

# TVS Motor Company Ltd.

**BUY**

Sector: Automobiles

08<sup>th</sup> November 2024

Key Changes	Target	Rating	Earnings	Target	Rs. 2,774		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 2,479</b>
Large Cap	TVSL:IN	79,542	TVSMOTOR	532343	12 Months	<b>Return</b>	<b>+12%</b>

Data as of: 07-11-2024

## Favourable product mix to support growth.

TVS Motors (TVS) is the third largest two-wheeler manufacturer in India, with a domestic market share of 17.9% in FY24.

- TVS recorded the highest quarterly revenue for Q2FY25, with a growth of 13% YoY on the back of strong volume growth, a superior product mix, and better realization.
- The margin came in line with our estimate, up 88bps, supported by softening raw material prices and cost control initiatives.
- TVS continued to outperform and gained market share in retail growth. To strengthen its 2W electric sales, TVS has lined up several models for FY25 and plans to sell 25,000 units per month.
- We anticipate domestic rural demand to remain strong, driven by favourable monsoons and better crop yields. Expansion of exports, particularly for premium vehicles and electric vehicles, will further boost demand.
- Despite cautious industry optimism, TVS is confident to outperform and deliver growth. We believe, the stock is likely to trade in premium owing to its diversified product category and new launches in EV.

## Outlook & Valuation

TVS is poised to maintain a competitive edge in innovation and product engineering by introducing customer-centric products early and outperforming its peers. This trend is mirrored in the expansion into European and Latin American markets with the Norton brand. Considering the cautiousness in industry margin, **we value TVSM's standalone business at 36x FY26E EPS (Rs2,682/share) and TVS Credit Services at Rs.92/share (15% holding dis.) to arrive at a target price of Rs.2,774/share and recommend Buy rating at CMP.**

## Quarterly Financials Standalone.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	9,228	8,145	13.3	8,376	10.2	17,604	15,363	14.6
EBITDA	1,080	900	20.0	960	12.5	2,040	1,664	22.6
Margin (%)	11.7	11.0	65bps	11.5	24bps	11.6	10.8	76bps
EBIT	899	730	23.2	784	14.7	1,683	1,330	26.6
PBT	897	724	24.0	783	14.6	1,680	1,334	25.9
Rep. PAT	663	537	23.5	577	14.8	1,240	1,004	23.5
Adj PAT	663	537	23.5	577	14.8	1,240	1,004	23.5
EPS (Rs)	13.9	11.3	23.5	12.2	14.8	26.1	21.1	23.5

Company Data			
Market Cap (Rs.cr)	1,17,822		
52 Week High - Low (Rs.)	2,958 - 1,629		
Enterprise Value (Rs.cr)	1,41,715		
Outstanding Shares (cr)	47.5		
Free Float (%)	50		
Dividend Yield	0.3%		
6m average volume (cr)	0.11		
Beta	1.3		
Face value Rs.	1		

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	50.3	50.3	50.3
FII's	20.8	21.1	22.3
MFs/Insti	20.2	20.1	18.9
Public	8.7	8.6	8.5
Total	100.0	100.0	100.0
Promoter pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.8%	20.3%	50.7%
Absolute Sensex	-0.1%	9.6%	22.5%
Relative Return*	-3.7%	10.8%	28.2%

\*over or under performance to benchmark index



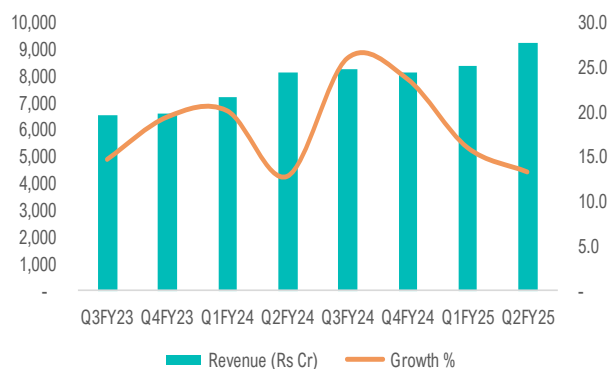
Standalone (cr)	FY24A	FY25E	FY26E
Sales	31,776	38,040	44,628
Growth (%)	20.5	19.7	17.3
EBITDA	3,514	4,356	5,333
EBITDA Margin (%)	11.1	11.5	12.0
PAT Adjusted	2,083	2,729	3,539
Growth (%)	39.7	31.0	29.7
Adjusted EPS	43.9	57.4	74.5
Growth (%)	39.7	31.0	29.7
P/E	60.0	45.8	35.3
P/B	15.6	11.8	9.0
EV/EBITDA	36.1	29.1	23.8
ROE (%)	29.4	29.4	29.0
D/E	0.2	0.2	0.1

