

ONE YEAR OUTLOOK

Business & Earnings ◀▶

- We retain our positive stance on TCIEXP with ADD rating and a TP: Rs. 1,580. TCIEXP is likely to benefit from 1) expanding branch network density in key markets (aims to add 50-75 branches in FY24), 2) incremental revenues from new services (18% of revenues in FY23) including rapidly growing rail express operations, and 3) addition of new automation sorting centers, which could reduce turnaround time by 40%. We continue to monitor the macro headwind-led impact on volume growth and competitive intensity in surface express industry (potential impact on realisation). We pencil in 15% tonnage growth through FY23-25E, aided by sustained growth from existing clientele (SMEs account for ~50% of revenues in FY23) and incremental volumes from new branches & services. EBITDA margins reverted to 2Q levels at 16.6% with incremental benefits led by improving operating efficiencies at hubs driving higher truck utilization (84.2% in FY23).
- TCIEXP's large automated sorting centres at Chennai, Nagpur, Kolkata & Mumbai are expected to streamline hub-to-hub movement and automation, improving operating efficiencies. Expect capex of Rs. 2bn through FY24-25E towards setting up of own automated sorting center and corporate office (estimated cost of Rs. 700mn).

Valuation Multiples ◀▶

- Valuing TCIEXP at 30x FY25E EPS to arrive at a TP of Rs. 1,580. Our multiple factors in healthy returns profile (RoCE & RoIC(pre-tax) of 24%/40% in FY25) and operating cashflow (average OCF/IC at 28%).

FINANCIAL SUMMARY

	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY22	10,815	16.2	1,289	33.5	45	33	27
FY23	12,410	15.7	1,393	36.4	42	30	25
FY24E	14,469	16.4	1,675	43.7	35	24	25
FY25E	16,806	16.8	2,013	52.6	29	20	25
FY26E	19,181	17.1	2,353	61.4	25	17	23

THREE YEAR OUTLOOK

Business & Earnings ◀▶

- TCIEXP aims to double its revenue and triple its net profit through FY21-26E by focusing on 1) expanding customer base aided by doubling branches from 800+ levels, & 2) ramping up new value-added services (Cold Chain Express, C2C express and Rail Express) to 25% of revenues (18% contribution in FY23). The company aims to capitalize on the increasing demand for professionally-managed service providers over unorganized players. We expect TCIEXP's cold chain services to capture the emerging end-to-end express logistics solution opportunities in sectors like pharma. The recently-commenced rail express aims to gain share from air express industry by leveraging on the existing network.
- TCIEXP's improving operating efficiencies through its slew of measures (including automation) coupled with shifting from rental sorting centres to owned model are likely to drive EBITDA growth of 18% CAGR through FY23-27E. See EPS growth of 18% CAGR through FY23-27E.
- Expect capex to the tune of ~Rs.3.7bn through FY24-28E towards setting up of own sorting centres and corporate office. The company intends to have own sorting centres in over 11 cities (major consumption centres) by FY28.

Valuation Multiples ◀▶

- Based on 28x FY27E EPS, we see a potential upside of 33% (incl. dividends). While TCIEXP's capex is likely to constrain returns over the period (average RoCE of 24% through FY24-27E), we expect operating efficiency benefit to be back-ended.

KEY ESTIMATES REVISION

	FY23E			FY24E		
	Old	New	Change	Old	New	Change
Sales	14,342	14,469	1%	16,658	16,806	1%
EBITDA (%)	16.3	16.4	8 bps	16.8	16.8	5 bps
PAT	1,641	1,675	2%	1,975	2,013	2%
EPS	42.8	43.7	2%	51.5	52.5	2%
PE	Before Results: 30.0			After Results: 30.0		

All figures in Rs.Mn

OUTLOOK REVIEW 4QFY23 30 May 2023

Industry	LOGISTICS
Key Stock Data	
Bloomberg	TCIEXP IN
Shares o/s	38mn
Market Cap	Rs. 58bn (\$711mn)
52-wk High-Low	Rs. 2,100-1,442
3m ADV	Rs. 37mn (\$0mn)
F&O	No

