

# TCI Express

BSE SENSEX 65,877 S&P CNX 19,671

Estimate change

TP change

Rating change



## Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USDb)	52.5 / 0.6
52-Week Range (INR)	1982 / 1364
1, 6, 12 Rel. Per (%)	-6/-21/-40
12M Avg Val (INR M)	54

## Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	12.4	13.3	15.0
EBITDA	1.9	2.1	2.6
Adj. PAT	1.4	1.5	1.9
EBITDA Margin (%)	15.7	16.0	17.2
Adj. EPS (INR)	36.4	39.1	48.7
EPS Gr. (%)	8.1	7.6	24.5
BV/Sh. (INR)	156	187	228

## Ratios

Net D/E (x)	0.0	-0.1	0.0
RoE (%)	24.6	22.8	23.5
RoCE (%)	24.4	22.7	23.4
Payout (%)	22.0	20.4	16.4

## Valuations

P/E (x)	37.7	35.0	28.1
P/BV (x)	8.8	7.3	6.0
EV/EBITDA (x)	26.9	24.5	19.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.8	1.2	1.4

## Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	66.9	66.7	66.7
DII	10.4	10.5	9.5
FII	1.7	1.8	2.1
Others	21.0	21.0	21.6

FII Includes depository receipts

**CMP: INR1,370 TP: INR1,700 (+24%)**

**Buy**

## In-line performance; volume growth likely to improve in 2HFY24

- TCI Express (TCIE)'s 2QFY24 revenue grew 3% YoY to ~INR3.2b, in line with our estimate. Volume stood at 0.25m tonnes (+2% YoY), while realization rose ~1% during the quarter. In 1HFY24, volume grew ~3% YoY (0.49m tonnes). Utilization improved sequentially to 84%. Volumes were impacted by the shift of festival-linked demand to Oct'23. Hence, 3QFY24 is expected to witness strong volume growth.
- EBITDA stood at INR505m with margin of 15.8% (est. 16.2%). PAT came in at INR356m (5% below our estimate) with margin of 11.1%.
- TCIE generated CFO of INR385m in 1HFY24 vs. INR1.5b in 1HFY23. Total cash and bank balance as of Sep'23 were INR150m. Net working capital days stood at 23 in 2QFY24 vs. 24 in 2QFY23. ROE/ROCE for 1HFY24 were at 22%/29%.
- The 2Q performance was largely in line with our estimate. Given a softened outlook, we cut our EPS estimates by ~4%/3% for FY24/FY25. We expect a CAGR of 8%/10%/16%/16% in volume/revenue/EBITDA/PAT over FY23-25, aided by automation and branch network expansion, resulting in improved operating efficiencies. Capex of INR5b is envisaged over FY23-28 for setting up its own sorting centers and corporate office in Gurugram, Haryana. Reiterate BUY with a revised TP of INR1,700 (based on 35x FY25E EPS).

## Highlights from the management commentary

- Value-added services contributed ~17% in 2QFY24, up from 15.5% in 2QFY23. Air and rail express businesses are yielding higher margins than the surface express business. The company aims to increase the contribution of value-added services to 25% by FY25 and 50% in the next 6-7 years.
- The Auto and Pharma industries contributed ~70-80% of revenue in 2Q, while lifestyle products and apparels contributed ~10-15%.
- TCIE is on track to achieve double-digit growth in FY24 and improve its margin profile. It continues to focus on increasing its customer base, setting up new branches and developing automated sorting centers.
- TCIE has appointed Hemant Srivastava as COO of the non-surface express business to enhance value-added services such as rail express, cold chain express, etc.

## Cautious branch expansion while aiming for sustainable Margin and ROCE profile

- TCIE has opened 12 new branches in 1HFY24 and aims to open another 25 branches in 2HFY24. The management will selectively open new branches depending on the pickup in the manufacturing sector.
- The company aims to achieve sustainability in margins and ROCE by enhancing its operational efficiency through tech-driven advancement.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Valuation and view

- While 2QFY24 has been soft, volumes are expected to ramp up in 2HFY24 and margins should continue to improve. TCIE's growth strategy focuses on achieving balanced growth and revenue quality, expanding its margins and ensuring sustainable ROCE.
- We expect TCIE to clock an 8% CAGR in volume CAGR and ~10%/16%/16% CAGR in revenue/EBITDA/PAT over FY23-25. **Reiterate BUY with a TP of INR1,700 (based on 35x FY25E EPS).**

