

TVS Motors Limited

January 29, 2025

CMP: INR 2,335 | Target Price: INR 2,936 | Potential Upside: 25.7%

BUY

| | |
|--------------------------|---|
| Change in Estimates | ✓ |
| Change in Target Price | ✓ |
| Change in Recommendation | ✗ |

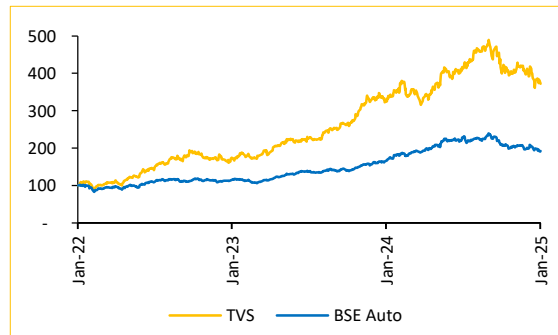
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|----------------------|---------------------|
| Company Info | |
| BB Code | TVSL IN EQUITY |
| Face Value (INR) | 1.0 |
| 52 W High/Low (INR) | 2958/1873 |
| Mkt Cap (Bn) | INR 1,109.3/ \$12.8 |
| Shares o/s (Mn) | 475.1 |
| 3M Avg. Daily Volume | 6,65,124 |

| | | | | | | |
|----------------------------------|------------|------------|-----------------|------------|------------|-----------------|
| Change in CEBPL Estimates | | | | | | |
| | FY26E | | | FY27E | | |
| INR Bn | New | Old | Dev. (%) | New | Old | Dev. (%) |
| Revenue | 411 | 434 | (5.5) | 481 | 504 | (4.6) |
| EBITDA | 51 | 53 | (3.8) | 59 | 65 | (9.3) |
| EBITDAM % | 12.4 | 12.2 | 21.3 bps | 12.3 | 12.9 | (63) bps |
| PAT | 33.6 | 32.3 | 3.9 | 39.1 | 40.4 | (3.1) |
| EPS | 70.6 | 68.0 | 3.9 | 82.4 | 85.1 | (3.1) |

| | | | |
|----------------------------|----------------|------------------|---------------|
| Actual vs Consensus | | | |
| INR Bn | Q3FY25A | Consensus | Dev. % |
| Revenue | 90,971 | 91,123 | (0.2) |
| EBITDA | 10,815 | 10,671 | 1.3 |
| EBITDAM % | 11.9 | 11.7 | 18 bps |
| PAT | 6,185 | 6,558 | (5.7) |

| | | | | | |
|---------------------------------|---------------|---------------|---------------|--------------|--------------|
| Key Financials | | | | | |
| INR Bn | FY23 | FY24 | FY25E | FY26E | FY27E |
| Revenue | 263.8 | 317.8 | 357.9 | 410.5 | 480.9 |
| YoY (%) | 26.9 | 20.5 | 12.6 | 14.7 | 17.1 |
| EBITDA | 26.7 | 35.1 | 44.0 | 51.0 | 59.0 |
| EBITDAM % | 10.1 | 11.1 | 12.3 | 12.4 | 12.3 |
| Adj PAT | 14.9 | 20.8 | 28.7 | 33.6 | 39.1 |
| EPS | 31.4 | 43.8 | 60.5 | 70.6 | 82.4 |
| ROE % | 24.7 | 26.9 | 28.5 | 26.2 | 24.6 |
| ROCE % | 21.0 | 24.6 | 30.4 | 32.0 | 30.8 |
| PE(x) | 121.1 | 74.4 | 53.3 | 38.6 | 33.1 |
| EV/EBITDA | 57.2 | 42.2 | 31.8 | 25.3 | 21.7 |
| Shareholding Pattern (%) | | | | | |
| | Dec-24 | Sep-24 | Jun-24 | | |
| Promoters | 50.27 | 50.27 | 50.27 | | |
| FIIs | 21.20 | 22.33 | 21.05 | | |
| DIIIs | 19.99 | 19.02 | 20.13 | | |
| Public | 8.54 | 8.38 | 8.55 | | |

