

## ESTIMATE CHANGE

TP change

Rating change



### Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USD\$b)	43.1 / 0.5
52-Week Range (INR)	1555 / 998
1, 6, 12 Rel. Per (%)	-6/-18/-45
12M Avg Val (INR M)	76

### Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Sales	12.5	13.6	15.2
EBITDA	1.9	1.8	2.4
Adj. PAT	1.3	1.3	1.7
EBITDA Margin (%)	14.9	13.5	15.7
Adj. EPS (INR)	34.4	32.8	43.5
EPS Gr. (%)	-5.4	-4.5	32.6
BV/Sh. (INR)	184	209	244

### Ratios

Net D/E (x)	0.0	0.0	0.0
RoE (%)	20.3	16.7	19.2
RoCE (%)	20.0	16.5	19.0
Payout (%)	23.3	24.4	18.4

### Valuations

P/E (x)	32.9	34.4	25.9
P/BV (x)	6.1	5.4	4.6
EV/EBITDA (x)	23.0	23.5	17.9
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	3.0	0.7	0.8

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	69.6	69.6	69.7
DII	10.2	8.9	10.2
FII	1.6	2.4	2.3
Others	18.6	19.1	17.9

FII Includes depository receipts

**CMP: INR1,130 TP: INR1,400 (+24%)**

**Buy**

## Weak volumes due to elections temporarily hit 1QFY25

- TCI Express (TCIE)'s 1QFY25 revenue decreased 4% YoY to ~INR2.9b (7% below our estimate), while volumes declined 2% YoY. Volumes were temporarily hit by the general elections. The quarter also saw several challenges, such as higher costs from multimodal enhancements, and high inflation affecting customers.
- Volumes stood at 0.23m tonnes (-2% YoY), while realization was INR12,467 per ton (down 2% YoY). EBITDA came in at INR327m with a margin of 11.2% (vs. our estimate of 14.2%). Margin was hurt by the weakness in volumes handled, high charges by airport operators, and increased costs from multimodal enhancements. In line with weak operating performance, TCIE's APAT dipped 31% YoY to INR223m (vs. our estimate of INR310m).
- TCIE undertook capex of INR 750m and generated CFO of INR 110m in 1QFY25. The capex was primarily towards the development of sorting centers.
- Weak volume growth, particularly from MSME customers, and increased costs led to a weak performance in 1Q. However, management remains optimistic of maintaining 10-15% volume growth in FY25 and FY26. We cut our EBITDA/PAT estimates for FY25 by 13%/14% to incorporate the weak 1Q performance and near-term challenges. We marginally reduce our EBITDA/PAT estimates for FY26 by 2%/3%. We expect TCIE to clock a 9% volume CAGR and a revenue/EBITDA CAGR of 10%/13% over FY24-26. **Reiterate BUY with a revised TP of INR1,400 (based on 32x FY26E EPS).**

### Highlights from the management commentary

- The quarter saw reduced fleet utilization, down to 82%, due to lower volumes, though management expects recovery from Jul'24 onwards.
- TCIE's 1QFY25 witnessed a temporary volume dip due to elections. This led to lower capacity utilization and margins. As festive season led demand kicks in from 2Q FY25 onwards, volumes would pick up.
- The Air Express segment saw a rise in costs primarily due to the consolidation of airlines, which led to reduced competition and higher freight rates. Additionally, other cost increases in this segment further pressured margins.
- Management expects a 20-25% contribution to revenue from new value-added services by FY25.
- TCIE aims to achieve a double-digit growth in FY25 with margin of ~14%.

