

# TVS Motor Company | BUY

## Steady show; credible EV strategy at play

In 4QFY24, TVS Motor (TVSL) reported EBITDA margin of 11.3% (+100bps YoY, +10bps QoQ), in-line with JMFe led by cost reduction efforts. Domestic 2W demand, so far, is led by urban market and there are early signs of revival in the rural segment. Demand in the international markets has also started to recover. With respect to EVs, TVSL plans to ramp-up EV business by introducing new products and expanding dealer network going ahead. Overall, we expect TVSL's outperformance to continue on the volume front (led by premiumization and EV product launches), while higher operating leverage and astute cost management would help on the margin front. We estimate revenue / EPS CAGR of 14%/24% over FY24-26E. We maintain BUY with a Mar'25 TP of INR 2,100 (30x Mar'26E EPS). Higher competitive intensity in EVs remains a key risk.

- 4QFY24 – In-line margin performance:** In 4QFY24, TVS Motor reported net sales of INR 81.7bn (+24% YoY, -1% QoQ), c.3% above JMFe. Volumes increased 22% YoY (-3.5% QoQ). Blended realisation was up 1% YoY (+3% QoQ). EBITDA margin stood at 11.3% (+100bps YoY, +10bps QoQ), in-line with JMFe. Reported EBITDA stood at INR 9.26bn (+36%YoY, +3%QoQ). Adj. PAT for the quarter was INR 4.8bn (+18% YoY, -18% QoQ), 12% below JMFe, mainly led by lower than expected other income (due to change in fair value of an investment).
- Demand environment:** Domestic 2W volumes are gradually improving. The management indicated that there are early signs of revival in rural demand (as witnessed by strong festive growth) and expects recovery to be prominent (supported by normal monsoon) during FY25. Improvement in retail financing (c.56% during 4Q) is also supporting the volume recovery. Overall, the management expects TVSL to outperform the industry in both domestic and export segments led by its extensive product portfolio. Demand in the international market is also expected to recovery steadily led by healthy momentum in markets like ASEAN, LATAM and gradual recovery in Africa.
- Margin outlook:** 100bps YoY EBITDA margin expansion during 4Q was led by cost reduction initiatives (incl. RM cost) partially offset by higher marketing spends. TVSL took a price hike of 0.3% in Apr'24 to mitigate the impact of recent increase in commodity prices. Management indicated that it will continue to judiciously invest towards brand building and marketing efforts. Overall, TVSL expects a) richer product mix, b) cost-reduction initiatives, c) higher operating leverage (especially for EVs) to be additional levers for margin expansion.
- Update on EV initiatives:** The company indicated that ramp-up in iQube sales is led by positive customer response. Currently, TVS iQube is present across 712 touchpoints and the company plans to further expand its presence going ahead. Multiple new EV launches are planned (starting 1HFY25) as TVSL plans to build a complete EV product portfolio over next 6-8 qtrs. Launch of E3W is also expected during FY25 (in both domestic and international market). During Apr'24 TVSL received PLI certification for its existing product portfolio which is expected to support EV profitability going ahead.



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we acknowledge the support services of Dev Jogani in preparation of this report

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,100
Upside/Downside	5.2%
Previous Price Target	2,100
Change	0.0%

### Key Data – TVSL IN

Current Market Price	INR1,997
Market cap (bn)	INR948.6/US\$11.4
Free Float	47%
Shares in issue (mn)	475.0
Diluted share (mn)	475.0
3-mon avg daily val (mn)	INR1,943.6/US\$23.3
52-week range	2,314/1,215
Sensex/Nifty	73,466/22,303
INR/US\$	83.5

