

Asian Markets Rating	Buy
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CMP (Rs)	708
Target (Rs)	895
Upside (%)	26%

Nifty: 17,382 Sensex: 58,299

Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR10)	77.3
Mkt Cap (USD Bn/INR Bn)	0.7/54.8
52-week high/low	859/388
6m daily avg vol(INR Mn)	67
Free Float %	32

Price Performance

(%)	3m	1yr	3yr
TRPC	2.7	59.8	40.5
Nifty	5.0	8.4	18.0
NSE500	4.2	8.1	20.1
BSE Midcap	4.2	8.1	23.1

Shareholding Pattern

(%)	Dec21	Mar22	Jun22
Promoter	66.5	66.6	66.6
FII	2.3	2.7	3.1
DII	11.5	11.2	11.0
Others	19.7	19.6	19.3

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FY22-24E Earnings CAGR	CF & Return Profile	Valuations
15%	Moderate	Reasonable

Growth trajectory continues

- TCI witnessed a revenue growth of 29.7% y-o-y to Rs 9bn albeit on a covid affected base. 3 years revenue CQGR stands at 11%.
- SCM business revived with a 34% y-o-y and 10% q-o-q growth led by recovery in automobile industry.
- Freight business grew by 27% y-o-y but was almost flat on a sequential basis whereas coastal shipping business continued to report quarterly revenue run rate excess of Rs 1.5bn for the third consecutive quarter).
- Consolidated EBITDA margin expanded by 60bps y-o-y to 11.5% led by margin expansion in coastal shipping and SCM division. Net profit increased by 82% y-o-y to Rs 777.4mn. Relatively higher earnings growth is on account of sharp reduction in interest payments (debt reduction).

SCM is on reviving mode amidst automobile sector recovery

SCM segment which is largely dependent (~70%) on automobile sector started witnessing revival amidst recovery in automobile sector. SCM revenue grew by 34% y-o-y and 10% q-o-q to Rs 3bn with a three years CQGR of 7%. Though the segment margin was bit under pressure on a sequential basis due to higher fuel prices. However, we believe the segment will see margin revival as it is poised to see sustainable growth recovery. We remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. Further, customers push for efficiencies and integrated single-window solutions across the value chain are also making good roads for SCM and warehousing business.

Freight segment – muted growth albeit on a high base

Freight business witnessed a growth moderation (-3% q-o-q) albeit on a high base. On a three-year basis, it witnessed a CQGR of 10% which we believe is largely pricing driven. EBIT margin was also bit under pressure due to higher fuel prices. However, going ahead we see a margin recovery in freight division led by pick-up in relatively better margin LTL business. We observed, capital employed (mainly in working capital) in freight division is consistently decreasing over the last three years despite rise in business scale, indicating better efficiency along with good WC management.

Coastal Shipping – Increase freight rates and better occupancy drive the growth

High freight rates and fuel price inflation passthrough boosted the revenue (+33% y-o-y). Further, it continued to get high value return cargo (pulses) from Myanmar which also boosted the earnings. Coastal shipping continued to see a strong EBIT margin (+470bps y-o-y and +50bps q-o-q to 30.2%) due to freight rate increase and better return cargo. Margin may see some moderation due to high base and cost inflation along with some softening in freight charges.

TCI remains our top pick in logistics space

We maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favorable change in business mix and prudent capital allocation. **Despite expected capex of Rs 3-4bn over the next three years, TCI will generate cumulative FCF of ~Rs 6bn over FY22-24E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 99%.** Despite strong run in the stock price over the last one year (~3x), we still consider it as good value compounder over the longer term. We upgrade our rating to 'Buy' with a price target of Rs 895, 18x to FY24E EPS.

