

August 7, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	2,484		2,300	
Sales (Rs. m)	3,78,598	4,38,486	3,71,273	4,23,273
% Chng.	2.0	3.6		
EBITDA (Rs. m)	44,296	54,811	43,439	52,274
% Chng.	2.0	4.9		
EPS (Rs.)	57.1	73.2	55.1	67.6
% Chng.	3.8	8.3		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	2,63,781	3,17,764	3,78,598	4,38,486
EBITDA (Rs. m)	26,747	35,141	44,296	54,811
Margin (%)	10.1	11.1	11.7	12.5
PAT (Rs. m)	14,910	20,830	27,148	34,760
EPS (Rs.)	31.4	43.8	57.1	73.2
Gr. (%)	62.8	39.7	30.3	28.0
DPS (Rs.)	4.0	8.0	9.0	10.0
Yield (%)	0.2	0.3	0.4	0.4
RoE (%)	27.4	30.2	30.6	30.2
RoCE (%)	24.3	28.5	32.3	33.5
EV/Sales (x)	4.6	3.8	3.2	2.7
EV/EBITDA (x)	45.2	34.1	27.0	21.7
PE (x)	79.0	56.5	43.4	33.9
P/BV (x)	19.5	15.2	11.8	9.0

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.2,602 / Rs.1,317
Sensex / Nifty	78,593 / 23,993
Market Cap	Rs.1,178bn / \$ 14,026m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.2672.52m

Shareholding Pattern (%)

Promoter's	50.27
Foreign	21.05
Domestic Institution	20.13
Public & Others	8.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.0	21.1	82.4
Relative	3.8	11.2	52.5

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Strong performance, in line with consensus

Quick Pointers:

- Management expects to deliver better-than-industry growth in FY25
- Multiple new launches planned across categories to drive growth

TVSL's Q1FY25 standalone revenue grew by 16% YoY, in line with BBGe, but marginally lower (-1.4%) than PLe. The growth in revenue was driven by 14.1% YoY expansion in volume and 1.7% rise in ASP. Despite a rise in some of the key input costs, gross margin expanded by 316bps YoY to 28.6% led by better product mix, marginal price hike and on cost reduction efforts. Consequently, EBITDA grew by 25.7% YoY, while margin expanded by 88bps YoY to 11.5%. Healthy overall performance drove PAT higher by 23.4% YoY.

Going ahead, the management has outlined multiple new launches in EV, ICE and Norton Motorcycles portfolio to increase product offerings across categories. Additionally, TVSL continues to focus on increasing its pan-India presence for EV scooters, which shall pave the way for market share gain and improvement in profitability. Furthermore, it will launch new products in Norton Motorcycles by the end CY25 in Indian and international markets. We change our revenue/EBITDA/EPS estimates by 2-6% over the forecast period factoring in the growth outlook of its businesses. We retain our "HOLD" rating and raise our TP from Rs 2,300 to Rs2,484 (including Rs 69 for TVS Credit), valuing it at a P/E of 33x on its FY26E EPS.

- Strong overall performance, in line with consensus:** Q1FY25 revenue grew by 16% YoY to Rs83.8bn (PLe: Rs84.9bn; BBGe: Rs83.8bn) led by volume growth of 13% YoY. ASP increased by 1.7% YoY to Rs77,040/unit (PLe: Rs78,138/unit; BBGe: Rs75,719/unit). PAT grew 23.4% YoY to Rs5.8bn (PLe: Rs5.9bn; BBGe: Rs5.6bn), slightly lower than our estimate due to lower other income and higher tax rate.
- Healthy improvement in gross margin:** Gross profit at Rs23.9bn (PLe: Rs22.7bn) grew by 30.5% with a margin of 28.6%, which expanded by 316bps YoY. The healthy improvement in gross margin was led by improved product mix towards EVs & premium motorcycles, marginal price hike, and cost reduction efforts to aid profitability. EBITDA grew by 25.7% YoY to Rs9.6bn (PLe: Rs9.7bn; BBGe: Rs9.5bn); however, rise in other expenses as a proportion of sales suppressed EBITDA margin expansion to 88bps YoY to 11.5%.
- Development of Norton portfolio:** TVSL has invested ~Rs12bn in Norton Motorcycles since its acquisition in FY20. It aims to launch 6 new products in the next 3 years at affordable price points in Indian as well as international markets. The first product from the Norton portfolio is expected to be launched by the end of CY25, which could aid in incremental volumes and revenue thereon.



