



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

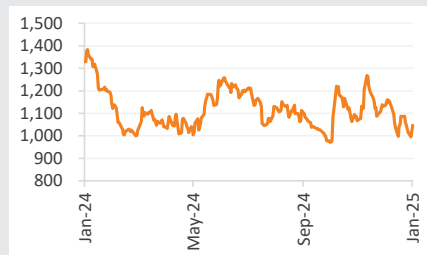
Company details

Market cap:	Rs. 8,029 cr
52-week high/low:	Rs. 1302/686
NSE volume: (No of shares)	0.6 lakh
BSE code:	532349
NSE code:	TCI
Free float: (No of shares)	2.4 cr

Shareholding (%)

Promoters	68.7
FII	3.4
DII	12.3
Others	15.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-9.5	7.2	-14.1	-21.6
Relative to Sensex	-7.7	11.1	-8.4	-29.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Transport Corporation of India Ltd

Strong performance in a sluggish environment; Retain BUY

Logistics	Sharekhan code: TCI	
Reco/View: Buy	↔	CMP: Rs. 1,049
		Price Target: Rs. 1,400
	↑ Upgrade	↔ Maintain
		↓ Downgrade

Summary

- We retain BUY on TCI with an unchanged PT of Rs. 1,400, considering its sustained healthy earnings growth trajectory over the next 2-3 years.
- TCI reported slightly higher-than-expected consolidated revenue, led by good growth in SCM and Seaways divisions, while PAT was in line with estimate.
- Management reaffirmed its top-line growth guidance of 10-15% year-over-year for both FY25 and FY26. Bottom-line growth is projected around 20% for FY25 (exceeding previous guidance) and in the high teens for FY26.
- The company would be incurring Rs. 375 crore capex in FY2025 and 350-375 crore for FY2026.

Transport Corporation of India Limited (TCI) reported higher-than-estimated consolidated revenue at Rs. 1,147 crore (up 14.5% y-o-y), driven by growth in SCM (12.9% y-o-y), while freight (up 8.8% y-o-y) remained soft as expected and Seaways revenue (up 9% y-o-y). For the 9M FY25 Concor JV/cold chain/Transystem reported strong revenue growth of 37%/19%/20% y-o-y, respectively. Consolidated OPM of 10.3% beats our estimate of 9.8%, owing to higher contribution from the high-margin Seaways business (OPM up 158bps q-o-q to 42.1%) due to favorable international freight rates. Freight business continued to experience pressure (OPM down 53 bps q-o-q to 2.7%) due to weaker LTL segment resulting from weak SME demand. The SCM OPM at 10% (up 70 bps q-o-q) as growth momentum continues and the pipeline remain strong. Consolidated adjusted net profit at Rs. 101 crore (up 27% y-o-y) came in line our estimates. Management has reiterated its top-line growth guidance of 10-15% y-o-y for both FY25 and FY26. Bottom-line growth is projected at around 20% for FY25 (exceeding previous guidance) and in the high teens for FY26. The company would be incurring Rs. 375 crore capex in FY2025 and Rs. 350-375 crore for FY26.

Key positives

- Expects Consistent growth of 10-15% in the Supply Chain Solutions segment QoQ, as the pipeline remains strong, especially for warehousing and transportation services.
- Concor JV/cold chain/Transystem reported strong 9MFY25 revenue growth of 37%/19%/20% y-o-y.

Key Negatives

- Consistent competitive pressure in the freight sector, primarily from MSMEs. The weaker LTL segment has contributed to margin contraction in the freight division.
- Some Industrial sectors, such as paints, plywood, and electrical equipment, are holding back growth.

Management Commentary

- The company forecasts 10-15% top-line growth for FY25 and FY26. FY25 bottom-line growth is projected around 20%, with FY26 bottom-line growth is expected to be in the high teens.
- TCI has planned Capex of Rs. 375 crores for the FY '25 and expects a similar amount for FY '26, with an anticipated Capex of Rs. 350-375 crores per year going forward.
- The company has two new ships on order from China, which will be available in FY '27 and is expected to drive earnings for Seaways business.
- The company plans to expand its branch network to 100 locations over the next year, targeting around 50 branches by the end of the FY25 and adding another 50-60 branches in the FY26.

Revision in estimates – We have fine-tuned our net earnings estimates for FY2025-FY2027.

