

## ONE YEAR OUTLOOK

### BUSINESS & EARNINGS ◀▶

- Maintain our positive stance on TRPC as it will benefit from 1) GST led emphasis on logistics efficiency driving 3PL (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, 3) shifting focus towards multi-modal transportation providing cost effective logistic solutions and 4) entrenched presence across logistics value chain. However, expect headwind from macroeconomic slowdown (esp. automotive sector).
- Despite automotive slowdown witnessed in 9MFY20 (auto constitutes ~80% of SCS revenue), SCS segment reported revenue/EBITDA decline of 5%/7% YoY due to its diversified presence across auto subsectors and incremental contribution from new non-automotive (predominantly Ecommerce in 3Q). Expect increasing penetration of services and scaling up of new contracts to drive revenue/EBITDA CAGR of 15%/19% through FY20-22E.
- Expect freight division to benefit from 1) higher LTL contribution (60bps EBIT margin expansion in 3QFY20) 2) shift of market share from unorganised sector and 3) growth in multi-modal logistics. The segment reported revenue and EBITDA growth of 5% and 12% YoY, in 9MFY20, due to higher LTL contribution. Expect revenue/ EBITDA CAGR of 9%/14% (FY19-22E).
- Despite addition of new ship in Nov 19, Seaways' reported flat revenue in 3QFY20 (6% YoY for 9M) with declining cargo. However, EBIT margins improved 410bps YoY despite increasing competitive intensity. Expect frequent ship addition to drive revenue/EBITDA CAGR of 17%/16%(FY20-22)

### VALUATION MULTIPLES ◀▶

- Valuing the stock based on SOTP (page 2) to arrive at TP of Rs.320 (Sep-21). Expect healthy operating performance to generate avg RoCE of 13% through FY20-22. Expect capex spend (~Rs. 4.5bn through FY20-22), towards new ship, 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)
FY19	25,583	9.5%	1,276	16.7	16.0	10.1
FY20E	25,762	9.5%	1,219	15.9	16.7	10.0
FY21E	28,671	10.1%	1,610	21.0	12.6	8.3
FY22E	32,135	10.4%	1,942	25.4	10.5	7.0

## THREE YEAR OUTLOOK

### BUSINESS & EARNINGS ◀▶

- Expect TRPC to benefit from 1) shift of 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) drive revenue and EBITDA CAGR of 11% and 17%, respectively, through FY20-23.
- 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 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. 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 49% in FY20 to ~43% by FY23E.

### VALUATION MULTIPLES ◀▶

- Improving operating cashflows combined with reducing debt is expected to drive RoCE (12% in FY20 to ~16% in FY23E). Based on FY23E estimates, we see a potential upside of 56% (incl. dividends).

### KEY ESTIMATES REVISION

	FY20E			FY21E		
	Old	New	Change	Old	New	Change
Sales	27,003	25,762	-5%	30,709	28,671	-7%
EBITDA %	9.4%	9.5%	7 bps	10.1%	10.1%	1 bps
PAT	1,238	1,219	-2%	1,756	1,610	-8%
EPS	16.2	15.9	-2%	22.9	21.0	-8%
Implied Target P/E	Before Results:		14x	After Results:		14x

All figures in Rs. mn

## OUTLOOK REVIEW 3QFY20 FEBRUARY 3, 2019

Industry	<b>LOGISTICS</b>
CMP	<b>Rs. 266</b>
Target Price	<b>Rs. 320</b>
<b>Key Stock Data</b>	
Bloomberg	<b>TRPC IN</b>
Shares o/s	<b>76mn</b>
Market Cap	<b>Rs. 20bn</b>
52-wk High-Low	<b>Rs. 330-250</b>
3m ADV	<b>Rs. 9mn</b>
Index	<b>BSE500</b>

