

TCI Express Ltd.

Stable outlook – maintain ADD

CMP Rs 1,513	Target Price Rs 1,633 Mar 2024
Rating ADD	Upside 8% (↑)

- TCI Express' (TCIEXP) 4QFY23 revenues grew 9% yoy/4% qoq at Rs 3.26bn (EE: Rs 3.37bn). EBITDA margins came at 16.6% (EE: 16.9%), contracted 24bps yoy / expanded 194bps qoq (with improved utilisation qoq). PAT came in at Rs 385mn, increasing 7% yoy/20% qoq but marginally short of EE (Rs 400mn).
- TCIEXP handled volumes of 0.263MMT (+12% yoy/+4% qoq) during 4QFY23. Blended realisation stood at ~Rs 12,405 (down 2% yoy / flat qoq). Management indicated price hikes of ~2% during FY24E which is expected to uplift realisation.
- TCIEXP is seeing good traction for rail express services and expanded its customer base – from 1750 (Dec'22) to 2220 (Mar'23) and currently operates on 125 routes.
- With the company's plan of adding automated sorting centres in near-to-medium term and price hikes of 2% in FY24E, TCIEXPS expects operating margin to inch-up.
- Given the outlook, we cut our FY24E/FY25E revenue estimates by 3%/8% and PAT estimates by 4%/9%. Maintain ADD with a Mar'24 TP of Rs 1,633 at a one-year fwd. PE of 34x. Volume growth acceleration would be the key for current valuations to sustain.

Results marginally lower than estimates; Sequential improvement in operating margin: TCIEXP's 4QFY23 revenues grew 9% yoy/4% qoq at Rs 3.26bn (EE: Rs 3.37bn). EBITDA margins came in at 16.6% (EE: 16.9%) contracted 24bps yoy / expanded 194bps qoq (with the improved utilisation qoq). PAT came in at Rs 385mn, increasing 7% yoy/20% qoq but falling marginally short of EE (Rs 400mn).

Stable volumes; targeting 15% volume growth: TCIEXP handled 0.263MMT volumes in 4QFY23, up 12% yoy/4% qoq. Vs E-way bill growth of 18% yoy/6% qoq. Blended realisation stood at ~Rs 12,405 (-2% yoy /flat qoq). Management indicated price hikes of ~2% during FY24E which is expected to uplift realisation. TCIEXP has added 35 new branches in FY23 and plans to add a total of 50-75 branches in FY24E. Management is targeting 15% volume growth for FY24E and expect revenue of Rs 17.5bn-18bn by FY25E.

New service offerings growing rapidly: TCIEXP is seeing good traction for rail express and expanded its customer base – from 1750 (Dec'22) to 2220 (Mar'23) and currently operates on 125 routes. Management expects new service to contribute ~25% by FY25.

Focussing on automation of sorting centers: Currently, TCIEXP has one (Gurgaon) automated sorting center operational and work on automation for one (Pune) more center is going on. In near to medium term, it plans to automate 4-5 more sorting centers. which will aid TCIEXPS in margin improvement in medium to long term.

Maintain ADD with a Mar'24 TP of Rs 1,633: The stock is currently trading at 35.3x/31.5x P/E on our FY24E/FY25E estimates. TCIEXP's tonnage growth has been lower post covid as against growth of E-way bill. In our view, volume growth acceleration would be the key for current valuations to sustain. Maintain ADD with a Mar'24 TP of Rs 1,633.

