



Due to the delay in festive season demand TCI express has managed only a 3% topline growth, thus faring below street estimates. Better EBITDA margin is on account of capacity utilisation levels increasing from 83.5% in previous quarter to 84% in current quarter ; Management stays firm on revenue guidance - double digit growth in FY24 which currently seems remote as per our estimates ; the Company sticks to Long-term guidance of achieving Rs.17.5Bn topline by 2025 .

- Revenue at Rs 3,200 Mn vs Rs 3,099 Mn (+3% YoY) vs Rs 3,049 Mn (+5% QoQ)
- EBITDA at Rs 504.5 Mn vs Rs 514.8 Mn (-2% YoY) vs Rs 463.8 Mn (+9% QoQ)
- EBITDA Margin at 15.77% vs 16.61% (YoY) vs 15.2% (QoQ). (Margin growth on a QoQ basis on account of price hikes & better capacity utilization)
- Adj PAT at Rs 355.8 Mn vs Rs 377.9 Mn (-6% YoY) vs Rs 323.3 Mn (+10% QoQ)
- EPS at Rs 9.27 vs Rs 9.82 (YoY) vs Rs 8.41 (QoQ)

Business Highlights

- Capacity Utilisation levels: 84%(Q2FY24) vs 83.5%(Q1FY24) vs 85% (Q2FY23)
- New businesses like Rail express, C2C (cold chain service for pharma) growing rapidly- contribution to revenue of 17.5% in Q2FY24 vs 15% in Q2FY23.
- Added 12 new branches in Q2FY24 to expand presence in West & South regions.
- Capex of 210 Mn incurred in H1FY24, mainly for automation, construction of sorting centers, adding branches & IT equipment & digitalization; full year capex target for FY24 around 800 Mn.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	8,440	10,815	12,410	12,954	14,249	15,674
EBIDTA	1,343	1,747	1,945	2,030	2,294	2,574
Margins	15.9	16.2	15.7	15.7	16.1	16.4
PAT (adj)	1,006	1,288	1,393	1,417	1,641	1,918
growth (%)	12.9	28.1	8.1	1.8	15.8	16.8
EPS	26.2	33.5	36.4	37.0	42.86	50.1
P/E (x)	52.3	40.9	37.6	37.0	31.9	27.3
P/B (x)	12.1	9.8	8.8	7.4	6.3	5.3
EV/EBITDA (x)	38.5	29.6	26.7	25.2	21.8	18.8
RoE (%)	23.2	24.0	23.4	20.1	19.7	19.4
ROCE (%)	28.8	30.7	29.8	25.9	25.0	23.9

Source: Dalal and Broacha

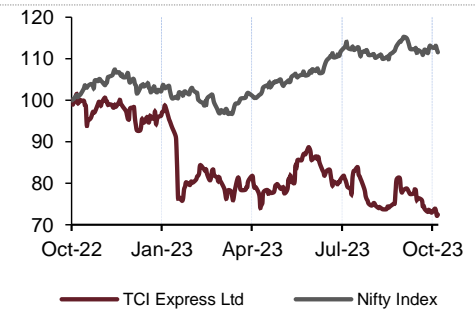
Rating	TP (Rs)	Up/Dn (%)
HOLD	1,502	9

Market data

Current price	Rs	1,373
Market Cap (Rs.Bn)	(Rs Bn)	53
Market Cap (US\$ Mn)	(US\$ Mn)	632
Face Value	Rs	2
52 Weeks High/Low	Rs	1982 / 1364.45
Average Daily Volume	('000)	61
BSE Code		540212
Bloomberg		TCIEXP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Sep-23
Promoters	69.62	69.66
Public	30.38	30.34
Total	100	100

Source: BSE

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Akash Vora
+91 22 6714 1449
bhavya.gandhi@dalal-broacha.com