### Price Performance

%	1M	6M	12M
Absolute	-6.4	21.2	62.4
Relative*	-4.8	7.0	36.5

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	2,07,905	2,63,781	3,17,764	3,67,630	4,11,506
Sales Growth (%)	24.1	26.9	20.5	15.7	11.9
EBITDA	19,617	26,747	35,141	43,637	50,126
EBITDA Margin (%)	9.4	10.1	11.1	11.9	12.2
Adjusted Net Profit	9,237	14,910	20,830	27,520	32,075
Diluted EPS (INR)	19.4	31.4	43.9	57.9	67.5
Diluted EPS Growth (%)	50.9	61.3	39.7	32.1	16.5
ROIC (%)	72.9	68.3	85.0	130.2	164.6
ROE (%)	20.5	27.4	30.2	31.0	28.3
P/E (x)	102.7	63.6	45.5	34.5	29.6
P/B (x)	19.7	15.7	12.3	9.5	7.5
EV/EBITDA (x)	49.1	36.4	27.4	21.7	18.6
Dividend Yield (%)	0.2	0.3	0.4	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 08/May/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Investment, capex and subsidiary performance:** 1) Capex guidance for FY25 stands at INR c.10bn primarily towards both EV and ICE product development. Investment guidance for FY25 stands at INR c.12-13bn. The management reiterated that all recent investments have been towards future mobility business and this will yield returns over the coming years. These investments will also help the company to enter and expand in developed markets. 2) TVS Credit: AUM stands at INR259bn; PBT came-in at INR 7.63bn vs. INR 5.12bn YoY. 3) TVSL generated OCF of INR 22.6bn and reduced net debt by INR 10bn during FY25. 4) Revenue from Spares / Exports stood at INR 8.15bn / INR 20.38bn.

**Exhibit 1. Quarterly financial results**

	4QFY24	4QFY23	% YoY	3QFY24	% QoQ	4QFY24E	% A/E
<b>Operating Matrices</b>							
2W (Units)	1,032,193	839,295	23.0	1,062,777	-2.9	1,032,193	0.0
3W (Units)	30,336	29,122	4.2	38,066	-20.3	30,336	0.0
<b>Total Volumes (Units)</b>	<b>1,062,529</b>	<b>868,417</b>	<b>22.4</b>	<b>1,100,843</b>	<b>-3.5</b>	<b>1,062,529</b>	<b>0.0</b>
Domestic (Units)	802,358	682,951	17.5	852,297	-5.9	802,358	0.0
Exports (Units)	260,171	185,466	40.3	248,546	4.7	260,171	0.0
Average Realisation (Net, INR)	76,881	76,055	1.1	74,897	2.6	74,673	3.0
<b>Sales</b>	<b>81,688</b>	<b>66,048</b>	<b>23.7</b>	<b>82,450</b>	<b>-0.9</b>	<b>79,342</b>	<b>3.0</b>
RM	59,440	49,797	19.4	60,756	-2.2	58,237	2.1
As a % of sales	72.8	75.4	-260bps	73.7	-90bps	73.4	-60bps
Employee Exp	4,205	3,377	24.5	4,036	4.2	3,967	6.0
As a % of sales	5.1	5.1	0bps	4.9	30bps	5.0	10bps
Other Costs	8,782	6,076	44.5	8,414	4.4	8,172	7.5
As a % of sales	10.8	9.2	160bps	10.2	50bps	10.3	50bps
<b>EBITDA</b>	<b>9,262</b>	<b>6,798</b>	<b>36.3</b>	<b>9,244</b>	<b>0.2</b>	<b>8,966</b>	<b>3.3</b>
<b>EBITDA Margin (%)</b>	<b>11.3</b>	<b>10.3</b>	<b>100bps</b>	<b>11.2</b>	<b>10bps</b>	<b>11.3</b>	<b>0bps</b>
Other Income	-287	705	NA	734	NA	700	NA
Interest	372	363	2.6	448	-16.8	475	-21.7
Depreciation	1,887	1,674	12.7	1,781	6.0	1,825	3.4
<b>PBT</b>	<b>6,716</b>	<b>5,466</b>	<b>22.9</b>	<b>7,750</b>	<b>-13.3</b>	<b>7,366</b>	<b>-8.8</b>
Exceptional Item	0	0	NA	0	NA		NA
Tax	1,862	1,364	36.6	1,817	2.5	1,841	1.1
Tax rate (%)	27.7	24.9	280bps	23.4	430bps	25.0	270bps
<b>PAT (Reported)</b>	<b>4,854</b>	<b>4,103</b>	<b>18.3</b>	<b>5,934</b>	<b>-18.2</b>	<b>5,524</b>	<b>-12.1</b>
<b>PAT (Adjusted)</b>	<b>4,854</b>	<b>4,103</b>	<b>18.3</b>	<b>5,934</b>	<b>-18.2</b>	<b>5,524</b>	<b>-12.1</b>
<b>EPS (INR)</b>	<b>10.2</b>	<b>8.6</b>	<b>18.3</b>	<b>12.5</b>	<b>-18.2</b>	<b>11.6</b>	<b>-12.1</b>

