ASIAN MARKETS SECURITIES

INSTITUTIONAL EQUITIES

2QFY25 Result Update

Transport Corporation of India

Transport / Logistics

Asian Markets Rating	BUY
CMP (Rs)	1,042
Target (Rs)	1,200
Upside (%)	15%

Nifty: 24,181	Sensex: 79,402

Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR 2.0)	77.7
Mkt Cap (USD Bn/INR Bn)	0.9/79.5
52-week high/low	1250/686
6m daily avg vol (INR Mn)	70
Free Float %	30

Price Performance

(%)	3m	1yr	3yr
TRPC	8.0	31.0	81.0
Nifty	(0.7)	28.1	39.2
NSE500	(1.6)	35.8	52.8
BSE Midcap	(2.5)	48.5	87.2

Shareholding Pattern

(%)	Mar-24	Jun-24	Sep-24
Promoter	68.9	68.9	68.8
FII	2.7	2.9	3.0
DII	11.1	11.2	11.4
Others	17.3	17.0	16.8

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FY24-27E Earnings CAGR	CF & Return Profile	Valuations
12%	Moderate	Attractive

Resilient

- **Consolidated revenue increased by 13% y-o-y to Rs 11.2bn, led by good momentum across verticals. SCM (+13% y-o-y) continues to ride on good momentum in automobile industry.**
- **Freight (up 13% y-o-y) to Rs 5.4bn. Coastal Shipping revenues increased 21% y-o-y to Rs1.6bn.**
- **EBITDA margin improved 30bps to 10.4%, primarily due to growth recovery in relatively high margin shipping business along with stable operating overheads.**
- **Net Profit increased by 22.3% y-o-y to Rs 1,064mn. Relatively better earnings performance was led by healthy contribution from associates and JV profit share (up 20% y-o-y) along with lower depreciation outlay.**

Supply chain continues to ride on good automobile momentum and increasing traction from non-auto verticals

SCM segment which is largely dependent on automobile (~75%), is holding its growth momentum, with a revenue growth 13% y-o-y to Rs 4.4bn. However, the EBIT margin declined by 80bps 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 12% y-o-y is better than our expectations and largely led by FTL segment and higher traction in TCI – CONOCR JV business 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. On a five years basis, freight division witnessed a CAGR of 9%.

Seaways: Healthy growth recovery led by increase in freight rates

Better than expected growth delivery, led by firming up of freight rates and some international cargo handling. Further, all 6 ships were under operations which also allowed it to operate at max capacity. On a five-year basis, seaways division witnessed a CAGR of 14%.

Remain positive; Upgrade to Buy with TP of Rs 1,200

Despite macro headwinds, TCI managed to report decent performance both on revenue as well as on earnings front. 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 (net of dividend and buyback) of ~Rs 4-5bn over FY24-27E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 103%. With the improving earnings visibility and sector beating performance, we upgrade TCI to Buy from Accumulate with a TP of Rs 1,200.

Exhibit 1: Key Financials

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	37,826	40,242	45,495	50,971	57,117
yoy (%)	16.1	6.4	13.1	12.0	12.1
EBITDA	4,240	4,105	4,695	5,530	6,254
yoy (%)	3.7	(3.2)	14.4	17.8	13.1
Net Profit	3,173	3,556	4,083	4,813	5,632
yoy (%)	8.4	12.1	14.8	17.9	17.0
EBITDAM (%)	11.2	10.2	10.3	10.9	11.0
Equity	155	155	152	152	152
EPS	40.9	45.9	53.6	63.1	73.9

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
RoE (%)	20.3	19.2	19.6	20.4	20.1
RoCE (%)	19.5	15.9	16.8	18.1	18.0
ROIC (%)	18.2	12.9	13.8	15.1	15.7
DE	0.0	0.1	0.1	0.1	0.0
PER (x)	15.6	21.3	19.4	16.5	14.1
P/BV (x)	2.9	3.8	3.7	3.1	2.6
EV/Sales (x)	1.3	1.9	1.8	1.5	1.3
EV/EBITDA (x)	11.4	18.6	17.2	14.3	12.2
Div Yield (%)	1.1	0.7	0.8	0.9	1.1

