Research Report

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India Logistics

Transport Corporation of India Q2FY24 Result Review

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Flash Analysis

Transport Corporation of India (TCI) delivered 6% YoY revenue growth to Rs9.9bn with Freight, Seaways and Supply Chain divisions delivering 1%, 9% and 10% YoY revenue growth respectively. The company has delivered a 6% YoY growth for H1FY24 and it maintains its outlook of meeting the 10-15% growth guidance with demand picking up in H2. EBITDA came in at Rs1bn up 4% YoY with margin at 10.1%, down 50bps YoY. EBITDA for the Freight/Supply Chain/Seaways divisions EBITDA grew -10/10/1% YoY in Q2FY24. EBITDA margin for Seaways division contracted by 350bps YoY to 38.1% and Freight division margin contracted by 50bps to 3.8% while Supply Chain division margin expanded by 10bps to 9.5%. The company's net profit grew by 20% YoY to Rs870mn. The company maintains its guidance of PAT growing 10-15% for FY24.

Freight Division: Revenue was up 1% YoY for Q2FY24 due to shift of the festive season to Q3, however signs of improvement was seen in the LTL segment. EBITDA margin was down by 50bps YoY to 3.8% led by lower business growth. EBITDA came in at Rs152mn down 9% YoY.

Supply Chain Division: Revenue was up 9% YoY in Q2FY24 with the growth momentum led by retention and expansion of its business with its existing clients and adding new ones. The company is undergoing over 100 multimodal auto rakes operations per month and is seeing high traction within its customers due to low emissions. EBITDA margin was marginally up by 10bps YoY to 9.5%. EBITDA came in at 246mn up 12% YoY.

Seaways Division: Revenue was up 10% YoY in Q2FY24 as the company regained growth momentum as all of its ships were operational. Freight rates remained weak because of lower fuel prices. EBITDA margin contracted 350bps YoY to 38.1%, reversing back to the normal margin range of 25-30%. The company has also signed a definitive agreement with with a Japanese shipyard for building two Cellular Container Vessels of ~7300 MT DWT each for a contract price of approximately Rs3bn. The vessels are expected to be delivered in CY26.

Joint Ventures: The company's JVs TCI Concor/TCI Cold Chain/Transystem delivered revenue growth of 16/16/49% YoY to Rs800/178/2593mn in Q2FY24. PAT for TCI Concor/TCI Cold Chain/Transystem came in at Rs12/11/371mn.

CAPEX Plans: The company incurred CAPEX of Rs1150mn in H1FY24, however it has revised its FY24 CAPEX guidance from Rs3.75bn to Rs2.75bn of which Rs980mn will be towards warehouses, Rs630mn (Rs1.25bn earlier) towards ships, Rs280mn (Rs340mn earlier) towards containers, Rs520mn (Rs760mn earlier) towards trucks and rakes and balance Rs340nm (Rs420mn earlier) towards multiple other investments.

Key Takeaways from Q2FY24 Earnings Call:

- H1 is usually slower with Q2 being a monsoon quarter where operations are slow and Q1 being a quarter post a strong Q4, a high volume quarter. The company generates about 45% of its revenue in H1 and remaining is generated in H2. The company maintains its outlook of meeting the 10-15% growth guidance for H2 with operations picking up since October.
- On the freight business there is a slowdown as the festive season is in Q3, so the stocking activities have taken place in October.
- One of the ship is expected to be delivered by Jan 2026 and another by September. While the company will continue to look at additional ships inorganically, the timing of the same will be dependent on the demand scenario along with the pricing of the ships.
- The payback period of a new ship is 6 to 7 years with an IRR of 20-21% while the payback period for a second hand ship is 7 to 8 years with an IRR of 19-20%.
- The company does not see DFC to drive a dramatic shift from the FTL business, however some shift will happen on a terminal to terminal based businesses.
- Capex for FY25 should be similar to FY24 guidance excluding the capex towards the new ship which should be around Rs1bn.