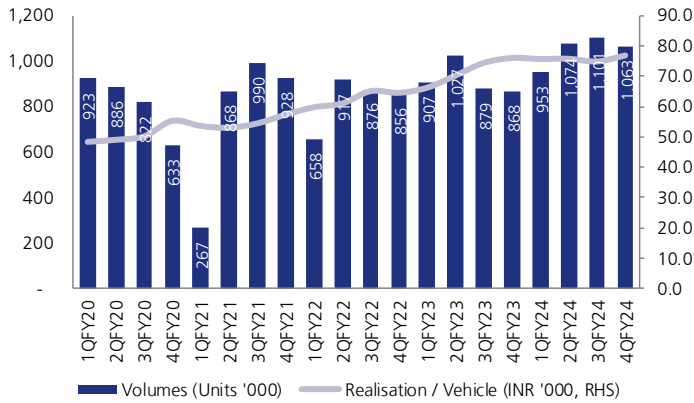
Source: Company, JM Financial

**Exhibit 2. TVSL - change in assumptions (standalone)**

TVSL	New assumption		Old assumption		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue (INR mn)	367,630	411,506	366,981	411,203	0.2%	0.1%
Volume (mn units)	4.7	5.1	4.7	5.1	0.2%	0.1%
Growth (%)	11.2%	8.7%	11.2%	8.8%		
EBITDA (INR mn)	43,637	50,126	43,610	50,121	0.1%	0.0%
EBITDA margin (%)	11.9%	12.2%	11.9%	12.2%	0.0%	0.0%
PAT (INR mn)	27,520	32,075	27,824	32,468	-1.1%	-1.2%
<b>EPS (INR)</b>	<b>57.9</b>	<b>67.5</b>	<b>58.6</b>	<b>68.4</b>	<b>-1.1%</b>	<b>-1.2%</b>

