

Industry
Bloomberg
BSE CODE

Automobiles
TVSL IN
532343

Lower volumes coupled with higher cost impacted margins

RATING	NEUTRAL
CMP	333
Price Target	400
Potential Upside	20%

Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	512/240
Mkt Capital (Rs Cr)	15818
Free float (%)	43%
Avg. Vol 1M (,000)	4319
No. of Shares (Cr)	48
Promoters Pledged %	0%

RESEARCH ANALYST

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4QFY20 Result update

- TVSMOTOR sales grew de-grew by 21% YoY to Rs.3481 crores (vs. our estimates of Rs.3324 crores) in 4QFY20 led by 30% YoY de-growth in volumes. However, realisation grew by 14% YoY, as company took price increase in range of 10-12% in the quarter.
- Domestic volumes declined by 40% in the quarter on account of price increase due to BS VI, low demand sentiment and further impacted by COVID-19 led lockdown.
- Export volumes grew by 4% in 4QFY20. It recorded a growth of 10.4% YoY in FY20.
- 2W recorded de-growth of 18% YoY while 3W recorded growth of 11% YoY in FY20.
- Gross margin declined by 276 bps QoQ to 25%. EBITDA margin declined by 177 bps QoQ to 7%, steep decline in gross margin was compensated by lower other expenses.
- PAT stood at Rs 74 crores (vs. our estimates of Rs.95 crores). Also, the company had exceptional items of Rs 32 crores spent towards COVID-19 related expenses. PAT margin declined by 81 bps QoQ to 2.1%, cushioned by higher other income due to income tax refund.

View and Valuation

The automobile industry volumes are impacted for the period due to low demand sentiment, increased prices on account of BS VI and worsened by the recent COVID-19 outbreak. However, pickup in demand is expected from 2HFY21 considering the improvement in rural demand scenario, better monsoons and government's thrust on the revival of the overall economy. Going ahead, margins are expected to remain on the lower side due to higher BS-VI cost and weaker operating leverage despite reduction in commodity prices. We value standalone business at 19x FY21e EPS and TVS credit services at Rs.61 per share to arrive at a target price of Rs.400 and maintain NEUTRAL.

Key Risks to our rating and target

- Unfavourable monsoon may hamper volumes.
- Increase in commodity prices.

Stand./Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	12135	15175	18210	16423	17374
EBITDA	857	1175	1433	1346	1722
EBIT	569	836	1034	857	1168
PAT	558	663	670	592	818
EPS (Rs)	12	14	14	12	17
EPS growth (%)	14.1	18.7	1.1	(11.6)	38.2
ROE (%)	23.2	23.0	20.0	16.4	17.2
ROCE (%)	19.8	26.1	25.5	18.9	20.7
BV	51	61	70	76	100
P/B (X)	8.5	9.9	6.3	4.4	3.3
P/E (x)	36.6	43.0	31.3	27.0	19.5

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Sales above estimates

4QFY20 Results

Stand./Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Volumes('000)	907	923	886	822	633	-30%	-23%	3914	3263	-16.6%
Realization	48,318	48,406	49,082	50,217	55,006	14%	10%	46,528	50,326	8.2%
Net Sales	4,384	4,469	4,348	4,125	3,481	-21%	-16%	18,210	16,423	-9.8%
Other Income	4	1	5	1	25	601%	2721%	8	32	325.7%
Total Income	4,388	4,470	4,353	4,126	3,507	-20%	-15%	18,217	16,455	-9.7%
COGS	3,359	3,358	3,190	2,979	2,610	-22%	-12%	13,842	12,136	-12.3%
Staff Cost	204	249	234	233	223	9%	-4%	923	938	1.7%
Other Exp.	513	506	542	550	404	-21%	-27%	2,012	2,003	-0.4%
Expenditure	4,076	4,113	3,966	3,762	3,237	-21%	-14%	16,777	15,077	-10.1%
EBITDA	308	356	382	363	245	-21%	-33%	1,433	1,346	-6.1%
Depreciation	103	119	124	121	124	21%	3%	399	489	22.5%
EBIT	205	236	258	242	121	-41%	-50%	1,034	857	-17.1%
Interest	25	29	28	21	23	-5%	11%	81	102	26.8%
PBT	184	209	234	222	122	-34%	-45%	961	787	-18.1%
Excpt. Item	-	-	(76)	76	32	0%	57%	-	(32)	0.0%
Tax	50	66	55	25	16	-68%	-35%	291	162	-44.2%
PAT	134	142	255	121	74	-45%	-39%	670	592	-11.6%