Latest Shareholding (%)

	Sep-22	Dec-22	Mar-23
Promoters	66.7	66.9	69.7
Institutions	10.7	12.1	12.2
Public	22.6	21.0	18.1
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
TCIEXP	1.9	-4.2	-4.3
Sensex	2.4	6.6	12.4

RESEARCH ANALYSTS

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Quarterly Financial Statement

- Tonnage for the quarter was at 0.26mn, ~12% YoY growth
- Gross margin at 32.8% was up 240bps QoQ on a low impacted base.
- Employee cost came at Rs. 314mn, flat QoQ and up 7% YoY. Employee cost as % of revenue was at 9.6%, down 30bps QoQ.
- Other expenses came at Rs. 216 mn, up 18% QoQ and 12% YoY. Other expenses as % of revenue stood at 80 bps QoQ at 6.6%.
- OCF was at Rs. 1,468mn in FY23 vs Rs. 1,275mn in FY22. Capex incurred was at Rs. 1,257mn for the period
- Core working capital (Debtors at 62 days and Creditor at 26 days) was at 36 days as on Mar-23 vs 39 days in Mar-22 (Debtors at 64 days and Creditor at 25 days).

Financial Results									
Rs. mn\Period	4QFY23	4QFY22	yoy Growth	3QFY23	qoq Growth	FY22	FY23	Yoy Growth	
Revenue	3,263	2,982	9.4%	3,144	3.8%	10,815	12,410	14.8%	
Operating expense	2,192	1,994	9.9%	2,189	0.1%	7,330	8,497	15.9%	
Emp. cost	314	293	7.1%	312	0.5%	1,099	1,243	13.1%	
Other expenses	216	193	11.9%	183	18.1%	638	725	13.6%	
Total Expenditure	2,721	2,480	9.7%	2,683	1.4%	9,067	10,465	15.4%	
EBITDA	541	502	7.8%	461	17.5%	1,747	1,945	11.3%	
Margin %	16.6%	16.8%	-24 bps	14.7%	194 bps	16.2%	15.7%	-48 bps	
D&A	42	32	32.9%	43	-2.1%	100	153	53.4%	
EBIT	499	470	6.2%	418	19.5%	1,647	1,792	8.8%	
Other income	17	21	-20.5%	13	28.5%	82	72	-12.2%	
Net Interest exp (inc)	7	3	155.2%	4	68.2%	9	18	104.5%	
PBT	509	489	4.1%	427	19.3%	1,720	1,845	7.3%	
Tax provision	124	129	-3.9%	106	16.8%	432	453	4.8%	
Tax rate %	24.4%	26.4%	-7.7%	24.9%	-51 bps	25.1%	24.5%	-57 bps	
PAT (Reported)	385	359	7.0%	320	20.1%	1,289	1,393	8.1%	
PAT (Adjusted)	385	359	7.0%	320	20.1%	1,289	1,393	8.1%	
Adjusted PAT Margin %	11.8%	12.0%	-26 bps	10.2%	160 bps	11.9%	11.2%	-69 bps	
Shares Outstanding	38	38		38		38	38		
EPS (Reported)	10.0	9.3	7.3%	8.3	20.1%	33.6	36.3	8.1%	
EPS (Adjusted)	10.0	9.3	7.3%	8.3	20.1%	33.6	36.3	8.1%	