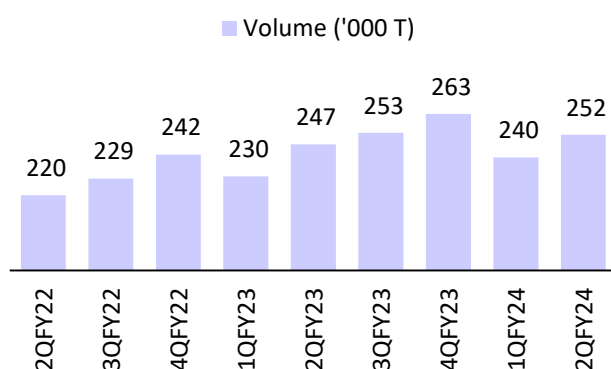
## Quarterly snapshot

	FY23				FY24E				FY23	FY24E	FY24	INR m
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var. vs Est
<b>Net Sales</b>	<b>2,904</b>	<b>3,099</b>	<b>3,144</b>	<b>3,263</b>	<b>3,049</b>	<b>3,200</b>	<b>3,497</b>	<b>3,540</b>	<b>12,410</b>	<b>13,286</b>	<b>3,294</b>	<b>(3)</b>
YoY Change (%)	30.3	13.3	9.6	9.4	5.0	3.3	11.2	8.5	14.8	7.1	6.3	
<b>EBITDA</b>	<b>428</b>	<b>515</b>	<b>461</b>	<b>541</b>	<b>464</b>	<b>505</b>	<b>570</b>	<b>582</b>	<b>1,945</b>	<b>2,121</b>	<b>532</b>	<b>(5)</b>
Margins (%)	14.7	16.6	14.7	16.6	15.2	15.8	16.3	16.5	15.7	16.0	16.2	
YoY Change (%)	33.4	13.7	-2.3	7.8	8.4	-2.0	23.7	7.6	11.3	9.1	3.3	
Depreciation	33	35	43	42	46	47	48	43	153	184	48	
Interest	3	4	4	7	4	4	5	6	18	18	5	
Other Income	19	23	13	17	15	18	21	24	72	77	20	
<b>PBT before EO expense</b>	<b>411</b>	<b>499</b>	<b>427</b>	<b>509</b>	<b>429</b>	<b>472</b>	<b>538</b>	<b>557</b>	<b>1,845</b>	<b>1,996</b>	<b>499</b>	<b>(5)</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>411</b>	<b>499</b>	<b>427</b>	<b>509</b>	<b>429</b>	<b>472</b>	<b>538</b>	<b>557</b>	<b>1,845</b>	<b>1,996</b>	<b>499</b>	<b>(5)</b>
Tax	101	121	106	124	105	116	136	140	453	497	126	
Rate (%)	24.5	24.3	24.9	24.4	24.6	24.5	25.2	25.2	24.5	24.9	25.2	
<b>Reported PAT</b>	<b>310</b>	<b>378</b>	<b>320</b>	<b>385</b>	<b>323</b>	<b>356</b>	<b>402</b>	<b>417</b>	<b>1,393</b>	<b>1,499</b>	<b>373</b>	<b>(5)</b>
<b>Adj PAT</b>	<b>310</b>	<b>378</b>	<b>320</b>	<b>385</b>	<b>323</b>	<b>356</b>	<b>402</b>	<b>417</b>	<b>1,393</b>	<b>1,499</b>	<b>373</b>	<b>(5)</b>
YoY Change (%)	30.5	11.0	-8.8	7.0	4.3	-5.8	25.7	8.5	8.1	7.6	-1.3	
Margins (%)	10.7	12.2	10.2	11.8	10.6	11.1	11.5	11.8	11.2	11.3	11.3	

