

# TVS Motor

## Steady quarter

TVS Motors' Q1 PAT came in ahead of estimates due to higher other income although its margins came in line with our estimate at 10.6%. This performance is commendable, given that it includes the 30bps impact of price protection for eligible iQube customers and the ramp-up of iQube volumes. While TVS continued to outperform its peers in Q1 and gained 450bps market share in motorcycles to a record high level of 10.8%, it has maintained its share in scooters at 25%. With supply challenges now largely over, we expect the company's outperformance to continue on the back of healthy demand for its best-selling products like Raider, Apache, Ronin, etc. Even in 2W EVs, TVS is putting the right building blocks in place in order to emerge as a leading player in EVs, which include: (1) new launches across segments; (2) ramp up of dealer network; and (3) signing up with industry experts, JV partners and e-commerce players. We maintain BUY with a revised TP of INR 1,459/sh (earlier INR 1342), as we roll forward to June'25 EPS (target multiple unchanged at 28x).

- Q1 earnings beat estimates due to higher other income:** TVS Motors' Q1 margin came in line with our estimates at 10.6%. However, the absolute EBITDA was 3% lower than the estimate due to lower-than-expected revenue. Revenue miss was due to the price protection given to eligible iQube customers post-FAME subsidy reduction. It is commendable that TVS has achieved 10.6% margin despite a 30bps impact due to this. PBT includes INR556mn worth of profit from sale of its investment in Emerald Realty.
- Call takeaways:** (1) **Outlook:** While the rural outlook continues to remain uncertain due to uneven rainfall distribution in many parts, the urban outlook remains robust, as per management. In exports, management expects demand in many markets to normalize by H2FY24. TVS also targets to outperform industry growth (both domestic and export) on the back of new launches planned in FY24. (2) TVS targets to invest about INR 9-10bn in capex and another INR 8.5-9bn in investment in subsidiaries. In Q1, they have already invested INR 4.14bn in TVS SG and INR2bn in TVS Credit. (3) **EV update:** Some of the steps TVS is taking to emerge as a strong EV player include: (i) focus on new launches across multiple platforms in coming quarters including an EV 3W next month; (ii) addition of 74 touchpoints in Q1 to reach a total of 309 dealers and a target to ramp-up to 600 by FY24-end; (iii) tying up with multiple e-commerce players like Zomato, Swiggy, Amazon, Rapido, etc. for their mobility needs; (iv) setting up around 2k charging points for its customers in partnership with other players; and (v) starting iQube exports to Nepal with a plan to ramp up in other regions. Apart from this, TVS is also producing a 2W EV for BMW's global requirements. (4) Premji Invest plans to invest INR7.4bn in TVS CS, subject to regulatory approvals, post which, TVS' holding in TVS CS is expected to decline to 81%, from 85.6% currently.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	72,179	60,087	20.1	66,048	9.3	2,63,781	3,07,130	3,64,133	4,10,797
EBITDA	7,638	5,995	27.4	6,798	12.4	26,747	32,409	40,292	45,866
APAT	4,677	3,041	53.8	3,640	28.5	14,074	18,677	23,764	27,733
Diluted EPS (INR)	9.8	6.4	53.8	7.7	28.5	29.6	39.3	50.0	58.4
P/E (x)						44.1	33.2	26.1	22.4
EV / EBITDA (x)						21.8	17.6	13.7	11.5
RoCE (%)						24.3	27.6	30.1	30.3

Source: Company, HSIE Research

## BUY

CMP (as on 24 Jul 2023) INR 1,307

Target Price INR 1,459

NIFTY 19,672

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,342	INR 1,459
EPS %	FY24E	FY25E
	-4%	+4%

### KEY STOCK DATA

Bloomberg code	TVSL IN
No. of Shares (mn)	475
MCap (INR bn) / (\$ mn)	621/7,593
6m avg traded value (INR mn)	1,437
52 Week high / low	INR 1,385/837

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.6	32.9	47.6
Relative (%)	8.1	24.0	29.2

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	50.27	50.27
FIs & Local MFs	24.40	23.42
FPIs	17.02	18.13
Public & Others	8.31	8.18
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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