

TCI Express Q3FY21 results were better than expectations on operational levels with EBIDTA margins at All-Time-High of 17.3%

- Revenue declined by 2.2% YoY to Rs 2625mn, however on a QoQ basis revenue growth stood at 23%. Q3FY21 saw pick-up in demand due to festive season but after recovery in October, core industries deteriorated in November
- EBIDTA increased 32% YoY to Rs 453.4mn || EBIDTA Margins stood at 17.3% (*highest ever*) as against 12.8% YoY and 15.3% QoQ
- PAT for Q3FY21 increased by 32% YoY to Rs 336.1mn

Other Details

- Operating Expenses as % to Revenue stood at 67.7% v/s 70.6% YoY and 67.8% QoQ
- Employee Cost declined by 7.5% YoY however was up by 5% on QoQ basis
- Other Expenses as % to Revenue stood at 6.2% as against 7.2% YoY and 6.5% QoQ
- Cost rationalization is expected to continue going forward
- Dividend declared of Rs 2

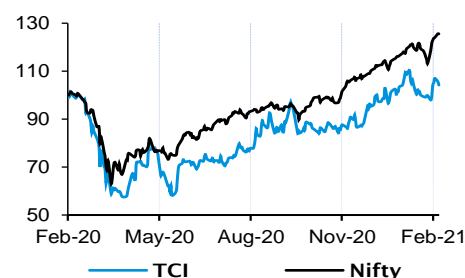
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1080	13

Market data

Current price	Rs	959
Market Cap (Rs.Bn)	(Rs Bn)	37
Market Cap (US\$ Mn)	(US\$ Mn)	508
Face Value	Rs	2
52 Weeks High/Low	Rs	1024/491
Average Daily Volume	('000)	10
BSE Code		540212
Bloomberg		TCIEXP:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	66.79	66.79
Public	33.21	33.21
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	10,238	10,320	8,586	12,487	14,360
EBIDTA	1,190	1,213	1,281	1,629	1,928
Margins	11.6	11.8	14.9	13.0	13.4
PAT (adj)	728	891	932	1,167	1,369
growth (%)	24.7	22.3	4.6	25.2	17.3
EPS	19.0	23.2	24.2	30.4	35.6
P/E (x)	50.4	41.3	39.6	31.6	26.9
P/B (x)	13.7	10.9	9.0	7.3	6.0
EV/EBITDA (30.7	29.9	28.3	22.3	18.8
RoE (%)	27.3	26.4	22.6	23.1	22.3
ROCE (%)	40.8	33.4	28.8	29.9	28.9

Source: Dalal and Broacha

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Conference Call Highlights

- **Volume 9MFY21 stood at 4.6lac tons** v/s 6.75 lac tons -32% YoY || Q3FY21 was at 2.15 lac tons v/s 2.25lac tons YoY. Price increase in Q2FY21 stood at ~2%
- **October month saw good pick-up, November was slow and December showed slight improvement.** Jan-21 has been flat and Feb YTD on a YoY basis slightly better.
- **SME:** Corporate customer stood at 52% : 48% || margins in SME is higher by 20-25%
- **Employee costs in FY22 would return to normalcy**
- **Pune Ware-House completed construction and will commence operations in Q4FY21**, since regulatory approvals pending. It is 1.5lac sqft with total capex of ~Rs 400mn
- **10 new branches opened in Q3FY21** || 20 new for 9MFY21 in metro cities
- **Capex planned Rs 4bn in 5 years** || spent over 3.75 years is Rs 1.6bn || 9M FY21 capex stood at Rs 0.41bn, towards expansion of sorting center and IT Infra || Current 28 sorting centers with 1.2mn sqft is expected to reach ~ 2.5mn sqft post the entire capex spend.
- **Branches currently 800+, plans to get to 1600 in next 3-4 years**
- **Business Mix 8% Air Express || 45 E-commerce || 88% Surface.** Plan to reach 10% Air Express || 5% E-Commerce and 85% Surface.
- **Gross margins are expected to further improve by 300bps over next 2-3 year period**

45% v/s 40% in Q2FY21 of trucks are now converted to higher tonnage

Guidance: Double revenue in 4 years and triple PBT in 3 years.

