

May 6, 2022

## Q4FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	795		786	
Sales (Rs. m)	243,401	271,350	244,705	274,186
% Chng.	(0.5)	(1.0)		
EBITDA (Rs. m)	25,070	29,034	23,981	27,419
% Chng.	4.5	5.9		
EPS (Rs.)	27.4	33.1	27.8	32.7
% Chng.	(1.2)	1.2		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	167,505	207,905	243,401	271,350
EBITDA (Rs. m)	14,286	19,617	25,070	29,034
Margin (%)	8.5	9.4	10.3	10.7
PAT (Rs. m)	6,120	9,158	13,041	15,712
EPS (Rs.)	12.9	19.3	27.4	33.1
Gr. (%)	(0.9)	49.6	42.4	20.5
DPS (Rs.)	3.5	3.8	4.0	8.0
Yield (%)	0.6	0.6	0.6	1.3
RoE (%)	15.7	20.4	24.8	25.0
RoCE (%)	15.5	20.3	24.0	25.5
EV/Sales (x)	1.8	1.5	1.3	1.1
EV/EBITDA (x)	21.5	16.4	12.5	10.5
PE (x)	48.9	32.7	23.0	19.1
P/BV (x)	7.2	6.2	5.3	4.4

### Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.814 / Rs.495
Sensex / Nifty	55,702 / 16,683
Market Cap	Rs.299bn/ \$ 3,925m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.1447.49m

### Shareholding Pattern (%)

Promoter's	52.26
Foreign	12.77
Domestic Institution	25.15
Public & Others	9.82
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	(11.1)	4.3
Relative	6.9	(4.1)	(8.8)

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## Resilient margins

### Quick Pointers:

- iQube order book at ~12k units; 10k units/month facility to be operational in 1QFY23 along with a new EV model launch.
- Delivered double-digit margin of 10.1% despite commodity headwinds and supply chain issues.

**TVS reported EBITDA margin at 10.1% (PLe: 10.3%; flat YoY) despite commodity cost pressures, supported by price hikes (~1.5% QoQ) and higher exports (37% of total volumes vs 34% QoQ). Management highlighted strong product pipeline over FY23 for ICE and EV models (one new EV model launch in 1QFY23). Its EV facility of 10kunits/month will be operational in 1QFY23 while current order book for TVS iQube is ~12k units. Management remains confident of growing ahead of the market in FY23 driven by comeback of rural demand supported by monsoons, strong reception of new models and export momentum.**

**We believe TVS will be able to sustain growth momentum driven by (1) new product launches in ICE & EV segments along with its revamped product portfolio (2) strong exports and (iii) margin protection through cost reduction efforts and price hikes. We expand our EBITDA margin estimates by ~50/70bps to factor in margin protection through price hikes and cost controls. Maintain 'BUY' rating with revised target price of Rs 795 at 23x on FY24E EPS and Rs 34 for TVS Credit.**

- 4QFY22 performance:** TVS reported record revenue at Rs 55bn (+4/-3% YoY/QoQ) in-line with our estimates. This was driven by improved average realization at ~Rs 64k (+12% YoY) on the back of price hikes and sustained exports momentum; despite 7/2% YoY/QoQ decline in volumes (~862k units). EBITDA margin at 10.1% was resilient (flat YoY, PLe: 10.3%). PAT at Rs 2.74bn declined by 5% YoY as well as QoQ.
- Key takeaways: (1) Strong product portfolio:** TVS's products like Raider, Apache and Jupiter 125 are very well accepted in domestic as well as international markets. This has led to market share gain of 100bps in overall 2W segment (200bps in scooters). Management expects TVS to grow ahead of the industry in FY23. **(2) New EV launch soon:** ~10.7k units of TVS iQube were sold in FY22. Company highlighted a monthly run-rate of 2,500 units and its 10k units/month facility will be operational in 1QFY23. Along with this, TVS also plans a new EV product launch. Over next 8 quarters, it plans multiple product launches in the range of 5-25 kWh. TVS iQube currently has ~12k bookings. **(3) Demand and supply scenario:** Over coming months, demand is expected to comeback from rural markets with expectations of good monsoons and impact of COVID residing. Supply of chips was hampered in Q4, due to which Raider and Apache production was low. However, TVS is now working with alternate vendors due to which supply has stabilized. **(4) Margin protection:** Company was able to deliver double-digit margin of 10.1% despite commodity headwinds and supply chain issues. It remains confident of protecting margins with robust cost control measures, price hikes and exports.

