

# Transport Corporation

BSE SENSEX

61,419

S&P CNX

18,244



## Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	49.8 / 0.6
52-Week Range (INR)	858 / 529
1, 6, 12 Rel. Per (%)	-21/-24/-6
12M Avg Val (INR M)	103
Free float (%)	31.0

## Financials Snapshot (INR b)

Y/E March	2022	2023E	2024E
Net Sales	32.6	38.3	45.0
EBITDA	4.1	4.2	5.2
Adj. PAT	2.9	2.9	3.7
EBITDA Margin (%)	12.6	10.9	11.6
Adj. EPS (INR)	37.6	38.2	47.6
EPS Gr. (%)	80.8	1.8	24.4
BV/Sh. (INR)	185.5	220.2	264.3

## Ratios

Net D/E (x)	0.0	0.0	0.0
RoE (%)	22.0	18.5	19.4
RoCE (%)	19.6	17.7	18.8
Payout (%)	6.7	9.2	7.4

## Valuations

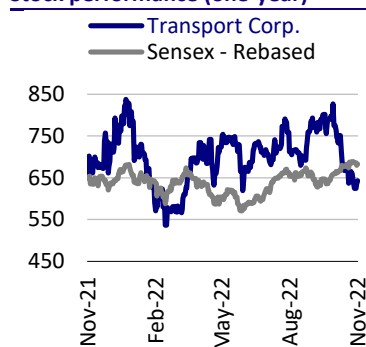
P/E (x)	16.9	16.6	13.4
P/BV (x)	12.2	11.7	9.6
EV/EBITDA (x)	11.6	11.4	8.9
Div. Yield (%)	0.4	0.6	0.6
FCF Yield (%)	6.1	-0.5	1.6

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	69.0	66.6	66.5
DII	11.8	12.0	12.7
FII	3.3	3.1	2.1
Others	15.8	18.3	18.7

FII Includes depository receipts

## Stock performance (one-year)



**CMP: INR643**

**TP: INR810 (+26%)**

**Buy**

## On a strong footing led by integrated multimodal Logistics

- TRPC's established presence across the multimodal Logistics value chain (Road, Rail, 3PL, and Water logistics) enables it to offer efficient end-to-end Logistics solutions, cater to a larger addressable market, and makes it the preferred choice for customers looking for complete solutions. These offerings have allowed it to sail through some challenging times. We believe TRPC is very well placed to capitalize on the growth opportunity.
- We expect revenue/EBITDA/PAT growth of 18%/13%/13% over FY22-24, factoring in an increasing share of LTL in the overall freight revenue, new client additions in 3PL, and sustained focus on coastal shipping. We maintain our Buy rating, with a TP of INR810 (17x FY24E EPS).

## Freight and Supply Chain divisions well placed; on track to add a new ship in the Seaways vertical by FY23-end

- TRPC's Freight Services business is likely to benefit from the shift to organized from the unorganized sector. The Freight segment will also benefit from the growing contribution from Less than Truck Load (LTL) services. It expects the share of LTL to rise to 40% by FY25 (v/s 35% in 1HFY23). The Organized FTL/LTL market is expected to grow at 40%/~34% CAGR over FY20-26E.
- In the Supply Chain business, TRPC provides technology-driven inbound and outbound transportation, warehousing, and yard management solutions. Recovery in the Automotive demand (~80% of Supply Chain revenue) is expected to aid growth in this segment. Customers in this business tend to be sticky, which provides decent growth visibility. The Integrated Supply Chain market is expected to clock ~20% CAGR over FY20-26E, with the organized market expected to grow even faster.
- The growth momentum in the Seaways segment, which is the highest margin garnering segment for TRPC, is expected to continue in FY23 and FY24. The management plans to add capacity in the Seaways division by FY23-end, which should aid volume growth.

## Strong asset base aided by IT-enabled infrastructure; looking at growth focused capex

- TRPC has a fleet of over 12,000 trucks, six cargo ships, over 150 reefer vehicles, and 13m sq. ft. of warehousing space under management.
- It plans to add capacity in its Seaways division by the end of FY23, with a capex of INR800m.
- TRPC is also looking at a capex of INR2.5b in FY23, of which INR1-1.25b will be spent on acquiring ships and containers, INR300-500m on the purchase of trucks, and INR750m will be utilized towards building warehouses.

