

Strength of an incumbent with the agility of a start-upAuto & Auto Ancillaries ▶ Company Update ▶ **October 30, 2023****TARGET PRICE (Rs) : 2,100**

TVSL, led by its ability to identify 'growth' categories with consumer insight-led multiple product actions and scale-up of several newer brands (rare in the 2W industry), has further expanded its market share across categories in H1FY24 with sustained portfolio premiumization. Over the past decade, while TVSL has emerged as a strong incumbent (#2/3 player in 'growth' categories), its proactive and aggressive approach in EVs (already a revenue leader in E-2Ws) is also reminiscent of a start-up's nimbleness even as it strengthens its ICE business. With accelerating 2W industry's growth, market share gains and margin levers, we upgrade FY24E/FY25E/FY26E EPS by ~3%/~9%/~7% (~20% ahead of consensus). We maintain BUY (top pick in autos) with a revised TP of Rs2,100 (Rs1,550 earlier; unchanged 25x PER rolled-over to FY26E + Rs130 for captive financing arm).

TVS Motor: Financial Snapshot (Standalone)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue | 2,07,905 | 2,63,781 | 3,40,467 | 3,98,404 | 4,56,861 |
| EBITDA | 19,617 | 26,747 | 38,780 | 49,983 | 59,154 |
| Adj. PAT | 9,237 | 14,910 | 23,243 | 31,218 | 37,442 |
| Adj. EPS (Rs) | 19.4 | 31.4 | 48.9 | 65.7 | 78.8 |
| EBITDA margin (%) | 9.4 | 10.1 | 11.4 | 12.5 | 12.9 |
| EBITDA growth (%) | 37.3 | 36.3 | 45.0 | 28.9 | 18.3 |
| Adj. EPS growth (%) | 46.0 | 66.9 | 55.9 | 34.3 | 19.9 |
| RoE (%) | 20.5 | 27.4 | 33.3 | 34.7 | 33.1 |
| RoIC (%) | 83.5 | 77.7 | 93.8 | 111.4 | 115.4 |
| P/E (x) | 81.9 | 50.7 | 32.5 | 24.2 | 20.2 |
| EV/EBITDA (x) | 39.3 | 29.2 | 19.8 | 15.1 | 12.5 |
| P/B (x) | 15.7 | 12.5 | 9.6 | 7.5 | 6.0 |
| FCFF yield (%) | 1.0 | 1.3 | 3.6 | 2.9 | 4.3 |

Source: Company, Emkay Research

Consistently improving position in 'growth categories'

Historically, TVSL has successfully navigated multiple transitions (from scooters/mopeds to motorcycles, from motorcycles to premium motorcycles, from domestic to exports) through deep customer insights-led innovation (identifying growth categories, consumer preferences, incubating and growing multiple new brands – a rare phenomenon in the industry; ~13% R&D CAGR over the past five years vs. ~3% on average for industry) and emerged as a strong #2/3 player in the high-growth scooter and premium motorcycle space. It remains the only 2W maker to have substantially expanded its presence in 'growth categories' (premium motorcycles, scooters, exports; ~74% volume share in FY23 vs. ~37% in FY13) with noticeable share gains (FY23 market share in domestic premium motorcycles/domestic scooters/export 2Ws at 15%/24%/25% vs. 8%/15%/11% in FY13); moreover, this has been achieved while consistently gaining revenue/EBITDA share vs. peers on improving brand franchise and operating leverage.

Fast emerging as the E-2W market leader

TVSL has been a proactive incumbent w.r.t. electrification with efforts spanning i) products (several launches over the coming quarters apart from iQube ramp-up), ii) investments (EV-specific capex of Rs10bn apart from stakes in Ultraviolette and Swiss e-Mobility), and iii) partnerships (BMW, Swiggy and Rapido). Despite the recent reduction in FAME-II subsidy support, TVSL's retail volumes are back to earlier peak levels of ~16K units/m – barely ~2K behind Ola. In terms of revenue, TVSL is already a market leader in E-2Ws. It claims EVs are already contribution-margin positive. 'Right-sizing' cost structures along with volume ramp-up would scale up profitability further.

Maintain BUY (top pick in autos) with a 32% upside

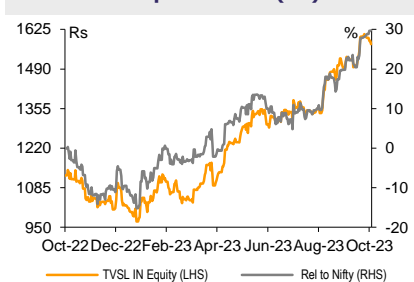
We have built a 15%/36% FY23-26E volume/EPS CAGR (accelerating 2W industry growth, improving competitive positioning across ICE and EVs, and margin triggers), and maintain BUY with a revised TP of Rs2,100 (unchanged 25x PER multiple rolled over to FY26E + Rs130 for the captive financing arm – refer [report](#)).

| | |
|-------------------------|-------------|
| Target Price – 12M | Sep-24 |
| Change in TP (%) | 35.5 |
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Upside/(Downside) (%) | 31.9 |
| CMP (27-Oct-23) (Rs) | 1,591.9 |

| Stock Data | Ticker |
|-----------------------------|-----------|
| 52-week High (Rs) | 1,617 |
| 52-week Low (Rs) | 968 |
| Shares outstanding (mn) | 475.1 |
| Market-cap (Rs bn) | 756 |
| Market-cap (USD mn) | 9,085 |
| Net-debt, FY24E (Rs mn) | 9,815 |
| ADTV-3M (mn shares) | 1 |
| ADTV-3M (Rs mn) | 1,583.3 |
| ADTV-3M (USD mn) | 19.0 |
| Free float (%) | 49.7 |
| Nifty-50 | 19,047 |
| INR/USD | 83.2 |
| Shareholding, Sep-23 | |
| Promoters (%) | 50.3 |
| FPIs/MFs (%) | 18.5/23.1 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|-----|------|------|
| Absolute | 4.2 | 17.4 | 41.6 |
| Rel. to Nifty | 7.8 | 21.2 | 31.8 |

