

Due to the volumes drying up, low topline growth – company's EBITDA has shrunk by almost 17% on a YoY basis. The company aims to re-establish double-digit topline growth in FY25, however with the economy slowing down due to the current elections & in absence of any near-term triggers through which the underlying base demand/ volume growth shall revive – one remains skeptical about TCI Express' growth potential in the coming year.

Financial highlights Quarterly || Yearly

- Revenue at Rs 3,171 Mn vs Rs 3,262 Mn (-3% YoY) vs Rs 3,118 Mn (+2% QoQ) || For full year FY24: 12,538 Mn vs 12,410 Mn
- EBITDA at Rs 448 Mn vs Rs 541 Mn (-17% YoY) vs Rs 456 Mn (-2% QoQ) || Full year EBITDA for FY24: 1872 Mn vs 1945 Mn in FY23
- EBITDA Margin at 14.14% vs 16.59% (YoY) vs 14.61% (QoQ). || EBITDA Margins for the FY24: 14.9% vs 15.7% in FY23
- Adj PAT at Rs 315 Mn vs Rs 385 Mn (-18% YoY) vs Rs 321 Mn (-2% QoQ) || Full year PAT for FY24 1317 Mn vs 1393 Mn in FY23
- EPS at Rs 8.24 vs Rs 10.04 (YoY) vs Rs 8.4 (QoQ) || Full year EPS for FY24: 34.4 vs 36.4 in FY23.

Business Highlights

- Capacity Utilisation levels: 83.5%(Q4FY24) vs 85%(Q4FY23) vs 83.5% (Q3FY24) || For the full year utilisations were ~84% in FY24. Company aims to gradually increase the same to 86-88% levels.
- New businesses like Rail express, C2C (cold chain service for pharma) - contribution to revenue ~17.5-18%
- Added 10 new branches in Q4FY24 to expand presence, total 25 new branches were opened in FY24.

Financial Summary

| Y/E Mar (Rs mn) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|-----------------|--------|-------|--------|--------|--------|--------|--------|
| Net sales | 10,320 | 8,440 | 10,815 | 12,410 | 12,538 | 13,416 | 14,757 |
| EBIDTA | 1,213 | 1,343 | 1,747 | 1,945 | 1,872 | 2,051 | 2,349 |
| Margins | 11.8 | 15.9 | 16.2 | 15.7 | 14.9 | 15.3 | 15.9 |
| PAT (adj) | 891 | 1,006 | 1,288 | 1,393 | 1,317 | 1,418 | 1,679 |
| growth (%) | 22.3 | 12.9 | 28.1 | 8.1 | (5.4) | 7.7 | 18.4 |
| EPS | 23.2 | 26.2 | 33.5 | 36.4 | 34.4 | 37.02 | 43.8 |
| P/E (x) | 58.9 | 42.2 | 33.0 | 30.4 | 32.1 | 29.8 | 25.2 |
| P/B (x) | 15.6 | 9.8 | 7.9 | 7.1 | 6.0 | 5.2 | 4.5 |
| EV/EBITDA (x) | 42.9 | 30.9 | 23.7 | 21.5 | 22.0 | 19.7 | 16.8 |
| RoE (%) | 26.4 | 23.2 | 24.0 | 23.4 | 18.7 | 17.4 | 17.7 |
| ROCE (%) | 33.4 | 28.8 | 30.7 | 29.8 | 23.7 | 22.4 | 22.2 |

Source: Dalal and Broacha

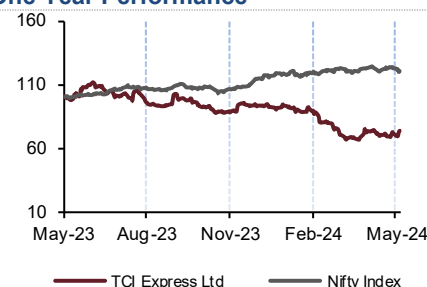
| Rating | TP (Rs) | Up/Dn (%) |
|-------------|--------------|-----------|
| HOLD | 1,096 | -1 |

Market data

| | | |
|----------------------|-----------|-----------------|
| Current price | Rs | 1,105 |
| Market Cap (Rs.Bn) | (Rs Bn) | 42 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 507 |
| Face Value | Rs | 2 |
| 52 Weeks High/Low | Rs | 1700.85 / 997.5 |
| Average Daily Volume | ('000) | 340 |
| BSE Code | | 540212 |
| Bloomberg | | TCIEXP.IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Mar-24 | Dec-23 |
|----------------|--------|--------|
| Promoters | 69.62 | 69.62 |
| Public | 30.38 | 30.38 |
| Total | 100 | 100 |

Source: BSE

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- Capex of 460 Mn incurred in FY24, & further targets to do capex of ~3290 Mn mainly for automation, construction of sorting centers, adding branches, IT equipment & digitalization.

