

## ESTIMATE CHANGE

TP change

Rating change



## Stock Info

Bloomberg	TCIEXP IN
Equity Shares (m)	38
M.Cap.(INRb)/(USD\$)	30.6 / 0.3
52-Week Range (INR)	1363 / 721
1, 6, 12 Rel. Per (%)	-2/-28/-48
12M Avg Val (INR m)	67

## Financials Snapshot (INR b)

Y/E March	2025E	2026E	2027E
Net Sales	12.1	13.3	15.0
EBITDA	1.3	1.8	2.1
Adj. PAT	0.9	1.2	1.5
EBITDA Margin (%)	10.7	13.2	14.2
Adj. EPS (INR)	22.8	31.7	38.3
EPS Gr. (%)	-33.6	38.9	20.9
BV/Sh. (INR)	199	222	253

## Ratios

Net D/E (x)	0.0	0.0	0.0
RoE (%)	11.9	15.1	16.1
RoCE (%)	11.8	14.9	15.9
Payout (%)	35.0	25.2	20.9

## Valuations

P/E (x)	35.0	25.2	20.9
P/BV (x)	4.0	3.6	3.2
EV/EBITDA (x)	23.5	17.3	14.3
Div. Yield (%)	1.0	1.0	1.0
FCF Yield (%)	0.5	0.8	1.1

## Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	69.5	69.5	69.6
DII	9.7	10.1	8.4
FII	0.9	1.7	2.9
Others	19.8	18.6	19.1

FII includes depository receipts

**CMP: INR798**

**TP: INR785 (-2%)**

**Neutral**

## Weak volumes, especially from SME customers, continue to hurt margin and profitability

- TCI Express (TCIE)'s 3QFY25 revenue decreased 5% YoY to ~INR3b (10% below our estimate), while volumes declined 3% YoY. Volumes were hit by slower growth in the manufacturing, automobiles, and consumer durables sectors. The quarter also saw several challenges, including higher costs from multimodal enhancements and the impact of high inflation on customers.
- Volumes stood at 0.24m tons (-3% YoY), while realization was INR12,226 per ton (down 2% YoY). EBITDA came in at INR289m, with a margin of 9.8% (vs. our estimate of 12.1%). TCIE faced cost pressures in its Air Express division along with slower growth in key sectors, thereby adversely impacting the business. In line with weak operating performance, TCIE's APAT dipped 40% YoY to INR192m (our est. at INR268m).
- During 9MFY25, revenue stood at INR9b (-4% YoY), EBITDA at INR 984m (-31% YoY), EBITDA margin came in at 10.9%, and APAT was INR667m (-33% YoY).
- The company expanded its Rail Express services and automated sorting centers to improve efficiency. Despite industry challenges, Jan'25 witnessed a volume recovery. TCIE plans to expand its branch network and invest INR5b in automation and infrastructure by FY27. The multimodal express segment is expected to contribute 20-22% of revenue, with long-term growth outpacing real GDP.
- Weak volume growth, particularly from MSME customers, coupled with higher costs, contributed to a weak performance in 3Q. Near-term challenges include slow volume growth and the inability to pass on price hikes to SME customers. We cut our EBITDA/PAT estimates for FY25 by 14% each to incorporate the weak 9M FY25 performance. We also reduce our EBITDA/PAT estimates for FY26 by 17% each and for FY27 by 14% each, given the industry headwinds. We expect TCIE to clock a 4% volume CAGR and 6%/4% revenue/EBITDA CAGR over FY24-27. **We reiterate our Neutral stance on the stock with a revised TP of INR785 (based on 22x Sep-26E EPS).**

## Highlights from the management commentary

- Volumes in 3QFY25 stood at 0.24m tons (down 3% YoY). Lower-than-expected demand in key sectors such as automobiles and consumer goods contributed to softer volumes. The rise in transportation costs, driven by increased expenses for labor, tolls, insurance, and driver shortages, further impacted profitability.
- While branch network expansion has been relatively moderate due to subdued SME demand, TCIE plans to add 50-75 branches in FY26 and 75-100 new branches in FY27 to support future growth. The company's overall service contribution currently stands at 17-18% from new services, while Surface Express remains the primary revenue driver.
- The multimodal express segment is expected to contribute 20-22% of total revenue over the next 2-3 years, enhancing the company's overall competitiveness.

