

## Focus on margins in uncertain times...

In spite of lower revenues due to weakness in supply chain business (mainly automobile sector) and Covid-19 impact, the company has been able to sustain its EBITDA margin owing to its diversified portfolio of value added services spread across varied customers & industries. TCI's ability to provide multi modal integrated logistics solutions helped it to continue serving existing customers as well as acquire several new engagements.

## Logistics remains key beneficiary, as situation improves

FY20 has been a tough year in terms of revenue growth owing to decline in supply chain solutions (SCS) division revenues due to extended slowdown in auto sector. SCS division revenues declined 9% YoY to ₹ 925 crore. Also the shipping division in spite of addition of a ship grew just 3% owing to lower fleet utilisation. TCI during the lockdown realigned its business and operated its branches, routes to the extent permitted under the various state/central government notifications. Also, post announcement of lockdown, TCI increased exposure to providing logistics services to e-commerce and FMCG sector for transportation of essential goods in line with various government guidelines.

## LTL business share expected to be enhanced in freight segment

Over the years, TCI has been operating more on a full truck load basis (FTL). However, in the last two years, it has enhanced focus on less than truck load business that not only provides utilisation for its fleet but commands better margins than the FTL business. The company is constantly striving to increase share of high margin LTL business in the freight division to improve the profitability of freight division. Over the last two years, the share of LTL business has increased from 25% to 33% of freight division revenues and is expected to reach around 40% over the next two three years. Enhanced share would enable TCI to enhance profitability of its freight division.

## Valuation & Outlook

For FY20, TCI has incurred capex of ~ ₹ 105 crore. For FY21E, we expect the capex to be lower due to Covid-19 impact. TCI has adopted a cautious approach to revenue growth in the near term and been selective in client addition and resorting to generate business from clients with good credit history and is expecting higher share of business from these clients. On the EBITDA margin front, we expect the positive momentum to continue driven by higher share of LTL business in freight division and enhanced utilisation and better pricing in the shipping division. With multi-modal capabilities, we believe TCI has developed a strong moat around its business and thereby has the ability to deliver sustainable growth rates. On an SOTP basis, we value the company at ₹ 200/share with a **BUY** recommendation on the stock.



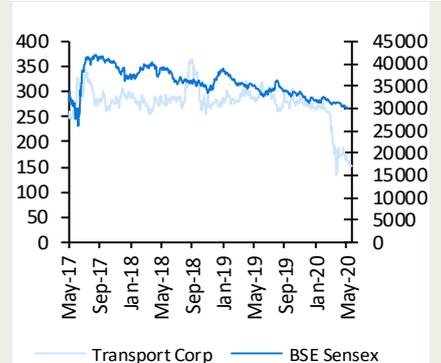
### Particulars

Market Cap. (₹cr)	1263.5
Total Debt (FY 20) (₹Cr)	258.6
Cash and Investment	18.8
EV (₹Crore)	2345.7
52 week H/L	322/122
Equity Capital (₹Crore)	7.7
Face Value (₹)	2.0

### Key Highlights

- Revenues, EBITDA, PAT expected to grow at CAGR of 4%, 3%, 2%, respectively, during FY20-22
- Maintain BUY

### Price chart



### Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20
Promotei	66.9	66.8	66.8	66.9
Others	33.1	33.2	33.2	33.1

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## Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR
Revenues (₹crore)	2,349.9	2,753.7	2,717.8	2,578.7	2,945.4	5.8
EBITDA (₹crore)	216.5	249.5	240.5	206.3	253.3	4.0
Adjusted Net Profit (₹crore)	123.2	144.4	142.4	109.5	149.4	4.9
EPS (₹)	16.1	18.8	18.6	14.3	19.5	
P/E (x)	10.2	8.7	8.9	11.5	8.4	
Price / Book (x)	1.7	1.4	1.2	1.1	1.0	
EV/EBITDA (x)	7.3	6.4	6.4	7.1	5.7	
RoCE (%)	13.4	14.2	12.4	8.8	10.9	
RoNW (%)	16.3	16.3	14.0	9.8	11.9	

