MOTILAL OSWAL
FINANCIAL SERVICES

25 October 2024
2QFY25Results Update | Sector: Logistics

Transport Corporation of India

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	79.5 / 0.9
52-Week Range (INR)	1250 / 686
1, 6, 12 Rel. Per (%)	1/10/3
12M Avg Val (INR M)	76

Financial Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	45.1	52.6	60.5
EBITDA	4.9	5.9	6.9
Adj. PAT	4.1	5.0	5.8
EBITDA Margin (%)	10.8	11.3	11.5
Adj. EPS (INR)	52.6	64.5	75.4
EPS Gr. (%)	14.8	22.6	16.9
BV/Sh. (INR)	309.0	370.0	441.8
Ratios			
Net D:E	0.0	-0.1	-0.2
RoE (%)	18.2	18.8	18.4
RoCE (%)	17.4	18.0	17.8
Payout (%)	6.7	5.4	4.6
Valuations			
P/E (x)	19.8	16.2	13.8
P/BV (x)	3.4	2.8	2.4
EV/EBITDA(x)	15.2	12.1	9.9
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	0.8	1.6	2.7

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	68.8	68.9	68.9
DII	12.4	12.2	12.9
FII	3.0	2.9	2.6
Others	15.8	16.0	15.6

FII Includes depository receipts

CMP: INR1038 TP: INR1,290 (+24%) Buy

In-line performance; outlook remains bright

- Transport Corporation of India's (TRPC) revenue grew 13% YoY to ~INR11.2b in 2QFY25 (in line). EBITDA margin came in at 10.4% (est. 10.6%), up 40bp YoY and 50bp QoQ. EBITDA increased 16.6% YoY to INR1.2b, while APAT grew 22% YoY to ~INR1.1 (est. INR1b).
- Supply chain revenue grew 13.1% YoY, while freight/seaways revenue rose 13%/21% YoY.
- EBIT margin for freight/supply chain contracted 70bp YoY each to 2.7%/5.9%, while EBIT margin for seaways business improved YoY and QoQ to 31.2%.
- 1HFY25 revenue/EBITDA/APAT grew 11.5%/9.8%/16.6% YoY to INR21.6b/ INR2.2b/INR2b. 1H CFO was INR1.7b and gross debt was INR1.7b. In 2HFY25, we expect revenue/EBITDA/APAT to grow 13%/27%/13% YoY.
- 2QFY25 performance was in line with our expectations, driven by growth in the supply chain and seaways divisions. Looking ahead, these segments are expected to clock rapid growth, with revenue contribution of supply chain likely to increase. The seaways division is also set for strong growth in 2HFY25, with a dry dock planned only at the end of FY25. Additionally, the freight services segment is expected to gain momentum with the onset of the festive season. We retain our estimates for FY25/FY26/FY27 and reiterate our BUY rating with a TP of INR1,290 (based on 17x FY27E EPS).

Freight segment muted; supply chain and seaways perform well

- TRPC reported 13% growth in its freight services in 2QFY25 with EBIT margin of 2.7% (-70bp YoY). Moderate growth was attributed to challenges in the infrastructure and capital goods sectors. TRPC focuses on network expansion, with 32 new branches added in 1H to boost LTL segment.
- In supply chain, growth momentum remained intact despite mixed sectoral trends across automotive, FMCD, quick commerce, and FMCG. The business saw strong traction in warehousing and multimodal services, along with the expansion of the hub-and-spoke network for automotive. Margins remained resilient despite various cost pressures.
- The seaways business beat expectations as freight rates recovered and average fuel prices remained stable. All ships were fully operational in 2Q.

Highlights from the management commentary

- TRPC plans to open 75 new freight branches in FY25 (32 added in 1HFY25), in addition to 30 added in FY24. Freight rates are expected to rise due to the festival season, although fuel prices remain high.
- In seaways, TRPC expects capacity utilization to remain high in FY25, with dry-dock planned for late FY25. Going ahead, realization could decline, the revenue run rate would remain stable, and volumes should pick up.
- The logistics industry saw moderate trends, with TRPC's multimodal capabilities providing a hedge against downturns in any single segment.
- In FY25, the company expects revenue/PAT growth of 10%/15% YoY.

