

October 24, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	2,628		2,784	
Sales (Rs. m)	4,13,491	4,64,965	4,23,472	4,77,779
% Chng.	(2.4)	(2.7)		
EBITDA (Rs. m)	48,999	56,958	50,817	58,050
% Chng.	(3.6)	(1.9)		
EPS (Rs.)	65.2	76.5	67.4	77.5
% Chng.	(3.3)	(1.2)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	3,17,763	3,68,739	4,13,491	4,64,965
EBITDA (Rs. m)	35,140	42,774	48,999	56,958
Margin (%)	11.1	11.6	11.9	12.3
PAT (Rs. m)	20,829	26,101	30,954	36,364
EPS (Rs.)	43.8	54.9	65.2	76.5
Gr. (%)	39.7	25.3	18.6	17.5
DPS (Rs.)	8.0	9.0	11.0	13.5
Yield (%)	0.3	0.4	0.4	0.5
RoE (%)	30.2	29.6	27.6	26.0
RoCE (%)	28.5	31.0	29.9	29.4
EV/Sales (x)	3.9	3.4	3.0	2.7
EV/EBITDA (x)	35.3	28.9	25.2	21.6
PE (x)	58.5	46.7	39.3	33.5
P/BV (x)	15.8	12.3	9.8	7.9

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.2,958 / Rs.1,548
Sensex / Nifty	80,082 / 24,436
Market Cap	Rs.1,218bn/ \$ 14,482m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.2600.87m

Shareholding Pattern (%)

Promoter's	50.27
Foreign	22.33
Domestic Institution	19.02
Public & Others	8.38
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.9)	31.2	61.7
Relative	(4.5)	20.8	30.4

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Realization de-growth leads to miss on estimates

Quick Pointers:

- Management expects Q3FY25 industry volume growth to be 7-8% YoY
- Spares/EV revenue contribution at ~10%/17.3% of overall revenue

TVSL's Q2FY25 standalone revenue grew by up by 13.3% YoY, coming in 3.8%/2% lower than PLe/BBGe. Despite healthy volume growth and mix improvement in motorcycle, ASP declined by 1% YoY/2.5% QoQ, owing to inferior mix in the scooter's portfolio. EBITDA grew by 20% YoY with a margin expansion of 70bps YoY to 11.7%, a 7 consecutive quarter of margin improvement. PAT increased by 23.5%, however; it was 4.7% below consensus estimates.

TVSL outlined new launches for the EV portfolio to drive the overall scale of the business. The company foresees healthy growth outlook in the exports business with LATAM being one of the key market of its focus while steady revival in African volume shall further aid in international volume expansion. TVSL expects industry to grow by 7-8% YoY in Q3FY25 and aims itself to outperform the industry growth rate. We cut our revenue/EPS estimates by ~2-4% to account for less favorable scooters mix. Factoring this, we estimate its revenue/EBITDA/EPS to growth at a CAGR of 13.5%/17.5%/20.4% over FY24-27E and retain our "HOLD" rating and reduce our TP from Rs 2,784 to Rs2,628 (including Rs 78 for TVS Credit), valuing it at a P/E of 36x on its Sept'26E EPS.

- Stable growth, however, missed estimates:** TVSL reported decent Q2FY25 performance, however; fell short on market estimates as revenue came in at Rs 92.3bn, against PLe: Rs 95.9bn; BBGe: Rs 94.2bn. The growth in revenue was primarily driven by healthy volume and strong spares revenue. Spares revenue expanded by 21.6% YoY to Rs 9.3bn with a contribution of 10.7% in its overall revenue. Gross margin expanded by 247bps YoY to 28.5%, however, rise in employee cost and other expenses led to modest EBITDA margin expansion of 70bps YoY to 11.7%.
- Inferior mix in scooters leads to decline in realizations:** TVSL's blended realization saw a decline of 1% year-on-year and 2.5% quarter-on-quarter, settling at Rs 75,135 per unit. This decrease is attributed to a less favorable mix in the domestic scooters portfolio. Specifically, domestic realization was Rs 76,108/unit, down 1.1% year-on-year, while export realization slightly dropped to Rs 72,236/unit.
- Healthy volume growth guidance:** TVSL is optimistic about Q3FY25, projecting a volume growth of 7-8% due to a strong festive season early in the quarter. Management is confident in outpacing industry growth rates both in Q3 and for the entire FY25, attributing this to new product launches, an expanded electric vehicle (EV) portfolio, and a recovery in rural sales.

