India Midcaps

INITIATING COVERAGE

TRANSPORT CORPORATION OF INDIA

An old hand at thegame

India Equity Research| Logistics

Edelweiss
Ideas create, values protect

We initiate coverage on Transport Corporation of India (TCIL) with 'BUY' and target price of INR318. We are bullish on TCIL as: 1) it is focusing on changing its business mix by growing the high-margin LTL business and growing fast in the 3PL segment; 2) the 3PL segment backdrop remains very conducive for 15-17% CAGR over the next six-seven years, which will add the structural growth element to TCIL's business; and 3) we believe that the market continues to undervalue the long-term potential of TCIL's 3PL segment by atleast 25-30%.

Business mix improvement underway

TCIL's business mix is changing on two counts. First, within its freight division, the company is focusing more on high-margin LTL business, a transition that is also driven by a larger need for reducing timelines by clients. Second, its supply chain segment is growing rapidly and we estimate this segment to be 40-45% over the next two years. This will increase the structural growth element in the business and reduce cyclicality.

3PL sector growth will be a good background

TCIL has built a ~INR10bn 3PL business essentially without a large anchor client, which we find creditable. We estimate India's 3PL sector to clock 15-17% CAGR over the next six-seven years. The company's strategy has been to moderately own assets to add dependability to the offering. We believe, this approach will continue as it adds more clients. We also estimate the market is undervaluing this segment's long-term potential by 25-30%.

Outlook & valuations: On a strong footing; initiate with 'BUY'

We initiate with 'BUY' on TCIL with TP of INR318 based on relative valuation methodology. While we see TCIL's story as one of moderate growth (FY18-21E EPS CAGR of 14%), we believe that the market is undervaluing the business potential and current valuations factor in earnings CAGR of mere 12%.

Financials

Year to March	FY18	FY19E	FY20E	FY21E
Revenues (INR mn)	23,461	27,478	31,424	35,762
Adjusted Profit (INR mn)	1,238	1,438	1,598	1,846
EPS growth (%)	52.1	16.2	11.1	15.5
EV/EBITDA (x)	11.7	10.3	8.9	7.7
ROAE (%)	17.6	17.7	17.4	17.7

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Value

MARKET DATA *(R: TCIL BO, B: TRPCIN)*

CMP	: INR 276
Target Price	: INR 318
52-week range (INR)	: 375 / 232
Share in issue (mn)	: 76.7
M cap (INR bn/USD mn)	: 21 / 296
Avg. Daily Vol. BSE/NSE ('000)	: 81.0

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	66.9	67.0	66.1
MF's, FI's & BKs	10.2	7.9	7.6
FII's	1.9	0.0	0.0
Others	21.0	25.1	26.3

* *Promoters pledged shares (% of share in issue)* : *NIL*

PRICE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	3.1	8.1	4.9
3 months	(8.2)	(22.6)	(14.4)
12 months	4.9	(6.1)	(11.0)

Alok Deshpande
+91 22 6620 3163
alok.deshpande@edelweissfin.com

November 26, 2018

Investment Rationale

We initiate coverage on TCIL with 'BUY'. Our investment argument is based on two points:

(1) TCIL is improving its business mix, which should boost margin and returns, in our view. More importantly, the mix is changing in favour of higher growth categories such as supply chain business and LTL within the freight segment.

(2) The company has an impressive 3PL or supply chain management division which has ramped up successfully and growth is likely to stay accelerated at 17-18% as a base case. The structural uptrend of the domestic 3PL sector is a key positive. We believe, the market is under-appreciating this business and our analysis indicates that nearly ~40% of the fair value of this segment is not in current valuation.

(3) TCIL's freight division—historically a full truck load (FTL) business—is undergoing a mix improvement where the LTL mix is growing and hence boosting margin. TCIL is able to do this because of its large fleet size. We believe, this will improve the segment's earnings quality along with higher RoCE.

Table 1: TCIL—Operational structure

	Freight Division	Supply Chain Management	Seaways	Others	Total
Business activity	Road logistics (FTL & LTL)	Third Party Logistics	Shipping	Corporate/ Unallocated	
Other info on business	3,500 trucks & trailers operated (120 owned)	Warehousing & Transportation: 12mn sqft managed and 4,000 vehicle fleet (1,350 owned)	6 Cargo ships		
Sales (INR mn)	10,291	9,110	2,392	230	22,023
EBITDA (INR mn)	388	942	825	174	2,329
EBITDA margin (%)	3.8%	10.3%	34.5%	75.7%	10.6%
Contribution to sales	46.7%	41.4%	10.9%	1.0%	
Contribution to EBITDA	16.7%	40.4%	35.4%	7.5%	
Capital Employed (INR mn)	2,255	2,976	3,022	3,336	11,409
RoCE	13.9%	21.7%	22.4%	4.7%	15.4%

Source: Company, Edelweiss research

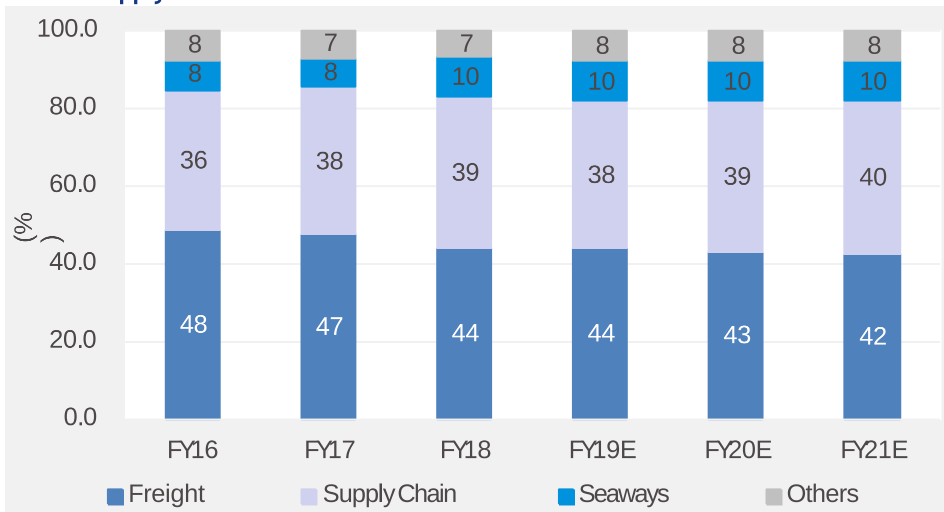
Towards an improved mix

TCIL is improving its business mix and we believe this should boost margin and returns. More importantly, the mix is changing in favour of higher growth categories such as supply chain business and LTL within the freight segment.

For instance, TCIL's supply chain business, which is clocking 18-20% growth, will reach almost 45% of total consolidated sales by FY21E from 38% currently. The longevity of growth in this category of supply chain management is high and this should ensure high quality growth for the company.

Similarly, within the legacy freight division, LTL is ramping up to 20% from 15-20% currently. Traditionally, TCIL has been primarily in the FTL business and now with a large fleet, improvement in this segment is possible. Note that margin in LTL operations is 2x the FTL business.

Chart 1: Supply chain business' share to rise in consolidated sales



Source: Company, Edelweiss research

Supply chain business remains under-appreciated

TCIL's supply chain segment provides customised solutions for verticals such as auto, retail, telecom, electricals, chemicals, pharmaceuticals, FMCG, record management and cold chain.

Unlike captive or anchor based businesses such as Mahindra Logistics or Future Supply Chain, TCIL has built a supply chain business division by directly approaching clients over the years. As a result, at the initial stage, the company had to invest in owning assets to prove its seriousness to clients as well as other leasing partners. Currently, the company has its own storage of ~12mn sq ft. As the segment's sales have ramped up (currently ~INR10bn), we believe the business has come of age and now TCIL is considered a genuine player in the 3PL space.

We note that sales for the past two years reflect this acceptance from customers (21% sales CAGR over FY16-18). While the company may continue to moderately buy assets in this division, we believe management, for the scaling up, involves depending on an asset-light model.

In our view, the biggest source of value creation from TCIL can come through the supply chain division. We estimate the current valuation indicates that this division is undervalued by nearly 40% *(after assigning fair values to other segments)*. According to our estimates, while this segment's bottom line is valued at less than 25x PE, we see MLL and Future Supply Chain at valuations of 25-30x.

Over the next two-three years as TCIL's supply chain division ramps up and races to INR20bn sales, we believe the market will attribute true value to this business, leading to value creation for the company as a whole.