1-Year share price trend (Rs)**Chirag Jain**

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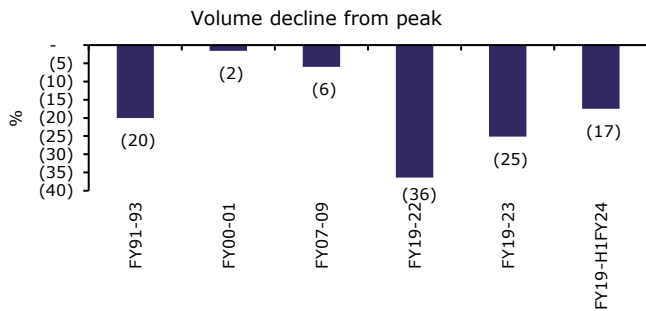
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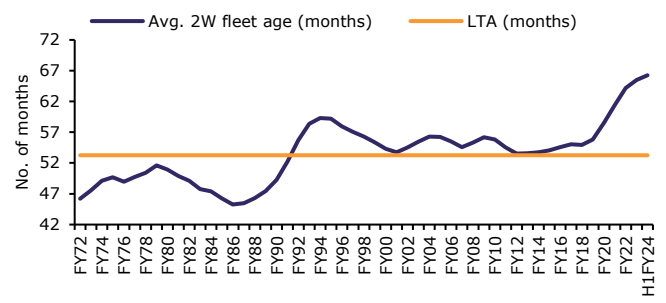
Story in Charts

Exhibit 1: Domestic 2W industry still around 25% off the FY19 peak despite 18% YoY growth in FY23



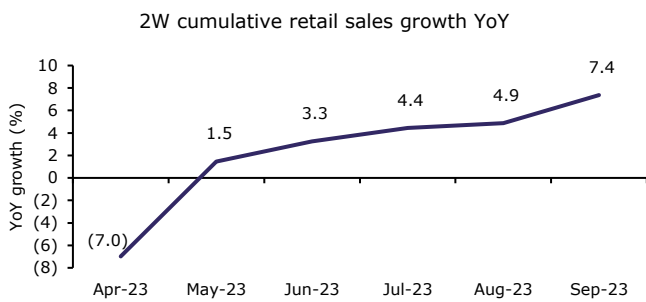
Source: SIAM, Emkay Research

Exhibit 2: Average fleet age at a record high post 4 years of struggle on multiple fronts; should trigger strong replacement demand



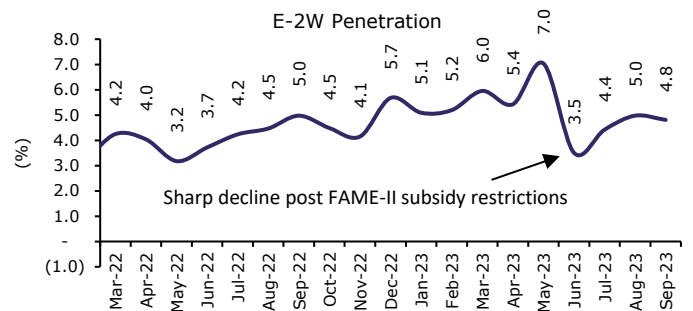
Source: SIAM, Emkay Research

Exhibit 3: 2W retail sales have been gathering momentum; industry volumes up ~7% on YTD basis; ~22% YoY growth in Sept-23



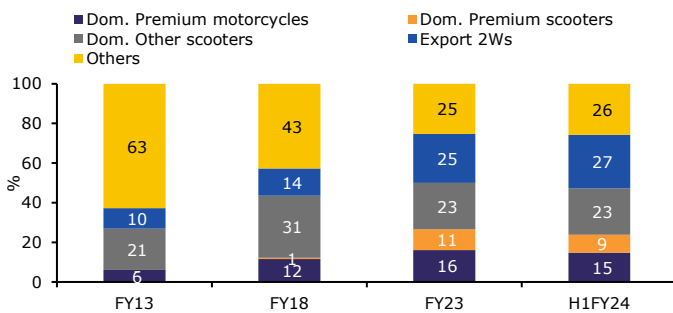
Source: Vahan, Emkay Research

Exhibit 4: E-2W penetration has fallen to sub-5% levels post curtailment of FAME-II subsidy



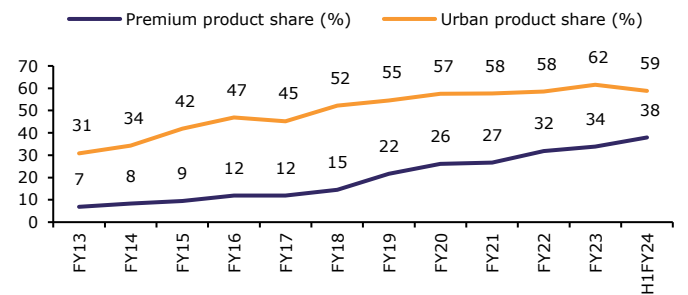
Source: Vahan, Emkay Research

Exhibit 5: 74% overall share from 'growth categories' (FY13: 37%)



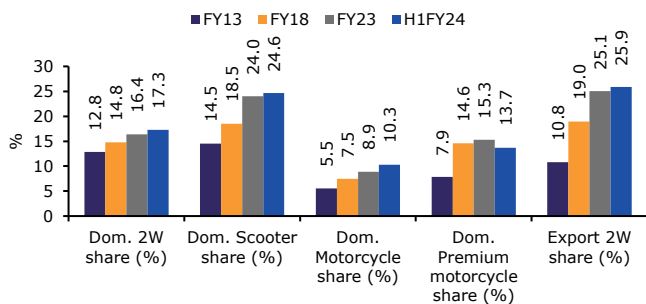
Source: SIAM, Emkay Research; Note – Premium motorcycles incl. Raider and premium scooters incl. Ntorq and iQube

Exhibit 6: Rising share of urban (premium motorcycles, scooters) and premium products (Apache, Ntorq, Raider) in domestic 2Ws



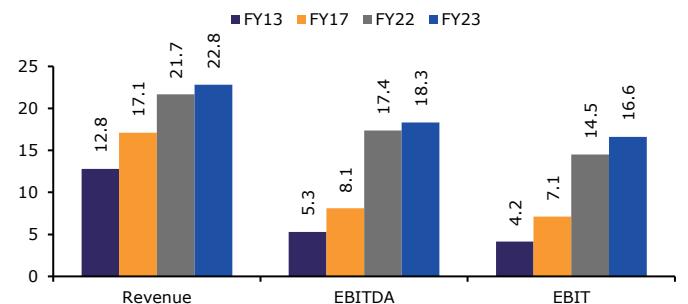
Source: SIAM, Emkay Research

Exhibit 7: TVSL is now a strong #2/#3 player in most 'growth categories' ...



