MOTILAL OSWAL
FINANCIAL SERVICES

31 October 2023
2QFY24 Results Update | Sector: Logistics

Transport Corporation of India

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	63.6 / 0.8
52-Week Range (INR)	868 / 555
1, 6, 12 Rel. Per (%)	7/24/9
12M Avg Val (INR M)	42

Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	37.8	41.6	49.0
EBITDA	4.2	4.6	5.8
Adj. PAT	3.2	3.6	4.4
EBITDA Margin (%)	11.2	11.0	11.9
Adj. EPS (INR)	41.6	46.8	57.6
EPS Gr. (%)	10.7	12.5	23.1
BV/Sh. (INR)	220.7	264.0	318.2
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	20.1	19.0	19.5
RoCE (%)	19.3	18.4	19.0
Payout (%)	17.0	7.5	6.1
Valuations			
P/E (x)	19.7	17.5	14.2
P/BV (x)	3.7	3.1	2.6
EV/EBITDA(x)	14.0	12.5	9.7
Div. Yield (%)	0.9	0.4	0.4
FCF Yield (%)	3.3	1.7	1.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	68.9	68.9	69.0
DII	12.9	12.8	11.8
FII	2.6	2.5	3.3
Others	15.6	15.8	15.8

FII Includes depository receipts

CMP: INR820 TP: INR930 (+14%) Buy

Performance in line; outlook bright

- Revenue grew 7% YoY to ~INR9.9b in 2QFY24 (in line), driven by the Supply Chain and Seaways segments (up 9% YoY each). Its Freight division reported 3% YoY growth.
- EBITDA margin came in at 10.1% (est. 11%), down 20bp YoY/50bp QoQ. EBITDA grew 5% YoY to INR1b and APAT rose 20% YoY to INR870m (6% above our estimate). EBIT margin for Freight/Supply Chain/Seaways stood at 3.4%/6.7%/22.9%. EBIT margin for Freight/Seaways contracted 70bp/160bp YoY, whereas EBIT margin for the Supply Chain division improved 40bp YoY. The company declared an interim dividend of INR2.5 per share.
- TRPC recently entered into an agreement to buy two new ships of ~7,300 MT each for a consideration of USD34m (~INR2.7b). These vessels are slated for delivery on or before 30th Jun'26. The purchase would be funded through internal accruals and debt.
- **Since the Seaways segment earns the highest margin, new capacity in this segment would improve the company's overall profitability. While this segment is expected to report muted growth in FY25/FY26 as new ships will be delivered only in mid-CY26, we believe it will contribute well to total earnings from FY27 onward. We have largely retained our estimates for FY24/FY25 and maintain our BUY rating with a TP of INR930 (based on a P/E multiple of 16x FY25E EPS).**

Strong performance in Supply Chain segment; Seaways to see flat growth in FY24 due to capacity constraints

- The Supply Chain division delivered strong growth of 9% YoY owing to the retention and expansion of business with existing clients and new business acquisitions. The management remains confident of clocking a double-digit growth rate in the Supply Chain business in FY24.
- In the Seaways division, growth could be muted in FY24 as TRPC is yet to add another ship to its fleet. TRPC is currently operating at its peak capacity. The company recently signed an agreement to buy two new vessels, but they are scheduled to be delivered only by mid-CY26.
- The share of LTL/FTL businesses in the Freight division stood at 36%/64% in 1HFY24. The management is actively working on increasing the share of LTL revenue to 40% by FY25, which will lead to margin improvement.

Highlights from the management commentary

- The Freight business posted moderate growth, especially in the LTL segment, due to the late arrival of the festive season. The Seaways division saw lower freight rates due to lower fuel prices and soft demand.
- The Supply Chain segment continues to do well, driven by the auto segment (80% contribution).

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- The cost of purchasing a ship remains high, leading to the delay in acquiring a new ship. TRPC will continue to evaluate and may add a ship in FY25.
- The new ships would be added in CY26. New ships have a payback period of 6-7 years and IRR of 20-21%. The second-hand ships have a payback period of 7-8 years with 19-20% IRR.

Valuation and view

- The management's plan to expand capacity in the Seaways division will further bolster growth prospects. The Supply Chain business is expected to continue its growth momentum, driven by the traction in the automotive sector. The increasing share 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.
- We expect a CAGR of 14%/17%/18% in revenue/EBITDA/PAT over FY23-FY25 for TRPC. We maintain our BUY rating on the stock with a TP of INR930, based on 16x FY25E EPS.

