

Discipline on margin front amid steep revenue decline

TCI fared better than our estimates on all fronts. What surprised us is the effort it showed in maintaining margins, even in a scenario of weak operating leverage. It has a diversified portfolio of value-added services across varied customers & industries, lowering volatility in gross margins. For the year, the management expects demand from the e-commerce, FMCG, automobile sector, agriculture, pharmaceuticals and the chemical sector. TCI's ability to provide multi modal integrated logistics solutions helped it to continue serving existing customers as well as acquire several new engagements.

Operations expected to normalise in near term

For Q1FY21, both freight and supply chain segments experienced heavy disruptions. While the supply chain segment, which largely caters to the automobile segment, continues to scale up with the sustained revival in the operations and demand for the automobile sector, the freight segment is increasingly seeing its operations normalising (E-way bill data for July showed 80-90% normalisation). The shipping division, similarly, de-grew 14% owing to lower fleet utilisation. Due to the capability to serve diverse sectors in its freight segment, TCI increased exposure to providing logistics services to sectors such as e-commerce and FMCG sector in line with various government guideline and changing consumption trends.

TCI continues to remain among leaders in LTL business

Freight division involves both less than truckload (LTL) and full truckload (FTL) business. While FTL has low barriers to entry (BTE), LTL has a higher BTE (it involves time bound freight movement, better margins). Over the last two years, TCI has transitioned from a dominant FTL player to an enhanced focus on LTL business that not only utilises its fleet but commands better margins than the FTL business. The share of the LTL business has increased from 25% to 33% of freight division revenues. It is expected to reach around 40% over the next two to three years. An enhanced share would enable TCI to enhance profitability of its freight division.

Valuation & Outlook

With the ability to serve customers via multimodal capabilities (road, rail, ship) and a pan-India presence with 25 IT enabled hub centres, centralised vehicle tracking and mobile app-controlled loading, unloading and dispatch of cargo, TCI has transitioned to the new business landscape where customers demand greater digitisation, live tracking and online presence. On EBITDA margin front, we expect the positive momentum to continue driven by higher share of LTL business in freight division, enhanced utilisation and better pricing in the shipping division. Hence, it has the ability to deliver sustainable growth rates. On an SOTP basis, we value the stock at ₹ 260/share and maintain our **BUY** recommendation on the stock.



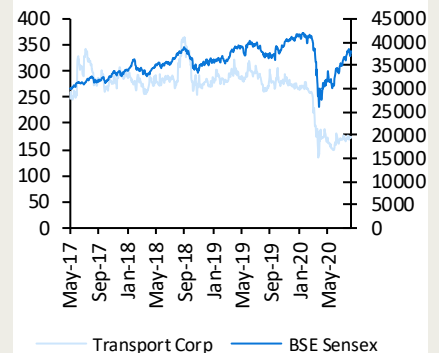
Particulars

Market Cap. (₹cr)	1592
Total Debt (FY 20) (₹Cr)	368.6
Cash and Investment	25.9
EV (₹Crore)	2448.5
52 week H/L	313/121
Equity Capital (₹Crore)	15.3
Face Value (₹)	2.0

Key Highlights

- Revenues, EBITDA, PAT expected to grow at CAGR of 4%, 4%, 5%, respectively, during FY20-22
- Maintain BUY

Price chart



Shareholding Pattern

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

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR
Revenues (₹crore)	2,349.9	2,753.7	2,717.8	2,552.9	2,914.5	5.5
EBITDA (₹crore)	216.5	249.5	240.5	219.6	262.3	4.9
Adjusted Net Profit (₹crore)	123.2	144.4	142.4	121.3	157.7	6.4
EPS (₹)	16.1	18.8	18.6	15.8	20.6	
P/E (x)	12.9	11.0	11.2	13.1	10.1	
Price / Book (x)	2.1	1.8	1.6	1.4	1.2	
EV/EBITDA (x)	8.8	7.7	7.7	8.3	6.6	
RoCE (%)	13.4	14.2	12.4	9.7	11.4	
RoNW (%)	16.3	16.3	14.0	10.8	12.3	

Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Revenue	328.0	267.3	612.1	-46.4	625.7	-47.6	YoY decline of 46% mainly due to de-growth in Freight (-47%) and SCS segment (-56%)
Operating Expenses	258.7	215.2	494.2	-47.7	502.5	-48.5	
Employee Expenses	28.9	37.4	37.2	-22.5	40.8	-29.2	
Administrative & Oth Expenses	12.6	16.0	24.5	-48.6	24.5	-48.6	
Total Expense	300.1	268.7	555.9	-46.0	567.7	-47.1	
EBITDA	27.9	-1.3	56.2	-50.5	58.0	-52.0	
EBITDA Margin (%)	8.5	-0.5	9.2	-69 bps	9.3	-78 bps	Margins better than estimates due to lower employee expense
Depreciation	19.5	19.7	18.6	4.9	19.7	-0.7	
Interest	7.0	8.1	8.2	-15.5	8.0	-12.8	
Other Income	8.9	7.1	7.5	18.2	6.7	33.6	
Exceptional Gain/Loss	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	10.3	-22.0	36.9	-72.2	37.0	-72.2	
Total Tax	0.4	2.2	7.2	-94.3	5.7	-92.8	
PAT	9.9	-24.2	29.7	-66.8	31.3	-68.5	In-line with the EBITDA performance
Key Metrics	Q1FY21	Q1FY21E	Q1FY20	YoY	Q4FY20	QoQ	
Freight Division	157.8	149.5	299.0	-47.2	322.7	-51.1	
Supply Chain Solutions	105.6	71.7	239.1	-55.8	207.8	-49.2	
Seaways	68.2	47.3	78.9	-13.5	104.6	-34.8	

Source: Company, ICICI Direct Research

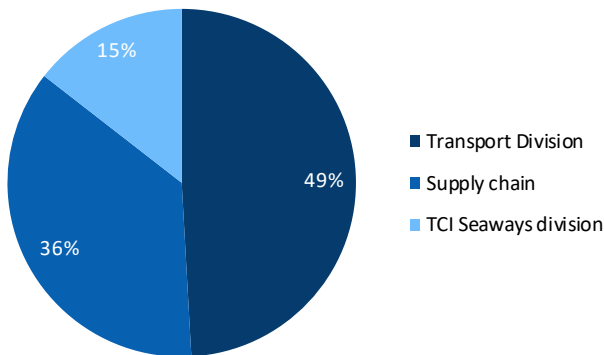
Exhibit 2: Change in estimates

(₹Crore)	FY21E					FY22E			Comments
	FY 19	FY 20	Old	New	% Change	Old	New	% Change	
Revenue	2,753.7	2,717.8	2,578.7	2,552.9	-1.0	2,945.4	2,914.5	-1.0	
EBITDA	249.5	240.5	206.3	219.6	6.4	253.3	262.3	3.6	
EBITDA Margin (%)	9.1	8.9	8.0	8.6	60 bps	8.6	9.0	40 bps	Margin expectation improved due to strong performance in Q1FY 21 on the margin front
PAT	144.4	142.4	109.5	121.3	10.8	149.4	157.7	5.6	
EPS (₹)	18.8	18.6	14.3	15.8	10.8	19.5	20.6	5.6	