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

**Saurabh Dugar - Research analyst** (Saurabh.Dugar@motilaloswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

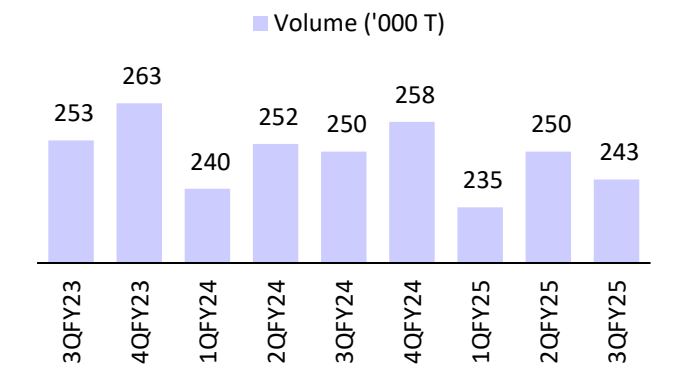
- Volume growth has been muted in 9MFY25 due to slower growth in the manufacturing, automobiles, and consumer durables sectors. Management remains cautious on future growth owing to the industry-level weakness.
- We expect TCIE to clock a 4% volume CAGR and 6%/4% revenue/EBITDA CAGR over FY24-27. **TCIE has struggled to generate volumes, which has adversely affected growth and margins. Volume growth is likely to remain muted in the near to medium term. We reiterate the stock to Neutral with a revised TP of INR785 (based on 22x Sep-26 EPS).**

**Quarterly snapshot**

	FY24				FY25E				FY24	FY25E	FY25	INR m
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var. vs Est
<b>Net Sales</b>	<b>3,049</b>	<b>3,200</b>	<b>3,119</b>	<b>3,171</b>	<b>2,930</b>	<b>3,115</b>	<b>2,965</b>	<b>3,099</b>	<b>12,538</b>	<b>12,109</b>	<b>3,292</b>	<b>(10)</b>
YoY Change (%)	5.0	3.3	-0.8	-2.8	-3.9	-2.6	-4.9	-2.3	1.0	-3.4	5.6	
<b>EBITDA</b>	<b>464</b>	<b>505</b>	<b>456</b>	<b>448</b>	<b>327</b>	<b>368</b>	<b>289</b>	<b>313</b>	<b>1,872</b>	<b>1,297</b>	<b>398</b>	<b>(27)</b>
Margins (%)	15.2	15.8	14.6	14.1	11.2	11.8	9.8	10.1	14.9	10.7	12.1	
YoY Change (%)	8.4	-2.0	-1.1	-17.2	-29.4	-27.1	-36.6	-30.2	-3.7	-30.7	-12.6	
Depreciation	46	47	48	49	51	51	53	58	190	213	55	
Interest	4	4	3	4	3	3	3	3	15	12	4	
Other Income	15	18	20	19	23	25	26	23	72	97	19	
<b>PBT before EO expense</b>	<b>429</b>	<b>472</b>	<b>424</b>	<b>415</b>	<b>297</b>	<b>338</b>	<b>259</b>	<b>275</b>	<b>1,740</b>	<b>1,169</b>	<b>359</b>	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>429</b>	<b>472</b>	<b>424</b>	<b>415</b>	<b>297</b>	<b>338</b>	<b>259</b>	<b>275</b>	<b>1,740</b>	<b>1,169</b>	<b>359</b>	
Tax	105	116	103	99	74	87	67	67	423	294	91	
Rate (%)	24.6	24.5	24.2	23.9	24.8	25.6	26.0	24.3	24.3	25.2	25.2	
<b>Reported PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>	<b>223</b>	<b>252</b>	<b>192</b>	<b>208</b>	<b>1,317</b>	<b>875</b>	<b>268</b>	<b>(28)</b>
<b>Adj PAT</b>	<b>323</b>	<b>356</b>	<b>322</b>	<b>316</b>	<b>223</b>	<b>252</b>	<b>192</b>	<b>208</b>	<b>1,317</b>	<b>875</b>	<b>268</b>	<b>(28)</b>
YoY Change (%)	4.3	-5.8	0.5	-17.8	-31.0	-29.3	-40.4	-34.1	-5.4	-33.6	-16.7	
Margins (%)	10.6	11.1	10.3	10.0	7.6	8.1	6.5	6.7	10.5	7.2	8.1	

