

TCI Express

Estimate change



TP change



Rating change



Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USDb)	58.4 / 0.7
52-Week Range (INR)	2010 / 1384
1, 6, 12 Rel. Per (%)	-3/-5/-23
12M Avg Val (INR M)	53

Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	12.4	14.2	15.9
EBITDA	1.9	2.3	2.8
Adj. PAT	1.4	1.6	2.0
EBITDA Margin (%)	15.7	16.2	17.8
Adj. EPS (INR)	36.4	42.6	52.9
EPS Gr. (%)	8.1	17.1	24.3
BV/Sh. (INR)	156	190	235

Ratios

Net D/E (x)	0.0	0.0	0.0
RoE (%)	24.6	24.6	24.9
RoCE (%)	24.4	24.4	24.7
Payout (%)	22.0	18.8	15.1

Valuations

P/E (x)	42.1	35.9	28.9
P/BV (x)	9.8	8.0	6.5
EV/EBITDA (x)	30.0	25.3	20.5
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	0.7	0.7	0.7

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	69.7	69.7	66.7
DII	10.2	10.2	8.8
FII	2.3	2.0	1.9
Others	17.9	18.1	22.6

FII Includes depository receipts

CMP: INR1,525

TP: INR1,900 (+25%)

Buy

Performance in line

- TCI Express (TCIE)'s 1QFY24 revenue grew 5% YoY to ~INR3b, largely in line with our estimate. The growth was slow due to weak macroeconomic environment and TCIE expects it to ramp up in subsequent quarters.
- Volume in 1QFY24 stood at 0.24m tonnes (up 4% YoY), while realization was INR 12,703 per ton (+2% QoQ).
- EBITDA for the quarter stood at INR464m with a margin of 15.2% (vs. our estimate of 15.6%). PAT stood at INR323m (vs. our estimate of INR 343m) with a margin of 10.6%.
- The outlook remains bright and we have kept our estimates largely unchanged. We expect TCIE to clock volume/revenue/EBITDA CAGR of 11%/13%/21% over FY23-25. This growth will be facilitated by the implementation of automation and the expansion of the branch network, leading to enhanced operational efficiencies. An estimated capex of INR 5b is foreseen over FY23-FY28, toward proprietary sorting centers and a corporate office in Gurugram, Haryana. We reiterate our BUY rating with a TP of INR1,900 (based on 36x FY25E EPS).

Highlights from the management commentary

- E-commerce's contribution to revenue reduced to 2% from 5% in 1QFY23. Total contribution of value-added services now stands at 17%, compared to 15.5% in 1QFY23. The management targets to increase the share of value-added services to 25% of total revenue by FY25.
- The MSME sector is expected to play a significant role ahead. The automotive sector has experienced a positive cycle, although it remains cyclical. IT and Technology sectors are also expected to contribute significantly.
- TCIE aims to achieve an annual margin expansion of 100bp, with efforts to improve margins by around 75-80bp in FY24. Utilization is expected to remain above 85%, and with the introduction of new value-added services such as rail express, the company targets a 16.5% margin in FY24.

Focus on asset-light business model and automation to drive efficiency

- The revenue composition is evenly influenced by both SMEs and corporate entities.
- To facilitate business growth, TCIE has opened 450 new branches in the past five years. It intends to establish 50-75 new branches in FY24, leveraging on the upcoming manufacturing facilities and clusters of SMEs.
- Over the long term, TCIE aims to achieve a revenue of INR 17b by FY25 with an EBITDA margin of 17.5-18%. This would be driven by growth in existing business, increasing branch network, and ramp up in business from the new segments such as rail express and cold chain.

