

Asian Markets Rating	SELL
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CMP (Rs)	1,527
Target (Rs)	1,400
Upside (%)	(8%)

Nifty: 18,592	Sensex: 62,835
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Key Stock Data

Bloomberg	TCIEXP IN
Shares O/s Mn (FV INR2)	38.5
Mkt Cap (USD Bn/INR Bn)	0.7/58.5
52-week high/low	2013/1374
6m daily avg vol (INR Mn)	33
Free Float %	30

Price Performance

(%)	3m	1yr	3yr
TCIEXP	(3.3)	(4.4)	139.2
Nifty	7.7	15.3	102.1
NSE500	8.9	15.3	109.7
BSE Midcap	11.6	21.0	134.9

Shareholding Pattern

(%)	Sep22	Dec22	Mar23
Promoter	66.7	66.9	69.7
FII	1.8	1.7	2.0
DII	10.3	10.1	9.9
Others	21.3	21.3	18.4

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FY23-25E Earnings CAGR	CF & Return Profile	Valuations
17%	Strong	Stretched

In-line performance but valuation remains punchy

- Revenue growth of 9% y-o-y to Rs 3.3bn was largely led by volume growth of 8% y-o-y whereas the utilisation ratio improved slightly to 85% compared to immediately previous quarter.
- EBITDA margin largely remained stable with a minor dip of 20bps y-o-y to 16.6% and EBITDA/ton also remained stable Rs 2,140/ton but managed to bounce back sequentially. Net profit increased by 7% y-o-y to Rs 385mn. Relatively lower growth in net profit was on account of higher depreciation outlay.
- Branch network expansion continues at controlled space with a net addition of 35 in FY23 to 915 branches.

Volume led growth albeit on a lower base.

Volume growth of 8% y-o-y drove the revenue growth albeit on a lower base (2% volume growth in the base quarter) whereas pricing/realization was slightly better ~2% y-o-y to Rs 12,895. On branch network front, it opened 7 new branches mostly in West and North regions in Q4FY23 and 35 in FY23. Going ahead, we are expecting business growth in low-teens over the near-medium term owing to demand moderation and increasing competition. Indicative price increase of ~2% in FY24 to support revenue growth to that extent.

Margin to improve gradually.

Going ahead, EBITDA margin to improve gradually as against management's earlier guidance of high teens. Price increase and utilization improvement will support gradual margin expansion. We are baking 100bps margin improvement over FY23-25E. Higher efficiency benefits from the automation of sorting centres then our expectations will be the upside risk to our margin assumptions.

Sorting centers development and new corporate office

Pune sorting center (0.15mn sq ft) is now fully operational and started contributing w.r.t. improvement in regional turnaround time and now automation work is going on whereas Gurugram center (0.2mn sq ft) is up & running since March'22. It is also developing automated sorting center at Kolkata which will ~0.2mn sq ft in size and will be on full automation. Currently, it has 28 sorting centers (~1.5mn sq ft) and out of those 10 centers at strategic locations owned by the company. Over the next 3-4 years, it is planning to develop sorting centers at Mumbai, Chennai, Kolkata, Indore, and Nagpur where it will spend Rs 4-5bn on developing these centers. During FY23, it incurred capex of Rs 1.25bn mainly on land purchase at Kolkata (Rs 330mn) and Ahmedabad (Rs 200mn) for development of new sorting centers and for new corporate office at Gurgaon (~Rs 450mn). Construction of corporate office will start in FY24 and will cost ~Rs 250mn.

Planning to double gross block, will spend Rs 5bn over FY23-28E.

Over FY18-23, its spent ~Rs 3.5bn towards development of sorting centers and automation. Now, it is planning to spend Rs 5bn over the next five years towards development of sorting centers, automation, and enhancement of technological capabilities. The said capex is huge given its current balance sheet size (Rs 6bn) and monetization/benefits of same capex will take time which will put pressure on return profile of the company.

Despite recent correction valuation remains punchy, maintain 'Sell.'

Since our last update, stock price has corrected ~12% amidst lower than earnings delivery. Despite that, current valuation at 31x FY25E earnings still looks high. Hence we maintain our 'Sell' on TCI express with a price target of Rs 1,400 (based on 28x FY25E earnings). However, we remain positive on asset light and growing business of TCI Express. We will be watchful on margin recovery and competitive landscape.

