

Retail Equity Research
TVS Motor Company Ltd.
Automobile - 2/3 Wheelers

BUY

12 Months Investment Period Rating as per Large cap
CMP Rs. 2,062 TARGET Rs. 2,265 RETURN 10% ↑
(Closing: 09-05-24)

BSE CODE : 532343 NSE CODE: TVSMOTOR
BLOOMBERG CODE: TVSL : IN SENSEX : 72,404

KEY CHANGES: TARGET ↓ RATING ↔ EARNINGS ↑

Favourable 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.

- Q4FY24 revenue grew by 24% YoY on the back of strong volume growth, superior product mix and better realization .
- The margin came in line with our estimate, up 105bps, supported by softening raw material prices and cost control initiatives.
- TVS continued to outperform its peers in Q4 and gained market share. To strengthen its 2W electric sales, TVS has lined up several models for FY24 and plans to sell 25,000 units per month.
- We anticipate a gradual recovery in domestic demand, driven by an improved sentiment in the rural market and the expansion of exports, particularly for premium vehicles and electric vehicles.
- We value TVS on a SOTP basis, and standalone business at 30x FY26E EPS and TVS Credit Services at 1x BV to arrive at a target price of Rs. 2,265/share and recommend Buy rating at CMP.

Margin resilience due to favourable mix.

Q4FY24 revenue grew by 24% YoY (largely in line with our estimate) on the back of a superior product mix and reduction in the input cost. Despite industry volume growth of 18.7%, TVS outperformed industry growth by 9%. TVS continued to outperform its competitors in the first quarter, increasing its market share in motorcycles by 50 basis points to a record 13.7% while maintaining its market share in scooters at 25%. This was largely driven by the growth in urban commuters and the strong product mix in the 125cc category. New products like Raider and iQube (EV) were well accepted by the customers. News Brands like Ronin & Radeon and existing brands like Apache Jupiter & N-Troq continue to witness strong brand visibility among consumers. However, entry-level demand is still struggling, and the income level has not increased commensurate with the cost escalation in the vehicle cost. EBITDA margin came in line with our estimate, supported by softening raw material prices and cost control initiatives. PAT grew by 18% YoY adjusting fair valuation loss of rs.47cr in other income.

Ramp up in the electric vehicle portfolio.

Despite the cut in FAME subsidy, management is confident of hitting a run rate of 25,000 units per month for the EV-2W. The company sold 48,000 units of electric vehicles in Q3. It also highlighted the need to expand the dealer network from 400 to 800 by year-end. Currently, 10% of the volume comes from EVs. To strengthen electric mobility, the company is planning to launch a few more new products covering 5KW to 25KW on the EV platform by in FY25. Furthermore, it entered the European market with a strategic partnership with Emil Frey, thereby investing in products, technology, and marketing to build brands.

Key concall highlights.

Key takeaways from the earnings call: 1) TVS is in the advanced stage of the PLI approval process and confidence in future achievements. EBITDA for the year improved by 100bps at 11.1 percent over the last year. PBT for year ended March 2024 grew by 39 percent at Rs 2,781 crore. 2) Export and spare part revenue stands at Rs2,038cr and Rs815cr. 3) The average selling price of the vehicle is 1.1%YoY. 4) The company sees rural demand coming back to normalcy, supported by normal monsoon and 5) The book size of TVS Credit Services stood at ~Rs25,900cr, till March6) 2W-EV-iQube unit sales stand at 20,000/m and are available across 400 touch points, with 30,000 units booked in hand. 6)the overall 2 & 3W sales of TVS Motor Company, grew by 14% at 41.91 Lakh units as on FY24.

Valuations.

Despite potential competition company 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. We value TVSM's standalone business at 30x FY26E EPS (Rs2,184/share) and TVS Credit Services at 1x BV (Rs.81/share, (15% holding dis.)) to arrive at a target price of Rs.2,265/ share and reiterate our Buy rating at CMP.

