

FY21-24E Earnings CAGR%	<b>31%</b>
CF & Return Profile	<b>Moderate</b>
Valuations	<b>Attractive</b>

**BUY**

<b>CMP (Rs)</b>	<b>630</b>
<b>Target (Rs)</b>	<b>764</b>
<b>Upside (%)</b>	<b>21%</b>

**Nifty: 17,857      Sensex: 59,985**

**Key Stock Data**

Bloomberg	TRPC IN
Shares O/s Mn (FV INR 10)	77.1
Mkt Cap (USD Bn/INR Bn)	0.7/49.3
52-week High/Low	697/222
6m Daily Avg Vol (Mn)	149

**Price Performance**

(%)	3M	1Y	3Y
TRPC	53.6	182.7	34.0
Nifty	14.0	54.2	22.8
NSE500	12.2	59.7	23.3

**Shareholding Pattern**

(%)	Mar21	Jun21	Sep21
Promoter	66.7	66.7	66.5
FII	1.7	2.4	2.1
DII	11.4	11.5	11.6
Others	20.2	19.4	19.7

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**TCI continued to witness a strong growth momentum. Consolidated sales grew by 18.4% y-o-y to Rs 8.3bn (two years sales CQGR of 10%) as it witnessed a healthy growth across segments. Underlying volume growth would be in mid-single digit. Coastal shipping led the pack with a sales growth of 44% y-o-y, owing to increase in freight rates and good return cargo along with good occupancy. Despite lower automobile production due to global shortage of semiconductor chips, SCM witnessed a sales growth of 12% y-o-y to Rs 2.8bn (2 years CQGR of 7%). Freight division also performed well a sales growth of 16% y-o-y mainly on account of growth recovery LTL segment. EBITDA margin improved by 370bps y-o-y to 12.7% (highest ever margin reported by TCI), largely because of strong tailwinds w.r.t. high freight rates in coastal shipping division along with stable overheads. EBITDA grew by 68% y-o-y to Rs 1.1bn and net profit increased sharply by 106% y-o-y to Rs 754mn. 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 9.5-10%.**

**Freight segment: growth recovery in LTL and inflation passthrough drive the growth**

Healthy growth is largely due to good growth recovery in LTL segment and better passthrough of fuel price inflation. Further, most dependent industries witnessed a growth which also ensured better volumes. On a two-year basis, it witnessed a CQGR of 8% which we believe is largely pricing driven. Because of better passthrough of fuel inflation and pick up in LTL business, EBIT margin improved by 60bps y-o-y. We observed, capital employed (mainly in working capital) in freight division is consistently decreasing over the last 3 years despite rise in business scale, indicating better efficiency along with good WC management. Going ahead, we see growth momentum to continue in this division and the management is targeting 40% contribution from LTL by FY25 from the current level of 33%, which will further improve the capital efficiency.

**SCM : Maintained growth momentum despite mixed industry trends**

Despite mixed trends in dependent sectors like automobile which was under pressure due to shortage of semiconductor chips but retail and FMCG sectors are witnessing a strong uptick, SCM performed well. Further, customers push for efficiencies and integrated single-window solutions across the value chain are also making good roads for SCM business. 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.

**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 along with fuel price inflation passthrough boosted the revenue (+44% y-o-y). Further, it managed to get high value return cargo from Myanmar which also boosted the earnings. Coastal shipping witnessed a strong margin improvement of 1800bps y-o-y to 46% 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; Maintain 'Buy'**

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 3bn over the next two years, TCI will generate cumulative FCF of ~Rs 2.2bn over FY22-23E 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. Maintain 'Buy' with a revised price target of Rs 764 as we roll forward our target multiple of 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	3,624	3,787	4,281
yoy (%)	-3.6	8.6	38.7	4.5	13.0
Reported PAT	1,279	1,433	2,345	2,494	2,892
yoy (%)	5.8	12.1	63.6	6.3	16.0
EBITDAM(%)	8.9%	9.3%	10.8%	10.0%	10.0%
Equity	153.7	154.2	154.2	154.2	154.2
EPS	18.5	19.1	34.3	36.7	42.4

