

Unrated

CMP: Rs 221

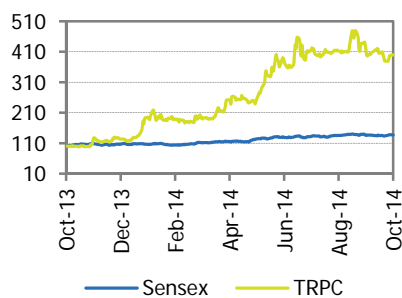
Key Statistics

M cap (INR bn/USD mn)	: 16.2/264
Avg 3m daily volume	: 127,277
Avg 3m daily value	: US\$0.4mn
Shares O/S (mn)	: 73
Reuters	: TRPC.BO
Bloomberg	: TRPC IN
Sensex	: 27,098
Nifty	: 8,090
52-Wk High/Low	: 258/49

Shareholding Pattern (Jun14) (%)

Promoter	69.4
FII's	1.7
MFs, FIs & Banks	1.3
Others	27.7

Relative Performance



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Financial summary (Consolidated)

Year-end	Sales	YoY	EBITDA	YoY	NP	EPS	YoY	PE	EV/EBITDA	PBR	RoE	RoCE	DPS	Div Yield
March	(Rs mn)	(%)	(Rs mn)	(%)	(Rs mn)	(Rs)	(%)	(x)	(x)	(x)	(%)	(%)	(Rs)	(%)
FY2011	18,527	21.7	1,400	22.1	501	6.9	21.5	32.0	13.2	4.9	15.4	17.7	1.0	0.5
FY2012	19,553	5.5	1,580	12.9	595	8.2	18.7	27.0	11.9	4.2	15.7	17.2	1.3	0.6
FY2013	21,321	9.0	1,748	10.6	695	9.5	16.8	23.1	10.7	3.7	15.9	17.2	1.6	0.7
FY2014	22,285	4.5	1700	-2.7	716	9.8	3.0	22.5	10.9	3.3	14.6	15.8	1.8	0.8

Transport Corporation of India

Offering multi modal services & logistic solutions

Transport Corporation of India is a leading integrated supply chain and logistics solutions provider with presence in three key segments – freight transportation, express cargo and supply chain solutions. It manages 10 mn sq.ft of warehousing space (15% owned) and has fleet of nearly 7,000 trucks/trailers/reefer vehicles (1,200 owned). In order to increase its capacities, the company plans to undertake a capex of Rs2bn in FY15. The management is upbeat on the prospects of logistics sector, owing to lower penetration of organised sector, outsourcing logistics in non-traditional industries and rising need for bulk multi modal movement for improved productivity and efficiency.

Traditional business – providing freight services: Started as a single truck operator 50 years ago, TCI is now a leading entity providing handling of heavy duty cargo across India through road, rail and over dimensional cargo with fleet of trucks and trailers. Its focus on full truckload service, fragmented nature of industry, low-entry barriers and inability of freight operators to pass on diesel price rise has resulted in a flat revenue growth over the last three years and a decline in operating margins from over 4% in FY11 to 1.8% in FY14. At present, the focus is to provide multi modal and less-than-truckload services where margins as well as growth prospects are better.

XPS division - asset light business eyeing e-commerce boom: TCI's XPS division operates through dedicated vendors and provides door-to-door service for time sensitive & high-value documents and parcels (B2B segment) in domestic and overseas markets. Over the last three years, the segment's revenues have grown at a CAGR of 8-10% and operating margins have been in the range of 8-9%. E-commerce contributes small portion to the revenues, but the management expects better prospects for its services with a rise in preference for buying white goods online, consolidation of suppliers and increase in delivery between warehouses by e-com players.

Supply Chain Solutions – revival in auto industry driving revenues: This division provides inbound/outbound logistics and supply chain solutions from conceptualisation to implementation for various industries such as auto, chemicals, pharma, retail, cold chain etc. The auto sector currently contributes 75% to the total division's revenues with marquee customers such Maruti, GM, Tata Motors etc. Over the last three years, revenues have grown at a CAGR of 13% and operating margins have been in the range of 10-12%.

