

RETAIL EQUITY RESEARCH

TVS Supply Chain Solutions Ltd.

Logistics

SENSEX: 65,996

NIFTY: 19,633

SUBSCRIBE

Price Range Rs. 187- Rs. 197

Logistics supply provider with global capability

TVS Supply Chain Solutions Ltd. (TVS SCS), est. 2004, a subsidiary of TVS Mobility Group, is a leading integrated supply chain solutions provider in India. With substantial revenue and growth in Fiscal 2023, TVS SCS operates across 25+ countries. Serving 8778 global and 902 domestic clients in FY23, the company caters to diverse sectors such as automotive, industry, consumer products, technology, rail, utilities, and healthcare.

- The Indian and global logistics markets are expected to grow to ~US\$385 bn by FY27 at a 13% CAGR from FY 2022–27 and ~US\$13.6 trillion by 2026 at a 6.7% CAGR from 2020–2026, respectively (source: Redseer report).
- The company collaborates with 72 Fortune 500 firms. Daimler, Sony, Panasonic, Hero Moto, TVS, and Hyundai Motor are among the clients. In FY23, the top 10 clients generated 38.8% of revenue. Overseas sales account for roughly 70% of the company's revenue.
- Over the past 16 years, TVS SCS has exhibited a history of strategic growth through acquisitions, with more than 20 instances of expanding into Europe, the U.K, the U.S, and the Asia Pacific region.
- TVS SCS witnessed revenue growth from ₹6,934cr in FY21 to ₹10,235cr in FY23, reflecting a 21.5% CAGR. EBITDA rose from ₹387cr to ₹684cr during this period, with a FY23 profit of ₹41.8cr.
- In FY23, the company had EBITDA and PAT margins of ~6.7% and ~0.4%, respectively, alongside an RoE/ROCE of 5.8%/6.1%, which are expected to improve in the future.
- A Pre-IPO Placement of ₹150cr has been executed by the company, involving SBI Life Insurance Co Ltd (₹75cr), Allianz Fin Net Pvt Ltd (₹50cr), Western India Logistics Co Pvt Ltd (₹10cr), and Satta Securities Pvt Ltd (₹15cr).
- At the upper price band of ₹197, TVS SCS is available at a P/E of 209x (FY23), which appears aggressively priced compared to peers. However, favourable factors include the fragmented Indian logistics market, growth potential for organized players, post-GST logistics focus, and outsourcing trends. TVS SCS's asset-light approach, diverse global services, long-term contracts, and integrated capabilities position it well for growth. We assign a "Subscribe" rating for the issue on a short- to medium-term basis.

Purpose of IPO

The IPO is a combination of a fresh issue (Rs. 600cr) and an OFS portion (Rs. 280cr). The investors selling shareholders include Omega TC Holdings Pte Ltd, Tata Capital Financial Services Ltd, TVS Motor Co Ltd, Kotak Special Situations Fund and others. Of the fresh issue net proceeds, Rs. 525cr will be utilised for prepayment or repayment of outstanding borrowings availed by the company and their Subsidiaries, TVS LI UK; inorganic growth strategy, and general Corporate Purposes.

Key Risks

- Around 73% of revenue is sourced from global operations and are exposed to foreign currency exchange rate fluctuations and local-law compliance.
- TVS SCS' asset-light model causes high operational expenses (71% of FY23 revenue), including freight, handling, and personnel. Rising costs may harm cash flows and margins.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales	P/E(x)	EV/EBITDA (x)	CMP(₹)
TVS Supply Chain	8,746	10,235	6.7	0.4	0.9	5.8	0.9	209.4	17.8	197
TCI	5,953	3,783	11.2	8	40.8	36.1	1.6	18.7	11.1	6,467
Mahindra Logistics	2,578	5,120	5.1	0.5	3.7	4.7	0.5	98.9	12.3	362
Blue Dart Express	15,198	5,172	18.1	7.2	151.1	36.1	2.9	41.6	16.6	6,294
Delhivery	30,277	7,225	-11.5	-13.9	-14.0	-13.3	4.2	-30.1	-	421

