TVS Supply Chain Solutions Ltd. (TVS SCS) – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 17 July 2026

CMP -> 134
Buying Range -> 134 to 137
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 154

1. Investment Rationale – Technology-led Supply Chain Platform with Improving Earnings Profile

We maintain a BUY recommendation on TVS Supply Chain Solutions Ltd. from a medium-term investment perspective of 6 to 9 months, supported by improving profitability, strong order momentum, expanding operating leverage and multiple structural growth drivers across domestic and international markets. FY26 marked a clear turnaround year, with the company delivering broad-based revenue growth across India, Europe and North America while reporting significant improvement in EBITDA, profitability and operating cash flows. Management remains confident of sustaining double-digit revenue growth in FY27, led by its high-margin Integrated Supply Chain Solutions (ISCS) business, record order wins, technology-led differentiation and increasing penetration into Fortune 500 customers. We believe the combination of strong execution, improving margin profile and entry into higher-value logistics verticals creates a favourable earnings trajectory over the next 2–4 quarters.

2. Business Overview – Diversified Global Supply Chain Platform with Sticky Customer Relationships

TVS Supply Chain Solutions is one of India's leading technology-enabled integrated supply chain management companies, operating across 26 countries with an asset-light and solutions-driven business model. The company manages end-to-end supply chains for large global manufacturers, including procurement, warehousing, inventory management, in-plant logistics, aftermarket services, freight forwarding, customs clearance and distribution. Its operations are broadly divided into Integrated Supply Chain Solutions (ISCS) and Global Forwarding Solutions (GFS). The company serves diversified industries including automotive, industrial engineering, consumer goods, healthcare, railways, utilities, technology, aerospace, defence and manufacturing, where its services are critical for ensuring uninterrupted production and efficient inventory management. Its proprietary digital platforms, AI-enabled logistics solutions, RFID-based warehouse systems, transport management software and patented Unified Logistics Platform provide significant competitive advantages and strengthen customer retention.

3. FY26 Financial Performance – Turnaround Year with Strong Operating Leverage

FY26 represented a significant financial turnaround for the company. Consolidated revenue increased 10.1% YoY to INR 11,003 crore, while Q4FY26 revenue crossed the INR 3,000 crore milestone for the first time, growing 21.3% YoY. Adjusted EBITDA improved 14.5% YoY to INR 773 crore, with EBITDA margins expanding due to improving business mix, better utilisation, Europe recovery and cost optimisation initiatives. Adjusted Profit Before Tax increased sharply by 166% YoY to INR 99.3 crore, reflecting the benefits of operating leverage and disciplined cost management. During Q4FY26, EBITDA margins expanded by nearly 80 basis points YoY to 7.3%, while operating cash flow improved to approximately INR 243 crore, supported by higher profitability and efficient working capital management. Management highlighted that FY26 growth was well diversified across geographies, reducing concentration risks and improving earnings quality.

4. High-Margin ISCS Business to Drive Growth over the Next 2–4 Quarters

The company's strongest earnings driver continues to be its Integrated Supply Chain Solutions (ISCS) segment, which contributes the majority of profits and generates structurally higher margins than freight forwarding operations. ISCS benefits from long-term contracts exceeding five years, deep customer integration, recurring revenue streams and continuous cross-selling opportunities. **Management expects ISCS EBITDA margins to improve further towards 9.5%–10%, supported by higher capacity utilisation, Europe recovery, strong India demand, increasing automation and operational efficiencies.** Near-term revenue growth is expected from industrial manufacturing, automotive, engineering, consumer products, healthcare, utilities, railways and technology customers across India, Europe and North America. The company's "encirclement strategy" continues to deepen existing customer relationships, with revenue per major customer increasing consistently through cross-selling of warehousing, procurement, transportation, inventory management and aftermarket services, thereby creating sustainable operating leverage.

5. Technology Leadership, Operating Leverage and Business Transformation

TVS Supply Chain Solutions continues to transform itself into a technology-led logistics platform rather than a traditional freight company. Management has significantly increased investments in digital capabilities, AI, machine learning, robotics, warehouse automation, transport optimisation, predictive analytics and generative AI solutions such as Sidekick. More than fifteen AI-driven projects are currently under implementation, while the company's Unified Logistics Platform has received patent acceptance. Increasing adoption of digital platforms improves warehouse productivity, enhances customer visibility, reduces operating costs, optimises freight movement and supports margin expansion. Additionally, Project One cost optimisation initiatives, warehouse consolidation, pricing improvements, lease optimisation and automation are expected to generate meaningful operating leverage over the coming quarters. As utilisation levels improve and fixed costs are absorbed over a larger revenue base, operating margins should continue expanding across the core ISCS business.