**Exhibit 2: Key Indicators**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
RoE (%)	14.9	13.4	20.5	18.3	17.9
RoCE (%)	13.2	13.9	19.6	17.8	17.7
ROIC (%)	14.1	15.4	21.7	21.0	21.9
DE	0.4	0.2	0.2	0.1	0.1
PER (x)	34.1	33.1	18.4	17.2	14.9
P/BV (x)	4.7	4.2	3.4	2.9	2.5
EV/Sales (x)	1.9	1.8	1.5	1.3	1.1
EV/EBITDA (x)	21.6	19.4	13.6	12.7	10.9
Div Yield (%)	0.4	0.2	0.4	0.4	0.4

Source: Company, AMSEC Research

**Exhibit 3: 2QFY22 Quarterly Financials (Consolidated)**

Particulars (Rs. mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	y-o-y change	q-o-q change	H1FY22	H1FY21	y-o-y change
<b>Income from operations</b>	<b>6,968.9</b>	<b>8,070.9</b>	<b>8,926.9</b>	<b>6,961.3</b>	<b>8,251.4</b>	<b>18.4%</b>	<b>18.5%</b>	<b>15,212.7</b>	<b>11,026.1</b>	<b>38.0%</b>
Less: Expenditures										
Operating cost	5,762.6	6,601.9	7,295.3	5,609.3	6,542.0	13.5%	16.6%	12,151.3	9,075.2	33.9%
Staff cost	341.1	373.1	439.9	412.5	411.5	20.6%	-0.2%	824.0	641.9	28.4%
Other operating cost	242.7	298.8	305.4	182.0	252.8	4.2%	38.9%	434.8	380.2	14.4%
<b>EBITDA</b>	<b>622.5</b>	<b>797.1</b>	<b>886.3</b>	<b>757.5</b>	<b>1,045.1</b>	<b>67.9%</b>	<b>38.0%</b>	<b>1,802.6</b>	<b>928.8</b>	<b>94.1%</b>
Other Income	65.6	45.9	112.8	40.8	29.2	-55.5%	-28.4%	70.0	96.0	-27.1%
Depreciation	208.9	232.8	280.3	247.3	256.4	22.7%	3.7%	503.7	415.0	21.4%
<b>EBIT</b>	<b>479.2</b>	<b>610.2</b>	<b>718.8</b>	<b>551.0</b>	<b>817.9</b>	<b>70.7%</b>	<b>48.4%</b>	<b>1,368.9</b>	<b>609.8</b>	<b>124.5%</b>
Interest	69.1	63.3	60.9	47.1	32.9	-52.4%	-30.1%	80.0	142.8	-44.0%
<b>Profit Before Tax</b>	<b>410.1</b>	<b>546.9</b>	<b>657.9</b>	<b>503.9</b>	<b>785.0</b>	<b>91.4%</b>	<b>55.8%</b>	<b>1,288.9</b>	<b>467.0</b>	<b>176.0%</b>
Tax	83.9	65.2	80.7	63.8	96.2	14.7%	50.8%	160.0	92.4	73.2%
<b>Profit after Tax</b>	<b>326.2</b>	<b>481.7</b>	<b>577.2</b>	<b>440.1</b>	<b>688.8</b>	<b>111.2%</b>	<b>56.5%</b>	<b>1,128.9</b>	<b>374.6</b>	<b>201.4%</b>
Extraordinary items	-	(104.3)	(26.3)	-	-	NA	NA	-	-	-
share in profits	46.5	51.9	104.1	34.6	72.8	56.6%	110.4%	107.4	45.3	137.1%
Minority Int	6.7	10.9	8.9	6.0	7.5	11.9%	25.0%	13.5	13.1	3.1%
<b>Net Profit</b>	<b>366.0</b>	<b>418.4</b>	<b>646.1</b>	<b>468.7</b>	<b>754.1</b>	<b>106.0%</b>	<b>60.9%</b>	<b>1,222.8</b>	<b>406.8</b>	<b>200.6%</b>
EPS	4.8	5.4	8.4	6.1	9.8	106.0%	60.9%	15.9	5.3	200.6%
<b>Operating Matrix</b>						bps	bps			bps
Operating cost/Sales	82.7%	81.8%	81.7%	80.6%	79.3%	-341	-129	79.9%	82.3%	-243
Staff cost/Sales	4.9%	4.6%	4.9%	5.9%	5.0%	9	-94	5.4%	5.8%	-41
Others/Sales	3.5%	3.7%	3.4%	2.6%	3.1%	-42	45	2.9%	3.4%	-59
<b>EBITDA Margin</b>	<b>8.9%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>10.9%</b>	<b>12.7%</b>	<b>373</b>	<b>178</b>	<b>11.8%</b>	<b>8.4%</b>	<b>343</b>
Net Margin	5.3%	5.2%	7.2%	6.7%	9.1%	389	241	8.0%	3.7%	435
ETR	20.5%	11.9%	12.3%	12.7%	12.3%	-820	-41	12.4%	19.8%	-737

