

Transport Corporation of India

Estimate change 

TP change 

Rating change 

CMP: INR978

TP: INR1,150 (+18%)

Buy

Minor miss on profitability; outlook bright

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USD\$b)	76 / 0.9
52-Week Range (INR)	1080 / 591
1, 6, 12 Rel. Per (%)	17/17/37
12M Avg Val (INR M)	54

Financial Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	40.2	46.0	54.4
EBITDA	4.2	5.1	6.5
Adj. PAT	3.4	4.0	5.2
EBITDA Margin (%)	10.4	11.2	11.9
Adj. EPS (INR)	44.0	51.8	67.9
EPS Gr. (%)	5.8	17.6	31.2
BV/Sh. (INR)	261.2	309.5	373.9

Ratios

Net D:E	-0.1	-0.2	-0.3
RoE (%)	18.0	17.9	19.7
RoCE (%)	17.6	17.5	19.3
Payout (%)	8.0	6.8	5.2

Valuations

P/E (x)	22.2	18.9	14.4
P/BV (x)	3.7	3.2	2.6
EV/EBITDA(x)	16.7	13.3	10.0
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.3	0.9	3.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	68.9	68.9	69.0
DII	12.8	12.9	11.7
FII	2.6	2.6	3.3
Others	15.7	15.8	16.0

FII Includes depository receipts

- Transport Corporation of India (TRPC)'s revenue grew 4% YoY to ~INR10b in 3QFY24 (in line). The freight and supply chain division clocked ~1%/16% YoY growth in 3QFY24, while the seaways division posted a decline of ~16% YoY.
- EBITDA margin came in at 10% in 3Q (down 190bp YoY/10bp QoQ) vs. our estimate of 10.5%. Overall margin was hit by lower seaways' margin. EBITDA declined 13% YoY to INR1b, while APAT dipped 7% YoY to INR794m (11% below our estimate).
- EBIT margin for freight/supply chain/seaways divisions stood at 3.1%/6.5%/22.1% in 3QFY24. EBIT margin for the Freight and Seaways businesses contracted 260bp and 480bp YoY, respectively; while it improved 50bp YoY for the supply chain division.
- Given the flattish growth in the 9MFY24 due to general slowdown in the economy and competitive pressure, we have reduced our FY24 and FY25 EPS estimates by ~6% and ~10%, respectively. We have largely retained our estimates for FY26, as demand is likely to improve by then. The increasing proportion of LTL in the freight division is expected to contribute positively. The steady demand in the automotive sector is expected to support the supply chain division. **We reiterate our BUY rating with a revised TP of INR1,150 (based on a P/E multiple of 17x FY26E EPS).**

Continued growth in supply chain segment; freight and seaways to experience headwinds due to general slowdown

- The supply chain division delivered strong growth of ~16% YoY owing to the retention and expansion of business with existing clients and new business acquisitions. The management remains confident of clocking a double-digit growth rate in the supply chain business in FY24.
- In the seaways division, revenue declined ~16% YoY due to a fall in freight rates. The company recently signed an agreement to buy two new vessels, which are scheduled to be delivered between Jan'26 and Mar'26.
- The share of LTL/FTL businesses in the freight division stood at 37%/63% in 9MFY24. The management is actively working on increasing the share of LTL revenue to 40% by FY25, which will lead to margin improvement.

Highlights from the management commentary

- Margins and ROCE in the freight business have experienced a slight decline due to flattish revenue growth. The general economic demand slowdown hit growth in the freight division. TRPC added 30 new branches during 9MFY24 to strengthen the network further.
- Revenue in the supply chain segment increased ~16% YoY in 3QFY24. The growth momentum persisted amid upward trends in the automotive sector (contributed ~80% in the supply chain business), coupled with the retention and expansion of business both with existing clients and through new business acquisitions.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- Shipping freight rates experienced a decline due to a temporary buildup of capacity, contributing to weakness in the seaways business. Concurrently, there was a temporary volume decrease attributed to delays in infrastructure projects in the Andamans. The combination of weaker freight rates and stable fuel prices had an adverse impact on margins in the seaways business.

