

In Q2FY25, TVS Motors registered lower than expected performance on all fronts. Revenue for the quarter under review improved by 13.3% YoY basis to Rs.92.3bn (vs est. Rs.95.6bn) led by 14.3% YoY volume growth and 0.9% YoY de-growth in ASP. Operating profit jumped by 20% YoY to Rs.10.8bn vs est. of Rs.11.6bn and EBITDA margin for the quarter expanded by 65 bps YoY/ 24bps QoQ to 11.7% vs est of 12.1%. Effort on reduction in RM to sales is commendable, despite increase in other expenditure and staff cost company able to manage the margin in upward direction. Management expects margin improvement to continue driven by cost reduction effort, product mix and geography presence. PAT increased by 23.5% YoY to Rs.6.63bn despite lower other income.

- **New Product launches:** The company has launched the all-new TVS Jupiter 110, which is receiving a very good response from the market. Also the all-new TVS Apache RR310, the flagship offering in the super premium sport motorcycle category, has been launched in two variants, including a build-to-order customized option. The company also has a well-planned product lineup for electric mobility, with more launches expected during the current financial year. TVS X, a super premium product, has been launched, with expectations of higher volumes and Pan India presence in the next quarters. The company is investing in product development, particularly for new segments and developed countries.
- **EV portfolio:** EV 2-wheeler sales increased by 31% compared to the same quarter last year. The government's long-term support for the EV program will help the industry grow, with visibility of two years. IQube has established a strong brand in the EV segment with its technology, features, and best-in-class quality.
- **Exports:** The company believes that India will emerge as a major export hub for EV 2-wheelers. In Latam, TVS is seeing growing opportunities, and the company is leveraging its products from both India and Indonesia to expand its market share. The Middle East and ASEAN regions also remain key export markets for TVS.
- **View & Valuation:** TVS Motors is working on to make more launches in ICE+EV segment in 2W&3W in coming quarters with a aspiration to expand in international market particularly in EV segment. Management expect to perform better than industry by new product launches, increase in customer reach and aggressive network expansion for E-2W (with new EV launches). Going forward recovery in the export market will also support healthy volume for the company. Further, cost reduction efforts will support the double-digit margin trajectory in the coming quarters as well. We maintain our BUY rating on the stock with TP of Rs. 2,759 (valuing at 34x Sep-FY27E EPS + Rs.157 for TVS credit).

Quarterly performance

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Volumes (in units)	12,28,223	10,74,378	14.3	10,87,175	13.0
Net Sales	92,282	81,446	13.3	83,756	10.2
Material Expenses	66,018	60,276	9.5	59,804	10.4
Gross Profit/vehicle	21,384	19,705	8.5	22,031	(2.9)
Employee Expenses	4,967	3,929	26.4	4,788	3.8
Other Operating Expenses	10,499	8,244	27.4	9,563	9.8
EBITDA	10,798	8,998	20.0	9,602	12.5
Depreciation	1,806	1,701	6.2	1,763	2.4
EBIT	8,992	7,297	23.2	7,838	14.7
Interest Cost	319	523	-39.0	372	(14.3)
PBT	8,972	7,237	24.0	7,829	14.6
RPAT	6,626	5,366	23.5	5,773	14.8
APAT	6,626	5,366	23.5	5,773	14.8
Adj EPS (Rs)	13.9	11.3	23.5	12.2	14.8

Margin Analysis	Q2FY25	Q2FY24	YoY (bps)	Q1FY25	QoQ (bps)
EBITDA/Vehicle	8,791	8,375	5%	8,832	(0)%
Material Exp % of Sales	71.5	74.0	(247)	71.4	14
Employee Exp. % of Sales	5.4	4.8	56	5.7	(33)
Other Op. Exp % of Sales	11.4	10.1	126	11.4	(4)
EBITDA Margin (%)	11.7	11.0	65	11.5	24
Tax Rate (%)	26.1	25.9	29	26.3	(11)
APAT Margin (%)	7.2	6.6	59	6.9	29

