

## RESEARCH

### TCI Express | TP: Rs 770 | +39% | BUY

Equipped to weather the Covid-19 storm; upgrade to BUY

### BOB Economics Research | Monetary Policy Review

RBI takes a bold move, more to follow

## SUMMARY

### TCI EXPRESS

Our recent interaction with the TCI Express (TCIEXP) management indicates severe pressure on near-term operational performance stemming from the Covid-19 outbreak. Despite this, we believe TCIEXP's long-term prospects remain robust and it is relatively insulated vs. peers thanks to its asset-light model, robust balance sheet and low concentration risk. Though we cut FY20-FY22 earnings by 5-25% and lower our Mar'21 TP to Rs 770 (vs. Rs 895), we upgrade the stock to BUY from ADD as it is attractive at 17x FY22 P/E post the recent 40% correction.

[Click here for the full report.](#)

### INDIA ECONOMICS: MONETARY POLICY REVIEW

With 70% of economy in lockdown, MPC members reduced repo and reverse repo rate by 75bps and 90bps respectively. RBI is supporting financial stability through additional injection of Rs 3.74tn of liquidity into the system through LTROs, CRR and MSF facilities. Moratorium on loans will allow firms and households to adjust for cash flow mismatch. We believe RBI's focus will be on injecting more liquidity rather than reducing policy rates now. On the fiscal side too, we expect measures to support MSMEs and other impacted sectors.

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## TOP PICKS

### LARGE-CAP IDEAS

Company	Rating	Target
<a href="#">Bajaj Finance</a>	Buy	5,200
<a href="#">Cipla</a>	Buy	570
<a href="#">Eicher Motors</a>	Buy	25,000
<a href="#">Petronet LNG</a>	Buy	330
<a href="#">Reliance Industries</a>	Buy	1,500

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	2,870
<a href="#">Greenply Industries</a>	Buy	205
<a href="#">Laurus Labs</a>	Buy	510
<a href="#">Transport Corp</a>	Buy	355
<a href="#">Ashok Leyland</a>	Sell	64

Source: BOBCAPS Research

### DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.84	(2bps)	(53bps)	(155bps)
India 10Y yield (%)	6.22	(8bps)	(15bps)	(110bps)
USD/INR	75.16	1.2	(4.4)	(8.4)
Brent Crude (US\$/bbl)	26.34	(3.8)	(53.2)	(61.2)
Dow	22,552	6.4	(19.3)	(12.3)
Shanghai	2,765	(0.6)	(8.8)	(7.7)
Sensex	29,947	4.9	(25.8)	(22.3)
<b>India FII (US\$ mn)</b>	<b>24 Mar</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-D	(122.8)	(7,125.8)	(8,692.9)	(5,748.7)
FII-E	(497.5)	(7,543.5)	(5,756.6)	1,632.6

Source: Bank of Baroda Economics Research

### BOBCAPS Research

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**BUY**

TP: Rs 770 | ▲ 39%

**TCI EXPRESS**

Logistics

27 March 2020

## Equipped to weather the Covid-19 storm; upgrade to BUY

Our recent interaction with the TCI Express (TCIEXP) management indicates severe pressure on near-term operational performance stemming from the Covid-19 outbreak. Despite this, we believe TCIEXP's long-term prospects remain robust and it is relatively insulated vs. peers thanks to its asset-light model, robust balance sheet and low concentration risk. Though we cut FY20-FY22 earnings by 5-25% and lower our Mar'21 TP to Rs 770 (vs. Rs 895), we upgrade the stock to BUY from ADD as it is attractive at 17x FY22 P/E post the recent 40% correction.

**Near-term outlook bleak:** As per management, volumes grew at a decent clip in Jan-Feb'20, but restrictions to curb the spread of Covid-19 have severely impeded operations over the past couple of weeks. The country-wide lockdown from 25 March has disrupted most of TCIEXP's transport routes. While the full impact of the coronavirus is difficult to assess at this early stage, we expect a YoY decline in topline from Q4FY20 through to Apr-Jun'20, at least.

**Relatively insulated from disruption:** Though operating performance is bound to be affected, we believe TCIEXP is relatively better off than peers due to (1) low operating leverage stemming from its asset-light model, (2) a strong, debt-free balance sheet, and (3) its diversified presence across industries and clients, which mitigates concentration risks.