Valuation and view

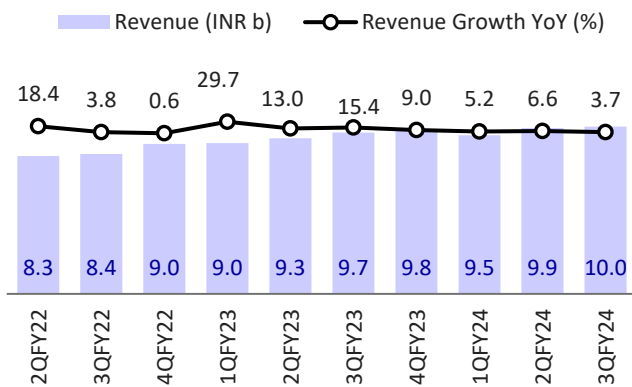
- TRPC's multi-modal capabilities position it well to meet diverse customer needs and endure industry slowdowns. Further, TRPC's established infrastructure, long-standing customer relationships, and experienced management team are anticipated to aid its position as a preferred 3PL partner.
- We expect a CAGR of 13%/15%/18% in revenue/EBITDA/PAT over FY23-FY26 for TRPC. **We reiterate our BUY rating with a revised TP of INR1,150 (based on a P/E multiple of 17x FY26E EPS).**

Quarterly snapshot

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	9,029	9,321	9,667	9,793	9,498	9,935	10,020	10,776	37,826	40,229	11,028	(9)
YoY Change (%)	29.7	13.0	15.4	9.0	5.2	6.6	3.7	10.0	16.1	6.4	14.1	
EBITDA	1,041	960	1,144	1,081	1,008	1,004	999	1,165	4,240	4,176	1,244	(20)
Margins (%)	11.5	10.3	11.8	11.0	10.6	10.1	10.0	10.8	11.2	10.4	11.3	
YoY Change (%)	37.4	-8.2	4.8	-10.0	-3.1	4.6	-12.7	7.9	3.2	-1.5	8.7	
Depreciation	289	300	314	311	308	311	331	347	1,214	1,297	312	
Interest	23	25	26	24	23	34	35	31	98	123	25	
Other Income	53	74	70	121	85	113	95	85	303	378	84	
PBT before EO expense	782	708	874	867	762	772	728	873	3,231	3,135	991	(27)
Extra-Ord expense	0	0	0	34	0	0	0	0	34	0	0	
PBT	782	708	874	833	762	772	728	873	3,197	3,135	991	(27)
Tax	93	116	110	115	104	96	108	131	434	439	149	
Rate (%)	11.9	16.4	12.6	13.8	13.6	12.4	14.8	15.0	13.6	14.0	15.0	
Minority Interest	-8.4	-6.6	-8.2	-9.3	-9.0	-8.0	-8.0	-5.0	-32.5	-30.0	-8.2	
Profit/Loss of Asso. Cos	98	138	102	106	174	202	182	170	444	728	100	
Reported PAT	778	723	857	814	823	870	794	907	3,173	3,394	934	(15)
Adj PAT	778	723	857	848	823	870	794	907	3,207	3,394	934	(15)
YoY Change (%)	65.9	-4.1	4.4	-0.7	5.8	20.3	-7.4	6.9	10.7	5.8	9.0	
Margins (%)	8.6	7.8	8.9	8.7	8.7	8.8	7.9	8.4	8.5	8.4	8.5	

