60	60	60
Valuation metrics									
Fully Diluted Shares (mn)	76	77	77	77	77	77	77	77	77
Market cap (Rs.mn)					57,474				
P/E (x)	82	55	45	45	43	21	20	17	13
P/Sales (x)	3.2	2.6	2.2	2.3	2.3	2.0	1.7	1.4	1.3
EV (Rs.mn) (ex-CWIP)	61,355	61,582	61,849	61,378	59,901	57,658	57,990	56,186	53,436
EV/ EBITDA (x)	39	30	25	26	24	15	13	11	9
EV/ OCF(x)	70	35	36	26	20	16	18	16	11
FCF Yield (%)	-0.4	0.3	1.2	1.9	3.3	5.0	0.1	3.9	5.5
Price to BV (x)	9.9	8.5	6.9	6.0	5.3	4.4	3.7	3.1	2.6
Dividend yield (%)	0.2	0.3	0.3	0.3	0.2	0.7	0.7	0.7	0.7
Dividend pay-out (%)	14	14	13	15	7	15	14	12	10

Crystal Ball Gazing

Over FY20-25E, revenue growth is likely to be driven by 1) shift from unorganised to organised sector, 2) logistics supply chain outsourcing to 3PL players, and 3) traction in multimodal logistics. EBITDA growth is expected to be driven by higher contribution from supply chain services(3PL) and increase in movement of freight by multimodal logistics.

Healthy Revenue and EBITDA growth

	FY11-FY14	FY14-FY19	FY20-FY25E
Revenues CAGR	5%	12%	13%
Gross Margin	19%	20%	21%
EBITDA CAGR	3%	19%	21%
EBITDA margin	7.6%	8.7%	11.9%
EPS CAGR	6%	27%	28%
Total Asset Turnover (x)	2.5	2.1	1.8
Total WC days	56	66	64
Pre-tax OCF/EBITDA (%)	87%	100%	101%
Post Tax OCF as a % of IC	15%	16%	22%
Debt/EBITDA	2.1	2.5	0.3

Improving operating efficiencies resulting in healthy returns

	FY11-FY14	FY14-FY19	FY20-FY25E
RoE (%)	15.2%	15.5%	18.6%
RoCE (%)	10.9%	11.6%	16.9%
RoIC (%)	15.6%	13.9%	19.0%
Average 1 yr fwd			
PE (x)	4.3	12.8	
EV/EBITDA (x)	4.4	9.1	
Peak 1 yr fwd			
PE (x)	6.8	19.2	
EV/EBITDA (x)	6.6	12.8	

Healthy operating performance to sustain multiple

SOTP	FY25 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	1,011	6.0	6,067
TCI SCS	1,678	15.0	25,177
TCI Seaways	3,585	11.0	39,439
Others	37	2.0	75
Net Debt (Rs.mn)			-1,288
Mkt Cap (Rs.mn)			72,045
Standalone TP			940
JV (Transystem, TCI Concor)			80
Target Price			1,020

Entry = Rs. 744 @ 16.8x FY23E P/E



Cumulative Dividends of Rs.16/share



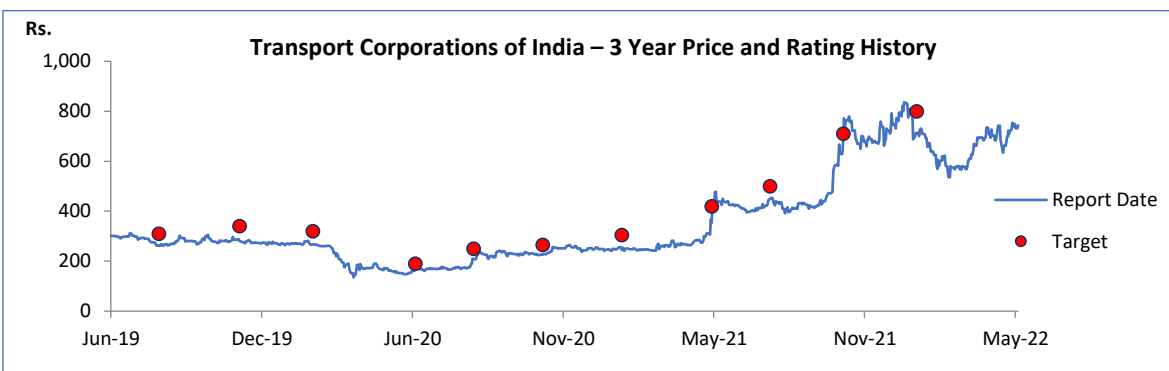
EPS CAGR of ~28%, implied exit multiple of 18x on FY25E P/E



Total Return of 38%

Source: Company data, Spark Capital Research

Spark Recommendation History



Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

Report Date	CMP (Rs.)	TP (Rs.)	Reco.
28-Jan-22	724	800	BUY
01-Nov-21	630	710	BUY
05-Aug-21	446	500	BUY
27-May-21	367	420	Buy
08-Feb-21	257	305	Buy
05-Nov-20	226	265	Buy
14-Aug-20	210	250	Buy
05-Jun-20	159	190	Buy
03-Feb-20	266	320	Buy
07-Nov-19	289	340	Buy
02-Aug-19	260	310	Buy
29-May-19	315	360	Buy
15-Feb-19	279	365	Buy
06-Nov-18	270	365	Buy
06-Aug-18	317	365	Buy

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