

August 13, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		BUY	
Target Price	1,250		1,410	
Sales (Rs. m)	13,108	14,901	13,872	15,769
% Chng.	(5.5)	(5.5)		
EBITDA (Rs. m)	1,747	2,298	2,187	2,661
% Chng.	(20.1)	(13.6)		
EPS (Rs.)	31.3	41.5	39.9	48.6
% Chng.	(21.6)	(14.7)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	12,410	12,538	13,108	14,901
EBITDA (Rs. m)	1,945	1,872	1,747	2,298
Margin (%)	15.7	14.9	13.3	15.4
PAT (Rs. m)	1,393	1,289	1,201	1,590
EPS (Rs.)	36.4	33.6	31.3	41.5
Gr. (%)	8.7	(7.6)	(6.8)	32.4
DPS (Rs.)	8.0	8.0	8.0	8.0
Yield (%)	0.7	0.7	0.7	0.7
RoE (%)	24.6	19.8	16.0	18.5
RoCE (%)	31.6	25.8	20.2	23.7
EV/Sales (x)	3.4	3.4	3.2	2.8
EV/EBITDA (x)	21.9	22.5	24.0	18.1
PE (x)	30.9	33.4	35.9	27.1
P/BV (x)	7.2	6.1	5.4	4.7

Key Data

TCIE.BO | TCIEXP IN

52-W High / Low	Rs.1,555 / Rs.998
Sensex / Nifty	78,956 / 24,139
Market Cap	Rs.43bn/ \$ 513m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.87.67m

Shareholding Pattern (%)

Promoter's	69.60
Foreign	1.60
Domestic Institution	10.21
Public & Others	18.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.8)	(7.2)	(21.0)
Relative	(6.0)	(15.9)	(34.7)

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Volumes continue to disappoint...

Quick Pointers:

- Except for auto ancillary and pharma, all sectors (engineering goods, lifestyle, etc.) showed subdued performance in Q1FY25.
- SME customers showed strain in volumes (rev mix: 48:52 SME:Corp) due to higher inflation, elevated interest rates and increased labor costs.

We change our stance from 'BUY' to 'Accumulate' with a TP of Rs1,250 based on near- and medium-term uncertainties in uptick in express volumes and higher competitive intensity in the segment. TCI Express (TCIEXP) Q1FY25 cons revenue de-grew 3.9% YoY to Rs2.9bn (PLe: Rs3.1bn), led by total volume of 2.35 lakh ton, which was lower by 2.1% YoY. Cons EBITDA de-grew 28% to Rs0.34bn. EBITDA margins contracted by 380bps YoY to 11.4%, driven by a decline in fleet utilization (down 150bps to 82%) caused by reduced industry demand amid elevated inventory levels. Consolidated PBT/PAT declined by 28.9%/28.5% to Rs0.31bn/Rs0.23bn.

- Corporate sector showing mixed sentiments:** Q1FY25 ended with largely subdued logistics demand from sectors such as engineering goods and lifestyle (auto ancillary and pharma remained outliers). However, the management anticipates green shoots in solar and home furnishing sectors in the medium term. Among the newly offered services, railway express remains in focus after witnessing 30% growth and margins increasing steadily.
- Margins at 15-quarter low:** Combination of 2% volume de-growth, softer fleet utilization (down ~150bps to 82%) and higher expenses from new businesses (especially airport related charges), impacted EBITDA margins, leading to multi-year lows. However, the management expects 150bps immediate revival, based on performance in Jul and Aug so far. Overall, revival in logistics demand from core sectors in the medium term and improvement in efficiencies from the recently automated Pune plant, remain crucial to revert to earlier 15% levels sustainably. We expect ~Rs0.5bn/Rs0.7bn FCF (1.3-1.7% yield) in FY25E/26E, amid annual capex of Rs0.8bn, and return ratios RoE/RoCE to remain attractive at ~19%/23% levels.
- Growth-focused capex makes it future ready:** TCIEXP has earmarked capex of ~Rs5bn for the next 5 years (FY22-27E), of which Rs1.8bn has been invested by FY24 and Rs75mn in Q1FY25. The investments would be towards i) developing sorting centers, ii) implementing automation, iii) expanding branches and iv) enhancing technological capabilities. Further, investments are expected to add incremental capacities over the next 15-20 years as newer sorting centers will replace existing leased centers, which will be 3x in size and automated (payback targeted 7-8 years).

