

8 November 2022

Q2-FY23 Result Update

- TCI reported good set of numbers for the quarter under review with revenue from operations increasing by 13.0% year-on-year to ₹9,321 million on a consolidated basis. The Freight division reported a revenue growth of 16.3% YoY driven by high volumes and stable freight rates; Supply Chain division reported a revenue growth of 27.0% YoY driven by growth in automobile transportation; Seaways division reported a decline in revenue growth due to slow demand amid monsoon, dry-docking & lower international volumes during the quarter. The management has retained guidance for revenue growth of 10% - 15% for FY23.
- The CONCOR joint venture reported a marginal growth of 1.7% and the cold chain business reported growth of 13.5% in the half yearly. Some amount is seasonal and some of the new businesses that are coming in cold chain will get added on the next few months. The Trans System joint venture has done exceptionally well with a 76% growth, in line with the automobile industry growth.
- On profitability front, the EBITDA from operations for the quarter declined by 8.2% year-on-year to ₹960 million with an operating margin of 10.3%. Profitability was impacted as three ships went on dry docking during the quarter. The company achieved the reported PAT of ₹723 million, a decline of 4.3% year-on-year with a net margin of 7.8% translating into EPS of ₹9.31 per share.
- TCI is a technology enabled diversified multi-modal logistics company having operations across road, rail and seaways. It will benefit from National Logistic Policy which aims to reduce logistic cost, digitization and standardization. Further, infrastructure development such as terminals, ports, railway corridors, etc under Gati Shakti program are major tailwinds for the logistics sector. This will help the logistics industry to better productivity, efficiency and reduce losses in the system.
- Though container rates have come down by 30-40% globally, ship prices have not come down by that much. Hence, TCI has deferred its plan of purchasing a ship by couple of quarters. The company plans to invest ₹1,250 - 1,500 million in other aspects such as trucks, construction of hub centers, technology, etc.
- We continue to remain positive on the company on back of its strong business, technology enabled operational capabilities, diversified multi-modal network, good operating margins, strong balance sheet with negligible debt and industry tailwinds supported by various government initiatives. We maintain our rating on the stock to **BUY**, with a target price of **₹920 per share**.

Financials:

(In ₹ mn)	Q2-FY23	Q2-FY22	Chg	6M-FY23	6M-FY22	Chg
Net Sales	9,321	8,251	13.0%	18,350	15,213	20.6%
Operating Expense	8,361	7,206	16.0%	16,350	13,410	21.9%
EBITDA	960	1,045	-8.2%	2,000	1,803	11.0%
Other Income	74	29		127	70	
Depreciation	300	256		589	504	
EBIT	733	818	-10.4%	1,538	1,369	12.3%
Interest	25	33		49	80	
PBT	708	785	-9.9%	1,489	1,289	15.5%
Tax	116	96		209	160	
Exceptional Items	-	-		-	-	
PAT	592	689	-14.1%	1,280	1,129	13.4%
Minority /Other Adj.	(7)	(8)		(15)	(14)	
Consolidated PAT	585	681	-14.1%	1,265	1,115	13.4%

Margins	Q2-FY23	Q2-FY22	Chg	6M-FY23	6M-FY22	Chg BPS
Operating Margin %	10.3%	12.7%	-237	10.9%	11.8%	-95
Net Margin %	6.3%	8.3%	-198	7.0%	7.4%	-45

Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	28,024	32,567	36,475	41,581
Operating Expense	25,412	28,479	31,157	35,518
EBITDA	2,612	4,087	5,318	6,063
Other Income	255	199	223	254
Depreciation	928	1,130	1,222	1,393
EBIT	1,939	3,156	4,319	4,924
Interest	267	128	132	138
Misc. items	(131)	-	-	-
PBT	1,541	3,028	4,187	4,786
Tax	238	376	963	1,101
Minority Interest	168	245	-	-
PAT	1,471	2,896	3,224	3,686

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	3.1%	16.2%	12.0%	14.0%
Operating Margin %	9.3%	12.6%	14.6%	14.6%
Net Margin %	5.3%	8.9%	8.8%	8.9%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	220	233	233	233
Reserves & Surplus	11,477	14,070	17,294	20,979
Total Shareholder's Funds	11,697	14,303	17,527	21,212
Minority Interest	86	274	274	274
Long-Term Liabilities	1,091	228	228	228
Other Long-term Liabilities	183	330	330	330
Deferred Tax Liability	273	276	276	276
Short-term Liabilities	4,057	2,861	3,204	3,652
Total	17,388	18,270	21,838	25,973
Assets				
Net Fixed Assets	8,098	8,087	7,933	8,537
Long-Term L&A	401	228	228	228
Non Current Investments	1,500	1,780	1,780	1,780
Other Non-Current Assets	28	23	23	23
Current Asset	7,362	8,153	11,873	15,405
Total	17,388	18,270	21,838	25,973

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	19.0	37.4	41.6	47.5
P/E (x)	35.9	18.2	16.4	14.3
P/B (x)	4.5	3.7	3.0	2.5
ROE	12.6%	20.2%	18.4%	17.4%

Source: Company, Anand Rathi Research

Key Risks:

- ☐ Volatile Crude Prices
- ☐ Port Congestions and Inefficiencies
- ☐ Blockage in Major Trade Routes
- ☐ Shortage of Ships and Containers
- ☐ High International Freight Rates



Rating and Target Price history:

TCI's rating history & price chart



TCI's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
19-Sep-2022	Buy	920	757
08-Nov-2022	Buy	920	682

NOTE: Prices are as on 8 November 2022 close.

Source: Bloomberg, Anand Rathi Research

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