

Transport Corp of India (TRPC IN)

Leveraging multimodal capabilities

INDIA | LOGISTICS | Quarterly Update

25 October 2024

Top takeaways from 2QFY25

- Results marginally better than expectations. Improvement in shipping segment.
- Benefit of integrated diversified services and multi-modal capabilities.

Key highlights

Consolidated revenue increased by 12.8%yoy (up 7.2% qoq) to Rs 11.2bn, in line with estimates of Rs 10.93bn. Freight division revenue up by 13.0%yoy (+6.0% qoq) to Rs 5.44bn; Supply Chain revenue increased by 13.1%yoy (+7.8% qoq) to Rs 4.41bn; Seaway's revenue increased by 20.6%yoy (+15.4%qoq) to Rs 1.63bn. Gross margins improved by 18bps yoy to 19.5% in 2QFY25. EBITDA increased by 16.6% yoy (+7.5% qoq) to Rs 1.17bn, 7.5% higher than estimates of Rs 1.09bn. EBITDA margins improved from 10.1% in 2QFY24 to 10.4% in 2QFY25. Other income declined by 6.2% yoy from Rs 113mn in 2QFY24 to Rs 106mn in 2QFY25. PBT increased by 21.8% yoy to Rs 940mn. Adjusted profit at Rs 910mn in 1QFY25, in line with estimated profit of Rs 903mn.

Conference call takeaways

- EBITDA in freight division declined by 10.4% yoy to Rs 138mn with 60bps margin decline on yoy basis to 3.2% in 2QFY25; EBITDA in SCM increased by 8.7%yoy to Rs 386mn and in seaways improved significantly by 29.7% yoy to Rs 629mn. EBITDA margins in SCM declined marginally by 28bps to 9.3% % and Seaways increased from 38.1% in 2QFY24 to 40.5% in 2QFY25.
- SCM maintained growth momentum on back good traction in warehousing and network expansion and growth in FMCG, FMCD and Quick commerce. Management expect SCM revenue CAGR 10-15% over 2-3 years driving the growth. Capex of Rs 900mn planned for purchase of trucks in FY25.
- Seaways has long term potential and to bolster multimodal capabilities, the Company has placed orders for building of two 7,300 MT dead weight capacity container vessels for a total contract price of \$38.8mn. Performance improved with recovery in freight rates, better utilization and benign fuel (bunker) price.
- LTL is c. 36% of freight business supporting the margins and expect LTL share to increase to 40% by 2026. The company opened 30 new branches in FY24 and 32 in 1HFY25 to enhance the network. Weakness in Infra and capital goods impacted freight segment.
- JV performance: TCI Concor operating asset light rail operations reported 22.5% increase in revenue to Rs 1.91bn in 1HFY25. Transystem focused on automotive logistics reported revenue growth of 18.8%yoy to Rs 5.75bn while TCI Cold chain reported revenue growth of 332.0% yoy to Rs 450mn in 1HFY25.
- TCI had capital expenditure of Rs 1.9bn in FY24 and Rs 902mn in 1H0FY25. Capex planned for FY25 is Rs 3.75bn including ship (advance of Rs 800mn) and automotive rake and container addition.

Outlook and valuation: At CMP, stock trades at 16.1x our FY27 earnings. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. We maintain valuations at 20x FY27EPS with target price to Rs 1,290 (earlier Rs 1,201).

Consolidated (Rs mn)	2QFY25	2QFY24	yoy	1QFY25	qoq %	vs. expect. %	Comments
Revenue	11208	9935	12.8	10451	7.2	2.5	Freight +13.0%yoy; SCM +13.1%yoy; Seaways +20.6%yoy
EBITDA	1171	1004	16.6	1038	12.8	7.5	Revenue mix and improvement in shipping segment margin
EBITDA margins	10.4%	10.1%	34bps	9.9%	52bps		
Other income	106	113	-6.2	109	-2.8	8.2	
Depreciation	291	311	-6.4	290	0.3	0.0	
Interest	46	34	35.3	42	9.5	7.0	
PBT	940	772	21.8	815	15.3	10.2	
PAT	1064	870	22.3	910	16.9	8.5	

