

TRANSPORT CORPORATION OF INDIA

Rating: ◀▶ | Target price: ▼ | EPS: ▼

CMP Rs. 1,040	Target Price Rs. 1,065	Rating ADD
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ONE YEAR OUTLOOK

Business & Earnings ◀▶

- Maintain our ADD rating with a target price of Rs. 1,065. TRPC is expected to benefit from 1) steady automotive demand coupled with the addition of new clientele, driving growth in Supply chain segment (SCS), 2) sustained demand for coastal shipping, & 3) increasing contribution of LTL in freight segment (targeting 40% FY26 vs 36% 1HFY25).
- In 2QFY25, Seaways revenue grew 22% YoY, led by steady demand, lack of dry docks and elevated freight rates, which were due to the passing on of higher fuel costs. EBIT margins expanded by 260bps QoQ to 31.2%. TRPC placed an order for two ships with 7,300 DWT capacity each. The delivery is anticipated in early 2027. Penciling in revenue & EBITDA CAGR of 11%/13% (FY24-26E). Further benefits would be contingent on the addition of second-hand ships to cater to incremental demand.
- SCS segment revenue grew 12% YoY led by business wins across new verticals. Expect new opportunities from diversified industries with higher warehousing proportion, sustained automotive demand (~75-80% of revenues), & opportunities in the multimodal and cold chain to drive revenue/EBITDA CAGR of 12% & 13% (FY24-26E).
- Freight division is likely to benefit from 1) higher LTL contribution (40% by FY26 from 36% in 1HFY25), 2) shift from unorganized sector, and 3) growth in multimodal logistics. Expect network expansion-led incremental volumes to drive revenue/EBITDA CAGR (FY24-26E) of 9%/10%.

Valuation Multiples ◀▶

- Valuing TRPC based on SOTP (page 6) to arrive at TP of Rs. 1,065. Our multiple factors in back-ended benefits of seaways capacity addition in FY27 (12x EV/EBITDA) and sustained customer wins across supply chain segment (17x EV/EBITDA). Despite FY25-26 capex of ~Rs. 6bn (incl. new ships), RoCE is estimated at 16%.

FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY23	34,287	11.8	3,035	39.2	26	19	21
FY24	36,138	10.8	3,282	42.4	24	20	19
FY25E	39,604	10.8	3,520	45.5	22	18	18
FY26E	43,910	11.1	3,902	50.5	20	16	17
FY27E	49,346	11.9	4,645	60.0	17	13	17

THREE YEAR OUTLOOK

Business & Earnings ◀▶

- Expect TRPC to benefit from 1) shift in volumes from the unorganized to organized sector, and 2) traction in multimodal logistics (TRPC is one of the few players with a presence across the value chain), which would drive revenue & EBITDA CAGR of 11%/16% respectively through FY24-28E.
- TRPC's established infrastructure, long-standing customer relationships and experienced management team (vintage of ~six decades) are expected to aid its position as a preferred 3PL partner. Further, the company's presence across the multimodal logistics value chain (JV with Concor for rail transportation & fleet of ships for waterway transportation) allows it to provide efficient end-to-end logistics solutions. Robust demand for multimodal logistics is likely to drive coastal shipping volume growth, benefiting the Seaways division. The addition of a new ship is a first for the organization and we believe it would be returns accretive. Expect the addition of a new ship every 15-18 months to cater to incremental demand. However, softening demand and increasing competition may dilute realization/profitability.
- Expect freight segment to benefit from higher contributions from LTL services. Freight segment's share in overall revenues would fall from 45% in FY24 to ~40% by FY28E.

Valuation Multiples ◀▶

- Improving operating cashflows, combined with reducing debt, are expected to drive RoCE (12% in FY21 to ~17% in FY28E). Based on FY28E estimates, we see a potential upside of 25% (incl. dividends).

