

We hosted the senior management of TCI Express (TCIE) for a Singapore roadshow. TCIE expects mid to high single digit volume growth in FY25 after a muted Q1, which was impacted by externalities like general elections, heat wave in the North, and a weak macro environment affecting its key customer segment (SME). The strategy of diversifying beyond surface express by focusing on new services (target of 25% contribution to revenue in the next 5 years) and sustained network investments in automation (total of 10 sorting centers catering to 70% of volumes to be automated) should aid revenue and margin trajectory in the medium term. Strong net cash balance sheet and robust cash flow generation are likely to shield TCIE during this phase of heightened competitive intensity, in our view. We revise our TP upwards to Rs1,150/share as we roll forward to Sep-25E while retaining our ADD rating (DCF methodology), implying FY26E EV/EBITDA of 21x and P/E of 33x.

TCI Express: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	12,410	12,538	12,926	13,830	15,086
EBITDA	1,945	1,872	1,713	1,958	2,322
Adj. PAT	1,393	1,317	1,178	1,338	1,624
Adj. EPS (Rs)	36.4	34.3	30.7	34.9	42.3
EBITDA margin (%)	15.7	14.9	13.3	14.2	15.4
EBITDA growth (%)	11.3	(3.7)	(8.5)	14.3	18.6
Adj. EPS growth (%)	8.5	(5.6)	(10.5)	13.6	21.4
RoE (%)	24.6	20.3	15.8	15.9	16.9
RoIC (%)	31.8	25.9	20.0	20.7	22.9
P/E (x)	30.2	32.0	35.8	31.5	26.0
EV/EBITDA (x)	21.6	22.4	24.4	21.2	17.6
P/B (x)	7.1	6.0	5.3	4.7	4.1
FCFF yield (%)	1.0	2.1	0.9	1.3	2.1

Source: Company, Emkay Research

Asset light model and superior cost management

Cultivating multi-decadal relationships with over 2K vendors, TCIE has built an asset light business model, which allows it the optionality to withstand demand downturns as well as exploit the booms. Despite elevated competitive intensity in the B2B surface express industry, operating margins only contracted by 80bps (while truck utilizations contracted by 150bps) in FY24, highlighting its agility to adjust to volatility in demand. Its cost management prowess is showcased in its lowest employee-per-branch count and its lowest cost-per employee among listed peers. TCIE also scores high on efficient capital management, restricting its working capital requirements by its vendor management practices. Margin resilience along with efficient capital management serves as a potent mix for delivering healthy return ratios. Investments in sorting center automation should lead to higher truck utilizations thereby supporting margins once demand in key customer segment recuperates.

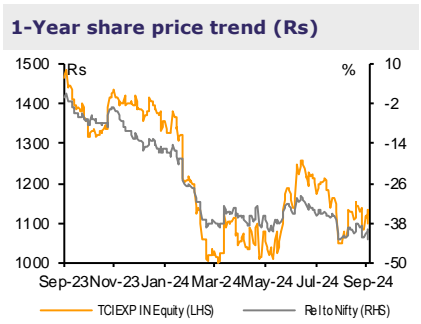
Outlook and risks

TCIE seems to be caught in a perfect storm – weak macro environment and intense competitive intensity in the B2B express business. However, its agile business model, lean cost structure, strong balance sheet (net cash of Rs1.1bn), and robust cash flows (OCF as a % of EBITDA: 73% in FY24) should help shield TCIE during this phase of heightened competitive intensity, in our view. TCIE plans to automate at least six sorting centers in metro/Tier 1 locations by FY27, with a medium term goal of ten sorting centers (which cater to 70-75% of overall volumes). Higher contribution of new services in addition to the above mentioned network automation should aid margin trajectory on the back of improving efficiencies and truck utilizations. We expect 6% volume CAGR over FY24-27E with EBITDA margins expanding by 50bps over the same period. **Key risks:** Slowdown in manufacturing/overall GDP growth; pricing aggression from well-funded, new-age companies entering the B2B space; competition from PTL vendors; and shortage of labor.