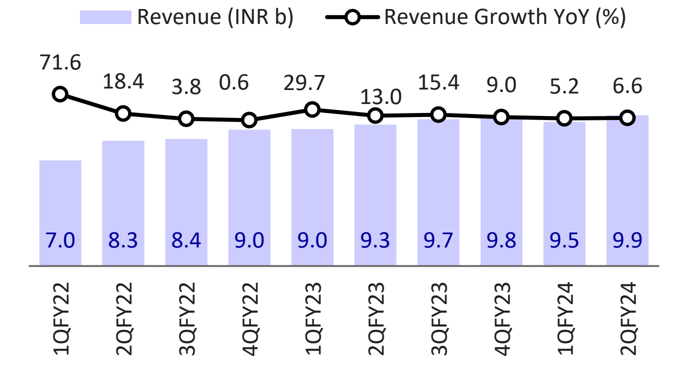
Quarterly snapshot (Cons) INR m

Y/E March (INR m)	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	v/s Est
Net Sales	**9,029**	**9,321**	**9,667**	**9,793**	**9,498**	**9,935**	**10,961**	**11,228**	**37,826**	**41,622**	**9,880**	**1**
YoY Change (%)	29.7	13.0	15.4	9.0	5.2	6.6	13.4	14.6	16.1	10.0	6.0	
EBITDA	**1,041**	**960**	**1,144**	**1,081**	**1,008**	**1,004**	**1,240**	**1,343**	**4,240**	**4,595**	**1,088**	**(8)**
Margins (%)	11.5	10.3	11.8	11.0	10.6	10.1	11.3	12.0	11.2	11.0	11.0	
YoY Change (%)	37.4	-8.2	4.8	-10.0	-3.1	4.6	8.4	24.3	3.2	8.4	13.4	
Depreciation	289	300	314	311	308	311	312	297	1,214	1,228	310	
Interest	23	25	26	24	23	34	18	14	98	89	24	
Other Income	53	74	70	121	85	113	84	51	303	333	85	
PBT before EO expense	**782**	**708**	**874**	**867**	**762**	**772**	**994**	**1,083**	**3,231**	**3,611**	**839**	**(8)**
Extra-Ord expense	0	0	0	34	0	0	0	0	34	0	0	
PBT	**782**	**708**	**874**	**833**	**762**	**772**	**994**	**1,083**	**3,197**	**3,611**	**839**	**(8)**
Tax	93	116	110	115	104	96	179	199	434	578	134	
Rate (%)	11.9	16.4	12.6	13.8	13.6	12.4	18.0	18.4	13.6	16.0	16.0	
Minority Interest	-8.4	-6.6	-8.2	-9.3	-9.0	-8.0	-8.2	-4.8	-32.5	-30.0	-6.6	
Profit/Loss of Asso. Cos	98	138	102	106	174	202	100	131	444	607	120	
Reported PAT	**778**	**723**	**857**	**814**	**823**	**870**	**907**	**1,010**	**3,173**	**3,610**	**818**	**6**
Adj PAT	**778**	**723**	**857**	**848**	**823**	**870**	**907**	**1,010**	**3,207**	**3,610**	**818**	**6**
YoY Change (%)	65.9	-4.1	4.4	-0.7	5.8	20.3	5.8	19.0	10.7	12.5	13.1	
Margins (%)	8.6	7.8	8.9	8.7	8.7	8.8	8.3	9.0	8.5	8.7	8.3	