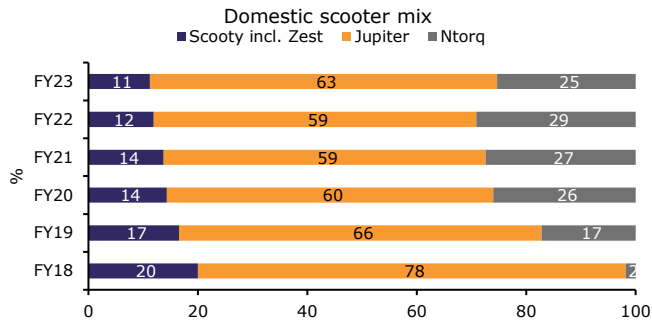
Source: Company, Emkay Research

Exhibit 8: ...accompanied by consistent market share gains in operational parameters



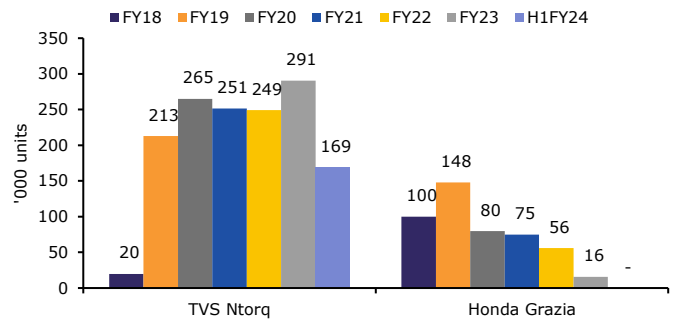
Source: Company, Emkay Research

Exhibit 9: TVSL has been able to grow multiple brands



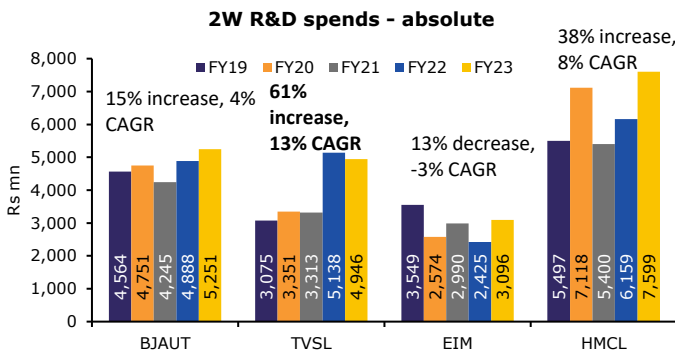
Source: SIAM, Emkay Research

Exhibit 10: ...unlike some competitor OEMs



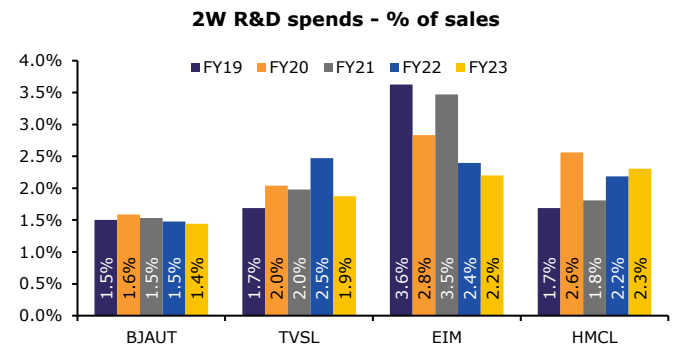
Source: SIAM, Emkay Research

Exhibit 11: TVL's R&D spends have risen at a 13% CAGR since FY18



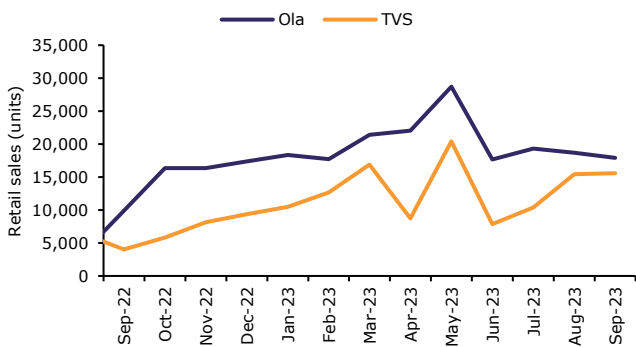
Source: Company, Emkay Research

Exhibit 12: R&D spends at ~2% of sales



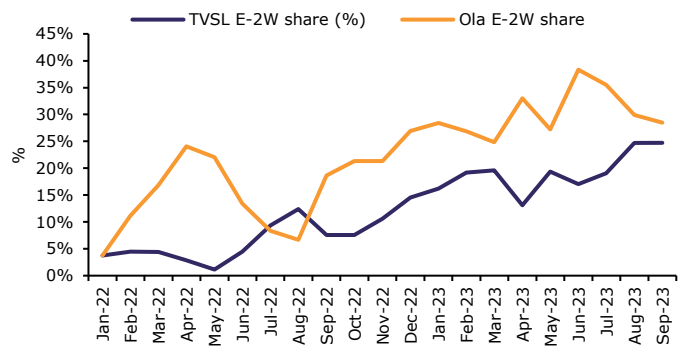
Source: Company, Emkay Research

Exhibit 13: TVSL already the revenue leader in E-2Ws; closing in on volume leadership as well, with significant gap reduction vs. Ola



Source: Vahan, Emkay Research

Exhibit 14: TVSL's E-2W market share now at ~25%; has risen sharply even post the FAME-II subsidy reduction



Source: Vahan, Emkay Research

Exhibit 15: Actions underway on multiple fronts to address electrification

| Area | EV plans |
|------------------------|--|
| Existing product | iQube's sales are expected to cross 200K units in FY24E with production capacity set to be expanded to 50K/m vs. current 25K/m; it is planning to expand exports coverage to markets in Asia, Latin America, etc. |
| Future launch pipeline | EV launch pipeline across 5-25kW range (E-2Ws and E-3Ws) over the next few quarters. |
| Capex | Announced EV-specific capex of Rs10bn for products/technologies and capacity expansion. |
| EV subsidiary | Set up a separate EV subsidiary for freedom, flexibility, focus, and scale. |
| Partnerships | Tie-up with BMW for the design and development of future BMW products; includes common platforms with exclusive global products for both companies; tie-up with Swiggy for testing EV adoption in the latter's delivery fleet; tie-up with Rapido, a leading bike-taxi platform for the 'hyper-local' segment. |
| Investments | Invested in Switzerland-based e-bike company for presence in developed markets including Europe; recently invested further Rs750mn in e-motorcycle startup, Ultraviolette |

