

**TVS Electronics Ltd.****₹392*****Pioneer in Product quality & Service...!!! Buy***

Feb 16, 2018

**Company Background**

TVS Electronics Ltd is headquartered in Chennai, incorporated on September 15, 1995, it is one of the premier IT Peripherals companies in India. It is a part of the 99-year-old, \$ 6 bn TVS Group, one of India's oldest & most trusted business group. Company is engaged in the business of transaction automation information technology products and solutions. It has a subsidiary, namely Prime Property Holdings Ltd. It has manufacturing unit located at in Dehradun, Uttarakhand. Company has the partner network comprising of 3500+ authorized dealer partners and 400+ authorized service partners covering 450+ towns. The company's principal products include computer peripherals and IT management services and other products include receipt printers, automatic identification and data capture/collection products, PD-VFD, MSR-104, POS-60, Cash Drawer and Paper Roll. Its services are backed by an expert and qualified team who meet the highest standards of quality and precision. It service extensive product lines across various brands via various delivery models like exclusive service, multi brand service centers, onsite support, repair centers and factories, thus providing a complete service suite. Progressing over the years, company has understood the need and the pulse of the market for widely-reputed & accessible service that is top-notch.

**Key Highlights**

- ➔ For FY 2016-17 posted Net sales ₹ 26250.30 mn with 342.3% growth, operating profit marginally delined to ₹ 178.3, and net profit was improved by 66.1% to ₹ 71.6 mn on YoY basis.
- ➔ Company has 2 segments; prodcuts and services. For 2016-17 revenue from sale of product and distribution ₹ 25664.17 mn it is 97.70% of total revenue.
- ➔ Companies, BFSI players and leading FMCG firms have all jumped on to the digital bandwagon and are looking in to tap the potential of big data to gauge consumer satisfactions, getting consumer feedback to improve the quality of service.
- ➔ During the year company has opened 11 new service centres in various cities and towns.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,732.5	5,998.8	26,304.3
Rev. growth (%)	8.91	119.54	338.49
EBITDA (INR mn)	137.5	170.6	197.6
Net profit (INR mn)	22.9	43.1	71.6
Shares outstanding (mn)	18.0	18.6	18.6
EPS (INR)	1.3	2.3	3.9
EPS growth (%)	477.27	82.68	65.95
P/E (x)	27.40	44.07	44.35
RONW (%)	6.23	6.78	16.52
ROCE (%)	10.69	10.52	11.71

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**Info Codes**

Reuters	: TVEL.BO
Bloomberg	: TVSEL IN
NSE	: TVSELECT
BSE	: 532513

**Market Data**

52 Wk Range (₹)	: 165/545
Shares in Issue (mn)	: 18.6
Market. Cap ( bn)	: 7.29
BSE 2 Wk Avg Vol	: 21000

**Share Holding Pattern (%)**

Promoters Holding	: 59.96
Public & Others	: 39.94
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 00.10

**Investment Theme**

Government of India is moving towards less-cash economy after note replacement exercise and taken step to transform India, into a digitally empowered nation this is positive for the economy and the TVS. Company plans to use its well-established distribution & service networks to help organisations to achieve their digital transformation. During 2016-17 company has some ups and downs but ended with positively. Company has achieved 40% market share in Dot matrix printers, with 3% growth, registered strong growth of 40% on YoY in its Point of Sale printers. Company is one and only in India offering POS Thermal printers with multiple options and variants at different price points. Another high growth product is, Label printer retains its market share at 19%. Opened 11 new service centres, now count reaches to more than 60.

**POS technology is a Ladder for digitalization...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,700.6	5,935.0	119.8	26,250.3	342.3
Other Income	12.1	36.6	202.5	14.1	(61.5)
Change in Stocks	97.3	(8.1)	(108.3)	1.8	(122.2)
Raw Material Con.	1,843.1	4,713.8	155.8	24,086.8	411.0
Employee Exp.	263.9	284.0	7.6	311.5	9.7
Indirect Taxes	19.8	27.2	37.4	39.9	46.7
Other Exp.	512.6	740.8	44.5	1,649.7	122.7
Operating Exp.	2,639.4	5,765.8	118.5	26,087.9	352.5
Operating Profit	170.6	197.7	15.9	178.3	(9.8)
Total Interest	69.2	57.3	(17.2)	24.5	(57.2)
Gross Profit	101.4	140.4	38.5	153.8	9.5
Net Dep.	69.7	86.1	23.5	90.6	5.2
Total Taxation	8.8	11.2	27.3	(8.4)	(175.0)
Net Profit/Loss	22.9	43.1	88.2	71.6	66.1