Source: Company, CEBPL

	Oct 24, 2024
CMP (Rs)	2,565
Target Price (Rs)	2,759
Potential Upside (%)	7.6

*CMP as on 23rd Oct 2024

Company Info

BB Code	TVSL IN EQUITY
ISIN	INE494B01023
Face Value (Rs.)	1.0
52 Week High (Rs.)	2,958
52 Week Low (Rs.)	1,548
Mkt Cap (Rs bn.)	1226.7
Mkt Cap (\$ bn.)	14.6
Shares o/s (Mn.)/Free Float	475.1/49
Adj. TTM EPS (Rs)	48.8
FY27E EPS (Rs)	85.1

Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	50.27	50.27	50.27
FII's	22.33	21.05	20.83
DII's	19.02	20.13	20.26
Public	8.38	8.55	8.64

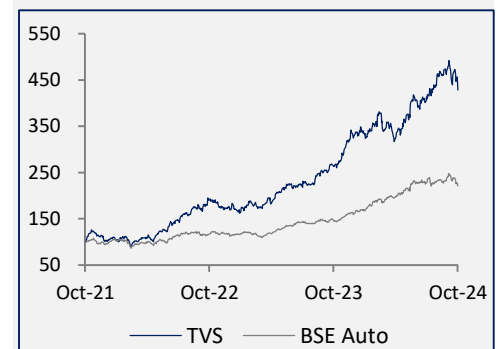
Relative Performance (%)

YTD	3Y	2Y	1Y
BSE AUTO	121.0	89.4	50.1
TVS	328.2	123.9	61.8

Year end March (INR bn)

Particular	FY25E	FY26E	FY27E
Revenue	377.7	434.3	504.1
Gross Profit	107.6	123.8	146.2
EBITDA	43.8	53.0	65.0
EBITDA (%)	11.6	12.2	12.9
EPS (INR)	55.8	68.0	85.1

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	Choice Est.	Deviation (%)
Revenue	92,282	95,568	(3.4)
EBIDTA	10,798	11,564	(6.6)
EBIDTA Margin (%)	11.7	12.1	(40)bps
PAT	6,626	7,170	(7.6)

Source: Company, CEBPL

Changes in Estimates

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	New	Old	Dev. (%)	New	Old	Dev. (%)	New
Net sales	3,77,677	3,87,911	-2.6	4,34,338	4,51,183	-3.7	5,04,123
EBITDA	43,811	44,222	-0.9	52,989	54,593	-2.9	65,032
EBITDA margin(%)	11.6	11.4	20bps	12.2	12.1	10bps	12.9
APAT	26,492	27,192	-2.6	32,309	35,167	-8.1	40,414
EPS	55.8	57.2	-2.6	68.0	74.0	-8.1	85.1

Source: Company, CEBPL

Management Call - Highlights

General

- The company continues to focus on customer satisfaction and has launched multiple new products, including the TVS Jupiter 110 and Apache RR310.
- TVS achieved its highest-ever EV sales, growing 31% year-over-year with 75,000 units sold in Q2 FY25.
- TVS Motor is focused on developing and launching a range of premium Norton motorcycles over the next six quarters, positioning it as a key player in the super-premium segment for both international and domestic markets.

TVS Credit:

- TVS Credit added over 2 million new customers in H1 FY25, bringing the total customer base to 16.5 million. The loan book size grew by 13% year-over-year, reaching INR 26,652 crore.
- PBT for TVS Credit rose by 20% to INR 215 crore in Q2 FY25, up from INR 180 crore in the same quarter last year.
- The company has focused on portfolio diversification, with only 27-28% of the book concentrated in two-wheeler loans. The rest is diversified into used cars, tractors, consumer durables, and MSME loans.

Capex:

- TVS Motor's total planned capex for FY25 is in the range of INR 1,200 crore to INR 1,400 crore. Capex focuses heavily on R&D for EVs, digital capabilities, and expanding manufacturing capacity, especially for electric vehicles.
- The company emphasized that its higher-than-industry depreciation costs are due to continued investments in new product development and technology infrastructure.
- The company is also making significant investments of approximately INR 1,500 crore in new products, EV technology, digital platforms, and future growth areas.