Source: Company, Emkay Research

Exhibit 16: Product mix: 74% contribution from 'growth categories' in FY23 vs. 37% in FY13

| TVSL product mix (%) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | Q1FY24 | Q2FY24 |
|----------------------|------|------|------|------|------|------|------|------|------|--------|--------|
| Motorcycles | 26 | 27 | 27 | 27 | 26 | 23 | 21 | 21 | 25 | 31 | 27 |
| Commuter | 18 | 17 | 16 | 15 | 14 | 12 | 10 | 11 | 15 | 20 | 20 |
| Premium | 8 | 10 | 10 | 12 | 12 | 11 | 11 | 10 | 10 | 11 | 7 |
| Scooters | 27 | 29 | 29 | 32 | 32 | 31 | 30 | 26 | 34 | 34 | 36 |
| Mopeds | 30 | 27 | 31 | 25 | 22 | 20 | 20 | 14 | 12 | 11 | 11 |
| Domestic 2W | 83 | 83 | 86 | 83 | 80 | 74 | 71 | 62 | 71 | 76 | 74 |
| Exports 2W | 12 | 13 | 12 | 14 | 16 | 21 | 25 | 33 | 25 | 21 | 22 |
| Total 2W | 96 | 96 | 98 | 97 | 96 | 95 | 96 | 95 | 95 | 96 | 96 |
| Domestic 3W | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exports 3W | 4 | 4 | 2 | 2 | 4 | 5 | 4 | 5 | 4 | 3 | 4 |
| Total 3W | 4 | 4 | 2 | 3 | 4 | 5 | 4 | 5 | 5 | 4 | 4 |
| Total domestic | 84 | 84 | 86 | 84 | 81 | 74 | 71 | 62 | 71 | 76 | 74 |
| Total exports | 16 | 16 | 14 | 16 | 19 | 26 | 29 | 38 | 29 | 24 | 26 |
| Total volumes | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: SIAM, Emkay Research

Exhibit 17: Domestic operations: TVSL has consistently gained market share across premium motorcycles and scooters

| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | Q1FY24 | Q2FY24 |
|-------------|------|------|------|------|------|------|------|------|------|--------|--------|
| Dom. 2Ws | 13.1 | 13.4 | 14.1 | 14.2 | 14.8 | 13.8 | 14.3 | 15.1 | 16.4 | 17.4 | 17.2 |
| Motorcycles | 6.1 | 6.7 | 6.9 | 7.3 | 7.5 | 6.7 | 6.3 | 7.9 | 8.9 | 10.8 | 9.8 |
| Commuter | 5.3 | 5.3 | 5.5 | 5.3 | 5.2 | 4.5 | 3.8 | 5.3 | 7.0 | 8.9 | 9.6 |
| Premium | 10.0 | 11.8 | 11.8 | 13.8 | 14.6 | 14.7 | 14.7 | 18.1 | 15.3 | 17.3 | 10.5 |
| Scooters | 15.1 | 15.4 | 14.8 | 16.4 | 18.5 | 18.3 | 20.5 | 21.1 | 24.0 | 24.7 | 24.6 |

Source: Company, Emkay Research

Exhibit 18: Export operations: Market share at all-time highs

| TVS market share (%) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | Q1FY24 | Q2FY24 |
|----------------------|------|------|------|------|------|------|------|------|------|--------|--------|
| 2W Exports | 13.2 | 14.1 | 15.6 | 17.5 | 19.0 | 19.3 | 23.3 | 24.5 | 25.1 | 24.9 | 26.7 |
| 3W Exports | 22.3 | 23.6 | 21.0 | 21.6 | 24.6 | 32.3 | 29.3 | 32.6 | 41.9 | 41.5 | 46.4 |

Source: Company, Emkay Research

Exhibit 19: We expect the 2W industry to post a ~12% CAGR over FY23-26E, surpassing the previous peak in FY25E

| (Units mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------------|-------------|-------------|---------------|---------------|--------------|-------------|-------------|-------------|-------------|
| Domestic ICE-2Ws | 20.2 | 21.2 | 17.4 | 15.1 | 13.6 | 15.9 | 18.2 | 20.1 | 21.9 |
| Growth YoY (%) | 14.8 | 5.0 | (17.8) | (13.3) | (10.3) | 16.9 | 14.7 | 10.5 | 9.0 |
| Motorcycles | 12.6 | 13.6 | 11.2 | 10.0 | 9.0 | 10.2 | 11.526 | 12.789 | 13.9 |
| Domestic Motorcycles Growth YoY (%) | 13.7 | 7.8 | (17.5) | (10.6) | (10.3) | 13.9 | 12.7 | 11.0 | 8.8 |
| Motorcycle share in ICE-2Ws (%) | 62.5 | 64.1 | 64.3 | 66.3 | 66.2 | 64.5 | 63.4 | 63.7 | 63.6 |
| Economy Motorcycles | 3.2 | 3.9 | 3.3 | 2.6 | 2.1 | 1.9 | 1.9 | 2.1 | 2.2 |
| Growth YoY (%) | 23.0 | 22.7 | (15.5) | (21.3) | (17.8) | (10.9) | (2.3) | 11.5 | 7.0 |
| Share within Motorcycles (%) | 25.1 | 28.6 | 29.3 | 25.8 | 23.7 | 18.5 | 16.1 | 16.1 | 15.9 |
| Executive Motorcycles | 6.5 | 6.5 | 5.4 | 5.2 | 5.0 | 6.0 | 6.8 | 7.5 | 8.1 |
| Growth YoY (%) | 9.0 | (0.9) | (16.4) | (4.1) | (3.2) | 19.6 | 13.3 | 9.3 | 8.6 |
| Share within Motorcycles (%) | 51.9 | 47.7 | 48.4 | 51.9 | 56.0 | 58.9 | 59.2 | 58.4 | 58.2 |
| Premium Motorcycles | 2.9 | 3.2 | 2.5 | 2.2 | 1.8 | 2.3 | 2.8 | 3.3 | 3.6 |
| Growth YoY (%) | 15.2 | 11.2 | (22.3) | (10.7) | (18.4) | 26.9 | 23.2 | 14.5 | 10.5 |
| Share within Motorcycles (%) | 22.9 | 23.7 | 22.3 | 22.3 | 20.3 | 22.6 | 24.7 | 25.5 | 25.9 |
| Scoters | 6.7 | 6.7 | 5.6 | 4.5 | 4.1 | 5.2 | 6.221 | 6.836 | 7.5 |
| Domestic Scooters Growth YoY (%) | 20.0 | (0.3) | (16.9) | (19.5) | (8.2) | 26.2 | 19.9 | 9.9 | 9.5 |
| Scooter share in ICE-2Ws (%) | 33.3 | 31.6 | 31.9 | 29.6 | 30.3 | 32.7 | 34.2 | 34.0 | 34.2 |
| Mopeds | 0.9 | 0.9 | 0.6 | 0.6 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 |
| Growth YoY (%) | (3.5) | 2.4 | (27.7) | (3.1) | (23.3) | (6.7) | - | 5.0 | 6.0 |
| Mopeds share in ICE-2Ws (%) | 4.3 | 4.2 | 3.7 | 4.1 | 3.5 | 2.8 | 2.4 | 2.3 | 2.2 |
| Domestic EV-2Ws (Vahan) | - | - | - | 0.0 | 0.2 | 0.7 | 0.9 | 1.1 | 1.4 |
| Growth YoY (%) | | | | | 479.5 | 190.1 | 21.0 | 25.0 | 25.0 |
| Domestic 2Ws total | 20.2 | 21.2 | 17.4 | 15.2 | 13.8 | 16.6 | 19.1 | 21.2 | 23.3 |
| Growth YoY (%) | 14.8 | 5.0 | (17.8) | (13.1) | (8.9) | 20.0 | 14.9 | 11.1 | 9.8 |
| Export ICE-2Ws | 2.5 | 2.9 | 3.1 | 3.0 | 4.1 | 3.2 | 3.2 | 3.7 | 4.3 |
| Growth YoY (%) | 22.6 | 15.4 | 9.4 | (3.0) | 34.2 | (20.9) | - | 15.0 | 15.0 |
| Total 2Ws | 22.7 | 24.1 | 20.6 | 18.2 | 17.9 | 19.8 | 22.3 | 24.9 | 27.5 |
| Growth YoY (%) | 15.6 | 6.1 | (14.5) | (11.5) | (1.7) | 10.7 | 12.5 | 11.7 | 10.6 |

