

Accumulate

- TCI reported a weak quarter. Revenues declined by 10% YoY driven by sharp decline of 22% YoY in Supply Chain Solution while Seaways/Freight division reported -4%/-1% YoY decline. Freight division reported its first YoY decline since FY17 while Supply chain reported multi-year decline.
- Amid the pandemic, the company remains watchful over the situation and thus not given any guidance for FY21. However, the company remains optimistic over its warehouse segment. It has guided capex of Rs 1Bn in FY21.
- With no substantial improvement seen till H2, we lower our EPS estimates by -36%/-26% for FY21E/FY22E. We revise our target to Rs 185 at 10x FY22E with Accumulate rating.

COVID-19 slows the growth rate in segments

TCIL reported a topline de-growth of 9.6% YoY in Q4FY20. Drop in Topline was driven by -21.7%/-3.9%/-1.3% YoY growth in Supply Chain/Seaways segment/Freight segments. The company informed that it had revenue loss of Rs1Bn due to COVID-19 impact in Q4. Standalone FY20 topline grew by -1.8% YoY led by -9.2% YoY decline in Supply Chain division while Freight reported the growth of 3.2% YoY and 2.3% in Seaways division. Seaway Division had a negative impact due to regulatory use of high cost low Sulphur fuel and COVID-19 interruptions. EBITDA too reported a fall of -24.8% YoY. EBITDA Margins came lower at 9.3% YoY in Q4 vs. 11.1% YoY/9.7% QoQ. FY20 EBITDA growth of -4.3% YoY driven by lower revenue and higher employment cost. FY20 margins stood at 9.3% vs 9.5% YoY. Adj PAT fell sharply by 28.3% YoY led by weak operating profits despite higher income and lower tax and interest. FY20 adj. PAT grew by ~6.8% YoY to Rs 1.36Bn driven by lower tax. The company has guided for Rs 1bn Capex for FY21. The company highlighted that (1) disproportionate increase in freight was passed onto customers (2) There might be shift from LTL to FTL due to lower MSME participation (3) There was no layoff and MD & CMD will forgo 3 months salary (4) Warehousing segment gaining traction.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	6,257	6,918	(9.6)	6,473	(3.3)
Total Expense	5,677	6,148	(7.7)	5,846	(2.9)
EBITDA	580	771	(24.8)	627	(7.5)
Depreciation	197	189	4.1	204	(3.6)
EBIT	383	582	(34.2)	423	(9.4)
Other Income	67	46	45.7	58	15.8
Interest	80	91	(12.0)	84	(5.3)
EBT	370	537	(31.1)	396	(6.6)
Tax	57	101	(43.3)	75	(23.6)
RPAT	313	436	(28.3)	321	(2.6)
APAT	313	436	(28.3)	321	(2.6)
			(bps)		(bps)
Gross Margin (%)	15.8	16.0	(25)	15.4	37
EBITDA Margin (%)	9.3	11.1	(187)	9.7	(42)
NPM (%)	5.0	6.3	(131)	5.0	4
Tax Rate (%)	15.5	18.8	(331)	18.9	(345)
EBIT Margin (%)	6.1	8.4	(229)	6.5	(41)

CMP	Rs 161
Target / Upside	Rs 185 / 16%
BSE Sensex	33,972
NSE Nifty	10,029

Script Details

Equity / FV	Rs 154mn / Rs 2
Market Cap	Rs 12bn
	USD 163mn
52-week High/Low	Rs 315/Rs 122
Avg. Volume (no)	52,021
NSE Symbol	TCI
Bloomberg Code	TRPC IN

Shareholding Pattern Mar'20(%)

Promoters	66.9
MF/Banks/FIs	9.3
FII	1.8
Public / Others	22.1

Valuation (x)

	FY20E	FY21E	FY22E
P/E	8.6	12.4	8.8
EV/EBITDA	6.8	8.2	6.3
ROE (%)	14.9	9.2	11.9
RoACE (%)	11.2	7.0	9.0

Estimates (Rs mn)

	FY20E	FY21E	FY22E
Revenue	27,178	23,689	26,734
EBITDA	2,405	1,942	2,459
PAT	1,424	988	1,397
EPS (Rs.)	18.6	12.9	18.2

