

Accumulate

- Q2FY20 was an Inline quarter as revenues stood flat while margins remained stable at 9%. Flat revenues were mainly due to shipping segment which reported one of the slowest YoY growth in the past three years, at -5% YoY.
- Given the economic slowdown, the management has moderated its revenue guidance to 8-10% for FY20, versus 10-12% earlier.
- The management is in the "wait and watch mode" on capex and will invest depending on visibility in the growth of the business, though they have purchased a new ship at ₹ 488mn. It has proposed spending ₹ 1.35bn (versus capex guidance of ₹ 2.75Bn for FY20).
- To factor in the lower guidance, we lower our EPS estimates by 3% for FY20/FY21E. We maintain our target of ₹ 320 at 12x FY21E and maintain Accumulate.

Subdued growth due to macro weakness

TCIL reported a subdued topline growth of 1% YoY in Q1FY20. Topline growth was driven by a 4%/8% YoY rise in the freight/ seaways segment, while the supply chain reported a 5% decline. EBITDA rose 4% YoY, due to cost improvement. EBITDA margins remained stable YoY in Q2 at 9%, versus 8.8% YoY/9.2% QoQ (est: 9%). Adj PAT grew by 67% YoY to ₹ 432mn (est: ₹ 271mn) led by higher operating profit, tax adjustment and one off exceptional item of ₹ 99mn. H1FY20 PAT growth stood at ~35% YoY. The company had exceptional amount of ₹ 98.8mn on account of Impairment loss recognized in accordance with Ind AS36 impairment of asset "on Wind Power Plants". Board has approved dividend of ₹ 1/share.

Q2FY20 Result (₹ Mn)

Particulars	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)
Revenue	6,282	6,216	1.1	6,121	2.6
Total Expense	5,717	5,672	0.8	5,559	2.8
EBITDA	566	545	3.9	562	0.6
Depreciation	190	191	(0.4)	186	2.0
EBIT	376	354	6.2	376	0.0
Other Income	84	68	23.3	75	10.9
Interest	77	93	(17.2)	82	(6.6)
EBT	382	329	16.3	369	3.7
Tax	(49)	70	(170.1)	72	(168.7)
RPAT	432	259	66.8	297	45.1
APAT	432	259	66.8	297	45.1
			(bps)		(bps)
Gross Margin (%)	14.9	14.3	61	15.3	(32)
EBITDA Margin (%)	9.0	8.8	25	9.2	(18)
NPM (%)	6.9	4.2	271	4.9	201
Tax Rate (%)	(12.8)	21.3	(3414)	19.4	(3222)
EBIT Margin (%)	6.0	5.7	29	6.1	(16)

CMP	₹ 288
Target / Upside	₹ 320 / 11%
BSE Sensex	40,470
NSE Nifty	11,966

Script Details

Equity / FV	₹ 153mn / ₹ 2
Market Cap	₹ 22bn
	US\$ 311mn
52-week High/Low	₹ 330/₹ 250
Avg. Volume (no)	28,678
NSE Symbol	TCI
Bloomberg Code	TRPC IN

Shareholding Pattern Sep'19(%)

Promoters	66.9
MF/Banks/FIs	9.2
FII	1.9
Public / Others	22.0

Valuation (x)

	FY19A	FY20E	FY21E
P/E	15.3	13.9	11.2
EV/EBITDA	10.7	9.8	8.0
ROE (%)	14.5	13.6	14.6
RoACE (%)	11.9	11.5	12.3

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	27,536	29,905	34,896
EBITDA	2,495	2,729	3,327
PAT	1,202	1,306	1,644
EPS (₹)	18.9	20.7	25.7

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Exhibit 1: Actual V/s DART estimates

(₹ mn)	Actual	Estimated	% Variance	Consensus	% Variance	Remarks
Net sales	6,282	6,791	(7.5)	6,530	(3.8)	4%/8% YoY growth in Freight/ Seaways while SCS reported 5% decline.
EBITDA	566	561	0.9	573	(1.3)	Cost improvement
EBITDA margin (%)	9.0	8.3	75bps	8.8	23bps	
Adj Net Income	432	271	59.4	285	51.4	Higher operating profit, tax adjustment and one off exceptional item
FDEPS (₹)	5.6	3.5	59.4	3.7	51.4	

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 slower macro trends, we trim our EPS estimates by 3% for FY20/FY21. We maintain our target of ₹ 320 at 12x FY21E and maintain Accumulate.

