

Strong performance; margin profile to improve...

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

Q2FY23 Results: Revenues in line with profitability higher than estimates.

- Revenues grew 13% YoY to ₹ 310 crore (I-direct estimate: ₹ 311 crore. Tonnage grew 12.3% YoY to 2,47,000 tonnes
- EBITDA grew 14% YoY to ₹ 51 crore with margins at 16.6% (vs. expected 15% margins)
- Subsequently, PAT grew 11% to ₹ 38 crore (QoQ increase of 22%)

What should investors do? Asset light business, with IT enabled owned branches, keeps the business operations at optimum levels and aligned to the company strategy of providing customised express solution to its customers. It makes 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 ₹ 2195 i.e. 41x 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 Blue Dart.

- Blue Dart, 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



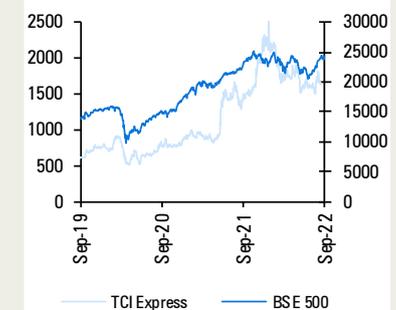
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	7,196.4
Total Debt (FY22) (₹ Cr)	1.0
Cash (FY22) (₹ Cr)	18.0
EV (₹ Cr)	7,179.3
52 week H/L	2572/1442
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	66.7	66.7	66.7	66.7
FII	2.1	2.0	1.9	1.8
DII	9.3	8.1	8.7	10.5
Others	21.8	23.2	22.7	21.1

Price Chart



Recent event & key risks

- Capex of ₹ 50 crore in H1FY23
- Key Risk:** (i) Delay in expected recovery in MSME (ii) Rising B2B competitiveness

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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	1,269.9	1,504.2	17.9
EBITDA (₹ crore)	121.3	134.3	174.7	23.1	209.5	276.8	25.9
Adjusted Net Profit (₹ crore)	89.1	100.6	128.9	28.0	153.9	206.2	26.5
EPS (₹)	23.3	26.2	33.5		40.0	53.6	
P/E (x)	80.8	71.9	56.2		47.0	35.1	
Price / Book (x)	21.3	16.7	13.5		11.0	8.7	
EV/EBITDA (x)	59.2	53.6	41.3		34.4	26.0	

Source: Company, ICICI Direct Research

Key takeaways

Q2FY23 Results:

- In Q2FY23, the company added 12 new branches taking the total number of branches added in H1FY23 to 22
- Revenue mix was driven equally by SME and corporates

Q2FY23 Earnings Conference Call highlights

- Revenue growth due to increased demand from rural areas and festive season demand. Category wise auto, retail sector and electronics aided the revenue growth. Revenue from value added services was at 16% in H1FY23
- The company maintained revenue growth guidance of 18-20% and expects EBITDA margin of 17.5% in FY23 and 18+ in FY24
- The company opened 22 new branches during H1FY23 to deepen its presence in key business geographies and to cater to the growing demand. The company is planning to open 50 more branches in H2FY23
- Revenue share of SME is 52% in Q2FY23 and 51% in H1FY23. The management highlighted that SME margin is 25% higher than large corporate margin
- The company had launched three new services Pharma Cold Chain Express, C2C Express and Rail Express in FY22, which are seeing good acceptance among customers. In the cold chain business, the company is doing only pharma and is present in only transportation and not in warehousing. The margin it generates in the pharma cold chain is around 18-20%
- The company has incurred ₹ 50 crore as capex in H1FY23 for purchasing land in Kolkata to set up a sorting centre and expand its network to serve the growing demand across geographies
- 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 3-4% in FY23 whereas last year it took a hike in the range of 2.5%
- Truck utilisation was at 85% during the quarter. The management expects 85%+ from next quarter onwards
- The management has guided for 18-20% revenue growth in the next three years

