

<b>Retail Research</b>	<b>IPO Note</b>
<b>Sector: Supply Chain &amp; Logistics</b>	<b>Price Band (Rs): 187 - 197</b>
<b>10<sup>th</sup> August 2023</b>	<b>Recommendation: Subscribe for long term Horizon</b>

## TVS Supply Chain Solutions Limited

### Company Overview:

TVS Supply Chain Solutions Limited stands as India's largest and one of the swiftest expanding integrated supply chain solution providers in India. Over a span of 16+ years, the company has adeptly navigated intricate supply chains across diverse industries in India and select global arenas, using tailor-made technology-driven solutions, resulting in substantial growth.

### Key Highlights:

**End-to-End Capabilities:** The company's comprehensive solutions, spanning sourcing to consumption, consist of two main segments **1) Integrated Supply Chain Solutions (ISCS):** Encompassing sourcing, procurement, integrated transportation, logistics centers, in-plant operations, finished goods handling, aftermarket fulfillment, and supply chain consulting. **2) Network Solutions (NS):** Encompassing Global Forwarding Solutions (GFS) covering end-to-end freight management across ocean, air, and land, warehousing, port storage, value-added services; and Time Critical Final Mile Solutions (TCFMS) comprising closed-loop logistics, spares logistics, break-fix, refurbishment, engineering support, and courier management.

**Global reach:** The company is an Indian supply chain logistics solution provider that has global capabilities and network across the value chain. The Company's global presence is marked by serving 11,546, 10,531, and 8,788 customers in FY21, FY22, and FY23 respectively. The company has operation in 26 countries along with 72 fortune 500 customers. The company has 17,900+ employees as of 31<sup>st</sup> Mar'23. The Company derives 29.6%, 29.7% and 40.7% of revenue from India, UK and rest of the world respectively.

**Technology-Driven Operations:** The Company provide specialized solutions to reduce complexity in its customers supply chains by using technology, data analytics and execution experience to offer key solutions such as accurate demand forecasting, inventory planning and production, procurement management, network optimization, visibility and supply chain agility to handle evolving needs of customers. The Company has built tailor-made solutions for various supply chain activities. Its digital platforms are largely cloud based, powered by a micro service-based architecture and are highly scalable and reliable

**Resilient partnerships backed by solid performance:** The long-lasting client relationships with customers helps to bolster the revenue and profitability. Notable long-term associations as of March'23 include Sony India Private Limited (12 years), Hyundai Motor India Limited (13 years), Johnson Controls-Hitachi Air Conditioning India Limited (3 years), Ashok Leyland Limited (17 years), TVS Motor Company Limited (17 years), and more. The company between FY20-FY23 has reported 21.5%/24.7% CAGR in revenue and net profit to Rs 10,235.4 cr and Rs 41.8 cr respectively. The company has turnaround from a loss-making entity to a profit-making company in FY23.

### Valuation:

**At CMP, the business is valued at an FY23 Post issue EV/EBITDA multiple of 13.0 times at the upper price band. The IPO looks fairly valued across various valuation parameters when compared with its close peers. Investors can SUBSCRIBE the issue for a long-term investment perspective.**

Issue Details	
Date of Opening	10 <sup>th</sup> August 23
Date of Closing	14 <sup>th</sup> August 23
Price Band (Rs)	187 – 197
Issue Size (Rs cr)	865 – 880
No. of shares	4,62,98,759 – 4,46,70,051
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	8,210 – 8,616
BRLMs	JM Financial, Axis Capital, J.P. Morgan, BNP Paribas, Nuvama Wealth, Equirus Capital
Registrar	Link Intime Private Limited
Bid Lot	20 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB (HNI) shares	15%

Objects of Issue	
	(Rs Cr.)
Gross proceed from fresh issue	600
(Less) Offer expenses in relation to the fresh Issue*	-
Net Proceeds*	-

\*The net proceed will be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC.