Source: SIAM, Vahan, Emkay Research

Exhibit 20: We expect TVSL to continue gaining market share across categories

| Particulars | FY20 | FY21 | FY22 | FY23 | H1FY24 | FY24E | FY25E | FY26E |
|--|------|------|------|------|--------|-------|-------|-------|
| TVSL's Dom. 2W market share (%) | 13.8 | 14.3 | 15.1 | 16.4 | 17.3 | 17.6 | 18.1 | 18.5 |
| TVSL's scooter market share (%) | 18.3 | 20.5 | 21.1 | 24.0 | 24.6 | 25.1 | 26.2 | 27.1 |
| TVSL's motorcycle market share (%) | 6.7 | 6.3 | 7.9 | 8.9 | 10.3 | 10.5 | 10.7 | 11.0 |
| TVSL's premium motorcycle market share (%) | 14.7 | 14.7 | 18.1 | 15.3 | 13.7 | 14.4 | 15.4 | 16.0 |

Source: Company, Emkay Research

Exhibit 21: We expect a ~36% EPS CAGR over FY23-26E

| Revenue Model | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Domestic 2Ws (units) | 24,10,758 | 21,64,228 | 20,47,564 | 25,97,936 | 32,06,814 | 36,32,249 | 40,49,303 |
| Growth (%) | (23.1) | (10.2) | (5.4) | 26.9 | 23.4 | 13.3 | 11.5 |
| Scooters (units) | 10,18,427 | 9,19,325 | 8,66,851 | 12,45,993 | 15,59,591 | 17,94,109 | 20,31,529 |
| Growth (%) | (18.0) | (9.7) | (5.7) | 43.7 | 25.2 | 15.0 | 13.2 |
| Motorcycles (units) | 7,55,391 | 6,27,656 | 7,07,563 | 9,10,376 | 12,05,656 | 13,74,495 | 15,26,310 |
| Growth (%) | (25.6) | (16.9) | 12.7 | 28.7 | 32.4 | 14.0 | 11.0 |
| Mopeds (units) | 6,36,940 | 6,17,247 | 4,73,150 | 4,41,567 | 4,41,567 | 4,63,645 | 4,91,464 |
| Growth (%) | (27.6) | (3.1) | (23.3) | (6.7) | - | 5.0 | 6.0 |
| Domestic 3Ws (units) | 11,934 | 8,266 | 8,823 | 16,075 | 18,486 | 19,411 | 20,381 |
| Growth (%) | (28.6) | (30.7) | 6.7 | 82.2 | 15.0 | 5.0 | 5.0 |
| Domestic Total (units) | 24,22,692 | 21,72,494 | 20,56,387 | 26,14,011 | 32,25,300 | 36,51,660 | 40,69,684 |
| Growth (%) | (23.2) | (10.3) | (5.3) | 27.1 | 23.4 | 13.2 | 11.4 |
| Export 2Ws (units) | 6,78,841 | 7,64,039 | 10,90,139 | 9,15,018 | 10,43,121 | 12,20,451 | 13,60,803 |
| Growth (%) | 9.1 | 12.6 | 42.7 | (16.1) | 14.0 | 17.0 | 11.5 |
| Export 3Ws (units) | 1,61,927 | 1,15,330 | 1,63,052 | 1,53,039 | 1,72,934 | 1,93,686 | 2,13,055 |
| Growth (%) | 15.9 | (28.8) | 41.4 | (6.1) | 13.0 | 12.0 | 10.0 |
| Export Total (units) | 8,40,768 | 8,79,369 | 12,53,191 | 10,68,057 | 12,16,055 | 14,14,137 | 15,73,858 |
| Growth (%) | 10.4 | 4.6 | 42.5 | (14.8) | 13.9 | 16.3 | 11.3 |
| Volumes (units) | 32,63,460 | 30,51,863 | 33,09,578 | 36,82,068 | 44,41,355 | 50,65,797 | 56,43,542 |
| Growth (%) | (16.6) | (6.5) | 8.4 | 11.3 | 20.6 | 14.1 | 11.4 |
| ASP (Rs/unit) | 50,327 | 54,886 | 62,819 | 71,639 | 76,658 | 78,646 | 80,953 |
| Growth (%) | 8.2 | 9.1 | 14.5 | 14.0 | 7.0 | 2.6 | 2.9 |
| Revenues | 1,64,233 | 1,67,505 | 2,07,905 | 2,63,781 | 3,40,467 | 3,98,404 | 4,56,861 |
| Growth (%) | (9.8) | 2.0 | 24.1 | 26.9 | 29.1 | 17.0 | 14.7 |
| EBITDA | 13,459 | 14,286 | 19,617 | 26,747 | 38,780 | 49,983 | 59,154 |
| EBITDA margin (%) | 8.2 | 8.5 | 9.4 | 10.1 | 11.4 | 12.5 | 12.9 |
| EBITDA growth (%) | (6.1) | 6.1 | 37.3 | 36.3 | 45.0 | 28.9 | 18.3 |
| EBITDA/unit (Rs) | 4,124 | 4,681 | 5,927 | 7,264 | 8,732 | 9,867 | 10,482 |
| EBIT | 8,889 | 9,678 | 13,693 | 21,440 | 32,967 | 42,949 | 51,124 |
| EBIT margin (%) | 5.4 | 5.8 | 6.6 | 8.1 | 9.7 | 10.8 | 11.2 |
| EPS (Rs) | 13.0 | 12.9 | 19.4 | 31.4 | 48.9 | 65.7 | 78.8 |

