

TVS SUPPLY CHAIN SOLUTIONS LIMITED

10-08-2023 to 14-08-2023

Industry: Logistics Solution Provider

Price Band: ₹ 187 -197

Recommendation: Subscribe with Risk

Post Implied Market Cap: ₹ 8,332 - 8,746 Cr

Key Data

Issue Size (₹ Cr)	866-880
Fresh (₹)	600
OFS (₹)	266-280
No of shares offered	46,298,759- 44,670,050
Face Value (₹ /share)	1
Bid Lot	76

About the Company

TVS Supply Chain Solutions Limited (TVS SCS), established in 2004 and now a part of the TVS Mobility Group, stands as one of India's largest and fastest-growing integrated supply chain solutions providers in terms of Fiscal 2023 revenues and growth. Leveraging its global reach and cross-functional capabilities, TVS SCS has successfully managed complex supply chains in India and select international markets for over 16 years, posted a noteworthy total income of ₹10,311.01 Cr in Fiscal 2023. Operating within the territories of Integrated Supply Chain Solutions (ISCS) and Network Solutions (NS), the company offers comprehensive services ranging from sourcing, procurement, and transportation to logistics operation centers, in-plant logistics, aftermarket fulfillment, and supply chain consulting. The strategic adoption of the 'C3 Framework' has facilitated strategic acquisitions, bolstering customer base, capabilities, and geographic expansion. Catering to a diverse array of industries such as automotive, industrial, consumer, technology, rail, utilities, and healthcare, TVS SCS has carved a niche with its tech-enabled and customer-tailored solutions, underpinned by its extensive domain expertise and technological prowess. Over the years, the company has done over 20 acquisitions, enabling growth across Europe, United Kingdom, United States, Asia Pacific. This enterprise's comprehensive suite of solutions spans the entire value chain, encompassing global forwarding solutions, time-critical final mile solutions, and more, thereby propelling the efficiency and agility of supply chains worldwide.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	21-08-2023
Refunds/Unblocking ASBA Fund	22-08-2023
Credit of equity shares to DP A/c	23-08-2023
Trading commences	24-08-2023

Investment Rationale

- Leader in end-to-end solutions enabled by domain expertise, global network and knowledge base:** As the global supply chain landscape rapidly changes, demanding speed, visibility, and flexibility, the integrated supply chain services sector offers tailored solutions. Businesses are turning to strategic third-party logistics partners for advanced integrated solutions. TVS SCS stands out by offering end-to-end services, using technology to streamline operations. They provide software tools like i-Loads, Visibility, Msys, TRACE, Courier Alliance, LCL Consolidated, and eConnect, along with third-party technologies like CargoWise. With smart control towers and development centers, TVS SCS leads in efficient supply chain solutions.
- Caters diversified industries and has long withstanding ties with clients:** The company takes a customer-centric approach, crafting solutions that consistently improve efficiency and accuracy while meeting performance goals. With partnerships across diverse, high-growth industries, they offer outsourcing opportunities. Their revenue is well-balanced among Asia-Pacific (including India), Europe, and the United States, serving various industries and operating patterns. With long-term relationships with 'Fortune Global 500 2022' companies, they served 72 such entities in Fiscal 2023, spanning sectors like automotive, industrial, tech, and healthcare. They've also entered fast-growing fields like electric vehicles, healthcare, clean energy, and more. They've built a global platform for cross-selling opportunities and executed their business strategy according to the 'C3 Framework'. On average, customer relationships in their ISCS and NS segments have remained strong, reflecting their successful approach.
- Backed by TVS group:** The company was initially launched by the former TVS Group and has now become a part of the TVS Mobility Group. This background gives them the advantage of using a well-established brand reputation, a deep understanding of various industries and local markets, practical operational knowledge, strong corporate governance standards, valued principles, and trust. Their way of conducting business reflects the core values of 'TVS,' which emphasize trust, value, and service. The company is guided by an experienced management team that possesses the necessary skills and a visionary outlook for managing and expanding their business. Additionally, they have a diverse Board of Directors, supplemented by a capable management team with significant expertise.
- Strong industry growth as it is in its formative stages:** The market for outsourced supply chain solutions market excluding e-Commerce was \$ 7.5bn in FY22 it is expected to be \$ 21bn by FY27 at 20-22% CAGR growth. The company operates within India's swiftly expanding logistics sector, projected to reach US\$385 billion by Fiscal 2027 at a CAGR of 13%. This market is mainly fragmented compared to others, with nascent supply chain solutions comprising less than 5% penetration in India versus approximately 11% in developed markets. Outsourcing logistics to experts is on the rise due to rapid growth and technological complexity. Modernization demands innovative supply chains for direct-to-retail and direct-to-consumer approaches, along with real-time visibility and control. They've expanded capabilities via acquisitions, adding over 1.5 million sq. ft. of warehousing space. With strong air and ocean freight capabilities and a global network, the company aims to harness these trends, capitalizing on growth prospects.