	Jun'19	Sep'19	Dec'19
Promoters	<b>66.9</b>	<b>66.8</b>	<b>66.8</b>
Institutions	<b>14.4</b>	<b>14.3</b>	<b>11.7</b>
Public	<b>18.7</b>	<b>18.9</b>	<b>21.4</b>
Pledge			

## RESEARCH ANALYSTS

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## Quarterly Financial Statement

Supply Chain segment reported revenues of Rs. 2.37bn, down 9% YoY and 2% QoQ. EBIT margins at 5.6%, contracted 110bps sequentially

Seaways segment revenues at Rs. 989mn, was flat YoY, despite addition of new ship in October 2019. Revenue weakness was on account of low volumes and increasing competitive intensity. EBIT margins at 22.9%, increased 410bps YoY

Freight segment reported revenues of Rs. 3.2bn, 3% YoY growth. The segment's EBIT margins at 3.6%, was up 65bps sequentially

## STANDALONE FINANCIAL RESULTS

Rs. mn\Period	3QFY20	3QFY19	yoy Growth	2QFY20	qoq Growth	9MFY19	9MFY20	yoy Growth
<b>Revenue</b>	<b>6,473</b>	<b>6,630</b>	<b>-2.4%</b>	<b>6,282</b>	<b>3.0%</b>	<b>18,648</b>	<b>18,877</b>	<b>1.2%</b>
Operating expense	5,241	5,438	-3.6%	5,062	3.5%	15,219	15,245	0.2%
Emp. cost	370	340	9.0%	374	-0.8%	1,020	1,116	9.5%
Other expenses	235	242	-2.9%	281	-16.6%	755	760	0.8%
Total Expenditure	5,846	6,020	-2.9%	5,717	2.3%	16,993	17,122	0.8%
<b>EBITDA</b>	<b>627</b>	<b>611</b>	<b>2.7%</b>	<b>566</b>	<b>10.8%</b>	<b>1,655</b>	<b>1,755</b>	<b>6.0%</b>
Margin %	9.7%	9.2%	48 bps	9.0%	68 bps	8.9%	9.3%	42 bps
D&A	204	205	-0.3%	190	7.5%	563	580	3.0%
<b>EBIT</b>	<b>423</b>	<b>406</b>	<b>4.2%</b>	<b>376</b>	<b>12.5%</b>	<b>1,092</b>	<b>1,175</b>	<b>7.6%</b>
Other income	58	76	-23.8%	84	-31.1%	239	216	-9.5%
Net Interest exp (inc)	84	102	-17.2%	77	9.5%	265	244	-8.1%
<b>PBT</b>	<b>396</b>	<b>380</b>	<b>4.3%</b>	<b>382</b>	<b>3.6%</b>	<b>1,066</b>	<b>1,148</b>	<b>7.7%</b>
Tax provision	75	80	-6.7%	-49	-252.5%	226	97	-56.9%
Tax rate %	18.9%	21.1%	-10.6%	-12.8%	3174 bps	21.2%	8.5%	-1269 bps
<b>PAT (Reported)</b>	<b>321</b>	<b>300</b>	<b>7.3%</b>	<b>333</b>	<b>-3.4%</b>	<b>840</b>	<b>951</b>	<b>13.2%</b>
<b>PAT (Adjusted)</b>	<b>321</b>	<b>300</b>	<b>7.3%</b>	<b>325</b>	<b>-1.1%</b>	<b>840</b>	<b>944</b>	<b>12.3%</b>
Adjusted PAT Margin %	5.0%	4.5%	45 bps	5.2%	-21 bps	4.5%	5.0%	49 bps
Shares Outstanding	77	77		77		77	77	
<b>EPS (Reported)</b>	<b>4.2</b>	<b>3.9</b>	<b>7.3%</b>	<b>4.3</b>	<b>-3.4%</b>	<b>11.0</b>	<b>12.4</b>	<b>13.2%</b>
<b>EPS (Adjusted)</b>	<b>4.2</b>	<b>3.9</b>	<b>7.3%</b>	<b>4.2</b>	<b>-1.1%</b>	<b>11.0</b>	<b>12.3</b>	<b>12.3%</b>

