

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



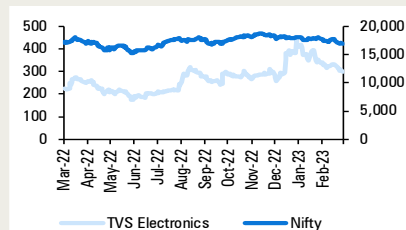
Particulars

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

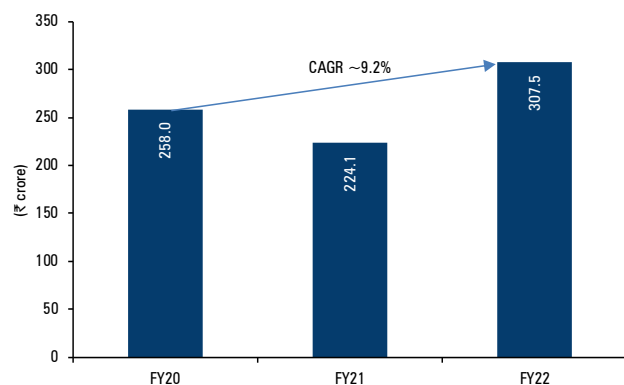
Hitesh Taunk
hitesh.taunk@icicisecurities.com

Ashwi Bhansali
ashwi.bhansali@icicisecurities.com

Management meet highlights

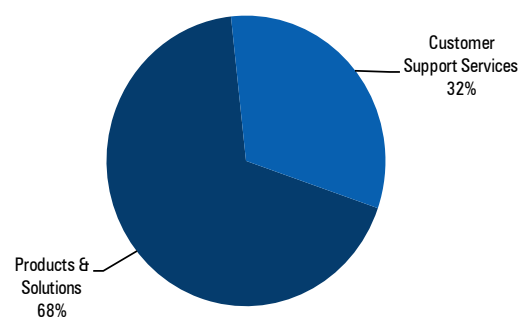
- TVS Electronics was incorporated in 1987 by Gopal Srinivasan. The company operates into two business segments 1) Product & Solutions 2) Customer Support Services
- The company has one manufacturing plant in Tumkur, Karnataka. The plant has a total manufacturing capacity of ~4.5 to 5 lakh units per 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



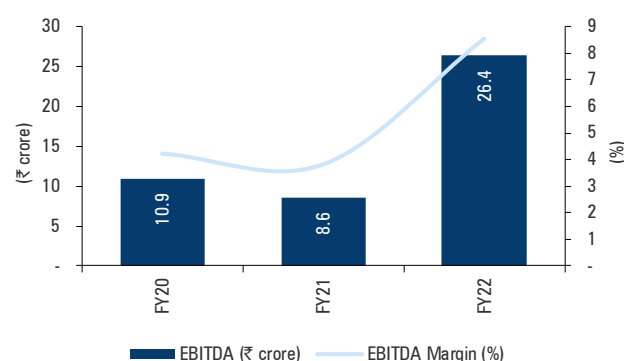
Source: Company, ICICI Direct Research

Exhibit 2: Segment wise revenue contribution



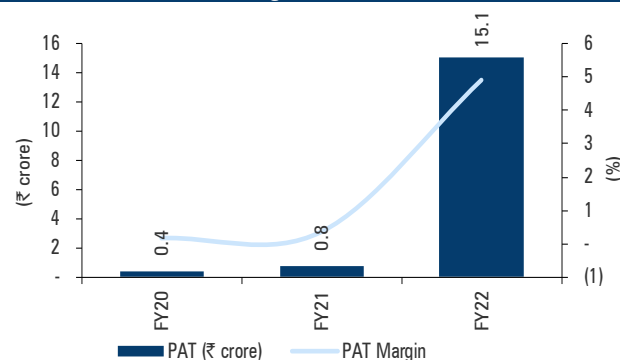
Source: Company, ICICI Direct Research

Exhibit 3: EBITDA & EBITDA margin movement



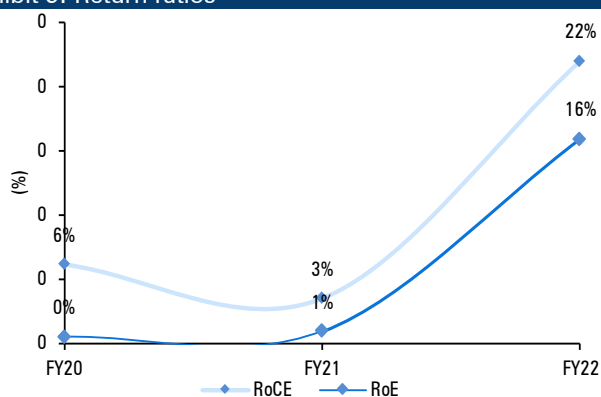
Source: Company, ICICI Direct Research

Exhibit 4: PAT & PAT margin movement



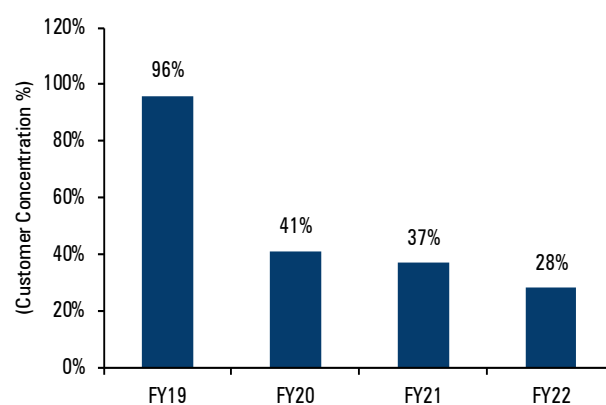
Source: Company, ICICI Direct Research

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
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	3.5	0.9	20.3
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

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

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

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