6. Strategic Acquisitions and Aerospace JV Create Long-Term High-Margin Growth Opportunities

The company has undertaken multiple strategic initiatives during the past eighteen months to strengthen its long-term growth profile. The acquisition of Swamy & Sons 3PL for an enterprise value of INR 88 crore expands TVS SCS's warehousing capabilities across Andhra Pradesh and Telangana while significantly increasing its presence in FMCG and consumer durable logistics. Management expects this acquisition to be margin accretive from FY27 onwards and to enhance cross-selling opportunities within domestic supply chain operations. More importantly, the **recently announced 51:49 joint venture with Italy-based ALA Group marks the company's entry into India's rapidly growing aerospace and defence supply chain industry. This segment typically commands significantly higher margins due to specialised inventory management, stringent certifications, mission-critical fulfilment and long-term customer contracts. The joint venture targets cumulative revenues exceeding INR 2,000 crore by 2031, creating a new high-return business vertical while positioning the company to benefit from increasing government defence spending, localisation initiatives, private sector participation and rising aerospace manufacturing in India.**

7. Growth Catalysts – Strong Order Pipeline, Customer Wins and Sectoral Tailwinds

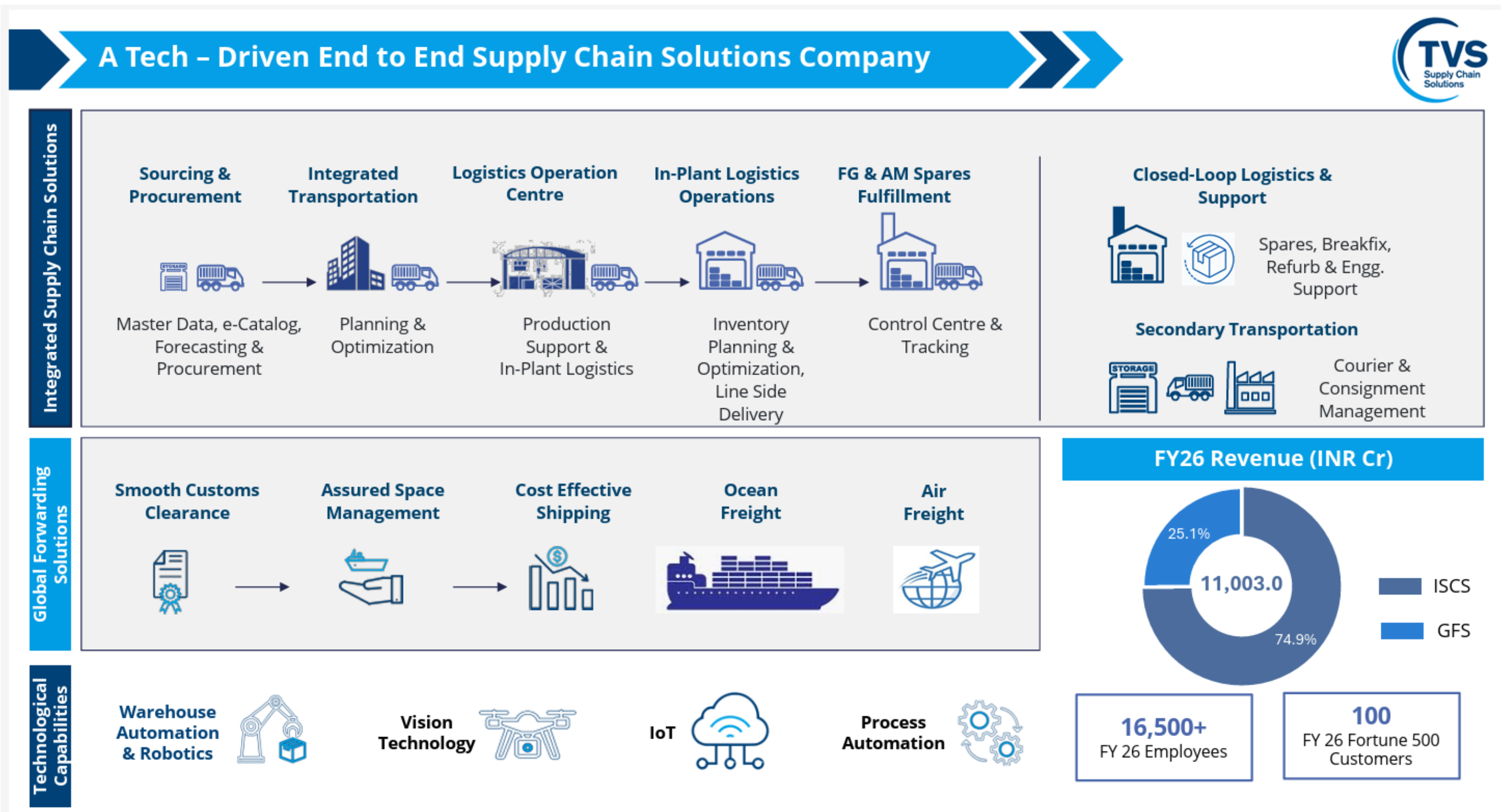
Several growth catalysts are expected to support earnings momentum over the next few quarters. During Q4FY26, TVS SCS reported its highest-ever quarterly business wins of INR 523.7 crore, while total FY26 order wins reached INR 1,206.7 crore, supported by a healthy order pipeline of approximately INR 6,100 crore. The company expanded its Fortune 500 customer base from 91 to 100 active clients, highlighting its growing global acceptance and competitive positioning. Future growth is expected from industrial manufacturing, automotive production, healthcare, consumer products, technology hardware, utilities, aerospace, defence, railways and engineering sectors, all of which increasingly outsource complex supply chain operations to specialised service providers. Rising investments by both government and private enterprises in manufacturing, defence, infrastructure, industrial automation and localisation initiatives provide favourable structural tailwinds for integrated logistics companies. Increasing adoption of digital supply chains, automation, AI-enabled logistics, warehouse modernisation and outsourcing trends further strengthen the company's long-term growth prospects.

