

IPO Note

August 09 2023

TVS Supply Chain Solutions Limited





Issue Snapshot:

Issue Open: Aug 10 – Aug 14, 2023

Price Band: Rs. 187 – 197

*Issue Size: 44,670,051 eq sh (Fresh Issue of Rs 600 cr + Offer for sale of 14,213,198 eq sh)

Reservation for:

QIB	atleast	75% eq sh
Non-Institutional	upto	15% eq sh
((including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	upto	10% eq sh

Face Value: Rs 1

Book value: Rs 431.41 (March 31, 2023)

Bid size: - 76 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	40.70 cr
*Post issue Equity:	Rs.	43.74 cr

Listing: BSE & NSE

Book Running Lead Managers: JM Financial Limited, Axis Capital Limited, J. P. Morgan India Private Limited, BNP Paribas, Nuvama Wealth Management Limited, Equirus Capital Private Limited

Sponsor Bank: Axis Bank Ltd & Kotak Mahindra Bank Ltd

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	46.65	43.40
Public & Employees	53.35	56.60
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

TVS Supply Chain Solutions Limited (TVS Supply) 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. The Company is an India based multinational company, who pioneered the development of the supply chain solutions market in India. It was promoted by the erstwhile TVS Group, one of the reputed business groups in India, and are now part of the TVS Mobility Group. For more than 16 years, it has managed large and complex supply chains across multiple industries in India and select global markets through customized tech-enabled solutions.

TVS Supply is an Indian supply chain logistics solution provider that has global capabilities and network across the value chain with cross deployment abilities. Its 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. It provides solutions and services to meet its customers' supply chain management and logistics requirements. As part of its engagement with customers, customers outsource portions of their supply chain to the Company in order to improve their efficiency and to better manage their resources.

TVS Supply'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"). Its 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. Its 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.

End-to-End Capabilities



Globally, the Company provided supply chain solutions to 11,546, 10,531 and 8,788 customers during Fiscals 2021, 2022 and 2023, while in India, it provided its solutions to 1,120, 1,044 and 902 customers in the same years. It has added an aggregate of 1,179, 152 and 177 new customers (i.e. new customers who the Company did not provide any services in the immediately preceding year) in Fiscals 2021, 2022 and 2023, respectively. Its customers span across numerous industries such as automotive, industrial, consumer, tech and tech infra, rail and utilities, and healthcare. TVS Supply has developed long-term relationships with a number of its clients, which has provided resilience to its revenue and profitability. Its supply chain technologies and processes are the core of its solutions. With the



help of its technology and software systems framework, it builds tailor-made solutions for various supply chain activities. Its business has benefited from investments in technology, talent and process. TVS Supply technologies enables it to automate and digitalize supply chains for its customers.

Objects of Issue:

The Offer comprises the Offer for Sale and the Fresh Issue.

Offer for Sale

TVS Supply 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.

Fresh Issue

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

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

In addition, TVS Supply expect to achieve the benefits of listing of the Equity Shares on the Stock Exchanges which, will result in the enhancement of its brand name and creation of a public market for the Equity Shares in India.

The Net Proceeds are proposed to be utilised in the manner set forth below:

Sr.No	Particulars	Estimated amount (in Rs. million)
1	Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company and its Subsidiary, TVS LI UK; and	5250.0
2	General corporate purposes	*

Competitive Strengths

Critical scale in a fast-growing and fragmented third-party logistics market in India: TVS Supply operates 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. India has an inefficient logistics system, with total logistics spending in India accounting for approximately 13% of GDP in Fiscal 2022, which is significantly higher than developed countries like the United States, where logistics spend was approximately 8% of GDP in 2021. 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. The growth in the Indian logistics market is expected to be driven by a number of factors including Macroeconomic Factors, Outsourcing of Logistics Services to Expert Service Providers, Modernization, Production Supply Chain Logistics, Outbound Logistics and Network Solutions (NS).

Leader in end-to-end solutions enabled by domain expertise, global network and knowledge base: The global supply chain industry is evolving, with customers requiring faster speed-to-market, end-to-end visibility across multi-modal supply chains, flexibility and dynamic optimization. Within the overall supply chain services market, the integrated supply chain services segment is an evolving segment requiring bespoke supply chain solutions, which are designed to solve various structural challenges such as:

- improving real-time visibility and control of key supply chain metrics
- managing operations across multiple demand channels
- enhancing asset utilization through sharing infrastructure and operational capacity to reduce overall supply chain costs
- reducing cost of inventory through optimal sourcing and
- creating new operational processes in response to changing customer and market needs.

The Company act as a complete 'one-stop' solution for customers from sourcing to distribution through its end-to-end capabilities, which includes sourcing and procurement, integrated transportation, logistics operating centre, inplant logistics operations, finished goods and aftermarket fulfilment, import and export freight, closed loop logistics and support, and secondary transportation. It deeply integrates its supply chain solutions and logistics services, with digitalization and end-to-end coverage. It is able to significantly add value to its customers for their revenue and cost optimization by solving their complex problems and requirements with innovative and



customized solutions and implementation at scale. TVS Supply use intelligence, automation and dynamic optimization capabilities that enables customers to achieve their supply chain objectives, increase supply chain visibility and lower total cost of operations.

Its technology-led supply chain solutions design functions are dedicated to, and specialize in, reducing friction in supply chain with technology, which aim at helping in improving service levels, quality, scalability and visibility of its customers' supply chain. The use of integrated, data-driven end-to-end solutions results in delivering agility to customer supply chains, gain customer trust and deliver additional value, which encourages them to use its services repeatedly, continuously and across geographies. In addition, by leveraging its cross-deployment capabilities and global network, which is spread across 26 countries in regions such as India, United Kingdom, Spain, Germany, Australia and Singapore, as of March 31, 2023, TVS Supply is also able to replicate the knowledge and know-how gathered to customers operating in different geographies and industries.

Robust in-house technology differentiation: TVS Supply is strongly differentiated by its technology as an innovative provider of logistics solutions that enhance visibility, speed, accuracy and cost effectiveness for its customers, and by its ability to customize its technology-enabled services to cater to each customer's requirements. Its solutioning tools for transport, warehouse, order and labour management enables to develop customized solutions. TVS Supply 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 its customers' needs. Its '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 it to scale its services faster. Its 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 its smart centre control tower, development centres and 'Centre of Excellences'.



Customization & Rapid integration

- **Customizable tech stack** which can be integrated with a complex supply chain ecosystem
- **Plug and play** modularity which allows flexibility
- **Co-create solutions** to meet emerging needs



Data & transparency

- Management and decision making with **data-backed insights**
- **Algorithm driven planning** at part / SKU level
- **Optimization** of mode of transport and cost



Repeatability & Scalability

- **Homogenous customer experience** across customer locations
- **Standardization, repeatability and scalability** of solutions

On several occasions, TVS Supply has developed innovative technology-led solutions to address complex challenges which are unique to its customers' industries. Its continued investments in technology while aiding in customization of services for specific situations, has also allowed it to cross deploy the learnings, solutions and capabilities for generalised or similar problems resulting in customer stickiness and leading to it gaining market share in a fragmented industry.

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

Long-term customer relationship in diversified and attractive industries through encirclement: TVS Supply has developed partnerships with customers across diverse and high-growth industries which offer various outsourcing opportunities. It provides services on a customer-goal based approach and its solutions are targeted towards consistently delivering higher efficiencies, higher accuracy meeting and achieving customers' performance indicators. This approach has helped its customers meet their objectives, which has led



to customer retention and development of customer relationships as well as enabled it to offer multiplicity of services. The revenue is diversified across numerous industries and customers located across Asia-Pacific (including India), Europe and United States with different demand patterns.

