# Transport Corporation of India (TRPC IN)

## Leveraging multimodal capabilities

INDIA | LOGISTICS | Quarterly Update

31 October 2023

### Top takeaways from 2QFY24

- Results in line with expectations. Improvement in SCM while weakness in Shipping profits.
- Benefit of integrated diversified services and multi-modal capabilities.

### Key highlights

Consolidated revenue grew by 6.6% yoy (up 4.6% qoq) to Rs 9.9bn (in line with estimates of Rs 9.9bn). Freight division revenue up by 2.7%yoy (up 1.3% qoq) to Rs 4.8bn; Supply Chain revenue increased by 9.0%yoy (7.6% qoq) to Rs 3.9bn; Seaway's revenue increased by 9%yoy (8%qoq) to Rs 1.3bn. Gross margins remained stable yoy to 19.3% in 2QFY24. EBITDA increased by 4.6% yoy (flat qoq) to Rs 1.0bn, in line with estimates of Rs 1.06mn. EBITDA margins down from 10.3% in 2QFY23 to 10.1% in 2QFY24. EBIT in supply chain increased by 15.9%yoy to Rs 262mn while it is down by 14.5% to Rs 163mn in freight division. EBIT in seaways increased marginally by 1.8%yoy to Rs 310mn in 2QFY24. Interest cost remained negligible at Rs 34mn. PBT grew by 9.1% yoy to Rs 772mn, supported by other income of Rs 113mn. Adjusted profit up by 20.3%yoy at Rs 870mn in 2QFY24, 3.4% higher than estimates of Rs 842mn.

### Conference call takeaways

- EBITDA in freight division declined by 9.5%yoy to Rs 152mn with 43bps margin decline on yoy basis to 3.2% in 2QFY24; EBITDA in SCM increased by 9.6%yoy to Rs 355mn and in seaways remained flat yoy to Rs 485mn. EBITDA margins in SCM remained stable yoy to 9.1% and Seaways declined from 38.7% in 2QFY23 to 35.8% in 2QFY24.
- SCM maintained growth momentum and expansion of business with existing clients and new business acquisitions. Doing 100+ multimodal auto-rakes operations per month.
- Seaways has long term potential while financial performance impacted due to weaker demand and increase in bunker price.
- LTL is c. 36% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. The company opened 15 new branches to further enhance the network. Flattish demand in 2Q which is expected to recover in 3QFY24 with festival season.
- JV performance: TCI Concor operating asset light rail operations reported 3.5% increase in revenue to Rs 1.56bn in 1HFY24. Transystem focused on automotive logistics reported revenue growth of 52.7%yoy to Rs 4.8bn while TCI Cold chain reported revenue growth of 7.9% yoy to Rs 341mn in 1HFY24.
- TCI had capital expenditure of Rs 468mn in FY22 and Rs 1.2bn in FY23. Capex planned for FY24 is Rs 2.75bn including ship and automotive rake and container addition. It has ordered two new container ships for $34mn which are expected to join in end FY26 and FY27.

**Outlook and valuation:** At CMP, stock trades at 16.7x our FY25 earnings. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. We revise our valuation from 18x to 20xFY25EPS with target price to Rs 995 (earlier Rs 875).

## BUY (Maintain)

CMP RS 821

TARGET RS 995 (+21%)

**SEBI CATEGORY: SMALL CAP**

**COMPANY DATA**

| | |
|---|---|
| O/S SHARES (MN) : | 78 |
| MARKET CAP (RSBN) : | 64 |
| MARKET CAP (USDBN) : | 0.8 |
| 52 - WK HI/LO (RS) : | 868 / 555 |
| LIQUIDITY 3M (USDMN) : | 0 |
| PAR VALUE (RS) : | 2 |

**SHARE HOLDING PATTERN, %**

| | Sep 23 | Jun 23 | Mar 23 |
|---|---|---|---|
| PROMOTERS : | 68.9 | 69.0 | 69.0 |
| DII : | 12.8 | 12.2 | 11.7 |
| FII : | 2.5 | 2.8 | 3.3 |
| OTHERS : | 15.8 | 16.0 | 16.0 |

