

TCI Express Ltd.

BUY

CMP Rs1,084

Target Rs1,398

Upside 29%

Result Highlights

- ✓ Revenue grew by 18% YoY (higher 7% QoQ) to Rs.2.8 bn. This was marginally higher than our estimates of Rs.2.7 bn
- ✓ The company reported gross margin of 33.2% vs 30.0% YoY/ 32.3% QoQ. Operating profit doubled YoY to Rs.544 mn (Higher than our estimates of Rs.489 mn).
- ✓ Operating Margins improved to 19.4% vs 11.2% YoY/17.3% QoQ. The drop in cost was seen across employee cost, RM cost and other expenses.
- ✓ Higher operating profit saw APAT grow to Rs.426 mn during Q4 FY21 (Rs.190 mn in Q4 FY20). This was higher than our estimate of ~Rs.362 mn.
- ✓ The Company declared a Final dividend of Rs.2 per share for FY21 in addition to Rs2 per share as interim dividend.

Our view: The margins have been a positive surprise with good demand from SME segment and the Company was able to pass the rising fuel cost to its customers. The company has guided for strong ~40% revenue growth aided by 35% volume growth. The company believes that the investment in sorting centres and automation will drive the efficiency which would keep margins at elevated levels. Further the company has ventured into two new verticals namely C2C express and Cold chain which are high margin business and would gradually start contributing to the revenues. The asset light nature of business and healthy balance sheet would allow the Company to capitalize on the expected improvement in business activity. We have revised our FY22 and FY23 estimates to factor in the strong Q4 performance and improved outlook on profitability. Currently stock is trading at 25x FY23E EPS. We remain positive on the growth prospects and maintain our BUY rating for a revised target price of Rs.1,398/sh (32x FY23).

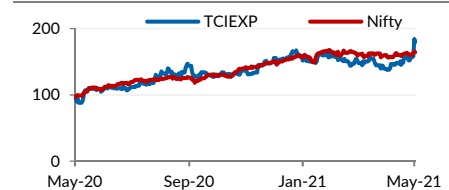
Exhibit 1: Result table

Particulars (Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Total sales	2,798	2,379	17.6	2,625	6.6
EBITDA	544	267	103.8	453	19.9
EBITDAM (%)	19.4	11.2	822 bps	17.3	216 bps
Depreciation	25	21	21.7	22	16.1
Interest	2	3	(33.3)	2	12.5
Other income	31	12	161.5	17	84.3
PBT	547	255	114.6	447	22.5
Tax	122	65	87.2	111	10.0
Adjusted PAT	426	190	123.9	336	26.7
Exceptional item	0	0	NA	0	NA
Reported PAT	426	190	123.9	336	26.7
PATM (%)	15.2	8.0	723 bps	12.8	241 bps
EPS (Rs)	11.1	4.9	123.9	8.7	26.7

Stock data (as on May 19, 2021)

Nifty	15,030
52 Week h/l (Rs)	1140 / 511
Market cap (Rs/USD mn)	41648 / 569
Outstanding Shares (mn)	38
6m Avg t/o (Rs mn):	29
Div yield (%):	0.2
Bloomberg code:	TCIEXP IN
NSE code:	TCIEXP

Stock performance



	1M	3M	1Y
Absolute return	30.6%	13.6%	91.3%

Shareholding pattern (As of Mar'21 end)

Promoter	66.79%
FII+DII	12.57%
Others	20.64%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,398	1,120

Financial Summary

	FY21	FY22e	FY23e
Revenue	8,440	11,215	12,461
YoY	(18.2)	32.9	11.1
EBIDTA	1,343	1,977	2,318
Margin (%)	15.9	17.6	18.6
PAT	1,006	1,449	1,680
YoY	12.9	44.1	15.9
ROE	26.1	29.2	26.7
EPS	26.2	37.7	43.7
P/E	41.4	28.8	24.8

Δ in earnings estimates

	FY21	FY22e	FY23e
EPS (New)	26.2	37.7	43.7
EPS (Old)	26.2	30.3	35.0
% change	-	24.4	24.8

