

Amid subdued volumes, margins stays strong

TCI Express reported subdued volume (~5%) and revenue growth (~7%) in Q4FY19. The subdued performance comes in the backdrop of reporting double digit volume and revenue growth (in the range of 15-20%) for earlier three quarters in FY19. However, EBITDA margins reached an all-time high of 12.7%, mainly led by higher truck utilisation. Subsequently, absolute EBITDA and PAT grew 19% and 22%, respectively. Further, the management expects FY20 revenues to grow to 18-20%, with further expansion in margins (compared to FY19).

TCI Express continues strong B2B run

In spite of competition from rivals like Blue Dart, Gati and Rivigo, TCI Express has been consistently clocking double digit growth (15%+). Revenue growth has been driven by volume growth and increased business from addition of new customers. EBITDA margin for FY19 improved 140 bps to 11.6% owing to higher capacity utilisation and operational efficiency. Overall, the company has guided for ₹ 400 crore capex spend in five years, which would be utilised to expand its reach in Tier 2, 3 cities (hub & spoke model - reach 1000 offices count), open newer sorting centres (currently 28 – of which 10 are owned), develop in-house analytics (target to map 1 million customers to its database) etc. During FY19, TCI Express added 60 new branches to penetrate deeper into new geographies. It has also spent ~ ₹ 20 crore on automation of sorting centres with an aim to improve the turnaround time and overall operational efficiency. We expect revenue, EBITDA, PAT CAGR of 18%, 22%, 25%, respectively, in FY19-21E.

Premium express service to keep margins on strong foot

The express segment has been growing in double digits, primarily due to the benefits of reduced delivery time, growing preference for just-in-time approach (reducing inventory costs), minimisation of loss of sale opportunities and rising end-consumer demand for quality logistics services. Express delivery services are increasingly becoming the preferred mode of logistics for a large number of users. Hence, it commands premium over other transport services (air express: 4x of surface transport, surface express: 2x). Also, the surface express is increasingly seeing volume shift from air express segment (due to greater value for clients).

Valuation & Outlook

TCI Express has 28 hubs, 550 branches and a fleet of 4000+ vehicles at its disposal with minimal operational asset ownership. Low leverage, a robust growth trajectory and high core return ratios (FY21E RoCE at 39% and a 2% FCF yield), position TCIEL as one of the preferred picks in the logistics space. We value TCIEL at 26x P/E on an estimated EPS of ₹ 29.6/share (FY21E) with a target price of ₹ 780, with **BUY** recommendation.



Particulars	
Particular	Amount
Market Capitalization (₹ Cr)	2,509.3
Total Debt (FY19P) (₹ Cr)	8.7
Cash and Investments (FY19P) (₹ Cr)	17.1
EV (₹ Cr)	2,501.0
52 week H/L	768 / 491
Equity capital (₹ Cr)	7.7
Face value (₹)	2.0

Key Highlights

- Maintain Buy
- During FY19, TCI Express has added 60 new branches to penetrate deeper into new geographies.
- Low leverage, a robust growth trajectory and high core return ratios (FY21E RoCE at 39% and a 2% FCF yield), position TCIEL as one of the preferred picks in the logistics space
- We expect revenue, EBITDA, PAT CAGR of 18%, 22%, 25%, respectively, in FY19-21E

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Key Financial Summary

(Year-end March)	FY17	FY18	FY19E	FY20E	FY21E	CAGR
Revenues (₹ crore)	750.3	885.1	1,023.8	1,208.1	1,425.5	17.4
EBITDA (₹ crore)	61.9	90.7	119.0	145.0	178.2	30.3
Adjusted Net Profit (₹ crore)	37.5	58.4	72.9	90.7	113.3	31.8
EPS (₹)	9.8	15.2	19.0	23.7	29.6	31.9
P/E (x)	65.9	42.3	33.9	27.2	21.8	
Price / Book (x)	15.4	11.9	9.2	7.2	5.6	
EV/EBITDA (x)	40.3	27.6	20.7	17.0	13.7	
RoCE (%)	31.9	38.3	42.3	41.1	39.0	
RoNW (%)	26.4	31.8	30.7	29.7	28.9	