VP Research: Vinod Chari

Tel: +91 22 40969776

E-mail: vinodc@dolatcapital.com

Associate: Nishant Shah

Tel: +9122 409697758

E-mail: nishant.shah@dolatcapital.com

Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimated	% Variance	Remarks
Net sales	6,257	6,713	(7)	Decline of 22% in Supply chain
EBITDA	580	738	(21)	Higher employee cost and lower revenue
EBITDA margin (%)	9.3	11.0	-173bps	
Adj Net Income	313	410	(24)	Weak operating profits despite higher income and lower tax and interest.
EPS (Rs)	4.1	5.3	(24)	

Source: Company, DART

Maintain Accumulate

COVID-19 impact, overall slower macroeconomic trends and YoY declines seen in Auto OEM segment led to subdued performance of the company during the quarter. Reflecting slower macro trends with poor visibility in growth, we lower our EPS estimates by -36%/-26%% for FY21E/FY22E. We revise our target to Rs 185 at 10x FY22E with Accumulate rating.

Exhibit 2: Change in estimates

Key Parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	27,785	23,689	(14.7)	30,766	26,734	(13.1)
EBITDA (Rs mn)	2,723	1,942	(28.7)	3,230	2,459	(23.9)
EBITDA margin (%)	9.8	8.2	-160bps	10.5	9.2	-130bps
Net profit (Rs mn)	1,540	988	(35.9)	1,887	1,397	(25.9)
EPS (Rs)	20.1	12.9	(35.9)	24.6	18.2	(25.9)

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key Assumptions:	FY19	FY20	FY21E	FY22E
Freight Division YoY Growth (%)	17.3	3.2	(16.5)	13.5
SCS YoY Growth (%)	11.7	(9.2)	(15.6)	15.0
Seaways Division YoY Growth (%)	40.1	2.3	2.9	10.0
Total Revenue YoY Growth (%)	17.4	(1.7)	(13.3)	13.3
EBITDA Margins (%)	9.1	8.9	8.2	9.2

Source: DART, Company

COVID-19 slows the segmental growth pace

TCIL reported a topline de-growth of 9.6% YoY in Q4FY20. Drop in Topline was driven by -21.7%/-3.9%/-1.3% YoY growth in Supply Chain/Seaways segment/Freight segments.. Standalone FY20 topline growth stood at -1.8% YoY led by 3.2% YoY growth in Freight and 2.3% in Seaways division while Supply Chain division reported decline of 9.2% YoY. EBITDA too reported a fall of -24.8% YoY due to higher employment cost. EBITDA Margins came lower at 9.3% YoY in Q4 vs. 11.1% YoY/9.7% QoQ. FY20 EBITDA growth of -4.3% YoY driven by lower revenue and higher employment cost. FY20 margins stood at 9.3% vs 9.5% YoY. Adj PAT fell sharply by 28.3% YoY led by weak operating profits despite higher income and lower tax and interest. FY20 adj. PAT grew by ~6.8% YoY to Rs 1.36Bn driven by lower tax.

Segment-wise performance

Freight division: Freight segment's revenue growth moderated further to -1% YoY in Q4FY20 versus 3%/4% YoY in previous two quarters (+3% in FY20) amid lower volumes and also base effect of corresponding previous periods. PBIT margins in the segment stood 3.6%, versus 4% YoY/3.6% QoQ. FY20 revenue growth stood at 3% YoY to Rs 12.5Bn. LTL freight business now constitutes one third of the freight segment is expected to tilt more towards FTL as SME businesses are expected to be impacted more. ROCE for FY20 improved to 17% vs 16.4% YoY on the back of better capital management and margins. It indicated that ~40% of the trucks are operational.

Supply chain segment (SCS) growth fell -21% YoY in Q4 (-9% in FY20), the third consecutive quarter drop. The spiraling effect of slowdown in auto OEM business impacted the revenues. PBIT margins in the segment stood 4.9%, versus 7.9% YoY/5.6% QoQ. The management expects some improvement in Q1FY21 with green shoots seen in OEMS and Auto. FY20 reported EBIT margins of 6.1% and -9% YoY revenue decline. FY19 numbers were inclusive of Cold Chain business which was hived-off w.e.f 1st Jan 19 and had ~2% impact in growth. The company now manages ~12mn Sqft of warehouse space. ROCE for FY20 stood at 18.3%.

