18 March, 2026 | PICK OF THE MONTH | VOL-12, NO-02

Industry: Logistics Solution Provider | **TVS Supply Chain Solutions Limited** | **BUY**

CMP: Rs.101 | **TARGET PRICE: Rs.140** | **TIME : 12 months**

TVS Supply Chain Solutions Ltd (TVS SCS), originally part of the TVS Mobility Group is an India based MNC, tech led, asset light supply chain solution provider offering differentiated solutions to meet the customers' supply chain and overall logistics requirements. The company is a **one-stop** solution provider of end-to-end supply chain management. The company operates through 2 main **business segments** viz; Integrated Supply Chain Solutions (ISCS) and Global Forwarding Solutions (GFS) to provide tailor-made solutions to its customers across the entire supply value chain.

TVS SCS has maintained strong customer relationships and serviced ~6,277 customers in FY25; whereby the customer stickiness positioned it well to enhance and grow its Fortune Global 500 client base to ~91 in FY25 from the earlier 54 in FY21. The average association with the top 10 customers has been ~10-13 years. The company offers value-added solutions across a diversified end-user industry base, where Automotive remains the mainstay of the overall business structure.

Scale-up in the operations via the right-sizing, right-shoring initiatives under Project One, strong business pipeline and incremental business wins are expected to augur well for TVS SCS from a medium to long-term perspective. We initiate **BUY** rating on the stock for a TP of Rs140 (37.90x of Mar'27E EPS of Rs3.69), implying an upside of ~39%.

Lean Business Model: TVS SCS operates on an **asset-light** approach wherein the warehouses and vehicles are generally operated on a **lease-based structure** via the company's network partners. This approach helps scaling and expanding operations while providing core business competencies.

Optimizing Financials: After taking an exit from the low margin contracts; engaging in right-sizing, right-shoring measures via the Project One approach, the Management envisions to build a more agile and efficient business structure which would assist the company in achieving the internal PBT target of ~4% by FY27E. The early benefits of this approach have already started reflecting in the books with better incremental to be seen in a gradual manner. Overall, cost optimization/rationalization has been one of the key focus areas for the company for bettering of margins going forward.

Deal Visibility: As of Q3FY26, TVS SCS has a strong business pipeline of ~Rs63bn across the business portfolio. The company continues to secure new business wins which further adds to better revenue visibility and helps enhance the wallet share across the existing customer base. The company foresees immense near term as well as long term opportunities across the businesses for both the Indian as well as RoW markets which can help it achieve double-digit growth in the near term.

SNAPSHOT	
52 week H/L	**Mcap (INR mn)**
147/92	44,581
Face value: 1	
BSE Code	**NSE CODE**
543965	TVSSCS

Shareholding Pattern as on 31st Dec, 2025		
Parameters	**No of Shares**	**%**
Promoters	189,856,294	43.0
Institutions/MF	21,736,050	4.9
Public	229,587,683	52.0
TOTAL	**441,180,027**	**100.0**

Quarterly Performance				
Parameters (Rs mn)	**Mar-25**	**Jun-25**	**Sept-25**	**Dec-25**
Sales (Net)	24,988	25,923	26,626	27,158
EBITDA	1,690	1,772	1,816	2,056
EBITDA (%)	6.8	6.8	6.8	7.6
Other Income	134	87	114	72
Interest	371	379	334	417
Depreciation	1333	1305	1372	1470
PAT	(39)	712	163	112
Equity (Rs mn)	442	442	442	442

Source: Annual Report, Progressive Research

Annual Performance				
(Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**
Total Revenue	99,944	92,000	99,957	106,855
EBITDA	6,622	6,906	6,913	7,480
EBITDA (%)	6.6	7.5	6.9	7.0
Other Income	756	549	332	341
Interest	1,851	2,027	1,567	1,645
Depreciation	5,016	5,567	5,436	5,695
PBT	512	(139)	242	479
PAT*	477	(577)	(96)	770
Equity (Rs mn)	364	440	441	441
EPS (INR)	1.2	(1.6)	(0.3)	1.7

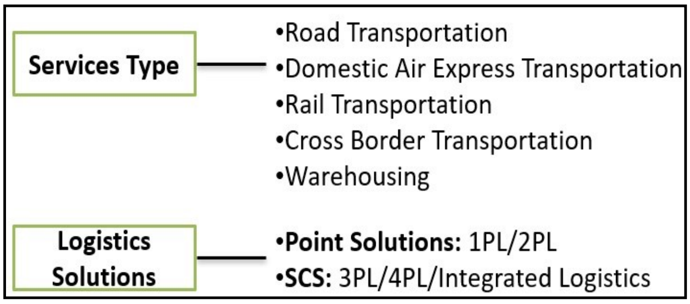
Ratio Analysis				
Parameters (Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**
EV/EBITDA (x)	8.1	6.9	6.9	6.4
EV/Net Sales (x)	0.5	0.5	0.5	0.4
M Cap/Sales (x)	0.4	0.5	0.4	0.4
M Cap/EBITDA (x)	6.7	6.5	6.4	6.0
Debt/Equity (x)	3.2	0.5	0.6	0.5
ROCE (%)	9.4	7.0	6.2	7.4
Price/Book Value (x)	5.1	2.5	2.5	2.4
P/E (x)	-	-	-	-

Note: Data calculated as on 17th Mar'26; EPS is calculated on Owners PAT. Past FY's includes except+disctd items

Industry Overview:

The **logistics industry** continues to serve as a cornerstone for the overall Indian economy and facilitates freight movement of goods, services, optimizing supply chains and thereby providing support to diverse industries related to manufacturing, retail, e-commerce etc. At the same time the industry also ensures inventory management, transportation, storage, warehousing and distribution. The segment as a whole serves as a connecting bridge between the producers and consumers both at the domestic as well as international level. The logistics sector is witnessing **transformational** changes and working beyond the traditional definition of movement of goods. Currently, the focus is on enabling seamless supply chains, cost reductions and enhancing customer satisfaction. As per industry articles, the **logistics market** is anticipated to reach at ~Rs40lk-cr by 2029; a CAGR of ~8-10%; the growth enablers are directed towards government led initiatives, technological advancements and rapid expansion of e-commerce.

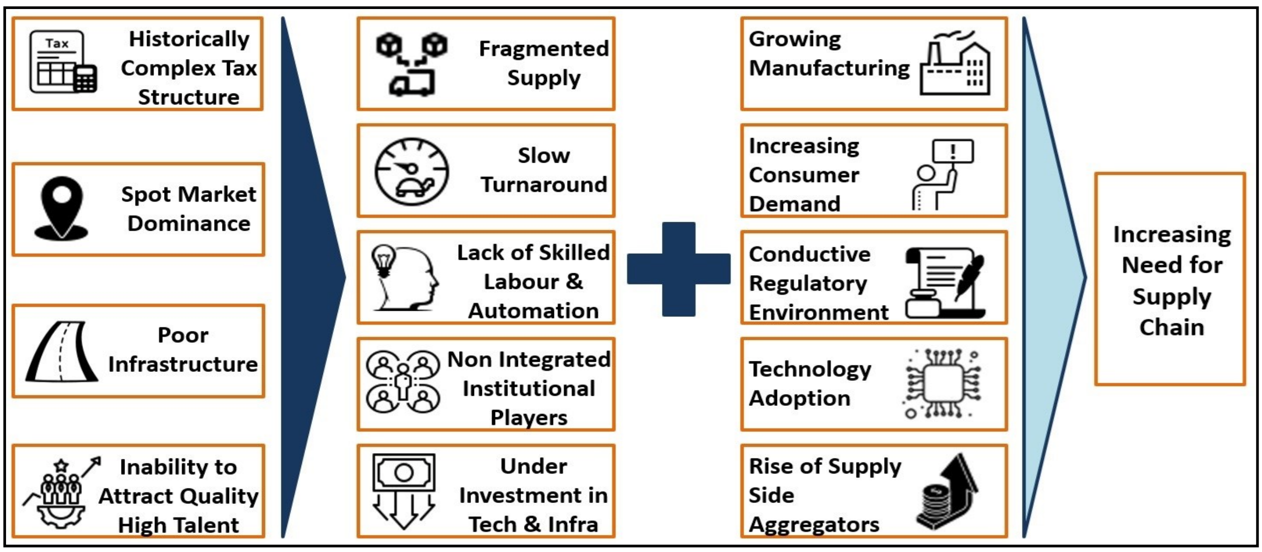
Exhibit 01: Indian Logistics Market Structure



