TCI EXPRESS

LEADER IN EXPRESS

**INITIAL COVERAGE REPORT**
**02.05.2018**


Source: Investor Presentation

| Overview | | |
|---|---|---|
| Public in 2016 | | |
| Market Cap. | - | 2027.96 cr. |
| Sector | - | Logistics |
| CMP | - | 514.50 |

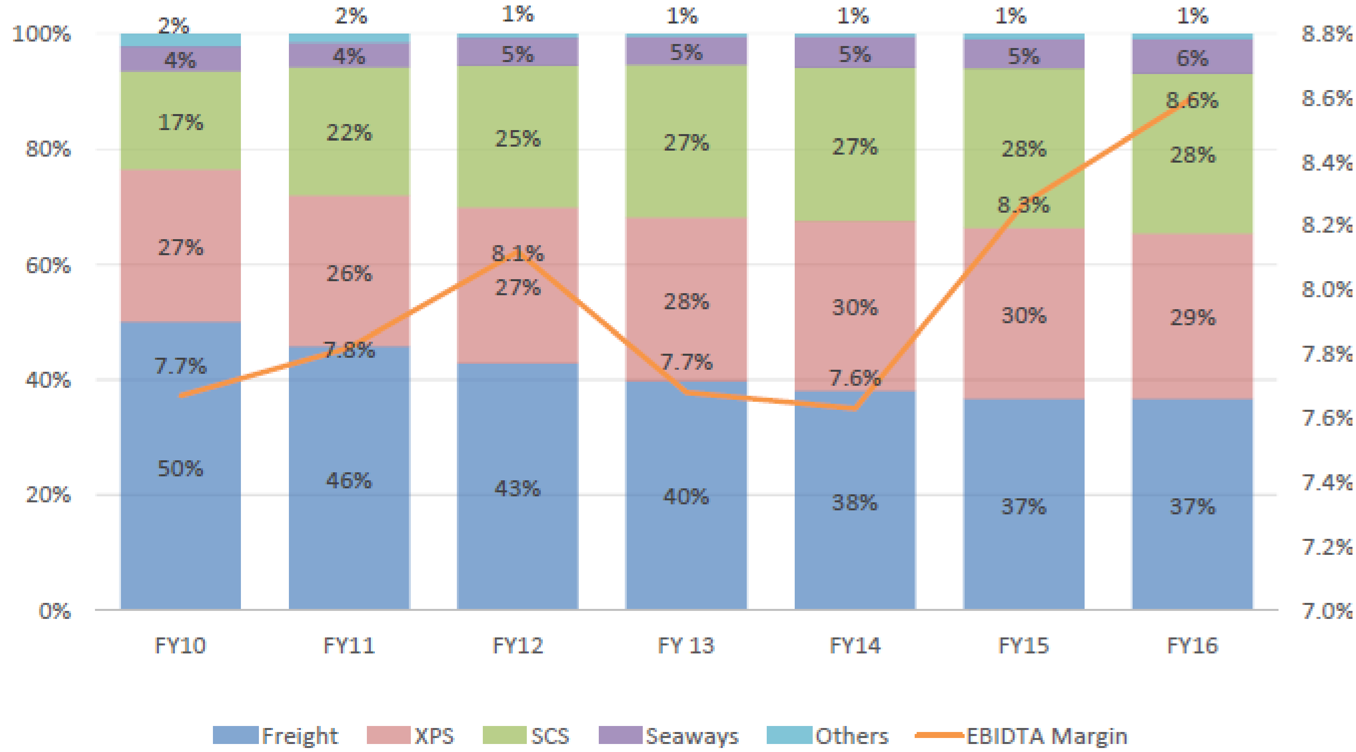
| Share holding pattern as on 201709 | | |
|---|---|---|
| Promoter % | - | 66.13 |
| Free Float % | - | 33.87 |

| Summary (cr.) | | | |
|---|---|---|---|
| | FY17 | FY16 | FY15 |
| Revenues | 753.87 | 663.19 | 658.63 |
| PAT | 40.72 | 28.27 | 26.25 |
| EPS | 10.63 | 7.38 | 6.85 |
| P/E | 37.19 | - | - |
| EV/EBITDA | 24.69 | - | - |
| D/E | 0.2 | - | - |
| RoCE | 35.95 | - | - |
| RoE | 29.57 | - | - |

## COMPANY BACKGROUND:

Company is headquartered in Gurugram, established in year 1996 by the name of TCI XPS as a division of erstwhile Transport Corporation of India Ltd (TCIL) to cater to the express cargo logistics needs of its existing and potential customers.
Company has been separated from TCIL and renamed TCI Express Ltd effective from April 1, 2016 after positioning itself as end to end express distribution specialist in a time bound manner via surface transport.
It is a market leader in Express Surface Logistics and follows Hub and Spoke model.
It owns network of 550 branches cater to 40,000+ pick-up locations and delivery locations across India.
It also runs domestic as well as international Air Cargo Service for time sensitive deliveries. Globally it makes air delivery to 208 countries.
It caters to many of the blue chip and MSME clients from across sectors like Electronics, Retail, IT, hardware, Auto component, Pharma, Telecom, Electricals and E- Commerce.
Currently 2500+ professionals are employed with the company.

Having achieved financial and growth stability, TCI de-merged this division in 2016. TCI issued one equity share to existing shareholders for every two equity shares.