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Relative Performance (%) | | | |
| YTD | 3Y | 2Y | 1Y |
| BSE Auto | 272.5 | 113.2 | 14.0 |
| TVS Motors Limited | 92.9 | 67.3 | 15.6 |



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TVSL Matches Revenue Estimates, 2W Market Share Reaches Six-Quarter High

- Q3FY25 standalone revenues at INR90,971Mn, (vs CEBPL est. INR91,952Mn), up 10.3% YoY and down 1.4% QoQ. Total volumes stood at 1,211,952 units, reflecting a 10.1% YoY increase and a 1.3% QoQ decline. ASP remained stable at INR75,061 during the quarter.
- EBITDA for Q3FY25 was reported at INR10,815Mn, (vs CEBPL est. INR11,034Mn), up 17.0% YoY and remained flat with improvement of 0.2% QoQ. Margin improvement was driven by lower raw material costs, offsetting higher staff and other expenses.
- PAT for Q3FY25 reported at INR610mn, (vs CEBPL est. INR6,185Mn), up 4.2% YoY and down 6.7% QoQ. EPS for Q3FY25 is INR13.0 down 6.7% YoY and up 4.2% QoQ.

Powering Ahead in the ICE Segment with Strong Growth: TVSL has outperformed the two-wheeler market, with a 5% growth in domestic ICE two-wheeler sales in Q3, compared to the industry's 1% growth. Internationally, the company saw a 26% increase in ICE sales. TVSL increased its market share to 18.7% in 2W segment, the highest in the last six quarters. Motorcycle share remained flat at 10%, but Scooter share rose to 27.9%, driven by premium offerings in both ICE and EV segments. To support these efforts, TVSL will invest approximately INR 17,000Mn by the end of the FY25. Investments are being made towards product development, new technologies, and the Norton brand, with the first Norton products expected by the end of the current fiscal year and additional launches in the next financial year.

Electrifying the Future with Strong EV Momentum: The EV segment remains a key growth driver for TVS, with a remarkable 57% increase in EV two-wheeler sales in Q3, with 76,000 units sold, compared to 48,000 units in the same quarter of the previous year. The popular iQube brand and the launch of the TVS King EV Max are driving this expansion. TVS is also increasing its dealership network, now with around 900 iQube dealerships, and expanding into international markets like LATAM and Morocco.

View and Valuation: We have revised our FY26/27 EPS estimates by +3.9%/-3.1%, reflecting the anticipated increase in other income as PLI benefits start taking effect from the next quarter. We reaffirm our 'BUY' rating with a revised target price of INR 2,936 (valuing at 34x FY27E EPS + INR 134 for TVS Credit).

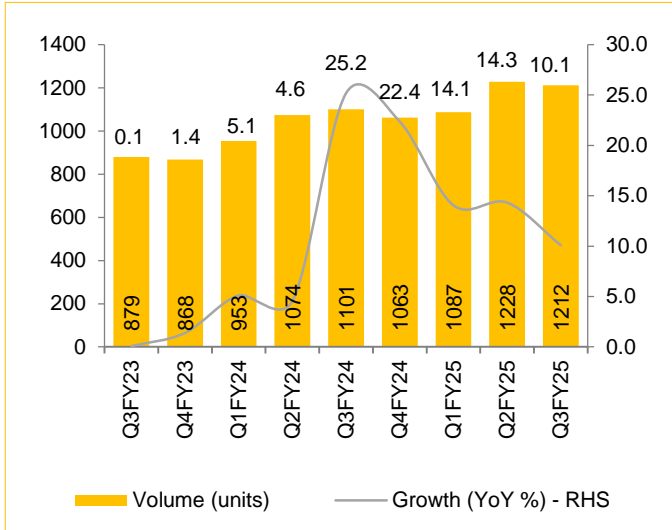
| TVS Motors Limited | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) |
|---------------------|-----------|-----------|---------|-----------|---------|
| Volumes (in units) | 12,11,952 | 11,00,843 | 10.1 | 12,28,223 | (1.3) |
| Net Sales | 90,971 | 82,450 | 10.3 | 92,282 | (1.4) |
| Material Expenses | 65,112 | 60,756 | 7.2 | 66,018 | (1.4) |
| Employee Expenses | 4,988 | 4,036 | 23.6 | 4,967 | 0.4 |
| Other Opex Expenses | 10,056 | 8,414 | 19.5 | 10,499 | (4.2) |
| EBITDA | 10,815 | 9,244 | 17.0 | 10,798 | 0.2 |
| Depreciation | 1,883 | 1,781 | 5.8 | 1,806 | 4.3 |
| EBIT | 8,931 | 7,464 | 19.7 | 8,992 | (0.7) |
| Interest Cost | 338 | 448 | -24.6 | 319 | 5.8 |
| PBT | 8,367 | 7,750 | 8.0 | 8,972 | (6.7) |
| RPAT | 6,185 | 5,934 | 4.2 | 6,626 | (6.7) |
| APAT | 6,185 | 5,934 | 4.2 | 6,626 | (6.7) |
| Adj EPS (Rs) | 13.0 | 12.5 | 4.2 | 13.9 | (6.7) |

