BUY

CMP: **INR 961** Target Price: **INR 1,200** ▲ 25%

ICICI Securities Limited is the author and distributor of this report

26 July 2024

India | Equity Research | Initiating Coverage

Transport Corporation of India

Logistics

A stable play

We see Transport Corporation of India (TCIL) as a good opportunity in the current subdued operating environment for the logistics sector. Key points: 1) In the process of refining freight mix in favour of higher-margin LTL business; 2) Capex in high-margin sea freight segment likely to improve overall margins; 3) Improving performance of JVs expected to result in further earnings improvement; and 4) Trading at relatively attractive valuation compared to peers. Going ahead, we believe that higher LTL proportion in freight business and addition of two new ships (despite seaways margin receding) in seaways division are the two main growth drivers. Factoring in favourable risk-reward at current valuations vs. peers, we initiate coverage on TCIL with a **BUY** rating and TP of INR 1,200 based on 22x FY26E EPS.

Margin improvement in store

Despite the likely decline in seaways business, we expect EBITDA margin to improve to 10.5% by FY26E on the back of higher proportion of LTL in surface division – growing to 40% compared to 36% in FY24 and enhanced focus on supply chain business. Capex of INR 3-4bn expected to be incurred in next three years, focused on acquisition of two new ships for (more profitable) seaways division and augmenting warehousing and surface infrastructure. Hence, we see a clear trajectory for margin improvement beyond FY26 as two new ships are added and start contributing. Further, the small warehouses will aid the company in harnessing synergies between freight and supply chain businesses, thus providing complete solution to the customer and increased wallet share.

Additional thrust from JVs to improve earnings further

A unique feature of TCIL is its ability to forge and nurture JVs. Share of JVs attributable to TCIL has grown 3x to INR 759mn in FY24 compared to FY20. As a result, JVs comprised 19.6% of PBT in FY24 compared to 15% in FY20. Going ahead, we expect the performance of two JVs – Transystems (with Mitsui) and TCI CONCOR Modular Solutions – to improve further. Besides, the JV with cold storage chain with Mitsui (incorporated in FY22) is also likely to start contributing increasingly to the earnings. In next five years, we expect the share of JVs in PBT to improve further by 300-400bps. In our view, besides insulating the core business to business volatility, the tie-up with the leading industry players also leads to cross pollination of the best practices.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	37,826	40,242	44,565	49,390
EBITDA	4,240	4,105	4,619	5,166
EBITDA Margin (%)	11.2	10.2	10.4	10.5
Net Profit	3,192	3,545	3,751	4,269
EPS (INR)	41.0	45.5	48.1	54.8
EPS % Chg YoY	9.2	11.1	5.8	13.8
P/E (x)	23.5	21.1	20.0	17.5
EV/EBITDA (x)	16.9	17.9	15.7	13.6
RoCE (%)	15.8	12.7	11.9	11.3
RoE (%)	20.0	18.8	17.1	16.7

Amit Dixit
amit.dixit@icicisecurities.com
+91 22 6807 7289
Mohit Lohia
mohit.lohia@icicisecurities.com
Pritish Urumkar
Pritish.urumkar@icicisecurities.com

Market Data

Market Cap (INR)	75bn
Market Cap (USD)	894mn
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO
52-week Range (INR)	1,080 /686
Free Float (%)	30.0
ADTV-3M (mn) (USD)	0.8

Price Performance (%)	3m	6m	12m
Absolute	8.0	12.6	26.4
Relative to Sensex	0.4	(0.6)	5.8

Expect revenue/EPS CAGR of 11%/10% through to FY26

We expect TCIL's revenue CAGR at 10.8% YoY through to FY26 largely on the back of revenue growth (CAGR) in supply chain segment at 15% YoY. We expect revenue growth of surface freight segment at 8%, mainly due to higher proportion of LTL segment – 40% by FY26E compared to 36% in FY24. We expect revenue growth from seaways segment at 5% only as new ship is expected to contribute to revenue only from FY27. We expect EBITDA margin to stay largely stable at 10-10.5% as the margin decline from seaways segment is expected to be offset by slightly higher margins at surface freight segment. We expect cumulative FCF generation for FY25E and FY26E at INR 4.1bn (~5% of the current market cap) and working capital days to stay stable at less than 50 days.

A consistent performer available at relatively attractive valuations

Over past five years, TCIL has delivered consistent returns of 20-25% CAGR over short, medium and long term. Besides, being better than the peers, the stock returns are far more consistent compared to peers. On valuations, the stock is trading at a lower P/E multiple compared to peers despite higher or similar expected RoE. Historically (past five years), the TCIL stock has exhibited lower volatility compared to peers. The standard deviation of P/E for TCIL stock is at 2.4 compared to 4-5 for peers.

We value TCIL at INR 1,200/share; Initiate with BUY rating

We value TCIL at 22x (corresponding to three standard deviations above mean), taking cognizance of improving earnings trajectory on account of higher proportion of LTL business in the near term and higher contribution from (more profitable) seaways business in the medium term. The RoE of 15-16% over next two years, while being similar or better compared to peers, is likely to get a leg up post new ships in seaways division are put to service. Our TP works out to INR 1,200/share. We initiate on TCIL stock with BUY. Our TP implies 24% return on the CMP.

Table of Contents

Executive Summary

Capacity addition in seaways business to boost margins

The management plans to add two new ships: one new ship and one second hand ship. The new ship will take ~2-2.5 years from now; however, management is evaluating adding a second-hand ship earlier. These additional ships are likely to contribute incremental revenue and EBITDA once inducted in services. *(The company had earlier finalized two smaller ships and placed the order but the supplier backed out of the order; so that order got cancelled).* Going forward, the management has guided for a flat revenue and slight decline in the margins for FY25 in seaways division, however, it is expected to improve in FY26.

The seaways segment has contributed >50% in group EBITDA. Further, the EBITDA margin of this segment is above 40%. We expect addition of ships to further improve overall profitability of the company.

Increasing margin for freight segment likely due to focus on LTL

The management is focusing on increasing volumes in LTL segment, which has relatively better margins. The contribution from LTL has increased to 36% in FY24 from 33% in FY20 and is expected to improve to 40% by FY26E. We believe, the increase in the contribution from LTL might improve the overall margin profile of the company.

Surface segment has been the bread-and-butter division of the company contributing 50% of overall revenue but a mere 15% of overall EBITDA. EBITDA margin of this segment has persisted in the range of ~3.8% over past eight years owing to the higher proportion of FTL. However, with progressively improving blend of LTL, we expect EBITDA margin of this segment to increase to 4%.

JVs expected to boost earnings further

TCIL has formed two JVs :1) Transystem Logistics International Pvt Ltd with Mitsui and Co Ltd and 2) TCI-CONCOR Multimodal Solutions Pvt Ltd with Container Corporation of India Ltd (CONCOR). Further TCIL through its subsidiary TCI Cold Chain Solutions Limited, has entered into another joint venture with Mitsui & Co. Limited (Mitsui) in FY22.

The performance of these JVs has improved and has started contributing positively to the bottom-line of the company. In FY23/FY24, the JVs/associates (ex- CONCOR JV) have contributed 13.8%/21.4% of consolidated net profit respectively. The Transystem JV has performed very well with PAT increasing by 4.5x since FY20 to INR 1,385mn in FY24. Further, in FY24, JVs has performed well with Rail JV grew 13.4% YoY, Cold Chain rising 37.8% YoY, and Tran-System increasing 45.6% YoY in revenue. Going forward, we expect the performance from JV to improve further.

Delivered consistent return to the shareholders

TCIL has been one of the best performer stocks in the logistics industry. It has delivered a consistent return to the shareholders. Its 1yr/2yr/5yr/10yr CAGR works out to be 22%/26%/26%/22% (based on stock price July 12, 2024); which is best in the industry. The outperformance is mainly due to 1) Revenue CAGR (FY18-FY24); highest among peers, ii) similar RoCE profile is more/less in line with peers and iii) inexpensive valuation as compared to peers.

Multimodal is the key mover in ESG focus

TCIL has been constantly focusing on ESG through both operations and best practices. 30% of the total revenue comes from multimodal and we expect this to increase once capacity in seaways business is augmented and focus on supply chain solutions is enhanced. In FY24, there was 25% increase in freight movement by rail- a greener alternative. As a result, the company earned 184ke CO_2 tonnes green points from railways. Furthermore, the company generated 15.9mn units of renewable energy in FY24. The company also runs a fleet of 200+ CNG vehicles for last mile delivery and this is expected to increase progressively.

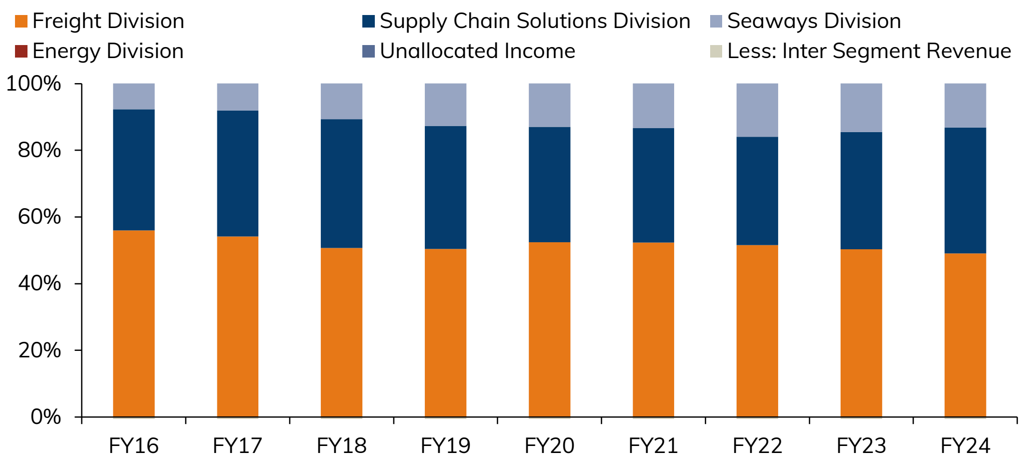
Attractive valuation

The stock is currently trading at 16x FY26E (~1 standard deviation above mean) as compared to peers like MLL/TCI (E)/VRL which are currently trading at 27x/26x/17x respectively at FY26E (consensus) despite the similar RoE profile of peers (in the range of 20% +/- 200bps).

We value TCIL at 22x FY26E EPS (three SD above mean; lower than peers) mainly due to i) lower revenue growth (FY24-FY26E) as compared to peers, ii) lower EBITDA growth (FY24-FY26E) as compared to peers and iii) moderation in the EBITDA margins. Our target price works out to be INR 1,200/share. We value TCI Express/MLL/VRL at 34x/32x/27x respectively based on FY26E EPS.

