

TVS Motor

Refer to important disclosures at the end of this report

Growth momentum continues

Q2FY23 EBITDA grew by 31% YoY (3-yr CAGR at 24%) to Rs7.4bn, slightly below our estimate due to increase in commodity costs and marketing spends. Management expects margin to improve in H2FY23, on price increases and commodity deflation. Revenue increased by 28% (3-yr CAGR at 18%) to Rs72bn, coming in 4% above our estimates, due to better-than-expected realizations. We increase our FY23-25E EPS by 1-4%, factoring-in higher volume assumptions. We maintain our positive stance, underpinned by: 1) expectations of a cyclical upturn in domestic 2Ws which generally lasts for three years at least; 2) increasing focus on EVs and premium models; 3) market-share gains in the domestic & overseas markets; and 4) margin expansion emanating from better scale and cost savings. We reaffirm BUY with a TP of Rs1,250 (Rs1,200 earlier), based on 25x Dec-24E EPS (Sep-24E earlier) and value of TVS Credit Services at Rs27/share. Key downside risks are lower-than-expected demand in key geographies, increased competitive intensity, failure of new products, and adverse movement in commodity prices/currency rates.

Q2 EBITDA slightly below estimates: Revenue grew by 28% YoY (3-yr CAGR at 18%) to Rs72bn, standing 4% above our estimate due to higher realizations. Volumes grew by 12% to 1mn units. Realization increased by 15% to Rs70,264/unit, above our estimates, on a better mix. EBITDA grew 31% (3-yr CAGR at 24%) to Rs7.4bn, at a 3% miss owing to increase in commodity costs & marketing spends. Overall, PAT rose 47% (3-yr CAGR at 27%) to Rs4.1 bn, below our estimate of Rs4.3bn owing to lower-than-expected operating profit. **What we liked:** 1) Strong festive season sales with market-share gains, 2) Strong product pipeline for EVs. **What we did not like:** 1) Lower than expected EBITDA margin. However, margin should improve ahead, on price increases (1.1% in Oct'22) and commodity deflation.

Earnings-Call KTAs: 1) The supply situation is turning better sequentially which will drive improvement in sales of premium models; 2) Inventory levels at dealers have reduced to below 4 weeks as of Oct-22; 3) EVs: Company has order book of >25,000 units and expects to reach production of 10,000/20,000 units in Nov-22/Mar-23. Management has indicated several launches across use-cases over the next three years; 4) In the overseas markets, major challenges include weakening macros, high inflation and adverse currency movement. Retail demand is expected to improve by Q4FY23; 5) Capex for FY23 would be Rs7.5bn, mostly relating to EVs. Investments would be largely in TVS credit and other opportunities in future mobility; and 6) TVS credit: Company has book size of Rs174bn and GNPA of 2.8%. It caters to 44% of TVS Motor's needs. It is looking to raise funds for supporting growth.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 6\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	167,505	207,905	265,954	299,209	327,867
EBITDA	14,286	19,617	28,096	36,642	40,292
EBITDA Margin (%)	8.5	9.4	10.6	12.2	12.3
APAT	6,120	9,237	15,339	21,422	23,934
EPS (Rs)	12.9	19.4	32.3	45.1	50.4
EPS (% chg)	(0.9)	50.9	66.1	39.7	11.7
ROE (%)	15.7	20.5	28.6	32.2	29.1
P/E (x)	86.5	57.3	34.5	24.7	22.1
EV/EBITDA (x)	37.2	27.7	19.3	14.7	13.1
P/BV (x)	12.7	11.0	9.0	7.2	5.8

Source: Company, Emkay Research

CMP	Target Price
Rs 1,114 as of (November 4, 2022)	Rs 1,250 (▲) 12 months
Rating	Upside
BUY (■)	12.2 %

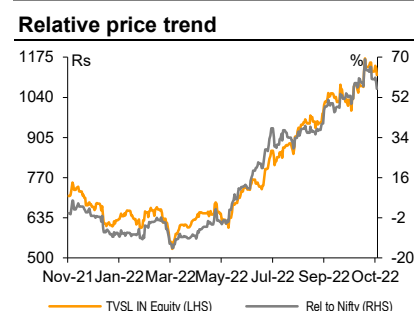
Change in Estimates	
EPS Chg FY23E/FY24E (%)	3.9/2.4
Target Price change (%)	4.2
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY23E	FY24E
Emkay	32.3	45.1
Consensus	29.9	38.6
Mean Consensus TP (12M)	Rs 1,016	