**Exhibit 1: Q3FY22 Result Overview (Rs m)**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Net Revenues</b>	<b>55,303</b>	<b>53,219</b>	<b>3.9</b>	<b>57,064</b>	<b>(3.1)</b>	<b>2,07,905</b>	<b>1,67,505</b>	<b>24.1</b>
Raw Materials	42,115	40,098	5.0	43,512	(3.2)	1,58,082	1,27,239	24.2
<i>% of Net Sales</i>	<i>76.2</i>	<i>75.3</i>		<i>76.3</i>		<i>76.0</i>	<i>76.0</i>	
Personnel	2,841	2,681	6.0	2,957	(3.9)	11,364	9,485	19.8
<i>% of Net Sales</i>	<i>5.1</i>	<i>5.0</i>		<i>5.2</i>		<i>5.5</i>	<i>5.7</i>	
Manufacturing & Other Exp	4,780	5,079	(5.9)	4,912	(2.7)	18,842	16,497	14.2
<i>% of Net Sales</i>	<i>8.6</i>	<i>9.5</i>		<i>8.6</i>		<i>9.1</i>	<i>9.8</i>	
Total Expenditure	49,735	47,858	3.9	51,382	(3.2)	1,88,288	1,53,220	22.9
<b>EBITDA</b>	<b>5,568</b>	<b>5,361</b>	<b>3.9</b>	<b>5,683</b>	<b>(2.0)</b>	<b>19,617</b>	<b>14,286</b>	<b>37.3</b>
<i>EBITDA Margin (%)</i>	<i>10.1</i>	<i>10.1</i>		<i>10.0</i>		<i>9.4</i>	<i>8.5</i>	
Depreciation	1,593	1,366	16.6	1,546	3.0	6,114	4,937	23.9
<b>EBIT</b>	<b>3,975</b>	<b>3,995</b>	<b>(0.5)</b>	<b>4,136</b>	<b>(3.9)</b>	<b>13,503</b>	<b>9,349</b>	<b>44.4</b>
Interest Expenses	330	195	69.0	279	18.3	1,259	1,416	(11.1)
Non-operating income	82	69		57	42.8	190	330	(42.4)
Extraordinary Income	0	0		0		302	0	
<b>PBT</b>	<b>3,727</b>	<b>3,869</b>	<b>(3.7)</b>	<b>3,915</b>	<b>(4.8)</b>	<b>12,132</b>	<b>8,262</b>	<b>46.8</b>
Tax-Total	982	977	0.5	1,031	(4.8)	3,197	2,142	49.3
<i>Tax Rate (%) - Total</i>	<i>26.3</i>	<i>25.2</i>	<i>4.4</i>	<i>26.3</i>		<i>26.4</i>	<i>25.9</i>	
<b>Reported PAT</b>	<b>2,745</b>	<b>2,892</b>	<b>(5.1)</b>	<b>2,883</b>	<b>(4.8)</b>	<b>8,935</b>	<b>6,120</b>	<b>46.0</b>
<b>Adj. PAT</b>	<b>2,745</b>	<b>2,892</b>	<b>(5.1)</b>	<b>2,883</b>	<b>(4.8)</b>	<b>9,157</b>	<b>6,120</b>	<b>49.6</b>