Shareholding Pattern		
Pre Issue	No. of Shares	%
Promoter & Promoter Group	18,98,48,294	46.7
Public & Others	21,71,04,866	53.3
<b>Total</b>	<b>40,69,53,160</b>	<b>100.0</b>

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	17,81,28,906	40.6
Public & Others	26,09,09,815	59.4
<b>Total</b>	<b>43,90,38,721</b>	<b>100.0</b>

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	17,81,28,906	40.7
Public & Others	25,92,81,107	59.3
<b>Total</b>	<b>43,74,10,013</b>	<b>100.0</b>

Source: RHP, SSL Research

## Risk factors

- The company had incurred losses in FY21 and FY22, and any similar losses in the future may adversely affect the business, financial condition and cash flows.
- In FY21, FY22 and FY23, an average of 72.99% of the revenue from operations were denominated in foreign currencies and an average of 73.87% of the borrowings were in foreign currencies in the same years. Accordingly, they are exposed to foreign currency exchange rate fluctuations and the results of operations have and will be impacted by such fluctuations in the future.
- The company has increased working capital requirements and may require additional financing to meet those requirements.
- If the long-term relationships with the key customers are impaired or terminated, the business, financial condition, results of operations and cash flows could be adversely impacted.
- Freight, clearing, forwarding and handling charges, and manpower expenses (comprising employee benefits expense, sub-contracting costs and casual labour charges) constitute a significant portion of the operating expenses and any increase due to any internal or external factors may adversely affect the business, financial condition, results of operations and cash flows.
- The company operates through an asset-light business model and accordingly, the operations are significantly dependent on network partners and other third parties for the warehousing and transportation needs, which may have an adverse effect on the business, results of operations, financial condition and cash flows.

## Growth strategy

- The company has been following the 'C3 Framework' to guide actions and grow business. The 'C3 Framework' centres on three C's - Customer, Capability and Country.
- Cross-deploying capabilities from developed markets to developing markets such as India and other parts of the Asia-Pacific regions.
- Growth in the existing core sectors and scout for adjacent sectors.
- Pivot to new age and fast emerging sectors.
- Deepen customer relationships and acquire new customers.
- Continued innovation and investment in technology.
- Continued focus on improving margins by increasing the share of value-added solutions and building end-to-end capabilities.
- Leveraging global network to expand into new markets.
- Continue to grow the global platform through targeted inorganic opportunities.

## Revenue Break-up (Rs cr)

Particulars	FY23		FY22		FY21	
	Revenue (Rs cr)	% to Total	Revenue (Rs cr)	% to Total	Revenue (Rs c r)	% to Total
<b>India</b>	<b>3,026.7</b>	<b>29.6%</b>	<b>2,436.8</b>	<b>26.3%</b>	<b>1,673.2</b>	<b>24.1%</b>
- United Kingdom	3,036.7	29.7%	2,929.7	31.7%	2,447.4	35.3%
- Europe (ex UK)	1,368.8	13.4%	1,476.0	16.0%	994.1	14.3%
- Australia and New Zealand	879.4	8.6%	982.6	10.6%	615.1	8.9%
- North America	731.6	7.2%	406.7	4.4%	505.0	7.3%
- Others	1,192.2	11.7%	1,018.1	11.0%	698.9	10.1%
<b>Rest of the World</b>	<b>7,208.7</b>	<b>70.4%</b>	<b>6,813.0</b>	<b>73.7%</b>	<b>5,260.4</b>	<b>75.9%</b>
<b>Total</b>	<b>10,235.4</b>	<b>100.0%</b>	<b>9,249.8</b>	<b>100.0%</b>	<b>6,933.6</b>	<b>100.0%</b>