TVS Supply customers include numerous long-term relationships with 'Fortune Global 500 2022' companies, and it provided services to 72 'Fortune Global 500 2022' companies in Fiscal 2023. Its customers operate in a variety of sectors including automotive, industrial, consumer, tech and tech infra, rail and utilities, and healthcare, where it has significant expertise and understand the unique supply chain requirements. It has also developed presence in several fast growing industries such as electric vehicles, charging infrastructure, battery lifecycle, healthcare, health tech, clean energy and utilities and smart metering. The Company has established a global platform to generate cross-selling opportunities with customers across the globe. In line with its 'C3 Framework', it has followed its business development strategy of encirclement, through which it has generated incremental business from existing customers by increasing the scope of its services across geographies, which has at the same time allowed it to expand into new markets.

Resilient business model with multiple drivers of profitable growth: TVS Supply 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, its long-term contracts and asset-light operating model allows it to adapt across the economic cycle, reducing costs during downturns and putting in a position to expand quickly in growing markets.

Customer Contracts. TVS Supply's customer relationships are typically characterized by long-term contractual agreements, particularly, in its ISCS segment, where its contracts are typically multi-year contracts with select contracts ranging up to 13 years. In its NS segment, its contracts are a mix of both single-year and multi-year contracts.

Asset-Light Model. The Company operates an asset-light business wherein its warehouses and vehicles are operated through leases with its network partners. While it does not have ownership of these assets, it has control over the capacity and fleet, and the scheduling, routing, storing, and delivery of goods are managed by it. This enables to maintain control over operational quality metrics and improve overall performance as well as allows to offer a variety of flexible, scalable solutions and services based on its customers' requirements and handle complexities in the supply chain solutions industry.

Diversified Revenues. Revenues of TVS Supply are diversified in terms of customers, geographies and industries. It serviced 8,788 customers globally in Fiscal 2023 spread across 26 countries in Europe, United Kingdom, Asia-Pacific and North America, and industries such as automotive, industrial, consumer, tech and tech infra, rail and utilities, and healthcare.

Outsourcing Trend and Presence in High-Growth Sectors. Increasing complexities in supply chain solutions is driving the trend to outsourcing logistics services to expert third parties which provides the Company with the potential to on-board new customers and grow its operations. In addition, its presence in high-growth sectors such as electric vehicles, smart metering, health tech and IT infrastructure, positions it uniquely and acts as a growth driver.

Strong parentage with management team with cross industry experience: TVS Supply was promoted by the erstwhile TVS Group and are now part of the TVS Mobility Group. Its lineage benefits it in leveraging its long-standing brand heritage, in-depth understanding of multi-sector dynamics and local markets, operational experience, corporate governance standards, values and trust. Its culture and philosophy of doing business, is in line with the core values of 'TVS' of trust, value and service. It is in a position to attract talent, customers and network partners due to the recognition of the TVS group. It is led by an experienced management team that has the expertise and vision to manage and grow its business. TVS Supply also has a diversified Board of Directors, which is supplemented by a strong management team with significant experience. Its senior management team which also includes Ravi Prakash Bhagavathula, who has significant global experience in large multinational organizations in leading finance positions.

Business Strategy:

Company's 'C3 Framework' has been fundamental to their overall growth strategy through which they have focused on:

- Selling new capabilities to existing customers;
- Selling in newer geographies to existing customers;
- Selling current capability to newer customers; and
- Cross deploying capabilities from developed market to developing markets such as India and other parts of AsiaPacific region.

Customers

Deepen customer relationships: TVS Supply intends to enhance scope of engagement with existing customers by way of providing value added solutions and bundled logistics services to them.



Acquire New Customers. TVS Supply leverage its expertise in core segments and experiences with existing customer's in such industries in order to acquire new customers. Its ability to understand customer needs and provide solutions through data analysis and by deploying processes, technology and niche methods to increase productivity and manage inventory while implementing safety practices, reducing complexity and bringing visibility and transparency across the entire supply chain will continue to attract new customers. The company has added an aggregate of 177 new customers (i.e. new customers who the Company did not provide any services in the immediately preceding year) in Fiscal 2023.

Capability

Continued innovation and investment in technology: TVS Supply aims to continue to invest in technology designed to optimize labour and inventory management and also facilitate better visibility into fulfilment. It intends to build expertise in the following areas to further deepen its tech capabilities.

Continued focus on improving margins by increasing share of value added solutions and building end-to-end capabilities: TVS Supply Chain is focused on increasing the share of value added contracts with customers and building end-to end capabilities in order to improve its operating margins. It plans to further develop its scale, global intellect and access to data and network partners in order to continue to enhance its customers' supply chain efficiency and achieve higher efficiency in its operations throughout the whole supply chain. In particular, it intends to further enhance its data analytics, artificial intelligence and machine learning capabilities to continuously improve its operations in terms of cost, quality and delivery. TVS Supply also plans to develop solutions and services that can be modularized and more efficiently adopted by customers, which can further enhance customer experience and allows it to expand more rapidly and cost-efficiently. Further, it plans to put more throughput in its network to strengthen its logistics network, improve overall utilization through economies of scale, increase the level of integration across logistics networks, and improve efficiencies through more intelligent decision-making.

Continue to invest in team, talent, and partners: TVS Supply is and intends to continue to be people-led organization. Its entrepreneurial culture is a core ingredient of its success. It places a high priority on attracting, training and retaining its talent, which is integral to its continued ability to grow its customer relationships and develop technology capabilities. It is focused on developing talent into future leaders. As it evolves as an organization, the pace of change and complexity in its business increases and as a result, it proactively prepares and nurture future leaders to lead people, manage change and find new opportunities as well as create/execute strategy in line with organizational purpose. It aims to continue to dedicate resources to the training and development of its team. The Company also provides management and soft skills training, intensive workshops and management and technical advancement programs. It is committed to systematically identifying and nurturing the development of middle and senior management through formal leadership training.

Country

Leverage global network to expand into new markets: TVS Supply has and intends to continue to implement innovations and learning gained in one geography to other regions where it has a presence. Moreover, it has developed a global network base and throughput through additional businesses will enhance productivity and return as well as improve profit margin profile. There are several emerging and high-growth markets that share similar operational and structural market challenges to the markets in which it operates, which can benefit from its technology and network. Accordingly, TVS Supply intends to geographically expand to capture additional market share and by introducing new offerings such as time critical final mile solutions in selected Asia Pacific markets. Its emerging markets international strategy also includes leveraging the strength of its relationships with existing customers that also have significant international operations.

Deepen presence in a country: TVS Supply aims to deepen its presence in a specific geography by deepening its existing customer relationships, acquiring new customers and implementing its solutions promptly into adjacent industries to its existing industries where it has developed significant expertise such as utilities and smart metering, IT infrastructure, electric vehicles, health tech and clean energy.

Continue to grow global platform through targeted inorganic opportunities: TVS Supply acquisition strategy continues to target businesses that enhance its capability, increase geographical presence and increase access to a growing customer base. It has undertaken various acquisitions in the past which has significantly grown its scale and capabilities across geographies and intends to continue to pursue incremental acquisition opportunities that will be complementary to its existing platform, enhance technology, and increase the value proposition it delivers to its customers. TVS Supply operates in a highly fragmented industry with many companies competing both domestically and internationally. That consolidating and integrating new companies enable it to accelerate growth, realize revenue and cost synergies and increase margins.