Source: Company, PL

**Exhibit 2: Operating Metrics**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Sales Volume (nos)</b>	<b>8,62,022</b>	<b>9,27,579</b>	<b>(7.1)</b>	<b>8,80,965</b>	<b>(2.2)</b>	<b>33,20,351</b>	<b>30,51,863</b>	<b>8.8</b>
Net Realisation/Vehicle	64,155	57,374	11.8	64,775	(1.0)	62,615	54,886	14.1
Material cost / vehicle	48,855	43,229	13.0	49,392	(1.1)	47,610	41,692	14.2
Gross Profit / vehicle	15,300	14,145	8.2	15,383	(0.5)	15,005	13,194	13.7
Employee cost /vehicle	3,296	2,890	14.0	3,357	(1.8)	3,422	3,108	10.1
Other expenses / vehicle	5,545	5,476	1.3	5,576	(0.6)	5,675	5,405	5.0
EBITDA/vehicle	6,459	5,780	11.8	6,451	0.1	5,908	4,681	26.2
Net Profit/vehicle	3,184	3,118	2.1	3,273	(2.7)	2,758	2,005	37.5

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>167,505</b>	<b>207,905</b>	<b>243,401</b>	<b>271,350</b>
YoY gr. (%)	2.0	24.1	17.1	11.5
Cost of Goods Sold	127,239	158,082	184,011	204,055
Gross Profit	40,267	49,823	59,390	67,295
Margin (%)	24.0	24.0	24.4	24.8
Employee Cost	9,485	11,364	12,170	13,567
Other Expenses	16,497	18,842	22,149	24,693
<b>EBITDA</b>	<b>14,286</b>	<b>19,617</b>	<b>25,070</b>	<b>29,034</b>
YoY gr. (%)	6.1	37.3	27.8	15.8
Margin (%)	8.5	9.4	10.3	10.7
Depreciation and Amortization	4,937	6,114	6,374	6,874
<b>EBIT</b>	<b>9,349</b>	<b>13,503</b>	<b>18,696</b>	<b>22,160</b>
Margin (%)	5.6	6.5	7.7	8.2
Net Interest	1,416	1,259	1,520	1,456
Other Income	330	190	213	245
<b>Profit Before Tax</b>	<b>8,262</b>	<b>12,132</b>	<b>17,389</b>	<b>20,949</b>
Margin (%)	4.9	5.8	7.1	7.7
Total Tax	2,142	3,197	4,347	5,237
Effective tax rate (%)	25.9	26.3	25.0	25.0
<b>Profit after tax</b>	<b>6,120</b>	<b>8,936</b>	<b>13,041</b>	<b>15,712</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>6,120</b>	<b>9,158</b>	<b>13,041</b>	<b>15,712</b>
YoY gr. (%)	(0.9)	49.6	42.4	20.5
Margin (%)	3.7	4.4	5.4	5.8
Extra Ord. Income / (Exp)	-	(222)	-	-
<b>Reported PAT</b>	<b>6,120</b>	<b>8,936</b>	<b>13,041</b>	<b>15,712</b>
YoY gr. (%)	3.3	46.0	45.9	20.5
Margin (%)	3.7	4.3	5.4	5.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,120	8,936	13,041	15,712
<b>Equity Shares O/s (m)</b>	<b>475</b>	<b>475</b>	<b>475</b>	<b>475</b>
<b>EPS (Rs)</b>	<b>12.9</b>	<b>19.3</b>	<b>27.4</b>	<b>33.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>65,553</b>	<b>72,216</b>	<b>77,766</b>	<b>85,316</b>
Tangibles	65,553	72,216	77,766	85,316
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>33,788</b>	<b>39,903</b>	<b>46,277</b>	<b>53,151</b>
Tangibles	33,788	39,903	46,277	53,151
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>31,765</b>	<b>32,314</b>	<b>31,489</b>	<b>32,165</b>
Tangibles	31,765	32,314	31,489	32,165
Intangibles	-	-	-	-
Capital Work In Progress	1,126	2,462	2,912	3,362
Goodwill	-	-	-	-
Non-Current Investments	33,145	47,160	49,360	54,360
Net Deferred tax assets	(1,954)	(1,979)	(1,979)	(1,979)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	11,518	11,227	15,338	17,099
Trade receivables	8,700	9,507	13,337	14,868
Cash & Bank Balance	9,298	4,013	10,902	17,505
Other Current Assets	6,423	9,260	9,260	9,260
<b>Total Assets</b>	<b>101,975</b>	<b>115,942</b>	<b>132,598</b>	<b>148,620</b>
<b>Equity</b>				
Equity Share Capital	475	475	475	475
Other Equity	41,234	47,745	56,351	68,262
<b>Total Networkth</b>	<b>41,710</b>	<b>48,220</b>	<b>56,826</b>	<b>68,737</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	11,293	14,478	13,228	11,978
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	5,876	11,428	11,428	11,428
Trade payables	39,216	39,914	46,680	52,040
Other current liabilities	1,925	2,458	2,458	2,458
<b>Total Equity &amp; Liabilities</b>	<b>101,974</b>	<b>118,477</b>	<b>132,598</b>	<b>148,619</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	8,262	12,434	17,389	20,949
Add. Depreciation	4,937	6,114	6,374	6,874
Add. Interest	1,416	1,259	1,520	1,456
Less Financial Other Income	330	190	213	245
Add. Other	(303)	(190)	(213)	(245)
Op. profit before WC changes	14,312	19,617	25,070	29,034
Net Changes-WC	13,335	(2,122)	(1,176)	2,067
Direct tax	(2,020)	(3,197)	(4,347)	(5,237)
<b>Net cash from Op. activities</b>	<b>25,627</b>	<b>14,299</b>	<b>19,547</b>	<b>25,864</b>
Capital expenditures	(9,513)	(8,000)	(6,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	305	(13,810)	(1,987)	(4,755)
<b>Net Cash from Invt. activities</b>	<b>(9,208)</b>	<b>(21,810)</b>	<b>(7,987)</b>	<b>(12,755)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(8,949)	8,037	(1,250)	(1,250)
Dividend paid	(998)	(1,782)	(1,900)	(3,801)
Interest paid	(1,129)	(1,259)	(1,520)	(1,456)
Others	(880)	302	-	-
<b>Net cash from Fin. activities</b>	<b>(11,956)</b>	<b>5,298</b>	<b>(4,671)</b>	<b>(6,506)</b>
<b>Net change in cash</b>	<b>4,463</b>	<b>(2,213)</b>	<b>6,890</b>	<b>6,603</b>
Free Cash Flow	16,115	6,299	13,547	17,864

