

Transport Corporation of India

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	54.9 / 0.7
52-Week Range (INR)	858 / 388
1, 6, 12 Rel. Per (%)	-11/1/52
12M Avg Val (INR M)	113

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	32.6	38.0	44.6
EBITDA	4.1	4.5	5.4
Adj. PAT	2.9	3.3	3.9
EBITDA Margin (%)	12.6	12.0	12.1
Adj. EPS (INR)	37.6	42.8	50.8
EPS Gr. (%)	80.8	13.8	18.9
BV/Sh. (INR)	185.5	224.8	272.1
Ratios			
Net D:E	0.0	0.0	-0.1
RoE (%)	22.0	20.5	20.2
RoCE (%)	19.6	19.6	19.6
Payout (%)	6.7	8.2	6.9
Valuations			
P/E (x)	18.9	16.6	13.9
P/BV (x)	3.8	3.2	2.6
EV/EBITDA(x)	13.0	11.6	9.3
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	5.4	0.2	3.7

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	66.6	66.6	66.7
DII	12.0	12.3	12.4
FII	3.1	2.7	2.4
Others	18.3	18.5	18.5

FII Includes depository receipts

CMP: INR709

TP: INR860 (+21%)

Buy

Robust performance yet again

Outlook bright across business segments

- TRPC reported a revenue of ~INR9b in 1QFY23 (up 30% YoY, but flat QoQ), 5% above our estimate. Strong growth was seen across Freight, Supply Chain, and the Seaways segment.
- EBITDA margin stood healthy at 11.5%, up 60bp YoY, but down 180bp QoQ. The same remains robust, led by the strong margin generated in the Seaways segment. Strong operating performance saw PAT grow 66% YoY to INR777m (13% above our estimate).
- The margin performance is likely to continue ahead as marine freight rates are expected to remain elevated and the high margin return cargo from Myanmar is expected to continue in the near to medium term. It expects to acquire a new ship by the end of FY23. **We retain our revenue and earnings estimates for FY24 and maintain our Buy rating with a TP of INR860 (based on 17x FY24E EPS).**

The Seaways segment continues to drive EBITDA margin

- EBITDA margin stood at 11.5% (up 60bp YoY, but down 180bp QoQ). EBITDA grew 37.4% YoY to INR1.12b (2% above our estimate).
- While Freight and Supply Chain segments saw some pressure on margin, the Seaways division continued to perform well, driven by higher freight rates and continued high margin return cargo from Myanmar.
- Going forward, blended EBITDA margin is likely to remain robust as Sea Freight rates are expected to remain firm. Margin improvement is expected in other segments of Freight and Supply Chain.

Highlights from the management commentary

- The LTL/FTL businesses in the Freight division stood at 35%/65% in 1QFY23. The management aims to increase the share of LTL revenue, which will result in an improvement in margin.
- The cost of acquiring a ship remains elevated. It expects to acquire a new ship by the end of FY23.
- The Seaways segment is benefiting from return loads from Myanmar and higher freight rates. Margin will remain elevated for the next two quarters.
- The Supply Chain segment saw an improvement on a sequential basis, with strong demand from the Auto vertical and a pickup in Farm activity.

Valuation and view

- TRPC is a strong long-term play, driven by: a) its strong presence across segments, b) improving share of the LTL business in the Road Freight division, and c) rising contribution from the high-margin Seaways segment.
- We retain our estimates and expect TRPC to clock a revenue/PAT CAGR of ~17%/16% over FY22-24. The stock trades at 14x FY24E EPS. **We maintain our Buy rating on the stock with a TP of INR860 (based on 17x FY24E EPS).**

