

Transport Corporation of India

Estimate change 

TP change 

Rating change 

CMP: INR761

TP: INR880 (+16%)

Buy

Performance in line; supply chain division aids growth

Addition of a new ship awaited

- Transport Corporation of India (TRPC) reported revenue of ~INR9.5b in 1QFY24, up 9% YoY (5% below our estimate). The Freight and Supply Chain divisions grew 3% and 20% YoY, respectively. The high-margin Seaways segment declined ~18% YoY during the quarter.
- EBITDA margin contracted 90bp YoY to 10.6% (our est. 10.8%). The Seaways division's EBIT margin rose 150bp QoQ to 29.2% in 1QFY24 from 27.7% in 4QFY23. Further, Supply Chain division's EBIT margin improved 80bp YoY.
- APAT grew 6% YoY to INR823m (5% above estimate). Lower-than-expected tax rate supported PAT during the quarter.
- While the Freight Services business is expected to benefit from the shift to organized sectors from the unorganized ones, the Supply Chain division is likely to continue its growth momentum driven by the automotive sector. TRPC's highest margin segment, Seaways, is projected to remain flattish in FY24 as the new ship is yet to be added. However, the company is confident of adding the ship in 2HFY24.
- We have raised our EPS estimate by 4% for FY25 to incorporate the improved outlook across segments. We maintain our **BUY** rating with a revised TP of INR880 (based on a P/E multiple of 15x FY25E EPS).



	TRPC IN
Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	59.1 / 0.7
52-Week Range (INR)	845 / 556
1, 6, 12 Rel. Per (%)	4/11/-8
12M Avg Val (INR M)	62

Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	37.8	42.8	49.9
EBITDA	4.2	4.8	5.9
Adj. PAT	3.2	3.7	4.5
EBITDA Margin (%)	11.2	11.2	11.8
Adj. EPS (INR)	41.6	48.0	58.4
EPS Gr. (%)	10.7	15.4	21.6
BV/Sh. (INR)	220.7	265.2	320.1

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	20.1	19.4	19.7
RoCE (%)	19.3	18.8	19.2
Payout (%)	17.0	7.3	6.0

Valuations

P/E (x)	18.3	15.8	13.0
P/BV (x)	3.4	2.9	2.4
EV/EBITDA(x)	12.9	11.0	8.8
Div. Yield (%)	0.9	0.5	0.5
FCF Yield (%)	3.5	1.8	1.6

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	68.9	69.0	66.6
DII	12.8	12.2	12.0
FII	2.5	2.8	3.1
Others	15.8	16.0	18.3

FII Includes depository receipts

Supply Chain business sustains the growth momentum; Seaways to remain flattish in FY24E

- The Supply Chain division maintained its growth momentum by focusing on retaining and expanding the business with both existing clients and new acquisitions. Management is confident to maintain a 20% growth rate in the Supply Chain business in FY24E.
- In FY24, TRPC expects only one ship to undergo dry-dock maintenance, resulting in a higher capacity available vs. FY23. To bolster its volumes, the company aims to acquire an additional ship into its fleet in FY24. Notably, the Seaways is TRPC's highest margin segment, and increased revenue from this division would contribute notably to its robust overall earnings growth.
- The share of LTL/FTL businesses in the Freight division stood at 36%/64% in 1QFY24. Management is actively working towards increasing the share of LTL revenue to 40% by FY25E, which will lead to margin improvement.

Highlights from the management commentary

- The Freight business posted moderate growth, especially in the LTL segment. TRPC plans to open 50 new branches to strengthen its network.
- The Seaways division faced lower freight rates on the West coast and was hit by the BIPARJOY cyclone. However, it managed to retain steady margins and ROCE due to efficient cost management. The division's revenue is linked to fuel prices.

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- The cost of purchasing a ship has remained high, leading to the delay in acquiring a new ship. However, management is optimistic about procuring the new ship in 2HFY24.
- The Automotive sector accounted for 80% of the revenue in the Supply Chain division. The chip shortage issue has significantly eased, benefiting the division. TRPC is confident of maintaining its growth rate at 20% YoY in FY24.