KEY ESTIMATES REVISION

	FY25E			FY26E		
	Old	New	Change	Old	New	Change
Sales	40,045	39,604	-1%	44,381	43,910	-1%
EBITDA (%)	10.8	10.8	0 bps	11.2	11.1	-10 bps
PAT	3,540	3,520	-1%	3,985	3,902	-2%
EPS	45.8	45.5	-1%	51.5	50.5	-2%
Target P/E	Before Results: 21.1			After Results: 21.1		

All figures in Rs.Mn

OUTLOOK REVIEW 2QFY25

28 October 2024

Industry	LOGISTICS
Key Stock Data	
Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 78bn (\$924mn)
52-wk High-Low	Rs. 1,250-686
3m ADV	Rs. 76mn (\$1mn)
F&O	No

Latest Shareholding (%)			
	Mar-24	Jun-24	Sep-24
Promoters	68.9	68.9	68.8
Institutions	14.9	15.1	15.4
Public	16.2	16.0	15.8
Pledge	0.0	0.0	0.0

Stock Performance (%)			
	1m	3m	12m
TRPC	-4.4	5.3	29.6
Sensex	-7.2	-2.4	24.5

RESEARCH ANALYSTS

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Quarterly Financial Statement

- Standalone Revenue came in at Rs. ~10.0bn, +11% YoY and 6% QoQ.
- Freight segment reported revenues of Rs. 4.4bn, +9% YoY and 3% QoQ. The segment's EBIT margins at 2.8%, was down 30bps QoQ.
- Supply Chain segment reported revenues at Rs. 4.2bn, +12% YoY and +8% QoQ. EBIT margins at 6.1%, was flat sequentially.
- Seaways segment revenues was at Rs. 1.6bn, 21% YoY and 15% QoQ. EBIT margins at 31.2% expanded 260bps QoQ.
- Gross margin at 20.6%, increased 10 bps sequentially.
- Employee costs was up 10% YoY at Rs. 602mn while other expenses were up 13% YoY at Rs. 362mn.
- Consequently, EBITDA came in at Rs. 1.1bn, +13% YoY/+9% QoQ. EBITDA margins came in at 10.9%, a sequential increase of 30bps.
- Standalone PAT came in at Rs. 825mn, +23% YoY/-22% QoQ.

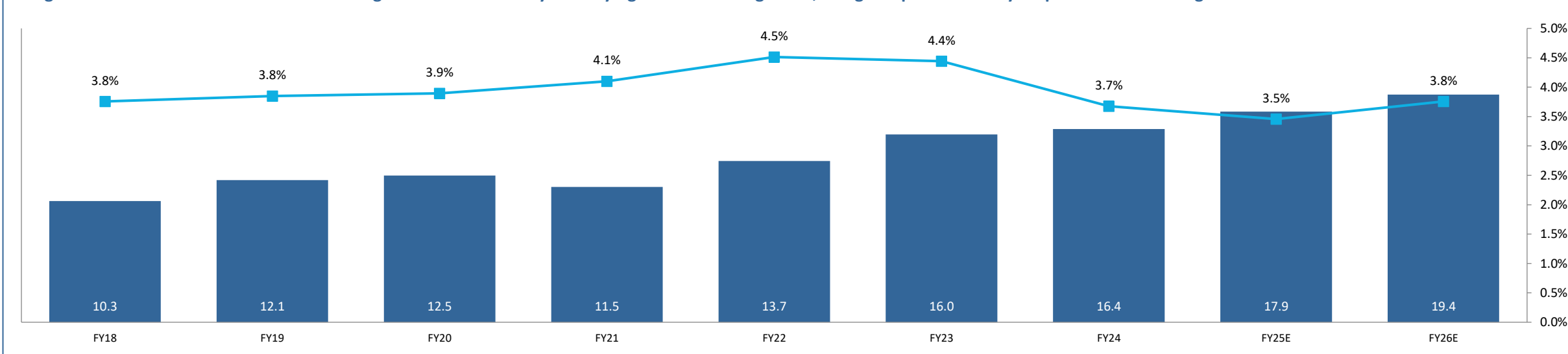
Standalone Financial Results

Rs. mn\Period	2QFY25	2QFY24	yoy Growth	1QFY25	qoq Growth	1HFY25	1HFY24	Yoy Growth
Revenue	9,985	9,002	10.9%	9,394	6.3%	19,379	17,600	10.1%
Operating expense	7,928	7,164	10.7%	7,465	6.2%	15,393	13,953	10.3%
Emp. cost	602	550	9.5%	592	1.7%	1,194	1,083	10.2%
Other expenses	362	320	13.1%	335	8.1%	697	629	10.8%
Total Expenditure	8,892	8,034	10.7%	8,392	6.0%	17,284	15,665	10.3%
EBITDA	1,093	968	12.9%	1,002	9.1%	2,095	1,935	8.3%
Margin %	10.9%	10.8%	19 bps	10.7%	28 bps	10.8%	11.0%	-18 bps
D&A	267	298	-10.4%	264	1.1%	531	593	-10.5%
EBIT	826	670	23.3%	738	11.9%	1,564	1,342	16.5%
Other income	135	118	14.4%	450	-70.0%	585	395	48.1%
Net Interest exp (inc)	34	31	9.7%	30	13.3%	64	52	23.1%
PBT	927	757	22.5%	1,158	-19.9%	2,085	1,685	23.7%
Tax provision	102	87	17.2%	106	-3.8%	208	182	14.3%
Tax rate %	11.0%	11.5%	-4.3%	9.2%	185 bps	10.0%	10.8%	-83 bps
PAT (Reported)	825	670	23.1%	1,052	-21.6%	1,877	1,503	24.9%
PAT (Adjusted)	825	670	23.1%	1,052	-21.6%	1,877	1,503	24.9%
Adjusted PAT Margin %	8.3%	7.4%	82 bps	11.2%	-294 bps	9.7%	8.5%	115 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	10.7	8.7	21.9%	13.6	-21.6%	24.3	19.6	23.6%
EPS (Adjusted)	10.7	8.7	21.9%	13.6	-21.6%	24.3	19.6	23.6%

