

## Margin improvement endures despite higher EV share

Auto &amp; Auto Ancillaries ▶ Result Update ▶ October 31, 2023

TARGET PRICE (Rs): 2,100

TVSL's Q2 performance was expectedly healthy with sustained margin improvement despite rising EV share. Led by its ability to identify 'growth categories' (premium motorcycles, scooters, exports) and leveraging its consumer insight-led product actions and scale-up of newer brands, TVSL has emerged a strong incumbent in ICE (with market share gains across most categories continuing in H1FY24); simultaneously, its proactive E-2W approach has already resulted in EV revenue leadership (is closing in on volume leadership as well). We reiterate TVSL as our top pick in Autos (refer to our note: **Strength of an incumbent with the agility of a start-up**) and maintain BUY on the stock, with unchanged forward estimates (FY24E-26E) and TP of Rs2,100/share (25x FY26E PER + Rs130/share for the captive financing arm).

## TVS Motor: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,07,905	2,63,781	3,40,467	3,98,404	4,56,861
EBITDA	19,617	26,747	38,780	49,983	59,154
Adj. PAT	9,237	14,910	23,243	31,218	37,442
Adj. EPS (Rs)	19.4	31.4	48.9	65.7	78.8
EBITDA margin (%)	9.4	10.1	11.4	12.5	12.9
EBITDA growth (%)	37.3	36.3	45.0	28.9	18.3
Adj. EPS growth (%)	46.0	66.9	55.9	34.3	19.9
RoE (%)	20.5	27.4	33.3	34.7	33.1
RoIC (%)	83.5	77.7	92.6	108.4	112.5
P/E (x)	82.7	51.3	32.9	24.5	20.4
EV/EBITDA (x)	39.7	29.5	20.0	15.3	12.7
P/B (x)	15.9	12.6	9.7	7.6	6.1
FCFF yield (%)	1.0	1.3	3.4	2.9	4.3

Source: Company, Emkay Research

## Healthy operating performance along expected lines

Revenue grew 12.8% YoY to Rs81.4bn (in line with estimates); this comprised of volume growth of 4.6% YoY (at 12.7% QoQ; 1.07mn units), while ASPs grew ~8% YoY (flattish QoQ). EBITDA grew 22% YoY to ~Rs9bn (largely in-line). EBITDA margin expanded by 84bps YoY (up by 47bps QoQ) to 11% (Emkay est.: 11%; Consensus est.: 11.2%). This compared with adjusted Q1FY24 margin of 10.9%. On sequential reported basis, margins moved higher, largely led by ~60bps gross-margin improvement. PAT grew 31.7% YoY to Rs5.4bn (in-line). TVSL invested Rs2.37bn in TVS Singapore and disinvested Rs1bn of compulsorily convertible preference shares held in TVS Credit.

## Earnings Call KTAs

1) Festive season off to a healthy start, with TVSL growing ahead of the industry during *Dussera*; expects growth to sustain till *Diwali*, with improvement seen in rural markets amid already-strong urban growth; industry to do well overall in the festive season, with TVSL expected to outperform; stock levels to be under-4 weeks by end-festive. 2) Retail performance improving in export markets, with currency/macro-related issues slowly settling; worst of the decline is behind, with gradual improvement expected from hereon; stock levels are under control; the Latin American market to obtain disproportionate focus as an exports growth engine in future. 3) EV scooter *iQube* production has been ramped up to 25K/month and would increase further; Company has a healthy order book; touchpoints to increase from 337 now; TVSL is planning a complete range of EV products across the 5-25kW range over the next several quarters; exports of *iQube* would be expanded to a number of more markets in coming quarters; E-3W launch coming soon. 4) Premiumization, higher volumes and cost initiatives aided margins; TVSL aims to grow topline ahead of the industry, while also improving margins; RM outlook for rest of the year appears largely benign. 5) Going forward, expects scale benefits, lower battery cell costs to help improve EV profitability, 6) FY24 investment/capex guidance unchanged at ~Rs8-9bn/~Rs10bn. 7) Q2 exports/spares revenue at ~Rs20bn/Rs7.7bn.

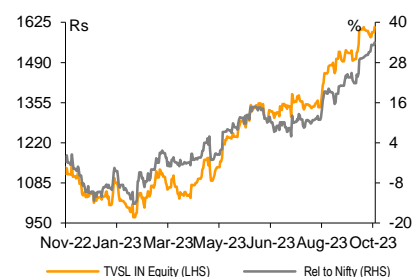
Target Price – 12M	Sep-24
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.5
CMP (30-Oct-23) (Rs)	1,608.8

Stock Data	Ticker
52-week High (Rs)	1,617
52-week Low (Rs)	968
Shares outstanding (mn)	475.1
Market-cap (Rs bn)	764
Market-cap (USD mn)	9,181
Net-debt, FY24E (Rs mn)	10,384
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,562.2
ADTV-3M (USD mn)	18.8
Free float (%)	49.7
Nifty-50	19,141
INR/USD	83.3
<b>Shareholding, Sep-23</b>	
Promoters (%)	50.3
FPIs/MFs (%)	18.5/23.1

## Price Performance

(%)	1M	3M	12M
Absolute	5.7	18.5	42.7
Rel. to Nifty	8.5	21.6	32.6

## 1-Year share price trend (Rs)



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**Exhibit 1: Volume analysis – Volume grew 4.6% YoY, with ASPs up ~8% YoY/flat QoQ**

Volume	Q2FY24	Q2FY23	% change	1QFY24	% change
Total volumes	10,74,378	10,27,437	4.6	9,53,244	12.7
Motorcycles	4,93,427	4,76,780	3.5	4,62,821	6.6
Scooters	4,19,969	3,82,722	9.7	3,50,016	20.0
Mopeds	1,17,976	1,17,424	0.5	1,05,645	11.7
Three-wheelers	43,006	50,511	(14.9)	34,762	23.7
Export volumes	2,77,022	2,98,118	(7.1)	2,27,414	21.8
Realisation (INR)	75,808	70,264	7.9	75,719	0.1

