

AUTOMOBILES

20 January 2022

2Ws: Pent-up demand push but electrification a challenge

- Pent-up demand to buoy 2W volumes in FY23E but sales likely to peak within the next decade going by trends in other emerging markets
- Electrification set to become pervasive, fanning competition from new players; scooters to be harder hit than motorcycles
- Prefer motorcycle players BJAUT and HMCL which we upgrade to BUY; raise EIM and TVSL to HOLD from SELL

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2W sales to recover but may peak within the next decade: We expect domestic two-wheeler sales growth to rebound to ~10% YoY in FY23 and FY24, after two years of weakness owing to regulatory shifts that drove price inflation coupled with the Covid-led economic slowdown. However, as India's per capita income rises, we believe 2W traction could slow. India's East Asian neighbours crossed peak 2W sales a decade ago when their GDP per capita stood at US\$ 1,500-3,800. India (US\$ 2,100) may near the top end of this range within the next 10 years, translating to muted 2W volume growth of sub-5% per year, in our view.

Electrification inevitable: Electrification is likely to take off strongly in 2Ws, in line with trends seen in other developing countries such as China. EV cost economics have improved significantly, helped by government subsidies and high petrol prices. New business models such as the use of rented batteries could also bring down upfront costs. Existing 2W OEMs need to embrace electrification or risk losing share to new players. In the case of three-wheelers, electrification has reached 30% in recent months but competitors are fewer, giving existing players more time to electrify.

Motorcycle electrification moving slower: Motorcycle players are better protected against the EV transition vs. scooters in the near term as there are only a handful of electric models in this category. Globally as well, motorcycle electrification has moved at a relatively slower pace.

Export markets remain robust: The market for 2W exports remains robust and we expect sustained demand from key geographies for the foreseeable future.

Upgrade BJAUT & HMCL to BUY: We upgrade BJAUT (from SELL) and HMCL (from HOLD) to BUY as both players have higher exposure to motorcycles (less impacted by electrification) and are also the cheapest stocks in our auto OEM coverage. We raise TVSL from SELL to HOLD as it will benefit from recovery, but its higher scooter sales put it at relatively higher risk from electrification. TVSL is also among the most expensive OEMs in our coverage. We raise EIM from SELL to HOLD as we expect its sales to rebound. EIM is likely to be the least affected by electrification in our 2W coverage but the stock is at its peak valuation.

Recommendation snapshot

Ticker	Price	Target	Rating
BJAUT IN	3,309	4,231	BUY
EIM IN	2,734	2,981	HOLD
HMCL IN	2,709	3,191	BUY
TVSL IN	636	681	HOLD

Price & Target in Rupees | Price as of 20 Jan 2022



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Best years of growth behind us

We expect 2W sale volumes to grow at less than 5% per annum in India over the next decade, extrapolating from current penetration levels, per capita income and demand trends seen in other emerging markets. However, growth is likely to be higher in FY23-FY24 due to pent-up demand following a multiyear drop in sales that stemmed from regulatory changes (which pushed up vehicle prices) and disruption in economic activity due to Covid-19. Sales growth is likely to be swifter in electric 2Ws which are at a low base.

Long-term sales growth looks capped below 5%

We believe 2W volume growth in India could remain flattish at 0-5% over the next 10 years as:

- the target population (those earning below Rs 2.75mn p.a.) is estimated to grow at 1.9% CAGR over FY18-FY30, per the World Economic Forum, and
- over 70% of these households already own a 2W.

We estimate that Indians had 263mn 2Ws in FY21– this figure is based on 169mn registered vehicles in FY16 (as per India Statistical Year Book FY18), sales figures announced over FY17-FY21 and a 1% annual deregistration rate based on historical data. Per our calculations, every household earning below Rs 2.75mn p.a. can have ownership of one vehicle if 2W sales grow by 5% over FY21-FY30 (assuming an accelerated scrapping rate of 2.5% vs. 1% in the past).

Fig 1 – Estimation of 2W market

(mn)	Year			Comparison		CAGR (%)	
	2005	2018	2030E	2018 vs. 2005	2030 vs. 2018	2005-18	2018-30E
Households below Rs 2.75mn p.a.	218.0	285.0	357.0	1.3x	1.3x	2.1	1.9
2W Owned	58.8	203.1	357	3.5x	1.8x	10.0	4.8
% Ownership	27	71	100	-	-	-	-
Annual Sales	6.2	20.2	23.5	3.3x	1.2x	9.5	1.3

Source: World Economic Forum, Ministry of Statistics and Program Implementation, Government of India, BOBCAPS Research

Demand may peak within 10 years

Demand in many of the large 2W markets in India's neighbourhood, which are also counted among the largest in the world, peaked 10+ years ago when their GDP per capita (current USD basis) reached US\$ 1,500-3,800. India's GDP per capita was US\$ 2,100 in 2019 and could reach the upper end of this range within the next 10 years (assuming a GDP growth rate of 5%). It, therefore, follows that 2W sales may peak over the next decade.

Fig 2 – The Asian experience: Peak 2W sales and GDP per capita trend

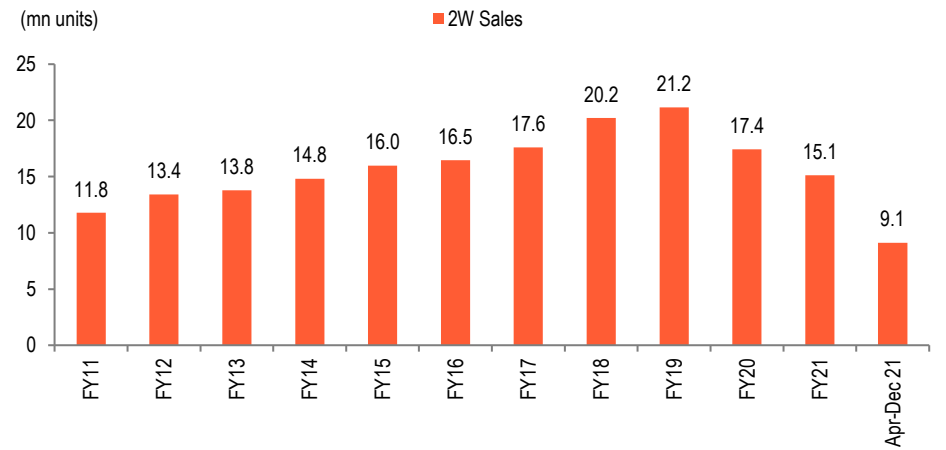
Peak	Year of Peak 2W Sales	GDP per Capita in Year of Peak Sales
Vietnam	2011	1,525
India	?	2,100
Thailand	2004	2,660
China	2009	3,832
Indonesia	2011	3,643

Source: World Bank, News Reports

Pent-up demand to support stronger volumes till FY24

2W demand in India has continued to weaken following product price hikes due to the shift to BS-VI emission norms (Apr'20) and the requirement for ABS braking (Apr'19), besides the Covid-related decline in economic activity. We expect stronger sales growth in FY23-FY24 due to pent-up demand from the preceding two years and estimate that market volumes will recover to FY19 levels by FY24.

Fig 3 – 2W sales have dropped sharply in the last 3Y



Source: CMIE

Rising electric 2W sales fanning competition

We expect electrification to take off strongly in 2Ws, in line with trends seen in other developing countries such as China. Government subsidies and high petrol prices have also led to improving EV cost economics. New business models such as the use of rented batteries could bring down upfront costs. 2W OEM incumbents must embrace electrification or risk losing share to new players equipped with capital backing and technical knowhow.

EV penetration rising gradually aided by incentives

Electric 2Ws have been selling in India for many years but their share has crossed 1% only in recent months. We expect 2W electrification to continue to improve due to:

- falling cost of ownership driven by central and state government subsidies, state GST and road tax exemptions, and higher cost of petrol. In some states, the purchase cost sometimes matches the price of traditional combustion engines
- low maintenance costs compared to ICE vehicles

However, the following could lead to impediments:

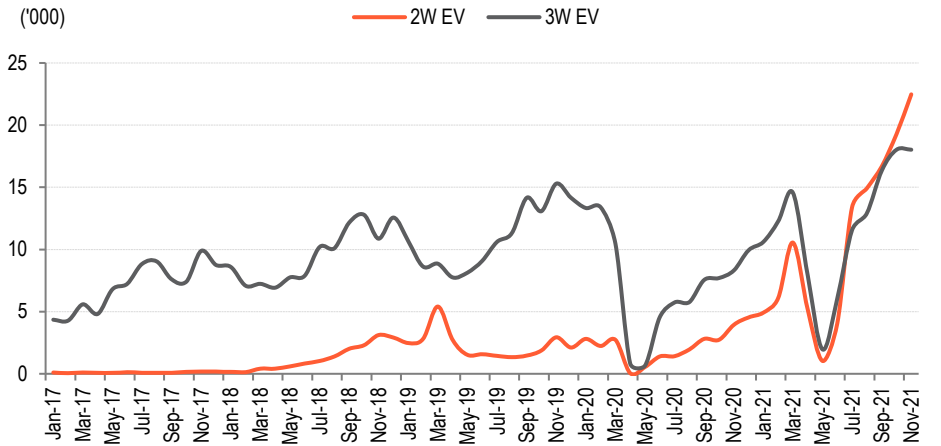
- shortage of charging points across the country,
- battery life uncertainty which impacts second-hand prices,
- availability of finance given financiers concerns about the longevity of battery life,
- safety aspects due to the absence of any norms on batteries in the wake of battery fires recorded in EVs, and
- resistance from dealers as they earn less from maintenance. Some disruption is possible as multi-brand distributors could emerge to maximise earnings from sales.