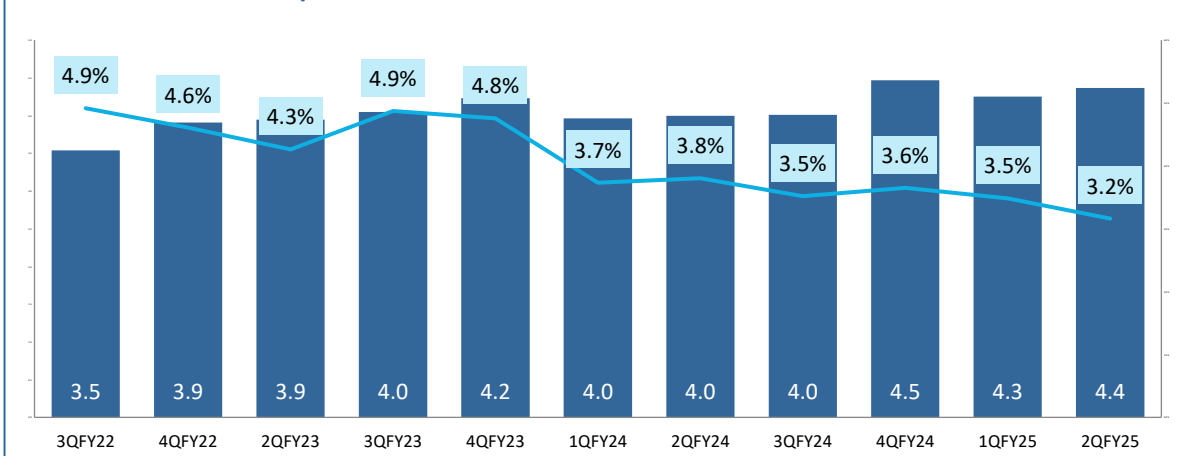
Source – Avendus Spark

Freight segment to benefit from higher LTL contribution

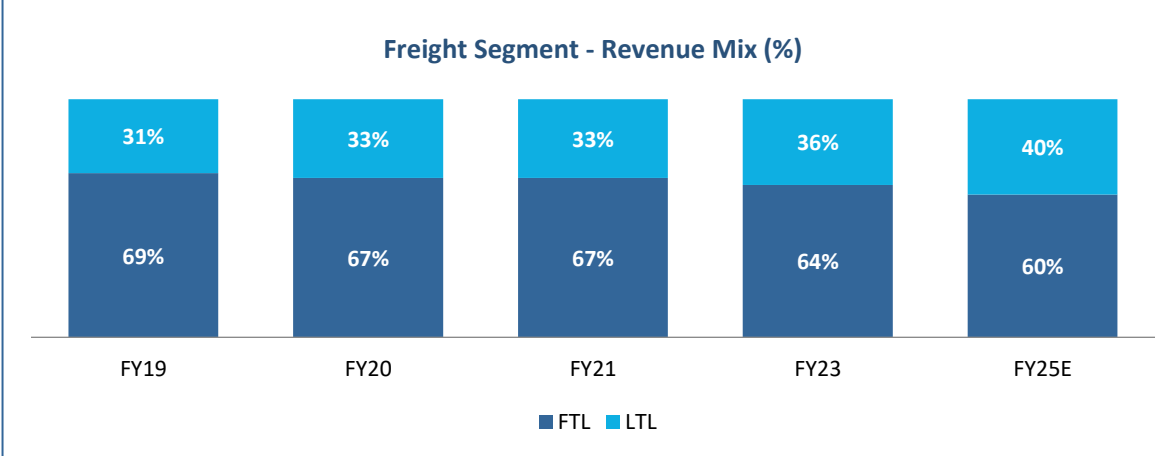
Freight Revenue CAGR estimated at 9% through FY24-26E driven by underlying macro-led FTL growth; Margin expansion led by emphasis on increasing LTL contribution