Exhibit 1: Key Financials

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E
Sales	10,815	12,410	14,108	16,117
yoy (%)	28.1	14.8	13.7	14.2
EBITDA	1,747	1,945	2,323	2,691
yoy (%)	30.1	11.3	19.5	15.9
Net Profit	1,289	1,393	1,651	1,912
yoy (%)	28.1	8.1	18.6	15.8
EBITDAM (%)	16.2	15.7	16.5	16.7
Equity	77.0	76.6	76.6	76.6
EPS	33.5	36.4	43.1	49.9

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY22	FY23	FY24E	FY25E
RoE (%)	26.6	24.6	24.9	23.8
RoCE (%)	35.1	32.2	32.7	31.3
RoIC (%)	34.4	32.4	32.9	34.1
D/E	0.0	0.0	0.0	0.0
PER (x)	51.4	42.2	35.4	30.6
P/BV (x)	12.4	9.9	8.0	6.6
EV/Sales (x)	6.1	4.7	4.1	3.6
EV/EBITDA (x)	37.8	30.1	25.0	21.3
Div Yield (%)	0.4	0.4	0.5	0.5



Exhibit 3: 4QFY23 Quarterly Financials

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	y-o-y change	q-o-q change	FY23	FY22	y-o-y change
Income from operations	2,982	2,904	3,099	3,144	3,263	9.4%	3.8%	12,410	10,815	14.8%
Less: Expenditures										
Operating Expenses	1,994	2,010	2,107	2,189	2,192	9.9%	0.1%	8,497	7,330	15.9%
Staff Cost	293	309	309	312	314	7.1%	0.5%	1,243	1,099	13.1%
Other operating & admin cost	193	158	169	183	216	11.9%	18.1%	725	638	13.6%
EBITDA	502	428	515	461	541	7.8%	17.5%	1,945	1,747	11.3%
Other Income	21	19	23	13	17	-20.5%	28.5%	72	82	-12.2%
Depreciation	32	33	35	43	42	32.9%	-2.1%	153	100	53.4%
EBIT	491	414	503	431	516	5.0%	19.8%	1,863	1,729	7.8%
Interest	3	3	4	4	7	155.2%	68.2%	18	9	104.5%
Profit Before Tax	489	411	499	427	509	4.1%	19.3%	1,845	1,720	7.3%
Tax	129	101	121	106	124	-3.9%	16.8%	453	432	4.8%
Net Profit	359	310	378	320	385	7.0%	20.1%	1,393	1,289	8.1%
EPS (Rs)	9.3	8.0	9.8	8.3	10.0	7.0%	20.1%	36.2	33.5	8.1%
Operating Matrix						BPS	BPS			BPS
Operating cost	66.9%	69.2%	68.0%	69.6%	67.2%	30	(244)	68.5%	67.8%	(69)
Staff Cost	9.8%	10.6%	10.0%	9.9%	9.6%	(21)	(31)	10.0%	10.2%	15
Other operating & admin cost	6.5%	5.4%	5.4%	5.8%	6.6%	15	80	5.8%	5.9%	6
EBITDA Margin	16.8%	14.7%	16.6%	14.7%	16.6%	(24)	194	15.7%	16.2%	49
Gross Margin	33.1%	30.8%	32.0%	30.4%	32.8%	(30)	244	31.5%	32.2%	69
ETR	26.4%	24.6%	24.3%	24.9%	24.4%	(203)	(51)	24.5%	25.1%	57
PAT Margin	12.0%	10.7%	12.2%	10.2%	11.8%	(26)	160	11.2%	11.9%	69

Source: Company, AMSEC Research

Exhibit 4: Key Matrix

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	y-o-y change	q-o-q change	FY23	FY22	y-o-y change
Volume (ton)	2,35,000	2,30,000	2,47,000	2,53,000	2,53,000	8%	0%	9,83,000	8,58,000	15%
Realization (Rs/ ton)	12,689	12,628	12,547	12,428	12,895	2%	4%	12,625	12,604	0%
EBITDA / ton (Rs)	2,136	1,860	2,084	1,821	2,140	0%	17%	1,978	2,036	-3%
No of Branches	880	890	901	908	915	4%	1%	915.0	880.0	4%
Revenue / Branch (Rs mn)	3.4	3.3	3.4	3.5	3.6	5%	3%	13.6	12.3	10%
Utilization Level	85.0%	84.5%	85.0%	83.0%	85.0%	-	+200bps	84.4%	85.0%	-60bps

