

May 5, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,300		1,300	
Sales (Rs. m)	3,11,745	3,44,613	3,10,719	3,43,481
% Chng.	0.3	0.3		
EBITDA (Rs. m)	33,107	38,941	32,998	38,813
% Chng.	0.3	0.3		
EPS (Rs.)	39.9	48.7	40.0	48.7
% Chng.	(0.4)	-		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	2,07,905	2,63,781	3,11,745	3,44,613
EBITDA (Rs. m)	19,617	26,747	33,107	38,941
Margin (%)	9.4	10.1	10.6	11.3
PAT (Rs. m)	9,158	14,125	18,947	23,140
EPS (Rs.)	19.3	29.7	39.9	48.7
Gr. (%)	49.6	54.2	34.1	22.1
DPS (Rs.)	3.8	4.0	5.0	6.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	20.4	26.0	27.6	26.5
RoCE (%)	20.3	24.3	26.3	26.9
EV/Sales (x)	2.8	2.2	1.8	1.6
EV/EBITDA (x)	29.4	21.9	17.2	14.4
PE (x)	60.6	39.3	29.3	24.0
P/BV (x)	11.5	9.2	7.2	5.7

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.1,184 / Rs.589
Sensex / Nifty	61,749 / 18,256
Market Cap	Rs.555bn/ \$ 6,790m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.1382.17m

Shareholding Pattern (%)

Promoter's	50.27
Foreign	17.01
Domestic Institution	24.40
Public & Others	8.32
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.8	4.9	86.3
Relative	3.2	3.6	68.0

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Commodity benefit offsets EV's drag on margins

Quick Pointers:

- Margins benefit from commodity deflation of c90bps
- Export volumes could take couple of more quarters before turning positive

We keep our estimates unchanged as results were largely in line on revenues; and we are already factoring in EBITDA margin expansion of c50bps in FY24. In 4QFY23, realization was slightly higher QoQ, as EV volumes at c43k units (+48% QoQ) offset negative impact from mix. EBITDA margins benefited from commodity deflation and price hikes and expanded c20bp QoQ to 10.3%. In 4Q, TVS sees EV volumes continue to ramp-up, benefits accruing from price hikes with commodity environment remaining stable.

We believe TVS will likely be able to grow ahead of the industry led by (1) new product launches in ICE & EV segments (2) higher focus on exports & premiumisation and (3) margin improvement helped by cost reduction efforts, operating leverage and price hikes which could more than offset negative impact from higher EV mix. Maintain 'BUY' with an unchanged TP of Rs 1,300 at 26x Mar-25E EPS including Rs 34 for TVS credit.

- **4QFY23 – Revenue and margins largely in line:** TVSL's revenue of Rs. 66bn was flattish q-q and came in line with PLe and BBG estimates (BBGe). TVSL's EBITDA margin came at 10.3%, largely in line with BBGe and slightly ahead of our estimates, led by higher commodity benefit (90bps) and price hikes (+0.5%) in 4QFY23 which was partially offset by higher other expenses. Although revenue mix of EVs have increased during 4Q, TVSL was able to offset negative impact and expand its margins QoQ. EBITDA margin at 10.3% expanded c20bps QoQ and was largely in line with BBGe (10.2%) and better than PLe (9.9%). PAT benefited from gain on fair valuation of investments, adjusted for that it was in line with BBGe and better than PLe.
- **Key takeaways:** (1) TVSL noted seeing good pick up in the urban market, while rural market remained challenging and might take some time to improve. TVS sees premium segment continuing to do well and TVSL growing faster than the industry in domestic market. (2) On the exports side, the company sees volume growth for majority of the export markets coming back in 2HFY24. Retail sales in the export market were higher than dispatches, leading to inventory correction which has largely been streamlined as per the management. TVSL will also focus on new export markets in LATAM and Middle East. (3) iQube's volumes grew c48% QoQ in 4QFY23 to 43k units and noted that dip in April-23 was due to AIS-156 regulation transition and volumes improving from May-23, TVSL aims at increasing EV volumes to 25k units per month with order-book of 30k units. TVSL plans to start exporting EVs in FY24 and derive synergies from recent acquisitions. EVs are now present in 135 cities and 235 touch-points. TVSL plans to refund Rs. 1,700 per customer for FAME-2 compliance for earlier sales, amounting to less than Rs. 200mn total cost. (4) TVSL took price hike of 0.5% in 4Q and took further price increase of c1% at end of March-23 and another model specific price increase of c0.8%-1% in May. It sees commodity prices to remain stable in 1QFY24.