Source: TVS SCS RHP, Progressive Research

As per EY Report and industry articles, the domestic freight movement is heavily skewed towards **road** transportation that accounts for more than ~60% followed by rail at ~27-30%, water/shipping at ~3-5% and air at ~1-4%. A systematic measurement to gauge the **logistics cost** is considered as an important benchmark in order to compete with other developed economies/countries and thus identify areas of improvement. Based on the function, the logistics costs/spending are classified as **direct overheads** (inventory carrying costs, warehouse related expenses and direct function related expenses such as transportation, custom clearance, documentation, maintenance expenses, etc.) and **indirect overheads** (occur in case of logistic function failures and include lost sales, delayed deliveries and indirect function related costs such as packaging, administration, logistics equipment costs, etc.). In order to assess the logistics costs there are 3 methods which include (i) as a % of GDP, (ii) as a % of sales/value of output and (iii) as absolute cost and cost per tonne per km in (Rs). Though each of the methods have their own set of pros & cons, as an international practice, measuring **logistic costs as a % to GDP** by far has been the most common adoptive method in order to have a comparison across different countries at the global level. Logistics spending has been one of the significant challenges/concerns for the industry and accounted for ~8% of the GDP in China (generally considered as the **benchmark**) and ~12% in the EU and the US; while for India the same stood as high as ~16% (as per the Union Road Transport and Highways). The reason for such higher costs is primarily attributed to multiple factors such as infrastructural bottlenecks, fragmented supply chains, regulatory hurdles, inefficiencies in multimodal connectivity and last-mile delivery systems. According to educational institutions (IIM and IIT), infrastructure led reforms have already led to a reduction by ~5-6% bringing the logistic spend in India at ~9-10%. The GOI further intends to reduce this cost and is trying to be in line with the global benchmark; this push can be undertaken via PPP reforms, increased private investment, green technologies and faster project execution. Lower spends will lead to faster product deliveries, better pricing, more efficient supply chain and shift from road to rail and water transport will ensure environmental sustainability.

Exhibit 02: Logistic Market Characteristics and Growth Drivers

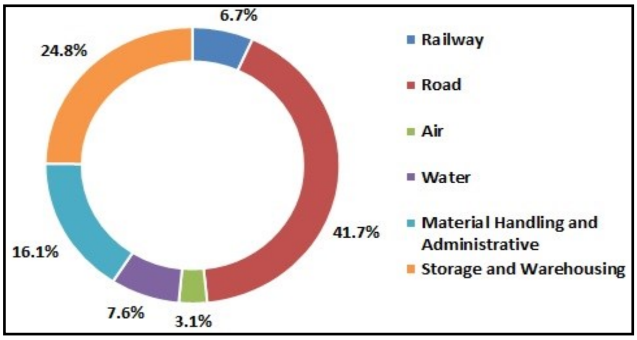


Source: TVS SCS RHP, Progressive Research

Industry Overview (contd.):

Tech-based Developments: The Indian logistics sector has been recalibrating trends by moving beyond the infrastructure creation and focusing on digital integration. **Logistics 4.0** is based on the concept and principles of Industry 4.0 where real time tracking of shipments, inventory levels, delay predictions and route optimisation, etc. can be done thoroughly. Logistics 4.0 utilizes **IoT** (provides vehicle location tracking), **AI** (improves delivery routes and timings), **cloud computing**, big data and analytics, machine learning, use of blockchain technology (increase supply chain transparency), and smart warehouses with robots. All these developments are reshaping the current landscape of the logistics sector by driving smarter and agile supply chain solutions. The adoption of modern logistics can help companies forecast demand, optimise and channelize the route and inventories, ensure predictive maintenance, fetch efficient supply chains and finally help reduce logistics costs. Though the full implementation of these initiatives in India is at a very nascent stage; there are couple of **platforms** introduced by the GOI in the past such as Indian Customs Electronic Gateway (**ICEGATE**), Unified Logistics Interface Platform (**ULIP**), PM GatiShakti National Master Plan (**NMP**), Logistics Data Bank (**LDB**) 2.0, Open Network for Digital Commerce (**ONDC**), **E-way** bill system, **e-Sanchit**, Strengthening Multimodal and Integrated Logistics Ecosystem (**SMILE**), Logistics Ease Across Different States (**LEADS 2025**), Bharat Trade Net (**BTN**), Digital sky/drone and Green logistics initiatives that can help streamline the operations, improve transparency and minimise the bottlenecks.

Exhibit 03: Logistic Cost Components (FY24)



Source: pib.gov.in/PressReleasePage.aspx?PRID=2195125, Progressive Research

Supply Chain Solutions (SCS) Market: is ideally classified as 3rd Party Logistics (**3PL**), 4th Party Logistics (**4PL**) and Integrated supply chain solutions. Party Logistics (PL) are utilized for outsourcing as it enables better focus on primary operations, eliminates/converts the fixed overheads (warehouse, fleet, labour) into variable costs and gain access to tech & expertise (via advanced AI software tools).

Exhibit 04: Party Logistics Characteristics

Features	1PL	2PL	3PL	4PL
Control	High	Low	Medium	High (strategic)
Asset Ownership	In-house	Asset Based	Asset+ Brokerage	Non Asset Based
Role	Execution	Transportation	Functional Logistics	Strategic Management
Focus	Local	Basic	Operational	Strategic

Source: logos3pl.com, Progressive Research

1PL: refers to a firm/individual that has their own cargo, freight and the functions are carried out by the company's **own department.** While this model offers flexibility in terms of ownership and control, it requires major investments

2PL: here the manufacturer hires a carrier/warehouse manager to outsource services but retains control on planning and management

3PL: providers handle specific logistic related functions that can vary from transportation, warehousing to order fulfillment and inventory management. These providers completely manage the operational work allowing the company to focus on the core operations of sales, marketing, business development etc. These providers typically **lease/own** assets required for services such as warehouses, distribution centres and vehicle fleets. **Services** offered by 3PL include warehousing, inventory management (real-time stocking and monitoring), order fulfillment (pick-up, labelling, packaging), shipping, reverse logistics (in case of order returns and stock updation). The 3PL logistics market acts as an **outsourcing arrangement** between the manufacturer and an external logistics service provider where the 3PL solution providers offers access to warehouses, infrastructure and fulfillment centres without requiring the companies to incur investments in any form of fixed assets. Such players generally prefer **Grade A space** primarily led by features of high quality and technologically advanced warehouses that meet the global standards in terms of safety, efficiency and sustainability. They also offer advantages of increased height, higher floor load capacity, advanced flooring systems and thus generally preferred by 3PL logistics players. As per IMARC group, the **global 3PL** market size stood at ~USD1201.4bn in 2024 and is expected to reach at ~USD2218.3bn by 2033; CAGR of ~7.0% during the forecast period and the **Indian** 3PL market which stood at ~USD24.9bn in 2025 is estimated to reach at ~USD78.5bn by 2034; CAGR of ~13.2% during the forecast period. Growth is anticipated to be driven by rapid expansion in end-user industries of e-commerce, FMCG, retail, manufacturing, coupled with smart logistics infrastructure, and GOI initiatives like Gati Shakti, Bharatmala and multimodal transport parks. Factors that can further pave the development for 3PL players consists of (i) adoption of digitisation/AI led tools, (ii) shift towards **green supply chains** and (iii) rise in e-commerce and D2C brands. Some of the key **Indian players** in this market include All Cargo Logistics Ltd, DHL Supply Chain Ltd, Future Supply Chain, Gati Ltd, GS Logistics, Mahindra Logistics, Nitco Logistics, Schenker India, TVS Supply Chain Solutions, etc. The demand for 3PL players is on the rise owing to the complex supply chain requirements at the global level.