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>39,344</b>	<b>56,194</b>	<b>57,064</b>	<b>55,303</b>
YoY gr. (%)	174.8	22.0	5.8	3.9
Raw Material Expenses	29,790	42,665	43,512	42,115
Gross Profit	9,554	13,529	13,552	13,189
Margin (%)	24.3	24.1	23.7	23.8
<b>EBITDA</b>	<b>2,738</b>	<b>5,629</b>	<b>5,683</b>	<b>5,568</b>
YoY gr. (%)	(660.8)	30.9	11.2	3.9
Margin (%)	7.0	10.0	10.0	10.1
Depreciation / Depletion	1,431	1,544	1,546	1,593
<b>EBIT</b>	<b>1,307</b>	<b>4,084</b>	<b>4,136</b>	<b>3,975</b>
Margin (%)	3.3	7.3	7.2	7.2
Net Interest	300	350	279	330
Other Income	16	35	57	82
<b>Profit before Tax</b>	<b>722</b>	<b>3,769</b>	<b>3,915</b>	<b>3,727</b>
Margin (%)	1.8	6.7	6.9	6.7
Total Tax	191	993	1,031	982
Effective tax rate (%)	26.4	26.3	26.3	26.3
<b>Profit after Tax</b>	<b>531</b>	<b>2,776</b>	<b>2,883</b>	<b>2,745</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>832</b>	<b>2,776</b>	<b>2,883</b>	<b>2,745</b>
YoY gr. (%)	(159.9)	41.5	8.5	(5.1)
Margin (%)	2.1	4.9	5.1	5.0
Extra Ord. Income / (Exp)	302	-	-	-
<b>Reported PAT</b>	<b>531</b>	<b>2,776</b>	<b>2,883</b>	<b>2,745</b>
YoY gr. (%)	(138.2)	41.5	8.5	(5.1)
Margin (%)	1.3	4.9	5.1	5.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>531</b>	<b>2,776</b>	<b>2,883</b>	<b>2,745</b>
Avg. Shares O/s (m)	475	475	475	475
<b>EPS (Rs)</b>	<b>1.8</b>	<b>5.8</b>	<b>6.1</b>	<b>5.8</b>

