

Focus on automation, to reap benefits in longer run...

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

Q3FY22 Results: In line performance, Gurgaon centre to be ready in February 2022.

- Revenues grew 9% YoY to ₹ 287 crore (7.5% volume growth)
- EBITDA grew 4% YoY to ₹47 crore with margins at 16.4% (vs. 17.3% in Q3FY21)
- PAT grew 5% to ₹ 35 crore due to stable operating performance

What should investors do? TCI has been consistently delivering strong profitable growth (within a competitive environment), helped by its infrastructure of owned IT enabled branches (provides better execution and customer feedback loop).

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

Target Price & Valuation: We value the stock at ₹ 2300 i.e. 39x P/E on FY23E EPS

Key triggers for future price performance: Automation of warehouses is expected to provide execution with minimal human intervention, which helps in lesser truck halting period and efficient warehouse management and is expected to build a strong entry barrier in the B2B segment. Such steps are expected to drive the consolidated EBITDA margins above 20%+ levels.

- 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 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

TCIEXPRESS
LEADER IN EXPRESS

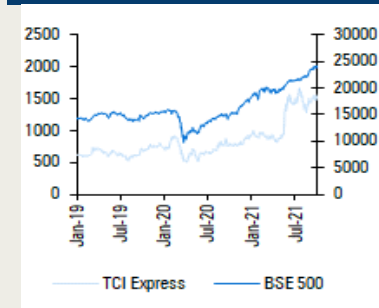
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	7,272.9
Total Debt (FY21) (₹ Cr)	1.0
Cash (FY21) (₹ Cr)	27.2
EV (₹ Cr)	7,246.7
52 week H/L	2570/807
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	66.9	66.8	66.7	66.7
FII	2.3	1.9	1.5	2.1
DII	10.3	10.3	10.8	9.3
Others	20.6	21.0	21.1	21.8

Price Chart



Recent event & key risks

- Commercialisation of Gurgaon sorting centre
- Key Risk:** (i) Delay in expected recovery in MSME (ii) rising B2B competitiveness

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key Financial Summary

(Year-end March)	FY20	FY21	4 Years CAGR (FY17-21)	FY22E	FY23E	FY24E	3 Years CAGR
Revenues (₹ crore)	1,032.0	844.0	3.0	1,097.2	1,336.4	1,585.6	23.4
EBITDA (₹ crore)	121.3	134.3	21.4	175.5	233.9	293.3	29.7
Adjusted Net Profit (₹ crore)	89.1	100.6	28.0	130.8	176.2	224.6	30.7
EPS (₹)	23.3	26.2		34.0	45.8	58.4	
P/E (x)	81.6	72.6		55.9	41.5	32.5	
Price / Book (x)	21.6	16.8		13.5	10.6	8.4	
EV/EBITDA (x)	59.9	54.2		41.5	31.2	24.8	

Source: Company, ICICI Direct Research

Key takeaways

Q3FY22 Results: Mixed MoM performance

- While October saw strong demand pick-up due to festive season, November saw moderation of the demand. The demand again recovered in December, with pick-up in IIP levels
- Pune sorting centre is operational and the company is committed towards improving turnaround time
- The management expects a temporary impact of Omicron variant on the logistics industry

Q3FY22 Earnings Conference Call highlights

- Gurgaon sorting centre would be fully automated next month. The management will take the learning forward and replicate it in other centres. They expect 40% reduction in truck halting and 50-70 bps direct cost reduction, due to automation of Gurgaon centre
- TCI Express would again embark on ₹ 500 crore capex (five-year horizon), which would be mainly utilised in automating sorting centres (₹ 300 crore) and expansion of several centres
- New segments contributed 12% to the overall revenues (includes C2C: 4%)
- The management is also seeing healthy traction among the customers for new offerings (esp. rail express)
- The company opened five new owned branches during the quarter, mainly in the north and south region. For 9MFY22, the company has opened 35 owned branches
- Truck utilisation stood at 85% during the quarter vs. 85.5% in Q2
- Capex incurred for 9M was at ₹ 65 crore and was primarily utilised in development and automating Gurgaon centre

