

## ONE YEAR OUTLOOK

### BUSINESS & EARNINGS ▼

- Maintain our positive stance on TRPC. While the near term outlook remains subdued, expect favourable base and macroeconomic recovery to aid TRPC's revenue growth as it capitalises on its entrenched presence across logistics value chain. TRPC is likely to benefit from 1) corporate's emphasis on logistics efficiency driving 3PL (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, and 3) shifting focus towards multi-modal transportation providing cost-effective logistics.
- Decline in automotive production in 4QFY20 (auto constitutes ~80% of SCS revenue) impacted SCS segment resulting in revenue/EBIT decline of 22%/51% YoY. Expect increasing penetration of services and scaling up of new contracts to drive revenue/EBITDA CAGR of 3%/4% through FY20-22E (revenue/EBITDA decline of 15%/31% FY21).
- Expect freight division to benefit from 1) shift in market share from unorganised sector, 2) growth in multi-modal logistics and 3) higher LTL contribution (33% in FY20 with likelihood of decline in FY21). The segment reported a revenue and EBITDA growth of 3% and 4% YoY in FY20 due to higher LTL contribution. Expect flat revenue and 6% EBITDA CAGR through FY20-22E.
- Seaways reported 4% revenue decline led by weak demand and increasing competitive intensity. Raw material cost increase during the quarter resulted in EBIT margins decline of 550bps YoY. Expect flat revenue/EBITDA through FY20-22.

### VALUATION MULTIPLES ◀▶

- Valuing the stock based on SOTP (page 2) to arrive at TP of Rs.190 (FY22). Expect steady operating performance to result in RoCE of 11% in FY22. Expect capex spend (~Rs. 2.4bn through FY20-22) towards 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)
FY20E	25,134	9.3%	1,257	16.4	9.7	6.8
FY21E	21,618	8.5%	809	10.6	15.0	8.2
FY22E	25,814	9.9%	1,394	18.2	8.7	5.8

## 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) drive revenue and EBITDA CAGR of 6% and 12%, respectively, 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 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, 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 FY24E.

### 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

	FY21E			FY22E		
	Old	New	Change	Old	New	Change
Sales	28,671	21,618	-25%	32,135	25,814	-20%
EBITDA %	10.1%	8.5%	-161 bps	10.4%	9.9%	-53 bps
PAT	1,610	809	-50%	1,942	1,394	-28%
EPS	21.0	10.6	-50%	25.4	18.2	-28%
Implied Target P/E	Before Results:		10x	After Results:		10x

All figures in Rs. mn

## OUTLOOK REVIEW 4QFY20 JUNE 5, 2020

Industry	<b>LOGISTICS</b>
CMP	<b>Rs. 159</b>
Target Price	<b>Rs. 190</b>
Key Stock Data	
Bloomberg	<b>TRPC IN</b>
Shares o/s	<b>77mn</b>
Market Cap	<b>Rs. 12bn</b>
52-wk High-Low	<b>Rs. 315-122</b>
3m ADV	<b>Rs. 10mn</b>
Index	<b>BSE500</b>

	Sep'19	Dec'19	Mar'20
Promoters	<b>66.8</b>	<b>66.8</b>	<b>66.8</b>
Institutions	<b>14.3</b>	<b>11.7</b>	<b>11.8</b>
Public	<b>18.9</b>	<b>21.4</b>	<b>21.3</b>
Pledge			

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## Quarterly Financial Statement

Supply Chain segment reported revenues of Rs. 2.08bn, down 22% YoY and 13% QoQ. EBIT margins at 4.9%, contracted 70bps sequentially

Seaways segment revenues at Rs. 1.05bn, down 4% YoY. EBIT margins at 21.5%, declined 140bps QoQ

Freight segment reported revenues of Rs. 3.2bn, flat YoY. The segment's EBIT margins at 3.6%, was flat sequentially

