

# TVS Supply Chain Solutions Limited

August 09, 2023



TVS Supply Chain Limited (TVS) is India's largest and fastest growing integrated supply chain solutions provider in India in terms of revenues and revenue growth, respectively, in FY23. The company is coming out with an IPO to raise around INR 600 crores through fresh issue and INR 280 crores through offer for sale, which opens on 10<sup>th</sup> August and closes on 14<sup>th</sup> August 2023. The price band is between INR 187-INR 197.

## Investment Rationale:

**Key GOI initiatives to boost logistics and supply chain solutions industry growth which will help in boosting TVS revenue growth which owns 7% market share in the industry:**

- Manufacturing sector is expected to contribute upwards of 20% to GDP of Indian economy by FY27 supported by the Make in India initiative, PLI scheme funding of INR 2825 crores for specific industries like automobile, industrial, consumer goods, organised B&M Retail, e-commerce etc.
- Automotive total addressable market in India in FY22 was INR 1134403.84 crores out of which logistics spend was 4.7% to 5.2%. Out of the logistics spend the major spend was on supply chain solutions with 35% -45%.

**TVS Supply Chain Industry benefitting from organised supply chain industry CAGR of ~12%-~15% by FY27:**

- The Indian logistics market direct spending on logistics is expected to grow to approximately INR 31,87,923 crores by FY27 at a CAGR of 13%.
- Out of this market opportunity, the size of the outsourced supply chain solutions market is expected to grow at a CAGR of ~22% to approximately INR 1,73,887 crores by FY27.
- Organized players market share is expected to grow to 12%-15% at a CAGR of approximately 32% between FY23 and FY27.

**Demand for supply chain solutions in the automotive sector to grow from INR 24,013- INR 28,153 crores in FY22 to INR 51,338 crores-INR 55,478 crores in FY27:**

- The automobile market is currently the largest end-use sector for the 3PL industry in which TVS operates. Automobile market will have ~13% CAGR for the next five years driven by electric vehicle market. In the automotive sector supply chain solutions is expected to grow at a CAGR of 15%-17% to ~INR 55,478 crores in FY27 which will positively impact TVS.

**Demand for supply chain solutions in industrial sector is projected to grow from ~INR 12,420 crores in FY22 to ~INR35,605 crores in FY27:**

- Industrial sector is expected to grow at a CAGR of 25%-27% from FY22 to FY27 majorly driven by strong government investment and support through various government schemes. This will also positively impact TVS Supply Chain who has long term contracts with various companies like Sony India Private Limited, Panasonic Life Solutions India Private Limited, Johnson Controls-Hitachi Air Conditioning India Limited etc.

**Diverse global presence to help the company reduce risk of decline in business growth due to macroeconomic conditions in a particular location:**

- TVS serviced 11,546, 10,531 and 8,788 customers globally in Fiscals 2021, 2022 and 2023, respectively, and its' customers were spread across 26 countries, as of March 31, 2023.
- Major contribution of TVS' revenue comes from the United Kingdom (29.67%), India (29.57%), Europe excluding UK (13.37%) and Rest of the world (70%) in FY23.

**Long and Consistent Track-Record of Successful Integration of Acquisitions:**

- TVS has made more than 20 acquisitions in the last 16 years for growth across Europe, the United Kingdom, the United States and Asia Pacific (including India) in line with its 'C3 Framework' to increase its customer base, enhance capabilities and expand into newer countries.

**Valuation:** On the financial front TVS Supply Chain Limited reported revenue growth of 10.66% YoY in FY23 to INR 10,235.38 crores which is higher than its peers. Adjusted EBITDA grew 5.92% YoY to INR 706.6 crores and PAT was reported at INR 41.761 crores in FY23 compared with a loss of INR 45.8 crores in FY22. The company's ROCE and reported at 7.64% in FY23 compared with 6.65 and (4.56) in FY22 and FY21 respectively. ROE was reported at 5.50% in FY23 compared with (6.68%) and (15.15%) in FY22 and FY21 respectively.

## Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY21	69335.98	4.98	3866.9	58.81	-739.04	-2.26	-14.93	2.79
FY22	92497.86	33.4052825	6125.64	58.41	-448.79	-1.44	-7.67	7.67
FY23	102353.80	10.6553168	6836.51	11.6	417.61	1.02	6.19	9.17

## Issue Snapshot

Issue Open	10-Aug-23
Issue Close	14-Aug-23
Price Band	187 - 197
Issue Size (Shares)	46298759
Market Cap (cr)	INR 8746 cr

## Particulars

Fresh Issue	INR 600 CR
OFS Issue	INR 280 CR
QIB	75%
Non-institutionals	15%
Retail	10%

## Capital Structure

Pre Issue Equity	40,69,53,160
Post Issue Equity	43,74,10,013
Bid Lot	76 shares
Minimum Bid amount @ 187	INR 14212
Minimum Bid amount @ 197	INR 14,972

## Share Holding

	Pre Issue	Post Issue
Promoters	46.65%	41.60%
Public	53.35%	58.40%

## Particulars

Face Value	INR 1
Book Value	INR18.37
EPS, Diluted	INR0.95

## Objects of the Issue

1. Payment of borrowings
2. General Corporate Purposes

We believe growth for the organised players in the logistics space will be robust over the next 5-6 years of ~+30%, while still only becoming 15-16% of the total logistics landscape in India, TVS solution with its international presence is perfectly to benefit from these developments as the company is the largest and oldest logistics MNC in the logistics sector emanating out of India. We believe that scale and technological supremacy will play a major role in how the future pans out for the company. We recommend a subscribe to the issue, keeping the mind the high growth rates and market leadership position of the company, which should translate into robust earnings as well over the next 12-18 months as the situation further normalises across industries.

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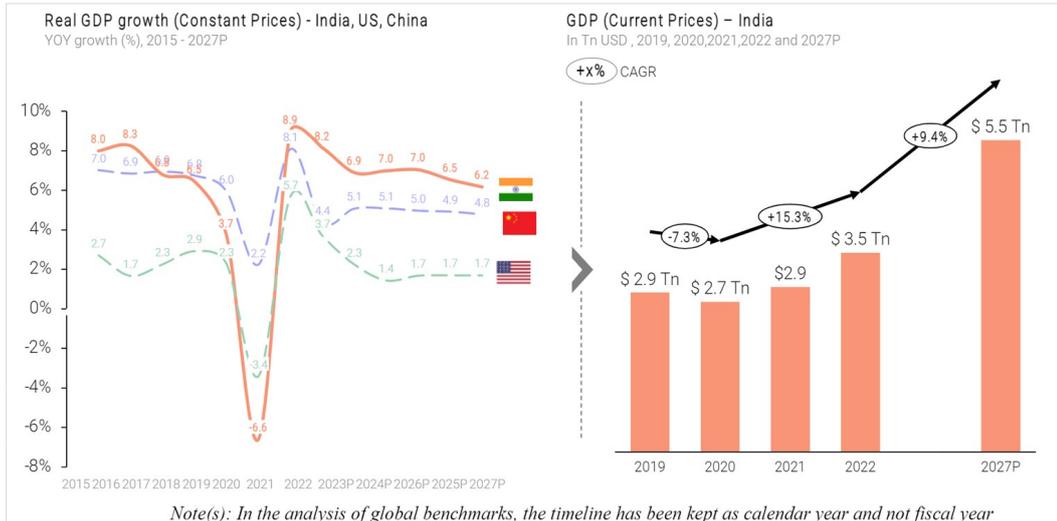
TVS Supply Chain Limited (TVS) is India's largest and among the fastest growing integrated supply chain solutions provider among its peers in India in terms of revenues and revenue growth, respectively, in FY23. TVS Supply Chain Limited (TVS) is an India based multinational company operating in India and 25 other countries globally. The company is part of the TVS Mobility Group and it can be segregated into two segments primarily i) integrated supply chain solutions (ISCS); and (ii) network solutions (NS). TVS's supply chain solutions under the ISCS segment include sourcing and procurement, integrated transportation, logistics operation centres, in-plant logistics operations, finished goods, aftermarket fulfilment and supply chain consulting. Under the NS segment, its capabilities include global forwarding solutions, which involves managing end-to-end freight forwarding and distribution across ocean, air and land, warehousing and at port storage and value-added services, and time-critical final mile solutions (TCFMS) which involves closed-loop logistics and support including spares logistics, break-fix, refurbishment and engineering support, and courier and consignment management.

