

## Primed for next leap in performance...

TCI Express (TCIEL) reported a strong performance, **posting its highest ever EBITDA margins of 19.4%**, backed by higher operating leverage, realisation hike, cost control initiatives and passing on of fuel price hike to most customers. Overall, Q4FY21 witnessed broad based revival across all major industries as reflected in the Q4 E-Way bill (up 28%), which led to strong growth in revenues. Revenues for Q4FY21 grew 18% YoY to ₹ 280 crore, led by 15% growth in volumes to 2.3 lakh tonnes and 2.3% growth in realisation to ₹ 12.2 per kg. The resultant EBITDA grew 2x to ₹ 54 crore, due to 822 bps expansion in the EBITDA margins to 19.4%.

## Profitability continues to soar to newer heights

TCI Express continued to post a recovery in profitability in FY21 (EBITDA margin expansion by 410 bps), in-spite of lower operating leverage (volumes down 17% in FY21), as the management employed cost control measures, realisation hikes, passage of crude oil price rise to most of the customers and continued to pick only profitable sales. The management expects the expansion in EBITDA margins to continue from here on (100 bps each year), aided mainly by volume growth, as it expects the SME sector to bounce back, as the state-wide restrictions due to pandemic subsides. It is also banking on strengthening its IT network and automating its sorting centres to save further costs and lower turnaround times.

## Newer service offerings to diversify revenue streams

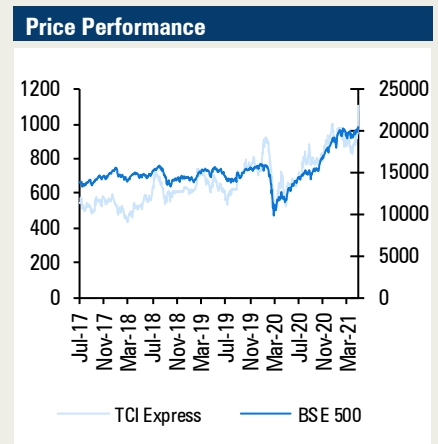
TCIEL has begun providing offerings such as cold chain express (for catering to pharma sector and would be asset light), air express division, customer to customer (C2C) express logistics (earned ₹ 50 crore revenues in FY21). The company expects a meaningful ramp-up in these divisions in 12-18 months while continuously investing behind building capabilities (IT, infra, etc) for each of the divisions. TCIEL expects to infuse ₹ 100 crore in the next two years to automate its new sorting centres at Gurgaon, Pune and also start building pan-India bigger warehouses (purchased land in Chennai and is finalising land parcel in Kolkata).

## Valuation & Outlook

Rising competitiveness in the sector has left TCIEL unscathed, primarily due to the company's relentless focus on building its moat in the B2B segment by having owned branch offices, delivery to 40000 locations, focus on MSME and SME clients, continued investments in building IT networks etc, which helps the company in having control over user experience and providing value added services to clients. The management further intends to strengthen its capability by automating its warehouses and providing innovative C2C services, express rail logistics, along-with investments in newer geographies (100 new branches and three to four bigger warehouses). We value TCIEL at 28x P/E with a target price of ₹ 1400 (earlier ₹ 1150). We maintain our **BUY** recommendation.



Particulars	Amount
Market Capitalization (₹ Cr)	4,057.5
Total Debt (FY21) (₹ Cr)	1.0
Cash (FY21) (₹ Cr)	27.2
EV (₹ Cr)	4,031.3
52 week H/L	1140/511
Equity capital (₹ Cr)	3.8
Face value (₹)	2.0



- ### Key risks to our call
- 1) Longer than expected time taken for recovery in MSME sector
  - 2) Rising competitive intensity in the B2B segment

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## Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E	CAGR
Revenues (₹ crore)	1,023.8	1,032.0	844.0	1,181.6	1,389.5	7.9
EBITDA (₹ crore)	119.0	121.3	134.3	200.9	252.9	20.7
Adjusted Net Profit (₹ crore)	72.9	89.1	100.6	149.7	190.4	27.1
EPS (₹)	19.0	23.3	26.2	38.9	49.5	
P/E (x)	55.7	45.5	40.5	27.2	21.4	
Price / Book (x)	15.2	12.0	9.4	7.2	5.5	
EV/EBITDA (x)	34.0	33.4	30.1	20.1	16.0	