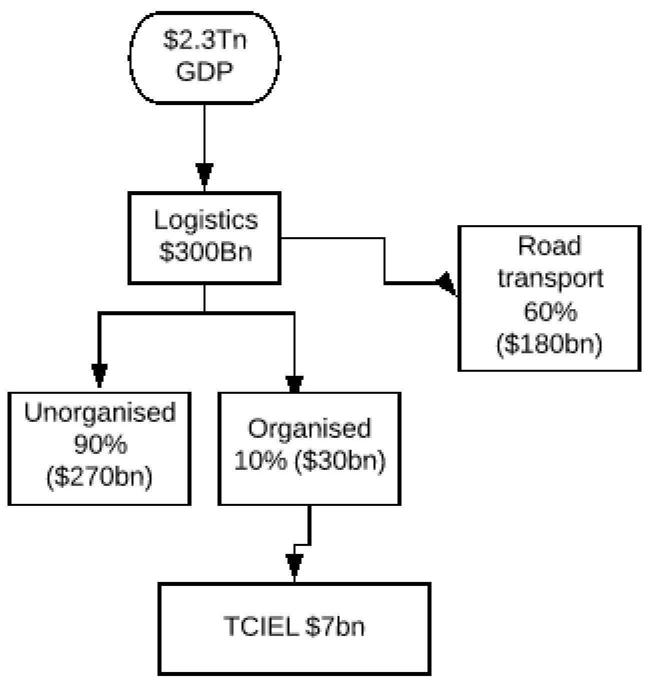



Source: Investor Presentation

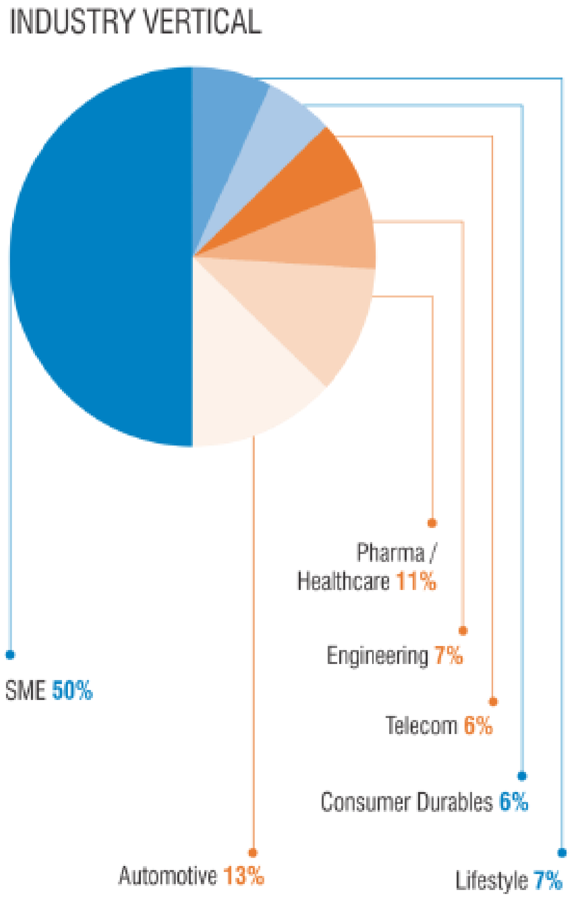
<u>TCI Ltd. Divisions (share of XPS rising)</u>

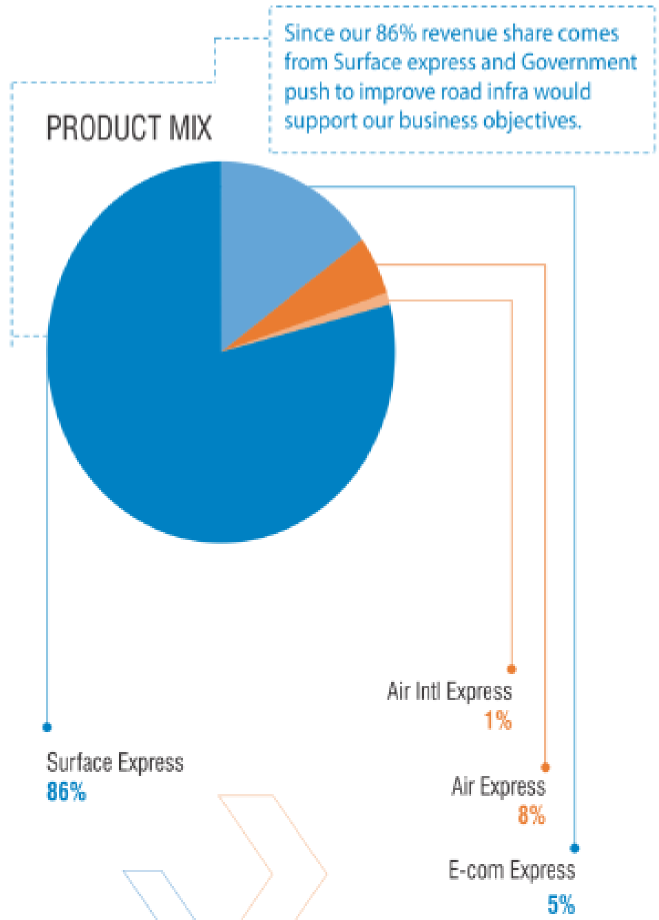
The de-merger was done to sharpen TCIEL's focus on express delivery services and offer time definite solutions for customer's requirements.

As the chart shows the revenue contribution of the TCI express division before it was separated from its parent company was continuously rising unlike most of the other divisions.

