13 August 2024

1QFY25 Result Update | Sector: Logistics

# TCI Express

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

### Stock Info

| | |
|---|---|
| Bloomberg | TCIEXP IN |
| Equity Shares (m) | 38 |
| M.Cap.(INRb)/(USDb) | 43.1 / 0.5 |
| 52-Week Range (INR) | 1555 / 998 |
| 1, 6, 12 Rel. Per (%) | -6/-18/-45 |
| 12M Avg Val (INR M) | 76 |

### Financials Snapshot (INR b)

| Y/E March | 2024 | 2025E | 2026E |
|---|---|---|---|
| Net Sales | 12.5 | 13.6 | 15.2 |
| EBITDA | 1.9 | 1.8 | 2.4 |
| Adj. PAT | 1.3 | 1.3 | 1.7 |
| EBITDA Margin (%) | 14.9 | 13.5 | 15.7 |
| Adj. EPS (INR) | 34.4 | 32.8 | 43.5 |
| EPS Gr. (%) | -5.4 | -4.5 | 32.6 |
| BV/Sh. (INR) | 184 | 209 | 244 |
| **Ratios** | | | |
| Net D/E (x) | 0.0 | 0.0 | 0.0 |
| RoE (%) | 20.3 | 16.7 | 19.2 |
| RoCE (%) | 20.0 | 16.5 | 19.0 |
| Payout (%) | 23.3 | 24.4 | 18.4 |
| **Valuations** | | | |
| P/E (x) | 32.9 | 34.4 | 25.9 |
| P/BV (x) | 6.1 | 5.4 | 4.6 |
| EV/EBITDA (x) | 23.0 | 23.5 | 17.9 |
| Div. Yield (%) | 0.7 | 0.7 | 0.7 |
| FCF Yield (%) | 3.0 | 0.7 | 0.8 |

### Shareholding pattern (%)

| As On | Jun-24 | Mar-24 | Jun-23 |
|---|---|---|---|
| Promoter | 69.6 | 69.6 | 69.7 |
| DII | 10.2 | 8.9 | 10.2 |
| FII | 1.6 | 2.4 | 2.3 |
| Others | 18.6 | 19.1 | 17.9 |

FII Includes depository receipts

## CMP: INR1,130 TP: INR1,400 (+24%) Buy

## Weak volumes due to elections temporarily hit 1QFY25

- TCI Express (TCIE)'s 1QFY25 revenue decreased 4% YoY to ~INR2.9b (7% below our estimate), while volumes declined 2% YoY. Volumes were temporarily hit by the general elections. The quarter also saw several challenges, such as higher costs from multimodal enhancements, and high inflation affecting customers.
- Volumes stood at 0.23m tonnes (-2% YoY), while realization was INR12,467 per ton (down 2% YoY). EBITDA came in at INR327m with a margin of 11.2% (vs. our estimate of 14.2%). Margin was hurt by the weakness in volumes handled, high charges by airport operators, and increased costs from multimodal enhancements. In line with weak operating performance, TCIE's APAT dipped 31% YoY to INR223m (vs. our estimate of INR310m).
- TCIE undertook capex of INR 750m and generated CFO of INR 110m in 1QFY25. The capex was primarily towards the development of sorting centers.
- Weak volume growth, particularly from MSME customers, and increased costs led to a weak performance in 1Q. However, management remains optimistic of maintaining 10-15% volume growth in FY25 and FY26. We cut our EBITDA/PAT estimates for FY25 by 13%/14% to incorporate the weak 1Q performance and near-term challenges. We marginally reduce our EBITDA/PAT estimates for FY26 by 2%/3%. We expect TCIE to clock a 9% volume CAGR and a revenue/ EBITDA CAGR of 10%/13% over FY24-26. **Reiterate BUY with a revised TP of INR1,400 (based on 32x FY26E EPS).**

### Highlights from the management commentary

- The quarter saw reduced fleet utilization, down to 82%, due to lower volumes, though management expects recovery from Jul'24 onwards.
- TCIE's 1QFY25 witnessed a temporary volume dip due to elections. This led to lower capacity utilization and margins. As festive season led demand kicks in from 2Q FY25 onwards, volumes would pick up.
- The Air Express segment saw a rise in costs primarily due to the consolidation of airlines, which led to reduced competition and higher freight rates. Additionally, other cost increases in this segment further pressured margins.
- Management expects a 20-25% contribution to revenue from new value-added services by FY25.
- TCIE aims to achieve a double-digit growth in FY25 with margin of ~14%.

### Valuation and view

- Volume growth for both the industry and the company in 1QFY25 due to general election. While 1QFY25 has been muted, volumes have started to improve from July'24 onwards, driven by improvement in industry growth and new branch additions.
- Factoring in the weak quarter and short-term challenges, we cut our EBITDA/ PAT estimates for FY25 by 13%/14%, while we marginally reduce our EBITDA/ PAT estimates for FY26 by 2%/3%. We expect TCIE to clock a 9% volume CAGR and revenue/EBITDA CAGR of 10%/13% over FY24-26. **Reiterate BUY with a revised TP of INR1,400 (based on 32x FY26E EPS).**