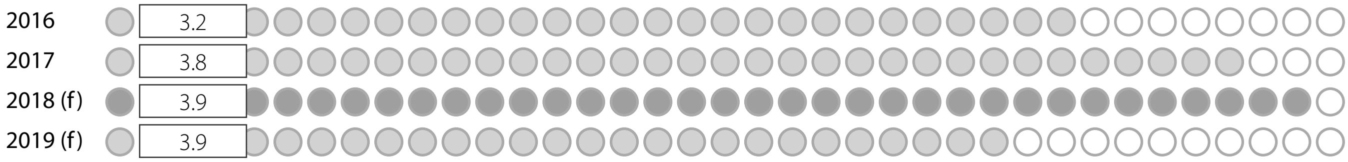
MANAGEMENT DISCUSSION AND ANALYSIS

Global economic overview
The year 2017 saw several decisive reform measures being undertaken across the global economic landscape in the aftermath of the United States adopting a new economic stance, emerging protectionism in advanced economies, recovery in global trade, a turnaround in China's economic growth and various geopolitical issues. Every major economy expanded and the consequent growth wave created jobs. This reality was manifested via the ongoing growth in the eurozone, modest growth in Japan, a belated revival in China and improving conditions in Russia and Brazil, allowing the global economy to grow by ~3.7% during 2017, ~60 bps higher than the previous year. Crude oil prices increased in 2017 from US$54.13 per barrel to US$61.02 per barrel at the end of the year, the highest since 2013.

Outlook
The outlook for several advanced economies improved, especially those in the eurozone. However, in many countries inflation remained weak, indicating that prospects for growth in GDP per capita were held back by weak productivity growth and rising dependency ratios. Global growth forecasts for 2018 and 2019 were revised upward by 20 bps to 3.9%, reflecting improved momentum and the impact of tax policy changes in the US. *(Source: WEO, IMF)*

Global economic growth

Real GDP growth (%)



[Source: World Economic Outlook, January 2018] f: forecasted

Indian economic overview

Much like the world at large, India faced several ups and downs during FY2017-18. Major developments included the implementation of the GST, an improvement in India's rankings on the Ease of Doing Business Index, Logistics Performance Index and Prosperity Index, the opening of the floodgates in terms of FDI regulations and staggered GDP growth during Q2 of the fiscal gone by.

India's merchandise exports grew by 9.07% in January 2018 to reach US$ 24.38 billion compared to US$ 22.35 billion, a year back. Cumulative value of exports for the period between April 2017 and January 2018 stood at US$ 247.89 billion compared to US$ 221.82 billion, registering a growth of 11.75%. On the other hand, India's merchandise imports witnessed expansion, growing by 26.1% to value at US$ 40.68 billion in January 2018 compared to US$ 32.261 billion, a year back. Cumulative value of imports for the period between April 2017 and January 2018 stood at US$ 379.05 billion compared to US$ 310.16 billion, registering a growth of 22.21% y-o-y.

After registering a GDP growth of >7% for the third year in succession during FY2016-17, the Indian economy headed for slower growth estimated at 6.7% in 2017-18 (despite India reporting a growth rate of 7.6% during Q4). India's GDP growth saw a temporary dip in Q1 of FY2017-18 due to disruptions surrounding the implementation of the GST. However, growth recovered owing to strong industrial growth. Commendably, the Central Government took significant efforts to revive the growth trajectory whenever growth dipped.

Going ahead, FY2018-19 is going to be critical not just for the overall economy but also for the common man owing to the upcoming elections.

