

Investing in building sorting centres, automation...

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

Q4FY22 Results: In line performance. Gurgaon centre has been commercialised.

- Revenues grew 7% YoY to ₹ 298 crore (2% volume growth)
- EBITDA de-grew 8% YoY to ₹ 50 crore with margins at 16.8% (vs. an exceptional margin of 19.4% in Q4FY21)
- Subsequently, PAT de-grew 15% to ₹ 36 crore (high base effect)

What should investors do? Strong FCF generation due to efficient working capital management, higher growth, better margins from newer businesses and robust capital structure, make TCI Express well positioned to maintain and strengthen its leadership position among logistics peers.

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

Target Price & Valuation: We value the stock at ₹ 2000 i.e. 38x P/E on FY24E EPS.

Key triggers for future price performance: Automation of warehouses is expected to provide execution with minimal human intervention, which helps in lower 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



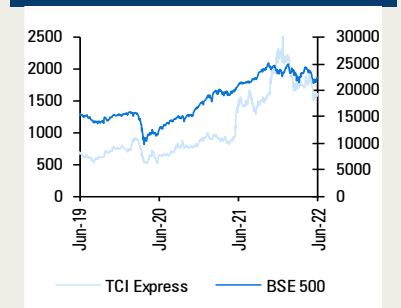
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	6,316.0
Total Debt (FY22) (₹ Cr)	1.0
Cash (FY22) (₹ Cr)	18.0
EV (₹ Cr)	6,298.9
52 week H/L	2572/1870
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	66.8	66.7	66.7	66.7
FII	1.9	1.5	2.1	2.0
DII	10.3	10.8	9.3	8.1
Others	21.0	21.1	21.8	23.2

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	FY22	5 Years CAGR (FY17-22)	FY23E	FY24E	2 Years CAGR
Revenues (₹ crore)	1,032.0	844.0	1,081.5	7.6	1,305.9	1,576.8	20.8
EBITDA (₹ crore)	121.3	134.3	174.7	23.1	216.8	269.6	24.2
Adjusted Net Profit (₹ crore)	89.1	100.6	128.9	28.0	159.3	200.8	24.8
EPS (₹)	23.3	26.2	33.5		41.4	52.2	
P/E (x)	70.9	63.1	49.3		39.9	31.6	
Price / Book (x)	18.7	14.6	11.8		9.6	7.6	
EV/EBITDA (x)	52.0	47.0	36.3		29.2	23.5	

Key takeaways

Q4FY22 Results: Next phase of capex expected to push automation forward

- In FY22, the company operationalised the Pune and Gurgaon sorting centres, adding over 3.5 lakh square foot area in its sorting centre capacity
- Planned capex of ₹ 500 crore in five years (FY23-28). The proceeds would be utilised primarily in building sorting centres, automation and enhancing technologies capabilities

Q4FY22 Earnings Conference Call highlights

- Q4 growth was primarily driven by strong demand from both SME customer and corporate
- The board has also approved buyback amounting to ₹ 75 crore through open offer route at indicative price of ₹ 2050, subject to shareholder's approval
- TCI Express has commissioned India's first and largest automated B2B sorting centre in Gurgaon, named GIGA Sorting Centre, spread over 2 lakh square feet area and equipped with 600 metre of fully automated loop sorting system with a throughput capacity of 15000 parcels per hour
- TCI Express has added 45 new branches in FY22 and 10 branches in Q4
- The company has also launched three new services Pharma Cold Chain Express, C2C Express and Rail Express, which is aligned to its growth as multimodal express delivery company in India
- The company has incurred ₹ 80 crore as capex in FY22 to build sorting centres and has guided for ₹ 100 crore capex in FY23
- The new businesses are contributing 15% to revenues and are expected to grow to 25% in FY25
- The company expects to take a price hike of 4-5% in FY23 whereas last year it took a hike in the range of 2.5%
- Truck utilisation was at 85% during the year. The management expects 50-100 bps improvement each year
- The management has guided for 16% volume growth in FY23 and revenue growth in the range of 20-22%