Exhibit 1: Q2FY25 Result Overview (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Revenues	92,282	81,446	13.3	95,910	(3.8)	83,756	10.2	1,76,038	1,53,625	14.6
Raw Materials	66,018	60,276	9.5	68,863	(4.1)	59,804	10.4	1,25,822	1,14,094	10.3
% of Net Sales	71.5%	74.0%		71.8%		71.4%		71.5%	74.3%	
Personnel	4,967	3,929	26.4	5,275	(5.8)	4,788	3.8	9,755	7,718	26.4
% of Net Sales	5.4%	4.8%		5.5%		5.7%		5.5%	5.0%	
Manufacturing & Other Exp	10,499	8,244	27.4	10,358	1.4	9,563	9.8	20,062	15,179	32.2
% of Net Sales	11.4%	10.1%		10.8%		11.4%		11.4%	9.9%	
Total Expenditure	81,485	72,449	12.5	84,496	(3.6)	74,154	9.9	1,55,639	1,36,990	13.6
EBITDA	10,798	8,998	20.0	11,413	(5.4)	9,602	12.5	20,400	16,635	22.6
EBITDA Margin (%)	11.7%	11.0%		11.9%		11.5%		11.6%	10.8%	
Depreciation	1,806	1,701	6.2	1,899	(4.9)	1,763	2.4	3,569	3,336	7.0
EBIT	8,992	7,297	23.2	9,515	(5.5)	7,838	14.7	16,831	13,299	26.6
Interest Expenses	319	523	(39.0)	470	(32.2)	372	(14.3)	691	997	(30.6)
Non-operating income	299	462	(35.3)	509	(41.2)	363	(17.6)	662	1,038	(36.2)
PBT	8,972	7,237	24.0	9,553	(6.1)	7,829	14.6	16,801	13,340	25.9
Tax-Total	2,346	1,871	25.4	2,388	(1.8)	2,056	14.1	4,402	3,298	33.5
Tax Rate (%) - Total	26.1%	25.9%		25.0%		26.3%		26.2%	24.7%	
Reported PAT	6,626	5,366	23.5	7,165	(7.5)	5,773	14.8	12,399	10,042	23.5
Adj. PAT	6,626	5,366	23.5	7,165	(7.5)	5,773	14.8	12,399	10,042	23.5
PAT Margin	7.2%	6.6%		7.5%		6.9%		7.0%	6.5%	

Source: Company, PL

Exhibit 2: Operating Metrics – Blended realizations decline on less favorable scooters mix

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Sales Volume (nos)	12,28,223	10,74,378	14.3	10,87,175	13.0	10,87,175	13.0	23,15,398	20,27,622	14.2
Net Realisation/Vehicle	75,135	75,808	(0.9)	78,138	(3.8)	77,040	(2.5)	76,029	75,766	0.3
Material cost / vehicle	53,751	56,103	(4.2)	57,245	(6.1)	55,009	(2.3)	54,341	55,903	(2.8)
Gross Profit / vehicle	21,384	19,705	8.5	20,893	2.4	22,031	(2.9)	21,688	19,917	8.9
Employee cost /vehicle	4,044	3,657	10.6	4,063	(0.5)	4,404	(8.2)	4,213	3,808	10.6
Other expenses / vehicle	8,548	7,673	11.4	7,892	8.3	8,796	(2.8)	8,664	7,725	12.2
EBITDA/vehicle	8,791	8,375	5.0	8,937	(1.6)	8,832	(0.5)	8,810	8,385	5.1
Net Profit/vehicle	5,395	4,994	8.0	5,510	(2.1)	5,310	1.6	5,355	4,970	7.8

Source: Company, PL

Conference Call Highlights

EV, PLI, and CNG development:

- EV revenue was at Rs 16bn, which accounted for ~17.3% of its overall revenue.
- Company has new launches planned in the E2W and expects it to keep the sales momentum positive and drive overall E2W volume.
- Higher proportion of iQube 09 led to a decline in realization on YoY and sequential basis.
- It will continue to focus upon increasing the volume and revenue in the E2W portfolio which shall eventually lead to better profitability.
- The company is actively looking at the development of CNG motorcycles in industry and will look to develop the product in the near future.
- TVSL is currently working on a recognition mechanism for PLI post which it will start applying for the PLI.

