

October 30, 2023

## Q2FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,650		1,560	
Sales (Rs.m)	3,17,085	3,57,791	3,14,363	3,53,486
% Chng.	0.9	1.2		
EBITDA (Rs.m)	34,087	42,398	33,794	41,888
% Chng.	0.9	1.2		
EPS (Rs.)	41.4	54.3	41.5	53.8
% Chng.	(0.2)	1.0		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	2,63,781	3,17,085	3,57,791	3,93,445
EBITDA (Rs. m)	26,747	34,087	42,398	48,394
Margin (%)	10.1	10.8	11.9	12.3
PAT (Rs. m)	14,125	19,678	25,809	29,943
EPS (Rs.)	29.7	41.4	54.3	63.0
Gr. (%)	54.2	39.3	31.2	16.0
DPS (Rs.)	4.0	5.0	6.0	6.0
Yield (%)	0.2	0.3	0.4	0.4
RoE (%)	26.0	28.5	28.9	26.2
RoCE (%)	24.3	26.9	29.3	28.2
EV/Sales (x)	3.0	2.5	2.2	1.9
EV/EBITDA (x)	29.7	23.0	18.2	15.5
PE (x)	54.1	38.8	29.6	25.5
P/BV (x)	12.6	9.8	7.6	6.0

### Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.1,617 / Rs.968
Sensex / Nifty	64,113 / 19,141
Market Cap	Rs.764bn/ \$ 9,181m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.1562.25m

### Shareholding Pattern (%)

Promoter's	50.27
Foreign	18.51
Domestic Institution	23.10
Public & Others	8.12
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.7	41.3	42.7
Relative	8.5	34.7	33.5

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## In line performance; EV ramp-up to continue

### Quick Pointers:

- Domestic realization flattish; exports ASP lower despite higher 3W mix.
- TVS outperforms in the festive period; inventory to normalize at four weeks.

**We change our FY25/FY26E EPS estimates by 1%/6% to incorporate improvement in margins, as impact from higher EV mix will get offset by PLI and scale benefits. TVS Motor's (TVSL) 2QFY24 performance was largely in-line with inventorisation and cost control helping offset impact from poor mix (EV volumes +49% QoQ). The company sharply ramped-up its EV volumes besides gained market share and now plans to launch multiple products in domestic market and also export EVs globally. Urban demand was strong for the industry which should continue, while rural demand is expected to recover. EBITDA margins benefited from inventorisation and expanded c50bp QoQ to 11%, despite higher share of EVs. We expect margins to remain below current levels in 2HFY24E as inventorisation benefit reverses and company continues investing in advertising.**

**We believe TVS is well placed to outperform the industry given (1) good tractions for new product launches in ICE & EV segments (2) higher focus on exports & premiumisation and (3) margin improvement helped by cost control, (4) operating leverage, (5) benign input prices and (6) PLI benefits to likely offset impact from higher EV mix. Retain 'ACCUMULATE' with TP of Rs1,650 (earlier TP at Rs. 1,560) at 27x Sep-25E EPS incl. Rs66 for TVS credit (earlier Rs. 35).**

- 2QFY24 – Revenue in-line; other expenses see a rise:** TVSL's revenue grew by 12.8% YoY, and came largely in line vs PLe and Bloomberg consensus estimates (BBGe). EBITDA margins at 11.0% were largely in-line with PLe and BBGe (11.2%). Other operating expenses were higher than expected. Higher other income aided PAT beat.
- Key takeaways:** (1) TVSL anticipates better growth in rural areas with urban areas already performing well. During the Dussehra season TVSL saw growth ahead of the industry and expect the same in Diwali season too. Company has maintained inventory of 25 to 30 days. (2) On exports side, TVSL noted improvement in customer retail in international market, which will help increase exports volume. TVSL is poised to expand its global presence with TVS X. (3) Electric Vehicles: iQube's volumes grew ~263% YoY to 58k units and healthy booking levels continue. TVSL ramped up its production to 25k units per month and expanded EV touchpoints to 337 by end of Q2. (4) TVSL did not take any price hikes from October and does not expect input cost increase for 2HFY24, as material cost may soften slightly. (5) On margins, TVSL saw increase in other operating expenses due to higher focus on marketing (Global launch of RR310 and TVS X) and advertisements, but is not participating in discounting. (6) Capex for FY24 is expected to be at Rs. 8-9bn of which Rs 6.2bn was spent in 1HFY24. Majority capex will be used in EV segment. (7) New Launches: TVSL plans to launch new electric products ranging from 5kW to 25kW within a year; also launched Raider Super Squad edition and Jupiter 125 with SmartXonnect technology to keep up the momentum gained by these models and enhance TVSLs market share. (8) TVSL 3W market de-grew by 14% YoY but it is confident of recovery. TVSL sees e-3W being successful in domestic and international markets.

