

Retail Equity Research
Transport Corporation of India Ltd.

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 79,706

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs.1,016 TARGET Rs. 1,169 RETURN 15% ↑
(Closing: 09-08-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Growth outlook stable...margins to improve

Transport Corporation of India Ltd. (TCI) is one of the largest integrated players in the organised logistics industry. Key business segments include freight, supply chain, warehousing solutions, & shipping services.

- Revenue grew by a healthy 10% YoY, which was in line with our expectations, led by supply chain and seaway businesses, which reported healthy double-digit growth.
- EBITDA was flat at 3.0% YoY, and margins dipped by 70bps YoY to 9.9% on account of a higher fuel costs and lower freight business.
- Net profit grew by 10% YoY, led by a higher share of profits from JV and other income.
- We anticipate stable volumes in freight, E-commerce, and supply chain businesses led by restocking ahead of festive, while seaway business is showing signs of gradual revival.
- We expect PAT to grow at a 17.3% CAGR over FY24-26E, with stable margins of ~10.5%.
- We value TCI at a P/E of 19x on FY26E, given the healthy earnings outlook and return ratios; hence, we maintain an Accumulate rating on the stock with a target price of Rs.1,169.

Double digit growth....FY25 outlook positive

In Q1FY25, TCI achieved a healthy 10% YoY revenue growth, fuelled by a 13% YoY increase in supply chain business driven by strong automotive sector volumes and the good traction of multimodal services. The trend of double-digit growth in supply chain divisions is expected to continue. Freight division revenue saw a modest growth of 8% YoY, as MSME growth was soft; hence, LTL business was impacted. The Seaway division saw a healthy 13% YoY growth despite 2 ships being at dry dock, attributable to firming up of rates and better volumes. Going ahead, TCI has placed an order for 2 vessels with an expected delivery schedule near the end of FY26, which is expected to drive growth in the long term. TCI's capex plans stand at Rs. 375cr. The long-term growth prospects for the sector remain strong, driven by strong economic growth, government infrastructure spending, and e-commerce penetration. Management has guided revenue and profit to grow by 10-15%. We anticipate TCI revenue to grow by 15% CAGR over FY24-FY26E.

Margins to remain at 10.5% over FY24-26E

In Q1FY25, TCI's EBITDA remained flat YoY, primarily attributed to a reduced contribution from the freight business and higher operating expenses. Consequently, margins witnessed a contraction of 70bps YoY, to 9.9%. However, Net profit was boosted by strong profitability from the JV business, which grew by 1.2x and higher other income, which was up by 28.2% YoY. We expect healthy growth with a normal monsoon, healthy macros, and a revival in consumption post-elections. However, any meaningful improvement is expected only once the seaway business sees normalization. We maintain our EBITDA margin estimates at 10.5% over FY24-26E. We maintain an optimistic outlook, projecting a robust 17.3% CAGR in PAT over FY24-26E.

Valuations

TCI has well-diversified service offerings, a multi-sectoral presence, and a healthy balance sheet. The long-term outlook for the sector is improving, given strong economic growth prospects, increasing penetration of e-commerce, and GST & E-way bills. We value TCI at a P/E of 19x on FY26E and maintain an Accumulate rating, with a target price of Rs.1,169.