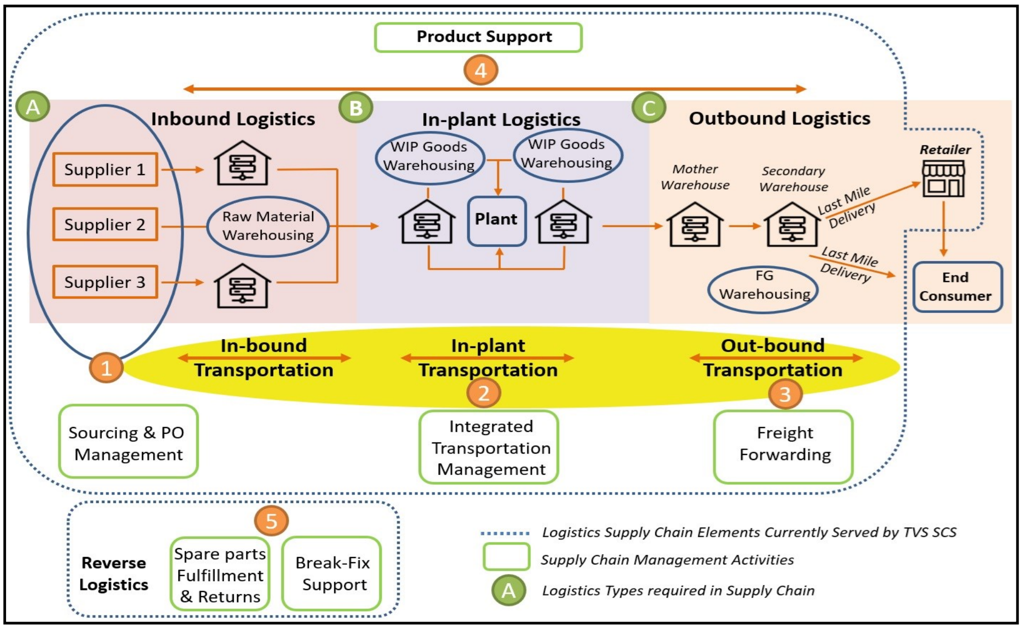
4PL: here the company provides a significant control over the supply chain and unlike 3PL these providers don't own assets. They act as a supply chain consultant who manage relations with multiple 3PLs

Please Turn Over

CMP: Rs.101 | **TARGET PRICE: Rs.140** | **TIME : 12 months**

Industry Overview (contd.):

Exhibit 05: Indian Supply Chain Market Structure



Source: TVS SCS RHP, Progressive Research

About the Company: TVS Supply Chain Solutions Ltd (TVS SCS), originally part of the TVS Mobility Group and established in 1995, was incorporated as a separate company in 2004. The company is an India-based MNC, tech-led and asset light supply chain solutions (where the warehouses and vehicles are operated on a lease structure) provider offering differentiated supply chain solutions to meet the customers' supply chain management and logistics requirements. The company is a **one stop** solution provider of end-to-end supply chain management.

Exhibit 06: Key Milestones

2004	2007	2008	2012
Incorporated as TVS Logistics Services Ltd	Entered the Freight Forwarding India Business	Investment by Goldman Sachs via GS Logistics Holdings Ltd	Expansion of ISCS North America and Last Mile Business in ISCS Europe
2015	**2016**	**2017**	**2018**
Expansion of GFS network across South East Asia and Europe	CDPQ acquired 38.17% from GS Logistics Holdings Ltd and Zumrut Investments Ltd	Acquired Repairs Business and Expanded GFS Network in South-East Asia	Acquisition of Technology for ISCS and Network Capabilities
2020	**2021**	**2023**	**2025-26**
Mitsubishi Corp (Japan) made a strategic investment	Acquired FIT 3PL Warehousing Pvt. Ltd	Listed on Stock Exchange in August 2023	Acquired 100% of Swamy & Sons 3PL Services Pvt Ltd

Source: TVS SCS Feb'26 PPT, Progressive Research

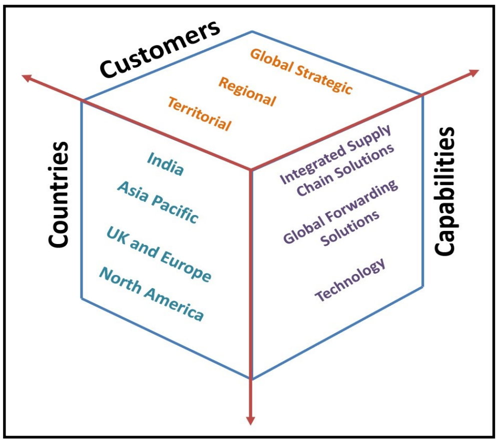
The company operates 2 main business segments viz; Integrated Supply Chain Solutions (ISCS) and Global Forwarding Solutions (GFS) where usage of technology and data analytics enables to provide tailor-made solutions to its esteemed customer base. Some of the key solutions/offerings include accurate demand forecasting, inventory planning and production, procurement, network optimization, visibility and supply chain agility to handle evolving needs. The company lays its emphasis on the concept of **C3 framework** which focuses on **C**ustomer (existing and new), **C**apabilities (provide value-added solutions, invest in technology, talent) and **C**ountry (leverage the existing network to expand into new territories). TVS SCS has strong, long standing customer relationships serving a diverse base of ~6200+ active customers inclusive of 91+ Fortune 500 companies (increased from 54 clients in FY21). As of FY25, the company had a capacity of ~24.7mn+ sq.ft. of warehouses under management operating across 4 continents and 26 countries. The company provides its services to large and mid-sized customers across multiple end-user industries with contribution as of FY25 as: automotive (~25%), industrials (~29%), consumer (~13%), rail & utilities (~8%), tech and tech infra (~13%), healthcare (~2%) and others (~10%). The **TVS SCS brand** is synonymous to integrity, operational excellence and a strong commitment to compliance and corporate governance and strongly aligns with the TVS Group lineage. The operations of the company are backed by global ISO accreditations with ISO 45001:2018 (Occupational Health and Safety Management System-OHSMS) and ISO 14001:2018 (Environment Management System-EMS). Mr. R. Dinesh is the Executive Chairman and Mr. Ravi Viswanathan is the Managing Director of the company.

