

**TCI Express saw an improvement in EBITDA margin due to capacity utilisation levels returning back to @ 85% vs 83% last quarter ; Long term revenue guidance of Rs.20Bn by 2025 is revised to 18 bn.**

- Highest ever quarterly Revenue at Rs 3,262.5 Mn vs Rs 2,981 Mn (+9% YoY) vs Rs 3,144 Mn (+4% QoQ) (on account of stronger demand & volume growth from both corporate & SME Customers- no significant price hikes taken in current fiscal)
- EBITDA at Rs 541 Mn vs Rs 502 Mn (+8% YoY) vs Rs 461 Mn (+17.5% QoQ)
- EBITDA Margin at 16.6% vs 16.8% (YoY) vs 14.6% (QoQ). (Margin growth seen on account of capacity utilisations coming back to normal levels of ~85% as compared to 83% in previous quarter which had a one-off impact due to the festive season)
- Adj PAT at Rs 385 Mn vs Rs 359 Mn (+7% YoY) vs Rs 320 Mn (+20% QoQ)
- EPS at Rs 10.04 vs Rs 9.33 (YoY) vs Rs 8.32 (QoQ) (partial buyback effect)

**Business Highlights**

- **Buy-Back Update:** Completed buyback of 234,275 shares for an amount of Rs 425 Mn in FY23 at an average price of Rs 1,814.
- Announced dividend of Rs. 2 per share in Q4 FY23, taking the full year dividend to Rs. 8 per share. (22% dividend payout ratio)
- Added 35 new branches for FY23 to expand presence in West & South regions.

**Financial Summary**

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	10,320	8,440	10,815	12,410	14,272	16,412
EBIDTA	1,213	1,343	1,747	1,945	2,317	2,712
Margins	11.8	15.9	16.2	15.7	16.2	16.5
PAT (adj)	891	1,006	1,288	1,393	1,635	1,942
Growth (%)	22.3	12.9	28.1	8.1	17.4	18.8
EPS	23.2	26.2	33.5	36.4	42.7	50.7
P/E (x)	65.1	57.8	45.2	41.6	35.4	29.8
P/B (x)	17.2	13.4	10.9	9.7	8.0	6.6
EV/EBITDA (x)	47.4	42.5	32.7	29.5	24.5	20.6
RoE (%)	26.4	23.2	24.0	23.4	22.6	22.2
ROCE (%)	33.4	28.8	30.7	29.8	29.4	28.6

Source: Dalal and Broacha

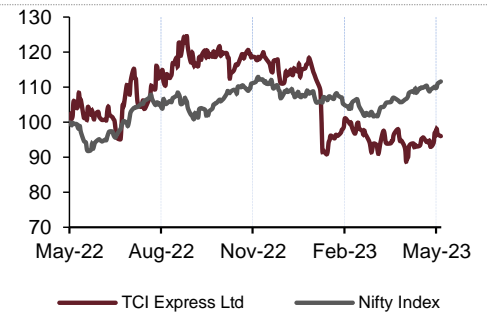
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>1,785</b>	<b>18</b>

**Market data**

<b>Current price</b>	Rs	1,518
Market Cap (Rs.Bn)	(Rs Bn)	58
Market Cap (US\$ Mn)	(US\$ Mn)	705
Face Value	Rs	2
52 Weeks High/Low	Rs	2013 / 1374
Average Daily Volume	('000)	13
BSE Code		501242
<b>Bloomberg</b>		TCIEXP.IN

Source: Bloomberg

**One Year Performance**



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	69.66	66.87
Public	30.34	33.13
Total	100	100

Source: BSE

**Kunal Bhatia**  
+91 22 67141442  
[kunal.bhatia@dalal-broacha.com](mailto:kunal.bhatia@dalal-broacha.com)

**Akash Vora**  
+91 22 6714 1449  
[akash.vora@dalal-broacha.com](mailto:akash.vora@dalal-broacha.com)

- Planned further capex of Rs. 3,750 Mn in next 4 years (FY24-FY28)- for investment in sorting centers to drive operational efficiency & enhance profitability.
- Significant expansion in the newly launched Rail express biz-customer base growing from 250 to 2200 & growing its presence from 10 routes to 125 routes in FY23.

