



ACCUMULATE

Current Price	726
52 Week Range	491/950
Target Price	800
Upside	11%

TCI Express Results were slightly better than estimates

Results were impacted due to outbreak of Covid which led to lower business activity on account of lower industrial production and restriction on transportation of non-essential goods and inter-state challenges: Q1FY21 Revenues declined by 65% YoY to Rs 887mn. EBIDTA was down by 93% to Rs 20mn and PAT stood at Rs 9mn down 95% on a YoY basis.

Key Share Data

Market Cap (Rs.bn)	27.85
Market Cap (US\$ mn)	371.23
No of o/s shares (mn)	38.29
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos	19.98
BSE Code	540212
NSE Code	TCIEXP
Bloomberg	TCIEXP IN

EBIDTA margins stood at 2.29% v/s 11.6%

As % to Revenues:

-Operating Expenses stood at 65.2% v/s 72.3% YoY to Rs 578mn
-Other Expenses stood at 11.4% v/s 6.2% to Rs 102mn

Employee cost declined by 26.2% to Rs 187mn (MD did not take salary for Q1FY21)

PBT declined by 96% on a YoY basis to Rs 13mn

Other KTA's

Volume de-growth:

Volume declined by 68% YoY to 73000 tons (Q1FY20 was 2.25lac tons and Q4FY20 was 2lac tons)

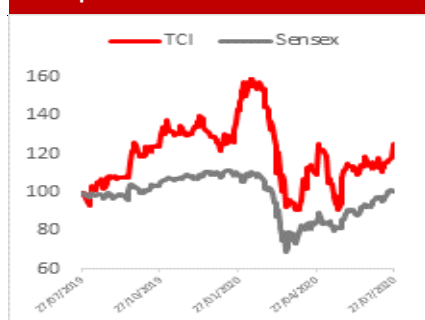
Price increase taken:

+3% taken in Q1FY21 (target is 5% for Fiscal FY22)
Additionally, the current 3% increase is done only for 30% of clients which is expected to be done for 60% by end of fiscal.

Sector picked up recently:

Auto spare parts saw good growth, however auto still remains weak (Automotive on overall basis contributes ~13% of Revenues)
Textile is slowing ramping-up.

Price performance



% Shareholding	June-20	Mar-20
Promoter	66.93	66.91
Public	33.07	33.09
Others	0.00	0.00
Total	100	100

Gross margins at highest levels @35% and management confident of sustaining some portion: contributed by factors such as price increase, better utilization with increase in branches and route optimization

Utilization levels: (i.e. vendors and vehicles utilized)

May=35%, June=68% and July =90%

Cost Rationalization:

- Fixed cost reduction target for FY21 increased to 20% from the earlier guidance of 15% (i.e. Rs 1.6bn fixed cost to be reduced by Rs ~300mn to Rs1.3bn)
- FY22 Fixed cost of Rs 1.6bn would be reduced to ~ 1.4bn (as some cost such as traveling and meeting expenses may rise)

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	47.4	28.2	34.6
FY19	10,237.9	15.7	1,189.9	11.6	728.4	24.7	19.0	38.0	27.3	40.8
FY20	10,319.6	0.8	1,213.0	11.8	890.8	22.3	23.2	31.1	26.4	33.4
FY21e	8,863.9	(14.1)	1,162.5	13.1	825.6	(7.3)	21.5	33.6	20.5	26.2
FY22e	12,944.9	46.0	1,717.8	13.3	1,225.2	48.4	31.9	22.6	24.4	31.5



Optimistic EBIDTA margins guidance for FY21: The management has guided +200bps to 13.8% in FY21 and +100bps in FY22 to 14.8% in terms of EBIDTA with cost rationalization and price actions.

Capex YTD : -Sorting centers capex till date stood at Rs 160mn. Target is Rs 2.8bn in next 3 years
-Pune (1.5 lakh sqft) and Gurgaon (2lac sqft) will start by end of CY20

Cash from Operations Q1FY21 = Rs 450mn / Cash and equivalents on books = Rs 700mn

Going forward: Management expects FY21 to end at similar levels of FY20 in terms of revenues, which indicates a very strong H2FY21 supported by festive season in Q3FY21, price increase benefit and low base quarter in Q4FY20. They are also very confident of achieving 14% EBIDTA margins in FY21 and 15% in FY22.

We have however not factored in such a strong revival in H2FY21 and expect full year Revenues to be down by 14% on a YoY basis and have taken EBIDTA margin improvement of only 130bps against management guidance of 200bps.

Outlook and valuations: TCI express has delivered decent set of numbers in the current scenario. The management was able to rationalize cost at lower volume levels was commendable. The company has been growing at a CAGR of 12% topline and 33% bottom line over FY16 to FY20. It has a strong balance sheet and is a net cash positive driven by asset light business model. ROE and ROCE for FY20 stood at 26% and 33% respectively.

We have revised our EPS from Rs 18.2 to 21.5 for FY21 and from 30 to 32 in FY22.

Valuations: TCI express trades at 34x its FY21e EPS of Rs 21.5 and 23x FY22e EPS of Rs 32. We value the company at 25x its FY22 earnings and arrive at a target price of 800.

Maintain **Accumulate** with a price target of 800.



Quarterly Snapshot

Rs MNS	Q1FY20	Q1FY21	Growth
Sales	2561.7	887.4	-65.4%
Other income	7.3	14.7	101.4%
Total Revenue:	2569	902.1	-64.9%
Expenses:-			
Operating Expenses	1852.3	578.3	-68.8%
% to Operating Income	72.3%	65.2%	
Employee benefit expenses	253.5	187.2	-26.2%
% to Operating Income	9.9%	21.1%	
Other expenses	160.00	101.60	-36.5%
% to Operating Income	6.2%	11.4%	
Total Expenses	2,265.80	867.10	-61.7%
EBITDA (exc OI)	295.90	20.30	-93.1%
EBITDA Margin %	11.55%	2.29%	
EBITDA	303.20	35.00	-88.5%
Depreciation	17.60	21.20	20.5%
Interest	2.300	1.2	-47.8%
PBT	283.30	12.60	-95.6%
PBT %	11.06%	1.42%	
Tax expenses	99.20	3.40	-96.6%
<i>Tax Rate</i>	<i>35.0%</i>	<i>27.0%</i>	
PAT	184.10	9.20	-95.0%
Adjusted PAT	184.10	9.20	-95.0%
NPM	7.17%	1.02%	
Equity	76.577	76.7	0.2%
EPS	4.81	0.24	-95.0%



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STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

Q1FY21 Result update @ Dalal & Broacha

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DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

Q1FY21 Result update @ Dalal & Broacha

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	FMCG, Retail, Logistics, Auto
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141149	BFSI
Mr Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141489	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092
E-mail: equity.research@dalal-broacha.com