Source: Company, Emkay Research

**Exhibit 2: Product mix – Exports increased sequentially; sharp decrease in domestic motorcycles QoQ**

Mix (%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Domestic 2Ws</b>	<b>50.0</b>	<b>65.4</b>	<b>66.2</b>	<b>62.8</b>	<b>62.3</b>	<b>70.6</b>	<b>71.5</b>	<b>78.2</b>	<b>75.7</b>	<b>73.7</b>
Dom. Motorcycles	20.5	20.3	23.7	20.8	16.8	24.5	27.9	29.9	31.1	26.7
Dom. Scooters	19.0	27.3	27.5	29.2	33.2	34.7	31.6	35.7	33.6	36.0
Dom. Mopeds	10.5	17.8	14.9	12.8	12.3	11.3	11.9	12.5	11.0	11.0
<b>Exports 2Ws</b>	<b>44.1</b>	<b>29.5</b>	<b>28.8</b>	<b>32.3</b>	<b>32.6</b>	<b>24.5</b>	<b>23.5</b>	<b>18.5</b>	<b>20.7</b>	<b>22.3</b>
<b>Total 2Ws</b>	<b>94.1</b>	<b>94.9</b>	<b>95.0</b>	<b>95.1</b>	<b>94.9</b>	<b>95.1</b>	<b>95.1</b>	<b>96.7</b>	<b>96.4</b>	<b>96.0</b>
Domestic 3Ws	0.1	0.2	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Export 3Ws	5.8	4.9	4.7	4.5	4.7	4.5	4.5	2.9	3.2	3.5
<b>Total 3Ws</b>	<b>5.9</b>	<b>5.1</b>	<b>5.0</b>	<b>4.9</b>	<b>5.1</b>	<b>4.9</b>	<b>4.9</b>	<b>3.3</b>	<b>3.6</b>	<b>4.0</b>
<b>Total domestic</b>	<b>50.1</b>	<b>65.6</b>	<b>66.5</b>	<b>63.2</b>	<b>62.7</b>	<b>71.0</b>	<b>72.0</b>	<b>78.6</b>	<b>76.1</b>	<b>74.2</b>
<b>Total exports</b>	<b>49.9</b>	<b>34.4</b>	<b>33.5</b>	<b>36.8</b>	<b>37.3</b>	<b>29.0</b>	<b>28.0</b>	<b>21.4</b>	<b>23.9</b>	<b>25.8</b>

Source: SIAM, Emkay Research

**Exhibit 3: Q2FY24 – Healthy improvement across operational lines on sequential basis; in-line results**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	72,192	65,454	66,048	72,179	81,446	12.8	12.8
Expenditure	64,826	58,865	59,250	64,542	72,449	11.8	12.3
as % of sales	89.8	89.9	89.7	89.4	89.0		
Consumption of RM	54,975	49,429	49,797	53,818	60,276	9.6	12.0
as % of sales	76.2	75.5	75.4	74.6	74.0		
Employee Cost	3,456	3,409	3,377	3,789	3,929	13.7	3.7
as % of sales	4.8	5.2	5.1	5.2	4.8		
Other expenditure	6,396	6,027	6,076	6,935	8,244	28.9	18.9
as % of sales	8.9	9.2	9.2	9.6	10.1		
EBITDA	7,365	6,589	6,798	7,638	8,998	22.2	17.8
EBITDA margin (%)	10.2	10.1	10.3	10.6	11.0		
Depreciation	1,535	1,583	1,674	1,636	1,701	10.8	4.0
EBIT	5,830	5,006	5,124	6,002	7,297	25.2	21.6
Other Income	14	65	705	576	462	3,275.2	(19.7)
Interest	352	316	363	474	523	48.6	10.3
PBT	5,492	4,755	5,466	6,104	7,237	31.8	18.6
Total Tax	1,418	1,227	1,364	1,427	1,871	32.0	31.1
Adjusted PAT	4,075	3,528	4,103	4,677	5,366	31.7	14.7
Extra ordinary items	-	-	-	-	-		
Reported PAT	4,075	3,528	4,103	4,677	5,366	31.7	14.7
Adjusted EPS (Rs)	8.6	7.4	8.6	9.8	11.3	31.7	14.7
(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (bps)	QoQ (bps)
EBITDAM	10.2	10.1	10.3	10.6	11.0	84	47
EBITM	8.1	7.6	7.8	8.3	9.0	88	64
EBTM	7.6	7.3	8.3	8.5	8.9	128	43
PATM	5.6	5.4	6.2	6.5	6.6	94	11
Effective Tax rate	25.8	25.8	24.9	23.4	25.9	5	248

Source: Company, Emkay Research

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**Exhibit 4: Margin Analysis – Gross-margin improvement of ~60bps QoQ drove the EBITDA margin improvement**

Margin analysis (%)	Q2FY24	Q2FY23	Change (bps)	1QFY24	Change (bps)
Raw material	74.0	76.2	(214)	74.6	(56)
Staff costs	4.8	4.8	4	5.2	(42)
Other expenses	10.1	8.9	126	9.6	51
EBITDA	11.0	10.2	84	10.6	47
Adjusted net profit	6.6	5.6	94	6.5	11
Tax rate	25.9	25.8	5	23.4	248

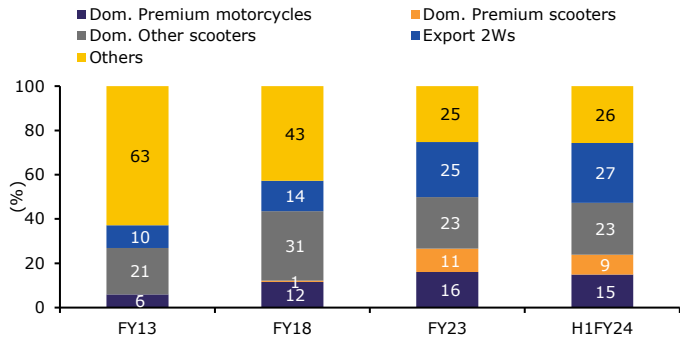
Source: Company, Emkay Research

**Exhibit 5: Market share – Market share flattish QoQ, with fall in domestic motorcycles offset by rise in exports**

TVS Market share (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Domestic Scooters	24.9	22.9	22.8	25.7	24.7	24.6
Domestic Motorcycle	6.3	8.4	9.7	11.3	10.8	9.8
Export Scooters	14.9	19.9	21.0	28.3	23.8	24.4
Export Motorcycles	26.7	27.2	24.7	21.7	25.1	27.1
<b>Total 2Ws (export +domestic)</b>	<b>17.7</b>	<b>17.4</b>	<b>17.8</b>	<b>19.5</b>	<b>18.6</b>	<b>18.8</b>