Source: Geojit Research, Bloomberg; Valuations of TVS SCS are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	August 10, 2023
Date of closing	August 14, 2023
Total No. of shares offered (cr.)	4.47
Post Issue No. of shares (cr)	44.4
Price Band	₹ 187- ₹ 197
Face Value	₹1
Bid Lot	76 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,972
Maximum application for retail (upper price band for 13 lot)	₹ 1,94,636
Listing	BSE,NSE
Lead Managers	JM Financial Ltd, Axis Capital Ltd, J.P Morgan India Pvt Ltd, BNP Paribas, Nuvama Wealth Management Ltd, Equirus Capital Pvt. Ltd
Registrar	Link Intime India (P) Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	600.0
OFS	280.0
Total Issue	880.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	46.65	43.4
Public & others	53.35	56.6
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	88.0
Non-Institutional	15	132.0
QIB	75	660.0
Employee Reservation	-	-
Total	100	880.0

Y.E March (Rs cr) Consol.	FY21	FY22	FY23
Sales	6,933.6	9,249.8	10,235.4
Growth (%)	-	33.4	10.7
EBITDA	386.7	612.6	683.7
Margin(%)	-	-	-
PAT Adj.	-73.9	-44.9	41.8
Growth (%)	-	-	-
EPS	-1.7	-1.0	0.9
P/E (x)	-	-	209.4
EV/EBITDA	29.8	19.3	17.8
RoE (%)	-	-	5.8

Service Offerings

The company's operating segments consist of Integrated Supply Chain Solutions (ISCS) and Network Solutions (NS). The Integrated end-to-end supply chain solutions include sourcing and procurement, integrated transportation, logistics operation centres, in-plant logistics operations, finished goods and aftermarket fulfilment. In Fiscal 2023, they provided services to 412 customers in the ISCS segment. In Network Solutions (NS) they offer customers Global forwarding Solutions ("GFS") and Time Critical Final Mile Solutions ("TCFMS"). In Fiscal 2023, they provided services to 8,376 customers in the NS segment.

Strengths

- ◆ Critical scale in a fast-growing and fragmented third-party logistics market in India
- ◆ Leader in end-to-end solutions enabled by domain expertise, global network and knowledge base
- ◆ Long-term customer relationship in diversified and attractive industries through encirclement
- ◆ Resilient business model with multiple drivers of profitable growth
- ◆ Strong parentage with management team with cross industry experience

Industry outlook

The Indian and global logistics market present a large addressable opportunity and are expected to grow to approximately US\$385 billion by Fiscal 2027 at a 13% CAGR from Fiscal 2022-27 and approximately US\$13.6 trillion by 2026 at a 6.7% CAGR from 2020-2026 (estimated), respectively. Moreover, trade issues and the COVID-19 pandemic have made organizations realize the complexity in supply chains further and as result, there is an increasing trend towards end-to-end outsourcing and organizations are looking forward to engaging supply chain companies to not only manage their supply chain and logistics requirements but also offer additional specialized service.

Promoter and promoter group

Tvs Mobility Private Limited, T.S. Rajam Rubbers Private Limited, Dhinrama Mobility Solution Private Limited and Ramachandhran Dinesh are the promoters of the company.

Brief Biographies of directors

- **Mahalingam Sethuraman** is the Chairman and Independent Director of the company. He has been associated with the company since February 20, 2015, and has several years of experience in the finance industry. In the past, he has been associated with Tata Consultancy Services in various positions.
- **Ramachandhran Dinesh** is the Promoter and Executive Vice Chairman of the company. He is the 4th generation TVS family member, is joint managing director of T. V. Sundram Iyengar & Sons Pvt Ltd and a director on the board of various companies including TVS Automobile Solutions Pvt Ltd, Ki Mobility Solution Pvt Ltd, TVS Lanka (Pvt) Ltd and TVS Auto Bangladesh Ltd. He has been associated with the company since its incorporation. He has approximately 34 of experience in the auto retail services, digitisation and logistics industries. He oversees the overall functions of the company, and responsible for overseeing the strategic growth initiatives and expansion plans.
- **Ravi Viswanathan** is a Managing Director of the company. He has been associated with the company since February 29, 2020. He has approximately 33 years of experience in the technology industry. He oversees the management function of the company and responsible for the implementation of strategy in respect of such function.
- **Sargunaraj Ravichandran** is the Non-Executive Director of the company. He has been associated with the company in various designations since inception. He has several years of experience in the automobiles and logistics industries
- **Shobhana Ramachandran** is a Non-Executive Director of the company. She has been associated with the company since March 19, 2015, and has several years of experience in the tyre and rubber, financial services, logistics, auto components and automobile industries.
- **Ashish Kaushik** is the Nominee Director of the company. He has been associated with the company since October 8, 2021, and has over 13 years of experience in the finance industry.
- **Anand Kumar** is the Nominee Director of the company, appointed as a nominee of the Gateway Group. He has been associated with the company since February 7, 2020, and has over several years of experience in banking and investing.
- **Gauri Kumar** is the Independent Director of the company. She has been associated with the company since February 7, 2022, and has over 40 years of experience in public administration.
- **Balasubramanyam Sriram** is the Additional Independent Director of the company. He has been associated with the company since February 7, 2022, and has over 37 years of experience in the banking and finance industry.
- **Tarun Khanna** is an Independent Director of the company. He has been associated with the company since May 16, 2022.



CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY21	FY22	FY23
Sales	6,933.6	9,249.8	10,235.4
% change	-	33.4	10.7
EBITDA	386.7	612.6	683.7
% change	-	58	12
Depreciation	443.3	461.0	523.7
EBIT	-56.6	151.5	160.0
Interest	175.6	154.9	190.3
Other Income	66.1	50.2	75.6
Exceptional items	50	-33	-5
PBT	-116.4	13.5	40.1
% change	-	-112	195.7
Tax	-42.5	58.4	-1.7
Tax Rate (%)	-	-	-
Reported PAT	-73.9	-44.9	41.8
Adj	-	-	-
Adj. PAT	-73.9	-44.9	41.8
% change	-	-39.3	-193.1
Post issue No. of shares (cr)	44.4	44.4	44.4
Adj EPS (Rs)	-1.7	-1.0	0.9
% change	-	-39.3	-193.1

BALANCE SHEET

Y.E March (Rs cr)	FY21	FY22	FY23
Cash	566.2	1,004.8	1,172.1
Accounts Receivable	1,160.3	1,307.3	1,228.2
Inventories	227.7	291.7	345.1
Other Cur. Assets	643.3	642.3	708.8
Investments	111.8	100.2	105.0
Deff. Tax Assets	198.3	218.9	221.9
Net Fixed Assets	1,299.3	1,289.5	1,439.3
CWIP	7.2	3.4	13.8
Intangible Assets	694.4	860.2	878.2
Other Assets	79.5	71.4	98.6
Total Assets	4,990	5,790	6,211
Current Liabilities	1,362.1	1,628.8	1,579.0
Provisions	190.2	235.4	177.7
Debt Funds	2,762.9	3,055.5	3,403.8
Other Fin. Liabilities	142.1	103.9	262.1
Deferred Tax liability	2.1	12.2	28.3
Equity Capital	31.8	36.3	36.4
Reserves & Surplus	498.9	717.6	723.6
Shareholder's Fund	530.7	753.9	760.0
Total Liabilities	4,990	5,790	6,211
BVPS (Rs)	10.6	16	16

CASH FLOW

Y.E March (Rs cr)	FY21	FY22	FY23
PBT Adj.	-116.4	13.5	40.1
Non-operating & non cash adj.	609.2	694.0	717.1
Changes in W.C	219.4	-86.5	-45.0
C.F. Operating	712.1	621.01	712.1
Capital expenditure	-125.9	-410.8	-168.2
Change in investment	231.4	27.0	-83.4
Sale of investment	-	1.0	-
Other invest.CF	-41.9	2.2	-3.2
C.F - investing	63.6	-380.5	-254.8
Issue of equity	-	456.9	293.3
Issue/repay debt	-1,167.1	-239.3	-670.0
Dividends paid	-	-	-
Other finance.CF	-0.1	-0.2	-
C.F - Financing	-1,167.3	217.4	-376.8
Change. in cash	-391.5	457.8	80.6
Closing cash	538.6	993.8	1,085.6

RATIOS

Y.E March	FY21	FY22	FY23
Profitab. & Return			
EBITDA margin (%)	5.6	6.6	6.7
EBIT margin (%)	-0.8	1.6	1.6
Net profit mgn.(%)	-1.1	-0.5	0.4
ROE (%)	-15.7	-6.3	5.8
ROCE (%)	2.3	-15.9	6.1
W.C & Liquidity			
Receivables (days)	61	49	45
Inventory (days)	89	81	84
Payables (days)	61	57	51
Current ratio (x)	1.7	1.8	2.0
Quick ratio (x)	1.3	1.4	1.5
Turnover & Levq.			
Net asset T.O (x)	5.3	7.1	7.5
Total asset T.O (x)	1.4	1.7	1.7
Int. covge. ratio (x)	-3.1	1.0	1.2
Adj. debt/equity (x)	5.9	4.3	4.7
Valuation ratios			
EV/Sales (x)	1.7	1.3	1.2
EV/EBITDA (x)	29.8	19.3	17.8
P/E (x)	-118.3	-194.9	209.4
P/BV (x)	18.5	12.2	12.1

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