

Accumulate

- TCI reported a better than expected quarter amid challenging times. Revenues declined by 46% YoY driven by sharp -47%/-56%/-14% YoY growth in Freight segments /Supply Chain/Seaways segment. EBITDA margins at 8.5%. EBIT margins of Freight and Supply Chain at multi-year low while utilization stood 55-60%/45-50%.
- Management highlighted that (1) Company remains optimistic over its warehouse segment. (2) SCS Utilization levels have touched 80-85% in July and stocking is increasing before festive season. (3) Try to maintain FY20 levels margins (4) Capex for FY21 stood at Rs 1.25Bn, will add 1 ship in Q3FY21 (5) Secondary truck sales have picked up (6) Freight rates may increase or remain at existing levels (7) Consolidation happening across all segments.
- With substantial improvement expected in coming quarters, we increase our EPS estimates by 13%/15% for FY21E/FY22E. We revise our target to Rs 230 at 11x FY22E with Accumulate rating.

Improvement in utilization and thrust on Warehousing to drive growth

TCIL reported a topline de-growth of 46% YoY in Q1FY21. Drop in Topline was driven by -47%/-56%/-14% YoY growth in Freight segments /Supply Chain/Seaways segment. EBITDA came lower 51% to Rs 279mn while margins stood at 8.5% YoY vs 9.2% YoY/9.3% QoQ. The **supply chain segment** utilization stood at ~45-55% driven by weak automotive sector and subdued consumer sector. Better revenue realization and cost optimization measure will drive margins higher. Margins improved to 11.2% margin vs 10.5% YoY/9.3% QoQ. RoCE dropped sharply to 4.3%. **Freight segment** operated between 55-60% amid weak environment. Better cost management helped to make PBT breakeven. EBITDA margin dropped further to 2.5%. RoCE stood at 3.9%. **Seaways** saw the shift from Road/Rail to sea which led higher cargo volumes. Utilisation ranged between at 70-80%. Margins for the segment also dropped to 18.6% vs 29.5% YoY/QoQ on the back of 15-20% increase in fuel cost. RoCE stood at 4.4%. Overall RoCE stood at 5.4% vs 14% in FY20. EBIT margins of all three segments were at record low. TCI - CONCOR reported 81% YoY growth to Rs 725mn while TCI Cold Chain reported 13% YoY growth. However, Transystem declined 77% YoY. Overall D/E stood at 0.37x.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	25,134	6,121	310.6	6,257	301.7
Total Expense	22,799	5,559	310.1	5,677	301.6
EBITDA	2,335	562	315.3	580	302.7
Depreciation	777	186	317.2	197	295.0
EBIT	1,558	376	314.4	383	306.6
Other Income	283	75	275.7	67	324.8
Interest	324	82	292.6	80	305.4
EBT	1,518	369	311.4	370	310.1
Tax	155	72	116.1	57	170.1
RPAT	1,363	297	358.3	313	335.7
APAT	1,363	297	358.3	313	335.7
			(bps)		(bps)
Gross Margin (%)	15.4	15.3	9	15.8	(43)
EBITDA Margin (%)	9.3	9.2	11	9.3	2
NPM (%)	5.4	4.9	56	5.0	42
Tax Rate (%)	10.2	19.4	(920)	15.5	(528)
EBIT Margin (%)	6.2	6.1	6	6.1	7

CMP	Rs 210
Target / Upside	Rs 230 / 9%
BSE Sensex	38,341
NSE Nifty	11,301

Scrip Details

Equity / FV	Rs 154mn / Rs 2
Market Cap	Rs 16bn
	US\$ 216mn
52-week High/Low	Rs 313/Rs 122
Avg. Volume (no)	48,504
NSE Symbol	TCI
Bloomberg Code	TRPC IN

Shareholding Pattern Jun'20(%)

Promoters	66.9
MF/Banks/FIs	9.3
FII	1.8
Public / Others	22.1

Valuation (x)

	FY20A	FY21E	FY22E
P/E	11.4	14.5	10.1
EV/EBITDA	8.4	9.3	7.5
ROE (%)	14.9	10.4	13.3
RoACE (%)	11.2	7.8	10.2

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	27,178	24,236	27,558
EBITDA	2,405	2,060	2,535
PAT	1,424	1,114	1,604
EPS (Rs.)	18.5	14.5	20.9

