

May 11, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	1,410		1,430	
Sales (Rs. m)	13,872	15,769	14,122	16,054
% Chng.	(1.8)	(1.8)		
EBITDA (Rs. m)	2,187	2,661	2,283	2,771
% Chng.	(4.2)	(4.0)		
EPS (Rs.)	39.9	48.6	42.1	51.1
% Chng.	(5.2)	(4.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	12,410	12,538	13,872	15,769
EBITDA (Rs. m)	1,945	1,872	2,187	2,661
Margin (%)	15.7	14.9	15.8	16.9
PAT (Rs. m)	1,393	1,317	1,531	1,863
EPS (Rs.)	36.4	34.4	39.9	48.6
Gr. (%)	8.7	(5.5)	16.2	21.7
DPS (Rs.)	8.0	8.0	8.0	8.0
Yield (%)	0.7	0.7	0.7	0.7
RoE (%)	24.6	20.3	20.0	20.6
RoCE (%)	31.6	25.8	25.5	26.5
EV/Sales (x)	3.4	3.3	2.9	2.6
EV/EBITDA (x)	21.5	22.1	18.6	15.2
PE (x)	30.4	32.2	27.7	22.7
P/BV (x)	7.1	6.0	5.1	4.3

Key Data

TCIE.BO | TCIEXP IN

52-W High / Low	Rs.1,701 / Rs.998
Sensex / Nifty	72,664 / 22,055
Market Cap	Rs.42bn/ \$ 507m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.81.84m

Shareholding Pattern (%)

Promoter's	46.31
Foreign	12.29
Domestic Institution	25.87
Public & Others	15.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.2	(17.5)	(26.6)
Relative	3.5	(26.3)	(37.4)

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TCI Express (TCIEXP IN)

Rating: BUY | CMP: Rs1,105 | TP: Rs1,410

Anticipating revival in Pharma and Eng. goods

Quick Pointers:

- Expect for Auto anc, other sectors (Pharma, Eng goods, Lifestyle, Cons, goods) showed subdued performance n Q4
- Contribution from new businesses (Rail Express, Cold chain, E-Com, Air, C2C) improved ~150 bps to ~18% of cons revenues in FY24

TCI Express (TCIEXP) Q4FY24 cons revenues de-grew 2.8% YoY to Rs.3.2bn (PLe: Rs.3.2bn), driven by total volume of 2.58 lakh tonnes which was marginally higher by 0.7% YoY. Cons EBITDA de-grew 17% Rs.0.45bn. EBITDA margins were trimmed by 245bps YoY to 14.1% due to unfavourable fleet utilization (down 150bps to 83.5%) and higher employee expenses. Consolidated PBT/PAT declined by 18.4%/17.8% to Rs.0.42bn/0.32bn but showed marginal improvement QoQ (Rs0.41bn/0.32bn). The stock is currently trading at 32x/23x FY24/26E earnings. We maintain Buy rating with a TP of Rs1410 based on 29x FY26E P/E multiple.

- Few sectors showing signs of revival:** FY24 ended with largely subdued logistics demand from sectors such as pharma (12% of revenues), lifestyle (7%), engineering goods (11%) and consumer durables - 8% (Auto anc remained outlier). However, the management anticipates greenshoots in pharma and engineering goods in the medium term (post-elections). Contribution from new business improved to 18% (up ~150bps YoY), with the appointment of several new business heads in FY24. We expect the contribution to reach 20% in next two years.
- Margins maintained in 15% rangebound levels:** Inspite of mere 1% volume growth and softer fleet utilization (down ~100 bps to 84%), the management was able to maintain its EBITDA margins. Further, revival in logistics demand from the core sectors in the medium term and efficiencies from recently automated Pune plant, could likely improve the margins by 50-100 bps in FY25E. Thereby, we expect nearly ~1bn FCF (2.3% yield) both in FY25E/26E, inspite of hiked est. capex (Rs0.8bn annually) and return ratios to remain attractive at 20%/25% levels (RoE/RoCE).
- Growth focused capex makes it future ready:** TCIEL has earmarked capex of ~Rs5bn for the next five years (FY22-27E), of which Rs.1.8bn has been invested by FY24 itself. Core to these investments would be i) developing of sorting centers, ii) implementing automation, iii) expanding branches and iv) enhancing technological capabilities. Further, investments are expected to add an incremental capacity for the next 15-20 years as newer sorting centers will replace existing leased centers plus will be 3x size and automated (payback targeted 7-8 years).

