

FY21-24E Earnings CAGR%	33%
CF & Return Profile	Moderate
Valuations	In-line

Growth moderated albeit on a higher base

ACCUMULATE

CMP (Rs)	724
Target (Rs)	800
Upside (%)	11%

Nifty: 17,110 Sensex: 57,277

Key Stock Data

Bloomberg	TRPCIN
Shares O/s Mn (FV INR 10)	77.1
Mkt Cap (USD Bn/INR Bn)	0.7/55.1
52-week High/Low	859/235
6m Daily Avg Vol (Mn)	154

Price Performance

(%)	3M	1Y	3Y
TRPC	7.2	198.1	35.9
Nifty	(2.4)	25.1	19.6
NSE500	(1.6)	30.8	20.7

Shareholding Pattern

(%)	Jun21	Sep21	Dec21
Promoter	66.7	66.5	66.5
FII	2.4	2.1	2.3
DII	12.2	11.6	11.5
Others	18.7	19.7	19.7

research@amsec.in
+91 22 4343 5000

- **TCI witnessed a growth moderation as consolidated sales grew by 3.8% y-o-y to Rs 8.4bn albeit on a high base and tepid SCM segment. Two years sales CQGR stands at 9%.**
- **SCM business witnessed a sales decline of 7.4% y-o-y due to slower automobile industry. Freight division performed moderately with 4% y-o-y sales growth which we believe is largely driven by price hikes. Coastal shipping managed its string growth trajectory with 43% y-o-y sales growth largely led by freight hikes.**
- **Despite moderated sales growth, TCI managed to report highest ever EBITDA margin at 13% (+210bps y-o-y) mainly on account of cost containments and timely price hikes for offsetting fuel price inflation. Net profit increased by 95% y-o-y to Rs 819mn. EBITDA margin at current level is not sustainable as it is largely because of abnormal high margins in coastal shipping division which is not sustainable. We are more comfortable with EBITDA margin range of 10-10.5%.**

Freight segment – growth recovery in LTL and inflation passthrough drive the growth

Freight business witnessed a growth of 4% y-o-y to Rs 4.3bn owing to growth recovery in LTL segment and better passthrough of fuel price inflation. Further, most dependent industries are witnessing a growth which also ensured better volumes. On a two-year basis, it witnessed a CQGR of 7.5% which we believe is largely pricing driven. Because of better passthrough of fuel inflation and pick up in LTL business, EBIT margin improved by 16bps y-o-y. We observed, capital employed (mainly in working capital) in freight division is consistently decreasing over the last three years despite rise in business scale, indicating better efficiency along with good WC management.

SCM –Sluggish automobile sector and high base impacted growth trajectory

SCM revenue declined by 7.4% y-o-y to Rs 2.8bn mainly due to disruption in automotive industry and high base which witnessed a good pent-up demand. Further, it also witnessed sluggish demand in high value consumer goods. However, two-year CQGR at 6% is reasonable given the current volatile macro situations. Division witnessed a stable margin led by cost control. We understand that the complete pass through of fuel inflation is not possible in this business, hence it has to manage internal levers well to drive the profitability which TCI is doing it in a right manner. Pick up in automobile production is the key for sustainable growth in SCM division. We remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. Further, customers push for efficiencies and integrated single-window solutions across the value chain are also making good roads for SCM and warehousing business. The management is witnessing some demand recovery in SCM division but not expecting any robust bounce back in the near term.

Coastal Shipping –Increase freight rates and better occupancy drive the growth

Increase in freight rates owing to global supply chain crunch and shortage of containers and fuel price inflation passthrough boosted the revenue (+43% y-o-y). Further, it continued to get high value return cargo (pulses) from Myanmar which also boosted the earnings. Coastal shipping continued to see a strong margin (+1380bps y-o-y to 36.5%) due to freight rate increase and better return cargo. Margin at this rate is not sustainable and will correct to normal level of ~25% over the medium term.