Key growth drivers for logistics solutions business:

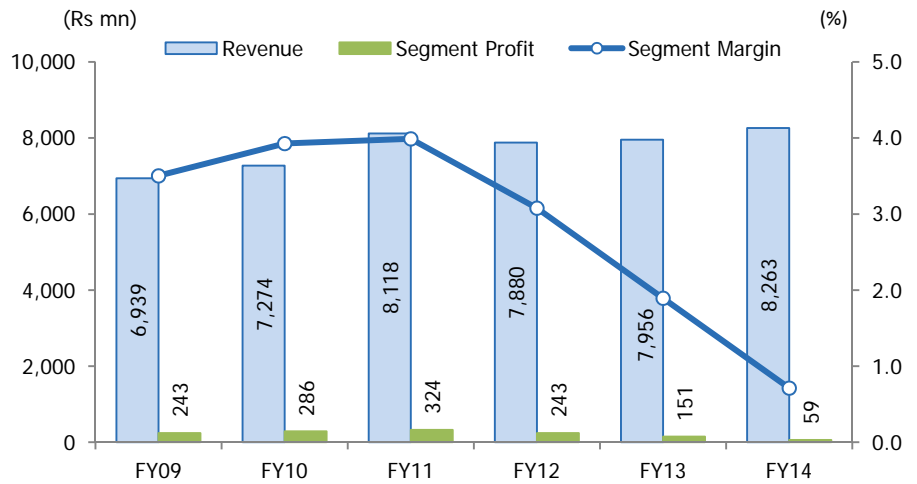
The management reckons huge opportunity in the logistics space, led by economic revival, strengthening investment in infrastructure – mainly Dedicated Freight Corridor (DFC) and Delhi Metro Industrial Corridor (DMIC), implementation of Goods and Services Tax (GST), rise in usage of third-party logistics and widespread growth of e-commerce sector.

Freight division

This segment provides freight movement services on a daily basis with around 2,400 trucks and trailers, both owned and leased. In addition, using rail, this division provides different type of services such as containers, parcel van, wagons etc. Logistics solutions are also offered over dimensional, bulk and heavy cargo. Freight rates are more seasonal in nature and the management expects the diesel cost to be stable now. Going ahead, this, along with focus on less-than-truckload and multi modal services will lead the uptick in operating margins, which the management feels have bottomed out at 1.8%.

The contribution of this segment to the overall revenue has come down from 51% in FY09 to 36% in FY14; over the next two years, the management expects it to be at 33%. The company expects a 5-8% revenue growth in FY15 for this division.

Freight: Segment revenue, profit and margin



Source: Company data, Tata Securities Research.

TCI (51% stake), along with CONCOR (49% stake) entered, into **multi modal logistic JV - TCI CONCOR**. The potential benefits of the JV are:

- Integration of rail and road cargo movement by establishing synergy.
- JV provides end-to-end multi modal solutions.
- Reduce turnaround time for movement of goods.
- Net revenue – Rs514.5mn and PAT - Rs2.9mn for FY14; total paid up equity – Rs70mn.

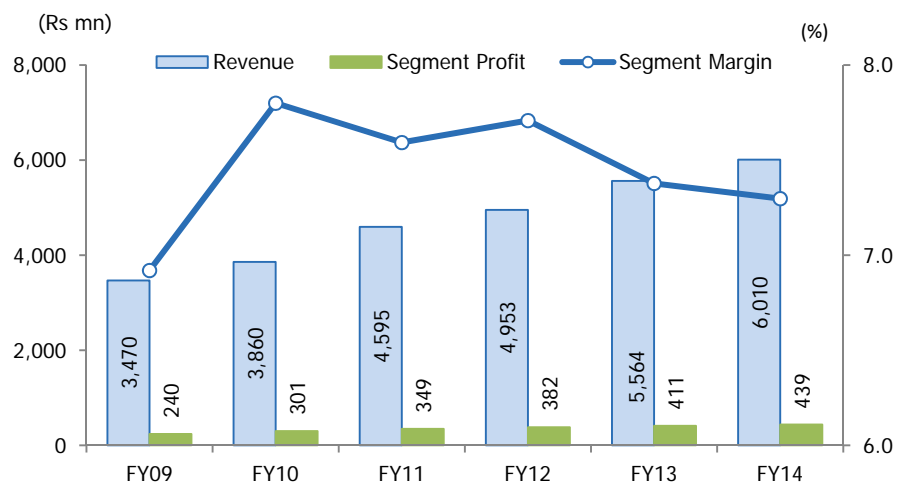
XPS division

This division caters to apparels, pharma, electronic high value & consumer white goods industry and operates on hub-to-spoke model with the fleet requirement outsourced or hired on spot basis.

