

Seaways, SCM to lift FY23 profitability...

About the stock: TCI is a leading provider of integrated multimodal logistics and supply chain solutions. The company has over six decades of experience and moves nearly 2.5% of India's GDP by value.

- TCI has 9000+ trucks in operation, six owned coastal ships, 12 million square feet warehousing space, 900 offices
- In FY21, freight formed 52% of revenues while SCM and coastal shipping contributed 34% and 14%, respectively

Q4FY22 Results: TCI reported an in line performance, with margins at all-time high.

- Revenues remained flat YoY at ₹ 798 crore, led by freight, SCM, shipping revenue growth of 1%, (12) %, 24%, respectively
- Absolute EBITDA grew 33% to ₹ 114 crore (EBITDA margins expanded 350 bps to 14.2%)
- Subsequently, PAT grew 38% to ₹ 73 crore

What should investors do? TCI's robust pipeline of customers and diversified services have helped the momentum in revenues and margins to continue amid a volatile environment.

- Due to continued strong margin performance and expected recovery of SCM segment in medium term, we maintain our **BUY** recommendation

Target Price and Valuation: We value the stock at ₹ 860 (SOTP).

Key triggers for future price performance: TCI's multimodal solutions cater to the needs of a diversified customer base and help it to capture a higher wallet share of its customers.

- Focus on margin improvement by controlled cost structure and higher value added services
- Strong fundamentals (b/s, CF) together with improvement in margins and higher asset turnover, are expected to push return ratios to 18-20% in FY24

Alternate Stock Idea: Apart from TCI, we remain positive on Mahindra Logistics.

- Mahindra Logistics is an end to end 3PL logistics solution provider, from performing milk run to in-factory logistics, warehousing to first mile and last mile logistics
- Continued momentum in the non-auto segment of MLL to drive higher contribution from the value added services and thereby improve its margins as well as opportunity to capture higher wallet share of existing customers



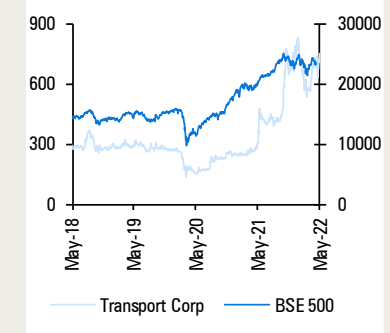
Particulars

Market Cap. (₹ cr)	5,289
Total Debt (FY22) (₹ Cr)	61.9
Cash and Investment (FY22) (₹)	74.5
EV (₹ Crore)	5424.5
52 week H/L	859/388
Equity Capital (₹ Crore)	15.3
Face Value (₹)	2.0

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promotei	66.7	66.5	66.5	66.6
Others	33.3	33.5	33.5	33.4

Price Chart



Recent event & key risks

- Acquisition of cargo ship
- **Key Risk:** (i) Continued hikes in diesel prices (ii) Slower pick-up in auto sector

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Key Financial Summary

(Year-end March)	FY20	FY21	FY22E	5 Years CAGR (FY17-22)	FY23E	FY24E	CAGR
Revenues (₹ crore)	2,717.8	2,802.4	3,256.7	10.9%	3,747.7	4,385.9	10.4%
EBITDA (₹ crore)	240.5	261.2	408.7	20.3%	449.7	530.7	9.1%
Adjusted Net Profit (₹ crore)	142.4	147.1	289.6	28.7%	329.4	394.4	10.8%
EPS (₹)	18.3	18.9	37.3		42.4	50.8	
P/E (x)	38.9	37.2	19.2		16.9	14.1	
Price / Book (x)	5.4	4.8	3.9		3.2	2.7	
EV/EBITDA (x)	23.4	21.0	12.9		11.5	9.7	
RoCE (%)	12.4	13.3	20.3		20.2	20.4	
RoNW (%)	14.0	12.9	20.5		19.1	18.8	

Source: Company, ICICI Direct Research

Key takeaways

Q4FY22 Results: Expect margins to revert to mean

- On the EBIT front, seaways comprised ~63% of consolidated EBIT, followed by SCM and transportation
- Seaways showed exponential growth amid increasing freight rates and high value return cargo from Myanmar

