ASIAN MARKETS SECURITIES

INSTITUTIONAL EQUITIES

1QFY25 Result Update

Transport Corporation of India

Transport / Logistics

Asian Markets Rating	ACCUMULATE
CMP (Rs)	995
Target (Rs)	1,100
Upside (%)	11%

Nifty: 24,836	Sensex: 81,355

Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR 2.0)	77.7
Mkt Cap (USD Bn/INR Bn)	0.9/77.7
52-week high/low	1080/686
6m daily avg vol (INR Mn)	94
Free Float %	30

Price Performance

(%)	3m	1yr	3yr
TRPC	14.2	34.9	145.0
Nifty	10.4	28.2	63.7
NSE500	12.0	39.7	77.4
BSE Midcap	15.1	61.1	114.8

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
Promoter	68.9	68.9	68.9
FII	2.6	2.7	2.9
DII	11.9	11.1	11.2
Others	16.6	17.3	17.0

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FY24-26E Earnings CAGR	CF & Return Profile	Valuations
12%	Moderate	Attractive

Decent Performance

- **Consolidated revenues increased by 10% y-o-y to Rs 10.4bn, led by good momentum across verticals. SCM (+13% y-o-y) continues to ride on good momentum in automobile industry.**
- **Freight (+8% y-o-y) performed decently despite challenges in LTL segment. Growth recovery in coastal shipping (+13% y-o-y) surprised us positively.**
- **EBITDA margin compressed by 70bps to 9.9% mainly on the back of higher inflation across cost line items and lower contribution from the high margin shipping business. Net profit for the quarter was up 9.4%, to Rs 910mn. Relatively better earnings performance was led by healthy contribution from associates profit share (+21% y-o-y)**

Supply chain continues to ride on good automobile momentum

SCM segment which is largely dependent on automobile (~75%), is holding its growth momentum, with a revenue growth 13% y-o-y to Rs 4bn. However, the EBIT margin declined by 30bps y-o-y but remained in the range of 6%. We remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base (auto, FMCG, apparel, Q-commerce, chemical, Ecom players) as well as hybrid business model. Further, customers push for efficiencies and integrated single- window solutions across the value chain are also making good roads for SCM and warehousing business.

Freight: Decent growth despite macro challenges and competitive pressure in LTL pie

Revenue growth of 8% y-o-y is better than our expectations and largely led by FTL segment whereas LTL remains under pressure due to macro challenge (pressure on SME clients) and competitive pressure especially from express logistics players which playing around non-economical pricing.

Seaways: Decent growth despite a dry-dock

Better than expected growth delivery, led by firming up of freight rates. Despite the two dry-docks that it had in Q1FY25, it has managed to maintain to get the number of voyages it has per quarter. On a five-year basis, seaways division witnessed a CQGR of 12.4%.

Remain positive; Accumulate with TP of Rs 1,100

Despite some near-term demand pressure, we maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favourable change in business mix and prudent capital allocation. Despite expected capex of Rs 10-11bn over the next 3-4 years, TCI will generate cumulative FCF of ~Rs 5-6bn over FY24-26E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 103%.

Exhibit 1: Key Financials

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	32,567	37,826	40,242	44,942	50,308
yoy (%)	16.2	16.1	6.4	11.7	11.9
EBITDA	4,087	4,240	4,105	4,638	5,458
yoy (%)	56.5	3.7	(3.2)	13.0	17.7
Net Profit	2,928	3,173	3,556	3,939	4,726
yoy (%)	99.0	8.4	12.1	10.8	20.0
EBITDAM(%)	12.6	11.2	10.2	10.3	10.9
Equity	155	155	155	155	155
EPS	37.9	40.9	45.9	50.8	60.9