Seaways division reported a revenue de-grew for the second consecutive quarter to -4% YoY in Q4. This was one of the slowest YoY growth in the past five years. FY20 revenue rose 2% YoY. This was on account of lower volumes on West Coast, sharp jump in cost and intense competition. The shortage of low Sulphur fuel in March saw the price hike to Rs 50,000/ton from Rs 20,000/ton. Overall margins were stable for the full year The segment's PBIT margins declined in Q4 to 21.5%, versus 22.9% YoY (27% QoQ) due to better cost management. ROCE dipped to 19.2% due to ship acquisition.

Joint ventures: CONCOR JV revenue remained flat for FY20. Transystem (Toyota JV) reported -16% YoY revenue decline for similar period due to slowdown in auto segment. TCI Cold-chain Solution grew by 373% YoY during FY20.

Other Highlights: (1) Consolidation is expected to take place in the logistics business where there are chances to increase their market share. (2) Working capital limit which was 73% in March has come down to ~45% (3) Depreciation for FY21 likely to be ~Rs 800mn (4) The company has taken an in Board approval for the NCD of Rs 2Bn and for the current situation they don't have plans

Exhibit 4: Result Snapshot

(Rs mn)	Q4FY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Net sales	6,918	6,121	6,282	6,473	6,257	(9.6)	(3.3)	25,134	25,583	(1.8)
Expenditure	6,148	5,559	5,717	5,846	5,677	(7.7)	(2.9)	22,799	23,141	(1.5)
Operating Expense	5,809	5,187	5,343	5,476	5,270	(9.3)	(3.8)	21,275	21,783	(2.3)
Employees Cost	338	372	374	370	408	20.5	10.0	1,524	1,358	12.2
Other Expenses	771	562	566	627	580	(24.8)	(7.5)	2,335	2,439	(4.3)
Operating profit	46	75	84	58	67	45.7	15.8	283	269	5.4
Other income	189	186	190	204	197	4.1	(3.6)	777	752	3.3
Interest	628	451	459	481	450	(28.3)	(6.4)	1,841	1,956	(5.9)
Depreciation	91	82	77	84	80	(12.0)	(5.3)	324	356	(9.1)
PBT	537	369	284	396	370	(31.1)	(6.6)	1,419	1,603	(11.5)
Tax	101	72	-49	75	57	(43.3)	(23.6)	155	326	(52.7)
PAT	436	297	432	321	313	(28.3)	(2.6)	1,363	1,276	6.8
EPS (Rs)	11.1	9.2	9.0	9.7	9.3	-187cps	(42bps)	9.3	9.5	(25bps)

Source: Company, DART

Exhibit 5: As a % of Sales

% of Sales	Q4FY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Operating Expense	88.9	90.8	91.0	90.3	90.7	187bps	42bps	90.7	90.5	26bps
Employees Cost	84.0	84.7	85.1	84.6	84.2	25bps	(37bps)	84.6	85.1	(50bps)
Other Expenses	4.9	6.1	5.9	5.7	6.5	162bps	79bps	6.1	5.3	75bps
EBITDA Margins(%)	11.1	9.2	9.0	9.7	9.3	(187bps)	(42bps)	9.3	9.5	(25bps)
PAT Margins (%)	6.3	4.9	6.9	5.0	5.0	(131bps)	4bps	5.4	5.0	43bps

Source: Company, DART

Exhibit 6: Sales Mix

(Rs mn)	Q4FY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Freight Division	3,270	2,990	3,058	3,203	3,227	(1.3)	0.7	12,478	12,097	3.2
Supply Chain Solutions Division	2,654	2,391	2,413	2,368	2,078	(21.7)	(12.2)	9,250	10,189	(9.2)
Seaways division	1,088	789	854	989	1,046	(3.9)	5.7	3,677	3,593	2.3
Energy Division	7	15	30	5	6	(18.1)	28.3	55	69	(20.8)
Unallocable & Corporate	26	68	70	29	35	38.0	21.8	203	214	(5.2)
Less Inter Segment Revenue	80	56	59	63	68	(14.9)	8.1	246	310	(20.8)
Total Sales	6,964	6,196	6,366	6,531	6,323	(9.2)	(3.2)	25,417	25,851	(1.7)