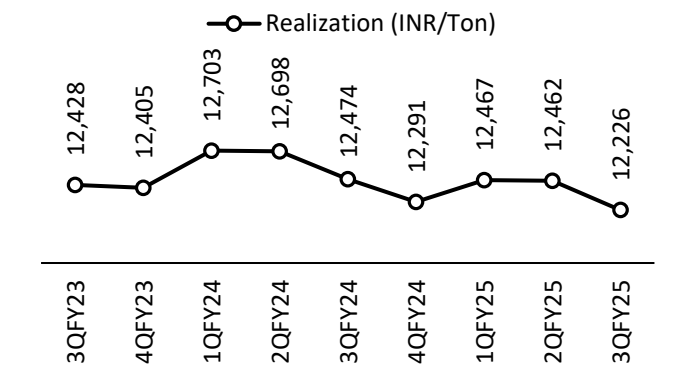
The quarter in charts

Exhibit 1: Volume decreased by 3% YoY



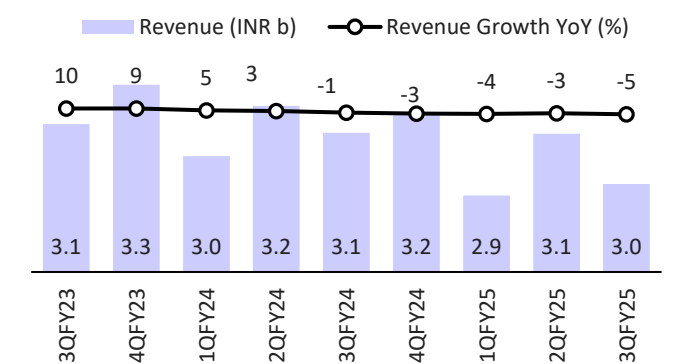
Source: Company, MOFSL

Exhibit 2: Realizations declined 2% YoY



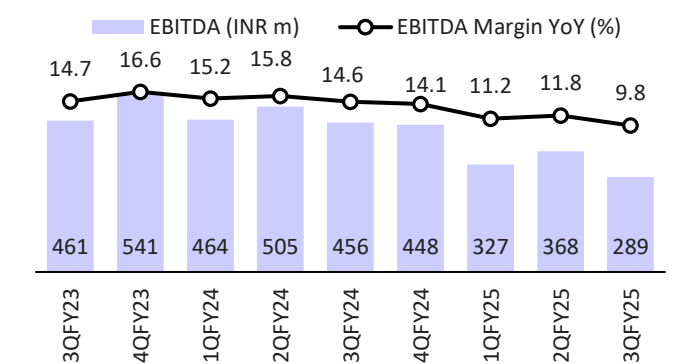
Source: Company, MOFSL

Exhibit 3: Revenue dipped 5% YoY due to muted volumes



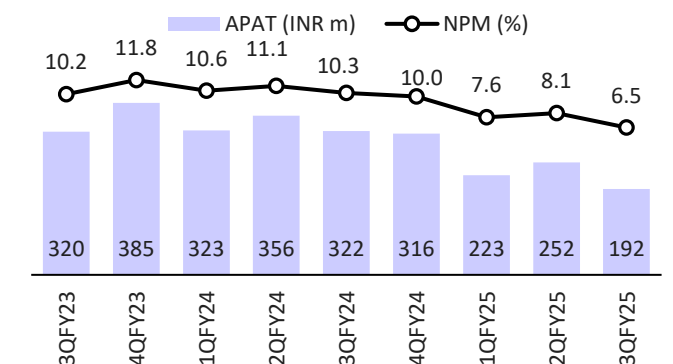
Source: Company, MOFSL

Exhibit 4: EBITDA margin trend



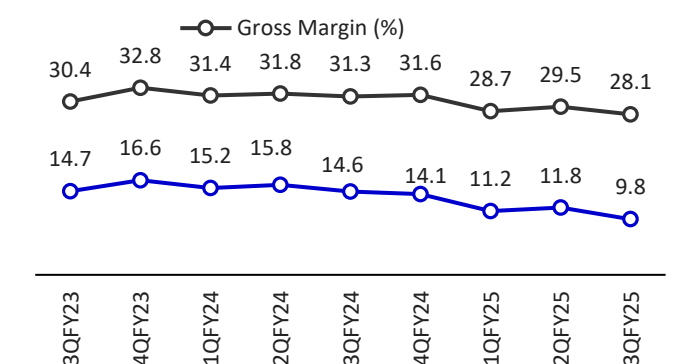
Source: Company, MOFSL

Exhibit 5: PAT and PAT margin trends



Source: Company, MOFSL

Exhibit 6: Muted volumes/high costs dragged margins



Source: Company, MOFSL



## Highlights from our interaction with the management

### Operational highlights

- Volumes in 3QFY25 stood at 0.24m tons (down 3% YoY).
- Lower-than-expected demand in key sectors such as automobiles and consumer goods contributed to softer volumes. The rise in transportation costs, driven by increased expenses for labor, tolls, insurance, and driver shortages, further impacted profitability.
- TCIE has taken strategic measures, including launching direct delivery services in metro cities to strengthen its air express network. The company has also expanded its Rail Express services, now serving over 5,000 customers and continuing to increase revenue contribution.
- During 9MFY25, capacity utilization was 82%.
- The automation of sorting centers in Gurugram and Pune has significantly improved process efficiency.
- The revenue mix remained balanced, with 49% of contributions coming from SME customers and 51% from other segments.
- Cash profit for 9MFY25 stood at INR858m, lower than INR1.1b in 9MFY24, reflecting the impact of industry headwinds and cost pressures.
- Capex incurred for branch network expansion, sorting center construction, and IT infrastructure upgrades was INR200m during 9MFY25. During 3QFY25, capex was INR94m.
- While branch network expansion has been relatively moderate due to subdued SME demand, TCIE plans to add 50-75 branches in FY26 and 75-100 new branches in FY27 to support future growth. The company's overall service contribution currently stands at 17-18% from new services, while Surface Express remains the primary revenue driver.
- The contribution from e-commerce logistics has declined slightly from 4% to 2-3%, reflecting shifting market dynamics. The months of November and December saw a dip in performance, primarily due to seasonal reductions in inventory levels.
- In the Air Express segment, the company continues to improve efficiency, offering 24-48 hour deliveries and operating across 72 air gateways, while expanding services to Tier 2 and Tier 3 cities.
- The company has already automated two sorting centers in Gurugram and Pune and plans to implement similar automation in Ahmedabad and Kolkata by 1Q FY27.

### Guidance

- SME customers who are already facing economic challenges have found it difficult to absorb price hikes. However, TCIE plans to implement a 1% YoY price increase in 4Q FY25, with further improvements expected from 1QFY26 onwards.
- Jan'25 has seen a notable improvement in volume growth on a year-on-year basis, signaling early signs of recovery. However, the company remains cautious and is not aggressively pressuring SME customers for price hikes due to ongoing economic uncertainties.
- Despite the challenges in FY25, the company remains optimistic about its long-term growth, aiming to grow at 1.5x the real GDP growth rate in FY26.