Source: RHP, SSL Research

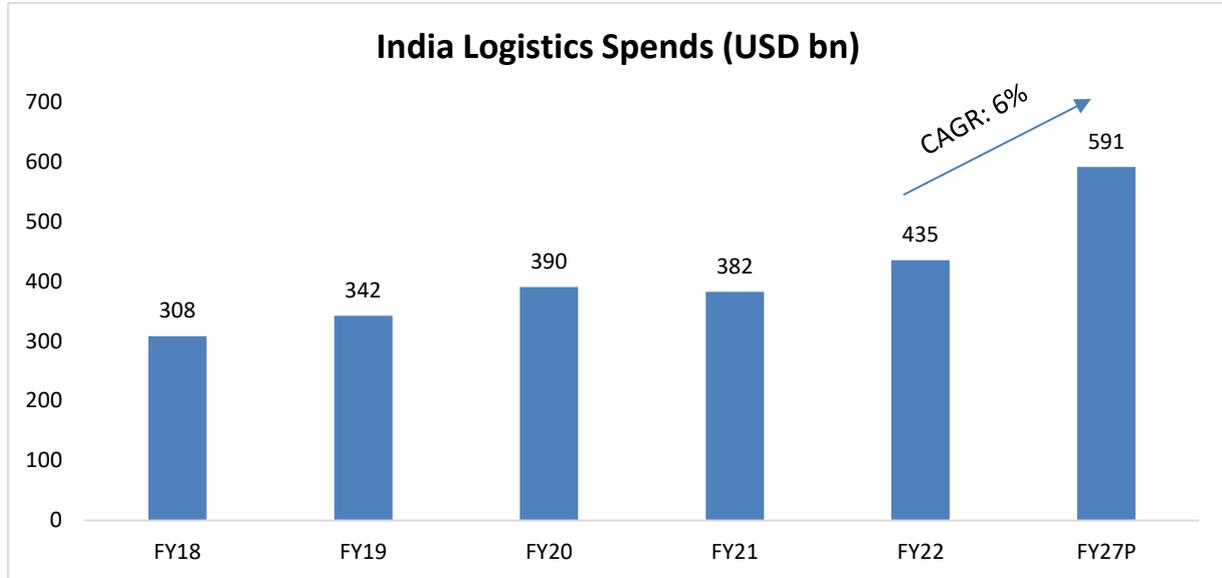
Particulars	FY23		FY22		FY21	
	Revenue (Rs cr)	% to Total	Revenue (Rs cr)	% to Total	Revenue (Rs cr)	% to Total
Industrial	3,618.3	35.4%	2,988.0	32.3%	1,861.7	26.9%
Automotive	2,371.4	23.2%	2,027.6	21.9%	1,673.0	24.1%
Tech and Tech Infra	1,227.3	12.0%	1,321.5	14.3%	1,209.9	17.5%
Consumer	1,201.4	11.7%	1,166.3	12.6%	858.9	12.4%
Rail and Utilities	590.6	5.8%	593.6	6.4%	551.3	8.0%
Healthcare	174.4	1.7%	210.3	2.3%	146.1	2.1%
Others	1,052.0	10.3%	942.6	10.2%	632.6	9.1%
<b>Total</b>	<b>10,235.4</b>	<b>100.0%</b>	<b>9,249.8</b>	<b>100.0%</b>	<b>6,933.6</b>	<b>100.0%</b>

Source: RHP, SSL Research

## Industry Overview

### India Logistics Spends

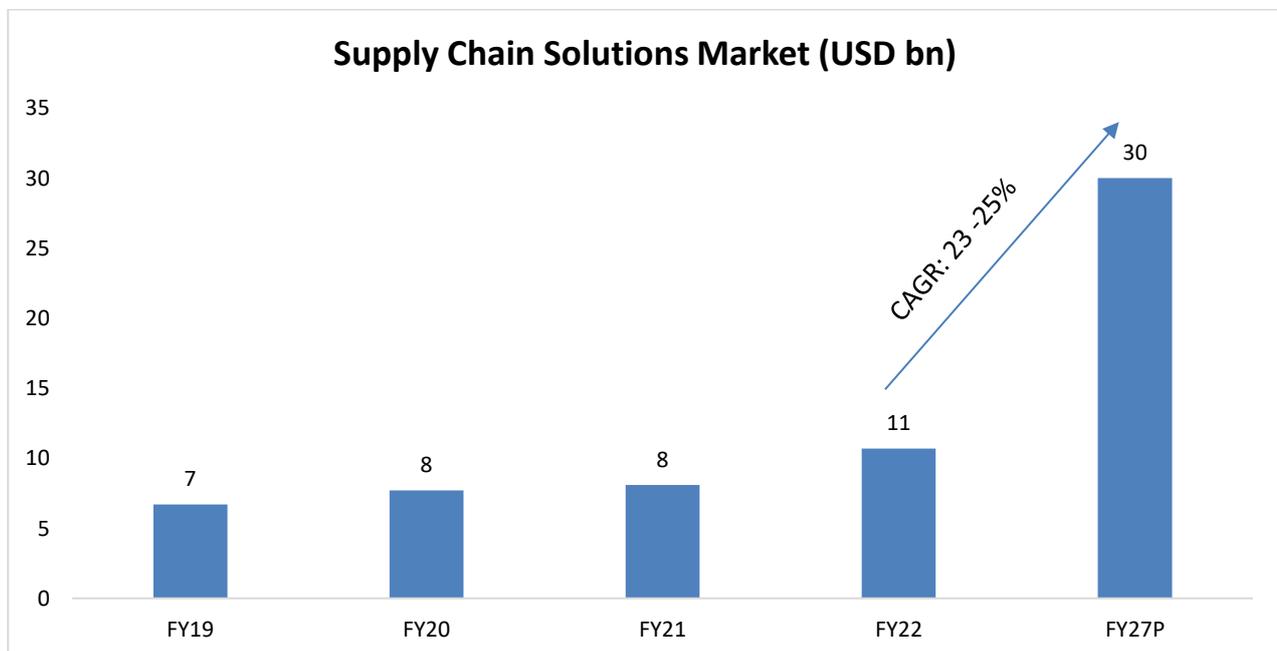
The Indian logistics sector is one of the world's largest and is critical for the country's economic growth. After contracting by 2% in FY21, the market witnessed a strong post-COVID recovery in FY22. The market grew by 14% and was valued at USD 435 bn in FY22 and is projected to grow to USD 591 bn by FY27.