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Revenue	625.7	655.3	691.8	-9.6	647.3	-3.3	YoY decline of 10% mainly due to de-growth in SCS (-22%)
Operating Expenses	502.5	530.8	547.5	-8.2	524.1	-4.1	
Employee Expenses	40.8	38.0	33.8	20.5	37.0	10.0	
Administrative & Oth Expenses	24.5	29.5	33.4	-26.7	23.5	4.3	
Total Expense	567.7	598.3	614.8	-7.7	584.6	-2.9	
EBITDA	58.0	57.0	77.1	-24.8	62.7	-7.5	
EBITDA Margin (%)	9.3	8.7	11.1	-187 bps	9.7	-42 bps	Margins better than estimates due to higher margin in the freight business
Depreciation	19.7	19.7	18.9	4.1	20.4	-3.6	
Interest	8.0	8.1	9.1	-12.0	8.4	-5.3	
Other Income	6.7	7.1	4.6	45.7	5.8	15.8	
Exceptional Gain/Loss	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	37.0	36.3	53.7	-31.1	39.6	-6.6	
Total Tax	5.7	7.0	10.1	-43.3	7.5	-23.6	
PAT	31.3	29.3	43.6	-28.3	32.1	-2.6	In line with EBITDA performance YoY
<b>Key Metrics</b>	<b>Q4FY20</b>	<b>Q4FY20E</b>	<b>Q4FY19</b>	<b>YoY</b>	<b>Q3FY20</b>	<b>QoQ</b>	
Freight Division	322.7	320.4	327.0	-1.3	320.3	0.7	
Supply Chain Solutions	207.8	225.6	265.4	-21.7	236.8	-12.2	
Seaways	104.6	114.2	108.8	-3.9	98.9	5.7	

Source: Company, ICICI Direct Research

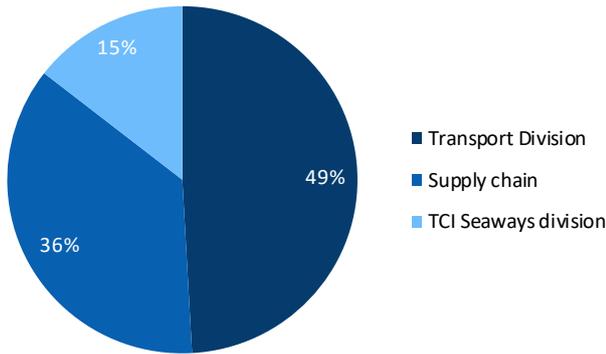
Exhibit 2: Change in estimates

	FY21E			FY22E			Comments
(₹ Crore)	FY19	FY20	Old	New	% Change	Introduced	
Revenue	2,753.7	2,717.8	3,038.1	2,578.7	-15.1	2,945.4	Revenue estimates lowered mainly due to lowered expected GDP in FY21E
EBITDA	249.5	240.5	279.5	206.3	-26.2	253.3	
EBITDA Margin (%)	9.1	8.9	9.2	8.0	-120 bps	8.6	
PAT	144.4	142.4	173.4	109.5	-36.9	149.4	
EPS (₹)	18.8	18.6	22.6	14.3	-36.9	19.5	

Source: Company, ICICI Direct Research

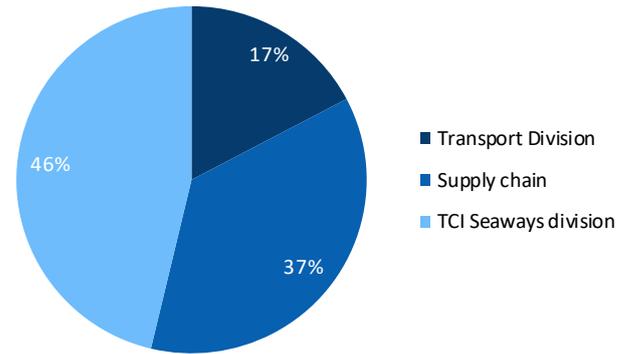
## Key Metrics

Exhibit 3: Segmental revenues (standalone)



