

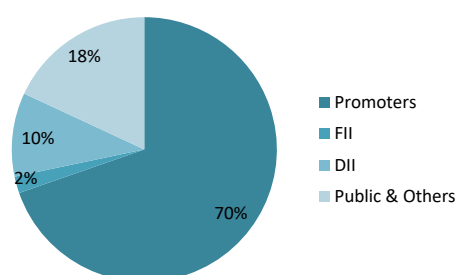
CMP: INR 1,588

Target: INR 1,811

Result Update - Accumulate

Key Share Data

Face Value (INR)	2.0
Equity Capital (INR mn)	76.6
M.Cap (INR mn)	60838.9
52-w k High/Low (INR)	2010/1384
Avg. Daily Vol (NSE)	27552.0
BSE Code	540212
NSE Code	TCIEXP
Reuters Code	TCIE.NS
Bloomberg Code	TCIEXP:IN

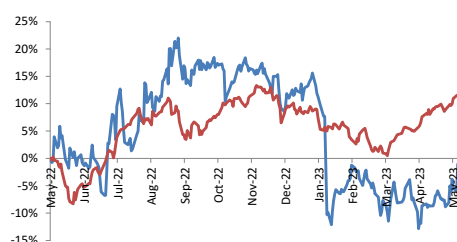
Shareholding Pattern (Mar 31, 2023)

Key Financials (INR Million)

Particulars	FY22	FY23	FY24E	FY25E
Net Sales	10,814.7	12,410.1	14,050.8	16,051.7
Growth (%)	28.1%	14.8%	13.2%	14.2%
EBITDA	1,747.3	1,944.8	2,290.3	2,731.2
PAT	1,288.5	1,392.8	1,635.6	1,929.5
Growth (%)	28.1%	8.1%	17.4%	18.0%
EPS (INR)	33.6	36.3	42.7	50.3
BVPS (INR)	139.8	155.5	188.2	226.5

Key Financials Ratios

Particulars	FY22	FY23	FY24E	FY25E
P/E (x)	47.3	43.7	37.2	31.6
P/BVPS (x)	11.4	10.2	8.4	7.0
Mcap/Sales (x)	5.7	4.9	4.3	3.8
EV/EBITDA (x)	34.8	31.2	26.3	22.0
ROCE (%)	30.7%	30.0%	29.4%	29.0%
ROE (%)	24.0%	23.4%	22.7%	22.2%
EBITDA Mar (%)	16.2%	15.7%	16.3%	17.0%
PAT Mar (%)	11.9%	11.2%	11.6%	12.0%
Debt - Equity (x)	0.0	0.0	0.0	0.0

Source: Company, SKP Research

Price Performance - TCIEXP vs BSE 500


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Company Background

TCI Express (TCIEXP) promoted by Mr. D.P. Agarwal & family, managed under the leadership of Mr. D.P. Agarwal, Chairman and Mr. Chander Agarwal, Managing Director, has emerged as amongst the fastest growing surface express logistics company, offering customised solutions. It enjoys ~5% market share with pan-India network comprising of 28 sorting centers, 950+ branches, servicing 60,000 pickup and delivery points through 5,500 containerized vehicles, covering more than 95% of PIN codes in India. TCIEXP also specializes in international air express serving 202 countries.

Investment Rationale
Topline grew by 9.4% on the back of growing demand from SMEs and corporate clients

