

Stable island in logistics amid other volatile players...

About the stock: TCI Express is a leading asset light B2B (95% of revenues) express logistics company with 28 sorting centres, 800+ owned pan-India centres covering 40000 pick-up and delivery points.

- SME and corporate clients comprise 50:50 of overall revenues
- Total 55% of revenues from sectors like auto ancillary, pharma, engineering

Q4FY23 Results: Margins revert back to 16.5%+ levels.

- Revenues grew 9% YoY to ₹ 326 crore (I-direct estimate: ₹ 318 crore)
- EBITDA grew 8% YoY to ₹ 54 crore with margins at 16.6% (vs. expected 16% margins)
- Subsequently, PAT grew 7% to ₹ 39 crore (up 20% QoQ)

What should investors do? Automation of sorting centre in Gurgaon has seen turnaround times doubling and labour costs declining. TCI expects to further automate other five centres in three to four years. New services are currently contributing 18% of overall sales. The management expects these higher margin businesses (18-20%) to comprise 25% by FY25.

- We remain positive on the stock and maintain our **BUY** recommendation

Target Price & Valuation: We value the stock at ₹ 1850 i.e. 32x P/E on FY25E EPS.

Key triggers for future price performance: The management expects to grow its volumes by 15% (2-3% realisation growth) catapulting margins to 19-20% by FY25. Branch additions are also planned at 100 new branch additions every year.

- Newer businesses (rail express, pharma cold chain and C2C express) are expected to provide further room for margin improvement
- Asset light business model, with projected 25%+ RoIC

Alternate Stock Idea: Apart from TCI Express, we remain positive on Blue Dart.

- Blue Dart, with its premium offerings, has been a beneficiary of flight to quality trend post pandemic, which resulted in higher tonnage growth, backed by greater digital connect with customers and focus on servicing bigger customers and brands
- We remain positive on the stock due to a revival in its B2C and B2B segments and a continued expansion in margin profile

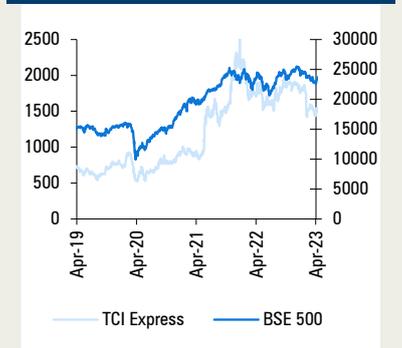
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	5,818.3
Total Debt (FY23) (₹ Cr)	0.7
Cash (FY23) (₹ Cr)	16.4
EV (₹ Cr)	5,802.7
52 week H/L	2013/1374
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	66.7	66.7	66.9	69.7
FII	1.9	1.8	1.7	2.0
DII	8.7	10.5	8.6	8.5
Others	22.7	21.1	22.8	19.8

Price Chart



Recent event & key risks

- Pune sorting centre to be automated in FY24
- Key Risk:** (i) De-growth in SME, MSME businesses (ii) Rising B2B competitiveness

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Key Financial Summary

(Year-end March)	FY21	FY22	FY23	5 Years CAGR (FY17-22)	FY24E	FY25E	2 Years CAGR
Revenues (₹ crore)	844.0	1,081.5	1,241.0	7.0	1,452.0	1,713.3	17.5
EBITDA (₹ crore)	134.3	174.7	194.5	16.5	243.9	306.7	25.6
Adjusted Net Profit (₹ crore)	100.6	128.9	139.3	19.0	174.9	220.6	25.8
EPS (₹)	26.2	33.5	36.4		45.4	57.3	
P/E (x)	58.1	45.4	41.8		33.5	26.5	
Price / Book (x)	13.5	10.9	9.8		7.9	6.3	
EV/EBITDA (x)	43.3	33.4	29.9		23.9	19.1	

Source: Company, ICICI Direct Research

Key takeaways

Q4FY23 Results:

- The company has incurred ₹ 125 crore capex for purchasing land in Kolkata and Ahmedabad for setting up new sorting centres, new corporate office Gurgaon and network expansion (added 35 branches in FY23, taking the total to 950+)
- Capacity utilisation improved to 85% in Q4 thereby maintaining margins despite an inflationary environment

Q4FY23 Earnings Conference Call highlights

- The management expects revenue growth in the 17-18% range and 100 bps improvement in EBITDA margins in FY24
- Capacity utilisation is expected to remain at 85% in F24
- By FY26, the company expects to add seven to eight more sorting centres (₹ 45-50 crore capex per centre)
- The company expects to take a price hike of 2% in FY24 whereas in FY23 it only took a marginal hike, citing tough economic conditions being faced by SMEs
- On automation, the management expects the benefit to accrue from Gurgaon and Pune centres after a few quarters. However, significant benefits will only accrue once both origin and destination hubs are automated
- The management has started to automate its Tajnagar sorting centre
- Newer offerings such as Rail Express are getting good traction from customers. The customer base has expanded from 250 to 2200 and presence from 10 routes to 125 routes