Stock Details	
Bloomberg Code	TVSL IN
Face Value (Rs)	1
Shares outstanding (mn)	475
52 Week H/L	1,177 / 513
M Cap (Rs bn/USD bn)	529 / 6.42
Daily Avg Volume (nos.)	1,616,261
Daily Avg Turnover (USD mn)	20.4

Shareholding Pattern Sep '22	
Promoters	50.8%
FIIs	12.6%
DIIIs	27.6%
Public and Others	9.0%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	8	19	78	57
Rel. to Nifty	3	14	63	55



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Exhibit 1: Key volume assumptions; expect volume CAGR of 12% over FY22-25E

	FY21	FY22	FY23E	FY24E	FY25E	FY22-25E CAGR
Sales volume (units)						
Motorcycles	627,656	707,563	864,807	984,174	1,053,547	14%
Scooters	919,325	866,851	1,211,718	1,421,146	1,553,817	21%
Mopeds	617,247	473,150	473,150	501,539	531,631	4%
3Ws	8,266	8,823	14,958	17,202	19,782	31%
Total Domestic	2,172,494	2,056,387	2,564,633	2,924,061	3,158,778	15%
Exports	879,369	1,253,191	1,212,168	1,331,601	1,451,445	5%
Total volume	3,051,863	3,309,578	3,776,801	4,255,661	4,610,223	12%

Source: Company, Emkay Research

Exhibit 2: Changes in estimates

(Rs mn)	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes (Units)	3,726,047	3,776,801	1.4	14.1	4,197,932	4,255,661	1.4	12.7	4,549,131	4,610,223	1.3	8.3
Sales	253,720	265,954	4.8	27.9	290,201	299,209	3.1	12.5	320,916	327,867	2.2	9.6
EBITDA	27,411	28,096	2.5	43.2	35,971	36,642	1.9	30.4	40,076	40,292	0.5	10.0
Margin (%)	10.8	10.6	(24) bps	113 bps	12.4	12.2	(15) bps	168 bps	12.5	12.3	(20) bps	4 bps
Net Profit	14,760	15,339	3.9	66.1	20,915	21,422	2.4	39.7	23,789	23,934	0.6	11.7
EPS (Rs)	31.1	32.3	3.9	66.1	44.0	45.1	2.4	39.7	50.1	50.4	0.6	11.7

Source: Company, Emkay Research

Exhibit 3: Actual vs. Estimates (Q2FY23)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	72,192	69,270	68,345	4.2	5.6	Above estimates due to higher realizations
EBITDA	7,365	7,618	7,443	(3.3)	(1.0)	Slightly below estimate due to increase in commodity costs and marketing spends
EBITDA Margin (%)	10.2	11.0	10.9	(80) bps	(69) bps	
Adjusted net profit	4,075	4,284	4,123	(4.9)	(1.2)	Below estimates owing to lower-than-expected operating profit