Seasonal weakness in operations



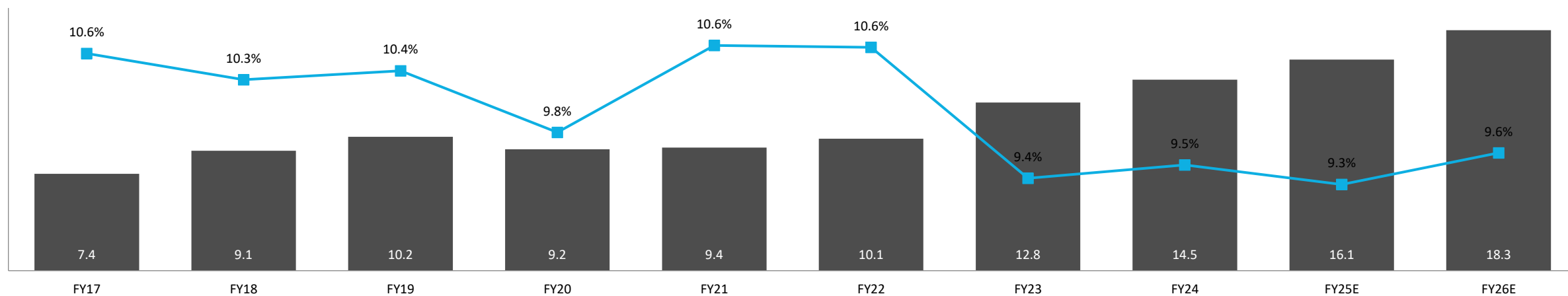
LTL contribution likely to reach 40% by FY25E, a growth of 12% CAGR through FY20-25E



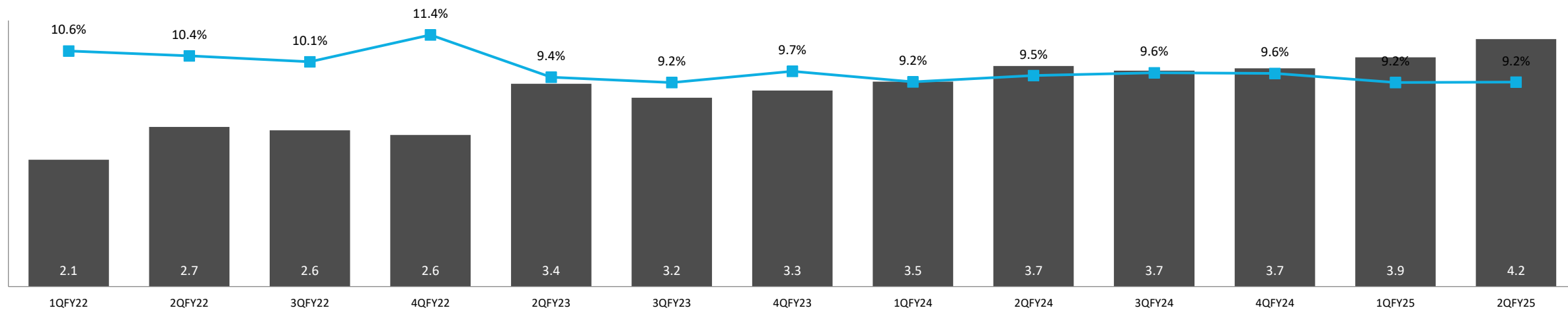
Source – Avendus Spark

SCS segment to benefit from sustained automotive demand and addition of new clientele across verticals

Supply Chain division derives ~80% of its revenue from automotive sector; Expect addition of new clientele across verticals to drive 12% CAGR through FY24-26E



