



### Transport Corporation of India

#### Logistics

RESULT UPDATE

Rating: HOLD

<b>Date</b>	<b>February 14, 2013</b>
CMP (Rs.)	66.6
Target (Rs.)	82.0
Potential Upside	23%
BSE Sensex	19497
NSE Nifty	5897

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

<b>Market Data</b>	
Market Cap.(Rs. Cr)	497
Equity Sh. Cap. (Rs Cr)	14.6
52 Wk High/Low	89.7/52.6
Avg. Quarterly Volume	17750
Face Value (Rs.)	2

<b>Shareholding Pattern</b>	
(As on 31 <sup>st</sup> Dec 2012)	
Foreign	7.0
Institutions	0.1
Promoters	69.2
Public & Others	23.7
<b>Total</b>	<b>100.0</b>



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Transport Corporation of India reported its Q3FY13 numbers with a modest growth of 6% yoy growth in topline to Rs 492 cr. The growth was mainly driven by the XPS and SCS division while the largest trucking division witnessed a contraction in revenues. EBITDA declined by 4.3% yoy to Rs 34.4 cr while EBITDA margins contracted 75 bps to 7% as higher operating and staff costs resulted in higher growth in expenses. Higher operating costs were led by the hike in diesel price as the full effect could not be passed on while staff costs went up by 13% yoy dragging down the EBITDA margins. PAT fell by 15.9% yoy to Rs 11.3 cr and margins also declined although at a lower 60 bps to 2.3%. PAT margins were aided by lower finance expenses which declined by 15%.

#### Freight division continued to remain subdued:

Revenues from the largest contributor to the topline continued to remain sluggish. It reported a measly 1.4% growth in revenues as the macroeconomic slowdown impacted the volumes. The management is also refraining from chasing high volumes as it requires high working capital. Company was unable to fully pass the hike in diesel prices in September leading to a margin compression by 121 bps yoy and 40 bps qoq. We expect the revenue share of Freight division to fall and margins to remain under pressure till the volumes pick up.

#### XPS and SCM division drive growth:

XPS and SCM divisions continued to perform well driving the topline growth of the company. Though the growth was moderated as compared to earlier quarters, revenues grew by 14% and 10% respectively yoy to Rs 145 cr and Rs 130 cr respectively. Margins however, tightened by 21 bps and 163 bps respectively to 8.1% and 6.0% respectively due to the moderation in the Indian auto industry (SCM division gets 2/3rd revenues from auto industry) and overall slowdown.

#### Changing Revenue Mix to Improve Overall Margins:

Management is changing its revenue mix and improving the revenue contribution from business segments which generates higher EBITDA margins like XPS and Supply Chain Solutions. Consequently revenue share from freight in 9MFY13 has dropped from 43% to 39.3% as compared to 9MFY12 while that of XPS and SCS division has increased from 27.3% and 23.6% to 28.7% and 26.5% respectively. Thus in coming quarters the EBITDA margins are likely to improve.

#### Outlook and Valuation:

With a gradual recovery in economic activity we expect revenue growth to pick up from the low single digits to double digits. Focus on higher margin divisions will help the company to improve its profitability. At CMP of Rs 68 the stock trades at an EV/EBITDA multiple of 4.6x and P/E of 7.5x of its FY13E earnings. We recommend BUY on the stock with a target of Rs 82. With increasing contribution from higher margin business we might see a re-rating in the stock.