Chart 2: Supply chain division's ramp up likely to remain accelerated

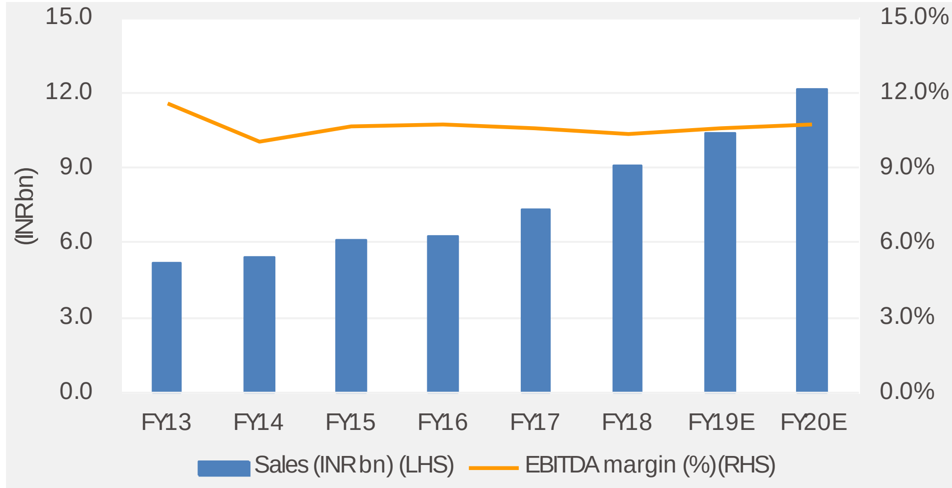


Chart 3: Robust RoCE profile in this business segment

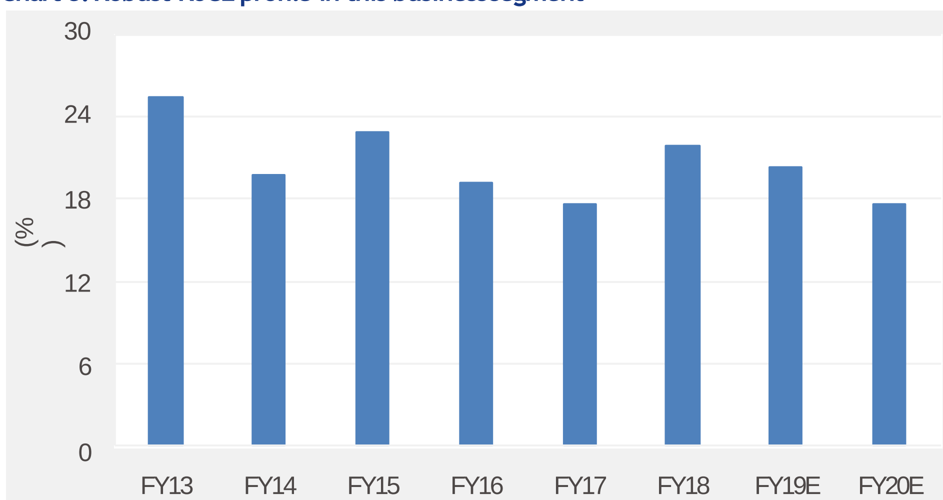
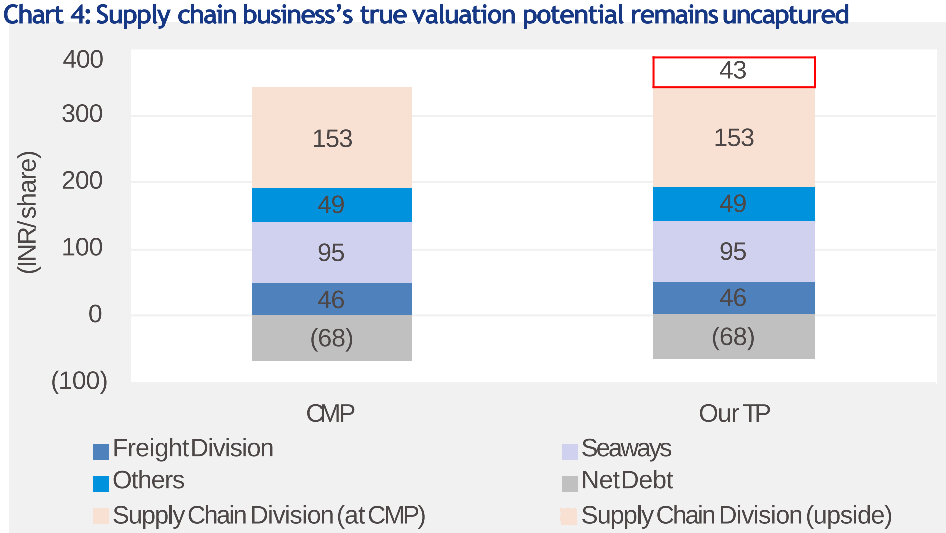


Chart 4: Supply chain business's true valuation potential remains uncaptured



Source: Company, Edelweiss research

Bullish on India's 3PL story

As we have discussed in detail earlier, we are bullish on India's 3PL sector and expect it to jump 3x to USD17bn by FY25E. TCIL has ~3% market in this sector and we expect it to be one of the leading independent 3PL companies in the next five-seven years.

Key demand drivers and enablers for 3PL market growth

1. **Client mindset change from 'non-core to core':** On the demand front, a transformation is underway—large and medium sized companies (clients) are reducing focus on manging supply chain and entirely outsourcing this function. The customisation and end-to-end services provided by 3PL companies are aiding this mindset shift, in our view. From a client's perspective, our research and discussions with industry participants indicate that the move to 3PL is driven by two key factors:

   a. **Cost savings:** A large number of clients still depend on own logistics departments (1PL) or partner with a large number of vendors for transportation and warehousing (2PL). This creates inefficiencies, not only from a cost outflow point of view, but also from a management bandwidth perspective. As a result, 3PL is turning out to be critical cost saving lever.

   b. **Competitive advantage:** Several clients are opting for 3PL services also because it lends competitive advantages in terms of geographical reach and low turnaround time for inventories.

2. **Larger client verticals are steady growth avenues:** For the 3PL market, key consumer verticals are automotive, auto components, e-commerce and consumers. Among these, while we expect auto and auto components to be steady growth contributors with 13-15% CAGR, consumer/consumer durables and e-commerce have the potential to deliver 20-25% CAGR over the ensuing five-seven years.

3. **Regulatory changes have been supportive:** Despite the initial stumbling blocks, the implementation of GST in 2017 and introduction of e-way bill in 2018 should gradually prove to be strong enablers of increasing efficiency in transportation and warehousing sectors. In addition, road infrastructure progress have picked up significantly over the past seven-eight years, which has helped the expansion of India's road network. We believe, this supporting regulatory and infrastructure makes the case of 3PL stronger. Furthermore, the government's seriousness can be gauged from the fact that a Department of Logistics has been recently set up within the Ministry of Commerce with an objective to reduce inefficiencies in India's logistics sector on a fast track basis. The logistics sector was also granted infrastructure status recently.

4. **Rapid involvement of technology:** Traditionally, the logistics sector in the developed world has invested heavily in technology—a critical reason for higher efficiency. Over the past few years, India's logistics sector seems to have identified technology has a key enabler and we believe this will be an important differentiating factor for 3PL's competitiveness. While tracking of vehicles or goods has become a norm, more sophisticated technology is being introduced which reduces inventory management costs and provides more customised solutions to clients. Not surprisingly, this has also led to several tech startups venturing into the logistics sector in recent years.

Freight business: Mix improving

TCIL's freight division is its traditional business built largely on road logistics. As a result, this business was built largely on the FTL model where the entire truck load is from a single client. Currently, the company has a fleet of 3,500 trucks & trailers and almost of this fleet is leased from vehicle owners rendering TCIL's operations asset light. This implies lower margin compared to vehicle owners, but at the same time provides flexibility and scalability.

Rising fuel cost challenge, improving mix will neutralise impact

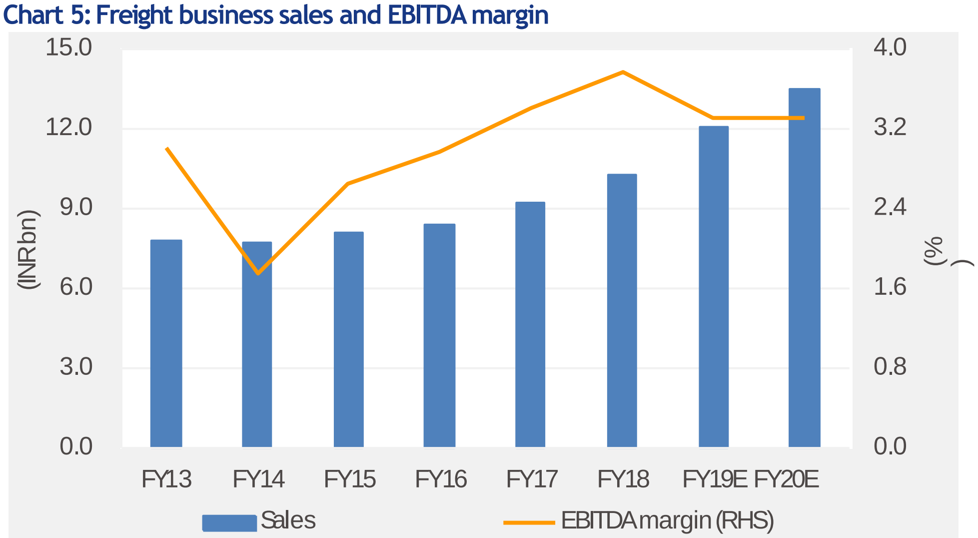
TCIL has been actively improving its mix of LTL in this segment. While LTL component is currently less than 20% of this segment's sales, we believe it is improving. As a result, we believe that division's margin and RoCE is structural undergoing a positive change. On the flip side, we remain concerned on medium-term profitability challenges in road logistics due to high fuel costs. As a result, our view on this is segment largely neutral, but with a positive bias due to the improving mix.

