

Transport Corporation of India

BSE SENSEX
60,177

S&P CNX
17,957

CMP: INR625

TP: INR880 (+41%)

Buy



Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	48.3 / 0.6
52-Week Range (INR)	858 / 254
1, 6, 12 Rel. Per (%)	-3/40/120
12M Avg Val (INR M)	136
Free float (%)	33.5

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net 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 (x)	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

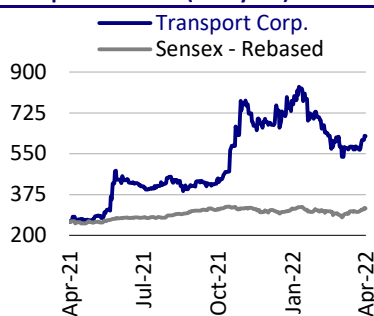
P/E (x)	30.2	16.8	15.1
P/BV (x)	4.1	3.4	2.8
EV/EBITDA (x)	18.8	11.8	10.3
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	3.7	4.4	0.4

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	59.5	59.5	59.6
DII	8.7	8.6	10.2
FII	25.7	26.0	24.3
Others	6.2	5.9	6.0

FII Includes depository receipts

Stock performance (one-year)



Well placed with multi-modal Logistics capabilities

- TCI has developed robust capabilities in multimodal Logistics via its presence across major transportation modes. The company has well-diversified service offerings from Road freight, integrated Supply Chain solutions, Sea freight, to a JV with CONCOR for Rail freight.
- These capabilities would be a key enabler for consistent growth in volumes and earnings for TCI over the next few years. With an improving share of the Seaways segment, margin is expected to remain at elevated levels.
- The company has contracts in place with customers for passing on the increase in diesel prices. With strong volumes, a rise in freight rates may be seamless. The impact of a diesel price increase on margin is also expected to be minimal.
- TCI is a long-term play, backed by: a) a diversified clientele base, b) improving share in the high-margin Less than Truck Load (LTL) business in the Road Freight division, c) strong presence in the high growth 3PL segment, and d) rising contribution from the high margin Seaways segment. We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~18%/28%/36% over FY21-24E. We reiterate our Buy rating on the stock with a TP of INR880.

Robust pick up in freight volumes over the last few quarters; clocks record high margin led by the Seaways segment

- Easing of restrictions led to a strong pick-up in volumes from the start of 2QFY22. The same is expected to remain strong in 4QFY22, as reflected in the decent improvement in e-way bills generated during the quarter.
- TCI reported record high margin of ~13% each in 2Q and 3QFY22. The Seaways segment saw a strong margin, with increased freight rates and high value return load from Myanmar. Margin in the Freight segment improved with cost control and improved efficiency.

Robust industry outlook brightens TCI's growth prospects

- Road freight will benefit from: a) impact of reforms like GST and e-way bill, which will result in a shift in market share towards organized players, and b) improved road connectivity, reducing the turnaround time.
- The Supply Chain segment is expected to grow well as issues related to the Auto sector stabilize. The increasing penetration of supply chain offerings into other sectors will aid growth.
- The Seaways segment is expected to grow well, with higher volumes and improved realization. The purchase of a new ship in FY23 will help boost the share of the high margin Seaways segment, which will aid earnings growth.

Valuation and view

- We expect the growth momentum to continue, with: a) a pickup in economic activity, b) normalization in transportation activity, and c) government reforms leading to formalization and market share gains for organized players like TCI.
- We expect TCI to clock a revenue/EBITDA/PAT CAGR of ~18%/28%/36% over FY21-24E. The stock trades at 12x FY24E EPS. We maintain our Buy rating, with a revised TP of INR880/share (17x FY24E EPS).

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Key segments

With over six-decades of experience in providing end-to-end integrated Logistics solutions, TCI has built a strong presence across Road, Rail, and the Sea freight vertical. Diversified service offerings have aided the growth momentum, amid mixed sectorial trends. The company’s strategy of integrated Logistics play has shown effectiveness and strength.

