

Ready to Deliver

Transport Corporation is well-positioned to take advantage of the upturn in logistics volume



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A multi-modal logistics player, Transport Corporation of India has a presence in different segments of the industry, such as, moving goods by trucks, supply chain solutions, warehousing and coastal cargo transport via small ships.

The company, like other players in this sector, is expected to benefit from a revival in the domestic economy, especially, in its key customer segments, such as, automobiles and consumer durables. It is likely to gain from the recovery in external trade as well.

In addition, recent media reports point out that strong demand from the manufacturing and industrial sectors has pushed truck rentals close to a two-year high, in the first week of the new calendar year. Transport

Corporation currently trades at a discount to its larger peers in the logistics sector.

LOGISTICS INFRASTRUCTURE

: The company initially offered only low-margin movement of goods across the country via trucks, but over the past few years it has been attempting to move up the value chain in the logistics business. As part of that strategy, Transport Corporation also offers supply chain solutions, warehousing and door-to-door delivery of goods.

Its logistics network, includes 7.8 million sq. ft of warehousing space at the end of May '09, a rise of 20% over the past two years, and as per various estimates nearly 18-20% of this space is company owned and the remainder 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 tonnes (DWT). Transport Corp's higher margin divisions like supply-chain solutions, XPS division (door-to-door delivery of goods) and seaways division (coastal cargo transport services) together contributed 46.3% of its total segment sales of Rs 670.85 crore, in the first half of the current financial year. Its lower-margin freight division contributed 50.7% of sales during this period.

The company had invested Rs 202 crore between year-ended March '07 and March '09, but its total debt increased by just 6.5% to Rs

232.9 crore during this period. That's because Transport Corporation was able to quickly deploy additional assets in its logistics network and ensured its debt burden didn't rise much. As a result, Transport Corporation's leverage ratio was just 0.9 at the end of FY09, as compared to 1.4 two years earlier.

FINANCIALS: The company's operating profit margin rose by 210 basis points y-o-y to 7.5% during the September '09 quarter, while its net sales rose just 5.7% to Rs 357.1 crore. The company benefited from a tight check on operational costs, like employee costs and fuel costs on a y-o-y basis during the second quarter of FY 10, which helped segment profit of the key freight division rise 158.8% to Rs 6.16 crore.

Various brokerage house reports also point out

Sections	Numbers
Beta	0.7
Institutional holding	9.3%
Dividend Yield	0.6%
Current P/E	20.4
Current M-Cap	Rs 724.6 cr
CMP	Rs 100

ON THE MOVE

Transport Corporation Of India - Financials

	Sept '09 Quarter	Year-Ended Sept '09	y-o-y Chg (%)
Net Sales	357.1	1,316	1.8
Purchase of finished goods	4.8	20.4	-13.6
Employee expenses	17.65	67.6	2.6
Other expenses	307.7	1127	0.3
Operating profit	26.8	101	28.7
Interest	4.65	23.5	22.9
Depreciation	6.4	26	33.6
Adjusted PAT	11.9	39.9	35.7
OPM (%)	7.5	7.7	160bps
NPM (%)	3.3	3	70 bps

Source: Capitaline

(Rs Crore)

to a distinct improvement in volumes transported by logistic players during October and November '09, at a time when the Index of Industrial Production also surged 11.7% y-o-y in November '09.

VALUATIONS: Transport Corporation at Rs 100 per share, trades at 20.4 times its trailing four quarters' earnings. Other players in the logistics sector like Gateway Distriparks trades at 19.2 times its trailing earnings, while the country's largest logistic service provider, Container Corporation of India trades at 22.3 times. Investors could consider Transport Corporation in a bid to take advantage of the long-term growth opportunities in the logistics sector.

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