Table 2: Supply chain and sea ways are high margin segments

	FTL	LTL
Share of organized (%)	<10%	20-40%
Cost to customer (INR/ton-km)	2.5-3.5	5.0-8.0
EBIT margin (%)	2-4%	8-11%
RoCE (%)	10-12%	15-17%
Delivery time	96 to 120 hours	72 to 96 hours
Delivery type	Godown Booking – Godown Delivery	Flexible

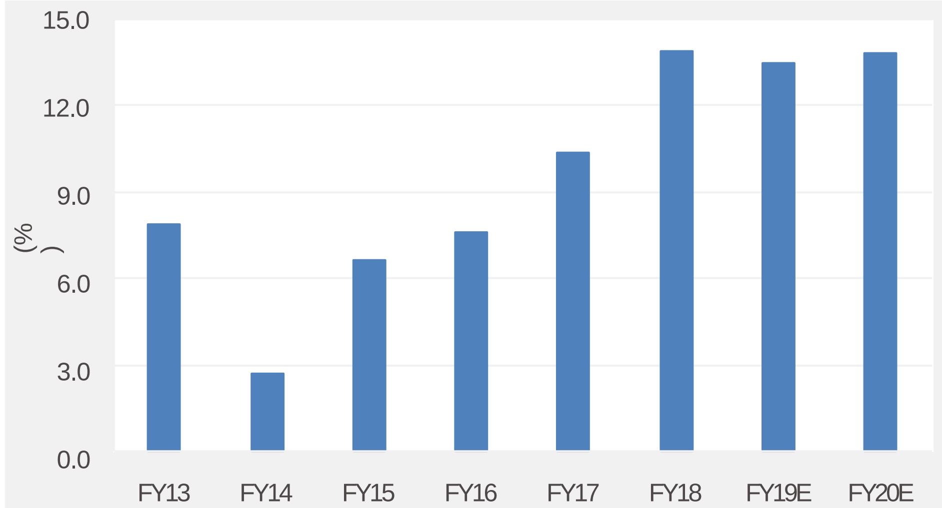
Source: Company, Edelweiss research

Chart 5: Freight business sales and EBITDA margin



Source: Company, Edelweiss research

Chart 6: RoCE profile of the freight business



Source: Company, Edelweiss research

Demand drivers of the road logistics sector:

1) **Growth in economic activity:** We envisage demand for transportation services to grow in line with expanding economic activity. By FY25, we estimate freight transportation by road to constitute over 70% of total domestic freight transportation. We believe, in spite of reduction in logistics as a percentage of GDP over the next three-four years, road logistics' contribution to GDP will be fairly flat, driven by rising volumes and efficiencies.

2) **Transition from rail to road:** In 1950s the proportion of goods carried by rail and road was 89% and 11%, respectively. By 2013 the share of road freight transportation increased to ~65%. Even though freight transportation through rail consumes lesser fuel and is cheaper on cost per tonne basis compared to road transport, the shift from rail to road has been majorly on accountof:

   - Capacity constraints.
   - Non-competitive tariff.
   - Connectivity.
   - Infrastructure.
   - Subsidisation of passenger transportation by charging higher freights.

3) **Demand from high growth sectors**: Sectors such as retail, e-commerce and FMCG are estimated to post CAGR of 20% plus over FY18-25. The sharpened focus on direct customer delivery, e-commerce penetration, reduced delivery times and rising customer expectations are envisaged to boost demand for road transportation.

Supply-side factors / enablers:

1) **Investments and expansion of road infrastructure:** The road network expands to 115,435km of national highways while the total road network was 5.6mn km. Road building rate has increased from 12km a day in FY15 to 27km a day in FY18; the

government is targeting ~40km a day. In FY18, construction of highways reached 122,432km.

2) **Efficiencies due to simplified tax system:** With GST and implementation of e-way bill, transit times at inter-state border check points, which previously accounted for up to 60% of the total transit time, have reduced. While this reduction will increase trucking capacity sans further investments, due to a skewed demand and the time required to see full effects of GST, realisation of additional capacity will be gradual. Further, we believe the increased capacity will also create additional pricing pressure on truck operators, who already operate on low margins.

3) **Technological drivers:** Technology is changing the landscape of India's road transport. Various startups are using technology more intensively to provide real-time tracking of trucks, increased transparency & accuracy with regard to delivery times and more efficient capacity utilisation. Due to tech-enabled scheduling of loads, the use of middlemen is being reduced, leading to higher efficiency. We can see the apparent benefits of new tech-based business models; however, it poses a threat to established road transport companies and forces them to come up with innovative solutions to hold their market shares.

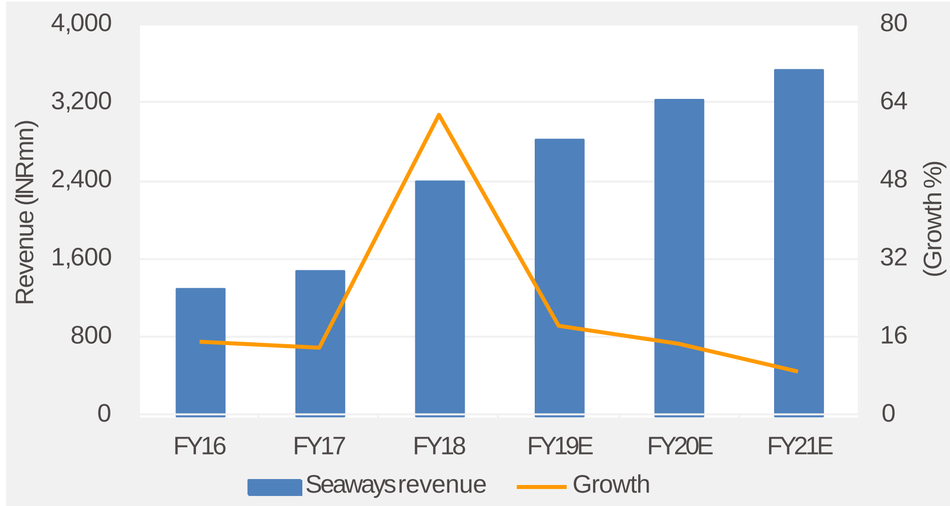
Seaways: Steady contribution to profit growth

- TCI Seaways was started as a division of TCI in February 1995. It primarily caters to the coastal cargo requirements for transporting container and bulk cargo from ports on the West & East coasts of India to Port Blair in the Andaman and Nicobar islands and further distribution within the islands. It provides domestic services of coastal shipping, agency service and international services of break bulk, project cargo and containerised business. The company operates seven ships, of which one commenced operations during FY18 and one in Q2FY19. Currently, TCIL owns 4,200 containers and has total capacity of 63,380DWT.

- Over FY14-18, the segment has posted 22% revenue and 30% EBITDA CAGR. The peak of YoY revenue growth in FY18 of 62% was primarily on account of deployment of an additional ship of 13,760DWT on the West coast. Further, we estimate FY19 revenue to grow YoY by ~28% on account of further capacity addition of 23,260DWT in Q2FY19. In the absence of further capex, we estimate flat revenue growth from FY20, with growth coming predominantly from higher capacity utilisation and marginal increase in realisation.

