

TRANSPORT CORPORATION OF INDIA

Rating: ◀▶ | Target price: ▼ | EPS: ▶▶

CMP
Rs. 991

Target Price
Rs. 1,200

Rating
BUY



ONE YEAR OUTLOOK

Business & Earnings ▶▶

- Maintain our BUY rating with a target price of Rs. 1,200. TRPC is expected to benefit from: 1) scale up of new client contracts, coupled with steady automotive demand, driving growth in supply chain segment (SCS), 2) sustained demand for coastal shipping, & 3) increasing LTL contribution in freight segment (~40% by FY26E).
- In 3QFY25, Seaways revenue grew 9% YoY, led by steady demand, lack of dry docks and steady freight rates. EBIT margins expanded by 150bps QoQ to 32.7%. TRPC had paid Rs. 650mn as advance for two new ships with 7,300 DWT capacity each. The delivery is anticipated in early 2027. Penciling in revenue & EBITDA CAGR of 16%/18% (FY24-27E). Further benefits would be contingent on the addition of second-hand ships to cater to incremental demand.
- SCS segment revenue grew 13% 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% (FY24-27E).
- Freight division is likely to benefit from: 1) higher LTL contribution (40% by FY26E from 36% in 9MFY25), 2) shift in volumes from unorganized sector, and 3) growth in multimodal logistics. Expect network expansion-led incremental volumes to drive revenue/EBITDA CAGR (FY24-27E) of 8%/4%.

Valuation Multiples ▼

- Valuing TRPC based on SOTP (page 6) to arrive at TP of Rs. 1,200 (Sep-26). Our multiple factors in back-ended benefits of seaways capacity addition in FY27 (12x EV/EBITDA) and sustained customer wins across supply chain segment (19x EV/EBITDA). Despite FY25-27 capex of ~Rs. 11bn (incl. new ships), avg RoCE at 18%.

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	25	19	21
FY24	36,138	10.8	3,282	42.1	24	20	19
FY25E	39,654	10.8	3,896	50.0	20	18	20
FY26E	43,626	10.9	3,934	50.4	20	16	18
FY27E	48,994	11.7	4,659	59.7	17	14	18

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, longstanding 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) enables 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 50% (incl. dividends).

KEY ESTIMATES REVISION

	FY25E			FY26E		
	Old	New	Change	Old	New	Change
Sales	39,604	39,654	0%	43,910	43,626	-1%
EBITDA (%)	10.8	10.8	0 bps	11.1	10.9	-20 bps
PAT	3,520	3,896	11%	3,902	3,934	1%
EPS	45.5	50.0	10%	50.5	50.4	0%
Target P/E	Before Results: 21.1			After Results: 23.8		

All figures in Rs.Mn

OUTLOOK REVIEW 3QFY25 28 January 2025

Industry LOGISTICS

Key Stock Data

Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 77bn (\$961mn)
52-wk High-Low	Rs. 1,309-686
3m ADV	Rs. 72mn (\$1mn)
F&O	No

Latest Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoters	68.9	68.8	68.7
Institutions	15.1	15.4	15.7
Public	16.0	15.8	15.6
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
TRPC	-11.9	-6.3	18.5
Sensex	-4.2	-5.8	4.8