Exhibit 2: Change in estimates

Key Parameters	FY20E			FY21E		
	Old	New	% Chg	Old	New	% Chg
Revenue (₹ mn)	30,410	29,905	(1.7)	36,098	34,896	(3.3)
EBITDA (₹ mn)	2,749	2,729	(0.7)	3,420	3,327	(2.7)
EBITDA margin (%)	9.0	9.1	9bps	9.5	9.5	6bps
Net profit (₹ mn)	1,640	1,586	(3.3)	2,027	1,970	(2.8)
EPS (₹)	21.4	20.7	(3.3)	26.5	25.7	(2.8)

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key Assumptions	FY18	FY19	FY20E	FY21E
Freight Division YoY Growth (%)	12	17	9	16
SCS YoY Growth (%)	24	12	9	17
Seaways Division YoY Growth (%)	56	40	10	20
Total Revenue YoY Growth (%)	21	18	9	17
EBITDA Margins (%)	9.2	9.1	9.1	9.5
Freight Division YoY Growth (%)	12	17	9	16

Source: Company, DART

Subdued growth due to macro weakness

TCIL reported a subdued topline growth of 1% YoY in Q1FY20. Topline growth was driven by a 4%/8% YoY rise in the freight/ seaways segment, while the supply chain reported a 5% decline. EBITDA rose 4% YoY, due to cost improvement. EBITDA margins remained stable YoY in Q2 at 9%, versus 8.8% YoY/9.2% QoQ (est: 9%). Adj PAT grew by 67% YoY to ₹ 432mn (est: ₹ 271mn) led by higher operating profit, tax adjustment and one off exceptional item of ₹ 99mn. H1FY20 PAT growth stood at ~35% YoY. The company had exceptional amount of ₹ 98.8mn on account of Impairment loss recognized in accordance with Ind AS36 impairment of asset "on Wind Power Plants". Board has approved dividend of ₹ 1/share.

Segment-wise performance

Freight division: Freight segment's growth moderated to 4% YoY in Q2FY20. PBIT margins in the segment rose to 3%, versus 2.8% YoY/QoQ. The segment has benefited from higher growth in the LTL business, fuel cost improvement, and cost cutting measures. LTL freight business now constitutes one third of the freight segment. The segment's PBIT margins in Q2 was 3%, versus 2.8% YoY/QoQ.

Supply chain segment (SCS) growth fell 5% YoY in Q2, the first drop in the past five years. The segment reported a marginal growth, despite the sharp drop in auto OEM business volumes YoY (80% of the business mix for TCI's supply chain segment) in the quarter. In addition, there was growth in other businesses (example: ecommerce warehousing). PBIT margins in Q2 expanded YoY to 6.6%, versus 7.2% YoY (7% QoQ). In SCS, the company manages large scale modern warehousing and runs CnF operations inside the facility for many customers. Currently, it manages 12mn sq ft of warehousing space. The company also operates yards for supply chain management for automobile companies. The company is experiencing an improvement in growth, with pre-buying due to BS6 transition. Many auto companies have started the production of BS6-compliant vehicles and stopped/slowed BS4 production. The company has won new contracts from FMCG and ecommerce players, together with automobile companies (new auto entrants and new 4W model addition).

Seaways division reported a revenue growth of 8.3% YoY in Q2. This was one of the slowest YoY growth in the past three years. H1 revenue rose 9% YoY. It experienced volume growth, which was offset by a realization decline. The segment's PBIT margins in Q2 was 17%, versus 14.7% YoY (19.8% QoQ), as it was impacted by seasonal movement. The quarter was also affected by the addition of rakes in the west, as well as the dry docking of ships. The company added its seventh ship in October (28400DWD) to bolster presence in the South-West coast of India. In Q3, there may be a margin dip, due to ramp up of recently acquired ships, but that should be normalized in the next few quarters. New ships may get added in the next 12-18 months. The company has sufficient volume to transport goods, and sometime transports in competitor cargo.

