

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR1,519 TP: INR1,780 (+18%)**

**Buy**

## Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USDb)	58.2 / 0.7
52-Week Range (INR)	2010 / 1384
1, 6, 12 Rel. Per (%)	0/-19/-19
12M Avg Val (INR M)	52

## 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	1.7	1.9
EBITDA Margin (%)	15.7	16.5	17.3
Adj. EPS (INR)	36.4	43.6	50.7
EPS Gr. (%)	8.1	20.0	16.3
BV/Sh. (INR)	156	191	234

## Ratios

Net D/E (x)	0.0	0.0	0.0
RoE (%)	24.6	25.1	23.9
RoCE (%)	24.4	24.9	23.7
Payout (%)	22.0	18.3	15.8

## Valuations

P/E (x)	41.6	34.7	29.8
P/BV (x)	9.7	7.9	6.5
EV/EBITDA (x)	29.7	24.5	20.9
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	0.7	0.8	0.7

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	69.7	66.9	66.7
DII	10.2	10.4	8.1
FII	2.0	1.7	2.0
Others	18.1	21.0	23.2

FII Includes depository receipts

## Performance in line; outlook bright

- TCI Express (TCIE)'s 4QFY23 revenue grew 9% YoY to ~INR3.3b, in line with our estimate. Improved profitability and growth were primarily driven by higher capacity utilization (of 85%) during the quarter and demand from both Corporate and SME customers.
- EBITDA for the quarter stood at INR541m with margin of 16.6% (in line). PAT stood at INR385m (in line) with margin of 11.8%.
- Volume in 4QFY23 stood at 0.26m tonnes (+9% YoY). For FY23, volume grew ~15% YoY (1.0 m tonnes).
- In FY23, revenue stood at ~INR12.4b (+14.8% YoY), EBITDA margin was 15.7% (-50bp YoY), and PAT stood at INR1.4b (+8% YoY). The company generated CFO of INR1.5b in FY23. Utilization level was 84.25% in FY23 and TCIE aims to maintain 85% level in FY24. The net working capital was 15 days for FY23. Cash conversion ratio in FY23 stood at 73% v/s 70% in FY22.
- The 4QFY23 performance was in line with our estimate. The outlook remains bright and we have kept our estimates largely unchanged. We expect TCIE to clock volume/revenue/EBITDA/PAT CAGR of 11%/13%/19%/18% over FY23-25, aided by automation and branch network expansion, resulting in improved operating efficiencies. Capex of INR5b is envisaged over FY23-27, towards setting up of own sorting centers and corporate office in Gurugram, Haryana. Reiterate BUY with a TP of INR1,780 (based on 35x FY25E EPS).**

## Highlights from the management commentary

- The volume momentum has been satisfactory across the end-use segments and TCIE has been able to maintain decent capacity utilization levels of ~85%. Higher volumes have ensured strong margin at 16% level.
- During FY23, TCIE incurred a capex of INR1.25b primarily spent towards the acquisition of land for: a) setting up new automated sorting centers in Kolkata and Ahmedabad and b) new corporate office in Gurgaon. Additionally, the company added 35 new branches during FY23 to penetrate deeper in the key growing markets of West and South and to cater to the growing demand with industry leading services.
- TCIE is on track to grow at 15% levels in FY24 and maintain its margin profile. Its focus continues to be on increasing customer base, setting up new branches and development of automated sorting centers.

## Expanding branch network to increase client base

- To facilitate business growth, TCIE has opened 450 new branches in the past five years. It intends to establish 50-75 new branches in FY24E, leveraging on the upcoming manufacturing facilities and clusters of SMEs.
- Through its expansion efforts, the company aims to extend its reach into emerging markets to effectively cater to the growing demands of SME customers. By establishing a presence in these markets, it can tap into the opportunities arising from the rise of SMEs and provide them with tailored logistics solutions to meet their specific needs.

