

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Automobile

# TVS Motor Co

## Margins resilient; PLI benefits to accrue in 4Q

### Valuation and View – Yet to be accrued PLI benefits to support margins

TVSL 3QFY25 results was in-line as flat ASP QoQ and YoY at ~Rs75k/unit (est Rs75.5k/unit) as expected as price hikes remained negligible with product mix too remained stable. Muted ASP was also led by launch of iQube 09 variant at lowered price point. However, margins continue to be resilient at 11.0% (+70bp YoY/ +20bp QoQ). Gross margin expanded ~210bp YoY (flat QoQ) at 28.4%. Key operating metrics such as EBITDA/vehicle remain elevated at ~Rs8.9k/unit (+6.3% YoY/ +1.5% QoQ). The management indicated rural/semi-urban markets are performing better vs urban in 9MFY25 and even in 3Q. We continue to believe TVSL is better placed among 2W OEMs both in ICE and EVs led by better product acceptability which should drive further market share gains. However, we would remain watchful of the TVSL's market share in the 125cc segment and market share thereof.

In our view, EBITDA margins expansion to continue given largely stable RM and PLI benefits which is expected to accrue from 4QFY25. TVSL currently trades at 34.5x/28.8x of FY26/FY27 EPS (v/s HMCL/ BJAUT of 15-19x on FY27 EPS). We believe, it should continue to trade at premium as we expect EPS CAGR of ~22.7% over FY24-27E. Sustained market share gains led by aggressive product pipeline, success in to EV 3Ws, scope of external investments in to EV vertical are re-rating triggers. We re-iterate TVS as our preferred pick among 2Ws with ADD with revised TP of Rs2,795 as we value co at 33x Mar-27 EPS plus Rs93 value to TVS credit. We increase FY26/27 EPS by 3% each to reflect upon PLI benefits from 4QFY25E.

### Result Highlights – In-line; EBITDA/vehicle continues to be healthy

- Revenues grew 10.3% YoY (-1.4% QoQ) at ~Rs90.8b (est Rs91.5b, cons Rs91.1b) led by 10.1% YoY (-1.3% QoQ) growth in volumes at 1.21m units while ASP were flat YoY and QoQ at Rs75.1k/unit (est Rs75.5k/unit). Co indicated no major price hikes taken during 3QFY25. EV revenue for 3QFY25 at Rs8b (vs ~Rs16b in 1H).
- Gross margins came in at 28.4% (+200bp YoY/flat QoQ, est 28.7%) and sustained elevated levels led by benign RM. EBITDA grew 17% YoY (flat QoQ) at Rs10.8b (est ~Rs10.7b, cons 10.7%) with margins at 11.9% (+70bp YoY/+20bp QoQ, est 11.7%). EBITDA/unit grew ~6.3% YoY (+1.5% QoQ) at Rs8.9k/unit.
- Led by lower other income at ~Rs227m (est Rs350m) due to fair valuations loss on investments at ~Rs412m, Adj.PAT came in below at ~Rs6.2b (est ~Rs6.6b).
- TVSCS performance - AUM of ~Rs271.9b (+7% YoY), PBT at Rs3.21b (vs Rs4.3b YoY and Rs2.16b QoQ), CAR is 19.4%. Collections for 3QFY25 at ~Rs70b (vs ~Rs50b YoY), disbursement at ~Rs74b (vs ~Rs69b YoY).

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	90,971	91,515	91,126	(0.6)	(0.2)	Gains on gross margins offset by lower other income.
EBITDA	10,815	10,687	10,671	1.2	1.3	
EBITDA margins %	11.9	11.7	11.7	20bp	20bp	
Adjusted PAT	6,185	6,586	6,499	(6.1)	(4.8)	

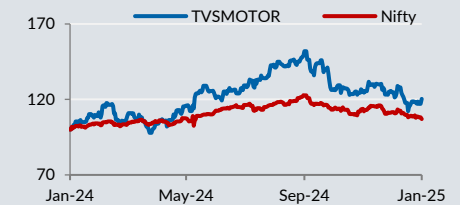
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 2,334
Target Price	: Rs 2,764
Potential Return	: +18.4%

### Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	2,958 / 1,873
Market cap (Rs/USD mn)	10,59,326 / 12,246
Outstanding Shares (mn)	475
6m Avg t/o (Rs mn):	2,248
Div yield (%):	0.4
Bloomberg code:	TVSL IN
NSE code:	TVSMOTOR

### Stock performance



	1M	3M	1Y
Absolute return	(3.5%)	(5.1%)	+20.3%

### Shareholding pattern (As of Dec'24)

Promoter	50.3%
FII+DII	41.2%
Others	8.6%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2,764	3,030

### Δ in earnings estimates

	FY26E	FY27E
EPS (New)	67.7	80.9
EPS (Old)	65.6	78.8
% change	+3.2%	+2.8%

### Financial Summary

Y/E MARCH (Rs b)	2025E	2026E	2027E
Sales	353	401	438
EBITDA	42.3	50.8	59.4
Adj. PAT	25.6	32.2	38.5
Adj. EPS (INR)	53.9	67.7	80.9
EPS Gr. (%)	22.9	25.6	19.6
BV/Sh. (INR)	212.6	276.3	353.3
RoE (%)	28.7	27.7	25.7
RoCE (%)	31.3	31.8	31.0
Payout (%)	7.4	5.9	4.9
P/E (x)	43.3	34.5	28.8
P/BV (x)	11.0	8.4	6.6
EV/EBITDA (x)	26.6	22.0	18.4
Div. Yield (%)	0.2	0.2	0.2

### DEEP SHAH

Lead Analyst

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MEGHNA GUNDU, Associate

## Exhibit 2: Quarterly snapshot

VY/e Mar (Rs mn)	Q3FY25	Q3FY24	YoY chg (%)	Q2FY25	9MFY25	9MFY24	YoY chg (%)
<b>Net Revenues</b>	<b>90,971</b>	<b>82,450</b>	<b>10.3</b>	<b>92,282</b>	<b>267,009</b>	<b>236,075</b>	<b>13.1</b>
Raw Materials	65,112	60,756	7.2	66,018	190,934	174,850	9.2
% of Net Sales	71.6%	73.7%		71.5%	71.5%	74.1%	
Personnel	4,988	4,036	23.6	4,967	14,743	11,753	25.4
% of Net Sales	5.5%	4.9%		5.4%	5.5%	5.0%	
Manufacturing & Other Exp	10,056	8,414	19.5	10,499	30,117	23,593	27.7
% of Net Sales	11.1%	10.2%		11.4%	11.3%	10.0%	
Total Expenditure	80,156	73,206	9.5	81,485	235,795	210,196	12.2
<b>EBITDA</b>	<b>10,815</b>	<b>9,244</b>	<b>17.0</b>	<b>10,798</b>	<b>31,214</b>	<b>25,879</b>	<b>20.6</b>
<b>EBITDA Margin (%)</b>	<b>11.9%</b>	<b>11.2%</b>		<b>11.7%</b>	<b>11.7%</b>	<b>11.0%</b>	
Depreciation	1,883	1,781	5.8	1,806	5,452	5,117	6.6
<b>EBIT</b>	<b>8,931</b>	<b>7,464</b>	<b>19.7</b>	<b>8,992</b>	<b>25,762</b>	<b>20,763</b>	<b>24.1</b>
Interest Expenses	338	448	(24.6)	319	1,029	1,444	(28.8)
Non-operating income	(227)	734		299	435	1,772	(75.4)
Extraordinary Income	-	-		-	-	-	
<b>PBT</b>	<b>8,367</b>	<b>7,750</b>	<b>8.0</b>	<b>8,972</b>	<b>25,168</b>	<b>21,090</b>	<b>19.3</b>
Tax-Total	2,182	1,817	20.1	2,346	6,584	5,115	28.7
Tax Rate (%) - Total	26.1%	23.4%		26.1%	26.2%	24.3%	
Reported PAT	6,185	5,934	4.2	6,626	18,584	15,976	16.3
<b>Adj. PAT</b>	<b>6,185</b>	<b>5,934</b>	<b>4.2</b>	<b>6,626</b>	<b>18,584</b>	<b>15,976</b>	<b>16.3</b>
<b>PAT Margin</b>	<b>6.8%</b>	<b>7.2%</b>		<b>7.2%</b>	<b>7.0%</b>	<b>6.8%</b>	
<b>Key Operating Metrics</b>							
Sales Volume (nos)	1,211,952	1,100,843	10.1	1,228,223	3,527,350	3,128,465	12.8
Net Realisation/Vehicle	75,061	74,897	0.2	75,135	75,697	75,460	0.3
Material cost / vehicle	53,725	55,191	(2.7)	53,751	54,130	55,890	(3.1)
Gross Profit / vehicle	21,336	19,706	8.3	21,384	21,567	19,570	10.2
Employee cost /vehicle	4,116	3,666	12.3	4,044	4,180	3,757	11.3
Other expenses / vehicle	8,297	7,643	8.6	8,548	8,538	7,541	13.2
EBITDA/vehicle	8,923	8,397	6.3	8,791	8,849	8,272	7.0
Net Profit/vehicle	5,103	5,390	(5.3)	5,395	5,269	5,107	3.2

