

June 25, 2024

## Visit Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>1,410</b>		<b>1,410</b>	
Sales (Rs. m)	13,872	15,769	13,872	15,769
% Chng.	-	-	-	-
EBITDA (Rs. m)	2,187	2,661	2,187	2,661
% Chng.	-	-	-	-
EPS (Rs.)	39.9	48.6	39.9	48.6
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	12,410	12,538	13,872	15,769
EBITDA (Rs. m)	1,945	1,872	2,187	2,661
Margin (%)	15.7	14.9	15.8	16.9
PAT (Rs. m)	1,393	1,317	1,531	1,863
EPS (Rs.)	36.4	34.4	39.9	48.6
Gr. (%)	8.7	(5.5)	16.2	21.7
DPS (Rs.)	8.0	8.0	8.0	8.0
Yield (%)	0.7	0.7	0.7	0.7
RoE (%)	24.6	20.3	20.0	20.6
RoCE (%)	31.6	25.8	25.5	26.5
EV/Sales (x)	3.5	3.5	3.1	2.7
EV/EBITDA (x)	22.5	23.1	19.5	16.0
PE (x)	31.8	33.7	29.0	23.8
P/BV (x)	7.4	6.3	5.4	4.5

### Key Data

[TCIE.BO](#) | [TCIEXP IN](#)

52-W High / Low	Rs.1,656 / Rs.998
Sensex / Nifty	78,053 / 23,720
Market Cap	Rs.44bn/ \$ 532m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.102.46m

### Shareholding Pattern (%)

Promoter's	46.31
Foreign	12.29
Domestic Institution	25.87
Public & Others	15.54
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	13.9	(16.6)	(28.2)
Relative	10.1	(24.0)	(42.0)

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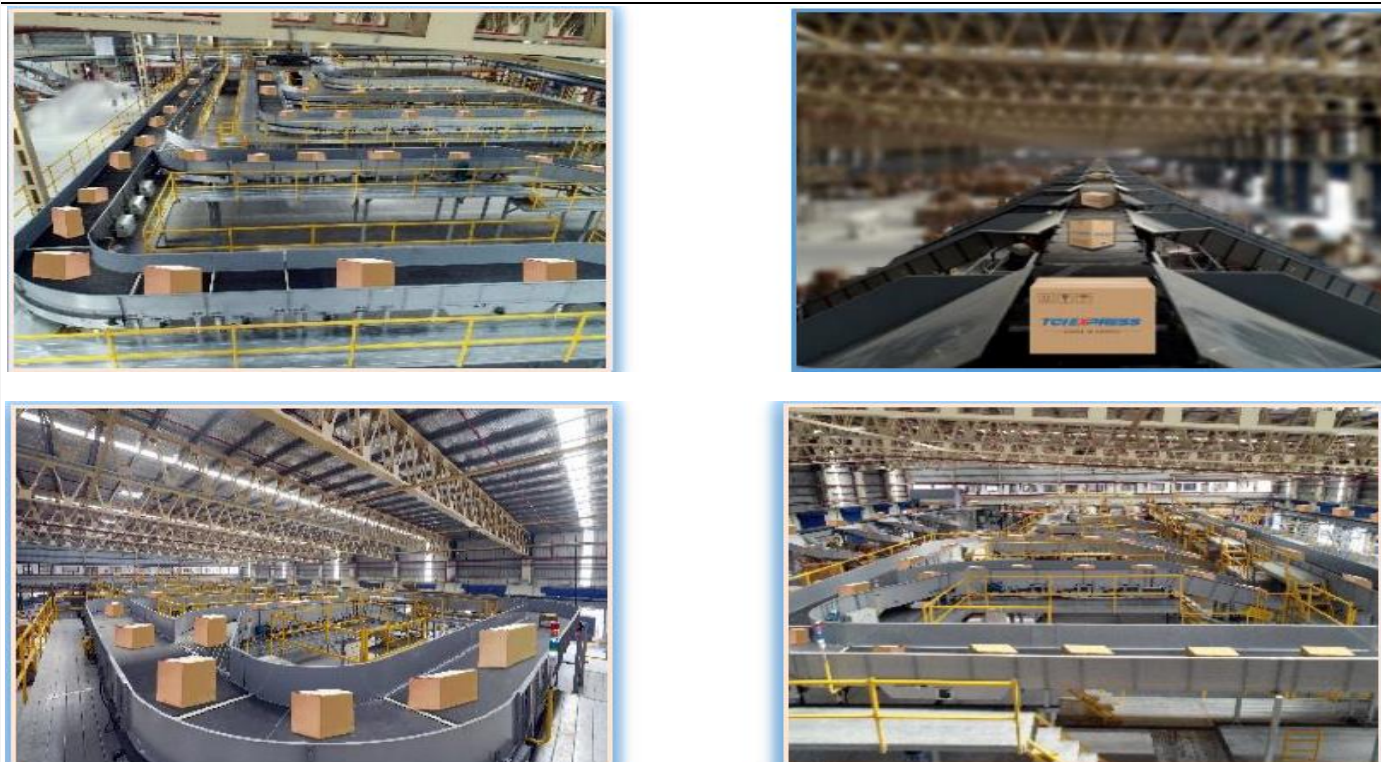
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## Automation underway at multiple centers