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Valuation and view

- TCIE would continue to focus on the high-margin B2B Express segment. The strategic expansion of its branch network in critical markets, particularly targeting the SME segment, would lead to market share gains.
- Moreover, the introduction of new automation sorting centers is expected to enhance operational efficiency, reduce turnaround time, and ultimately boost the company's competitive edge in the market.
- We largely retain our estimates for FY24/FY25. We expect TCIE to clock 11% volume CAGR and revenue/EBITDA/PAT CAGR of ~13%/21%/21% over FY23-25. **We reiterate our BUY rating with a TP of INR1,900 (based on 36x FY25E EPS).**

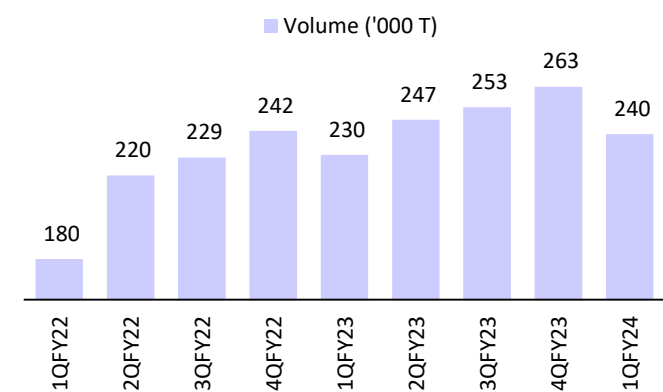
Quarterly snapshot

	FY23				FY24E				FY23	FY24E	FY24	(INR m) Var. vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Net Sales	2,904	3,099	3,144	3,263	3,049	3,419	3,821	3,888	12,410	14,177	3,113	(2)
YoY Change (%)	30.3	13.3	9.6	9.4	5.0	10.3	21.5	19.2	14.8	14.2	7.2	
EBITDA	428	515	461	541	464	557	634	648	1,945	2,303	486	(4)
Margins (%)	14.7	16.6	14.7	16.6	15.2	16.3	16.6	16.7	15.7	16.2	15.6	
YoY Change (%)	33.4	13.7	-2.3	7.8	8.4	8.3	37.7	19.7	11.3	18.4	13.5	
Depreciation	33	35	43	42	46	42	40	43	153	181	43	
Interest	3	4	4	7	4	5	5	4	18	18	4	
Other Income	19	23	13	17	15	20	21	22	72	77	19	
PBT before EO expense	411	499	427	509	429	530	610	622	1,845	2,181	458	(6)
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	411	499	427	509	429	530	610	622	1,845	2,181	458	(6)
Tax	101	121	106	124	105	134	154	159	453	550	115	
Rate (%)	24.5	24.3	24.9	24.4	24.6	25.2	25.2	25.5	24.5	25.2	25.2	
Reported PAT	310	378	320	385	323	396	456	463	1,393	1,632	343	(6)
Adj PAT	310	378	320	385	323	396	456	463	1,393	1,632	343	(6)
YoY Change (%)	30.5	11.0	-8.8	7.0	4.3	4.9	42.5	20.5	8.1	17.1	10.5	
Margins (%)	10.7	12.2	10.2	11.8	10.6	11.6	11.9	11.9	11.2	11.5	11.0	

