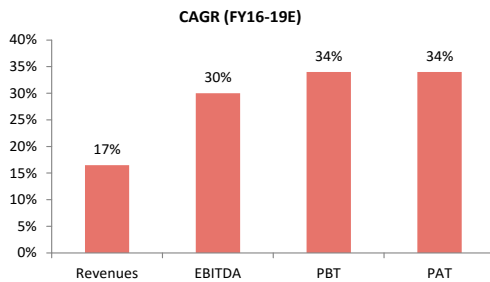


March 15, 2017

Logistics Sector Outlook - Positive



Stock Recommendation	Buy
CMP (₹)	311
Price Target (₹)	546
Upside	75%
52 Week H / L ₹	386/265
BSE 30	29443

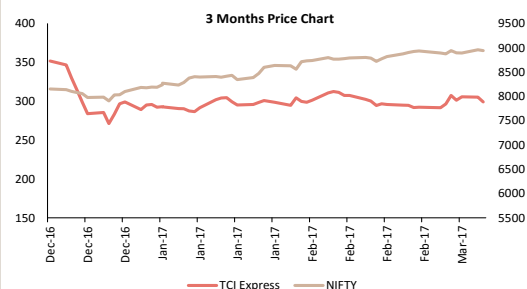
Key Data

No. of Shares, Mn.	38.3
Mcap, ₹ Mn	11714
Mcap USD Mn @₹67	175
2 W Avg Qty, (BSE+NSE)	27717

Shareholding, Dec'16

Promoters	66.1
FII	2.1
DII	9.5
Public & Others	22.38

Performance	1 M	3 M	6 M	12 M
Stock Return %	-4.3%	2.1%	--	--
Relative Return %	-6.3%	-6.4%	--	--



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TCI Express is a leader in surface based third party express logistic service provider with 550 owned branches across India, 3000+ pick-up points and 13000+ delivery locations across India.

Promising play in 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 organised 3PL logistics with presence across four corners of the country and across product line is a good proxy play on high growth 3PL in India.

Enhanced focus on B2C logistics would lead to faster topline growth: E-Commerce based B2C business is expected to grow @ CAGR of 40%-50% and would contribute 15%-20% to company's topline by FY21E from 5% in FY16. B2B part of the business is expected to grow @ CAGR of 13%-14% during the same period due to more aggressive and focussed approach taken by company. As a result of this, consolidated turnover of the company is expected to grow at CAGR between 15%-20% over next 5 years, which is much higher than its previous 5 years CAGR of 7.5% between FY12-FY16.

Cost cutting measures would lead to margin enhancement: Company is in the process of taking various cost cutting measures to enhance EBITDA margin. Directly transporting pick-up consignment to sorting centres instead of current practice of taking to home branch first, replacing of leased warehouses with company owned warehouses over next 4-5 years and accepting E-Commerce business above a threshold margin are some of the steps which company would be taking which will help expand EBITDA margin by 400 bps over next 3-4 years from 8.25% in FY16.

GST: a near term growth catalyst: Organised logistics service providers are disadvantaged due to higher tax incidence and higher compliance cost faced by them. GST is expected to reduce this arbitrage (cost and compliance) significantly and hence quality of service and Geographic reach of operator will be key deciding factor. This will provide tremendous boost to organized players like TCI Express Ltd. On conservative basis, we expect incremental topline boost of 5% due to GST implementation.

Prudent Risk management reduces risk substantially: Company has followed risk mitigation strategies very prudently. 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 sectoral exposure, company caters to diverse sectors ranging from Pharma and Auto to Capital Goods and Retail. As a result of prudent risk management practice, company's revenue and profitability is growing in secular manner and is free from volatility.

Buy with a price target of ₹546:

At CMP of ₹311 stock is trading at 23x FY18E and 16.8x FY19E which is very attractive. Looking at 34% CAGR PAT growth between FY16 and FY19, higher return ratios, asset light model of the company and market leadership in surface bound express logistics we value the company conservatively at 30x FY19E EPS (@ discount of 28% to Sector Leader Blue Dart). Thus our fair value comes at ₹546. We recommend "Buy" on TCI Express Ltd with price target of ₹546 which gives us upside potential of 75%.

Financials	Revenues ₹ Mn	EBIDTA Mn Mn	PAT ₹ Mn	EPS ₹	P/E x	EV/EBIDTA x	ROAE %
FY16	6632	544	287	7.5	40.8	22.1	24.1
FY17E	7650	694	393	10.3	29.8	17.4	28.0
FY18E	8954	908	509	13.3	23.0	13.3	28.3
FY19E	10529	1205	696	18.2	16.8	9.9	29.9

Source: Company, Sunidhi Research

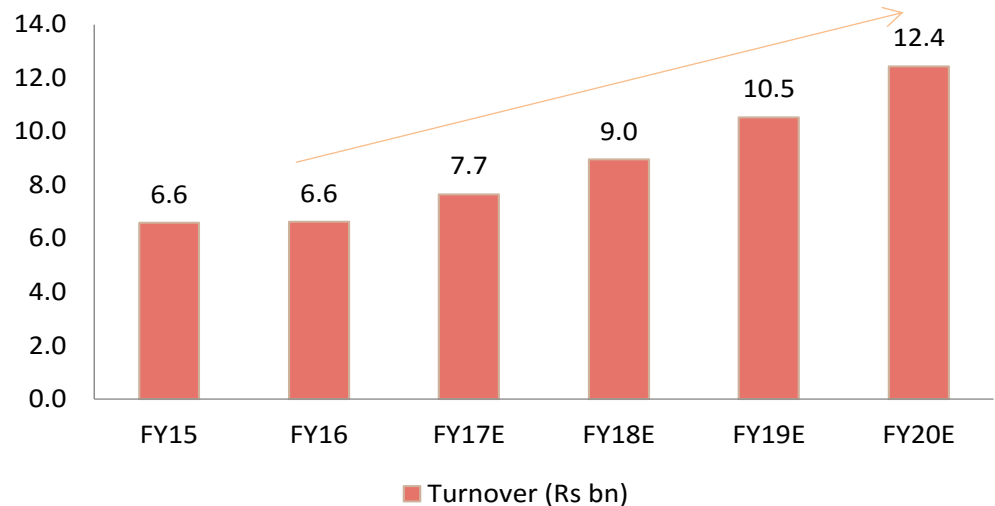
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**Key Investment Rational:**

Promising play in 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. TCL Express Ltd, a leading player in organised 3PL logistics with presence across four corners of the country and across product line is a good proxy play on high growth 3PL in India.