Concall Highlights

- 80% of sales in Q4FY20 is from BS VI vehicles, more than 100000 BS VI vehicles were sold and it got good response from customers.
- Total of free cashflow of Rs 552 crs was generated in FY20.
- In the month of March 2020, the Company has also spent Rs. 32.3 Crores towards COVID19 related expenses and the same is reported as 'exceptional item'.
- There were some vehicles of BS IV with the dealers which needed onetime additional discount to liquidate in 10 days before 31st March 2020. An amount of Rs.22.0 Crores was given as an additional discount and the same has been reduced from operating revenue.
- Other Income was high in 4QFY20, on account of IT related refund.
- Liquidity is not an issue for the company, it has sufficient funds for meeting obligation and for business growth as well.
- 37% of the company customers have opted for moratorium and its NPA is similar to that of last year of around 2.4% and there is no such issues to the company.
- The company is getting encouraging response from rural market now only before lifting of lockdown and it is receiving good number of enquiries and therefore, the company is hoping that normalcy would come soon.
- The company is expecting premium segment to perform best in all other segments in this period of COVID-19.
- Outlook: 2HFY21 is expected to do be good for the company and in FY21 it will be performing better than industry.
- The company don't see challenges in its supply chain and they are getting good demand and accordingly, production is being undertaken.
- Price hike: It took price increase of 10-12% in 4QFY20 and 1% price increase in 1QFY21.
- Capex: It had capex of Rs 719 cr in FY20. FY21-Rs 300 cr (expected).

Exhibit: Volume and Volume Growth Trend

Overall volumes declined by 30% YoY led by decline in domestic volumes.

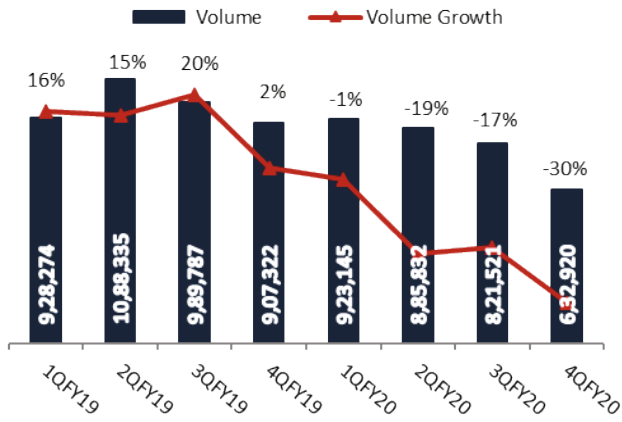


Exhibit: Realisation and Realisation Growth Trend

Blended Realization grew by 14% YoY on account of price hike taken in range of 10-12% in 4QFY20.

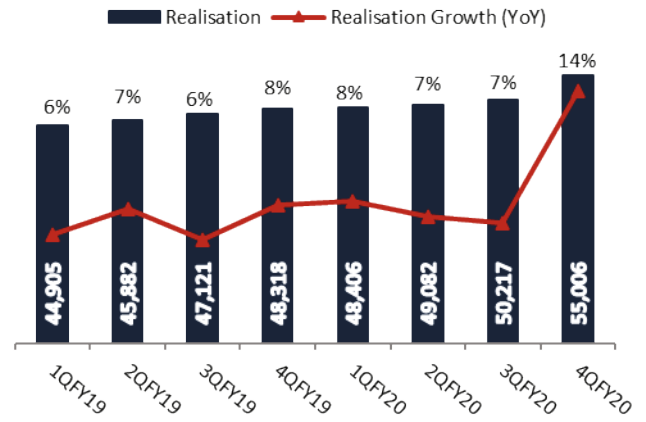


Exhibit: Sales (Rs.Crore) and Sales Growth Trend

Sales degrew by 21% due to decline in domestic volumes by 40% YoY.

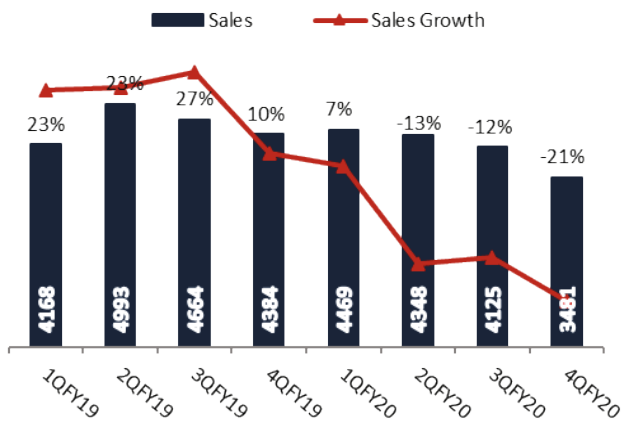


Exhibit: EBITDA (Rs.Crore) and EBITDA% Trend

EBITDA m% declined by 177 bps QoQ, steep decline in gross margin was compensated by lower other expenses.