Quarterly Financials

Rs MNS	Q3FY21	Q3FY20	Growth	Q3FY20	Growth
Sales	2625.0	2683.8	(2.2)	2129.50	23.27
Other income	16.6	8.6	93.0	14.60	13.70
Total Revenue:	2641.6	2692.4	(1.9)	2144.1	23.20
Expenses:-					
Operating Expenses	1776.0	1895.9	(6.3)	1444.40	22.96
% to Operating Income	67.7%	70.6%		67.83%	
Employee benefit expenses	232.5	251.4	(7.5)	220.600	5.39
% to Operating Income	8.9%	9.4%		10%	
Other expenses	163.10	193.50	(15.7)	138.90	17.42
% to Operating Income	6.2%	7.2%		6.5%	
Total Expenses	2,171.60	2,340.80	(7.2)	1,803.90	20.38
EBITDA (exc OI)	453.40	343.00	32.2	325.60	39.25
EBITDA Margin %	17.27%	12.78%		15.29%	
EBITDA	470.00	351.60	33.7	340.20	38.15
Depreciation	21.70	21.30	1.9	21.70	-
Interest	1.600	1.5	6.7	3.10	(48.39)
PBT	446.70	328.80	35.9	315.40	41.63
PBT %	17.02%	12.25%		14.81%	
Tax expenses	110.60	73.50	50.5	80.50	37.39
<i>Tax Rate</i>	<i>24.8%</i>	<i>22.4%</i>		<i>25.5%</i>	
PAT	336.10	255.30	31.6	234.90	43.08
Adjusted PAT	336.10	255.30	31.6	234.90	43.08
NPM	12.72%	9.48%		10.96%	
Equity	76.9	76.6	0.4	76.9	-
EPS	8.74	6.67	31.1	6.11	43.08

EBITDA Margins at All Time High

Source: Dalal & Broacha Research, Company

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** has been growing at a CAGR of 11% topline, 25% on EBITDA and 27.4% on PBT between FY18 to FY20 with a strong cashflow on account of its asset light model. The company's ROE and ROCE as of FY20 stands at 26% and 33% respectively.

The management is confident of doubling the topline in next 4 years and bottomline in next 3 years.

At CMP of Rs 959 TCI express trades at 31x FY22e EPS of Rs 30 and 27x FY22e EPS of Rs 36. We change our recommendation from Buy on Dips to **Accumulate** with a target price of Rs 1080 (30x FY23)

Financials

P&L (Rs mn)	FY19E	FY20	FY21E	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19E	FY20	FY21E	FY22E	FY23E
Net Sales	10,237.9	10,319.6	8,585.9	12,486.7	14,359.7	Net Profit	728.4	890.8	932.2	1,167.3	1,369.2
Raw Materials	(7,533.8)	(7,341.6)	(5,803.7)	(8,644.8)	(9,941.5)	Add: Dep. & Amort.	65.3	77.9	87.6	111.6	141.6
Employee Cost	(858.5)	(1,018.0)	(890.3)	(1,334.6)	(1,494.7)	Cash profits	793.7	968.7	1,019.8	1,278.9	1,510.8
Other Expenses	(655.7)	(747.0)	(610.6)	(878.0)	(995.8)	(Inc)/Dec in					
Operating Profit	1,189.9	1,213.0	1,281.3	1,629.3	1,927.7	-Sundry debtors	(87.6)	(26.3)	246.3	(641.2)	(307.9)
Depreciation	(65.3)	(77.9)	(87.6)	(111.6)	(141.6)	-Inventories	-	-	-	-	-
PBIT	1,124.6	1,135.1	1,193.7	1,517.8	1,786.2	-Loans/Advances	(26.9)	(23.7)	(35.5)	(20.8)	(23.1)
Other income	31.9	43.7	60.9	53.2	54.6	-Current Liab and					
Interest	(37.8)	(9.0)	(8.9)	(11.0)	(11.0)	Provisions	46.8	(104.3)	(54.2)	357.3	182.8
PBT	1,118.7	1,169.8	1,245.8	1,560.0	1,829.8	Change in working capital	(67.7)	(154.3)	156.6	(304.7)	(148.3)
Exceptionals	-	-	-	-	-	CF from Oper. activities	726.0	814.4	1,176.4	974.2	1,362.5
Profit before tax (post exceptional)	1,118.7	1,169.8	1,245.8	1,560.0	1,829.8	CF from Inv. activities	(252.7)	(598.6)	(949.9)	(813.5)	(1,014.8)
Provision for tax	(390.3)	(279.0)	(313.6)	(392.6)	(460.6)	CF from Fin. activities	(424.0)	(260.9)	(192.0)	(228.8)	(273.8)
Reported PAT	728.4	890.8	932.2	1,167.3	1,369.2	Cash generated/utilised	49.3	(45.1)	34.4	(68.1)	73.9
MI	-	-	-	-	-	Cash at start of the year	121.8	171.1	126.0	160.4	92.3
Net Profit	728.4	890.8	932.2	1,167.3	1,369.2	Cash at end of the year	171.1	126.0	160.4	92.3	166.2
Adjusted Profit (excl Excep	728.4	890.8	932.2	1,167.3	1,369.2						