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Revenue	265.8	266.8	249.3	6.6	263.2	1.0	YoY growth on the back of strong B2B customer engagement (~5% volume growth)
Operating expenses	189.4	198.8	182.2	3.9	194.1	-2.5	
Employee Expenses	22.3	21.3	20.2	10.3	21.1	5.8	
Other Expense	20.4	16.0	18.5	10.4	17.0	20.1	
Total Expense	232.1	236.1	220.9	5.0	232.2	-0.1	
EBITDA	33.8	30.7	28.4	18.9	31.0	9.1	
EBITDA Margin (%)	12.7	11.5	11.4	131 bps	11.8	94 bps	Higher margins on account of improved fleet utilisation levels and extension of standard pricing to pan-India
Depreciation	1.7	1.6	1.5	9.7	1.7	0.0	
Interest	0.5	0.8	1.2	-59.7	1.0	-53.4	
Other Income	1.2	0.6	0.6	100.0	0.7	81.8	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	32.8	28.8	26.3	24.8	28.9	13.5	
Total Tax	11.1	10.1	8.5	30.8	10.2	8.7	
PAT	21.7	18.7	17.8	22.0	18.7	16.1	Robust operational performance resulting in PAT growth

Source: ICICI Direct Research

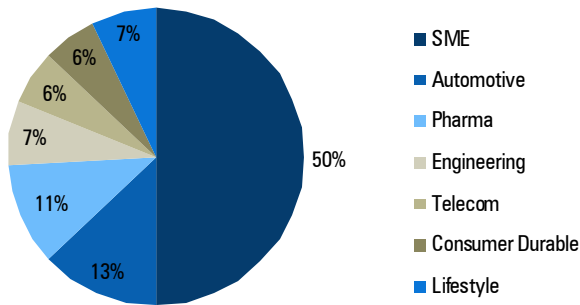
Exhibit 2: Change In estimates

(₹ Crore)	FY20E					FY21E			Comments
	FY18	FY19	Old	New	% Change	Old	New	% Change	
Gross Revenue	885.1	1,023.8	1,253.3	1,208.1	-3.6	1,478.9	1,425.5	-3.6	
EBITDA	90.7	119.0	145.7	145.0	-0.5	179.0	178.2	-0.5	
EBITDA Margin (%)	10.2	11.6	11.6	12.0	40 bps	12.1	12.5	40 bps	Margins revised marginally upwards due to continued strong performance
PAT	58.4	72.9	90.7	90.7	0.0	113.1	113.3	0.2	
EPS (₹)	15.3	19.0	23.7	23.7	0.0	29.5	29.6	0.3	