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		3,071	5x FY21e EV/EBITDA
TCI SCS		12,402	10x FY21e EV/EBITDA
TCI Seaways		10,283	7.5x FY21e EV/EBITDA
Others		145	2x FY21e EV/EBITDA
Net Cash(Net Debt)		-3,400	
<b>Value from TCI</b>	<b>294</b>	<b>22,501</b>	<b>92.2% of Total</b>
<b>Value from JV</b>	<b>25</b>	<b>1,915</b>	<b>7.8% of Total; Adjusted for hold co discount</b>
<b>No. Of Shares O/s (mn)</b>		<b>77</b>	
<b>Target Price</b>	<b>320</b>	<b>24,416</b>	

## Financial Summary

Abridged Financial Statement									
Rs. mn	FY14*	FY15*	FY16*	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Profit &amp; Loss</b>									
Revenue	20,273	21,967	22,578	18,042	21,778	25,583	25,762	28,671	32,135
Gross profit	3,861	4,320	4,742	3,502	4,288	4,888	4,978	5,648	6,491
EBITDA	1,493	1,704	1,823	1,575	2,083	2,442	2,447	2,891	3,340
Depreciation	424	495	539	578	673	752	808	915	1,016
EBIT	1,069	1,209	1,284	996	1,410	1,690	1,639	1,976	2,324
Other Income	57	124	122	177	245	269	285	304	312
Interest expense	297	319	282	286	299	356	327	340	296
Exceptional items	0	2	0	0	40	0	99	0	0
PBT	829	1,012	1,124	888	1,316	1,603	1,499	1,940	2,340
Reported PAT (after minority interest)	620	759	851	703	1,037	1,276	1,244	1,610	1,942
Adj PAT	620	758	850	703	1,037	1,276	1,219	1,610	1,942
EPS (Rs.)	8.5	10.0	11.2	9.2	13.5	16.7	15.9	21.0	25.4
<b>Balance Sheet</b>									
Net Worth	4,400	5,612	4,917	5,809	6,769	8,370	9,422	10,895	12,699
Deferred Tax	327	285	320	392	443	390	289	289	289
Total debt	3,045	3,068	3,394	4,066	4,238	4,496	4,454	4,054	3,354
Other liabilities and provisions	671	941	819	318	535	1,290	1,299	1,439	1,606
<b>Total Networth and liabilities</b>	<b>8,443</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>14,546</b>	<b>15,464</b>	<b>16,677</b>	<b>17,948</b>
Gross Fixed assets	6,247	7,524	8,021	8,761	10,345	11,917	13,328	14,828	16,428
Net fixed assets	3,836	4,783	5,169	5,325	6,236	7,055	7,659	8,244	8,828
Capital work-in-progress	182	68	123	568	563	40	40	40	40
Goodwill	0	0	0	0	0	0	0	0	0
Investments	452	444	231	298	313	938	906	906	906
Cash and bank balances	173	165	124	184	130	122	409	388	219
Loans & advances and other assets	955	1,176	1,192	1,601	1,604	2,221	2,225	2,476	2,775
Net working capital	2,846	3,268	2,609	2,608	3,139	4,170	4,218	4,616	5,173
<b>Total assets</b>	<b>8,443</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>14,546</b>	<b>15,457</b>	<b>16,670</b>	<b>17,942</b>
Capital Employed	7,772	8,964	8,630	10,266	11,450	13,256	14,165	15,238	16,342
Invested Capital (CE - cash - CWIP)	7,417	8,731	8,383	9,514	10,757	13,094	13,716	14,809	16,083
Net debt	2,872	2,903	3,270	3,882	4,109	4,375	4,044	3,665	3,135
<b>Cash Flows</b>									
Cash flows from Operations (Pre-tax)	1,633	1,455	2,567	1,115	2,119	2,060	2,162	2,347	2,666
Cash flows from Operations (post-tax)	1,429	1,261	2,330	883	1,768	1,729	1,908	2,017	2,269
Capex	556	1,416	1,750	1,156	1,590	1,078	1,411	1,500	1,600
Free cashflows	872	-156	580	-273	177	651	496	517	669
Free cashflows (post interest costs)	576	-475	298	-560	-122	295	170	177	372
Cash flows from Investing	-720	-1,471	-988	-1,174	-1,538	-1,481	-1,411	-1,500	-1,600
Cash flows from Financing	-702	203	-1,383	370	316	-255	-209	-538	-838
Total cash & liquid investments	173	165	124	184	130	122	409	388	219