Joint ventures: Both Toyota and CONCOR JV experienced a 7% revenue fall as well as volume decline. The company believes there will be new revenue growth avenues, with new MMLPs developed by CONCOR. It is building its capability in the chemical logistics and multimodal integrated logistics solution.

Exhibit 4: Result Snapshot

(₹ mn)	Q2FY19	Q2FY19	Q4FY19	Q1FY20	Q2FY20	YoY (%)	QoQ(%)	H1FY20	H1FY19	YoY (%)
Net sales	6,216	6,630	6,918	6,121	6,282	1.1	2.6	12,403	12,032	3.1
Expenditure	5,672	6,020	6,148	5,559	5,717	0.8	2.8	11,276	10,974	2.8
Operating Exp	5,325	5,680	5,809	5,187	5,343	0.3	3.0	10,530	10,294	2.3
Employee cost	347	340	338	372	374	7.8	0.3	746	680	9.7
EBITDA	545	611	771	562	566	3.9	0.6	1,128	1,058	6.6
Other income	68	76	46	75	84	23.3	10.9	159	150	5.8
Depreciation	191	205	189	186	190	(0.4)	2.0	376	359	4.9
EBIT	422	482	628	451	459	8.9	1.8	910.7	849.3	7.2
Interest	93	102	91	82	77	(17.2)	(6.6)	159	163	(2.4)
PBT	329	380	537	369	284	(13.7)	(23.1)	653	686	(4.9)
Tax	70	80	101	72	(49)	(170.1)	(168.7)	22	145	(84.6)
PAT	259	300	436	297	432	66.8	45.1	729	541	34.8
EBITDA margin (%)	8.8	9.2	11.1	9.2	9.0	25bps	(18bps)	9.1	8.8	30bps
EPS (₹)	3.4	3.9	5.7	3.9	5.6	66.8	45.1	7.4	7.1	5.1

Source: Company, DART

Exhibit 5: As a % of Sales

% of Sales	Q2FY19	Q2FY19	Q4FY19	Q1FY20	Q2FY20	YoY (%)	QoQ(%)	H1FY20	H1FY19	YoY (%)
Total Cost (%)	91.2	90.8	88.9	90.8	91.0	(25bps)	18bps	90.9	91.2	(30bps)
Operating Exp	85.7	85.7	84.0	84.7	85.1	(61bps)	32bps	84.9	85.6	(66bps)
Employee cost	5.6	5.1	4.9	6.1	5.9	37bps	(14bps)	6.0	5.7	36bps
EBITDA Margin (%)	8.8	9.2	11.1	9.2	9.0	25bps	(18bps)	9.1	8.8	30bps
Net Profit Margin (%)	4.2	4.5	6.3	4.9	6.9	271bps	201bps	5.9	4.5	138bps

Source: Company, DART

Exhibit 6: Sales Mix

(₹ mn)	Q2FY19	Q3FY19	Q4FY19	1QFY20	2QFY20	% Chg YoY	% Chg QoQ	1HFY20	1HFY19	YoY %
Freight Division	2,932	3,112	3,270	2,990	3,058	4.3	2.3	6,048	5,714	5.8
Supply Chain Solutions Division	2,552	2,608	2,654	2,391	2,413	(5.4)	0.9	4,804	4,927	(2.5)
Seaways division	788	1,002	1,088	789	854	8.3	8.3	1,643	1,503	9.3
Energy Division	33	6	7	15	30	(11.1)	102.0	44	56	(20.9)
Unallocable & Corporate	58	65	26	68	70	20.4	2.6	138	124	11.9
Total Sales	6,284	6,706	6,964	6,196	6,366	1.3	2.7	12,562	12,181	3.1

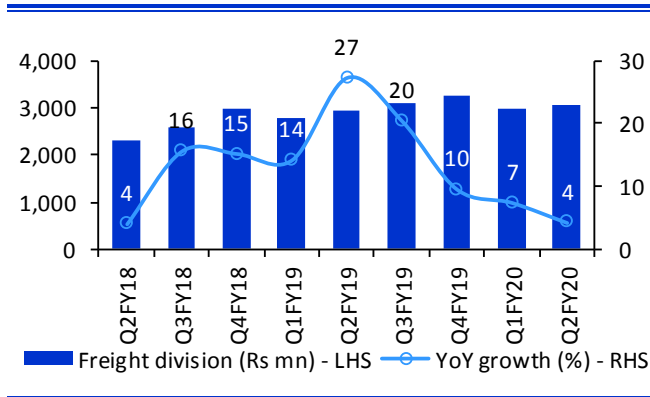
Source: Company, DART

Exhibit 7: PBIT Margin (%)