Source: Company, Emkay Research

Exhibit 22: Implied residual volume run-rate for TVSL

| Units | FY23YTD | FY24YTD | YoY (%) | FY23 residual | FY24 residual | YoY (%) |
|--------------------|------------------|------------------|-------------|------------------|------------------|-----------|
| Dom. Motorcycles | 4,04,927 | 5,84,784 | 44 | 5,05,449 | 6,20,872 | 23 |
| Economy | 1,03,773 | 1,09,618 | 6 | 93,541 | 1,11,641 | 19 |
| Executive | 1,40,119 | 2,91,223 | 108 | 2,19,522 | 2,83,853 | 29 |
| Premium | 1,61,035 | 1,83,943 | 14 | 1,92,386 | 2,25,378 | 17 |
| Dom. Scooters | 6,57,703 | 7,06,130 | 7 | 5,88,290 | 8,53,461 | 45 |
| Dom. Mopeds | 2,27,620 | 2,22,907 | (2) | 2,13,947 | 2,18,660 | 2 |
| Dom. 2Ws | 12,90,250 | 15,13,821 | 17 | 13,07,686 | 16,92,993 | 29 |
| Export 2Ws | 5,47,471 | 4,36,033 | (20) | 3,67,547 | 6,07,088 | 65 |
| Total 2Ws | 18,37,721 | 19,49,854 | 6 | 16,75,233 | 23,00,081 | 37 |
| Dom. 3Ws | 7,739 | 9,365 | 21 | 8,336 | 9,121 | 9 |
| Export 3Ws | 88,768 | 68,403 | (23) | 64,271 | 1,04,531 | 63 |
| Total 3Ws | 96,507 | 77,768 | (19) | 72,607 | 1,13,652 | 57 |
| Grand total | 19,34,228 | 20,27,622 | 5 | 17,47,840 | 24,13,733 | 38 |

Source: Company, Emkay Research

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Exhibit 23: We raise our FY24E/FY25E/FY26E EPS by ~3.4%/~8.9%/~7.2%

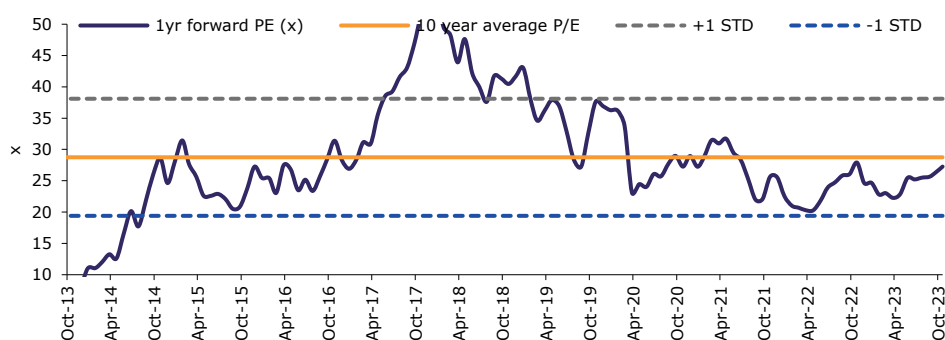
| (Rs mn) | FY24E | | | | FY25E | | | | FY26E | | | |
|----------------|-----------|-----------|------------|---------|-----------|-----------|------------|---------|-----------|-----------|------------|---------|
| | Earlier | Revised | Change (%) | YoY (%) | Earlier | Revised | Change (%) | YoY (%) | Earlier | Revised | Change (%) | YoY (%) |
| Dom. 2Ws | 30,98,546 | 32,06,814 | 3.5 | 23.4 | 34,99,066 | 36,32,249 | 3.8 | 13.3 | 39,67,918 | 40,49,303 | 2.1 | 11.5 |
| Dom. 3Ws | 18,486 | 18,486 | 0.0 | 15.0 | 19,411 | 19,411 | (0.0) | 5.0 | 20,381 | 20,381 | 0.0 | 5.0 |
| Total Domestic | 31,17,032 | 32,25,300 | 3.5 | 23.4 | 35,18,476 | 36,51,660 | 3.8 | 13.2 | 39,88,299 | 40,69,684 | 2.0 | 11.4 |
| Export 2W | 10,43,121 | 10,43,121 | (0.0) | 14.0 | 12,20,451 | 12,20,451 | 0.0 | 17.0 | 13,60,803 | 13,60,803 | (0.0) | 11.5 |
| Export 3W | 1,72,934 | 1,72,934 | 0.0 | 13.0 | 1,93,686 | 1,93,686 | 0.0 | 12.0 | 2,13,055 | 2,13,055 | (0.0) | 10.0 |
| Total Exports | 12,16,055 | 12,16,055 | (0.0) | 13.9 | 14,14,137 | 14,14,137 | 0.0 | 16.3 | 15,73,858 | 15,73,858 | (0.0) | 11.3 |
| Total Volumes | 43,33,087 | 44,41,355 | 2.5 | 20.6 | 49,32,614 | 50,65,797 | 2.7 | 14.1 | 55,62,157 | 56,43,542 | 1.5 | 11.4 |
| Sales | 3,31,945 | 3,40,467 | 2.6 | 29.1 | 3,87,323 | 3,98,404 | 2.9 | 17.0 | 4,47,993 | 4,56,861 | 2.0 | 14.7 |
| EBITDA | 37,752 | 38,780 | 2.7 | 45.0 | 46,182 | 49,983 | 8.2 | 28.9 | 55,168 | 59,154 | 7.2 | 18.3 |
| Margin (%) | 11.4 | 11.4 | 2 bps | 125 bps | 11.9 | 12.5 | 62 bps | 116 bps | 12.3 | 12.9 | 63 bps | 40 bps |
| Net Profit | 22,486 | 23,243 | 3.4 | 55.9 | 28,667 | 31,218 | 8.9 | 34.3 | 34,929 | 37,442 | 7.2 | 19.9 |
| EPS (Rs) | 47.3 | 48.9 | 3.4 | 55.9 | 60.3 | 65.7 | 8.9 | 34.3 | 73.5 | 78.8 | 7.2 | 19.9 |