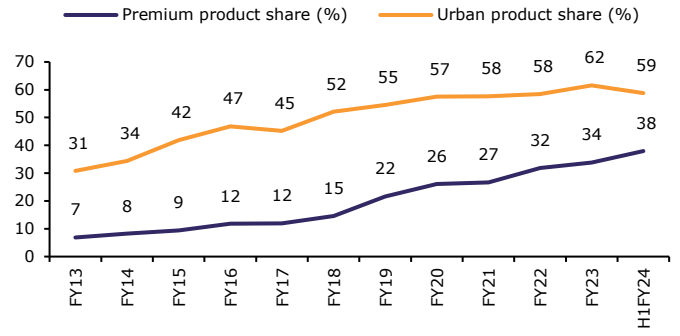
Source: SIAM, Emkay Research

**Exhibit 6: 74% share from 'growth categories' (37% in FY13)**



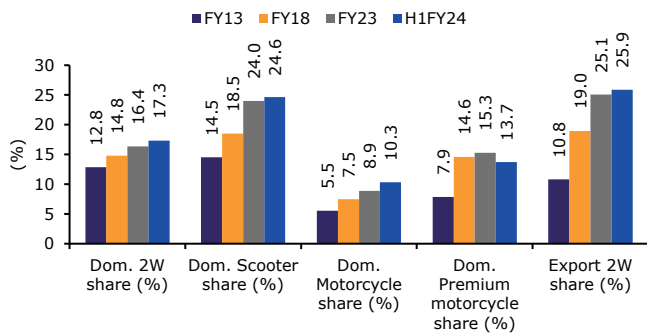
Source: SIAM, Emkay Research; Note: Premium motorcycles include Raider, and premium scooters include Ntorq and iQube

**Exhibit 7: Rising share of urban (premium motorcycles, scooters) and premium products (Apache, Ntorq, Raider) in domestic 2Ws**



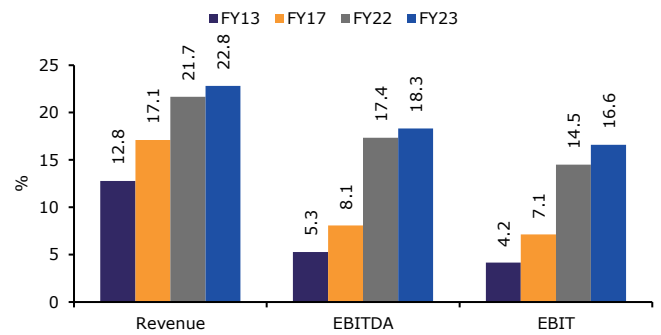
Source: SIAM, Emkay Research

**Exhibit 8: TVSL is now a strong #2/#3 player in most 'growth categories'...**



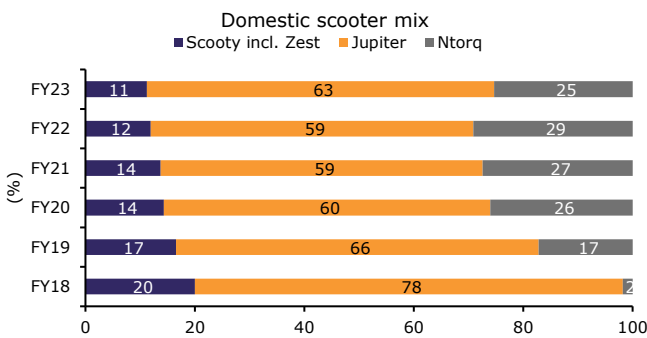
Source: SIAM, Emkay Research

**Exhibit 9: ...accompanied by consistent market-share gains in operational parameters**



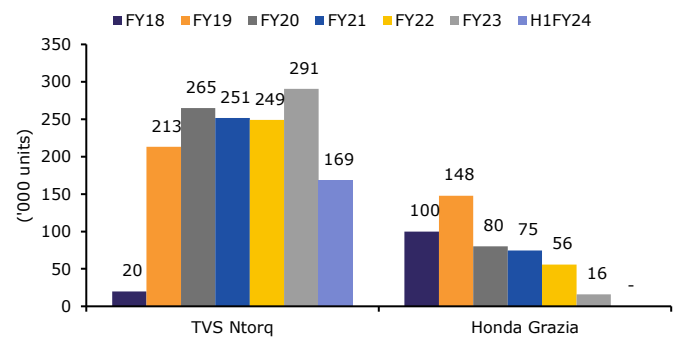
Source: Company, Emkay Research

**Exhibit 10: TVSL has been able to grow multiple brands...**



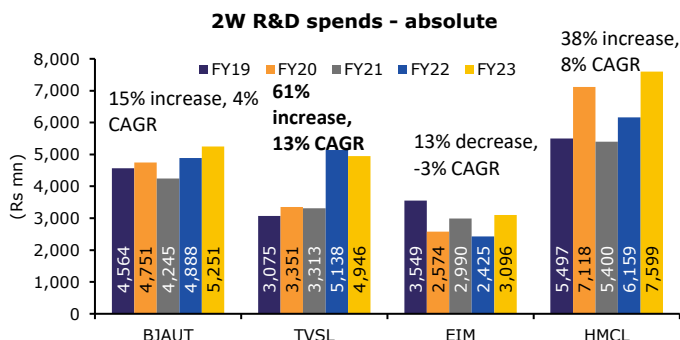
Source: SIAM, Emkay Research

**Exhibit 11: ...unlike some competitor OEMs**



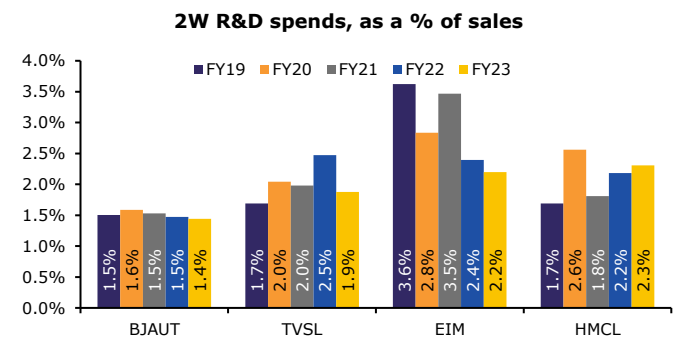
Source: SIAM, Emkay Research; Note: Honda Grazia now withdrawn

