

Focus on product diversification to drive growth...

We met the management of TVS Electronics (TVSE) to get an insight into the company and its future plans. Established in 1987, TVS Electronics is a leading player in IT peripherals, point-of-sale solutions and warranty management services. The company's operations are segregated under two business segments - products & solutions and customer support services. TVS Electronics' marquee clients include Reliance Industries, Landmark, Dell, HP, Samsung, etc.

- TVS Electronics' revenue grew at ~9% CAGR in FY20-22. Net profit grew from ₹ 40 lakh in FY20 to ₹ 15.1 crore in FY22 led by a 435 bps improvement in EBITDA margin over the same period
- The company has an established capacity of ~5 lakh units per annum at its plant in Tumkur, Karnataka. It has a capacity utilisation rate of 60%

Management meet highlights:

- As of 9MFY23, products & solutions segment contributes 68% to the topline while the remaining 32% contribution comes from the Customer Support Services segment
- Under the Products & Solutions segment, ~65% of revenue is derived from the retail industry while the remaining contribution is derived from the BFSI, government and logistics industry
- As part of its future growth strategy, the company plans to strengthen its offering from only hardware devices to bundle offering of hardware devices along with software solutions. With this shift, the management aims to increase wallet share of existing customers and acquire new customers
- To strengthen its foray into bundled services, TVS Electronics acquired two companies namely Swiftomatic (RoyalPoS) & GTID Solutions
- According to the management, going forward, the Customer Services segment will be driven by B2C segment wherein the company will provide repair services to consumers directly. This is likely to result in an improvement in segment EBIT margin
- TVS Electronics will be foraying into box-build printers and PCB assembly majorly for exports. For the same, the company will be setting up 10-12 SMT lines in the next three years
- The management has given revenue guidance of ₹ 500 crore for the Products & Solutions segment and EBITDA margin of 8-10% by FY25 and aims to maintain its RoCE ~15%

TVS Electronics' revenue grew at CAGR of 9.2% in FY20-22 led by similar revenue CAGR in both its segments over the same period. The EBITDA margin saw a meaningful recovery of 435 bps from 4.2% in FY20 to 8.6% in FY22 supported by its various cost optimisation measures. This coupled with savings in non-operating expenses drove PAT up from ₹ 40 lakh in FY20 to ₹ 15.1 crore in FY22.

Key Financial Summary

(₹ crore)	FY20	FY21	FY22	CAGR FY20-22
Net Sales	258.0	224.1	307.5	9.2%
EBITDA	10.9	8.6	26.4	55.5%
EBITDA Margin (%)	4.2	3.8	8.6	
Net Profit	0.4	0.8	15.1	522.0%
EPS (₹)	0.2	0.4	8.1	
P/E (x)	1434.6	726.6	37.1	
RoE (%)	6.1	3.5	22.0	
RoCE (%)	0.5	0.9	15.9	

Source: Company, ICICI Direct Research



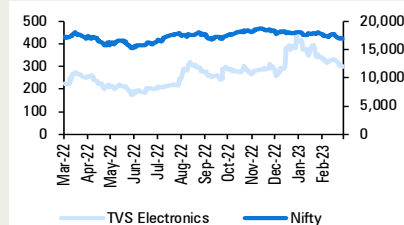
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	559.5
Total Debt (FY22) (₹ Crore)	3.8
Cash and Inv (FY22) (₹ Crore)	45.5
EV (₹ Crore)	517.7
52 week H/L (₹)	448/166
Equity capital (₹ Crore)	18.7
Face value (₹)	10.0

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	59.8	59.9	59.9	59.9	59.9
FII	0.2	0.4	0.3	0.4	0.5
DII	0.0	0.0	0.0	0.0	0.0
Others	39.9	39.7	39.8	39.6	39.6

Price Chart



Key risks

- **Key Risk:** (i) Delay in future capex plan (ii) Delay in passing of price hikes may impact EBITDA margin

Research Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

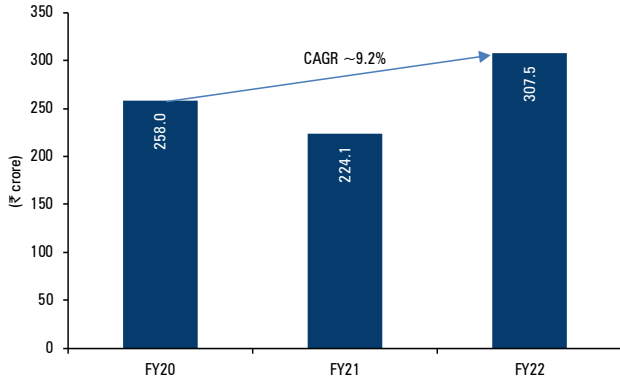
Hitesh Taunk
hitesh.taunk@icicisecurities.com