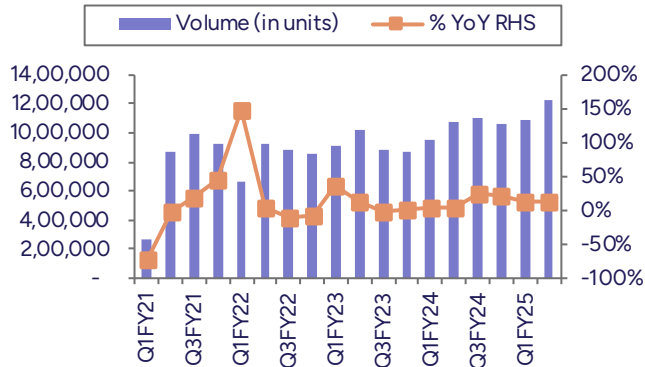
Domestic business update:

- The growth as compared to the last festive period has been ~4% for the overall industry. The company is optimistic for the Diwali period sales for the overall industry and itself.
- The management expects 2W industry volume to grow by 7-8% YoY in Q3 and expects itself to grow faster than the industry.
- Capex guidance was at Rs 12-14bn vs Rs 10-11bn in Q1FY25
- H1FY25 Vahan overall growth was at 8% with rural growing at 9% while Urban grew by 7%.
- Revival in participation from rural customers, healthy monsoon and other macro trends indicate continued confidence in the rural sentiments.

Exports:

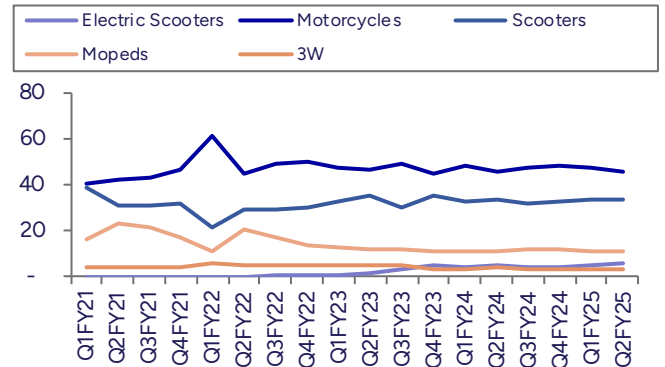
- African region accounted for 55-57% of its overall export volume in H1FY25.
- African volume continues to be under pressure, however; sequential improvement is noted by the company. Additionally, the retails have been better as compared to wholesale and the company noted itself growth faster than its peers in the market.
- TVSL is witnessing strong volume growth in LATAM on a low base. The company foresees LATAM as a strong market with a potential of sizable volume penetration in the upcoming years.
- Export revenue stood at Rs 22.3bn, registering a growth of 11% over Q2FY24.