Fig 4 – Incentives – Central & States

(Rs/kWh)	2W	3W
Central	15,000	10,000
Andhra Pradesh	Nil	Nil
Delhi	5,000/kWh upto a total of 30,000	Rs 30,000 and 5% of interest on loan
Gujarat	10,000	10,000
Karnataka	Nil	Nil
Kerala	Nil	25% on EV upto Rs 30,000
Maharashtra	5,000/kWh upto 10,000 for first 100,000 2Ws	5,000/kWh upto 30,000 for first 15,000 taxis and first 30,000 CVs
Tamil Nadu	Nil	Nil
Telangana	Nil	Nil
Uttar Pradesh	Nil	Nil
West Bengal	Nil	Nil

Source: www.e-amrit.niti.gov.in

Fig 5 – EV sales have taken off after being interrupted by two Covid waves



Source: Vahan Database

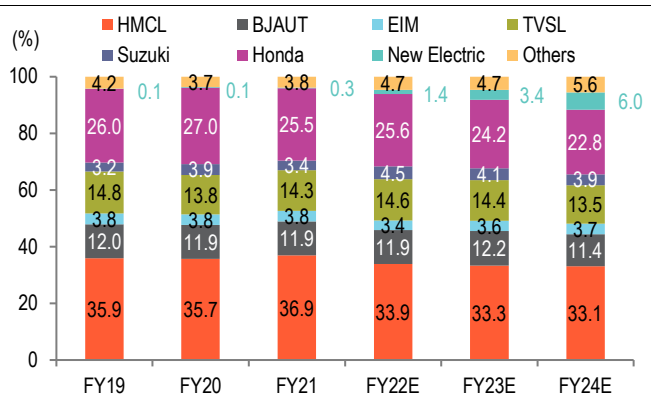
Risks from new entrants with deep pockets

Growing sales of electric 2Ws are likely to eat into the market share of traditional OEMs as a slew of new hopefuls have entered the market – many of these are backed by patient capital which will enable them to prioritise market share gains over profitability for the next few years.

OEMs to see 8-11% domestic volume growth in FY23E

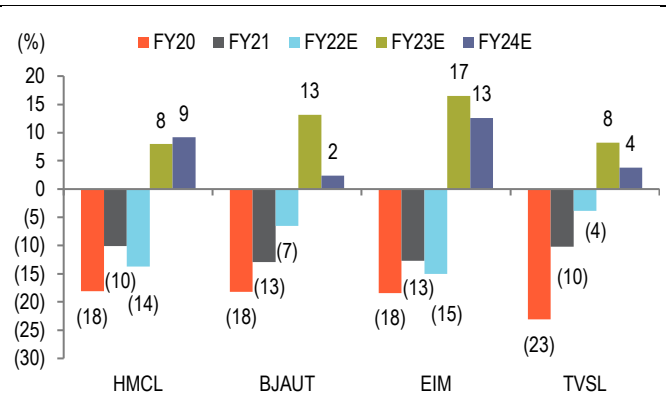
We expect domestic 2W sales to recover ~10% YoY in FY23 and FY24, with companies that have a higher proportion of motorcycles in the mix to do better compared to those dominated by the scooter segment due to disruptions caused by EVs. While electrification is likely to proceed rapidly in 2Ws, motorcycle players are better protected versus scooters in the near term as there are currently only a handful of electric models. Globally as well, motorcycle electrification has moved at a relatively slower pace.

Fig 6 – Domestic market share for scooter-heavy OEMs could drop



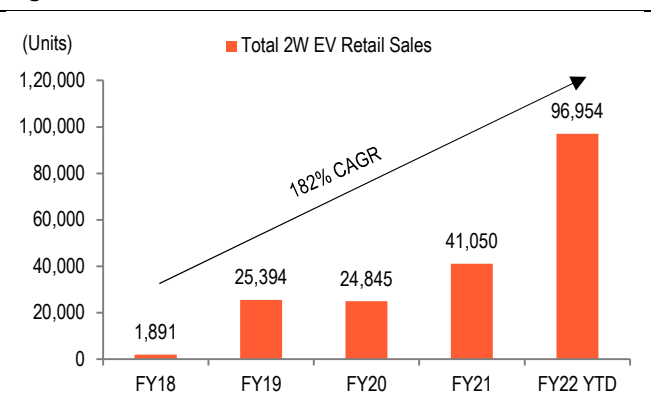
Source: Company, Vahan, SIAM, CMIE, Media Reports, BOBCAPS Research

Fig 7 – Domestic market volume recovery expected in FY23 for all OEMs



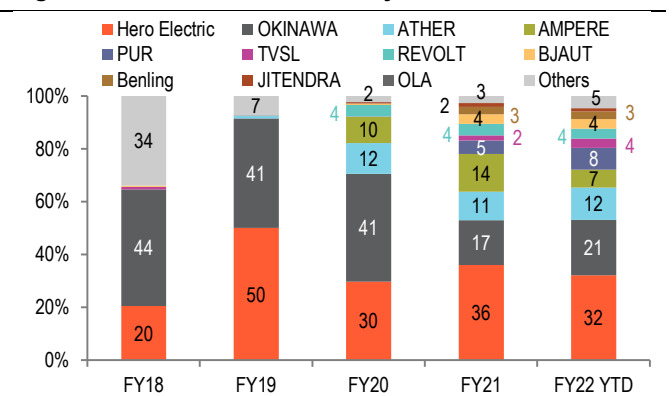
Source: Company, SIAM, CMIE, Media Reports, BOBCAPS Research

Fig 8 – E-scooter market



Source: Vahan, BOBCAPS Research

Fig 9 – E-scooter market share by OEM



Source: Vahan, BOBCAPS Research

Upbeat outlook for next two years

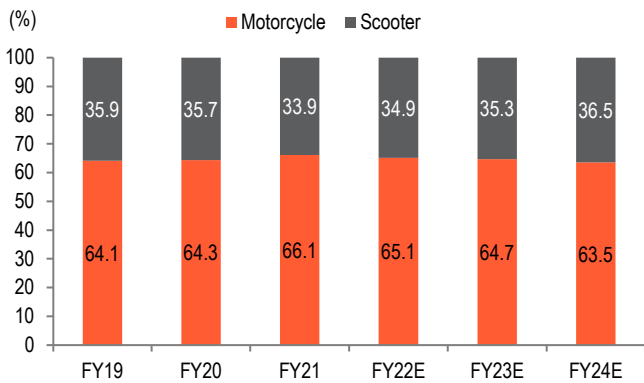
Our volume estimates are based on the following outlook:

- Market recovery of ~10% YoY in FY23/FY24 driven by pent-up demand.
- Minor drop in motorcycle market share as the scooter segment is likely to offer many more launches, particularly in the electric space.
- Electric 2Ws are likely to grow but we build this in at just 10% share of the scooter segment in FY25, as many of the impediments such as sparse charging network, financing and resale value are yet to be sorted out. We do not expect any

significant disruption in the motorcycle space over the next three years due to electrification, though a small share is likely to be taken by electric players such as Revolt and from some motorcycle customers shifting to scooters.

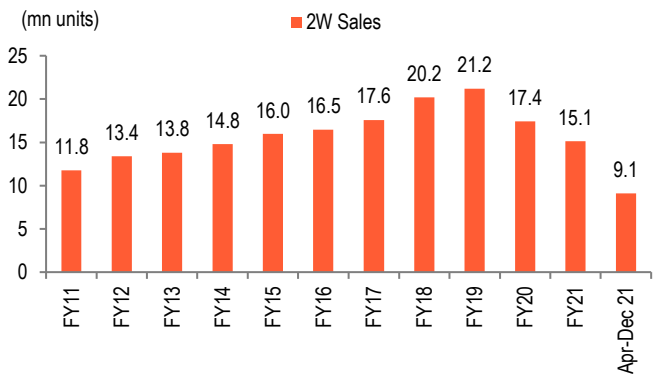
- Companies with more scooters in the product mix are likely to lose market share due to the entry of new EV players that have a technical headstart over traditional players.

Fig 10 – Scooters may gain some share from motorcycles due to availability of electric options



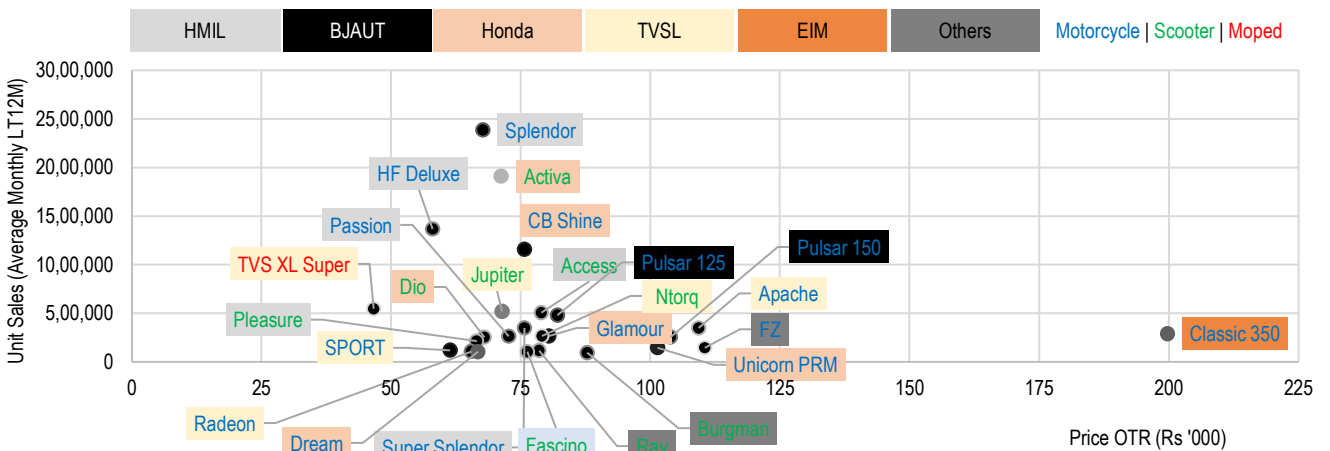
Source: Company, CMIE, SIAM, Media Report, BOBCAPS Research