Investment Rationale:

(A) Key Moat- Asset Light:

TVS SCS operates the entire business following an **asset-light** approach wherein the warehouses (which comprises aftermarket warehouse, dedicated consumer product and retail warehouse, national distribution centres) and vehicles are generally operated on a **lease structure** via the company's network partners. By the adoption of this business model, it provides a lean balance sheet structure for TVS SCS with lesser spends compared to the otherwise **heavy capex** requirements. For the company, capex spends are directed towards the **ISCS** business, primarily for customers in the warehousing and material handling segments while for the **GFS** business, capex is routed for purchase of intangible assets such as computer software and others. Although there is **no ownership** of assets, the company has **control** on the capacity and the fleet alongwith entire scheduling, routing, storing and delivery of goods also managed by TVS SCS. As of March 2025, the company has approx. **24.7mn+ sq.ft.** warehouse under management which is spread across India (19.9mn sq.ft.), Europe (2.1mn sq.ft.), Asia Pacific (1.3mn sq.ft.) and North America (1.4mn sq.ft.). For transportation-based facilities under the **ISCS and GFS** business segment, the company generally engages with 3rd party fleet partners and 3rd party carrier providers that grant access to large fleets and transportation vehicles (inclusive of air and ocean carriers). This is agreed upon via issuing a work order in favour of the 3rd party transport service providers. The asset light approach enables the company to offer flexible and tailor-made solutions to its customers, scale-up volumes, optimise the loads and maintain flexibility in order to handle seasonal/client requirement variations if any.

Exhibit 07: C3 Strategy for Asset Light



Source: TVS SCS RHP, Progressive Research

The revenue flow continues to be steady on account of new business development and **encirclement** strategy which the Management is diligently following; this has positioned the company to generate incremental business wins from existing customers while at the same time secure **new large contracts** which is a quarterly phenomenon. The **new business** wins in Q3FY26 stood at Rs3,190mn (9MFY26: Rs6,830mn) accounting for ~13.3% of the overall sales; the new wins have accounted for ~8-13% over the past several quarters which ensures **customer stickiness** that the company enjoys. The total **business development** pipeline for Q3FY26 stood at ~Rs63bn which provides revenue visibility for the next couple of quarters. Though the deal execution is purely subjective to each of the business segment with the implementation time fairly a bit longer (probably ~3-6months) in the **ISCS** business post the order/deal gets converted as against the **GFS** business; however, holistically, the general **conversion rate** for TVS SCS has been at ~20%.

(B) Diversified Business Model:

(i) Integrated Supply Chain Solutions (ISCS): offers the customer/client with solutions to track the inventory levels, monitor shipments, provide increased automation (to reduce manual errors by automating repetitive tasks) and ensure better demand forecasting. Thus, ISCS provides all-round solution across the entire supply chain right from procurement to delivery.

For **TVS SCS,** the ISCS business segment contributed ~55% and ~73% of total sales in FY25 and Q3FY26 respectively. With effect from Q1FY26, the company had undertaken a **structural transformation** for its ISCS business wherein the Integrated Final Mile (**IFM**) business (erstwhile part of network solutions business) was fully integrated into ISCS in the UK and the EU regions. This unified model helped in elimination of duplication work, provided an integrated platform by combining warehousing, distribution and final mile solutions, supported margin expansion and better cross-selling opportunities.

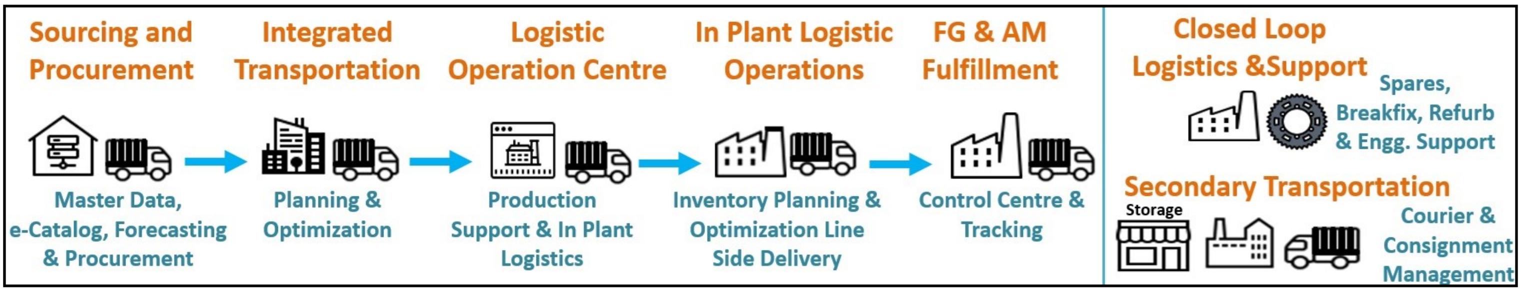
The **geographic** mix as of FY25 came in at India (~37.5%), North America (~18.0%) and Europe (~44.2%). In terms of customer engagements, the contract wins are generally multi-year time-frame with varying length across geographies and for FY25 in the pecking order the tenure stood as ~7.0 years (for Europe), ~4.2 years (for North America) and ~3.9 years (for India).

ISCS is not limited to a specific **end-user industry** rather has its branches spread across industrials, automotive, tech and tech infra, consumer, rail & utilities and others. Over the past couple of quarters, this business has reported **steady** revenues with Ebitda margins in the range of ~8-9%. Alongwith **customer stickiness**, addition of new contracts and increased wallet share, ISCS is considered as a **high margin** business for the company. The ISCS business secured several **notable contracts** in Q3FY26 across India as well as Europe for a global renewable energy leader, a CV pioneer, an integrated clean energy specialist, top energy storage manufacturer, leading European PV manufacturer and a EU based global IT infrastructure service provider. Going forward, the Management anticipates strong operational growth from the **India** market, with strengthening of the global portfolio in **North America** and further expanding the key customer engagements and relations in the **EU** region.

Investment Rationale (contd.):

(i) Integrated Supply Chain Solutions (ISCS) (contd.):

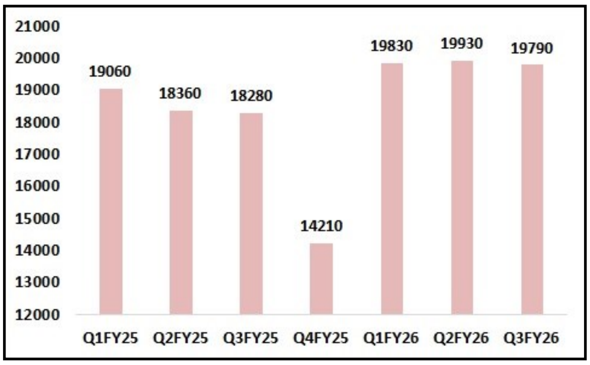
Exhibit 08: ISCS Offerings



Source: TVS SCS Feb'26 PPT, Progressive Research

The company is looking at lowering operational and administrative expenditure across the verticals/geographies/entities to fetch better profitability, which also indicates there is scope for gradual margin expansion in quarters to come. Thus, in order to integrate the ISCS and IFM businesses of UK and Europe under a unified structure and business model, the Board had launched an initiative **Project One** (in Q1FY26) which is expected to generate yearly savings of ~Rs1100-1200mn; of which the Management expects at least Rs500-600mn to start reflecting in FY26 itself. This significant and strategic approach is well crafted in order to control cost via adopting and executing measures such as right-sizing, right-shoring, warehouse consolidation, role transitions from high cost (EU/US) to optimized locations across the regions. The main intent of the project was also to optimise the employee cost with consolidation opportunities in infrastructure. This move is expected to further enhance the ISCS business margins and the overall profitability levels; already seen as improvement at **absolute** Ebitda levels for the ISCS business which stood at Rs1830mn in Q3FY26 with an **Ebitda margin** of ~9.2%. The Project One is progressing as per internal estimates of the Management and is also directed towards enabling the company to achieve its **PBT target** of ~4% by FY27E. In addition to the Project One initiative; some of the other fundamental triggers that will help achieve the PBT target includes **double-digit** growth from North America and India and benefits from operating leverage (by maintaining lean overheads, lower spends on SG&A and timely cost restructuring). The intent of the Management is quite clear to move out of **non-profitable** businesses but not lose out on pricing while providing value-added services. There have been instances where clients have come back to TVS SCS after ~8-10 quarters owing to better services while not compromising on the price.