Financial Summary

YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY23A	12,410	1,945	1,393	36.4	41.6	9.7	29.6	24.6	27.6	15.7
FY24E	14,108	2,317	1,642	42.9	35.3	8.0	24.7	24.9	26.7	16.4
FY25E	15,635	2,607	1,840	48.0	31.5	6.7	21.9	23.1	25.3	16.7
FY26E	17,012	2,870	2,016	52.6	28.7	5.7	19.8	21.3	23.4	16.9

Source: Company, Equirus Securities

Estimate Revision

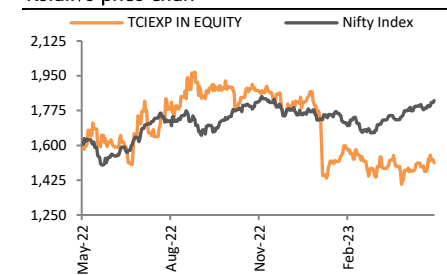
(Rs mn)	Forecasts		% Change	
	FY24E	FY25E	FY24E	FY25E
Sales	12,518	14,615	-3%	-8%
EBITDA	1,965	2,389	-3%	-8%
PAT	1,402	1,711	-4%	-9%
EPS	36.5	44.5	-4%	-9%

Stock Information

Market Cap (Rs Mn)	57,969
52 Wk H/L (Rs)	2,013/1,374
Avg Daily Volume (1 yr)	21,056
Avg Daily Value (Rs Mn)	0.4
Equity Cap (Rs Mn)	5,362
Face Value (Rs)	2
Share Outstanding (Mn)	38.3
Bloomberg Code	TCIEXP IN
Ind Benchmark	SPBSMIP

Ownership (%)	Recent	3M	12M
Promoters	66.9	0.2	0.2
DII	10.1	(0.2)	0.7
FII	2.1	0.0	(0.4)
Public	21.0	(0.1)	(0.7)

Relative price chart



Source: Bloomberg

Analysts

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Exhibit 1: Quarterly performance

Rs Mn	4QFY23	4QFY23E	3QFY23	4QFY22	% Change			Comments
					4QFY23E	3QFY23	4QFY22	
Net Sales	3,263	3,367	3,144	2,982	-3%	4%	9%	
Operating Expenses	2,192	2,278	2,189	1,994	-4%	0%	10%	
Employee Benefits Expense	314	332	312	293	-6%	1%	7%	
Other Expenses	216	189	183	193	14%	18%	12%	
Total Operating Expenses	2,721	2,799	2,683	2,480	-3%	1%	10%	
EBITDA	541	569	461	502	-5%	17%	8%	
Depreciation	42	44	43	32	-5%	-2%	33%	
EBIT	499	525	418	470	-5%	20%	6%	
Interest	7	4	4	3	76%	68%	155%	
Other Income	17	20	13	21	-17%	28%	-20%	
PBT	509	540	427	489	-6%	19%	4%	
Tax	124	141	106	129	-12%	17%	-4%	
Recurring PAT	385	400	320	359	-4%	20%	7%	
Extraordinaries	0	0	0	0				
Reported PAT	385	400	320	359	-4%	20%	7%	
EPS (Rs)	10.0	10.4	8.3	9.3	-4%	20%	7%	
Gross Margin	32.8%	32.4%	30.4%	33.1%	45 bps	244 bps	-30 bps	
EBITDA Margin	16.6%	16.9%	14.7%	16.8%	-30 bps	194 bps	-24 bps	
EBIT Margin	15.3%	15.6%	13.3%	15.8%	-27 bps	202 bps	-47 bps	
PBT Margin	15.6%	16.1%	13.6%	16.4%	-46 bps	203 bps	-79 bps	
PAT Margin	11.8%	11.9%	10.2%	12.0%	-8 bps	160 bps	-26 bps	
Tax Rate	24.4%	26.1%	24.9%	26.4%	-165 bps	-51 bps	-203 bps	