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>951.0</b>	<b>933.4</b>	<b>811.9</b>	<b>831.1</b>
Equity Share capital	180.2	180.2	185.5	186.1
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	174.9	196.8	248.6	327.9
Secured Loans	439.0	316.1	352.8	289.1
Unsecured Loans	156.9	240.3	25.0	28.0
<b>USES OF FUNDS</b>	<b>951.0</b>	<b>933.4</b>	<b>811.9</b>	<b>831.1</b>
Gross Block	1,052.9	1,024.9	964.7	896.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	604.4	617.6	580.5	586.8
Net Block	448.5	407.3	384.2	309.6
Capital Work in Progress	0.3	0.0	0.2	0.0
Investments	13.4	13.4	4.1	3.1
Current Assets	557.8	679.1	857.2	3,048.4
Less : Current Liabilities	346.3	452.1	723.6	2,832.7
Total Net Current Assets	211.6	227.0	133.5	215.7
Misc. Expenses not writtenoff	277.2	285.7	289.9	302.7
<b>NOTE</b>				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	72.8	92.0	103.5	128.1
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	0.0	0.0	0.0	5.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	9,413.2	8,832.9	9,757.5	12,202.4
Cost Of Sales	9,340.3	8,784.6	9,664.8	12,134.9
Operating Profit	72.9	48.3	92.7	67.5
Other Income	6.7	3.3	5.1	44.0
Adjusted PBDIT	79.6	51.6	97.8	111.5
Financial Expenses	6.2	6.6	4.5	2.1
Depreciation	28.7	19.1	21.2	17.7
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	44.7	25.9	72.1	91.7
Tax Charges	(13.5)	1.9	13.0	14.0
Reported Profit	58.2	24.0	59.1	77.7
Extra Ordinary Items	0.0	0.0	0.0	28.2
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	58.2	24.0	59.1	49.5

**52 Week Index Relative Percentage Appreciation**

**TVS Electronics vs SENSEX**
**Risks Associated**

- ➔ For Q3 net sales improved by 25.06% to ₹ 12,202.4 mn, operating profit delined by 27.18% to ₹ 67.5 mn and net profit also down by 16.24% to ₹ 49.5 mn on QoQ bais.
- ➔ As the company exports Printers and other components to different countries, company will face currency risk, if there is any changes in currency rates may affect the company's profits.
- ➔ Company is involved in IT peripheral and distribution activities, in this industry entry barriers are very minimal because of reasonable capital investment.
- ➔ The kirana stores are showing increased interest in getting technology. However, high costs and lack of service support have been a constraining factor.

**Scope of Growth**

- ➔ Company is working on Retail automation and payment devices in the area of Point of Sales by offering innovation and customization.
- ➔ Distribution is major revenue generation segment with 88.1% and it has partner network comprising of 3500+ authorized dealer partners and 400+ authorized service partners covering 450+ towns.
- ➔ Global peripherals market to grow at a CAGR of 2.42% over the period 2014-19, industry has good demand due to the whole world is moving towards smart or digital transactions.
- ➔ Companies are depending on data mining and analytics to improve their strategic decision-making, ultimately companies should adopt the IT peripherals.
- ➔ Company is only one in India offering POS Thermal printers with multiple options and variants at different price points.

**In a Nutshell**

TVS Electronics is a part of the TVS Group. Company has 2 business lines; IT related Products and Technical Services and Distribution Services. It sells Point of sale devices, Printers & Keyboards through their dealer network. Company has enhanced its services to become as a leading service partner to major smartphone vendors, from market leaders to new entrants and innovates its processes. Its workforce of 2000+ on-field engineers are tasked with providing strong customer support. It offers services for top 2 pan-India brands and will add more such brands under the MBO umbrella. Company expects the MBO initiative to be the strong growth driver for its Service line. TVS plans to expand its MBO footprint across the nation. Company continuously innovate on new product ranges in the form of Touch POS terminals, Bluetooth printers, special scanners etc. It is working on Retail automation and payment devices in the area of Point of Sales by offering innovation and customization. During 2017 revenue has increased to ₹ 26250.30 mn as against ₹ 5934.9 mn in the previous year, finance charges were down by 57.20% to ₹ 24.5 mn, depreciation marginally increased by 5.2% to ₹ 90.6 mn and net profit improved by 66.1% to ₹ 71.6 mn. Company has recommend a dividend of .50 paise per share. Global PC peripherals market to grow at a CAGR of 2.42% over the period 2014-2019. Companies manufactures a range of products which includes printers, input devices, plotters, graphic displays or monitors and optical scanners. Among all the peripherals, the three largest categories include graphic displays, printers and scanners. There are also other products of computer peripherals which include computer input devices such as keyboards and mice, computer sound systems etc.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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