Exhibit 1: Q1FY25 Result Overview (Rs mn)

Y/e March	1Q FY25	1Q FY24	YoY gr. (%)	Q1 FY25E	Var (%)	4Q FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Revenues	83,756	72,179	16.0	84,949	(1.4)	81,688	2.5	3,78,567	3,17,764	19.1
Raw Materials	59,804	53,818	11.1	62,226	(3.9)	59,440	0.6	2,79,761	2,34,290	19.4
<i>% of Net Sales</i>	<i>73.3</i>	<i>74.6</i>		<i>73.3</i>		<i>72.8</i>		<i>73.9</i>	<i>73.7</i>	
Personnel	4,788	3,789	26.4	4,417	8.4	4,205	13.8	17,793	15,959	11.5
<i>% of Net Sales</i>	<i>5.7</i>	<i>5.2</i>		<i>5.2</i>		<i>5.1</i>		<i>4.7</i>	<i>5.0</i>	
Manufacturing & Other Exp	9,563	6,935	37.9	8,580	11.5	8,782	8.9	36,721	32,374	13.4
<i>% of Net Sales</i>	<i>11.4</i>	<i>9.6</i>		<i>10.1</i>		<i>10.8</i>		<i>9.7</i>	<i>10.2</i>	
Total Expenditure	74,154	64,542	14.9	75,233	(1.4)	72,427	2.4	3,34,275	2,82,623	18.3
EBITDA	9,602	7,638	25.7	9,717	(1.2)	9,262	3.7	44,292	35,141	26.1
<i>EBITDA Margin (%)</i>	<i>11.5</i>	<i>10.6</i>		<i>11.4</i>		<i>11.3</i>		<i>11.7</i>	<i>11.1</i>	
Depreciation	1,763	1,636	7.8	1,888	(6.6)	1,887	(6.5)	7,365	7,004	5.2
EBIT	7,838	6,002	30.6	7,829	0.1	7,375	6.3	36,928	28,138	31.3
Interest Expenses	372	474	(21.5)	474	(21.5)	372	0.0	1,371	1,816	(24.5)
Non-operating income	363	576	(37.0)	633	(42.7)	-287	(226.6)	637	1,485	(57.1)
Extraordinary Income	-	-		-		-		-	-	
PBT	7,829	6,104	28.3	7,988	(2.0)	6,716	16.6	36,194	27,807	30.2
Tax-Total	2,056	1,427	44.1	1,997	3.0	1,862	10.4	9,049	6,977	29.7
<i>Tax Rate (%) - Total</i>	<i>26.3</i>	<i>23.4</i>		<i>25.0</i>		<i>27.7</i>		<i>25.0</i>	<i>25.1</i>	
Reported PAT	5,773	4,677	23.4	5,991	(3.6)	4,854	18.9	27,146	20,830	30.3
Adj. PAT	5,773	4,677	23.4	5,991	(3.6)	4,854	18.9	27,146	20,830	30.3
<i>PAT Margin</i>	<i>6.9</i>	<i>6.5</i>		<i>7.1</i>		<i>5.9</i>		<i>7.2</i>	<i>6.5</i>	

Source: Company, PL

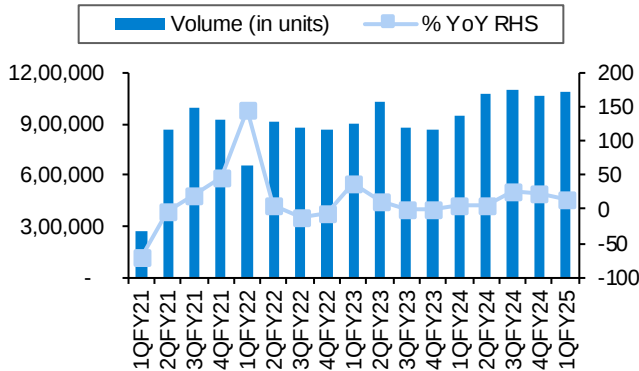
Exhibit 2: Operating Metrics – Blended realizations up by 1.7% YoY