**Exhibit 12: TVSL's R&D spends have logged 13% CAGR since FY18**

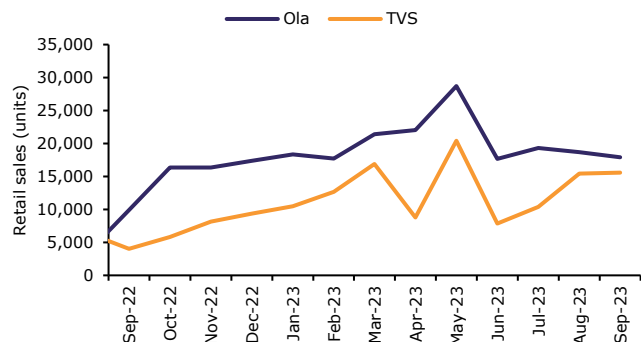


Source: Company, Emkay Research

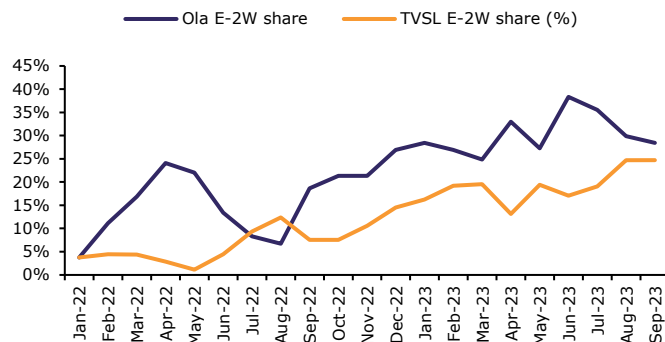
**Exhibit 13: R&D spends at ~2% of sales**



Source: Company, Emkay Research

**Exhibit 14: TVSL already the revenue leader in E-2Ws; closing in on volume leadership as well, with significant gap reduction vs. Ola**

Source: Vahan, Emkay Research

**Exhibit 15: TVSL's E-2W market share now at ~25%; has risen sharply, even post the FAME-II subsidy reduction**

Source: Vahan, Emkay Research

**Exhibit 16: Actions underway on multiple fronts to address electrification**

Area	EV plans
Existing product	<i>iQube's</i> sales are expected to cross 200K units in FY24, with production capacity set to be expanded to 50K/mth vs. the current 25K/mth; Company plans to expand exports coverage to markets in Asia, Latin America, etc.
Future launch pipeline	EV launch pipeline across the 5-25kW range (E-2Ws and E-3Ws) over the next few quarters.
Capex	Announced EV-specific capex of Rs10bn for products/technologies and capacity expansion.
EV subsidiary	Set up a separate EV subsidiary for freedom, flexibility, focus, and scale.
Partnerships	Tie-up with BMW for the design and development of future BMW products; includes common platforms with exclusive global products for both companies; tie-up with Swiggy for testing EV adoption in the latter's delivery fleet; tie-up with Rapido, a leading bike-taxi platform for the 'hyper-local' segment.
Investments	Invested in Switzerland-based e-bike company for presence in developed markets, including Europe; made further investment in e-motorcycle startup <i>Ultraviolette</i>

Source: Company, Emkay Research

**Exhibit 17: Product mix — 74% contribution from the 'growth categories' in FY23 vs. 37% in FY13**

TVSL - Product mix (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
Motorcycles	26	27	27	27	26	23	21	21	25	31	27
Commuter	18	17	16	15	14	12	10	11	15	20	20
Premium	8	10	10	12	12	11	11	10	10	11	7
Scooters	27	29	29	32	32	31	30	26	34	34	36
Mopeds	30	27	31	25	22	20	20	14	12	11	11
Domestic 2W	83	83	86	83	80	74	71	62	71	76	74
Exports 2W	12	13	12	14	16	21	25	33	25	21	22
<b>Total 2W</b>	<b>96</b>	<b>96</b>	<b>98</b>	<b>97</b>	<b>96</b>	<b>95</b>	<b>96</b>	<b>95</b>	<b>95</b>	<b>96</b>	<b>96</b>
Domestic 3W	1	1	0	0	0	0	0	0	0	0	0
Exports 3W	4	4	2	2	4	5	4	5	4	3	4
<b>Total 3W</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>
<b>Total domestic</b>	<b>84</b>	<b>84</b>	<b>86</b>	<b>84</b>	<b>81</b>	<b>74</b>	<b>71</b>	<b>62</b>	<b>71</b>	<b>76</b>	<b>74</b>
<b>Total exports</b>	<b>16</b>	<b>16</b>	<b>14</b>	<b>16</b>	<b>19</b>	<b>26</b>	<b>29</b>	<b>38</b>	<b>29</b>	<b>24</b>	<b>26</b>
<b>Total volumes</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: SIAM, Emkay Research

**Exhibit 18: Domestic operations — TVSL has consistently gained market share across premium motorcycles and scooters**

(%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
<b>Dom. 2Ws</b>	<b>13.1</b>	<b>13.4</b>	<b>14.1</b>	<b>14.2</b>	<b>14.8</b>	<b>13.8</b>	<b>14.3</b>	<b>15.1</b>	<b>16.4</b>	<b>17.4</b>	<b>17.2</b>
Motorcycles	6.1	6.7	6.9	7.3	7.5	6.7	6.3	7.9	8.9	10.8	9.8
Commuter	5.3	5.3	5.5	5.3	5.2	4.5	3.8	5.3	7.0	8.9	9.6
Premium	10.0	11.8	11.8	13.8	14.6	14.7	14.7	18.1	15.3	17.3	10.5
Scooters	15.1	15.4	14.8	16.4	18.5	18.3	20.5	21.1	24.0	24.7	24.6

Source: SIAM, Emkay Research

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**Exhibit 19: Export operations — Market share at an all-time high**

TVSL's market share (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
2W Exports	13.2	14.1	15.6	17.5	19.0	19.3	23.3	24.5	25.1	24.9	26.7
3W Exports	22.3	23.6	21.0	21.6	24.6	32.3	29.3	32.6	41.9	41.5	46.4

