

Financial Highlights

Particulars	FY12	FY13E	FY14E	FY15E
Income (Rs mn)	19,552.9	21,204.2	22,854.7	24,641.7
Growth	5.5%	8.4%	7.8%	7.8%
EBITDA (Rs mn)	1,579.9	1,611.5	1,805.5	1,971.3
EBITDA Margin	8.1%	7.6%	7.9%	8.0%
Net Profit (Rs mn)	595.1	590.4	735.8	912.3
EPS (Rs)	8.2	8.1	10.1	12.6
PE (x)	7.7	8.6	6.9	5.6
EV/EBITDA (x)	4.6	5.1	4.5	4.0
P/BV (x)	1.3	1.2	1.1	0.9

Source: Company, QS Research

Q3FY13 Result Review

Transport Corporation of India (TCIL) reported Q3Y13 results lower than our expectations mainly on account of slower than expected growth in the SCM and transport divisions, coupled with one time dry-docking expenditure in the shipping division. It reported a y-o-y growth of 6% in revenues to Rs 4.9bn (QS estimate Rs 5bn). Higher overheads along with dry-docking expenses and hike in the diesel prices dragged the EBITDA margins by 70bps, y-o-y to 7%. Fall in the EBITDA margins coupled with higher depreciation outlay, restricted the net profit to Rs 113.4mn (QS estimate Rs 130mn), a y-o-y decline of 16%.

SCM and XPS drove the growth

SCM and XPS divisions drove the overall revenue growth during the quarter. However, growth of both these divisions has been moderate as compared to earlier quarters amid sluggish economic environment. The SCM division achieved a y-o-y growth of 9.9% to Rs 1.3bn. Growth in the SCM division has been impacted a bit due to the ongoing moderation in the Indian auto industry as the SCM division derives ~2/3rd of its revenues from this industry. The XPS division reported a better performance on the back of festival season and recorded a y-o-y growth of 13.9% Rs 1.5bn.

Transport division remained sluggish

TCIL's largest revenue contributor, the transportation division, continued to report poor showing and witnessed a y-o-y growth of 1.4% in revenues to Rs 2bn. 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 performance over the coming few quarters.

Industry	Logistics
CMP (Rs)	70
FY14E Target Price (Rs)	81
52 Week H/L (Rs)	90/52
Volumes (BSE+NSE)*	10,378
Shares O/S (mn)	72.7
Market Cap (Rs bn)	3.9
Free Float (%)	30.8
Bloomberg	TRPC IN
Reuters	TCIL.BO
*Three month average	

Share Holding Pattern #		
Particulars	Shares (in mn)	% Holding
Promoters	50.3	69.2
Public & Others	15.0	20.7
Institutions	0.1	0.1
Corporates	2.2	3.0
FII's	5.1	7.0
Total	72.7	100.0

#As on 31st December 2012

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Segmental Performance (Standalone)

Particulars	Q3FY13	Q3FY12	Y-o-Y change	Q2FY13	Q-o-Q change	9MFY13	9MFY12	Y-o-Y change
Revenue (Rs mn)								
Transport	1,960.7	1,932.9	1.4%	1,857.1	5.6%	5,606.0	5,758.9	-2.7%
XPS	1,451.9	1,274.5	13.9%	1,356.8	7.0%	4,098.3	3,654.1	12.2%
Supply Chain Solutions	1,303.3	1,185.4	9.9%	1,233.4	5.7%	3,782.9	3,163.2	19.6%
Coastal Shipping	216.7	261.6	-17.2%	228.8	-5.3%	684.9	708.8	-3.4%
Wind Power	7.0	6.9	1.4%	35.5	-80.3%	65.4	64.0	2.2%
Global	-	9.3	NA	-	NA	-	46.8	NA
Inter Segmental/ Others	(19.1)	(26.9)	-29.0%	(7.9)	141.8%	(39.1)	(63.3)	-38.2%
Total	4,920.5	4,643.7	6.0%	4,703.7	4.6%	14,198.4	13,332.5	6.5%
EBIT (Rs mn)								
Transport	35.7	58.5	-39.0%	41.2	-13.3%	118.8	150.4	-21.0%
XPS	117.3	105.6	11.1%	89.5	31.1%	312.3	307.7	1.5%
Supply Chain Solutions	78.1	90.3	-13.5%	80.1	-2.5%	257.4	240.8	6.9%
Coastal Shipping	5.9	43.7	-86.5%	4.9	20.4%	36.9	112.3	-67.1%
Wind Power	(2.7)	(1.3)	107.7%	24.9	-110.8%	35.9	33.9	5.9%
Global	-	(10.8)	NA	-	-	-	(11.9)	NA
Total	234.3	286.0	-18.1%	240.6	-2.6%	761.3	822.4	-7.4%
EBIT Margins								
			bps		bps			bps
Transport	1.8%	3.0%	-120	2.2%	-40	2.1%	2.6%	-50
XPS	8.1%	8.3%	-20	6.6%	-150	7.6%	8.4%	-80
Supply Chain Solutions	6.0%	7.6%	-160	6.5%	-50	6.8%	7.6%	-80
Coastal Shipping	2.7%	16.7%	-1400	2.1%	+60	5.4%	15.8%	-1040
Wind Power	-38.6%	-18.8%	NA	70.1%	NA	54.9%	53.0%	NA
Global	0.0%	-116.1%	NA	0.0%	NA	0.0%	0.0%	NA
Total	4.8%	6.2%	-140	5.1%	-30	5.4%	6.2%	-80

