

## ONE YEAR OUTLOOK

### BUSINESS & EARNINGS ▲

- Maintain our positive stance on TRPC as it is expected to benefit from 1) recovery in automotive demand and scale up of new contracts (especially ecommerce) driving 3PL growth (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, and 3) shifting focus towards multimodal transportation for cost-efficient logistics.
- In 3Q, healthy demand from automotive and ecommerce sectors drove SCS revenue growth of 24% YoY. Furthermore, commissioning of two rakes to provide multimodal transportation of automotive finished vehicles aided growth in 3Q. Expect strong automotive demand, addition of new contracts and cold chain opportunities to drive SCS revenue/EBITDA CAGR of 12%/14% (FY20-23E).
- Seaways segment reported revenue growth of 5% YoY in 3Q while EBITDA grew 6% YoY despite hike in bunker prices and ship dry dock. The company decided to sell a smaller capacity ship due to poor fuel efficiency resulting in impairment cost of Rs. 104mn. We expect addition of new ship (higher capacity and better operating efficiencies) to drive revenue/EBITDA CAGR of 12%/13% (F20-23E).
- Expect freight division to benefit from 1) shift from unorganised sector, 2) growth in multimodal logistics (64% revenue growth by TCI-Concor for 9MFY21) and 3) higher Less-than-truckload (LTL) contribution. Expect revenue/EBITDA CAGR (FY20-23E) of 2%/ 5%.

### VALUATION MULTIPLES ◀▶

- Valuing based on SOTP (page 2) to arrive at TP of Rs.305 (FY23). Expect capex (~Rs. 4bn through FY21-23) towards addition of ship, infrastructure and technology 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	15.7	10.0
FY21E	23,909	10.1%	1,320	17.2	14.9	9.6
FY22E	28,469	10.4%	1,794	23.4	11.0	7.4
FY23E	30,937	10.7%	2,068	27.0	9.5	6.4

## THREE YEAR OUTLOOK

### BUSINESS & EARNINGS ▲

- Expect TRPC to benefit from 1) shift in volumes from unorganised sector to organised, and 2) traction in multimodal logistics (TRPC is one of the few players with presence across value chain) which would drive revenue/EBITDA CAGR of 8%/14% through FY20-24E.
- 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 ~40% by FY24E.

### VALUATION MULTIPLES ◀▶

- Improving operating cashflows, combined with reducing debt, are expected to drive RoCE (12% in FY20 to ~14% in FY24E). Based on FY24E estimates, we see a potential upside of 80% (incl. dividends).

### KEY ESTIMATES REVISION

	FY22E			FY23E		
	Old	New	Change	Old	New	Change
Sales	27,624	28,469	3%	30,002	30,937	3%
EBITDA %	10.5%	10.4%	-5 bps	10.8%	10.7%	-10 bps
PAT	1,670	1,794	7%	1,945	2,068	6%
EPS	21.8	23.4	7%	25.4	27.0	6%
Implied Target P/E	Before Results:		12x	After Results:		12x

All figures in Rs. mn

## OUTLOOK REVIEW 3QFY21 FEBRUARY 8, 2021

Industry	<b>LOGISTICS</b>
CMP	<b>Rs. 257</b>
Target Price	<b>Rs. 305</b>
<b>Key Stock Data</b>	
Bloomberg	<b>TRPC IN</b>
Shares o/s	<b>77mn</b>
Market Cap	<b>Rs. 20bn</b>
52-wk High-Low	<b>Rs. 280-122</b>
3m ADV	<b>Rs. 12mn</b>
Index	<b>BSE500</b>

	Jun'20	Sep'20	Dec'20
Promoters	<b>66.8</b>	<b>66.8</b>	<b>66.8</b>
Institutions	<b>11.9</b>	<b>13.8</b>	<b>14.0</b>
Public	<b>21.2</b>	<b>19.4</b>	<b>19.2</b>
Pledge			

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## Quarterly Financial Statement

Freight segment reported revenues of Rs. 3.28bn, up 2% YoY and 18% QoQ. The segment's EBIT margins at 4.2%, was up 70bps sequentially

Supply Chain segment reported revenues at Rs. 2.93bn, up 18% YoY and 41% QoQ. The revenue growth is on the back of ramp-up in automotive production (80% of segment's revenue) in 3QFY21 and scale up in ecommerce contracts. EBIT margins at 6.8%, up 20bps sequentially

Seaways segment revenues at Rs. 1.04bn, up 5% YoY and 11% QoQ. EBIT margins at 22.6%, declined 25bps YoY.

The company reported an exceptional loss of Rs. 104mn in 3QFY21 due to impairment of ship.