Exhibit 2: Key Indicators

Exhibit 1: Key Financials

Y/E Mar(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Sales	27,178.4	28,023.9	32,566.8	37,055.3	41,364.6
yoy (%)	(1.3)	3.1	16.2	13.8	11.6
EBITDA	2,405.3	2,612.2	4,087.4	4,446.6	4,963.7
yoy (%)	(3.6)	8.6	56.5	8.8	11.6
Net Profit	1,279.3	1,433.5	2,651.5	3,080.7	3,468.0
yoy (%)	5.8	12.1	85.0	16.2	12.6
EBITDAM(%)	8.9	9.3	12.6	12.0	12.0
Equity	153.7	154.2	154.7	154.7	154.7
EPS	18.5	19.1	37.9	44.2	49.7

Source: Company, AMSEC Research

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
RoE (%)	14.9	13.4	22.5	21.5	19.9
RoCE (%)	12.8	13.4	20.8	21.2	20.1
ROIC (%)	11.2	11.8	19.7	20.4	21.2
DE	0.4	0.2	0.0	0.0	0.0
PER (x)	10.0	13.6	16.7	16.0	14.2
P/BV (x)	1.4	1.7	3.4	3.1	2.6
EV/Sales (x)	0.6	0.8	1.5	1.4	1.2
EV/EBITDA (x)	7.3	8.4	11.9	11.9	10.2
Div Yield (%)	1.4	0.5	0.8	0.4	0.4



Exhibit 3: 1QFY23 Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Y-o-Y change	Q-o-Q change	FY22	FY21	Y-o-Y change
Income from operations	6,961.3	8,251.4	8,376.8	8,977.3	9,029.1	29.7%	0.6%	32,566.8	28,023.9	16.2%
Less: Expenditures										
Operating cost	5,609.3	6,542.0	6,575.4	7,035.2	7,242.6	29.1%	2.9%	25,761.9	22,972.4	12.1%
Staff cost	412.5	411.5	436.7	439.1	470.5	14.1%	7.2%	1,699.8	1,454.9	16.8%
Other cost	182.0	252.8	272.9	310.0	275.5	51.4%	-11.1%	1,017.7	984.4	3.4%
EBITDA	757.5	1,045.1	1,091.8	1,193.0	1,040.5	37.4%	-12.8%	4,087.4	2,612.2	56.5%
Other Income	40.8	29.2	53.2	75.9	53.2	30.4%	-29.9%	199.1	254.7	-21.8%
Depreciation	247.3	256.4	255.2	371.3	288.9	16.8%	-22.2%	1,130.2	928.1	21.8%
EBIT	551.0	817.9	889.8	897.6	804.8	46.1%	-10.3%	3,156.3	1,938.8	62.8%
Interest	47.1	32.9	25.9	22.4	23.1	-51.0%	3.1%	128.3	267.0	-51.9%
Profit Before Tax	503.9	785.0	863.9	875.2	781.7	55.1%	-10.7%	3,028.0	1,671.8	81.1%
Tax	63.8	96.2	108.0	108.5	93.4	46.4%	-13.9%	376.5	238.3	58.0%
Profit after Tax	440.1	688.8	755.9	766.7	688.3	56.4%	-10.2%	2,651.5	1,433.5	85.0%
Extraordinary items	-	-	-	-	-	-	-	-	(130.6)	-100.0%
Net Profit	440.1	688.8	755.9	766.7	688.3	56.4%	-10.2%	2,651.5	1,302.9	103.5%
share in profits	34.6	72.8	72.2	97.1	97.5	181.8%	0.4%	276.7	201.3	37.5%
Minority Int	6.0	7.5	8.8	9.8	8.4	40.0%	-14.3%	32.1	32.9	-2.4%
Net Profit	468.7	754.1	819.3	854.0	777.4	65.9%	-9.0%	2,896.1	1,471.3	96.8%
EPS	6.1	9.7	10.6	11.0	10.1	65.9%	-9.0%	37.7	19.1	96.8%
Operating Matrix										
Operating cost/Sales	80.6%	79.3%	78.5%	78.4%	80.2%	-36	185	79.1%	82.0%	-287
Staff cost/Sales	5.9%	5.0%	5.2%	4.9%	5.2%	-71	32	5.2%	5.2%	3
Others/Sales	2.6%	3.1%	3.3%	3.5%	3.1%	44	-40	3.1%	3.5%	-39
EBITDA Margin	10.9%	12.7%	13.0%	13.3%	11.5%	64	-177	12.6%	9.3%	323
Net Margin	6.7%	9.1%	9.8%	9.5%	8.6%	188	-90	8.9%	5.3%	364
ETR	12.7%	12.3%	12.5%	12.4%	11.9%	-71	-45	12.4%	14.3%	-182