Exhibit 1: Q1FY25 Result Overview

Y/e March (Rs mn)	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.	FY24	FY23	YoY gr.
Net revenue	2930	3049	-3.9%	3171	-7.6%	12538	12410	1.0%
Variable cost of sales	2089	2090	-0.1%	2170	-3.8%	8586	8497	1.0%
<i>% of net sales</i>	<i>71.3%</i>	<i>68.6%</i>		<i>68.4%</i>		<i>68.5%</i>	<i>68.5%</i>	
Employee expense	338	333	1.5%	336	0.8%	1,339	1,243	7.7%
<i>% of net sales</i>	<i>11.5%</i>	<i>10.9%</i>		<i>10.6%</i>		<i>10.7%</i>	<i>10.0%</i>	
Other expense	168	161	3.8%	217	-22.8%	741	725	2.2%
<i>% of net sales</i>	<i>5.7%</i>	<i>5.3%</i>		<i>6.8%</i>		<i>5.9%</i>	<i>5.8%</i>	
Total expense	2594	2,585	0.4%	2723	-4.7%	10,666	10,465	1.9%
EBITDA	335	464	-27.7%	448	-25.2%	1,872	1,945	-3.7%
<i>EBITDA Margin (%)</i>	<i>11.4%</i>	<i>15.2%</i>		<i>14.1%</i>		<i>14.9%</i>	<i>15.7%</i>	
Depreciation	51	46	10.4%	49	4.5%	190	153	23.8%
EBIT	285	418	-31.9%	400	-28.8%	1683	1792	-6.1%
Interest expense	3	4	-30.8%	4	-32.5%	15	18	-19.0%
Other income	23	15	54.1%	19	18.1%	72	72	-0.3%
PBT	305	429	-28.9%	415	-26.6%	1740	1845	-5.7%
Total tax	74	105	-30.3%	99	-25.9%	423	453	-6.6%
PAT	231	323	-28.5%	316	-26.8%	1317	1393	-5.4%
<i>Pat Margin (%)</i>	<i>7.9%</i>	<i>10.6%</i>		<i>10.0%</i>		<i>10.5%</i>	<i>11.2%</i>	

Source: Company, PL

Exhibit 2: Revenue/EBITDA to grow at CAGR of 9%/11% over FY24-26E

(Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Volumes (ton)	8,65,000	9,93,000	10,00,000	10,30,000	11,53,600
<i>Growth</i>	<i>25.4%</i>	<i>14.8%</i>	<i>0.7%</i>	<i>3.0%</i>	<i>12.0%</i>
Revenue per ton	12,503	12,498	12,538	12,726	12,917
<i>Growth</i>	<i>2.2%</i>	<i>0.0%</i>	<i>0.3%</i>	<i>1.5%</i>	<i>1.5%</i>
Revenue	10,815	12,410	12,538	13,108	14,901
<i>Growth</i>	<i>28.1%</i>	<i>14.8%</i>	<i>1.0%</i>	<i>4.5%</i>	<i>13.7%</i>
Gross profit	3,485	3,913	3,953	3,932	4,694
<i>Gross margins</i>	<i>32.2%</i>	<i>31.5%</i>	<i>31.5%</i>	<i>30.0%</i>	<i>31.5%</i>
Operational cost	7,330	8,497	8,586	9,176	10,207
<i>% of sales</i>	<i>67.8%</i>	<i>68.5%</i>	<i>68.5%</i>	<i>70.0%</i>	<i>68.5%</i>
EBITDA	1,747	1,945	1,872	1,747	2,298
<i>Margins</i>	<i>16.2%</i>	<i>15.7%</i>	<i>14.9%</i>	<i>13.3%</i>	<i>15.4%</i>
<i>Growth</i>	<i>30.1%</i>	<i>11.3%</i>	<i>-3.7%</i>	<i>-6.7%</i>	<i>31.5%</i>
Other income	82	72	72	104	116
Depreciation	100	153	190	232	265
Interest	9	18	15	16	25
PBT	1,720	1,845	1,740	1,604	2,124
Tax	432	453	423	404	535
PAT	1,288	1,393	1,317	1,201	1,590
<i>Growth</i>	<i>28.0%</i>	<i>8.1%</i>	<i>-5.4%</i>	<i>-8.8%</i>	<i>32.4%</i>
EPS	33.6	36.3	34.3	31.3	41.5