BUY (Maintain)

CMP RS 1,038

TARGET RS 1,290 (+24%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	79
MARKET CAP (USDBN) :	0.9
52 - WK HI/LO (RS) :	1,250 / 686
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Sep 24	Jun 24	Mar 24
PROMOTERS :	68.8	68.9	68.9
DII :	12.4	12.2	12.2
FII :	3.7	3.6	3.3
OTHERS :	15.1	15.3	15.5

KEY FINANCIALS

Rs mn	FY25E	FY26E	FY27E
Net Sales	45,739	51,960	59,802
EBITDA	4,641	5,313	6,114
Net Profit	3,933	4,403	5,010
EPS, Rs	50.6	56.6	64.4
PER, x	20.5	18.3	16.1
EV/EBITDA, x	17.5	15.1	13.0
PBV, x	3.4	2.9	2.4
ROE, %	17.7	16.7	16.2

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E
Revenue	45,739	51,960	1%	1%
EBITDA	4,641	5,313	3%	3%
Core PAT	3,933	4,403	8%	8%
EPS (Rs)	50.6	56.6	8%	8%

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Standalone

Year End March (Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue	9002	8999	9539	9394	9985
Operating expense	7164	7156	7591	7465	7928
Opex as % of sales	79.6%	79.5%	79.6%	79.5%	79.4%
Employee	550	544	528	592	602
Other expenses	320	358	385	335	362
EBITDA	968	941	1035	1002	1093
EBITDA margins (%)	10.8%	10.5%	10.9%	10.7%	10.9%
Other Income	118.0	446.0	155.0	450.0	135.0
Depreciation	298.0	307.0	305.0	264.0	267.0
Interest	31.0	25.0	28.0	30.0	34.0
PBT	757.0	1055.0	857.0	1158.0	927.0
Tax	87.0	99.0	20.0	106.0	102.0
Tax rate (%)	11.5%	9.4%	2.3%	9.2%	11.0%
Adj PAT	670	956	837	1052	825
Extraordinary	0.0	0.0	-17.0	0.0	0.0
Reported PAT	670	956	820	1052	825
EPS (Rs)	8.7	12.4	10.8	13.6	10.6

Source: PhillipCapital India Research

Segmental details

Standalone	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Freight Division	3995	4009	4467	4252	4365
Supply chain	3730	3651	3691	3878	4187
Seaways	1354	1426	1492	1415	1633
Energy	21	7	11	13	20
EBIT (Rs mn)					
Freight Division	143	128	150	135	124
Supply chain	246	234	240	238	254
Seaways	310	315	394	404	509
Energy	12	0	4	6	14
EBIT (%)					
Freight Division	3.6%	3.2%	3.4%	3.2%	2.8%
Supply chain	6.6%	6.4%	6.5%	6.1%	6.1%
Seaways	22.9%	22.1%	26.4%	28.6%	31.2%

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE (FY26)	Reco/Upside	
Container Corporation	M	28.3	BUY	50%
Adani Ports &SEZ	L	22.4	BUY	40%
Praj Industries Ltd	S	34.8	BUY	23%
Pennar Industries Ltd	S	15.4	BUY	23%
Indo Count Industries	S	16.2	BUY	30%
KDDL	S	21.5	BUY	56%
Gateway Distriparks Ltd	S	15.0	BUY	75%
Allcargo Logistics Ltd	S	17.2	BUY	45%
Aegis Logistics	S	36.1	SELL	-19%
Mahindra Logistics Limited	S	37.6	BUY	42%
Transport Corporation of India	S	18.4	BUY	24%
VRL Logistics Ltd	S	23.5	BUY	47%