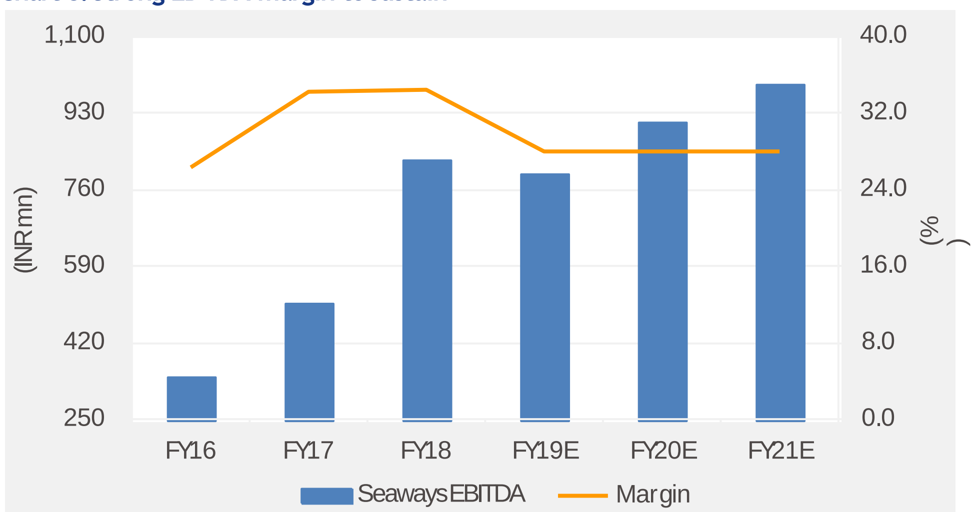
- Even though the segment contributed only about 11% to total revenue in FY18, it contributed 47% to EBITDA. The segment has historically clocked strong EBITDA margin—expanded from 27% in FY14 to 34% in FY18. We estimate margin to contract marginally to 32% over FY19-21 primarily due to flat realisation per DWT, rising fuel costs and weaker USD-INR exchange rate.

Chart 7: Historical strong revenue growth to flatten



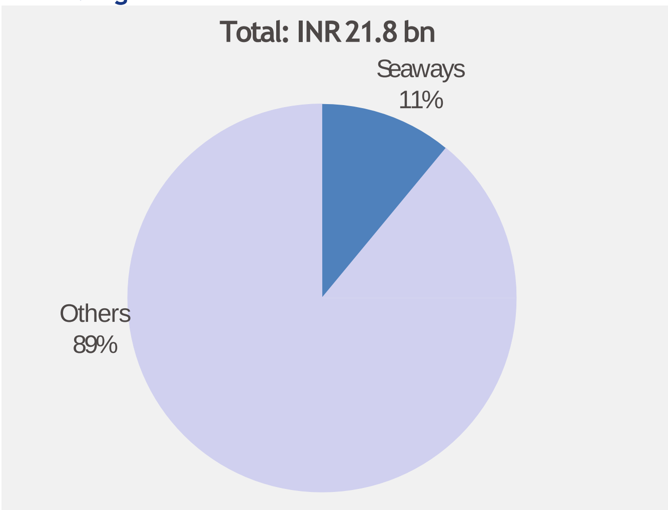
Source: Company, Edelweiss research

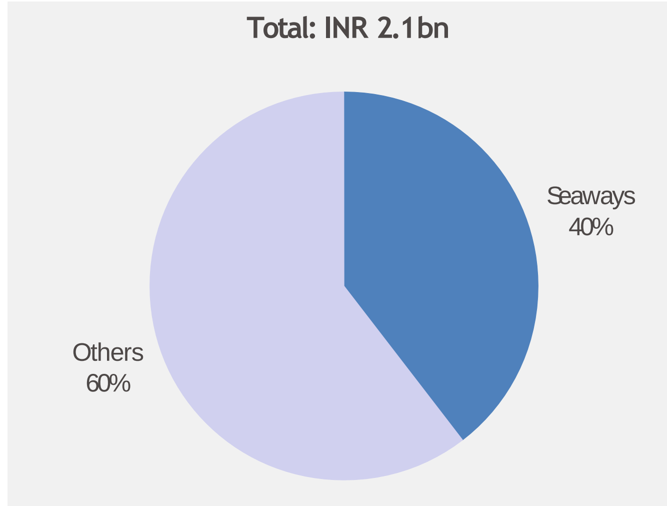
Chart 8: Strong EBITDA margin to sustain



Source: Company, Edelweiss research

Chart 9: Segment revenue contributes 11% and EBITDA contributes 47% to total





Source: Company, Edelweiss research

Valuation

We initiate coverage on TCIL with **'BUY'** recommendation and target price of INR368. Our one-year target price is based on SOTP where we value each of the segments based on its RoCE. For the supply chain division, we use DCF methodology as we believe that it is more apt to capture the true long-term value of this business.

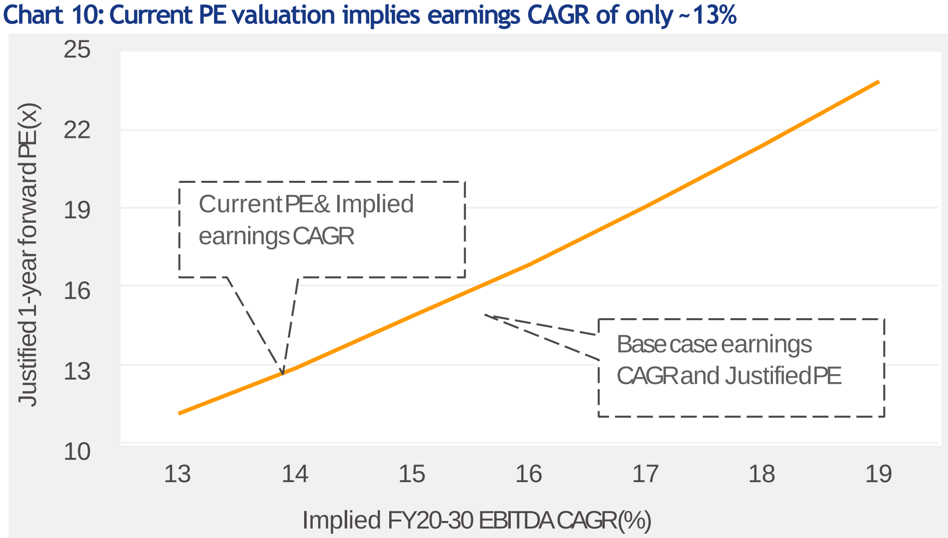
Our analysis indicates that current market valuations significantly under-value the supply chain division to the extent of 40-45%. Over the next two-three years as TCI's supply chain division ramps up and scales the INR20bn sales mark, we believe the market is likely to attribute true value to this business, leading to the value creation for TCIL.

Table 3: SOTP valuation

	FY20E EBITDA (INR mn)	EV/EBITDA (x)	EV (INR mn)	Methodology
Freight	445	8.0	3,559	Based on a RoCE profile of 13-14%
Supply Chain	1,300	11.6	15,020	DCF-based using WACC of 13% and terminal growth of 6%
Seaways	907	8.0	7,258	Based on a RoCE profile of 22-23%
Others	231	7.0	1,616	
Value from Subs	55	7.0	386	
Value from JVs	247	7.0	1,726	
Total EV			**29,566**	
Net Debt			4,973	FY19-end
Equity Value			**24,592**	
Target price (INR/share)			**318**	