Our Call

Valuation – Retain BUY with an unchanged PT of Rs. 1,400: TCI is expected to see strong demand from its supply chain management (SCM) and Seaways businesses, while its joint venture operations are also expected to remain strong. Further, the addition of two new ships in Seaways is expected to drive earnings from FY2027, while it continues to scout for second-hand ships. TCI's multi-modal capabilities and exposure to almost all major end-user industries place it in a much more comfortable position vis-à-vis peers. The stock is currently trading at a P/E of ~17x/15x its FY2026E/FY2027E earnings. We retain BUY on the stock with an unchanged price target (PT) of Rs. 1,400, considering its healthy earnings growth trajectory over the next 2-3 years.

Key Risks

A sustained weak macroeconomic and auto industry environment can lead to a downward revision in net earnings.

Valuation (Consolidated)

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	4,024.20	4,511.89	5,039.80	5,734.33
OPM (%)	10%	10%	11%	11%
Adjusted PAT	353.2	422.3	487.4	553.8
YoY growth (%)	10%	20%	15%	14%
Adjusted EPS (Rs.)	45.7	54.6	63.1	71.7
P/E (x)	23.0	19.2	16.6	14.6
P/B (x)	4.0	3.4	2.8	2.4
EV/EBITDA (x)	18.4	16.1	14.1	12.3
RoNW (%)	19.1	19.2	18.5	17.7
RoCE (%)	12.5	12.5	11.9	11.6

Source: Company; Mirae Asset Sharekhan estimates

Key Conference Call Takeaways

- ◆ **Guidance:** The company forecasts 10-15% top-line growth for FY25 and FY26. FY25 bottom-line growth is projected around 20%, with FY26 bottom-line growth is expected to be in the high teens.
- ◆ **Sectors:** Some Industrial sectors, such as paints, plywood, and electrical equipment, are holding back growth. The H1FY '26 might be weak, but there is optimism for a stronger festival season, which should contribute to growth in the latter H1FY 26.
- ◆ **Expansion & Diversification:** TCI has introduced a new entity, TCI Chemlog, which focuses on logistics solutions for the chemical industry. The company has also expanded into new sectors like renewable energy, specifically logistics for solar equipment.
- ◆ **Warehousing & Freight Business:** There has been growth in warehousing and transportation, with a strong pipeline of contracts. However, the freight business, which focuses on road transport, has seen some slowdown due to weaker MSMEs. While the LTL segment, which currently contributes 36% to the freight business, has not grown as expected, TCI remains optimistic about its future potential and aims to capture 40% of the LTL segment by fiscal year 2026. LTL has higher margins (20%) compared to FTL (10%).
- ◆ **Joint Ventures:** For the 9M FY25 Concor JV/cold chain/Transystem reported strong revenue growth of 37%/19%/20% y-o-y, respectively. Concor JV operates a multimodal logistics system, combining road and rail services for clients.
- ◆ **Second-hand Ship Market:** The second-hand ship market remains a challenge, as ship prices have not decreased as expected. However, TCI is still looking to purchase second-hand ships in FY '26, with a budget of Rs. 125-150 crores, possibly in Q3 or Q4. The company has two new ships on order from China, but these will not be delivered until mid-2026, so they will not impact FY '26, but will be available in FY '27.
- ◆ **Seaway Division:** If older ships are retired, TCI plans to replace them with second-hand ships in FY '26 and potentially new ships in FY '27. The company is also considering purchasing larger, new ships for FY '28, keeping options open for future growth and expansion.
- ◆ **Supply Chain Solutions:** TCI expects consistent growth of 10-15% in the Supply Chain Solutions segment QoQ, as the pipeline remains strong, especially for warehousing and transportation services. However, significant EBIT margin growth is not expected in the short term.
- ◆ **Contracts:** The company has secured several contracts in quick-commerce, FMCG, e-commerce, automobile spare parts, consumer durables, and other sectors. Some contracts have already begun contributing to revenue this quarter, and more will follow in Q4 and beyond.
- ◆ **Branch Network:** The company plans to expand its branch network to 100 locations over the next year, targeting around 50 branches by the end of the FY25 and adding another 50-60 branches in the FY26.
- ◆ **Capex:** TCI has planned Capex of Rs. 375 crores for the FY '25 and expects a similar amount for FY '26, with an anticipated Capex of Rs. 350-375 crores per year going forward.
- ◆ **Automotive Business:** The automotive business has seen growth, with two-wheelers and tractors performing well, while four-wheelers have experienced moderate growth. The shift to EVs is positively contributing to growth in both four-wheelers and two-wheelers. Auto constitutes about 80% of the Supply Chain Solutions business.
- ◆ **Ship Maintenance:** One ship is scheduled for dry dock in March, with a capacity of 10,000 DWT. This will result in a slight capacity loss, but the ship is expected to return to service in April. New ships will arrive in mid-2026, but their revenue impact will be realized in FY '27. Two smaller ships will go for dry dock in FY '26, resulting in some capacity loss.
- ◆ **Drone Technology:** The company is not currently exploring drone technology for B2B deliveries, as drones are typically used for direct-to-consumer deliveries, which do not align with TCI's business model.

