

BUY

TP: Rs 365 | ▲ 33%

**TRANSPORT CORP OF
INDIA**

| Logistics

| 19 December 2019

NDR takeaways

We hosted the senior management of Transport Corp of India (TRPC) for investor meetings. Management's long-term business outlook was positive yet realistic, in our view. Following are the key takeaways –

Growth recovery next year: As per the company, sustained growth recovery is likely only post monsoons (and BS-VI implementation) next year, barring some seasonal upticks. Management expects broad-based growth across segments to catalyse a ~15%/18-20% topline/bottomline CAGR over the next three years, with ROE reaching 20% by end-FY21. Annual capex is planned at Rs 1.2bn-1.5bn.

Multi-modal capabilities the need of the hour: TRPC is one of the few players in India with a presence across road, coastal shipping and rail (through its JV with Container Corp) – this allows it to offer nimble, customised solutions to clients. Management believes multi-modal capabilities are critical for future prospects as alternative modes will gain share from road transport. Onset of the Dedicated Freight Corridor bodes well as TRPC can utilise rail as a common carrier and offer rail-based solutions to its vast clientele.

Client wins, warehousing to drive supply chain business: TRPC's SCS segment has been relatively resilient (-2.5% YoY in H1FY20) vs. double-digit contraction in auto production (~80% of topline), due to (1) faster growth in warehousing, (2) addition of two new auto clients, and (3) growth in spare parts distribution. Management expects the segment to revive in line with recovery in auto production, while warehousing should log a 20%+ CAGR in the next few years.

LTL share to rise: TRPC expects LTL share in freight revenue to reach 40% in two years from 33% at present, driving segmental margin and ROCE expansion. In H1FY20, the auto and industrial verticals within freight contracted sharply, while consumer products and textiles fared better. In the seaways segment, the newly added ship has reached steady utilisation, but management highlighted pricing pressure in the west coast due to competition.

Our view: Our positive stance on TRPC stems from its multi-modal capabilities, strong positioning across freight, 3PL and seaways divisions, and its healthy earnings growth potential (17% CAGR over FY19-FY22E). The stock is currently trading at an attractive P/E of 9x on FY22E EPS. We reiterate our SOTP-based Mar'21 fair value of Rs 365. TRPC remains our top value pick.

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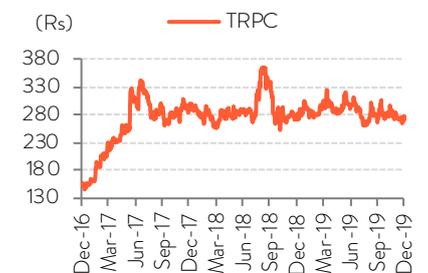
Ticker/Price	TRPC IN/Rs 273
Market cap	US\$ 294.8mn
Shares o/s	77mn
3M ADV	US\$ 0.1mn
52wk high/low	Rs 330/Rs 250
Promoter/FPI/DII	67%/2%/10%

Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY20E	FY21E	FY22E
Total revenue (Rs mn)	29,433	34,312	40,109
EBITDA (Rs mn)	2,741	3,305	3,935
Adj. net profit (Rs mn)	1,647	1,902	2,322
Adj. EPS (Rs)	21.5	24.8	30.3
Adj. EPS growth (%)	12.8	15.5	22.0
Adj. ROAE (%)	17.1	17.0	17.9
Adj. P/E (x)	12.7	11.0	9.0
EV/EBITDA (x)	9.3	7.6	6.3

Source: Company, BOBCAPS Research

STOCK PERFORMANCE

Source: NSE

[Click here for our last detailed report](#)

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

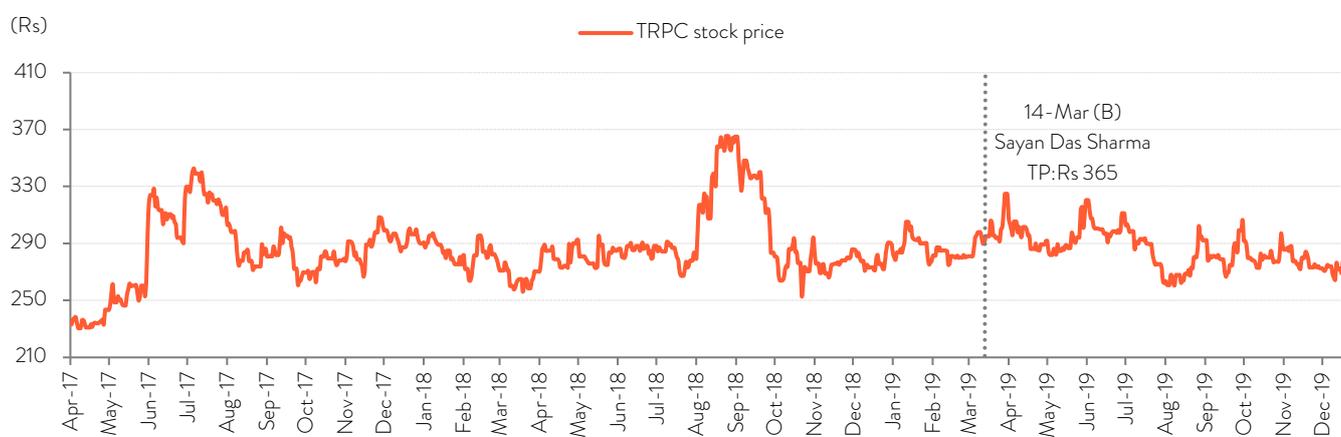
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: TRANSPORT CORP OF INDIA (TRPC IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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