Festive Growth:

- The festive season began positively, with industry sales growing by 10-11% during the Navaratra period. TVS outperformed industry growth.
- The company saw 4% industry growth so far in the quarter, but expects further improvement as the festive season continues, particularly during Dhanteras and Diwali.
- Despite early Q2 slowdown, TVS is optimistic about Q3, driven by positive consumer sentiment and new launches like the Jupiter 110 and other products in its strong portfolio.

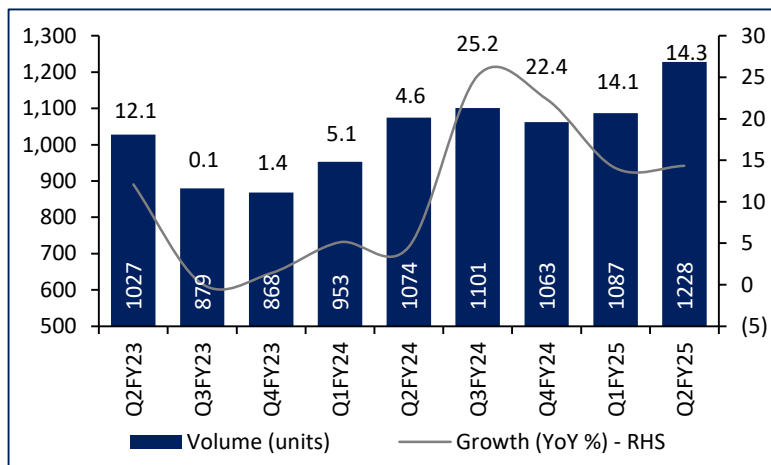
Q3 Expectation

- TVS Motor expects industry growth of 7-8% in Q3 FY25 but anticipates outperforming this, driven by strong festive demand, positive rural and urban market performance, and strategic inventory management, supported by improved rural demand following a good monsoon.

Export:

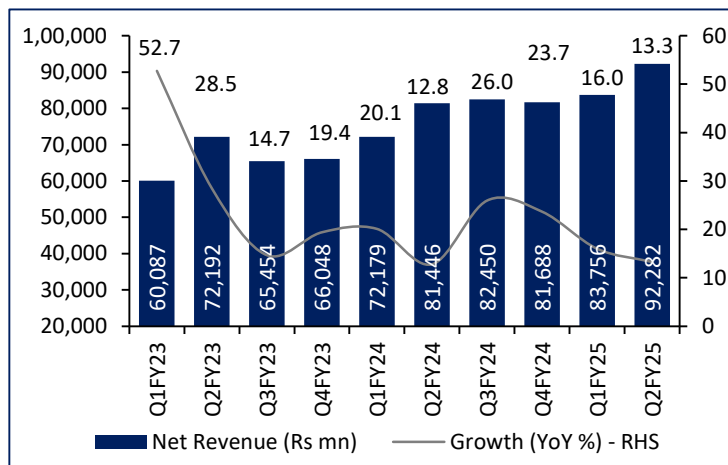
- TVS registered export sales of INR 930 crore for Q2 FY25, with international markets contributing significantly to the company's growth. The company's export markets showed resilience, with international two-wheeler sales growing by 16% year-over-year.
- Africa remains the largest export market, accounting for around 55-57% of TVS's export volumes in H1 FY25. However, challenges such as currency depreciation and inflation impacted demand in African markets.
- In Latam, TVS is seeing growing opportunities, and the company is leveraging its products from both India and Indonesia to expand its market share. The Middle East and ASEAN regions also remain key export markets for TVS.
- Challenges such as transit delays in the Red Sea and currency depreciation in certain markets have impacted international growth, but TVS is actively managing these through operational countermeasures.

