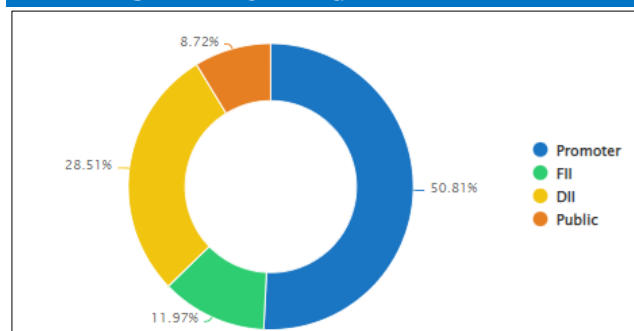


July 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	39,151
52-Week High/Low	886/495
EPS (TTM)	18.8
P/E Ratio (TTM)	42.8
Book Value per share (Rs)	102
Industry P/E	41.1
P/B Ratio (calc at CMP)	8.13
Dividend Yield (%)	0.46
Enterprise value (Rs in Cr)	40,712

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

Standalone	FY22	FY23E	FY24E
Sales (Rs. Cr)	20,790.5	25,044	28,245
Growth (%)	24	20	13
EBITDA	1961.7	2674	3145
EBITDA margin	9.4	10.67	11
PAT (Rs. Cr)	953.9	1400	1751
EPS (Rs)	19	29	38
RoE (%)	19.8	23.56	24.7
RoCE (%)	22	28	33
P/E (x)	32	21	17
EV/EBITDA	16	11	9

Our Recommendation: Despite decline in PAT in Q4FY22, TVS has been able to maintain double-digit EBITDA margin through various measures like reducing prices and taking cost-effective measures to mitigate the impact of high commodity prices. TVS has gained 660 bps in market share in scooters from FY17 to FY22. Company also gained market share in motor-cycle segment by 700 bps. TVS's EV segment also looks promising with IQube gaining incredible market share. Auto sector would see ease in chip shortages in FY23 thereby increasing production. Buoyant by bright future prospects, we recommend BUY in price range Rs. 775-800 with target price Rs 925 (upside 18%).

Investment Rationale:

About Company: TVS Motors Ltd., the flagship company of TVS Group, is an Indian multinational motorcycle company headquartered in Chennai, India. TVS Motors is the 3rd largest 2-wheeler manufacturer in India and 2nd largest exporter in India with presence in over 60 countries. The company has a diversified portfolio of vehicles starting from mopeds, to scooters, commuter motorcycle, to racing inspired bikes like Apache series. The company has 3 manufacturing facilities in India and 1 in Indonesia. The company has an annual production capacity of 4.95 million two-wheelers.

Q4FY22 Results: TVS posted mixed numbers with decline in PAT YoY, but maintained double-digit EBITDA margin.

- Standalone revenue for the TVS Motors ltd. showed a growth of 4% YoY basis to Rs 5530.31 crore compared to Rs 5,321.93 crore in the year ago quarter.
- On a sequential basis, revenue was down by 3% from Rs 5,706.4 crore recorded in the previous quarter.
- PAT decreased by 5% to 274.50 Cr as compared to Rs 289.24 Cr registered in the corresponding quarter of the previous fiscal year.
- EPS has now reduced to Rs 5.78 from Rs 6.09.

Key Highlights:

- **Double Digit EBITDA Margin:** Although TVS's PAT declined but company was able to maintain healthy double-digit EBITDA margin despite commodity headwinds and supply-chain hurdles. Company is confident about protecting margins with robust cost control measures, price hikes, and increase in exports after ease in chip shortages.
- **Business Outlook FY23:** According to data released by FADA, automobile sales in June 2022 were up by 27% which indicates ease in semiconductors. iQube order book at 12k units. Another 10k units/month facility will be operational in 1QFY23 with a new EV model launch. Management is confident about growing demand in FY23 on account of revival of rural demand, monsoon, and new models launch.
- **Robust Product Portfolio Mix:** The Company has strong portfolio with mix of four brands -- Jupiter, Ntorq, Apache and Radeon in domestic and international market.
- **Price Hike & Cost Reduction steps:** TVS raised the price by 1.5% in Q4FY22 to lessen the impact of high commodity prices. For future, TVS is taking steps to mitigate inflation cost by value addition and value engineering. These steps to improve profitability in coming quarters.
- **Robust Order Book:** As on Q4FY22, TVS CS book size at Rs 140bn. Capex planned for FY23 is 7bn.
- **Export Look Resilient:** Export volumes recorded de-growth of 2% in fourth quarter due to chip shortages and high commodity prices. With the ease in chip shortages and brands like Jupiter125, Apache & Raider are gaining in international market, we expect numbers would go up in FY23.

Key Risks:

- Shortages of chip could hamper production.
- Stiff competition in 2-wheeler and EV segment.