RESEARCH ANALYSTS

Mukesh Saraf
mukesh.s@avendusspark.com
+91 44 4344 0041

N.J. Krupashankar
krupashankar.n@avendusspark.com
+91 44 4344 0098

Quarterly Financial Statement

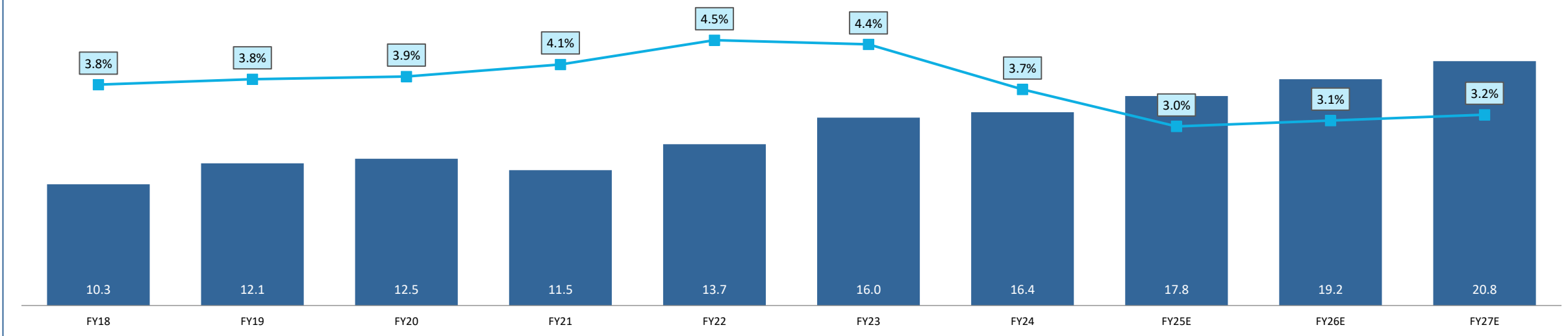
- Standalone Revenue came in at Rs. ~10.0bn, +10% YoY and -1% QoQ.
- Freight segment reported revenues of Rs. 4.4bn, +10% YoY and 1% QoQ. The segment's EBIT margins at 2.4%, was down 49bps QoQ.
- Supply Chain segment reported revenues at Rs. 4.1bn, +13% YoY and -1% QoQ. EBIT margins at 6.3%, was up 27bps QoQ.
- Seaways segment revenues was at Rs. 1.6bn, 9% YoY and -5% QoQ. EBIT margins at 32.7% expanded 152bps QoQ.
- Gross margin at 20.6%, was flat QoQ.
- Employee costs was up 12% YoY at Rs. 609mn while other expenses were down 6% YoY at Rs. 337mn.
- Consequently, EBITDA came in at Rs. 1.1bn, +17% YoY/+1% QoQ. EBITDA margins came in at 11.1%, a sequential increase of 20bps.
- Standalone PAT came in at Rs. 1.2bn, +23% YoY/+43% QoQ.

Standalone Financial Results

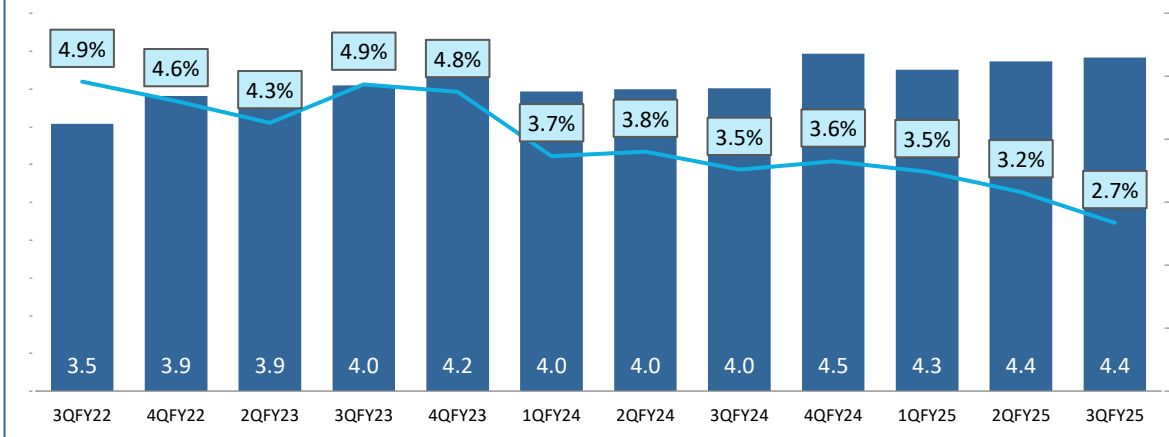
Rs. mn\Period	3QFY25	3QFY24	yoy Growth	2QFY25	qoq Growth	9MFY25	9MFY24	Yoy Growth
Revenue	9,935	8,999	10.4%	9,985	-0.5%	29,314	26,599	10.2%
Operating expense	7,891	7,156	10.3%	7,928	-0.5%	23,284	21,109	10.3%
Emp. cost	609	544	11.9%	602	1.2%	1,803	1,627	10.8%
Other expenses	337	358	-5.9%	362	-6.9%	1,034	987	4.8%
Total Expenditure	8,837	8,058	9.7%	8,892	-0.6%	26,121	23,723	10.1%
EBITDA	1,098	941	16.7%	1,093	0.5%	3,193	2,876	11.0%
Margin %	11.1%	10.5%	60 bps	10.9%	11 bps	10.9%	10.8%	8 bps
D&A	274	307	-10.7%	267	2.6%	805	900	-10.6%
EBIT	824	634	30.0%	826	-0.2%	2,388	1,976	20.9%
Other income	487	446	9.2%	135	260.7%	1,072	841	27.5%
Net Interest exp (inc)	43	25	72.0%	34	26.5%	107	77	39.0%
PBT	1,268	1,055	20.2%	927	36.8%	3,353	2,740	22.4%
Tax provision	86	96	-10.0%	102	-15.7%	294	278	5.9%
Tax rate %	6.8%	9.1%	-25.2%	11.0%	-422 bps	8.8%	10.1%	-136 bps
PAT (Reported)	1,182	959	23.2%	825	43.3%	3,059	2,462	24.2%
PAT (Adjusted)	1,182	959	23.2%	825	43.3%	3,059	2,462	24.2%
Adjusted PAT Margin %	11.9%	10.7%	124 bps	8.3%	363 bps	10.4%	9.3%	118 bps
Shares Outstanding	78	78		78		78	78	
EPS (Reported)	15.2	12.3	23.9%	10.6	44.1%	39.2	31.6	24.2%
EPS (Adjusted)	15.2	12.3	23.9%	10.6	44.1%	39.2	31.6	24.2%

