

## RESULTS

## REVIEW

## Transport Corporation of India Ltd.

Ready for major consolidation in trucking

HOLD

Analyst

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Nifty: 6,035; Sensex: 19,895

CMP	Rs71
Target Price	Rs66
Potential Upside/Downside	(7)%

## Key Stock Data

Sector	Logistics
Bloomberg / Reuters	TRPC IN / TCIL.BO
Shares o/s (mn)	73
Market cap. (Rs mn)	5,183
Market cap. (US\$ mn)	97
3-m daily average vol.	6,171

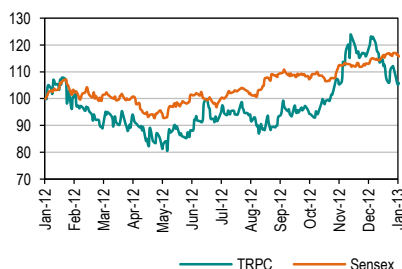
## Price Performance

52-week high/low	Rs90/52		
	-1m	-3m	-12m
Absolute (%)	(11)	12	6
Rel to Sensex (%)	(14)	5	(10)

## Shareholding Pattern (%)

Promoters	69.2
FII's/NRI's/OCBs/GDR	11.6
MFs/Banks/FIs	0.1
Non Promoter Corporate	3.3
Public & Others	15.8

## Relative to Sensex



Source: Capitaline

## Summary

Transport Corporation (TCI) results were below expectations as the company faced an inclement macro environment. Revenue increased by modest 6% YoY, as 1% growth in Trucking segment weighed down overall revenue growth. This, despite the XPS and SCM segments recording growth of 14% and 10% YoY. EBIDTA margin was down 70bps, impacted by higher dry-docking costs and fall in margins in the Trucking segment. PAT stood at Rs114 mn, down 16.4% YoY. Q3FY13 continued to face pressure on back of overall macro slowdown. Impeding hike in diesel price is likely to weigh upon the trucking segment in coming quarters as the industry faces consolidation. In the meanwhile, we expect the XPS and Supply Chain divisions to provide support to earnings. GST if and when implemented, will be a long term kicker. We reduce our earnings estimates given the expected margin pressure in the trucking segment. Earnings stand revised downwards by 8% and 13% respectively for FY13E and FY14E. We reduce our target price to Rs66 at 8x FY14E EPS. Maintain HOLD.

## Key Highlights

- Revenue grew by 6% YoY to Rs4.9, in-line with our expectation.
- EBIDTA margin contracted 70bps to 7% impacted by a lower margin profile in freight/trucking division (1.8% EBIT margin) and shipping division (2.7% EBIT margin). Trucking segment EBIT margin was at lowest since Q2FY09 (1.5%).
- Earnings fell 16.4% YoY to Rs113 mn, mainly led by higher dry-docking expenses during the quarter and margin fall in the Trucking segment.
- Revenue growth in the XPS segment was relatively better at 14% YoY. Though EBIT margin shrunk 20bps to 8.1% for Q3FY13.
- SCM segment revenue increased by 10% even as EBIT margin contracted 160bps to 6%.
- TCI has been selective in its customer profile to overcome the credit risk issues. Debt remained at Rs3.1 bn and hence net-debt to equity level remains comfortable at 0.9x

## Outlook and Valuation

The falling share of low margin Trucking segment has been in-line with our expectations and now stands at ~40%. Given a tough macro-environment, upcoming increase in fuel prices and a highly unorganized base, we expect a consolidation in trucking segment and an associated stress on margins. The larger institutionalized players will gain edge only once the supply chain outsourcing is more institutionalized. For this, a major kicker is expected to be implementation of GST, which has already faced substantial delays. Hence in the medium term we expect the outlook for TCI to remain clouded. In XPS and SCM segments we expect a 10% YoY growth for FY14. We reduce our FY13/FY14 estimates given fall in trucking revenue and overall margins. Hence, TCI is likely to achieve earnings CAGR of 3.5% over FY12-14E. At CMP of Rs71, the stock trades at 9x/8.5x FY13E/FY14E EPS. Considering the limited earnings downside from current levels we maintain **HOLD** with a target price of Rs66 at 8x FY14E EPS.