- ▶ During Q4FY23, TCIEXP reported highest ever quarterly sales of Rs 3,262.5 mn, registering a growth of 9.4% y-o-y on the back of strong demand from SMEs and corporate customers and high utilisation in new sorting centers. The Company witnessed volume growth of ~12% y-o-y at 263,000 MT. Realisation during Q4FY23, decreased marginally by ~2% y-o-y at ~Rs 12,405/MT.
- ▶ During Q4FY21, the Company launched two additional value-added services named Cold Chain Express and C2C Express - high 20%+ EBIDTA margin businesses - to expand its service offering and create a niche for itself in new segments. In Cold Chain Express, the Company is catering to the growing demand from pharmaceuticals. Under C2C business, the Company is following multi-location pickup and delivery, bypassing sorting centers, thereby, reducing truck transit time and adding value to customers. TCIEXP has launched another value added service of Rail Express, with an objective to provide an alternate to the expensive air express services, at low cost (1/3rd of air freight) and will cater to B2B segment, in line with TCIEXP's asset light model. This is also a high ~20% EBIDTA margin business. **All new offerings are getting good traction among customers. The Company expanded its customer base from 250 to 2,200 and presence from 10 routes to 125 routes since inception. All the services are expected to contribute effectively to the topline in forthcoming quarters.**
- ▶ In spite of the challenging year, the Company witnessed topline growth of 14.8% during FY23 at 12,410.2 mn with the yearly volume of 993,000 MT displaying TCIEXP's ability to meet its commitments by leveraging its strengths, seizing growth opportunities and maintain customer centric approach.
- ▶ During FY23, the Company added 35 new branches in Western and Northern regions to deepen its presence in key business geographies.
- ▶ The Govt introduced National Logistics Policy during Q2FY23 which intends to lower logistics costs by reducing disproportionate share of road transport in entire logistics sector, connectivity through digitisation and standardisation of logistics services, leading to better productivity, efficiency and reduced losses. This will pave the way for putting Indian logistics sector on par with international market. **With clear strategic direction, the Company is well positioned to drive growth in the coming years. We have built in a revenue growth of ~13% and ~14% for FY24E and FY25E respectively keeping in view robust track record of TCIEXP.**

EBIDTA Margin to remain in the vicinity of ~17%

- ▶ During Q4FY23, EBIDTA Margin increased by ~190 bps q-o-q at 16.6% on the back of improved utilisation levels during the quarter at 85% vis-à-vis 83% in Q3FY23 and increasing contribution from high-margin new offerings. With expected robust growth in sales volume and pick up in CU level, going forward, we expect EBIDTA margin to be maintained in the vicinity of 17% in FY25E.
- ▶ PAT margin also improved by 160 bps q-o-q at 11.8% mainly due to increase in operating margins. Going forward, we expect PAT margins to remain in the vicinity of ~12% by FY25E.

TCIEXP incurred highest ever capex of Rs 1.25 bn during FY23

- ▶ The Company has budgeted another round of capex worth Rs 5 bn, to be spent between FY23-FY28 with the target of automating the remaining sorting centers (at an estimated cost of Rs 2-3 bn) and adding more owned sorting centers replacing the leased ones.
- ▶ The Company has incurred highest ever capex of Rs 1.25 bn, during FY23, primarily towards for the purchase of land in Kolkata and Ahmedabad for setting up new automated sorting centres; new corporate office in Gurgaon; and for network expansion by adding 35 new branches.
- ▶ Apart from Kolkata and Ahmedabad sorting centers, four more sorting centers are lined up for construction in Nagpur, Indore, Chennai and Mumbai. Automation process for Pune sorting center is under progress and expected to get completed in FY24.

Announcement of Final dividend and successful completion of buyback:

- ▶ During the quarter, the Board of Directors has recommended a final dividend, for FY23, of 100% (Rs 2 per share of face value of Rs.2). This is in addition to the interim dividends aggregating to 300% i.e. Rs. 6 per equity share of face value of Rs 2 each, declared during earlier quarters.
- ▶ TCIEXP also successfully completed share buyback of Rs. 425 mn announced in Q4FY22. The Company has bought back 234,275 equity shares and subsequently approved the closure with effect from February 13, 2023.

VALUATION

- ▶ We expect TCIEXP to emerge as a strong player due to its asset-light model, focus on B2B segment with pan India presence and improving operating efficiencies led by cost rationalisation, capex funded through internal accruals, its venturing into new value-added verticals (with multimodal business model) and strong balance sheet.
- ▶ We have valued TCIEXP on P/E basis, assigning a multiple of 36x to FY25E EPS of Rs 50.3, and recommend to 'accumulate' the stock with a target price of Rs 1,811 in 18 months (upside of ~14%).