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
RoE (%)	22.5	20.3	19.2	18.1	18.6
RoCE (%)	20.8	19.5	15.9	15.9	16.7
ROIC (%)	19.7	18.2	12.9	13.6	14.9
DE	0.0	0.0	0.1	0.1	0.1
PER (x)	16.7	15.6	21.3	19.2	16.0
P/BV (x)	3.4	2.9	3.8	3.2	2.8
EV/Sales (x)	1.5	1.3	1.9	1.7	1.5
EV/EBITDA (x)	11.9	11.4	18.6	16.2	13.4
Div Yeild (%)	0.8	1.1	0.7	0.8	0.9

Exhibit 3: Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y-o-y change	q-o-q change	FY24	FY23	y-o-y change
Income from operations	**9,498.0**	**9,935.0**	**10,020.0**	**10,789.0**	**10,451.0**	**10.0%**	**-3.1%**	**40,242.0**	**37,810.3**	**6.4%**
Less: Expenditures										
Operating cost	7,595.0	8,017.0	8,067.0	8,752.0	8,427.0	11.0%	-3.7%	32,431.0	30,306.6	7.0%
Staff cost	555.0	568.0	566.0	545.0	614.0	10.6%	12.7%	2,234.0	1,965.3	13.7%
Other operating & admin cost	340.0	346.0	388.0	398.0	372.0	9.4%	-6.5%	1,472.0	1,313.7	12.0%
EBITDA	**1,008.0**	**1,004.0**	**999.0**	**1,094.0**	**1,038.0**	**3.0%**	**-5.1%**	**4,105.0**	**4,224.7**	**-2.8%**
Other Income	85.0	113.0	95.0	165.0	109.0	28.2%	-33.9%	458.0	318.1	44.0%
Depreciation	308.0	311.0	331.0	334.0	290.0	-5.8%	-13.2%	1,284.0	1,214.1	5.8%
EBIT	**785.0**	**806.0**	**763.0**	**925.0**	**857.0**	**9.2%**	**-7.4%**	**3,279.0**	**3,328.7**	**-1.5%**
Interest	23.0	34.0	35.0	41.0	42.0	82.6%	2.4%	133.0	98.2	35.4%
Profit Before Tax	**762.0**	**772.0**	**728.0**	**884.0**	**815.0**	**7.0%**	**-7.8%**	**3,146.0**	**3,230.5**	**-2.6%**
Tax	104.0	96.0	108.0	28.0	110.0	5.8%	292.9%	336.0	434.4	-22.7%
Profit after Tax	**658.0**	**676.0**	**620.0**	**856.0**	**705.0**	**7.1%**	**-17.6%**	**2,810.0**	**2,796.1**	**0.5%**
Extraordinary items	9.0	-	-	24.0	-	-100.0%	-100.0%	24.0	33.8	
Net Profit	**649.0**	**676.0**	**620.0**	**832.0**	**705.0**	**8.6%**	**-15.3%**	**2,786.0**	**2,762.3**	**0.9%**
share in profits	174.0	202.0	182.0	201.0	211.0	21.3%	5.0%	759.0	443.6	71.1%
Minority Int	9.0	(8.0)	(8.0)	-	(6.0)	-166.7%	#DIV/0!	(13.0)	32.5	-140.0%
Net Profit	**832.0**	**870.0**	**794.0**	**1,033.0**	**910.0**	**9.4%**	**-11.9%**	**3,532.0**	**3,173.4**	**11.3%**
EPS	10.7	11.2	10.2	13.3	11.7	9.4%	-11.9%	45.51	40.9	11.2%
Operating Matrix						**bps**	**bps**			**bps**
Operating cost/Sales	80.0%	80.7%	80.5%	81.1%	80.6%	67	-49	80.6%	80.2%	44
Staff cost/Sales	5.8%	5.7%	5.6%	5.1%	5.9%	3	82	5.6%	5.2%	35
Others/Sales	3.6%	3.5%	3.9%	3.7%	3.6%	-2	-13	3.7%	3.5%	18
EBITDA Margin	**10.6%**	**10.1%**	**10.0%**	**10.1%**	**9.9%**	-68	-21	**10.2%**	**11.2%**	**-97**
Net Margin	8.8%	8.8%	7.9%	9.6%	8.7%	-5	-87	8.8%	8.4%	38
ETR	13.6%	12.4%	14.8%	3.2%	13.5%	-15	1033	10.7%	13.4%	-277

