

# TVS Motor

## Margin maintained despite EV ramp-up

TVS Motors' Q4 adjusted PAT at INR 3.64bn came ahead of our estimate of INR 3.3bn, led by the better-than-expected margin. TVS was able to improve margin QoQ despite the ramp-up of iQube in the quarter and that is commendable. TVS continued to outperform peers even in FY23: (1) it gained a 100bps market share in motorcycles to touch a record-high level of 8.9%; (2) in scooters, it is the biggest gainer and its market share is up 220bps to 23.6%; (3) even in 2W EVs, TVS has now emerged as the second-largest player and sold 97k units of iQube in FY23. With supply challenges now largely over, we expect TVS' outperformance to continue on the back of the ramp-up of its launches, including the new Ronin and Raider. Even in EVs, it seems to be ahead of its listed peers with a strong product pipeline in place for the next 24 months; it has signed up with industry experts and JV partners to emerge as a leading player in EVs. We maintain BUY with a revised TP of INR 1,342/sh (earlier INR 1275), as we roll forward to FY25 EPS (target multiple unchanged at 28x).

- Q4 earnings beat our estimates:** TVS Motors' Q4 adjusted PAT at INR 3.64bn came ahead of our estimate of INR 3.3bn, led by the better-than-expected margin. EBITDA margin grew by 20bps QoQ to 10.3% and was ahead of our estimate of 9.7%. TVS was able to improve margin despite the ramp-up of iQube in Q4 and we believe that is commendable. This is likely to have been led by improved mix and price hikes taken in Q4. Other income was sharply higher at INR705 mn and included a gain in fair value of investment worth INR617mn. Adjusted for the one-off gain, PAT grew 33% YoY to INR3.64bn.
- Call takeaways:** (1) While the export demand has remained weak, TVS has ensured that it reduced channel inventory in order to reduce the burden on its dealer partners. (2) Export revenue for Q4 stood at INR 13.7bn while spare part revenue stood at INR 6.7bn. (3) TVS has taken a 0.5% price hike in Q4 and another 1% price hike towards Q4-end to pass on the cost increase of OBD-phase 2 norms. Apart from this, the benefit from softening input costs was 90bps for Q4. (4) **EV update:** TVS has sold 97k units of iQube in FY23, up from 11k sold in FY22. It has transitioned to AIS 156 phase-2 successfully, although it experienced supply hiccups in April. Management expects to ramp up supplies from May onwards to honour its order backlog, which has now increased to 30k units. iQube is now present at 235 touchpoints across 135 cities. (5) **Performance of subsidiaries/associates:** TVS Credit performance has been very encouraging and it has delivered a PBT of INR 5.1bn for FY23 vs INR 1.5bn YoY. Its book size has increased to INR205bn and collection remains strong; hence, provisions are under control. Further, PBT of PT TVS has also improved to USD5mn in FY23 from USD3mn YoY. (6) Capex guidance stands at INR 9-10 bn and another INR 7 bn for investments in subsidiaries and associates.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q4		YoY (%)	Q3		QoQ (%)	FY22	FY23	FY24E	FY25E
	FY23	FY22		FY23	FY23					
Net Sales	66,048	55,303	19.4	65,454	0.9	2,08,392	2,63,781	3,08,512	3,45,395	
EBITDA	6,798	5,568	22.1	6,589	3.2	20,105	26,747	34,137	38,504	
APAT	3,640	2,734	33.1	3,527	3.2	9,725	14,074	19,534	22,762	
Diluted EPS (INR)	7.7	5.8	33.1	7.4	3.2	20.5	29.6	41.1	47.9	
P/E (x)						57.2	39.5	28.5	24.4	
EV / EBITDA (x)						25.9	19.4	14.8	12.7	
RoCE (%)						21.4	24.3	28.5	29.0	

Source: Company, HSIE Research

## BUY

CMP (as on 4 May 2023) INR 1,170

Target Price INR 1,342

NIFTY 18,256

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1275	INR 1342
	FY24E	FY25E
EPS %	0%	0%

### KEY STOCK DATA

Bloomberg code	TVSL IN
No. of Shares (mn)	475
MCap (INR bn) / (\$ mn)	555/6,791
6m avg traded value (INR mn)	1,849
52 Week high / low	INR 1,184/589

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.9	4.9	86.3
Relative (%)	11.4	3.6	75.4

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	50.27	50.27
FIs & Local MFs	25.26	24.40
FPIs	14.45	17.02
Public & Others	10.02	8.31
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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