Q4FY23 Standalone Result Review

(All data in Rs mn unless specified, Y/e March)

	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ	FY23	FY22	YoY
Net Sales	3,262.5	2,981.8	9.4%	3,144.2	3.8%	12,410.2	10,814.7	14.8%
Operating Expenses	2,191.8	1,994.2	9.9%	2,188.9	0.1%	8,497.0	7,329.7	15.9%
RM to sales (%)	67.2%	66.9%	--	69.6%	--	68.5%	67.8%	--
Staff Cost	313.5	292.8	7.1%	311.8	0.5%	1,242.9	1,099.4	13.1%
% to Sales	9.6%	9.8%		9.9%		10.0%	10.2%	
Other Exp	215.8	192.8	11.9%	182.7	18.1%	725.4	638.3	13.6%
% to Sales	6.6%	6.5%	--	5.8%	--	5.8%	5.9%	--
Total Expenditure	2,721.1	2,479.8	9.7%	2,683.4	1.4%	10,465.3	9,067.4	15.4%
EBIDTA	541.4	502.0	7.8%	460.8	17.5%	1,944.9	1,747.3	11.3%
EBIDTA Margin (%)	16.6%	16.8%	--	14.7%	--	15.7%	16.2%	--
Depreciation	42.0	31.6	32.9%	42.9	-2.1%	153.1	99.8	53.4%
EBIT	499.4	470.4	--	417.9	--	1,791.8	1,647.5	8.8%
EBIT Margin (%)	15.3%	15.8%	--	13.3%	--	14.4%	15.2%	--
Other Income	16.7	21.0	-20.5%	13.0	28.5%	71.7	81.7	-12.2%
Interest	7.4	2.9	155.2%	4.4	68.2%	18.1	9.1	98.9%
EBT	508.7	488.5	4.1%	426.5	19.3%	1,845.4	1,720.1	7.3%
Tax	124.2	129.2	-3.9%	106.3	16.8%	452.5	431.7	4.8%
Effective Tax Rate (%)	24.4%	26.4%	--	24.9%	-2.0%	24.5%	25.1%	--
Adjusted PAT	384.5	359.3	7.0%	320.2	20.1%	1,392.9	1,288.4	8.1%
PAT Margin (%)	11.8%	12.0%	--	10.2%	--	11.2%	11.9%	--
EPS (Rs)	10.0	9.2	8.8%	8.3	20.5%	36.2	33.5	8.2%

