

May 28, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	318		318	
Sales (Rs. m)	1,58,110	1,79,156	1,70,048	1,92,707
% Chng.	(7.0)	(7.0)		
EBITDA (Rs. m)	12,965	16,662	13,944	17,344
% Chng.	(7.0)	(3.9)		
EPS (Rs.)	11.6	17.0	13.0	17.6
% Chng.	(10.8)	(3.4)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	1,82,099	1,64,233	1,58,110	1,79,156
EBITDA (Rs. m)	14,333	13,459	12,965	16,662
Margin (%)	7.9	8.2	8.2	9.3
PAT (Rs. m)	6,701	6,176	5,513	8,060
EPS (Rs.)	14.1	13.0	11.6	17.0
Gr. (%)	1.1	(7.8)	(10.7)	46.2
DPS (Rs.)	3.5	3.5	4.0	4.0
Yield (%)	1.1	1.1	1.2	1.2
RoE (%)	21.5	17.7	14.5	18.8
RoCE (%)	22.2	15.2	12.8	17.6
EV/Sales (x)	1.0	1.1	1.1	0.9
EV/EBITDA (x)	12.2	13.3	13.6	10.1
PE (x)	23.6	25.6	28.7	19.6
P/BV (x)	4.7	4.4	4.0	3.4

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.512 / Rs.240
Sensex / Nifty	32,201 / 9,490
Market Cap	Rs.158bn / \$ 2,089m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.2221.9m

Shareholding Pattern (%)

Promoter's	57.40
Foreign	11.37
Domestic Institution	21.20
Public & Others	10.04
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.4	(31.7)	(33.2)
Relative	12.1	(12.8)	(17.6)

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Mixed bag; 2HFY21 outlook cautiously positive

Quick Pointers:

- Margins came in better at 7% (PLe 6.6%) led by tight cost control.
- Demand outlook- domestic cautious for 2HFY21, exports look weak in the near term
- ~37% of customers opted for moratorium. See no challenges in financing.

TVSL's reported mixed set of results where revenues came in-line at Rs34.8bn (-21% YoY). Despite dealer incentives worth Rs0.2bn (net off from revenues), realization came in at Rs55k/unit (PLe Rs54k/unit). Led by tight cost control, EBITDA came in higher at Rs2.5bn (PLe Rs2.3bn, -20.5% YoY) and margins at 7% (PLe 6.6%, flat YoY). The management sounded cautiously optimistic on domestic sales outlook led by positive rural sentiments while exports may see near term challenges. We cut FY21/22 EPS by 11%/3.4% to factor in lower volumes for both domestic/ exports markets and higher interest cost. We have maintained our price target unchanged at Rs318 at 16x Mar-22 core EPS (unchanged) and Rs48 for NBFC (v/s Rs44). Maintain Hold.

- **Revenue in-line:** TVSL's total revenue declined 21% YoY (-16% QoQ) to Rs34.8bn led by volume decline of ~30% YoY (-23% QoQ). However, realizations improved ~14% YoY to Rs55k/unit (PLe Rs54k) due to BS6 hike.
- **OPM better at 7% (PLe 6.6%) led by cost control benefits:** EBITDA margin remained flat YoY (-180bp QoQ). Gross margins expanded 170bp YoY led by a) reduction in material costs, b) cost cutting initiatives and higher localization content. Adj. PAT beat at Rs1bn (PLe Rs0.75bn) led by higher other expense due to tax credit. TVS reported one off expense of Rs0.32bn for COVID contributions.
- **FY20 - Revenue/EBITDA/PAT declined by ~10%/6%/8% YoY respectively.**
- **Key con-call takeaways: (1) Demand outlook** – Cautiously optimistic about domestic demand in 2HFY21 led by strong rural recovery and higher retail finance penetration **(2) Exports** to face near term challenges but expect some recovery from June. Crude reaching to USD40 should not impact Nigeria kind of market. 3W to do well in exports market. **(3) Expect share of retail finance to increase** (currently at ~56%). TVS credit accounted for ~46% share in finance for TVSL. **(4) BS6 transition** – Received positive response for BS6 products which accounted for ~85% of the Q4FY20 sales. BS6 price increase was in the range of ~10-12%. **(5) Capex guidance was** at Rs3bn for FY21. Investment in subsidiaries will be additional. **(6) USD/INR realization rate** stood at Rs71 for FY20. **(8) Expect moped volumes to grow** going forward which were impacted in FY20 due to increase in insurance cost, higher discounts in entry level motorcycle and weak rural sentiments. **(10) TVS credit performance-** TVS holds ~82% share, Book size is Rs92.5bn, Net worth at Rs13.8bn, PAT at Rs1.5bn. **~37% of customers opted for moratorium and NPA remained at ~4.4%.**