Target Price – 12M	Sep-25
Change in TP (%)	4.5
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	4.7
CMP (20-Sep-24) (Rs)	1,098.8

Stock Data	Ticker
52-week High (Rs)	1,507
52-week Low (Rs)	998
Shares outstanding (mn)	38.4
Market-cap (Rs bn)	42
Market-cap (USD mn)	505
Net-debt, FY25E (Rs mn)	-1,218
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	62.3
ADTV-3M (USD mn)	0.7
Free float (%)	-
Nifty-50	25,791
INR/USD	83.6
Shareholding, Jun-24	
Promoters (%)	69.6
FPIs/MFs (%)	1.6/10.2

Price Performance			
(%)	1M	3M	12M
Absolute	4.2	(4.9)	(25.6)
Rel. to Nifty	(0.2)	(13.1)	(42.6)

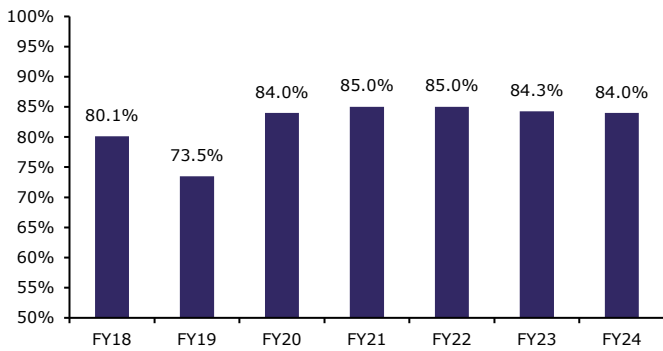


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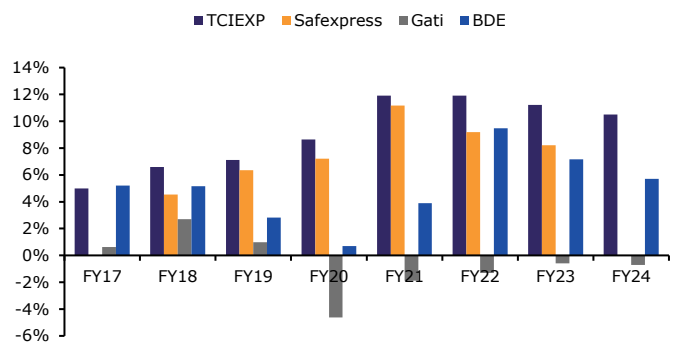
Story in charts

Exhibit 1: Automation benefits truck capacity utilization...



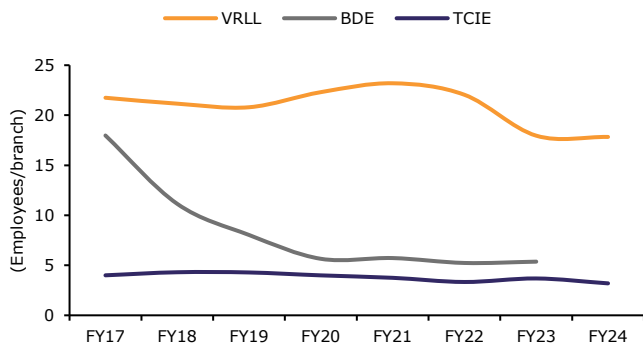
Source: Company, Emkay Research

Exhibit 2: ...enabling TCIE to achieve best net margin in the industry



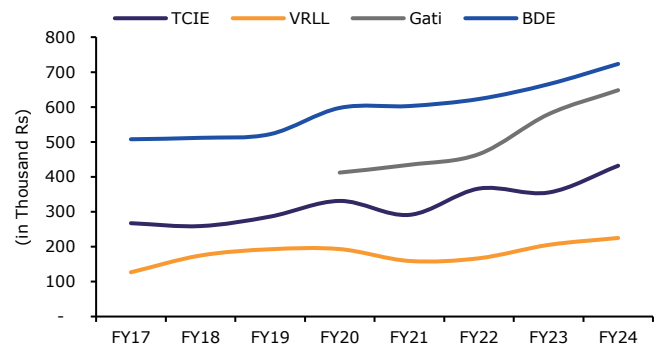
Source: Company, Emkay Research

Exhibit 3: TCIE is frugal with employee additions, despite expansion in the branch count