Exhibit 1: Q4FY23 Result Overview (Rs m)

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Revenues	66,048	55,303	19.4	65,454	0.9	2,63,781	2,07,905	26.9
Raw Materials	49,797	42,115	18.2	49,429	0.7	1,99,928	1,58,082	26.5
<i>% of Net Sales</i>	<i>75.4</i>	<i>76.2</i>		<i>75.5</i>		<i>75.8</i>	<i>76.0</i>	
Personnel	3,377	2,841	18.9	3,409	(0.9)	13,451	11,364	18.4
<i>% of Net Sales</i>	<i>5.1</i>	<i>5.1</i>		<i>5.2</i>		<i>5.1</i>	<i>5.5</i>	
Manufacturing & Other Exp	6,076	4,780	27.1	6,027	0.8	23,655	18,842	25.5
<i>% of Net Sales</i>	<i>9.2</i>	<i>8.6</i>		<i>9.2</i>		<i>9.0</i>	<i>9.1</i>	
Total Expenditure	59,250	49,735	19.1	58,865	0.7	2,37,034	1,88,288	25.9
EBITDA	6,798	5,568	22.1	6,589	3.2	26,747	19,617	36.3
<i>EBITDA Margin (%)</i>	<i>10.3</i>	<i>10.1</i>		<i>10.1</i>		<i>10.1</i>	<i>9.4</i>	
Depreciation	1,674	1,593	5.1	1,583	5.7	6,312	6,114	3.2
EBIT	5,124	3,975	28.9	5,006	2.4	20,435	13,503	51.3
Interest Expenses	363	330	9.9	316	14.7	1,407	1,259	11.7
Non-operating income	705	82	761.9	65	986.3	1,006	190	429.6
Extraordinary Income	0	0		0		0	302	
PBT	5,466	3,727	46.7	4,755	15.0	20,034	12,132	65.1
Tax-Total	1,364	982	38.9	1,227	11.1	5,123	3,197	60.3
<i>Tax Rate (%) - Total</i>	<i>24.9</i>	<i>26.3</i>	<i>(5.3)</i>	<i>25.8</i>		<i>25.6</i>	<i>26.4</i>	
Reported PAT	4,103	2,745	49.5	3,528	16.3	14,910	8,935	66.9
Adj. PAT	4,103	2,745	49.5	3,527	16.3	14,910	9,157	62.8
<i>PAT Margin</i>	<i>6.2</i>	<i>5.0</i>		<i>5.4</i>		<i>5.7</i>	<i>4.4</i>	

Source: Company, PL

Exhibit 2: Operating Metrics – Average realization improved QoQ led by higher share of EV in the mix

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Sales Volume (nos)	8,68,417	8,62,022	0.7	8,79,423	(1.3)	36,80,720	33,20,351	10.9
Net Realisation/Vehicle	76,055	64,155	18.5	74,429	2.2	71,666	62,615	14.5
Material cost / vehicle	57,342	48,855	17.4	56,207	2.0	54,318	47,610	14.1
Gross Profit / vehicle	18,714	15,300	22.3	18,222	2.7	17,348	15,005	15.6
Employee cost /vehicle	3,889	3,296	18.0	3,876	0.3	3,654	3,422	6.8
Other expenses / vehicle	6,997	5,545	26.2	6,853	2.1	6,427	5,675	13.2
EBITDA/vehicle	7,828	6,459	21.2	7,493	4.5	7,267	5,908	23.0
Net Profit/vehicle	4,724	3,184	48.4	4,011	17.8	4,051	2,758	46.9