Source: Bloomberg, Company, Emkay Research

Exhibit 4: Quarterly performance

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
Revenue	56,194	57,064	55,303	60,087	72,192	28.5	20.1	132,279	95,538	38.5
Expenditure	50,565	51,382	49,735	54,093	64,826	28.2	19.8	118,919	87,171	36.4
as % of sales	90.0	90.0	89.9	90.0	89.8			89.9	91.2	
Consumption of RM	42,665	43,512	42,115	45,728	54,975	28.9	20.2	100,702	72,455	39.0
as % of sales	75.9	76.3	76.2	76.1	76.2			76.1	75.8	
Employee Cost	2,957	2,957	2,841	3,209	3,456	16.9	7.7	6,665	5,566	19.7
as % of sales	5.3	5.2	5.1	5.3	4.8			5.0	5.8	
Other expenditure	4,943	4,912	4,780	5,156	6,396	29.4	24.1	11,552	9,151	26.2
as % of sales	8.8	8.6	8.6	8.6	8.9			8.7	9.6	
EBITDA	5,629	5,683	5,568	5,995	7,365	30.9	22.9	13,360	8,367	59.7
EBITDA margin (%)	10.0	10.0	10.1	10.0	10.2			10.1	8.8	
Depreciation	1,544	1,546	1,593	1,520	1,535	(0.6)	1.0	3,056	2,975	2.7
EBIT	4,084	4,136	3,975	4,474	5,830	42.7	30.3	10,305	5,392	91.1
Other Income	35	57	82	222	14	(60.7)	(93.8)	236	51	364.2
Interest	350	279	330	376	352	0.5	(6.4)	728	650	11.9
PBT	3,769	3,915	3,727	4,321	5,492	45.7	27.1	9,813	4,792	104.8
Total Tax	993	1,031	982	1,115	1,418	42.7	27.1	2,533	1,183	114.0
Adjusted PAT	2,776	2,883	2,745	3,205	4,075	46.8	27.1	7,280	3,609	101.7
Extra ordinary items	-	-	-	-	-			-	(302)	
Reported PAT	2,776	2,883	2,745	3,205	4,075	46.8	27.1	7,280	3,308	120.1
Adjusted EPS (Rs)	5.84	6.07	5.78	6.75	8.58	46.8	27.1	15.3	7.6	101.7

Source: Company, Emkay Research

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	167,505	207,905	265,954	299,209	327,867
Expenditure	153,220	188,288	237,858	262,568	287,575
EBITDA	14,286	19,617	28,096	36,642	40,292
Depreciation	4,937	6,114	6,247	6,874	7,553
EBIT	9,349	13,503	21,849	29,768	32,739
Other Income	330	190	321	335	373
Interest expenses	1,416	1,259	1,441	1,154	768
PBT	8,262	12,434	20,728	28,949	32,344
Tax	2,142	3,197	5,389	7,527	8,409
Extraordinary Items	0	(302)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,120	8,936	15,339	21,422	23,934
Adjusted PAT	6,120	9,237	15,339	21,422	23,934

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	475	475	475	475	475
Reserves & surplus	41,234	47,745	58,483	73,478	90,232
Net worth	41,710	48,220	58,958	73,953	90,708
Minority Interest	0	0	0	0	0
Loan Funds	11,772	19,040	16,990	11,868	7,327
Net deferred tax liability	1,955	1,979	2,020	2,078	2,143
Total Liabilities	55,436	69,239	77,968	87,900	100,177
Net block	30,104	33,066	37,064	38,090	38,537
Investment	33,145	47,160	54,160	63,160	75,160
Current Assets	35,939	34,007	43,076	47,244	50,337
Cash & bank balance	9,298	4,013	3,768	3,020	1,878
Other Current Assets	4,910	7,560	9,671	10,880	11,922
Current liabilities & Provision	46,539	49,238	57,831	62,194	65,456
Net current assets	(10,600)	(15,232)	(14,755)	(14,950)	(15,119)
Misc. exp	0	0	0	0	0
Total Assets	55,436	69,239	77,968	87,900	100,177

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	7,933	11,942	20,408	28,614	31,971
Other Non-Cash items	0	0	0	0	0
Chg in working cap	12,918	(962)	(1,366)	(888)	(1,248)
Operating Cashflow	25,279	14,786	19,207	26,795	30,220
Capital expenditure	(5,557)	(7,279)	(7,500)	(8,000)	(8,000)
Free Cash Flow	19,722	7,507	11,707	18,795	22,220
Investments	(3,956)	(14,240)	(7,000)	(9,000)	(12,000)
Other Investing Cash Flow	307	109	0	0	0
Investing Cashflow	(8,876)	(21,221)	(14,179)	(16,665)	(19,627)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(9,615)	4,813	(2,050)	(5,122)	(4,541)
Dividend paid (incl tax)	(998)	(1,904)	(4,602)	(6,427)	(7,180)
Other Financing Cash Flow	446	(529)	2,820	1,825	754
Financing Cashflow	(11,296)	1,150	(5,272)	(10,878)	(11,736)
Net chg in cash	5,106	(5,285)	(245)	(748)	(1,143)
Opening cash position	4,192	9,298	4,013	3,768	3,020
Closing cash position	9,298	4,013	3,768	3,020	1,878