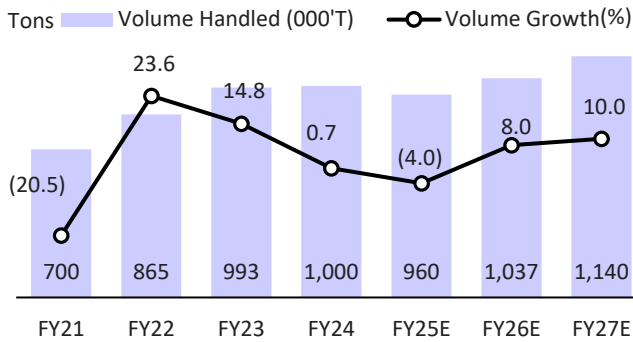
- The ROE and ROCE have declined, primarily due to lower volumes and ongoing capex. However, once the capex cycle is completed, TCIE is targeting a 35% ROCE profile.
- The multimodal express segment is expected to contribute 20-22% of total revenue over the next 2-3 years, enhancing the company's overall competitiveness.
- Looking ahead, the company has outlined an INR5b capex plan for FY23-FY27, with INR3.1b allocated for 4QFY26 and FY27. Future investments will focus on automation, infrastructure expansion, and enhancing service capabilities in Ahmedabad and Kolkata.

**Exhibit 7: Our revised forecasts**

(INR m)	FY25E			FY26E			FY27E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	12,109	12,803	-5.4	13,339	14,495	-8.0	14,967	16,559	-9.6
EBITDA	1,297	1,503	-13.7	1,765	2,124	-16.9	2,128	2,485	-14.4
<b>EBITDA Margin (%)</b>	<b>10.7</b>	<b>11.7</b>	<b>-103</b>	<b>13.2</b>	<b>14.7</b>	<b>-142</b>	<b>14.2</b>	<b>15.0</b>	<b>-79</b>
PAT	875	1,020	-14.2	1,215	1,470	-17.3	1,469	1,712	-14.2
<b>EPS (INR)</b>	<b>22.8</b>	<b>26.6</b>	<b>-14.2</b>	<b>31.7</b>	<b>38.4</b>	<b>-17.3</b>	<b>38.3</b>	<b>44.7</b>	<b>-14.2</b>