Source: Company, AMSEC Research,

**Exhibit 5: 2QFY22 Segmental Highlights (Consolidated)**

Particulars (Rs. mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	y-o-y change	q-o-q change	H1FY22	H1FY21	y-o-y change
<b>Revenue</b>										
Freight	3,571.9	4,149.0	4,762.9	3,646.7	4,127.9	15.6%	13.2%	7,774.6	5,873.3	32.4%
SCM	2,540.5	3,011.3	3,041.4	2,262.6	2,843.3	11.9%	25.7%	5,105.9	3,685.5	38.5%
Coastal Shipping	932.2	1,037.6	1,301.0	1,149.7	1,342.2	44.0%	16.7%	2,491.9	1,614.2	54.4%
Wind	16.8	2.6	5.3	15.0	20.8	23.8%	38.7%	35.8	(2.6)	NA
Others/inter segment	(92.5)	(129.6)	(183.7)	(112.7)	(82.8)	-10.5%	-26.5%	(195.5)	(144.3)	35.5%
<b>Total</b>	<b>6,968.9</b>	<b>8,070.9</b>	<b>8,926.9</b>	<b>6,961.3</b>	<b>8,251.4</b>	<b>18.4%</b>	<b>18.5%</b>	<b>15,212.7</b>	<b>11,026.1</b>	<b>38.0%</b>
<b>EBIT (Rs mn)</b>										
Freight	120.0	173.4	189.6	126.9	162.1	35.1%	27.7%	289.0	160.5	80.1%
SCM	166.4	200.3	208.9	120.7	166.3	-0.1%	37.8%	287.0	198.1	44.9%
Coastal Shipping	154.5	234.9	305.5	293.3	480.0	210.7%	63.7%	773.3	195.1	296.4%
Wind	10.8	(3.3)	(0.7)	9.8	15.4	42.6%	57.1%	25.2	18.5	36.2%
<b>Total</b>	<b>451.7</b>	<b>605.3</b>	<b>703.3</b>	<b>550.7</b>	<b>823.8</b>	<b>82.4%</b>	<b>49.6%</b>	<b>1,374.5</b>	<b>572.2</b>	<b>140.2%</b>
<b>EBIT %</b>						bps	bps			
Transport	3.4%	4.2%	4.0%	3.5%	3.9%	57	45	3.7%	2.7%	98
SCM	6.5%	6.7%	6.9%	5.3%	5.8%	(70)	51	5.6%	5.4%	25
Coastal Shipping	16.6%	22.6%	23.5%	25.5%	35.8%	1,919	1,025	31.0%	12.1%	1,895
Wind	64.3%	-126.9%	-13.2%	65.3%	74.0%	NA	NA	70.4%	-711.5%	78,193
<b>Total</b>	<b>6.5%</b>	<b>7.5%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>10.0%</b>	<b>350</b>	<b>207</b>	<b>9.0%</b>	<b>5.2%</b>	<b>385</b>

