

**CMP: INR 1,157**

**Rating: Hold**

**Target Price: INR 1,223**

**Stock Info**

BSE	509243
NSE	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
Sector	Auto -2&3 Wheelers
Face Value (INR)	1
Equity Capital (INR mn)	468
Mkt Cap (INR mn)	55578.07
52w H/L (INR)	1,184/589
Avg Yearly Vol (in 000')	1,736

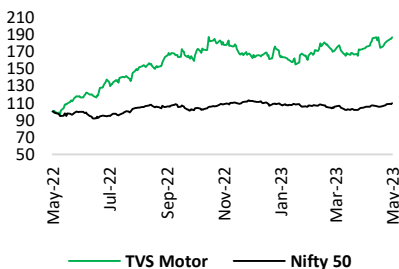
**Shareholding Pattern %**

(As on Mar, 2023)

Promoters	50.27
Public & Others	49.73

Stock Performance (%)	1m	3m	12m
TVS Motors	7.7	12.8	86.3
Nifty 50	4.9	2.2	9.4

**TVS Motors Vs Nifty**



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**TVS Motor Company has reported revenue in-line our estimates led by core product growth:** Standalone revenue stood at INR 66,048 Mn, against our estimate of INR 66,150 Mn registering 28.5% YoY/+20.1% QoQ. The company registered a de-growth of 6.4% YoY/ -1.3% QoQ to total two-wheeler sales of 868,417 Lakh units in the Q4FY23 as against 927,539 Lakh units in the Q4FY22. EV registered sales of 0.43 Lakh units in the quarter ended March 2023 as against 0.06 Lakh units during the quarter ended March 2022 and 0.29 Lakh units during quarter ended December 2022. Cumulative EV sales crossed more than one lakh units.

**Margin maintained due to premium product mix:** EBITDA stood at INR 6,798 Mn, against our estimate of INR 6,390Mn, Registering a growth of 30.9%YoY/22.9%QoQ. On the margins front, EBITDA margin up by bps 22bps QoQ/22bps YoY to 10.29 %, against our estimate of 9.66%. Q4FY23 margins improved due to the combination of price increase of 0.5%, commodity cost benefit of 0.9%, offset by a poor mix (exports, 3Ws contributed less & EV sales increased).

**TVSL will continue to increase its market share in the future:**The company has been performing well in the domestic industry, particularly in the scooters segment and executive/premium motorcycles segment. The company has been able to increase its market share from 14.2% in FY18 to 16.2% in FY23 YTD, indicating a positive trend.TVSL's success can be attributed to its multiple launches of new products such as Jupiter, Zest, Ntorq, iQube, Radeon, and Raider, which have helped to support its volumes and gain market share in these segments. Overall, it seems that TVSL's strategy of introducing new and innovative products has been successful in helping the company to outpace the industry and increase its market share.

**Outlook and valuation**

TVS Motor has reported a mixed set of numbers in Q4FY23. The company is entering a new phase and introducing new product variants, as well as expanding into international markets. They aim to outperform both the domestic and international industries through these strategies. The profitability of the EV segment will depend on factors such as volume, premium migration, exports, and cost reduction. The company is focused on growing its EBITDA and EV product line. However, they face some challenges in the near term such as weak export demand and low sales in the 100-110 cc segment. **We value TVS Motors' standalone business at an FY25E PE of 25x to its EPS estimate of INR 45 for FY25 and TVS credit services at 2.5x its BV (INR 87.2/ share), which yields a revised target price of INR 1,223 per share (Earlier target price: INR 1,122 per share). We downgrade our rating to a Hold from an Accumulate earlier.**

**Exhibit 1: Financial Performance**

YE	March Net Sales (INR Mn)	EBITDA	PATEPS (INR)	EBITDA Margin %	RoCE (%)	P/E (x)
<b>FY22</b>	207,905	19,617	8,936	18.8	9.4	23.8
<b>FY23</b>	263,781	26,747	14,910	31.4	10.1	24.7
<b>FY24E</b>	291,041	32,413	18,820	39.6	11.1	26.5
<b>FY25E</b>	328,637	37,076	21,592	45.4	11.3	24.5

