

HOLD

TP: Rs 2,738 | ▼ 2%

TVS MOTOR

| Automobiles

| 29 April 2025

Steady show in a challenging environment; maintain HOLD

- Q4 revenue grew in double digits at 17%/5% YoY/QoQ) to Rs 95.5bn, backed by volume growth of 16% YoY (flat QoQ) to ~1.22mn units
- EBITDA margin at 12.5 despite operating leverage lacking, on high Other expenses; soft RM cost helped raise gross margin to 30.1%
- Revise estimates for FY26/FY27 and continue to value TVS at 30x core business. Raise TP to Rs to Rs2,738 vs Rs2503 earlier; retain HOLD

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Top-line gains aided by volume growth: TVSL's Q4FY25 revenue grew in double digits at 17% YoY (5% QoQ) to Rs 95.5bn, backed by volume growth of 16% YoY (flat QoQ) to ~1.22mn units. Net realisation per vehicle (NRPV) was flat at Rs 77.7k YoY. Exports revenue for Q4FY25 was Rs 23.91 bn vs 20.1bn QoQ. Revenue included 0.5% contribution from PLI incentive benefits.

Operating leverage concern continues; soft RM cost helps: Raw material cost increased 12%/2% YoY/QoQ to Rs 68.9bn, softening to ~69.3% of sales from 72.8%/71.6% YoY/QoQ). However, EBITDA rise was healthy YoY/QoQ to Rs 13.3bn and margins ~improved to 14% YoY vs 11.3% YoY. This included PLI benefits. Excluding the same, margins hovered ~12.5% driven by robust revenue growth, better product mix, and sustained cost reduction. Other expenditure increased ~20%/5% YoY/QoQ) to Rs 10.5bn, owing to technology-related expenses and other digital and innovation-related expenses.

Product development: The Scooter category share was healthy at 38%, driven by EV. TVSL plans product launch every quarter in FY26. The recently launched Raider is expected to pick up pace and products from Norton will be launched by year-end.

Revise estimates: Factoring FY25 performance into challenging business conditions, we have revised TVSL's earnings. The revision comes after steady revival in the 2W/3W business, distinctly rural demand recovery and prudent handling of raw material costs inflation with eye on exports. Factoring the same, we revise our FY26/FY27 estimates, baking in a 3Y EBITDA/PAT CAGR of 16%/25%.

Revise TP; maintain HOLD: We believe the focus on premiumisation will continue to balance the motorcycle portfolio across segments with improving presence in 125cc alongside buoyant growth in the EV scooter segment. We maintain our target P/E for the core business at 30x, and arrive at a new TP of Rs 2,738 (from Rs 2,503) following roll-forward to, with the core business valued at Rs 2,605 and Rs 133/sh for TVS Credit Services. Maintain HOLD as current valuations factor in the positives.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TVSL IN/Rs 2,793
Market cap	US\$ 15.6bn
Free float	48%
3M ADV	US\$ 24.4mn
52wk high/low	Rs 2,958/Rs 1,919
Promoter/FPI/DII	52%/13%/25%