Financials and Valuations

Q4FY22 Financial Summary snapshot, standalone (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Net Revenues	5,530.31	5,321.93	3.92%	5,706.4	-3.09%
EBITDA	556.82	536.11	3.86%	568.27	-2.01%
EBITDA margin	10.1	10.1	1 bps	10	11 bps
PAT	274.50	289.24	-5.10%	288.31	-4.79%
Adjusted EPS(INR)	5.78	6.09	6.07%	6.07	-4.78%

Income Statement, standalone (Rs. Cr)

Y/E March	FY21	FY22	FY23E	FY24E
Net sales	16,750.5	20,790.5	25,044	28,245
<i>Change (%)</i>	<i>2.0</i>	<i>24.0</i>	<i>20</i>	<i>13</i>
Expenditure	-15,322.0	-18,828.8	-22,371	-25,100
EBITDA	1,428.6	1,961.7	2,674	3,145
<i>Change (%)</i>	<i>6.0</i>	<i>37.0</i>	<i>36</i>	<i>19</i>
Margin (%)	8.5	9.4	10.67	11
Depreciation	-493.7	-611.4	-655	-672
EBIT	934.9	1,350.3	2,019	2,473
Interest paid	-141.6	-125.9	-124	-68
Other income	33.0	19.0	15	36
PBT	826.2	1,273.5	1,910	2,441
Tax	-214.2	-319.7	-510	-690
Effective tax rate (%)	25.9	25.1	27	28
Minority Interest	-	-	-	-
Net profit	612.0	953.9	1,400	1,751
Exceptional items	-	30.2	-	-
Adjusted net profit	612.0	923.7	1,400	1,751
<i>Change (%)</i>	<i>-2.0</i>	<i>51.0</i>	<i>52</i>	<i>29</i>
EPS	13	19	29	38
DPS	3	4	6	9
<i>Dividend Payout %</i>	<i>33</i>	<i>21</i>	<i>20</i>	<i>25</i>

Cash Flow Statement, standalone (Rs. Cr)

Y/E March	FY21	FY22	FY23E	FY24E
Profit Before Tax	826.2	1,273.5	1,900	2,490
Depreciation	493.7	611.4	655	672
Tax paid	-214.2	-319.7	-510	-690
Change in working capital	1,647.2	-272.4	-62	200
Other operating activities	10.8	19.6	-	-
Cash flow from operations (a)	2,763.8	1,312.5	1,983	2,673
Capital expenditure	-560.0	-1,070.7	-450	-400
Change in investments	-708.6	-1,271.2	-90	-100
Cash flow from investing (b)	-1,268.7	-2,342.0	-540	-500
Equity raised/(repaid)	140.2	-52.1	-	-
Debt raised/(repaid)	-925.3	803.7	-865	-500
Dividend (incl. tax)	-199.4	-190.4	-280	-450
Cash flow from financing (c)	-984.5	561.2	-1,145	-950
Net change in cash (a+b+c)	510.6	-468.2	248	1,220

Balance Sheet, standalone (Rs. Cr)

Y/E March	FY21	FY22	FY23E	FY24E
Shareholders' funds	4,171	4,822	5,942	7,292
Share capital	48	48	48	48
Reserves & surplus	4,123	4,775	5,895	7,244
Total Debt	1,159	1,963	1,098	598
Other liabilities	196	198	198	198
Current Liabilities & Provisions	4,650	4,791	5,290	5,945
Current liabilities	4,457	4,409	4,829	5,425
Provisions	193	383	461	520
Total liabilities	6,004	6,952	6,585	6,740
Total equity & liabilities	10,175	11,774	12,527	14,032
Net fixed assets	3,289	3,731	3,576	3,304
Investments	3,315	4,586	4,686	4,786
Current assets	3,572	3,457	4,266	5,942
Inventories	1,152	1,123	1,336	1,501
Sundry Debtors	870	951	1,097	1,237
Cash and Bank	930	401	649	1,870
Loans and advances	146	276	332	375
Total assets	10,175	11,774	12,527	14,032

Key Ratios

Y/E March	FY2021	FY2022	FY2023E	FY2024E
Per Share Data (Rs)				
EPS	12.51	15.93	29	38
BV/Share	88	92.6	125	154
DPS	3.5	3.75	4	8
Dividend Payout (%)	28%	24%	14%	21%
Valuation Ratios				
P/E	49	32	21	17
P/BV	7.26	6.2	5.1	4.1
EV/EBITDA	21	16	11	9
Return Ratios (%)				
ROE	14.67%	19.78%	23.56%	24.68%
ROCE	16%	22%	28%	33%
Leverage Ratio (x)				
Current Ratio	0.80	0.78	0.88	1.10
Interest Cover Ratio	6.60	10.73	16.34	36.86
Net Debt/Equity	0.28	0.41	0.18	0.08
Quick Ratio	0.54	0.53	0.61	0.82

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Disclosure:

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