Y/e March	1Q FY25	1Q FY24	YoY gr. (%)	Q1 FY25E	Var (%)	4Q FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Sales Volume (nos)	10,87,175	9,53,244	14.1	10,87,175	-	10,62,529	2.3	47,21,372	41,90,944	14.4
Net Realisation/Vehicle	77,040	75,719	1.7	78,138	(1.4)	76,881	0.2	78,637	75,821	4.1
Material cost / vehicle	55,009	56,458	(2.6)	57,245	(3.9)	55,942	(1.7)	58,112	55,903	4.4
Gross Profit / vehicle	22,031	19,262	14.4	20,893	5.5	20,940	5.2	20,524	19,917	3.5
Employee cost /vehicle	4,404	3,974	10.8	4,063	8.4	3,958	11.3	3,696	3,808	(2.5)
Other expenses / vehicle	8,796	7,275	20.9	7,892	11.5	8,265	6.4	7,628	7,725	(0.8)
EBITDA/vehicle	8,832	8,012	10.2	8,937	(1.2)	8,717	1.3	9,200	8,385	10.2
Net Profit/vehicle	5,310	4,906	8.2	5,510	(3.6)	4,569	16.2	5,541	4,970	13.9

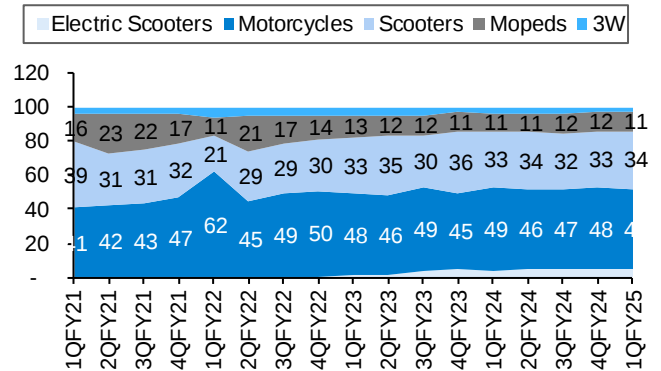
Source: Company, PL

Conference call highlights

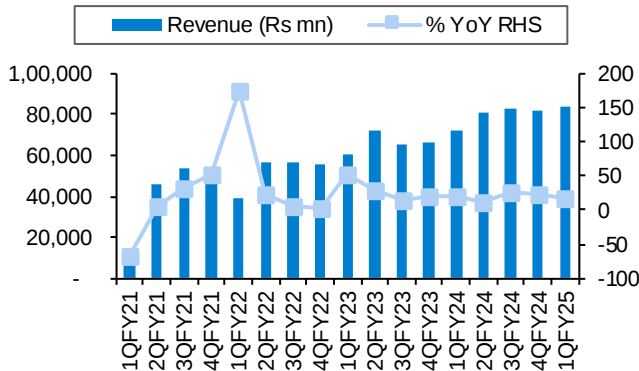
- During Q1FY25, TVSL launched a new model 'HLX-125', which is expected to enhance its domestic and international product portfolio.
- TVS Credit customer base stood at ~150mn, while its book size grew by 20% YoY to Rs263.5bn. PBT of TVS Credit increased by 19% over Q1FY24 to Rs1.9bn.
- TVSL will focus on increasing product offerings in the EV scooter segment and increase its presence to pan-India, which shall continue to drive volume growth.
- Its exposure to Bangladesh is quite marginal, and hence, the political crisis in the country shall not have a material impact.
- Investments during Q1FY25 stood at Rs3bn, of which Rs1bn was invested towards Norton Motorcycles.
- The rise in other expenses was due to marketing expenses towards brand building (Rs870mn), expenses on innovation activities (Rs600mn) and variable expenses (Rs350mn).
- The management reported better growth rate for rural region compared to urban. Improvement in rural sentiment and road infrastructure and requirement for mobility augur well for volume growth in the industry.
- TVSL maintained the capex guidance for FY25 at Rs10-12bn.
- Spares revenue was Rs8.5bn.
- International revenue stood at Rs19.6bn with an ASP of Rs74,242/unit.