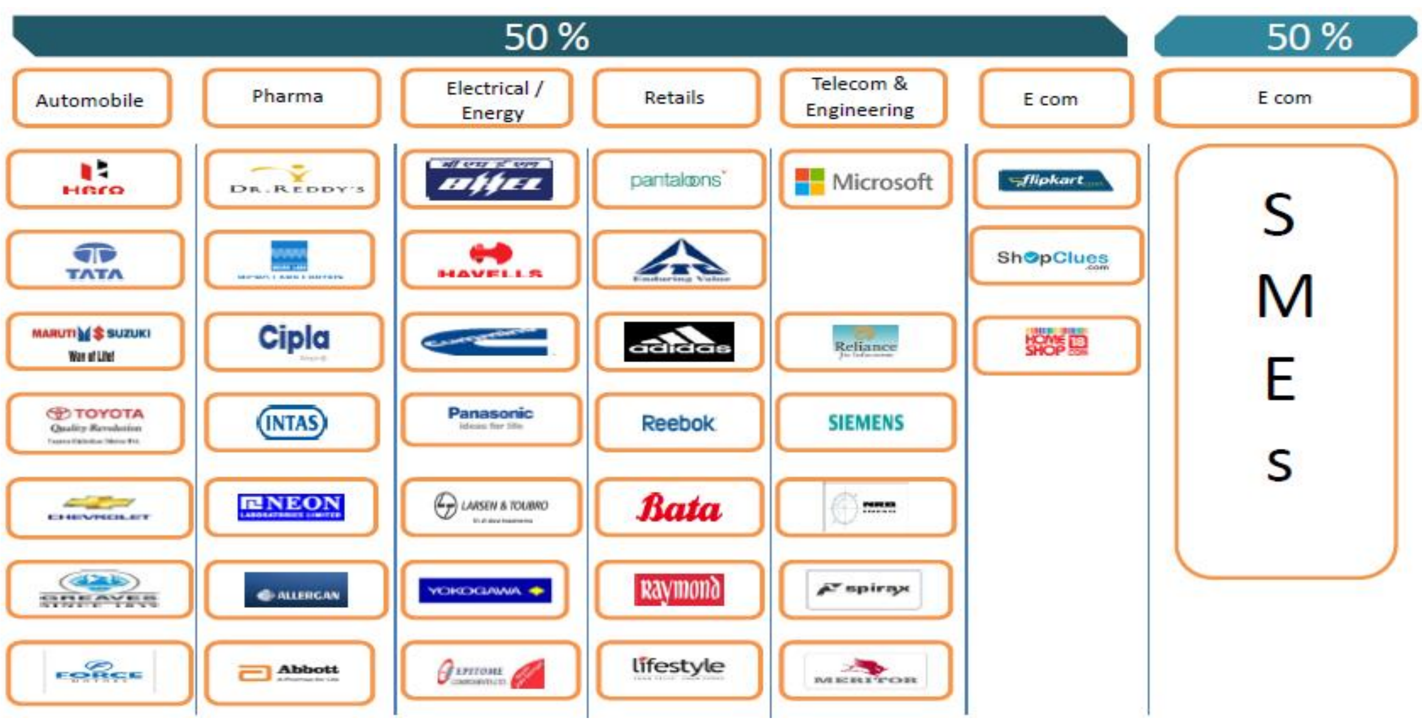



In terms of market share, TCIEL claims to command 3% of the market share of the overall express logistics market, estimated at 30,000 crore. However, from a broader perspective, with total logistics industry (transportation, warehousing, value added service and inventory in-transit cost) pegged at 13% of overall GDP ($300 billion), TCIEL claims to carry goods worth $7 billion (in value) arriving at an indicative market share of 2-3%.



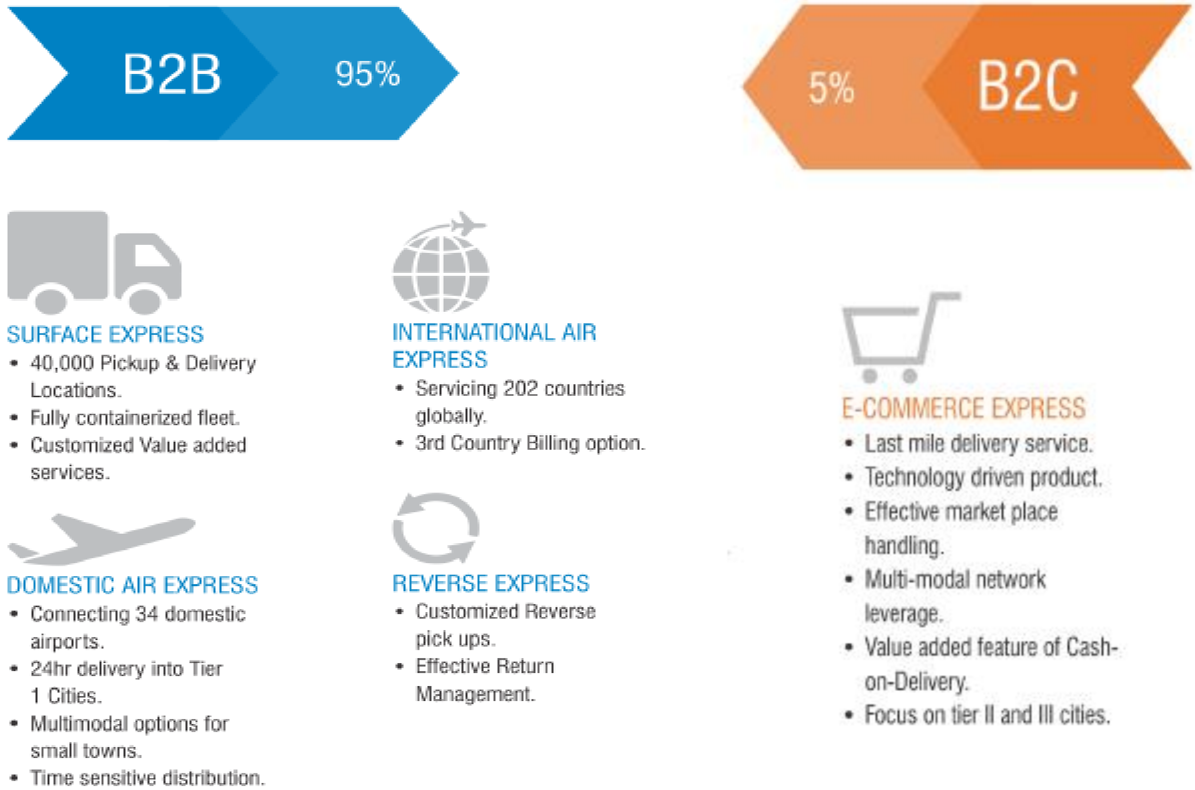




Source: Investor Presentation




Source: Investor Presentation

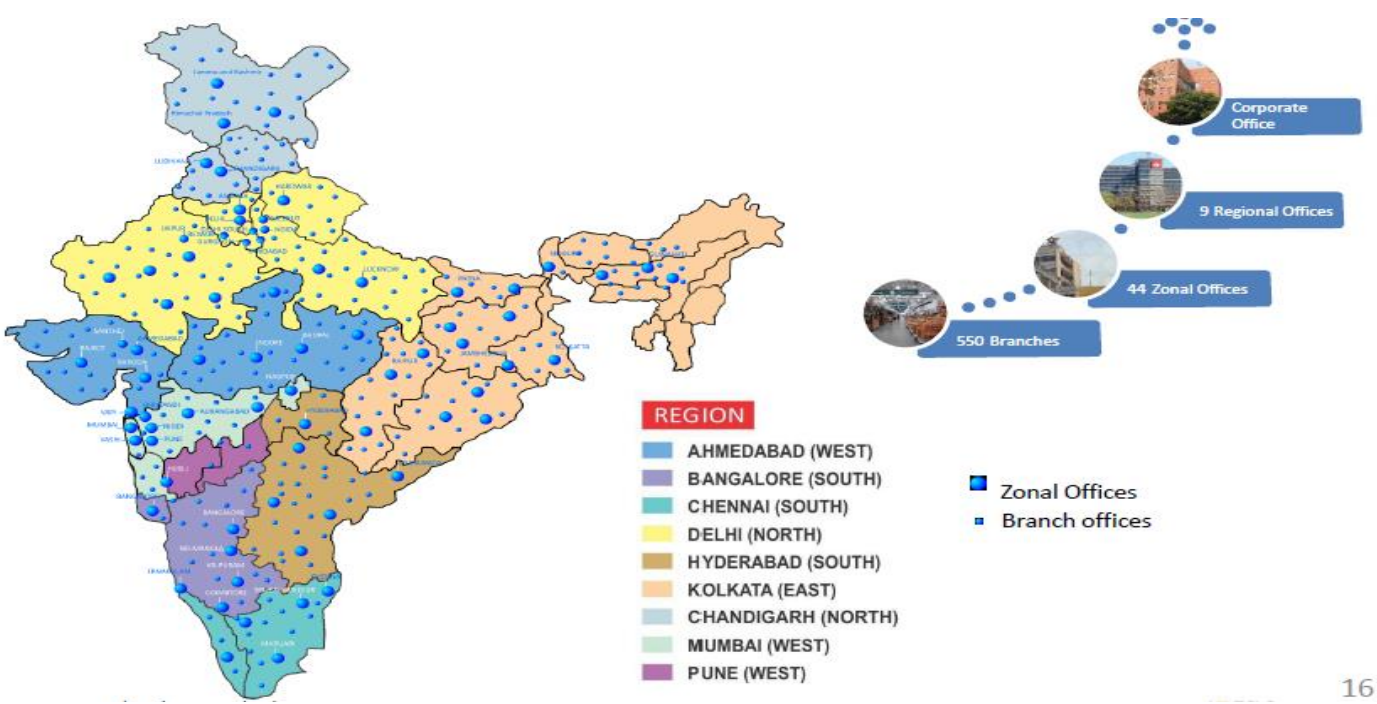
Services offered by TCIEL include surface express, domestic and international air express, e-com express, priority express and reverse express.
These logistical solutions are spread across industry segments such as automobile spare parts, pharmaceuticals, retail, ecommerce, telecom and SMEs.