**KEY FINANCIALS**

| Rs mn | FY23 | FY24E | FY25E |
|---|---|---|---|
| Net Sales | 37,826 | 43,159 | 48,497 |
| EBITDA | 4,241 | 4,805 | 5,390 |
| Net Profit | 3,208 | 3,384 | 3,813 |
| EPS, Rs | 41.4 | 43.6 | 49.2 |
| PER, x | 19.9 | 18.8 | 16.7 |
| EV/EBITDA, x | 14.8 | 13.0 | 11.4 |
| PBV, x | 3.7 | 2.9 | 2.5 |
| ROE, % | 20.1 | 17.2 | 16.0 |

**CHANGE IN ESTIMATES**

| | Revised Est. | | % Revision | |
|---|---|---|---|---|
| Rs mn | FY24E | FY25E | FY24E | FY25E |
| Revenue | 43,159 | 48,497 | 0% | 1% |
| EBITDA | 4,805 | 5,390 | 0% | 1% |
| Core PAT | 3,384 | 3,813 | 0% | 2% |
| EPS (Rs) | 43.6 | 49.2 | 0% | 2% |

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| Consolidated (Rs mn) | 2QFY24 | 2QFY23 | yoy | 1QFY24 | qoq % | vs. expect. % | Comments |
|---|---|---|---|---|---|---|---|
| Revenue | 9935 | 9321 | 6.6 | 9498 | 4.6 | 0.5 | Freight +2.7%yoy; SCM +9.0%yoy; Seaways +9.0%yoy |
| EBITDA | 1004 | 960 | 4.6 | 1008 | -0.4 | -5.8 | Revenue mix and decline in shipping profits |
| EBITDA margins | 10.1% | 10.3% | -19bps | 10.6% | -51bps | | |
| Other income | 113 | 74 | 53.3 | 85 | 32.9 | 61.4 | |
| Depreciation | 311 | 300 | 3.6 | 308 | 1.0 | 0.3 | |
| Interest | 34 | 25 | 33.9 | 23 | 47.8 | 41.7 | |
| PBT | 772 | 708 | 9.1 | 762 | 1.3 | -3.7 | |
| PAT | 870 | 723 | 20.3 | 823 | 5.7 | 3.4 | |



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### Standalone

| Year End March (Rs mn) | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|---|---|---|---|---|---|
| Revenue | 8509 | 8808 | 8897 | 8598 | 9002 |
| Operating expense | 6799 | 6939 | 7010 | 6789 | 7164 |
| Opex as % of sales | 79.9% | 78.8% | 78.8% | 79.0% | 79.6% |
| Employee | 475 | 476 | 493 | 533 | 550 |
| Other expenses | 319 | 305 | 340 | 309 | 320 |
| EBITDA | 916 | 1088 | 1054 | 967 | 968 |
| EBITDA margins (%) | 10.8% | 12.4% | 11.9% | 11.2% | 10.8% |
| Other Income | 75.9 | 288.8 | 114.4 | 277.0 | 118.0 |
| Depreciation | 289.3 | 301.4 | 298.5 | 295.0 | 298.0 |
| Interest | 21.1 | 21.9 | 20.6 | 21.0 | 31.0 |
| PBT | 681.6 | 1053.4 | 849.7 | 928.0 | 757.0 |
| Tax | 107.5 | 100.0 | 98.4 | 95.0 | 87.0 |
| Tax rate (%) | 15.8% | 9.5% | 11.6% | 10.2% | 11.5% |
| Adj PAT | 574 | 953 | 751 | 833 | 670 |
| Extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported PAT | 574 | 953 | 751 | 833 | 670 |
| EPS (Rs) | 7.5 | 12.4 | 9.8 | 10.8 | 8.7 |

Source: PhillipCapital India Research

### Segmental details

| Standalone | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|---|---|---|---|---|---|
| Freight Division | 3944 | 4045 | 4228 | 3964 | 3995 |
| Supply chain | 3429 | 3196 | 3317 | 3466 | 3730 |
| Seaways | 1242 | 1702 | 1521 | 1254 | 1354 |
| Energy | 19 | 15 | 11 | 16 | 21 |
| **EBIT (Rs mn)** | | | | | |
| Freight Division | 158 | 187 | 191 | 136 | 143 |
| Supply chain | 220 | 187 | 216 | 216 | 246 |
| Seaways | 304 | 458 | 422 | 366 | 310 |
| Energy | 10 | 8 | 4 | 8 | 12 |
| **EBIT (%)** | | | | | |
| Freight Division | 4.0% | 4.6% | 4.5% | 3.4% | 3.6% |
| Supply chain | 6.4% | 5.9% | 6.5% | 6.2% | 6.6% |
| Seaways | 24.5% | 26.9% | 27.7% | 29.2% | 22.9% |