Outlook

The World Bank announced that India's economic growth could accelerate to 7.3% in 2018-19 and 7.5% in 2019-20. Strong private consumption and services are expected to continue to support this surge in economic activity. Private investments are expected to revive as soon as the corporate sector adjusts to the GST. *(Source: IMF, World Bank)*

Exports from India FY2017-18 versus FY2016-17

Countries	Exports in 2017-18 (US$ million)	Exports in 2016-17 (US$ million)
China	13,336.78	10,171.18
Hong Kong	14,690.27	14,047.24
Australia	4,012.33	2,957.79
Singapore	10,202.12	9,564.58
Thailand	3,653.66	3,133.44
Malaysia	5,700.09	5,224.86
Myanmar	966.19	1,107.89

(Source: Department of Commerce)

Imports to India FY2017-18 versus FY2016-17

Countries	Imports to 2017-18 (US$ million)	Imports to 2016-17 (US$ million)
China	76,271.72	61,281.57
Hong Kong	10,676.09	8,204.18
Australia	13,993.75	11,154.48
Singapore	7,466.99	7,086.57
Thailand	7,134.55	5,415.40
Malaysia	9,011.58	8,933.59
Myanmar	639.64	1,067.25

(Source: Department of Commerce)

Global logistics industry overview

The global logistics industry, in terms of revenue, is set to expand to US$15.5 trillion by 2023 from US$8.1 trillion in 2015, growing at a CAGR of 7.5%. In volume terms, the market is expected to clock a CAGR of 6% between 2016 and 2024. The growth of the industry is directly correlated to the development of international trade flows and the global economic environment. *(Source: PRNewswire)*

Indian logistics industry overview

India's logistics industry is worth US$300 billion and is estimated to grow at a CAGR of 12.17% by 2020. In 2016, India was ranked 35th on the World Bank's Logistics Performance Index, moving up from the 54th spot in 2014. India registered an overall 30-point-rise and stood at the 100th position on the World Bank's Ease of Doing Business Index in 2017. India expended ~14.4% of its GDP on logistics and transportation compared to countries like the US (9.5%) and Germany (8%). The country's logistics industry provides employment to >22 million people and has been growing at a CAGR of 7.8% between 2013 and 2018. The result is that India's logistics sector now finds a place in the harmonised master list of the infrastructure sub-sectors, which could help provide access to cheaper long-term credit, simplify the approval process for the construction of multimodal logistics parks, encourage market accountability through regulation and attract investments from debt and pension funds into recognised projects. *(Source: Logistics Market in India 2015-2020, Economic Times, NITI Aayog)*

Outlook

The growth of the logistics sector is directly related to the growth prospects of India and has clocked a growth rate twice as fast as India's GDP. Overall, the domestic logistics industry is poised for growth on the back of changing sectoral dynamics. Logistics firms are moving from traditional setups to IT-integrated operations so as to reduce costs and address incipient demands. With respect to India's GDP growth, the logistics industry is expected to grow at 2x as the logistics business is directly correlated with the pace of economic activity within the country. The development of new highways, roads, logistics parks, among others coupled with fresh investments should allow the industry to grow at a CAGR of 16% between 2016 and 2020. As India becomes more open to trade and investments, the need for logistics services will increase, providing bigger opportunities to key sectoral players. *(Source: Financial Express, NITI Aayog)*

Indian express shipping industry overview and TCI Express

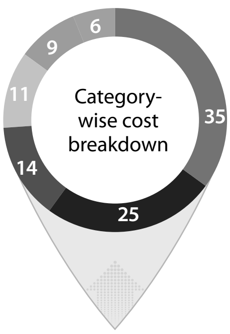
The express shipping industry – a fast-growing sector

The express industry provides guaranteed, fast, reliable, on demand, world-wide, integrated, door-to-door movement of shipments that can be tracked and controlled throughout the journey. It is the 'business class' of cargo services. The express industry simplifies and accelerates the process of transporting goods and thereby makes a significant contribution to the economy.

The robust growth of the Indian economy has come about on the back of an improvement in the core sectors of the economy with the speed of industrialisation amplifying over the last five years. The need for becoming more efficient and competitive has resulted in an increase in the usage of express shipping by customers in industries such as automobile and pharmaceuticals. These industries are fairly predictable in terms of their demand barring a few seasonal fluctuations.

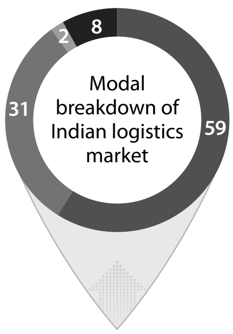
By creating an integrated sequence including multiple modes of transportion, air and surface, the express shipping industry has fine-tuned the logistics process to guarantee time-bound deliveries of shipments across India and other parts of the world. With the GST being implemented, taxation efficiency and not arbitrage will be the key determinant in the success of the express logistics industry.