Enhanced focus on B2C logistics would lead to faster topline growth: TCL Express clocked turnover of ₹ 6.62bn in FY16 and B2C business contribution has been close to 5% (₹350mn). Shifting preference of E-Commerce players towards surface transport due to its cost efficiency has created huge business opportunity for players like TCL Express. Company is selectively looking out for profitable business opportunity in E-commerce space. Flipkart, Snap deal, Homeshop18 and Shopclues are existing clients of the company while it is in negotiation with Amazon and Alibaba to explore further business opportunities. Due to combination of these factors, management is optimistic that E-Commerce based B2C business would grow @ CAGR of 40%-50% and would contribute 15%-20% to company's topline by FY21E from 5% in FY16. B2B part of the business is expected to grow @ CAGR of 13%-14% during the same period due to more aggressive and focussed approach taken by company. As a result of this, consolidated turnover of the company is expected to grow at CAGR between 15%-20% over next 5 years, which is much higher than its previous 5 years CAGR of 7.5% between FY12-FY16. Company is also actively looking to acquire a small size player in Exim Trade Logistics space to get a head start there. In case, this plan materialises, it will provide further boost to company's earnings and profitability.

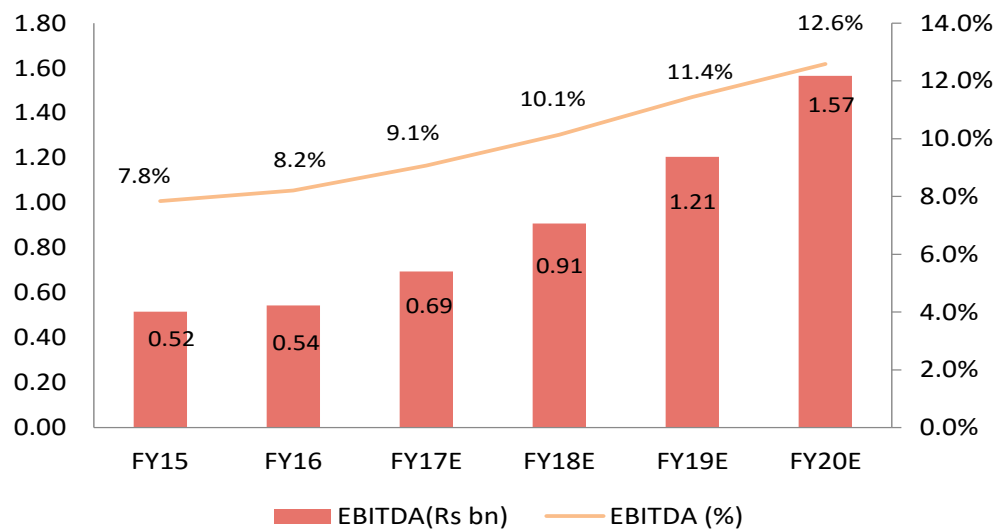
TCL Express -Yearly Turnover projection (₹ mn)

Source: Industry, Sunidhi Research



Cost cutting measures would lead to margin enhancement: Company currently makes EBITDA margin of 8.25% and is looking for ways to cut costs in order to enhance profitability. With this objective in mind, company has henceforth decided to directly ship consignments from its pick-up point to the nearest sorting centre instead of hitherto prevailing practice of first taking the consignment to home branch, unload there, mark and number and then load it back to be taken to sorting centre. This move will not only save time but will lead to cost savings in the form of lower fuel, loading and unloading expenses which could boost EBITDA margin by 250-300 bps over next 12-24 months. Company has 24 sorting centres and 80% (20 No.s) of them are on lease. Rent expenses are close to 1.5%-2.0% of company's topline. Company plans to spend close to ₹ 2 bn between FY17-FY21 in order to replace all the leased warehouses with company owned warehouses. Post completion of this capex EBITDA margin of the company could expand by additional 150bps. Further, company has set up threshold EBITDA margin of 15%-20% to accept E-Commerce related transportation business and hence would be seeking business opportunities in those geographic areas where it can command such margins. As a combined impact of these cost reduction and margin enhancement strategies, we believe TCL Express would be able to expand its EBITDA margin to upwards of 12% mark by FY21E from current level of 8.25%.

TCL Express- EBITDA margin Projection



Source: Industry, Sunidhi Research

GST: a near term growth catalyst: From the news that is coming out in media, GST is expected to come in force from July 1, 2017. GST implementation will facilitate shift of business from unorganised players (Goods Transport Agents) to organized players like TCL Express. Organised logistics service providers are subject to full service tax rate of 15% while unorganised Players (Goods transport Agents) enjoy 70% abatement in service tax. This differential along with higher compliance cost makes organised Logistics players pricier by close to 30%. Besides, customers doing under-invoicing prefer unorganized players as they do not insist on full compliance. With GST registration threshold set at ₹ 2 mn, a significant chunk of the unorganised players in logistics sector will have to register themselves with Tax authorities and fulfil 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 TCL Express Ltd. On conservative basis, we expect incremental topline boost of 5% due to GST implementation.



Prudent Risk management reduces risk substantially: Company has followed risk mitigation strategies very prudently. Every long haul route is at least served by two truck operators to avoid overdependence on Single one. Similarly company does not hire more than 10 trucks from a single truck operator. 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 and top 10 clients account for less than 10% of company’s topline. Further, in terms of sectoral exposure, company caters to diverse sectors ranging from Pharma and Auto to Capital Goods and Retail. Not only this, its revenue mix strikes balance between volume and pricing where 60% revenue comes from low margin but stable (read long term) business while remaining 40% is decided bilaterally where company enjoys better pricing. As a result of prudent risk management practice, company’s revenue and profitability is growing in secular manner and is free from volatility.

SWOT Analysis:

Strengths

- 1. TCL express has the largest number of touch points among peers in surface transport network . This gives it competitive advantage in terms of customer reach.
- 2. Asset light model helps the company to grow faster with less amount of capital. Company’s Fixed Asset Turnover is 8-9x compared to 3.5x for Blue Dart.

Weaknesses

- 1. Company’s presence in high margin Air logistics business is limited.