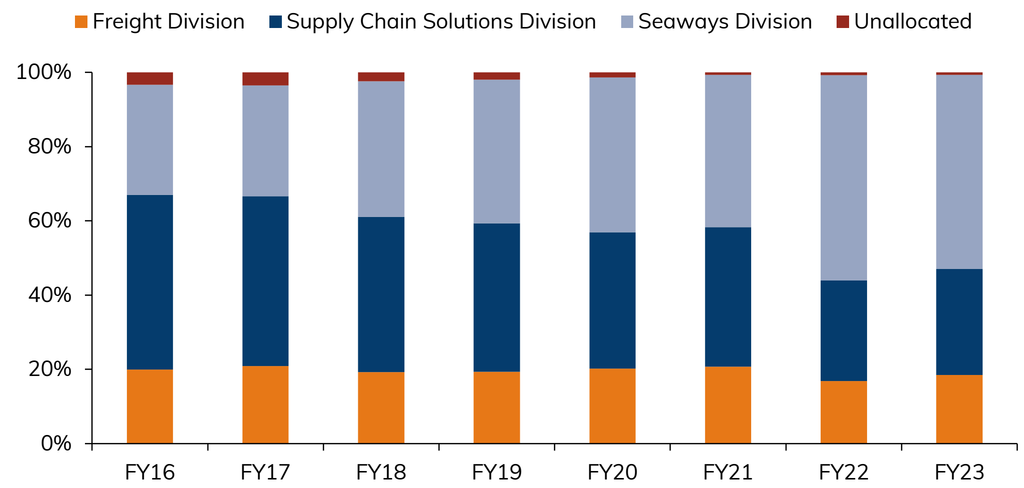
Story in Charts

Exhibit 1: Freight and SCS to contribute majority of revenue…



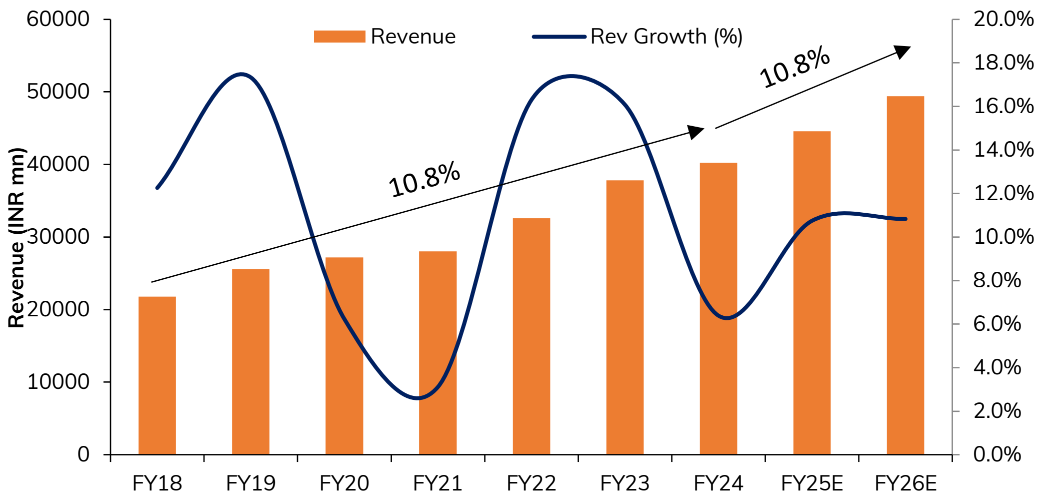
Source: I-Sec research, Company data

Exhibit 2: … however, Seaways and SCS segment to contribute majority of EBITDA



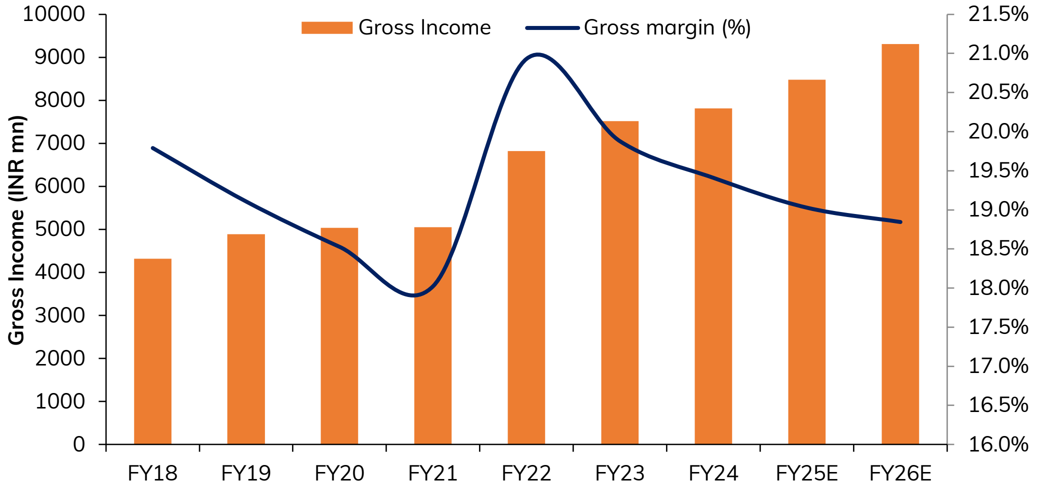
Source: I-Sec research, Company data

Exhibit 3: Revenue likely to grow at 10%+ in near to medium term



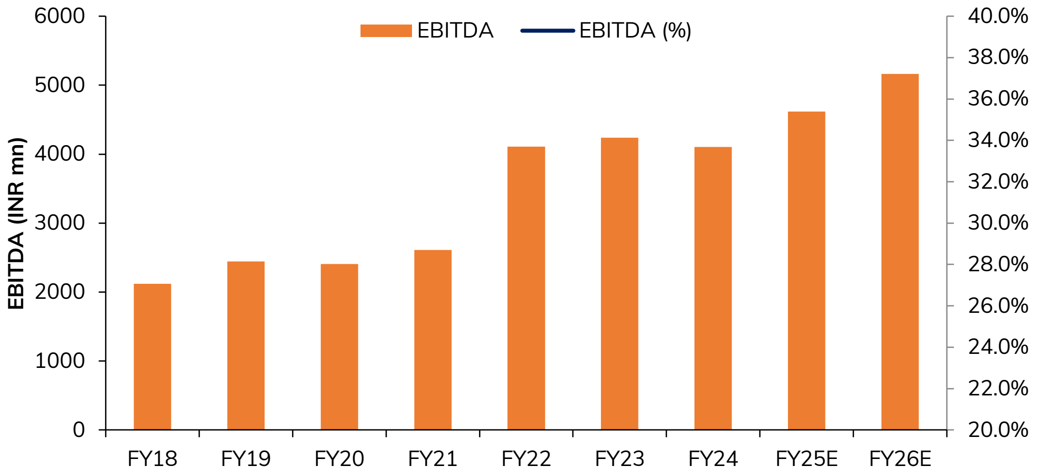
Source: I-Sec research, Company data

Exhibit 4: Decline in seaways margins likely to result in lower gross margin



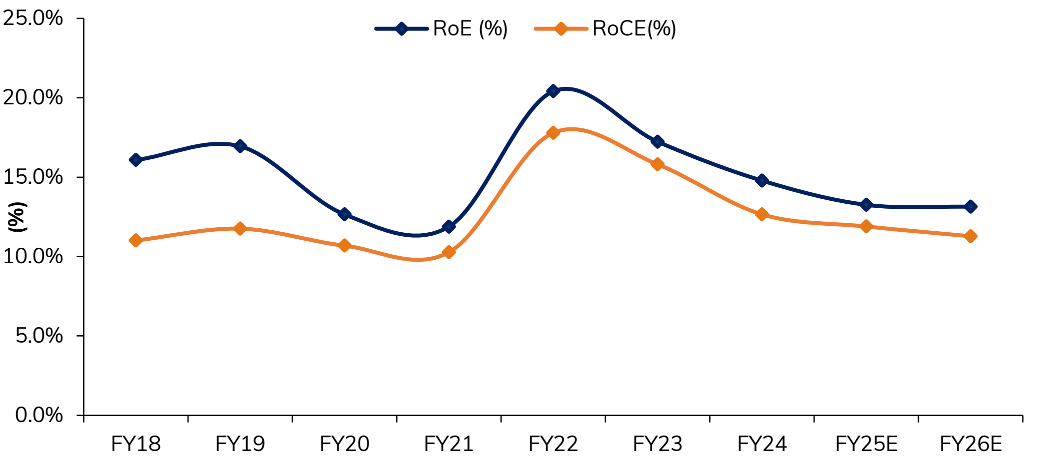
Source: I-Sec research, Company data

Exhibit 5: EBITDA margin likely to stay stable on cost efficiencies



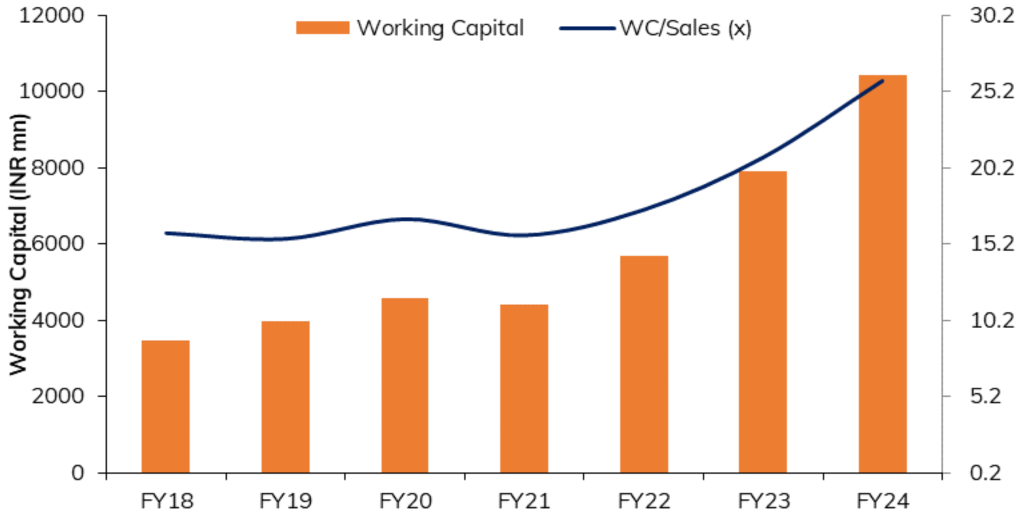
Source: I-Sec research, Company data

Exhibit 6: RoCE is expected to decline slightly due to higher capex



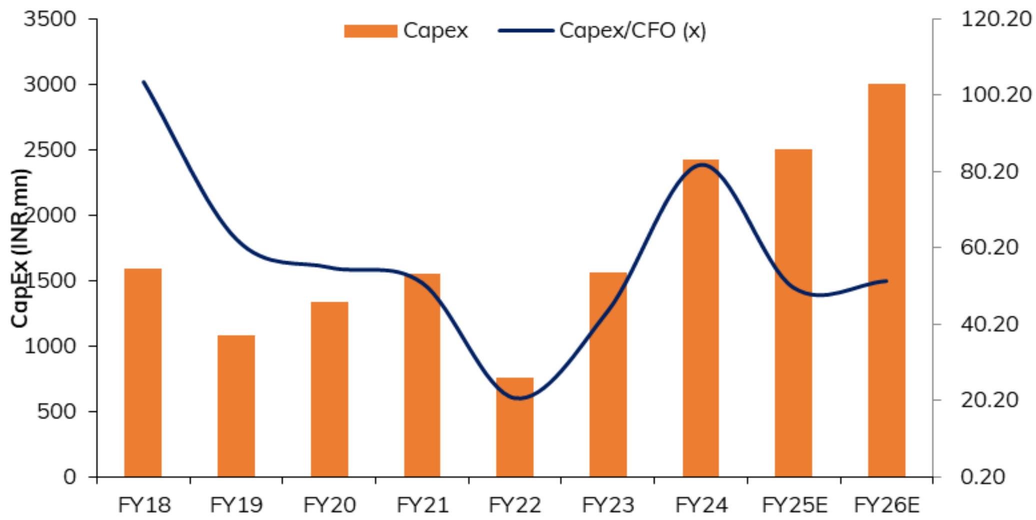
Source: I-Sec research, Company data

Exhibit 7: Working capital position to remain elevated (as a % of sales)



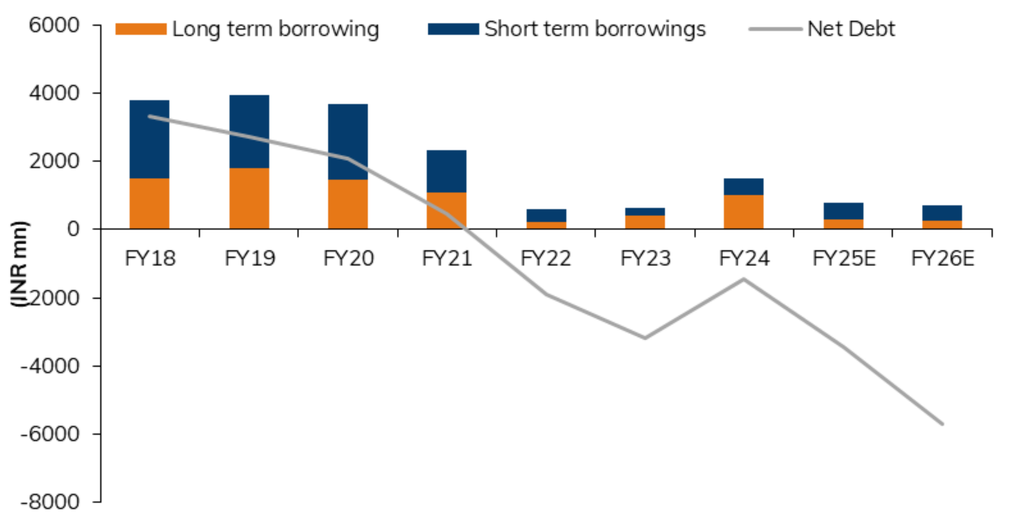
Source: I-Sec research, Company data

Exhibit 8: Capex is likely to ~INR 8-9bn over the next 2-3 years



Source: I-Sec research, Company data

Exhibit 9: Net cash position likely to improve further



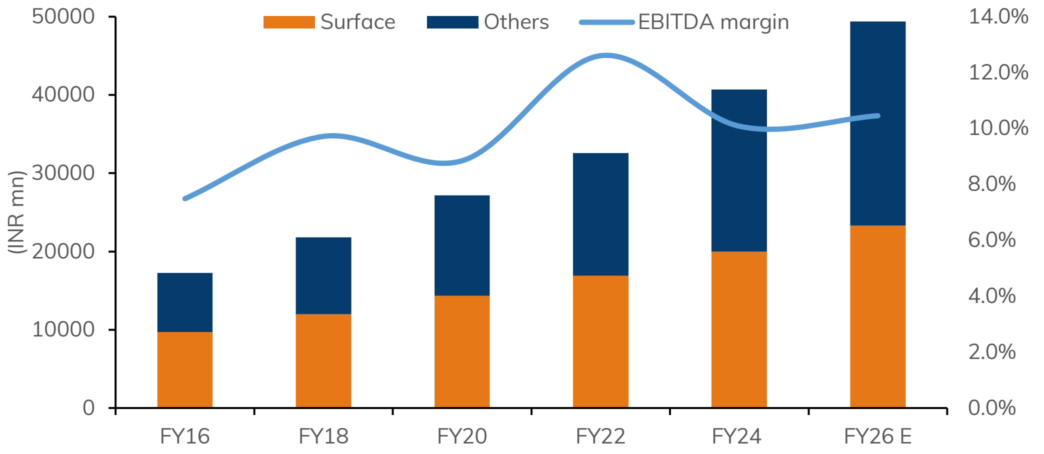
Source: I-Sec research, Company data

Investment Theme

A history of firm revenue/EBITDA growth compared to peers

TCIL revenue grew by 10.8% CAGR (FY18-FY24; highest in its peer set). Segmentally freight revenue grew by 8.9% CAGR, SCS revenue grew by 9.1% CAGR and Seaways revenue grew by 13.7% CAGR. The Freight segment contributes ~50% of revenue followed by SCS segment and Seaways; however, in terms of its EBITDA contribution, the picture is exactly opposite. Seaways contributed >50% of its EBITDA, followed by SCS segment and freight division. EBITDA contribution from SCS segment has declined over the years; however, it has improved in FY24 and is expected to better in FY25. The consolidated margins have improved from 7.5% in FY16 to 12.6% in FY22; however, it has declined to 10.2% in FY24. Going forward, we believe EBITDA margins are likely to improve and remain range bound.

Exhibit 10: Good track record of revenue and margin profile



Source: I-Sec research, Company data

Capital allocation has been prudent and in more profitable segments

As per the segmental data reported by the company, it has incurred capex of >INR 10bn since FY16. The freight segment has seen the lowest investment and it has incurred a cumulative capex of INR 332mn (~3.1% of total capex), while the SCS segment has seen cumulative capex investment of INR 4.6bn (~43% of total capex). Seaways division has seen investment of INR 3.8bn and unallocated capex was INR 2.1bn. Taking the mean average since FY16, company has incurred ~65% of its CFO into capex and in most of the past years, company has invested more than INR 1.5bn annually into capex. Historically, its capex is largely towards, 3PL and seaways, going forward also, we see most of the capex is largely deployed into these segments only.

The company has incurred capex of INR 2.43bn in FY24 and plans to incur capex of INR 3.75bn in FY25. The planned capex includes i) advance of INR 700mn for new ship, ii) INR 1bn in owned hubs centres and small warehouses, and iii) INR 1bn in trucks and rakes. Further, the company is planning to add second hand ship which is not factored in the INR 3.75bn capex guidance.

Our analysis shows that over the longer run, the revenue growth of the company is largely dependent on its capex growth. Revenue of the company grew by ~11.9% CAGR since FY16-FY23, while its gross block grew by 12.4% CAGR.

Contribution from JVs/associates has been improving over the years

TCIL has formed two JVs :1) Transystem Logistics International Pvt Ltd with Mitsui and Co Ltd and 2) TCI-CONCOR Multimodal Solutions Pvt Ltd with Container Corporation of India Ltd (CONCOR).

Transystem Logistics International Pvt Ltd offers high-quality integrated logistics solutions to Japanese automotive manufacturers and suppliers in India, and TCI-CONCOR Multimodal Solutions Pvt Ltd provides an end-to-end multimodal logistics solution. Further TCIL through its subsidiary TCI Cold Chain Solutions Limited, has entered into another joint venture with Mitsui & Co. Limited (Mitsui) in FY22. Mitsui enjoys global expertise in logistics and supply chain management.

Exhibit 11: Holding, subsidiary and associate companies (including JVs)

Name		% Holding	Net profit
TCI Global (Singapore) Pte. Ltd.	Subsidiary	100%	(16.5)
TCI Holdings Asia Pacific Pte. Ltd	Subsidiary	100%	(18.1)
TCI Bangladesh Ltd.	Subsidiary	100%	3.6
TCI Nepal Pvt. Ltd.	Subsidiary	100%	0.5
TCIL Middle East Logistics Services LLC	Subsidiary	100%	-
TCI-CONCOR Multimodal Solutions Pvt. Ltd.	Subsidiary	51.0%	62.2
TCI Cold Chain Solutions Ltd	Subsidiary	80.0%	30.5
TCI Ventures Ltd	Subsidiary	100%	(54.7)
Stratsol Logistics Pvt. Ltd.	Subsidiary	100%	(34.0)
Transystem Logistics International Pvt. Ltd.	Joint Venture	49.0%	759.9
Cargo Exchange India Pvt. Ltd.	Associate	32.5%	(1.1)

Source: I-Sec research, Company data

The performance of these JVs has improved and has started contributing positively to the bottom-line of the company. In FY23, the JVs/associates have contributed 13.8% of PAT. For accounting purposes, TCI CONCOR JV has been treated as subsidiary hence, it is part of consolidated numbers. Further, in FY24, JVs showed mixed results, with Rail JV grew 13.4% YoY, Cold Chain rising 37.8% YoY, and Tran-System increasing 45.6% YoY in revenue.

Exhibit 12: JVs/Associates performance

(INR mn)	FY20	FY21	FY22	FY23	FY24
TCI CONCOR					
Revenue	1,890	3,239	3,010	3,047	3,456
PAT	8.6	67	56.1	54.9	62
Capital Employed	188	336	419	314	608
TCIL's Share	51%	51%	51%	51%	51%
TCI cold chain solutions					
Revenue	258	361	601	587	809
PAT	0.1	4.9	27.6	28.2	31
Capital Employed	268	379	336	360	763
TCIL's Share	80%	80%	80%	80%	80%
Transystem					
Revenue	4,449	3,596	4,670	6,920	10,099
PAT	251	396	540	821	1,385
Capital Employed	2,383	2,573	2,924	3,109	3,373
TCIL's Share	49%	49%	49%	49%	49%

Source: I-Sec research, Company data

Long established track record of promotors

The promoters have more than six decades of experience in the logistic industry. It offers a diverse range of services which includes 1) TCI Freight, 2) TCI Supply Chain Solutions, 3) TCI Seaways and 4) others. It handles more than 5mnte of cargo and services nearly 200,000 customers annually. It operates a fleet of ~10,000 trucks in operation (owned >1,100 trucks), 3 Automobile Freight Train Operator (AFTO) trains and 6 coastal cargo ships, 8,000+ general purpose containers, 650 ISO liquid tank containers, 13,000 cold pallet positions and a warehousing space of 15+mn sqft. The hub-and-spoke marketing network, comprising over 25 hubs and 1000 branches, enables TCIL to handle freight across 18,000 domestic and overseas locations.

Further, TCIL has two JVs: 1) Trans-system Logistics International Pvt Ltd with Mitsui and Co Ltd, which offers high quality integrated logistics solutions to Japanese automotive manufacturers and suppliers in India, and 2) TCI-CONCOR Multimodal Solutions Pvt Ltd with Container Corporation of India Ltd (CONCOR), an end-to-end multimodal logistics solutions provider.

Financial Summary

Revenue growth highest among peers – evenly distributed across segments

TCIL revenue grew by 10.8% CAGR since FY18- Freight revenue grew by 8.9% CAGR, SCS revenue grew by 9.1% CAGR and Seaways revenue grew by 13.7% CAGR. Contribution of its freight division in overall has been ~50% over the past 8 years, while the contribution from Seaways division has improved over the years. In its freight division, LTL has contributed ~36% of revenue in FY24 while FTL has contributed remaining and contribution from FTL has declined over the years.

Exhibit 13: Segmental revenue distribution (Consol. basis)

% Revenue	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Freight Division	56.0%	54.2%	50.7%	50.4%	52.4%	52.3%	51.6%	50.3%	49.1%
Supply Chain Solutions Division	36.4%	37.7%	38.6%	36.9%	34.7%	34.3%	32.5%	35.2%	37.7%
Seaways Division	8.1%	8.4%	10.8%	13.0%	13.4%	14.0%	17.0%	15.7%	13.6%
Energy Division	0.3%	0.4%	0.3%	0.3%	0.2%	0.1%	0.2%	0.2%	0.1%
Unallocated Income	0.2%	0.4%	0.5%	0.6%	0.3%	0.6%	0.4%	0.6%	1.0%
Less: Inter Segment Revenue	-1.0%	-1.1%	-0.9%	-1.2%	-1.0%	-1.4%	-1.6%	-1.9%	-1.6%

Source: I-Sec research, Company data

Freight segment contributes ~50% of revenue; seaways >50% of EBITDA

The Freight segment contributes ~50% of revenue followed by SCS segment and Seaways; however, in terms of its EBITDA contribution, the picture is exactly opposite. Seaways contributed >50% of its EBITDA, followed by SCS segment and freight division. EBITDA contribution from SCS segment has declined over the years; however, it has improved in FY24 and is expected to better in FY25.

Exhibit 14: Segment wise EBITDA contribution

% EBITDA	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Freight Division	18.0%	18.2%	19.6%	18.0%	15.3%	16.7%	14.8%
Supply Chain Solutions Division	43.7%	41.4%	36.6%	38.1%	26.4%	28.2%	33.9%
Seaways Division	38.3%	40.5%	43.8%	43.9%	58.3%	55.1%	51.3%

Source: I-Sec research, Company data

EBITDA margin has declined since FY22 tracking the subdued industry environment

Segmentally EBITDA margins have improved over the years. The consolidated margins have improved from 7.5% in FY16 to 12.6% in FY22; however it has declined to 10.2% in FY24. Going forward, we believe EBITDA margins are likely to remain range bound.

Exhibit 15: Segment wise EBITDA margins

EBITDA %	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Freight Division	3.8%	3.8%	3.9%	4.1%	4.5%	4.4%	3.7%
Supply Chain Solutions Division	10.3%	10.4%	9.8%	10.7%	10.7%	9.4%	9.5%
Seaways Division	34.5%	31.2%	31.6%	31.1%	44.3%	41.9%	40.0%
Consolidated EBITDA %	**9.70%**	**9.50%**	**8.90%**	**9.30%**	**12.60%**	**11.20%**	**10.20%**

Source: I-Sec research, Company data

Exhibit 16: Segmental capex

Capex (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total	As a % of Total Capex
Freight Division	128	22	15	23	34	6	40	64	332	3.1%
Supply Chain Solutions Division	808	419	610	579	382	763	427	654	4,642	42.9%
Seaways Division	45	615	759	604	794	475	59	412	3,763	34.8%
Energy Division	0	0	0	0	0	0			0	
Unallocated	648	97	188	85	126	273	234	431	2,083	19.2%
Total	1,629	1,153	1,573	1,291	1,336	1,517	760	1,560	10,820	100.0%

Source: Company data, I-Sec research

Comfortable leverage

The overall borrowing of the company has declined over the years; it turned net debt negative in FY22 and has maintained the position since then. The other gearing ratios are at comfortable level. The increase in borrowing in FY24 is mainly due to loans against trucks (~INR 500mn) and lease liabilities.

Exhibit 17: Borrowing profile of the company

(INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Long term borrowing	984	1,432	1,514	1,805	1,480	1,091	228	396	1,021
Short term borrowings	2,162	2,364	2,286	2,149	2,206	1,256	391	230	482
Total Borrowings	3,146	3,795	3,801	3,954	3,686	2,347	619	625	1,503
Less: cash and equivalents	105	187	141	272	259	395	745	1,846	831
Less: Total Investments	760	866	313	938	1,353	1,500	1,780	1,977	2,121
Net Borrowings	2,281	2,742	3,347	2,743	2,073	452	-1,905	-3,198	-1,449
EBITDA	1,294	1,620	2,120	2,442	2,405	2,612	4,109	4,240	4,105
Net worth	5,788	6,508	6,769	8,370	10,296	11,783	14,577	17,319	20,371
Debt/EBITDA (times)	2.4	2.3	1.8	1.6	1.5	0.9	0.2	0.1	0.4
Debt/Net worth (times)	0.5	0.6	0.6	0.5	0.4	0.2	0.0	0.0	0.1

Source: I-Sec research, Company data

TCIL has incurred >INR 10bn capex over the past 8 years; we see 3PL division and Seaways division combined together saw major investment of >75%

As per the segmental data reported by the company, it has incurred capex of >INR 10bn since FY16. The freight segment has seen the lowest investment and it has incurred a cumulative capex of INR 332mn (~3.1% of total capex), while the 3PL segment has seen cumulative capex investment of INR 4.6bn (~43% of total capex). Seaways division has seen investment of INR 3.8bn and unallocated capex was INR 2.1bn.