TCI remains our top pick in logistics space but revising to ‘Accumulate’ due to recent outperformance

We maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favorable change in business mix and prudent capital allocation. **Despite expected capex of Rs 3-4bn over the next three years, TCI will generate cumulative FCF of ~Rs 6bn over FY22-24E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 99%.** Despite strong run in the stock price over the last one year (~3x), we still consider it as good value compounder over the longer term. Revising our rating to ‘Accumulate’ from ‘Buy’ with a price target of Rs 800, 18x to FY24E EPS.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Sales	27,178	28,024	33,523	37,868	42,807
yoy (%)	-1.3	3.1	19.6	13.0	13.0
EBITDA	2,405	2,612	3,858	3,976	4,495
yoy (%)	-3.6	8.6	47.7	3.1	13.0
Reported PAT	1,279	1,433	2,498	2,635	3,052
yoy (%)	5.8	12.1	74.3	5.5	15.8
EBITDAM(%)	8.9%	9.3%	11.5%	10.5%	10.5%
Equity	153.7	154.2	154.2	154.2	154.2
EPS	18.5	19.1	36.3	38.6	44.5

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
RoE (%)	14.9	13.4	21.6	19.0	18.4
RoCE (%)	13.2	13.9	20.7	18.5	18.3
ROIC (%)	14.1	15.4	23.6	22.6	23.6
DE	0.4	0.2	0.2	0.1	0.1
PER (x)	39.0	37.9	19.9	18.8	16.2
P/BV (x)	5.4	4.8	3.9	3.3	2.8
EV/Sales (x)	2.2	2.1	1.7	1.4	1.2
EV/EBITDA (x)	24.5	22.1	14.4	13.7	11.8
Div Yield (%)	0.4	0.2	0.4	0.4	0.4

Earnings call KTA

Freight Division

- Freight division witnessed a good demand in Oct'21 w.r.t. inventory stocking for festivals but industrial activities slowed down in Nov'21 and recovered a bit in Dec'21.
- Margin in freight business increased due to 1) better utilization (load factor) 2) mix change and 3) new contracts. Further, base quarter margin impacted due to adverse mix change.
- FTL & LTL ratio is improving and it should cross 66%/34% by end of current fiscal.

SCM Division

- SCM impacted due to disruption in automotive industry and high base which witnessed a good pent-up demand. Further, it also witnessed sluggish demand in high value consumer goods.
- The management is witnessing demand recovery in SCM division.

Coastal Shipping division

- Coastal shipping division continued to ride high on increasing freight rates and higher return cargo from Myanmar (as import of Pulses continued). Freight rates witnessed an increase of 20-22% on western coasts.
- Ships and container prices remain extremely high (3-4x higher) and as a result it has differed capex plan for coastal shipping division.
- Coastal shipping business had two dry docks in Q3FY22 and two more dry docks will happen in Q4FY22. However, due to better pricing scenario, dry docking will not have material impact on margins.
- In FY22, it will have two more dry docks so TCI will have more ships for businesses.

JV & Associates

- 9MFY22 performance: TCI CONCOR, TCI Cold chain and Transystem revenue grew by -7.5%/79%/53% y-o-y respectively.
- Better growth in Transystem is on the back of strong performance delivery by the anchor client (Toyota Kirloskar).

General business and guidance

- Reduced borrowings from Rs 2.3bn in FY21 to Rs 0.5bn mainly through internal accruals. Large part of debt repayment happened in coastal shipping division.
- Overall, it is witnessing a bit slowdown in demand but the management is maintaining the revenue/net profit growth guidance of 18-20%/35-40% in FY22.
- Consumer discretionary categories like apparel, white goods are witnessing a slowdown.
- Incurred capex of Rs 189mn in 9MFY22. Capex intensity in FY22 will be soft and Q4FY22 will see Rs 120-150mn capex.

