



TCI Express Ltd.

Healthy revenue growth, New services offerings getting good traction

TCI Express reported revenue growth of ~30.3% YoY in Q1FY23 which was led by continued uptick in economic activity and pick up in Industrial production. In addition, demand was well supported by growth in both Corporate and SME customers which contributed equally to the revenues. Capacity utilization in Q1FY23 stood at ~84.5%. Volumes registered a growth of ~28% YoY at 2,30,000 MT. Company added 10 new branches in West & North region in Q1FY23 and expect to add ~50 branches in FY23. Company incurred a capex of ~Rs 330 mn in Q1FY23 primarily towards the land purchase in Kolkata for setting up automated sorting center. During Q4FY22, company had successfully commissioned India's first and largest automated B2B sorting center in Gurgaon which is now operational 24x7. Gurgaon sorting center will help in reduction in turnaround time and enhance operational efficiencies in the long run resulting into reduction of direct cost. In Q1FY23 Gurgaon sorting center processed ~18% of total volumes which reflects the scale and capabilities of the center. Company's new service offerings 'Railway Express' is getting good demand traction and company has expanded the customer base from 250 to 1000 and its presence from 10 routes to 60 routes in a year. Going forward management is confident of delivering strong QoQ growth in light of upcoming festive season and is on track to achieve annual revenue growth of ~18-20% YoY in FY23. Margins are expected to improve by ~50-100 bps over next 2-3 years, due to improvement in operational efficiencies following automation of sorting centers and company's ability to pass on fuel price increase. **We remain positive on the company's mid-to-long term potential and recommend an 'Accumulate' rating on the stock.**

Q1FY23 earnings key highlights

- Q1FY23 Net revenues grew ~30.3% YoY & de-grew by ~2.6% QoQ at Rs 2,904 mn. The growth in revenue from last year was led by uptick in the economic activity & pickup in Industrial production. In Q1FY23 company reported volume growth of ~28% YoY.
- Gross profit was up ~26.7% YoY at Rs 895 mn while gross margins declined by ~88 bps YoY & 232 bps QoQ at ~30.8%. EBITDA grew by ~33.4% YoY at Rs 428 mn, margins improved by ~34 bps YoY at ~14.7%. Management expects margins to improve in the coming quarters with pick up in utilisation levels.
- Net profit increased by ~30.5% YoY at Rs 310 mn. Company generated cash flow from operation of ~Rs 350 mn in Q1FY23. Net cash balance at the end of Q1FY23 at ~Rs 1,040 mn.

Long-term capex plan of Rs 5,000 mn over 5 years

- Company plans to spend a capex ~Rs 5,000 mn in next 5 years which will be spent mainly towards new sorting centers, automation and enhancing technological capabilities.

Mid to long-term outlook remains positive

TCI Express is well positioned to capitalize on the growing opportunities in the domestic logistics space. The company to further strengthen its efficiencies and capabilities through automation, setting up new sorting centers, adding new branches and launch of new service. **We have valued the stock at 40x FY24e EPS to arrive at a target price of Rs 2,000, offering return potential of ~12.5% based on the CMP.** We thus recommend an "Accumulate" rating on the stock.

Y/E Mar (Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
Utilizations Rate (%)	84.5	83.5	100 bps	85.0	-50 bps
Realizations (Rs/ kg)	12.6	12.7	-0.9	12.7	-0.5
Operating cost (Rs/ kg)	8.74	8.70	0.4	8.49	3.0
Total Income	2,904	2,229	30.3	2,982	-2.6
Operating Expenses	2,010	1,523	32.0	1,994	0.8
SG&A Expenses	467	386	21.1	486	-3.9
EBITDA	428	321	33.4	502	-14.8
EBITDA margin (%)	14.7	14.4	34 bps	16.8	-210 bps
Depreciation	33	22	49.3	32	5.4
Interest	3	1	163.6	3	0.0
Other Income	19	16	17.7	21	-8.1
PBT	411	314	31.0	489	-15.9
Tax Expenses	101	76	32.4	129	-21.9
-effective tax rate	24.5	24.3	27 bps	26.4	-190 bps
Reported PAT	310	238	30.5	359	-13.7
PAT margin (%)	10.7	10.7	2 bps	12.0	-137 bps

Source: Company, SMIFS Research

Rating: **Accumulate** Upside: **12.5%**
 Current Price: **1,777** Target Price: **2000**

