



Transport Corporation of India *Logistics*

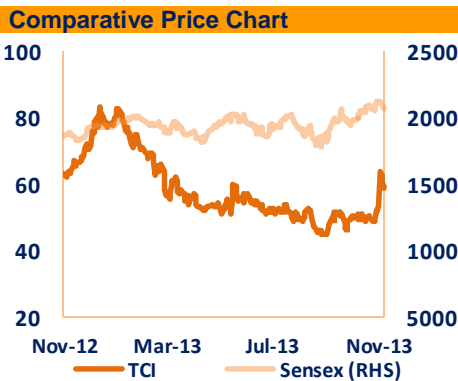
RESULT UPDATE
Rating: HOLD

Date	November 12, 2013
CMP (Rs.)	56.9
Target (Rs.)	65.0
Potential Upside	14%
BSE Sensex	20282
NSE Nifty	6018

Scrip Code	
Bloomberg	TRPC IN
Reuters	TCIL.BO
BSE Group	B
BSE Code	532349
NSE Symbol	TCI

Market Data	
Market Cap.(Rs. Cr)	415
Equity Sh. Cap. (Rs Cr)	14.6
52 Wk High/Low	89.7/44.0
Avg. Quarterly Volume	30090
Face Value (Rs.)	2

Shareholding Pattern	
(As on 30 th Sep 2013)	
Foreign	7.0
Institutions	0.1
Promoters	69.4
Public & Others	23.5
Total	100.0



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TCI reported another quarter of muted growth with topline increasing by 6.2% yoy to Rs 499.4 cr. The growth was mainly driven by XPS division posting an increase of 10% yoy to Rs 149 cr. Revenues from Freight and Supply Chain division were marginally higher by 4.8% and 3.9% yoy respectively to Rs 194.2 cr and Rs 127.8 cr.

EBITDA declined by 5.1% yoy to Rs 32.8 cr while EBITDA margins contracted 78 bps yoy and 47 bps qoq to 6.6% led by lower margins in Freight and Supply Chain divisions. Margins in the Freight and Supply Chain divisions declined by 214 and 151 bps respectively indicating difficult macro-economic environment. Decline in financial expenses and lower tax provision helped PAT to remain flattish at Rs 13.1 cr . PAT margins however remained declined 17 bps yoy to 2.6%.

XPS division maintains growth while SCM division remains sluggish:

XPS division continued to do well maintaining its growth trajectory with 10% yoy increase in revenues to Rs 149 cr helped by increasing delivery network. SCM division returned to growth phase after posting a de-growth of 3.6% yoy in Q1FY14. Revenues from this division grew by 3.9% to Rs 127.8 cr. however EBIT margins continued to decline and were down by 17 and 151 bps respectively to 6.4% and 5%. We believe share of these two segments is likely to increase going forward aiding margin improvement.

Freight division continues to face margin pressure:

The largest revenue contributor; Freight division grew by 4.8% yoy to Rs 194.2 cr as it continued to be impacted by the slowdown. However EBIT declined sharply by 96% to Rs 0.2 cr. Margins contracted by 214 bps to 0.1% as increases in diesel prices and inability of the company to pass on the hike due to tough competition took its toll. Margins from this division are likely to remain under pressure for the next few quarters till economic scenario improves.

Lower interest expenses and tax provision helps to maintain profit:

PAT declined marginally by 0.2% to Rs 13.1 cr despite 5.1% fall in EBITDA. This was mainly due to interest expenses which fell by 7.4% yoy to Rs 7.7 cr. The company also made lower tax provision of Rs 2 cr against Rs 3.7 cr in Q2FY13 and Rs 5.8 cr in the previous quarter

Outlook and Valuation:

The recent slowdown in the Indian economy has impacted the revenues and margins of the company. However, we believe economic activity to pick up by 2HFY14 with the Government efforts to ease policy logjam and RBI taking steps to improve liquidity. At CMP of Rs 57 the stock trades at an EV/EBITDA multiple of 4.5x and P/E of 6.3x of its FY14E earnings. With the recent run up in the stock we revise our rating from BUY to HOLD a target of Rs 65.

Particulars	Sales (₹ Cr)	EBITDA (₹ Cr)	EBITDA (%)	PAT (₹ Cr)	PATM (%)	EPS (₹)	P/E (x)	P/BV (x)	BVPS (₹)	EV/EBITDA (x)
FY11	1851.3	138.6	7.5%	50.1	2.7%	6.9	14.0	2.2	44.8	6.9
FY12	1955.3	158.0	8.1%	59.5	3.0%	8.2	7.3	1.2	50.0	4.5
FY13	2135.1	177.8	8.3%	72.5	3.4%	10.0	5.6	1.0	57.9	3.7

Q4 and FY13 Performance

Particulars	(Rs Cr)							
	Q2FY14	Q2FY13	Y-o-Y change	Q1FY14	Q-o-Q change	H1FY14	H1FY13	Y-o-Y change
Net Sales	499.4	470.4	6.2%	477.7	4.5%	977.1	927.8	5.3%
Total Expenses	466.6	435.8	7.1%	444.1	5.1%	910.7	856.2	6.4%
EBITDA	32.8	34.6	-5.1%	33.6	-2.4%	66.5	71.6	-7.2%
Depreciation	10.5	10.2	3.3%	10.3	1.5%	20.8	20.0	4.1%
EBIT	22.3	24.4	-8.6%	23.3	-4.2%	45.6	51.6	-11.6%
Other Income	0.5	0.7	-31.1%	3.8	-86.4%	4.3	2.0	111.9%
Finance exps	7.7	8.3	-7.4%	7.3	5.9%	15.0	17.0	-11.6%
PBT	15.1	16.8	-10.1%	19.8	-23.5%	34.9	36.7	-4.9%
Tax	2.0	3.7	-45.1%	5.8	-64.7%	7.8	10.3	-24.2%
Adj. PAT	13.1	13.1	-0.2%	14.0	-6.6%	27.1	26.4	2.7%
EPS	1.8	1.8	-0.2%	1.9	-6.6%	3.7	3.6	2.7%
EBITDA margin	6.6%	7.3%	-78 bps	7.0%	-47 bps	6.8%	7.7%	-92 bps
PAT margin	2.6%	2.8%	-17 bps	2.9%	-31 bps	2.8%	2.8%	-7 bps

