

KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- TCI Express Ltd Q1FY24 consolidated revenues came in at ₹305 Cr, up by 4.97% YoY and down by 6.44% QoQ.
- Op Profit for Q1FY24 stood at ₹46 Cr, up by 6.97% YoY and down by 14.81% QoQ.
- Op margins for Q1FY24 came at 15%, flat YoY and down by -200bps QoQ.
- Net profit for Q1FY24 stood at ₹32Cr up by 3.22% YoY down by 15.78% QoQ.

2. MANAGEMENT COMMENTARY:

- They are aiming to achieve a revenue of ₹1,750 crore in FY25, with rail express contributing atleast 4%-5% to the overall top-line.
- Customer to customer (C2C), which is an asset light model, and a profitable business has started to contribute 5%-6% towards the total revenue.
- They are anticipating volume growth of ~13%-14% and the overall topline is expected to increase by ~15%-16% going forward.
- The growth was primarily driven by strong demand from the MSME sector customers which contributes ~50% of the overall revenue as well as higher utilisation in newly developed sorting centre facilities.

3. CONCALL SUMMARY

- The margin expansion target for FY24 is atleast 50-75 bps and eventually 100 bps from next year.
- The company has planned capex of ₹500 crore over (FY23 – FY28). It has incurred ₹125 crore in FY23, and the remaining is to be spent over FY24-FY28. It is anticipating a capex of ₹90 crore - ₹100 crore in FY24.
- It has made strides in enhancing the capabilities of its Pune sorting centre. Established in December 2021, the facility is now on track to achieve automation by Q4 FY24.
- New services (rail express, pharma cold chain express and air express) are expected to contribute 25% of the topline.

4. OTHER DEVELOPMENTS:

- In the last 7 years the company has reached 60,000 locations from 32,000, sorting centres increased from 26 to 28 and customer base from 1.6 lacs to 2.25 lacs.
- During Q1 FY24, the volumes were 2,40,000 tonnes.
- 5 new branches were added during Q1 FY24 to penetrate deeper in the key growing markets in West and South region to cater the growing demand with industry leading services.
- In Q1 FY24, the utilization rate was 83.5%.

5. VALUATION AND OUTLOOK:

We believe company will continue to post good results in the coming few quarters. Government's aim to bring logistics cost as a percent of GDP below 10% from current 14% will reap benefits for the company and logistics sector.

Management is confident regarding the revenue growth of 15%-16% along with margin expansion. Aggressive revenue growth in new services (rail express, pharma cold chain and air express) is expected to drive the future growth of the company.

We give a "BUY" rating on the stock and value the stock at 33x of FY25E earnings to arrive at a target price of Rs. 1810.

RECOMMENDATION - BUY

CMP – 1484

TARGET – 1810

(Upside – 22 %)

Industry	Logistics
NSE CODE	TCIEXP
BSE CODE	540212
Market Cap (₹ Cr)	5690
Shares Outstanding (in Cr)	3.83
52 wk High/Low (₹)	2013 / 1374
P/E	40.5
P/BV	9.54
Face Value (₹)	2.00
Book Value (₹)	156
EPS (FY23) (₹)	36.37
Dividend Yield (%)	0.54
Debt / Equity	0.00
Interest Coverage	102.95