**Exhibit 1: Q2FY24 Result Overview (Rs m)**

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
<b>Net Revenues</b>	<b>81,446</b>	<b>72,192</b>	<b>12.8</b>	<b>72,179</b>	<b>12.8</b>	<b>1,53,625</b>	<b>1,32,279</b>	<b>16.1</b>
Raw Materials	60,276	54,975	9.6	53,818	12.0	1,14,094	1,00,702	13.3
<i>% of Net Sales</i>	<i>74.0</i>	<i>76.2</i>		<i>74.6</i>		<i>148.6</i>	<i>152.3</i>	
Personnel	3,929	3,456	13.7	3,789	3.7	7,718	6,665	15.8
<i>% of Net Sales</i>	<i>4.8</i>	<i>4.8</i>		<i>5.2</i>		<i>10.1</i>	<i>10.1</i>	
Manufacturing & Other Exp	8,244	6,396	28.9	6,935	18.9	15,179	11,552	31.4
<i>% of Net Sales</i>	<i>10.1</i>	<i>8.9</i>		<i>9.6</i>		<i>19.7</i>	<i>17.4</i>	
Total Expenditure	72,449	64,826	11.8	64,542	12.3	1,36,990	1,18,919	15.2
<b>EBITDA</b>	<b>8,998</b>	<b>7,365</b>	<b>22.2</b>	<b>7,638</b>	<b>17.8</b>	<b>16,635</b>	<b>13,360</b>	<b>24.5</b>
<i>EBITDA Margin (%)</i>	<i>11.0</i>	<i>10.2</i>		<i>10.6</i>		<i>21.6</i>	<i>20.2</i>	
Depreciation	1,701	1,535	10.8	1,636	4.0	3,336	3,056	9.2
<b>EBIT</b>	<b>7,297</b>	<b>5,830</b>	<b>25.2</b>	<b>6,002</b>	<b>21.6</b>	<b>13,299</b>	<b>10,305</b>	<b>29.1</b>
Interest Expenses	523	352	48.6	474	10.3	997	728	37.0
Non-operating income	87	14	538.0	576	(84.8)	663	236	181.2
Extraordinary Income	(375)	0		0		(375)	0	
<b>PBT</b>	<b>7,237</b>	<b>5,492</b>	<b>31.8</b>	<b>6,104</b>	<b>18.6</b>	<b>13,340</b>	<b>9,813</b>	<b>35.9</b>
Tax-Total	1,871	1,418	32.0	1,427	31.1	3,298	2,533	30.2
<i>Tax Rate (%) - Total</i>	<i>25.9</i>	<i>25.8</i>	<i>0.2</i>	<i>23.4</i>		<i>49.2</i>	<i>51.6</i>	<i>(4.6)</i>
<b>Reported PAT</b>	<b>5,366</b>	<b>4,075</b>	<b>31.7</b>	<b>4,677</b>	<b>14.7</b>	<b>10,042</b>	<b>7,280</b>	<b>37.9</b>
<b>Adj. PAT</b>	<b>5,087</b>	<b>4,075</b>	<b>24.9</b>	<b>4,677</b>	<b>8.8</b>	<b>9,764</b>	<b>7,280</b>	<b>34.1</b>
<i>PAT Margin</i>	<i>6.2</i>	<i>5.6</i>		<i>6.5</i>		<i>12.7</i>	<i>11.0</i>	