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	286.9	289.8	262.5	9.3	273.4	4.9	YoY growth due to strong demand from SME sector and recovery in economic activities
Operating expenses	195.1	197.1	177.6	9.9	186.1	4.8	Fleet utilisation reached 85.5% due to higher demand
Employee Expenses	27.7	27.5	23.3	19.3	27.4	1.3	
Other Expense	16.9	16.8	16.3	3.4	14.7	14.8	
Total Expense	239.7	241.4	217.2	10.4	228.2	5.1	
EBITDA	47.2	48.4	45.3	4.1	45.3	4.2	
EBITDA Margin (%)	16.4	16.7	17.3	-83 bps	16.6	-11 bps	Margins remained stable vis-à-vis estimate due to higher operating leverage
Depreciation	2.2	2.3	2.2	2.8	2.4	-5.5	
Interest	0.2	0.2	0.2	18.8	0.3	-36.7	
Other Income	2.1	2.0	1.7	24.7	2.4	-12.3	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	46.8	47.9	44.7	4.8	45.0	4.2	
Total Tax	11.7	12.1	11.1	5.9	10.9	7.2	
PAT	35.1	35.8	33.6	4.5	34.0	3.2	

Source: Company, ICICI Direct Research

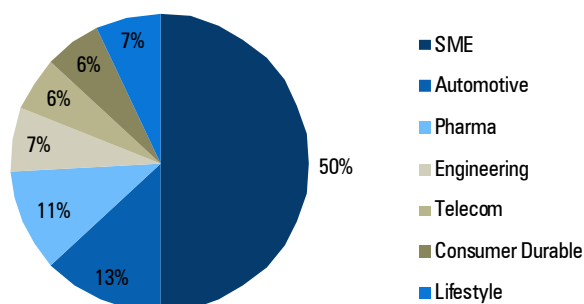
Exhibit 2: Change in estimates

	FY22E				FY23E			FY24E	Comments
(₹ Crore)	FY21	Old	New	% Change	Old	New	% Change	Introduced	
Gross Revenue	844.0	1,181.6	1,097.2	-7.1	1,402.0	1,336.4	-4.7	1,585.6	Revenue estimates lowered due to near term Covid impact
EBITDA	134.3	206.8	175.5	-15.1	269.2	233.9	-13.1	293.3	
EBITDA Margin (%)	15.9	17.5	16.0	-150 bps	19.2	17.5	-170 bps	18.5	
PAT	100.6	154.1	130.8	-15.2	202.6	176.2	-13.0	224.6	
EPS (₹)	26.2	40.1	34.0	-15.2	52.7	45.8	-13.0	58.4	

Source: ICICI Direct Research

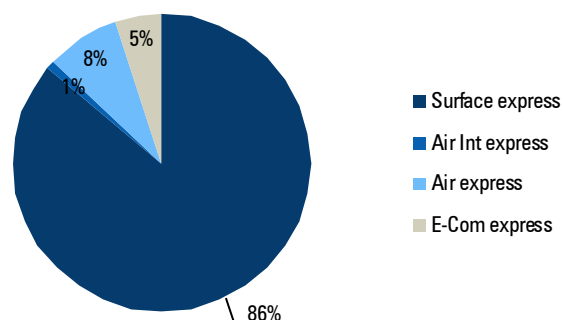
Key Metrics

Exhibit 3: Industry verticals



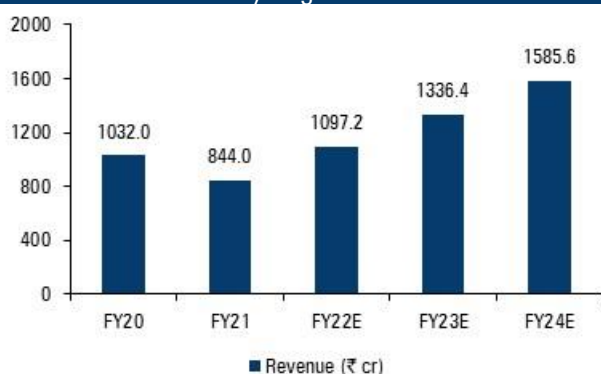
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 23% CAGR in FY21-24



