

TRANSPORT CORPORATIONS OF INDIA

Rating: ▼ | Target price: ▲ | EPS: ▼

CMP
Rs. 819

Target Price
Rs. 900

Rating
ADD



ONE YEAR OUTLOOK

Business & Earnings ▼

- Revise our rating from BUY to ADD with a target price of Rs. 900. The rating revision is primarily due to our belief that stock price partially factors in back-ended benefits including addition of new ship and traction in multimodal logistics. TRPC will also benefit from 1) steady automotive demand coupled with the addition of new clientele, driving growth in Supply chain segment (SCS), 2) sustained demand for coastal shipping, & 3) increasing contribution of LTL in freight segment.
- In 2QFY24, SCS segment revenue grew 8% YoY led by underlying growth in automotive segment. Expect sustained automotive demand (~75-80% of revenues), new opportunities from diversified industries, opportunities in multimodal and cold chain (especially pharma industry) to drive revenue/EBITDA CAGR of 12% & 13% (FY23-25E).
- Seaways revenue grew 9% YoY while EBITDA margins declined 300bps to 35.8% in a seasonally weak quarter. The company placed an order with a Japanese shipyard to buy two small ships (14.6k DWT) for Rs. 3bn with delivery expected in FY26-27. Furthermore, expect a second-hand ship addition towards mid of FY25. We revise our FY25-26 estimates factoring in delay in ship addition and continue to monitor the pricing environment and the implication of an increase in fuel cost given the softening demand environment. Penciling revenue & EBITDA CAGR of 7%/3% (FY23-25E).
- Freight division is likely to benefit from 1) higher LTL contribution (40% by FY25 from 36% in 1HFY24), 2) shift from unorganised sector, and 3) growth in multimodal logistics. Expect a revenue and EBITDA CAGR (FY23-25E) of 9%/13% respectively.

Valuation Multiples ▲

- Valuing TRPC based on SOTP (page 6) to arrive at TP of Rs.900 (rolling to Sep-25). Increase in our multiple factors in back-ended benefits of seaways capacity addition (FY27). Despite FY24-26 capex of ~Rs. 9bn (incl. new ships), RoCEs estimated at 17%.

FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY22	29,046	13.4	2,674	34.6	23.7	16.3	22
FY23	34,287	11.8	3,035	39.2	20.9	15.4	21
FY24E	37,385	11.3	3,077	39.8	20.6	14.7	18
FY25E	41,585	11.2	3,259	42.1	19.4	13.3	17
FY26E	46,092	11.6	3,757	48.6	16.9	11.4	17

THREE YEAR OUTLOOK

Business & Earnings ▼

- Expect TRPC to benefit from 1) shift in volumes from the unorganised to organized sector, and 2) traction in multimodal logistics (TRPC is one of the few players with a presence across the value chain), which would drive revenue & EBITDA CAGR of 11%/12% respectively through FY23-27E.
- TRPC's established infrastructure, long-standing customer relationships and experienced management team (vintage of ~six decades) are expected to aid its position as a preferred 3PL partner. Furthermore, the company's presence across the multimodal logistics value chain (JV with Concor for rail transportation & fleet of ships for waterway transportation) allows it to provide efficient end-to-end logistics solutions. Robust demand for multimodal logistics is likely to drive coastal shipping volume growth, benefiting the Seaways division. The addition of a new ship is a first for the organization and we believe it would be returns accretive. Expect the addition of a new ship every 15-18 months to cater to incremental demand. However, softening demand, and increasing competition may dilute realization and profitability.
- Expect freight segment to benefit from higher contribution from LTL services. Freight segment's share in overall revenues to fall from 47% in FY22 to ~42% by FY27E.

Valuation Multiples ◀▶

- Improving operating cashflows, combined with reducing debt, are expected to drive RoCE (12% in FY21 to ~18% in FY27E). Based on FY27E estimates, we see a potential upside of 40% (incl. dividends).