Valuation and view

- The increasing proportion of LTL services in the Road Freight division is a positive indicator for TRPC. LTL services generally offer higher profit margins and can significantly contribute to the company's overall profitability.
- Management's plans to expand capacity in the Seaways division will further bolster growth prospects. Moreover, the available capacity will be higher in FY24 given that only one ship will go under dry dock.
- We expect TRPC to achieve 15%/18%/18% CAGR in revenue/EBITDA/PAT over FY23-FY25. We reiterate our **BUY** rating on the stock with a revised TP of INR880, based on 15x FY25E EPS.

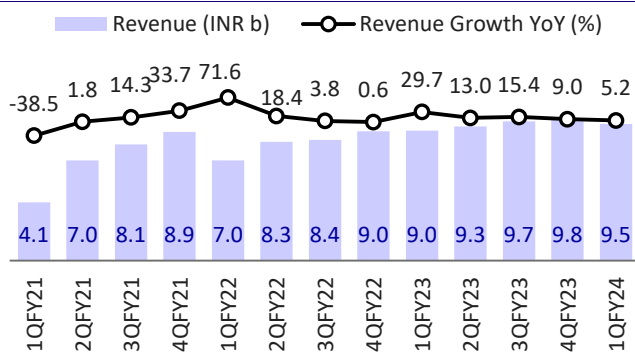
Quarterly snapshot (Cons)

Y/E March (INR m)	FY23				FY24				FY22	FY23	FY24	INR m
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var. v/s Est
Net Sales	9,029	9,321	9,667	9,793	9,498	10,542	11,065	11,713	37,826	42,818	10,047	(5)
YoY Change (%)	29.7	13.0	15.4	9.0	5.2	13.1	14.5	19.6	16.1	13.2	11.3	
EBITDA	1,041	960	1,144	1,081	1,008	1,129	1,247	1,432	4,240	4,817	1,081	(7)
Margins (%)	11.5	10.3	11.8	11.0	10.6	10.7	11.3	12.2	11.2	11.2	10.8	
YoY Change (%)	37.4	-8.2	4.8	-10.0	-3.1	17.7	9.0	32.5	3.2	13.6	3.9	
Depreciation	289	300	314	311	308	310	312	298	1,214	1,228	307	
Interest	23	25	26	24	23	15	15	22	98	75	18	
Other Income	53	74	70	121	85	85	84	79	303	333	83	
PBT before EO expense	782	708	874	867	762	889	1,004	1,190	3,231	3,846	839	(9)
Extra-Ord expense	0	0	0	34	0	0	0	0	34	0	0	
PBT	782	708	874	833	762	889	1,004	1,190	3,197	3,846	839	(9)
Tax	93	115	110	115	104	151	171	189	434	615	134	
Rate (%)	11.9	16.2	12.6	13.8	13.6	17.0	17.0	15.9	13.6	16.0	16.0	
Minority Interest	-8.4	-6.6	-8.2	-9.3	-9.0	-6.6	-8.2	-6.2	-32.5	-30.0	-8.4	
Profit/Loss of Asso. Cos	98	138	102	106	174	120	100	107	444	501	90	
Reported PAT	777	724	857	815	823	852	925	1,101	3,173	3,701	786	5
Adj PAT	777	724	857	849	823	852	925	1,101	3,207	3,701	786	5
YoY Change (%)	65.9	-3.9	4.4	-1.2	5.9	17.6	7.9	29.8	10.7	15.4	1.1	
Margins (%)	8.6	7.8	8.9	8.7	8.7	8.1	8.4	9.4	8.5	8.6	7.8	

