

FIRST LIGHT

24 December 2020

RESEARCH

TCI Express | Target: Rs 930 | +5% | BUY

Demand on the mend

SUMMARY

TCI Express

We recently interacted with the management of TCI Express. Key takeaways: (1) broad-based demand uptick across all user industries verticals is likely to drive volume growth in Q3, (2) margin to remain healthy owing to steady gross margin and tight leash on fixed costs, (3) construction of Pune sorting centre is likely to be completed by end of CY20, and (4) the company is geared up for vaccine distribution but will only participate if the vaccine distribution is profitable.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	900
GAIL	Buy	155
Petronet LNG	Buy	330
TCS	Buy	3,180
Tech Mahindra	Buy	1,040

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Greenply Industries	Buy	150
Laurus Labs	Buy	410
Transport Corp	Buy	300
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.92	(2bps)	9bps	(98bps)
India 10Y yield (%)	5.95	(1bps)	7bps	(63bps)
USD/INR	73.85	(0.1)	0.4	(3.6)
Brent Crude (US\$/bbl)	50.08	(1.6)	11.4	(25.5)
Dow	30,016	(0.7)	2.6	5.3
Shanghai	3,357	(1.9)	(0.6)	12.5
Sensex	46,007	1.0	4.8	11.0
India FII (US\$ mn)	21 Dec	MTD	CYTD	FYTD
FII-D	(111.5)	652.0	(13,967.1)	(4,207.6)
FII-E	3.1	5,919.8	22,025.6	28,628.5

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY

TP: Rs 930 | ▲ 5%

TCI EXPRESS

Logistics

23 December 2020

Demand on the mend

We recently interacted with the management of TCI Express (TCIEXP).

Following are the key takeaways:

- Express cargo volume has gained traction in Q3FY21, after a sharp 45% YoY plunge in tonnage, in H1FY21. Cargo movement in Oct'20 was strong, aided by festive season demand, though moderated somewhat in November. Q3 volume growth is expected to be in low single digit.
- The growth uptick is fairly broad-based across end-user industries. Apparel segment, a key laggard in H1FY21, has also bounced back thanks to festive season and demand for winterwear in North and Central India.
- Realisation growth on YoY basis is expected to be similar to Q2 (+3%), as the company increased rates for select customers. Utilisation of hired trucks remains in 86-87% range.
- Management expects the surface express logistics industry to grow at 2x GDP, and TCIEXP can potentially grow 1-2% higher than the industry.
- Gross margin is expected to remain steady sequentially. Healthy EBITDA margin trajectory should continue in H2, despite normalisation of staff costs, as the company maintains its tight leash on admin expenses (-32% YoY in H1). It expects total fixed costs (staff and admin) in FY22E to remain below FY20 levels.
- Plans to spend Rs 600-700mn of capex in FY21 (Rs 260mn in H1) towards the construction of sorting centres. It expects the new sorting centre in Pune to be completed by the end of the current month, whereas Gurgaon facility should be completed by end of FY21.
- A leading express logistics competitor, which recently was acquired, is taking aggressive steps to regain lost clients, as per TCIEXP. However, the company is confident of retaining its market share in the surface express industry.
- The company is geared up for vaccine distribution, and is in active discussions with authorities. Through its vendors, it has adequate access to reefer trucks for carrying the temperature-controlled vaccines. However, TCIEXP plans to partake in vaccine distribution, if only it is profitable.

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Ticker/Price	TCIEXP IN/Rs 889
Market cap	US\$ 460.9mn
Shares o/s	38mn
3M ADV	US\$ 0.2mn
52wk high/low	Rs 980/Rs 456
Promoter/FPI/DII	67%/2%/10%

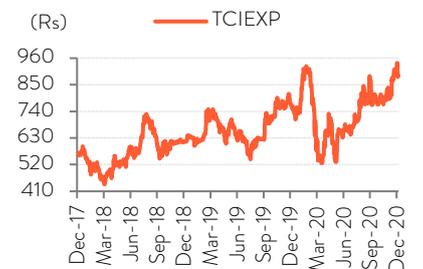
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs mn)	8,716	10,899	12,685
EBITDA (Rs mn)	1,072	1,553	1,863
Adj. net profit (Rs mn)	777	1,150	1,380
Adj. EPS (Rs)	20.3	30.0	36.0
Adj. EPS growth (%)	(12.7)	47.9	20.0
Adj. ROAE (%)	21.1	25.8	25.2
Adj. P/E (x)	43.9	29.6	24.7
EV/EBITDA (x)	31.5	21.7	18.0

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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