KEY ESTIMATES REVISION

	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Sales	37,400	37,385	0%	42,379	41,585	-2%
EBITDA (%)	11.3%	11.3%	2 bps	11.5%	11.2%	-26 bps
PAT	2,955	3,077	4%	3,353	3,259	-3%
EPS	38.2	39.8	4%	43.3	42.1	-3%
Implied Target P/E	Before Results: 19.5			After Results: 21.3		

All figures in Rs.Mn

OUTLOOK REVIEW 2QFY24 01 November 2023

Industry LOGISTICS

Key Stock Data

Bloomberg	TRPC IN
Shares o/s	78mn
Market Cap	Rs. 63bn (\$763mn)
52-wk High-Low	Rs. 868-555
3m ADV	Rs. 39mn (\$1mn)
F&O	No

Latest Shareholding (%)

	Mar-23	Jun-23	Sep-23
Promoters	69.0	69.0	69.6
Institutions	15.0	15.2	11.9
Public	16.0	15.8	18.5
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
TRPC	4.5	8.5	14.6
Sensex	-3.0	-4.0	5.2

RESEARCH ANALYSTS

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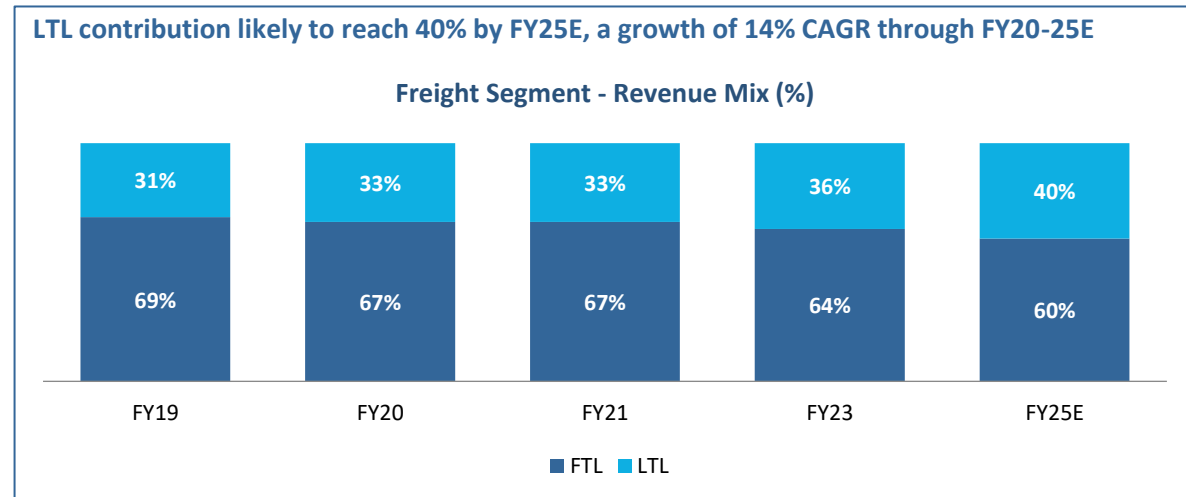
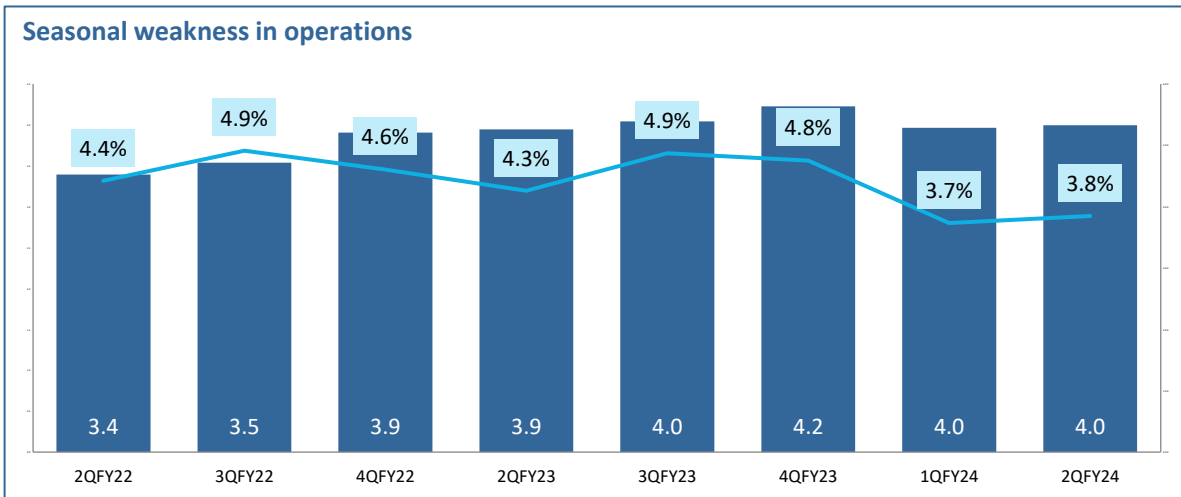
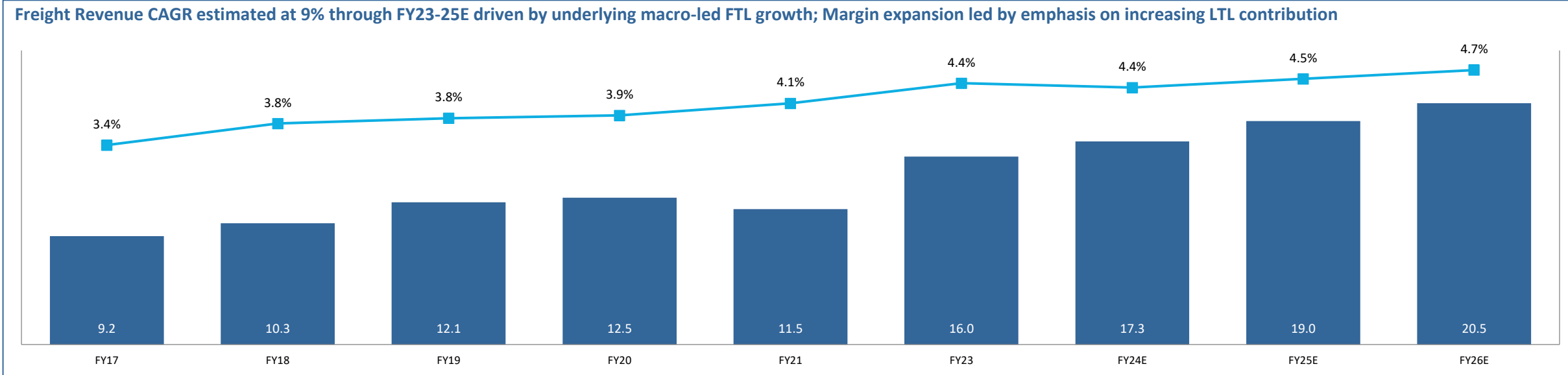
Quarterly Financial Statement