VP Research: Vinod Chari

Tel: +91 22 40969776

E-mail: vinodc@dolatcapital.com

Associate: Nishant Shah

Tel: +9122 409697758

E-mail: nishant.shah@dolatcapital.com

Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimated	% Variance	Remarks
Net sales	3,280	2,583	27.0	Improvement in utilization drove sales higher
EBITDA	279	220	26.8	Higher sales and better cost management led EBITDA higher
EBITDA margin (%)	8.5	8.5	-1bps	
Adj Net Income	99	(35)	(378.3)	Higher operating profit and higher other income
EPS (Rs)	1.3	-0.5	(378.3)	

Source: Company, DART

Maintain Accumulate

Overall slower macroeconomic trends and YoY declines seen in Auto OEM segment led to subdued performance of the company during the quarter. Reflecting improvement in utilization and positive comment on better performance in coming quarters, we increase our EPS estimates by 13%/15% for FY21E/FY22E. We revise our target to ` 230 at 11x FY21E with Accumulate rating.

Exhibit 2: Change in estimates

Key Parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	23,689	24,236	2.3	26,734	27,558	3.1
EBITDA (Rs mn)	1,942	2,060	6.1	2,459	2,535	3.1
EBITDA margin (%)	8.2	8.5	30bps	9.2	9.2	0bps
Net profit (Rs mn)	988	1,114	12.8	1,397	1,604	14.8
EPS (Rs)	12.9	14.5	12.8	18.2	20.9	14.8

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key Assumptions:	FY19	FY20E	FY21E	FY22E
Freight Division YoY Growth (%)	17.3	3.2	(11.4)	15.0
SCS YoY Growth (%)	11.7	(9.2)	(15.7)	15.0
Seaways Division YoY Growth (%)	40.1	2.3	2.5	10.0
Total Revenue YoY Growth (%)	17.4	(1.7)	(10.9)	14.2
EBITDA Margins (%)	9.1	8.9	8.5	9.2

Source: DART, Company

Economic slackness slows the segmental growth pace

TCIL reported a topline de-growth of 46% YoY in Q1FY21. Drop in Topline was driven by -47%/-56%/-14% YoY growth in Freight segments /Supply Chain/Seaways segment. EBITDA came lower 51% YoY/ to Rs 279mn while margins stood at 8.5% YoY vs 9.2% YoY/9.3% QoQ. Adj PAT de-grew by 67% YoY to Rs 99mn led by cost efficiencies and lower tax and higher other income led by. The segment mix for Freight /SCS/Seaways stood at 47:32:20% vs 48:39:13% YoY/51:33:16% QoQ. Overall RoCE stood at 5.4% vs 14% in FY20.

Segment-wise performance

Freight division: reported a revenue de-grew 47% YoY/-51% QoQ to Rs 1.6Bn. Freight segment operated between 55-60% amid weak environment. Currently utilization has touched ~80% in July. Better cost management helped to make PBT breakeven. Freight segment EBITDA margin dropped further to 2.5%. RoCE stood at 3.9%. EBIT margin too reported multi-year low at 1.3% vs 2.8% YoY/3.6% QoQ. The segment has benefited from higher growth in the LTL business, fuel cost improvement, and cost cutting measures. The management expects freight rates to remain stable or increase further. No major movement seen on heavy capex companies.

Supply chain segment (SCS) reported a revenue de-grew of 56% YoY/-49% QoQ to Rs 1Bn. The supply chain segment utilization stood at ~45-55% driven by weak automotive sector and subdued consumer sector. July saw an improvement in utilization touching ~75-80%. The drivers and workers issue have minimized. Warehousing segment continued to do better during the quarter with E-com and the pharma. A good traction is seen and will continue in coming foreseeable future driven by FMCG, consumer, E-com. The customers are moving with thought process of Just In Time to Just In Case (more safety measures). E-com volumes have been similar to last year Diwali levels. Segment witnessed an improvement to 11.2% EBITDA margin vs 10.5% YoY/9.3% QoQ. Better revenue realization and optimization measure are expected to drive margins higher. RoCE dropped sharply to 4.3%. EBIT margins dropped to 3% YoY, multi-year low.