Ashwi Bhansali
ashwi.bhansali@icicisecurities.com

Management meet highlights

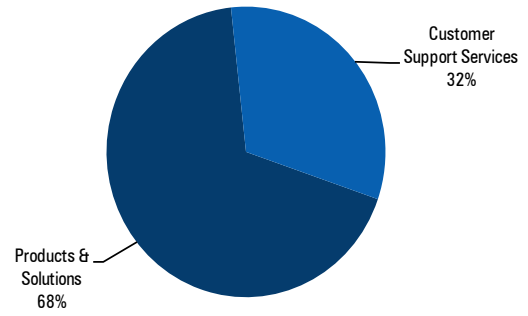
- TVS Electronics was incorporated in 1987 by Gopal Srinivasan. The company operates into two business segments 1) Product & Solutions 2) Customer Support Services
- The company has one manufacturing plant in Tumkur, Karnataka. The plant has a total manufacturing capacity of ~4.5 to 5 lakh units per annum with a work area of 70,000 square feet
- Product & solutions: The company designs, manufactures, sells and services various products such as printers (dot matrix and Thermal printers), Barcode scanners, Point of Sales (POS) systems, CCTV cameras, cash and counting machines etc. The Product & Solutions segment contributes ~68% to company's overall revenue as of 9MFY23
- The Customer Support and Services segment contributes ~32% to the company's overall revenue as of 9MFY23. Under this segment, the company provides customer support services to both OEMs and retail customers across India. For OEMs, the company is an authorised service partner for various multinational companies such as HP, DELL, ASUS, BOSE, etc
- Currently, the company is largely focused on B2B customers under its Customer Support Services segment. The company now plans to shift its focus to B2C customers. For the same, the company will provide services such as installation, upgradation and break/fix services for electronic products such as air conditioners, refrigerators, televisions, and laptops
- Originally a hardware device manufacturer, TVS Electronics now plans to extend its product offerings by adding software services such as billing solutions and analytics. This will help the company to increase the product penetration among retail and restaurant industry
- To strengthen its foray into bundled services, TVS Electronics acquired two companies viz. Swiftomatic (RoyalPoS) for ₹ 50 lakh & GTID Solutions for ₹ 2.25 crore, respectively. Swiftomatics mainly provides SaaS based application services to medium sized enterprises by digitising and automating their daily operations. GTID Solutions provides mobile POS software solutions and authentication solutions. It offers hardware along with required applications, digital payment solutions, cloud computing software solutions, etc. to segments like retail, banks and government
- The company is also diversifying into non-printing product portfolio. The non-printing products include: 1. Point of Transaction devices such as Touch POS system, electronic cash registers, handheld devices and currency counters 2. Track & Trace devices such as bar code scanners and printers 3. Security & Surveillance products such as CCTV cameras and recorders 4. Personal and Productivity products such as wireless keyboards and mouse, gaming keyboards, etc
- Leveraging its manufacturing expertise into IT hardware, TVS-E plans to foray into electronics manufacturing and services. Initially, the company will start providing box build solutions and printed circuit board solutions for domestic and international clients. It is in talks with various customers for the supply of the same. The company plans capex of ~₹ 90 crore over the next two to three years, which will be funded through a mix of debt & equity
- TVSE aims to achieve ₹ 500 crore revenue in the Products & Solutions segment by FY25 and ₹ 1000 crore overall revenue in the next four to five years. It also aims to achieve EBITDA margin in the range of 8-10%
- As of FY22, the company has a robust balance sheet led by its debt-free status and efficient working capital management. Despite its future capex plans, the management aims to maintain RoCE of ~15%