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

## Financial Summary

Abridged Financial Statement									
	FY14*	FY15*	FY16*	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Key variables</b>									
Freight Revenues (Rs. Mn)	7,797	8,156	8,400	9,223	10,311	12,096	12,619	13,628	14,582
Supply Chain Revenues (Rs. Mn)	5,423	6,129	6,249	7,374	9,126	10,189	9,719	10,886	12,736
Seaways Revenues (Rs. Mn)	1,137	1,220	1,407	1,639	2,564	3,593	3,665	4,398	5,058
<b>Growth ratios</b>									
Revenue	3.9%	8.4%	2.8%	12.9%	20.7%	17.5%	0.7%	11.3%	12.1%
EBITDA	3.1%	14.1%	7.0%	17.7%	32.3%	17.2%	0.2%	18.2%	15.5%
Adj PAT	19.6%	22.5%	12.0%	18.0%	47.6%	23.0%	-2.5%	29.4%	20.6%
<b>Margin ratios</b>									
Gross	19.0%	19.7%	21.0%	19.4%	19.7%	19.1%	19.3%	19.7%	20.2%
EBITDA	7.4%	7.8%	8.1%	8.7%	9.6%	9.5%	9.5%	10.1%	10.4%
Adj PAT	3.1%	3.4%	3.8%	3.9%	4.8%	5.0%	4.7%	5.6%	6.0%
<b>Performance ratios</b>									
Pre-tax OCF/EBITDA	109.3%	85.4%	140.8%	70.8%	101.7%	84.3%	88.4%	81.2%	79.8%
OCF/IC (%)	19.3%	14.4%	27.8%	9.3%	16.4%	13.2%	13.9%	13.6%	14.1%
RoE (%)	15.0%	15.1%	16.2%	13.1%	16.5%	16.9%	13.7%	15.9%	16.5%
RoCE (%)	11.0%	12.0%	12.1%	9.8%	12.0%	12.6%	11.6%	12.9%	13.9%
RoCE (Pre-tax)	14.7%	15.9%	16.0%	12.4%	15.2%	15.9%	14.0%	15.5%	16.7%
RoIC (Pre-tax)	14.5%	15.0%	15.0%	11.1%	13.9%	14.2%	12.2%	13.9%	15.0%
Fixed asset turnover (x)	3.3	3.2	2.9	2.2	2.3	2.3	2.0	2.0	2.1
Total asset turnover (x)	2.4	2.4	2.3	1.8	1.9	1.9	1.7	1.8	1.9
<b>Financial stability ratios</b>									
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	1.3	0.9
Interest cover (x)	4.8	4.0	8.3	3.1	5.9	4.9	5.8	5.9	7.7
Cash conversion days	51	54	42	53	53	59	60	59	59
Working capital days	56	58	48	79	71	73	73	72	72
<b>Valuation metrics</b>									
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)					20,370				
P/E (x)	31.3	26.6	23.8	28.8	19.6	16.0	16.7	12.6	10.5
P/OCF(x)	14.3	16.2	8.7	23.1	11.5	11.8	10.7	10.1	9.0
EV (Rs.mn) (ex-CWIP)	23,060	23,204	23,516	23,683	23,915	24,704	24,374	24,035	23,504
EV/ EBITDA (x)	15.4	13.6	12.9	15.0	11.5	10.1	10.0	8.3	7.0
EV/ OCF(x)	16.1	18.4	10.1	26.8	13.5	14.3	12.8	11.9	10.4
FCF Yield					0.9%	3.2%	2.4%	2.5%	3.3%
Price to BV (x)	4.6	3.6	4.1	3.5	3.0	2.4	2.2	1.9	1.6
Dividend pay-out (%)	15.3%	14.8%	13.4%	12.0%	11.8%	10.8%	11.3%	8.6%	7.1%
Dividend yield (%)					0.6%	0.7%	0.7%	0.7%	0.7%