Opportunities

- 1. Shifting of E-Commerce logistics towards surface transport from Air Transport provides tremendous business opportunity to TCL Express.
- 2. Implementation of GST will help the company garner additional business from unorganised space (GTA- Goods Transport agents)

Threats

- 1. Any abrupt hike in diesel price may pose risk to company’s margin.
- 2. Logistics Industry is highly competitive with many players compromising on margins to gain business. This can have adverse impact on company’s profit margin.

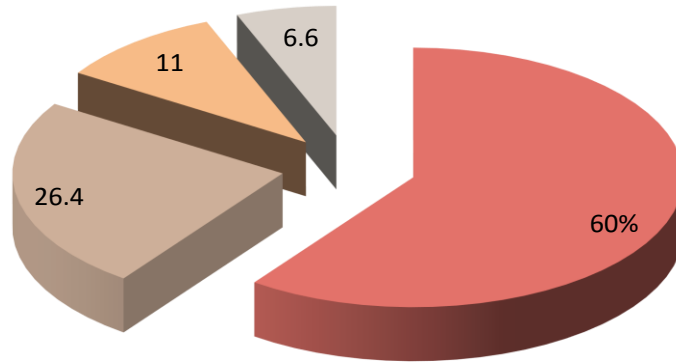


Sector View:

Logistics Sector In India: Key segments

Transportation (Road, Rail, Water & Air) is the largest segment of Indian Logistics Industry (current size USD234bn) accounting for almost 60% of total industry size while value added logistics services is only 6%.

Segment wise bifurcation of Indian Logistics

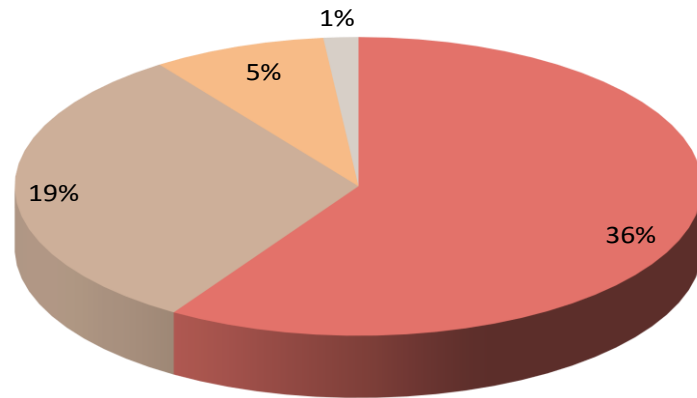


■ Transportation ■ Warehousing ■ Freight Forwarding ■ Value added Logistics

Source: Industry, Sunidhi Research

Transportation segment (USD 140bn) which accounts for 60% of Total Indian logistics sector, can be further divided into sub segments as follows.

Transport as % of Total logistics



■ Road ■ Rail ■ Water ■ Air

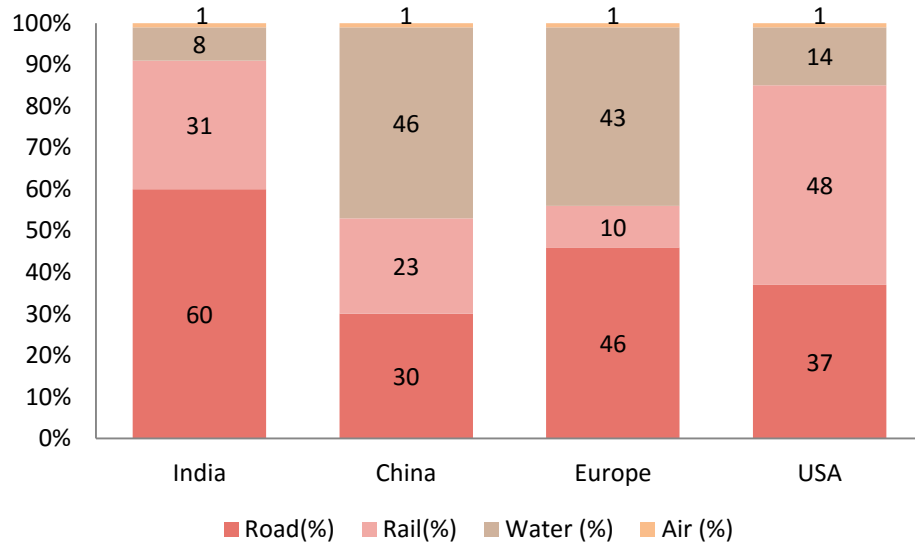
Source: Industry, Sunidhi Research



Indian Logistics Industry: Key Trends

1. Dependence on road for transportation is the highest in India at 60%.

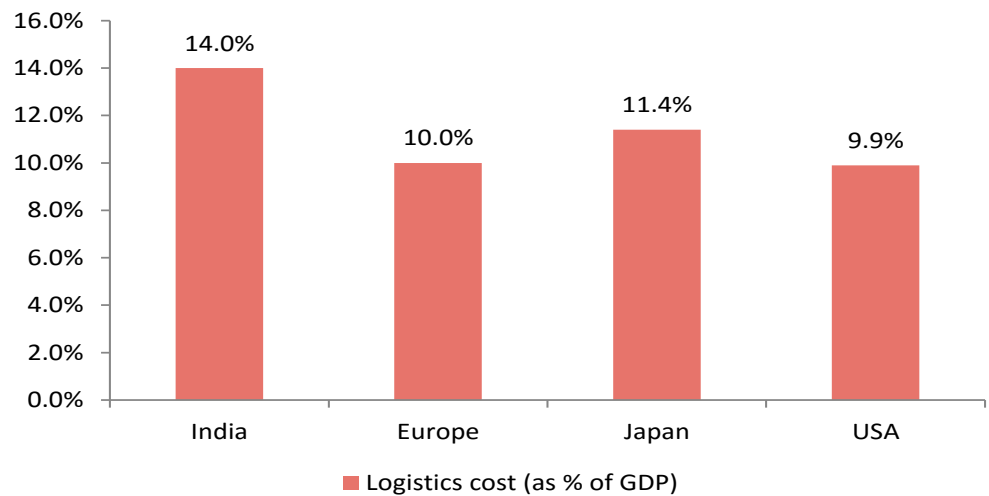
Countrywise mode of Transport (%)



Source: CII, Sunidhi Research

2. Due to this inherent anomaly which is further aggravated by poor quality of roads and other infrastructure related bottlenecks (port congestion, lack of dedicated freight tracks, interstate check points etc) logistics cost in India is uncompetitive compared to other countries.