E: MOSL Estimates

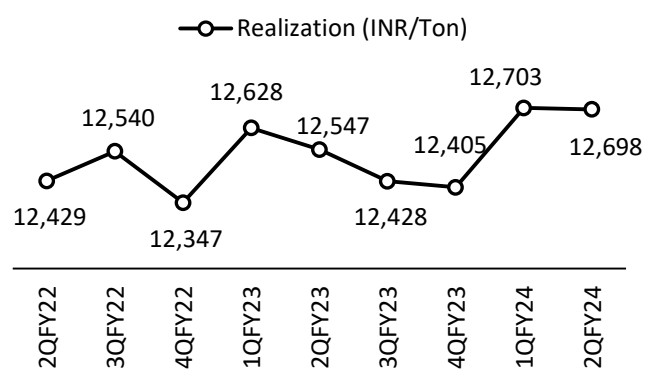
## The quarter in charts

Exhibit 1: Volume increases 2% YoY



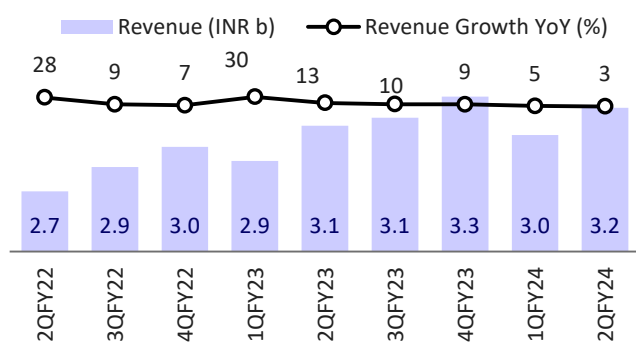
Source: Company, MOFSL

Exhibit 2: Realizations rise ~1% YoY driven by price hike



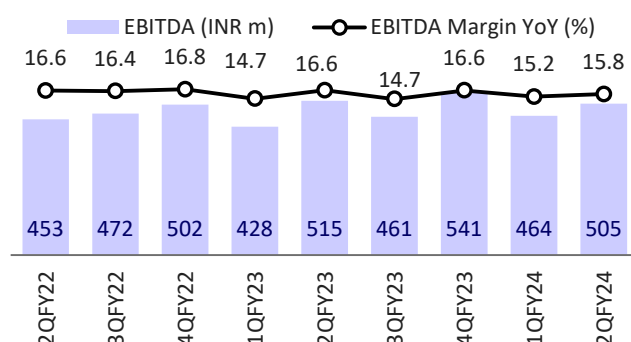
Source: Company, MOFSL

Exhibit 3: Revenue grows in line with volume



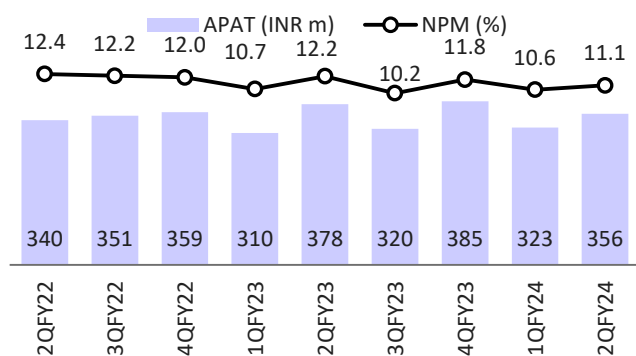
Source: Company, MOFSL

Exhibit 4: EBITDA margins see QoQ improvement



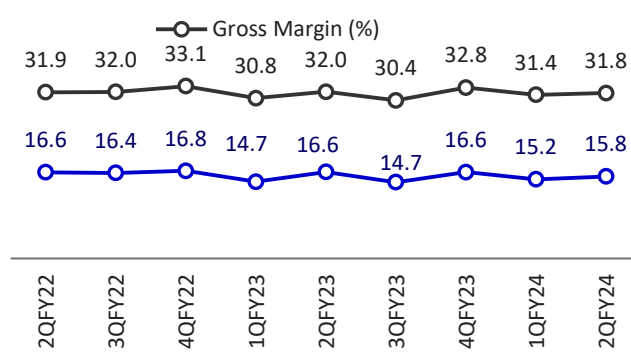
Source: Company, MOFSL

Exhibit 5: PAT and PAT margin trends



Source: Company, MOFSL

Exhibit 6: Improvement in utilization leads to higher margin on QoQ basis



Source: Company, MOFSL

## Highlights from our interaction with the management

### Operational highlights

- Revenue grew by 3% YoY to ~INR3.2b (+5% QoQ). Volume stood at 0.25m tonnes (+2% YoY). For 1HFY24, volume grew ~3% YoY (0.49m tonnes). TCIE took a 50bp price increase in 2QFY24, and the management aims to increase prices by 2% in FY24. Volumes could have been better but were impacted by a 15-day delay in festive season demand. These volumes would flow in 3QFY24.
- Value-added services contributed ~17% in 2QFY24, up from 15.5% in 2QFY23. Air and rail express businesses are yielding higher margins compared to surface express business. The company aims to increase the contribution of value-added services to 25% by FY25.
- Utilization level was ~84% in 2QFY24 and ~85% in Oct'23. TCIE aims to maintain 85% level in FY24.
- Net working capital days stood at 23 in 2QFY24 vs. 24 days in 2QFY23.
- The board has announced an interim dividend of INR3/share for FY24.
- Auto and Pharma industry contributed ~70-80% of revenue in 2QFY24, while lifestyle products and apparels contributed ~10-15%.
- TCIE has appointed Hemant Srivastava as COO of the non-surface express business, including newly launched business verticals, to focus on value-added services.

