

Q2FY14 Result Update
Buy

Industry	Logistics
CMP (Rs)	63
FY15E Target Price (Rs)	80
52 Week H/L (Rs)	90/44
Volumes (BSE+NSE)*	10,205
Shares O/S (mn)	72.8
Market Cap (Rs bn)	4.6
Free Float (%)	30.6
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

Share Holding Pattern (30/09/2013)

Particulars	Shares (mn)	% Holding
Promoters	50.5	69.4
FIIIs	5.1	7.0
DIIIs	0.1	0.1
Others	17.1	23.5
Total	72.8	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY13	FY14E	FY15E
Sales	21,320.9	22,904.4	25,041.3
EBITDA	1,747.6	1,809.5	2,003.3
EBITDA Margin	8.2%	7.9%	8.0%
Net Profit	695.1	701.3	830.9
EPS (Rs)	9.5	9.6	11.4
EV/EBITDA (x)	3.8	3.7	3.2
P/E (x)	5.7	6.5	5.5
RoE	30.7%	30.0%	26.9%

Transport Corporation of India (TCIL) reported Q2FY14 results which were a bit lower than our expectations. It reported a y-o-y growth of 6.2% in revenues to Rs 5bn. EBITDA margins witnessed a y-o-y contraction of 80bps to 7%, as compared to 7.4% y-o-y, mainly on account of sluggish performance of the Transport and SCM divisions. However, flat depreciation and lower interest outlay coupled with lower tax provisions restricted the otherwise steep fall in the net profit and remained flat on a y-o-y basis to Rs 130.9mn as compared to Rs 131.4mn in the corresponding quarter of the previous year.

XPS maintained its growth trajectory; sluggish performance from SCM continues

XPS division continued to report a healthy performance and achieved a y-o-y revenue growth of 9.8% to Rs 1.5bn mainly on account of increase in delivery network. On the other hand SCM division remained under pressure due to the ongoing moderation in the Indian auto industry as the SCM division derives ~2/3rd of its revenues from this industry. The SCM division reported a y-o-y growth of 3.6% to Rs 1.3bn though the same has been witnessing a mild recovery. We believe SCM will remain sluggish over the next 1-2 quarters as there are no visible signs of recovery in the Indian auto industry in the near future.

Transport division grew by 4.6%

TCIL's largest revenue contributor, the transportation division, continued to report moderate growth and witnessed a y-o-y growth of 4.6% 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.

Higher OPEX and poor performance from the high margin SCM division dragged the EBITDA margin

Higher OPEX and ongoing sluggish performance of the high margin SCM division have resulted into EBITDA margin contraction. Besides, frequent hike in the diesel prices and company's inability to pass the full hike impact to the clients is also hurting the margins. On a segmental basis, except coastal shipping all other divisions reported a y-o-y decline in the margins. Coastal shipping division reported an EBIT margin of 15.5% as against 2.1% in Q2FY13. Transport division reported the sharp 210bps decline in an EBIT margin to 0.1%, mainly on account of recent hikes in the diesel prices.

Lower depreciation and interest outlay restrict the net profit decline

Despite subdued operating profits, adjusted net profit witnessed a y-o-y flat growth to Rs 130.9mn mainly on account of flat depreciation and lower interest outlay. Lower tax provisions also participated in restricting the net profit erosion.

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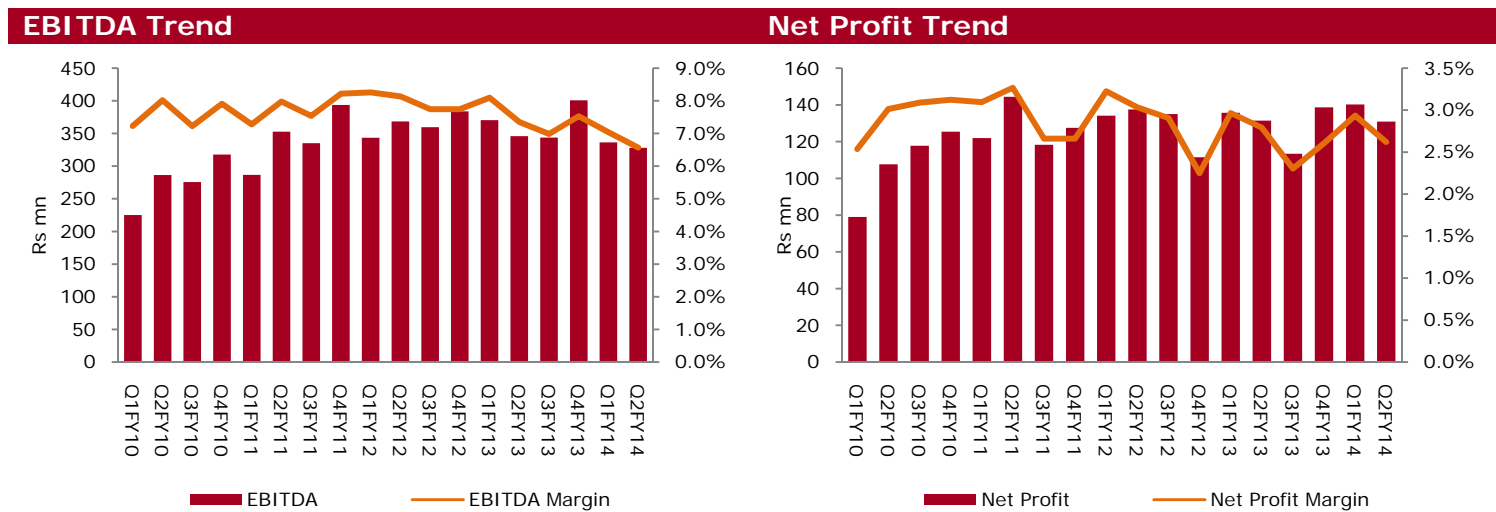
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Outlook and Valuations