E: MOFSL Estimates

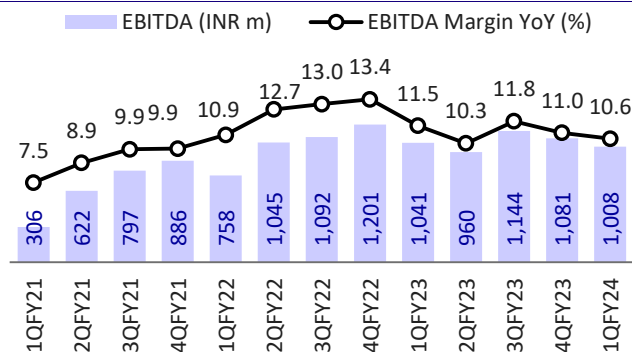
Story in charts – 1QFY24

Exhibit 1: Revenue up 5% YoY



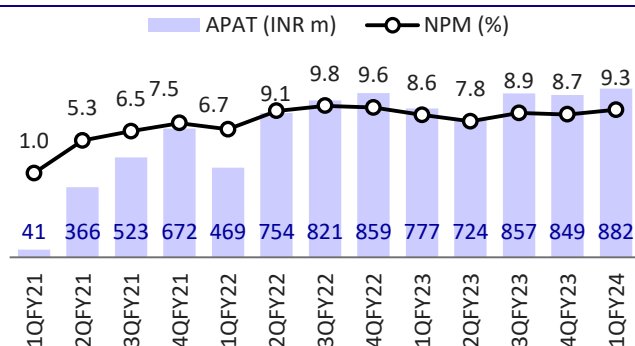
Source: Company, MOFSL

Exhibit 2: EBITDA and margin trends



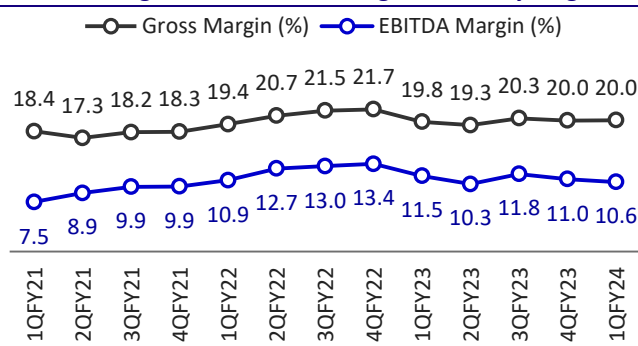
Source: Company, MOFSL

Exhibit 3: APAT increased ~6% YoY



Source: Company, MOFSL

Exhibit 4: Margins contracted in Freight & Seaways segments



Source: Company, MOFSL

Exhibit 5: Segmental performance

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Segment Revenue (INR m)								
Freight	4,128	4,323	4,797	4,633	4,693	4,826	5,046	4,754
Supply chain	2,843	2,788	2,745	3,023	3,584	3,335	3,462	3,630
Seaways	1,342	1,479	1,607	1,525	1,242	1,702	1,521	1,254
Energy	21	6	12	16	19	15	11	16
Net segment Revenue	8,334	8,596	9,161	9,196	9,537	9,879	10,040	9,654
Growth YoY (%)								
Freight	15.6	4.2	0.7	27.0	13.7	11.6	5.2	2.6
Supply chain	11.9	-7.4	-9.7	33.6	26.0	19.6	26.1	20.1
Seaways	44.0	42.6	23.5	32.6	-7.5	15.1	-5.3	-17.7
Energy	23.8	111.5	117.0	5.3	-9.6	176.4	-7.8	1.3
Net segment Revenue	18.0	4.8	0.6	30.0	14.4	14.9	9.6	5.0
Revenue Share (%)								
Freight	50	50	52	50	49	49	50	49
Supply chain	34	32	30	33	38	34	34	38
Seaways	16	17	18	17	13	17	15	13
Energy	0	0	0	0	0	0	0	0
Total Revenue Share	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR m)								
Freight	162	188	198	162	191	273	214	156
Supply chain	166	167	196	166	226	200	226	229
Seaways	480	540	477	461	304	458	422	366
Energy	15	-1	6	8	10	9	3	8
Total Segment Results	824	893	877	797	731	940	865	759
Segmental EBIT Margin (%)								
Freight	3.9	4.3	4.1	3.5	4.1	5.7	4.2	3.3
Supply chain	5.8	6.0	7.1	5.5	6.3	6.0	6.5	6.3
Seaways	35.8	36.5	29.7	30.2	24.5	26.9	27.7	29.2
Energy	74.0	-14.5	48.7	50.0	50.5	55.9	32.1	50
Total	9.9	10.4	9.6	8.7	7.7	9.5	8.6	7.9



Highlights from the management commentary

Industry trend

- Headwinds from the global recession on domestic manufacturing, distressed rural demand, and delays in private investments are anticipated.
- SAARC's performance is somewhat weakened due to currency issues and election-related matters in Bangladesh.

