

Transport Corporation of India Ltd. - Analyst Meeting Notes

June 13, 2008

Price: Rs80.50

52wk High/Low: 185/71

Market Cap: Rs584Cr (\$136mn)

BSE Sensex: 15250

Rating: Not rated

Company Background

Incorporated in 1958, Transport Corporation of India Ltd. (TCIL) is India's leading multimodal integrated supply chain solutions provider. It went public in 1974.

It has a network of 1200 owned branches and 7.25mn sq. ft. of warehousing space. Head count (on payroll) increased from 5700 employees in FY07 to 6500 in FY08.

Key Takeaways

Results

- For full year FY08, income from operations grew 10%. Modest growth witnessed in all segments mainly Seaways, supply chain solutions, XPS, and transport.
- EBITDA margin flat at 6.4% vis-à-vis 6.5% y-o-y. The fuel price hike was passed on immediate or gradual basis depending on the client profile.
- PAT declined by 7% due to scheduled and unscheduled dry docking of 3 ships as well as the slowdown witnessed in the auto sector which affected the supply chain solutions division (65% of the clients are in the auto sector).

Key Divisions

Transport

TCIL entered this segment in 1958. It currently operates a mammoth fleet of over 7000 trucks, 1200 of which are owned, serving 150,000 customers. It has leased trains too. This segment constitutes 54% of revenues, however with slim EBITDA margin of 3-5%. Going forward, it plans to reduce the contribution from this segment as it being a matured industry, has low margins. It however, serves as a good reference for other businesses.

XPS (Courier)

Launched in 1996, XPS serves 200,000 customers in 13,000 locations in India and 200 countries in the world. It has chartered space from airlines. XPS (Courier) division to grow by 25-30% through organic as well as inorganic routes.

Supply Chain Solutions

It designs the supply chain for clients on customized basis and then executes the same. In FY07, 65% of the clients were in the auto sector. Due to the slowdown in the auto sector, the profitability of this segment was impacted. Recently, it added new clients from other sectors viz., Spinach, ITC Foods, P&G and Ceat Tyres. The pipeline for clients is increasing with large scale contracts under finalization for Tata Nano car and Hero Honda. TCIL has been shortlisted for these projects.

TCI Seaways

It has 6 ocean going vessels, of which 5 are owned and one is on a joint venture basis. It plans to add 1 ship every year for next 3 years. This division contributes 5% to revenues and has EBITDA margin of 25%. TCIL seaways topline growth by 20-30%.

Others

- Wind power division with installed capacity of 11.5MW
- Real estate division with land value of approx. Rs60Cr at Delhi, Chennai and Bangalore.

New Division – TCI Global

TCI has set up a new division viz., TCI Global in FY08 which performs activities such as custom clearance licenses, freight forwarding, etc. It would target internal customers. It has opened 7 branches in India and 3 internationally, in Singapore, Hongkong and Indonesia. It plans to have 4 regional offices and 16 branches by Q2-FY09.

Capex

It has planned capex of \$50.5mn or Rs200Cr over next 2 years.

Deployment of Capex

Particulars	Amount (\$mn)
Land	5.5
Ship & Containers	25.0
Trucks	14.0
Others	6.0
Total	50.5

Means of Finance

	Amount (RsCr)
Debt	100
Equity	75
Internal Accruals	25
Total	200

The equity infusion is likely to take place by Q3-FY09

Summary of Financial Results

(RsCr)