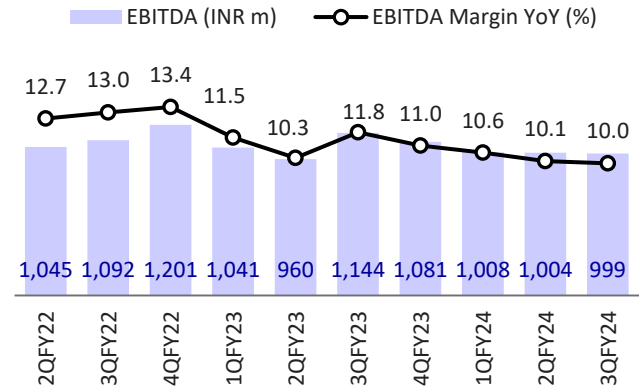
Story in charts – 3QFY24

Exhibit 1: Revenue up 4% YoY



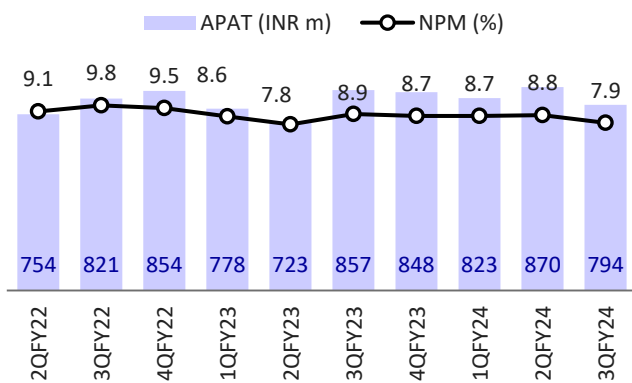
Source: Company, MOFSL

Exhibit 2: EBITDA and margin trends



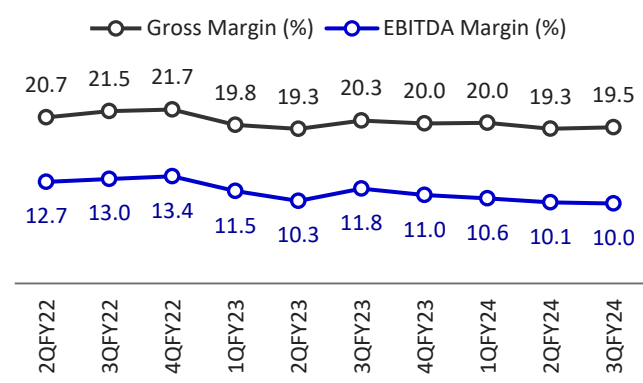
Source: Company, MOFSL

Exhibit 3: APAT decreased ~7% YoY



Source: Company, MOFSL

Exhibit 4: Margin contraction led by Freight and Seaways segments



Source: Company, MOFSL

Exhibit 5: Segmental performance

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Segment Revenue (INR m)								
Freight	4,323	4,797	4,633	4,693	4,826	5,046	4,754	4,856
Supply chain	2,788	2,745	3,023	3,584	3,335	3,462	3,630	3,882
Seaways	1,479	1,607	1,525	1,242	1,702	1,521	1,254	1,426
Energy	6	12	16	19	15	11	16	7
Net segment Revenue	8,596	9,161	9,196	9,537	9,879	10,040	9,654	10,171
Growth YoY (%)								
Freight	4.2	0.7	27.0	13.7	11.6	5.2	2.6	0.6
Supply chain	-7.4	-9.7	33.6	26.0	19.6	26.1	20.1	16.4
Seaways	42.6	23.5	32.6	-7.5	15.1	-5.3	-17.7	-16.2
Energy	111.5	117.0	5.3	-9.6	176.4	-7.8	1.3	-53.9
Net segment Revenue	4.8	0.6	30.0	14.4	14.9	9.6	5.0	5.9
Revenue Share (%)								
Freight	50	52	50	49	49	50	49	48
Supply chain	32	30	33	38	34	34	38	38
Seaways	17	18	17	13	17	15	13	14
Energy	0	0	0	0	0	0	0	0
Total Revenue Share	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR m)								
Freight	188	198	162	191	273	214	156	149
Supply chain	167	196	166	226	200	226	229	253
Seaways	540	477	461	304	458	422	366	315
Energy	-1	6	8	10	9	3	8	0
Total Segment Results	893	877	797	731	940	865	759	747
Segmental EBIT Margin (%)								
Freight	4.3	4.1	3.5	4.1	5.7	4.2	3.3	3.1
Supply chain	6.0	7.1	5.5	6.3	6.0	6.5	6.3	6.5
Seaways	36.5	29.7	30.2	24.5	26.9	27.7	29.2	22.1
Energy	-14.5	48.7	50.0	50.5	55.9	32.1	50.0	0.0
Total	10.4	9.6	8.7	7.7	9.5	8.6	7.9	7.0

