

Economic Times

Revival justifies investment in TCI

Date: 11-02-2010 | Edition: Delhi | Page: 19 | Source: Amriteshwar Mathur | Clip size (cm): W: 18 H: 13

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# Revival justifies investment in TCI

## At 16 times On A Trailing Basis, Co's Share Price Seen Reasonably Valued

Amriteshwar Mathur  
ET INTELLIGENCE GROUP

MULTI-MODAL logistics player Transport Corporation of India (TCI), with a presence in segments such as trucking, supply-chain solutions and warehousing, has benefited from a revival in demand from the key user-segments like automobiles and consumer durables over the past few months. For instance, the Index of Industrial Production (IIP) grew at a brisk 11% year-on-year (YoY) in November '09 and there was also a corresponding improvement in trucking freight rates.

As a result, TCI's operating profit margin improved by 50 basis points YoY to 7.2% in the December '09 quarter at a time when its net sales also grew 18.8% YoY to Rs 381.2 crore. Apart from an improved operating environment in the third quarter of the current financial year (FY10), the logistics major also benefited from its strategy of expanding its presence in higher-margin segments like supply-chain solutions and XPS cargo tracking, which provides door-to-door delivery services of goods.

The company's logistics network includes 7.8-million square feet of warehousing space

at the end of May '09, a rise of 20% over the past two years. As per various estimates, nearly 18-20% of this space is company-owned and the remaining is leased. In addition, its fleet includes 7,000 trucks and trailers (both owned and managed), coupled with five cargo ships with a capacity of nearly 16,500 dead-weight tonne.

The improved operating environment for TCI has not gone unnoticed by the Street. The stock has risen nearly 6.5% over the past three months, compared to a 3.5% fall in the Sensex. Other larger players in the logistics segment, like Allcargo Global, have done much better during the period.

And despite the rise in the stock over the past three months, TCI, at Rs 91.8 per share, trades at reasonable 16 times on a trailing basis. Other players like Allcargo Global trades at 16.6 times on a consolidated basis, while the largest player, government-controlled Container Corporation, trades at nearly 21 times.

Investors could consider making fresh investments in the company, in a bid to take advantage of the growth in the logistics sector over the next few years.

amriteshwar.mathur@timesgroup.com



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