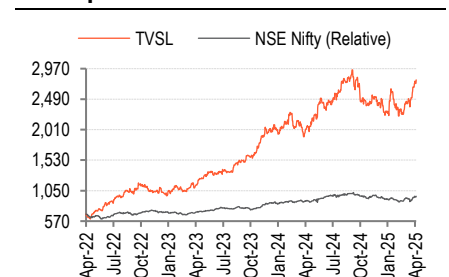
Source: NSE | Price as of 28 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	3,62,513	4,40,436	5,05,509
EBITDA (Rs mn)	44,540	52,869	61,202
Adj. net profit (Rs mn)	27,105	34,486	40,659
Adj. EPS (Rs)	57.1	72.6	85.6
Consensus EPS (Rs)	57.1	68.2	81.2
Adj. ROAE (%)	27.3	26.7	24.9
Adj. P/E (x)	49.0	38.5	32.6
EV/EBITDA (x)	29.8	25.0	21.7
Adj. EPS growth (%)	30.1	27.2	17.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Domestic Volume	<p>In Q4FY25 domestic two-wheeler (2W) ICE sales grew 6% YoY, while the industry was nearly flat with a marginal decline.</p> <p>Rural demand saw a slight dip in Q4FY25 and April 2025, but positive sentiment likely due to marriage season (May-June) and normal monsoon forecasts.</p>	<p>In Q3FY25, domestic two-wheeler (2W) internal combustion engine (ICE) volumes grew 5% YoY ahead of industry growth of 1% YoY.</p> <p>Management has indicated rural volumes doing slightly better than urban volumes in Q3FY25.</p>	<p>TVS will outpace industry growth with healthy product portfolio (intend to launch new product every quarter) and EV drive helping scooter sales.</p>
Exports	<p>2W international sales grew 23%, against industry growth of 21%.</p> <p>Total 2W exports for FY25 reached 1.25mn units (+24.5% YoY), driven by strong growth in Asia, LATAM, and a recovering Sri Lanka. Bangladesh faced challenges, while African markets showed mixed momentum due to economic slowdowns.</p> <p>International business revenue was Rs 23.91 bn.</p>	<p>2W exports grew by 19% to 0.78mn units in 9MFY25 vs 0.65mn units in 9MFY24. Export revenues were Rs 20.18bn.</p> <p>Q3FY25 saw improvement in the African market and management expects Q4 to be better. TVSL has entered Morocco and experienced a positive response. Growth continues in the LATAM, Middle East and Nepal markets.</p> <p>Sri Lanka has seen improvement, but Bangladesh continues to experience a tough time.</p>	<p>TVSL's exports will be a key delta for volume as the opening up of key overseas markets, including ASEAN, the Middle East and LATAM, augurs well for TVSL.</p> <p>Encouraging volume revival in African markets only provides additional cushion.</p>
Three-wheelers (3W)	<p>3W sales grew 21% YoY to 37k units (vs 30k in Q4FY24).</p> <p>The recently launched TVS EV King Max (e-3W) is gaining strong customer acceptance, with L5 category e-3W penetration at ~28% and expected to reach 35%.</p> <p>TVS is expanding in select northern and eastern markets, with plans to scale up.</p>	<p>3W sales for Q3FY25 was at 29k units vs 38k units in both Q2FY25 and Q3FY24.</p> <p>TVSL launched the e-3W TVS EV King Max in Jan'25 in partnership with Hyundai. As per management, e-3W penetration was 26% in Q3FY25.</p>	<p>Despite being a late entrant in the segment, TVSL has gained healthy traction with an encouraging growth. Besides the recent EV 3W launch, increasing penetration should provide added comfort.</p>
Electric Vehicles	<p>EV 2W sales surged 54% YoY to 76k units (vs. 49k in Q4FY24).</p> <p>FY25 EV sales reached 2.8 lakh units (+44% YoY). EV revenue for Q4FY25 was Rs. 8.89 bn, and for FY25, Rs 33.64 bn.</p> <p>iQube is present in ~950 dealerships, with a new variant offering 3 battery options (2.2 kWh, 3.4 kWh, 5.1 kWh), receiving strong demand. New EV products are in the final stages of development.</p> <p>Industry EV 2W penetration stood at 6.8% for FY25, with retail sales at 1.2M units (+31% YoY).</p>	<p>In Q3FY25, TVSL sold ~76k units in the EV segment (~48k in Q3FY24). Overall EV 2W industry has 36% penetration (+5.8% YoY).</p>	<p>Margins may be under pressure in the interim. However, TVSL's very planned and structured EV thrust is likely to yield results in the medium term.</p>
Margins	<p>Operating EBITDA margin reached 14%, including PLI benefits for the full year. Excluding prior quarters' PLI, Q4 margin was 12.5% (vs. 11.3% in Q4FY24), driven by robust revenue growth, better product mix, and sustained cost reduction.</p> <p>PLI benefit for Q4 alone was 0.5% of revenue.</p> <p>FY25 EBITDA margin was 12.3% (+120 bps YoY), with operating EBITDA at Rs 44.54 bn (+27% YoY).</p>	<p>EBITDA margin stood at 11.9%, increasing 70bps/20bps YoY/QoQ on healthy product mix and cost reduction initiatives.</p> <p>TVSL has launched a new iQube variant with 3 different battery options to improve accessibility. iQube is present across 900 dealerships, generating a revenue of Rs 8bn in Q3FY25.</p> <p>iQube PLI has been approved and the entire PLI for FY25 is to be accounted in Q4FY25.</p>	<p>Margins include the PLI incentive for the year. However, even netting out the incentive contributions margins hover ~12.5% and are still very healthy.</p>
Capex & Investment	<p>Standalone capex for FY25 was Rs 18 bn (vs Rs 11 bn in FY24), primarily for new product</p>	<p>Rs 7.4bn investment in subsidiaries account for investment in TVS Credit and Norton in</p>	<p>Based on TVSL's systematic investment and capex</p>