Exhibit 3: 3QFY22 Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	y-o-y change	q-o-q change	9MFY22	9MFY21	y-o-y change
Income from operations	8,070.9	8,926.9	6,961.3	8,251.4	8,376.8	3.8%	1.5%	23,589.5	19,097.0	23.5%
Less: Expenditures	14.3%	33.7%		9.8%	8.9%				-	
Operating cost	6,601.9	7,295.3	5,609.3	6,542.0	6,575.4	-0.4%	0.5%	18,726.7	15,677.1	19.5%
Staff cost	373.1	439.9	412.5	411.5	436.7	17.0%	6.1%	1,260.7	1,015.0	24.2%
Other cost	298.8	305.4	182.0	252.8	272.9	-8.7%	8.0%	707.7	679.0	4.2%
EBITDA	797.1	886.3	757.5	1,045.1	1,091.8	37.0%	4.5%	2,894.4	1,725.9	67.7%
Other Income	45.9	112.8	40.8	29.2	53.2	15.9%	82.2%	123.2	141.9	-13.2%
Depreciation	232.8	280.3	247.3	256.4	255.2	9.6%	-0.5%	758.9	647.8	17.2%
EBIT	610.2	718.8	551.0	817.9	889.8	45.8%	8.8%	2,258.7	1,220.0	85.1%
Interest	63.3	60.9	47.1	32.9	25.9	-59.1%	-21.3%	105.9	206.1	-48.6%
Profit Before Tax	546.9	657.9	503.9	785.0	863.9	58.0%	10.1%	2,152.8	1,013.9	112.3%
Tax	65.2	80.7	63.8	96.2	108.0	65.6%	12.3%	268.0	157.6	70.1%
Profit after Tax	481.7	577.2	440.1	688.8	755.9	56.9%	9.7%	1,884.8	856.3	120.1%
Extraordinary items	(104.3)	(26.3)	-	-	-	NA	NA	-	(104.3)	NA
Net Profit	377.4	550.9	440.1	688.8	755.9	100.3%	9.7%	1,884.8	752.0	150.6%
share in profits	51.9	104.1	34.6	72.8	72.2	39.1%	-0.8%	179.6	97.2	84.8%
Minority Int	10.9	8.9	6.0	7.5	8.8	-19.3%	17.3%	22.3	24.0	-7.1%
Net Profit	418.4	646.1	468.7	754.1	819.3	95.8%	8.6%	2,042.1	825.2	147.5%
EPS	5.4	8.4	6.1	9.8	10.7	95.8%	8.6%	26.6	10.7	147.5%
Operating Matrix						bps	bps			bps
Operating cost/Sales	81.8%	81.7%	80.6%	79.3%	78.5%	-330	-79	79.4%	82.1%	-271
Staff cost/Sales	4.6%	4.9%	5.9%	5.0%	5.2%	59	23	5.3%	5.3%	3
Others/Sales	3.7%	3.4%	2.6%	3.1%	3.3%	-44	19	3.0%	3.6%	-56
EBITDA Margin	9.9%	9.9%	10.9%	12.7%	13.0%	316	37	12.3%	9.0%	323
Net Margin	5.2%	7.2%	6.7%	9.1%	9.8%	460	64	8.7%	4.3%	434
ETR	11.9%	12.3%	12.7%	12.3%	12.5%	58	25	12.4%	15.5%	-310

Source: Company, AMSEC Research,

Exhibit5: 3QFY22 Segmental Highlights (Consolidated)