Source: Company, AMSEC Research

Exhibit 5: 1QFY23 Segmental Highlights (Consolidated)

Particulars (Rs. mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Y-o-Y change	Q-o-Q change	FY22	FY21	Y-o-Y change
Revenue										
Freight	3,646.7	4,127.9	4,323.1	4,797.4	4,632.7	27.0%	-3.4%	16,895.1	14,785.2	14.3%
SCM	2,262.6	2,843.3	2,787.9	2,745.2	3,023.3	33.6%	10.1%	10,639.0	9,738.2	9.3%
Coastal Shipping	1,149.7	1,342.2	1,479.1	1,606.8	1,524.5	32.6%	-5.1%	5,577.8	3,952.8	41.1%
Wind	15.0	20.8	5.5	11.5	15.8	5.3%	37.4%	52.8	5.3	896.2%
Others/inter segment	(112.7)	(82.8)	(218.8)	(183.6)	(167.2)	48.4%	-8.9%	(597.9)	(457.6)	30.7%
Total	6,961.3	8,251.4	8,376.8	8,977.3	9,029.1	29.7%	0.6%	32,566.8	28,023.9	16.2%
EBIT										
Freight	126.9	162.1	187.5	198.1	162.4	28.0%	-18.0%	674.6	523.5	28.9%
SCM	120.7	166.3	166.8	195.0	165.7	37.3%	-15.0%	648.8	607.3	6.8%
Coastal Shipping	293.3	480.0	539.5	476.8	460.5	57.0%	-3.4%	1,789.6	735.5	143.3%
Wind	9.8	15.4	15.4	5.6	7.9	-19.4%	41.1%	46.2	14.5	218.6%
Total	550.7	823.8	909.2	875.5	796.5	44.6%	-9.0%	1,880.8	1,880.8	0.0%
EBIT %						BPS	BPS			BPS
Transport	3.5%	3.9%	4.3%	4.1%	3.5%	3	(62)	4.0%	3.5%	45
SCM	5.3%	5.8%	6.0%	7.1%	5.5%	15	(162)	6.1%	6.2%	(14)
Coastal Shipping	25.5%	35.8%	36.5%	29.7%	30.2%	470	53	32.1%	18.6%	1,348
Wind	65.3%	74.0%	280.0%	48.7%	50.0%	(1,533)	130	87.5%	273.6%	(18,608)
Total	7.9%	10.0%	10.9%	9.8%	8.8%	91	(93)	5.8%	6.7%	(94)

Source: Company, AMSEC Research



KTA from the earnings call

Freight Division

- Witnessed some slowdown in MSME segments which may affect LTL volumes over the near term.
- Share of LTL came down from 38% in FY22 to 35% in Q1FY23. However, irrespective of near term pressure, LTL contribution likely to go up to 40% in FY23.
- Freight rates have increased across major routes.
- Further, lower sales contribution from LTL business also impacted the margin.
- Freight segment bagged large contract in Q1FY23 which will start contributing from the coming quarters.

SCM

- Witnessing a decent growth amid uptrends in automotive sector.
- 75-85% of SCM business comes from mobility (PV, farm equipment, UV, etc.).
- Moved 409 auto rakes in Q1FY23 compared to 272 auto rakes in Q2FY22 and trend is picking up. Targeting
- Rising trend of auto rake movement is helping it in offsetting fuel price increase.
- Stable margin due to controlled cost structure.
- Many customers are moving from 'Just In Time' to 'Just In Case', resulting in higher demand for warehousing and supply chain managers.
- Adding capabilities in chemicals and ecommerce.

Coastal shipping

- Decent growth on the back of increased freight rates and return cargo from Myanmar and Port Blair.
- Myanmar business is not very large and any withdrawer of pulse import from Myanmar will not have material impact on coastal shipping business.
- 3 ships will go in dry docks in FY23. 1 ship dry dock already completed.
- Witnessing inflation w.r.t. low Sulphur fuel process
- Globally, ship prices started softening but still at elevated level. Hence, TCI will wait for reasonable price for buying ships.