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	309.9	310.8	273.4	13.3	290.4	6.7	Highest ever quarterly revenues; utilisation at 85% vs 84.5% in Q1FY23
Operating expenses	210.7	214.4	186.1	13.2	201.0	4.8	
Employee Expenses	30.9	31.1	27.4	12.9	30.9	0.1	
Other Expense	16.9	18.6	14.7	14.8	15.8	6.7	
Total Expense	258.4	264.2	228.2	13.3	247.7	4.3	
EBITDA	51.5	46.6	45.3	13.7	42.8	20.3	
EBITDA Margin (%)	16.6	15.0	16.6	6 bps	14.7	188 bps	Margins better vis-à-vis estimate due to improved demand and cost rationalisation and efficiency benefits due to automation of sorting centres
Depreciation	3.5	3.5	2.4	47.9	3.3	4.8	
Interest	0.4	0.2	0.3	16.7	0.3	20.7	
Other Income	2.3	2.0	2.4	-3.8	1.9	17.6	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	49.9	44.9	45.0	11.0	41.1	21.4	
Total Tax	12.1	11.3	10.9	11.0	10.1	20.1	
PAT	37.8	33.6	34.0	11.0	31.0	21.9	

Source: Company, ICICI Direct Research

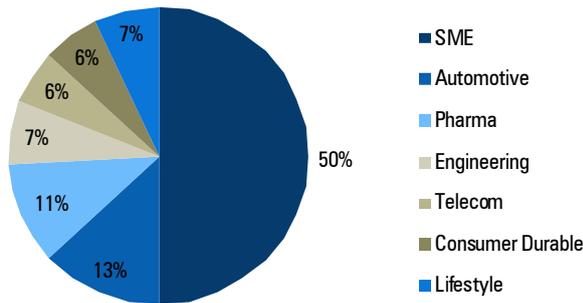
Exhibit 2: Change in estimates

(₹ Crore)	FY23E				FY24E				Comments
	FY22	Old	New	% Change	Old	New	% Change		
Gross Revenue	1,081.5	1,259.7	1,269.9	0.8	1,479.1	1,504.2	1.7	Revenues declined due to lower than expected growth in overall volumes	
EBITDA	174.7	196.5	209.5	6.6	252.9	276.8	9.4		
EBITDA Margin (%)	16.2	15.6	16.5	90 bps	17.1	18.4	130 bps	FY23/24 margins revised upwards due to higher cost efficiencies	
PAT	128.9	144.2	153.9	6.7	188.4	206.2	9.5		
EPS (₹)	33.5	37.5	40.0	6.6	48.9	53.6	9.5		

Source: ICICI Direct Research

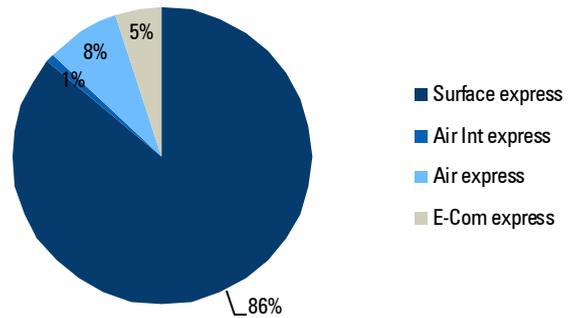
Key Metrics

Exhibit 3: Industry verticals



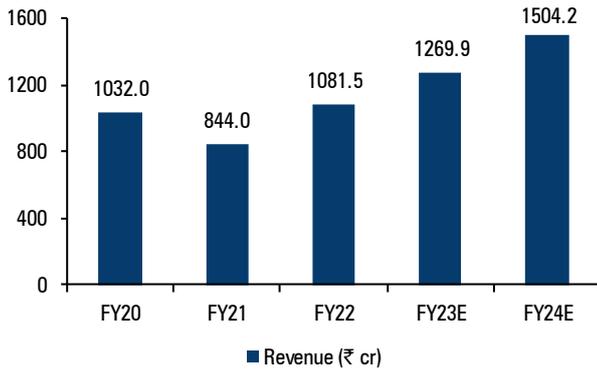
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