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

**Saurabh Dugar - Research analyst** (Saurabh.Dugar@motilaloswal.com)

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

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- TCIE’s focus on the high-margin B2B Express segment provides a strong foundation for profitability and growth. Its expansion of branch network in key markets with a specific focus on the SME segment presents an opportunity to capture additional market share. Further, the addition of new automation sorting centers is likely to improve its operational efficiency and reduce turnaround time, thereby enhancing its competitiveness in the market.
- We expect TCIE to clock 11% volume CAGR and revenue/EBITDA/PAT CAGR of ~13%/19%/18% over FY23-25. **Reiterate BUY with a TP of INR1,780 (based on 35x FY25E EPS).**

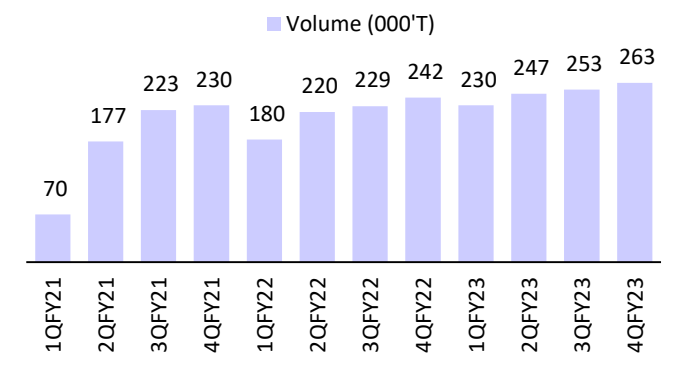
**Quarterly snapshot**

	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
<b>Net Sales</b>	<b>2,229</b>	<b>2,734</b>	<b>2,869</b>	<b>2,982</b>	<b>2,904</b>	<b>3,099</b>	<b>3,144</b>	<b>3,263</b>	<b>10,815</b>	<b>12,410</b>	<b>3,284</b>	<b>(1)</b>
YoY Change (%)	151.2	28.4	9.3	6.6	30.3	13.3	9.6	9.4	28.1	14.8	10.1	
<b>EBITDA</b>	<b>321</b>	<b>453</b>	<b>472</b>	<b>502</b>	<b>428</b>	<b>515</b>	<b>461</b>	<b>541</b>	<b>1,747</b>	<b>1,945</b>	<b>524</b>	<b>3</b>
Margins (%)	14.4	16.6	16.4	16.8	14.7	16.6	14.7	16.6	16.2	15.7	16.0	
YoY Change (%)	1,480.3	39.0	4.1	-7.7	33.4	13.7	-2.3	7.8	30.1	11.3	4.4	
Depreciation	22	24	22	32	33	35	43	42	100	153	33	
Interest	1	3	2	3	3	4	4	7	9	18	4	
Other Income	16	24	21	21	19	23	13	17	82	72	32	
<b>PBT before EO expense</b>	<b>314</b>	<b>450</b>	<b>468</b>	<b>489</b>	<b>411</b>	<b>499</b>	<b>427</b>	<b>509</b>	<b>1,720</b>	<b>1,845</b>	<b>520</b>	<b>(2)</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>314</b>	<b>450</b>	<b>468</b>	<b>489</b>	<b>411</b>	<b>499</b>	<b>427</b>	<b>509</b>	<b>1,720</b>	<b>1,845</b>	<b>520</b>	<b>(2)</b>
Tax	76	109	117	129	101	121	106	124	432	453	131	
Rate (%)	24.3	24.3	25.0	26.4	24.5	24.3	24.9	24.4	25.1	24.5	25.2	
<b>Reported PAT</b>	<b>238</b>	<b>340</b>	<b>351</b>	<b>359</b>	<b>310</b>	<b>378</b>	<b>320</b>	<b>385</b>	<b>1,288</b>	<b>1,393</b>	<b>389</b>	<b>(1)</b>
<b>Adj PAT</b>	<b>238</b>	<b>340</b>	<b>351</b>	<b>359</b>	<b>310</b>	<b>378</b>	<b>320</b>	<b>385</b>	<b>1,288</b>	<b>1,393</b>	<b>389</b>	<b>(1)</b>
YoY Change (%)	2,483	44.9	4.5	-15.6	30.5	11.0	-8.8	7.0	28.1	8.1	8.3	
Margins (%)	10.7	12.4	12.2	12.0	10.7	12.2	10.2	11.8	11.9	11.2	11.8	