Exhibit 18: Segmental capex

Capex (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total	As a % of Total Capex
Freight Division	128	22	15	23	34	6	40	64	332	3.1%
Supply Chain Solutions Division	808	419	610	579	382	763	427	654	4,642	42.9%
Seaways Division	45	615	759	604	794	475	59	412	3,763	34.8%
Energy Division	0	0	0	0	0	0			0	
Unallocated	648	97	188	85	126	273	234	431	2,083	19.2%
Total	1,629	1,153	1,573	1,291	1,336	1,517	760	1,560	10,820	100.0%

Source: Company data, I-Sec research

Exhibit 19: While the overall RoCE has improved over the years; RoCE of seaways has improved the most

RoCE	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Freight Division	13.9%	16.4%	17.0%	17.8%	25.5%	27.6%	20.0%
Supply Chain Solutions Division	21.7%	24.0%	18.3%	18.5%	18.4%	22.6%	23.6%
Seaways Division	-	22.1%	19.2%	18.1%	46.5%	44.6%	37.9%

Source: I-Sec research, Company data

Taking the mean average since FY16, company has incurred ~65% of its CFO into capex and in most of the past years, company has invested ~1.5bn+ annually into capex. Historically, its capex is largely towards, 3PL and seaways, going forward also, we see most of the capex is largely deployed into these segments only. The average RoCE of both of these segments are ~20%+ (in seaways, we have taken RoCE of pre FY22 years as company has guided lower margins going forward). Our analysis shows that over the longer run, the revenue growth of the company is largely dependent on its capex growth. Revenue of the company grew by ~11.9% CAGR since FY16-FY23, while its gross block grew by 12.4% CAGR.

Exhibit 20: CAPEX/Cash flow from operations

(INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Capex	1,035	1,153	1,590	1,078	1,336	1,553	760	1,560	2,426
Cash flow from operations	1,087	1,585	1,534	1,729	2,428	3,047	3,668	3,580	2,961
Capex to CFO	95.2%	72.8%	103.7%	62.4%	55.0%	51.0%	20.7%	43.6%	81.9%

Source: I-Sec research, Company data

TCIL incurred capex of INR 2.43bn in FY24 and plans capex of INR 3.75bn in FY25

The company has incurred capex of INR 2.43bn in FY24 and plans to incur capex of INR 3.75bn. The planned capex includes i) advance of INR 700mn for new ship, ii) INR 1bn in owned hubs centres and small warehouses, and iii) INR 1bn in trucks and rakes. Further, the company is planning to add second hand ship which is not factored in the INR 3.75bn capex guidance.

Exhibit 21: Quarterly performance of the company

	FY23				FY24			
(INR mn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	**9,034**	**9,321**	**9,667**	**9,793**	**9,498**	**9,935**	**10,020**	**10,789**
Operating expenses	7,243	7,524	7,702	7,838	7,595	8,017	8,067	8,752
Procurement								
Changes in inventories								
Total Manufacturing Expenses	7,243	7,524	7,702	7,838	7,595	8,017	8,067	8,752
Gross Margin	**1,791**	**1,797**	**1,965**	**1,955**	**1,903**	**1,918**	**1,953**	**2,037**
Gross Margin (%)	19.80%	19.30%	20.30%	20.00%	20.00%	19.30%	19.50%	18.90%
Employee benefits expense	471	492	493	509	555	568	566	545
Other expenses	275	345	328	366	340	346	388	398
Total SG&A Expenses	746	837	821	875	895	914	954	943
EBITDA	**1,045**	**960**	**1,144**	**1,080**	**1,008**	**1,004**	**999**	**1,094**
EBITDA Margin (%)	11.60%	10.30%	11.80%	11.00%	10.60%	10.10%	10.00%	10.10%
(+) Other Income	48	74	70	121	85	113	95	165
Depreciation	289	300	314	311	308	311	331	334
Finance costs	23	26	26	23	23	34	35	41
Exceptional	-	-	-	34	-	-	-	24
PBT	**781**	**707**	**874**	**833**	**762**	**772**	**728**	**860**
Tax	93	116	111	115	104	96	108	28
PAT	**688**	**591**	**763**	**718**	**658**	**676**	**620**	**832**
PAT Margin (%)	7.60%	6.30%	7.90%	7.30%	6.90%	6.80%	6.20%	8%
Share of profit of investments	98	138	102	106	174	202	182	201
Reported Profit	**786**	**730**	**865**	**824**	**832**	**878**	**802**	**1,033**

Source: Company data, I-Sec research

Exhibit 22: Segmental performance

(INR mn)	FY23				FY24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Segment Revenue	4,633	4,693	4,826	5,045	4,754	4,818	4,856	5,553
Freight Division	3,023	3,584	3,336	3,463	3,630	3,907	3,882	3,928
Supply Chain Solutions Division	1,525	1,242	1,702	1,522	1,254	1,354	1,426	1,492
Seaways Division	16	19	15	10	16	21	7	11
Energy Division	38	39	45	92	79	108	97	141
Unallocated	**9,235**	**9,576**	**9,924**	**10,132**	**9,733**	**10,208**	**10,268**	**11,125**
Total	153	181	187	218	150		153	171
Less: Inter Segment Revenue	**9,082**	**9,395**	**9,737**	**9,914**	**9,583**	**10,208**	**10,115**	**10,954**
Grand Total	4,633	4,693	4,826	5,045	4,754	4,818	4,856	5,553
Segment EBIT (%)								
Freight Division	3.5%	4.1%	5.7%	4.2%	3.3%	3.4%	3.1%	3.2%
Supply Chain Solutions Division	5.5%	6.3%	6.0%	6.5%	6.3%	6.7%	6.5%	6.4%
Seaways Division	30.2%	24.5%	26.9%	27.7%	29.2%	22.9%	22.1%	26.4%
Energy Division	50.0%	50.5%	60.0%	30.0%	50.0%	57.1%	0.0%	36.4%
Total	8.6%	7.6%	9.5%	8.5%	7.8%	7.3%	7.0%	7.4%

Source: Company data, I-Sec research

Takeaways from the quarterly results

- Gross margin has peaked up in Q4FY22 at 21.6%, and it has been declining since then. We believe margins are likely to bottom out at this level (or near the bottom out level).
- Following the gross margins, EBITDA margins are also declining for the past two years.
- The decline is mainly due to geopolitical issues, decline in freight rates and economic slowdown.
- In FY25, management has guided for revenue/PAT growth of 10-15%, although 1QFY25 may be weaker due to elections.
- Margins are expected to see marginal improvement in FY25, driven by growth in the supply chain and freight businesses.
- Management expects flat performance of the seaways division.

Business Profile

The company was established in 1958 by Mr Prabhudayal Agarwal and from a single truck operator in 1958, company has emerged as India's largest integrated logistics service provider. It has a network of 1,000+ company-owned offices and 3,500+ employees. TCI's offers a diverse range of services which includes 1) surface logistics, 2) 3PL, 3) transportation through waterways, 4) cold chain solutions and 5) others. TCIL handles more than 5mnte of cargo and services nearly 200,000 customers annually. It operates a fleet of ~10000 trucks in operation (> owned 1100 trucks), 3 Automobile Freight Train Operator (AFTO) trains and 6 coastal cargo ships, 8,000 general purpose containers, 650 ISO liquid tank containers, 13,000 cold pallet positions and a warehousing space of 15+mn sqft. The hub-and-spoke marketing network, comprising over 25 hubs and 1000 branches, enables TCIL to handle freight across 18,000 domestic and overseas locations. TCIL has demerged its express cargo division into a separate entity, TCI Express Ltd with effect from April 1, 2016.

Its business is broadly classified into three segments, which include: 1) TCI Freight, 2) TCI Supply Chain Solutions (3PL), 3) TCI Seaways and 4) others.

Exhibit 23: Services and details

Key Segment	Brief details of the segment
Freight	This segment provides total transport solutions. Its services include i) Full Truck Load (FTL); ii) Less than Truck Load (LTL); iii) Over-dimensional Cargo (ODC) & Project Heavy Haul (PHH) and iv) Control Tower for Key Account Management.
	TCIL has a robust set-up of 25 strategically located hubs; 700+ IT enabled owned offices and 4,600+ trucks under operation.
	The EBITDA margin of this segment is in the range of 3.7%-4.5%. This division contributes ~50% of revenue and ~18-19% of the EBITDA on consolidated basis. Further, LTL has contributed ~36% of the segmental revenue.
3PL	Its services include i) Supply Chain Consultancy, ii) Inbound Logistics, iii) Warehousing / Distribution Centre Management and iv) Outbound Logistics.
	TCI Chemical Logistics Solutions is a subdivision which provides storage of chemicals – liquid, dry and gases – in compliant warehouses and movement in ISO tank containers, gas tankers and flexi tanks by Rail, Road and Coastal.
	TCI has 5,500+ vehicles under operation (owned:1000); managing 65 yards; handled 1250 mn production logistics parts; operating 150+ trains per month and managing 15+ mn. sqft warehousing space.
	The EBITDA margin of this segment is in the range of 9.4%-10.7%. This division contributes ~1/3% of revenue and ~30% of the EBITDA on consolidated basis.
Seaways	It offers a complete range of coastal shipping solutions and key services includes i) container cargo movement, ii) liner services, iii) charter operations and iv) first and last-mile connectivity via rail and road.
	The company's assets in seaways includes i) 8,500+ marine containers; and ii) six domestic coastal ships with a total capacity of 77,957 DWT.
	The EBITDA margin of this segment is 40%+ (past three years). This division contributes ~16-17% of revenue and >50% of the EBITDA on consolidated basis.

Source: I-Sec research, Company data

TCI offers a diverse range of services which includes 1) TCI Freight, 2) TCI Supply Chain Solutions, 3) TCI Seaways. Brief details of its key segments are mentioned below:

- **TCI Freight:** It provides total transport solutions for cargo and its services include i) Full Truck Load (FTL); ii) Less than Truck Load (LTL); iii) Over-dimensional Cargo (ODC) & Project Heavy Haul (PHH) and iv) Control Tower for Key Account Management. Company has a robust set-up of 25 strategically located hubs; 700+ IT Enabled Owned offices and 4,600+ Truck under Operation (Owned: 120 trucks).
- **TCI Supply Chain Solutions:** The core service offerings are Supply Chain Consultancy, Inbound Logistics, Warehousing / Distribution Centre Management & Outbound Logistics. TCI Chemical Logistics Solutions is a subdivision which provides storage of chemicals – liquid, dry and gases – in compliant warehouses and movement in ISO tank containers, gas tankers and flexi tanks by Rail, Road and Coastal. TCI has 5,500+ vehicles under operation (owned:1000); managing 65 yards; handled 1250mn production logistics parts; operating 150+ trains per month and managing 15+ mn. sqft warehousing space.

- **TCI Seaways:** It offers a complete range of coastal shipping solutions and Key services includes container cargo movement, liner services, charter operations and first and last-mile connectivity via rail and road. The company's assets in seaways includes i) 8,500+ marine containers; ii) six domestic coastal ships with a total capacity of 77,957 DWT.

Exhibit 24: Key Segmental numbers

(INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Freight Division							
Revenue	10,291	12,093	12,474	11,507	13,716	15,970	16,399
as a % of overall revenue	47.2%	47.3%	49.6%	46.9%	47.2%	46.5%	45.4%
EBITDA	388	466	486	472	620	710	605
as a % of overall EBITDA	18.0%	18.2%	19.6%	18.0%	15.3%	16.7%	14.8%
Supply Chain Solutions Division							
Revenue	9,110	10,150	9,243	9,344	10,015	12,763	14,502
as a % of overall revenue	41.8%	39.7%	36.7%	38.1%	34.5%	37.2%	40.1%
EBITDA	942	1,060	909	998	1,069	1,200	1,382
as a % of overall EBITDA	43.7%	41.4%	36.6%	38.1%	26.4%	28.2%	33.9%
Seaways Division							
Revenue	2,392	3,326	3,443	3,692	5,332	5,593	5,224
as a % of overall revenue	11.0%	13.0%	13.7%	15.0%	18.3%	16.3%	14.5%
EBITDA	825	1,037	1,088	1,150	2,363	2,345	2,091
as a % of overall EBITDA	38.3%	40.5%	43.8%	43.9%	58.3%	55.1%	51.3%

Source: I-Sec research, Company data

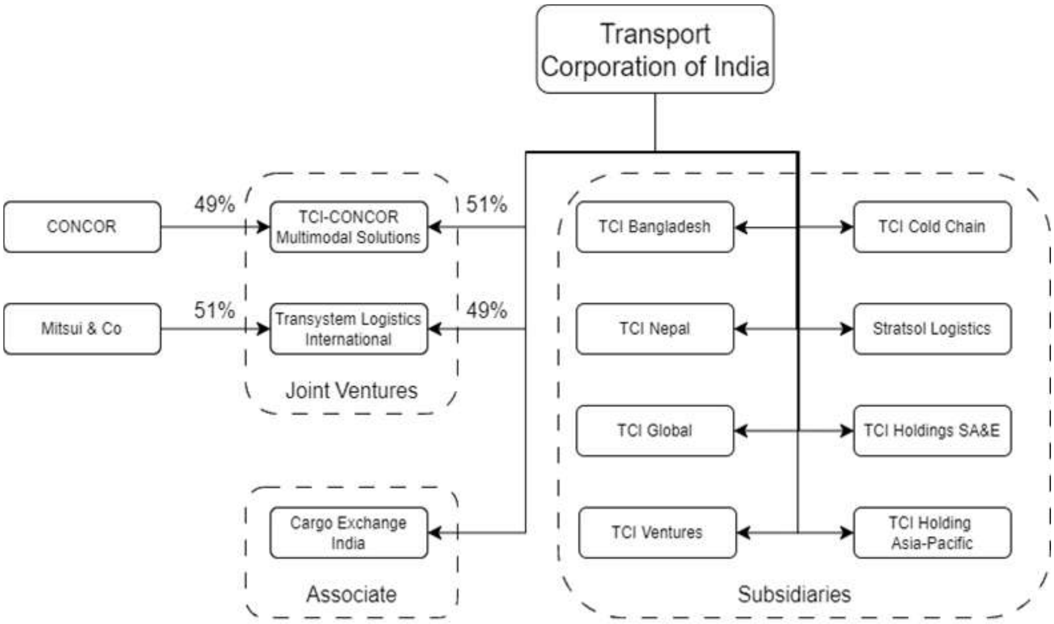
TCIL's freight segment contributes >45% of its revenue (standalone), however, its EBITDA level contribution was just ~15% in FY24. Its 3PL segment has contributed ~40% of its revenue and ~1/3rd EBITDA. Seaways has contributed ~15-16% of revenue and >50% of its EBITDA.

Further, TCIL has formed two JVs: 1) Transystem Logistics International Pvt Ltd with Mitsui and Co Ltd, which offers high quality integrated logistics solutions to Japanese automotive manufacturers and suppliers in India, and 2) TCI-CONCOR Multimodal Solutions Pvt Ltd with Container Corporation of India Ltd (CONCOR), an end-to-end multimodal logistics solutions provider. Also, through its subsidiary TCI Cold Chain Solutions Limited, an integrated cold chain service provider for temperature-controlled warehousing and distribution services, has entered into another joint venture with Mitsui & Co. Limited (Mitsui) in FY22. Mitsui enjoys global expertise in logistics and supply chain management.

Exhibit 25: Strong multimodal capabilities

Source: Company data, I-Sec research

Exhibit 26: Corporate Structure



Source: I-Sec research, Company data

Exhibit 27: Diversified Portfolio

Entity	Description
TCI Freight	Provides total transport solutions for cargo of any dimension or product segment. It transports cargo on FTL (Full truck load)/ LTL (Less than truck load)/ Small packages and consignments/ Over Dimensional cargo
TCI Supply Chain Solution	Single window enabler of integrated supply chain solutions right from conceptualization and designing the logistics network to actual implementation. The core service offerings are Supply Chain Consultancy, Inbound Logistics, Warehousing / Distribution Centre Management & Outbound Logistics
TCI Seaways	A fleet with 6 ships catering to the coastal cargo requirements for transporting containers and bulk cargo, connecting India with its western, eastern, and southern ports.
TCI Cold Chain Solution	Integrated cold chain service provider to meet the needs of temperature-controlled warehousing and distribution services. The facility caters to the needs of various industries such as agriculture products, processed foods, life sciences, healthcare, and specialty chemicals
TCI Chemical Logistics Solution	Provides storage of chemicals – liquid, dry and gases. – in compliant warehouses and movement in ISO tank containers, gas tankers and flexi tanks by Rail, Road and Coastal
TCI Bangladesh	Single Window enabler of Logistics and Supply Chain solutions encompassing all the needs of a value seeking progressive client in Bangladesh
TCI Nepal	Single Window enabler of Logistics and Supply Chain solutions encompassing all the needs of a value seeking progressive clients in Nepal
TCI CONCOR	Leverages synergies in terms of strengths, infrastructure and capabilities of TCI Group with rail infrastructure of CONCOR. It establishes a cost-effective integrated rail-road service.
Transystem	Offers high quality integrated logistics solutions to Japanese Automotive Manufacturers and Suppliers in India. TLI offers a wide range of services like IBL for Production Parts (Just In Time basis) OBL, Warehousing, Spare Parts delivery (After Sales Service), CKD container transportation etc

Source: I-Sec research, Company data

TCIL-Freight Division

TCIL is a leading freight service provider in India and its services include i) Full Truck Load (FTL); ii) Less than Truck Load (LTL); iii) Over-dimensional Cargo (ODC) & Project Heavy Haul (PHH) and iv) Control Tower for Key Account Management. It has a robust set-up of 25 strategically located hubs; 700+ IT enabled owned offices and 4,600+ trucks under operation. TCI Freight's network reaches every part of India, as well as the SAARC/BBIN nations. TCI Freight is the only player offering both FTL and LTL services at PAN India level.

Historically, this segment has been a major revenue contributor for the company; since FY18, revenue grew by ~8.1% CAGR and EBITDA grew by ~7.7% CAGR. EBITDA margin of this segment is ~3.7%-4.5% (one of the lowest in among the logistic services); and RoCE was ~20%. This division contributes >45% of revenue, however, its EBITDA level contribution was ~15 in FY24. As the company operates in both the segment LTL and FTL, however, contribution from FTL has declined from ~71% in FY18 to ~64% in FY24 (which is low margin business).

Going forward, the company is targeting i) increase the contribution of the LTL segment to 40%, ii) open 75 new branches, and iii) RoCE of 23-25%.