Exhibit 3: Strong growth across categories drove growth


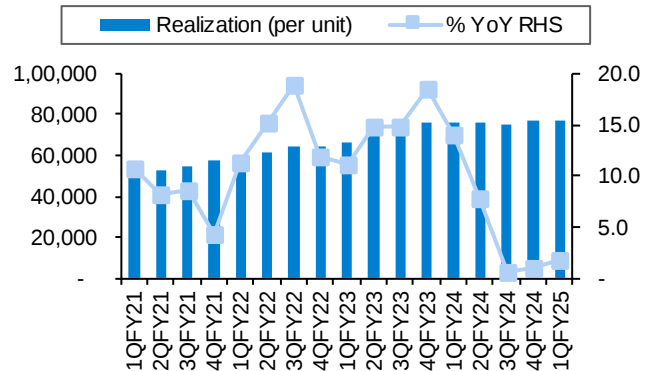
Source: Company, PL

Exhibit 4: Penetration of EV scooters improved marginally


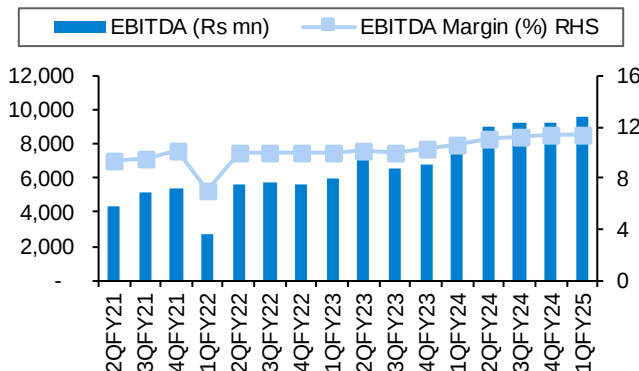
Source: Company, PL

Exhibit 5: Revenue grew by 16% YoY/2.5% QoQ


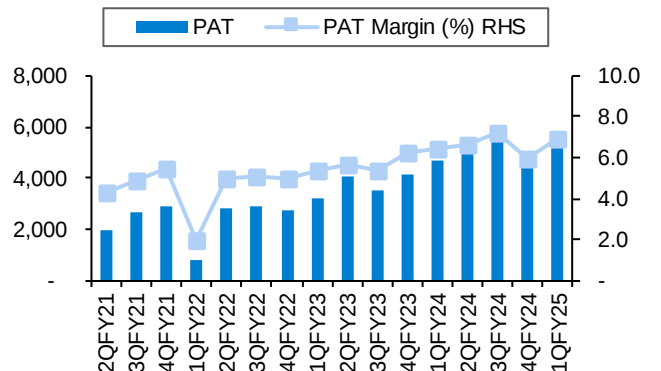
Source: Company, PL

Exhibit 6: Blended realizations remained flat sequentially


Source: Company, PL

Exhibit 7: EBITDA margin at multi-quarter high of 11.5%


Source: Company, PL

Exhibit 8: Healthy overall performance aided growth in PAT


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	2,63,781	3,17,764	3,78,598	4,38,486
YoY gr. (%)	26.9	20.5	19.1	15.8
Cost of Goods Sold	1,99,928	2,34,290	2,79,784	3,22,726
Gross Profit	63,853	83,474	98,814	1,15,760
Margin (%)	24.2	26.3	26.1	26.4
Employee Cost	13,451	15,959	17,794	21,047
Other Expenses	23,655	32,374	36,724	39,902
EBITDA	26,747	35,141	44,296	54,811
YoY gr. (%)	36.3	31.4	26.1	23.7
Margin (%)	10.1	11.1	11.7	12.5
Depreciation and Amortization	6,312	7,004	7,365	8,106
EBIT	20,435	28,138	36,931	46,704
Margin (%)	7.7	8.9	9.8	10.7
Net Interest	1,407	1,816	1,371	1,245
Other Income	1,006	1,485	637	887
Profit Before Tax	20,034	27,807	36,198	46,346
Margin (%)	7.6	8.8	9.6	10.6
Total Tax	5,123	6,977	9,049	11,587
Effective tax rate (%)	25.6	25.1	25.0	25.0
Profit after tax	14,910	20,830	27,148	34,760
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,910	20,830	27,148	34,760
YoY gr. (%)	62.8	39.7	30.3	28.0
Margin (%)	5.7	6.6	7.2	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,910	20,830	27,148	34,760
YoY gr. (%)	66.9	39.7	30.3	28.0
Margin (%)	5.7	6.6	7.2	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,910	20,830	27,148	34,760
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	31.4	43.8	57.1	73.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	79,879	88,642	1,00,192	1,11,742
Tangibles	79,879	88,642	1,00,192	1,11,742
Intangibles	-	-	-	-
Acc: Dep / Amortization	43,920	50,924	58,288	66,395
