

Pune sorting centre gets commercialised, Gurgaon in Q3

About the stock: TCI Express is a leading asset light B2B (95% of revenues) express logistics company with 28 sorting centres, 800+ owned pan-India centres covering 40000 pick-up and delivery points.

- SME and corporate clients comprise 50:50 of overall revenues
- Total 55% of revenues from sectors like auto ancillary, pharma, engineering

Q1FY22 Results: QoQ dip in margins largely due to employee bonus

- Revenues de-grew 20% QoQ to ₹ 223 crore
- EBITDA de-grew 41% QoQ to ₹ 32 crore with margins at 14.4% (vs. 19.4% in Q4) due to lower fleet utilisation and high employee expense
- Subsequently, PAT de-grew 44% to ₹ 24 crore due to weak operational performance

What should investors do? TCIEL with its greater pan-India footprint and diversified offerings such as cold chain express (for catering to pharma sector and would be asset light), air express division, customer to customer (C2C) express logistics is continually building a moat in its B2B segment.

- We remain positive on the stock and maintain our BUY recommendation

Target Price and Valuation: We value the stock at ₹1850 i.e. 35x P/E on FY23E EPS

Key triggers for future price performance: Rising competitiveness in the sector has left TCIEL unscathed, primarily due to the company's relentless focus on building capabilities in the B2B segment by having owned branch offices, focus on MSME and SME clients, continued investments in building IT networks etc, which helps the company in having control over user experience and providing value added services to clients

- Continual cost control and bettering turnaround times via investments in IT, sorting centres and automation
- Asset light business model, with projected 25%+ RoIC in FY23

Alternate Stock Idea: Apart from TCI Express, we remain positive on BlueDart

- BlueDart, with its premium offerings, has been a beneficiary of flight to quality trend post pandemic, which resulted in higher tonnage growth, backed by greater digital connect with customers and focus on servicing bigger customers and brands
- We have a BUY rating on the stock, with a target price of ₹ 6300



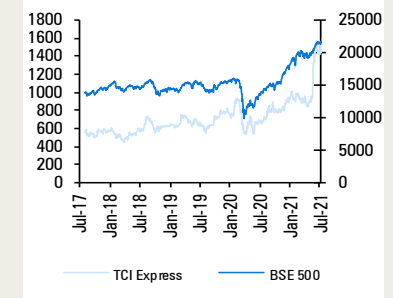
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	6,009.7
Total Debt (FY21) (₹ Cr)	1.0
Cash (FY21) (₹ Cr)	27.2
EV (₹ Cr)	5,983.5
52 week H/L	1747/680
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	66.9	66.9	66.9	66.8
FII	3.5	2.1	2.3	1.9
DII	5.4	9.7	10.3	10.3
Others	24.2	21.3	20.6	21.0

Price Chart



Recent event & key risks

- Commercialisation of Gurgaon sorting centre
- **Key Risk:** (i) Longer than expected recovery in MSME (ii) rising B2B competitiveness

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Key Financial Summary

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E	CAGR
Revenues (₹ crore)	1,023.8	1,032.0	844.0	1,181.6	1,402.0	8.2
EBITDA (₹ crore)	119.0	121.3	134.3	200.9	266.4	22.3
Adjusted Net Profit (₹ crore)	72.9	89.1	100.6	149.7	200.5	28.8
EPS (₹)	19.0	23.3	26.2	38.9	52.1	
P/E (x)	82.5	67.5	60.0	40.3	30.1	
Price / Book (x)	22.5	17.8	13.9	10.6	8.0	
EV/EBITDA (x)	50.4	49.5	44.7	29.9	22.5	

Source: Company, ICICI Direct Research

Key takeaways

Q1FY22 Results: Expect margins to rebound to 17-18% from Q2 onwards

- Revenue growth on a sequential basis was lower due to a broad based decline in production and demand among key customer industries amid the second wave of the pandemic
- Gross margins witnessed a contraction of 310 bps YoY (contracted 150 bps QoQ and lower by 30 bps vs. estimates) to 31.7%, leading to absolute EBITDA of ₹ 32 crore vs. ₹ 2 crore in Q1FY21 (41% QoQ de-growth)