PBIT Margin %	Q2FY19	Q3FY19	Q4FY19	1QFY20	2QFY20	% Chg YoY	% Chg QoQ	1HFY20	1HFY19	YoY %
Freight	2.8	3.2	4.0	2.8	3.0	17bps	19bps	2.9	2.7	24bps
Supply Chain Solutions	7.2	5.9	7.9	7.0	6.6	(58bps)	(37bps)	7.0	7.0	(4bps)
Seaways	14.7	18.8	27.0	19.8	17.0	229bps	(282bps)	20.2	16.8	339bps

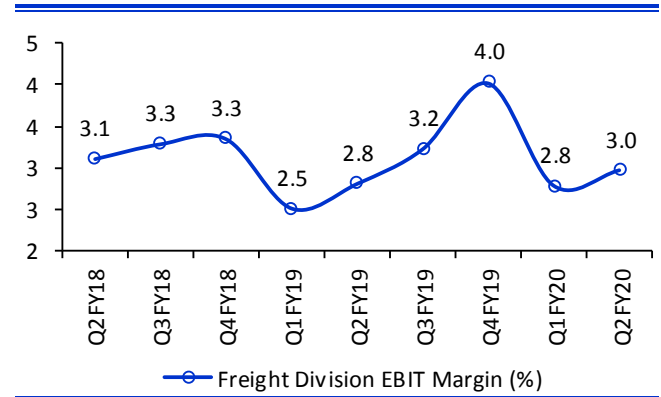
Source: Company, DART

Exhibit 8: Freight division Revenue and YoY growth trend



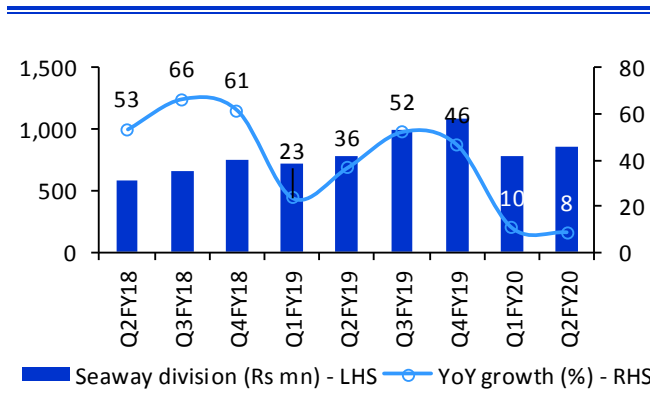
Source: Company, DART

Exhibit 9: Freight division EBIT Margin trend



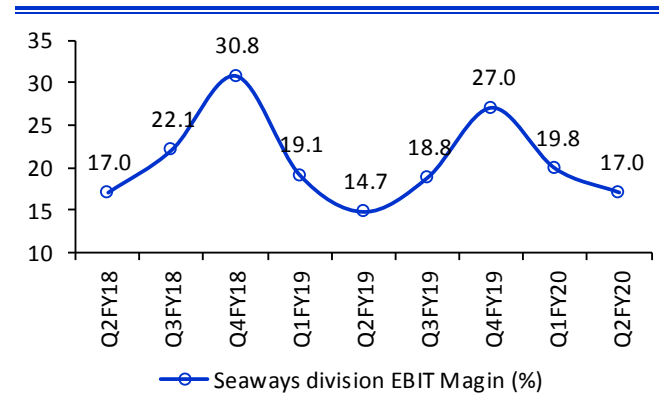
Source: Company, DART

Exhibit 10: Seaways division Revenue and YoY growth trend



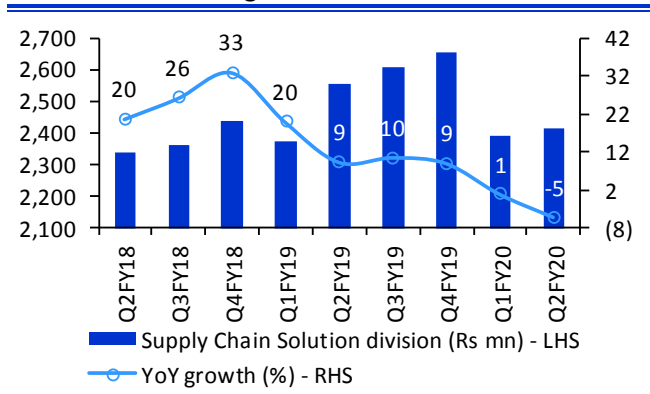
Source: Company, DART

Exhibit 11: Seaways division EBIT Margin trend



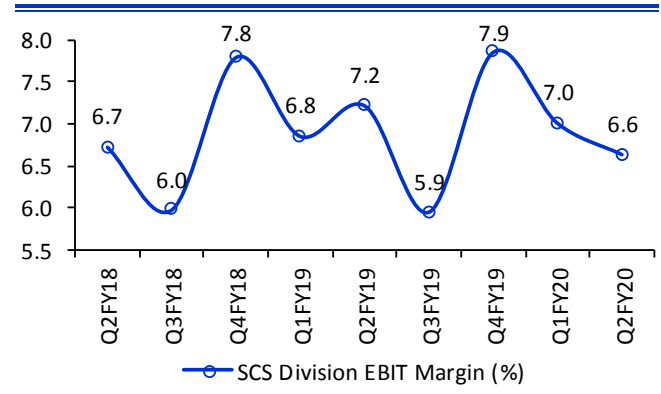
Source: Company, DART

