

ONE YEAR OUTLOOK

BUSINESS & EARNINGS ◀▶

- Maintain our positive stance on TRPC. Expect TRPC to benefit from 1) recovery in automotive demand and scale up of new contracts (especially ecommerce) to drive 3PL growth (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, and 3) shifting focus towards multi-modal transportation for cost-effective logistics.
- In 2QFY21, ramp-up in automotive production resulted in SCS revenue growth of 2% YoY. Expect aforesaid factors coupled with cold chain opportunities to drive SCS revenue/EBITDA CAGR of 9%/11% through FY20-23E (7%/6% decline in FY21).
- Seaways reported a revenue/EBITDA growth of 9% each as healthy demand for multimodal solutions in agro commodities continued in 2Q. Expect new ship addition (4QFY21) and improving operating efficiencies to drive revenue and EBITDA growth of 12% and 13% CAGR through F20-23.
- 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 69% YoY in 1HFY21) and 3) higher Less-than-truckload (LTL) contribution. The segment reported a revenue decline of 9% while EBITDA grew 2% YoY in 2Q. Expect revenue/EBITDA CAGR (FY20-23E) of 2%/ 7%.

VALUATION MULTIPLES ◀▶

- Valuing the stock based on SOTP (page 2) to arrive at TP of Rs.265 (Sept-22). Expect capex spend (~Rs. 4.1bn through FY21-23) towards ship addition, new hubs and IT infrastructure upgrade to constrain RoCE (13% in FY23).

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	13.8	9.0
FY21E	23,257	9.5%	1,125	14.7	15.4	9.3
FY22E	27,624	10.5%	1,670	21.8	10.4	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/EBITDA CAGR of 7%/13% 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 expected to restart coastal shipping operations towards end of FY21E 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 ~41% by FY24E.

VALUATION MULTIPLES ◀▶

- Improving operating cashflows, combined with reducing debt, are 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	22,627	23,257	3%	27,482	27,624	1%
EBITDA %	9.4%	9.5%	11 bps	10.1%	10.5%	38 bps
PAT	1,099	1,125	2%	1,592	1,670	5%
EPS	14.4	14.7	2%	20.8	21.8	5%
Implied Target P/E	Before Results:		12x	After Results:		12x

All figures in Rs. mn

OUTLOOK REVIEW 2QFY21 NOVEMBER 5, 2020

Industry	LOGISTICS
CMP	Rs. 226
Target Price	Rs. 265
Key Stock Data	
Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 17bn
52-wk High-Low	Rs. 303-122
3m ADV	Rs. 25mn
Index	BSE500

	Mar'20	Jun'20	Sep'20
Promoters	66.8	66.8	66.7
Institutions	11.8	11.9	13.8
Public	21.3	21.2	19.5
Pledge			

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Quarterly Financial Statement

Freight segment reported revenues of Rs. 2.78bn, down 9% YoY. The segment's EBIT margins at 3.5%, up 220bps QoQ and 50bps YoY

Supply Chain segment reported revenues at Rs. 2.47bn, up 2% YoY and 134% QoQ. The revenue growth is on the back of recovery in automotive production (80% of segment's revenue) in 2QFY21 and scale up in ecommerce contracts. EBIT margins at 6.6%, up 365bps QoQ

Seaways segment revenues at Rs. 932mn, up 9% YoY and 37% QoQ. EBIT margins at 16.6%, declined 45bps YoY

OCF generated in 1HFY21 was at Rs. 1.51bn in comparison to Rs. 2.35bn for FY21. Capex incurred for 1HFY21 was at Rs. 320mn vs projected plan of Rs. 1.50bn for FY21

STANDALONE FINANCIAL RESULTS

Rs. mn\Period	2QFY21	2QFY20	yoy Growth	1QFY21	qoq Growth	1HFY20	1HFY21	yoy Growth
Revenue	6,122	6,282	-2.6%	3,280	86.7%	12,403	9,402	-24.2%
Operating expense	4,976	5,062	-1.7%	2,587	92.3%	10,004	7,563	-24.4%
Emp. cost	329	374	-11.9%	289	14.0%	746	618	-17.2%
Other expenses	227	281	-19.3%	126	80.4%	526	353	-32.9%
Total Expenditure	5,532	5,717	-3.2%	3,001	84.3%	11,276	8,533	-24.3%
EBITDA	590	566	4.3%	279	111.9%	1,128	869	-23.0%
Margin %	9.6%	9.0%	63 bps	8.5%	115 bps	9.1%	9.2%	15 bps
D&A	198	190	4.3%	195	1.4%	376	393	4.6%
EBIT	392	376	4.3%	83	370.8%	752	476	-36.8%
Other income	71	84	-15.2%	89	-20.4%	159	160	0.6%
Net Interest exp (inc)	64	77	-17.3%	70	-8.5%	159	133	-16.4%
PBT	399	382	4.4%	103	288.8%	751	502	-33.2%
Tax provision	79	-49	-261.5%	4	1834.1%	22	83	272.3%
Tax rate %	19.9%	-12.8%	-254.7%	4.0%	1587 bps	3.0%	16.6%	1363 bps
PAT (Reported)	320	325	-1.5%	99	224.5%	729	419	-42.6%
PAT (Adjusted)	320	333	-3.8%	99	224.5%	622	419	-32.7%
Adjusted PAT Margin %	5.2%	5.3%	-7 bps	3.0%	222 bps	5.0%	4.5%	-57 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	4.2	4.2	-1.5%	1.3	224.5%	9.5	5.5	-42.6%
EPS (Adjusted)	4.2	4.3	-3.8%	1.3	224.5%	8.1	5.5	-32.7%

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		2,311	4x Sept-22e EV/EBITDA
TCI SCS		11,753	10x Sept-22e EV/EBITDA
TCI Seaways		7,258	5x Sept-22e EV/EBITDA
Others		78	2x Sept-22e EV/EBITDA
Net Cash(Net Debt)		-2,475	
Value from TCI	247	18,926	93.7% of Total
Value from JV	17	1,273	6.3% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	265	20,199	

Financial Summary

Abridged Financial Statement									
Rs. mn	FY15*	FY16*	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Profit & Loss									
Revenue	21,967	22,578	18,042	21,778	25,583	25,134	23,257	27,624	30,002
Gross profit	4,320	4,742	3,502	4,288	4,888	4,864	4,471	5,580	6,150
EBITDA	1,704	1,823	1,575	2,083	2,442	2,335	2,211	2,896	3,247
Depreciation	495	539	578	673	752	777	835	910	988
EBIT	1,209	1,284	996	1,410	1,690	1,558	1,376	1,986	2,259
Other Income	124	122	177	245	269	283	285	307	326
Interest expense	319	282	286	299	356	324	308	281	242
Exceptional items	2	0	0	40	0	99	0	0	0
PBT	1,012	1,124	888	1,316	1,603	1,419	1,353	2,012	2,344
Reported PAT (after minority interest)	759	851	703	1,037	1,276	1,264	1,125	1,670	1,945
Adj PAT	758	850	703	1,037	1,276	1,257	1,125	1,670	1,945
EPS (Rs.)	10.0	11.2	9.2	13.5	16.7	16.4	14.7	21.8	25.4
Balance Sheet									
Net Worth	5,612	4,917	5,809	6,769	8,370	9,500	10,487	12,020	13,827
Deferred Tax	285	320	392	443	390	297	297	297	297
Total debt	3,068	3,394	4,066	4,238	4,496	4,083	3,883	3,383	2,883
Other liabilities and provisions	941	819	318	535	1,290	1,229	1,057	1,237	1,334
Total Net worth and liabilities	9,905	9,449	10,584	11,985	14,546	15,109	15,724	16,936	18,341
Gross Fixed assets	7,524	8,021	8,761	10,345	11,917	13,159	14,659	15,659	17,259
Net fixed assets	4,783	5,169	5,325	6,236	7,055	7,521	8,186	8,277	8,889
Capital work-in-progress	68	123	568	563	40	216	216	216	216
Goodwill	0	0	0	0	0	0	0	0	0
Investments	444	231	298	313	938	888	888	888	888
Cash and bank balances	165	124	184	130	122	178	535	908	1,128
Loans & advances and other assets	1,176	1,192	1,601	1,604	2,221	2,324	2,150	2,270	2,466
Net working capital	3,268	2,609	2,608	3,139	4,170	3,982	3,749	4,377	4,754
Total assets	9,905	9,449	10,584	11,985	14,546	15,109	15,724	16,936	18,341
Capital Employed	8,964	8,630	10,266	11,450	13,256	13,880	14,667	15,700	17,007
Invested Capital (CE - cash - CWIP)	8,731	8,383	9,514	10,757	13,094	13,486	13,916	14,576	15,663
Net debt	2,903	3,270	3,882	4,109	4,375	3,905	3,348	2,475	1,754
Cash Flows									
Cash flows from Operations (Pre-tax)	1,455	2,567	1,115	2,119	2,060	2,748	2,423	2,353	2,857
Cash flows from Operations (post-tax)	1,261	2,330	883	1,768	1,729	2,353	2,195	2,011	2,458
Capex	1,416	1,750	1,156	1,590	1,078	1,304	1,500	1,000	1,600
Free cashflows	-156	580	-273	177	651	1,049	695	1,011	858
Free cashflows (post interest costs)	-475	298	-560	-122	295	726	387	730	616
Cash flows from Investing	-1,471	-988	-1,174	-1,538	-1,481	-1,346	-1,500	-1,000	-1,600
Cash flows from Financing	203	-1,383	370	316	-255	-964	-338	-638	-638
Total cash & liquid investments	165	124	184	130	122	178	535	908	1,128

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

Financial Summary

Abridged Financial Statement									
	FY15*	FY16*	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Key variables									
Freight Revenues (Rs. Mn)	8,156	8,400	9,223	10,311	12,096	12,478	11,111	12,555	13,183
Supply Chain Revenues (Rs. Mn)	6,129	6,249	7,374	9,126	10,189	9,250	8,606	10,758	11,834
Seaways Revenues (Rs. Mn)	1,220	1,407	1,639	2,564	3,593	3,677	3,751	4,501	5,176
Growth ratios									
Revenue	8.4%	2.8%	12.9%	20.7%	17.5%	-1.8%	-7.5%	18.8%	8.6%
EBITDA	14.1%	7.0%	17.7%	32.3%	17.2%	-4.4%	-5.3%	31.0%	12.1%
Adj PAT	22.5%	12.0%	18.0%	47.6%	23.0%	-1.0%	-11.0%	48.5%	16.5%
Margin ratios									
Gross	19.7%	21.0%	19.4%	19.7%	19.1%	19.4%	19.2%	20.2%	20.5%
EBITDA	7.8%	8.1%	8.7%	9.6%	9.5%	9.3%	9.5%	10.5%	10.8%
Adj PAT	3.4%	3.8%	3.9%	4.8%	5.0%	5.0%	4.8%	6.0%	6.5%
Performance ratios									
Pre-tax OCF/EBITDA	85.4%	140.8%	70.8%	101.7%	84.3%	117.7%	109.6%	81.3%	88.0%
OCF/IC (%)	14.4%	27.8%	9.3%	16.4%	13.2%	17.4%	15.8%	13.8%	15.7%
RoE (%)	15.1%	16.2%	13.1%	16.5%	16.9%	14.1%	11.3%	14.8%	15.1%
RoCE (%)	12.0%	12.1%	9.8%	12.0%	12.6%	12.1%	9.7%	12.5%	13.1%
RoCE (Pre-tax)	15.9%	16.0%	12.4%	15.2%	15.9%	13.6%	11.6%	15.1%	15.8%
RoIC (Pre-tax)	15.0%	15.0%	11.1%	13.9%	14.2%	11.7%	10.0%	13.9%	14.9%
Fixed asset turnover (x)	3.2	2.9	2.2	2.3	2.3	2.0	1.7	1.8	1.8
Total asset turnover (x)	2.4	2.3	1.8	1.9	1.9	1.7	1.5	1.7	1.7
Financial stability ratios									
Net Debt to Equity (x)	0.5	0.7	0.7	0.6	0.5	0.4	0.3	0.2	0.1
Net Debt to EBITDA (x)	1.7	1.8	2.5	2.0	1.8	1.7	1.5	0.9	0.5
Interest cover (x)	4.0	8.3	3.1	5.9	4.9	7.3	7.1	7.2	10.2
Cash conversion days	54	42	53	53	59	58	59	58	58
Working capital days	58	48	79	71	73	74	76	71	72
Valuation metrics									
Fully Diluted Shares (mn)	75.7	76.1	76.1	76.6	76.6	76.6	76.6	76.6	76.6
Market cap (Rs.mn)				17,307					
P/E (x)	22.6	20.2	24.5	16.7	13.6	13.8	15.4	10.4	8.9
P/OCF(x)	13.7	7.4	19.6	9.8	10.0	7.4	7.9	8.6	7.0
EV (Rs.mn) (ex-CWIP)	20,141	20,453	20,620	20,852	21,641	20,995	20,654	19,781	19,061
EV/ EBITDA (x)	11.8	11.2	13.1	10.0	8.9	9.0	9.3	6.8	5.9
EV/ OCF(x)	16.0	8.8	23.4	11.8	12.5	8.9	9.4	9.8	7.8
FCF Yield				1.0%	3.8%	6.1%	4.0%	5.8%	5.0%
Price to BV (x)	3.1	3.5	3.0	2.6	2.1	1.8	1.7	1.4	1.3
Dividend pay-out (%)	14.8%	13.4%	12.0%	11.8%	10.8%	11.0%	12.3%	8.3%	7.1%
Dividend yield (%)				0.7%	0.8%	0.8%	0.8%	0.8%	0.8%