Source: Company, ICICI Direct Research

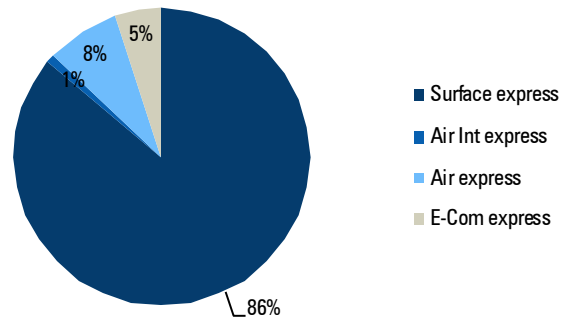
Key Metrics

Exhibit 3: Industry verticals



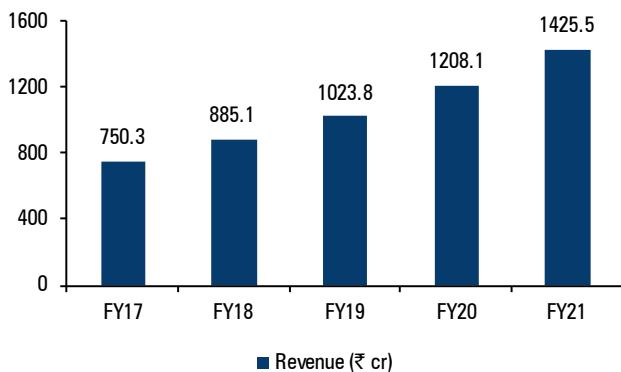
Source: ICICI Direct Research, Company

Exhibit 4: Products segment



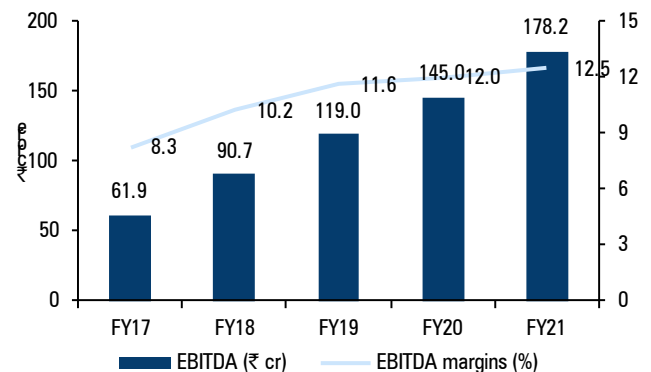
Source: ICICI Direct Research, Company

Exhibit 5: Revenue likely to grow at 18% CAGR in FY19-21



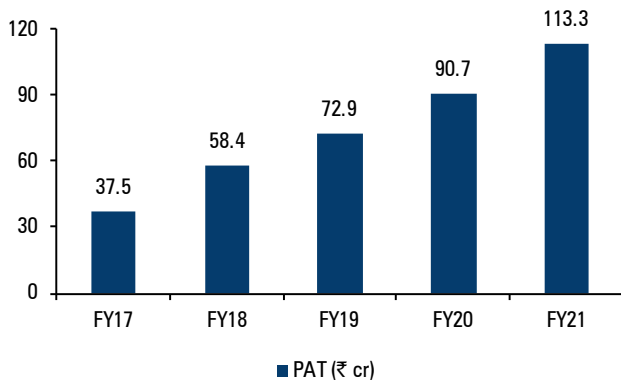
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA likely to grow at 22% CAGR in FY19-21