8. Balance Sheet Strength, Capital Allocation and Margin Expansion Potential

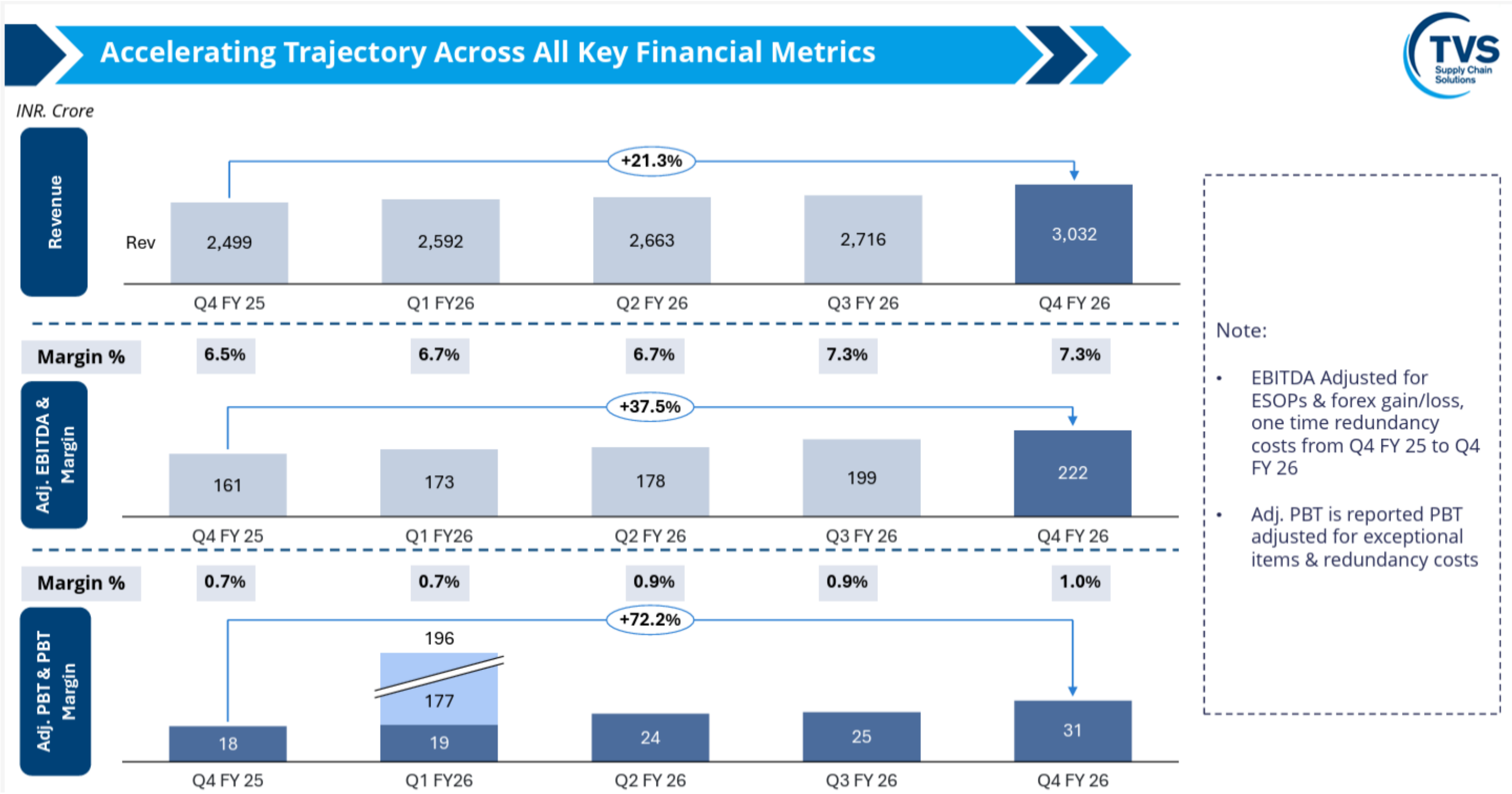
TVS Supply Chain Solutions continues to operate with a relatively asset-light business model, allowing efficient capital allocation and healthy cash generation. Management maintained disciplined working capital controls during FY26, resulting in stronger operating cash flows despite continued business expansion. Net debt remains manageable at approximately INR 350–370 crore, with only a small portion relating to long-term project financing while the balance supports working capital requirements. Rather than pursuing heavy capital expenditure, the company continues investing selectively in warehouse infrastructure, digital platforms, automation technologies, robotics, AI capabilities and strategic acquisitions that generate higher returns on capital. Management also continues to simplify its global subsidiary structure by consolidating dormant entities while injecting capital into high-growth operating businesses across the UK, US and Singapore. This disciplined capital allocation strategy, combined with improving utilisation, higher-margin business mix and operational efficiencies, should continue supporting margin expansion over the medium term.

9. Investment View – Strong Medium-Term Earnings Visibility Despite Near-Term Risks

We remain constructive on TVS Supply Chain Solutions as the company enters the next phase of profitable growth supported by technology leadership, expanding high-margin ISCS operations, strategic acquisitions, aerospace and defence opportunities, improving Europe performance, North American project ramp-up and robust order inflows. Management has guided for