Conference Call Highlights

Guidance

Revenue

- Management is expecting tepid growth in the next couple of quarters –on account of the ongoing elections in FY25 & low volume growth from core sectors where the company caters.
- Earlier this fiscal year, management was confident about their 15%+ growth guidance on for H2FY24 – however they fell significantly short of their target & failed to grow on the high base of last year- mainly due to low volume growth.
- Going forward for TCI express, growth in industries like lifestyle, pharma & consumption brands will be the key. The company also plans to focus on high-growth sectors such as solar & defense industries. Automobiles sector has been a strong point for the company in FY24 & expects it to continue at the same pace in FY25

EBITDA

- Earlier company was positive about achieving EBITDA Margins for FY24 of 16.5%; however in absence of volume growth – there margins have infact shrunked from FY23 levels of 15.7% to 14.9%
- Although TCI express has historically posted industry leading margins , inspite of increasing automation & operational efficiency within their operations, margin expansion will come with revival in volume growth & further price hikes .
- Price Hikes: In Fy24 , company was only able to take price hike of 50-75bps , however in FY25 they plan to hike prices by 150-200bps to boost their margins.

Volume Details

- Total tonnage for the quarter – 2,58,000 tons vs 2,50,000(in Q3FY24(+3% growth QoQ) & 2,63,000 tons (-2% YoY)
- Total volumes for FY24 ~10,00,000 tonnes

Capex Planned & Details on Sorting centers:

- Total of 460 Mn capex done in FY24: 250 Mn on machinery, 150 Mn on expansion of branches, 50 Mn in technology.
- ~3290 Mn worth capex shall be done from FY25-FY28 for investment in sorting centers, automation and enhancing tech-capabilities.

- Gurgaon & Pune sorting centers will be operational in FY25 & construction will be in progress for Ahmedabad & Kolkata sorting centers in FY25- benefits of which will be seen from FY26 onwards . 2 more sorting centers namely in Mumbai & Chennai are being planned.

Other Details

- Cash flow from operations of ~1360 Mn in FY24.
- 97% of the business is from B2B customers
- Split at customer level- 51%-49% between big & small customers

Quarterly Financials

| Rs MNS | Q3FY23 | Q2FY24 | Q3FY24A | YoY Growth | QoQ Growth |
|---------------------------|-----------------|-----------------|-----------------|------------|-------------|
| Sales | 3,144.20 | 3,199.80 | 3,118.60 | -1% | -3% |
| Other income | 13.00 | 17.70 | 19.70 | 52% | 11% |
| Total Revenue: | 3,157.20 | 3,217.50 | 3,138.30 | -1% | -2% |
| Expenses:- | - | - | - | | |
| Operating Expenses | 2,188.90 | 2,182.70 | 2,142.50 | -2% | -2% |
| % to Operating Income | 69.62% | 68.21% | 68.70% | | |
| Employee benefit expenses | 311.80 | 334.50 | 335.50 | 8% | 0% |
| % to Operating Income | 9.92% | 10.45% | 10.76% | | |
| Other expenses | 182.70 | 178.10 | 184.90 | 1% | 4% |
| % to Operating Income | 5.81% | 5.57% | 5.93% | | |
| Total Expenses | 2,683.40 | 2,695.30 | 2,662.90 | -1% | -1% |
| EBITDA (exc OI) | 460.80 | 504.50 | 455.70 | -1% | -10% |
| EBITDA Margin % | 14.66% | 15.77% | 14.61% | | |
| EBITDA | 473.80 | 522.20 | 475.40 | 0% | -9% |
| Depreciation | 42.90 | 47.20 | 47.70 | 11% | 1% |
| Interest | 4.40 | 3.50 | 3.30 | -25% | -6% |
| PBT | 426.50 | 471.50 | 424.40 | 0% | -10% |
| PBT % | 13.56% | 14.74% | 13.61% | | |
| Tax expenses | 106.30 | 115.70 | 102.50 | -4% | -11% |
| Tax Rate | 25% | 25% | 24% | -3% | -2% |
| PAT | 320.20 | 355.80 | 321.90 | 1% | -10% |
| Adjusted PAT | 320.20 | 355.80 | 321.90 | 1% | -10% |
| NPM | 10.14% | 11.06% | 10.26% | | |
| Equity | 76.70 | 76.60 | 76.60 | 0% | 0% |
| EPS | 8.35 | 9.26 | 8.40 | 1% | -9% |

Source : Company

Valuation & Outlook

Looking at the recent scenario, the company has struggled to grow offlate due to absence of underlying base demand in the sectors they cater to-, we have revised our FY25E EPS estimates from Rs 40 to Rs 37.09 & FY26E EPS estimates from Rs 46.5 to Rs 43.8 by conservatively reducing revenue CAGR to 8.5% over FY24-FY26E period. We expect a reasonable 70-80bps 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 PAT growth of 13% CAGR.