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

Crystal Ball Gazing

Over FY19-23, Revenue growth is 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 10% from FY19 to FY23 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	FY19-FY23E
Revenues CAGR	5%	12%	9%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	13%
EBITDA margin	7.6%	8.7%	10.1%
EPS CAGR	6%	27%	17%
Total Asset Turnover (x)	2.5	2.1	1.8
Total WC days	56	66	72
Pre-tax OCF/EBITDA (%)	87%	100%	84%
Post Tax OCF as a % of IC	15%	16%	14%
Debt/EBITDA	2.1	2.5	1.2

	FY11-FY14	FY14-FY19	FY19-FY23E
RoE (%)	15.2%	15.5%	16.1%
RoCE (%)	10.9%	11.6%	13.2%
RoIC (%)	15.6%	13.9%	14.4%
<b>Average 1 yr fwd</b>			
PE (x)	4.3	12.8	
EV/EBITDA (x)	4.4	9.1	
<b>Peak 1 yr fwd</b>			
PE (x)	6.8	19.2	
EV/EBITDA (x)	6.6	12.8	

SOTP	FY23 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	689	3.0	2,067
TCI SCS	1,471	10.0	14,710
TCI Seaways	1,907	7.5	14,301
Others	72	2.0	145
<b>Net Debt (Rs.mn)</b>			<b>2,049</b>
<b>Mkt Cap (Rs.mn)</b>			<b>29,174</b>
<b>Standalone TP</b>			<b>381</b>
<b>JV (Transystem)</b>			<b>28</b>
<b>Target Price</b>			<b>410</b>

Entry = Rs. 266 @ 11x FY22x EPS



Cumulative Dividends of Rs.7/share

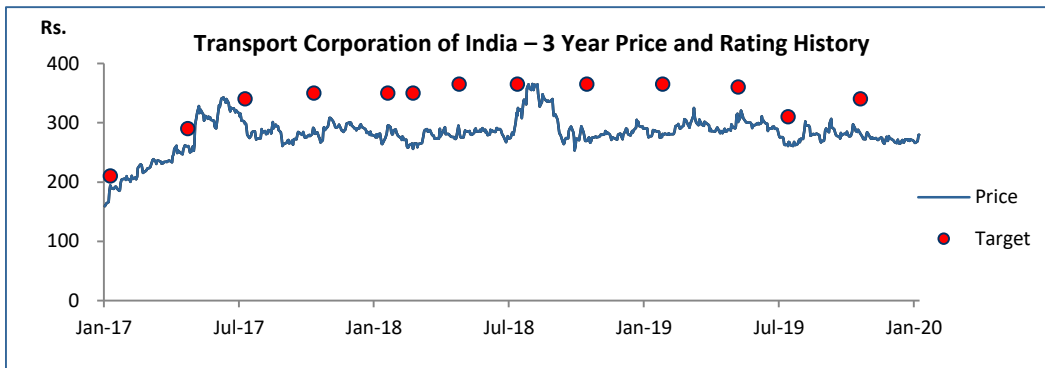


PAT CAGR of ~17%, implied exit multiple of 16x on FY23E EPS



**TOTAL RETURN OF 56%**

### Spark Recommendation History



Report Date	Price	Target	Reco.
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
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

#### 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
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