### Valuation and view

- Volume growth for both the industry and the company in 1QFY25 due to general election. While 1QFY25 has been muted, volumes have started to improve from July'24 onwards, driven by improvement in industry growth and new branch additions.
- Factoring in the weak quarter and short-term challenges, we cut our EBITDA/PAT estimates for FY25 by 13%/14%, while we marginally reduce our EBITDA/PAT estimates for FY26 by 2%/3%. We expect TCIE to clock a 9% volume CAGR and revenue/EBITDA CAGR of 10%/13% over FY24-26. **Reiterate BUY with a revised TP of INR1,400 (based on 32x FY26E EPS).**

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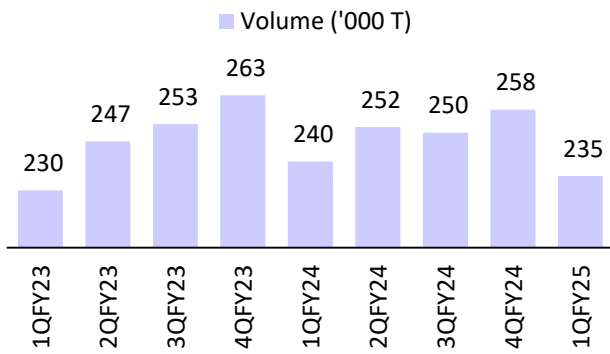
**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

## Quarterly snapshot

	INR m											Var. vs Est
	FY24				FY25E				FY24	FY25E	FY25	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
<b>Net Sales</b>	<b>3,049</b>	<b>3,200</b>	<b>3,119</b>	<b>3,171</b>	<b>2,930</b>	<b>3,529</b>	<b>3,556</b>	<b>3,571</b>	<b>12,538</b>	<b>13,586</b>	<b>3,140</b>	<b>(7)</b>
YoY Change (%)	5.0	3.3	-0.8	-2.8	-3.9	10.3	14.0	12.6	1.0	8.4	3.0	
<b>EBITDA</b>	<b>464</b>	<b>505</b>	<b>456</b>	<b>448</b>	<b>327</b>	<b>467</b>	<b>513</b>	<b>524</b>	<b>1,872</b>	<b>1,831</b>	<b>447</b>	<b>(27)</b>
Margins (%)	15.2	15.8	14.6	14.1	11.2	13.2	14.4	14.7	14.9	13.5	14.2	
YoY Change (%)	8.4	-2.0	-1.1	-17.2	-29.4	-7.5	12.5	16.8	-3.7	-2.2	-3.6	
Depreciation	46	47	48	49	51	55	53	54	190	213	52	
Interest	4	4	3	4	3	4	5	3	15	14	3	
Other Income	15	18	20	19	23	17	19	18	72	77	22	
<b>PBT before EO expense</b>	<b>429</b>	<b>472</b>	<b>424</b>	<b>415</b>	<b>297</b>	<b>425</b>	<b>474</b>	<b>486</b>	<b>1,740</b>	<b>1,681</b>	<b>414</b>	<b>(28)</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>429</b>	<b>472</b>	<b>424</b>	<b>415</b>	<b>297</b>	<b>425</b>	<b>474</b>	<b>486</b>	<b>1,740</b>	<b>1,681</b>	<b>414</b>	<b>(28)</b>
Tax	105	116	103	99	74	107	120	123	423	423	104	
Rate (%)	24.6	24.5	24.2	23.9	24.8	25.2	25.2	25.2	24.3	25.2	25.2	
<b>Reported PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>	<b>223</b>	<b>317</b>	<b>354</b>	<b>363</b>	<b>1,317</b>	<b>1,258</b>	<b>310</b>	<b>(28)</b>
<b>Adj PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>	<b>223</b>	<b>317</b>	<b>354</b>	<b>363</b>	<b>1,317</b>	<b>1,258</b>	<b>310</b>	<b>(28)</b>
YoY Change (%)	4.3	-5.8	0.5	-17.8	-31.0	-10.8	10.1	14.9	-5.4	-4.5	-4.2	
Margins (%)	10.6	11.1	10.3	10.0	7.6	9.0	10.0	10.2	10.5	9.3	9.9	

