

## RESULTS

## REVIEW

## Transport Corporation of India Ltd.

Slowdown all around...

BUY

Analyst

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Nifty: 5,908; Sensex: 19,805

CMP	Rs49
Target Price	Rs81
Potential Upside/Downside	+65%

## Key Stock Data

Sector	Logistics
Bloomberg / Reuters	TRPC IN / TCIL.BO
Shares o/s (mn)	73
Market cap. (Rs mn)	3,577
Market cap. (US\$ mn)	61
3-m daily average vol.	2,233

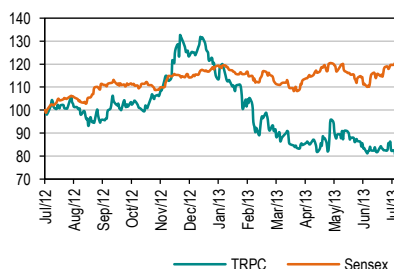
## Price Performance

52-week high/low	Rs90/46		
	-1m	-3m	-12m
Absolute (%)	(5)	(9)	(22)
Rel to Sensex (%)	(12)	(11)	(40)

## Shareholding Pattern (%)

Promoters	69.3
FII/IRIs/OCBs/GDR	11.6
MFs/Banks/FIs	0.1
Non Promoter Corporate	3.1
Public & Others	15.8

## Relative to Sensex



Source: Capitaline

## Summary

Transport Corporation (TCI) Q1FY14 (standalone) results remained in-line and were impacted by the trucking segment performance, which recorded a mere 0.7% EBIT margin. Revenue increased 4.4% YoY to Rs4.7 bn. EBITDA margin fell 110bps YoY to 7%, led by low margins in the trucking segment which faced impact of diesel price hike. Adj. PAT improved 6% YoY to Rs140 mn (IDBlest Rs138 mn), also supported by a higher other income due to dividend payout by Mitsui JV.

Higher margin supply chain segment recorded a 3.5% fall in revenue and fall in EBIT margin to ~5% from 8% in Q1FY13, indicating the worsening macro outlook. Given this, we reduce our FY14E/FY15E (consol.) estimate by 17%/21% respectively. As TCI moves towards a more robust business model of courier and supply chain which have an implicit GDP growth multiplier of 2x to 4x, the stock retains its attractiveness at the current levels at 4.8x on our FY15E EPS. Our TP stands revised down to Rs81 at 8x FY15E consolidated EPS. Maintain BUY.

## Key Highlights

- Revenue increased by a modest 4.4% with all the major three segments trucking, XPS (courier) and SCM recording 5%, 10% and -3.5% growth/de-growth respectively.
- EBITDA margin contracted 110bps YoY to 7% impacted by the fall in margins in the freight and SCM division, which fell 71% and 40% respectively.
- PAT stood flat at Rs140 mn (IDBlest Rs138 mn) supported to an extent by the by higher other income of Rs39.2 mn arising of dividend payout by the Mitsui JV.
- The difficulty in passing on the diesel price hikes have led to further fall in freight/trucking segment EBIT margins to 0.7%. Supply Chain Solutions segment was also impacted with fall in auto volumes which contribute to 75% of segment's revenue.

## Outlook and Valuation

Given a tough macro-environment, upcoming increase in diesel fuel price and a highly unorganized base, we expect a consolidation in the trucking segment over the long term, but also an associated stress on margins in medium term. The SCS and XPS segments are now expected to hold revenue growth rate of 5-10% with worsening economic scenario. Given that even in FY13 they recorded a 15%/12% growth on standalone basis, we believe any recovery in macros would lead a significant traction in SCS/XPS revenues. With the Mitsui JV meeting SCS requirements for Toyota in India, consolidated earnings have received a boost. TCI is likely to handle the stress better given its relatively leaner balance sheet with Net Debt:Equity of 0.7x. Maintain BUY.

## Table: Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY12	18,280	1,445	7.9	558	7.7	6.3	4.3	16.5	16.1
FY13*	21,321	1,749	8.2	693	9.6	5.1	3.7	17.8	17.9
FY14E*	23,668	1,840	7.8	656	9.0	5.4	3.8	14.8	16.0
FY15E*	25,965	2,067	8.0	732	10.1	4.8	3.4	14.5	15.5

\* Consolidated numbers

Source: Company; IDBI Capital Research

Table: Quarterly snapshot

(Rs mn)