SHAREHOLDING PATTERN

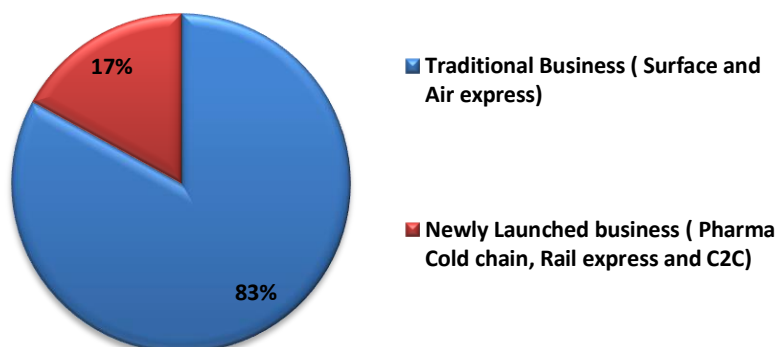
	Jun-23	Mar-23	Dec-22
Promoters	69.66	69.66	66.87
MF/ DII	10.17	10.24	10.43
FII/FPI	2.30	2.04	1.73
Retail & Others	17.88	18.06	20.98
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
Core			
Sales	1241	1440	1750
Sales Gr. (%)	14.75	16	21.5
EBITDA	194	230	298
EBITDA %	15.63	16	17
PAT	139	162	210
EPS (₹)	36.35	42.30	54.83
EPS Gr. (%)	8.60	16.36	29.62
BV/Sh. (₹)	156	175	203
Ratios			
RoE (%)	24.6	27.13	31.39
RoCE (%)	32.6	33	35.48
Valuation			
P/E (x)	40.5	36	27.8
P/BV (x)	9.54	8.71	7.51

Historical & Industrial Val Ratios

Historical P/E	42.06
Industry P/E	31.88
Historical P/B	9.89
Industry P/B	3.87

REVENUE SPLIT (Q1FY24)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22		FY23			FY24		FY23	FY24E*	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1			Q2*
Net sales	287	298	290	310	314	326	305	343	1241	1440
YoY change (%)	9.30%	6.57%	30.29%	13.33%	9.58%	9.41%	4.97%	10.64%	14.75%	16%
Total Expenditures	240	248	248	258	268	272	258	290	1047	1210
EBITDA	47	50	43	51	46	54	46	53	194	230
Margins (%)	16%	17%	15%	17%	15%	17%	15%	15.5%	15.63%	16%
Depreciation	2	3	3	3	4	4	5	5	15	17
Interest	0	0	0	0	0	1	0	0	2	2
Other income	2	2	2	2	1	2	1	1	7	5
PBT	47	49	41	50	43	51	43	49	185	216
Rate (%)	25%	26%	25%	24%	25%	24%	25%	25%	25%	25%
Adjusted PAT	35	36	31	38	32	38	32	36.75	139	162
EPS in Rs	9.13	9.33	8.06	9.81	8.31	10.04	8.44	9.60	36.65	42.30

Key Performance Indicators

Employee cost (% of revenue)	9.66%	9.82%	10.6%	9.97%	9.92%	9.61%	10.93%	10.5%	10%	10.5%
EBITDA Margins%	16%	17%	15%	17%	15%	17%	15%	15.5%	16%	16%
PAT Margins %	12.19%	12.08%	10.68%	12.25%	10.20%	11.65%	10.50%	10.7%	11.20%	11.25%

Source: Company, Hem Securities Research.

***Insights into the assumptions:**

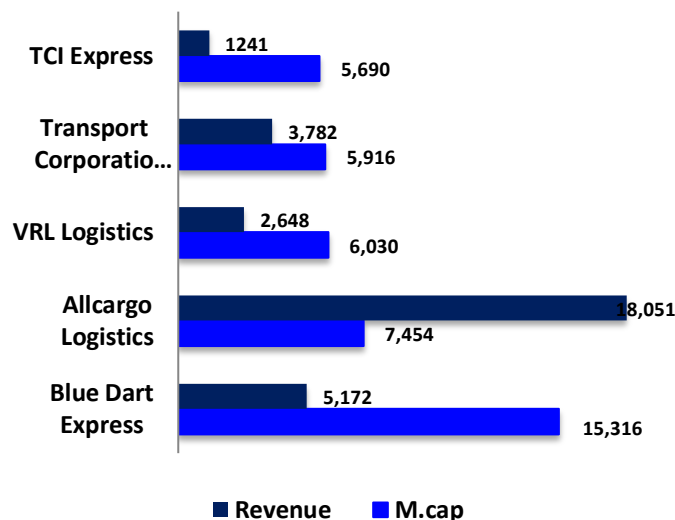
- We expect FY24 revenues to grow at a rate of 16%.
- Operating margins are expected to witness a marginal expansion.