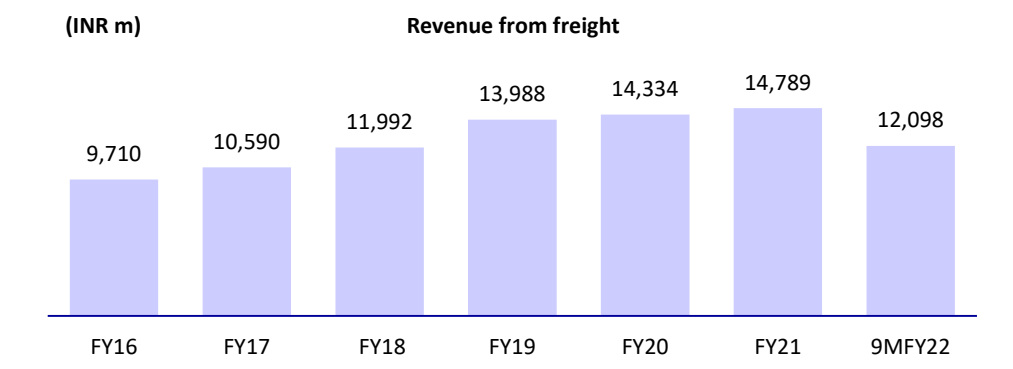
Key segments include

Segment	Key Features
Road Freight	<ul style="list-style-type: none"> ❖ Integrated surface transport solutions provider with a pan India presence ❖ Improving margin with a controlled cost structure and increasing share of LTL
Supply Chain	<ul style="list-style-type: none"> ❖ An integrated Logistics and Supply Chain solutions provider from conceptualization to execution ❖ Has 12m sq. ft. of Grade A warehouse and customized fleet of 4,000 vehicles in operations
Seaways	<ul style="list-style-type: none"> ❖ A leading multimodal coastal player serving seven out of 13 ports in India, with an expertise in coastal shipping, container cargo movements, etc. ❖ Owns six domestic coastal ships and more than 8,000 marine containers

Road Freight (contributed 52% to FY21 revenue)

- TCI provides integrated surface transport solutions such as FTL, LTL, small packages and consignments, over dimensional cargoes, and project heavy haul.
- TCI Freight has a network of 700 company-owned branches, 25 hubs and a dedicated fleet of trucks, and hydraulic axles and trailers in operation. It also provides storage facilities for traders and manufacturers, with its infrastructure spread across key markets.
- Road freight will benefit from: a) impact of reforms like GST and e-way bill, which will lead to a shift in market share towards organized players, and b) improved road connectivity, reducing the turnaround time.

Exhibit 1: Freight business saw steady business over the years

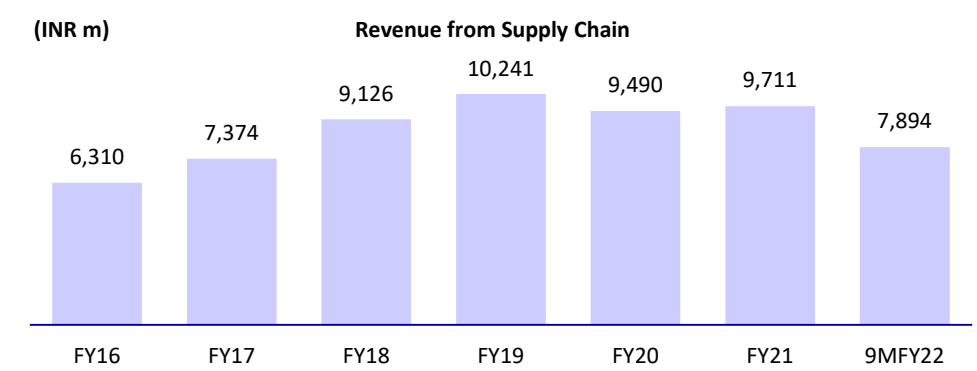


Source: Company, MOFSL

Supply Chain (contributed 34% to FY21 revenue)

- TCI provides Logistics and Supply Chain solutions to meet varied business needs. Its offerings include supply chain design and re-engineering, Logistics support to third parties, Warehousing management, and other similar services.
- It delivers services through assets, which include ownership and lease of all modern warehouse storage and handling equipment, aggregating to 12m sq. ft.; and a customized fleet of over 4,000 trucks and trailers (of which 950 are self-owned), including refrigerated trucks.
- The Supply Chain segment is expected to grow well as issues related to the Auto sector stabilize. The increasing penetration of supply chain offerings into other sectors will support growth.