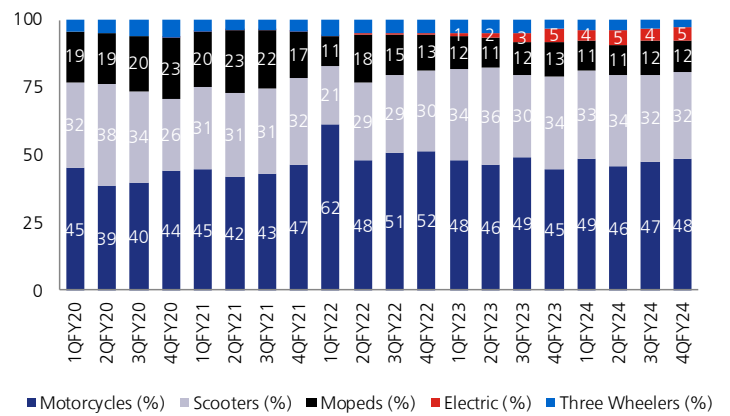
Source: Company, JM Financial

Exhibit 3. Quarterly volume and realisation



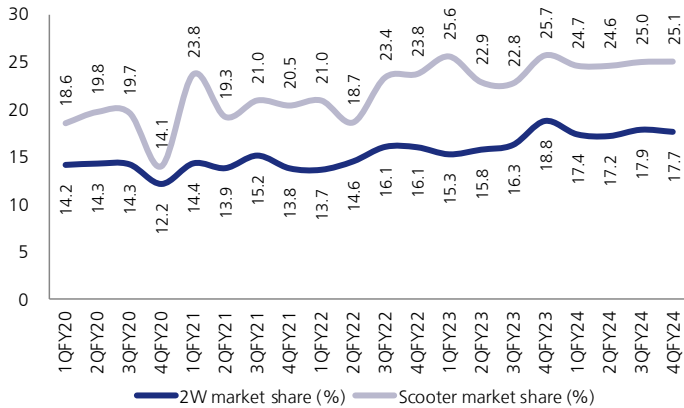
Source: Company, JM Financial

Exhibit 4. Volume mix trend



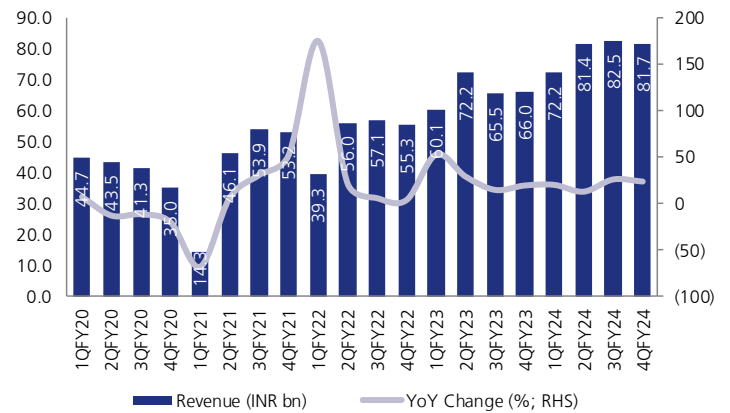
Source: Company, JM Financial

Exhibit 5. TVSL – market share trend



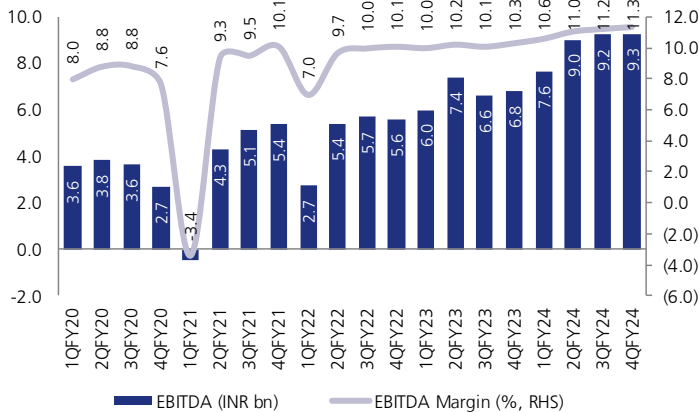
Source: Company, JM Financial

Exhibit 6. Revenue and growth trend



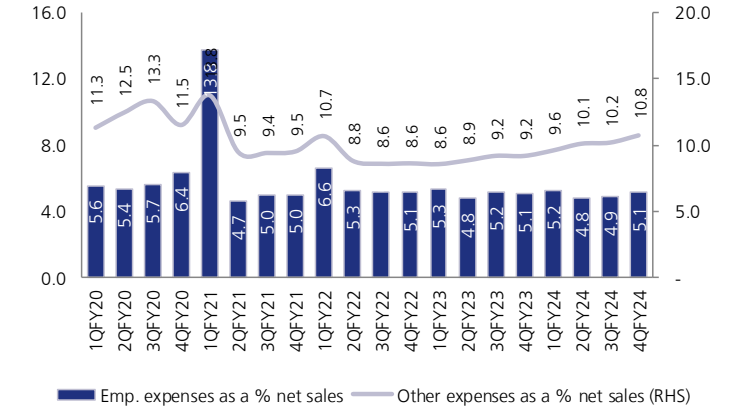
Source: Company, JM Financial

Exhibit 7. EBITDA and EBITDA margin



Source: Company, JM Financial

Exhibit 8. Cost trends



Source: Company, JM Financial

## Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	2,07,905	2,63,781	3,17,764	3,67,630	4,11,506	
Sales Growth	24.1%	26.9%	20.5%	15.7%	11.9%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>2,07,905</b>	<b>2,63,781</b>	<b>3,17,764</b>	<b>3,67,630</b>	<b>4,11,506</b>	
Cost of Goods Sold/Op. Exp	1,58,082	1,99,928	2,34,290	2,68,624	2,99,425	
Personnel Cost	11,364	13,451	15,959	17,874	20,019	
Other Expenses	18,842	23,655	32,374	37,495	41,936	
<b>EBITDA</b>	<b>19,617</b>	<b>26,747</b>	<b>35,141</b>	<b>43,637</b>	<b>50,126</b>	
EBITDA Margin	9.4%	10.1%	11.1%	11.9%	12.2%	
EBITDA Growth	37.3%	36.3%	31.4%	24.2%	14.9%	
Depn. & Amort.	6,114	6,312	7,004	7,754	8,654	
EBIT	13,503	20,435	28,138	35,883	41,472	
Other Income	-1,069	-401	-331	328	731	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	12,434	20,034	27,807	36,211	42,203	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	12,434	20,034	27,807	36,211	42,203	
Taxes	3,197	5,123	6,977	8,691	10,129	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	9,237	14,910	20,830	27,520	32,075	
<b>Adjusted Net Profit</b>	<b>9,237</b>	<b>14,910</b>	<b>20,830</b>	<b>27,520</b>	<b>32,075</b>	
Net Margin	4.4%	5.7%	6.6%	7.5%	7.8%	
Diluted Share Cap. (mn)	475.0	475.0	475.0	475.0	475.0	
<b>Diluted EPS (INR)</b>	<b>19.4</b>	<b>31.4</b>	<b>43.9</b>	<b>57.9</b>	<b>67.5</b>	
Diluted EPS Growth	50.9%	61.3%	39.7%	32.1%	16.5%	
Total Dividend + Tax	2,138	2,375	3,800	4,750	5,700	
Dividend Per Share (INR)	4.5	5.0	8.0	10.0	12.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	12,434	20,034	27,807	36,211	42,203	
Depn. & Amort.	6,114	6,312	7,004	7,754	8,654	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-1,422	-6,257	11,024	3,513	3,056	
Others	0	0	0	0	0	
Taxes Paid	-3,197	-5,123	-6,977	-8,691	-10,129	