Parameter	Q4FY25	Q3FY25	Our view
	<p>development, technology, and capacity expansion (e.g., Jupiter 110 capacity increased to 65k units/month).</p> <p>Total investments, including subsidiaries, reached ~Rs 40 bn in FY25 (vs Rs 24.5 bn in FY24), with significant allocations to TVS Credit (~Rs 5 bn annually), Norton (products expected by Q4FY26), and technology (e.g., TVS Digital, Moto).</p> <p>Investments in TVS Supply Chain included notional losses and small stakes viewed as financial investments.</p>	<p>Q3FY25. The first product with Norton is expected to be ready by FY25-end or early FY26. TVSL is also investing in setting up a hub in Dubai for international business. Guidance on investment for FY25 is Rs 17bn.</p> <p>TVS Supply Chain Investments written off to the extent of Rs 0.41bn in Q3FY25.</p> <p>Capex for Q3FY25 was Rs 3.40bn and guidance for FY25 Rs 13bn.</p>	<p>guidance, we expect a long-term favourable outcome.</p>
Others	<p>TVS Credit: Book size is currently at ~Rs 270 bn, serving 1.9 crore customers (+40 lakh in FY25). Q4 PBT grew 53% YoY to ~Rs. 3 bn; FY25 PBT grew by 35% to Rs 10.3 bn. GNPA was at 2.9%.</p> <p>Spare parts revenue stood ~Rs 9 bn in Q4FY25.</p> <p>Investments in subsidiaries included dividend income from SACL and notional losses in TVS Supply Chain.</p>	<p>TVS Credit's book size as on Q3FY25 was Rs 271.9bn with 7% YoY growth. TVS Credit added 3mn new customers in Q3FY25. PBT grew by 40% YoY to Rs 3.21bn. GNPA stood at 3%. CAR of 19.4%. Disbursements of Rs 74bn vs Rs 69bn YoY.</p> <p>TVSL is equipped to launch products in compliance with OBD2B norms, effective from 1 April 2025.</p>	<p>Other segments continued to perform on a steady footing. Statutory cost inflation due to new norms will impact the industry and, hence, can be passed through by price hikes.</p>

Source: Company, BOBCAPS Research | 2W: Two-wheeler, PLI: Production-linked Incentives, EV: Electric vehicles

Fig 2 – Quarterly performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E
Volume	12,29,027	10,62,529	15.7	12,11,952	1.4	12,29,027
Avg. Realisation per Vehicle	77,707	76,881	1.1	75,061	3.5	75,436
Net Revenues	95,504	81,688	16.9	90,971	5.0	92,713
Total Income (A)	95,504	81,688	16.9	90,971	5.0	92,713
Operating Expenses						
Raw materials consumed	66,672	59,440	12.2	65,112	2.4	66,543
Employee Expenses	4,959	4,205	17.9	4,988	(0.6)	5,038
Other Expenses	10,546	8,782	20.1	10,056	4.9	9,967
Total Expenditure (B)	82,178	72,427	13.5	80,156	2.5	81,547
EBITDA (A-B)	13,326	9,262	43.9	10,815	23.2	11,166
Other Income	145	(287)	(150.6)	(227)	(163.9)	12
Depreciation	1,994	1,887	5.7	1,883	5.9	1,913
EBIT	11,478	7,088	61.9	8,704	31.9	9,265
Finance Costs	358	372	(3.8)	338	6.0	339
PBT after excep items	11,120	6,716	65.6	8,367	32.9	8,925
Tax expense	2,599	1,862	39.6	2,182	19.1	8,925
Reported PAT	8,521	4,854	75.5	6,185	37.8	2,321
Adjusted PAT	8,521	4,854	75.5	6,185	37.8	6,605
EPS (Rs)	17.9	10.2	75.5	13.0	37.8	6,605
Key Ratios (%)			(bps)	(bps)		
Gross Margin	30.2	27.2	295.3	28.4	176.4	28.2
EBITDA Margin	14.0	11.3	261.6	11.9	206.6	12.0
EBIT Margin	12.0	8.7	334.1	9.6	245.0	10.0
PBT Margin	11.6	8.2	342.1	9.2	244.6	9.6
Tax Rate	23.4	27.7	(435.4)	26.1	(271.0)	26.0
Adj PAT Margin	8.9	5.9	298.0	6.8	212.4	7.1