**Margins & Capex**

- The management expects margin to be around 17.0% in FY24.
- It focuses on margin stabilization through automation and network efficiency.
- TCIE incurred a capex of INR210m in 1HFY24 and has guided for INR800m and INR1b of capex in F24 and FY25, respectively.

**Non-Surface Express Business**

- The contribution to revenue from newly launched services, particularly from rail express, has been steadily increasing.
- TCIE has expanded its customer base notably in Rail express to 3,000 from 250 and increased its presence to 125 routes from 10 routes since inception.
- Margin in the cold chain business is in the range of 18-20%, and similar margins can be expected in FY24.

**Guidance**

- TCIE expects to register double-digit growth in revenue in FY24.
- The management will take a price hike of 2% in FY24.
- The company added 12 branches in 1HFY24, mainly in the west and northern regions. The management aims to open another 25 branches in 2HFY24 while taking a cautious approach. TCIE has added 450 branches in the past five years and aims to stabilize operations in these branches moving forward.
- New value-added services are expected to contribute 25% to revenue, driven by rail express and cold chain.
- There is a planned capex of INR5b in five years (FY23-FY28). It incurred capex of INR1.25b in FY23 and the remaining INR3.75b will be spent on automated sorting centers and the enhancement of automation/technological capabilities.

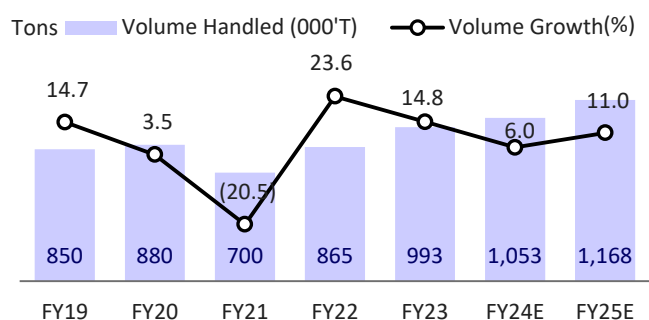
**Exhibit 7: Our revised forecasts**

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	13,286	13,734	-3.3	15,043	15,550	-3.3
EBITDA	2,121	2,215	-4.3	2,595	2,702	-4.0
<b>EBITDA Margin (%)</b>	<b>16.0</b>	<b>16.1</b>	<b>-17</b>	<b>17.2</b>	<b>17.4</b>	<b>-13</b>
PAT	1,499	1,559	-3.9	1,866	1,932	-3.4
<b>EPS (INR)</b>	<b>39.1</b>	<b>40.7</b>	<b>-3.9</b>	<b>48.7</b>	<b>50.4</b>	<b>-3.4</b>