Source: PhillipCapital India Research

### Coverage Universe

| Company | Size | Fw PE (FY24) | Reco/Upside | |
|---|---|---|---|---|
| Container Corporation | M | 29.0 | BUY | 13% |
| Adani Ports & SEZ | L | 19.9 | BUY | 19% |
| Praj Industries Ltd | S | 27.6 | BUY | -9% |
| Pennar Industries Ltd | S | 11.0 | BUY | 9% |
| Indo Count Industries | S | 14.5 | BUY | -3% |
| KDDL | S | 25.7 | Neutral | -8% |
| Gateway Distriparks Ltd | S | 15.3 | BUY | 20% |
| Allcargo Logistics Ltd | S | 12.9 | Neutral | 32% |
| Aegis Logistics | S | 19.5 | SELL | 2% |
| Mahindra Logistics Limited | S | 28.4 | BUY | 25% |
| Transport Corporation of India | S | 16.6 | BUY | 21% |
| VRL Logistics Ltd | S | 20.4 | BUY | 22% |

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

# Financials

### Income Statement

| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|
| **Net sales** | **32,567** | **37,826** | **43,159** | **48,497** |
| Growth, % | 16.2 | 16.1 | 14.1 | 12.4 |
| Other operating income | - | - | - | - |
| Raw material expenses | 25,766 | 30,307 | 34,528 | 38,797 |
| Employee expenses | 1,700 | 1,965 | 2,331 | 2,667 |
| Other Operating expenses | 1,013 | 1,314 | 1,497 | 1,642 |
| **EBITDA (Core)** | **4,087** | **4,241** | **4,805** | **5,390** |
| Growth, % | 56.5 | 3.7 | 13.3 | 12.2 |
| Margin, % | 12.6 | 11.2 | 11.1 | 11.1 |
| Depreciation | 1,130 | 1,214 | 1,342 | 1,476 |
| **EBIT** | **2,957** | **3,027** | **3,463** | **3,914** |
| Growth, % | 75.6 | 2.3 | 14.4 | 13.0 |
| Margin, % | 9.1 | 8.0 | 8.0 | 8.1 |
| Interest paid | 128 | 98 | 120 | 115 |
| Other Income | 199 | 303 | 222 | 233 |
| Non-recurring Items | - | - | - | - |
| **Pre tax profit** | **3,028** | **3,231** | **3,565** | **4,032** |
| Tax provided | 377 | 434 | 642 | 726 |
| **Profit after tax** | **2,896** | **3,208** | **3,384** | **3,813** |
| Minorities/JV shares | 245 | 411 | 460 | 506 |
| **Net Profit** | **2,896** | **3,208** | **3,384** | **3,813** |
| Growth, % | (21.8) | 52.0 | (26.5) | 5.0 |
| **Net Profit (adjusted)** | **2,896** | **3,208** | **3,384** | **3,813** |
| Unadj. shares (m) | 77 | 78 | 78 | 78 |
| Wtd avg shares (m) | 78 | 78 | 78 | 78 |