JVs performance in Q1FY23

- TCI CONCOR: Sales grew by 9% y-o-y to Rs 818mn with PAT of Rs 13mn
- Cold chain: Sales grew by 29% y-o-y to Rs 162mn with PAT of Rs 9.2mn
- Transystem: Sales grew by 85% y-o-y to Rs 1,429mn with an improvement in profitability. PAT stands at Rs 189mn.

Other KTAs

- Maintaining guidance of 10-15% sales and earnings growth in FY23.
- Incurred capex of Rs 292mn in Q1FY23 mainly on rakes & trucks (Rs 123mn) and Hub & Spoke center development (Rs 93mn). Planning to incur capex of Rs 3bn but that again will depend upon availability of ship at reasonable price.


Financials (Consolidated)

(Rs mn)

Profit and Loss Statement

Y/E (Mar)	FY20	FY21	FY22	FY23E	FY24E
Income from operation	27,178	28,024	32,567	37,055	41,365
Less:					
Operating expenses	22,143	22,972	25,766	29,644	33,092
Staff expenses	1,572	1,455	1,700	1,853	2,068
Admin and other exp.	1,058	984	1,013	1,112	1,241
EBITDA	2,405	2,612	4,087	4,447	4,964
Depreciation	825	928	1,130	1,109	1,237
Operating profit	1,580	1,684	2,957	3,338	3,727
Other income	201	255	199	338	446
EBIT	1,782	1,939	3,156	3,675	4,173
Interest	343	267	128	93	93
Exceptional items	-	-	-	-	-
Profit before tax	1,438	1,672	3,028	3,582	4,080
Tax	159	238	377	502	612
PAT	1,279	1,433	2,652	3,081	3,468
Share Profit from JVs	252	201	277	338	379
Minority Interest	(8)	(33)	-	-	-
EO Items	(99)	(131)	-	-	-
Net Profit	1,424	1,471	2,928	3,419	3,847
Share O/s mn	76.9	77.1	77.4	77.4	77.4
EPS Rs	18.5	19.1	37.9	44.2	49.7

Cash Flow Statement

Y/E (Mar)	FY20	FY21	FY22	FY23E	FY24E
PBT	1,591	1,743	3,028	3,582	4,080
Non-cash adjustments	1,273	1,344	1,321	1,202	1,330
Changes in working capital	231	181	(163)	(602)	(649)
Tax & Interest Paid	(410)	52	(494)	(502)	(612)
Cashflow from operations	2,428	3,047	3,680	3,681	4,149
Capital expenditure	(1,321)	(1,241)	(707)	(1,500)	(1,500)
Change in investments	(14)	(17)	(31)	-	-
Other investing cashflow	(18)	196	35	-	-
Cashflow from investing	(1,353)	(1,062)	(702)	(1,500)	(1,500)
Issue of equity	24	40	34	-	-
Interest Paid	(343)	(302)	(105)	(93)	(93)
Incr. / (Dec.) in Loan Funds	(517)	(1,419)	(2,148)	-	-
Dividends paid	(201)	(96)	(410)	(214)	(214)
Other financing cashflow	67	(73)	49	-	-
Cashflow from financing	(971)	(1,849)	(2,628)	(306)	(306)
Change in cash & cash eq	104	136	350	1,875	2,342
Opening cash & cash eq	155	259	395	745	2,619
Closing cash & cash eq	259	395	745	2,619	4,961
Free cash flow to firm	1,107	1,806	2,973	2,181	2,649