E: MOFSL Estimates

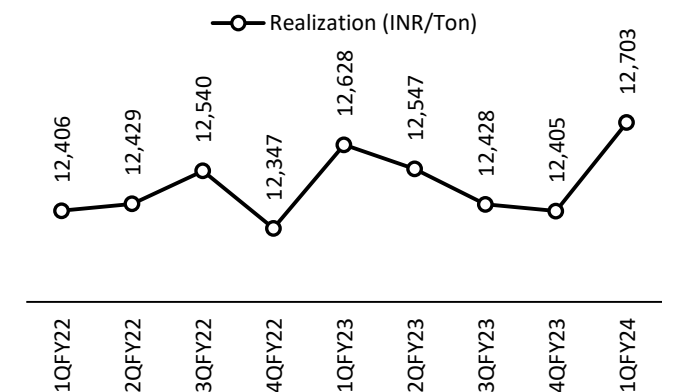
The quarter in charts

Exhibit 1: Volume increases 4% YoY

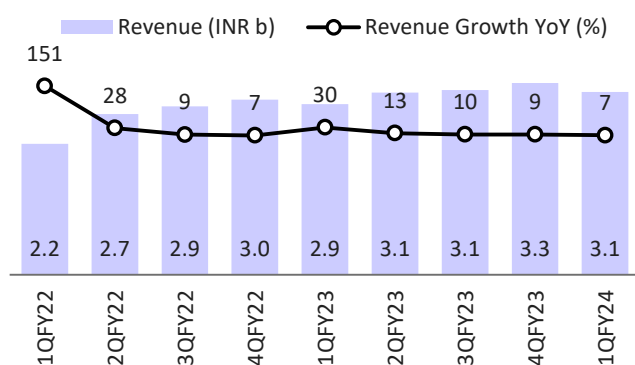


Source: Company, MOFSL

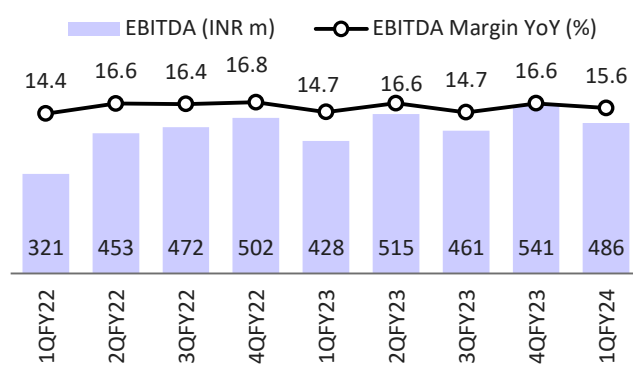
Exhibit 2: Realizations flattish YoY



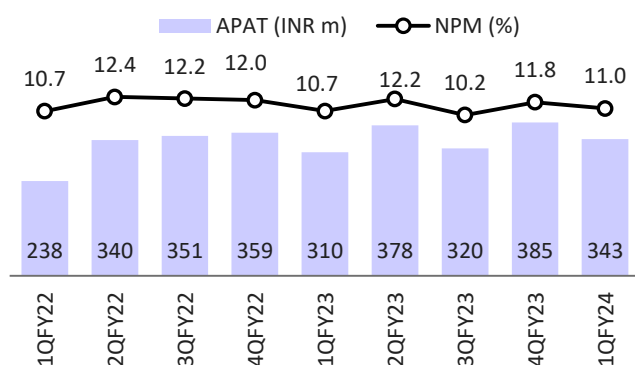
Source: Company, MOFSL

Exhibit 3: Revenue grows in line with volume

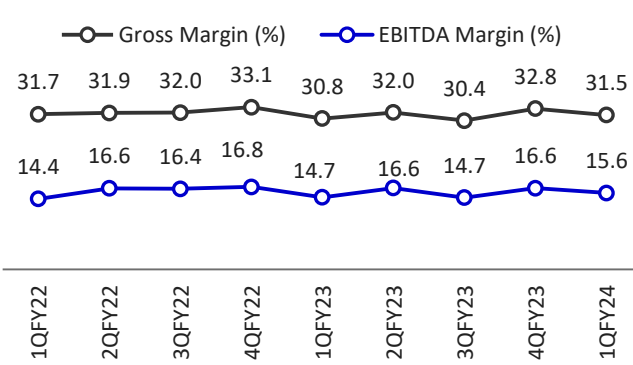
Source: Company, MOFSL

Exhibit 4: EBITDA margins trend

Source: Company, MOFSL

Exhibit 5: PAT and PAT margin trends

Source: Company, MOFSL

Exhibit 6: Automation of sorting centers contributing to higher margins on a YoY basis

Source: Company, MOFSL

Highlights from our interaction with the management

Operational highlights

- Volume in 1QFY24 stood at 0.24m tonnes (up 4% YoY).
- E-commerce's contribution to revenue reduced to 2% from 5% in 1QFY23. Total contribution of value-added services now stands at 17%, up from 15.5% in 1QFY23.
- The management expects 20-25% contribution to revenue from new value-added services by FY25.
- With a diversified client base spanning corporate and MSME clients, the company plans to continue expanding its branch network in Tier 1 and 2 cities.
- The utilization level stood at 83.5% plus in 1QFY24 and TCIE aims to maintain 85% level in FY24.
- The Pune center, which began its operations in 2021, is poised to undergo automation implementation by 4QFY24. This strategic move is expected to significantly reduce downtime, streamlining processes and improving overall operational efficiency.
- Five new branches were added in 1QFY24 to cater to the growing demand in the key growing markets in the West and South region.

