

TVS Motor Company | BUY

Strong Quarter; Outperformance to continue

In 4QFY25, TVS Motor (TVSL) reported EBITDA margin of 14%, 150bps above JMFe. 260bps YoY margin expansion was primarily led by inclusion of full-year PLI benefits and cost reduction initiatives. Excluding PLI benefits, EBITDA margin for 4Q stood at 12.5%. For FY26, domestic 2W industry growth is expected to be similar to FY25, supported by improved consumer sentiments and pickup in rural demand. Demand in the international market is also improving gradually. With respect to EVs, TVSL plans to ramp-up EV business by a) introducing new products (both E2W and E3W) in the near-to-medium term and b) expanding dealer network. Overall, we expect TVSL's outperformance to continue on the volume front led by premiumisation and EV product launches. Richer mix, higher operating leverage, astute cost management is expected to drive margin performance. We estimate revenue / EPS CAGR of 18% / 32% over FY25-27E. We maintain BUY with a Mar'27 TP of INR 3,150 (32x Mar'27E EPS). Industry slowdown remains a key risk.

- 4QFY25 – Margin beats estimates:** In 4QFY25, TVS Motor reported net sales of INR 95.5bn (+17% YoY, +5%QoQ), 2% above JMFe. Volumes increased 15% YoY (flat QoQ). Blended realisation increased 2% YoY (+5% QoQ). EBITDA margin stood at 14% (+260bps YoY, +210bps QoQ), 150bps above JMFe. Reported EBITDA stood at INR 13.3bn (+44% YoY, +23% QoQ). Adj. PAT for the quarter was INR 8.5bn (+76% YoY, +38% QoQ), 15% above JMFe.
- Demand environment:** Domestic ICE 2W industry vols. grew by 7% YoY in FY25 (flat in 4QFY25). Management expects reduction in repo rate, improvement in retail financing and income tax rebate to support consumer sentiments going forward. Rural demand is also expected to pickup, led by a normal monsoon. While domestic 2W industry growth is expected to moderate in 1QFY26, full-year FY26 growth is likely to be similar to FY25. Backed by its strong brand portfolio, the management expects TVSL to outperform the industry. With respect to exports, TVSL indicated growth in 2HFY25 was stronger than 1HFY25. LATAM and Asia (ex.Bangladesh) continue to do well, although challenges persist in Middle-East and Africa. Overall, demand momentum in the international market is expected to continue, led by markets like LATAM and gradual recovery in Africa.
- Margin outlook:** 260bps YoY margin expansion during 4Q was driven by a) inclusion of PLI benefit pertaining to the full year FY25 b) sustained cost reduction initiatives and c) growth in volumes. Excluding PLI benefits of the previous quarters, 4QFY25 EBITA margin stood at 12.5% (PLI benefit for 4Q is 0.5% of revenue). Going forward, TVSL expects a) richer product mix, b) cost-reduction initiatives, c) operating leverage to be the levers for margin expansion.
- Update on EV initiatives:** TVSL indicated that the new iQube variants (2.2kwh, 3.4kwh, 5.1kwh) have been received well by customers. Currently, iQube is available across ~950 touchpoints (vs. ~900 in 3Q) and the company plans further expansion going ahead. Management highlighted that several EVs are in the final stages of development and are expected to be launched in the upcoming quarters. E3W, 'King EV Max', has garnered a good customer response and the company plans to further scale it going ahead. TVSL has started accruing PLI benefits and has applied for PLI certification for all its recent launches.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,150
Upside/(Downside)	12.8%
Previous Price Target	2,650
Change	18.9%

Key Data – TVSL IN

Current Market Price	INR2,793
Market cap (bn)	INR1,327.0/US\$15.6
Free Float	48%
Shares in issue (mn)	475.0
Diluted share (mn)	475.0
3-mon avg daily val (mn)	INR2,078.3/US\$24.4
52-week range	2,958/1,919
Sensex/Nifty	80,218/24,329
INR/US\$	85.0