TCIExpress is the fastest-growing express shipping service company in India with the largest hub-and-spoke network. TCIExpress has mapped 95% of the pin codes around the country. The Company has a huge customer base including top manufacturers to SMEs and small traders, comprising >2,00,000 customers, ensuring that the Company is not overtly dependant on any single customer. ~95% of the Company's revenues are derived from the B2B segment and the rest from B2C. The Company plans to take ownership of the leased sorting centres over the medium-term so as to streamline processes further.



- Transportation
- Inventories
- Losses
- Packaging
- Handling and warehousing
- Customer shopping

- Value-added logistics
- Freight forwarding
- Warehousing
- Transportation

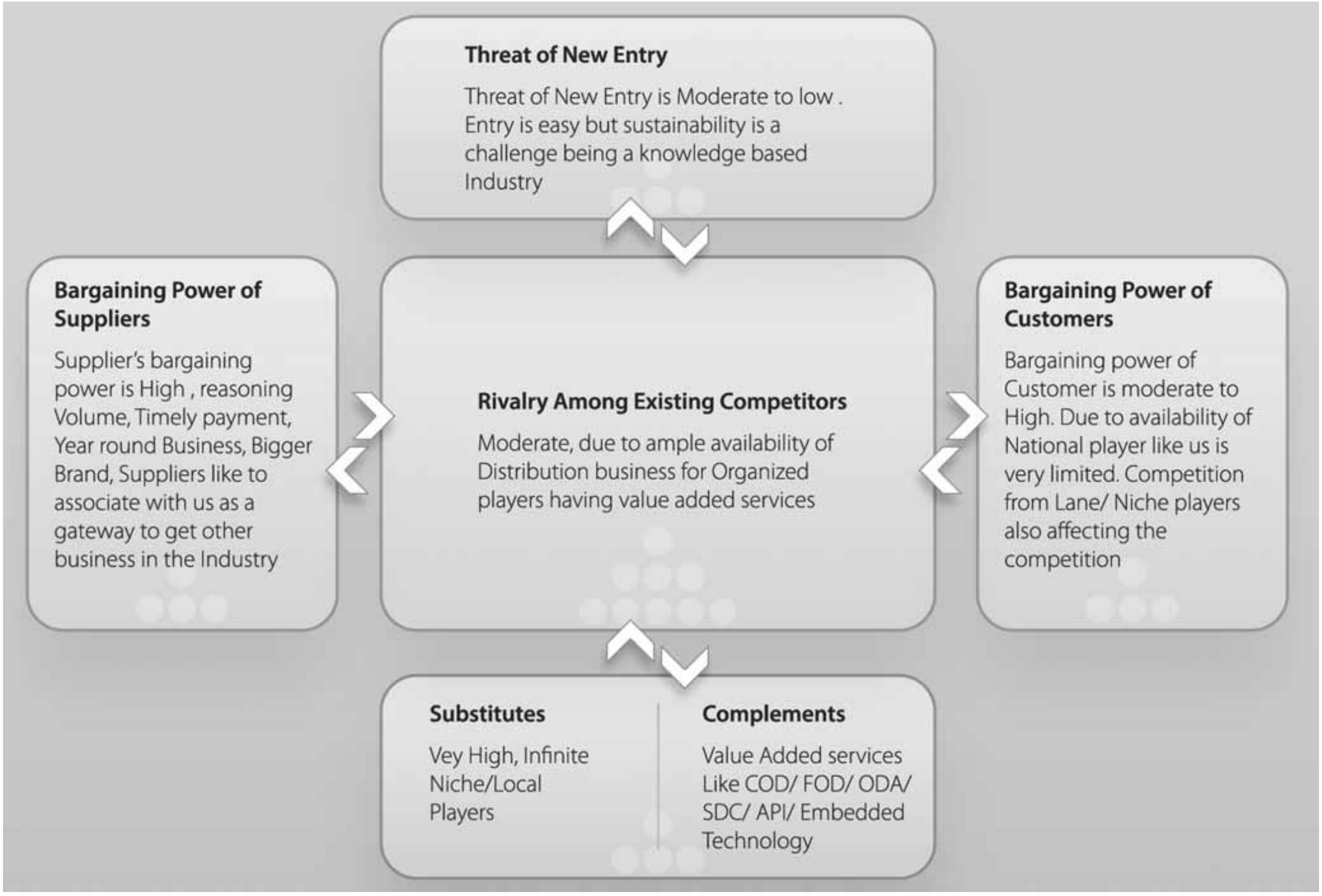


- Road
- Rail
- Air
- Water

Source: Medium

Porter five force model

Porter's Five Forces Analysis is an important micro tool for understanding the forces that shape competition within the Express industry. Also helping us to adjust our strategy to suit the competitive environment and improve our potential profit.