Source: Company & SKP Research

Chart 1: Operating Revenues

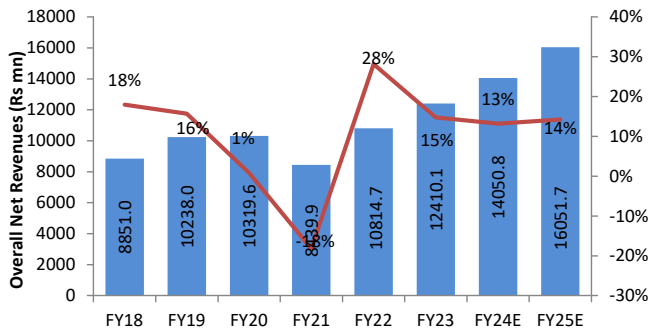


Chart 2: EBIDTA Margins

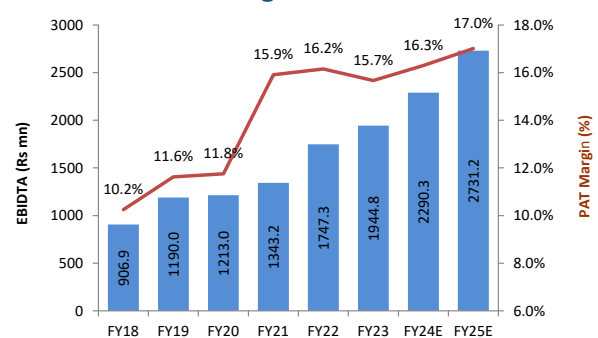


Chart 3: PAT Margins

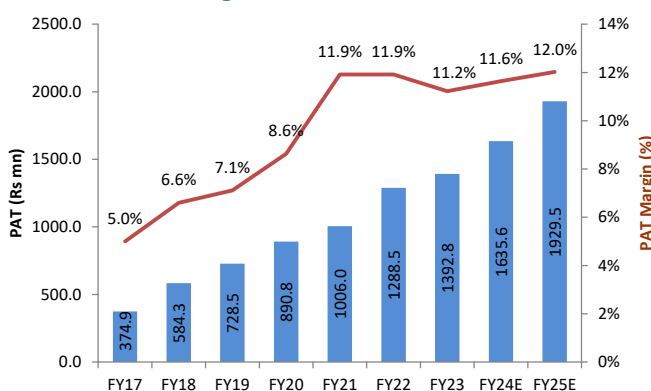
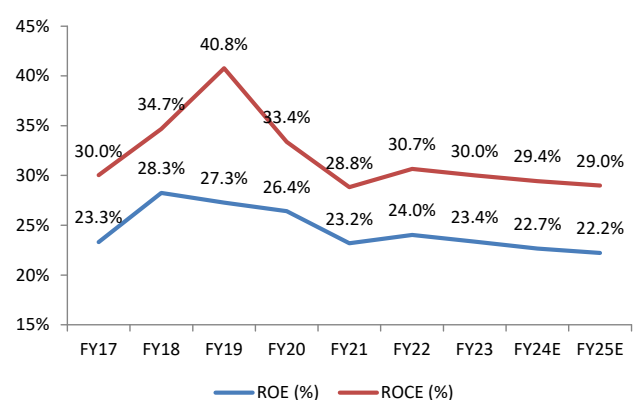


Chart 4: ROE & ROCE



Source: SKP Research

Risk Factors

Slowdown in the economy: Logistics industry growth is directly linked with country's GDP growth rate. Unfortunately, the GDP took severe dent during FY21 when it contracted by ~7.3% due to lock down imposed by Government of India due to COVID – 19 Pandemic during First Quarter. However, the economy recovered gradually from Q2FY21 onwards. With the pick-up in high frequency indicators like Government's expenditure in growth oriented projects GDP for FY24 is pegged at positive 6.2%.

This rebound in growth has also resulted in the rise in inflation due to several factors, including rising vegetable prices, elevated fuel costs and rising input costs for companies. This has triggered rise in interest rates to curb inflation which may slowdown the economy again. Any such slowdown in the economy may put pressure on the growth prospects of the logistics industry.

Rising fuel prices: Logistic sector is fuel price sensitive; any increase in fuel prices can hit the bottom line of the company in this segment. However, as a prudent policy TCIEXP has introduced separate diesel clause in FY19. Thus, TCIEXP is insulated with the diesel price hike.

Competition Risk & Transportation: Express industry is highly concentrated with ~95% unorganised players. Also, in organised players there are few players only. Any further competition from unorganised or organised can impact market share and profitability of TCIEXP.

TCIEXP does not own a fleet. Any strike or disruption at fleet owner's, can be a risk to TCIEXP.