Source: Company, ICICI Direct Research

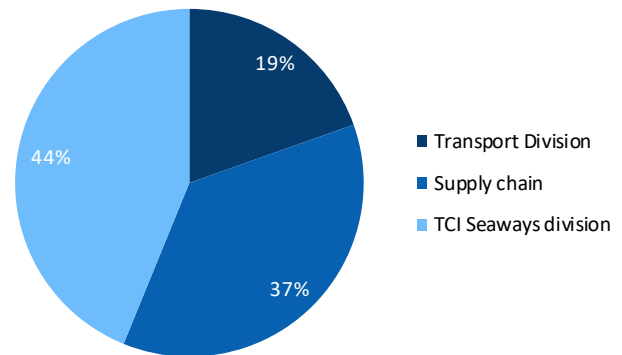
Key Metrics

Exhibit 3: Segmental revenues (standalone) - FY20



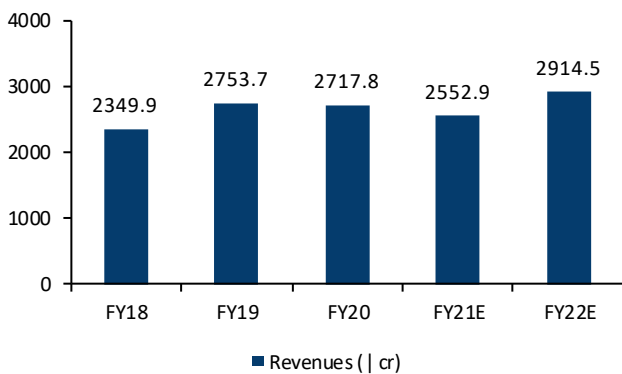
Source: ICICI Direct Research, Company

Exhibit 4: Segmental EBITDA (standalone) – FY20



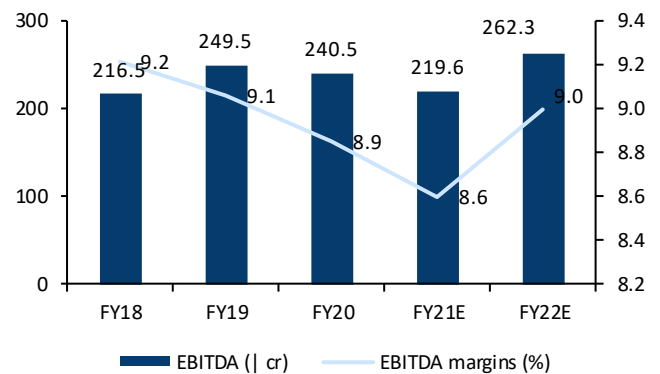
Source: ICICI Direct Research, Company

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



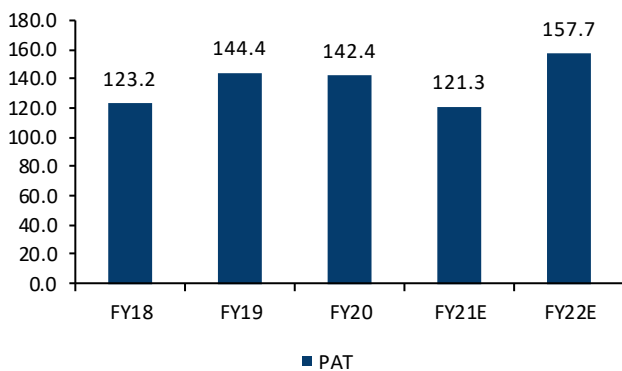
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA expected to grow at 4% CAGR (FY20-22)



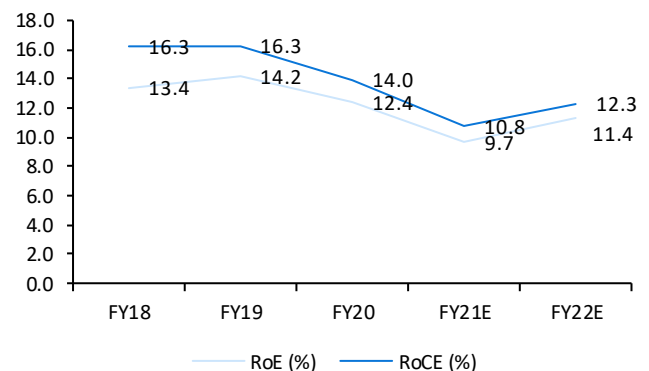
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 5% 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 17	1942.5	12.5	10.7	43.9	19.2	11.6	12.8	10.7
FY 18	2349.9	21.0	16.1	50.2	12.9	8.8	16.3	13.4
FY 19	2753.7	17.2	18.8	17.2	11.0	7.7	16.3	14.2
FY 20	2717.8	-1.3	18.6	-1.4	11.2	7.7	14.0	12.4
FY 21E	2552.9	-6.1	15.8	-14.8	13.1	8.3	10.8	9.7
FY 22E	2914.5	14.2	20.6	30.0	10.1	6.6	12.3	11.4

Source: Company, ICICI Direct Research

Valuation & Outlook

With the ability to serve customers via multimodal capabilities (road, rail and ship) and a pan-India presence with 25 IT enabled hub centres, centralised vehicle tracking and mobile app-controlled loading, unloading and dispatch of cargo, TCI has transitioned to the new business landscape where customers demand greater digitisation, live tracking and online presence. On the EBITDA margin front, we expect the positive momentum to continue driven by higher share of LTL business in freight division, enhanced utilisation and better pricing in the shipping division. Hence, it has the ability to deliver sustainable growth rates. On an SOTP basis, we value the stock at ₹ 260/share and maintain our **BUY** recommendation on the stock.