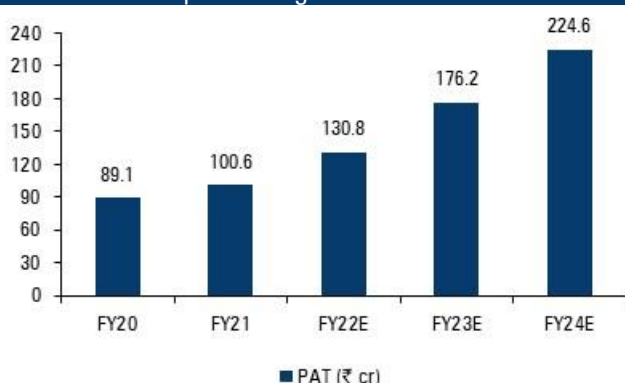
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 30% CAGR in FY21-24



Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 31% CAGR in FY21-24



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 (%)
FY20	1032.0	0.8	23.3	22.3	81.6	59.9	29.5	36.3
FY21	844.0	-18.2	26.2	12.4	72.6	16.8	26.1	31.9
FY22E	1097.2	30.0	34.0	30.0	55.9	13.5	26.8	33.1
FY23E	1336.4	21.8	45.8	34.7	41.5	10.6	28.7	35.2
FY24E	1585.6	18.7	58.4	27.5	32.5	8.4	28.8	34.9

Source: Company, ICICI Direct

Financial Summary

Exhibit 10: Profit and loss statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	844.0	1,097.2	1,336.4	1,585.6
Growth (%)	(18.2)	30.0	21.8	18.7
Operating expenses	566.7	746.1	902.1	1,062.4
Employee Cost	87.3	109.7	120.3	134.8
Other expenses	55.6	65.8	80.2	95.1
Total Expenses	709.7	921.6	1,102.5	1,292.3
EBITDA	134.3	175.5	233.9	293.3
Growth (%)	10.7	30.7	33.2	25.4
Depreciation	9.0	12.2	15.6	19.0
EBIT	125.4	163.3	218.3	274.3
Interest	0.8	0.1	0.1	0.1
Other Income	7.7	11.5	17.2	25.8
PBT	132.2	174.8	235.4	300.1
Growth (%)	13.0	32.2	34.7	27.5
Tax	31.6	44.0	59.3	75.5
Reported PAT	100.6	130.8	176.2	224.6
Exceptional Items	-	-	-	-
Adjusted PAT	100.6	130.8	176.2	224.6
Growth (%)	12.9	30.0	34.7	27.5
EPS	26.2	34.0	45.8	58.4

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	100.6	130.8	176.2	224.6
Less: Dividend Paid	(0.8)	(0.1)	(0.1)	(0.1)
Add: Depreciation	9.0	12.2	15.6	19.0
Add: Others	-	-	-	-
Cash Profit	110.4	143.0	191.8	243.6
Increase/(Decrease) in CL	16.1	(3.9)	18.4	19.5
(Increase)/Decrease in CA	(5.4)	2.5	(37.9)	(39.7)
CF from Operating Activities	99.9	138.3	168.9	219.7
(Add) / Dec in Fixed Assets	(54.5)	(108.3)	(110.8)	(114.1)
Changes in goodwill	0.4	-	-	-
(Inc)/Dec in Investments	(43.0)	(10.0)	(30.0)	(60.0)
CF from Investing Activities	(97.1)	(118.3)	(140.8)	(174.1)
Inc/(Dec) in Loan Funds	(1.8)	(0.4)	-	-
Inc/(Dec) in Sh. Cap. & Res	(4.0)	(23.1)	(30.8)	(38.5)
Others	17.3	0.0	0.0	0.0
CF from financing activities	11.5	(23.5)	(30.7)	(38.4)
Change in cash Eq.	14.3	(3.5)	(2.6)	7.3
Op. Cash and cash Eq.	12.9	27.2	23.8	21.1
Cl. Cash and cash Eq.	27.2	23.8	21.1	28.4

