

Retail Equity Research
Transport Corporation of India Ltd.

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 64,364

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 817 TARGET Rs. 938 RETURN 15% ↑
(Closing: 03-11-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↔

Modest Q2...outlook intact

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 modest 7% YoY, supported by healthy volume from supply chain businesses, but was marginally below our expectations.
- EBITDA grew by a modest 5% YoY, and margins dipped by 20bps YoY to 10.1%. This was on account of an increase in employee costs and a lower contribution from seaway businesses.
- Looking forward, we anticipate stable volumes in freight, E-commerce, and supply chain businesses, while seaway business is expected to improve with the addition of a new ship.
- We expect PAT to grow at a 16% CAGR over FY23-25E, with stable margins of ~11.4% supported by lower fuel prices.
- We value TCI at a P/E of 17x on FY25E, given healthy earnings and return ratios; hence, we maintain an Accumulate rating on the stock with a target price of Rs.938.

Revenue growth stable...

In Q2FY24, TCI achieved 7% YoY revenue growth, primarily driven by 9% YoY growth in the supply chain business and seaway business. The supply chain business was driven by strong automotive sector volumes. Good traction of multimodal services: 500+ rake placements Vs 400+ last year during the quarter. The seaway segment witnessed a modest revival as ship utilization picked up post-drydocking. But freight rates remained lower, and higher-margin cargo volumes remained muted. TCI signed for two ship orders worth \$34 million, expected to be ready by FY206. During FY24, seaway business is expected to witness flat YoY growth due to operational constraints, while an uptick in seaway business is starting in FY25E. Whereas the freight business exhibited modest growth of 2.7% YoY, influenced by seasonal factors and softness in demand ahead of festive. In the freight segment, LTL business (less truck load) is gaining traction, and TCI plans to further enhance the network. The long-term growth prospects for the sector remain positive, fuelled by increased government infrastructure spending and e-commerce penetration. Capex plans stand at ~Rs.272cr. Going ahead, a gradual improvement in consumer sentiment is expected as inflation moderates. We anticipate revenue growth to pick up from H2FY24E, coinciding with the festive season, and assume a 13% CAGR in revenue for FY23-FY25E.

Margins to remain stable at ~11.5%

In Q2FY24, EBITDA grew by a modest 5% on account of a lower share of seaways business and modest topline growth. Margins declined by 20bps to 10.1% due to higher employee expenses. PAT grew by a healthy 20% YoY, led by higher other income and share of profit from JV. We expect PAT to grow at a 15% CAGR over FY23-25E.

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 17x on FY25E and maintain an Accumulate rating, with a target price of Rs.938.

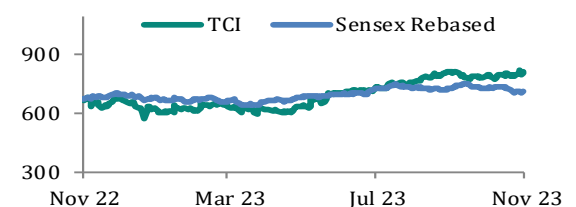
Company Data

Market Cap (cr)	Rs.6,341
Enterprise Value (cr)	Rs.6,50
Outstanding Shares (cr)	7.7
Free Float	31.0%
Dividend Yield	0.91%
52 week high	Rs.866
52 week low	Rs.556
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	69.0	68.9	68.9
FII's	2.8	2.5	2.6
MFs/Institutions	12.2	12.8	12.9
Public	14.6	14.3	14.2
Others	1.4	1.5	1.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.4%	28.9%	20.8%
Absolute Sensex	-2.1%	4.2%	5.8%
Relative Return*	9.4%	24.7%	15.0%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	3,783	4,164	4,758
Growth (%)	16.1	10.1	14.3
EBITDA	424	466	551
EBITDA Margin(%)	11.2	11.2	11.6
PAT Adj.	321	358	428
Growth (%)	10.4	11.5	19.7
Adjusted EPS	41.3	46.1	55.1
Growth (%)	10.4	11.5	19.7
P/E	19.8	17.7	14.8
P/B	3.7	3.2	2.7
EV/EBITDA	14.7	13.5	11.3
ROE (%)	20.5	19.5	19.5
D/E	0.1	0.0	0.0

ANIL R
Research Analyst



Quarterly Financials

Profit & Loss

Rs.cr	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)	H1FY24	H1FY23	YoY Growth (%)
Sales	994	932	6.6	950	4.6	1,943	1,835	5.9
EBITDA	100	96	4.6	101	-0.4	201	200	0.6
EBITDA margin	10.1	10.3	-0.2	10.6	-0.5	10.4	10.9	-0.5
Depreciation	31	30	3.6	31	1.0	62	59	5.1
EBIT	69	66	5.1	70	-1.0	139	141	-1.3
Interest	3	3	33.9	2	47.8	6	5	17.5
Other Income	11	7	53.3	9	32.9	20	13	56.0
Exceptional Items	-	-	-	-	-	-	-	-
PBT	97	85	15.1	94	4.1	191	173	10.7
Tax	10	12	-17.2	10	-7.7	20	21	-4.4
Share of profit from Associate	20	14	46.1	-	-	38	24	59.5
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	88	73	20.3	83	5.5	171	152	12.8
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	88	73	20.3	83	5.5	171	152	12.8
No. of Shares	62.5	62.5	-	62.5	-	62.5	62.5	-
EPS (Rs)	11.4	9.5	20.3	10.8	5.5	22.2	19.7	12.8

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	4,223	4,817	4,164	4,758	(1.4)	(1.2)
EBITDA	473	559	466	551	(1.4)	(1.4)
Margins (%)	11.2	11.6	11.2	11.6	-	-
Adj. PAT	361	428	358	428	(0.9)	-
EPS	46.6	55.1	46.1	55.1	(1.1)	-