### Balance Sheet

| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|
| Cash & bank | 745 | 1,846 | 1,918 | 2,996 |
| Marketable securities at cost | 147 | 882 | 917 | 954 |
| Debtors | 5,083 | 5,609 | 8,277 | 9,301 |
| Inventory | 85 | 50 | 55 | 61 |
| Loans & advances | 13 | 12 | 14 | 17 |
| Other current assets | 1,776 | 1,866 | 2,239 | 2,687 |
| Total current assets | 7,700 | 9,383 | 12,503 | 15,061 |
| Investments | 2,031 | 2,482 | 3,474 | 3,995 |
| Gross fixed assets | 11,616 | 12,796 | 14,896 | 17,096 |
| **Less: Depreciation** | **(4,405)** | **(5,619)** | **(6,961)** | **(8,437)** |
| Add: Capital WIP | 73 | 260 | 183 | 183 |
| Net fixed assets | 7,314 | 7,465 | 8,170 | 8,894 |
| Non - current assets | 773 | 707 | 900 | 1,000 |
| **Total assets** | **17,964** | **20,918** | **25,965** | **29,904** |
| | | | | |
| Trade Payables | 851 | 760 | 828 | 930 |
| Provisions | 252 | 283 | 312 | 343 |
| Total current liabilities | 2,141 | 2,135 | 2,558 | 2,867 |
| Non - current liabilities | 934 | 962 | 900 | 846 |
| Total liabilities | 15,823 | 18,784 | 23,406 | 27,037 |
| Paid - up capital | 154 | 155 | 155 | 155 |
| Reserves & surplus | 14,148 | 16,863 | 21,535 | 25,208 |
| Minorities | 274 | 301 | 307 | 313 |
| Shareholders' equity | 14,576 | 17,319 | 21,997 | 25,676 |
| **Total equity & liabilities** | **17,964** | **20,918** | **25,965** | **29,904** |

### Cash Flow

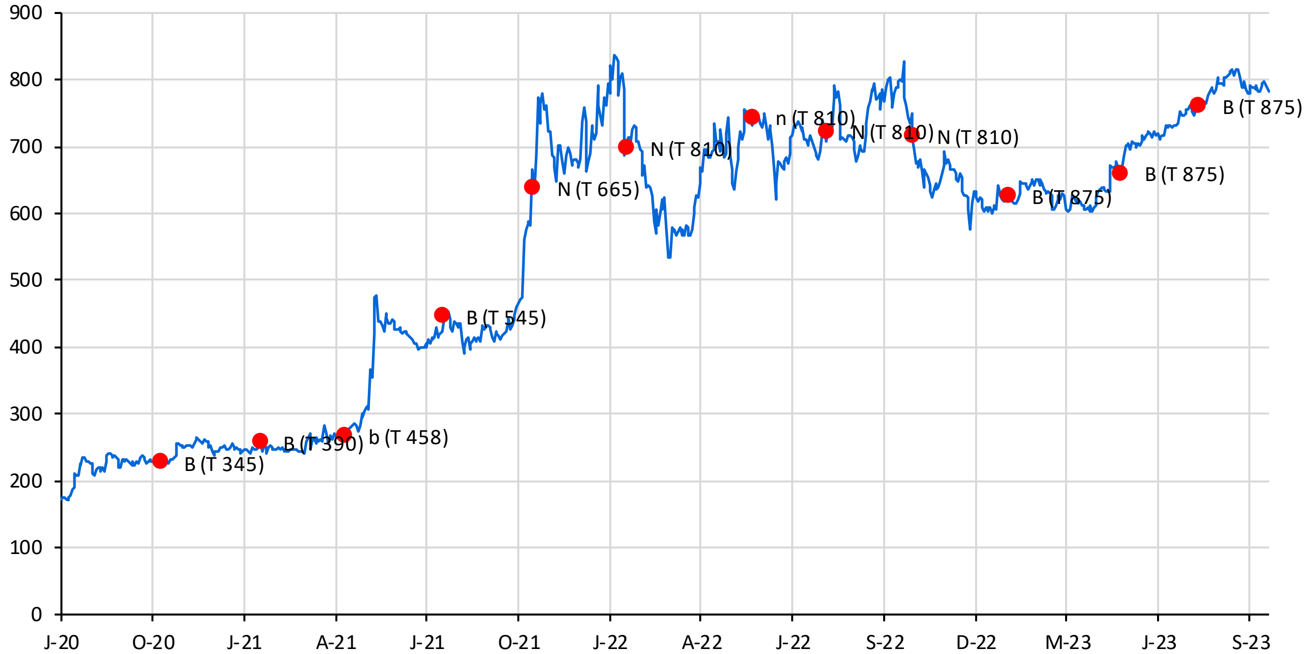
| Y/E Mar, Rs mn | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|
| Pre-tax profit | 3,028 | 3,231 | 3,565 | 4,032 |
| Depreciation | 1,130 | 1,214 | 1,342 | 1,476 |
| Chg in working capital | (336) | (588) | (2,625) | (1,171) |
| Total tax paid | (377) | (434) | (642) | (726) |
| **Cash flow from operating activities** | **3,619** | **3,629** | **1,998** | **4,000** |
| Capital expenditure | (984) | (1,367) | (2,024) | (2,200) |
| Chg in investments | (265) | (1,186) | (1,028) | (558) |
| Chg in marketable securities | - | - | - | - |
| **Cash flow from investing activities** | **(1,051)** | **(2,250)** | **(2,829)** | **(2,524)** |
| Free cash flow | 2,681 | 1,464 | (732) | 1,570 |
| Equity raised/(repaid) | 67 | 271 | - | - |
| Debt raised/(repaid) | (1,747) | (22) | (55) | (49) |
| Dividend (incl. tax) | (139) | (140) | (140) | (140) |
| **Cash flow from financing activities** | **(2,498)** | **(118)** | **(445)** | **(433)** |
| Net chg in cash | 71 | 1,261 | (1,276) | 1,042 |