Source: RHP, SSL Research

### Supply Chain Solutions Market

Typically, the supply chain solutions market comprises of the following three segments: 1) 3PL 2)4PL and Integrated supply chain solutions. The supply chain solutions market is more organized as compared with overall logistics market. The supply chain solutions market is projected to grow faster when compared to the overall logistics market (approximately 22% vs approximately 6% CAGR between FY22 and FY27). This is primarily due to the type of services offered by players in supply chain solutions, which require large scale service providers having a deep knowledge of complex logistics management.



Source: RHP, SSL Research

## Financial Snapshot

Concord Biotech Limited			
(Rs. Cr.)	Pre-Issue	Post Issue	
	FY22	FY23	
Particulars		Price Band	
	197.0	187.0	197.0
<b>Net Sales</b>	9,249.8	10,235.4	10,235.4
Total Income	9,299.9	10,311.0	10,311.0
EBIDTA	579.4	678.4	678.4
PAT	-45.8	41.8	41.8
Equity Share Capital	36.3	43.9	43.7
No of Equity Shares	36.3	43.9	43.7
Face Value	1.0	1.0	1.0
<b>EPS</b>	-1.3	1.0	1.0
CMP	197.0	187.0	197.0
Cash and Bank	1,004.8	1,772.1	1,772.1
Debt	1,763.8	1,989.6	1,989.6
Market Cap	7,150.3	8,210.0	8,617.0
BV per share (Rs)	20.8	31.0	31.1
PE(x)	-156.1	196.6	206.3
P/BV (x)	9.5	6.0	6.3
Enterprise Value	7,909.2	8,427.5	8,834.5
Mcap/Sales (x)	0.8	0.8	0.8
EV/Sales (x)	0.9	0.8	0.9
EV/EBIDTA (x)	13.7	12.4	13.0
EBITDA Margins (%)	6.3	6.6	6.6
Net Margins (%)	-0.5	0.4	0.4
ROE (%)	-7.1	4.0	4.0
ROCE (%)	7.3	7.9	7.9
Debt/Equity	2.3	1.5	1.5
Net worth	753.9	1,360.0	1,360.0

Source: RHP, SSL Research (Post Issue)

Year	FY20	FY21	FY22
Net Sales	6,933.6	9,249.8	10,235.38
EBITDA	436.4	579.4	678.4
Net Profit	-76.3	-45.8	41.76
EBITDA Margin (%)	6.3	6.3	6.6
Net Profit Margin (%)	-1.1	-0.5	0.4

Source: RHP, SSL Research

## Peer Comparison

	TVS Supply Chain Solutions Ltd	TCI Express Ltd	Mahindra Logistics Ltd	Blue Dart Express Ltd	Delhivery Ltd
CMP	197.0	1,443.0	370.0	6,284.0	422.0
Sales (Rs cr)	10,235.4	1,241.0	5,128.0	5,172.0	6,659.0
EBITDA (Rs cr)	678.4	194.0	260.0	938.0	-389.0
Net Profit (Rs cr)	41.8	139.0	25.0	371.0	-560.0
M.Cap (Rs Cr)	8,617.0	5,531.0	2,669.0	14,910.0	30,959.0
EBITDA Margin (%)	6.6	16.0	5.0	18.0	-
PE(x)	206.3	39.4	853.0	47.6	-
EV/EBITDA	13.0	27.0	12.1	17.8	159.0
RoE (%)	4.0	24.6	4.5	34.9	-
RoCE (%)	7.9	32.6	7.4	26.3	-

*(Source: RHP, SSL Research)*

**CMP as of 9<sup>th</sup> August'23**

*The data is based on FY23 financial data*

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