

## ONE YEAR OUTLOOK

### BUSINESS & EARNINGS ◀▶

- Maintain our positive stance on TRPC as it will benefit from 1) imminent spurt in contract logistics (TCI Supply Chain (SCS) division) aided by GST, 2) Thrust in demand for coastal shipping especially west-south route and 3) Shifting focus towards multi-modal transportation providing cost effective logistic solutions. TRPC's is well placed to capitalise on its established infrastructure and strong market position in an evolving logistics space.
- SCS revenues slowed down to 10% YoY in 3Q primarily due to slowdown in automotive sector (constitutes ~80%). While new non-automotive contracts are yet to scale up, we expect 3PL adoption to gain traction over the medium term with emphasis shifting towards logistics efficiencies. Expect increasing penetration of services and scaling up of new contracts to drive revenue and EBITDA CAGR of 14% and 18% (FY18-21E)
- Expect freight division to benefit from 1) higher LTL contribution (likely margin expansion of 130bps through FY18-21) 2) shift of market share from unorganised sector and 3) growth in multi-modal logistics. The segment reported revenue and EBIT growth of 20% YoY each, in 3Q led by shift from unorganised. Expect revenue and EBITDA CAGR of 14% and 23% (FY18-21E).
- Seaways' revenue grew 52% YoY in 3Q led by strong demand on the West-South route while EBIT margins (18.8% in 3Q, 4pps QoQ improvement) is expected to hover ~19% through FY21. Expect demand led addition of new ships to drive revenue/EBITDA CAGR of 34%/24% (FY18-21).

### VALUATION MULTIPLES ◀▶

- Valuing the stock based on SOTP (page 2) to arrive at TP of Rs.365. Expect healthy operating performance to generate healthy avg RoCE of 14% through FY18-21. However, expect capex (~Rs. 5bn through FY19-21), towards ship addition, addition of truck fleet, upgrading IT infrastructure and warehouse expansion, to constrain FCF over the period.

### FINANCIAL SUMMARY

Year	Revenue (Rs. mn)	EBITDA (%)	PAT (Rs.mn)	EPS (Rs.)	P/E (x)	EV/EBITDA (x)
FY18	21,778	9.6%	1,077	14.2	20.5	11.9
FY19E	25,900	9.3%	1,265	16.6	17.6	10.9
FY20E	30,292	10.3%	1,758	23.1	12.1	8.4
FY21E	34,662	10.7%	2,114	27.8	10.0	7.1

## THREE YEAR OUTLOOK

### BUSINESS & EARNINGS ◀▶

- Macro economic growth coupled with shift of volumes from unorganised sector to organised is expected to drive TRPC's revenue and EBITDA CAGR of 14% and 18%, respectively, through FY18-23.
- TRPC's established infrastructure, long standing customer relationships and experienced management team (vintage of ~six decades) is expected to aid its position as being 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 15-18 months to cater to incremental demand. We don't foresee impact of cabotage relaxation on the Seaways division given it does not cater to agro and fertilisers segment
- Expect freight segment to benefit from higher contribution from LTL services. However, disruption from tech enabled start-ups may be a tough competitor in FTL segment. Expect freight segment's share of overall revenues to reduce from 47% in FY18 to ~40% by FY23E.

### VALUATION MULTIPLES ◀▶

- Improving operating cashflows combined with reducing debt is expected to drive RoCE (12% in FY18 to ~16% in FY23E). Based on FY22E estimates, we see a potential upside of 86% (incl. dividends).

### KEY ESTIMATES REVISION

	FY19E			FY20E		
	Old	New	Change	Old	New	Change
Revenue	26,096	25,900	-1%	30,209	30,292	0%
EBITDA	2,527	2,401	-5%	3,219	3,110	-3%
Margin (%)	9.7%	9.3%	-41 bps	10.7%	10.3%	-39 bps
PAT	1,353	1,265	-7%	1,770	1,758	-1%
PAT (%)	5.2%	4.9%	-30 bps	5.9%	5.8%	-6 bps
EPS	17.8	16.6	-7%	23.3	23.1	-1%

All figures in Rs. mn

## OUTLOOK REVIEW 3QFY19 FEBRUARY 15, 2019

Industry	<b>LOGISTICS</b>
CMP	<b>Rs. 279</b>
Target Price	<b>Rs. 365</b>
<b>Key Stock Data</b>	
Bloomberg	<b>TRPC IN</b>
Shares o/s	<b>76mn</b>
Market Cap	<b>Rs. 21bn</b>
52-wk High-Low	<b>Rs. 376-230</b>
3m ADV	<b>Rs. 12mn</b>
Index	<b>BSE500</b>