- Revenue came in at Rs. 9bn, +6% YoY/+5% QoQ.
- TCI's freight segment reported revenues of Rs. 4bn, flat YoY/+8% QoQ. The segment's EBIT margins at 3.6%, was up 15bps QoQ
- Supply Chain segment reported revenues at Rs. 3.7bn, +9% YoY/+8% QoQ. EBIT margins at 6.6%, was up 40bps sequentially.
- Seaways segment revenues was at Rs. 1.4bn, +9% YoY/+8% QoQ. EBIT margins at 22.9% contracted 630bps QoQ due to seasonality.
- Gross margin at 20.4%, was down 60 bps QoQ
- Consequently, EBITDA came in at Rs. 968mn, +6% YoY/ flat QoQ. EBITDA margins came in at 10.8%, a sequential decrease of 50bps.
- PAT came in at Rs. 670mn, +17% YoY/-20% QoQ.
- OCF for 1HFY24 was at Rs. 1.4bn while capex incurred for the period was Rs. 1.2bn
- Debt increased to Rs. 689mn in Sep-23 vs Rs. 552mn in Mar-23.

Standalone Financial Results

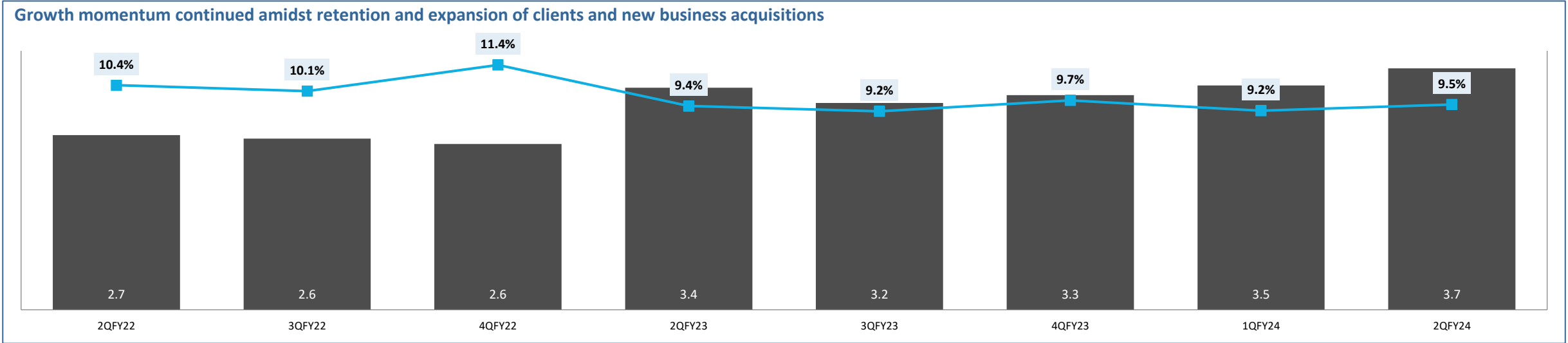
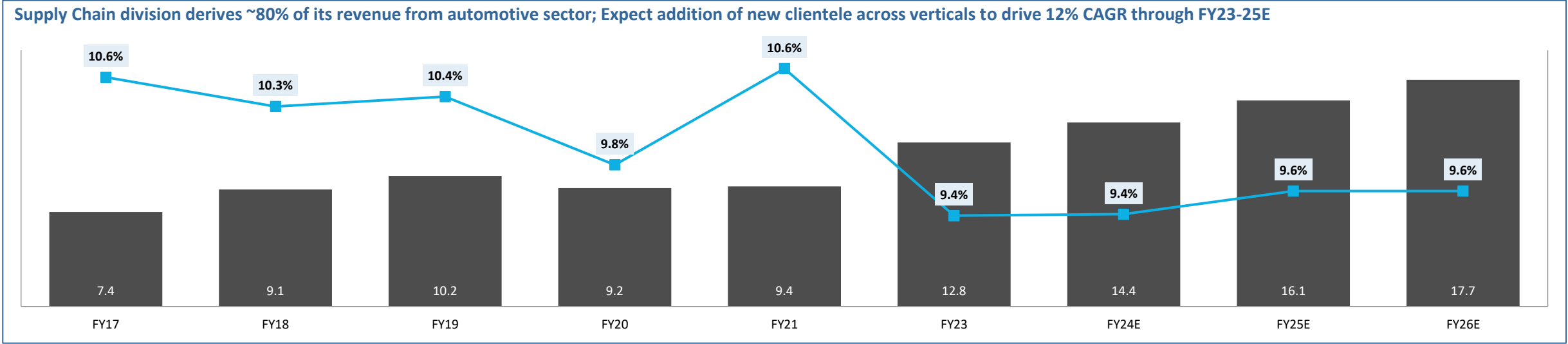
Rs. mn\Period	2QFY24	2QFY23	yoy Growth	1QFY23	qoq Growth	1HFY23	1HFY24	Yoy Growth
Revenue	9,002	8,509	5.8%	8,598	4.7%	16,581	17,600	6.1%
Operating expense	7,164	6,799	5.4%	6,789	5.5%	13,173	13,953	5.9%
Emp. cost	550	475	15.8%	533	3.2%	928	1,083	16.8%
Other expenses	320	319	0.4%	309	3.6%	573	629	9.8%
Total Expenditure	8,034	7,593	5.8%	7,631	5.3%	14,673	15,665	6.8%
EBITDA	968	916	5.7%	967	0.1%	1,908	1,935	1.4%
Margin %	10.8%	10.8%	-1 bps	11.2%	-49 bps	11.5%	11.0%	-51 bps
D&A	298	289	3.0%	295	1.0%	568	593	4.5%
EBIT	670	627	6.9%	672	-0.3%	1,340	1,342	0.1%
Other income	118	76	55.5%	277	-57.4%	235	395	68.0%
Net Interest exp (inc)	31	21	46.9%	21	47.6%	40	52	30.7%
PBT	757	682	11.1%	928	-18.4%	1,536	1,685	9.7%
Tax provision	87	108	-19.1%	95	-8.4%	195	182	-6.7%
Tax rate %	11.5%	15.8%	-27.1%	10.2%	126 bps	12.7%	10.8%	-190 bps
PAT (Reported)	670	574	16.7%	833	-19.6%	1,340	1,503	12.1%
PAT (Adjusted)	670	574	16.7%	833	-19.6%	1,340	1,503	12.1%
Adjusted PAT Margin %	7.4%	6.7%	70 bps	9.7%	-225 bps	8.1%	8.5%	46 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	8.7	7.4	17.8%	10.9	-19.6%	17.5	19.6	12.1%
EPS (Adjusted)	8.7	7.4	17.8%	10.9	-19.6%	17.5	19.6	12.1%