**Highlights from the management commentary****Industry trend**

- The past few months witnessed a slowdown, particularly in the consumer and engineering sectors, resulting in a flattish performance for 3QFY24.
- The festival season shift and high stocking in Oct'23 led to muted volume numbers in Nov '23.
- The declaration of three new corridors in the Union Budget 2024-25 is anticipated to benefit the economy, especially TRPC, since the company is present in multi-modal logistics services.

Freight segment

- Revenue remained flattish YoY in 3QFY24, while EBIT margin stood at 3.1% (-260bp YoY and -30bp QoQ).
- During the quarter, revenues have remained relatively stable amid diverse sectorial patterns, showing a slight improvement in the LTL segment.
- TCI added 30 new branches during 9MFY24 to strengthen the network further. However, margins and ROCE have experienced a slight decline due to the flattish revenues.
- The share of LTL/FTL in the Freight division stood at 37%/63% in 9MFY24. The management remains optimistic about increasing LTL's share to 40% by FY25 and improving margins of the LTL segment by 100-200bp in the next two years.

Supply Chain segment

- Revenue increased ~16% YoY in 3QFY24, and EBIT margin stood at 6.5% (+50bp YoY). The automotive sector continues to perform well, contributing around 80% to the segment.
- The growth momentum persisted amid varied upward trends in the automotive sector, coupled with the retention and expansion of business both with existing clients and through new business acquisitions.
- There has been notable traction in multimodal services, along with the expansion of the hub-and-spoke network for automotive finished goods.
- The recent acquisition of a client in the FMCG space is expected to reflect on revenue and margins in near future.
- Further, the reduction of rail haulage by 33% for SUV rail movements is expected to have a positive impact on margins.

Seaways segment

- The segment declined ~16% YoY, with EBIT margin down 480bp YoY. The management expects EBIT margin to be in the range of 22-23% in FY24.
- Freight rates experienced a decline due to a temporary buildup of capacity.
- Concurrently, there was a temporary volume decrease attributed to delays in infrastructure projects in the Andamans.
- The delivery of two new ships is expected between Jan'26 and Mar '26.

Other Highlights

- The company handled 1,700 rakes in 9MFY24, a significant increase from the corresponding period last year.
- The company remains net debt-free with INR3b in cash.
- The Red Sea issue has not seen a major impact on business so far
- TRPC would continue to look for a second-hand ship to build on its capacity.
- JVs showed mixed results, with Rail JV growing 6% YoY, Cold Chain rising 25% YoY, and Tran-System increasing 50% YoY in revenue in 9MFY24.
- Growth in the Transystem JV is credited to the contribution from Japanese OEMs.
- Post-general election, it is anticipated that sectors like tractors and equipment handling machines in the automotive side will experience growth with the provision of incentives for the rural economy and infrastructure development.

Guidance

- The management has reduced its revenue/PAT growth guidance to 5-10% in FY24 from 10-15% earlier.
- Management expects capex of INR 2.5b in FY24 and INR 2-3b annually in the next two to three years.
- Expectations of 10-15% growth rate for revenue and PAT in FY25, which is likely to continue for the next 3-4 years.
- Strategic decisions of the management involve avoiding low-margin businesses and maintaining a robust pipeline of customers across various sectors.
- In the Freight business, TCI is looking to achieve 23-25% ROCE in FY25 and a 40% contribution target for LTL by FY25.
- The tax rate is expected to be around 12-13% from FY25 onwards.