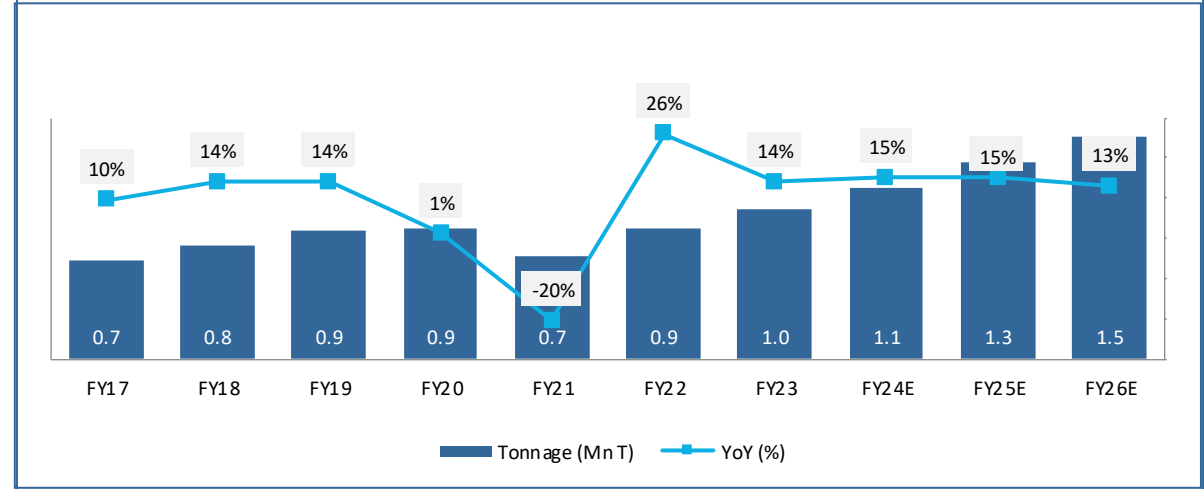
Source: Company, Avendus Spark

Expect tonnage to grow at 14% CAGR through FY23-27E

Key Metrics	FY22Q3	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3	FY23Q4
Tonnage (Mn T)	0.18	0.22	0.24	0.24	0.23	0.25	0.25	0.26
QoQ (%)	-22%	26%	8%	-1%	-4%	10%	2%	4%
YoY (%)	140%	29%	8%	4%	29%	12%	7%	12%
Realisation (Rs./T)	12,738	12,429	12,132	12,689	12,908	12,527	12,428	12,552
QoQ (%)	2%	-2%	-2%	5%	2%	-3%	-1%	1%
YoY (%)	5%	-1%	2%	2%	1%	1%	2%	-1%
Revenue (Rs. Mn)	2,229	2,734	,869	2,982	2,904	3,099	3,144	3,301
QoQ (%)	-20%	23%	5%	4%	-3%	7%	1%	5%
YoY (%)	151%	28%	9%	7%	30%	13%	10%	11%
EBITDA (Rs.)	321	453	472	502	428	515	461	541
QoQ (%)	14%	17%	16%	17%	15%	17%	15%	16%
YoY (%)	1480%	39%	4%	-8%	33%	14%	-2%	8%
EBITDA (Rs./T)	1,833	2,057	1,995	2,136	1,902	2,081	1,821	2,059
QoQ (%)	-24%	12%	-3%	7%	-11%	9%	-12%	13%
YoY (%)	559%	7%	-3%	-12%	4%	1%	-9%	-4%