Freight segment to benefit from higher LTL contribution

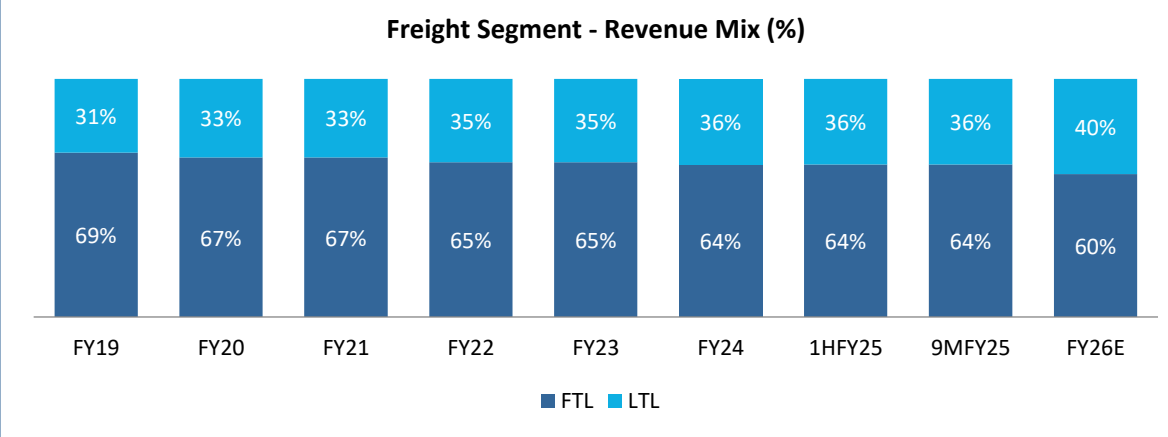
Freight Revenue CAGR estimated at 8% through FY24-26E driven by underlying macro-led FTL growth; Margin expansion led by emphasis on increasing LTL contribution