**Long-term growth foundations intact:** We continue to believe that TCIEXP has the right attributes for long-term success in India's express logistics industry, given its (1) focus on the fast-growing surface express and B2B verticals, (2) wide and diverse clientele, (3) vast network of 800 branches, 28 hubs, and 40,000+ pickup and delivery locations covering ~95% of all pin codes in India, and (4) industry-leading ROE/ROCE (30%+). These attributes should hold the company in good stead till demand recovers.

### KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	8,851	10,238	10,444	10,970	13,120
EBITDA (Rs mn)	907	1,190	1,267	1,234	1,716
Adj. net profit (Rs mn)	584	728	913	882	1,226
Adj. EPS (Rs)	15.3	19.0	23.8	23.0	32.0
Adj. EPS growth (%)	55.8	24.7	25.4	(3.4)	39.1
Adj. ROAE (%)	31.8	30.7	30.1	23.5	26.7
Adj. P/E (x)	36.2	29.1	23.2	24.0	17.3
EV/EBITDA (x)	23.6	18.0	16.8	17.0	12.1

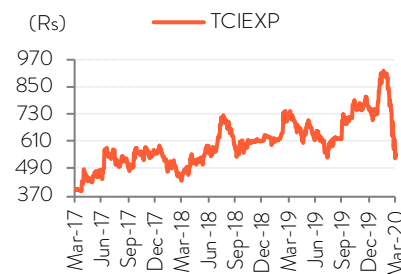
Source: Company, BOBCAPS Research

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Ticker/Price	TCIEXP IN/Rs 553
Market cap	US\$ 281.2mn
Shares o/s	38mn
3M ADV	US\$ 0.3mn
52wk high/low	Rs 949/Rs 494
Promoter/FPI/DII	67%/4%/6%

Source: NSE

### STOCK PERFORMANCE



Source: NSE



## MONETARY POLICY REVIEW

27 March 2020

### RBI takes a bold move, more to follow

With 70% of economy in lockdown, MPC members reduced repo and reverse repo rate by 75bps and 90bps respectively. RBI is supporting financial stability through additional injection of Rs 3.74tn of liquidity into the system through LTROs, CRR and MSF facilities. Moratorium on loans will allow firms and households to adjust for cash flow mismatch. We believe RBI's focus will be on injecting more liquidity rather than reducing policy rates now. On the fiscal side too, we expect measures to support MSMEs and other impacted sectors.

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**MPC goes all out:** With a 4-2 vote, MPC members reduced repo rate by 75bps to 4.4%. LAF corridor has been widened with reverse repo rate reduced by 90bps to 4% thus incentivising banks to lend rather than keep funds with RBI. Policy stance remains accommodative.

**Liquidity measures to tide over crisis:** RBI has decided to infuse Rs 3.74tn liquidity into the system through various measures. 1) Conducting Targeted Long Term repos (TLROs) at floating rate linked to policy rate amounting to Rs 1tn. 2) Reducing CRR requirement by 100bps to 3% from 4% earlier. This is expected to infuse liquidity of Rs 1.74tn. Minimum daily CRR balance also reduced from 90% to 80% up to 26 Jun 2020. 3) SCBs can dip into MSF facility by another 1% of SLR upto 30 Jun 2020. This is expected to add another Rs 1.74tn liquidity. (*Details in Regulatory announcements section*).

**Moratorium and deferment on loans:** Given the cash flow mismatch which will arise from lockdown, RBI announced moratorium on all term loans outstanding on 1 March 2020 for three months. For working capital loans, deferment of interest announced for three months. This measure will ensure financial stability when real economy will have a cash flow mismatch.

**Monetary and fiscal push:** With more than 70% of the economy in lockdown, the reduction in policy rates, moratorium on loans and additional liquidity measures will ensure financial stability. We expect more liquidity enhancing measures in the coming days. On the fiscal side too, we expect more measures after initial Rs 1.7tn stimulus to support MSMEs and impacted sectors such as hotels, restaurants, airlines and transport. While RBI has refrained from issuing growth and inflation outlook, we believe FY21 GDP growth is estimated to be 1.5% lower from our earlier estimate of 5.5% with risks tilted to the downside.

#### KEY HIGHLIGHTS

- Policy rate reduced by 75bps to 4.4%.
- Policy corridor widened.
- Rs 3.74tn liquidity infusion announced.
- Growth and inflation forecast uncertain.



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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