



INITIATING COVERAGE REPORT

TVS Supply Chain Solutions Ltd

Market Cap.

Rs. 5,596 Cr.

52 Week H/L

Rs. 217/108

CMP

Rs.127

Target Price

Rs. 176

LOGI

STOCK DATA

Recommendation **BUY**
Reuters Code **N.A.**
Bloomberg Code **TVSSCS IN**
BSE Code **543965**
NSE Symbol **TVSSCS**
Face Value **Rs.1**
Shares Outstanding **44 Cr**
Avg. Daily **10,81,983**
Volume (6m) **Shares**
Price Performance (%)
1M **3M** **6M**
8 **(11)** **(31)**
200 Days EMA Rs. 154

SHARE HOLDING (%)

Promoters **43.0**
FII **3.6**
FI/MF **2.9**
Body Corporate **15.4**
Public & Others **35.1**

RESEARCH ANALYST

 Kashish Shah | +91 22 4093 4078
kashish.shah@sushilfinance.com

SALES:

 Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

INCREASING GLOBAL TRADE TO LEAD THE COMPANY'S GROWTH; STRATEGIC INITIATIVES TO IMPROVE PROFITABILITY

The company's Global Freight Solutions (GFS) business, which operates within the global trade market, has demonstrated robust volume growth on a year-on-year basis. This volume growth, supported by higher freight rates in the market, drove the revenue of the Network Solutions (NS) segment. , the management has outlined five specific strategic initiatives focused on profit turnaround and bolstering profitability; (1) Pushing the business back to normal profitability; (2) Bolstering profitability going forward; (3) Achieving margin targets; (4) Creating space in the cost structure; (5) Improving the performance of specific segments.

BUSINESS DEVELOPMENT & CUSTOMER DIVERSIFICATION INITIATIVES AMIED AT BOLSTERING FUTURE EXPANSION

The company has demonstrated the ability to win large deals in mature markets, such as the U.K. and U.S. The management focuses on five initiatives to boost the revenues in the medium term period: (1) Robust business development; (2) Strong pipeline of opportunities; (3) Focus on winning large deals; (4) Adding Fortune 500 customers; (5) Diversified customer wins. We believe, with the management's focus on these 5 points is likely to boost the company's revenue and thereby achieve long term target of USD 2.5 billion revenue and USD 100 million profits.

OUTLOOK & VALUATION

The management's focus on improving profitability alongwith it's Business Development and Customer diversification initiatives is likely to boost both profitability and revenues for the company. **Hence, we have forecasted annual sales growth in the range of ~9.8% - 11% between FY25E to FY27E derived a revenue of Rs. 12,334 crore for FY27E. We expect the PAT margins to remain in the range of 0.5%-2.5% through FY25E to FY27E and EPS of Rs. 7.0 in FY27E. As we assign a P/E multiple of 25x we arrive at a price target of Rs. 176 which gives us an upside of ~39% from CMP of Rs. 127. Hence, we initiate coverage on TVS Supply Chain Solutions Limited with a BUY rating over an investment horizon of 24-30 months.**

Y/E Mar	Revenue (Rs. cr)	EBITDA (Rs. cr)	EBITDA (%)	PAT (Rs. cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY24	9,200.0	690.6	7.5%	-57.7	-0.6%	-1.3	-98.3	0.6	3.1
FY25E	10,101.6	717.2	7.1%	52.6	0.5%	1.2	107.8	0.6	3.0
FY26E	11,111.7	922.3	8.3%	191.6	1.7%	4.4	29.6	0.5	2.8
FY27E	12,334.0	1,097.7	8.9%	310.3	2.5%	7.0	18.3	0.5	2.4

COMPANY OVERVIEW

TVS Supply Chain Solutions Limited (TVS SCS), headquartered in Chennai, India, is a global provider of integrated supply chain and logistics solutions. Founded in 1995 as TVS Logistics Services Ltd., the company is part of the USD 3 billion TVS Mobility Group and benefits from the long-standing legacy of its parent company, TVS & Sons, which has been active in the Indian mobility and logistics sector for over a century. TVS SCS operates across more than 50 countries through a network of over 100 owned facilities. As of FY24, the company employs approximately 18,000 personnel globally, with a significant presence in India (~13,000), the UK and Europe (~2,000), Asia-Pacific (~1,100), and North America (~500).

TVS SCS offers a comprehensive suite of end-to-end supply chain services segmented into two core verticals:

1. Integrated Supply Chain Solutions (ISCS):

Strategic sourcing and procurement, inventory management, warehousing and fulfillment, production support, integrated packaging, primary and secondary transportation, and reverse logistics.