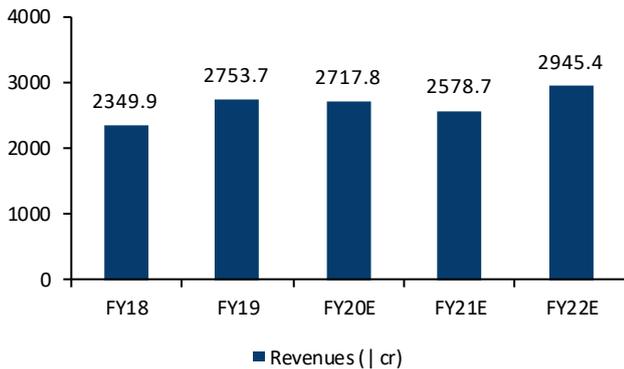
Source: ICICI Direct Research, Company

Exhibit 4: Segmental EBITDA (standalone)



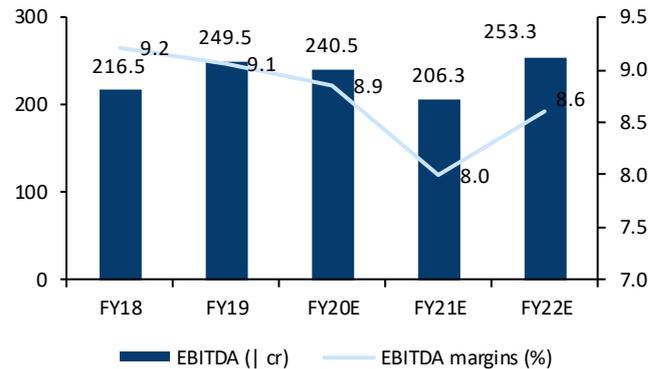
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 4% (FY20-22) CAGR



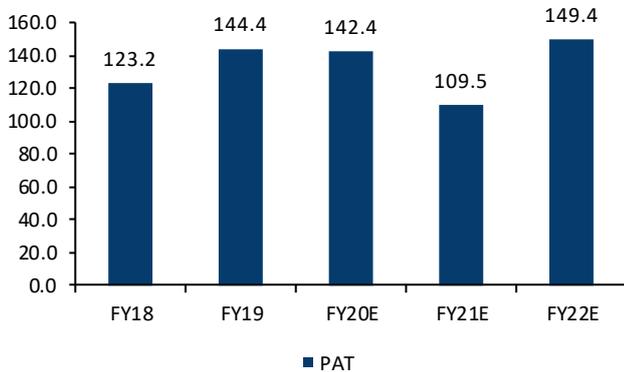
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA expected to grow at 3% CAGR (FY20-22)



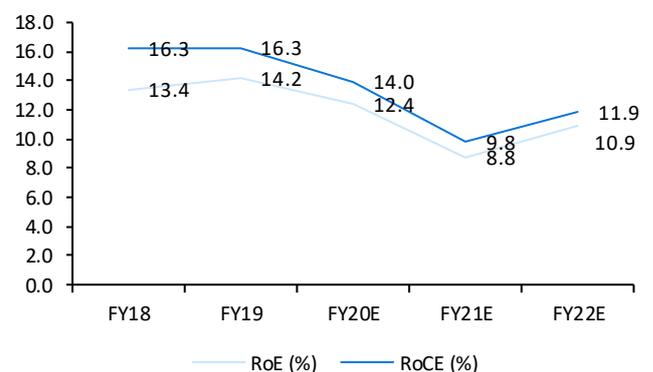
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 2% CAGR (FY20-2)