Results (Consolidated)

Rs cr

Particulars	Q3FY25	Q3FY24	y-o-y %	Q2FY25	q-o-q %
Net sales	1147.1	1002.0	14.5%	1120.8	2.3%
Other income	6.8	9.5	-28.4%	10.6	-35.8%
Total income	1153.9	1011.5	14.1%	1131.4	2.0%
Total expenses	1028.6	902.1	14.0%	1003.7	2.5%
Operating profit	118.5	99.9	18.6%	117.1	1.2%
Depreciation	30.5	33.1	-7.9%	29.1	4.8%
Interest	5.9	3.5	68.6%	4.6	28.3%
Exceptional items	0.0	0.0		0.0	
Profit Before Tax	88.9	72.8	22.1%	94.0	-5.4%
Taxes	9.3	10.8	-13.9%	10.9	-14.7%
PAT	79.6	62.0	28.4%	83.1	-4.2%
Minority Interest/(JV income)	-21.3	-17.4	NA	-23.3	-NA
Adjusted PAT	100.9	79.4	27.1%	106.4	-5.2%
EPS (Rs.)	13.1	10.3	27.1%	13.8	-5.2%
Margins					
OPM (%)	10.3%	10.0%	36 bps	10.4%	-12 bps
NPM (%)	8.8%	7.9%	87 bps	9.5%	-70 bps
Tax rate (%)	10.5%	14.8%	-437 bps	11.6%	-113 bps

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Strong growth outlook led by changing consumer preferences and macro pick-up

Indian logistics industry which is estimated to grow at an impressive CAGR of around 7.85% from the present US\$ 282.3 Bn to US\$ 563 Bn by 2030. Logistics costs in India are among some of the highest in the world. The Government has envisioned to reduce logistics costs as a share of GDP between 8% - 10%, by 2030 from the current 14%. Also, under its VISION 2047 for VIKSIT BHARAT, the Government of India aims to revamp the logistics sector in India by augmenting the transport network across all the vital modes of transport. Further, the third-party logistics (3PL) industry has seen a faster improvement in operations, led by segments such as e-commerce, pharma, and FMCG.

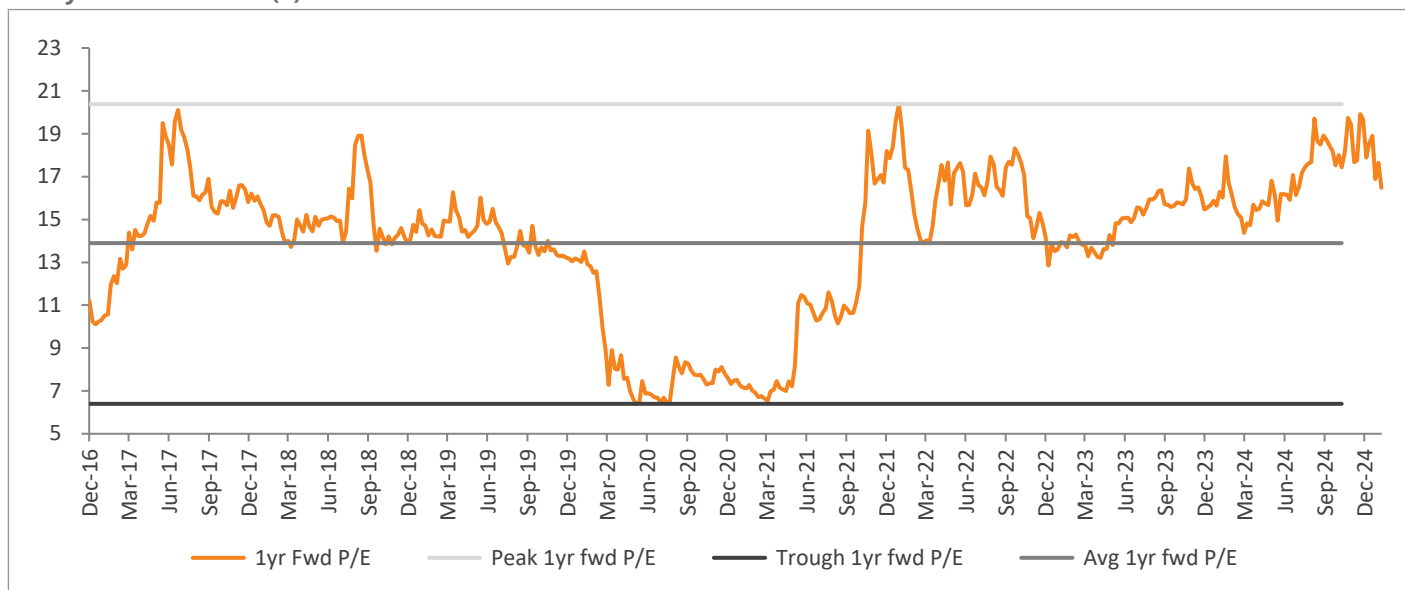
■ Company Outlook – Multi-modal capabilities a distinctive advantage