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	8.5	9.4	10.6	12.2	12.3
EBIT Margin	5.6	6.5	8.2	9.9	10.0
Effective Tax Rate	25.9	25.7	26.0	26.0	26.0
Net Margin	3.7	4.4	5.8	7.2	7.3
ROCE	12.8	16.5	22.6	27.2	26.4
ROE	15.7	20.5	28.6	32.2	29.1
RoIC	39.5	83.5	99.9	114.0	116.3

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	12.9	19.4	32.3	45.1	50.4
CEPS	23.3	32.3	45.4	59.6	66.3
BVPS	87.8	101.5	124.1	155.7	190.9
DPS	3.5	3.8	9.7	13.5	15.1

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	86.5	57.3	34.5	24.7	22.1
P/CEPS	47.9	34.5	24.5	18.7	16.8
P/BV	12.7	11.0	9.0	7.2	5.8
EV / Sales	3.2	2.6	2.0	1.8	1.6
EV / EBITDA	37.2	27.7	19.3	14.7	13.1
Dividend Yield (%)	0.3	0.3	0.9	1.2	1.4

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.1	0.3	0.2	0.1	0.0
Net Debt/EBIDTA	0.2	0.7	0.4	0.2	0.0
Working Cap Cycle (days)	(43.4)	(33.8)	(25.4)	(21.9)	(18.9)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2.0	24.1	27.9	12.5	9.6
EBITDA	6.1	37.3	43.2	30.4	10.0
EBIT	9.1	44.4	61.8	36.2	10.0
PAT	3.3	46.0	71.7	39.7	11.7

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	56,194	57,064	55,303	60,087	72,192
EBITDA	5,629	5,683	5,568	5,995	7,365
EBITDA Margin (%)	10.0	10.0	10.1	10.0	10.2
PAT	2,776	2,883	2,745	3,205	4,075
EPS (Rs)	5.8	6.1	5.8	6.7	8.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	52.3	52.3	50.8	50.8	50.8
FIs	12.8	12.9	12.0	9.9	12.6
DIs	25.2	25.5	28.5	30.7	27.6
Public and Others	9.8	9.4	8.7	8.6	8.9