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	298.2	304.1	279.8	6.6	286.9	3.9	YoY growth mere 6% due to slowdown in January and February while March saw a strong rebound
Operating expenses	199.4	208.3	186.9	6.7	195.1	2.2	Fleet utilisation maintained at 85% levels
Employee Expenses	29.3	28.9	23.3	25.6	27.7	5.6	
Other Expense	19.3	18.2	15.3	26.4	16.9	14.3	
Total Expense	248.0	255.5	225.4	10.0	239.7	3.4	
EBITDA	50.2	48.7	54.4	-7.7	47.2	6.4	
EBITDA Margin (%)	16.8	16.0	19.4	-260 bps	16.4	39 bps	Margins higher vis-à-vis estimate due to higher capacity utilisation and operational efficiency
Depreciation	3.2	2.3	2.5	25.4	2.2	41.7	
Interest	0.2	0.2	0.2	5.6	0.2	0.0	
Other Income	2.1	2.2	3.1	-31.4	2.1	1.4	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	49.0	48.3	54.7	-10.6	46.8	4.5	
Total Tax	12.9	12.2	12.2	6.2	11.7	10.3	
PAT	36.0	36.2	42.6	-15.4	35.1	2.6	

Source: Company, ICICI Direct Research

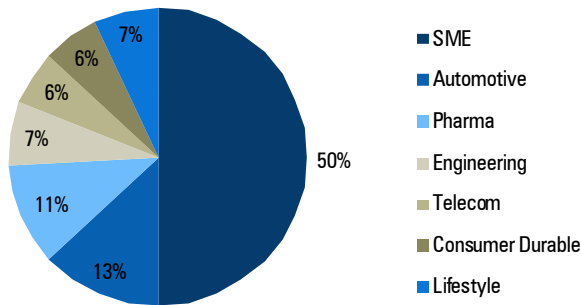
Exhibit 2: Change in estimates

(₹ Crore)	FY23E				FY24E				Comments
	FY22	Old	New	% Change	Old	New	% Change		
Gross Revenue	1,081.5	1,336.4	1,305.9	-2.3	1,585.6	1,576.8	-0.6	Revenue estimates kept largely intact	
EBITDA	174.7	233.9	216.8	-7.3	293.3	269.6	-8.1		
EBITDA Margin (%)	16.2	17.5	16.6	-90 bps	18.5	17.1	-140 bps	Margins revised downwards due to higher cost inflation in the near to medium term	
PAT	128.9	176.2	159.3	-9.6	224.6	200.8	-10.6		
EPS (₹)	33.5	45.8	41.4	-9.7	58.4	52.2	-10.7		

Source: ICICI Direct Research

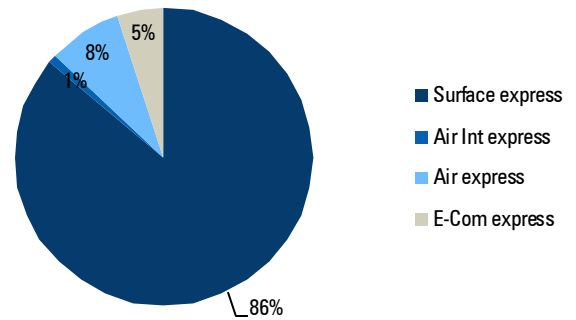
Key Metrics

Exhibit 3: Industry verticals



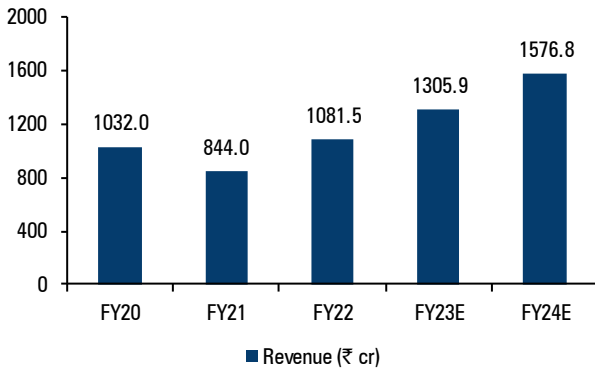
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