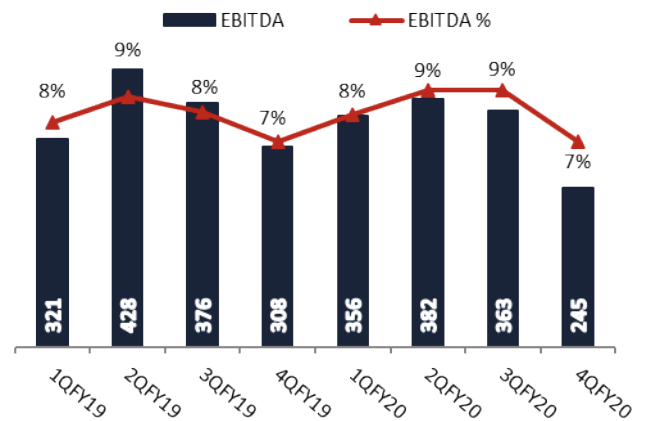


Exhibit: PAT (Rs.Crore) and PAT% Trend

PAT stood at Rs 74 crores, PAT margin declined by 81 bps QoQ to 2.1%.

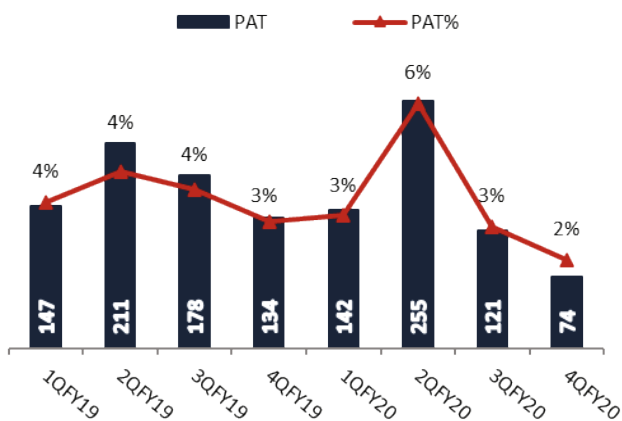
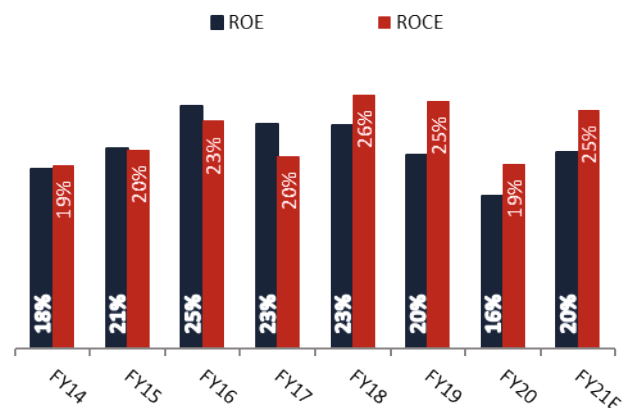


Exhibit: Return Ratios

Improvement in profitability will lead to gradual improvement in return ratios going ahead.