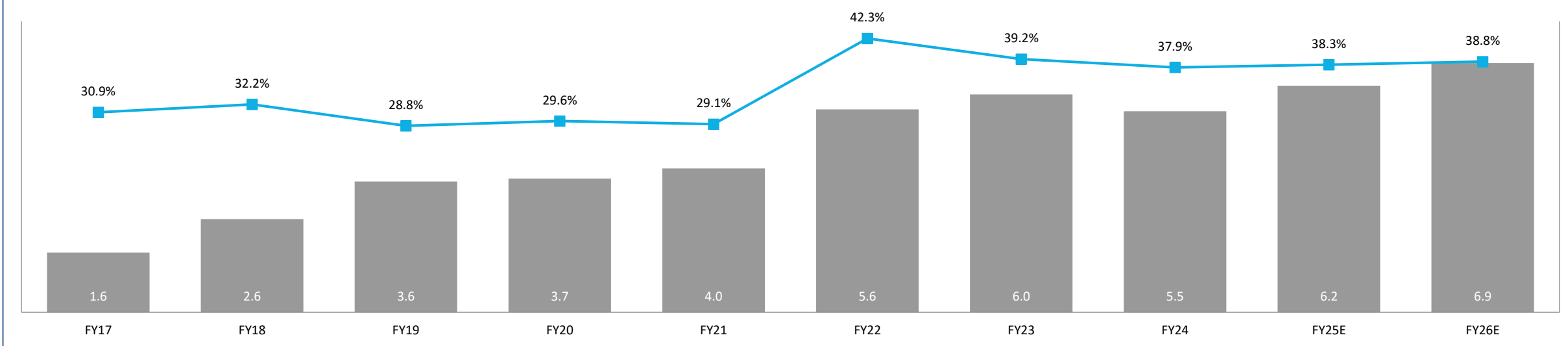
Growth momentum continued amidst retention and expansion of clients and new business acquisitions



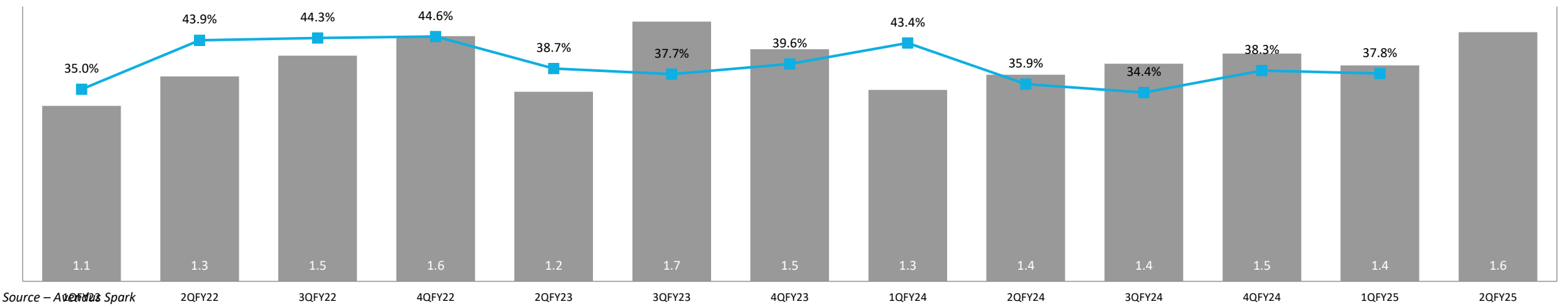
Source – Avendus Spark

Healthy growth in Seaways segment to be driven by ship addition

Seaways growth to be driven by new ship addition at regular intervals, Revenue CAGR estimated at 11% through FY24-26E



Decline in revenues due to Biparjoy cyclone in west coast, lower freight rates and dry dock of a ship



Source – Avendus Spark

SOTP

Arriving at Target price based on SOTP valuation			
SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight	56	4,364	6x FY26e EV/EBITDA
TCI SCS	387	29,959	17x FY26e EV/EBITDA
TCI Seaways	412	31,876	12x FY26e EV/EBITDA
Others	1	58	2x FY26e EV/EBITDA
Net Cash(Net Debt)		957	
Value from TCI	869	67,215	81.5% of Total
Value from JV	198	15,047	18.5% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	1,066	82,261	