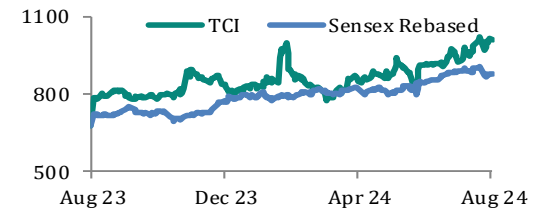
Company Data

Market Cap (cr)	Rs.7,897
Enterprise Value (cr)	Rs.7,949
Outstanding Shares (cr)	7.7
Free Float	30.0%
Dividend Yield	0.92%
52 week high	Rs.1,080
52 week low	Rs.686
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	68.9	68.9	68.9
FII's	2.6	2.7	2.9
MFs/Institutions	12.8	12.2	12.2
Public	14.2	14.7	14.5
Others	1.5	1.5	1.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	10.4%	15.9%	27.8%
Absolute Sensex	7.5%	9.8%	21.5%
Relative Return*	3.0%	6.1%	6.3%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	4,024	4,622	5,300
Growth (%)	4.6	14.9	14.7
EBITDA	411	480	556
EBITDA Margin(%)	10.2	10.5	10.5
PAT Adj.	353	404	478
Growth (%)	10.1	16.4	18.2
Adjusted EPS	45.4	52.0	61.5
Growth (%)	10.0	16.4	18.2
P/E	22.5	19.5	16.5
P/B	3.9	3.4	2.8
EV/EBITDA	19.4	16.6	14.2
ROE (%)	18.7	18.6	18.6
D/E	0.1	0.0	0.0

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	1,045	950	10.0	1,079	-3.1
EBITDA	104	101	3.0	109	-5.1
EBITDA margin	9.9	10.6	-0.7	10.1	-0.2
Depreciation	29	31	-5.8	33	-13.2
EBIT	75	70	6.9	76	-1.6
Interest	4	2	82.6	4	2.4
Other Income	11	9	28.2	17	-33.9
Exceptional Items	-	-	-	-	-
PBT	103	94	9.6	109	-5.4
Tax	11	10	5.8	3	292.9
Share of profit from Associate	21	17	21.3	-	-
Minority Interest	-	-	-	-	-
Reported PAT	92	83	10.1	103	-11.3
Adjustments	-	-	-	-	-
Adjusted PAT	92	83	10.1	103	-11.3
No. of Shares	62.5	62.5	-	62.5	-
EPS (Rs)	11.8	10.7	10.1	13.3	-11.3

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	4,704	5,383	4,622	5,300	(1.7)	(1.5)
EBITDA	495	565	480	556	(3.1)	(1.5)
Margins (%)	10.5	10.5	10.5	10.5	-	-
Adj. PAT	399	467	404	478	1.3	2.4
EPS	51.4	60.0	52.0	61.5	1.2	2.5

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	3,257	3,783	4,024	4,622	5,300
% change	16.2	16.1	6.4	14.9	14.7
EBITDA	409	424	411	480	556
% change	56.5	3.7	-3.2	16.9	16.0
Depreciation	113	121	128	135	156
EBIT	296	303	282	345	401
Interest	13	10	13	18	18
Other Income	20	30	46	48	53
Share of JV	28	44	76	95	120
PBT	330	364	388	470	556
% change	89.6	10.2	6.6	21.1	18.2
Tax	38	43	34	66	78
Tax Rate (%)	11.4	11.9	8.7	14.0	14.0
Reported PAT	290	317	351	404	478
Adj.*	-	(1)	(4)	-	-
Adj. PAT	290	316	347	404	478
% change	23.3	9.1	9.9	16.4	18.2
No. of shares (cr)	7.7	7.8	7.8	7.8	7.8
Adj EPS (Rs)	37.5	40.9	45.1	52.0	61.5
% change	80.3	9.2	10.3	15.3	18.2
DPS (Rs)	5.3	7.0	7.0	7.0	7.0

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	68	170	83	92	140
Accounts Receivable	508	561	601	690	791
Inventories	8	5	11	12	14
Other Cur. Assets	241	262	294	339	389
Investments	193	286	543	673	803
Gross Fixed Assets	1,314	1,347	1,536	1,836	2,111
Net Fixed Assets	798	788	859	1,024	1,143
CWIP	7	26	109	25	30
Intangible Assets	3	3	3	2	2
Def. Tax (Net)	(28)	(30)	(33)	(33)	(33)
Other Assets	-	-	-	-	-
Total Assets	1,799	2,071	2,469	2,825	3,280
Current Liabilities	258	240	253	254	279
Provisions	25	28	32	37	42
Debt Funds	59	71	147	147	147
Other Liabilities	27	30	33	33	33
Equity Capital	15	16	16	16	16
Reserves & Surplus	1,415	1,686	1,988	2,338	2,762
Shareholder's Fund	1,430	1,702	2,004	2,354	2,778
Total Liabilities	1,799	2,071	2,469	2,825	3,280
BVPS	185	219	258	303	357