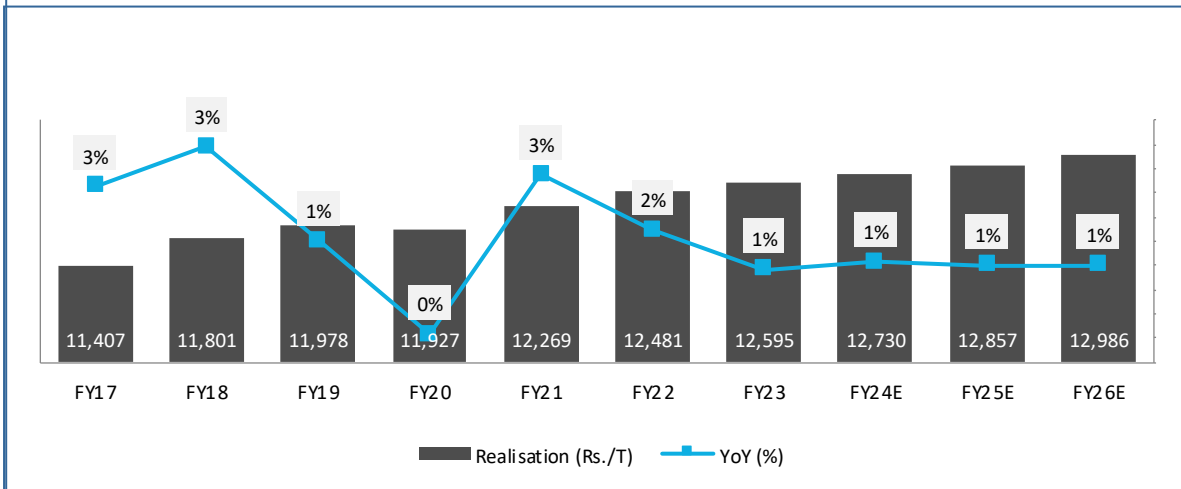
Source: Company, Avendus Spark

Tonnage to grow at 14% over FY23-27E



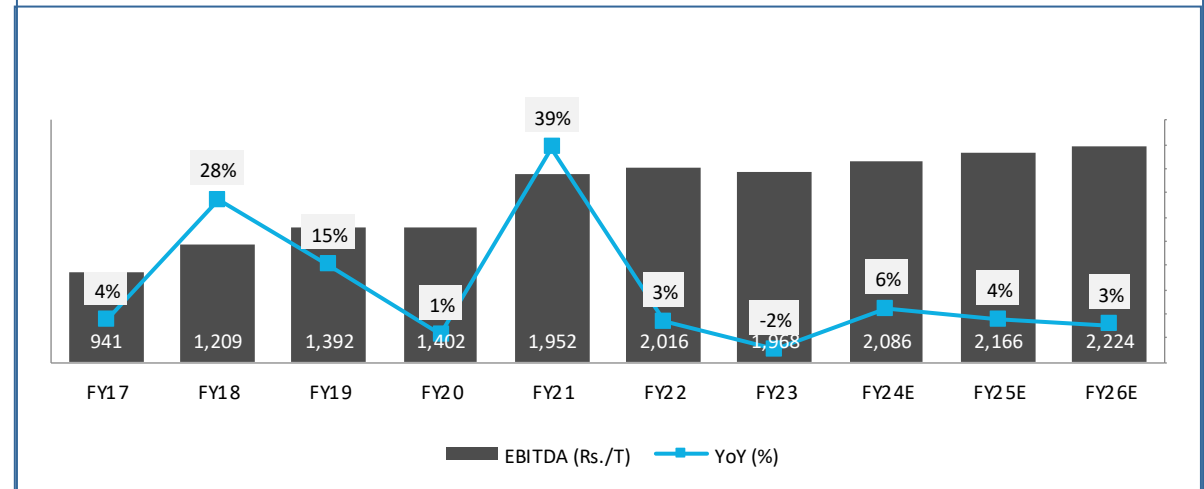
Source: Company, Avendus Spark

Realisation per tonne (Rs./T)