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

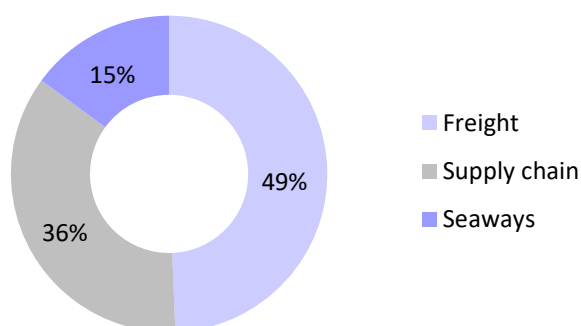
**Saurabh Dugar - Research analyst** (Saurabh.Dugar@motilaloswal.com)

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

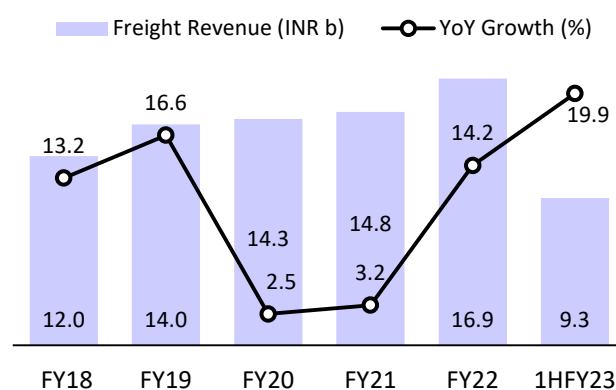
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

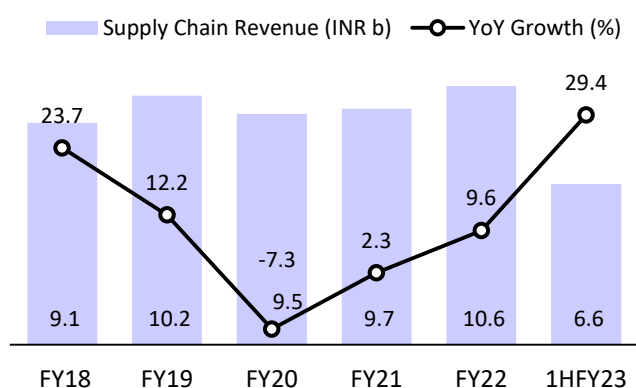
- We maintain our positive stance on TRPC as it is expected to benefit from: a) strong Automotive demand, coupled with the addition of new clientele, driving 3PL growth, b) sustained thrust on demand for coastal shipping, c) traction in multimodal Logistics and, d) increasing contribution of LTL in the Freight segment, which will be margin-accretive.
- We expect revenue/EBITDA/PAT growth of 18%/13%/13% over FY22-24, factoring in an increasing share of LTL in the overall Freight revenue, new clientele in 3PL, and sustained trust for coastal shipping. **We maintain our Buy rating with a TP of INR810 (17x FY24E EPS).**