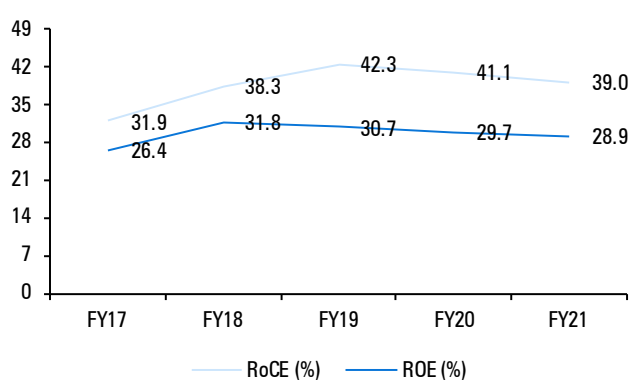
Source: ICICI Direct Research, Company

Exhibit 7: PAT expected to grow at 25% CAGR in FY19-21



Source: Company, ICICI Direct Research

Exhibit 8: Return ratios trend



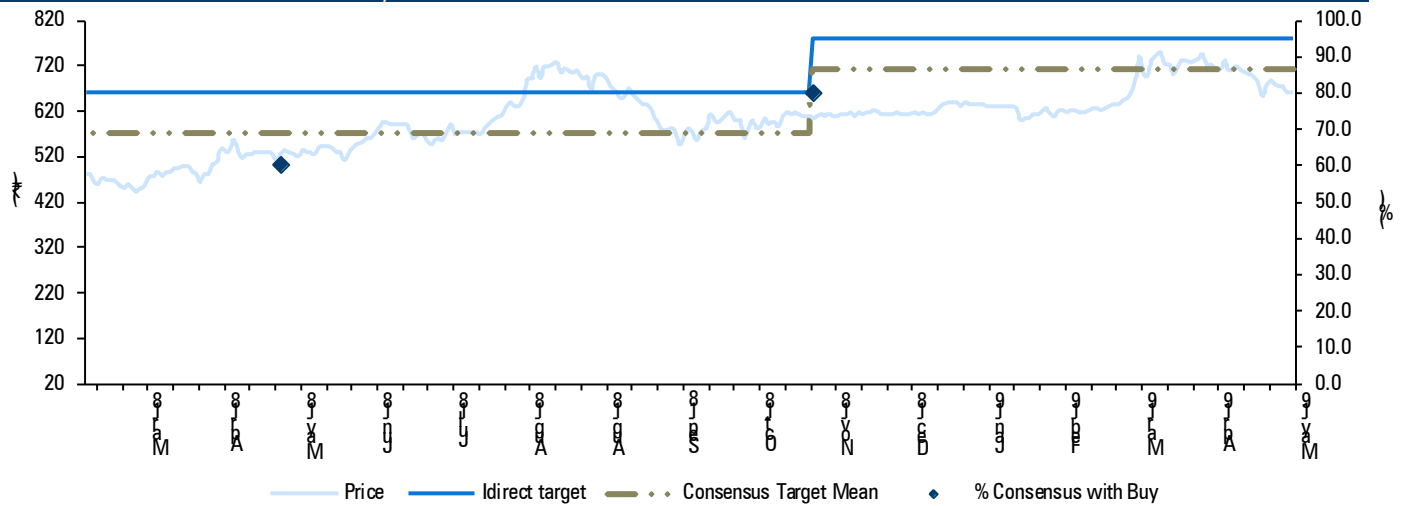
Source: Company, ICICI Direct Research

Exhibit 9: Valuation ratios

Year	Sales (₹ Crore)	Sales Gr.	EPS (₹)	EPS Gr. (%)	PE (x)	EV/EBITD	RoNW (%)	RoCE (%)
FY17	750.3	-76.0	9.8	8.8	65.9	40.3	26.4	31.9
FY18	885.1	18.0	15.2	55.7	42.3	27.6	31.8	38.3
FY19E	1023.8	15.7	19.0	24.8	33.9	20.7	30.7	42.3
FY20E	1208.1	18.0	23.7	24.5	27.2	17.0	29.7	41.1
FY21E	1425.5	18.0	29.6	24.9	21.8	5.6	41.1	39.0

Source: Company, ICICI Direct Research

Exhibit 10: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 11: Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Change(m)
1	Bhoruka Finance Corporation of India, Ltd.	31-Mar-19	20.8	8.0	0.0
2	Bhoruka International Pvt. Ltd.	31-Mar-19	13.8	5.3	0.0
3	TCI Group	31-Mar-19	8.3	3.2	0.0
4	Agarwal (Dharpal P.)	31-Mar-19	7.6	2.9	0.0
5	Agarwal (Dharam Pal) HUF	31-Mar-19	2.7	1.0	0.0
6	Arcee Holding, Ltd.	31-Mar-19	2.7	1.0	0.0
7	Agarwal (Vineet)	31-Mar-19	2.6	1.0	0.0
8	Agarwal (Priyanka)	31-Mar-19	2.5	1.0	0.0
9	Agarwal (Urmila)	31-Mar-19	2.4	0.9	0.0
10	Agarwal (Chander)	31-Mar-19	2.4	0.9	0.0

Source: ICICI Direct Research, Reuters, Company

Exhibit 12: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	67.0	67.0	67.0	67.0
FII	3.7	3.8	4.4	4.1
DII	5.2	3.9	2.4	3.1
Others	24.1	25.3	26.3	25.8

Source: ICICI Direct Research, Reuters, Company

Exhibit 13: Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
Grandeur Peak Global Advisors, LLC	0.8	0.1	TCI Group	-23.8	-2.6
Union Asset Management Company Private Limited	0.7	0.1	Alquity Investment Management Ltd.	-1.6	-0.1
Invesco Asset Management (India) Private Limited	0.4	0.0	IDFC Asset Management Company Private Limited	-0.6	-0.1
Canara Robeco Asset Management Company Ltd.	0.4	0.0	Bessemer Trust Company, N.A. (US)	0.0	0.0

Source: ICICI Direct Research, Reuters

Exhibit 14: Profit & Loss Statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	885.1	1,023.8	1,208.1	1,425.5
Growth (%)	18.0	15.7	18.0	18.0
Operating expenses	664.4	753.4	875.9	1,033.5
Employee Cost	72.5	85.9	102.7	114.0
Other expenses	57.5	65.6	84.6	99.8
Other expenses	57.5	65.6	84.6	99.8
EBITDA	90.7	119.0	145.0	178.2
Growth (%)	46.4	31.3	21.8	22.9
Depreciation	5.2	6.5	7.5	9.1
EBIT	85.4	112.5	137.5	169.1
Interest	3.8	3.8	3.5	3.0
Other Income	2.1	3.2	4.8	7.2
PBT	83.8	111.9	138.7	173.2
Growth (%)	48.2	33.6	24.0	24.9
Tax	25.4	39.0	48.0	60.0
Reported PAT	58.4	72.9	90.7	113.3
Exceptional Items	-	-	-	-
Adjusted PAT	58.4	72.9	90.7	113.3
Growth (%)	55.7	24.7	24.5	24.9
EPS	15.2	19.0	23.7	29.6