Source: Company, QS Research

Higher operating and staff costs resulted in a dip in the margins

Higher operating costs led by hike in the diesel price, increase in staff costs and one time dry-docking expenditure of ~Rs 22mn in the shipping division dragged the EBITDA margin to 7%, a y-o-y decline of 70bps. The diesel price hike has impacted the margin severely despite the lower business volume, as the full effect of the diesel price hike was not passed to the customers completely. However, billing of the coming quarter will accommodate the higher diesel prices. During the quarter under review, staff cost witnessed a y-o-y growth of 13.3%.

All the segments witnessed a y-o-y fall in the margins. The coastal shipping division witnessed the maximum fall in the margin as it reported an EBIT margin of 2.7% as compared to 16.7% in Q3FY12. Sharp fall in the margin was on account of increase of ~22% in the prices of furnace oil (key input) and additional dry-docking expenditures.

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 8.6x and 6.9x based on FY13E and FY14E earnings respectively. On EV/EBITDA basis, TCIL trades at 5.1x and 4.5x FY13E and FY14E earnings respectively. **We maintain our 'Market Performer' rating on TCIL with a price target of Rs 81, which is based on 8x FY14E earnings.**

Q3FY13 Result Highlights (Standalone)

Particulars (Rs mn)	Q3FY13	Q3FY12	Y-o-Y Change	Q2FY13	Q-o-Q Change	9MFY13	9MFY12	Y-o-Y Change
Total income	4,920.5	4,643.7	6.0%	4,703.7	4.6%	14,198.4	13,332.5	6.5%
Less: Expenditures								
Operating cost	4,020.2	3,769.7	6.6%	3,785.5	6.2%	11,494.4	10,747.3	7.0%
Staff cost	265.1	233.9	13.3%	281.7	-5.9%	811.5	674.8	20.3%
Other operating costs	291.4	280.6	3.8%	290.7	0.2%	832.6	839.1	-0.8%
EBITDA	343.8	359.5	-4.4%	345.8	-0.6%	1,059.9	1,071.3	-1.1%
EBITDA margin	7.0%	7.7%	-70bps	7.4%	-40bps	7.5%	8.0%	-50bps
Other income	(1.4)	26.3	-105.3%	7.4	-118.9%	18.7	28.0	-33.2%
Depreciation	107.6	92.0	17.0%	101.5	6.0%	307.7	268.1	14.8%
EBIT	234.8	293.8	-20.1%	251.7	-6.7%	770.9	831.2	-7.3%
Interest	77.4	91.1	-15.0%	83.3	-7.1%	247.0	247.2	-0.1%
Profit before tax	157.4	202.7	-22.3%	168.4	-6.5%	523.9	584.0	-10.3%
Tax	44.0	55.2	-20.3%	37.0	18.9%	146.7	164.9	-11.0%
Profit after tax	113.4	147.5	-23.1%	131.4	-13.7%	377.2	419.1	-10.0%
Extraordinary items	-	(12.5)	0.0%	-	0.0%	3.3	(12.5)	
Net profit	113.4	135.0	-16.0%	131.4	-13.7%	380.5	406.6	-6.4%
EPS (Rs)	1.6	1.9	-16.0%	1.8	-13.7%	5.2	5.6	-6.4%

Income Statement (Consolidated)

