

TCI Express Q1FY22 results were better than in the current environment

- Revenue increased by 151% YoY to Rs 2292mn (QoQ -20%)
- EBIDTA rose by 1.48x YoY to Rs 320.8mn -41% (QoQ)
- EBIDTA Margins stood at 14.39% v/s 2.29% YoY and 19.44% QoQ (last full year margins stood at 15.9%)
- PAT stood at Rs 238mn v/s Rs 9.2mn last year (QoQ -44.2%)

Other Details

- Operating Expenses to Revenues stood at 68.3% v/s 65.2% YoY and 66.8% QoQ.
- Employee cost increased by 36.5% YoY and 9.7% QoQ on account of annual appraisals
- Other Expenses to Revenue stood at 5.8% v/s 11.4% YoY and 5.5% QoQ

Outlook (long-term):

- Outline a broad vision of 2x topline and 4x PAT in next 4 to 5 years and become Rs 20bn revenue company (FY21 Revenue @ 8.4bn) with EBIDTA margins target of ~20%
- MoM improvement continues, maintain guidance of 40% growth for FY22 on low base and remain cautious on impact of 3rd wave

Financial Summary

Y/E Mar (l	FY19	FY20	FY21	FY22E	FY23E
Net sales	10,238	10,320	8,440	11,384	13,433
EBIDTA	1,190	1,213	1,343	1,855	2,401
Margins	11.6	11.8	15.9	16.3	17.9
PAT (adj)	728	891	1,006	1,351	1,746
growth (%)	24.7	22.3	12.9	34.3	29.2
EPS	19.0	23.2	26.2	35.1	45.4
P/E (x)	82.7	67.7	60.1	44.8	34.6
P/B (x)	22.5	17.9	13.9	11.2	8.9
EV/EBITDA	50.4	49.3	44.3	32.1	24.6
RoE (%)	27.3	26.4	23.2	24.9	25.6
ROCE (%)	40.8	33.4	28.8	32.0	33.1

Source: Dalal and Broacha

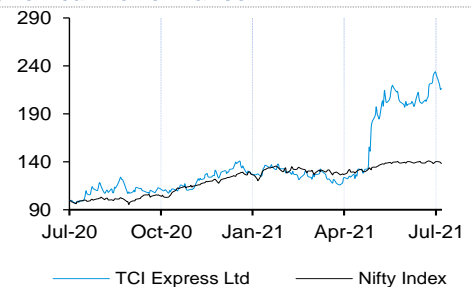
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1725	11

Market data

Current price	Rs	1549
Market Cap (Rs.Bn)	(Rs Bn)	60
Market Cap (US\$ Mn)	(US\$ Mn)	806
Face Value	Rs	10
52 Weeks High/Low	Rs	1747/680
Average Daily Volume	('000)	70
BSE Code		540212
Bloomberg		TCIEXP:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	66.79	66.79
Public	33.21	33.21
Others	0.50	0.48
Total	100	100

Source: BSE

Conference Call Highlights

- **Industry:** E-Way bill generation peaked in March 2021 however declined 33% on a sequential basis.
- Fuel Price increase passed on fully, 2% rate hike taken in Q1FY22
- EBIDTA margins on QoQ basis was impacted due to rise in employee cost on account of annual appraisal.
- Operating margins to improve by 100bps on a YoY basis. Meetings, trainings via Virtual platforms and bill generations online has led to cost savings.
- Utilization levels 83.5% v/s 86.5% QoQ, by June-21 returned to 86%+ levels and aim is to reach 90% in few years which will aid margins.
- 15 new branches opened mainly in metro cities of North and West
- SME corporate mix to be maintained @ 50:50: SME gives high margins and corporate gives higher volumes
- Sector wise contribution: Pharma + Auto + Engineering + Electronics + Textile = 55% of Revenue
- 25% contribution from Value added services i.e. Cold Chain Express, C2C Express, Air Express: Business Mix current: 8% Air Express || 4% E-commerce || 88% Surface. Plan to reach 20-25% Air Express + E-Commerce + C2C Express and Cold Chain
- Automation at sorting centers to reduce turnaround time

Network expansion from FY17 to FY21:

- 32k locations to 40k
- Branch offices from 500 to 800+ (will add another 100 in FY22)
- Sorting centres 26 to 28
- Customer count 1.6lacs to 2.0lacs