2. Network Solutions (NS):

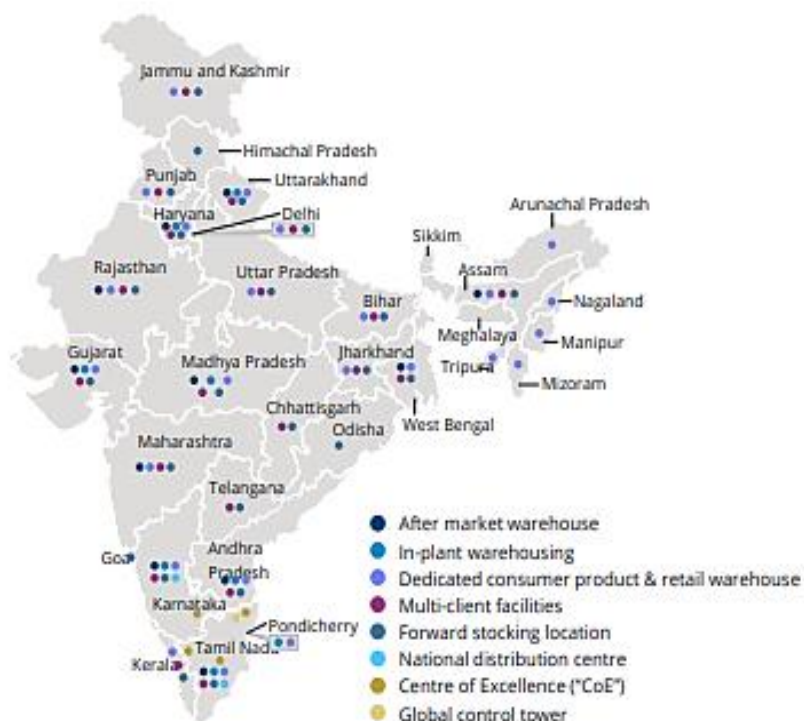
Capabilities under the NS segment comprise two key service verticals: Global Forwarding Solutions (GFS) and Time-Critical Final Mile Solutions (TCFMS). GFS encompasses comprehensive end-to-end freight forwarding and distribution services across ocean, air, and land modes, including warehousing, port-based storage, and a range of value-added services. TCFMS focuses on closed-loop logistics and aftermarket support functions, such as spare parts logistics, break-fix services, product refurbishment, engineering support, and courier and consignment management.



Source: Company, Sushil Finance Research

COMPANY OVERVIEW – KEY OPERATIONAL INDICATORS

We are present across India



Total warehouse space: 20.8 Mn sft
No. of permanent employees: 13,110

Description

FY23-24

FY22-23

Infrastructure (square feet)/ logistics warehouse space

25,475,171

27,031,057

TEU of Sea Freight

83,504

107,278

Permanent Employees

17,055

17,640

Number of customers

6,909

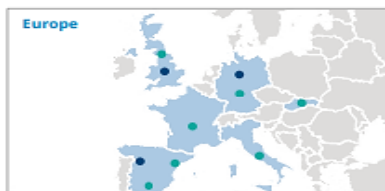
8,360

Number of warehouses

459

509

And globally across four continents



Total warehouse space: 1.9 Mn sft
No. of permanent employees: 2,710



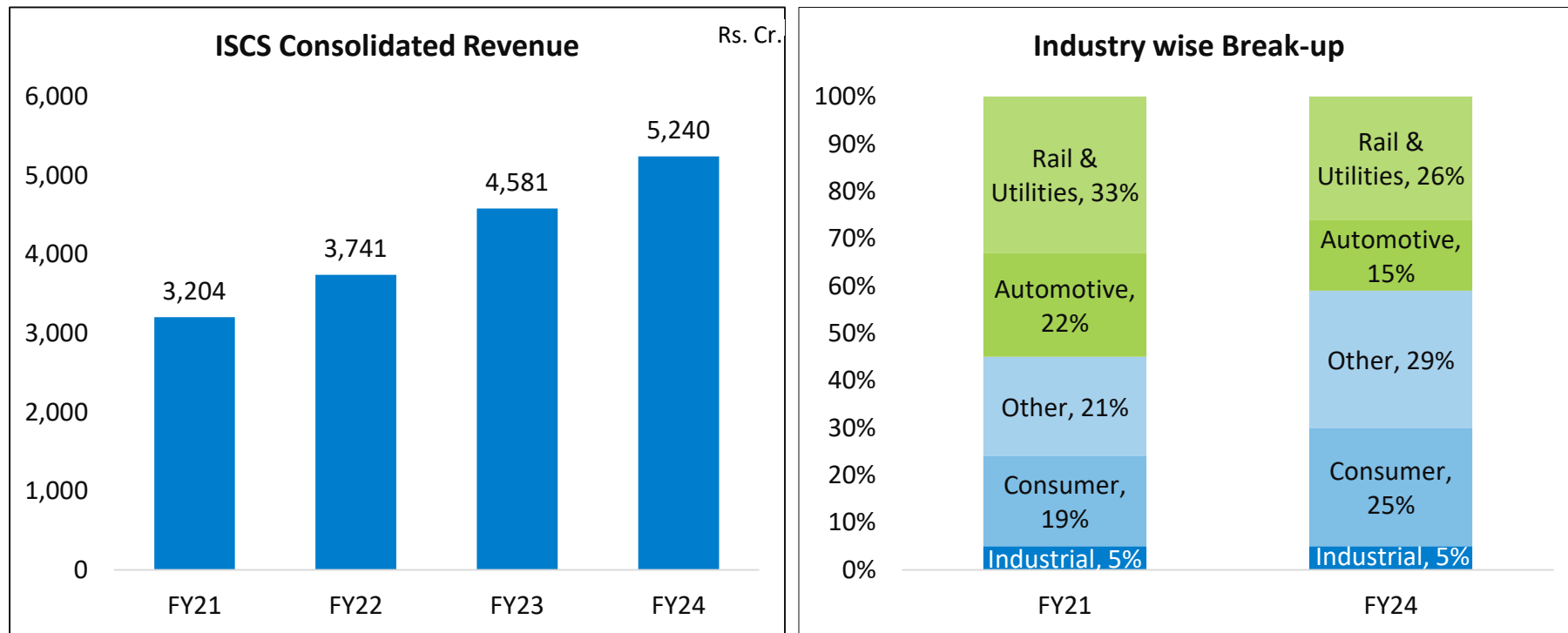
Total warehouse space: 1.3 Mn sft
No. of permanent employees: 753