Source: ICICI Direct Research

Exhibit 15: Cash flow Statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit after Tax	58.4	72.9	90.7	113.3
Less: Dividend Paid	(3.8)	(3.8)	(3.5)	(3.0)
Add: Depreciation	5.2	6.5	7.5	9.1
Add: Others	-	-	-	-
Cash Profit	67.4	83.2	101.8	125.4
Increase/(Decrease) in CL	43.7	4.6	(8.9)	14.7
(Increase)/Decrease in CA	(42.1)	(10.2)	(20.2)	(34.2)
CF from Operating Activities	72.0	72.5	72.0	105.1
(Add) / Dec in Fixed Assets	(62.1)	(19.2)	(58.3)	(56.3)
Goodwill	(0.2)	0.3	-	-
(Inc)/Dec in Investments	-	(1.3)	(0.1)	(0.1)
CF from Investing Activities	(62.3)	(20.2)	(58.4)	(56.4)
Inc/(Dec) in Loan Funds	8.8	(31.1)	30.7	(5.6)
Inc/(Dec) in Sh. Cap. & Res.	(12.4)	(12.5)	(15.3)	(15.3)
Others	(2.9)	(3.8)	(3.4)	(2.8)
CF from financing activities	(6.4)	(47.4)	11.9	(23.8)
Change in cash Eq.	3.3	4.9	25.6	25.0
Op. Cash and cash Eq.	8.8	12.2	17.1	42.7
Cl. Cash and cash Eq.	12.1	17.1	42.7	67.6

Source: ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY18	FY19P	FY20E	FY21E
Source of Funds				
Equity Capital	7.7	7.7	7.7	7.7
Reserves & Surplus	199.2	259.5	334.9	432.9
Shareholder's Fund	206.8	267.2	342.6	440.5
Secured Loan	0.5	0.5	0.5	0.5
Unsecured Loan	46.4	46.4	38.9	33.2
Total Loan Funds	39.8	8.7	39.4	33.8
Deferred Tax Liability	-	-	-	-
Minority Interest	4.3	5.5	5.6	5.7
Source of Funds	250.9	281.4	387.6	480.0
Application of Funds				
Gross Block	183.6	201.5	258.9	313.6
Less: Acc. Depreciation	23.4	29.9	37.4	46.5
Net Block	160.3	171.6	221.4	267.0
Capital WIP	0.0	1.4	2.3	4.0
Total Fixed Assets	160.3	173.0	223.8	271.0
Intangibles	1.8	1.5	1.5	1.5
Investments	-	1.3	1.3	1.4
Debtors	154.4	163.1	182.0	214.8
Cash	12.2	17.1	42.7	67.6
Loan & Advance, Other C/	15.3	21.8	23.7	25.9
Total Current assets	181.8	202.0	248.4	308.3
Creditors	64.6	72.3	60.0	70.8
Other Current Liabilities	25.1	21.2	24.3	28.0
Provisions	3.3	4.1	4.3	4.5
Total CL and Provisions	92.9	97.5	88.6	103.3
Net Working Capital	88.9	104.5	159.8	205.0
Miscellaneous expense	-	-	-	-
Application of Funds	250.9	280.2	386.4	478.9

Source: ICICI Direct Research

Exhibit 17: Key Ratios				
(Year-end March)	FY18	FY19P	FY20E	FY21E
Per share data (₹)				
Book Value	54.0	69.8	89.5	115.1
EPS	15.2	19.0	23.7	29.6
Cash EPS	16.6	20.7	25.7	32.0
DPS	3.0	3.0	4.0	4.0
Profitability & Operating Ratios				
EBITDA Margin (%)	10.2	11.6	12.0	12.5
PAT Margin (%)	6.6	7.1	7.5	7.9
Fixed Asset Turnover (x)	3.6	3.7	3.2	3.0
Debtor (Days)	55.2	55.0	55.0	55.0
Current Liabilities (Days)	28.0	33.2	25.0	25.0
Return Ratios (%)				
RoE	31.8	30.7	29.7	28.9
RoCE	38.3	42.3	41.1	39.0
RoIC	23.7	26.4	23.7	23.9
Valuation Ratios (x)				
P/E	42.3	33.9	27.2	21.8
Price to Book Value	11.9	9.2	7.2	5.6
EV/EBITDA	27.6	20.7	17.0	13.7
EV/Sales	2.8	2.4	2.0	1.7
Leverage & Solvency Ratios				
Debt to equity (x)	0.2	0.0	0.1	0.1
Interest Coverage (x)	22.7	29.8	38.8	55.7
Debt to EBITDA (x)	0.4	0.1	0.3	0.2
Current Ratio	1.8	1.9	2.3	2.3
Quick ratio	1.8	1.9	2.3	2.3

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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