INDUSTRY OVERVIEW

- The domestic logistics market is expanding faster than the overall economy and is projected to maintain a compound annual growth rate (CAGR) of 8-10% in the coming years. This sector contributes around 13% to India's Gross Domestic Product (GDP).
- In FY22, India's transportation and logistics sector experienced substantial growth, with exports increasing by 44.6% to \$422 billion and imports growing by 55.4% to \$613 billion.
- Currently, road transportation holds the majority share in India's freight movement, accounting for 66% of cargo transportation. It is followed by rail (31%), shipping (3%), and air (1%). This uneven distribution of transportation modes leads to operational inefficiencies. In order to address this concern, the Government of India (GOI) has implemented initiatives like GatiShakti and the National Logistics Policy.
- The Centre has also increased the official maximum load-carrying capacity of heavy vehicles, including trucks, by 20-25% and eliminated the mandatory annual renewal of fitness certificates for freight carriers. These changes aim to enhance the capacity and efficiency of freight transportation.
- GOI has implemented the Scrap Policy to promote sustainability in the logistics industry by phasing out older vehicles and encouraging the adoption of greener technologies.

KEY PLAYERS IN LOGISTICS SPACE



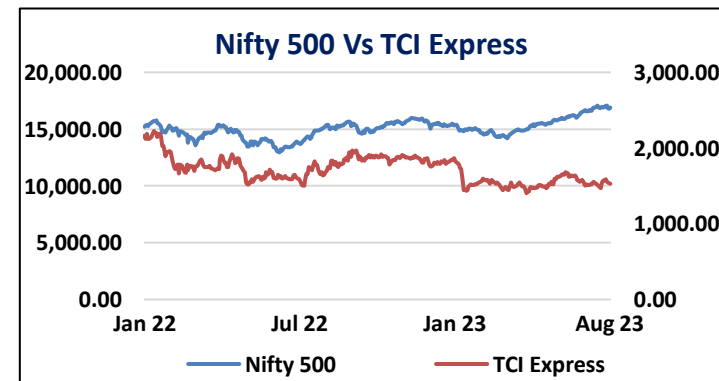
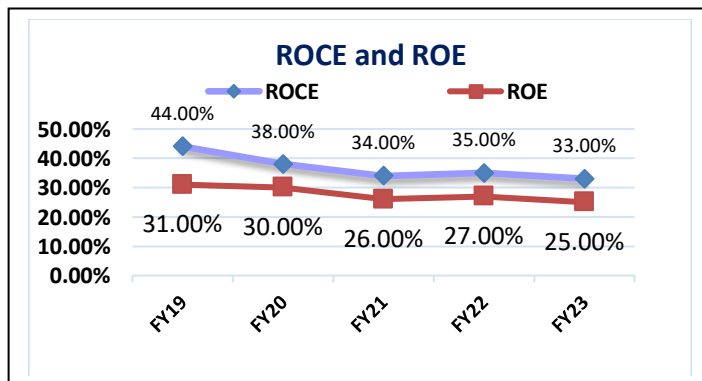
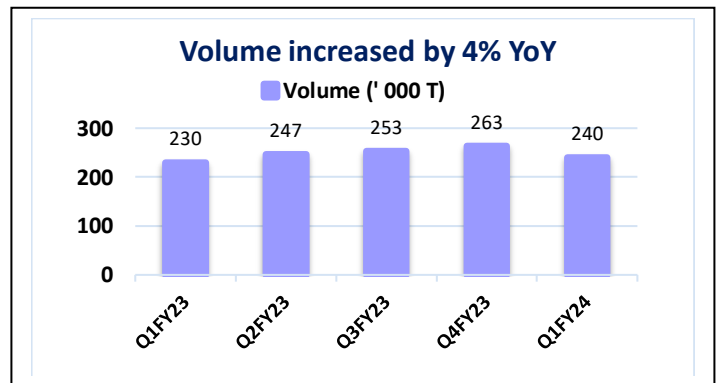
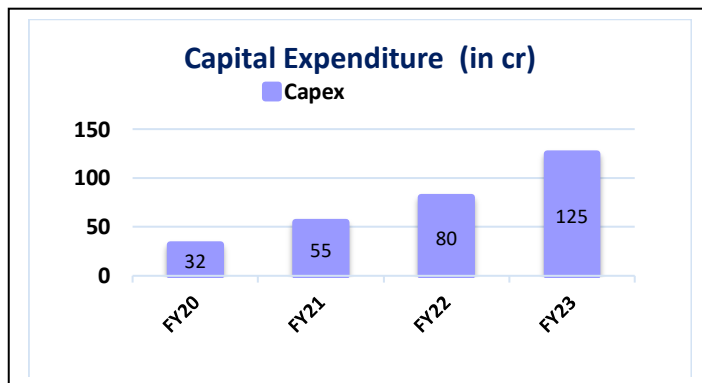
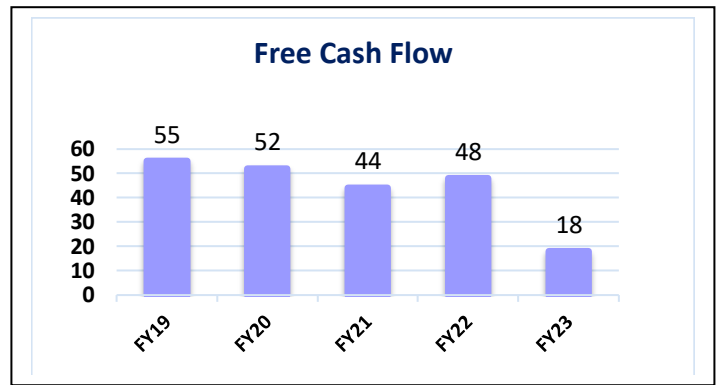
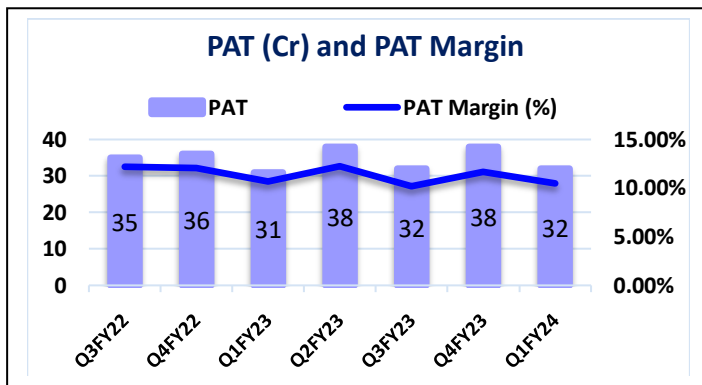
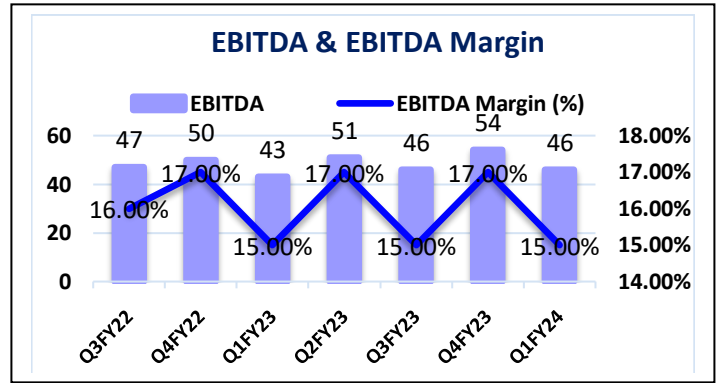
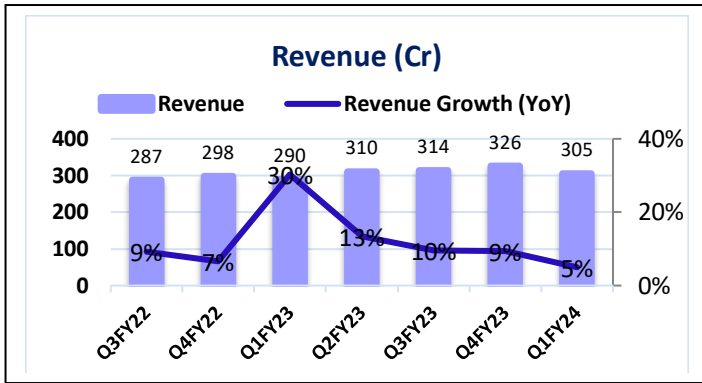
PEER PERFORMANCE

