

Q1FY15 Result Update
HOLD

Industry	Logistics
CMP (Rs)	208
FY16E Target Price (Rs)	192
52 Week H/L (Rs)	238/44
Volumes (BSE+NSE)*	218,200
Shares O/S (mn)	73.0
Market Cap (Rs bn)	15.3
Free Float (%)	30.6
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

Share Holding Pattern (30/06/2014)

Particulars	Shares (mn)	Holding (%)
Promoters	50.7	69.4
FII's	1.2	1.6
DII's	0.9	1.2
Others	20.2	27.8
Total	73.0	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY14	FY15E	FY16E
Sales	22,284.6	25,626.7	29,524.6
EBITDA	1,700.5	2,101.4	2,480.1
EBITDA Margin	7.6%	8.2%	8.4%
Net Profit	716.3	920.8	1,164.2
EPS (Rs)	9.8	12.6	16.0
EV/EBITDA (x)	10.5	8.5	7.1
P/E (x)	21.6	16.8	13.3
RoE	29.0%	32.7%	34.3%

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Transport Corporation of India (TCIL) reported Q1FY15 results in-line with our expectations. It reported a y-o-y growth of 8.9% in revenues to Rs 5.2bn (QS estimates of Rs 5.3bn). EBITDA margins improved by 80bps y-o-y to 7.8% mainly on account of higher margins in the coastal shipping division and mild recovery in the margins of other divisions. Despite EBITDA growing by 21.3% y-o-y, higher depreciation and lower other income restricted the net profit growth to 14% y-o-y to Rs 159.8mn.

Growth recovery in SCM coupled with modest growth in XPS and Coastal Shipping maintained the growth momentum

The SCM division, which was under pressure due to its over reliance on the auto sector (2/3rd revenues from the auto segment), continued to see a recovery and recorded a y-o-y growth of 25.8%. On the other hand, XPS and Coastal Shipping divisions maintained their growth momentum by recording a y-o-y revenues growth of 8.5% and 3.8% respectively. The coastal shipping division's growth was bit lower as compared to previous few quarters, mainly on account of higher base effect. During the quarter, TCIL bought one more ship in the Coastal Shipping division which will fuel growth in the coming quarters. The y-o-y growth in the XPS division looks a bit moderated mainly on account of higher growth in the base quarter. We believe, the XPS division will continue to do well in the coming quarters largely on account of increase in the delivery network and emergence of e-commerce in India.

Transport division; sluggish revenue performance continued

TCIL's largest revenue contributor, the transportation division, continued to report a sluggish performance and witnessed a y-o-y growth of 1.1% in revenues to Rs 1.9bn. According to the management, the sluggish performance of the trucking division is self-restricted as the same requires high working capital and high volumes could deteriorate the overall working capital of the company. We expect, the transport division to continue to report lackluster performances over the coming few quarters.

EBITDA margin improved by 80bps to 7.8%

During the quarter, TCIL reported a y-o-y improvement of 80bps in EBITDA margin to 7.8%, mainly on account of sharp improvement in the coastal shipping's margin and stable to mild recovery in the margins of the other divisions. Margin in coastal shipping improved drastically on account of higher utilizations. Besides 60bps improvement in the Transport Division's margin which was under cost pressure till the last quarter, also helped TCIL in overall margin improvement.

Higher depreciation and lower other income restricted the net profit growth to 14% y-o-y

Despite 21.3% y-o-y growth in EBITDA, higher depreciation and lower other income restricted the net profit growth to 14% y-o-y. Higher depreciation was on account of change in accounting policy.