**Business segments****Exhibit 1: Revenue mix in 1HFY23**

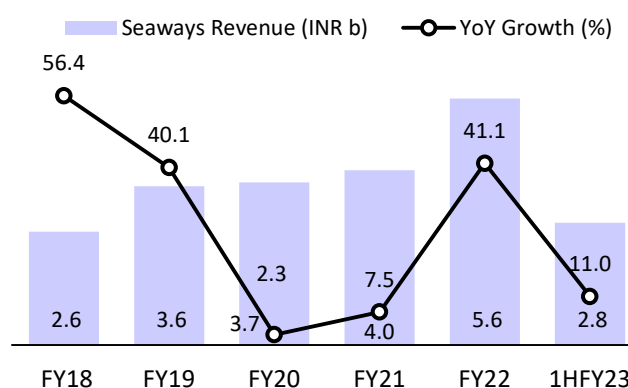
Source: Company, MOFSL

**Exhibit 2: Revenue growth in the Freight division driven by a higher mix of the LTL segment**

Source: Company, MOFSL

**Exhibit 3: Revenue trend in the Supply Chain division**

Source: Company, MOFSL

**Exhibit 4: High growth witnessed in the Seaways division**

Source: Company, MOFSL

**Exhibit 5: Segmental performance**

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
<b>Segment revenue (INR m)</b>								
Freight	4,149	4,763	3,647	4,128	4,323	4,797	4,633	4,693
Supply chain	3,011	3,041	2,263	2,843	2,788	2,745	3,023	3,584
Seaways	1,038	1,301	1,150	1,342	1,479	1,607	1,525	1,242
Energy	3	5	15	21	6	12	16	19
<b>Net segment revenue</b>	<b>8,201</b>	<b>9,111</b>	<b>7,074</b>	<b>8,334</b>	<b>8,596</b>	<b>9,161</b>	<b>9,196</b>	<b>9,537</b>
<b>Growth YoY (%)</b>								
Freight	10.8	32.0	58.5	15.6	4.2	0.7	27.0	13.7
Supply chain	23.9	42.0	97.6	11.9	-7.4	-9.7	33.6	26.0
Seaways	4.9	24.4	68.6	44.0	42.6	23.5	32.6	-7.5
Energy	-43.5	-10.2	10.3	23.8	111.5	117.0	5.3	-9.6
<b>Net segment revenue</b>	<b>14.4</b>	<b>33.9</b>	<b>70.8</b>	<b>18.0</b>	<b>4.8</b>	<b>0.6</b>	<b>30.0</b>	<b>14.4</b>
<b>Revenue share (%)</b>								
Freight	51	52	52	50	50	52	50	49
Supply chain	37	33	32	34	32	30	33	38
Seaways	13	14	16	16	17	18	17	13
Energy	0	0	0	0	0	0	0	0
<b>Total revenue share</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Segmental results (EBIT) - (INR m)</b>								
Freight	173	190	127	162	188	198	162	191
Supply chain	200	209	121	166	167	196	166	226
Seaways	235	306	293	480	540	477	461	304
Energy	-3	-1	10	15	-1	6	8	10
<b>Total segmental results</b>	<b>605</b>	<b>703</b>	<b>551</b>	<b>824</b>	<b>893</b>	<b>877</b>	<b>797</b>	<b>731</b>
<b>Segmental EBIT Margin (%)</b>								
Freight	4.2	4.0	3.5	3.9	4.3	4.1	3.5	4.1
Supply chain	6.7	6.9	5.3	5.8	6.0	7.1	5.5	6.3
Seaways	22.6	23.5	25.5	35.8	36.5	29.7	30.2	24.5
Energy	-126.9	-13.2	65.3	74.0	-14.5	48.7	50.0	50.5
<b>Total</b>	<b>7.4</b>	<b>7.7</b>	<b>7.8</b>	<b>9.9</b>	<b>10.4</b>	<b>9.6</b>	<b>8.7</b>	<b>7.7</b>

Source: Company, MOFSL

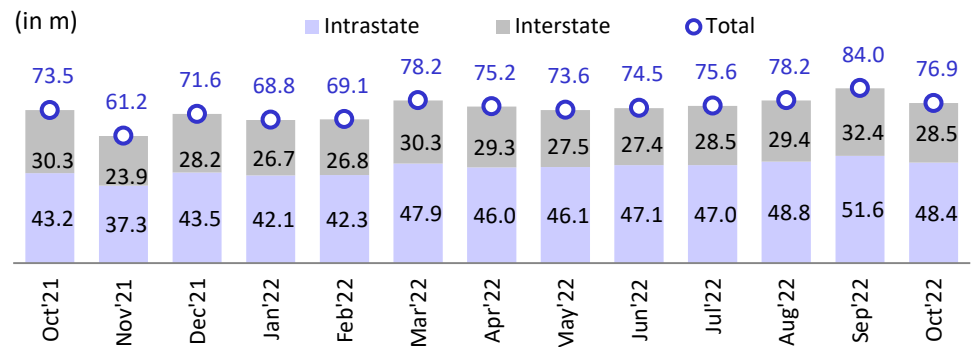
**Exhibit 6: Gamut of services offered among its peer group**

	Transportation				Storage			Value added services	
	Road	Rail	Coastal/ Inland	Air	Warehousing	CFS/ICD	Cold Chain	Express Cargo	Supply Chain/3PL
TCI Express	✓			✓				✓	
Transport Corp.	✓	✓	✓				✓		✓
Mahindra Logistics	✓				✓			✓	✓
Blue Dart	✓			✓				✓	
VRL Logistics	✓								
Gati	✓			✓				✓	✓
Gateway Distriparks		✓				✓			
Container Corp.		✓	✓			✓			