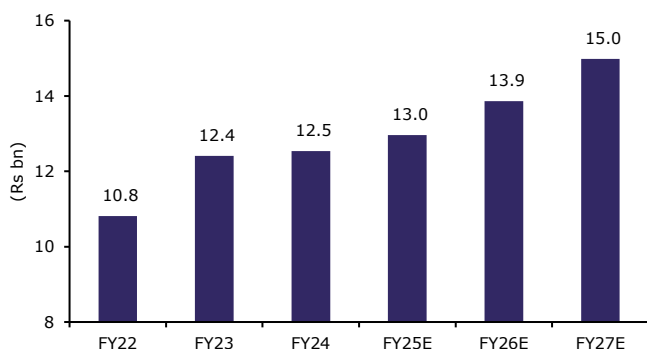
Source: Company, Emkay Research

Exhibit 4: TCIE manages cost per employee better than the competition



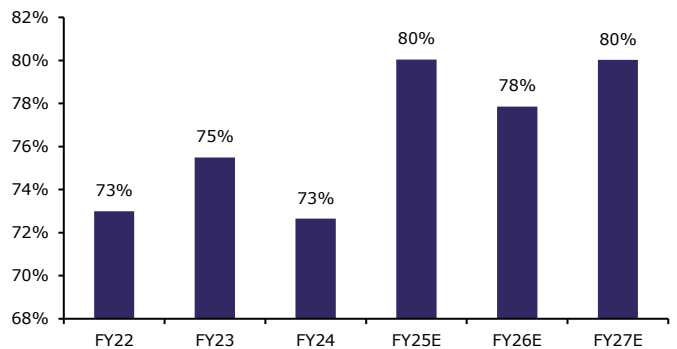
Source: Company, Emkay Research

Exhibit 5: We expect revenue CAGR of 6% during FY24-27E...



Source: Company, Emkay Research

Exhibit 6: ...and robust cash generation (OCF as a % EBITDA of ~ 80%)

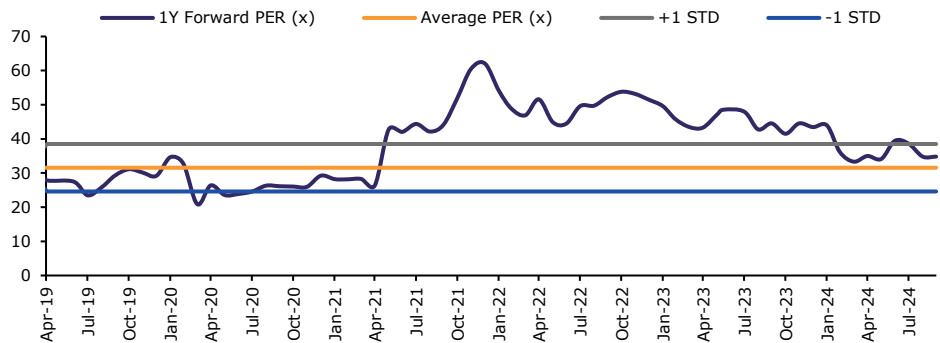


Source: Company, Emkay Research

Exhibit 7: We value TCIE at a TP of Rs1,150/share now

Particulars (Rs mn)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E
Revenue	12,538	12,926	13,830	15,086	19,041	28,434
NOPAT	1,274	1,106	1,259	1,507	2,062	4,248
Non-cash items	190	234	272	304	365	262
Change in WC	(174)	55	19	86	(117)	28
Capex	(461)	(1,000)	(1,000)	(1,000)	(500)	(540)
FCFF	829	395	551	897	1,810	3,998
WACC	12%					
Terminal growth	7%					
PV of CFs (FY24-35E)	22,060					
PV of terminal value	18,463					
Total EV	40,523					
Less net debt	(1,218)					
Total equity value	41,741					
Total no. of shares (mn)	38					
Target price (Rs/share) – Sep-25E	1,150					