Exhibit 28: Key Financial Indicators (KFIs) of freight division

(INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	10,291	12093.1	12,474	11,507	13,716	15,970	16,399
EBITDA	388	465.5	486	472	620	710	605
EBITDA %	3.8%	3.8%	3.9%	4.1%	4.5%	4.4%	3.7%
Capital Employed	2,256	2,420	2,360	2,299	2,225	2,616	2,945
RoCE %	13.9%	16.4%	17.0%	17.8%	25.5%	27.6%	20.0%
LTL	29%	31%	33%	33%	35%	35%	36%
FTL	71%	69%	67%	67%	65%	65%	64%
Strategically located hubs					25	25	25
IT Enabled Owned offices					700+	700+	700+
Truck under Operation					4500+	4600+	4600+

Source: I-Sec research, Company data

Exhibit 29: Industry growth estimates

Segment	Size, FY23E (INR bn)	CAGR (FY18E-23E)	CAGR (FY23P-28P)
Road transport	6,744	8%	7%
FTL	6,040	7%	7%
LTL	703	10%	11%

Source: I-Sec research, CRISIL MI&A

Growth drivers

- As per the industry estimates, the road transportation is expected to grow at 7-8% CAGR (in line with GDP growth) over the medium term. LTL is expected to perform better.
- The key factors driving the growth includes i) economic growth, ii) favourable govt policies and iii) infrastructure development.
- The key policies of the Govt include i) Gati Shakti Scheme, ii) National Logistic Policy, iii) Bharat Mala Pariyojna, iv) National Infrastructure Pipeline (NIP)

KTA from Q3/Q4FY24 concall

- The weak performance in FY24 is mainly on account of slowdown in the market as well as competitive pressures on the LTL side.
- The share of LTL/FTL stood at 36%/64% in FY24. The management remains optimistic about increasing LTL's share to 40% by FY25 and improving margins of the LTL segment by 100-200bp in the next two years.
- Company targets to achieve ~23-25% RoCE.
- In FY25; the growth of this segment is expected to remain slightly positive.

TCIL- Supply Chain Solution Division (3PL)

In this segment, it optimises customer's supply chain processes, reduce costs, increase efficiency and enhance customer satisfaction. Its services include i) Supply chain consultancy, ii) Inbound logistics, iii) Warehousing / distribution centre management and iv) Outbound logistics. The company has 5,500+ vehicles under operation (owned: 1000); managing 65 yards; handled 1250 mn production logistics parts; operating 150+ trains per month and managing 15+ mn. sqft warehousing space. Further, TCI Chemical Logistics Solutions is a subdivision which provides storage of chemicals – liquid, dry and gases – in compliant warehouses and movement in ISO tank containers, gas tankers and flexi tanks by Rail, Road and Coastal. Auto contributes ~80% of the segment revenue.

The 3PL segment has been consistently contributing >1/3rd of its standalone revenue; however, its EBITDA contribution has declined from ~43.7% in FY18 to ~33.9% in FY24. Revenue of this segment grew by ~8% CAGR and EBITDA grew by ~6.6% CAGR since FY18. The EBITDA margin of this segment is in the range of ~9.4-10.7% and RoCE is ~20%+.

Exhibit 30: KFIs of 3PL division

(INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	9,110	10,150	9,243	9,344	10,015	12,763	14,502
EBITDA	942	1,060	909	998	1,069	1,200	1,382
EBITDA %	10.3%	10.4%	9.8%	10.7%	10.7%	9.4%	9.5%
Capital Employed	2,796	3,134	3,004	3,431	3,237	3,650	4,271
RoCE %	21.7%	24.0%	18.3%	18.5%	18.4%	22.6%	23.6%
Vehicles under Operation				4,000	4,000	5,000+	5,500+
Yards managed					55	55	65
Parts handled in Production Logistics						750 mn	1250 mn
Trains operated per month						120+	150+
Warehousing under management (mn sqft)					13	14	15+
Space under management (acres)					250	250	250

Source: I-Sec research, Company data

Growth drivers

- As per the Industry estimates, the sector is expected to grow at 12-13% in the medium term.
- Increased initiatives by transporters in improving supply chain and developing competencies will aid in better 3PL penetration.
- The broad-based growth across automotive, consumer discretionary and consumer staples sectors is expected to support the growth.
- Main growth drives include i) Focus on core business, ii) Increased flexibility and scalability, iii) Offer value-added services and iv) Increasing MNC presence in India.

KTA from Q3/Q4FY24 concall

- For the FY24, the revenue has grown ~14% YoY, and the bottom line has grown ~ 15% YoY. ROCEs are at ~23-24% level.
- The automotive sector continues to perform well, contributing ~80% to the segment revenue. The recent acquisition of a client in the FMCG space is expected to reflect on revenue and margins in near future. Further, the reduction of rail haulage by 33% for SUV rail movements is expected to have a positive impact on margins.

- Guidance: in FY25, supply chain will capture a large part of the top-line growth as well as the bottom-line growth.
- Company expects this segment is likely to grow at 15%-20%. The business is expected to see a very good push, even though the SIAM has indicated subdued sector growth. TCIL expects growth in other segments is likely to maintain the growth momentum. For example, this year, tractors did not grow that much but next year, expectation is with after the elections, company see that there will be a push towards the agriculture movement. Infrastructure growth continues, which means that earth moving equipment companies are also doing reasonably well. And then two-wheeler segment has picked up also in the last few months, as we know, which is basically an indication of some amount of rural growth exists as well. Further, the company has acquired some large contracts, and continue to acquire large contracts in warehousing and other segments of the supply chain business.

TCI- Seaways Division

The company is a multi-modal coastal transport provider, having presence along the Western, Eastern & Southern ports of India, connecting the country's major ports in the west, east, and south. It offers a complete range of coastal shipping solutions and key services includes i) container cargo movement, ii) liner services, iii) charter operations and iv) first and last-mile connectivity via rail and road. Its large part of the containerised cargo consists of a variety of general goods, agriculture products, building materials and movement of vehicles. The company's assets in seaways includes i) 8,500+ marine containers; and ii) six domestic coastal ships with a total capacity of 77,957 DWT. The seaways are deployed on routes i) Chennai- Port Blair – Chennai; ii) Kandla – Tuticorin; iii) Kandla - Mangalore -Kochi & Kochi – Kandla; and iv) Vizag - Andaman – Vizag. The company serves seven out of thirteen major ports in India.

TCI's seaway segment has been major contributor to group's EBITDA. The segment has contributed >50% in group EBITDA, while its contribution to top line has remained low. The revenue of this segment grew by ~14% CAGR and EBITDA grew by 16.8% CAGR since FY18. Further, EBITDA margin of this segment is 40%+ (one of the highest in logistic industry). The seaways capacity has been stable for the past three years at 77,957 DWT.

Exhibit 31: KFIs of Seaways division

(INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	2,392	33258	3,443	3,692	5,332	5,593	5,224
EBITDA	825	10367	1,088	1,150	2,363	2,345	2091
EBITDA %	34.5%	31.2%	31.6%	31.1%	44.3%	41.9%	40.0%
Capital Employed		3,645	4,210	3,909	3,780	3,593	3,383
RoCE		22.1%	19.2%	18.1%	46.5%	44.6%	37.90%
Own marine containers	5500	7500	8,000+	7,015	8000+	8500+	8500+
Domestic coastal ships	6	6	7	6	6	6	6
Total capacity		63,622	91,717	77,957	77,957	77,957	77,957

Source: I-Sec research, Company data

Growth drivers

- Increasing adoption of green logistics solutions is accelerating growth across the waterway logistics industry, contributing 5-6% in India's transportation modal mix. With this, TCI Seaways remains poised to further tap growth opportunities.
- Inland Waterways Authority of India (IWAI) has identified 25 novel National Waterways to enhance navigability for transport. Thus, furnishing an alternative

transportation mode in their corresponding geographic regions and opening newer growth avenues.

KTA from Q3/Q4FY24 concall

- The decline in revenue during FY24 is mainly due to both price and volumes decline.
- The margins of this segment have been impacted due to competitive pressures on the Western coast, and stable the freight rates despite higher fuel cost.
- In FY25, the volumes are expected to be moderated. In Q1, volumes growth will be impacted due to Dry dock, however, it will start contributing positively from Q2FY25 onwards. The expectation for FY25 is flat. And for FY26, growth will largely be based on the acquiring second-hand ship. Owing to flat volumes growth expectation, overall margins are also expected to creep up a little bit.
- The company had earlier finalized two smaller ships and placed the order but the supplier backed out of the order; so that order got cancelled.
- Now, the first priority is to buy for new ships and it will take 2.5 years. Simultaneously they are also looking at second-hand ships.
- The seaways side, 6% is the current model mix of seaways which the government has planned to increase to 12% by 2030 which includes Indian waterways as well.
- ***While the EBITDA margins of this segment for FY24 is still at a level of 40%, company expects these margins to decline to more reasonable levels of ~30% (in line with the historical trend).***

Case Studies

Exhibit 32: Case Study: TCI Cold Chain Solution

Challenges	Solution	Benefits
Increased rate of waste and pilferage generated due to broken cold chain supply management	Single point storage facilities	Reduction in warehouse cost
Accountability and connectivity	Unbroken cold chain solution	End to end tracking
Need for high quality storage facilities		Improving the product quality
Visibility & Control Tower		Multi temperature Vehicles
Clients: International Chocolate Brand		

Source: I-Sec research, Company data

Exhibit 33: Case Study: TCI Chemical Logistics Solution

Challenges	Solution	Benefits
To develop, implement and operate a centralized logistics network	Facilitated the storage and transfer of chemicals through ISO tanker for final mile delivery	PESO compliance
Required forward storage solutions so it could be delivered to end-users	Managed the transport planning for continuous optimization of procedures modality and loads	Factory License
To provide streamlined processes and visibility throughout their supply chain	Freight, management services through roads, rail, and sea to the various business units for the transportation of packed goods	Class 3, Class 5.1, Class 6, Class 8, Class 9 Handling
		High degree of safety Consolidation
Clients: German Chemical and Consumer Goods Company		

Source: I-Sec research, Company data

Exhibit 34: Case Study: TCI Freight

Challenges	Solution	Benefits
Geographical spread of operations leading to multiple logistics partners & fragmentation	Tailor-made Bespoke Solution	Single window portal for visibility – leading to improved operational efficiency in all KPIs
Separate IBL & OBL providers	Consolidated Domestic Logistics through Freight Desk	Timely, hassle-free deliveries
Time & effort for Order Processing, Documentation, Inventory management and MHEs and other asset management	Control Tower based single window portal, enhanced visibility & transparency in operations	Lower Inventory
Export Clearances & port handling	Dedicated Relationship manager for day-to-day operations	Better Safety & HSE norm adherence
Lack of visibility leading to inventory management issues	DC Management	Ease of vendor management
Increased cost of operations	EXIM Clearances	Containerization & Multimodal Solution leading to ease of handling, improved cost efficiency & reduced GHG emissions
		Greener Supply chain
Clients: European Company & leader in Sulphur & Zinc Derivatives		

Source: I-Sec research, Company data

Industry Section

Logistics is an integral part of any country, providing efficient and cost-effective flow of raw materials, semi-finished and finished goods, and facilitating transactions between the consuming and producing parts of the economy. The logistics sector encompasses various modes of transportation, enabling infrastructure and associated services that complement and enhance the competitiveness of the overall flow of goods.

The logistic sector in India includes 37 export promotion councils, 40 Participating Government Agencies (PGAs), 20 government agencies, 10,000 goods, and 500 certifications. Between the FY16 to FY20, India has invested ~USD 10.2trn in the development of infrastructure. The road transportation, transports ~66% of goods (in ton-kilometres) which is followed by rail ~31%, shipping ~3%, and air ~1%. Country has a vast network of support infrastructure, including 129+ inland container depots, 168+ container goods stations, and 300 m sq. ft. of warehouse capacity. According to the Logistics Performance Index (LPI) of the World Bank, India has climbed six positions to reach the position of 38th rank out of 139 nations. Currently, India transports ~4.6 billion tonnes of freight annually.

The logistic industry growth is based on the GDP growth with an anticipated GDP of USD 26trn by FY48 (USD 6trn by FY30) and merchandise exports to USD 1trn by 2030, the logistic industry is expected to perform better. With the “Make in India” focused industry specific PLIs, the manufacturing industry is witnessing incremental production, spurring exports, increasing production volumes and improved connectivity between manufacturing centres, the logistics volumes have been on the rise. Apart from this, the key enablers for the sectors includes i) Gati Shakti Scheme; ii) National Logistics Policy; iii) Bharatmala Pariyojana; iv) Sagarmala; v) Multimodal logistics parks; and vi) Dedicated freight corridors (DFCs) and further, portals like GeM, ULIP & eLogS have upped the digital transformation ante and helped in bringing more transparency & efficiency to the logistics sector.

Key enablers for logistics sector

Gati Shakti Scheme

Gati Shakti Scheme or National Master Plan for multi-modal connectivity plan, was unveiled in Oct’21, with an objective of curtailing the logistics cost for the country, by coordinating the infrastructure creation activity different government entities.

Through the national master plan, all Ministries and States are uploading details of current and future projects on a dynamic Geospatial Information Systems (GIS) based digital platform, with the purpose of breaking silos and working in sync for successful implementation of infrastructure. **In two years, it has encompassed more than 1,463 layers of data from 39 Central Ministries and 36 States on its digital platform BiSAG-N,** making it a game-changer in inter-ministerial and inter-departmental cooperation in infrastructure planning. Over the last 2 years, more than 4,350 miles of expressways have been planned using this approach, with the GIS-enabled digital surveys drastically reducing the time for field surveys. It also resulted in planning a staggering 8,389 miles of railway lines using this approach, which goes to show the sheer scale of planning PMGS can enable.

Major characteristics of the scheme are:

- Digital platform for coordination across 16 ministries, including roadways and railways
- ‘Gati Shakti’ platform will subsume the infrastructure projects announced under National Infrastructure Pipeline (valued at INR 111tr)

- Existing infrastructure schemes across ministries, such as Bharatmala (Roads), Sagarmala (Ports), UDAN (Air), Inland Waterways, Dry ports etc. will be incorporated in the platform
- The platform will also provide spatial data and implementation status for different projects
- Eleven industrial corridors and two defence corridors are also planned in the scheme, covering clusters for textile, pharmaceutical, fishing, electronics, agriculture etc.

Key targets set for different heads under the scheme are:

- Ports: Capacity of the major ports to be increased from 1,282mnte in FY20 to 1,759mnte in FY25
- National Waterways: Cargo movement to be ramped from 74mnte to 95mnte during FY20-25 period
- Railways: Target of 1,600mnte by FY25, with compared to 1,210mnte FY20
- MMLPs: Indian railways will setup 500 multimodal cargo terminals by FY25

An integrated platform to monitor the progress of projects and logistics initiatives spanning across different ministries will certainly aid in increasing coordination and planning infrastructure creation and connectivity.

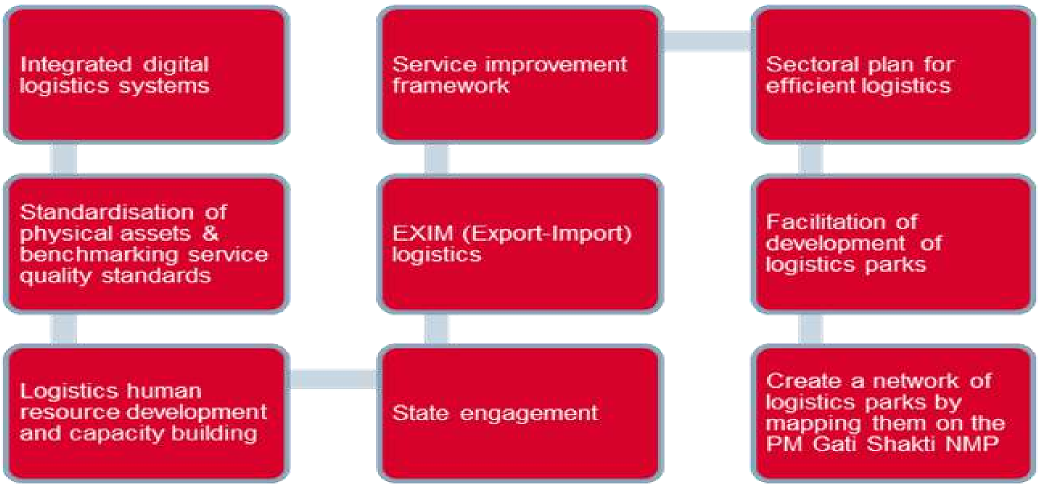
National Logistics Policy

The National Logistics Policy, unveiled in Sep'22, aims at the following targets

- Reduction in logistics costs to 8-9% from current 13-14% levels by CY30
- Improvement in Logistics Performance Index (LPI) ranking of India within top 25 countries by CY30
- Creation of a data-driven decision support mechanism for an efficient logistics ecosystem

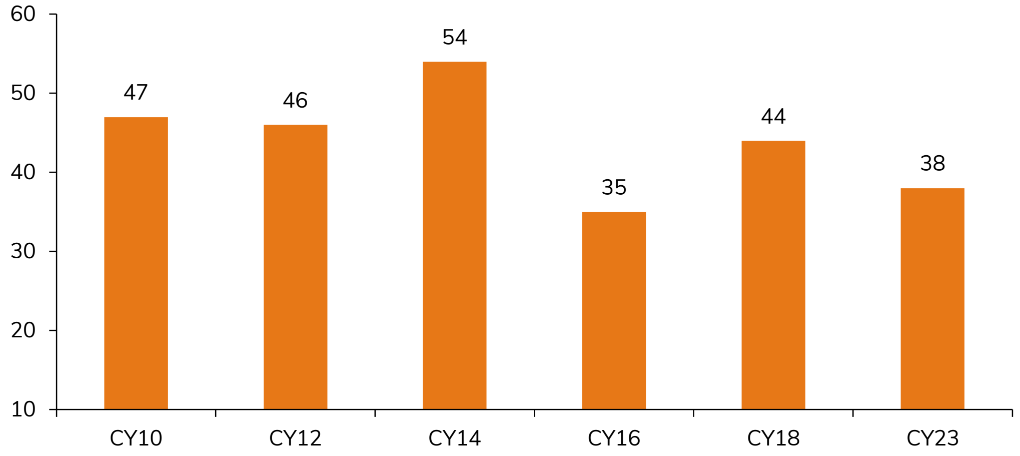
Comprehensive Logistics Action Plan (CLAP) is devised to achieve the objectives laid out in NLP:

Exhibit 35: Components of CLAP



Source: I-Sec research, Company data

Exhibit 36: Logistics Performance Index (LPI) – Indian ranking



Source: I-Sec research, Company data

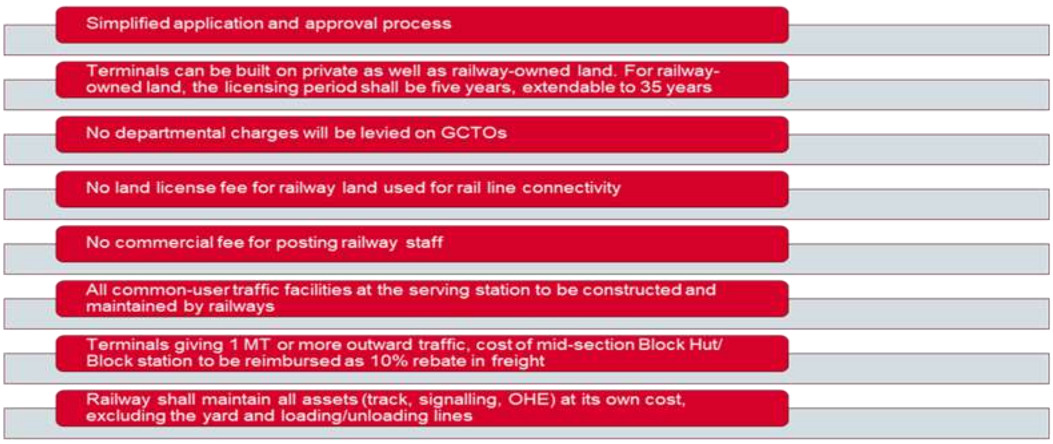
India has made significant progress in the Logistics Performance Index (LPI), moving up from 44th place in CY18 to 38th in CY23. This is a marked improvement from its ranking of 54th in CY14.