E: MOFSL Estimates

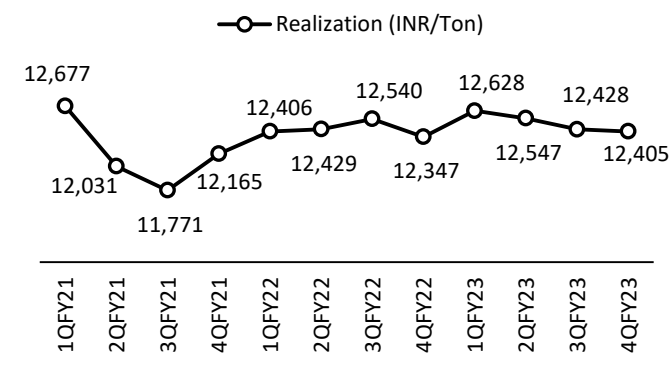
**The quarter in charts**

**Exhibit 1: Volume increases 9% YoY**



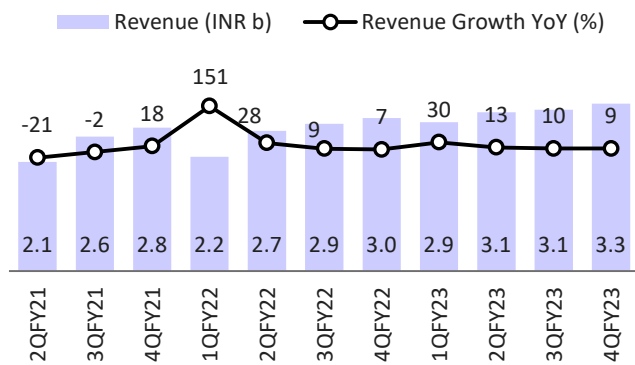
Source: Company, MOFSL

**Exhibit 2: Realizations remain flat sequentially**



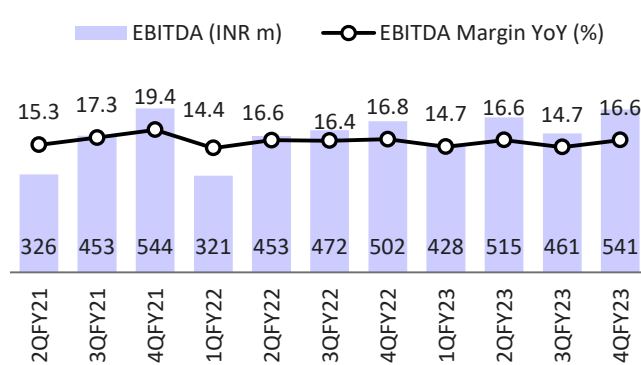
Source: Company, MOFSL

**Exhibit 3: Revenue grows in line with volume**



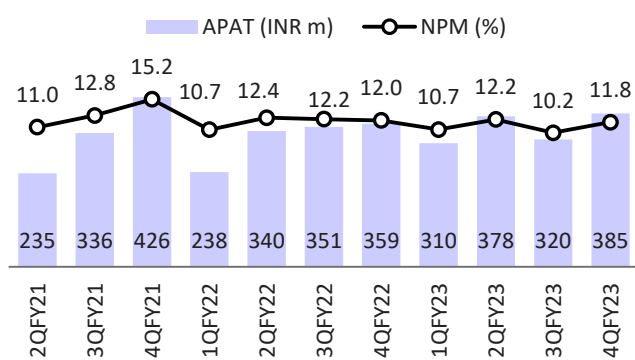
Source: Company, MOFSL

**Exhibit 4: EBITDA margins remain flat YoY**



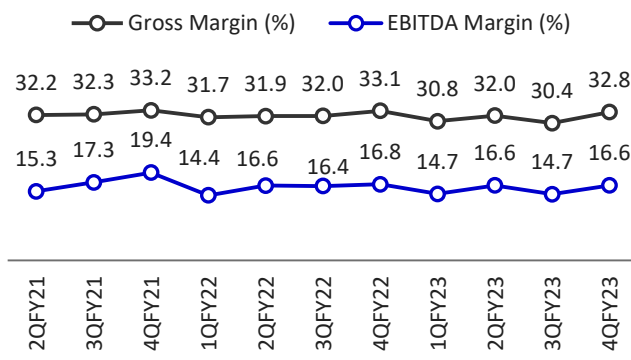
Source: Company, MOFSL

**Exhibit 5: PAT and PAT margin trends**



Source: Company, MOFSL

**Exhibit 6: Improvement in utilization leads to higher margin on QoQ basis**



Source: Company, MOFSL

### Highlights from our interaction with the management

#### Operational highlights

- Volume in 4QFY23 stood at 0.26m tonnes (+9% YoY). For FY23, volume grew ~15% YoY (1.0 m tonnes).
- TCIE recorded the highest ever quarterly revenue of ~INR3.3b, reporting growth of 9.4% YoY. The growth was primarily driven by strong demand from MSME and Corporate segments as well as higher utilization in newly developed sorting centre facilities.
- EBITDA for the quarter stood at INR541m with margin of 16.6% (in line). PAT stood at INR385m (in line) with margin of 11.8%. Improved profitability and growth was primarily driven by higher capacity utilization of 85%, and demand from both Corporate and SME customers.
- Management plans to keep share of SME's and Corporates at 50:50.
- Utilization level was 84.25% in FY23 and TCIE aims to maintain 85% level in FY24
- The net working capital was 15 days for FY23. Cash conversion ratio in FY23 stood at 73% v/s 70% in FY22.
- For FY23, value added services (excl. Surface Express) contributed ~18% of the overall revenue.
- During FY23, TCIE incurred a capex of INR1.25b primarily spent towards the acquisition of land for: a) setting up new automated sorting centers in Kolkata and Ahmedabad and b) new corporate office in Gurgaon. Additionally, the company added 35 new branches during FY23 to penetrate deeper in the key

growing markets of West and South and to cater to the growing demand with industry leading services.

- With commissioning of the Gurugram automation sorting centre, the turnaround time has improved and this will further lead to higher turnaround time in future. The Pune automation sorting centre is expected to get fully automated in FY24.
