

Transport Corporation of India (TRPC IN)

Leveraging multimodal capabilities

INDIA | LOGISTICS | Quarterly Update

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Top takeaways from 1QFY24

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

Key highlights

Consolidated revenue grew by 5.2% yoy (down 3.0% qoq) to Rs 9.5bn (4.9% lower than estimates of Rs 9.9bn). Freight division revenue up by 2.6%yoy (down 5.8% qoq) to Rs 4.7bn; Supply Chain revenue increased by 20.1%yoy (4.8% qoq) to Rs 3.6bn; Seaway's revenue declined 17.7%yoy (-17.6%qoq) to Rs 1.25bn. Gross margins declined by 20bps yoy to 20.0% in 1QFY24 due impact in shipping division. EBITDA declined by 3.1% yoy (down 6.7% qoq) to Rs 1.0bn, in line with estimates of Rs 1.09mn. EBITDA margins down from 11.5% in 1QFY23 to 10.6% in 1QFY24. EBIT in supply chain increased by 38.2%yoy to Rs 229mn while it is down by 3.9% to Rs 156mn in freight division. EBIT in seaways declined by 20.5%yoy from Rs 461mn in 1QFY23 to Rs 366mn in 1QFY24. Interest cost remained negligible at Rs 23mn. PBT declined marginally 2.5% yoy to Rs 762mn, supported by other income of Rs 85mn. Adjusted profit up by 5.9%yoy at Rs 823mn in 1QFY24, 7% higher than estimates of Rs 769mn.

Conference call takeaways

- EBITDA in freight division grew by 2.8%yoy to Rs 148mn with stable margins on yoy basis to 3.1% in 1QFY24; EBITDA in SCM increased by 22.6%yoy to Rs 320mn and in seaways down by 12.4%yoy to Rs 544mn. EBITDA margins in SCM improved by 20bps to 8.8% and Seaways improved from 40.7% in 1QFY23 to 43.4% in 1QFY24.
- SCM maintained strong 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 one dry docking, and lack of exim business in FY24. Lower freight rates on west coast and BIPARJOY cyclone had an impact on revenues.
- LTL is c. 36% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. The company plan to open 50 new branches to further enhance the network and LTL business.
- JV performance: TCI Concor operating asset light rail operations reported 6.7% decline in revenue to Rs 763bn in 1QFY24, business impacted due to competition from road. Transystem focused on automotive logistics reported revenue growth of 57.7%yoy to Rs 2.25bn while TCI Cold chain reported flat revenue on yoy to Rs 163mn in 1QFY24. It discontinued some customers to maintain profitability in cold chain business.
- TCI had capital expenditure of Rs 468mn in FY22 and Rs 1.2bn in FY23. Capex planned for FY24 is Rs 3.75bn including ship and automotive rake purchase of c. Rs 1.2bn and container addition of Rs 340mn.

Outlook and valuation: At CMP, stock trades at 15.8x 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 maintain our valuation to 18x FY25EPS with target price to Rs 875 (Unchanged).

BUY (Maintain)

CMP RS 760

TARGET RS 875 (+15%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	78
MARKET CAP (RSBN) :	59
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	845 / 555
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Jun 23	Mar 23	Dec 22
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	48,191
EBITDA	4,241	4,805	5,311
Net Profit	3,208	3,367	3,730
EPS, Rs	41.4	43.4	48.1
PER, x	18.4	17.5	15.8
EV/EBITDA, x	13.7	11.8	10.4
PBV, x	3.5	2.7	2.3
ROE, %	20.1	17.1	15.7

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY24E	FY25E	FY24E	FY25E
Revenue	43,159	48,191	0%	0%
EBITDA	4,805	5,311	0%	0%
Core PAT	3,367	3,730	0%	0%
EPS (Rs)	43.4	48.1	0%	0%

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Standalone (Rs mn)	1QFY24	1QFY23	yoy	4QFY23	qoq %	vs. expect. %	Comments
Revenue	9498	9029	5.2	9793	-3.0	-4.9	Freight +2.6%yoy; SCM +20.1%yoy; Seaways -17.7%yoy
EBITDA	1008	1041	-3.1	1081	-6.7	-7.6	Revenue mix and decline in shipping profits
EBITDA margins	10.6%	11.5%	-91bps	11.0%	-42bps		
Other income	85	53	59.8	121	-29.6	9.0	
Depreciation	308	289	6.6	311	-1.0	-3.8	
Interest	23	23	-0.4	24	-2.5	-8.0	
PBT	762	782	-2.5	867	-12.1	-7.6	
PAT	823	777	5.9	849	-3.0	7.0	