Fig 11 – Expect some recovery after 4 years of downturn



Source: Company, CMIE, SIAM, Media Report, BOBCAPS Research

Fig 12 – Top 25 models: Prices vs. volumes

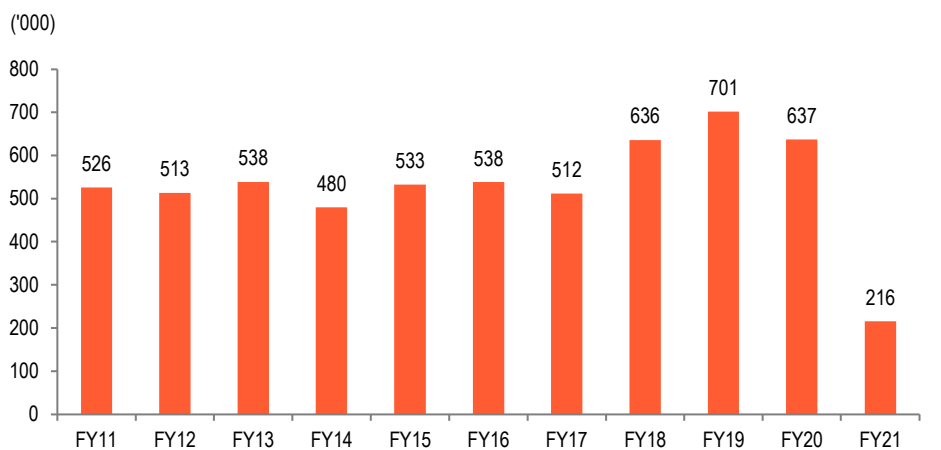


Source: Company, CMIE, Media Report, BOBCAPS Research

3W demand to recover but growth has plateaued

After peaking in FY19, 3W sales weakened in FY20 before plummeting in FY21 due to Covid-19. Though demand for 3W goods carriers has improved, passenger 3W demand has dropped. As Covid restrictions ease, we should see an improvement in demand. Some pickup may also come from replacement of petrol by EVs which is a more viable option in the 3W category.

Fig 13 – 3Ws flattish for most of the decade before rising in FY18-FY19 and falling amid the pandemic

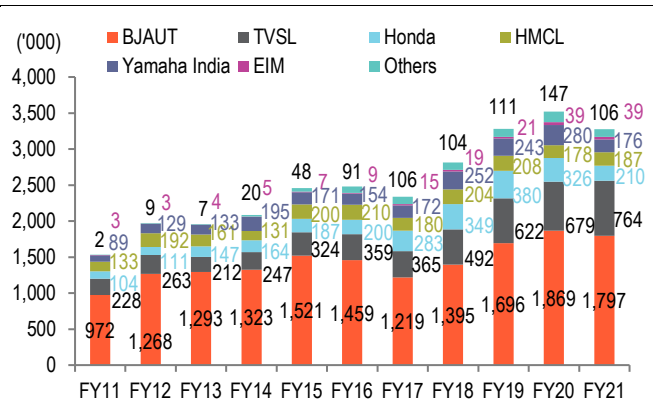


Source: CMIE

Exports have doubled to ~15% of sales

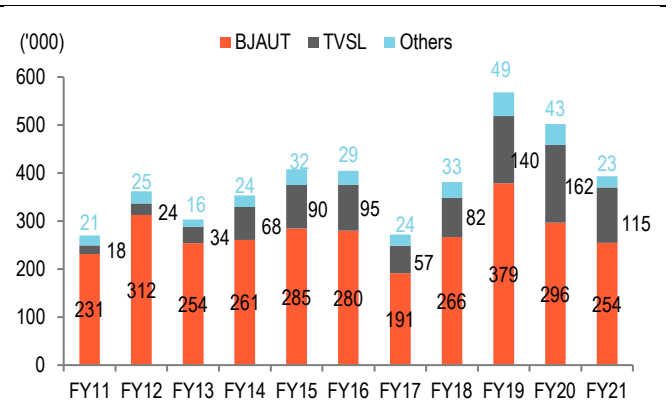
India's 2W and 3W exports have shown significant growth in the last few years driven by sales to Africa, South East Asia, South Asia and Latin America. Many of these markets remain underpenetrated and, therefore, exports could remain elevated for the next few years.

Fig 14 – Indian 2W exports have doubled in the last decade



Source: Company, CMIE

Fig 15 – 3W exports have grown at a lower rate and are also more volatile



Source: Company

Africa

Africa is the key export market for Indian companies. The African continent is a 2.4mn-2.7mn unit market where 2Ws are largely used as taxis and also for carrying goods. Key competitors include BJAUT, HMCL, Honda, Yamaha, Suzuki, TVS, Piaggio, SYM and Chinese manufacturers. Indian manufacturers have taken share from Chinese rivals who led the way in the 2000s. BJAUT is #1 or #2 in key African markets, has an overall market share of ~40% from 25% in 2015, and is estimated to export 1mn units p.a. to this geography.

Regulatory issues can be a dampener

Exporters are exposed to changes in regulations in target markets. For instance:
 (1) Egypt has decided to impose a ban of import of 3Ws in a bid to transition to 4Ws.
 (2) In Nigeria, the Lagos local government decided to impose a ban on 2W taxis to reduce congestion in 2020.

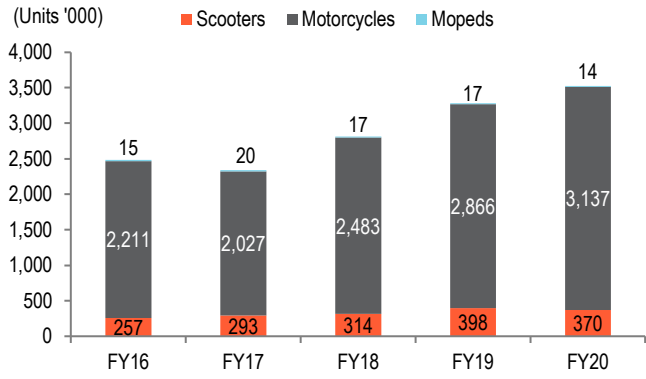
Bangladesh

Bangladesh is an over 0.5mn unit market with low ownership levels and can, therefore, grow strongly. HMCL owns an assembly plant in the country in JV with local partners.

Latin America

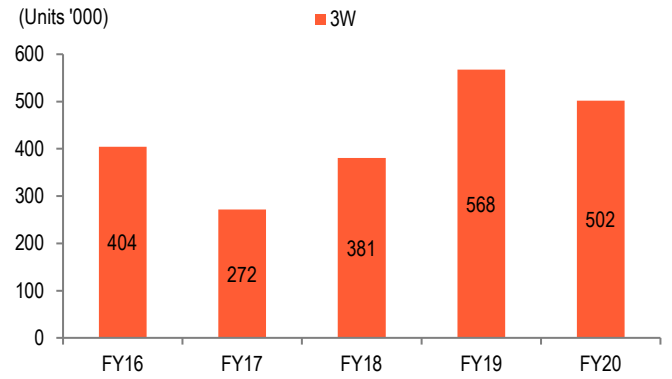
Indian firms, particularly BJAUT, are active in Latin American countries such as Columbia, Mexico and Argentina. HMCL is also very active in Latin America.

Fig 16 – India’s 2W exports



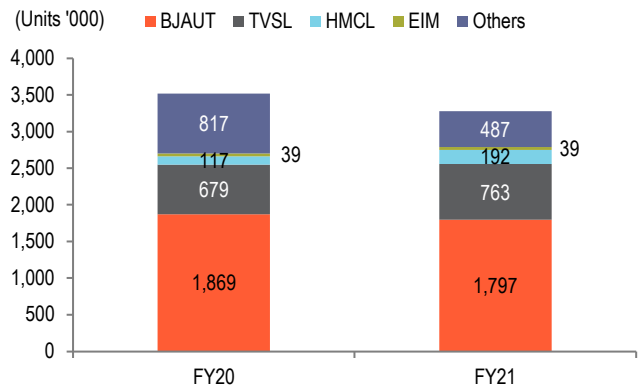
Source: Company, CMIE, Media Reports

Fig 17 – India’s 3W exports



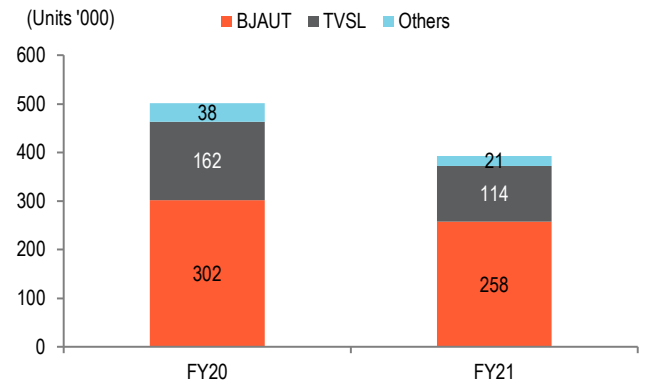
Source: Company, CMIE, Media Reports

Fig 18 – 2W exports: BJAUT accounts for ~50% share



Source: Company

Fig 19 – 3W exports: BJAUT accounts for ~60% share



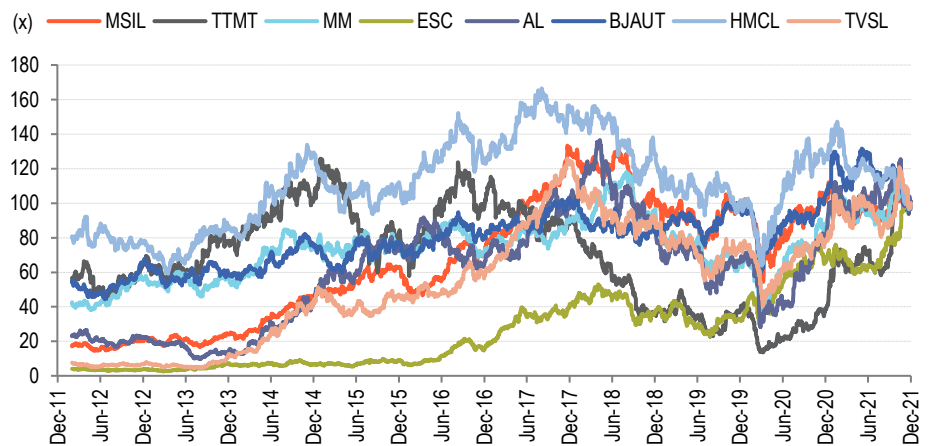
Source: Company

Estimates and ratings revised

2W stocks had a mixed performance in CY21 with BJAUT (-6%) and HMCL (-21%) falling while EIM (+2%) stayed flattish and TVSL (+29%) rallied. We expect a modest recovery in domestic 2Ws and a strong revival in domestic 3W sales. Companies with higher exposure to the domestic scooter category are likely to lose market share to new entrants as we estimate electric scooters will reach 10% of the market over the next four years. Motorcycles will be less affected by electrification for the time being. Exports are likely to remain strong. We upgrade BJAUT to BUY from SELL, HMCL to BUY from HOLD, and EIM and TVSL to HOLD from SELL.