Q1FY22 Earnings Conference Call highlights

- Truck utilisation dipped to 83.5% during the quarter vs. 86.5% in Q4 but utilisation levels have rebounded in July
- Pune sorting centre (1.5 lakh sq ft) has operationalised in Q1. Further, the management expects to commercialise the Gurgaon facility from Q3 (automated)
- The management is also looking to build four new owned sorting centres at Chennai, Kolkata, Mumbai, etc
- The management expects to double topline in three to four years and 3x EBITDA, PAT
- Long term margin ambition stays at 22-23% whereas the management expects to clock 17-18% margins in the near term
- Capex for FY22 remains at ₹ 100 crore
- Long term endeavour to reach 89% truck utilisation levels
- TCI Express expects to become the leader of the express market in the near to medium term
- The management expects the cold chain transportation and C2C business to clock margins in line with the company's margins

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	222.9	229.4	88.7	151.2	279.8	-20.3	QoQ de-growth mainly due to statewide lockdown and dip in consumer demand
Operating expenses	152.3	156.0	57.8	163.3	186.9	-18.5	
Employee Expenses	25.6	21.8	18.7	36.5	23.3	9.7	
Other Expense	13.0	13.8	10.2	27.9	15.3	-14.8	
Total Expense	190.8	191.6	86.7	120.1	225.4	-15.3	
EBITDA	32.1	37.9	2.0	1,480.3	54.4	-41.0	
EBITDA Margin (%)	14.4	16.5	2.3	1210 bps	19.4	-504 bps	Margins negatively impacted QoQ mainly due to higher employee cost (via one-time bonus)
Depreciation	2.2	2.3	2.1	5.2	2.5	-11.5	
Interest	0.1	0.2	0.1	-8.3	0.2	-38.9	
Other Income	1.6	2.4	1.5	11.6	3.1	-46.4	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	31.4	37.7	1.3	2,390.5	54.7	-42.7	
Total Tax	7.6	9.5	0.3	2,141.2	12.2	-37.4	
PAT	23.8	28.2	0.9	2,482.6	42.6	-44.2	

Source: Company, ICICI Direct Research

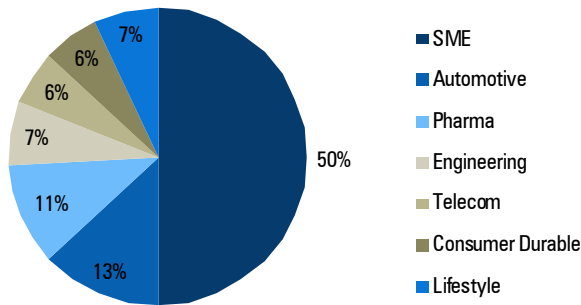
Exhibit 2: Change in estimates

(₹ Crore)	FY22E					FY23E			Comments
	FY20	FY21	Old	New	% Change	Old	New	% Change	
Gross Revenue	1,032.0	844.0	1,181.6	1,181.6	0.0	1,389.5	1,402.0	0.9	Estimates largely unchanged
EBITDA	121.3	134.3	200.9	200.9	0.0	252.9	266.4	5.3	
EBITDA Margin (%)	11.8	15.9	17.0	17.0	0 bps	18.2	19.0	80 bps	Margins revised upwards due to cost control measures employed by company
PAT	89.1	100.6	149.7	149.7	0.0	190.4	200.5	5.3	
EPS (₹)	23.3	26.2	38.9	38.9	0.1	49.5	52.1	5.3	

Source: ICICI Direct Research

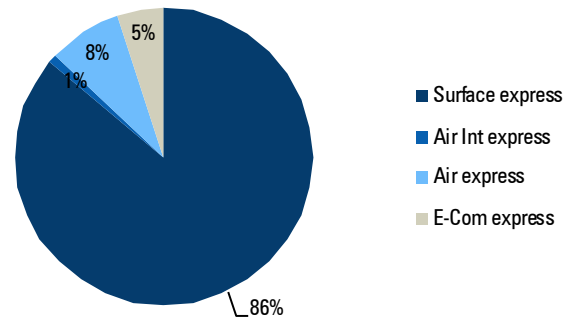
Key Metrics

Exhibit 3: Industry verticals



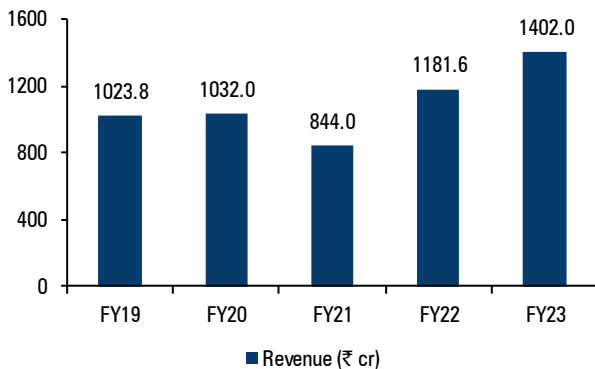
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



