

April 27, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		SELL	
Target Price	658		470	
Sales (Rs. m)	1,99,199	2,21,451	1,93,665	2,12,154
% Chng.	2.9	4.4		
EBITDA (Rs. m)	20,318	23,474	16,074	19,306
% Chng.	26.4	21.6		
EPS (Rs.)	21.9	26.6	16.2	21.0
% Chng.	35.1	26.5		

Key Financials - Standalone

Ye Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	1,64,233	1,67,505	1,99,199	2,21,451
EBITDA (Rs. m)	13,459	14,286	20,318	23,474
Margin (%)	8.2	8.5	10.2	10.6
PAT (Rs. m)	6,176	6,120	10,419	12,643
EPS (Rs.)	13.0	12.9	21.9	26.6
Gr. (%)	(7.8)	(0.9)	70.2	21.3
DPS (Rs.)	1.4	3.5	4.0	4.0
Yield (%)	0.2	0.6	0.7	0.7
RoE (%)	17.7	15.7	22.7	22.7
RoCE (%)	15.2	15.5	23.0	24.8
EV/Sales (x)	1.8	1.7	1.3	1.2
EV/EBITDA (x)	21.6	19.4	13.2	11.2
PE (x)	43.6	44.0	25.8	21.3
P/BV (x)	7.4	6.5	5.4	4.4

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.660 / Rs.291
Sensex / Nifty	48,944 / 14,653
Market Cap	Rs.269bn/ \$ 3,604m
Shares Outstanding	475m
3M Av g. Daily Value	Rs.3664.1m

Shareholding Pattern (%)

Promoter's	57.40
Foreign	12.34
Domestic Institution	20.84
Public & Others	9.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.8)	30.8	89.2
Relative	(0.6)	8.3	22.7

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Healthy performance to sustain; upgrade to BUY

Quick Pointers:

- Healthy operating performance drive EBITDA/PAT beat by 12%/20% (v/s PLe).
- Reported first ever double digit margins at 10.1% in challenging times led by cost control and price hikes.

TVSL reported healthy beat to our EBITDA/PAT estimates by 12.4%/20%. We were surprised with QoQ gross margins expansion by 80bp at 24.7% (PLe 23%) as cost control (100bp) and price hikes offset RM impact. We expect near term volume challenges withstanding due to lockdown, while double digit EBITDA performance to sustain backed by further cost reduction efforts and price increase (April price hike of 1.6%). Further sharp improvement in Indonesia subs profitability with PBT of USD3m (v/s PBT loss of USD5.8m) and balance sheet turning net cash are key upgrade catalysts. Further management reiterated aggressive new launches both in India and overseas should help drive continued market share gains. Hence we raise FY22/23 EPS by 35.1%/26.5% to factor in better realizations and cost control benefits. We upgrade the stock to BUY (from Sell) with revised SoTP based price target of Rs658 (earlier Rs470) at 23x Mar-23 core EPS (v/s 20x earlier at 10% discount to 10 year LPA) and Rs46 for NBFC.

- Revenue in-line:** TVSL's total revenue grew 53% YoY (-1% QoQ) at Rs53.2b led by volume growth of ~47% YoY while realizations improved ~4% YoY to Rs57.4k/unit (PLe Rs56.9k).
- EBITDA margins higher at 10.1% (PLe 9%) led by better gross margins at 24.7%** (-30bp YoY/ +80bp QoQ, PLe 23%). This was led by a) material cost optimization, b) cost cutting initiatives and c) higher localization content. Consequently, EBITDA came higher at Rs5.4b (v/s Rs2.4b in Q4FY20, PLe Rs4.8b). Better operating performance coupled with lower interest cost at Rs195m (PLe Rs305m) resulted in Adj. PAT beat at Rs2.9b (v/s Rs1.1b in Q4FY20, PLe Rs2.4b).
- FY21 Revenue/EBITDA grew 2%/6% YoY while Adj PAT declined -1% YoY.** TVSL declared interim dividend of Rs1.4/share, aggregating to Rs3.5/share for FY21.
- Key con-call takeaways:** (1) Demand outlook- Expect demand disruptions over Q1FY22 led by COVID restrictions while demand to pick up from Q2 onwards led by strong rural sentiments. (2) Believe exports market should continue to pick up as economic situation improves while **stable crude oil prices will have positive impact on the African economies.** (3) **Planning a series of launches in FY22** which should help both domestic and exports volumes. (4) **EV-** TVS iQube will be launched in more than 20 cities and planning to launch e3W. (5) **Capex guidance at Rs5-6bn for FY22** largely towards EVs, emerging technologies and new products. (6) **TVS Credit-** Book size of Rs112b as on 31st March'21. GNPA as on 31st Mar at 4.9% (v/s 3.9% YoY). Capital Adequacy Ratio at 18.5% and retail finance penetration at 42.5%.