Financial Summary

Standalone Financial Statements

Rs mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Profit & Loss										
Revenue	25,583	25,134	24,520	29,046	34,287	36,138	39,604	43,910	49,346	55,706
Gross profit	4,888	4,864	4,782	6,498	7,164	7,438	8,133	9,281	10,677	12,331
EBITDA	2,442	2,335	2,479	3,904	4,050	3,911	4,293	4,868	5,882	7,154
Depreciation	752	777	881	1,076	1,168	1,205	1,094	1,143	1,328	1,588
EBIT	1,690	1,558	1,598	2,829	2,883	2,706	3,198	3,724	4,553	5,566
Other Income	269	283	352	311	638	996	803	820	834	834
Interest expense	356	324	248	109	82	105	110	110	110	110
Exceptional items	0	99	140	0	10	17	0	0	0	0
PBT	1,603	1,419	1,562	3,031	3,429	3,580	3,892	4,435	5,278	6,290
Reported PAT (after minority interest)	1,276	1,264	1,348	2,674	3,035	3,282	3,520	3,902	4,645	5,535
Adj PAT	1,276	1,264	1,348	2,674	3,035	3,282	3,520	3,902	4,645	5,535
EPS (Rs.)	16.7	16.5	17.6	34.6	39.2	42.4	45.5	50.5	60.0	71.6
Balance Sheet										
Net Worth	8,370	9,500	10,804	13,131	15,677	18,477	21,453	24,811	28,912	33,903
Total debt	4,496	4,083	2,735	765	846	1,318	1,218	1,118	1,280	1,280
Other liabilities and provisions	1,290	1,263	1,375	1,491	1,697	1,744	1,881	2,052	2,267	2,519
Total Networth and liabilities	14,546	15,109	15,177	15,634	18,474	21,830	24,843	28,272	32,750	37,993
Gross Fixed assets	11,917	13,159	14,305	15,382	16,410	18,013	21,763	23,963	29,163	34,363
Net fixed assets	7,055	7,521	7,786	7,787	7,648	8,046	10,702	11,759	15,630	19,242
Capital work-in-progress	40	216	52	73	260	1,087	1,087	1,087	1,087	1,087
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	938	888	858	998	1,722	4,136	4,136	4,136	4,136	4,136
Cash and bank balances	122	178	308	581	1,693	839	607	2,075	1,541	1,838
Loans & advances and other assets	2,221	2,324	2,223	2,237	2,526	2,811	2,930	3,248	3,650	4,121
Net working capital	4,170	3,982	3,951	3,959	4,626	4,911	5,382	5,967	6,706	7,570
Total assets	14,546	15,109	15,177	15,634	18,474	21,830	24,843	28,272	32,750	37,993
Capital Employed	13,256	13,846	13,802	14,142	16,777	20,086	22,962	26,220	30,483	35,474
Invested Capital (CE - cash - CWIP)	13,094	13,452	13,442	13,489	14,824	18,160	21,268	23,058	27,855	32,549
Net debt	4,375	3,905	2,427	184	-847	479	611	-957	-261	-557
Cash Flow										
Cash flows from Operations (Pre-tax)	2,060	2,748	2,976	3,993	3,591	3,527	4,533	4,845	5,681	6,796
Cash flows from Operations (post-tax)	1,729	2,353	3,043	3,556	3,415	3,166	4,162	4,313	5,048	6,041
Capex	1,046	1,289	1,129	678	1,451	2,039	3,750	2,200	5,200	5,200
Free cashflows	682	1,064	1,914	2,878	1,964	1,127	412	2,113	-152	841
Free cashflows (post interest costs)	327	741	1,667	2,769	1,882	1,022	302	2,003	-262	731
Cash flows from Investing	-1,481	-1,346	-959	-727	-1,854	-3,683	-3,750	-2,200	-5,200	-5,200
Cash flows from Financing	-255	-970	-1,941	-2,567	-514	-330	-644	-644	-382	-544
Total cash & liquid investments	122	178	308	581	1,693	839	607	2,075	1,541	1,838