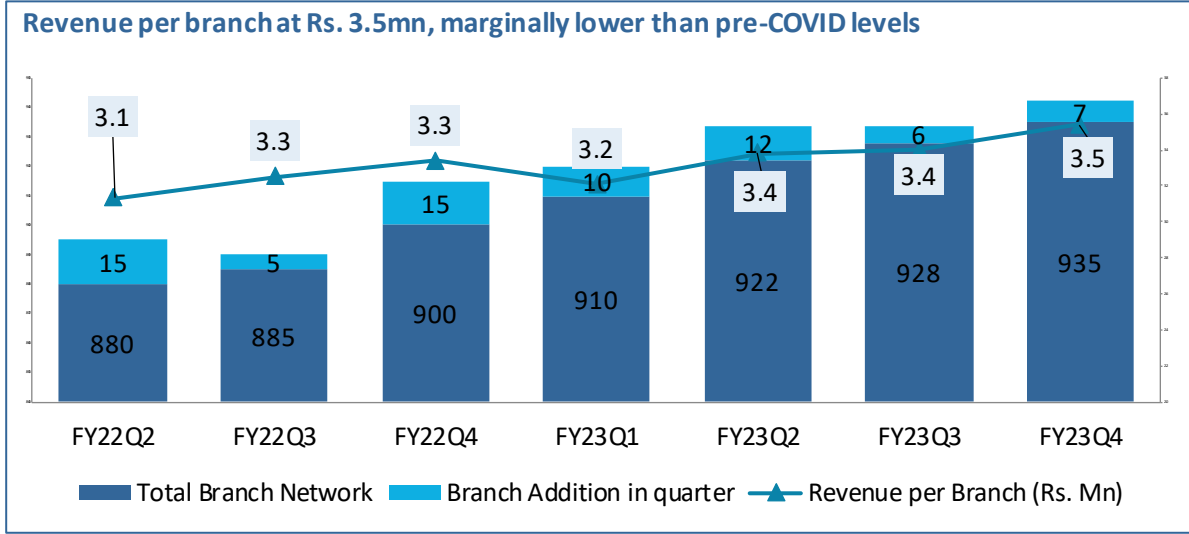
Source: Company, Avendus Spark

EBITDA per ton expected to improve with increasing operating efficiencies

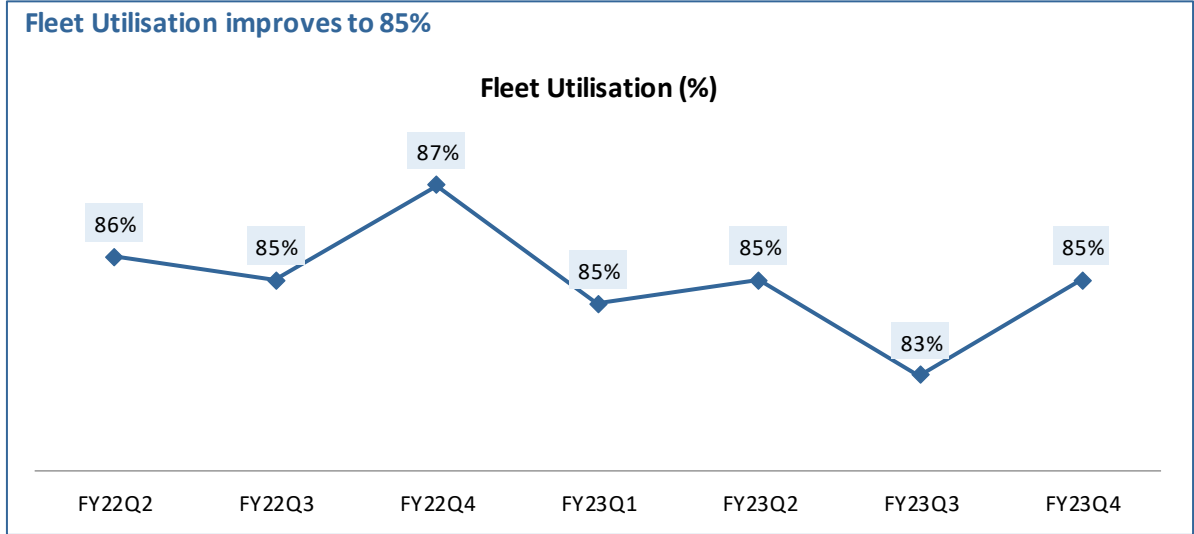


Source: Company, Avendus Spark

Operating metrics – Branch addition likely at 50-75 in FY24 (35 in FY23)



