



### Transport Corporation of India

#### Logistics

RESULT UPDATE  
Rating: HOLD

<b>Date</b>	<b>February 14, 2014</b>
CMP (Rs.)	93
Target (Rs.)	100
Potential Upside	7%
BSE Sensex	20367
NSE Nifty	6048

TCI continues to face pressure on topline growth with Q3FY14 revenues increasing by 3.1% qoq and 4.7% yoy to Rs 515 cr. Supply Chain division posted a strong 12.9% qoq and 10.7% yoy growth to Rs 144 cr followed by XPS division which posted 6.3% yoy growth to Rs 154 cr. Revenues from Freight division marginally declined to Rs 194 cr. Seaways division showed some traction with 28.1% yoy growth in revenue to Rs 28 cr.

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

After a degrowth of 5.1% in EBITDA during the previous quarter the company came back strongly posting 9.4% growth in EBITDA at Rs 37.6 cr. EBITDA margins expanded 32 bps yoy and 73 bps qoq to 7.3% led by significant improvement in Seaways divisions. Margins in the Seaways divisions improved 909 bps qoq to 24.6%. All other divisions witnessed contraction in margin. Margins in the largest Freight division dipped 145 bps yoy while XPS and Supply Chain division saw a contraction of 23 and 81 bps yoy to 0.4%, 7.9% and 5.2% respectively. Lower tax provision helped PAT to grow by 26.7% yoy to Rs 14.4 cr and PAT margin expansion by 49 bps to 2.8%.

<b>Market Data</b>	
Market Cap.(Rs. Cr)	700
Equity Sh. Cap. (Rs Cr)	14.6
52 Wk High/Low	109.9/44.0
Avg. Quarterly Volume	422200
Face Value (Rs.)	2

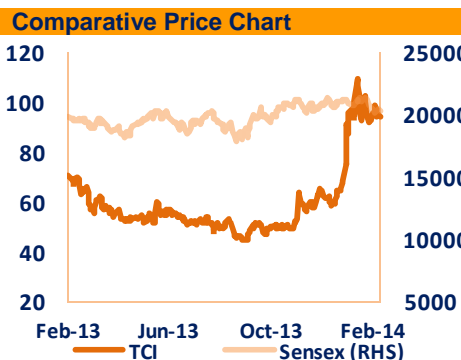
#### Recover in Supply Chain division; XPS division maintains growth:

Supply Chain division which was showing subdued growth over the last couple of quarters, due to its higher dependence on the auto sector, recorded strong growth momentum in Q3FY14 of 10.7% yoy to Rs 144.3 cr. XPS division also posted growth of 6.3% yoy, though lower than the 9-10% growth posted in the previous two quarters. The company has been able to arrest the margin decline in both these division with EBIT margins improving by 17 bps and 142 bps sequentially to 5.2% and 7.9% respectively

<b>Shareholding Pattern</b>	
(As on 30 <sup>th</sup> Dec 2013)	
Foreign	4.9
Institutions	0.1
Promoters	69.4
Public & Others	25.7
<b>Total</b>	<b>100.0</b>

#### Flattish growth in Freight division; Margins continue to remain under pressure:

Revenues from the largest revenue contributor; Freight division were flat at Rs 194 cr qoq as it continued to be impacted by the slowdown. EBIT margins have dipped to 0.4% for 9MFY14 as compared to 2.1% for the corresponding period in the previous year. Due to the slowdown and increased competition the company is unable to pass on increase in diesel prices. Margins from this division are likely to remain under pressure for the next few quarters till economic scenario improves.



#### Lower tax provision leads to strong profit growth:

Net profit of the company increased by 26.9% yoy to Rs 14.4 cr helped by lower provisioning for taxation. Effective tax rate declined to 23.4% for 9MFY14 against 28% for 9MFY13. Interest expenses also decline by 1.4% yoy to Rs 7.6 cr aiding profit growth.

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#### Outlook and Valuation:

Reducing dependence on the low margin Freight division and increasing revenue share of SCS and XPS division will help in margin expansion going forward. We believe Freight division is likely to remain subdued for the next couple of quarters till the general elections post which we expect the economic activity to pick up. At CMP of Rs 93 the stock trades at an EV/EBITDA multiple of 6.2x and P/E of 12.3x of its TTM earnings. We continue to maintain our HOLD rating on the stock with a target of Rs 100.