Total warehouse space: 1.5 Mn sft
No. of permanent employees: 482

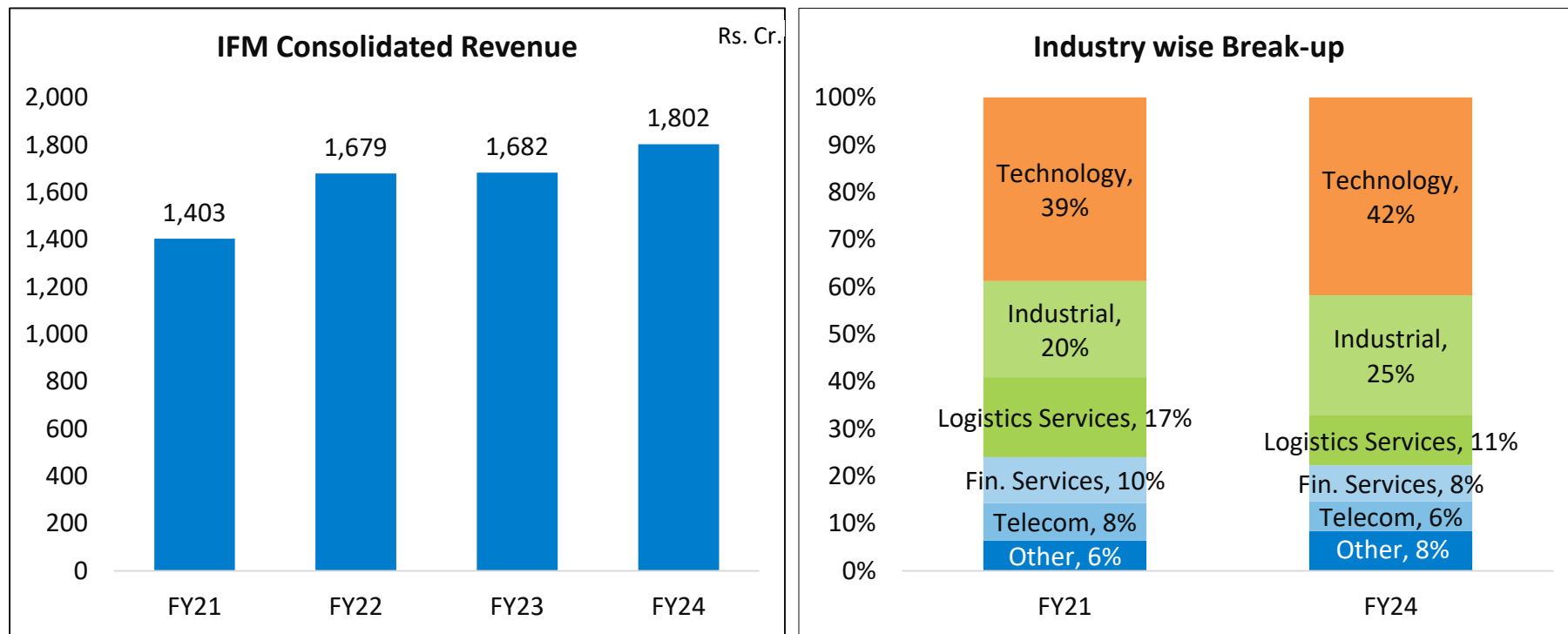
Source: Company, Sushil Finance Research

COMPANY OVERVIEW – KEY OPERATIONAL INDICATORS



- The Consolidated Revenues includes revenues from India, North America, and United Kingdom.
- For FY24 the revenue generated from India (Rs.2,145 Cr.), North America (Rs.796 Cr.), and United Kingdom (Rs.2,348 Cr.)

