

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

**BUY**

Logistics

BSE CODE : 532349 NSE CODE: TCI  
BLOOMBERG CODE: TRPC:IN SENSEX : 33,229

12M Investment Period Rating as per Small Cap  
**CMP Rs.163 TARGET Rs.209 RETURN 28%** ↑  
(Closing: 15-06-20)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

**Near term weakness...an opportunity**

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 declined by 10% YoY, as supply chain business was impacted by slowdown in Auto sector .
- EBITDA margins contracted by 190bps YoY to 9.3% and PAT declined by 28% on account of sub-optimal revenue & higher cost.
- Expect earnings to be impacted by lockdown & weak macros, considering this scenario we downgrade our EPS estimates by 47% for FY21E.
- However, management focus on client addition in E-commerce, demand from warehousing space, faster adoption of e-way bill and gradual pick-up in Auto sector will drive growth.
- We reiterate our positive stance on TCI given its strong presence in warehousing space, multimodal logistics services and supply chain management.
- We value TCI at P/E of 13x on FY22E, with a target price of Rs.209 and maintain "Buy" rating.

**Revenue growth declines...**

TCI's Q4FY20 revenue declined by 10% YoY, on account of lockdown, shortage in drivers and overall weakness in demand. Q4 revenue was impacted by sharp de-growth in Supply chain which declined by 22% YoY, as 75% of this segment is catering to Auto which was continue witness weakness from past 1 year. Freight segment was impacted by decline in LTL business (Less than trucked load) on account weak demand scenario. Seaway business declined by 4% YoY due to weaker utilisation on account higher competition west coast. However, company is seeing better traction in agriculture and from E-commerce clients. Going ahead, management focus is to add more client in E-commerce and capacity addition in warehousing & fulfilment centre which will drive growth in this segment. The CAPEX plan amounts to Rs100cr FY21E. We expect revenue growth is likely to be impacted in the near term on account of suboptimal demand in economy. We lower our revenue growth estimates by 27% factoring the worst case scenario on account of likely weakness in H1FY21E.

**Profitability impacted by sub-optimal revenue & higher cost**

Q4FY20 EBITDA declined by 25% YoY, while EBITDA margins declined by 190bps to 9.3% on account of weak revenue growth and higher cost. Consequently, PAT declined by 29% YoY to Rs.31cr. Given near term impact on revenue and likely impact margins, we downgrade our EBITDA margin estimates by 130bps to 8.4% for FY21E. Consequently our EPS estimates stand reduced by 47% for FY21E.

**Valuations**

TCI has potential for scaling-up of its business given its strong presence in warehousing space, multimodal logistics services, supply chain management and the third party logistics services. Given concerns of Covid-19 impact, we expect Q1FY21E is likely to see significant impact on earnings, post which we may see revival from H2FY21E. We believe that current prices already factoring current demand headwinds and earnings downgrade. We value TCI at 13x on FY22E with target price of Rs.209 and maintain "Buy" rating on the stock.

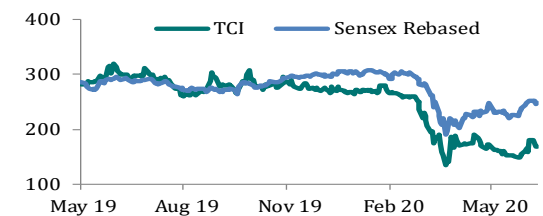
**Company Data**

Market Cap (cr)	Rs.1,249
Enterprise Value (cr)	Rs.1,598
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	1.2%
52 week high	Rs.315
52 week low	Rs.121
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs.2

Shareholding (%)	Q2FY20	Q3FY20	Q4FY20
Promoters	66.8	66.8	66.9
FII's	1.8	1.8	1.8
MFs/Institutions	12.5	10.0	10.1
Public	14.9	14.7	14.7
Others	4.0	6.7	6.6
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-10.4%	-37.8%	-44.1%
Absolute Sensex	7.6%	-17.5%	-15.0%
Relative Return*	-18.0%	-20.3%	-29.1%

\*over or under performance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Sales	2,513	2,268	2,655
Growth (%)	(1.8)	(10.0)	17.1
EBITDA	233	190	234
EBITDA Margin(%)	9.3	8.4	8.8
PAT Adj.	136	88	124
Growth (%)	6.8	(35.3)	40.2
Adjusted EPS	17.7	11.5	16.1
Growth (%)	6.8	(35.3)	40.2
P/E	9.2	14.2	10.1
P/B	1.3	1.2	1.1
EV/EBITDA	6.8	8.0	6.4
ROE (%)	15.3	9.0	11.5
D/E	0.5	0.3	0.3