Source: Company Data, PL Research

**Key Financial Metrics**

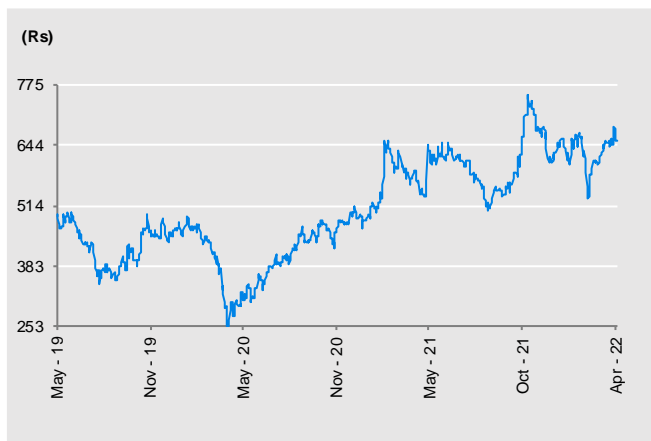
Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	12.9	19.3	27.4	33.1
CEPS	23.3	32.1	40.9	47.5
BVPS	87.8	101.5	119.6	144.7
FCF	33.9	13.3	28.5	37.6
DPS	3.5	3.8	4.0	8.0
<b>Return Ratio(%)</b>				
RoCE	15.5	20.3	24.0	25.5
ROIC	13.6	15.9	21.0	24.0
RoE	15.7	20.4	24.8	25.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.2	0.5	0.2	0.1
Net Working Capital (Days)	(41)	(34)	(27)	(27)
<b>Valuation(x)</b>				
PER	48.9	32.7	23.0	19.1
P/B	7.2	6.2	5.3	4.4
P/CEPS	27.1	19.6	15.4	13.3
EV/EBITDA	21.5	16.4	12.5	10.5
EV/Sales	1.8	1.5	1.3	1.1
Dividend Yield (%)	0.6	0.6	0.6	1.3

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
Scooter volume (units)	960,946	922,578	1,042,768	1,133,084
Motorcycle volume (units)	1,341,759	1,731,729	1,952,360	2,091,831
Moped volume (units)	625,560	483,396	542,736	581,367
Total two-wheeler volume (units)	2,928,265	3,137,703	3,537,863	3,806,283
Three-wheeler volume (units)	123,596	171,875	194,970	219,973
Total volume (units)	3,051,861	3,309,578	3,732,834	4,026,255
Realisation per unit (Rs)	54,886	62,819	65,205	67,395

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	786	651
2	08-Feb-22	BUY	751	637
3	12-Jan-22	Accumulate	736	611
4	22-Oct-21	BUY	682	577
5	07-Oct-21	BUY	690	558
6	29-Jul-21	BUY	669	562
7	07-Jul-21	BUY	675	608

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,120	3,834
3	Bharat Forge	BUY	942	740
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	3,071	2,541
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,150	2,410
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,718
11	Tata Motors	BUY	656	452
12	TVS Motors	BUY	786	651

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

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