Freight segment

- Revenue grew ~3% YoY in 1QFY24, while EBIT margin stood at 3.3% (-20bp YoY and -90bp QoQ).
- The freight business witnessed moderate growth, especially in the LTL segment, and TRPC plans to open 50 new branches to strengthen its network. Despite this expansion, the margins and ROCE are anticipated to remain stable due to favorable freight rates and the implementation of an asset-light model.
- The shift from unorganized to organized has been driven by e-way bills and e-invoicing. The LTL business has a large customer base with small ticket size, resulting in higher margins.
- The share of LTL/FTL in the Freight division stood at 36%/64% in 1QFY24. Management remains optimistic about increasing LTL's share to 40% by FY25.
- ROCE for 1QFY24 was 27.6%, which reflects a significant improvement vs. the 17% ROCE recorded in FY20. This increase in ROCE was supported by a better working capital cycle, lower capex, and consistent margins.

Supply Chain segment

- Revenue increased 20% YoY in 1QFY24, and EBIT margin stood at 6.3% (+80bp YoY; -20bp QoQ).
- The Supply Chain Division maintained its growth momentum by focusing on retaining and expanding business with both existing clients and new acquisitions. Conducting over 100 multimodal auto-rakes operations per month contributed to high customer traction, led by the advantage of low emissions.
- The Automotive sector accounted for 80% of the revenue in the division. The shortage of chips has significantly decreased, benefiting this division.
- TRPC is confident of maintaining its growth rate at 20% YoY in FY24.

Seaways segment

- The segment declined ~18% YoY in 1QFY24 due to weak EXIM volumes and falling freight rates.
- EBIT margin increased to 29.2% (30.2% in 1QFY23 and 27.7% in 4Q FY23). Management expects EBIT margin in the range of 28-29% in FY24.
- The Seaways division faced lower freight rates on the West coast and was affected by the BIPARJOY cyclone, but it managed to maintain steady margins and ROCE due to efficient cost management.
- The division's revenue is linked to fuel prices, and with changes in fuel prices, revenue is expected to be impacted.
- As the purchase of the new ship is delayed, the division is expected to report flattish growth in FY24. Further, TRPC aims for a ROCE of 40% in this division.

Other Highlights

- The company's plan to acquire a seventh ship has been postponed until at least 2HFY24 due to high prices and a shortage of available ships. The company is also open to purchasing a new ship if it is deemed feasible.
- The Cold Chain business remained flat as the company deliberately let go of some customers in the e-commerce segment.
- As of Jun'23, the company had a cash balance of INR2.75b.
- Contracts typically last for 3+ years in the Supply Chain business and ~1 year in the Freight division.
- TRPC has diversified into many verticals, including commodities, automotive etc., while also providing a single-window solution to offer controlled towers to certain customers, which is gaining significant traction.
- In the pharma industry, several companies have joined forces to develop cold chain structures. Additionally, areas such as defense and aviation have also experienced notable growth traction.

Guidance

- Management maintains guidance for revenue and PAT growth of 10-15% in FY23/FY24. EBIT margin is expected to be at similar levels for FY24.
- With the addition of 50 new branches in FY24, revenue growth in the freight division is expected to pick up. The transition from FTL to LTL is also underway.
- The Seaways division faced lower freight rates on the West coast and was hit by the BIPARJOY cyclone, but it managed to maintain steady margins and ROCE due to efficient cost management.