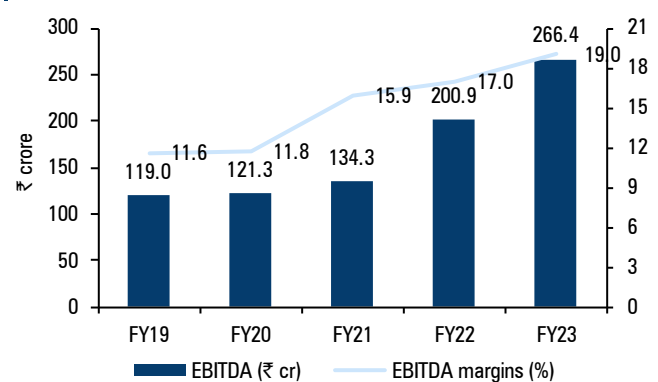
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 29% CAGR in FY21-23



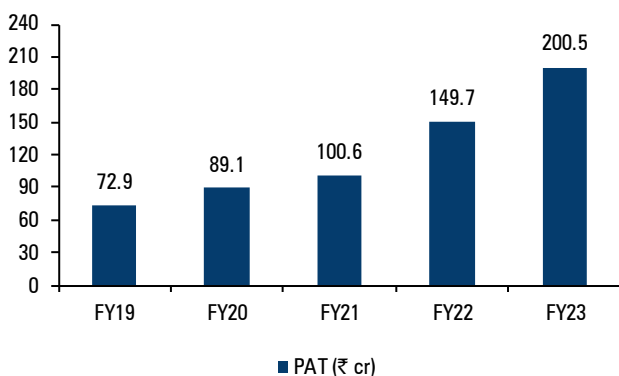
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 41% CAGR in FY21-23



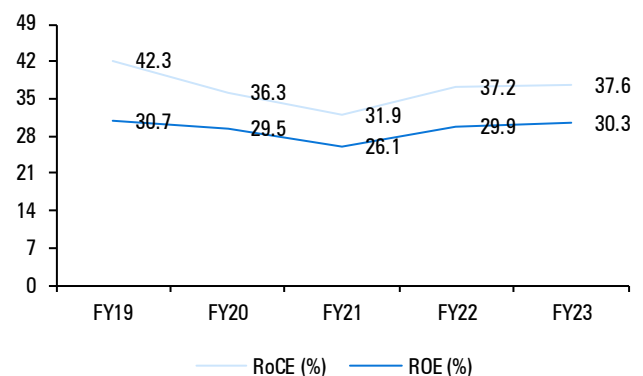
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 41% CAGR in FY21-23



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

Year	Sales (₹ Crore)	Sales Gr.	EPS (₹)	EPS Gr. (%)	PE (x)	EV/EBITD	RoNW (%)	RoCE (%)
FY19	1023.8	15.7	19.0	24.8	82.5	50.4	30.7	42.3
FY20	1032.0	0.8	23.3	22.3	67.5	49.5	29.5	36.3
FY21	844.0	-18.2	26.2	12.4	60.0	13.9	26.1	31.9
FY22E	1181.6	40.0	38.9	48.8	40.3	10.6	29.9	37.2
FY23E	1402.0	18.7	52.1	33.9	30.1	8.0	30.3	37.6

Source: Company, ICICI Direct

Financial Summary

(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	1,032.0	844.0	1,181.6	1,402.0
Growth (%)	0.8	(18.2)	40.0	18.7
Operating expenses	734.2	566.7	803.5	939.3
Employee Cost	101.8	87.3	106.3	119.2
Other expenses	74.7	55.6	70.9	77.1
Total Expenses	910.7	709.7	980.7	1,135.6
EBITDA	121.3	134.3	200.9	266.4
Growth (%)	1.9	10.7	49.5	32.6
Depreciation	7.8	9.0	12.2	15.6
EBIT	113.5	125.4	188.7	250.8
Interest	0.9	0.8	0.1	0.1
Other Income	4.4	7.7	11.5	17.2
PBT	117.0	132.2	200.1	267.9
Growth (%)	4.6	13.0	51.3	33.9
Tax	27.9	31.6	50.4	67.4
Reported PAT	89.1	100.6	149.7	200.5
Exceptional Items	-	-	-	-
Adjusted PAT	89.1	100.6	149.7	200.5
Growth (%)	22.3	12.9	48.8	33.9
EPS	23.3	26.2	38.9	52.1