### What makes TCI Express different?

Unique Asset Light Model (rent rather than own vehicles) has allowed TCI Express to maintain higher capacity utilization and deliver strong EBITDA margins even in the challenging times. Its business mix of SME:Corporates at 50:50 helps maintain margin

## Conference Call Highlights

- **Guidance**
  - FY24 & FY25 Guidance**
    - Aim to touch revenue of Rs.18 bn by FY25 & to double by FY27.
    - 15% Volume growth guidance for FY24
    - EBITDA Guidance for FY24 of 17.5%(margin expansion to be driven mainly through price hikes & partially through operational efficiency brought in by automation of sorting centers by 15-25bps)
  - Volume Details**
    - For full year @10,00,000T (*highest ever*) Vs 8,65,000T L.Y. (+15.6% YoY)
    - For Q4FY23 @ 2,63,000T( *highest ever*) Vs 2,35,000T L.Y. (+12.7% YoY)
- **Price Hike**
  - Price hike targeted for FY24 ~2% for FY24 (No major price hikes made in FY23 vs annual average of 2% due to poor environment along with high rise inflation)
- **Network Expansion**
  - 35 Branches added in FY23; FY24 branch addition target @ 50-75 branches
  - A total of 450+ branches have been opened in the last 5 years
- **Capex Details: Total Planned Capex for FY23-FY28 of ~Rs 5000 Mn**
  - Capex in FY23 stood at Rs.1250 Mn: Rs 450Mn towards purchase of land for a new corporate office in Gurgaon; and remaining Rs 800 Mn towards land acquisition for setting up a new automated sorting center in Kolkata & Ahmedabad and for adding 35 new branches to penetrate deeper in the growing markets in West & South region
  - Sorting center in Chakan(Pune) to be operationalised in FY24; Target of opening 7-8 more sorting centers by FY26; average investment per sorting center of Rs 450-550 Mn.

- Remaining Rs 3.75bn (of the 5bn planned) to be spent between FY24-FY28 for investment in sorting centers, automation and enhancing tech-capabilities.
- **Other Details**
  - The company identifies Auto, Pharma, Engineering, Electronics & Lifestyle as high-growth industries – these contribute to 55% of the topline New service contribution @ 18% of overall revenue (15% L.Y. ; Aim to take it to 25% of overall revenue by FY25)
  - 18% of revenue contribution in FY23 (15% L.Y.) has been from biz other than surface logistics- which include Rail express, C2C express, Pharma cold chain express, Air Express
  - Rail Express business – Fast growing segment –company has expanded the customer base in this segment from 250 to 2200 & presence from 10 routes to 125 routes in FY23- Co. targets to make Rail biz >5% contributor to the topline by FY25.
  - SME : Corporates Mix = 50% : 50%
  - Receivable days @ 50 days since one decade (Positive)

## Quarterly Financials

(Rs Mn)	Q4FY23	Q4FY22	Growth	Q3FY23	Growth
Sales	3262.5	2981.8	9.4	3144.2	3.76
Other income	16.7	21	(20.5)	13.0	28.46
<b>Total Revenue:</b>	<b>3279.2</b>	<b>3002.8</b>	<b>9.2</b>	<b>3157.2</b>	<b>3.86</b>
<b>Expenses:-</b>					
Operating Expenses	2191.8	1994.2	9.9	2188.9	0.13
<b>% to Operating Income</b>	<b>67.2%</b>	<b>66.9%</b>		<b>69.6%</b>	
Employee benefit expenses	313.5	292.8	7.1	311.8	0.55
<b>% to Operating Income</b>	<b>9.6%</b>	<b>9.8%</b>		<b>9.9%</b>	
Total Expenses	2,721.10	2,479.80	9.7	2,683.40	1.40
<b>EBITDA Margin %</b>	<b>16.59%</b>	<b>16.84%</b>		<b>14.66%</b>	
EBITDA	558.10	523.00	6.7	473.80	17.79
Depreciation	42.00	31.60	32.9	42.90	(2.10)
Interest	7.4	2.9	155.2	4.4	68.18
<b>PBT</b>	<b>508.70</b>	<b>488.50</b>	<b>4.1</b>	<b>426.50</b>	<b>19.27</b>
<b>PBT %</b>	<b>15.59%</b>	<b>16.38%</b>		<b>13.56%</b>	
Tax Rate	24.4%	26.4%		24.9%	
<b>PAT</b>	<b>384.50</b>	<b>359.30</b>	<b>7.0</b>	<b>320.20</b>	<b>20.08</b>
<b>Adjusted PAT</b>	<b>384.50</b>	<b>359.30</b>	<b>7.0</b>	<b>320.20</b>	<b>20.08</b>
<b>NPM</b>	<b>11.73%</b>	<b>11.97%</b>		<b>10.14%</b>	
Equity	76.6	77	(0.5)	76.7	(0.13)
<b>EPS</b>	<b>10.04</b>	<b>9.33</b>	<b>7.6</b>	<b>8.35</b>	<b>20.24</b>

Source: Dalal & Broacha Research

---

## Valuation & Outlook

---

TCI Express has lowered its topline guidance from 20bn in FY25 (as per Q3FY23 Presentation) to 18bn ( Q4FY23 Presentation) i.e. 20% CAGR over Rs 12.4bn achieved in FY23, which we believe is a more realistic target compared to previous one.

