

Utilisation to improve to 85% from Q4FY23...

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

Q3FY23 Results: Subdued festive related movement hampered margins.

- Revenues grew 10% YoY to ₹ 314 crore (I-direct estimate: ₹ 319 crore. Tonnage grew 10% YoY to 2,53,000 tonnes
- EBITDA de-grew 2% YoY to ₹ 46 crore with margins at 14.7% (vs. expected 16% margins)
- Subsequently, PAT de-grew 9% to ₹ 32 crore (QoQ decline of 15%)

What should investors do? Automation of sorting centre in Gurgaon has seen turnaround times doubling and labour costs declining. TCI expects to further automate other five centres in three to four years. New services are currently contributing 18% of overall sales. The management expects these higher margin businesses (18-20%) to comprise 25% by FY25.

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

Target Price & Valuation: We value the stock at ₹ 2150 i.e. 35x P/E on FY25E EPS.

Key triggers for future price performance: The management expects to grow its volumes by 18% (2-3% realisation growth), thus catapulting margins at 19-20% by FY25. Branch additions are also planned at 100 new branch additions every year

- Newer businesses (rail express, pharma cold chain and C2C express) are expected to provide further room for margin improvement
- Asset light business model, with projected 25%+ RoIC

Alternate Stock Idea: Apart from TCI Express, we remain positive on Blue Dart.

- Blue Dart, 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 remain positive on the stock due to revival in its B2C and B2B segments and a continued expansion in margin profile

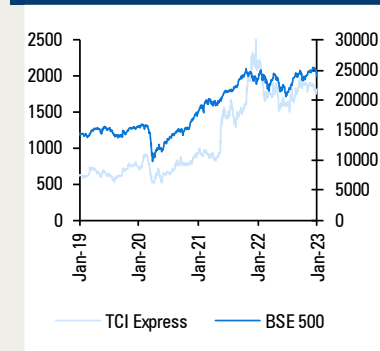
Particulars

Particular	Amount
Market Capitalization (₹ Cr)	6,583.9
Total Debt (FY22) (₹ Cr)	1.0
Cash (FY22) (₹ Cr)	18.0
EV (₹ Cr)	6,566.9
52 week H/L	2572/1442
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	66.7	66.7	66.7	66.9
FII	2.0	1.9	1.8	1.7
DII	8.1	8.7	10.5	8.6
Others	23.2	22.7	21.1	22.8

Price Chart



Recent event & key risks

- Pune sorting centre to be automated in FY24
- Key Risk:** (i) De-growth in SME, MSME businesses (ii) Rising B2B competitiveness

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key Financial Summary

(Year-end March)	FY21	FY22	5 Years CAGR (FY17-22)	FY23E	FY24E	FY25E	3 Years CAGR
Revenues (₹ crore)	844.0	1,081.5	7.6	1,245.2	1,487.8	1,777.6	18.0
EBITDA (₹ crore)	134.3	174.7	23.1	201.7	258.9	327.1	23.2
Adjusted Net Profit (₹ crore)	100.6	128.9	28.0	144.9	186.5	236.7	22.5
EPS (₹)	26.2	33.5		37.6	48.4	61.5	
P/E (x)	65.7	51.4		45.7	35.5	28.0	
Price / Book (x)	15.2	12.4		10.2	8.2	6.5	
EV/EBITDA (x)	49.0	37.8		32.7	25.5	20.1	

Source: Company, ICICI Direct Research

Key takeaways

Q3FY23 Results:

- In Q3FY23, the company added seven new branches taking the total number of branches added in 9MFY23 to 28
- Revenue mix was driven equally by SME and corporates

Q3FY23 Earnings Conference Call highlights

- Subdued revenue growth due to not so strong festive season demand
- The company lowered revenue growth guidance to 17% from earlier 18-20% and expects EBITDA margin of 17% in FY23 and 18+ in FY24
- The company opened 28 new branches during 9MFY23 to deepen its presence in key business geographies and to cater to the growing demand. The company is planning to open 100 more branches in FY24
- The company has incurred ₹ 99 crore as capex in 9MFY23 for purchasing land in Kolkata to set up a sorting centre, buying land in Gurgaon for building corporate office and expand its branch network to serve the growing demand across geographies
- The new businesses are contributing 18% to revenues and are expected to grow to 25% in FY25
- The company expects to take a price hike of 2-3% in FY24 whereas in 9MFY23 it took a hike in the range of mere 0.5%, citing tough economic conditions being faced by SMEs
- Truck utilisation was at 83% during the quarter. The management expects 85%+ from next quarter onwards
- The management has guided for 18-20% revenue growth in the next three years

