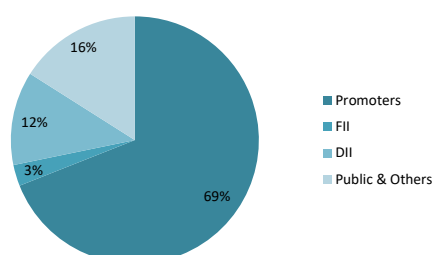
	<div>May 24, 2023</div> <div>Transport Corporation of India Ltd.</div> <div>...Sailing ahead with multimodal services</div>
<div>CMP: INR 680</div>	<div>Target: INR 901</div> <div>Result Update – Buy</div>

#### Key Share Data

Face Value (Rs)	2.0
Equity Capital (Rs mn)	155.1
M.Cap (Rs mn)	52734.0
52-w k High/Low (Rs)	845/556
Avg. Daily Vol (NSE)	82024
BSE Code	532349
NSE Code	TCI
Reuters Code	TCIL.NS
Bloomberg Code	TRPC:IN

#### Shareholding Pattern (as on Mar 31, 2023)



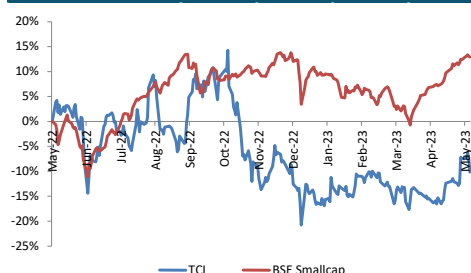
#### Key Financials (INR mn)

Particulars	FY22	FY23	FY24E	FY25E
Net Sales	32566.9	37825.8	42484.2	48240.6
Sales Gr.	16.2%	16.1%	12.3%	13.5%
EBIDTA	4087.5	4240.2	4550.0	5490.8
Adj. PAT	2896.2	3173.4	2884.7	3480.4
PAT Gr.	96.8%	9.6%	-9.1%	20.7%
EPS (Rs)	37.4	40.9	37.2	44.9
CEPS (Rs)	52.1	56.6	54.1	65.1

#### Key Ratios

Particulars	FY22	FY23	FY24E	FY25E
P/E (x)	18.2	16.6	18.3	15.2
P/BVPS (x)	3.7	3.1	2.7	2.4
M.Cap/Sales (x)	1.6	1.4	1.2	1.1
EV/EBIDTA (x)	12.8	12.1	11.4	8.9
ROCE (%)	19.8%	17.2%	16.3%	17.5%
ROE (%)	20.2%	18.6%	14.8%	15.7%
EBIDTM (%)	12.6%	11.2%	10.7%	11.4%
NPM (%)	8.9%	8.4%	6.8%	7.2%
Debt-Equity (x)	0.0	0.0	0.0	0.0

#### Price Performance TCI vs Nifty Infrastructure



Research Analyst: Vineet Agrawal

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e-mail: vineet.agrawal@skpsecurities.com

#### Company Background

Transport Corporation of India Limited (TCI), promoted by Mr. D.P. Agarwal & family, managed under the leadership of Mr. D.P. Agarwal, Chairman and Mr. Vineet Agarwal, Managing Director is India's leading integrated multimodal logistics service provider. The Company offers services like handling and movement of cargo, end-to-end supply chain management and coastal shipping through its three business verticals namely TCI Freight, TCI Supply Chain Services (TCI SCS) and TCI Seaways with extensive network of Company owned offices, ~10,000 trucks in operation, 14 mn sq. ft. of warehousing space and six maritime carriers.

