

Below estimates, but better product mix and robust export markets will drive the growth

CMP: INR 562

Rating: Hold

Target Price: INR 598

Stock Info

BSE	532343
NSE	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
Sector	Auto -2&3 Wheelers
Face Value (INR)	1
Equity Capital (INR mn)	475
Mkt Cap (INR mn)	2,66,935
52w H/L (INR)	666/ `384
Avg Yearly Vol (in 000')	3055

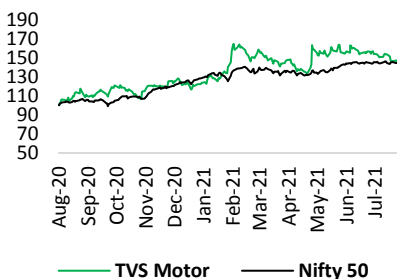
Shareholding Pattern %

(As on June, 2021)

Promoters	52.26
Public & Others	47.74

Stock Performance (%)	3m	6m	12m
TVS Motors	-4.8	7.1	49.3
Nifty	8.0	15.9	42.3

TVS Motors Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

TVS Motor reported a mixed set of numbers for Q1 FY22 where revenue came above our estimates, while EBITDA, PAT came below our estimates. Standalone revenue stood at INR 39,344 Mn, against our estimate of INR 38,211 Mn registering +174.8% YoY/-26.1% QoQ. EBITDA stood at INR 2,738Mn, against our estimate of INR 3,175 Mn, Registering -660.8%YoY/-48.9%QoQ. On the margins front, EBITDA margin up by 1037bps YoY/contracted 311bps QoQ to 7%, against our estimate of 1172bps YoY to 8.3%. The decline in Revenue & EBITDA from the preceding quarter is mainly led by Covid-19 related lockdowns in key markets. Standalone PAT saw an de-growth of 159.9%YoY/71.2% QoQ to INR 833 Mn against our estimate of INR 1,379 Mn. In Q1 FY22, the Company incurred INR. 302 mn towards COVID-19 related expenses and the same is shown as an exceptional item.

Q1 FY22 Conference-Call highlights

- Saw robust volume recovery July as retail sales were close to 4Q levels, expect Q2 to remain strong both in Exports and Domestic market.
- The Company will be investing around INR 10000 mn for the portfolio expansion in near to midterm period.
- The company largely investing in Evs, other emerging technologies and some investment for expanding 2W and 3W portfolio with new launches.
- The company also invested Rs 500m in TVS CS and is expected to invest further Rs 1-1.25b during FY22.
- The management confident of maintain current EBITDA level in the range of 9-10%.
- Capex: The company is expecting to do capex of INR 8000Mn and 3000 mn for Evs in FY22.
- The company is confident about the domestic & international demand coming back to normalcy.
- The export revenue for Q1 FY22 is INR 18300 mn and spare revenue is INR 3690 mn.
- The company took price hike in April of 1.1% and July of 2.4%.
- The company has done strategic investment in TVS credit in range of INR 500 mn and may do further if required and there are no plans to do any investment in Pte Singapore as of now.
- The company is planning series of product launches to be done in 2HFY22
- The company is witnessing higher premiumization levels across all markets.

Outlook and valuation

At CMP of INR 562, TVS Motors is currently trading at FY23 PE of 24.9x to its EPS of INR 22.6. TVS reported mixed set of number for 1QFY21 numbers led by Covid-19 related lockdowns in key markets. We believe sentiments in the rural market is positive due to normal monsoon. While TVS motor has better product mix and strong growth momentum in export markets. Hence, higher raw material price and lower respite in covid cases is matter of concern for the near term. We further appreciate the company's efforts to increase its EV presence and has INR 10bn for investment in the EV focused entity. **We value TVS Motors standalone business at FY23 PE of 25x to its EPS estimate of INR 23.6 for FY23 (INR 565/ per share) and TVS credit services at 1x its BV (INR `33/ share) , which yields a target price of INR 598 on SOTP basis. We assign a Hold rating on the stock.**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	1,82,099	14,333	6,701	14.1	7.9	20.0	39.8
FY20	1,64,233	13,459	5,923	12.5	8.2	16.4	45.0
FY21E	1,67,505	14,286	6,120	12.9	8.5	14.7	43.6
FY22E	1,76,698	14,794	7,149	15.0	8.4	15.3	37.3
FY23E	2,14,299	19,364	10,736	22.6	9.0	19.3	24.9