Exhibit 1: Q4FY24 Result Overview

Y/e March (rs mn)	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.	FY24	FY23	YoY gr.
Net revenue	3171	3263	-2.8%	3119	1.7%	12538	12410	1.0%
Variable cost of sales	2170	2192	-1.0%	2143	1.3%	8586	8497	1.0%
<i>% of net sales</i>	<i>68.4%</i>	<i>67.2%</i>		<i>68.7%</i>		<i>68.5%</i>	<i>68.5%</i>	
Employee expense	336	314	7.0%	336	0.0%	1,339	1,243	7.7%
<i>% of net sales</i>	<i>10.6%</i>	<i>9.6%</i>		<i>10.8%</i>		<i>10.7%</i>	<i>10.0%</i>	
Other expense	217	216	0.6%	185	17.4%	741	725	2.2%
<i>% of net sales</i>	<i>6.8%</i>	<i>6.6%</i>		<i>5.9%</i>		<i>5.9%</i>	<i>5.8%</i>	
Total expense	2723	2,721	0.1%	2663	2.2%	10,666	10,465	1.9%
EBITDA	448	541	-17.2%	456	-1.6%	1,872	1,945	-3.7%
<i>EBITDA Margin (%)</i>	<i>14.1%</i>	<i>16.6%</i>		<i>14.6%</i>		<i>14.9%</i>	<i>15.7%</i>	
Depreciation	48.6	42	15.7%	48	1.9%	190	153	23.8%
EBIT	400	499	-19.9%	408	-2.0%	1683	1792	-6.1%
Interest expense	4	7	-45.9%	3	21.2%	14	18	-22.4%
Other income	19	17	15.6%	20	-2.0%	72	72	-0.3%
PBT	415	509	-18.4%	424	-2.2%	1740	1845	-5.7%
Total tax	99	124	-20.1%	103	-3.2%	423	453	-6.6%
PAT	316	385	-17.8%	322	-1.9%	1317	1393	-5.4%
<i>Pat Margin (%)</i>	<i>10.0%</i>	<i>11.8%</i>		<i>10.3%</i>		<i>10.5%</i>	<i>11.2%</i>	

Source: Company, PL

Conference call highlights

Revenue and margins

- Q4 Volumes remained largely flattish with marginal volume growth of 2.0%/0.7% QoQ/YoY to 0.3mmt/1mmt. Higher logistics demand from auto ancillary segment was negated by muted demand from other segments such as pharma, lifestyle and engineering sectors.
- Gross margin declined by 120bps YoY to 31.6% due to below par fleet utilisation (83.5% vs 85% YoY). EBITDA margin was further trimmed by 245bps YoY to 14.1% due to higher employee benefit expenses.
- As per the management, low volume demand has resulted from clients left with more inventory stock due to the slowdown in consumption demand.
- The management anticipates a revenue growth turnaround by increased demand of volumes in the pharmaceutical, defence, engineering, and solar sectors. Demand for consumer goods and lifestyle could remain muted.
- In order to reach 20% margins, the management plans to grow at a rate of 12–15% in FY25 and maintain that growth rate for two to three years.

Capex and branch expansion

- Following the Gurgaon processing centre, the Pune processing centre is fully automated, and it is equipped with AI enabled cross belt sorter. This fulfilment centre has reduced the turnaround time by 40%.
- Out of the total capex of Rs460mn, machine related capex was Rs.250mn followed by 150mn for branch expansion and 60mn for technology related

investment. Total of 25 new branches have been added in FY24 out of which 10 have been added in Q4FY24.

- Capex of Rs.3bn is anticipated in the next 2.5-3 years, which will focus on construction of automated sorting centres. Construction of sorting centres in Ahmedabad and Kolkata will be completed by 2026 followed by sorting centres in Mumbai and Chennai.
- Branch network have expanded to 950+ branches

Others

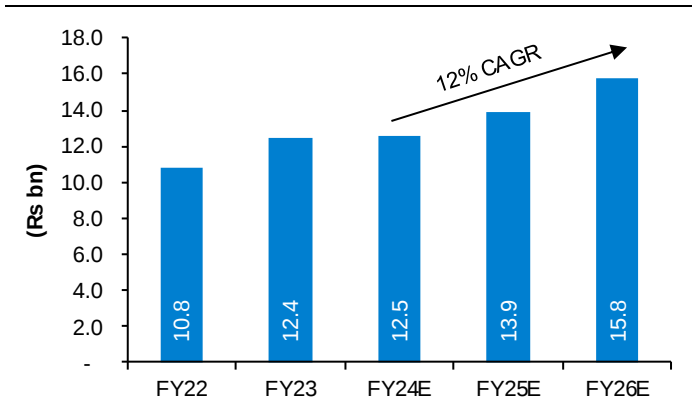
- Intended price hike of 1.5%-2% in FY25E vs 0.5% in FY24, indicates management's expectation of improved sentiments in the express segment in FY25.