Source: SIAM, Emkay Research

**Exhibit 20: We expect the 2W industry to post ~12% CAGR over FY23-26E, surpassing the previous peak in FY25E**

(mn units)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Domestic ICE-2Ws</b>	<b>20.2</b>	<b>21.2</b>	<b>17.4</b>	<b>15.1</b>	<b>13.6</b>	<b>15.9</b>	<b>18.2</b>	<b>20.1</b>	<b>21.9</b>
Growth YoY (%)	14.8	5.0	(17.8)	(13.3)	(10.3)	16.9	14.7	10.5	9.0
Motorcycles	12.6	13.6	11.2	10.0	9.0	10.2	11.526	12.789	13.9
Domestic Motorcycles Growth YoY (%)	13.7	7.8	(17.5)	(10.6)	(10.3)	13.9	12.7	11.0	8.8
Motorcycle share in ICE-2Ws (%)	62.5	64.1	64.3	66.3	66.2	64.5	63.4	63.7	63.6
Economy Motorcycles	3.2	3.9	3.3	2.6	2.1	1.9	1.9	2.1	2.2
Growth YoY (%)	23.0	22.7	(15.5)	(21.3)	(17.8)	(10.9)	(2.3)	11.5	7.0
Share within Motorcycles (%)	25.1	28.6	29.3	25.8	23.7	18.5	16.1	16.1	15.9
Executive Motorcycles	6.5	6.5	5.4	5.2	5.0	6.0	6.8	7.5	8.1
Growth YoY (%)	9.0	(0.9)	(16.4)	(4.1)	(3.2)	19.6	13.3	9.3	8.6
Share within Motorcycles (%)	51.9	47.7	48.4	51.9	56.0	58.9	59.2	58.4	58.2
Premium Motorcycles	2.9	3.2	2.5	2.2	1.8	2.3	2.8	3.3	3.6
Growth YoY (%)	15.2	11.2	(22.3)	(10.7)	(18.4)	26.9	23.2	14.5	10.5
Share within Motorcycles (%)	22.9	23.7	22.3	22.3	20.3	22.6	24.7	25.5	25.9
Scoters	6.7	6.7	5.6	4.5	4.1	5.2	6.221	6.836	7.5
Domestic Scooters Growth YoY (%)	20.0	(0.3)	(16.9)	(19.5)	(8.2)	26.2	19.9	9.9	9.5
Scooter share in ICE-2Ws (%)	33.3	31.6	31.9	29.6	30.3	32.7	34.2	34.0	34.2
Mopeds	0.9	0.9	0.6	0.6	0.5	0.4	0.4	0.5	0.5
Growth YoY (%)	(3.5)	2.4	(27.7)	(3.1)	(23.3)	(6.7)	-	5.0	6.0
Mopeds share in ICE-2Ws (%)	4.3	4.2	3.7	4.1	3.5	2.8	2.4	2.3	2.2
<b>Domestic EV-2Ws (Vahan)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.2</b>	<b>0.7</b>	<b>0.9</b>	<b>1.1</b>	<b>1.4</b>
Growth YoY (%)					479.5	190.1	21.0	25.0	25.0
<b>Domestic 2Ws total</b>	<b>20.2</b>	<b>21.2</b>	<b>17.4</b>	<b>15.2</b>	<b>13.8</b>	<b>16.6</b>	<b>19.1</b>	<b>21.2</b>	<b>23.3</b>
Growth YoY (%)	14.8	5.0	(17.8)	(13.1)	(8.9)	20.0	14.9	11.1	9.8
<b>Export ICE-2Ws</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.0</b>	<b>4.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.7</b>	<b>4.3</b>
Growth YoY (%)	22.6	15.4	9.4	(3.0)	34.2	(20.9)	-	15.0	15.0
<b>Total 2Ws</b>	<b>22.7</b>	<b>24.1</b>	<b>20.6</b>	<b>18.2</b>	<b>17.9</b>	<b>19.8</b>	<b>22.3</b>	<b>24.9</b>	<b>27.5</b>
<b>Growth YoY (%)</b>	<b>15.6</b>	<b>6.1</b>	<b>(14.5)</b>	<b>(11.5)</b>	<b>(1.7)</b>	<b>10.7</b>	<b>12.5</b>	<b>11.7</b>	<b>10.6</b>

Source: SIAM, Vahan, Emkay Research

**Exhibit 21: We expect TVSL to continue gaining market share across categories**

Particulars	FY20	FY21	FY22	FY23	H1FY24	FY24E	FY25E	FY26E
<b>TVSL's Domestic 2W market share (%)</b>	<b>13.8</b>	<b>14.3</b>	<b>15.1</b>	<b>16.4</b>	<b>17.3</b>	<b>17.6</b>	<b>18.1</b>	<b>18.5</b>
TVSL's scooter market share (%)	18.3	20.5	21.1	24.0	24.6	25.1	26.2	27.1
TVSL's motorcycle market share (%)	6.7	6.3	7.9	8.9	10.3	10.5	10.7	11.0
TVSL's premium motorcycle market share (%)	14.7	14.7	18.1	15.3	13.7	14.4	15.4	16.0