Volume grew 14.3%YoY



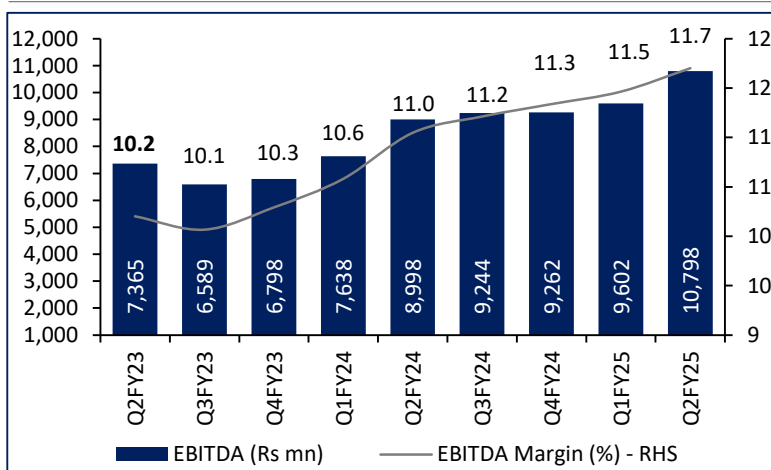
Source: Company, CEBPL

Revenue grew by 13.3% YoY



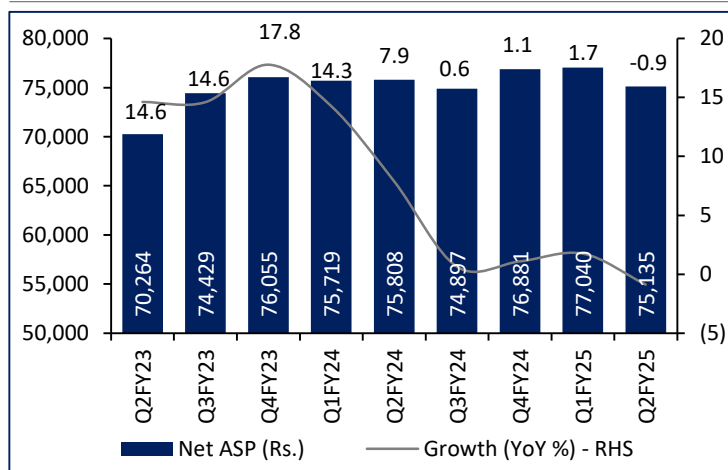
Source: Company, CEBPL

EBITDA margin expanded 65bps YoY



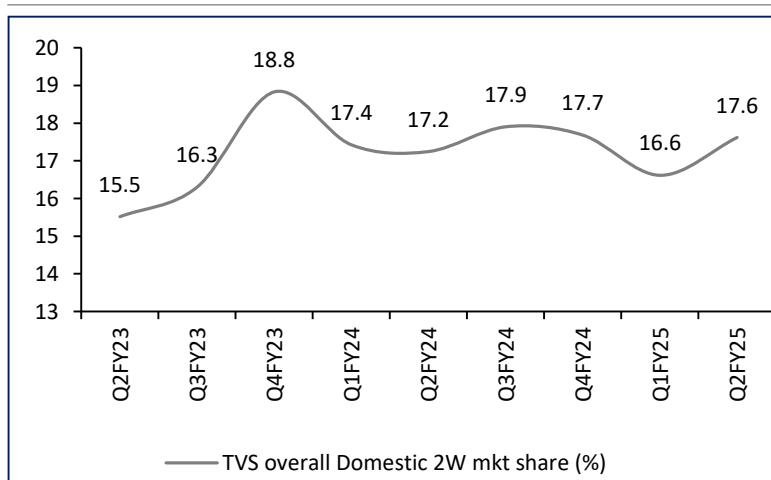
Source: Company, CEBPL

ASP de-grew 0.9% YoY