Source- Company, YES Sec

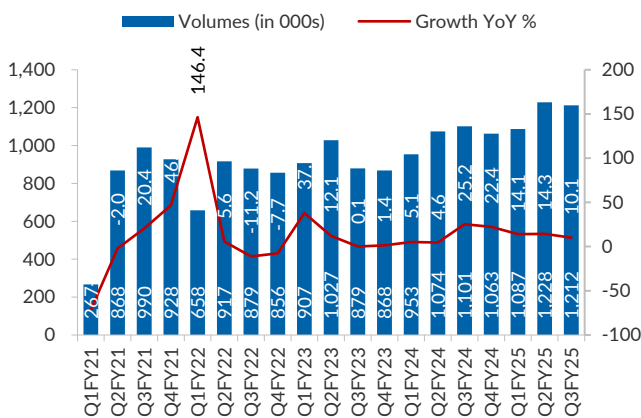
## KEY CON-CALL HIGHLIGHTS

- **Domestic – Expect to maintain the current momentum**
  - Rural growth trended higher with ~10% growth vs ~9% overall in 9MFY25 and even the trend was the same in 3QFY25. Expect FY26 industry growth to be same of FY25.
  - Expect 4QFY25 volumes to be positive with TVSL will outperform led by new Jupiter.
  - OBD 2B regulations – getting ready with all products with some products will be launched soon. Don't expect sharp price hikes likewise happened in BS6 transition.
- **Exports – TVSL's retail growth better vs industry**
  - Expect Africa to improve from current levels plus the company entered Morocco markets recently which should help NA volumes.
  - HLX 125 launched with 5 gear is doing well as the same is launched in key African markets.
  - LATAM is also growing for the industry and TVSL.
  - Asia - SL market is opening up while Nepal and ME is doing well, BG is going through tough times.
- **Gross margins – RM is largely flat QoQ while price increase in 3QFY25 was marginal.**
- **EV – new product launches in focus both in 2Ws and 3Ws**
  - EV revenue for 3QFY25 at Rs8b (vs 1HFY25 at ~Rs16b).
  - iQube – selling from ~900 dealerships (vs 1,400 main dealers) with opportunity to penetrate more markets within India.
- **EV 3W – have launched King EV Max with the range of 179km range and quick charging of ~2.2 hours with features like LED head and tail lamps, TVS smart connect etc.**
  - EV 3W penetration is growing faster with penetration of ~26% in 3Q and ~21% in 9MFY25.
  - Will recognize PLI benefits from 4QFY25 and quarter basis thereafter.
- Hyundai partnership – focus is on micro mobility.
- Exports revenues at ~Rs20.18b (vs Rs22.3b QoQ and Rs18.8% YoY)
- Spares revenues at ~Rs9.5b (vs ~Rs9.3b in 2QFY25 and ~Rs8.43 in 1QFY25).
- Investment write off in 3QFY25 is largely related to TVS supply chain.
- **Investment of ~Rs7.4b in 3QFY25 (and ~Rs14b in 9MFY25) was in TVSCS and Norton (first product by end FY26 and few by FY27 beginning), e bike subs and TVS Singapore.**
  - Also setting up new hub in Dubai for opportunities in Africa and European region.
  - E bicycles industry volumes have come down significantly due to ongoing macro challenges.
  - Expect FY25 investments to be at ~Rs17b.
- **TVS credit services performance (TVSCS)**
  - Co have added ~3.1m customers with AUM of ~Rs271.9b which grew +7% YoY, PBT at Rs3.21b (vs Rs4.3b YoY and Rs2.16b QoQ), CAR is 19.4%.
  - Credit cost is 4.9% with GNPA at ~3%.