## Investment Rationale:

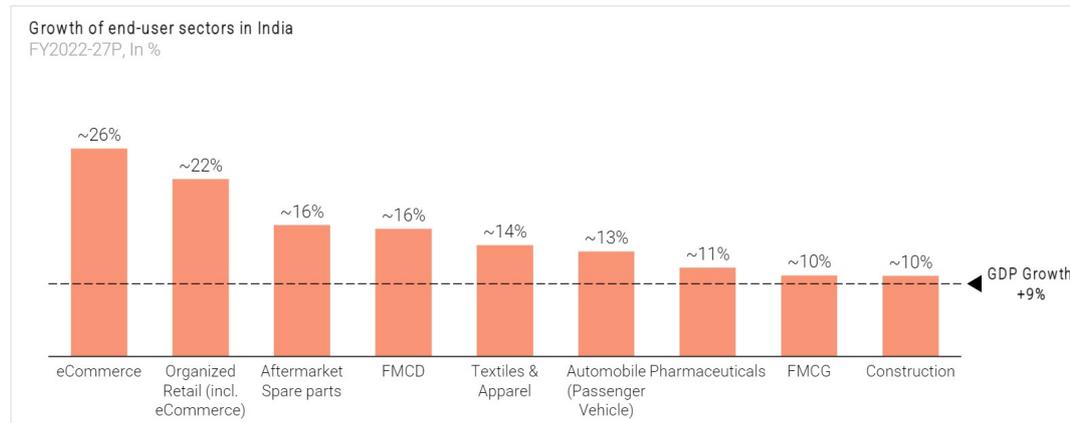
**Key GOI initiatives to boost logistics and supply chain solutions industry growth which will help in boosting TVS revenue growth which owns 7% market share in the industry:** Manufacturing accounted for approximately 15.3% of India's GDP in Fiscal 2022, and the sector is expected to witness strong growth in the next five years and contribute upwards of 20% to GDP of Indian economy by FY27. The growth in the sector will be supported by the Make in India initiative to turn India into a global manufacturing hub, PLI schemes for specific industries like automobile, semiconductors, Industrial, consumer goods, organised B&M Retail, e-commerce etc. GoI has an outlay of INR 2825 crores under the PLI scheme divided into various sectors like automotive and industrial. Automotive total addressable market in India in FY22 was INR 1134403.84 crores out of which logistics spend was 4.7% to 5.2%. Out of the logistics spend the major spend was on supply chain solutions with 35%-45%. The Industrial market stood at INR 1879632.64 crores out of which logistics spend was 4.2%-4.7% of which 10%-15% was on supply chain solutions. TVS Supply Chain Solutions Limited's market share in the organized sector in the supply chain solutions industry in terms of revenue was approximately 7% in FY23 which is expected to benefit from the PLI schemes and Make in India initiatives.

**TVS Supply Chain Industry benefitting from organised supply chain industry CAGR of ~12%-~15% by FY27:** The Indian logistics market presents a large addressable opportunity, with direct spending on logistics of INR 16,97,466 crores in FY22 and is expected to grow to approximately INR 31,87,923 crores by FY27

at a CAGR of 13%. Out of this market opportunity, the size of the outsourced supply chain solutions market (excluding e-commerce) in FY22 was ~INR 63,758 crores, which is expected to grow at a CAGR of ~22% to approximately INR 1,73,887 crores by FY27. Increasing complexities in supply chain solutions are driving the trend of outsourcing logistics services to expert third parties. Organized players accounted for only 5.5-6% of the logistics market segments (which includes road transportation and warehousing and supply chain services only) in FY22. Organized players are expected to grow at a CAGR of approximately 32% between FY23 and FY27, taking their share to 12%-15% by Fiscal 2027. This shift is expected to be driven by the ability of organized players like TVS to offer integrated services, network and scale-driven efficiencies and larger investments in technology and engineering, resulting in a higher share of wallets with customers.



**Demand for supply chain solutions in the automotive sector to grow from INR 24,013- INR 28,153 crores in FY22 to INR 51,338 crores- INR 55,478 crores in**



**FY27:** The automobile sector here is defined as the market for private and commercial vehicle in India and the automotive parts required for the same. The automobile market is currently the largest end-use sector for the 3PL industry in which TVS operates as higher supply chain management standards are required in warehousing and transportation due to high unit value of automobiles and their parts and components and the large number of SKUs involved. Growth of overall automobile market to grow by 13% CAGR for the next five years, and growth of electric vehicle market and limited supply