E: MOFSL Estimates

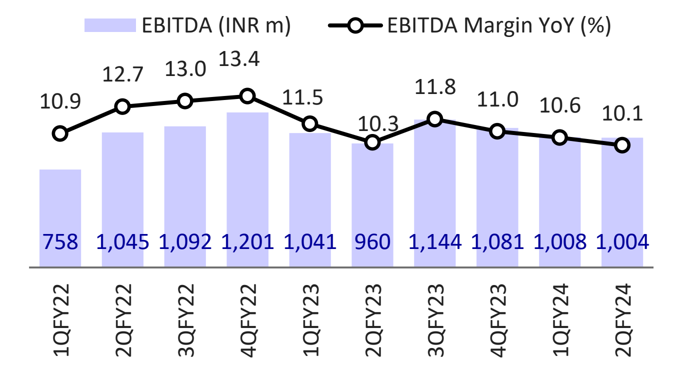
Story in charts – 2QFY24

Exhibit 1: Revenue up 7% YoY



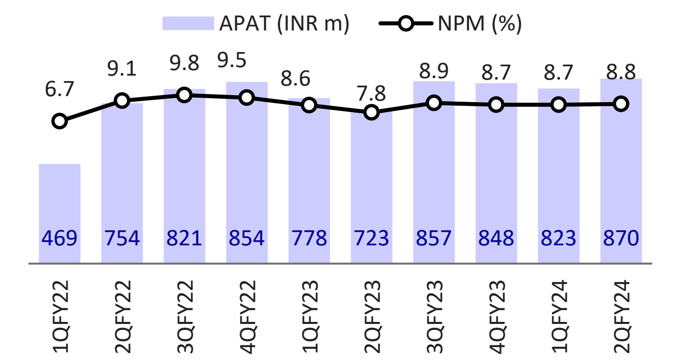
Source: Company, MOFSL

Exhibit 2: EBITDA and margin trends



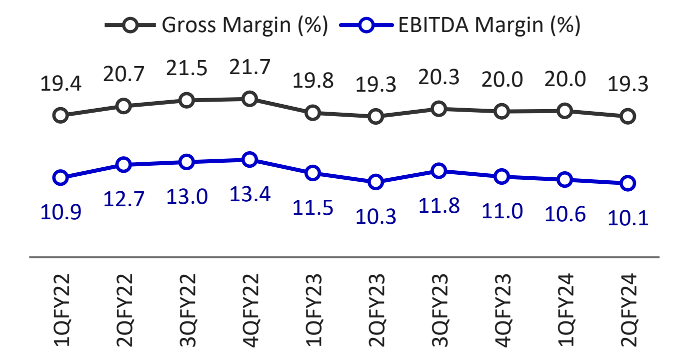
Source: Company, MOFSL

Exhibit 3: APAT increased ~20% YoY



Source: Company, MOFSL

Exhibit 4: Margins contracted in Seaways segment



Source: Company, MOFSL

Exhibit 5: Segmental performance

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Segment Revenue (INR m)								
Freight	4,323	4,797	4,633	4,693	4,826	5,046	4,754	4,818
Supply chain	2,788	2,745	3,023	3,584	3,335	3,462	3,630	3,907
Seaways	1,479	1,607	1,525	1,242	1,702	1,521	1,254	1,354
Energy	6	12	16	19	15	11	16	21
Net segment Revenue	**8,596**	**9,161**	**9,196**	**9,537**	**9,879**	**10,040**	**9,654**	**10,100**
Growth YoY (%)								
Freight	4.2	0.7	27.0	13.7	11.6	5.2	2.6	2.7
Supply chain	-7.4	-9.7	33.6	26.0	19.6	26.1	20.1	9.0
Seaways	42.6	23.5	32.6	-7.5	15.1	-5.3	-17.7	9.0
Energy	111.5	117.0	5.3	-9.6	176.4	-7.8	1.3	11.7
Net segment Revenue	**4.8**	**0.6**	**30.0**	**14.4**	**14.9**	**9.6**	**5.0**	**5.9**
Revenue Share (%)								
Freight	50	52	50	49	49	50	49	48
Supply chain	32	30	33	38	34	34	38	39
Seaways	17	18	17	13	17	15	13	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	188	198	162	191	273	214	156	163
Supply chain	167	196	166	226	200	226	229	262
Seaways	540	477	461	304	458	422	366	310
Energy	-1	6	8	10	9	3	8	12
Total Segment Results	**893**	**877**	**797**	**731**	**940**	**865**	**759**	**747**
Segmental EBIT Margin (%)								
Freight	4.3	4.1	3.5	4.1	5.7	4.2	3.3	3.4
Supply chain	6.0	7.1	5.5	6.3	6.0	6.5	6.3	6.7
Seaways	36.5	29.7	30.2	24.5	26.9	27.7	29.2	22.9
Energy	-14.5	48.7	50.0	50.5	55.9	32.1	50	57.1
Total	**10.4**	**9.6**	**8.7**	**7.7**	**9.5**	**8.6**	**7.9**	**7.4**

CONFERENCE CALL

Highlights from the management commentary

Industry trend

- Demand has been soft overall in 1HFY24. TRPC expects demand to improve as 2H is always better than 1H.
- Headwinds related to geopolitical developments, a global recession in domestic manufacturing, distressed rural demand and a delay in private investments have affected the overall sector.