	Jun'18	Sep'18	Dec'18
Promoters	<b>67.0</b>	<b>66.9</b>	<b>66.9</b>
Institutions	<b>13.0</b>	<b>12.1</b>	<b>12.7</b>
Public	<b>20.0</b>	<b>21.0</b>	<b>20.4</b>
Pledge			

## RESEARCH ANALYSTS

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## Quarterly Financial Statement

Supply chain segment revenue at Rs. 2.61bn, grew 10% YoY. EBIT margins at 5.9% for the quarter contracted 130bps sequentially and flat YoY

Seaways reported revenue growth of 52% YoY driven by addition of new ship. The new container ship acquired in March'18 has commenced operations on west coast route from July'18.

Freight reported revenues of Rs. 3.11bn, 20% YoY while EBIT margins at 3.2%, expanded 40bps sequentially

The company has declared second interim dividend of Rs.1 per share.

## STANDALONE FINANCIAL RESULTS

Rs. mn\Period	3QFY19	3QFY18	yoy Growth	2QFY19	qoq Growth	9MFY18	9MFY19	yoy Growth
<b>Revenue</b>	<b>6,625</b>	<b>5,553</b>	<b>19.3%</b>	<b>6,203</b>	<b>6.8%</b>	<b>15,725</b>	<b>18,643</b>	<b>18.6%</b>
Operating expense	5,438	4,501	20.8%	5,066	7.3%	12,657	15,219	20.2%
Emp. cost	340	295	15.0%	347	-2.0%	878	1,020	16.1%
Other expenses	242	231	4.6%	259	-6.6%	712	755	6.0%
Total Expenditure	6,020	5,027	19.7%	5,672	6.1%	14,247	16,993	19.3%
<b>EBITDA</b>	<b>605</b>	<b>526</b>	<b>15.0%</b>	<b>531</b>	<b>13.9%</b>	<b>1,479</b>	<b>1,649</b>	<b>11.5%</b>
Margin %	9.1%	9.5%	-34 bps	8.6%	57 bps	9.4%	8.8%	-56 bps
D&A	205	176	16.0%	191	7.4%	511	563	10.1%
<b>EBIT</b>	<b>400</b>	<b>350</b>	<b>14.4%</b>	<b>341</b>	<b>17.6%</b>	<b>967</b>	<b>1,086</b>	<b>12.3%</b>
Other income	81	72	12.8%	81	0.1%	153	245	60.5%
Net Interest exp (inc)	102	79	29.0%	93	9.5%	231	265	14.7%
<b>PBT</b>	<b>380</b>	<b>343</b>	<b>10.7%</b>	<b>329</b>	<b>15.5%</b>	<b>889</b>	<b>1,066</b>	<b>20.0%</b>
Tax provision	80	64	25.7%	70	14.7%	178	226	27.0%
Tax rate %	21.1%	18.6%	13.5%	21.3%	-15 bps	20.0%	21.2%	117 bps
<b>PAT (Reported)</b>	<b>300</b>	<b>279</b>	<b>7.3%</b>	<b>259</b>	<b>15.8%</b>	<b>711</b>	<b>840</b>	<b>18.2%</b>
<b>PAT (Adjusted)</b>	<b>300</b>	<b>279</b>	<b>7.3%</b>	<b>259</b>	<b>15.8%</b>	<b>711</b>	<b>840</b>	<b>18.2%</b>
Adjusted PAT Margin %	4.5%	5.0%	-50 bps	4.2%	35 bps	4.5%	4.5%	-1 bps
Shares Outstanding	76	76		76		76	76	
<b>EPS (Reported)</b>	<b>3.9</b>	<b>3.7</b>	<b>7.3%</b>	<b>3.4</b>	<b>15.8%</b>	<b>9.3</b>	<b>11.0</b>	<b>18.2%</b>
<b>EPS (Adjusted)</b>	<b>3.9</b>	<b>3.7</b>	<b>7.3%</b>	<b>3.4</b>	<b>15.8%</b>	<b>9.3</b>	<b>11.0</b>	<b>18.2%</b>

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		3,223	4.5x FY21e EV/EBITDA
TCI SCS		15,540	10x FY21e EV/EBITDA
TCI Seaways		11,918	7.5x FY21e EV/EBITDA
Others		112	2x FY21e EV/EBITDA
Net Cash(Net Debt)		-4,950	
<b>Value from TCI</b>	<b>340</b>	<b>25,843</b>	<b>93.2% of Total</b>
<b>Value from JV</b>	<b>25</b>	<b>1,892</b>	<b>6.8% of Total; Adjusted for hold co discount</b>
<b>No. Of Shares O/s (mn)</b>		<b>76</b>	
<b>Target Price</b>	<b>365</b>	<b>27,735</b>	