## STANDALONE FINANCIAL RESULTS

Rs. mn\Period	3QFY21	3QFY20	yoy Growth	2QFY21	qoq Growth	9MFY20	9MFY21	yoy Growth
<b>Revenue</b>	<b>7,152</b>	<b>6,473</b>	<b>10.5%</b>	<b>6,122</b>	<b>16.8%</b>	<b>18,877</b>	<b>16,554</b>	<b>-12.3%</b>
Operating expense	5,760	5,241	9.9%	4,976	15.8%	15,245	13,323	-12.6%
Emp. cost	359	370	-3.0%	329	9.2%	1,116	977	-12.5%
Other expenses	278	235	18.7%	227	22.6%	760	631	-17.0%
Total Expenditure	6,398	5,846	9.4%	5,532	15.6%	17,122	14,931	-12.8%
<b>EBITDA</b>	<b>754</b>	<b>627</b>	<b>20.3%</b>	<b>590</b>	<b>27.8%</b>	<b>1,755</b>	<b>1,623</b>	<b>-7.5%</b>
Margin %	10.5%	9.7%	86 bps	9.6%	91 bps	9.3%	9.8%	51 bps
D&A	220	204	7.9%	198	11.3%	580	613	5.8%
<b>EBIT</b>	<b>534</b>	<b>423</b>	<b>26.3%</b>	<b>392</b>	<b>36.2%</b>	<b>1,175</b>	<b>1,010</b>	<b>-14.1%</b>
Other income	86	58	50.3%	71	22.0%	216	246	13.8%
Net Interest exp (inc)	58	84	-31.0%	64	-8.6%	244	192	-21.4%
<b>PBT</b>	<b>458</b>	<b>396</b>	<b>15.6%</b>	<b>399</b>	<b>14.7%</b>	<b>1,148</b>	<b>1,064</b>	<b>-7.3%</b>
Tax provision	58	75	-23.2%	79	-27.5%	97	141	44.8%
Tax rate %	12.6%	18.9%	-33.6%	19.9%	-731 bps	8.5%	13.2%	476 bps
<b>PAT (Reported)</b>	<b>401</b>	<b>321</b>	<b>24.6%</b>	<b>320</b>	<b>25.2%</b>	<b>1,050</b>	<b>819</b>	<b>-22.0%</b>
<b>PAT (Adjusted)</b>	<b>479</b>	<b>321</b>	<b>48.9%</b>	<b>320</b>	<b>49.5%</b>	<b>944</b>	<b>897</b>	<b>-4.9%</b>
Adjusted PAT Margin %	6.7%	5.0%	173 bps	5.2%	146 bps	5.0%	5.4%	42 bps
Shares Outstanding	77	77		77		77	77	
<b>EPS (Reported)</b>	<b>5.2</b>	<b>4.2</b>	<b>24.6%</b>	<b>4.2</b>	<b>25.2%</b>	<b>13.7</b>	<b>10.7</b>	<b>-22.0%</b>
<b>EPS (Adjusted)</b>	<b>6.2</b>	<b>4.2</b>	<b>48.9%</b>	<b>4.2</b>	<b>49.5%</b>	<b>12.3</b>	<b>11.7</b>	<b>-4.9%</b>

\*Adjusted for exceptional loss of Rs. 104mn in 3QFY21

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		2,249	4x Sept-22e EV/EBITDA
TCI SCS		13,515	10x Sept-22e EV/EBITDA
TCI Seaways		7,762	5x Sept-22e EV/EBITDA
Others		78	2x Sept-22e EV/EBITDA
Net Cash(Net Debt)		-1,437	
<b>Value from TCI</b>	<b>289</b>	<b>22,168</b>	<b>94.5% of Total</b>
<b>Value from JV</b>	<b>17</b>	<b>1,300</b>	<b>5.5% of Total; Adjusted for hold co discount</b>
<b>No. Of Shares O/s (mn)</b>		<b>77</b>	
<b>Target Price</b>	<b>305</b>	<b>23,468</b>	

