

Transport Corporation of India Ltd (TCI)

Seaways division does well

Revenue at Rs.11,209 mn - up by 12.8% yoy & up 7.3% qoq
 EBITDA at Rs. 1172 mn – up by 16.7% yoy & up 12.9% qoq
 EBITDA margin at 10.5 - up 40 bps yoy & up 60 bps qoq
 PAT at Rs. 1065 mn - up by 23.1% yoy & up 17.0% qoq

Operational performance a tad above expectations

- The Freight business, 48% of sales, posted revenue growth at 12.8% yoy and up 6.0% qoq.
- PBT margins in the Freight business were at 2.7%, down 72 bps yoy and down 37 bps qoq.
- The Supply Chain Solutions (SCS) business, 39% of sales, revenue was up 13.1% yoy and up 7.8% qoq.
- PBT margins in the SCS business were at 5.9%, down 84bps yoy and down 12 bps qoq.
- The Seaways business, 12.8% of sales, revenue saw a growth of 20.6% yoy and up 15.4% qoq.
- PBT margins in the Seaways business were at 31.2%, up 827bps yoy and up 262 bps qoq.

Future Outlook

- **Overall growth:** Revenue and Profit growth outlook remains at 10-15%.
- **Economic trends look moderate :** for rest of the year.

Key Risks

- TCI is betting on the shipping sector. If demand slows down in the sector, it will impact return ratios as there has been capex in expectation of a demand pick up.
- TCI loses market share in autos as a lot of players have entered the space.

Valuation

TCI is currently trading at P/E of 18.4x on FY26 basis. We value the stock based on P/E methodology and assign a multiple of 20x on FY26E PAT of Rs 4,322 mn to arrive at a target price of **Rs 1026** per share, which is potential downside of 1% from current market price and recommend “Hold” on the stock.



East India Securities Ltd
 Excellent | Investment | Solutions

Rating: Hold

Upside/(Downside): -1%

CMP: 1037

Target Price: 1026

Market Data

Bloomberg:	TRPC:IN
52-week H/L (Rs):	1080 / 686
Mcap (Rs bn/USD bn):	77.6/0.9
Shares outstanding (mn):	78.0
Free float:	33.30%
Daily vol. (3mth Avg)	0.07 mn
Face Value (Rs):	2

Source: ACE Equity, EISEC Research

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	68.9	68.9	68.9	68.9
FIIs	2.9	2.6	2.6	2.6
DIIIs	12.1	12.1	12.8	12.8
Public/others	15.4	15.7	15.7	15.7

Source: Ace Equity

Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
BSE 500	3.9	11.7	18.7	30.2
TCI	7.3	12.4	15.5	42.4

*As on 31 October 2023 Source: BSE, EISEC Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	32227	15.0%	4087	12.7%	2901	95.8%	37	22.3%	22.0%	27.8	19.6
FY23	37815	17.3%	4230	11.2%	3207	10.5%	41	20.5%	19.5%	25.2	18.8
FY24	40242	6.4%	4105	10.2%	3468	8.1%	45	18.7%	15.5%	23.3	19.7
FY25E	44491	10.6%	4607	10.4%	3923	13.1%	50	18.1%	15.5%	20.7	17.1
FY26E	48496	9.0%	5092	10.5%	4322	10.2%	55	17.2%	15.1%	18.8	15.2

Source: Company, EISEC Research Estimates

Conference Call Highlights

- **Demand trends are moderate.**
- **Freight business:**
 - Moderate growth amid weakness in Infra and capital goods sectors.
 - Impact on Margins and ROCE.
 - Continued focus on network expansion to increase LTL (less than truck load) with 32 new branches opened.
- **Supply Chain (SC) business:**
 - Growth momentum continued amidst mixed sectorial trends in automotive, FMCD and Quick commerce and FMCG.
 - Good traction in warehousing and multimodal services & expansion of hub & spoke network for auto.
 - Margins remained resilient to various cost pressures.
- **Seaways business:**
 - Recovery in freight rates.
 - Average fuel price was up, but remained benign.
 - All Ships were under operations.
- **Capex** : Rs 3750mn capex budgeted for FY25. Capex in H1FY25 was Rs 902mn.
- **Buyback** : buyback was successfully concluded of 1.3mn equity shares (1.7% of the pre buy back shares), at a price of Rs 1200 per share. Buyback was for Rs 1600mn. Consequently share capital stands reduced to Rs 153mn (76.5mn shares) vs 156mn (77.8mn shares).
- **TCl Concor (JV with Concor)** : JV saw a revenue of Rs 1914mn, growth of 22.4% yoy in H1FY25 vs revenue of Rs 3,456mn in FY24.
- **TCl Cold Chain** : JV saw a revenue of Rs 450mn, growth of 32.1% yoy in H1FY25 vs revenue of Rs 809mn in FY24.
- **Transystem (JV with Toyota)**: JV saw a revenue of Rs 5758mn, growth of 18.8% yoy in H1FY25 vs revenue of Rs 10,099mn in FY24.

