

**Q3FY14 Result Update**
**HOLD**

<b>Industry</b>	<b>Logistics</b>
<b>CMP (Rs)</b>	<b>92</b>
<b>FY15E Target Price (Rs)</b>	<b>91</b>
<b>52 Week H/L (Rs)</b>	<b>110/44</b>
<b>Volumes (BSE+NSE)*</b>	<b>10,205</b>
<b>Shares O/S (mn)</b>	<b>72.8</b>
<b>Market Cap (Rs bn)</b>	<b>6.7</b>
<b>Free Float (%)</b>	<b>30.6</b>
<b>Bloomberg Code</b>	<b>TRPC IN</b>
<b>Reuters Code</b>	<b>TCIL.BO</b>

\* Three Month Average

**Share Holding Pattern (31/12/2013)**

Particulars	Shares (mn)	% Holding
Promoters	50.5	69.4
FIIIs	3.6	4.9
DIIIs	0.1	0.1
Others	18.6	25.6
<b>Total</b>	<b>72.8</b>	<b>100.0</b>

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	4.9	4.2
P/E (x)	5.7	9.6	8.1
RoE	30.7%	30.0%	26.9%

Transport Corporation of India (TCIL) reported Q3FY14 results in-line with our expectations. It reported a y-o-y growth of 4.7% in revenues to Rs 5.2bn (QS estimates of Rs 5.2bn). EBITDA margins improved by 30bps y-o-y to 7.3% mainly on account of higher margins in the coastal shipping division and mild contraction in the margins of other divisions. Flat depreciation and lower interest outlay coupled with lower tax provisions helped in achieving a higher earnings growth.

**Recovery in SCM; XPS and Coastal Shipping maintained the growth momentum**

The SCM division, which was under pressure due to its over reliance on auto sector (2/3<sup>rd</sup> revenues from the auto segment), witnessed a recovery and recorded a y-o-y growth of 10.7% in revenues albeit on a lower base. On the other hand, XPS and Coastal Shipping divisions maintained their growth momentum by recording a y-o-y revenues growth of 6.3% and 28.1% respectively. The coastal shipping division continued to report healthy performance on the back of higher capacity utilization and newer order flows from the Indian Government. The y-o-y growth in the XPS division looks bit moderated at 6.3% mainly on account of higher growth in the base quarter. We believe, XPS division will continue to do well in the coming period largely on account of increase in delivery network and emergence of e-commerce in India.

**Flattish performance from the Transport division**

TCIL's largest revenue contributor, the transportation division, continued to report sluggish performance and witnessed a y-o-y decline 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 30bps to 7.3%**

During the quarter, TCIL reported a y-o-y improvement of 30bps in EBITDA margin to 7.3%, mainly on account of sharp improvement in coastal shipping's margin and stable to mild dip in margins in the other divisions. Margin in the coastal shipping improved drastically on account of higher utilizations. A dry docking expense in the base quarter was not incurred in the quarter under review, also helped in higher margin.

**Margin improvement; lower depreciation, interest & tax outlays; Net profit grew by 26.9% y-o-y**

Margin improvement coupled with lower depreciation, interest and tax outlays helped TCIL in achieving higher earnings growth. Net profit witnessed a y-o-y growth of 26.9% to Rs 143.9mn. Lower tax outlay in coastal shipping division on account of tonnage tax, helped in the overall lower tax outlay. In Q3FY14, effective tax rate stood at 25.4% as compared to 28% in the base quarter.

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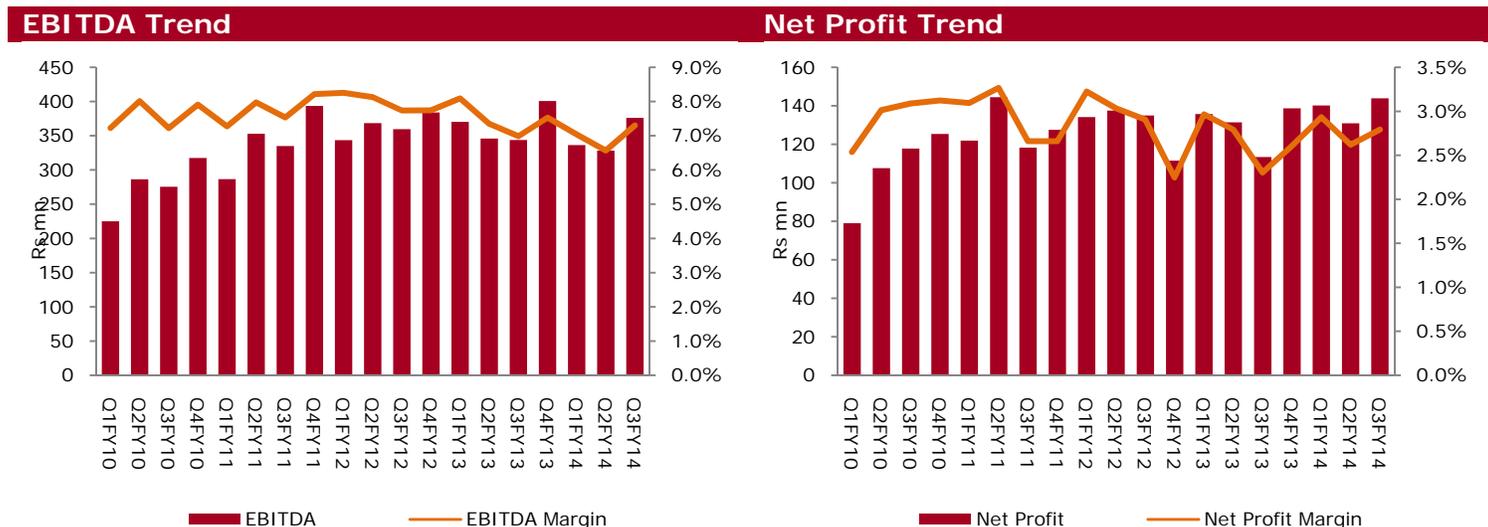
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**Outlook and Valuations**