**Exhibit 1: Variance Analysis**

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	279.8	273.6	237.9	17.6	262.5	6.6	YoY improvement due to revival in the core manufacturing sectors
Operating expenses	186.9	186.1	166.5	12.2	177.6	5.2	
Employee Expenses	23.3	24.1	25.0	-6.8	23.3	0.3	
Other Expense	15.3	19.2	19.8	-22.9	16.3	-6.5	
Total Expense	225.4	229.3	211.3	6.7	217.2	3.8	
EBITDA	54.4	44.3	26.7	103.8	45.3	19.9	
EBITDA Margin (%)	19.4	16.2	11.2	822 bps	17.3	216 bps	Margins positively impacted mainly due to cost control measures in operating, employee, other expenses and passage of crude hike to customers
Depreciation	2.5	2.2	2.1	21.7	2.2	16.1	
Interest	0.2	0.2	0.3	-33.3	0.2	12.5	
Other Income	3.1	1.6	1.2	161.5	1.7	84.3	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	54.7	43.5	25.5	114.6	44.7	22.5	
Total Tax	12.2	11.0	6.5	87.2	11.1	10.0	
PAT	42.6	32.5	19.0	123.9	33.6	26.7	

Source: ICICI Direct Research

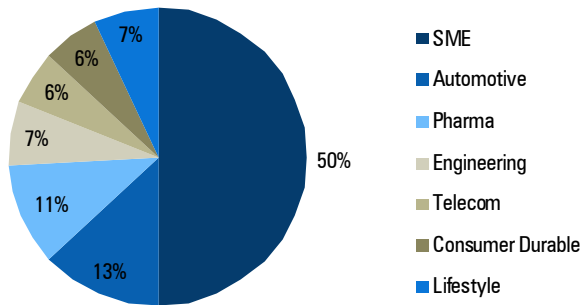
**Exhibit 2: Change in estimates**

(₹ Crore)	FY22E					FY23E			Comments
	FY20	FY21	Old	New	% Change	Old	New	% Change	
Gross Revenue	1,032.0	844.0	1,073.2	1,181.6	10.1	1,266.4	1,389.5	9.7	Estimates revised due to stronger than expected recovery in topline
EBITDA	121.3	134.3	171.7	200.9	17.0	206.4	252.9	22.5	
EBITDA Margin (%)	11.8	15.9	16.0	17.0	100 bps	16.3	18.2	190 bps	Margins revised upwards due to cost control measures employed by company
PAT	89.1	100.6	128.7	149.7	16.3	157.4	190.4	20.9	
EPS (₹)	23.3	26.2	33.6	38.9	15.8	41.1	49.5	20.4	

