

## RESULTS

## REVIEW

## Transport Corporation of India Ltd.

Mitsui JV comes of age

BUY

Analyst

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Nifty: 6,187; Sensex: 20,286

CMP	Rs60
Target Price	Rs102
Potential Upside/Downside	+70%

## Key Stock Data

Sector	Logistics
Bloomberg / Reuters	TRPC IN / TCIL.BO
Shares o/s (mn)	73
Market cap. (Rs mn)	4,380
Market cap. (US\$ mn)	80
3-m daily average vol.	2,866

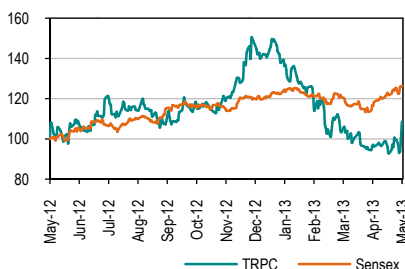
## Price Performance

52-week high/low	Rs90/50		
	-1m	-3m	-12m
Absolute (%)	12	(9)	9
Rel to Sensex (%)	4	(13)	(18)

## Shareholding Pattern (%)

Promoters	69.2
FII/IRIs/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) Q4FY13 results were in-line and were impacted by the trucking segment performance, which recorded a mere 1.4% EBIT margin. Revenue increased 7.3% YoY to Rs5.3 bn. EBITDA margin fell 20bps YoY to 7.5%, led by low margins in the trucking segment which faced inclement receivables scenario and increase in fuel costs, which were passed on with a delay. Adj PAT improved 4.8% YoY to Rs146 mn.

Higher margin Supply Chain (SCS) and Express Logistics (XPS) segment share is expected to increase from current 32%/26% respectively to 32-35% in next two years. Despite the FY13 standalone PAT flat at Rs523 mn, the consolidated entity recorded 17% YoY increase in earnings to Rs695 mn. This was mainly contributed by its Mitsui JV (49:51) which recorded a PAT of Rs280 mn in FY13. Post a significant increase in consolidated earnings owing to Mitsui JV we introduce FY14E/15E consolidated earnings. Thus, our TP stands revised upwards to Rs102 at 8x FY15E consolidated EPS. Upgrade to BUY from HOLD.

## Key Highlights

- Revenue grew 7.3% YoY to Rs5.3 bn (IDBI est Rs5.2 bn), mainly supported by 12% growth in the XPS segment. In comparison, Trucking and SCS segments grew a modest ~4% each.
- EBITDA margin contracted 20bps to 7.5% impacted by a lower margin profile in freight/trucking division (1.4% EBIT margin). The shipping segment which was impacted due to dry docking in Q3 recorded a strong improvement QoQ with EBIT margin of 18.5%. Trucking segment EBIT margin was one of the lowest ever, impacted by fuel price hikes. The receivable situation was also under pressure in the trucking segment as several marquee clients delayed payments beyond the normal 60 days.
- Adj PAT improved ~5% to Rs146 mn (IDBI est Rs138 mn) helped by higher other income and lower interest expense.
- Share of trucking segment fell 130bps YoY to 40.7% for the quarter. For FY13 consolidated, Trucking revenue share stood at 37% (down 300bps), XPS at 26% (up 100bps) and SCS at 32% (up 200bps).
- TCI incurred a capex of only ~Rs660 mn in FY13 as against initial plan of ~Rs1.2 bn. Hence, the capex plan for FY14 has additional roll over amount with plan outlay of Rs2.3 bn. Of this, a significant portion (Rs1.26 bn) is to be spent upon logistics hubs, Rs550 mn on trucks and Rs400 mn on ships.
- The Mitsui JV recorded a PAT of Rs280 mn in FY13, up from Rs150 mn in FY12. This led to contribution of Rs140 mn to the consolidated entity, up from ~Rs80 mn in FY12. Further, the global division (freight forwarding and customs) also turned around in FY13 recording an EBIT of Rs34 mn against a loss of Rs76 mn last year.