Source: PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Net sales	40,242	45,739	51,960	59,802
Growth, %	6.4	13.7	13.6	15.1
Other operating income	-	-	-	-
Raw material expenses	32,431	36,820	41,828	48,140
Employee expenses	2,234	2,653	3,066	3,528
Other Operating expenses	1,472	1,625	1,754	2,019
EBITDA (Core)	4,105	4,641	5,313	6,114
Growth, %	(3.2)	13.1	14.5	15.1
Margin, %	10.2	10.1	10.2	10.2
Depreciation	1,284	1,243	1,313	1,483
EBIT	2,821	3,399	4,000	4,631
Growth, %	(6.8)	20.5	17.7	15.8
Margin, %	7.0	7.4	7.7	7.7
Interest paid	133	244	229	216
Other Income	458	390	410	410
Non-recurring Items	-	-	-	-
Pre tax profit	3,146	3,544	4,181	4,825
Tax provided	336	532	752	869
Profit after tax	3,532	3,933	4,403	5,010
Minorities/JV shares	722	920	975	1,053
Net Profit	3,508	3,933	4,403	5,010
Growth, %	51.4	(14.8)	5.1	-
Net Profit (adjusted)	3,508	3,933	4,403	5,010
Unadj. shares (m)	78	78	78	78
Wtd avg shares (m)	78	78	78	78

Balance Sheet

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Cash & bank	956	1,076	1,788	2,298
Marketable securities at cost	3,306	3,438	3,576	4,649
Debtors	6,006	8,772	9,965	11,469
Inventory	106	117	128	141
Loans & advances	12	14	17	21
Other current assets	2,341	2,809	3,371	4,045
Total current assets	9,421	12,788	15,269	17,974
Investments	2,391	2,750	3,162	3,636
Gross fixed assets	14,361	16,861	19,361	21,761
Less: Depreciation	(6,755)	(7,997)	(9,310)	(10,793)
Add: Capital WIP	1,090	183	183	183
Net fixed assets	8,722	9,099	10,286	11,204
Non - current assets	985	1,000	1,000	1,000
Total assets	24,825	29,075	33,294	38,462
Trade Payables	657	877	996	1,147
Provisions	317	349	384	422
Total current liabilities	2,137	2,730	2,804	3,207
Non - current liabilities	1,744	1,594	1,459	1,338
Total liabilities	22,688	26,346	30,490	35,255
Paid - up capital	155	155	155	155
Reserves & surplus	19,883	23,676	27,939	32,809
Minorities	333	340	346	353
Shareholders' equity	20,372	24,171	28,441	33,318
Total equity & liabilities	24,825	29,075	33,294	38,462

Cash Flow

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Pre-tax profit	3,146	3,544	4,181	4,825
Depreciation	1,284	1,243	1,313	1,483
Chg in working capital	(925)	(2,655)	(1,695)	(1,791)
Total tax paid	(336)	(532)	(752)	(869)
Cash flow from operating activities	3,566	2,375	3,840	4,508
Capital expenditure	(2,544)	(1,593)	(2,500)	(2,400)
Chg in investments	(2,334)	(491)	(550)	(1,547)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(4,419)	(1,694)	(2,640)	(3,537)
Free cash flow	(735)	888	1,388	1,148
Equity raised/(repaid)	0	-	-	-
Debt raised/(repaid)	922	(141)	(126)	(112)
Dividend (incl. tax)	(140)	(140)	(140)	(140)
Cash flow from financing activities	520	(656)	(625)	(598)
Net chg in cash	(334)	25	575	373

Valuation Ratios

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	45.1	50.6	56.6	64.4
Growth, %	9.4	12.1	12.0	13.8
Book NAV/share (INR)	257.8	306.6	361.4	424.0
FDEPS (INR)	45.1	50.6	56.6	64.4
CEPS (INR)	61.6	66.6	73.5	83.5
CFPS (INR)	45.9	30.6	49.4	58.0
DPS (INR)	1.5	1.5	1.5	1.5

Return ratios

Return on assets (%)	15.3	14.6	14.1	14.0
Return on equity (%)	18.6	17.7	16.7	16.2
Return on capital employed (%)	12.9	12.2	11.9	11.7
ROIC (%)	11.6	11.4	11.4	11.5