<b>Operating Cash Flow</b>	<b>13,930</b>	<b>14,966</b>	<b>38,858</b>	<b>38,788</b>	<b>43,784</b>	
Capex	-10,536	-11,238	-11,787	-9,697	-9,703	
Free Cash Flow	3,394	3,728	27,071	29,091	34,082	
Inc (-) / Dec in Investments	-14,015	-9,679	-13,074	-10,000	-10,000	
Others	0	0	0	0	0	
<b>Investing Cash Flow</b>	<b>-24,550</b>	<b>-20,916</b>	<b>-24,861</b>	<b>-19,697</b>	<b>-19,703</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-2,138	-2,375	-3,800	-4,750	-5,700	
Inc / Dec (-) in Loans	8,037	7,006	-6,997	-5,000	-2,500	
Others	-589	-277	-198	0	0	
<b>Financing Cash Flow</b>	<b>5,311</b>	<b>4,354</b>	<b>-10,996</b>	<b>-9,750</b>	<b>-8,200</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-5,310</b>	<b>-1,596</b>	<b>3,001</b>	<b>9,341</b>	<b>15,882</b>	
Opening Cash Balance	9,298	4,013	2,420	5,310	14,650	
Closing Cash Balance	3,988	2,417	5,421	14,650	30,532	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	48,220	60,478	77,310	1,00,081	1,26,455	
Share Capital	475	475	475	475	475	
Reserves & Surplus	47,745	60,003	76,835	99,606	1,25,980	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	19,627	26,634	19,636	14,636	12,136	
Def. Tax Liab. / Assets (-)	1,979	1,982	1,871	1,871	1,871	
<b>Total - Equity &amp; Liab.</b>	<b>69,826</b>	<b>89,094</b>	<b>98,817</b>	<b>1,16,587</b>	<b>1,40,462</b>	
Net Fixed Assets	37,311	42,236	47,020	48,962	50,011	
Gross Fixed Assets	72,309	81,514	90,277	1,03,579	1,12,775	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	39,243	45,555	52,559	60,313	68,967	
Capital WIP	4,245	6,277	9,301	5,697	6,203	
Investments	47,160	56,839	69,913	79,913	89,913	
Current Assets	34,007	40,849	43,690	58,434	79,293	
Inventories	11,227	12,363	13,708	15,859	17,752	
Sundry Debtors	9,507	9,551	13,021	15,108	16,911	
Cash & Bank Balances	4,013	2,420	5,310	14,650	30,532	
Loans & Advances	9,260	16,515	11,651	12,816	14,098	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	48,651	50,830	61,805	70,721	78,754	
Current Liabilities	39,914	41,306	51,122	59,144	66,203	
Provisions & Others	8,737	9,524	10,684	11,577	12,551	
Net Current Assets	-14,645	-9,981	-18,115	-12,288	539	
<b>Total - Assets</b>	<b>69,826</b>	<b>89,094</b>	<b>98,817</b>	<b>1,16,587</b>	<b>1,40,462</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	4.4%	5.7%	6.6%	7.5%	7.8%	
Asset Turnover (x)	3.3	3.3	3.4	3.4	3.2	
Leverage Factor (x)	1.4	1.5	1.4	1.2	1.1	
RoE	20.5%	27.4%	30.2%	31.0%	28.3%	