Source: Company, MOFSL

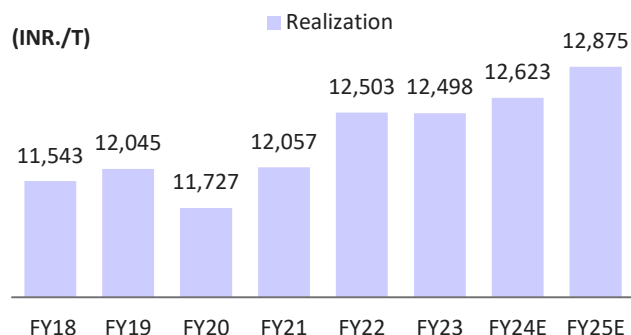
## Financial story in charts

**Exhibit 8: Volumes to register CAGR of 8% over FY23-25**



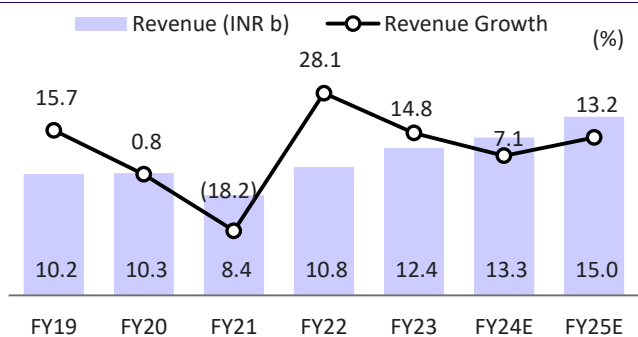
Source: Company, MOFSL

**Exhibit 9: Realization to pick up with price hikes**



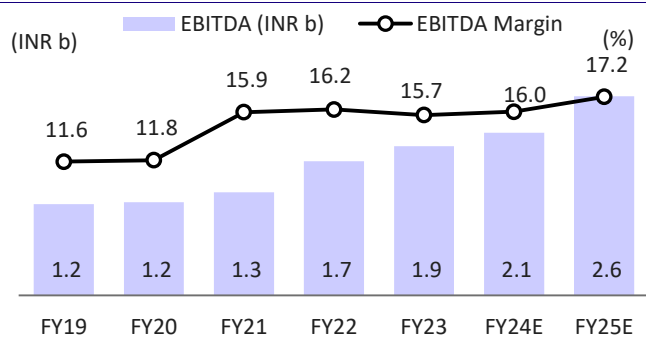
Source: Company, MOFSL

**Exhibit 10: Revenue growth led primarily by tonnage growth**



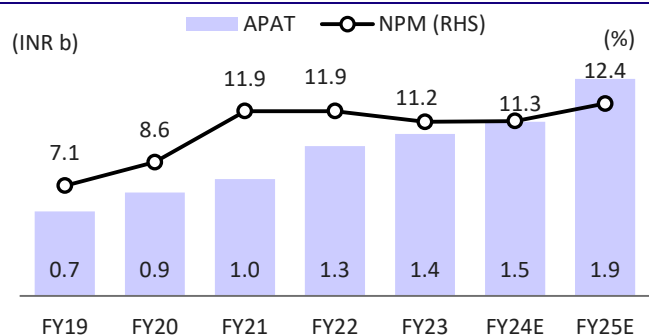
Source: Company, MOFSL

**Exhibit 11: EBITDA expected to improve with increasing hub efficiencies and lower rental cost**



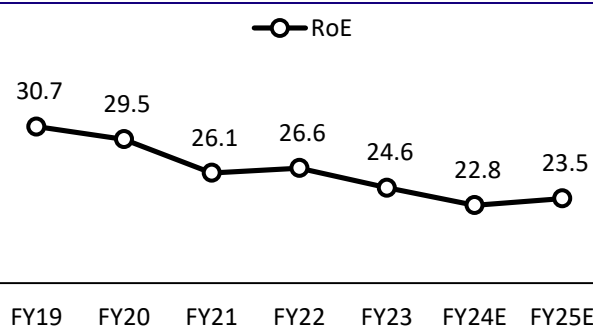
Source: Company, MOFSL

**Exhibit 12: Improvement in operational efficiency to drive profitability**



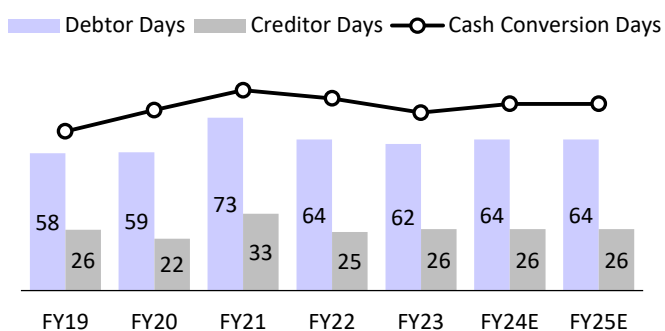
Source: Company, MOFSL

**Exhibit 13: RoE to hover around 23% though FY24-25**



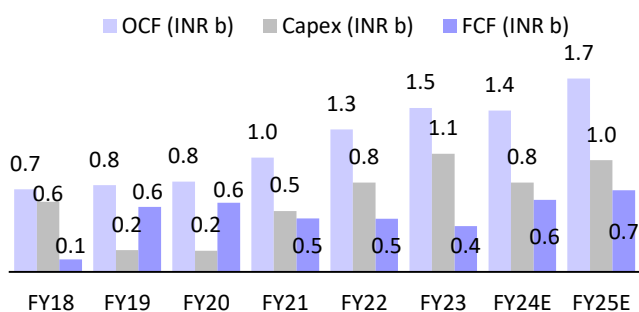
Source: Company, MOFSL

**Exhibit 14: Comfortable working capital position**



Source: Company, MOFSL

**Exhibit 15: Cash generation to remain healthy**



Source: Company, MOFSL

