

Q4FY14 Result Update
HOLD

Industry	Logistics
CMP (Rs)	166
FY16E Target Price (Rs)	160
52 Week H/L (Rs)	181/44
Volumes (BSE+NSE)*	10,205
Shares O/S (mn)	73.0
Market Cap (Rs bn)	12.1
Free Float (%)	30.6
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

Share Holding Pattern (31/03/2014)

Particulars	Shares (mn)	Holding (%)
Promoters	50.7	69.4
FII's	0.4	0.5
DII's	0.1	0.1
Others	21.8	30.0
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)	8.6	7.0	5.8
P/E (x)	17.0	13.2	10.5
RoE	29.0%	32.7%	34.3%

Transport Corporation of India (TCIL) reported Q4FY14 revenues in-line with our expectations but surprised us positively on the margin front. It reported a y-o-y growth of 0.8% in revenues to Rs 5.4bn (QS estimates of Rs 5.4bn). EBITDA margins improved by 110bps y-o-y to 8.6% mainly on account of higher margins in the coastal shipping division and mild recovery in the margins of other divisions. Lower depreciation and interest outlay coupled with lower tax provisions helped in achieving a higher earnings growth.

Modest growth in SCM & XPS; Coastal Shipping maintained its growth momentum

The SCM division, which was under pressure due to its over reliance on auto sector (2/3rd revenues from the auto segment), continued to see a recovery and recorded a y-o-y growth of 5.8% in revenues albeit. On the other hand, XPS and Coastal Shipping divisions maintained their growth momentum by recording a y-o-y revenues growth of 6.7% and 11.8% 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. TCIL planning to start its coastal shipping services on the western coast in the near future and this will further boost the growth in the coastal shipping division. The y-o-y growth in the XPS division looks bit moderated at 6.7% mainly on account of higher growth in the base quarter. We believe, the XPS division will continue to do well in the coming quarters largely on account of increase in the delivery network and emergence of e-commerce in India.

Transport division; sluggish performance continued

TCIL's largest revenue contributor, the transportation division, continued to report a sluggish performance and witnessed a y-o-y decline of 6.2% 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 performances over the coming few quarters.

EBITDA margin improved by 110bps to 8.6%

During the quarter, TCIL reported a y-o-y improvement of 110bps in EBITDA margin to 8.6%, 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.

Margin improvement; lower depreciation, interest & tax outlays; Net profit grew by 48.2% y-o-y

Margin improvement coupled with lower depreciation, interest and tax outlay helped TCIL in achieving higher earnings growth. Net profit witnessed a y-o-y growth of 48.2% to Rs 205.5mn. Lower tax outlay in coastal shipping division on account of tonnage tax (relatively lower than the corporate tax), helped in the overall lower tax outlay.

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Outlook and Valuations

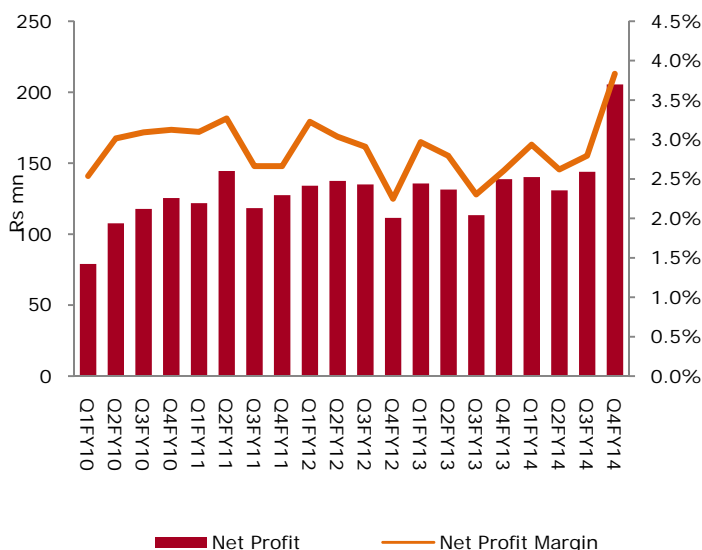
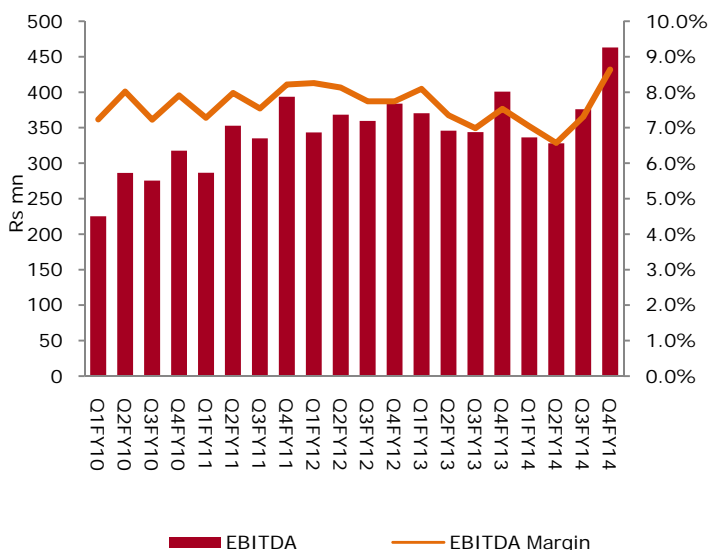
Recent moderation in the industrial activities has impacted TCIL's growth trajectory, particularly its Transportation and SCM divisions. We believe, it will return to its growth path with improvement in the Indian economy. TCIL is trading at a PE multiple of 13.2x and 10.5x based on FY15E and FY16E earnings respectively. On EV/EBITDA basis, TCIL trades at 7.1x and 6x FY15E and FY16E earnings respectively. **We maintain our Hold rating with a price target of Rs 160, which is based on 10x FY16E earnings.**