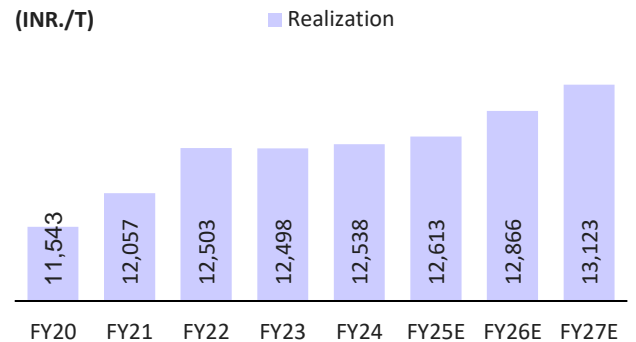
## Financial story in charts

**Exhibit 8: Volumes to post a CAGR of 4% over FY24-27**



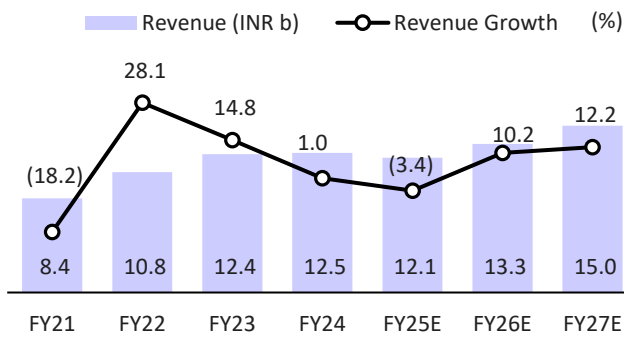
Source: Company, MOFSL

**Exhibit 9: Realization to pick up with price hikes**



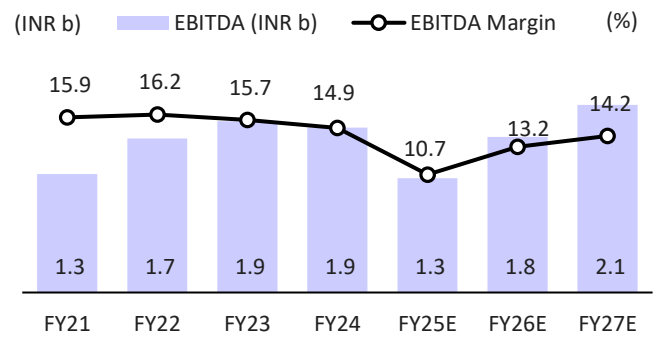
Source: Company, MOFSL

**Exhibit 10: Revenue growth led primarily by tonnage growth**



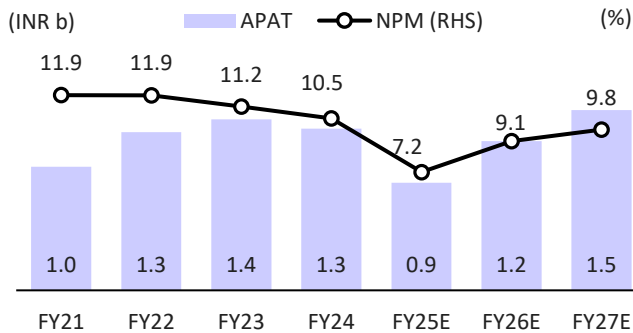
Source: Company, MOFSL

**Exhibit 11: EBITDA likely to improve with rising utilization**



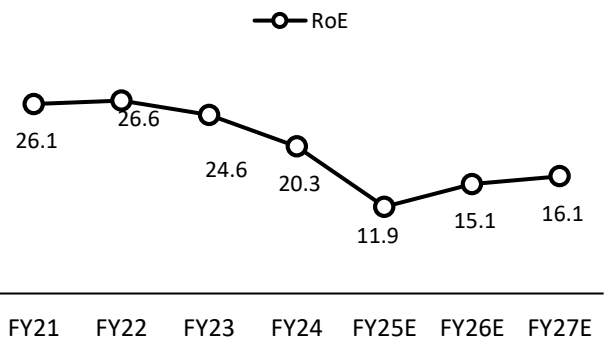
Source: Company, MOFSL

**Exhibit 12: Improvement in operational efficiency to drive profitability**



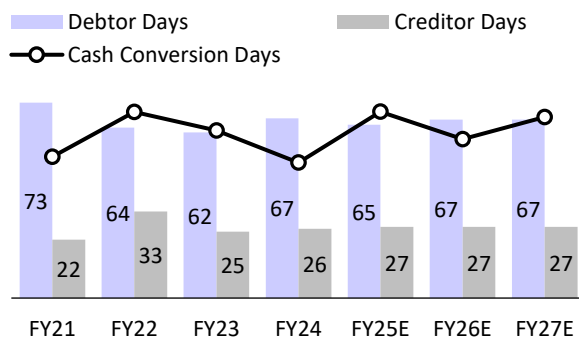
Source: Company, MOFSL

**Exhibit 13: RoE to recover from FY26 onwards**



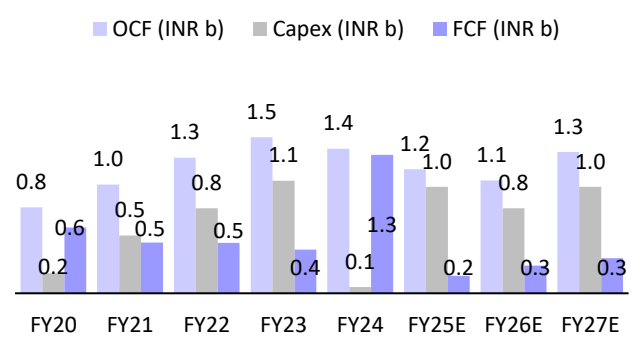
Source: Company, MOFSL

**Exhibit 14: Comfortable working capital position**



Source: Company, MOFSL

**Exhibit 15: Cash generation to remain healthy**



Source: Company, MOFSL

## Financials and valuations

### Income Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>8,440</b>	<b>10,815</b>	<b>12,410</b>	<b>12,538</b>	<b>12,109</b>	<b>13,339</b>	<b>14,967</b>
Change (%)	-18.2	28.1	14.8	1.0	-3.4	10.2	12.2
Gross Margin (%)	32.9	32.2	31.5	31.5	29.0	30.9	31.4
<b>EBITDA</b>	<b>1,343</b>	<b>1,747</b>	<b>1,945</b>	<b>1,872</b>	<b>1,297</b>	<b>1,765</b>	<b>2,128</b>
Margin (%)	15.9	16.2	15.7	14.9	10.7	13.2	14.2
Depreciation	90	100	153	190	213	234	266
<b>EBIT</b>	<b>1,254</b>	<b>1,648</b>	<b>1,792</b>	<b>1,683</b>	<b>1,084</b>	<b>1,532</b>	<b>1,862</b>