Particulars	Sales (₹ Cr)	EBITDA (₹ Cr)	EBITDA (%)	PAT (₹ Cr)	PATM (%)	EPS (₹)	P/E (x)	P/BV (x)	BVPS (₹)	EV/EBITDA (x)
FY10	1521.5	112.3	7.4%	41.7	2.7%	6.0	11.0	1.4	46.2	8.4
FY11	1851.3	140.3	7.6%	54.7	3.0%	7.5	8.9	1.5	44.8	6.9
FY12	1953.8	156.5	8.0%	59.4	3.0%	8.2	8.1	1.3	52.0	4.6
FY13E	2149.1	176.5	8.2%	66.2	3.1%	9.1	7.3	1.1	62.0	4.6

## Q3 and 9M FY13 Performance

(Rs Cr)

Particulars	Q3FY13	Q3FY12	Y-o-Y change	Q2FY13	Q-o-Q change	9MFY13	9MFY12	Y-o-Y change
Net Sales	492.1	464.4	6.0%	470.4	4.6%	1419.8	1333.3	6.5%
Total Expenses	457.7	428.4	6.8%	435.8	5.0%	1313.8	1226.1	7.2%
<b>EBITDA</b>	<b>34.4</b>	<b>35.9</b>	<b>-4.3%</b>	<b>34.6</b>	<b>-0.6%</b>	<b>106.0</b>	<b>107.2</b>	<b>-1.1%</b>
Depreciation	10.8	9.2	17.0%	10.2	6.0%	30.8	26.8	14.7%
EBIT	23.6	26.7	-11.6%	24.4	-3.3%	75.3	80.3	-6.3%
Other Income	-0.1	2.6	-105.3%	0.7	-118.9%	1.9	2.8	-33.2%
Finance exps	7.7	9.1	-15.0%	8.3	-7.1%	24.7	24.7	-0.1%
PBT	15.8	20.3	-22.2%	16.9	-6.5%	52.4	58.4	-10.3%
Tax	4.4	5.5	-20.3%	3.7	18.9%	14.7	16.5	-11.0%
<b>Adj. PAT</b>	<b>11.3</b>	<b>13.5</b>	<b>-15.9%</b>	<b>13.1</b>	<b>-13.7%</b>	<b>38.1</b>	<b>40.7</b>	<b>-6.4%</b>
EPS	1.6	1.9	-16.0%	1.8	-13.7%	5.2	5.6	-6.6%
EBITDA margin	7.0%	7.7%	-75 bps	7.4%	-36 bps	7.5%	8.0%	-57 bps
PAT margin	2.3%	2.9%	-60 bps	2.8%	-49 bps	2.7%	3.1%	-37 bps

## Segmental Performance

(Rs Cr)

Particulars	Q3FY13	Q3FY12	Y-o-Y change	Q2FY13	Q-o-Q change	H1FY13	H1FY12	Y-o-Y change
<b>Revenue</b>								
Freight Division	196.1	193.3	1.4%	185.4	5.8%	560.6	575.9	-2.7%
XPS Division	145.2	127.5	13.9%	135.5	7.2%	409.8	365.4	12.2%
Supply Chain	130.3	118.5	9.9%	123.0	6.0%	378.3	316.3	19.6%
Seaways	21.7	26.2	-17.2%	22.9	-5.3%	71.0	70.9	0.2%
Energy	0.7	0.7	1.4%	3.6	-80.3%	6.5	6.4	2.0%
Global	0.0	0.9	NA	0.0	NA	0.0	4.7	NA
<b>EBIT</b>								
Freight Division	3.6	5.9	-39.0%	4.1	-13.3%	11.9	15.0	-21.0%
XPS Division	11.7	10.6	11.1%	9.0	31.1%	31.2	30.8	1.5%
Supply Chain	7.8	9.0	-13.5%	8.0	-2.5%	25.7	24.1	6.9%
Seaways	0.6	4.4	-86.5%	0.5	20.4%	3.7	11.2	-67.1%
Energy	-0.3	-0.1	107.7%	2.5	-110.8%	3.6	3.4	5.6%
Global	0.0	-1.1	NA	0.0	NA	0.0	-2.3	NA
<b>EBIT margins</b>								
Freight Division	1.8%	3.0%	-121 bps	2.2%	-40 bps	2.1%	2.6%	-49 bps
XPS Division	8.1%	8.3%	-21 bps	6.6%	147 bps	7.6%	8.4%	-80 bps
Supply Chain	6.0%	7.6%	-163 bps	6.5%	-52 bps	6.8%	7.6%	-81 bps
Seaways	2.7%	16.7%	-1398 bps	2.1%	58 bps	5.2%	15.8%	-1065 bps
Energy	-38.6%	-18.8%	-1973 bps	70.1%	NM	54.8%	53.0%	186 bps
Global	NA	-116.1%	NA	NA	NA	NA	-48.5%	NA

## Estimated Revenue Statement

(₹ Cr.)