Source: Company, Avendus Spark



Source: Company, Avendus Spark

Financial Summary

Standalone Financial Statements

Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit & Loss										
Revenue	7,503	8,851	10,238	10,320	8,440	10,815	12,410	14,469	16,806	19,181
Gross profit	1,737	2,207	2,704	2,978	2,773	3,485	3,913	4,595	5,337	6,092
EBITDA	619	907	1,190	1,213	1,343	1,747	1,945	2,371	2,832	3,285
Depreciation	43	52	65	78	90	100	153	177	213	232
EBIT	576	854	1,125	1,135	1,253	1,647	1,792	2,194	2,618	3,053
Other Income	14	21	32	44	77	82	72	68	95	114
Interest expense	24	38	38	9	8	9	18	23	23	23
Exceptional items										
PBT	565	838	1,119	1,170	1,322	1,720	1,845	2,238	2,690	3,144
Reported PAT (after minority interest)	375	584	728	891	1,006	1,289	1,393	1,675	2,013	2,353
Adj PAT	375	584	728	891	1,006	1,289	1,393	1,675	2,013	2,353
EPS (Rs.)	9.8	15.3	19.0	23.2	26.2	33.5	36.4	43.7	52.6	61.4
Balance Sheet										
Net Worth	1,608	2,068	2,672	3,373	4,339	5,362	5,964	7,331	9,036	11,082
Total debt	316	407	98	40	22	10	71	71	71	71
Other liabilities and provisions	115	275	241	241	270	381	431	477	528	581
Total Net worth and liabilities	2,072	2,793	3,066	3,696	4,685	5,832	6,465	7,878	9,635	11,733
Gross Fixed assets	1,164	1,814	1,979	2,181	2,700	3,714	4,410	5,410	6,410	6,910
Net fixed assets	971	1,620	1,731	1,854	2,284	3,198	3,741	4,563	5,350	5,618
Capital work-in-progress	79	0	14	111	278	61	611	611	611	611
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	0	0	13	9	10	11	11	11	11	11
Cash and bank balances	88	122	171	412	859	1,050	485	823	1,508	3,046
Loans & advances and other assets	175	153	230	271	311	354	387	435	489	545
Net working capital	759	898	908	1,038	943	1,158	1,231	1,435	1,667	1,902
Total assets	2,072	2,793	3,066	3,696	4,685	5,832	6,465	7,878	9,635	11,733
Capital Employed	1,957	2,518	2,825	3,454	4,415	5,450	6,139	7,507	9,212	11,257
Invested Capital (CE - cash - CWIP)	1,791	2,396	2,641	2,931	3,278	4,340	5,043	6,072	7,093	7,600
Net debt	228	285	-73	-372	-837	-1,040	-414	-752	-1,437	-2,976
Cash Flow										
Cash flows from Operations (Pre-tax)	725	980	1,163	1,124	1,473	1,529	1,898	2,209	2,669	3,138
Cash flows from Operations (post-tax)	523	739	775	808	1,189	1,108	1,468	1,646	1,992	2,346
Capex	379	627	193	188	545	800	1,257	1,000	1,000	500
Free cashflows	144	112	582	619	644	308	211	646	992	1,846
Free cashflows (post interest costs)	120	74	545	610	636	299	193	623	969	1,823
Cash flows from Investing	-391	-628	-256	-595	-960	-893	-653	-1,000	-1,000	-500
Cash flows from Financing	-153	-76	-470	-258	-69	-307	-837	-308	-308	-308
Total cash & liquid investments	88	122	171	412	859	1,050	485	823	1,508	3,046