Seasonal weakness in operations



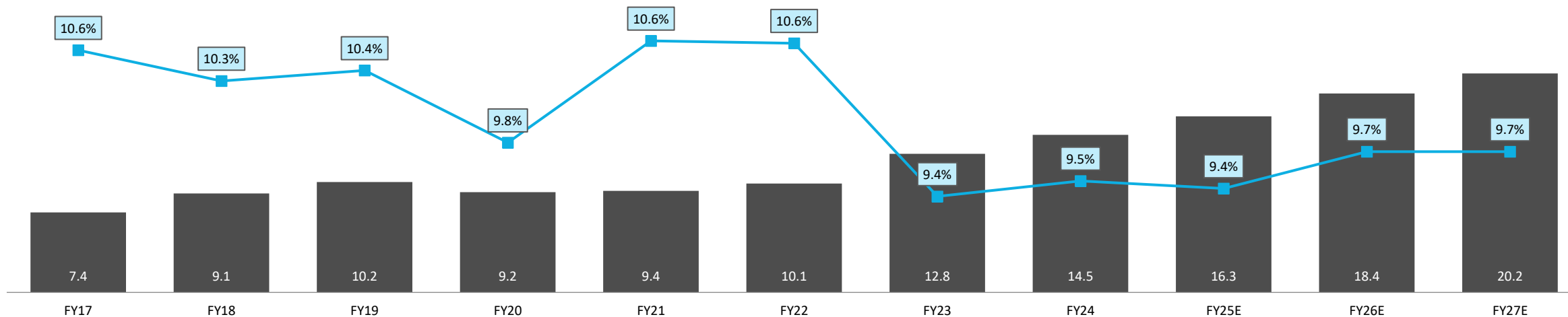
LTL contribution likely to reach 40% by FY26E, a growth of 3% CAGR through FY20-26E



