

TVS Motors

14th Nov '24 - TVS Motors Q2FY25 - Everything you need to know. Results review, intrinsic value, target price and recos.

Q2FY25 results review: (results were announced on 23rd Oct 2024)

1. Revenue rose 13% YoY to ₹9,228 crore, estimate was ₹9,534 crore.
2. Highest ever operating EBITDA of ₹1,080 crore registered. That is a growth of 20%. EBITDA Margin has improved 70 bps to 11.7%. EBITDA should continue to improve.
3. PBT grew 24% to ₹897 crore.
4. PAT jumped 23% YoY to ₹663 crore, estimate was ₹669 crore.

Intrinsic Value:

TVS Motors is well positioned to lead the EV space with its strong product portfolio and a slew of launches coming ahead. They are overseeing sales growth in all the segments and provide a great customer experience. They expect the export market to deliver better growth as well. During the concall, the management sounded very confident and optimistic regarding all their segments. I believe TVS Motors should continue to outperform its peers.

Current Intrinsic Valuation Status: (as on 14th Nov 2024)

The current intrinsic valuation of the TVSMOTOR stock stands at ₹2,097 per share at 48x Current TTM EPS which also includes a 10% premium. The current price of the stock is ₹2,408 per share. I don't think it provides a favorable risk - reward ratio for anyone who wants to take an entry in the stock at current levels.

Target Price:

The TVSMOTOR stock is a Hold at current level (CMP: ₹2,408) with a Target Price of ₹2,680 per share based on 48x FY25E EPS. I've rated the stock a Hold because it has already given a huge upside otherwise there are no red flags currently in the company.

Sales figures and other in-depth details:

1. Total sales i.e. 2 and 3 wheeler sales including exports grew by 14% reaching a high of 12.28 lakh units in Q2FY25.
 - a. Motorcycle sales grew by 14% reaching 5.60 lakh units, driven by an expanding network. The new Apache rr310 BTO got a very good response.
 - b. Scooter sales grew by 17% reaching 4.90 lakh units, driven by good response in newly launched Jupiter 110cc and new variants of Ntorq.
2. Total EV sales grew by 31% reaching the highest ever quarterly number of 0.75 lakh units driven by iQube model.
 - a. EV Revenue for H1 was ₹1,600 crore.
 - b. The operations were complemented by the government's PLI scheme.
 - c. EVs will see more product launches from TVS. India will be a major exporter of EVs and TVS will play a big role in it.
3. Export market status
 - a. Total 2 wheeler exports grew by 16% reaching 2.78 lakh units.
 - b. Total 3 wheeler exports were down 12% reaching 0.38 lakh units.
 - c. Africa is still facing some challenges but still growing there and outperforming the industry.
4. TVS Credit is also doing well.

Management Commentary:

1. The management is very happy with the portfolio, the new launches, the best in class EBITDA and PBT and the customer feedback.
2. They are investing for the future - for the EV - for the new products and hence the depreciation is much higher than the industry right now.
3. TVS Motors is expecting Q3 industry growth at 7 - 8% and expects to further outperform the industry.

Analysts Recommendation:

1. Prabhudas Lilladher
Rated Hold with a reduced target price of ₹2,628 at 36x Sep '26 EPS. They cut revenue and EPS estimates by 2 and 4% due to less favorable scooters mix. They estimate Revenue, EBITDA and EPS to grow at a CAGR of 13.5%, 17.5% and 20% over FY24 to FY27.

2. Sharekhan

Buy with a target of ₹2,839. TVS Motors reported EBITDA margins of above 11% for the 5th consecutive quarter. They see a gradual revival in export volumes, successful launches in the EV space and sustenance of high EBITDA margins.

3. Nomura

Neutral with a target of ₹2,611.

4. ICICI Securities

Hold with a target of ₹2,596 at 30x FY26 standalone EPS (downgraded from Add). They say the fundamentals, the performance and the outlook are very promising but the stock has already outperformed the Nifty 50 over the last 1 year, reducing its upside.

5. Jefferies

Rated Buy with a target price of ₹3,270. (target reduced from ₹3,400)

6. Motilal Oswal

Rated Neutral with a target price of ₹2,610 at 32x Sep '26E EPS + ₹210 / share for TVS Credit. They believe most of the positives are already priced in. They maintain their FY25E and FY26E EPS estimates saying the stock is fairly valued.

7. Geojit Financial Services

Buy with a target of ₹2,774 (Standalone business at ₹2,682 at 36x FY26E EPS + ₹92 / share for TVS Credit). They believe that the stock is likely to trade in premium owing to its diversified product category and new EV launches. They are also expanding into Latin America and Europe with their Norton brand.

This is a report by Chaitanya Sabharwal for guruspakes.com/markets

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