Exhibit 1: Q4FY20 Result Overview (Rs m)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Revenues	34,814	43,840	(20.6)	41,255	1,64,233	1,82,099	(9.8)
Raw Materials	26,098	33,593	(22.3)	29,787	1,21,359	1,38,423	(12.3)
<i>% of Net Sales</i>	<i>75.0</i>	<i>76.6</i>		<i>72.2</i>	<i>73.9</i>	<i>76.0</i>	
Personnel	2,227	2,036	9.4	2,332	9,384	9,226	1.7
<i>% of Net Sales</i>	<i>6.4</i>	<i>4.6</i>		<i>5.7</i>	<i>5.7</i>	<i>5.1</i>	
Manufacturing & Other Exp	4,041	5,130	(21.2)	5,503	20,031	20,118	(0.4)
<i>% of Net Sales</i>	<i>11.6</i>	<i>11.7</i>		<i>13.3</i>	<i>12.2</i>	<i>11.0</i>	
Total Expenditure	32,366	40,759	(20.6)	37,622	1,50,775	1,67,767	(10.1)
EBITDA	2,449	3,081	(20.5)	3,633	13,459	14,333	(6.1)
<i>EBITDA Margin (%)</i>	<i>7.0</i>	<i>7.0</i>		<i>8.8</i>	<i>8.2</i>	<i>7.9</i>	
Depreciation	1,243	1,031	20.6	1,213	4,890	3,993	22.5
EBIT	1,205	2,050	(41.2)	2,420	8,568	10,340	(17.1)
Interest Expenses	235	247	(5.0)	211	1,022	806	26.8
Non-operating income	251	36		9	321	75	325.7
Extraordinary Income	-323	0		760	-323	0	
PBT	898	1,839	(51.2)	1,457	7,544	9,610	(21.5)
Tax-Total	160	501	(68.1)	247	1,622	2,908	(44.2)
<i>Tax Rate (%) - Total</i>	<i>13.1</i>	<i>27.2</i>	<i>(52.0)</i>	<i>11.1</i>	<i>21.5</i>	<i>30.3</i>	<i>(29.0)</i>
Reported PAT	739	1,338	(44.8)	1,211	5,923	6,701	(11.6)
Adj. PAT	1,062	1,338	(20.6)	1,971	6,246	6,701	(6.8)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Sales Volume (no.s)	6,32,920	9,07,328	(30.2)	8,21,521	32,63,468	39,13,724	(16.6)
Net Realisation/Vehicle	55,006	48,318	13.8	50,217	50,325	46,528	8.2
Material cost / vehicle	41,234	37,024	11.4	36,258	37,187	35,369	5.1
Gross Profit / vehicle	13,772	11,293	21.9	13,959	13,138	11,160	17.7
Employee cost /vehicle	3,518	2,243	56.8	2,838	2,875	2,357	22.0
Other expenses / vehicle	6,385	5,654	12.9	6,699	6,138	5,140	19.4
EBITDA/vehicle	3,869	3,396	13.9	4,422	4,124	3,662	12.6
Net Profit/vehicle	1,678	1,475	13.8	2,399	1,914	1,712	11.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	1,82,099	1,64,233	1,58,110	1,79,156
YoY gr. (%)	20.0	(9.8)	(3.7)	13.3
Cost of Goods Sold	1,38,423	1,21,359	1,15,894	1,31,321
Gross Profit	43,677	42,874	42,215	47,835
Margin (%)	24.0	26.1	26.7	26.7
Employee Cost	9,226	9,384	9,487	10,033
Other Expenses	20,118	20,031	19,764	21,140
EBITDA	14,333	13,459	12,965	16,662
YoY gr. (%)	22.0	(6.1)	(3.7)	28.5
Margin (%)	7.9	8.2	8.2	9.3
Depreciation and Amortization	3,993	4,890	5,068	5,455
EBIT	10,340	8,568	7,897	11,207
Margin (%)	5.7	5.2	5.0	6.3
Net Interest	806	1,022	967	948
Other Income	75	321	353	388
Profit Before Tax	9,610	7,544	7,283	10,647
Margin (%)	5.3	4.6	4.6	5.9
Total Tax	2,908	1,622	1,770	2,587
Effective tax rate (%)	30.3	21.5	24.3	24.3
Profit after tax	6,701	5,922	5,513	8,060
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,701	6,176	5,513	8,060
YoY gr. (%)	1.1	(7.8)	(10.7)	46.2
Margin (%)	3.7	3.8	3.5	4.5
Extra Ord. Income / (Exp)	-	(323)	-	-
Reported PAT	6,701	5,922	5,513	8,060
YoY gr. (%)	1.1	(11.6)	(6.9)	46.2
Margin (%)	3.7	3.6	3.5	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,701	5,922	5,513	8,060
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	14.1	13.0	11.6	17.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	52,927	58,583	65,021	68,021
Tangibles	52,927	58,583	65,021	68,021
Intangibles	-	-	-	-
Acc: Dep / Amortization	25,728	30,619	35,686	41,141
Tangibles	25,728	30,619	35,686	41,141
Intangibles	-	-	-	-
Net fixed assets	27,199	27,965	29,335	26,880
Tangibles	27,199	27,965	29,335	26,880
Intangibles	-	-	-	-
Capital Work In Progress	1,166	3,889	451	451
Goodwill	-	-	-	-
Non-Current Investments	23,007	26,059	28,259	30,459
Net Deferred tax assets	(2,126)	(1,581)	(1,581)	(1,581)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	11,759	10,389	10,002	11,333
Trade receivables	14,141	12,814	12,336	13,978
Cash & Bank Balance	439	4,192	4,694	8,509
Other Current Assets	5,982	8,305	8,072	8,397
Total Assets	83,693	93,612	93,148	1,00,007
Equity				
Equity Share Capital	475	475	475	475
Other Equity	32,998	35,706	39,319	45,478
Total Network	33,473	36,181	39,794	45,953
Non-Current Liabilities				
Long Term borrowings	7,091	9,904	6,904	3,904
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10,581	15,320	15,320	15,320
Trade payables	29,239	28,864	27,788	31,487
Other current liabilities	1,183	1,763	1,763	1,763
Total Equity & Liabilities	83,694	93,612	93,148	1,00,007