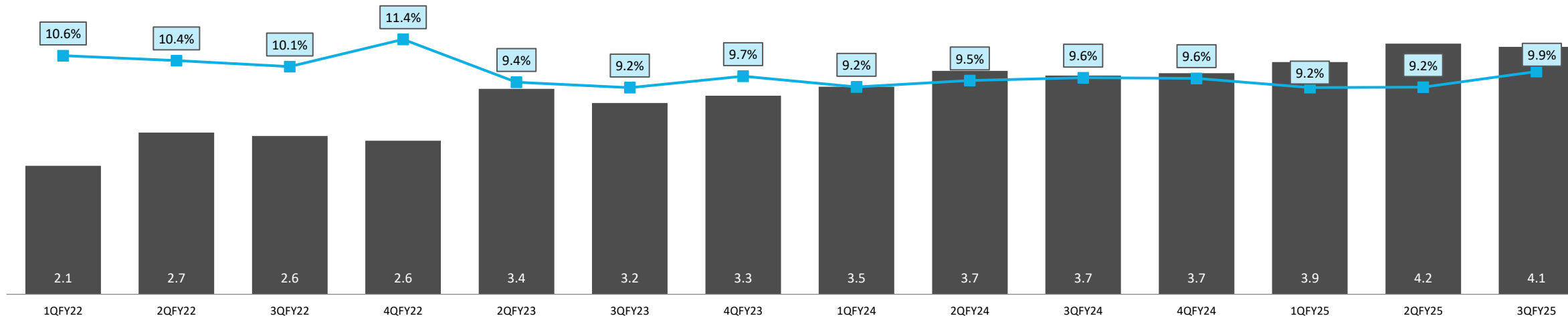
Source – Avendus Spark

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



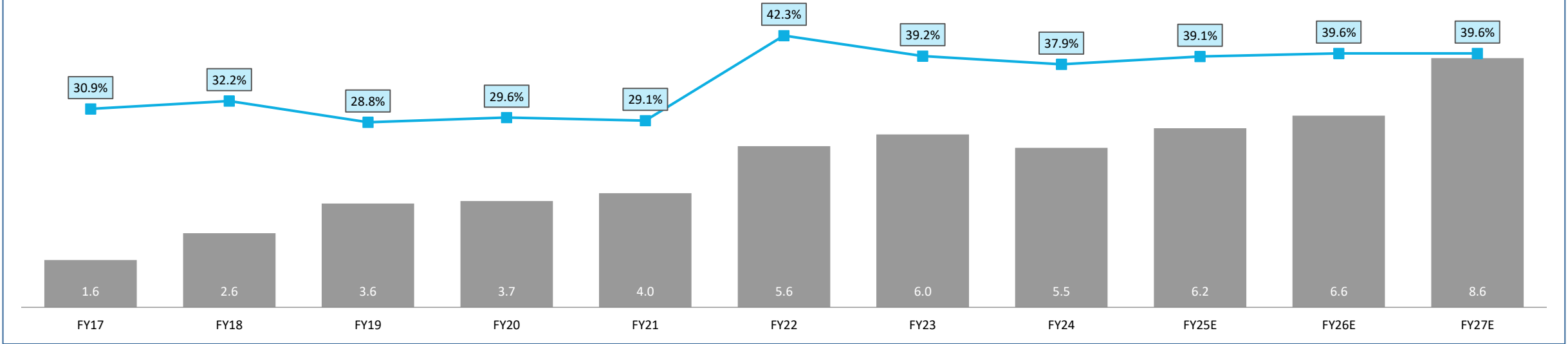
Growth momentum continued amidst retention and expansion of clients and new business acquisitions



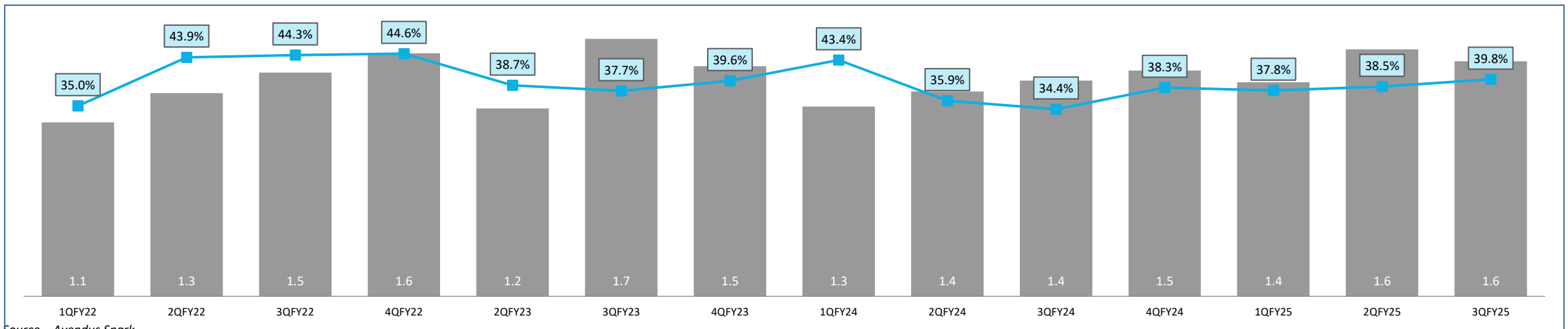
Source – Avendus Spark

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 10% 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	50	3,839	6x Sep-26e EV/EBITDA
TCI SCS	462	35,712	19x Sep-26e EV/EBITDA
TCI Seaways	469	36,249	12x Sep-26e EV/EBITDA
Others	1	58	2x Sep-26e EV/EBITDA
Net Cash(Net Debt)		-57	
Value from TCI	980	75,801	80.4% of Total
Value from JV	239	18,274	19.6% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	1,218	94,076	