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 9.6x and 8.1x based on FY14E and FY15E earnings respectively. On EV/EBITDA basis, TCIL trades at 4.9x and 4.2x FY14E and FY15E earnings respectively. **We maintain our 'Hold' rating on TCIL with a price target of Rs 91, which is based on 8x FY15E earnings.**

**Segmental Performance (Standalone)**

Particulars	Q3FY14	Q3FY13	y-o-y change	Q2FY14	q-o-q change	9MFY14	9MFY12	y-o-y change
<b>Revenue (Rs mn)</b>								
Transport	1,940.0	1,960.7	-1.1%	1,942.0	-0.1%	5,757.5	5,606.0	2.7%
XPS	1,543.2	1,451.9	6.3%	1,489.9	3.6%	4,446.0	4,098.3	8.5%
Supply Chain Solutions	1,442.5	1,303.3	10.7%	1,278.0	12.9%	3,922.9	3,782.9	3.7%
Coastal Shipping	277.7	216.7	28.1%	289.3	-4.0%	841.3	684.9	22.8%
Wind Power	6.4	7.0	-8.6%	31.3	-79.6%	64.6	65.4	-1.2%
Inter Segmental	-60.0	-19.1	214.1%	-36.5	64.4%	-111.5	-39.1	185.2%
<b>Total</b>	<b>5,149.8</b>	<b>4,920.5</b>	<b>4.7%</b>	<b>4,994.0</b>	<b>3.1%</b>	<b>14,920.8</b>	<b>14,198.4</b>	<b>5.1%</b>
<b>EBIT (Rs mn)</b>								
Transport	7.2	35.7	-79.8%	1.6	350.0%	21.1	118.8	-82.2%
XPS	121.2	117.3	3.3%	95.9	26.4%	316.0	312.3	1.2%
Supply Chain Solutions	74.7	78.1	-4.4%	64.0	16.7%	198.2	257.4	-23.0%
Coastal Shipping	68.2	5.9	1055.9%	44.9	51.9%	156.8	36.9	324.9%
Wind Power	-3.5	-2.7	29.6%	20.8	-116.8%	34.3	35.9	-4.5%
<b>Total</b>	<b>267.8</b>	<b>234.3</b>	<b>14.3%</b>	<b>227.2</b>	<b>17.9%</b>	<b>726.4</b>	<b>761.3</b>	<b>-4.6%</b>
<b>EBIT Margins</b>								
			<b>bps</b>		<b>bps</b>			<b>bps</b>
Transport	0.4%	1.8%	-140	0.1%	+30	0.4%	2.1%	-170
XPS	7.9%	8.1%	-20	6.4%	+150	7.1%	7.6%	-50
Supply Chain Solutions	5.2%	6.0%	-80	5.0%	+20	5.1%	6.8%	-170
Coastal Shipping	24.6%	2.7%	+2,190	15.5%	+900	18.6%	5.4%	+1,320
Wind Power	-54.7%	-38.6%	-1610	66.5%	na	53.1%	54.9%	-180
<b>Total</b>	<b>5.2%</b>	<b>4.8%</b>	<b>+40</b>	<b>4.5%</b>	<b>+70</b>	<b>4.9%</b>	<b>5.4%</b>	<b>-50</b>