Anil R  
Research Analyst

## Quarterly Financials

### Profit & Loss

	Q4FY20	Q4FY19	YoY Growth %	Q3FY20	YoY Growth %
<b>Sales</b>	<b>626</b>	<b>692</b>	<i>(9.6)</i>	<b>647</b>	<i>(3.3)</i>
<b>EBITDA</b>	<b>58</b>	<b>77</b>	<i>6.5</i>	<b>63</b>	<i>(7.5)</i>
EBITDA margins	<b>9.3</b>	<b>11.1</b>	<i>(190bps)</i>	<b>9.7</b>	<i>(40bps)</i>
Depreciation	20	19	<i>4.1</i>	20	<i>(3.6)</i>
<b>EBIT</b>	<b>38</b>	<b>58</b>	<i>(34.2)</i>	<b>42</b>	<i>(9.4)</i>
Interest	8	9	<i>(12.0)</i>	8	<i>(5.3)</i>
Other Income	7	5	<i>46.0</i>	6	<i>(16.0)</i>
	-	-	-	-	-
<b>PBT</b>	<b>37</b>	<b>54</b>	<i>(31.1)</i>	<b>40</b>	<i>(6.6)</i>
Exceptional Items	-	-	-	-	-
Tax	6	10	<i>(43.3)</i>	7	<i>(24.0)</i>
Share of profit from Associate	-	-	-	-	-
<b>Reported PAT</b>	<b>31</b>	<b>44</b>	<i>(28.3)</i>	<b>32</b>	<i>(2.6)</i>
Adjustments	-	-	-	-	-
<b>Adjusted PAT</b>	<b>31</b>	<b>44</b>	<i>(28.3)</i>	<b>33</b>	<i>(2.6)</i>
No. of Shares	<b>7.7</b>	<b>7.7</b>		<b>7.7</b>	-
<b>EPS (Rs)</b>	<b>4.1</b>	<b>5.7</b>	<i>(28.3)</i>	<b>4.2</b>	<i>(2.6)</i>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	3,106	-	2,384	2,684	<i>(27.0)</i>	-
EBITDA	300	-	200	228	<i>(36.5)</i>	-
Margins (%)	9.7	-	8.4	8.5	<i>(130bps)</i>	-
Adj. PAT	166	-	99	114	<i>(47.0)</i>	-
EPS	21.7	-	12.1	14.8	<i>(47.0)</i>	-

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
<b>Sales</b>	<b>2,181</b>	<b>2,558</b>	<b>2,513</b>	<b>2,268</b>	<b>2,655</b>
% change	20.7	17.3	(1.8)	(9.8)	17.1
<b>EBITDA</b>	<b>212</b>	<b>244</b>	<b>233</b>	<b>190</b>	<b>234</b>
% change	34.6	15.2	(4.4)	(18.4)	22.7
Depreciation	67	75	78	81	86
EBIT	145	169	156	109	147
Interest	31	36	32	31	28
Other Income	22	27	28	32	35
<b>PBT</b>	<b>132</b>	<b>160</b>	<b>142</b>	<b>110</b>	<b>155</b>
% change	48.2	21.8	(11.5)	(22.3)	40.2
Tax	28	33	15	22	31
Tax Rate (%)	21.1	20.4	10.9	20.0	20.0
<b>Reported PAT</b>	<b>107</b>	<b>128</b>	<b>126</b>	<b>88</b>	<b>124</b>
Adj.*	3	-	10	-	-
<b>Adj. PAT</b>	<b>104</b>	<b>128</b>	<b>136</b>	<b>88</b>	<b>124</b>
% change	47.7	23.0	6.8	(35.3)	40.2
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
<b>Adj EPS (Rs)</b>	<b>13.5</b>	<b>16.6</b>	<b>17.7</b>	<b>11.5</b>	<b>16.1</b>
% change	47.7	23.0	6.8	(35.3)	40.2
DPS (Rs)	2.1	2.2	2.4	2.4	2.4
CEPS (Rs)	22.3	26.5	27.8	22.0	27.4

