

Q1FY14 Result Update
Buy

Industry	Logistics
CMP (Rs)	51
FY14E Target Price (Rs)	80
52 Week H/L (Rs)	90/47
Volumes (BSE+NSE)*	10,205
Shares O/S (mn)	72.8
Market Cap (Rs bn)	3.5
Free Float (%)	30.7
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

Share Holding Pattern (30/06/2013)

Particulars	Shares (mn)	% Holding
Promoters	50.5	69.3
FIIIs	5.2	7.1
DIIIs	0.1	0.1
Others	17.0	23.5
Total	72.8	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY13	FY14E	FY15E
Sales	21,320.9	23,108.2	25,269.5
EBITDA	1,747.6	1,848.7	2,021.6
EBITDA Margin	8.2%	8.0%	8.0%
Net Profit	695.1	727.4	884.1
EPS (Rs)	9.5	10.0	12.1
EV/EBITDA (x)	3.8	3.1	2.7
P/E (x)	5.7	5.1	4.2
RoE	30.7%	29.9%	27.4%

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Transport Corporation of India (TCIL) reported Q1FY14 results broadly in-line with our expectations but lower on the EBITDA front. It reported a y-o-y growth of 4.4% in revenues to Rs 4.8bn (QS estimate Rs 4.9bn). EBITDA margins witnessed a y-o-y contraction of 110bps to 7% as compared to 8.1% in the corresponding quarter of the previous year, mainly on account of sluggish performance of the Transport and SCM divisions. However, higher other income coupled with lower depreciation and interest outlay boosted the net profit to Rs 140.2mn (QS estimates Rs 132.4mn).

XPS maintained its growth trajectory; sluggish performance from SCM continues

XPS division continued to report a healthy performance and achieved a y-o-y growth of 9.6% to Rs 1.4bn mainly on account of increase in delivery network. On the other side 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 decline of 3.5% to Rs 1.2bn. We believe SCM will remain under pressure 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 remained laggard

TCIL's largest revenue contributor, the transportation division, continued to report poor showing and witnessed a y-o-y growth of 4.9% 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 performance 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. Beside, frequent hike in diesel prices and company's inability pass the full hike impact to the clients is also hurting the margin. 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 15.9% as against 10.9% in Q1FY13. SCM division reported the sharp 310bps decline in EBIT margin to 4.9% and fell below 5% first time in the last 4 years

Higher other income coupled with lower depreciation and interest outlay fueled the net profit

Despite subdued operating profits, adjusted net profit witnessed a y-o-y growth of 5.9% to Rs 140.2mn mainly on account of higher other income coupled with lower depreciation and interest outlay fueled the net profit. Depreciation and interest cost witnessed a y-o-y growth of 4.8% and -15.6% respectively. Other income grew by 195.3% y-o-y to Rs 37.5mn amid at low base.

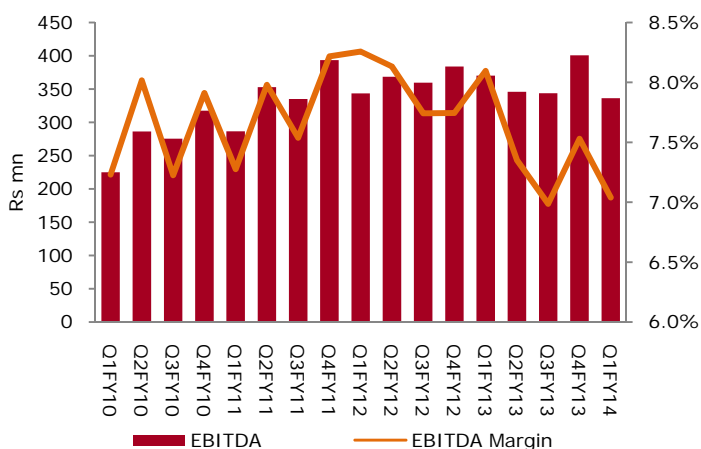
Outlook and Valuations

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 5.1x and 4.2x based on FY14E and FY15E earnings respectively. On EV/EBITDA basis, TCIL trades at 3.1x and 2.7x FY14E and FY15E earnings respectively. **We maintain our 'Buy' rating on TCIL with a price target of Rs 80, which is based on 8x FY14E earnings.**

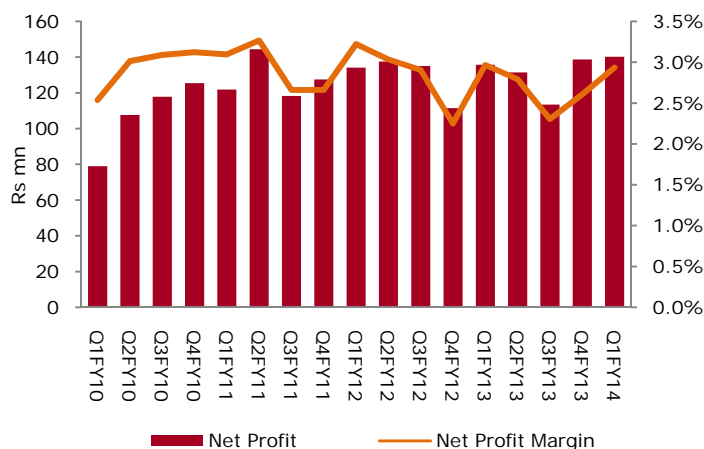
Segmental Performance (Standalone)