Source: Company, PL

**Exhibit 2: Operating Metrics – Average realization flattish QoQ impacted by lower share of EV in the mix**

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
<b>Sales Volume (nos)</b>	<b>10,74,378</b>	<b>10,27,437</b>	<b>4.6</b>	<b>9,53,244</b>	<b>12.7</b>	<b>20,27,622</b>	<b>19,32,880</b>	<b>4.9</b>
Net Realisation/Vehicle	75,808	70,264	7.9	75,719	0.1	1,51,527	1,36,626	10.9
Material cost / vehicle	56,103	53,507	4.9	56,458	(0.6)	1,12,561	1,04,010	8.2
Gross Profit / vehicle	19,705	16,757	17.6	19,262	2.3	38,966	32,616	19.5
Employee cost /vehicle	3,657	3,363	8.7	3,974	(8.0)	7,632	6,908	10.5
Other expenses / vehicle	7,673	6,225	23.3	7,275	5.5	14,948	11,919	25.4
EBITDA/vehicle	8,375	7,169	16.8	8,012	4.5	16,387	13,789	18.8
Net Profit/vehicle	4,735	3,966	19.4	4,906	(3.5)	9,641	7,506	28.4

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>2,63,781</b>	<b>3,17,085</b>	<b>3,57,791</b>	<b>3,93,445</b>
YoY gr. (%)	26.9	20.2	12.8	10.0
Cost of Goods Sold	1,99,928	2,37,180	2,65,839	2,91,543
Gross Profit	63,853	79,905	91,952	1,01,902
Margin (%)	24.2	25.2	25.7	25.9
Employee Cost	13,451	16,330	17,532	18,885
Other Expenses	23,655	29,489	32,022	34,623
<b>EBITDA</b>	<b>26,747</b>	<b>34,087</b>	<b>42,398</b>	<b>48,394</b>
YoY gr. (%)	36.3	27.4	24.4	14.1
Margin (%)	10.1	10.8	11.9	12.3
Depreciation and Amortization	6,312	6,776	7,205	7,900
<b>EBIT</b>	<b>20,435</b>	<b>27,311</b>	<b>35,193</b>	<b>40,493</b>
Margin (%)	7.7	8.6	9.8	10.3
Net Interest	1,407	2,055	1,857	1,740
Other Income	389	1,040	1,153	1,261
<b>Profit Before Tax</b>	<b>18,800</b>	<b>26,296</b>	<b>34,490</b>	<b>40,014</b>
Margin (%)	7.1	8.3	9.6	10.2
Total Tax	5,123	6,619	8,681	10,072
Effective tax rate (%)	27.3	25.2	25.2	25.2
<b>Profit after tax</b>	<b>13,677</b>	<b>19,678</b>	<b>25,809</b>	<b>29,943</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>14,125</b>	<b>19,678</b>	<b>25,809</b>	<b>29,943</b>
YoY gr. (%)	54.2	39.3	31.2	16.0
Margin (%)	5.4	6.2	7.2	7.6
Extra Ord. Income / (Exp)	(449)	-	-	-
<b>Reported PAT</b>	<b>13,677</b>	<b>19,678</b>	<b>25,809</b>	<b>29,943</b>
YoY gr. (%)	53.1	43.9	31.2	16.0
Margin (%)	5.2	6.2	7.2	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,677	19,678	25,809	29,943
<b>Equity Shares O/s (m)</b>	<b>475</b>	<b>475</b>	<b>475</b>	<b>475</b>
<b>EPS (Rs)</b>	<b>29.7</b>	<b>41.4</b>	<b>54.3</b>	<b>63.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>79,879</b>	<b>87,429</b>	<b>94,979</b>	<b>1,02,529</b>