#### Investment Rationale

##### Topline grew by ~9% on the back of robust growth in TCI SCS division

- During Q4FY23, TCI witnessed highest consolidated quarterly net sales of Rs 9,793.3 mn, registering a growth of 9% y-o-y, on the back of continued uptick in economic activities. Robust growth has been witnessed in TCI SCS division whereas de-growth has been witnessed in TCI Seaways division. Diversified service offerings, sectoral presence, adherence to core business fundamentals and a large customer base helped TCI in continued growth momentum.
- During the quarter, consolidated revenues from TCI Freight grew moderately by ~5% y-o-y at Rs 5,045.7 mn due to elevated base. However, robust growth of ~14% was witnessed in FY23 at ~Rs 19.2 bn amidst improved economic activities and higher volumes from large customers. LTL segment remained flat during FY23 and contributed ~35% to the total TCI Freight revenue. Management is confident of attaining 40% contribution from LTL segment by FY25E. TCI CONCOR also remained flat at Rs 3.05 bn during FY23 due to volume shift in favour of road transport.
- During Q4FY23, in spite of headwinds of general inflation and high interest rates, TCI SCS division witnessed a robust quarterly revenue growth of ~26% y-o-y at Rs 3,462.4 mn, fuelled by an uptick in automotive segment, growing demand of warehouses, retention and expansion of clients and new business acquisitions. High movement of auto rakes was witnessed during FY23 (1,811 rakes) vis-a-vis FY22 (1,194 rakes). TCI Cold Chain witnessed marginal topline growth of ~2% at ~Rs 601 mn during FY23 due to client consolidation to maintain margins.
- TCI Seaways division de-grew by ~5% y-o-y at Rs 1,521.1 mn on the back of lower freight rates and falling fuel price. However management highlighted that going forward growth potential in the segment is immense as majority of goods movement happens by road currently. The Company has planned dry docking of one ship in FY24 vis-à-vis three ships in FY23. TCI has not been able to buy a new ship during the year due to high costs which management expects to get added after Q3FY24E.
- Transsystem JV of TCI which is specifically focused on automobile segment has grown by 48% during FY23.
- In spite of headwinds of global recession, distressed rural demand and its impact on domestic manufacturing, commodity prices and export sector; demand momentum is expected to continue in the coming quarters, albeit at a slower pace. Taking cognizance of the same we have cautiously built in revenue growth of 12% and ~14% in FY24E, and FY25E respectively on the back of TCI's robust track record with multimodal capabilities.
- TCI has approved incorporation of 100% subsidiary namely 'TCI Middle East Logistics LLC' with an investment of USD 0.25 mn. Operations of the new subsidiary will be in line with the TCI's vision and enable it to further address growth opportunities in logistics and establish presence of the Company in the Middle East Region.

##### EBITDA Margins are expected to remain stable in the vicinity of 11.4%

- During Q4FY23, consolidated EBITDA margins declined by 230 bps y-o-y at 11%. EBIT margins from TCI Seaways have corrected by 200 bps at 27.7% due to absence of high margin international business (from Myanmar) and higher depreciation in comparison to the last year. Margins from TCI Freight remained flat at 4.2% y-o-y and TCI SCS declined by 60 bps y-o-y 6.5%. With the expected improvement in TCI Freight (due to higher contribution from LTL segment) and TCI SCS margins, we expect overall EBITDA margin of the Company to remain stable in the vicinity of ~11.4% through FY25E.
- During the quarter, Consolidated PAT margin declined by 120 bps at 8.3% y-o-y, on the back of a decline in operating margins, while other income went up during the quarter. Going forward, we expect PAT margins to remain in the vicinity of ~7.2% by FY25E.

#### VALUATION

- The launch of the National Logistics Policy along with PM Gati Shakti framework will provide a push towards seamless multimodal transportation and modern connectivity, making India's logistics efficient and competitive, which augers well for TCI. The Company is well placed to e-cash the same, due to its presence & expertise in multimodal services and better business mix backed by value-added services and customised offerings.
- We have valued TCI on a SOTP basis and maintain our buy recommendation on the stock with a target price of Rs 901 (upside of ~33%) in 18 months.

### Q4FY23 Consolidated Result Review

(All data in Rs mn unless specified, Y/e March)