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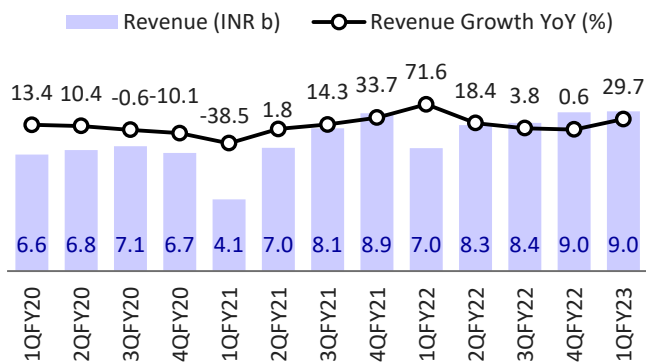
Quarterly snapshot (Cons)

Y/E March (INR m)	FY22				FY23				FY22	FY23E	FY23	Var. v/s Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	6,961	8,251	8,377	8,977	9,029	9,489	9,717	9,755	32,567	37,991	8,632	5
YoY Change (%)	71.6	18.4	3.8	0.6	29.7	15.0	16.0	8.7	16.2	16.7	24.0	
EBITDA	758	1,045	1,092	1,193	1,041	1,129	1,161	1,217	4,087	4,548	1,019	2
Margins (%)	10.9	12.7	13.0	13.3	11.5	11.9	12.0	12.5	12.6	12.0	11.8	
YoY Change (%)	147.3	67.9	37.0	34.6	37.4	8.1	6.4	2.0	56.5	11.3	34.5	
Depreciation	247	256	255	371	289	300	300	345	1,130	1,234	300	
Interest	47	33	26	22	23	22	22	20	128	87	22	
Other Income	41	29	53	76	53	55	55	76	199	239	55	
PBT before EO expense	504	785	864	875	782	862	894	928	3,028	3,466	752	4
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	504	785	864	875	782	862	894	928	3,028	3,466	752	4
Tax	64	96	108	109	93	138	143	148	377	523	135	
Rate (%)	12.7	12.3	12.5	12.4	11.9	16.0	16.0	16.0	12.4	15.1	18.0	
Minority Interest	-6.0	-7.5	-7.5	-9.8	-8.4	-7.5	-7.5	-7.5	-32.1	-30.0	-7.5	
Profit/Loss of Asso. Cos	35	73	72	97	98	94	98	101	277	383	80	
Reported PAT	469	754	821	854	777	811	841	874	2,896	3,296	689	13
Adj PAT	469	754	821	854	777	811	841	874	2,896	3,296	689	13
YoY Change (%)	1,049	106.0	57.0	27.0	65.9	7.5	2.5	2.3	80.8	13.8	47.0	
Margins (%)	6.7	9.1	9.8	9.5	8.6	8.5	8.7	9.0	8.9	8.7	8.0	