It offers value-added services such as diplomat delivery, holiday service, freight on delivery and money back guarantee. In addition to the already existing hubs, both leased and owned, the management is looking to set up several small hubs and also replace lease with own hubs. The focus is to add more customers and improve customer services with an investment in infrastructure and key account management. ROCE for this business stands at 45-50%.

This division contributed 26% to the total revenues in FY14. The management expects a 10-15% revenue growth in FY15 and a 15% plus growth thereafter with increased focus on e-commerce and high consumption driven sectors such as auto, consumer white goods, apparels etc.

XPS: Segment revenue, profit and margin



Source: Company data, Tata Securities Research.

Supply Chain Solutions Division (SCS)

This division partners with clients to design supply chain strategy from procurement to distribution. Overall, this division contributed 31% to FY14 revenues.

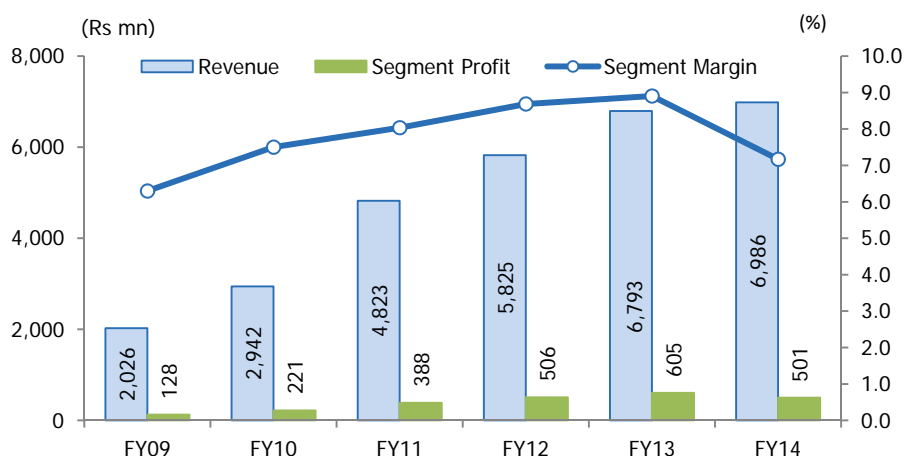
A countrywide network of more than 10 mn sq.ft of warehousing space with own storage and material handling infrastructure enables SCS to provide an expertise in modern warehouse and distribution center management across all verticals.

This division also has customised fleet of 1,100 own trucks including 38 reefer vehicles. These vehicles provide transport solutions for perishable cargo in pharma, foods & chemicals segment.

TCI (49% stake), along with Mitsui & Co. (51% stake), entered into an automotive **logistic JV - Transystem** - a lead logistics partner for Toyota Kirloskar Motors Ltd and for other Japanese auto companies in India.

It provides complete logistics solutions from inbound to outbound transportation of completely built units and spare parts management, warehousing and distribution across India and abroad.

SCS: Segment revenue, profit and margin



Source: Company data, Tata Securities Research.

Seaways division

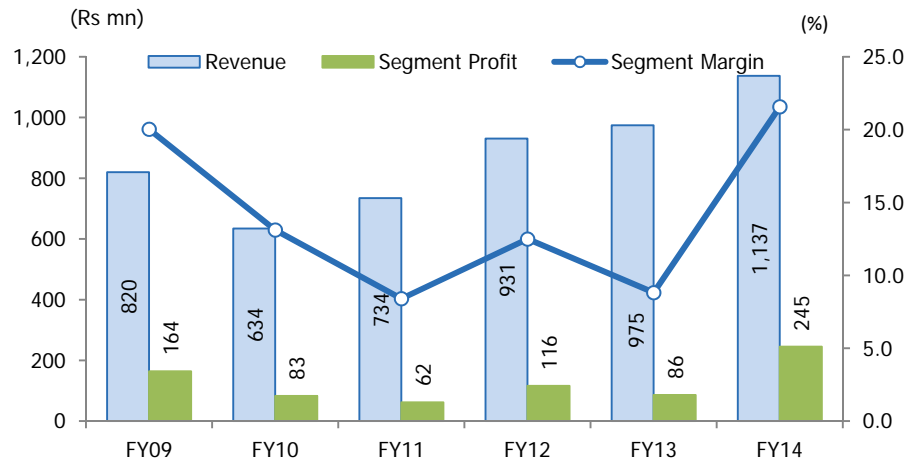
This division provides coastal shipping services for transporting container and bulk cargo from East coast to Andaman Nicobar. The cargo largely consists of a variety of products including perishables and general goods to the islands. A substantial cargo also relates to the defense equipment and movement of vehicles. It owns four ships with a capacity of 2,500-4,500 DWT, including project ships equipped with own cranes, taking total capacity to 17,206 DWT.

