

Due to the volumes drying up & low topline growth – company’s EBITDA margins fell by almost 10% sequentially. Even capacity utilisation levels declined from 84% in previous quarter to 83.5% in current quarter ; Management has reduced their growth estimates significantly & are hopeful of double digit growth in coming couple of years & growth has plateaued a bit.

- Revenue at Rs 3,119 Mn vs Rs 3,144 Mn (-1% YoY) vs Rs 3,200 Mn (-3% QoQ)
- EBITDA at Rs 456 Mn vs Rs 461 Mn (-1% YoY) vs Rs 504.5 Mn (-10% QoQ)
- EBITDA Margin at 14.61% vs 14.66% (YoY) vs 15.77% (QoQ).
- Adj PAT at Rs 322 Mn vs Rs 320 Mn (+1% YoY) vs Rs 356 Mn (+9% QoQ)
- EPS at Rs 9.27 vs Rs 9.82 (YoY) vs Rs 8.41 (QoQ)

Business Highlights

- Capacity Utilisation levels: 83.5%(Q3FY24) vs 84%(Q1FY24) vs 83% (Q3FY23)
- New businesses like Rail express, C2C (cold chain service for pharma) growing rapidly- contribution to revenue of 17.5%
- Added 15 new branches in Q3FY24 to expand presence in West & North regions.
- Capex of 250 Mn incurred in H1FY24, mainly for automation, construction of sorting centers, adding branches & IT equipment & digitalization; capex target for Q4FY24 around 150 Mn.

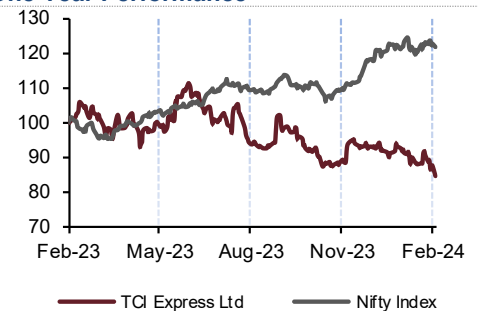
Rating	TP (Rs)	Up/Dn (%)
HOLD	1,395	8

Market data

Current price	Rs	1,290
Market Cap (Rs.Bn)	(Rs Bn)	49
Market Cap (US\$ Mn)	(US\$ Mn)	589
Face Value	Rs	2
52 Weeks High/Low	Rs	700.85 / 1250.2
Average Daily Volume	('000)	42
BSE Code		540212
Bloomberg		TCIEXP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net sales	8,440	10,815	12,410	12,610	13,871	15,259
EBIDTA	1,343	1,747	1,945	1,947	2,201	2,471
Margins	15.9	16.2	15.7	15.4	15.9	16.2
PAT (adj)	1,006	1,288	1,393	1,355	1,524	1,780
growth (%)	12.9	28.1	8.1	(2.7)	12.5	16.8
EPS	26.2	33.5	36.4	35.4	39.78	46.5
P/E (x)	49.3	38.5	35.5	36.5	32.4	27.8
P/B (x)	11.4	9.3	8.3	8.3	6.9	5.8
EV/EBITDA (x)	36.2	27.8	25.2	25.2	21.9	18.9
RoE (%)	23.2	24.0	23.4	22.7	21.3	20.8
ROCE (%)	28.8	30.7	29.8	29.2	27.8	26.3

Source: Dalal and Broacha

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Conference Call Highlights

Guidance

Revenue

- Management has reduced its growth guidance owing to the drying volumes & elections around the corner in FY25. However they are hopeful of a double digit growth rate in the coming couple of years.
- 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 inspite of festive demand in Q3.

EBITDA

- Earlier company was positive about achieving EBITDA Margins for FY24 of 16.5%; however for 9MFY24 they have managed to generate ~15.2% margins.
- Although TCI express has historically posted industry leading margins , inspite of increasing automation & operational efficiency within their operations, margin expansion is not a given & will improve over time.

Volume Details

- Total tonnage for the quarter – 2,50,000 tons (-1% YoY)
- 9MFy24 Volumes: 7,42,000 tons vs 730,000 tons (+2% YoY)

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

- **For FY24** : ~250 Mn capex already done in 9MFy24- further capex of ~150 Mn expected to be done in Q4FY24. In FY23 itself company had already incurred ~1250 Mn. Balance ~3250 Mn worth capex shall be done from FY25-FY28 for investment in sorting centers, automation and enhancing tech-capabilities. Capex to be done on increasing automation & operational efficiency. **Plan to open 10 more sorting centers** in the near term future.

Other Details

- 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.
- Cash flow from operations of 750 Mn in 9MFY24.

Valuation & Outlook

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 37 to Rs 35.4; FY25E EPS estimates from Rs 42.9 to Rs 40 & FY26E EPS estimates from Rs 47.6 to Rs 46.5 by conservatively reducing revenue CAGR to 7% over FY23-FY.26E period. We expect a reasonable 50bps 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 9% CAGR.

At CMP of Rs 1,290 the stock trades at 32x FY25e EPS of Rs 40 & 28x of FY26E EPS of Rs 46.5. We maintain "HOLD" with a target price of 1,395 (valuing the company at 30x FY26e) i.e. upside of 8%. Although the stock has corrected from ~1368 to 1290 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.