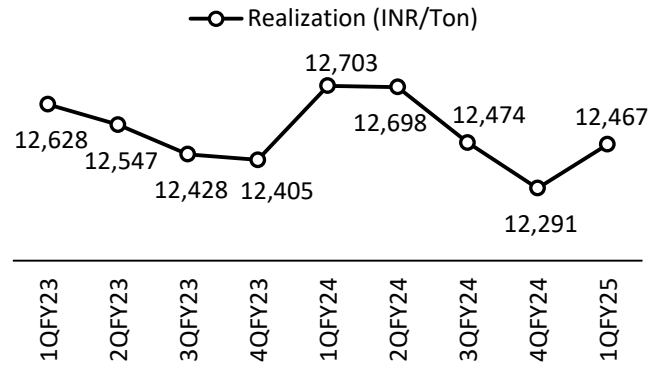
The quarter in charts

Exhibit 1: Volume decreased 2% YoY



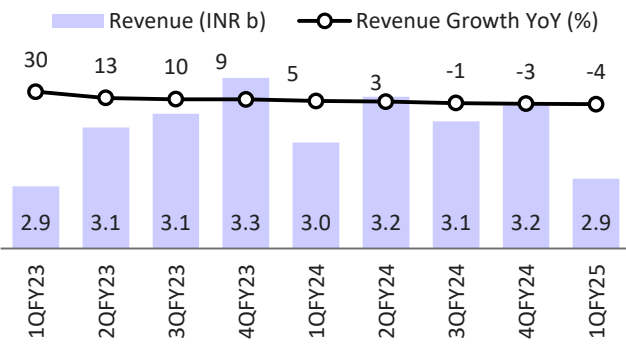
Source: Company, MOFSL

Exhibit 2: Realizations declined 2% YoY



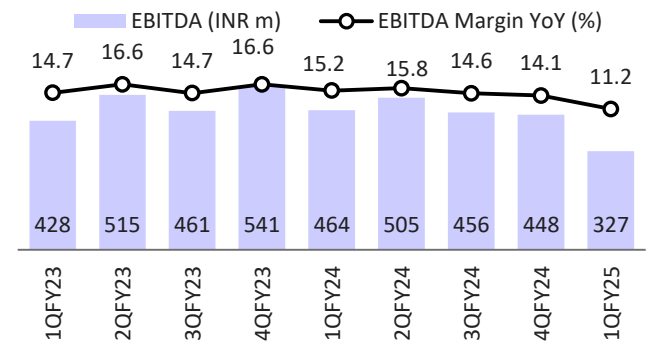
Source: Company, MOFSL

Exhibit 3: Revenue dipped 4% YoY due to muted volumes



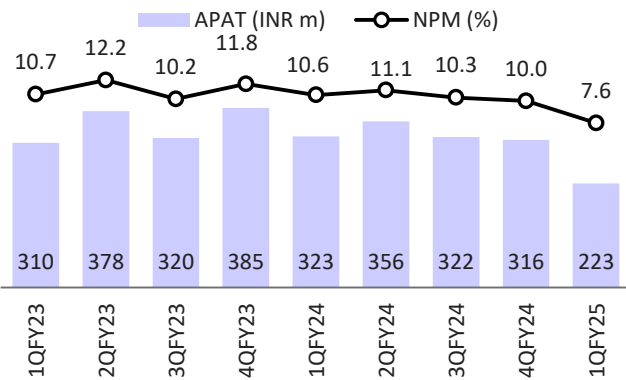
Source: Company, MOFSL

Exhibit 4: EBITDA margin trend



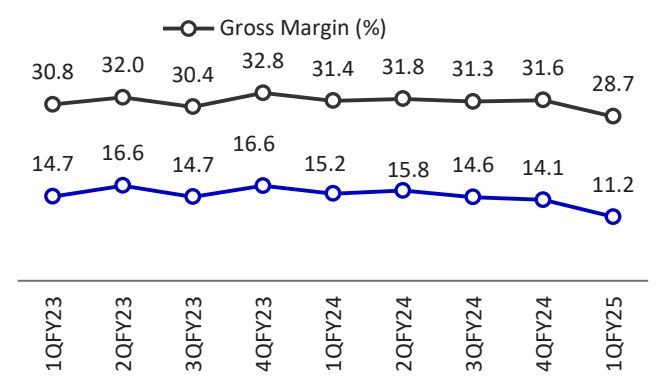
Source: Company, MOFSL

Exhibit 5: PAT and PAT margin trends



Source: Company, MOFSL

Exhibit 6: Muted volumes/high costs dragged down margins



Source: Company, MOFSL

## Highlights from our interaction with the management

### Operational highlights

- Volumes in 1QFY25 stood at 0.23m tonnes (down 2% YoY). 1QFY25 was impacted temporarily due to general elections.
- Management remains optimistic about volume growth normalizing from 2Q FY25 onwards.
- The quarter saw reduced fleet utilization, down to 82%, due to lower volumes..
- Operating costs increased 250bp YoY in 1QFY25, mainly due to airline consolidation and higher airport charges.
- The Air Express segment saw a rise in costs primarily due to the consolidation of airlines, which led to reduced competition and higher freight rates. Additionally, other cost increases in this segment further pressured margins
- To offset higher costs, TCIE is focusing on high-revenue customers and expanding multimodal services for Tier 2 and Tier 3 cities.