Margins

- The management expects the margin to be in the range of 16.5% for FY24.
- Focus of the management is on margin stabilization through automation and network efficiency.

- Automated sorting center in Gurgaon led to ~15bp improvement in EBITDA margin. The management expects further margin improvement of 25bp from automation of sorting centers in FY24.

Rail Express

- TCIE has expanded its customer base notably in Rail express to 2,700 from 250 and increased its presence to 125 routes from 10 routes since inception.
- Newly launched services offerings are expected to contribute positively to the company's revenue in the coming quarters, enabling TCIE to deliver higher margin levels with sustainable growth.

Cold Chain business

- TCIE continues to follow the asset-light model for cold chain business.
- It is undertaking only pharma cold chain business.
- Margin in the cold chain business is in the range of 18-20%, and similar margins can be expected for FY24.

Guidance

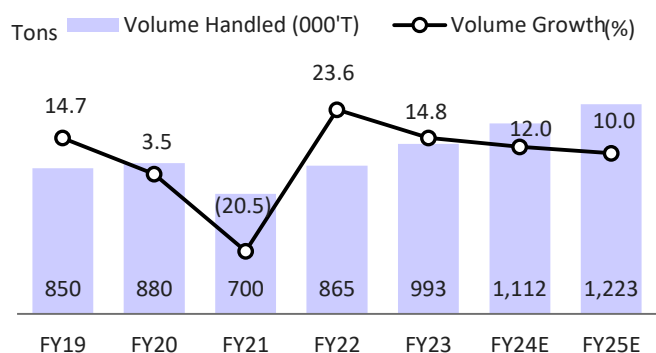
- The management has indicated to grow at 2x of GDP growth and expects to register 14-15% YoY growth in revenue in FY24.
- For FY24, TCIE aims to achieve a volume growth of 13% in FY24.
- The company aims to achieve an annual margin expansion of 100bp, with efforts to improve margins by around 75-80bp in FY24. Utilization is expected to remain above 85%, and with the introduction of new value-added services such as rail express, the company targets a 16.5% margin in FY24.
- The management has taken a price hike of 75-100bp in 1QFY24 and will take another hike of 75-100bp in the remainder of FY24, taking the total price hike in FY24 to 2%.
- A margin target of 17.5-18% is set for FY25, alongside a revenue target of INR 17.5b. Due to rising interest rates, inflation, and elevated diesel prices since last Diwali, the management has revised its revenue target for FY25 to INR 17.5b from INR 20b.
- In FY24, the company expects that ~50-60% of the revenue growth will come from existing customers, while the remaining 40% will be driven by new customer acquisitions.
- New value-added services are expected to contribute 25% to the top-line, driven by rail express and cold chain.
- There is a planned capex of INR5b in five years (FY23-FY28). Incurred capex of INR 1.25b in FY23 and plans to incur INR 9-10b of capex in FY24. Most of the capex will be spent toward automated sorting centers and enhancing automation/technological capabilities.
- By FY26, the company plans to establish 7-8 fully automated centers. Each of these centers requires a capex of ~INR500m to achieve full automation.
- The MSME sector is expected to play a significant role. The automotive sector has experienced a positive cycle, although it remains cyclical. IT and Technology sectors are also expected to contribute significantly.

Exhibit 7: Our revised forecasts

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	14,177	14,177	0.0	15,907	15,907	0.0
EBITDA	2,303	2,346	-1.8	2,831	2,831	0.0
EBITDA Margin (%)	16.2	16.5	-30	17.8	17.8	0
PAT	1,632	1,680	-2.9	2,028	2,034	-0.3
EPS (INR)	42.6	43.9	-2.9	52.9	53.1	-0.3

