



### Transport Corporation of India

#### Logistics

RESULT UPDATE

Rating: HOLD

<b>Date</b>	June 14, 2013
<b>CMP (Rs.)</b>	55.0
<b>Target (Rs.)</b>	75.0
<b>Potential Upside</b>	36%

<b>BSE Sensex</b>	19497
<b>NSE Nifty</b>	5897

#### Scrip Code

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

#### Market Data

<b>Market Cap.(Rs. Cr)</b>	400
<b>Equity Sh. Cap. (Rs Cr)</b>	14.6
<b>52 Wk High/Low</b>	89.7/50.1
<b>Avg. Quarterly Volume</b>	17750
<b>Face Value (Rs.)</b>	2

#### Shareholding Pattern

(As on 31 <sup>st</sup> Mar 2013)	
<b>Foreign</b>	7.1
<b>Institutions</b>	0.1
<b>Promoters</b>	69.3
<b>Public &amp; Others</b>	23.6
<b>Total</b>	100.0

#### Comparative Price Chart



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Transport Corporation of India reported better topline growth of 7.3% yoy in Q4FY13 to Rs 532 cr. The growth was mainly driven by the XPS division which grew by 12.8% yoy to Rs 147 cr. SCS division reported subdued growth of 4% yoy to Rs 142 cr against 19.6% growth in 9MFY13. Growth in the largest trucking division witnessed sequential improvement from 1.4% in Q3 to 3.4% in Q4FY13. EBITDA increased by 4.4% yoy to Rs 40.1 cr while EBITDA margins contracted 21 bps to 7.5% led by lower margins in the trucking segment as higher operating costs led by the hike in diesel price were passed on with a delay. Adj. PAT shot up by 15.1% yoy to Rs 14.6 cr with 18 bps increase in PAT margins to 2.7% aided by lower finance expenses which declined by 11.5%.

#### XPS and SCM division to drive growth:

Revenues from the XPS and SCM divisions grew by 12.3% and 14.9% yoy respectively in FY13 to Rs 556 cr and Rs 520 cr. EBIT margins stood at 7.4% and 7.3% as compared to 1.9% for the Freight division. Going forward these division are likely to contribute higher share in total revenues leading to higher margin.

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

With the slowdown in the economy dependence on the underperforming freight division is reducing gradually. Revenue contribution from business segments which generates higher EBITDA margins like XPS and Supply Chain Solutions. Consequently revenue share from freight in FY13 has dropped from 43% to 40% as compared to FY12 while that of XPS and SCS division has increased from 26.9% and 24.6% to 28.4% and 26.5% respectively. Thus in coming quarters the EBITDA margins are likely to improve.

#### Freight division continued to remain subdued:

The macroeconomic slowdown continued to impact the revenues from the freight division. Though the growth increased sequentially from 1.4% to 3.4% in Q4FY13 it contracted by 1% for the whole year. Performance was partly impacted due to the delay in passing the hike in diesel prices. We expect the revenue share of Freight division to fall and margins to remain under pressure till the volumes pick up.

#### Outlook and Valuation:

The tough macroeconomic environment is posing challenges for the company in the freight division. However, with the government looking to improve the policy logjam we believe economic activity to pick up by 2HFY14. Also with Mitsui JV meeting SCS requirement for Toyota, revenue share of SCS division is likely to increase and margins to improve. At CMP of Rs 55 the stock trades at an EV/EBITDA multiple of 3.8x and P/E of 5.7x of its FY13 earnings. With increasing contribution from higher margin business we might see a re-rating in the stock and recommend BUY with a target of Rs 75.