Source: Company Reports, MOFSL

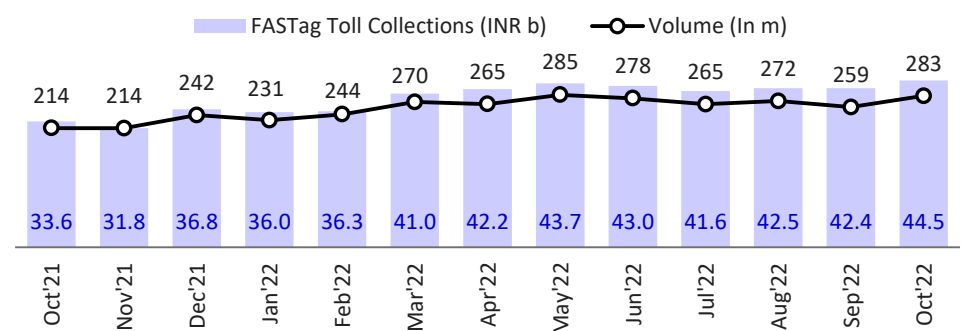
## Pickup in Logistics activity to support growth

**Exhibit 7: Daily average e-way bill generation signals a pickup in economic activity**



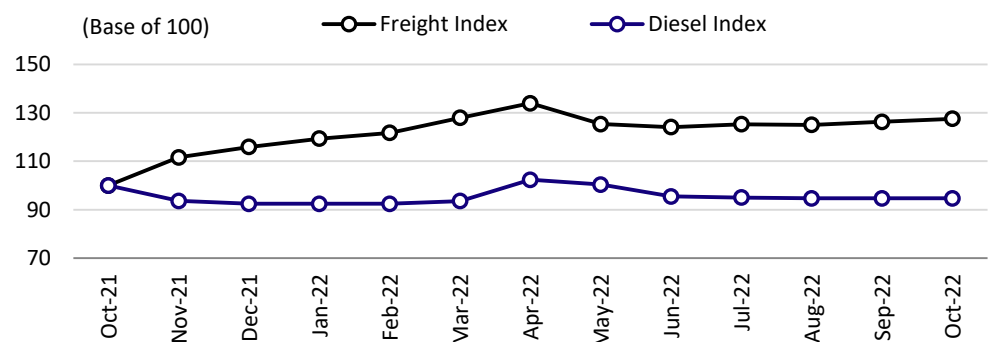
Source: GSTN, MOFSL

**Exhibit 8: Daily average FASTag toll collections have been in an uptrend**



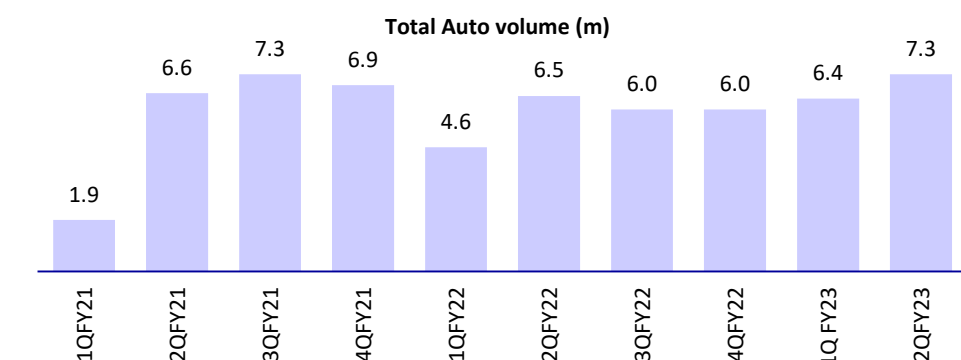
Source: NPCI, MOFSL

**Exhibit 9: Freight rates remain elevated amid a pickup in demand**



Source: IFTRT, MOFSL

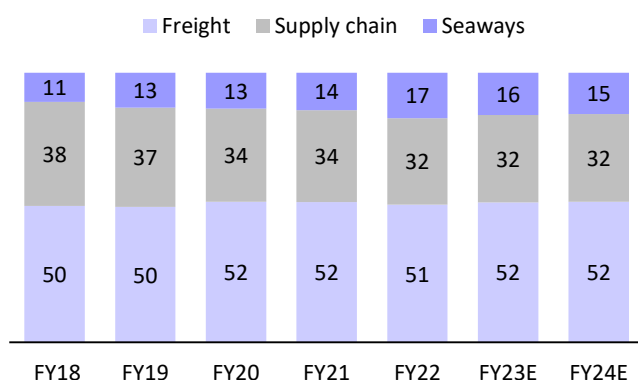
**Exhibit 10: Pickup in Automotive sector will aid the Freight and SCS divisions**



