



IPO Report

09th Aug '23

Snapshot

Company is India's largest and among the fastest growing integrated supply chain solutions provider among Indian listed supply chain solutions companies in terms of revenues and revenue growth, respectively, in Fiscal 2023. Company is an India based multinational company, who pioneered the development of the supply chain solutions market in India. Company was promoted by the erstwhile TVS Group, one of the reputed business groups in India and is now part of the TVS Mobility Group. For more than 16 years, company have managed large and complex supply chains across multiple industries in India and select global markets through customized tech-enabled solutions.

VALUATION

Company is bringing the issue at price band of Rs 187-197 per share at p/e multiple of more than 190x on FY23 PAT basis.

Company operates in a fast-growing and fragmented third-party logistics market in India. It is also leader in end-to-end solutions enabled by domain expertise, global network and knowledge base. Company has Robust in-house technology differentiation & has long and consistent track-record of successful integration of acquisitions to support capabilities and customer acquisition. Company has long term customer relationship in diversified and attractive industries through encirclement with resilient business model with multiple drivers of profitable growth and has strong parentage with management team with cross industry experience..

Hence we recommend to "Long Term Subscribe" to issue .

Price Band (Rs./Share)	187-197
Opening date of the issue	10 th Aug 2023
Closing Date of the issue	14 th Aug 2023
No of shares pre issue	413,496,560 Eq Shares
Issue Size(In Rs)	Rs 866-880 Cr
Issue Size (in No of Shares)	46,298,759- 44,670,050 Eq Shares
Offer For Sale	14,213,198 Eq Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	76
BIDDING DETAILS	
QIBs (Including Anchor)	75% of the offer (Approx 33,502,538 Eq Shares)
Non-Institutional	15% of the offer (Approx 6,700,507 Eq Shares)
Retail	10 % of the offer (Approx 4,467,005 Eq Shares)
Pre Issue Promoter & Group Holding	46.65%
Post Issue Promoter & Group Holding	43.40%
Lead managers	Axis Capital, JM Financial, JP Morgan, BNP Paribas, Nuvama Wealth Management, Equirus Capital
Registrar to the issue	Link Intime India Pvt Ltd.

KEY HIGHLIGHTS

Long-term customer relationship in diversified and attractive industries through encirclement

Some of company's customers with whom company have had long term relationships as of March 31, 2023 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), Diebold Nixdorf (8 years), TVS Srichakra Limited (10 years), Lexmark International Technology Sarl (6 years), VARTA Microbattery Pte Ltd (7 years), Daimler India Commercial Vehicles Private Limited (12 years), Hero MotoCorp Limited (8 years), Modicare Limited (7 years), Panasonic Life Solutions India Private Limited (12 years), Dennis Eagle Limited (17 years), Electricity North West Limited (5 years), Yamaha Motor India Private Limited (7 years) and Torrot Electric Europa, S.A. (3 years).

Critical scale in a fast-growing and fragmented third-party logistics market in India

Company operate at the forefront of a rapidly expanding logistics industry in India that is expected to grow to US\$385 billion by Fiscal 2027 at a CAGR of 13% from US\$205 billion in Fiscal 2022. The Indian logistics market is also highly fragmented and unorganized compared to other markets. Further, supply chain solutions is a nascent market in India and the penetration is less than approximately 5% of the logistics market in India compared to approximately 11% in developed markets in Fiscal 2022.

Strong parentage with management team with cross industry experience

Company was promoted by the erstwhile TVS Group and are now part of the TVS Mobility Group. R. Dinesh, company's Executive Vice Chairman, is the joint managing director of T V Sundram Iyengar & Sons Private Limited and a director on the board of various companies including TVS Automobile Solutions Private Limited, Ki Mobility Solution Private Limited, TVS Lanka (Private) Limited and TVS Auto Bangladesh Limited. He holds a bachelor's degree in commerce from the Madurai Kamaraj University