Segmental Performance (Standalone)

Particulars	Q4FY14	Q4FY13	Y-o-Y Change	Q3FY14	Q-o-Q change	FY14	FY13	Y-o-Y change
Revenue (Rs mn)								
Transport	2,039.2	2,173.5	-6.2%	1,940.0	5.1%	7,796.7	7,779.5	0.2%
XPS	1,564.3	1,465.7	6.7%	1,543.2	1.4%	6,010.3	5,564.0	8.0%
Supply Chain Solutions	1,500.2	1,417.7	5.8%	1,442.5	4.0%	5,423.1	5,200.6	4.3%
Coastal Shipping	295.9	264.6	11.8%	277.7	6.6%	1,137.2	949.5	19.8%
Wind Power	6.3	9.2	-31.5%	6.4	-1.6%	70.9	74.6	-5.0%
Inter Segmental	(43.9)	(9.5)	362.1%	(60.0)	-26.8%	(155.4)	(48.6)	219.8%
Total	5,362.0	5,321.2	0.8%	5,149.8	4.1%	20,282.8	19,519.6	3.9%
EBIT (Rs mn)								
Transport	30.6	31.0	-1.3%	7.2	325.0%	51.7	149.8	-65.5%
XPS	122.7	98.2	24.9%	121.2	1.2%	438.7	410.5	6.9%
Supply Chain Solutions	118.4	123.9	-4.4%	74.7	58.5%	316.6	381.3	-17.0%
Coastal Shipping	88.5	49.0	80.6%	68.2	29.8%	245.3	85.9	185.6%
Wind Power	(3.8)	(0.6)	533.3%	(3.5)	8.6%	30.5	35.3	-13.6%
Total	356.4	301.5	18.2%	267.8	33.1%	1,082.8	1,062.8	1.9%
EBIT Margins								
			bps		bps			bps
Transport	1.5%	1.4%	+10	0.4%	+110	0.7%	1.9%	-120
XPS	7.8%	6.7%	+110	7.9%	-10	7.3%	7.4%	-10
Supply Chain Solutions	7.9%	8.7%	-80	5.2%	+270	5.8%	7.3%	-150
Coastal Shipping	29.9%	18.5%	+1140	24.6%	530	21.6%	9.0%	1260
Wind Power	-60.3%	-6.5%	NA	-54.7%	NA	43.0%	47.3%	-430
Total	6.6%	5.7%	+90	5.2%	+140	5.3%	5.4%	-10

EBITDA Trend

Net Profit Trend



Q4FY14 Results Highlights (Standalone)

Particulars (Rs mn)	Q4FY14	Q4FY13	Y-o-Y Change	Q3FY14	Q-o-Q change	FY14	FY13	Y-o-Y Change
Total income	5,362.0	5,321.2	0.8%	5,149.8	4.1%	20,282.8	19,519.6	3.9%
Less: Expenditures								
Operating cost	4,288.7	4,309.0	-0.5%	4,181.2	2.6%	16,411.8	15,803.4	3.8%
Staff cost	269.2	256.8	4.8%	285.8	-5.8%	1,125.4	1,068.3	5.3%
Other operating costs	341.0	354.7	-3.9%	306.7	11.2%	1,242.0	1,187.3	4.6%
EBITDA	463.1	400.7	15.6%	376.1	23.1%	1,503.6	1,460.6	2.9%
EBITDA margin	8.6%	7.5%	+110bps	7.3%	+130bps	7.4%	7.5%	-10bps
Other income	3.2	23.4	-86.3%	1.1	190.9%	46.9	42.1	11.4%
Depreciation	108.0	113.3	-4.7%	108.0	0.0%	424.2	421.0	0.8%
EBIT	358.3	310.8	15.3%	269.2	33.1%	1,126.3	1,081.7	4.1%
Interest	70.5	74.7	-5.6%	76.3	-7.6%	296.7	321.7	-7.8%
Profit before tax	287.8	236.1	21.9%	192.9	49.2%	829.6	760.0	9.2%
Tax	82.3	90.4	-9.0%	49.0	68.0%	209.1	237.1	-11.8%
PAT	205.5	145.7	41.0%	143.9	42.8%	620.5	522.9	18.7%
Extraordinary items	-	(7.0)	NA	-	NA	-	(3.7)	NA
Net Profit	205.5	138.7	48.2%	143.9	42.8%	620.5	519.2	19.5%
EPS (Rs)	2.83	1.91	-0.4%	1.98	-6.6%	8.5	7.2	19.5%

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	FY13E	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					
- Current	0.8	0.7	0.6	0.5	0.4
- Debt/Equity	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	0.4	0.3	0.7	0.6	0.5
- EV/EBITDA	4.6	3.8	8.6	7.0	5.8
- Sales/Assets	2.8	2.9	2.8	3.0	3.2
- P/E	7.7	5.7	17.0	13.2	10.5
- P/BV	1.3	0.9	2.5	2.2	1.9

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