Source: Company Data, Equirus

Earnings Call Takeaways

- **Guidance:**

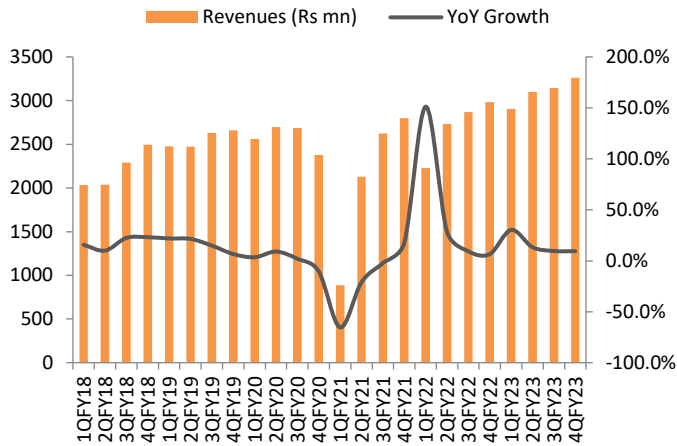
Revenue: Management expect revenue to grow in the range of 15-17% for FY24E largely driven by volumes (~15%) and balance by price hikes (~2%). Management expect 2x of the GDP growth in longer run and currently targeting revenues of ~Rs 17.5bn - ~Rs18bn for FY25E.

Margin: With the price hikes, automated sorting center ramping up and network efficiency, management expect margin to expand 100bps (~17.5%) in FY24E.

Branch expansion: Management expects to add 50-75 branches during FY24E. TCIEXP have added 35 new branches during FY23.

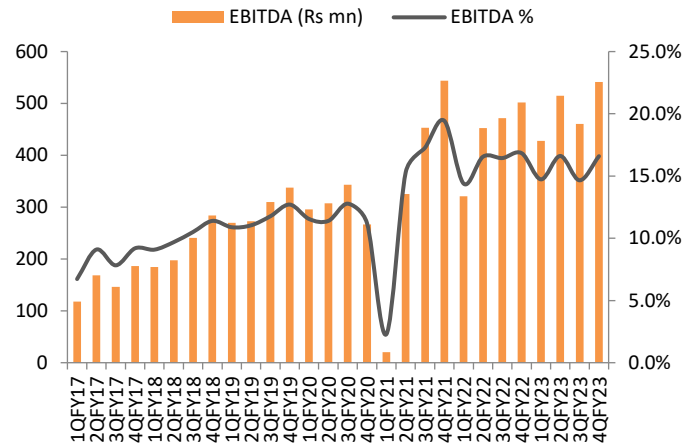
- **Price hike:** Management is taking up price hike of ~2% during 1QFY24. Management seems confident about adoption of price hikes.
- **Volume:** TCIEXP handled volume of 0.263MMT during 4QFY23 (growth of 4% qoq / 12% yoy).
- **Fleet Utilization:** Fleet Utilization for 4Q/FY23 stands at 85%/84.25%.
- **Customer concentration:** No single customer is contributing more than 1-1.5% to the revenue and top 25 customers contribute less than 15% to the revenue.
- **Scrappage policy:** Scrappage policy is not expected to hit the operations for TCIEXP as they generally have fleet with average life of 5 years for its express routes and average life of 8 years for its feeder routes. TCIEXP doesn't foresee any major risk of freight rates going up.
- **Automated sorting center:** Currently, 1 sorting center is automated and one more (Pune) is process to get automated (expected to be done by end of FY24E). Management expect 5 more automated sorting center in near-to-medium term. Typically 1 sorting center costs ~Rs 0.45-0.50bn. With the experience at first center, TCIEXP now expect to convert center into automated one in the period of 8-9 months. Further, with the automation, turnaround time has reduced from 20hrs to 8hrs as well.
- **Customer base:** In 4QFY23 SME and Key Customer Accounts ratio stands stable at 50%/50%.
- **Revenue from new services:** Management expects it to contribute ~25% to the top-line by FY25.
- **Capex:** TCIEXP incurred capex of ~Rs 1.25bn during FY23.
- **Major industries catered:** Auto, Pharma, Electronics, Lifestyle and Engineering are the top contributing industries and contributes ~55%. Any specific industry typically contribute 9-13% to the revenue.
- **Rail express customer acquisition:** Typically, TCIEXP targets customer who used air express services of competitors and provide the same kind of service on rail with reduction in cost by 1/3rd or 1/4th. Also, it acquires customers from the existing road business customers.
- **Debt:** Gross debt stands nominal at ~Rs 7mn with cash and cash equivalent of ~Rs 485mn.
- **Working capital days:** Net working capital days stands at 15 days during FY23 vs 14 days during FY22.
- **Dividend:** The board recommended final dividend of Rs 2 per share (Total Rs 8 dividend for FY23).