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Valuation and view

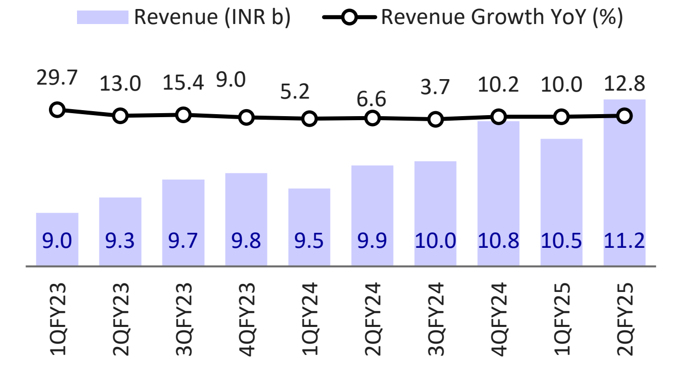
- TRPC is benefiting immensely from being a multi-modal logistics provider. It is the only player in the domestic logistics industry that offers services across road, rail, and sea. TRPC's established infrastructure, long-standing customer relationships, and experienced management team should boost its position as a preferred 3PL partner.
- We have retained our estimates for FY25/FY26/FY27 and expect TRPC to deliver a CAGR of 15%/19%/18% in revenue/EBITDA/PAT over FY24-27. **We reiterate our BUY rating on the stock with a TP of INR1,290, based on 17x FY27E EPS.**

Quarterly snapshot INR m

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
Net Sales	**9,498**	**9,935**	**10,020**	**10,789**	**10,451**	**11,208**	**11,431**	**11,992**	**40,242**	**45,082**	**11,117**	**1**
YoY Change (%)	5.2	6.6	3.7	10.2	10.0	12.8	14.1	11.2	6.4	12.0	11.9	
EBITDA	**1,008**	**1,004**	**999**	**1,094**	**1,038**	**1,171**	**1,280**	**1,381**	**4,105**	**4,870**	**1,178**	**(1)**
Margins (%)	10.6	10.1	10.0	10.1	9.9	10.4	11.2	11.5	10.2	10.8	10.6	
YoY Change (%)	-3.1	4.6	-12.7	1.2	3.0	16.6	28.2	26.3	-3.2	18.6	17.4	
Depreciation	308	311	331	334	290	291	360	431	1,284	1,372	340	
Interest	23	34	35	41	42	46	35	17	133	140	33	
Other Income	85	113	95	165	109	106	132	157	458	504	130	
PBT before EO expense	**762**	**772**	**728**	**884**	**815**	**940**	**1,017**	**1,090**	**3,146**	**3,862**	**935**	**0**
Extra-Ord expense	0	0	0	24	0	0	0	0	24	0	0	
PBT	**762**	**772**	**728**	**860**	**815**	**940**	**1,017**	**1,090**	**3,122**	**3,862**	**935**	**0**
Tax	104	96	108	28	110	109	143	178	336	541	131	
Rate (%)	13.6	12.4	14.8	3.3	13.5	11.6	14.1	16.4	10.8	14.0	14.0	
Minority Interest	-9.0	-8.0	-8.0	-12.0	-6.0	-9.0	-7.0	-8.0	-37.0	-30.0	-5.0	
Profit/Loss of Asso. Cos	174	202	182	201	211	242	180	131	759	764	200	
Reported PAT	**823**	**870**	**794**	**1,021**	**910**	**1,064**	**1,047**	**1,035**	**3,508**	**4,055**	**999**	**6**
Adj PAT	**823**	**870**	**794**	**1,045**	**910**	**1,064**	**1,047**	**1,035**	**3,532**	**4,055**	**999**	**6**
YoY Change (%)	5.8	20.3	-7.4	23.2	10.6	22.3	31.8	-1.0	10.1	14.8	14.9	
Margins (%)	8.7	8.8	7.9	9.7	8.7	9.5	9.2	8.6	8.8	9.0	9.0	