Int. and Finance Charges	8	9	18	15	12	11	11
Other Income	77	82	72	72	97	104	113
<b>PBT</b>	<b>1,322</b>	<b>1,720</b>	<b>1,845</b>	<b>1,740</b>	<b>1,169</b>	<b>1,625</b>	<b>1,963</b>
Tax	316	432	453	423	294	409	495
Effective Tax Rate (%)	23.9	25.1	24.5	24.3	25.2	25.2	25.2
<b>Reported PAT</b>	<b>1,006</b>	<b>1,289</b>	<b>1,393</b>	<b>1,317</b>	<b>875</b>	<b>1,215</b>	<b>1,469</b>
Change (%)	12.9	28.1	8.1	-5.4	-33.6	38.9	20.9
Margin (%)	11.9	11.9	11.2	10.5	7.2	9.1	9.8

### Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	77	77	77	77	77	77	77
Total Reserves	4,262	5,285	5,887	6,963	7,532	8,440	9,602
<b>Net Worth</b>	<b>4,339</b>	<b>5,362</b>	<b>5,964</b>	<b>7,040</b>	<b>7,608</b>	<b>8,517</b>	<b>9,679</b>
Deferred Tax Liabilities	54	79	105	135	135	135	135
Total Loans	21	11	46	68	66	69	73
<b>Capital Employed</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,243</b>	<b>7,809</b>	<b>8,721</b>	<b>9,887</b>
Gross Block	2,629	3,628	4,242	5,208	6,141	6,941	7,941
Less: Accum. Deprn.	345	430	501	691	836	1,070	1,336
<b>Net Fixed Assets</b>	<b>2,284</b>	<b>3,198</b>	<b>3,741</b>	<b>4,517</b>	<b>5,304</b>	<b>5,871</b>	<b>6,604</b>
Capital WIP	278	61	611	161	161	161	161
<b>Total Investments</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,894</b>	<b>3,301</b>	<b>2,987</b>	<b>3,821</b>	<b>3,557</b>	<b>4,026</b>	<b>4,622</b>
Inventory	0	0	0	0	0	0	0
Account Receivables	1,695	1,895	2,115	2,318	2,156	2,449	2,747
Cash and Bank Balances	272	180	164	204	145	195	323
Loans and Advances	108	95	99	106	102	113	127
Others	819	1,130	610	1,194	1,153	1,270	1,425
