

TCI Express Q4FY21 results were better than expectations on bottom line with EBIDTA margins at All-Time-High of 19.4%

- Revenue increased by 17.6% YoY to Rs 2798mn (QoQ +7%)
- EBIDTA rose by 103.8% YoY to Rs 543.8mn
- EBIDTA Margins stood at 19.44% v/s 11.21% YoY and 17.27% QoQ
- PAT increased by 124% YoY to Rs 425.7mn

Other Details

- Operating Expenses to Revenues stood at 66.8% v/s 70% YoY and 67.7% QoQ. The company could pass on the fuel price increase to customers and take a general price hike as well.
- Employee cost reduced by 6.8% YoY to Rs 233.1 mn (flat QoQ)
- Other Expenses to Revenue stood at 5.5% v/s 8.3% YoY and 6.2% QoQ

FY21:

- Revenue declined by 18% YoY to Rs 8439mn
- EBIDTA increased by 11% with EBIDTA margins at all time high of 15.9% v/s 11.8% YoY
- PAT increased by 13% YoY to Rs 1006mn.
- EPS stood at 26.2 v/s 23.2 YoY

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)

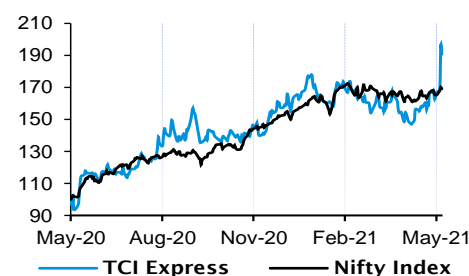
Rating	TP (Rs)	Up/Dn (%)
BUY	1254	16

Market data

Current price	Rs	1077
Market Cap (Rs.Bn)	(Rs Bn)	41
Market Cap (US\$ Mn)	(US\$ Mn)	560
Face Value	Rs	2
52 Weeks High/Low	Rs	1144/523
Average Daily Volume	('000)	305
BSE Code		540212
Bloomberg		TCIEXP:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-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	FY21	FY22E	FY23E
Net sales	10,238	10,320	8,440	10,862	12,818
EBIDTA	1,190	1,213	1,343	1,767	2,222
Margins	11.6	11.8	15.9	16.3	17.3
PAT (adj)	728	891	1,006	1,281	1,608
growth (%)	24.7	22.3	12.9	27.3	25.5
EPS	19.0	23.2	26.2	33.3	41.8
P/E (x)	56.6	46.4	41.2	32.3	25.8
P/B (x)	15.4	12.2	9.5	7.7	6.2
EV/EBITDA (34.5	33.6	30.1	22.9	18.1
RoE (%)	27.3	26.4	23.2	23.9	24.2
ROCE (%)	40.8	33.4	28.8	30.6	31.2

Source: Dalal and Broacha

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Conference Call Highlights

Other strategies over next 5 years:

- 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 10% Air Express || 5% E-Commerce and 85% Surface.)
- Automation at sorting centers to reduce turnaround time
- Double the number of branch offices
- Launch of 2 more products in H1FY22
- Post the current 5 year, cycle of Rs 4bn capex is done by FY23, management is planning another Rs 4bn capex, that will include Rs 3bn towards sorting centers and 1bn towards automation and IT.

Demand current

- Q1FY22: April-2021 was a normal month, May 2021 too early to call out.
- FY22 target is to achieve 40% Revenue growth with 35% volumes (on low base of FY21)

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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

Launched new services (both have ~20% EBIDTA margins)

- **Cold Chain Express:** Dispatching Pharma shipments such Blood Plasma or Vaccines and frozen foods. 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:

- FY21 down by ~20% at 6.9 lac tones || volume in Q4FY21 = 2.3lac tons

Margins:

- Was aided by 100% pass on of fuel price hike to SME's (50%+ contribution to revenue)
- At-least 80% of fuel price hike passed on to large customers
- Fuel price increase was not passed on fully to the vendors as they work on per-km basis.
- General price increase for all done at time of contract renewal
- Sorting centers utilization @ 86.5% in Q4FY21 v/s 87% in FY21

- ***Plan to give 100bps improvement on an annual basis and reach 20% on EBITDA margins in next couple of years on an annual basis which is 16% currently.***

Capex:

- Capex FY22 and FY23 would be Rs 1bn each. (which will complete the 1st Rs 4bn capex planned in 4-5 years) || incurred in FY21 Rs 550mn towards 2 sorting centres i.e. Gurgoan and Pune.