*We recently visited TCI Express' (TCIEXP IN) sorting center in Pune. Spread over 1.5 lakh sq.ft., the center is fully automated and has ~50 loading docks. The management expects recovery in B2B volumes (annualized 12-15% volume growth targeted) from H2FY25E, on the back of improvement in textile loads (South based). The stock is currently trading at 33x/23x FY24/FY26E earnings. We maintain 'Buy' rating on TCI Express with a TP of Rs1410 based on 29x FY26E P/E multiple.*

- Automation key to improving efficiency:** The management is focusing on automation with the aim of: a) reducing dependency on labor, b) ensuring faster cooling time of trucks, and c) reducing truck turnaround time (TAT). Post automation of the Pune sorting center, the overall labor cost has come down by 30%. Further, only 2 laborers are needed per truck, vs 5-6 earlier, for loading/unloading packages. The new conveyor belt, extendable up to 32ft, can be directed inside the truck, and the packages can be directly sent to the conveyor scanner and then to the respective dispatch docking center. Automation has brought down the loading/unloading time to ~1hr/truck from 6-7hrs/truck, and the total TAT to 4-5hrs/truck. The Pune plant has a handling capacity of 60kg/package, but to add a margin of safety, parcels weighing over 50kgs are handled manually; parcels weighing more than 50kgs form 5-10% of the total volume. To further improve efficiency, trucks are equipped with GPS and geofencing technologies, thus enabling real-time tracking. All trucks have two drivers, which helps in achieving average run per day per truck of 700kms.
- Margins to improve in FY25E led by volume growth:** The management anticipates a volume growth of 12-15% in FY25E led by the textile segment, with green shoots expected from Q2FY25E. Other segments such as pharma are also expected to pick up from H2FY25E. The management expects new customers to contribute ~10% to the anticipated volume growth.
- Automation plans for other facilities:** The management mentioned that the Pune facility has the capacity to grow at 15% YoY for the next 10 years, in line with the expected growth in volumes. Utilization of the facility stands at ~25%. The conveyor scanner sorts 25,000-30,000 parcels/day by operating for 4-5hrs/day, but has an operational capacity of 10,000 parcels/hr by operating for 24hrs. The company aims to automate ~28 branches over the next 10 years, with a target of 7-8 plants by FY27E, all of which will be operated on solar energy similar to the Pune facility.