- The Board has announced dividend of INR2/share in 4QFY23, taking the full-year dividend to INR8/share for FY23. In addition, TCIE also successfully completed buyback of 0.23m shares amounting to INR4.25b in FY23.
- Auto, Pharma, Electronics and Lifestyle products contributed 55% of the revenue in FY23. No single end-user segment contributed more than 13% to the company's revenue.

### Margins

- Management expects margin to be in the range of 17.0-17.5% 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 in FY23. It expects margin improvement of 25bp from automation of sorting centers in FY24.

### Rail Express

- Rail Express service is a unique service offering aimed at providing high-value service at a lower cost
- TCIE has expanded its customer base notably in Rail express to 2,200 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

- Management has indicated to grow at 2x of GDP growth and expects to register 17-18% YoY growth in revenue in FY24
- For FY24, TCIE aims to achieve revenue/volume growth of 17-18% in FY24
- Management will take price hike of 2% in FY24
- 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.
- TCIE added 35 branches in FY23 and targets to add 50-75 branches in FY24. It has added 450 branches in the past five years and aims to stabilize operations in these branches moving forward.

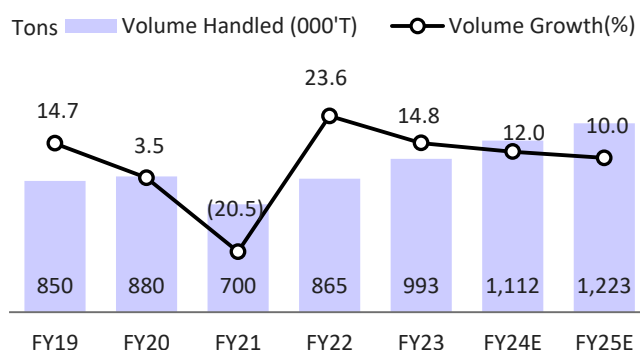
- New value-added services is expected to contribute 25% to top-line driven by rail express and cold chain.
- There is a planned capex of INR5b in five years (FY23-FY28). Incurred capex of INR 1.25b in FY23 and the remaining capex of INR3.75b will be spent towards automated sorting centers and enhancing 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.
- Among newly launched services, the Rail Express offering is getting good traction from customers. These new service offerings are expected to contribute positively to the company’s revenue in the forthcoming quarters, enabling it to achieve higher margin levels with sustainable growth.
- The Gurgaon center took ~1.5 years to become fully automated. However, the company aims to reduce the implementation time for the Pune center to 8-9 months by applying the knowledge and experience gained from the first automated center in Gurgaon.
- The company aims to attract customers through competitive pricing while maintaining a high level of service. Consistent and repeated business is coming from existing customers.