E: MOFSL Estimates

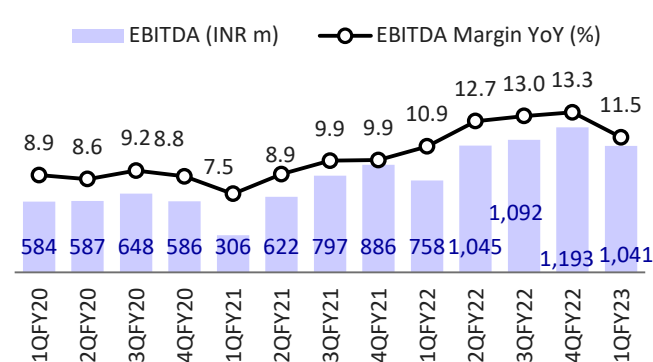
1QFY23 in charts

Exhibit 1: Revenue up 30% YoY on a low base



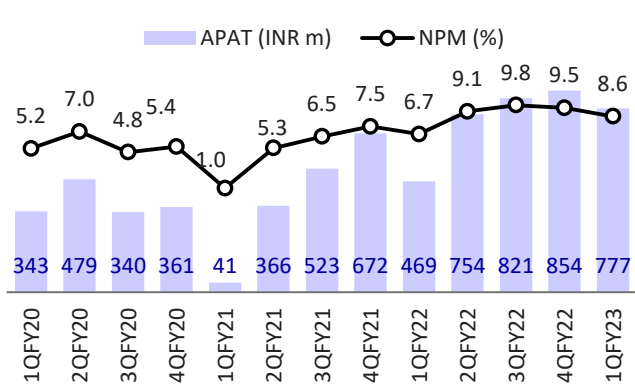
Source: Company, MOFSL

Exhibit 2: EBITDA grew by 37% YoY



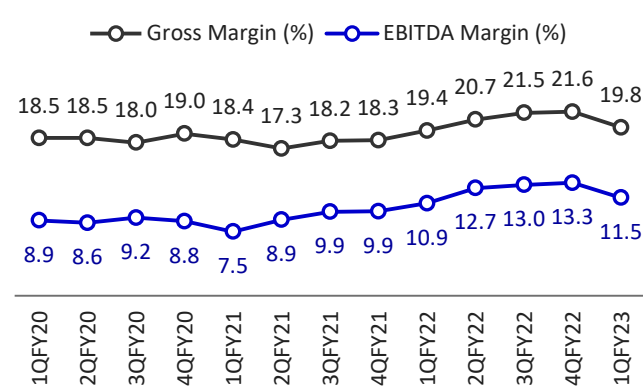
Source: Company, MOFSL

Exhibit 3: PAT up 66% YoY



Source: Company, MOFSL

Exhibit 4: EBITDA margin remained robust in a challenging environment



Source: Company, MOFSL

Exhibit 5: Segmental performance

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Segment Revenue (INR m)								
Freight	3,572	4,149	4,763	3,647	4,128	4,323	4,797	4,633
Supply chain	2,541	3,011	3,041	2,263	2,843	2,788	2,745	3,023
Seaways	932	1,038	1,301	1,150	1,342	1,479	1,607	1,525
Energy	17	3	5	15	21	6	12	16
Net segment Revenue	7,061	8,201	9,111	7,074	8,334	8,596	9,161	9,196
Growth YoY (%)								
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
Net segment Revenue	2.2	14.4	33.9	70.8	18.0	4.8	0.6	30.0
Revenue Share (%)								
Freight	51	51	52	52	50	50	52	50
Supply chain	36	37	33	32	34	32	30	33
Seaways	13	13	14	16	16	17	18	17
Energy	0	0	0	0	0	0	0	0
Total Revenue Share	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR m)								
Freight	119	173	190	127	162	188	198	162
Supply chain	166	200	209	121	166	167	196	166
Seaways	155	235	306	293	480	540	477	461
Energy	11	-3	-1	10	15	-1	6	8
Total Segment Results	450	605	703	551	824	893	877	797
Segmental EBIT Margin (%)								
Freight	3.3	4.2	4.0	3.5	3.9	4.3	4.1	3.5
Supply chain	6.5	6.7	6.9	5.3	5.8	6.0	7.1	5.5
Seaways	16.6	22.6	23.5	25.5	35.8	36.5	29.7	30.2
Energy	64.3	-126.9	-13.2	65.3	74.0	-14.5	48.7	50.0
Total	6.4	7.4	7.7	7.8	9.9	10.4	9.6	8.7



Highlights from the management commentary

Operational highlights

- Revenue growth was 30% YoY at ~INR9.0b. This was due to the growth seen across business divisions (freight, supply chain, seaways) and low base of last year. Revenues in freight/supply chain/seaways grew +27%/33.6%/32.6% YoY.
- EBITDA margin stood at 11.5% (+60bp YoY). On a QoQ basis, margin declined by 180bp. The drop in margins on sequential basis was primarily due to low volumes from the MSME segment during the quarter. This impacted the LTL segment which is generally the high margin segment within the freight business.
- Net borrowing continues remain zero. Debtors have increased marginally due to delay in payment by certain customers.
- Management is maintaining a conservative approach in its guidance for growth (Revenue and PAT growth of 10-15% in FY23) as expectation of slowdown in global economy and inflationary environment could impact businesses in 2H FY23.
- Announcement of National Logistics Policy in Aug-22, mandatory e-voicing from Oct-22, changing consumer trends and infrastructure development will help to garner higher market share for the organized players.