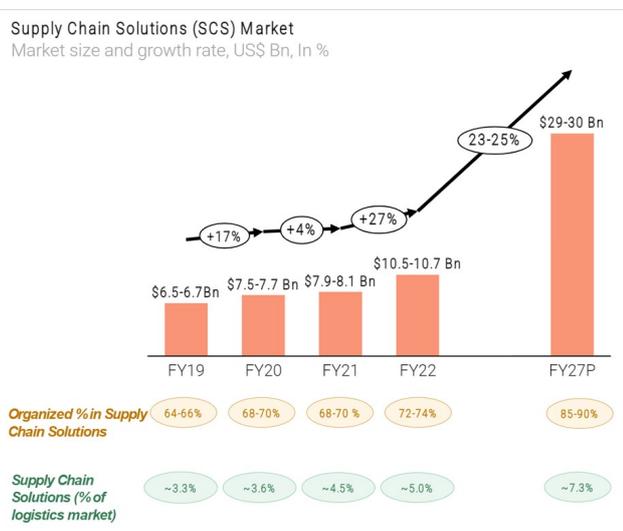
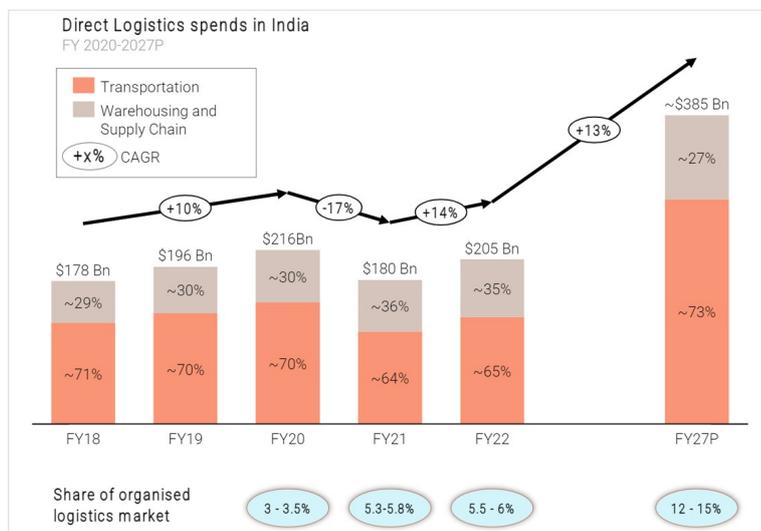
chain capability of electric vehicle companies, start-ups are expected to play a major role in growth of supply chain solutions services in this sector. In the automotive sector supply chain solutions is expected to grow at a CAGR of 15%-17% to ~INR 55,478 crores in FY27. This will impact TVS Supply Chain's revenue growth positively in the coming years as the company has long term business deals with companies like Ashok Leyland Limited (17 years), TV's Motor Company Limited (17 years), Daimler India Commercial Vehicles Private Limited (12 years), Hero MotoCorp Limited (8 years) and Yamaha Motor India Private Limited (7 years).

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**Demand for supply chain solutions in industrial sector is projected to grow from ~INR 12,420 crores in FY22 to ~INR35,605 crores in FY27:** Supply chain solutions providers are usually present in production supply chain services while penetration in outbound transportation, dominated by transporters, is increasing significantly over the years due to higher reliability, integrated supply chain solutions, and multiple value-added services. Even though the overall industrial sector decreased by approximately 10% from FY19 to FY20, the supply chain solutions market increased by approximately 9% over the same period due to the change in customer preference towards supply chain solutions providers driven by the COVID-19 pandemic induced supply chain disruptions. The market is expected to



grow at a CAGR of 25-27% from FY22 to FY27 majorly driven by strong government investment and support through various government schemes. This will also positively impact TVS Supply Chain who has long term contracts with companies like Sony India Private Limited (12 years), Johnson Controls-Hitachi Air Conditioning India Limited (3 years), Diebold Nixdorf (8 years), VARTA Microbattery Pte Ltd (7 years), Panasonic Life Solutions India Private Limited (12 years), Dennis Eagle Limited (17 years), Electricity North West Limited (5 years) etc.