**Q3FY14 Results Highlights (Standalone)**

Particulars (Rs mn)	Q3FY14	Q3FY13	y-o-y change	Q2FY14	q-o-q change	9MFY14	9MFY12	y-o-y change
<b>Total income</b>	<b>5,149.8</b>	<b>4,920.5</b>	<b>4.7%</b>	<b>4,994.0</b>	<b>3.1%</b>	<b>14,920.8</b>	<b>14,198.4</b>	5.1%
Less: Expenditures								
Operating cost	4,181.2	4,020.2	4.0%	4,070.5	2.7%	12,123.1	11,494.4	5.5%
Staff cost	285.8	265.1	7.8%	286.0	-0.1%	856.2	811.5	5.5%
Other operating costs	306.7	291.4	5.3%	309.4	-0.9%	901.0	832.6	8.2%
<b>EBITDA</b>	<b>376.1</b>	<b>343.8</b>	<b>9.4%</b>	<b>328.1</b>	<b>14.6%</b>	<b>1,040.5</b>	<b>1,059.9</b>	<b>-1.8%</b>
EBITDA margin	7.3%	7.0%	+30bps	6.6%	+70bps	7.0%	7.5%	-50bps
Other income	1.1	-1.4	NA	5.1	-78.4%	43.7	18.7	133.7%
Depreciation	108.0	107.6	0.4%	104.9	3.0%	316.2	307.7	2.8%
<b>EBIT</b>	<b>269.2</b>	<b>234.8</b>	<b>14.7%</b>	<b>228.3</b>	<b>17.9%</b>	<b>768.0</b>	<b>770.9</b>	<b>-0.4%</b>
Interest	76.3	77.4	-1.4%	77.1	-1.0%	226.2	247.0	-8.4%
Profit before tax	192.9	157.4	22.6%	151.2	27.6%	541.8	523.9	3.4%
Tax	49.0	44.0	11.4%	20.3	141.4%	126.8	146.7	-13.6%
<b>Net profit</b>	<b>143.9</b>	<b>113.4</b>	<b>26.9%</b>	<b>130.9</b>	<b>9.9%</b>	<b>415.0</b>	<b>380.5</b>	<b>9.1%</b>
<b>EPS (Rs)</b>	<b>1.98</b>	<b>1.6</b>	<b>-0.4%</b>	<b>1.80</b>	<b>-6.6%</b>	<b>5.7</b>	<b>5.2</b>	<b>9.1%</b>

**Income Statement (Consolidated)**

Particulars (Y/E March) (Rs mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Income from operations</b>	<b>18,526.6</b>	<b>19,552.9</b>	<b>21,320.9</b>	<b>22,904.4</b>	<b>25,041.3</b>
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 costs	2,589.6	2,722.4	2,814.4	3,023.4	3,280.4
<b>EBITDA</b>	<b>1,399.8</b>	<b>1,579.9</b>	<b>1,747.6</b>	<b>1,809.5</b>	<b>2,003.3</b>
Other income	27.6	41.3	63.2	45.8	50.1
Depreciation	353.1	415.7	464.0	483.5	485.3
<b>EBIT</b>	<b>1,074.3</b>	<b>1,205.5</b>	<b>1,346.8</b>	<b>1,371.7</b>	<b>1,568.0</b>
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
<b>Profit after tax</b>	<b>501.2</b>	<b>593.5</b>	<b>695.3</b>	<b>701.3</b>	<b>830.9</b>
Minority interest	-	1.6	(0.2)	-	-
<b>Net profit</b>	<b>501.2</b>	<b>595.1</b>	<b>695.1</b>	<b>701.3</b>	<b>830.9</b>

**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
<b>Shareholders' funds</b>	<b>3,252.3</b>	<b>3,637.8</b>	<b>4,215.2</b>	<b>4,776.2</b>	<b>5,440.9</b>
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
<b>Total Liabilities</b>	<b>6,741.5</b>	<b>7,000.7</b>	<b>7,634.8</b>	<b>8,195.8</b>	<b>8,860.5</b>
<b>Net fixed assets</b>	<b>3,525.6</b>	<b>4,092.7</b>	<b>4,145.7</b>	<b>4,162.2</b>	<b>4,176.8</b>
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
<b>Net current assets</b>	<b>3,196.8</b>	<b>2,888.2</b>	<b>3,470.6</b>	<b>4,015.1</b>	<b>4,665.2</b>
Misc expenditures	1.2	-	-	-	-
<b>Total Assets</b>	<b>6,741.5</b>	<b>7,000.7</b>	<b>7,634.8</b>	<b>8,195.8</b>	<b>8,860.5</b>

**Key Ratios**

Particulars (Y/E March)	FY11	FY12	FY13	FY14E	FY15E
<b>Profitability</b>					
- 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%
<b>Margins</b>					
- EBITDA	7.6%	8.1%	8.2%	7.9%	8.0%
- Net Profit	2.7%	3.0%	3.3%	3.1%	3.3%
<b>Leverage and Coverage</b>					
- Current	3.7	2.8	2.9	3.0	3.1
- Debt/Equity	23.9%	29.0%	25.0%	22.6%	19.7%
<b>Valuation</b>					
- 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	0.4	0.3
- EV/EBITDA	7.7	4.6	3.8	4.9	4.2
- Sales/Assets	2.8	2.8	2.9	2.9	2.9
- P/E	15.5	7.7	5.7	9.6	8.1
- P/BV	2.4	1.3	0.9	1.4	1.2

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