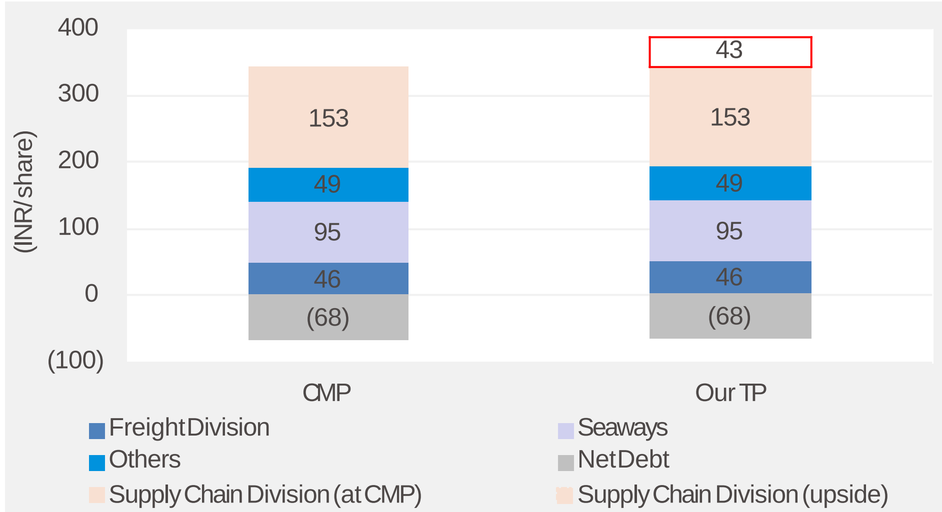
Source: Company, Edelweiss research

Chart 10: Current PE valuation implies earnings CAGR of only ~13%



Source: Company, Edelweiss research

Chart 11: Supply chain business's true valuation potential remains uncaptured



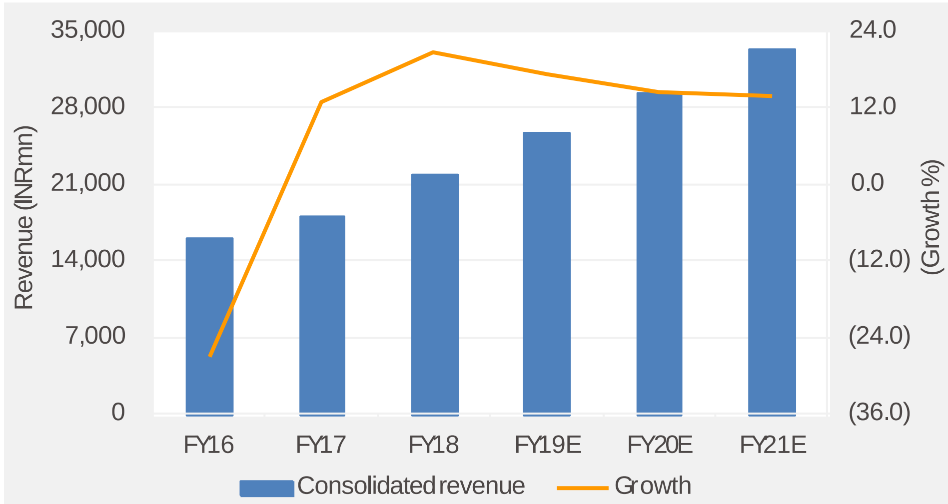
Source: Company, Edelweiss research

Financial Outlook

High revenue growth to sustain

TCIL's consolidated revenue has clocked 17% CAGR from INR16bn in FY16 to INR21bn in FY18 driven by high growth in the supply chain segment (21% CAGR) and the seaways segment (36% CAGR). Negative growth in FY16 was on account of change in revenue accounting policy in compliance with Ind-AS.

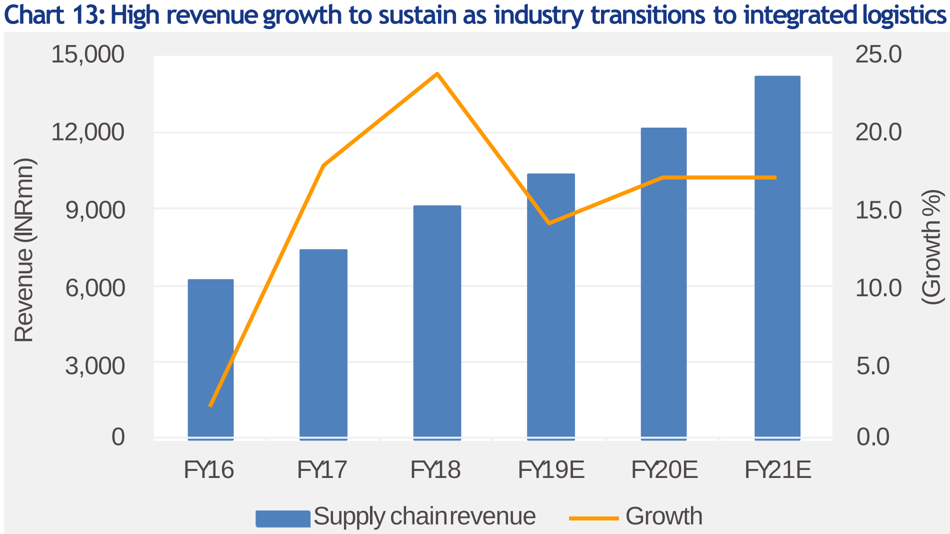
Chart 12: Supply chain to drive overall growth



Source: Company, Edelweiss research

High growth in the supply chain segment is on account of sector trend in user industries as they shift to integrated 3PL service providers. We believe, as efficiencies are realised and as users move to end-to-end integrated logistics services providers, the segment will post CAGR of ~18-20% over FY18-21E.

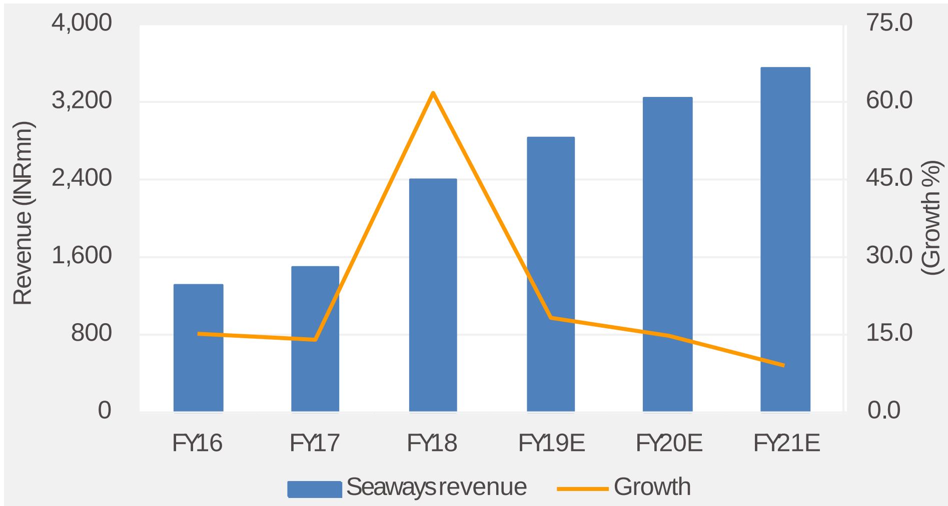
Chart 13: High revenue growth to sustain as industry transitions to integrated logistics



Source: Company, Edelweiss research

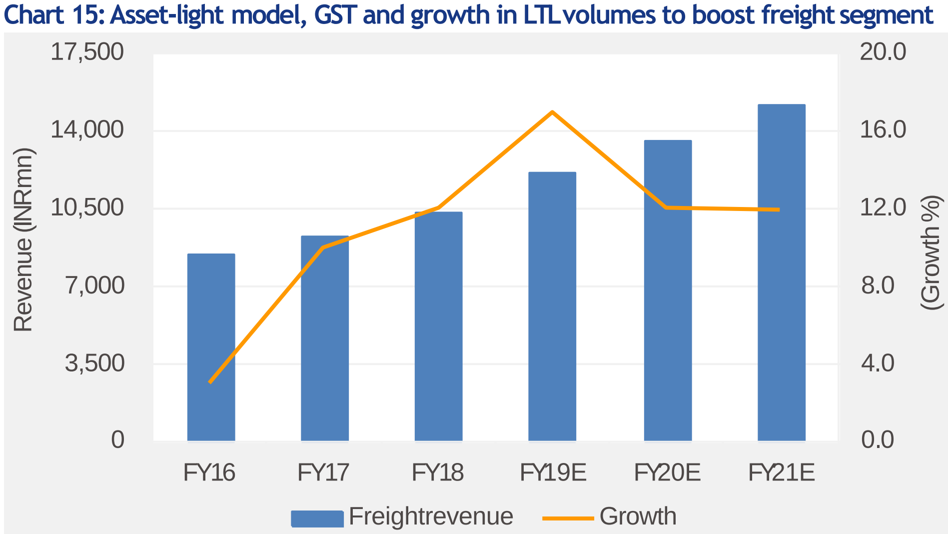
The seaways segment's revenue grew 62% to INR2.4bn in FY18 from INR1.5bn in FY17 primarily due to deployment of an additional ship on the West coast of 13,760DWT capacity. We estimate the segment to clock ~20% CAGR over FY18-21 on account of planned capacity addition and sharpened focus on multi-modal solutions for cargo originating from northern to southern states.