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	326.3	317.6	298.2	9.4	314.4	3.8	Higher utilisation in newly developed sorting centres and strong demand from MSME and Corporate segment led to higher revenues
Operating expenses	219.2	217.5	199.4	9.9	218.9	0.1	
Employee Expenses	31.4	31.8	29.3	7.1	31.2	0.5	
Other Expense	21.6	17.5	19.3	11.9	18.3	18.1	
Total Expense	272.1	266.8	248.0	9.7	268.3	1.4	
EBITDA	54.1	50.8	50.2	7.8	46.1	17.5	
EBITDA Margin (%)	16.6	16.0	16.8	-24 bps	14.7	194 bps	EBITDA margins reverted back to strong 16-17% margin levels
Depreciation	4.2	4.4	3.2	32.9	4.3	-2.1	
Interest	0.7	0.4	0.2	289.5	0.4	68.2	
Other Income	1.7	1.8	2.1	-20.5	1.3	28.5	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	50.9	47.8	49.0	3.9	42.7	19.3	
Total Tax	12.4	12.1	12.9	-3.9	10.6	16.8	
PAT	38.5	35.8	36.0	6.7	32.0	20.1	

Source: Company, ICICI Direct Research

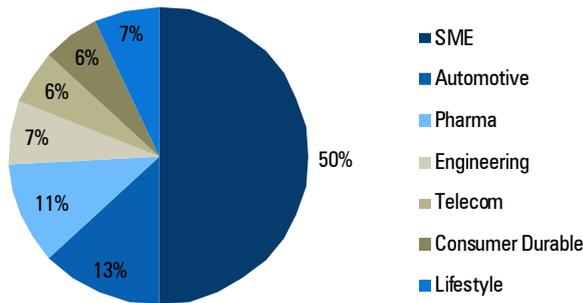
Exhibit 2: Change in estimates

	FY23		FY24E		FY25E			Comments
	New	Old	New	% Change	Old	Introduced	% Change	
(₹ Crore)								
Gross Revenue	1,241.0	1,487.8	1,452.0	-2.4	1,777.6	1,713.3	-3.6	Revenues kept largely intact
EBITDA	194.5	258.9	243.9	-5.8	327.1	306.7	-6.2	
EBITDA Margin (%)	15.7	17.4	16.8	-60 bps	18.4	17.9	-50 bps	Margins kept in 17-18% range
PAT	139.3	186.5	174.9	-6.2	236.7	220.6	-6.8	
EPS (₹)	36.2	48.4	45.4	-6.1	61.5	57.3	-6.9	

Source: ICICI Direct Research

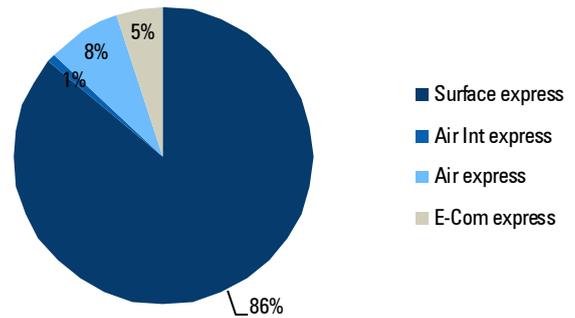
Key Metrics

Exhibit 3: Industry verticals



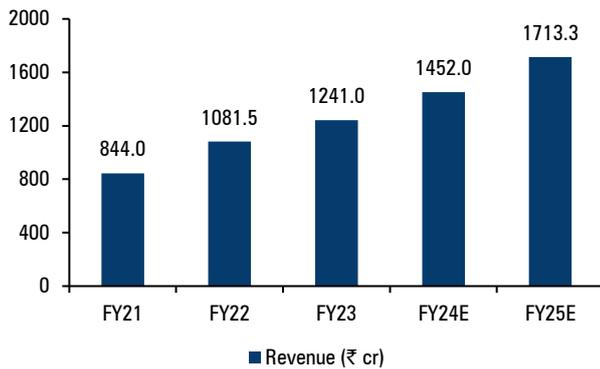
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