## Financial Summary

Abridged Financial Statement									
Rs. mn	FY15*	FY16*	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Profit &amp; Loss</b>									
Revenue	21,967	22,578	18,042	21,778	25,583	25,134	23,909	28,469	30,937
Gross profit	4,320	4,742	3,502	4,288	4,888	4,864	4,665	5,694	6,342
EBITDA	1,704	1,823	1,575	2,083	2,442	2,335	2,419	2,971	3,320
Depreciation	495	539	578	673	752	777	835	940	1,020
EBIT	1,209	1,284	996	1,410	1,690	1,558	1,585	2,031	2,299
Other Income	124	122	177	245	269	283	333	371	403
Interest expense	319	282	286	299	356	324	250	241	211
Exceptional items	2	0	0	40	0	99	104	0	0
PBT	1,012	1,124	888	1,316	1,603	1,419	1,563	2,161	2,492
Reported PAT (after minority interest)	759	851	703	1,037	1,276	1,264	1,320	1,794	2,068
Adj PAT	758	850	703	1,037	1,276	1,257	1,320	1,794	2,068
EPS (Rs.)	10.0	11.2	9.2	13.5	16.7	16.4	17.2	23.4	27.0
<b>Balance Sheet</b>									
Net Worth	5,612	4,917	5,809	6,769	8,370	9,500	10,682	12,338	14,268
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	4,283	3,783	3,283
Other liabilities and provisions	941	819	318	535	1,290	1,229	1,084	1,271	1,373
<b>Total Net worth and liabilities</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>14,546</b>	<b>15,109</b>	<b>16,346</b>	<b>17,689</b>	<b>19,221</b>
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	8,246	8,826
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	795	1,488	1,846
Loans & advances and other assets	1,176	1,192	1,601	1,604	2,221	2,324	2,211	2,340	2,543
Net working capital	3,268	2,609	2,608	3,139	4,170	3,982	4,050	4,511	4,902
<b>Total assets</b>	<b>9,905</b>	<b>9,449</b>	<b>10,584</b>	<b>11,985</b>	<b>14,546</b>	<b>15,109</b>	<b>16,346</b>	<b>17,689</b>	<b>19,221</b>
Capital Employed	8,964	8,630	10,266	11,450	13,256	13,880	15,262	16,418	17,848
Invested Capital (CE - cash - CWIP)	8,731	8,383	9,514	10,757	13,094	13,486	14,252	14,714	15,786
Net debt	2,903	3,270	3,882	4,109	4,375	3,905	3,488	2,295	1,437
<b>Cash Flows</b>									
Cash flows from Operations (Pre-tax)	1,455	2,567	1,115	2,119	2,060	2,748	2,298	2,698	3,020
Cash flows from Operations (post-tax)	1,261	2,330	883	1,768	1,729	2,353	2,054	2,331	2,596
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	554	1,331	996
Free cashflows (post interest costs)	-475	298	-560	-122	295	726	305	1,090	785
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	62	-638	-638
Total cash & liquid investments	165	124	184	130	122	178	795	1,488	1,846

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

## Financial Summary

Abridged Financial Statement									
	FY15*	FY16*	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Key variables</b>									
Freight Revenues (Rs. Mn)	8,156	8,400	9,223	10,311	12,096	12,478	11,026	12,459	13,082
Supply Chain Revenues (Rs. Mn)	6,129	6,249	7,374	9,126	10,189	9,250	9,361	11,702	12,872
Seaways Revenues (Rs. Mn)	1,220	1,407	1,639	2,564	3,593	3,677	3,750	4,500	5,175
<b>Growth ratios</b>									
Revenue	8.4%	2.8%	12.9%	20.7%	17.5%	-1.8%	-4.9%	19.1%	8.7%
EBITDA	14.1%	7.0%	17.7%	32.3%	17.2%	-4.4%	3.6%	22.8%	11.7%
Adj PAT	22.5%	12.0%	18.0%	47.6%	23.0%	-1.0%	4.4%	35.9%	15.3%
<b>Margin ratios</b>									
Gross	19.7%	21.0%	19.4%	19.7%	19.1%	19.4%	19.5%	20.0%	20.5%
EBITDA	7.8%	8.1%	8.7%	9.6%	9.5%	9.3%	10.1%	10.4%	10.7%
Adj PAT	3.4%	3.8%	3.9%	4.8%	5.0%	5.0%	5.5%	6.3%	6.7%
<b>Performance ratios</b>									
Pre-tax OCF/EBITDA	85.4%	140.8%	70.8%	101.7%	84.3%	117.7%	95.0%	90.8%	91.0%
OCF/IC (%)	14.4%	27.8%	9.3%	16.4%	13.2%	17.4%	14.4%	15.8%	16.4%
RoE (%)	15.1%	16.2%	13.1%	16.5%	16.9%	14.1%	13.1%	15.6%	15.5%
RoCE (%)	12.0%	12.1%	9.8%	12.0%	12.6%	12.1%	11.1%	12.6%	13.1%
RoCE (Pre-tax)	15.9%	16.0%	12.4%	15.2%	15.9%	13.6%	13.2%	15.2%	15.8%
RoIC (Pre-tax)	15.0%	15.0%	11.1%	13.9%	14.2%	11.7%	11.4%	14.0%	15.1%
Fixed asset turnover (x)	3.2	2.9	2.2	2.3	2.3	2.0	1.7	1.9	1.9
Total asset turnover (x)	2.4	2.3	1.8	1.9	1.9	1.7	1.5	1.7	1.7
<b>Financial stability ratios</b>									
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	1.4	0.8	0.4
Interest cover (x)	4.0	8.3	3.1	5.9	4.9	7.3	8.2	9.7	12.3
Cash conversion days	54	42	53	53	59	58	62	58	58
Working capital days	58	48	79	71	73	74	79	72	72
<b>Valuation metrics</b>									
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)				19,680					
P/E (x)	25.7	23.0	27.8	19.0	15.4	15.7	14.9	11.0	9.5
P/OCF(x)	15.6	8.4	22.3	11.1	11.4	8.4	9.6	8.4	7.6
EV (Rs.mn) (ex-CWIP)	22,515	22,827	22,994	23,226	24,015	23,369	23,169	21,975	21,117
EV/ EBITDA (x)	13.2	12.5	14.6	11.2	9.8	10.0	9.6	7.4	6.4
EV/ OCF(x)	17.9	9.8	26.1	13.1	13.9	9.9	11.3	9.4	8.1
FCF Yield				0.9%	3.3%	5.3%	2.8%	6.8%	5.1%
Price to BV (x)	3.5	4.0	3.4	2.9	2.4	2.1	1.8	1.6	1.4
Dividend pay-out (%)	14.8%	13.4%	12.0%	11.8%	10.8%	11.0%	10.4%	7.7%	6.7%
Dividend yield (%)				0.6%	0.7%	0.7%	0.7%	0.7%	0.7%