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	2,07,905	2,63,781	3,11,745	3,44,613
YoY gr. (%)	24.1	26.9	18.2	10.5
Cost of Goods Sold	1,58,082	1,99,928	2,35,056	2,58,115
Gross Profit	49,823	63,853	76,689	86,498
Margin (%)	24.0	24.2	24.6	25.1
Employee Cost	11,364	13,451	15,587	16,886
Other Expenses	18,842	23,655	27,995	30,671
EBITDA	19,617	26,747	33,107	38,941
YoY gr. (%)	37.3	36.3	23.8	17.6
Margin (%)	9.4	10.1	10.6	11.3
Depreciation and Amortization	6,114	6,312	6,505	7,109
EBIT	13,503	20,435	26,603	31,833
Margin (%)	6.5	7.7	8.5	9.2
Net Interest	1,259	1,407	1,574	1,510
Other Income	190	389	290	601
Profit Before Tax	12,132	18,800	25,320	30,923
Margin (%)	5.8	7.1	8.1	9.0
Total Tax	3,197	5,123	6,373	7,783
Effective tax rate (%)	26.3	27.3	25.2	25.2
Profit after tax	8,936	13,677	18,947	23,140
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	9,158	14,125	18,947	23,140
YoY gr. (%)	49.6	54.2	34.1	22.1
Margin (%)	4.4	5.4	6.1	6.7
Extra Ord. Income / (Exp)	(222)	(449)	-	-
Reported PAT	8,936	13,677	18,947	23,140
YoY gr. (%)	46.0	53.1	38.5	22.1
Margin (%)	4.3	5.2	6.1	6.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,936	13,677	18,947	23,140
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	19.3	29.7	39.9	48.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	72,064	77,532	85,082	92,632
Tangibles	72,064	77,532	85,082	92,632
Intangibles	-	-	-	-
Acc: Dep / Amortization	38,998	45,311	51,815	58,924
Tangibles	38,998	45,311	51,815	58,924
Intangibles	-	-	-	-
Net fixed assets	33,066	32,221	33,267	33,708
Tangibles	33,066	32,221	33,267	33,708
Intangibles	-	-	-	-
Capital Work In Progress	4,245	6,277	6,727	7,177
Goodwill	-	-	-	-
Non-Current Investments	47,160	55,111	60,111	65,111
Net Deferred tax assets	(1,979)	(1,982)	(1,982)	(1,982)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	11,227	12,364	17,082	19,827
Trade receivables	9,507	9,551	17,082	18,883
Cash & Bank Balance	4,013	2,420	16,179	23,265
Other Current Assets	9,260	16,515	18,497	20,717
Total Assets	1,18,477	1,34,459	1,68,946	1,88,688
Equity				
Equity Share Capital	475	475	475	475
Other Equity	47,745	60,003	76,575	96,864
Total Networth	48,220	60,479	77,050	97,339
Non-Current Liabilities				
Long Term borrowings	14,478	15,248	13,998	12,748
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	11,428	18,107	17,786	17,482
Trade payables	39,914	41,306	55,516	56,649
Other current liabilities	2,458	2,744	2,614	2,489
Total Equity & Liabilities	1,18,477	1,39,865	1,68,946	1,88,688

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	12,434	19,417	25,320	30,923
Add. Depreciation	6,114	6,312	6,505	7,109
Add. Interest	1,259	1,407	1,574	1,510
Less Financial Other Income	190	389	290	601
Add. Other	(190)	(389)	(290)	(601)
Op. profit before WC changes	19,617	26,747	33,107	38,941
Net Changes-WC	(2,122)	(6,758)	(151)	(5,758)
Direct tax	(3,197)	(5,123)	(6,373)	(7,783)
Net cash from Op. activities	14,299	14,865	26,583	25,400
Capital expenditures	(9,812)	(7,500)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(13,810)	(1,811)	(4,710)	(4,399)
Net Cash from Inv. activities	(23,622)	(9,311)	(12,710)	(12,399)
Issue of share cap. / premium	-	-	-	-
Debt changes	8,037	7,006	(1,250)	(1,250)
Dividend paid	(1,782)	(1,900)	(2,376)	(2,851)
Interest paid	(1,259)	(1,407)	(1,574)	(1,510)
Others	302	(617)	-	-
Net cash from Fin. activities	5,298	3,083	(5,199)	(5,611)
Net change in cash	(4,026)	8,637	8,674	7,390
Free Cash Flow	4,487	7,365	18,583	17,400