Success to policy interventions that have led to improvements in infrastructure, international shipments, logistics competence and equality, and tracking and tracing. India's infrastructure score improved from 52nd place in CY18 to 47th in CY23, while its ranking for international shipments jumped from 44th to 22nd. Its logistics competence and equality ranking improved by four places to 48th, and its tracking and tracing ranking moved up three places to 38th. The report cites modernization and digitalization as reasons for the success of emerging economies like India.

Master circular on 'Gati Shakti Multimodal Cargo Terminal (GCT) CY21

The circular released in Dec'21 supersedes the existing Private Siding Policy CY16 and Master Circular on Private Freight Terminals 2020. Private siding terminal/siding opting to migrate to GCT policy will need to sign an additional agreement. Salient features of GCT policy are:

Exhibit 37: Key features



Source: I-Sec research, Company data, Gati Shakti Master Circular, PIB update (6th Apr'22), CRISIL MI&A

The government has planned to set up 100 GCTs by FY25 to increase freight handling by railways.

Government, in Sep'22, has also approved setting long term leasing of railway land for cargo related activities at 1.5% of market value per annum for a period pf 35 years. The land leasing will be done through competitive bidding. This is expected to provide fillip to more investments towards GCTs.

Impact of GST and e-Way Bill on road transportation

The reformed tax structure has significantly changed road transportation, with companies vying for operational efficiency rather than mere tax efficiency. Introduction of the e-Way Bill has provided an added boost to the sector.

Key benefits

- Optimisation in truck running
  - Removal of trade barriers - reduced transit time
  - De-bottlenecking at state borders, improved TAT between warehouses
  - 10-15% improvement in truck running
- Reduction in document processing time
  - Significant reduction in paper work
  - Reduced processing and clearing time
- Reduced transportation costs
  - Faster and efficient transportation
  - Improved vehicle utilisation
  - Reduced fuel and trasportation-related costs
- Warehouse consolidation
  - Shift to hub-and-spoke model
  - Reduction in number of warehouses
  - Increased operational efficiency

Bharatmala Pariyojana

Bharatmala Pariyojana, an umbrella project of the central government since CY15, aims to improve efficiency in the roads sector. It is expected to supersede the National Highways Development Project (NHDP) and envisages the construction of 65,000 km of highways under the national corridor (north-south, east-west, and golden quadrilateral), economic corridor, inter-corridor roads, and feeder roads categories.

Phase I of the scheme envisages development of 24,800km of national highways/roads and residual 10,000km of NHDP between FY18-22 as per MoRTH Annual Report FY22-23 Awarding under Bharatmala has begun from FY18 and will likely stretch until FY25 for Phase 1.

Sagarmala

Sagarmala was rolled out in Apr'16 to reduce the logistics cost for domestic as well as EXIM cargo with optimised infrastructure investment. The port-led development focuses on logistic-intensive industries, which would be supported by efficient and modern port infrastructure and seamless multi-modal connectivity. The primary objective of Sagarmala is to promote port-led direct and indirect development, and ensure quick, efficient and cost-effective evacuation of cargo. It is targeted to enhance the present annual inland water cargo from 126 in FY23 to 200 MTPA by 2030 as per Maritime India Vision 2030.

The modal share of waterways in India's freight movement is about 2%, whereas the corresponding figure is 4% for USA, 14% for China, 48% for Vietnam, and 49% for Netherlands. India aims to increase the modal share to 5% by 2030.

There are 111 notified national waterways, out of which 23 have been made operational. The Ministry of Ports, Shipping, and Waterways stated that the development of 63 national waterways is not being taken up due to financial and staffing constraints.

The Committee noted that five national waterways contribute to 80% of the total cargo movement. The Committee observes that while the quantum of cargo moved on the National Waterways shows a huge increase post the declaration of new Waterways in the year 2016, much of the cargo movement is still contributed by the state of Maharashtra (63.15 MMT) i.e., nearly 50% of the total cargo moved on National Waterways. Gujarat contributes 27.66 MMT that is about 21% of the total cargo and the NW-1 contributes 13.17 MMT that is about 10% of the total cargo moved on National Waterways. The states of Maharashtra (mainly NW-10 and NW-91) and Gujarat (mainly NW-100) and the NW-1 combined contribute about 80% of the total cargo moved on NWs, whereas the balance is contributed by the NW-3, NW-4, NW-68 in Goa and the Sunderbans.

National Infrastructure Pipeline (NIP) & National Monetisation Pipeline (NMP)

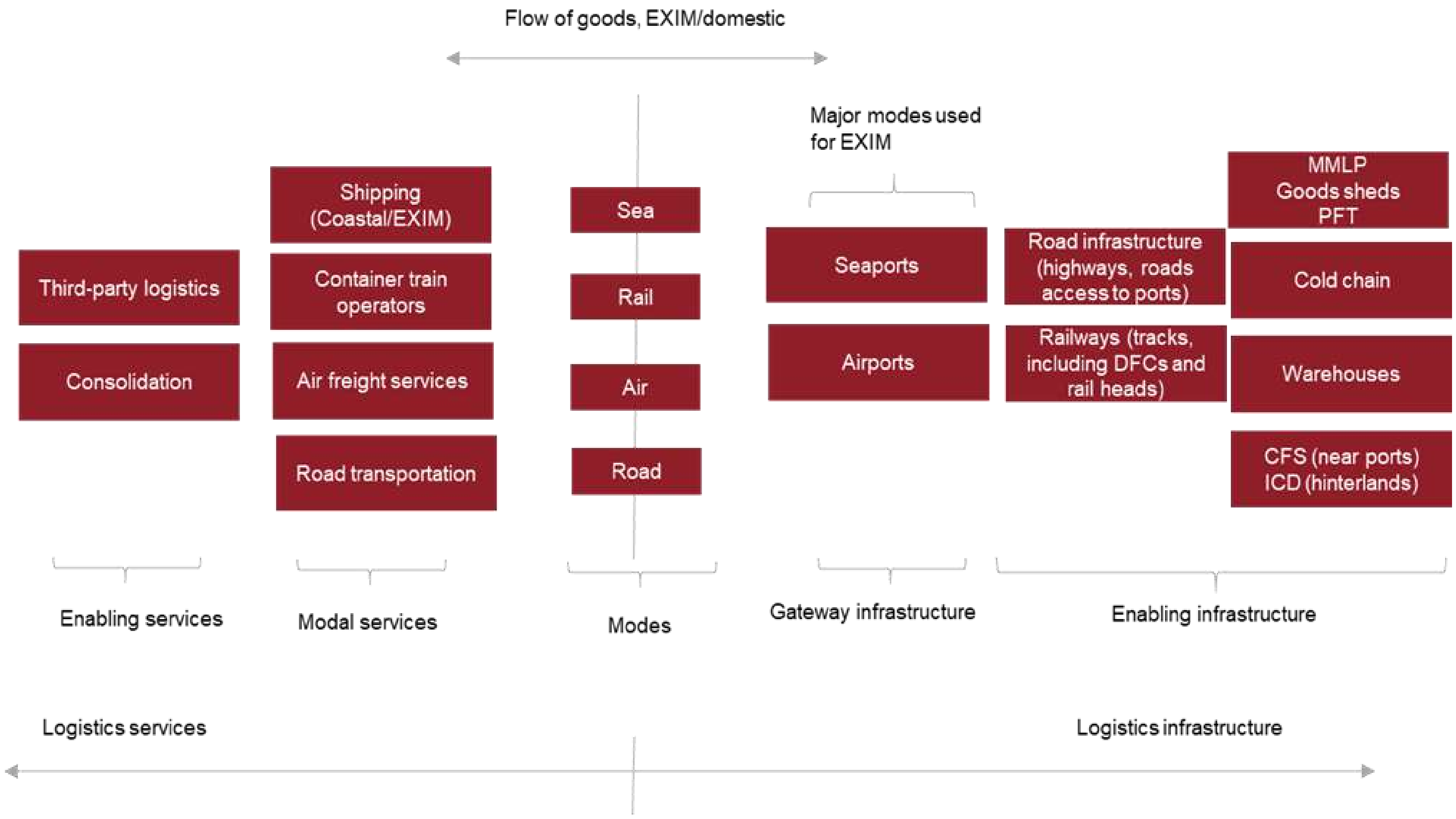
In 2020, Indian Govt. has launched the ambitious USD 1.4trn NIP to create affordable assets across energy, roads, railways, ports etc. till 2025 and of this, ~21% is expected to be invested by the private sector. Transport (42%), Energy (25%), Water & Sanitation (15%) and Social infrastructure (3%) sectors amount to around 85% of the projected infrastructure investments under NIP.

In line with this, the Indian Govt. in the Union budget 2021-22 identified monetisation of operating public infrastructure assets and launched the NMP. The NMP aims to provide a medium-term roadmap of the programme for public asset owners, along with visibility on potential assets to private sector. The pipeline currently comprises assets within central government/CPSUs. This also includes government brownfield assets with stable revenue generation profile. The aggregate asset pipeline under NMP over the four-year period, FY22-25, is indicatively valued at ~ USD 80bn. These top 5 sectors include: Roads (27%) followed by Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%). Against the monetisation target of USD 10.86bn in FY22, USD 11.71bn have been achieved during the period under roads, power, coal and mines.

Multimodal logistics parks

While free trade and warehousing zone (FTWZs) were aimed at facilitating import and export of goods, the need for a one-stop-shop that could additionally cater to the domestic market has led to the development of logistics parks. 35 MMLPs are planned under Bharatmala Pariyojana in Phase I.

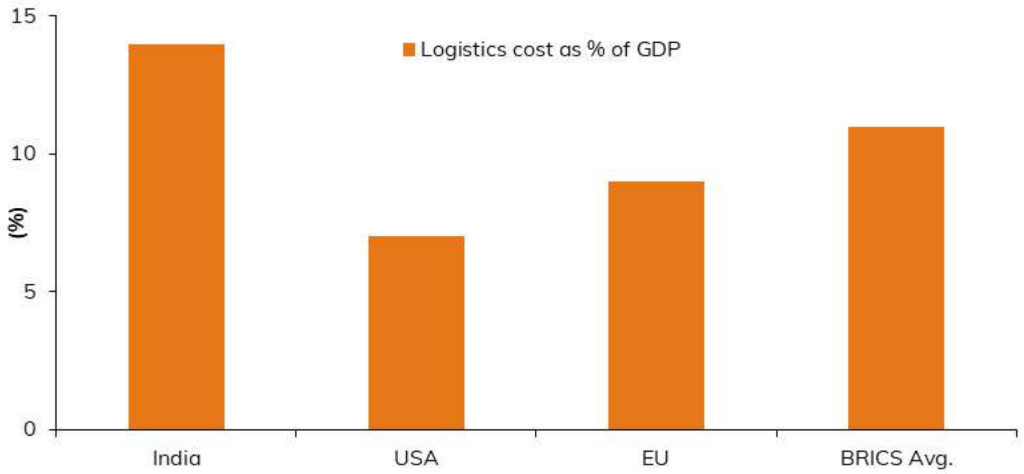
Exhibit 38: Value chain – Logistics



Source: Company data, I-Sec research, CRISIL MI&A

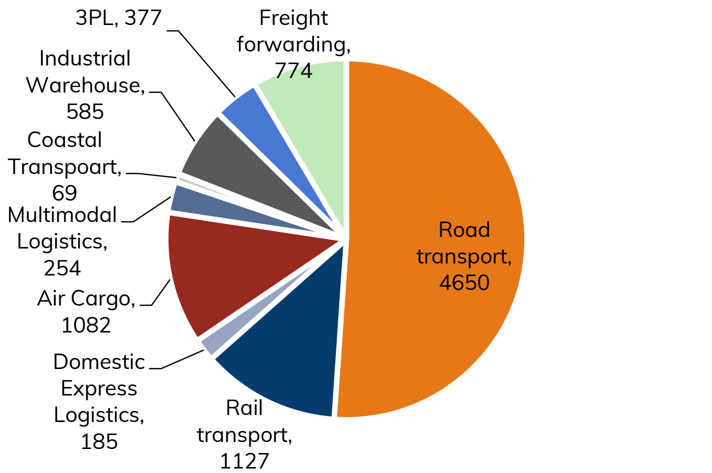
As per a NITI Aayog report, India's logistics cost as a percentage of GDP stood is ~14%, compared with 10-11% for BRIC countries and 8-9% for developed countries. Going forward, the logistics cost as a percentage of GDP for India is expected to decline, driven by initiatives such as Implementation of GST, investments towards road infrastructure, development of inland waterways and coastal shipping, the thrust on dedicated freight corridors, etc.

Exhibit 39: Logistics cost comparison for key countries



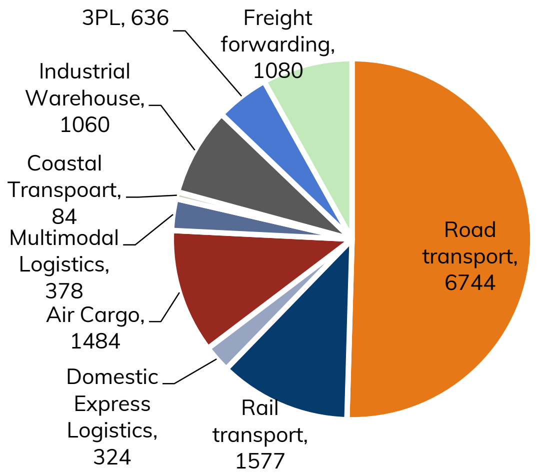
Source: Company data, I-Sec research, NITI Aayog, CRISIL MI&A

Exhibit 40: Market size - Logistics FY18 (INR bn)



Source: I-Sec research, Company data, CRISIL MI&A

Exhibit 41: Market size - Logistics FY23 (INR bn)



Source: I-Sec research, Company data, CRISIL MI&A

- **Road freight:** Road freight movement is estimated to have grown by 6-8% in FY23 with revival in production across all segments and investment-focused government spending.
- **Rail freight:** Rail movement (in BTKM terms) grew by ~10% in FY23 as tonnage and lead distance grew by 6.6% and 3% respectively.

DFC will improve rail's modal share, primarily led by bulk cargo and containers

Post commissioning of the DFC, we expect rail freight to grow at a faster pace than road, particularly for bulk commodities and container traffic. This will especially be seen from FY24-25 and would help rail to claw back share marginally it had earlier lost owing to capacity constraints. Going forward, road traffic is expected to grow by 6%, while growth for rail will be relatively higher at ~8%.

Exhibit 42: Sector wise outlook

Segment	Size, FY23E (INR bn)	CAGR (FY18E-23E)	CAGR (FY23P-28P)	Remarks
Road transport	6,744	8%	7%	Rail fared relatively well during the pandemic-impacted FY21. Primary freight remained strong post COVID. FY23 market was seen at 1.3 times of FY21 revenues, led by strong volume as well as freight rates.
FTL	6,040	7%	7%	
LTL	703	10%	11%	Going forward, DFC-led efficiencies will also improve rail's modal share. However, road still maintains a dominant share in non-bulk transport.
Rail transport	1,577	7%	9%	
Domestic Express	324	12%	14%	Road has gained share vis-à-vis air in express logistics, led by GST-led efficiencies. However, air express has shown resilience post COVID.
Road Express	221	11%	15%	
Air Express	103	15%	14%	Technology plays an important role in express logistics, due to higher track and trace requirements. E-retail focussed players are expected to contribute to healthy growth of the sector.
Air Cargo	1,484	7%	9%	Air cargo was subdued in FY21, due to the dearth of belly capacity. Outlook is relatively better due to higher focus on cargo focussed operations
Multimodal logistics	378	8%	9%	The share of rail is expected to improve considerably as DFC comes online. Focus on hub and spoke models by container operators is expected to improve the multimodality in the sector.
Rail containers	92	6%	10%	
Road containers	286	9%	8%	Uptick has been observed in container rail coefficients across ports. Going forward, rail-based container movement will remain strong on back of DFC.
Coastal transport	84	7%	8%	Coastal transport is expected to remain healthy. Growing non-bulk movement is positive, in addition to the bulk commodities, which have a majority share.
Industrial warehousing	1,060	13%	11%	E-commerce and 3PL players are expected to drive warehousing investments.
3PL	636	11%	13%	Increased initiatives by transporters in improving supply chain and developing competencies will aid in better 3PL penetration.
Freight forwarding	1,080	7%	7%	Revival in EXIM container traffic and international air traffic will aid the freight forwarding segment

Source: I-Sec research, Company data

Increasingly players are employing an asset light approach, where the transportation assets are leased or outsourced from the market.

Key trends across segments

Road transportation- Connecting the Country

With a plan to double national highways in India to 200,000 kilometres, the 'Bharatmala Pariyojana' was launched as a holistic vision for developing 66,100 kilometres of additional road network including expressways, economic corridors, international and border roads. Remarkably, it has already aided in trebling the average pace of highway construction in the country from 12 Km/day (FY15) to 37 Km/day (FY21), with a target of achieving 40 Km/ day of average construction by FY25. The construction pace has however declined in FY22 to 29km/day and declined further to 28km/day in FY23.

To further the digitalization efforts, the Ministry of Road Transport and Highways (MoRTH) is undertaking various e-initiatives, including the implementation of RFID based Electronic Toll Collection, known as FASTag. Introduced in 2019, the National Electronic Toll Collection programme is now operational nationwide to ensure seamless movement of traffic through fee plazas and increase in transparency in collection of user fee. Further, the Government plans to implement a new highway toll collection system based on the global navigation satellite system.