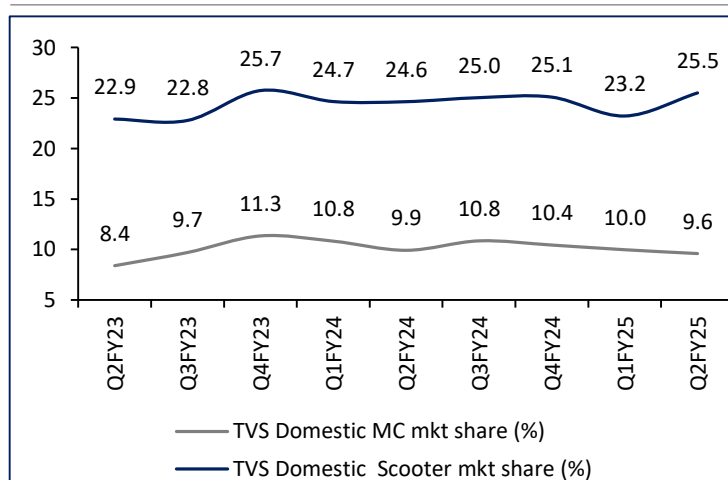
Source: Company, CEBPL

Domestic 2W Market Share (%)



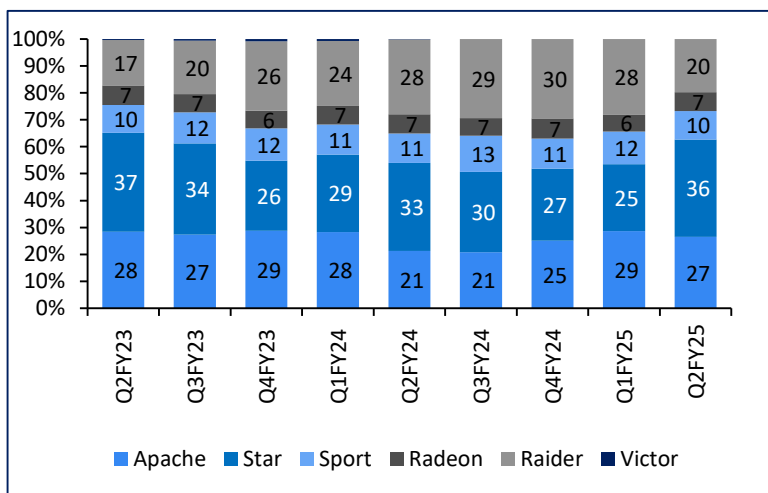
Source: Company, CMIE, CEBPL

Domestic Motorcycle and Scooter Market Share



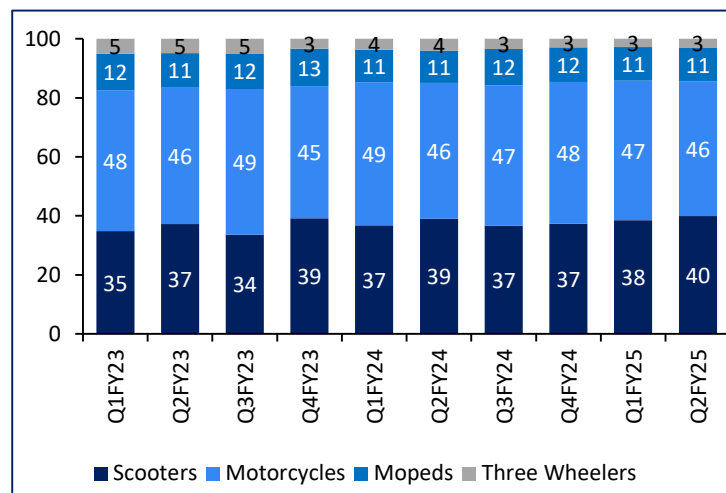
Source: Company, CMIE, CEBPL

Model Mix (%)