Seaways division reported a revenue de-grew 14% YoY/-35% QoQ to Rs 680mn. The shift from Road/Rail to sea led higher cargo volumes. Utilisation ranged between at 70-80%. EBITDA Margins for the segment also dropped to 18.6% vs 29.5% YoY/QoQ on the back of 15-20% increase in fuel cost. EBIT Margins stood at 18.6% vs 29.5% YoY/QoQ. RoCE stood at 4.4%. This was on account of lower volumes on West Coast and higher base YoY. The company is likely to add another ship in Q3FY21 as they are available at much deep discounts and spare parts will be interchangeable with sister ship. 1 ship may go for dry docking during the year. Consolidation happening in the sector.

Joint ventures: CONCOR JV reported 81% YoY growth to Rs 725mn benefitted from shift in volumes from Road to Rail.. while TCI Cold Chain reported 13% YoY growth. However, Transystem (Toyota JV) declined 77% YoY to Rs 290mn due to slowdown in auto segment.

Other Highlights (1) TCI delivered the essentials commodities like Food Grains, Farm Equipment, Pharmaceuticals, Polymers for PPEs, Sanitizers, Chemicals, etc. through its diversified multimodal operations of using road, rail and coastal shipping networks. (2) The demand will be backed by e-commerce, Consumption industries, auto sectors along

with the ongoing movement in agriculture, food processing, pharmaceuticals, and the chemicals sector. (3) TCI Bangladesh, a 100% subsidiary of TCI became the first company to handle two trains carrying value added goods and automobiles in Bangladesh at Benapole, a major land port. (4) Ecom segment sales in past 4 months is what expected next 3-4 years by many known companies. (5) Shift from China to India will benefit the pharma companies the most (6) May see shift from unorganized to organized players post covid due to its ability to provide service even in the challenging times

Exhibit 4: Result Snapshot

(Rs mn)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ(%)
Net sales	6,121	6,282	6,473	6,257	3,280	(46.4)	(47.6)
Expenditure	5,559	5,717	5,846	5,677	3,001	(46.0)	(47.1)
Operating Expense	5,187	5,343	5,476	5,270	2,713	(47.7)	(48.5)
Employees Cost	372	374	370	408	289	(22.5)	(29.2)
Other Expenses	562	566	627	580	279	(50.5)	(52.0)
Operating profit	75	84	58	67	89	18.2	33.6
Other income	186	190	204	197	195	4.9	(0.7)
Interest	451	459	481	450	172	(61.8)	(61.7)
Depreciation	82	77	84	80	70	(15.5)	(12.8)
PBT	369	284	396	370	103	(72.2)	(72.2)
Tax	72	-49	75	57	4	(94.3)	(92.8)
PAT	297	432	321	313	99	(66.8)	(68.5)
EPS (Rs)	9.2	9.0	9.7	9.3	8.5	-69cps	-78bps

Source: Company, DART

Exhibit 5: As a % of Sales

% of Sales	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ(%)
Operating Expense	90.8	91.0	90.3	90.7	91.5	69bps	78bps
Employees Cost	84.7	85.1	84.6	84.2	82.7	-202bps	-151bps
Other Expenses	6.1	5.9	5.7	6.5	8.8	272bps	229bps
EBITDA Margins(%)	9.2	9.0	9.7	9.3	8.5	-69bps	-78bps
PAT Margins (%)	4.9	6.9	5.0	5.0	3.0	-185bps	-199bps

Source: Company, DART

Exhibit 6: Sales Mix

(Rs mn)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ(%)
Freight Division	2,990	3,058	3,203	3,227	1,578	(47.2)	(51.1)
Supply Chain Solutions Division	2,391	2,413	2,368	2,078	1,056	(55.8)	(49.2)
Seaways division	789	854	989	1,046	682	(13.5)	(34.8)
Energy Division	15	30	5	6	14	(7.5)	130.5
Unallocable & Corporate	68	70	29	35	82	19.5	131.8
Less Inter Segment Revenue	56	59	63	68	43	(23.2)	(37.1)
Total Sales	6,196	6,366	6,531	6,323	3,369	(45.6)	(46.7)