Price Performance

%	1M	6M	12M
Absolute	15.4	13.4	38.5
Relative*	11.4	13.6	28.9

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	2,63,781	3,17,764	3,62,513	4,26,533	5,02,944
Sales Growth (%)	26.9	20.5	14.1	17.7	17.9
EBITDA	26,747	35,141	44,540	56,615	72,478
EBITDA Margin (%)	10.1	11.1	12.3	13.3	14.4
Adjusted Net Profit	14,910	20,830	27,105	35,555	47,022
Diluted EPS (INR)	31.4	43.9	57.1	74.9	99.0
Diluted EPS Growth (%)	61.3	39.7	30.1	31.2	32.2
ROIC (%)	68.3	85.0	128.4	168.4	242.1
ROE (%)	27.4	30.2	30.7	31.1	31.5
P/E (x)	89.0	63.7	48.9	37.3	28.2
P/B (x)	21.9	17.2	13.4	10.3	7.8
EV/EBITDA (x)	50.5	38.2	30.1	23.4	17.8
Dividend Yield (%)	0.2	0.3	0.4	0.4	0.5

Source: Company data, JM Financial. Note: Valuations as of 28/Apr/2025

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Investment, capex and subsidiary performance:** 1) TVSL is investing in Norton Motorcycle towards designing, engineering and product development. The company targets to launch new products by FY26 end. 2) Capex for FY25 stood at ~INR c.18bn, largely towards product development and some capacity addition. Investments for the quarter stood at ~INR c.6bn, mainly towards Norton and TVS Digital. Investments in FY26 are expected to be similar to FY25. 3) TVS Credit: AUM stands at INR266bn+; PBT came-in at INR 3bn (vs. 1.97bn YoY). The management highlighted that despite slow credit demand, it was able to maintain stable disbursement supported by increased market penetration. 4) Revenue from EV / Spares / Exports stood at INR 8.9bn / INR 9.1bn / INR 23.9bn during 4QFY25.

Exhibit 1. Quarterly financial results

	4QFY25	4QFY24	% YoY	3QFY25	% QoQ	4QFY25E	% A/E
Operating Matrices							
2W (Units)	1,179,680	1,032,193	14.3	1,182,634	-0.2	1,179,680	0.0
3W (Units)	36,606	30,336	20.7	29,318	24.9	36,606	0.0
Total Volumes (Units)	1,216,286	1,062,529	14.5	1,211,952	0.4	1,216,286	0.0
Domestic (Units)	876,774	802,358	9.3	918,096	-4.5	876,774	0.0
Exports (Units)	339,512	260,171	30.5	293,856	15.5	339,512	0.0
Average Realisation (Net, INR)	78,521	76,881	2.1	75,061	4.6	76,938	2.1
Sales	95,504	81,688	16.9	90,971	5.0	93,578	2.1
RM	66,672	59,440	12.2	65,112	2.4	66,628	0.1
As a % of sales	69.8	72.8	-300bps	71.6	-180bps	71.2	-140bps
Employee Exp	4,959	4,205	17.9	4,988	-0.6	5,147	-3.6
As a % of sales	5.2	5.1	0bps	5.5	-30bps	5.5	-30bps
Other Costs	10,546	8,782	20.1	10,056	4.9	10,106	4.4
As a % of sales	11.0	10.8	30bps	11.1	0bps	10.8	20bps
EBITDA	13,326	9,262	43.9	10,815	23.2	11,697	13.9
EBITDA Margin (%)	14.0	11.3	260bps	11.9	210bps	12.5	150bps
Other Income	145	-287	NA	-227	NA	500	-71.0
Interest	358	372	-3.8	338	6.0	400	-10.6
Depreciation	1,994	1,887	5.7	1,883	5.9	1,800	10.8
PBT	11,120	6,716	65.6	8,367	32.9	9,997	11.2
Exceptional Item	0	0	NA	0	NA		NA
Tax	2,599	1,862	39.6	2,182	19.1	2,609	-0.4
Tax rate (%)	23.4	27.7	-440bps	26.1	-270bps	26.1	-270bps
PAT (Reported)	8,521	4,854	75.5	6,185	37.8	7,388	15.3
PAT (Adjusted)	8,521	4,854	75.5	6,185	37.8	7,388	15.3
EPS (INR)	17.9	10.2	75.5	13.0	37.8	15.6	15.3

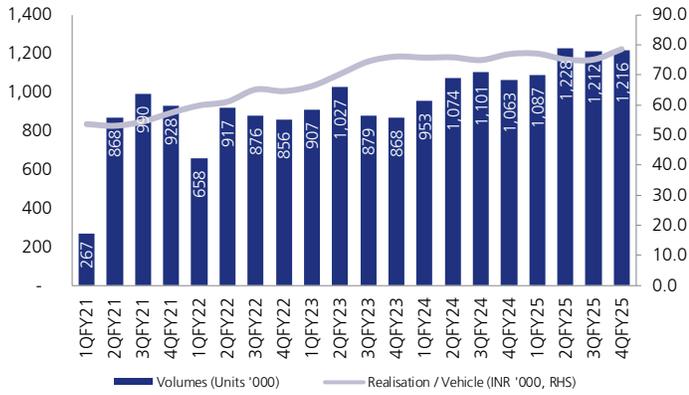
Source: Company, JM Financial

Exhibit 2. TVSL - change in assumptions (standalone)