Exhibit 1: Revenue growth trend



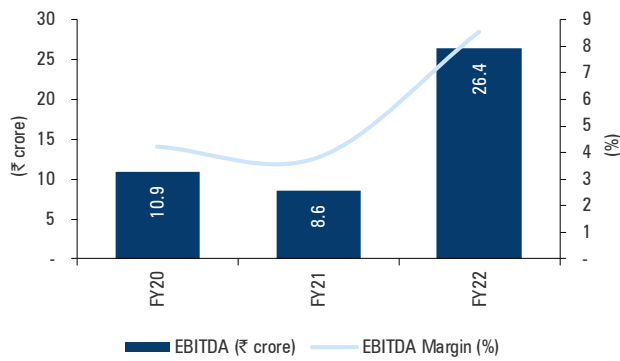
Source: Company, ICICI Direct Research

Exhibit 2: Segment wise revenue contribution



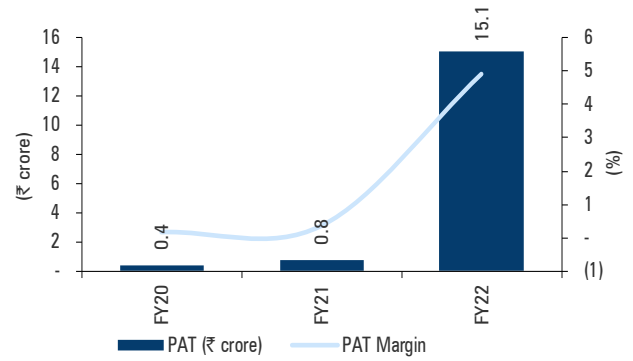
Source: Company, ICICI Direct Research

Exhibit 3: EBITDA & EBITDA margin movement



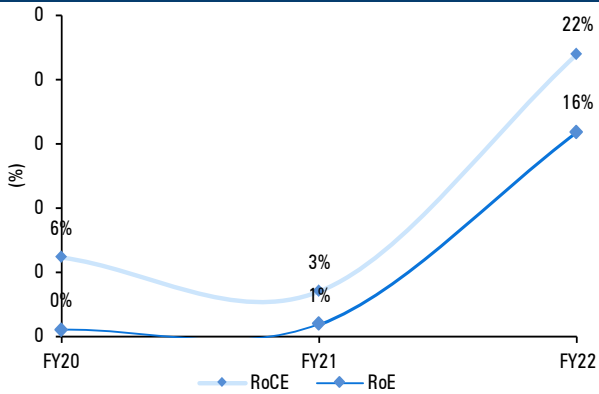
Source: Company, ICICI Direct Research

Exhibit 4: PAT & PAT margin movement



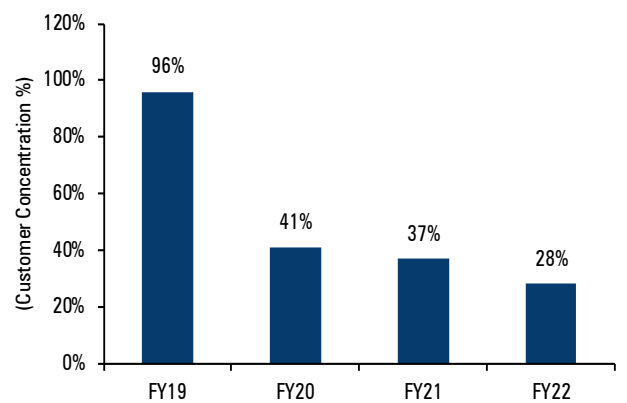
Source: Company, ICICI Direct Research

Exhibit 5: Return ratios



Source: Company, ICICI Direct Research

Exhibit 6: Top 10 customer concentration



Source: Company, ICICI Direct Research

Exhibit 7: Product Portfolio

Point of Transaction Products	 CC 453 Star+	 Champ HD Keyboard_2	 Champ M120_1	 MLP-360	 RP 3200 plus	 TP 415C PRO
Track and Trace Products	 BS-C101 Star	 BS-i302G	 BS-L150s WL	 LP 46 plus		
Security & Surveillance	 SC-21EL Classic	 SR -509L star	 SC -51BL star	 CCTV Cameras & Recorder + Video Analytics		
Personal Productivity Products	 WC-103 Plus-02	 Champ BLITZ	 Champ Smart Keyboard	 Champ Elite Combo		

Source: Company, ICICI Direct Research

Exhibit 8: Key Clients

Products & Solutions					
RETAIL			BFSI		
					
					
					