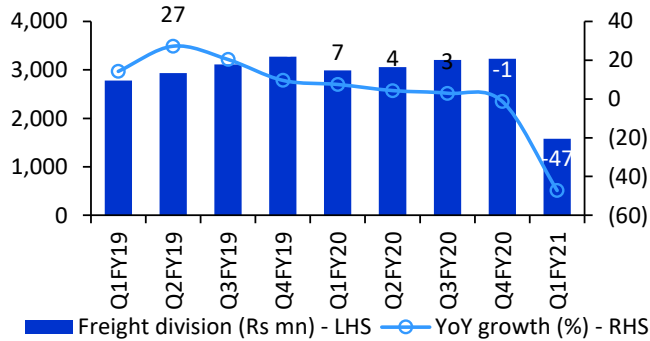
Source: Company, DART

Exhibit 7: PBIT Margin (%)

PBIT Margin %	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ(%)
Freight Division	2.8	3.0	3.6	3.6	1.3	-148cps	-232bps
Supply Chain Solutions Division	7.0	6.6	5.6	4.9	3.0	-403cps	-190bps
Seaways division	19.8	17.0	22.9	21.5	6.0	-1389cps	-1557bps

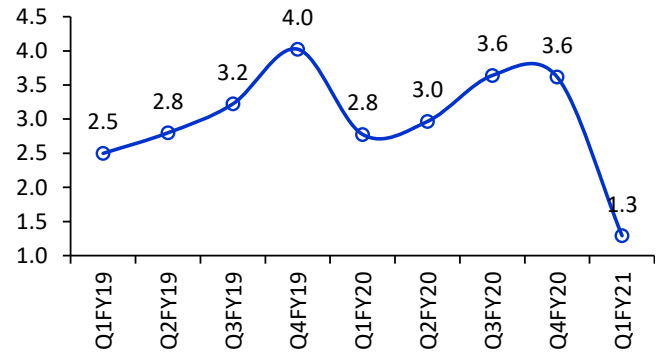
Source: DART, Company

Exhibit 8: Freight division Revenue and YoY growth trend



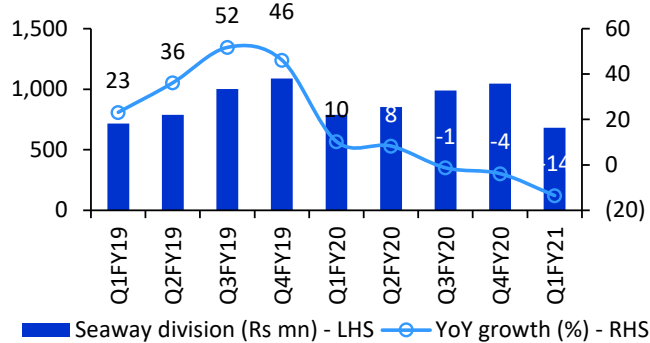
Source: Company, DART

Exhibit 9: Freight division EBIT Margin trend (%)



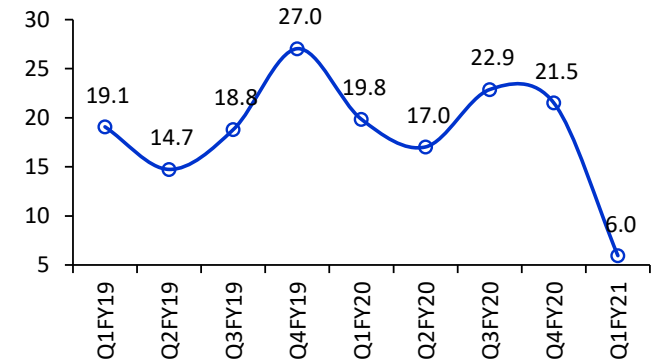
Source: Company, DART

Exhibit 10: Seaways division Revenue and YoY growth trend



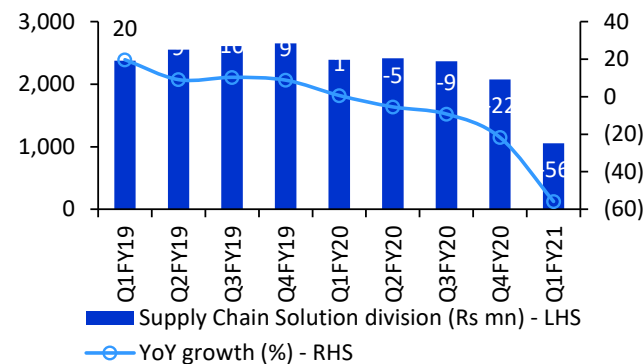
Source: Company, DART

Exhibit 11: Seaways division EBIT Margin trend (%)