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Quarterly result summary

INR mn	1QFY22	4QFY21	1QFY21	YoY (%)	QoQ (%)
Net Sales	39,344	53,219	14,317	174.8	(26.1)
- Consumption of Raw Material	29,790	40,098	10,864	174.2	(25.7)
(% of Net Sales)	75.7	75.3	75.9	-16bps	37bps
- Staff Expenditure	2,609	2,681	1,970	32.4	(2.7)
(% of Net Sales)	6.6	5.0	13.8	-713bps	159bps
- Other Expenditure	4,207	5,079	1,972	113.4	(17.2)
(% of Net Sales)	10.7	9.5	13.8	-308bps	115bps
Total Expenditure	36,606	47,858	14,806	147.2	(23.5)
EBITDA	2,738	5,361	-488	(660.8)	(48.9)
EBITDA Margin (%)	7.0	10.1	(3.4)	1037bps	-311bps
Depreciation	1,431	1,366	911	57.1	4.7
EBIT	1,307	3,995	-1,399	(193.4)	(67.3)
Interest	300	195	523	(42.7)	53.5
Other income	16	69	26	(38.6)	(77.1)
PBT	1,023	3,869	-1,896	(154.0)	(73.6)
Tax	190	977	-505	(137.6)	(80.5)
Tax Rate (%)	19%	25%	27%		
Adjusted PAT	833	2,892	-1,391	(159.9)	(71.2)
Exceptional Item	302	0	0	NA	NA
Reported PAT	531	2,892	-1,391	(138.2)	(81.6)
EPS (INR)	1.1	6.1	-2.9	(138.2)	(81.6)
Total Volumes (In Nos)	6,57,758	9,27,539	2,66,933	146.4	(29.1)
Net Realisation (INR)	59,815	57,377	53,636	11.5	4.2
EBITDA / Vehicle (INR)	4,162	5,780	-1,829	(327.6)	(28.0)

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Volumes (In Nos)	1QFY22	4QFY21	1QFY21	YoY (%)	QoQ (%)
Motorcycles	4,05,289	4,31,343	1,19,307	240%	-6%
Scooters	1,39,435	2,98,357	81,786	70%	-53%
Mopeds	73,977	1,56,914	54,335	36%	-53%
Total 2W	6,18,701	8,86,614	2,55,428	142%	-30%
3Ws	39,057	40,925	11,505	239%	-5%
Total Volumes	6,57,758	9,27,539	2,66,933	146%	-29%
Exports	3,28,105	3,22,137	77,914	321%	2%
Mix (%)	1QFY22	4QFY21	1QFY21	YoY (bps)	QoQ (bps)
Motorcycles	61.6	46.5	44.7	1,692	1,511
Scooters	21.2	32.2	30.6	-944	-1,097
Mopeds	11.2	16.9	20.4	-911	-567
3Ws	5.9	4.4	4.3	163	153
Exports	49.9	34.7	29.2	2,069	1,515

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Profit & Loss Statement (Standalone)					
YE: Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	1,82,099	1,64,233	1,67,505	1,76,698	2,14,299
Growth, %	22	-10	2	5	21
RM expenses	1,38,423	1,21,359	1,27,239	1,31,994	1,59,652
Employee expenses	9,226	9,384	9,485	10,670	12,004
Other expenses	20,118	20,031	16,497	19,240	23,278
EBITDA (Core)	14,333	13,459	14,286	14,794	19,364
Growth, %	27	-6	6	4	31
Margin, %	7.9	8.2	8.5	8.4	9.0
Depreciation	3,993	4,890	4,937	4,968	5,054
EBIT	10,340	8,568	9,349	9,826	14,310
Growth, %	31	-17	9	5	46
Margin, %	5.7	5.2	5.6	5.6	6.7
Interest paid	806	1,022	1,416	808	631
Other Income	75	321	330	389	447
Non-recurring Items	0	-323	0	0	0
Pre-tax profit	9,609	7,544	8,262	9,407	14,126
Tax provided	2,908	1,622	2,142	2,258	3,390
Profit after tax	6,701	5,923	6,120	7,149	10,736
Others (Minorities, Associates)	-	-	-	-	-
Net Profit	6,701	5,923	6,120	7,149	10,736
Growth, %	1	-12	3	17	50
Net Profit (adjusted)	6,701	5,922.5	6,120	7,149	10,736

