

TCI Express Limited

	Amount (Rs. Crore)	Rating Action November 2016
Commercial Paper	30.0	[ICRA]A1+ assigned
Total	30.0	

Source: ICRA

ICRA has assigned [ICRA]A1+ (pronounced ICRA A one plus) rating to the Rs 30.0 Crore Commercial Paper programme of TCI Express Limited. [ICRA]A1 is the highest-credit-quality rating assigned by ICRA to short term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of [ICRA]A1+ to reflect their relatively stronger credit quality.

The rating assigned factors in the widespread infrastructure, integrated operations and established brand strength of TCI Express (erstwhile XPS division of TCI) in the express distribution business. The diversified customer and segment profile of the company aided in withstanding economic downturns in the recent past besides lending stability to the company's revenues. The rating assigned also draws comfort from the asset-light model followed by the company, which allows it to bear cost pressures during downturns and maintain its profitability and return indicators. The asset light model coupled with a short working capital cycle has also helped the company maintain a healthy financial risk profile, characterized by marginal debt and strong debt coverage indicators.

A moderation in the industrial activity over the past few years has resulted in relatively weak growth in demand for the company's services. Additionally, enhanced competitive intensity in the business exerts pressure on the TCI Express' profitability; although the company has been able to maintain healthy operating margins on the back of various cost efficiency measures. The company has been able to maintain its working capital intensity at reasonable levels, with utilization of its working capital limits remaining at moderate levels, thus providing adequate liquidity. Its ability to manage its working capital cycle, thus its liquidity position going forward, would continue to remain a key rating sensitivity.

Going forward, the company has capex plans to towards strengthening infrastructure by setting up various company owned sorting centres. Although the capex is likely to be primarily funded through the company's expected cash accruals, the company's ability to maintain a healthy financial risk profile in the context of these capex plans would remain a key rating sensitivity.

Company Profile

TCI Express Limited was formed post demerger of express distribution (XPS) division of Transport Corporation of India's (TCI, India's largest transport company) into a separate company. The business caters to the non document segment (1kg – 40kg) through road, rail and air modes and follows an extremely asset light model, with no fleet on its books.

The demerger of the express distribution business from TCI was approved by the board of directors of TCI in its meeting held on October 8, 2015; further the scheme of demerger was approved by the shareholders and creditors of TCI followed by no objection certificates being received from the stock exchanges and the High court of Telangana and Andhra Pradesh. On implementation of demerger scheme, the existing shareholders of TCI were allotted 1 equity share (face value of Rs 2) of TCI Express Limited against every 2 shares (face value of Rs 2) held by them in TCI.

About TCI

Transport Corporation of India Limited (TCI), incorporated in 1958, is the largest logistics company in India in the organised sector with nation-wide reach. The company started as a road transport company. Subsequent to going public in 1974, TCI diversified its activities into sea cargo movement, with the setting up of TCI Seaways Ltd. In 1989, the TCI group further diversified into surface cargo movement, on the express mode, by launching its express transportation service – GATI. However, in 1996, post the family division of assets among the seven sons of Late Mr. P.D. Agarwal, GATI was divested as a separate company. Further, in FY2010, the company divested its real estate arm TCI Developers Limited.



TCI has diversified revenue streams and operates through three main divisions: Freight, Supply Chain Solutions (SCS), and TCI Seaways; besides a smaller division named Wind Power till March 2016.

November 2016

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