Source: Company, ICICI Direct Research

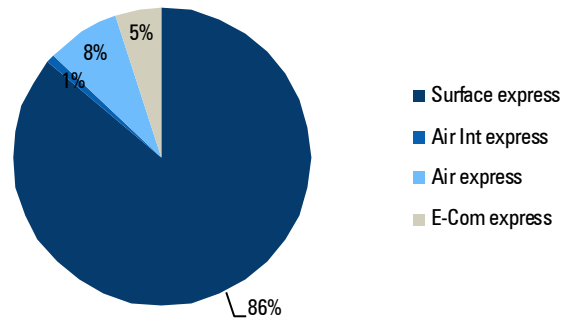
## Key Metrics

Exhibit 3: Industry verticals



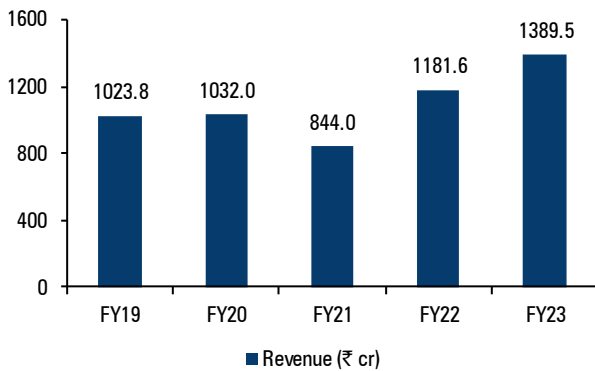
Source: ICICI Direct Research, Company

Exhibit 4: Products segment



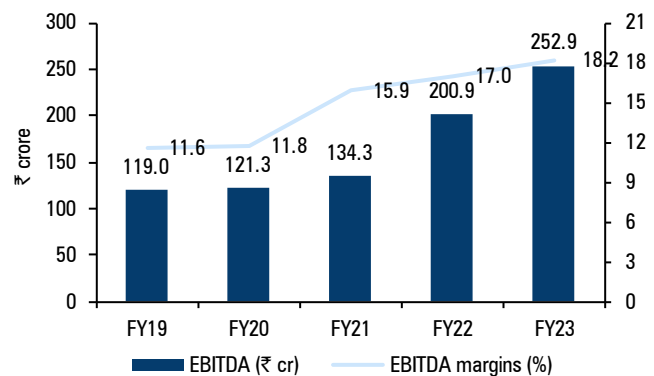
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 28% CAGR in FY21-23



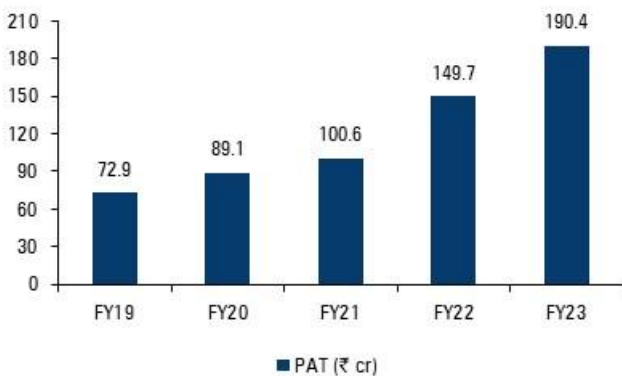
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 37% CAGR in FY21-23



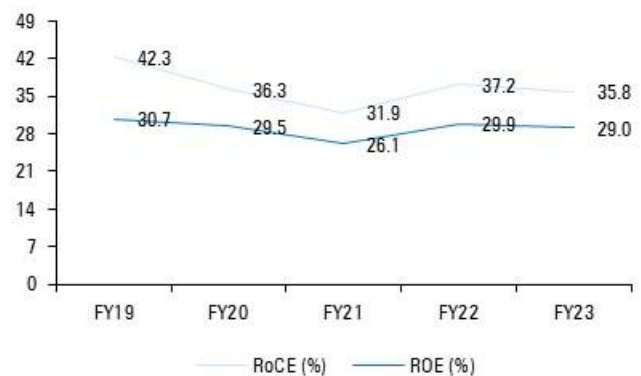
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 38% CAGR in FY21-23



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

Year	Sales (₹ Crore)	Sales Gr.	EPS (₹)	EPS Gr. (%)	PE (x)	EV/EBITD	RoNW (%)	RoCE (%)
FY19	1023.8	15.7	19.0	24.8	55.7	34.0	30.7	42.3
FY20	1032.0	0.8	23.3	22.3	45.5	33.4	29.5	36.3
FY21E	844.0	-18.2	26.2	12.4	40.5	9.4	26.1	31.9
FY22E	1181.6	40.0	38.9	48.8	27.2	7.2	29.9	37.2
FY23E	1389.5	17.6	49.5	27.2	21.4	5.5	29.0	35.8

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 10: Profit & Loss Statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	1,032.0	844.0	1,181.6	1,389.5
Growth (%)	0.8	(18.2)	40.0	17.6
Operating expenses	734.2	566.7	797.6	931.0
Employee Cost	101.8	87.3	106.3	118.1
Other expenses	74.7	55.6	76.8	87.5
Total Expenses	910.7	709.7	980.7	1,136.6
EBITDA	121.3	134.3	200.9	252.9
Growth (%)	1.9	10.7	49.5	25.9
Depreciation	7.8	9.0	12.3	15.7
EBIT	113.5	125.4	188.6	237.2
Interest	0.9	0.8	0.1	0.1
Other Income	4.4	7.7	11.5	17.2
PBT	117.0	132.2	200.0	254.4
Growth (%)	4.6	13.0	51.3	27.2
Tax	27.9	31.6	50.3	64.0
Reported PAT	89.1	100.6	149.7	190.4
Exceptional Items	-	-	-	-
Adjusted PAT	89.1	100.6	149.7	190.4
Growth (%)	22.3	12.9	48.8	27.2
EPS	23.3	26.2	38.9	49.5