- Collections for 3QFY25 at ~Rs70b (vs ~Rs50b YoY), disbursement at ~Rs74b (vs ~Rs69b YoY).
- Don't see slowdown in AUM growth as co is following cautious and quality lending approach.
- **Sundaram Auto (SAC)** – plastic business of the entity is under process of selling but it has surplus cash and land of ~28 acres near by existing TVSL factory. 80-85% of revenues of SAC is to TVS.
- USD/INR for 3QFY25 at Rs84.
- Capex for 3QFY25 at Rs3.9b and FY25 expected at ~Rs13b.

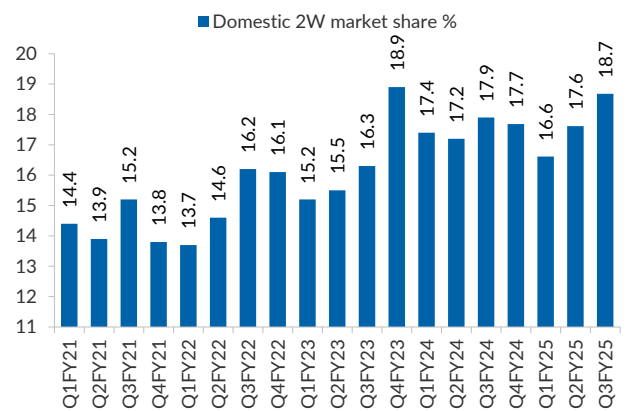
## CHARTS

**Exhibit 1: Volumes grew 10.1% YoY (-1.3% QoQ)**



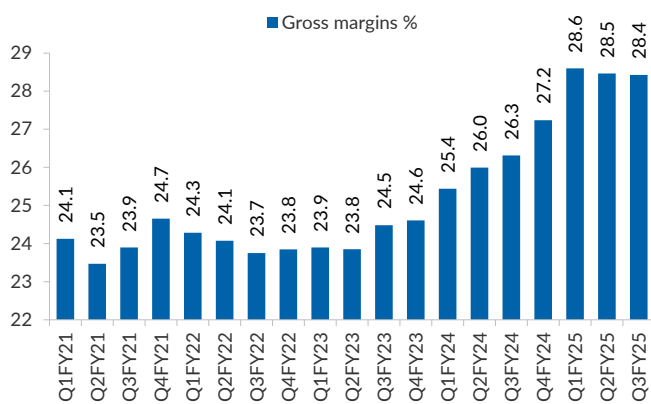
Source: Company, YES Sec

**Exhibit 2: TVSL domestic 2W market share trend**



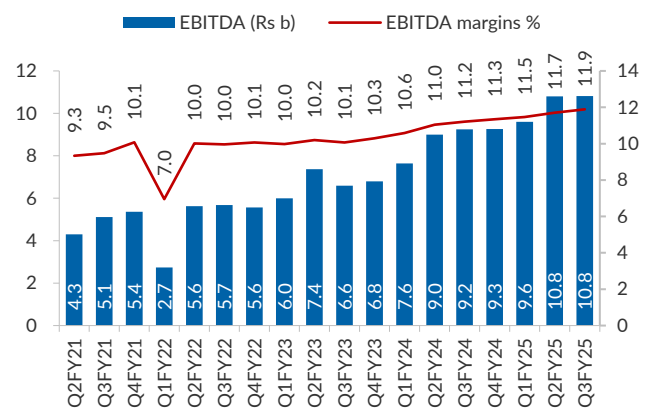
Source: SIAM, YES Sec

**Exhibit 3: GM came in flat QoQ led by benign RM**



Source: Company, YES Sec

**Exhibit 4: EBITDAM expanded 20bps QoQ at 11.9%**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 5: Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	475	475	475	475	475	475	475
Total Reserves	41,234	47,745	60,003	76,835	100,545	130,813	167,372
<b>Net Worth</b>	<b>41,710</b>	<b>48,220</b>	<b>60,479</b>	<b>77,310</b>	<b>101,020</b>	<b>131,288</b>	<b>167,847</b>
Deferred Liabilities	1,954	1,979	1,982	1,871	1,871	1,871	1,871
Total Loans	17,169	25,906	33,354	26,825	23,575	20,325	17,075