Source: Company, Emkay Research

**Exhibit 22: We expect ~36% EPS CAGR over FY23-26E**

Revenue Model	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Domestic 2Ws (units)</b>	<b>24,10,758</b>	<b>21,64,228</b>	<b>20,47,564</b>	<b>25,97,936</b>	<b>32,06,814</b>	<b>36,32,249</b>	<b>40,49,303</b>
Growth (%)	(23.1)	(10.2)	(5.4)	26.9	23.4	13.3	11.5
Scooters (units)	10,18,427	9,19,325	8,66,851	12,45,993	15,59,591	17,94,109	20,31,529
Growth (%)	(18.0)	(9.7)	(5.7)	43.7	25.2	15.0	13.2
Motorcycles (units)	7,55,391	6,27,656	7,07,563	9,10,376	12,05,656	13,74,495	15,26,310
Growth (%)	(25.6)	(16.9)	12.7	28.7	32.4	14.0	11.0
Mopeds (units)	6,36,940	6,17,247	4,73,150	4,41,567	4,41,567	4,63,645	4,91,464
Growth (%)	(27.6)	(3.1)	(23.3)	(6.7)	-	5.0	6.0
Domestic 3Ws (units)	11,934	8,266	8,823	16,075	18,486	19,411	20,381
Growth (%)	(28.6)	(30.7)	6.7	82.2	15.0	5.0	5.0
<b>Domestic Total (units)</b>	<b>24,22,692</b>	<b>21,72,494</b>	<b>20,56,387</b>	<b>26,14,011</b>	<b>32,25,300</b>	<b>36,51,660</b>	<b>40,69,684</b>
Growth (%)	(23.2)	(10.3)	(5.3)	27.1	23.4	13.2	11.4
Export 2Ws (units)	6,78,841	7,64,039	10,90,139	9,15,018	10,43,121	12,20,451	13,60,803
Growth (%)	9.1	12.6	42.7	(16.1)	14.0	17.0	11.5
Export 3Ws (units)	1,61,927	1,15,330	1,63,052	1,53,039	1,72,934	1,93,686	2,13,055
Growth (%)	15.9	(28.8)	41.4	(6.1)	13.0	12.0	10.0
<b>Export Total (units)</b>	<b>8,40,768</b>	<b>8,79,369</b>	<b>12,53,191</b>	<b>10,68,057</b>	<b>12,16,055</b>	<b>14,14,137</b>	<b>15,73,858</b>
Growth (%)	10.4	4.6	42.5	(14.8)	13.9	16.3	11.3
<b>Volumes (units)</b>	<b>32,63,460</b>	<b>30,51,863</b>	<b>33,09,578</b>	<b>36,82,068</b>	<b>44,41,355</b>	<b>50,65,797</b>	<b>56,43,542</b>
Growth (%)	(16.6)	(6.5)	8.4	11.3	20.6	14.1	11.4
ASP (Rs/unit)	50,327	54,886	62,819	71,639	76,658	78,646	80,953
Growth (%)	8.2	9.1	14.5	14.0	7.0	2.6	2.9
<b>Revenues</b>	<b>1,64,233</b>	<b>1,67,505</b>	<b>2,07,905</b>	<b>2,63,781</b>	<b>3,40,467</b>	<b>3,98,404</b>	<b>4,56,861</b>
Growth (%)	(9.8)	2.0	24.1	26.9	29.1	17.0	14.7
EBITDA	13,459	14,286	19,617	26,747	38,780	49,983	59,154
<b>EBITDA margin (%)</b>	<b>8.2</b>	<b>8.5</b>	<b>9.4</b>	<b>10.1</b>	<b>11.4</b>	<b>12.5</b>	<b>12.9</b>
EBITDA growth (%)	(6.1)	6.1	37.3	36.3	45.0	28.9	18.3
EBITDA/unit (Rs)	4,124	4,681	5,927	7,264	8,732	9,867	10,482
EBIT	8,889	9,678	13,693	21,440	32,967	42,949	51,124
EBIT margin (%)	5.4	5.8	6.6	8.1	9.7	10.8	11.2
<b>EPS (Rs)</b>	<b>13.0</b>	<b>12.9</b>	<b>19.4</b>	<b>31.4</b>	<b>48.9</b>	<b>65.7</b>	<b>78.8</b>

Source: Company, Emkay Research

**Exhibit 23: Implied residual volume run-rate for TVSL**

(units)	FY23YTD	FY24YTD	YoY (%)	FY23 residual	FY24 residual	YoY (%)
Dom. Motorcycles	4,04,927	5,84,784	44	5,05,449	6,20,872	23
Economy	1,03,773	1,09,618	6	93,541	1,11,641	19
Executive	1,40,119	2,91,223	108	2,19,522	2,83,853	29
Premium	1,61,035	1,83,943	14	1,92,386	2,25,378	17
Dom. Scooters	6,57,703	7,06,130	7	5,88,290	8,53,461	45
Dom. Mopeds	2,27,620	2,22,907	(2)	2,13,947	2,18,660	2
Dom. 2Ws	12,90,250	15,13,821	17	13,07,686	16,92,993	29
Export 2Ws	5,47,471	4,36,033	(20)	3,67,547	6,07,088	65
<b>Total 2Ws</b>	<b>18,37,721</b>	<b>19,49,854</b>	<b>6</b>	<b>16,75,233</b>	<b>23,00,081</b>	<b>37</b>
Dom. 3Ws	7,739	9,365	21	8,336	9,121	9
Export 3Ws	88,768	68,403	(23)	64,271	1,04,531	63
<b>Total 3Ws</b>	<b>96,507</b>	<b>77,768</b>	<b>(19)</b>	<b>72,607</b>	<b>1,13,652</b>	<b>57</b>
<b>Grand total</b>	<b>19,34,228</b>	<b>20,27,622</b>	<b>5</b>	<b>17,47,840</b>	<b>24,13,733</b>	<b>38</b>