Conference Call Highlights

Guidance

Revenue

- Management expects H2FY24 to be much better than H1FY24 which has been largely flattish – due to factors such as many festivals to come in Q3 & Q4 has historically been a strong quarter for TCI. Aim to cross revenue of Rs.17.5Bn by FY25.
- Sighting these factors, management has re-assured about their double-digit revenue growth guidance on a YoY basis for FY24 – which currently seems difficult to achieve considering TCI has managed a meagre 4% growth in topline for H1FY24 & to achieve this guidance they shall have to attain a minimum 15% YoY growth in H2FY24.
- Company sticks to the goal of crossing revenue of Rs.17.5Bn by FY25.
- Sluggish growth in revenue this quarter on account of delay in festive demand as quoted by management; expect demand to pick-up in forthcoming quarters on account of Diwali & Dusshera coming up in Q3FY24.

EBITDA

- No Change in EBITDA Guidance for FY24 of 16.5%; current H1FY24 margin is ~ 15.5%(margin expansion to be driven mainly through price hikes, better operating leverage on account of growth in volumes in coming quarters & 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%, in the previous quarter itself

Volume Details

- Total tonnage for the quarter – 2,52,000 tons (+2% YoY)
- Just like revenue guidance; management stays firm on the volume growth guided to be around 13% for the full year FY24

Price Hike

- Price hikes of 100 bps already taken in current quarter; further price hike of 50 bps each planned in Q3 & Q4 respectively - thus amounting to a total 2% hike for FY24.

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

- **For FY24** : ~210 Mn capex already done in H1FY24- further capex of ~600 Mn expected to be done in H2FY24 – plan to spend around ~1000 Mn for capex **in FY25** for investment in sorting centers, automation and enhancing tech-capabilities .Capex to be done on increasing automation & operational efficiency.

Other Details

- 17.5% of revenue contribution in Q2FY24 (15% in Q2FY23.) has been from biz other than surface logistics- which include Rail express, C2C express, Pharma cold chain express, Air Express.
- TCI Express targets to take new services contribution (i.e **Non-surface business**) to **25% of overall revenue by FY25/26**.These businesses are margin accretive in nature. **Mr Hemant Shrivastava** was newly appointed as COO of the non-surface business in the current quarter.
- Cash flow from operations of 390 Mn in H1FY24.

Quarterly Financials

(Rs Mn)	Q2FY23	Q1FY24	Q2FY24A	YoY Growth	QoQ Growth
Sales	3,099.00	3,048.70	3,199.80	3%	5%
Other income	22.70	14.80	17.70	-22%	20%
Total Revenue:	3,121.70	3,063.50	3,217.50	3%	5%
Expenses:-	-	-	-		
Operating Expenses	2,106.50	2,090.30	2,182.70	4%	4%
% to Operating Income	67.97%	68.56%	68.21%		
Employee benefit expenses	309.00	333.20	334.50	8%	0%
% to Operating Income	9.97%	10.93%	10.45%		
Other expenses	168.70	161.40	178.10	6%	10%
% to Operating Income	5.44%	5.29%	5.57%		
Total Expenses	2,584.20	2,584.90	2,695.30	4%	4%
EBITDA (exc OI)	514.80	463.80	504.50	-2%	9%
EBITDA Margin %	16.61%	15.21%	15.77%		
EBITDA	537.50	478.60	522.20	-3%	9%
Depreciation	34.90	46.00	47.20	35%	3%
Interest	3.50	3.90	3.50	0%	-10%
PBT	499.10	428.70	471.50	-6%	10%
PBT %	16.11%	14.06%	14.74%		
Tax expenses	121.20	105.40	115.70	-5%	10%
<i>Tax Rate</i>	24%	25%	25%	1%	0%
PAT	377.90	323.30	355.80	-6%	10%
	-	-	-		
Adjusted PAT	377.90	323.30	355.80	-6%	10%
NPM	12.11%	10.55%	11.06%		
Equity	77.00	76.60	76.60	-1%	0%
EPS	9.82	8.41	9.27	-6%	10%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

TCI Express had 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 are skeptical that the company shall be able to achieve considering their growth in H1FY24 has been stagnant of ~4%.