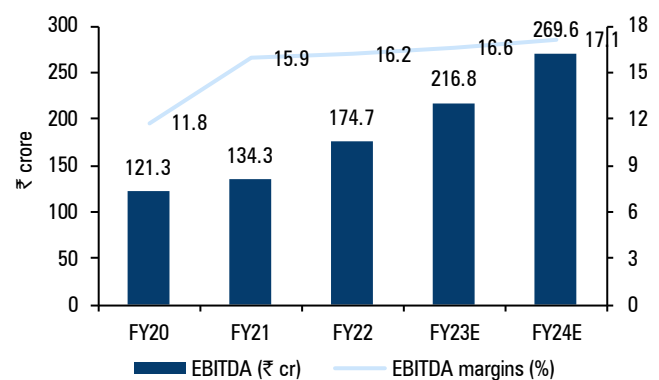
Source: ICICI Direct Research, Company

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



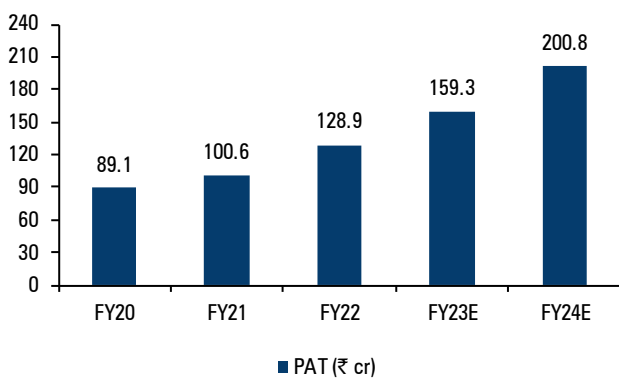
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 26% CAGR in FY21-24



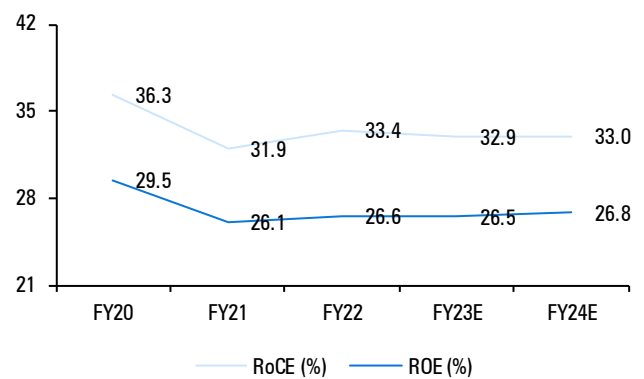
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 26% 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	70.9	52.0	29.5	36.3
FY21	844.0	-18.2	26.2	12.4	63.1	14.6	26.1	31.9
FY22	1081.5	28.1	33.5	27.9	49.3	11.8	26.6	33.4
FY23E	1305.9	20.8	41.4	23.6	39.9	9.6	26.5	32.9
FY24E	1576.8	20.8	52.2	26.1	31.6	7.6	26.8	33.0

Source: Company, ICICI Direct

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	844.0	1,081.5	1,305.9	1,576.8
Growth (%)	(18.2)	28.1	20.8	20.8
Operating expenses	566.7	733.0	881.5	1,059.6
Employee Cost	87.3	109.9	130.6	154.5
Other expenses	55.6	63.8	77.0	93.0
Total Expenses	709.7	906.7	1,089.1	1,307.2
EBITDA	134.3	174.7	216.8	269.6
Growth (%)	10.7	30.1	24.1	24.4
Depreciation	9.0	10.0	16.1	19.6
EBIT	125.4	164.8	200.7	250.1
Interest	0.8	0.9	0.1	0.1
Other Income	7.7	8.2	12.3	18.4
PBT	132.2	172.0	212.9	268.4
Growth (%)	13.0	30.1	23.8	26.1
Tax	31.6	43.2	53.6	67.6
Reported PAT	100.6	128.9	159.3	200.8
Exceptional Items	-	-	-	-
Adjusted PAT	100.6	128.9	159.3	200.8
Growth (%)	12.9	28.1	23.6	26.1
EPS	26.2	33.5	41.4	52.2

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	100.6	128.9	159.3	200.8
Less: Dividend Paid	(0.8)	(0.9)	(0.1)	(0.1)
Add: Depreciation	9.0	10.0	16.1	19.6
Add: Others	-	(18.8)	-	-
Cash Profit	110.4	120.9	175.4	220.5
Increase/(Decrease) in CL	16.1	8.6	11.1	22.0
(Increase)/Decrease in CA	(5.4)	(18.7)	(8.7)	(42.5)
CF from Operating Activities	99.9	110.8	172.4	194.2
(Add) / Dec in Fixed Assets	(54.5)	(80.0)	(101.8)	(102.4)
Changes in goodwill	0.4	(1.3)	-	-
(Inc)/Dec in Investments	(43.0)	(43.0)	(30.0)	(60.0)
CF from Investing Activities	(97.1)	(124.3)	(131.8)	(162.4)
Inc/(Dec) in Loan Funds	(1.8)	(0.0)	(0.4)	-
Inc/(Dec) in Sh. Cap. & Res.	(4.0)	(26.5)	(30.8)	(30.8)
Others	17.3	30.8	0.1	0.1
CF from financing activities	11.5	4.3	(31.1)	(30.7)
Change in cash Eq.	14.3	(9.2)	9.4	1.1
Op. Cash and cash Eq.	12.9	27.2	18.0	27.4
Cl. Cash and cash Eq.	27.2	18.0	27.4	28.6