Earlier recommendation

Previous Rating: Buy
 Previous Target Price: 2,114

Market data

Bloomberg:	TCIEXP IN
52-week H/L (Rs):	2,570/ 1,280
Mcap (Rs mn/USD mn):	68,406/ 866
Shares outstanding (mn):	38.5
Free float:	33.31%
Daily vol. (3M Avg. In `000):	38.06
Face Value (Rs):	2.00
Group:	Nifty 500

Source: Bloomberg, ACE Equity, SMIFS Research

Shareholding pattern (%)

	Jun-22	Mar-22	Dec-21	Sep-21
Promoter	66.69%	66.69%	66.70%	66.70%
FII's	1.89%	2.00%	2.12%	1.46%
DII's	8.70%	8.12%	9.53%	10.79%
Public/others	22.62%	23.19%	21.64%	21.05%

Source: BSE

Price performance (%)*

	1M	3M	12M	36M
Nifty 500	11.0%	0.9%	6.7%	66.3%
TCI Express	11.7%	-4.2%	17.5%	218.9%

*as on 3rd Aug-2022; Source: AceEquity, SMIFS Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY20	10,320	0.8%	1,213	11.8%	891	22.3%	23.2	29.5%	38.3%	76.7	56.3
FY21	8,440	-18.2%	1,343	15.9%	1,006	12.9%	26.2	26.1%	34.3%	67.9	50.7
FY22	10,815	28.1%	1,747	16.2%	1,290	28.3%	33.5	26.6%	35.6%	53.0	39.1
FY23e	12,816	18.5%	2,119	16.5%	1,546	19.8%	40.2	26.0%	34.8%	44.2	31.9
FY24e	15,255	19.0%	2,598	17.0%	1,923	24.4%	50.0	26.6%	35.5%	35.6	25.9

Source: Company, SMIFS Research

Q1FY23 – Key takeaways from the management call

Performance Highlights for Q1FY23

- ✓ TCI Express reported revenue for Q1FY23 increased by 30.3% YoY led by continued uptick in the economic activity and pick up in Industrial production. In addition, demand was well supported by growth in both Corporate and SME customers which contributed equally to the revenues.
- ✓ The **capacity utilization during Q1FY23 stood at ~84.5%**, (vs ~83.5% YoY, ~85% QoQ) Volumes in Q1FY23 stood at 2,30,000 MT registering a growth of ~28% YoY.
- ✓ The **SME customers accounted for ~50% of total revenue** during Q1FY23.

Price hike

- ✓ Company plans to taken a **price increase of ~3-4% in FY23**.

Operationalized two automated sorting centers

- ✓ During Q4FY22, the company has **successfully commissioned India's first and largest automated B2B sorting center in Gurgaon**, named 'GIGA Sorting Center', spread over a 2 lakh-square-foot area. The **system will help in reducing truck halting time by ~40%**.
- ✓ The Pune sorting center is operational since June-2021. With this two sorting centers, the Company has **added over 3.5 lakh-square-foot areas in its sorting center capacity**.
- ✓ In Q1FY23 Gurgaon center processed ~18% of total volumes.

Addition of new branches

- ✓ The company has **opened 10 new branches during Q1FY23 in West and North region to deepen company's presence in key business geographies and expect to add ~50 branches in FY23**.

New services

- ✓ The three new services - Pharma Cold Chain Express, C2C Express and Rail Express, launched during FY22, has received positive response from the customers. These services are aligned to company's growth as multi-model express delivery company in India. -With Rail Express services, the Company is targeting to garner share of domestic Air Express business. **In Rail express service offering company has expanded its customer base from 250 to 1000 and presence from 10 routes to 60 routes in one year**.
- ✓ Currently, the new services contribute ~15% to the total revenues, which the Company **targets to increase the revenue share to ~25% by FY25**.

Capex

- ✓ In Q1FY23 company spent a **capex of Rs 330 mn**, primarily towards the land purchase in Kolkata for setting up automated sorting center.
- ✓ The **long term planned capex over 5 years is ~Rs 5,000 mn**, which will be done towards sorting center, automation and enhancing technological capabilities. The **Payback period for sorting center is ~6-8 year**.

Others

- ✓ During Q1FY23, the Company generated '**cash flow from operations**' of **Rs 350 mn**. Company has a net cash balance of Rs 1,040 mn as at end of Q1FY23.

Guidance

- ✓ Management is confident to achieve **revenue growth of ~18-20% in FY23**. **EBITDA margins expected to improve by ~50-100bps YoY**. The company targets to **increase capacity utilizations by ~50-100 bps each year**.

Buy-back offer

- ✓ Board of Directors at its meeting held on May 27, 2022 has **approved a proposal for a buy-back of up-to 3,65,853 (tentative) equity shares of the company being ~2.85% of the public holding, as the promoter & promoter group decided not to participate for an aggregate amount not exceeding Rs 750 mn, at Rs 2,050 per share, subject to shareholder's approval**.