Source: Company, Emkay Research

Exhibit 8: TCIE is trading slightly above its 5Y-average PER

Source: Company, Emkay Research

Exhibit 9: Change in estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	12,959	12,926	-0.3%	13,866	13,830	-0.3%	14,985	15,086	0.7%
EBITDA	1,759	1,713	-2.6%	2,056	1,958	-4.8%	2,298	2,322	1.0%
EBITDA Margin (%)	13.6	13.3	-32 bps	14.8	14.2	-67 bps	15.3	15.4	5 bps
PAT	1,212	1,178	-2.8%	1,411	1,338	-5.2%	1,606	1,624	1.1%

Source: Company, Emkay Research

TCI Express: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	12,410	12,538	12,926	13,830	15,086
Revenue growth (%)	14.8	1.0	3.1	7.0	9.1
EBITDA	1,945	1,872	1,713	1,958	2,322
EBITDA growth (%)	11.3	(3.7)	(8.5)	14.3	18.6
Depreciation & Amortization	153	190	234	272	304
EBIT	1,792	1,683	1,479	1,686	2,018
EBIT growth (%)	8.8	(6.1)	(12.1)	14.0	19.7
Other operating income	0	0	0	0	0
Other income	72	72	108	113	164
Financial expense	18	15	12	8	8
PBT	1,845	1,740	1,575	1,791	2,174
Extraordinary items	0	0	0	0	0
Taxes	453	423	397	453	550
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,393	1,317	1,178	1,338	1,624
PAT growth (%)	8.1	(5.4)	(10.5)	13.6	21.4
Adjusted PAT	1,393	1,317	1,178	1,338	1,624
Diluted EPS (Rs)	36.4	34.3	30.7	34.9	42.3
Diluted EPS growth (%)	8.5	(5.6)	(10.5)	13.6	21.4
DPS (Rs)	8.0	8.0	8.0	8.0	8.0
Dividend payout (%)	22.1	23.3	26.1	23.0	18.9
EBITDA margin (%)	15.7	14.9	13.3	14.2	15.4
EBIT margin (%)	14.4	13.4	11.4	12.2	13.4
Effective tax rate (%)	24.5	24.3	25.2	25.3	25.3
NOPLAT (pre-IndAS)	1,352	1,274	1,106	1,259	1,507
Shares outstanding (mn)	38.3	38.4	38.4	38.4	38.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,845	1,740	1,575	1,791	2,174
Others (non-cash items)	0	0	0	0	0
Taxes paid	(453)	(423)	(397)	(453)	(550)
Change in NWC	(71)	(153)	55	19	86
Operating cash flow	1,468	1,360	1,371	1,524	1,858
Capital expenditure	(1,063)	(461)	(1,000)	(1,000)	(1,000)
Acquisition of business	549	(579)	0	0	0
Interest & dividend income	48	41	108	113	164
Investing cash flow	(653)	(1,051)	(909)	(904)	(854)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(3)	22	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(18)	(15)	(12)	(8)	(8)
Dividend paid (incl tax)	308	307	307	307	307
Others	(1,118)	(584)	(614)	(614)	(614)
Financing cash flow	(831)	(270)	(319)	(315)	(315)
Net chg in Cash	(16)	40	143	305	689
OCF	1,468	1,360	1,371	1,524	1,858
Adj. OCF (w/o NWC chg.)	1,397	1,207	1,426	1,544	1,944
FCFF	406	900	371	524	858
FCFE	436	926	467	629	1,014
OCF/EBITDA (%)	75.5	72.6	80.0	77.9	80.0
FCFE/PAT (%)	31.3	70.3	39.6	47.0	62.4
