

Focus on pan-India presence, newer service offerings

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

Q2FY22 Results: On-track commissioning of sorting centres, results in line.

- Revenues grew 28% YoY to ₹ 273 crore
- EBITDA grew 39% YoY to ₹ 45 crore with margins at 16.6% (vs. 15.3% in Q2FY21) due to lower higher utilisation and better cost control measures
- PAT grew 45% to ₹ 34 crore due to strong operating performance

What should investors do? Building pan-India owned branches and sorting centres in every major city supported by IT enabled transportation infrastructure is expected to build a strong entry barrier in the B2B division.

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

Target Price & Valuation: We value the stock at ₹ 1950 i.e. 37x P/E on FY23E EPS

Key triggers for future price performance: Newer asset light B2B offerings from TCI Express such as Rail express, Pharma Cold Chain and C2C express are expected to contribute 25% of the topline, from the current 15%. These businesses are expected to drive the consolidated EBITDA margins above 20%+ levels.

- Automation of sorting centres (Gurgaon and Pune) is expected to halve the laden time in moving goods in and out of sorting centres (current 15 hours)
- Newer offerings expected to post EBITDA margins in 22-25% range in medium to long term
- Asset light business model, with projected 25%+ RoC

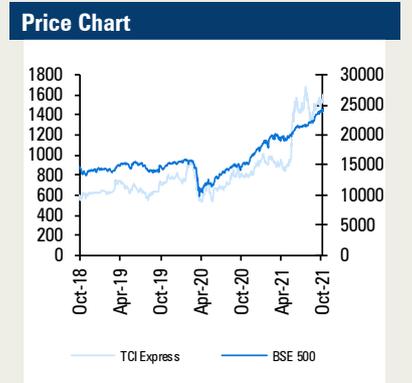
Alternate Stock Idea: Apart from TCI Express, we remain positive on BlueDart

- BlueDart, 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 revival in its B2C and B2B segments and a continued expansion in margin profile



Particulars	
Particular	Amount
Market Capitalization (₹ Cr)	6,285.3
Total Debt (FY21) (₹ Cr)	1.0
Cash (FY21) (₹ Cr)	27.2
EV (₹ Cr)	6,259.1
52 week H/L	1747/761
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern				
	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	66.9	66.9	66.8	66.7
FII	2.1	2.3	1.9	0.0
DII	9.7	10.3	10.3	10.8
Others	21.3	20.6	21.0	22.5



- Recent event & key risks**
- Commercialisation of Gurgaon sorting centre
 - Key Risk:** (i) Longer than expected recovery in MSME (ii) rising B2B competitiveness

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Key Financial Summary							
(Year-end March)	FY19	FY20	FY21	4 Years CAGR (FY17-21)	FY22E	FY23E	2 Years CAGR
Revenues (₹ crore)	1,023.8	1,032.0	844.0	3.0	1,181.6	1,402.0	28.9
EBITDA (₹ crore)	119.0	121.3	134.3	21.4	206.8	269.2	41.6
Adjusted Net Profit (₹ crore)	72.9	89.1	100.6	28.0	154.1	202.6	41.9
EPS (₹)	19.0	23.3	26.2		40.1	52.7	
P/E (x)	86.3	70.6	62.8		41.0	31.2	
Price / Book (x)	23.5	18.6	14.6		11.0	8.3	
EV/EBITDA (x)	52.7	51.7	46.8		30.4	23.2	

Source: Company, ICICI Direct Research

Key takeaways

Q2FY22 Results: Expect H2 to be significantly better than H1 performance

- SME businesses have normalised to pre-pandemic levels with Q3 further expected to report a better performance
- H1 capex at ₹ 46 crore was mainly utilised for construction and automating Gurgaon and Pune centres. Gurgaon centre is expected to be commercialised in Q3

Q2FY22 Earnings Conference Call highlights

- The management is also looking to build four new owned sorting centres at Chennai, Kolkata, Mumbai, etc
- Capex for FY22 remains at ₹ 80-100 crore, which would be utilised in H2 to acquire land parcels in the Kolkata and Mumbai regions and start construction of sorting centres in the Chennai region
- Rail express offering is targeted towards converting air cargo customers towards availing a lower priced but at the same time a similar time tabled cargo movement. The management expects higher traction in the segment due to rising crude oil prices (rail offers better overall value to customers)
- The management expects the rail express, cold chain transportation and C2C business to clock margins higher than the current company's margins
- Truck utilisation has expanded to 85.5% during the quarter vs. 83.5% in Q1
- Pune sorting centre (1.5 lakh sq ft) has operationalised in Q1. Further, the management expects to commercialise the Gurgaon facility from Q3 (automated)
- The management is also looking to build four new owned sorting centres at Chennai, Kolkata, Mumbai, etc