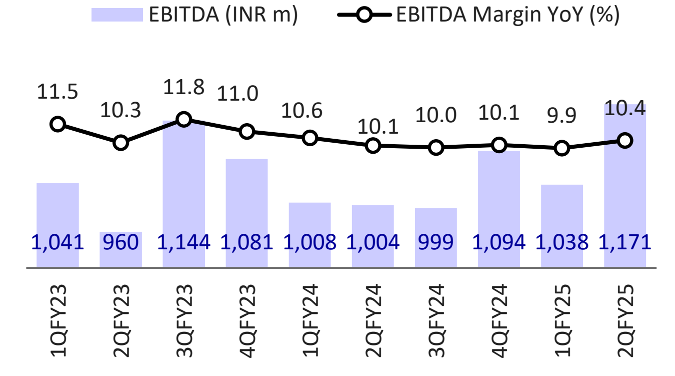
Story in charts – 2QFY25

Exhibit 1: Revenue up 13% YoY



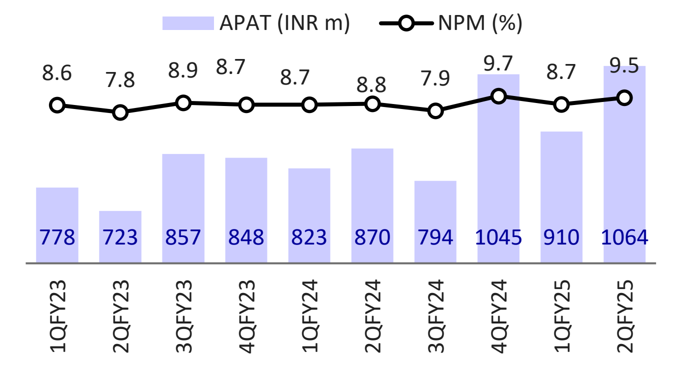
Source: Company, MOFSL

Exhibit 2: EBITDA and margin trends



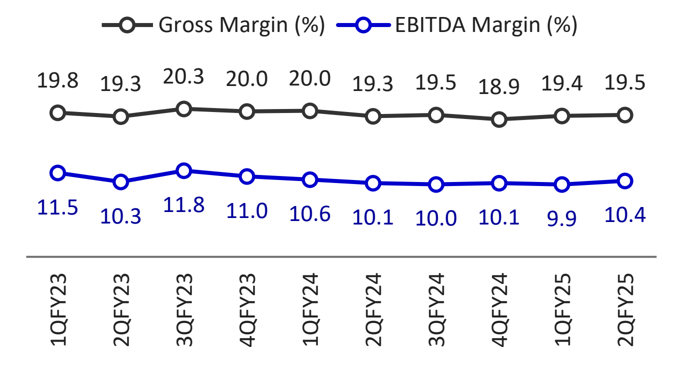
Source: Company, MOFSL

Exhibit 3: APAT increased 22% YoY



Source: Company, MOFSL

Exhibit 4: Margin improvement driven by seaways segment



Source: Company, MOFSL

Exhibit 5: Segmental performance

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Segment Revenue (INR m)									
Freight	4,693	4,826	5,046	4,754	4,818	4,856	5,553	5,136	5,442
Supply chain	3,584	3,335	3,462	3,630	3,907	3,882	3,928	4,097	4,418
Seaways	1,242	1,702	1,521	1,254	1,354	1,426	1,492	1,415	1,633
Energy	19	15	11	16	21	7	11	13	20
Net segment Revenue	**9,537**	**9,879**	**10,040**	**9,654**	**10,100**	**10,171**	**10,984**	**10,661**	**11,513**
Growth YoY(%)									
Freight	13.7	11.6	5.2	2.6	2.7	0.6	10.1	8.0	13.0
Supply chain	26.0	19.6	26.1	20.1	9.0	16.4	13.4	12.9	13.1
Seaways	-7.5	15.1	-5.3	-17.7	9.0	-16.2	-1.9	12.8	20.6
Energy	-9.6	176.4	-7.8	1.3	11.7	-53.9	3.8	-18.8	-4.8
Net segment Revenue	**14.4**	**14.9**	**9.6**	**5.0**	**5.9**	**3.0**	**9.4**	**10.4**	**14.0**
Revenue Share									
Freight	49	49	50	49	48	48	51	48	47
Supply chain	38	34	34	38	39	38	36	38	38
Seaways	13	17	15	13	13	14	14	13	14
Energy	0	0	0	0	0	0	0	0	0
Total Revenue Share	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segmental EBIT Margin(%)									
Freight	4.1	5.7	4.2	3.3	3.4	3.1	3.2	3.0	2.7
Supply chain	6.3	6.0	6.5	6.3	6.7	6.5	6.4	6.0	5.9
Seaways	24.5	26.9	27.7	29.2	22.9	22.1	26.4	28.6	31.2
Energy	50.5	55.9	32.1	50.0	57.1	0.0	36.4	46.2	70.0
Total	**7.7**	**9.5**	**8.6**	**7.9**	**7.4**	**7.0**	**7.5**	**7.6**	**8.1**