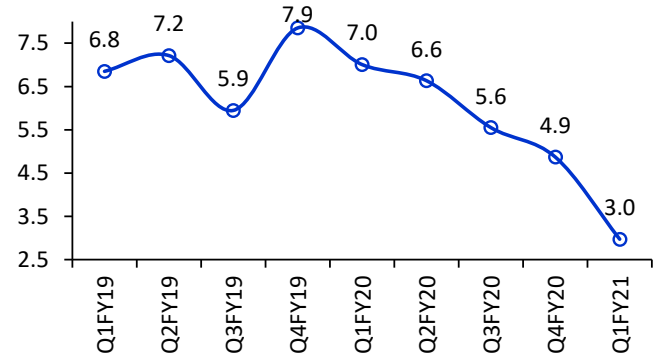
Source: Company, DART

Exhibit 12: Supply Chain Solution division Revenue and YoY growth trend



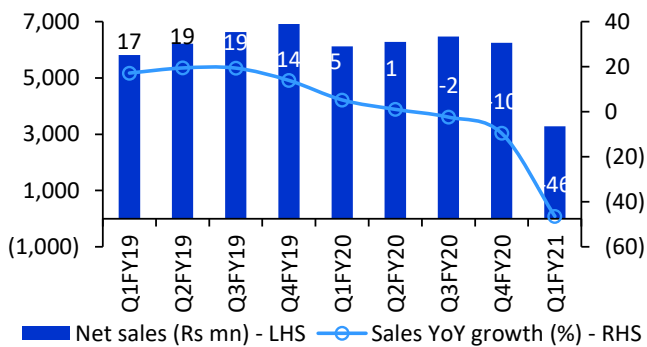
Source: Company, DART

Exhibit 13: SCS division EBIT Margin trend (%)



