

ONE YEAR OUTLOOK

BUSINESS & EARNINGS ▲

- Maintain our positive stance on TRPC. Expect favourable base and macroeconomic recovery to aid TRPC's revenue growth as it capitalises on its entrenched presence across the logistics value chain. TRPC is likely to benefit from 1) corporate's emphasis on logistics efficiency driving 3PL (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, and 3) shifting focus towards multi-modal transportation providing cost-effective logistics.
- As operations return to 75-80% of normalcy towards end of 1QFY21, demand revival in SCS and Seaways segment showed encouraging signs. SCS segment reported revenue/EBITDA decline of 56%/53% YoY in 1Q despite underlying automotive sector's (~80% of SCS revenues) production decline of over ~70%. Expect increasing penetration of services and scaling up of new contracts especially in ecommerce sector to drive revenue/EBITDA CAGR of 7%/10% through FY20-22E (11%/5% decline in FY21).
- Seaways reported 14% revenue decline as demand from food grains segment and modal shift partially offset lockdown impact. Expect new ship addition to drive revenue growth of 6% CAGR through F20-22. Stabilised Raw material cost is expected to aid EBITDA growth of 7% CAGR (FY20-22).
- Expect freight division to benefit from 1) shift in market share from unorganised sector, 2) growth in multi-modal logistics (TCI-Concor JV witnessed revenue growth of 81% YoY in 1Q) and 3) higher LTL contribution (~33% of revenues). The segment reported revenue/EBITDA decline of 47%/62% YoY in 1Q. Expect revenue/EBITDA CAGR (FY20-22E) of 2%/ 7%.

VALUATION MULTIPLES ▲

- Valuing the stock based on SOTP (page 2) to arrive at TP of Rs.250 (FY22). Increasing our multiple for SCS and Seaways segment in light of new opportunities. Expect capex spend (~Rs. 2.6bn through FY21-22) towards ship addition, and IT infrastructure upgrade to constrain RoCE(12% in FY22).

FINANCIAL SUMMARY

Year	Revenue (Rs. mn)	EBITDA (%)	PAT (Rs.mn)	EPS (Rs.)	P/E (x)	EV/ EBITDA (x)
FY20	25,134	9.3%	1,257	16.4	12.8	8.5
FY21E	22,627	9.4%	1,099	14.3	14.6	9.0
FY22E	27,482	10.1%	1,592	20.8	10.1	6.8

THREE YEAR OUTLOOK

BUSINESS & EARNINGS ▲

- Expect TRPC to benefit from 1) shift in volumes from unorganised sector to organised, and 2) Traction in Multi-modal logistics (TRPC is one of the few players with presence across value chain) which would drive revenue and EBITDA CAGR of 6% and 12%, respectively, through FY20-24.
- 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 12-15 months to cater to incremental demand. However, increasing competition may dilute realization and profitability (CONCOR started coastal shipping operations in FY20 and other logistics service providers evaluate opportunities).
- Expect freight segment to benefit from higher contribution from LTL services. Expect freight segment's share of overall revenues to reduce from 49% in FY20 to ~43% by FY24E.

VALUATION MULTIPLES ▲

- Improving operating cashflows, combined with reducing debt, is expected to drive RoCE (12% in FY20 to ~15% in FY24E). Based on FY24E estimates, we see a potential upside of 80% (incl. dividends).

KEY ESTIMATES REVISION

	FY21E			FY22E		
	Old	New	Change	Old	New	Change
Sales	21,618	22,627	5%	25,814	27,482	6%
EBITDA %	8.5%	9.4%	91 bps	9.9%	10.1%	21 bps
PAT	809	1,099	36%	1,394	1,592	14%
EPS	10.6	14.3	36%	18.2	20.8	14%
Implied Target P/E	Before Results:		10x	After Results:		12x

All figures in Rs. mn

OUTLOOK REVIEW 1QFY21 AUGUST 14, 2020

Industry	LOGISTICS
CMP	Rs. 219
Target Price	Rs. 250
Key Stock Data	
Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 16bn
52-wk High-Low	Rs. 313-122
3m ADV	Rs. 8mn
Index	BSE500

	Dec'19	Mar'20	Jun'20
Promoters	66.8	66.8	66.8
Institutions	11.7	11.8	11.9
Public	21.4	21.3	21.2
Pledge			

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Quarterly Financial Statement

Freight segment reported revenues of Rs. 1.58bn, down 47% YoY. The segment's EBIT margins at 1.3%, was down 230bps sequentially

Supply Chain segment reported revenues of Rs. 1.06bn, down 56% YoY and 49% QoQ. The revenue decline has been lower than auto production decline of over 70% YoY in 1QFY21. EBIT margins at 3.0%, contracted 190bps sequentially