Highlights from the management commentary

Industry trend

- 2QFY25 performance did not meet initial expectations, mainly due to a slowdown in consumer spending. However, industrial demand showed resilience, and festive season stocking surpassed those of the previous year.
- The logistics industry saw moderate trends, with TRPC's multimodal capabilities providing a hedge against downturns in any single segment.
- While the auto sector faced early production cuts, TRPC remains positive about sustaining business, with adequate inventory available to offset lower production. 2W segment continues to do very well, while Tractor segment is struggling.

Freight Segment

- The freight segment faced competitive pressure, affecting margins. Despite these challenges, TRPC opened 32 new branches, which are expected to support growth and mitigate some cost pressures, such as rising tolls and driver wages.
- Management maintained its guidance of 7-8% revenue growth for this segment with a profitability target in line with last year's performance.
- New entrants pushing down prices in specific sub-segments affected margins.

Supply Chain Segment

- The supply chain business remains a strategic priority, and TRPC expects to grow it to be its largest segment by FY26.
- Despite weak EBIT margins in 2QFY25 due to new contracts, particularly in warehousing, TRPC has a robust pipeline in this business.
- Additionally, TRPC is managing outsourced logistics for a Japanese food company under a unified platform, offering minute-to-minute tracking, which has been well received.
- This segment would see strong sustainable growth ahead for TRPC.

Seaways Segment

- The seaways segment delivered strong performance in 2QFY25, aided by domestic freight rate increases.
- International rates were observed in certain domestic routes, which helped realizations.
- All ships were operational, leading to a revenue increase.
- The company expects capacity utilization to remain high through FY25, with dry-dock planned for late FY25.
- Stable fuel prices further supported this business, and the management expects to sustain growth.
- Going ahead, realization could decline, but the revenue run rate would remain intact and volumes would pick up.

Technology Integration

- TRPC has made significant strides in technology, notably with ULIP integration, which allows direct API connections within its systems. This advancement places

TRPC ahead of many peers in technological integration, enabling seamless operations and more efficient data management.

Joint Ventures

- TRPC's cold chain logistics, supported by a joint venture, is expanding with additional storage capacity. This segment reported strong performance, with notable traction from outsourced operations.
- Joint ventures, particularly in the cold chain and storage facilities, continue to perform well, enhancing the company's service offerings.

Guidance

- TRPC remains net debt free after the completion of INR1.6b buyback and holds INR2.8b in cash.
- For FY25, total capex is projected at INR3.75b.
- The company anticipates steady revenue and profit growth across segments.

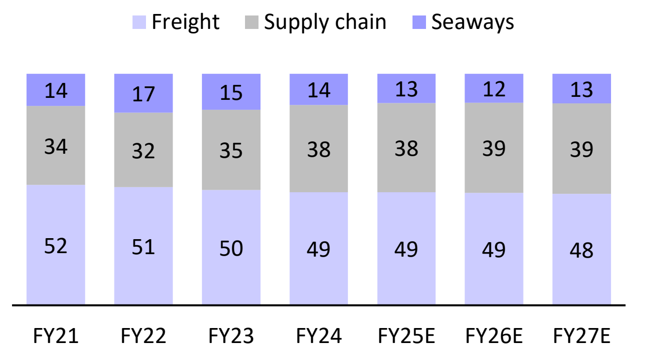
Exhibit 6: Our revised estimates

(INR m)	FY25E			FY26E			FY27E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	45,082	45,082	0.0	52,629	52,629	0.0	60,517	60,517	0.0
EBITDA	4,870	4,870	0.0	5,944	5,944	0.0	6,936	6,936	0.0
EBITDA Margin (%)	**10.8**	**10.8**	**0**	**11.3**	**11.3**	**0**	**11.5**	**11.5**	**0**
PAT	4,055	4,055	0.0	4,970	4,970	0.0	5,812	5,812	0.0
EPS (INR)	**52.6**	**52.6**	**0.0**	**64.5**	**64.5**	**0.0**	**75.4**	**75.4**	**0.0**