<b>Current Liab. and Prov.</b>	<b>1,052</b>	<b>1,119</b>	<b>1,235</b>	<b>1,261</b>	<b>1,218</b>	<b>1,342</b>	<b>1,505</b>
Account Payables	752	737	884	917	886	975	1,094
Other Current Liabilities	257	326	300	293	283	312	350
Provisions	43	56	51	51	49	54	61
<b>Net Current Assets</b>	<b>1,842</b>	<b>2,182</b>	<b>1,752</b>	<b>2,560</b>	<b>2,339</b>	<b>2,684</b>	<b>3,117</b>
<b>Application of Funds</b>	<b>4,413</b>	<b>5,452</b>	<b>6,114</b>	<b>7,243</b>	<b>7,809</b>	<b>8,721</b>	<b>9,887</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
EPS	26.3	33.6	36.4	34.4	22.8	31.7	38.3
EPS growth (%)	12.9	28.1	8.1	-5.4	-33.6	38.9	20.9
Cash EPS	28.6	36.2	40.4	39.3	28.4	37.8	45.3
BV/Share	113.3	140.0	155.7	183.8	198.6	222.3	252.7
DPS	4.0	8.0	8.0	8.0	8.0	8.0	8.0
Payout (incl. Div. Tax, %)	15.3	23.8	22.0	23.3	35.0	25.2	20.9
<b>Valuation (x)</b>							
P/E	30.5	23.8	22.0	23.3	35.0	25.2	20.9
Cash P/E	28.0	22.1	19.8	20.3	28.2	21.1	17.7
EV/EBITDA	22.6	17.4	15.7	16.3	23.5	17.3	14.3
EV/Sales	3.6	2.8	2.5	2.4	2.5	2.3	2.0
P/BV	7.1	5.7	5.1	4.4	4.0	3.6	3.2
Dividend Yield (%)	0.5	1.0	1.0	1.0	1.0	1.0	1.0
<b>Return Ratios (%)</b>							
RoE	26.1	26.6	24.6	20.3	11.9	15.1	16.1
RoCE	25.7	26.3	24.4	20.0	11.8	14.9	15.9
RoIC	27.5	27.3	25.7	20.9	11.3	14.4	15.7
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	3.5	3.5	3.2	2.7	2.1	2.0	2.0
Asset Turnover (x)	1.9	2.0	2.0	1.7	1.6	1.5	1.5
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	73	64	62	67	65	67	67
Creditors (Days)	33	25	26	27	27	27	27
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.1	0.0	0.0	0.0	0.0	0.0	0.0