Source: Company, AMSEC Research

**Earnings call KTA**

- Volume in coastal shipping division came down from 67,048 containers to 61,790 containers in H1FY22 mainly on account of higher long haul services as compared to short haul which brought better realization resulting higher revenue growth.
- SCM business has been impacted a bit due to shortage of semiconductor chips but better growth in farm equipment, auto ancillaries, FMCG, Retail compensated the lower growth in PV segment.
- Expecting food pent-up in auto industry will support the growth in the coming few quarters.
- Return cargo (coastal shipping) from Myanmar was one-time in nature and not expecting to occur again.
- 1 ship was under drydock and two more ships will go under drydock in H2FY22 (1 each in Q3 & Q4).
- Incurred capex of Rs 144mn in H1FY22 and planning to incur Rs 500-600mn for full FY22.
- Since prices of ships are at very high level due to global supply crunch, hence the management is deferring capex w.r.t. ship acquisition in FY22 and will wait prices to correct.
- With a view to invest in startups, new technology in the logistics and SCM space, it set up TCI Venture which helped the company in understand the deal flows in the industry and new technology, services and absorb the best practice.
- Freight business witnessed a volume growth of ~8% and 8% pricing growth.
- It has been very prudent w.r.t. capital investments in cold chain business. Large part of investment in cold chain is followed by assured client volumes and it has been asset light in cold chain business. Further, instead of chasing traditional volumes like QSR, Ice cream, frozen foods, etc. TCI Cold chain diversified into niche segments like chemicals, pharmaceuticals, etc.

## Financials (Consolidated)

(Rs mn)

## Profit and Loss Account

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
<b>Income from operation</b>	<b>27,178</b>	<b>28,024</b>	<b>33,523</b>	<b>37,868</b>	<b>42,807</b>
Less:					
Operating expenses	22,143	22,972	27,154	30,976	35,016
Staff expenses	1,572	1,455	1,673	1,893	2,140
Other expenses	1,058	984	1,073	1,212	1,370
<b>EBITDA</b>	<b>2,405</b>	<b>2,612</b>	<b>3,624</b>	<b>3,787</b>	<b>4,281</b>
Depreciation	825	928	937	963	1,027
<b>Operating profit</b>	<b>1,580</b>	<b>1,684</b>	<b>2,686</b>	<b>2,824</b>	<b>3,254</b>
Other income	201	255	305	344	389
<b>EBIT</b>	<b>1,782</b>	<b>1,939</b>	<b>2,991</b>	<b>3,168</b>	<b>3,643</b>
Interest	343	267	199	199	199
Exceptional items	-	-	-	-	-
<b>Profit before tax</b>	<b>1,438</b>	<b>1,672</b>	<b>2,792</b>	<b>2,969</b>	<b>3,443</b>
Tax	159	238	447	475	551
<b>PAT</b>	<b>1,279</b>	<b>1,433</b>	<b>2,345</b>	<b>2,494</b>	<b>2,892</b>
Share in Profit JVs	252	201	302	338	379
Minority Interest	(8)	(33)	-	-	-
EO Items	(99)	(131)	-	-	-
<b>Net Profit</b>	<b>1,424</b>	<b>1,471</b>	<b>2,647</b>	<b>2,832</b>	<b>3,271</b>
Share O/s mn	76.9	77.1	77.1	77.1	77.1
EPS Rs	18.5	19.1	34.3	36.7	42.4

## Cash Flow Statement

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
PBT	1,591	1,743	2,792	2,969	3,443
Non-cash adjustments	1,273	1,344	1,137	1,162	1,227
Chg in working capital	231	181	(807)	(670)	(795)
Tax & Interest Paid	(410)	52	(447)	(475)	(551)
<b>Cashflow from oper.</b>	<b>2,428</b>	<b>3,047</b>	<b>2,675</b>	<b>2,986</b>	<b>3,324</b>
Capital expenditure	(1,321)	(1,241)	(800)	(1,500)	(1,500)
Chg in investments	(14)	(17)	-	-	-
Other invest. cashflow	(18)	196	-	-	-
<b>Cashflow from invest</b>	<b>(1,353)</b>	<b>(1,062)</b>	<b>(800)</b>	<b>(1,500)</b>	<b>(1,500)</b>
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)	-	-	-
<b>Cashflow from finan.</b>	<b>(971)</b>	<b>(1,849)</b>	<b>(413)</b>	<b>(413)</b>	<b>(413)</b>
<b>Chg cash &amp; cash eq</b>	<b>104</b>	<b>136</b>	<b>1,462</b>	<b>1,073</b>	<b>1,411</b>
<b>Open cash &amp; cash eq</b>	<b>155</b>	<b>259</b>	<b>395</b>	<b>1,857</b>	<b>2,929</b>
<b>Clsg cash &amp; cash eq</b>	<b>259</b>	<b>395</b>	<b>1,857</b>	<b>2,929</b>	<b>4,340</b>
<b>Free cashflow to firm</b>	<b>1,107</b>	<b>1,806</b>	<b>1,875</b>	<b>1,486</b>	<b>1,824</b>