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	273.4	267.5	213.0	28.4	222.9	22.7	YoY growth due to strong demand from SME sector and recovery in economic activities
Operating expenses	186.1	181.9	144.4	28.9	152.3	22.2	Fleet utilisation reached 85.5% due to higher demand
Employee Expenses	27.4	25.4	22.1	24.1	25.6	7.1	
Other Expense	14.7	15.5	13.9	5.8	13.0	13.1	
Total Expense	228.2	222.8	180.4	26.5	190.8	19.6	
EBITDA	45.3	44.7	32.6	39.0	32.1	41.1	
EBITDA Margin (%)	16.6	16.7	15.3	126 bps	14.4	216 bps	Margins expand YoY due to better fleet utilisation and effective cost control measures employed by the company
Depreciation	2.4	2.4	2.2	8.8	2.2	5.8	
Interest	0.3	0.1	0.3	-3.2	0.1	172.7	
Other Income	2.4	2.4	1.5	61.6	1.6	43.9	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	45.0	44.5	31.5	42.5	31.4	43.3	
Total Tax	10.9	11.2	8.1	35.7	7.6	43.3	
PAT	34.0	33.3	23.5	44.9	23.8	43.3	

Source: Company, ICICI Direct Research

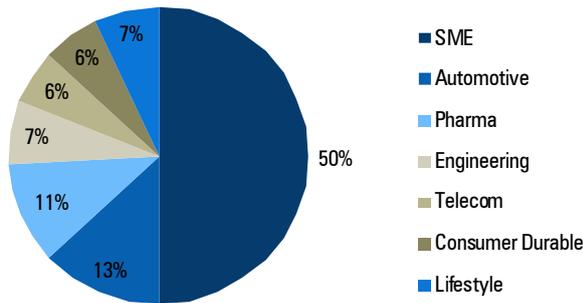
Exhibit 2: Change in estimates

(₹ Crore)	FY22E					FY23E			Comments
	FY20	FY21	Old	New	% Change	Old	New	% Change	
Gross Revenue	1,032.0	844.0	1,181.6	1,181.6	0.0	1,402.0	1,402.0	0.0	FY22E and FY23E revenue guidance kept intact
EBITDA	121.3	134.3	200.9	206.8	2.9	266.4	269.2	1.1	
EBITDA Margin (%)	11.8	15.9	17.0	17.5	50 bps	19.0	19.2	20 bps	Margins revised upwards due to higher contribution from the newer offerings and better cost control measures employed by the company
PAT	89.1	100.6	149.7	154.1	3.0	200.5	202.6	1.0	
EPS (₹)	23.3	26.2	38.9	40.1	3.1	52.1	52.7	1.0	

Source: ICICI Direct Research

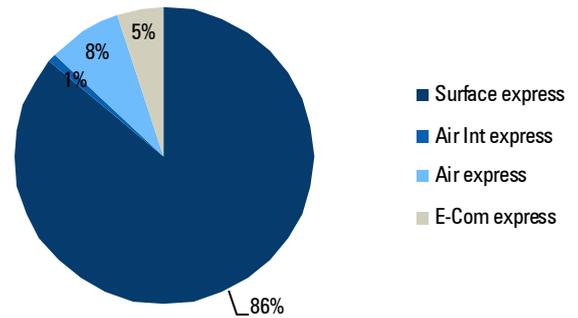
Key Metrics

Exhibit 3: Industry verticals



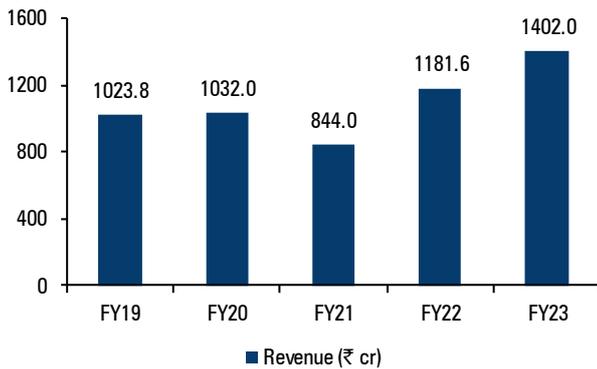
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