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	39,654	43,626	48,994	55,265
Gross profit	4,888	4,864	4,782	6,498	7,164	7,438	8,156	9,235	10,616	12,251
EBITDA	2,442	2,335	2,479	3,904	4,050	3,911	4,293	4,746	5,744	6,998
Depreciation	752	777	881	1,076	1,168	1,205	1,080	1,118	1,303	1,563
EBIT	1,690	1,558	1,598	2,829	2,883	2,706	3,213	3,627	4,441	5,435
Other Income	269	283	352	311	638	996	1,184	989	1,006	1,008
Interest expense	356	324	248	109	82	105	145	145	152	167
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	4,251	4,471	5,294	6,275
Reported PAT (after minority interest)	1,276	1,264	1,348	2,674	3,035	3,282	3,896	3,934	4,659	5,522
Adj PAT	1,276	1,264	1,348	2,674	3,035	3,282	3,896	3,934	4,659	5,522
EPS (Rs.)	16.7	16.5	17.6	34.6	39.2	42.1	50.0	50.4	59.7	70.8
Balance Sheet										
Net Worth	8,370	9,500	10,804	13,131	15,677	18,477	20,245	23,635	27,750	32,729
Total debt	4,496	4,083	2,735	765	846	1,318	1,508	1,408	1,612	1,612
Other liabilities and provisions	1,290	1,263	1,375	1,491	1,697	1,744	1,883	2,041	2,253	2,501
Total Networth and liabilities	14,546	15,109	15,177	15,634	18,474	21,830	23,927	27,375	31,906	37,133
Gross Fixed assets	11,917	13,159	14,305	15,382	16,410	18,013	21,263	23,463	28,663	33,863
Net fixed assets	7,055	7,521	7,786	7,787	7,648	8,046	10,216	11,297	15,194	18,830
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	167	1,699	1,208	1,482
Loans & advances and other assets	2,221	2,324	2,223	2,237	2,526	2,811	2,933	3,227	3,624	4,088
Net working capital	4,170	3,982	3,951	3,959	4,626	4,911	5,389	5,929	6,658	7,510
Total assets	14,546	15,109	15,177	15,634	18,474	21,830	23,927	27,375	31,906	37,133
Capital Employed	13,256	13,846	13,802	14,142	16,777	20,086	22,044	25,334	29,653	34,632
Invested Capital (CE - cash - CWIP)	13,094	13,452	13,442	13,489	14,824	18,160	20,790	22,548	27,359	32,063
Net debt	4,375	3,905	2,427	184	-847	479	1,341	-291	404	131
Cash Flow										
Cash flows from Operations (Pre-tax)	2,060	2,748	2,976	3,993	3,591	3,527	4,871	4,913	5,684	6,771
Cash flows from Operations (post-tax)	1,729	2,353	3,043	3,556	3,415	3,166	4,516	4,376	5,048	6,018
Capex	1,046	1,289	1,129	678	1,451	2,039	3,250	2,200	5,200	5,200
Free cashflows	682	1,064	1,914	2,878	1,964	1,127	1,266	2,176	-152	818
Free cashflows (post interest costs)	327	741	1,667	2,769	1,882	1,022	1,121	2,031	-304	651
Cash flows from Investing	-1,481	-1,346	-959	-727	-1,854	-3,683	-3,250	-2,200	-5,200	-5,200
Cash flows from Financing	-255	-970	-1,941	-2,567	-514	-330	-1,938	-644	-340	-544
Total cash & liquid investments	122	178	308	581	1,693	839	167	1,699	1,208	1,482