\*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 8% 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%	8%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	14%
EBITDA margin	7.6%	8.7%	10.4%
EPS CAGR	6%	27%	19%
Total Asset Turnover (x)	2.5	2.1	1.7
Total WC days	56	66	74
Pre-tax OCF/EBITDA (%)	87%	100%	97%
Post Tax OCF as a % of IC	15%	16%	16%
Debt/EBITDA	2.1	2.5	0.9

	FY11-FY14	FY14-FY19	FY20-FY24E
RoE (%)	15.2%	15.5%	15.0%
RoCE (%)	10.9%	11.6%	12.6%
RoIC (%)	15.6%	13.9%	13.9%
<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	FY24 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	590	4.0	2,362
TCI SCS	1,487	10.0	14,867
TCI Seaways	2,018	5.0	10,090
Others	39	2.0	78
<b>Net Debt (Rs.mn)</b>			202
<b>Mkt Cap (Rs.mn)</b>			27,196
<b>Standalone TP</b>			<b>355</b>
<b>JV (Transystem)</b>			<b>18</b>
<b>Target Price</b>			<b>373</b>

Entry = Rs. 257 @ 9.5x FY22x EPS



Cumulative Dividends of Rs.5/share

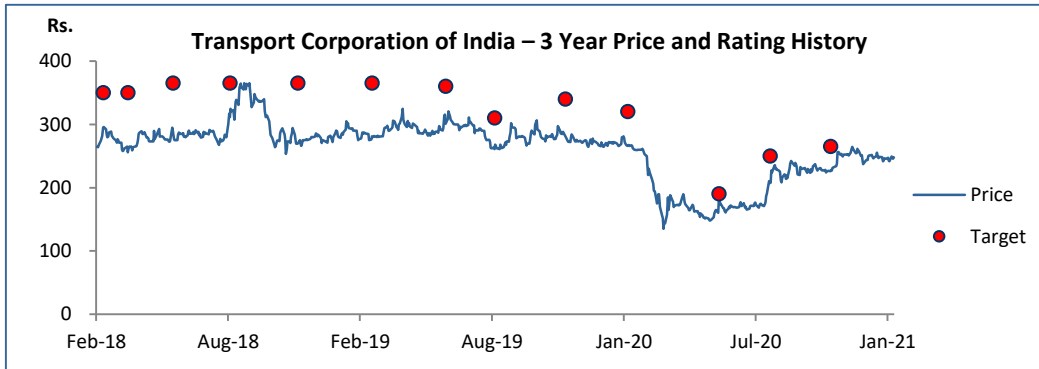


PAT CAGR of ~19%, implied exit multiple of 10.7x on FY24E EPS



**TOTAL RETURN OF 47%**

### Spark Recommendation History



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	

Report Date	CMP (Rs.)	TP (Rs.)	Reco.
05-Nov-20	226	265	Buy
14-Aug-20	210	250	Buy
05-Jun-20	159	190	Buy
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
12-Feb-18	282	350	Buy
06-Nov-17	295	350	Buy

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