CASH FLOW

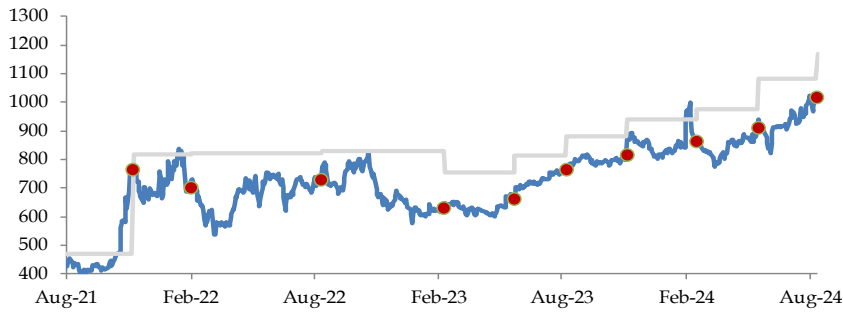
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	406	442	483	539	634
Non-cash adj.	(22)	(8)	(85)	(125)	(155)
Changes in W.C	(16)	(73)	(99)	(130)	(122)
C.F. Operation	368	361	299	284	357
Capital exp.	(71)	(153)	(242)	(216)	(280)
Change in inv.	(3)	(7)	4	(130)	(130)
Other invest.CF	(3)	(33)	(167)	143	173
C.F - Investment	(76)	(193)	(404)	(203)	(237)
Issue of equity	3	4	4	-	-
Issue/repay debt	(226)	(8)	78	-	-
Dividends paid	(41)	(54)	(55)	(54)	(54)
Other finance.CF	6	(7)	(9)	(18)	(18)
C.F - Finance	(258)	(65)	18	(72)	(72)
Chg. in cash	34	102	(87)	9	48
Closing cash	68	170	83	92	140

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	12.6	11.2	10.2	10.4	10.5
EBIT margin (%)	9.1	8.0	7.0	7.5	7.6
Net profit mgn.(%)	8.9	8.4	8.6	8.7	9.0
ROE (%)	22.3	20.2	18.7	18.6	18.6
ROCE (%)	18.3	17.8	14.8	14.1	14.3
W.C & Liquidity					
Receivables (days)	57.1	51.6	52.7	51.0	51.0
Inventory (days)	0.9	0.6	0.7	0.9	0.9
Payables (days)	2.0	2.8	2.9	2.6	2.3
Current ratio (x)	2.9	3.7	3.5	3.9	4.1
Quick ratio (x)	2.2	3.0	2.7	3.1	3.3
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.8	2.8	2.7	2.7
Total asset T.O (x)	1.9	2.0	1.8	1.7	1.7
Int. covge. ratio (x)	23.1	30.8	21.3	19.5	22.3
Adj. debt/equity (x)	0.0	0.0	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.4	2.1	2.0	1.7	1.5
EV/EBITDA (x)	19.3	18.4	19.4	16.6	14.2
P/E (x)	27.1	24.8	22.5	19.5	16.5
P/BV (x)	5.5	4.6	3.9	3.4	2.8



Recommendation summary (last 3 years)



Dates	Rating	Target
31-May-21	Accumulate	471
08-November-21	Hold	818
01-February-22	Accumulate	820
12-August-22	Accumulate	829
09-February-23	Buy	755
23-May-23	Buy	813
08-August-23	Accumulate	882
06-November-23	Accumulate	938
16-February-24	Accumulate	977
17-May-24	Accumulate	1,081
12-August-24	Accumulate	1,169

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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