COMPANY OVERVIEW – KEY OPERATIONAL INDICATORS



- Revenues continue to steady on account of new business development and encirclement
- End user industry demand is strong, and we expect the trend to continue
- **Outlook:** The company continues to focus on the margins in IFM segment. The company is implementing certain cost rationalization measures to boost our margins

INVESTMENT RATIONALE – INCREASING GLOBAL TRADE TO LEAD THE COMPANY’S GROWTH; STRATEGIC INITIATIVES TO IMPROVE PROFITABILITY

The company's Global Freight Solutions (GFS) business, which operates within the global trade market, has demonstrated robust volume growth on a year-on-year basis. This volume growth, supported by higher freight rates in the market, drove the revenue of the Network Solutions (NS) segment. The NS segment, which includes GFS, grew by 20.4% year-on-year in Q3FY25 and 17.4% over the 9M period. This suggests that favourable conditions in specific global trade lanes and the company's performance within them contribute significantly to the NS segment's revenue growth. The company operates across four continents and on specific trade lanes like China to Europe, India-U.S., and China to Australia, where they focus on increasing efficiency and throughput in their existing network. The year-on-year revenue growth reflects the resilience of their business and ability to capitalise on significant market opportunities.

Focus on improving profitability and achieving PBT target of 4% by FY27.

Furthermore, the management has outlined five specific strategic initiatives focused on profit turnaround and bolstering profitability. These measures are expected to help the company in the following ways:

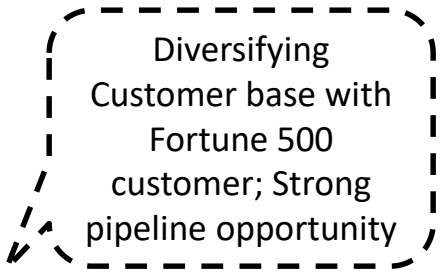
- **Pushing the business back to normal profitability:** The initiatives are in different stages of implementation and are intended to counteract factors that impacted Q3FY25 profitability, such as project delays and unusually soft volumes in certain markets.
- **Bolstering profitability going forward:** Management is confident that these cost management measures will enhance profitability.
- **Achieving margin targets:** These initiatives are part of the plan to reach specific margin goals of 4% at PBT levels by FY27. For the Network Solutions segment (which includes the Integrated Final Mile or IFM business undergoing a turnaround), the objective is to reach a 7% EBITDA margin. For the Integrated Supply Chain Solutions (ISCS) segment, the target EBITDA margin range is 9.5% to 10.5%.
- **Creating space in the cost structure:** Initiatives like headcount rationalization, overhead reduction, infrastructure consolidation, and increasing outsourcing are designed to streamline operations and reduce costs.
- **Improving the performance of specific segments:** Strategic price adjustments are being made in the IFM business to improve its margins and achieve its turnaround to breakeven and move towards run rate profitability.