At CMP of Rs 1,105 the stock trades at 30x FY25e EPS of Rs 37.09 & 25x of FY26E EPS of Rs 43.8. Although the stock has corrected from ~1290 to 1105 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 volume growth going forward. Due to the consistent failure of the company to achieve their growth guidance, shrinking margins we have revised our target P/E multiple from 30x to 25x on FY26 EPS estimates. Thus we have arrived at a target price of 1,096 (1% downside) valuing the company at 25x FY26e, we maintain our "HOLD" rating on the stock..

Financials

| P&L (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Net Sales | 8,439.9 | 10,814.6 | 12,410.1 | 12,538.2 | 13,415.9 | 14,757.5 |
| Raw Materials | (5,667.3) | (7,329.7) | (8,497.0) | (8,585.7) | (9,096.0) | (9,917.0) |
| Employee Cost | (873.4) | (1,099.4) | (1,242.9) | (1,338.7) | (1,472.6) | (1,619.8) |
| Other Expenses | (556.0) | (638.3) | (725.4) | (741.4) | (796.2) | (871.9) |
| Operating Profit | 1,343.2 | 1,747.2 | 1,944.8 | 1,872.4 | 2,051.1 | 2,348.7 |
| Depreciation | (89.7) | (99.8) | (153.0) | (189.5) | (207.7) | (226.0) |
| PBIT | 1,253.5 | 1,647.4 | 1,791.8 | 1,682.9 | 1,843.4 | 2,122.7 |
| Other income | 76.5 | 81.7 | 71.7 | 71.5 | 66.3 | 135.4 |
| Interest | (7.8) | (9.1) | (18.2) | (14.7) | (14.7) | (14.7) |
| PBT | 1,322.2 | 1,720.1 | 1,845.3 | 1,739.7 | 1,895.0 | 2,243.4 |
| Exceptionals | - | - | - | - | - | - |
| Profit before tax (post exceptional) | 1,322.2 | 1,720.1 | 1,845.3 | 1,739.7 | 1,895.0 | 2,243.4 |
| Provision for tax | (316.2) | (431.6) | (452.6) | (422.8) | (477.0) | (564.7) |
| Reported PAT | 1,006.0 | 1,288.5 | 1,392.7 | 1,316.9 | 1,418.0 | 1,678.7 |
| MI | - | - | - | - | - | - |
| Net Profit | 1,006.0 | 1,288.5 | 1,392.7 | 1,316.9 | 1,418.0 | 1,678.7 |
| Adjusted Profit (excl Exceptionals) | 1,006.0 | 1,288.5 | 1,392.7 | 1,316.9 | 1,418.0 | 1,678.7 |
| Balance Sheet | FY21 | FY22 | FY23 | FY24 | 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 | 6,963.2 | 8,069.2 | 9,412.2 |
| Net worth | 4,338.7 | 5,361.9 | 5,963.7 | 7,039.8 | 8,145.8 | 9,488.8 |
| MI | - | - | - | - | - | - |
| Non Current Liabilities | 65.0 | 81.9 | 143.3 | 173.6 | 173.6 | 173.6 |
| Current Liabilities | 1,061.6 | 1,126.5 | 1,242.4 | 1,290.6 | 1,330.2 | 1,451.2 |
| CAPITAL EMPLOYED | 5,465.3 | 6,570.3 | 7,349.4 | 8,504.0 | 9,649.6 | 11,113.7 |
| Non Current Assets | 2,708.0 | 3,269.4 | 4,362.6 | 4,682.9 | 4,990.0 | 5,279.6 |
| Fixed Assets | 2,561.3 | 3,258.9 | 4,352.1 | 4,677.7 | 4,984.3 | 5,273.3 |
| Goodwill | - | - | - | - | - | - |
| Non Current Investments | 146.7 | 10.5 | 10.5 | 5.2 | 5.7 | 6.3 |
| Deferred Tax Asset | - | - | - | - | - | - |
| Long Term Loans and Advances | - | - | - | - | - | - |
| Current Assets | 2,757.3 | 3,300.9 | 2,986.8 | 3,821.1 | 4,659.6 | 5,834.1 |
| Current investments | 587.1 | 870.0 | 321.1 | 900.4 | 900.4 | 900.4 |
| Inventories | - | - | - | - | - | - |
| Trade Receivables | 1,694.6 | 1,895.4 | 2,114.7 | 2,317.6 | 2,286.1 | 2,514.7 |
| Cash and Bank Balances | 272.3 | 180.0 | 163.7 | 203.8 | 1,033.9 | 1,935.8 |
| Short Term Loans and Advances | - | - | - | - | - | - |
| Other Current Assets | 203.3 | 355.5 | 387.3 | 399.3 | 439.2 | 483.2 |
| CAPITAL DEPLOYED | 5,465.3 | 6,570.3 | 7,349.4 | 8,504.0 | 9,649.6 | 11,113.7 |