Year-end: March	Q1FY13	Q1FY14	YoY (%)	FY12	FY13	YoY (%)	FY12 (consol)	FY13 (consol)	YoY (%)
<b>Revenue</b>	<b>4,574</b>	<b>4,777</b>	<b>4.4</b>	<b>18,290</b>	<b>19,520</b>	<b>6.7</b>	<b>19,553</b>	<b>21,321</b>	<b>9.0</b>
<b>EBITDA</b>	<b>370</b>	<b>336</b>	<b>(9.2)</b>	<b>1,456</b>	<b>1,461</b>	<b>0.4</b>	<b>1,580</b>	<b>1,748</b>	<b>10.6</b>
<i>EBITDA Margin (%)</i>	<i>8.1</i>	<i>7.0</i>		<i>8.0</i>	<i>7.5</i>		<i>8.1</i>	<i>8.2</i>	
Other Income	13	38		33	42		41	63	
Depreciation	99	103	4.8	379	421	11.1	416	464	11.6
Interest	86	73	(15.6)	333	322	(3.3)	350	336	(3.9)
<b>PBT</b>	<b>198</b>	<b>198</b>	<b>(0.2)</b>	<b>777</b>	<b>760</b>	<b>(2.2)</b>	<b>856</b>	<b>1,010</b>	<b>18.1</b>
Tax Expense	66	58		219	237		262	315	
Tax / PBT Ratio	33.2	29.1		28.2	31.2		30.6	31.2	
<b>Adjusted PAT</b>	<b>132</b>	<b>140</b>	<b>5.9</b>	<b>558</b>	<b>523</b>	<b>(6.3)</b>	<b>593</b>	<b>695</b>	<b>17.2</b>
<b>Reported PAT</b>	<b>132</b>	<b>140</b>	<b>5.9</b>	<b>518</b>	<b>519</b>	<b>0.2</b>	<b>595</b>	<b>695</b>	<b>16.8</b>
<b>EPS (Rs)</b>	<b>1.8</b>	<b>1.9</b>	<b>5.9</b>	<b>7.2</b>	<b>7.2</b>	<b>0.2</b>	<b>8.2</b>	<b>9.6</b>	<b>16.8</b>

Source: Company; IDBI Capital Research

Table: Segmental standalone

(Rs mn)

Year-end: March	Q1FY13	Q1FY14	YoY (%)	FY12	FY13	YoY (%)
<b>Segment Revenue</b>						
Freight Division	1,788	1,875	4.9	7,858	7,780	(1.0)
<i>% of total revenues</i>	39.0	38.8		42.7	39.7	
XPS Division	1,290	1,413	9.6	4,953	5,564	12.3
<i>% of total revenues</i>	28.1	29.2		26.9	28.4	
SCM Division	1,246	1,202	(3.5)	4,526	5,201	14.9
<i>% of total revenues</i>	27.2	24.9		24.6	26.5	
Wind Power Division	23	27	17.5	73	75	(2.1)
<i>% of total revenues</i>	0.5	0.6		0.4	0.4	
TCI Seaways	239	274	14.6	931	974	4.6
<i>% of total revenues</i>	5.2	5.7		5.1	5.0	
<b>Global division</b>	<b>0.0</b>	<b>0.0</b>		<b>48.9</b>	<b>0.0</b>	
	0.0	0.0		0.3	0.0	
Unallocable	1	39		12	24	
<b>Total Revenues</b>	<b>4,587</b>	<b>4,831</b>	<b>5.3</b>	<b>18,401</b>	<b>19,617</b>	
Less Intersegment	6	16		79	59	
Net Sales	4,581	4,814		18,323	19,558	
<b>Segment Results</b>						
Freight Division	42	12	(70.6)	247	150	(39.5)
<i>PBIT Margin (%)</i>	2.3	0.7		3.1	1.9	
XPS Division	106	99	(6.0)	382	410	7.4
<i>PBIT Margin (%)</i>	8.2	7.0		7.7	7.4	
SCM Division	99	60	(40)	364	381	4.9
<i>PBIT Margin (%)</i>	8.0	4.9		8.0	7.3	
Wind Power Division	14	17	24.1	33	35	8.0
<i>PBIT Margin (%)</i>	59.8	63.2		44.7	47.2	
TCI Seaways	26	44	67.4	117	86	(26.6)
<i>PBIT Margin (%)</i>	10.9	15.9		12.6	8.8	
Real estate	0.0	0.0		0	0	
<b>Global division</b>	<b>0.0</b>	<b>0.0</b>		<b>(35)</b>	<b>0.0</b>	
<b>PBIT</b>	<b>286</b>	<b>232</b>	<b>(19.1)</b>	<b>1,108</b>	<b>1,062</b>	<b>(4.1)</b>
Less Interest	86	73		333	322	
Less Other Unallocable expenses	(1)	(39)		38	(16)	
<b>Total PBT</b>	<b>202</b>	<b>198</b>	<b>(1.8)</b>	<b>737</b>	<b>756</b>	<b>2.6</b>

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account (Rs mn)

Year-end: March	FY12	FY13*	FY14E*	FY15E*
<b>Net sales</b>	<b>18,280</b>	<b>21,321</b>	<b>23,668</b>	<b>25,965</b>
Growth (%)	4.0	16.6	11.0	9.7
Operating expenses	(16,834)	(19,572)	(21,827)	(23,898)
<b>EBITDA</b>	<b>1,445</b>	<b>1,749</b>	<b>1,840</b>	<b>2,067</b>
Growth (%)	6.7	21.0	5.2	12.3
Depreciation	(379)	(464)	(528)	(652)
<b>EBIT</b>	<b>1,067</b>	<b>1,285</b>	<b>1,312</b>	<b>1,415</b>
Interest paid	(333)	(322)	(395)	(395)
Other income	43	63	54	64
<b>Pre-tax profit</b>	<b>737</b>	<b>1,027</b>	<b>971</b>	<b>1,084</b>
Tax	(219)	(334)	(316)	(352)
Effective tax rate (%)	29.7	32.5	32.5	32.5
<b>Net profit</b>	<b>518</b>	<b>693</b>	<b>656</b>	<b>732</b>
<b>Adjusted net profit</b>	<b>558</b>	<b>693</b>	<b>656</b>	<b>732</b>
Growth (%)	(0.1)	24.1	(5.4)	11.6
Shares o/s (mn nos)	73	73	73	73