Exhibit 1: TCL Express's automated sorting center



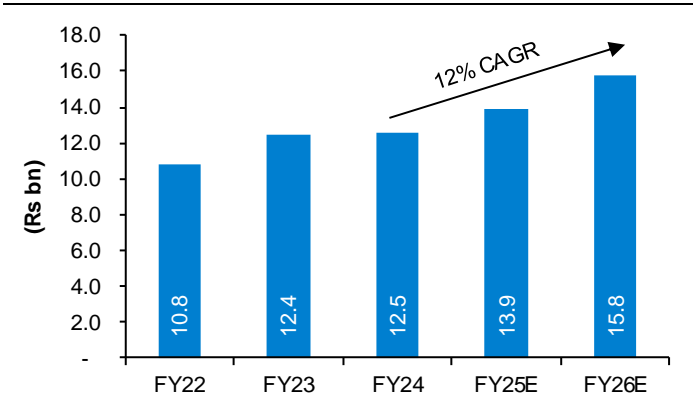
Source: Company, PL

Exhibit 2: Revenue/EBITDA to grow at 12.1%/19.2% CAGR over FY4-26E

(Rs mn)	FY23	FY24	FY25E	FY26E
Volumes (ton)	9,93,000	10,00,000	10,90,000	12,20,800
<i>Growth</i>	14.8%	0.7%	9.0%	12.0%
Revenue per ton	12,498	12,538	12,726	12,917
<i>Growth</i>	0.0%	0.3%	1.5%	1.5%
Revenue	12,410	12,538	13,872	15,769
<i>Growth</i>	14.8%	1.0%	10.6%	13.7%
Gross profit	3,913	3,953	4,443	5,135
<i>Gross margins</i>	31.5%	31.5%	32.0%	32.6%
Operational cost	8,497	8,586	9,428	10,634
<i>% of sales</i>	68.5%	68.5%	68.0%	67.4%
EBITDA	1,945	1,872	2,187	2,661
<i>Margins</i>	15.7%	14.9%	15.8%	16.9%
<i>Growth</i>	11.3%	-3.7%	16.8%	21.7%
Other income	72	72	109	122
Depreciation	153	190	234	267
Interest	18	14	16	26
PBT	1,845	1,740	2,046	2,490
Tax	453	423	515	627
PAT	1,393	1,317	1,531	1,863
<i>Growth</i>	8.1%	-5.4%	16.2%	21.7%
EPS (Rs)	36.3	34.4	39.9	48.6

