

Retail Equity Research

Transport Corporation of India Ltd.

Logistics

BSE CODE : 532349 NSE CODE: TCI
 BLOOMBERG CODE: TRPC:IN SENSEX : 72,050

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 862 TARGET Rs. 977 RETURN 13% ↑
 (Closing: 15-02-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Modest Q3...outlook intact

Transport Corporation of India Ltd. (TCI) is one of the largest integrated players in the organised logistics industry. Key business segments include freight, supply chain, warehousing solutions, & shipping services.

- Revenue grew by a modest 4% YoY, which was below our expectations due to a decline in seaway business and subdued freight business. The supply chain businesses reported healthy double-digit growth.
- EBITDA declined by 13% YoY, and margins dipped by 190bps YoY to 10.0% on account of a weak mix, higher fuel costs, and an increase in employee costs.
- Looking forward, we anticipate stable volumes in freight, E-commerce, and supply chain businesses, while seaway business is expected to improve with the addition of a new ship.
- We expect PAT to grow at a 17% CAGR over FY24E-26E, with stable margins of ~10.5%.
- We value TCI at a P/E of 17x as we roll forward to FY26E, given healthy earnings and return ratios; hence, we maintain an Accumulate rating on the stock with a target price of Rs.977.

Modest growth in Q3...revival expected in FY25

In Q3FY24, TCI achieved a modest 4% YoY revenue growth, fuelled by a 16% YoY increase in supply chain business driven by strong automotive sector volumes and the good traction of multimodal services. The trend of double-digit growth in supply chain divisions is expected to continue. However, freight division revenue remained flat due to a slowdown and inventory build-up; it is anticipated to normalise from Q1FY25. Conversely, the Seaway division revenue saw a significant 17% YoY decline, attributable to falling freight rates, capacity overhangs, and delays in infrastructure projects in Andaman. Recovery is anticipated to be gradual due to delayed ship additions and heightened competition. TCI's capex plans stand at Rs. 250cr. Management revised revenue guidance to 8-10% from the earlier 10-15% for FY24. Consequently, we have adjusted our revenue estimates for FY24E & FY25E by 6.3% & 3.7%, respectively, to reflect the revenue miss in our projections. However, the long-term growth prospects remain strong, driven by government infrastructure spending and e-commerce penetration. Anticipating 16% CAGR revenue growth for FY24–FY26E.

Margins to remain at 10.5% over FY24E-26E

In Q3FY24, TCI experienced a 13% YoY decline in EBITDA, primarily attributed to a reduced contribution from the seaways business and moderate topline growth. Margins witnessed a contraction of 190bps YoY, to 10.0%, due to higher expenses. Consequently, Net profit declined by 7.4% YoY. We anticipate a normalization of growth in FY25. However, to align with the impact of the Q3 margin miss, we have adjusted our EBITDA margin estimates downward by 70bps & 110bps YoY. However, we maintain an optimistic outlook, projecting a robust 17% CAGR in PAT over FY24E-26E.

Valuations

TCI has well-diversified service offerings, a multi-sectoral presence, and a healthy balance sheet. The long-term outlook for the sector is improving, given strong economic growth prospects, increasing penetration of e-commerce, and GST & e-way bills. We value TCI at a P/E of 17x as we roll forward to FY26E and maintain an Accumulate rating, with a target price of Rs.977.

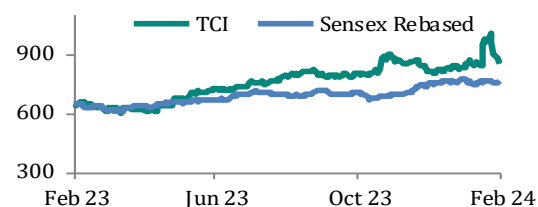
Company Data

Market Cap (cr)	Rs.6,692
Enterprise Value (cr)	Rs.6,601
Outstanding Shares (cr)	7.7
Free Float	30.0%
Dividend Yield	0.87%
52 week high	Rs.1,080
52 week low	Rs.591
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24
Promoters	68.9	68.9	68.9
FII's	2.5	2.6	2.6
MFs/Institutions	12.8	12.8	12.8
Public	14.3	14.2	14.2
Others	1.5	1.5	1.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.0%	8.5%	32.4%
Absolute Sensex	8.9%	10.6%	17.7%
Relative Return*	-12.0%	-2.1%	14.7%