Source: Company, AMSEC Research

Exhibit 4: Segmental Highlights

Segmental Highlights	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y-o-y change	q-o-q change	FY24	FY23	y-o-y change
Revenue (Rs mn)										
Freight	4,754.0	4,818.0	4,856.0	5,553.0	5,136.0	8.0%	-7.5%	19,981.0	19,197.4	4.1%
SCM	3,630.0	3,907.0	3,882.0	3,928.0	4,097.0	12.9%	4.3%	15,347.0	13,404.6	14.5%
Coastal Shipping	1,254.0	1,354.0	1,426.0	1,492.0	1,415.0	12.8%	-5.2%	5,526.0	5,989.5	-7.7%
Wind	16.0	21.0	7.0	11.0	13.0	-18.8%	18.2%	55.0	60.4	-8.9%
Others/inter segment	(156.0)	(165.0)	(151.0)	141.0	104.0	-166.7%	-26.2%	(331.0)	(841.6)	-60.7%
Total	**9,498.0**	**9,935.0**	**10,020.0**	**11,125.0**	**10,765.0**	**13.3%**	**-3.2%**	**40,578.0**	**37,810.3**	**7.3%**
EBIT (Rs mn)										
Freight	156.0	143.0	149.0	176.0	156.0	0.0%	-11.4%	644.0	784.0	-17.9%
SCM	229.0	262.0	253.0	250.0	245.0	7.0%	-2.0%	994.0	818.0	21.5%
Coastal Shipping	366.0	310.0	315.0	394.0	404.0	10.4%	2.5%	1,385.0	1,645.0	-15.8%
Wind	8.0	12.0	-	4.0	6.0	-25.0%	50.0%	24.0	29.0	-17.2%
Total	**759.0**	**727.0**	**717.0**	**824.0**	**811.0**	**6.9%**	**-1.6%**	**3,047.0**	**3,276.0**	**-7.0%**
EBIT %						**bps**	**bps**			**bps**
Transport	3.3%	3.0%	3.1%	3.2%	3.0%	(24)	(13)	3.2%	4.1%	(86)
SCM	6.3%	6.7%	6.5%	6.4%	6.0%	(33)	(38)	6.5%	6.1%	37
Coastal Shipping	29.2%	22.9%	22.1%	26.4%	28.6%	(64)	214	25.1%	27.5%	(240)
Wind	50.0%	57.1%	0.0%	36.4%	46.2%	(385)	979	43.6%	48.0%	(438)
Total	**8.0%**	**7.3%**	**7.2%**	**7.4%**	**7.5%**	**(46)**	**13**	**7.5%**	**8.7%**	**(116)**

Source: Company, AMSEC Research

Earnings call KTAs

Performance and demand:

- The performance in Q1FY25 was slightly better than expected, as almost all the division did reasonably well. Typically, Q1 is weak, but it was better than expected.
- MSME is weak, the impact of geopolitical issues including the war and the red sea impacted to a certain level.
- TCI offers a range of value-added, has benefitted, also multimodal services like the rail, coastal shipping business, as well the road, this combination is one of its moats, ~30% of the business comes from multimodal.
- The overall trend looks positive, it had estimated a growth of 7-8% for Q1FY25, however this has been surpassed.
- The net Cash surplus ~Rs 450crs.