Q4FY22 Earnings Conference Call highlights

- On the freight segment front, the management is aiming to increase the share of less than truck load to ~ 40% by FY25 from current level of ~35%
- On the shipping front, the management expects the current sailing to Myanmar to continue in FY23. TCI has improved its budget to procure a ship in FY23 from ₹ 60-70 crore to ₹ 80-90 crore and expects to complete the transaction in FY23
- On the SCM business front, revenues de-grew in Q4 due to continued issues related to semi-conductor unavailability. However, the management expects resolution on the same, in the medium term
- On the TCI Concor JV front, the management continues to see revenue traction due to efficient movement on the DFC. The company has ordered procurement of more containers in Q1FY23
- TCI is also seeing higher demand for movement of renewables. The company has specialised equipment, space for inbound and outbound movement and storage of products
- TCI has become net debt free in FY23
- The management indicated that the company was able to report a strong operational performance owing to its diversified service offering and large customer base. The company's strategy of integrated logistics play has aided the growth momentum

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	797.9	824.3	796.6	0.2	759.3	5.1	YoY flattish revenues as strong seaways revenues negated by de-growth in SCM segment
Operating Expenses	614.4	643.0	641.6	-4.2	583.9	5.2	
Employee Expenses	42.2	44.5	42.5	-0.7	42.2	0.0	
Administrative & Oth Expenses	27.7	28.9	27.1	2.5	26.4	5.0	
Total Expense	684.3	716.3	711.1	-3.8	652.5	4.9	
EBITDA	113.6	108.0	85.6	32.8	106.9	6.3	
EBITDA Margin (%)	14.2	13.1	10.7	350 bps	14.1	16 bps	Seaways division reports 46%+ EBITDA margins, lifting consolidated margins
Depreciation	36.0	24.1	26.8	34.3	24.1	49.2	
Interest	1.9	2.5	5.6	-66.1	2.2	-11.6	
Other Income	7.8	7.8	10.5	-26.4	7.1	9.0	
Exceptional Gain/Loss	0.0	0.0	-3.5	0.0	0.0	0.0	
PBT	83.5	89.2	60.2	38.8	87.8	-4.8	
Total Tax	10.4	16.1	7.3	42.2	10.2	2.7	
PAT	73.1	73.1	52.9	38.3	77.6	-5.8	In sync with operational performance
Key Metrics	Q4FY22	Q4FY22E	Q4FY21	YoY	Q3FY22	QoQ	
Freight Division	390.6	418.0	387.1	0.9	354.0	10.3	
Supply Chain Solutions	256.4	263.2	292.4	-12.3	264.4	-3.0	Automotive sector continues to stay impacted due to semiconductor issue
Seaways	160.7	149.6	130.1	23.5	147.9	8.6	Higher growth due to better cargo volumes at port

Source: Company, ICICI Direct Research

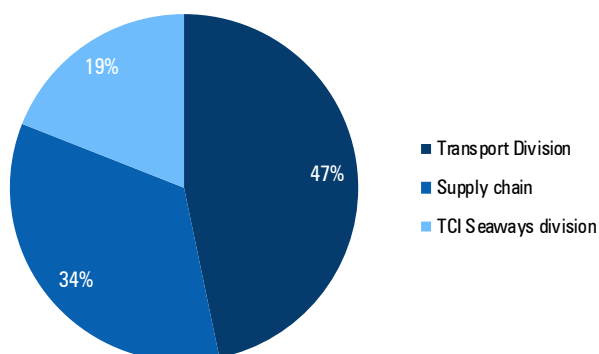
Exhibit 2: Change in estimates

(₹ Crore)	FY23E				FY24E			Comments
	FY22E	Old	New	% Change	Old	New	% Change	
Revenue	3,256.7	3,778.0	3,747.7	-0.8	4,478.5	4,385.9	-2.1	Revenues kept largely intact
EBITDA	408.7	453.4	449.7	-0.8	541.9	530.7	-2.1	
EBITDA Margin (%)	12.6	12.0	12.0	0 bps	12.1	12.1	0 bps	Margins unchanged as strong FY22 margins are expected to be subdued in FY23 and FY24
PAT	289.6	312.0	329.4	5.6	382.9	394.4	3.0	
EPS (₹)	37.3	40.1	42.4	5.7	49.3	50.8	3.0	