Logistics cost (as % of GDP)



Source: Industry, Sunidhi Research

3. In past couple of years, with strict priority accorded to easing this infrastructure bottlenecks by the Government along with gradual adoption of best global practices by Indian logistics players (after being acquired by global logistics players), India's global ranking in logistics has improved by 19 notches and it now ranks 35th in world bank Logistics Performance Index (LPI) 2016 compared to 54th rank in 2014.

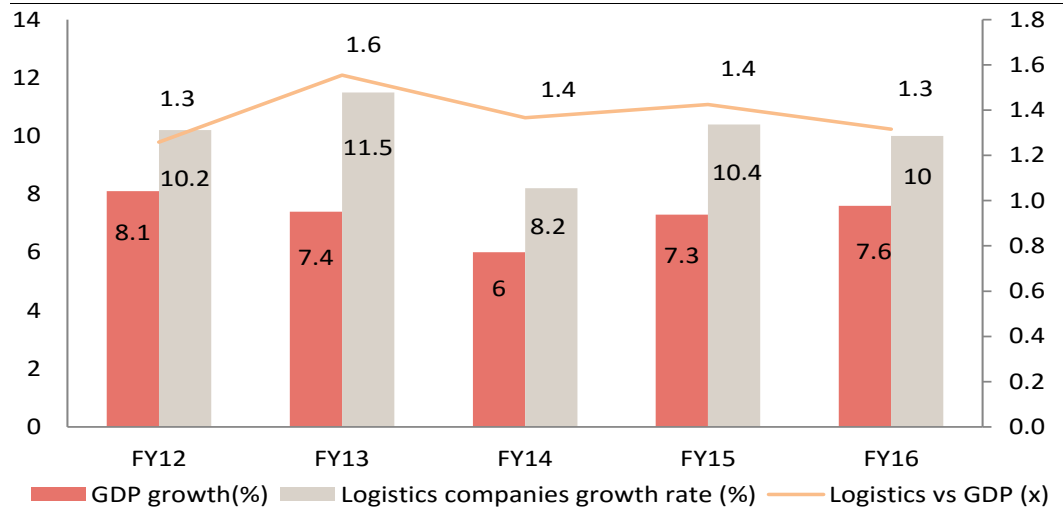


Country	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking & Tracing	Timeliness	LPI Rank
Germany	2	1	8	1	3	2	1
Singapore	1	6	5	5	10	6	5
HongKong & China	7	10	2	11	14	9	9
USA	16	8	19	8	5	11	10
Japan	11	11	13	12	13	15	12
S.A	18	21	23	22	17	24	20
India	38	36	39	32	33	42	35
Brazil	62	47	72	50	45	66	55
Russia	141	94	115	72	90	87	99

Source: Industry, Sunidhi Research

4. Empirical evidence suggests that Logistics Industry in India has grown between 1.2x-1.6x growth rate in GDP.

India Logistics sector growth vs GDP growth

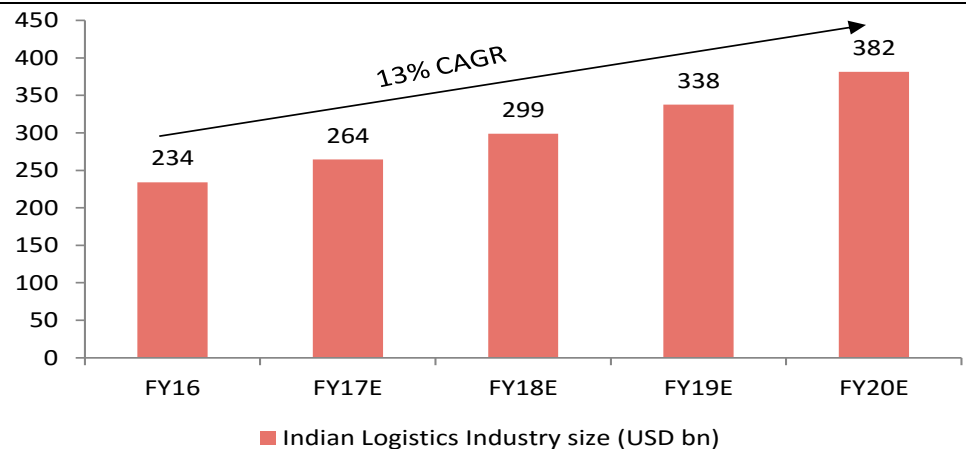


Source: Industry, Sunidhi Research

Indian Logistics: growth Forecasts:

Current value of Indian logistics industry stands at USD 234bn @ 13% of current GDP .Industry estimates suggest Indian logistics industry is expected to grow @ 13% CAGR over next 5 years period.

Indian Logistics Industry size (USD bn)



Source: Industry, Sunidhi Research



Key Growth Drivers:

Consumption led demand: Growth in per capita income along with exponential growth in E-Commerce will spur demand for logistics services.

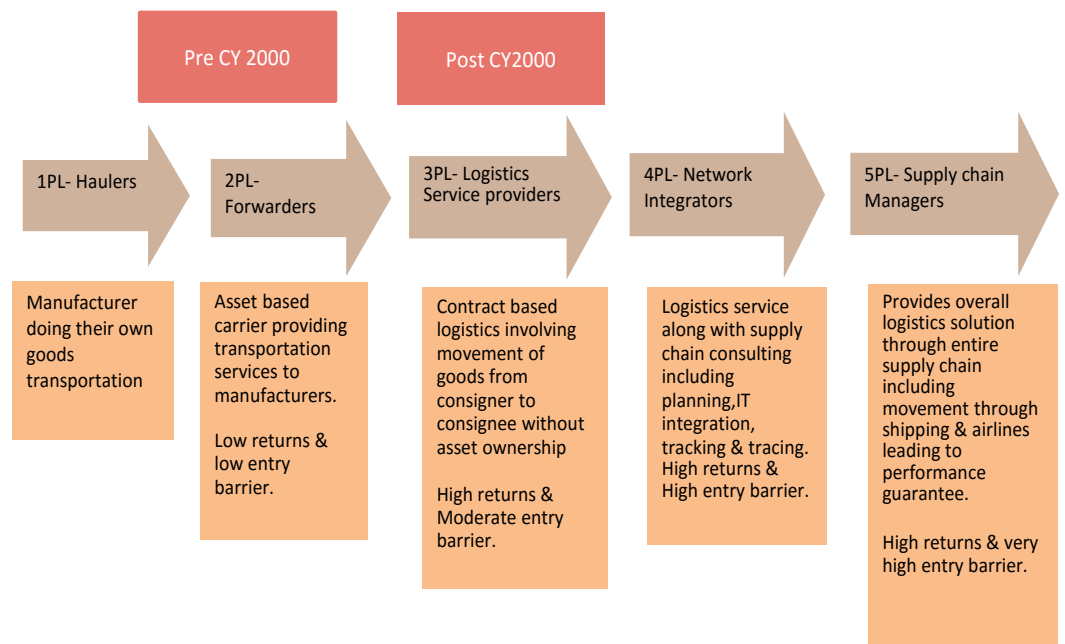
Manufacturing led demand: “Made in India “is a policy initiative of the current government to develop India as a global manufacturing hub.