Exhibit 1: Q4FY21 Result Overview (Rs m)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Revenues	53,219	34,814	52.9	53,914	1,67,505	1,64,233	2.0
Raw Materials	40,098	26,098	53.6	41,031	1,27,239	1,21,359	4.8
<i>% of Net Sales</i>	<i>75.3</i>	<i>75.0</i>		<i>76.1</i>	<i>76.0</i>	<i>73.9</i>	
Personnel	2,681	2,227	20.4	2,691	9,485	9,384	1.1
<i>% of Net Sales</i>	<i>5.0</i>	<i>6.4</i>		<i>5.0</i>	<i>5.7</i>	<i>5.7</i>	
Manufacturing & Other Exp	5,079	4,041	25.7	5,081	16,497	20,031	(17.6)
<i>% of Net Sales</i>	<i>9.5</i>	<i>11.6</i>		<i>9.4</i>	<i>9.8</i>	<i>12.2</i>	
Total Expenditure	47,858	32,366	47.9	48,803	1,53,220	1,50,775	1.6
EBITDA	5,361	2,449	119.0	5,111	14,286	13,459	6.1
<i>EBITDA Margin (%)</i>	<i>10.1</i>	<i>7.0</i>		<i>9.5</i>	<i>8.5</i>	<i>8.2</i>	
Depreciation	1,366	1,243	9.9	1,329	4,937	4,890	1.0
EBIT	3,995	1,205	231.5	3,782	9,349	8,568	9.1
Interest Expenses	195	235	(16.8)	291	1,416	1,022	38.6
Non-operating income	69	251		124	330	321	2.7
Extraordinary Income	0	323		0	0	323	
PBT	3,869	899	330.6	3,615	8,262	7,544	9.5
Tax-Total	977	160	512.0	959	2,142	1,622	32.1
<i>Tax Rate (%) - Total</i>	<i>25.2</i>	<i>13.1</i>	<i>93.2</i>	<i>26.5</i>	<i>25.9</i>	<i>21.5</i>	
Reported PAT	2,892	739	291.4	2,656	6,120	5,923	3.3
Adj. PAT	2,892	1,062	172.4	2,656	6,120	6,246	(2.0)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Sales Volume (no.s)	9,27,579	6,32,920	46.6	9,89,517	30,51,863	32,63,352	(6.5)
Net Realisation/vehicle	57,374	55,006	4.3	54,485	54,886	50,327	9.1
Material cost / vehicle	43,229	41,234	4.8	41,465	41,692	37,189	12.1
Gross Profit / vehicle	14,145	13,772	2.7	13,020	13,194	13,138	0.4
Employee cost / vehicle	2,890	3,518	(17.9)	2,720	3,108	2,876	8.1
Other expenses / vehicle	5,476	6,385	(14.2)	5,135	5,405	6,138	(11.9)
EBITDA/vehicle	5,780	3,869	49.4	5,166	4,681	4,124	13.5
Net Profit/vehicle	3,118	1,678	85.8	2,684	2,005	1,914	4.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	1,64,233	1,67,505	1,99,199	2,21,451
YoY gr. (%)	(9.8)	2.0	18.9	11.2
Cost of Goods Sold	1,21,359	1,27,239	1,49,997	1,66,088
Gross Profit	42,874	40,267	49,202	55,363
Margin (%)	26.1	24.0	24.7	25.0
Employee Cost	9,384	9,485	10,159	11,737
Other Expenses	20,031	16,497	18,725	20,152
EBITDA	13,459	14,286	20,318	23,474
YoY gr. (%)	(6.1)	6.1	42.2	15.5
Margin (%)	8.2	8.5	10.2	10.6
Depreciation and Amortization	4,890	4,937	6,127	6,581
EBIT	8,568	9,349	14,191	16,892
Margin (%)	5.2	5.6	7.1	7.6
Net Interest	1,022	1,416	807	627
Other Income	321	330	379	436
Profit Before Tax	7,544	8,262	13,763	16,701
Margin (%)	4.6	4.9	6.9	7.5
Total Tax	1,622	2,142	3,344	4,058
Effective tax rate (%)	21.5	25.9	24.3	24.3
Profit after tax	5,922	6,120	10,419	12,643
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,176	6,120	10,419	12,643
YoY gr. (%)	(7.8)	(0.9)	70.2	21.3
Margin (%)	3.8	3.7	5.2	5.7
Extra Ord. Income / (Exp)	(323)	-	-	-
Reported PAT	5,922	6,120	10,419	12,643
YoY gr. (%)	(11.6)	3.3	70.2	21.3
Margin (%)	3.6	3.7	5.2	5.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,922	6,120	10,419	12,643
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	13.0	12.9	21.9	26.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	57,851	65,553	70,603	75,653
Tangibles	57,851	65,553	70,603	75,653
Intangibles	-	-	-	-
Acc: Dep / Amortization	28,851	33,788	39,915	46,497
Tangibles	28,851	33,788	39,915	46,497
Intangibles	-	-	-	-
Net fixed assets	28,999	31,765	30,688	29,156
Tangibles	28,999	31,765	30,688	29,156
Intangibles	-	-	-	-
Capital Work In Progress	2,854	1,126	1,576	2,026
Goodwill	-	-	-	-
Non-Current Investments	26,059	33,145	35,345	37,545
Net Deferred tax assets	(1,581)	(1,954)	(1,954)	(1,954)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	10,389	11,518	13,697	13,954
Trade receivables	12,814	8,700	9,823	12,134
Cash & Bank Balance	4,192	9,298	14,384	17,001
Other Current Assets	8,305	6,423	6,423	6,423
Total Assets	93,612	1,01,975	1,11,937	1,18,239
Equity				
Equity Share Capital	475	475	475	475
Other Equity	35,706	41,234	49,753	60,495
Total Network	36,181	41,710	50,228	60,970
Non-Current Liabilities				
Long Term borrowings	9,904	11,293	10,293	9,043
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	15,320	5,876	3,876	1,876
Trade payables	28,864	39,216	43,660	42,470
Other current liabilities	1,763	1,925	1,925	1,925
Total Equity & Liabilities	93,612	1,01,975	1,11,937	1,18,239