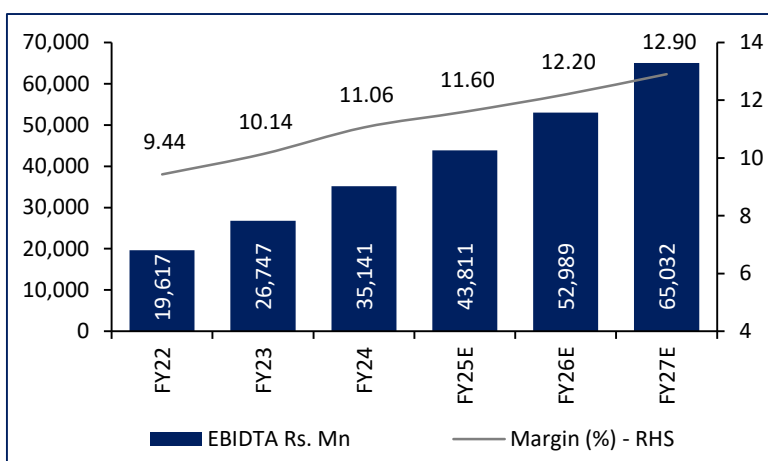
Source: Company, CMIE, CEBPL

Product Segment Mix (%)



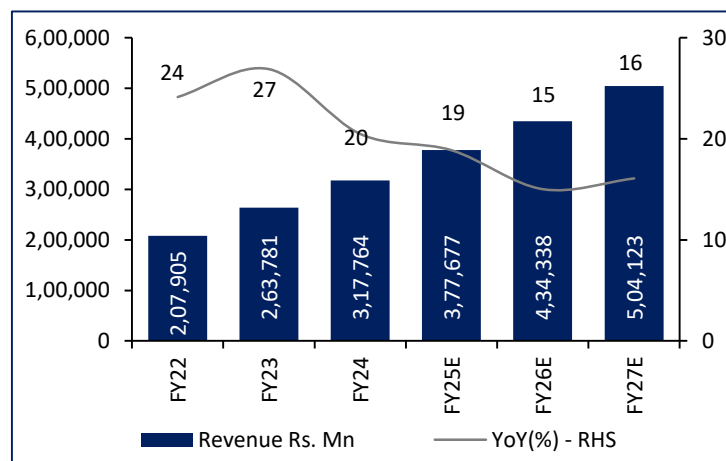
Source: Company, CMIE, CEBPL

EBITDA margin to expand supported by richer product mix



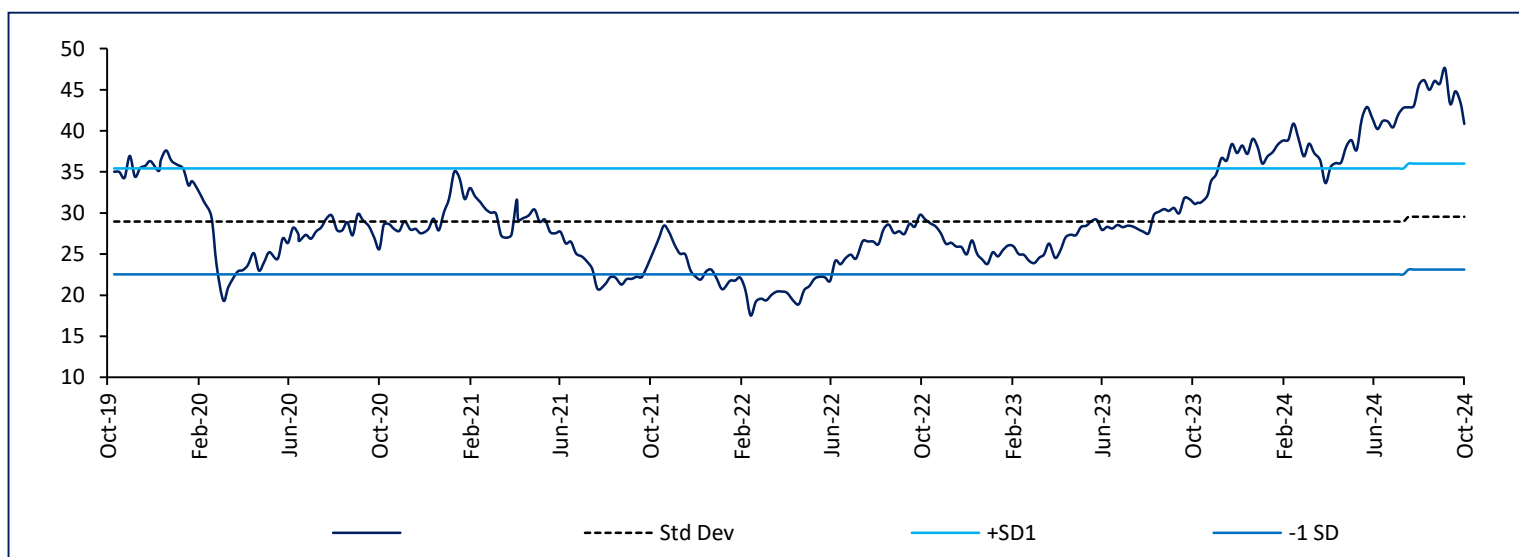
Source: Company, CEBPL

Revenue to grow on back of new launches and export market



Source: Company, CEBPL

1yr Forward PE Band



Source: Company, CEBPL

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,63,781	3,17,764	3,77,677	4,34,338	5,04,123
Gross profit	63,853	83,474	1,07,638	1,23,786	1,46,196
EBITDA	26,747	35,141	43,811	52,989	65,032
Depreciation	6,312	7,004	7,683	8,643	9,603
EBIT	20,435	28,138	36,128	44,347	55,429
Interest expense	1,407	1,816	2,113	2,771	3,202
Other Income	1,006	1,485	1,785	2,085	2,385
EO Items	-	-	-	-	-
Reported PAT	14,910	20,830	26,492	32,309	40,414
Adjusted PAT	14,910	20,830	26,492	32,309	40,414
EPS (Rs)	31	44	56	68	85
NOPAT	15,209	21,078	26,735	32,816	41,018

Balance sheet (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	60,479	77,310	99,988	1,27,386	1,61,333
Minority Interest	-	-	-	-	-
Deferred tax	1,982	1,871	1,871	1,871	1,871
Total debt	22,446	15,134	14,534	13,934	13,334
Other liabilities & provisions	5,263	5,504	7,232	7,949	9,331
Total Net Worth & liabilities	90,169	99,820	1,23,624	1,51,140	1,85,869
Net Fixed Assets	35,959	37,719	42,036	45,393	47,791
Capital Work in progress	2,741	3,297	3,797	4,297	4,797
Investments	56,839	69,913	79,913	89,913	99,913
Cash & bank balance	2,420	5,310	12,758	28,557	24,989
Loans & Advances & other assets	9,629	9,148	12,330	13,342	15,971
Net Current Assets	(14,999)	(20,256)	(14,451)	(1,805)	17,397
Total Assets	90,169	99,820	1,23,624	1,51,140	1,85,869
Capital Employed	82,924	92,445	1,14,522	1,41,320	1,74,668
Invested Capital	77,764	83,838	97,967	1,08,465	1,44,881
Net Debt	20,026	9,825	1,776	(14,623)	(11,655)
FCFF	9,960	25,618	32,954	43,642	29,761