The division is currently finding ways to diversify outside the Port Blair sector including West coast. One ship of 4,600 DWT has been added in 1QFY15. The management is looking to add another ship of 11,200 DWT in 2QFY15, likely to be deployed on the West coast.

The division has also applied for license to provide service between Chennai and Yangon (Burma). A new service with Kochi (Cochin) as destination is on way, with 300-350 boxes container capacity.

This segment contributed 5% to the total revenues in FY14. Over the last three years, this division has witnessed a CAGR revenue growth of 15.7%. The segment's margins have risen from 8.4% in FY11 to 21.6% in FY14.

Seaways: Segment revenue, profit and margin



Source: Company data, Tata Securities Research.

Capex Plans

TCI plans to significantly increase its capex outlay to Rs2bn for FY15 (FY14 capex Rs848.6mn) to purchase new trucks, new ships and build hub centres and warehouses. The company has already incurred capex of Rs447mn during 1QFY15. One ship of 4,600 DWT was added to the fleet during 1QFY15; TCI is planning to add another ship of 11,200 DWT in 2QFY15.

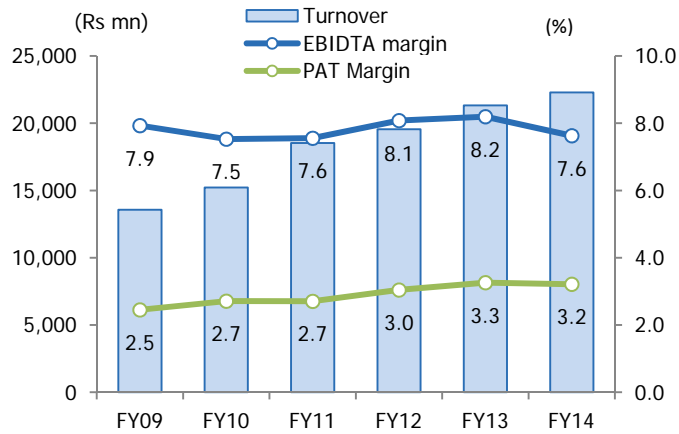
It plans to fund the proposed capex for FY15 through a mix of debt, equity and internal accruals. At the end of FY14, the net debt to equity ratio was at a comfortable level of 0.6x.

The management intends to incur a capex of Rs1.3-1.5bn each over FY16 and FY17 to increase its capacities.

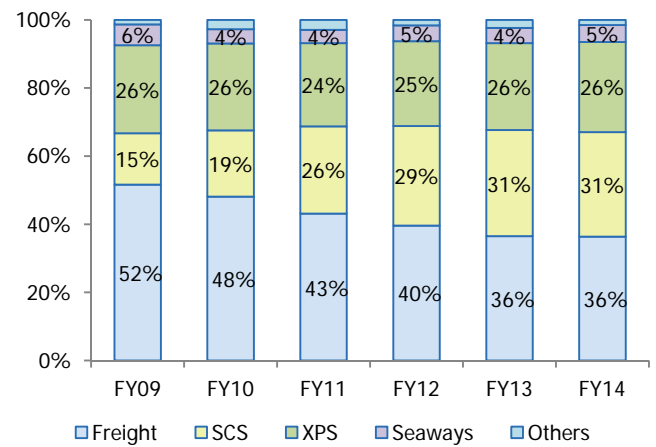
Particulars (Rs mn)	FY06-FY13 Actual	FY14 Actual	1QFY15 Actual	FY15 Proposed
Hub Centres & Small Warehouses	1630.0	556.2	167.9	1000.0
Trucks & Cars	1974.6	225.0	64.8	350.0
Ships & containers	733.4	6.4	195.7	500.0
Others	673.9	61.0	18.5	150.0
Total	5011.9	848.6	446.9	2000.0