Source: Company, MOFSL

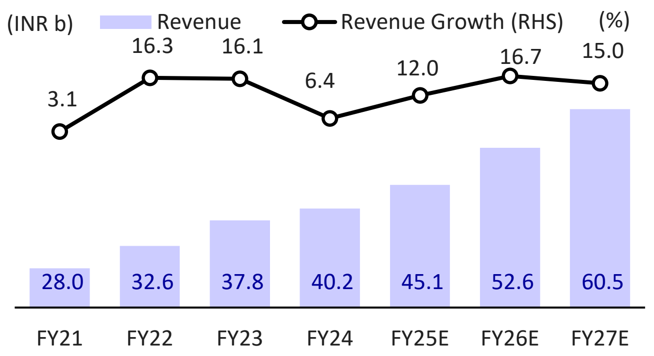
Story in charts

Exhibit 7: Freight and 3PL to dominate



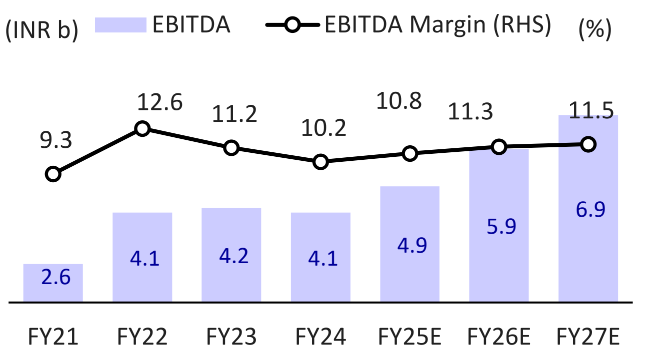
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



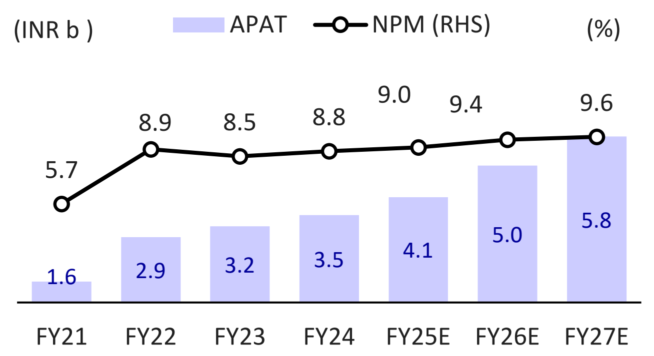
Source: Company, MOFSL

Exhibit 9: Margin to improve gradually



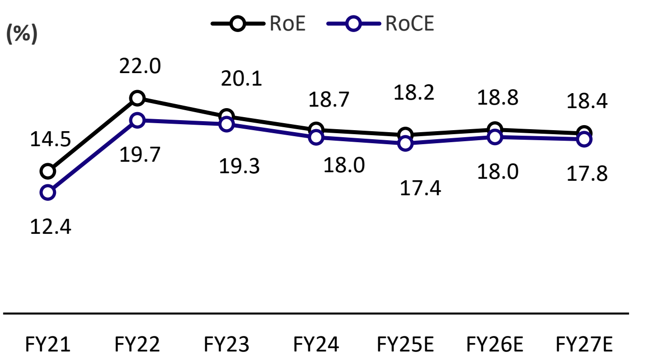
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