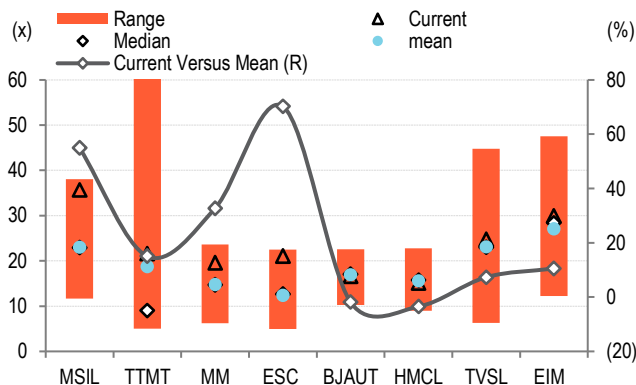
We value each company using a three-stage DCF model comprising a three-year explicit forecast in Stage 1, a seven-year high-growth period in Stage 2 and a terminal period in Stage 3. Stage 2 assumptions are based on market growth, company strategy and historical performance. Our WACC estimate is derived from the risk-free rate as on end Dec'21, gearing forecasts and estimated beta as on end Dec'21 (based on two-year weekly returns).

Fig 20 – Stock performance mixed in CY21



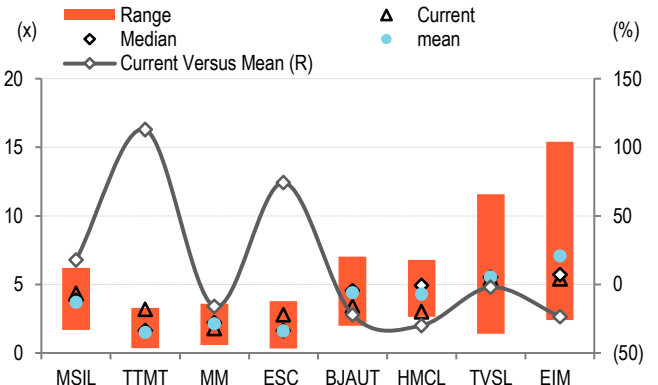
Source: Bloomberg

Fig 21 – 1Y fwd P/E indicates 2W stocks are attractively priced

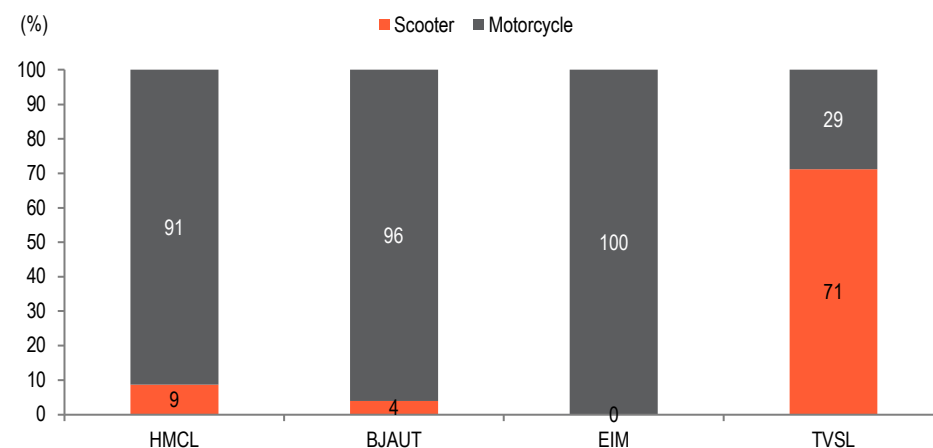


Source: Bloomberg

Fig 22 – 1Y fwd P/B indicates 2W stocks are trading at a discount to median



Source: Bloomberg

Fig 23 – Sales mix – TVSL has the highest exposure to scooters

Source: Company

Bajaj Auto (BJAUT) – BUY, TP Rs 4,231

We raise our FY22-FY24 EPS projections for BJAUT by 4-15% driven by better-than-expected 2W/3W exports in FY22 and domestic 3W recovery. BJAUT is trading close to its median five-year forward P/E and at a discount to its historical median P/B multiple.

We now use DCF to value BJAUT (vs. P/E earlier) which leads us to our new TP of Rs 4,231 (Rs 3,200 earlier) – this implies an FY24E P/E of 23.6x and P/B of 4.2x, 31% and 14% premium to the five-year mean respectively. We upgrade the stock from SELL to BUY due to a recovery in exports and 3W sales which should continue in FY23. The company is also better insulated from electrification in 2Ws due to exposure to motorcycles where electrification may proceed at a slower rate over the next few years.

In 3Ws, BJAUT is launching electric options in mid-2022. CNG options are already available. Competition in the 3W segment is much lower compared to 2Ws. However, it could face headwinds in its export markets due to changing regulations, Covid-related disruptions and electrification.

Fig 24 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	333.6	393.6	439.1	334.7	366.4	403.6	(0.3)	7.4	8.8
EBITDA	59.2	71.7	81.0	56.5	62.6	69.2	4.9	14.6	17.1
EBIT	70.5	82.8	92.5	67.7	73.7	80.7	4.1	12.4	14.7
Pretax Income	70.4	82.7	92.5	67.6	73.6	80.6	4.1	12.4	14.7
Net Income	52.7	61.9	69.2	50.6	55.1	60.3	4.1	12.4	14.7
EPS (Rs)	182.0	213.9	239.1	174.9	190.3	208.5	4.1	12.4	14.7

Source: BOBCAPS Research

Fig 25 – Estimates vs. Consensus

(Rs bn)	BOBCAPS		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	333.6	393.6	338.5	392.0	(1.4)	0.4
EBITDA	59.2	71.7	55.7	68.2	6.4	5.1
EBIT	70.5	82.8	51.5	63.5	36.8	30.4
Pretax Income	70.4	82.7	67.2	81.6	4.8	1.4
Net Income	52.7	61.9	51.6	61.6	2.1	0.5
EPS (Rs)	182.0	213.9	179.5	214.0	1.4	(0.1)

Source: Bloomberg, BOBCAPS Research

Fig 26 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
2W Sales YoY (%)	(6.8)	(8.7)	3.0	12.0	5.0
3W Sales YoY (%)	(14.7)	(45.0)	40.0	15.0	15.0
Realisation per Vehicle YoY (%)	7.6	7.7	13.0	5.0	5.0

Source: Company, BOBCAPS Research

Fig 27 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.45	Indian 10-year TB yield as of end-Dec'21	
Equity Risk Premium (%) (B)	6.85	NYU Stern India equity risk premium	
Beta (C)	0.83	Weekly returns over 2 years as of end-Dec'21	
Cost of Equity (%) (D) = A + B x C	12.1		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	25.2		
Post-Tax Cost of Debt (%) (G) = E x (1-F)	5.98		
Current Debt to Equity (2023) (H)	0.00		
WACC (I) = (1 x D + H x G)/(1 + H)	13.7		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	1.2	5.0	5.0

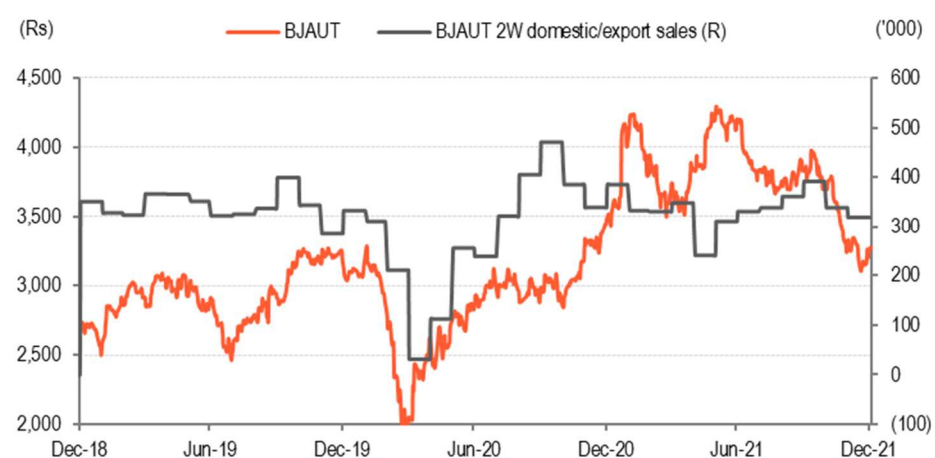
Source: BOBCAPS Research

Fig 28 – Target price: Implied multiples

Multiples (x)	Target Price	Current Price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. BJAUT 5Y historical mean (%)
P/E FY24E	23.6	18.9	18.0	10.3 - 22.5	30.9
EV/EBITDA FY24E	14.8	11.8	14.6	9.0 - 21.3	1.0
P/B FY24E	4.2	3.4	3.7	2 - 5.1	13.8

Source: Bloomberg, BOBCAPS Research

Fig 29 – BJAUT: Share price vs. volumes – Recovery in sales not priced in post recent correction



Source: Bloomberg, Company

Key risks

Key downside risk to our estimates include:

- delay in sales recovery due to another wave of Covid-19,
- regulatory or political changes in the key export markets, and
- competition from electric motorcycles.

