

Due to the volumes drying up & low capacity utilisations– company has seen revenue de-growth in consecutively 2 quarters, EBITDA margins also shrunk by ~400 bps on a YoY basis due to rise in labour costs, air fleet charges & toll rates. The company aims to re-establish double-digit topline growth in FY26, and expects a mid-single digit growth in H2FY25. The likelihood of margins returning to previous levels of 15-16% appears slim, as taking any price hikes in the near term seems challenging given the current competitive market conditions. With no immediate catalysts expected to drive a revival in underlying base demand or volume growth, topline growth may remain limited in the coming years. Unless TCI Express consistently achieves utilization rates above 85%, margins are likely to remain under pressure, raising doubts about the company's growth potential in the upcoming year.

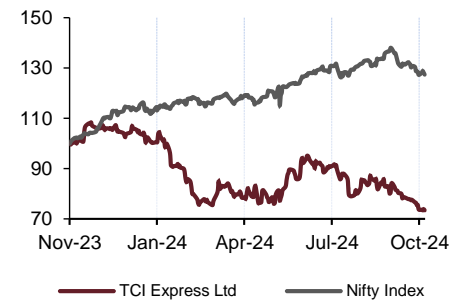
Rating	TP (Rs)	Up/Dn (%)
HOLD	988	1.6

Market data

Current price	Rs	972
Market Cap (Rs.Bn)	(Rs Bn)	37
Market Cap (US\$ Mn)	(US\$ Mn)	444
Face Value	Rs	2
52 Weeks High/Low	Rs	1447.75 / 966.45
Average Daily Volume	('000)	36
BSE Code		534976
Bloomberg		TCIEXP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

Financial highlights - Quarterly

- Revenue at Rs 3115 Mn vs Rs 3200 Mn (-3% YoY) vs Rs 2929 Mn (+6% QoQ)
- EBITDA at Rs 368 Mn vs Rs 505 Mn(-27% YoY) vs Rs 327 Mn (+12% QoQ)
- EBITDA Margin at 11.80% vs 15.77% (YoY) vs 11.17% (QoQ).
- Adj PAT at Rs 249 Mn vs Rs 356 Mn (-30% YoY) vs Rs 223 Mn (+12% QoQ)
- EPS at Rs 6.5 vs Rs 9.26 (YoY) vs Rs 5.82 (QoQ).

% Shareholding	Sep-24	Jun-24
Promoters	69.62	69.66
Public	30.38	30.34
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	12,410	12,538	12,449	13,942	15,337
EBIDTA	1,945	1,872	1,489	1,916	2,158
Margins	15.7	14.9	12.0	13.7	14.1
PAT (adj)	1,393	1,317	1,021	1,416	1,610
growth (%)	8.1	(5.5)	(22.4)	38.7	13.7
EPS	36.4	34.4	26.67	37.0	42.0
P/E (x)	26.8	28.3	36.5	26.3	23.2
P/B (x)	6.3	5.3	4.8	4.2	3.6
EV/EBITDA (x)	19.0	19.4	23.9	18.4	15.9
RoE (%)	23.4	18.7	13.0	15.8	15.7
ROCE (%)	29.8	23.7	16.1	18.5	18.4

Source: Dalal and Broacha

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Business Highlights

- Capacity Utilisation levels: 83%(Q1FY25) vs 83.5%(Q1FY24) vs 84% (Q1FY25)
- Added 5 new branches in H1FY25 to expand presence.
- Capex of 110 Mn incurred till H1FY25 on the development of sorting centers.

Valuation & Outlook

Looking at the recent scenario, the company has struggled to grow offlate due to absence of underlying base demand in the sectors they cater to-, we have downgraded our FY25E EPS estimates by 15% from Rs 31.4 to Rs 26.8 & FY26E EPS estimates by 7.5% from Rs40 to Rs 37 by conservatively estimating a revenue CAGR to 7% over FY24-FY27E period & reducing margin expectations to 12% in Fy25 & 13.7% in FY26 & 14.1% in FY27.

At CMP of Rs 974 the stock trades at 37x FY25e EPS of Rs 26.8 & 26x of FY26E EPS of Rs 37 & 23x FY27E EPS of Rs 42 . We reiterate caution on the stock - considering the company has shown flattish to negative growth in recent times- investors will have to keep any eye on their volume growth going forward..W/e have assigned a target price of 988 (1.3% upside) valuing the company at 25x Sep-26e EPS of Rs 39.5, we maintain our "HOLD" rating on the stock.

We expect the stock to move in a narrow range between 950-1100 levels, unless the growth trajectory for TCI express improves significantly.

Conference Call Highlights

Guidance

Revenue.