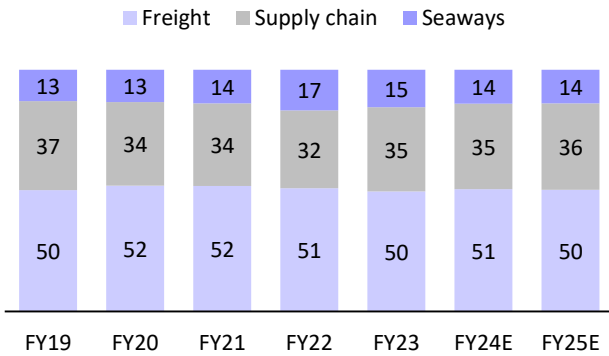
Exhibit 6: Revised estimates

(INR m)	FY24E			FY25E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	42,818	43,113	-0.7	49,935	49,593	0.7
EBITDA	4,817	4,871	-1.1	5,875	5,687	3.3
EBITDA Margin (%)	11.2	11.3	-5	11.8	11.5	30
PAT	3,701	3,672	0.8	4,500	4,321	4.1
EPS (INR)	48.0	47.6	0.8	58.4	56.0	4.1

Source: Company, MOFSL

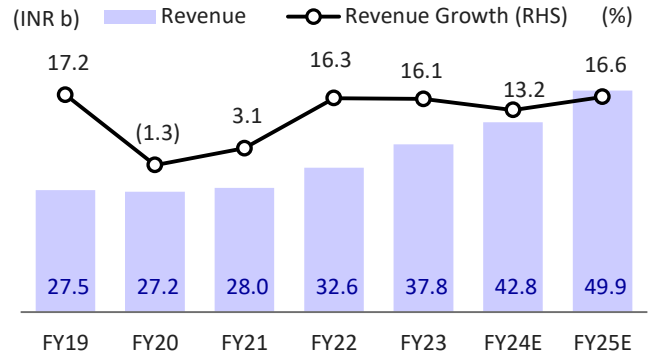
Story in charts

Exhibit 7: Freight and 3PL to dominate



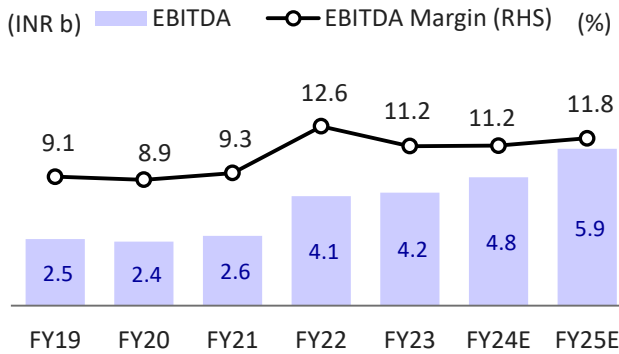
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



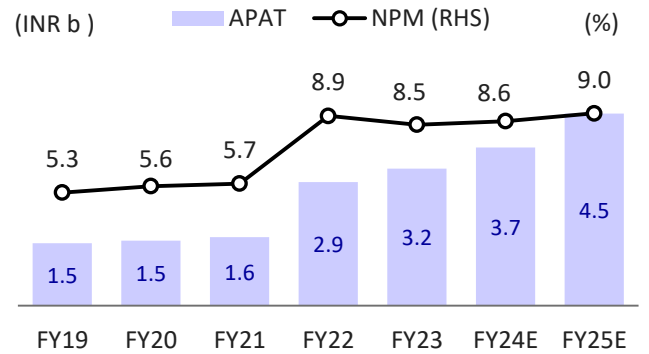
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



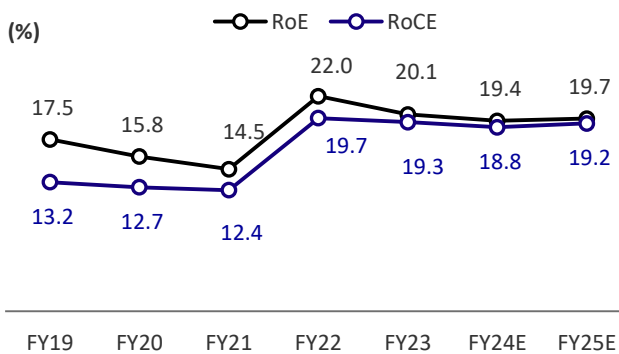
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



