SKP SECURITIES LTD
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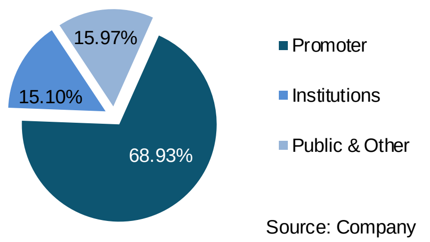
Transport Corporation of India Ltd.

Multi-modal functionalities; poised to seize fresh prospects...

CMP: INR 1,017 | **Target: INR 1,155** | **Q1FY25 Result Update – ACCUMULATE**

Key Share Data	
Face Value (INR)	2.0
Equity Capital (INR Mn)	155.5
Market Cap (INR Mn)	79,0616
52 Week High/Low (INR)	1080 / 686
1Yr Avg. Daily Volume (NSE)	71,008
BSE Code	532349
NSE Code	TCI
Reuters Code	TCIL.NS
Bloomberg Code	TRPC.IN

Shareholding Pattern (as on June 2024)



Source: Company

Key Financials (Rs Million)

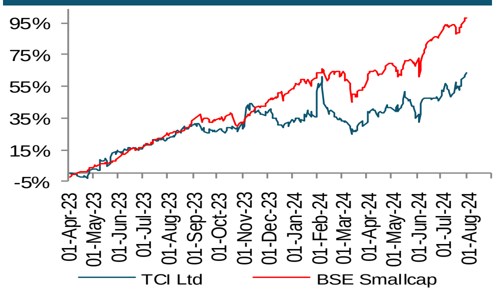
Particulars	FY23	FY24	FY25E	FY26E
Net Sales	37,825.8	40,242.0	44,438.3	50,123.7
Growth (%)	*16.1%*	*6.4%*	*10.4%*	*12.8%*
EBITDA	4,240.2	4,105.0	4,610.5	5,504.2
PAT	3,205.9	3,593.0	3,991.9	4,881.6
Growth (%)	*9.6%*	*10.5%*	*12.5%*	*22.4%*
EPS (INR)	40.9	45.1	50.8	62.1
BVPS (INR)	219.4	257.8	306.5	364.7

Key Financials Ratios

Particulars	FY23	FY24	FY25E	FY26E
P/E (x)	24.9	22.5	20.0	16.4
P/BVPS (x)	4.6	3.9	3.3	2.8
Mcap/Sales (x)	2.1	2.0	1.8	1.6
EV/EBITDA (x)	18.3	19.4	17.1	14.3
ROCE (%)	17.2%	13.1%	13.0%	13.8%
ROE (%)	18.6%	17.5%	16.6%	17.0%
EBITDA Mar (%)	11.2%	10.2%	10.4%	11.0%
PAT Mar (%)	8.4%	8.7%	8.9%	9.6%
Debt - Equity (x)	0.0	0.1	0.1	0.0

Source: Company, SKP Research

Price performance TCI Ltd vs BSE Small Cap



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Company Background

Transport Corporation of India Ltd (TCI), promoted by Mr D P Agarwal & family, managed under the leadership of Mr D P Agarwal, Chairman and Mr Vineet Agarwal, Managing Director is India's leading integrated multimodal logistics service provider. The Company offers services like handling and movement of cargo, end-to-end supply chain management and coastal shipping through its three business verticals namely TCI Freight, TCI Supply Chain Solutions (SCS) and TCI Seaways with extensive network of the Company owned offices, ~10,000 trucks in operation, 15 mn sq. ft. of warehousing space and six coastal ships.