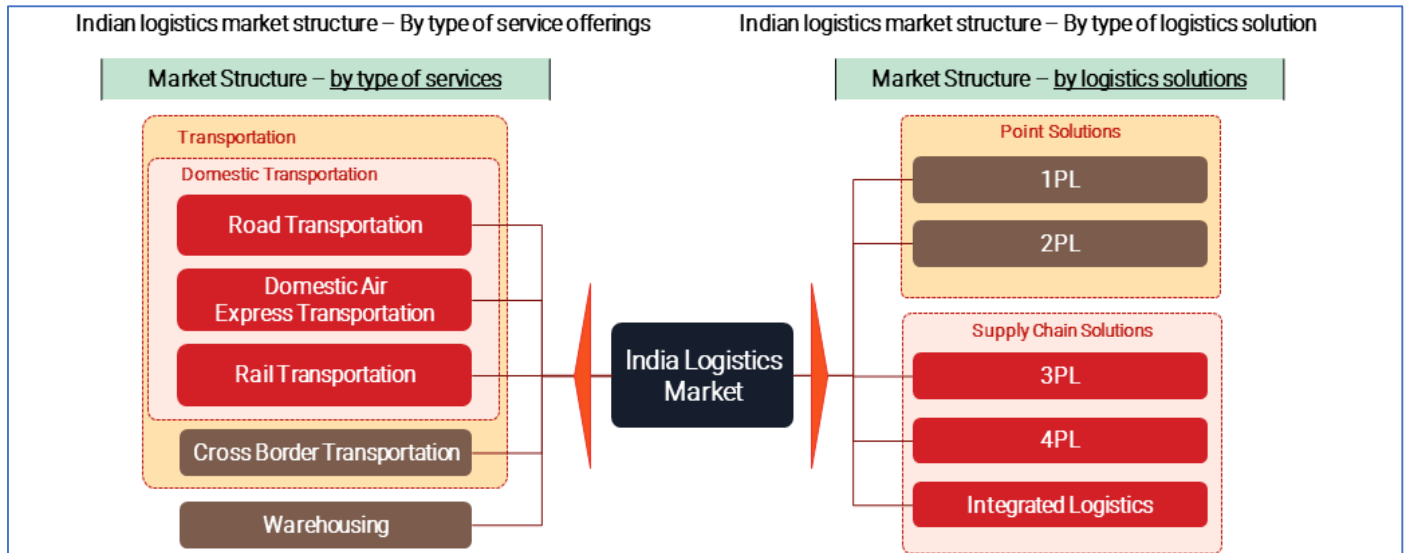
Industry:

India Logistics Sector

Logistics in India – An Introduction

Indian logistics sector is one of the largest in the world and presents large addressable opportunity. The sector is critical for the economic growth of the country as it connects various elements of the economy and consists of transportation, warehousing and other supply-chain solutions ranging from the suppliers to the end-customers.

Structure of Indian logistics market



India logistics market can be segmented in two different types of market structures: (1) type of services and (2) logistics solutions.

Logistics market in India consists of the following type of services:

Road Transportation: Road transportation represents the movement of freight over the road network within India. It is vital for the economic development and social integration of India. Easy accessibility, flexibility of operations, door-to-door service and reliability have earned road transportation higher share of freight traffic in comparison with other mode of transportation.

Domestic Air Express: Domestic air express transportation represents the movement of shipments within domestic pathways using the cargo and passenger planes belly.

Rail Transportation: Transportation done via railways. It is cost effective while carrying large cargo over long distances

Cross-border transportation: Cross Border Transportation represents the movement of shipments within international pathways via cargo and passenger planes belly and ships.

Logistics market by type of solutions:

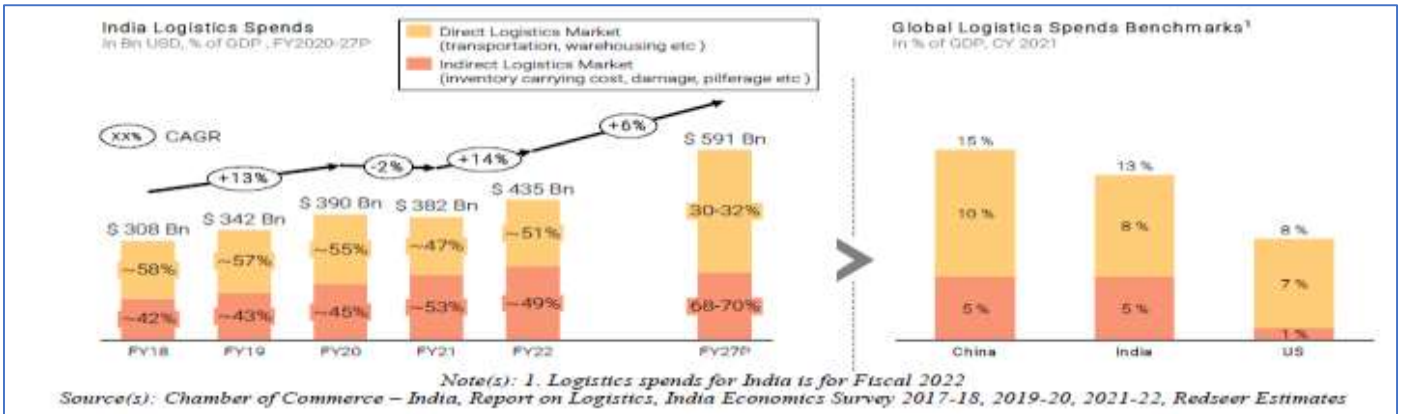
• Point solutions:

- o First-party logistics (“1PL”) is direct logistics solutions without any middle party between enterprises and customer.
- o Second-party logistics (“2PL”) is logistics

• Supply chain solutions:

- o Third-party logistics (“3PL”) is a logistics solution that offers a range of services across transportation and warehousing.
- o Fourth-party logistics (“4PL”) is a logistics solution providing integration technologies for single point coordination in supply chain.
- o Integrated logistics solutions offer all the services of a 3PL integrated with offering of 4PL and value added solutions to solve strategic challenges of the supply chain in partnership with the client firm.

Logistics market is large and projected to grow sustainably for next five years



The Indian logistics sector is one of the largest in the world and is critical for the country's economic growth. After contracting by 2% in Fiscal 2021, the market witnessed a strong post-COVID recovery in Fiscal 2022. The market grew by 14% and was valued at US\$435 billion in Fiscal 2022 and is projected to grow to US\$591 billion by Fiscal 2027, driven by the following factors:

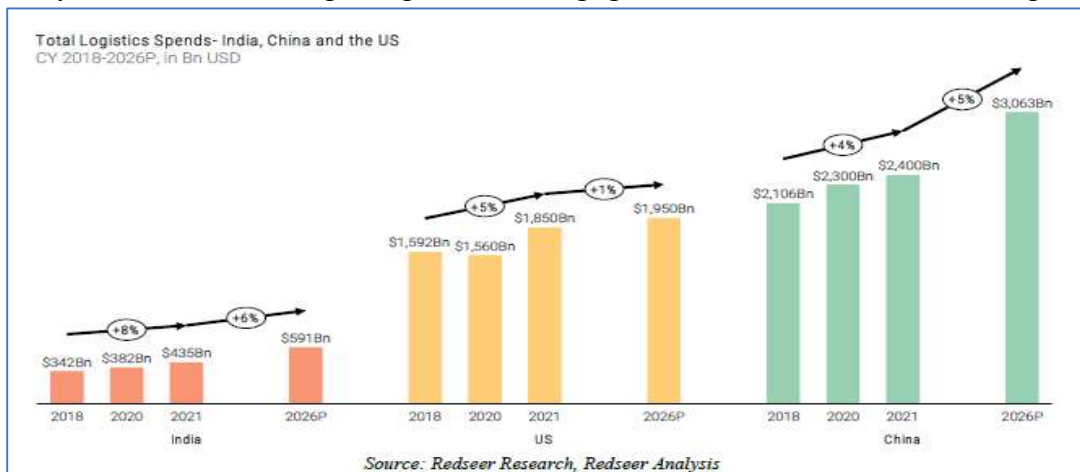
Strong demand from manufacturing (led by "Make in India" campaign), retail, automotive and pharmaceutical sectors and need for efficiency improvement in the newly created demand.