Source: Company data

Consolidated revenue, EBIDTA & PAT margin

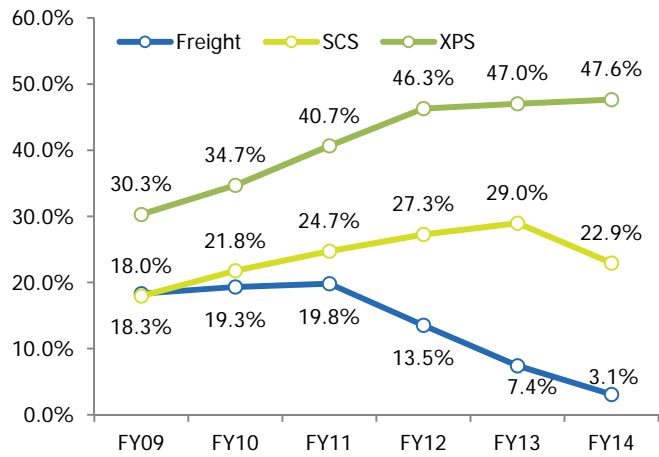


Revenue Mix: Share of SCS and XPS is rising

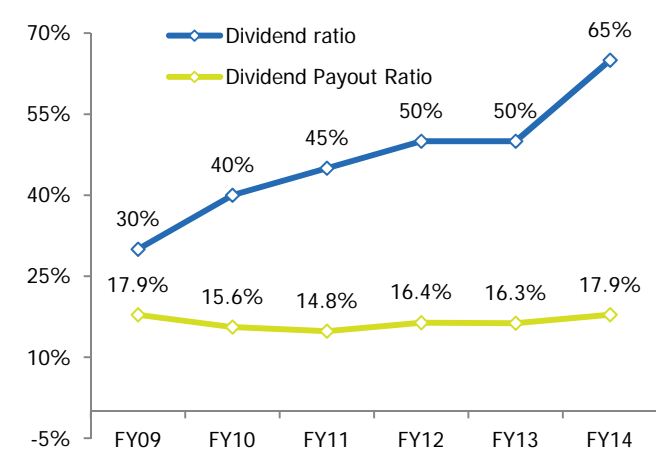


Source: Company data, Tata Securities Research

ROCE trend: Segment wise



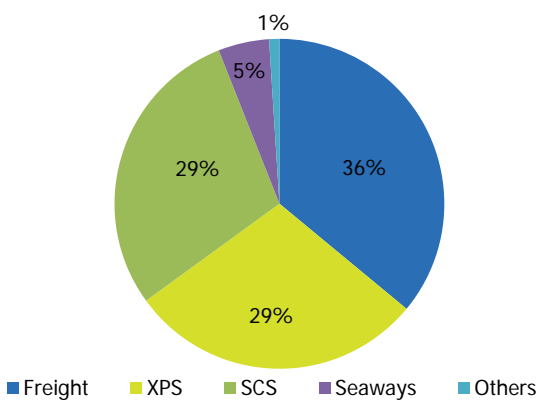
Dividend trend



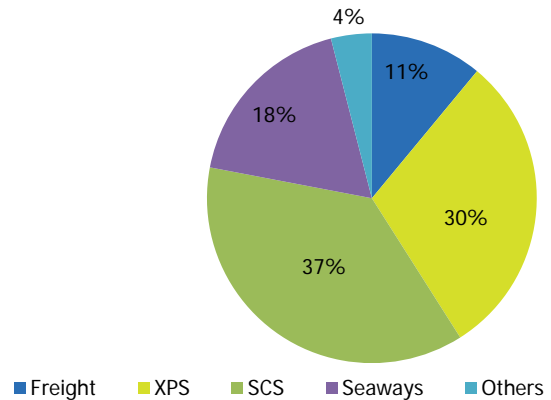
Source: Company data, Tata Securities Research

1QFY15 division wise performance

Revenue (Rs5205mn) Contribution



Operating Profit (Rs408mn) Contribution



Source: Company data, Tata Securities Research

Peer Valuation:

	P/E		P/BV	
	FY15	FY16	FY15	FY16
TCI	16.2	13.0	2.6	2.2
Concor	24.0	20.2	3.4	3.1
GDL	17.6	14.3	2.5	2.4
Blue Dart	81.0	63.7	17.2	15.9

Source: Bloomberg consensus

Key Risks:

- Delay in economic revival, slowing GDP growth could impact the business and growth prospects of the Company
- Volatile in fuel prices, inability to pass on any sharp rise in fuel cost to clients can put pressure on the operating margins in freight business.