### Consolidated – Cash Flow Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,322	1,720	1,845	1,740	1,169	1,625	1,963
Depreciation	90	100	153	190	213	234	266
Direct Taxes Paid	-284	421	-430	-402	-294	-409	-495
(Inc.)/Dec. in WC	-75	-106	-107	-174	163	-296	-304
Other Items	-30	-859	6	7	-85	-93	-102
<b>CF from Operations</b>	<b>1,023</b>	<b>1,276</b>	<b>1,468</b>	<b>1,360</b>	<b>1,165</b>	<b>1,060</b>	<b>1,329</b>
(Inc.)/Dec. in FA	-545	-800	-1,058	-59	-1,000	-800	-1,000
<b>Free Cash Flow</b>	<b>478</b>	<b>475</b>	<b>410</b>	<b>1,301</b>	<b>165</b>	<b>260</b>	<b>329</b>
Change in Investments	-439	-147	-162	-573	0	0	0
Others	24	44	567	-419	97	104	113
<b>CF from Investments</b>	<b>-960</b>	<b>-903</b>	<b>-653</b>	<b>-1,051</b>	<b>-903</b>	<b>-696</b>	<b>-887</b>
Change in Equity	0	0	-405	22	0	0	0
Inc./(Dec.) in Debt	2	10	-3	21	-1	-1	-1
Dividends Paid	-77	-308	-407	-307	-306	-306	-306
Others	-8	-9	-23	-13	-13	-8	-6
<b>CF from Fin. Activity</b>	<b>-83</b>	<b>-307</b>	<b>-837</b>	<b>-278</b>	<b>-320</b>	<b>-315</b>	<b>-313</b>
<b>Inc./(Dec.) in Cash</b>	<b>-20</b>	<b>66</b>	<b>-23</b>	<b>32</b>	<b>-59</b>	<b>49</b>	<b>129</b>
Opening Balance	111	92	158	138	204	145	195
<b>Closing Balance</b>	<b>92</b>	<b>158</b>	<b>135</b>	<b>170</b>	<b>145</b>	<b>195</b>	<b>323</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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