Source: Investor Presentation

The offerings mainly address B2B customers (95% of revenue). It involves door-to-door pick-up and delivery of parcels in a time bound manner predominantly via surface transport.
TCIEL claims to have one of the largest reaches domestically. It serves 670 districts (out of 707) through a fleet of over 3000 containerized trucks.
A network of 28 sorting centers (every state), 550 company branches, 400 express routes and 2500 feeder routes, TCIEL serves 40,000 pickup and delivery points.

The company deals in a variety of parcels with weights ranging from 1 kg (apparels, cell phones, etc) to 40 kg (consumer durables, automotive ancillaries, etc).
Majority of the revenues are derived from B2B services (95%) while the remaining 5% is contributed by B2C services.




Source: Investor Presentation

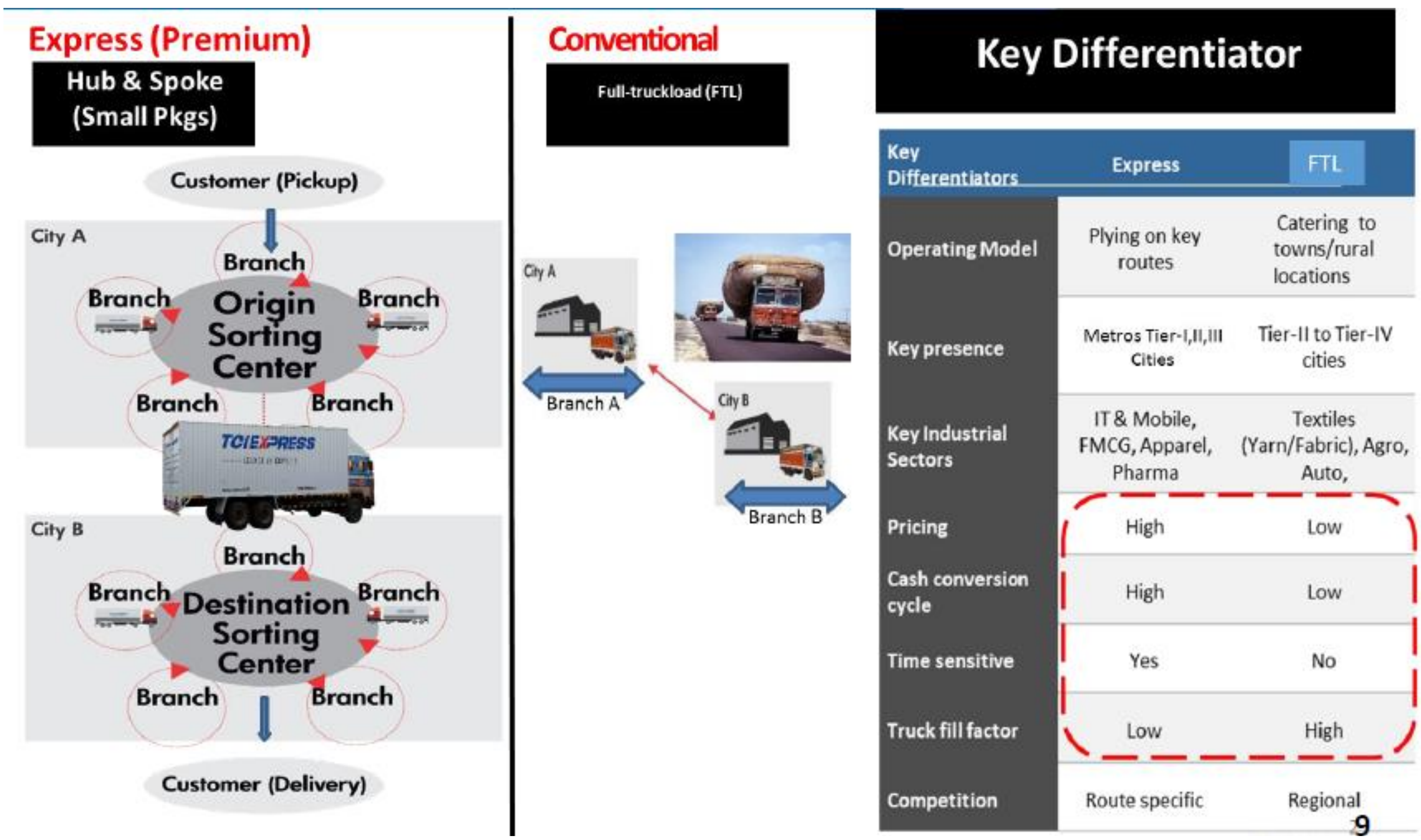
**B2B services** of the company can be further classified as follows.

**1. Surface Express:** This is the core service offered by TCI express ltd to its B2B clients who include doorstep pickup and delivery of consignment. Besides regular pick-up and delivery company offers various value-added services like COD (cash on delivery), POD (Proof of Delivery), Octroi Clearance Service, DACC (delivery against Consignee Copy), ODA (Out of Delivery area) service, SMS alert, Multi-modal service etc.

**2. Reverse Express:** Transportation of goods (defective, unsold, rented, for repairs, for recycling) from location of end user to location of manufacturer in efficient and cost effective manner.