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	7,544	8,262	13,763	16,701
Add. Depreciation	4,890	4,937	6,127	6,581
Add. Interest	1,022	1,416	807	627
Less Financial Other Income	321	330	379	436
Add. Other	11	(303)	(379)	(436)
Op. profit before WC changes	13,467	14,312	20,318	23,474
Net Changes-WC	2,619	13,335	1,141	(3,758)
Direct tax	(1,850)	(2,020)	(3,344)	(4,058)
Net cash from Op. activities	14,237	25,627	18,115	15,658
Capital expenditures	(13,178)	(9,513)	(5,500)	(5,500)
Interest / Dividend Income	-	-	-	-
Others	290	305	(1,821)	(1,764)
Net Cash from Inv. activities	(12,889)	(9,208)	(7,321)	(7,264)
Issue of share cap. / premium	-	-	-	-
Debt changes	5,888	(8,949)	(3,000)	(3,250)
Dividend paid	(2,000)	(998)	(1,900)	(1,900)
Interest paid	(1,003)	(1,129)	(807)	(627)
Others	(180)	(880)	-	-
Net cash from Fin. activities	2,705	(11,956)	(5,708)	(5,777)
Net change in cash	4,053	4,463	5,086	2,616
Free Cash Flow	1,059	16,115	12,615	10,158