Outlook and Valuations

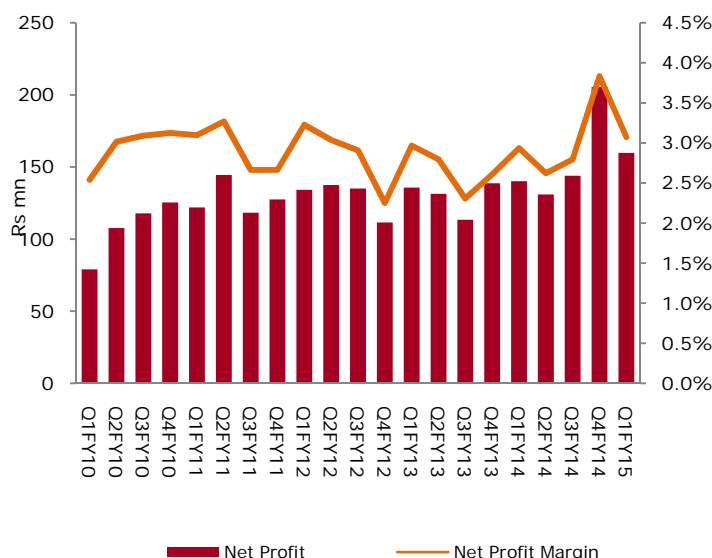
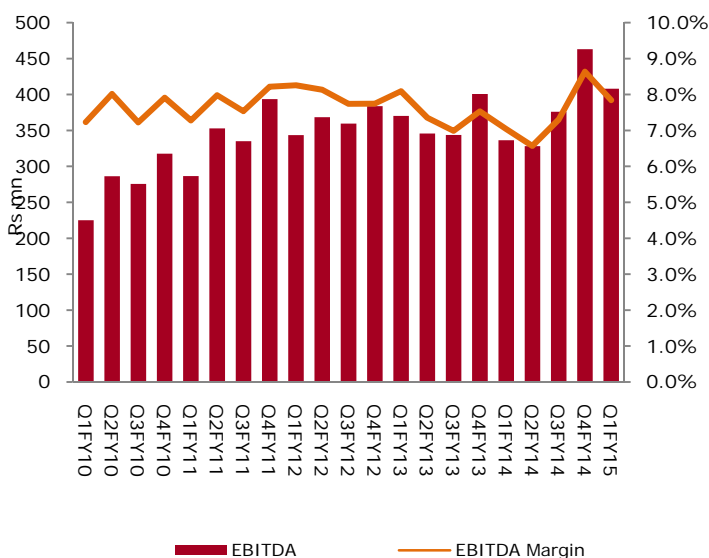
Recent uptick in the economic activities coupled with improvement in the international trade will further help TCIL in maintaining the current growth trajectory further. TCIL is trading at a PE multiple of 16.8x and 13.3x based on FY15E and FY16E earnings respectively. On EV/EBITDA basis, TCIL trades at 8.5x and 7.1x FY15E and FY16E earnings respectively. **We maintain our Hold rating with a price target of Rs 192, which is based on 12x FY16E earnings.**

Segmental Performance (Standalone)

Particulars	Q1FY15	Q1FY14	Y-o-Y Change	Q4FY14	Q-O-Q Change
Revenue (Rs mn)					
Transport	1,896.6	1,875.5	1.1%	2,039.2	-7.0%
XPS	1,532.3	1,412.9	8.5%	1,564.3	-2.0%
Supply Chain Solutions	1,512.9	1,202.4	25.8%	1,500.2	0.8%
Coastal Shipping	284.7	274.3	3.8%	295.9	-3.8%
Wind Power	15.6	26.9	-42.0%	6.3	147.6%
Inter Segmental	(40.1)	(15.0)	167.3%	(43.9)	-8.7%
Total	5,202.0	4,777.0	8.9%	5,362.0	-3.0%
EBIT (Rs mn)					
Transport	24.5	12.3	99.2%	30.6	-19.9%
XPS	107.3	98.9	8.5%	122.7	-12.6%
Supply Chain Solutions	83.7	59.5	40.7%	118.4	-29.3%
Coastal Shipping	65.4	43.7	49.7%	88.5	-26.1%
Wind Power	7.9	17.0	-53.5%	(3.8)	-307.9%
Total	288.8	231.4	24.8%	356.4	-19.0%
EBIT Margins					
			bps		bps
Transport	1.3%	0.7%	60	1.5%	-20
XPS	7.0%	7.0%	-	7.8%	-80
Supply Chain Solutions	5.5%	4.9%	60	7.9%	-240
Coastal Shipping	23.0%	15.9%	710	29.9%	-690
Wind Power	50.6%	63.2%	-1260	-60.3%	NA
Total	5.6%	4.8%	80	6.6%	-100

EBITDA Trend

Net Profit Trend



Q1FY15 Results Highlights (Standalone)