**Diverse global presence to help the company reduce risk of decline in business growth due to macroeconomic conditions in a particular location:** TVS serviced 11,546, 10,531 and 8,788 customers globally in Fiscals 2021, 2022 and 2023, respectively, and its' customers were spread across 26 countries, as of March 31, 2023, in Europe, the United Kingdom, Asia Pacific and North America. As part of its' business development strategy, TVS has focused on expanding the scope of its' customer engagements and thereby, focused on larger customers and disengaging with smaller customers, particularly in the NS segment. Accordingly, its' total number of customers serviced globally have decreased from FY21 to FY23. The company is focusing on its' C3 framework to grow its business. The C3 Framework centres on three C's - Customer, Capability and Country. We focus on opportunities that would increase business from existing customers and acquire new customers, help us acquire new capabilities and/or increase our geographical presence by expanding to new countries. Major contribution of TVS' revenue comes from the United Kingdom (29.67%), India (29.57%), Europe excluding UK (13.37%) and Rest of the world (70%) in FY23.

IPO Note

Supply Chain Solutions market- Key industry segments

Industry	Market size -FY22 (US\$ Bn)	% logistics spend	% logistics spend on SCS	SCS Market - FY22 (US\$ Bn)	SCS market - FY27 (US\$ Bn)	CAGR FY2022-2027P
Automotive	~137	4.7-5.2%	35-45%	2.9-3.4	6.2-6.7	15-17%
Industrial	~229	4.2-4.7%	10-15%	1.0-1.5	3.8-4.3	25-27%
Consumer Goods <sup>1</sup>	~128	5.3-5.8%	14-18%	1.1-1.6	2.6-3.1	18-20%
Organised B & M retail	~80	2.5-3.0%	15-20%	0.2-0.7	1.4-1.9	30-35%
eCommerce	~56	4.7-5.2%	~100%	2.4-2.9	8-8.5	25-27%
Textile & apparel	~90	3.9-4.4%	15-20%	0.2-0.7	2.0-2.5	38-40%
IT, Telecom and BPM	~175	1.9-2.4%	15-20%	0.4-0.9	0.8-1.3	11-13%
Healthcare	~54	2.7-3.2%	22-27%	0.1-0.6	0.3-0.8	19-21%
Others <sup>2</sup>	~295	3.5-5%	4-5%	0.3-0.8	0.7-1.2	12-14%
<b>Total SCS Market</b>				<b>₹10.1-10.6</b>	<b>₹27-29</b>	<b>22-24%</b>
<b>Total (ex. ecommerce)</b>				<b>7.5-7.7</b>	<b>20-21</b>	<b>20-22%</b>

Supply Chain Solutions market from non-eCommerce industries is projected to grow from \$7.5-7.7Bn to \$20-21Bn (increase of \$13-14 Bn) by Fiscal 2027

Note(s): 1. Includes FMCG and consumer durables.  
2. Others include Metals & Minerals etc.

**Long and Consistent Track-Record of Successful Integration of Acquisitions:** The company has an established track record of successful inorganic growth through strategic acquisitions that supplement its operations. Over the years, it has made more than 20 acquisitions in the last 16 years for growth across Europe, the United Kingdom, the United States and Asia Pacific (including India). In line with its 'C3 Framework', it has followed a systematic approach towards acquisitions by focusing on each of the 'Cs' (i.e. Customer, Country and Capability) and has been able to increase its customer base, enhance capabilities and expand into newer countries.

**Valuation:** On the financial front TVS Supply Chain Limited reported revenue growth of 10.66% YoY in FY23 to INR 10,235.38 crores which is higher than its peers. Adjusted EBITDA grew 5.92% YoY to INR 706.6 crores and PAT was reported at INR 41.761 crores in FY23 compared with a loss of INR 45.8 crores in FY22. The company's ROCE and reported at 7.64% in FY23 compared with 6.65 and (4.56) in

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## Income Statement

Y/E (INR mn)	FY21	FY22	FY23
Revenue	69335.98	92497.86	102353.80
Expenses:			
Employee Cost	18050.31	18891.32	20930.04
Operating Expenses	10947.07	14811.80	16389.97
EBITDA	3866.9	6125.64	6836.51
EBITDA Growth %	58.81	58.41	11.6
Interest	1824.27	1597.45	1978.80
Depreciation	4432.82	4610.49	5236.55
Other Income	660.93	501.50	756.30
PBT	-1164.28	135.47	400.60
PAT	-739.04	-448.79	417.61
EPS	-2.26	-1.44	1.02