Particulars	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	y-o-y change	q-o-q change	9MFY22	9MFY21	y-o-y change
Revenue (Rs mn)										
Freight	4,149.0	4,762.9	3,646.7	4,127.9	4,323.1	4.2%	13.2%	12,097.7	10,022.3	20.7%
SCM	3,011.3	3,041.4	2,262.6	2,843.3	2,787.9	-7.4%	25.7%	7,893.8	6,696.8	17.9%
Coastal Shipping	1,037.6	1,301.0	1,149.7	1,342.2	1,479.1	42.6%	16.7%	3,971.0	2,651.8	49.7%
Wind	2.6	5.3	15.0	20.8	5.5	111.5%	38.7%	41.3	-	-
Others/inter segment	(129.6)	(183.7)	(112.7)	(82.8)	(218.8)	68.8%	-26.5%	(414.3)	(273.9)	51.3%
Total	8,070.9	8,926.9	6,961.3	8,251.4	8,376.8	3.8%	18.5%	23,589.5	19,097.0	23.5%
EBIT (Rs mn)										
Freight	173.4	189.6	126.9	162.1	187.5	8.1%	15.7%	476.5	333.9	42.7%
SCM	200.3	208.9	120.7	166.3	166.8	-16.7%	0.3%	453.8	398.4	13.9%
Coastal Shipping	234.9	305.5	293.3	480.0	539.5	129.7%	12.4%	1,312.8	430.0	205.3%
Wind	(3.3)	(0.7)	9.8	15.4	15.4	-566.7%	0.0%	40.6	15.2	167.1%
Total	605.3	703.3	550.7	823.8	909.2	50.2%	10.4%	2,283.7	1,177.5	93.9%
EBIT %						bps	bps			
Transport	4.2%	4.0%	3.5%	3.9%	4.3%	16	41	3.9%	3.3%	61
SCM	6.7%	6.9%	5.3%	5.8%	6.0%	(67)	13	5.7%	5.9%	(20)
Coastal Shipping	22.6%	23.5%	25.5%	35.8%	36.5%	1,384	71	33.1%	16.2%	1,684
Wind	-126.9%	-13.2%	65.3%	74.0%	280.0%	40,692	20,596	98.3%	-	-
Total	7.5%	7.9%	7.9%	10.0%	10.9%	335	87	9.7%	6.2%	352

Source: Company, AMSEC Research

Financials (Consolidated)**(Rs mn)****Profit and Loss Account**

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
Operating Income	27,178	28,024	33,523	37,868	42,807
Less:					
Operating expenses	22,143	22,972	26,986	30,862	34,888
Staff expenses	1,572	1,455	1,673	1,893	2,140
Selling, & other exp.	1,058	984	1,006	1,136	1,284
EBITDA	2,405	2,612	3,858	3,976	4,495
Depreciation	825	928	989	984	1,051
Operating profit	1,580	1,684	2,869	2,992	3,444
Other income	201	255	305	344	389
EBIT	1,782	1,939	3,174	3,336	3,833
Interest	343	267	199	199	199
Exceptional items	-	-	-	-	-
Profit before tax	1,438	1,672	2,974	3,137	3,633
Tax	159	238	476	502	581
PAT	1,279	1,433	2,498	2,635	3,052
Share in Profit JVs	252	201	302	338	379
Minority Interest	(8)	(33)	-	-	-
EO Items	(99)	(131)	-	-	-
Net Profit	1,424	1,471	2,800	2,973	3,431
Share O/s mn	76.9	77.1	77.1	77.1	77.1
EPS Rs	18.5	19.1	36.3	38.6	44.5

Cash Flow Statement

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
PBT	1,591	1,743	2,974	3,137	3,633
Non-cash adjustments	1,273	1,344	1,189	1,184	1,251
Chg in working capital	231	181	(832)	(666)	(798)
Tax & Interest Paid	(410)	52	(476)	(502)	(581)
Cashflow from oper.	2,428	3,047	2,855	3,153	3,505
Capital expenditure	(1,321)	(1,241)	(400)	(1,500)	(1,500)
Chg in investments	(14)	(17)	-	-	-
Other invest. cashflow	(18)	196	-	-	-
Cashflow from invest	(1,353)	(1,062)	(400)	(1,500)	(1,500)
Issue of equity	24	40	-	-	-
Issue/repay debt	-	-	-	-	-
Interest Paid	(343)	(302)	(199)	(199)	(199)
Inc./ (Dec.) Loan Funds	(517)	(1,419)	-	-	-
Dividends paid	(201)	(96)	(214)	(214)	(214)
Other finan.cashflow	67	(73)	-	-	-
Cashflow from finan.	(971)	(1,849)	(413)	(413)	(413)
Chg cash & cash eq	104	136	2,042	1,240	1,592
Open cash & cash eq	155	259	395	2,437	3,677
Clsq cash & cash eq	259	395	2,437	3,677	5,269
Free cashflow to firm	1,107	1,806	2,455	1,653	2,005