Exhibit 2: Supply Chain's business performance

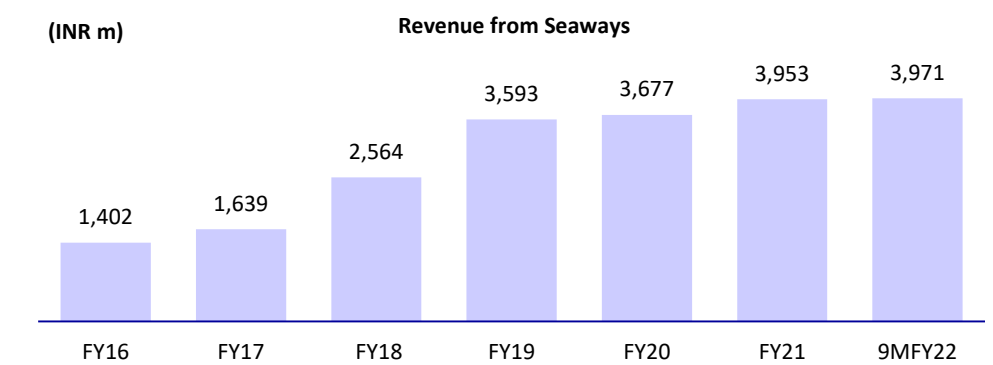


Source: Company, MOFSL

Seaways (contributed 14% to FY21 revenue)

- TCI has expertise in coastal shipping, container cargo movement, and transportation services.
- It has six cargo ships, with a total capacity of 77,957 dead weight tonnage (DWT). The division is equipped with 10,000 containers, of which ~8,000 are self-owned.
- The Seaways segment is expected to grow well, with higher volumes and improved realization. The purchase of a new ship in FY23 will help increase the share of the high margin Seaways segment, which will aid earnings growth.

Exhibit 3: The share of revenue from Seaways is on the rise



Source: Company, MOFSL

Exhibit 4: Services offered by other divisions

JV with CCRI	❖ TCI (51% equity) has a JV with CCRI (49% equity) to provide bulk multi-modal Logistics solutions by Rail and Road. The first and last-mile needs are addressed through Road transportation, with a fleet at all terminals
Transystem Logistics	❖ TCI (49% equity) has a JV with Mitsui & Co. (51% equity). Transystem Logistics is a Logistics partner for Toyota Kirloskar and other Japanese companies in India
Cold chain solutions	❖ Offers integrated cold chain services to meet the needs of temperature-controlled warehousing and distribution services. Key industries catered to include Agriculture products, Processed Foods, Life Sciences, Healthcare, and Specialty Chemicals

Source: Company, MOFSL

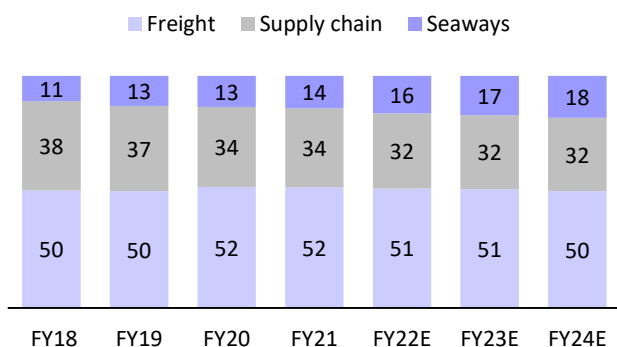
Exhibit 5: TCI caters to several industry segments

Industry	Solutions
Automobile	❖ Offers solutions for complex Logistics requirements that cover the entire supply chain from production to the aftermarket
Chemical	❖ Offers Logistics solutions for all bulk liquid transport requirements of the Chemical industry, including the movement of hazardous and non-hazardous Chemicals
Omni-channel Retail	❖ Provides Logistics services to supply the production process and delivery of products to the distributor’s warehouse of industry players
Engineering	❖ Offers solutions for lightweight or heavy-duty consignments and ensures professional handling of goods
e-commerce	❖ Provides fulfillment services and middle mile transportation
Pharma and Healthcare	❖ Offers convenient transportation, C&F, and Warehousing facility for hi-tech equipment, including MRI machines and CT scanners
Textile	❖ Extends transportation, Warehousing, consolidating, and de-consolidating services