TVSL	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	362,513	426,533	502,944	366,991	417,557	471,720	-1.2%	2.1%	6.6%
Volume (mn units)	4.74	5.42	6.14	4.73	5.19	5.60	0.3%	4.3%	9.7%
Growth %	13.2%	14.2%	13.4%	12.8%	9.8%	7.9%			
EBITDA (INR mn)	44,540	56,615	72,478	43,527	52,447	64,156	2.3%	7.9%	13.0%
EBITDAM (%)	12.3%	13.3%	14.4%	11.9%	12.6%	13.6%	40bps	70bps	80bps
PAT (INR mn)	27,105	35,555	47,022	25,997	32,867	41,434	4.3%	8.2%	13.5%
EPS (INR)	57.1	74.9	99.0	54.7	69.2	87.2	4.3%	8.2%	13.5%

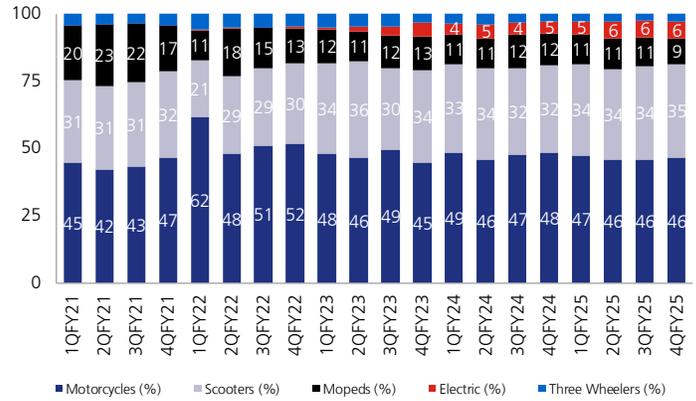
Source: Company, JM Financial

Exhibit 3. Quarterly volume and realisation



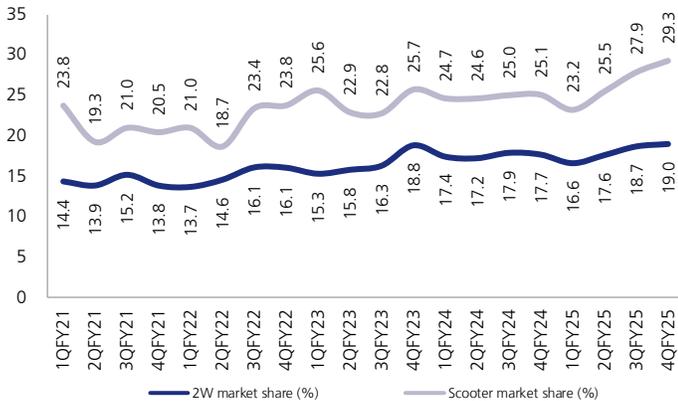
Source: Company, JM Financial

Exhibit 4. Volume mix trend



Source: Company, JM Financial

Exhibit 5. TVSL – market share trend



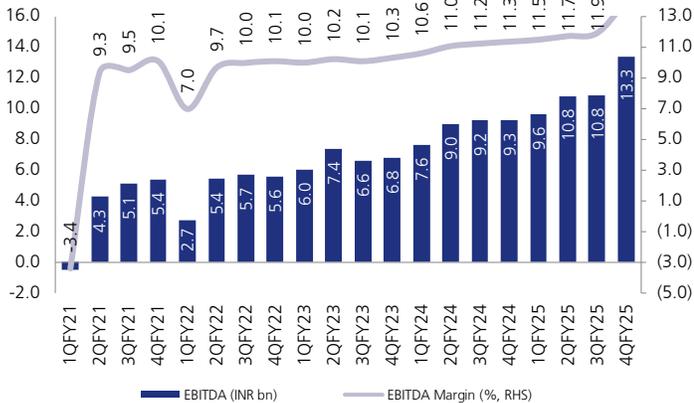
Source: Company, JM Financial

Exhibit 6. Revenue and growth trend



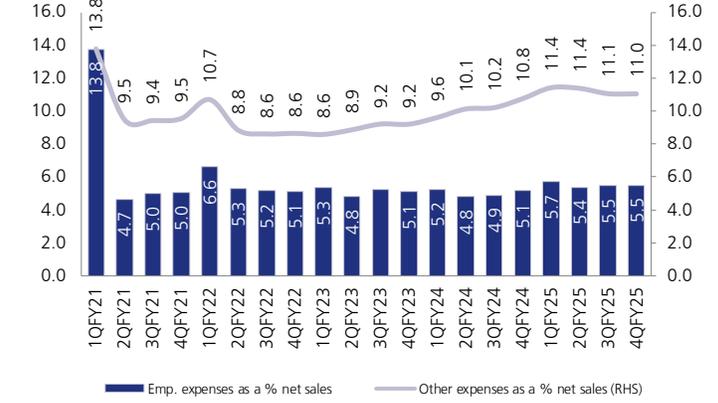
Source: Company, JM Financial

Exhibit 7. EBITDA and EBITDA margin



Source: Company, JM Financial

Exhibit 8. Cost trends



Source: Company, JM Financial

Exhibit 9. 1-year forward PE chart



Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Net Sales	2,63,781	3,17,764	3,62,513	4,26,533	5,02,944	
Sales Growth	26.9%	20.5%	14.1%	17.7%	17.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	2,63,781	3,17,764	3,62,513	4,26,533	5,02,944	
Cost of Goods Sold/Op. Exp	1,99,958	2,34,290	2,57,607	3,01,580	3,53,530	
Personnel Cost	13,451	15,959	19,703	22,067	24,274	
Other Expenses	23,625	32,374	40,664	46,272	52,662	
EBITDA	26,747	35,141	44,540	56,615	72,478	
EBITDA Margin	10.1%	11.1%	12.3%	13.3%	14.4%	
EBITDA Growth	36.3%	31.4%	26.7%	27.1%	28.0%	
Depn. & Amort.	6,312	7,004	7,446	8,434	9,301	
EBIT	20,435	28,138	37,094	48,181	63,178	
Other Income	-401	-331	-807	-455	-61	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	20,034	27,807	36,288	47,725	63,117	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	20,034	27,807	36,288	47,725	63,117	
Taxes	5,123	6,977	9,183	12,170	16,095	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	14,910	20,830	27,105	35,555	47,022	
Adjusted Net Profit	14,910	20,830	27,105	35,555	47,022	
Net Margin	5.7%	6.6%	7.5%	8.3%	9.3%	
Diluted Share Cap. (mn)	475.0	475.0	475.0	475.0	475.0	
Diluted EPS (INR)	31.4	43.9	57.1	74.9	99.0	
Diluted EPS Growth	61.3%	39.7%	30.1%	31.2%	32.2%	
Total Dividend + Tax	2,375	3,800	4,750	5,700	7,125	