COMPANY BACKGROUND

Company is an Indian supply chain logistics solution provider that has global capabilities and network across the value chain with cross deployment abilities. Company's technology coupled with its deep domain expertise and global expertise enables it to develop and offer customized solutions to customers' thereby empowering agile and efficient supply chains at large scale. Company provide solutions and services to meet its customers' supply chain management and logistics requirements. As part of company's engagement with customers, customers outsource portions of their supply chain to company in order to improve their efficiency and to better manage their resources. For instance, company provided purchase services, assembling of component and parts, kitting, and using of packing materials for a global wind turbine company. Company's solutions spanning the entire value chain from sourcing to consumption can be divided into two segments: (i) integrated supply chain solutions ("ISCS"); and (ii) network solutions ("NS"). Company's capabilities under the ISCS segment include sourcing and procurement, integrated transportation, logistics operation centers, in-plant logistics operations, finished goods, aftermarket fulfillment and supply chain consulting. Company's capabilities under the NS segment include global forwarding solutions ("GFS"), 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.

India

According to the Redseer Report, as of and for the financial year ended March 31, 2023, Company is the largest supply chain solutions provider coming out of India in terms of consolidated revenue and it is also amongst the top three longstanding supply chain solutions provider in India in terms of years of operations. The Indian logistics market presents a large addressable opportunity, with direct spends on logistics of US\$216 billion in Fiscal 2020 and US\$180 billion in Fiscal 2021 due to the COVID-19 pandemic and subsequently, recovered to reach US\$205 billion in Fiscal 2022. The Indian logistics market is expected to grow to approximately US\$385 billion by Fiscal 2027 at a CAGR of 13% from Fiscal 2022 to Fiscal 2027. Out of this market opportunity, the size of the outsourced supply chain solutions market (excluding e-commerce) in Fiscal 2022 was US\$7.5 to US\$7.7 billion, which is expected to grow at a CAGR of 20-22% to approximately US\$20 to US\$21 billion by Fiscal 2027. (Source: Redseer Report) As of March 31, 2023, company managed 22,532,509 square feet of logistics warehouse space. In Fiscal 2023, company provided ISCS services to 308 customers and NS services to 594 customers in India, spanning across industries such as automotive, industrial, consumer and tech and tech infra. Company's key customers in India include Daimler India Commercial Vehicles Pvt Ltd., Sony India Private Limited, Hyundai Motor India Limited, TVS Srichakra Limited, TVS Motor Company Limited, Panasonic Life Solutions India Private Limited, Hero MotoCorp Limited, Modicare Limited, Ashok Leyland Limited, Yamaha Motor India Private Limited and Torrot Electric Europa, S.A. In Fiscal 2023, company carried 2,074 tons of air freight and 32,720 TEU of sea freight in India.

Rest of the World

The global logistics market providers presents a large opportunity for third-party logistics providers, with spends on logistics of US\$11.3 trillion in 2021 and is expected to grow to approximately US\$13.6 trillion by 2026 at a 6.7% CAGR from 2020-2026 (estimated). Further, increases in supply chain complexity have driven many companies to engage the help of third-party logistics providers as logistics and regulatory specialists. In turn, thirdparty logistics providers with expertise in international transportation management ("ITM") and warehousing and distribution are providing economies with the operational 'backbone' supporting global trade. In addition, the COVID-19 pandemic has made companies further realize the complexity in supply chains, and as a result, the demand for end-to-end outsourcing continues to rise and organizations are increasingly open to engaging thirdparty logistics providers to manage their logistics and supply chain requirements. Out of this opportunity, the size of the global third-party logistics market in 2021 was US\$1.4 trillion and is expected to grow at a CAGR of 8.2% from 2020-2026 (estimated) to a size of US\$1.7 trillion by 2026. (Source: Armstrong Report) In the global market, company's key geographies outside of India, include the United Kingdom, Europe, Asia-Pacific and North America. As of March 31, 2023, company managed 4,686,032 square feet of logistics warehouse space in North America, Asia, Australia, United Kingdom and Europe. In Fiscal 2023, company carried 28,524 tons of air freight and 74,558 TEU of sea freight in the rest of the world (i.e. geographies other than India). In Fiscal 2023, company provided ISCS services to 104 customers and NS services to 7,782 customers in the rest of the world (i.e. geographies other than India).