<b>Capital Employed</b>	<b>60,833</b>	<b>76,105</b>	<b>95,815</b>	<b>106,006</b>	<b>126,466</b>	<b>153,484</b>	<b>186,792</b>
Gross Block	63,232	72,064	79,879	87,263	98,813	108,363	117,913
Less: Accum. Deprn.	33,128	38,998	43,920	49,545	56,802	65,141	74,079
Net Fixed Assets	30,104	33,066	35,959	37,719	42,012	43,223	43,835
Capital WIP	2,787	4,245	6,277	9,301	9,751	10,201	10,651
<b>Total Investments</b>	<b>33,145</b>	<b>47,160</b>	<b>56,839</b>	<b>69,913</b>	<b>84,913</b>	<b>96,913</b>	<b>108,913</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>35,939</b>	<b>34,007</b>	<b>40,790</b>	<b>43,690</b>	<b>50,128</b>	<b>67,068</b>	<b>92,831</b>
Inventory	11,518	11,227	12,364	13,708	15,242	21,973	23,979
Account Receivables	8,700	9,507	9,551	13,021	14,479	21,973	23,979
Cash and Bank Balance	9,298	4,013	2,420	5,310	8,756	11,471	33,222
Loans and Advances	6,423	9,260	16,456	11,651	11,651	11,651	11,651
<b>Curr. Liability &amp; Prov.</b>	<b>41,141</b>	<b>42,372</b>	<b>44,050</b>	<b>54,616</b>	<b>60,338</b>	<b>63,920</b>	<b>69,438</b>
Account Payables	39,216	39,914	41,306	51,122	56,843	60,426	65,943
Provisions	1,925	2,458	2,744	3,495	3,495	3,495	3,495
Net Current Assets	(5,202)	(8,366)	(3,260)	(10,927)	(10,210)	3,147	23,394
<b>Appl. of Funds</b>	<b>60,833</b>	<b>76,105</b>	<b>95,815</b>	<b>106,006</b>	<b>126,466</b>	<b>153,484</b>	<b>186,792</b>