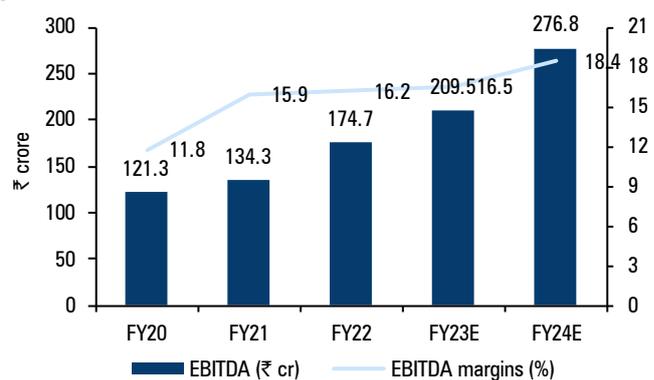
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 17% CAGR in FY22-24



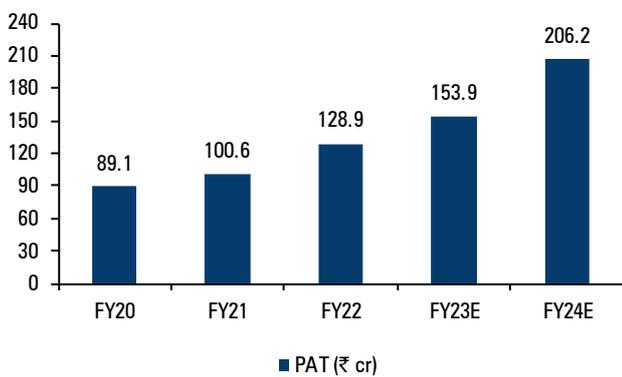
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 20% CAGR in FY22-24



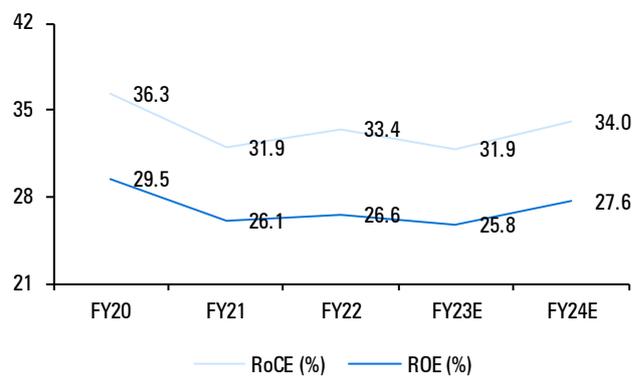
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 21% CAGR in FY20-24



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/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	1032.0	0.8	23.3	22.3	80.8	59.2	29.5	36.3
FY21	844.0	-18.2	26.2	12.4	71.9	16.7	26.1	31.9
FY22	1081.5	28.1	33.5	27.9	56.2	13.5	26.6	33.4
FY23E	1269.9	17.4	40.0	19.5	47.0	11.0	25.8	31.9
FY24E	1504.2	18.5	53.6	34.0	35.1	8.7	27.6	34.0

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	1,269.9	1,504.2
Growth (%)	(18.2)	28.1	17.4	18.5
Operating expenses	566.7	733.0	869.9	1,007.8
Employee Cost	87.3	109.9	127.0	144.4
Other expenses	55.6	63.8	63.5	75.2
Total Expenses	709.7	906.7	1,060.3	1,227.4
EBITDA	134.3	174.7	209.5	276.8
Growth (%)	10.7	30.1	19.9	32.1
Depreciation	9.0	10.0	16.0	19.5
EBIT	125.4	164.8	193.5	257.2
Interest	0.8	0.9	0.1	0.1
Other Income	7.7	8.2	12.3	18.4
PBT	132.2	172.0	205.7	275.6
Growth (%)	13.0	30.1	19.6	34.0
Tax	31.6	43.2	51.8	69.4
Reported PAT	100.6	128.9	153.9	206.2
Exceptional Items	-	-	-	-
Adjusted PAT	100.6	128.9	153.9	206.2
Growth (%)	12.9	28.1	19.5	34.0
EPS	26.2	33.5	40.0	53.6