**3. Domestic Air Express:** Round the clock services for time sensitive deliveries of goods within 24 hours in Metros and within 48 hours in mini metros and other A class cities. Sunday and Holiday services, Late Pick-up and deliveries are some of the services in this categories.

**4. International Air Express:** Time sensitive movement of small packages (samples) and commercial shipment to around 208 countries across the globe. Maximum weight of samples is 32 kg per sample and services cover Airport-to-Airport, Door –to-Airport and Door-to-Door deliveries.



Source: Investor Presentation

**B2C services** of the company can be further classified as follows:

**1. E-Commerce Express service:** Offers in city distribution through GPS enabled fleet of Route vehicles for on time delivery with value added services like COD ( Cash on Delivery),RTO (reverse Logistics), Online tracking of shipment, Sunday and Holiday deliveries etc. Key services include bulk movement (Vendor to warehouse, inter water house), warehouse to customer with cash collection etc.

**2. Priority Express service:** assured day definite, Door-to-Door delivery for shipments to metros (next business day) and non-metro locations (NB+1 day) backed by money back guarantee at no extra cost.

# BUSINESS

**Business sourcing:**
60% of business comes from large corporate clients where company participates in tendering process floated by them. Performance within budgeted price is the key deciding factor for securing contract. Typical contract duration is 12 months. Remaining 40% of business comes from MSME and unorganized players where relationship holds the key. A significant chunk of this 40% revenue is repetitive in nature without any formal contract between parties. In a typical year, company deals with close to 2,00,000 customers out of which 20,000 are repeat customers. Thus, in a given year, 60% revenue is won through competitive bidding, 20-25% revenue comes from repeat customers while remaining 15-20% comes from new walk-in clients and Business associates (who are drivers/ vehicle owners of pick-up trucks employed by the company).

**Asset hiring cost:**
Company follows asset light model where all the 3000+ trucks employed by it are taken on lease. Close to 1,500 vehicles running on long hauls (plying between sorting centers) are hired on 1 year lease and are paid on per KM basis. Diesel price is a pass through.
Remaining 1,500 vehicles which connect the initial/end customer to sorting centre (short haul) are either deployed on commission basis or per kg basis. Vehicles that pick-up parcel from customers and bring to sorting centre are given commission which ranges between 5%-8% of the sales value. These drivers/ vehicle owners are also called Business Associates (BA). Vehicles which deliver the parcel from sorting centers to end customer are paid @ Rs 0.50/kg.

**Diesel price impact on pricing:**
Company's pricing of its services is such that diesel cost accounts for 50% of direct costs and 38% of topline of the company. Truckers rates are revised within 15 days of diesel price hike while company takes price hike with customers with a lag of 30-45 days.The price hike reflects in the form of reduced discount rates to customers with 12 month business contract. Repeat customers with whom company has no formal contract are always at much higher rates (35%-40% premium to contract bound customers) and hence hardly any price action is needed.

**Payment terms:**
Customers with whom company enters into formal contract are offered credit period of 45 days while for rest , it is cash and carry. Truckers are paid on monthly basis by the company.

**Infrastructure:**
TCI Express has 550 own branches employing 2500+ staffs. Company picks up cargo from 3000 pick-up points and makes delivers to 13000+ locations across India and in 208 countries across globe. It deploys 3000 trucks for this purpose.

**Key Customers:**
List of some of the blue chip clients of the company across sectors are as follows. The list is indicative and not exhaustive.

| Automobile | Pharma | Electrical | Retail | Telecom & Engg | E-Commerce |
|---|---|---|---|---|---|
| Hero | Dr Reddy's Lab | BHEL | Pantaloons | Microsoft | Flipkart |
| Tata Motors | Cipla | Havells | ITC | Micromax | Snapdeal |
| Maruti-Suzuki | Abbott | Cummins | Adidas | Reliance Jio | Homeshop18 |
| Chevrolet | Intas | L&T | Raymond | Siemens | Shopclues |
| Force | Neon Lab | Panasonic | Bata | NRB | |

Source: Investor Presentation

# INVESTMENT RATIONALE

**Risk management:**
Company has followed risk mitigation strategies very wisely. Every long haul route is at least served by two truck operators to avoid overdependence on Single one. This helps the company command good bargaining power with its truckers. Similarly no single client accounts for more than 1% of total business of the company. Further, in terms of sector exposure, company caters to diverse sectors ranging from Pharma and Auto to Capital Goods and Retail. As a result of this practice, company's revenue and profitability is growing in secular manner and is free from volatility.

**Margin enhancement by cost cutting:**
Company is in the process of taking various cost cutting measures to enhance EBITDA margin. Directly transporting pick-up consignment to sorting centers instead of current practice of taking to home branch first, replacing of leased warehouses with company owned warehouses over next 4-5 years.

**Reassuring third party logistics space:**
3PL is the fastest growing segment of Indian Logistics sector with CAGR of 22.5% between FY13-FY16 and industry estimates suggest that 3PL should grow at 21% CAGR between FY14-FY19. TCI Express Ltd, a leading player in organized 3PL logistics with presence across four corners of the country and across product line is a good play on high growth 3PL in India.

**Increase in CapEx:**
Company has planned an investment of 400 crore in coming 4 to 5 years. Majority of the capital investment outlay of 400 crore involves replacement of all leased sorting/distribution (S&D) centers with the company owned sorting centers. The S&D operations would reduce/eliminate errors, labor and cycle time while increasing accuracy and improving service. These S&D centers would be multi-specialist, highly mechanized, which would be capable of generating faster turnaround of parcels. TCIEL currently manages 28 S&D centers with a total warehousing space of 1 million sq ft (msf). Out of these, 20 S&D centers, with coverage of 0.7 msf, 70% are leased. The remaining 0.3 msf with eight S&D centers are owned.

**Onset of GST:**
GST implementation will facilitate shift of business from unorganized players (Goods Transport Agents) to organized players like TCI Express. Organized logistics service providers are subject to full service tax rate of 15% while unorganized Players (Goods transport Agents) enjoy 70% abatement in service tax. This differential along with higher compliance cost makes organized Logistics players pricier by close to 30%. Besides, customers doing under- invoicing prefer unorganized players as they do not insist on full compliance. A significant chunk of the unorganized players in logistics sector will have to register themselves with Tax authorities and fulfill compliance requirement removing compliance related arbitrage opportunities. This will increase their operating cost as well which will reduce price differential with organized players. Further, with the provision of input tax credit available under GST, customers will find it advantageous to make proper declaration of value/ volume of goods. Hence, quality of service and Geographic reach of Operator rather than pricing alone will be key deciding factor. This will provide tremendous boost to organized players like TCI Express ltd.