## Table: Financial snapshot

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY11	17,578	1,355	7.7	559	7.7	9.2	5.9	17.5	16.3
FY12	18,280	1,445	7.9	558	7.7	9.2	5.4	16.5	16.1
FY13E	20,214	1,544	7.6	569	7.8	9.0	5.2	15.7	16.3
FY14E	22,222	1,723	7.8	599	8.3	8.5	5.0	16.3	16.5

Source: Company; IDBI Capital Research

Table: Quarterly snapshot

(Rs mn)

Year-end: March	Q3FY12	Q3FY13	YoY (%)	9MFY12	9MFY13	YoY (%)	FY12	FY13E	YoY (%)	FY14E	YoY (%)
<b>Revenue</b>	<b>4,644</b>	<b>4,921</b>	<b>6.0</b>	<b>13,333</b>	<b>14,198</b>	<b>6.5</b>	<b>18,280</b>	<b>20,214</b>	<b>10.6</b>	<b>22,222</b>	<b>9.9</b>
<b>EBITDA</b>	<b>360</b>	<b>344</b>	<b>(4.4)</b>	<b>1,072</b>	<b>1,060</b>	<b>(1.1)</b>	<b>1,445</b>	<b>1,624</b>	<b>12.3</b>	<b>1,875</b>	<b>15.5</b>
<i>EBITDA Margin (%)</i>	<i>7.7</i>	<i>7.0</i>		<i>8.0</i>	<i>7.5</i>		<i>7.9</i>	<i>8.0</i>		<i>8.4</i>	
Other Income	26	(1)		28	19		43	40	(8.6)	40	0.0
Depreciation	92	108	17.0	268	308	14.7	379	409	7.9	500	22.4
Interest	91	77	(15.1)	247	247	(0.1)	333	343	2.9	395	15.2
<b>PBT</b>	<b>203</b>	<b>158</b>	<b>(22.3)</b>	<b>584</b>	<b>524</b>	<b>(10.3)</b>	<b>777</b>	<b>912</b>	<b>17.4</b>	<b>1,020</b>	<b>11.8</b>
Tax Expense	55	44		165	147		219	296	35.5	331	11.8
Tax / PBT Ratio	27.2	27.9		28.2	28.0		28.2	32.5	15.4	32.5	0.0
<b>Adjusted PAT</b>	<b>148</b>	<b>114</b>	<b>(23.1)</b>	<b>419</b>	<b>378</b>	<b>(10.0)</b>	<b>558</b>	<b>616</b>	<b>10.3</b>	<b>688</b>	<b>11.8</b>
<b>Reported PAT</b>	<b>135</b>	<b>113</b>	<b>(16.4)</b>	<b>407</b>	<b>381</b>	<b>(6.4)</b>	<b>518</b>	<b>616</b>	<b>18.8</b>	<b>688</b>	<b>11.8</b>
<b>EPS (Rs)</b>	<b>1.9</b>	<b>1.6</b>	<b>(16.4)</b>	<b>5.6</b>	<b>5.3</b>	<b>(6.4)</b>	<b>7.2</b>	<b>8.5</b>	<b>18.8</b>	<b>9.5</b>	<b>11.8</b>

Source: Company; IDBI Capital Research

Table: Segmental standalone

(Rs mn)