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

	Sales (₹cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITD (x)	RoNW (%)	RoC (%)
FY 18	2349.9	21.0	16.1	50.2	12.5	7.3	16.3	13.4
FY 19	2753.7	17.2	18.8	17.2	10.5	6.4	16.3	14.2
FY 20	2717.8	-1.3	18.6	-1.4	9.9	6.4	14.0	12.4
FY 21E	2578.7	-5.1	14.3	-23.1	15.3	7.1	9.8	8.8
FY 22E	2945.4	14.2	19.5	36.5	10.6	5.7	11.9	10.9

Source: Company, ICICI Direct Research

## Valuation & Outlook

For FY20, TCI incurred a capex of ~₹ 108 crore while for FY21, we expect the capex to be lower due to Covid19 impact. TCI has adopted a cautious approach to revenue growth in the near term and been selective in client addition. The company has been resorting to generating business from clients with a good credit history and is expecting a higher share of business from these clients. On the EBITDA margin front, we expect the positive momentum to continue driven by higher share of LTL business in freight division along with enhanced utilisation and better pricing in the shipping division. With multi-modal capabilities, we believe TCI has developed a strong moat around its business. Hence, the company has the ability to deliver sustainable growth rates. On an SOTP basis, we value the company at ₹ 200/share with a **BUY** recommendation on the stock.

Exhibit 10: SOTP valuation

Segment	Standalone EBITDA (FY22E) ₹crore	EV (x)	EV (₹crore)
Freight	50.9	4	198
Supply Chain	103.4	7	724
Seaways	155.3	4	621
Enterprise Value			1543
Net Debt (FY 22E)			76
<b>Market Value (Ex-TCI-Concor, Transystem)</b>			<b>1467</b>
Subsidiary	s (FY 22E) ₹crore	Revenue multiple	₹crore
JV:TCI-Concor (51% stake)	98	0.4	39
Joint Venture	s (FY 22E) ₹crore	Revenue multiple	₹crore
JV:Transystem (49% stake)t	270	0.4	108
Holding company discount (50%)			74
<b>Target Market Value</b>			<b>1541</b>
No of Shares			7.7
<b>Per Share Value</b>			<b>200</b>

Source: ICICI Direct Research

## Financial Summary

Exhibit 11: Profit & Loss Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	2,753.7	2,717.8	2,578.7	2,945.4
Growth (%)	17.2	-1.3	-5.1	14.2
Operating expense	2,251.5	2,214.3	2,099.0	2,391.7
Manpower Cost	140.2	157.2	167.6	182.6
Admin & other expense	112.4	105.8	105.7	117.8
Total Expense	2,504.1	2,477.3	2,372.4	2,692.1
EBITDA	249.5	240.5	206.3	253.3
Growth (%)	15.3	-3.6	-14.2	22.8
Depreciation	77.4	82.5	90.8	102.4
EBIT	172.1	158.0	115.5	150.9
Interest	37.4	34.3	31.5	24.0
Other Income	19.5	20.1	16.8	19.1
PBT	154.2	143.8	100.8	146.0
Growth (%)	18.6	-6.7	-29.9	44.9
Tax	33.3	15.9	18.1	26.3
Reported PAT	120.9	127.9	82.6	119.8
Growth (%)	19.2	5.8	-35.4	44.9
Share of Profit from JV	25.1	25.2	27.7	30.4
Minority Interest	0.9	0.8	0.8	0.8
Extraordinary Item	-0.7	-9.9	0.0	0.0
Adjusted PAT	144.4	142.4	109.5	149.4
EPS	18.8	18.6	14.3	19.5