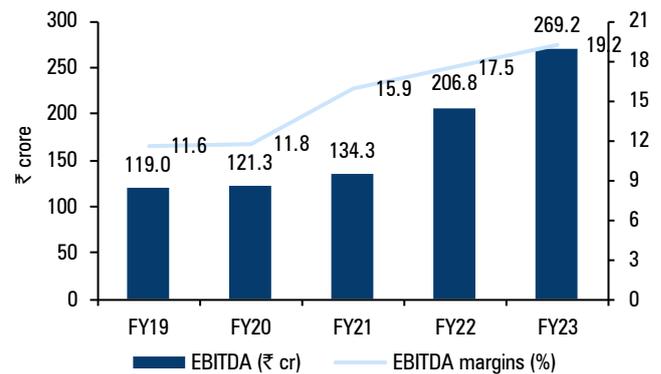
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 29% CAGR in FY21-23



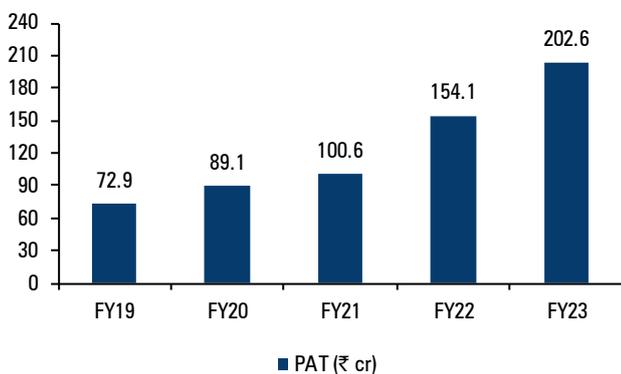
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 42% CAGR in FY21-23



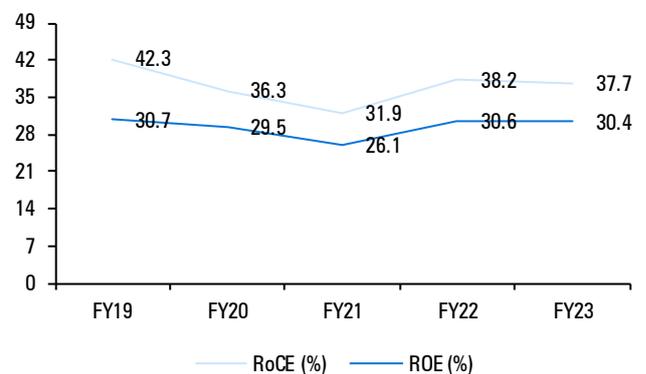
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 42% CAGR in FY21-23



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 (%)
FY19	1023.8	15.7	19.0	24.8	86.3	52.7	30.7	42.3
FY20	1032.0	0.8	23.3	22.3	70.6	51.7	29.5	36.3
FY21	844.0	-18.2	26.2	12.4	62.8	14.6	26.1	31.9
FY22E	1181.6	40.0	40.1	53.2	41.0	11.0	30.6	38.2
FY23E	1402.0	18.7	52.7	31.4	31.2	8.3	30.4	37.7

Source: Company, ICICI Direct

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	1,032.0	844.0	1,181.6	1,402.0
Growth (%)	0.8	(18.2)	40.0	18.7
Operating expenses	734.2	566.7	797.6	936.5
Employee Cost	101.8	87.3	106.3	119.2
Other expenses	74.7	55.6	70.9	77.1
Total Expenses	910.7	709.7	974.8	1,132.8
EBITDA	121.3	134.3	206.8	269.2
Growth (%)	1.9	10.7	53.9	30.2
Depreciation	7.8	9.0	12.2	15.6
EBIT	113.5	125.4	194.6	253.6
Interest	0.9	0.8	0.1	0.1
Other Income	4.4	7.7	11.5	17.2
PBT	117.0	132.2	206.0	270.7
Growth (%)	4.6	13.0	55.8	31.4
Tax	27.9	31.6	51.8	68.1
Reported PAT	89.1	100.6	154.1	202.6
Exceptional Items	-	-	-	-
Adjusted PAT	89.1	100.6	154.1	202.6
Growth (%)	22.3	12.9	53.2	31.4
EPS	23.3	26.2	40.1	52.7