Seaways segment revenues at Rs. 682mn, was down 14% YoY. EBIT margins at 6.0%, declined 16pps QoQ. Expect new ship addition in FY20 to cater to incremental demand

STANDALONE FINANCIAL RESULTS

Rs. mn\Period	1QFY21	1QFY20	yoy Growth	4QFY20	qoq Growth	FY19	FY20	yoy Growth
Revenue	3,280	6,121	-46.4%	6,257	-47.6%	25,583	25,134	-1.8%
Operating expense	2,587	4,942	-47.7%	5,025	-48.5%	20,695	20,270	-2.1%
Emp. cost	289	372	-22.5%	408	-29.2%	1,358	1,524	12.2%
Other expenses	126	245	-48.6%	245	-48.6%	1,088	1,005	-7.6%
Total Expenditure	3,001	5,559	-46.0%	5,677	-47.1%	23,141	22,799	-1.5%
EBITDA	279	562	-50.5%	580	-52.0%	2,442	2,335	-4.4%
Margin %	8.5%	9.2%	-69 bps	9.3%	-78 bps	9.5%	9.3%	-26 bps
D&A	195	186	4.9%	197	-0.7%	752	777	3.3%
EBIT	83	376	-77.8%	383	-78.3%	1,690	1,558	-7.8%
Other income	89	75	18.2%	67	33.6%	269	283	5.4%
Net Interest exp (inc)	70	82	-15.5%	80	-12.8%	356	324	-9.1%
PBT	103	369	-72.2%	370	-72.2%	1,603	1,518	-5.3%
Tax provision	4	72	-94.3%	57	-92.8%	326	155	-52.7%
Tax rate %	4.0%	19.4%	-79.4%	15.5%	-1147 bps	20.4%	10.2%	-1018 bps
PAT (Reported)	99	297	-66.8%	313	-68.5%	1,276	1,363	6.8%
PAT (Adjusted)	99	297	-66.8%	313	-68.5%	1,276	1,257	-1.6%
Adjusted PAT Margin %	3.0%	4.9%	-185 bps	5.0%	-199 bps	5.0%	5.0%	1 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	1.3	3.9	-66.8%	4.1	-68.5%	16.7	17.8	6.8%
EPS (Adjusted)	1.3	3.9	-66.8%	4.1	-68.5%	16.7	16.4	-1.6%

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		2,240	4x FY22e EV/EBITDA
TCI SCS		11,008	10x FY22e EV/EBITDA
TCI Seaways		7,401	6x FY22e EV/EBITDA
Others		78	2x FY22e EV/EBITDA
Net Cash(Net Debt)		-2,706	
Value from TCI	235	18,022	93.6% of Total
Value from JV	16	1,230	6.4% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	250	19,252	

Financial Summary

Abridged Financial Statement									
Rs. mn	FY14*	FY15*	FY16*	FY17	FY18	FY19	FY20E	FY21E	FY22E
Profit & Loss									
Revenue	20,273	21,967	22,578	18,042	21,778	25,583	25,134	21,618	25,814
Gross profit	3,861	4,320	4,742	3,502	4,288	4,888	4,864	4,288	5,214
EBITDA	1,493	1,704	1,823	1,575	2,083	2,442	2,335	1,831	2,546
Depreciation	424	495	539	578	673	752	777	861	935
EBIT	1,069	1,209	1,284	996	1,410	1,690	1,558	970	1,611
Other Income	57	124	122	177	245	269	283	300	317
Interest expense	297	319	282	286	299	356	324	296	248
Exceptional items	0	2	0	0	40	0	99	0	0
PBT	829	1,012	1,124	888	1,316	1,603	1,419	975	1,680
Reported PAT (after minority interest)	620	759	851	703	1,037	1,276	1,264	809	1,394
Adj PAT	620	758	850	703	1,037	1,276	1,257	809	1,394
EPS (Rs.)	8.5	10.0	11.2	9.2	13.5	16.7	16.4	10.6	18.2
Balance Sheet									
Net Worth	4,400	5,612	4,917	5,809	6,769	8,370	9,500	10,171	11,428
Deferred Tax	327	285	320	392	443	390	297	297	297
Total debt	3,045	3,068	3,394	4,066	4,238	4,496	4,083	3,383	2,883
Other liabilities and provisions	671	941	819	318	535	1,290	1,229	990	1,162
Total Net worth and liabilities	8,443	9,905	9,449	10,584	11,985	14,546	15,109	14,841	15,770
Gross Fixed assets	6,247	7,524	8,021	8,761	10,345	11,917	13,159	14,159	15,534
Net fixed assets	3,836	4,783	5,169	5,325	6,236	7,055	7,521	7,660	8,100
Capital work-in-progress	182	68	123	568	563	40	216	216	216
Goodwill	0	0	0	0	0	0	0	0	0
Investments	452	444	231	298	313	938	888	888	888
Cash and bank balances	173	165	124	184	130	122	178	593	354
Loans & advances and other assets	955	1,176	1,192	1,601	1,604	2,221	2,324	1,999	2,122
Net working capital	2,846	3,268	2,609	2,608	3,139	4,170	3,982	3,484	4,090
Total assets	8,443	9,905	9,449	10,584	11,985	14,546	15,109	14,841	15,770
Capital Employed	7,772	8,964	8,630	10,266	11,450	13,256	13,880	13,851	14,608
Invested Capital (CE - cash - CWIP)	7,417	8,731	8,383	9,514	10,757	13,094	13,486	13,042	14,038
Net debt	2,872	2,903	3,270	3,882	4,109	4,375	3,905	2,789	2,529
Cash Flows									
Cash flows from Operations (Pre-tax)	1,633	1,455	2,567	1,115	2,119	2,060	2,748	2,419	2,059
Cash flows from Operations (post-tax)	1,429	1,261	2,330	883	1,768	1,729	2,353	2,253	1,773
Capex	556	1,416	1,750	1,156	1,590	1,078	1,304	1,000	1,375
Free cashflows	872	-156	580	-273	177	651	1,049	1,253	398
Free cashflows (post interest costs)	576	-475	298	-560	-122	295	726	957	151
Cash flows from Investing	-720	-1,471	-988	-1,174	-1,538	-1,481	-1,346	-1,000	-1,375
Cash flows from Financing	-702	203	-1,383	370	316	-255	-964	-838	-638
Total cash & liquid investments	173	165	124	184	130	122	178	593	354