Outlook and Valuation

The margin improvement to continue over next 2-3 years due to improvement in operational efficiencies, following automation of sorting centers and company's ability to pass on fuel price increase with regular rate hikes. **We remain positive on the company's mid-to-long term potential.**

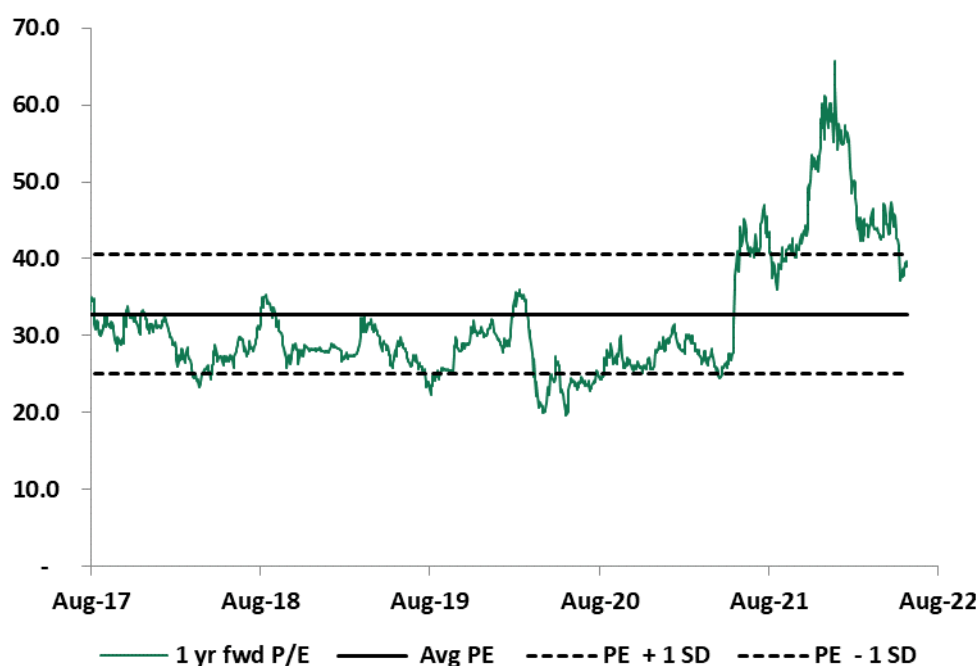
TCI Express is well positioned to capitalize on the growing opportunities with its asset light business model, value added service offerings and strong network. The company to further strengthen its efficiencies and capabilities by setting up new sorting centers, adding new branches and launch of new services.

We have valued the stock at **40x FY24e EPS** to arrive at a **target price of Rs 2,000**, offering return potential of **~12.5% based on the CMP**. We thus recommend an **"Accumulate"** rating on the stock.

Key risks

- General slowdown in the economy.
- Slowdown in key industries verticals/ customer's business.
- Slowdown in SME sector.
- Unability to pass on any sharp fuel price increase.
- Increase in competition from organized/ un-organized players and railways.

