



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/ Nidhi Babaria

Q1FY20 Result update @ Dalal & Broacha

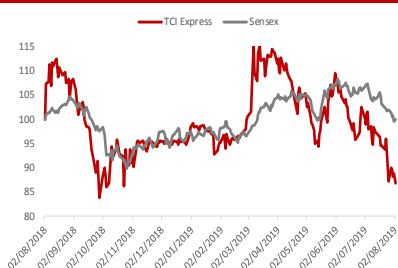
ACCUMULATE

Current Price	530
52 Week Range	766/441
Target Price	591
Upside	12%

Key Share Data

Market Cap (Rs.bn)	25.88
Market Cap (US\$ mn)	370.6
No of o/s shares (mn)	38.29
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos	25,476
BSE Code	540212
NSE Code	TCIEXP
Bloomberg	TCIEXP IN

Price performance



% Shareholding	June-19	Marc-19
Promoters	66.97	66.97
Institutions	33.03	33.03
Total	100	100

TCI Express Q1FY20 Result Revenue marginally below expectations.

Q1FY20 Update: Revenue Increased by 3.5% Y-O-Y at Rs. 2,562mn.
Freight cost: 72.3% v/s 75.4% Y-O-Y.
EBITDA & EBITDA Margins: up by 9.8% at Rs. 295.9mn & Margins at 11.6% v/s 10.9% yoy.
O. Income up by 43% YoY to Rs 7.3mn
PAT: Increased by 14.2% Y-O-Y to Rs. 184.1mn / **EPS** at Rs. 4.81 v/s 4.21 y-o-y.
S 4.81 v/s 4.21

TCI Express Ltd. Conference call KTA's:

- Express industry is expected to grow 9-11% and TCI Express expected to grow 17-18%. The Company is well positioned to capitalize on the growing market opportunities.
- **Volume growth** at 2% for Q1FY20 and 1.5% price hike which gave overall 3.5% Revenue growth. New SME clients were added in this quarter.
- July saw ~12% volume growth and 15% revenue growth, going ahead company expects H1FY20 to give decent to normal growth and H2FY20 is expected to be better (Q4 is always the best quarter).
- **Utilization** of sorting center at 85%-90%
- Expect price hikes during Diwali.
- Margin improvement was attributed by operational efficiency and better working capital management.
- **Added 10 new branches in Q1FY20.**
- New expansion/construction to be seen in Chennai, Kolkata, Indore, Nagpur and Mumbai sorting centers.
- **Incurred capex of Rs. 2 crores during the quarter.** Approval for Pune and Gurgaon sorting centers are in place, construction is expected to be completed by FY20 end and operations to be commenced from FY21.
- **Reduction in capex target from Rs. 80 cr. to Rs. 60 cr.** The capex will be incurred primarily for automation at the company's sorting center and will result in improving turnaround time, overall efficiency, and enhanced profitability in the long term.
- Continued focus on technological advancement to reduce turnaround time
- **IND AS116:** all contracts are for 11 months so there won't be any depreciation effect.
- **As on Q1FY20 TCI Express became debt free company, with surplus funds of Rs. 10 cr.**
- **Target for FY20:** i) Revenue growth: -17%-18% ii) 14%-15% volume growth iii) PAT Margins: - 9%
- **Valuation and outlook:** At CMP 530 it trades at 26x FY20E at EPS Rs. 20.4 and 22x FY21E at EPS Rs. 23.8.

TCI express business is directly co-related to the performance of its customers that include SMEs and sectors such as Auto, pharma FMCG and E-commerce; hence taking into consideration the current economic scenario maintaining the similar double digit growth trend would be difficult thus would remain cautious on the short-to medium term outlook however maintain **Accumulate** for long-term.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	7,502.7	13.1	619.0	8.3	374.9	31.7	9.8	54.1	23.3	30.0
FY18	8,850.8	18.0	906.5	10.2	584.0	55.8	15.3	34.7	28.2	34.6
FY19	10,237.9	15.7	1,190.0	11.6	728.5	24.7	19.0	27.9	27.3	40.8
FY20E	11,159.3	9.0	1,264.0	11.3	781.0	7.2	20.4	26.0	23.7	35.7
FY21E	12,833.2	15.0	1,491.0	11.6	913.8	17.0	23.9	22.2	22.7	34.4



	Q1FY19	Q1FY20
Sales	2475.90	2561.7
Q-O-Q Growth%	-1%	-4%
Growth%	22%	3%
Other income	5.1	7.3
Total Revenue:	2481	2569
Growth%	22%	4%
Expenses:-		
Operating Expenses	1867	1852
Growth%	20%	-1%
% to Operating Income	75%	72%
Employee benefit expenses	207	254
Growth%	21.9%	22.5%
% to Operating Income	8.4%	9.9%
Other expenses	132	160
Growth%	8.0%	20.8%
% to Operating Income	5.3%	6.2%
Total Expenses	2,206.40	2,265.80
EBITDA (exc OI)	269.50	295.90
Growth%	46.0%	9.8%
EBITDA Margin %	10.9%	11.6%
EBITDA	274.60	303.20
Depreciation	14.5	17.6
	23.9%	21.4%
Interest	11.9	2.3
	120.4%	-80.7%
PBT	248.20	283.30
	44.2%	14.1%
PBT %	10.02%	11.1%
Tax expenses	87.00	99.20
Tax Rate	35%	35%
PAT	161.2	184.1
NPM	6.5%	7.2%
Equity	76.577	76.577
EPS	4.21	4.81



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