Investment Rationale

Performance outperformed expectations in challenging macro environment

- During Q1FY25, TCI posted consolidated sales growth of ~10% y-o-y to Rs 10,451 mn which exceeded the expectations of 7-8% y-o-y growth as Q1 is usually subdued; moreover, Q1FY25 being an election quarter. This was mainly due to ~13% y-o-y increase in revenue of SCS division and seaways division respectively. SCS division witnessed an increase in demand from the automotive sector.
- Q1FY25 EBITDA increased by ~3% y-o-y to Rs 1,038 mn with fall in EBITDA margin by ~68 bps y-o-y to ~10%, mainly due to continued margin pressure from freight division amid weakness in infra and capital goods sectors with lower MSME growth.
- Consolidated PAT increased by ~10.6% y-o-y to Rs 910 mn with PAT margin remained at par at ~8.7%. Other income rose ~28% y-o-y to Rs 109 mn as higher dividend received from Transystem for Rs 330 mn as against ~Rs 180 mn in Q1FY24. Depreciation declined by ~6% y-o-y to Rs 290 mn as one of the ship has been fully depreciated. TCI is net debt-free with cash surplus of ~Rs 4,500 mn as of June 2024.
- In Q1FY25, TCI handled 539 rail rakes across the country vs. 562 rakes in Q1FY24.
- ***TCI Freight Division*** grew at a moderate ~8% y-o-y in Q1FY25 to Rs 5,136 mn, primarily due to increasing competitive pressure in the LTL segment with sluggish growth in MSMEs. Toll price has risen from 5-10% to 20% of the journey cost but it has not resulted in proportional growth in productivity. Capacity expansion is becoming more evident as the CV space increases. Fuel price has remained constant. Sea-side bunker prices are rising. ROCE was lower due to weak June collections, mainly due to elections and last two days of the month fell on weekends. However, July collections have been good. Shortage of drivers is apparent alongside a general surge in the repair and maintenance cost structure. Presently, in rail operations, TCI is handling ~60 terminals across the country and in the road network it has 25 hubs as well as 65 yards to service last mile of finished goods. TCI continued its focus on network expansion to increase LTL's share to ~40% of revenue mix and opened 15 new branches.
- ***TCI CONCOR's (49% JV)*** revenue grew by ~13.4% y-o-y to Rs 868 mn in Q1FY25, mainly due to good traction in multimodal logistics services.
- ***TCI SCS Division*** witnessed revenue growth of ~12.9% y-o-y at Rs 4,097 mn in Q1FY25 amidst increase in multi modal automotive transportation and warehousing contracts. Company spent ~Rs 900 mn on addition of new trucks. It has ~10% market share in auto segment and expects to increase its market share with uptrends in EV space and components along with addition of new customers. Growth is anticipated in new business opportunities within FMCG, apparel, defence, quick commerce, chemical sectors, etc. Company guided for ~15% growth for FY25 with margins to remain resilient to various cost pressures.
- ***TCI Cold Chain (~20% JV)*** reported robust topline growth of ~34.4% to Rs 219 mn in Q1FY25. It has fleet size of 175 trucks.
- ***Transystem Logistics (~51% JV)*** recorded significant growth of ~46% y-o-y in revenue to Rs 2,646 mn.
- ***Seaways Division*** grew by ~12.8% y-o-y to Rs 1,415 mn for Q1FY25. The segment reported ~40% EBITDA margin, which is expected to moderate to 30-35%. Seaway segment is expected to report flat to 10% y-o-y revenue growth in FY25. Fuel cost is ~25% of its operating cost in shipping. Average fuel price has increased 8-9% y-o-y but has moderated towards the end of the year. During Q1FY25, it has completed two dry docks and one more dry dock is expected in March 2025. TCI has placed orders for building of two 7,300 MT dead weight capacity cellular container vessels for a total contract price of USD 38.8 mn which are expected to be delivered by December 2026. The acquisition cost has risen by ~15% in comparison to the previous deal, as shipyards dictate prices. It is also looking for the purchase of second-hand ships.