Freight segment to benefit from higher LTL contribution

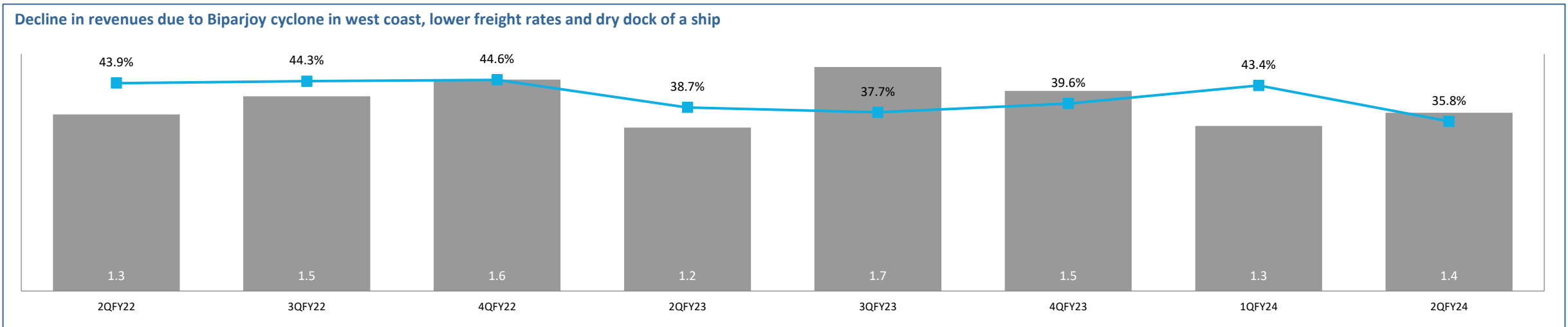
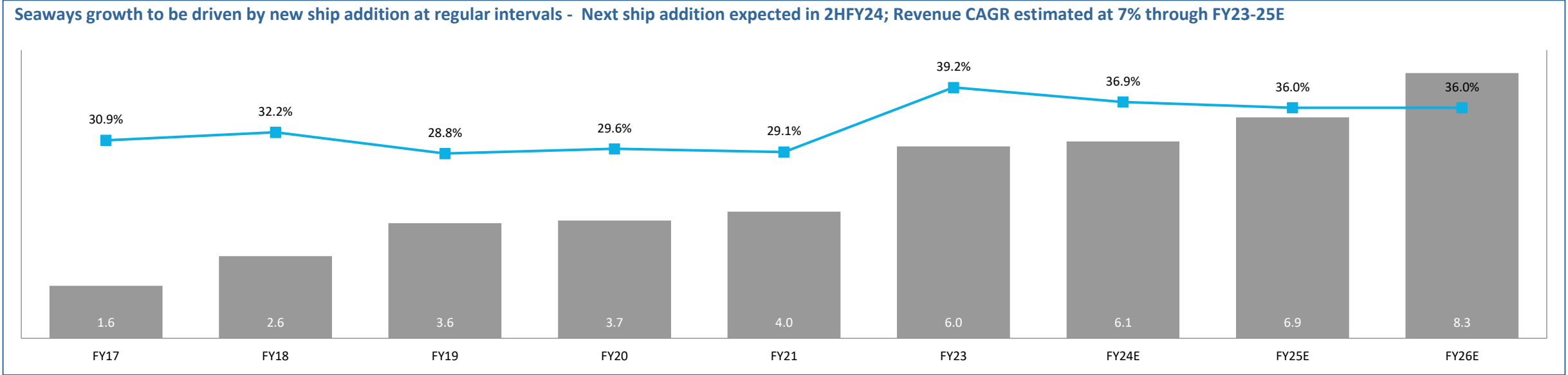


Source – Avendus Spark

SCS segment to benefit from sustained automotive demand and addition of new clientele across verticals



Healthy growth in Seaways segment to be driven by ship addition in 2HFY24E



SOTP

Arriving at Target price based on SOTP valuation			
SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight	908	5,447	6x Sep-25e EV/EBITDA
TCI SCS	1,620	24,297	15x Sep-25e EV/EBITDA
TCI Seaways	2,731	27,309	10x Sep-25e EV/EBITDA
Others	38	77	2x Sep-25e EV/EBITDA
Net Cash(Net Debt)		1,836	
Value from TCI	763	58,967	84.8% of Total
Value from JV	137	10,577	15.2% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	900	69,545	