- 97% of the customers are B2B, with 3% is B2C. TCIE uniquely operates through its own branches, offering new services like Sunday and holiday deliveries.
- Rail express contributed 2.5% to revenue with 30% YoY growth.
- While textile and engineering sectors saw slow growth, auto and pharma performed better.
- With volume growth, company aims to reduce costs by 150bps in 2QFY25.
- In rail logistics business, TCIE has expanded its customer base to over 5,000 and opened five new branches to enhance its network.
- Capex in 1Q was INR 75m mainly towards development of sorting centers.
- TCIE generated CFO of INR 110m in 1QFY25.

### Guidance

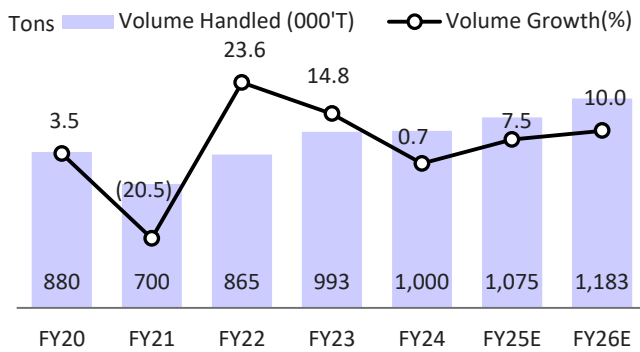
- TCIE expects 10% revenue growth in FY25 and 12-15% growth in FY26
- TCIE expects margins to normalize at 14% plus from 2QFY25 onwards.
- Management expects 20-25% contribution to revenue from the new value-added services by FY25.
- The automation of the Pune Sorting Centre, spanning 0.14m sq ft has been completed. TCIE plans to expand this automation strategy to its sorting centers in Ahmedabad and Kolkata within the next 3 years
- 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.

### Exhibit 7: Our revised forecasts

(INR m)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	13,586	13,677	-0.7	15,244	15,345	-0.7
EBITDA	1,831	2,115	-13.4	2,400	2,458	-2.4
EBITDA Margin (%)	13.5	15.5	-199	15.7	16.0	-28
PAT	1,258	1,470	-14.4	1,668	1,712	-2.6
EPS (INR)	32.8	38.4	-14.4	43.5	44.7	-2.6

