

Strong b/s, asset light model to aid profitable growth

TCI Express' (TCIEL) revenues were below I-direct estimates but it performed better than our expectation on the profitability front owing to reduction in certain fixed costs mainly due to its asset light model. Revenues for Q1FY21 de-grew 65% YoY to ₹ 89 crore (I-direct estimate: ₹ 102 crore) EBITDA margins fell 930 bps YoY to 2.3%, better than our expectation of loss at the EBITDA level. EBITDA for the quarter de-grew 93% YoY to ₹ 2 crore (I-direct estimate: loss of ₹ 8 crore). The company has been able to lower the fixed cost by negotiating with lessors of its branch premises across India to reduce/waive the rent for April. Also, employee and other expenses fell 26% and 36% YoY, respectively. Subsequently, net profit declined 95% YoY to ₹ 0.9 crore (I-direct estimate: net loss of ₹ 10 crore).

Recovery gaining gradually; H2FY21 expected to be better

FY21 has begun with a completely new landscape for the logistics business while April was largely spent in addressing the on-ground challenges (hiccups in interstate movement, greater micro-management of trucks), May is largely been seen as a phased wise pickup in manufacturing and related supply chain activities. The management indicated that in May, operations were at 35% of pre-Covid level, which has increased to ~ 70% of pre-Covid levels in June. Revival of the SME sector remains key to the fortunes of TCI Express. The company is expected to tide over the current crisis by continued automation and enhancing technological capabilities and reducing field footprints. We expect it to report a revival in revenue growth from FY22 driven by new branch additions and expansion of clients in the SME segment. On the EBITDA margin front, we largely expect it to remain rangebound at 11-12%, going ahead.

Judicious capex to improve efficiency, expand reach

Overall, the company has maintained the capex guidance of ₹ 400 crore in five years of which ₹ 119 crore has already been spent in the last three years up to FY20, which is lower than expected run rate owing to delay in getting regulatory approvals for expansion of the planned sorting centres. During Q1FY21, TCIEL spent ₹16 crore on expansion of sorting centres (expected to be operational in Q3FY21) and improvement in IT infrastructure. Over the next few years, the planned capex would be utilised to expand its reach in Tier II, III cities (hub & spoke model - reach 1000 offices count), open new sorting centres, develop in-house analytics, etc.

Valuation & Outlook

Covid-19 continues to impact express logistics but startups funded by private equity are seeing greater stress in cashflow management that can deter them from dealing in unprofitable business, lowering competitive intensity in the segment. Asset light business model, high core return ratios (FY22E RoCE at 29), position TCIEL as one of the preferred picks in logistics space. We value TCIEL at 30x P/E with revised TP of ₹ 825 and a **BUY** rating.

Key Financial Summary

(Year-end March)	FY 18	FY 19	FY 20P	FY 21E	FY 22E	CAGR
Revenues (₹ crore)	885.1	1,023.8	1,032.0	990.7	1,169.0	6.4
EBITDA (₹ crore)	90.7	119.0	121.3	104.0	142.6	8.4
Adjusted Net Profit (₹ crore)	58.4	72.9	89.1	75.5	105.5	8.8
EPS (₹)	15.2	19.0	23.3	19.7	27.6	8.8
P/E (x)	44.9	36.0	29.4	34.7	24.9	
Price / Book (x)	12.7	9.8	7.8	6.6	5.4	
EV/EBITDA (x)	29.2	22.0	21.5	25.1	18.3	
RoCE (%)	38.3	42.3	36.3	25.3	29.3	
RoNW (%)	31.8	30.7	29.5	20.6	23.8	

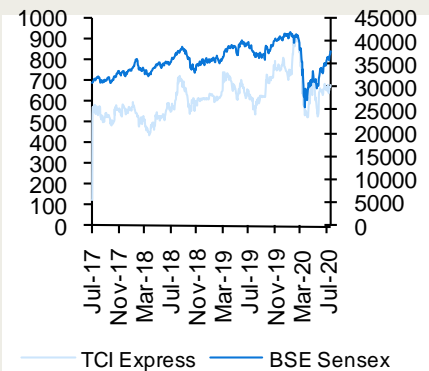
Source: Company, ICICI Direct Research



Stock data

Particular	Amount
Market Capitalization (₹Cr)	2,643.0
Total Debt (FY20P) (₹Cr)	2.8
Cash (FY20) (₹Cr)	12.9
EV (₹Cr)	2,632.9
52 week H/L	949/456
Equity capital (₹Cr)	3.8
Face value (₹)	2.0