Source: Emkay Research

Exhibit 24: Emkay vs. Consensus estimates

| TVSL | Emkay Estimates | | | Bloomberg Estimates | | | Difference (%) | | |
|-------------------|-----------------|----------|----------|---------------------|----------|----------|----------------|-------|-------|
| | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| Net revenue | 3,40,467 | 3,98,404 | 4,56,861 | 3,10,282 | 3,54,789 | 3,98,930 | 9.7% | 12.3% | 14.5% |
| EBITDA | 38,780 | 49,983 | 59,154 | 34,005 | 40,875 | 47,077 | 14.0% | 22.3% | 25.7% |
| EBITDA margin (%) | 11.4 | 12.5 | 12.9 | 11.0 | 11.5 | 11.8 | | | |
| EPS (Rs) | 49 | 66 | 79 | 41 | 52 | 61 | 17.9% | 26.7% | 30.0% |

Source: Bloomberg, Emkay Research

Exhibit 25: TVSL's forward PER in-line with LTA

Source: Bloomberg, Emkay Research

TVS Motor : Standalone Financials and Valuations

| Profit & Loss | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Revenue | 2,07,905 | 2,63,781 | 3,40,467 | 3,98,404 | 4,56,861 |
| Revenue growth (%) | 24.1 | 26.9 | 29.1 | 17.0 | 14.7 |
| EBITDA | 19,617 | 26,747 | 38,780 | 49,983 | 59,154 |
| EBITDA growth (%) | 37.3 | 36.3 | 45.0 | 28.9 | 18.3 |
| Depreciation & Amortization | 6,114 | 6,312 | 7,025 | 8,118 | 9,164 |
| EBIT | 13,503 | 20,435 | 31,755 | 41,865 | 49,990 |
| EBIT growth (%) | 44.4 | 51.3 | 55.4 | 31.8 | 19.4 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Other income | 190 | 1,006 | 1,212 | 1,084 | 1,133 |
| Financial expense | 1,259 | 1,407 | 1,737 | 1,004 | 816 |
| PBT | 12,434 | 20,034 | 31,230 | 41,946 | 50,308 |
| Extraordinary items | (302) | 0 | 0 | 0 | 0 |
| Taxes | 3,197 | 5,123 | 7,987 | 10,727 | 12,866 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 8,936 | 14,910 | 23,243 | 31,218 | 37,442 |
| PAT growth (%) | 46.0 | 66.9 | 55.9 | 34.3 | 19.9 |
| Adjusted PAT | 9,237 | 14,910 | 23,243 | 31,218 | 37,442 |
| Diluted EPS (Rs) | 19.4 | 31.4 | 48.9 | 65.7 | 78.8 |
| Diluted EPS growth (%) | 46.0 | 66.9 | 55.9 | 34.3 | 19.9 |
| DPS (Rs) | 3.8 | 5.0 | 9.8 | 19.7 | 27.6 |
| Dividend payout (%) | 19.9 | 15.9 | 20.0 | 30.0 | 35.0 |
| EBITDA margin (%) | 9.4 | 10.1 | 11.4 | 12.5 | 12.9 |
| EBIT margin (%) | 6.5 | 7.7 | 9.3 | 10.5 | 10.9 |
| Effective tax rate (%) | 25.7 | 25.6 | 25.6 | 25.6 | 25.6 |
| NOPLAT (pre-IndAS) | 10,032 | 15,209 | 23,634 | 31,159 | 37,206 |
| Shares outstanding (mn) | 475.1 | 475.1 | 475.1 | 475.1 | 475.1 |

Source: Company, Emkay Research

| Cash flows | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| PBT | 12,434 | 20,034 | 31,230 | 41,946 | 50,308 |
| Others (non-cash items) | 6,905 | 13,591 | 7,151 | 4,826 | 6,630 |
| Taxes paid | (3,100) | (4,826) | (7,851) | (10,545) | (12,648) |
| Change in NWC | (962) | (8,870) | 4,458 | (4,285) | (2,397) |
| Operating cash flow | 14,976 | 19,929 | 34,988 | 31,941 | 41,894 |
| Capital expenditure | (7,279) | (9,847) | (7,653) | (10,000) | (10,000) |
| Acquisition of business | (14,240) | (13,222) | (9,000) | (13,000) | (13,000) |
| Interest & dividend income | 109 | 0 | 0 | 0 | 0 |
| Investing cash flow | (21,410) | (23,118) | (16,653) | (23,000) | (23,000) |
| Equity raised/(repaid) | 0 | 0 | 0 | 0 | 0 |
| Debt raised/(repaid) | 4,813 | 7,226 | (14,899) | (2,768) | (1,766) |
| Payment of lease liabilities | (546) | 0 | 0 | 0 | 0 |
| Interest paid | (1,231) | (1,407) | (1,737) | (1,004) | (816) |
| Dividend paid (incl tax) | (1,904) | (2,376) | (4,649) | (9,366) | (13,105) |
| Others | (529) | (1,848) | 2,273 | 4,717 | 3,739 |
| Financing cash flow | 1,150 | 1,596 | (19,011) | (8,421) | (11,947) |
| Net chg in Cash | (5,285) | (1,593) | (676) | 521 | 6,946 |
| OCF | 14,976 | 19,929 | 34,988 | 31,941 | 41,894 |
| Adj. OCF (w/o NWC chg.) | 15,937 | 28,799 | 30,530 | 36,226 | 44,291 |
| FCFF | 7,697 | 10,081 | 27,335 | 21,941 | 31,894 |
| FCFE | 6,547 | 8,675 | 25,598 | 20,938 | 31,078 |
| OCF/EBITDA (%) | 76.3 | 74.5 | 90.2 | 63.9 | 70.8 |
| FCFE/PAT (%) | 73.3 | 58.2 | 110.1 | 67.1 | 83.0 |
| FCFF/NOPLAT (%) | 76.7 | 66.3 | 115.7 | 70.4 | 85.7 |