Maintained FY25 guidance with Capex of ~Rs 10 bn over next 3-4 years

- TCI retained its consolidated topline and bottomline growth guidance of 10-15% y-o-y for FY25 with EBITDA margins to remain at similar levels of 10-11% driven by growth in the supply chain and JV businesses. However, any meaningful improvement is expected only once the seaway business sees normalization. Further, diversified service offerings, sectorial presence, adherence to core business fundamentals and a large customer base helped TCI in maintaining continued growth momentum.
- Management expects capex of ~Rs 3.75 bn of which ~Rs 0.80 bn allocated towards advance of new ships. It is expected to incur capex of ~Rs 10 bn over four years with ~Rs 3 bn for FY26.

VALUATION

GoI's National Logistics Policy & PM Gati Shakti framework has brought about an unparalleled increase in logistics policy measures along with government's spending, modernization of logistics infrastructure, ports, DFC & cargo parks, e-commerce penetration, etc. will provide a push towards seamless multimodal transportation and modern connectivity, making India's logistics efficient, integrated, sustainable and competitive, which augurs well for TCI in particular, which is present across all modes of transport. TCI is well placed to encash the benefits due to its presence & expertise in multimodal services and better business mix backed by value-added services and customised offerings.

We have valued TCI on a SOTP basis and recommend 'ACCUMULATE' on the stock with a target price of Rs 1,155 (upside of ~13.6%) in 15 months.

Q1FY25 Consolidated Result Review

Figs in INR Million

Particulars	Q1FY25	Q1FY24	% Change	Q4FY24	% Change	FY24	FY23	% Change
Net Sales	**10451.0**	**9498.0**	**10.0%**	**10789.0**	**-3.1%**	**40242.0**	**37826.0**	**6.4%**
Operating Expenses	8427.0	7595.0	11.0%	8752.0	-3.7%	32431.0	30307.0	7.0%
% to Sales	*80.6%*	*80.0%*	*67 Bps*	*81.1%*	*(49)Bps*	*80.6%*	*80.1%*	*47 Bps*
Employee Expenses	614.0	555.0	10.6%	545.0	12.7%	2234.0	1965.0	13.7%
% to Sales	*5.9%*	*5.8%*	*3 Bps*	*5.1%*	*82 Bps*	*5.6%*	*5.2%*	*36 Bps*
Other Expenses	372.0	340.0	9.4%	398.0	-6.5%	1472.0	1314.0	12.0%
% to Sales	*3.6%*	*3.6%*	*(2)Bps*	*3.7%*	*(13)Bps*	*3.7%*	*3.5%*	*18 Bps*
TOTAL EXPENDITURE	**9413.0**	**8490.0**	**10.9%**	**9695.0**	**-2.9%**	**36137.0**	**33586.0**	**7.6%**
EBIDTA	**1038.0**	**1008.0**	**3.0%**	**1094.0**	**-5.1%**	**4105.0**	**4240.0**	**-3.2%**
EBIDTA Margin (%)	*9.9%*	*10.6%*	*(68)Bps*	*10.1%*	*(21)Bps*	*10.2%*	*11.2%*	*(101)Bps*
Depreciation	290.0	308.0	-5.8%	334.0	-13.2%	1284.0	1214.0	5.8%
EBIT	**748.0**	**700.0**	**6.9%**	**760.0**	**-1.6%**	**2821.0**	**3026.0**	**-6.8%**
EBIT Margin (%)	*7.2%*	*7.4%*	*(21)Bps*	*7.0%*	*11 Bps*	*7.0%*	*8.0%*	*(99)Bps*
Interest	42.0	23.0	82.6%	41.0	2.4%	133.0	98.0	35.7%
Other Income	109.0	85.0	28.2%	165.0	-33.9%	458.0	302.0	51.7%
EBT before exceptional Items	**815.0**	**762.0**	**7.0%**	**884.0**	**-7.8%**	**3146.0**	**3230.0**	**-2.6%**
EBT Margin before exceptional items (%)	*7.8%*	*8.0%*	*(22)Bps*	*8.2%*	*(40)Bps*	*7.8%*	*8.5%*	*(72)Bps*
Share in Net Profit Loss of JV	211.0	174.0	21.3%	201.0	5.0%	759.0	444.0	70.9%
Exceptional Items	0.0	0.0		-24.0		-24.0	-34.0	
EBT after exceptional Items	**1026.0**	**936.0**	**9.6%**	**1061.0**	**-3.3%**	**3881.0**	**3640.0**	**6.6%**
EBT Margin after exceptional items (%)	*9.8%*	*9.9%*	*(4)Bps*	*9.8%*	*(2)Bps*	*9.6%*	*9.6%*	*2 Bps*
Tax	110.0	104.0	5.8%	28.0	292.9%	336.0	434.0	-22.6%
Minority Interest	6.0	9.0	-33.3%	12.0	50.0%	37.0	33.0	12.1%
Reported Profit After Tax	**910.0**	**823.0**	**10.6%**	**1021.0**	**-10.9%**	**3508.0**	**3173.0**	**10.6%**
PAT Margin (%)	*8.7%*	*8.7%*	*4 Bps*	*9.5%*	*(76)Bps*	*8.7%*	*8.4%*	*33 Bps*
Diluted EPS (Rs)	**11.7**	**10.6**	**10.3%**	**13.1**	**-11.0%**	**45.1**	**40.8**	**10.4%**