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%
<i>Tax Rate</i>	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: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	8,439.9	10,814.6	12,410.1	12,610.4	13,871.5	15,258.6
Raw Materials	(5,667.3)	(7,329.7)	(8,497.0)	(8,600.3)	(9,404.9)	(10,299.6)
Employee Cost	(873.4)	(1,099.4)	(1,242.9)	(1,345.4)	(1,480.0)	(1,627.9)
Other Expenses	(556.0)	(638.3)	(725.4)	(717.5)	(785.6)	(860.3)
Operating Profit	1,343.2	1,747.2	1,944.8	1,947.2	2,201.1	2,470.9
Depreciation	(89.7)	(99.8)	(153.0)	(190.0)	(198.7)	(203.3)
PBIT	1,253.5	1,647.4	1,791.8	1,757.2	2,002.4	2,267.5
Other income	76.5	81.7	71.7	60.4	49.8	126.8
Interest	(7.8)	(9.1)	(18.2)	(16.0)	(16.0)	(16.0)
PBT	1,322.2	1,720.1	1,845.3	1,801.7	2,036.2	2,378.4
Exceptionals	-	-	-	-	-	-
Profit before tax (post exceptional)	1,322.2	1,720.1	1,845.3	1,801.7	2,036.2	2,378.4
Provision for tax	(316.2)	(431.6)	(452.6)	(446.8)	(512.5)	(598.6)
Reported PAT	1,006.0	1,288.5	1,392.7	1,354.9	1,523.7	1,779.7
MI	-	-	-	-	-	-
Net Profit	1,006.0	1,288.5	1,392.7	1,354.9	1,523.7	1,779.7
Adjusted Profit (excl Exceptionals)	1,006.0	1,288.5	1,392.7	1,354.9	1,523.7	1,779.7

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	5,887.1	7,075.6	8,499.4
Net worth	4,338.7	5,361.9	5,963.7	5,963.7	7,152.2	8,576.0
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	1,262.7	1,382.6	1,515.5
CAPITAL EMPLOYED	5,465.3	6,570.3	7,349.4	7,369.7	8,678.1	10,234.7
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 Investments	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	2,882.4	4,174.1	5,817.8
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	2,148.8	2,363.7	2,600.1
Cash and Bank Balances	272.3	180.0	163.7	(13.6)	1,020.6	2,381.1
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	7,369.7	8,678.1	10,234.7

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	1,006.0	1,288.5	1,392.7	1,354.9	1,523.7	1,779.7
Add: Dep. & Amort.	89.7	99.8	153.0	190.0	198.7	203.3
Cash profits (Inc)/Dec in	1,095.7	1,388.3	1,545.7	1,544.9	1,722.4	1,983.1
-Sundry debtors	(36.9)	(200.8)	(219.3)	(34.1)	(214.9)	(236.4)
-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	20.3	119.9	132.9
Change in working capital	92.0	(286.3)	(134.7)	(52.6)	(137.6)	(150.3)
CF from Oper. activities	1,187.7	1,102.0	1,411.0	1,492.2	1,584.8	1,832.7
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)	(1,354.9)	(335.2)	(355.9)
Cash generated/(utilised)	146.3	(92.3)	(16.3)	(177.3)	1,034.2	1,360.5
Cash at start of the year	126.0	272.3	180.0	163.7	(13.6)	1,020.6
Cash at end of the year	272.3	180.0	163.7	(13.6)	1,020.6	2,381.1

Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPM	15.9	16.2	15.7	15.4	15.9	16.2
NPM	11.8	11.8	11.2	10.7	10.9	11.6
Tax rate	(23.9)	(25.1)	(24.5)	(24.8)	(25.2)	(25.2)
Growth Ratios (%)						
Net Sales	(18.2)	28.1	14.8	1.6	10.0	10.0
Operating Profit	10.7	30.1	11.3	0.1	13.0	12.3
PBIT	10.4	31.4	8.8	(1.9)	14.0	13.2
PAT	12.9	28.1	8.1	(2.7)	12.5	16.8
Per Share (Rs.)						
Net Earnings (EPS)	26.16	33.47	36.36	35.37	39.78	46.47
Cash Earnings (CPS)	28.5	36.1	40.4	40.3	45.0	51.8
Dividend	4.0	8.0	8.0	7.8	8.8	9.3
Book Value	112.8	139.3	155.7	155.7	186.7	223.9
Free Cash Flow	4.7	4.1	18.6	30.7	35.8	44.8
Valuation Ratios						
P/E(x)	49.3	38.5	35.5	36.5	32.4	27.8
P/B(x)	11.4	9.3	8.3	8.3	6.9	5.8
EV/EBIDTA(x)	36.2	27.8	25.2	25.2	21.9	18.9
Div. Yield(%)	0.3	0.6	0.6	0.6	0.7	0.7
FCF Yield(%)	0.4	0.3	1.4	2.4	2.8	3.5
Return Ratios (%)						
RONW	23%	24%	23%	23%	21%	21%
ROCE	29%	31%	30%	29%	28%	26%
Net D/E	0.0	0.0	0.0	0.0	0.0	0.0

Source: Dalal & Broacha Research, Company

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