Chart 14: Capacity addition and multi-modal focus to be key growth drivers



Source: Company, Edelweiss research

Chart 15: Asset-light model, GST and growth in LTL volumes to boost freight segment

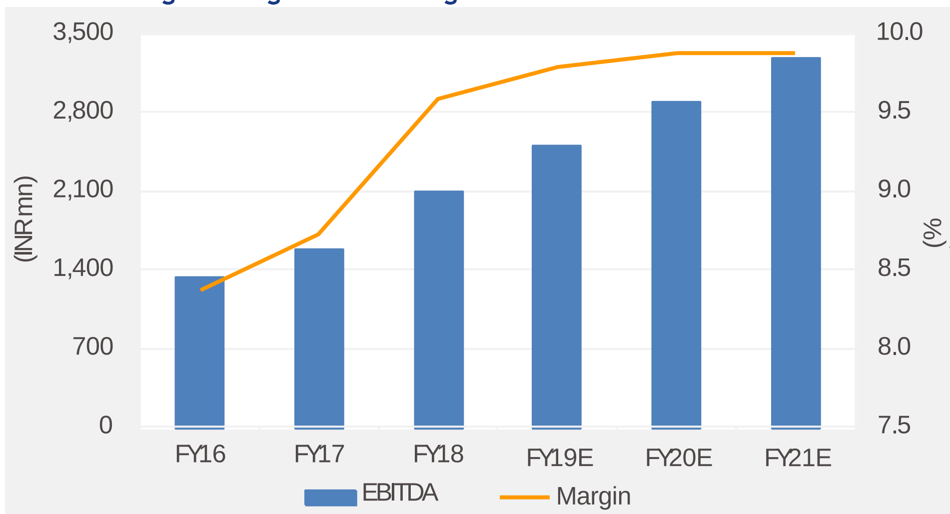


Source: Company, Edelweiss research

Strong EBITDA growth driven by SCM and seaways

FY18 EBITDA and EBITDA margin came at ~INR2.1bn and 9.6%, respectively. Seaways is TCI's highest margin (30%) segment, but accounts for 40% of total EBITDA. As of FY18, SCM segment's EBITDA margin was 10% and we estimate the margin to remain relatively flat over FY19-21.

Chart 16: Strong EBITDA growth and margin to sustain



Source: Company, Edelweiss research

Chart 17: Seaways is the highest EBITDA margin segment

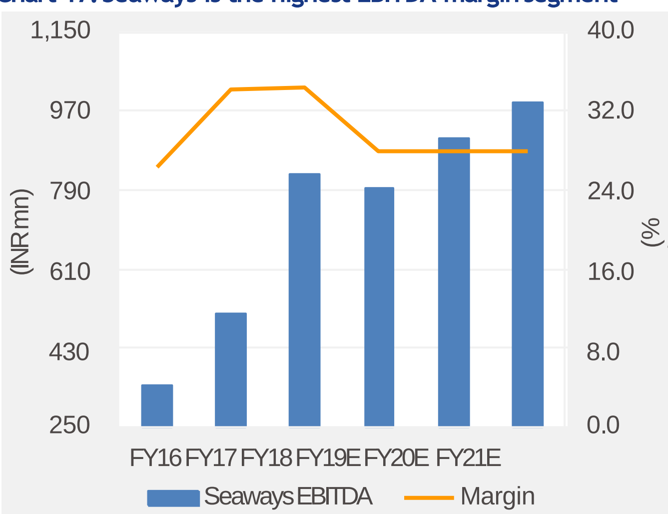
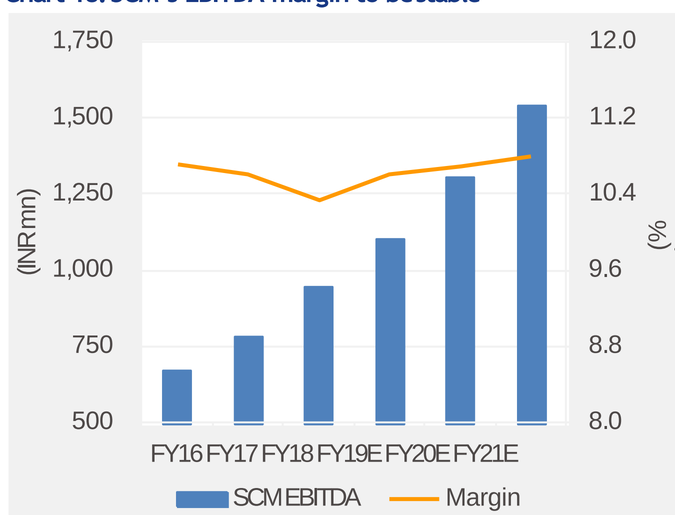
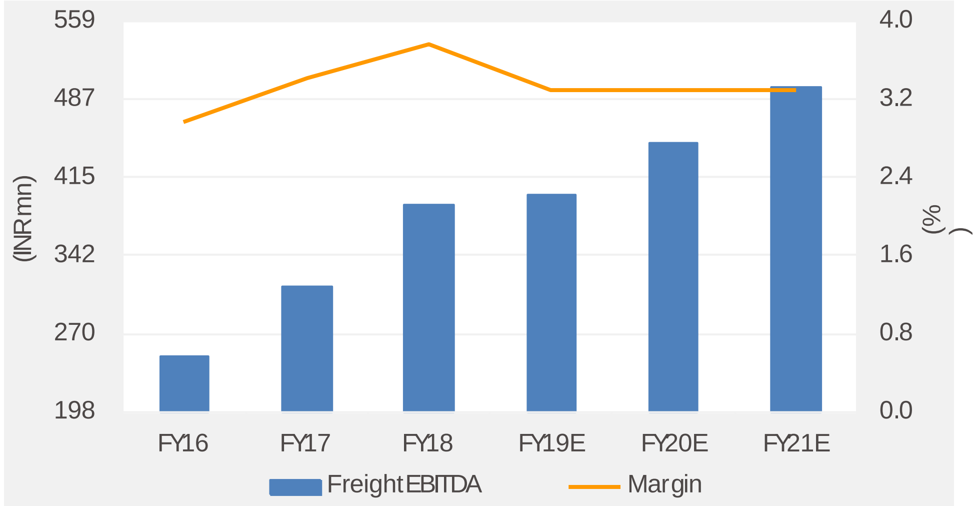


Chart 18: SCM's EBITDA margin to be stable



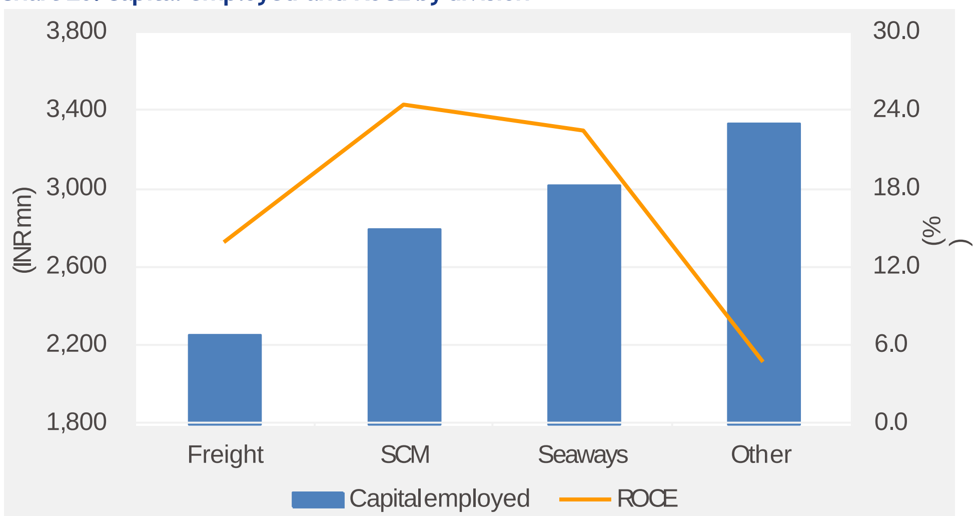
Source: Company, Edelweiss research

Chart 19: Low EBITDA margin in freight segment to be mitigated by move to LTL



Source: Company, Edelweiss research

Chart 20: Capital employed and RoCE by division



Source: Company, Edelweiss research

Company Description

Business Model

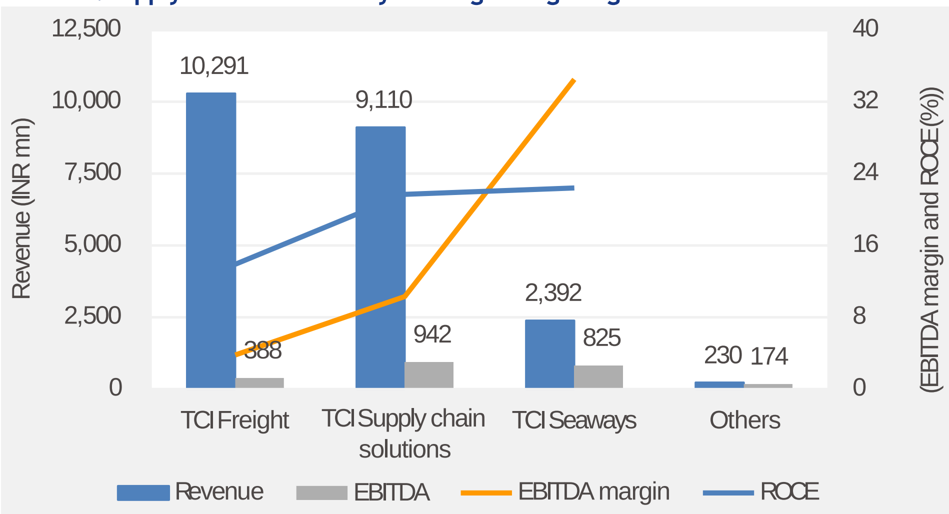
The TCI Group is an integrated multi-modal logistics and supply chain solutions provider. TCIL operates in several logistics businesses—freight division (road logistics), supply chain management or 3PL, seaways (shipping/cargo ships), etc. Below we present a snapshot of TCIL's business model.