Company Data

Market Cap (Rs.cr)	94,858
Enterprise Value (Rs.cr)	1,17,531
Outstanding Shares (cr)	47.5
Free Float	49%
Dividend Yield	0.6%
52 week high Rs.	2,314
52 week low Rs.	1215
6m average volume (cr)	0.10
Beta	0.9
Face value Rs.	1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	50.3	50.3	50.27
FII's	18.51	19.3	20.83
MFs/Insti	23.04	21.8	20.2
Public	8.18	8.7	8.7
Total	100.0	100.0	100.0
Promotor pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.8%	22.3%	62.3%
Absolute Sensex	2.9%	13.2%	19.0%
Relative Return*	-4.7%	9.2%	43.4%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	31,776	37,550	43,658
Growth (%)	20.5	18.2	16.3
EBITDA	3,514	4,450	5,261
EBITDA Margin (%)	11.1	11.9	12.1
Adj. PAT	2,083	2,785	3,457
Growth (%)	39.7	33.7	24.1
Adj. EPS	43.9	58.6	72.8
Growth (%)	39.7	33.7	24.1
P/E	45.5	34.1	27.4
P/B	11.8	8.9	6.8
EV/EBITDA	27.5	21.7	18.4
ROE (%)	29.4	29.9	28.3
D/E	0.2	0.2	0.1

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Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs cr.	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth %
Sales	8,169	6,605	23.7	8,245	-0.9	31,776	26,378	20.5
EBITDA	926	680	36.3	924	0.2	3,514	2,675	31.4
EBITDA margins (%)	11.3	10.3	105bps	11.2	13bps	11.1	10.1	92bps
Depreciation	189	167	12.7	178	6.0	700	631	11
EBIT	738	512	44.0	746	-1.2	2,814	2,043	38
Interest	37	36	2.6	45	-16.8	182	141	29
Other Income	-29	71	-140.7	73	-139.1	149	101	48
Exceptional Items	0	0	0.0	0	0.0	0	0	0
PBT	672	547	22.9	775	-13.3	2,781	2,003	39
Tax	186	136	36.6	182	2.5	698	512	36
Share of profit from associates	0	0	0.0	0	0.0	0	0	0
Minority interest	0	0	0.0	0	0.0	0	0	0
Reported PAT	485	410	18.3	593	-18.2	2,083	1,491	40
Adjustments	0	0	0.0	0	0.0	0	0	0
Adj PAT	485	410	18.3	593	-18.2	2,083	1,491	40
No. of Shares	48	48	0	48	0	48	48	0
Adj EPS (Rs)	10.2	8.6	18.3	12.5	-18.2	43.8	31.4	39.7

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	37,707	41,858	37,550	43,658	-0.4	4.3
EBITDA	4,167	4,914	4,450	5,261	6.8	7.1
Margins (%)	11.1	11.7	11.9	12.1	80bps	31bps
Adj. PAT	2,714	3,357	2,785	3,457	2.6	3.0
EPS	57.1	70.7	58.6	72.8	2.6	3.0

Sum of the parts (SOTP) valuation

Particulars	Basis	Multiple	Year	Value (Rs cr)	Value/share (Rs)
TVS Motor Ltd (Standalone)	P/E	30x	FY26E	Rs. 72.8 (EPS)	Rs.2,184
TVS Credit Services Ltd	P/BV	1x	FY26E	Rs.96(BV/Share)	Rs.81(15% Holding discount.)
Target Price					Rs.2,265

Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	20,791	26,378	31,776	37,550	43,658
% change	24.1	26.9	20.5	18.2	16.3
EBITDA	1,962	2,675	3,514	4,450	5,261
% change	37.3	36.3	31.4	26.6	18.2
Depreciation	611	631	700	710	650
EBIT	1,350	2,043	2,814	3,740	4,611
Interest	126	141	182	194	194
Other Income	19	101	149	188	218
PBT	1,213	2,003	2,781	3,733	4,635
% change	46.8	65.1	38.8	34.3	24.1
Tax	320	512	698	948	1,177
Tax Rate (%)	0.3	0.3	0.3	0.3	0.3
Reported PAT	894	1,491	2,083	2,785	3,457
Adj	0.0	0.0	0.0	0.0	0.0
Adj PAT	894	1,491	2,083	2,785	3,457
% change	46.0	66.9	39.7	33.7	24.1
No. of shares (cr)	48	48	48	48	48
Adj EPS (Rs.)	18.8	31.4	43.9	58.6	72.8
% change	46.0	66.9	39.7	33.7	24.1
DPS (Rs.)	3.5	3.5	3.5	3.5	3.5
CEPS (Rs.)	32	45	59	74	86