| TVS Motors Limited | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) |
|--------------------------|--------|--------|---------|--------|---------|
| Material Exp % of Sales | 71.6 | 73.7 | (211) | 71.5 | 4 |
| Employee Exp. % of Sales | 5.5 | 4.9 | 59 | 5.4 | 10 |
| Other Op. Exp % of Sales | 11.1 | 10.2 | 85 | 11.4 | (32) |
| EBITDA Margin (%) | 11.9 | 11.2 | 68 | 11.7 | 19 |
| Tax Rate (%) | 26.1 | 23.4 | 264 | 26.1 | (7) |
| APAT Margin (%) | 6.8 | 7.2 | (40) | 7.2 | (38) |

Management Call - Highlights

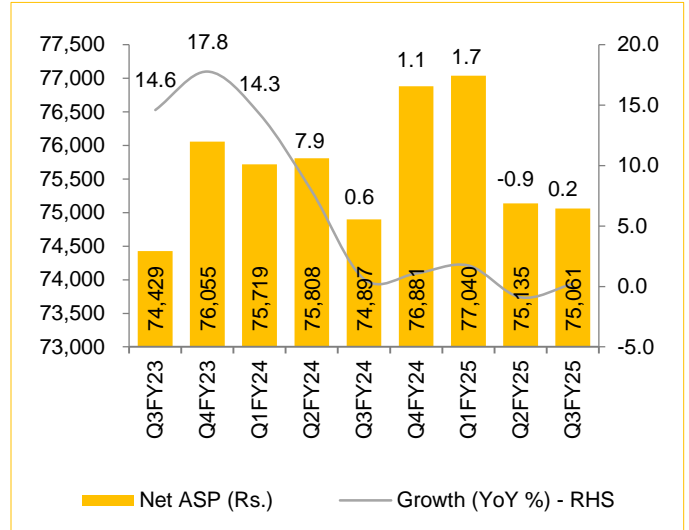
- For FY25, the company expects a total CapEx of around INR13,000Mn.
- The company is investing in capability building in software and digital technologies.
- A write-off of approximately INR 41 crores related to TVS supply chain investments.
- The company's motorcycle portfolio is performing well, despite some challenges in the entry-level and moped categories.
- The company is confident in leveraging growth and cost reduction to improve profitability
- **Divestment of Sundaram Auto Components:** TVSL is selling Sundaram Auto Components, a 100% owned plastic business. Post-sale, the entity, consisting of land and cash, will merge with TVS Motor, with no transfer of additional business or revenue.
- **Norton Brand Expansion:** Significant investments are being made in the Norton brand, with new products expected to launch globally in FY26. TVSL aims to position Norton as a premium global motorcycle brand with a diverse range of offerings.
- **EV Technology and Capabilities:** TVSL is building software and digital capabilities to enhance its EV product portfolio and technology integration. The company is also investing in the development of e-bikes and e-cycles as part of its EV expansion.
- **International Growth:** TVSL is investing in international expansion, including establishing a new regional hub in Dubai to strengthen its global business.
- **Subsidiary Investments:** Investments continue in subsidiaries such as TVS Credit, Norton, e-bike ventures, and emerging technologies.
- **Capital Expenditure Plans:** TVS spent INR 3400Mn on capex during the current quarter
- **Investment Plans:** Total investments in the first nine months of the year reached INR 14,000crores, with the year-end projection at approximately INR 17,000 crores.
- **Product Development:** Launched new products, including the Jupiter 110 and TVS King EV Max, emphasizing advanced technology and smart connectivity features.
- **DriveX Subsidiary Integration:** TVSL increased its stake in DriveX from 48.27% to 87.38%, making it a subsidiary to capitalize on synergies with its core business.
- **PLI Approval and Benefits:** The entire iQube portfolio is approved under the PLI scheme, with a mandated 12-13% benefit for EV-related revenue. Company plans to recognize PLI benefits for the entire financial year in Q4, and from the next financial year, the benefits will be accounted for quarterly.
- **iQube Dealership Expansion:** Company has expanded its iQube presence to 900 dealerships across India, out of its total 1,400 main dealerships. The company plans further expansion into suburban and other areas to capitalize on the growing scooter market.
- **TVS Credit:** Company added 3 million customers this year, with a cumulative base of 17.7 million. Its book size stands at ₹27,190 crore, with 40% YoY PBT growth in Q3FY25. The company maintains strong financial health, with a 5.2x debt-to-equity ratio, 19.4% capital adequacy, and 3% gross NPAs.
- **OBD-IIB Compliance and Pricing Adjustments:** TVS is preparing its products for OBD-IIB compliance, with launches planned for April 1, 2025. While cost increases are expected, price hikes will be moderate and competitive.