## Financials and valuations

### Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>10,238</b>	<b>10,320</b>	<b>8,440</b>	<b>10,815</b>	<b>12,410</b>	<b>13,286</b>	<b>15,043</b>
Change (%)	15.7	0.8	-18.2	28.1	14.8	7.1	13.2
Gross Margin (%)	26.4	28.9	32.9	32.2	31.5	32.8	32.9
<b>EBITDA</b>	<b>1,190</b>	<b>1,213</b>	<b>1,343</b>	<b>1,747</b>	<b>1,945</b>	<b>2,121</b>	<b>2,595</b>
Margin (%)	11.6	11.8	15.9	16.2	15.7	16.0	17.2
Depreciation	65	78	90	100	153	184	165
<b>EBIT</b>	<b>1,125</b>	<b>1,135</b>	<b>1,254</b>	<b>1,648</b>	<b>1,792</b>	<b>1,936</b>	<b>2,429</b>
Int. and Finance Charges	38	9	8	9	18	18	18
Other Income	32	44	77	82	72	77	84
<b>PBT</b>	<b>1,119</b>	<b>1,170</b>	<b>1,322</b>	<b>1,720</b>	<b>1,845</b>	<b>1,996</b>	<b>2,495</b>
Tax	390	279	316	432	453	497	629
Effective Tax Rate (%)	34.9	23.9	23.9	25.1	24.5	24.9	25.2
<b>Reported PAT</b>	<b>728</b>	<b>891</b>	<b>1,006</b>	<b>1,289</b>	<b>1,393</b>	<b>1,499</b>	<b>1,866</b>
Change (%)	24.7	22.3	12.9	28.1	8.1	7.6	24.5
Margin (%)	7.1	8.6	11.9	11.9	11.2	11.3	12.4

### Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	77	77	77	77	77	77	77
Total Reserves	2,595	3,296	4,262	5,285	5,887	7,079	8,639
<b>Net Worth</b>	<b>2,672</b>	<b>3,373</b>	<b>4,339</b>	<b>5,362</b>	<b>5,964</b>	<b>7,156</b>	<b>8,716</b>
Deferred Tax Liabilities	55	41	54	79	105	105	105
Total Loans	98	40	21	11	46	48	54
<b>Capital Employed</b>	<b>2,825</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,309</b>	<b>8,874</b>
Gross Block	1,961	2,126	2,629	3,628	4,242	5,042	6,042
Less: Accum. Deprn.	230	272	345	430	501	685	851
<b>Net Fixed Assets</b>	<b>1,731</b>	<b>1,854</b>	<b>2,284</b>	<b>3,198</b>	<b>3,741</b>	<b>4,356</b>	<b>5,191</b>
Capital WIP	14	230	278	61	611	611	611
<b>Total Investments</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,033</b>	<b>2,222</b>	<b>2,894</b>	<b>3,301</b>	<b>2,993</b>	<b>3,660</b>	<b>4,565</b>
Inventory	0	0	0	0	0	0	0
Account Receivables	1,631	1,658	1,695	1,895	2,115	2,330	2,638
Cash and Bank Balances	171	126	272	180	167	568	1,065
Loans and Advances	85	92	108	95	99	106	120
Others	145	346	819	1,130	613	656	743
<b>Current Liab. and Prov.</b>	<b>964</b>	<b>861</b>	<b>1,052</b>	<b>1,119</b>	<b>1,235</b>	<b>1,322</b>	<b>1,497</b>
Account Payables	724	620	752	737	884	947	1,072
Other Current Liabilities	200	195	257	326	300	321	363
Provisions	41	47	43	56	51	55	62
<b>Net Current Assets</b>	<b>1,069</b>	<b>1,360</b>	<b>1,842</b>	<b>2,182</b>	<b>1,758</b>	<b>2,337</b>	<b>3,068</b>
<b>Application of Funds</b>	<b>2,825</b>	<b>3,454</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,309</b>	<b>8,874</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
EPS	19.0	23.3	26.3	33.6	36.4	39.1	48.7
EPS growth (%)	24.7	22.3	12.9	28.1	8.1	7.6	24.5
Cash EPS	20.7	25.3	28.6	36.2	40.4	43.9	53.0
BV/Share	69.8	88.0	113.3	140.0	155.7	186.8	227.5
DPS	3.0	4.0	4.0	8.0	8.0	8.0	8.0
Payout (incl. Div. Tax, %)	18.4	23.9	15.3	23.8	22.0	20.4	16.4
<b>Valuation (x)</b>							
P/E	72.1	59.0	52.2	40.8	37.7	35.0	28.1
Cash P/E	66.2	54.2	47.9	37.8	34.0	31.2	25.9
EV/EBITDA	44.1	43.2	38.9	30.0	26.9	24.5	19.8
EV/Sales	5.1	5.1	6.2	4.8	4.2	3.9	3.4
P/BV	19.7	15.6	12.1	9.8	8.8	7.3	6.0
Dividend Yield (%)	0.2	0.3	0.3	0.6	0.6	0.6	0.6
<b>Return Ratios (%)</b>							
RoE	30.7	29.5	26.1	26.6	24.6	22.8	23.5
RoCE	28.2	28.6	25.7	26.3	24.4	22.7	23.4
RoIC	29.2	30.2	27.5	27.3	25.7	25.4	27.3
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	5.4	5.1	3.5	3.5	3.2	2.9	2.7
Asset Turnover (x)	3.6	3.0	1.9	2.0	2.0	1.8	1.7
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	58	59	73	64	62	64	64
Creditors (Days)	26	22	33	25	26	26	26
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0

### Consolidated – Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,119	1,170	1,322	1,720	1,845	1,996	2,495
Depreciation	65	78	90	100	153	184	165
Direct Taxes Paid	-388	-317	-284	421	-430	-497	-629
(Inc.)/Dec. in WC	-50	-125	-75	-106	-107	-178	-234
Other Items	29	2	-30	-859	6	-59	-66
<b>CF from Operations</b>	<b>775</b>	<b>808</b>	<b>1,023</b>	<b>1,276</b>	<b>1,468</b>	<b>1,446</b>	<b>1,732</b>
(Inc.)/Dec. in FA	-193	-188	-545	-800	-1,058	-800	-1,000
<b>Free Cash Flow</b>	<b>582</b>	<b>620</b>	<b>478</b>	<b>475</b>	<b>410</b>	<b>646</b>	<b>732</b>
Change in Investments	-13	-283	-439	-147	-162	0	0
Others	-51	-124	24	44	567	77	84
<b>CF from Investments</b>	<b>-256</b>	<b>-595</b>	<b>-960</b>	<b>-903</b>	<b>-653</b>	<b>-723</b>	<b>-916</b>
Change in Equity	0	0	0	0	-405	0	0
Inc./(Dec.) in Debt	-299	-36	2	10	-3	0	0
Dividends Paid	-134	-213	-77	-308	-407	-306	-306
Others	-38	-9	-8	-9	-21	-15	-13
<b>CF from Fin. Activity</b>	<b>-470</b>	<b>-258</b>	<b>-83</b>	<b>-307</b>	<b>-835</b>	<b>-322</b>	<b>-319</b>
<b>Inc./(Dec.) in Cash</b>	<b>49</b>	<b>-45</b>	<b>-20</b>	<b>66</b>	<b>-20</b>	<b>402</b>	<b>497</b>
Opening Balance	122	171	111	92	158	167	568
<b>Closing Balance</b>	<b>171</b>	<b>126</b>	<b>92</b>	<b>158</b>	<b>138</b>	<b>568</b>	<b>1,065</b>

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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