double-digit revenue growth in FY27 while expecting further improvement in ISCS margins towards 9.5%–10%, supported by increasing operating leverage and cost optimisation initiatives. Nevertheless, investors should monitor near-term risks including global freight-rate volatility, geopolitical disruptions affecting international trade routes, lower freight forwarding margins, foreign currency movements, slower industrial production, customer spending delays and integration risks associated with acquisitions and new ventures. Despite these short-term headwinds, we believe the company's improving profitability, diversified customer base, technology-driven competitive advantages, strong cash generation, expanding presence in higher-margin business segments and favourable industry tailwinds provide an attractive BUY opportunity for investors with a 6 to 9-month investment horizon.



Financial Performance in Q4FY26:



Recommendation Timeline & Performance Summary: -

1. 25 May 2026 – Initial BUY Recommendation: The BUY call was initiated at a price of 121 with a target price of 138, implying an upside potential of ~14% over a 6 months investment horizon.

2. 15 June 2026 – Target Achieved: The stock achieved our target price of 138 on 15 June 2026 and continued its upward momentum, reaching a high of 146 on 10 July 2026. From our recommended price, the stock delivered an impressive 21% return in less than two months, significantly outperforming our envisaged 6–9 months investment horizon.

3. **17 July 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 134 with a target price of 154, indicating an envisaged upside potential of 15% over the next 6 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team