



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia

Q3FY20 Result update @ Dalal & Broacha

### Buy on Dips

Current Price	831
52 Week Range	867/530
Target Price	914
Upside	10%

**Result in line with expectations on topline however bottomline was much better aided by operational efficiency, Operating expenses were at 14-quarter low, led by higher utilization of existing vehicles.**

**Q3FY20 Update:** Revenues increased by 2% YoY to Rs 2683.8mn, volume growth was 1% and price growth another 1%. In addition to economic slowdown, Logistics sector also saw moderation due to political disturbance and protest in North and Eastern region.

### Key Share Data

Market Cap (Rs.bn)	32.00
Market Cap (US\$ mn)	449.00
No of o/s shares (mn)	38.29
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos	371789
BSE Code	540212
NSE Code	TCIEXP
Bloomberg	TCIEXP IN

Operating Expenses stood at 70.6% of Revenues as against 73.8% YoY. Better utilization and increase in tonnage capacity (via axle load) of existing vehicles was one of the major contributors.

**EBITDA & EBITDA Margins:** up by 10.8% at Rs. 343mn & Margins at 12.78% v/s 11.8% yoy.

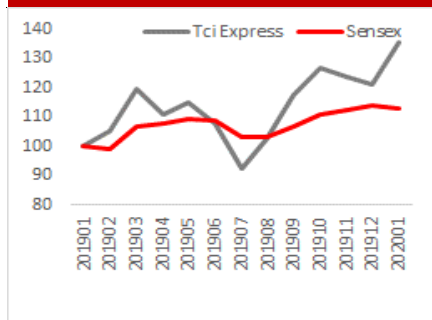
**O. Income** increased by 30% YoY to Rs 8.6mn

**PAT:** Increased by 36.4% Y-O-Y to Rs. 255.3mn / **EPS** at Rs. 6.67 v/s 4.89 y-o-y.

**EPS** 4.81 v/s 4.21

**9MFY20:** Revenue increased by 5% YoY to Rs 7940.2mn, EBITDA margins stood at 11.92% v/s 11.24% YoY and PAT increased by 37% YoY to Rs 700.4mn. 9MFY20 EPS stood at 18.3 v/s 13.35 YoY

### Price performance



### TCI Express Ltd. Conference call KTA's:

**Volumes: 9MFY20** 6.75 lac tones +3.5% YoY

**Topline guidance FY20:** reduced to high single digit for the full year. Jan-2020 is still subdued however the management expects things to improve on a MOM basis

**EBITDA margin guidance:** can reach 15% in next 2-3 year period aided by new technology and asset light model and high SME business (which contributes ~50%). Also higher mechanization in newer sorting centers will aid margins. New sorting centers will have 80% automation v/s 40% currently.

**Capex Guidance:** 9MFY20 capex done Rs 230mn full year expected to do Rs 450mn, lowered from previous guidance of Rs 800mn as work was halted in Gurgaon due to NGT issue however now resumed. **FY21** capex ~ Rs 800mn.

**New Sorting Centers:** Nagpur and Indore construction work will start from Q1FY21/ Pune and Gurgaon will start commercial operation from Q2FY21. Expected to spend Rs4bn in few years on sorting centers.

**Utilization:** 86% would reach 87% by Q4FY20.

**Branches:** added 57 for 9MFY20, expected to reach 80 by year end. Company is going denser in existing cities. *Breakeven* is 2-3 months per branch, additions help add SME customers and improve business.

- **Valuation and outlook:** At CMP of Rs 831 TCI Express trades at 29x FY21E EPS of Rs. 28.5 and 25x FY22E EPS Rs. 33.6.

TCI express was able to get EBITDA margins improvement even in this difficult economic environment which is commendable. When overall economic activity picks up the company can do much better, it is net-debt free company with ROE and ROCE 28% and 36% respectively. We have rolled over to FY22e estimates. TCI Express is trading at trading at 27x one year forward PE based on which we arrive at a target price of 914 and revise our rating from Accumulate to Buy on Dips.

### FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	8,850.8	18.0	906.5	10.2	584.0	55.8	15.3	54.5	28.2	34.6
FY19	10,237.9	15.7	1,190.0	11.6	728.5	24.7	19.0	43.7	27.3	40.8
FY20e	10,852.2	6.0	1,333.8	12.3	959.8	31.7	25.1	33.2	27.9	36.0
FY21e	12,371.5	14.0	1,542.8	12.5	1,090.0	13.6	28.5	29.2	25.3	33.1
FY22e	14,227.2	15.0	1,787.0	12.6	1,286.8	18.1	33.6	24.7	24.1	30.9



Rs MNS	Q3FY19 Dec-18	Q3FY20 Dec-19	9MFY19	9MFY20
	26%			
Sales	2631.5	2683.8	7579.4	7940.2
Growth%		2.0%		5%
Other income	6.6	8.6	19.8	32
Total Revenue:	2638.1	2692.4	7599.2	7972.2
Growth%		2.1%		5%
Expenses:-				
Operating Expenses	1941.2	1895.9	5640.2	5676.6
Growth%		-2.3%		1%
% to Operating Income	73.8%	70.6%	74.41%	71.49%
Employee benefit expenses	210.9	251.4	635.3	768.1
Growth%		19.2%		21%
% to Operating Income	8.0%	9.4%	8%	10%
Other expenses	169.700	193.500	451.8	549.300
Growth%		14.0%		22%
% to Operating Income	6.4%	7.2%	6.0%	6.9%
Total Expenses	2,321.80	2,340.80	6,727.30	6,994.00
EBITDA (exc OI)	309.70	343.00	852.10	946.20
Growth%		10.8%		11%
EBITDA Margin %	11.8%	12.78%	11.24%	11.92%
EBITDA	316.30	351.60	871.90	978.20
			11.47%	12.27%
Depreciation	16.9	21.3	48.4	57.3
Growth%		26.0%		
Interest	10.3	1.5	33	6.3
Growth%		-85.4%		
PBT	289.10	328.80	790.50	914.60
Growth%		13.7%		
PBT %	10.99%	12.25%		
Tax expenses	101.90	73.50	279.5	214
Tax Rate	35.2%	22.4%	35.4%	23.4%
PAT	187.20	255.30	511.00	700.60
Adjusted PAT	187.20	255.30	511	700.4
Growth%		36.4%		37.1%
NPM	7.10%	9.48%	6.72%	8.79%
Equity	76.577	76.6	76.577	76.577
	5.6%	33.6%	25.9%	37.1%
EPS	4.89	6.67	13.35	18.30