Financial Summary

Standalone Financial Statements

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Key Variables										
Freight Segment Revenue	12,096.4	12,477.9	11,508.2	13,715.7	15,982.3	16,435.0	17,926.9	19,361.0	20,909.9	22,582.7
SCS Segment Revenue	10,189.0	9,249.5	9,376.4	10,051.9	12,803.7	14,538.0	16,068.2	18,317.7	20,149.5	22,164.4
Seaways Segment Revenue	3,593.4	3,677.4	3,952.8	5,577.8	5,989.5	5,526.0	6,228.6	6,851.4	8,906.9	11,578.9
Growth ratios (%)										
Revenue	17.5	-1.8	-2.4	18.5	18.0	5.4	9.6	10.9	12.4	12.9
EBITDA	17.2	-4.4	6.2	57.5	3.7	-3.4	9.8	13.4	20.8	21.6
Adj PAT	23.0	-1.0	6.6	98.4	13.5	8.1	7.2	10.9	19.0	19.2
Margin ratios (%)										
Gross	19.1	19.4	19.5	22.4	20.9	20.6	20.5	21.1	21.6	22.1
EBITDA	9.5	9.3	10.1	13.4	11.8	10.8	10.8	11.1	11.9	12.8
Adj PAT	5.0	5.0	5.5	9.2	8.9	9.1	8.9	8.9	9.4	9.9
Performance ratios										
Pre-tax OCF/EBITDA (%)	84	118	120	102	89	90	106	100	97	95
OCF/IC (%)	13	17	23	26	23	17	20	19	18	19
RoE (%)	17	14	13	22	21	19	18	17	17	18
RoCE (%)	13	12	12	20	20	18	17	16	17	17
RoCE (Pre-tax) (%)	16	14	14	22	23	20	19	18	19	19
Fixed asset turnover (x)	2.3	2.0	1.8	2.0	2.2	2.1	2.0	1.9	1.9	1.8
Total asset turnover (x)	1.9	1.7	1.6	1.9	2.0	1.8	1.7	1.7	1.6	1.6
Financial stability ratios										
Net Debt to Equity (x)	0.5	0.4	0.2	0.0	-0.1	0.0	0.0	-0.0	-0.0	-0.0
Net Debt to EBITDA (x)	1.8	1.7	1.0	0.0	-0.2	0.1	0.1	-0.2	-0.0	-0.1
Interest cover (x)	5	7	12	33	41	30	38	39	46	55
Cash conversion days	59	58	59	50	49	50	50	50	50	50
Total Working capital days	73	73	71	59	58	60	59	60	60	60
Valuation metrics										
Fully Diluted Shares (mn)	77	77	77	77	77	77	77	77	77	77
Market cap (Rs.mn)			80,305							
P/E (x)	61	61	58	29	26	24	22	20	17	14
P/Sales (x)	3.0	3.1	3.2	2.7	2.3	2.2	2.0	1.8	1.6	1.4
EV (Rs.mn) (ex-CWIP)	82,037	81,391	80,078	77,813	76,596	77,095	77,227	75,658	76,355	76,058
EV/ EBITDA (x)	34	35	32	20	19	20	18	16	13	11
EV/ OCF(x)	47	35	26	22	22	24	19	18	15	13
FCF Yield (%)	0.9	1.4	2.5	3.7	2.5	1.5	0.5	2.7	-0.2	1.1
Price to BV (x)	9.3	8.2	7.2	5.9	5.0	4.2	3.6	3.1	2.7	2.3
Dividend yield (%)	0.2	0.2	0.1	0.5	0.7	0.7	0.7	0.7	0.7	0.7
Dividend pay-out (%)	13	15	7	15	18	17	15	14	12	10

Crystal Ball Gazing

Over FY22-27E, revenue growth is likely to be driven by 1) shift from unorganised to organized sector, 2) logistics supply chain outsourcing to 3PL players, and 3) traction in multimodal logistics. EBITDA growth is expected to be led by higher contributions from supply chain services(3PL) and increase in the movement of freight by multimodal logistics.

Healthy Revenue and EBITDA growth

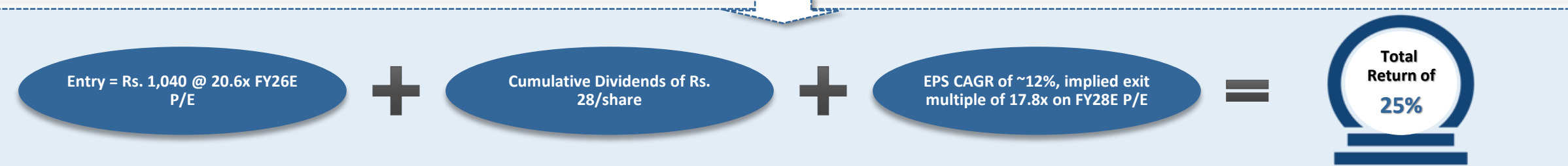
	FY11-FY14	FY14-FY22	FY22-FY27E
Revenues CAGR	5%	9%	11%
Gross Margin	19%	20%	21%
EBITDA CAGR	3%	18%	9%
EBITDA margin	7.6%	9.4%	11.7%
EPS CAGR	6%	27%	12%
Total Asset Turnover (x)	2.5	2.0	1.8
Total WC days	56	66	59
Pre-tax OCF/EBITDA (%)	87%	104%	97%
Post Tax OCF as a % of IC	15%	18%	21%
Debt/EBITDA	2.1	2.5	(0.0)