Exhibit 10: SOTP valuation

Segment	Standalone EBITDA (FY22E) ₹crore	EV (x)	EV (₹crore)
Freight	50.9	5	254
Supply Chain	103.4	8	827
Seaways	155.3	6	898
Enterprise Value			1979
Net Debt (FY 22E)			54
Market Value (Ex-TCI-Concor, Transystem)			1925
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
Target Market Value			1998
No of Shares			7.7
Per Share Value			260

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	2,552.9	2,914.5
Growth (%)	17.2	-1.3	-6.1	14.2
Operating expense	2,251.5	2,214.3	2,080.6	2,366.6
Manpower Cost	140.2	157.2	148.1	169.0
Admin & other expense	112.4	105.8	104.7	116.6
Total Expense	2,504.1	2,477.3	2,333.4	2,652.2
EBITDA	249.5	240.5	219.6	262.3
Growth (%)	15.3	-3.6	-8.7	19.5
Depreciation	77.4	82.5	89.5	101.0
EBIT	172.1	158.0	130.1	161.3
Interest	37.4	34.3	31.5	24.0
Other Income	19.5	20.1	16.6	18.9
PBT	154.2	143.8	115.2	156.2
Growth (%)	18.6	-6.7	-19.9	35.6
Tax	33.3	15.9	20.7	28.1
Reported PAT	120.9	127.9	94.5	128.1
Growth (%)	19.2	5.8	-26.2	35.6
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	121.3	157.7
EPS	18.8	18.6	15.8	20.6

Source: ICICI Direct Research

Exhibit 12: Cash flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	144.4	142.4	121.3	157.7
Add: Depreciation	77.4	82.5	89.5	101.0
Add: Interest Expense	37.4	34.3	31.5	24.0
Cash Profit	259.2	259.2	242.2	282.7
Increase/(Decrease) in CL	-130.9	-2.9	-40.7	-22.3
(Increase)/Decrease in CA	73.9	-13.6	-3.9	20.0
Others	-19.1	9.6	0.0	0.0
CF from Operating Activities	183.0	252.3	197.6	280.4
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	12.8	1.7
Op. Cash and cash Eq.	14.2	15.5	25.9	38.8
Cl. Cash and cash Eq.	15.5	25.9	38.8	40.5

Source: ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Source of Funds				
Equity Capital	15.3	15.4	15.4	15.4
Reserves & Surplus	876.6	1,008.5	1,120.6	1,269.1
Shareholder's Fund	892.0	1,023.9	1,136.0	1,284.5
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	1516.1	1585.2
Application of Funds				
Gross Block	952.4	1,061.7	1,161.7	1,311.7
Less: Acc. Depreciation	225.6	313.4	402.9	503.9
Net Block	726.8	748.3	758.9	807.9
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	6.3	6.4
Debtor	515.1	487.3	524.6	543.0
Cash	15.5	25.9	38.8	40.5
Loan & Advance, Other I	158.3	187.7	191.4	195.3
Current Liabilities	263.6	250.0	246.1	266.1
Trade Payables	67.4	63.9	56.0	71.9
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	1,516.1	1,585.2

Source: ICICI Direct Research

Exhibit 14: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Book Value	116.4	133.2	147.8	167.1
Cash per share	67.2	63.6	68.4	70.8
EPS	18.8	18.6	15.8	20.6
Cash EPS	25.9	27.5	24.0	29.9
DPS	1.6	1.8	1.0	1.0
Profitability & Operating Ratios				
EBITDA Margin (%)	9.1	8.9	8.6	9.0
PAT Margin (%)	4.4	4.7	3.7	4.4
Fixed Asset Turnover (x)	3.8	3.6	3.4	3.6
Inventory Turnover (Days)	0.7	0.9	0.9	0.8
Debtor (Days)	68.3	65.4	75.0	68.0
Current Liabilities (Days)	8.9	8.6	8.0	9.0
Return Ratios (%)				
RoE	16.3	14.0	10.8	12.3
RoCE	14.2	12.4	9.7	11.4
RoIC	13.7	12.0	9.4	11.1
Valuation Ratios (x)				
P/E	11.0	11.2	13.1	10.1
Price to Book Value	1.8	1.6	1.4	1.2
EV/EBITDA	7.7	7.7	8.3	6.6
EV/Sales	0.7	0.7	0.7	0.6
Leverage & Solvency Ratios				
Debt to equity (x)	0.5	0.4	0.3	0.2
Interest Coverage (x)	4.6	4.6	4.1	6.7
Debt to EBITDA (x)	1.7	1.5	1.5	1.0
Current Ratio	2.3	2.9	3.4	2.7

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA; Harshal Mehta MTech (Biotech), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.