## Balance Sheet

Y/E (INR mn)	FY21	FY22	FY23
<b>Source of funds</b>			
Equity Share Capital	317.62	362.96	364.26
Reserves	4589.27	6436.74	6322.84
Total Share holders funds	4906.89	7140.00	7235.52
Current Liabilities	23971.89	31512.98	38006.73
Trade Payables	11540.16	14531.41	14273.25
Total Non-Current Liabilities	18877.75	17489.21	15259.64
<b>Total Liabilities</b>	<b>48659.31</b>	<b>56541.34</b>	<b>60866.49</b>
<b>Application of funds</b>			
Fixed Assets	19871.90	21413.93	22957.90
Cash and Bank	5661.88	10048.47	11720.98
Investments	1118.49	1002.24	1050.01
Other current assets	1103.98	1222.91	1134.95
<b>Total Assets</b>	<b>48659.31</b>	<b>56541.34</b>	<b>60866.49</b>

## Cash Flow

Y/E (INR cr)	FY21	FY22	FY23
Profit Before Tax	-1188.68	126.26	400.60
Adjustment	6116.36	6949.06	7171.14
Changes In working Capital	2221.33	-708.10	277.45
Cash Flow after changes in Working Capital	7149.01	6367.22	7849.19
Interest Paid	0.00	0.00	0.00
Tax Paid	-27.74	-157.12	-727.83
Other Direct Expenses paid	0.00	0.00	0.00
Extra & Other Item	0.00	0.00	0.00
Cash From Operating Activities	7121.27	6210.10	7121.36
Cash Flow from Investing Activities	633.77	-3805.44	-2545.87
Cash from Financing Activities	-11672.53	2173.63	-3767.51
Net Cash Inflow / Outflow	-3917.49	4578.29	807.98
Opening Cash & Cash Equivalents	8896.83	5384.10	9938.26
Cash & Cash Equivalent on Amalgamation / Take over / Merger	0.00	0.00	0.00
Cash & Cash Equivalent of Subsidiaries under liquidations	0.00	0.00	0.00
Translation adj. on reserves / op cash balances frgn subsidiaries	0.00	0.00	0.00
Effect of Foreign Exchange Fluctuations	404.76	-24.13	111.62
Closing Cash & Cash Equivalent	5384.10	9938.26	10857.86

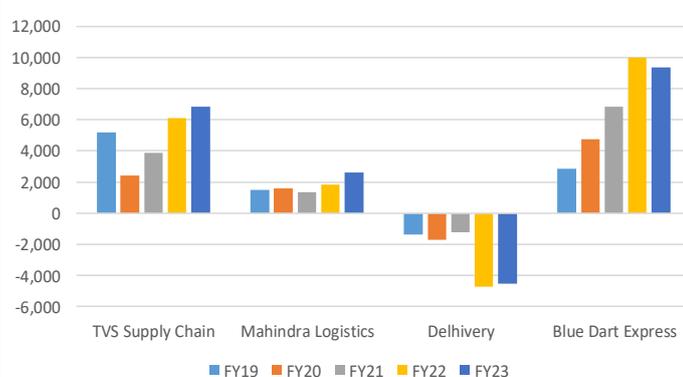
## Key Ratios

Y/E (INR cr)	FY21	FY22	FY23
<b>Growth Ratio</b>			
Net Sales Growth(%)	4.98	33.41	10.66
EBITDA Growth(%)	5.12	45.23	14.88
PAT Growth(%)	70.20	39.27	193.05
<b>Margin Ratios</b>			
Gross Profit	60.51	67.04	66.15
PBIDTM	6.63	7.22	7.49
EBITM	0.95	1.87	2.32
PBT	-1.68	0.15	0.39
PAT	-1.07	-0.49	0.41
<b>Return Ratios</b>			
ROA	-1.44	-0.85	0.71
ROE	-14.93	-7.67	6.19
ROCE	2.79	7.67	9.17
<b>Turnover Ratios</b>			
Asset Turnover(x)	1.35	1.76	1.74
Inventory Turnover(x)	34.89	35.62	32.15
Debtors Turnover(x)	5.62	7.50	8.07
Fixed Asset Turnover (x)	2.44	3.24	3.11
<b>Solvency Ratios</b>			
Total Debt/Equity(x)	3.15	2.59	2.98
Current Ratio(x)	1.06	1.03	0.91
Quick Ratio(x)	0.97	0.94	0.82
Interest Cover(x)	0.36	1.08	1.20

Revenue from Operations (₹ million)



EBITDA (₹ million)



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