Improving operating efficiencies resulting in healthy returns

	FY11-FY14	FY14-FY22	FY22-FY27E
RoE (%)	15.2%	15.9%	19.1%
RoCE (%)	10.9%	12.6%	18.0%
RoIC (%)	15.6%	14.3%	18.1%

Healthy operating performance to sustain multiple

SOTP	FY28 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	894	6.0	5,362
TCI SCS	2,132	15.0	31,985
TCI Seaways	4,489	10.0	44,893
Others	29	2.0	58
Net Debt (Rs.mn)			-557
Mkt Cap (Rs.mn)			82,855
Standalone TP			1,072
JV and Subs (Transystem, TCI Concor, Cold Chain)			203
Target Price			1,303

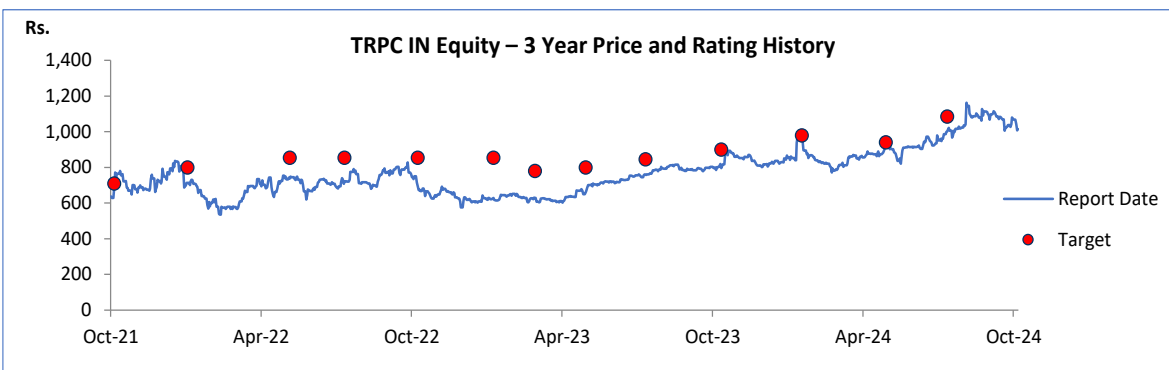


Source: Company, Spark Capital

AGV	Automated guided vehicle
AMR	Autonomous mobile robot
ASC	Automated sort capacity
3PL	<i>Third Party Logistics Service Provider</i>
BPS	Book Value per share
BS	Balance sheet
BV	Book Value
CAGR	Compounded Annual Growth Rate
CASA	Current Account + Savings Account
CC	Cash Credit
D2C	Direct to consumer
CG	Corporate Governance
CMP	Current Market Price
CV	Commercial Vehicle
DPS	Dividend per share
DTA	Deferred Tax Assets
FTL	Full Truck Load
EPS	Earnings per share
FI	Financial Institution/Intermediary
JV	Joint Venture
LTL	Less than Truckload
LC	Letter of Credit
LCV	Light Commercial Vehicle
LoU	Letter of Undertaking
MHCV	Medium & Heavy Commercial Vehicle
MSE	Micro & Small Enterprises
MSME	Micro, Small & Medium Enterprises
MTM	Marked-to-Market
OI	Other Income
Opex	Operating Expenses
P&L	Profit & Loss
P/BV	Price to Book Value
P/E	Price to Earnings
PAT	Profit After Tax
PBT	Profit Before Tax
PTL	Part truck load

RoE	Return on Equity
RoCE	Return on Capital Employed
SaaS	Software as a service
SCV	Small Commercial Vehicle
SCS	Supply chain services
SEBI	Securities & Exchange Board of India
SLA	Service level agreement
SME	Small & Medium Enterprises
SOTP	Sum of the Parts
TP	Target Price
UAV	Unmanned aerial vehicle
UV	Utility Vehicle
WMS	Warehouse management system

Spark Recommendation History



Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

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Report Date	CMP (Rs.)	TP (Rs.)	Reco.
30-Jul-24	998	1,085	ADD
17-May-24	911	940	ADD
06-Feb-24	958	980	ADD
01-Nov-23	819	900	ADD
02-Aug-23	760	845	BUY
22-May-23	649	800	BUY
22-Mar-23	630	780	BUY
31-Jan-23	625	855	BUY
01-Nov-22	715	855	BUY
05-Aug-22	707	855	BUY
31-May-22	744	855	BUY
28-Jan-22	724	800	BUY
01-Nov-21	630	710	BUY
05-Aug-21	446	500	BUY
27-May-21	367	420	Buy

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