Exhibit 3: Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	y-o-y change	q-o-q change	H1FY25	H1FY24	y-o-y change
Income from operations	9,935	10,020	10,789	10,451	11,208	12.8%	7.2%	21,659	19,433	11.5%
Less: Expenditures										
Operating cost	8,017	8,067	8,752	8,427	9,024	12.6%	7.1%	17,451	15,612	11.8%
Staff cost	568	566	545	614	629	10.7%	2.4%	1,243	1,123	10.7%
Other operating & admin cost	346	388	398	372	384	11.0%	3.2%	756	686	10.2%
EBITDA	1,004	999	1,094	1,038	1,171	16.6%	12.8%	2,209	2,012	9.8%
Other Income	113	95	165	109	106	-6.2%	-2.8%	215	198	8.6%
Depreciation	311	331	334	290	291	-6.4%	0.3%	581	619	-6.1%
EBIT	806	763	925	857	986	22.3%	15.1%	1,843	1,591	15.8%
Interest	34	35	41	42	46	35.3%	9.5%	88	57	54.4%
Profit Before Tax	772	728	884	815	940	21.8%	15.3%	1,755	1,534	14.4%
Tax	96	108	28	110	109	13.5%	-0.9%	219	200	9.5%
Profit after Tax	676	620	856	705	831	22.9%	17.9%	1,536	1,334	15.1%
Extraordinary items	-	-	24	-	-	NA	NAN	-	9	NA
Net Profit	676	620	832	705	831	22.9%	17.9%	1,536	1,325	15.9%
share in profits	202	182	201	211	242	19.8%	14.7%	453	376	20.5%
Minority Int	(8)	(8)		(6)	(9)	12.5%	50.0%	(15)	1	-1600.0%
Net Profit	**870**	**794**	**1,033**	**910**	**1,064**	**22.3%**	**16.9%**	**1,974**	**1,702**	**16.0%**
EPS	11	10	13	12	14	22.3%	16.9%	25	22	16.0%
Operating Matrix						**bps**	**bps**			**bps**
Operating cost/Sales	80.7%	80.5%	81.1%	80.6%	80.5%	-18	-12	80.6%	80.3%	23
Staff cost/Sales	5.7%	5.6%	5.1%	5.9%	5.6%	-11	-26	5.7%	5.8%	-4
Others/Sales	3.5%	3.9%	3.7%	3.6%	3.4%	-6	-13	3.5%	3.5%	-4
EBITDA Margin	**10.1%**	**10.0%**	**10.1%**	**9.9%**	**10.4%**	**34**	**52**	**10.2%**	**10.4%**	**-15**
Net Margin	8.8%	7.9%	9.6%	8.7%	9.5%	74	79	9.1%	8.8%	36
ETR	12.4%	14.8%	3.2%	13.5%	11.6%	-84	-190	12.5%	13.0%	-56

Source: Company, AMSEC Research

Exhibit 4: Segmental Highlights

Segmental Highlights	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	y-o-y change	q-o-q change	H1FY25	H1FY24	y-o-y change
Revenue (Rs mn)										
Freight	4,818	4,856	5,553	5,136	5,442	13%	6%	10,578	9,572	11%
SCM	3,907	3,882	3,928	4,097	4,418	13%	8%	8,515	7,537	13%
Coastal Shipping	1,354	1,426	1,492	1,415	1,633	21%	15%	3,048	2,608	17%
Wind	21	7	11	13	20	-5%	54%	33	37	-11%
Others/inter segment	(165)	(151)	141	104	(199)	21%	-291%	(95)	(321)	-70%
Total	9,935	10,020	11,125	10,765	11,314	14%	5%	22,079	19,433	14%
EBIT (Rs mn)										
Freight	143	149	176	156	145	1%	-7%	644	784	-18%
SCM	262	253	250	245	259	-1%	6%	994	818	22%
Coastal Shipping	310	315	394	404	509	64%	26%	1,385	1,645	-16%
Wind	12	-	4	6	14	17%	133%	24	29	-17%
Total	727	717	824	811	927	28%	14%	3,047	3,276	-7%
EBIT %						**bps**	**bps**			**bps**
Transport	3.0%	3.1%	3.2%	3.0%	2.7%	(30)	(37)	6.1%	8.2%	(210)
SCM	6.7%	6.5%	6.4%	6.0%	5.9%	(84)	(12)	11.7%	10.9%	82
Coastal Shipping	22.9%	22.1%	26.4%	28.6%	31.2%	827	262	45.4%	63.1%	(1,764)
Wind	57.1%	0.0%	36.4%	46.2%	70.0%	1,286	2,385	72.7%	78.4%	(565)
Total	**7.3%**	**7.2%**	**7.4%**	**7.5%**	**8.2%**	**88**	**66**	**13.8%**	**16.9%**	**(306)**

Source: Company, AMSEC Research

Earnings call KTAs

Performance & demand

- Consumer facing sectors were bit muted whereas industrial sectors were good. However, festive-related stocking has been good (5-10% plus y-o-y), which should be reflected in the coming quarter.
- The auto industry started witnessing production cuts.