TCI has strong long-term growth potential as it operates in a fragmented and highly unorganised logistics industry. The company's presence in multi-modal logistics and supply-chain businesses, with over six decades of experience, gives it a distinctive advantage to capture the high-growth potential in the logistics sector. The growing demand for providers who can offer both Full Truck Load (FTL) and Less than Truck Load (LTL) services seamlessly. TCI Freight's capability to provide comprehensive solutions for both FTL and LTL shipments under one roof positions it as a preferred choice for businesses looking to streamline their transportation needs. TCI is expected to benefit from the government's thrust on AtmaNirbhar Bharat, and global supply chain re-alignments. We expect TCI to be on a long-term growth trajectory, driven by positive sectoral fundamentals and its inherent strengths and capabilities.

■ Valuation – Retain BUY with an unchanged PT of Rs. 1,400

TCI is expected to see strong demand from its supply chain management (SCM) and Seaways businesses, while its joint venture operations are also expected to remain strong. Further, the addition of two new ships in Seaways is expected to drive earnings from FY2027, while it continues to scout for second-hand ships. TCI's multi-modal capabilities and exposure to almost all major end-user industries place it in a much more comfortable position vis-à-vis peers. The stock is currently trading at a P/E of ~17x/15x its FY2026E/FY2027E earnings. We retain BUY on the stock with an unchanged price target (PT) of Rs. 1,400, considering its healthy earnings growth trajectory over the next 2-3 years.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

TCI is India's leading integrated supply chain and logistics solutions provider with over six decades of experience. The company has an extensive pan-India network present across major districts. TCI has 15+ mn. sq. ft. of warehousing space. The company has three broad business verticals. TCI Freight transports cargo on FTL/ LTL/ small packages and consignments/over-dimensional cargo. TCI Supply Chain Solutions: The core service offerings are supply chain consultancy, inbound logistics, warehousing/distribution centre management, and outbound logistics. TCI Seaways: TCI Seaways owns six ships and caters to coastal cargo requirements for transporting containers and bulk cargo.

Investment theme

TCI has strong long-term growth potential as it operates in a fragmented and highly unorganised logistics industry. The company's presence in multi-modal logistics and the supply chain business with over six decades of experience gives it a distinctive advantage to capture the high-growth potential in the logistics sector. The growing demand for providers who can offer both Full Truck Load (FTL) and Less than Truck Load (LTL) services seamlessly. TCI Freight's capability to provide comprehensive solutions for both FTL and LTL shipments under one roof positions it as a preferred choice for businesses looking to streamline their transportation needs. We expect TCI to be on a long-term growth trajectory, driven by positive sectoral fundamentals and its inherent strengths and capabilities.

Key Risks

- ◆ Slowdown in the macro economy, leading to a weak logistics industry outlook.
- ◆ High concentration on the automotive industry.
- ◆ Highly competitive industry.

Additional Data

Key management personnel

D. P. Agarwal	Chairman and Managing Director
Vineet Agarwal	Managing Director
Ashish Tiwari	Group Chief Financial Officer
Archana Pandey	Company Secretary and Compliance Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Asset Management Co Ltd	8.11
2	INVESTOR EDUCATION & PROTECTN FD	1.48
3	Tata Asset Management Pvt Ltd	1.46
4	Bang Nirmal Mishrilal	1.13
5	Dimensional Fund Advisors LP	0.86
6	LIC Mutual Fund Asset Management C	0.57
7	Sundaram Asset Management Co Ltd	0.45
8	Blackrock Inc	0.23
9	IDFC Mutual Fund/India	0.21
10	Sethi Jasjit Singh	0.15

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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