Dividend Per Share (INR)	5.0	8.0	10.0	12.0	15.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Profit before Tax	20,034	27,807	36,288	47,725	63,117	
Depn. & Amort.	6,312	7,004	7,446	8,434	9,301	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-6,257	11,024	8,339	2,900	5,971	
Others	0	0	0	0	0	
Taxes Paid	-5,123	-6,977	-9,183	-12,170	-16,095	
Operating Cash Flow	14,966	38,858	42,890	46,890	62,294	
Capex	-11,238	-11,787	-16,278	-11,120	-11,731	
Free Cash Flow	3,728	27,071	26,613	35,770	50,563	
Inc (-) / Dec in Investments	-9,679	-13,074	-22,802	-12,000	-12,000	
Others	0	0	0	0	0	
Investing Cash Flow	-20,916	-24,861	-39,080	-23,120	-23,731	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-2,375	-3,800	-4,750	-5,700	-7,125	
Inc / Dec (-) in Loans	7,006	-6,997	723	-2,500	-2,500	
Others	-277	-198	-299	0	0	
Financing Cash Flow	4,354	-10,996	-4,326	-8,200	-9,625	
Inc / Dec (-) in Cash	-1,596	3,001	-515	15,570	28,938	
Opening Cash Balance	4,013	2,420	5,310	5,583	21,153	
Closing Cash Balance	2,417	5,421	4,795	21,153	50,091	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Shareholders' Fund	60,478	77,310	99,366	1,29,222	1,69,119	
Share Capital	475	475	475	475	475	
Reserves & Surplus	60,003	76,835	98,891	1,28,747	1,68,644	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	26,634	19,636	20,360	17,860	15,360	
Def. Tax Liab. / Assets (-)	1,982	1,871	2,659	2,659	2,659	
Total - Equity & Liab.	89,094	98,817	1,22,385	1,49,741	1,87,138	
Net Fixed Assets	42,236	47,020	55,852	58,537	60,968	
Gross Fixed Assets	81,514	90,277	1,03,468	1,20,357	1,31,476	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	45,555	52,559	60,005	68,439	77,739	
Capital WIP	6,277	9,301	12,388	6,620	7,231	
Investments	56,839	69,913	92,714	1,04,714	1,16,714	
Current Assets	40,849	43,690	51,063	75,951	1,13,363	
Inventories	12,363	13,708	17,258	20,305	23,943	
Sundry Debtors	9,551	13,021	12,801	17,529	20,669	
Cash & Bank Balances	2,420	5,310	5,583	21,153	50,091	
Loans & Advances	16,515	11,651	15,421	16,964	18,660	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	50,830	61,805	77,244	89,462	1,03,907	
Current Liabilities	41,306	51,122	61,537	72,404	85,375	
Provisions & Others	9,524	10,684	15,707	17,058	18,532	
Net Current Assets	-9,981	-18,115	-26,181	-13,511	9,456	
Total - Assets	89,094	98,817	1,22,385	1,49,741	1,87,138	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
Net Margin	5.7%	6.6%	7.5%	8.3%	9.3%	
Asset Turnover (x)	3.3	3.4	3.3	3.1	3.0	
Leverage Factor (x)	1.5	1.4	1.3	1.2	1.1	
RoE	27.4%	30.2%	30.7%	31.1%	31.5%	