Exhibit 2: Revenues up 9% yoy



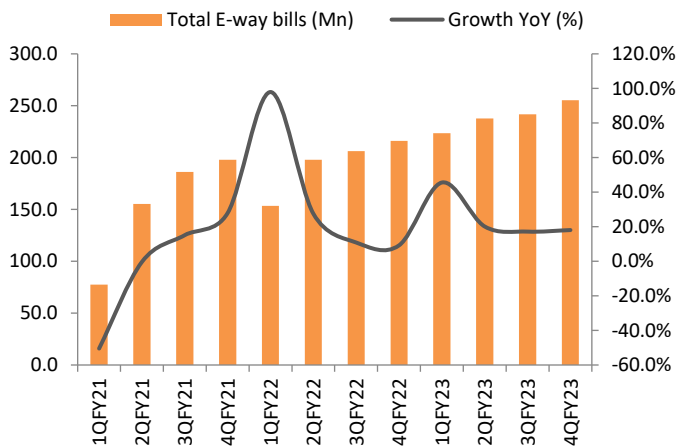
Source: Company Data, Equirus

Exhibit 3: EBITDAM at 16.6%



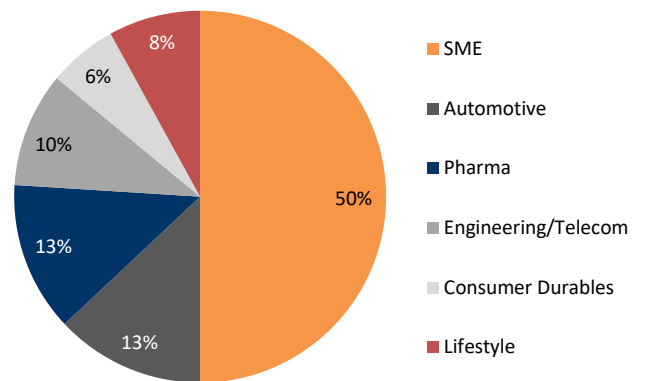
Source: Company Data, Equirus

Exhibit 4: E-way bill generation up 18% yoy/6% qoq



Source: GSTIN, Company Data, Equirus

Exhibit 5: Product-wise revenue mix (FY20)



Source: Company Data, Equirus

Company Snapshot

How we differ from the consensus

Particular (Rs Mn)		Equirus	Consensus	% Diff	Comment
Sales	FY24E	14,108	14,439	-2%	
	FY25E	15,635	16,972	-8%	
EBITDA	FY24E	2,317	2,411	-4%	
	FY25E	2,607	2,974	-12%	
PAT	FY24E	1,642	1,747	-6%	
	FY25E	1,840	2,160	-15%	

Key Estimates

Key Assumptions	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Total tonnage (lakh tons)	8.4	6.9	8.7	9.9	11.1	12.2	13.2
yoy %	-0.9%	-17.7%	25.2%	14.8%	12.0%	10.0%	8.0%
Average realization (Rs/tonne)	12,285	12,214	12,502	12,498	12,685	12,780	12,876
yoy %	1.7%	-0.6%	2.4%	0.0%	1.5%	0.8%	0.8%

Risks to Our View

- Economic slowdown
- Delay in passing through diesel price fluctuations to customers
- A drop-in capacity utilization rates of vendor network

Key Triggers

- Branch network expansion
- Effective implementation of the government's Bharatmala project
- Business shift from unorganized logistics players to organized/national players
- Growth in Value Added Logistics (VAL) as opposed to traditional services