Warehouse Highlights

- Pune Ware-House completed construction regulatory approvals pending. 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.

- Net Cash as of March-21 Rs 859mn
- Dividend declared Rs 4

Quarterly Financials

Rs MNS	Q4FY21	Q4FY20	Growth	Q3FY21	Growth
Sales	2798.0	2379.4	17.6	2625.00	6.59
Other income	30.6	11.7	161.5	16.60	84.34
Total Revenue:	2828.6	2391.1	18.3	2641.6	7.08
Expenses:-					
Operating Expenses	1868.6	1664.9	12.2	1776.00	5.21
% to Operating Income	66.8%	70.0%		67.66%	
Employee benefit expenses	233.1	250.0	(6.8)	232.500	0.26
% to Operating Income	8.3%	10.5%		9%	
Other expenses	152.50	197.70	(22.9)	163.10	(6.50)
% to Operating Income	5.5%	8.3%		6.2%	
Total Expenses	2,254.20	2,112.60	6.7	2,171.60	3.80
EBITDA (exc OI)	543.80	266.80	103.8	453.40	19.94
EBITDA Margin %	19.44%	11.21%		17.27%	
EBITDA	574.40	278.50	106.2	470.00	22.21
Depreciation	25.20	20.70	21.7	21.70	16.13
Interest	1.800	2.7	(33.3)	1.60	12.50
PBT	547.40	255.10	114.6	446.70	22.54
PBT %	19.56%	10.72%		17.02%	
Tax expenses	121.70	65.00	87.2	110.60	10.04
<i>Tax Rate</i>	<i>22.2%</i>	<i>25.5%</i>		<i>24.8%</i>	
PAT	425.70	190.10	123.9	336.10	26.66
Adjusted PAT	425.70	190.10	123.9	336.10	26.66
NPM	15.05%	7.95%		12.72%	
Equity	76.9	76.6	0.4	76.9	-
EPS	11.07	4.96	123.1	8.74	26.66

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**.

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 PAT aided by launching new value added services which translates in to 15% CAGR on topline and 30% on PAT

We have however been conservative in our calculations.

At CMP of Rs 1077 TCI express trades at 32.3x FY22e EPS of Rs 33.3 and 25.8x FY23e EPS of Rs 41.8. We change our recommendation from Accumulate to **Buy** with a target price of Rs 1254 (30x FY23 EPS)

Financials

P&L (Rs mn)	FY19E	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19E	FY20	FY21E	FY22E	FY23E
Net Sales	10,237.9	10,319.6	8,439.9	10,862.4	12,817.7	Net Profit	728.4	890.8	1,006.0	1,280.7	1,607.9
Raw Materials	(7,533.8)	(7,341.6)	(5,667.3)	(7,227.0)	(8,463.7)	Add: Dep. & Amort.	65.3	77.9	89.7	116.6	143.6
Employee Cost	(858.5)	(1,018.0)	(873.4)	(1,187.4)	(1,306.1)	Cash profits	793.7	968.7	1,095.7	1,397.4	1,751.5
Other Expenses	(655.7)	(747.0)	(556.0)	(681.4)	(826.3)	(Inc)/Dec in					
Operating Profit	1,189.9	1,213.0	1,343.2	1,766.7	2,221.5	-Sundry debtors	(87.6)	(26.3)	(36.9)	(388.6)	(375.0)
Depreciation	(65.3)	(77.9)	(89.7)	(116.6)	(143.6)	-Inventories	-	-	-	-	-
PBIT	1,124.6	1,135.1	1,253.5	1,650.0	2,077.9	-Loans/advances	(26.9)	(23.7)	(22.8)	(19.7)	(21.9)
						'-Current Liab and					
Other income	31.9	43.7	76.5	75.4	84.8	Provisions	46.8	(104.3)	161.1	68.2	50.5
Interest	(37.8)	(9.0)	(7.8)	(14.0)	(14.0)	Change in working					
						capital	(67.7)	(154.3)	101.4	(340.1)	(346.4)
PBT	1,118.7	1,169.8	1,322.2	1,711.5	2,148.8	CF from Oper.	726.0	814.4	1,197.1	1,057.3	1,405.2
Exceptionals	-	-	-	-	-	activities					
Profit before tax (post						CF from Inv. activities	(252.7)	(598.6)	(1,005.1)	(815.8)	(817.3)
exceptional)	1,118.7	1,169.8	1,322.2	1,711.5	2,148.8	CF from Fin. activities	(424.0)	(260.9)	(45.8)	(247.1)	(321.6)
Provision for tax	(390.3)	(279.0)	(316.2)	(430.8)	(540.9)	Cash					
Reported PAT	728.4	890.8	1,006.0	1,280.7	1,607.9	generated/utilised	49.3	(45.1)	146.2	(5.6)	266.3
MI	-	-	-	-	-	Cash at start of the					
Net Profit	728.4	890.8	1,006.0	1,280.7	1,607.9	year	121.8	171.1	126.0	272.2	266.6
						Cash at end of the year	171.1	126.0	272.2	266.6	532.9
Adjusted Profit (excl Excep	728.4	890.8	1,006.0	1,280.7	1,607.9		-	-	-	-	-