Particulars (Rs mn)	Q1FY15	Q1FY14	Y-o-Y Change	Q4FY14	Q-O-Q Change
Income from operations	5,202.0	4,777.0	8.9%	5,362.0	-3.0%
Less: Expenditures					
Operating cost	4,215.1	3,871.4	8.9%	4,288.7	-1.7%
Staff cost	295.1	284.4	3.8%	269.2	9.6%
Other operating & admin cost	283.7	284.9	-0.4%	341.0	-16.8%
EBITDA	408.1	336.3	21.3%	463.1	-11.9%
EBITDA Margin	7.8%	7.0%	+80bps	8.6%	-80bps
Other Income	3.5	37.5	-90.7%	3.2	9.4%
Depreciation	119.6	103.3	15.8%	108.0	10.7%
EBIT	292.0	270.5	7.9%	358.3	-18.5%
Interest	75.0	72.8	3.0%	70.5	6.4%
Profit Before Tax	217.0	197.7	9.8%	287.8	-24.6%
Tax	57.2	57.5	-0.5%	82.3	-30.5%
Net Profit	159.8	140.2	14.0%	205.5	-22.2%
EPS	2.2	1.9	14.0%	2.8	-22.2%

Income Statement (Consolidated)

Particulars (Y/E March) (Rs mn)	FY12	FY13	FY14	FY15E	FY16E
Income from operations	19,552.9	21,320.9	22,284.6	25,626.7	29,524.6
Less: Expenditures					
Operating cost	14,292.3	15,638.0	16,470.6	18,810.0	21,612.0
Staff cost	958.3	1,120.9	1,171.9	1,358.2	1,564.8
Other operating & admin costs	2,722.4	2,814.4	2,941.6	3,357.1	3,867.7
EBITDA	1,579.9	1,747.6	1,700.5	2,101.4	2,480.1
Other income	41.3	63.2	71.5	76.9	88.6
Depreciation	415.7	464.0	468.2	493.9	515.5
EBIT	1,205.5	1,346.8	1,303.8	1,684.4	2,053.1
Interest	350.0	336.3	311.2	289.5	289.5
Profit before tax	855.5	1,010.5	992.6	1,394.9	1,763.6
Tax	262.0	315.2	274.9	474.1	599.5
Profit after tax	593.5	695.3	717.7	920.8	1,164.2
Minority interest	1.6	(0.2)	(1.4)	-	-
Net profit	595.1	695.1	716.3	920.8	1,164.2

Balance Sheet Statement (Consolidated)

Particulars (Y/E March) (Rs mn)	FY12	FY13	FY14	FY15E	FY16E
Share capital	145.1	145.7	145.9	145.9	145.9
Reserves and surplus	3,492.7	4,069.5	4,636.8	5,373.4	6,304.7
Shareholders' funds	3,637.8	4,215.2	4,782.7	5,519.3	6,450.6
Minority interest	28.5	11.2	30.8	30.8	30.8
Borrowed fund	3,017.1	3,093.6	2,895.1	2,895.1	2,895.1
Deferred tax liability (Net)	317.3	314.8	332.0	332.0	332.0
Total Liabilities	7,000.7	7,634.8	8,040.6	8,777.2	9,708.5
Net fixed assets	4,092.7	4,145.7	4,353.6	4,559.7	4,744.2
Goodwill on consolidation	3.2	2.2	2.2	2.2	2.2
Investments	16.6	16.3	79.7	79.7	79.7
Current assets, loans & advances	4,479.2	5,333.8	5,447.5	6,241.2	7,303.1
Less: Current liabilities & provisions	1,591.0	1,863.2	1,842.4	2,105.6	2,420.6
Net current assets	2,888.2	3,470.6	3,605.1	4,135.6	4,882.4
Total Assets	7,000.7	7,634.8	8,040.6	8,777.2	9,708.5

Key Ratios (Consolidated)

Particulars (Y/E March)	FY12	FY13	FY14	FY15E	FY16E
Profitability					
- Return on Equity	35.0%	34.3%	29.0%	32.7%	34.3%
- Return on Capital Employed	9.1%	10.0%	9.6%	11.4%	13.1%
Margins					
- EBITDA	8.1%	8.2%	7.6%	8.2%	8.4%
- Net Profit	3.0%	3.3%	3.2%	3.6%	3.9%
Leverage and Coverage					
- Current	0.8	0.7	0.6	0.5	0.4
- Debt/Equity	2.8	2.9	3.0	3.0	3.0
Valuation					
- EPS (Rs)	8.2	9.5	9.8	12.6	16.0
- Book Value Per Share (Rs)	50.1	57.9	65.6	75.7	88.4
- EV/Sales	0.4	0.3	0.8	0.7	0.6
- EV/EBITDA	4.6	3.8	10.5	8.5	7.1
- Sales/Assets	2.8	2.9	2.8	3.0	3.2
- P/E	7.7	5.7	21.6	16.8	13.3
- P/BV	1.3	0.9	3.2	2.8	2.4

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