

October 31, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,119		1,250	
Sales (Rs. m)	14,625	16,625	14,901	16,940
% Chng.	(1.9)	(1.9)		
EBITDA (Rs. m)	2,226	2,877	2,298	2,964
% Chng.	(3.1)	(2.9)		
EPS (Rs.)	40.0	51.9	41.5	54.0
% Chng.	(3.6)	(3.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	12,538	12,981	14,625	16,625
EBITDA (Rs. m)	1,872	1,716	2,226	2,877
Margin (%)	14.9	13.2	15.2	17.3
PAT (Rs. m)	1,289	1,185	1,532	1,992
EPS (Rs.)	33.6	30.9	40.0	51.9
Gr. (%)	(7.6)	(8.1)	29.3	30.0
DPS (Rs.)	8.0	8.0	8.0	8.0
Yield (%)	0.8	0.8	0.8	0.8
RoE (%)	19.8	15.8	18.0	20.0
RoCE (%)	25.8	19.9	22.9	25.6
EV/Sales (x)	2.9	2.8	2.5	2.1
EV/EBITDA (x)	19.5	21.1	16.2	12.3
PE (x)	29.1	31.6	24.5	18.8
P/BV (x)	5.3	4.7	4.1	3.5

Key Data

TCIE.BO | TCIEXP IN

52-W High / Low	Rs.1,448 / Rs.966
Sensex / Nifty	79,942 / 59,749
Market Cap	Rs.38bn/ \$ 446m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.52.31m

Shareholding Pattern (%)

Promoter's	69.53
Foreign	1.74
Domestic Institution	10.10
Public & Others	18.63
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.8)	(5.4)	(26.9)
Relative	(5.9)	(11.9)	(41.4)

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Volume challenge persists

Quick Pointers:

- Volumes decline 0.8% YoY to 250,000 MT.
- Aims to increase share of multi-modal express business to 20-22% in next 2-3 years.

We cut our EPS estimates by 1.3%/3.6%/3.9% for FY25E/FY26E/FY27E amid rising volume challenges. TCI Express reported modest operational performance with EBITDA margin of 12.2% (PLe 13.1%) led by 1) weak demand as evident from capacity utilization of 83%, 2) inflation in transportation costs and 3) longer delivery lead time amid heavy monsoons. Given lower activity in manufacturing & auto sectors and weak performance in 1HFY25, we expect volumes to increase 2% YoY to 1mn MT in FY25E. However, for FY26E, we expect demand environment to improve and assume volume growth of 11% to 1.1mn MT. Overall, we expect revenue/PAT CAGR of 13%/30% over FY25E-FY27E. Retain 'ACCUMULATE' with a TP of Rs1,119 (earlier Rs1,250) as we cut our target multiple to 28x (earlier 30x) given the ongoing challenges on volume and cost front.

Revenue declined by 2.7% YoY: Revenue decreased by 2.7% YoY to Rs3,115mn (PLe Rs2,976mn) on account of lower volumes. Gross margin declined to 29.4% (PLe 30.0%) due to below par fleet utilization (83%).

EBITDA margin at 12.2%: EBITDA decreased by 24.5% YoY to Rs381mn (PLe Rs390mn) due to higher operational expenses like toll tax and labor cost. EBITDA margin compressed to 12.2% (PLe 13.1%) Operational setbacks came from inflationary pressures and increase in delivery lead-time due to heavy monsoons. PAT declined by 26.0% YoY to Rs263mn (PLe Rs266mn).

Con-call highlights: 1) Capacity utilization stood at 83.0% in 2QFY25. **2)** Incurred a capex of Rs106mn in 1HFY25 towards branch expansion, sorting centers, and IT upgradation. For FY25E, capex is likely to be in the range of Rs400-500mn. For FY26E an outgo Rs1-1.25bn is outlined targeting expansion and automation in Kolkata and Ahmedabad. **3)** In 1HFY25, volumes stood at 485K MT as compared to 492K MT in 1HFY24. **4)** 3 branches were added in 2QFY25. **5)** Volume growth target for FY26E is ~13-15%. **6)** All trucks were upgraded to higher axle loads, but volume growth lagged, leading to vacancies and reduced utilization. **7)** Multi-modal services, comprising rail and air, contribute ~17-18% to revenue generating EBITDA margins of 15-16%. **8)** Top 25 customers account for no more than 15% of total revenue.