## 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	7.8	4.9	16.5	16.1
FY13*	21,321	1,749	8.2	693	9.6	6.3	4.1	17.8	17.9
FY14E*	24,246	2,064	8.5	789	10.9	5.5	3.7	17.5	18.6
FY15E*	27,098	2,346	8.7	921	12.7	4.7	3.2	17.5	18.1

\* Consolidated numbers

Source: Company; IDBI Capital Research

## Outlook and Valuation

The falling share of low margin trucking segment has been in-line with our expectations and now stands at ~37% (consolidated). 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 an associated stress on margins in medium term. The SCS and XPS segments are expected to hold revenue growth rate of ~10% despite tough economic scenario, given that even in FY13 they recorded a 15%/12% growth on standalone basis. With the Misui JV meeting SCS requirements for Toyota in India, consolidated earnings have got a boost. Hence, the revenue share of Freight/Trucking segment is expected to shrink to 30% in next three years, and share of SCS and XPS expanding to 30%+ each. We introduce consolidated FY15 estimates with earnings growth expectation of 15% CAGR over FY13-15E. We upgrade the stock to **BUY** from earlier **HOLD** and enhance our target price to Rs102 (8x FY15E EPS) from Rs65 earlier.

**Table: Quarterly snapshot**

(Rs mn)