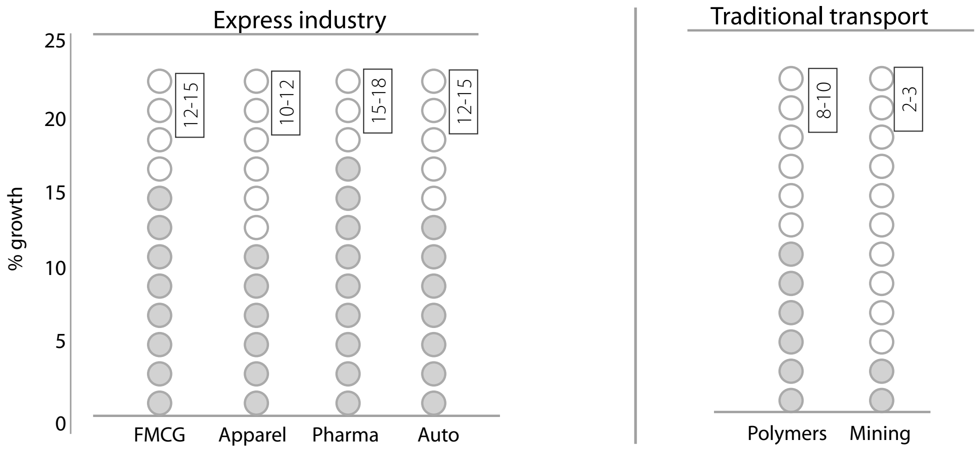


Outlook

With the introduction of the GST, interstate transportation has become more efficient due to the removal of multiple taxes at the State and Central Government level. The express shipping sector is likely to grow substantially in the upcoming years. Integration of IT and technology to meet emerging demands will play a key role in the growth of the industry. Governmental initiatives like Make in India is expected to boost the growth of the manufacturing sector to 10%. EXIM cargo, automotive, textiles and engineering, among others, as well as booming e-commerce segment, have been identified as key growth drivers of the express shipping sector.

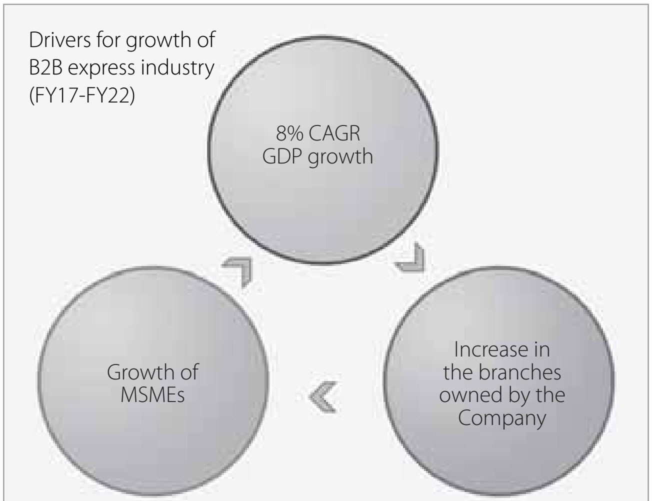
Consumer-oriented sectors remain the biggest contributors to growth of the express shipping sector

Premium Industry vertical having valuable products uses Express Industry as their preferable partners as early to market strategy , where as commodity and low value products still uses conventional transport system which is highly unorganized and fragmented.