Looking at the recent scenario, the company has struggled to grow a bit due to the high base effect & normalisation of economic cycles post the pandemic, we have revised our FY24E EPS estimates from Rs 40.5 to Rs 37 & FY25E EPS estimates from Rs 48.8 to Rs 42.9 by conservatively reducing revenue growth estimates to 8% over FY23-FY26E period. We expect a reasonable 70bps margin expansion by FY26, on account of operational efficiency to be driven by sorting centers, better tech & margin-accretive valued added business such as the Rail express, C2C Pharma contributing more to TCI's topline - thus leading to a higher PBT growth of 12 CAGR%.

At CMP of Rs 1369 the stock trades at 37x FY24e EPS of Rs 37 and 32x FY25e EPS of Rs 42.9 & 27.3x of FY26E EPS. We have rolled-over our valuations from FY25 to FY26. We have revised our rating on the stock from "Buy on Dips" to "HOLD" with a target price of 1,502 (valuing the company at 30x FY26e) i.e. upside of 10%. Although the stock has corrected from ~1500 to 1368 levels recently, we re-iterate caution on the stock - considering the company has shown flattish growth - investors will have to keep any eye on their Q3 & Q4FY24 performances & whether they are able to achieve double digit-growth in the festive season - that shall remain the key!

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	8,439.9	10,814.6	12,410.1	12,954.0	14,249.4	15,674.3
Raw Materials	(5,667.3)	(7,329.7)	(8,497.0)	(8,834.6)	(9,661.1)	(10,580.2)
Employee Cost	(873.4)	(1,099.4)	(1,242.9)	(1,356.9)	(1,492.6)	(1,641.9)
Other Expenses	(556.0)	(638.3)	(725.4)	(732.0)	(801.5)	(877.8)
Operating Profit	1,343.2	1,747.2	1,944.8	2,030.5	2,294.2	2,574.5
Depreciation	(89.7)	(99.8)	(153.0)	(190.0)	(198.7)	(203.3)
PBIT	1,253.5	1,647.4	1,791.8	1,840.5	2,095.5	2,371.1
Other income	76.5	81.7	71.7	60.4	114.1	208.0
Interest	(7.8)	(9.1)	(18.2)	(16.0)	(16.0)	(16.0)
PBT	1,322.2	1,720.1	1,845.3	1,884.9	2,193.5	2,563.1
Exceptionals	-	-	-	-	-	-
Profit before tax (post exceptional)	1,322.2	1,720.1	1,845.3	1,884.9	2,193.5	2,563.1
Provision for tax	(316.2)	(431.6)	(452.6)	(467.5)	(552.1)	(645.1)
Reported PAT	1,006.0	1,288.5	1,392.7	1,417.4	1,641.4	1,918.0
MI	-	-	-	-	-	-
Net Profit	1,006.0	1,288.5	1,392.7	1,417.4	1,641.4	1,918.0
Adjusted Profit (excl Exceptionals)	1,006.0	1,288.5	1,392.7	1,417.4	1,641.4	1,918.0

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	76.9	77.0	76.6	76.6	76.6	76.6
Reserves	4,261.8	5,284.9	5,887.1	6,992.7	8,273.0	9,807.4
Net worth	4,338.7	5,361.9	5,963.7	7,069.3	8,349.6	9,884.0
MI	-	-	-	-	-	-
Non Current Liabilites	65.0	81.9	143.3	143.3	143.3	143.3
Current Liabilites	1,061.6	1,126.5	1,242.4	1,286.4	1,408.5	1,543.9
CAPITAL EMPLOYED	5,465.3	6,570.3	7,349.4	8,499.0	9,901.5	11,571.2
Non Current Assets	2,708.0	3,269.4	4,362.6	4,487.2	4,504.0	4,416.9
Fixed Assets	2,561.3	3,258.9	4,352.1	4,475.7	4,491.3	4,402.9
Goodwill	-	-	-	-	-	-
Non Current Investment	146.7	10.5	10.5	11.6	12.7	14.0
Deferred Tax Asset	-	-	-	-	-	-
Long Term Loans and Advances	-	-	-	-	-	-
Current Assets	2,757.3	3,300.9	2,986.8	4,011.8	5,397.5	7,154.3
Current investments	587.1	870.0	321.1	321.1	321.1	321.1
Inventories	-	-	-	-	-	-
Trade Receivables	1,694.6	1,895.4	2,114.7	2,207.4	2,428.1	2,670.9
Cash and Bank Balances	272.3	180.0	163.7	1,057.3	2,179.6	3,646.8
Short Term Loans and Advances	-	-	-	-	-	-
Other Current Assets	203.3	355.5	387.3	426.0	468.6	515.5
CAPITAL DEPLOYED	5,465.3	6,570.3	7,349.4	8,499.0	9,901.5	11,571.2