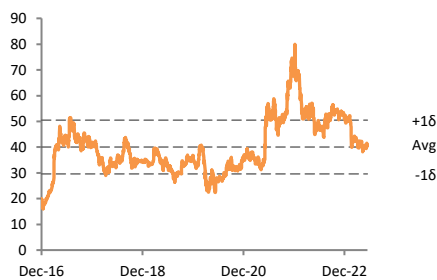
Company Description

TCIEXP, the multi-specialist express cargo division of TCI, was created in 1997 to deliver just-in-time express products and inventories. TCIEXP was demerged from TCI in 2016 and listed on the exchanges as TCI Express. The company provides services across domestic surface express, domestic air express, international air express, reverse express and e-commerce express. Its pan-India network comprises 28 sorting centers/950+ branches, servicing 60,000+ pickup and delivery points through 5,500+ containerized vehicles.

Comparable valuation

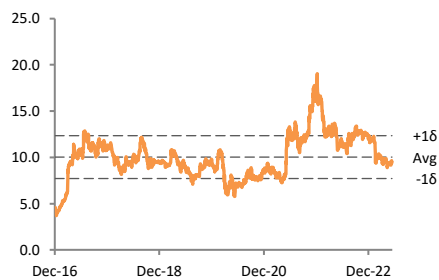
Company	Reco.	CMP	Mkt Cap Rs. Mn.	Price Target	Target Date	P/E			EV/EBITDA			P/B			RoE			Div Yield
						FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY24E
VRL	LONG	730	63,751	825	Mar-24	38.8	30.5	24.8	16.1	13.2	11.2	6.6	6.0	5.0	39.7%	20.5%	22.1%	0.8%
TCIEXP	ADD	1,513	57,969	1633	Mar-24	41.6	35.3	31.5	29.6	24.7	21.9	9.7	8.0	6.7	24.6%	24.9%	23.1%	0.6%

Price to earning chart



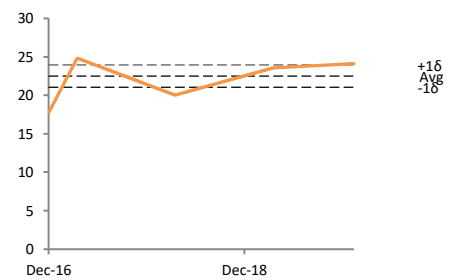
Source: Company, Equirus Research

Price to book chart



Source: Company, Equirus Research

EV-EBITDA chart



Source: Company, Equirus Research

Quarterly performance

Y/E Mar (Rs mn)	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24E	2QFY24E	3QFY24E	4QFY24E
Revenue	2,904	3,099	3,144	3,263	3,302	3,523	3,574	3,709
COGS	2,010	2,107	2,189	2,192	2,242	2,393	2,428	2,519
Employee Cost	309	309	312	314	327	349	354	368
Other Expenses	158	169	183	216	190	202	205	213
EBITDA	428	515	461	541	542	579	587	609
Depreciation	33	35	43	42	42	44	45	47
EBIT	395	480	418	499	501	534	542	562
Interest Exp.	3	4	4	7	7	8	8	8
Other Income	19	23	13	17	19	20	21	21
Profit before Tax	411	499	427	509	512	547	555	576
Tax Expenses	101	121	106	124	128	137	139	144
Profit After Tax	310	378	320	385	384	410	416	432
Minority Interest	0	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0	0
Recurring PAT	310	378	320	385	384	410	416	432
Exceptional Items	0	0	0	0	0	0	0	0
Reported PAT	310	378	320	385	384	410	416	432
Other comprehensive income.	0	0	0	0	0	0	0	0
PAT after comp. income.	310	378	320	385	384	410	416	432
FDEPS	8.1	9.8	8.3	10.0	10.0	10.7	10.9	11.3
Cost items as % of sales								
RM expenses	69.2	68.0	69.6	67.2	67.9	67.9	67.9	67.9
Employee expenses	10.6	10.0	9.9	9.6	9.9	9.9	9.9	9.9
Other expenses	5.4	5.4	5.8	6.6	5.7	5.7	5.7	5.7
Margin (%)								
Gross Margin	30.8	32.0	30.4	32.8	32.1	32.1	32.1	32.1
EBITDA Margin	14.7	16.6	14.7	16.6	16.4	16.4	16.4	16.4
PAT Margin	10.7	12.2	10.2	11.8	11.6	11.6	11.6	11.6
YoY Growth (%)								
Sales	30.3	13.3	9.6	9.4	13.7	13.7	13.7	13.7
EBITDA	33.4	13.7	(2.3)	7.8	26.7	12.4	27.4	12.5
EBIT	32.2	11.9	(7.0)	6.2	26.9	11.3	29.7	12.6
PAT	30.5	11.0	(8.8)	7.0	23.9	8.5	29.9	12.3

Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	10,320	8,440	10,815	12,410	14,108	15,635	17,012
COGS	7,342	5,667	7,330	8,497	9,582	10,580	11,478
Employee Cost	1,018	873	1,099	1,243	1,399	1,550	1,687
Other Expenses	747	556	638	725	811	898	977
EBITDA	1,213	1,343	1,747	1,945	2,317	2,607	2,870
Depreciation	78	90	100	153	178	209	243
EBIT	1,135	1,254	1,647	1,792	2,139	2,398	2,627
Interest Exp.	9	8	9	18	31	34	37
Other Income	44	77	82	72	82	90	98
Profit before Tax	1,170	1,322	1,720	1,845	2,189	2,454	2,688
Tax Expenses	279	316	432	453	547	613	672
Profit After Tax	891	1,006	1,289	1,393	1,642	1,840	2,016
Minority Interest	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0
Recurring PAT	891	1,006	1,289	1,393	1,642	1,840	2,016
Exceptional Items	0	0	0	0	0	0	0
Reported PAT	891	1,006	1,289	1,393	1,642	1,841	2,017
Other comprehensive income.	0	0	0	0	0	0	0
PAT after comp. income.	891	1,006	1,289	1,393	1,642	1,841	2,017
FDEPS	23.3	26.2	33.5	36.4	42.9	48.0	52.6
DPS	5	4	8	8	9	11	12
BVPS	88	113	139	156	189	227	268

YoY Growth (%)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	0.8	(18.2)	28.1	14.8	13.7	10.8	8.8
EBITDA	1.9	10.7	30.1	11.3	19.1	12.5	10.1
EBIT	0.9	10.4	31.4	8.8	19.4	12.1	9.6
PAT	22.3	12.9	28.1	8.1	17.9	12.1	9.6

Key Ratios

Profitability (%)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Gross Margin	28.9	32.9	32.2	31.5	32.1	32.3	32.5
EBITDA Margin	11.8	15.9	16.2	15.7	16.4	16.7	16.9
PAT Margin	8.6	11.9	11.9	11.2	11.6	11.8	11.9
ROE	29.5	26.1	26.6	24.6	24.9	23.1	21.3
ROIC	28.1	24.6	25.4	23.8	24.3	22.6	20.8
Core ROIC	31.0	29.4	31.6	27.6	26.7	25.3	23.4
Dividend Payout	19.8	15.3	23.9	22.0	22.0	22.0	22.0

Valuation (x)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	65.0	57.8	45.2	41.6	35.3	31.5	28.7
P/B	17.2	13.4	10.9	9.7	8.0	6.7	5.7
P/FCFF	114.9	90.0	123.1	143.0	101.8	102.2	107.5
EV/EBITDA	17.0	26.5	37.0	29.6	24.7	21.9	19.8
EV/Sales	2.0	4.2	6.0	4.6	4.1	3.6	3.3
Dividend Yield (%)	0.3	0.3	0.5	0.5	0.6	0.7	0.8