The management has also guided 100bps (each year) improvement in margins going forward of which 25bps would be contributed by new sorting centers. Thus the Profitability growth would outpace topline growth.

According to our conservative estimates, with superior execution capabilities company can easily achieve revenue growth of 2x GDP averaging to 15-17% topline growth supported by existing as well as the new business such as Rail-Express.

We expect a reasonable 80bps margin expansion over next 2 years which would lead to higher PBT growth of 19%.

**We have revised our estimates and rollover to FY25. At CMP of Rs 1512 the stock trades at 35.4x FY24e EPS of Rs 42.7 and 30x FY25e EPS of Rs 50.7. We maintain “Buy on Dips” with a target price of 1,785 (valuing the company at 35x FY25e) I.E. upside of 18%.**

## Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	10,319.6	8,439.9	10,814.6	12,410.1	14,271.6	16,412.4
Raw Materials	(7,341.6)	(5,667.3)	(7,329.7)	(8,497.0)	(9,704.7)	(11,127.6)
Employee Cost	(1,018.0)	(873.4)	(1,099.4)	(1,242.9)	(1,429.3)	(1,643.7)
Other Expenses	(747.0)	(556.0)	(638.3)	(725.4)	(820.7)	(929.3)
<b>Operating Profit</b>	<b>1,213.0</b>	<b>1,343.2</b>	<b>1,747.2</b>	<b>1,944.8</b>	<b>2,316.9</b>	<b>2,711.8</b>
Depreciation	(77.9)	(89.7)	(99.8)	(153.0)	(174.4)	(195.9)
PBIT	1,135.1	1,253.5	1,647.4	1,791.8	2,142.5	2,515.9
Other income	43.7	76.5	81.7	71.7	60.4	97.1
Interest	(9.0)	(7.8)	(9.1)	(18.2)	(18.2)	(18.2)
PBT	1,169.8	1,322.2	1,720.1	1,845.3	2,184.7	2,594.8
Exceptionals	-	-	-	-	-	-
Profit before tax (post exceptional)	1,169.8	1,322.2	1,720.1	1,845.3	2,184.7	2,594.8
Provision for tax	(279.0)	(316.2)	(431.6)	(452.6)	(549.9)	(653.1)
<b>Reported PAT</b>	<b>890.8</b>	<b>1,006.0</b>	<b>1,288.5</b>	<b>1,392.7</b>	<b>1,634.8</b>	<b>1,941.7</b>
MI	-	-	-	-	-	-
<b>Net Profit</b>	<b>890.8</b>	<b>1,006.0</b>	<b>1,288.5</b>	<b>1,392.7</b>	<b>1,634.8</b>	<b>1,941.7</b>
Adjusted Profit (excl Exc)	890.8	1,006.0	1,288.5	1,392.7	1,634.8	1,941.7
<b>Balance Sheet</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Equity capital	76.7	76.9	77.0	76.6	76.6	76.6
Reserves	3,296.1	4,261.8	5,284.9	5,887.1	7,162.2	8,676.7
<b>Net worth</b>	<b>3,372.8</b>	<b>4,338.7</b>	<b>5,361.9</b>	<b>5,963.7</b>	<b>7,238.8</b>	<b>8,753.3</b>
MI	-	-	-	-	-	-
<b>Non Current Liabilities</b>	<b>61.5</b>	<b>65.0</b>	<b>81.9</b>	<b>143.3</b>	<b>143.3</b>	<b>143.3</b>
<b>Current Liabilities</b>	<b>881.0</b>	<b>1,061.6</b>	<b>1,126.5</b>	<b>1,242.4</b>	<b>1,374.6</b>	<b>1,557.2</b>
<b>CAPITAL EMPLOYED</b>	<b>4,315.3</b>	<b>5,465.3</b>	<b>6,570.3</b>	<b>7,349.4</b>	<b>8,756.8</b>	<b>10,453.8</b>
<b>Non Current Assets</b>	<b>2,093.8</b>	<b>2,708.0</b>	<b>3,269.4</b>	<b>4,362.6</b>	<b>4,802.8</b>	<b>5,222.3</b>
Fixed Assets	1,965.3	2,561.3	3,258.9	4,352.1	4,791.3	5,209.6
Goodwill	-	-	-	-	-	-
Non Current Investments	128.5	146.7	10.5	10.5	11.6	12.7
Deferred Tax Asset	-	-	-	-	-	-
Long Term Loans and Advances	-	-	-	-	-	-
<b>Current Assets</b>	<b>2,221.5</b>	<b>2,757.3</b>	<b>3,300.9</b>	<b>2,986.8</b>	<b>3,953.9</b>	<b>5,231.5</b>
<b>Current investments</b>	<b>285.9</b>	<b>587.1</b>	<b>870.0</b>	<b>321.1</b>	<b>321.1</b>	<b>321.1</b>
Inventories	-	-	-	-	-	-
Trade Receivables	1,657.7	1,694.6	1,895.4	2,114.7	2,431.9	2,796.7
Cash and Bank Balances	126.0	272.3	180.0	163.7	774.9	1,645.1
Short Term Loans and Advances	91.9	-	-	-	-	-
Other Current Assets	60.0	203.3	355.5	387.3	426.0	468.6
<b>CAPITAL DEPLOYED</b>	<b>4,315.3</b>	<b>5,465.3</b>	<b>6,570.3</b>	<b>7,349.4</b>	<b>8,756.8</b>	<b>10,453.8</b>