Source: Arihant Research, Company Filings

**Exhibit 2: Quarterly result summary**

INR mn	4QFY23	3QFY23	4QFY22	YoY (%)	QoQ (%)
<b>Net Sales</b>	<b>66,048</b>	<b>65,454</b>	<b>55,303</b>	<b>19.4</b>	<b>0.9</b>
- Consumption of Raw Material	49,797	49,429	42,115	18.2	0.7
(% of Net Sales)	75.4	75.5	76.2	-76bps	-12bps
- Staff Expenditure	3,377	3,409	2,841	18.9	(0.9)
(% of Net Sales)	5.1	5.2	5.1	-2bps	-9bps
- Other Expenditure	6,076	6,027	4,780	27.1	0.8
(% of Net Sales)	9.2	9.2	8.6	56bps	-1bps
Total Expenditure	59,250	58,865	49,735	19.1	0.7
<b>EBITDA</b>	<b>6,798</b>	<b>6,589</b>	<b>5,568</b>	<b>22.1</b>	<b>3.2</b>
<b>EBITDA Margin (%)</b>	<b>10.29</b>	<b>10.07</b>	<b>10.07</b>	<b>22bps</b>	<b>22bps</b>
Depreciation	1,674	1,583	1,593	5.1	5.7
<b>EBIT</b>	<b>5,124</b>	<b>5,006</b>	<b>3,975</b>	<b>28.9</b>	<b>2.4</b>
<b>EBIT Margin (%)</b>	<b>7.76</b>	<b>7.65</b>	<b>7.19</b>	<b>57bps</b>	<b>11bps</b>
Interest	363	316	330	9.9	14.7
Other income	705	65	82	761.9	986.3
PBT	5,466	4,755	3,727	46.7	15.0
Tax	1,364	1,227	982	38.9	11.1
Tax Rate (%)	25%	26%	26%	(5.3)	(3.4)
<b>Adjusted PAT</b>	<b>4,103</b>	<b>3,528</b>	<b>2,745</b>	<b>49.5</b>	<b>16.3</b>
Exceptional Item	-	-	-		
<b>Reported PAT</b>	<b>4,102.7</b>	<b>3,527.5</b>	<b>2,745.0</b>	<b>49.5</b>	<b>16.3</b>
EPS (INR)	8.6	7.4	5.8	49.5	16.4
<b>Total Volumes (In Nos)</b>	<b>868,417</b>	<b>879,423</b>	<b>927,539</b>	<b>(6.4)</b>	<b>(1.3)</b>
<b>Net Realisation (INR)</b>	<b>76,055</b>	<b>74,429</b>	<b>59,623</b>	<b>27.6</b>	<b>2.2</b>
EBITDA / Vehicle (INR)	7,828	7,493	6,003	30.4	4.5

Source: Arianth Research, Company Filings

**Volumes**

Volumes (In Nos)	4QFY23	3QFY23	4QFY22	YoY (%)	QoQ (%)
Motorcycles	388,535	434,279	441,405	(12.0)	(10.5)
Scooters	340,179	295,635	261,943	29.9	15.1
Mopeds	79,695	76,794	111,334	(28.4)	3.8
<b>Total 2W</b>	<b>808,409</b>	<b>287,058</b>	<b>814,682</b>	<b>(0.8)</b>	<b>181.6</b>
3Ws	29,122	43,485	41,774	(30.3)	(33.0)
<b>Total Volumes</b>	<b>868,417</b>	<b>879,423</b>	<b>856,456</b>	<b>1.4</b>	<b>(1.3)</b>
<b>Exports</b>	<b>185,466</b>	<b>246,352</b>	<b>315,156</b>	<b>(41.2)</b>	<b>(24.7)</b>