Freight business:

- As MSME business has not picked up yet, and hence LTL business remains flat, there is growth but not as much as FTL. Price competition from express logistics impacted the LTL vertical.
- In terms of FTL-LTL mix, it targets for 60%-FTL and 40% LTL for FY26. Fleet-on-street, increasing branch network, and other factors will drive this.
- Margins are compressed in the freight business. Certain costs like tolls have increased. Historically the toll costs were 5-7% of journey cost, now reached to 20% of the journey costs, however this has not translated into direct productivity gains. Apart from toll, the repair and maintenance costs are high. It is anticipated that this increase will be reflected in the freight rate in future. In freight, the drivers' shortages issues persist, thereby leading to an increase in wages.
- It expects some increase in freight rates led by festive season, the fuel prices have remained firm.
- The working capital was high, as there was a delay in the collection in June, as the end (29th-30th was a weekend), and as it was the first-quarter end post-elections. However, July has been excellent in terms of payment collections.
- It expects 10-15% CAGR in revenue in the coming 3-4 years.

SCM:

- Automotive services and warehousing contract are doing well. In SCM, it has spent ~Rs 0.9bn in new trucks in anticipation of contracted new business.
- Auto stocks have increased, in Q1 stocking has increased, to keep the auto-stock, this can be due to pre-festive.
- The auto sector is growing at 5%, where TCI has a market share of ~10%. In the auto industry, there is decent growth in EV, export auto component, acquired some share from customers.
- Apart from auto, it provides services to FMCG, apparel, Q-commerce (mid-mile and warehousing), chemical, Ecom players
- In SCM ~Rs 0.75-1.0bn capex in the years will continue towards replacement of trucks, warehousing, etc.
- It expects 15% growth in SCM for FY25.

Seaways:

- Seaways have done better than expected. Freight rates have firmed up.
- Some ships have moved away from the sectors, in case prices are high in some areas, hence creating supply issues leading to prices firming up.
- It had 2 dry-docks in Q1FY25, despite this it managed to get the number of voyages it generally has per quarter.
- For the next 9months, there will be one more dry-dock which is scheduled in the last week of March'25. Every 30months there is a dry-dock for a ship, the dry-dock takes ~30 days.
- Fuel prices have gone up (fuel is ~25% of shipping).
- 2 new ships: Ordered 2 new ships, with a capacity of 7,300 DWT each, both being delivered in the year 2026, (FY27), costing USD $38.8mn. The cost has increased by ~15% as compared to the ordered given previously which had got cancelled. The cost has increased because the ships' yards are dictating prices, the life of the ships is 25 years. The IRR for the ship is 6-7 years. TEU capacity is ~500TEU's.
- It is still looking for a second-hand ship. It expects some moderation to happen in the international freight rates, also leading to some respite in the ship prices as well.
- Freight rates are expected to remain stable, unless there is a movement in bunker prices.
- Growth in seaways can be flat to 10%, can moderate in future, freight rates can come down, if bunker prices decline. Margin will be similar range, net topline and bottom-line ~10%.
- Depreciation: the seaways depreciation has come down, as 1 ship is fully depreciated last year, impact of which is visible in Q1FY25.
- Of the 6 ships, 2 ships operate on the west-side and 4 ships operate on the eastside. The new ships are likely to operate in the east as well as internationally but can change depending on the business requirements.

- **TCI-Concor:** Revenue up 14% y-o-y to Rs 868mn.
- **TCI-Cold chain:** Revenue up 34% y-o-y to Rs 219mn. Profitability was impacted as it had spent on acquiring new trucks last year, dep and interest are impacting the bottom-line, however it is EBITDA +ve. Expect FY25 to be flat.
- **Transystem:** Revenues up 17% y-o-y to Rs 2,646mn.

Capex and guidance:

- Capex plan of Rs 3.75bn for FY25, advance for the 2 ships Rs 0.80bn. FY26 capex to be Rs 3.75-3.80bn. Capex of Rs 10-11bn for next 3-4years.
- Overall, it expects 10-15% top line and bottom-line growth for FY25. SCM will continue to drive growth.