Source: Company, ICICI Direct Research

(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	89.1	100.6	149.7	200.5
Less: Dividend Paid	(0.9)	(0.8)	(0.1)	(0.1)
Add: Depreciation	7.8	9.0	12.2	15.6
Add: Others	-	-	-	-
Cash Profit	97.8	110.4	162.0	216.1
Increase/(Decrease) in CL	(10.4)	16.1	1.2	16.6
(Increase)/Decrease in CA	(3.3)	(5.4)	(10.2)	(35.1)
CF from Operating Activities	53.1	99.9	149.7	194.2
(Add) / Dec in Fixed Assets	(27.3)	(54.5)	(108.3)	(110.8)
Changes in goodwill	(0.7)	0.4	-	-
(Inc)/Dec in Investments	0.4	(43.0)	(20.0)	(50.0)
CF from Investing Activities	(27.6)	(97.1)	(128.3)	(160.8)
Inc/(Dec) in Loan Funds	(5.8)	(1.8)	(0.4)	-
Inc/(Dec) in Sh. Cap. & Res.	(19.0)	(4.0)	(15.4)	(15.4)
Others	(4.9)	17.3	0.0	0.0
CF from financing activities	(29.7)	11.5	(15.8)	(15.3)
Change in cash Eq.	(4.2)	14.3	5.6	18.1
Op. Cash and cash Eq.	17.1	12.9	27.2	32.9
Cl. Cash and cash Eq.	12.9	27.2	32.9	50.9

Source: Company, ICICI Direct Research

(Year-end March)	FY20	FY21	FY22E	FY23E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	329.6	426.2	560.5	745.6
Shareholder's Fund	337.3	433.9	568.2	753.3
Secured Loan	0.5	0.5	0.3	0.3
Unsecured Loan	11.4	0.6	0.3	0.3
Total Loan Funds	2.8	1.0	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	4.1	5.4	5.5	5.6
Source of Funds	344.3	440.4	574.4	759.6
Application of Funds				
Gross Block	208.8	259.0	359.0	459.0
Less: Acc. Depreciation	27.5	34.5	46.7	62.3
Net Block	181.3	224.4	312.2	396.6
Capital WIP	11.1	27.8	36.1	46.9
Total Fixed Assets	192.4	252.2	348.3	443.5
Intangibles	2.2	1.8	1.8	1.8
Investments	0.9	14.7	34.7	84.7
Debtors	165.8	169.5	178.0	211.3
Cash	12.9	27.2	32.9	51.0
Current Investments	28.6	58.7	61.6	64.7
Loan & Advance, Other C/	24.9	17.6	19.6	21.9
Total Current assets	203.5	214.3	230.5	284.1
Creditors	62.0	75.2	72.6	84.9
Other Current Liabilities	20.5	23.8	27.4	31.5
Provisions	4.7	4.3	4.5	4.7
Deferred Tax Assets	3.9	2.0	2.0	2.0
Total CL and Provisions	87.2	103.3	104.5	121.1
Net Working Capital	116.4	111.0	126.0	162.9
Miscellaneous expense	-	-	-	-
Application of Funds	344.3	440.4	574.4	759.6

Source: Company, ICICI Direct Research

(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Book Value	88.1	112.8	147.8	195.9
EPS	23.3	26.2	38.9	52.1
Cash EPS	25.3	28.5	42.1	56.2
DPS	4.0	4.0	4.0	4.0
Profitability & Operating Ratios				
EBITDA Margin (%)	11.8	15.9	17.0	19.0
PAT Margin (%)	8.6	11.9	12.7	14.3
Fixed Asset Turnover (x)	3.0	1.9	2.1	1.9
Debtor (Days)	58.2	72.5	55.0	55.0
Current Liabilities (Days)	33.4	44.2	33.0	33.0
Return Ratios (%)				
RoE	29.5	26.1	29.9	30.3
RoCE	36.3	31.9	37.2	37.6
RoIC	26.2	23.1	26.3	26.6
Valuation Ratios (x)				
P/E	67.5	60.0	40.3	30.1
Price to Book Value	17.8	13.9	10.6	8.0
EV/EBITDA	49.5	44.7	29.9	22.5
EV/Sales	5.8	7.1	5.1	4.3
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	126.1	160.7	3,144.4	4,179.4
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	2.2	1.8	1.9	1.9

Source: Company, ICICI Direct Research

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