Exhibit 2: Revenue/EBITDA to grow at 12.1%/19.2% CAGR over FY4-26E

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Volumes (tonne)	8,65,000	9,93,000	10,00,000	10,90,000	12,20,800
<i>Growth</i>	<i>25.4%</i>	<i>14.8%</i>	<i>0.7%</i>	<i>9.0%</i>	<i>12.0%</i>
Revenue per ton	12,503	12,498	12,538	12,726	12,917
<i>Growth</i>	<i>2.2%</i>	<i>0.0%</i>	<i>0.3%</i>	<i>1.5%</i>	<i>1.5%</i>
Revenue	10,815	12,410	12,538	13,872	15,769
<i>Growth</i>	<i>28.1%</i>	<i>14.8%</i>	<i>1.0%</i>	<i>10.6%</i>	<i>13.7%</i>
Gross profit	3,485	3,913	3,953	4,443	5,135
<i>Gross margins</i>	<i>32.2%</i>	<i>31.5%</i>	<i>31.5%</i>	<i>32.0%</i>	<i>32.6%</i>
Operational cost	7,330	8,497	8,586	9,428	10,634
<i>% of sales</i>	<i>67.8%</i>	<i>68.5%</i>	<i>68.5%</i>	<i>68.0%</i>	<i>67.4%</i>
EBITDA	1,747	1,945	1,872	2,187	2,661
<i>Margins</i>	<i>16.2%</i>	<i>15.7%</i>	<i>14.9%</i>	<i>15.8%</i>	<i>16.9%</i>
<i>Growth</i>	<i>30.1%</i>	<i>11.3%</i>	<i>-3.7%</i>	<i>16.8%</i>	<i>21.7%</i>
Other income	82	72	72	109	122
Depreciation	100	153	190	234	267
Interest	9	18	14	16	26
PBT	1,720	1,845	1,740	2,046	2,490
Tax	432	453	423	515	627
PAT	1,288	1,393	1,317	1,531	1,863
<i>Growth</i>	<i>28.0%</i>	<i>8.1%</i>	<i>-5.4%</i>	<i>16.2%</i>	<i>21.7%</i>
EPS	33.6	36.3	34.4	39.9	48.6

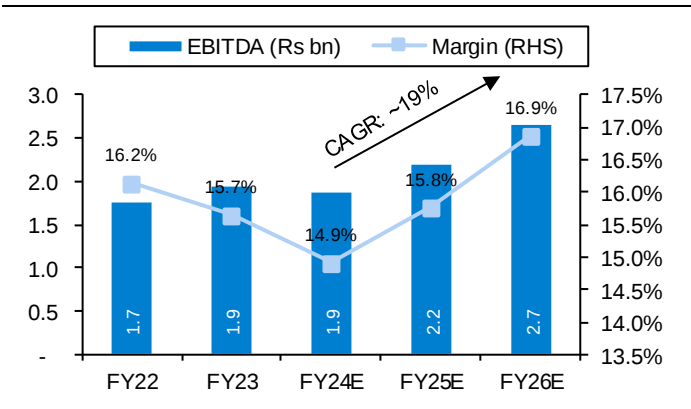
Source: Company, PL

Exhibit 3: Revenue to grow at 12% CAGR over FY24-26E (Rs bn)