Standalone Financials

Exhibit: Income Statement					Exhibit: Balance Sheet				
	Rs mn					Rs mn			
Particulars	FY22	FY23	FY24E	FY25E	Particulars	FY22	FY23	FY24E	FY25E
Total Income	10,814.7	12,410.1	14,050.8	16,051.7	Share Capital	77.0	76.6	76.6	76.6
Growth (%)	28.1%	14.8%	13.2%	14.2%	Reserve & Surplus	5,284.9	5,887.1	7,139.6	8,609.4
Expenditure	9,067.4	10,465.3	11,760.5	13,320.5	Shareholders Funds	5,361.9	5,963.7	7,216.2	8,686.0
Operating Expenditure	7,329.7	8,497.0	9,563.0	10,804.4	Total Debt	9.9	7.3	7.0	8.0
Employee Cost	1,099.4	1,242.9	1,410.7	1,601.1	Deferred Tax (Net)	78.6	104.9	104.9	104.9
Repair & Maintenance	638.3	725.4	786.8	914.9	Other Long Term Liab	1.2	38.4	43.5	49.7
EBITDA	1,747.3	1,944.8	2,290.3	2,731.2	Total Liabilities	5,451.6	6,114.3	7,371.6	8,848.6
Depreciation	99.8	153.1	164.3	210.6	Net Block inc. Capital WIP	3,258.9	4,352.1	4,826.4	5,865.8
EBIT	1,647.5	1,791.7	2,126.0	2,520.6	Investments	880.5	331.6	331.6	331.6
Other Income	81.7	71.7	70.3	69.0	Other Non Current Assets	-	-	-	-
Interest Expense	9.1	18.1	12.7	13.8	Sundry Debtors	1,895.4	2,114.7	2,458.9	2,809.0
Profit Before Tax (PBT)	1,720.1	1,845.3	2,183.5	2,575.8	Cash & Bank Balance	180.0	163.7	606.9	808.3
Income Tax	431.6	452.5	547.9	646.3	Other Current Assets	355.5	387.3	463.7	529.7
Profit After Tax (PAT)	1,288.5	1,392.8	1,635.6	1,929.5	Loans & Advances	-	-	-	-
Growth (%)	28.1%	8.1%	17.4%	18.0%	Current Liabilities & Prov	1,118.7	1,235.1	1,315.8	1,495.8
Diluted EPS (Rs)	33.6	36.3	42.7	50.3	Net Current Assets	1,312.2	1,430.6	2,213.7	2,651.2
					Total Assets	5,451.6	6,114.3	7,371.6	8,848.6

Exhibit: Cash Flow Statement					Exhibit: Ratio Analysis				
	Rs mn								
Particulars	FY22	FY23	FY24E	FY25E	Particulars	FY22	FY23	FY24E	FY25E
Profit Before Tax (PBT)	1,720.1	1,845.3	2,183.5	2,575.8	Earning Ratios (%)				
Depreciation	99.8	153.1	164.3	210.6	EBITDA Margin (%)	16.2%	15.7%	16.3%	17.0%
Interest Provided	9.1	18.1	12.7	13.8	PAT Margins (%)	11.9%	11.2%	11.6%	12.0%
Chg. in Working Capital	(264.2)	(106.7)	(334.8)	(229.9)	ROCE (%)	30.7%	30.0%	29.4%	29.0%
Direct Taxes Paid	(420.7)	(429.8)	(547.9)	(646.3)	ROE (%)	24.0%	23.4%	22.7%	22.2%
Other Charges	(36.1)	(11.9)	-	-	Per Share Data (Rs/Share)				
Operating Cash Flows	1,108.0	1,468.1	1,477.9	1,924.0	Diluted EPS	33.6	36.3	42.7	50.3
Capital Expenditure	(804.6)	(1,257.4)	(638.6)	(1,250.0)	Cash EPS (CEPS)	33.6	36.3	42.7	50.3
Investments	(146.8)	551.4	-	-	BVPS	139.8	155.5	188.2	226.5
Others	58.1	52.8	-	-	Valuation Ratios (x)				
Investing Cash Flows	(893.3)	(653.2)	(638.6)	(1,250.0)	P/E	47.3	43.7	37.2	31.6
Changes in Equity	19.9	(410.2)	-	-	Price/BVPS	11.4	10.2	8.4	7.0
Inc / (Dec) in Debt	(9.9)	(2.6)	(0.3)	1.0	EV/Sales	5.6	4.9	4.3	3.7
Dividend Paid (inc tax)	(307.8)	(307.6)	(383.1)	(459.7)	EV/EBITDA	34.8	31.2	26.3	22.0
Interest Paid	(9.1)	(18.0)	(12.7)	(13.8)	EV/EBIT	36.9	33.9	28.4	23.8
Others	0.00	-99.00	0.00	0.00	Balance Sheet Ratios				
Financing Cash Flows	(306.9)	(837.4)	(396.1)	(472.5)	Debt - Equity	0.0	0.0	0.0	0.0
Chg. in Cash & Cash Eqv	(92.2)	(22.5)	443.2	201.5	Current Ratio	2.2	2.2	2.7	2.8
Opening Cash Balance	272.2	180.0	163.7	606.9	Fixed Asset Turn. Ratios	3.4	3.6	3.1	2.9
Diff as per B/S and CF	0.00	6.20	0.00	0.00					
Closing Cash Balance	180.0	163.7	606.9	808.3					