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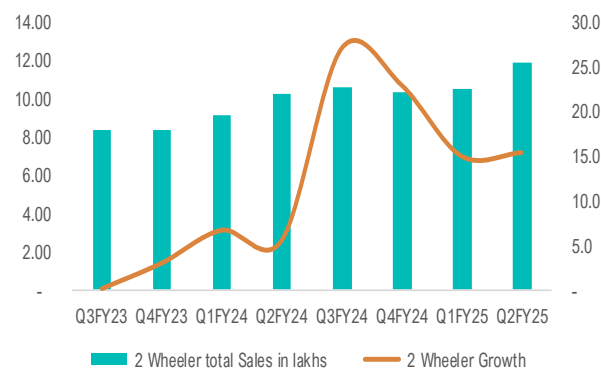
## Key Highlights

- The company intends to roll out a diverse range of electric vehicles in both the two-wheeler and three-wheeler segments, featuring battery capacities between 5 and 25 kW, within this fiscal year.
- Sales of two-wheelers in the Internal Combustion Engine (ICE) segment increased by 14%, surpassing the industry's overall growth rate of 10%. Additionally, international sales of two-wheelers saw a year-on-year rise of 16%.
- Electric Vehicle (EV) two-wheeler sales surged by 31%, reaching 75,000 units compared to 58,000 in Q2 last year.
- The credit book size expanded to ₹26,652 crores, marking a 13% year-on-year growth. As a result, the company's EBITDA margin rose by 300 basis points year-on-year to 43%. Additionally, TVS Credit's profit before tax (PBT) increased by 20%, reaching ₹216 crores compared to ₹180 crores in the same quarter last year.
- The company introduced the all-new TVS Jupiter 110, which has been well-received in the market. They also expanded the TVS Ntorq 125 lineup with new color options and launched the TVS Apache RTR 310, offering a build-to-order customization feature.
- The company is committed to sustaining EBITDA margins while investing in future growth opportunities.

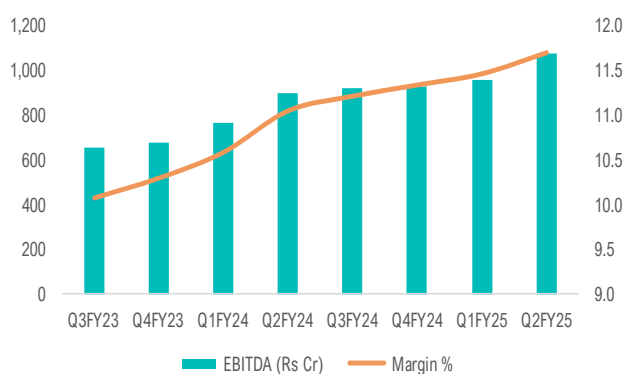
## Revenue



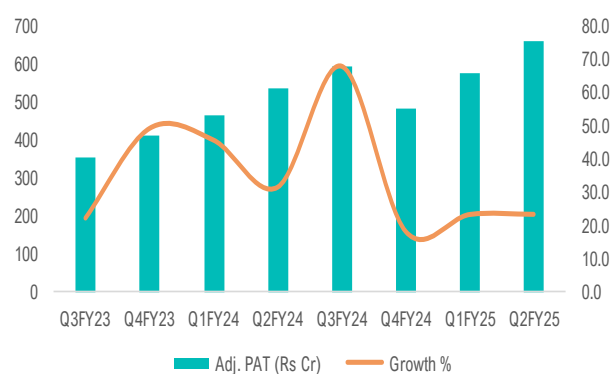
## 2 Wheeler Volume



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	37,809	44,336	38,040	44,628	0.6	0.7
EBITDA	4,480	5,564	4,356	5,333	-2.8	-4.2
Margins (%)	11.9	12.6	11.5	12.0	-40bps	-60bps
Adj. PAT	2,809	3,686	2,729	3,539	-2.9	-4.0
EPS	59.1	77.6	57.4	74.5	-2.9	-4.0



## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>20,791</b>	<b>26,378</b>	<b>31,776</b>	<b>38,040</b>	<b>44,628</b>
% change	24%	27%	20%	20%	17%
<b>EBITDA</b>	<b>1,962</b>	<b>2,675</b>	<b>3,514</b>	<b>4,356</b>	<b>5,333</b>
% change	37%	36%	31%	24%	22%
<b>Depreciation</b>	<b>611</b>	<b>631</b>	<b>700</b>	<b>710</b>	<b>650</b>
EBIT	1,350	2,043	2,814	3,646	4,683
<b>Interest</b>	<b>126</b>	<b>141</b>	<b>182</b>	<b>178</b>	<b>162</b>
Other Income	19	101	149	190	223
<b>PBT</b>	<b>1,213</b>	<b>2,003</b>	<b>2,781</b>	<b>3,658</b>	<b>4,744</b>
% change	47%	65%	39%	32%	30%
<b>Tax</b>	<b>320</b>	<b>512</b>	<b>698</b>	<b>929</b>	<b>1,205</b>
Tax Rate (%)	26%	26%	25%	25%	25%
<b>Reported PAT</b>	<b>894</b>	<b>1,491</b>	<b>2,083</b>	<b>2,729</b>	<b>3,539</b>
Adj	0	0	0	0	0
<b>Adj PAT</b>	<b>894</b>	<b>1,491</b>	<b>2,083</b>	<b>2,729</b>	<b>3,539</b>
% change	46%	67%	40%	31%	30%
<b>No. of shares (cr)</b>	<b>47.5</b>	<b>47.5</b>	<b>47.5</b>	<b>47.5</b>	<b>47.5</b>
Adj EPS (Rs.)	18.8	31.4	43.9	57.4	74.5
<b>% change</b>	<b>46%</b>	<b>67%</b>	<b>40%</b>	<b>31%</b>	<b>30%</b>
DPS (Rs.)	3.5	3.5	3.5	3.5	3.5
CEPS (Rs.)	31.7	44.7	58.6	72.4	88.2

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Deprn.</b>	<b>1,825</b>	<b>2,635</b>	<b>3,481</b>	<b>4,368</b>	<b>5,394</b>
Non-cash adj.	-300	-504	-702	-914	-1,186
Changes in W.C	135	-2	89	197	149
<b>C.F. Operation</b>	<b>1,660</b>	<b>2,129</b>	<b>2,868</b>	<b>3,650</b>	<b>4,357</b>
Capital exp.	-817	-940	-632	-760	-760
<b>Change in inv.</b>	<b>-350</b>	<b>-1,000</b>	<b>-1,350</b>	<b>-1,350</b>	<b>-1,350</b>
Other invest. CF	-40	-40	-40	-40	-40
<b>C.F – Investment</b>	<b>-1,207</b>	<b>-1,980</b>	<b>-2,022</b>	<b>-2,150</b>	<b>-2,150</b>
Issue of equity	0	0	0	0	0
<b>Issue/repay debt</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
Dividends paid	-200	-200	-200	-200	-200
<b>Other finance. CF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
C.F – Finance	-150	-150	-150	-150	-150
<b>Chg. in cash</b>	<b>303</b>	<b>-2</b>	<b>695</b>	<b>1,350</b>	<b>2,057</b>
Closing cash	852	851	1,546	2,896	4,953