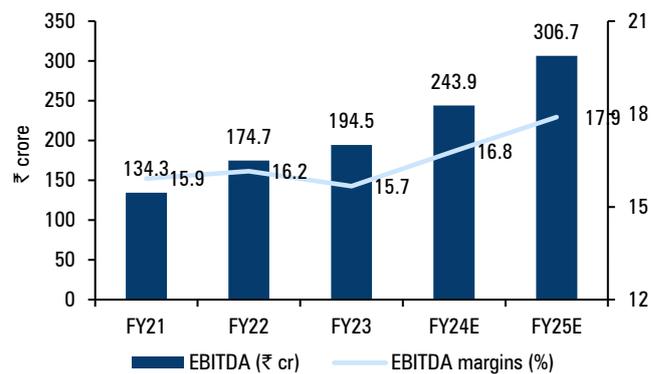
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 18% CAGR in FY23-25



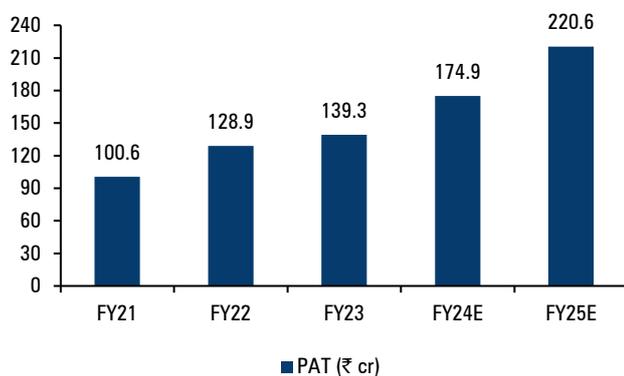
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 26% CAGR in FY23-25



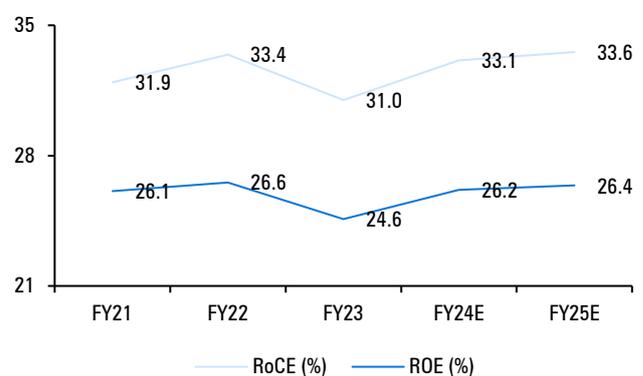
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 26% CAGR in FY23-25



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

Year	Sales (₹ Crore)	Sales Gr.	EPS (₹)	EPS Gr. (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	844.0	-18.2	26.2	12.4	58.1	13.5	26.1	31.9
FY22	1081.5	28.1	33.5	27.9	45.4	10.9	26.6	33.4
FY23	1241.0	14.8	36.4	8.7	41.8	9.8	24.6	31.0
FY24E	1452.0	17.0	45.4	24.9	33.5	7.9	26.2	33.1
FY25E	1713.3	18.0	57.3	26.1	26.5	6.3	26.4	33.6

Source: Company, ICICI Direct

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total operating Income	1,081.5	1,241.0	1,452.0	1,713.3
Growth (%)	28.1	14.8	17.0	18.0
Operating expenses	733.0	849.7	987.3	1,156.5
Employee Cost	109.9	124.3	139.4	157.6
Other expenses	63.8	72.5	81.3	92.5
Total Expenses	906.7	1,046.5	1,208.0	1,406.7
EBITDA	174.7	194.5	243.9	306.7
Growth (%)	30.1	11.3	25.4	25.7
Depreciation	10.0	15.3	17.6	21.1
EBIT	164.8	179.2	226.4	285.6
Interest	0.9	1.8	1.2	1.2
Other Income	8.2	7.2	8.6	10.3
PBT	172.0	184.5	233.8	294.7
Growth (%)	30.1	7.3	26.7	26.1
Tax	43.2	45.3	58.8	74.2
Reported PAT	128.9	139.3	174.9	220.6
Exceptional Items	-	-	-	-
Adjusted PAT	128.9	139.3	174.9	220.6
Growth (%)	28.1	8.1	25.6	26.1
EPS	33.5	36.4	45.4	57.3

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	128.9	139.3	174.9	220.6
Less: Dividend Paid	(0.9)	(1.8)	(1.2)	(1.2)
Add: Depreciation	10.0	15.3	17.6	21.1
Add: Others	(18.8)	-	-	-
Cash Profit	120.9	156.4	193.7	242.8
Increase/(Decrease) in CL	8.6	11.6	11.0	21.7
(Increase)/Decrease in CA	(18.7)	(22.3)	(7.8)	(39.9)
CF from Operating Activities	110.8	173.5	192.7	220.2
(Add) / Dec in Fixed Assets	(80.0)	(99.5)	(118.3)	(123.8)
Changes in goodwill	(1.3)	0.0	-	-
(Inc)/Dec in Investments	(43.0)	-	(40.0)	(80.0)
CF from Investing Activities	(124.3)	(99.5)	(158.3)	(203.8)
(Inc)/(Dec) in Loan Funds	(0.0)	(0.3)	(0.1)	-
Inc/(Dec) in Sh. Cap. & Res.	(26.5)	(79.1)	(30.8)	(30.8)
Others	30.8	3.7	(1.0)	(1.0)
CF from financing activities	4.3	(75.7)	(31.9)	(31.8)
Change in cash Eq.	(9.2)	(1.6)	2.5	(15.4)
Op. Cash and cash Eq.	27.2	18.0	16.4	18.9
Cl. Cash and cash Eq.	18.0	16.4	18.9	3.5