Balance Sheet

Y/E Mar (Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Equity Capital	77	77	77	77	77	77	77
Reserves	3,296	4,262	5,285	5,887	7,168	8,603	10,176
Net Worth	3,373	4,339	5,362	5,964	7,244	8,680	10,252
Total Debt	28	20	10	7	7	7	7
Other long term liabilities	42	55	80	143	163	181	196
Minority Interest	0	0	0	0	0	0	0
Account Payables	620	752	737	884	996	1,101	1,195
Other Current Liabilities	252	300	382	351	399	442	481
Total Liabilities	4,315	5,465	6,570	7,349	8,810	10,410	12,132
Gross Fixed Assets	2,132	2,634	3,637	4,082	5,082	6,332	7,832
Acc. Depreciation	(294)	(372)	(460)	(613)	(790)	(999)	(1,242)
Net Fixed Assets	1,838	2,262	3,178	3,469	4,291	5,332	6,589
Capital WIP	111	278	61	611	611	611	611
long term investments	9	0	11	11	11	11	11
Others	136	169	20	272	309	342	373
Inventory	0	0	0	0	0	0	0
Receivables	1,658	1,695	1,895	2,115	2,404	2,664	2,899
Loans and advances	92	0	0	0	0	0	0
Other current assets	60	203	356	387	440	488	531
Cash & Cash Equivalents.	412	859	1,050	485	744	962	1,118
Total Assets	4,315	5,465	6,570	7,349	8,810	10,410	12,132
Non-Cash WC	537	144	262	946	1,128	1,288	1,433
Cash Conv. Cycle	24.8	28.3	23.5	24.1	22.6	23.0	23.2
WC Turnover	19.2	58.6	41.2	13.1	12.5	12.1	11.9
Gross Asset Turnover	4.8	3.2	3.0	3.0	2.8	2.5	2.2
Net Asset Turnover	5.3	3.3	3.3	3.0	2.9	2.6	2.4
Net D/E	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)

Days (x)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Receivable Days	58	72	61	59	58	59	60
Inventory Days	0	0	0	0	0	0	0
Payable Days	33	44	37	35	36	36	36
Non-cash WC days	19	6	9	28	29	30	31

Cash Flow

Y/E Mar (Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	1,170	1,322	1,720	1,845	2,189	2,454	2,688
Depreciation	78	90	100	153	178	209	243
Others	0	0	0	0	0	0	0
Tax paid	(317)	(284)	(119)	(430)	(547)	(613)	(672)
Change in WC	(125)	90	(421)	(107)	(200)	(176)	(159)
Operating Cashflow	808	1,189	1,276	1,468	1,569	1,817	2,039
Capex	(303)	(545)	(805)	(1,063)	(1,000)	(1,250)	(1,500)
Change in Invest.	(413)	(439)	(147)	551	0	0	0
Others	7	24	71	(136)	82	90	98
Investing Cashflow	(710)	(960)	(880)	(647)	(918)	(1,160)	(1,402)
Change in Debt	(59)	(20)	(10)	(3)	(31)	(34)	(37)
Change in Equity	23	22	20	(509)	0	0	0
Others	(222)	(85)	(317)	(326)	(361)	(405)	(444)
Financing Cashflow	(257)	(83)	(307)	(837)	(392)	(439)	(481)
Net Change in Cash	(160)	146	88	(16)	259	218	157

Source: Company Data, Equirus

<p>Rating & Coverage Definitions:</p> <p>Absolute Rating</p> <ul style="list-style-type: none"> LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies ADD: ATR >= 5% but less than Ke over investment horizon REDUCE: ATR >= negative 10% but <5% over investment horizon SHORT: ATR < negative 10% over investment horizon <p>Relative Rating</p> <ul style="list-style-type: none"> OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon BENCHMARK: likely to perform in line with the benchmark UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon <p>Investment Horizon</p> <p>Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter</p>	<p>Registered Office:</p> <p>Equirus Securities Private Limited Unit No. A2102B, 21st Floor, A Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai-400013. Tel. No: +91 - (0)22 - 4332 0600 Fax No: +91 - (0)22 - 4332 0601</p> <p>Corporate Office:</p> <p>3rd floor, House No. 9, Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge, S.G. Highway Ahmedabad-380054 Gujarat Tel. No: +91 (0)79 - 6190 9550 Fax No: +91 (0)79 - 6190 9560</p>
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