Increasing shift of industry preferences towards integrated supply-chain services and other sophisticated solutions like inventory optimization and data analytics from isolated offerings like transportation or warehousing.

Growth of ecommerce in India and demands for specialized needs of online delivery (amongst others, faster delivery, return management and cash-on-delivery)

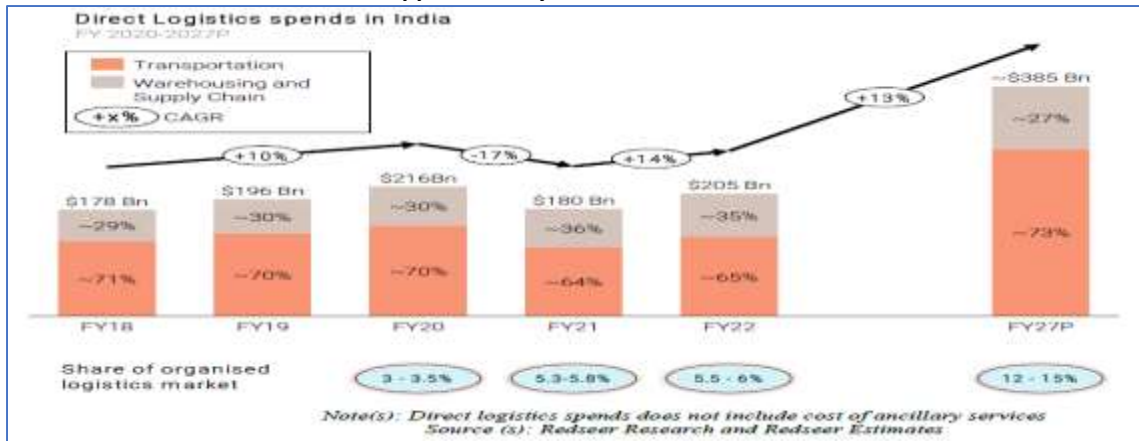
India's logistics spend, as a percentage of GDP, is significantly higher compared to developed countries (refers to the United States and Europe)), largely due to high incidence of indirect spends. This is similar to China (approximately 15%) as against approximately 8% in the US and Germany in 2021.

Logistics spends in India has been growing faster than large global economies and continue to outgrow them



The Indian logistics market has been highly fragmented and has experienced rapid growth in the organized market in recent years. The Indian logistics market has grown from US\$342 billion to US\$435 billion between 2018 and 2021 at a CAGR of approximately 8%. This is more than the growth that the Chinese market and the American market experienced during the same period at a CAGR of approximately 4% and approximately 5% respectively. The Indian logistics market is projected to grow at a higher CAGR of approximately 6% between 2021 and 2026. During the same period the Chinese logistics market is expected to expand at a CAGR of approximately 5% while the US market is expected to expand at a CAGR of approximately 1%.

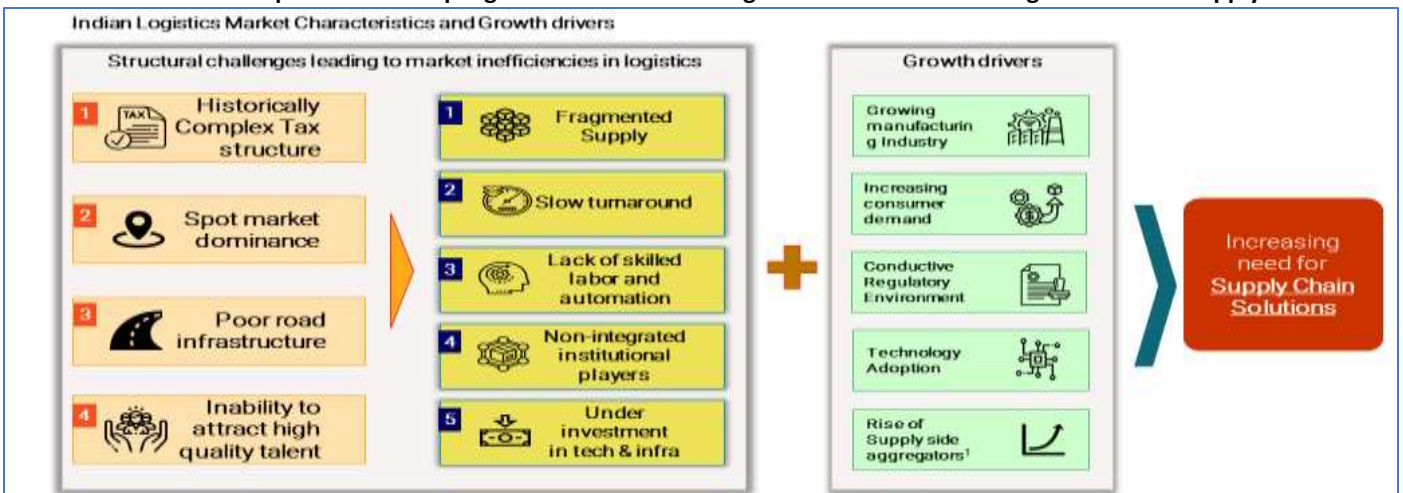
Direct logistics spends is estimated at approximately US\$205 billion in Fiscal 2022 and is projected to grow at a CAGR of approximately 13% till Fiscal 2027



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 pandemic. The market has recovered to reach US\$205 billion in Fiscal 2022 and 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\$7.5-7.7 billion, which is expected to grow at a CAGR of 20-22% to approximately US\$20-21 billion by Fiscal 2027. Increasing complexities in supply chain solutions is driving the trend to outsourcing logistics services to expert third parties.

The direct logistics market is primarily comprised of transportation and warehousing, of which transportation accounted for 70%, or US\$151 billion in Fiscal 2020 and 65%, or US\$133 billion in Fiscal 2022. Organized players accounted for only 5.5-6% of the logistics market segments (which includes road transportation and warehousing and supply chain services only) in Fiscal 2022. Organized players are expected to grow at a CAGR of approximately 32% between Fiscal 2022 and Fiscal 2027, taking their share to 12%-15% by Fiscal 2027. This shift is expected to be driven by the ability of organized players to offer integrated services, network and scale-driven efficiencies and larger investments in technology and engineering, resulting in higher share of wallet with customers.