Source: SIAM, MOFSL

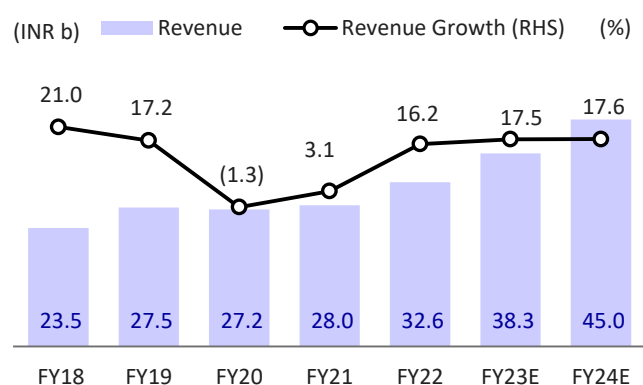
## Financial story in charts

**Exhibit 11: Freight and 3PL to dominate**



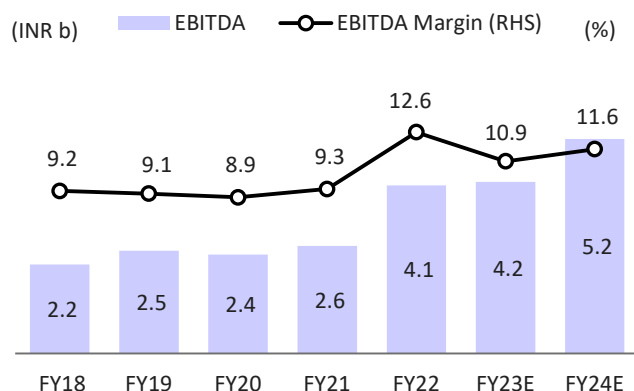
Source: Company, MOFSL

**Exhibit 12: Revenue growth to remain strong**



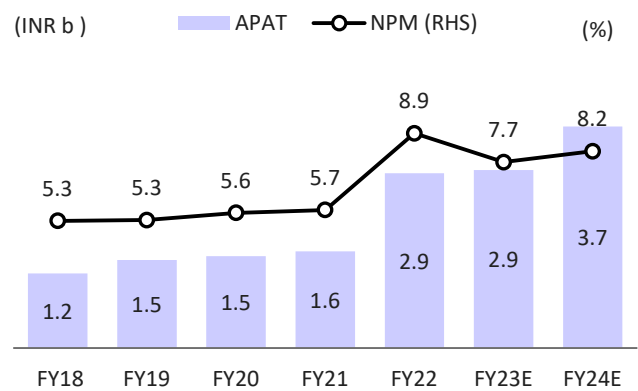
Source: Company, MOFSL

**Exhibit 13: Margin to remain stable**



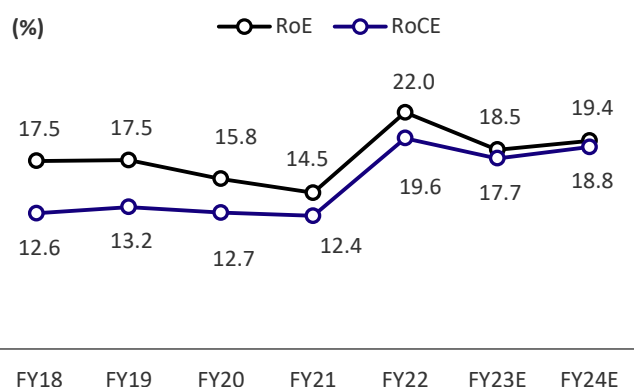
Source: Company, MOFSL