Segment Wise Revenue Break-up	Q1FY25	Q1FY24	% Change	Q4FY24	% Change	FY24	FY23	% Change
Freight Division	**5136.0**	**4754.0**	**8.0%**	**5553.0**	**-7.5%**	**19981.0**	**19197.0**	**4.1%**
Contribution	*48.6%*	*49.6%*	*(97)Bps*	*50.7%*	*(206)Bps*	*49.1%*	*50%*	*(126)Bps*
Supply Chain Solution Division	**4097.0**	**3630.0**	**12.9%**	**3928.0**	**4.3%**	**15347**	**13405**	**14.5%**
Contribution	*38.8%*	*37.9%*	*92 Bps*	*35.9%*	*294 Bps*	*37.7%*	*35%*	*255 Bps*
Seaways Division	**1415.0**	**1254.0**	**12.8%**	**1492.0**	**-5.2%**	**5526.0**	**5990.0**	**-7.7%**
Contribution	*13.4%*	*13.1%*	*31 Bps*	*13.6%*	*(22)Bps*	*13.6%*	*16%*	*(213)Bps*
Energy Division	**13.0**	**16.0**	**-18.8%**	**11.0**	**18.2%**	**55.0**	**60.0**	**-8.3%**
Contribution	*0.1%*	*0.2%*	*(4)Bps*	*0.1%*	*2 Bps*	*0.1%*	*0%*	*(2)Bps*
Unallocable & Corporate	**104.0**	**79.0**	**31.6%**	**141.0**	**-26.2%**	**425**	**215**	**97.7%**
Contribution	*1.0%*	*0.8%*	*16 Bps*	*1.3%*	*(30)Bps*	*1.0%*	*1%*	*48 Bps*
Less Inter Segment Revenue	**205.0**	**150.0**	**36.7%**	**171.0**	**19.9%**	**634**	**739**	**-14.2%**
Total	**10560.0**	**9583.0**	**10.2%**	**10954.0**	**-3.6%**	**40700.0**	**38128.0**	**6.7%**