Balance Sheet

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
SOURCES OF FUNDS :					
Share Capital	154	154	154	154	154
Reserves	10,085	11,543	14,130	16,889	20,106
Shareholders Funds	10,239	11,697	14,284	17,043	20,260
Minority interest	57	86	86	86	86
Non-Current Liab.					
Long term borrowings	3,686	2,347	2,347	2,347	2,347
Lease Liability	35	208	208	208	208
Deferred tax liability	302	273	273	273	273
Current Liab. & Prov.	2,515	2,777	3,241	3,703	4,186
Total Equity & Liab.	16,833	17,388	20,439	23,661	27,361
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets	7,483	7,409	6,819	7,335	7,784
Capital work in progress	216	52	52	52	52
Right to use	234	638	638	638	638
Goodwill	-	-	-	-	-
Noncurrent investment	1,354	1,500	1,802	2,140	2,518
Current Assets					
Current investment	-	-	-	-	-
Inventories	66	71	74	85	96
Sundry debtors	4,873	5,110	5,970	6,744	7,623
Cash and bank	259	395	2,437	3,677	5,269
Short loans & advances	2,349	2,213	2,647	2,990	3,381
Others current assets	-	-	-	-	-
Total Assets	16,833	17,388	20,439	23,661	27,361
Net working capital	4,772	4,618	5,450	6,115	6,913
Total Gross Debt	3,686	2,347	2,347	2,347	2,347
Total Net debt	3,426	1,952	(90)	(1,330)	(2,922)
Total capital employed	14,318	14,611	17,198	19,957	23,174

Key Ratios

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
PER SHARE					
EPS Rs	18.5	19.1	36.3	38.6	44.5
CEPS Rs	29.3	31.1	49.1	51.3	58.1
Book Value Rs	133.2	151.7	185.3	221.1	262.8
VALUATION					
EV / Net Sales	2.2	2.1	1.7	1.4	1.2
EV / EBITDA	24.5	22.1	14.4	13.7	11.8
P / E Ratio	39.0	37.9	19.9	18.8	16.2
P / BV Ratio	5.4	4.8	3.9	3.3	2.8
GROWTH YOY%					
Sales Growth	-1.3	3.1	19.6	13.0	13.0
EBITDA Growth	-3.6	8.6	47.7	3.1	13.0
Net Profit Growth	-2.0	3.3	90.3	6.2	15.4
Gross Fixed Asset Growth	7.7	5.8	2.6	9.5	8.6
PROFITABILITY					
EBITDA / Net Sales (%)	8.9	9.3	11.5	10.5	10.5
EBIT / Net sales (%)	6.6	6.9	9.5	8.8	9.0
NPM / Total income (%)	5.2	5.3	8.4	7.9	8.0
CFO (pre-tax) / EBITDA (%)	118.0	114.7	86.3	91.9	90.9
CFO (post-tax) / PAT (%)	170.5	207.1	102.0	106.1	102.2
ROE (%)	14.9	13.4	21.6	19.0	18.4
ROCE (%)	13.2	13.9	20.7	18.5	18.3
Tax / PBT %	11.1	14.3	16.0	16.0	16.0
TURNOVER					
Net Working Cycle	65	67	65	65	65
Debtors Velocity (Days)	65	66	65	65	65
Inventory (Days)	1.1	1.1	1.0	1.0	1.0
Current Ratio	3.0	2.8	3.4	3.6	3.9
Quick Ratio	3.0	2.8	3.4	3.6	3.9
LIQUIDITY					
Gross Asset Ratio	1.9	1.9	2.1	2.3	2.4
Total Asset Ratio	2.0	1.9	2.1	2.0	2.0
Net Debt-Equity Ratio	0.3	0.2	0.0	-0.1	-0.1
Interest Coverage	4.6	6.3	14.4	15.0	17.3
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	131.0	62.1	138.5	138.5	138.5
Yield %	0.4	0.2	0.4	0.4	0.4

Source: Company, AMSEC Research;

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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