Standalone

Year End March (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue	8072	8509	8808	8897	8598
Operating expense	6374	6799	6939	7010	6789
Opex as % of sales	79.0%	79.9%	78.8%	78.8%	79.0%
Employee	453	475	476	493	533
Other expenses	254	319	305	340	309
EBITDA	992	916	1088	1054	967
EBITDA margins (%)	12.3%	10.8%	12.4%	11.9%	11.2%
Other Income	159.2	75.9	288.8	114.4	277.0
Depreciation	278.4	289.3	301.4	298.5	295.0
Interest	18.7	21.1	21.9	20.6	21.0
PBT	853.9	681.6	1053.4	849.7	928.0
Tax	87.6	107.5	100.0	98.4	95.0
Tax rate (%)	10.3%	15.8%	9.5%	11.6%	10.2%
Adj PAT	766	574	953	751	833
Extraordinary	0.0	0.0	0.0	0.0	0.0
Reported PAT	766	574	953	751	833
EPS (Rs)	10.0	7.5	12.4	9.8	10.8

Source: PhillipCapital India Research

Segmental details

Standalone	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Freight Division	3764	3944	4045	4228	3964
Supply chain	2862	3429	3196	3317	3466
Seaways	1525	1242	1702	1521	1254
Energy	16	19	15	11	16
EBIT (Rs mn)					
Freight Division	133	158	187	191	136
Supply chain	155	220	187	216	216
Seaways	461	304	458	422	366
Energy	8	10	8	4	8
EBIT (%)					
Freight Division	3.5%	4.0%	4.6%	4.5%	3.4%
Supply chain	5.4%	6.4%	5.9%	6.5%	6.2%
Seaways	30.2%	24.5%	26.9%	27.7%	29.2%

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE (FY24)	Reco/Upside	
Container Corporation	M	31.3	BUY	27%
Adani Ports & SEZ	L	23.3	BUY	26%
Praj Industries Ltd	S	24.8	BUY	13%
Pennar Industries Ltd	S	12.2	BUY	11%
Indo Count Industries	S	14.9	BUY	2%
KDDL	S	35.4	BUY	-9%
Gateway Distriparks Ltd	S	16.8	BUY	29%
Navkar Corporation	S	11.9	BUY	27%
Allcargo Logistics Ltd	S	14.8	BUY	19%
Aegis Logistics	S	26.5	SELL	-18%
Mahindra Logistics Limited	S	59.5	BUY	34%
Transport Corporation of India	S	17.5	BUY	15%
VR Logistics Ltd	S	30.3	BUY	8%

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	48,191
Growth, %	16.2	16.1	14.1	11.7
Other operating income	-	-	-	-
Raw material expenses	25,766	30,307	34,528	38,552
Employee expenses	1,700	1,965	2,331	2,699
Other Operating expenses	1,013	1,314	1,497	1,628
EBITDA (Core)	4,087	4,241	4,805	5,311
Growth, %	56.5	3.7	13.3	10.5
Margin, %	12.6	11.2	11.1	11.0
Depreciation	1,130	1,214	1,342	1,476
EBIT	2,957	3,027	3,463	3,835
Growth, %	75.6	2.3	14.4	10.8
Margin, %	9.1	8.0	8.0	8.0
Interest paid	128	98	120	115
Other Income	199	303	222	233
Non-recurring Items	-	-	-	-
Pre tax profit	3,028	3,231	3,565	3,953
Tax provided	377	434	642	712
Profit after tax	2,896	3,208	3,367	3,730
Minorities/JV shares	245	411	444	488
Net Profit	2,896	3,208	3,367	3,730
Growth, %	(21.8)	52.0	(26.5)	5.0
Net Profit (adjusted)	2,896	3,208	3,367	3,730
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	3,092	4,400
Marketable securities at cost	147	882	917	954
Debtors	5,083	5,609	8,277	9,242
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	13,678	16,406
Investments	2,031	2,482	3,474	3,995
Gross fixed assets	11,616	12,796	14,296	16,296
Less: Depreciation	(4,405)	(5,619)	(6,961)	(8,437)
Add: Capital WIP	73	260	183	183
Net fixed assets	7,314	7,465	7,570	8,094
Non-current assets	773	707	900	1,000
Total assets	17,964	20,918	26,539	30,449
Trade Payables	851	760	1,064	1,188
Provisions	252	283	312	343
Total current liabilities	2,141	2,135	3,149	3,511
Non-current liabilities	934	962	900	846
Total liabilities	15,823	18,784	23,390	26,938
Paid-up capital	154	155	155	155
Reserves & surplus	14,148	16,863	21,518	25,109
Minorities	274	301	307	313
Shareholders' equity	14,576	17,319	21,980	25,577
Total equity & liabilities	17,964	20,918	26,539	30,449