*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 7% 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%	7%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	13%
EBITDA margin	7.6%	8.7%	10.3%
EPS CAGR	6%	27%	18%
Total Asset Turnover (x)	2.5	2.1	1.7
Total WC days	56	66	73
Pre-tax OCF/EBITDA (%)	87%	100%	97%
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%	14.3%
RoCE (%)	10.9%	11.6%	12.4%
RoIC (%)	15.6%	13.9%	13.5%
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	622	3.0	1,865
TCI SCS	1,367	8.0	10,934
TCI Seaways	2,019	5.0	10,094
Others	39	2.0	78
Net Debt (Rs.mn)			1,754
Mkt Cap (Rs.mn)			21,217
Standalone TP			277
JV (Transystem)			18
Target Price			295

Entry = Rs. 226 @ 10.4x FY22x EPS



Cumulative Dividends of Rs.7/share

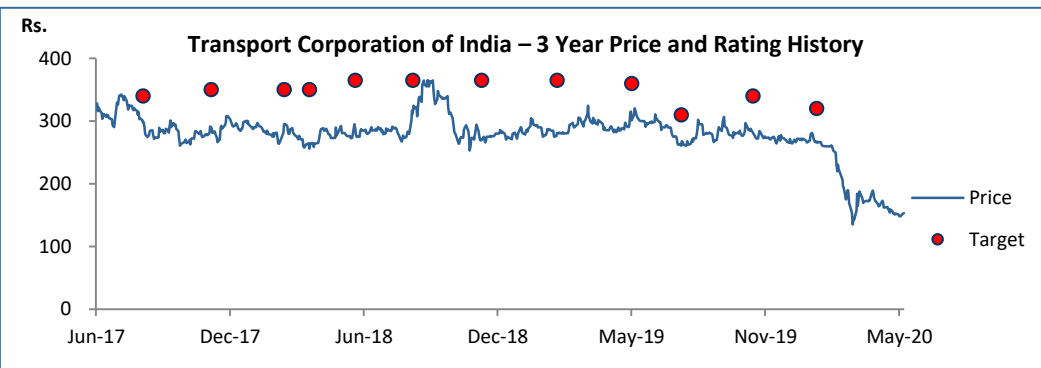


PAT CAGR of ~18%, implied exit multiple of 9.3x on FY24E EPS



TOTAL RETURN OF 34%

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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