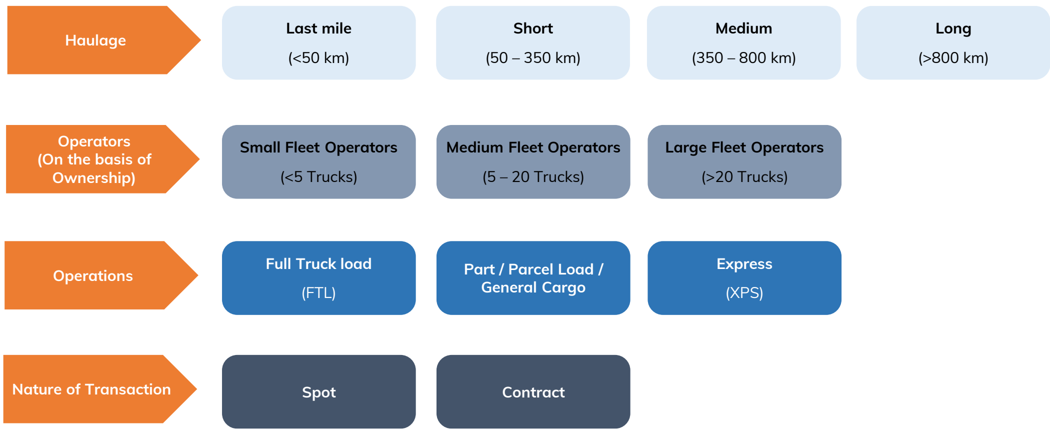
Road transport is fragmented and unorganised

The road transport industry is highly unorganised and fragmented, and comprises players providing transportation services, and intermediaries such as transport contractors, booking agents and brokers, and consignors. Transport operators are broadly classified into small fleet operators (SFOs, owning up to five trucks), medium fleet operators (MFOs, owning 6-20 trucks) and large fleet operators (LFOs, owning more than 20 trucks). Based on ownership, SFOs account for 60-70% of the industry, while LFOs and MFOs together account for the remaining share.

Primary transportation in the industry entails movement over medium- (350-800km) and long-haul (>800km) routes, while secondary transportation covers redistribution demand over short-haul (50-350km) routes and last-mile distribution (<50km).

Secondary transportation comprises to 10-15% in overall pie (in BTKM terms), while primary transportation requires for 85-90%.

Exhibit 43: Road transport: Industry structure



Source: I-Sec research, Company data, CRISIL MI&A

Exhibit 44: Road transport market (INR bn)

Source: I-Sec research, Company data, CRISIL MI&A

Express logistics

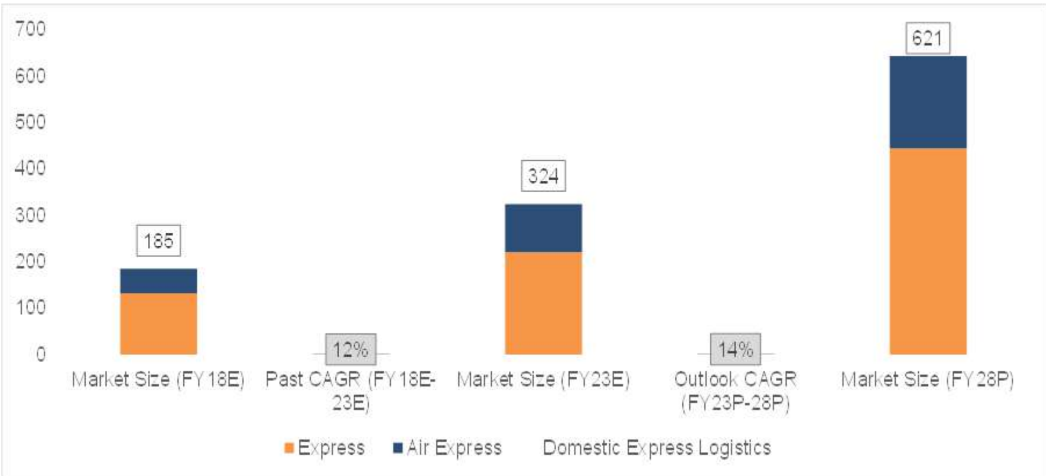
Express logistics is one of the high growth industries in India.

E-retail to drive the express logistics growth

The performance of the express courier industry is driven by the level of economic activity (economic growth, trade etc.) within a country. The industry's revenue is estimated to have increased at a CAGR of ~12% over fiscals 2018-23, on account of improvement in domestic economy and strong growth in the e-commerce segment. Post COVID growth was particularly strong, as express segment's revenues increased by ~50% from fiscal 2023 levels. Growth in freight rates in fiscal 2022 and higher growth observed in air express segments also helped.

Going forward, the larger players and logistics start-ups are expected to ride the e-retail tailwind to grow their business, led by increased penetration of e-commerce across sectors such as furniture, groceries and medicines, while smaller traditional players will bear the brunt of the document segment down cycle. Players establishing relationships and making investments would be better placed to benefit from the e-commerce super cycle.

Exhibit 45: Domestic express market (INR bn)



Source: I-Sec research, Company data,, CRISIL MI&A

Third party logistics (3PL)

A large part of the logistics operations being outsourced to a single player is referred to as a third party logistics (3PL) player.

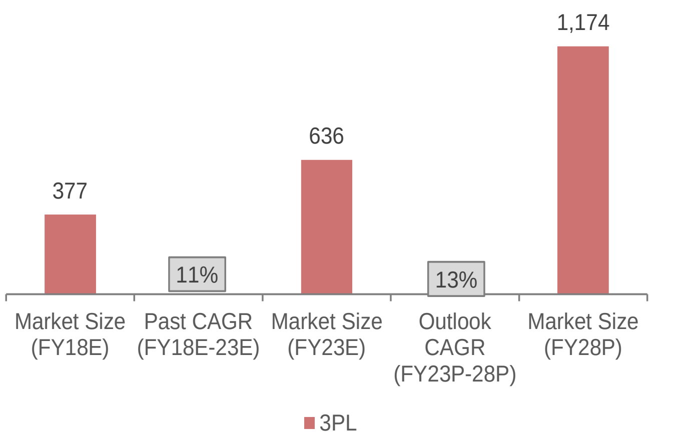
3PL company is an end-to-end supply chain management player who can provide supply chain design and consulting, access to multi-modal transportation as well as infrastructure services like warehousing, cold storage, CFS/ICD etc. and relevant value-added services including, repackaging, reverse logistics, etc. However, the 3PL player does not necessarily have to provide all of these services and need not cater to all the logistics requirements of the company.

FY23 market has increased by 50% vis-à-vis from FY21 levels. Broad based growth across automotive, consumer discretionary and consumer staples sectors supported the growth. Against a growth of ~11% observed in past five years, 3PL market is expected to grow by 13% in next five years, which will be led by growth across end user sectors and better penetration across markets.

Key drivers for 3PL growth are:

- *Focus on core business*
- *Increased flexibility and scalability*
- *Offer value-added services*
- *Increasing MNC presence in India to fuel 3PL growth*

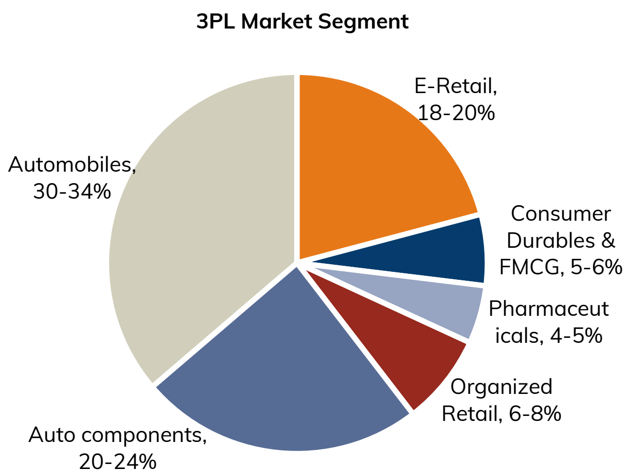
Exhibit 46: 3PL Market – Market Size (INR bn)



Note: Share of sectors is for pre-pandemic scenario

Source: Industry, CRISIL MI&A

Exhibit 47: 3PL Market - Segments

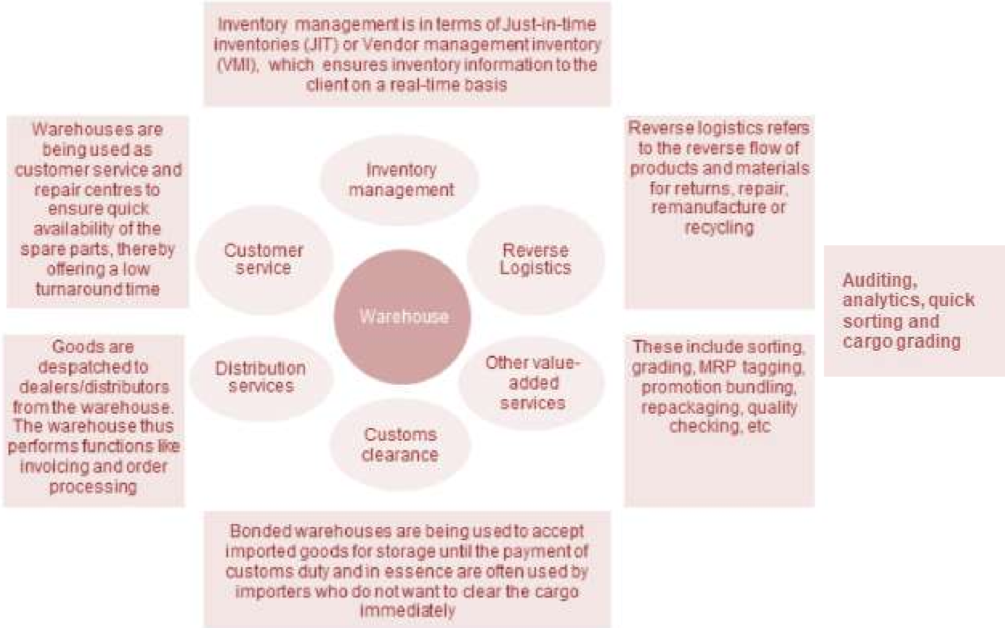


Note: Share of sectors is for pre-pandemic scenario

Source: Industry, CRISIL MI&A

Warehousing and Distribution

Exhibit 48: Value-added services provided by a warehouse



Source: Industry, CRISIL MI&A

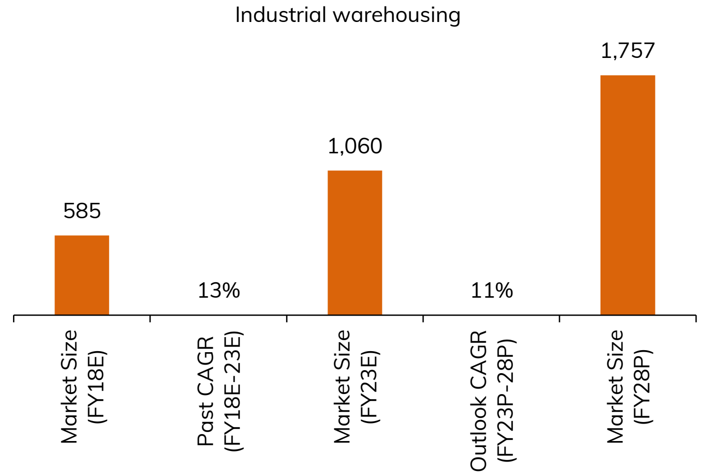
Industrial warehousing to pick up momentum again

Warehousing demand grew by 40-50% in FY22, while FY23 witnessed a growth of 10-15% as most end-user industries recovered from lows of pandemic. We expect industrial warehousing to log a CAGR of 11-13% over FY23-28, driven by continued growth in demand for more sophisticated Grade A and B warehouses. Demand from 3PL has increased as different sectors such as electronics & white goods, retail, FMCG are routing through 3PL, large and medium manufacturing offload part of their inventory management to optimise the cost.

Structurally the warehousing industry is expected to evolve over the long term with higher dependence on technology

CRISIL MI&A expects the warehousing industry to evolve structurally over the long term – led by automation and investment in technology to lower touch points and reduce dependence on labour. Most end-user industries are also expected to infuse automation in their supply chain and warehouse management services. Sectors such as FMCG (esp. groceries) are expected to adopt omni-channel distribution models (both offline-online), some in urban areas have already moved to the online mode given the social distancing norms amidst the lockdowns. This in could become permanent and improve warehousing demand in the long term.

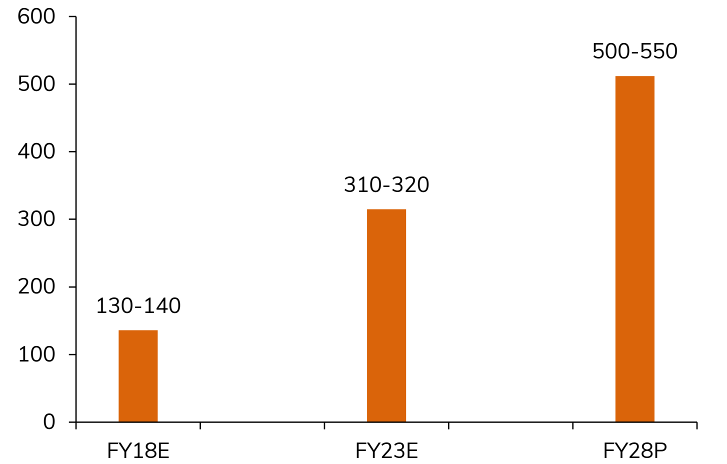
Exhibit 49: Industrial warehousing – INR bn



*Grade and Grade B warehousing stock for key 8 cities are Mumbai, Pune, Delhi NCR, Bangalore, Chennai, Hyderabad, Kolkata and Ahmedabad

Source: Industry, CRISIL MI&A

Exhibit 50: Warehousing stock (Key 8 cities*) – Mn Sq. ft.



*Grade and Grade B warehousing stock for key 8 cities are Mumbai, Pune, Delhi NCR, Bangalore, Chennai, Hyderabad, Kolkata and Ahmedabad

Source: Industry, CRISIL MI&A

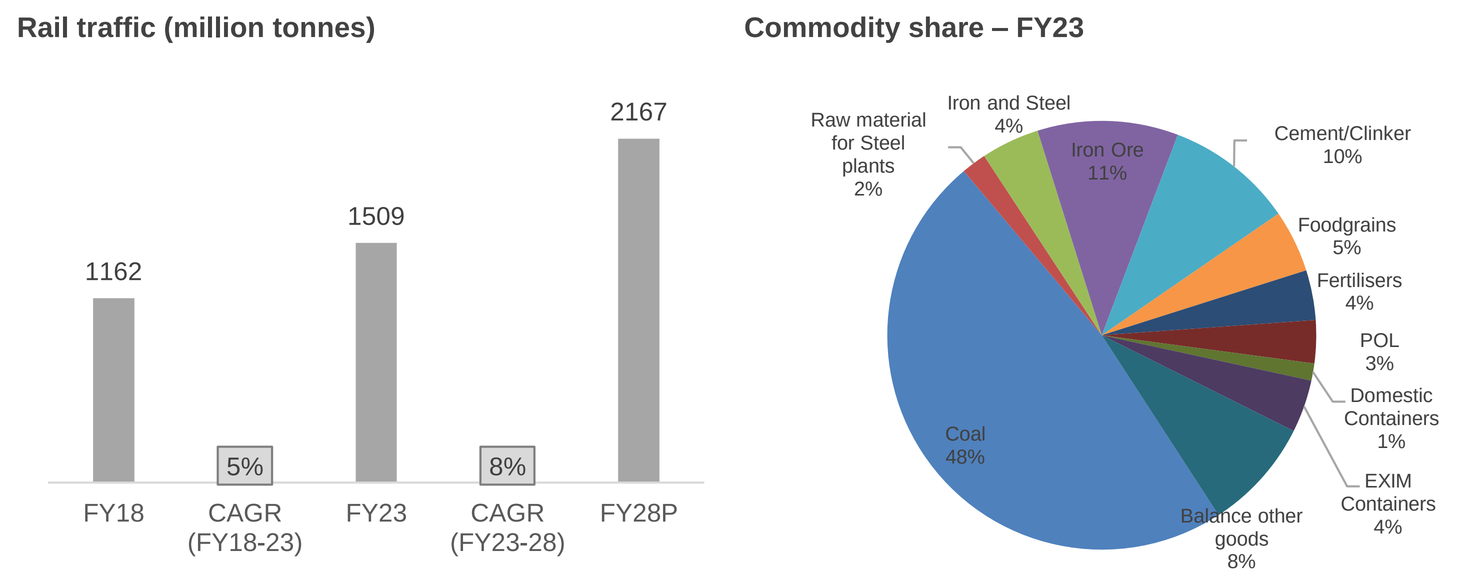
Rail transport

Indian Railways has quintupled the average pace of commissioning new lines versus the period 2009-14, and new projects such as Dedicated Freight Corridors (DFCs) and High Speed Rail (HSR) are expected to revolutionize logistics and passenger travel in the country. The DFCs are expected to be a game changer for the logistics sector in India and are going to play a major role in increasing the Railways' modal share of freight in India from circa 25% to a dominant 45%.

While two corridors spanning 3,360 km (the Western Dedicated Freight Corridor and the Eastern Dedicated Freight Corridor) are at commissioning stage, another three corridors are at the planning stage. Key features of these corridor include double speeds, higher load carrying capacity, and double stacking capability.

Indian Railways has taken several measures to step up the number of its wagons and improve turnaround time. Growth in railway traffic for FY23 is largely driven by strong coal traffic on account strong of power demand and production growth of Coal India.

Exhibit 51: Rail traffic and commodity share



Source: Indian Railways, Industry, CRISIL MI&A

Air Cargo

DGCA move a fillip to the cargo carried by Indian carriers

DGCA has restricted unscheduled and charter operations of foreign carriers to 6 metro airports only. This would aid cargo carriage by Indian carriers from the remaining airports as cargo transhipment is not as common as passenger travel via hubs.

Structural shift underway

Domestic freight traffic is projected to grow 12-16% on-year to 730-740kte FY23, surpassing pre-Covid highs attained in fiscal 2019, led by a low base, continued economic revival, rising demand from e-commerce and related sectors and increased capacity deployment by airlines. The Covid-19 pandemic has led to a structural shift in the air cargo market.

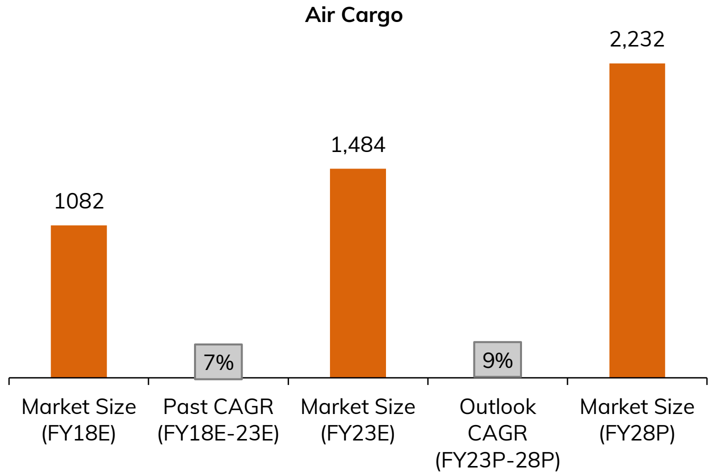
The reasons for the shift are as follows:

- Rise in e-commerce activity attributable to a permanent shift brought about by the pandemic as more people get comfortable with online ordering.
- India halting domestic only legs operated by foreign carriers.
- Government initiatives like FDI in manufacturing and Make in India enabling export oriented manufacturing of electronics, Pharmaceuticals, etc. to facilitate air cargo growth
- Rising congestion at ports and other supply chain bottlenecks, coupled with rising shipping prices, pushing demand towards air freight services
- Considering the forecasted growth in passenger capacity of domestic airlines resulting in fleet expansion thereby producing an additional belly capacity for air freight.