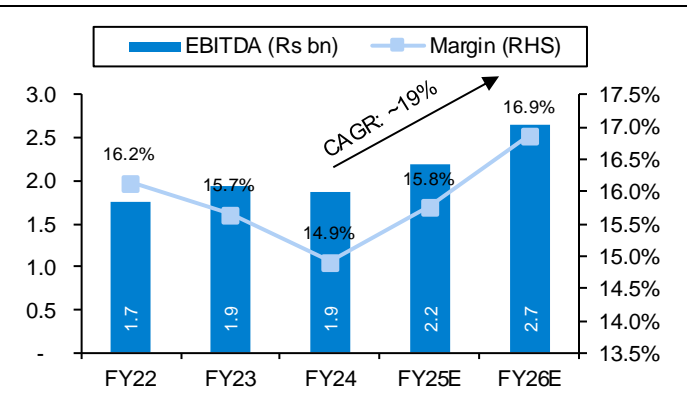
Source: Company, PL

Exhibit 3: Revenue to grow at 12% CAGR over FY24-26E



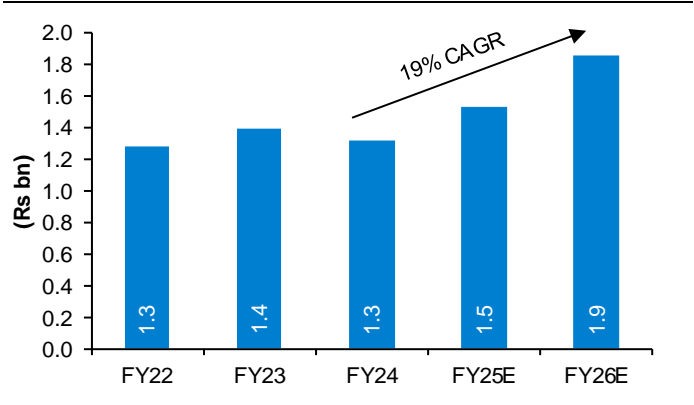
Source: Company, PL

Exhibit 4: EBITDA margins shrink due to below-average truck utilization



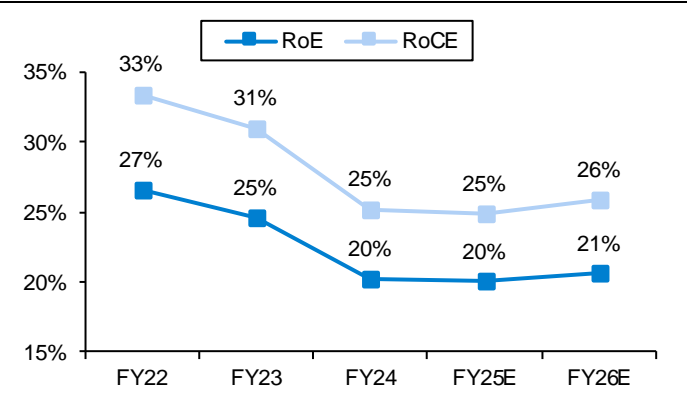
Source: Company, PL

Exhibit 5: PAT growth to pick up after turnaround in volumes



Source: Company, PL

Exhibit 6: RoE/ RoCE to remain stable over FY24-26E



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>12,410</b>	<b>12,538</b>	<b>13,872</b>	<b>15,769</b>
YoY gr. (%)	14.8	1.0	10.6	13.7
Cost of Goods Sold	8,497	8,586	9,428	10,634
Gross Profit	3,913	3,953	4,443	5,135
Margin (%)	31.5	31.5	32.0	32.6
Employee Cost	1,243	1,339	1,465	1,606
Other Expenses	725	741	791	867
<b>EBITDA</b>	<b>1,945</b>	<b>1,872</b>	<b>2,187</b>	<b>2,661</b>
YoY gr. (%)	11.3	(3.7)	16.8	21.7
Margin (%)	15.7	14.9	15.8	16.9
Depreciation and Amortization	153	190	234	267
<b>EBIT</b>	<b>1,792</b>	<b>1,683</b>	<b>1,953</b>	<b>2,394</b>
Margin (%)	14.4	13.4	14.1	15.2
Net Interest	18	14	16	26
Other Income	72	72	109	122
<b>Profit Before Tax</b>	<b>1,845</b>	<b>1,740</b>	<b>2,046</b>	<b>2,490</b>
Margin (%)	14.9	13.9	14.8	15.8
Total Tax	453	423	515	627
Effective tax rate (%)	24.5	24.3	25.2	25.2
<b>Profit after tax</b>	<b>1,393</b>	<b>1,317</b>	<b>1,531</b>	<b>1,863</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,393</b>	<b>1,317</b>	<b>1,531</b>	<b>1,863</b>
YoY gr. (%)	8.1	(5.4)	16.2	21.7
Margin (%)	11.2	10.5	11.0	11.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,393</b>	<b>1,317</b>	<b>1,531</b>	<b>1,863</b>
YoY gr. (%)	8.1	(5.4)	16.2	21.7
Margin (%)	11.2	10.5	11.0	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,393	1,317	1,531	1,863
<b>Equity Shares O/s (m)</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>
<b>EPS (Rs)</b>	<b>36.4</b>	<b>34.4</b>	<b>39.9</b>	<b>48.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,005</b>	<b>4,921</b>	<b>5,726</b>	<b>6,531</b>
Tangibles	3,940	4,876	5,676	6,476
Intangibles	65	46	50	55
<b>Acc: Dep / Amortization</b>	<b>536</b>	<b>691</b>	<b>925</b>	<b>1,192</b>
Tangibles	501	691	925	1,192
Intangibles	35	-	-	-
<b>Net fixed assets</b>	<b>3,469</b>	<b>4,231</b>	<b>4,801</b>	<b>5,339</b>
Tangibles	3,439	4,185	4,751	5,284
Intangibles	30	46	50	55
Capital Work In Progress	611	161	209	271
Goodwill	-	-	-	-
Non-Current Investments	4	5	305	905
Net Deferred tax assets	(56)	(135)	(138)	(140)
Other Non-Current Assets	272	287	285	305
<b>Current Assets</b>				
Investments	321	900	1,080	1,297
Inventories	-	-	-	-
Trade receivables	2,115	2,318	2,356	2,592
Cash & Bank Balance	167	204	540	585
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>7,350</b>	<b>8,504</b>	<b>9,855</b>	<b>11,618</b>
<b>Equity</b>				
Equity Share Capital	77	77	77	77
Other Equity	5,887	6,963	8,188	9,744
<b>Total Network</b>	<b>5,964</b>	<b>7,040</b>	<b>8,264</b>	<b>9,821</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	7	30	6	6
Provisions	-	-	-	-
Other non current liabilities	38	39	54	63
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	884	917	988	1,123
Other current liabilities	351	344	405	464
<b>Total Equity &amp; Liabilities</b>	<b>7,350</b>	<b>8,504</b>	<b>9,855</b>	<b>11,618</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,845	1,740	2,046	2,490
Add. Depreciation	153	190	234	267
Add. Interest	18	14	16	26
Less Financial Other Income	72	72	109	122
Add. Other	(12)	(8)	-	-
Op. profit before WC changes	2,005	1,936	2,296	2,783
Net Changes-WC	(110)	(174)	214	(86)
Direct tax	(429)	(402)	(515)	(627)
<b>Net cash from Op. activities</b>	<b>1,466</b>	<b>1,360</b>	<b>1,995</b>	<b>2,070</b>
Capital expenditures	(1,058)	(458)	(800)	(800)
Interest / Dividend Income	48	41	-	-
Others	363	(634)	(462)	(804)
<b>Net Cash from Invst. activities</b>	<b>(647)</b>	<b>(1,051)</b>	<b>(1,262)</b>	<b>(1,604)</b>
Issue of share cap. / premium	(509)	22	-	-
Debt changes	(3)	22	(24)	-
Dividend paid	(307)	(307)	(307)	(307)
Interest paid	(117)	(15)	(1)	(1)
Others	-	-	(236)	8
<b>Net cash from Fin. activities</b>	<b>(936)</b>	<b>(278)</b>	<b>(567)</b>	<b>(300)</b>
<b>Net change in cash</b>	<b>(117)</b>	<b>32</b>	<b>166</b>	<b>166</b>
Free Cash Flow	403	900	1,195	1,270