Price Performance



Key Highlights

- Planned space addition of 3.5 lakh sq ft by Q3FY21 with starting of two new sorting centres in Gurgaon and Pune
- The company has spent ~ ₹ 119 crore on capex in last three years. TCIEL further invested ~ ₹16 crore on expansion of sorting centres in Q1FY21
- Maintain BUY

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Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Revenue	88.7	102.5	256.2	-65.4	237.9	-62.7	YoY de-growth mainly due to national lockdown in April, May which led to lower level of business activity across the country due to Covid-19 crisis
Operating expenses	57.8	73.8	185.2	-68.8	166.5	-65.3	
Employee Expenses	18.7	24.6	25.4	-26.2	25.0	-25.1	
Other Expense	10.2	12.3	16.0	-36.5	19.8	-48.6	
Total Expense	86.7	110.7	226.6	-61.7	211.3	-59.0	
EBITDA	2.0	-8.2	29.6	-93.1	26.7	-92.4	
EBITDA Margin (%)	2.3	-8.0	11.6	-926 bps	11.2	-893 bps	Margins impacted negatively owing to significant decline in revenues
Depreciation	2.1	2.1	1.8	20.5	2.1	2.4	
Interest	0.1	0.0	0.2	-47.8	0.3	-55.6	
Other Income	1.5	1.1	0.7	101.4	1.2	25.6	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	1.3	-9.2	28.3	-95.6	25.5	-95.1	
Total Tax	0.3	0.9	9.9	-96.6	6.5	-94.8	
PAT	0.9	-10.1	18.4	-95.0	19.0	-95.2	

Source: Company, ICICI Direct Research

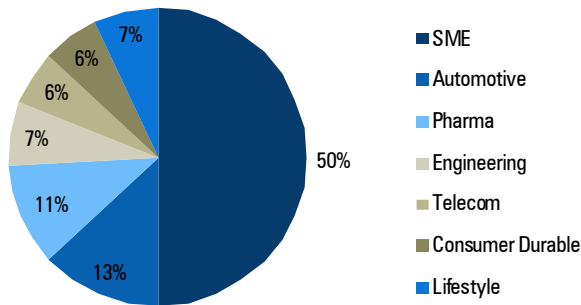
Exhibit 2: Change in estimates

(₹Crore)	FY21E					FY22E			Comments
	FY19	FY20	Old	New	% Change	Old	New	% Change	
Gross Revenue	1,023.8	1,032.0	1,083.6	990.7	-8.6	1,278.6	1,169.0	-8.6	Revenue estimates revised downwards due to extended uncertainty due to COVID-19 crisis
EBITDA	119.0	121.3	113.8	104.0	-8.6	153.4	142.6	-7.0	
EBITDA Margin (%)	11.6	11.8	10.5	10.5	0 bps	12.0	12.2	20 bps	
PAT	72.9	89.1	83.0	75.5	-9.0	113.4	105.5	-7.0	
EPS (₹)	19.0	23.3	21.7	19.7	-9.1	29.6	27.6	-6.9	