Tangibles	43,920	50,924	58,288	66,395
Intangibles	-	-	-	-
Net fixed assets	35,959	37,719	41,904	45,347
Tangibles	35,959	37,719	41,904	45,347
Intangibles	-	-	-	-
Capital Work In Progress	6,277	9,301	9,751	10,201
Goodwill	-	-	-	-
Non-Current Investments	56,839	69,940	81,940	91,940
Net Deferred tax assets	(2,041)	(2,209)	(2,319)	(2,435)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	12,364	13,708	22,301	27,631
Trade receivables	9,551	13,021	22,923	28,832
Cash & Bank Balance	2,420	5,310	6,826	14,115
Other Current Assets	16,515	11,651	13,399	15,408
Total Assets	1,39,924	1,60,649	1,99,044	2,33,474
Equity				
Equity Share Capital	475	475	475	475
Other Equity	60,003	76,835	99,708	1,29,717
Total Network	60,479	77,310	1,00,183	1,30,192
Non-Current Liabilities				
Long Term borrowings	15,248	13,027	11,777	10,527
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	18,107	13,487	13,161	12,850
Trade payables	41,306	51,122	68,459	74,483
Other current liabilities	2,744	3,495	3,145	2,988
Total Equity & Liabilities	1,39,924	1,60,649	1,99,044	2,33,474

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	20,034	27,807	36,198	46,346
Add. Depreciation	6,312	7,004	7,365	8,106
Add. Interest	1,407	1,816	1,371	1,245
Less Financial Other Income	1,006	1,485	637	887
Add. Other	(1,006)	(1,485)	(637)	(887)
Op. profit before WC changes	26,747	35,141	44,296	54,811
Net Changes-WC	(6,758)	10,616	(3,255)	(7,382)
Direct tax	(5,123)	(6,977)	(9,049)	(11,587)
Net cash from Op. activities	14,865	38,780	31,992	35,843
Capital expenditures	(9,847)	(11,787)	(12,000)	(12,000)
Interest / Dividend Income	-	-	-	-
Others	(1,194)	(3,515)	(11,363)	(9,113)
Net Cash from Invt. activities	(11,042)	(15,302)	(23,363)	(21,113)
Issue of share cap. / premium	-	-	-	-
Debt changes	7,006	(6,970)	(1,250)	(1,250)
Dividend paid	(1,900)	(3,801)	(4,276)	(4,751)
Interest paid	(1,407)	(1,816)	(1,371)	(1,245)
Others	-	-	-	-
Net cash from Fin. activities	3,699	(12,588)	(6,897)	(7,246)
Net change in cash	7,523	10,891	1,732	7,484
Free Cash Flow	5,018	26,993	19,992	23,843