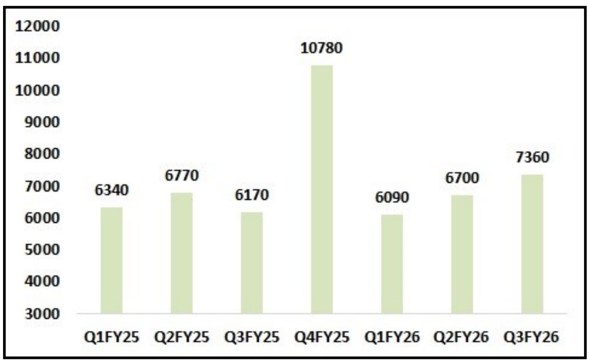
Exhibit 09: ISCS Quarterly Sales (Rs in mn)



Source: TVS SCS Quarterly PPTs, Progressive Research

(ii) Global Forwarding Solutions (GFS): the **erstwhile** business segment was termed as *Network Solutions (NS)* which comprised of **GFS** offering comprehensive range of services/solutions across air/ocean/land freight and **IFM** which included broadly 2 service range viz; **(a) closed loop logistics**, forwarding stock locations (fulfills the requirement of spares by the nearest service engineer), pick-up and drop-off (PUDO) and intelligent lockers (collection service and keyless lockers), in-boot delivery and engineering support services (break/fix services for desktop and enterprise equipment as well as electronic PoS equipment, ATM machines and printers and technical staffing) and **(b) time critical consignment delivery** (inclusive of same day and next day delivery options to both large and small B2B businesses). Effective from Q1FY26, the Board had reclassified few of the warehousing contracts of Singapore and Thailand into ISCS and going forward **GFS** will operate as a pure freight forwarding business. The GFS business contributed ~45.1% and ~27.1% to the overall revenues in FY25 and Q3FY26 respectively. The contracts under this business are both single and multi-year in nature. The GFS business is **cyclical and a low margin** business which tends to face macro-related challenges wherein the margins are affected primarily on account of global freight rate pressures and fuel prices; however, the company doesn't foresee any impact on the **volumes** front which invariably keeps the revenues under this segment broadly stable. The conscious efforts of the Management are underway in order to restore the profitability in this business.

Exhibit 10: GFS Quarterly Sales (Rs in mn)



Source: TVS SCS Quarterly PPTs, Progressive Research

Investment Rationale (contd.):

(ii) Global Forwarding Solutions (GFS) (contd.): The recent developments on the **EU FTA**, with lower/reduced tariffs on nearly all traded goods are expected to accelerate trade volumes, cargo growth, and volume shipments for both the regions. India will reduce tariffs on ~96.6% of EU exports and EU would liberalize ~99.5% of its tariffs on goods imported from India. For TVS SCS, once the FTA is fully implemented it is expected to serve as a **catalyst** especially for the GFS business (which is volume driven) while an uptick can be anticipated from the ISCS business as well.

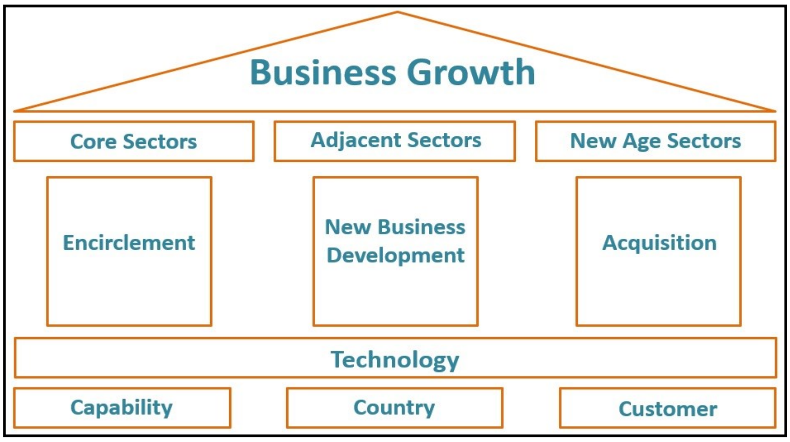
Exhibit 11: GFS Offerings

Source: TVS SCS Feb'26 PPT, Progressive Research

(C) Growth Enablers:

(i) The C3 Strategy: TVS SCS has adopted and followed the **C3 Framework** concept which is directed towards **Customer, Capability and Country.** This has been the fundamental growth driver for the company that has not only enabled to scale the business growth but also assisted the company to sell new capabilities to the existing customer base, offer solutions in newer geographies to existing customers', sell current capabilities to newer customers and cross deploy capabilities from developed to developing markets. Currently the company explores and **leverages** on two of the C3 framework and thereafter scouts for opportunities to further enhance and grow in the 3rd C which could be either via organic/inorganic route.

Exhibit 12: C3 Framework



Source: TVS SCS RHP, Progressive Research

C1= Capability: while being able to continuously grow in the existing **core** sectors of automotive, industrial, consumer, etc., the company gives importance to and believes in the strategy termed as ***encirclement*** which emphasizes on increasing the wallet share of existing customers via incremental business generation. In order to optimise the supply chain process, the company continues to incur investments in AI, ML which will assist in automated workflows to save costs, avoid manual intervention (via deployment of robots to manage outbound orders) and thus ensure customer satisfaction. With the assistance of IoT, advanced sensors and Radio frequency identification (RFID); the company ensures better inventory control and real-time tracking of inventory. Thus, technology continues to be a central enabler for the entire working mechanism of TVS SCS.

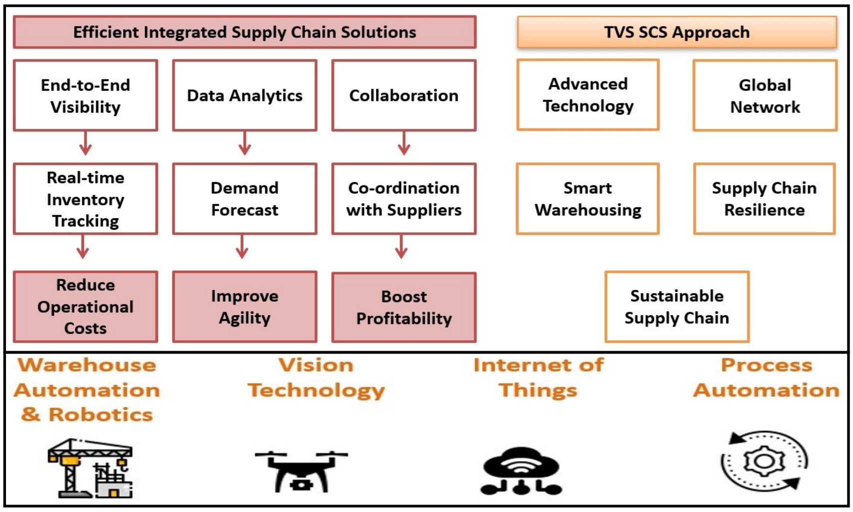
C2= Country: the company continues to leverage the existing global network and expand into new markets, acquire new customers and engage in new business developments in similar or adjacent end-user industries to accelerate the overall business growth and earn higher revenues associated with better margins and cost synergies.