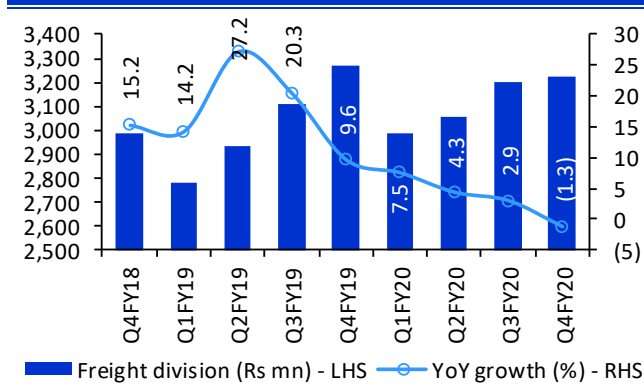
Source: Company, DART

Exhibit 7: PBIT Margin (%)

PBIT Margin %	Q4FY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Freight Division	4.0	2.8	3.0	3.6	3.6	-41cps	(2bps)	3.3	3.2	9bps
Supply Chain Solutions Division	7.9	7.0	6.6	5.6	4.9	-298cps	(68bps)	6.1	7.0	(91bps)
Seaways division	27.0	19.8	17.0	22.9	21.5	-552cps	(136bps)	20.5	20.5	3bps

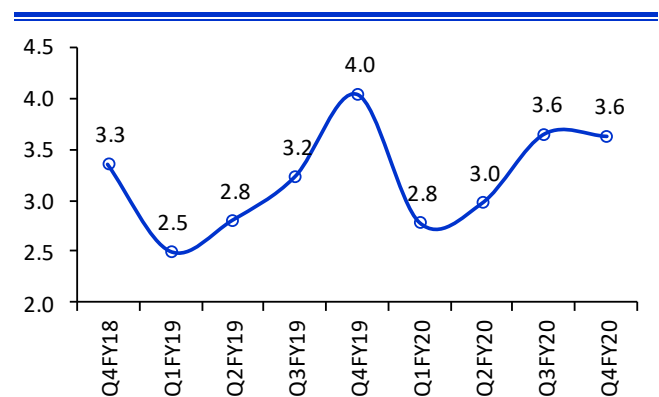
Source: DART, Company

Exhibit 8: Freight division Revenue and YoY growth trend



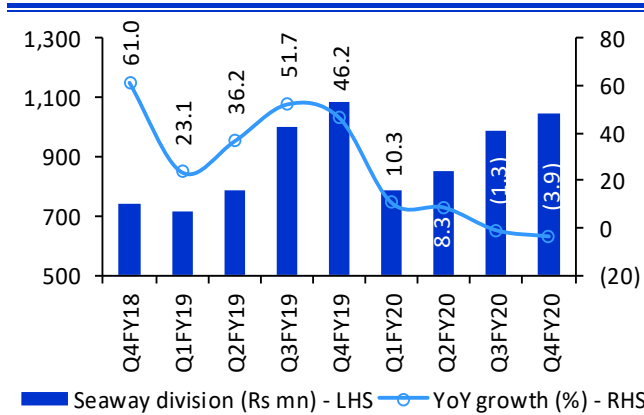
Source: Company, DART

Exhibit 9: Freight division EBIT Margin trend (%)