Balance Sheet	FY19E	FY20	FY21E	FY22E	FY23E	Ratios	FY19E	FY20	FY21E	FY22E	FY23E
Equity capital	76.6	76.7	76.9	76.9	76.9	OPM	11.6	11.8	14.9	13.0	13.4
Reserves	2,595.3	3,296.1	4,041.9	4,975.7	6,071.1	NPM	7.1	8.6	10.8	9.3	9.5
Net worth	2,671.9	3,372.8	4,118.8	5,052.6	6,148.0	Tax rate	(34.9)	(23.9)	(25.2)	(25.2)	(25.2)
MI	-	-	-	-	-	Growth Ratios (%)					
Non Current Liabilities	78.0	61.5	65.0	69.7	69.7	Net Sales	15.7	0.8	(16.8)	45.4	15.0
Current Liabilities	1,039.8	881.0	817.5	1,174.8	1,357.6	Operating Profit	31.3	1.9	5.6	27.2	18.3
CAPITAL EMPLOYED	3,789.7	4,315.3	5,001.3	6,297.1	7,575.3	PBIT	31.6	0.9	5.2	27.1	17.7
Non Current Assets	1,859.0	2,093.8	2,895.6	3,597.5	4,470.8	PAT	24.7	22.3	4.6	25.2	17.3
Fixed Assets	1,744.3	1,965.3	2,760.7	3,449.1	4,307.6	Per Share (Rs.)					
Goodwill	-	-	-	-	-	Net Earnings (EPS)	19.0	23.2	24.24	30.36	35.61
Non Current Investments	114.7	128.5	134.9	148.4	163.3	Cash Earnings (CPS)	20.7	25.3	26.5	33.3	39.3
Deferred Tax Asset	-	-	-	-	-	Dividend	2.9	4.6	4.0	5.0	5.9
Long Term Loans and Advances	-	-	-	-	-	Book Value	69.8	87.9	107.1	131.4	159.9
Current Assets	1,930.7	2,221.5	2,105.7	2,699.6	3,104.5	Free Cash Flow	12.4	5.6	5.9	4.2	9.0
Current investments	-	285.9	346.4	346.4	346.4	Valuation Ratios					
Inventories	-	-	-	-	-	P/E(x)	50.4	41.3	39.6	31.6	26.9
Trade Receivables	1,631.4	1,657.7	1,411.4	2,052.6	2,360.5	P/B(x)	13.7	10.9	9.0	7.3	6.0
Cash and Bank Balances	171.1	126.0	160.4	92.3	166.2	EV/EBIDTA(x)	30.7	29.9	28.3	22.3	18.8
Short Term Loans and Advances	85.1	91.9	102.9	115.3	129.1	Div. Yield(%)	0.3	0.5	0.4	0.5	0.6
Other Current Assets	43.1	60.0	84.5	93.0	102.2	FCF Yield(%)	1.3	0.6	0.6	0.4	0.9
CAPITAL DEPLOYED	3,789.7	4,315.3	5,001.3	6,297.1	7,575.3	Return Ratios (%)					
						RONW	27%	26%	23%	23%	22%
						ROCE	41%	33%	29%	30%	29%
						Net D/E	0.0	0.0	0.0	0.0	0.0

Source: Dalal & Broacha Research, Company

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