(₹ Cr)

Particulars					
	TCI Express Ltd	VRL Logistics Ltd	Allcargo Logistics Ltd	Transport Corporation Of India Ltd	Blue Dart Express Ltd
Market Cap	5,689	6,030	7,454	5,916	15,316
Net Sales	1,241.0	2,648.5	18,051	3,782.6	5,172.2
EBITDA	194.5	403.0	1,129	424.0	937.1
PAT	139.3	323	653	317.3	370.5
EPS(₹)	36.4	36.58	25.62	40.9	156.1
EBITDA MARGIN %	16.2	15.21	6.25	12.0	18.7
PAT MARGIN %	11.2	12.19	3.61	8.5	7.2
ROCE %	31.2	17.9	19.7	23.0	46.0
ROE %	23.5	39.7	20.2	20.6	36.1
P/E TTM	40.5	36.9	12.3	18.2	48.9
P/B TTM	9.54	6.18	2.64	3.47	13.0
Dividend Yield %	0.5	0.7	1.1	0.9	0.5
MCap/ Sales TTM	4.53	2.23	0.4	1.5	2.9

Source: Company, Hem Securities Research.

STORY IN CHARTS





INVESTMENT RATIONALE:

- Company aims to reach Rs. 1750- 1800 crores of topline by FY25 along with margin expansion.
- They are a market Leader in Supply Chain Management with industry leading Margins and Profitability Ratios. TCI express enjoys a 7% overall market share.
- Leading market positions, unique asset light model has allowed TCI Express to maintain higher capacity utilization and deliver strong EBITDA margins even during challenging inflationary environment.
- TCI express launched India's first customer to customer (C2C) express service, implementing asset light model.
- Their new services business is expected to contribute 25% to the overall topline by FY25 and will play a crucial role in determining the future growth of the company.
- Company is debt free.
- Government initiatives like the National Logistics Policy (NLP) guides states and union territories (UTs) in formulating and implementing their own logistics policies through a Comprehensive Logistics Action Plan (CLAP).
- The Unified Logistics Interface Platform (ULIP) and e-Logs are integral components of the NLP. ULIP is an integrated platform that enhances India's efficiency, technology utilisation, and logistical infrastructure.
- All these government initiatives along with PM Gati Shakti master plan aims to create and improve multimodal logistics infrastructure by collaborating with states, UTs, and their agencies. This can reap benefits for the company.

RISK / NEGATIVE FACTORS:

- Transportation cost and unstable fuel prices.
- Workforce management and shortage of skilled labour.
- Visibility and lack of complete control and transparency of the supply chain.
- Maintaining service consistency along with assistance at every touchpoint.
- Dip in EXIM trade.
- Competition from unorganized players.

COMPANY RECAP

- TCI Express Limited is an express cargo logistics company with its own set up across India. It carries distribution through various modes of transport and is specialized in offering time definite solutions. Customers have increased from 1.6 lakh in FY2017 to 2.25 lakh in FY2023, affirming our value in the market.
- The number of branch offices has grown from 500 in FY17 to over 950 in FY2023.
- Services offered: Surface Express, Domestic Express, International Express, E-commerce, C2C Express, Rail Express, Pharma Cold Chain Express.
- TCI Express is committed to enhancing its operations through strategic capital expenditure. Over the next five years, the Company plans to invest `500 crores in developing sorting centres, implementing automation, and bolstering technical capabilities.
- Introducing new services, including Pharma Cold Chain and C2C express, along with expanding Rail express services, opens avenues for higher revenue generation. TCI Express remains steadfast in its focus on B2B service offerings, ensuring a well-diversified and resilient revenue stream.
- As India's fastest B2B Express Delivery Company, TCI Express dominates logistics. The Company achieves optimal operational efficiency by leveraging an asset-light approach, resulting in substantial cash flows.
- TCI Express has built a loyal customer base by delivering time-specific solutions and continuously enhancing its services.
- Key Personnel: Mr. D.P. Agarwal (Chairperson), Mr. Chander Agarwal (Managing Director), Mr. Pabitra Mohan Panda (CFO) and Mr. Mukti Lal (CFO).