| Cash Flow St. (Rs. mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|----------------------------------|------------------|----------------|----------------|------------------|----------------|----------------|
| Net Profit | 1,006.0 | 1,288.5 | 1,392.7 | 1,316.9 | 1,418.0 | 1,678.7 |
| Add: Dep. & Amort. | 89.7 | 99.8 | 153.0 | 189.5 | 207.7 | 226.0 |
| Cash profits (Inc)/Dec in | 1,095.7 | 1,388.3 | 1,545.7 | 1,506.4 | 1,625.7 | 1,904.7 |
| -Sundry debtors | (36.9) | (200.8) | (219.3) | (202.9) | 31.5 | (228.6) |
| -Inventories | - | - | - | - | - | - |
| -Loans/advances | (51.4) | (152.2) | (31.8) | (12.0) | (39.9) | (43.9) |
| -Current Liab and Provisions | 180.3 | 66.7 | 116.4 | 25.9 | 39.6 | 121.1 |
| Change in working capital | 92.0 | (286.3) | (134.7) | (189.0) | 31.2 | (151.5) |
| CF from Oper. activities | 1,187.7 | 1,102.0 | 1,411.0 | 1,317.4 | 1,656.9 | 1,753.3 |
| CF from Inv. activities | (1,005.1) | (944.1) | (697.3) | (1,089.1) | (514.8) | (515.6) |
| CF from Fin. activities | (36.3) | (250.2) | (730.0) | (188.2) | (312.0) | (335.7) |
| Cash generated/(utilised) | 146.3 | (92.3) | (16.3) | 40.1 | 830.1 | 901.9 |
| Cash at start of the year | 126.0 | 272.3 | 180.0 | 163.7 | 203.8 | 1,033.9 |
| Cash at end of the year | 272.3 | 180.0 | 163.7 | 203.8 | 1,033.9 | 1,935.8 |
| Ratios | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| OPM | 15.9 | 16.2 | 15.7 | 14.9 | 15.3 | 15.9 |
| NPM | 11.8 | 11.8 | 11.2 | 10.4 | 10.5 | 11.3 |
| Tax rate | (23.9) | (25.1) | (24.5) | (24.3) | (25.2) | (25.2) |
| Growth Ratios (%) | | | | | | |
| Net Sales | (18.2) | 28.1 | 14.8 | 1.0 | 7.0 | 10.0 |
| Operating Profit | 10.7 | 30.1 | 11.3 | (3.7) | 9.5 | 14.5 |
| PBIT | 10.4 | 31.4 | 8.8 | (6.1) | 9.5 | 15.1 |
| PAT | 12.9 | 28.1 | 8.1 | (5.4) | 7.7 | 18.4 |
| Per Share (Rs.) | | | | | | |
| Net Earnings (EPS) | 26.16 | 33.47 | 36.36 | 34.38 | 37.02 | 43.83 |
| Cash Earnings (CPS) | 28.5 | 36.1 | 40.4 | 39.3 | 42.4 | 49.7 |
| Dividend | 4.0 | 8.0 | 8.0 | 7.6 | 8.1 | 8.8 |
| Book Value | 112.8 | 139.3 | 155.7 | 183.8 | 212.7 | 247.7 |
| Free Cash Flow | 4.7 | 4.1 | 18.6 | 6.0 | 29.8 | 32.3 |
| Valuation Ratios | | | | | | |
| P/E(x) | 42.2 | 33.0 | 30.4 | 32.1 | 29.8 | 25.2 |
| P/B(x) | 9.8 | 7.9 | 7.1 | 6.0 | 5.2 | 4.5 |
| EV/EBIDTA(x) | 30.9 | 23.7 | 21.5 | 22.0 | 19.7 | 16.8 |
| Div. Yield(%) | 0.4 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 |
| FCF Yield(%) | 0.4 | 0.4 | 1.7 | 0.5 | 2.7 | 2.9 |
| Return Ratios (%) | | | | | | |
| RONW | 23% | 24% | 23% | 19% | 17% | 18% |
| ROCE | 29% | 31% | 30% | 24% | 22% | 22% |
| Net D/E | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Dalal & Broacha Research, Company

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