Agriculture led demand: India is the second largest producer of fruits and vegetables globally however 30% of the production goes waste due to lack of cold storage facility. With focus on food processing, additional demand of 10mn Ton of cold storage infrastructure is needed.

Exim led demand: As per Indian ports association, Indian ports handled 972 mn metric Ton of cargo in 13-14 and this number is expected to grow to 2800mn MT by 2020.

GST is a game changer: Currently 29 states of India have their own rates of taxes besides the central tax that is applicable to movement of goods across the country. In spite of logistically not suitable, companies have to maintain godowns/ warehouses across different locations in order to avoid the hassles of compliance. GST is a colligation of multiple taxes levied by central and different state government’s taxes. This would not only lead to ease of doing business but would also lead to reduced tax. Currently on an average 26.5% tax is applicable on various goods (CENVAT-14% and VAT 14%) while GST rate is expected to be in the range of 18%-21%. Implementation of GST would lead to facilitation of Hub & Spoke model and 3PL service providers would have to relocate their warehouses which is logistically most suitable for their clients. This would lead to fresh demand of bigger and more integrated warehouses instead of current practice of having smaller godowns at multiple locations.

Evolution of Logistics Services in India:



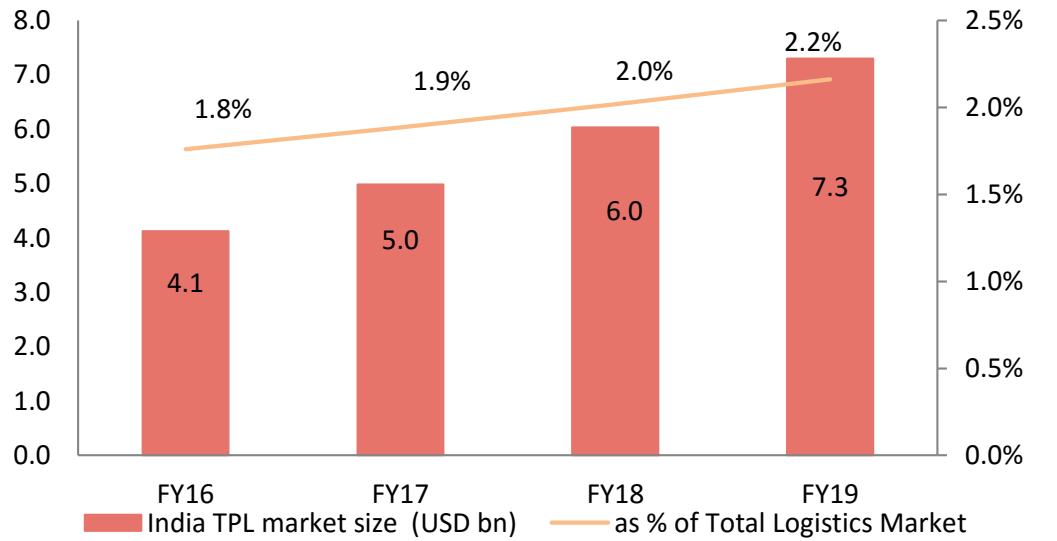
3PL in India: Highlights

- Changing view of corporate sector towards logistics as a source of competitive advantage than a mere cost centre is the key reason behind growing trend of outsourcing of supply chain to experts like third party logistics service provider.
- 3PL market in India is dominated by unorganized players who account for almost 91% of total 3PL market.



- Industry estimates suggest that 3PL market currently stands at 1.8% (USD 4.1bn)of Total Logistics market in India and is geared to grow at CAGR of 21% between FY16 –FY19 to reach a value of ₹ 480bn (USD 7.3bn) by FY19.

3PL Logistics growth in India



Source: Industry, Sunidhi Research

Category wise 3PL service providers in India:

Standard 3PL providers: This is the most basic form of 3PL where service provider performs basic activities like Pick& Pack, warehousing and Distribution. For majority of such players 3PL is not their main activity.

Service Developers: These kind of service providers offer advance Value added services like tracking & tracing, Cross docking, specific packaging, providing unique Security System etc. solid IT foundation and focus on economies of scale helps these players provide specialized services. Tiger Logistics falls under the segment of service developer kind of 3PL player.

The customer adapters: This type of 3PL providers come in at the request of the customer and essentially take over complete control over customers ‘logistics activity. They improve the customer’s supply chain dramatically but do not develop any new line of service. Customer base of these 3PL is very small.

The customer developers: This is the highest form of 3PL service where service providers integrates itself with customer and takes over entire logistics function. With fewer number of customers they do detailed and extensive tasks for them.

Prominent 3PL players in India:

All cargo Logistics, Aegis Logistics, Gati Ltd, DIESEL and TCI are some of the prominent names in 3PL in India. The other prominent vendors in the market include ABC India, AFL, AQUA Logistics, Atlas Logistics, and C.H. Robinson. CEVA Logistics, DELEX, DHL, Dynamic Logistics, Geologistics, GSI, Hyundai Glovis, Jeena and Company, Keery Logistics, Kheune, Mahindra Logistics, Malca-Amit, Maruti 3PL, Nippon Express, Patel Logistics, Redington, Reliance, Safexpress, SAL Logistics, Sinotrans, Take Solutions, TKM, Total Logistics, Transystem, and TVS.