C3= Customer: to further strengthen the existing customer base; the company has been making conscious efforts to understand its customers' needs and provide solutions while simultaneously trying to acquire new customers and add new end-user industries. This is well reflected by the increase in the Fortune 500 client base count that stood at 54 in FY21 and at present stands at 91 as of FY25; indicating customer stickiness. The Management indicates to scout for opportunities as and when they deem fit in other sectors of chemical, textile and pharma in the medium term.

Investment Rationale (contd.):

(ii) Tech-Based and Sustainable Solutions: Data analytics is an important parameter in the supply chain solutions industry as it helps streamline operations, make informed decisions, and accurately forecast demand. It also helps gauge the overall inventory levels, reduce costs and thereby enhance efficiencies. With the assistance of **descriptive analytics**, companies can summarize the past performance, predict or identify potential risks and opportunities while **prescriptive analytics** would suggest optimal actions/solutions based on the data insights. TVS SCS already has **technological** capabilities at its discretion in the form of image recognition, vision tech, ML, robotics, AI, coupled with prominent technology led **platforms** viz, **Msys** (product data management, demand forecasting, warehouse management, business data & analytics), **Visibility** (warehouse and inventory management using RFID technology), **Alpha** (to monitor and track orders) and **e-connect** (online tracking system with 24/7 visibility of goods). The **technology first** approach enables the company to automate and digitize the supply chain operations, offer speed, accuracy and cost-effective solutions to its customers. As transportation and logistics form a significant component to carbon footprint; TVS SCS is also focusing on **sustainable** supply chain solutions by utilizing **green logistics** wherein the company is exploring alternate sourcing options for packaging in order to minimize waste, reduce the environmental impact via optimizing transportation route or minimize fuel consumption and emissions, deploy EVs (via the arrangement with Switch Mobility-subsidiary of Ashok Leyland). It is also working with certain customers to reduce the overall number of trips (by creating innovative delivery method) to transport the same quantity of goods.

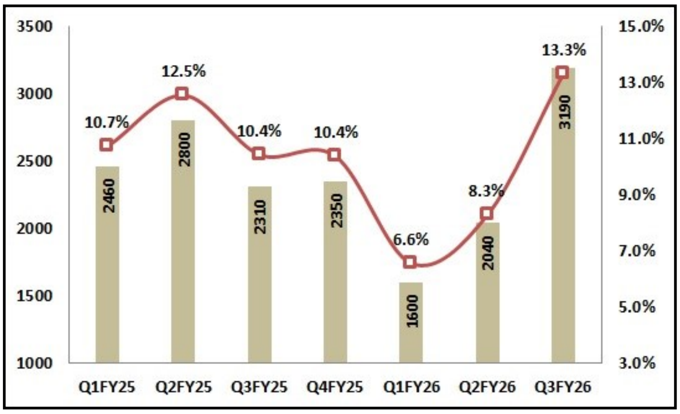
Exhibit 13: Technical Capabilities



Source: TVS SCS Feb'26 PPT, TVS SCS Website, Progressive Research

(iii) Sectoral Diversification: Apart from the existing end-user industries of automotive, tech & tech infra, consumer, industrials, rail & utilities, healthcare etc., the company is further **diversifying** by engaging in inorganic opportunities/MoUs/agreements to strengthen the overall portfolio. In **Jan'26,** TVS SCS's WoS FIT 3PL Warehousing Pvt. Ltd (Fit3PL) entered into a definitive agreement to acquire 100% stake in **Swamy & Sons 3PL Services Pvt. Ltd** (S&S3PL) for an EV of ~Rs880mn (to be funded via internal accruals); the transaction is anticipated to be completed in Q4FY26. The said transaction is structured and to be executed in 2 tranches with 80% of equity value to be acquired on closure and balance stake post FY27E audit. This acquisition will help **strengthen** the position of TVS SCS in the FMCG and FMCD (Fast Moving Consumer Durables) segment, expand the customer base, provide synergistic benefits, enhance the ability to serve a larger customer base in Andhra Pradesh and Telangana as well as improve the consumer industry contribution (under ISCS India) from ~18% in FY25 to ~25% and offer cross-selling opportunities. The Management of TVS SCS expects the transaction to be Ebitda, PBT and ROCE **accretive** with focus on volumes and doesn't intends to engage in low-margin based engagements/projects. In **Feb'26**, the company entered into an MoU with **ALA Group (Italy based),** to foray an entry into **aerospace and defence (A&D)** market. As a part of this MoU, TVS SCS alongwith ALA Group would provide integrated supply chain services across both production and aftermarket lifecycles for aerospace and defence programmes. This MoU aims to garner opportunities from USD28bn **Indian A&D** supply chain market size. TVS SCS already has the existing capabilities and experience in the defence and utility sector from the UK operations (accounts for ~30%) wherein the company has managed ~2.5mn+ annual demand through a global supplier base. With ALA Group, the company would leverage its existing, established connections, certifications, capability and technology in the production supply chain amongst the international OEMs across EU, US and UK and gain direct access to the players in the A&D market. In order to secure any new business in the A&D market, TVS SCS would be in a better position to fetch the same in a much lesser time-frame (probably months) as against a longer tenure of ~2-3 years led by the capability that ALA Group possesses. The initial focus of this collaboration would be directed towards the Indian markets with a potential to scale up in other geographies as well.

Exhibit 14: New Business Wins



Source: TVS SCS Q3FY26 PPT, Progressive Research

Investment Rationale (contd.):

(iii) Sectoral Diversification (contd.): The company thus continues to secure larger deals and capitalize on emerging market opportunities by leveraging its existing technological capabilities. Some of the prominent deal wins in the recent past consist of a 3-year contract with **Daimler India Commercial Vehicles** (Jan'26) where TVS SCS will deploy and manage in-plant warehouse operations for Daimler's manufacturing facility at Chennai. TVS SCS will utilize IoT based tracking to monitor real time visibility, automation led systems to reduce manual handling and digital dashboards for centralized performance monitoring. In **Feb'26**, TVS Mobility signed an MoU with **Palfinger AG (Austria)** in order to provide integrated supply chain, dealership and aftermarket support for the Indian operations. The MoU is a combination of **TVS SCS**, TVS Automobile Solutions (TVS ASL) and TVS Smart Mobility (TVS SM) wherein each of the companies will operate under separate contractual agreements. TVS SCS will offer inbound and outbound domestic logistics, FTWZ (free trade warehousing zone) operations to ensure efficient material flow. The company has a robust **pipeline** which gives the confidence for a double-digit growth opportunity in India as well as abroad including integrated solutions for global manufacturers, integrated 3PL solution for automotive parts provider, warehousing solutions for Indian retail chain, field service management solution for a large retail chain for European and US manufacturing giants. In **Mar'26,** the company further strengthened its offerings for **Caterpillar India Pvt. Ltd** by setting up a 40,000 sq.ft. warehousing facility at FTWZ in Chennai; this would help Caterpillar optimise lead times, reduce landed costs and enable multi-country sourcing.