Exhibit 3: Healthy dispatches ahead of festivals led growth



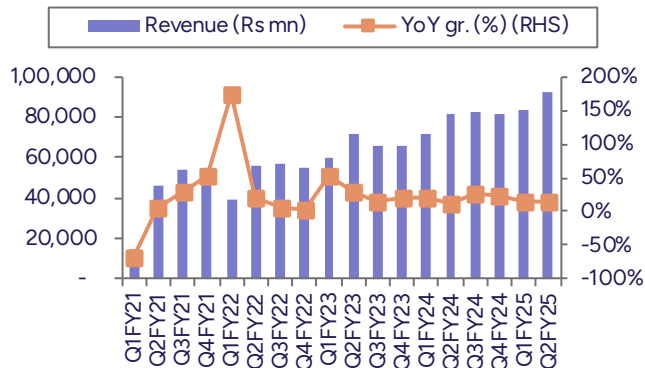
Source: Company, PL

Exhibit 4: Penetration of EV scooters stood at 6%



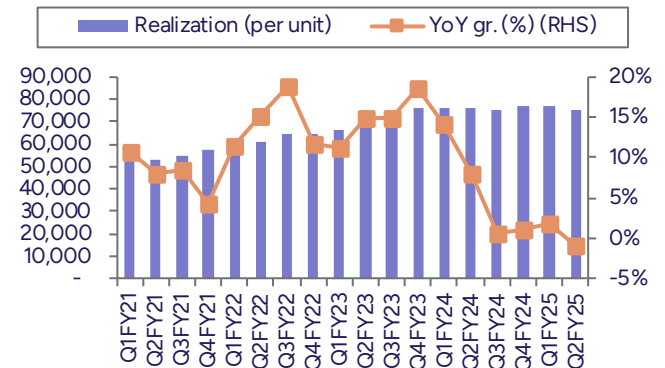
Source: Company, PL

Exhibit 5: Revenue grew by 13.3% YoY/10.2% QoQ



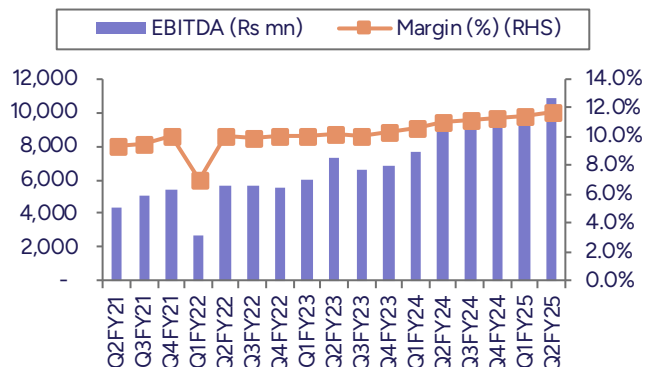
Source: Company, PL

Exhibit 6: Realizations decline due to inferior scooters mix



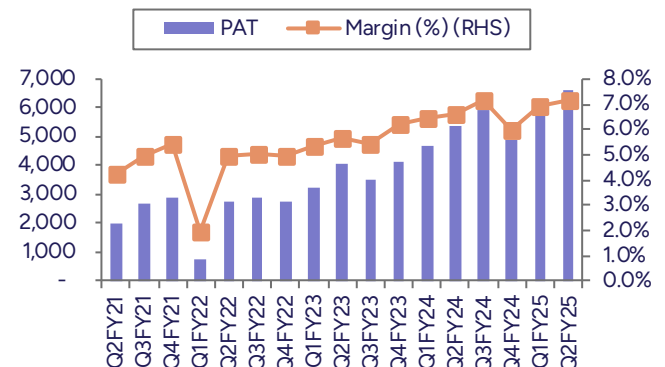
Source: Company, PL

Exhibit 7: 7 consecutive quarter of margin improvement



Source: Company, PL

Exhibit 8: Trend of PAT



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	3,17,763	3,68,739	4,13,491	4,64,965
YoY gr. (%)	20.5	16.0	12.1	12.4
Cost of Goods Sold	2,34,290	2,71,392	3,04,123	3,41,517
Gross Profit	83,473	97,347	1,09,368	1,23,448
Margin (%)	26.3	26.4	26.5	26.6
Employee Cost	15,959	18,437	20,675	22,318
Other Expenses	32,374	36,136	39,695	44,172
EBITDA	35,140	42,774	48,999	56,958
YoY gr. (%)	31.4	21.7	14.6	16.2
Margin (%)	11.1	11.6	11.9	12.3
Depreciation and Amortization	7,004	7,459	8,148	9,192
EBIT	28,137	35,315	40,851	47,767
Margin (%)	8.9	9.6	9.9	10.3
Net Interest	1,816	1,371	1,210	1,099
Other Income	1,485	1,327	1,631	1,818
Profit Before Tax	27,806	35,271	41,273	48,485
Margin (%)	8.8	9.6	10.0	10.4
Total Tax	6,977	9,171	10,318	12,121
Effective tax rate (%)	25.1	26.0	25.0	25.0
Profit after tax	20,829	26,101	30,954	36,364
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	20,829	26,101	30,954	36,364
YoY gr. (%)	39.7	25.3	18.6	17.5
Margin (%)	6.6	7.1	7.5	7.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	20,829	26,101	30,954	36,364
YoY gr. (%)	39.7	25.3	18.6	17.5
Margin (%)	6.6	7.1	7.5	7.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,829	26,101	30,954	36,364
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	43.8	54.9	65.2	76.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	88,642	1,00,192	1,11,442	1,24,242
Tangibles	88,642	1,00,192	1,11,442	1,24,242
Intangibles	-	-	-	-
Acc: Dep / Amortization	50,924	58,383	66,531	75,722