Freight Division

- Moderate growth is due to some pressure in the infra and capital goods sector.
- Added 32 new branches in H1FY25 and 15 in Q2FY25.
- Freight margin has been under pressure due to competitive pressure, cost inflation (driver wages, toll charges, etc.). Normalization may take some time as some competitors are behaving irrationally w.r.t. pricing.
- Targeting high single digit sales growth over the near-medium term.

SCM Division

- SCM's EBIT margin was bit under pressure as it invested w.r.t. costs and new vehicles for certain new contracts.

Seaways Division

- No dry-dock in Q2FY25. Next dry dock will come in Q4 which will impact ~10days of business
- Some of ships sailed to internation water which fetched relatively better realizations resulting in better revenue & margin trajectory.
- The current high margin is not sustainable, may see some correction over the coming quarters.
- No visibility w.r.t. secondhand ships availability

Other KTAs

- As of Q-Commerce is not a very large business but it is evolving and provides new learning opportunities from SCM business point of view.
- Large part of receivables increased broadly in proportion to business growth, barring some large accounts where payments have been delayed but situation is temporary and should get normal in coming quarters.
- Maintained growth guidance of 10-15% growth in sales and earnings over the medium term. A large part of incremental growth will come from SCM (likely to grow at mid-high teens) and moderate increase in freight business.
- Incurred capex of Rs 900mn on capex in H1FY25, Targeting capex of ~Rs 3bn for FY25.
- **JV /Subsidiary performance (H1FY25):** TCI CONCOR – Revenue growth of 22.4% y-o-y to Rs 1.9bn, Transystem revenue growth of 19% y-o-y to Rs 5.8bn and TCI cold chain revenue growth of 32% y-o-y to Rs 450mn.
- Transystem remains on healthy growth trajectory and likely to grow at 20-25% in FY25.
- Expecting gradual / modest improvement in EBITDA margin in FY25.

Financials (Consolidated)

(Rs mn)

Profit and Loss Statement

Y/E (Mar)	FY23	FY24	FY25E	FY26E	FY27E
Operating Income	**37,826**	**40,242**	**45,495**	**50,971**	**57,117**
Other operating income					
Operating expenses	30,307	32,431	36,805	41,083	45,979
Staff expenses	1,965	2,234	2,457	2,661	2,981
Selling, admin and other expenses	1,314	1,472	1,538	1,697	1,902
EBITDA	**4,240**	**4,105**	**4,695**	**5,530**	**6,254**
Depreciation	1,214	1,284	1,372	1,552	1,732
Operating profit	**3,026**	**2,821**	**3,324**	**3,979**	**4,523**
Other income	303	458	611	774	981
EBIT	**3,329**	**3,279**	**3,934**	**4,753**	**5,504**
Interest	98	133	271	271	271
Profit before tax	**3,231**	**3,146**	**3,664**	**4,482**	**5,233**
Tax	434	336	476	672	785
PAT	**2,796**	**2,810**	**3,188**	**3,810**	**4,448**
Share in Profit from JVs	444	759	896	1,003	1,184
Minority Interest	(34)	(37)	-	-	-
EO Items	(33)	24	-	-	-
Net Profit	**3,173**	**3,556**	**4,083**	**4,813**	**5,632**
Share O/s mn	77.6	77.6	76.2	76.2	76.2
EPS Rs	40.9	45.9	53.6	63.1	73.9

Balance Sheet

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
APPLICATION OF FUNDS:					
Non-Current Assets	10,150	12,098	13,622	15,074	16,526
Gross Fixed Assets	12,690	14,240	16,240	18,240	20,240
Less: Accumulated Dep.	5,485	6,634	8,005	9,557	11,289
Fixed Assets	7,205	7,606	8,234	8,683	8,951
Capital work in progress	260	1,090	1,090	1,090	1,090
Right to use	707	985	985	985	985
Goodwill	-	296	296	296	296
Noncurrent investment	1,977	2,121	3,017	4,020	5,203
Current Assets	10,860	12,916	13,195	16,137	19,826
Current investment	882	3,306	3,306	3,306	3,306
Inventories	50	106	101	113	126
Sundry debtors	5,609	6,006	6,731	7,541	8,450
Cash and bank	1,846	831	76	1,837	4,201
Short loans and advances	2,473	2,667	2,981	3,340	3,743
Total Assets	**21,009**	**25,014**	**26,817**	**31,211**	**36,352**
SOURCES OF FUNDS:					
Share Capital	155	155	152	152	152
Reserves	16,863	19,883	21,384	25,475	30,262
Total Shareholders' Funds	**17,018**	**20,038**	**21,536**	**25,627**	**30,414**
Minority interest	301	333	333	333	333
Non-Current Liabilities	**1161**	**2284**	**2284**	**2284**	**2284**
Long term borrowings	625	1,503	1,503	1,503	1,503
Lease Liability	235	453	453	453	453
Deferred tax liability	300	328	328	328	328
Current Liab & Prov	2,530	2,359	2,663	2,966	3,320
Total Equity & Liab.	**21,009**	**25,014**	**26,817**	**31,211**	**36,352**
Net working capital	5,603	6,420	7,150	8,027	8,999
Total Gross Debt	625	1,503	1,503	1,503	1,503
Total Net debt	(2,103)	(2,634)	(1,879)	(3,640)	(6,004)
Total capital employed	18,480	22,655	24,153	28,244	33,031