## Financial Summary

Abridged Financial Statement									
Rs. mn	FY13*	FY14*	FY15*	FY16*	FY17	FY18	FY19E	FY20E	FY21E
<b>Profit &amp; Loss</b>									
Revenue	19,512	20,273	21,967	22,578	18,042	21,778	25,900	30,292	34,662
Gross profit	3,709	3,861	4,320	4,742	3,502	4,288	4,848	5,907	6,932
EBITDA	1,449	1,493	1,704	1,823	1,575	2,083	2,344	3,110	3,707
Depreciation	421	424	495	539	578	673	768	814	969
EBIT	1,028	1,069	1,209	1,284	996	1,410	1,577	2,296	2,738
Other Income	54	57	124	122	177	245	326	354	371
Interest expense	322	297	319	282	286	299	370	425	433
Exceptional items	4	0	2	0	0	40	0	0	0
PBT	757	829	1,012	1,124	888	1,316	1,533	2,226	2,676
Reported PAT (after minority interest)	519	620	759	851	703	1,037	1,209	1,758	2,114
Adj PAT	515	620	758	850	703	1,037	1,209	1,758	2,114
EPS (Rs.)	7.1	8.5	10.0	11.2	9.2	13.6	15.9	23.1	27.8
<b>Balance Sheet</b>									
Net Worth	3,883	4,400	5,612	4,917	5,809	6,769	7,813	9,407	11,356
Deferred Tax	314	327	285	320	392	443	443	443	443
Total debt	3,324	3,045	3,068	3,394	4,066	4,238	4,957	5,657	5,157
Other liabilities and provisions	619	671	941	819	318	535	626	723	819
<b>Total Networth and liabilities</b>	<b>8,139</b>	<b>8,443</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>13,838</b>	<b>16,228</b>	<b>17,774</b>
Gross Fixed assets	6,062	6,247	7,524	8,021	8,761	10,345	12,105	14,155	15,655
Net fixed assets	3,914	3,836	4,783	5,169	5,325	6,236	7,228	8,464	8,995
Capital work-in-progress	30	182	68	123	568	563	563	563	563
Goodwill	0	0	0	0	0	0	0	0	0
Investments	332	452	444	231	298	313	313	313	313
Cash and bank balances	165	173	165	124	184	130	160	162	206
Loans & advances and other assets	820	955	1,176	1,192	1,601	1,604	1,809	2,116	2,421
Net working capital	2,878	2,846	3,268	2,609	2,608	3,139	3,765	4,611	5,276
<b>Total assets</b>	<b>8,139</b>	<b>8,443</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>13,838</b>	<b>16,228</b>	<b>17,774</b>
Capital Employed	7,521	7,772	8,964	8,630	10,266	11,450	13,212	15,506	16,955
Invested Capital (CE - cash - CWIP)	7,326	7,417	8,731	8,383	9,514	10,757	12,489	14,781	16,186
Net debt	3,159	2,872	2,903	3,270	3,882	4,109	4,796	5,495	4,950
<b>Cash Flows</b>									
Cash flows from Operations (Pre-tax)	1,205	1,633	1,455	2,567	1,115	2,119	1,562	1,984	2,771
Cash flows from Operations (post-tax)	1,017	1,429	1,261	2,330	883	1,768	1,237	1,517	2,209
Capex	595	556	1,416	1,750	1,156	1,590	1,760	2,050	1,500
Free cashflows	422	872	-156	580	-273	177	-523	-533	709
Free cashflows (post interest costs)	100	576	-475	298	-560	-122	-893	-958	277
Cash flows from Investing	-688	-720	-1,471	-988	-1,174	-1,538	-1,760	-2,050	-1,500
Cash flows from Financing	-294	-702	203	-1,383	370	316	553	535	-665
Total cash & liquid investments	165	173	165	124	184	130	160	162	206