Fig 1: TCI Express Ltd - PE Chart



Source: Company, SMIFS Research

Quarterly financials, operating metrics and key performance indicators

Fig 2: Quarterly Financials

Y/E March (Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	2,130	2,625	2,798	2,229	2,734	2,869	2,982	2,904
Operating Expenses	1,444	1,776	1,869	1,523	1,861	1,951	1,994	2,010
Gross Profit	685	849	929	706	873	918	988	895
Employees Cost	221	233	233	256	274	277	293	309
Other Expenses	139	163	153	130	147	169	193	158
EBITDA	326	453	544	321	453	472	502	428
Depreciation	22	22	25	22	24	22	32	33
Interest	3	2	2	1	3	2	3	3
PBT from operations	301	430	517	297	426	448	468	392
Other Income	15	17	31	16	24	21	21	19
PBT	315	447	547	314	450	468	489	411
Tax	81	111	122	76	109	117	129	101
<i>Current Tax</i>	<i>78</i>	<i>107</i>	<i>128</i>	<i>75</i>	<i>108</i>	<i>113</i>	<i>107</i>	<i>93</i>
<i>Deferred Tax charge/ (credit)</i>	<i>3</i>	<i>4</i>	<i>6</i>	<i>1</i>	<i>2</i>	<i>4</i>	<i>22</i>	<i>8</i>
<i>Income related to earlier years</i>	<i>-</i>	<i>-</i>	<i>-12</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Tax rate (%)	25.5	24.8	22.2	24.3	24.3	25.0	26.4	24.5
Net Profit	235	336	426	238	340	351	359	310
EPS (In Rs)	6.1	8.7	11.1	6.2	8.8	9.1	9.3	8.1
YoY Growth (%)								
<i>Net Revenue</i>	<i>-21.0</i>	<i>-2.2</i>	<i>17.6</i>	<i>151.2</i>	<i>28.4</i>	<i>9.3</i>	<i>6.6</i>	<i>30.3</i>
<i>EBITDA</i>	<i>6.0</i>	<i>32.2</i>	<i>103.9</i>	<i>1480.3</i>	<i>39.0</i>	<i>4.1</i>	<i>-7.7</i>	<i>33.4</i>
<i>Reported PAT</i>	<i>-10.0</i>	<i>31.6</i>	<i>124.0</i>	<i>2482.6</i>	<i>44.9</i>	<i>4.5</i>	<i>-15.6</i>	<i>30.5</i>
QoQ Growth (%)								
<i>Net Revenue</i>	<i>140.0</i>	<i>23.3</i>	<i>6.6</i>	<i>-20.3</i>	<i>22.7</i>	<i>4.9</i>	<i>3.9</i>	<i>-2.6</i>
<i>EBITDA</i>	<i>1503.9</i>	<i>39.3</i>	<i>19.9</i>	<i>-41.0</i>	<i>41.1</i>	<i>4.2</i>	<i>6.4</i>	<i>-14.8</i>
<i>Reported PAT</i>	<i>2453.3</i>	<i>43.0</i>	<i>26.7</i>	<i>-44.2</i>	<i>43.3</i>	<i>3.2</i>	<i>2.3</i>	<i>-13.7</i>
Margin (%)								
<i>Gross</i>	<i>32.2</i>	<i>32.3</i>	<i>33.2</i>	<i>31.7</i>	<i>31.9</i>	<i>32.0</i>	<i>33.1</i>	<i>30.8</i>
<i>EBITDA</i>	<i>15.3</i>	<i>17.3</i>	<i>19.4</i>	<i>14.4</i>	<i>16.6</i>	<i>16.4</i>	<i>16.8</i>	<i>14.7</i>
<i>PAT</i>	<i>11.0</i>	<i>12.8</i>	<i>15.2</i>	<i>10.7</i>	<i>12.4</i>	<i>12.2</i>	<i>12.0</i>	<i>10.7</i>
Operational KPIs								
Volume ('000 tonne)	182	215	225	175	225	230	235	230
Utilization (%)	na	83.0%	86.5%	83.5%	85.5%	85.0%	85.0%	84.5%
Realizations (Rs/Kg)	11.70	12.21	12.44	12.74	12.15	12.47	12.69	12.63
Operating Cost (Rs/ Kg)	7.94	8.26	8.30	8.70	8.27	8.48	8.49	8.74

Source: Company, SMIFS Research

Financial Statements (Consolidated)

Income Statement					
YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
Net Revenue	10,320	8,440	10,815	12,816	15,255
% Growth	0.8	-18.2	28.1	18.5	19.0
Operating Cost	7,342	5,667	7,330	8,703	10,349
% of revenues	71.1	67.1	67.8	67.9	67.8
Gross Profit	2,978	2,773	3,485	4,113	4,906
Gross margin (%)	28.9	32.9	32.2	32.1	32.2
Employee Cost	1,018	873	1,099	1,238	1,407
% of revenues	9.9	10.3	10.2	9.7	9.2
Other Expenses	747	556	638	756	900
% of revenues	7.2	6.6	5.9	5.9	5.9
EBITDA	1,213	1,343	1,747	2,119	2,598
EBITDA margin (%)	11.8	15.9	16.2	16.5	17.0
Depreciation & Amortisation	78	90	100	127	154
EBIT	1,135	1,254	1,648	1,992	2,444
Interest Cost	9	8	7	6	6
PBT from operations	1,126	1,246	1,640	1,986	2,438
Other Income	44	77	82	77	129
Exceptional items	-	-	-	-	-
PBT	1,170	1,322	1,722	2,063	2,567
Tax Expenses	279	316	432	517	643
Effective tax rate (%)	23.9	23.9	25.1	25.1	25.1
Reported PAT	891	1,006	1,290	1,546	1,923