Source: Company, YES Sec

### Exhibit 6: Income statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>167,505</b>	<b>207,905</b>	<b>263,781</b>	<b>317,764</b>	<b>353,327</b>	<b>401,006</b>	<b>437,621</b>
Change (%)	2.0	24.1	26.9	20.5	11.2	13.5	9.1
<b>EBITDA</b>	<b>14,286</b>	<b>19,618</b>	<b>26,747</b>	<b>35,141</b>	<b>42,290</b>	<b>50,804</b>	<b>59,382</b>
<b>Margin (%)</b>	<b>8.5</b>	<b>9.4</b>	<b>10.1</b>	<b>11.1</b>	<b>12.0</b>	<b>12.7</b>	<b>13.6</b>
Depreciation	4,937	6,114	6,312	7,004	7,257	8,339	8,938
<b>EBIT</b>	<b>9,349</b>	<b>13,503</b>	<b>20,435</b>	<b>28,138</b>	<b>35,033</b>	<b>42,465</b>	<b>50,444</b>
Int. and Finance Charges	1,416	1,259	1,407	1,816	1,261	945	737
Other Income - Rec.	330	190	1,006	1,485	743	1,485	1,708
<b>PBT bef. EO Exp.</b>	<b>8,262</b>	<b>12,434</b>	<b>20,034</b>	<b>27,807</b>	<b>34,515</b>	<b>43,006</b>	<b>51,415</b>
EO Exp/(Income)	-	302	-	-	-	-	-
PBT after EO Exp.	8,262	12,132	20,034	27,807	34,515	43,006	51,415
Current Tax	2,034	3,000	5,037	7,021	8,905	10,838	12,957
Deferred Tax	108	196	87	(44)	-	-	-
<b>Tax Rate (%)</b>	<b>25.9</b>	<b>26.3</b>	<b>25.6</b>	<b>25.1</b>	<b>25.8</b>	<b>25.2</b>	<b>25.2</b>
<b>Reported PAT</b>	<b>6,120</b>	<b>8,936</b>	<b>14,910</b>	<b>20,830</b>	<b>25,610</b>	<b>32,169</b>	<b>38,459</b>

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PAT Adj for EO items	6,120	9,158	14,910	20,830	25,610	32,169	38,459
Change (%)	(0.9)	49.6	62.8	39.7	22.9	25.6	19.6

Source: Company, YES Sec

## Exhibit 7: Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NP/ (Loss) bef Tax and EO	8,262	12,132	20,034	27,807	34,515	43,006	51,415
Depreciation	4,937	6,114	6,312	7,004	7,257	8,339	8,938
Interest & Finance Charges	1,416	1,259	1,407	1,816	1,261	945	737
Direct Taxes Paid	2,020	3,100	4,826	6,162	8,905	10,838	12,957
(Inc)/Dec in WC	13,335	(1,325)	(2,913)	5,923	2,730	(10,643)	1,505
CF from Operations	25,930	15,081	20,013	36,387	36,858	30,810	49,638
Others	(303)	(131)	(85)	(214)	(743)	(1,485)	(1,708)
CF from Operating incl EO	25,627	14,950	19,929	36,173	36,115	29,324	47,930
(inc)/dec in FA	(9,458)	(20,199)	(21,877)	(25,148)	(12,000)	(10,000)	(10,000)
Free Cash Flow	16,170	(5,249)	(1,949)	11,025	24,115	19,324	37,930
CF from Investments	(9,206)	(21,410)	(23,118)	(18,963)	(26,257)	(20,515)	(20,292)
(Inc)/Dec in Debt	(8,949)	4,825	6,576	(7,295)	(3,250)	(3,250)	(3,250)
Interest Paid	(1,129)	(1,231)	(1,371)	(2,137)	(1,261)	(945)	(737)
Dividend Paid	(998)	(1,904)	(2,918)	(3,801)	(1,900)	(1,900)	(1,900)
CF from Fin. Activity	(11,956)	1,132	2,245	(14,696)	(6,411)	(6,095)	(5,887)
Inc/Dec of Cash	4,465	(5,328)	(944)	2,515	3,447	2,714	21,751
Add: Beginning Balance	4,143	8,590	3,287	2,344	5,310	8,756	11,471
Closing Balance	8,608	3,262	2,344	4,858	8,756	11,471	33,222