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P&L (Rs mn)	FY18	FY19E	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19E	FY20E	FY21E	FY22E
Net Sales	8,850.8	10,237.9	10,852.2	12,371.5	14,227.2	Net Profit	584.0	728.5	959.8	1,090.0	1,286.8
Raw Materials	(6,644.3)	(7,533.8)	(7,762.9)	(8,849.7)	(10,177.1)	Add: Dep. & Amort.	52.1	65.3	83.8	103.5	123.2
Employee Cost	(725.2)	(858.5)	(1,024.0)	(1,177.6)	(1,354.2)	<b>Cash profits</b>	<b>636.1</b>	<b>793.8</b>	<b>1,043.6</b>	<b>1,193.5</b>	<b>1,410.0</b>
Other Expenses	(574.8)	(655.6)	(731.5)	(801.4)	(908.9)	<b>(Inc)/Dec in</b>					
<b>Operating Profit</b>	<b>906.5</b>	<b>1,190.0</b>	<b>1,333.8</b>	<b>1,542.8</b>	<b>1,787.0</b>	-Sundry debtors	(412.9)	(87.6)	(97.9)	(134.9)	(279.6)
Depreciation	(52.1)	(65.3)	(83.8)	(103.5)	(123.2)	-Inventories	-	-	-	-	-
PBIT	854.4	1,124.7	1,249.9	1,439.3	1,663.8	-Loans/advances	24.4	(26.1)	(30.9)	(17.7)	(19.7)
						<sup>1</sup> -Current Liab and					
Other income	20.8	31.9	42.7	27.3	65.9	Provisions	436.6	46.1	(33.7)	138.5	176.1
Interest	(37.6)	(37.8)	(10.0)	(10.0)	(10.0)	Change in working					
						capital	48.1	(67.6)	(162.5)	(14.1)	(123.2)
PBT	837.7	1,118.8	1,282.6	1,456.6	1,719.6	<b>CF from Oper.</b>	<b>684.2</b>	<b>726.2</b>	<b>881.1</b>	<b>1,179.4</b>	<b>1,286.8</b>
Exceptionals	-	-	-	-	-	<b>activities</b>					
Profit before tax (post						<b>CF from Inv. activities</b>	<b>(624.0)</b>	<b>(252.9)</b>	<b>(712.9)</b>	<b>(492.3)</b>	<b>(613.5)</b>
exceptional)	837.7	1,118.8	1,282.6	1,456.6	1,719.6	<b>CF from Fin. activities</b>	<b>(26.3)</b>	<b>(424.1)</b>	<b>(256.7)</b>	<b>(218.0)</b>	<b>(257.4)</b>
Provision for tax	(253.7)	(390.3)	(322.8)	(366.6)	(432.8)	<b>Cash</b>					
<b>Reported PAT</b>	<b>584.0</b>	<b>728.5</b>	<b>959.8</b>	<b>1,090.0</b>	<b>1,286.8</b>	<b>generated/(utilised)</b>	<b>33.9</b>	<b>49.2</b>	<b>(88.5)</b>	<b>469.1</b>	<b>416.0</b>
MI	-	-	-	-	-	Cash at start of the					
<b>Net Profit</b>	<b>584.0</b>	<b>728.5</b>	<b>959.8</b>	<b>1,090.0</b>	<b>1,286.8</b>	year	87.8	121.8	171.0	82.5	551.6
Adjusted Profit ( excl Excep	584.0	728.5	959.8	1,090.0	1,286.8	Cash at end of the year	121.8	171.0	82.5	551.6	967.6
							-	-	-	-	-
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	76.6	76.6	76.6	76.6	76.6	OPM	10.2	11.6	12.3	12.5	12.6
Reserves	1,991.5	2,595.3	3,363.1	4,235.1	5,264.5	NPM	6.6	7.1	8.8	8.8	9.0
<b>Net worth</b>	<b>2,068.1</b>	<b>2,671.9</b>	<b>3,439.7</b>	<b>4,311.7</b>	<b>5,341.1</b>	Tax rate	(30.3)	(34.9)	(25.2)	(25.2)	(25.2)
MI	-	-	-	-	-	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>59.6</b>	<b>78.0</b>	<b>65.9</b>	<b>65.9</b>	<b>65.9</b>	Net Sales	18.0	15.7	6.0	14.0	15.0
						Operating Profit	46.5	31.3	12.1	15.7	15.8
<b>Current Liabilities</b>	<b>1,310.8</b>	<b>1,039.1</b>	<b>952.8</b>	<b>1,091.3</b>	<b>1,267.4</b>	PBIT	48.4	31.6	11.1	15.1	15.6
						PAT	55.8	24.7	31.7	13.6	18.1
<b>CAPITAL EMPLOYED</b>	<b>3,438.5</b>	<b>3,789.0</b>	<b>4,458.4</b>	<b>5,468.8</b>	<b>6,674.4</b>	<b>Per Share (Rs.)</b>					
						Net Earnings (EPS)	15.3	19.0	25.1	28.47	33.61
<b>Non Current Assets</b>	<b>1,671.6</b>	<b>1,859.2</b>	<b>2,368.3</b>	<b>2,877.1</b>	<b>3,367.4</b>	Cash Earnings (CPS)	16.6	20.7	27.3	31.2	36.8
						Dividend	2.8	3.0	4.2	4.7	5.6
Fixed Assets	1,620.1	1,744.4	2,245.5	2,742.0	3,218.8	Book Value	54.0	69.8	89.8	112.6	139.5
Goodwill	-	-	-	-	-	Free Cash Flow	1.6	12.4	4.4	17.9	17.6
Non Current Investments	51.5	114.8	122.8	135.1	148.6	<b>Valuation Ratios</b>					
Deferred Tax Asset	-	-	-	-	-	P/E(x)	<b>54.5</b>	<b>43.7</b>	<b>33.2</b>	<b>29.2</b>	<b>24.7</b>
Long Term Loans and						P/B(x)	15.4	11.9	9.3	7.4	6.0
Advances	-	-	-	-	-	EV/EBIDTA(x)	35.3	26.6	23.6	20.2	17.2
						Div. Yield(%)	0.3	0.4	0.5	0.6	0.7
<b>Current Assets</b>	<b>1,766.9</b>	<b>1,929.8</b>	<b>2,090.1</b>	<b>2,591.8</b>	<b>3,307.0</b>	<b>FCF Yield(%)</b>	<b>0.2</b>	<b>1.5</b>	<b>0.5</b>	<b>2.2</b>	<b>2.1</b>
<b>Current investments</b>	<b>-</b>	<b>-</b>	<b>120.0</b>	<b>-</b>	<b>-</b>	<b>Return Ratios (%)</b>					
Inventories	-	-	-	-	-	RONW	28%	27%	28%	25%	24%
Trade Receivables	1,543.8	1,631.4	1,729.3	1,864.2	2,143.8	ROCE	35%	41%	36%	33%	31%
Cash and Bank Balances	121.8	171.0	82.5	551.6	967.6	Net D/E	0.2	0.0	0.0	0.0	0.0
Short Term Loans and											
Advances	71.1	85.2	92.7	103.8	116.3						
Other Current Assets	30.1	42.2	65.6	72.2	79.4						
<b>CAPITAL DEPLOYED</b>	<b>3,438.5</b>	<b>3,789.0</b>	<b>4,458.4</b>	<b>5,468.8</b>	<b>6,674.4</b>						



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