### Valuation Ratios

| | FY22 | FY23 | FY24E | FY25E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 37.3 | 41.4 | 43.6 | 49.2 |
| Growth, % | 96.8 | 10.8 | 5.5 | 12.7 |
| Book NAV/share (INR) | 184.4 | 219.4 | 279.7 | 327.0 |
| FDEPS (INR) | 37.3 | 41.4 | 43.6 | 49.2 |
| CEPS (INR) | 51.9 | 57.0 | 60.9 | 68.2 |
| CFPS (INR) | 46.7 | 46.8 | 25.8 | 51.6 |
| DPS (INR) | 1.5 | 1.5 | 1.5 | 1.5 |
| **Return ratios** | | | | |
| Return on assets (%) | 16.5 | 16.5 | 14.4 | 13.6 |
| Return on equity (%) | 22.0 | 20.1 | 17.2 | 16.0 |
| Return on capital employed (%) | 17.5 | 15.3 | 12.9 | 12.6 |
| ROIC (%) | 17.2 | 15.5 | 13.2 | 13.3 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 4.5 | 5.1 | 5.3 | 5.5 |
| Sales/Net FA (x) | 4.5 | 5.1 | 5.3 | 5.5 |
| Working capital/Sales (%) | 17.1 | 19.2 | 23.0 | 25.1 |
| Receivable days | 57.1 | 51.6 | 58.7 | 66.1 |
| Inventory days | 1.1 | 0.8 | 0.6 | 0.5 |
| Payable days | 9.0 | 7.8 | 6.7 | 6.6 |
| Working capital days | 62.3 | 69.9 | 84.1 | 91.8 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 3.6 | 4.4 | 4.9 | 5.3 |
| Quick ratio (x) | 0.5 | 0.5 | 0.5 | 0.6 |
| Interest cover (x) | 23.0 | 30.8 | 28.9 | 34.0 |
| Total debt/Equity (x) | 0.1 | 0.1 | 0.0 | 0.0 |
| Net debt/Equity (x) | 0.0 | (0.1) | 0.0 | (0.1) |
| **Valuation** | | | | |
| PER (x) | 22.0 | 19.9 | 18.8 | 16.7 |
| PEG (x) yoy growth | 0.2 | 1.8 | 3.4 | 1.3 |
| Price/Book (x) | 4.5 | 3.7 | 2.9 | 2.5 |
| EV/Net sales (x) | 2.0 | 1.7 | 1.5 | 1.3 |
| EV/EBITDA (x) | 15.6 | 14.8 | 13.0 | 11.4 |
| EV/EBIT (x) | 21.6 | 20.7 | 18.1 | 15.7 |

Source: Company, PhillipCapital India Research

## Stock Price, Price Target and Rating History




Source: PhillipCapital India Research

## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

| Rating | Criteria | Definition |
|---|---|---|
| BUY | >= +10% | Target price is equal to or more than 10% of current market price |
| NEUTRAL | -10% > to < +10% | Target price is less than +10% but more than -10% |
| SELL | <= -10% | Target price is less than or equal to -10%. |

### Mid cap and Small cap stocks

| Rating | Criteria | Definition |
|---|---|---|
| BUY | >= +15% | Target price is equal to or more than 15% of current market price |
| NEUTRAL | -15% > to < +15% | Target price is less than +15% but more than -15% |
| SELL | <= -15% | Target price is less than or equal to -15%. |

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