Hero MotoCorp (HMCL) – BUY, TP Rs 3,191

We cut our FY22/FY23 EPS estimates for HMCL by 17%/6% given below-expected 2W sales in 9MFY22. Bloomberg consensus for FY22 is implying a 67% increase in H2FY22 net income vs. H1 even as the average monthly sales in Q3FY22 rose just 7% vs. H1 and are below the Q2FY22 print.

While HMCL's earnings may disappoint, we believe that stock price corrections have already pared expectations from the company and taken valuations below peers. A likely launch of electric models, possibly in the battery-less format (making scooters cheaper), supported by a swappable battery charging network tie-up with established Taiwanese player Gogoro is likely to be taken positively by the market.

Our new DCF-based TP stands at Rs 3,191 (from a P/E based target of Rs 2,900 earlier) and we upgrade HMCL to BUY from HOLD given its lower exposure to scooters and cheap valuations.

Fig 30 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	303.6	353.6	404.9	352.6	388.4	427.9	(13.9)	(9.0)	(5.4)
EBITDA	36.8	46.9	57.8	45.3	50.3	55.9	(18.8)	(6.7)	3.4
EBIT	37.9	48.3	60.3	45.6	51.5	58.2	(17.1)	(6.3)	3.5
Pretax Income	37.6	48.1	60.1	45.4	51.3	58.0	(17.1)	(6.3)	3.5
Net Income	28.2	35.9	44.9	34.0	38.4	43.4	(17.1)	(6.3)	3.5
EPS (Rs)	141.0	180.0	225.0	170.2	192.1	217.3	(17.1)	(6.3)	3.5

Source: BOBCAPS Research

Fig 31 – Estimates vs. Consensus

(Rs bn)	BOBCAPS		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	303.6	353.6	339.2	391.5	(10.5)	(9.7)
EBITDA	36.8	46.9	41.2	50.9	(10.6)	(7.8)
EBIT	37.9	48.3	37.6	45.8	0.7	5.4
Pretax Income	37.6	48.1	40.5	50.5	(7.1)	(4.9)
Net Income	28.2	35.9	31.0	37.7	(9.2)	(4.7)
EPS (Rs)	141.0	180.0	153.2	185.9	(8.0)	(3.1)

Source: Bloomberg, BOBCAPS Research

Fig 32 – Key operational assumptions

Parameter	FY21	FY22E	FY23E	FY24E
Motorcycle Sales Volume (YoY %)	(11.0)	(10.0)	8.0	9.0
Scooter Sales Volume (YoY %)	9.2	(35.0)	5.0	10.0
Realisation per vehicle (YoY %)	18.2	12.0	8.0	5.0

Source: Company, BOBCAPS Research

Fig 33 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.45	Indian 10-year TB yield as of end-Dec'21	
Equity Risk Premium (%) (B)	6.85	NYU Stern India equity risk premium	
Beta (C)	1.02	Weekly returns over 2 years as of end-Dec'21	
Cost of Equity (%) (D) = A + B x C	13.4		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	25.2		
Post-Tax Cost of Debt (%) (G) = E x (1F)	5.98		
Current Debt to Equity (2021) (H)	0.00		
WACC (I) = (1 x D + H x G)/(1 + H)	13.4		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	15.4	5.0	5.0

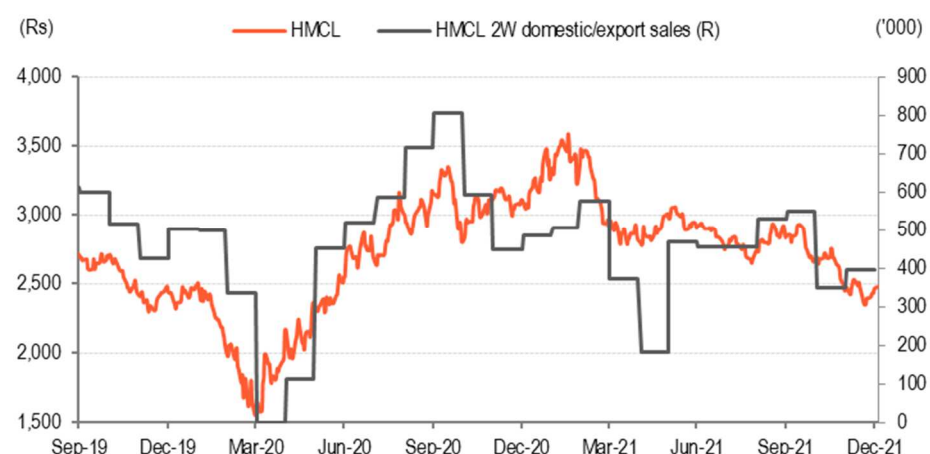
Source: BOBCAPS Research

Fig 34 – Target price: Implied multiples

Multiples (x)	Target Price	Current Price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. HMCL 5Y historical mean (%)
P/E FY24E	20.8	17.6	15.5	8.9 - 22.7	34.3
EV/EBITDA FY24E	11.0	9.3	9.2	8.5 - 10.5	19.2
P/B FY24E	3.0	2.5	3.9	2.6 - 5.5	(23.9)

Source: Bloomberg, BOBCAPS Research

Fig 35 – HMCL: Share price vs. volumes



Source: Bloomberg

Key risks

Key downside risks to our estimates are:

- slower recovery in market demand, and
- drop in scooter market share due to growth in electric scooters.

TVS Motor (TVSL) – HOLD, TP Rs 681

We raise FY22-FY24 EPS estimates for TVSL by 29-43% as we expect volumes to start recovering in FY22. We further upgrade the stock from SELL to HOLD and move to a DCF-based TP of Rs 681 (P/E based TP of Rs 480 earlier) – this implies an FY24E P/E of 25x and P/B of 5.7x, a 10% and 14% discount respectively from the historical mean.

While TVSL is well placed to benefit from recovery, its exposure to scooters will put it in direct competition with new entrants and it may need to invest more in electric scooters to stay competitive. The stock is also among the most expensive in our auto OEM coverage.

Fig 36 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	214.0	242.9	275.9	192.7	211.9	233.0	11.1	14.6	18.4
EBITDA	19.7	23.6	27.4	16.6	18.5	21.3	18.1	27.6	29.0
EBIT	14.7	18.2	21.6	11.7	13.1	15.4	25.8	39.0	40.0
Pretax Income	13.8	17.3	20.8	10.7	12.1	14.5	29.0	42.9	43.3
Net Income	10.3	13.0	15.5	8.0	9.1	10.8	29.0	42.9	43.3
EPS (Rs)	21.8	27.3	32.7	16.9	19.1	22.8	29.0	42.9	43.3

Source: BOBCAPS Research

Fig 37 – Estimates vs. Consensus

(Rs bn)	Current		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	214.0	242.9	214.7	247.1	(0.3)	(1.7)
EBITDA	19.7	23.6	21.1	26.6	(6.7)	(11.2)
EBIT	14.7	18.2	13.5	17.6	8.7	3.1
Pretax Income	13.8	17.3	12.7	17.4	9.0	(0.6)
Net Income	10.3	13.0	9.5	13.1	9.1	(0.7)
EPS (Rs)	21.8	27.3	20.2	28.2	7.9	(3.0)

Source: Bloomberg, BOBCAPS Research

Fig 38 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
2W Sales Growth (%YoY)	(17.8)	(5.2)	15.6	8.0	8.0
3W Sales Growth (%YoY)	11.2	(28.9)	30.0	15.0	15.0

Source: Company, BOBCAPS Research

Fig 39 – DCF assumptions

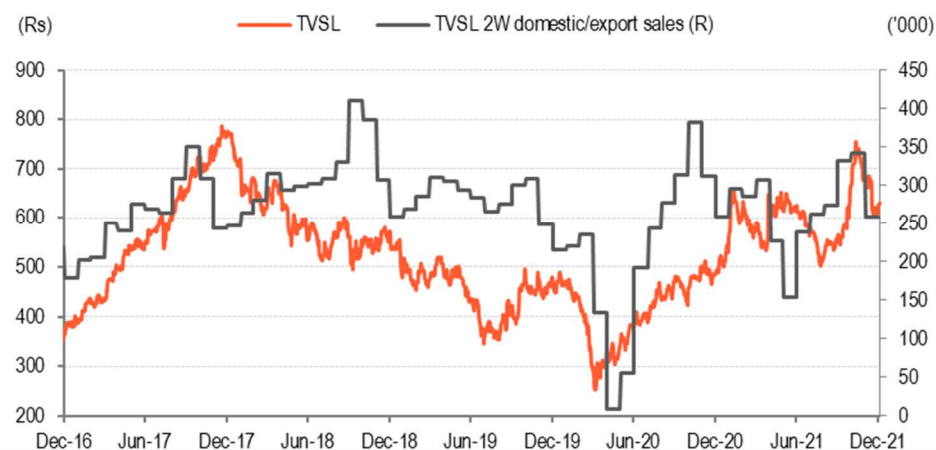
Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.45	Indian 10-year TB yield as of end-Dec'21	
Equity Risk Premium (%) (B)	6.85	NYU Stern India equity risk premium	
Beta (C)	0.95	Weekly returns over 2 years as of end-Dec'21	
Cost of Equity (%) (D)= A + B x C	13.0		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	25.2		
Post-Tax Cost of Debt (%) (G)= E x (1-F)	5.98		
Current Debt to Equity (2021) (H)	0.18		
WACC (I)= (1 x D + H x G)/(1 + H)	11.9		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	19.5	5.0	5.0

Source: BOBCAPS Research

Fig 40 – Target price: Implied multiples

Multiples (x)	Target price	Current price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. CCRI 5Y historical mean (%)
P/E FY24E	24.9	24.1	27.6	12.6 - 44.8	(9.5)
EV/EBITDA FY24E	13.7	13.2	14.7	8.3 - 24.9	(6.9)
P/B FY24E	5.7	5.5	6.6	2.7 - 11.6	(13.7)

Source: Bloomberg, BOBCAPS Research

Fig 41 – TVSL: Share price vs. volumes

Source: Bloomberg

Key risks

Downside risks to our estimates include:

- sharp increase in electric 2Ws leading to a drop in market share, and
- a drop in export sales.