Structural inefficiencies coupled with multiple growth drivers in the logistics market is increasing the need for supply chain solutions



India has an inefficient logistics system, with total logistics spending in India accounting for approximately 13% of GDP in Fiscal 2022, which is significantly higher than developed countries like the United States, where logistics spend was approximately 8% of GDP in 2021. The Indian logistics market is also highly fragmented and unorganized compared to other markets since the supply chain solutions industry is highly commoditized and has low barriers to entry or exit. 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.

Supply Chain Solutions and Key Trends (Source: Redseer Report)

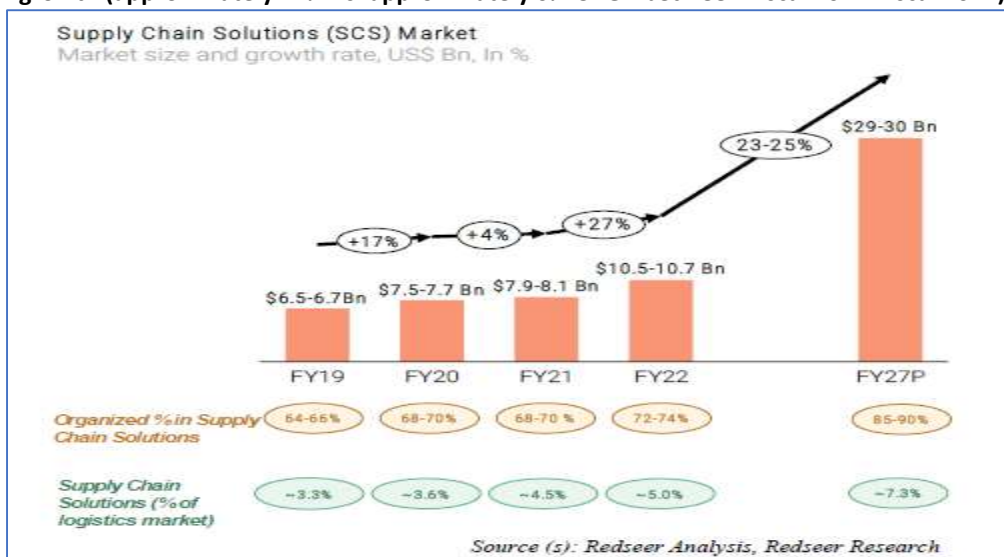
Emergence of supply chain solutions in India

Timeline	Pre-1960	1960s	2000s	2010	2015
Description	1PL Company having their cargo, freight for the transportation of goods from one place to another.	2PL Carriers that act as an arranger of all the transactions between the buyer and the seller.	3PL Carriers that provide transportation and warehousing services along with other VAS	4PL Solutions provider administers the entire supply chain	Integrated Supply Chain Providers End-to-end supply chain solutions
Players Pioneering the Market	Self	Transport providers guided by brokers	Erstwhile captive players like TVS started servicing the market providing 3PL & contract services	Global Market Leaders	Multi services logistics companies with capabilities to handle large and complex supply chain operation pioneered integrating supply chains of organisations
Target Customer	Self	SMEs & large players in end-user industries		Large player in end-user industries	
Complexity of Operations	Low	Low	Medium		High
Technological Capabilities	Low	Low	Medium	High	
Level of Service offerings	Transportation	Transportation	Transportation, Warehousing & VAS	Technology to manage supply chain solutions	End-to-end supply chain management

The Indian logistics market has been dominated by monoline service providers who partner with industry players and their captive logistics arms for transportation or warehousing requirements until the early 2000s when some captive logistics players like TVS Supply Chain Solutions Limited started using their capabilities to service other players as a third-party vendor. This pioneered the development of supply chain solutions in the market which were provided by large players having the capability to manage scale and supply chain complexities. As supply chains became more complex, players like TVS Supply Chain Solutions introduced concepts of 4PL (around 2010) and integrated supply chain solutions (around 2015). TVS Supply Chain Solutions pioneered the development of the Supply Chain Solutions market in India.

Sub-scale and predominantly manual operations have led to under-investment in technology and data capabilities by most traditional Indian logistics players. This has prevented companies from responding to changing customer needs, optimizing networks, efficiently utilizing capacity and improving customer service. As a result, technology is critical and creates differentiation by increasing outsourcing to supply chain providers and customer stickiness, allowing customization at all scale levels and upgrading customers' logistic costs into supply chain insights flows.

Estimated at US\$10.5-10.7 billion in Fiscal 2022, supply chain solutions market today is projected to outgrow overall logistics market growth (approximately 22% vs. approximately 6% CAGR between Fiscal 2022-Fiscal 2027)



The supply chain solutions market is more organized as compared with overall logistics market. The supply chain solutions market is projected to grow faster when compared to the overall logistics market (approximately 22% vs approximately 6% CAGR between Fiscal 2022 and Fiscal 2027). This is primarily due to the type of services offered by players in supply chain solutions, which require large scale service providers having a deep knowledge of complex logistics management.



Penetration of supply chain solutions to the total logistics market increased from 3.6% in Fiscal 2020 to 5.0% in Fiscal 2022. The supply chain solutions penetration is further projected to become approximately 7.3% of the total logistics market by Fiscal 2027.

The drivers for the growth in supply chain solutions market are as follows:

1. Industry players becoming more integrated and end-to-end;
2. Increasing complexity of supply chains as manufacturing industry grows rapidly;
3. Large potential to unlock efficiency improvement in the manufacturing end of the supply chain;
4. Demand from end user for sophisticated customer needs (faster and flexible) in different industries;
5. Increasing need for data insights and other value-added services provided by supply chain solutions in the market;
6. Extensive industry know-how of supply chain solutions players and their capability to provide insights across supply chain; and
7. Increasing favorable policy support for developing supply chain services (for example, PM Gati Shakti, and National Logistics Policy (NLP)).

Integrated supply chain solutions take complete ownership of the supply chain and includes all services by 3PL and 4PL players and beyond

In addition to the transportation and storage services across various parts of value chain (production supply chain and outbound logistics), integrated supply chain solution providers offer system integration, (WMS, TMS etc.), across the value chain and other value-added services.

The market consists of both the end-to-end integrated players that offer full suite of services with end-to-end coverage and entire supply chain systems integration as well as point integrated players who cater to specific parts of value chain, like integrated warehousing and fulfilment services. Integrated logistics solutions are more strategic in nature where key success parameters are business optimization, cost optimization, service fulfilment and customer delight.

The market is highly organized has high barriers to entry given the complex know how and capital requirement in the industry. The market is at its early stages in the country and is expected to experience exponential growth in the next few years.

The growth in the Indian logistics market is expected to be driven by a number of factors including: Outsourcing of Logistics Services to Expert Service Providers: The rapid pace of growth and the necessary reliance on technology makes it difficult for many companies to provide consistently high levels of service while handling logistics in-house. There is increasing outsourcing of operations and the need to focus on core competence has led to high demand for integrated logistics services.

Modernization: The emergence of new distribution channels and go-to-market strategies such as direct-to-retail and direct-to-consumer are driving the need for innovation in the traditional "B2B" supply chain, with greater demand for supply chain visibility, precision, and value-added services. In addition, there is a growing expectation of customers to have real-time visibility and control to ensure service quality and maintain continuous visibility of supply.

Macroeconomic Factors: Growth will be primarily driven by strong underlying economic growth led by domestic manufacturing, consumer spending, urbanization, favorable regulatory environment, digital economy and improvements in India's transportation infrastructure as well as Government initiatives such as 'Make in India', production linked incentives (PLI) schemes and government tenders for domestically manufactured goods and the continued geographical diversification by global companies of their logistics needs to reduce dependence on China.