Source: Company, BOBCAPS Research

Valuation methodology

Factoring FY25 performance into challenging business conditions, we have revised TVSL's earnings. The revision has come following a steady revival in the 2W/3W business, distinctly rural demand recovery and prudent handling of raw material costs inflation with eye on exports. Factoring the same, we revise our FY26/FY27 estimates, baking in a 3Y EBITDA/PAT CAGR of 16%/25%. We estimate a healthy outlook for high-end products such as Apache and benefits from revival in export markets to offset the drag from the EV segment. Focus on premiumisation will continue to balance the motorcycle portfolio across segments.

Total investments, including subsidiaries, reached ~Rs 40 bn in FY25 (vs Rs 24.5 bn in FY24), with significant allocations to TVS Credit (~Rs 5 bn annually), Norton (products expected by Q4FY26), and technology (e.g., TVS Digital, Moto). Investments in TVS Supply Chain included notional losses and small stakes, viewed as financial investments. This remains a concern though management indicates that the investments are for strategic gains that will benefit the company in medium/long term.

We maintain our target P/E for the core business at 30x – a marginal premium to TVSL's long-term average and arrive at a new TP of Rs 2,502 (from Rs 2,441) with the core business valued at Rs 2,469 and Rs 33/sh for TVS Credit Services. Maintain HOLD as current valuations factor in the positives.

Fig 3 – Key assumptions

	FY24	FY25E	FY26E	FY27E
2W volume (nos)	39,99,788	46,93,335	53,80,503	59,45,677
3W volume (nos)	1,95,327	1,56,261	1,81,263	1,99,389
Revenues (Rs mn)	3,17,764	3,62,513	4,40,436	5,05,509
EBITDA (Rs mn)	35,141	44,540	52,869	61,202
EBITDA margin (%)	11.1	12.3	12.0	12.1
Adj. PAT (Rs mn)	20,830	27,105	34,486	40,659
EPS (Rs)	43.8	57.1	72.6	85.6

Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

Business	1-year forward EPS (Rs)	Target P/E (x)	Value (Rs/sh)
Standalone Business	85.6	30	2,605
TVS Credit Services	-	-	133
Total	-	-	2,738

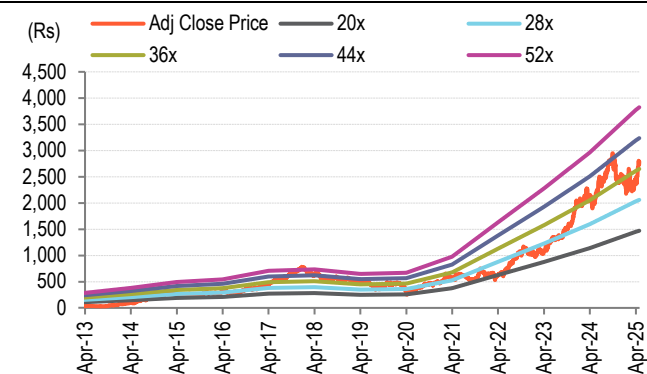
Source: BOBCAPS Research | Valuation is based on Dec-26 earnings

Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY26E	FY27E	FY26E	FY27E
TVS Motor Company	TVSL IN	HOLD	2,738	72.6	85.6	26.7	24.9
Bajaj Auto	BJAUT IN	HOLD	9,438	359.2	410.1	26.9	26.6
Eicher Motors	EIM IN	HOLD	5,079	165.0	184.5	22.3	21.1