Source: ICICI Direct Research

### Exhibit 11: Cash flow Statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	89.1	100.6	149.7	190.4
Less: Dividend Paid	(0.9)	(0.8)	(0.1)	(0.1)
Add: Depreciation	7.8	9.0	12.3	15.7
Add: Others	-	-	-	-
Cash Profit	97.8	110.4	162.0	206.1
Increase/(Decrease) in CL	(10.4)	16.1	0.7	16.4
(Increase)/Decrease in CA	(3.3)	(5.4)	(10.2)	(33.2)
CF from Operating Activities	53.1	99.9	149.2	185.8
(Add) / Dec in Fixed Assets	(27.3)	(54.5)	(108.3)	(110.8)
Changes in goodwill	(0.7)	0.4	-	-
(Inc)/Dec in Investments	0.4	(43.0)	(20.0)	(50.0)
CF from Investing Activities	(27.6)	(97.1)	(128.3)	(160.8)
Inc/(Dec) in Loan Funds	(5.8)	(1.8)	(0.4)	-
Inc/(Dec) in Sh. Cap. & Res.	(19.0)	(4.0)	(15.4)	(15.4)
Others	(4.9)	17.3	0.0	0.0
CF from financing activities	(29.7)	11.5	(15.8)	(15.3)
Change in cash Eq.	(4.2)	14.3	5.1	9.7
Op. Cash and cash Eq.	17.1	12.9	27.2	32.4
Cl. Cash and cash Eq.	12.9	27.2	32.3	42.0

Source: ICICI Direct Research

### Exhibit 12: Balance Sheet ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	329.6	426.2	560.5	735.4
Shareholder's Fund	337.3	433.9	568.2	743.1
Secured Loan	0.5	0.5	0.3	0.3
Unsecured Loan	11.4	0.6	0.3	0.3
Total Loan Funds	2.8	1.0	0.6	0.6
Deferred Tax Liability	0.1	0.1	0.1	0.1
Minority Interest	4.1	5.4	5.5	5.6
Source of Funds	344.3	440.4	574.4	749.4
Application of Funds				
Gross Block	208.8	260.9	360.9	460.9
Less: Acc. Depreciation	27.5	36.5	48.7	64.4
Net Block	181.3	224.4	312.2	396.5
Capital WIP	11.1	27.8	36.1	46.9
Total Fixed Assets	192.4	252.2	348.2	443.4
Intangibles	2.2	1.8	1.8	1.8
Investments	0.9	14.7	34.7	84.7
Debtors	165.8	169.5	178.0	209.4
Cash	12.9	27.2	32.4	42.0
Current Investments	28.6	58.7	61.6	64.7
Loan & Advance, Other C/	24.9	17.6	19.6	21.9
Total Current assets	203.5	214.3	230.0	273.3
Creditors	62.0	75.2	72.1	84.2
Other Current Liabilities	20.5	23.8	27.4	31.5
Provisions	4.7	4.3	4.5	4.7
Deferred Tax Assets	3.9	2.0	2.0	2.0
Total CL and Provisions	87.2	103.3	104.0	120.4
Net Working Capital	116.4	111.0	126.0	152.9
Miscellaneous expense	-	-	-	-
Application of Funds	344.3	440.4	574.4	749.4

Source: ICICI Direct Research

### Exhibit 13: Key Ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Book Value	88.1	112.8	147.8	193.3
EPS	23.3	26.2	38.9	49.5
Cash EPS	25.3	28.5	42.1	53.6
DPS	4.0	4.0	4.0	4.0
Profitability & Operating Ratios				
EBITDA Margin (%)	11.8	15.9	17.0	18.2
PAT Margin (%)	8.6	11.9	12.7	13.7
Fixed Asset Turnover (x)	3.0	1.9	2.1	1.9
Debtor (Days)	58.2	72.5	55.0	55.0
Current Liabilities (Days)	33.4	44.2	33.0	33.0
Return Ratios (%)				
RoE	29.5	26.1	29.9	29.0
RoCE	36.3	31.9	37.2	35.8
RoIC	26.2	23.1	26.3	25.6
Valuation Ratios (x)				
P/E	45.5	40.5	27.2	21.4
Price to Book Value	12.0	9.4	7.2	5.5
EV/EBITDA	33.4	30.1	20.1	16.0
EV/Sales	3.9	4.8	3.4	2.9
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	126.1	160.7	3,143.3	3,953.8
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	2.2	1.8	1.9	1.9
Quick ratio	2.2	1.8	1.9	1.9

Source: ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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