Cash Flow

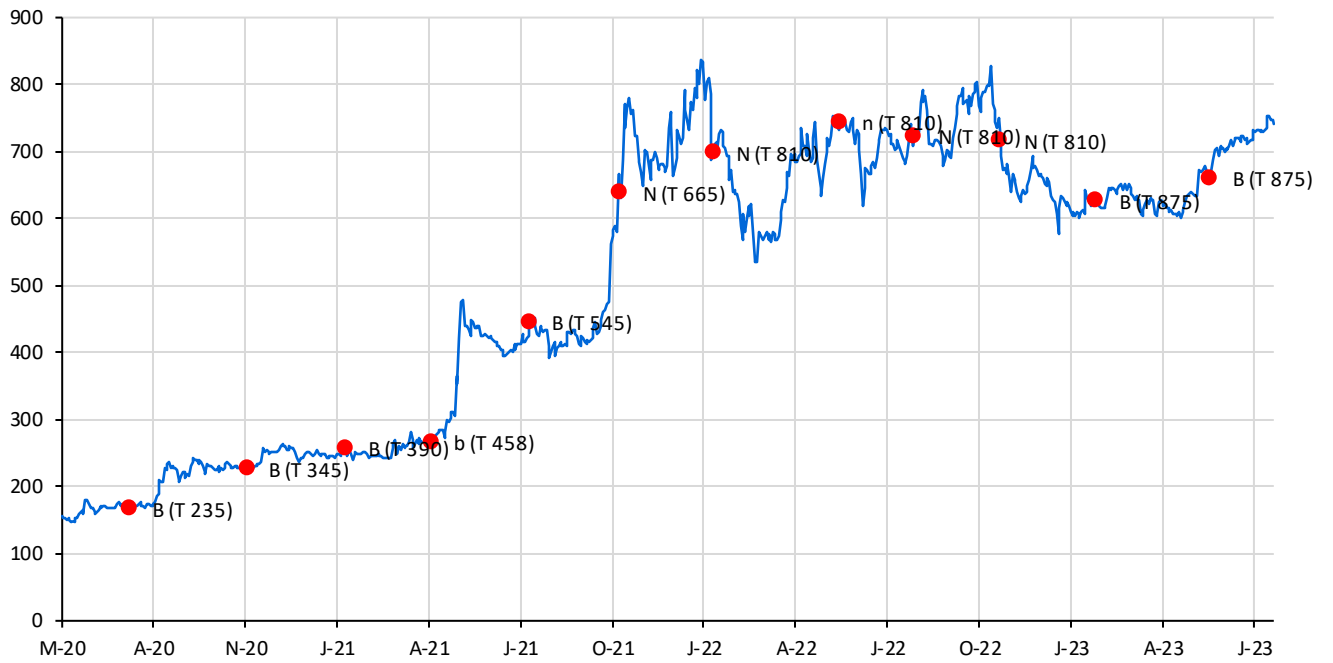
Y/E Mar, Rs mn	FY22	FY23	FY24E	FY25E
Pre-tax profit	3,028	3,231	3,565	3,953
Depreciation	1,130	1,214	1,342	1,476
Chg in working capital	(336)	(588)	(2,034)	(1,059)
Total tax paid	(377)	(434)	(642)	(712)
Cash flow from operating activities	3,619	3,629	2,573	4,029
Capital expenditure	(984)	(1,367)	(1,424)	(2,000)
Chg in investments	(265)	(1,186)	(1,028)	(558)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(1,051)	(2,250)	(2,229)	(2,324)
Free cash flow	2,681	1,464	442	1,799
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	(101)	1,271

Valuation Ratios

	FY22	FY23	FY24E	FY25E
Per Share data				
EPS (INR)	37.3	41.4	43.4	48.1
Growth, %	96.8	10.8	5.0	10.8
Book NAV/share (INR)	184.4	219.4	279.4	325.7
FDEPS (INR)	37.3	41.4	43.4	48.1
CEPS (INR)	51.9	57.0	60.7	67.1
CFPS (INR)	46.7	46.8	33.2	51.9
DPS (INR)	1.5	1.5	1.5	1.5
Return ratios				
Return on assets (%)	16.5	16.5	14.2	13.1
Return on equity (%)	22.0	20.1	17.1	15.7
Return on capital employed (%)	17.5	15.3	12.9	12.4
ROIC (%)	17.2	15.5	14.0	14.0
Turnover ratios				
Asset turnover (x)	4.5	5.1	5.7	6.0
Sales/Net FA (x)	4.5	5.1	5.7	6.0
Working capital/Sales (%)	17.1	19.2	24.4	26.8
Receivable days	57.1	51.6	58.7	66.3
Inventory days	1.1	0.8	0.6	0.5
Payable days	9.0	7.8	7.7	8.5
Working capital days	62.3	69.9	89.0	97.7
Liquidity ratios				
Current ratio (x)	3.6	4.4	4.3	4.7
Quick ratio (x)	0.5	0.5	0.6	0.6
Interest cover (x)	23.0	30.8	28.9	33.3
Total debt/Equity (x)	0.1	0.1	0.0	0.0
Net debt/Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Valuation				
PER (x)	20.4	18.4	17.5	15.8
PEG (x) yoy growth	0.2	1.7	3.5	1.5
Price/Book (x)	4.1	3.5	2.7	2.3
EV/Net sales (x)	1.8	1.5	1.3	1.1
EV/EBITDA (x)	14.5	13.7	11.8	10.4
EV/EBIT (x)	20.0	19.2	16.4	14.4

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	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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