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	314.4	319.2	286.9	9.6	309.9	1.5	Revenues impacted due to weak festive season; utilisation at 83% vs 85% in Q2FY23
Operating expenses	218.9	218.6	195.1	12.2	210.7	3.9	
Employee Expenses	31.2	31.9	27.7	12.4	30.9	0.9	
Other Expense	18.3	17.6	16.9	8.3	16.9	8.3	
Total Expense	268.3	268.1	239.7	11.9	258.4	3.8	
EBITDA	46.1	51.1	47.2	-2.3	51.5	-10.5	
EBITDA Margin (%)	14.7	16.0	16.4	-179 bps	16.6	-196 bps	
Depreciation	4.3	3.7	2.2	92.4	3.5	22.9	
Interest	0.4	0.3	0.2	131.6	0.4	25.7	
Other Income	1.3	2.1	2.1	-37.2	2.3	-42.7	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	42.7	49.2	46.8	-8.9	49.9	-14.5	
Total Tax	10.6	12.4	11.7	-9.2	12.1	-12.3	
PAT	32.0	36.8	35.1	-8.8	37.8	-15.3	

Source: Company, ICICI Direct Research

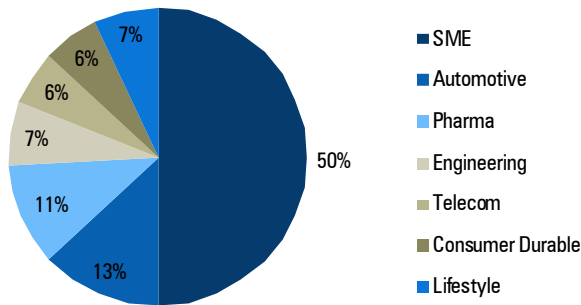
Exhibit 2: Change in estimates

	FY23E			FY24E			FY25E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
(₹ Crore)								
Gross Revenue	1,269.9	1,245.2	-1.9	1,504.2	1,487.8	-1.1	1,777.6	Revenues kept largely intact
EBITDA	209.5	201.7	-3.7	276.8	258.9	-6.5	327.1	
EBITDA Margin (%)	16.5	16.2	-30 bps	18.4	17.4	-100 bps	18.4	Margins to improve 50-100 bps every year
PAT	153.9	144.9	-5.9	206.2	186.5	-9.6	236.7	
EPS (₹)	40.0	37.6	-5.9	53.6	48.4	-9.6	61.5	

Source: ICICI Direct Research

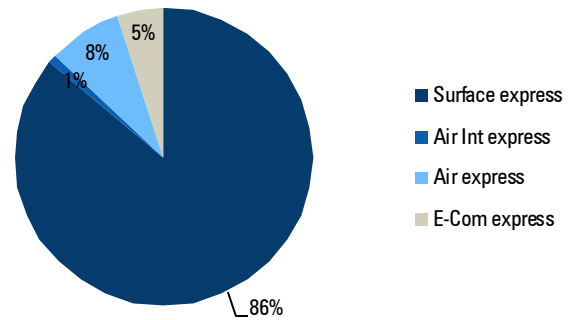
Key Metrics

Exhibit 3: Industry verticals



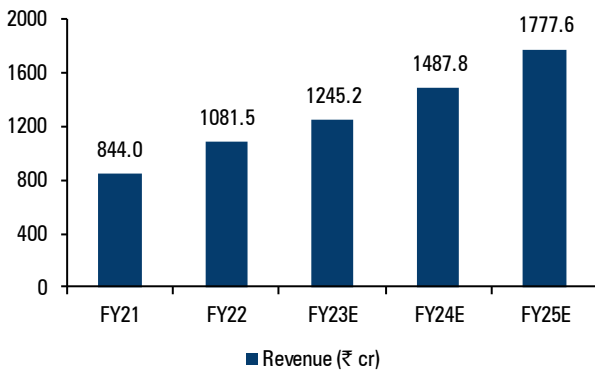
Source: ICICI Direct Research, Company

Exhibit 4: Product segment



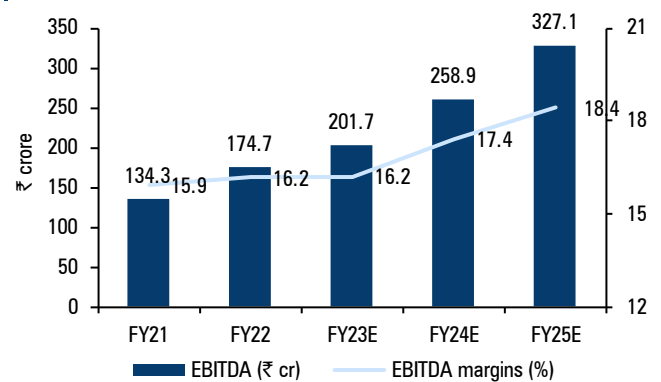
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 18% CAGR in FY22-25