Segmental Performance

Particulars	(Rs Cr)							
	Q2FY14	Q2FY13	Y-o-Y change	Q1FY14	Q-o-Q change	H1FY14	H1FY13	Y-o-Y change
Revenue								
Freight Division	194.2	185.4	4.8%	187.6	3.5%	381.8	364.5	4.7%
XPS Division	149.0	135.5	10.0%	141.3	5.4%	290.3	264.6	9.7%
Supply Chain	127.8	123.0	3.9%	120.2	6.3%	248.0	248.0	0.0%
Seaways	28.9	22.9	26.4%	27.4	5.5%	56.4	46.8	20.4%
Energy	3.1	3.6	-11.8%	2.7	16.4%	5.8	5.8	-0.3%
EBIT								
Freight Division	0.2	4.1	-96.1%	1.2	-87.0%	1.4	8.3	-83.3%
XPS Division	9.6	9.0	7.2%	9.9	-3.0%	19.5	19.5	-0.1%
Supply Chain	6.4	8.0	-20.1%	6.0	7.6%	12.4	17.9	-31.1%
Seaways	4.5	0.5	835.4%	4.4	2.7%	8.9	3.1	185.8%
Energy	2.1	2.5	-16.5%	1.7	22.4%	3.8	3.9	-2.1%
EBIT margins								
Freight Division	0.1%	2.2%	-214 bps	0.7%	-57 bps	0.4%	2.3%	-192 bps
XPS Division	6.4%	6.6%	-17 bps	7.0%	-56 bps	6.7%	7.4%	-66 bps
Supply Chain	5.0%	6.5%	-151 bps	4.9%	6 bps	5.0%	7.2%	-225 bps
Seaways	15.5%	2.1%	1342 bps	15.9%	-41 bps	15.7%	6.6%	910 bps
Energy	66.5%	70.1%	-369 bps	63.2%	326 bps	64.9%	66.1%	-115 bps

FINANCIAL PERFORMANCE

PROFIT & LOSS		(Rs Cr)		
Particulars	FY11	FY12	FY13	
Operating Income	1851.3	1955.3	2135.1	
Operating expenses	1512.9	1568.3	1718.3	
Employee cost	89.2	95.8	112.1	
Other operating expenses	110.6	133.2	127.0	
EBITDA	138.6	158.0	177.8	
Depreciation	35.3	41.6	46.4	
EBIT	103.3	116.4	131.4	
Interest	26.6	35.0	33.6	
Other Income	5.1	4.1	6.3	
Profit Before Tax	81.8	85.6	104.1	
Tax	31.7	26.2	31.5	
PAT	50.1	59.3	72.5	
PAT after Min Int	50.1	59.5	72.5	

BALANCE SHEET		(Rs Cr)		
Particulars	FY11	FY12	FY13	
Share Capital	14.5	14.5	14.6	
Reserves & Surplus	310.7	349.3	407.0	
Total Shareholder funds	325.2	363.8	421.5	
Minority Interest	3.0	2.9	1.1	
Non Current Liabilities				
Long term borrowings	82.0	83.9	67.4	
Deferred tax liabilities	31.2	31.7	31.5	
Other long term liabilities	0.0	0.0	0.4	
Long term provisions	0.0	0.0	0.3	
SOURCES OF FUNDS	441.6	482.3	522.2	
Fixed Assets	352.8	409.6	414.8	
Investments	1.5	1.7	1.6	
Loans & Advances	9.9	10.9	26.8	
Current Assets	427.2	436.4	505.8	
Current Liabilities	350.4	376.9	427.6	
Net Current Assets	76.7	59.6	78.2	
TOTAL ASSETS	441.6	482.3	522.2	

CASH FLOW		(Rs Cr)		
Particulars	FY11	FY12	FY13	
Opening cash balance	38.2	18.3	30.7	
Cash from operating activities	50.1	89.7	91.2	
Cash from investing activities	(39.6)	(96.7)	(83.4)	
Cash from financing activities	(30.5)	19.5	7.7	
Net Change in Cash	(20.0)	12.5	15.4	
Closing cash bal as per BS	18.3	30.7	46.1	

RATIO ANALYSIS				
Particulars	FY11	FY12	FY13	
EV/Sales	0.5	0.4	0.3	
EV/EBITDA	6.9	4.5	3.7	
EPS	6.9	8.2	10.0	
P/E	14.0	7.3	5.6	
P/BV	2.2	1.2	1.0	
RoE	15.4%	16.4%	17.2%	
Growth				
Operating Income	21.7%	5.6%	9.2%	
EBITDA	24.6%	14.0%	12.5%	
Profitability				
EBITDA Margin	7.5%	8.1%	8.3%	
PBIT Margin	5.6%	6.0%	6.2%	
PAT Margin	2.7%	3.0%	3.4%	
Stability				
Debt/Equity	0.8	0.8	0.7	
Current Ratio	1.2	1.2	1.2	
Interest Coverage	3.9	3.3	3.9	



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