**Exhibit 14: Strong operating performance to drive PAT**



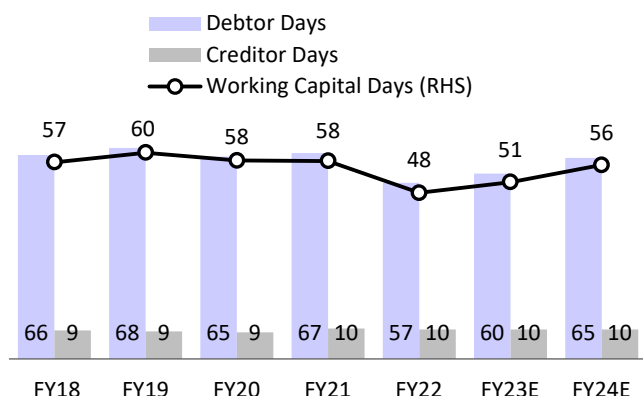
Source: Company, MOFSL

**Exhibit 15: Return ratios remain elevated**



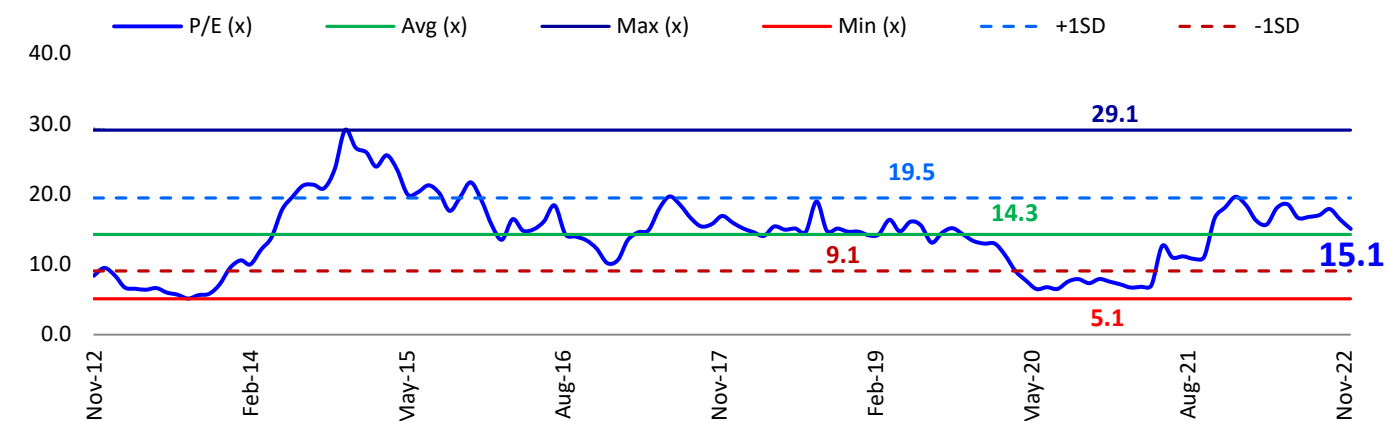
Source: Company, MOFSL

**Exhibit 16: Comfortable working capital position**



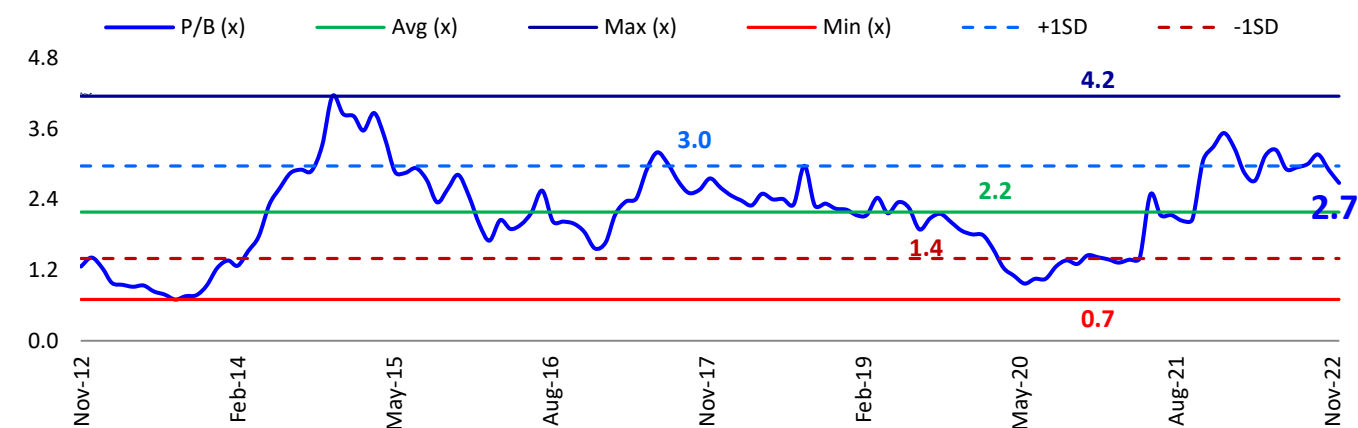
Source: Company, MOFSL

Exhibit 17: One-year forward P/E ratio (x)



Source: Company, MOFSL

Exhibit 18: One-year forward P/B ratio (x)