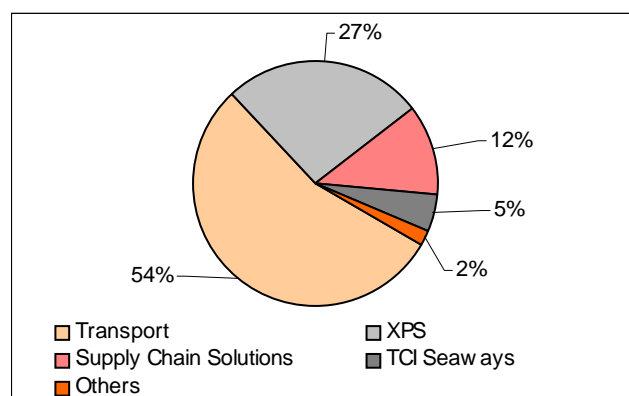
Particulars	Q4-FY07	Q4-FY08	% change (y-o-y)	Standalone		% change (y-o-y)	Consolidated FY08
				FY07	FY08		
Income from Operations	291.39	328.32	12.7%	1084.43	1198.52	10.5%	1242.82
Purchase of Goods	17.19	5.69	-66.9%	88.84	21.88	-75.4%	21.88
Operating Expenses	218.14	258.84	18.7%	804.89	947.32	17.7%	977.89
Employee Cost	12.20	16.57	35.8%	46.40	59.53	28.3%	60.67
Other Expenditure	23.00	24.29	5.6%	74.27	93.37	25.7%	96.59
Total Expenditure	270.53	305.39	12.9%	1014.40	1122.10	10.6%	1157.03
EBITDA	20.86	22.93	9.9%	70.03	76.42	9.1%	85.79
Other Income	1.46	1.27	-13.0%	4.24	4.38	3.3%	4.22
Interest	3.12	4.32	38.5%	10.34	16.83	62.8%	16.97
PBDT	19.20	19.88	3.5%	63.93	63.97	0.1%	73.04
Depreciation	5.45	-0.25	-104.6%	19.91	20.79	4.4%	23.32
PBT	13.75	20.13	46.4%	44.02	43.18	-1.9%	49.72
Tax	4.33	4.48	3.5%	13.45	14.75	9.7%	16.81
Net Profit after tax	9.42	15.65	66.1%	30.57	28.43	-7.0%	32.91
EBITDA margin	7.2%	7.0%		6.5%	6.4%		6.9%
EPS (Rs)	1.40	2.16		4.53	3.92		4.54
Paid up Equity Share Capital	13.50	14.50		13.50	14.50		14.50

Segment-wise Performance

(RsCr)

	Q4-FY07	Q4-FY08	% change (y-o-y)	FY07	FY08	% change (y-o-y)
Transport (Road and Rail)	156.37	180.55	15.5%	573.61	657.05	14.5%
XPS (Courier)	74.22	89.01	19.9%	263.30	322.44	22.5%
Supply Chain Solutions	33.26	39.7	19.4%	113.08	144.72	28.0%
TCI Seaways	10.84	16.33	50.6%	43.49	56.15	29.1%
Trading (Fuel Stations)	17.48	5.79	-66.9%	90.03	22.25	-75.3%
Wind Power	0.99	0.9	-9.1%	5.98	9.24	54.5%
Real Estate	0.00	0.10		0.00	0.10	

Revenue-Mix (FY08)



Others include contribution from wind power, real estate division, trading income.

Key Segments Snapshot

Particulars	EBITDA margins
Transport (Road and Rail)	3-5%
XPS (Courier)	7-10%
TCI Seaways	25%
Supply Chain Solutions	9-12 %

Management Guidance

It targets revenue of Rs2000Cr and EBITDA margin of 10% by FY10.

Particulars	Topline growth
Transport (Road and Rail)	15-20%
XPS (Courier)	25-30%
TCI Seaways	20-30%
Supply Chain Solutions	30-40%

Peer Valuations

(RsCr)

	Sales		Profits		Eps (Rs)		P/e (x)	
	FY08	FY09E	FY08	FY09E	FY08	FY09E	FY08	FY09E
Gateway Distriparks	267.89	372.05	74.07	102.78	6.41	9.05	12.8	9.1
Gati Ltd	659.03	862.33	38.20	56.70	4.15	5.85	21.2	15.1
TCIL	1,242.82	1,457.15	32.91	37.10	4.54	5.50	17.6	14.6
Container Corporation of India	3,341.52	3,972.41	757.26	879.77	58.25	135.73	12.8	5.5
Sical Logistics	839.40	892.25	57.05	73.15	14.40	18.50	9.6	7.5

FY08 numbers for Gati and Sical Logistics are estimates, rest are actual
Consensus earnings estimates

Keynote Capitals Ltd.

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