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	60,087	72,192	65,454	66,048
YoY gr. (%)	52.7	28.5	14.7	19.4
Raw Material Expenses	45,728	54,975	49,429	49,797
Gross Profit	14,359	17,217	16,025	16,251
Margin (%)	23.9	23.8	24.5	24.6
EBITDA	5,995	7,365	6,589	6,798
YoY gr. (%)	119.0	30.9	16.0	22.1
Margin (%)	10.0	10.2	10.1	10.3
Depreciation / Depletion	1,520	1,535	1,583	1,674
EBIT	4,474	5,830	5,006	5,124
Margin (%)	7.4	8.1	7.6	7.8
Net Interest	376	352	316	363
Other Income	222	14	65	705
Profit before Tax	4,321	5,492	4,755	5,466
Margin (%)	7.2	7.6	7.3	8.3
Total Tax	1,115	1,418	1,227	1,364
Effective tax rate (%)	25.8	25.8	25.8	24.9
Profit after Tax	3,205	4,075	3,528	4,103
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,205	4,075	3,528	4,103
YoY gr. (%)	285.0	46.8	22.4	49.5
Margin (%)	5.3	5.6	5.4	6.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,205	4,075	3,528	4,103
YoY gr. (%)	503.8	46.8	22.4	49.5
Margin (%)	5.3	5.6	5.4	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,205	4,075	3,528	4,103
Avg. Shares O/s (m)	475	475	475	476
EPS (Rs)	6.7	8.6	7.4	8.6

Source: Company Data, PL Research

Key Financial Metrics

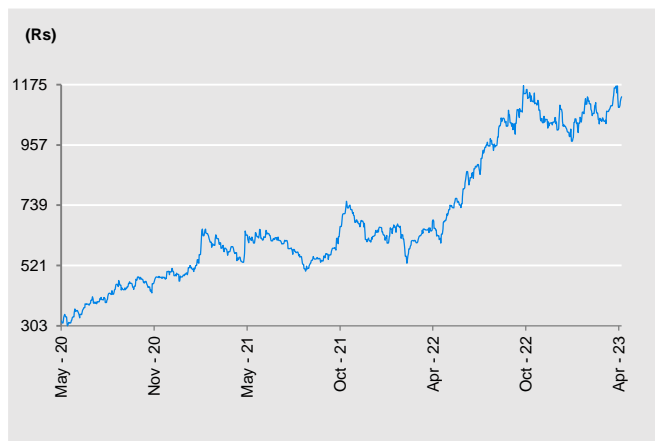
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	19.3	29.7	39.9	48.7
CEPS	32.1	43.0	53.6	63.7
BVPS	101.5	127.3	162.2	204.9
FCF	9.4	15.5	39.1	36.6
DPS	3.8	4.0	5.0	6.0
Return Ratio(%)				
RoCE	20.3	24.3	26.3	26.9
ROIC	15.9	18.2	23.4	25.1
RoE	20.4	26.0	27.6	26.5
Balance Sheet				
Net Debt : Equity (x)	0.5	0.5	0.2	0.1
Net Working Capital (Days)	(34)	(27)	(25)	(19)
Valuation(x)				
PER	60.6	39.3	29.3	24.0
P/B	11.5	9.2	7.2	5.7
P/CEPS	36.4	27.2	21.8	18.4
EV/EBITDA	29.4	21.9	17.2	14.4
EV/Sales	2.8	2.2	1.8	1.6
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Scooter volume (units)	9,22,578	13,33,925	16,25,798	17,49,275
Motorcycle volume (units)	17,31,729	17,33,256	19,34,246	21,08,976
Moped volume (units)	4,83,396	4,45,773	4,74,937	5,03,606
Total two-wheeler volume (units)	31,37,703	35,12,954	40,34,982	43,61,856
Three-wheeler volume (units)	1,71,875	1,69,114	1,99,200	2,15,832
Total volume (units)	33,09,578	36,82,068	42,34,182	45,77,688
Realisation per unit (Rs)	62,819	71,639	73,626	75,281

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	1,300	1,129
2	25-Jan-23	BUY	1,240	984
3	05-Jan-23	BUY	1,240	1,025
4	06-Nov-22	BUY	1,275	1,114
5	06-Oct-22	BUY	1,085	1,036
6	28-Jul-22	BUY	950	868
7	08-Jul-22	BUY	930	826
8	06-May-22	BUY	795	630

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	960	764
4	CEAT	Accumulate	1,635	1,432
5	Eicher Motors	BUY	4,050	3,054
6	Endurance Technologies	BUY	1,570	1,254
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,470
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,300	8,507
11	Tata Motors	BUY	590	459
12	TVS Motor Company	BUY	1,300	1,129

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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