*Includes financials of TCI XPS segment (demerged in FY17)

Financial Summary

Abridged Financial Statement									
	FY14*	FY15*	FY16*	FY17	FY18	FY19	FY20E	FY21E	FY22E
Key variables									
Freight Revenues (Rs. Mn)	7,797	8,156	8,400	9,223	10,311	12,096	12,478	10,700	12,412
Supply Chain Revenues (Rs. Mn)	5,423	6,129	6,249	7,374	9,126	10,189	9,250	7,852	9,815
Seaways Revenues (Rs. Mn)	1,137	1,220	1,407	1,639	2,564	3,593	3,677	3,257	3,778
Growth ratios									
Revenue	3.9%	8.4%	2.8%	12.9%	20.7%	17.5%	-1.8%	-14.0%	19.4%
EBITDA	3.1%	14.1%	7.0%	17.7%	32.3%	17.2%	-4.4%	-21.6%	39.1%
Adj PAT	19.6%	22.5%	12.0%	18.0%	47.6%	23.0%	-1.0%	-36.0%	72.3%
Margin ratios									
Gross	19.0%	19.7%	21.0%	19.4%	19.7%	19.1%	19.4%	19.8%	20.2%
EBITDA	7.4%	7.8%	8.1%	8.7%	9.6%	9.5%	9.3%	8.5%	9.9%
Adj PAT	3.1%	3.4%	3.8%	3.9%	4.8%	5.0%	5.0%	3.7%	5.4%
Performance ratios									
Pre-tax OCF/EBITDA	109.3%	85.4%	140.8%	70.8%	101.7%	84.3%	117.7%	132.1%	80.9%
OCF/IC (%)	19.3%	14.4%	27.8%	9.3%	16.4%	13.2%	17.4%	17.3%	12.6%
RoE (%)	15.0%	15.1%	16.2%	13.1%	16.5%	16.9%	14.1%	8.2%	12.9%
RoCE (%)	11.0%	12.0%	12.1%	9.8%	12.0%	12.6%	12.1%	7.6%	11.2%
RoCE (Pre-tax)	14.7%	15.9%	16.0%	12.4%	15.2%	15.9%	13.6%	9.2%	13.5%
RoIC (Pre-tax)	14.5%	15.0%	15.0%	11.1%	13.9%	14.2%	11.7%	7.3%	11.9%
Fixed asset turnover (x)	3.3	3.2	2.9	2.2	2.3	2.3	2.0	1.6	1.7
Total asset turnover (x)	2.4	2.4	2.3	1.8	1.9	1.9	1.7	1.4	1.7
Financial stability ratios									
Net Debt to Equity (x)	0.7	0.5	0.7	0.7	0.6	0.5	0.4	0.3	0.2
Net Debt to EBITDA (x)	1.9	1.7	1.8	2.5	2.0	1.8	1.7	1.5	1.0
Interest cover (x)	4.8	4.0	8.3	3.1	5.9	4.9	7.3	7.6	7.2
Cash conversion days	51	54	42	53	53	59	58	59	58
Working capital days	56	58	48	79	71	73	74	76	71
Valuation metrics									
Fully Diluted Shares (mn)	72.9	75.7	76.1	76.1	76.6	76.6	76.6	76.6	76.6
Market cap (Rs.mn)					12,176				
P/E (x)	18.7	15.9	14.2	17.2	11.7	9.5	9.7	15.0	8.7
P/OCF(x)	8.5	9.7	5.2	13.8	6.9	7.0	5.2	5.4	6.9
EV (Rs.mn) (ex-CWIP)	14,866	15,010	15,322	15,489	15,721	16,510	15,865	14,965	14,705
EV/ EBITDA (x)	10.0	8.8	8.4	9.8	7.5	6.8	6.8	8.2	5.8
EV/ OCF(x)	10.4	11.9	6.6	17.5	8.9	9.6	6.7	6.6	8.3
FCF Yield					1.5%	5.3%	8.6%	10.3%	3.3%
Price to BV (x)	2.8	2.2	2.5	2.1	1.8	1.5	1.3	1.2	1.1
Dividend pay-out (%)	15.3%	14.8%	13.4%	12.0%	11.8%	10.8%	11.0%	17.0%	9.9%
Dividend yield (%)					1.0%	1.1%	1.1%	1.1%	1.1%