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Net Revenue</b>	<b>3,049</b>	<b>3,200</b>	<b>3,119</b>	<b>3,171</b>
YoY gr. (%)	5.0	3.3	(0.8)	(2.8)
Raw Material Expenses	2,090	2,183	2,143	2,170
Gross Profit	958	1,017	976	1,001
Margin (%)	31.4	31.8	31.3	31.6
<b>EBITDA</b>	<b>464</b>	<b>505</b>	<b>456</b>	<b>448</b>
YoY gr. (%)	8.4	(2.0)	(1.1)	(17.2)
Margin (%)	15.2	15.8	14.6	14.1
Depreciation / Depletion	46	47	48	49
<b>EBIT</b>	<b>418</b>	<b>457</b>	<b>408</b>	<b>400</b>
Margin (%)	13.7	14.3	13.1	12.6
Net Interest	4	4	3	4
Other Income	15	18	20	19
<b>Profit before Tax</b>	<b>429</b>	<b>472</b>	<b>424</b>	<b>415</b>
Margin (%)	14.1	14.7	13.6	13.1
Total Tax	105	116	103	99
Effective tax rate (%)	24.6	24.5	24.2	23.9
<b>Profit after Tax</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>
YoY gr. (%)	4.3	(5.8)	0.5	(17.8)
Margin (%)	10.6	11.1	10.3	10.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>
YoY gr. (%)	4.3	(5.8)	0.5	(17.8)
Margin (%)	10.6	11.1	10.3	10.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>
Avg. Shares O/s (m)	38	38	38	38
<b>EPS (Rs)</b>	<b>8.4</b>	<b>9.3</b>	<b>8.4</b>	<b>8.3</b>

Source: Company Data, PL Research

## Key Financial Metrics

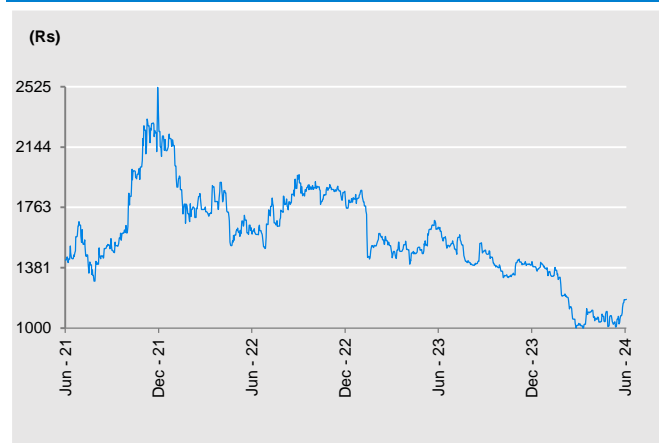
Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	36.4	34.4	39.9	48.6
CEPS	40.4	39.3	46.0	55.6
BVPS	155.7	183.6	215.5	256.1
FCF	10.5	23.5	31.2	33.1
DPS	8.0	8.0	8.0	8.0
<b>Return Ratio(%)</b>				
RoCE	31.6	25.8	25.5	26.5
ROIC	26.6	23.5	24.2	25.0
RoE	24.6	20.3	20.0	20.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	36	41	36	34
<b>Valuation(x)</b>				
PER	31.8	33.7	29.0	23.8
P/B	7.4	6.3	5.4	4.5
P/CEPS	28.7	29.4	25.1	20.8
EV/EBITDA	22.5	23.1	19.5	16.0
EV/Sales	3.5	3.5	3.1	2.7
Dividend Yield (%)	0.7	0.7	0.7	0.7

Source: Company Data, PL Research

## Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Revenue/Tonne	12,498	12,538	12,726	12,917
Revenue/Kg	12	13	13	13
EBITDA/Tonne	1,959	1,872	2,007	2,180

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-May-24	BUY	1,410	1,105
2	12-Apr-24	BUY	1,430	1,105

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	BUY	530	431
2	Mahindra Logistics	Accumulate	500	452
3	TCI Express	BUY	1,410	1,105

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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