Financials (Consolidated)

(Rs mn)

Profit and Loss Statement

Y/E (Mar)	FY22	FY23	FY24	FY25E	FY26E
Operating Income	**32,567**	**37,826**	**40,242**	**44,942**	**50,308**
Other operating income					
Operating expenses	25,766	30,307	32,431	36,358	40,549
Staff expenses	1,700	1,965	2,234	2,427	2,626
Selling, admin and other expenses	1,013	1,314	1,472	1,519	1,675
EBITDA	**4,087**	**4,240**	**4,105**	**4,638**	**5,458**
Depreciation	1,130	1,214	1,284	1,372	1,552
Operating profit	**2,957**	**3,026**	**2,821**	**3,266**	**3,907**
Other income	199	303	458	611	774
EBIT	**3,156**	**3,329**	**3,279**	**3,877**	**4,681**
Interest	128	98	133	271	271
Exceptional items	-	-	-	-	-
Profit before tax	**3,028**	**3,231**	**3,146**	**3,607**	**4,410**
Tax	377	434	336	541	662
PAT	**2,652**	**2,796**	**2,810**	**3,066**	**3,749**
Share in Profit from JVs	277	444	759	873	978
Minority Interest	-	(34)	(37)	-	-
EO Items	-	(33)	24	-	-
Net Profit	**2,928**	**3,173**	**3,556**	**3,939**	**4,726**
Share O/s mn	77.4	77.6	77.6	77.6	77.6
EPS Rs	37.9	40.9	45.9	50.8	60.9

Cash Flow Statement

Y/E (Mar)	FY22	FY23	FY24	FY25E	FY26E
PBT	**3,305**	**3,640**	**3,881**	**3,607**	**4,410**
Non-cash adjustments	1,321	1,270	1,508	1,642	1,822
Changes in working capital	(163)	(729)	(985)	(643)	(860)
Tax & Interest Paid	(494)	(186)	(389)	(541)	(662)
Cashflow from operations	**3,957**	**3,606**	**2,994**	**4,065**	**4,711**
Capital expenditure	(707)	(1,530)	(2,417)	(2,000)	(2,000)
Change in investments	(31)	(804)	(2,375)	-	-
Other investing cashflow	(241)	483	607	-	-
Cashflow from investing	**(979)**	**(1,850)**	**(4,185)**	**(2,000)**	**(2,000)**
Issue of equity	34	35	35	-	-
Issue/repay debt	-	-	-	-	-
Interest Paid	(105)	(66)	(92)	(271)	(271)
Inc / (Dec) in Loan Funds	(2,148)	(81)	782	-	-
Dividends paid	(410)	(543)	(549)	(591)	(709)
Other financing cashflow	34	35	35	-	-
Cashflow from financing	**(2,628)**	**(655)**	**176**	**(861)**	**(979)**
Change in cash & cash eq	**350**	**1,101**	**(1,015)**	**1,204**	**1,731**
Opening cash & cash eq	**395**	**745**	**1,846**	**831**	**2,035**
Closing cash & cash eq	**745**	**1,846**	**831**	**2,035**	**3,766**
Free cash flow to firm	**3,250**	**2,076**	**577**	**2,065**	**2,711**