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	1,006.0	1,288.5	1,392.7	1,417.4	1,641.4	1,918.0
Add: Dep. & Amort.	89.7	99.8	153.0	190.0	198.7	203.3
Cash profits	1,095.7	1,388.3	1,545.7	1,607.4	1,840.1	2,121.3
(Inc)/Dec in						
-Sundry debtors	(36.9)	(200.8)	(219.3)	(92.7)	(220.7)	(242.8)
-Inventories	-	-	-	-	-	-
-Loans/advances	(51.4)	(152.2)	(31.8)	(38.7)	(42.6)	(46.9)
+Current Liab and Provisions	180.3	66.7	116.4	44.0	122.1	135.4
Change in working capital	92.0	(286.3)	(134.7)	(87.4)	(141.2)	(154.3)
CF from Oper. activities	1,187.7	1,102.0	1,411.0	1,520.0	1,698.9	1,967.0
CF from Inv. activities	(1,005.1)	(944.1)	(697.3)	(314.6)	(215.4)	(116.3)
CF from Fin. activities	(36.3)	(250.2)	(730.0)	(311.8)	(361.1)	(383.6)
Cash generated/(utilised)	146.3	(92.3)	(16.3)	893.6	1,122.4	1,467.1
Cash at start of the year	126.0	272.3	180.0	163.7	1,057.3	2,179.6
Cash at end of the year	272.3	180.0	163.7	1,057.3	2,179.6	3,646.8
Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPM	15.9	16.2	15.7	15.7	16.1	16.4
NPM	11.8	11.8	11.2	10.9	11.4	12.1
Tax rate	(23.9)	(25.1)	(24.5)	(24.8)	(25.2)	(25.2)
Growth Ratios (%)						
Net Sales	(18.2)	28.1	14.8	4.4	10.0	10.0
Operating Profit	10.7	30.1	11.3	4.4	13.0	12.2
PBIT	10.4	31.4	8.8	2.7	13.9	13.2
PAT	12.9	28.1	8.1	1.8	15.8	16.8
Per Share (Rs.)						
Net Earnings (EPS)	26.16	33.47	36.36	37.01	42.86	50.08
Cash Earnings (CPS)	28.5	36.1	40.4	42.0	48.0	55.4
Dividend	4.0	8.0	8.0	8.1	9.4	10.0
Book Value	112.8	139.3	155.7	184.6	218.0	258.1
Free Cash Flow	4.7	4.1	18.6	31.5	38.7	48.3
Valuation Ratios						
P/E(x)	52.3	40.9	37.6	37.0	31.9	27.3
P/B(x)	12.1	9.8	8.8	7.4	6.3	5.3
EV/EBIDTA(x)	38.5	29.6	26.7	25.2	21.8	18.8
Div. Yield(%)	0.3	0.6	0.6	0.6	0.7	0.7
FCF Yield(%)	0.3	0.3	1.4	2.3	2.8	3.5
Return Ratios (%)						
RONW	23%	24%	23%	20%	20%	19%
ROCE	29%	31%	30%	26%	25%	24%
Net D/E	0.0	0.0	0.0	0.0	0.0	0.0

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com