Financial Summary

Standalone Financial Statements

Rs mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Profit & Loss										
Revenue	21,778	25,583	25,134	24,520	29,046	34,287	37,385	41,585	46,092	51,986
Gross profit	4,288	4,888	4,864	4,782	6,498	7,164	7,853	8,527	9,728	11,232
EBITDA	2,083	2,442	2,335	2,479	3,904	4,050	4,222	4,672	5,350	6,470
Depreciation	673	752	777	881	1,076	1,168	1,209	1,309	1,419	1,608
EBIT	1,410	1,690	1,558	1,598	2,829	2,883	3,014	3,363	3,931	4,863
Other Income	245	269	283	352	311	638	678	691	723	852
Interest expense	299	356	324	248	109	82	110	127	127	127
Exceptional items	40	0	99	140	0	10	0	0	0	0
PBT	1,316	1,603	1,419	1,562	3,031	3,429	3,581	3,927	4,527	5,588
Reported PAT (after minority interest)	1,037	1,276	1,264	1,348	2,674	3,035	3,077	3,259	3,757	4,638
Adj PAT	1,037	1,276	1,257	1,452	2,674	3,035	3,077	3,259	3,757	4,638
EPS (Rs.)	13.5	16.7	16.4	19.0	34.6	39.2	39.8	42.1	48.6	60.0
Balance Sheet										
Net Worth	6,769	8,370	9,500	10,804	13,131	15,677	18,134	20,696	23,755	27,696
Total debt	4,238	4,496	4,083	2,735	765	846	1,046	946	846	746
Other liabilities and provisions	535	1,290	1,263	1,375	1,491	1,697	1,825	1,999	2,185	2,428
Total Networth and liabilities	11,985	14,546	15,109	15,177	15,634	18,474	21,258	23,894	27,040	31,124
Gross Fixed assets	10,345	11,917	13,159	14,305	15,382	16,410	18,910	21,090	22,270	26,850
Net fixed assets	6,236	7,055	7,521	7,786	7,787	7,648	8,939	9,810	9,571	12,543
Capital work-in-progress	563	40	216	52	73	260	260	260	260	260
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	313	938	888	858	998	1,722	1,722	1,722	1,722	1,722
Cash and bank balances	130	122	178	308	581	1,693	2,350	2,085	3,379	6,326
Loans & advances and other assets	1,604	2,221	2,324	2,223	2,237	2,526	3,354	4,863	6,395	3,829
Net working capital	3,139	4,170	3,982	3,951	3,959	4,626	4,634	5,154	5,713	6,443
Total assets	11,985	14,546	15,109	15,177	15,634	18,474	21,259	23,894	27,040	31,124
Capital Employed	11,450	13,256	13,846	13,802	14,142	16,777	19,433	21,895	24,855	28,695
Invested Capital (CE - cash - CWIP)	10,757	13,094	13,452	13,442	13,489	14,824	16,823	19,550	21,216	22,109
Net debt	4,109	4,375	3,905	2,427	184	-847	-1,305	-1,139	-2,534	-5,581
Cash Flow										
Cash flows from Operations (Pre-tax)	2,119	2,060	2,748	2,976	3,993	3,591	4,082	3,380	4,041	9,274
Cash flows from Operations (post-tax)	1,768	1,729	2,353	3,043	3,556	3,415	3,578	2,712	3,272	8,324
Capex	1,590	1,078	1,304	1,442	731	1,476	2,500	2,180	1,180	4,580
Free cashflows	177	651	1,049	1,602	2,826	1,939	1,078	532	2,092	3,744
Free cashflows (post interest costs)	-122	295	726	1,354	2,717	1,857	967	405	1,965	3,617
Cash flows from Investing	-1,538	-1,481	-1,346	-959	-727	-1,854	-2,500	-2,180	-1,180	-4,580
Cash flows from Financing	316	-255	-970	-1,941	-2,567	-514	-420	-797	-797	-797
Total cash & liquid investments	130	122	178	308	581	1,693	2,350	2,085	3,379	6,326