Source: Company, AMSEC Research



■ Earnings call KTA

Performance

- Revenue growth was led by strong demand from MSME and incremental revenue from the new services along with increasing scale at newly started sorting centers.
- Tonnage volume grew by 8% to 253,000 tons.
- Utilization stood at 85% for Q4FY23 and for FY23, it stood at 84.4%.
- Planning to implement automation at Chakan, Pune sorting center in FY24.
- Automation at Gurgaon took ~18 months and TCI Express had a good learning from it which will be used to reduce the implementation time for automation at Pune center to ~9 months.
- Already intimated ~50% of clients and implemented new prices. For the rest of clients, it will implement new prices as and when contracts come for renewal.
- Planning to open ~50 branches in FY24.
- The top five industries (auto, pharma, electronics, apparels and engineering) contribute 50-55% of total revenue and contribution from each range from 9-12%.
- 18% of the revenue contribution came from non-surface services.
- Client concentration remains wide and the Top 25 clients contribute more than 15%.
- For new services (rail service), it is targeting air cargo where it is offering service at 1/3rd cost providing express services through passenger rails. A large part of rail service business comes from small and medium clients where top 10 customers are not contributing more than 15% of rail revenue.

Capex

- Incurred capex of Rs 1.25bn in FY23 mainly on land purchase for new sorting centers (Ahmedabad – Rs 200mn and Kolkata – Rs 330mn), corporate office development and branch network expansion (added 35 branches mostly in south and west India).
- Already bought land for 5 new sorting centers (Nagpur, Ahmedabad, Kolkata, Indore, and Chennai) and construction of Nagpur center is underway and likely to be complete by end of the year. By FY26, it will have 7 new sorting centers.

Growth guidance

- Planning to take price hike of ~2% in FY24 and likely to see margin expansion of 100bps in FY24. Looking for revenue growth of 15-16% in FY24.



Financials (Rs mn)

Profit and Loss Statement

Y/E (Mar)	FY22	FY23	FY24E	FY25E
Net sales	10,815	12,410	14,108	16,117
Less:				
Operating expenses	7,330	8,497	9,537	10,895
Admin & other expenses	638	725	818	886
Total Expenditure	7,968	9,222	10,355	11,781
EBITDA	1,747	1,945	2,323	2,691
Depreciation	100	153	177	205
Operating profit	1,648	1,792	2,146	2,486
Other income	82	72	79	87
EBIT	1,729	1,863	2,225	2,573
Interest	9	18	18	18
Exceptional items	-	-	-	-
Profit before tax	1,720	1,845	2,207	2,555
Tax	432	453	555	643
Profit after tax	1,289	1,393	1,651	1,912
EO Items	-	-	-	-
Net profit	1,289	1,393	1,651	1,912
Share O/s mn	38.5	38.3	38.3	38.3
EPS Rs	33.5	36.4	43.1	49.9

Cash Flow Statement

Y/E (Mar)	FY22	FY23	FY24E	FY25E
PBT	1,720	1,845	2,207	2,555
Non-cash adjustments	82	159	195	223
Changes in working capital	(106)	(110)	(510)	(303)
Tax & Interest Paid	(421)	(430)	(555)	(643)
Cashflow from operations	1,275	1,465	1,337	1,832
Capital expenditure	(800)	(1,253)	(700)	(700)
Change in investments	(147)	558	-	-
Other investing cashflow	(114)	48	-	-
Cashflow from investing	(1,061)	(647)	(700)	(700)
Issue of equity	20	(509)	-	-
Issue/repay debt	-	-	-	-
Interest Paid	(9)	(18)	(18)	(18)
Increase / (Decrease) in Loan Funds	(10)	(3)	-	-
Dividends paid	(308)	(308)	(330)	(382)
Other financing cashflow	-	6	-	-
Cashflow from financing	(307)	(831)	(348)	(401)
Change in cash & cash eq	(92)	(13)	288	732
Opening cash & cash eq	272	180	167	455
Closing cash & cash eq	180	167	455	1,187
Free cash flow to firm	475	212	637	1,132