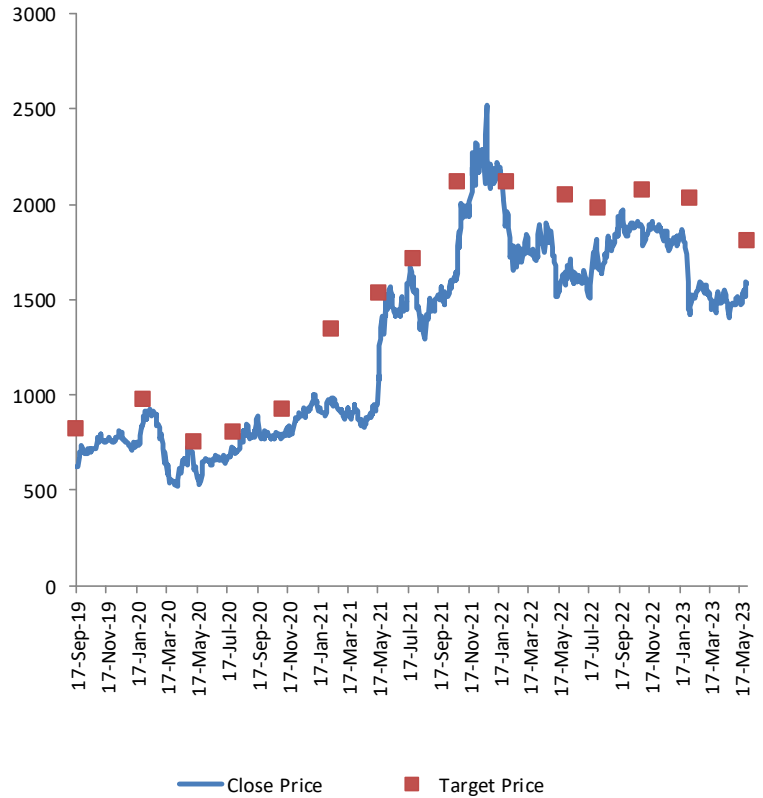
Source: Company Data, SKP Research

Exhibit: Recommendation -History Table

Date	Rating	Issue Price	Target Price	Upside Potential	Period (months)
17-09-19	BUY	625	823	32%	12
13-11-19	NEUTRAL	753	--	--	--
03-02-20	HOLD	881	973	10%	--
13-05-20	BUY	618	749	21%	15
30-07-20	ACCUMULATE	716	807	13%	15
05-11-20	BUY	785	926	18%	12
12-02-21	BUY	961	1346	40%	18
20-05-21	BUY	1259	1538	22%	18
29-07-21	ACCUMULATE	1558	1717	10%	--
26-10-21	BUY	1781	2116	19%	18
31-01-22	ACCUMULATE	1954	2118	8%	18
31-05-22	BUY	1644	2045	24%	18
06-08-22	BUY	1662	1984	19%	18
02-11-22	ACCUMULATE	1880	2076	10%	15
05-02-23	BUY	1446	2031	40%	18
31-05-23	ACCUMULATE	1588	1811	14%	18

Source: SKP Research

Exhibit: Recommendation -History



Source: BSE, SKP Research

Notes:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.

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Analyst ownership of the stock	NIL
Served as an officer, director or employee	NIL

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