Table 4: TCIL—Operational structure

	Freight Division	Supply Chain Management	Seaways	Others	Total
Business activity	Road logistics (FTL & LTL)	Third Party Logistics	Shipping	Corporate/ Unallocated	
Other info on business	3,500 trucks & trailers operated (120 owned)	Warehousing & Transportation: 12mn sqft managed and 4,000 vehicle fleet (1,350 owned)	6 Cargo ships		
Sales (INR mn)	10,291	9,110	2,392	230	22,023
EBITDA (INR mn)	388	942	825	174	2,329
EBITDA margin (%)	3.8%	10.3%	34.5%	75.7%	10.6%
Contribution to sales	46.7%	41.4%	10.9%	1.0%	
Contribution to EBITDA	16.7%	40.4%	35.4%	7.5%	
Capital Employed (INR mn)	2,255	2,976	3,022	3,336	11,409
RoCE	13.9%	21.7%	22.4%	4.7%	15.4%

Source: Company, Edelweiss research

Chart 21: Supply chain and sea ways are high margin segments



Source: Company, Edelweiss research

Chart 22: FY18 revenue by segment

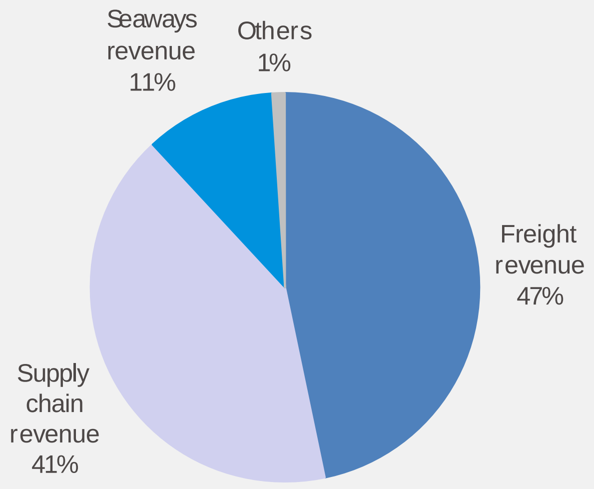
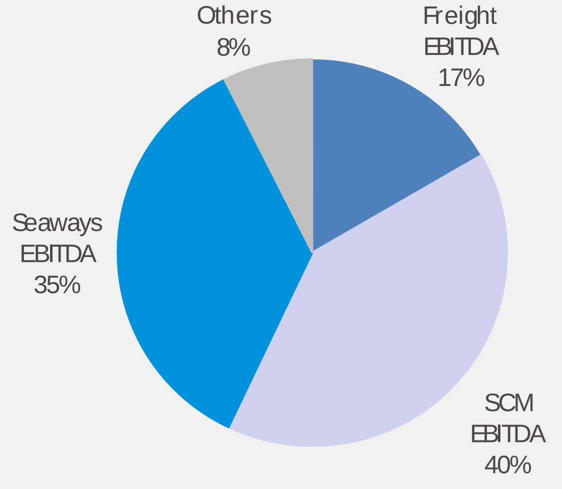


Chart 23: FY18 EBITDA by segment



Source: Company, Edelweiss research

Table 5: TCIL—Key milestones

Year	Milestones
1958	Founded in Calcutta with one truck
1982	IPO
1996	Launch of XPS Services
1997	Launch of Logitra - the absolute logistic services
1998	Launch of XPS air mode services
1999	Inception of Transystem International limited (TLI), a joint venture with Mitsui and Co. of Japan for providing automobile logistics
2002	Launch of XPS Global service for providing International freight forwarding services and single window clearances
2005	Launch of XPS Courier Service
2006	Group TCI crosses Rs 1000 crore turnover
2009	Expanded its Global footprints to 12 countries. Received 'Best 3PL Express, Logistic & Supply Chain Awards for the year' This is for the third time in the row that we have bagged the ELSCC Award.
2010	Infinite Logistics Solutions Private Limited (ILSPL) has formed a joint venture between TCI and CONCOR for bulk multimodal logistics solutions by rail and road.
2011	TCI group with a revenue of INR 20 Billion (Approx. $ 450 Million USD)
2011	The Real Estate arm of TCI Group TCI Developers Ltd. (TDL) listed on BSE| NSE
2013	Infinite Logistics Soultions Pvt Ltd (ILSPL) renamed as TCI CONCOR Multimodal Solutions Pvt Ltd
2016	TCI STARTED SERVICES IN BANGLADESH WITH THE COMPANY NAMES AS TCI BANGLADESH LTD.
2016	TCI INAUGURATES ITS 1ST STATE OF THE ART COLD CHAIN WAREHOUSE AT PATAUDI ROAD

Source: Company

Table 6: Management overview

Key personnel	Profile
Mr. D.P.Agarwal Vice Chairman & Managing Director	Mr. DPAgarwal is the Vice-Chairman and Managing Director of TCI. Mr. Agarwal has been associated with the transport industry for more than 43 years. Mr. Agarwal holds the Directorships of Bhoruka Power Corporation and Jai Bharat Maruti Ltd. Mr. Agarwal is also associated with various Chambers of Commerce including CII, FICCI & PHDCCI. He also takes active participation in many social and philanthropic activities for the common good.
Mr. Vineet Agarwal Managing Director	Mr. Vineet Agarwal is the Managing Director of TCI. He joined the Company in January 1996 and has held various finance and management roles within the Company. In addition to these responsibilities, Mr. Agarwal is Director with Transcorp International and Chairman in Transystem Logistics International has led the Company into high growth segments like Third Party Logistics.
Mr. Chander Agarwal Director	Mr. Chander Agarwal is the Jt. Managing Director of TCI. He joined in as a management trainee. Mr. Agarwal has held various finance and management roles in other group companies like TCI Seaways, XPSetc. Currently he is heading Group TCI's international expansion and Express Cargo Services.
Mr. M. P. Sarawagi	Mr. M PSarawagi has been associated with the Company for the past 51 years. He is a Graduate in Law from the Calcutta University. He possesses rich experience in the legal and commercial aspects of the transport industry.
Director	Mr. Sarawagi has also served on the Boards of Orissa Tyres, Calcutta Goods Transport Association, All India Motor Union Congress and several other cultural associations.
Mr. Jasjit Sethi President & CEO- TCISCS	
Mr. P.C.Sharma	Mr. P. C. Sharma has been associated with TCI since 1982. He started his career in TCI as trainee and currently heads TCIEXPRESS Ltd.
President & CEO- TCIEXPRESS	He holds a B. Com degree and has also undergone various executive training programs from renowned institutes like IIM-A, Indian School of Business (ISB), XLRI Jamshedpur and is also alumni of Harvard Business School and National University of Singapore.
Mr. IS Sigar CEO- TCI Freight	
Mr. R.U.Singh President & CEO- TCI Seaways	
Mr. P.K.Jain CEO- TCI Global, HOD-HR	Mr. P. K. Jain serves as the Chief Executive Officer of TCI Global at Transport Corp. of India Ltd. Mr. Jain has been Head of the Department - Human Resources at Transport Corp. of India Ltd. since August 8, 2016. He served as the President of TCI Global at Transport Corp. of India Ltd.
Mr. Ajit Singh CEO- TCI CONCOR Multimodal Solutions Pvt. Ltd.	
Mr. N. K. Baranwal CEO- TCI Developers Ltd.	
Mr. Rajkiran Kanagala Group Head – Business Development	Mr. Rajkiran Kanagala serves as Head of Marketing & Business Development at Transport Corp. of India Ltd. Mr. Kanagala served as the Head of Group Business Development at Transport Corp. of India Ltd.
Mr. Ashish Tiwari Group CFO	Mr. Ashish Tiwari is a Chief Financial Officer of the Company. He has been Group Head- A/c & Taxation.
Mr. Punit Kumar Rastogi HOD - IT	