Shareholding (No. of shares)

Pre-Issue	41,34,96,560
Post Issue (Lower price band)	44,55,82,121
Post Issue (Higher price band)	44,39,53,412

Shareholding Pattern

	%
Promoters:	
Pre Issue	45.56%
Post Issue	42.39%
Promoters Group:	
Pre Issue	1.09%
Post Issue	1.01%
Public - Investor Selling S/h:	
Pre Issue	10.91%
Post Issue	7.42%
Public - Others:	
Pre Issue	42.44%
Post Issue	49.18%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Risk

- Foreign Exchange Risk.
- Dependency on industrial and automotive industries.
- Dependency on top 20 customers.

MView

We believe TVS SCS holds a prominent position as an Indian supply chain solutions provider, with a robust global network and cross-deployment capabilities throughout the value chain. This is supported by the escalating trend of outsourcing, driven by the growth in India's manufacturing sector and multinational companies' endeavours to diversify away from China. The favorable government focus and policy support further bolster its prospects. The company's offerings encompass integrated end-to-end supply chain solutions, catering to a diversified clientele across various industries. By leveraging technology, data analytics, and execution experience, they specialize in simplifying complex supply chains.

On valuation parse at upper band of Rs.197/- the issue is asking for a Market Cap of Rs. 8746 Cr with the EV/EBITDA value at around 12.6x multiples which seems reasonably discounted to industry average which are trading around 17-18x. Lower ask valuations is been offered to investors due to losses on books in last 2 Financial years while going forward post IPO some part of money raised will also be used to retire some of debt which would bring in profits in the bottom-line of the business but profitability margins would remain lower single digits which is a cause of concern. Hence considering long term growth rationales with strong management leadership, asset-light approach and high demand from global clients for supply chain outsourcing model, we recommend high risk investors to "SUBSCRIBE" to the issue, acknowledging the associated business risks. We also advise in case of optimistic market sentiments if investors get any listing gains over and above 25%, we recommend booking profits on the listing day.

Other Details

BRLMs: Axis Capital, JM Financial, J.P.Morgan, BNP Paribas, Edelweiss Financial, Equirus Capital

Listing: BSE & NSE

Research Analyst

Yash Kukreja
Yash@mehtagroup.in
022-61507197

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2023	2022	2021
Equity Share Capital	36.43	36.3	31.76
Reserves	687.13	677.7	439.87
Net worth as stated	723.55	714.00	490.69
Revenue from Operations	10235.38	9249.79	6933.6
Revenue Growth (%)	10.66%	33.41%	-
Adj EBITDA	706.6	667.09	442.34
Adj EBITDA Margin	6.90%	7.21%	6.38%
Net Profit	41.76	-45.8	-76.34
Net Profit Margin	0.41%	-0.50%	-1.10%
EPS	1.04	-1.44	-2.26

Source: RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Revenue from Operations (As on 31st March 2023)	EPS	NAV	P/E	RONW
TVS Supply Chain Solutions Ltd	8746	1	10235	1.04	18.89	209.43	5.50%
TCI Expresss Ltd	5530	2	1241.00	36.24	155.66	40.57	23.25%
Mahindra Logistics Ltd	2668	10	4458.00	8.97	77.84	42.15	4.89%
Bluedart Express Ltd	14910	10	5172.00	154.43	497.12	46.38	31.41%
Delhivery Ltd	30958	1	1859.00	-2.14	125.94	NA	-1.73

Source: RHP, Data as on 31st March 2023, Mcap as on 09-08-2023



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154