### CASH FLOW

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	171	203	204	169	210
Non-cash adj.	15	23	6	(1)	(7)
Changes in W.C	(37)	(57)	25	26	(56)
<b>C.F. Operation</b>	<b>153</b>	<b>169</b>	<b>235</b>	<b>195</b>	<b>147</b>
Capital exp.	(158)	(105)	(129)	(88)	(100)
Change in inv.	19	(34)	(15)	(8)	(9)
Other invest.CF	8	11	9	32	35
<b>C.F - Investment</b>	<b>(130)</b>	<b>(148)</b>	<b>(135)</b>	<b>(64)</b>	<b>(73)</b>
Issue of equity	-	1	2	-	-
Issue/repay debt	65	83	42	(45)	(30)
Dividends paid	(12)	(14)	(15)	(18)	(18)
Other finance.CF	(81)	(96)	(125)	(31)	(28)
<b>C.F - Finance</b>	<b>(28)</b>	<b>(26)</b>	<b>(96)</b>	<b>(94)</b>	<b>(76)</b>
Chg. in cash	(5)	(6)	4	37	(2)
Closing cash	13	7	11	48	45

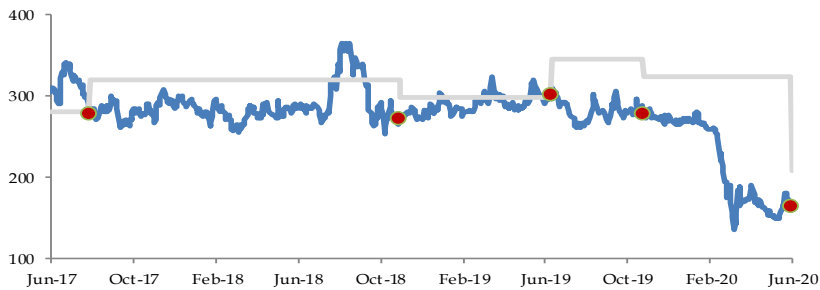
### BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	11	7	11	48	45
Accounts Receivable	390	477	454	435	495
Inventories	3	5	6	7	8
Other Cur. Assets	162	228	239	224	233
Investments	31	94	89	96	105
Gross Fixed Assets	762	894	1,018	1,118	1,218
Net Fixed Assets	623	705	752	770	784
CWIP	56	4	22	10	10
Intangible Assets	1	0	0	0	0
Def. Tax (Net)	(44)	(39)	(30)	(30)	(30)
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>1,233</b>	<b>1,480</b>	<b>1,544</b>	<b>1,560</b>	<b>1,650</b>
Current Liabilities	169	240	224	215	229
Provisions	5	6	10	11	12
Debt Funds	382	397	360	315	285
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	662	822	935	1,004	1,110
Shareholder's Fund	677	837	950	1,020	1,125
<b>Total Liabilities</b>	<b>1,233</b>	<b>1,480</b>	<b>1,544</b>	<b>1,560</b>	<b>1,650</b>
BVPS	89	111	126	135	149

### RATIOS

Y.E March	FY18A	FY19A	FY20A	FYE21E	FY22E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	9.7	9.5	9.3	8.4	8.8
EBIT margin (%)	6.6	6.6	6.2	4.8	5.5
Net profit mgn.(%)	4.8	5.0	5.4	3.9	4.7
ROE (%)	16.5	16.9	15.3	9.0	11.5
ROCE (%)	13.8	14.1	11.7	8.0	10.7
<b>W.C &amp; Liquidity</b>					
Receivables (days)	60.4	61.8	67.6	71.6	63.9
Inventory (days)	0.6	0.8	1.1	1.3	1.3
Payables (days)	32.1	36.0	41.8	43.9	37.9
Current ratio (x)	3.2	2.9	3.0	3.2	3.2
Quick ratio (x)	2.4	2.0	2.1	2.2	2.4
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.2	3.1	2.6	2.1	2.3
Total asset T.O (x)	1.9	1.9	1.7	1.5	1.7
Int. covge. ratio (x)	4.7	4.8	4.8	3.5	5.3
Adj. debt/equity (x)	0.6	0.5	0.5	0.3	0.3
<b>Valuation</b>					
EV/Sales (x)	0.7	0.6	0.6	0.7	0.6
EV/EBITDA (x)	7.6	6.7	6.8	8.0	6.4
P/E (x)	12.1	9.8	9.2	14.2	10.1
P/BV (x)	1.8	1.5	1.3	1.2	1.1

## Recommendation summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
02-May-2017	Buy	280*
11-August-2017	Buy	320
14-November-2018	Accumulate	298
25-June-2019	Buy	346
11-November-19	Buy	325
16-June-20	Buy	209

\*Initiating Coverage

## Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;	
<b>Buy</b>	-	<b>Buy</b>	-
<b>Hold</b>	-	<b>Accumulate</b>	-
<b>Reduce</b>	-	<b>Hold</b>	-
<b>Neutral</b>	-	<b>Reduce/Sell</b>	-
		<b>Neutral</b>	-

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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