Freight segment

- The LTL/FTL proportion in the Freight division stood at 35%/65% in Q1FY23. The slowdown in MSME has temporarily impacted the LTL share. Management expects the share of LTL to rise to 40% in FY23.
- 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. However at times there could be lag of a month.
- ROCE continues to be above 25% with asset light model and stable margins

Supply Chain segment

- Uptrend in the automotive sector, with easing in supply of semiconductors, drove revenue growth of 33% YoY during the quarter.
- Auto rakes have been doing well which has off-set the fuel price impact
- Margins are stable for the segment with controlled cost structure. Margins continue to be higher than most peers.
- Company is looking at a diversified customer base and service offerings to maintain the growth momentum and tackle competition in this segment.

Seaways segment

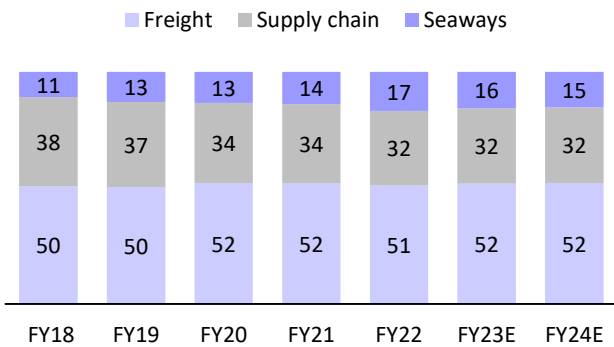
- High margin seaways segment grew by 32.6% in Q1FY23 amidst a challenging macro environment.
- EBIT Margin in the Seaways segment remained elevated at 30.2% due to availability of return loads from Myanmar and higher freight rates. While global freight rates have been cooling off, the domestic coastal shipping rates continue to remain elevated.
- Margin may sustain in the short term, but is likely to stabilize at 25% going forward.
- One out of three ships has completed the dry dock in Q1FY23 and the other two would be finishing with the dry docking in 2Q FY23.
- The Cost of ships has increased and freight rates continue to remain elevated. The margins in this segment could remain elevated for next couple of quarters.

Capex

- FY23 capex guidance has been pegged at INR3b 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. Ship rates continue to remain elevated which is leading to the delay.