INVESTMENT RATIONALE

<i>Resilient business model with multiple drivers of profitable growth</i>	Company's business has numerous drivers of profitable growth and has been historically resilient in cycles, with high returns and visibility into revenue and earnings. In particular, company's long-term contracts and asset-light operating model allow it to adapt across the economic cycle, reducing costs during downturns and putting company in a position to expand quickly in growing markets.
<i>Long and Consistent Track-Record of Successful Integration of Acquisitions to Support Capabilities and Customer Acquisition</i>	Company have an established track record of successful inorganic growth through strategic acquisitions that supplement company's operations. Over the years, company have 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', company have followed a systematic approach towards acquisitions by focusing on each of the 'Cs' (i.e. Customer, Country and Capability) and have been able to increase company's customer base, enhance its capabilities and expand into newer countries. As part of company's acquisitions, company have been able to acquire various capabilities such as: • Production support logistics and vendor managed inventory, sequencing, kitting, and value added warehousing through the acquisition of Wainwright Industries, Inc.; • Sourcing, procurement, master data management and inventory optimization through the acquisition of Multipart Holding Limited in the United Kingdom; • Time critical final mile capabilities such as tech logistics, last-mile and same-day express capabilities through the acquisition of Rico Logistics Limited (UK); • Integrated supply chain capabilities for consumer and retail industry sectors in India through the acquisition of Drive India Enterprise Solutions Limited (wherein the third-party logistics business was subsequently transferred to company) and FIT 3PL Warehousing Private Limited; • Freight forwarding solutions through the acquisitions of T.I.F Holdings Pty. Limited, Nadal Forwarding S.L and Pan Asia Logistics Singapore Pte. Ltd to set up a global freight forwarding network; and • Closed loop logistics capabilities such as break-fix, repair and refurbishment services through the acquisitions of SPC International Limited and Triage Holdings Limited.
<i>Robust in-house technology differentiation</i>	Company is strongly differentiated by its technology as an innovative provider of logistics solutions that enhance visibility, speed, accuracy and cost effectiveness for company's customers, and by its ability to customize company's technology-enabled services to cater to each customer's requirements. Company's solutioning tools for transport, warehouse, order and labour management enable it to develop customized solutions. Company also utilise its deep knowledge of tech and data, and experience of catering to customers' needs to construct robust and flexible technology services which cater to company's customers' needs. Company's 'plug and play modules' can be easily integrated with its customers' internal systems, including their existing enterprise resource planning systems. These can be replicated across geographies and industries for customers, enabling company to scale its services faster. Company's technology capabilities comprise its (i) software suite, which primarily includes in-house technology systems and softwares, such as i-Loads, Visibility, Msys, TRACE, Courier Alliance, LCL Consolidated and e-Connect as well as third-party technologies, such as CargoWise; and (ii) technology infrastructure, which is supported by company's smart centre control tower, development centres and 'Centre of Excellences'.



OBJECTS OF OFFER

Company will not receive any proceeds from the Offer for Sale. The proceeds of the Offer for Sale shall be received by the Selling Shareholders and will not form part of the Net Proceeds. Each Selling Shareholder will be entitled to its respective portion of the proceeds of the Offer for Sale after deducting its proportion of the Offer expenses and relevant taxes thereon

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Prepayment or repayment of all or a portion of certain outstanding borrowings availed by company and its Subsidiary, TVS LI UK; and
2. General corporate purposes.

RISKS

Company incurred losses in Fiscals 2021 and 2022, and any similar losses in the future may adversely affect company's business, financial condition and cash flows.