Exhibit 15: Domain Expertise

Domain Expertise Translating to High Profile Customer Wins in Q3FY26

ISCS			GFS
Global Renewable Energy Leader (India)	World-class Commercial Vehicle Pioneer (India)	Integrated Clean Energy Specialist (India)	Global Automotive Technology Pioneer
World-class Building Mobility Systems Leader (India)	Top Energy Storage Manufacturer (India)	Global Heavy Equipment Manufacturing (India)	Leading Material Handling Technology Platform
Leading European Passenger Vehicle Manufacturer (India)	Urban Rapid Transit Operator (Europe)	International Enterprise Technology Provider (Europe)	Among Top European Renewable Energy Specialist
Among Top Global Technology Services Firm (Europe)	IT Infrastructure Services Provider (Europe)		Global Solar Solutions Expert
			World-class Engineering and Manufacturing Solutions Leader

Represents India

Source: TVS SCS Feb'26 PPT, Progressive Research

Financials:

Over the past FY's the company has been reporting losses due to exceptional items, macro uncertainties, acquisition related integration costs and interest costs; however the overall losses have narrowed down in FY25. The company is subject to seasonality effect, wherein generally Q3 is considered as the weakest quarter (EU and the US), while Q4 is considered a better quarter for the India business; for the GFS business Q2 and Q3 are considered as better quarters. Thus, the right way to analyse the business would be on a yearly basis rather than on a q-o-q basis. Though the **ROCE** over the past several years have been in single digit, the intent of the Management to achieve a PBT target of ~4% by FY27E associated with acquisitions that are PBT accretive and improving operational efficiencies should help scale up the return ratio over the medium term. The business in which the company is involved has higher **working capital** requirements as it engages with 3rd party contractors, make payments to its network/fleet partners and the variations that take place in the billing cycle with MNCs; the WC investments generally have been ~9-10%. The company historically has allocated ~1-1.5% of the overall sales towards **capex** requirements particularly for the new projects/investments and would continue to incur in the same range going forward as well.

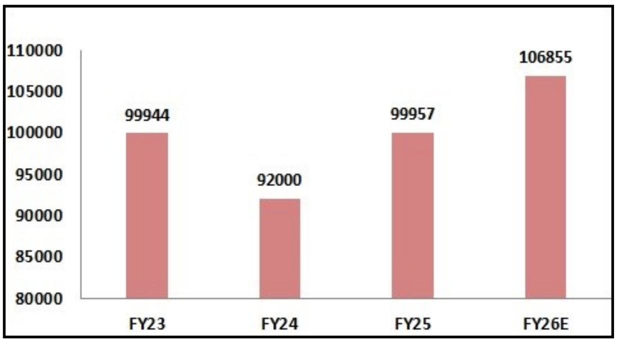
The **ISCS** business segment continues to be the largest revenue contributor to the overall business of the company (accounted for ~73% in Q3FY26). The major costs associated under the ISCS segment are linked to the warehouse rents, labour, material handling etc. The Ebitda margins under the ISCS business are generally considered as less volatile and can improve when there is an increase in the utilisation levels of the warehouse, long-term contracts that provide stable revenues and increase in volumes handled per warehouse. In Q3FY26, the ISCS business Ebitda margins came in at 9.2% as against 8.7% in Q2FY26.

Financials (contd.):

As far as the **GFS** business is concerned, here the company's operations are largely and heavily dependent on air, sea, rail and road transport and all the opex costs associated with the same includes freight/forwarding/handling charges, subcontracting costs/casual labour costs which formed a larger component of the overall cost structure and stood at ~28.9% and ~14.3% respectively in Q3FY26. Thus, any external factors on account of increase in the costs from air/ocean/shipping capacity shortages, global disruptions, changes in fuel prices will restrict the company's ability to pass on the increased costs to its customers' base thereby impacting the GFS business Ebitda margins. The GFS Ebitda margins for Q3FY26 stood at 2.3% as against 2.2% in Q2FY26. Going forward, the Management anticipates an improvement of ~150bps for the ISCS Ebitda margins whereas the GFS Ebitda margins can be further scaled upto ~3.5-4% barring any uncertainties. The adjusted Ebitda margins (adjusted for Esops, forex gain/losses and redundancy costs) at a blended level in Q3FY26 stood at ~7.5%.

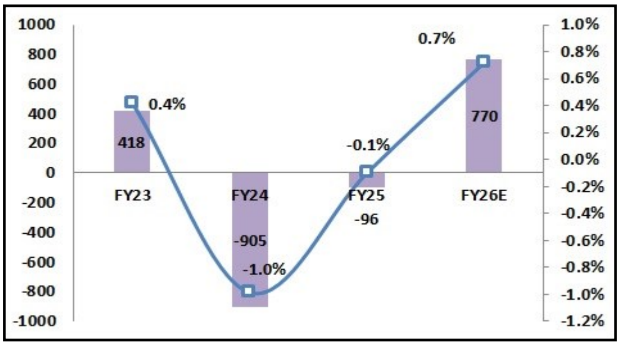
In terms of **capital structure**, although debt appeared to be a bit of a concern; as the net debt as of H1FY26 stood at ~Rs2857mn as against ~Rs2322mn as of Mar'25; the major component is related to working capital debt coupled with a small portion attributed to a term loan for the company's project in **TVS SCS North America**. The **new build to suit** facility (~225,000 sq.ft. for TVS SCS North America) at Waterloo, Iowa was inducted in Q3FY26 which is expected to cater to the clients in the US markets by providing value-added services like kitting, sequencing and JIT delivery. The Management expects a revenue of ~USD500mn for TVS SCS North America in the medium term. The debt repayment over the FY's has led to an improvement seen in the overall OCF.

Exhibit 16: Revenue Trend (Rs in mn)



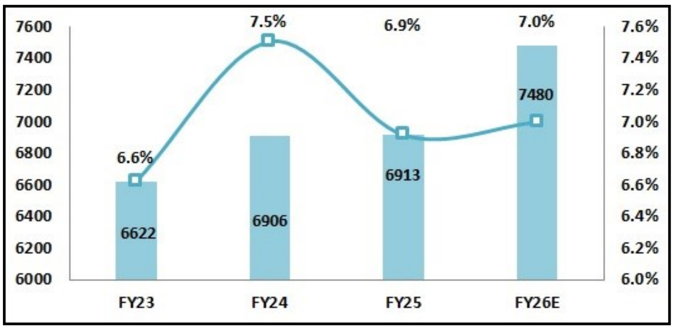
Source: Annual Reports, Progressive Research

Exhibit 17: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 18: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

Risks and Concerns: The company faces risks associated to **project execution** where any **potential delays** in commissioning a major international project may impact near-term revenue recognition. In addition to this, growth of the overall business is directly related to the **end-user industries** which TVS SCS caters to. Thus, any fluctuation in the demand for the products manufactured or sold by its clients can impact the overall business pipeline. The company's customer relationships are generally characterized by long-term **contractual agreements** under the ISCS business segment whereas for the GFS business the agreements are a combination of both single and multi-year arrangements. Any deviation to generate repeat business from the existing customers, failure in contract renewals or loss of key customers/termination can significantly hamper the deal wins as well as the operations and cash flows for both these businesses. The overall **margin profile** and dynamics remain highly sensitive to any fluctuations in the **product-customer mix.** The GFS business is highly prone to any changes at the macro level and thus any uncertainties arising out of global freight rate pressures, fuel price, shipping reroute, geopolitical uncertainties can severely impact the Ebitda margins for this business.