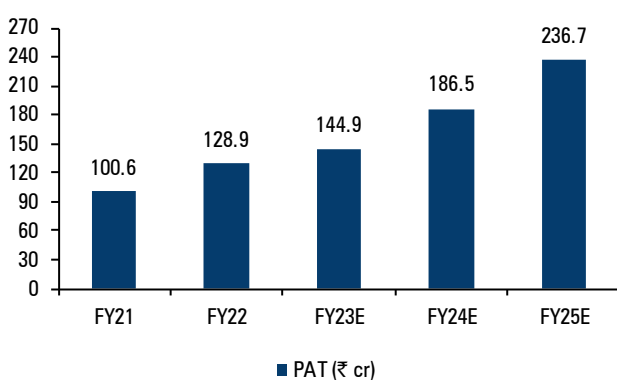
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 23% CAGR in FY22-25



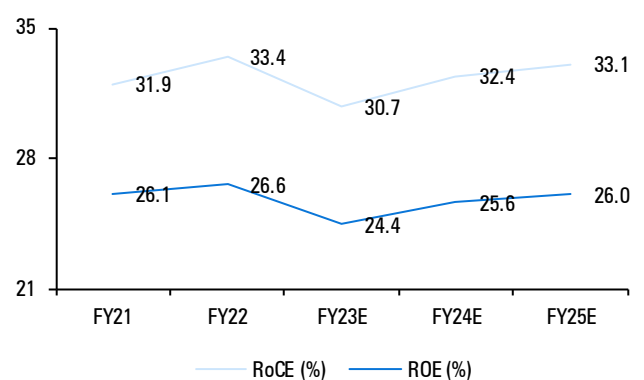
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 23% CAGR in FY20-25



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/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	844.0	-18.2	26.2	12.4	65.7	15.2	26.1	31.9
FY22	1081.5	28.1	33.5	27.9	51.4	12.4	26.6	33.4
FY23E	1245.2	15.1	37.6	12.4	45.7	10.2	24.4	30.7
FY24E	1487.8	19.5	48.4	28.7	35.5	8.2	25.6	32.4
FY25E	1777.6	19.5	61.5	26.9	28.0	6.5	26.0	33.1

Source: Company, ICICI Direct

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Total operating Income	1,081.5	1,245.2	1,487.8	1,777.6
Growth (%)	28.1	15.1	19.5	19.5
Operating expenses	733.0	853.0	1,011.7	1,191.0
Employee Cost	109.9	123.3	142.8	170.6
Other expenses	63.8	67.2	74.4	88.9
Total Expenses	906.7	1,043.5	1,228.9	1,450.5
EBITDA	174.7	201.7	258.9	327.1
Growth (%)	30.1	15.4	28.3	26.3
Depreciation	10.0	16.7	20.2	23.7
EBIT	164.8	185.0	238.7	303.4
Interest	0.9	1.2	1.2	1.2
Other Income	8.2	9.8	11.8	14.1
PBT	172.0	193.6	249.2	316.3
Growth (%)	30.1	12.6	28.7	26.9
Tax	43.2	48.7	62.7	79.6
Reported PAT	128.9	144.9	186.5	236.7
Exceptional Items	-	-	-	-
Adjusted PAT	128.9	144.9	186.5	236.7
Growth (%)	28.1	12.4	28.7	26.9
EPS	33.5	37.6	48.4	61.5

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	128.9	144.9	186.5	236.7
Less: Dividend Paid	(0.9)	(1.2)	(1.2)	(1.2)
Add: Depreciation	10.0	16.7	20.2	23.7
Add: Others	(18.8)	-	-	-
Cash Profit	120.9	162.8	207.9	261.6
Increase/(Decrease) in CL	8.6	8.6	20.3	23.0
(Increase)/Decrease in CA	(18.7)	0.5	(38.2)	(45.6)
CF from Operating Activities	110.8	166.3	184.2	232.9
(Add) / Dec in Fixed Assets	(80.0)	(120.3)	(102.4)	(103.1)
Changes in goodwill	(1.3)	-	-	-
(Inc)/Dec in Investments	(43.0)	(10.0)	(40.0)	(80.0)
CF from Investing Activities	(124.3)	(130.3)	(142.4)	(183.1)
Inc/(Dec) in Loan Funds	(0.0)	(0.4)	-	-
Inc/(Dec) in Sh. Cap. & Res.	(26.5)	(30.8)	(30.8)	(30.8)
Others	30.8	(1.0)	(1.0)	(1.0)
CF from financing activities	4.3	(32.2)	(31.8)	(31.8)
Change in cash Eq.	(9.2)	3.8	10.0	18.0
Op. Cash and cash Eq.	27.2	18.0	21.8	31.7
Cl. Cash and cash Eq.	18.0	21.8	31.8	49.7