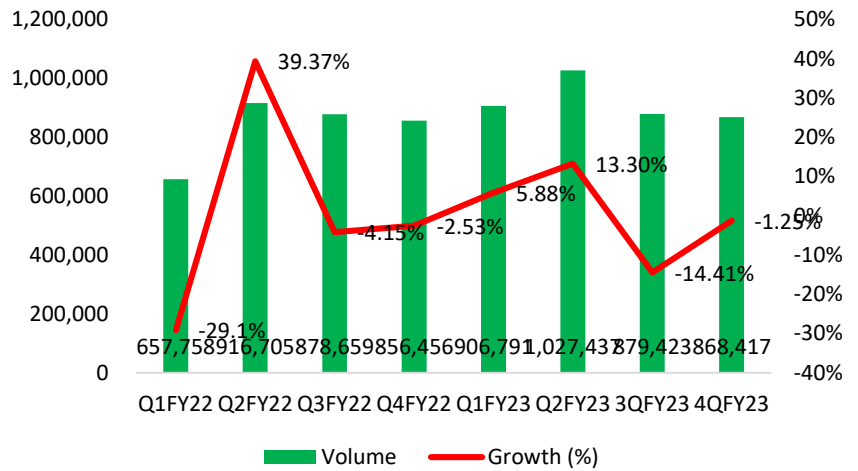
Mix (%)	4QFY23	3QFY23	4QFY22	QoQ (bps)	YoY(bps)
Motorcycles	44.7	49.4	51.5	(464)	(680)
Scooters	39.2	33.6	30.6	556	859
Mopeds	9.2	8.7	13.0	44	(382)
3Ws	3.4	4.9	4.9	(159)	(152)
Exports	21.4	28.0	36.8	(666)	(1,544)

Source: Arianth Research, Company Filings

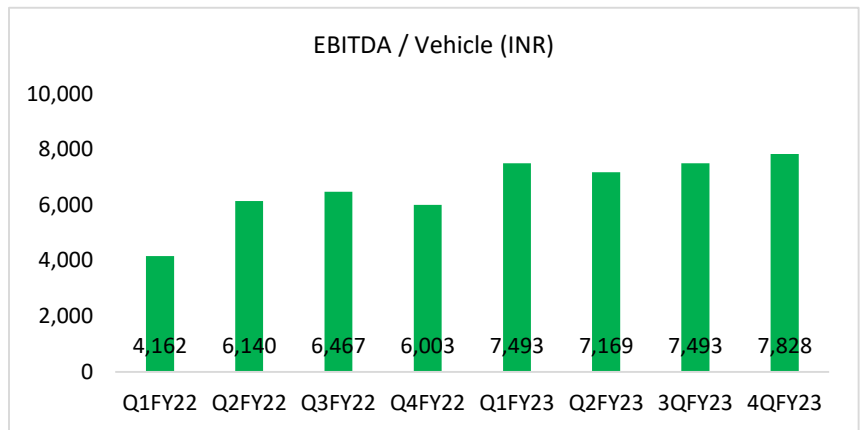
**Q4FY23 Conference-Call highlights**

- **Guidance:** The company to launch EV products more in FY24-FY25, and get into international market with focus on developed country in the coming year, most likely from 2nd Quarter. Many new product launches in 2W and 3W segment. Sharp focus on premium projects and deliver better EBITDA. Going forward the company will have many variants. The company plans for building TVS brand globally.
- **EV:** EV continues to be with parent company and not taken call for making EV into subsidiary.
- **3W:** Three-wheeler sales remained flat with 1.69 Lakh units in the year ended March 2023 as against 1.72 Lakh units in the year ended March 2022. New electric products will be launch in coming year.
- **Customers:** Over 1 lakh EV customers.
- **Iqube:** >30000 booking and speeding up ramp up will see the momentum of better delivery from May.
- **100-110cc motorcycle segment:** Reviewing the segment as sales are low and waiting for the opportunity and will grow in this segment as well.
- **125cc Segment:** Industry is also positive in 125CC market and so is the company. TVS Jupitar growing sequentially.
- Selling about 2.0-2.5K Ronin every month, expect it do well. Raider ramp up is gradually improving every quarter, sold about 30K units in Q4, the demand is ahead of the supply/capacity. Selling 35K units of Jupitar monthly, good headroom to grow.
- **International market:** international market sales declined this quarter as compared to last quarter because of inflation, currency depreciation and currency inadequacy. Plans to expand in middle east. Majority of the international markets will report growth in the 2nd half.
- **Domestic Market:** Radeon needs reviewing and Jupitar 125CC is the major product which is growing. Apache premium in growth momentum.
- **Subsidy and PLI:** Fully compliant with the FAME II subsidies, given chargers to customers as a goodwill gesture. Confident and complying rules. Hoping for positive government intervention and delivering profit for TVS. Expecting the subsidy early.
- **Launches:** The company highlights that the new products will be coming out from superior premium brand category and marking it history for TVS.
- **Industry:** GDP growth to be 5.5%. EV industry to grow on support of government and policies and 2W in industry to grow.
- **Capex plans:** ICE and EV capex to be INR 900-1000 crores and investments to be around INR 700 crores.
- **Inventory:** Most of the inventory correction stage is over.