Exhibit 1: Q2FY25 Result Overview

Y/e March (Rs mn)	2QFY25	2QFY24	YoY gr.	1QFY25	QoQ gr.	2QFY25E	Var.	H1FY25	H1FY24	YoY gr.
Net revenue	3,115	3,200	-2.7%	2,930	6.3%	2,976	4.7%	6,045	6,249	-3.3%
Variable cost of sales	2,198	2,183	0.7%	2,089	5.2%	2,083	5.5%	4,286	4,273	0.3%
<i>% of net sales</i>	<i>70.6%</i>	<i>68.2%</i>		<i>71.3%</i>		<i>70.0%</i>		<i>70.9%</i>	<i>68.4%</i>	
Employee expense	343	335	2.6%	338	1.5%	339	1.1%	681	668	2.0%
<i>% of net sales</i>	<i>11.0%</i>	<i>10.5%</i>		<i>11.5%</i>		<i>11.4%</i>		<i>11.3%</i>	<i>10.7%</i>	
Other expense	193	178	8.5%	168	15.4%	164	18.1%	361	340	6.3%
<i>% of net sales</i>	<i>6.2%</i>	<i>5.6%</i>		<i>5.7%</i>		<i>5.5%</i>		<i>6.0%</i>	<i>5.4%</i>	
Total expense	2734	2,695	1.4%	2594	5.4%	2586	5.7%	5,328	5,280	0.9%
EBITDA	381	505	-24.5%	335	13.5%	390	-2.3%	716	968	-26.0%
<i>EBITDA Margin (%)</i>	<i>12.2%</i>	<i>15.8%</i>		<i>11.4%</i>		<i>13.1%</i>		<i>11.8%</i>	<i>15.5%</i>	
Depreciation	53	47	12.5%	51	4.5%	52	2.5%	104	93	11.5%
EBIT	328	457	-28.3%	285	15.1%	338	-3.1%	612	875	-30.0%
Interest expense	3	4	-28.6%	3	-7.4%	3	-16.7%	5	7	-29.7%
Other income	25	18	39.0%	23	7.9%	21	15.8%	47	33	45.8%
PBT	350	472	-25.8%	305	14.8%	356	-1.8%	655	900	-27.3%
Total tax	87	116	-25.2%	74	17.8%	90	-3.5%	160	221	-27.6%
PAT	263	356	-26.0%	231	13.8%	266	-1.2%	494	679	-27.2%
<i>Pat Margin (%)</i>	<i>8.4%</i>	<i>11.1%</i>		<i>7.9%</i>		<i>9.0%</i>		<i>8.2%</i>	<i>10.9%</i>	

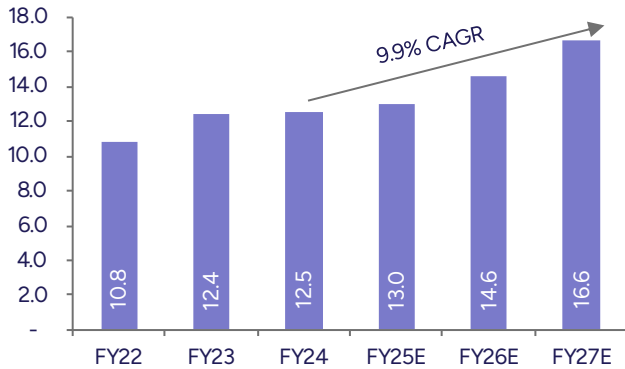
Source: Company, PL

Exhibit 2: Revenue/EBITDA to grow at CAGR of 10%/15% over FY24-27E

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Volumes (ton)	9,93,000	10,00,000	10,20,000	11,32,200	12,68,064
<i>Growth</i>	<i>14.8%</i>	<i>0.7%</i>	<i>2.0%</i>	<i>11.0%</i>	<i>12.0%</i>
Revenue per ton	12,498	12,538	12,726	12,917	13,111
<i>Growth</i>	<i>0.0%</i>	<i>0.3%</i>	<i>1.5%</i>	<i>1.5%</i>	<i>1.5%</i>
Revenue	12,410	12,538	12,981	14,625	16,625
<i>Growth</i>	<i>14.8%</i>	<i>1.0%</i>	<i>3.5%</i>	<i>12.7%</i>	<i>13.7%</i>
Gross profit	3,913	3,953	3,894	4,607	5,486
<i>Gross margins</i>	<i>31.5%</i>	<i>31.5%</i>	<i>30.0%</i>	<i>31.5%</i>	<i>33.0%</i>
Operational cost	8,497	8,586	9,087	10,018	11,139
<i>% of sales</i>	<i>68.5%</i>	<i>68.5%</i>	<i>70.0%</i>	<i>68.5%</i>	<i>67.0%</i>
EBITDA	1,945	1,872	1,716	2,226	2,877
<i>Margins</i>	<i>15.7%</i>	<i>14.9%</i>	<i>13.2%</i>	<i>15.2%</i>	<i>17.3%</i>
<i>Growth</i>	<i>11.3%</i>	<i>-3.7%</i>	<i>-8.3%</i>	<i>29.7%</i>	<i>29.2%</i>
Other income	72	72	104	115	138
Depreciation	153	190	221	268	316
Interest	18	15	16	25	37
PBT	1,845	1,740	1,583	2,047	2,662
Tax	453	423	398	515	670
PAT	1,393	1,317	1,185	1,532	1,992
<i>Growth</i>	<i>8.1%</i>	<i>-5.4%</i>	<i>-10.0%</i>	<i>29.3%</i>	<i>30.0%</i>
EPS	36.3	34.3	30.9	40.0	52.0