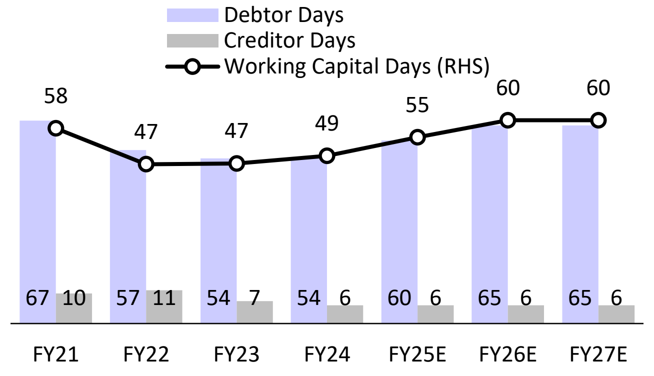
Source: Company, MOFSL

Exhibit 11: Return ratios remained elevated



Source: Company, MOFSL

Exhibit 12: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**28,024**	**32,567**	**37,826**	**40,242**	**45,082**	**52,629**	**60,517**
Change (%)	3.1	16.2	16.1	6.4	12.0	16.7	15.0
Gross Margin (%)	18.0	20.9	19.9	19.4	20.3	20.5	20.5
EBITDA	**2,612**	**4,087**	**4,240**	**4,105**	**4,870**	**5,944**	**6,936**
Margin (%)	9.3	12.6	11.2	10.2	10.8	11.3	11.5
Depreciation	928	1,130	1,214	1,284	1,372	1,517	1,754
EBIT	**1,684**	**2,957**	**3,026**	**2,821**	**3,499**	**4,427**	**5,182**
Int. and Finance Charges	267	128	98	133	140	136	131
Other Income	255	199	303	458	504	554	610
PBT	**1,672**	**3,028**	**3,231**	**3,146**	**3,862**	**4,845**	**5,661**
Tax	238	377	434	336	541	678	792
Effective Tax Rate (%)	14.3	12.4	13.4	10.7	14.0	14.0	14.0
PAT before MI, Associates, and EO Items	**1,434**	**2,652**	**2,796**	**2,810**	**3,322**	**4,167**	**4,868**
Share of profit/(loss) of Associates and JVs	201	277	444	759	764	833	974
Minority Interest	-33	-32	-33	-37	-30	-30	-30
Extraordinary Items	131	0	34	24	0	0	0
Reported PAT	**1,471**	**2,896**	**3,173**	**3,508**	**4,055**	**4,970**	**5,812**
Adjusted PAT	**1,602**	**2,896**	**3,207**	**3,532**	**4,055**	**4,970**	**5,812**
Change (%)	5.2	80.8	10.7	10.1	14.8	22.6	16.9
Margin (%)	5.7	8.9	8.5	8.8	9.0	9.4	9.6