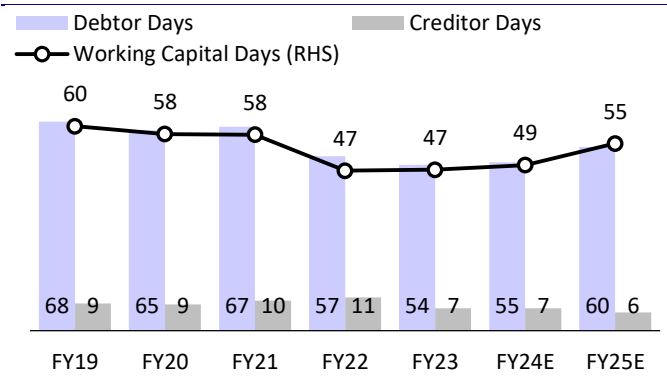
Source: Company, MOFSL

Exhibit 11: Return ratios remained elevated



Source: Company, MOFSL

Exhibit 12: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	27,536	27,178	28,024	32,567	37,826	42,818	49,935
Change (%)	17.2	-1.3	3.1	16.2	16.1	13.2	16.6
Gross Margin (%)	18.2	18.5	18.0	20.9	19.9	20.0	20.3
EBITDA	2,495	2,405	2,612	4,087	4,240	4,817	5,875
Margin (%)	9.1	8.9	9.3	12.6	11.2	11.2	11.8
Depreciation	774	825	928	1,130	1,214	1,228	1,408
EBIT	1,721	1,580	1,684	2,957	3,026	3,588	4,467
Int. and Finance Charges	374	343	267	128	98	75	61
Other Income	195	201	255	199	303	333	366
PBT	1,542	1,438	1,672	3,028	3,231	3,846	4,772
Tax	333	159	238	377	434	615	764
Effective Tax Rate (%)	21.6	11.1	14.3	12.4	13.4	16.0	16.0
PAT before MI, Associates, and EO Items	1,209	1,279	1,434	2,652	2,796	3,230	4,009
Share of profit/(loss) of Associates and JVs	251	252	201	277	444	501	521
Minority Interest	0	-8	-33	-32	-33	-30	-30
Extraordinary Items	7	99	131	0	34	0	0
Reported PAT	1,453	1,424	1,471	2,896	3,173	3,701	4,500
Adjusted PAT	1,460	1,522	1,602	2,896	3,207	3,701	4,500
Change (%)	17.9	4.3	5.2	80.8	10.7	15.4	21.6
Margin (%)	5.3	5.6	5.7	8.9	8.5	8.6	9.0

Consolidated Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	153	154	154	155	155	155	155
Total Reserves	8,766	10,085	11,543	14,148	16,863	20,294	24,524
Net Worth	8,920	10,239	11,697	14,303	17,018	20,449	24,679
Minority Interest	52	57	86	274	301	301	301
Deferred Tax Liabilities	390	302	273	276	300	300	300
Total Loans	4,703	4,186	2,767	1,039	795	575	525
Capital Employed	14,065	14,784	14,823	15,892	18,414	21,626	25,806
Gross Block	9,503	10,595	10,684	11,646	12,676	14,676	16,676
Less: Accum. Deprn.	2,235	3,111	3,275	4,405	5,471	6,699	8,107
Net Fixed Assets	7,268	7,483	7,409	7,241	7,205	7,977	8,569
Capital WIP	40	450	690	846	967	937	907
Total Investments	1,168	1,354	1,500	1,927	2,859	2,859	2,859
Curr. Assets, Loans, and Adv.	7,683	7,547	7,790	8,257	9,978	12,790	16,715
Inventory	53	66	71	85	50	117	137
Account Receivables	5,151	4,873	5,110	5,083	5,609	6,452	8,209
Cash and Bank Balances	155	259	395	745	1,846	3,348	4,745
Cash	101	132	341	679	1,699	3,201	4,598
Bank Balance	55	128	55	66	66	66	66
Loans and Advances	268	268	124	12	12	13	16
Others	2,056	2,081	2,089	2,333	2,461	2,860	3,609
Current Liab. and Prov.	2,095	2,050	2,565	2,379	2,595	2,938	3,244
Account Payables	674	639	759	851	760	860	821
Other Current Liabilities	1,355	1,309	1,719	1,276	1,552	1,757	2,049
Provisions	65	102	86	251	283	320	374
Net Current Assets	5,589	5,497	5,225	5,878	7,383	9,853	13,471
Application of Funds	14,065	14,784	14,823	15,891	18,414	21,626	25,806