FCFF/NOPLAT (%)	30.0	70.6	33.6	41.6	56.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	77	77	77	77	77
Reserves & Surplus	5,887	6,963	7,834	8,865	10,181
Net worth	5,964	7,040	7,911	8,941	10,258
Minority interests	0	0	0	0	0
Deferred tax liability (net)	105	135	135	135	135
Total debt	7	30	30	30	30
Total liabilities & equity	6,076	7,205	8,075	9,106	10,423
Net tangible fixed assets	3,439	4,185	4,983	5,744	6,466
Net intangible assets	30	46	46	46	46
Net ROU assets	272	287	271	256	248
Capital WIP	611	161	161	161	161
Goodwill	0	0	0	0	0
Investments [JV/Associates]	321	900	900	900	900
Cash & equivalents	164	204	347	652	1,341
Current assets (ex-cash)	2,513	2,722	2,635	2,678	2,884
Current Liab. & Prov.	1,274	1,300	1,268	1,330	1,623
NWC (ex-cash)	1,239	1,423	1,367	1,348	1,262
Total assets	6,076	7,204	8,075	9,106	10,422
Net debt	(156)	(174)	(318)	(623)	(1,311)
Capital employed	6,076	7,205	8,075	9,106	10,423
Invested capital	4,980	5,939	6,667	7,393	8,021
BVPS (Rs)	155.7	183.6	206.3	233.2	267.5
Net Debt/Equity (x)	0.0	0.0	0.0	(0.1)	(0.1)
Net Debt/EBITDA (x)	(0.1)	(0.1)	(0.2)	(0.3)	(0.6)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	32.3	26.3	20.7	20.9	22.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	30.2	32.0	35.8	31.5	26.0
P/CE(x)	27.2	28.0	29.8	26.2	21.9
P/B (x)	7.1	6.0	5.3	4.7	4.1
EV/Sales (x)	3.4	3.3	3.2	3.0	2.7
EV/EBITDA (x)	21.6	22.4	24.4	21.2	17.6
EV/EBIT(x)	23.4	24.9	28.3	24.6	20.2
EV/IC (x)	8.4	7.1	6.3	5.6	5.1
FCFF yield (%)	1.0	2.1	0.9	1.3	2.1
FCFE yield (%)	1.0	2.2	1.1	1.5	2.4
Dividend yield (%)	0.7	0.7	0.7	0.7	0.7
DuPont-RoE split					
Net profit margin (%)	11.2	10.5	9.1	9.7	10.8
Total asset turnover (x)	2.2	1.9	1.7	1.6	1.5
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	24.6	20.3	15.8	15.9	16.9
DuPont-RoIC					
NOPLAT margin (%)	10.9	10.2	8.6	9.1	10.0
IC turnover (x)	2.2	1.9	1.7	1.7	1.7
RoIC (%)	31.8	25.9	20.0	20.7	22.9
Operating metrics					
Core NWC days	36.4	41.4	38.6	35.6	30.5
Total NWC days	36.4	41.4	38.6	35.6	30.5
Fixed asset turnover	3.1	2.7	2.3	2.1	2.0
Opex-to-revenue (%)	15.9	16.6	17.0	17.1	16.9

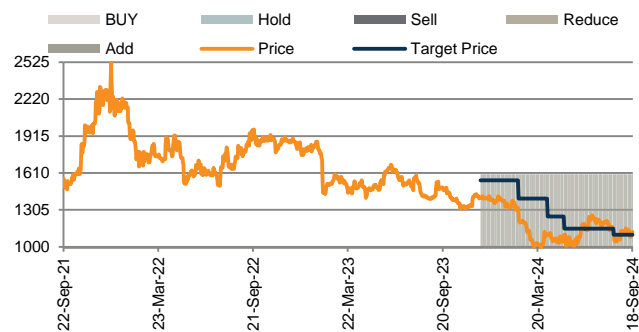
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
13-Aug-24	1,129	1,100	Add	Anshul Agrawal
07-Jul-24	1,236	1,150	Add	Anshul Agrawal
10-May-24	1,100	1,150	Add	Anshul Agrawal
08-Apr-24	1,096	1,250	Add	Anshul Agrawal
12-Feb-24	1,277	1,400	Add	Anshul Agrawal
07-Jan-24	1,407	1,550	Add	Anshul Agrawal
01-Dec-23	1,404	1,550	Add	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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