Domestic freight traffic in FY22 has grown by 21% on-year to 652kte, similar to FY17 levels. Recovery in freight traffic was faster than the recovery in passenger traffic in FY22 as cargo traffic was lesser impacted during the second and third waves of the pandemic.

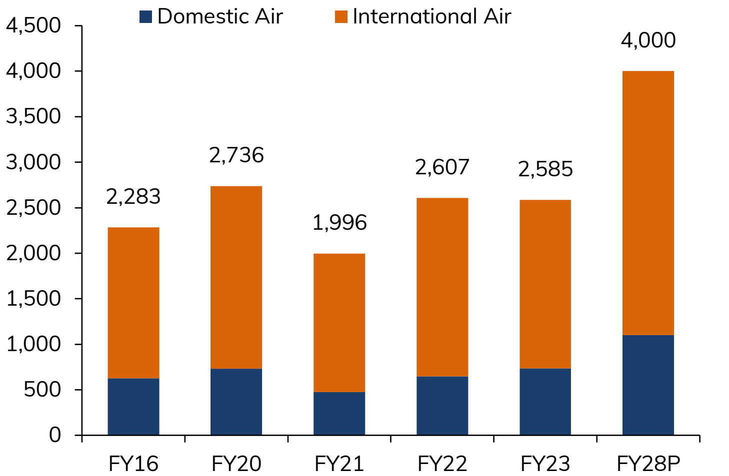
Domestic freight traffic is expected to reach 1,050-1,150kte by FY27, led by increased capacity and connectivity on domestic routes, and higher GDP growth leading to high goods transfer within the country.

Exhibit 52: Air freight – INR bn



Source: Industry, CRISIL MI&A

Exhibit 53: Air freight – '000 tonnes



Source: Industry, CRISIL MI&A

Major End-Use verticals

Exhibit 54:

<table>
<tr><th colspan="2">Vertical</th><th>Market, INR bn (FY23)</th><th>Vertical growth (FY23-28)</th><th>Logistics spends, FY23 (INR bn)</th><th>Remarks / Major trends</th></tr>
<tr><td colspan="2" rowspan="2">Consumer non-durables (organised FMCG)</td><td rowspan="2">2300-2400</td><td rowspan="2">9-10%</td><td rowspan="2">134-144</td><td>Consumer durables and non-durables have been the major gainers from GST. Warehouse consolidation has been the highest for the consumer durables sector (more than 50%).</td></tr>
<tr><td>Consolidation has been relatively slow in non-durables/ FMCG, which has a complex distribution network.</td></tr>
<tr><td colspan="2">Consumer durables (household appliances)</td><td>900-1000</td><td>10-11%</td><td>45-55</td><td></td></tr>
<tr><td rowspan="3">Auto-mobiles</td><td>Cars and UVs</td><td>125-135</td><td>6-8%</td><td>50-60</td><td>Rail transport is gaining traction, particularly for cars and UVs. Rail now accounts for ~20+% movement.</td></tr>
<tr><td>Commercial vehicles</td><td>86-96</td><td>7-9%</td><td>35-45</td><td></td></tr>
<tr><td>Two-Wheelers</td><td>52-62</td><td>9-11%</td><td>38-48</td><td>Consolidation has been higher for CVs and two-wheelers, which work through intermediate/regional warehouses.</td></tr>
<tr><td colspan="2">Auto components production</td><td>4700-4800</td><td>9-11%</td><td>255-265</td><td>The auto component sector has high organisational and 3PL penetration, as OEMs work on the just-in-time (JIT) principle, requiring sophistication in supply chains.</td></tr>
<tr><td colspan="2">E-retail</td><td>3000-3100</td><td>21-26%</td><td>265-275</td><td>E-retail-focused players have grown significantly, captive as well as non-captive, with growth of e-retail in tier 2/3 cities.</td></tr>
<tr><td colspan="2">Pharmaceuticals</td><td>3700-3800</td><td>10-11%</td><td>88-98</td><td>C&F agents and stockists are a major part of pharma logistics, providing value-added services in addition to logistics. Hence, the scope of consolidation is moderate.</td></tr>
<tr><td colspan="2">Solar modules</td><td>200-250</td><td>62-64 GW: FY22-26 vs 32 GW in FY16-20</td><td>14-18</td><td>Domestic module manufacturing units are often located near plant sites. Transportation requires modular packaging, resulting in higher overall logistics cost for solar module movement.</td></tr>
<tr><td colspan="2">Steel</td><td>~7400</td><td>6-7%</td><td>510-530</td><td>As steel is a high-value, low-volume commodity, freight cost is low (compared to other bulk material), at 5-7% of the total cost of sales. Transportation accounts for 90-95% of logistics cost, primarily because steel products are generally transported only once the demand is raised by the client, thereby eliminating the need for warehousing.</td></tr>
<tr><td colspan="2">Cement</td><td>~2300</td><td>7-9%</td><td>340-360</td><td>Cement is a low-value, high-volume commodity, with high logistics costs. While rail is the preferred mode of transportation for cement over long distances, road is preferred for medium and short haul transport.</td></tr>
<tr><td colspan="2">Project logistics (road)</td><td>n.m.</td><td>12-14%</td><td>85-95</td><td>Project logistics requires specialised equipment such as prime movers, flat bed trailers, and cranes. Only a few transporters provide project logistics-related services.</td></tr>
</table>

Source: Company data, I-Sec research

Peer Comparison

Company enjoys the highest revenue CAGR growth (vs peers) over the past five years; the growth is supported by all of its key segments

TCIL revenue grew by 10.8% CAGR over the past six years (FY18-24), outpacing its listed players (ex- new age players); the growth is distributed across the segments.

Exhibit 55: Revenue of peers

Revenue (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR (FY18-24)	CAGR (FY24-26E)
TCI Limited	19,425	21,805	25,583	27,178	28,024	32,588	37,826	40,242	44,547	49,390	10.8%	10.8%
TCI Express	7,503	8,851	10,238	10,320	8,440	10,815	12,410	12,538	14,005	15,560	6.0%	11.4%
VRL Logistics	18,031	19,223	21,095	21,185	17,629	21,636	26,485	28,886	32,948	38,269	7.0%	15.1%
Mahindra Logistics	26,666	34,161	38,513	34,711	32,637	41,408	51,283	55,060	62,781	72,098	8.3%	14.4%

Source: I-Sec research, Company data

The absolute EBITDA growth is also one of the highest among its peers

TCIL absolute EBITDA grew by 11.6% CAGR over the past six years (FY18-24), outpacing its listed players (ex- new age players); the EBITDA growth is distributed across the segments; however, seaways contribute majority of it.

Exhibit 56: EBITDA of peers

EBITDA (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR (FY18-24)	CAGR (FY24-26E)
TCI Limited	1,620	2,120	2,442	2,405	2,612	4,109	4,240	4,105	4,747	5,166	11.6%	12.2%
TCI Express	619	907	1,190	1,213	1,343	1,747	1,945	1,872	2,144	2,431	12.9%	14.0%
VRL Logistics	2,182	2,342	2,440	2,983	2,475	3,745	4,017	3,934	4,927	6,030	9.0%	23.8%
Mahindra Logistics	762	1,197	1,512	1,583	1,342	1,843	2,598	2,290	2,806	3,733	11.4%	27.7%

Source: I-Sec research, Company data

Improving EBITDA margins; however; TCI (E) and VRL Logistics have better margins

The EBITDA margins of the company has improved from 8.3% in FY17 to 10.2% in FY24, the improvement is margin is largely driven by margin expansion in its seaways business and freight business. EBITDA margins are low as compared to TCI (E), VRL mainly on due to low margins FTL business. And We believe EBITDA margins are likely to remain range bound.

Exhibit 57: EBITDA margins of peers

EBITDA margins (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCI Limited	8.3%	9.7%	9.5%	8.9%	9.3%	12.6%	11.2%	10.2%	10.4%	10.5%
TCI Express	8.3%	10.2%	11.6%	11.8%	15.9%	16.2%	15.7%	14.9%	15.3%	15.6%
VRL Logistics	12.1%	12.2%	11.6%	14.1%	14.0%	17.3%	15.2%	13.6%	15.0%	15.8%
Mahindra Logistics	2.9%	3.5%	3.9%	4.6%	4.1%	4.5%	5.1%	4.2%	4.5%	5.2%

Source: I-Sec research, Company data

RoCE profile is better VRL and Mahindra Logistics

TCI (E) enjoys the highest RoCE profile due to its asset light business approach; RoCE profile of TCI (L) is also improving over the years and has improved to 12.7%. TCI (L), has a combination of business with both asset heavy and asset light business models.

Exhibit 58: RoCE of peers

RoCE; post tax (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCI Limited	8.3	11.0	11.8	10.7	10.3	17.8	15.8	12.7	11.9	11.3
TCI Express	39.7	27.1	27.9	28.0	24.6	25.4	23.8	19.5	18.8	18.2
VRL Logistics	10.4	11.9	11.8	11.4	5.6	15.0	13.2	6.8	9.6	12.7
Mahindra Logistics	11.8	15.1	16.4	10.0	5.7	4.1	7.2	4.1	5.4	13.9

Source: I-Sec research, Company data

Exhibit 59: FCF profile is similar to peers

FCFF (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCI Limited	-223	227	219	1,053	1,926	2,881	1,561	-1,302	1,447	2,673
TCI Express	143	110	581	618	446	303	406	900	618	766
VRL Logistics	1,353	1,581	-190	1,346	2,321	1,775	-941	1,392	1,650	2,613
Mahindra Logistics	-536	-257	605	230	2,226	848	484	1,559	2,213	3,222

Source: Company data, I-Sec research

Exhibit 60: VRL's CFO/EBITDA is highest among peers

CFO/EBITDA	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCI Limited	97.8%	72.4%	70.8%	101.0%	116.7%	89.3%	84.4%	72.1%	107.1%	109.8%
TCI Express	84.6%	81.5%	65.2%	66.6%	76.1%	63.4%	75.5%	72.7%	75.5%	72.7%
VRL Logistics	90.7%	87.7%	78.8%	86.3%	109.5%	99.0%	79.3%	107.7%	84.2%	84.8%
Mahindra Logistics	-38.4%	10.0%	62.8%	53.9%	218.8%	103.6%	46.0%	99.0%	103.8%	105.1%

Source: Company data, I-Sec research

Working capital intensity of the business operation is highest in TCI (L)

TCI (L) has the most working capital-intensive business in comparison to its peers. MLL has lowest working capital intensive operations.

Exhibit 61: Working capital/sales of peers

WC/Sales	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCI Limited	17.1%	15.9%	15.5%	16.8%	15.8%	17.4%	20.9%	25.9%	24.9%	27.7%
TCI Express	11.4%	9.6%	9.4%	10.4%	13.1%	12.1%	11.2%	12.9%	14.4%	17.0%
VRL Logistics	8.4%	8.0%	7.1%	7.2%	7.8%	4.0%	7.4%	4.1%	5.0%	7.6%
Mahindra Logistics	9.3%	9.2%	9.3%	12.6%	10.5%	3.4%	4.1%	2.4%	4.5%	7.0%

Source: Company data, I-Sec research

Key Risks

50% revenue comes from low margins freight business and susceptibility to economic downturns

TCIL's freight segment contributes >45% of its standalone revenue (~50% consol. revenue), however, its EBITDA level contribution was just ~15% in FY24. Profitability in this segment remains susceptible to economic downturns and competition from both unorganised players and new-age start-ups. However, increasing contribution from the more profitable LTL operations and asset-light operating model protects the business from significant cyclicality in freight business. Further, the business is well diversified across other services as well which includes 3PL and seaways.

Stiff competition from organised and unorganised players

The company operates in a competitive industry across its business verticals. In particular, the road transport industry is highly unorganised and fragmented in nature. In the logistics industry, the company competes with a variety of local, regional and global logistics service providers of varying scale, operations and financial resources. Increased competition from other organised and unorganised third-party logistics providers may hurt the company's revenues, profit margins and/or market share.

High concentration on auto industry in 3PL segment, exposes it for any cyclical downturn

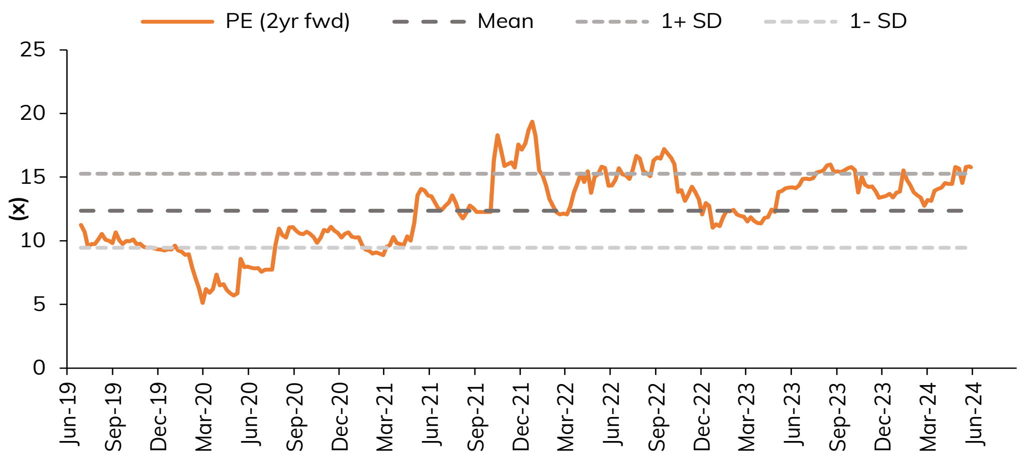
In 3PL, Auto industry contributes ~80% of the segment revenue. These industries may be sensitive to factors beyond control, including general economic conditions such as consumer demand, consumer confidence, inflation, employment and disposable income levels, interest rate levels, demographic trends, technological changes, increasing environmental, health and safety regulations, government policies, political instability and fuel prices. A loss of, or a significant decrease in business from top customers particularly in the auto industry could materially and adversely affect its business, results of operations, cash flows and financial condition.

Valuation

TCIL has been one of the best performer stocks in the logistics industry mainly due to 1) Revenue CAGR (FY18-FY24) has been highest among peers, ii) RoCE profile is more/less is similar in line with peers and iii) inexpensive valuation as compared to peers. The stock is currently trading at 16x FY26E (1 standard deviation above mean) as compared to peers like MLL/TCI (E)/VRL which are currently traded at 27x/26x/17x respectively at FY26E (consensus) despite the similar RoE profile of peers (in the range of 20% +/- 200bps).

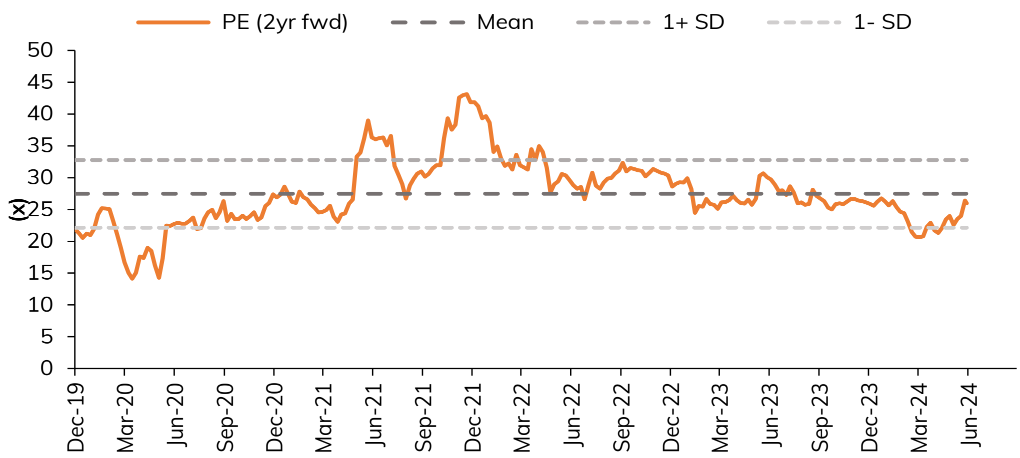
We value TCIL at 22x FY26E (three SD above mean; lower than peers) mainly due to i) lower revenue growth (FY24-FY26E) as compared to peers, ii) lower EBITDA growth (FY24-FY26E) as compared to peers and iii) moderation in the EBITDA margins. Our target price works out to be INR 1,200/share based on 22x FY26E EPS. We value TCI Express/MLL/VRL at 34x/32x/27x, respectively, based on FY26E EPS.