Consolidated Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	154	155	155	155	155	155	155
Total Reserves	11,543	14,148	16,863	19,883	23,669	28,369	33,911
Net Worth	**11,697**	**14,303**	**17,018**	**20,038**	**23,824**	**28,524**	**34,066**
Minority Interest	86	274	301	333	333	333	333
Deferred Tax Liabilities	273	276	300	328	328	328	328
Total Loans	2,767	1,039	795	1,503	1,453	1,403	1,353
Capital Employed	**14,823**	**15,892**	**18,414**	**22,202**	**25,938**	**30,588**	**36,080**
Gross Block	10,684	11,646	12,676	14,266	16,266	18,266	20,766
Less: Accum. Deprn.	3,275	4,405	5,471	6,634	8,005	9,523	11,277
Net Fixed Assets	**7,409**	**7,241**	**7,205**	**7,632**	**8,261**	**8,744**	**9,489**
Capital WIP	690	846	967	2,075	2,045	2,015	2,015
Total Investments	**1,500**	**1,927**	**2,859**	**5,427**	**5,427**	**5,427**	**5,427**
Curr. Assets, Loans, and Adv.	**7,790**	**8,257**	**9,978**	**9,880**	**13,360**	**18,086**	**23,384**
Inventory	71	85	50	106	124	144	166
Account Receivables	5,110	5,083	5,609	6,006	7,411	9,372	10,777
Cash and Bank Balances	395	745	1,846	956	2,337	4,497	7,758
Cash	341	679	1,699	831	2,213	4,372	7,633
Bank Balance	55	66	66	147	147	147	147
Loans and Advances	124	12	12	12	13	16	18
Others	2,089	2,333	2,461	2,800	3,476	4,058	4,666
Current Liab. and Prov.	**2,565**	**2,379**	**2,595**	**2,812**	**3,155**	**3,683**	**4,236**
Account Payables	759	851	760	657	741	865	995
Other Current Liabilities	1,719	1,276	1,552	1,838	2,059	2,404	2,764
Provisions	86	251	283	317	355	415	477
Net Current Assets	**5,225**	**5,878**	**7,383**	**7,068**	**10,205**	**14,403**	**19,149**
Application of Funds	**14,823**	**15,891**	**18,414**	**22,202**	**25,938**	**30,588**	**36,080**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	20.8	37.6	41.6	45.8	52.6	64.5	75.4
EPS growth (%)	5.2	80.8	10.7	10.1	14.8	22.6	16.9
Cash EPS	32.8	52.2	57.3	62.5	70.4	84.1	98.1
BV/Share	151.7	185.5	220.7	259.9	309.0	370.0	441.8
DPS	2.5	2.5	7.0	7.0	3.5	3.5	3.5
Payout (Incl. Div. Tax, %)	13.1	6.7	17.0	15.4	6.7	5.4	4.6
Valuation (x)							
P/E	50.2	27.7	25.0	22.7	19.8	16.2	13.8
Cash P/E	31.8	20.0	18.2	16.7	14.8	12.4	10.6
EV/EBITDA	31.1	19.1	18.0	18.4	15.2	12.1	9.9
EV/Sales	2.9	2.4	2.0	1.9	1.6	1.4	1.1
P/BV	6.9	5.6	4.7	4.0	3.4	2.8	2.4
Dividend Yield (%)	0.2	0.2	0.7	0.7	0.3	0.3	0.3
Return Ratios (%)							
RoE	14.5	22.0	20.1	18.7	18.2	18.8	18.4
RoCE	12.4	19.6	19.3	18.0	17.4	18.0	17.8
RoIC	11.6	21.0	21.0	19.0	20.1	21.9	22.5
Working Capital Ratios							
Fixed Asset Turnover (x)	2.6	2.9	3.0	3.0	3.0	3.0	3.1
Asset Turnover (x)	1.9	2.0	2.1	1.8	1.7	1.7	1.7
Inventory (Days)	1	1	0	1	1	1	1
Debtors (Days)	67	57	54	54	60	65	65
Creditors (Days)	10	10	7	6	6	6	6
Leverage Ratio (x)							
Net Debt/Equity ratio	0.2	0.0	-0.1	0.0	0.0	-0.1	-0.2

Consolidated Cash Flow Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,743	3,305	3,640	3,881	3,862	4,845	5,661
Depreciation	928	1,130	1,214	1,285	1,372	1,517	1,754
Direct Taxes Paid	52	-494	-186	-389	-541	-678	-792
(Inc.)/Dec. in WC	232	-163	-729	-985	-1,712	-2,048	-1,495
Other Items	93	-98	-332	-798	-363	-419	-479
CF from Operations	**3,047**	**3,680**	**3,607**	**2,994**	**2,618**	**3,217**	**4,648**
(Inc.)/Dec. in FA	-1,241	-707	-1,530	-2,417	-1,970	-1,970	-2,500
Free Cash Flow	**1,807**	**2,973**	**2,077**	**577**	**648**	**1,247**	**2,148**
Change in Investments	-17	-28	-69	-2,293	0	0	0
Others	196	-27	-333	672	413	492	545
CF from Investments	**-1,062**	**-762**	**-1,931**	**-4,038**	**-1,557**	**-1,478**	**-1,955**
Change in Equity	40	34	35	35	0	0	0
Inc./(Dec.) in Debt	-1,419	-2,148	6	848	-50	-50	-50
Dividends Paid	-96	-410	-543	-549	-270	-270	-270
Others	-302	-56	-153	-158	640	740	888
CF from Fin. Activity	**-1,776**	**-2,580**	**-655**	**176**	**320**	**420**	**568**
Inc./(Dec.) in Cash	**209**	**338**	**1,021**	**-868**	**1,381**	**2,159**	**3,261**
Opening Balance	132	341	679	1,699	831	2,213	4,372
Closing Balance	**341**	**679**	**1,699**	**831**	**2,213**	**4,372**	**7,633**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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