Source: Company

Financial Statements

Key assumptions

		FY18	FY19E	FY20E	FY21E
Macro	GDP(Y-o-Y %)	6.7	7.3	7.6	7.6
	Inflation (Avg)	3.6	4.5	5.0	5.0
	Repo rate (exit rate)	6.0	6.8	6.8	6.8
	USD/INR (Avg)	64.5	70.0	72.0	72.0
Company					
Total tonnage (mn tonne km)		4,936	5,395	5,544	5,694
Realisation per tonne per km (INR)		2.1	2.2	2.4	2.7
Ship capacity (DWT)		63,380	86,640	86,640	86,640
Realisation per DWT		68,619	68,000	68,000	68,000
Segmental sales growth (%)					
TCI Freight		12.1	16.9	12.0	11.9
TCI Supply Chain Solutions		23.8	14.0	17.0	17.0
TCI Seaways		61.6	18.2	14.6	9.1
TCI Corp and Others		18.6	25.0	10.0	10.0
Segmental EBITDA margins (%)					
TCI Freight		3.8	3.3	3.3	3.3
TCI Supply Chain Solutions		10.3	10.6	10.7	10.8
TCI Seaways		34.5	28.0	28.0	28.0
TCI Corp and Others		75.7	73.0	73.0	73.0
Cost and financial assumptions					
Other expenses (%)		4.4	4.7	4.7	4.7
EBITDA margins (%)		9.1	9.3	9.4	9.3
Capex (INRmn)		(1,511)	(2,730)	(1,550)	(1,500)
Net borrowings (INRmn)		3,811	4,962	4,973	4,670
Receivable (days)		72	67	66	66
Payable (days)		10	8	8	8

Income statement (INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Net revenues	23,461	27,478	31,424	35,762
Operating expenses	19,068	22,140	25,298	28,795
Employee Benefit Expenses	1,245	1,496	1,709	1,944
Other expenses	1,021	1,295	1,480	1,683
Total expenditure	21,334	24,931	28,486	32,421
EBITDA	2,127	2,548	2,938	3,341
Depreciation & amortisation	686	808	992	1,127
EBIT	1,441	1,739	1,946	2,213
Less: Interest Expense	322	388	434	406
Add: Other income	182	160	170	155
Profit before tax	1301	1511	1682	1962
Provision for tax	287	319	355	415
Add: Sha. of profit from ass.	224	247	271	298
Reported Profit	1,238	1,438	1,598	1,846
Adjusted Profit	1,238	1,438	1,598	1,846
No. of Shares outstanding (mn)	76.6	76.6	76.6	76.6
Adjusted Basic EPS	16.2	18.8	20.9	24.1
No. of Dilu. Sha. Outstand. (mn)	76.7	76.7	76.7	76.7
Adjusted Diluted EPS	16.2	18.8	20.8	24.1
Adjusted Cash EPS	25.8	29.3	33.8	38.8
Dividend per share (DPS)	1.6	1.8	2.1	2.4
Dividend Payout Ratio (%)	9.9	9.8	9.9	9.9

Common size metrics (% net revenues)

Year to March	FY18	FY19E	FY20E	FY21E
EBITDA margins	9.1	9.3	9.4	9.3
EBIT margin	6.1	6.3	6.2	6.2
Interest	1.4	1.4	1.4	1.1
Net profit margin	5.3	5.2	5.1	5.2

Growth metrics (%)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	20.8	17.1	14.4	13.8
EBITDA	31.3	19.8	15.3	13.7
PBT	53.2	16.2	11.3	16.6
Adjusted Profit	52.4	16.2	11.1	15.5
EPS	52.1	16.2	11.1	15.5

Balance sheet (INR mn)

As on 31st March	FY18	FY19E	FY20E	FY21E
Share capital	153	153	153	153
Reserves & surplus	7,465	8,487	9,625	10,953
Shareholder equity	7,618	8,640	9,778	11,106
Long term borrowings	1,514	2,114	1,989	1,764
Short term borrowings	2,439	3,139	3,064	2,889
Total Borrowings	3,953	5,253	5,053	4,653
Deferred Tax Liability (net)	445	445	445	445
Sources of funds	**12,080**	**14,403**	**15,341**	**16,268**
Gross Block	7,696	10,246	11,796	13,296
Net Block	6,252	7,994	8,552	8,924
Capital work in progress	563	563	563	563
Total net fixed assets	6,821	8,563	9,121	9,493
Non current investments	1,044	1,044	1,044	1,044
Other non-current assets	491	491	491	491
Cash and cash equivalents	142	291	80	(17)
Inventories	33	35	40	45
Sundry Debtors	4,249	4,672	5,343	6,082
Loans & Advances	136	136	136	136
Other Current Assets	1,062	1,062	1,062	1,062
Total Current Assets (ex cash)	5,480	5,905	6,581	7,325
Trade payable	597	590	674	767
Other CL & Short Term Provisions	1,300	1,300	1,300	1,300
Total CL & Provisions	1,897	1,890	1,975	2,068
Net Current Assets (ex cash)	3,582	4,015	4,606	5,258
Uses of funds	**12,080**	**14,403**	**15,341**	**16,269**
Book Value per share (INR)	99	113	128	145

Free cash flow

Year to March	FY18	FY19E	FY20E	FY21E
Reported Profit	1,238	1,438	1,598	1,846
Add: Depreciation	686	808	992	1,127
Add: Interest	216	260	291	272
Add: Others	(682)	(1,144)	(1,482)	(1,622)
Gross cash flow	1,459	1,363	1,400	1,624
Less: Changes in WC	(342)	(433)	(592)	(651)
Operating cash flow	1,801	1,796	1,991	2,275
Less: Capex	(1,511)	(2,730)	(1,550)	(1,500)
Free Cash Flow	**291**	**(934)**	**441**	**775**

Cash flow metrics

Year to March	FY18	FY19E	FY20E	FY21E
Operating cash flow	1,801	1,796	1,991	2,275
Financing cash flow	(303)	922	(823)	(1,026)
Investing cash flow	(1,543)	(2,570)	(1,380)	(1,345)
Net cash flow	(44)	148	(211)	(96)
Capex	(1,511)	(2,730)	(1,550)	(1,500)
Dividends paid	(163)	(169)	(189)	(220)

Profitability ratios

Year to March	FY18	FY19E	FY20E	FY21E
EBITDA margin	9.1	9.3	9.4	9.3
Pre-tax ROCE (%)	14.8	14.9	14.7	15.4
Return on Avg. Equity (ROAE) (%)	17.6	17.7	17.4	17.7
ROA (%)	10.9	10.9	10.7	11.7
Current ratio	3.0	3.3	3.4	3.5
Quick ratio	2.9	3.1	3.3	3.5
Cash ratio	0.1	0.2	0.0	(0.0)
Receivable turnover (x)	5.0	5.5	5.5	5.5
Payables turnover (x)	35.9	43.2	43.7	43.8
Receivables (days)	72	67	66	66
Payables (days)	10	8	8	8
Cash conversion cycle (days)	62	59	58	58
Net Debt/Equity	0.5	0.6	0.5	0.4
Debt/EBITDA	1.9	2.1	1.7	1.4
Adjusted debt/Equity (x)	0.5	0.6	0.5	0.4
Long term debt / Cap. empl. (%)	12.5	14.7	13.0	10.8
Total debt / Capital employed (%)	32.7	36.5	32.9	28.6
Interest coverage (x)	4.5	4.5	4.5	5.4

Operating ratios (x)

Year to March	FY18	FY19E	FY20E	FY21E
Total asset turnover	2.1	2.1	2.1	2.3
Fixed asset turnover	4.0	3.9	3.8	4.1
Equity turnover	3.3	3.4	3.4	3.4

Valuation parameters

Year to March	FY18	FY19E	FY20E	FY21E
Adjusted Diluted EPS (INR)	16.2	18.8	20.8	24.1
Adjusted Cash EPS (INR)	25.8	29.3	33.8	38.8
Dil. Price to Earnings Ratio (P/E) (x)	17.1	14.7	13.2	11.5
Price to Book Ratio (P/B) (x)	2.8	2.4	2.2	1.9
Enterprise Value / Sales (x)	1.1	1.0	0.8	0.7
Enterprise Value / EBITDA (x)	11.7	10.3	8.9	7.7
Dividend Yield (%)	0.6	0.7	0.7	0.9

Additional Data

Directors Data

Dharmpal Agarwal	Managing Director	Swaminatha Reddy Onteddu	Director
Vineet Agarwal	Managing Director	Vijay Sankar	Director
Jasjit Singh Sethi	CEO(KMP)	Susim Mukul Datta	Director
Ishwar Singh Sigar	CEO(KMP)	Satyanarayan Agarwal	Director
Ashish Kumar Tiwari	CFO(KMP)	Kama Singh Mehta	Director

Auditors - Brahmayya & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Canara Robeco Asset Management Co	3.78	IDFC Mutual Fund/India	3.10
Dimensional Fund Advisors LP	0.98	GIC Asset Management Co Ltd	0.61
JPMorgan Chase & Co	0.51	HDFC Asset Management Co Ltd	0.26
LIC Nomura Mutual Fund Asset Manag	0.20	IDBI Asset Management Ltd	0.19
Sundaram Asset Management Co Ltd	0.08	State Street Corp	0.03

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**as per last available data*