## Balance Sheet

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>SOURCES OF FUNDS :</b>					
Share Capital	154	154	154	154	154
Reserves	10,085	11,543	13,976	16,595	19,652
<b>T. Shareholders Funds</b>	<b>10,239</b>	<b>11,697</b>	<b>14,130</b>	<b>16,749</b>	<b>19,806</b>
Minority interest	57	86	86	86	86
<b>Non-Current Liabilities</b>					
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
Other LT Liabilities	-	-	-	-	-
Long-term provisions	-	-	-	-	-
<b>Current Liab &amp; Prov</b>	<b>2,515</b>	<b>2,777</b>	<b>3,267</b>	<b>3,724</b>	<b>4,210</b>
Short term borrowings	-	-	-	-	-
Trade payables	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Short term provisions	-	-	-	-	-
<b>Total Equity &amp; Liab.</b>	<b>16,833</b>	<b>17,388</b>	<b>20,312</b>	<b>23,387</b>	<b>26,930</b>
<b>APPLICATION OF FUNDS :</b>					
<b>Non Current Assets</b>					
Fixed Assets	7,483	7,409	7,272	7,809	8,282
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
Deferred tax assets	-	-	-	-	-
Long term loans & adv.	-	-	-	-	-
Other non-current assets	-	-	-	-	-
<b>Current Assets</b>					
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	1,857	2,929	4,340
ST Loans & Adv	2,349	2,213	2,647	2,990	3,381
Others current assets	-	-	-	-	-
<b>Total Assets</b>	<b>16,833</b>	<b>17,388</b>	<b>20,312</b>	<b>23,387</b>	<b>26,930</b>
Net working capital	4,772	4,618	5,425	6,095	6,890
Total Gross Debt	3,686	2,347	2,347	2,347	2,347
Total Net debt	3,426	1,952	490	(583)	(1,994)
Total capital employed	14,318	14,611	17,045	19,663	22,720

## Key Ratios

Y/E (Mar)	FY20	FY21	FY22E	FY23E	FY24E
<b>PER SHARE</b>					
EPS Rs	18.5	19.1	34.3	36.7	42.4
CEPS Rs	29.3	31.1	46.5	49.2	55.7
Book Value Rs	133.2	151.7	183.3	217.2	256.9
<b>VALUATION</b>					
EV / Net Sales	1.9	1.8	1.5	1.3	1.1
EV / EBITDA	21.6	19.4	13.6	12.7	10.9
P / E Ratio	34.1	33.1	18.4	17.2	14.9
P / BV Ratio	4.7	4.2	3.4	2.9	2.5
<b>GROWTH YOY%</b>					
Sales Growth	-1.3	3.1	19.6	13.0	13.0
EBITDA Growth	-3.6	8.6	38.7	4.5	13.0
Net Profit Growth	-2.0	3.3	79.9	7.0	15.5
Gross Fixed Asset Growth	7.7	5.8	5.2	9.2	8.4
<b>PROFITABILITY</b>					
EBITDA / Net Sales (%)	8.9	9.3	10.8	10.0	10.0
EBIT / Net sales (%)	6.6	6.9	8.9	8.4	8.5
NPM / Total income (%)	5.2	5.3	7.9	7.5	7.6
ROE (%)	14.9	13.4	20.5	18.3	17.9
ROCE (%)	13.2	13.9	19.6	17.8	17.7
Tax / PBT %	11.1	14.3	16.0	16.0	16.0
<b>TURNOVER</b>					
Net Working Cycle					
Debtors Velocity (Days)	65.4	66.6	65.0	65.0	65.0
Inventory (Days)	1.1	1.1	1.0	1.0	1.0
Creditors Velocity (Days)					
Current Ratio	3.0	2.8	3.2	3.4	3.7
Quick Ratio	3.0	2.8	3.2	3.4	3.6
<b>LIQUIDITY</b>					
Gross Asset Ratio	1.9	1.9	2.1	2.2	2.3
Total Asset Ratio	2.0	1.9	2.1	2.1	2.0
Net Debt-Equity Ratio	0.3	0.2	0.0	0.0	-0.1
Interest Coverage	4.6	6.3	13.5	14.2	16.3
<b>PAYOUT</b>					
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

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

## Sector rating

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

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