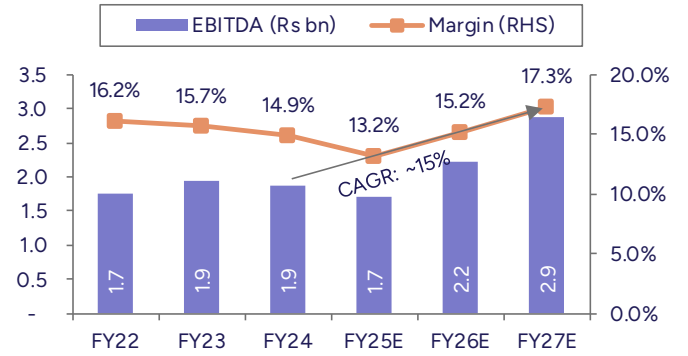
Source: Company, PL

Exhibit 3: Revenue to grow at 10% CAGR over FY24-FY27E



Source: Company, PL

Exhibit 4: EBITDA CAGR of 15% over FY24-FY27E



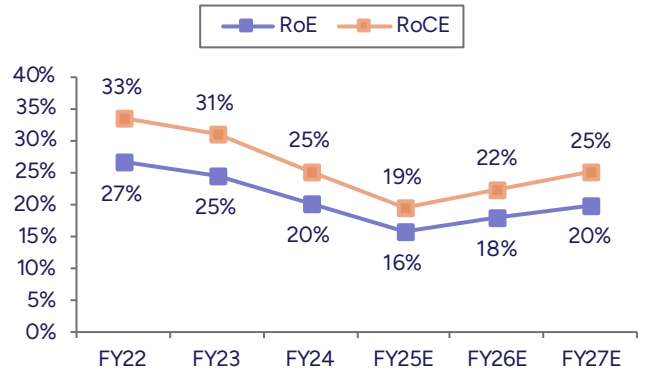
Source: Company, PL

Exhibit 5: PAT estimated to grow at 15% CAGR over FY24-27E



Source: Company, PL

Exhibit 6: RoE/RoCE to improve in FY26E and FY27E



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	12,538	12,981	14,625	16,625
YoY gr. (%)	1.0	3.5	12.7	13.7
Cost of Goods Sold	8,586	9,087	10,018	11,139
Gross Profit	3,953	3,894	4,607	5,486
Margin (%)	31.5	30.0	31.5	33.0
Employee Cost	1,339	1,438	1,576	1,728
Other Expenses	741	740	804	881
EBITDA	1,872	1,716	2,226	2,877
YoY gr. (%)	(3.7)	(8.3)	29.7	29.2
Margin (%)	14.9	13.2	15.2	17.3
Depreciation and Amortization	190	221	268	316
EBIT	1,683	1,495	1,958	2,561
Margin (%)	13.4	11.5	13.4	15.4
Net Interest	15	16	25	37
Other Income	72	104	115	138
Profit Before Tax	1,740	1,583	2,047	2,662
Margin (%)	13.9	12.2	14.0	16.0
Total Tax	451	398	515	670
Effective tax rate (%)	25.9	25.2	25.2	25.2
Profit after tax	1,289	1,185	1,532	1,992
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,289	1,185	1,532	1,992
YoY gr. (%)	(7.5)	(8.1)	29.3	30.0
Margin (%)	10.3	9.1	10.5	12.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,289	1,185	1,532	1,992
YoY gr. (%)	(7.5)	(8.1)	29.3	30.0
Margin (%)	10.3	9.1	10.5	12.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,289	1,185	1,532	1,992
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	33.6	30.9	40.0	51.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,854	5,359	6,564	7,769
Tangibles	4,809	5,309	6,509	7,709
Intangibles	46	50	55	61
Acc: Dep / Amortization	624	845	1,113	1,430
Tangibles	624	845	1,113	1,430
Intangibles	-	-	-	-
Net fixed assets	4,231	4,514	5,451	6,340
Tangibles	4,185	4,464	5,396	6,279
Intangibles	46	50	55	61
Capital Work In Progress	161	225	292	263
Goodwill	-	-	-	-
Non-Current Investments	65	365	365	365
Net Deferred tax assets	(78)	(81)	(84)	(86)
Other Non-Current Assets	287	267	287	315
Current Assets				
Investments	880	1,056	1,267	1,520
Inventories	-	-	-	-
Trade receivables	2,318	2,276	2,524	2,824
Cash & Bank Balance	166	295	175	590
Other Current Assets	-	-	-	-
Total Assets	8,504	9,444	10,857	12,771
Equity				
Equity Share Capital	77	77	77	77
Other Equity	6,963	7,841	9,067	10,752
Total Networth	7,040	7,918	9,143	10,829
Non-Current Liabilities				
Long Term borrowings	30	6	6	6
Provisions	-	-	-	-
Other non current liabilities	39	53	62	76
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	917	925	1,042	1,184
Other current liabilities	344	405	464	533
Total Equity & Liabilities	8,504	9,444	10,857	12,772