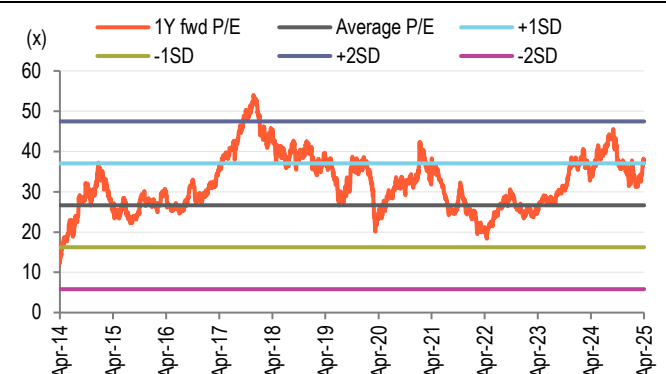
Source: BOBCAPS Research

Fig 6 – P/E band: TVSL's current valuations fairly reflect its earnings pace



Source: Bloomberg, BOBCAPS Research

Fig 7 – 1YF P/E: We value TVSL at a marginal premium to mean valuations



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates:

- Higher investments remain as the key risk with earnings impact.
- Commodity cost moving in either direction faster than estimated.
- Faster pace of launches crowding markets can put pricing under pressure.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	2,63,781	3,17,764	3,62,513	4,40,436	5,05,509
EBITDA	26,747	35,141	44,540	52,869	61,202
Depreciation	6,312	7,004	7,446	7,064	7,885
EBIT	21,440	29,623	37,674	47,541	55,153
Net interest inc./(exp.)	(1,407)	(1,816)	(1,387)	(1,560)	(1,300)
Other inc./(exp.)	1,006	1,485	580	1,735	1,835
Exceptional items	0	0	0	0	0
EBT	20,034	27,807	36,288	45,981	53,852
Income taxes	5,123	6,977	9,182	11,495	13,194
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	14,910	20,830	27,105	34,486	40,659
Adjustments	0	0	0	0	0
Adjusted net profit	14,910	20,830	27,105	34,486	40,659

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	41,306	51,122	72,319	48,786	55,843
Other current liabilities	6,367	7,189	524	27,221	30,587
Provisions	2,785	3,495	4,401	3,653	4,018
Debt funds	22,817	15,134	17,349	11,265	10,406
Other liabilities	4,188	4,502	3,010	2,859	2,716
Equity capital	475	475	475	475	475
Reserves & surplus	60,004	76,836	98,891	1,28,450	1,62,933
Shareholders' fund	60,479	77,311	99,366	1,28,925	1,63,408
Total liab. and equities	1,37,942	1,58,753	1,96,969	2,22,709	2,66,978
Cash and cash eq.	2,420	5,310	5,583	3,197	3,628
Accounts receivables	9,551	13,021	12,801	18,562	20,973
Inventories	12,364	13,708	17,258	17,964	21,317
Other current assets	16,515	11,651	15,421	21,556	24,756
Investments	56,839	69,913	92,714	1,01,281	1,32,781
Net fixed assets	39,495	43,723	49,777	55,213	57,828
CWIP	2,741	3,297	6,075	7,594	8,354
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,982)	(1,870)	(2,659)	(2,659)	(2,659)
Other assets	0	0	0	0	0
Total assets	1,37,942	1,58,752	1,96,969	2,22,709	2,66,978

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	13,000	36,090	39,432	27,917	47,090
Capital expenditures	(11,238)	(11,787)	(16,278)	(14,019)	(11,259)
Change in investments	(9,679)	(13,074)	(22,802)	(8,567)	(31,500)
Other investing cash flows	1,006	1,485	580	1,735	1,835
Cash flow from investing	(19,911)	(23,376)	(38,500)	(20,850)	(40,924)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	6,363	(7,683)	2,215	(6,084)	(859)
Interest expenses	(1,407)	(1,816)	(1,387)	(1,560)	(1,300)
Dividends paid	(2,375)	(3,801)	(4,751)	(5,226)	(6,176)
Other financing cash flows	3	(112)	789	0	0
Cash flow from financing	2,584	(13,412)	(3,133)	(12,870)	(8,336)
Chg in cash & cash eq.	(4,326)	(698)	(2,202)	(5,803)	(2,170)
Closing cash & cash eq.	2,420	5,310	5,583	3,197	3,628