### Balance Sheet (Rs mn)

Year-end: March	FY12	FY13*	FY14E*	FY15E*
Net fixed assets	3,800	4,149	5,379	6,098
Investments	306	163	263	263
Other non-curr assets	-	-	-	-
<b>Current assets</b>	<b>3,996</b>	<b>5,116</b>	<b>4,952</b>	<b>4,975</b>
Inventories	20	22	12	13
Sundry Debtors	3,074	3,972	4,020	4,410
Cash and Bank	130	224	320	306
Loans and advances	759	898	600	246
<b>Total assets</b>	<b>8,102</b>	<b>9,428</b>	<b>10,594</b>	<b>11,336</b>
<b>Shareholders' funds</b>	<b>3,604</b>	<b>4,164</b>	<b>4,723</b>	<b>5,358</b>
Share capital	145	146	146	146
Reserves & surplus	3,458	4,007	4,558	5,185
<b>Total Debt</b>	<b>2,837</b>	<b>3,094</b>	<b>3,758</b>	<b>3,758</b>
Secured loans	2,095	2,420	2,500	2,500
Unsecured loans	742	674	1,258	1,258
Other liabilities	3,154	3,408	4,073	4,073
<b>Curr Liab &amp; prov</b>	<b>1,344</b>	<b>1,856</b>	<b>1,816</b>	<b>1,925</b>
Current liabilities	1,344	1,856	1,797	1,905
Provisions	-	-	19	20
<b>Total liabilities</b>	<b>4,498</b>	<b>5,265</b>	<b>5,870</b>	<b>5,978</b>
<b>Total equity &amp; liabilities</b>	<b>8,102</b>	<b>9,428</b>	<b>10,594</b>	<b>11,336</b>
<b>Book Value (Rs)</b>	<b>48</b>	<b>55</b>	<b>63</b>	<b>72</b>

\* Consolidated numbers

Source: Company; IDBI Capital Research

### Cash Flow Statement (Rs mn)

Year-end: March	FY12	FY13*	FY14E*	FY15E*
Pre-tax profit	737	1,027	971	1,084
Depreciation	210	464	528	652
Tax paid	(228)	(129)	(416)	(316)
Chg in working capital	334	(734)	275	33
Other operating activities	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>1,053</b>	<b>627</b>	<b>1,358</b>	<b>1,453</b>
Capital expenditure	(709)	(813)	(1,758)	(1,371)
Chg in investments	(15)	143	(100)	-
Other investing activities	(14)	-	(11)	(11)
<b>Cash flow from investing (b)</b>	<b>(738)</b>	<b>(669)</b>	<b>(1,868)</b>	<b>(1,382)</b>
Equity raised/(repaid)	17	0	(0)	(0)
Debt raised/(repaid)	(175)	257	665	-
Dividend (incl. tax)	(127)	(85)	(69)	(94)
Chg in minorities	-	11	9	8
Other financing activities	-	(49)	-	-
<b>Cash flow from financing (c)</b>	<b>(284)</b>	<b>134</b>	<b>605</b>	<b>(86)</b>
<b>Net chg in cash (a+b+c)</b>	<b>31</b>	<b>92</b>	<b>95</b>	<b>(15)</b>

### Financial Ratios

Year-end: March	FY12	FY13*	FY14E*	FY15E*
Adj. EPS (Rs)	7.7	9.6	9.0	10.1
Adj. EPS growth (%)	(0.1)	24.1	(5.4)	11.6
EBITDA margin (%)	7.9	8.2	7.8	8.0
Pre-tax margin (%)	4.0	4.8	4.1	4.2
RoE (%)	16.5	17.8	14.8	14.5
RoCE (%)	16.1	17.9	16.0	15.5
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	2.3	2.4	2.4	2.4
Leverage factor (x)	2.3	2.3	2.3	2.2
Net margin (%)	3.1	3.3	2.8	2.8
Net Debt / Equity (x)	0.8	0.7	0.7	0.6
<b>Working Capital &amp; Liquidity ratio</b>				
Receivable days	61	68	62	62
Payable days	14	16	12	12

### Valuation

Year-end: March	FY12	FY13*	FY14E*	FY15E*
P/E (x)	6.3	5.1	5.4	4.8
Price / Book value (x)	1.0	0.9	0.8	0.7
PCE (x)	3.8	3.1	3.0	2.6
EV / Net sales (x)	0.3	0.3	0.3	0.3
EV / EBITDA (x)	4.3	3.7	3.8	3.4
Dividend Yield (%)	2.1	2.1	2.3	2.3



# Notes

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## Key to Ratings

### Stocks:

**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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