(Source: FSC DRHP, ICICI)

Growth drivers of the B2B express industry



Source: Deloitte

GST rate card - Logistics players.

Sector	Tax rate earlier	Amended Tax rate under GST
Express industry	15%	18% (With input tax)
Rail & coastal shipping	4.5-6%	5% (With input tax)
Container rail	6%	12% (With input tax)
Road transport	4.5-6%	5% - No input tax 12% - With input tax

Source: Company, ICICI direct.com Research)

The GST impact

The inter-state taxation system compelled companies to create warehouses in each state. There were ~20-30 warehouses per company, one in every state, in addition to 20-30 carrying and forwarding agents per state, making the supply chain longer and more inefficient. Following the implementation of GST, the express shipping sector will touch new heights due to an increase in revenues. Earlier, companies used to directly ship small packages to their wholesalers. Now with several corporate sales and interstate taxes being phased out, this reality is expected to change. Furthermore, the GST, through its provision of the E-Way bill, will reduce check-posts at state borders, enabling the seamless inter-state movement of goods. As per an estimate by the World Bank, simply halving delays due to roadblocks, tolls and other stoppages could moderate freight tenures by two to three hours.

Advantages of GST

Regional hubs will emerge: Under the previous tax structure, manufacturers in India were required to maintain warehouses in every state. The implementation of the GST will facilitate the emergence of key hubs in major states that will streamline process and provide manufacturers the flexibility to maintain warehouses in select states.

Reduced turnaround times: In a bid to endure compliance with state laws and taxation regulations, the trucking industry spent a large amount of time at interstate checkpoints. Following the implementation of the GST, lowered inter-state compliances and reduced paperwork are expected to shrink turnaround times for trucks.

Unified taxation system: Prior to the implementation of the GST, all states had their own tax systems and different taxed goods moved across their borders differently, resulting in freight being taxed multiple times. This has now been replaced with a unified system.

Streamlined processes: The fragmented nature of the Indian transportation was the result of engagements with unorganised players. GST implementation is expected to create larger opportunities and incentives for companies to enter the organised sector.

Government initiatives

Infrastructure status granted to logistics: To catalyse the development of an integrated logistics framework including industrial parks, cold chains and warehousing facilities, the Central Government granted infrastructure status to the logistics sector, making it possible for the industry to access cheaper funds. The Central Government defined 'logistics infrastructure' to include a multimodal logistics parks comprising inland container depots with a minimum investment of ₹50 crore and minimum area of 10 acres, cold chain facility with a minimum investment of ₹15 crore and minimum area of 20,000 square feet, and a warehousing facility with a minimum investment of ₹25 crore and a minimum area of 100,000 square feet. (*Source: Livemint)*

Digital India: The Central Government doubled the budgetary allocation towards Digital India to ₹3,073 crore. The Central Government will encourage investment, training and skilling in robotics, digital manufacturing, big data analytics and IoT, led by the NITI Aayog launching a nationwide programme in the realm of AI. These investments could strengthen the logistics industry by catalysing the adoption of cutting-edge technologies.

Sagarmala: The Sagarmala project aims at doubling the share of seaways in the country's transport mix over the coming decade by executing multiple projects related to the expansion and modernisation of various ports.

Make in India: The initiative was launched in 2014 with the objective of making India a global manufacturing hub. The initiative aims to raise the GDP contribution of manufacturing to 25% from 16%. It targets 25 sectors including automobiles, construction, electronics, oil and gas, pharma, textiles and garments, food processing, roads and highways, ports and railways, among others. The initiative is expected to brighten prospects for logistics service providers. *(Source: Make in India)*

Ease of doing business: India climbed 30 positions in the latest ease of doing business ranking by World Bank, ranking at 100 among 190 countries. The enhanced business ease shall catalyse the growth of the industrial sector in India, resulting in an increased need for logistics.