Volume growth of 10.1% YoY backed by Festive Demand



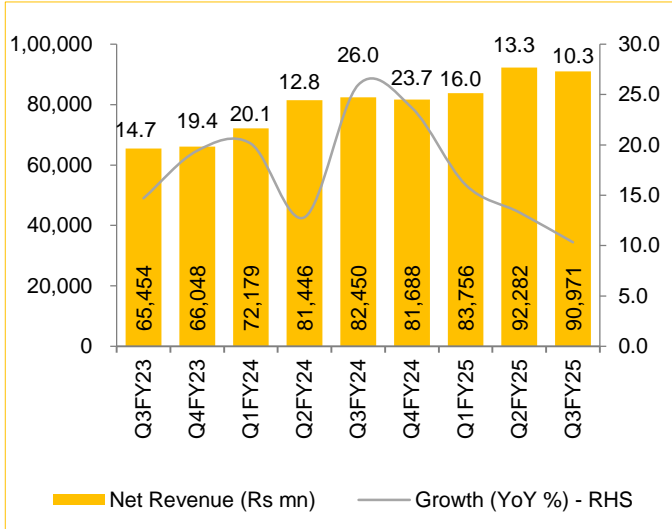
Source: Company, CEBPL

ASP remained flat on YoY basis



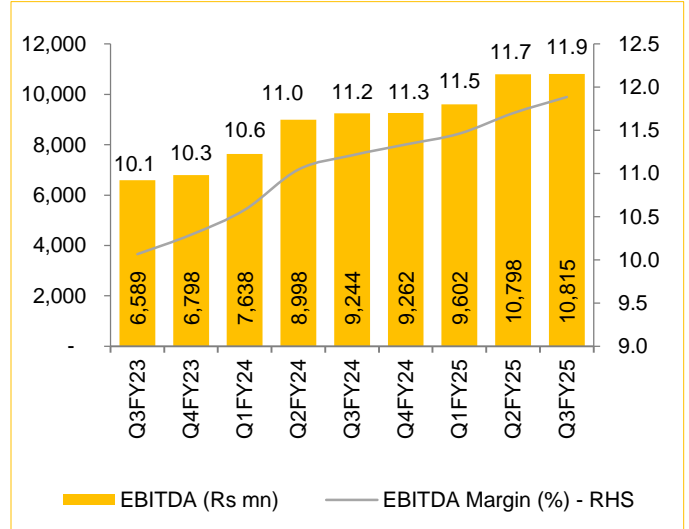
Source: Company, CEBPL

Revenue growth of 10.3% YoY driven by higher volume



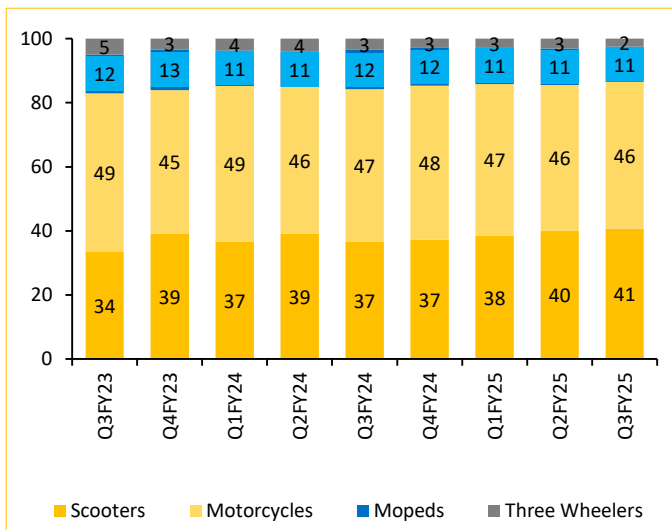