Source: Company, MOFSL

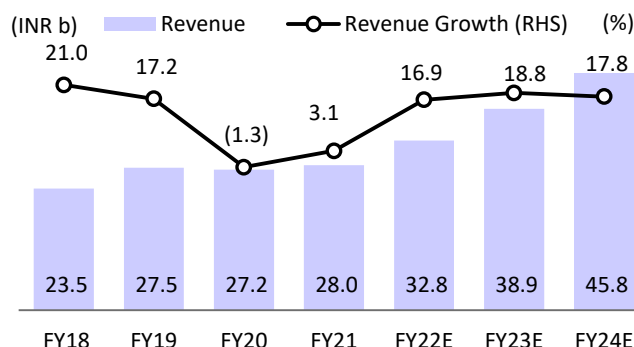
Financial story in charts

Exhibit 6: Freight and 3PL to dominate



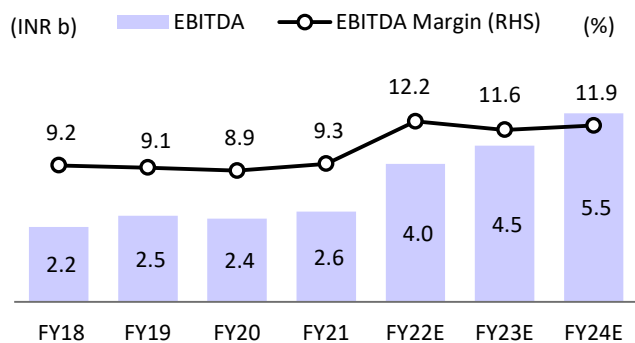
Source: Company, MOFSL

Exhibit 7: Revenue growth to remain strong



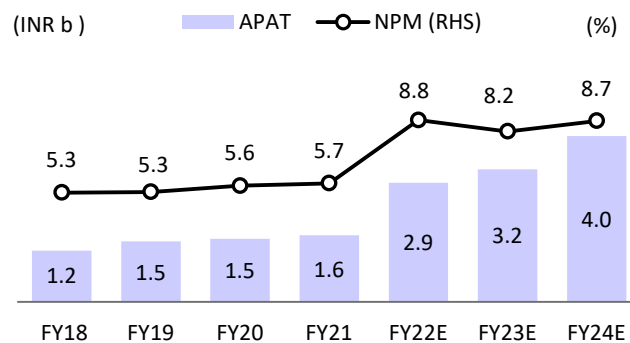
Source: Company, MOFSL

Exhibit 8: Margin to remain robust



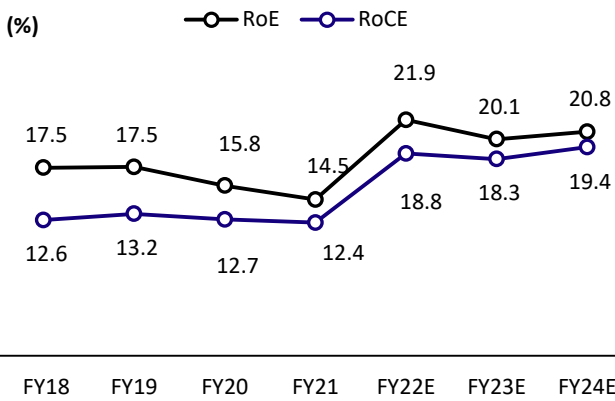
Source: Company, MOFSL

Exhibit 9: Strong operating performance to drive PAT



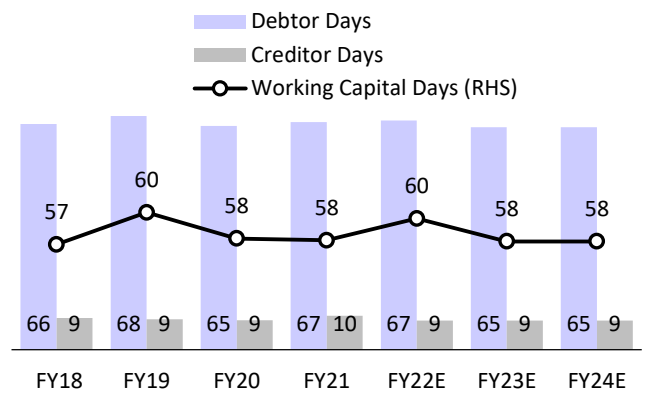
Source: Company, MOFSL

Exhibit 10: Return ratios set to improve



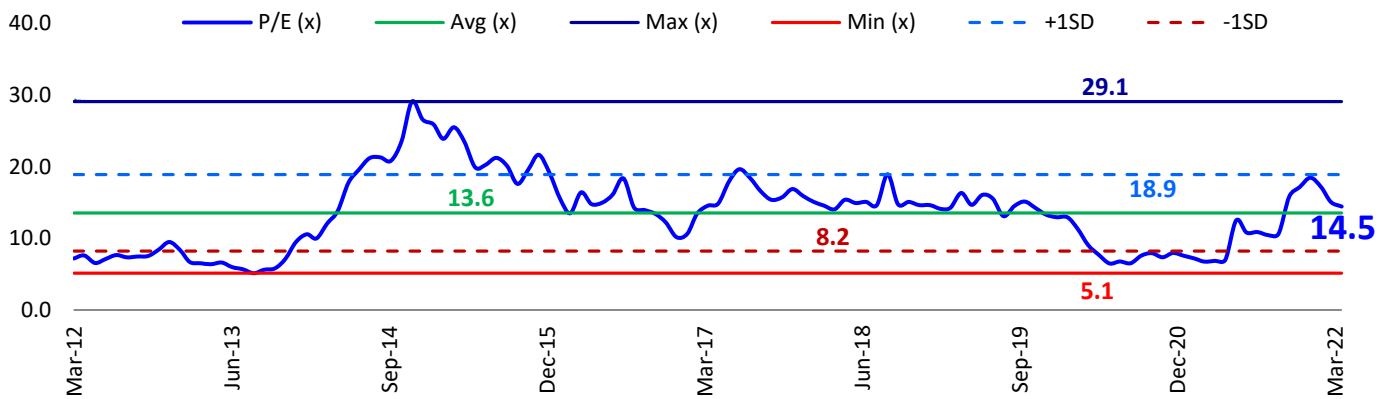
Source: Company, MOFSL

Exhibit 11: Comfortable working capital position