Balance Sheet

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
APPLICATION OF FUNDS :					
Non Current Assets	9,287	9,598	9,866	10,595	11,237
Gross Fixed Assets	14,600	15,454	12,299	13,799	15,299
Less: Accumulated Dep.	7,117	8,045	5,058	6,167	7,404
Fixed Assets	7,483	7,409	7,241	7,632	7,895
Capital work in progress	216	52	73	73	73
Right to use	234	638	773	773	773
Goodwill	-	-	-	-	-
Noncurrent investment	1,354	1,500	1,780	2,118	2,496
Current Assets	7,547	7,790	8,404	11,248	14,576
Current investment	-	-	147	147	147
Inventories	66	71	85	81	91
Sundry debtors	4,873	5,110	5,083	5,748	6,416
Cash and bank	259	395	745	2,619	4,961
Short loans and advances	2,349	2,213	2,345	2,652	2,961
Total Assets	16,833	17,388	18,270	21,843	25,813
SOURCES OF FUNDS :					
Share Capital	154	154	155	155	155
Reserves	10,085	11,543	14,148	17,353	20,986
Total Shareholders Funds	10,239	11,697	14,303	17,508	21,141
Minority interest	57	86	274	274	274
Non-Current Liabilities	4022	2828	1160	1160	1160
Long term borrowings	3,686	2,347	619	619	619
Lease Liability	35	208	265	265	265
Deferred tax liability	302	273	276	276	276
Current Liab & Prov	2,515	2,777	2,534	2,902	3,239
Total Equity & Liab.	16,833	17,388	18,270	21,843	25,813
Net working capital	4,772	4,618	4,978	5,580	6,229
Total Gross Debt	3,686	2,347	619	619	619
Total Net debt	3,426	1,952	(272)	(2,147)	(4,489)
Total capital employed	14,318	14,611	15,736	18,941	22,574

Ratios

Y/E (Mar)	FY20	FY21	FY22	FY23E	FY24E
PER SHARE					
EPS Rs	18.5	19.1	37.9	44.2	49.7
CEPS Rs	29.3	31.1	52.5	58.5	65.7
Book Value Rs	133.2	151.7	184.9	226.3	273.3
VALUATION					
EV / Net Sales	0.6	0.8	1.5	1.4	1.2
EV / EBITDA	7.3	8.4	11.9	11.9	10.2
P / E Ratio	10.0	13.6	16.7	16.0	14.2
P / BV Ratio	1.4	1.7	3.4	3.1	2.6
FCF Yield (%)	7.8	9.0	6.1	4.0	4.8
GROWTH YOY%					
Sales Growth	-1.3	3.1	16.2	13.8	11.6
EBITDA Growth	-3.6	8.6	56.5	8.8	11.6
Net Profit Growth	-2.0	3.3	99.0	16.8	12.5
Gross Fixed Asset Growth	7.7	5.8	-20.4	12.2	10.9
PROFITABILITY					
Gross Profit/ Net sales (%)	8.9	9.3	12.6	12.0	12.0
EBITDA / Net Sales (%)	6.6	6.9	9.7	9.9	10.1
EBIT / Net sales (%)	5.2	5.3	9.0	9.2	9.3
NPM / Total income (%)	118.0	114.7	102.1	94.1	95.9
CFO (pre-tax) / EBITDA (%)	170.5	207.1	125.7	107.7	107.9
CFO (post-tax) / PAT (%)	14.9	13.4	22.5	21.5	19.9
ROE (%)	12.8	13.4	20.8	21.2	20.1
Tax / PBT %	11.1	14.3	12.4	14.0	15.0
TURNOVER					
Net Working Cycle	58	58	50	49	49
Debtors Velocity (Days)	65	67	57	57	57
Inventory (Days)	1	1	1	1	1
Creditors Velocity (Days)	9	10	9	9	9
Current Ratio	3.0	2.8	3.3	3.8	4.5
Quick Ratio	3.0	2.8	3.2	3.8	4.4
LIQUIDITY					
Gross Asset Ratio	1.9	1.9	2.3	2.8	2.8
Total Asset Ratio	2.0	1.9	2.1	2.1	2.0
Net Debt-Equity Ratio	0.3	0.2	0.0	-0.1	-0.2
Interest Coverage	4.6	6.3	23.0	35.9	40.1
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	131.0	62.1	264.8	138.0	138.0
Yield %	1.4	0.5	0.8	0.4	0.4
DPS	3.7	3.8	7.6	8.8	9.9



Recommendation rationale

Buy: Potential upside of	>+15% (absolute returns)
Accumulate:	>+5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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