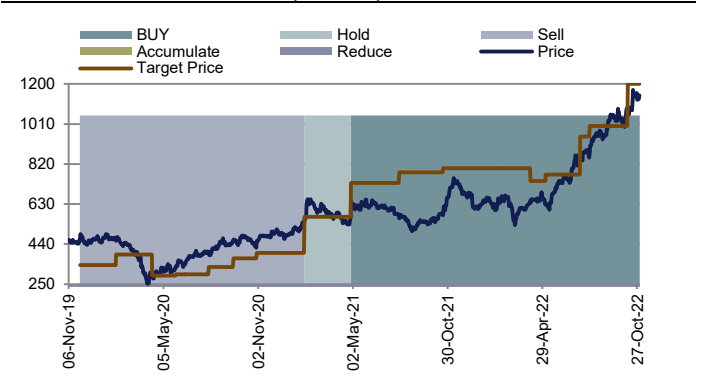
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
09-Oct-22	1,085	1,200	12m	Buy	Raghunandhan NL
28-Jul-22	871	1,000	12m	Buy	Raghunandhan NL
10-Jul-22	839	950	12m	Buy	Raghunandhan NL
05-May-22	631	770	12m	Buy	Raghunandhan NL
06-Apr-22	648	740	12m	Buy	Raghunandhan NL
24-Feb-22	619	800	12m	Buy	Raghunandhan NL
08-Feb-22	657	800	12m	Buy	Raghunandhan NL
21-Oct-21	577	800	12m	Buy	Raghunandhan NL
29-Jul-21	562	780	12m	Buy	Raghunandhan NL
16-Jul-21	612	730	12m	Buy	Raghunandhan NL
02-Jul-21	612	730	12m	Buy	Raghunandhan NL
18-Jun-21	610	730	12m	Buy	Raghunandhan NL
01-Jun-21	613	730	12m	Buy	Raghunandhan NL
30-May-21	620	730	12m	Buy	Raghunandhan NL
28-Apr-21	646	730	12m	Buy	Raghunandhan NL
29-Jan-21	561	570	12m	Hold	Raghunandhan NL
30-Oct-20	456	398	12m	Sell	Raghunandhan NL
11-Oct-20	472	373	12m	Sell	Raghunandhan NL
28-Sep-20	471	373	12m	Sell	Raghunandhan NL
15-Sep-20	455	373	12m	Sell	Raghunandhan NL
28-Aug-20	450	331	12m	Sell	Raghunandhan NL
30-Jul-20	402	331	12m	Sell	Raghunandhan NL
29-Jun-20	378	296	12m	Sell	Raghunandhan NL
28-May-20	333	296	12m	Sell	Raghunandhan NL
04-May-20	310	291	12m	Sell	Raghunandhan NL
13-Apr-20	290	291	12m	Sell	Raghunandhan NL
27-Feb-20	440	390	12m	Sell	Raghunandhan NL
04-Feb-20	455	390	12m	Sell	Raghunandhan NL
30-Jan-20	470	340	12m	Sell	Raghunandhan NL
27-Dec-19	465	340	12m	Sell	Raghunandhan NL
27-Nov-19	472	340	12m	Sell	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	5.01	5.01	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.02	NA	2	0.49	0
Ashok Leyland	0.20	0.21	8%	2	4.26	0
Atul Auto	0.00	0.02	NA	2	0.47	0
Bajaj Auto	0.46	0.25	-44%	-20	5.07	0
Bharat Forge	0.20	0.12	-42%	-9	2.36	0
Eicher Motors	0.48	0.48	0%	0	9.54	0
Escorts	0.00	0.02	NA	2	0.45	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.32	0.34	7%	2	6.84	0
Mahindra & Mahindra	1.19	1.21	2%	3	24.25	0
Maruti Suzuki India	1.14	1.16	2%	2	23.21	0
Minda Industries*	0.00	0.02	NA	2	0.46	0
Motherson Sumi Wiring India	0.00	0.02	NA	2	0.44	0
Samvardhana Motherson International	0.00	0.02	NA	2	0.43	0
Suprajit Engineering	0.00	0.02	NA	2	0.47	0
Tata Motors	0.68	0.69	2%	1	13.86	0
Tata Motors DVR*	0.10	0.11	7%	1	2.14	0
TVS Motor	0.24	0.26	9%	2	5.26	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	3-Nov-21	4-May-22	3-Aug-22	3-Oct-22	3-Nov-22
EAP - Auto & Auto Ancillaries	100.0	136.6	127.4	155.9	149.3	159.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	135.7	126.9	155.5	148.5	159.5

*Performance measurement base date 1st April 2019

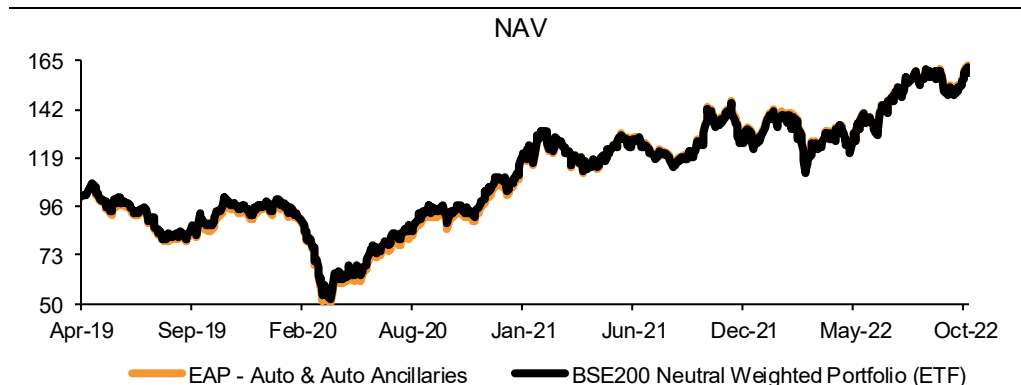
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	7.1%	2.6%	25.5%	17.0%
BSE200 Neutral Weighted Portfolio (ETF)	7.4%	2.5%	25.7%	17.5%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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