The most significant growth in demand for logistics services in India, due to the above-mentioned factors, is expected to be in the supply chain solutions segment.

Demand for supply chain solutions in automotive sector to grow from US\$2.9-3.4 billion in Fiscal 2022 to US\$6.2-6.7 billion in Fiscal 2027

The automobile sector here is defined as the market for private and commercial vehicle in India and the automotive parts required for the same. The automobile market is currently the largest end-use sector for the 3PL industry as higher supply chain management standards are required in warehousing and transportation due to high unit value of automobiles and their parts and components and the large number of SKUs involved. The sector is currently valued at US\$2.9-3.4 billion and it is expected to grow at 15-17% CAGR between Fiscal 2022 and Fiscal 2027 to reach US\$6.2-6.7 billion. Growth of overall automobile market to grow by 13% CAGR for the next five years, and growth of electric vehicle market and limited supply chain capability of electric vehicle companies, startups are expected to play a major role in growth of supply chain solutions services in this sector.

Demand for supply chain solutions in industrial sector is projected to grow from US\$1.0-1.5 billion in Fiscal 2022 to US\$3.8-4.3 billion in Fiscal 2027

Supply chain solutions providers are usually present in production supply chain services while penetration in outbound transportation, dominated by transporters, is increasing significantly over the years due to higher reliability, integrated supply chain solutions, and multiple value-added services. Even though the overall industrial sector decreased by approximately 10 % from Fiscal 2019 to Fiscal 2020, the supply chain solutions market increased by approximately 9% over the same period due to the change in customer preference towards supply chain solutions providers driven by the COVID-19 pandemic induced supply chain disruptions.

The market is expected to grow at a CAGR of 25-27% from Fiscal 2022 to Fiscal 2027 majorly driven by strong government investment and support through various schemes like the PLI scheme.

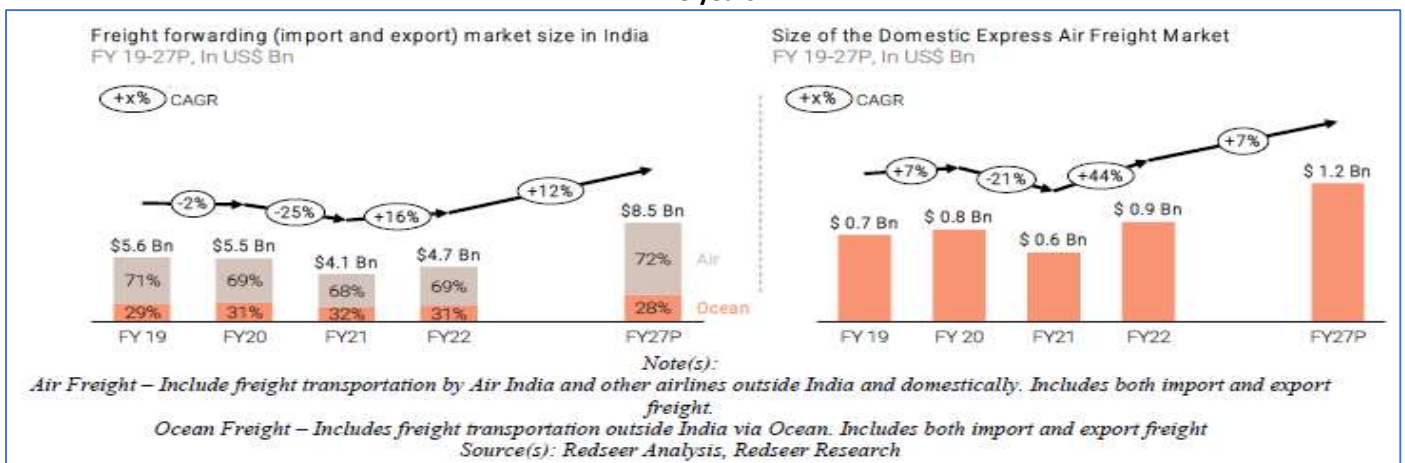
Increasing trend of consolidation of supply-chain in consumer goods sector is resulting in higher growth of supply chain solutions

The FMCG and consumer durables sector here is defined as the market for fast moving and low-cost goods along with durable goods used by the end customers. Consumer durables consists of products such as televisions, washing machines, refrigerators, air conditioners and mobile phones. While FMCG industry comprises foods and beverages, and home and personal care products used by the consumer. The market is projected to grow by approximately 18-20% year-on-year between Fiscal 2022 and Fiscal 2027. While the market grew by about 28% from Fiscal 2021 to Fiscal 2022. Core capabilities required include speed and consistency by 3PL players.

High growth rate (19%-21%) of the supply chain solutions in healthcare is driven by need for complex transportation of high value medical equipment

The healthcare sector, with respect to logistics, majorly includes pharmaceuticals and medical equipment and supplies. The healthcare supply chain solutions market grew by 27% from Fiscal 2021 to Fiscal 2022 to reach US\$0.2- US\$0.25 due to positive impact of COVID-19 pandemic. It is further expected to grow by 19%-21% year-on-year between Fiscal 2022 and Fiscal 2027. The supply chain solutions market in healthcare sees a high concentration of clearing and forwarding agents. There has been a consolidation in the sector post GST as the demand for more centralized warehousing has increased. This has also led to a shift of industry usage from clearing and forwarding agents to supply chain solutions providers for handling the complex value chain of the healthcare company. In healthcare, supply chain cost is high due to heavy dependence of temperature-controlled transportation and warehousing services. Due to the prevalence of high value and critical products in this sector there is a higher focus on quality and trust, complex machinery development to reduce damages in transit, demand forecasting, time-critical logistics, inventory management. Therefore, the sector has a strong need of sophisticated supply chain solutions provider.

Freight forwarding market in India is estimated at US\$4.7 billion in Fiscal 2022, which is projected to grow at CAGR of 12% for next five years



Cross-border transportation is done primarily through air and ocean shipping. The freight forwarding market stood at approximately US\$4.7 billion in Fiscal 2022 and is expected to reach approximately US\$8.5 billion by Fiscal 2027 growing at approximately 12% CAGR. The domestic express air freight market is estimated to be approximately US\$0.9 billion at Fiscal 2022 and is expected to grow at approximately 7% CAGR to reach US\$1.2 billion by Fiscal 2027 owing to the growth in ecommerce with customers demanding shorter delivery times along with pan-India serviceability.



The international air freight market is driven by growth in trade, especially cross border e-commerce (import as well as Indian sellers selling in global markets). Ocean freight is more cost-efficient than air freight, and suited for larger, less time-sensitive freight movements.

Capacity in the cross-border transportation market is consolidated in both air and ocean segments. Air freight is dominated by international integrators such as FedEx Express and DHL, and domestic and international passenger airlines, while ocean freight is primarily serviced by large liner companies such as AP Moeller Maersk.

COVID-19 had a negative impact cross border logistics market as trade volumes declined in Fiscal 2021, however the segments saw a quick recovery as cross border trade in India grew by 16% year-on-year in the first quarter between Fiscal 2021-Fiscal 2022 supported by recovery of pent-up demand, rise in discretionary consumption, supply-side push from reforms and easing of regulations.