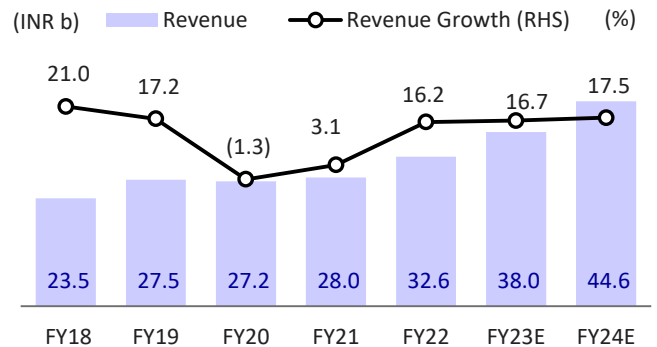
Story in charts

Exhibit 6: Freight and 3PL to dominate



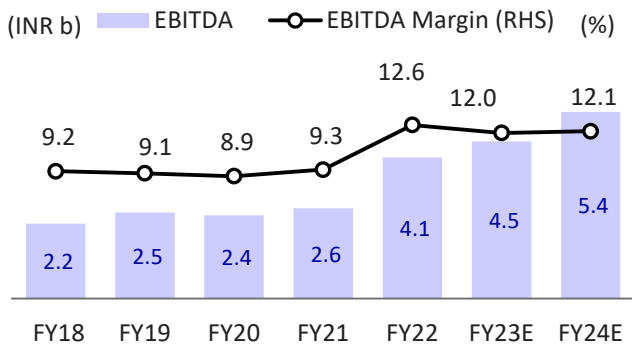
Source: Company, MOFSL

Exhibit 7: Revenue growth to remain strong



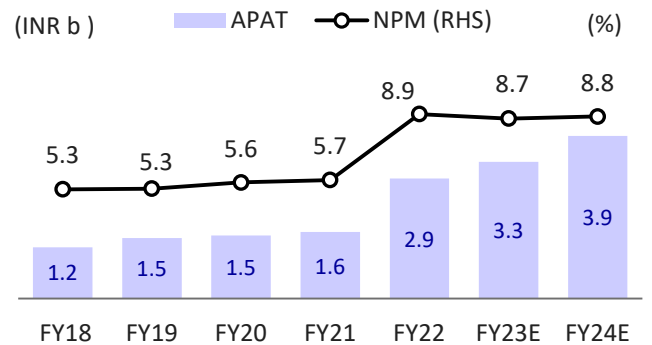
Source: Company, MOFSL

Exhibit 8: Margin to remain stable



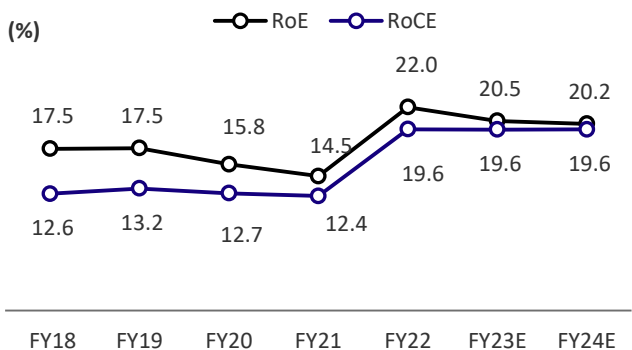
Source: Company, MOFSL

Exhibit 9: Strong operating performance to drive PAT



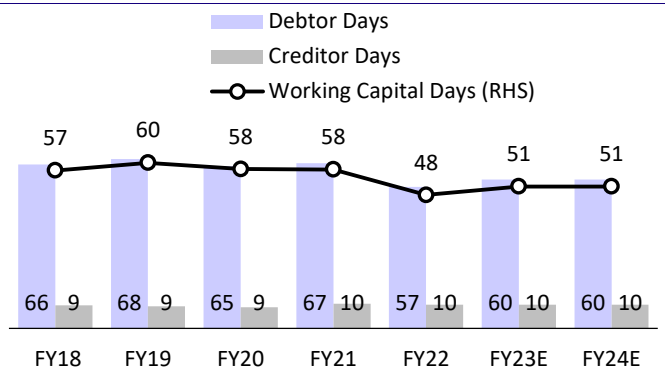
Source: Company, MOFSL

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
Net Sales	23,499	27,536	27,178	28,024	32,567	37,991	44,641
Change (%)	21.0	17.2	-1.3	3.1	16.2	16.7	17.5
Gross Margin (%)	18.9	18.2	18.5	18.0	20.9	19.8	19.9
EBITDA	2,165	2,495	2,405	2,612	4,087	4,548	5,402
Margin (%)	9.2	9.1	8.9	9.3	12.6	12.0	12.1
Depreciation	686	774	825	928	1,130	1,234	1,360
EBIT	1,478	1,721	1,580	1,684	2,957	3,314	4,041
Int. and Finance Charges	322	374	343	267	128	87	67
Other Income	144	195	201	255	199	239	287
PBT	1,301	1,542	1,438	1,672	3,028	3,466	4,261
Tax	287	333	159	238	377	523	767
Effective Tax Rate (%)	22.0	21.6	11.1	14.3	12.4	15.1	18.0
PAT before MI, Associates, and EO Items	1,014	1,209	1,279	1,434	2,652	2,944	3,494
Share of profit/(loss) of Associates and JVs	224	251	252	201	277	383	454
Minority Interest	0	0	-8	-33	-32	-30	-30
Extraordinary Items	0	7	99	131	0	0	0
Reported PAT	1,238	1,453	1,424	1,471	2,896	3,296	3,919
Adjusted PAT	1,238	1,460	1,522	1,602	2,896	3,296	3,919
Change (%)	52.4	17.9	4.3	5.2	80.8	13.8	18.9
Margin (%)	5.3	5.3	5.6	5.7	8.9	8.7	8.8