Source: Company, CEBPL

EBITDA improved due to better product mix



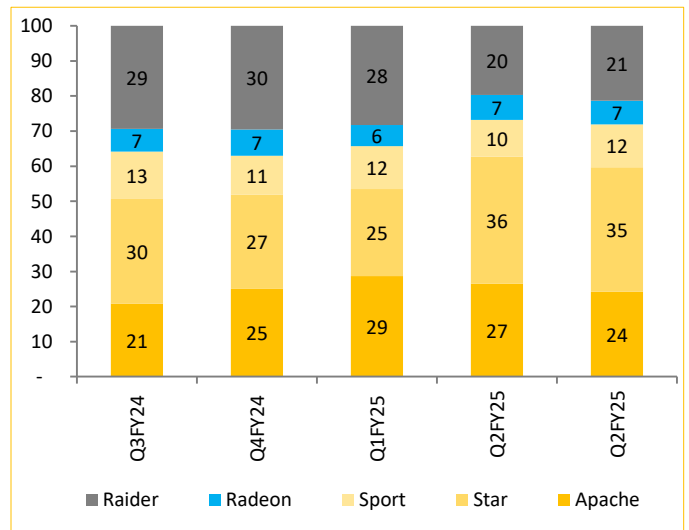
Source: Company, CEBPL

Product Segment Mix with Scooters share rising QoQ (%)



Source: Company, CEBPL

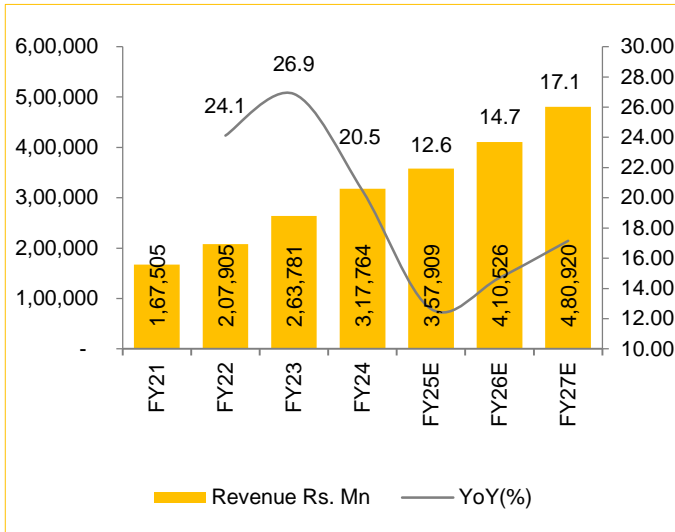
Model Mix QoQ with Star City taking the lead (%)