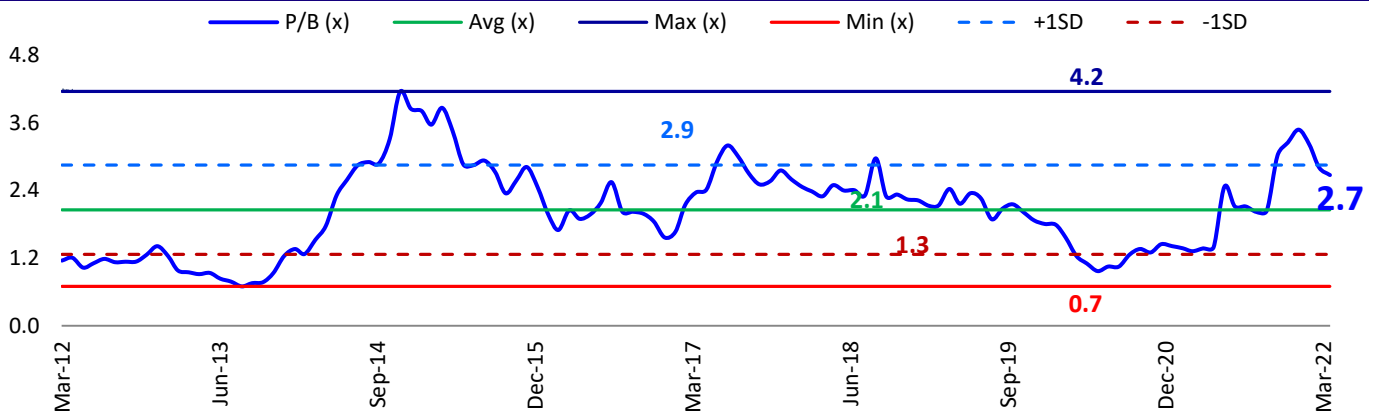
Source: Company, MOFSL

Exhibit 12: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 13: One-year forward P/B (x)



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	38.9	33.0	31.7	30.1	16.8	15.1	12.0
Cash P/E	25.0	21.6	20.5	19.0	12.4	11.3	9.2
EV/EBITDA	23.7	20.7	21.1	18.8	11.8	10.3	8.2
EV/Sales	2.2	1.9	1.9	1.8	1.4	1.2	1.0
P/BV	6.3	5.4	4.7	4.1	3.4	2.8	2.3
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.5	0.6	0.6
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

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

*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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