**Exhibit 7: Our revised forecasts**

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	14,177	13,988	1.4	15,907	15,387	3.4
EBITDA	2,346	2,330	0.7	2,751	2,746	0.2
EBITDA Margin (%)	16.5	16.7	-11	17.3	17.8	-55
PAT	1,671	1,677	-0.4	1,943	1,971	-1.4
EPS (INR)	43.6	43.8	-0.4	50.7	51.5	-1.4

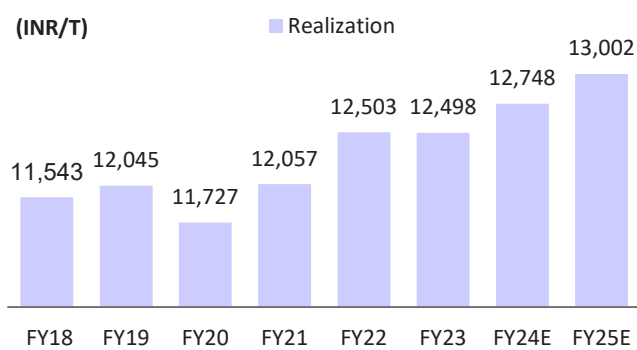
## Financial story in charts

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



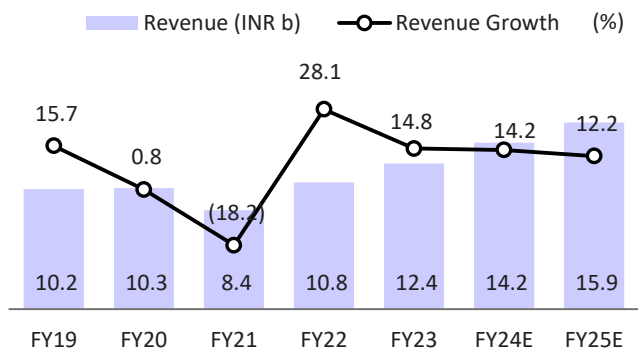
Source: Company, MOFSL

**Exhibit 9: Realization to pick up with price hikes**



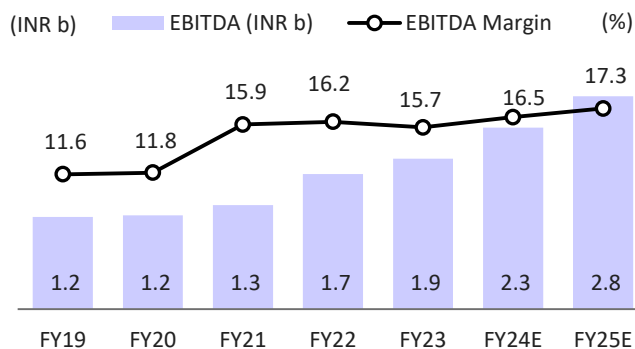
Source: Company, MOFSL

**Exhibit 10: Revenue growth led primarily by tonnage growth**



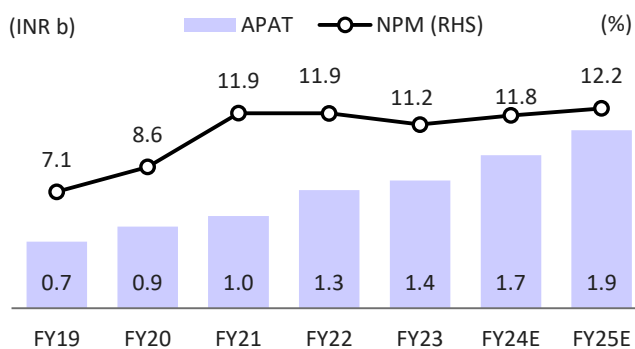
Source: Company, MOFSL

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



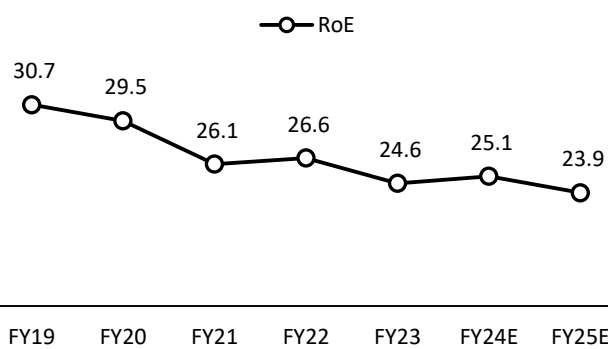
Source: Company, MOFSL

**Exhibit 12: Improvement in operational efficiency to drive profitability**



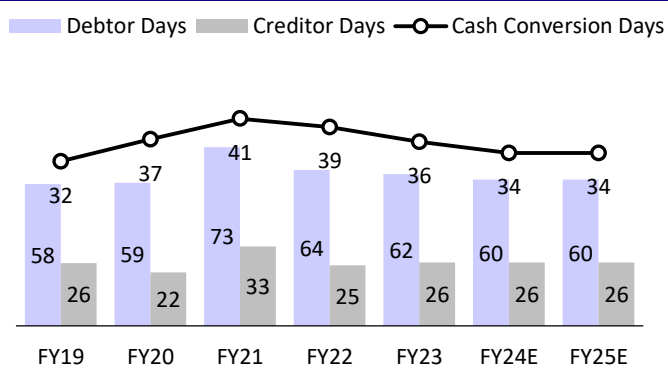
Source: Company, MOFSL

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