Year-end: March	Q3FY12	Q3FY13	YoY (%)	FY11	FY12	YoY (%)
<b>Segment Revenue</b>						
Trucking/Freight	1,933	1,961	1.4	8,117	7,858	(3.2)
<i>% of total revenues</i>	41.3	39.7		45.9	42.7	
XPS	1,275	1,452	13.9	4,595	4,953	7.8
<i>% of total revenues</i>	25.8	29.4		26.0	26.9	
SCM	1,185	1,303	9.9	3,934	4,526	15.1
<i>% of total revenues</i>	24.0	26.4		22.3	24.6	
Wind Power	7	7	1.4	64	73	(12.5)
<i>% of total revenues</i>	0.1	0.1		0.4	0.4	
TCI Seaways	262	217	(17.2)	736	931	26.4
<i>% of total revenues</i>	5.3	4.4		4.2	5.1	
Global division	9.3	0.0		207.3	48.9	
	0.2	0.0		1.2	0.3	
Unallocable	8	1		12	12	
<b>Total Revenues</b>	<b>4,678</b>	<b>4,940</b>	<b>5.6</b>	<b>17,665</b>	<b>18,401</b>	
Less Intersegment	8	21		67	79	
<b>Net Sales</b>	<b>4,670</b>	<b>4,919</b>		<b>17,599</b>	<b>18,323</b>	
<b>Segment Results</b>						
Freight Division	59	36	(39.0)	325	247	(23.9)
<i>PBIT Margin (%)</i>	3.0	1.8		4.0	3.1	
XPS Division	106	117	11.1	349	382	9.4
<i>PBIT Margin (%)</i>	8.3	8.1		7.6	7.7	
SCM Division	90	78	(14)	302	364	20.4
<i>PBIT Margin (%)</i>	7.6	6.0		7.7	8.0	
Wind Power Division	(1)	(3)	107.7	24	33	35.3
<i>PBIT Margin (%)</i>	(18.8)	(38.6)		37.8	44.7	
TCI Seaways	44	6	(86.5)	62	117	89.3
<i>PBIT Margin (%)</i>	16.7	2.7		8.4	12.6	
Global division	(10.8)	0.0		(19)	(34.6)	
	286	234	(18.1)	1,043	1,108	6.2
Less Interest	91	77		254	333	
Less Other Unallocable expenses	5	(1)		(12)	38	
<b>Total PBT</b>	<b>190</b>	<b>158</b>	<b>(17.2)</b>	<b>801</b>	<b>737</b>	<b>(7.9)</b>

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
<b>Net sales</b>	<b>17,578</b>	<b>18,280</b>	<b>20,214</b>	<b>22,222</b>
Growth (%)	21.2	4.0	10.6	9.9
Operating expenses	(16,223)	(16,834)	(18,671)	(20,500)
<b>EBITDA</b>	<b>1,355</b>	<b>1,445</b>	<b>1,544</b>	<b>1,723</b>
Growth (%)	23.1	6.7	6.8	11.6
Depreciation	(321)	(379)	(407)	(485)
<b>EBIT</b>	<b>1,034</b>	<b>1,067</b>	<b>1,136</b>	<b>1,238</b>
Interest paid	(254)	(333)	(343)	(395)
Other income	21	43	49	44
<b>Pre-tax profit</b>	<b>800</b>	<b>737</b>	<b>843</b>	<b>887</b>
Tax	(241)	(219)	(274)	(288)
Effective tax rate (%)	30.2	29.7	32.5	32.5
<b>Net profit</b>	<b>559</b>	<b>518</b>	<b>569</b>	<b>599</b>
<b>Adjusted net profit</b>	<b>559</b>	<b>558</b>	<b>569</b>	<b>599</b>
Growth (%)	20.6	(0.1)	1.8	5.3
Shares o/s (mn nos)	73	73	73	73