Source: Company, Sushil Finance Research

INVESTMENT RATIONALE – BUSINESS DEVELOPMENT & CUSTOMER DIVERSIFICATION INITIATIVES AIMED AT BOLSTERING FUTURE EXPANSION

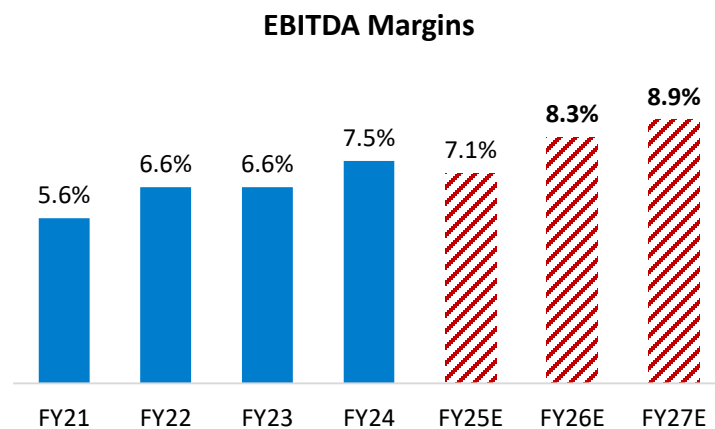
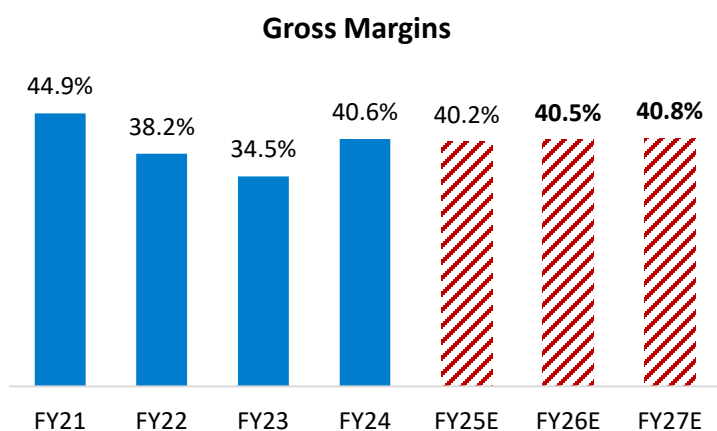
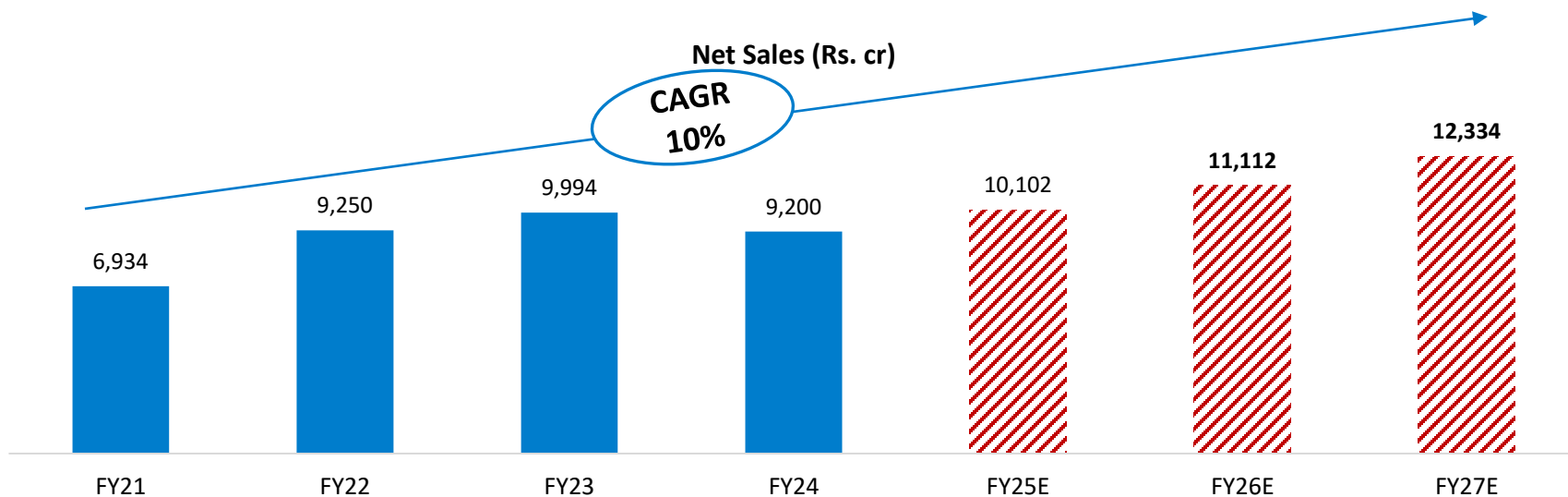
TVS SCS operates extensively across Asia, Europe, North America, and Oceania. This broad geographic reach enables the company to participate in diverse trade lanes and markets. Crucially, the company has demonstrated the ability to win large deals in mature markets, such as the U.K. and U.S. The North America region is specifically highlighted as a very significant engine of growth by the management, with a strong pipeline of opportunities. The management focuses on 5 points to boost the revenues in the medium term period:

- **Robust business development:** BD contributed Rs. 231 Cr. for Q3FY25 and Rs. 757 Cr. for the 9-month period. This reflects a healthy order pipeline.
- **Strong pipeline of opportunities:** The company's revenue momentum is backed by strong deals. Business development efforts have been robust across segments, contributing significantly to recent revenue. Management indicates a very strong pipeline of opportunities that continues to build quarter-on-quarter, representing an annualized revenue opportunity exceeding Rs. 4,500 Cr.. There is a deliberate focus on winning large, transformational deals
- **Focus on winning large deals:** The company continues to win significantly large deals in mature markets like the U.K. and U.S.A.. This includes a notable 4-year contract with the U.K. Ministry of Defense and being in the final stage of contracting for a large transformational 3-year Rs. 1,000 Cr. contract with a Fortune 500 company in the U.K.
- **Adding Fortune 500 customers:** The company focuses on serving Fortune 500 customers and actively adding new ones. The global customer account management program aims to leverage cross-selling opportunities, which management notes has seen success and contributed to a strong pipeline.
- **Diversified customer wins:** New customers were on-boarded across various sectors in both the ISCS and Network Solutions segments