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



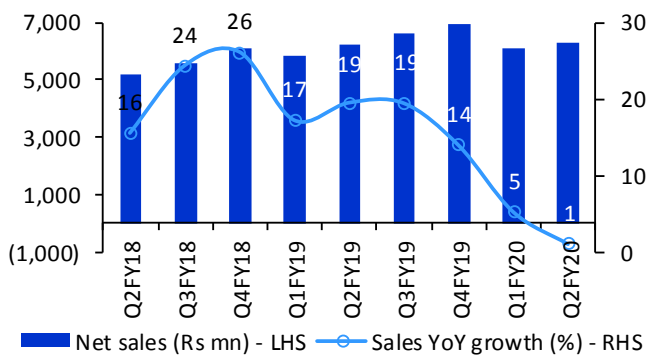
Source: Company, DART

Exhibit 13: SCS division EBIT Margin trend



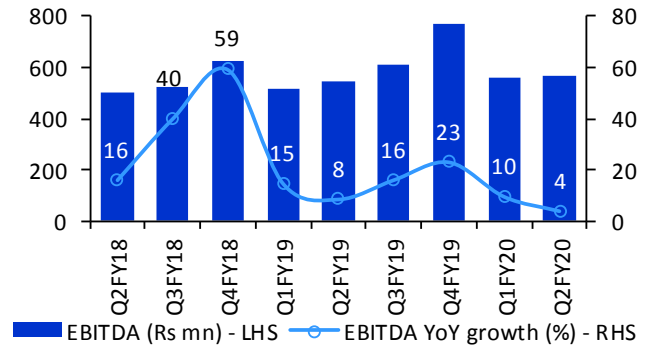
Source: Company, DART

Exhibit 14: Revenue and Revenue growth trend



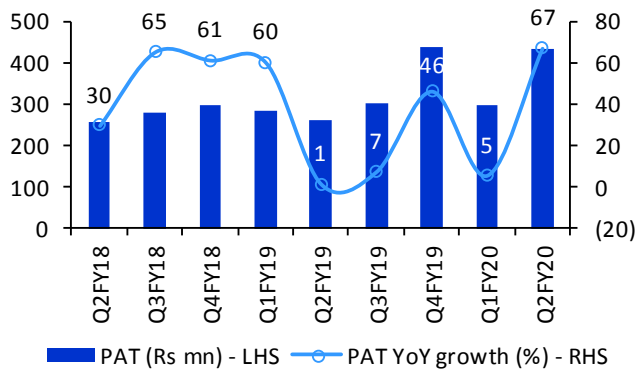
Source: Company, DART

Exhibit 15: EBITDA and EBITDA growth trend



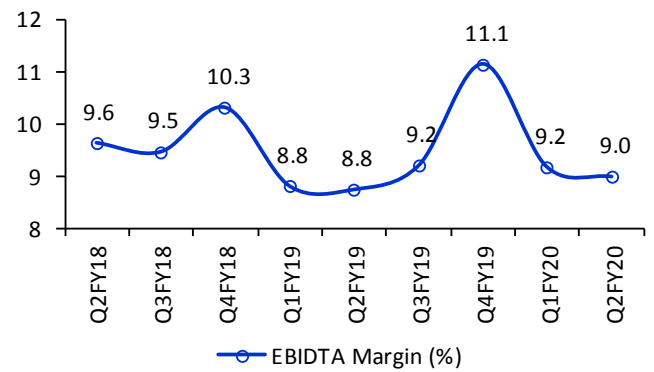
Source: Company, DART

Exhibit 16: PAT and PAT growth trend



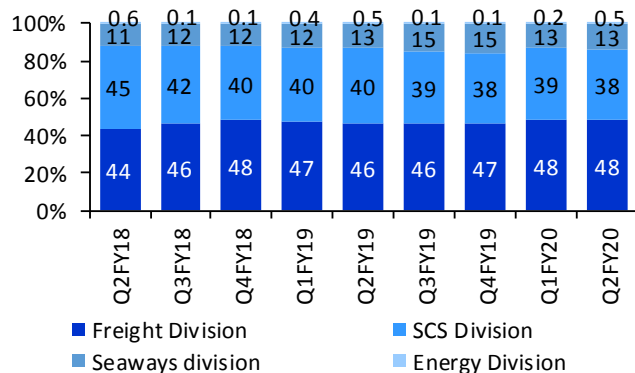
Source: Company, DART

Exhibit 17: EBITDA margin trend



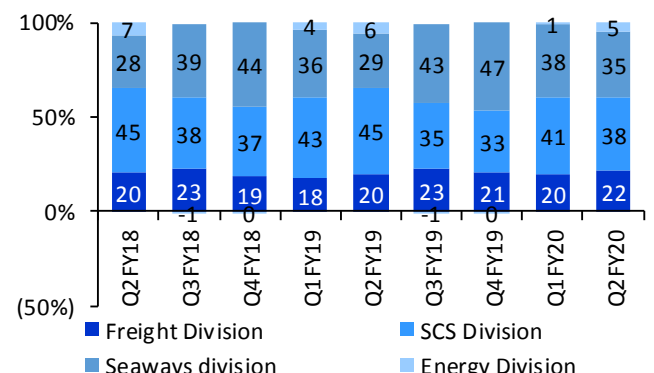
Source: Company, DART

Exhibit 18: Revenue mix trend



Source: Company, DART

Exhibit 19: EBIT mix trend



Source: Company, DART

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	23,499	27,536	29,905	34,896
Total Expense	21,334	25,041	27,176	31,569
COGS	19,068	22,515	24,447	28,623
Employees Cost	1,245	1,402	1,514	1,635
Other expenses	1,021	1,124	1,214	1,311
EBIDTA	2,165	2,495	2,729	3,327
Depreciation	686	774	832	992
EBIT	1,479	1,721	1,897	2,335
Interest	322	374	399	415
Other Income	144	195	207	219
Exc. / E.O. items	0	(7)	0	0
EBT	1,301	1,535	1,705	2,139
Tax	287	333	399	495
RPAT	1,014	1,202	1,306	1,644
Minority Interest	6	9	9	9
Profit/Loss share of associates	224	251	289	335
APAT	1,232	1,444	1,586	1,970

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	153	153	153	153
Minority Interest	47	52	52	52
Reserves & Surplus	7,465	8,766	10,186	11,989
Net Worth	7,618	8,920	10,339	12,142
Total Debt	4,396	4,703	4,903	5,103
Net Deferred Tax Liability	445	390	390	390
Total Capital Employed	12,505	14,065	15,684	17,687