Source: ICICI Direct Research

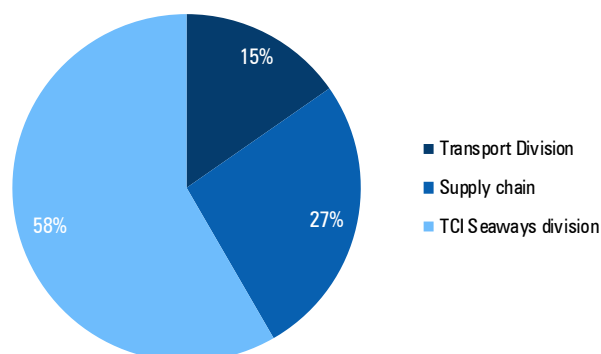
Key Metrics

Exhibit 3: Segmental revenues - FY22



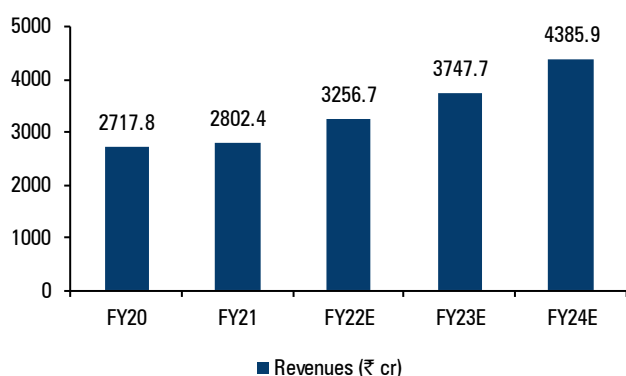
Source: ICICI Direct Research, Company

Exhibit 4: Segmental EBITDA – FY22



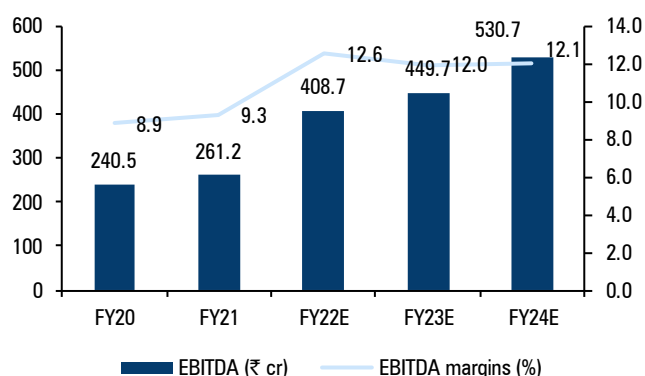
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 16% (FY22-24) CAGR



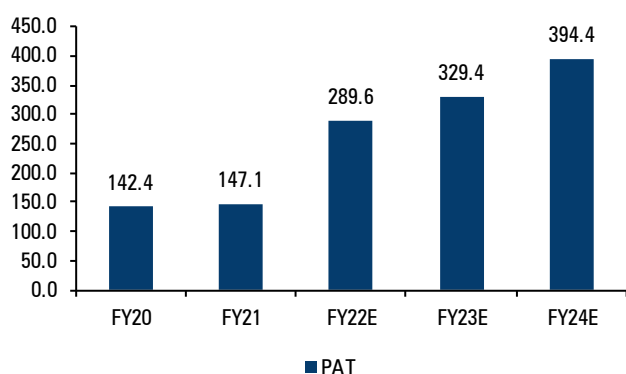
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA expected to grow at 14% CAGR (FY22-24)