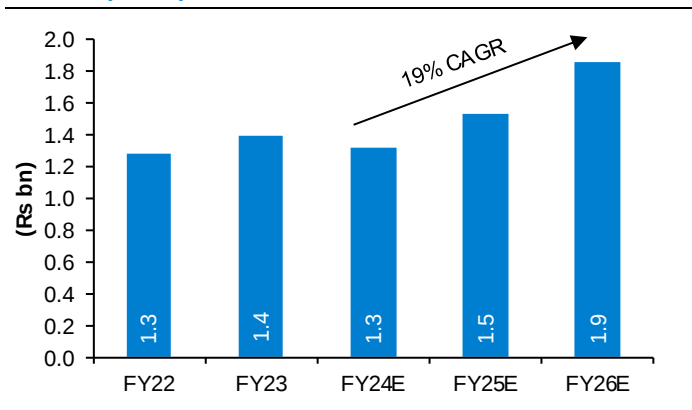
Source: Company, PL

Exhibit 4: EBITDA margins shrink due to under par truck utilization



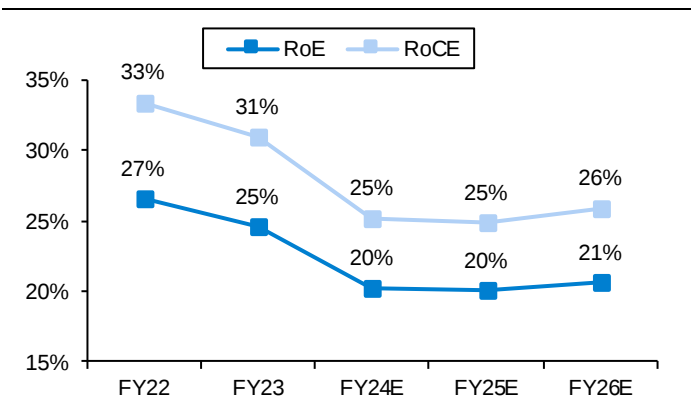
Source: Company, PL

Exhibit 5: PAT growth will pickup after turnaround in volume demand (Rs bn)



Source: Company, PL

Exhibit 6: RoE/RoCE to remain stable over FY24-26E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	12,410	12,538	13,872	15,769
YoY gr. (%)	14.8	1.0	10.6	13.7
Cost of Goods Sold	8,497	8,586	9,428	10,634
Gross Profit	3,913	3,953	4,443	5,135
Margin (%)	31.5	31.5	32.0	32.6
Employee Cost	1,243	1,339	1,465	1,606
Other Expenses	725	741	791	867
EBITDA	1,945	1,872	2,187	2,661
YoY gr. (%)	11.3	(3.7)	16.8	21.7
Margin (%)	15.7	14.9	15.8	16.9
Depreciation and Amortization	153	190	234	267
EBIT	1,792	1,683	1,953	2,394
Margin (%)	14.4	13.4	14.1	15.2
Net Interest	18	14	16	26
Other Income	72	72	109	122
Profit Before Tax	1,845	1,740	2,046	2,490
Margin (%)	14.9	13.9	14.8	15.8
Total Tax	453	423	515	627
Effective tax rate (%)	24.5	24.3	25.2	25.2
Profit after tax	1,393	1,317	1,531	1,863
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,393	1,317	1,531	1,863
YoY gr. (%)	8.1	(5.4)	16.2	21.7
Margin (%)	11.2	10.5	11.0	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,393	1,317	1,531	1,863
YoY gr. (%)	8.1	(5.4)	16.2	21.7
Margin (%)	11.2	10.5	11.0	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,393	1,317	1,531	1,863
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	36.4	34.4	39.9	48.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	4,005	4,921	5,726	6,531
Tangibles	3,940	4,876	5,676	6,476
Intangibles	65	46	50	55
Acc: Dep / Amortization	536	691	925	1,192
Tangibles	501	691	925	1,192
Intangibles	35	-	-	-
Net fixed assets	3,469	4,231	4,801	5,339
Tangibles	3,439	4,185	4,751	5,284
Intangibles	30	46	50	55
Capital Work In Progress	611	161	209	271
Goodwill	-	-	-	-
Non-Current Investments	4	5	305	905
Net Deferred tax assets	(56)	(135)	(138)	(140)
Other Non-Current Assets	272	287	285	305
Current Assets				
Investments	321	900	1,080	1,297
Inventories	-	-	-	-
Trade receivables	2,115	2,318	2,356	2,592
Cash & Bank Balance	167	204	540	585
Other Current Assets	-	-	-	-
Total Assets	7,350	8,504	9,855	11,618
Equity				
Equity Share Capital	77	77	77	77
Other Equity	5,887	6,963	8,188	9,744
Total Network	5,964	7,040	8,264	9,821
Non-Current Liabilities				
Long Term borrowings	7	30	6	6
Provisions	-	-	-	-
Other non current liabilities	38	39	54	63
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	884	917	988	1,123
Other current liabilities	351	344	405	464
Total Equity & Liabilities	7,350	8,504	9,855	11,618