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	9,610	7,544	7,283	10,647
Add. Depreciation	3,993	4,890	5,068	5,455
Add. Interest	806	1,022	967	948
Less Financial Other Income	75	321	353	388
Add. Other	(47)	11	(353)	(388)
Op. profit before WC changes	14,361	13,467	12,965	16,662
Net Changes-WC	(1,064)	2,619	22	400
Direct tax	(2,300)	(1,850)	(1,770)	(2,587)
Net cash from Op. activities	10,997	14,237	11,217	14,474
Capital expenditures	(10,093)	(13,178)	(3,000)	(3,000)
Interest / Dividend Income	-	-	-	-
Others	72	290	(1,847)	(1,812)
Net Cash from Inv. activities	(10,022)	(12,889)	(4,847)	(4,812)
Issue of share cap. / premium	-	-	-	-
Debt changes	3,672	5,888	(3,000)	(3,000)
Dividend paid	(2,000)	(2,000)	(1,900)	(1,900)
Interest paid	(857)	(1,003)	(967)	(948)
Others	(4)	(180)	-	-
Net cash from Fin. activities	811	2,705	(5,868)	(5,848)
Net change in cash	1,787	4,053	502	3,814
Free Cash Flow	904	1,059	8,217	11,474

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	14.1	13.0	11.6	17.0
CEPS	22.5	23.3	22.3	28.4
BVPS	70.5	76.2	83.8	96.7
FCF	1.9	2.2	17.3	24.2
DPS	3.5	3.5	4.0	4.0
Return Ratio(%)				
RoCE	22.2	15.2	12.8	17.6
ROIC	15.7	12.9	10.5	15.4
RoE	21.5	17.7	14.5	18.8
Balance Sheet				
Net Debt : Equity (x)	0.5	0.6	0.4	0.2
Net Working Capital (Days)	(7)	(13)	(13)	(13)
Valuation(x)				
PER	23.6	25.6	28.7	19.6
P/B	4.7	4.4	4.0	3.4
P/CEPS	14.8	14.3	15.0	11.7
EV/EBITDA	12.2	13.3	13.6	10.1
EV/Sales	1.0	1.1	1.1	0.9
Dividend Yield (%)	1.1	1.1	1.2	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