Year-end: March	Q4FY12	Q4FY13	YoY (%)	FY12	FY13	YoY (%)	FY12 (consol)	FY13 (consol)	YoY (%)
<b>Revenue</b>	<b>4,957</b>	<b>5,321</b>	<b>7.3</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>384</b>	<b>401</b>	<b>4.4</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>	7.7	7.5		8.0	7.5		8.1	8.2	
Other Income	4	23		33	42		41	63	
Depreciation	111	113	2.4	379	421	11.1	416	464	11.6
Interest	84	75	(11.5)	333	322	(3.3)	350	336	(3.9)
<b>PBT</b>	<b>193</b>	<b>236</b>	<b>22.4</b>	<b>777</b>	<b>760</b>	<b>(2.2)</b>	<b>856</b>	<b>1,010</b>	<b>18.1</b>
Tax Expense	54	90		219	237		262	315	
Tax / PBT Ratio	33.0	38.3		28.2	31.2		30.6	31.2	
<b>Adjusted PAT</b>	<b>139</b>	<b>146</b>	<b>4.8</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>112</b>	<b>139</b>	<b>24.4</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>1.5</b>	<b>1.9</b>	<b>24.4</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	Q4FY12	Q4FY13	YoY (%)	FY12	FY13	YoY (%)
<b>Segment Revenue</b>						
Freight Division	2,098	2,174	3.6	7,858	7,780	(1.0)
<i>% of total revenues</i>	42.0	40.7		42.7	39.7	
XPS Division	1,299	1,466	12.8	4,953	5,564	12.3
<i>% of total revenues</i>	26.0	27.4		26.9	28.4	
SCM Division	1,363	1,418	4.0	4,526	5,201	14.9
<i>% of total revenues</i>	27.3	26.5		24.6	26.5	
Wind Power Division	9	9	2.2	73	75	(2.1)
<i>% of total revenues</i>	0.2	0.2		0.4	0.4	
TCI Seaways	222	265	19.2	931	974	4.6
<i>% of total revenues</i>	4.4	5.0		5.1	5.0	
Global division	2.1	0.0		48.9	0.0	
	0.0	0.0		0.3	0.0	
Unallocable	2	11		12	24	
<b>Total Revenues</b>	<b>4,995</b>	<b>5,341</b>	<b>6.9</b>	<b>18,401</b>	<b>19,617</b>	
Less Intersegment	10	4		79	59	
Net Sales	4,985	5,338		18,323	19,558	
<b>Segment Results</b>						
Freight Division	96	31	(67.7)	247	150	(39.5)
<i>PBIT Margin (%)</i>	4.6	1.4		3.1	1.9	
XPS Division	74	98	32.7	382	410	7.4
<i>PBIT Margin (%)</i>	5.7	6.7		7.7	7.4	
SCM Division	122	124	2	364	381	4.9
<i>PBIT Margin (%)</i>	9.0	8.7		8.0	7.3	
Wind Power Division	(1)	(1)	(40.0)	33	35	8.0
<i>PBIT Margin (%)</i>	(11.1)	(6.5)		44.7	47.2	
TCI Seaways	5	49	880.0	117	86	(26.6)
<i>PBIT Margin (%)</i>	2.3	18.5		12.6	8.8	
Real estate	0.0	0.0		0	0	
Global division	(11.9)	0.0		(35)	0.0	
	284	302	6.1	1,108	1,062	(4.1)
Less: Interest	84	75		333	322	
Less: Other Unallocable expenses	35	(2)		38	(16)	
<b>Total PBT</b>	<b>165</b>	<b>229</b>	<b>38.8</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>24,246</b>	<b>27,098</b>
Growth (%)	4.0	16.6	13.7	11.8
Operating expenses	(16,834)	(19,572)	(22,182)	(24,752)
<b>EBITDA</b>	<b>1,445</b>	<b>1,749</b>	<b>2,064</b>	<b>2,346</b>
Growth (%)	6.7	21.0	18.0	13.7
Depreciation	(379)	(464)	(528)	(652)
<b>EBIT</b>	<b>1,067</b>	<b>1,285</b>	<b>1,536</b>	<b>1,695</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>1,195</b>	<b>1,364</b>
Tax	(219)	(334)	(406)	(443)
Effective tax rate (%)	29.7	32.5	34.0	32.5
<b>Net profit</b>	<b>518</b>	<b>693</b>	<b>789</b>	<b>921</b>
<b>Adjusted net profit</b>	<b>558</b>	<b>693</b>	<b>789</b>	<b>921</b>
Growth (%)	(0.1)	24.1	13.8	16.7
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>5,114</b>	<b>5,186</b>	<b>5,417</b>
Inventories	20	22	12	13
Sundry Debtors	3,074	3,972	4,119	4,603
Cash and Bank	130	222	455	555
Loans and advances	759	898	600	246
<b>Total assets</b>	<b>8,102</b>	<b>9,428</b>	<b>10,830</b>	<b>11,782</b>
<b>Shareholders' funds</b>	<b>3,604</b>	<b>4,164</b>	<b>4,856</b>	<b>5,680</b>
Share capital	145	146	146	146
Reserves & surplus	3,458	4,007	4,691	5,507
<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>1,920</b>	<b>2,049</b>
Current liabilities	1,344	1,856	1,901	2,029
Provisions	-	-	19	20
<b>Total liabilities</b>	<b>4,498</b>	<b>5,265</b>	<b>5,974</b>	<b>6,102</b>
<b>Total equity &amp; liabilities</b>	<b>8,102</b>	<b>9,428</b>	<b>10,830</b>	<b>11,782</b>
<b>Book Value (Rs)</b>	<b>48</b>	<b>55</b>	<b>65</b>	<b>76</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	1,195	1,364
Depreciation	210	464	528	652
Tax paid	(228)	(129)	(416)	(406)
Chg in working capital	334	(734)	190	(42)
Other operating activities	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>1,053</b>	<b>627</b>	<b>1,497</b>	<b>1,568</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>233</b>	<b>100</b>

### Financial Ratios

Year-end: March	FY12	FY13*	FY14E*	FY15E*
Adj. EPS (Rs)	7.7	9.6	10.9	12.7
Adj. EPS growth (%)	(0.1)	24.1	13.8	16.7
EBITDA margin (%)	7.9	8.2	8.5	8.7
Pre-tax margin (%)	4.0	4.8	4.9	5.0
RoE (%)	16.5	17.8	17.5	17.5
RoCE (%)	16.1	17.9	18.6	18.1
<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	2.2	2.1
Net margin (%)	3.1	3.3	3.3	3.4
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)	7.8	6.3	5.5	4.7
Price / Book value (x)	1.3	1.1	0.9	0.8
PCE (x)	4.6	3.8	3.3	2.8
EV / Net sales (x)	0.4	0.3	0.3	0.3
EV / EBITDA (x)	4.9	4.1	3.7	3.2
Dividend Yield (%)	1.7	1.7	1.9	1.9



# 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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