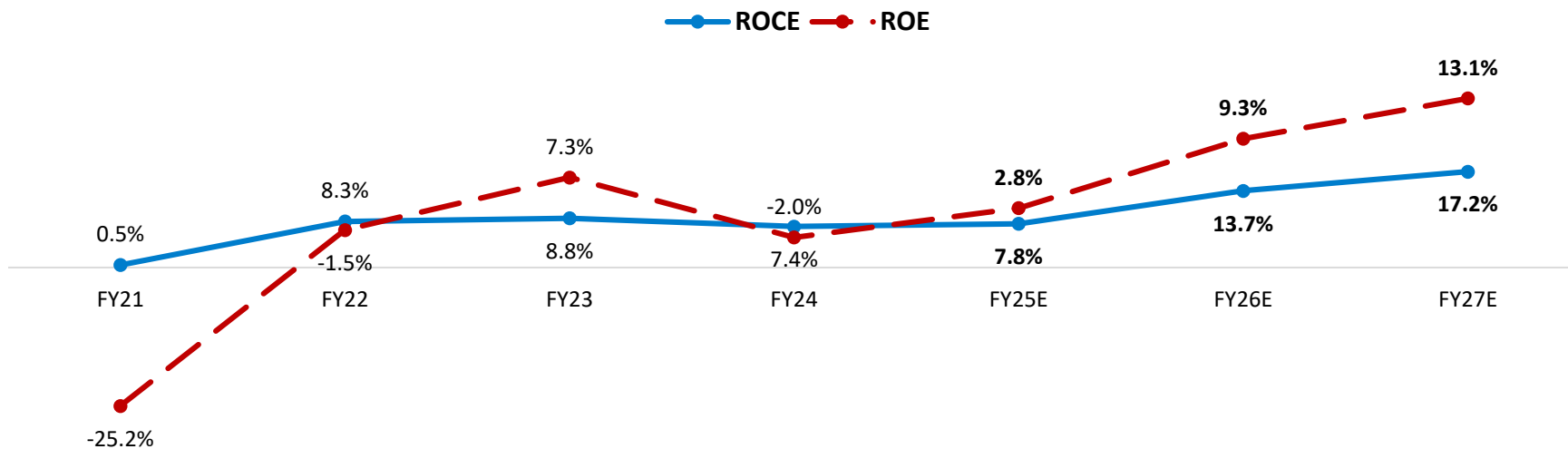
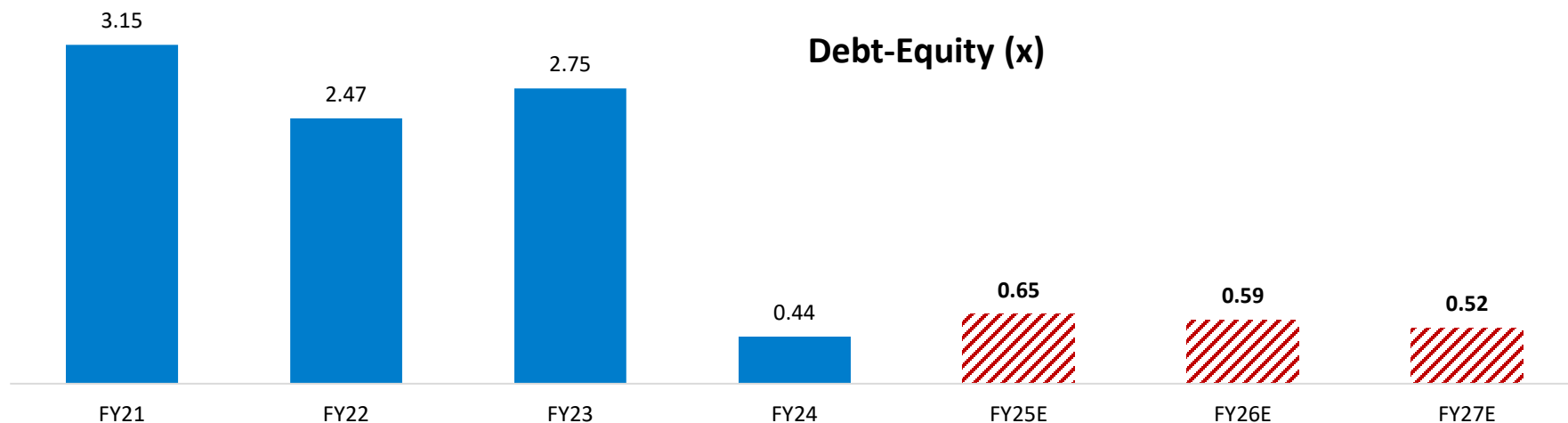


Diversifying
Customer base with
Fortune 500
customer; Strong
pipeline opportunity

FINANCIAL PROFILE: COMFORTABLE DEBT POSITION WITH INCREASING PROFITABILITY



Source: Company, Sushil Finance Research



Source: Company, Sushil Finance Research

INCOME STATEMENT

(Rs. cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Revenue	9,994	9,200	10,102	11,112	12,334
Raw Material Cost	6547	5461	6041	6611	7302
Employee Cost	2011	2243	2455	2611	2874
Other Expenses	775	805	889	967	1061
EBITDA	662	691	717	922	1098
<i>EBITDA Margin (%)</i>	<i>6.6%</i>	<i>7.5%</i>	<i>7.1%</i>	<i>8.3%</i>	<i>8.9%</i>
Depreciation	502	557	555	561	579
EBIT	161	134	162	362	519
<i>EBIT Margin (%)</i>	<i>1.6%</i>	<i>1.5%</i>	<i>1.6%</i>	<i>3.3%</i>	<i>4.2%</i>
Finance Costs	185	203	168	189	197
Other Income	76	55	76	83	93
Profit before Tax	51	-14	70	255	414
Tax Expense	50	81	18	64	103
Net Profit	53	-36	53	192	310
<i>Net Margin (%)</i>	<i>0.5%</i>	<i>-0.4%</i>	<i>0.5%</i>	<i>1.7%</i>	<i>2.5%</i>
EPS	1.5	-1.3	1.2	4.4	7.0