Source: Company, PL

Conference Call Highlights

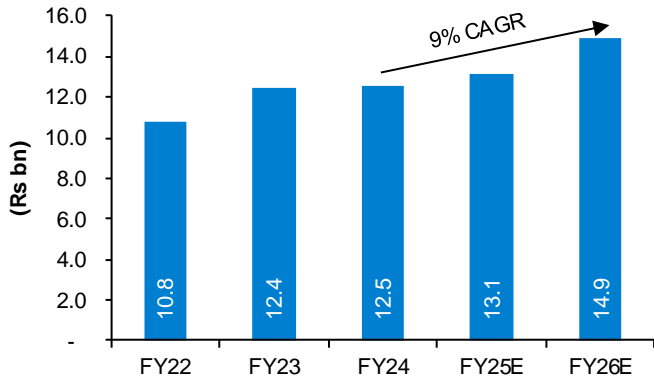
Revenue and margins

- Q1FY25 volumes witnessed de-growth of 8.9%/2.1% QoQ/YoY to 0.23mmt against 0.26mmt/0.24mmt. Higher logistics demand from auto ancillary and pharma was negated by muted demand from other segments such as textile and engineering.
- Gross margin declined by 270bps YoY to 28.7% due to below par fleet utilization (82%). EBITDA margin was further trimmed by 380bps YoY to 11.4% due to higher operational expenses.
- As per the management, low volume demand was because of the general elections and higher inflation.
- The management anticipates a revenue growth turnaround led by increased volumes in the specific sectors of pharmaceutical, auto, home furnishing, and solar. Demand from textile and engineering sectors could remain muted.
- The management anticipates a turnaround in margins from Q2FY25E, reaching 14%+ against 11.4% in Q1FY25, on account of higher volume growth (~10% in FY25E and 12-13% in FY26E) and utilization due to pre-festive season.

Capex and branch expansion

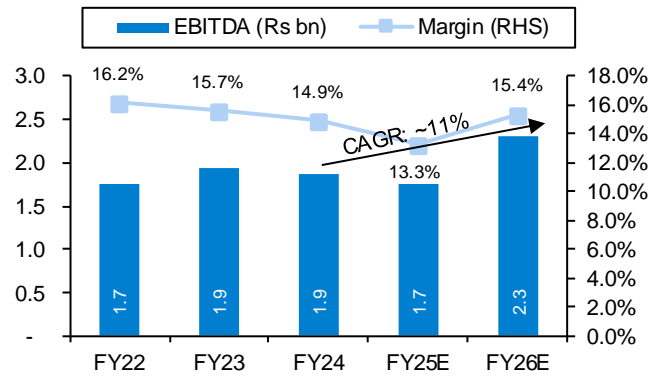
- Gurugram and Pune processing centers are fully automated and equipped with AI-enabled cross belt sorters. This has reduced turnaround time by 40%. These two centers account for 25% of topline.
- The management incurred capex of Rs75mn in Q1FY25, primarily on the automation of branches. More capex will be incurred on the automation of Kolkata and Ahmedabad branches.
- The company expanded its network to 970+ branches.