Tangibles	79,879	87,429	94,979	1,02,529
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>43,920</b>	<b>50,696</b>	<b>57,901</b>	<b>65,802</b>
Tangibles	43,920	50,696	57,901	65,802
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>35,959</b>	<b>36,733</b>	<b>37,078</b>	<b>36,727</b>
Tangibles	35,959	36,733	37,078	36,727
Intangibles	-	-	-	-
Capital Work In Progress	6,277	6,727	7,177	7,627
Goodwill	-	-	-	-
Non-Current Investments	56,839	61,839	66,839	71,839
Net Deferred tax assets	(2,041)	(2,041)	(2,041)	(2,041)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	12,364	17,375	20,585	22,637
Trade receivables	9,551	17,375	19,605	21,559
Cash & Bank Balance	2,420	12,142	22,313	42,017
Other Current Assets	16,515	18,497	20,717	23,203
<b>Total Assets</b>	<b>1,39,924</b>	<b>1,70,687</b>	<b>1,94,313</b>	<b>2,25,608</b>
<b>Equity</b>				
Equity Share Capital	475	475	475	475
Other Equity	60,003	77,306	1,00,264	1,27,356
<b>Total Network</b>	<b>60,479</b>	<b>77,781</b>	<b>1,00,739</b>	<b>1,27,831</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	15,248	13,998	12,748	11,498
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	18,107	17,786	17,482	17,191
Trade payables	41,306	56,467	58,815	64,676
Other current liabilities	2,744	2,614	2,489	2,371
<b>Total Equity &amp; Liabilities</b>	<b>1,39,924</b>	<b>1,70,687</b>	<b>1,94,313</b>	<b>2,25,608</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	19,417	26,296	34,490	40,014
Add. Depreciation	6,312	6,776	7,205	7,900
Add. Interest	1,407	2,055	1,857	1,740
Less Financial Other Income	389	1,040	1,153	1,261
Add. Other	(389)	(1,040)	(1,153)	(1,261)
Op. profit before WC changes	26,747	34,087	42,398	48,394
Net Changes-WC	(6,758)	214	(5,438)	(749)
Direct tax	(5,123)	(6,619)	(8,681)	(10,072)
<b>Net cash from Op. activities</b>	<b>14,865</b>	<b>27,682</b>	<b>28,280</b>	<b>37,574</b>
Capital expenditures	(9,847)	(8,000)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(1,811)	(3,960)	(3,847)	(3,739)
<b>Net Cash from Inv. activities</b>	<b>(11,659)</b>	<b>(11,960)</b>	<b>(11,847)</b>	<b>(11,739)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	7,006	(1,250)	(1,250)	(1,250)
Dividend paid	(1,900)	(2,376)	(2,851)	(2,851)
Interest paid	(1,407)	(2,055)	(1,857)	(1,740)
Others	(617)	-	-	-
<b>Net cash from Fin. activities</b>	<b>3,083</b>	<b>(5,680)</b>	<b>(5,957)</b>	<b>(5,840)</b>
<b>Net change in cash</b>	<b>6,289</b>	<b>10,042</b>	<b>10,476</b>	<b>19,994</b>
Free Cash Flow	5,018	19,682	20,280	29,574