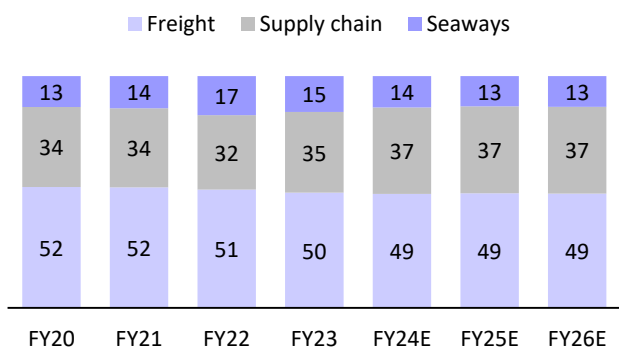
Exhibit 6: Our revised estimates

(INR m)	FY24E			FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	40,229	41,622	-3.3	46,015	48,965	-6.0	54,448	55,672	-2.2
EBITDA	4,176	4,595	-9.1	5,140	5,815	-11.6	6,495	6,592	-1.5
EBITDA Margin (%)	10.4	11.0	-66	11.2	11.9	-71	11.9	11.8	9
PAT	3,394	3,610	-6.0	3,990	4,443	-10.2	5,236	5,084	3.0
EPS (INR)	44.0	46.8	-6.0	51.8	57.6	-10.2	67.9	65.9	3.0

Source: Company, MOFSL

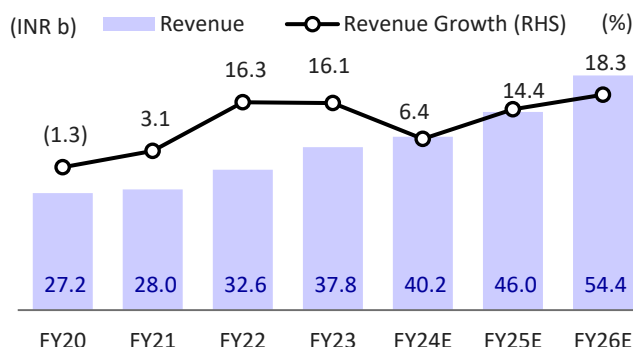
Story in charts

Exhibit 7: Freight and 3PL to dominate



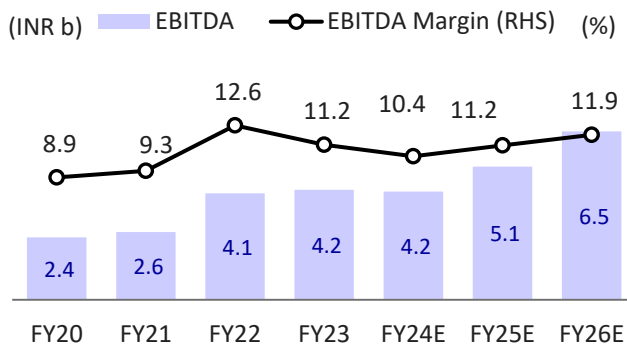
Source: Company, MOFSL

Exhibit 8: Revenue growth to remain strong



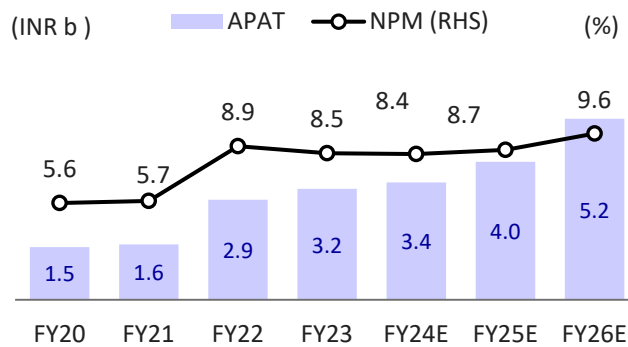
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



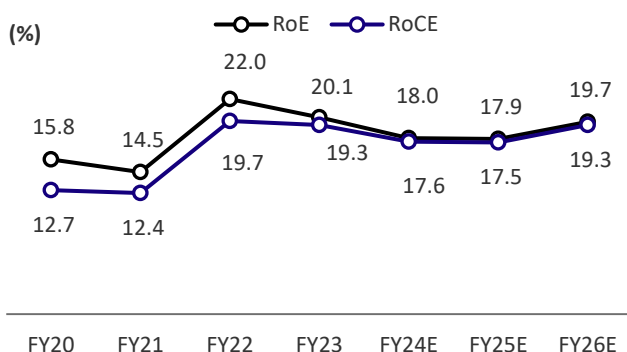
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