Financial Summary

Standalone Financial Statements

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Key Variables										
Volumes (mn tonnes)	0.66	0.75	0.85	0.87	0.69	0.87	1.0	1.1	1.3	1.5
Revenue per ton (Rs.)	11,407	11,801	11,978	11,927	12,269	12,481	12,595	12,730	12,857	12,986
EBITDA/Ton	941	1,209	1,392	1,402	1,952	2,016	1,968	2,086	2,166	2,224
Growth ratios (%)										
Revenue	13.1	18.0	15.7	0.8	-18.2	28.1	14.8	16.6	16.2	14.1
EBITDA	13.8	46.5	31.3	1.9	10.7	30.1	11.3	21.9	19.4	16.0
Adj PAT	31.8	55.8	24.7	22.3	13.0	28.1	8.1	20.3	20.2	16.9
Margin ratios (%)										
Gross	23.1	24.9	26.4	28.9	32.9	32.2	31.5	31.8	31.8	31.8
EBITDA	8.3	10.2	11.6	11.8	15.9	16.2	15.7	16.4	16.8	17.1
Adj PAT	5.0	6.6	7.1	8.6	11.9	11.9	11.2	11.6	12.0	12.3
Performance ratios										
Pre-tax OCF/EBITDA (%)	117.1	108.1	97.7	92.7	109.6	87.5	97.6	93.2	94.3	95.5
OCF/IC (%)	29.2	30.8	29.4	27.6	36.3	25.5	29.1	27.1	28.1	30.9
RoE (%)	26.4	31.8	30.7	29.5	26.1	26.6	24.6	25.2	24.6	23.4
RoCE (%)	21.6	27.3	28.2	28.6	25.7	26.3	24.3	24.8	24.3	23.2
RoCE (Pre-tax) (%)	32.6	39.1	43.3	37.5	33.8	35.1	32.2	33.1	32.5	30.9
Fixed asset turnover (x)	7.6	5.9	5.4	5.0	3.5	3.4	3.1	2.9	2.8	2.9
Total asset turnover (x)	3.9	3.6	3.5	3.1	2.0	2.1	2.0	2.0	1.9	1.8
Financial stability ratios										
Net Debt to Equity (x)	0.1	0.1	-0.0	-0.1	-0.2	-0.2	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt to EBITDA (x)	0.4	0.3	-0.1	-0.3	-0.6	-0.6	(0.2)	(0.3)	(0.5)	(0.9)
Interest cover (x)	21	20	21	90	154	124	80.7	70.9	85.9	101.1
Cash conversion days	37	37	32	37	41	39	36	36	36	36
Total Working capital days	40	32	32	38	43	38	38	38	38	38
Valuation metrics										
Fully Diluted Shares (mn)	38	38	38	38	38	38	38	38	38	38
Market cap (Rs.mn)					58,341					
P/E (x)	155.6	99.9	80.1	65.6	58.2	45.4	41.9	34.8	29.0	24.8
P/Sales (x)	7.8	6.6	5.7	5.7	6.9	5.4	4.7	4.0	3.5	3.0
EV (Rs.mn) (ex-CWIP)	58,490	58,625	58,254	57,858	57,503	57,301	57,927	57,588	56,904	55,365
EV/ EBITDA (x)	94.5	64.7	49.0	47.7	42.8	32.8	29.8	24.3	20.1	16.9
EV/ OCF(x)	111.7	79.4	75.1	71.6	48.4	44.9	39.5	35.0	28.6	23.6
FCF Yield (%)	0.2	0.2%	1.0%	1.1%	1.1%	0.8%	0.4%	1.1%	1.7%	3.2%
Price to BV (x)	36.3	28.2	21.8	17.3	13.4	10.9	9.8	8.0	6.5	5.3
Dividend yield (%)	-	0.2%	0.2%	0.2%	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%
Dividend pay-out (%)	8.2%	18.4%	15.3%	15.5%	7.6%	23.9%	22.1%	18.4%	15.3%	13.1%

Crystal Ball Gazing

Over FY23-27E, expect TCIEXP's revenue growth to be driven by 1) higher contribution from key geographies as it leverages on established infrastructure (wide network covering ~40,000 pan-India locations), 2) modal shift in cost-sensitive volumes from air express on account of high-cost differential, 3) incremental contribution from new services, and 4) increasing demand for professionally-managed service providers over unorganized players. EBITDA growth is expected to be driven by improving operating efficiencies.

Strong revenue and EBITDA growth

	FY15-FY22	FY22-FY27E
Revenues CAGR	7%	15%
Gross Margin	27%	32%
EBITDA CAGR	19%	17%
EBITDA margin	11.2%	16.6%
EPS CAGR	25%	16%
Total Asset Turnover (x)	3.6	1.9
Total WC days	39	38
Pre-tax OCF/EBITDA (%)	103%	96%
Post Tax OCF as a % of IC	32%	30%
Debt/EBITDA	(0.1)	(0.6)

Improving profitability to result in healthy returns over the medium-term despite aggressive capex

	FY15-FY22	FY22-FY27E
RoE (%)	27.4%	24.4%
RoCE (%)	26.0%	24.1%
RoIC (%)	41.7%	41.2%
Average 1 yr fwd		
PE (x)		
EV/EBITDA (x)		
Peak 1 yr fwd		
PE (x)		
EV/EBITDA (x)		