- The company's topline did improve sequentially by 6%, however in comparison to last year its still declined by 3%. After a disappointing H1 - company expects a mid-single digit growth in H2 as compared to H1.
- The key reason for YoY degrowth is a slowdown in Automobile, Engineering and Textile sector related volumes for TCI Express. However, basis interactions with TCI Express expects a stronger H2FY25 & targets a 10-15% growth in FY26.

EBITDA

- Margins have dropped by almost ~400 bps YoY mainly due to pressure from increasing labour costs, increase in toll taxes and air fleet expenses.
- Although TCI express has historically posted industry leading margins , inspite of increasing automation & operational efficiency within their operations, margin expansion will come with revival in volume growth & further price hikes .
- Price Hikes: Company feels it will be challenging to pass on price hikes to customers in the current market scenario & does not plan any in FY2025, hence a revival to 15-16% EBITDA margins in the near-term looks obscure.

Volume Details

- Total tonnage for the quarter - 2,50,000 tons vs 2,58,000(in Q1FY25(-1% YoY) & 2,35,000 tons in Q1FY25 (+6% QoQ)
- H1 FY25 total: 485,000 tonnes (-10% from 492,000 tonnes in H1 FY24).

Capex Planned & Details on Sorting centers:

- Estimated Capex for FY25 expected to be ~40-50 Crs.
- Planned Capex of ~500 Crs in 5 years (FY23-28)
- Capex done from FY23- till date ~185 Crs; remaining capex of ~300 crores will be spent during FY25 - FY28 for Investment in sorting centers , Automation and enhancing technological capabilities.

Other Details

- Cash flow from operations of ~220 Mn in H1FY25.
- 97% customers B2B & 3% from B2C segment
- Top-25 customers contributing <15% of revenue. TCI Express has a well diversified customer base.

Quarterly Financials

Rs MNS	Q2FY24	Q1FY25	Q2FY25	YoY Growth	QoQ Growth
Sales	3,199.80	2,929.80	3,115.40	-3%	6%
Other income	17.70	22.80	24.70	40%	8%
Total Revenue:	3,217.50	2,952.60	3,140.10	-2%	6%
Expenses:-	-	-	-		
Operating Expenses	2,182.70	2,088.80	2,197.70	1%	5%
% to Operating Income	68%	71%	71%	3%	-1%
Employee benefit expenses	334.50	346.10	352.90	6%	2%
% to Operating Income	10%	12%	11%	8%	-4%
Other expenses	178.10	167.60	197.20	11%	18%
% to Operating Income	6%	6%	6%	14%	11%
Total Expenses	2,695.30	2,602.50	2,747.80	2%	6%
EBITDA (exc OI)	504.50	327.30	367.60	-27%	12%
EBITDA Margin %	15.77%	11.17%	11.80%	-25%	6%
EBITDA	522.20	350.10	392.30	-25%	12%
Depreciation	47.20	50.80	53.10	13%	5%
Interest	3.50	2.70	3.30	-6%	22%
PBT	471.50	296.60	335.90	-29%	13%
PBT %	15%	10%	11%	-27%	7%
Tax expenses	115.70	73.50	86.60	-25%	18%
<i>Tax Rate</i>	0.25	0.25	0.26	5%	4%
PAT	355.80	223.10	249.30	-30%	12%
	-	-	-		
Adjusted PAT	355.80	223.10	249.30	-30%	12%
NPM	11%	8%	8%	-28%	5%
Equity	76.60	76.60	76.60	0%	0%
EPS	9.26	5.82	6.50	-30%	12%

Source: Dalal & Broacha Research, Company

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Financials

P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	12,410.1	12,538.2	12,448.5	13,942.3	15,336.6
Raw Materials	(8,497.0)	(8,585.7)	(8,778.3)	(9,620.2)	(10,505.6)
Employee Cost	(1,242.9)	(1,338.7)	(1,414.3)	(1,555.7)	(1,742.4)
Other Expenses	(725.4)	(741.6)	(767.0)	(850.0)	(930.7)
Operating Profit	1,944.8	1,872.2	1,489.0	1,916.4	2,158.0
Depreciation	(153.0)	(189.5)	(213.1)	(240.9)	(259.7)
PBIT	1,791.8	1,682.7	1,275.9	1,675.5	1,898.3
Other income	71.7	71.5	101.0	229.5	265.1
Interest	(18.2)	(14.7)	(12.0)	(12.0)	(12.0)
PBT	1,845.3	1,739.5	1,364.9	1,892.9	2,151.4
Exceptionals	-	-	-	-	-
Profit before tax (post exceptional)	1,845.3	1,739.5	1,364.9	1,892.9	2,151.4
Provision for tax	(452.6)	(422.8)	(343.5)	(476.4)	(541.5)
Reported PAT	1,392.7	1,316.7	1,021.3	1,416.5	1,609.9
MI	-	-	-	-	-
Net Profit	1,392.7	1,316.7	1,021.3	1,416.5	1,609.9
Adjusted Profit (excl Exceptionals)	1,392.7	1,316.7	1,021.3	1,416.5	1,609.9

Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	76.6	76.6	76.6	76.6	76.6
Reserves	5,887.1	6,963.2	7,759.8	8,893.0	10,180.9
Net worth	5,963.7	7,039.8	7,836.4	8,969.6	10,257.5
MI	-	-	-	-	-
Non Current Liabilities	143.3	173.6	173.6	173.6	173.6
Current Liabilities	1,242.4	1,290.6	1,298.0	1,421.2	1,574.0
CAPITAL EMPLOYED	7,349.4	8,504.0	9,308.0	10,564.4	12,005.1
Non Current Assets	4,362.6	4,682.9	4,984.6	5,509.3	5,766.0
Fixed Assets	4,352.1	4,677.7	4,978.9	5,503.0	5,759.1
Goodwill	-	-	-	-	-
Non Current Investments	10.5	5.2	5.7	6.3	6.9
Deferred Tax Asset	-	-	-	-	-
Long Term Loans and Advances	-	-	-	-	-
Current Assets	2,986.8	3,821.1	4,323.4	5,055.0	6,239.0
Current investments	321.1	900.4	900.4	900.4	900.4
Inventories	-	-	-	-	-
Trade Receivables	2,114.7	2,317.6	2,121.2	2,375.8	2,613.4
Cash and Bank Balances	163.7	203.8	862.5	1,295.7	2,193.8
Short Term Loans and Advances	-	-	-	-	-
Other Current Assets	387.3	399.3	439.2	483.2	531.5
CAPITAL DEPLOYED	7,349.4	8,504.0	9,308.0	10,564.4	12,005.1

Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	1,392.7	1,316.7	1,021.3	1,416.5	1,609.9
Add: Dep. & Amort.	153.0	189.5	213.1	240.9	259.7
Cash profits	1,545.7	1,506.2	1,234.4	1,657.4	1,869.6
(Inc)/Dec in					
-Sundry debtors	(219.3)	(202.9)	196.4	(254.5)	(237.6)
-Inventories	-	-	-	-	-
-Loans/advances	(31.8)	(12.0)	(39.9)	(43.9)	(48.3)
'Current Liab and Provisions	116.4	25.9	7.4	123.2	152.8
Change in working capital	(134.7)	(189.0)	163.8	(175.3)	(133.1)
CF from Oper. activities	1,411.0	1,317.2	1,398.2	1,482.1	1,736.5
CF from Inv. activities	(697.3)	(1,089.1)	(514.8)	(765.6)	(516.4)
CF from Fin. activities	(730.0)	(188.0)	(224.7)	(283.3)	(322.0)
Cash generated/(utilised)	(16.3)	40.1	658.7	433.2	898.1
Cash at start of the year	180.0	163.7	203.8	862.5	1,295.7
Cash at end of the year	163.7	203.8	862.5	1,295.7	2,193.8

Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	15.7	14.9	12.0	13.7	14.1
NPM	11.2	10.4	8.1	10.0	10.3
Tax rate	(24.5)	(24.3)	(25.2)	(25.2)	(25.2)

Growth Ratios (%)

Net Sales	14.8	1.0	(0.7)	12.0	10.0
Operating Profit	11.3	(3.7)	(20.5)	28.7	12.6
PBIT	8.8	(6.1)	(24.2)	31.3	13.3
PAT	8.1	(5.5)	(22.4)	38.7	13.7

Per Share (Rs.)

Net Earnings (EPS)	36.36	34.38	26.67	36.98	42.03
Cash Earnings (CPS)	40.4	39.3	32.2	43.3	48.8
Dividend	8.0	7.6	5.9	7.4	8.4
Book Value	155.7	183.8	204.6	234.2	267.8
Free Cash Flow	18.6	6.0	23.1	18.7	31.9

Valuation Ratios

P/E(x)	26.8	28.3	36.5	26.3	23.2
P/B(x)	6.3	5.3	4.8	4.2	3.6
EV/EBIDTA(x)	19.0	19.4	23.9	18.4	15.9
Div. Yield(%)	0.8	0.8	0.6	0.8	0.9
FCF Yield(%)	1.9	0.6	2.4	1.9	3.3

Return Ratios (%)

RONW	23%	19%	13%	16%	16%
ROCE	30%	24%	16%	19%	18%
Net D/E	0.0	0.0	0.0	0.0	0.0

Source: Dalal & Broacha Research, Company

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