Quarterly financials, operating metrics and key performance indicators

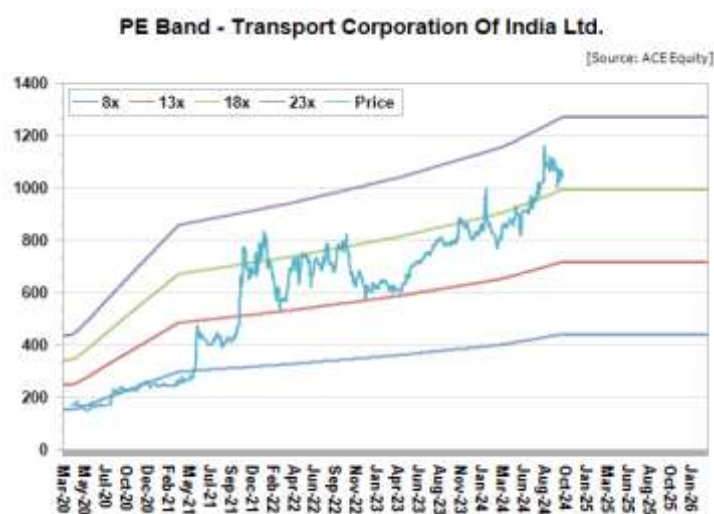
Quarterly Financials

Y/E March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Sales	9,667	9,793	9,498	9,935	10,020	10,789	10,451	11,209
Raw Materials	7,702	7,838	7,595	8,017	8,067	8,752	8,427	9,024
Employee Costs	493	510	555	568	566	545	614	629
Other Expenditure	328	366	340	346	388	398	372	384
EBITDA	1144	1080	1008	1004	999	1094	1038	1172
Depreciation	314	311	308	311	331	334	290	291
Interest	26	24	23	34	35	41	42	46
Other Income	71	121	85	113	95	17	109	106
PBT	977	939	936	974	910	937	1026	1183
Tax	110	115	104	96	108	-66	110	109
Tax rate (%)	11%	12%	11%	10%	12%	-7%	11%	9%
Adj. PAT	858	781	819	865	794	990	910	1065
YoY Growth (%)								
Revenue	15.4%	9.1%	5.1%	6.6%	3.7%	10.2%	10.0%	12.8%
EBITDA	4.8%	-9.4%	-3.6%	4.6%	-12.7%	1.3%	3.0%	16.7%
Adj. PAT	4.7%	-8.6%	5.5%	19.5%	-7.5%	26.7%	11.1%	23.1%
QoQ Growth (%)								
Revenue	3.7%	1.3%	-3.0%	4.6%	0.9%	7.7%	-3.1%	7.3%
EBITDA	19.2%	-5.6%	-6.7%	-0.4%	-0.5%	9.5%	-5.1%	12.9%
Adj. PAT	18.6%	-9.0%	4.9%	5.6%	-8.2%	24.6%	-8.0%	17.0%
Margin (%)								
EBITDA	11.8%	11.0%	10.6%	10.1%	10.0%	10.1%	9.9%	10.5%
PAT	8.9%	8.0%	8.6%	8.7%	7.9%	9.2%	8.7%	9.5%