Balance Sheet (Standalone)					
YE: Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Cash & bank	439	4,192	9,298	9,420	17,480
Marketable securities cost	0	0	0	0	0
Debtors	14,141	12,814	8,700	9,177	11,130
Inventory	11,759	10,389	11,518	11,425	13,856
Loans & advances	0	0	0	0	0
Other current assets	5,210	4,900	4,952	5,199	5,459
Total current assets	31,549	33,391	45,986	46,740	59,444
Investments	23,008	28,467	33,153	33,153	38,653
Gross fixed assets	50,052	57,460	66,973	74,973	82,973
Less: Depreciation	-22,082	-26,972	-31,909	-36,877	-41,931
Add: Capital WIP	1,166	1,266	1,126	1,126	1,126
Net fixed assets	27,970	30,488	35,064	38,096	41,042
Total assets	83,694	92,515	1,03,811	1,07,596	1,28,746
Current liabilities	33,132	33,245	44,795	45,909	55,678
Provisions	1,183	1,763	1,925	2,118	2,330
Total current liabilities	34,315	35,007	46,720	48,027	58,008
Non-current liabilities	2,126	2,677	3,189	3,051	3,051
Total liabilities	36,441	37,684	49,909	51,078	61,059
Paid-up capital	475	475	475	475	475
Reserves & surplus	32,998	35,706	41,234	46,331	55,015
Shareholders' equity	33,473	36,181	41,710	46,806	55,490
Total equity & liabilities	83,694	92,515	1,03,811	1,07,596	1,28,746

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Cash Flow					
YE: Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Pre-tax profit	9,609	7,544	8,262	9,407	14,126
Depreciation	3,993	4,890	4,937	4,968	5,054
Chg in working capital	-1,633	3,700	14,646	675	5,337
Total tax paid	-2,768	-2,339	-2,034	-2,258	-3,390
CFO	10,349	13,400	26,897	13,211	21,311
Capital expenditure	-8,099	-7,507	-9,373	-8,000	-8,000
Chg in marketable securities	0	0	0	0	0
Chg in investments	-2,654	-5,459	-4,686	0	-5,500
CFI	-10,678	-12,646	-13,729	-7,611	-13,053
Free cash flow	2,250	5,892	17,524	5,211	13,311
Debt raised/(repaid)	3,410	5,967	-9,391	2,071	2,485
Dividend (incl. tax)	-1,946	-1,946	-1,946	-2,052	-2,052
CFF	659	2,999	-12,752	-789	-198
Net chg in cash	330	3,753	416	4,811	8,060
Opening cash balance	109	439	4,192	9,298	9,420
Closing cash balance	439	4,192	9,298	9,420	17,480

Ratios					
YE: Mar	FY19	FY20	FY21	FY22E	FY23E
EPS (INR)	14.1	12.5	12.9	15.0	22.6
PER (x)	39.8	45.0	43.6	37.3	24.9
Price/Book (x)	4.8	7.4	6.4	5.7	4.8
EV/EBITDA (x)	19.5	20.9	18.8	18.2	13.7
EV/Net sales (x)	1.5	1.7	1.6	1.5	1.2
RoE (%)	20	16	15	15	19
RoCE (%)	23	16	19	18	21
Fixed Asset turnover (x)	3.6	2.9	2.5	2.4	2.6
Dividend Yield (%)	1.0	0.6	0.6	0.6	0.6
Receivable (days)	29	29	21	20	19
Inventory (days)	26	25	27	26	26
Payable (days)	72	81	105	103	104
Net D/E ratio (x)	0.4	0.4	0.0	0.1	(0.0)

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst Registration No.

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880