Turnover ratios

Asset turnover (x)	4.6	5.1	5.1	5.4
Sales/Net FA (x)	4.6	5.0	5.1	5.3
Working capital/Sales (%)	18.1	22.0	24.0	24.7
Receivable days	52.7	59.0	65.8	65.4
Inventory days	0.9	1.1	1.1	1.0
Payable days	6.4	6.1	6.6	6.5
Working capital days	66.1	80.3	87.6	90.1

Liquidity ratios

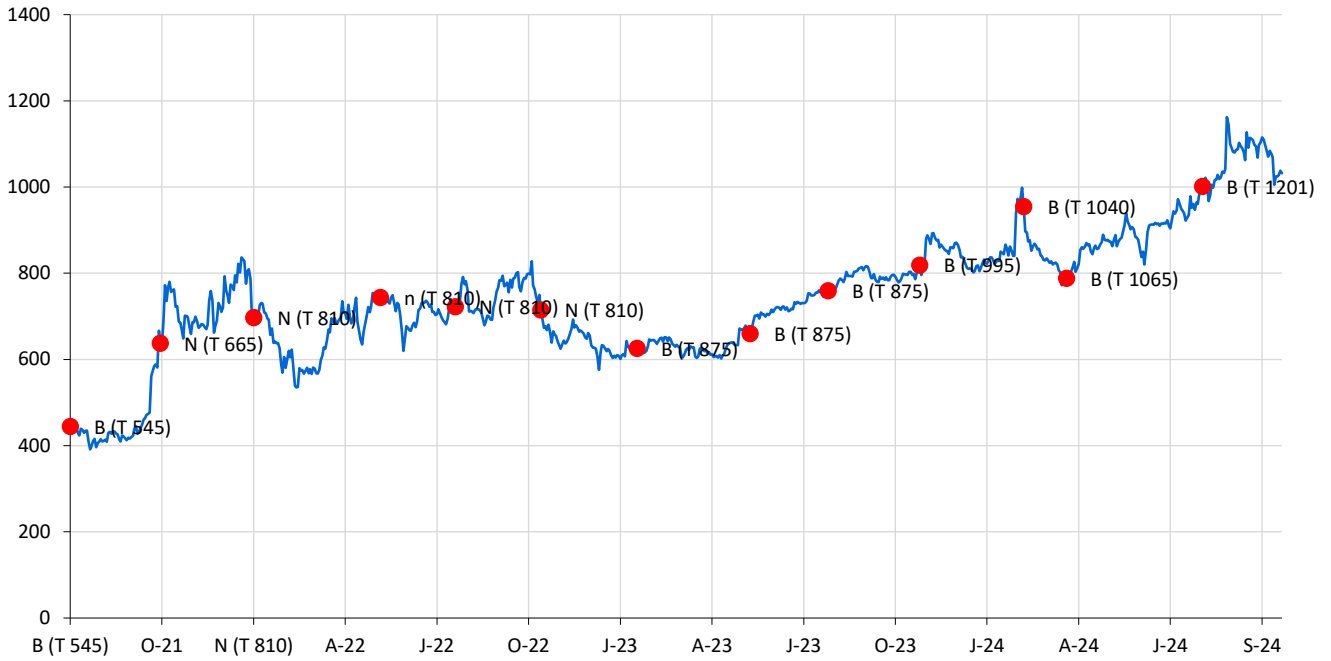
Current ratio (x)	4.4	4.7	5.4	5.6
Quick ratio (x)	0.4	0.5	0.5	0.5
Interest cover (x)	21.2	13.9	17.4	21.5
Total debt/Equity (x)	0.1	0.1	0.1	0.0
Net debt/Equity (x)	0.0	0.0	0.0	0.0

Valuation

PER (x)	23.0	20.5	18.3	16.1
PEG (x) yoy growth	2.5	1.7	1.5	1.2
Price/Book (x)	4.0	3.4	2.9	2.4
EV/Net sales (x)	2.0	1.8	1.5	1.3
EV/EBITDA (x)	19.9	17.5	15.1	13.0
EV/EBIT (x)	28.9	23.9	20.1	17.2

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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