Mobiles, machinery, pharmaceutical and automobile drive the growth in exports from India. Pharmaceuticals exports due to the pandemic witnessed over 18% YoY growth in Fiscal 2021. There is a big surge in demand for Indian made generics owing to its quality and affordability driven by the COVID-19 pandemic. The vaccine exports from India are expected to grow in the future and PLI schemes will help local companies develop and improve their export potential in the coming years. The growing trade volumes will enable a huge opportunity for large logistics players in the cross-border segment. Large, organized supply chain solutions providers with extensive global capabilities will be best suited to capture the opportunity due to their scale and network, robust infrastructure and extensive expertise in freight forwarding segment.

Global Logistics Market

Overview

Developed countries with longstanding transportation and warehouse contracting practices have the largest thirdparty logistics revenues. Developing countries are growing at faster rates but have lower total 3PL revenues. The numbers reflect the greater outsourcing of functions to third-party logistics providers (“3PLs”) in developed and more economically sophisticated countries.

Global 3PL Market gross revenue grew to over US\$1 trillion in 2020 resulting in a 7.9% increase over 2019. The International Transportation Management (“ITM”) 3PL segment led the way at 15.8% year-over-year growth due to continued COVID-19 response and increased international freight rates. Air freight revenues increased in 2020 with the COVID-19 pandemic and extraordinary demand for personal protection equipment (“PPE”). With commercial passenger aircraft making up approximately 40% of total air cargo capacity, the COVID-19 pandemic upended air freight forwarding, and rates surged albeit on lower overall volumes. While air freight volumes are now above pre-COVID-19 pandemic levels, even with ongoing additions to increase air carrier capacity, it is still under pre-COVID-19 pandemic levels

With the economic re-openings in May 2020 and trillions of dollars of fiscal and monetary stimulus driving surges in consumer demand, ocean freight demand came on strong as shippers worked on replenishing inventories. The results were ocean port congestion, tight container drayage capacity and increased rates. “Blank Sailings” where a scheduled ship is cancelled from a route, and stronger ocean carrier alliances, also reduced ocean capacity and buoyed rates. This tight carrier capacity situation kept an upward pressure on rates through the second quarter of 2022.

In 2021, global 3PL revenues surged 31.5% to US\$1.4 trillion globally as generally the more developed countries with high COVID-19 vaccination rates further opened and consumer spending increased further. Third-party Logistics was a key beneficiary of supply chain management price inflation. This rapid growth trend continued through the first half of 2022. Then in the third quarter of 2022, ocean shipping rates and domestic transportation rates began to disinflate in those developed countries with higher COVID-19 vaccination rates as consumer demand and supply chain operations stabilized. China to U.S. and European ocean shipping rates have declined as much as 90% since the peak in early 2022.

The second half of 2022 has generally been highlighted by tightening monetary policy through central banks quantitative tightening and interest rate increases to reduce demand and stave off long-term higher structural inflation. These anti-inflationary moves are projected to drive Europe, the United States, and the global economy into recession in 2023. An additional headwind was imposed heavily on Europe and a lesser extent on the global economy by Russia’s war in Ukraine. It has led to increased commodity price inflation, economic uncertainty, and risk. Logistics is a cyclical industry and demand destruction will negatively impact its growth in 2023. On the plus side, 2022 is ending with China reversing its “Zero-COVID” policy and many Southeastern Asia countries have opened up. This will drive increased demand in Asia going into 2023 and provide a tailwind to the overall global 3PL industry. It is essentially a COVID-recovery lag and will bring much of the developing world into a higher growth mode versus its developed brethren, which saw



extraordinary growth in 2021 and 2022. This will lead to global 3PL growth from 2023 through 2026 resulting in an 8.2% CAGR from 2020-2026 (estimated). By 2026, the global 3PL market should reach US\$1.7 trillion.

Structural shifts in the industry have been making supply chains increasingly complex, which has necessitated an increasing reliance on technology to ensure high service levels. Moreover, trade issues and the COVID-19 pandemic have made organizations realize the complexity in supply chains further and as result, there is an increasing trend towards end-to-end outsourcing and organizations are looking forward to engaging supply chain companies to not only manage their supply chain and logistics requirements but also offer additional specialized services.

Key Concerns

- TVS Supply incurred losses in Fiscals 2021 and 2022, and any similar losses in the future may adversely affect the business, financial condition and cash flows.
- TVS Supply's indebtedness and the conditions and restrictions imposed by its financing agreements and any noncompliance may lead to, among others, suspension of further drawdowns, which may adversely affect the business, results of operations, financial condition and cash flows.
- In Fiscals 2021, 2022 and 2023, an average of 72.99% of revenue from operations were denominated in foreign currencies and an average of 73.87% of the borrowings were in foreign currencies in the same years. Accordingly, it is exposed to foreign currency exchange rate fluctuations and its results of operations have and will be impacted by such fluctuations in the future.
- TVS Supply derived an average of 72.99% of its revenue from operations from its global operations in Fiscals 2021, 2022 and 2023, with the average of revenue United Kingdom, Europe (excluding the United Kingdom), Australia and New Zealand, and North America accounting for 31.85%, 14.53%, 9.38% and 6.22% of its total revenue from operations in the same years.
- TVS Supply has increasing working capital requirements and it may require additional financing to meet those requirements.
- If long-term relationships with key customers are impaired or terminated, TVS Supply business, financial condition, results of operations and cash flows could be adversely impacted.
- Freight, clearing, forwarding and handling charges, and manpower expenses (comprising employee benefits expense, sub-contracting costs and casual labor charges) constitute a significant portion of its operating expenses and any increase due to any internal or external factors may adversely affect the business, financial condition, results of operations and cash flows.
- TVS Supply operates through an asset-light business model and accordingly, its operations are significantly dependent on network partners and other third parties for its warehousing and transportation needs, which may have an adverse effect on the business, results of operations, financial condition and cash flows.
- Depends on the ability to demonstrate the value of services to customers while operating in a highly competitive and fragmented industry, and any failure to compete or respond to customer requirements could negatively affect its business and its results of operations.
- TVS Supply's results of operations, financial conditions, cash flows and prospects may be adversely affected by any delay or default in payment from customers or reduction in the credit period provided by third party service providers that it engages for its operations.
- The Company typically enter into long-term agreements with customers and if its key customers do not renew their agreements with it, or expand the scope of services, it provide to them, its business, financial condition, results of operations and cash flows could be adversely impacted.
- Failure to comply with the applicable laws and regulations by TVS Supply or its third parties may materially and adversely impact the business, reputation, financial condition, results of operations and cash flows.
- Highly reliant on technology infrastructure and software suite in business operations, and any disruption or failure of technology infrastructure could materially and adversely affect the growth prospectus, reputation, business, results of operations, financial condition and cash flows.