## STANDALONE FINANCIAL RESULTS

Rs. mn\Period	4QFY20	4QFY19	yoy Growth	3QFY20	qoq Growth	FY19	FY20	yoy Growth
<b>Revenue</b>	<b>6,257</b>	<b>6,918</b>	<b>-9.6%</b>	<b>6,473</b>	<b>-3.3%</b>	<b>25,583</b>	<b>25,134</b>	<b>-1.8%</b>
Operating expense	5,025	5,475	-8.2%	5,241	-4.1%	20,695	20,270	-2.1%
Emp. cost	408	338	20.5%	370	10.0%	1,358	1,524	12.2%
Other expenses	245	334	-26.7%	235	4.3%	1,088	1,005	-7.6%
Total Expenditure	5,677	6,148	-7.7%	5,846	-2.9%	23,141	22,799	-1.5%
<b>EBITDA</b>	<b>580</b>	<b>771</b>	<b>-24.8%</b>	<b>627</b>	<b>-7.5%</b>	<b>2,442</b>	<b>2,335</b>	<b>-4.4%</b>
Margin %	9.3%	11.1%	-187 bps	9.7%	-42 bps	9.5%	9.3%	-26 bps
D&A	197	189	4.1%	204	-3.6%	752	777	3.3%
<b>EBIT</b>	<b>383</b>	<b>582</b>	<b>-34.2%</b>	<b>423</b>	<b>-9.4%</b>	<b>1,690</b>	<b>1,558</b>	<b>-7.8%</b>
Other income	67	46	45.7%	58	15.8%	269	283	5.4%
Net Interest exp (inc)	80	91	-12.0%	84	-5.3%	356	324	-9.1%
<b>PBT</b>	<b>370</b>	<b>537</b>	<b>-31.1%</b>	<b>396</b>	<b>-6.6%</b>	<b>1,603</b>	<b>1,518</b>	<b>-5.3%</b>
Tax provision	57	101	-43.3%	75	-23.6%	326	155	-52.7%
Tax rate %	15.5%	18.8%	-17.6%	18.9%	-345 bps	20.4%	10.2%	-1018 bps
<b>PAT (Reported)</b>	<b>313</b>	<b>436</b>	<b>-28.3%</b>	<b>321</b>	<b>-2.6%</b>	<b>1,276</b>	<b>1,363</b>	<b>6.8%</b>
<b>PAT (Adjusted)</b>	<b>313</b>	<b>436</b>	<b>-28.3%</b>	<b>321</b>	<b>-2.6%</b>	<b>1,276</b>	<b>1,257</b>	<b>-1.6%</b>
Adjusted PAT Margin %	5.0%	6.3%	-131 bps	5.0%	4 bps	5.0%	5.0%	1 bps
Shares Outstanding	77	77		77		77	77	
<b>EPS (Reported)</b>	<b>4.1</b>	<b>5.7</b>	<b>-28.3%</b>	<b>4.2</b>	<b>-2.6%</b>	<b>16.7</b>	<b>17.8</b>	<b>6.8%</b>
<b>EPS (Adjusted)</b>	<b>4.1</b>	<b>5.7</b>	<b>-28.3%</b>	<b>4.2</b>	<b>-2.6%</b>	<b>16.7</b>	<b>16.4</b>	<b>-1.6%</b>