Financials (Consolidated)

Profit & Loss (YE March)

(Rs mn)	FY11	FY12	FY13	FY14
Net sales	18,527	19,553	21,321	22,285
<i>YoY (%)</i>	<i>21.7</i>	<i>5.5</i>	<i>9.0</i>	<i>4.5</i>
Total expenses				
Cost of goods sold	25	0	0	0
Staff cost	833	958	1,121	1,172
Op & Mfg expenses	16,269	17,015	18,453	19,412
EBITDA	1,400	1,580	1,748	1,700
<i>YoY (%)</i>	<i>22.1</i>	<i>12.9</i>	<i>10.6</i>	<i>(2.7)</i>
EBITDA (%)	7.6	8.1	8.2	7.6
Depreciation	353	416	464	468
EBIT	1,047	1,164	1,284	1,232
Interest	266	350	336	311
Other Income	37	41	63	72
PBT	818	856	1,011	992
Less: Taxation	317	262	315	275
<i>Effective tax rate (%)</i>	<i>38.7</i>	<i>30.6</i>	<i>31.2</i>	<i>27.7</i>
Recurring PAT	501	593	695	718
<i>YoY (%)</i>	<i>21.5</i>	<i>18.7</i>	<i>16.8</i>	<i>3.0</i>
PAT (%)	2.7	3.0	3.3	3.2
Minority interest	0.1	1.6	-0.2	-1.4
Consolidated PAT	501	595	695	716

Key Ratios

	FY11	FY12	FY13	FY14
EPS (Rs)	6.9	8.2	9.5	9.8
CEPS (Rs)	11.8	13.9	15.9	16.2
Book value (Rs)	44.8	52.0	60.0	67.3
Dividend per share (Rs)	1.0	1.3	1.6	1.8
Debt Equity	0.8	0.8	0.7	0.6
Inventory Days	0.3	0.4	0.4	0.3
Debtor Days	63	63	68	62
ROCE (%)	17.7	17.2	17.2	15.8
ROE (%)	15.4	15.7	15.9	14.6
Dividend Yield (%)	0.5	0.6	0.7	0.8
Valuation parameters				
PE (x)	32.0	27.0	23.1	22.5
Cash P/E (x)	18.8	15.9	13.9	13.6
Price/book value (x)	4.9	4.2	3.7	3.3
Market cap/sales (x)	0.9	0.8	0.8	0.7
EV/sales (x)	1.0	1.0	0.9	0.8
EV/EBITDA (x)	13.2	11.9	10.7	10.9

(Rs mn)	FY11	FY12	FY13	FY14
Equity capital	145	145	146	146
Reserves	3,107	3,637	4,224	4,764
Net worth	3,252	3,783	4,370	4,910
Minority Interest	30.1	28.5	11.2	30.8
Total borrowings	2,658	2,993	3,093	2,895
Other LT liabilities	0	0	7	17
Deferred tax	312	317	315	332
Total liabilities	6,253	7,121	7,796	8,185
Gross block	5,287	6,230	6,517	6,931
Less: Acc. depreciation	1,825	2,068	2,341	2,616
Net block	3,461	4,162	4,176	4,317
CWIP	67	78	51	183
Investments & others	120	125	317	612
Current assets				
Inventories	14	20	21	17
Debtors	3208	3364	3951	3800
Cash	183	307	460	428
Loans and advances	866	674	667	652
Current liabilities & Prov.	1,667	1,615	1,855	1,824
Net current assets	2,605	2,750	3,245	3,073
Misc. expenses not written off	0	6	7	0
Total Assets	6,253	7,121	7,796	8,185

Cash Flow

(Rs mn)	FY11	FY12	FY13	FY14
PBT	818	855	1,010	993
Depn and w/o	353	416	464	468
Others	280	315	296	250
Change in working cap	(392)	(68)	(462)	146
Tax Paid	(292)	(271)	(264)	(280)
Operating cash flow	767	1,247	1,044	1,577
Capex	(367)	(1,106)	(441)	(741)
Investments	(6)	(1)	(63)	0
Others	(23)	140	(104)	(235)
Investing cash flow	(396)	(967)	(608)	(976)
Dividend	(81)	(81)	(91)	(140)
Fresh Equity	4	12	10	8
Transfer of reserve on demerger	(527)	0	0	0
Debt	32	(87)	(202)	(501)
Financing cash flow	(571)	(155)	(284)	(633)
Net change in cash	(200)	125	153	(32)
Opening cash	382	183	307	460
Closing cash	183	307	460	428

Source: Company data, Tata Securities Research

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Disclosure of Interest Statement in Transport Corporation of India as on October 29, 2014

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| 2. Qualifications of the analyst: | CFA |
| 3. Analyst ownership of the stock: | NIL |
| 4. Group/Directors ownership of the stock: | NIL |
| 5. Broking relationship with company covered: | NO |
| 6. Investment Banking relationship with company covered: | NO |

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