Financial Summary

Standalone Financial Statements

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Key Variables										
Freight Segment Revenue	10,311	12,096	12,478	11,508	13,716	15,982	17,266	18,993	20,512	22,153
SCS Segment Revenue	9,126	10,189	9,250	9,376	10,052	12,804	14,360	16,083	17,691	19,460
Seaways Segment Revenue	2,564	3,593	3,677	3,953	5,578	5,990	6,148	6,898	8,278	10,761
Growth ratios (%)										
Revenue	20.7%	17.5%	-1.8%	-2.4%	18.5%	18.0%	9.0%	11.2%	10.8%	12.8%
EBITDA	32.3%	17.2%	-4.4%	6.2%	57.5%	3.7%	4.3%	10.7%	14.5%	21.0%
Adj PAT	47.6%	23.0%	-1.0%	6.6%	98.4%	13.5%	1.4%	5.9%	15.3%	23.4%
Margin ratios (%)										
Gross	19.7%	19.1%	19.4%	19.5%	22.4%	20.9%	21.0%	20.5%	21.1%	21.6%
EBITDA	9.6%	9.5%	9.3%	10.1%	13.4%	11.8%	11.3%	11.2%	11.6%	12.4%
Adj PAT	4.8%	5.0%	5.0%	5.9%	9.2%	8.9%	8.2%	7.8%	8.2%	8.9%
Performance ratios										
Pre-tax OCF/EBITDA (%)	101.7%	84.3%	117.7%	120.1%	102.3%	88.7%	96.7%	72.3%	75.5%	143.3%
OCF/IC (%)	16.4%	13.2%	17.5%	22.6%	26.4%	23.0%	21.3%	13.9%	15.4%	37.7%
RoE (%)	16.5%	16.9%	14.1%	14.3%	22.3%	21.1%	18.2%	16.8%	16.9%	18.0%
RoCE (%)	12.0%	12.6%	12.1%	12.2%	19.8%	20.2%	17.5%	16.3%	16.5%	17.7%
RoCE (Pre-tax) (%)	15.2%	15.9%	13.6%	14.1%	22.5%	22.8%	20.4%	19.6%	19.9%	21.3%
Fixed asset turnover (x)	2.3	2.3	2.0	1.8	2.0	2.2	2.1	2.1	2.1	2.1
Total asset turnover (x)	1.9	1.9	1.7	1.6	1.9	2.0	1.9	1.8	1.8	1.8
Financial stability ratios										
Net Debt to Equity (x)	0.6	0.5	0.4	0.2	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Net Debt to EBITDA (x)	2.0	1.8	1.7	1.0	0.0	(0.2)	(0.3)	(0.2)	(0.5)	(0.9)
Interest cover (x)	5.9	4.9	7.3	12.3	32.6	41.5	32.4	21.3	25.7	65.5
Cash conversion days	53	59	58	59	50	49	45	45	45	45
Total Working capital days	71	73	73	71	59	58	60	70	79	55
Valuation metrics										
Fully Diluted Shares (mn)	76.6	76.6	76.6	76.6	77.3	77.4	77.4	77.4	77.4	77.4
Market cap (Rs.mn)						63,334				
P/E (x)	60.4	49.1	49.9	43.2	23.7	20.9	20.6	19.4	16.9	13.7
P/OCF (x)	35.8	36.6	26.9	20.8	17.8	18.5	17.7	23.4	19.4	7.6
EV (Rs.mn) (ex-CWIP)	66,880	67,669	67,023	65,762	63,518	62,487	62,030	62,195	60,801	57,754
EV/ EBITDA (x)	32.1	27.7	28.7	26.5	16.3	15.4	14.7	13.3	11.4	8.9
EV/ OCF(x)	37.8	39.1	28.5	21.6	17.9	18.3	17.3	22.9	18.6	6.9
FCF Yield (%)	0.3%	1.0%	1.7%	2.5%	4.5%	3.1%	1.7%	0.8%	3.3%	5.9%
Price to BV (x)	9.4	7.6	6.7	5.9	4.8	4.0	3.5	3.1	2.7	2.3
Dividend yield (%)	0.2%	0.2%	0.2%	0.1%	0.6%	0.9%	1.0%	1.1%	1.1%	1.1%
Dividend pay-out (%)	11.8%	10.8%	12.2%	6.4%	15.3%	17.9%	20.2%	21.4%	18.6%	15.0%

Crystal Ball Gazing

Over FY22-27E, revenue growth is likely to be driven by 1) shift from unorganised to organized sector, 2) logistics supply chain outsourcing to 3PL players, and 3) traction in multimodal logistics. EBITDA growth is expected to be led by higher contributions from supply chain services(3PL) and increase in the movement of freight by multimodal logistics.

Healthy Revenue and EBITDA growth

	FY11-FY14	FY14-FY22	FY22-FY27E
Revenues CAGR	5%	9%	12%
Gross Margin	19%	20%	21%
EBITDA CAGR	3%	18%	11%
EBITDA margin	7.6%	9.4%	12.0%
EPS CAGR	6%	27%	12%
Total Asset Turnover (x)	2.5	2.0	1.9
Total WC days	56	66	64
Pre-tax OCF/EBITDA (%)	87%	104%	96%
Post Tax OCF as a % of IC	15%	18%	23%
Debt/EBITDA	2.1	2.5	(0.3)

Improving operating efficiencies resulting in healthy returns

	FY11-FY14	FY14-FY22	FY22-FY27E
RoE (%)	15.2%	15.9%	18.9%
RoCE (%)	10.9%	12.6%	18.0%
RoIC (%)	15.6%	14.3%	20.1%
Average 1 yr fwd			
PE (x)			
EV/EBITDA (x)			
Peak 1 yr fwd			
PE (x)			
EV/EBITDA (x)			