Particulars	Q1FY14	Q1FY13	Y-O-Y Change	Q4FY13	Q-O-Q Change
Revenue (Rs mn)					
Transport	1,875.5	1,788.2	4.9%	2,173.5	-13.7%
XPS	1,412.9	1,289.6	9.6%	1,465.7	-3.6%
Supply Chain Solutions	1,202.4	1,246.2	-3.5%	1,417.7	-15.2%
Coastal Shipping	274.3	239.4	14.6%	264.6	3.7%
Wind Power	26.9	22.9	17.5%	9.2	192.4%
Global	-15.0	-12.1	24.0%	-9.5	57.9%
Inter Segmental/ Others	4,777.0	4,574.2	4.4%	5,321.2	-10.2%
Total					
EBIT (Rs mn)					
Transport	12.3	41.9	-70.6%	31.0	-60.3%
XPS	98.9	105.5	-6.3%	98.2	0.7%
Supply Chain Solutions	59.5	99.2	-40.0%	123.9	-52.0%
Coastal Shipping	43.7	26.1	67.4%	49.0	-10.8%
Wind Power	17.0	13.7	24.1%	-0.6	NA
Total	231.4	286.4	-19.2%	301.5	-23.3%
EBIT Margins					
			bps		bps
Transport	0.7%	2.3%	-160	1.4%	-70
XPS	7.0%	8.2%	-120	6.7%	+30
Supply Chain Solutions	4.9%	8.0%	-310	8.7%	-380
Coastal Shipping	15.9%	10.9%	+500	18.5%	-260
Wind Power	63.2%	59.8%	+340	-6.5%	NA
Total	4.8%	6.3%	-150	5.7%	-90

EBITDA Trend



Net Profit Trend



Q1FY14 Results Highlights (Standalone)

Particulars (Rs mn)	Q1FY14	Q1FY13	Y-O-Y Change	Q4FY13	Q-O-Q Change
Total income	4,777.0	4,574.2	4.4%	5,321.2	-10.2%
Less: Expenditures					
Operating cost	3,871.4	3,688.7	5.0%	4,309.0	-10.2%
Staff cost	284.4	264.7	7.4%	256.8	10.7%
Other operating costs	284.9	250.5	13.7%	354.7	-19.7%
EBITDA	336.3	370.3	-9.2%	400.7	-16.1%
EBITDA Margin	7.0%	8.1%	-110bps	7.5%	-50bps
Other income	37.5	12.7	195.3%	23.4	60.3%
Depreciation	103.3	98.6	4.8%	113.3	-8.8%
EBIT	270.5	284.4	-4.9%	310.8	-13.0%
Interest	72.8	86.3	-15.6%	74.7	-2.5%
Profit before tax	197.7	198.1	-0.2%	236.1	-16.3%
Tax	57.5	65.7	-12.5%	90.4	-36.4%
Profit after tax	140.2	132.4	5.9%	145.7	-3.8%
Extraordinary items	-	3.3	-100.0%	(7.0)	-100.0%
Net profit	140.2	135.7	3.3%	138.7	1.1%
Adjusted Net Profit	140.2	132.4	5.9%	145.7	-3.8%
EPS (Rs)	1.93	1.87	3.3%	1.91	1.1%

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	23,108.2	25,269.5
Less: Expenditures					
Operating cost	13,704.0	14,292.3	15,638.0	16,961.4	18,547.8
Staff cost	833.2	958.3	1,120.9	1,271.0	1,389.8
Other operating & admin cost	2,589.6	2,722.4	2,814.4	3,027.2	3,310.3
EBITDA	1,399.8	1,579.9	1,747.6	1,848.7	2,021.6
Other Income	27.6	41.3	63.2	46.2	50.5
Depreciation	353.1	415.7	464.0	483.5	485.3
EBIT	1,074.3	1,205.5	1,346.8	1,411.3	1,586.8
Interest	256.3	350.0	336.3	309.4	247.5
Profit Before Tax	818.0	855.5	1,010.5	1,102.0	1,339.3
Tax	316.8	262.0	315.2	374.6	455.2
Profit after Tax	501.2	593.5	695.3	727.4	884.1
Minority Interest	-	1.6	(0.2)	-	-
Net Profit	501.2	595.1	695.1	727.4	884.1

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	4,651.4	5,358.7
Shareholders' funds	3,252.3	3,637.8	4,215.2	4,797.1	5,504.4
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	8,216.7	8,924.0
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	6,074.7	6,957.9
Less: Current liabilities & Provisions	1,178.4	1,591.0	1,863.2	2,038.6	2,229.3
Net current assets	3,196.8	2,888.2	3,470.6	4,036.1	4,728.6
Misc expenditures	1.2	-	-	-	-
Total Assets	6,741.5	7,000.7	7,634.8	8,216.7	8,924.0

Key Ratios

Particulars (Y/E March)	FY11	FY12	FY13	FY14E	FY15E
Profitability					
- Return on Equity	26.5%	31.2%	30.7%	29.9%	27.4%
- Return on Capital Employed	8.0%	9.1%	8.5%	9.1%	8.8%
Margins					
- EBITDA	7.6%	8.1%	8.2%	8.0%	8.0%
- Net Profit	2.7%	3.0%	3.3%	3.1%	3.5%
Leverage and Coverage					
- Current	3.7	2.8	2.9	3.0	3.1
- Debt/Equity	23.9%	29.0%	25.0%	21.9%	15.6%
Valuation					
- EPS (Rs)	6.9	8.2	9.5	10.0	12.1
- 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	0.2
- EV/EBITDA	7.7	4.6	3.8	3.1	2.7
- Sales/Assets	2.8	2.8	2.9	2.9	2.9
- P/E	15.5	7.7	5.7	5.1	4.2
- P/BV	2.4	1.3	0.9	0.8	0.7

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