Source: Company, CEBPL

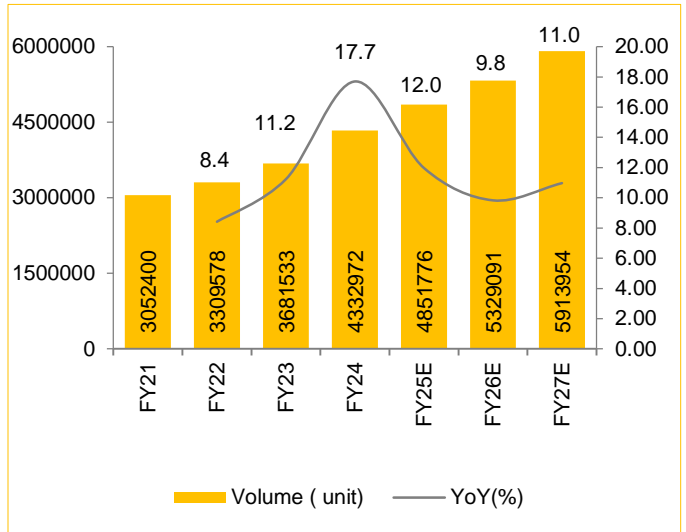
*All figures are in INR Million

Revenue set to rise, driven by export market revival



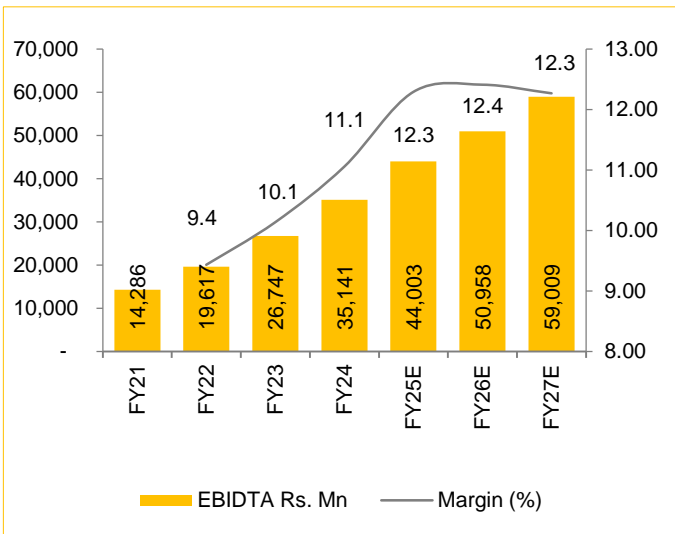
Source: Company, CEBPL

Volume to grow on the back of New launches



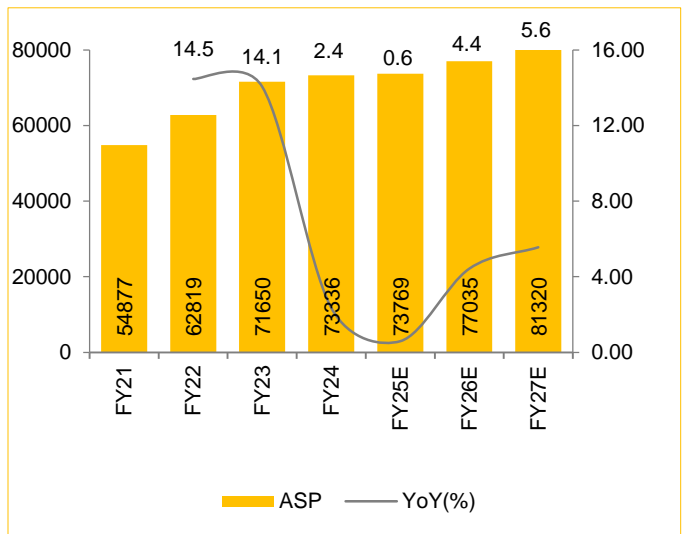
Source: Company, CEBPL

EBITDA expected to grow at a CAGR of 18.9% over FY24-27



Source: Company, CEBPL

ASP climbs as YoY rebounds



Source: Company, CEBPL

Income statement

| Particular (INR Mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue | 2,63,781 | 3,17,764 | 3,57,909 | 4,10,526 | 4,80,920 |
| Gross profit | 63,853 | 83,474 | 1,03,803 | 1,17,333 | 1,35,850 |
| EBITDA | 26,747 | 35,141 | 44,003 | 50,958 | 59,009 |
| Depreciation | 6,312 | 7,004 | 7,723 | 8,723 | 9,683 |
| EBIT | 20,435 | 28,138 | 36,281 | 42,235 | 49,327 |
| Interest Expenses | 1,407 | 1,816 | 1,241 | 971 | 809 |
| Other Income | 1,006 | 1,485 | 3,785 | 4,085 | 4,385 |
| Exceptional Item | - | - | - | - | - |
| Reported PAT | 14,910 | 20,830 | 28,731 | 33,559 | 39,148 |
| Adjusted PAT | 14,910 | 20,830 | 28,731 | 33,559 | 39,148 |
| EPS (INR) | 31 | 44 | 60 | 71 | 82 |
| NOPAT | 15,209 | 21,078 | 26,848 | 31,254 | 36,502 |

Source: Company, CEBPL

Balance sheet

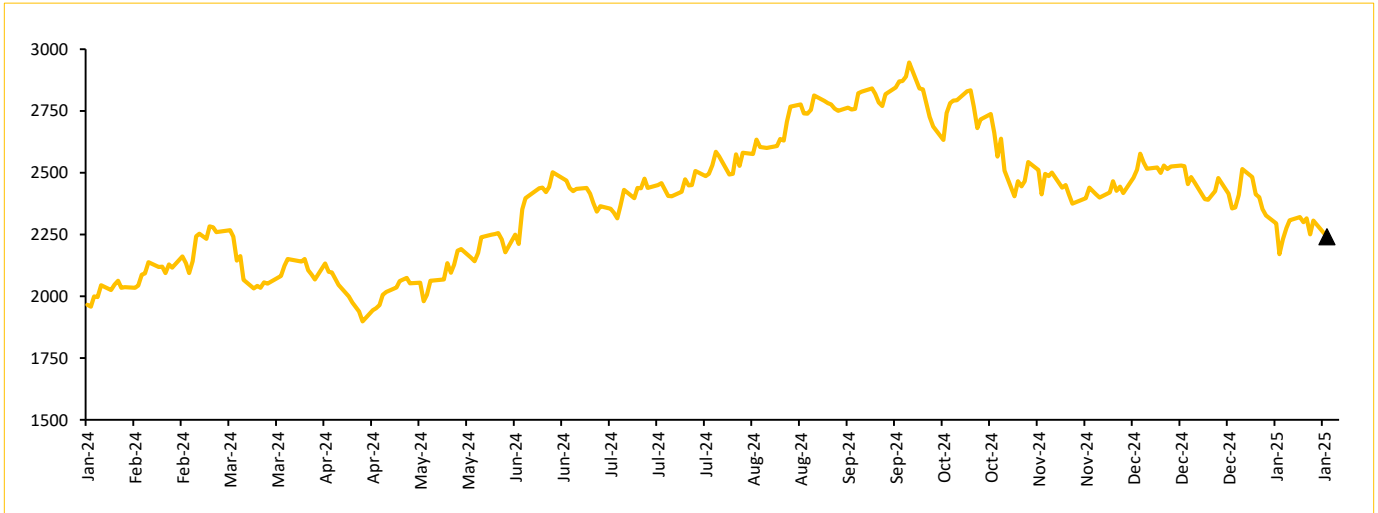