*over or under performance to benchmark index



Consolidated (cr)	FY24E	FY25E	FY26E
Sales	3,957	4,641	5,315
Growth (%)	4.6	17.3	14.5
EBITDA	414	489	558
EBITDA Margin(%)	10.5	10.5	10.5
PAT Adj.	328	390	446
Growth (%)	2.2	19.0	14.4
Adjusted EPS	42.2	50.3	57.5
Growth (%)	2.2	19.0	14.4
P/E	20.4	17.2	15.0
P/B	3.4	2.9	2.5
EV/EBITDA	16.0	13.5	11.5
ROE (%)	17.8	18.2	17.8
D/E	0.1	0.0	0.0

ANIL R
 Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)	9MFY24	9MFY23	YoY Growth (%)
Sales	1,002	967	3.7	994	0.9	2,945	2,802	5.1
EBITDA	100	114	-12.7	100	-0.5	301	314	-4.2
EBITDA margin	10.0	11.8	-1.9	10.1	-0.1	10.2	11.2	-1.0
Depreciation	33	31	5.4	31	6.4	95	90	5.2
EBIT	67	83	-19.5	69	-3.6	206	224	-8.0
Interest	4	3	34.1	3	2.9	9	7	23.3
Other Income	10	7	34.8	11	-15.9	29	20	48.4
Exceptional Items	-	-	-	-	-	-	-	-
PBT	91	98	-6.8	97	-6.6	282	270	4.4
Tax	11	11	-2.2	10	12.5	31	32	-3.7
Share of profit from Associate	18	10	78.8	-	-	56	34	65.3
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	80	87	-7.4	88	-8.7	251	238	5.5
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	80	87	-7.4	88	-8.7	251	238	5.5
No. of Shares	62.5	62.5	-	62.5	-	62.5	62.5	-
EPS (Rs)	10.4	11.2	-7.4	11.4	-8.7	32.6	30.9	5.5

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	4,164	4,758	3,957	4,641	(5.0)	(2.5)
EBITDA	466	551	414	489	(11.2)	(11.3)
Margins (%)	11.2	11.6	10.5	10.5	(70bps)	(110bps)
Adj. PAT	358	428	328	390	(8.4)	(8.8)
EPS	46.1	55.1	42.2	50.3	(8.4)	(8.8)

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	2,802	3,257	3,783	3,957	4,641	5,315
% change	3.1	16.2	16.1	4.6	17.3	14.5
EBITDA	261	409	424	414	489	558
% change	8.6	56.5	3.7	-2.4	18.1	14.2
Depreciation	93	113	121	130	143	157
EBIT	168	296	303	284	346	401
Interest	27	13	10	13	15	16
Other Income	25	20	30	39	44	51
Share of JV	20	28	44	75	84	90
PBT	174	330	364	386	459	525
% change	9.5	89.6	10.2	5.9	19.0	14.4
Tax	24	38	43	58	69	79
Tax Rate (%)	13.7	11.4	11.9	15.0	15.0	15.0
Reported PAT	147	290	317	328	390	446
Adj.*	13	-	3	-	-	-
Adj. PAT	160	290	321	328	390	446
% change	5.2	23.3	10.7	2.2	19.0	14.4
No. of shares (cr)	7.7	7.7	7.8	7.8	7.8	7.8
Adj EPS (Rs)	20.8	37.5	41.3	42.2	50.3	57.5
% change	4.8	80.3	10.4	2.1	19.0	14.4
DPS (Rs)	1.9	5.3	7.0	7.0	7.0	7.0

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	34	68	170	202	215	356
Accounts Receivable	511	508	561	585	687	786
Inventories	7	8	5	10	13	15
Other Cur. Assets	227	241	262	315	408	467
Investments	150	193	286	346	426	506
Gross Fixed Assets	1,133	1,314	1,347	1,597	1,797	1,997
Net Fixed Assets	802	798	788	909	966	1,009
CWIP	5	7	26	20	25	25
Intangible Assets	3	3	3	3	3	3
Def. Tax (Net)	(27)	(28)	(30)	(30)	(30)	(30)
Other Assets	-	-	-	-	-	-
Total Assets	1,711	1,799	2,071	2,361	2,713	3,137
Current Liabilities	267	219	217	211	227	259
Provisions	9	25	28	29	34	39
Debt Funds	257	98	94	116	111	106
Other Liabilities	9	27	30	30	30	30
Equity Capital	15	15	16	16	16	16
Reserves & Surplus	1,154	1,415	1,686	1,960	2,296	2,688
Shareholder's Fund	1,170	1,430	1,702	1,975	2,311	2,703
Total Liabilities	1,711	1,799	2,071	2,361	2,713	3,137
BVPS	152	185	219	254	298	348