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	18.9	19.7	20.8	37.6	41.6	48.0	58.4
EPS growth (%)	17.9	4.3	5.2	80.8	10.7	15.4	21.6
Cash EPS	29.0	30.4	32.8	52.2	57.3	63.9	76.6
BV/Share	115.7	132.8	151.7	185.5	220.7	265.2	320.1
DPS	1.8	2.0	2.5	2.5	7.0	3.5	3.5
Payout (Incl. Div. Tax, %)	12.6	14.1	13.1	6.7	17.0	7.3	6.0
Valuation (x)							
P/E	40.1	38.5	36.6	20.2	18.3	15.8	13.0
Cash P/E	26.2	25.0	23.2	14.6	13.3	11.9	9.9
EV/EBITDA	24.8	25.4	22.8	13.8	12.9	11.0	8.8
EV/Sales	2.3	2.3	2.1	1.7	1.4	1.2	1.0
P/BV	6.6	5.7	5.0	4.1	3.4	2.9	2.4
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.9	0.5	0.5
Return Ratios (%)							
RoE	17.5	15.8	14.5	22.0	20.1	19.4	19.7
RoCE	13.2	12.7	12.4	19.6	19.3	18.8	19.2
RoIC	11.5	11.1	11.6	21.0	21.0	22.1	23.6
Working Capital Ratios							
Fixed Asset Turnover (x)	3.2	2.7	2.6	2.9	3.0	3.1	3.2
Asset Turnover (x)	2.0	1.8	1.9	2.0	2.1	2.0	1.9
Inventory (Days)	1	1	1	1	0	1	1
Debtors (Days)	68	65	67	57	54	55	60
Creditors (Days)	9	9	10	10	7	7	6
Leverage Ratio (x)							
Net Debt/Equity ratio	0.5	0.4	0.2	0.0	-0.1	-0.1	-0.2

Consolidated Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,786	1,591	1,743	3,305	3,640	3,846	4,772
Depreciation	774	825	928	1,130	1,214	1,228	1,408
Direct Taxes Paid	-342	-410	52	-494	-186	-615	-764
(Inc.)/Dec. in WC	-758	181	232	-163	-729	-1,164	-2,210
Other Items	331	242	93	-98	-332	-258	-306
CF from Operations	1,791	2,428	3,047	3,680	3,607	3,037	2,901
(Inc.)/Dec. in FA	-1,259	-1,321	-1,241	-707	-1,530	-1,970	-1,970
Free Cash Flow	532	1,108	1,807	2,973	2,077	1,067	931
Change in Investments	-49	-55	-17	-28	-69	0	0
Others	-268	22	196	-27	-333	496	308
CF from Investments	-1,576	-1,353	-1,062	-762	-1,931	-1,474	-1,662
Change in Equity	12	24	40	34	35	0	0
Inc./(Dec.) in Debt	307	-523	-1,419	-2,148	6	-220	-50
Dividends Paid	-182	-201	-96	-410	-543	-270	-270
Others	-338	-343	-302	-56	-153	429	478
CF from Fin. Activity	-202	-1,044	-1,776	-2,580	-655	-61	158
Inc./(Dec.) in Cash	13	31	209	338	1,021	1,502	1,397
Opening Balance	142	101	132	341	679	1,699	3,201
Closing Balance	155	132	341	679	1,699	3,201	4,598

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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