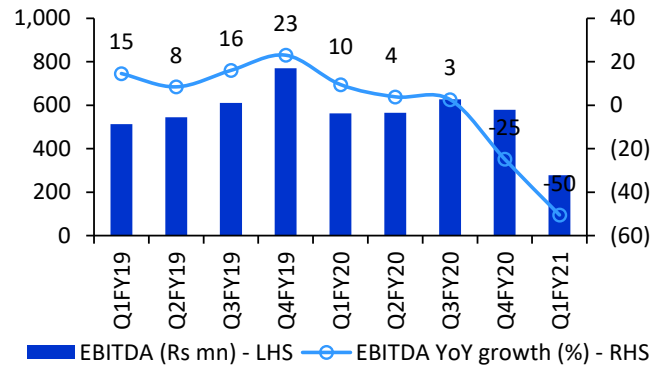
Source: Company, DART

Exhibit 14: Revenue and Revenue growth trend



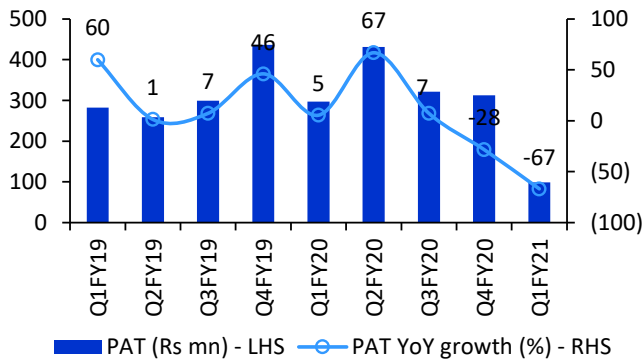
Source: Company, DART

Exhibit 15: EBITDA and EBITDA growth trend



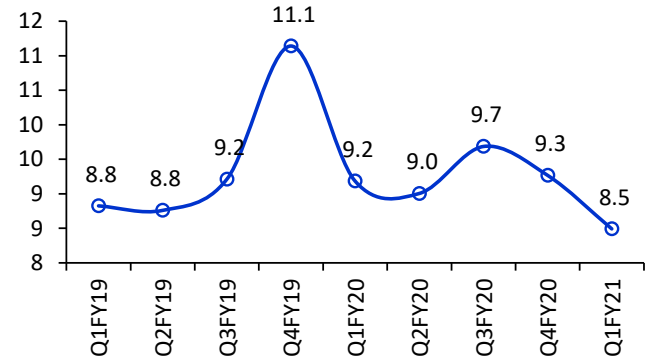
Source: Company, DART

Exhibit 16: PAT and PAT growth trend



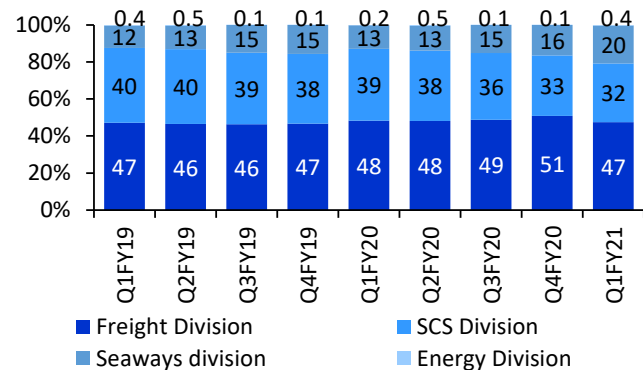
Source: Company, DART

Exhibit 17: EBITDA margin trend (%)



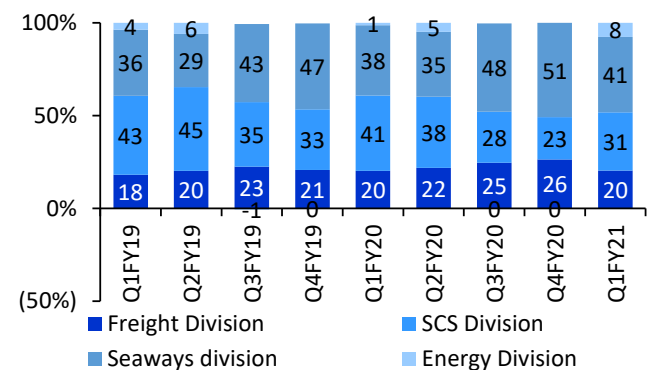
Source: Company, DART

Exhibit 18: Revenue mix trend



Source: Company, DART

Exhibit 19: EBIT mix trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	27,536	27,178	24,236	27,558
Total Expense	25,041	24,773	22,176	25,023
COGS	22,515	22,143	19,283	21,927
Employees Cost	1,402	1,572	1,729	1,850
Other expenses	1,124	1,058	1,164	1,245
EBIDTA	2,495	2,405	2,060	2,535
Depreciation	774	825	917	891
EBIT	1,721	1,580	1,143	1,645
Interest	374	343	306	265
Other Income	195	201	262	301
Exc. / E.O. items	(7)	(99)	0	0
EBT	1,535	1,340	1,098	1,680
Tax	333	159	246	354
RPAT	1,444	1,424	1,114	1,604
Minority Interest	9	8	7	10
Profit/Loss share of associates	251	252	269	288
APAT	1,444	1,424	1,114	1,604

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	153	154	155	155
Minority Interest	52	57	57	57
Reserves & Surplus	8,766	10,085	11,123	12,604
Net Worth	8,920	10,239	11,277	12,758
Total Debt	4,703	4,186	3,286	3,186
Net Deferred Tax Liability	390	302	302	302
Total Capital Employed	14,065	14,784	14,922	16,303

Applications of Funds

Net Block	7,268	7,717	8,016	8,425
CWIP	40	216	0	0
Investments	1,168	1,354	1,623	1,911
Current Assets, Loans & Advances	7,683	7,547	7,479	8,098
Inventories	53	66	60	76
Receivables	5,151	4,873	4,781	5,285
Cash and Bank Balances	155	259	251	310
Loans and Advances	2,324	2,349	2,388	2,427
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	2,095	2,050	2,196	2,130
Payables	674	639	851	686
Other Current Liabilities	1,421	1,411	1,345	1,445
<i>sub total</i>				
Net Current Assets	5,589	5,497	5,284	5,968
Total Assets	14,065	14,784	14,922	16,303