Risks and Concerns (contd.): Major portion (~70%) of the overall revenues is derived from customers based out of EU, UK, North America, thus the business is exposed to any **forex related** fluctuations for such transactions. Any disruptions or malfunction in the **logistics infrastructure** related to obsolete technologies or failure to upgrade or replace the existing technological capabilities or platform can affect the business operations. Improper handling of goods/damage at the warehouses can impact the overall business pipeline and any future deal wins for TVS SCS. As the company operates and functions on an **asset light-based** approach, the operations are dependent on the network/fleet partners for warehouse and transportation requirements; thus, failure to **renew the lease** contract can significantly impact the overall operations and the business. Furthermore, any increase in the operating costs of network partners or 3rd parties can have a direct impact on the earnings. Servicing the **working capital** requirements is also one of the concerns and any increase in the same can strain the cash flow requirements for the company. TVS SCS has certain **contingent liabilities** in the books (~Rs1069.5mn in FY25) wherein the occurrence of these events in the future can result in a cash outflow. The company is also susceptible to **seasonality** wherein generally, December quarter is a weaker quarter owing to holiday season accompanied by weaker volumes/demand, however, this was not the case in Q3FY26; the results defied the historical trends, showing **volume resilience** during a period that is generally characterized by a holiday led slowdown. Any seasonality driven concerns can affect the operating cash flows and any changes on the macro front (particularly inflation) across the geographies that the company deals in can further lead to increased costs/translation related expenses thereby declining the overall profitability. TVS SCS is exposed to risks relating to **compliance** with labour laws and operations that can be adversely affected by labor shortages, strikes, work stoppages or increased wage demands. The logistics industry is highly fragmented and any failure to stand by client demand/requirements can negatively impact the overall business operations.

Outlook and Recommendations:

TVS SCS is an India based MNC, tech-led and asset light supply chain solutions (where the warehouses and vehicles are operated on a lease structure with the assistance of the network partners) provider. These offerings are differentiated supply chain solutions to meet the customers' supply chain management and logistics requirements; thus, the company is regarded as a **one-stop** solution provider for end-to-end supply chain requirements. An **efficient** integrated supply chain solution offers numerous advantages like optimising the entire supply chain right from procurement to delivery that ensures faster delivery, real-time inventory tracking, leverage data analytics to forecast demand, and act as a bridge to communicate and coordinate with suppliers, manufacturers, distributors. All of these would invariably provide better visibility, enhanced collaboration, reduce costs, optimise the transportation routes thus showcasing better customer satisfaction and boost the overall profitability. TVS SCS ISCS business segment engages in each of these supply chain levers right from sourcing, procurement to delivery. The company offers **bundled/tailor-made** solutions to its esteemed client base ensuring long-term contracts alongwith contract renewals which further strengthen the customer relationships. The **encirclement** strategy by dealing with existing customers and engagement in large/new size contracts with the existing customer base has enabled the company to report steady revenues and has enabled to dissociate with the historical trend of growing in sync with the GDP growth in the geographies where the company operates and offers value-added solutions. The clients or the end-user customer industry which the company caters to is **highly diversified** which also helps mitigate the risks associated with concentration/failure on any one single sector/segment. In addition to this, the company has its reach spread across **multiple geographies** which also provides cushion or a winning edge against geographic concentration. Amongst the end-user industry, **automotive** continues to be the mainstay for TVS SCS followed by the next leg of growth to be witnessed from **FMCG/FMCD** (backed by the recent definitive agreement undertaken with Swamy & Sons). The company has been able to offer differentiated solutions to its customers, enhancing **its wallet share** and also securing new contracts while more or less maintaining the growth momentum.

The current efforts are routed towards **turnaround** in the operations; though the company has seen a delay related to reaching the guidance, however, they are on track to try and achieve the same soon. The subsidiaries/entities of the TVS SCS group which were dormant or had no material impact on the operations have been **struck off** via voluntary liquidation. In addition to this with the implementation of the **Project One initiative**, the Management anticipates annualised savings of ~Rs1100-1200mn; of which at least Rs500-600mn are expected to start reflecting in FY26 itself. The Project One initiative is progressing as per internal estimates set by the Management and the company is well on track to achieve its stated **PBT target** of ~4% by FY27E. The Management has been formulating strategies to turnaround the business and has clear-cut plans to address only those businesses which have good visibility with healthy profitable order book and work for projects which are anticipated to be beneficial going forward for a profitable PnL. The Management has also made a conscious decision to not get into e-commerce/B2C space (which can many a times burn cash).

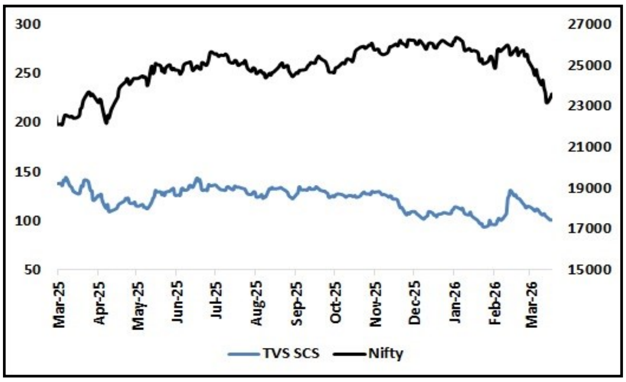
Although the **GFS** business may continue to face **macro related uncertainties** but volume is not a concern for the company. There might be certain aberrations on account of the geopolitical risks which may impact the margins for this business over the medium term. As far as the **ISCS** business is concerned, the Management expects strong operational growth from the Indian market, further strengthening the global portfolio by sustained growth in North America and expanding key customer relationships for the EU markets. At the company level, the Management expects good growth for the **Indian** market that would be contributed from building new businesses and eliminating non-profitable and low margin businesses but with conscious efforts retained on not compromising on the pricing front.

Outlook and Recommendations (contd.):

Going forward, the Management believes, **India and the US** will be the growth triggers to help fetch double-digit growth where the key priorities will be focus on customers as well as the aftermarket services. Though the recent development on the **EU FTA** is still at a nascent stage; once the FTA is fully implemented and in force the same is expected to serve as a **catalyst** especially for the GFS business (which is volume driven) alongwith an uptick for the ISCS business segment as well.

The **new business** wins are a quarterly phenomenon for the company and already has a strong deal pipeline of ~Rs63bn as of Q3FY26 which provides revenue visibility over the next couple of quarters for the company. The **growth levers** for TVS SCS continue to include new contract wins from existing as well as new customers, increasing wallet share per customer, adding new customers across industries while fetching multiple contracts across service lines coupled with operating leverage. In order to grow the **scale** of operations, the company is already working on a global customer account management program coupled with a strong pipeline which has already started leveraging cross-selling opportunities. Overall, the company has its strategic rationales already set in order to optimise costs by adopting a right-sizing approach, the recent inorganic acquisitions/agreements/MoUs are further expected to enhance the overall business profile and the end-user industry to which they cater. The company intends to stick to the **asset light** business model, ensure customer stickiness via the C3 framework and at the same time capitalise on any opportunities as and when it deems fit to diversify into other end-user industries. These are some of the long-term fundamental triggers that would set motion for the growth of the entire business of TVS SCS. We thus initiate a BUY on the stock for a target of Rs140.

Exhibit 19: Price v/s Nifty



Source: Ace Equity, Progressive Research

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Registered Office Address:

Progressive Share Brokers Pvt. Ltd,

122-124, Laxmi Plaza, Laxmi Indl Estate,

New Link Rd, Andheri West,

Mumbai-400053, Maharashtra

www.progressiveshares.com | Contact No.:022-40777500

Compliance Officer:

Ms. Mamatha Poojari,

Email: compliance@progressiveshares.com,

Contact No.:022-40777500

Grievance Officer:
Email: grievancecell@progressiveshares.com