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		2,189	4x FY22e EV/EBITDA
TCI SCS		7,852	8x FY22e EV/EBITDA
TCI Seaways		5,667	5x FY22e EV/EBITDA
Others		78	2x FY22e EV/EBITDA
Net Cash(Net Debt)		-2,529	
<b>Value from TCI</b>	<b>173</b>	<b>13,257</b>	<b>91.5% of Total</b>
<b>Value from JV</b>	<b>16</b>	<b>1,230</b>	<b>8.5% of Total; Adjusted for hold co discount</b>
<b>No. Of Shares O/s (mn)</b>		<b>77</b>	
<b>Target Price</b>	<b>190</b>	<b>14,521</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	25,134	21,618	25,814
Gross profit	3,861	4,320	4,742	3,502	4,288	4,888	4,864	4,288	5,214
EBITDA	1,493	1,704	1,823	1,575	2,083	2,442	2,335	1,831	2,546
Depreciation	424	495	539	578	673	752	777	861	935
EBIT	1,069	1,209	1,284	996	1,410	1,690	1,558	970	1,611
Other Income	57	124	122	177	245	269	283	300	317
Interest expense	297	319	282	286	299	356	324	296	248
Exceptional items	0	2	0	0	40	0	99	0	0
PBT	829	1,012	1,124	888	1,316	1,603	1,419	975	1,680
Reported PAT (after minority interest)	620	759	851	703	1,037	1,276	1,264	809	1,394
Adj PAT	620	758	850	703	1,037	1,276	1,257	809	1,394
EPS (Rs.)	8.5	10.0	11.2	9.2	13.5	16.7	16.4	10.6	18.2
<b>Balance Sheet</b>									
Net Worth	4,400	5,612	4,917	5,809	6,769	8,370	9,500	10,171	11,428
Deferred Tax	327	285	320	392	443	390	297	297	297
Total debt	3,045	3,068	3,394	4,066	4,238	4,496	4,083	3,383	2,883
Other liabilities and provisions	671	941	819	318	535	1,290	1,229	990	1,162
<b>Total Net worth 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>15,109</b>	<b>14,841</b>	<b>15,770</b>
Gross Fixed assets	6,247	7,524	8,021	8,761	10,345	11,917	13,159	14,159	15,534
Net fixed assets	3,836	4,783	5,169	5,325	6,236	7,055	7,521	7,660	8,100
Capital work-in-progress	182	68	123	568	563	40	216	216	216
Goodwill	0	0	0	0	0	0	0	0	0
Investments	452	444	231	298	313	938	888	888	888
Cash and bank balances	173	165	124	184	130	122	178	593	354
Loans & advances and other assets	955	1,176	1,192	1,601	1,604	2,221	2,324	1,999	2,122
Net working capital	2,846	3,268	2,609	2,608	3,139	4,170	3,982	3,484	4,090
<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>15,109</b>	<b>14,841</b>	<b>15,770</b>
Capital Employed	7,772	8,964	8,630	10,266	11,450	13,256	13,880	13,851	14,608
Invested Capital (CE - cash - CWIP)	7,417	8,731	8,383	9,514	10,757	13,094	13,486	13,042	14,038
Net debt	2,872	2,903	3,270	3,882	4,109	4,375	3,905	2,789	2,529
<b>Cash Flows</b>									
Cash flows from Operations (Pre-tax)	1,633	1,455	2,567	1,115	2,119	2,060	2,748	2,419	2,059
Cash flows from Operations (post-tax)	1,429	1,261	2,330	883	1,768	1,729	2,353	2,253	1,773
Capex	556	1,416	1,750	1,156	1,590	1,078	1,304	1,000	1,375
Free cashflows	872	-156	580	-273	177	651	1,049	1,253	398
Free cashflows (post interest costs)	576	-475	298	-560	-122	295	726	957	151
Cash flows from Investing	-720	-1,471	-988	-1,174	-1,538	-1,481	-1,346	-1,000	-1,375
Cash flows from Financing	-702	203	-1,383	370	316	-255	-964	-838	-638
Total cash & liquid investments	173	165	124	184	130	122	178	593	354