Financial Details

Balance Sheet

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	48	48	48	48	48	48	48	48
Reserves	1,368	1,636	1,911	2,361	2,833	3,300	3,571	4,720
Networth	1,415	1,684	1,958	2,408	2,880	3,347	3,618	4,768
Debt	476	920	758	1,085	1,037	1,378	1,975	1,404
Other Non Cur Liab	178	172	184	177	202	271	327	241
Total Capital Employed	1,858	2,203	2,453	2,877	3,198	4,056	4,523	5,651
Net Fixed Assets (incl CWIP)	1,174	1,502	1,751	2,046	2,503	2,837	3,185	3,178
Non Cur Investments	896	990	1,215	1,588	2,035	2,301	2,606	2,736
Other Non Cur Asst	-	-	34	34	59	40	60	80
Non Curr Assets	2,156	2,610	3,066	3,718	4,601	5,214	6,132	6,255
Inventory	548	734	696	967	964	1,176	1,039	1,099
Debtors	334	504	578	724	968	1,414	1,281	1,355
Cash & Bank	83	5	33	9	11	44	419	501
Other Curr Assets	80	610	523	472	560	484	471	499
Curr Assets	1,409	1,943	1,886	2,187	2,578	3,155	3,229	3,472
Creditors	998	1,479	1,544	1,859	2,518	2,849	2,886	2,761
Provisons (both)	68	39	58	63	62	60	93	98
Other Curr Liab	430	177	234	233	270	295	288	305
Curr Liabilities	1,496	1,779	2,052	2,235	3,060	3,373	3,441	3,314
Net Curr Assets	(87)	165	(165)	(48)	(482)	(218)	(212)	159
Total Assets	3,565	4,554	4,952	5,905	7,179	8,369	9,361	9,727

Income Statement

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	7,966	10,098	11,105	12,135	15,175	18,210	16,423	17,374
Change (%)	13%	27%	10%	9%	25%	20%	-10%	6%
Other Income	30	33	104	173	99	8	32	10
EBITDA	482	604	810	857	1,175	1,433	1,346	1,722
Change (%)	18%	25%	34%	6%	37%	22%	-6%	28%
Margin (%)	6%	6%	7%	7%	8%	8%	8%	10%
Depr & Amor.	132	153	236	288	339	399	489	554
EBIT	351	451	574	569	836	1,034	857	1,168
Int. & other fin. Cost	25	27	49	44	57	81	102	102
EBT	355	456	629	699	879	961	787	1,077
Exp Item	(3)	-	-	-	-	-	(32)	-
Tax	91	108	140	141	216	291	162	258
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	262	348	489	558	663	670	592	818
Adjusted PAT	262	348	489	558	663	670	592	818
Change (%)	126%	33%	41%	14%	19%	1%	-12%	38%
Margin(%)	3%	3%	4%	5%	4%	4%	4%	5%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	18%	21%	25%	23%	23%	20%	16%	17%
ROCE	19%	20%	23%	20%	26%	25%	19%	21%
Asset Turnover	2.23	2.22	2.24	2.06	2.11	2.18	1.75	1.79
Debtor Days	15	18	19	22	23	28	28	28
Inv Days	25	27	23	29	23	24	24	23
Payable Days	46	53	51	56	61	57	58	58
Int Coverage	14	16	12	13	15	13	9	11
P/E	18	24	23	37	43	31	28	20
Price / Book Value	3	5	6	8	10	6	4	3
EV/EBITDA	10	14	15	24	25	15	12	9
FCF per Share	275	(282)	342	195	533	504	867	541

Cash Flow Statement

Stand./Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY20E
PBT	348	456	566	699	879	961	754	1,077
(inc)/Dec in Working Capital	486	611	773	904	1,131	1,454	1,286	1,611
Non Cash Op Exp	132	153	190	288	339	399	489	554
Int Paid (+)	23	28	48	44	57	81	102	102
Tax Paid	(128)	(141)	(146)	(129)	(246)	(230)	(185)	(258)
others	163	(385)	218	(53)	370	(181)	267	(270)
CF from Op. Activities	524	85	846	724	1,252	1,098	1,394	1,088
(inc)/Dec in FA & CWIP	(249)	(367)	(504)	(529)	(718)	(594)	(526)	(546)
Free Cashflow	275	(282)	342	195	533	504	867	541
(Pur)/Sale of Inv	(28)	(116)	(171)	(194)	-	-	(1)	(130)
others	16	(8)	155	35	(243)	(258)	(307)	-
CF from Inv. Activities	(260)	(493)	(520)	(748)	(1,086)	(1,002)	(1,289)	(677)
inc/(dec) in NW	191	268	275	450	472	467	271	1,150
inc/(dec) in Debt	(109)	-	-	-	(169)	-	-	589
Int. Paid	(23)	(28)	(46)	(43)	(58)	(86)	(100)	(102)
Div Paid (inc tax)	(69)	(83)	(206)	(141)	(188)	(200)	(200)	331
others	0	(0)	(2)	-	(0)	(0)	(0)	-
CF from Fin. Activities	(198)	331	(301)	(73)	(75)	81	271	(341)
Inc(Dec) in Cash	66	(78)	25	(97)	91	177	375	70
Add: Opening Balance	15	80	3	(132)	(229)	(138)	39	419
Closing Balance	80	3	28	(229)	(138)	39	414	489

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