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,845	1,740	2,046	2,490
Add. Depreciation	153	190	234	267
Add. Interest	18	14	16	26
Less Financial Other Income	72	72	109	122
Add. Other	(12)	(8)	-	-
Op. profit before WC changes	2,005	1,936	2,296	2,783
Net Changes-WC	(110)	(174)	214	(86)
Direct tax	(429)	(402)	(515)	(627)
Net cash from Op. activities	1,466	1,360	1,995	2,070
Capital expenditures	(1,058)	(458)	(800)	(800)
Interest / Dividend Income	48	41	-	-
Others	363	(634)	(462)	(804)
Net Cash from Invt. activities	(647)	(1,051)	(1,262)	(1,604)
Issue of share cap. / premium	(509)	22	-	-
Debt changes	(3)	22	(24)	-
Dividend paid	(307)	(307)	(307)	(307)
Interest paid	(117)	(15)	(1)	(1)
Others	-	-	(236)	8
Net cash from Fin. activities	(936)	(278)	(567)	(300)
Net change in cash	(117)	32	166	166
Free Cash Flow	403	900	1,195	1,270

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	3,049	3,200	3,119	3,171
YoY gr. (%)	5.0	3.3	(0.8)	(2.8)
Raw Material Expenses	2,090	2,183	2,143	2,170
Gross Profit	958	1,017	976	1,001
Margin (%)	31.4	31.8	31.3	31.6
EBITDA	464	505	456	448
YoY gr. (%)	8.4	(2.0)	(1.1)	(17.2)
Margin (%)	15.2	15.8	14.6	14.1
Depreciation / Depletion	46	47	48	49
EBIT	418	457	408	400
Margin (%)	13.7	14.3	13.1	12.6
Net Interest	4	4	3	4
Other Income	15	18	20	19
Profit before Tax	429	472	424	415
Margin (%)	14.1	14.7	13.6	13.1
Total Tax	105	116	103	99
Effective tax rate (%)	24.6	24.5	24.2	23.9
Profit after Tax	323	356	322	316
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	323	356	322	316
YoY gr. (%)	4.3	(5.8)	0.5	(17.8)
Margin (%)	10.6	11.1	10.3	10.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	323	356	322	316
YoY gr. (%)	4.3	(5.8)	0.5	(17.8)
Margin (%)	10.6	11.1	10.3	10.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	323	356	322	316
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	8.4	9.3	8.4	8.3

Source: Company Data, PL Research

Key Financial Metrics

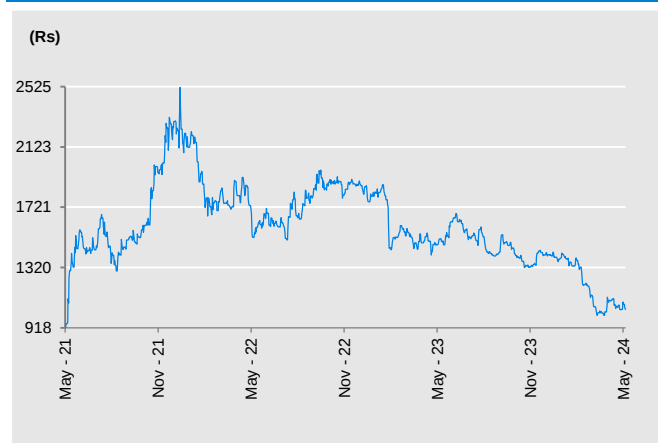
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	36.4	34.4	39.9	48.6
CEPS	40.4	39.3	46.0	55.6
BVPS	155.7	183.6	215.5	256.1
FCF	10.5	23.5	31.2	33.1
DPS	8.0	8.0	8.0	8.0
Return Ratio(%)				
RoCE	31.6	25.8	25.5	26.5
ROIC	26.6	23.5	24.2	25.0
RoE	24.6	20.3	20.0	20.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	36	41	36	34
Valuation(x)				
PER	30.4	32.2	27.7	22.7
P/B	7.1	6.0	5.1	4.3
P/CEPS	27.4	28.1	24.0	19.9
EV/EBITDA	21.5	22.1	18.6	15.2
EV/Sales	3.4	3.3	2.9	2.6
Dividend Yield (%)	0.7	0.7	0.7	0.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Revenue/Tonne	12,498	12,538	12,726	12,917
Revenue/Kg	12	13	13	13
EBITDA/Tonne	1,959	1,872	2,007	2,180

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	1,430	1,105

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	Accumulate	510	450
2	Mahindra Logistics	Accumulate	500	452
3	TCI Express	BUY	1,430	1,105

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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