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

Q4 and FY13 Performance

(Rs Cr)

Particulars	Q4FY13	Q4FY12	Y-o-Y change	Q3FY13	Q-o-Q change	FY13	FY12	Y-o-Y change
Net Sales	532.1	495.7	7.3%	492.1	8.1%	1952.0	1829.0	6.7%
Total Expenses	492.1	457.3	7.6%	457.7	7.5%	1805.9	1683.4	7.3%
<b>EBITDA</b>	<b>40.1</b>	<b>38.4</b>	<b>4.4%</b>	<b>34.4</b>	<b>16.5%</b>	<b>146.1</b>	<b>145.6</b>	<b>0.4%</b>
Depreciation	11.3	11.1	2.4%	10.8	5.3%	42.1	37.9	11.1%
EBIT	28.7	27.3	5.2%	23.6	21.6%	104.0	107.7	-3.4%
Other Income	2.3	0.4	485.0%	-0.1	-1771.4%	4.2	3.3	26.5%
Finance exps	7.5	8.4	-11.5%	7.7	-3.5%	32.2	33.3	-3.3%
PBT	23.6	19.3	22.4%	15.8	49.9%	76.0	77.7	-2.2%
Tax	9.0	5.4	67.7%	4.4	105.5%	23.7	21.9	8.4%
<b>Adj. PAT</b>	<b>14.6</b>	<b>12.7</b>	<b>15.1%</b>	<b>11.3</b>	<b>28.4%</b>	<b>52.6</b>	<b>54.6</b>	<b>-3.6%</b>
EPS	2.0	1.7	14.9%	1.6	28.4%	7.2	7.5	-3.7%
EBITDA margin	7.5%	7.7%	-21 bps	7.0%	54 bps	7.5%	8.0%	-47 bps
PAT margin	2.7%	2.6%	18 bps	2.3%	43 bps	2.7%	3.0%	-29 bps

Segmental Performance

(Rs Cr)

Particulars	Q4FY13	Q4FY12	Y-o-Y change	Q3FY13	Q-o-Q change	FY13	FY12	Y-o-Y change
<b>Revenue</b>								
Freight Division	217.4	209.9	3.6%	196.1	10.9%	778.0	785.8	-1.0%
XPS Division	146.6	129.9	12.8%	145.2	1.0%	556.4	495.3	12.3%
Supply Chain	141.8	136.3	4.0%	130.3	8.8%	520.1	452.6	14.9%
Seaways	26.5	22.2	19.2%	21.7	22.1%	97.5	93.1	4.7%
Energy	0.9	0.9	3.4%	0.7	31.4%	7.5	7.3	2.2%
Global	0.0	0.2	NA	0.0	NA	0.0	4.9	NA
<b>EBIT</b>								
Freight Division	3.1	9.7	-68.0%	3.6	-13.2%	15.0	24.7	-39.5%
XPS Division	9.8	7.4	32.5%	11.7	-16.3%	41.1	38.2	7.5%
Supply Chain	12.4	12.2	1.4%	7.8	58.6%	38.1	36.4	4.9%
Seaways	4.9	0.5	942.6%	0.6	730.5%	8.6	11.7	-26.6%
Energy	-0.1	-0.1	-53.8%	-0.3	-77.8%	3.5	3.3	8.0%
Global	0.0	-1.2	NA	0.0	NA	0.0	-3.5	NA
<b>EBIT margins</b>								
Freight Division	1.4%	4.6%	-319 bps	1.8%	-39 bps	1.9%	3.1%	-122 bps
XPS Division	6.7%	5.7%	100 bps	8.1%	-138 bps	7.4%	7.7%	-33 bps
Supply Chain	8.7%	9.0%	-23 bps	6.0%	275 bps	7.3%	8.0%	-70 bps
Seaways	18.5%	2.1%	1640 bps	2.7%	1580 bps	8.8%	12.6%	-377 bps
Energy	-6.5%	-14.6%	809 bps	-38.6%	3205 bps	47.2%	44.7%	253 bps
Global	NA	-566.7%	NA	NA	NA	NA	-70.8%	NA

## 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	0.5	0.4
RoE	15.4%	16.4%	17.2%
<b>Growth</b>			
Operating Income		5.6%	9.2%
EBITDA		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