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	14,317	46,055	53,914	53,219
YoY gr. (%)	(68.0)	5.9	30.7	52.9
Raw Material Expenses	10,864	35,246	41,031	40,098
Gross Profit	3,454	10,809	12,883	13,121
Margin (%)	24.1	23.5	23.9	24.7
EBITDA	(488)	4,301	5,111	5,361
YoY gr. (%)	(113.7)	12.6	40.7	119.0
Margin (%)	(3.4)	9.3	9.5	10.1
Depreciation / Depletion	911	1,331	1,329	1,366
EBIT	(1,399)	2,970	3,782	3,995
Margin (%)	(9.8)	6.4	7.0	7.5
Net Interest	523	407	291	195
Other Income	26	111	124	69
Profit before Tax	(1,896)	2,674	3,615	3,869
Margin (%)	(13.2)	5.8	6.7	7.3
Total Tax	(505)	712	959	977
Effective tax rate (%)	26.7	26.6	26.5	25.2
Profit after Tax	(1,391)	1,963	2,656	2,892
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(1,391)	1,963	2,656	2,892
YoY gr. (%)	(197.7)	9.7	34.8	172.4
Margin (%)	(9.7)	4.3	4.9	5.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(1,391)	1,963	2,656	2,892
YoY gr. (%)	(197.7)	(23.0)	119.4	291.4
Margin (%)	(9.7)	4.3	4.9	5.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(1,391)	1,963	2,656	2,892
Avg. Shares O/s (m)	475	475	475	475
EPS (Rs)	(2.9)	4.1	5.6	6.1

Source: Company Data, PL Research

Key Financial Metrics

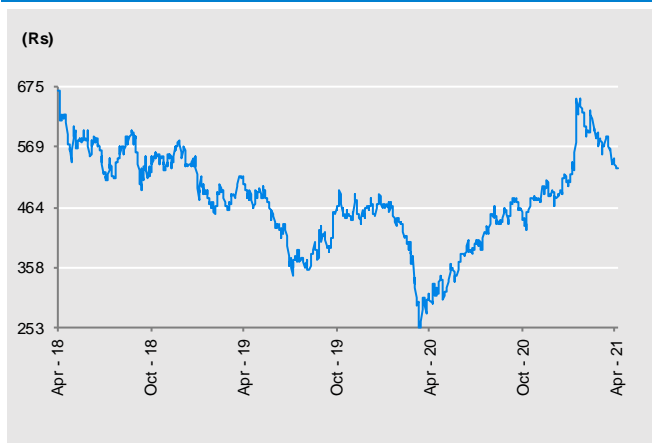
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	13.0	12.9	21.9	26.6
CEPS	23.3	23.3	34.8	40.5
BVPS	76.2	87.8	105.7	128.3
FCF	2.2	33.9	26.6	21.4
DPS	1.4	3.5	4.0	4.0
Return Ratio(%)				
RoCE	15.2	15.5	23.0	24.8
ROIC	12.9	13.6	22.7	25.0
RoE	17.7	15.7	22.7	22.7
Balance Sheet				
Net Debt : Equity (x)	0.6	0.2	-	(0.1)
Net Working Capital (Days)	(13)	(41)	(37)	(27)
Valuation(x)				
PER	43.6	44.0	25.8	21.3
P/B	7.4	6.5	5.4	4.4
P/CEPS	24.3	24.3	16.3	14.0
EV/EBITDA	21.6	19.4	13.2	11.2
EV/Sales	1.8	1.7	1.3	1.2
Dividend Yield (%)	0.2	0.6	0.7	0.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Scooter volume (units)	10,75,265	9,60,946	11,86,240	12,79,220
Motorcycle volume (units)	13,63,579	13,41,759	15,71,420	16,93,445
Moped volume (units)	6,50,799	6,25,560	6,62,811	7,22,743
Total two-wheeler volume (units)	30,89,643	29,28,265	34,20,471	36,95,408
Three-wheeler volume (units)	1,73,911	1,23,596	1,33,939	1,50,866
Total volume (units)	32,63,554	30,51,861	35,54,411	38,46,274
Realisation per unit (Rs)	50,323	54,886	56,043	57,575

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Apr-21	Sell	470	574
2	28-Jan-21	Sell	437	529
3	11-Jan-21	Sell	408	513
4	30-Oct-20	Sell	386	422
5	9-Oct-20	Sell	381	472
6	29-Jul-20	Sell	365	402
7	11-Jul-20	Sell	347	386
8	28-May-20	Hold	318	333

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	149	113
2	Bajaj Auto	Hold	3,710	3,613
3	Bharat Forge	Hold	602	619
4	CEAT	Accumulate	1,667	1,542
5	Eicher Motors	Accumulate	2,958	2,487
6	Endurance Technologies	BUY	1,605	1,369
7	Exide Industries	BUY	227	184
8	Hero Motocorp	Accumulate	3,451	2,888
9	Mahindra & Mahindra	BUY	939	781
10	Maruti Suzuki	BUY	7,915	6,751
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	Reduce	271	308
13	TVS Motors	Sell	470	574

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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