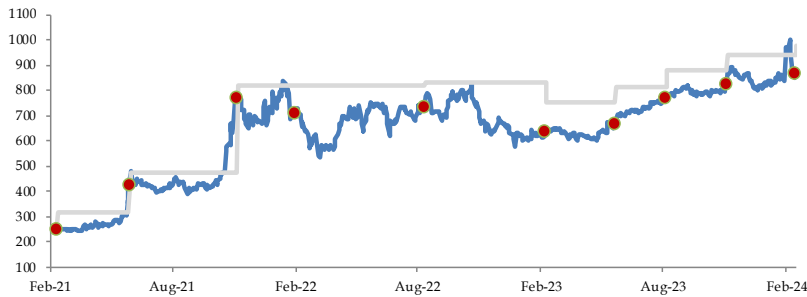
CASH FLOW

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	243	406	442	457	533	604
Non-cash adj.	43	(22)	(8)	(101)	(113)	(124)
Changes in W.C	18	(16)	(73)	(88)	(176)	(123)
C.F. Operation	305	368	361	268	244	356
Capital exp.	(124)	(71)	(153)	(244)	(205)	(200)
Change in inv.	(2)	(3)	(7)	(60)	(80)	(80)
Other invest.CF	20	(3)	(33)	114	128	141
C.F - Investment	(106)	(76)	(193)	(190)	(157)	(139)
Issue of equity	4	3	4	0	-	-
Issue/repay debt	(145)	(226)	(8)	22	(5)	(5)
Dividends paid	(10)	(41)	(54)	(54)	(54)	(54)
Other finance.CF	(27)	6	(7)	(13)	(15)	(16)
C.F - Finance	(178)	(258)	(65)	(45)	(75)	(76)
Chg. in cash	21	34	102	32	12	141
Closing cash	34	68	170	202	215	356

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab & Return						
EBITDA margin (%)	9.3	12.6	11.2	10.5	10.5	10.5
EBIT margin (%)	6.0	9.1	8.0	7.2	7.5	7.5
Net profit mgn.(%)	5.7	8.9	8.5	8.3	8.4	8.4
ROE (%)	14.6	22.3	20.5	17.8	18.2	17.8
ROCE (%)	10.4	18.0	17.5	14.9	15.3	15.0
W.C & Liquidity						
Receivables (days)	65.0	57.1	51.6	52.9	50.0	50.6
Inventory (days)	0.9	0.9	0.6	0.7	0.9	1.0
Payables (days)	0.9	2.0	2.8	2.8	2.4	2.1
Current ratio (x)	2.8	3.4	4.1	4.6	5.1	5.4
Quick ratio (x)	2.0	2.6	3.4	3.7	4.0	4.4
Turnover & Leverage						
Gross asset T.O (x)	2.5	2.7	2.8	2.7	2.7	2.8
Total asset T.O (x)	1.7	1.9	2.0	1.8	1.8	1.8
Int. covge. ratio (x)	6.3	23.1	30.8	22.2	22.4	24.5
Adj. debt/equity (x)	0.2	0.1	0.1	0.1	0.0	0.0
Valuation						
EV/Sales (x)	2.5	2.1	1.7	1.7	1.4	1.2
EV/EBITDA (x)	26.5	16.4	15.6	16.0	13.5	11.5
P/E (x)	41.5	23.0	20.8	20.4	17.2	15.0
P/BV (x)	5.7	4.7	3.9	3.4	2.9	2.5

Recommendation summary



Dates	Rating	Target
11-February-21	Buy	317
31-May-21	Accumulate	471
08-November-21	Hold	818
01-February-22	Accumulate	820
12-August-22	Accumulate	829
09-February-23	Buy	755
23-May-23	Buy	813
08-August-23	Accumulate	882
06-November-23	Accumulate	938
16-February-24	Accumulate	977

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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