Healthy operating performance to sustain multiple

P/E multiple	FY27E EPS (Rs.)	Price target
28x	71.5	2,000

Entry = Rs. 1,523 @ 29x FY25E P/E

Cumulative Dividends of Rs.32/share

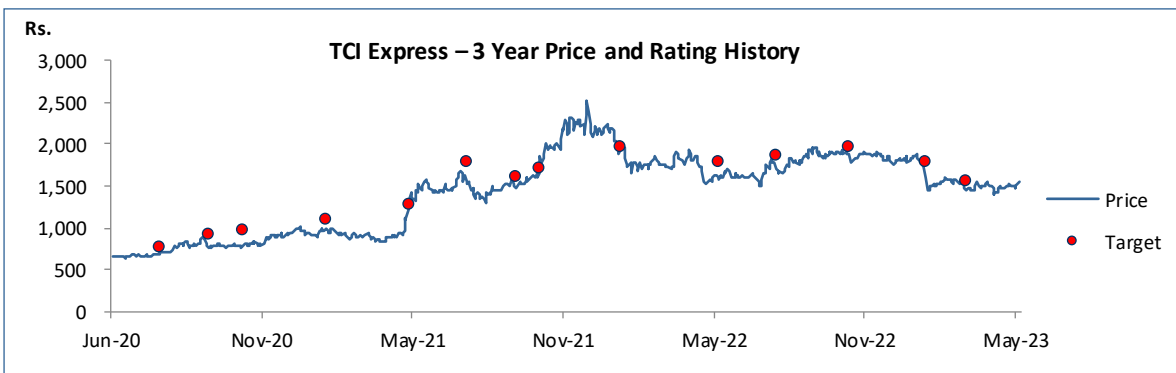
EPS CAGR of ~16%, implied exit multiple of 28x on FY27E P/E

Total Return of 33%

TCIEXP	TCI Express
AMR	Autonomous mobile robot
ASC	Automated sort capacity
3PL	<i>Third Party Logistics Service Provider</i>
BPS	Book Value per share
BS	Balance sheet
BV	Book Value
CAGR	Compounded Annual Growth Rate
CASA	Current Account + Savings Account
CC	Cash Credit
D2C	Direct to consumer
CG	Corporate Governance
CMP	Current Market Price
CV	Commercial Vehicle
DPS	Dividend per share
DTA	Deferred Tax Assets
DTL	Deferred Tax Liabilities
EPS	Earnings per share
FI	Financial Institution/Intermediary
JV	Joint Venture
LAP	Loan against Property
LC	Letter of Credit
LCV	Light Commercial Vehicle
LoU	Letter of Undertaking
MHCV	Medium & Heavy Commercial Vehicle
MSE	Micro & Small Enterprises
MSME	Micro, Small & Medium Enterprises
MTM	Marked-to-Market
OI	Other Income
Opex	Operating Expenses
P&L	Profit & Loss
P/BV	Price to Book Value
P/E	Price to Earnings
PAT	Profit After Tax
PBT	Profit Before Tax
PTL	Part truck load

RoE	Return on Equity
RoCE	Return on Capital Employed
SaaS	Software as a service
SCV	Small Commercial Vehicle
SCS	Supply chain services
SEBI	Securities & Exchange Board of India
SLA	Service level agreement
SME	Small & Medium Enterprises
SOTP	Sum of the Parts
TP	Target Price
UAV	Unmanned aerial vehicle
UV	Utility Vehicle
WMS	Warehouse management system

Avendus Spark Recommendation History



Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

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Report Date	CMP (Rs.)	TP (Rs.)	Reco.
22-Mar-23	1,492	1,550	ADD
01-Feb-23	1,720	1,780	ADD
01-Nov-22	1,893	1,960	ADD
04-Aug-22	1,777	1,855	ADD
30-May-22	1,605	1,775	ADD
31-Jan-22	1,884	1,955	ADD
25-Oct-21	1,600	1,690	ADD
29-Sep-21	1,480	1,600	ADD
29-Jul-21	1,620	1,780	BUY
20-May-21	1,078	1,260	Buy
11-Feb-21	960	1,090	Buy
04-Nov-20	791	950	Buy
23-Sep-20	786	905	Buy
28-Jul-20	722	770	Buy
12-May-20	607	685	Buy

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