Source: Company, ICICI Direct Research

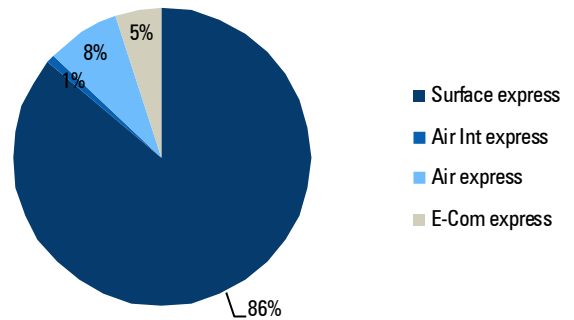
Key Metrics

Exhibit 3: Industry verticals



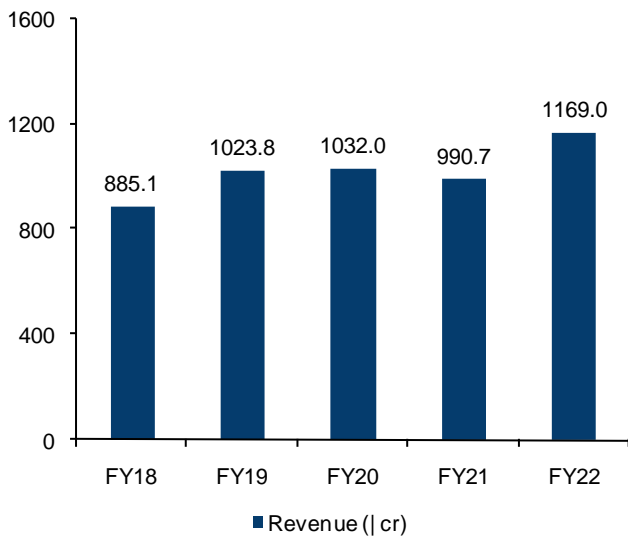
Source: ICICI Direct Research, Company

Exhibit 4: Products segment



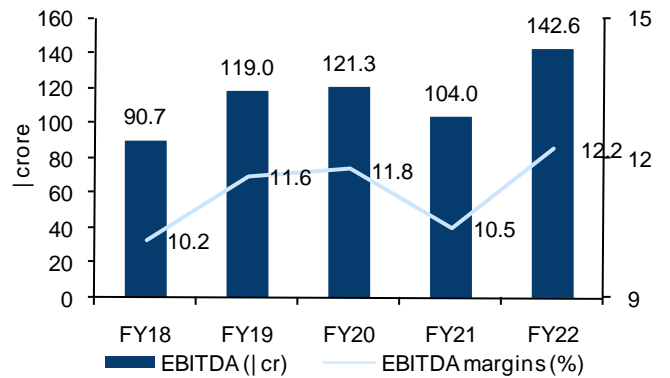
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 6% CAGR in FY20-22



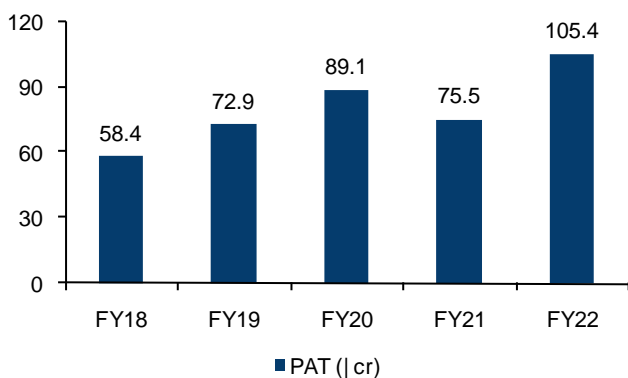
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 8% CAGR in FY20-22



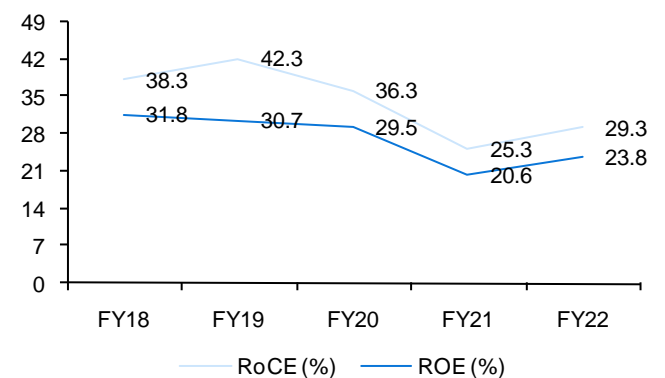
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 9% CAGR in FY20-22



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/EBITD	RoNW (%)	RoCE (%)
FY18	885.1	18.0	15.2	55.7	44.9	29.2	31.8	38.3
FY19	1023.8	15.7	19.0	24.8	36.0	22.0	30.7	42.3
FY20P	1032.0	0.8	23.3	22.3	29.4	21.5	29.5	36.3
FY21E	990.7	-4.0	19.7	-15.2	34.7	6.6	20.6	25.3
FY22E	1169.0	18.0	27.6	39.7	24.9	5.4	23.8	29.3

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 10: Profit & Loss Statement ₹ crore

(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	1,023.8	1,032.0	990.7	1,169.0
Growth (%)	15.7	0.8	(4.0)	18.0
Operating expenses	753.4	734.2	713.3	830.0
Employee Cost	85.9	101.8	104.0	122.7
Other expenses	65.6	74.7	69.3	73.6
Total Expenses	904.8	910.7	886.7	1,026.4
EBITDA	119.0	121.3	104.0	142.6
Growth (%)	31.3	1.9	(14.2)	37.1
Depreciation	6.5	7.8	9.6	11.4
EBIT	112.5	113.5	94.4	131.2
Interest	3.8	0.9	0.1	0.1
Other Income	3.2	4.4	6.6	9.8
PBT	111.9	117.0	100.9	141.0
Growth (%)	33.6	4.6	(13.8)	39.7
Tax	39.0	27.9	25.4	35.5
Reported PAT	72.9	89.1	75.5	105.5
Exceptional Items	-	-	-	-
Adjusted PAT	72.9	89.1	75.5	105.5
Growth (%)	24.7	22.3	(15.2)	39.7
EPS	19.0	23.3	19.7	27.6