Recent moderation in the industrial activities has impacted TCIL's growth trajectory, particularly its Transportation and SCM divisions. We believe, it will return to its growth path with improvement in the Indian economy. TCIL is trading at a PE multiple of 6.5x and 5.5x based on FY14E and FY15E earnings respectively. On EV/EBITDA basis, TCIL trades at 3.7x and 3.2x FY14E and FY15E earnings respectively. **We maintain our 'Buy' rating on TCIL with a price target of Rs 80, which is based on 7x FY15E earnings.**

Segmental Performance (Standalone)

Particulars	Q2FY14	Q2FY13	Y-o-Y Change	Q1FY14	Q-o-Q Change	H1FY14	H1FY13	Y-o-Y change
Revenue (Rs mn)								
Transport	1,942.0	1,857.1	4.6%	1,875.5	3.5%	3,817.5	3,645.3	4.7%
XPS	1,489.9	1,356.8	9.8%	1,412.9	5.4%	2,902.8	2,646.4	9.7%
Supply Chain Solutions	1,278.0	1,233.4	3.6%	1,202.4	6.3%	2,480.4	2,479.6	0.0%
Coastal Shipping	289.3	228.8	26.4%	274.3	5.5%	563.6	468.2	20.4%
Wind Power	31.3	35.5	-11.8%	26.9	16.4%	58.2	58.4	-0.3%
Inter Segmental/ Others	-36.5	-7.9	NA	-15.0	NA	-51.5	-20.0	157.5%
Total	4,994.0	4,703.7	6.2%	4,777.0	-4.5%	9,771.0	9,277.9	5.3%
EBIT (Rs mn)								
Transport	1.6	41.2	-96.1%	12.3	-87.0%	13.9	83.1	-83.3%
XPS	95.9	89.5	7.2%	98.9	-3.0%	194.8	195.0	-0.1%
Supply Chain Solutions	64.0	80.1	-20.1%	59.5	7.6%	123.5	179.3	-31.1%
Coastal Shipping	44.9	4.9	816.3%	43.7	2.7%	88.6	31.0	185.8%
Wind Power	20.8	24.9	-16.5%	17.0	22.4%	37.8	38.6	-2.1%
Total	227.2	240.6	-5.6%	231.4	-1.8%	458.6	527.0	-13.0%
EBIT Margins								
			bps		bps			bps
Transport	0.1%	2.2%	-210	0.7%	-60	0.4%	2.3%	-190
XPS	6.4%	6.6%	-20	7.0%	-60	6.7%	7.4%	-100
Supply Chain Solutions	5.0%	6.5%	-150	4.9%	+10	5.0%	7.2%	-220
Coastal Shipping	15.5%	2.1%	+1340	15.9%	-40	15.7%	6.6%	+910
Wind Power	66.5%	70.1%	-360	63.2%	+330	64.9%	66.1%	-120
Total	4.5%	5.1%	-60	4.8%	-30	4.7%	5.7%	-100



Q2FY14 Results Highlights (Standalone)