### BALANCE SHEET

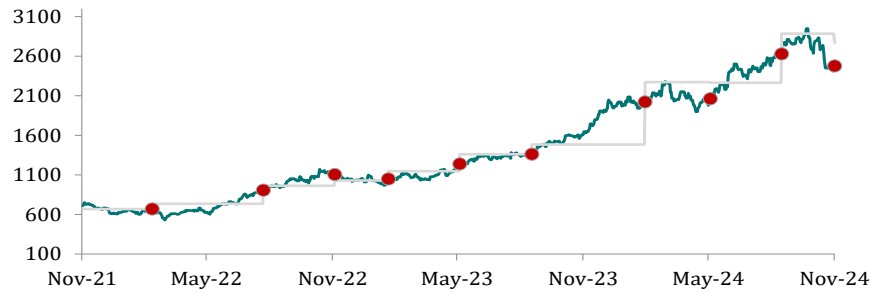
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash</b>	<b>852</b>	<b>851</b>	<b>1,546</b>	<b>2,896</b>	<b>4,953</b>
Accounts Receivable	1,615	2,168	2,612	2,918	3,423
<b>Inventories</b>	<b>1,367</b>	<b>1,734</b>	<b>2,089</b>	<b>2,501</b>	<b>2,934</b>
Other Cur. Assets	854	1,084	1,306	1,563	1,834
<b>Investments</b>	<b>3,151</b>	<b>4,151</b>	<b>5,501</b>	<b>6,851</b>	<b>8,201</b>
Gross Fixed Assets	6,966	7,878	8,628	9,378	10,128
<b>Net Fixed Assets</b>	<b>2,940</b>	<b>3,260</b>	<b>3,349</b>	<b>3,428</b>	<b>3,567</b>
CWIP	246	274	157	167	177
<b>Intangible Assets</b>	<b>4.35</b>	<b>5.35</b>	<b>6.35</b>	<b>7.35</b>	<b>8.35</b>
Def. Tax (Net)	-185	-194	-190	-204	-223
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>10,844</b>	<b>13,333</b>	<b>16,375</b>	<b>20,127</b>	<b>24,874</b>
Current Liabilities	684	867	1,045	1,251	1,467
<b>Provisions</b>	<b>171</b>	<b>217</b>	<b>261</b>	<b>302</b>	<b>379</b>
Debt Funds	1,722	1,772	1,822	1,872	1,922
<b>Other Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Equity Capital	48	48	48	48	48
<b>Reserves &amp; Surplus</b>	<b>4,803</b>	<b>6,094</b>	<b>7,977</b>	<b>10,506</b>	<b>13,845</b>
Shareholder's Fund	4,850	6,141	8,024	10,553	13,892
<b>Total Liabilities</b>	<b>10,844</b>	<b>13,333</b>	<b>16,375</b>	<b>20,127</b>	<b>24,874</b>
BVPS (Rs.)	102	129	169	222	292

### RATIOS




Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	9.4	10.1	11.1	11.5	12.0
<b>EBIT margin (%)</b>	<b>6.5</b>	<b>7.7</b>	<b>8.9</b>	<b>9.6</b>	<b>10.5</b>
Net profit mgn.(%)	4.3	5.7	6.6	7.2	7.9
<b>ROE (%)</b>	<b>19.8</b>	<b>27.1</b>	<b>29.4</b>	<b>29.4</b>	<b>29.0</b>
ROCE (%)	12.4	16.9	19.1	19.6	19.7
<b>W.C &amp; Liquidity</b>					
Receivables (days)	25.6	26.2	27.5	26.5	25.9
<b>Inventory (days)</b>	<b>29.1</b>	<b>28.3</b>	<b>29.8</b>	<b>30.7</b>	<b>31.0</b>
Payables (days)	14.2	14.2	14.9	15.4	15.5
<b>Current ratio (x)</b>	<b>6.1</b>	<b>6.0</b>	<b>6.4</b>	<b>7.1</b>	<b>7.9</b>
Quick ratio (x)	3.6	3.5	4.0	4.6	5.7
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.1	3.6	3.9	4.2	4.6
<b>Total asset T.O (x)</b>	<b>2.1</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>
Int. coverage ratio (x)	10.7	14.5	15.5	20.5	28.9
<b>Adj. debt/equity (x)</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Valuation					
<b>EV/Sales (x)</b>	<b>6.1</b>	<b>4.8</b>	<b>4.0</b>	<b>3.3</b>	<b>2.8</b>
EV/EBITDA (x)	64.6	47.4	36.1	29.1	23.8
<b>P/E (x)</b>	<b>139.8</b>	<b>83.8</b>	<b>60.0</b>	<b>45.8</b>	<b>35.3</b>
P/BV (x)	25.8	20.4	15.6	11.8	9.0



## Recommendation Summary (Last 3 years)



Dates	Rating	Target
17.Feb.22	Accumulate	736
29.Jul.22	Accumulate	964
10.Nov.22	Sell	1,029
27.Jan.23	Accumulate	1,149
11.May.23	Hold	1363
24.Aug.23	Hold	1,485
05.Feb.24	Buy	2,272
10.May.24	Buy	2,265
22.Aug.24	Accumulate	2,886
08.Nov.24	Buy	2,774

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>			
<b>Definition:</b>			
<b>Buy:</b> Acquire at Current Market Price (CMP), with the target mentioned in the research note; <b>Accumulate:</b> Partial buying or to accumulate as CMP dips in the future; <b>Hold:</b> Hold the stock with the expected target mentioned in the note.; <b>Reduce:</b> Reduce your exposure to the stock due to limited upside.; <b>Sell:</b> Exit from the stock; <b>Not rated/Neutral:</b> The analyst has no investment opinion on the stock.			
<b>Symbols definition:</b>			
	Upgrade		No Change
			Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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