Tangibles	50,924	58,383	66,531	75,722
Intangibles	-	-	-	-
Net fixed assets	37,719	41,810	44,912	48,520
Tangibles	37,719	41,810	44,912	48,520
Intangibles	-	-	-	-
Capital Work In Progress	9,301	9,751	10,501	11,701
Goodwill	-	-	-	-
Non-Current Investments	69,940	81,940	96,940	1,18,440
Net Deferred tax assets	(2,209)	(2,319)	(2,435)	(2,557)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	13,708	21,720	26,056	29,299
Trade receivables	13,021	22,326	27,188	31,847
Cash & Bank Balance	5,310	6,042	6,492	6,768
Other Current Assets	11,651	12,816	14,354	16,507
Total Assets	1,60,649	1,96,405	2,26,443	2,63,082
Equity				
Equity Share Capital	475	475	475	475
Other Equity	76,835	98,660	1,24,389	1,54,339
Total Networth	77,310	99,135	1,24,864	1,54,814
Non-Current Liabilities				
Long Term borrowings	13,027	11,777	10,527	8,527
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	13,487	13,353	13,221	12,908
Trade payables	51,122	66,676	72,503	81,528
Other current liabilities	3,495	3,145	2,894	2,749
Total Equity & Liabilities	1,60,649	1,96,405	2,26,443	2,63,082

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	27,806	35,271	41,273	48,485
Add. Depreciation	7,004	7,459	8,148	9,192
Add. Interest	1,816	1,371	1,210	1,099
Less Financial Other Income	1,485	1,327	1,631	1,818
Add. Other	(1,485)	(1,327)	(1,631)	(1,818)
Op. profit before WC changes	35,140	42,774	48,999	56,958
Net Changes-WC	10,616	(3,277)	(5,160)	(1,174)
Direct tax	(6,977)	(9,171)	(10,318)	(12,121)
Net cash from Op. activities	38,779	30,326	33,520	43,663
Capital expenditures	(11,787)	(12,000)	(12,000)	(14,000)
Interest / Dividend Income	-	-	-	-
Others	(3,515)	(10,673)	(13,369)	(19,682)
Net Cash from Invt. activities	(15,302)	(22,673)	(25,369)	(33,682)
Issue of share cap. / premium	-	-	-	-
Debt changes	(6,970)	(1,250)	(1,250)	(2,000)
Dividend paid	(3,801)	(4,276)	(5,226)	(6,414)
Interest paid	(1,816)	(1,371)	(1,210)	(1,099)
Others	-	-	-	-
Net cash from Fin. activities	(12,588)	(6,897)	(7,686)	(9,513)
Net change in cash	10,890	756	466	468
Free Cash Flow	26,992	18,326	21,520	29,663