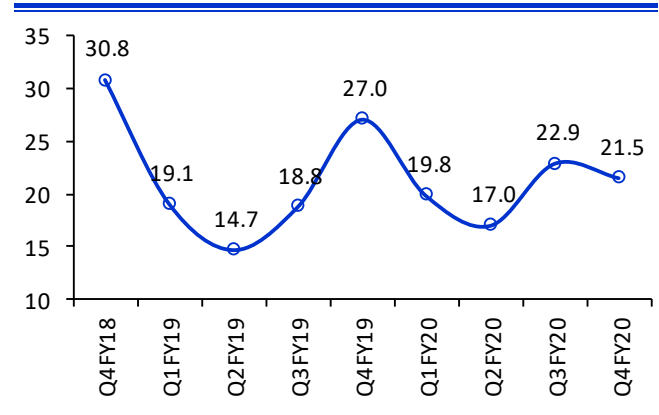
Source: Company, DART

Exhibit 10: Seaways division Revenue and YoY growth trend



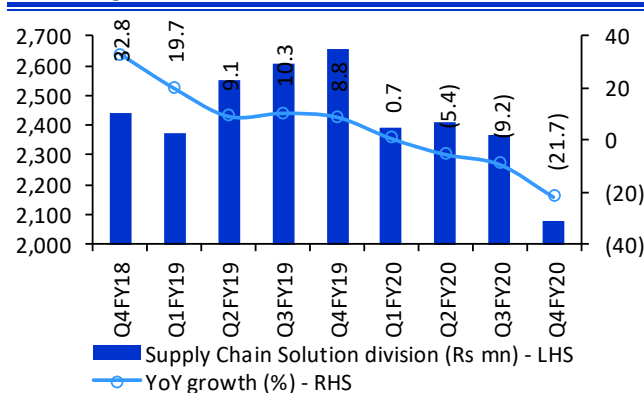
Source: Company, DART

Exhibit 11: Seaways division EBIT Margin trend (%)



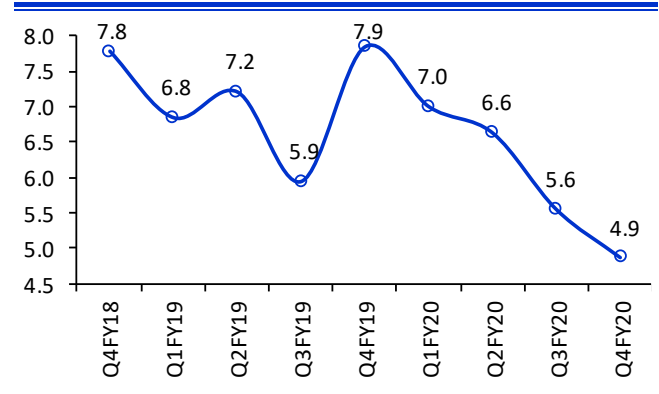
Source: Company, DART

Exhibit 12: Supply Chain Solution division Revenue and YoY growth trend



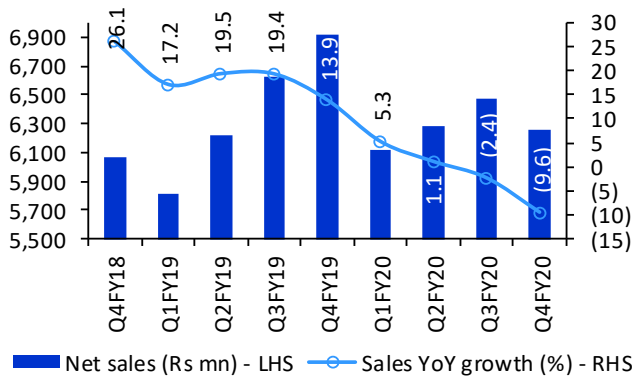
Source: Company, DART

Exhibit 13: SCS division EBIT Margin trend (%)