Source: Company, EISEC Research

Valuation

2 year forward P/E chart



Source : AceEquity, EISEC Research

Financials Consolidated

Income Statement	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Revenues	32,227	37,815	40,242	44,491	48,496
% Growth	15.0%	17.3%	6.4%	10.6%	9.0%
Operating Expenses	25,766	30,306	32,431	35,853	39,039
% of sales	67.8%	67.3%	67.3%	167.3%	267.3%
Personnel	1,700	1,965	2,234	2,499	2,716
% of sales	5.3%	5.2%	5.6%	5.6%	5.6%
Other expenses	1,013	1,314	1,472	1,532	1,649
% of sales	3.1%	3.5%	3.7%	3.4%	3.4%
EBITDA	4,087	4,230	4,105	4,607	5,092
EBITDA Margin (%)	12.7%	11.2%	10.2%	10.4%	10.5%
Other Income	199	313	310	337	388
Depreciation & Amortization	1,130	1,214	1,284	1,244	1,375
EBIT	3,156	3,295	3,131	3,701	4,105
Finance cost	128	98	133	170	163
Share in Net profit of JV	277	444	440	440	441
PBT	3,305	3,640	3,757	4,384	4,842
Tax-Total	390	435	242	426	484
Reported PAT	2,915	3,205	3,515	3,958	4,358
Minority Interest	14	33	47	35	36
Adjusted PAT	2,901	3,207	3,468	3,923	4,322
PAT Margin	32,227	37,815	40,242	44,491	48,496
Growth (%)	15.0%	17.3%	6.4%	10.6%	9.0%

Source: Company, EISEC Research Estimates

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
YE March					
Growth Ratios (%)					
Net Sales	15.0%	17.3%	6.4%	10.6%	9.0%
EBITDA	56.5%	3.5%	-3.0%	12.2%	10.5%
Adjusted Net Profit	95.8%	10.5%	8.1%	13.1%	10.2%
Margin Ratio (%)					
EBITDA Margin	12.7%	11.2%	10.2%	10.4%	10.5%
PBT margins	10.3%	9.6%	9.3%	9.9%	10.0%
PAT Margin	9.0%	8.5%	8.6%	8.8%	8.9%
Return Ratios					
ROE	22.3%	20.5%	18.7%	18.1%	17.2%
ROCE	22.0%	19.5%	15.5%	15.5%	15.1%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.6	2.8	2.8	2.6	2.5
Inventory	1.0	1.0	1.0	0.0	0.0
Debtors	57.6	67.0	67.0	0.0	0.0
Current liability	0.0	32.0	32.0	0.0	0.0
Cash Conversion Cycle	48.9	58.0	58.0	0.0	0.0
Solvency ratio (x)					
Debt-equity	0.0	0.0	0.1	0.0	0.0
Net Debt-Equity	0.0	-0.1	0.0	-0.1	-0.1
Gross Debt/EBITDA	0.1	0.1	0.2	0.2	0.2
Current ratio	0.1	0.2	0.1	0.3	0.4
Per share (Rs.)					
Basic EPS (reported)	37.5	41.3	44.7	50.3	55.4
BV	183.4	218.2	256.9	299.2	343.6
CEPS	14.6	15.7	16.6	15.9	17.6
DPS	8.0	9.0	7.0	8.0	11.0
Dividend Payout (%)	21.2	21.8	15.4	15.8	19.7
Valuation					
P/E	27.8	25.2	23.3	20.7	18.8
P/BV	5.7	4.8	4.1	3.5	3.0
EV/EBITDA	19.6	18.8	19.7	17.1	15.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, EISEC Research Estimates

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Capital	V	155	155	156	156
Reserves & Surplus	14,148	16,863	19,883	23,179	26,518
Shareholders' Funds	14,303	17,018	20,038	23,335	26,674
Minority Interest	274	301	333	333	333
Total Loan Funds	228	396	1,021	1,021	1,021
Lease liability	265	235	367	367	367
Deferred tax liabilities	276	300	328	328	328
Total Liabilities	15,412	18,324	22,173	25,470	28,809
Gross Block	12,256	13,451	14,240	16,940	19,640
Accumulated Dep.	5,045	6,274	7,558	8,829	10,302
Net Block	7,211	7,177	6,682	8,111	9,338
Capital WIP	73	260	1,090	1,090	1,090
Net Fixed Assets	10,118	10,654	12,098	12,632	13,859
Investments	0	0	0	0	0
Other non current assets	0	0	0	0	0
Total Non Current Assets	0	0	0	0	0
Inventories	85	50	106	121	132
Other current assets	2,241	1,398	1,559	1,398	1,398
Sundry Debtors	5,083	5,609	6,006	6,533	7,253
Cash & Bank Balances	745	1,846	956	3,404	4,861
Total Current Assets	8,153	10,355	12,916	15,634	17,822
Total Current Liabilities	0	0	0	0	0
Net Current Assets	5,295	7,670	10,075	12,838	14,950
Total Assets	15,412	18,324	22,173	25,470	28,809