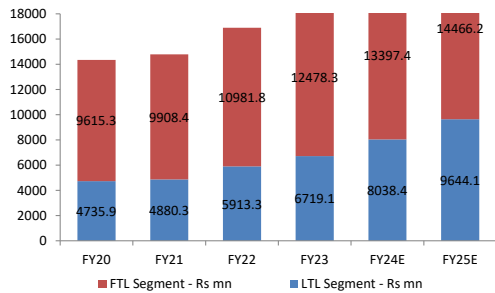
Particulars	Q4FY23	Q4FY22	% Change	Q3FY23	% Change	FY23	FY22	% Change
Net Sales	9793.3	8984.8	9.0%	9667.7	1.3%	37825.8	32588.0	16.1%
Operating Expenses	7837.6	7035.2	11.4%	7702.2	1.8%	30306.6	25766.4	17.6%
% to Sales	80.0%	78.3%	--	79.7%	--	80.1%	79.1%	--
Employee Expenses	509.7	439.1	16.1%	492.8	3.4%	1965.3	1699.8	15.6%
% to Sales	5.2%	4.9%	--	5.1%	--	5.2%	5.2%	--
Other Expenses	365.5	310.0	17.9%	327.9	11.5%	1313.7	1013.2	29.7%
% to Sales	3.7%	3.5%	--	3.4%	--	3.5%	3.1%	--
<b>TOTAL EXPENDITURE</b>	<b>8712.8</b>	<b>7784.3</b>	<b>11.9%</b>	<b>8522.9</b>	<b>2.2%</b>	<b>33585.6</b>	<b>28479.4</b>	<b>17.9%</b>
<b>EBIDTA</b>	<b>1080.5</b>	<b>1200.5</b>	<b>-10.0%</b>	<b>1144.8</b>	<b>-5.6%</b>	<b>4240.2</b>	<b>4108.6</b>	<b>3.2%</b>
<b>EBIDTA Margin (%)</b>	<b>11.0%</b>	<b>13.4%</b>	<b>--</b>	<b>11.8%</b>	<b>--</b>	<b>11.2%</b>	<b>12.6%</b>	<b>--</b>
Depreciation	311.0	371.3	-16.2%	313.9	-0.9%	1214.1	1130.2	7.4%
<b>EBIT</b>	<b>769.5</b>	<b>829.2</b>	<b>-7.2%</b>	<b>830.9</b>	<b>-7.4%</b>	<b>3026.1</b>	<b>2978.4</b>	<b>1.6%</b>
<b>EBIT Margin (%)</b>	<b>7.9%</b>	<b>9.2%</b>	<b>--</b>	<b>8.6%</b>	<b>--</b>	<b>8.0%</b>	<b>9.1%</b>	<b>--</b>
Interest	23.6	22.4	5.4%	26.1	-9.6%	98.2	128.3	-23.5%
Other Income	120.7	68.4	76.5%	69.8	72.9%	302.6	177.9	70.1%
<b>EBT before exceptional Items</b>	<b>866.6</b>	<b>875.2</b>	<b>-1.0%</b>	<b>874.6</b>	<b>-0.9%</b>	<b>3230.5</b>	<b>3028.0</b>	<b>6.7%</b>
<b>EBT Margin before exceptional items (%)</b>	<b>8.8%</b>	<b>9.7%</b>	<b>--</b>	<b>9.0%</b>	<b>--</b>	<b>8.5%</b>	<b>9.3%</b>	<b>--</b>
Share in Net Profit Loss of JV	106.0	97.1	9.2%	101.8	4.1%	443.6	276.7	60.3%
Exceptional Items	-33.8	0.0	--	0.0	--	-33.8	0.0	--
<b>EBT after exceptional Items</b>	<b>938.8</b>	<b>972.3</b>	<b>-3.4%</b>	<b>976.4</b>	<b>-3.9%</b>	<b>3640.3</b>	<b>3304.7</b>	<b>10.2%</b>
<b>EBT Margin after exceptional items (%)</b>	<b>9.6%</b>	<b>10.8%</b>	<b>--</b>	<b>10.1%</b>	<b>--</b>	<b>9.6%</b>	<b>10.1%</b>	<b>--</b>
Tax	114.7	108.5	5.7%	110.4	3.9%	434.4	376.5	15.4%
Minority Interest	9.3	9.8	-5.1%	8.2	-13.4%	32.5	32.1	1.2%
<b>Reported Profit After Tax</b>	<b>814.8</b>	<b>854.0</b>	<b>-4.6%</b>	<b>857.8</b>	<b>-5.0%</b>	<b>3173.4</b>	<b>2896.1</b>	<b>9.6%</b>
<b>PAT Margin (%)</b>	<b>8.3%</b>	<b>9.5%</b>	<b>--</b>	<b>8.9%</b>	<b>-6.2%</b>	<b>8.4%</b>	<b>8.9%</b>	<b>--</b>
Diluted EPS (Rs)	10.5	11.0	-4.8%	11.0	-5.0%	40.8	37.3	9.3%