FY22 target: is to achieve 40% Revenue growth with 35% volumes (on low base of FY21)

Update on new services launched (both have ~20% EBIDTA margins)

- **Cold Chain Express:** distributed 50 lac vaccine & 10000 oxygen concentrators.
(**Business:** Dispatching Pharma shipments. This business is dominated by un-organised sector. TCI will not require major capex for this business expansion.)
- **C2C Express:** first company to launch customer to customer express service with multi-location pick-up and delivery. Did Rs 500mn in FY21 on pilot basis, expect to do ~ Rs 1bn in FY22 and reach Rs 5bn in next 4-5 years

Volume:

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- Q1FY22 volumes stood at 1.75 lac tons v/s 73k YoY and 2.3lac tons QoQ

Capex:

- Capex FY22 and FY23 would be Rs 1bn each. (which will complete the 1st Rs 4bn capex planned in 4-5 years) || incurred Rs150mn towards Gurgoan in Q1FY22

Warehouse Highlights

- Pune Ware-House completed regulatory approvals and is operational now. It is 1.5lac sqft with total capex of ~Rs 400mn
- Gurgoan 2 lac sqft sorting centre will start in Q3FY22.
- Current 28 sorting centers with 1.2mn sqft is expected to reach ~ 2.5mn sqft post the entire capex spend.
- Plans to expand in Chennai, Nagpur, Kolkatta, Mumbai
- Cash Flow from Operations stood at Rs 340mn

Quarterly Financials

Rs MNS	Q1FY22	Q1FY21	Growth	Q4FY21	Growth
Sales	2229.2	887.4	151.2	2798.0	(20.33)
Other income	16.4	14.7	11.6	30.6	(46.41)
Total Revenue:	2245.6	902.1	148.9	2828.6	(20.61)
Expenses:-					
Operating Expenses	1522.9	578.3	163.3	1868.6	(18.50)
% to Operating Income	68.3%	65.2%		66.8%	
Employee benefit expenses	255.6	187.2	36.5	233.1	9.65
% to Operating Income	11.5%	21.1%		8.3%	
Other expenses	129.90	101.60	27.9	152.50	(14.82)
% to Operating Income	5.8%	11.4%		5.5%	
Total Expenses	1,908.40	867.10	120.1	2,254.20	(15.34)
EBITDA (exc OI)	320.80	20.30	1,480.3	543.80	(41.01)
EBITDA Margin %	14.39%	2.29%		19.44%	
EBITDA	337.20	35.00	863.4	574.40	(41.30)
Depreciation	22.30	21.20	5.2	25.20	(11.51)
Interest	1.100	1.2	(8.3)	1.800	(38.89)
PBT	313.80	12.60	2,390.5	547.40	(42.67)
PBT %	14.08%	1.42%		19.56%	
Tax expenses	76.20	3.40	2,141.2	121.70	(37.39)
<i>Tax Rate</i>	<i>24.3%</i>	<i>27.0%</i>		<i>22.2%</i>	
PAT	237.60	9.20	2,482.6	425.70	(44.19)
Adjusted PAT	237.60	9.20	2,482.6	425.70	(44.19)
NPM	10.58%	1.02%		15.05%	
Equity	76.9	76.7	0.3	76.9	-
EPS	6.18	0.24	2,475.9	11.07	(44.19)

Quarterly Dip lower than expected

Employee cost rise due to yearly appraisals

Valuation & Outlook

TCI Express's USP lies in its strong network coverage, of 40000 locations serviced by 5000 containerized trucks, 800+ branches and 28 sorting centers.

TCI Express a **Net- Debt free company**.

Between FY17 to FY21 topline has been growing at a CAGR of 3% topline (FY21, lower due to pandemic, however FY17 to FY20 it was 11%), 21% on EBIDTA and 24% on PBT with a strong cashflow on account of its asset light model. The company's ROE and ROCE as of FY21 stands at 23% and 29%

The management is confident of doubling the topline in next 4 to 5 years generate 4x PBT aided by launching new value added services which translates in to 15% CAGR on topline and 30% on PBT

At CMP of Rs 1573 TCI express trades at 45x FY22e EPS of Rs 35 and 34.6x FY23e EPS of Rs 45.4.
We change our recommendation to Buy on Dips from Buy with a target price of Rs 1725

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