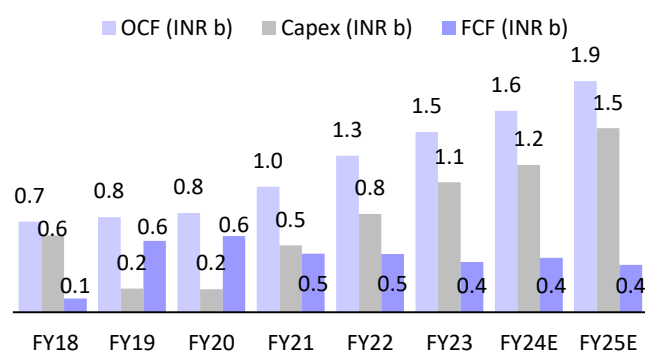
Source: Company, MOFSL

**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
<b>Net Sales</b>	<b>10,238</b>	<b>10,320</b>	<b>8,440</b>	<b>10,815</b>	<b>12,410</b>	<b>14,177</b>	<b>15,907</b>
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	32.4	32.1
<b>EBITDA</b>	<b>1,190</b>	<b>1,213</b>	<b>1,343</b>	<b>1,747</b>	<b>1,945</b>	<b>2,346</b>	<b>2,751</b>
Margin (%)	11.6	11.8	15.9	16.2	15.7	16.5	17.3
Depreciation	65	78	90	100	153	171	219
<b>EBIT</b>	<b>1,125</b>	<b>1,135</b>	<b>1,254</b>	<b>1,648</b>	<b>1,792</b>	<b>2,175</b>	<b>2,532</b>
Int. and Finance Charges	38	9	8	9	18	18	18
Other Income	32	44	77	82	72	77	84
<b>PBT</b>	<b>1,119</b>	<b>1,170</b>	<b>1,322</b>	<b>1,720</b>	<b>1,845</b>	<b>2,234</b>	<b>2,598</b>
Tax	390	279	316	432	453	563	655
Effective Tax Rate (%)	34.9	23.9	23.9	25.1	24.5	25.2	25.2
<b>Reported PAT</b>	<b>728</b>	<b>891</b>	<b>1,006</b>	<b>1,289</b>	<b>1,393</b>	<b>1,671</b>	<b>1,943</b>
Change (%)	24.7	22.3	12.9	28.1	8.1	20.0	16.3
Margin (%)	7.1	8.6	11.9	11.9	11.2	11.8	12.2