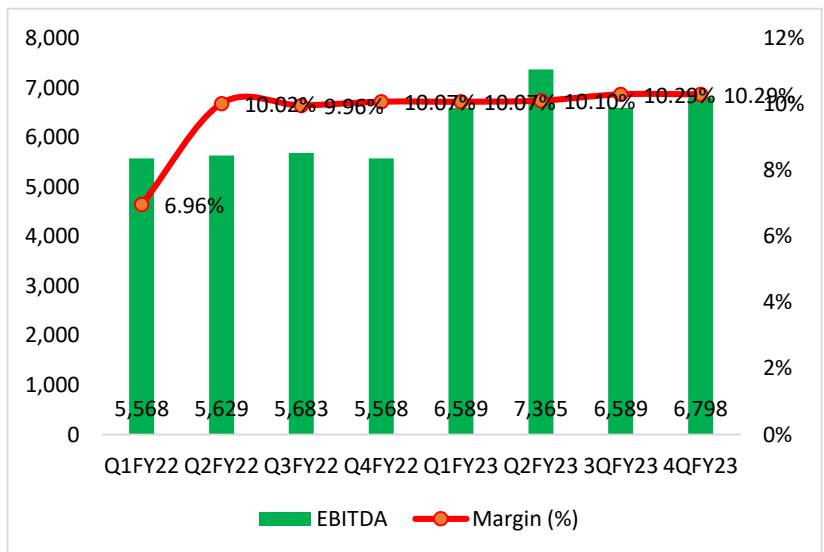
**Exhibit 3: Selling 35K units of Jupiter monthly, good headroom to grow.**



**Exhibit 4: EBITDA / Vehicle (INR)**



**Exhibit 5: Expecting commodity cost soften; sustaining double-digit EBITDA margin**



Source: Arianth Research, Company Filings,

Profit & Loss Statement (Standalone)				
YE: Mar (INR mn)	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>207,905</b>	<b>263,781</b>	<b>291,041</b>	<b>328,637</b>
Growth, %	24	26.9	10.3	12.9
RM expenses	158,082	199,928	212,023	239,084
Employee expenses	11,364	13,451	15,132	17,024
Other expenses	18,842	23,655	31,473	35,454
<b>EBITDA (Core)</b>	<b>19,617</b>	<b>26,747</b>	<b>32,413</b>	<b>37,076</b>
Growth, %	37	36	21	14
Margin, %	9.4	10.1	11.1	11.3
Depreciation	6,114	6,312	6,637	7,387
<b>EBIT</b>	<b>13,503</b>	<b>20,435</b>	<b>25,776</b>	<b>29,689</b>
Growth, %	44	51	26	15
Margin, %	6.5	7.7	8.9	9.0
Interest paid	1,259	1,407	1,616	1,939
Other Income	190	1,006	1,126	1,262
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>12,434</b>	<b>20,034</b>	<b>25,286</b>	<b>29,012</b>
Tax provided	3,197	5,123	6,467	7,419
<b>Profit after tax</b>	<b>9,237</b>	<b>14,910</b>	<b>18,820</b>	<b>21,592</b>
Exceptional Item	301.6	-	-	-
<b>Net Profit</b>	<b>8,936</b>	<b>14,910</b>	<b>18,820</b>	<b>21,592</b>
Growth, %	46	67	26	15
<b>Net Profit (adjusted)</b>	<b>8,935.6</b>	<b>14,910</b>	<b>18,820</b>	<b>21,592</b>