3PL in India: Opportunities & Challenges

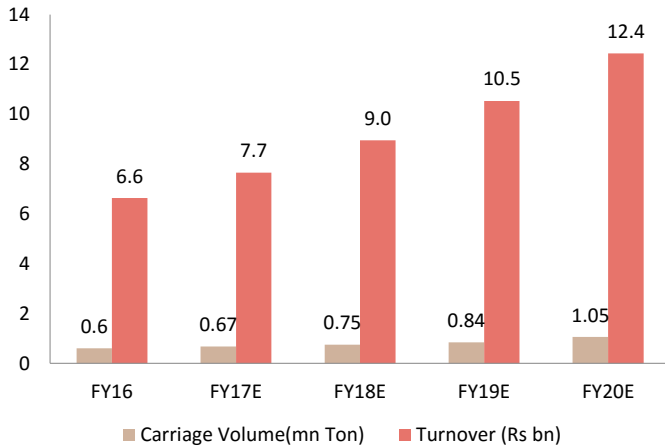
Opportunities: Express Logistics/ E Commerce, Temperature controlled logistics, Cash Management services (CMS) & Information Management services (IMS) are some of the potential high growth segments of 3PL in India. Implementation of GST will provide fresh opportunities for 3PL players in terms of realignment of warehousing and transportation needs of the clients.



Challenges : In order to meet complete logistic requirement of a globally inclined business organization, 3PL players need to invest heavily to acquire IT infrastructure , scale up their geographic reach and also enhance their know how. This would lead to consolidation of industry with regional /product focused players either being acquired by larger peers or forced to shut shop. Getting trained manpower to meet the changing needs of customer is also a big challenge for the sector.

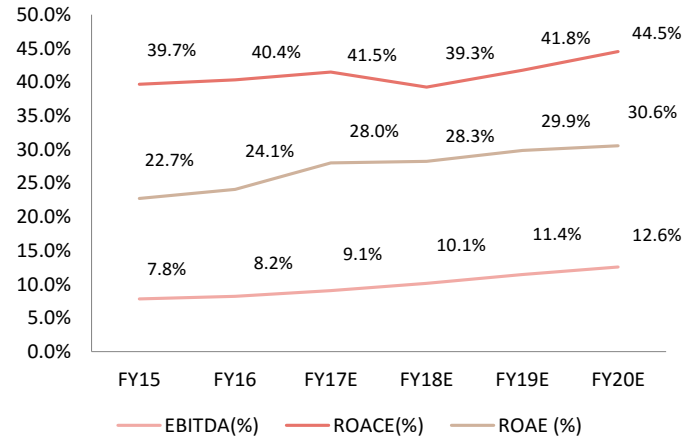
Financial Performance Analysis

Trend in Volume & Turnover



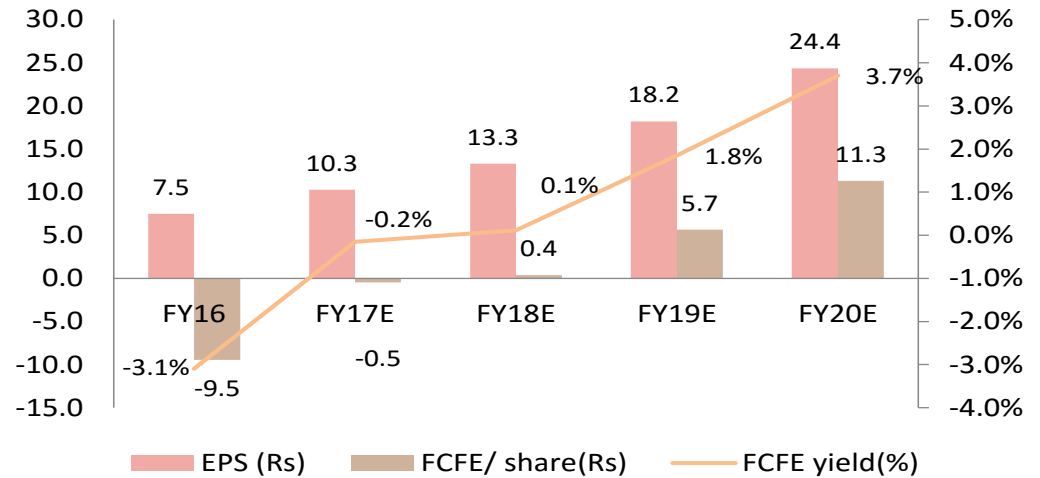
Source: Company, Sunidhi Research

Trend in profitability & Return Ratio



Source: Company, Sunidhi Research

FCFE/Share & FCFE Yield



Source: Company, Sunidhi Research

**Peer Comparison:**

Company	Sales CAGR(%)-FY17-FY19E	PAT CAGR(%)-FY17-FY19E	EBITDA (%)			ROACE (%)			ROAE (%)			D/E
			FY17E	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	
TCI Express	17.3	33.1	9.1	10.1	11.4	41.5	39.3	41.8	28.0	28.3	29.9	0.3
Blue Dart Express	13.7	21.0	11.2	11.9	12.1	29.5	30.2	35.2	32.6	31.7	29.2	0.9
Gati Ltd	21.6	61.0	8.3	9.7	10.7	10.4	11.9	13.9	4.7	5.7	7.8	0.9
GDL Ltd	13.0	34.9	21.1	23.1	23.4	7.4	10.8	NA	7.6	12.9	NA	0.2

Source: Bloomberg, Sunidhi Research

Company	CMP	P/E			P/B			EV/EBITDA		
		FY17E	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY17E	FY18E
TCI Express Ltd	311	29.8	23.0	16.8	7.4	5.8	4.4	17.4	13.3	9.9
Blue Dart Express	4869	62.53	52.0	42.7	14.6	12.3	9.6	38.6	32.3	27.21
Gati Ltd	130	15.6	10.2	7.3	2.0	1.9	1.7	10.0	7.0	5.3
GDL Ltd	253	26.9	18.9	15.5	2.4	2.3	2.1	2.8	2.4	2.2

Source: Bloomberg Consensus, Sunidhi Research

Valuation & Recommendation:**Buy with a price target of Rs 546:**

At CMP of ₹311 stock is trading at 23x FY18E and 16.8x FY19E which is very attractive. Looking at 34% CAGR PAT growth between FY16 and FY19, higher return ratios, asset light model of the company and market leadership in surface bound express logistics we value the company conservatively at 30x FY19E EPS (@ discount of 28% to Sector Leader Blue Dart). Thus our fair value comes at ₹546. We recommend “Buy” on TCI Express Ltd with price target of ₹546 which gives us upside potential of 75%.