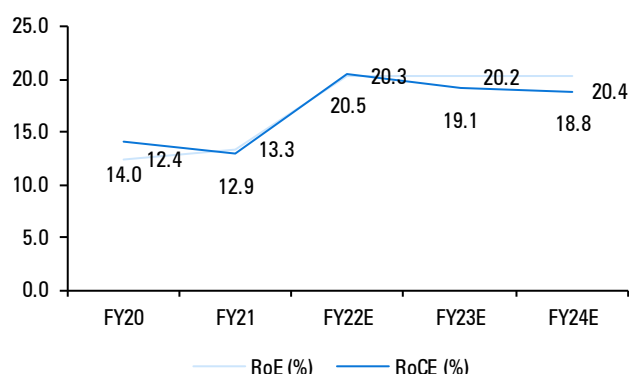
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 17% CAGR (FY22-24E)



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	2717.8	-1.3	18.3	-1.4	38.9	23.4	14.0	12.4
FY21	2802.4	3.1	18.9	3.3	37.2	21.0	12.9	13.3
FY22E	3256.7	16.2	37.3	96.8	19.2	12.9	20.5	20.3
FY23E	3747.7	15.1	42.4	13.7	16.9	11.5	19.1	20.2
FY24E	4385.9	17.0	50.8	19.7	14.1	9.7	18.8	20.4

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	2,802.4	3,256.7	3,747.7	4,385.9
Growth (%)	3.1	16.2	15.1	17.0
Operating expense	2,297.2	2,576.6	2,998.1	3,508.7
Manpower Cost	145.5	170.0	183.6	210.5
Admin & other expense	98.4	101.3	116.2	136.0
Total Expense	2,541.2	2,847.9	3,297.9	3,855.2
EBITDA	261.2	408.7	449.7	530.7
Growth (%)	8.6	56.5	10.0	18.0
Depreciation	92.8	113.0	105.2	117.2
EBIT	168.4	295.7	344.5	413.5
Interest	26.7	12.8	2.2	0.1
Other Income	25.5	19.9	26.2	30.7
PBT	167.2	302.8	368.5	444.0
Growth (%)	16.2	81.1	21.7	20.5
Tax	23.8	37.7	66.3	79.9
Reported PAT	143.4	265.2	302.2	364.1
Growth (%)	12.1	85.0	14.0	20.5
Share of Profit from JV	20.1	27.7	30.4	33.5
Minority Interest	3.3	3.2	3.2	3.2
Extraordinary Item	-13.1	0.0	0.0	0.0
Adjusted PAT	147.1	289.6	329.4	394.4
EPS	18.9	37.3	42.4	50.8

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	147.1	289.6	329.4	394.4
Add: Depreciation	92.8	113.0	105.2	117.2
Add: Interest Expense	26.7	12.8	2.2	0.1
Cash Profit	266.6	415.5	436.9	511.7
Increase/(Decrease) in CL	-5.5	-39.1	-163.1	-119.3
(Increase)/Decrease in CA	34.8	-11.4	11.7	20.2
Others	8.8	3.0	0.0	0.0
CF from Operating Activities	304.7	368.0	285.4	412.6
Purchase of Fixed Assets	-124.1	-70.7	-150.4	-150.4
(Inc)/Dec in Investments	-24.4	-28.7	-18.1	-200.3
Others	38.0	-28.0	0.6	0.6
CF from Investing Activities	-110.5	-127.4	-167.9	-350.1
Inc/(Dec) in Loan Funds	-133.9	-172.8	-30.0	-30.0
Inc/(Dec) in Share Capital	0.1	0.1	0.0	0.0
Less: Interest Expense	-26.7	-12.8	-2.2	-0.1
Others	-20.1	-20.1	-20.1	-20.1
CF from financing activities	-180.7	-205.7	-52.4	-50.3
Change in cash Eq.	13.6	34.9	65.1	12.3
Op. Cash and cash Eq.	25.9	39.5	74.5	139.6
Cl. Cash and cash Eq.	39.5	74.4	139.6	151.8