Source: Company, Emkay Research

**Exhibit 24: Our forward estimates are unchanged**

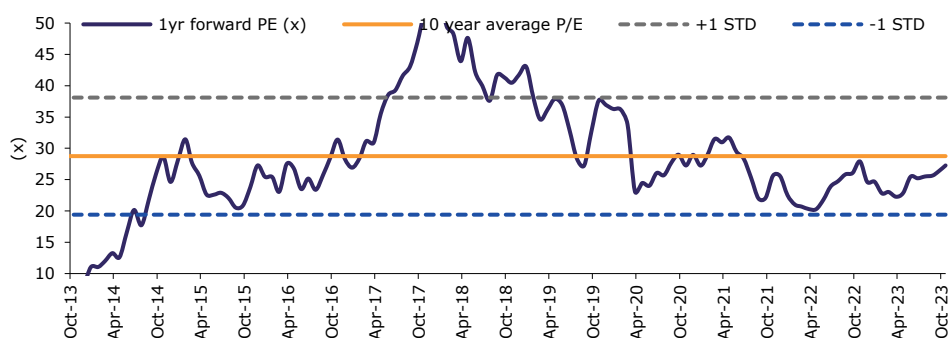
Units	FY24E				FY25E				FY26E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Dom. 2Ws	32,06,814	32,06,814	0.0	23.4	36,32,249	36,32,249	-	13.3	40,49,303	40,49,303	-	11.5
Dom. 3Ws	18,486	18,486	0.0	15.0	19,411	19,411	-	5.0	20,381	20,381	-	5.0
Total Domestic	32,25,300	32,25,300	0.0	23.4	36,51,660	36,51,660	-	13.2	40,69,684	40,69,684	-	11.4
Export 2W	10,43,121	10,43,121	(0.0)	14.0	12,20,451	12,20,451	-	17.0	13,60,803	13,60,803	(0.0)	11.5
Export 3W	1,72,934	1,72,934	0.0	13.0	1,93,686	1,93,686	-	12.0	2,13,055	2,13,055	(0.0)	10.0
Total Exports	12,16,055	12,16,055	(0.0)	13.9	14,14,137	14,14,137	-	16.3	15,73,858	15,73,858	(0.0)	11.3
Total Volumes	44,41,355	44,41,355	0.0	20.6	50,65,797	50,65,797	-	14.1	56,43,542	56,43,542	-	11.4
Sales (Rs mn)	3,40,467	3,40,467	-	29.1	3,98,404	3,98,404	-	17.0	4,56,861	4,56,861	-	14.7
EBITDA (Rs mn)	38,780	38,780	-	45.0	49,983	49,983	-	28.9	59,154	59,154	-	18.3
Margin (%)	11.4	11.4	0 bps	125 bps	12.5	12.5	0 bps	116 bps	12.9	12.9	0 bps	40 bps
Net Profit (Rs mn)	23,243	23,243	(0.0)	55.9	31,218	31,218	(0.0)	34.3	37,442	37,442	(0.0)	19.9
EPS (Rs)	48.9	48.9	(0.0)	55.9	65.7	65.7	(0.0)	34.3	78.8	78.8	(0.0)	19.9

Source: Emkay Research

**Exhibit 25: TVSL— Emkay vs. Consensus estimates**

Rs mn	Emkay Estimates			Bloomberg estimates			Difference		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net revenue	3,40,467	3,98,404	4,56,861	3,10,513	3,55,088	3,99,271	9.6%	12.2%	14.4%
EBITDA	38,780	49,983	59,154	34,034	40,980	47,236	13.9%	22.0%	25.2%
EBITDA margin (%)	11.4	12.5	12.9	11.0	11.5	11.8			
EPS (Rs)	49	66	79	42	52	61	17.8%	26.3%	29.5%

Source: Bloomberg, Emkay Research

**Exhibit 26: TVSL's forward PER in-line with LTA**

Source: Bloomberg, Emkay Research



## TVS Motor : Standalone Financials and Valuations

## Profit &amp; Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>2,07,905</b>	<b>2,63,781</b>	<b>3,40,467</b>	<b>3,98,404</b>	<b>4,56,861</b>
Revenue growth (%)	24.1	26.9	29.1	17.0	14.7
<b>EBITDA</b>	<b>19,617</b>	<b>26,747</b>	<b>38,780</b>	<b>49,983</b>	<b>59,154</b>
EBITDA growth (%)	37.3	36.3	45.0	28.9	18.3
Depreciation & Amortization	6,114	6,312	7,022	8,115	9,160
<b>EBIT</b>	<b>13,503</b>	<b>20,435</b>	<b>31,758</b>	<b>41,868</b>	<b>49,994</b>
EBIT growth (%)	44.4	51.3	55.4	31.8	19.4
Other operating income	0	0	0	0	0
Other income	190	1,006	1,210	1,081	1,130
Financial expense	1,259	1,407	1,737	1,004	816
<b>PBT</b>	<b>12,434</b>	<b>20,034</b>	<b>31,230</b>	<b>41,945</b>	<b>50,308</b>
Extraordinary items	(302)	0	0	0	0
Taxes	3,197	5,123	7,987	10,727	12,866
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>8,936</b>	<b>14,910</b>	<b>23,243</b>	<b>31,218</b>	<b>37,442</b>
PAT growth (%)	46.0	66.9	55.9	34.3	19.9
<b>Adjusted PAT</b>	<b>9,237</b>	<b>14,910</b>	<b>23,243</b>	<b>31,218</b>	<b>37,442</b>
<b>Diluted EPS (Rs)</b>	<b>19.4</b>	<b>31.4</b>	<b>48.9</b>	<b>65.7</b>	<b>78.8</b>
Diluted EPS growth (%)	46.0	66.9	55.9	34.3	19.9
<b>DPS (Rs)</b>	<b>3.8</b>	<b>5.0</b>	<b>9.8</b>	<b>19.7</b>	<b>27.6</b>
<b>Dividend payout (%)</b>	<b>19.9</b>	<b>15.9</b>	<b>20.0</b>	<b>30.0</b>	<b>35.0</b>
EBITDA margin (%)	9.4	10.1	11.4	12.5	12.9
EBIT margin (%)	6.5	7.7	9.3	10.5	10.9
Effective tax rate (%)	25.7	25.6	25.6	25.6	25.6
<b>NOPLAT (pre-IndAS)</b>	<b>10,032</b>	<b>15,209</b>	<b>23,636</b>	<b>31,161</b>	<b>37,209</b>
Shares outstanding (mn)	475.1	475.1	475.1	475.1	475.1