- Any increase in the operating costs of network partners or other third parties may have a direct impact on the operations and profitability.
- The Company leases all of its warehouses. Failure to renew its current leases or licenses or locate desirable locations that are suitable for its expansion at commercially reasonable prices could adversely affect the business, financial condition, results of operations and cash flows.
- TVS Supply has undertaken and may continue to undertake strategic acquisitions in the future, which may be difficult to integrate and manage.
- Depends on senior management team as well as skilled and qualified personnel, and if TVS Supply is unable to recruit and retain such personnel, its ability to operate or grow business could be adversely affected.
- Derives a significant portion of revenue from customers engaged in certain industries, and a loss of, or a significant decrease in business from customers in these industries could adversely affect the business, results of operations, financial condition and cash flows.
- Business is dependent on ability to utilize logistics infrastructure in an uninterrupted manner. Any disruption or delays in this regard could have a material adverse effect on the business, results of operations, financial condition and cash flows as well as lead to a loss of reputation.
- The success of businesses depends on the infrastructure support and facilities in the areas TVS Supply currently operates in or intends to operate in the near future.
- The Company may face claims relating to loss or damage to cargo, personal injury claims or other operating risks that are not adequately insured and its insurance coverage could prove inadequate to satisfy potential claims or be insufficient to cover all losses associated with its business operations, which may have a material adverse effect on the business, results of operations, financial condition and cash flows.
- TVS Supply operates warehouses and had 13,869 and 4,044 permanent employees in India and outside India, respectively, as of March 31, 2023. Its manpower may contravene its policies or violate applicable laws or act negligently, which may adversely affect the business, financial condition, results of operations and cash flows.
- The COVID-19 pandemic had, and any similar pandemic situations that may arise in the future, may have a material adverse impact on the business, results of operations, financial condition and cash flows.
- A significant part of operations is conducted through Subsidiaries and Joint Ventures, and TVS Supply is dependent on the operating income and cash flows generated by its Subsidiaries and Joint Ventures.
- TVS Supply is susceptible to risks relating to compliance with labor laws and its operations could be adversely affected by labor shortages, strikes, work stoppages or increased wage demands by its employees or any other kind of disputes with its employees.
- TVS Supply does not verify the contents of the freight/ packages transported by it, thereby exposing it to the risks associated with the transportation of hazardous materials, confidential consignments and goods in violation of applicable regulations.
- The trend toward outsourcing of supply chain management activities, throughout India or globally, may change, thereby reducing demand for its services.
- Improper handling of goods at warehouses and employee misconduct or errors could damage the reputation and have an adverse effect on its business, results of operations, financial condition and cash flows.
- TVS Supply experiences the effects of seasonality, which may result in its operating results fluctuating significantly.
- Operations are subject to government regulation and the Company is required to obtain and maintain a number of statutory and regulatory permits and approvals under central, state and local government rules in the geographies in which TVS Supply operates, generally for carrying out its business



- The Company may not be able to manage the growth of its business effectively or continue to grow its business at a rate similar to what it has experienced in the past.
- Inability to maintain adequate internal controls may affect the ability to effectively manage its operations, resulting in errors or information lapses.
- Changing laws or regulations in India, including taxation laws, or their interpretation could lead to new compliance requirements that are uncertain.
- If inflation rises in India, increased costs may result in a decline in profits.

Profit & Loss

Particulars (Rs in million)	FY23	FY22	FY21
Revenue from operations	102353.8	92497.9	69336.0
Other Income	756.3	501.5	660.9
Total Income	103110.1	92999.4	69996.9
Total Expenditure	95517.3	86372.2	65469.1
Cost of Materials Consumed	114.3	117.5	245.9
Purchases of stock-in-trade	14123.2	12236.5	9522.6
Changes in inventory of stock-in-trade	-403.4	-644.8	-436.4
Employee Benefits Expenses	20930.0	18891.3	18050.3
Other Expenses	60753.2	55771.7	38086.6
PBIDT	7592.8	6627.1	4527.8
Interest	1903.4	1549.5	1756.0
PBDT	5689.4	5077.7	2771.8
Depreciation and amortization	5236.6	4610.5	4432.8
Exceptional Item	-100.0	-351.0	482.7
PBT	352.8	116.2	-1178.2
Share of profit from investments accounted for using the equity method (net of income tax)	47.8	19.3	14.0
Tax (incl. DT & FBT)	-17.0	584.3	-425.2
Current tax	498.8	507.3	-168.8
Deferred tax (expense/ (credit))	-515.8	77.0	-256.5
PAT	417.6	-448.8	-739.0
EPS (Rs.)	1.0	-1.4	-2.2
Face Value	1	1	1
OPM (%)	6.7	6.6	5.6
PATM (%)	0.4	-0.5	-1.1

Balance Sheet

Particulars (Rs in million) As at	FY23	FY22	FY21
Non-current assets			
Property, plant and equipment	3,256.2	3,270.5	3,450.5
Capital work-in-progress	137.8	33.5	71.8
Right of use assets	11,136.3	9,624.9	9,542.7
Investments accounted for using the equity method	1,048.0	1,000.2	980.9
Other Intangible assets	2,481.2	2,648.5	2,288.3
Intangible assets under development	216.6	83.1	85.6
Goodwill	6,084.2	5,870.0	4,590.4
Financial assets			
Investments	2.0	2.0	2.0
Trade receivable	60.41	60.41	63.25
Other bank balances	79.43	0.52	79.35
Other Financial Assets	0.00	0.0	152.6
Deposits and other receivables	787.14	622.3	474.4
Deferred tax assets (net)	1,242.7	1,356.0	1,241.3
Non-Current Tax asset (Net)	976.4	832.7	741.7
Other non-current assets	59.1	31.2	25.0
Total non-current assets	27,567.6	25,435.9	23,789.8
Current assets			
Inventories	3,450.6	2,916.8	2,276.6



Financial assets			
<i>Investments</i>	0.0	0.0	135.6
<i>Trade receivables</i>	12,282.1	13,073.2	11,603.3
<i>Cash and cash equivalents</i>	10,857.9	9,938.3	5,369.6
<i>Other bank balances</i>	863.1	110.2	292.3
<i>Deposits and other receivables</i>	923.1	857.1	667.3
Current Tax assets (Net)	436.2	171.0	418.7
Other financial assets	38.0	39.8	50.6
Other current assets	5,690.7	5,354.9	4,709.7
Total current assets	34,541.7	32,461.4	25,523.6
Assets classified as held for disposal	0.0	0.0	587.2
Total assets	62,109.2	57,897.3	49,900.6
EQUITY & LIABILITIES			
Equity			
Equity share capital	364.3	363.0	317.6
Other equity	6,871.3	6,777.0	4,398.7
Reserves of a disposal group held for sale	0.0	0.0	190.5
Non-controlling interest	364.6	399.2	399.7
Total equity	7,600.1	7,539.2	5,306.6
Liabilities			
Non-current Liabilities			
Financial Liabilities			
<i>Borrowings</i>	4,986.0	7,354.8	9,408.4
<i>Lease liabilities</i>	9,243.3	8,464.8	8,845.5
<i>Other financial liabilities</i>	798.6	1,014.4	287.9
Provisions	528.7	429.3	359.9
Deferred tax liabilities (net)	935.3	1,579.4	1,217.4
Other non-current liabilities	10.5	2.5	0.0
Total non-current liabilities	16,502.4	18,845.2	20,119.0
Current liabilities			
Financial liabilities			
<i>Borrowings</i>	14,910.2	10,283.0	6,070.8
<i>Lease liabilities</i>	4,100.4	3,437.9	3,016.4
<i>Trade payables</i>			
<i>Total outstanding dues of micro enterprises and small enterprises</i>	1,104.1	267.0	182.2
<i>Total outstanding dues of creditors other than micro enterprises and small enterprises</i>	13,169.1	14,264.4	11,358.0
Other financial liabilities	2,620.8	1,039.3	1,421.1
Other current liabilities	1,516.6	1,756.9	1,577.5
Provisions	302.7	342.6	325.1
Current tax liabilities (net)	282.9	121.9	20.8
Total current liabilities	38,006.7	31,513.0	23,971.9
Liabilities directly associated with assets classified as held for sale	0.0	0.0	503.1
Total liabilities	54,509.1	50,358.1	44,594.0
Total equity and liabilities	62,109.2	57,897.3	49,900.6

Source: RHP



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