Risk to Call:

Due caution has been exercised while making volume and pricing growth assumptions in coming years. In case actual growth in any of these parameters fall short of our projected number, it will have adverse impact on future revenue and profitability of the company. This could cause downward risk to fair value of stock.

Downside:

- 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.

Upside:

- In case company announces some domestic acquisition in near term, business volume may be higher than projected.
- Faster volume growth than anticipated due to quality of service and aggressive push by management may put upside risk to topline projection.
- Company is taking various measures to reduce cost. In case, it is able to reduce these cost cutting measures in a better and faster way, margin expansion may take place ahead of our expectation. This could result into better profitability than what we have projected, thus posing upside risk to targeted valuation.

**Company Background:**

- Headquartered in Gurugram (Previously Gurgaon), TCI Express Ltd was 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 hived off 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. Its own network of 550 branches cater to 3000+ pick-up locations and 13000+ 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.
- Company has transported 0.6 mn Ton cargo during FY16 with the help of 3000+ trucks.
- Currently 2500+ professionals are employed with the company.

Services bifurcation as per clientele:

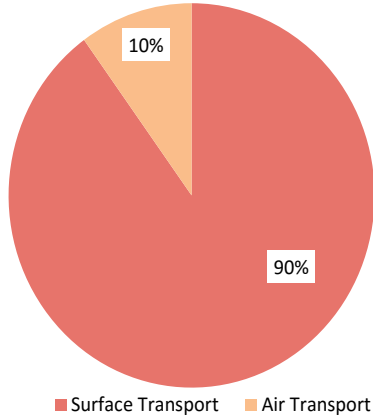
Express cargo is a generic term representing broad spectrum of transportation services offered by company. 95% of company's clientele is B2B in nature while remaining 5% is B2C (on behalf of E- Commerce players).

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

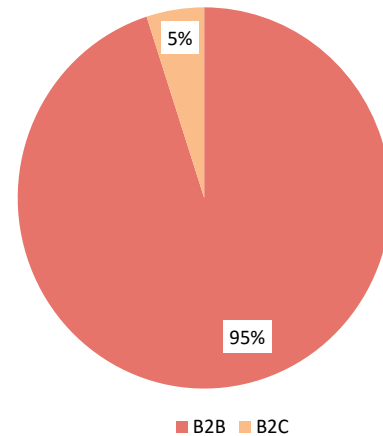
1. **Surface Express:** This is the core service offered by TCI express ltd to its B2B clients which include door-step pickup and delivery of consignments via 3000 pickup points and 13,000 delivery points. Besides regular pick-up and delivery company offers various value-added services like COD (cash on delivery), POD (Proof of Delivery), Octroi Clearance Service, DACC (delivery against Consignee Copy), ODA (Out of Delivery area) service, SMS alert, Multimodal 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 32kg per sample and services cover Airport-to-Airport, Door –to-Airport and Door-to-Door deliveries.

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. 107 booking locations and 169 delivery locations are covered under this service.

**Segmentwise Revenue Bifurcation:****FY16 Revenue Bifurcation by Mode (₹ Mn)**

Source: Company, Sunidhi Research

FY16 Revenue Bifurcation by Clientele type (%)

Source: Company, Sunidhi Research

Business Model:

TCI Express is predominantly B2B (95% of revenue) Express Logistics company involved into door-to-door pick-up and delivery of parcels (5Kg-40kg) in a time bound manner predominantly via Surface Transport. This way its business is more closer to Gati KWE. It differs from Blue Dart Express Ltd mostly in couple of ways. Firstly, Blue dart express is predominantly into transportation of documents where weight of single consignment can be as low as 25-30 grams or lower and secondly, Blue Dart is mainly into Air Express cargo.

Various facets of TCI Express business model can be highlighted as follows.

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 unorganised players where relationship holds the key. A significant chunk of this 40% revenue is repeat 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 (some portion repeat), 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 centres) 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 centres 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 Card Rate) 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 (around 7,000 in No.s) 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 202 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	

Key competitors:

Logistics business is crowded with many unorganized players some of whom are product focused, some are geography focussed while some are focussed on specific mode of transport. A list of peers who may or may not compete with the company across segments is as given below.

Domestic	Multinational
Gati KWE	TNT Express
Blue Dart Express	DHL
Delhivery	Fedex
E Cart	Panalpina
Amazon Surface Transport	
TVS Logistics	
Mahindra Logistics	

**Management Profile:**

Name	Profile
Mr D P Agarwal, Chairman	He is the original promoter of parent company TCIL and has got more than 5 decades of experience in Logistics Industry. His contribution in gradual shift of domestic logistics industry from unorganized to organized players has been immense.
Mr Chander Agarwal, MD	B.Sc (Business Admin), is also a director in TCIL. He has got special exposure in lean third party logistics. Currently he is spearheading Group TCI's international expansion across Asia, Latin America & Africa.
Mr Vineet Agarwal, Executive Director	B.Sc (Economics & Industrial Management), is the Managing Director of TCI. Under his leadership, TCI has adapted to new technologies and work systems to grow from strength to strength. He has played a key role in orienting the organization to move from being a mere trucking company to evolve as one of Asia's foremost integrated supply chain solutions provider.
Ms Taruna Singhi, Director	Alumni of Harvard Business School and IIM Bangalore, Ms. Taruna Singhi is also an entrepreneur having exposure in retail venture.
Mr Phool Chand Sharma, Whole Time Director	B.Com, alumni of Harvard Business School, IIM Ahmedabad, ISB, XLRI Mr. P. C. Sharma has been associated with TCI since 1982. His in-depth knowledge about the express distribution has helped him in expanding and maintaining the growth and success of TCI Express Ltd.
Mr Ashok Kumar Ladha, Independent Director	He has over 50 years of cumulative experience in the field of Production, Finance, Commerce, Marketing, General Administration, Business Strategy and Management with C K Birla group. He is currently looking after the Corporate Affairs of CK Birla group of Companies.
Mr Murli Krishna Chaturvedi, Independent Director	He has practiced as Chartered Accountant from 1980 to 2009. During 2009 to 2011, he has worked as Group CFO in Amara Raja Group of Companies. Presently, he is independent business advisor to Corporate Businesses and mentor to professional CA Firms.
Mr Prashant Jain, Independent Director	He has started his career in the stone business of the family pioneering in exports of value added finished dimensional stones viz marbles/granites/natural stones. Ventured into education by establishing the first campus of Pathways World School in 2003. He has been instrumental in this sphere with a lot of creative approaches in setting up these facilities.