Particulars (Rs mn)	Q2FY14	Q2FY13	Y-o-Y Change	Q1FY14	Q-o-Q Change	H1FY14	H1FY13	Y-o-Y change
Total income	4,994.0	4,703.7	6.2%	4,777.0	-4.5%	9,771.0	9,277.9	5.3%
Less: Expenditures								
Operating cost	4,070.5	3,785.5	7.5%	3,871.4	5.1%	7,941.9	7,474.2	6.3%
Staff cost	286.0	281.7	1.5%	284.4	0.6%	570.4	546.4	4.4%
Other operating costs	309.4	290.7	6.4%	284.9	8.6%	594.3	541.2	9.8%
EBITDA	328.1	345.8	-5.1%	336.3	-2.4%	664.4	716.1	-7.2%
EBITDA Margin	6.6%	7.4%	-80bps	7.0%	-40bps	6.8%	7.7%	-90bps
Other income	5.1	7.4	-31.1%	37.5	-86.4%	42.6	20.1	111.9%
Depreciation	104.9	101.5	3.3%	103.3	1.5%	208.2	200.1	4.0%
EBIT	228.3	251.7	-9.3%	270.5	-15.6%	498.8	536.1	-7.0%
Interest	77.1	83.3	-7.4%	72.8	5.9%	149.9	169.6	-11.6%
Profit before tax	151.2	168.4	-10.2%	197.7	-23.5%	348.9	366.5	-4.8%
Tax	20.3	37.0	-45.1%	57.5	-64.7%	77.8	102.7	-24.2%
Profit after tax	130.9	131.4	-0.4%	140.2	-6.6%	271.1	263.8	2.8%
Extraordinary items	-	-	NA	-	NA	-	3.3	NA
Net profit	130.9	131.4	-0.4%	140.2	-6.6%	271.1	267.1	1.5%
EPS (Rs)	1.80	1.8	-0.4%	1.93	-6.6%	3.7	3.7	1.5%

Income Statement (Consolidated)

Particulars (Y/E March) (Rs mn)	FY11	FY12	FY13	FY14E	FY15E
Income from operations	18,526.6	19,552.9	21,320.9	22,904.4	25,041.3
Less: Expenditures					
Operating cost	13,704.0	14,292.3	15,638.0	16,811.9	18,380.3
Staff cost	833.2	958.3	1,120.9	1,259.7	1,377.3
Other operating & admin cost	2,589.6	2,722.4	2,814.4	3,023.4	3,280.4
EBITDA	1,399.8	1,579.9	1,747.6	1,809.5	2,003.3
Other income	27.6	41.3	63.2	45.8	50.1
Depreciation	353.1	415.7	464.0	483.5	485.3
EBIT	1,074.3	1,205.5	1,346.8	1,371.7	1,568.0
Interest	256.3	350.0	336.3	309.4	309.4
Profit before tax	818.0	855.5	1,010.5	1,062.4	1,258.7
Tax	316.8	262.0	315.2	361.1	427.8
Profit after tax	501.2	593.5	695.3	701.3	830.9
Minority interest	-	1.6	(0.2)	-	-
Net profit	501.2	595.1	695.1	701.3	830.9

Balance Sheet Statement

Particulars (Y/E March) (Rs mn)	FY11	FY12	FY13	FY14E	FY15E
Share capital	145.1	145.1	145.7	145.7	145.7
Reserves and surplus	3,107.2	3,492.7	4,069.5	4,630.5	5,295.2
Shareholders' funds	3,252.3	3,637.8	4,215.2	4,776.2	5,440.9
Minority interest	30.1	28.5	11.2	11.2	11.2
Borrowed fund	3,146.8	3,017.1	3,093.6	3,093.6	3,093.6
Deferred tax liability (Net)	312.3	317.3	314.8	314.8	314.8
Total Liabilities	6,741.5	7,000.7	7,634.8	8,195.8	8,860.5
Net fixed assets	3,525.6	4,092.7	4,145.7	4,162.2	4,176.8
Goodwill on consolidation	2.4	3.2	2.2	2.2	2.2
Investments	15.4	16.6	16.3	16.3	16.3
Current assets, loans & advances	4,375.2	4,479.2	5,333.8	6,038.0	6,874.3
Less: Current liabilities & Provisions	1,178.4	1,591.0	1,863.2	2,022.8	2,209.1
Net current assets	3,196.8	2,888.2	3,470.6	4,015.1	4,665.2
Misc expenditures	1.2	-	-	-	-
Total Assets	6,741.5	7,000.7	7,634.8	8,195.8	8,860.5

Key Ratios

Particulars (Y/E March)	FY11	FY12	FY13	FY14E	FY15E
Profitability					
- Return on Equity	26.5%	31.2%	30.7%	30.0%	26.9%
- Return on Capital Employed	8.0%	9.1%	8.5%	9.2%	8.5%
Margins					
- EBITDA	7.6%	8.1%	8.2%	7.9%	8.0%
- Net Profit	2.7%	3.0%	3.3%	3.1%	3.3%
Leverage and Coverage					
- Current	3.7	2.8	2.9	3.0	3.1
- Debt/Equity	23.9%	29.0%	25.0%	22.6%	19.7%
Valuation					
- EPS (Rs)	6.9	8.2	9.5	9.6	11.4
- Book Value Per Share (Rs)	44.8	50.1	57.9	65.8	75.6
- EV/Sales	0.6	0.4	0.3	0.3	0.3
- EV/EBITDA	7.7	4.6	3.8	3.7	3.2
- Sales/Assets	2.8	2.8	2.9	2.9	2.9
- P/E	15.5	7.7	5.7	6.5	5.5
- P/BV	2.4	1.3	0.9	1.0	0.8

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