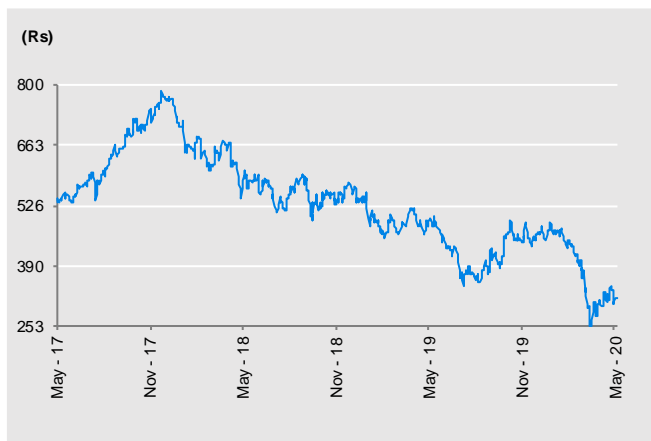
Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	44,686	43,478	41,255	34,814
YoY gr. (%)	7.2	(12.9)	(11.5)	(20.6)
Raw Material Expenses	33,577	31,898	29,787	26,098
Gross Profit	11,109	11,581	11,468	8,717
Margin (%)	24.9	26.6	27.8	25.0
EBITDA	3,558	3,820	3,633	2,449
YoY gr. (%)	10.8	(10.8)	(3.3)	(20.5)
Margin (%)	8.0	8.8	8.8	7.0
Depreciation / Depletion	1,194	1,241	1,213	1,243
EBIT	2,364	2,579	2,420	1,205
Margin (%)	5.3	5.9	5.9	3.5
Net Interest	291	285	211	235
Other Income	12	49	9	251
Profit before Tax	2,085	3,103	1,457	1,545
Margin (%)	4.7	7.1	3.5	4.4
Total Tax	662	553	247	160
Effective tax rate (%)	31.8	17.8	16.9	10.3
Profit after Tax	1,423	2,550	1,211	1,385
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,423	1,790	1,971	1,062
YoY gr. (%)	(2.9)	(15.3)	10.5	(20.6)
Margin (%)	3.2	4.1	4.8	3.1
Extra Ord. Income / (Exp)	-	(760)	760	(323)
Reported PAT	1,423	2,550	1,211	1,385
YoY gr. (%)	(2.9)	20.7	(32.1)	3.5
Margin (%)	3.2	5.9	2.9	4.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,423	2,550	1,211	1,385
Avg. Shares O/s (m)	475	475	475	475
EPS (Rs)	3.0	3.8	4.1	2.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Scooter volume (units)	13,01,115	10,75,203	9,42,063	11,34,708
Motorcycle volume (units)	15,60,519	13,63,579	11,69,317	12,87,317
Moped volume (units)	8,96,917	6,50,799	6,19,645	6,51,646
Total two-wheeler volume (units)	37,58,551	30,89,581	27,31,025	30,73,671
Three-wheeler volume (units)	1,56,434	1,73,911	1,50,211	1,66,671
Total volume (units)	39,14,985	32,63,492	28,81,236	32,40,341
Realisation per unit (Rs)	46,513	50,324	54,876	55,289

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	19-Apr-20	Hold	318	301
2	09-Apr-20	Hold	318	306
3	04-Feb-20	Hold	473	460
4	03-Jan-20	Hold	450	453
5	17-Oct-19	Hold	439	446
6	03-Oct-19	Hold	405	405
7	22-Jul-19	Hold	405	380
8	04-Jul-19	Hold	423	433

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	59	46
2	Bajaj Auto	Hold	2,504	2,556
3	Bharat Forge	Hold	345	246
4	CEAT	Accumulate	893	816
5	Eicher Motors	BUY	17,990	13,742
6	Exide Industries	Accumulate	167	148
7	Hero Motocorp	Accumulate	2,225	1,991
8	Mahindra & Mahindra	Hold	420	381
9	Maruti Suzuki	BUY	5,830	5,036
10	Motherson Sumi Systems	BUY	87	66
11	Tata Motors	Hold	84	75
12	TVS Motors	Hold	318	301

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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