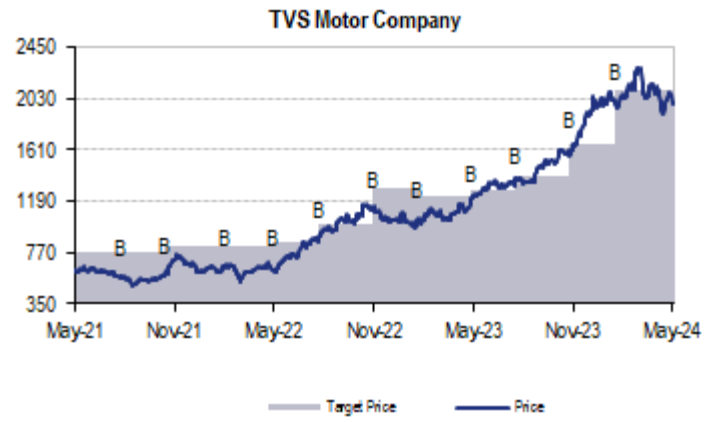
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	101.5	127.3	162.8	210.7	266.2	
ROIC	72.9%	68.3%	85.0%	130.2%	164.6%	
ROE	20.5%	27.4%	30.2%	31.0%	28.3%	
Net Debt/Equity (x)	0.3	0.4	0.2	0.0	-0.1	
P/E (x)	102.7	63.6	45.5	34.5	29.6	
P/B (x)	19.7	15.7	12.3	9.5	7.5	
EV/EBITDA (x)	49.1	36.4	27.4	21.7	18.6	
EV/Sales (x)	4.6	3.7	3.0	2.6	2.3	
Debtor days	17	13	15	15	15	
Inventory days	20	17	16	16	16	
Creditor days	77	64	66	67	67	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Feb-20	Hold	490	
13-Apr-20	Hold	325	-33.7
28-May-20	Hold	360	10.8
30-Jul-20	Hold	395	9.7
24-Aug-20	Buy	560	41.8
30-Oct-20	Buy	615	9.8
28-Jan-21	Buy	700	13.8
28-Apr-21	Buy	780	11.4
29-Jul-21	Buy	780	0.0
21-Oct-21	Buy	825	5.8
7-Feb-22	Buy	825	0.0
5-May-22	Buy	850	3.0
28-Jul-22	Buy	1,000	17.6
6-Nov-22	Buy	1,300	30.0
25-Jan-23	Buy	1,225	-5.8
4-May-23	Buy	1,275	4.1
24-Jul-23	Buy	1,400	9.8
30-Oct-23	Buy	1,650	17.9
24-Jan-24	Buy	2,100	27.3

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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