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

## Financial Summary

Abridged Financial Statement									
	FY13*	FY14*	FY15*	FY16*	FY17	FY18	FY19E	FY20E	FY21E
<b>Key variables</b>									
Freight Revenues (Rs. Mn)	7,776	7,797	8,156	8,400	9,223	10,311	12,259	13,852	15,237
Supply Chain Revenues (Rs. Mn)	5,197	5,423	6,129	6,249	7,374	9,126	10,218	11,750	13,513
Seaways Revenues (Rs. Mn)	950	1,137	1,220	1,407	1,639	2,564	3,622	4,889	6,112
<b>Growth ratios</b>									
Revenue	6.7%	3.9%	8.4%	2.8%	12.9%	20.7%	18.9%	17.0%	14.4%
EBITDA	0.2%	3.1%	14.1%	7.0%	17.7%	32.3%	12.6%	32.7%	19.2%
Adj PAT	0.1%	19.6%	22.5%	12.0%	18.0%	47.6%	16.5%	45.5%	20.2%
<b>Margin ratios</b>									
Gross	19.0%	19.0%	19.7%	21.0%	19.4%	19.7%	18.7%	19.5%	20.0%
EBITDA	7.4%	7.4%	7.8%	8.1%	8.7%	9.6%	9.1%	10.3%	10.7%
Adj PAT	2.6%	3.1%	3.4%	3.8%	3.9%	4.8%	4.7%	5.8%	6.1%
<b>Performance ratios</b>									
Pre-tax OCF/EBITDA	83.1%	109.3%	85.4%	140.8%	70.8%	101.7%	66.6%	63.8%	74.8%
OCF/IC (%)	13.9%	19.3%	14.4%	27.8%	9.3%	16.4%	9.9%	10.3%	13.6%
RoE (%)	14.0%	15.0%	15.1%	16.2%	13.1%	16.5%	16.6%	20.4%	20.4%
RoCE (%)	10.2%	11.0%	12.0%	12.1%	9.8%	12.0%	12.2%	14.6%	15.1%
RoCE (Pre-tax)	14.9%	14.7%	15.9%	16.0%	12.4%	15.2%	15.4%	18.5%	19.2%
RoIC (Pre-tax)	14.6%	14.5%	15.0%	15.0%	11.1%	13.9%	13.6%	16.8%	17.7%
Fixed asset turnover (x)	3.3	3.3	3.2	2.9	2.2	2.3	2.3	2.3	2.3
Total asset turnover (x)	2.5	2.4	2.4	2.3	1.8	1.9	2.0	2.0	2.0
<b>Financial stability ratios</b>									
Net Debt to Equity (x)	0.8	0.7	0.5	0.7	0.7	0.6	0.6	0.6	0.4
Net Debt to EBITDA (x)	2.2	1.9	1.7	1.8	2.5	2.0	2.0	1.8	1.3
Interest cover (x)	3.2	4.8	4.0	8.3	3.1	5.9	3.3	3.6	5.1
Cash conversion days	54	51	54	42	53	53	53	56	56
Working capital days	58	56	58	48	79	71	70	72	72
<b>Valuation metrics</b>									
Fully Diluted Shares (mn)	72.8	72.9	75.7	76.1	76.1	76.1	76.1	76.1	76.1
Market cap (Rs.mn)						21,225			
P/E (x)	39.5	32.8	27.9	25.0	30.2	20.5	17.6	12.1	10.0
P/OCF(x)	20.9	14.9	16.8	9.1	24.0	12.0	17.2	14.0	9.6
EV (Rs.mn) (ex-CWIP)	24,354	23,915	24,059	24,371	24,538	24,770	25,458	26,156	26,175
EV/ EBITDA (x)	16.8	16.0	14.1	13.4	15.6	11.9	10.9	8.4	7.1
EV/ OCF(x)	23.9	16.7	19.1	10.5	27.8	14.0	20.6	17.2	11.8
FCF Yield						0.8%	-2.5%	-2.5%	3.3%
Price to BV (x)	5.5	4.8	3.8	4.3	3.7	3.1	2.7	2.3	1.9
Dividend pay-out (%)	14.1%	15.3%	14.8%	13.4%	12.0%	11.8%	11.3%	7.8%	6.5%
Dividend yield (%)						0.6%	0.6%	0.6%	0.6%

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

Crystal Ball Gazing

Over FY18-23, we build in revenue and EBITDA growth of ~14% and 18%, respectively. Revenue growth is driven by 1)improving macro economic conditions, 2) logistics supply chain outsourcing to 3PL players, and 3)shift of FTL volumes from unorganised sector(~70% of road volumes in FY17) to organised. 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 14% from FY18 to FY23 driven by incremental demand for 3PL services

Improving operating efficiencies resulting in healthy returns

Healthy operating performance to sustain multiple

	FY11-FY14	FY14-FY17	FY18-FY22E
Revenues CAGR	5%	8%	14%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	15%	18%
EBITDA margin	7.6%	8.2%	10.3%
EPS CAGR	6%	23%	23%
Total Asset Turnover (x)	2.5	2.1	2.0
Total WC days	56	63	72
Pre-tax OCF/EBITDA (%)	87%	111%	79%
Post Tax OCF as a % of IC	15%	18%	14%
Debt/EBITDA	2.1	2.5	1.5