Balance Sheet

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
APPLICATION OF FUNDS:					
Non-Current Assets	9,866	10,150	12,098	13,599	15,025
Gross Fixed Assets	12,299	12,690	14,240	16,240	18,240
Less: Accumulated Dep.	5,058	5,485	6,634	8,005	9,557
Fixed Assets	7,241	7,205	7,606	8,234	8,683
Capital work in progress	73	260	1,090	1,090	1,090
Right to use	773	707	985	985	985
Goodwill	-	-	296	296	296
Noncurrent investment	1,780	1,977	2,121	2,994	3,971
Current Assets	8,404	10,860	12,916	15,035	17,923
Current investment	147	882	3,306	3,306	3,306
Inventories	85	50	106	100	111
Sundry debtors	5,083	5,609	6,006	6,649	7,443
Cash and bank	745	1,846	831	2,035	3,766
Short loans and advances	2,345	2,473	2,667	2,945	3,297
Others current assets	-	-	-	-	-
Total Assets	**18,270**	**21,009**	**25,014**	**28,634**	**32,948**
SOURCES OF FUNDS:					
Share Capital	155	155	155	155	155
Reserves	14,148	16,863	19,883	23,231	27,248
Total Shareholders' Funds	**14,303**	**17,018**	**20,038**	**23,386**	**27,403**
Minority interest	274	301	333	333	333
Non-Current Liabilities	**1160**	**1161**	**2284**	**2284**	**2284**
Long term borrowings	619	625	1,503	1,503	1,503
Lease Liability	265	235	453	453	453
Deferred tax liability	276	300	328	328	328
Current Liab & Prov	2,534	2,530	2,359	2,631	2,928
Total Equity & Liab.	**18,270**	**21,009**	**25,014**	**28,634**	**32,948**
Net working capital	4,978	5,603	6,420	7,063	7,923
Total Gross Debt	619	625	1,503	1,503	1,503
Total Net debt	(272)	(2,103)	(2,634)	(3,838)	(5,569)
Total capital employed	15,736	18,480	22,655	26,003	30,020

Ratios

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
PER SHARE					
EPS Rs	37.9	40.9	45.9	50.8	60.9
CEPS Rs	52.5	56.6	62.4	68.5	81.0
Book Value Rs	184.9	219.4	258.4	301.6	353.4
VALUATION					
EV / Net Sales	1.5	1.3	1.9	1.7	1.5
EV / EBITDA	11.9	11.4	18.6	16.2	13.4
P / E Ratio	16.7	15.6	21.3	19.2	16.0
P / BV Ratio	3.4	2.9	3.8	3.2	2.8
FCF Yield (%)	6.6	4.2	0.8	2.7	3.6
GROWTH YOY%					
Sales Growth	16.2	16.1	6.4	11.7	11.9
EBITDA Growth	56.5	3.7	-3.2	13.0	17.7
Net Profit Growth	99.0	8.4	12.1	10.8	20.0
Gross Fixed Asset Growth	-20.4	3.2	12.2	14.0	12.3
PROFITABILITY					
Gross Profit/ Net sales (%)	-	-	-	-	-
EBITDA / Net Sales (%)	12.6	11.2	10.2	10.3	10.9
EBIT / Net sales (%)	9.7	8.8	8.1	8.6	9.3
NPM / Total income (%)	9.0	8.4	8.8	8.8	9.4
CFO (pre-tax) / EBITDA (%)	108.9	89.4	82.4	99.3	98.4
CFO (post-tax) / PAT(%)	143.7	123.9	95.1	118.9	115.8
ROE (%)	22.5	20.3	19.2	18.1	18.6
ROCE (%)	20.8	19.5	15.9	15.9	16.7
ROIC (%)	19.7	18.2	12.9	13.6	14.9
Tax / PBT %	12.4	13.4	10.7	15.0	15.0
TURNOVER					
Net Woking Cycle	49	47	50	46	46
Debtors Velocity (Days)	57	54	54	54	54
Inventory (Days)	1	1	1	1	1
Creditors Velocity (Days)	10	7	6	9	9
Current Ratio	3.3	3.9	4.1	4.5	5.0
Quick Ratio	3.2	3.9	4.0	4.4	5.0
LIQUIDITY					
Gross Asset Ratio	2.3	3.0	3.0	2.9	2.9
Total Asset Ratio	2.1	2.2	2.0	1.8	1.8
Net Debt-Equity Ratio	0.0	-0.1	0.0	0.0	-0.1
Interest Coverage	23.0	30.8	21.2	12.1	14.4
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	264.8	349.9	354.0	380.9	457.1
Yield %	0.8	1.1	0.7	0.8	0.9

Recommendation rationale

Buy: Potential upside of	>+15% (absolute returns)
Accumulate:	>+5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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