High budgetary allocation for roads: Between FY2008-09 and FY2018-19, the budgetary outlay for road transport and highways increased at a CAGR of 20.91%. The Central Government allocated funds amounting to ₹649 billion to MoRTH during Union Budget 2017-18, increasing from the revised estimate of ₹524.47 billion in FY2016-17.

Increased outlay: Over the next five years, the Central Government plans to build 83,677 kilometres of roads at an investment of around ₹7 lac crore. This is the largest outlay for road construction in India and the length of the proposed roads will be >2x the Earth's circumference (~40,000 kilometres). *(Source: Hindustan Times)*

Budgetary allocations

During the Union Budget 2018-19, the Central Government announced that it would develop an online logistics marketplace - the National Logistics Information Portal for bringing various stakeholders (buyers, service providers, the Directorate General of Foreign Trade as well as railway, port and airport authorities) under a common platform. This initiative could bring down costs and increase the ease of goods movement within the country.

The allocation towards highway construction was increased from ₹57,976 crore to ₹64,900 crore while 2,000 kilometres of coast-connected roads were identified for development. The total length of roads, including those under the Pradhan Mantri Gram Sadak Yojana built between 2015 and 2018 stood at ~140,000 kilometres, significantly higher than what they were in the previous three years.

Risk management

Price risk: Rising diesel prices could impact the profitability of the Company

Mitigation: As TCIEXP operates on a contractual trucking agreement, an increase in diesel prices could have a modest impact on the Company's profitability. Apart from a delay in revision of freight rates, the entire price fluctuation can be passed through.

Infrastructure risk: Inefficient modal and terminal transport infrastructure and ill-designed storage facilities could be detrimental to the Company's performance

Mitigation: TCIEXP has one of the largest pan-India networks with >650 branches offering time-bound deliveries across 704 of the 712 districts in India via 4,500 containerised trucks. The Company renews its fleet every seven years, improving efficiency.

Competition risk: Increasing competition could impact the Company's market share

Mitigation: The Company's rich experience of two decades has resulted in improved recall. TCIEXP continued spreading its strategic presence across all e-tailing logistics partners. A wide spectrum of services offered by TCIEXP lends it an edge over its peers.

Manpower risk: Lack of skilled manpower and inadequate training can have an adverse impact on growth prospects

Mitigation: The Company's manpower strength stood at 2800 plus as on 31st March 2018. The average age of the employees stood at 32 years, ensuring a balance of experience and enthusiasm.

Financial review

Revenues
Revenue during the year stood at ₹887 crore, increasing by 18.03 % as compared to ₹752 crore in FY2016-17.

Interest and finance costs
Net interest and finance costs increased to ₹3.76 crore during the year.

EBITDA
The Company registered a EBITDA of ₹92.73 crore compared to ₹63.26 crore in the previous year.

Profit after tax
The Company registered a profit after tax of ₹58.40 crore compared to ₹37.49 crore in the previous year.

Key ratios

	2017-18	2016-17
Turnover (₹ crore)	887	752
Debt-equity ratio	0.19	0.19
Return on capital employed (%)	46.40	40.60
Book value per share (₹)	54.01	41.99
Earnings per share (₹)	15.25	9.79

Internal control systems and their adequacy

The internal control and risk management system is structured and applied in accordance with the principles and criteria established in the corporate governance code of the organisation. It is an integral part of the general organisational structure of the Company and Group and involves a range of personnel who act in a coordinated manner while executing their respective responsibilities. The Board of Directors offers its guidance and strategic supervision to the Executive Directors and management, monitoring and support committees. The control and risk committee and the head of the audit department work under the supervision of the Board-appointed Statutory Auditors.

Human resources

The Company believes that its intrinsic strength lies in its dedicated and motivated employees. As such, the Company provides competitive compensations, an amiable work environment and acknowledges employee performance through a planned reward and recognition programme. The Company aims to create a workplace where every person can achieve his or her true potential. The Company encourages individuals to go beyond the scope of their work, undertake voluntary projects that enable them to learn and devise innovative ideas.

Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward–looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.