Source:RHP

INDUSTRY OVERVIEW

Major Trends, Trends, and Changing 3PL Requirements Cheap Oil, Increasing Chinese Wages and Regulations, Trade Uncertainty • Nearshoring/Reshoring and transition to lower cost Asian countries. • The 'Comprehensive and Progressive Agreement for Trans-Pacific Partnership' (CPTPP) is a free trade agreement, signed by 11 Asia-Pacific countries, that lowers barriers to trade in goods and services between member countries. Members pledged to eliminate almost all tariffs and import charges on each other's products and accepted common obligations on food regulations, environmental protections, the digital economy, investment, labor, and financial services, among others. • The United States-Mexico-Canada Agreement (USMCA) is a free trade agreement between the three nations. It replaced the 'North American Free Trade Agreement' (NAFTA) in 2020. While the USMCA continues to aim to eliminate trade barriers as NAFTA did, it takes additional measures to address key issues, like the United States job losses in the automobile industry, rules surrounding e-commerce, and intellectual property rights. • China's Belt and Road Initiative (BRI) is a strategy initiated by the People's Republic of China that seeks to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade, and stimulating economic growth.

- India's National Logistics Policy aims to promote seamless movement of goods across the country focusing on areas such as process re-engineering, digitization, multi-modal transport, export-import (EXIM) trade etc. and will improve India's trade competitiveness, create more jobs, improve India's performance as a country globally and help pave the way for India to become a logistics hub. The various digitization initiatives are expected to bring down logistics costs in the country and increase the affinity for companies to outsource their logistics operations. E-Commerce and Omnichannel Retail • Amazon as the largest e-commerce 3PL globally, is affecting real estate, labor and wages, transit times, and profit motive; • E-commerce - buy anywhere/return anywhere; • Stores are warehouses, inventory optimization and SKU proliferation; and • Cross-border e-commerce and last mile. Digitalization, robotics and artificial intelligence • Warehouse management, robotics/cobotics, vision picking and augmented reality; and • Transportation management, digital freight matching, artificial intelligence and machine learning, and autonomous trucks. Big Data, Metrics and Performance Measurement • Integrating data from multiple sources (website, cell phone, electronic logging device (ELD) and supply chain management (SCM) systems; and • Business intelligence. Blockchain • Asset tracking with automated event management; and • TradeLens, a block chain-enabled digital container logistics platform, jointly developed by A.P. Moller Maersk A/S and International Business Machines Corporation. 3D Printing • Three-dimensional (3D) printing is used in manufacturing to spare parts logistics; and • United Parcel Service, Inc. (UPS) has over 60 3D printing locations. Driving flexible 3PL operations and ongoing digitalization focused on automation and innovation.


Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23
Total Revenue (A)	69335.98	92497.86	102353.80
Total Expenditure (B)	65469.08	86372.22	95517.29
EBIDTA	3866.90	6125.64	6836.51
EBIDTA Margin	5.58	6.62	6.68
Other Income	660.93	501.50	756.30
Depreciation	4432.82	4610.49	5236.55
EBIT	95.01	2016.65	2356.26
Interest	1755.98	1549.49	1903.42
PBT	-1660.97	467.16	452.84
Extraordinary item	482.73	-350.96	-100.00
PBIT	-1178.24	116.20	352.84
Share of Profit in Associates	13.96	19.27	47.76
PBT	-1164.28	135.47	400.60
Tax	-425.24	584.26	-17.01
PAT	-739.04	-448.79	417.61
NPM%	-1.07	-0.49	0.41
Eq Cap	317.62	362.96	364.26
Net Worth	5306.58	7539.15	7600.12
EPS	-2.26	-1.44	1.04
ROE %	-15.15	-6.88	5.50

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	EPS	PE	RONW%	NAV (in Rs)
TVS Supply Chain Solutions Limited	102353.80	1.04		5.50	18.89
Peers Group					
TCI Express Limited	12410.10	36.24	40.57	23.35	155.66
Mahindra Logistics Limited	44589.00	8.97	42.15	4.89	77.84
Blue Dart Express Limited	51722.20	154.43	46.38	31.41	497.12
Delhivery Limited	18596.27	-2.14	--	-1.73	125.94



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