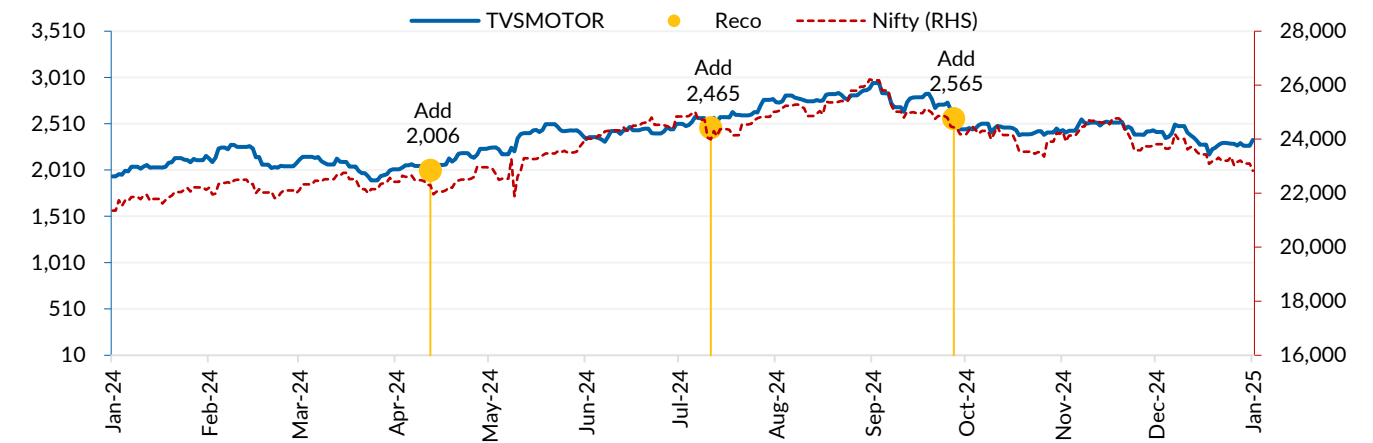
## Exhibit 8: Growth and Ratio matrix

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
EPS	12.9	19.3	31.4	43.8	53.9	67.7	80.9
Growth (%)	(0.9)	49.6	62.8	39.7	22.9	25.6	19.6
Cash EPS	23.3	32.1	44.7	58.6	69.2	85.3	99.8
BV/Share	87.8	101.5	127.3	162.7	212.6	276.3	353.3
DPS	3.5	3.8	5.0	4.0	4.0	4.0	4.0
Payout (%)	27.2	19.9	15.9	9.1	7.4	5.9	4.9
<b>Valuation (x)</b>							
P/E	181.2	121.1	74.4	53.2	43.3	34.5	28.8
Cash P/E	100.3	72.6	52.3	39.8	33.7	27.4	23.4
P/BV	26.6	23.0	18.3	14.3	11.0	8.4	6.6
EV/Sales	6.7	5.4	4.3	3.6	3.2	2.8	2.5
EV/EBITDA	78.2	57.6	42.6	32.2	26.6	22.0	18.4
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2	0.2	0.2
<b>Return Ratios (%)</b>							

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margins (%)	8.5	9.4	10.1	11.1	12.0	12.7	13.6
Net Profit Margins (%)	3.7	4.4	5.7	6.6	7.2	8.0	8.8
RoE	15.7	20.4	27.4	30.2	28.7	27.7	25.7
RoCE	16.1	20.6	25.5	29.9	31.3	31.8	31.0
RoIC	23.0	41.6	46.1	58.6	78.8	79.7	82.8
<b>Operating Ratios</b>							
Fixed Asset Turnover (x)	2.6	2.9	3.3	3.6	3.6	3.7	3.7
Inventory (Days)	25.1	19.7	17.1	15.7	15.7	20.0	20.0
Debtor (Days)	19.0	16.7	13.2	15.0	15.0	20.0	20.0
Creditor (Days)	85.5	70.1	57.2	58.7	58.7	55.0	55.0
Working Capital (Days)	(31.6)	(21.7)	(7.9)	(18.6)	(19.6)	(7.6)	(8.2)
<b>Leverage Ratio (x)</b>							
Current Ratio	0.9	0.8	0.9	0.8	0.8	1.0	1.3
Interest Cover Ratio	6.6	10.7	14.5	15.5	27.8	45.0	68.5
Debt/Equity	0.4	0.5	0.6	0.3	0.2	0.2	0.1

Source- Company, YES Sec

## Recommendation Tracker



Source - YES Sec

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