=> Some of the other benefits are expected to be as follows:
- Idle time for truck fleet is expected to reduce 20% due to elimination/rationalization of check post between states (more than 20 states have already removed check posts).
- Elimination of octroi is expected to reduce congestion and improve productivity for logistics industry for distribution in large cities.
- Higher automation coupled with larger warehouses would result in improved infrastructure and economies of scale.

**Sorting centers to lead to improved efficiencies:**

In FY17, TCIEL made changes in its distribution strategy. Earlier, the consignments used to arrive at the consolidation hub unloaded, marked and numbered and then shifted to respective sorting centers for final delivery. However, recent changes involve elimination of transportation to nearby branches and directly ship consignments from its pick-up point to the nearest sorting centre and direct shipment to consumer. The strategy has not only led to time saving but also resulted in a reduction of fixed overheads resulting in margin improvement. The strategy was implemented in FY17 over eight to 10 metro cities. The strategy is further expected to get extended to other cities in FY17-18. However, it would not be possible across all routes as synergies could be derived only on high density routes.

**RISKS:**

- Logistics is a very competitive industry and pricing plays key role in business growth. In case company fails to keep itself competitive on pricing front, it may find it difficult to grow the volume as projected. This may have adverse impact on topline growth of the company.
- Diesel price is highly volatile and company's inability to pass on the increased cost could lead to pressure on profitability. This may lead to actual profitability falling short of projected one and this poses downside risk to our targeted valuation.

To mitigate the cost TCI Express has added Diesel Fuel Surcharge (DFS) in its contract, both with its vendors and customers.

- Companies starting their own logistics division like Amazon's E-Kart will always be a concern for the logistics company.
- Technology risk - Increasing competition from startups and tech giants implementing emerging technologies Big Data analytics, driverless cars, 3D printing) and providing platform-based and dedicated delivery solutions. IT risks relating to malfunction or disruption in the operation of the systems, or a security breach, could adversely impact the company's ability to compete.
- Reputation risk - Risk to reputation/brand as a result of negative assessment or comments from stakeholders.

Figs In Lakhs

| | Assets as on 31st March, 2017 | Addition During 9MFY 2017-18 | Total Fixed Assets as on 31st Dec, 2017 | Proposed CAPEX For FY2017-18 |
|---|---|---|---|---|
| Sorting Centers- Land & Construction | 8850 | 3408 | 12154 | 5000 |
| Cars | 249 | 194 | 443 | 100 |
| Plant & Machinery | 621 | 113 | 734 | 200 |
| IT (Hardware & Software) Equip. | 336 | 185 | 521 | 200 |
| Office Equip. | 241 | 179 | 420 | 300 |
| Furniture & Fixtures | 331 | 125 | 456 | 200 |
| **Total** | **10628** | **4204** | **14728** | **6000** |

**Capital Expenditure**

Source: Investor Presentation

**COMPETITORS**

| Company Name | Transportation | | | | Storage | | | | Express/ LTL |
|---|---|---|---|---|---|---|---|---|---|
| | Road | Air | Rail | Water | Warehousing | CFS/ICD | Cold Chain | Bulk Liquid | |
| **Listed Entities** | | | | | | | | | |
| TCI Express | Yes | Yes | - | - | - | - | - | - | Yes |
| Blue Dart | Yes | Yes | - | - | - | - | - | - | Yes |
| VRL Logistics | Yes | - | - | - | - | - | - | - | Yes |
| Gati Limited | Yes | Yes | Yes | - | - | - | Yes | - | Yes |
| TCI | Yes | Yes | Yes | Yes | Yes | - | Yes | - | - |
| **Private Players** | | | | | | | | | |
| Delhivery | Yes | - | - | - | Yes | - | - | - | Yes |
| Rivigo | Yes | Yes | - | - | - | - | Yes | - | Yes |
| Safexpress | Yes | Yes | - | - | - | - | Yes | - | Yes |
| DHL | Yes | Yes | - | - | - | - | - | - | Yes |
| Fedex | Yes | Yes | - | - | - | - | - | - | Yes |

Source: ICICI

TCIEL could be characterized as a less than truckload player (LTL), which operates in a time sensitive cargo segment. The segment competes with the likes of Gati ltd., BlueDart and VRL Logistics (LTL) in the listed space.
However, in the unlisted space, it competes with the Indian operations of DHL and FedEx.

| COMPANY/METRICS | MCap (cr.) | Price/Sales | Cash Conversion (days) | Debt/Equity | Interest Coverage | ROA (avg. 5 yrs) % |
|---|---|---|---|---|---|---|
| **Blue Dart** | 8818 | 3.24 | 7.56 | 0.64 | 8 | 22.78 |
| **Gati Limited** | 1083 | 0.63 | 58.24 | 0.87 | 2.69 | 6.17 |
| **TCI Express** | 2028 | 2.3 | 36 | 0.2 | 26.15 | 18.06 (1 yr) |

| COMPANY/METRICS | P/BV | EV/EBITDA | P/E | ROE % | ROCE (avg. 5 yrs) % | Price/Cash Flow |
|---|---|---|---|---|---|---|
| **Blue Dart** | 14 | 31.95 | 66.56 | 28.14 | 49.54 | 62.22 |
| **Gati Limited** | 1.77 | 10.53 | 20.38 | 5.2 | 7.08 | 11.33 |
| **TCI Express** | 9.46 | 24.69 | 37.19 | 29.57 | 35.95 (1 yr) | 29.22 |

Due to different business models, TCI Express can’t be compared to its peers.
With a vendor network of 3000+ containerized trucks, 550 branches and 28 sorting centers (mainly leased), TCIEL operates on an asset-light business model. In contrast, VRL (trucks, warehouses) and BlueDart (flight carriers) own and manage their assets.
Blue Dart is more into airlines and also caters low weight packages such as documents.
Gati Limited is a multi-service company providing services like rail transport and cold chain facilities unlike TCI Express. .

# SECTOR

The transport and Logistics sector is fundamental to the development of the country. Indian Logistics is expected to grow at CAGR of 12.17% by 2020 driven by the growth in FMCG, retail, manufacturing and E-Commerce sectors. India spends around 13% of its GDP on logistics and transportation as compared to less than 8% spent by other developed countries.
The key drivers of this growth are infrastructure investment associated with ports, airports and other logistics development plans, domestic demand growth and increasing trade.
Indian Logistics industry is fragmented and under developed. Logistics costs are generally higher due to poor physical and communication infrastructure; high dwell time at ports; low level of containerization.