Exhibit 62: Valuation band for TCIL



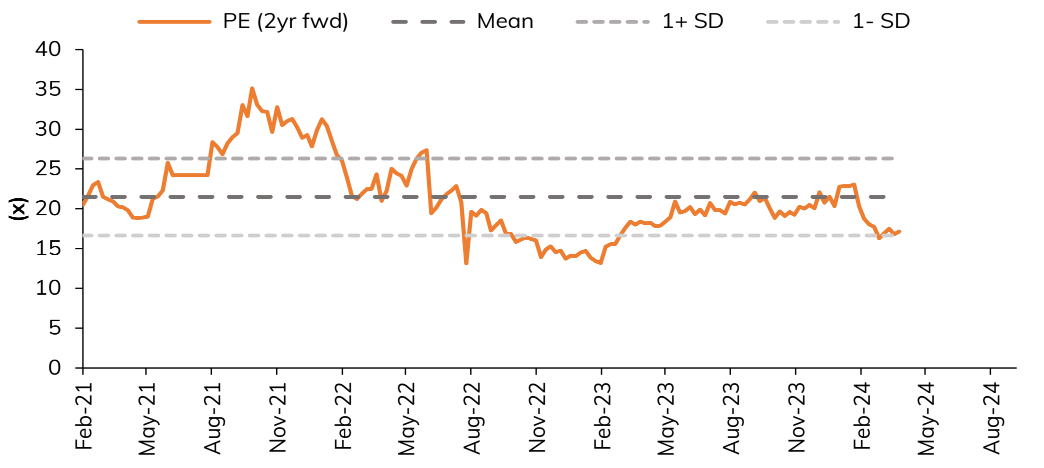
Source: I-Sec research, Bloomberg

Exhibit 63: Valuation band for TCI Express



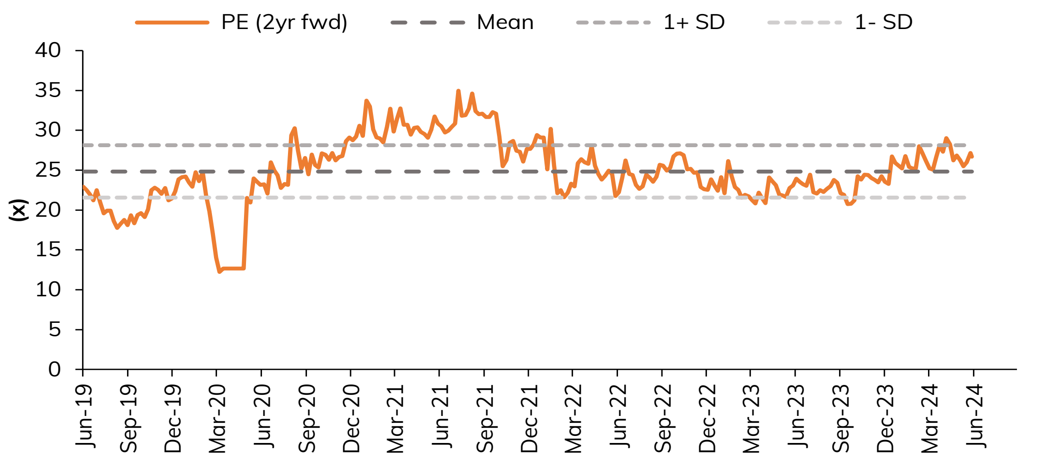
Source: I-Sec research, Bloomberg

Exhibit 64: Valuation band for VRL Logistics



Source: I-Sec research, Bloomberg

Exhibit 65: Valuation band for Mahindra Logistics



Source: I-Sec research, Bloomberg

From Q3FY24 concall

- The past few months have witnessed a slowdown in the consumer and engineering sectors, the festival season shift and high stocking in Oct'23 led to muted volume numbers in Nov '23.
- TCI added 30 new branches during 9MFY24 to strengthen the network further.
- The share of LTL/FTL in the Freight division stood at 37%/63% in 9MFY24. The management remains optimistic about increasing LTL's share to 40% by FY25 and improving margins of the LTL segment by 100-200bp in the next two years.
- In SCS segment, the automotive sector continues to perform well, contributing around 80% to the segment. The recent acquisition of a client in the FMCG space is expected to reflect on revenue and margins in near future. Further, the reduction of rail haulage by 33% for SUV rail movements is expected to have a positive impact on margins.
- **In Seaways,** the management expects EBIT margin to be in the range of 22-23% in FY24. Freight rates experienced a decline due to a temporary build-up of capacity. The delivery of two new ships is expected between Jan'26 and Mar '26.
- The company handled 1,700 rakes in 9MFY24,
- The company remains net debt-free with INR3b in cash.
- TRPC would continue to look for a second-hand ship to build on its capacity.
- JVs showed mixed results, with Rail JV growing 6% YoY, Cold Chain rising 25% YoY, and Tran-System increasing 50% YoY in revenue in 9MFY24.

Guidance

- The management has reduced its revenue/PAT growth guidance to 5-10% in FY24 from 10-15% earlier.
- Management expects capex of INR 2.5b in FY24 and INR 2-3b annually in the next two to three years.
- Expectations of 10-15% growth rate for revenue and PAT in FY25, which is likely to continue for the next 3-4 years.
- Strategic decisions of the management involve avoiding low-margin businesses and maintaining a robust pipeline of customers across various sectors.
- In the Freight business, TCI is looking to achieve 23-25% ROCE in FY25 and a 40% contribution target for LTL by FY25.
- The tax rate is expected to be around 12-13% from FY25 onwards.

From Q4FY24 concall

- Driven by automotive industry, good growth was witnessed in supply chain solution
- TCI targets to start ~75 new branches in the freight segment by FY25, on top of the 30 branches added in FY24.
- TCI handled 2,300 rakes in FY24 across the country, of which ~30% was contributed by multi-model operations to the business.
- TCI expanded its warehousing space to 150 sq.ft along with expansion in its hubs & spoke network for automotive finished goods.

- Freights rates remained week in the west coast, averaging an impact of ~22% due to temporary capacity build up and low fuel prices.
- TCI is in the midst of acquiring 2 new ships (expected delivery in ~2yrs), while also being open for purchasing second-hand ships.
- Expected growth to remain flat in the seaways division in FY25, with FY26 growth dependent on the addition of second-hand ships to the fleet.
- TCI plans to continue in vesting in Cold chain storage being a high-growth sector,

Guidance

- The company will maintain its 15-20% dividend playout policy
- Revenue of 10-15%, 1QFY25 may be weaker due to elections.
- Management anticipates better performance in FY25 with the early onset of monsoon and ease in monetary policy.
- In FY25, marginal improvement in margin due to better growth in supply chain and freight business.

Environmental, Social and Governance (ESG)

Environmental: Nurturing Environment for a Healthier Planet

- Push towards green logistics via Rail & Coastal – ~30% of consolidated revenues from multimodal
- 25% increase in freight movement by Rail.
- 184K eCO2 tonnes green points earned from Railways
- Produced 15.9mn (FY23: 16.0mn) renewal energy units
- 200+ CNG vehicles
- Supply chain sustainability lab in partnership with IIM-B turns 1 year old.

Social: Health Safety & Empowerment Societal Impact & Nation Building

- Road safety and health initiatives across 18 states administering 1.5mn+ vaccinations & other health services to 2.2mn people.
- Trained 27000+ Government medical staff in FY24
- Artificial limb center has empowered 1440+ beneficiaries
- Urmila sports academy trained players for national & international sports events, winning 48 Medals in various tournaments.

Governance: Trust, Dependability & Resilience

- Strong and diverse board
- Started BRSR in FY22 voluntarily
- Long term performance-linked robust remuneration system
- Configuration & integration for data security
- Comprehensive enterprise risk management and business continuity plan.

Board structure, management profile and related party transactions

Exhibit 66: Board has 5 Independent Directors out of 9 Directors

Key Committees	Chairman	Description
Audit Committee	Ravi Uppal (Independent Director)	3 members with 2 Independent Director
Nomination & Remuneration Committee	Vikrampati Singhania (Independent Director)	3 members with 2 Independent Director
Stakeholders Relationship Committee	SN Agarwal (Non-Executive Director)	3 members with 1 Independent Director
CSR Committee	Gita Nayyar (Independent Director)	4 members with 1 Independent Director
Share Transfer Committee	DP Agarwal (Chairman & MD)	3 members with 0 Independent Director
Corporate & Restructuring Committee	Vineet Agarwal (MD)	2 members with 0 Independent Director
Risk Management Committee	Avinash Gupta (Independent Director)	3 members with 2 Independent Director
0 Board Committees with 100% of Independent Directors		

Source: Company data

TCIL board has 10 directors (50% independent), board has seven committees, and out of these committees' four committees has independent directors as chairman. None of board committees has 100% Independent Directors.

Exhibit 67: Board and management profile

Name	Description	Other directorship
Mr. DP Agarwal **Chairman & MD**	Mr. D. P. Agarwal is the Chairman of TCI Group. He has been associated with transport and logistics industry for >54 years. He is also an active member of several other Trusts and philanthropic organisations. Through TCI Foundation, he has initiated many social and philanthropic activities for common good in the areas of HIV/AIDS, Education, Sports and Skilling.	• TCI Express • TCI Industries • Jay Bharat Maruti • Indo Rama Synthetics (India) • Bhoruka Power • TCI Developers • TCI Institute of Logistics
Mr. SN Agarwal **Non-Executive Director**	Mr. Agarwal has >46 years of experience in various industries including logistics. He has also serves as the Chairman of Bhoruka Gases Ltd and Bhoruka Power Corporation Ltd. He is also a member of the governing body of IIM Bangalore.	• Kirloskar Electric • Bhuruka Gases • Bhuruka Gases Investments (India) • Pharmed • Prabhu Structures • Prabhu Structures Investments (India) • Prabhu Structures Holding • Bhoruka Power • Bhoruka Power Investments (India) • Bhoruka Agro Business • Bhoruka Cogen Power • Bhoruka Specialty Gases • Shahapur Power
Mr. Vijay Sankar **Independent Director**	Vijay Sankar is the Deputy Chairman of the Sanmar Group. Mr. Vijay Sankar holds a MBA from the J L Kellogg Graduate School of Management, Northwestern University (Illinois, USA) and is also a qualified Chartered Accountant.	• The KCP • Chemplat Sanmar • Oriental Hotels • Sansar Consolidation • Stargate Enterprises • Brabourne Trading • Kaveri Retreats & Resorts • Chennai Willingdon • NS Family Investments • NS Properties & Holdings • Sanmar Holdings • VS Trading & Consultancy • CS Trading & Consultancy • MS Trading & Consultancy • SCL Trading & Consultancy
Mr. Avinash Gupta **Independent Director**	Mr. Gupta is Managing Director of Dun & Bradstreet Information Services India Pvt. Ltd. He has >3 decades of experience and has worked extensively in financial services including M&A, equity and debt financing, private equity placement and advisory across the EMENA and Asia. He has an MBA from the A.B. Freeman School of Business, Tulane University (Deans List with full fellowship) and a B.Tech. in Mechanical Engineering from the Indian Institute of Technology, BHU Varanasi. He sits on the National Executive Committees of FICCI and ASSOCHAM.	• Stove Kraft • Dun & Bradstreet Information • Jupiter Alloys & Steel (India) • Jupiter Wagons • Keventer Agro
Ms. Gita Nayar **Independent Director**	Ms. Nayyar is a senior finance professional with over 30 years of leadership experience in UK and India with MNC banks and in the Venture Capital Industry. She has extensive cross-functional experience in corporate banking, Investment banking, Wealth	• Oriental Hotels • PNB Housing Finance • Glenmark Life Science

	management, Fund raising, Investment and Risk management. Ms. Nayyar, is an MBA from the Amos Tuck School of Business Administration, Dartmouth College USA and holds a B.A. Economics (Hons) degree from Jesus and Mary College Delhi.	• Ask Investmenst Managers • Taj Sats Air Catering
Mr. Ravi Uppal **Independent Director**	Mr. Uppal has >40 years of experience in engineering, manufacturing and infrastructure segments in India and abroad. He served as the Managing Director & Group CEO of Jindal Steel & Power Limited Group, Whole-time Director of L&T Group Board and MD & CEO (Power) at L&T, held various positions in ABB Group including President of Global Markets &, Member of Group Executive Committee, President of ABB in Asia Pacific Region & Chairman & MD of ABB India, and is credited as being the founding Managing Director of Volvo in India. Mr Uppal has worked for over 15 years in diverse roles in Europe, Middle East, North Africa and South East Asia. He has recently set up a new venture, SISCOL which is undertaking steel based civil & industrial infrastructure in India. He holds a degree in Mechanical Engineering from the Indian Institute of Technology (IIT) Delhi, which has honoured him as a Distinguished Alumni. He is also an alumnus of the Indian Institute of Management (IIM) Ahmedabad. He has done Advanced Management Program from Wharton Business School, USA.	• JK Files & Engineering • Steel Infra Sol • Ring Plus • Surin Automotive • Raman Boards • Siscol Infra
Mr. Vikrampati Singhania **Independent Director**	Mr. Singhania is a fourth-generation industrialist belonging to one of the largest industrial groups in India – J.K. Organisation. JK Organisation is an over 125 years old business house with leadership across multiple sectors. Mr Singhania did his Master's Degree in Commerce from Kanpur University and his MBA from Fuqua School of Business, Duke University, USA.	• JK Agri Genetics • Lumax Industries • Sandhar Tech • JK Sugar
Ms. Urmila Agarwal **Non-Executive Director**	Mrs. Agarwal, with over two decades of expertise and knowledge about the garment manufacturing sector, is the brain behind the origin of TCI EXIM. Mrs. Agarwal began her professional career with TCI EXIM.	• Bhoruka Supply Chain Sol Holdings • Bhoruka Express Consolidated • TDL Real Estate Holdings
Mr. Chander Agarwal **Non-Executive Director**	Mr. Chander Agarwal is the Director of TCI. A Bachelor of Science in Business Administration from Bryant College, Smithfield, RI, Mr. Agarwal joined TCI as Summer Intern and worked in various departments including operations, Logistics and Marketing etc. thereby getting fair amount of exposure to the key functions in the Company. His hands-on experience with Transfreight USA, a 3PL specializing in 'lean logistics' for Toyota Motor vehicles, USA, has given him unmatched knowledge of the Supply Chain Management.	• TCI Express • TCI Properties • TCI Infrastructure • TCI Apex-Pal Hospitality India • TCI Institute of Logistics • Gloxinia Frams • TCI Developers
Mr. Vineet Agarwal **MD**	Mr. Vineet Agarwal is the Managing Director of Transport Corporation of India Ltd. He graduated from Carnegie Mellon University and the Owner President Management program from Harvard Business School. Mr. Agarwal joined TCI in 1996 as the Executive Director and has held various roles within the Company.	• TCI Express • TCI Developer • Somany Ceramics • Loglabs Ventures • TCI CONCOR Multimodal Sol • TCI Cold Chain Sol • Transystem Logistics International • Gloxinia Frams • TCI Institute of Logistics

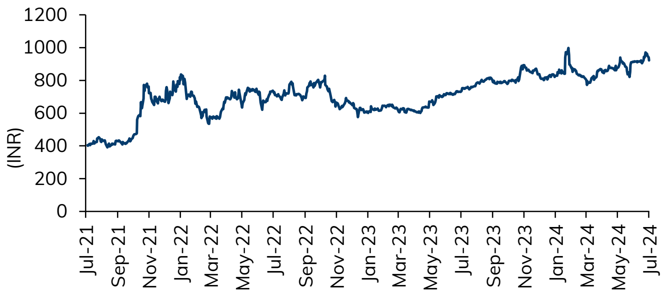
Source: Company data, I-Sec research

Exhibit 68: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	68.9	68.9	68.9
Institutional investors	15.5	14.8	15.1
MFs and others	11.6	10.8	10.8
FIs/Banks	1.0	1.0	1.0
Insurance	0.3	0.3	0.4
FIIs	2.6	2.7	2.9
Others	15.6	16.3	16.0

Source: Bloomberg

Exhibit 69: Price chart



Source: Bloomberg

Financial Summary

Exhibit 70: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	37,826	40,242	44,565	49,390
Operating Expenses	**3,279**	**3,706**	**3,861**	**4,142**
EBITDA	4,240	4,105	4,619	5,166
EBITDA Margin (%)	**11.2**	**10.2**	**10.4**	**10.5**
Depreciation & Amortization	1,214	1,284	1,527	1,838
EBIT	3,026	2,821	3,092	3,328
Interest expenditure	98	133	143	95
Other Non-operating Income	303	458	326	531
Recurring PBT	3,230	3,146	3,276	3,765
Profit / (Loss) from Associates	**444**	**759**	**835**	**918**
Less: Taxes	**434**	**336**	**360**	**414**
PAT	2,796	2,810	2,916	3,351
Less: Minority Interest	(14)	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,206	3,545	3,751	4,269
Net Income (Adjusted)	**3,192**	**3,545**	**3,751**	**4,269**

Source Company data, I-Sec research

Exhibit 71: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	10,355	12,916	13,656	16,417
of which cash & cash eqv.	1,846	956	1,039	3,067
Total Current Liabilities & Provisions	2,455	2,359	2,542	2,746
Net Current Assets	**7,901**	**10,557**	**11,114**	**13,670**
Investments	1,977	2,121	2,121	2,121
Net Fixed Assets	7,177	7,606	9,579	10,741
ROU Assets	707	985	985	985
Capital Work-in-Progress	260	1,090	1,090	1,090
Total Intangible Assets	28	26	26	26
Other assets	505	270	270	270
Deferred Tax Assets	-	-	-	-
Total Assets	**18,555**	**22,655**	**25,185**	**28,904**
Liabilities				
Borrowings	**625**	**1,503**	**782**	**732**
Deferred Tax Liability	**300**	**328**	**328**	**328**
provisions	75	86	86	86
other Liabilities	235	367	367	367
Equity Share Capital	155	155	155	155
Reserves & Surplus	16,863	19,883	23,134	26,903
Total Net Worth	**17,018**	**20,038**	**23,289**	**27,058**
Minority Interest	301	333	333	333
Total Liabilities	**18,555**	**22,655**	**25,185**	**28,904**

Source Company data, I-Sec research

Exhibit 72: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	9,498	9,935	10,020	10,789
% growth (YOY)	*5.1*	*6.6*	*3.7*	*10.2*
EBITDA	1,008	1,004	999	1,094
Margin %	*10.6*	*10.1*	*10.0*	*10.1*
Other Income	85	113	95	165
Extraordinaries	-	-	-	24
Adjusted Net Profit	832	878	802	1,033

Source Company data, I-Sec research

Exhibit 73: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**3,580**	**2,961**	**4,947**	**5,673**
Working Capital Changes	(756)	(1,018)	(473)	(528)
Capital Commitments	(2,019)	(4,263)	(3,500)	(3,000)
Free Cashflow	**1,561**	**(1,302)**	**1,447**	**2,673**
Other investing cashflow	**88**	**225**	**-**	**-**
Cashflow from Investing Activities	(1,931)	(4,038)	(3,500)	(3,000)
Issue of Share Capital	35	35	-	-
Interest Cost	(66)	(92)	(143)	(95)
Inc (Dec) in Borrowings	6	878	(721)	(50)
Dividend paid	(548)	(549)	(500)	(500)
Others	-	-	-	-
Cash flow from Financing Activities	(660)	176	(1,364)	(645)
Chg. in Cash & Bank balance	**989**	**(901)**	**83**	**2,028**
Closing cash & balance	1,668	798	1,039	3,067

Source Company data, I-Sec research

Exhibit 74: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	41.0	45.5	48.1	54.8
Adjusted EPS (Diluted)	41.0	45.5	48.1	54.8
Cash EPS	56.5	62.0	67.7	78.4
Dividend per share (DPS)	(7.0)	(7.0)	(6.4)	(6.4)
Book Value per share (BV)	218.4	257.1	298.8	347.2
Dividend Payout (%)	(17.2)	(15.5)	(13.3)	(11.7)
Growth (%)				
Net Sales	16.1	6.4	10.7	10.8
EBITDA	3.2	(3.2)	12.5	11.8
EPS (INR)	9.2	11.1	5.8	13.8
Valuation Ratios (x)				
P/E	23.5	21.1	20.0	17.5
P/CEPS	17.0	15.5	14.2	12.3
P/BV	4.4	3.7	3.2	2.8
EV / EBITDA	16.9	17.9	15.7	13.6
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	19.9	19.4	19.0	18.8
EBITDA Margins (%)	11.2	10.2	10.4	10.5
Effective Tax Rate (%)	13.4	10.7	11.0	11.0
Net Profit Margins (%)	7.4	7.0	6.5	6.8
Net Debt / Equity (x)	(0.2)	(0.1)	(0.1)	(0.2)
Net Debt / EBITDA (x)	(0.8)	(0.4)	(0.5)	(0.9)
Total Asset Turnover (x)	2.3	2.1	2.0	1.9
Inventory Turnover Days	1	1	1	1
Receivables Days	62	59	59	60
Payables Days	8	7	6	7
Profitability Ratios				
RoE (%)	20.0	18.8	17.1	16.7
RoCE (%)	15.8	12.7	11.9	11.3
RoIC (%)	20.1	16.6	15.2	14.1

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
I/We, Amit Dixit, PGDM, B.Tech; Mohit Lohia, CA; Pritish Urumkar, MBATech (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:
ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122