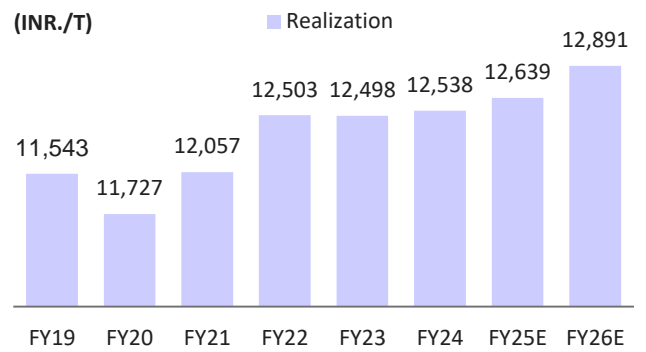
Financial story in charts

Exhibit 8: Volumes to register a CAGR of 9% over FY24-26



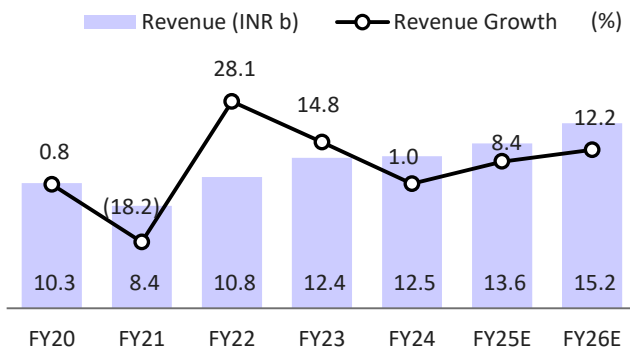
Source: Company, MOFSL

Exhibit 9: Realization to pick up with price hikes



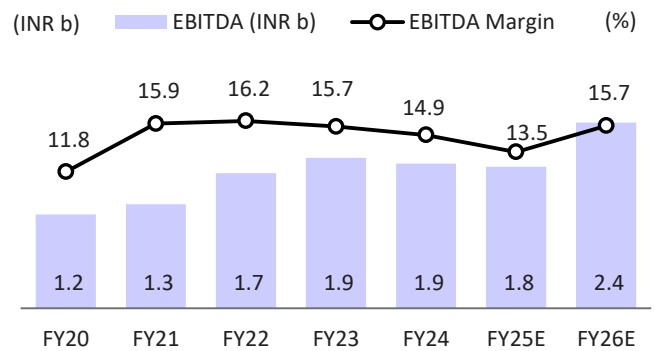
Source: Company, MOFSL

Exhibit 10: Revenue growth led primarily by tonnage growth



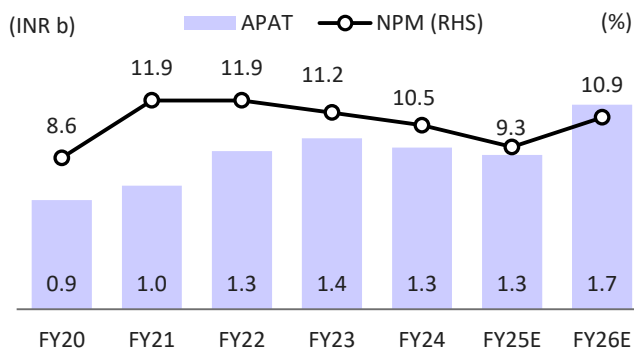
Source: Company, MOFSL

Exhibit 11: EBITDA likely to improve with rising utilization



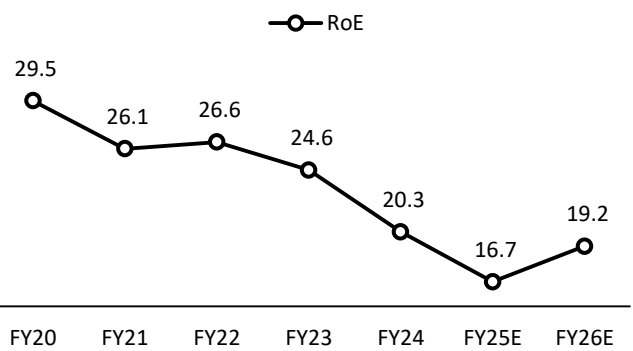
Source: Company, MOFSL

Exhibit 12: Improvement in operational efficiency to drive profitability



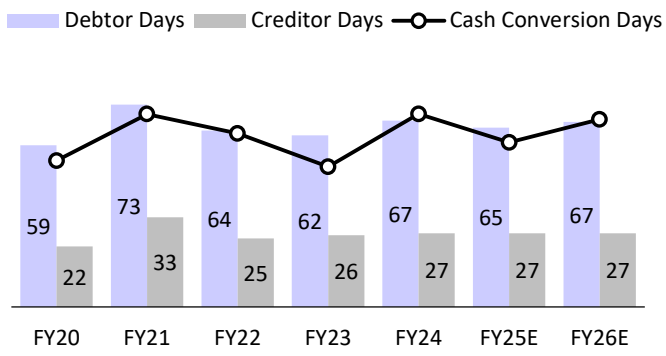
Source: Company, MOFSL

Exhibit 13: RoE to recover from FY26 onwards



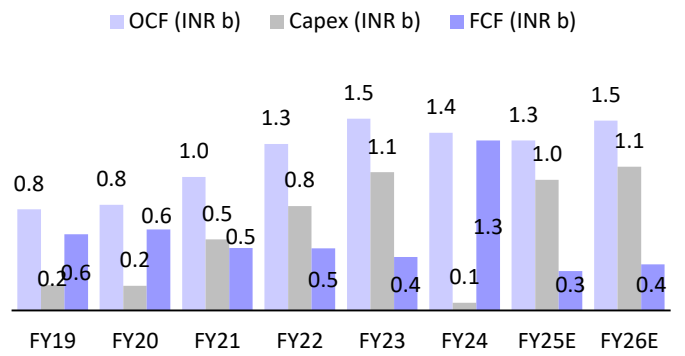
Source: Company, MOFSL