Balance Sheet (Standalone)				
YE: Mar (INR mn)	FY22	FY23	FY24E	FY25E
Cash & bank	4,013	2,420	7,406	23,767
Marketable securities cost	-	-	-	-
Debtors	9,507	9,551	10,538	11,899
Inventory	11,227	12,364	19,615	23,050
Loans & advances	-	-	-	-
Other current assets	7,574	5,323	5,589	5,869
<b>Total current assets</b>	<b>32,320</b>	<b>29,657</b>	<b>43,148</b>	<b>64,584</b>
Investments	40,153	56,839	63,839	70,839
Gross fixed assets	73,973	83,489	93,489	103,489
Less: Depreciation	-38,023	-44,335	-50,972	-58,359
Add: Capital WIP	2,462	2,741	2,741	2,741
<b>Net fixed assets</b>	<b>35,950</b>	<b>39,153</b>	<b>42,517</b>	<b>45,130</b>
<b>Total assets</b>	<b>110,885</b>	<b>128,390</b>	<b>152,245</b>	<b>183,294</b>
Current liabilities	48,176	42,359	44,624	50,389
Provisions	2,458	2,744	3,019	3,320
<b>Total current liabilities</b>	<b>50,634</b>	<b>45,103</b>	<b>47,643</b>	<b>53,709</b>
Non-current liabilities	5,600	6,170	3,079	3,079
<b>Total liabilities</b>	<b>56,234</b>	<b>51,273</b>	<b>50,722</b>	<b>56,788</b>
Paid-up capital	475	475	475	475
Reserves & surplus	47,745	60,003	76,828	96,423
Shareholders' equity	48,220	60,479	77,303	96,898
<b>Total equity &amp; liabilities</b>	<b>110,885</b>	<b>128,390</b>	<b>152,245</b>	<b>183,294</b>

Source: Arihant Research, Company Filings

Cash Flow				
YE: Mar (INR mn)	FY22	FY23	FY24E	FY25E
<b>Pre-tax profit</b>	<b>12,132</b>	<b>20,034</b>	<b>25,286</b>	<b>29,011</b>
Depreciation	6,114	6,312	6,637	7,387
Chg in working capital	776	-4,461	-5,965	991
Total tax paid	-3,000	-5,037	-6,467	-7,419
<b>CFO</b>	<b>17,092</b>	<b>17,249</b>	<b>16,702</b>	<b>30,647</b>
Capital expenditure	-8,337	-9,795	-10,000	-10,000
Chg in marketable securities	0	0	0	0
Chg in investments	-7,000	-16,686	-7,000	-7,000
<b>CFI</b>	<b>-15,147</b>	<b>-25,475</b>	<b>-15,874</b>	<b>-15,738</b>
Free cash flow	8,755	7,455	6,702	20,647
Debt raised/(repaid)	1,316	10,774	4,489	5,387
Dividend (incl. tax)	-2,052	0	-1,995	-1,995
<b>CFF</b>	<b>-1,996</b>	<b>9,368</b>	<b>878</b>	<b>1,452</b>
<b>Net chg in cash</b>	<b>(51)</b>	<b>1,142</b>	<b>1,706</b>	<b>16,361</b>
Opening cash balance	9,298	4,013	2,420	7,406
<b>Closing cash balance</b>	<b>4,013</b>	<b>2,420</b>	<b>7,406</b>	<b>23,767</b>

Ratios				
YE: Mar	FY22	FY23	FY24E	FY25E
EPS (INR)	18.8	31.4	39.6	45.4
PER (x)	61.5	36.9	29.2	25.5
Price/Book (x)	11.4	9.1	7.1	5.7
EV/EBITDA (x)	28.4	21.3	17.6	15.1
EV/Net sales (x)	2.7	2.2	2.0	1.7
RoE (%)	19	25	24	22
RoCE (%)	24	27	27	24
Fixed Asset turnover (x)	2.8	3.2	3.1	3.2
Dividend Yield (%)	0.3	0.0	0.3	0.3
Receivable (days)	14	15	14	14
Inventory (days)	23	21	28	29
Payable (days)	97	72	63	63
Net D/E ratio (x)	0.2	0.3	0.3	0.1

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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