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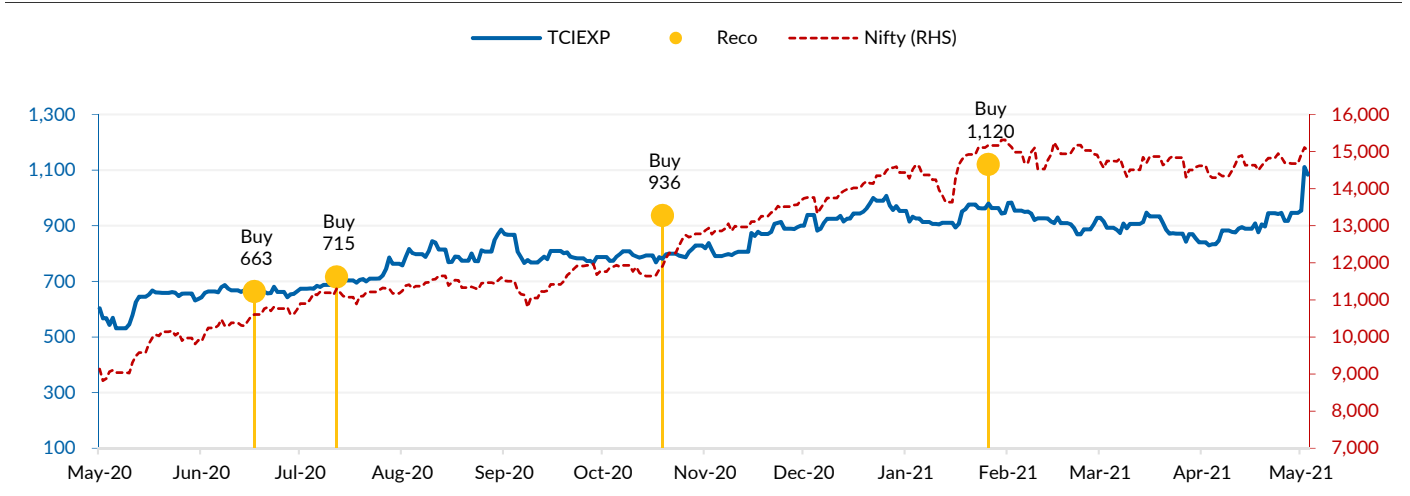
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CON-CALL HIGHLIGHTS

- ✓ **Volumes and Revenue:** Volumes for the quarter stood at 0.23 MT while for the year it stood at 0.7MT. The revenue grew by 18% yoy during the quarter was because higher volume and realisation growth. The volumes were driven by SME segment as there was a strong pickup in demand during the quarter. The company expects revenue growth of 40% in FY22 driven by 35% volume growth.
- ✓ **Price:** Price hike saw Realizations improving by ~2-3% during the quarter on blended basis. The company was able to pass the price hike fully to the SME segment and 80% to the corporate clients.
- ✓ **Demand:** During Q4, sectors like auto, pharma and textile witnessed good growth. Demand improved with the opening of the economy and pick up in the business activities. Post Q4, April was a regular month for the company while saw dip in demand in May.
- ✓ **Utilisation:** Capacity Utilisation stood at 86% for the quarter and touched the peak of 87% during March.
- ✓ **Margin:** The company reported gross margin of 33.2% vs 30% YoY/ 32.3% QoQ. The EBITDA margins improved on the back of 1) Healthy revenue 2) higher utilization 3) higher efficiency and 4) Pass on the rising fuel to the end customers. Target to reach 20% EBITDA margin by FY23 and expects gross margin expansion every year with increase in volumes. The margins expansion will be aided by the 1) higher volumes, 2) higher profit from SME customers, 3) price hike with every contract renewal 4) higher utilisation and 5) entry into high margin business verticals.
- ✓ **SME customers** saw an improvement during Q4. SME saw a dip in May 2021 due to recent lockdowns but likely to bounce back in June with economy coming back to normal.
- ✓ **New Business: verticals:** The company has ventured into new value-added services like 1) cold chain and 2) C2C express. The company has recently started the cold chain segment with vaccine distribution. It believes that the market size of this segment is not big as of now but can create big opportunity in future. C2C segment is value added service of pick up and drop facility based on customer locations.
- ✓ **Capex:** The company has incurred the capex of Rs550n mn for FY21 towards the expansion of sorting centres and IT infrastructure. Pune sorting centre construction is complete and waiting for regulatory approval while the construction of Gurgaon sorting centre is expected to be operational by Q3FY22. The company plans to spend Rs1bn each in FY22 and FY23 towards new sorting centres. The company has purchased land in Chennai and has finalized the land in Kolkata for new sorting centres. During the year, the company has opened 25 new branches and plans to open 100 new branches in coming years primarily catering to SME segments.
- ✓ The operating cashflow for the year improved to ~Rs1.2 bn vs Rs816mn while cash stood at Rs.272mn for FY21.

Recommendation Tracker



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BUY: Potential return >15% over 12 months

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