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Source of Funds				
Equity Capital	15.4	15.5	15.5	15.5
Reserves & Surplus	1,154.3	1,414.8	1,724.1	2,098.3
Shareholder's Fund	1,169.7	1,430.3	1,739.5	2,113.8
Loan Funds	234.7	61.9	31.9	1.9
Deferred Tax Liability	27.3	27.6	28.1	28.7
Minority Interest	8.6	27.4	27.4	27.4
Govt Grant	1.9	1.9	1.9	1.9
Long Term Provisions	11.8	4.6	4.6	4.6
Source of Funds	1454.0	1553.6	1833.4	2178.2
Application of Funds				
Gross Block	1,069.2	1,165.4	1,315.4	1,465.4
Less: Acc. Depreciation	328.3	441.3	546.6	663.8
Net Block	740.9	724.1	768.8	801.6
Capital WIP	5.2	7.3	7.7	8.0
Non-Current Investments	150.0	178.0	195.8	395.8
Long Term Loans &	14.1	14.7	15.0	15.3
Other Non-Current Assets	102.1	102.4	102.4	102.4
Inventories	7.1	8.5	8.2	9.6
Debtor	511.0	508.3	667.4	781.1
Cash	39.5	74.5	139.6	151.8
Loan & Advance, Other CA	168.9	209.4	213.6	217.9
Current Liabilities	284.8	273.4	285.0	305.3
Trade Payables	75.9	85.1	92.4	108.1
Other Current Liabilities	200.3	167.8	171.1	174.5
Short Term Provisions	8.6	20.5	21.5	22.6
Application of Funds	1,454.0	1,553.6	1,833.4	2,178.2

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Book Value	151.7	184.9	224.9	273.3
Cash per share	65.8	65.4	85.9	100.5
EPS	18.9	37.3	42.4	50.8
Cash EPS	30.4	48.7	52.4	61.9
DPS	2.0	2.0	2.0	2.0
Profitability & Operating Ratios				
EBITDA Margin (%)	9.3	12.6	12.0	12.1
PAT Margin (%)	5.1	8.1	8.1	8.3
Fixed Asset Turnover (x)	3.8	4.5	4.9	5.5
Inventory Turnover (Days)	0.9	0.9	0.8	0.8
Debtor (Days)	66.6	57.0	65.0	65.0
Current Liabilities (Days)	9.9	9.5	9.0	9.0
Return Ratios (%)				
RoE	12.9	20.5	19.1	18.8
RoCE	13.3	20.3	20.2	20.4
RoIC	13.0	21.8	22.0	21.8
Valuation Ratios (x)				
P/E	38.3	19.5	17.1	14.3
Price to Book Value	4.8	3.9	3.2	2.7
EV/EBITDA	21.0	12.9	11.5	9.7
EV/Sales	2.0	1.6	1.4	1.2
Leverage & Solvency Ratios				
Debt to equity (x)	0.2	0.0	0.0	0.0
Interest Coverage (x)	6.3	23.0	154.1	3,060.4
Debt to EBITDA (x)	0.9	0.2	0.1	0.0
Current Ratio	2.2	2.5	2.3	2.0

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E		
APSEZ	736	900	BUY	1,49,537	21.2	35.9	44.3	29.9	31.8	20.5	20.4	20.8	14.3	12.7	9.6	13.7	16.3	11.3	16.5		
Container Corporation	650	680	BUY	33,146	17.3	30.4	36.8	78.4	37.5	21.4	9.8	5.6	4.4	4.5	10.2	12.2	5.4	9.6	14.8		
Transport Corp. of India	725	860	BUY	5,289	37.3	42.4	50.8	38.3	19.5	17.1	21.0	12.9	11.5	13.3	20.3	20.2	12.9	20.5	19.1		
TCI Express	1,640	2,300	BUY	6,278	26.2	34.0	45.8	70.5	62.7	48.2	51.7	46.8	35.8	36.3	31.9	33.1	29.5	26.1	26.8		
Mahindra Logistics	455	600	BUY	3,263	5.2	10.2	17.6	87.9	44.7	25.8	15.4	11.8	8.6	12.2	29.3	35.5	6.3	11.3	16.7		
BlueDart Express	7,500	6,300	BUY	17,820	135.3	173.9	NA	55.4	43.1	NA	18.0	15.3	NA	69.7	64.7	NA	38.0	33.8	NA		
Gateway Distriparks	75	100	BUY	3,747	4.5	3.7	4.7	39.7	16.7	20.2	13.4	11.0	9.2	11.7	15.4	16.9	6.4	13.7	10.7		

Source: ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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