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	17,812.7	19,237.7	20,776.7	22,438.9
SCS Segment Revenue	10,189.0	9,249.5	9,376.4	10,051.9	12,803.7	14,538.0	16,258.1	18,371.7	20,208.8	22,229.7
Seaways Segment Revenue	3,593.4	3,677.4	3,952.8	5,577.8	5,989.5	5,526.0	6,202.8	6,637.0	8,628.2	11,216.6
Growth ratios (%)										
Revenue	17.5	-1.8	-2.4	18.5	18.0	5.4	9.7	10.0	12.3	12.8
EBITDA	17.2	-4.4	6.2	57.5	3.7	-3.4	9.8	10.5	21.0	21.8
Adj PAT	23.0	-1.0	6.6	98.4	13.5	8.1	18.7	1.0	18.4	18.5
Margin ratios (%)										
Gross	19.1	19.4	19.5	22.4	20.9	20.6	20.6	21.2	21.7	22.2
EBITDA	9.5	9.3	10.1	13.4	11.8	10.8	10.8	10.9	11.7	12.7
Adj PAT	5.0	5.0	5.5	9.2	8.9	9.1	9.8	9.0	9.5	10.0
Performance ratios										
Pre-tax OCF/EBITDA (%)	84	118	120	102	89	90	113	104	99	97
OCF/IC (%)	13	17	23	26	23	17	22	19	18	19
RoE (%)	17	14	13	22	21	19	20	18	18	18
RoCE (%)	13	12	12	20	20	18	19	17	17	18
RoCE (Pre-tax) (%)	16	14	14	22	23	20	21	19	20	20
Fixed asset turnover (x)	2.3	2.0	1.8	2.0	2.2	2.1	2.0	2.0	1.9	1.8
Total asset turnover (x)	1.9	1.7	1.6	1.9	2.0	1.8	1.7	1.7	1.7	1.6
Financial stability ratios										
Net Debt to Equity (x)	0.5	0.4	0.2	0.0	-0.1	0.0	0.1	-0.0	0.0	0.0
Net Debt to EBITDA (x)	1.8	1.7	1.0	0.0	-0.2	0.1	0.3	-0.1	0.1	0.0
Interest cover (x)	5	7	12	33	41	30	31	30	33	36
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	78	78	78	78	78
Market cap (Rs.mn)			77,294							
P/E (x)	59	60	52	29	25	24	20	20	17	14
P/Sales (x)	3.3	3.3	3.4	2.9	2.4	2.3	2.1	1.9	1.7	1.5
EV (Rs.mn) (ex-CWIP)	81,629	80,983	79,722	77,478	76,447	77,773	78,635	77,003	77,699	77,425
EV/ EBITDA (x)	33	35	32	20	19	20	18	16	14	11
EV/ OCF(x)	47	34	26	22	22	25	17	18	15	13
FCF Yield (%)	0.8	1.4	2.1	3.7	2.5	1.4	1.6	2.8	-0.2	1.1
Price to BV (x)	9	8	7	6	5	4	4	3	3	2
Dividend yield (%)	0.2	0.2	0.1	0.5	0.7	0.7	0.2	0.7	0.7	0.7
Dividend pay-out (%)	11	12	6	15	18	17	4	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%	8%
EBITDA margin	7.6%	9.4%	11.6%
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%	100%
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%	19.8%
RoCE (%)	10.9%	12.6%	18.7%
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	751	6.0	4,505
TCI SCS	2,166	17.0	36,822
TCI Seaways	4,439	12.0	53,270
Others	29	2.0	58
Net Debt (Rs.mn)			131
Mkt Cap (Rs.mn)			94,525
Standalone TP			1,223
JV and Subs (Transystem, TCI Concor, Cold Chain)			241
Dividend			23
Target Price			1,487

Entry = Rs. 991 @ 19.6x FY26E P/E

Cumulative Dividends of Rs. 23/share

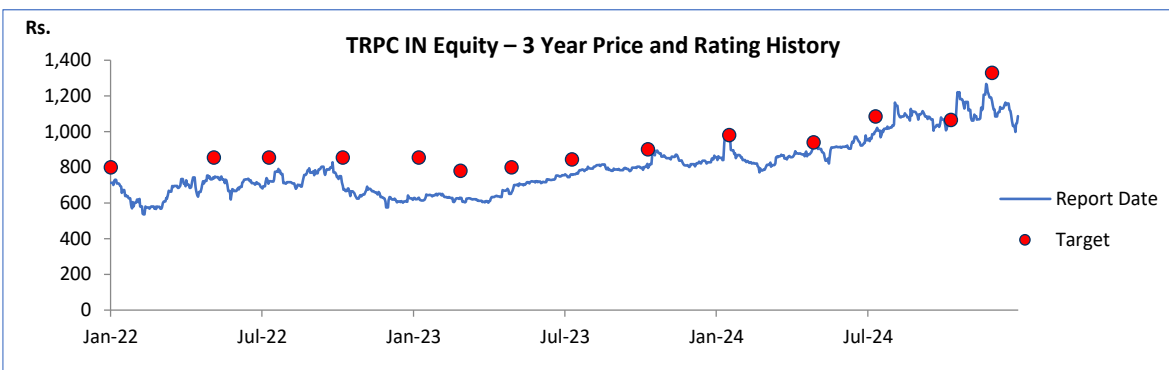
EPS CAGR of ~12%, implied exit multiple of 20.7x on FY28E P/E

Total Return of 50%

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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16-Dec-24	1,191	1,330	BUY
28-Oct-24	1,040	1,065	ADD
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

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