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	81,446	82,450	81,688	83,756
YoY gr. (%)	12.8	26.0	23.7	16.0
Raw Material Expenses	60,276	60,756	59,440	59,804
Gross Profit	21,170	21,694	22,249	23,952
Margin (%)	26.0	26.3	27.2	28.6
EBITDA	8,998	9,244	9,262	9,602
YoY gr. (%)	22.2	40.3	36.3	25.7
Margin (%)	11.0	11.2	11.3	11.5
Depreciation / Depletion	1,701	1,781	1,887	1,763
EBIT	7,297	7,464	7,375	7,838
Margin (%)	9.0	9.1	9.0	9.4
Net Interest	523	448	372	372
Other Income	462	734	(287)	363
Profit before Tax	7,237	7,750	6,716	7,829
Margin (%)	8.9	9.4	8.2	9.3
Total Tax	1,871	1,817	1,862	2,056
Effective tax rate (%)	25.9	23.4	27.7	26.3
Profit after Tax	5,366	5,934	4,854	5,773
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,366	5,934	4,854	5,773
YoY gr. (%)	31.7	68.2	18.3	23.4
Margin (%)	6.6	7.2	5.9	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,366	5,934	4,854	5,773
YoY gr. (%)	31.7	68.2	18.3	23.4
Margin (%)	6.6	7.2	5.9	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,366	5,934	4,854	5,773
Avg. Shares O/s (m)	476	476	477	477
EPS (Rs)	11.3	12.5	10.2	12.1

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	31.4	43.8	57.1	73.2
CEPS	44.7	58.6	72.6	90.2
BVPS	127.3	162.7	210.9	274.0
FCF	10.6	56.8	42.1	50.2
DPS	4.0	8.0	9.0	10.0
Return Ratio(%)				
RoCE	24.3	28.5	32.3	33.5
ROIC	18.6	22.5	25.7	28.0
RoE	27.4	30.2	30.6	30.2
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.2	0.1
Net Working Capital (Days)	(27)	(28)	(22)	(15)
Valuation(x)				
PER	79.0	56.5	43.4	33.9
P/B	19.5	15.2	11.8	9.0
P/CEPS	55.5	42.3	34.1	27.5
EV/EBITDA	45.2	34.1	27.0	21.7
EV/Sales	4.6	3.8	3.2	2.7
Dividend Yield (%)	0.2	0.3	0.4	0.4

Source: Company Data, PL Research

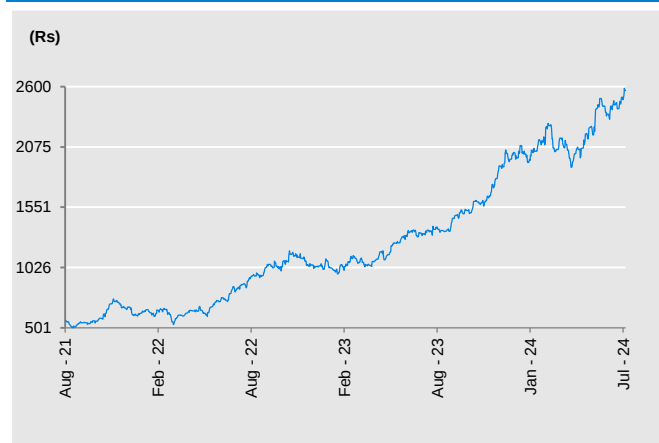
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Scooter volume (units)	13,33,925	15,67,240	18,02,239	19,83,925
Motorcycle volume (units)	17,33,256	19,93,053	22,97,707	25,94,815
Moped volume (units)	4,45,773	4,84,531	5,23,621	5,49,900
Total two-wheeler volume (units)	35,12,954	40,44,824	46,23,567	51,28,640
Three-wheeler volume (units)	1,69,114	1,46,170	1,71,214	1,91,038
Total volume (units)	36,82,068	41,90,994	47,94,781	53,19,678
Realisation per unit (Rs)	71,639	75,821	78,960	82,427

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Hold	2,300	2,429
2	09-May-24	Accumulate	2,179	2,064
3	08-Apr-24	Hold	1,995	2,069
4	25-Jan-24	Hold	1,955	2,009
5	08-Jan-24	Hold	1,950	1,978
6	30-Oct-23	Accumulate	1,650	1,609
7	09-Oct-23	Accumulate	1,560	1,501

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,516	1,562
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,330	2,908
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	15,145	13,116
29	Navin Fluorine International	Accumulate	4,144	3,771

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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