

In a structurally weak quarter TCI express has shown 5% topline growth. Sequential decline in EBITDA margin is due to capacity utilisation levels dropping from 85% in previous quarter to 83.5% in current quarter ; Long term revenue guidance of Rs.18Bn by 2025 is revised to 17.5Bn.

- Revenue at Rs 3,048.7 Mn vs Rs 2,981 Mn (+5% YoY) vs Rs 3,262.5 (-7% QoQ)
- EBITDA at Rs 463.8 Mn vs Rs 427.9 Mn (+8% YoY) vs Rs 541 Mn (-14% QoQ)
- EBITDA Margin at 15.21% vs 14.73% (YoY) vs 16.6% (QoQ). (Margin growth on a YoY basis on account of price hikes)
- Adj PAT at Rs 323 Mn vs Rs 310 Mn (+4% YoY) vs Rs 385 Mn (-16% QoQ)
- EPS at Rs 8.41 vs Rs 8.06 (YoY) vs Rs 10.04 (QoQ) (partial buyback effect)

Business Highlights

- Capacity Utilisation levels: 83.5%(Q1FY24) vs 85%(Q4FY23) vs 84.5% (Q1FY23)
- New businesses like Rail express, C2C (cold chain service for pharma) growing rapidly- contribution to revenue of 17% in Q1FY24 vs 15% in Q1FY23.
- Added 5 new branches in Q1FY24 to expand presence in West & South regions.
- Capex of 39 Mn incurred in current quarter, mainly for IT equipment & digitalization; full year capex target for FY24 around 900-1000 Mn
- Expansion in the newly launched Rail express biz- customer base growing from 2200 to 2700 in current quarter & route presence across 125 routes.

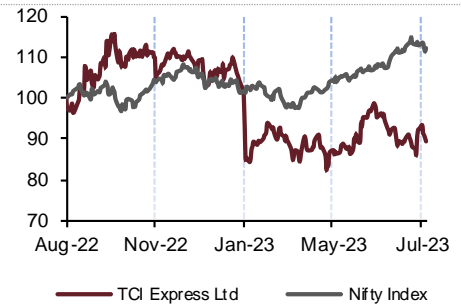
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1,707	12

Market data

Current price	Rs	1,523
Market Cap (Rs.Bn)	(Rs Bn)	58
Market Cap (US\$ Mn)	(US\$ Mn)	705
Face Value	Rs	2
52 Weeks High/Low	Rs	2013 / 1374
Average Daily Volume	('000)	17
BSE Code		532349
Bloomberg		TCIEXP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	68.94	68.94
Public	31.06	31.06
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	10,320	8,440	10,815	12,410	13,768	15,833
EBIDTA	1,213	1,343	1,747	1,945	2,227	2,607
Margins	11.8	15.9	16.2	15.7	16.2	16.5
PAT (adj)	891	1,006	1,288	1,393	1,550	1,869
growth (%)	22.3	12.9	28.1	8.1	11.3	20.6
EPS	23.2	26.2	33.5	36.4	40.5	48.8
P/E (x)	65.1	57.8	45.2	41.6	37.4	31.0
P/B (x)	17.2	13.4	10.9	9.7	8.1	6.7
EV/EBITDA (x)	47.4	42.5	32.7	29.5	25.4	21.2
RoE (%)	26.4	23.2	24.0	23.4	21.6	21.7
ROCE (%)	33.4	28.8	30.7	29.8	28.1	27.6

Source: Dalal and Broacha

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Conference Call Highlights

- **Guidance**

- **Revenue**

- 12-14% topline growth guidance for FY24 remains intact
 - Aim to cross revenue of Rs.17.5Bn by FY25.
 - Sluggish growth in revenue this quarter on account of high base effect; also Q1 is historically a weak quarter; expect demand to pick-up in forthcoming quarters

- **EBITDA**

- EBITDA Guidance for FY24 of 16.5%(margin expansion to be driven mainly through price hikes & partially through operational efficiency brought in by automation of sorting centers if Gurgaon & Pune to an extent of 15-40bps)
 - FY25 EBITDA guidance revised from 20% to 17.5%.

- **Volume Details**

- Total tonnage for the quarter – 2,40,000 tons (+4% YoY)
 - 13% volume growth estimated for FY24- full year.

- **Price Hike**

- Price hikes of 75bps -100 bps already taken on a YoY basis; further price hike of 100 bps is targeted in the coming quarters- amounting to a total 2% hike for FY24.

- **Capex Details: Total Planned Capex for FY23-FY28 of ~Rs 5000 Mn**

- Capex target for FY24 ~900-1000 Mn (1250 Mn capex already done in FY23); remaining 2750 Mn to be done in a staggered manner over the next 4 years.
 - Capex to be done on increasing automation & operational efficiency.