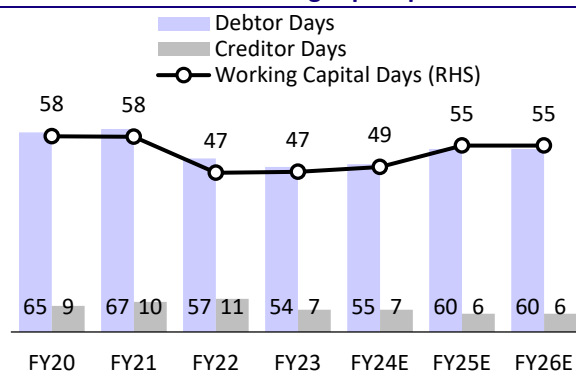
Source: Company, MOFSL

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)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	27,178	28,024	32,567	37,826	40,229	46,015	54,448
Change (%)	-1.3	3.1	16.2	16.1	6.4	14.4	18.3
Gross Margin (%)	18.5	18.0	20.9	19.9	19.6	20.3	20.8
EBITDA	2,405	2,612	4,087	4,240	4,176	5,140	6,495
Margin (%)	8.9	9.3	12.6	11.2	10.4	11.2	11.9
Depreciation	825	928	1,130	1,214	1,297	1,408	1,553
EBIT	1,580	1,684	2,957	3,026	2,880	3,731	4,942
Int. and Finance Charges	343	267	128	98	123	83	75
Other Income	201	255	199	303	378	416	458
PBT	1,438	1,672	3,028	3,231	3,135	4,065	5,325
Tax	159	238	377	434	439	569	745
Effective Tax Rate (%)	11.1	14.3	12.4	13.4	14.0	14.0	14.0
PAT before MI, Associates, and EO Items	1,279	1,434	2,652	2,796	2,696	3,496	4,579
Share of profit/(loss) of Associates and JVs	252	201	277	444	728	524	687
Minority Interest	-8	-33	-32	-33	-30	-30	-30
Extraordinary Items	99	131	0	34	0	0	0
Reported PAT	1,424	1,471	2,896	3,173	3,394	3,990	5,236
Adjusted PAT	1,522	1,602	2,896	3,207	3,394	3,990	5,236
Change (%)	4.3	5.2	80.8	10.7	5.8	17.6	31.2
Margin (%)	5.6	5.7	8.9	8.5	8.4	8.7	9.6

Consolidated Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	154	154	155	155	155	155	155
Total Reserves	10,085	11,543	14,148	16,863	19,987	23,707	28,674
Net Worth	10,239	11,697	14,303	17,018	20,142	23,862	28,829
Minority Interest	57	86	274	301	301	301	301
Deferred Tax Liabilities	302	273	276	300	300	300	300
Total Loans	4,186	2,767	1,039	795	575	525	475
Capital Employed	14,784	14,823	15,892	18,414	21,319	24,989	29,905
Gross Block	10,595	10,684	11,646	12,676	14,676	16,676	18,676
Less: Accum. Deprn.	3,111	3,275	4,405	5,471	6,767	8,176	9,729
Net Fixed Assets	7,483	7,409	7,241	7,205	7,909	8,500	8,947
Capital WIP	450	690	846	967	937	907	877
Total Investments	1,354	1,500	1,927	2,859	2,859	2,859	2,859
Curr. Assets, Loans, and Adv.	7,547	7,790	8,257	9,978	12,374	15,711	20,759
Inventory	66	71	85	50	110	126	149
Account Receivables	4,873	5,110	5,083	5,609	6,062	7,564	8,950
Cash and Bank Balances	259	395	745	1,846	3,502	4,681	7,707
Cash	132	341	679	1,699	3,356	4,535	7,561
Bank Balance	128	55	66	66	147	147	147
Loans and Advances	268	124	12	12	13	15	17
Others	2,081	2,089	2,333	2,461	2,687	3,325	3,935
Current Liab. and Prov.	2,050	2,565	2,379	2,595	2,760	2,989	3,537
Account Payables	639	759	851	760	808	756	895
Other Current Liabilities	1,309	1,719	1,276	1,552	1,651	1,888	2,234
Provisions	102	86	251	283	301	344	407
Net Current Assets	5,497	5,225	5,878	7,383	9,614	12,723	17,222
Application of Funds	14,784	14,823	15,891	18,414	21,319	24,989	29,905