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	82,450	81,688	83,756	92,282
YoY gr. (%)	26.0	23.7	16.0	13.3
Raw Material Expenses	60,756	59,440	59,804	66,018
Gross Profit	21,694	22,249	23,952	26,264
Margin (%)	26.3	27.2	28.6	28.5
EBITDA	9,244	9,262	9,602	10,798
YoY gr. (%)	40.3	36.3	25.7	20.0
Margin (%)	11.2	11.3	11.5	11.7
Depreciation / Depletion	1,781	1,887	1,763	1,806
EBIT	7,464	7,375	7,838	8,992
Margin (%)	9.1	9.0	9.4	9.7
Net Interest	448	372	372	319
Other Income	734	(287)	363	299
Profit before Tax	7,750	6,716	7,829	8,972
Margin (%)	9.4	8.2	9.3	9.7
Total Tax	1,817	1,862	2,056	2,346
Effective tax rate (%)	23.4	27.7	26.3	26.1
Profit after Tax	5,934	4,854	5,773	6,626
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,934	4,854	5,773	6,626
YoY gr. (%)	68.2	18.3	23.4	23.5
Margin (%)	7.2	5.9	6.9	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,934	4,854	5,773	6,626
YoY gr. (%)	68.2	18.3	23.4	23.5
Margin (%)	7.2	5.9	6.9	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,934	4,854	5,773	6,626
Avg. Shares O/s (m)	476	477	477	477
EPS (Rs)	12.5	10.2	12.1	13.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	43.8	54.9	65.2	76.5
CEPS	58.6	70.6	82.3	95.9
BVPS	162.7	208.7	262.8	325.9
FCF	56.8	38.6	45.3	62.4
DPS	8.0	9.0	11.0	13.5
Return Ratio(%)				
RoCE	28.5	31.0	29.9	29.4
ROIC	22.5	24.2	23.6	23.0
RoE	30.2	29.6	27.6	26.0
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.1	0.1
Net Working Capital (Days)	(28)	(22)	(17)	(16)
Valuation(x)				
PER	58.5	46.7	39.3	33.5
P/B	15.8	12.3	9.8	7.9
P/CEPS	43.7	36.3	31.1	26.7
EV/EBITDA	35.3	28.9	25.2	21.6
EV/Sales	3.9	3.4	3.0	2.7
Dividend Yield (%)	0.3	0.4	0.4	0.5

Source: Company Data, PL Research

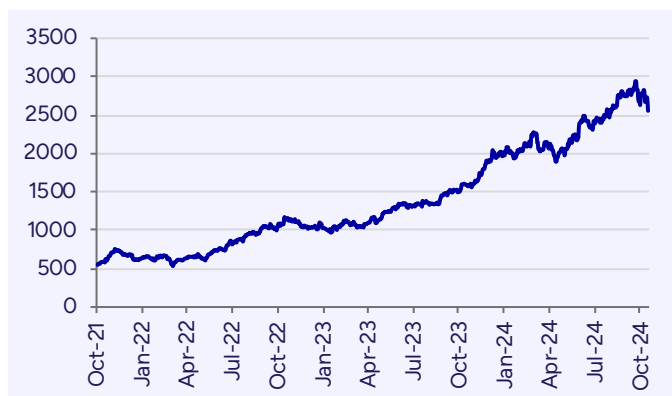
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Scooter volume (units)	15,67,240	18,40,744	20,24,740	22,36,724
Motorcycle volume (units)	19,93,053	22,21,991	24,40,411	26,43,953
Moped volume (units)	4,84,531	5,23,621	5,49,900	5,77,501
Total two-wheeler volume (units)	40,44,824	45,86,356	50,15,052	54,58,178
Three-wheeler volume (units)	1,46,170	1,67,453	1,81,284	1,96,702
Total volume (units)	41,90,994	47,53,808	51,96,336	56,54,879
Realisation per unit (Rs)	75,820	77,567	79,574	82,224

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	2,784	2,638
2	07-Aug-24	Hold	2,484	2,479
3	08-Jul-24	Hold	2,300	2,429
4	09-May-24	Accumulate	2,179	2,064
5	08-Apr-24	Hold	1,995	2,069
6	25-Jan-24	Hold	1,955	2,009
7	08-Jan-24	Hold	1,950	1,978
8	30-Oct-23	Accumulate	1,650	1,609

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Sell	279	335
6	Bharti Airtel	Accumulate	1,831	1,657
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Sell	205	224
16	Gujarat Fluorochemicals	Reduce	3,771	4,065
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Sell	362	394
21	Indian Oil Corporation	Reduce	156	163
22	Indraprastha Gas	Sell	407	543
23	Jubilant Ingrevia	Hold	696	705
24	Laxmi Organic Industries	Sell	218	276
25	Mahanagar Gas	Hold	2,050	1,825
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	15,045	12,528
29	Navin Fluorine International	Accumulate	3,680	3,419

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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