Transport Corporation of India Financial Performance

(Rs Mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	**9,935**	**9,331**	**6%**	**9,498**	**5%**	**19,433**	**18,365**	**6%**
Operating expenses	8,017	7,524	7%	7,595	6%	15,612	14,767	6%
Gross Profit	**1,918**	**1,807**	**6%**	**1,903**	**1%**	**3,821**	**3,598**	**6%**
Gross Margin (%)	**19.3%**	**19.4%**		**20.0%**		**19.7%**	**19.6%**	
Employee Expenses	568	492	15%	555	2%	1,123	963	17%
Other Expenses	346	345	0%	340	2%	686	620	11%
EBITDA	**1,004**	**970**	**4%**	**1,008**	**0%**	**2,012**	**2,015**	**0%**
EBITDA Margin (%)	**10.1%**	**10.4%**		**10.6%**		**10.4%**	**11.0%**	
Depreciation	311	300	4%	308	1%	619	589	5%
EBIT	**693**	**670**	**3%**	**700**	**-1%**	**1,393**	**1,426**	**-2%**
EBIT Margin (%)	**7.0%**	**7.2%**		**7.4%**		**7.2%**	**7.8%**	
Other Income	113	64	77%	85	33%	198	112	77%
Finance Costs	34	26	31%	23	48%	57	49	16%
Share of JV	202	138	46%	174	16%	376	236	59%
Exceptional			na		na			
PBT	**974**	**846**	**15%**	**936**	**4%**	**1,910**	**1,725**	**11%**
Tax Expenses	96	116	-17%	104	-8%	200	209	-4%
PAT	**878**	**730**	**20%**	**832**	**6%**	**1,710**	**1,516**	**13%**
Minority Int	8	7	14%	9	-11%	17	15	13%
Net Profit	**870**	**723**	**20%**	**823**	**6%**	**1,693**	**1,501**	**13%**
EPS	**11.21**	**9.34**	**20%**	**10.61**	**6%**	**21.82**	**19.39**	**13%**

Source: Company Data

Freight Division Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	3,990	3,944	1%	3,936	1%	7,946	7,709	3%
EBITDA	152	168	-10%	148	3%	300	312	-4%
EBITDA Margin (%)	3.8%	4.3%		3.8%		3.8%	4.0%	
EBIT	141	158	-11%	136	4%	277	291	-5%
EBIT Margin (%)	3.5%	4.0%		3.5%		3.5%	3.8%	

Source: Company Data

Supply Chain Division Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	3,721	3,421	9%	3,460	8%	7,181	6,274	14%
EBITDA	355	322	10%	320	11%	675	584	16%
EBITDA Margin (%)	9.5%	9.4%		9.2%		9.4%	9.3%	
EBIT	246	220	12%	215	14%	462	375	23%
EBIT Margin (%)	6.6%	6.4%		6.2%		6.4%	6.0%	

Source: Company Data

Seaways Division Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	1,274	1,158	10%	1,173	9%	2,447	2,610	-6%
EBITDA	485	481	1%	544	-11%	1,029	1,102	-7%
EBITDA Margin (%)	38.1%	41.5%		46.4%		42.1%	42.2%	
EBIT	310	304	2%	366	-15%	675	765	-12%
EBIT Margin (%)	24.3%	26.3%		31.2%		27.6%	29.3%	

Source: Company Data

TCI Concor JV Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	800	692	15.6%	763	4.8%	1,563	1,510	3.5%
PAT	12	12	-3.6%	14	-14.3%	26	25	2.2%

Source: Company Data

TCI Cold Chain JV Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	178	154	15.6%	163	9.2%	341	316	7.9%
PAT	11	3	235.4%	9	22.2%	20	12	60.3%

Source: Company Data

Seaways Division Performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	2,593	1,745	48.6%	2,253	15.1%	4,846	3,174	52.7%
PAT	371	267	39.0%	330	12.4%	701	456	53.7%

Source: Company Data

APPENDIX

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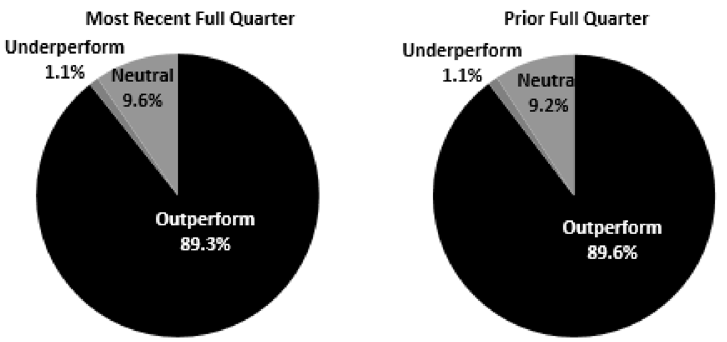

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"Please note that Registration granted by SEBI and Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors".