ANNEXURE III

MANAGEMENT DISCUSSION AND ANALYSIS

Forward looking statement

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking 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 realized. The Company assumes no responsibility to publicly amend, modify or revise forward looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 2013 (the Act) and comply with the Indian Accounting Standards as pronounced by the Institute of Chartered Accountants of India (ICAI) from time to time. The Management of Total Transport Systems Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements, reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited financial statements and the notes to these statements included in the annual report. Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "Total" are to "Total Transport Systems Limited".

Global Industry Overview-

The global economy witnessed moderate growth in the year 2019, following a slowdown across most advanced and developing nations. Increase in protectionism resulting in trade barriers, rising geopolitical tensions between US and China, uncertainties around Brexit - the process for which finally began on 31st January 2020, and lower industrial input have majorly affected global growth during the year. As the year progressed, market sentiments were boosted by the phase one agreement between US and China which included a planned partial rollback of tariffs. According to International Monetary Fund (IMF) estimates global GDP grew by 2.9% in 2019.

The fiscal year was further impacted by the outbreak of the global COVID-19 pandemic. From an economic perspective, there was an unprecedented level of disruption to the global economy. In a March report, the Organisation for Economic Co-operation and Development (OECD) announced a downgrade for its 2020 predictions for almost all countries. The United Nations Conference on Trade and Development (UNCTAD) went even further and predicted that global GDP could take a USD 2 trillion hit. The global economic activity from the Purchasing Manager Index for manufacturing and services sector showed that activity in both plunged in February 2020. The composite index was at 46.1 indicating that the global economy was potentially in a recession for the month.

With governments of all countries taking diverse measures to uplift their economies from the unprecedented impact of COVID-19, there may be an improvement in the situation.

The global logistics market is anticipated to register a CAGR of 3.48% from 2016 to 2022 to attain a market size of around $12,256 billion by 2022. Based on geography, the logistics industry is segmented into North America, Europe, Asia-Pacific, and LAMEA. Asia-Pacific is anticipated to contribute significantly in terms of revenue to the logistics market share.

The global logistics market size stood at a value of USD 4936 billion in 2019. Owing to the impact of COVID-19, it is projected to grow from USD 2734 billion in 2020 to USD 3215 billion by 2021. Supply of essential commodities, supply chain stabilization, increase in demand and distribution of Personal Protective Equipment (PPE) are some factors that will drive this growth. Constant technological advancements and increased digitization are expected to change the dynamics of the business in the future. While the first half of 2019 saw a lacklustre performance from most of the industries, the later part of the year saw the advent of COVID-19, a situation which further impacted the economic engine as countries began to take drastic steps to contain the spread. As a result, several industries including the logistics industry were negatively impacted as the movement of goods was restricted and global supply chains were focused on transporting only essential goods and commodities. As economies gradually open up and businesses kick-start their supply chains trade is expected to take an uptick from current levels and have a U-shaped recovery.

Source:

https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020

http://www.oecd.org/economic-outlook/june-2020/

https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2315

https://www.globenewswire.com/news-release/2020/05/11/2031082/0/en/Global-Logistics-Supply-Chain-Industry-Market-Post-COVID-19-the-Market-is-Projected-to-Grow-from-USD-2-734-Billion-in-2020-to-USD-3-215-Billion-by-2021.html

Indian Industry Overview-

India's economy had experienced a slowdown in the first half of 2019. This was primarily due to demand weakness across sectors, financial sector stress, tightening of credit and effects of earlier policy measures. To address the deceleration both Reserve Bank of India (RBI) and the Central Government have introduced a slew of measures. While RBI has cut down the repo rate at strategic intervals, the Central Government has also made several structural reforms such as the resolution of stressed assets under Insolvency and Banking Code, steps to liberalise FDI, lower corporate income tax rates and aggressive disinvestment plans. While the Ministry of Statistics and Programme Implementation estimated the GDP for 2019-20 at 5.1%, this was revised down to 4.2% after the release of Q4 GDP growth figures. GDP growth for Q1, Q2 and Q3 was revised down to 5.2%, 4.4% and 4.1% respectively.

Although growth estimates are now set to take a hit due to impact of COVID-19, the Central and State Governments have taken quick measures to mitigate the effect. Even the RBI has cut down its repo rate to introduce further liquidity into the market. In the latest developments, The Finance Ministry has announced an ` 20 lakh crore stimulus package to support the nation during the COVID-19 crisis. The gradual opening up of the economy is underway with stringent guidelines being laid down for COVID-19 care and safety norms to be followed across the spectrum.

Advancements in digital technologies, changing consumer preferences due to eCommerce, government reforms, and shift in service sourcing strategies are expected to lead the transformation of the Indian logistics ecosystem. Digitalization will improve the efficiency and performance in freight management and port operations. Warehouse automation will help achieve operational efficiencies to counter supply-chain cost pressures in the industry. Increased investment in infrastructure, last-mile connectivity, and emerging technologies are streamlining the logistics landscape in India.

Grant of infrastructure status to logistics, the introduction of the E-Way Bill, and GST implementation are set to streamline the logistics sector in India. Setting up of a logistics division under the Department of Commerce, technology upgrades, and development of dedicated freight corridors and logistics parks are also major moves to upgrade the logistics landscape.

Logistics start-ups in India gained a substantial foothold after the onset of eCommerce, and there are several new companies that are gaining traction in the industry. Online platforms have increased competition and lowered freight costs with real-time data availability and a transparent value chain. It is imperative for logistics service providers to innovate and adapt to the transforming logistics landscape.

While India's logistics sector was projected to be worth USD 215 billion by 2020-21, as reported by India Ratings, the volume of inland logistics companies is likely to fall 10-15% due to prolonged recovery time for consumption demand. Despite relief measures if any announced by the government for the logistics sector, Exim trade will continue to remain subdued owing to weakened global growth.

The recovery will be gradual and prolonged. In spite of the COVID-19 impact, the industry is likely to benefit from the government policies and efforts that are already in place. Initiatives undertaken by the government have led to streamlining a significant portion of the logistics sector in India in the likes of granting infrastructure status to logistics, introduction of the E-Way Bill, and GST implementation, and setting up of a logistics division under the Department of Commerce. By the end of 2017-18, logistics expenses accounted for 14% of the GDP and the objective is to have this shrink to 10% by 2022. It is estimated that slashing logistics costs by 10% could widen exports by 5-8%.

The government is set to bring in initiatives that are expected to improve the ease of doing business and inherently the domestic logistics play is expected to perform better, for which the Government is framing the 'National Logistics Policy'. While there are a lot of infrastructure projects in the pipeline announced to the tune of around 1 lakh crore with an objective of improving connectivity, a focused approach to logistics would help fast track the development. Dedicated freight corridors and logistics parks, development of waterways and air connectivity, and incentivizing green initiatives would go a long way in boosting the sector.

Source:

https://www.financialexpress.com/economy/q4-fy-2019-20-gdp-growth-data-live-updates-coronavirus-one-week-lockdown-effect-varied-estimates/1974880/

https://economictimes.indiatimes.com/markets/stocks/news/inland-logistics-players-volume-may-fall-10-15-in-current-financial-year-india-ratings/articleshow/75297111.cms?from=mdr

https://www.researchandmarkets.com/reports/5008404/indian-logistics-industry-outlook-2020.

https://commerce.gov.in/writereaddata/UploadedFile/MOC_636850457336854610_Notification-Draft-05022019.pdf

About Total Transport Systems-

Established in 1994, Total Transport Systems Ltd is a well-established company in India's cargo market. Through a robust network of partners, the Company has made a strong foothold in the logistics industry in the country.

Total specializes in logistics business keeping a focus on our core business activities namely consolidation of Export cargoes, deconsolidation of import cargoes, full container loads and air freight from India to worldwide destinations. As a non-vessel Operating Common Carrier, the Company's consolidated shipping is rated among the top customers of almost all leading shipping lines operating in the region. This reputation has ensured the Company's competitive rates & space with major liners for consolidated shipments on a regular basis. The Company specializes in the business of Airfreight, FCL & LCL Forwarding for both exports and imports. TTSL has sizeable market share in India's LCL segment and the company is one of the market leaders in cargo consolidation. In addition to such services, Total continues to focus on timely delivery, diversification of its service portfolio, sustained long-term relationships with its clients, and extending value-added services over and above simple logistics.

The Company is equipped with a Multi-Modal Transport Operator's License for servicing its customer's requirements. It also has a Federal Maritime Commission (FMC) license. These licenses help the Company scale new businesses and geographies. These efforts have enabled the Company to win long running contracts as well as garner accolades in the Industry as amongst the best groupage traffic in India. Moreover, the Company is well-positioned to leverage the changing trends in the logistics industry. It represents world's 5th largest consolidators network named "I Cargo Alliance" with 166 offices in 89 countries

The Company has two wholly owned subsidiaries- CP World Logistics India Pvt Ltd and One World Logistics Pvt Ltd. Incorporated in 2010, One World Logistics offers services of last mile, rural mile and rural B2B delivery. The Company's robust business model along with its latest ERP and SaaS for technology back up gives an added advantage. It operates under the brand "Abhilaya" with a focus on last mile delivery especially for Amazon, Flipkart and FedEx with a target to work with other ecommerce players at PAN India level. It is an on-demand last-mile delivery solution provider offering tech-enabled delivery solutions for E-commerce, Restaurants, FMCG, Pharma and online & offline retailers.

The Company has entered into a Joint Venture agreement with Seedeer (Hong Kong) E- Commerce Company Limited to form a Joint venture entity called a Seedeer (India) E-commerce Private Limited to gain access to the world-wide global supply chain activity of Seedeer locally in India. All these services provided by the Total group help the Company to scale new heights of success. This is enabled by specialized skill sets, local insights and experience of its devoted management team.

The Company's wide reach and superior logistics capabilities helps it provide end-to-end services. Such expertise and superior quality of service has led to increased confidence of its marquee clients.

CONSOLIDATED FINANCIAL OVERVIEW –

The financial performance of the Company for the year ended March 31st, 2020, is as follows:

Total revenue from operations at Rs. 399.57 crore for the year ended March 31, 2020, as against Rs. 256.19 crore for the corresponding previous period, a rise of 56%. The full year performance has been can be attributed to a special FCL movement, in TTSL and CP World, resulting in higher billing and higher volume. In this year, One World business has gone up substantially as compared to previous year. This special movement has helped to have increased revenue figure, and have decent operating profit, in spite of the fact that Q4 of the FY 19-20 was badly affected due to Covid 19 and Chinese New Year.

The EBIDTA (earnings before interest, depreciation and tax, excluding other income) was Rs. 7.20 crore for the year ended March 31, 2020, as against Rs. 13.50 crore for the corresponding previous period, a decrease of 46.64%. This was mainly due to low margin order and continued fixed cost and increase in other expenses.

Net Profit was at Rs. 2.09 crore in FY2019-2020 as against Rs. 7.18 crore in FY 2018-19, YoY drop of 70.85%. The decrease is combination of effect of Covid 19 in Q4 of FY 1920, exploring new business line in the form of Last Mile Delivery which has led to reduced operating profit, which is reflected in reduction in net profit too.

Net Profit margin decreased to 0.53% in FY20 from 2.81% in FY19

EPS declined by 70.85% to Rs. 1.46 in FY2019-2020 from Rs. 5.02 in FY2018-2019

RESOURCES AND LIQUIDITY

As on March 31, 2020, the standalone Net worth stood at Rs. 47.21 crore and the total borrowing was at Rs. 21.87 crore.

(Net debt=Total Borrowing/Total Equity)

The cash and cash equivalents at the end of March 31, 2020 were Rs. 0.38 crore.

The net debt to equity ratio of the Company stood at 0.46 as on March 31, 2020.

Volume wise comparison of summary is given below:-

Vertical	FY 1920	Volume in Unit	FY 1819	Volume in Unit
Sea Export:				
FCL	22,299	TEU	9,683	TEU
LCL	2,11,656	CBM	2,25,058	CBM
Sea Import:				
FCL	2,087	TEU	2,237	TEU
LCL	1,38,456	CBM	1,53,572	CBM
Air Export	879	Ton	848	Ton
Air Import	203	Ton	166	Ton

OPPORTUNITY & THREATS

Opportunity

- Air freight division started by the Company provides ample growth opportunity
- Opportunity to get into first mile / shipping of cargo from various parts of the world to India
- Entered into contract with Amazon for last mile deliveries and looking to expand it to other states and other partners

Threats

- Changes in the economic and political conditions in India and globally may pose a threat to the ease of business
- Competition from local and multinational players
- Execution risk – transportation of goods becomes big challenge into freight consolidation activity
- Regulatory changes
- The unprecedented and wide spread of the COVID 19 virus

SEGMENT- WISE OR PRODUCT- WISE PERFORMANCE

The Company is engaged in the business of Consolidation/deconsolidation of cargo freight forwarding, logistics, warehousing and transportation. The company is dealing only in this single segment and hence segment wise performance is not applicable to the Company.

RISKS AND CONCERNS

Like every business, the Company faces risks, both internal and external, in the undertaking of its day-to-day operations and in pursuit of its longer-term objectives. A detailed policy drawn up and dedicated risk workshops are conducted and key support functions wherein risks are identified, assessed, analyzed, and accepted / mitigated to an acceptable level within the risk appetite of the organization. The risk registers are also reviewed from time to time.

The Company faces the following Risks and Concerns:

Credit Risk

To manage its credit exposure, Total has determined a credit policy with credit limit requests and approval procedures. Company does its own research of client's financial health and project prospects before bidding for a project. Timely and rigorous process is followed up with clients for payments as per schedule. The company has suitably streamlined the process to develop a focused and aggressive receivables management system to ensure timely collections.

Interest Rate Risk

The Company has judiciously managed the debt-equity ratio. It has been using a mix of loans and internal cash accruals. The Company has well managed the working capital to reduce the overall interest cost.

Competition Risk

This risk arises from more players wanting a share in the same pie. Like in most other industries, opportunity brings with itself competition. We face different levels of competition in each segment, from domestic as well as multinational companies. The Company has created strong differentiators in project execution, quality and delivery which make it resilient to competition. Furthermore, the Company continues to invest in technology and its people to remain ahead of the curve. A strong, stable client base consisting of large and mid-sized corporations further helps to insulate the Company from this risk.

Liability Risk

This risk refers to our liability arising from any damage to cargo, equipment, life and third parties which may adversely affect our business. The Company attempts to mitigate this risk through contractual obligations and insurance policies.

INTERNAL CONTROL SYSTEMS AND ADEQUACY –

The Company implemented proper and adequate systems of internal control to ensure that all assets are safeguarded and protected against loss from any unauthorized use or disposition and all transactions are authorized, recorded and reported correctly. The Company also implemented effective systems for achieving highest level of efficiency in operations, to achieve optimum and effective utilization of resources, monitoring thereof and the compliance with provisions all laws including the Companies Act, 2013, Listing Agreement, directions issued by the Securities and Exchange Board of India, labour laws, tax laws etc. It also aimed at improvement in financial management, and investment policy. The System ensures appropriate information flow to facilitate effective monitoring. The internal audit system also ensures formation and implementation of corporate policies for financial reporting, accounting, information security, project appraisal, and corporate governance. A qualified and independent Audit Committee of the Board of Directors also reviews the internal control system and its impacts on improvement of overall performance of the Company.

HUMAN RESOURCES

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity: to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel. As on March 31, 2020, Company is giving direct employment to 315 employees.

OUTLOOK

The long term outlook of the companies operating in Indian logistics industry is favourable on implementation of GST, successful commissioning of infrastructure projects especially in road, railways and ports increase in participation and investment of international logistics players and adoption to global standards of tracking and tracing mechanism.

The global COVID-19 pandemic has seen major economies and other emerging economics face severe adverse impact. Due to our business contingency and continuity plans, excellent customer service, tools and technology to equip team members to operate remotely and work from home, we could avoid major disruptions and delays. Total is also focussing on the opportunity to handle high value cargo and strengthening ancillary services to provide integrated logistics solutions. Our long-term relationships with global marquee carriers help create synergistic benefits within our business segments.

KEY FINANCIAL RATIOS

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations 2018, the Company is required to give details of significant changes (Change of 25% or more as compared to the immediately previous year) in key sector specified financial ratio.

Particulars	Standalone			Consolidated		
	F.Y. 20	F.Y. 19	Variation	F.Y. 20	F.Y. 19	Variation
Debtors Turnover ratio	90	82	9.79	80	80	-
DEBT/ EBIDTA	2.51	1.30	92.50	3.03	1.35	124.56
Interest Coverage ratio	3.60	7.82	-53.94	2.80	7.30	-61.60

Current Ratio	1.58	2.14	-26.22	1.47	2.09	-29.45
Debt-Equity Ratio	4.81	2.53	90.23	6.01	2.57	133.74
Operating Profit Margin	0.09	0.14	-34.41	0.07	0.13	-44.49
Net Profit Margin	0.01	0.03	-63.30	0.01	0.03	-81.31
Return on Net worth	0.27	0.57	-52.29	0.15	0.50	-70.85

COMMENTS ON RATIO:-

1. The credit offered is in line with the Industry trend. The receivable of Volume shipments done has lifted year end receivable, which is been recovered subsequently.
2. With the growth in Business, we have got enhanced Cash Credit limit from the Bank. However, Global Pandemic Covid 19 has adversely affected EBITDA
3. Though company has got additional working capital from the Bank, it has Interest cost assocaited with it. Global Pandemic Covid 19 has advserely affected EBIT
4. The company has handled Volume shipments in this year. This has resulted in temporary increase of Receivable and Payable. The AR and AP has been squared off in the subsequent period.
5. The company has handled Volume shipments in this year. This has resulted in temporary increase of Local Creditors Payable at the year end. This is been squared off in the subsequent period.
6. The company has ventured into new Business Line - Last Mile delivery, which has not yet reached Brake even point. As explained earleir, the company has handled Volume shipment at lesser margin. Additionally Global Pandemic Covid 19 has affected adversely.
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