### Balance Sheet

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Net fixed assets	3,301	3,800	4,241	4,764
Investments	291	306	263	263
Other non-curr assets	-	-	-	-
<b>Current assets</b>	<b>3,907</b>	<b>3,996</b>	<b>4,358</b>	<b>4,502</b>
Inventories	14	20	11	12
Sundry Debtors	2,995	3,074	3,378	3,653
Cash and Bank	98	130	369	237
Loans and advances	800	759	600	600
<b>Total assets</b>	<b>7,500</b>	<b>8,102</b>	<b>8,862</b>	<b>9,528</b>
<b>Shareholders' funds</b>	<b>3,153</b>	<b>3,604</b>	<b>3,634</b>	<b>3,728</b>
Share capital	145	145	145	145
Reserves & surplus	3,007	3,458	3,488	3,582
<b>Total Debt</b>	<b>3,011</b>	<b>2,837</b>	<b>3,263</b>	<b>3,758</b>
Secured loans	750	2,095	2,255	2,500
Unsecured loans	2,261	742	1,008	1,258
Other liabilities	3,321	3,154	3,580	4,075
<b>Curr Liab &amp; prov</b>	<b>1,065</b>	<b>1,344</b>	<b>1,665</b>	<b>1,744</b>
Current liabilities	1,026	1,344	1,647	1,725
Provisions	39	-	18	19
<b>Total liabilities</b>	<b>4,347</b>	<b>4,498</b>	<b>5,228</b>	<b>5,801</b>
<b>Total equity &amp; liabilities</b>	<b>7,499</b>	<b>8,102</b>	<b>8,861</b>	<b>9,528</b>
<b>Book Value (Rs)</b>	<b>41</b>	<b>48</b>	<b>48</b>	<b>49</b>

### Cash Flow Statement

(Rs mn)

Year-end: March	FY11	FY12	FY13E	FY14E
Pre-tax profit	800	737	843	887
Depreciation	222	210	407	485
Tax paid	(334)	(228)	(209)	(274)
Chg in working capital	(96)	334	76	(213)
Other operating activities	(0)	0	23	68
<b>Cash flow from operations (a)</b>	<b>592</b>	<b>1,054</b>	<b>1,140</b>	<b>952</b>
Capital expenditure	(430)	(709)	(848)	(1,008)
Chg in investments	66	(15)	44	-
Other investing activities	(456)	(14)	(410)	(410)
<b>Cash flow from investing (b)</b>	<b>(820)</b>	<b>(738)</b>	<b>(1,214)</b>	<b>(1,418)</b>
Equity raised/(repaid)	(106)	17	(0)	(0)
Debt raised/(repaid)	295	(175)	426	495
Dividend (incl. tax)	(68)	(127)	(54)	(94)
Chg in minorities	-	-	-	-
Other financing activities	-	-	(59)	(68)
<b>Cash flow from financing (c)</b>	<b>121</b>	<b>(284)</b>	<b>313</b>	<b>333</b>
<b>Net chg in cash (a+b+c)</b>	<b>(107)</b>	<b>31</b>	<b>239</b>	<b>(132)</b>

### Financial Ratios

Year-end: March	FY11	FY12	FY13E	FY14E
Adj. EPS (Rs)	7.7	7.7	7.8	8.3
Adj. EPS growth (%)	20.6	(0.1)	1.8	5.3
EBITDA margin (%)	7.7	7.9	7.6	7.8
Pre-tax margin (%)	4.6	4.0	4.2	4.0
RoE (%)	17.5	16.5	15.7	16.3
RoCE (%)	16.3	16.1	16.3	16.5
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	2.4	2.3	2.4	2.4
Leverage factor (x)	2.3	2.3	2.3	2.5
Net margin (%)	3.2	3.1	2.8	2.7
Net Debt / Equity (x)	0.9	0.8	0.8	0.9
<b>Working Capital &amp; Liquidity ratio</b>				
Receivable days	62	61	61	60
Payable days	13	14	12	12

### Valuation

Year-end: March	FY11	FY12	FY13E	FY14E
P/E (x)	9.2	9.2	9.0	8.5
Price / Book value (x)	1.7	1.5	1.5	1.4
PCE (x)	5.8	5.5	5.2	4.7
EV / Net sales (x)	0.5	0.4	0.4	0.4
EV / EBITDA (x)	5.9	5.4	5.2	5.0
Dividend Yield (%)	1.3	1.4	1.3	1.6



# 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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