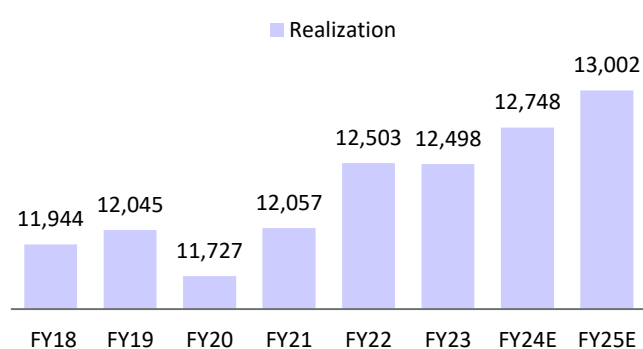
Financial story in charts

Exhibit 8: Volumes to register CAGR of 11% over FY23-25



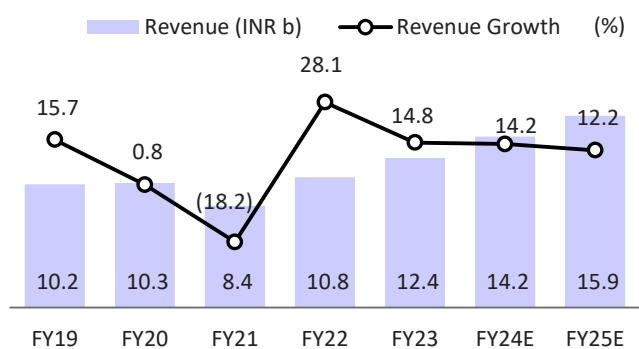
Source: Company, MOFSL

Exhibit 9: Realization to pick up with price hikes



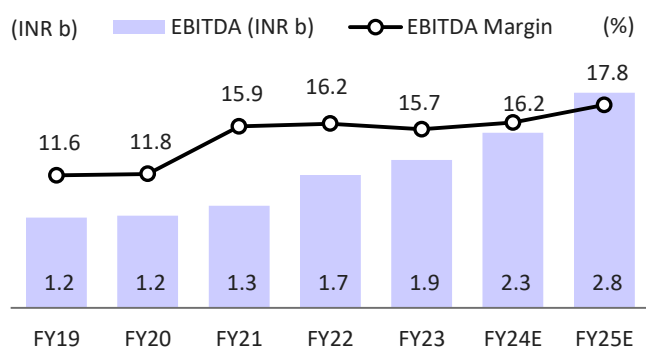
Source: Company, MOFSL

Exhibit 10: Revenue growth led primarily by tonnage growth

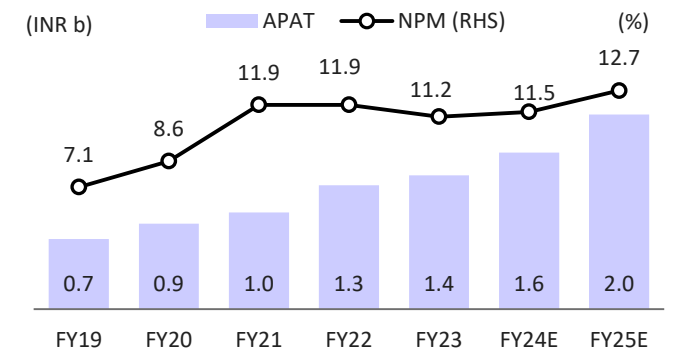


Source: Company, MOFSL

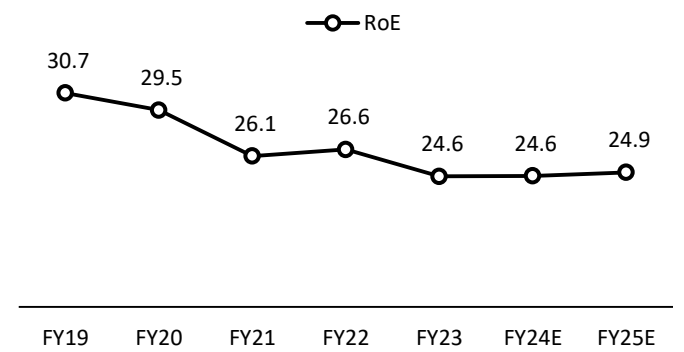
Exhibit 11: EBITDA expected to improve with increasing hub efficiencies and lower rental cost