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Net Revenue</b>	<b>65,454</b>	<b>66,048</b>	<b>72,179</b>	<b>81,446</b>
YoY gr. (%)	14.7	19.4	20.1	12.8
Raw Material Expenses	49,429	49,797	53,818	60,276
Gross Profit	16,025	16,251	18,361	21,170
Margin (%)	24.5	24.6	25.4	26.0
<b>EBITDA</b>	<b>6,589</b>	<b>6,798</b>	<b>7,638</b>	<b>8,998</b>
YoY gr. (%)	16.0	22.1	27.4	22.2
Margin (%)	10.1	10.3	10.6	11.0
Depreciation / Depletion	1,583	1,674	1,636	1,701
<b>EBIT</b>	<b>5,006</b>	<b>5,124</b>	<b>6,002</b>	<b>7,297</b>
Margin (%)	7.6	7.8	8.3	9.0
Net Interest	316	363	474	523
Other Income	65	705	576	87
<b>Profit before Tax</b>	<b>4,755</b>	<b>5,466</b>	<b>6,104</b>	<b>7,237</b>
Margin (%)	7.3	8.3	8.5	8.9
Total Tax	1,227	1,364	1,427	1,871
Effective tax rate (%)	25.8	24.9	23.4	25.9
<b>Profit after Tax</b>	<b>3,528</b>	<b>4,103</b>	<b>4,677</b>	<b>5,366</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,528</b>	<b>4,103</b>	<b>4,677</b>	<b>4,991</b>
YoY gr. (%)	22.4	49.5	45.9	22.5
Margin (%)	5.4	6.2	6.5	6.1
Extra Ord. Income / (Exp)	-	-	-	(375)
<b>Reported PAT</b>	<b>3,528</b>	<b>4,103</b>	<b>4,677</b>	<b>5,366</b>
YoY gr. (%)	22.4	49.5	45.9	31.7
Margin (%)	5.4	6.2	6.5	6.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,528</b>	<b>4,103</b>	<b>4,677</b>	<b>5,366</b>
Avg. Shares O/s (m)	475	476	476	476
<b>EPS (Rs)</b>	<b>7.4</b>	<b>8.6</b>	<b>9.8</b>	<b>10.5</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	29.7	41.4	54.3	63.0
CEPS	43.0	55.7	69.5	79.7
BVPS	127.3	163.7	212.0	269.1
FCF	10.6	41.4	42.7	62.2
DPS	4.0	5.0	6.0	6.0
<b>Return Ratio(%)</b>				
RoCE	24.3	26.9	29.3	28.2
ROIC	18.2	22.8	26.9	29.8
RoE	26.0	28.5	28.9	26.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.5	0.3	0.1	(0.1)
Net Working Capital (Days)	(27)	(25)	(19)	(19)
<b>Valuation(x)</b>				
PER	54.1	38.8	29.6	25.5
P/B	12.6	9.8	7.6	6.0
P/CEPS	37.4	28.9	23.2	20.2
EV/EBITDA	29.7	23.0	18.2	15.5
EV/Sales	3.0	2.5	2.2	1.9
Dividend Yield (%)	0.2	0.3	0.4	0.4

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
Scooter volume (units)	13,33,925	15,41,898	16,76,828	18,24,803
Motorcycle volume (units)	17,33,256	19,85,502	22,34,108	24,22,996
Moped volume (units)	4,45,773	4,48,627	4,76,192	4,95,462
Total two-wheeler volume (units)	35,12,954	39,76,027	43,87,128	47,43,260
Three-wheeler volume (units)	1,69,114	1,68,600	1,83,462	1,97,444
Total volume (units)	36,82,068	41,44,627	45,70,590	49,40,705
Realisation per unit (Rs)	71,639	76,505	78,281	79,633

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	Accumulate	1,560	1,501
2	25-Jul-23	Accumulate	1,400	1,364
3	07-Jul-23	Accumulate	1,380	1,314
4	05-May-23	BUY	1,300	1,169
5	12-Apr-23	BUY	1,300	1,129
6	25-Jan-23	BUY	1,240	984
7	05-Jan-23	BUY	1,240	1,025
8	06-Nov-22	BUY	1,275	1,114

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	220	172
2	Bajaj Auto	Reduce	4,800	5,144
3	Bharat Forge	BUY	1,170	1,092
4	CEAT	Accumulate	2,515	2,195
5	Eicher Motors	Accumulate	3,730	3,450
6	Endurance Technologies	Accumulate	1,820	1,585
7	Exide Industries	Accumulate	295	259
8	Hero Motocorp	Accumulate	3,575	3,038
9	Mahindra & Mahindra	BUY	1,775	1,549
10	Maruti Suzuki	BUY	12,485	10,561
11	Tata Motors	BUY	760	622
12	TVS Motor Company	Accumulate	1,560	1,501

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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