Valuations Summary

Year End-March	FY 16	FY 17E	FY 18E	FY19E	FY20E
Per share (₹)					
Adj. EPS	7.5	10.3	13.3	18.2	24.4
CEPS	9.0	11.8	15.7	21.2	28.0
BVPS	32.1	41.2	52.9	69.0	90.4
DPS	0.0	1.0	1.3	1.8	2.4
Payout (%)	0%	10%	10%	10%	10%
Valuation (x)					
P/E	40.8	29.8	23.0	16.8	12.6
P/BV	9.5	7.4	5.8	4.4	3.4
EV/EBITDA	22.1	17.4	13.3	9.9	7.5
Dividend Yield (%)	0.0%	0.3%	0.4%	0.6%	0.8%
Return ratio (%)					
EBIDTA Margin	8.2%	9.1%	10.1%	11.4%	12.6%
PAT Margin	4.3%	5.1%	5.7%	6.6%	7.5%
ROAE	24.1%	28.0%	28.3%	29.9%	30.6%
ROACE	40.4%	41.5%	39.3%	41.8%	44.5%
Leverage Ratios (x)					
Total D/E	0.3	0.3	0.3	0.2	0.1
Net Debt/Equity	0.2	0.2	0.2	0.1	0.0
Interest Coverage	9.3	12.9	13.2	20.5	32.4
Current ratio	1.7	2.0	2.1	2.1	2.4
Growth Ratios (%)					
Income growth	0.7%	15.4%	17.0%	17.6%	18.2%
EBITDA growth	5.4%	27.6%	30.8%	32.7%	29.9%
PAT growth	9%	37%	30%	37%	34%
Turnover Ratios					
F.A Turnover x	9.1	6.5	5.7	5.4	5.4
Inventory Days	0.0	0.0	0.0	0.0	0.0
Debtors Days	58.0	50.0	48.0	46.0	45.0
Payable days	13.9	13.7	13.9	14.1	14.3
Net WC as %of sales	11.9%	9.8%	9.3%	8.8%	8.5%

Income Statement (₹ mn)

Year End-March	FY 16	FY 17E	FY 18E	FY19E	FY20E
Revenues	6632	7650	8954	10529	12442
Op. Expenses	6088	6956	8045	9324	10876
EBITDA	544	694	908	1205	1565
Other Income	1	11	16	19	33
Depreciation	58	60	90	115	140
EBIT	488	645	834	1109	1458
Interest	53	50	63	54	45
PBT	435	595	771	1055	1413
Tax	148	202	262	359	480
Adj. PAT	287	393	509	696	933
Minority	0	0	0	0	0
Sh. of Associates	0	0	0	0	0
Ex. ordinary	0	0	0	0	0
Reported Pat	287	393	509	696	933

Source: Company, Sunidhi Research

Balance Sheet (₹ mn)

Year End-March	FY 16	FY 17E	FY 18E	FY19E	FY20E
Equity and Liabilities					
Share Capital	76.1	76.1	76.1	76.1	76.1
Reserves and Surplus	1154	1500	1950	2564	3387
Total Shareholders' funds	1230	1577	2026	2640	3463
Minority Interest	0.0	0.0	0.0	0.0	0.0
Non-Current Liability	29	274	374	274	174
Long Term Borrowings	6	250	350	250	150
Deferred Tax Liabilities (Net)	24	24	24	24	24
Long Term Liab/ Provisions	0	0	0	0	0
Current Liabilities	726	620	713	799	902
Short Term Borrowings	397	250	280	290	300
Trade Payables	232	262	307	361	426
other CL/Short Term Prov.	97	108	126	149	176
Grand Total	1985	2470	3112	3713	4538
Assets					
Non-Current Assets					
Fixed Assets	728	1168	1578	1963	2322
Long term Loan & Adv.	28.4	36.7	42.9	50.5	59.7
non-Current Inv./misc. exp	0.0	0.0	0.0	0.0	0.0
Current Assets	1228	1265	1491	1700	2156
Inventories	0	0	0	0	0
Trade Receivables	1054	1048	1177	1327	1534
Cash & Cash Equivalents	109	142	226	269	500
Short Term Loans & Adv.	65	75	88	104	123
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Grand Total	1985	2470	3112	3713	4538
Cash flow Statement					
Year End-March	FY 16	FY 17E	FY 18E	FY19E	FY19E
PBT	435	595	771	1055	1413
Depreciation	58	60	90	115	140
Interest (Net)	52	41	49	38	15
Others	0	0	0	0	0
CF before W.cap	545	697	911	1208	1568
Inc/dec in W.cap	118	37	-79	-89	-133
Op CF after W.cap	663	734	832	1119	1435
Taxes paid	-214	-202	-262	-359	-480
Net CF From Operations	448.9	531.9	569.5	760.7	954.7
(Inc)/dec in F.A + CWIP	-728	-500	-500	-500	-500
LT Loans & adv	-28	-8	-6	-8	-9
others	0	9	14	16	30
CF from Invst Activities	-756	-500	-493	-491	-479
Loan Raised/(repaid)	398	97	130	-90	-90
Interest Paid	-53	-50	-63	-54	-45
Dividend	0	-46	-60	-82	-110
Others					
CF from Fin Activities	345	0	7	-226	-245
Net inc /(dec) in cash	38	33	84	43	231
Op. bal of cash	71	109	142	226	269
Other bank balance					
Cl. balance of cash	109	142	226	269	500



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The price target for a **large capstock** represents the value the analyst expects the stock to reach over next 12 months. For a stock to be classified as **Outperform**, the expected return must exceed the local risk free return by at least 5% over the next 12 months. For a stock to be classified as **Underperform**, the stock return must be below the local risk free return by at least 5% over the next 12 months. Stocks between these bands are classified as **Neutral**.

(For Mid & Small cap stocks from 12 months perspective)

BUY	Absolute Return >20%
HOLD	Absolute Return Between 0-20%
SELL	Absolute Return Negative

Apart from Absolute returns our rating for a stock would also include subjective factors like macro environment, outlook of the industry in which the company is operating, growth expectations from the company vis a vis its peers, scope for P/E re-rating/de-rating for the broader market and the company in specific.

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