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	17,174	20,823
Net Worth	7,618	8,920	10,239	11,697	14,303	17,329	20,978
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
Capital Employed	12,505	14,065	14,784	14,823	15,892	18,573	22,049
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	5,639	7,000
Net Fixed Assets	6,258	7,268	7,483	7,409	7,241	8,757	8,896
Capital WIP	563	40	450	690	846	796	766
Total Investments	1,044	1,168	1,354	1,500	1,927	1,927	1,927
Curr. Assets, Loans, and Adv.	6,113	7,683	7,547	7,790	8,257	9,753	13,584
Inventory	33	53	66	71	85	104	122
Account Receivables	4,249	5,151	4,873	5,110	5,083	6,245	7,338
Cash and Bank Balances	142	155	259	395	745	731	2,984
Cash	127	101	132	341	679	666	2,918
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	2,658	3,123
Current Liab. and Prov.	1,472	2,095	2,050	2,565	2,379	2,659	3,125
Account Payables	597	674	639	759	851	993	1,167
Other Current Liabilities	820	1,355	1,309	1,719	1,276	1,373	1,613
Provisions	55	65	102	86	251	293	345
Net Current Assets	4,641	5,589	5,497	5,225	5,878	7,093	10,460
Application of Funds	12,505	14,065	14,784	14,823	15,891	18,573	22,048

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	16.1	18.9	19.7	20.8	37.6	42.8	50.8
EPS growth (%)	52.4	17.9	4.3	5.2	80.8	13.8	18.9
Cash EPS	25.0	29.0	30.4	32.8	52.2	58.8	68.5
BV/Share	98.8	115.7	132.8	151.7	185.5	224.8	272.1
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	8.2	6.9
Valuation (x)							
P/E	44.1	37.4	35.9	34.1	18.9	16.6	13.9
Cash P/E	28.4	24.5	23.3	21.6	13.6	12.1	10.3
EV/EBITDA	26.7	23.3	23.8	21.2	13.0	11.6	9.3
EV/Sales	2.5	2.1	2.1	2.0	1.6	1.4	1.1
P/BV	7.2	6.1	5.3	4.7	3.8	3.2	2.6
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.4	0.5	0.5
Return Ratios (%)							
RoE	17.5	17.5	15.8	14.5	22.0	20.5	20.2
RoCE	12.6	13.2	12.7	12.4	19.6	19.6	19.6
RoIC	11.4	11.5	11.1	11.6	21.0	20.5	21.0
Working Capital Ratios							
Fixed Asset Turnover (x)	3.3	3.2	2.7	2.6	2.9	2.9	2.9
Asset Turnover (x)	1.9	2.0	1.8	1.9	2.0	2.0	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
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	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,525	1,786	1,591	1,743	3,305	3,466	4,261
Depreciation	686	774	825	928	1,130	1,234	1,360
Direct Taxes Paid	-368	-342	-410	52	-494	-523	-767
(Inc.)/Dec. in WC	-576	-758	181	232	-163	-1,215	-1,117
Other Items	301	331	242	93	-98	-152	-220
CF from Operations	1,568	1,791	2,428	3,047	3,680	2,811	3,518
(Inc.)/Dec. in FA	-1,511	-1,259	-1,321	-1,241	-707	-2,700	-1,470
Free Cash Flow	57	532	1,108	1,807	2,973	111	2,048
Change in Investments	-8	-49	-55	-17	-28	0	0
Others	209	-268	22	196	-27	178	232
CF from Investments	-1,309	-1,576	-1,353	-1,062	-762	-2,522	-1,238
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	313	415
CF from Fin. Activity	-303	-202	-1,044	-1,776	-2,580	-302	-28
Inc./(Dec.) in Cash	-44	13	31	209	338	-13	2,252
Opening Balance	187	142	101	132	341	679	666
Closing Balance	142	155	132	341	679	666	2,918

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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