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	31.4	43.8	57.1	72.6	85.6
Adjusted EPS	31.4	43.8	57.1	72.6	85.6
Dividend per share	5.0	8.0	10.0	11.0	13.0
Book value per share	127.3	162.7	209.1	271.4	343.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	5.0	4.2	3.7	3.0	2.6
EV/EBITDA	49.5	37.8	29.8	25.0	21.7
Adjusted P/E	89.0	63.7	49.0	38.5	32.6
P/BV	21.9	17.2	13.4	10.3	8.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	74.4	74.9	74.7	75.0	75.5
Interest burden (PBT/EBIT)	93.4	93.9	96.3	96.7	97.6
EBIT margin (EBIT/Revenue)	8.1	9.3	10.4	10.8	10.9
Asset turnover (Rev./Avg TA)	338.7	344.6	334.6	335.2	316.4
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.2	1.2	1.1
Adjusted ROAE	27.4	30.2	30.7	30.2	27.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	26.9	20.5	14.1	21.5	14.8
EBITDA	36.3	31.4	26.7	18.7	15.8
Adjusted EPS	66.9	39.7	30.1	27.2	17.9
Profitability & Return ratios (%)					
EBITDA margin	10.1	11.1	12.3	12.0	12.1
EBIT margin	8.1	9.3	10.4	10.8	10.9
Adjusted profit margin	5.7	6.6	7.5	7.8	8.0
Adjusted ROAE	24.7	26.9	27.3	26.7	24.9
ROCE	20.5	24.1	26.0	27.1	26.1

Working capital days (days)

Receivables	13	13	13	13	14
Inventory	16	15	16	15	14
Payables	74	72	87	70	53

Ratios (x)

Gross asset turnover	0.3	0.3	0.3	0.3	0.3
Current ratio	0.8	0.7	0.7	0.8	0.8
Net interest coverage ratio	(15.2)	(16.3)	(27.2)	(30.5)	(42.4)
Adjusted debt/equity	0.4	0.2	0.2	0.1	0.1

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

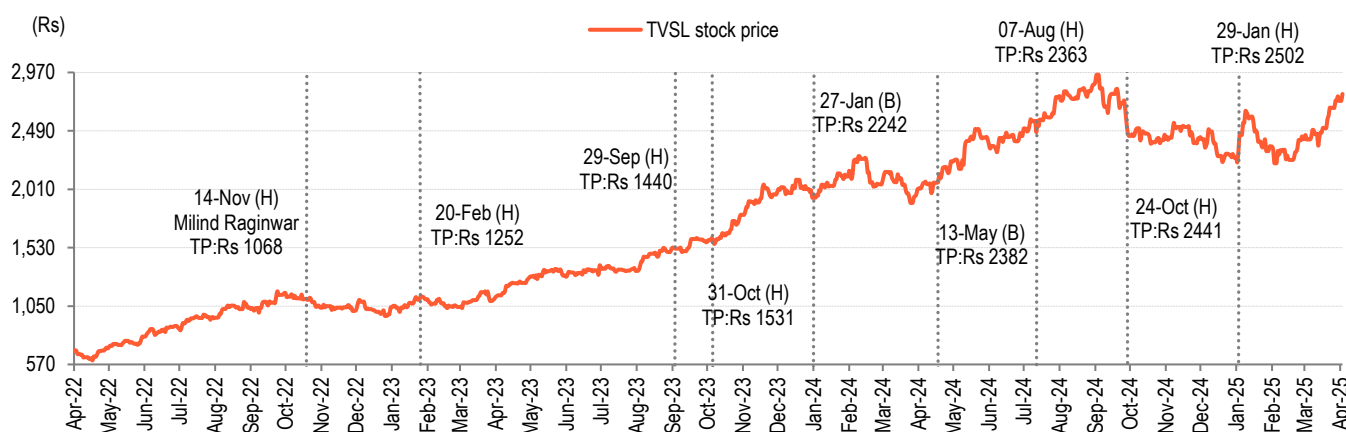
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): TVS MOTOR (TVSL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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