Segment Wise Revenue Break-up	Q4FY23	Q4FY22	% Change	Q3FY23	% Change	FY23	FY22	% Change
Freight Division	5045.7	4797.4	5.2%	4826.4	4.5%	19197.4	16895.1	13.6%
Contribution	51%	53%	--	50%	--	50%	52%	--
Supply Chain Solution Division	3462.4	2745.2	26.1%	3335.3	3.8%	13404.6	10639	26.0%
Contribution	35%	30%	--	34%	--	35%	32%	--
Seaways Division	1521.1	1606.8	-5.3%	1702.2	-10.6%	5989.5	5577.8	7.4%
Contribution	15%	18%	--	17%	--	16%	17%	--
Energy Division	10.6	11.5	-7.8%	15.2	-30.3%	60.4	52.9	14.2%
Contribution	0%	0%	--	0%	--	0%	0%	--
Unallocable & Corporate	92.2	51.4	79.4%	44.9	105.3%	214.9	126.9	69.3%
Contribution	1%	1%	--	0%	--	1%	0%	--
Less Inter Segment Revenue	218	159.1	37.0%	186.5	16.9%	738.4	525.8	40.4%
<b>Total</b>	<b>9914.0</b>	<b>9053.2</b>	<b>9.5%</b>	<b>9737.5</b>	<b>-100.0%</b>	<b>38128.4</b>	<b>32765.9</b>	<b>16.4%</b>

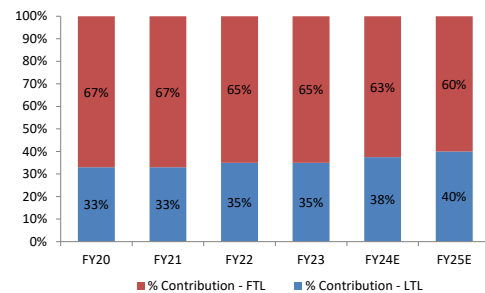
Segment Wise EBIT Break-up	Q4FY23	Q4FY22	% Change	Q3FY23	% Change	FY23	FY22	% Change
Freight Division	214.1	198.1	8.1%	217.0	-1.3%	784.1	674.6	16.2%
EBIT Margin (%)	4.2%	4.1%	--	4.5%	--	4.1%	4.0%	--
Supply Chain Solution Division	226	195	15.9%	200.3	12.8%	818.1	648.8	26.1%
EBIT Margin (%)	6.5%	7.1%	--	6.0%	--	6.1%	6.1%	--
Seaways Division	421.6	476.8	-11.6%	458.3	-8.0%	1644.8	1789.6	-8.1%
EBIT Margin (%)	27.7%	29.7%	--	26.9%	--	27.5%	32.1%	--
Energy Division	3.4	5.6	39.3%	8.5	-60.0%	29.3	30.0	-2.3%
EBIT Margin (%)	32.1%	48.7%	--	55.9%	--	48.5%	56.7%	--
Unallocable & Corporate	0.0	0.0	--	0.0	--	0.0	0.0	--
EBIT Margin (%)	0.0%	0.0%	--	0.0%	--	0.0%	0.0%	--
<b>Total</b>	<b>865.1</b>	<b>875.5</b>	<b>-1.2%</b>	<b>884.1</b>	<b>-2.1%</b>	<b>3276.3</b>	<b>3143</b>	<b>4.2%</b>

Source: The Company and SKP Research

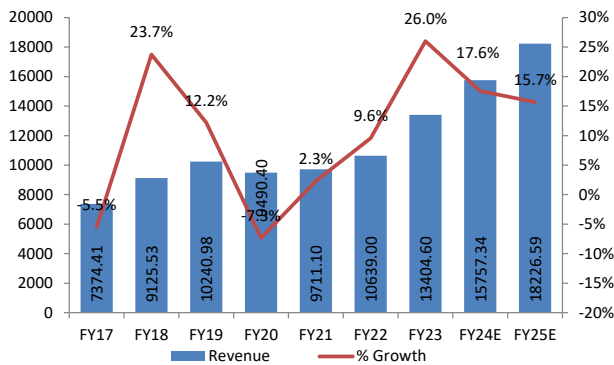
**Chart 1: TCI Freight Revenue - LTL vs FTL**