### 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	7,252	8,889
<b>Net Worth</b>	<b>2,672</b>	<b>3,373</b>	<b>4,339</b>	<b>5,362</b>	<b>5,964</b>	<b>7,328</b>	<b>8,965</b>
Deferred Tax Liabilities	55	41	54	79	105	105	105
Total Loans	98	40	21	11	46	51	57
<b>Capital Employed</b>	<b>2,825</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,484</b>	<b>9,127</b>
Gross Block	1,961	2,126	2,629	3,628	4,323	5,523	7,023
Less: Accum. Deprn.	230	272	345	430	583	754	972
<b>Net Fixed Assets</b>	<b>1,731</b>	<b>1,854</b>	<b>2,284</b>	<b>3,198</b>	<b>3,741</b>	<b>4,769</b>	<b>6,051</b>
Capital WIP	14	230	278	61	611	611	611
<b>Total Investments</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,033</b>	<b>2,222</b>	<b>2,894</b>	<b>3,301</b>	<b>2,987</b>	<b>3,504</b>	<b>4,037</b>
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	364	514
Loans and Advances	85	92	108	95	99	113	127
Others	145	346	819	1,130	610	696	781
<b>Current Liab. and Prov.</b>	<b>964</b>	<b>861</b>	<b>1,052</b>	<b>1,119</b>	<b>1,235</b>	<b>1,411</b>	<b>1,583</b>
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
<b>Net Current Assets</b>	<b>1,069</b>	<b>1,360</b>	<b>1,842</b>	<b>2,182</b>	<b>1,752</b>	<b>2,093</b>	<b>2,454</b>
<b>Application of Funds</b>	<b>2,825</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,484</b>	<b>9,127</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
EPS	19.0	23.3	26.3	33.6	36.4	43.6	50.7
EPS growth (%)	24.7	22.3	12.9	28.1	8.1	20.0	16.3
Cash EPS	20.7	25.3	28.6	36.2	40.4	48.1	56.4
BV/Share	69.8	88.0	113.3	140.0	155.7	191.3	234.0
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	18.3	15.8
<b>Valuation (x)</b>							
P/E	79.5	65.0	57.6	44.9	41.6	34.7	29.8
Cash P/E	73.0	59.8	52.9	41.7	37.5	31.4	26.8
EV/EBITDA	48.6	47.7	42.9	33.0	29.7	24.5	20.9
EV/Sales	5.6	5.6	6.8	5.3	4.7	4.1	3.6
P/BV	21.7	17.2	13.3	10.8	9.7	7.9	6.5
Dividend Yield (%)	0.2	0.3	0.3	0.5	0.5	0.5	0.5
<b>Return Ratios (%)</b>							
RoE	30.7	29.5	26.1	26.6	24.6	25.1	23.9
RoCE	28.2	28.6	25.7	26.3	24.4	24.9	23.7
RoIC	29.2	30.2	27.5	27.3	25.7	27.5	26.1
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	5.4	5.1	3.5	3.5	3.1	2.9	2.5
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	60	60	60
Creditors (Days)	26	22	33	25	26	26	26
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	0.0	0.0	-0.1	0.0	0.0	0.0	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	2,234	2,598
Depreciation	65	78	90	100	153	171	219
Direct Taxes Paid	-388	-317	-284	421	-430	-563	-655
(Inc.)/Dec. in WC	-50	-125	-75	-106	-107	-141	-211
Other Items	29	2	-30	-859	6	-59	-66
<b>CF from Operations</b>	<b>775</b>	<b>808</b>	<b>1,023</b>	<b>1,276</b>	<b>1,468</b>	<b>1,642</b>	<b>1,885</b>
(Inc.)/Dec. in FA	-193	-188	-545	-800	-1,058	-1,200	-1,500
<b>Free Cash Flow</b>	<b>582</b>	<b>620</b>	<b>478</b>	<b>475</b>	<b>410</b>	<b>442</b>	<b>385</b>
Change in Investments	-13	-283	-439	-147	-162	0	0
Others	-51	-124	24	44	567	77	84
<b>CF from Investments</b>	<b>-256</b>	<b>-595</b>	<b>-960</b>	<b>-903</b>	<b>-653</b>	<b>-1,123</b>	<b>-1,416</b>
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
<b>CF from Fin. Activity</b>	<b>-470</b>	<b>-258</b>	<b>-83</b>	<b>-307</b>	<b>-837</b>	<b>-319</b>	<b>-319</b>
<b>Inc./Dec. in Cash</b>	<b>49</b>	<b>-45</b>	<b>-20</b>	<b>66</b>	<b>-23</b>	<b>200</b>	<b>150</b>
Opening Balance	122	171	111	92	158	164	364
<b>Closing Balance</b>	<b>171</b>	<b>126</b>	<b>92</b>	<b>158</b>	<b>135</b>	<b>364</b>	<b>514</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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