Source: Company, Emkay Research

| Balance Sheet | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Share capital | 475 | 475 | 475 | 475 | 475 |
| Reserves & Surplus | 47,745 | 60,003 | 78,598 | 1,00,451 | 1,24,789 |
| Net worth | 48,220 | 60,479 | 79,073 | 1,00,926 | 1,25,264 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Deferred tax liability (net) | 1,979 | 1,982 | 2,117 | 2,299 | 2,518 |
| Total debt | 19,040 | 28,376 | 13,477 | 10,709 | 8,943 |
| Total liabilities & equity | 69,239 | 90,837 | 94,668 | 1,13,935 | 1,36,724 |
| Net tangible fixed assets | 26,008 | 28,901 | 33,806 | 35,688 | 36,524 |
| Net intangible assets | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 |
| Net ROU assets | 3,390 | 3,390 | 3,390 | 3,390 | 3,390 |
| Capital WIP | 4,245 | 6,277 | 2,000 | 2,000 | 2,000 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Investments [JV/Associates] | 45,858 | 54,920 | 63,920 | 70,920 | 77,920 |
| Cash & equivalents | 5,315 | 4,339 | 3,663 | 10,183 | 23,130 |
| Current assets (ex-cash) | 30,539 | 38,429 | 49,300 | 60,964 | 72,412 |
| Current Liab. & Prov. | 49,784 | 49,087 | 65,078 | 72,878 | 82,320 |
| NWC (ex-cash) | (19,245) | (10,658) | (15,778) | (11,914) | (9,907) |
| Total assets | 69,239 | 90,837 | 94,668 | 1,13,935 | 1,36,724 |
| Net debt | 13,725 | 24,037 | 9,815 | 526 | (14,187) |
| Capital employed | 69,239 | 90,837 | 94,668 | 1,13,935 | 1,36,724 |
| Invested capital | 13,822 | 25,301 | 25,086 | 30,832 | 33,675 |
| BVPS (Rs) | 101.5 | 127.3 | 166.4 | 212.4 | 263.7 |
| Net Debt/Equity (x) | 0.3 | 0.4 | 0.1 | 0.0 | (0.1) |
| Net Debt/EBITDA (x) | 0.7 | 0.9 | 0.3 | 0.0 | (0.2) |
| Interest coverage (x) | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| RoCE (%) | 16.5 | 20.1 | 26.7 | 30.9 | 30.6 |

Source: Company, Emkay Research

| Valuations and key Ratios | | | | | |
|---------------------------|---------------|---------------|---------------|---------------|--------------|
| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
| P/E (x) | 81.9 | 50.7 | 32.5 | 24.2 | 20.2 |
| P/CE (x) | 49.3 | 35.6 | 25.0 | 19.2 | 16.2 |
| P/B (x) | 15.7 | 12.5 | 9.6 | 7.5 | 6.0 |
| EV/Sales (x) | 3.7 | 3.0 | 2.3 | 1.9 | 1.6 |
| EV/EBITDA (x) | 39.3 | 29.2 | 19.8 | 15.1 | 12.5 |
| EV/EBIT(x) | 57.0 | 38.2 | 24.1 | 18.1 | 14.8 |
| EV/IC (x) | 55.7 | 30.8 | 30.5 | 24.5 | 22.0 |
| FCFF yield (%) | 1.0 | 1.3 | 3.6 | 2.9 | 4.3 |
| FCFE yield (%) | 0.9 | 1.1 | 3.4 | 2.8 | 4.1 |
| Dividend yield (%) | 0.2 | 0.3 | 0.6 | 1.2 | 1.7 |
| DuPont-RoE split | | | | | |
| Net profit margin (%) | 4.4 | 5.7 | 6.8 | 7.8 | 8.2 |
| Total asset turnover (x) | 3.3 | 3.3 | 3.7 | 3.8 | 3.6 |
| Assets/Equity (x) | 1.4 | 1.5 | 1.3 | 1.2 | 1.1 |
| RoE (%) | 20.5 | 27.4 | 33.3 | 34.7 | 33.1 |
| DuPont-RoIC | | | | | |
| NOPLAT margin (%) | 4.8 | 5.8 | 6.9 | 7.8 | 8.1 |
| IC turnover (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RoIC (%) | 83.5 | 77.7 | 93.8 | 111.4 | 115.4 |
| Operating metrics | | | | | |
| Core NWC days | (33.8) | (14.7) | (16.9) | (10.9) | (7.9) |
| Total NWC days | (33.8) | (14.7) | (16.9) | (10.9) | (7.9) |
| Fixed asset turnover | 3.1 | 3.5 | 4.0 | 4.1 | 4.3 |
| Opex-to-revenue (%) | 14.5 | 14.1 | 14.1 | 13.8 | 13.5 |

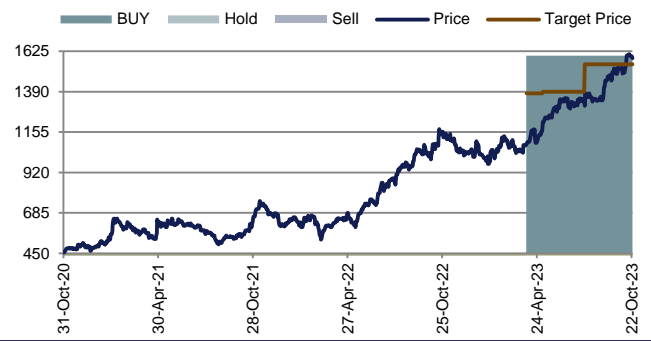
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | CMP (INR) | TP (INR) | Rating | Analyst |
|-----------|-----------|----------|--------|-------------|
| 24-Jul-23 | 1,307 | 1,550 | Buy | Chirag Jain |
| 05-May-23 | 1,215 | 1,390 | Buy | Chirag Jain |
| 04-Apr-23 | 1,085 | 1,380 | Buy | Chirag Jain |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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| Ratings | Expected Return within the next 12-18 months. |
|-------------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

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