*Includes financials of TCI XPS segment (demerged in FY17); ^Adjusted

Crystal Ball Gazing

Over FY20-24, Revenue growth is likely to be driven by 1) shift from unorganised sector to organised, 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.

Revenue CAGR of 6% from FY20 to FY24 driven by incremental demand for 3PL services and Seaways



Improving operating efficiencies resulting in healthy returns



Healthy operating performance to sustain multiple

	FY11-FY14	FY14-FY19	FY20-FY24E
Revenues CAGR	5%	12%	6%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	12%
EBITDA margin	7.6%	8.7%	9.9%
EPS CAGR	6%	27%	15%
Total Asset Turnover (x)	2.5	2.1	1.7
Total WC days	56	66	73
Pre-tax OCF/EBITDA (%)	87%	100%	101%
Post Tax OCF as a % of IC	15%	16%	16%
Debt/EBITDA	2.1	2.5	1.0

	FY11-FY14	FY14-FY19	FY19-FY23E
RoE (%)	15.2%	15.5%	13.1%
RoCE (%)	10.9%	11.6%	11.6%
RoIC (%)	15.6%	13.9%	12.2%
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	

SOTP	FY24 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	603	3.0	1,810
TCI SCS	1,247	8.0	9,976
TCI Seaways	1,915	5.0	9,577
Others	39	2.0	78
Net Debt (Rs.mn)			1,948
Mkt Cap (Rs.mn)			19,493
Standalone TP			255
JV (Transystem)			19
Target Price			273

Entry = Rs. 159 @ 9x FY22x EPS



Cumulative Dividends of Rs.7/share

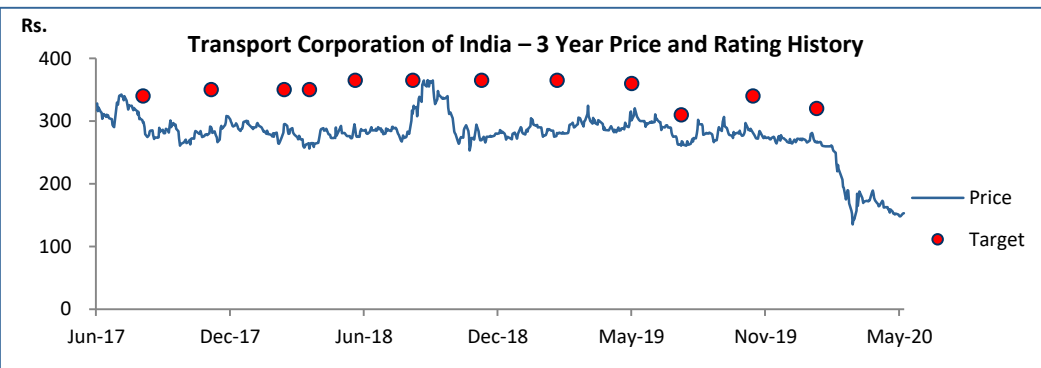


PAT CAGR of ~15%, implied exit multiple of 9x on FY24E EPS



TOTAL RETURN OF 76%

Spark Recommendation History



Report Date	CMP (Rs.)	TP (Rs.)	Recommendation
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
18-May-18	293	365	Buy
19-Mar-18	265	350	Buy

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

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