**Trends:**
- Onset of GST and E-Way Bills
- Investment in Infrastructure
- Infrastructure status of Logistics

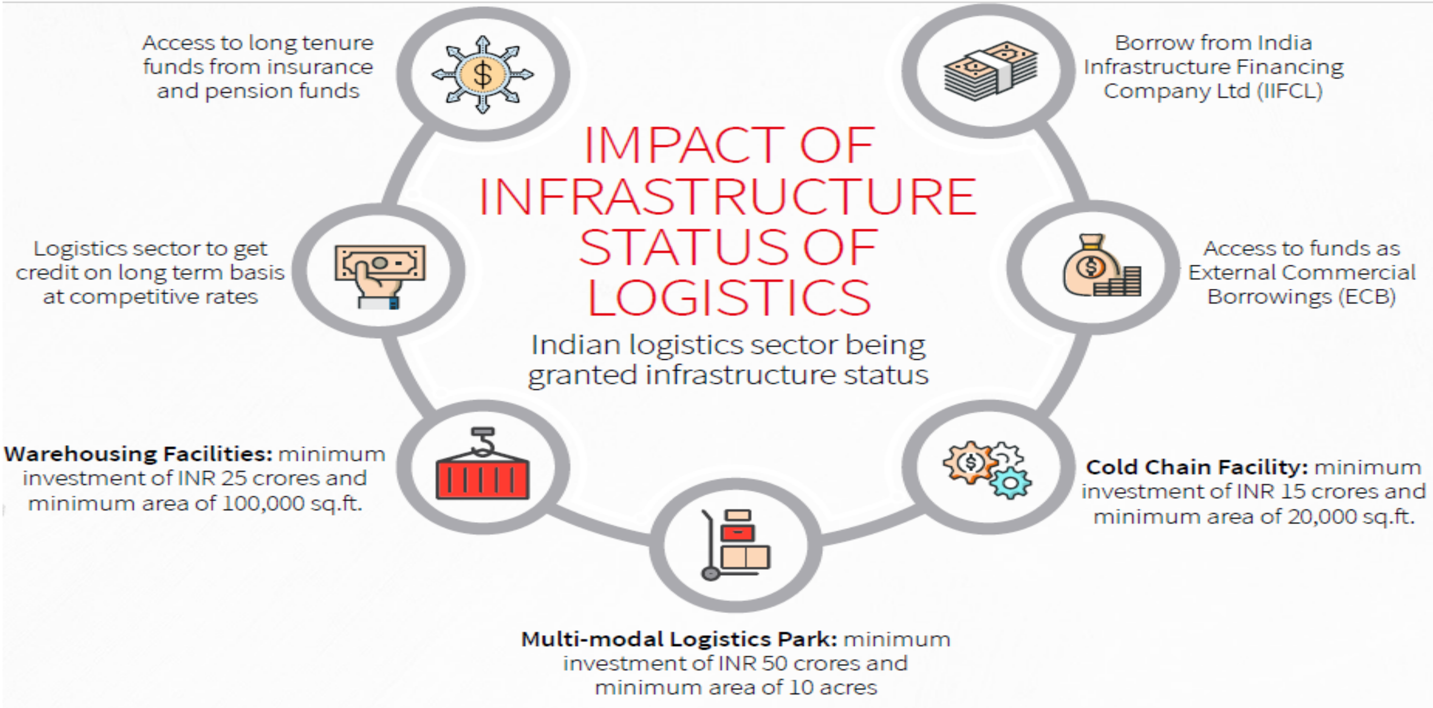
=> **GST**

**- Hub and Spoke:**
Organizations will now be able to explore a different distribution model instead of the traditional carrying and forwarding (C&F) distributor-based models. Growing demand for Larger Hubs / Regional Distribution Centre as well as Smaller ‘Spoke’ warehouses.
**- Consolidation:**
Post GST, the focus would shift on efficiency rather than tax saving through smaller warehouses. Companies to restructure their warehousing portfolio to bring in larger ‘supply - chain’ efficient warehouses, typically built to their specific warehouse requirements.
**- Quicker Supply:**
State-border checkpoints for scrutiny and location based tax compliance, which accounts for almost 60% of a truck’s transit time, can hugely reduce, thus facilitating quicker supply.
**- Efficient and Larger Warehouses:**
Efficient warehouse management is expected to boost the sector as the warehouses are expected to have that ‘economics of scale’ thus increasing Per Cubic Meter storage efficiency of warehouses.
**- More Organized Logistics Players:**
Existing organized warehousing developers can expect significant increase in demand. More organized players are expected to enter the sector.
**- Larger Investment:**
Warehousing developers are investing in larger logistic parks and buying land at strategic locations.
**- Reduced Cost to Customers:**
Reduction in tax cascading may lead to lower cost of production and distribution which can be eventually passed on to consumers.
**- E-Way Bills:**
It is a document required for intra-state movement of goods and transport companies stands responsible for creation of it for each of their order. This added obligation hinders the smooth functioning of their operations due to which many transporters have began shifting this task to the order company which isn’t welcomed by the businesses, further leading to distorted relationships between the logistic companies and their vendor companies.

=> **Investment in Infrastructure**

- Government increased allocation to infrastructure by more than Rs 1 lakh crore for financial year 2018-19.
- Allocation for the road sector has been increased to Rs 70,544 crore compared to Rs 60,671 crore in 2017-18.
- For the transportation sector as a whole, including roads, rail and shipping, the government has provided Rs 1.34 lakh crore compared to Rs 2.4 lakh crore in 2017-18.

=> **Infrastructure Status**




Source: JLL Indian Logistics report

- Infrastructure industries in comparison to typical manufacturing sector gets both longer maturity loans and easier lending terms. Logistics companies will now also enjoy the option of refinancing. Moreover, the infrastructure status will give them access to cheaper foreign currency funding through the external commercial borrowing (ECB) route.

Logistics companies will be able to:

- Access larger amounts of funds as External Commercial Borrowings (ECB)
- Access longer-tenure funds from insurance companies and pension funds, and
- Be eligible to borrow from India Infrastructure Financing Company Limited (IIFCL)

- The logistics spend in India is almost 13% of the GDP, compared to well below 10% for the advanced countries. This high logistics cost added to the cost of Indian goods makes them less competitive in domestic and international markets. But with GST coming in, and the above-mentioned easier access to capital and long-term borrowing, large format warehouses will soon crop up across the country. This will eventually bring down the cost of logistics, which, in turn, will boost demand for Indian goods and further the Make in India cause. The domino effect would also lead to job creation.