\*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	12,478	10,700	12,412
Supply Chain Revenues (Rs. Mn)	5,423	6,129	6,249	7,374	9,126	10,189	9,250	7,852	9,815
Seaways Revenues (Rs. Mn)	1,137	1,220	1,407	1,639	2,564	3,593	3,677	3,257	3,778
<b>Growth ratios</b>									
Revenue	3.9%	8.4%	2.8%	12.9%	20.7%	17.5%	-1.8%	-14.0%	19.4%
EBITDA	3.1%	14.1%	7.0%	17.7%	32.3%	17.2%	-4.4%	-21.6%	39.1%
Adj PAT	19.6%	22.5%	12.0%	18.0%	47.6%	23.0%	-1.0%	-36.0%	72.3%
<b>Margin ratios</b>									
Gross	19.0%	19.7%	21.0%	19.4%	19.7%	19.1%	19.4%	19.8%	20.2%
EBITDA	7.4%	7.8%	8.1%	8.7%	9.6%	9.5%	9.3%	8.5%	9.9%
Adj PAT	3.1%	3.4%	3.8%	3.9%	4.8%	5.0%	5.0%	3.7%	5.4%
<b>Performance ratios</b>									
Pre-tax OCF/EBITDA	109.3%	85.4%	140.8%	70.8%	101.7%	84.3%	117.7%	132.1%	80.9%
OCF/IC (%)	19.3%	14.4%	27.8%	9.3%	16.4%	13.2%	17.4%	17.3%	12.6%
RoE (%)	15.0%	15.1%	16.2%	13.1%	16.5%	16.9%	14.1%	8.2%	12.9%
RoCE (%)	11.0%	12.0%	12.1%	9.8%	12.0%	12.6%	12.1%	7.6%	11.2%
RoCE (Pre-tax)	14.7%	15.9%	16.0%	12.4%	15.2%	15.9%	13.6%	9.2%	13.5%
RoIC (Pre-tax)	14.5%	15.0%	15.0%	11.1%	13.9%	14.2%	11.7%	7.3%	11.9%
Fixed asset turnover (x)	3.3	3.2	2.9	2.2	2.3	2.3	2.0	1.6	1.7
Total asset turnover (x)	2.4	2.4	2.3	1.8	1.9	1.9	1.7	1.4	1.7
<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	1.5	1.0
Interest cover (x)	4.8	4.0	8.3	3.1	5.9	4.9	7.3	7.6	7.2
Cash conversion days	51	54	42	53	53	59	58	59	58
Working capital days	56	58	48	79	71	73	74	76	71
<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)					12,176				
P/E (x)	18.7	15.9	14.2	17.2	11.7	9.5	9.7	15.0	8.7
P/OCF(x)	8.5	9.7	5.2	13.8	6.9	7.0	5.2	5.4	6.9
EV (Rs.mn) (ex-CWIP)	14,866	15,010	15,322	15,489	15,721	16,510	15,865	14,965	14,705
EV/ EBITDA (x)	10.0	8.8	8.4	9.8	7.5	6.8	6.8	8.2	5.8
EV/ OCF(x)	10.4	11.9	6.6	17.5	8.9	9.6	6.7	6.6	8.3
FCF Yield					1.5%	5.3%	8.6%	10.3%	3.3%
Price to BV (x)	2.8	2.2	2.5	2.1	1.8	1.5	1.3	1.2	1.1
Dividend pay-out (%)	15.3%	14.8%	13.4%	12.0%	11.8%	10.8%	11.0%	17.0%	9.9%
Dividend yield (%)					1.0%	1.1%	1.1%	1.1%	1.1%

\*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 6% 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%	6%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	12%
EBITDA margin	7.6%	8.7%	9.9%
EPS CAGR	6%	27%	15%
Total Asset Turnover (x)	2.5	2.1	1.7
Total WC days	56	66	73
Pre-tax OCF/EBITDA (%)	87%	100%	101%
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%	13.1%
RoCE (%)	10.9%	11.6%	11.6%
RoIC (%)	15.6%	13.9%	12.2%
<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	603	3.0	1,810
TCI SCS	1,247	8.0	9,976
TCI Seaways	1,915	5.0	9,577
Others	39	2.0	78
<b>Net Debt (Rs.mn)</b>			1,948
<b>Mkt Cap (Rs.mn)</b>			19,493
<b>Standalone TP</b>			255
<b>JV (Transystem)</b>			19
<b>Target Price</b>			273

Entry = Rs. 159 @ 9x FY22x EPS



Cumulative Dividends of Rs.7/share

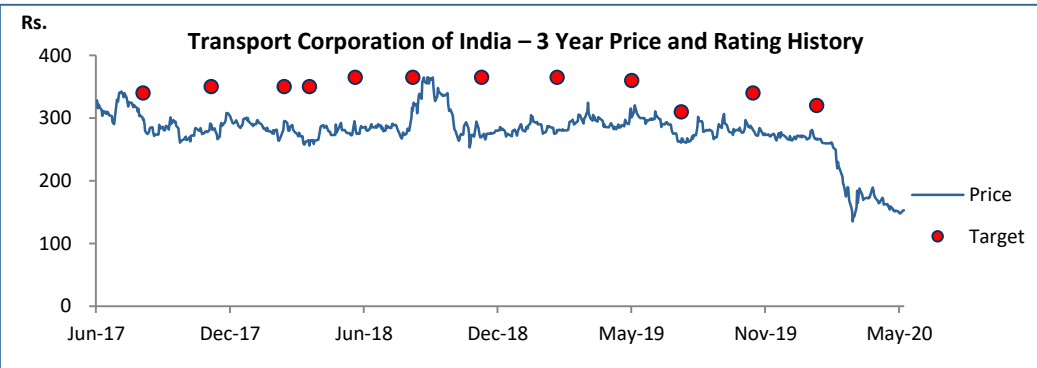


PAT CAGR of ~15%, implied exit multiple of 9x on FY24E EPS



**TOTAL RETURN OF 76%**

### 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	
<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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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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