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	426.2	528.5	657.0	827.0
Shareholder's Fund	433.9	536.2	664.7	834.7
Secured Loan	0.5	0.5	0.3	0.3
Unsecured Loan	0.6	0.6	0.3	0.3
Total Loan Funds	1.0	1.0	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	5.4	7.9	8.0	8.2
Source of Funds	440.4	545.2	673.4	843.6
Application of Funds				
Gross Block	259.0	359.3	459.3	559.3
Less: Acc. Depreciation	34.5	44.5	60.6	80.2
Net Block	224.4	314.7	398.7	479.1
Capital WIP	27.8	6.1	7.9	10.3
Total Fixed Assets	252.2	320.8	406.6	489.4
Intangibles	1.8	3.0	3.0	3.0
Investments	14.7	1.1	31.1	91.1
Debtors	169.5	189.5	196.8	237.6
Cash	27.2	18.0	27.4	28.6
Current Investments	58.7	87.0	91.4	95.9
Loan & Advance, Other C/	17.6	33.5	36.1	39.0
Total Current assets	214.3	241.0	260.3	305.2
Creditors	75.2	73.7	79.7	95.8
Other Current Liabilities	23.8	32.6	37.5	43.1
Provisions	4.3	5.6	5.8	6.1
Deferred Tax Assets	2.0	4.1	4.1	4.1
Total CL and Provisions	103.3	111.9	123.0	145.0
Net Working Capital	111.0	129.2	137.3	160.2
Miscellaneous expense	-	-	-	-
Application of Funds	440.4	545.2	673.4	843.6

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Book Value	112.8	139.3	172.6	216.8
EPS	26.2	33.5	41.4	52.2
Cash EPS	28.5	36.1	45.6	57.2
DPS	4.0	8.0	8.0	8.0
Profitability & Operating Ratios				
EBITDA Margin (%)	15.9	16.2	16.6	17.1
PAT Margin (%)	11.9	11.9	12.2	12.7
Fixed Asset Turnover (x)	1.9	2.0	2.0	1.9
Debtor (Days)	72.5	60.6	55.0	55.0
Current Liabilities (Days)	44.2	37.1	33.0	33.0
Return Ratios (%)				
RoE	26.1	26.6	26.5	26.8
RoCE	31.9	33.4	32.9	33.0
RoIC	23.1	24.0	23.9	24.0
Valuation Ratios (x)				
P/E	63.1	49.3	39.9	31.6
Price to Book Value	14.6	11.8	9.6	7.6
EV/EBITDA	47.0	36.3	29.2	23.5
EV/Sales	7.5	5.9	4.8	4.0
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	160.7	181.0	3,345.0	4,167.8
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	1.8	2.0	1.9	1.9
Quick ratio	1.8	2.0	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		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	736	900	BUY	1,49,537	21.2	35.9	44.3	29.9	31.8	20.5	20.4	20.8	14.3	12.7	9.6	13.7	16.3	11.3	16.5
Container Corporation	650	680	BUY	33,146	17.3	30.4	36.8	78.4	37.5	21.4	9.8	5.6	4.4	4.5	10.2	12.2	5.4	9.6	14.8
Transport Corp. of India	725	860	BUY	5,289	37.3	42.4	50.8	38.3	19.5	17.1	21.0	12.9	11.5	13.3	20.3	20.2	12.9	20.5	19.1
TCI Express	1,650	2,000	BUY	6,316	26.2	33.5	42.1	70.9	63.1	49.3	52.0	47.0	36.3	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	455	600	BUY	3,263	5.2	10.2	17.6	87.9	44.7	25.8	15.4	11.8	8.6	12.2	29.3	35.5	6.3	11.3	16.7
BlueDart Express	7,500	6,300	BUY	17,820	135.3	173.9	NA	55.4	43.1	NA	18.0	15.3	NA	69.7	64.7	NA	38.0	33.8	NA
Gateway Distriparks	75	100	BUY	3,747	4.5	3.7	4.7	39.7	16.7	20.2	13.4	11.0	9.2	11.7	15.4	16.9	6.4	13.7	10.7

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, Akruiti 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 view 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 icidirect.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 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 or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

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 did not receive any compensation or other benefit 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 an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest 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