Upside risks include:

- a sharper-than-expected recovery,
- strong market share gains in electric 2Ws.

Eicher Motors (EIM) – HOLD, TP Rs 2,981

We change our FY22-FY24 estimates for EIM by -7% to +10% given below-estimated sales thus far in FY22 followed by a stronger recovery expected in FY23. We are 9-14% below FY22/FY23 consensus EPS as the street is building in a strong recovery.

EIM is trading at a premium to five-year forward mean EV/EBITDA and P/B multiples and is just 14% below its all-time peak in Sep'17 when average monthly sales were at ~67k volumes vs. 41k in Q3FY22. While we concede that the company's high-capacity motorcycle segment will not be impacted by electrification, it looks too early to build in a sharp recovery. As a result, we move EIM up only a notch from SELL to HOLD.

Our new DCF-based TP of Rs 2,981 (P/E based Rs 2,200 earlier) implies an FY24E P/E of 44x and P/B of 5.6x, a premium of 60% and discount of 15% respectively to the five-year mean. Note that multiples look higher as earnings are depressed due to several years of downturn and are now likely to start recovering.

Fig 42 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	100.2	124.3	144.5	106.0	125.5	136.8	(5.4)	(1.0)	5.6
EBITDA	20.6	28.2	35.1	22.3	27.8	31.3	(7.6)	1.4	12.1
EBIT	22.5	32.2	40.3	24.2	31.8	36.5	(7.0)	1.2	10.4
Pretax Income	22.4	32.1	40.2	24.1	31.7	36.4	(7.0)	1.2	10.4
Net Income	17.1	24.4	30.5	18.4	24.1	27.7	(6.9)	1.2	10.3
EPS (Rs)	61.5	88.0	110.3	66.1	87.0	99.9	(7.0)	1.2	10.4

Source: BOBCAPS Research

Fig 43 – Estimate vs. Consensus

(Rs bn)	BOBCAPS		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	100.2	124.3	105.8	136.1	(5.3)	(8.7)
EBITDA	20.6	28.2	23.1	33.2	(10.8)	(15.0)
EBIT	22.5	32.2	18.0	28.3	25.1	13.7
Pretax Income	22.4	32.1	22.8	33.4	(1.8)	(3.8)
Net Income	17.1	24.4	18.4	27.6	(6.8)	(11.7)
EPS (Rs)	61.5	88.0	67.3	102.1	(8.6)	(13.7)

Source: Bloomberg, BOBCAPS Research

Fig 44 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
Motorcycle Sales Volume (% YoY)	(15.8)	(12.1)	3.5	13.6	11.0
Parts & Accessories (% YoY)	12.0	10.0	20.0	15.0	15.0

Source: Company, BOBCAPS Research

Fig 45 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.45	Indian 10-year TB yield as of end-Dec'21	
Equity Risk Premium (%) (B)	6.85	NYU Stern India equity risk premium	
Beta (C)	1.09	Weekly returns over 2 years as of end-Dec'21	
Cost of Equity (%) (D) = A + B x C	13.9		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	25.2		
Post-Tax Cost of Debt (%) (G) = E x (1-F)	5.98		
Current Debt to Equity (2023) (H)	0.00		
WACC (I) = (1 x D + H x G)/(1 + H)	13.9		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	12.5	20.0	5.0

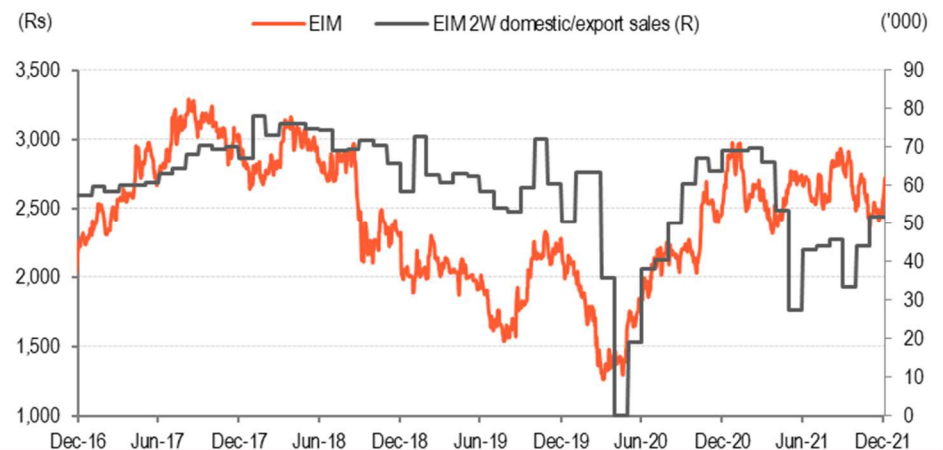
Source: Bloomberg, BOBCAPS Research

Fig 46 – Target price: Implied multiples

Multiples (x)	Target Price	Current Price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. EIM 5Y historical mean (%)
P/E FY24E	44.3	42.3	27.7	15.9 - 36.7	60.1
EV/EBITDA FY24E	22.6	21.5	19.6	10.6 - 27.4	15.1
P/B FY24E	5.6	5.3	6.5	2.8 - 11.7	(14.9)

Source: Bloomberg, BOBCAPS Research

Fig 47 – EIM: Share price vs. volumes



Source: Bloomberg

Key risks

Upside risks to our estimates include:

- faster-than-estimated recovery in 2W sales particularly in the high-capacity segment, and
- strong growth in exports.

Downside risks include:

- weak sales, and
- increase in competition.

Stock performance

Fig 48 – BJAUT

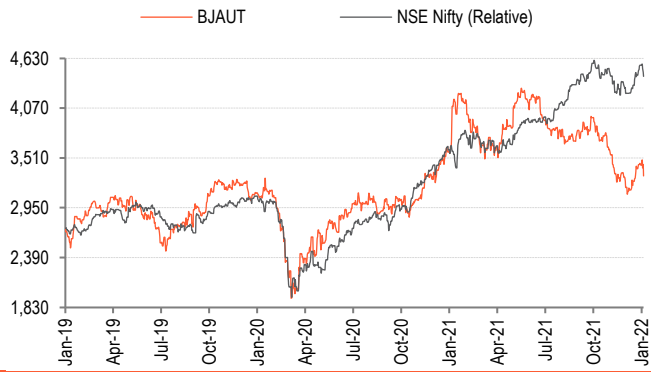


Fig 49 – EIM

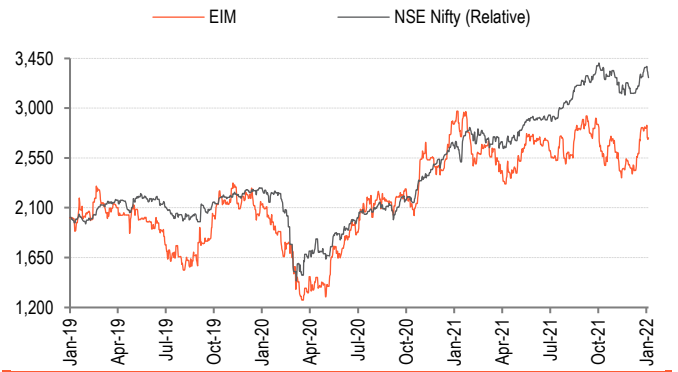


Fig 50 – HMCL IN

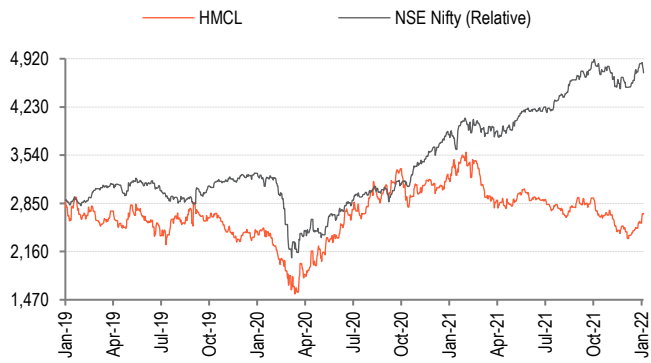
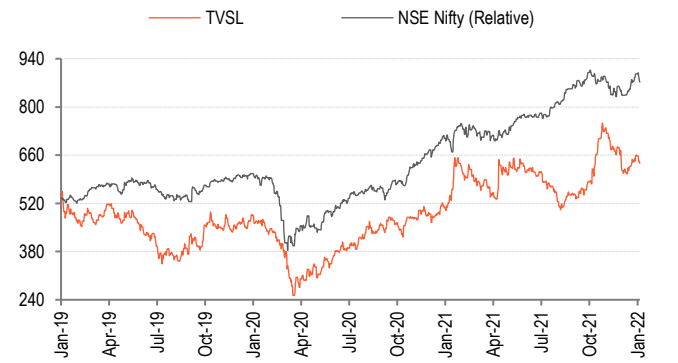