Balance Sheet

Y/E Mar	FY22	FY23	FY24E	FY25E
SOURCES OF FUNDS:				
Share Capital	77	77	77	77
Reserves	5,285	5,887	7,208	8,737
Total Shareholders' Funds	5,362	5,964	7,285	8,814
Minority interest	-	-	-	-
Non-Current Liabilities				
Long term borrowings	10	7	7	7
Deferred tax liability	79	105	105	105
Lease liability	1	63	63	63
Long-term provisions	-	-	-	-
Current Liabilities & Provisions	1,119	1,210	1,160	1,325
Short term borrowings	-	-	-	-
Trade payables	737	884	-	-
Other current liabilities	381	326	-	-
Short term provisions	-	-	-	-
Total Equity & Liabilities	6,570	7,349	8,620	10,314
APPLICATION OF FUNDS:				
Non-Current Assets				
Net Fixed Assets	3,178	3,469	3,992	4,486
Capital work in progress	61	611	611	611
Goodwill	-	-	-	-
Noncurrent investment	11	4	4	4
Deferred tax assets	-	-	-	-
Right of Use Assets	20	272	272	272
Other non-current assets	-	-	-	-
Current Assets	3,301	2,993	3,741	4,940
Current investment	-	-	-	-
Inventories	-	-	-	-
Sundry debtors	1,895	2,115	2,512	2,870
Cash and bank	180	167	455	1,187
Other CA and Short L & A	1,226	712	773	883
Total Assets	6,570	7,349	8,620	10,314
Net working capital	2,002	1,616	2,126	2,429
Gross Debt	10	7	7	7
Net Debt	(170)	(160)	(448)	(1,180)
Capital Employed	5,452	6,139	7,460	8,990

Ratios

Y/E (Mar)	FY22	FY23	FY24E	FY25E
PER SHARE				
EPS Rs	33.5	36.4	43.1	49.9
CEPS Rs	36.1	40.4	47.7	55.3
Book Value Rs	139.3	155.7	190.2	230.1
VALUATION				
EV / Net Sales	6.1	4.7	4.1	3.6
EV / EBITDA	37.8	30.1	25.0	21.3
P / E Ratio	51.4	42.2	35.4	30.6
P / BV Ratio	12.4	9.9	8.0	6.6
GROWTH YOY%				
Sales Growth	28.1	14.8	13.7	14.2
EBITDA Growth	30.1	11.3	19.5	15.9
Net Profit Growth	28.1	8.1	18.6	15.8
Gross Fixed Asset Growth	18.3	12.2	17.2	14.6
PROFITABILITY				
Op Profit/ Net sales (%)	32.2	31.5	32.4	32.4
EBITDA / Net Sales (%)	16.2	15.7	16.5	16.7
EBIT / Net sales (%)	16.0	15.0	15.8	16.0
NP / Total income (%)	11.9	11.2	11.7	11.9
CFO (pre-tax) / EBITDA (%)	97.1	97.4	81.5	92.0
CFO (post-tax) / PAT(%)	99.0	105.2	81.0	95.9
ROE (%)	26.6	24.6	24.9	23.8
ROCE (%)	35.1	32.2	32.7	31.3
ROIC (%)	34.4	32.4	32.9	34.1
Tax / PBT %	25.1	24.5	25.2	25.2
TURNOVER				
Net Working Cycle	68	48	55	55
Debtors Velocity (Days)	64	62	65	65
Inventory (Days)	-	-	-	-
Current Ratio	3.0	2.5	3.2	3.7
Quick Ratio	3.0	2.5	3.2	3.7
LIQUIDITY				
Gross Asset Ratio	3.2	3.2	3.2	3.1
Total Asset Ratio	2.2	2.1	2.1	2.0
Net Debt-Equity Ratio	(0.0)	(0.0)	(0.1)	(0.1)
Interest Coverage	181.0	98.4	117.9	136.6
PAYOUT				
Payout %	24.0	20.0	20.0	20.0
Dividend %	333.7	302.1	358.2	414.7
Yield %	0.4	0.4	0.5	0.5



Recommendation rationale

Buy: Potential upside of	>+15% (absolute returns)
Accumulate:	>+5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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