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	1,825	2,635	3,481	4,443	5,285
Non-cash adj.	-300	-504	-702	-933	-1159
Changes in W.C	135	-2	89	198	117
C.F. Operation	1,660	2,129	2,868	3,708	4,243
Capital exp.	-817	-940	-632	-760	-760
Change in inv.	-350	-1,000	-1,350	-1,350	-1,350
Other invest.CF	-40	-40	-40	-40	-40
C.F - Investment	-1,207	-1,980	-2,022	-2,150	-2,150
Issue of equity	0	0	0	0	0
Issue/repay debt	50	50	50	50	50
Dividends paid	-200	-200	-200	-200	-200
Other finance.CF	0	0	0	0	0
C.F - Finance	-150	-150	-150	-150	-150
Chg. in cash	303	-2	695	1,408	1,943
Closing cash	852	851	1546	2953	4897

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	852	851	1,546	2,953	4,897
Accounts Receivable	1,615	2,168	2,612	2,881	3,349
Inventories	1,367	1,734	2,089	2,469	2,871
Other Cur. Assets	854	1,084	1,306	1,543	1,794
Investments	3,151	4,151	5,501	6,851	8,201
Gross Fixed Assets	6,966	7,878	8,628	9,378	10,128
Net Fixed Assets	2,940	3,260	3,349	3,428	3,567
CWIP	246	274	157	167	177
Intangible Assets	4	5	6	7	8
Def. Tax (Net)	-185	-194	-190	-205	-223
Other Assets	0	0	0	0	0
Total Assets	10,844	13,333	16,375	20,094	24,640
Current Liabilities	684	867	1,045	1,235	1,435
Provisions	171	217	261	309	359
Debt Funds	1,722	1,772	1,822	1,872	1,922
Other Liabilities	0	0	0	0	0
Equity Capital	48	48	48	48	48
Reserves & Surplus	4,803	6,094	7,977	10,562	13,819
Shareholder's Fund	4,850	6,141	8,024	10,609	13,867
Total Liabilities	10,844	13,333	16,375	20,094	24,640
BVPS (Rs.)	102	129	169	223	292

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	9.4	10.1	11.1	11.9	12.1
EBIT margin (%)	6.5	7.7	8.9	10.0	10.6
Net profit mgn.(%)	4.3	5.7	6.6	7.4	7.9
ROE (%)	19.8	27.1	29.4	29.9	28.3
ROCE (%)	12.4	16.9	19.1	20.0	19.4
W.C & Liquidity					
Receivables (days)	25.6	26.2	27.5	26.7	26.0
Inventory (days)	29.1	28.3	29.8	30.3	30.6
Payables (days)	14.2	14.2	14.9	15.1	15.3
Current ratio (x)	6.1	6.0	6.4	7.1	8.0
Quick ratio (x)	3.6	3.5	4.0	4.7	5.7
Turnover & Leverage					
Gross asset T.O (x)	3.1	3.6	3.9	4.2	4.5
Total asset T.O (x)	2.1	2.2	2.1	2.1	2.0
Int. coverage ratio (x)	10.7	14.5	15.5	19.2	23.7
Adj. debt/equity (x)	0.4	0.3	0.2	0.2	0.1
Valuation					
EV/Sales (x)	4.6	3.7	3.0	2.6	2.2
EV/EBITDA (x)	49.2	36.1	27.5	21.7	18.4
P/E (x)	106.2	63.6	45.5	34.1	27.4
P/BV (x)	19.6	15.5	11.8	8.9	6.8

Recommendation summary (Last 3 Years)



Dates	Rating	Target
30.04.2021	Buy	726
01-09-2021	Buy	610
22-10-2021	Buy	669
17.02.2022	Accumulate	736
29.07.2022	Accumulate	964
10.11.2022	Sell	1,029
27.01.2023	Accumulate	1,149
11.05.2023	Hold	1363
24.08.2023	Hold	1,485
05.02.2024	Buy	2,272
10.05.2024	Buy	2,265

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

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

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