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	2,802	3,257	3,783	4,164	4,758
% change	3.1	16.2	16.1	10.1	14.3
EBITDA	261	409	424	466	551
% change	8.6	56.5	3.7	10.0	18.1
Depreciation	93	113	121	126	143
EBIT	168	296	303	340	408
Interest	27	13	10	10	11
Other Income	25	20	30	37	47
Share of JV	20	28	44	54	60
PBT	174	330	364	421	503
% change	9.5	89.6	10.2	15.6	19.7
Tax	24	38	43	63	76
Tax Rate (%)	13.7	11.4	11.9	15.0	15.0
Reported PAT	147	290	317	358	428
Adj.*	13	-	3	-	-
Adj. PAT	160	290	321	358	428
% change	5.2	23.3	10.7	11.5	19.7
No. of shares (cr)	7.7	7.7	7.8	7.8	7.8
Adj EPS (Rs)	20.8	37.5	41.3	46.1	55.1
% change	4.8	80.3	10.4	11.4	19.7
DPS (Rs)	1.9	5.3	7.0	7.0	7.0

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	34	68	170	142	198
Accounts Receivable	511	508	561	616	717
Inventories	7	8	5	11	14
Other Cur. Assets	227	241	262	332	418
Investments	150	193	286	346	426
Gross Fixed Assets	1,133	1,314	1,347	1,627	1,827
Net Fixed Assets	802	798	788	942	999
CWIP	5	7	26	20	25
Intangible Assets	3	3	3	3	3
Def. Tax (Net)	(27)	(28)	(30)	(30)	(30)
Other Assets	-	-	-	-	-
Total Assets	1,711	1,799	2,071	2,382	2,769
Current Liabilities	267	219	217	222	232
Provisions	9	25	28	31	35
Debt Funds	257	98	94	94	94
Other Liabilities	9	27	30	30	30
Equity Capital	15	15	16	16	16
Reserves & Surplus	1,154	1,415	1,686	1,990	2,363
Shareholder's Fund	1,170	1,430	1,702	2,005	2,379
Total Liabilities	1,711	1,799	2,071	2,382	2,769
BVPS	152	185	219	258	306

CASH FLOW

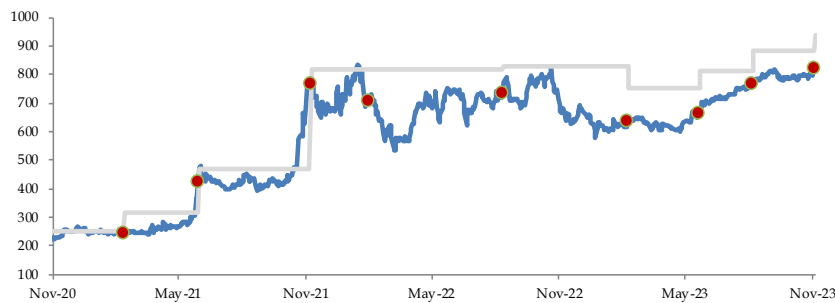
Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	243	406	442	484	571
Non-cash adj.	43	(22)	(8)	(81)	(96)
Changes in W.C	18	(16)	(73)	(124)	(176)
C.F. Operation	305	368	361	279	300
Capital exp.	(124)	(71)	(153)	(274)	(205)
Change in inv.	(2)	(3)	(7)	(60)	(80)
Other invest.CF	20	(3)	(33)	91	107
C.F - Investment	(106)	(76)	(193)	(243)	(178)
Issue of equity	4	3	4	0	-
Issue/repay debt	(145)	(226)	(8)	-	-
Dividends paid	(10)	(41)	(54)	(54)	(54)
Other finance.CF	(27)	6	(7)	(10)	(11)
C.F - Finance	(178)	(258)	(65)	(65)	(66)
Chg. in cash	21	34	102	(28)	56
Closing cash	34	68	170	142	198

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab & Return					
EBITDA margin (%)	9.3	12.6	11.2	11.2	11.6
EBIT margin (%)	6.0	9.1	8.0	8.2	8.6
Net profit mgn.(%)	5.7	8.9	8.5	8.6	9.0
ROE (%)	14.6	22.3	20.5	19.3	19.5
ROCE (%)	10.4	18.0	17.5	16.1	16.3
W.C & Liquidity					
Receivables (days)	65.0	57.1	51.6	51.6	51.1
Inventory (days)	0.9	0.9	0.6	0.7	0.9
Payables (days)	0.9	2.0	2.8	2.6	2.3
Current ratio (x)	2.8	3.4	4.1	4.4	5.1
Quick ratio (x)	2.0	2.6	3.4	3.4	4.0
Turnover & Leverage					
Gross asset T.O (x)	2.5	2.7	2.8	2.8	2.8
Total asset T.O (x)	1.7	1.9	2.0	1.9	1.8
Int. covge. ratio (x)	6.3	23.1	30.8	33.0	36.3
Adj. debt/equity (x)	0.2	0.1	0.1	0.0	0.0
Valuation					
EV/Sales (x)	2.3	2.0	1.7	1.5	1.3
EV/EBITDA (x)	25.1	15.6	14.7	13.5	11.3
P/E (x)	39.3	21.8	19.8	17.7	14.8
P/BV (x)	5.4	4.4	3.7	3.2	2.7



Recommendation summary



Dates	Rating	Target
16-June-20	Buy	209
14-August-20	Buy	253
09-Novemebr-20	Buy	262
11-February-21	Buy	317
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

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.

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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