Source: Company, MOFSL

## Financials and valuations

### Consolidated Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>23,499</b>	<b>27,536</b>	<b>27,178</b>	<b>28,024</b>	<b>32,567</b>	<b>38,281</b>	<b>45,000</b>
Change (%)	21.0	17.2	-1.3	3.1	16.2	17.5	17.6
Gross Margin (%)	18.9	18.2	18.5	18.0	20.9	19.2	19.8
<b>EBITDA</b>	<b>2,165</b>	<b>2,495</b>	<b>2,405</b>	<b>2,612</b>	<b>4,087</b>	<b>4,170</b>	<b>5,212</b>
Margin (%)	9.2	9.1	8.9	9.3	12.6	10.9	11.6
Depreciation	686	774	825	928	1,130	1,227	1,441
<b>EBIT</b>	<b>1,478</b>	<b>1,721</b>	<b>1,580</b>	<b>1,684</b>	<b>2,957</b>	<b>2,944</b>	<b>3,771</b>
Int. and Finance Charges	322	374	343	267	128	87	67
Other Income	144	195	201	255	199	239	287
<b>PBT</b>	<b>1,301</b>	<b>1,542</b>	<b>1,438</b>	<b>1,672</b>	<b>3,028</b>	<b>3,096</b>	<b>3,991</b>
Tax	287	333	159	238	377	467	718
Effective Tax Rate (%)	22.0	21.6	11.1	14.3	12.4	15.1	18.0
<b>PAT before MI, Associates, and EO Items</b>	<b>1,014</b>	<b>1,209</b>	<b>1,279</b>	<b>1,434</b>	<b>2,652</b>	<b>2,629</b>	<b>3,273</b>
Share of profit/(loss) of Associates and JVs	224	251	252	201	277	350	425
Minority Interest	0	0	-8	-33	-32	-31	-30
Extraordinary Items	0	7	99	131	0	0	0
<b>Reported PAT</b>	<b>1,238</b>	<b>1,453</b>	<b>1,424</b>	<b>1,471</b>	<b>2,896</b>	<b>2,948</b>	<b>3,668</b>
<b>Adjusted PAT</b>	<b>1,238</b>	<b>1,460</b>	<b>1,522</b>	<b>1,602</b>	<b>2,896</b>	<b>2,948</b>	<b>3,668</b>
Change (%)	52.4	17.9	4.3	5.2	80.8	1.8	24.4
Margin (%)	5.3	5.3	5.6	5.7	8.9	7.7	8.2

### Standalone Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	153	153	154	154	155	155	155
Total Reserves	7,465	8,766	10,085	11,543	14,148	16,826	20,224
<b>Net Worth</b>	<b>7,618</b>	<b>8,920</b>	<b>10,239</b>	<b>11,697</b>	<b>14,303</b>	<b>16,981</b>	<b>20,379</b>
Minority Interest	47	52	57	86	274	274	274
Deferred Tax Liabilities	445	390	302	273	276	276	276
Total Loans	4,396	4,703	4,186	2,767	1,039	694	521
<b>Capital Employed</b>	<b>12,505</b>	<b>14,065</b>	<b>14,784</b>	<b>14,823</b>	<b>15,892</b>	<b>18,224</b>	<b>21,450</b>
Gross Block	7,873	9,503	10,595	10,684	11,646	15,036	17,036
Less: Accum. Deprn.	1,615	2,235	3,111	3,275	4,405	6,272	7,713
<b>Net Fixed Assets</b>	<b>6,258</b>	<b>7,268</b>	<b>7,483</b>	<b>7,409</b>	<b>7,241</b>	<b>8,764</b>	<b>9,323</b>
Capital WIP	563	40	450	690	846	796	766
<b>Total Investments</b>	<b>1,044</b>	<b>1,168</b>	<b>1,354</b>	<b>1,500</b>	<b>1,927</b>	<b>1,927</b>	<b>1,927</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>6,113</b>	<b>7,683</b>	<b>7,547</b>	<b>7,790</b>	<b>8,257</b>	<b>9,417</b>	<b>12,583</b>
Inventory	33	53	66	71	85	105	123
Account Receivables	4,249	5,151	4,873	5,110	5,083	6,293	8,014
Cash and Bank Balances	142	155	259	395	745	327	1,281
Cash	127	101	132	341	679	261	1,216
Bank Balance	15	55	128	55	66	66	66
Loans and Advances	235	268	268	124	12	15	17
Others	1,453	2,056	2,081	2,089	2,333	2,678	3,148
<b>Current Liab. and Prov.</b>	<b>1,472</b>	<b>2,095</b>	<b>2,050</b>	<b>2,565</b>	<b>2,379</b>	<b>2,679</b>	<b>3,150</b>
Account Payables	597	674	639	759	851	1,001	1,176
Other Current Liabilities	820	1,355	1,309	1,719	1,276	1,383	1,626
Provisions	55	65	102	86	251	296	347
<b>Net Current Assets</b>	<b>4,641</b>	<b>5,589</b>	<b>5,497</b>	<b>5,225</b>	<b>5,878</b>	<b>6,738</b>	<b>9,434</b>
<b>Application of Funds</b>	<b>12,505</b>	<b>14,065</b>	<b>14,784</b>	<b>14,823</b>	<b>15,891</b>	<b>18,224</b>	<b>21,450</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
EPS	16.1	18.9	19.7	20.8	37.6	38.2	47.6
EPS growth (%)	52.4	17.9	4.3	5.2	80.8	1.8	24.4
Cash EPS	25.0	29.0	30.4	32.8	52.2	54.1	66.3
BV/Share	98.8	115.7	132.8	151.7	185.5	220.2	264.3
DPS	1.6	1.8	2.0	2.5	2.5	3.5	3.5
Payout (Incl. Div. Tax, %)	13.2	12.6	14.1	13.1	6.7	9.2	7.4
<b>Valuation (x)</b>							
P/E ratio	39.1	33.2	31.8	30.2	16.9	16.6	13.4
Cash P/E ratio	25.2	21.7	20.6	19.1	12.2	11.7	9.6
EV/EBITDA ratio	23.8	20.8	21.2	18.9	11.6	11.4	8.9
EV/Sales ratio	2.2	1.9	1.9	1.8	1.5	1.2	1.0
P/BV ratio	6.4	5.4	4.7	4.1	3.4	2.9	2.4
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4	0.6	0.6
<b>Return Ratios (%)</b>							
RoE	17.5	17.5	15.8	14.5	22.0	18.5	19.4
RoCE	12.6	13.2	12.7	12.4	19.6	17.7	18.8
RoIC	11.4	11.5	11.1	11.6	21.0	18.1	18.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	3.3	3.2	2.7	2.6	2.9	2.8	2.8
Asset Turnover (x)	1.9	2.0	1.8	1.9	2.0	2.1	2.1
Inventory (Days)	1	1	1	1	1	1	1
Debtors (Days)	66	68	65	67	57	60	65
Creditors (Days)	9	9	9	10	10	10	10
<b>Leverage Ratio (x)</b>							
Net Debt/Equity ratio	0.6	0.5	0.4	0.2	0.0	0.0	-0.1