| Particular (INR Mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|--|---------------|---------------|-----------------|-----------------|-----------------|
| Net worth | 60,479 | 77,310 | 1,00,870 | 1,28,052 | 1,59,371 |
| Minority Interest | - | - | - | - | - |
| Deferred tax | 1,982 | 1,871 | 1,871 | 1,871 | 1,871 |
| Total debt | 22,446 | 15,134 | 12,434 | 9,134 | 8,834 |
| Other liabilities & provisions | 5,263 | 5,504 | 6,853 | 7,513 | 8,902 |
| Total Net Worth & liabilities | 90,169 | 99,820 | 1,22,028 | 1,46,570 | 1,78,978 |
| Net Fixed Assets | 35,959 | 37,719 | 42,996 | 46,273 | 48,591 |
| Capital Work in progress | 2,741 | 3,297 | 3,797 | 4,497 | 5,197 |
| Investments | 56,839 | 69,913 | 86,614 | 95,242 | 1,13,978 |
| Cash & bank balance | 2,420 | 5,310 | 6,673 | 13,160 | 20,796 |
| Loans & Advances & other assets | 9,629 | 9,148 | 10,379 | 13,137 | 15,389 |
| Net Current Assets | (14,999) | (20,256) | (21,759) | (12,579) | (4,178) |
| Total Assets | 90,169 | 99,820 | 1,22,028 | 1,46,570 | 1,78,978 |
| Capital Employed | 82,924 | 92,445 | 1,13,304 | 1,37,187 | 1,68,205 |
| Invested Capital | 77,764 | 83,838 | 1,02,833 | 1,19,529 | 1,42,212 |
| Net Debt | 20,026 | 9,825 | 5,761 | (4,026) | (11,962) |
| FCFF | 9,960 | 25,618 | 27,538 | 28,535 | 36,849 |