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	153.9	206.2
Less: Dividend Paid	(0.8)	(0.9)	(0.1)	(0.1)
Add: Depreciation	9.0	10.0	16.0	19.5
Add: Others	-	(18.8)	-	-
Cash Profit	110.4	120.9	170.0	225.8
Increase/(Decrease) in CL	16.1	8.6	10.1	18.4
(Increase)/Decrease in CA	(5.4)	(18.7)	(3.2)	(36.9)
CF from Operating Activities	99.9	110.8	171.3	201.4
(Add) / Dec in Fixed Assets	(54.5)	(80.0)	(100.3)	(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)	(130.3)	(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)	9.9	8.3
Op. Cash and cash Eq.	12.9	27.2	18.0	27.9
Cl. Cash and cash Eq.	27.2	18.0	27.9	36.3

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	651.6	827.0
Shareholder's Fund	433.9	536.2	659.3	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	668.1	843.6
Application of Funds				
Gross Block	259.0	357.7	457.7	557.7
Less: Acc. Depreciation	34.5	44.5	60.5	80.0
Net Block	224.4	314.7	397.2	477.6
Capital WIP	27.8	6.1	7.9	10.3
Total Fixed Assets	252.2	320.8	405.1	487.9
Intangibles	1.8	3.0	3.0	3.0
Investments	14.7	1.1	31.1	91.1
Debtors	169.5	189.5	191.3	226.7
Cash	27.2	18.0	27.9	36.3
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	255.4	301.9
Creditors	75.2	73.7	78.6	91.1
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	122.0	140.3
Net Working Capital	111.0	129.2	133.4	161.6
Miscellaneous expense	-	-	-	-
Application of Funds	440.4	545.2	668.1	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	171.3	216.8
EPS	26.2	33.5	40.0	53.6
Cash EPS	28.5	36.1	44.1	58.6
DPS	4.0	8.0	8.0	8.0
Profitability & Operating Ratios				
EBITDA Margin (%)	15.9	16.2	16.5	18.4
PAT Margin (%)	11.9	11.9	12.1	13.7
Fixed Asset Turnover (x)	1.9	2.0	1.9	1.8
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	25.8	27.6
RoCE	31.9	33.4	31.9	34.0
RoIC	23.1	24.0	23.3	24.7
Valuation Ratios (x)				
P/E	71.9	56.2	47.0	35.1
Price to Book Value	16.7	13.5	11.0	8.7
EV/EBITDA	53.6	41.3	34.4	26.0
EV/Sales	8.5	6.7	5.7	4.8
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	160.7	181.0	3,225.1	4,287.4
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	830	1,000	BUY	1,68,635	21.9	28.7	43.2	33.8	34.7	29.0	22.5	21.2	18.4	12.7	9.5	11.5	16.3	10.7	12.5
Container Corporation	690	890	BUY	43,382	17.3	30.2	36.6	83.2	39.8	22.9	10.5	6.1	4.7	4.5	10.2	12.1	5.4	9.6	14.7
Transport Corp. of India	670	890	Buy	4,888	37.3	42.4	50.8	35.4	18.0	15.8	19.5	11.9	10.6	13.3	20.3	20.2	12.9	20.5	19.1
Gujarat Pipavav	86	110	BUY	4,158	4.1	5.6	6.7	21.1	15.4	12.9	8.0	6.7	5.7	12.1	15.7	18.6	8.6	11.7	13.8
TCI Express	1,880	2,195	BUY	7,196	26.2	33.5	40.0	80.8	71.9	56.2	59.2	53.6	41.3	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	545	610	BUY	3,908	5.2	9.0	14.9	105.4	60.9	36.7	18.7	14.1	10.7	12.2	33.1	38.4	6.3	10.1	14.6
BlueDart Express	7,420	8,000	Reduce	21,075	135.3	211.0	275.7	199.9	65.6	42.0	30.2	21.4	16.5	50.5	69.7	68.8	13.5	38.0	38.2
Gateway Distriparks	71	85	BUY	3,547	4.5	3.5	4.4	37.6	15.9	20.2	12.8	10.5	9.0	11.7	15.4	16.2	6.4	13.7	10.2

Source: ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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