- **Other Details**

- 17% of revenue contribution in Q1FY24 (15% in Q1FY23.) has been from biz other than surface logistics- which include Rail express, C2C express, Pharma cold chain express, Air Express
 - Aim to take new services contribution to 25% of overall revenue by FY25
 - Cash flow from operations of 140 Mn in Q1FY24

Quarterly Financials

Rs MNS	Q1FY23	Q4FY23	Q1FY24A	YoY Growth	QoQ Growth
Sales	2904.4	3262.5	3,048.70	5%	-7%
Other income	19.3	16.7	14.80	-23%	-11%
Total Revenue:	2923.7	3279.2	3,182.80	9%	-3%
Expenses:-	0	0	-		
Operating Expenses	2009.8	2191.8	2,090.30	4%	-5%
% to Operating Income	69.20%	67.18%	68.56%		
Employee benefit expenses	308.6	313.5	333.20	8%	6%
% to Operating Income	10.63%	9.61%	10.93%		
Other expenses	158.1	215.8	161.40	2%	-25%
% to Operating Income	5.44%	6.61%	5.29%		
Total Expenses	2476.5	2721.1	2,584.90	4%	-5%
EBITDA (exc OI)	427.9	541.4	463.80	8%	-14%
EBITDA Margin %	14.73%	16.59%	15.21%		
EBITDA	447.2	558.1	478.60	7%	-14%
Depreciation	33.18	42	46.00	39%	10%
Interest	2.9	7.4	3.90	34%	-47%
PBT	411.12	508.7	428.70	4%	-16%
PBT %	14.16%	15.59%	13.47%		
Tax expenses	100.9	124.2	105.40	4%	-15%
<i>Tax Rate</i>	25%	24%	25%	0%	1%
PAT	310.22	384.5	323.30	4%	-16%
	0	0	-		
Adjusted PAT	310.22	384.5	323.30	4%	-16%
NPM	10.61%	11.73%	10.16%		
Equity	77	76.6	76.60	-1%	0%
EPS	8.06	10.04	8.41	4%	-16%

Valuation & Outlook

TCI Express has lowered its topline guidance from 20bn in FY25 (as per Q3FY23 Presentation) to 17.5bn (Q1FY24 Presentation) i.e. 18% CAGR over Rs 12.4bn achieved in FY23, which we believe is a more realistic target compared to previous one.

> According to our conservative estimates, with superior execution capabilities company can easily achieve revenue growth of 2x GDP averaging to 12-14% topline growth supported by existing as well as the new business such as Rail-Express.

We expect a reasonable 80bps margin expansion over next 2 years which would lead to higher PBT growth of 16 CAGR%.

At CMP of Rs 1523 the stock trades at 37.6x FY24e EPS of Rs 40.5 and 31.2x FY25e EPS of Rs 48.8. We maintain "Buy on Dips" with a target price of 1,707 (valuing the company at 35x FY25e) i.e. upside of 12%.

Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	10,319.6	8,439.9	10,814.6	12,410.1	13,768.0	15,833.2
Raw Materials	(7,341.6)	(5,667.3)	(7,329.7)	(8,497.0)	(9,362.2)	(10,734.9)
Employee Cost	(1,018.0)	(873.4)	(1,099.4)	(1,242.9)	(1,379.6)	(1,586.6)
Other Expenses	(747.0)	(556.0)	(638.3)	(725.4)	(799.4)	(904.8)
Operating Profit	1,213.0	1,343.2	1,747.2	1,944.8	2,226.7	2,606.9
Depreciation	(77.9)	(89.7)	(99.8)	(153.0)	(200.0)	(209.1)
PBIT	1,135.1	1,253.5	1,647.4	1,791.8	2,026.7	2,397.8
Other income	43.7	76.5	81.7	71.7	60.4	115.7
Interest	(9.0)	(7.8)	(9.1)	(18.2)	(16.0)	(16.0)
PBT	1,169.8	1,322.2	1,720.1	1,845.3	2,071.2	2,497.5
Exceptionals	-	-	-	-	-	-
Profit before tax (post exceptional)	1,169.8	1,322.2	1,720.1	1,845.3	2,071.2	2,497.5
Provision for tax	(279.0)	(316.2)	(431.6)	(452.6)	(521.3)	(628.6)
Reported PAT	890.8	1,006.0	1,288.5	1,392.7	1,549.9	1,868.9
MI	-	-	-	-	-	-
Net Profit	890.8	1,006.0	1,288.5	1,392.7	1,549.9	1,868.9
Adjusted Profit (excl Ex	890.8	1,006.0	1,288.5	1,392.7	1,549.9	1,868.9