**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)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>10,320</b>	<b>8,440</b>	<b>10,815</b>	<b>12,410</b>	<b>12,538</b>	<b>13,586</b>	<b>15,244</b>
Change (%)	0.8	-18.2	28.1	14.8	1.0	8.4	12.2
Gross Margin (%)	28.9	32.9	32.2	31.5	31.5	29.8	31.2
<b>EBITDA</b>	<b>1,213</b>	<b>1,343</b>	<b>1,747</b>	<b>1,945</b>	<b>1,872</b>	<b>1,831</b>	<b>2,400</b>
Margin (%)	11.8	15.9	16.2	15.7	14.9	13.5	15.7
Depreciation	78	90	100	153	190	213	239
<b>EBIT</b>	<b>1,135</b>	<b>1,254</b>	<b>1,648</b>	<b>1,792</b>	<b>1,683</b>	<b>1,618</b>	<b>2,160</b>
Int. and Finance Charges	9	8	9	18	15	14	14
Other Income	44	77	82	72	72	77	83
<b>PBT</b>	<b>1,170</b>	<b>1,322</b>	<b>1,720</b>	<b>1,845</b>	<b>1,740</b>	<b>1,681</b>	<b>2,230</b>
Tax	279	316	432	453	423	423	562
Effective Tax Rate (%)	23.9	23.9	25.1	24.5	24.3	25.2	25.2
<b>Reported PAT</b>	<b>891</b>	<b>1,006</b>	<b>1,289</b>	<b>1,393</b>	<b>1,317</b>	<b>1,258</b>	<b>1,668</b>
Change (%)	22.3	12.9	28.1	8.1	-5.4	-4.5	32.6
Margin (%)	8.6	11.9	11.9	11.2	10.5	9.3	10.9

### Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	77	77	77	77	77	77	77
Total Reserves	3,296	4,262	5,285	5,887	6,963	7,915	9,276
<b>Net Worth</b>	<b>3,373</b>	<b>4,339</b>	<b>5,362</b>	<b>5,964</b>	<b>7,040</b>	<b>7,991</b>	<b>9,353</b>
Deferred Tax Liabilities	41	54	79	105	135	135	135
Total Loans	40	21	11	46	68	70	75
<b>Capital Employed</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,243</b>	<b>8,197</b>	<b>9,563</b>
Gross Block	2,126	2,629	3,628	4,242	5,208	6,141	7,241
Less: Accum. Deprn.	272	345	430	501	691	836	1,075
<b>Net Fixed Assets</b>	<b>1,854</b>	<b>2,284</b>	<b>3,198</b>	<b>3,741</b>	<b>4,517</b>	<b>5,304</b>	<b>6,165</b>
Capital WIP	230	278	61	611	161	161	161
<b>Total Investments</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,222</b>	<b>2,894</b>	<b>3,301</b>	<b>2,987</b>	<b>3,821</b>	<b>4,093</b>	<b>4,765</b>
Inventory	0	0	0	0	0	0	0
Account Receivables	1,658	1,695	1,895	2,115	2,318	2,419	2,798
Cash and Bank Balances	126	272	180	164	204	265	386
Loans and Advances	92	108	95	99	106	115	129
Others	346	819	1,130	610	1,194	1,293	1,451
<b>Current Liab. and Prov.</b>	<b>861</b>	<b>1,052</b>	<b>1,119</b>	<b>1,235</b>	<b>1,261</b>	<b>1,366</b>	<b>1,533</b>
Account Payables	620	752	737	884	917	994	1,115
Other Current Liabilities	195	257	326	300	293	318	357
Provisions	47	43	56	51	51	55	62
<b>Net Current Assets</b>	<b>1,360</b>	<b>1,842</b>	<b>2,182</b>	<b>1,752</b>	<b>2,560</b>	<b>2,727</b>	<b>3,232</b>
<b>Application of Funds</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,243</b>	<b>8,197</b>	<b>9,563</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	23.3	26.3	33.6	36.4	34.4	32.8	43.5
EPS growth (%)	22.3	12.9	28.1	8.1	-5.4	-4.5	32.6
Cash EPS	25.3	28.6	36.2	40.4	39.3	38.4	49.8
BV/Share	88.0	113.3	140.0	155.7	183.8	208.6	244.2
DPS	4.0	4.0	8.0	8.0	8.0	8.0	8.0
Payout (incl. Div. Tax, %)	23.9	15.3	23.8	22.0	23.3	24.4	18.4
<b>Valuation (x)</b>							
P/E	48.6	43.0	33.6	31.1	32.9	34.4	25.9
Cash P/E	44.7	39.5	31.2	28.0	28.7	29.4	22.7
EV/EBITDA	35.6	32.0	24.7	22.2	23.0	23.5	17.9
EV/Sales	4.2	5.1	4.0	3.5	3.4	3.2	2.8
P/BV	12.8	10.0	8.1	7.3	6.1	5.4	4.6
Dividend Yield (%)	0.4	0.4	0.7	0.7	0.7	0.7	0.7
<b>Return Ratios (%)</b>							
RoE	29.5	26.1	26.6	24.6	20.3	16.7	19.2
RoCE	28.6	25.7	26.3	24.4	20.0	16.5	19.0
RoIC	30.2	27.5	27.3	25.7	20.9	16.5	19.3
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	5.1	3.5	3.5	3.2	2.7	2.4	2.3
Asset Turnover (x)	3.0	1.9	2.0	2.0	1.7	1.7	1.6
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	59	73	64	62	67	65	67
Creditors (Days)	22	33	25	26	27	27	27
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0	0.0

### Consolidated – Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	1,170	1,322	1,720	1,845	1,740	1,681	2,230
Depreciation	78	90	100	153	190	213	239
Direct Taxes Paid	-317	-284	421	-430	-402	-423	-562
(Inc.)/Dec. in WC	-125	-75	-106	-107	-174	-105	-384
Other Items	2	-30	-859	6	7	-63	-70
<b>CF from Operations</b>	<b>808</b>	<b>1,023</b>	<b>1,276</b>	<b>1,468</b>	<b>1,360</b>	<b>1,302</b>	<b>1,454</b>
(Inc.)/Dec. in FA	-188	-545	-800	-1,058	-59	-1,000	-1,100
<b>Free Cash Flow</b>	<b>620</b>	<b>478</b>	<b>475</b>	<b>410</b>	<b>1,301</b>	<b>302</b>	<b>354</b>
Change in Investments	-283	-439	-147	-162	-573	0	0
Others	-124	24	44	567	-419	77	83
<b>CF from Investments</b>	<b>-595</b>	<b>-960</b>	<b>-903</b>	<b>-653</b>	<b>-1,051</b>	<b>-923</b>	<b>-1,017</b>
Change in Equity	0	0	0	-405	22	0	0
Inc./(Dec.) in Debt	-36	2	10	-3	21	-1	-1
Dividends Paid	-213	-77	-308	-407	-307	-306	-306
Others	-9	-8	-9	-23	-13	-11	-9
<b>CF from Fin. Activity</b>	<b>-258</b>	<b>-83</b>	<b>-307</b>	<b>-837</b>	<b>-278</b>	<b>-318</b>	<b>-316</b>
<b>Inc./(Dec.) in Cash</b>	<b>-45</b>	<b>-20</b>	<b>66</b>	<b>-23</b>	<b>32</b>	<b>61</b>	<b>121</b>
Opening Balance	171	111	92	158	138	204	265
<b>Closing Balance</b>	<b>126</b>	<b>92</b>	<b>158</b>	<b>135</b>	<b>170</b>	<b>265</b>	<b>386</b>

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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

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