Balance Sheet	FY19E	FY20	FY21	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	15.9	16.3	17.3
Reserves	2,595.3	3,296.1	4,261.8	5,286.4	6,572.7	NPM	7.1	8.6	11.8	11.7	12.5
Net worth	2,671.9	3,372.8	4,338.7	5,363.3	6,649.6	Tax rate	(34.9)	(23.9)	(23.9)	(25.2)	(25.2)
MI	-	-	-	-	-	Growth Ratios (%)					
Non Current Liabilities	78.0	61.5	65.0	74.0	74.0	Net Sales	15.7	0.8	(18.2)	28.7	18.0
						Operating Profit	31.3	1.9	10.7	31.5	25.7
Current Liabilities	1,039.8	881.0	1,032.9	1,101.1	1,151.6	PBIT	31.6	0.9	10.4	31.6	25.9
						PAT	24.7	22.3	12.9	27.3	25.5
CAPITAL EMPLOYED	3,789.7	4,315.3	5,436.6	6,538.4	7,875.2	Per Share (Rs.)					
						Net Earnings (EPS)	19.0	23.2	26.16	33.31	41.82
Non Current Assets	1,859.0	2,093.8	2,708.0	3,407.1	4,080.8	Cash Earnings (CPS)	20.7	25.3	28.5	36.3	45.6
						Dividend	2.9	4.6	4.0	6.7	8.4
Fixed Assets	1,744.3	1,965.3	2,561.3	3,245.7	3,903.3	Book Value	69.8	87.9	112.8	139.5	172.9
Goodwill	-	-	-	-	-	Free Cash Flow	12.4	5.6	5.0	6.3	15.3
Non Current Investments	114.7	128.5	146.7	161.4	177.5	Valuation Ratios					
Deferred Tax Asset	-	-	-	-	-	P/E(x)	56.6	46.4	41.2	32.3	25.8
Long Term Loans and						P/B(x)	15.4	12.2	9.5	7.7	6.2
Advances	-	-	-	-	-	EV/EIDTA(x)	34.5	33.6	30.1	22.9	18.1
						Div. Yield(%)	0.3	0.4	0.4	0.6	0.8
Current Assets	1,930.7	2,221.5	2,728.6	3,131.2	3,794.4	FCF Yield(%)	1.1	0.5	0.5	0.6	1.4
Current investments	-	285.9	587.1	587.1	587.1	Return Ratios (%)					
Inventories	-	-	-	-	-	RONW	27%	26%	23%	24%	24%
Trade Receivables	1,631.4	1,657.7	1,694.6	2,083.2	2,458.2	ROCE	41%	33%	29%	31%	31%
Cash and Bank Balances	171.1	126.0	272.2	266.6	532.9	Net D/E	0.0	0.0	0.0	0.0	0.0
Short Term Loans and											
Advances	85.1	91.9	109.3	122.4	137.1						
Other Current Assets	43.1	60.0	65.4	71.9	79.1						
CAPITAL DEPLOYED	3,789.7	4,315.3	5,436.6	6,538.4	7,875.2						

Source: Dalal & Broacha Research, Company

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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 671 41442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 671 41446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 671 41412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 671 41449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 671 41486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 671 41441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com