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	89.1	100.6	154.1	202.6
Less: Dividend Paid	(0.9)	(0.8)	(0.1)	(0.1)
Add: Depreciation	7.8	9.0	12.2	15.6
Add: Others	-	-	-	-
Cash Profit	97.8	110.4	166.4	218.2
Increase/(Decrease) in CL	(10.4)	16.1	0.7	16.9
(Increase)/Decrease in CA	(3.3)	(5.4)	(10.2)	(35.1)
CF from Operating Activities	53.1	99.9	153.6	196.6
(Add) / Dec in Fixed Assets	(27.3)	(54.5)	(108.3)	(110.8)
Changes in goodwill	(0.7)	0.4	-	-
(Inc)/Dec in Investments	0.4	(43.0)	(20.0)	(50.0)
CF from Investing Activities	(27.6)	(97.1)	(128.3)	(160.8)
Inc/(Dec) in Loan Funds	(5.8)	(1.8)	(0.4)	-
Inc/(Dec) in Sh. Cap. & Res.	(19.0)	(4.0)	(15.4)	(15.4)
Others	(4.9)	17.3	0.0	0.0
CF from financing activities	(29.7)	11.5	(15.8)	(15.3)
Change in cash Eq.	(4.2)	14.3	9.5	20.5
Op. Cash and cash Eq.	17.1	12.9	27.2	36.8
Cl. Cash and cash Eq.	12.9	27.2	36.7	57.2

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	329.6	426.2	564.9	752.1
Shareholder's Fund	337.3	433.9	572.6	759.8
Secured Loan	0.5	0.5	0.3	0.3
Unsecured Loan	11.4	0.6	0.3	0.3
Total Loan Funds	2.8	1.0	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	4.1	5.4	5.5	5.6
Source of Funds	344.3	440.4	578.8	766.1
Application of Funds				
Gross Block	208.8	259.0	359.0	459.0
Less: Acc. Depreciation	27.5	34.5	46.7	62.3
Net Block	181.3	224.4	312.2	396.6
Capital WIP	11.1	27.8	36.1	46.9
Total Fixed Assets	192.4	252.2	348.3	443.5
Intangibles	2.2	1.8	1.8	1.8
Investments	0.9	14.7	34.7	84.7
Debtors	165.8	169.5	178.0	211.3
Cash	12.9	27.2	36.8	57.2
Current Investments	28.6	58.7	61.6	64.7
Loan & Advance, Other C/	24.9	17.6	19.6	21.9
Total Current assets	203.5	214.3	234.4	290.3
Creditors	62.0	75.2	72.1	84.7
Other Current Liabilities	20.5	23.8	27.4	31.5
Provisions	4.7	4.3	4.5	4.7
Deferred Tax Assets	3.9	2.0	2.0	2.0
Total CL and Provisions	87.2	103.3	104.0	120.9
Net Working Capital	116.4	111.0	130.4	169.4
Miscellaneous expense	-	-	-	-
Application of Funds	344.3	440.4	578.8	766.1

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Book Value	88.1	112.8	148.9	197.6
EPS	23.3	26.2	40.1	52.7
Cash EPS	25.3	28.5	43.3	56.7
DPS	4.0	4.0	4.0	4.0
Profitability & Operating Ratios				
EBITDA Margin (%)	11.8	15.9	17.5	19.2
PAT Margin (%)	8.6	11.9	13.0	14.4
Fixed Asset Turnover (x)	3.0	1.9	2.1	1.8
Debtor (Days)	58.2	72.5	55.0	55.0
Current Liabilities (Days)	33.4	44.2	33.0	33.0
Return Ratios (%)				
RoE	29.5	26.1	30.6	30.4
RoCE	36.3	31.9	38.2	37.7
RoIC	26.2	23.1	26.9	26.6
Valuation Ratios (x)				
P/E	70.6	62.8	41.0	31.2
Price to Book Value	18.6	14.6	11.0	8.3
EV/EBITDA	51.7	46.8	30.4	23.2
EV/Sales	6.1	7.4	5.3	4.5
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	126.1	160.7	3,242.9	4,226.2
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	2.2	1.8	1.9	1.9

Source: Company, ICICI Direct Research

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