Source: Dalal & Broacha Research, Company

Balance Sheet	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity capital	76.7	76.9	77.0	76.6	76.6	76.6
Reserves	3,296.1	4,261.8	5,284.9	5,887.1	7,096.0	8,553.7
Net worth	3,372.8	4,338.7	5,361.9	5,963.7	7,172.6	8,630.3
MI	-	-	-	-	-	-
Non Current Liabilites	61.5	65.0	81.9	143.3	143.3	143.3
Current Liabilites	881.0	1,061.6	1,126.5	1,242.4	1,339.9	1,517.4
CAPITAL EMPLOYED	4,315.3	5,465.3	6,570.3	7,349.4	8,655.8	10,291.0
Non Current Assets	2,093.8	2,708.0	3,269.4	4,362.6	4,477.2	4,483.5
Fixed Assets	1,965.3	2,561.3	3,258.9	4,352.1	4,465.7	4,470.8
Goodwill	-	-	-	-	-	-
Non Current Investment	128.5	146.7	10.5	10.5	11.6	12.7
Deferred Tax Asset	-	-	-	-	-	-
Long Term Loans and Advances	-	-	-	-	-	-
Current Assets	2,221.5	2,757.3	3,300.9	2,986.8	4,178.5	5,807.5
Current investments	285.9	587.1	870.0	321.1	321.1	321.1
Inventories	-	-	-	-	-	-
Trade Receivables	1,657.7	1,694.6	1,895.4	2,114.7	2,346.1	2,698.0
Cash and Bank Balances	126.0	272.3	180.0	163.7	1,085.3	2,319.8
Short Term Loans and Advances	91.9	-	-	-	-	-
Other Current Assets	60.0	203.3	355.5	387.3	426.0	468.6
CAPITAL DEPLOYED	4,315.3	5,465.3	6,570.3	7,349.4	8,655.8	10,291.0

Source: Dalal & Broacha Research, Company

Cash Flow St. (Rs. mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Profit	890.8	1,006.0	1,288.5	1,392.7	1,549.9	1,868.9
Add: Dep. & Amort.	77.9	89.7	99.8	153.0	200.0	209.1
Cash profits	968.7	1,095.7	1,388.3	1,545.7	1,749.9	2,078.0
(Inc)/Dec in						
-Sundry debtors	(26.3)	(36.9)	(200.8)	(219.3)	(231.4)	(351.9)
-Inventories	-	-	-	-	-	-
-Loans/advances	(23.7)	(51.4)	(152.2)	(31.8)	(38.7)	(42.6)
'Current Liab and Provisions	(104.3)	180.3	66.7	116.4	97.5	177.5
Change in working capital	(154.3)	92.0	(286.3)	(134.7)	(172.6)	(217.0)
CF from Oper. activities	814.4	1,187.7	1,102.0	1,411.0	1,577.2	1,861.0
CF from Inv. activities	(598.6)	(1,005.1)	(944.1)	(697.3)	(314.6)	(215.4)
CF from Fin. activities	(260.9)	(36.3)	(250.2)	(730.0)	(341.0)	(411.2)
Cash generated/(utilised)	(45.1)	146.3	(92.3)	(16.3)	921.6	1,234.4
Cash at start of the year	171.1	126.0	272.3	180.0	163.7	1,085.3
Cash at end of the year	126.0	272.3	180.0	163.7	1,085.3	2,319.8

Source: Dalal & Broacha Research, Company

Ratios	FY20	FY21	FY22	FY23	FY24E	FY25E
OPM	11.8	15.9	16.2	15.7	16.2	16.5
NPM	8.6	11.8	11.8	11.2	11.2	11.7
Tax rate	(23.9)	(23.9)	(25.1)	(24.5)	(25.2)	(25.2)
Growth Ratios (%)						
Net Sales	0.8	(18.2)	28.1	14.8	10.9	15.0
Operating Profit	1.9	10.7	30.1	11.3	14.5	17.1
PBIT	0.9	10.4	31.4	8.8	13.1	18.3
PAT	22.3	12.9	28.1	8.1	11.3	20.6
Per Share (Rs.)						
Net Earnings (EPS)	23.2	26.16	33.47	36.36	40.47	48.80
Cash Earnings (CPS)	25.3	28.5	36.1	40.4	45.7	54.3
Dividend	4.6	4.0	8.0	8.0	8.9	10.7
Book Value	87.9	112.8	139.3	155.7	187.3	225.3
Free Cash Flow	5.6	4.7	4.1	18.6	33.0	43.0
Valuation Ratios						
P/E(x)	65.1	57.8	45.2	41.6	37.4	31.0
P/B(x)	17.2	13.4	10.9	9.7	8.1	6.7
EV/EBIDTA(x)	47.4	42.5	32.7	29.5	25.4	21.2
Div. Yield(%)	0.3	0.3	0.5	0.5	0.6	0.7
FCF Yield(%)	0.4	0.3	0.3	1.2	2.2	2.8
Return Ratios (%)						
RONW	26%	23%	24%	23%	22%	22%
ROCE	33%	29%	31%	30%	28%	28%
Net D/E	0.0	0.0	0.0	0.0	0.0	0.0

Source: Dalal & Broacha Research, Company

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