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,740	1,583	2,047	2,662
Add. Depreciation	190	221	268	316
Add. Interest	15	16	25	37
Less Financial Other Income	72	104	115	138
Add. Other	(8)	-	-	-
Op. profit before WC changes	1,936	1,820	2,341	3,015
Net Changes-WC	(176)	62	(122)	(147)
Direct tax	(402)	(398)	(515)	(670)
Net cash from Op. activities	1,358	1,483	1,703	2,198
Capital expenditures	(458)	(500)	(1,200)	(1,200)
Interest / Dividend Income	41	-	-	-
Others	(667)	(459)	(199)	(236)
Net Cash from Invt. activities	(1,083)	(959)	(1,399)	(1,436)
Issue of share cap. / premium	22	-	-	-
Debt changes	22	(24)	-	-
Dividend paid	(307)	(307)	(307)	(307)
Interest paid	(15)	(1)	(1)	(1)
Others	-	(272)	(241)	(339)
Net cash from Fin. activities	(278)	(603)	(549)	(646)
Net change in cash	(3)	(78)	(245)	116
Free Cash Flow	897	983	503	998

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	3,119	3,171	2,930	3,115
YoY gr. (%)	(0.8)	(2.8)	(3.9)	(2.7)
Raw Material Expenses	2,143	2,170	2,089	2,198
Gross Profit	976	1,001	841	917
Margin (%)	31.3	31.6	28.7	29.4
EBITDA	456	448	335	381
YoY gr. (%)	(1.1)	(17.2)	(27.7)	(24.5)
Margin (%)	14.6	14.1	11.4	12.2
Depreciation / Depletion	48	49	51	53
EBIT	408	400	285	328
Margin (%)	13.1	12.6	9.7	10.5
Net Interest	3	4	3	3
Other Income	20	19	23	25
Profit before Tax	424	415	305	350
Margin (%)	13.6	13.1	10.4	11.2
Total Tax	103	99	74	87
Effective tax rate (%)	24.2	23.9	24.1	24.8
Profit after Tax	322	316	231	263
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	322	316	231	263
YoY gr. (%)	0.5	(17.8)	(28.5)	(26.0)
Margin (%)	10.3	10.0	7.9	8.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	322	316	231	263
YoY gr. (%)	0.5	(17.8)	(28.5)	(26.0)
Margin (%)	10.3	10.0	7.9	8.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	322	316	231	263
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	8.4	8.3	6.0	6.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	33.6	30.9	40.0	51.9
CEPS	38.5	36.7	46.9	60.2
BVPS	183.6	206.5	238.4	282.4
FCF	23.4	25.6	13.1	26.0
DPS	8.0	8.0	8.0	8.0
Return Ratio(%)				
RoCE	25.8	19.9	22.9	25.6
ROIC	23.2	18.5	21.0	24.7
RoE	19.8	15.8	18.0	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	41	38	37	36
Valuation(x)				
PER	29.1	31.6	24.5	18.8
P/B	5.3	4.7	4.1	3.5
P/CEPS	25.4	26.7	20.8	16.2
EV/EBITDA	19.5	21.1	16.2	12.3
EV/Sales	2.9	2.8	2.5	2.1
Dividend Yield (%)	0.8	0.8	0.8	0.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Revenue/Tonne	12,538	12,726	12,917	13,111
Revenue/Kg	13	13	13	13
EBITDA/Tonne	1,872	1,683	1,966	2,269

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	Accumulate	1,250	1,040
2	13-Aug-24	Accumulate	1,250	1,124
3	05-Jul-24	BUY	1,410	1,248
4	25-Jun-24	BUY	1,410	1,157
5	11-May-24	BUY	1,410	1,105
6	12-Apr-24	BUY	1,430	1,105

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	116	80
5	Indian Railway Catering and Tourism Corporation	Reduce	822	880
6	InterGlobe Aviation	Accumulate	4,919	4,366
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	3,005	2,608
14	TCI Express	Accumulate	1,250	1,040
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

PL's Recommendation Nomenclature (Absolute Performance)

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

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