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

Q3FY14 Performance

(Rs Cr)

Particulars	Q3FY14	Q3FY13	Y-o-Y change	Q2FY14	Q-o-Q change	9MFY14	9MFY13	Y-o-Y change
Net Sales	515.0	492.1	4.7%	499.4	3.1%	1492.1	1419.8	5.1%
Total Expenses	477.4	457.7	4.3%	466.6	2.3%	1388.0	1313.8	5.6%
<b>EBITDA</b>	<b>37.6</b>	<b>34.4</b>	<b>9.4%</b>	<b>32.8</b>	<b>14.6%</b>	<b>104.1</b>	<b>106.0</b>	<b>-1.8%</b>
Depreciation	10.8	10.8	0.5%	10.5	3.0%	31.6	30.8	2.9%
EBIT	26.8	23.6	13.5%	22.3	20.1%	72.4	75.3	-3.8%
Other Income	0.1	-0.1	NA	0.5	-78.4%	4.4	1.9	133.7%
Finance exps	7.6	7.7	-1.4%	7.7	-1.0%	22.6	24.7	-8.4%
PBT	19.3	15.8	22.5%	15.1	27.5%	54.2	52.4	3.3%
Tax	4.9	4.4	11.1%	2.0	141.4%	12.7	14.7	-13.6%
<b>Adj. PAT</b>	<b>14.4</b>	<b>11.3</b>	<b>26.9%</b>	<b>13.1</b>	<b>9.8%</b>	<b>41.5</b>	<b>37.8</b>	<b>9.9%</b>
EPS	2.0	1.6	26.7%	1.8	9.7%	5.7	5.2	9.7%
EBITDA margin	7.3%	7.0%	32 bps	6.6%	73 bps	7.0%	7.5%	-49 bps
PAT margin	2.8%	2.3%	49 bps	2.6%	17 bps	2.8%	2.7%	12 bps

Segmental Performance

(Rs Cr)

Particulars	Q3FY14	Q3FY13	Y-o-Y change	Q2FY14	Q-o-Q change	9MFY14	9MFY13	Y-o-Y change
<b>Revenue</b>								
Freight Division	194.0	196.1	-1.1%	194.2	-0.1%	575.8	560.6	2.7%
XPS Division	154.3	145.2	6.3%	149.0	3.6%	444.6	409.8	8.5%
Supply Chain	144.3	130.3	10.7%	127.8	12.9%	392.3	378.3	3.7%
Seaways	27.8	21.7	28.1%	28.9	-4.0%	84.1	71.0	18.5%
Energy	0.6	0.7	-8.6%	3.1	-79.6%	6.5	6.5	-1.1%
<b>EBIT</b>								
Freight Division	0.7	3.6	-79.8%	0.2	350.0%	2.1	11.9	-82.2%
XPS Division	12.1	11.7	3.3%	9.6	26.4%	31.6	31.2	1.2%
Supply Chain	7.5	7.8	-4.4%	6.4	16.7%	19.8	25.7	-23.0%
Seaways	6.8	0.6	1055.9%	4.5	51.9%	15.7	3.7	324.9%
Energy	-0.4	-0.3	29.6%	2.1	-116.8%	3.4	3.6	-4.2%
<b>EBIT margins</b>								
Freight Division	0.4%	1.8%	-145 bps	0.1%	29 bps	0.4%	2.1%	-175 bps
XPS Division	7.9%	8.1%	-23 bps	6.4%	142 bps	7.1%	7.6%	-51 bps
Supply Chain	5.2%	6.0%	-81 bps	5.0%	17 bps	5.1%	6.8%	-175 bps
Seaways	24.6%	2.7%	2184 bps	15.5%	904 bps	18.6%	5.2%	1344 bps
Energy	-54.7%	-38.6%	-1612 bps	66.5%	NA	53.1%	54.8%	-173 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	
<b>EBITDA</b>	<b>138.6</b>	<b>158.0</b>	<b>177.8</b>	
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	
<b>PAT</b>	<b>50.1</b>	<b>59.3</b>	<b>72.5</b>	
<b>PAT after Min Int</b>	<b>50.1</b>	<b>59.5</b>	<b>72.5</b>	

BALANCE SHEET		(Rs Cr)		
Particulars	FY11	FY12	FY13	
Share Capital	14.5	14.5	14.6	
Reserves & Surplus	310.7	349.3	407.0	
<b>Total Shareholder funds</b>	<b>325.2</b>	<b>363.8</b>	<b>421.5</b>	
Minority Interest	3.0	2.9	1.1	
<b>Non Current Liabilities</b>				
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	
<b>SOURCES OF FUNDS</b>	<b>441.6</b>	<b>482.3</b>	<b>522.2</b>	
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	
<b>Net Current Assets</b>	<b>76.7</b>	<b>59.6</b>	<b>78.2</b>	
<b>TOTAL ASSETS</b>	<b>441.6</b>	<b>482.3</b>	<b>522.2</b>	

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	
<b>Net Change in Cash</b>	<b>(20.0)</b>	<b>12.5</b>	<b>15.4</b>	
<b>Closing cash bal as per BS</b>	<b>18.3</b>	<b>30.7</b>	<b>46.1</b>	

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%	
<b>Growth</b>				
Operating Income	21.7%	5.6%	9.2%	
EBITDA	24.6%	14.0%	12.5%	
<b>Profitability</b>				
EBITDA Margin	7.5%	8.1%	8.3%	
PBIT Margin	5.6%	6.0%	6.2%	
PAT Margin	2.7%	3.0%	3.4%	
<b>Stability</b>				
Debt/Equity	0.8	0.8	0.7	
Current Ratio	1.2	1.2	1.2	
Interest Coverage	3.9	3.3	3.9	



SYSTEMATIX GROUP™  
Investments Re-defined

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