Cash Flow St. (Rs. mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Profit	890.8	1,006.0	1,288.5	1,392.7	1,634.8	1,941.7
Add: Dep. & Amort.	77.9	89.7	99.8	153.0	174.4	195.9
<b>Cash profits</b>	<b>968.7</b>	<b>1,095.7</b>	<b>1,388.3</b>	<b>1,545.7</b>	<b>1,809.2</b>	<b>2,137.6</b>
<b>(Inc)/Dec in</b>						
-Sundry debtors	(26.3)	(36.9)	(200.8)	(219.3)	(317.2)	(364.8)
-Inventories	-	-	-	-	-	-
-Loans/advances	(23.7)	(51.4)	(152.2)	(31.8)	(38.7)	(42.6)
<sup>1</sup> -Current Liab and Provisions	(104.3)	180.3	66.7	116.4	132.2	182.6
Change in working capital	(154.3)	92.0	(286.3)	(134.7)	(223.7)	(224.8)
<b>CF from Oper. activities</b>	<b>814.4</b>	<b>1,187.7</b>	<b>1,102.0</b>	<b>1,411.0</b>	<b>1,585.5</b>	<b>1,912.8</b>
<b>CF from Inv. activities</b>	<b>(598.6)</b>	<b>(1,005.1)</b>	<b>(944.1)</b>	<b>(697.3)</b>	<b>(614.6)</b>	<b>(615.4)</b>
<b>CF from Fin. activities</b>	<b>(260.9)</b>	<b>(36.3)</b>	<b>(250.2)</b>	<b>(730.0)</b>	<b>(359.7)</b>	<b>(427.2)</b>
<b>Cash generated/(utilised)</b>	<b>(45.1)</b>	<b>146.3</b>	<b>(92.3)</b>	<b>(16.3)</b>	<b>611.2</b>	<b>870.2</b>
Cash at start of the year	171.1	126.0	272.3	180.0	163.7	774.9
Cash at end of the year	126.0	272.3	180.0	163.7	774.9	1,645.1
<b>Ratios</b>	FY20	FY21	FY22	FY23	FY24E	FY25E
OPM	11.8	15.9	16.2	15.7	16.2	16.5
NPM	8.6	11.8	11.8	11.2	11.4	11.8
Tax rate	(23.9)	(23.9)	(25.1)	(24.5)	(25.2)	(25.2)
<b>Growth Ratios (%)</b>						
Net Sales	0.8	(18.2)	28.1	14.8	15.0	15.0
Operating Profit	1.9	10.7	30.1	11.3	19.1	17.0
PBIT	0.9	10.4	31.4	8.8	19.6	17.4
PAT	22.3	12.9	28.1	8.1	17.4	18.8
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	23.2	26.16	33.47	36.36	42.68	50.70
Cash Earnings (CPS)	25.3	28.5	36.1	40.4	47.2	55.8
Dividend	4.6	4.0	8.0	8.0	9.4	11.2
Book Value	87.9	112.8	139.3	155.7	189.0	228.5
Free Cash Flow	5.6	4.7	4.1	18.6	25.3	33.9
<b>Valuation Ratios</b>						
<b>P/E(x)</b>	<b>65.1</b>	<b>57.8</b>	<b>45.2</b>	<b>41.6</b>	<b>35.4</b>	<b>29.8</b>
P/B(x)	17.2	13.4	10.9	9.7	8.0	6.6
EV/EBIDTA(x)	47.4	42.5	32.7	29.5	24.5	20.6
Div. Yield(%)	0.3	0.3	0.5	0.5	0.6	0.7
<b>FCF Yield(%)</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>1.2</b>	<b>1.7</b>	<b>2.2</b>
<b>Return Ratios (%)</b>						
RONW	26%	23%	24%	23%	23%	22%
ROCE	33%	29%	31%	30%	29%	29%
Net D/E	0.0	0.0	0.0	0.0	0.0	0.0

Source: Dalal &amp; Broacha Research, Company

## Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.  
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)