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	528.5	642.6	798.3	1,004.1
Shareholder's Fund	536.2	650.3	806.0	1,011.8
Secured Loan	0.5	0.3	0.3	0.3
Unsecured Loan	0.6	0.3	0.3	0.3
Total Loan Funds	1.0	0.6	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	7.9	8.0	8.2	8.3
Source of Funds	545.2	659.0	814.9	1,020.9
Application of Funds				
Gross Block	357.7	477.7	577.7	677.7
Less: Acc. Depreciation	44.5	61.2	81.4	105.2
Net Block	314.7	416.5	496.2	572.5
Capital WIP	6.1	7.9	10.3	13.4
Total Fixed Assets	320.8	424.4	506.5	585.9
Intangibles	3.0	3.0	3.0	3.0
Investments	1.1	11.1	51.1	131.1
Debtors	189.5	187.6	224.2	267.9
Cash	18.0	21.8	31.7	49.7
Current Investments	87.0	91.4	95.9	100.7
Loan & Advance, Other C/	33.5	36.1	39.0	42.2
Total Current assets	241.0	245.5	294.9	359.8
Creditors	73.7	77.1	91.5	107.7
Other Current Liabilities	32.6	37.5	43.1	49.6
Provisions	5.6	5.8	6.1	6.4
Deferred Tax Assets	4.1	4.1	4.1	4.1
Total CL and Provisions	111.9	120.4	140.7	163.7
Net Working Capital	129.2	125.1	154.2	196.1
Miscellaneous expense	-	-	-	-
Application of Funds	545.2	659.0	814.9	1,020.9

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY24E
Per share data (₹)				
Book Value	139.3	168.9	209.3	262.8
EPS	33.5	37.6	48.4	61.5
Cash EPS	36.1	42.0	53.7	67.6
DPS	8.0	8.0	8.0	8.0
Profitability & Operating Ratios				
EBITDA Margin (%)	16.2	16.2	17.4	18.4
PAT Margin (%)	11.9	11.6	12.5	13.3
Fixed Asset Turnover (x)	2.0	1.9	1.8	1.8
Debtor (Days)	60.6	55.0	55.0	55.0
Current Liabilities (Days)	37.1	33.0	33.0	33.0
Return Ratios (%)				
RoE	26.6	24.4	25.6	26.0
RoCE	33.4	30.7	32.4	33.1
RoIC	24.0	22.3	23.1	23.4
Valuation Ratios (x)				
P/E	51.4	45.7	35.5	28.0
Price to Book Value	12.4	10.2	8.2	6.5
EV/EBITDA	37.8	32.7	25.5	20.1
EV/Sales	6.1	5.3	4.4	3.7
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	181.0	154.2	198.9	252.8
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	2.0	1.9	1.9	1.9

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	605	1,000	BUY	1,22,921	21.9	28.7	43.2	24.6	25.3	21.1	17.3	16.4	14.3	12.7	9.5	11.5	16.3	10.7	12.5
Container Corporation	645	700	HOLD	34,121	17.3	20.8	20.6	97.2	77.8	37.2	6.2	9.7	5.6	10.9	4.5	10.2	12.1	5.4	9.6
Transport Corp. of India	630	810	BUY	4,596	37.3	42.5	44.3	34.4	33.3	16.9	20.5	18.3	11.2	12.4	13.3	20.3	14.0	12.9	20.5
Gujarat Pipavav	94	110	BUY	4,544	4.1	5.6	6.7	23.0	16.8	14.1	8.9	7.5	6.4	12.1	15.7	18.6	8.6	11.7	13.8
TCI Express	1,720	2,150	BUY	6,584	26.2	33.5	37.6	90.4	73.9	65.7	55.3	54.2	49.0	42.3	36.3	31.9	30.7	29.5	26.1
Mahindra Logistics	475	610	BUY	3,406	5.2	9.5	16.9	91.9	50.0	28.1	16.2	11.9	8.7	12.2	33.7	40.0	6.3	10.6	16.2
BlueDart Express	6,800	8,000	HOLD	16,157	160.9	202.8	246.8	158.7	42.3	33.5	22.9	15.3	13.6	40.7	77.5	71.2	12.8	39.7	40.8
Gateway Distriparks	66	75	HOLD	3,298	4.5	3.4	3.8	32.0	35.0	14.7	12.7	12.0	9.8	9.9	11.7	15.4	5.6	6.4	13.7

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, AkruTI Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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