Segment Wise EBIT Break-up	Q1FY25	Q1FY24	% Change	Q4FY24	% Change	FY24	FY23	% Change
Freight Division	**156.0**	**156.0**	**0.0%**	**176.0**	**-11.4%**	**644.0**	**784.0**	**-17.9%**
EBIT Margin (%)	*3.0%*	*3.3%*	*(24)Bps*	*3.2%*	*(13)Bps*	*3.2%*	*4.1%*	*(86)Bps*
Supply Chain Solution Division	**245.0**	**229.0**	**7.0%**	**250.0**	**-2.0%**	**994.0**	**818**	**21.5%**
EBIT Margin (%)	*6.0%*	*6.3%*	*(33)Bps*	*6.4%*	*(38)Bps*	*6.5%*	*6.1%*	*37 Bps*
Seaways Division	**404.0**	**366.0**	**10.4%**	**394.0**	**2.5%**	**1385.0**	**1645.0**	**-15.8%**
EBIT Margin (%)	*28.6%*	*29.2%*	*(64)Bps*	*26.4%*	*214 Bps*	*25.1%*	*27.5%*	*(240)Bps*
Energy Division	**6.0**	**8.0**	**25.0%**	**4.0**	**--**	**24.0**	**29**	**-17.2%**
EBIT Margin (%)	*46.2%*	*50.0%*	*(385)Bps*	*36.4%*		*43.6%*	*48.3%*	*(470)Bps*
Total	**811.0**	**759.0**	**6.9%**	**824.0**	**-1.6%**	**3047.0**	**3276.0**	**-7.0%**

Source: Company and SKP Research

Key Concerns

1. **Rise in crude price:** There is a time lag of one month in fuel price revision (both for trucks and coastal shipping). Thus, any unprecedented sharp rise in the prices of crude may negatively impact the profitability of the Company.
2. **Slowdown in automotive segment:** TCI SCS division is dependent upon automotive industry, with exposure of ~80% of division's revenue. Any slowdown in the automotive sector may hamper the results of the Company.
3. **Slowdown in the economy:** Logistics industry growth is directly linked with country's GDP growth rate. Unfortunately, the GDP took severe dent during FY21 when it contracted by ~7.3% due to lock down imposed by Government of India due to COVID – 19 Pandemic during First Quarter. However, the economy recovered gradually from Q2FY21 onwards. With the pick-up in high frequency indicators like Government's expenditure in growth oriented projects GDP for FY25 is pegged at positive 7%.

   This rebound in growth has also resulted in the rise in inflation due to several factors, including rising vegetable prices, elevated fuel costs and rising input costs for companies. This has triggered rise in interest rates to curb inflation which may slowdown the economy again. Any such slowdown in the economy may put pressure on the growth prospects of the logistics industry.

VALUATION

SOTP Valuation

Business Segment	EBIDTA (Rs mn)	EV/EBIDTA (x)	Rs mn
TCI Freight	1,285.9	12.0	15,430.9
TCI SCS	2,132.1	13.0	27,716.8
TCI Seaways	2,055.2	11.0	22,607.4
TCI Energy	34.7	1.0	34.7
Transystem (Valued on the basis of P/E)	1,138.3	14.0	15,936.7
Total EV			**81,726.5**
Less: Debt			1,353.0
Add: Investment			7,677.0
Add: Cash			1,765.4
Shareholder's Value			**89,816.0**
No. of shares outstanding (mn Shares)			77.7
Fair Value (Rs per share)			**1,155**
CMP (Rs per Share)			1,017.0
Upside			**13.6%**

Source: SKP Research

Consolidated Financials

Income Statement

Figures in Rs Million

Particulars	FY23	FY24	FY25E	FY26E
Total Income	**37,825.8**	**40,242.0**	**44,438.3**	**50,123.7**
Growth (%)	*16.1%*	*6.4%*	*10.4%*	*12.8%*
Expenditure	**33,585.6**	**36,137.0**	**39,827.8**	**44,619.5**
Operating Expenses	30,306.6	32,431.0	35,781.8	40,023.8
Employee Cost	1,965.3	2,234.0	2,535.6	2,866.5
Admin & Other Exp.	1,313.7	1,472.0	1,510.5	1,729.3
EBITDA	**4,240.2**	**4,105.0**	**4,610.5**	**5,504.2**
Depreciation	1,214.1	1,284.0	1,352.7	1,416.1
EBIT	**3,026.1**	**2,821.0**	**3,257.8**	**4,088.1**
Other Income	302.6	458.0	489.5	514.9
Interest Expense	98.2	133.0	150.4	162.4
JV & Exceptional Income	409.8	783.0	965.3	1,138.3
Profit Before Tax (PBT)	**3,640.3**	**3,929.0**	**4,562.2**	**5,579.0**
Income Tax	434.4	336.0	570.3	697.4
PAT before Min. Interest	**3,205.9**	**3,593.0**	**3,991.9**	**4,881.6**
PAT after Min. Interest	**3,173.4**	**3,508.0**	**3,947.5**	**4,831.5**
Diluted EPS	40.9	45.1	50.8	62.1