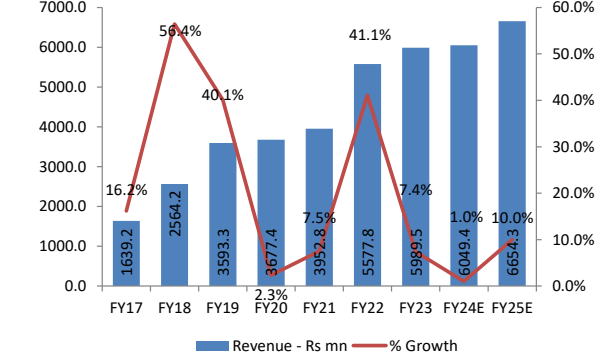
**Chart 2: Improving Contribution from LTL**



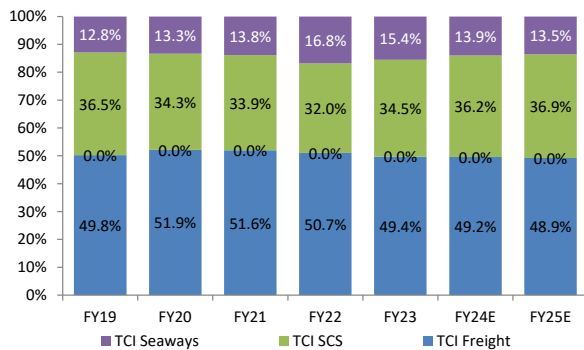
**Chart 3: Growing Contribution from TCI SCS**



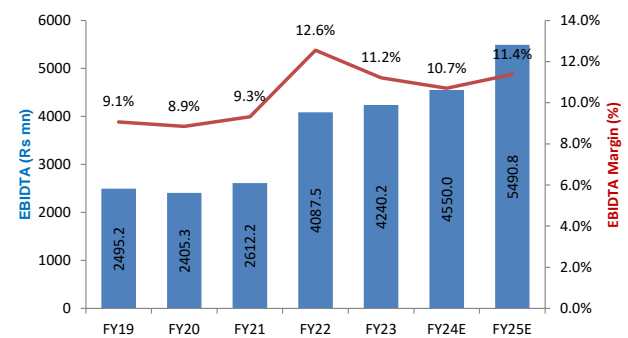
**Chart 4: Increasing Contribution from TCI Seaways**



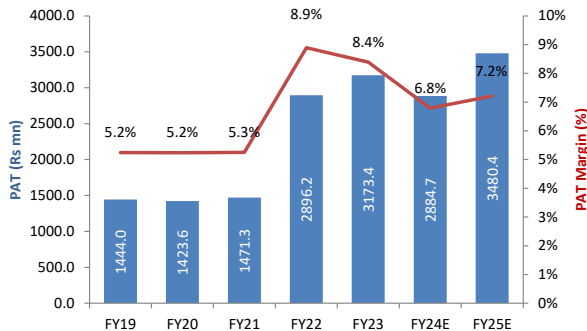
**Chart 5: Segment Wise Revenue Contribution**