Source: Company, CEBPL

| Cash Flows (INR Mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| CFO | 19,929 | 36,173 | 40,538 | 40,535 | 48,849 |
| Capex | (9,968) | (10,555) | (13,000) | (12,000) | (12,000) |
| FCF | 9,960 | 25,618 | 27,538 | 28,535 | 36,849 |
| CFI | (23,118) | (18,963) | (31,433) | (24,085) | (33,689) |
| CFF | 2,245 | (14,696) | (7,763) | (9,987) | (7,550) |
| Ratio Analysis | FY23 | FY24 | FY25E | FY26E | FY27E |
| Growth Ratios (%) | | | | | |
| Revenue | 26.9 | 20.5 | 12.6 | 14.7 | 17.1 |
| EBITDA | 36.3 | 31.4 | 25.2 | 15.8 | 15.8 |
| PAT | 62.7 | 39.7 | 37.9 | 16.8 | 16.7 |
| Margin ratios (%) | | | | | |
| EBITDA | 10.1 | 11.1 | 12.3 | 12.4 | 12.3 |
| PAT | 5.7 | 6.6 | 8.0 | 8.2 | 8.1 |
| Performance Ratios (%) | | | | | |
| OCF/EBITDA (X) | 0.7 | 1.0 | 0.9 | 0.8 | 0.8 |
| OCF/IC | 25.6 | 43.1 | 39.4 | 33.9 | 34.3 |
| RoE | 24.7 | 26.9 | 28.5 | 26.2 | 24.6 |
| ROCE | 24.6 | 30.4 | 32.0 | 30.8 | 29.3 |
| Turnover Ratios (Days) | | | | | |
| Inventory | 17 | 16 | 16 | 18 | 19 |
| Debtor | 13 | 15 | 16 | 17 | 17 |
| Payables | 57 | 59 | 59 | 57 | 57 |
| Cash Conversion Cycle | (24) | (29) | (29) | (23) | (19) |
| Financial Stability ratios (x) | | | | | |
| Net debt to Equity | 0.3 | 0.1 | 0.1 | (0.0) | (0.1) |
| Net debt to EBITDA | 0.7 | 0.3 | 0.1 | (0.1) | (0.2) |
| Interest Cover | 14.5 | 15.5 | 29.2 | 43.5 | 61.0 |
| Valuation metrics | | | | | |
| Fully diluted shares (Mn) | 475.1 | 475.1 | 475.1 | 475.1 | 475.1 |
| Price (INR) | 2335 | 2335 | 2335 | 2335 | 2335 |
| Market Cap(INR Mn) | 11,09,359 | 11,09,359 | 11,09,359 | 11,09,359 | 11,09,359 |
| PE(x) | 74 | 53.3 | 38.6 | 33.1 | 28.3 |
| EV (INR Mn) | 11,29,385 | 11,19,183 | 11,15,119 | 11,05,333 | 10,97,397 |
| EV/EBITDA (x) | 42 | 32 | 25 | 22 | 19 |
| Book value (Rs/share) | 127 | 163 | 212 | 270 | 335 |
| Price to BV (x) | 18.3 | 14.3 | 11.0 | 8.7 | 7.0 |
| EV/OCF (x) | 57 | 31 | 28 | 27 | 22 |

Source: Company, CEBPL

Historical Price Chart: TVS Motors Limited



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| | |
|------|---|
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| HOLD | The security is expected to show upside or downside returns by 14% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |

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