Fig 51 – TVSL



Source: NSE

Financials – BJAUT

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	2,99,187	2,77,411	3,33,593	3,93,583	4,39,065
EBITDA	50,962	49,285	59,245	71,735	80,999
Depreciation	2,464	2,593	2,701	2,869	3,022
EBIT	65,833	59,456	70,486	82,809	92,550
Net interest inc./(exp.)	(32)	(67)	(70)	(70)	(70)
Other inc./(exp.)	17,335	12,765	13,942	13,942	14,572
Exceptional items	0	0	0	0	0
EBT	65,802	59,390	70,416	82,739	92,480
Income taxes	14,802	13,844	17,745	20,850	23,305
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	50,999	45,546	52,671	61,888	69,175
Adjustments	0	0	0	0	0
Adjusted net profit	50,999	45,546	52,671	61,888	69,175

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	31,997	45,738	38,550	42,435	44,541
Other current liabilities	8,955	9,170	1,186	3,536	8,098
Provisions	2,385	1,544	1,779	1,768	2,025
Debt funds	1,256	1,215	1,215	1,215	1,215
Other liabilities	421	392	392	392	392
Equity capital	2,894	2,894	2,894	2,894	2,894
Reserves & surplus	1,96,361	2,49,128	2,52,277	2,65,552	2,86,113
Shareholders' fund	1,99,254	2,52,022	2,55,171	2,68,446	2,89,007
Total liab. and equities	2,44,269	3,10,080	2,98,293	3,17,792	3,45,277
Cash and cash eq.	3,083	5,273	5,893	13,098	29,215
Accounts receivables	17,251	27,169	25,110	27,394	28,515
Inventories	10,635	14,939	15,066	14,942	13,687
Other current assets	10,846	14,406	13,392	13,946	15,969
Investments	1,81,960	2,26,310	2,16,309	2,26,310	2,36,310
Net fixed assets	16,990	16,649	16,948	16,579	16,057
CWIP	602	160	400	350	350
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(3,464)	(5,224)	(5,224)	(5,224)	(5,224)
Other assets	6,366	10,399	10,399	10,399	10,399
Total assets	2,44,269	3,10,080	2,98,293	3,17,792	3,45,277

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	40,286	26,578	29,370	54,255	62,588
Capital expenditures	(1,937)	(1,810)	(3,240)	(2,450)	(2,500)
Change in investments	9,634	(44,350)	10,000	(10,000)	(10,000)
Other investing cash flows	17,335	12,765	13,942	13,942	14,572
Cash flow from investing	25,032	(33,395)	20,702	1,492	2,072
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	11	(41)	0	0	0
Interest expenses	(32)	(67)	(70)	(70)	(70)
Dividends paid	(34,724)	(40,511)	(48,614)	(48,614)	(48,614)
Other financing cash flows	(1,963)	1,761	0	0	0
Cash flow from financing	(36,708)	(38,859)	(48,684)	(48,684)	(48,684)
Chg in cash & cash eq.	28,611	(45,676)	1,389	7,064	15,977
Closing cash & cash eq.	3,083	5,273	5,893	13,098	29,215

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	176.2	157.4	182.0	213.9	239.1
Adjusted EPS	176.2	157.4	182.0	213.9	239.1
Dividend per share	120.0	140.0	168.0	168.0	168.0
Book value per share	688.6	870.9	881.8	927.7	998.8

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	3.2	3.4	2.9	2.5	2.1
EV/EBITDA	18.5	19.0	16.2	13.6	11.7
Adjusted P/E	18.8	21.0	18.2	15.5	13.8
P/BV	4.8	3.8	3.8	3.6	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.5	76.7	74.8	74.8	74.8
Interest burden (PBT/EBIT)	100.0	99.9	99.9	99.9	99.9
EBIT margin (EBIT/Revenue)	22.0	21.4	21.1	21.0	21.1
Asset turnover (Rev./Avg TA)	142.3	122.1	130.7	149.4	156.6
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.5	20.2	20.8	23.6	24.8

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(1.1)	(7.3)	20.3	18.0	11.6
EBITDA	2.3	(3.3)	20.2	21.1	12.9
Adjusted EPS	9.1	(10.7)	15.6	17.5	11.8
Profitability & Return ratios (%)					
EBITDA margin	17.0	17.8	17.8	18.2	18.4
EBIT margin	22.0	21.4	21.1	21.0	21.1
Adjusted profit margin	17.0	16.4	15.8	15.7	15.8
Adjusted ROAE	24.5	20.2	20.8	23.6	23.9
ROCE	24.3	20.1	20.7	23.5	24.7

Working capital days (days)

	FY20A	FY21A	FY22E	FY23E	FY24E
Receivables	26	29	29	24	23
Inventory	12	17	16	14	12
Payables	61	72	65	53	51

Ratios (x)

	FY20A	FY21A	FY22E	FY23E	FY24E
Gross asset turnover	0.1	0.2	0.1	0.1	0.1
Current ratio	1.0	1.1	1.4	1.5	1.6
Net interest coverage ratio	(2,083.3)	(892.7)	(1,006.9)	(1,183.0)	(1,322.1)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – EIM

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	90,775	86,190	1,00,246	1,24,279	1,44,518
EBITDA	22,038	17,865	20,629	28,230	35,064
Depreciation	3,779	4,460	4,940	5,839	6,651
EBIT	24,412	17,925	22,506	32,200	40,301
Net interest inc./(exp.)	(109)	(92)	(80)	(90)	(90)
Other inc./(exp.)	6,153	4,520	6,817	9,808	11,888
Exceptional items	0	0	0	0	0
EBT	24,303	17,833	22,426	32,110	40,211
Income taxes	5,265	4,536	5,651	8,092	10,133
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	317	311	342	377	0
Reported net profit	19,356	13,608	17,117	24,395	30,492
Adjustments	0	0	0	0	0
Adjusted net profit	19,356	13,608	17,117	24,395	30,492

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	10,208	15,174	17,443	19,064	21,793
Other current liabilities	7,641	8,216	7,831	10,671	12,232
Provisions	974	1,123	1,000	1,000	1,000
Debt funds	0	0	0	0	0
Other liabilities	1,693	2,475	2,475	2,475	2,475
Equity capital	273	273	273	273	273
Reserves & surplus	82,481	96,777	1,08,096	1,25,294	1,48,552
Shareholders' fund	82,753	97,050	1,08,368	1,25,566	1,48,824
Total liab. and equities	1,03,270	1,24,038	1,37,117	1,58,777	1,86,325
Cash and cash eq.	29,264	57,988	25,348	33,310	38,863
Accounts receivables	1,340	2,562	3,007	3,107	2,890
Inventories	5,181	7,691	8,020	8,700	8,671
Other current assets	2,457	8,474	2,661	3,718	4,609
Investments	39,256	20,448	70,448	80,448	1,02,448
Net fixed assets	23,687	24,234	25,294	27,455	26,804
CWIP	3,122	3,102	2,800	2,500	2,500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(2,520)	(2,210)	(2,210)	(2,210)	(2,210)
Other assets	1,484	1,750	1,750	1,750	1,750
Total assets	1,03,269	1,24,038	1,37,117	1,58,777	1,86,325

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	18,781	10,102	22,120	22,960	28,809
Capital expenditures	(7,383)	(4,987)	(5,698)	(7,700)	(6,000)
Change in investments	(8,791)	18,808	(50,000)	(10,000)	(22,000)
Other investing cash flows	6,153	4,520	6,817	9,808	11,888
Cash flow from investing	(10,020)	18,342	(48,881)	(7,892)	(16,112)
Equities issued/Others	439	660	0	0	0
Debt raised/repaid	(764)	0	0	0	0
Interest expenses	(109)	(92)	(80)	(90)	(90)
Dividends paid	(8,087)	0	(5,456)	(6,820)	(6,820)
Other financing cash flows	(245)	(310)	0	0	0
Cash flow from financing	(8,766)	258	(5,536)	(6,910)	(6,910)
Chg in cash & cash eq.	(4)	28,702	(32,298)	8,158	5,787
Closing cash & cash eq.	29,264	57,988	25,348	33,310	33,310

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	69.8	48.7	61.5	88.0	110.3
Adjusted EPS	69.8	48.7	61.5	88.0	110.3
Dividend per share	25.0	0.0	20.0	25.0	25.0
Book value per share	303.3	355.8	397.2	460.3	545.5

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	7.8	8.2	6.9	5.7	5.1
EV/EBITDA	32.2	39.7	33.4	25.1	20.8
Adjusted P/E	39.2	56.1	44.5	31.1	24.8
P/BV	9.0	7.7	6.9	5.9	5.0

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	78.3	74.6	74.8	74.8	74.8
Interest burden (PBT/EBIT)	99.6	99.5	99.6	99.7	99.8
EBIT margin (EBIT/Revenue)	26.9	20.8	22.5	25.9	27.9
Asset turnover (Rev./Avg TA)	115.3	93.7	95.3	104.0	103.5
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.7	14.8	16.3	20.5	21.9

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(7.3)	(5.1)	16.3	24.0	16.3
EBITDA	(24.7)	(18.9)	15.5	36.8	24.2
Adjusted EPS	(8.0)	(30.2)	26.2	43.2	25.2
Profitability & Return ratios (%)					
EBITDA margin	24.3	20.7	20.6	22.7	24.3
EBIT margin	26.9	20.8	22.5	25.9	27.9
Adjusted profit margin	21.3	15.8	17.1	19.6	21.1
Adjusted ROAE	23.4	14.0	15.8	19.4	20.5
ROCE	24.3	14.5	16.0	20.2	21.6
Working capital days (days)					
Receivables	5	8	10	9	8
Inventory	23	27	29	25	22
Payables	81	91	99	91	89
Ratios (x)					
Gross asset turnover	0.4	0.5	0.5	0.4	0.4
Current ratio	2.0	3.1	1.5	1.6	1.6
Net interest coverage ratio	224.0	194.8	281.3	357.8	447.8
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – HMCL