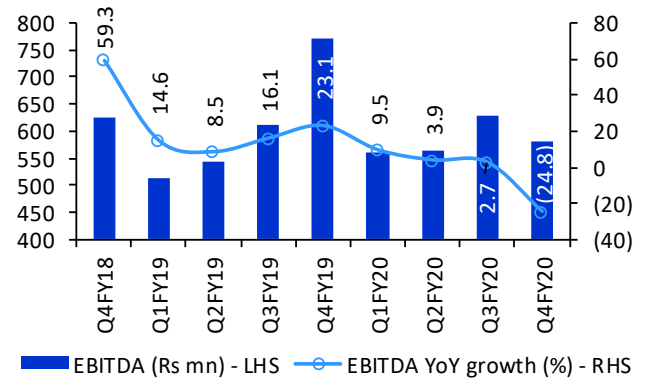
Source: Company, DART

Exhibit 14: Revenue and Revenue growth trend



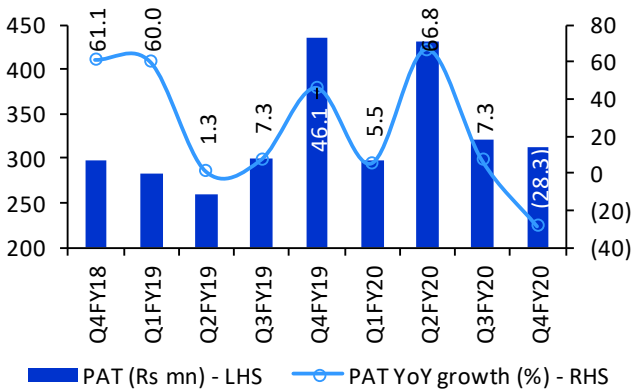
Source: Company, DART

Exhibit 15: EBITDA and EBITDA growth trend



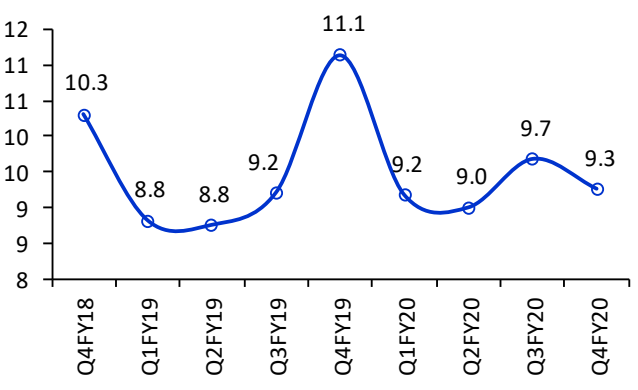
Source: Company, DART

Exhibit 16: PAT and PAT growth trend



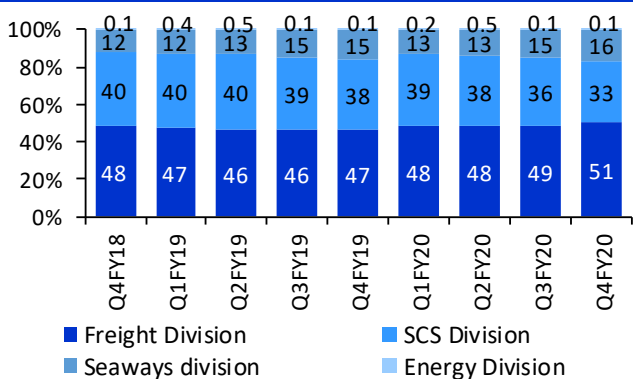
Source: Company, DART

Exhibit 17: EBITDA margin trend (%)



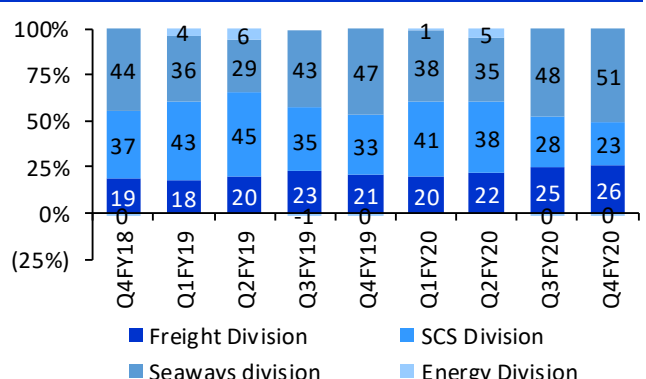
Source: Company, DART

Exhibit 18: Revenue mix trend



Source: Company, DART

Exhibit 19: EBIT mix trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	27,536	27,178	23,689	26,734
Total Expense	25,041	24,773	21,746	24,274
COGS	22,515	22,143	18,853	21,178
Employees Cost	1,402	1,572	1,729	1,850
Other expenses	1,124	1,058	1,164	1,245
EBIDTA	2,495	2,405	1,942	2,459
Depreciation	774	825	836	895
EBIT	1,721	1,580	1,107	1,565
Interest	374	343	340	328
Other Income	195	201	191	210
Exc. / E.O. items	(7)	(99)	0	0
EBT	1,535	1,340	958	1,447
Tax	333	159	233	330
RPAT	1,444	1,424	988	1,397
Minority Interest	9	8	6	8
Profit/Loss share of associates	251	252	269	288
APAT	1,444	1,424	988	1,397

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	153	154	154	154
Minority Interest	52	57	57	57
Reserves & Surplus	8,766	10,085	10,997	12,271
Net Worth	8,920	10,239	11,150	12,425
Total Debt	4,703	4,247	4,047	3,947
Net Deferred Tax Liability	390	302	302	302
Total Capital Employed	14,065	14,844	15,556	16,730