Freight segment

- Revenue grew ~3% YoY in 2QFY24, while EBIT margin stood at 3.4% (-70bp YoY and +10bp QoQ). The slow growth was mainly due to the late arrival of the festival season.
- The freight business witnessed moderate growth, especially in the LTL segment, and TRPC opened 15 new branches to strengthen its network. Going forward volumes are expected to improve as 2H is a stronger period than 1H.
- 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 1HFY24. The management remains optimistic about increasing LTL's share to 40% by FY25.

Supply Chain segment

- Revenue increased 9% YoY in 2QFY24, and EBIT margin stood at 6.7% (+40bp YoY and QoQ).
- The Supply Chain division maintained its growth momentum by focusing on retaining and expanding the business with both existing clients and new acquisitions.
- The Automotive sector accounted for 80% of revenue in the division. The chip shortage has significantly eased, benefiting this division. Strong traction was also seen in the two-wheeler segment.
- TRPC is confident of maintaining a strong growth rate in FY24.

Seaways segment

- The segment grew ~9% YoY, with EBIT margin down 160bp YoY. The management expects EBIT margin to be in the range of 25-27% in FY24.
- The division saw lower freight rates due to lower fuel prices.
- As the purchase of a second-hand ship is delayed, the division is expected to report flat growth in FY24.
- TRPC has entered into an agreement to buy two new ships to be added in CY26. New ships have a payback period of 6-7 years and IRR of 20-21%. Second-hand ships have a payback period of 7-8 years with 19-20% IRR.

Other Highlights

- The company's plan to acquire a seventh ship has been postponed until at least FY25 due to high prices and a shortage of available ships.
- As of Sep'23, the company had a cash balance of INR3.0b.
- TRPC has diversified into many verticals, including commodities, automotive etc. It also provides a single-window solution to offer controlled towers to certain customers, which is gaining significant traction.

Guidance

- The management has maintained its revenue/PAT growth guidance of 10-15% in FY24.
- Revenue growth in the freight division is expected to pick up in 2HFY24. The transition from FTL to LTL is also underway.
- The Seaways division is expected to witness flat growth as it is operating at near full capacity, which would lead to flat volume growth.

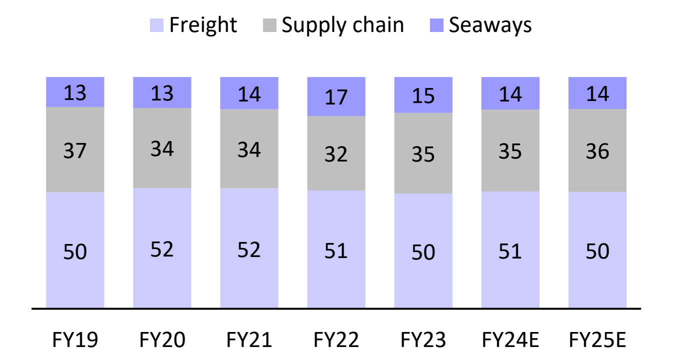
Exhibit 6: Revised estimates

(INR m)	FY24E			FY25E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	41,622	42,235	**-1.5**	48,965	49,680	**-1.4**
EBITDA	4,595	4,709	**-2.4**	5,815	5,827	**-0.2**
EBITDA Margin (%)	**11.0**	**11.1**	-11	**11.9**	**11.7**	15
PAT	3,610	3,590	**0.6**	4,443	4,454	**-0.3**
EPS (INR)	**46.8**	**46.6**	**0.6**	**57.6**	**57.8**	**-0.3**