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	18.2	18.5	20.4	20.4
EBIDTA Margin	9.1	8.9	8.5	9.2
EBIT Margin	6.2	5.8	4.7	6.0
Tax rate	21.7	11.9	22.4	21.1
Net Profit Margin	5.2	5.2	4.6	5.8
(B) As Percentage of Net Sales (%)				
COGS	81.8	81.5	79.6	79.6
Employee	5.1	5.8	7.1	6.7
Other	4.1	3.9	4.8	4.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.5	0.4	0.3	0.2
Interest Coverage	4.6	4.6	3.7	6.2
Inventory days	1	1	1	1
Debtors days	68	65	72	70
Average Cost of Debt	8.2	7.7	8.2	8.2
Payable days	9	9	13	9
Working Capital days	74	74	80	79
FA T/O	3.8	3.5	3.0	3.3
(D) Measures of Investment				
AEPS (Rs)	18.8	18.5	14.5	20.9
CEPS (Rs)	28.9	29.3	26.4	32.5
DPS (Rs)	2.2	2.4	1.0	1.6
Dividend Payout (%)	11.6	13.1	6.9	7.7
BVPS (Rs)	116.1	133.2	146.7	166.0
RoANW (%)	17.5	14.9	10.4	13.3
RoACE (%)	11.9	11.2	7.8	10.2
RoAIC (%)	13.1	11.1	7.8	10.7
(E) Valuation Ratios				
CMP (Rs)	210	210	210	210
P/E	11.2	11.4	14.5	10.1
Mcap (Rs Mn)	16,165	16,165	16,165	16,165
MCap/ Sales	0.6	0.6	0.7	0.6
EV	20,713	20,092	19,200	19,041
EV/Sales	0.8	0.7	0.8	0.7
EV/EBITDA	8.3	8.4	9.3	7.5
P/BV	1.8	1.6	1.4	1.3
Dividend Yield (%)	1.0	1.2	0.5	0.8
(F) Growth Rate (%)				
Revenue	17.2	(1.3)	(10.8)	13.7
EBITDA	15.3	(3.6)	(14.4)	23.1
EBIT	16.4	(8.2)	(27.7)	43.9
PBT	18.1	(12.8)	(18.0)	53.0
APAT	17.2	(1.4)	(21.7)	44.0
EPS	17.2	(1.4)	(21.7)	44.0
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,791	2,523	2,288	1,845
CFI	(1,576)	(1,448)	(1,008)	(1,287)
CFF	(202)	(971)	(1,289)	(498)
FCFF	500	1,187	1,288	545
Opening Cash	142	155	259	251
Closing Cash	155	259	251	310

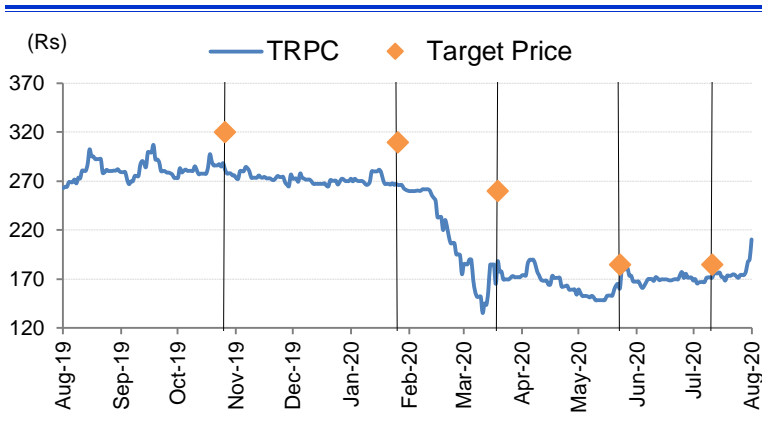
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Accumulate	320	282
Feb-20	Accumulate	310	266
Mar-20	Buy	260	188
Jun-20	Accumulate	185	161
Jul-20	Accumulate	185	171

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	yomika@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