Healthy operating performance to sustain multiple

SOTP	FY27 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	1,056	6.0	6,338
TCI SCS	1,867	13.0	24,267
TCI Seaways	3,873	10.0	38,730
Others	38	2.0	77
Net Debt (Rs.mn)			-5,581
Mkt Cap (Rs.mn)			74,992
Standalone TP			970
JV and Subs (Transystem, TCI Concor, Cold Chain)			135
Target Price			1,105

Entry = Rs. 819 @ 19.4x FY25E P/E

Cumulative Dividends of Rs. 42/share

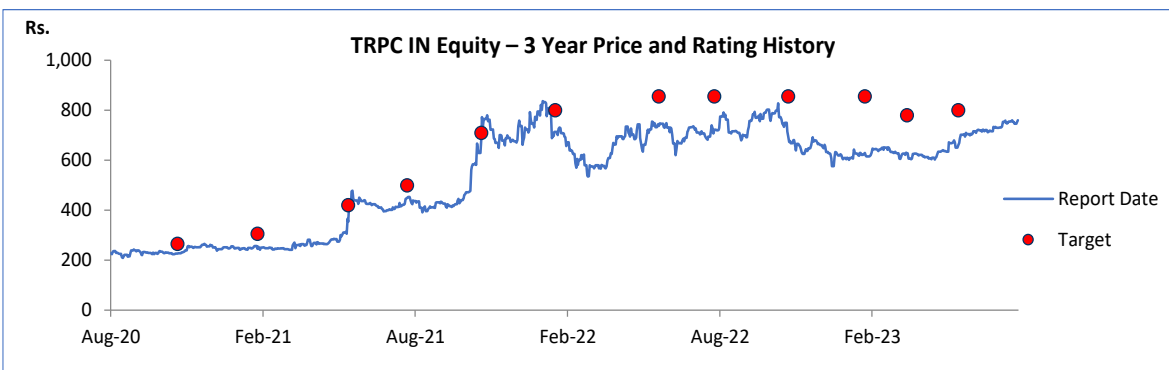
EPS CAGR of ~12%, implied exit multiple of 18.4x on FY27E P/E

Total Return of 40%

AGV	Automated guided vehicle
AMR	Autonomous mobile robot
ASC	Automated sort capacity
3PL	<i>Third Party Logistics Service Provider</i>
BPS	Book Value per share
BS	Balance sheet
BV	Book Value
CAGR	Compounded Annual Growth Rate
CASA	Current Account + Savings Account
CC	Cash Credit
D2C	Direct to consumer
CG	Corporate Governance
CMP	Current Market Price
CV	Commercial Vehicle
DPS	Dividend per share
DTA	Deferred Tax Assets
FTL	Full Truck Load
EPS	Earnings per share
FI	Financial Institution/Intermediary
JV	Joint Venture
LTL	Less than Truckload
LC	Letter of Credit
LCV	Light Commercial Vehicle
LoU	Letter of Undertaking
MHCV	Medium & Heavy Commercial Vehicle
MSE	Micro & Small Enterprises
MSME	Micro, Small & Medium Enterprises
MTM	Marked-to-Market
OI	Other Income
Opex	Operating Expenses
P&L	Profit & Loss
P/BV	Price to Book Value
P/E	Price to Earnings
PAT	Profit After Tax
PBT	Profit Before Tax
PTL	Part truck load

RoE	Return on Equity
RoCE	Return on Capital Employed
SaaS	Software as a service
SCV	Small Commercial Vehicle
SCS	Supply chain services
SEBI	Securities & Exchange Board of India
SLA	Service level agreement
SME	Small & Medium Enterprises
SOTP	Sum of the Parts
TP	Target Price
UAV	Unmanned aerial vehicle
UV	Utility Vehicle
WMS	Warehouse management system

Spark Recommendation History



Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

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01-Aug-23	760	845	BUY
22-May-23	649	800	BUY
22-Mar-23	630	780	BUY
31-Jan-23	625	855	BUY
01-Nov-22	715	855	BUY
05-Aug-22	707	855	BUY
31-May-22	744	855	BUY
28-Jan-22	724	800	BUY
01-Nov-21	630	710	BUY
05-Aug-21	446	500	BUY
27-May-21	367	420	Buy
08-Feb-21	257	305	Buy
05-Nov-20	226	265	Buy
14-Aug-20	210	250	Buy
05-Jun-20	159	190	Buy

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