- Logistics infrastructure will include Multimodal Logistics Parks comprising Inland Container Depot (ICD) with minimum investment of Rs 50 crore and minimum area of 10 acre, cold chain facilities having an investment of at least Rs 15 crore and minimum area of 20,000 sq ft, and warehousing facilities with investment of a minimum Rs 25 crore and over 100,000 sq ft area. Industry players expect this to attract a great deal of private investment in the sector.

# FINANCIALS

## INCOME STATEMENT

| Metric/Figures | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Sales | 753.87 | 663.19 | 658.63 | 600.22 | 555.67 |
| % Growth | 13.67 | 0.69 | 9.73 | 8.02 | - |
| Total Expenses | 687.61 | 608.77 | 607 | 551.97 | 510.18 |
| **EBITDA** | **66.26** | **54.42** | **51.63** | **48.25** | **45.49** |
| EBITDA Margin | 8.79 | 8.21 | 7.84 | 8.04 | 8.19 |
| % Growth | 21.76 | 5.40 | 7.01 | 6.07 | - |
| Other Income | 1.37 | 0.15 | 0.28 | 0 | 0 |
| Depreciation | 4.31 | 5.79 | 6 | 4.39 | 4.44 |
| **EBIT** | **63.32** | **48.78** | **45.91** | **43.86** | **41.05** |
| Interest | 1.87 | 5.25 | 5.76 | N.A | N.A |
| **EBT** | **61.45** | **43.53** | **40.15** | **N.A** | **N.A** |
| EBT Margin | 8.15 | 6.56 | 6.10 | N.A | N.A |
| Tax | 20.73 | 15.26 | 13.9 | N.A | N.A |
| **Net profit** | **40.72** | **28.27** | **26.25** | **N.A** | **N.A** |
| Net Margin | 5.40 | 4.26 | 3.99 | N.A | N.A |
| % Growth | 26.71 | 6.95 | - | N.A | N.A |

## BALANCE SHEET

| Metric/Figures | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Equity Share Capital | 7.66 | 7.61 | 0 | 0 | 0 |
| Reserves | 152.35 | 115.37 | 115.43 | 101.97 | 93.46 |
| Borrowings | 31.61 | 40.81 | 0.55 | | |
| Trade Payables | 37.8 | 23.16 | 22.67 | | |
| Other Liabilities | 60.86 | 34.71 | 5.65 | 22.47 | 23.21 |
| Total Liabilities | 290.28 | 221.66 | 144.3 | 124.44 | 116.67 |
| **Net Block** | **98.43** | **63.75** | | | |
| Work-In-Progress | 7.85 | 9.07 | **14.61** | **16.95** | **19.45** |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Other Assets | 146.2 | 125.68 | 129.69 | 107.49 | 97.22 |
| Total Assets | 252.48 | 198.5 | 144.3 | 124.44 | 116.67 |
| **Receivables** | **114.91** | **105.39** | **101.5** | **N.A** | **N.A** |
| Inventory | 0 | 0 | 0 | N.A | N.A |
| Cash & Bank | 8.78 | 10.91 | 7.14 | N.A | N.A |
| No. of Equity Shares | 3.83 | 3.83 | - | - | - |
| New Bonus Share | - | - | - | - | - |

## CASH FLOW STATEMENT

| Metric/Figures (cr.) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Cash flow from Operating | 51.82 | -76.75 | N.A | N.A | N.A |
| Cash flow from Investing | -39.19 | -75.76 | N.A | N.A | N.A |
| Cash flow from Financing | -14.75 | 163.28 | N.A | N.A | N.A |
| **Net Cash Flow** | **-2.12** | **10.77** | **N.A** | **N.A** | **N.A** |

## RATIOS (2016-17)

| Performance Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|
| **ROA %** | **ROE %** | **RoCE %** | **Asset Turnover** | **Inventory turnover** | **Debtors Turnover** | **Working Capital/Sales** | **Sales/Fixed Assets** |
| 18.06 | 29.57 | 35.95 | 3.34 | 0 | 6.84 | 14.2 | 7.6 |
| **Margin Ratios %** | | | | | | | |
| **EBITDA** | **EBIT** | **PreTax** | **PAT** | | | | |
| 8.79 | 8.35 | 8.15 | 5.4 | | | | |
| **Cash Conversion Cycle** | | | | | | | |
| **Receivables Days** | **Inventory Days** | **Payables Days** | **CCC** | | | | |
| 53.33 | 0 | 17.21 | 36.12 | | | | |
| **Financial Stability Ratios** | | | | | | | |
| **Current Ratio** | **Quick Ratio** | **Debt/Equity** | **Interest Coverage** | | | | |
| 1.6 | 1.6 | 0.2 | 26.15 | | | | |
| **Cash Flow Ratios** | | | | | | | |
| **Cash Flow /Share** | **Price/Cash Flow** | **Price/Free Cash Flow** | **Free Cash Flow/Share** | **Free Cash Flow Yield** | **Sales/Cash Flow** | | |
| 13.53 | 29.22 | 135.99 | 2.91 | 0.01 | 14.55 | | |
| **Valuation Ratios** | | | | | | | |
| **P/E** | **P/BV** | **EV/EBITDA** | **EV/EBIT** | **EV/CE** | **EV/Sales** | **M.Cap/Sales** | **Price/Sales** |
| 37.19 | 9.46 | 22.54 | 24.06 | 6.09 | 2.04 | 2.01 | 2.28 |

## FINAL COMMENT

Given the focused approach coupled with aggressive capital outlay, higher return ratios (after Blue Dart), low leverage ,asset light model of the company with no client contributing more than 1% in company's revenues and market leadership in surface bound express logistics, TCIEL is expected to continue to post industry leading growth rates.
The business is expected to get benefitted by both increased sales and reduced expenses over next 4-5 years. The change in strategy of bringing parcels from origin place directly to the nearby sorting center would save the related overhead expense and time. CapEx in Sorting centers would make them more mechanical, multi-specialist in handling the goods and also will be able to compile and sort parcels in bulk which would lead in reducing labor cost, improve services by increasing accuracy and ensuring faster turnaround, thus, increasing sales. Onset of GST, over the years, will shift a good chunk of unorganized players to organized market, reduce idle truck time at check posts and also with the employment of hub & spoke model, company will be in position to boost the sales in an organized and efficient manner.
These all factors collectively will make company's financials healthier in years to come.

**REFERENCES:**


- Web based software Ace Analyzer
- Company's financial reports
- Management interviews
- KPMG transport tracker report
- JLL Indian Logistics report
- PwC's – The future of the logistics industry


**Disclaimer:**

I am not a SEBI registered Research Analyst. This report does not serve the purpose of recommendation.
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