Source: Company, EISEC Research Estimates

Cash Flow	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Operating profit before WC changes	4577	4985	5221	5833	6416
Changes in working capital	-2088	351	-614	-431	-736
Cash flow from operations	2099	4901	4365	4976	5196
Capex	-1584	-2191	-2890	-4801	-4801
Cash flow from investments	-1584	-2191	-2890	-4801	-4801
Cash flow from financing	-165	-1609	-2365	2233	1084
Net change in cash	349	1101	-890	2408	1479

Source: Company, EISEC Research Est

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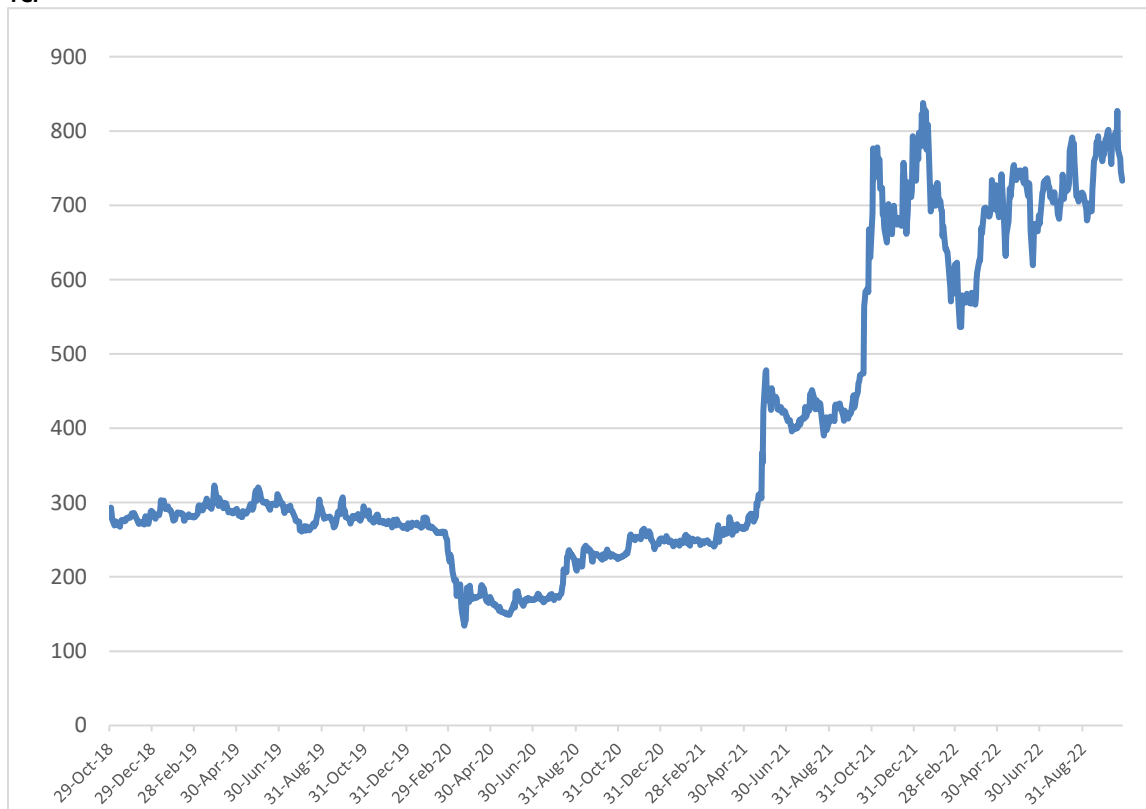
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TCI



Source: ACE Equity, EISEC Research

Analyst holding in stock: **No**

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 Reduce: Downside by 5% to 15%, Sell: Downside by >15%

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