Particulars	FY10	FY11	FY12	FY13 (E)
<b>Net Operating Income</b>	<b>1521.5</b>	<b>1851.3</b>	<b>1953.8</b>	<b>2149.1</b>
Other Income	4.4	5.1	5.7	8.5
Increase / Decrease in Stock	-0.2	0.0	0.0	0.0
Manufacturing & Operating Exp.	1262.0	1539.6	1695.0	1861.9
Employees Remuneration & Benefits	83.5	92.9	93.6	101.1
Administrative & Selling Expenses	63.6	78.4	8.7	9.6
<b>Total Expenditure</b>	<b>1409.0</b>	<b>1710.9</b>	<b>1797.3</b>	<b>1972.6</b>
<b>Operating Profit (Excl Depn)</b>	<b>112.3</b>	<b>140.3</b>	<b>156.5</b>	<b>176.5</b>
Operating Profit Margin (%)	0.1	0.1	0.1	0.1
Other Income	4.4	5.1	5.7	8.5
<b>EBITDA</b>	<b>116.7</b>	<b>145.4</b>	<b>162.1</b>	<b>185.0</b>
Interest and Bank Charges	21.9	28.3	35.0	42.0
<b>Gross Profit</b>	<b>94.8</b>	<b>117.1</b>	<b>127.1</b>	<b>143.0</b>
Depreciation	29.6	35.3	41.6	45.7
<b>Profit Before Tax</b>	<b>65.2</b>	<b>81.8</b>	<b>85.6</b>	<b>97.3</b>
Add / Less: Extra-Ordinary Items	0.0	0.0	0.0	0.0
Tax	23.5	27.1	26.2	31.1
<b>Net Profit after tax</b>	<b>41.7</b>	<b>54.7</b>	<b>59.4</b>	<b>66.2</b>
PBIDT Margin	7.4%	7.6%	8.0%	8.2%
PBDT Margin	6.2%	6.3%	6.5%	6.7%
PAT Margin	2.7%	3.0%	3.0%	3.1%
Book Value per share	46.2	44.8	52.0	62.0
EPS (Diluted) - Annualised	5.8	7.5	8.2	9.1
EPS After MI - Annualised	6.0	7.5	8.2	9.1
Number of Equity Shares (Cr)	7.3	7.3	7.3	7.3
Enterprise Value (Rs. Cr.)	981.7	998.6	742.7	909.6