Source: Company, MOFSL

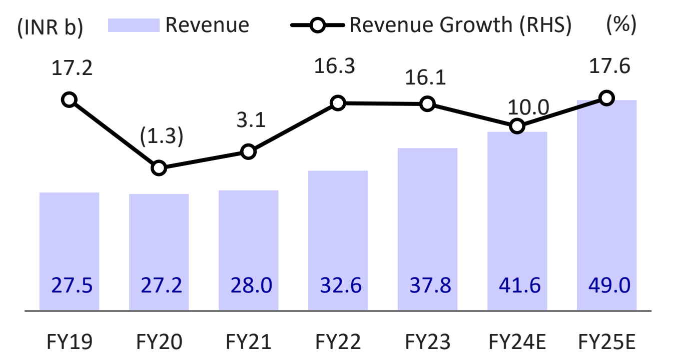
Story in charts

Exhibit 7: Freight and 3PL to dominate



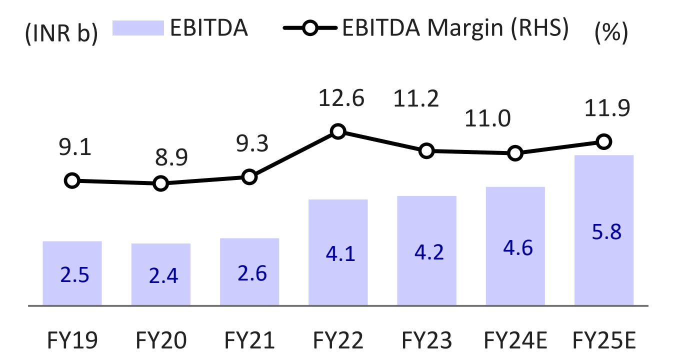
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



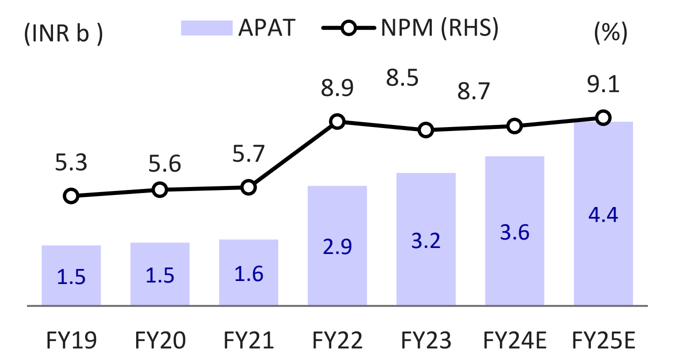
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



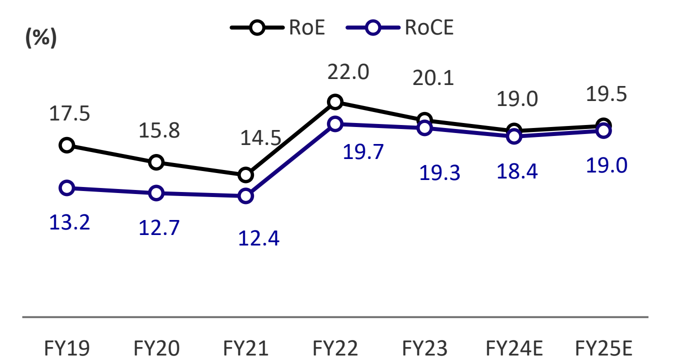
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



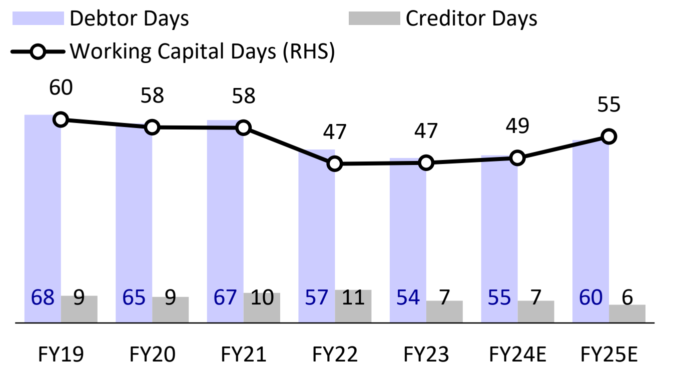
Source: Company, MOFSL

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**	**41,622**	**48,965**
Change (%)	17.2	-1.3	3.1	16.2	16.1	10.0	17.6
Gross Margin (%)	18.2	18.5	18.0	20.9	19.9	20.0	20.5
EBITDA	**2,495**	**2,405**	**2,612**	**4,087**	**4,240**	**4,595**	**5,815**
Margin (%)	9.1	8.9	9.3	12.6	11.2	11.0	11.9
Depreciation	774	825	928	1,130	1,214	1,228	1,408
EBIT	**1,721**	**1,580**	**1,684**	**2,957**	**3,026**	**3,367**	**4,407**
Int. and Finance Charges	374	343	267	128	98	89	61
Other Income	195	201	255	199	303	333	366
PBT	**1,542**	**1,438**	**1,672**	**3,028**	**3,231**	**3,611**	**4,713**
Tax	333	159	238	377	434	578	754
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**	**3,033**	**3,959**
Share of profit/(loss) of Associates and JVs	251	252	201	277	444	607	515
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**	**3,610**	**4,443**
Adjusted PAT	**1,460**	**1,522**	**1,602**	**2,896**	**3,207**	**3,610**	**4,443**
Change (%)	17.9	4.3	5.2	80.8	10.7	12.5	23.1
Margin (%)	5.3	5.6	5.7	8.9	8.5	8.7	9.1

