

Q2FY15 Result Update
HOLD

Industry	Logistics
CMP (Rs)	238
FY16E Target Price (Rs)	240
52 Week H/L (Rs)	257/49
Volumes (BSE+NSE)*	218,200
Shares O/S (mn)	73.0
Market Cap (Rs bn)	16.7
Free Float (%)	30.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

Share Holding Pattern (30/09/2014)

Particulars	Shares (mn)	Holding (%)
Promoters	50.4	69.1
FIIIs	1.4	1.9
DIIIs	0.9	1.2
Others	20.3	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)	11.7	9.4	7.9
P/E (x)	24.2	18.9	14.9
RoE	29.0%	32.7%	34.3%

Transport Corporation of India (TCIL) reported Q2FY15 results in-line with our expectations. It reported a y-o-y growth of 11.5% in revenues to Rs 5.6bn (QS estimates of Rs 5.6bn). EBITDA margins improved by 90bps y-o-y to 7.5% mainly on account of higher margins in the coastal shipping division and mild recovery in the margins of other divisions. It reported a y-o-y growth of 63.3% in net profit to Rs 213.7mn.

Growth recovery continued in SCM coupled with modest growth in XPS 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 22.5%. Ongoing revival in the auto industry coupled with marginal uptick in the economic activities was the key factors behind the growth momentum of SCM. We believe SCM will maintain this growth trajectory over the coming quarters on the back of expected revival in the overall Indian economy. On the other hand, XPS also maintained its growth momentum by recording a y-o-y growth of 12.2%. 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 see better growth matrix in the coming quarter largely on account of increase in the delivery network and emergence of e-commerce in India. The coastal division remained sluggish in terms of sales performance albeit on a higher base.

Transport division; modest recovery

The transportation division which was reporting sluggish performance over the past many quarters due to lower industrial activities in the country witnessed a modest recovery in Q2FY15 as it recorded a y-o-y sales growth of 5.3%. Going ahead we expect transport division will also get benefit of overall economic revival.

EBITDA margin improved by 90bps to 7.5%

During the quarter, TCIL reported a y-o-y improvement of 90bps in EBITDA margin to 7.5%, 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 80bps improvement in the Transport division's margin which was under cost pressure till the last quarter, also helped TCIL in overall margin improvement. Margin enhancement and higher other income helped TCIL in reporting relatively higher net profit growth. Higher other income was on account of dividend income receipt to the tune of ~Rs 40mn from one of its JV companies.

Outlook and Valuations

TCIL is trading at a PE multiple of 18.9x and 14.9x based on FY15E and FY16E earnings respectively. We maintain our Hold rating with a price target of Rs 240, which is based on 15x FY16E earnings.

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Segmental Performance (Standalone)

Particulars	Q2FY15	Q2FY14	Y-o-Y Change	Q1FY15	Q-o-Q Change	H1FY15	H1FY14	Y-o-Y Change
Revenue (Rs mn)								
Transport	2,045.7	1,942.0	5.3%	1,896.6	7.9%	3,942.3	3,817.5	3.3%
XPS	1,671.8	1,489.9	12.2%	1,532.3	9.1%	3,204.1	2,902.8	10.4%
Supply Chain Solutions	1,565.0	1,278.0	22.5%	1,512.9	3.4%	3,077.9	2,480.4	24.1%
Coastal Shipping	289.6	289.3	0.1%	284.7	1.7%	574.3	563.6	1.9%
Wind Power	32.9	31.3	5.1%	15.6	110.9%	48.5	58.2	-16.7%
Inter Segmental	(38.1)	(36.5)	4.4%	(40.1)	-5.0%	(78.2)	(51.5)	51.8%
Total	5,566.9	4,994.0	11.5%	5,202.0	7.0%	10,768.9	9,771.0	10.2%
EBIT (Rs mn)								
Transport	17.5	1.6	993.8%	24.5	-28.6%	42.0	13.9	202.2%
XPS	109.8	95.9	14.5%	107.3	2.3%	217.1	194.8	11.4%
Supply Chain Solutions	85.8	64.0	34.1%	83.7	2.5%	169.5	123.5	37.2%
Coastal Shipping	57.9	44.9	29.0%	65.4	-11.5%	123.3	88.6	39.2%
Wind Power	24.5	20.8	17.8%	7.9	210.1%	32.4	37.8	-14.3%
Total	295.5	227.2	30.1%	288.8	2.3%	584.3	458.6	27.4%
EBIT Margins								
			bps		bps			bps
Transport	0.9%	0.1%	+80	1.3%	-40	1.1%	0.4%	+70
XPS	6.6%	6.4%	+20	7.0%	-40	6.8%	6.7%	+10
Supply Chain Solutions	5.5%	5.0%	+50	5.5%	0	5.5%	5.0%	+50
Coastal Shipping	20.0%	15.5%	+450	23.0%	-300	21.5%	15.7%	+520
Wind Power	74.5%	66.5%	+800	50.6%	+2390	66.8%	64.9%	+190
Total	5.3%	4.5%	+80	5.6%	-30	5.4%	4.7%	+70

Q2FY15 Results Highlights (Standalone)

Particulars (Rs mn)	Q2FY15	Q2FY14	Y-O-Y change	Q1FY15	Q-O-Q change	H1FY15	H1FY14	Y-O-Y change
Income from operations	5,566.9	4,994.0	11.5%	5,202.0	7.0%	10,768.9	9,771.0	10.2%
Less: Expenditures								
Operating cost	4,509.2	4,070.5	10.8%	4,215.1	7.0%	8,724.3	7,941.9	9.9%
Staff cost	310.0	286.0	8.4%	295.1	5.0%	605.1	570.4	6.1%
Other operating & admin cost	332.7	309.4	7.5%	283.7	17.3%	616.4	594.3	3.7%
EBITDA	415.0	328.1	26.5%	408.1	1.7%	823.1	664.4	23.9%
EBITDA Margin	7.5%	6.6%	+90bps	7.8%	-30bps	7.6%	6.8%	+80bps
Other Income	60.1	5.1	1078.4%	3.5	1617.1%	63.6	42.6	49.3%
Depreciation	119.9	104.9	14.3%	119.6	0.3%	239.5	208.2	15.0%
EBIT	355.2	228.3	55.6%	292.0	21.6%	647.2	498.8	29.8%
Interest	83.2	77.1	7.9%	75.0	10.9%	158.2	149.9	5.5%
Profit before tax	272.0	151.2	79.9%	217.0	25.3%	489.0	348.9	40.2%
Tax	58.3	20.3	187.2%	57.2	1.9%	115.5	77.8	48.5%
Net Profit	213.7	130.9	63.3%	159.8	33.7%	373.5	271.1	37.8%
EPS (Rs)	2.94	1.80	63.3%	2.20	33.7%	5.1	3.7	37.8%

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					
- Debt/Equity	0.8	0.7	0.6	0.5	0.4
- Current	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	1.0	0.9	0.9	0.8	0.7
- EV/EBITDA	12.6	11.4	11.7	9.4	7.9
- Sales/Assets	2.8	2.9	2.8	3.0	3.2
- P/E	29.0	24.9	24.2	18.9	14.9
- P/BV	4.7	4.1	3.6	3.1	2.7

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