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	528.5	588.7	732.8	922.6
Shareholder's Fund	536.2	596.4	740.5	930.3
Secured Loan	0.5	0.3	0.3	0.3
Unsecured Loan	0.6	0.3	0.3	0.3
Total Loan Funds	1.0	0.7	0.6	0.6
Deferred Tax Liability	0.1	3.8	3.8	3.8
Minority Interest	7.9	10.5	10.7	10.9
Source of Funds	545.2	611.4	755.7	945.6
Application of Funds				
Gross Block	357.7	402.1	502.1	602.1
Less: Acc. Depreciation	43.0	58.3	75.8	96.9
Net Block	314.7	343.9	426.3	505.2
Capital WIP	6.1	61.1	79.5	103.3
Total Fixed Assets	320.8	405.0	505.8	608.6
Intangibles	3.0	3.0	3.0	3.0
Investments	1.1	1.1	41.1	121.1
Debtors	189.5	211.5	218.8	258.2
Cash	18.0	16.4	18.9	3.5
Current Investments	87.0	32.1	33.7	35.4
Loan & Advance, Other C/	33.5	61.0	64.0	67.2
Total Current assets	241.0	288.8	301.7	328.9
Creditors	73.7	88.4	94.7	110.9
Other Current Liabilities	32.6	30.0	34.5	39.6
Provisions	5.6	5.1	5.4	5.6
Deferred Tax Assets	4.1	4.9	4.9	4.9
Total CL and Provisions	111.9	123.5	134.5	156.2
Net Working Capital	129.2	165.3	167.2	172.7
Miscellaneous expense	-	-	-	-
Application of Funds	545.2	611.4	755.7	945.6

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Book Value	139.3	155.7	192.3	241.6
EPS	33.5	36.4	45.4	57.3
Cash EPS	36.1	40.4	50.0	62.8
DPS	8.0	8.0	8.0	8.0
Profitability & Operating Ratios				
EBITDA Margin (%)	16.2	15.7	16.8	17.9
PAT Margin (%)	11.9	11.2	12.0	12.9
Fixed Asset Turnover (x)	2.0	2.1	2.0	1.8
Debtor (Days)	60.6	55.0	55.0	55.0
Current Liabilities (Days)	37.1	34.8	35.0	35.0
Return Ratios (%)				
RoE	26.6	24.6	26.2	26.4
RoCE	33.4	31.0	33.1	33.6
RoIC	24.0	23.3	23.6	23.7
Valuation Ratios (x)				
P/E	45.4	41.8	33.5	26.5
Price to Book Value	10.9	9.8	7.9	6.3
EV/EBITDA	33.4	29.9	23.9	19.1
EV/Sales	5.4	4.7	4.0	3.4
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	181.0	99.0	188.6	238.0
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	2.0	2.2	2.1	2.1

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
APSEZ	740	800	BUY	1,59,850	42.4	36.8	44.7	17.5	20.1	16.6	15.3	13.0	11.0	10.8	11.9	13.3	18.3	14.0	14.8
Container Corporation	675	680	HOLD	33,146	19.3	20.6	25.1	35.0	32.7	26.9	5.4	5.3	4.5	10.7	10.5	12.1	10.3	10.2	11.4
Transport Corp. of India	700	810	BUY	5,106	42.5	44.3	51.1	16.5	15.8	13.7	11.1	10.0	8.7	19.4	18.3	18.1	19.3	17.1	16.7
TCI Express	1,520	1,850	BUY	5,818	36.4	45.4	57.3	41.8	33.5	26.5	29.9	23.9	19.1	31.0	33.1	33.6	24.6	26.2	26.4
Mahindra Logistics	362	410	HOLD	2,596	3.7	7.7	15.1	98.8	47.2	23.9	10.8	8.6	6.8	22.2	25.6	30.5	4.7	9.2	15.9
Gateway Distriparks	64	75	HOLD	3,198	3.4	3.8	4.7	18.8	16.7	13.6	9.2	7.8	6.7	14.5	16.8	19.1	9.9	10.5	11.9

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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