Applications of Funds

Net Block	6,258	7,268	8,281	9,089
CWIP	563	40	0	0
Investments	1,044	1,168	1,457	1,791
Current Assets, Loans & Advances	6,113	7,683	7,938	9,007
Inventories	33	53	53	53
Receivables	4,249	5,151	5,080	5,928
Cash and Bank Balances	142	155	352	426
Loans and Advances	1,689	2,324	2,453	2,600
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	1,472	2,095	1,991	2,200
Payables	597	674	1,042	1,211
Other Current Liabilities	875	1,421	949	989
Net Current Assets	4,641	5,589	5,946	6,807
Total Assets	12,505	14,065	15,684	17,687

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	18.9	18.2	18.2	18.0
EBIDTA Margin	9.2	9.1	9.1	9.5
EBIT Margin	6.3	6.2	6.3	6.7
Tax rate	22.0	21.7	23.4	23.1
Net Profit Margin	4.3	4.4	4.4	4.7
(B) As Percentage of Net Sales (%)				
COGS	81.1	81.8	81.8	82.0
Employee	5.3	5.1	5.1	4.7
Other	4.3	4.1	4.1	3.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.6	0.5	0.5	0.4
Interest Coverage	4.6	4.6	4.8	5.6
Inventory days	1	1	1	1
Debtors days	66	68	62	62
Average Cost of Debt	7.5	8.2	8.3	8.3
Payable days	9	9	13	13
Working Capital days	72	74	73	71
FA T/O	3.8	3.8	3.6	3.8
(D) Measures of Investment				
AEPS (₹)	16.1	18.9	20.7	25.7
CEPS (₹)	25.0	29.0	31.6	38.7
DPS (₹)	1.9	2.2	2.2	2.2
Dividend Payout (%)	12.0	11.6	10.5	8.5
BVPS (₹)	99.4	116.4	135.0	158.5
RoANW (%)	14.4	14.5	13.6	14.6
RoACE (%)	11.3	11.9	11.5	12.3
RoAIC (%)	12.7	13.1	13.0	14.3
(E) Valuation Ratios				
CMP (₹)	288	288	288	288
P/E	17.9	15.3	13.9	11.2
Mcap (₹ Mn)	22,072	22,072	22,072	22,072
MCap/ Sales	0.9	0.8	0.7	0.6
EV	26,326	26,620	26,623	26,750
EV/Sales	1.1	1.0	0.9	0.8
EV/EBITDA	12.2	10.7	9.8	8.0
P/BV	2.9	2.5	2.1	1.8
Dividend Yield (%)	0.7	0.8	0.8	0.8
(F) Growth Rate (%)				
Revenue	21.0	17.2	8.6	16.7
EBITDA	33.6	15.3	9.4	21.9
EBIT	43.8	16.4	10.2	23.1
PBT	53.2	18.1	11.1	25.5
APAT	52.6	17.2	9.8	24.2
EPS	52.6	17.2	9.8	24.2
Cash Flow				
(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	1,568	1,830	2,449	2,371
CFI	(1,309)	(1,576)	(1,887)	(1,915)
CFF	(303)	(241)	(365)	(382)
FCFF	(23)	539	644	571
Opening Cash	187	142	155	352
Closing Cash	142	155	352	426

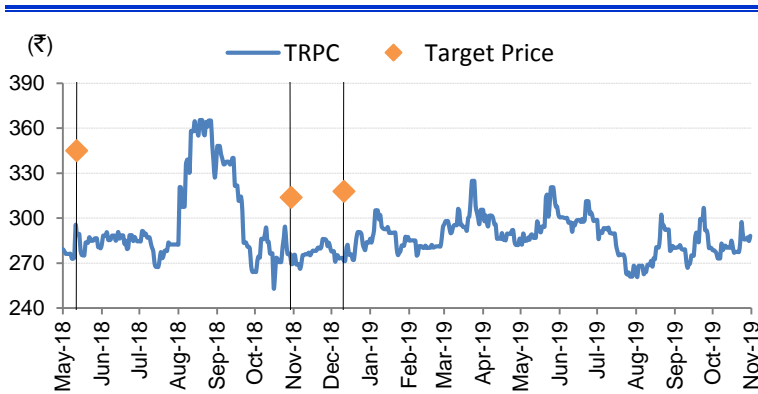
E – Estimates

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 (₹)	Price (₹)
May-18	Accumulate	345	289
Nov-18	Accumulate	314	269
Dec-18	Accumulate	318	271

*Price as on recommendation date

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