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	426.2	533.9	679.3	865.4
Shareholder's Fund	433.9	541.6	687.0	873.1
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	0.6	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	5.4	5.5	5.6	5.7
Source of Funds	440.4	547.8	693.3	879.5
Application of Funds				
Gross Block	259.0	359.0	459.0	559.0
Less: Acc. Depreciation	34.5	46.7	62.3	81.3
Net Block	224.4	312.2	396.6	477.6
Capital WIP	27.8	36.1	46.9	61.0
Total Fixed Assets	252.2	348.3	443.5	538.6
Intangibles	1.8	1.8	1.8	1.8
Investments	14.7	24.7	54.7	114.7
Debtors	169.5	165.3	201.4	238.9
Cash	27.2	23.8	21.1	28.4
Current Investments	58.7	61.6	64.7	68.0
Loan & Advance, Other C	17.6	19.6	21.9	24.4
Total Current assets	214.3	208.7	244.3	291.7
Creditors	75.2	67.5	81.6	96.0
Other Current Liabilities	23.8	27.4	31.5	36.2
Provisions	4.3	4.5	4.7	4.9
Deferred Tax Assets	2.0	2.0	2.0	2.0
Total CL and Provisions	103.3	99.3	117.8	137.2
Net Working Capital	111.0	109.4	126.6	154.5
Miscellaneous expense	-	-	-	-
Application of Funds	440.4	547.8	693.3	879.5

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios

(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Book Value	112.8	140.9	178.7	227.1
EPS	26.2	34.0	45.8	58.4
Cash EPS	28.5	37.2	49.9	63.3
DPS	4.0	6.0	8.0	10.0
Profitability & Operating Ratios				
EBITDA Margin (%)	15.9	16.0	17.5	18.5
PAT Margin (%)	11.9	11.9	13.2	14.2
Fixed Asset Turnover (x)	1.9	2.0	1.9	1.8
Debtor (Days)	72.5	55.0	55.0	55.0
Current Liabilities (Days)	44.2	33.0	33.0	33.0
Return Ratios (%)				
RoE	26.1	26.8	28.7	28.8
RoCE	31.9	33.1	35.2	34.9
RoIC	23.1	24.1	25.6	25.7
Valuation Ratios (x)				
P/E	72.6	55.9	41.5	32.5
Price to Book Value	16.8	13.5	10.6	8.4
EV/EBITDA	54.2	41.5	31.2	24.8
EV/Sales	8.6	6.6	5.5	4.6
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	160.7	2,722.4	3,637.7	4,572.2
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	1.8	1.9	1.9	1.9

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		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
APSEZ	710	900	BUY	1,44,254	24.6	27.0	37.4	28.9	24.5	19.0	19.7	15.3	12.7	12.7	12.6	14.2	16.3	13.6	16.4
Container Corporation	640	780	BUY	38,020	8.3	21.0	28.4	96.4	77.2	30.4	6.1	9.6	5.7	10.9	4.5	9.9	12.1	5.4	11.0
Transport Corp. of India	710	860	BUY	5,179	18.9	32.0	40.1	38.7	37.5	22.2	23.0	20.6	14.2	12.4	13.3	17.9	14.0	12.9	18.0
TCI Express	1,900	2,300	BUY	7,273	23.3	26.2	34.0	99.8	81.6	72.6	61.0	59.9	54.2	42.3	36.3	31.9	30.7	29.5	26.1
Mahindra Logistics	585	750	BUY	4,195	4.2	5.6	10.3	139.2	104.9	56.7	29.5	19.8	15.6	18.8	25.4	32.3	5.8	6.8	11.5
BlueDart Express	6,700	6,300	BUY	15,919	44.4	93.1	125.0	151.0	71.9	53.6	22.6	18.6	15.8	50.5	63.4	63.4	13.5	29.7	29.5
Gateway Distriparks	285	350	BUY	3,558	7.6	9.9	15.3	37.7	28.7	18.7	12.5	10.8	8.5	12.2	14.4	18.3	6.4	8.1	11.6

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA, Harshal Mehta MTech (Biotech), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts do not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.