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	20,203	24,376
Net Worth	**8,920**	**10,239**	**11,697**	**14,303**	**17,018**	**20,358**	**24,531**
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**	**21,534**	**25,658**
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**	**12,617**	**16,503**
Inventory	53	66	71	85	50	114	134
Account Receivables	5,151	4,873	5,110	5,083	5,609	6,272	8,049
Cash and Bank Balances	155	259	395	745	1,846	3,438	4,766
Cash	101	132	341	679	1,699	3,291	4,620
Bank Balance	55	128	55	66	66	66	66
Loans and Advances	268	268	124	12	12	13	15
Others	2,056	2,081	2,089	2,333	2,461	2,780	3,539
Current Liab. and Prov.	**2,095**	**2,050**	**2,565**	**2,379**	**2,595**	**2,856**	**3,181**
Account Payables	674	639	759	851	760	836	805
Other Current Liabilities	1,355	1,309	1,719	1,276	1,552	1,708	2,009
Provisions	65	102	86	251	283	311	366
Net Current Assets	**5,589**	**5,497**	**5,225**	**5,878**	**7,383**	**9,761**	**13,323**
Application of Funds	**14,065**	**14,784**	**14,823**	**15,891**	**18,414**	**21,534**	**25,658**

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	46.8	57.6
EPS growth (%)	17.9	4.3	5.2	80.8	10.7	12.5	23.1
Cash EPS	29.0	30.4	32.8	52.2	57.3	62.7	75.9
BV/Share	115.7	132.8	151.7	185.5	220.7	264.0	318.2
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	7.5	6.1
Valuation (x)							
P/E	43.3	41.5	39.5	21.8	19.7	17.5	14.2
Cash P/E	28.3	26.9	25.0	15.7	14.3	13.1	10.8
EV/EBITDA	26.7	27.4	24.5	14.9	14.0	12.5	9.7
EV/Sales	2.4	2.4	2.3	1.9	1.6	1.4	1.1
P/BV	7.1	6.2	5.4	4.4	3.7	3.1	2.6
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.9	0.4	0.4
Return Ratios (%)							
RoE	17.5	15.8	14.5	22.0	20.1	19.0	19.5
RoCE	13.2	12.7	12.4	19.6	19.3	18.4	19.0
RoIC	11.5	11.1	11.6	21.0	21.0	20.9	23.6
Working Capital Ratios							
Fixed Asset Turnover (x)	3.2	2.7	2.6	2.9	3.0	3.0	3.1
Asset Turnover (x)	2.0	1.8	1.9	2.0	2.1	1.9	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	3,611	4,713
Depreciation	774	825	928	1,130	1,214	1,228	1,408
Direct Taxes Paid	-342	-410	52	-494	-186	-578	-754
(Inc.)/Dec. in WC	-758	181	232	-163	-729	-984	-2,222
Other Items	331	242	93	-98	-332	-244	-306
CF from Operations	**1,791**	**2,428**	**3,047**	**3,680**	**3,607**	**3,033**	**2,839**
(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**	**1,063**	**869**
Change in Investments	-49	-55	-17	-28	-69	0	0
Others	-268	22	196	-27	-333	505	306
CF from Investments	**-1,576**	**-1,353**	**-1,062**	**-762**	**-1,931**	**-1,465**	**-1,664**
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	513	473
CF from Fin. Activity	**-202**	**-1,044**	**-1,776**	**-2,580**	**-655**	**24**	**153**
Inc./(Dec.) in Cash	**13**	**31**	**209**	**338**	**1,021**	**1,592**	**1,328**
Opening Balance	142	101	132	341	679	1,699	3,291
Closing Balance	**155**	**132**	**341**	**679**	**1,699**	**3,291**	**4,620**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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