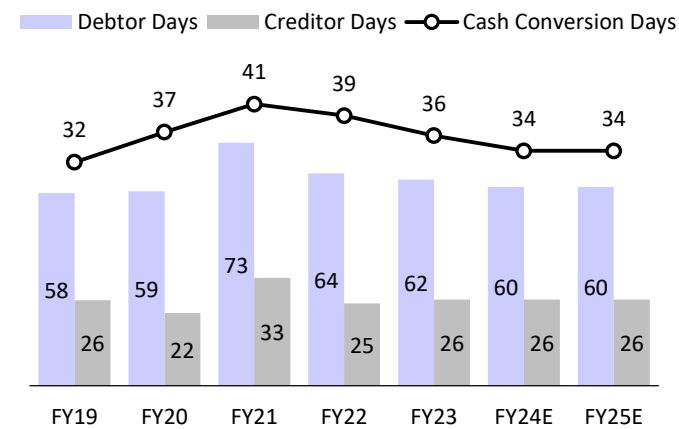
Source: Company, MOFSL

Exhibit 12: Improvement in operational efficiency to drive profitability

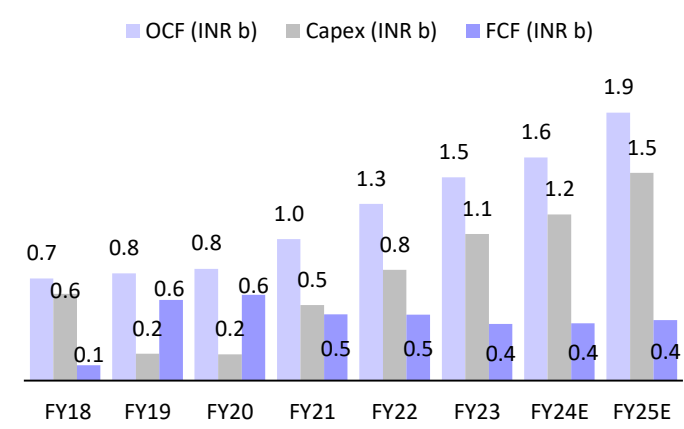
Source: Company, MOFSL

Exhibit 13: RoE to hover around 24-25% through FY24-25

Source: Company, MOFSL

Exhibit 14: Comfortable working capital position

Source: Company, MOFSL

Exhibit 15: Cash generation to remain healthy

Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	10,238	10,320	8,440	10,815	12,410	14,177	15,907
Change (%)	15.7	0.8	-18.2	28.1	14.8	14.2	12.2
Gross Margin (%)	26.4	28.9	32.9	32.2	31.5	32.1	32.6
EBITDA	1,190	1,213	1,343	1,747	1,945	2,303	2,831
Margin (%)	11.6	11.8	15.9	16.2	15.7	16.2	17.8
Depreciation	65	78	90	100	153	181	185
EBIT	1,125	1,135	1,254	1,648	1,792	2,122	2,646
Int. and Finance Charges	38	9	8	9	18	18	18
Other Income	32	44	77	82	72	77	84
PBT	1,119	1,170	1,322	1,720	1,845	2,181	2,711
Tax	390	279	316	432	453	550	683
Effective Tax Rate (%)	34.9	23.9	23.9	25.1	24.5	25.2	25.2
Reported PAT	728	891	1,006	1,289	1,393	1,632	2,028
Change (%)	24.7	22.3	12.9	28.1	8.1	17.1	24.3
Margin (%)	7.1	8.6	11.9	11.9	11.2	11.5	12.7

Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	77	77	77	77	77	77	77
Total Reserves	2,595	3,296	4,262	5,285	5,887	7,212	8,934
Net Worth	2,672	3,373	4,339	5,362	5,964	7,289	9,010
Deferred Tax Liabilities	55	41	54	79	105	105	105
Total Loans	98	40	21	11	46	51	57
Capital Employed	2,825	3,454	4,413	5,452	6,114	7,445	9,172
Gross Block	1,961	2,126	2,629	3,628	4,242	5,442	6,942
Less: Accum. Deprn.	230	272	345	430	501	682	867
Net Fixed Assets	1,731	1,854	2,284	3,198	3,741	4,759	6,074
Capital WIP	14	230	278	61	611	611	611
Total Investments	13	9	10	11	11	11	11
Curr. Assets, Loans, and Adv.	2,033	2,222	2,894	3,301	2,987	3,475	4,059
Inventory	0	0	0	0	0	0	0
Account Receivables	1,631	1,658	1,695	1,895	2,115	2,331	2,615
Cash and Bank Balances	171	126	272	180	164	335	536
Loans and Advances	85	92	108	95	99	113	127
Others	145	346	819	1,130	610	696	781
Current Liab. and Prov.	964	861	1,052	1,119	1,235	1,411	1,583
Account Payables	724	620	752	737	884	1,010	1,133
Other Current Liabilities	200	195	257	326	300	342	384
Provisions	41	47	43	56	51	58	66
Net Current Assets	1,069	1,360	1,842	2,182	1,752	2,064	2,476
Application of Funds	2,825	3,454	4,413	5,452	6,114	7,445	9,172

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	19.0	23.3	26.3	33.6	36.4	42.8	53.1
EPS growth (%)	24.7	22.3	12.9	28.1	8.1	17.7	24.1
Cash EPS	20.7	25.3	28.6	36.2	40.4	47.3	57.7
BV/Share	69.8	88.0	113.3	140.0	155.7	190.5	235.6
DPS	3.0	4.0	4.0	8.0	8.0	8.0	8.0
Payout (incl. Div. Tax, %)	18.4	23.9	15.3	23.8	22.0	18.7	15.1
Valuation (x)							
P/E	80.4	65.7	58.2	45.5	42.1	35.7	28.8
Cash P/E	73.8	60.5	53.5	42.2	37.9	32.4	26.5
EV/EBITDA	49.2	48.2	43.4	33.4	30.0	25.2	20.4
EV/Sales	5.7	5.7	6.9	5.4	4.7	4.1	3.6
P/BV	21.9	17.4	13.5	10.9	9.8	8.0	6.5
Dividend Yield (%)	0.2	0.3	0.3	0.5	0.5	0.5	0.5
Return Ratios (%)							
RoE	30.7	29.5	26.1	26.6	24.6	24.7	24.9
RoCE	28.2	28.6	25.7	26.3	24.4	24.5	24.8
RoIC	29.2	30.2	27.5	27.3	25.7	27.6	28.4
Working Capital Ratios							
Fixed Asset Turnover (x)	5.4	5.1	3.5	3.5	3.2	2.9	2.6
Asset Turnover (x)	3.6	3.0	1.9	2.0	2.0	1.9	1.7
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	58	59	73	64	62	60	60
Creditors (Days)	26	22	33	25	26	26	26
Leverage Ratio (x)							
Net Debt/Equity	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0

Consolidated – Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,119	1,170	1,322	1,720	1,845	2,181	2,711
Depreciation	65	78	90	100	153	181	185
Direct Taxes Paid	-388	-317	-284	421	-430	-550	-683
(Inc.)/Dec. in WC	-50	-125	-75	-106	-107	-141	-211
Other Items	29	2	-30	-859	6	-59	-66
CF from Operations	775	808	1,023	1,276	1,468	1,613	1,936
(Inc.)/Dec. in FA	-193	-188	-545	-800	-1,058	-1,200	-1,500
Free Cash Flow	582	620	478	475	410	413	436
Change in Investments	-13	-283	-439	-147	-162	0	0
Others	-51	-124	24	44	567	77	84
CF from Investments	-256	-595	-960	-903	-653	-1,123	-1,416
Change in Equity	0	0	0	0	-405	0	0
Inc./(Dec.) in Debt	-299	-36	2	10	-3	0	0
Dividends Paid	-134	-213	-77	-308	-407	-306	-306
Others	-38	-9	-8	-9	-23	-13	-13
CF from Fin. Activity	-470	-258	-83	-307	-837	-319	-319
Inc./(Dec.) in Cash	49	-45	-20	66	-23	171	201
Opening Balance	122	171	111	92	158	164	335
Closing Balance	171	126	92	158	135	335	536

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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