Balance Sheet

Figures in Rs Million

Particulars	FY23	FY24	FY25E	FY26E
Share Capital	155.1	155.5	155.5	155.5
Reserve & Surplus	16,862.8	19,882.5	23,674.5	28,195.0
Shareholders Funds	**17017.9**	**20038.0**	**23830.0**	**28350.5**
Total Debt	**625.2**	**1,503.0**	**1,253.0**	**1,353.0**
Deferred Tax	300.2	328.0	328.0	328.0
Liabilities & Prov	2,764.7	2,812.0	3,319.6	3,703.7
Minority Interest	301.20	333.00	377.44	427.56
Total Liabilities	**21,009.2**	**25,014.0**	**29,108.0**	**34,162.8**
Net Block inc. Capital WIP	**8172.4**	**9707.0**	**12104.3**	**13688.2**
Non Current Investments	2,858.9	5,427.0	5,677.0	7,677.0
Non Current Assets	504.50	270.00	311.07	350.87
Current Assets	**9,473.4**	**9,610.0**	**11,015.7**	**12,446.7**
Sundry Debtors	5,609.1	6,006.0	6,665.8	7,518.6
Inventories	50.00	106.00	124.43	140.35
Cash & Bank Balance	1,845.9	956.0	1,412.6	1,765.4
LA & Other Current Assets	1,968.4	2,542.0	2,812.9	3,022.4
Total Assets	**21,009.2**	**25,014.0**	**29,108.0**	**34,162.8**

Cash Flow Statement

Figures in Rs Million

Particulars	FY23	FY24	FY25E	FY26E
Profit Before Tax (PBT)	**3,640.3**	**3,881.0**	**4,562.2**	**5,579.0**
Depreciation	1,214.1	1,284.0	1,352.7	1,416.1
Finance Costs	98.2	133.0	150.4	162.4
Chg. in Working Capital	(729.3)	(985.0)	(482.5)	(733.9)
Direct Taxes Paid	(186.2)	(389.0)	(570.3)	(697.4)
Other Charges	(430.5)	(930.0)	-	-
Operating Cash Flows	**3,606.6**	**2,994.0**	**5,012.5**	**5,726.1**
Capital Expenditure	(1,560.4)	(2,426.0)	(3,750.0)	(3,000.0)
Investments	(803.6)	(2,375.0)	(250.0)	(2,000.0)
Others	432.6	763.0	-	-
Investing Cash Flows	**(1,931.4)**	**(4,038.0)**	**(4,000.0)**	**(5,000.0)**
Changes in Equity	35.4	0.4	-	-
Inc / (Dec) in Debt	5.9	878.0	(250.0)	100.0
Dividend Paid (inc tax)	(542.7)	(549.0)	(155.5)	(311.0)
Others	(153.3)	(153.4)	(150.4)	(162.4)
Financing Cash Flows	**(654.7)**	**176.0**	**(555.8)**	**(373.3)**
Net Cashflow	**1,020.5**	**(868.0)**	**456.6**	**352.8**
Opening Cash Balance	679.0	1,699.5	831.5	1,288.1
Closing Cash incl. Bank	**1,699.5**	**831.5**	**1,288.1**	**1,640.9**

Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
Earning Ratios (%)				
EBITDA Margin (%)	11.2%	10.2%	10.4%	11.0%
PAT Margins (%)	8.4%	8.7%	8.9%	9.6%
ROCE (%)	17.2%	13.1%	13.0%	13.8%
ROE (%)	18.6%	17.5%	16.6%	17.0%
Per Share Data (INR)				
Diluted EPS	40.9	45.1	50.8	62.1
Cash EPS (CEPS)	56.6	61.6	68.2	80.4
BVPS	219.4	257.8	306.5	364.7
Valuation Ratios (x)				
P/E	24.9	22.5	20.0	16.4
Price/BVPS	4.6	3.9	3.3	2.8
EV/Sales	2.1	2.0	1.8	1.6
EV/EBITDA	18.3	19.4	17.1	14.3
Market Cap/Sales(x)	2.1	2.0	1.8	1.6
Balance Sheet Ratios				
Debt - Equity	0.0	0.1	0.1	0.0
Current Ratio	3.8	4.0	3.8	3.9
Asset Turnover Ratio	4.8	4.7	3.9	4.2

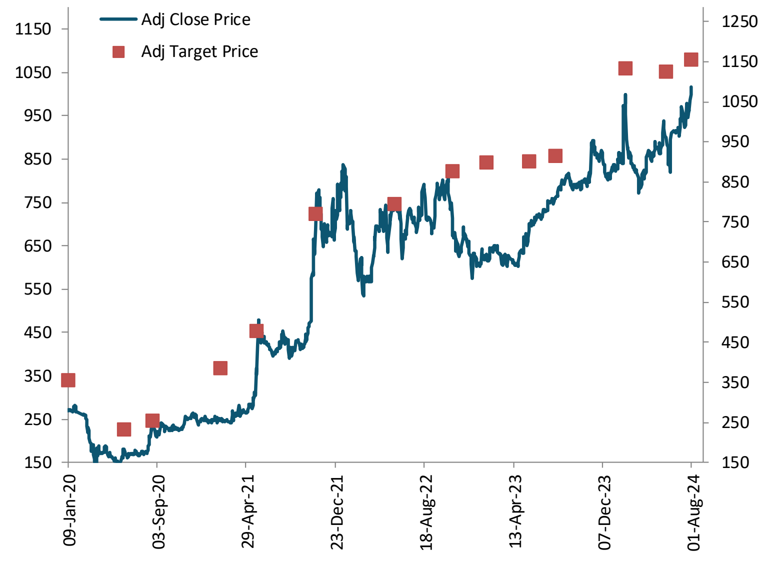
Source: Company, SKP Research

Recommendation - History Table

Date	Rating	Adj Issue Price	Adj Target Price	Upside Potential	Period (months)
09-Jan-20	BUY	268	355	32%	18
07-Feb-20	BUY	267	346	30%	18
08-Jun-20	BUY	174	233	34%	15
21-Aug-20	HOLD	235	253	8%	12
07-Nov-20	BUY	228	278	22%	12
18-Feb-21	BUY	247	386	56%	18
27-May-21	BUY	355	479	35%	18
07-Aug-21	BUY	452	560	24%	18
01-Nov-21	ACCUMULATE	689	770	12%	18
30-Jan-22	BUY	712	857	20%	18
31-May-22	ACCUMULATE	735	796	8%	-
09-Aug-22	BUY	723	855	18%	18
02-Nov-22	BUY	694	877	26%	15
01-Feb-23	BUY	614	898	46%	18
24-May-23	BUY	680	901	33%	18
02-Aug-23	BUY	761	916	20%	15
07-Feb-24	BUY	951	1134	19%	18
23-May-24	BUY	901	1126	25%	15
01-Aug-24	ACCUMULATE	1017	1155	14%	15

Source: SKP Research; Price adjusted for stock split

Recommendation - History Chart



Source: BSE, SKP Research; Price adjusted for stock split

Notes:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.

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