Particulars (Y/E March) (Rs mn)	FY10	FY11	FY12	FY13E	FY14E	FY15E
Income from operations	15,223.9	18,526.6	19,552.9	21,204.2	22,854.7	24,641.7
Less: Expenditures						
Operating costs	11,233.6	13,704.0	14,292.3	15,521.5	16,683.9	17,963.8
Staff cost	752.1	833.2	958.3	1,272.3	1,371.3	1,478.5
Other operating & admin costs	2,092.1	2,589.6	2,722.4	2,799.0	2,994.0	3,228.1
EBITDA	1,146.1	1,399.8	1,579.9	1,611.5	1,805.5	1,971.3
Other income	23.3	27.6	41.3	42.4	45.7	49.3
Depreciation	296.2	353.1	415.7	427.6	434.8	397.2
EBIT	873.2	1,074.3	1,205.5	1,226.3	1,416.4	1,623.4
Interest	191.8	256.3	350.0	331.9	301.7	241.4
Profit before tax	681.4	818.0	855.5	894.5	1,114.7	1,382.0
Tax	239.4	316.8	262.0	304.0	378.9	469.8
Profit after tax	442.0	501.2	593.5	590.4	735.8	912.3
Extraordinary items	(29.3)	-	1.6	-	-	-
Net profit	412.7	501.2	595.1	590.4	735.8	912.3

Balance Sheet Statement

Particulars (Y/E March) (Rs mn)	FY10	FY11	FY12	FY13E	FY14E	FY15E
Share capital	145.1	145.1	145.1	145.1	145.1	145.1
Reserves and surplus	3,203.5	3,107.2	3,492.7	3,965.0	4,553.7	5,283.5
Shareholders' funds	3,348.6	3,252.3	3,637.8	4,110.2	4,698.8	5,428.7
Minority interest	47.4	30.1	28.5	28.5	28.5	28.5
Borrowed fund	2,849.0	3,146.8	3,017.1	3,017.1	3,017.1	3,017.1
Deferred tax liability (Net)	296.3	312.3	317.3	317.3	317.3	317.3
Total Liabilities	6,541.3	6,741.5	7,000.7	7,473.1	8,061.7	8,791.6
Gross block	4,929.5	5,284.1	6,266.9	6,766.9	7,266.9	7,766.9
Less: accumulated depreciation	1,574.3	1,825.3	2,241.0	2,668.6	3,103.5	3,500.7
Net block	3,355.2	3,458.8	4,025.9	4,098.3	4,163.5	4,266.2
Add: Capital work in progress	153.8	66.8	66.8	66.8	66.8	66.8
Fixed assets	3,509.0	3,525.6	4,092.7	4,165.1	4,230.3	4,333.1
Goodwill on consolidation	2.2	2.4	3.2	3.2	3.2	3.2
Investments	40.5	15.4	16.6	16.6	16.6	16.6
Net current assets	2,987.6	3,196.8	2,888.2	3,288.2	3,811.6	4,438.7
Misc expenditures	2.0	1.2	-	-	-	-
Total Assets	6,541.3	6,741.5	7,000.7	7,473.1	8,061.7	8,791.6

Key Ratios

Particulars (Y/E March)	FY10	FY11	FY12	FY13E	FY14E	FY15E
Profitability						
- Return on Assets	6.7%	6.2%	7.3%	8.2%	7.6%	8.7%
- Return on Equity	27.4%	26.5%	31.2%	31.1%	27.8%	28.0%
Margins						
- EBITDA Margin	7.5%	7.6%	8.1%	7.6%	7.9%	8.0%
- Net Profit Margin	2.7%	2.7%	3.0%	2.8%	3.2%	3.7%
Leverage and Coverage						
- Debt to Equity	0.9	1.0	0.8	0.7	0.6	0.6
- Current	3.6	3.7	2.8	3.5	3.6	3.9
- Interest Coverage	22.0%	23.9%	29.0%	27.1%	21.3%	14.9%
Valuation						
- EPS (EBITDA)	5.7	6.9	8.2	8.1	10.1	12.6
- Book Value Per Share (EBITDA)	46.1	44.8	50.1	56.6	64.8	74.8
- EV/Sales	0.6	0.6	0.4	0.4	0.4	0.3
- EV/EBITDA	8.6	7.7	4.6	5.1	4.5	4.0
- Sales/Assets	2.5	2.8	2.8	2.9	2.9	2.9
- P/E	17.9	15.5	7.7	8.6	6.9	5.6
- P/BV	2.2	2.4	1.3	1.2	1.1	0.9

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