Hospitality		Government Entities		Railways	
					
Customer Support Services					
IT & Peripherals			Audio Lifestyle		
					
Consumer Electronics			Solar Energy	Smart Phones	
					
Payment Devices - EDC					
					
EV Charging					
					

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Revenue	258.0	224.1	307.5
Growth (%)		-13.1	37.2
Raw material expense	124.1	111.0	152.7
Employee expenses	38.2	30.7	40.1
Advertisement expenses	0.0	0.0	0.0
Other expenses	85.5	74.4	88.8
Total Operating Exp	247.8	216.1	281.5
EBITDA	10.9	8.6	26.4
Growth (%)		-21.6	208.5
Depreciation	10.4	7.8	6.3
Interest	2.4	1.9	1.0
Other Income	5.3	2.1	1.2
PBT (before exc. Items)	3.5	0.9	20.3
Exceptional items	3.5	0.0	-0.5
PBT (after exc. Items)	0.0	0.9	20.8
Total Tax	-0.4	0.2	5.7
PAT	0.4	0.8	15.1

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Profit after Tax	0.4	0.8	15.1
Add: Depreciation	10.4	7.8	6.3
Add: Interest Paid	2.4	1.9	1.0
(Inc)/dec in Current Assets	-17.9	13.1	-20.4
Inc/(dec) in CL and Provisions	-5.1	10.2	19.6
Others	0.0	0.0	0.0
CF from operating activities	-9.8	33.8	21.6
(Inc)/dec in Investments	14.5	-15.9	-17.6
(Inc)/dec in Fixed Assets	-18.1	-1.5	-1.9
Others	13.8	-5.9	1.7
CF from investing activities	10.2	-23.3	-17.8
Issue/(Buy back) of Equity	0.0	0.0	0.0
Inc/(dec) in loan funds	14.4	-14.4	3.8
Dividend paid & dividend tax	-6.7	0.0	-3.7
Others	-2.4	-1.5	-1.5
CF from financing activities	5.3	-15.9	-1.5
Net Cash flow	5.8	-5.5	2.3
Opening Cash	8.3	14.1	8.6
Closing Cash	14.1	8.6	10.9

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Liabilities			
Equity Capital	18.7	18.7	18.7
Reserve and Surplus	62.0	63.1	74.0
Total Shareholders funds	80.6	81.8	92.6
Total Debt	14.4	0.0	3.8
Other non current liabilities	0.3	0.1	0.2
Total Liabilities	107.4	88.6	101.6
Assets			
Gross Block	107.8	97.5	101.6
Less: Acc Depreciation	70.6	68.1	75.4
Total Fixed Assets	38.4	32.1	27.7
Inventory	30.7	37.0	46.9
Debtors	42.5	27.7	35.2
Other Current Assets	21.5	17.0	20.0
Cash	14.1	8.6	10.9
Total Current Assets	108.8	90.2	112.9
Creditors	53.1	60.3	76.7
Provisions	8.6	7.8	8.5
Other current liabilities	9.2	13.1	15.6
Total Current Liabilities	70.9	81.2	100.8
Net Current Assets	37.8	9.0	12.2
Other Non Current	30.0	30.4	27.2
Total Assets	107.4	88.6	101.6

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios			
(Year-end March)	FY20	FY21	FY22
Per share data (₹)			
EPS	0.2	0.4	8.1
Cash EPS	5.8	4.6	11.5
BV	43.2	43.9	49.7
DPS	3.6	0.0	2.0
Operating Ratios (%)			
EBITDA Margin	4.2	3.8	8.6
PAT Margin	0.2	0.3	4.8
Asset Turnover	2.7	2.7	3.2
Inventory Days	43.4	60.2	55.7
Debtor Days	60.2	45.1	41.7
Creditor Days	75.2	98.2	91.1
Return Ratios (%)			
RoE	0.5	0.9	15.9
RoCE	6.1	3.5	22.0
RoIC	0.9	1.8	33.9
Valuation Ratios (x)			
P/E	1,434.6	726.6	37.1
EV / EBITDA	51.3	64.4	20.9
EV / Net Sales	2.2	2.5	1.8
Market Cap / Sales	2.2	2.5	1.8
Price to Book Value	6.9	6.8	6.0
Solvency Ratios			
Debt / Equity	0.2	0.0	0.0
Current Ratio	1.3	1.0	1.0
Quick Ratio	0.8	0.5	0.5

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruvi Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Sanjay Manyal, MBA (Finance), Hitesh Taunk, MBA (Finance) and Ashwi Bhansali, MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is SEBI registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ00183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.