Source: Company, SMIFS Institutional Research Estimates

Key Ratios					
YE March	FY20	FY21	FY22	FY23e	FY24e
Growth (%)					
Net Revenue	0.8	-18.2	28.1	18.5	19.0
Gross Profit	10.1	-6.9	25.7	18.0	19.3
EBITDA	1.9	10.7	30.1	21.3	22.6
PAT	22.3	12.9	28.3	19.8	24.4
Margins (%)					
Gross Margin	28.9	32.9	32.2	32.1	32.2
EBITDA Margin	11.8	15.9	16.2	16.5	17.0
EBIT margin	11.4	15.8	16.0	16.1	16.9
PBT Margin	11.3	15.7	15.9	16.1	16.8
PAT Margin	8.6	11.9	11.9	12.1	12.6
Return Ratios (%)					
RoE	29.5	26.1	26.6	26.0	26.6
RoCE	38.3	34.3	35.6	34.8	35.5
RoA	22.0	20.6	21.5	21.0	21.4
Working Capital Days					
Debtors days	58	72	61	57	57
Creditors days	33	44	37	34	34
Cash conversion period	25	28	24	24	24
Turnover Ratios (x)					
Asset Turnover	2.5	1.7	1.8	1.7	1.7
Fixed Asset Turnover	5.8	4.2	4.0	3.5	3.3
Solvency Ratios (x)					
Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net Debt/ Equity	0.0	-0.1	0.0	-0.1	-0.2
Interest Coverage	131.0	170.5	237.7	356.2	402.7
Dividend					
DPS (Rs)	4.0	4.0	8.0	10.1	13.1
Dividend Yield (%)	0.2	0.2	0.5	0.6	0.7
Dividend Payout (%)	17.3	15.3	23.9	25.1	26.3
Per Share Data (In Rs)					
EPS	23.2	26.2	33.5	40.2	50.0
BVPS	87.9	112.9	139.3	169.4	206.2
CFS	21.3	31.6	28.8	56.3	48.9
Valuation Ratios (x)					
P/E	76.7	67.9	53.0	44.2	35.6
P/BV	20.2	15.7	12.8	10.5	8.6
EV/ EBITDA	56.3	50.7	39.1	31.9	25.9
EV/ Sales	6.6	8.1	6.3	5.3	4.4

Source: Company, SMIFS Institutional Research Estimates

Balance Sheet					
YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
Share Capital	77	77	77	77	77
Reserves & Surplus	3,296	4,262	5,285	6,443	7,861
Networth	3,373	4,339	5,362	6,520	7,938
Total Borrowings	28	10	10	10	10
Net deferred tax liability	41	54	79	79	79
Other non-current liabilities	1	1	1	1	1
Trade payables	620	752	737	1,089	1,294
Other Current Liabilities	252	281	381	430	514
Total Equity & Liabilities	4,315	5,437	6,570	8,129	9,835
Net Block+CWIP	2,063	2,544	3,229	4,168	5,102
Intangible assets	22	18	30	34	36
Other non-current assets	9	147	11	11	11
Trade Receivables	1,658	1,695	1,895	1,861	2,210
Cash and Cash Equivalents	126	272	180	896	1,226
Other Current assets	438	762	1,226	1,160	1,251
Total Current Assets	2,252	2,893	3,342	3,961	4,734
Total Assets	4,315	5,437	6,570	8,129	9,835

Source: Company, SMIFS Institutional Research Estimates

Cash Flow					
YE March (Rs mn)	FY20	FY21	FY22	FY23e	FY24e
PBT	1,170	1,322	1,720	2,063	2,567
Depreciation & Amortisation	78	90	100	127	154
Interest & dividend Income	-7	-6	-54	-10	-49
Interest expense	9	8	9	6	6
Others	8	-5	18	-	-
Op. profit bef. working capital changes	1,258	1,409	1,793	2,186	2,678
Changes in working capital	-125	90	-264	500	-151
Taxes Paid	-317	-284	-421	-517	-643
Cash Flow from Operating Activities (a)	816	1,215	1,108	2,169	1,884
Capital Expenditure	-319	-554	-800	-1,069	-1,090
Investments	-283	-439	-147	-	-
Loans & advances	-	-	-	-	-
Interest & Dividend Received	7	6	54	10	49
Cash Flow from Investing Activities (b)	-595	-986	-893	-1,060	-1,041
Net issuance of equity	15	22	20	-	-
Net borrowings	-59	-19	-10	-	-
Dividend paid (including tax)	-213	-77	-308	-387	-506
Interest expense	-9	-8	-9	-6	-6
Cash Flow from Financing Activities (c)	-266	-82	-307	-393	-512
Net change in cash	-45	146	-92	716	330
Opening cash balance	171	126	272	180	896
Closing Cash Balance	126	272	180	896	1,226

Source: Company, SMIFS Institutional Research Estimates

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