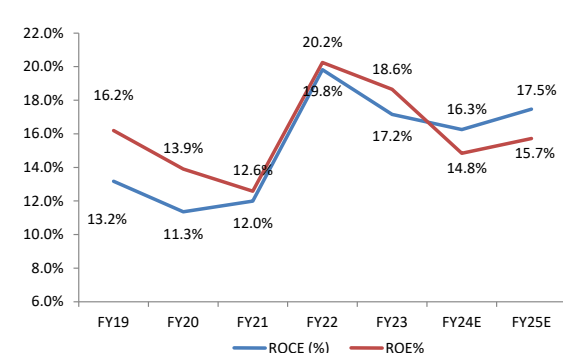
**Chart 6: EBITDA Margin**



**Chart 7: PAT and PAT Margin**



**Chart 8: ROCE & ROE**



Source: SKP Research

## Key Concerns

1. **Rise in crude price:** There is a time lag of one month in fuel price revision (both for trucks and coastal shipping). Thus, any unprecedented sharp rise in the prices of crude may negatively impact the profitability of the Company.
2. **Slowdown in automotive segment:** TCI SCS division is heavily dependent upon automotive industry, with exposure of 80% of division's revenue, which is currently facing slowdown due to ongoing semi-conductor crisis. Prolonged continuation of the crisis in the automotive sector may hamper the results of the Company.
3. **Slowdown in the economy:** Logistics industry growth is directly linked with country's GDP growth rate. Unfortunately, the GDP took severe dent during FY21 when it contracted by ~7.3% due to lock down imposed by Government of India due to COVID – 19 Pandemic during First Quarter. However, the economy recovered gradually from Q2FY21 onwards. With the pick-up in high frequency indicators like Government's expenditure in growth oriented projects GDP for FY24 is pegged at positive 6.2%.

This rebound in growth has also resulted in the rise in inflation due to several factors, including rising vegetable prices, elevated fuel costs and rising input costs for companies. This has triggered rise in interest rates to curb inflation which may slowdown the economy again. Any such slowdown in the economy may put pressure on the growth prospects of the logistics industry.

## VALUATION

The launch of the National Logistics Policy along with PM Gati Shakti framework will provide a push towards seamless multimodal transportation and modern connectivity, making India's logistics efficient and competitive, which augers well for TCI. The Company is well placed to e-cash the same, due to its presence & expertise in multimodal services and better business mix backed by value-added services and customised offerings.

### SOTP Valuation

Business Segment	EBIDTA (Rs mn)	EV/EBIDTA (x)	Rs mn
TCI Freight	1,446.6	10.0	14,466.2
TCI SCS	1,804.4	12.0	21,653.2
TCI Seaways	2,195.9	9.0	19,763.4
TCI Energy	40.0	1.0	40.0
Transystem (Valued on the basis of P/E)	535.4	14.0	7,496.3
<b>Total EV</b>			<b>63,419.0</b>
Less: Debt			336.9
Add: Investment			2,858.9
Add: Cash			3,945.3
<b>Shareholder's Value</b>			<b>69,886.2</b>
No. of shares outstanding (mn Shares)			77.6
<b>Fair Value (Rs per share)</b>			<b>901.2</b>
CMP (Rs per Share)			680.0
<b>Upside</b>			<b>32.5%</b>

Source: SKP Research

## Consolidated Financials

Exhibit: Income Statement				Rs mn
Particulars	FY22	FY23	FY24E	FY25E
Net Operating Income	32566.9	37825.8	42484.2	48240.6
<b>Topline Growth (%)</b>	<b>16.2%</b>	<b>16.1%</b>	<b>12.3%</b>	<b>13.5%</b>
Operating Expenditure	28479.4	33585.6	37934.2	42749.8
EBIDTA	4087.5	4240.2	4550.0	5490.8
Depreciation	1130.2	1214.1	1311.4	1564.6
EBIT	2957.3	3026.1	3238.5	3926.2
Other Income	199.1	302.6	302.8	302.8
Interest	128.3	98.2	77.9	53.9
Exceptional Items	0.0	33.8	0.0	0.0
Profit/(Loss) from Associates	276.7	443.6	486.8	535.4
EBT after Exceptional Items	3304.8	3640.3	3463.4	4175.1
Tax	376.5	434.4	536.8	647.1
Minority Interest	32.1	32.5	41.9	47.5
PAT	2896.2	3173.4	2884.7	3480.4
EPS (Rs)	37.4	40.9	37.2	44.9

Exhibit: Cash Flow Statement				Rs mn
Particulars	FY22	FY23	FY24E	FY25E
PBT	3304.7	3640.3	3463.4	4175.1
Depreciation	1130.2	1214.1	1311.4	1564.6
Interest Provided	128.3	98.2	77.9	53.9
Chg in Working Capital	-162.5	-729.3	-436.2	-1275.7
Direct Taxes Paid	-494.4	-186.2	-536.8	-647.1
Other Charges	-226.2	-430.5	0.0	0.0
<b>Operating Cash Flows</b>	<b>3680.1</b>	<b>3606.6</b>	<b>3879.7</b>	<b>3870.7</b>
Capital Expenditure	-760.1	-1560.4	-3490.2	-500.0
Investments	-175.4	-803.6	0.0	0.0
Others	173.3	432.6	0.0	0.0
<b>Investing Cash Flows</b>	<b>-762.2</b>	<b>-1931.4</b>	<b>-3490.2</b>	<b>-500.0</b>
Change in Equity	33.5	35.4	0.0	0.0
Inc/(Dec) in Debt	-2147.5	5.9	-138.3	-150.0
Dividend Paid	-409.6	-542.7	-465.3	-775.5
Others	-55.9	-153.3	-77.9	-53.9
<b>Financing Cash Flows</b>	<b>-2579.5</b>	<b>-654.7</b>	<b>-681.5</b>	<b>-979.4</b>
Chg in Cash & Cash Eqv	338.4	1020.5	-292.0	2391.3
Opening Cash Balance	395.0	744.5	1845.9	1553.9
Difference of CF and BS	11.1	80.9	0.0	0.0
<b>Closing Cash Balance</b>	<b>744.5</b>	<b>1845.9</b>	<b>1553.9</b>	<b>3945.3</b>

Source: The Company & SKP

Exhibit: Balance Sheet				Rs mn
Balance Sheet	FY22	FY23	FY24E	FY25E
Equity Capital	154.7	155.1	155.1	155.1
Reserves	14148.1	16862.8	19282.2	21987.2
Net Worth	14302.8	17017.9	19437.3	22142.3
Minority Interest	273.8	301.2	343.1	390.6
Loan Funds	619.3	625.2	486.9	336.9
Deferred Tax Liab.	275.6	300.2	300.2	300.2
Other Longterm Liabilities	283.3	253.5	284.7	323.3
<b>Total Liabilities</b>	<b>15754.8</b>	<b>18498.0</b>	<b>20852.2</b>	<b>23493.3</b>
Net Block	8013.5	7912.6	10351.2	9286.6
Capital WIP	73.0	259.8	0.0	0.0
Investment	1927.0	2858.9	2858.9	2858.9
Other Non- Current Assets	251.0	504.5	637.3	820.1
Net Current Assets	5490.3	6962.2	7004.9	10527.7
<b>Total Assets</b>	<b>15754.8</b>	<b>18498.0</b>	<b>20852.2</b>	<b>23493.3</b>

Exhibit: Ratio Analysis				
Particulars	FY22	FY23	FY24E	FY25E
<b>Earning Ratios (%)</b>				
EBIDTAM	12.6%	11.2%	10.7%	11.4%
NPM	8.9%	8.4%	6.8%	7.2%
ROE	20.2%	18.6%	14.8%	15.7%
ROCE	19.8%	17.2%	16.3%	17.5%
<b>Per Share Data (Rs/Share)</b>				
Diluted EPS	37.4	40.9	37.2	44.9
Cash EPS	52.1	56.6	54.1	65.1
Book Value Per Share	184.9	219.4	250.6	285.5
<b>Valuation Ratios (x)</b>				
P/E	18.2	16.6	18.3	15.2
Price/Book Value Per Share	3.7	3.1	2.7	2.4
EV/Sales	1.6	1.4	1.2	1.0
EV/EBIDTA	12.8	12.1	11.4	8.9
EV/EBIT	17.7	17.0	16.0	12.5
<b>Balance Sheet (x)</b>				
Debt-Equity	0.0	0.0	0.0	0.0
Current Ratio	3.2	3.8	3.2	4.0
FA/Turnover	4.1	4.8	4.1	5.2

**Exhibit: Recommendation -History Table**

Date	Rating	Issue Price	Target Price	Upside Potential	Period (months)
09-01-20	BUY	268	355	32%	18
07-02-20	BUY	267	346	30%	18
08-06-20	BUY	174	233	34%	15
21-08-20	HOLD	235	253	8%	12
07-11-20	BUY	228	278	22%	12
18-02-21	BUY	247	386	56%	18
27-05-21	BUY	355	479	35%	18
07-08-21	BUY	452	560	24%	18
01-11-21	Accumulate	689	770	12%	18
30-01-22	BUY	712	857	20%	18
31-05-22	Accumulate	735	796	8%	--
09-08-22	BUY	723	855	18%	18
02-11-22	BUY	694	877	26%	15
01-02-23	BUY	614	898	46%	18
24-05-23	BUY	680	901	33%	18

Source: SKP Research

**Exhibit: Recommendation -History**



Source: BSE, SKP Research



**Notes:**

**The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.**

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