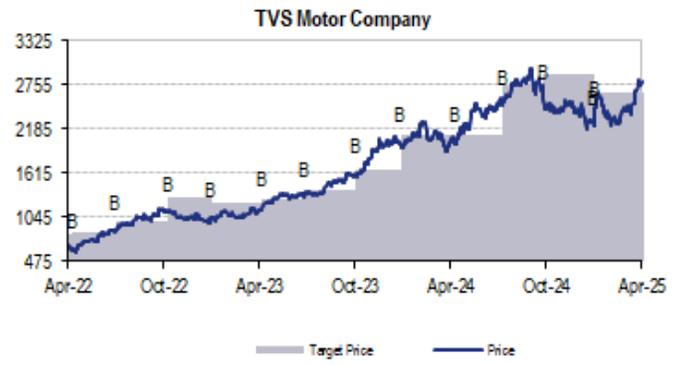
Key Ratios						
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	
BV/Share (INR)	127.3	162.8	209.2	272.0	356.0	
ROIC	68.3%	85.0%	128.4%	168.4%	242.1%	
ROE	27.4%	30.2%	30.7%	31.1%	31.5%	
Net Debt/Equity (x)	0.4	0.2	0.1	0.0	-0.2	
P/E (x)	89.0	63.7	48.9	37.3	28.2	
P/B (x)	21.9	17.2	13.4	10.3	7.8	
EV/EBITDA (x)	50.5	38.2	30.1	23.4	17.8	
EV/Sales (x)	5.1	4.2	3.7	3.1	2.6	
Debtor days	13	15	13	15	15	
Inventory days	17	16	17	17	17	
Creditor days	64	66	71	71	72	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Aug-20	Buy	560	
30-Oct-20	Buy	615	9.8
28-Jan-21	Buy	700	13.8
28-Apr-21	Buy	780	11.4
29-Jul-21	Buy	780	0.0
21-Oct-21	Buy	825	5.8
7-Feb-22	Buy	825	0.0
5-May-22	Buy	850	3.0
28-Jul-22	Buy	1,000	17.6
6-Nov-22	Buy	1,300	30.0
25-Jan-23	Buy	1,225	-5.8
4-May-23	Buy	1,275	4.1
24-Jul-23	Buy	1,400	9.8
30-Oct-23	Buy	1,650	17.9
24-Jan-24	Buy	2,100	27.3
8-May-24	Buy	2,100	0.0
6-Aug-24	Buy	2,750	31.0
23-Oct-24	Buy	2,900	5.5
27-Jan-25	Buy	2,600	-10.3
28-Jan-25	Buy	2,650	1.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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