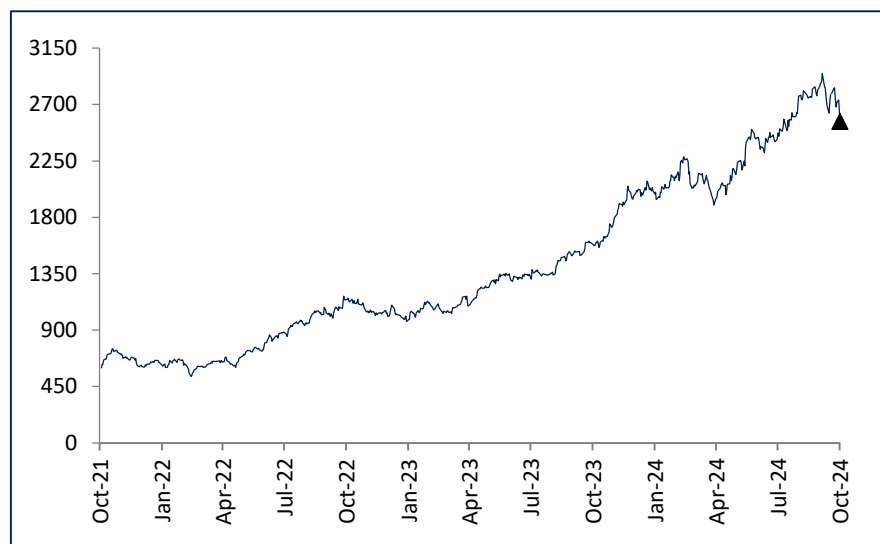
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	19,929	36,173	45,454	56,142	42,261
Capex	(9,968)	(10,555)	(12,500)	(12,500)	(12,500)
FCF	9,960	25,618	32,954	43,642	29,761
CFI	(23,118)	(19,156)	(22,500)	(22,500)	(22,500)
CFF	2,245	(14,696)	(7,481)	(9,510)	(11,884)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenue (%)	26.9	20.5	18.9	15.0	16.1
EBITDA (%)	36.3	31.4	24.7	21.0	22.7
PAT (%)	62.7	39.7	27.2	22.0	25.1
Margin ratios					
EBITDA margins (%)	10.1	11.1	11.6	12.2	12.9
PAT Margins (%)	5.7	6.6	7.0	7.4	8.0
Performance ratios					
OCF/EBITDA (X)	0.7	1.0	1.0	1.1	0.6
OCF/IC (%)	25.6	43.1	46.4	51.8	29.2
RoE	24.7	26.9	26.5	25.4	25.0
ROCE	24.6	30.4	31.5	31.4	31.7
RoIC (Post tax) (%)	19.6	25.1	27.3	30.3	28.3
RoIC (Pre tax)	26.3	33.6	36.9	40.9	38.3
Fixed asset Turnover (x)	3.2	3.5	3.7	3.8	4.0
Turnover Ratios (X)					
Inventory (days)	17	16	17	17	17
Debtors (days)	13	15	15	15	15
Payables (days)	57	59	59	59	59
Cash Conversion Cycle (days)	(24)	(29)	(33)	(33)	(33)
Financial Stability ratios (x)					
Net debt to Equity	0.3	0.1	0.0	(0.1)	(0.1)
Net debt to EBITDA	0.7	0.3	0.0	(0.3)	(0.2)
Interest Cover	14.5	15.5	17.1	16.0	17.3
Valuation metrics					
Fully diluted shares (mn)	475.1	475.1	475.1	475.1	475.1
Price (Rs)	2565	2565	2565	2565	2565
Market Cap(Rs. Mn)	12,18,703	12,18,703	12,18,703	12,18,703	12,18,703
PE(x)	82	58.5	46.0	37.7	30.2
EV (Rs.mn)	12,38,729	12,28,528	12,20,479	12,04,080	12,07,048
EV/EBITDA (x)	46	35	28	23	19
Book value (Rs/share)	127	163	210	268	340
Price to BV (x)	20.2	15.8	12.2	9.6	7.6
EV/OCF (x)	62	34	27	21	29

Source: Company, CEBPL

Historical recommendations and target price: TVS Motor



TVS Motors Ltd.

1.	07-02-2022	Add,	Target Price 715
2.	05-05-2022	Add,	Target Price 707
3.	28-07-2022	Neutral,	Target Price 828
4.	07-11-2022	Neutral,	Target Price 1,081
5.	24-01-2023	Add,	Target Price 1,072
6.	04-05-2023	Neutral,	Target Price 1,151
7.	25-07-2023	Neutral,	Target Price 1,353
8.	31-10-2023	ADD,	Target Price 1,786
9.	25-01-2024	ADD,	Target Price 2,145
10.	09-05-2024	BUY,	Target Price 2,136
11.	07-08-2024	BUY,	Target Price 2,680
12.	24-10-2024	BUY,	Target Price 2,759

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
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SELL	The security expected to show Below 0% next 12 months

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