Applications of Funds

Net Block	7,268	7,483	7,859	8,264
CWIP	40	216	0	0
Investments	1,168	1,354	1,623	1,911
Current Assets, Loans & Advances	7,683	7,781	8,236	8,912
Inventories	53	66	65	73
Receivables	5,151	4,873	5,062	5,493
Cash and Bank Balances	155	259	488	686
Loans and Advances	2,324	2,583	2,621	2,660
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	2,095	1,989	2,162	2,357
Payables	674	639	894	998
Other Current Liabilities	1,421	1,350	1,268	1,359
	<i>sub total</i>			
Net Current Assets	5,589	5,792	6,074	6,556
Total Assets	14,065	14,844	15,556	16,730

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	18.2	18.5	20.4	20.8
EBIDTA Margin	9.1	8.9	8.2	9.2
EBIT Margin	6.2	5.8	4.7	5.9
Tax rate	21.7	11.9	24.3	22.8
Net Profit Margin	5.2	5.2	4.2	5.2
(B) As Percentage of Net Sales (%)				
COGS	81.8	81.5	79.6	79.2
Employee	5.1	5.8	7.3	6.9
Other	4.1	3.9	4.9	4.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.5	0.4	0.4	0.3
Interest Coverage	4.6	4.6	3.3	4.8
Inventory days	1	1	1	1
Debtors days	68	65	78	75
Average Cost of Debt	8.2	7.7	8.2	8.2
Payable days	9	9	14	14
Working Capital days	74	78	94	90
FA T/O	3.8	3.6	3.0	3.2
(D) Measures of Investment				
AEPS (Rs)	18.9	18.6	12.9	18.2
CEPS (Rs)	29.0	29.4	23.8	29.9
DPS (Rs)	2.2	1.2	1.0	1.6
Dividend Payout (%)	11.6	6.5	7.8	8.8
BVPS (Rs)	116.4	133.7	145.6	162.2
RoANW (%)	17.5	14.9	9.2	11.9
RoACE (%)	11.9	11.2	7.0	9.0
RoAIC (%)	13.1	11.1	7.5	10.1
(E) Valuation Ratios				
CMP (Rs)	161	161	161	161
P/E	8.5	8.6	12.4	8.8
Mcap (Rs Mn)	12,294	12,294	12,294	12,294
MCap/ Sales	0.4	0.5	0.5	0.5
EV	16,842	16,282	15,853	15,555
EV/Sales	0.6	0.6	0.7	0.6
EV/EBITDA	6.7	6.8	8.2	6.3
P/BV	1.4	1.2	1.1	1.0
Dividend Yield (%)	1.4	0.8	0.6	1.0
(F) Growth Rate (%)				
Revenue	17.2	(1.3)	(12.8)	12.9
EBITDA	15.3	(3.6)	(19.2)	26.6
EBIT	16.4	(8.2)	(30.0)	41.4
PBT	18.1	(12.8)	(28.5)	51.1
APAT	17.2	(1.4)	(30.6)	41.4
EPS	17.2	(1.4)	(30.6)	41.4
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,791	2,523	1,925	2,135
CFI	(1,576)	(1,448)	(1,078)	(1,378)
CFF	(202)	(971)	(618)	(559)
FCFF	500	1,187	925	835
Opening Cash	142	155	259	488
Closing Cash	155	259	488	686

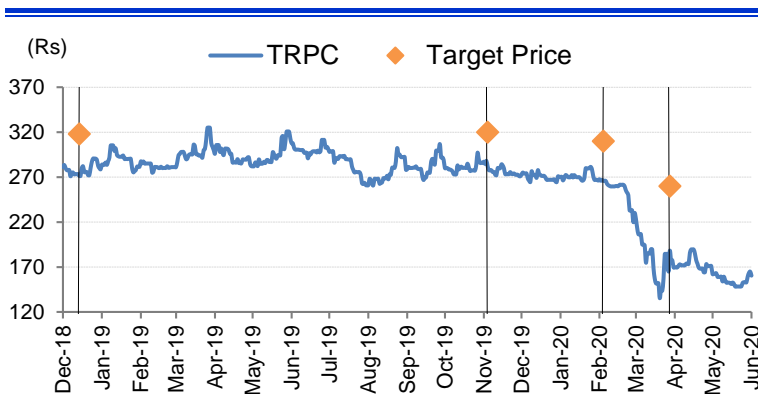
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Dec-18	Accumulate	318	271
Nov-19	Accumulate	320	282
Feb-20	Accumulate	310	266
Mar-20	Buy	260	188

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740

Equity Trading	Designation	E-mail	Direct Lines
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