Cash Flow Statement

Y/E (Mar)	FY23	FY24	FY25E	FY26E	FY27E
PBT	**3,640**	**3,881**	**3,664**	**4,482**	**5,233**
Non-cash adjustments	1,270	1,508	1,642	1,822	2,002
Changes in working capital	(729)	(985)	(729)	(878)	(971)
Tax & Interest Paid	(186)	(389)	(476)	(672)	(785)
Cashflow from operations	**3,606**	**2,994**	**4,100**	**4,754**	**5,479**
Capital expenditure	(1,530)	(2,417)	(2,000)	(2,000)	(2,000)
Change in investments	(804)	(2,375)	-	-	-
Other investing cashflow	483	607	-	-	-
Cashflow from investing	**(1,850)**	**(4,185)**	**(2,000)**	**(2,000)**	**(2,000)**
Issue of equity	35	35	(1,973)	-	-
Issue/repay debt	-	-	-	-	-
Interest Paid	(66)	(92)	(271)	(271)	(271)
Inc / (Dec) in Loan Funds	(81)	782	-	-	-
Dividends paid	(543)	(549)	(612)	(722)	(845)
Other financing cashflow	35	35	(1,973)	-	-
Cashflow from financing	**(655)**	**176**	**(2,856)**	**(992)**	**(1,115)**
Change in cash & cash eq	**1,101**	**(1,015)**	**(755)**	**1,762**	**2,364**
Opening cash & cash eq	**745**	**1,846**	**831**	**76**	**1,837**
Closing cash & cash eq	**1,846**	**831**	**76**	**1,837**	**4,201**
Free cash flow to firm	**2,076**	**577**	**2,100**	**2,754**	**3,479**

Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
PER SHARE					
EPS Rs	40.9	45.9	53.6	63.1	73.9
CEPS Rs	56.6	62.4	71.6	83.5	96.6
Book Value Rs	219.4	258.4	282.6	336.2	399.1
VALUATION					
EV / Net Sales	1.3	1.9	1.8	1.5	1.3
EV / EBITDA	11.4	18.6	17.2	14.3	12.2
P / E Ratio	15.6	21.3	19.4	16.5	14.1
P / BV Ratio	2.9	3.8	3.7	3.1	2.6
FCF Yield (%)	4.2	0.8	2.7	3.5	4.4
GROWTH YOY%					
Sales Growth	16.1	6.4	13.1	12.0	12.1
EBITDA Growth	3.7	-3.2	14.4	17.8	13.1
Net Profit Growth	8.4	12.1	14.8	17.9	17.0
Gross Fixed Asset Growth	3.2	12.2	14.0	12.3	11.0
PROFITABILITY					
EBITDA / Net Sales (%)	11.2	10.2	10.3	10.9	11.0
EBIT / Net sales (%)	8.8	8.1	8.6	9.3	9.6
NPM / Total income (%)	8.4	8.8	9.0	9.4	9.9
CFO (pre-tax) / EBITDA (%)	89.4	82.4	97.5	98.1	0.0
CFO (post-tax) / PAT (%)	123.9	95.1	115.4	114.4	0.0
ROE (%)	20.3	19.2	19.6	20.4	20.1
ROCE (%)	19.5	15.9	16.8	18.1	18.0
ROIC (%)	18.2	12.9	13.8	15.1	15.7
Tax / PBT %	13.4	10.7	13.0	15.0	15.0
TURNOVER					
Net Woking Cycle	47	50	46	46	46
Debtors Velocity (Days)	54	54	54	54	54
Inventory (Days)	1	1	1	1	1
Creditors Velocity (Days)	7	6	9	9	9
Current Ratio	3.9	4.1	3.7	4.3	5.0
Quick Ratio	3.9	4.0	3.7	4.3	4.9
LIQUIDITY					
Gross Asset Ratio	3.0	3.0	3.0	3.0	3.0
Total Asset Ratio	2.2	2.0	1.9	1.9	1.9
Net Debt-Equity Ratio	-0.1	0.0	0.1	0.0	-0.1
Interest Coverage	30.8	21.2	12.3	14.7	16.7
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	349.9	354.0	401.8	473.6	554.2
Yield %	1.1	0.7	0.8	0.9	1.1

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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