Estimated Balance Sheet		(₹ Cr.)			
Particulars	FY10	FY11	FY12	FY13 (E)	
<b>SOURCES OF FUNDS</b>					
Share Capital	14.50	14.52	14.54	14.61	
Equity Share Warrants	0.01	0.00	0.00	0.00	
	14.51	14.52	14.54	14.61	
Reserves Total	320.35	310.72	363.72	436.46	
<b>Total Shareholders Funds (A)</b>	<b>334.86</b>	<b>325.24</b>	<b>378.26</b>	<b>451.08</b>	
Minority Interest	4.74	3.01	2.85	4.51	
Deferred Tax Liability (Net)	0.00	0.00	0.00	0.00	
Secured Loans	261.29	239.00	225.48	250.28	
Unsecured Loans	23.61	75.68	115.47	132.79	
<b>Total Debt (B)</b>	<b>284.90</b>	<b>314.68</b>	<b>340.95</b>	<b>383.07</b>	
<b>Total Liabilities (A + B)</b>	<b>624.50</b>	<b>642.93</b>	<b>722.06</b>	<b>838.66</b>	
<b>APPLICATION OF FUNDS</b>					
Gross Block	493.17	528.65	631.37	763.96	
Less: Accu Depreciation	157.43	182.53	215.16	260.89	
<b>Net Block</b>	<b>335.74</b>	<b>346.12</b>	<b>416.21</b>	<b>503.07</b>	
Capital Work in Progress	15.38	6.68	7.82	9.38	
<b>(E)</b>	<b>351.12</b>	<b>352.80</b>	<b>424.03</b>	<b>512.45</b>	
Goodwill	0.00	0.00	0.00	0.00	
<b>Investments (F)</b>	<b>4.05</b>	<b>1.54</b>	<b>1.66</b>	<b>1.83</b>	
Inventories	1.07	1.43	1.96	2.33	
Sundry Debtors	263.74	320.84	336.45	370.10	
Cash and Bank	38.25	18.26	30.73	35.65	
Loans and Advances	112.79	97.00	78.73	86.60	
<b>Total Current Assets</b>	<b>415.85</b>	<b>437.53</b>	<b>447.87</b>	<b>494.68</b>	
Current Liabilities	75.92	86.43	98.43	113.19	
Provisions	41.17	31.41	21.43	24.64	
<b>Total Current Liabilities</b>	<b>117.09</b>	<b>117.84</b>	<b>119.86</b>	<b>137.84</b>	
<b>Net Current Assets (H)</b>	<b>298.76</b>	<b>319.69</b>	<b>328.01</b>	<b>356.84</b>	
Misc. Expd (Not W/O)	0.20	0.13	0.09	0.11	
Net Deferred Tax	-29.63	-31.23	-31.73	-32.57	
<b>Total Assets (E + F + G + H + I)</b>	<b>624.50</b>	<b>642.93</b>	<b>722.06</b>	<b>838.66</b>	

<b>Ratio Analysis</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13 (E)</b>
<b><u>Operational &amp; Financial Ratios</u></b>				
EPS (Diluted) - Annualised	5.8	7.5	8.2	9.1
EPS After MI - Annualised	6.0	7.5	8.2	9.1
Book Value per share	46.2	44.8	52.0	62.0
Tax Rate (%)	36.0%	33.1%	30.6%	32.0%
<b><u>Margin Ratios</u></b>				
EBITDA Margin	7.4%	7.6%	8.0%	8.2%
PAT Margin	2.7%	3.0%	3.0%	3.1%
<b><u>Performance Ratios</u></b>				
Return on Equity	12.5%	16.8%	15.7%	14.7%
Return on Cap. Employed	13.2%	16.3%	15.9%	15.6%
Total Asset Turnover (x)	2.0	2.3	2.2	2.1
Inventory Turnover (x)	1422.0	1294.6	996.8	921.4
Sales/Fixed Asset (x)	4.3	5.2	4.6	4.2
<b><u>Efficiency Ratios</u></b>				
Receivable days	63.3	63.3	62.9	62.9
Payable days	22.0	20.5	18.0	18.9
Inventory Days	0.3	0.3	0.4	0.4
<b><u>Growth Ratios</u></b>				
Net Sales Growth	12.6%	21.7%	5.5%	10.0%
EBITDA Growth	7.4%	24.6%	11.5%	14.1%
PAT Growth	27.7%	25.4%	4.6%	13.7%
EPS Growth	21.3%	24.4%	9.0%	11.5%
<b><u>Financial Stability Ratios</u></b>				
Debt/Equity (x)	0.9	1.0	0.9	0.8
Current Ratio (x)	3.6	3.7	3.7	3.6
Quick Ratio (x)	3.5	3.7	3.7	3.6
Interest Cover (x)	5.1	5.0	4.5	4.2
<b><u>Valuation Ratios</u></b>				
PE Ratio (x)	11.6	8.8	8.2	7.3
Price / Book Value (x)	0.2	0.4	1.3	1.3
EV/Net Sales (x)	0.6	0.5	0.4	0.4
EV/EBITDA (x)	8.4	6.9	4.6	4.6



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