### Standalone Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,525	1,786	1,591	1,743	3,305	3,096	3,991
Depreciation	686	774	825	928	1,130	1,227	1,441
Direct Taxes Paid	-368	-342	-410	52	-494	-467	-718
(Inc.)/Dec. in WC	-576	-758	181	232	-163	-1,263	-1,745
Other Items	301	331	242	93	-98	-152	-220
<b>CF from Operations</b>	<b>1,568</b>	<b>1,791</b>	<b>2,428</b>	<b>3,047</b>	<b>3,680</b>	<b>2,440</b>	<b>2,749</b>
(Inc.)/Dec. in FA	-1,511	-1,259	-1,321	-1,241	-707	-2,700	-1,970
<b>Free Cash Flow</b>	<b>57</b>	<b>532</b>	<b>1,108</b>	<b>1,807</b>	<b>2,973</b>	<b>-260</b>	<b>779</b>
Change in Investments	-8	-49	-55	-17	-28	0	0
Others	209	-268	22	196	-27	175	231
<b>CF from Investments</b>	<b>-1,309</b>	<b>-1,576</b>	<b>-1,353</b>	<b>-1,062</b>	<b>-762</b>	<b>-2,525</b>	<b>-1,739</b>
Change in Equity	0	12	24	40	34	0	0
Inc./(Dec.) in Debt	184	307	-523	-1,419	-2,148	-345	-173
Dividends Paid	-163	-182	-201	-96	-410	-270	-270
Others	-323	-338	-343	-302	-56	282	387
<b>CF from Fin. Activity</b>	<b>-303</b>	<b>-202</b>	<b>-1,044</b>	<b>-1,776</b>	<b>-2,580</b>	<b>-333</b>	<b>-56</b>
<b>Inc./(Dec.) in Cash</b>	<b>-44</b>	<b>13</b>	<b>31</b>	<b>209</b>	<b>338</b>	<b>-418</b>	<b>954</b>
Opening Balance	187	142	101	132	341	679	261
<b>Closing Balance</b>	<b>142</b>	<b>155</b>	<b>132</b>	<b>341</b>	<b>679</b>	<b>261</b>	<b>1,216</b>



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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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