Source: ICICI Direct Research

Exhibit 11: Cash flow Statement ₹ crore

(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	72.9	89.1	75.5	105.5
Less: Dividend Paid	(3.8)	(0.9)	(0.1)	(0.1)
Add: Depreciation	6.5	7.8	9.6	11.4
Add: Others	-	-	-	-
Cash Profit	83.2	97.8	85.2	117.0
Increase/(Decrease) in CL	4.6	(10.4)	5.8	14.3
(Increase)/Decrease in CA	(10.2)	(3.3)	15.1	(28.5)
CF from Operating Activities	72.5	53.1	103.9	100.5
(Add) / Dec in Fixed Asset	(19.2)	(27.3)	(57.8)	(63.2)
Changes in goodwill	0.3	(0.7)	-	-
(Inc)/Dec in Investments	(1.3)	0.4	(30.0)	(20.0)
CF from Investing Activities	(20.2)	(27.6)	(87.8)	(83.2)
Inc/(Dec) in Loan Funds	(31.1)	(5.8)	(1.7)	(0.5)
Inc/(Dec) in Sh. Cap. & Re	(12.5)	(19.0)	(15.3)	(15.3)
Others	(3.8)	(4.9)	(0.0)	0.0
CF from financing activities	(47.4)	(29.7)	(17.1)	(15.8)
Change in cash Eq.	4.9	(4.2)	(0.9)	1.5
Op. Cash and cash Eq.	12.2	17.1	12.9	12.0
Cl. Cash and cash Eq.	17.1	12.9	12.0	13.5

Source: ICICI Direct Research

Exhibit 12: Balance Sheet ₹ crore

(Year-end March)	FY19	FY20P	FY21E	FY22E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	259.5	329.6	389.8	480.0
Shareholder's Fund	267.2	337.3	397.5	487.6
Secured Loan	0.5	0.5	0.5	0.3
Unsecured Loan	46.4	11.4	0.6	0.3
Total Loan Funds	8.7	2.8	1.1	0.6
Deferred Tax Liability	-	0.1	0.1	0.1
Minority Interest	5.5	4.1	4.2	4.3
Source of Funds	281.4	344.3	402.9	492.6
Application of Funds				
Gross Block	194.6	208.8	258.8	308.8
Less: Acc. Depreciation	23.0	27.5	37.1	48.5
Net Block	171.6	181.3	221.7	260.3
Capital WIP	1.4	11.1	18.9	32.1
Total Fixed Assets	172.9	192.4	240.6	292.4
Intangibles	1.5	2.2	2.2	2.2
Investments	1.3	0.9	30.9	50.9
Debtors	163.1	165.8	149.3	176.2
Cash	17.1	12.9	12.0	13.5
Current Investments	-	28.6	30.0	31.5
Loan & Advance, Other C	21.8	24.9	27.0	29.5
Total Current assets	202.0	203.5	188.3	219.1
Creditors	72.3	62.0	64.5	75.0
Other Current Liabilities	21.2	20.5	23.6	27.2
Provisions	4.1	4.7	4.9	5.2
Deferred Tax Assets	1.2	3.9	3.9	3.9
Total CL and Provisions	97.5	87.2	93.0	107.4
Net Working Capital	104.5	116.4	95.3	111.8
Miscellaneous expense	-	-	-	-
Application of Funds	281.4	344.3	402.9	492.6

Source: ICICI Direct Research

Exhibit 13: Key Ratios

(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
Book Value	69.8	88.1	103.8	127.4
EPS	19.0	23.3	19.7	27.6
Cash EPS	20.7	25.3	22.2	30.5
DPS	3.0	4.0	4.0	4.0
Profitability & Operating Ratios				
EBITDA Margin (%)	11.6	11.8	10.5	12.2
PAT Margin (%)	7.1	8.6	7.6	9.0
Fixed Asset Turnover (x)	3.7	3.0	2.5	2.4
Debtor (Days)	56.6	58.2	55.0	55.0
Current Liabilities (Days)	33.2	33.4	33.0	33.0
Return Ratios (%)				
RoE	30.7	29.5	20.6	23.8
RoCE	42.3	36.3	25.3	29.3
RoIC	26.4	26.2	18.9	21.6
Valuation Ratios (x)				
P/E	36.0	29.4	34.7	24.9
Price to Book Value	9.8	7.8	6.6	5.4
EV/EBITDA	22.0	21.5	25.1	18.3
EV/Sales	2.6	2.5	2.6	2.2
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	29.8	126.1	858.6	2,186.5
Debt to EBITDA (x)	0.1	0.0	0.0	0.0
Current Ratio	1.9	2.2	1.9	1.9

Source: ICICI Direct Research

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