Exhibit 3: Revenue to grow at 9% CAGR over FY24-26E



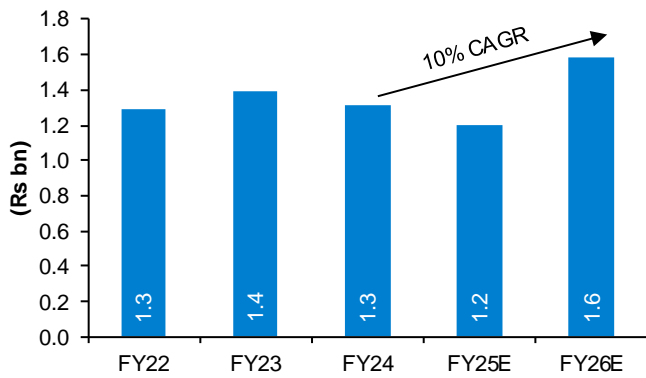
Source: Company, PL

Exhibit 4: EBITDA margins shrink due to below-average truck utilization



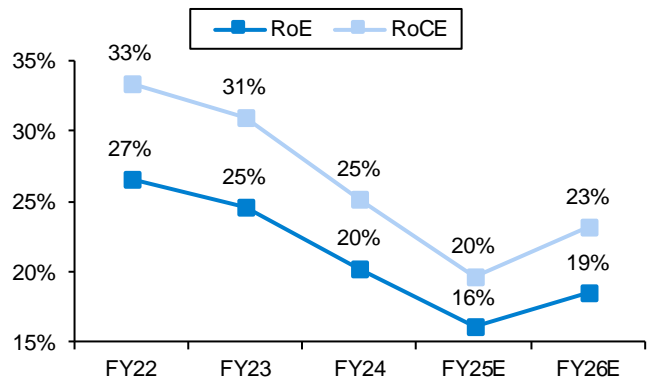
Source: Company, PL

Exhibit 5: PAT growth to pick up after turnaround in volume demand

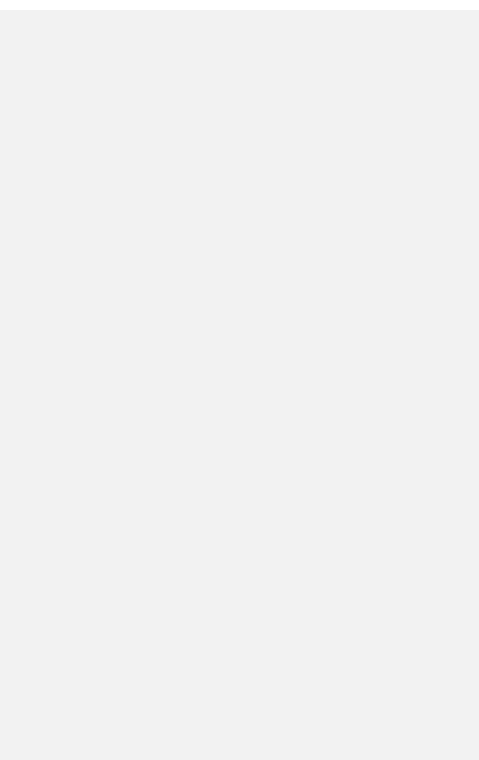


Source: Company, PL

Exhibit 6: RoE/RoCE to stabilize over FY25E-26E



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	12,410	12,538	13,108	14,901
YoY gr. (%)	14.8	1.0	4.5	13.7
Cost of Goods Sold	8,497	8,586	9,176	10,207
Gross Profit	3,913	3,953	3,932	4,694
Margin (%)	31.5	31.5	30.0	31.5
Employee Cost	1,243	1,339	1,438	1,576
Other Expenses	725	741	747	820
EBITDA	1,945	1,872	1,747	2,298
YoY gr. (%)	11.3	(3.7)	(6.7)	31.5
Margin (%)	15.7	14.9	13.3	15.4
Depreciation and Amortization	153	190	232	265
EBIT	1,792	1,683	1,516	2,033
Margin (%)	14.4	13.4	11.6	13.6
Net Interest	18	15	16	25
Other Income	72	72	104	116
Profit Before Tax	1,845	1,740	1,604	2,124
Margin (%)	14.9	13.9	12.2	14.3
Total Tax	453	451	404	535
Effective tax rate (%)	24.5	25.9	25.2	25.2
Profit after tax	1,393	1,289	1,201	1,590
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,393	1,289	1,201	1,590
YoY gr. (%)	8.1	(7.5)	(6.8)	32.4
Margin (%)	11.2	10.3	9.2	10.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,393	1,289	1,201	1,590
YoY gr. (%)	8.1	(7.5)	(6.8)	32.4
Margin (%)	11.2	10.3	9.2	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,393	1,289	1,201	1,590
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	36.4	33.6	31.3	41.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	4,005	4,854	5,659	6,464
Tangibles	3,940	4,809	5,609	6,409
Intangibles	65	46	50	55
Acc: Dep / Amortization	536	624	856	1,120
Tangibles	501	624	856	1,120
Intangibles	35	-	-	-
Net fixed assets	3,469	4,231	4,803	5,344
Tangibles	3,439	4,185	4,753	5,289
Intangibles	30	46	50	55
Capital Work In Progress	611	161	209	271
Goodwill	-	-	-	-
Non-Current Investments	11	65	365	965
Net Deferred tax assets	(56)	(78)	(81)	(84)
Other Non-Current Assets	272	287	267	287
Current Assets				
Investments	321	880	1,056	1,267
Inventories	-	-	-	-
Trade receivables	2,115	2,318	2,227	2,450
Cash & Bank Balance	164	166	116	314
Other Current Assets	-	-	-	-
Total Assets	7,350	8,504	9,489	11,394
Equity				
Equity Share Capital	77	77	77	77
Other Equity	5,887	6,963	7,857	9,140
Total Networkth	5,964	7,040	7,934	9,217
Non-Current Liabilities				
Long Term borrowings	7	30	6	6
Provisions	-	-	-	-
Other non current liabilities	38	39	53	62
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	884	917	934	1,061
Other current liabilities	351	344	405	464
Total Equity & Liabilities	7,350	8,504	9,469	10,951