Source: Company, Emkay Research

## Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	475	475	475	475	475
Reserves & Surplus	47,745	60,003	78,598	1,00,451	1,24,788
<b>Net worth</b>	<b>48,220</b>	<b>60,479</b>	<b>79,073</b>	<b>1,00,926</b>	<b>1,25,263</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	1,979	1,982	2,117	2,299	2,518
<b>Total debt</b>	<b>19,040</b>	<b>28,376</b>	<b>13,477</b>	<b>10,709</b>	<b>8,943</b>
<b>Total liabilities &amp; equity</b>	<b>69,239</b>	<b>90,837</b>	<b>94,668</b>	<b>1,13,934</b>	<b>1,36,724</b>
Net tangible fixed assets	26,008	28,901	35,409	37,693	38,533
Net intangible assets	3,668	3,668	3,668	3,668	3,668
Net ROU assets	3,390	3,390	3,390	3,390	3,390
Capital WIP	4,245	6,277	2,400	2,000	2,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	45,858	54,920	63,420	70,420	77,420
<b>Cash &amp; equivalents</b>	<b>5,315</b>	<b>4,339</b>	<b>3,093</b>	<b>9,769</b>	<b>22,872</b>
Current assets (ex-cash)	30,539	38,429	49,300	60,964	72,412
Current Liab. & Prov.	49,784	49,087	66,011	73,969	83,571
<b>NWC (ex-cash)</b>	<b>(19,245)</b>	<b>(10,658)</b>	<b>(16,711)</b>	<b>(13,006)</b>	<b>(11,159)</b>
<b>Total assets</b>	<b>69,239</b>	<b>90,837</b>	<b>94,668</b>	<b>1,13,934</b>	<b>1,36,724</b>
Net debt	13,725	24,037	10,384	940	(13,929)
Capital employed	69,239	90,837	94,668	1,13,934	1,36,724
<b>Invested capital</b>	<b>13,822</b>	<b>25,301</b>	<b>25,756</b>	<b>31,745</b>	<b>34,432</b>
BVPS (Rs)	101.5	127.3	166.4	212.4	263.7
Net Debt/Equity (x)	0.3	0.4	0.1	0.0	(0.1)
Net Debt/EBITDA (x)	0.7	0.9	0.3	0.0	(0.2)
Interest coverage (x)	0.1	0.1	0.1	0.0	0.0
<b>RoCE (%)</b>	<b>16.5</b>	<b>20.1</b>	<b>26.7</b>	<b>30.9</b>	<b>30.6</b>

Source: Company, Emkay Research

## Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	12,434	20,034	31,230	41,945	50,308
Others (non-cash items)	6,905	13,591	7,148	4,823	6,626
Taxes paid	(3,100)	(4,826)	(7,851)	(10,545)	(12,648)
Change in NWC	(962)	(8,870)	5,391	(4,126)	(2,237)
<b>Operating cash flow</b>	<b>14,976</b>	<b>19,929</b>	<b>35,918</b>	<b>32,097</b>	<b>42,050</b>
Capital expenditure	(7,279)	(9,847)	(9,653)	(10,000)	(10,000)
Acquisition of business	(14,240)	(13,222)	(8,500)	(13,000)	(13,000)
Interest & dividend income	109	0	0	0	0
<b>Investing cash flow</b>	<b>(21,410)</b>	<b>(23,118)</b>	<b>(18,153)</b>	<b>(23,000)</b>	<b>(23,000)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	4,813	7,226	(14,899)	(2,768)	(1,766)
Payment of lease liabilities	(546)	0	0	0	0
Interest paid	(1,231)	(1,407)	(1,737)	(1,004)	(816)
Dividend paid (incl tax)	(1,904)	(2,376)	(4,649)	(9,365)	(13,105)
Others	(529)	(1,848)	2,273	4,717	3,739
<b>Financing cash flow</b>	<b>1,150</b>	<b>1,596</b>	<b>(19,011)</b>	<b>(8,421)</b>	<b>(11,947)</b>
Net chg in Cash	(5,285)	(1,593)	(1,246)	676	7,103
OCF	14,976	19,929	35,918	32,097	42,050
Adj. OCF (w/o NWC chg.)	15,937	28,799	30,527	36,223	44,287
FCFF	7,697	10,081	26,266	22,097	32,050
FCFE	6,547	8,675	24,529	21,093	31,235
OCF/EBITDA (%)	76.3	74.5	92.6	64.2	71.1
FCFE/PAT (%)	73.3	58.2	105.5	67.6	83.4
<b>FCFF/NOPLAT (%)</b>	<b>76.7</b>	<b>66.3</b>	<b>111.1</b>	<b>70.9</b>	<b>86.1</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	82.7	51.3	32.9	24.5	20.4
P/CE(x)	49.8	36.0	25.3	19.4	16.4
P/B (x)	15.9	12.6	9.7	7.6	6.1
EV/Sales (x)	3.7	3.0	2.3	1.9	1.6
EV/EBITDA (x)	39.7	29.5	20.0	15.3	12.7
EV/EBIT(x)	57.6	38.6	24.4	18.3	15.0
EV/IC (x)	56.3	31.2	30.1	24.1	21.8
FCFF yield (%)	1.0	1.3	3.4	2.9	4.3
FCFE yield (%)	0.9	1.1	3.2	2.8	4.1
Dividend yield (%)	0.2	0.3	0.6	1.2	1.7
<b>DuPont-RoE split</b>					
Net profit margin (%)	4.4	5.7	6.8	7.8	8.2
Total asset turnover (x)	3.3	3.3	3.7	3.8	3.6
Assets/Equity (x)	1.4	1.5	1.3	1.2	1.1
<b>RoE (%)</b>	<b>20.5</b>	<b>27.4</b>	<b>33.3</b>	<b>34.7</b>	<b>33.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.8	5.8	6.9	7.8	8.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>83.5</b>	<b>77.7</b>	<b>92.6</b>	<b>108.4</b>	<b>112.5</b>
<b>Operating metrics</b>					
Core NWC days	(33.8)	(14.7)	(17.9)	(11.9)	(8.9)
<b>Total NWC days</b>	<b>(33.8)</b>	<b>(14.7)</b>	<b>(17.9)</b>	<b>(11.9)</b>	<b>(8.9)</b>
Fixed asset turnover	3.1	3.5	3.9	4.0	4.2
Opex-to-revenue (%)	14.5	14.1	14.1	13.8	13.5

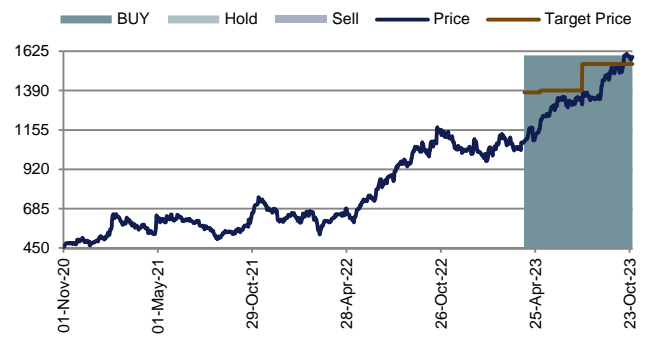
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
30-Oct-23	1,609	2,100	Buy	Chirag Jain
24-Jul-23	1,307	1,550	Buy	Chirag Jain
05-May-23	1,215	1,390	Buy	Chirag Jain
04-Apr-23	1,085	1,380	Buy	Chirag Jain

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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