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Revenue from operations	1,023.79	1,031.96	843.99	1,081.47	1,241.01	1440	1750
Growth YoY (%)	15.67	0.80	-18.21	28.14	14.75	16	21.52
Total Expenditure	904.80	910.66	709.67	906.74	1,046.53	1210	1452
(%) of sales	88.38	88.25	84.09	83.84	84.33	84	82.97
EBITDA	118.99	121.30	134.32	174.73	194.48	230	298
EBITDA Growth (%)	31.74	2.86	12.97	28.83	11.30	18.26	29.56
EBITDA Margin (%)	11.93	12.18	16.82	16.91	15.63	16	17
Depreciation	6.53	7.79	8.97	9.98	15.31	17	20
EBIT	115.65	117.88	133.00	172.92	186.34	213	278
EBIT Growth (%)	32.13	1.93	12.83	30.02	7.76	14.51	30.51
Net Interest Expenses	3.78	0.90	0.78	0.91	1.81	2	3
Other Income	3.19	4.37	7.65	8.17	7.17	5	5
Earnings before Taxes	111.87	116.98	132.22	172.01	184.53	216	280
EBT Margin (%)	10.93	11.34	15.67	15.91	14.87	15	16
Tax-Total	39.03	27.90	31.62	43.17	45.25	54	70
Rate of tax (%)	34.89	23.85	23.91	25.10	24.52	25	25
Net Profit	72.84	89.08	100.60	128.84	139.28	162	210
PAT Growth (%)	24.73	22.30	12.93	28.07	8.10	16.54	29.62
PAT Margin (%)	7.11	8.63	11.92	11.91	11.22	11.25	12
EPS	19.02	23.22	26.16	33.46	36.37	42.30	54.83
EPS Growth (%)	24.73	22.14	12.64	27.91	8.69	16.30	29.62

Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	8	8	8	8	8
Reserves	260	330	426	528	589
Net Worth	268	338	434	536	597
Borrowings	10	4	2	1	7
Other Liabilities	102	90	110	120	132
Total Liabilities & Equity	379	432	547	657	735
Fixed Assets	173	185	228	320	374
CWIP	1	23	28	6	61
Investments	1	30	60	88	33
Other Assets	203	194	231	243	267
Total Assets	379	432	547	657	735

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2019	2020	2021	2022	2023
Profitability and return ratios					
Net profit margin (%)	7.11	8.63	11.92	11.91	11.22
EBITDA margin (%)	11.93	12.18	16.82	16.91	16.25
EBIT margin (%)	11.30	11.42	15.76	15.99	15.02
ROE (%)	30.89	29.68	26.24	26.69	23.51
ROCE (%)	44.10	38.14	34.23	35.54	31.21
Working Capital & liquidity ratios					
Payables (Days)	0.00	0.00	0.00	0.00	0.00
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	32.33	31.53	35.11	33.27	32.14
Current Ratio (x)	2.12	0.92	0.94	0.81	0.99
Valuations Ratios					
EV/sales (x)	2.74	2.03	4.29	6.05	4.60
EV/EBITDA (x)	22.96	16.66	25.51	35.77	28.29
P/E (x)	38.61	23.60	36.25	50.91	41.07
P/BV (x)	10.59	6.28	8.44	12.30	9.66
Dividend Yield (%)	0.41	0.73	0.42	0.47	0.54
Leverage Ratio					
Debt/Equity (x)	0.23	0.24	0.26	0.38	0.31

Cash Flow Statement					
Y/E March	2019	2020	2021	2022	2023
CF from Operating activities (A)	78	82	102	128	147
CF from Investing Activities (B)	-26	-60	-96	-90	-64.71
CF from Financing Activities (C)	-47	-27	-8	-31	-84
Net Cash Flow	4.92	-4.5	-1.95	6.58	-2
Add: Opening Bal.	12	17	11	9	16
Closing Balance	17	13	9	16	14

Source: Company, Hem Securities Research.

RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
7th August 2023	Buy	1810

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Name of the Research Analyst: MUDIT JAIN

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10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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