Source: Company, Sushil Finance Research

BALANCE SHEET STATEMENT

(Rs. cr)

Y/E Mar.	FY23	FY24	FY25E	FY26E	FY27E
PP&E (incl. CWIP)	339	341	386	475	571
Other Non-Current	1,106	1,022	1,022	1,022	1,022
Inventories	345	387	414	453	480
Trade Receivables	1,228	1,403	1,522	1,644	1,791
Cash and Bank Balances	1,172	597	1,110	1,200	1,398
Other Current Assets	906	894	877	955	1,050
Total Assets	6,211	5,829	6,516	6,935	7,499
Equity Share Capital	36	44	44	44	44
Reserves & Surplus	687	1,771	1,824	2,015	2,326
Borrowings	499	3	-	-	-
Trade Payables	1,427	1,368	1,489	1,630	1,780
Other Financial Liabilities	1,676	1,500	1,579	1,639	1,711
Current Borrowings	1,491	791	1,212	1,222	1,233
Other Current Tax Liab & Provisions	210	197	212	229	249
Total Liabilities	6,211	5,829	6,516	6,935	7,499

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. Cr)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
PBT	51	(14)	70	255	414
Depreciation	502	557	555	561	579
Interest	185	203	168	189	197
CFO before Working Cap chg	738	745	793	1,006	1,190
Chg in Inventories	(53)	(42)	(27)	(39)	(27)
Chg in Trade Receivables	79	(175)	(119)	(122)	(147)
Chg in Trade Payables	(26)	(59)	121	141	150
Income Taxes Paid	(50)	(81)	(18)	(64)	(103)
Cash Flow from Operations	734	128	768	985	1,166
Interest Paid	(185)	(203)	(168)	(189)	(197)
Dividend Paid	-	-	-	-	-
Other Adjustments	(184)	(308)	451	8	8
Cash Flow from Financing	(419)	(592)	266	(246)	(293)
Capital Expenditure	(511)	(558)	(600)	(650)	(675)
Other Adjustments	277	436	79	-	-
Cash Flow from Investing	(233)	(122)	(521)	(650)	(675)
Opening Cash	996	1,154	620	1,110	1,200
Total Cash Flow	81	(586)	513	90	199
Closing Cash	1,154	620	1,110	1,200	1,398

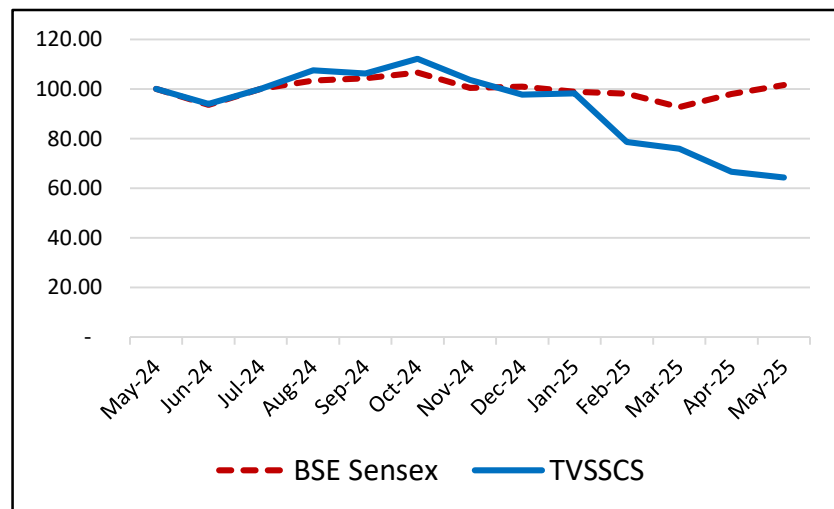
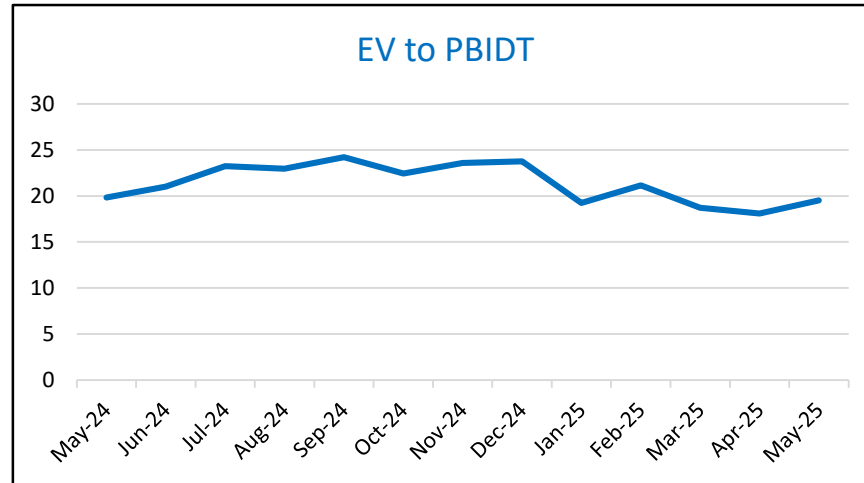
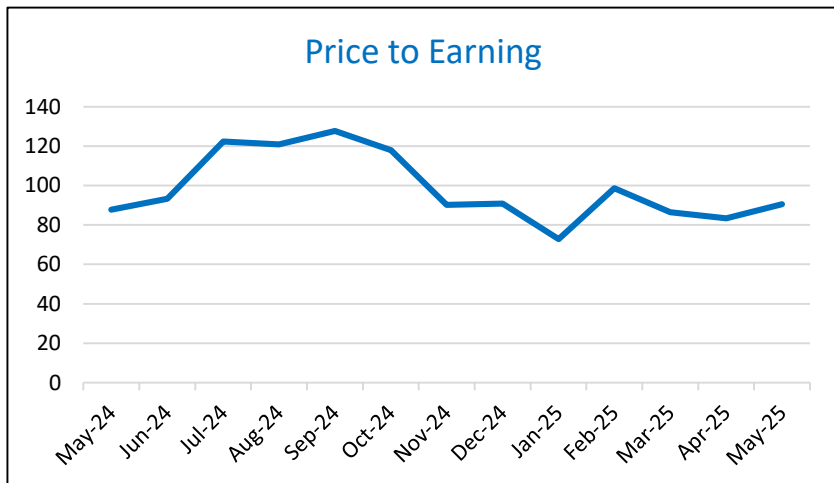
Source: Company, Sushil Finance Research