Source: ICICI Direct Research

Exhibit 12: Cash flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	144.4	142.4	109.5	149.4
Add: Depreciation	77.4	82.5	90.8	102.4
Add: Interest Expense	37.4	34.3	31.5	24.0
Cash Profit	259.2	259.2	231.8	275.8
Increase/(Decrease) in CL	-130.9	-2.9	-9.4	-58.7
(Increase)/Decrease in CA	73.9	-13.6	3.8	13.2
Others	-19.1	9.6	0.0	0.0
CF from Operating Activities	183.0	252.3	226.1	230.2
Purchase of Fixed Assets	-125.9	-133.6	-101.1	-151.1
(Inc)/Dec in Investments	-5.1	-20.1	-13.6	-15.0
Others	-20.4	1.0	0.6	0.6
CF from Investing Activities	-151.4	-152.8	-114.1	-165.5
Inc/(Dec) in Loan Funds	18.9	-45.6	-30.0	-80.0
Inc/(Dec) in Share Capital	0.0	0.0	0.0	0.0
Less: Interest Expense	-37.4	-34.3	-31.5	-24.0
Others	-11.8	-9.2	-9.2	-9.2
CF from financing activities	-30.3	-89.1	-70.7	-113.2
Change in cash Eq.	1.4	10.4	41.4	-48.5
Op. Cash and cash Eq.	14.2	15.5	25.9	67.3
Cl. Cash and cash Eq.	15.5	25.9	67.3	18.8

Source: ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Source of Funds				
Equity Capital	15.3	15.4	15.4	15.4
Reserves & Surplus	876.6	1,008.5	1,108.8	1,248.9
Shareholder's Fund	892.0	1,023.9	1,124.2	1,264.3
Loan Funds	414.2	368.6	338.6	258.6
Deferred Tax Liability	39.0	30.2	30.8	31.4
Minority Interest	5.2	5.7	5.7	5.7
Govt Grant	2.0	1.9	1.9	1.9
Long Term Provisions	0.0	3.1	3.1	3.1
Source of Funds	1352.3	1433.4	1504.2	1565.0
Application of Funds				
Gross Block	975.3	1,079.3	1,179.3	1,329.3
Less: Acc. Depreciation	248.5	331.0	421.8	524.2
Net Block	726.8	748.3	757.5	805.1
Capital WIP	4.0	21.6	22.7	23.8
Non-Current Investments	116.8	135.4	148.9	163.8
Long Term Loans &	2.7	4.3	4.3	4.4
Other Non-Current	71.5	66.4	66.4	66.4
Inventories	5.3	6.6	4.9	5.6
Debtor	515.1	487.3	494.5	548.7
Cash	15.5	25.9	67.3	18.8
Loan & Advance, Other	158.3	187.7	191.4	195.3
Current Liabilities	263.6	250.0	253.7	266.9
Trade Payables	67.4	63.9	63.6	72.6
Other Current Liabilities	189.7	175.9	179.4	183.0
Short Term Provisions	6.5	10.2	10.7	11.3
Application of Funds	1,352.3	1,433.4	1,504.2	1,565.0

Source: ICICI Direct Research

Exhibit 14: Key Ratios				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
Book Value	116.4	133.2	146.3	164.5
Cash per share	67.2	63.6	64.5	71.6
EPS	18.9	19.9	14.3	19.5
Cash EPS	25.9	27.5	22.6	29.0
DPS	1.6	1.8	1.0	1.0
Profitability & Operating Ratios				
EBITDA Margin (%)	9.1	8.9	8.0	8.6
PAT Margin (%)	4.4	4.7	3.2	4.1
Fixed Asset Turnover (x)	3.8	3.6	3.4	3.7
Inventory Turnover (Days)	0.7	0.9	0.7	0.7
Debtor (Days)	68.3	65.4	70.0	68.0
Current Liabilities (Days)	8.9	8.6	9.0	9.0
Return Ratios (%)				
RoE	16.3	14.0	9.8	11.9
RoCE	14.2	12.4	8.8	10.9
RoIC	13.7	12.0	8.6	10.4
Valuation Ratios (x)				
P/E	8.8	8.9	11.6	8.5
Price to Book Value	1.4	1.2	1.1	1.0
EV/EBITDA	6.4	6.4	7.1	5.7
EV/Sales	0.6	0.6	0.6	0.5
Leverage & Solvency Ratios				
Debt to equity (x)	0.5	0.4	0.3	0.2
Interest Coverage (x)	4.6	4.6	3.7	6.3
Debt to EBITDA (x)	1.7	1.5	1.6	1.0
Current Ratio	2.3	2.9	3.0	2.7

Source: ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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