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,845	1,740	1,604	2,124
Add. Depreciation	153	190	232	265
Add. Interest	18	15	16	25
Less Financial Other Income	72	72	104	116
Add. Other	(12)	(8)	-	-
Op. profit before WC changes	2,005	1,936	1,852	2,415
Net Changes-WC	(107)	(176)	120	(86)
Direct tax	(430)	(402)	(404)	(535)
Net cash from Op. activities	1,468	1,358	1,568	1,793
Capital expenditures	(1,058)	(458)	(800)	(800)
Interest / Dividend Income	48	41	-	-
Others	357	(667)	(459)	(799)
Net Cash from Inv. activities	(653)	(1,083)	(1,259)	(1,599)
Issue of share cap. / premium	(509)	22	-	-
Debt changes	(3)	22	(24)	-
Dividend paid	(307)	(307)	(307)	(307)
Interest paid	(18)	(15)	(1)	(1)
Others	-	-	(236)	8
Net cash from Fin. activities	(837)	(278)	(567)	(300)
Net change in cash	(22)	(3)	(257)	(106)
Free Cash Flow	405	897	768	993

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	3,200	3,119	3,171	2,930
YoY gr. (%)	3.3	(0.8)	(2.8)	(3.9)
Raw Material Expenses	2,183	2,143	2,170	2,089
Gross Profit	1,017	976	1,001	841
Margin (%)	31.8	31.3	31.6	28.7
EBITDA	505	456	448	335
YoY gr. (%)	(2.0)	(1.1)	(17.2)	(27.7)
Margin (%)	15.8	14.6	14.1	11.4
Depreciation / Depletion	47	48	49	51
EBIT	457	408	400	285
Margin (%)	14.3	13.1	12.6	9.7
Net Interest	4	3	4	3
Other Income	18	20	19	23
Profit before Tax	472	424	415	305
Margin (%)	14.7	13.6	13.1	10.4
Total Tax	116	103	99	74
Effective tax rate (%)	24.5	24.2	23.9	24.1
Profit after Tax	356	322	316	231
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	356	322	316	231
YoY gr. (%)	(5.8)	0.5	(17.8)	(28.5)
Margin (%)	11.1	10.3	10.0	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	356	322	316	231
YoY gr. (%)	(5.8)	0.5	(17.8)	(28.5)
Margin (%)	11.1	10.3	10.0	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	356	322	316	231
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	9.3	8.4	8.3	6.0

Source: Company Data, PL Research

Key Financial Metrics

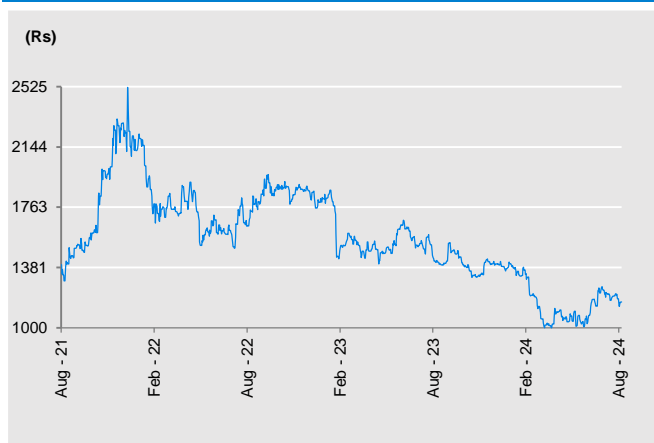
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	36.4	33.6	31.3	41.5
CEPS	40.4	38.5	37.4	48.4
BVPS	155.7	183.6	206.9	240.3
FCF	10.6	23.4	20.0	25.9
DPS	8.0	8.0	8.0	8.0
Return Ratio(%)				
RoCE	31.6	25.8	20.2	23.7
ROIC	26.6	23.2	18.2	22.1
RoE	24.6	19.8	16.0	18.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	36	41	36	34
Valuation(x)				
PER	30.9	33.4	35.9	27.1
P/B	7.2	6.1	5.4	4.7
P/CEPS	27.8	29.2	30.1	23.2
EV/EBITDA	21.9	22.5	24.0	18.1
EV/Sales	3.4	3.4	3.2	2.8
Dividend Yield (%)	0.7	0.7	0.7	0.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Revenue/Tonne	12,498	12,538	12,726	12,917
Revenue/Kg	12	13	13	13
EBITDA/Tonne	1,959	1,872	1,697	1,992

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-24	BUY	1,410	1,248
2	25-Jun-24	BUY	1,410	1,157
3	11-May-24	BUY	1,410	1,105
4	12-Apr-24	BUY	1,430	1,105

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	Accumulate	450	416
2	Mahindra Logistics	Accumulate	508	520
3	TCI Express	BUY	1,410	1,248

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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