FINANCIAL RATIOS STATEMENT

Ratios	FY23	FY24	FY25E	FY26E	FY27E
<u>Growth (%)</u>					
Revenue	8.0%	-7.9%	9.8%	10.0%	11.0%
EBITDA	8.1%	4.3%	3.8%	28.6%	19.0%
Net Profit	-584.8%	-167.3%	-247.9%	264.1%	62.0%
<u>Profitability (%)</u>					
EBITDA Margin	6.6%	7.5%	7.1%	8.3%	8.9%
Net Profit Margin	0.5%	-0.4%	0.5%	1.7%	2.5%
ROCE	8.8%	7.4%	7.8%	13.7%	17.2%
ROE	7.3%	-2.0%	2.8%	9.3%	13.1%
<u>Per Share Data (Rs.)</u>					
EPS	1.5	-1.3	1.2	4.4	7.0
BVPS	19.9	41.2	42.4	46.7	53.8
CEPS	15.2	11.3	13.8	17.1	20.2
<u>Valuation (x)</u>					
P/E	88.4	-97.9	107.3	29.5	18.2
P/BV	6.5	3.1	3.0	2.7	2.4
EV/EBITDA	8.8	8.5	8.2	6.3	5.3
P/Sales	0.6	0.6	0.6	0.5	0.5
<u>Turnover</u>					
Inventory days	19	26	25	25	24
Debtor days	45	56	55	54	53
Creditor days	80	91	90	90	89
Net WC Days	(15)	(10)	(10)	(11)	(12)
<u>Gearing (x)</u>					
D/E	2.7	0.4	0.6	0.6	0.5

Source: Company, Sushil Finance Research

MARKET INFORMATION



Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

Disclaimer & Disclosures

<https://www.sushilfinance.com/Disclaimer/research>

<https://www.sushilfinance.com/InvestorGrievances/researchanalystinvestorgrievancecell>

This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. The Sushil Equity Universe is marked as # and the fundamental reports are marked as ##.

Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com Research Analyst views on Subject Company may vary based on Fundamental and Technical Research. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk.

Sushil Financial Services Private Limited (SFSPL) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis centre on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFSPL has different business segments/Divisions with independent research and maintains arm's length distance catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSPL's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSPL, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSPL or its affiliates or employees are under no obligation to update the information. SFSPL or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSPL or its affiliates and/or its employees/its associates or his relative does not have financial interest in the subject companies. SFSPL or its affiliates and/ or its employees/its associates or his relative may or may not have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report. SFSPL/its Associates/ Research Analyst have not received any compensation from the subject company in the past twelve months. Further the subject company is/was not a client during twelve months preceding the date of distribution of the research report and the types of services provided. SFSPL or its research analyst has not served as an officer, director or employee of the subject company. SFSPL or its affiliates and/or its research analysts have not been engaged in market making activity for the subject company. SFSPL or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSPL/its Associates/ Research Analyst/ his Relatives not have any other material conflict of interest at the time of publication of the research report.

SFSPL/its Associates/ Research Analyst have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months. There is no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

Research Disclaimer: Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Sushil Financial Services Private Limited

Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Compliance officer / Grievance Officer : Mr. Suresh Nemani – Phone : +91 22-40935000 |

Email : suresh.nemani@sushilfinance.com | Grievance Email - compliance@sushilfinance.com

Regd. Office : 12, Hornji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758 | Email : info@sushilfinance.com

Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No