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	2,88,361	3,08,006	3,03,649	3,53,602	4,04,909
EBITDA	39,580	40,192	36,770	46,913	57,773
Depreciation	8,180	6,769	7,085	7,673	8,143
EBIT	39,184	39,222	37,860	48,278	60,280
Net interest inc./(exp.)	(220)	(218)	(220)	(220)	(220)
Other inc./(exp.)	7,783	5,799	8,175	9,037	10,650
Exceptional items	6,774	0	0	0	0
EBT	45,737	39,004	37,640	48,058	60,060
Income taxes	9,404	9,362	9,485	12,111	15,135
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	36,333	29,642	28,154	35,947	44,925
Adjustments	(6,774)	0	0	0	0
Adjusted net profit	29,559	29,642	28,154	35,947	44,925

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	30,305	52,046	45,274	47,365	48,184
Other current liabilities	7,990	8,913	8,102	7,839	14,300
Provisions	2,689	3,328	3,328	3,328	3,328
Debt funds	0	0	0	0	0
Other liabilities	1,217	1,298	1,298	1,298	1,298
Equity capital	400	400	400	400	400
Reserves & surplus	1,40,965	1,51,585	1,63,765	1,83,737	2,12,687
Shareholders' fund	1,41,364	1,51,984	1,64,164	1,84,136	2,13,087
Total liab. and equities	1,83,565	2,17,570	2,22,167	2,43,967	2,80,197
Cash and cash eq.	2,419	2,572	(3,771)	(2,410)	2,214
Accounts receivables	16,031	24,268	23,988	26,520	28,344
Inventories	10,920	14,696	12,146	12,376	12,147
Other current assets	7,244	6,601	6,620	6,770	6,924
Investments	82,227	1,04,997	1,12,997	1,27,997	1,55,997
Net fixed assets	61,171	59,884	67,799	70,127	71,984
CWIP	3,413	4,366	2,200	2,400	2,400
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(3,928)	(4,041)	(4,041)	(4,041)	(4,041)
Other assets	4,070	4,229	4,229	4,229	4,229
Total assets	1,83,565	2,17,570	2,22,167	2,43,967	2,80,197

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	61,408	42,251	22,071	33,279	47,730
Capital expenditures	(21,159)	(6,435)	(12,834)	(10,200)	(10,000)
Change in investments	(22,540)	(22,770)	(8,000)	(15,000)	(28,000)
Other investing cash flows	7,783	5,799	8,175	9,037	10,650
Cash flow from investing	(35,916)	(23,407)	(12,659)	(16,163)	(27,350)
Equities issued/Others	44	131	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(220)	(218)	(220)	(220)	(220)
Dividends paid	(23,325)	(18,978)	(15,975)	(15,975)	(15,975)
Other financing cash flows	(1,437)	113	0	0	0
Cash flow from financing	(24,938)	(18,953)	(16,195)	(16,195)	(16,195)
Chg in cash & cash eq.	555	(109)	(6,783)	921	4,185
Closing cash & cash eq.	2,419	2,572	(3,771)	(2,410)	2,214

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	148.0	148.4	141.0	180.0	225.0
Adjusted EPS	148.0	148.4	141.0	180.0	225.0
Dividend per share	97.0	95.0	80.0	80.0	80.0
Book value per share	707.9	761.1	822.1	922.1	1,067.1

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	1.9	1.7	1.8	1.5	1.4
EV/EBITDA	13.6	13.4	14.6	11.6	9.5
Adjusted P/E	18.3	18.3	19.2	15.1	12.0
P/BV	3.8	3.6	3.3	2.9	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	64.6	76.0	74.8	74.8	74.8
Interest burden (PBT/EBIT)	116.7	99.4	99.4	99.5	99.6
EBIT margin (EBIT/Revenue)	13.6	12.7	12.5	13.7	14.9
Asset turnover (Rev./Avg TA)	211.8	208.2	190.5	201.5	202.5
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	21.9	20.2	17.8	20.6	22.6

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(14.3)	6.8	(1.4)	16.5	14.5
EBITDA	(19.7)	1.5	(8.5)	27.6	23.1
Adjusted EPS	(12.7)	0.3	(5.0)	27.7	25.0
Profitability & Return ratios (%)					
EBITDA margin	13.7	13.0	12.1	13.3	14.3
EBIT margin	13.6	12.7	12.5	13.7	14.9
Adjusted profit margin	10.3	9.6	9.3	10.2	11.1
Adjusted ROAE	20.9	19.5	17.2	19.5	21.1
ROCE	22.9	20.1	17.8	20.6	22.6
Working capital days (days)					
Receivables	28	24	29	26	25
Inventory	14	15	16	13	11
Payables	60	69	82	68	62
Ratios (x)					
Gross asset turnover	0.5	0.5	0.5	0.5	0.4
Current ratio	0.9	0.7	0.7	0.7	0.8
Net interest coverage ratio	(177.9)	(179.6)	(172.1)	(219.4)	(274.0)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – TVSL

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	1,64,233	1,67,505	2,14,036	2,42,925	2,75,859
EBITDA	13,459	14,286	19,651	23,611	27,444
Depreciation	4,890	4,937	5,365	5,851	6,337
EBIT	8,889	9,679	14,662	18,177	21,609
Net interest inc./(exp.)	(1,022)	(1,416)	(828)	(828)	(828)
Other inc./(exp.)	321	330	376	417	502
Exceptional items	(323)	0	0	0	0
EBT	7,544	8,263	13,833	17,349	20,781
Income taxes	1,622	2,142	3,486	4,372	5,237
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	5,922	6,121	10,347	12,977	15,544
Adjustments	323	0	0	0	0
Adjusted net profit	6,246	6,121	10,347	12,977	15,544

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	28,864	39,360	39,005	42,896	43,208
Other current liabilities	4,620	6,582	11,261	10,458	17,481
Provisions	1,763	1,925	1,925	1,925	1,925
Debt funds	19,746	10,356	10,356	10,356	10,356
Other liabilities	858	938	938	938	938
Equity capital	475	475	475	475	475
Reserves & surplus	35,706	40,384	47,627	56,711	67,591
Shareholders' fund	36,181	40,859	48,102	57,186	68,067
Total liab. and equities	92,031	1,00,020	1,11,587	1,23,759	1,41,975
Cash and cash eq.	4,193	9,298	8,422	11,526	22,404
Accounts receivables	12,814	8,700	14,074	14,642	11,337
Inventories	10,389	11,518	14,074	15,973	15,871
Other current assets	6,488	5,158	7,037	7,987	9,069
Investments	26,059	33,145	35,145	40,645	50,645
Net fixed assets	28,999	30,104	30,739	30,888	30,551
CWIP	2,854	2,787	2,787	2,787	2,787
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,581)	(1,955)	(1,955)	(1,955)	(1,955)
Other assets	1,816	1,265	1,265	1,265	1,265
Total assets	92,032	1,00,020	1,11,587	1,23,759	1,41,975

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	11,808	26,934	9,024	17,253	30,210
Capital expenditures	(8,379)	(5,974)	(6,000)	(6,000)	(6,000)
Change in investments	(3,052)	(7,086)	(2,000)	(5,500)	(10,000)
Other investing cash flows	321	330	376	417	502
Cash flow from investing	(11,110)	(12,730)	(7,624)	(11,083)	(15,498)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	5,746	(9,391)	0	0	0
Interest expenses	(1,022)	(1,416)	(828)	(828)	(828)
Dividends paid	(2,000)	(1,663)	(3,104)	(3,893)	(4,663)
Other financing cash flows	(546)	374	0	0	0
Cash flow from financing	2,178	(12,095)	(3,933)	(4,721)	(5,492)
Chg in cash & cash eq.	2,876	2,108	(2,533)	1,448	9,220
Closing cash & cash eq.	4,193	9,298	8,422	11,526	22,404

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	12.5	12.9	21.8	27.3	32.7
Adjusted EPS	12.5	12.9	21.8	27.3	32.7
Dividend per share	3.5	3.5	6.5	8.2	9.8
Book value per share	76.2	86.0	101.2	120.4	143.3

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	1.8	1.8	1.4	1.2	1.1
EV/EBITDA	22.5	20.9	14.9	12.4	10.7
Adjusted P/E	51.0	49.4	29.2	23.3	19.4
P/BV	8.4	7.4	6.3	5.3	4.4

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	78.5	74.1	74.8	74.8	74.8
Interest burden (PBT/EBIT)	84.9	85.4	94.3	95.4	96.2
EBIT margin (EBIT/Revenue)	5.4	5.8	6.9	7.5	7.8
Asset turnover (Rev./Avg TA)	313.3	307.5	383.8	379.9	373.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.3	1.2	1.2
Adjusted ROAE	17.0	15.9	23.3	24.7	24.8

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(9.8)	2.0	27.8	13.5	13.6
EBITDA	(6.1)	6.1	37.6	20.2	16.2
Adjusted EPS	(11.8)	3.4	69.0	25.4	19.8
Profitability & Return ratios (%)					
EBITDA margin	8.2	8.5	9.2	9.7	9.9
EBIT margin	5.4	5.8	6.9	7.5	7.8
Adjusted profit margin	3.8	3.7	4.8	5.3	5.6
Adjusted ROAE	17.3	15.0	21.5	22.7	22.8
ROCE	13.3	13.2	19.7	21.3	21.9
Working capital days (days)					
Receivables	30	23	19	22	17
Inventory	25	24	22	23	21
Payables	88	98	88	81	75
Ratios (x)					
Gross asset turnover	0.4	0.4	0.3	0.3	0.3
Current ratio	1.0	0.7	0.8	0.9	0.9
Net interest coverage ratio	(8.7)	(6.8)	(17.7)	(21.9)	(26.1)
Adjusted debt/equity	0.5	0.3	0.2	0.2	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

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