	FY11-FY14	FY14-FY17	FY18-FY22E
RoE (%)	15.2%	14.8%	18.9%
RoCE (%)	10.6%	10.9%	14.3%
RoIC (%)	15.6%	13.9%	16.7%
<b>Average 1 yr fwd</b>			
PE (x)	9.3	13.8	-
EV/EBITDA (x)	7.2	9.5	-
<b>Peak 1 yr fwd</b>			
PE (x)	18.0	19.3	-
EV/EBITDA (x)	12.6	13.7	-

SOTP	FY22 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	805	3.0	2,414
TCI SCS	1,880	10.0	18,803
TCI Seaways	2,288	8.0	18,306
Others	56	2.0	112
Net Debt (Rs.mn)			2,953
Mkt Cap (Rs.mn)			36,682
<b>Standalone TP</b>			<b>482</b>
<b>JV (Transystem)</b>			<b>29</b>
<b>Target Price</b>			<b>511</b>

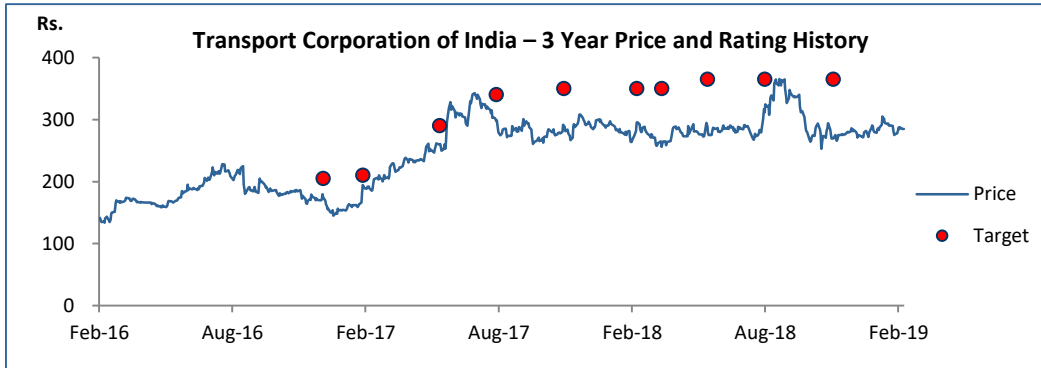
Entry = Rs. 279 @ 10x FY21 EPS

Cumulative Dividends of Rs.7/share

PAT CAGR of ~23%, implied exit multiple of 13x on FY23E EPS

TOTAL RETURN OF 86%

### Spark Recommendation History



Report Date	Price	Target	Reco.
06/Nov/18	270	365	Buy
06/Aug/18	317	365	Buy
18/May/18	293	365	Buy
19/Mar/18	265	350	Buy
12/Feb/18	282	350	Buy
06/Nov/17	295	350	Buy
04/Aug/17	300	340	Buy
19/May/17	258	290	Buy
06/Feb/17	183	210	Buy
14/Dec/16	176	205	Buy

Absolute Rating Interpretation	
<b>BUY</b>	Stock expected to provide positive returns of >15% over a 1-year horizon
<b>ADD</b>	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
<b>REDUCE</b>	Stock expected to provide returns of <5% – –10% over a 1-year horizon
<b>SELL</b>	Stock expected to fall >10% over a 1-year horizon
Symbol Interpretation	
◀ No Change   ▼ Downgrade   ▲ Upgrade	

### Disclosure of Interest Statement

Details of Financial Interest of Research Entity [Spark Capital Advisors (India) Private Limited] and its Associates	No
Details of Financial Interest of covering analyst/ and his relatives	No
Investment banking relationship with the company covered	No
Any other material conflict of interest at the time of publishing the research report by Spark and its associates	No
Receipt of compensation by Spark Capital or its Associate Companies from the subject company covered for in the last twelve months: <ul style="list-style-type: none"> <li>▪ Managing/co-managing public offering of securities</li> <li>▪ Investment banking/merchant banking/brokerage services</li> <li>▪ Products or services other than those above in connection with research report</li> <li>▪ Compensation or other benefits from the subject company or third party in connection with the research report</li> </ul>	No
Whether covering analyst has served as an officer, director or employee of the subject company covered	No
Whether the Spark and its associates has been engaged in market making activity of the Subject Company	No
Whether the research entity or its associates, has actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report	No

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