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	19.7	20.8	37.6	41.6	44.0	51.8	67.9
EPS growth (%)	4.3	5.2	80.8	10.7	5.8	17.6	31.2
Cash EPS	30.4	32.8	52.2	57.3	60.8	70.0	88.1
BV/Share	132.8	151.7	185.5	220.7	261.2	309.5	373.9
DPS	2.0	2.5	2.5	7.0	3.5	3.5	3.5
Payout (Incl. Div. Tax, %)	14.1	13.1	6.7	17.0	8.0	6.8	5.2
Valuation (x)							
P/E	49.5	47.0	26.0	23.5	22.2	18.9	14.4
Cash P/E	32.1	29.8	18.7	17.0	16.1	14.0	11.1
EV/EBITDA	32.4	29.2	17.9	16.8	16.7	13.3	10.0
EV/Sales	2.9	2.7	2.3	1.9	1.7	1.5	1.2
P/BV	7.4	6.4	5.3	4.4	3.7	3.2	2.6
Dividend Yield (%)	0.2	0.3	0.3	0.7	0.4	0.4	0.4
Return Ratios (%)							
RoE	15.8	14.5	22.0	20.1	18.0	17.9	19.7
RoCE	12.7	12.4	19.6	19.3	17.6	17.5	19.3
RoIC	11.1	11.6	21.0	21.0	18.5	21.0	24.3
Working Capital Ratios							
Fixed Asset Turnover (x)	2.7	2.6	2.9	3.0	2.9	2.9	3.1
Asset Turnover (x)	1.8	1.9	2.0	2.1	1.9	1.8	1.8
Inventory (Days)	1	1	1	0	1	1	1
Debtors (Days)	65	67	57	54	55	60	60
Creditors (Days)	9	10	10	7	7	6	6
Leverage Ratio (x)							
Net Debt/Equity ratio	0.4	0.2	0.0	-0.1	-0.1	-0.2	-0.3

Consolidated Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	1,591	1,743	3,305	3,640	3,135	4,065	5,325
Depreciation	825	928	1,130	1,214	1,297	1,408	1,553
Direct Taxes Paid	-410	52	-494	-186	-439	-569	-745
(Inc.)/Dec. in WC	181	232	-163	-729	-775	-1,921	-1,461
Other Items	242	93	-98	-332	-255	-334	-383
CF from Operations	2,428	3,047	3,680	3,607	2,963	2,650	4,289
(Inc.)/Dec. in FA	-1,321	-1,241	-707	-1,530	-1,970	-1,970	-1,970
Free Cash Flow	1,108	1,807	2,973	2,077	993	680	2,319
Change in Investments	-55	-17	-28	-69	0	0	0
Others	22	196	-27	-333	562	369	388
CF from Investments	-1,353	-1,062	-762	-1,931	-1,408	-1,601	-1,582
Change in Equity	24	40	34	35	0	0	0
Inc./(Dec.) in Debt	-523	-1,419	-2,148	6	-220	-50	-50
Dividends Paid	-201	-96	-410	-543	-270	-270	-270
Others	-343	-302	-56	-153	591	451	638
CF from Fin. Activity	-1,044	-1,776	-2,580	-655	101	131	319
Inc./(Dec.) in Cash	31	209	338	1,021	1,656	1,179	3,026
Opening Balance	101	132	341	679	1,699	3,356	4,535
Closing Balance	132	341	679	1,699	3,356	4,535	7,561

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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
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