

CMP: INR 2,809

Rating: Accumulate

Target Price: INR 3,211

Stock Info

BSE	509243
NSE	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
Sector	Auto -2&3 Wheelers
Face Value (INR)	1
Equity Capital (INR mn)	475
Mkt Cap (INR Bn)	1331
52w H/L (INR)	2,961/2,170
Avg Yearly Vol (in 000')	921

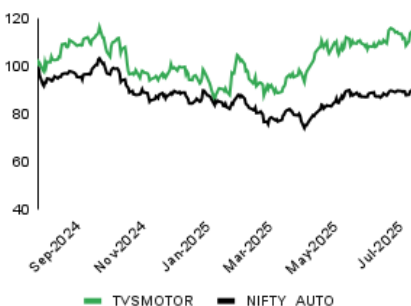
Shareholding Pattern %

(As on July, 2025)

Promoters	50.27
Public & Others	49.73

Stock Performance (%)	1m	3m	12m
TVS Motors	-3.74	5.13	10.98
Nifty Auto	-0.91	6.35	-11.35

TVS Motors Vs Nifty



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TVS Motor Company reported strong top-and bottom-line. Standalone revenue stood at INR 100,810 Mn, above our estimate of INR 99,698 Mn registering growth 20.4% YoY & up by 5.6% QoQ. EBITDA stood at INR 12,630 Mn, above our estimate of INR 12,807 Mn, Registering a growth of 31.5%YoY/ down 5.2%QoQ. On the margins front, EBITDA margin down by 142bps QoQ/ up by 106bps YoY to 12.53%, below our estimate of 12.8% due to PLI absence in Q1FY26. Standalone PAT saw a growth of 34.9%YoY & down by 8.6% QoQ to INR 7,785 Mn below our estimate of INR 7,728Mn. EPS stood at INR 16.39 in Q1FY26 against INR 17.94 in Q4FY25 (INR 12.15 in Q1FY25). Sales increased 17% to 12.77 lakh units, including 35% growth in electric scooters

Strong Momentum in 3-Wheeler Segment, Led by EV Growth: The company is witnessing a sharp uptick in 3W volumes, driven by both ICE and EV formats. The King EV Max is performing well, with PLI benefits kicking in and margins already positive. The company's expanding dealer network and adequate capacity position it well to capture further market share in this fast-growing space.

Margin Expansion Backed by Operating Leverage and Product Mix: EBITDA margin improved to 12.5% in Q1FY26, aided by volume growth, favorable mix, and ongoing cost-efficiency programs. With scale benefits and premium products contributing more to the top line, the margin trajectory remains structurally strong despite near-term input cost pressures.

Product Pipeline to Drive Differentiation and Premium Play: The company is gearing up for several key product launches, including Norton superbikes, electric cycles, and EV variants. With a strategic focus on premiumization and differentiated retail channels, the company is strengthening its brand position and unlocking new growth levers.

Improving Demand Trends Across Geographies: Early monsoon, strong sowing trends, and festive tailwinds point to a healthy demand outlook, especially in rural areas. International markets like Africa, LATAM, and South Asia are rebounding well, with TVS poised to benefit from localized strategies and a wide product portfolio.

Outlook and valuation

Strong Q1FY26 Numbers and remains confident of further improvement, underpinned by premiumization, scale leverage, and ongoing cost optimization initiatives. The company remains confident of outperforming industry growth, driven by product premiumization, expanding EV portfolio, and improving international markets. Domestic ICE 2w growth was moderate, but monsoon trends and reservoir levels are expected to boost rural demand from Q2 onward. EV momentum continues with iQube volumes up 35% YoY, and a broadened variant portfolio should support further penetration. The export outlook remains robust, led by Africa and LATAM markets showing recovery. Three-wheeler EVs are gaining traction, with PLI benefits kicking in from Q2. The company reiterated a steady margin expansion focus via scale, mix improvement, and cost discipline. With INR 200Bn+ in planned investments and capex focused on Norton, EVs, and new products, the company is well-placed to sustain profitable growth. Overall, management expects to continue outpacing industry growth in both volume and profitability.

We value TVS Motors' standalone business at an FY28E PE of 27.5x to its EPS estimate of INR ~109 for FY28E and TVS credit services at 3.1x its BV (~INR 215.2/ share), which yields a revised target price of INR 3,211 per share. We downgrade our rating to Accumulate from Buy earlier on the stock.

Exhibit 1: Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY25	362,513	44,540	27,105	57.2	12.3	49.1
FY26E	421,857	55,678	34,496	72.6	13.2	38.7
FY27E	492,377	66,700	41,300	86.9	13.5	32.3
FY28E	583,845	82,216	51,754	108.9	14.1	25.8

Source: Arihant Research, Company Filings

Exhibit 2: Quarterly result summary

Standalone INR mn	Q1FY26	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
Net Sales	100,810	95,504	83,756	5.6	20.4
- Consumption of Raw Material	71,754	66,672	59,804	7.6	20.0
(% of Net Sales)	71.2	69.8	71.4	137bps	-22bps
- Staff Expenditure	5,808	4,959	4,788	17.1	21.3
(% of Net Sales)	5.8	5.2	5.7	57bps	4bps
- Other Expenditure	10,618	10,546	9,563	0.7	11.0
(% of Net Sales)	10.5	11.0	11.4	-51bps	-88bps
Total Expenditure	88,180	82,178	74,154	7.3	18.9
EBITDA	12,630	13,326	9,602	(5.2)	31.5
EBITDA Margin (%)	12.53	13.95	11.46	-142bps	106bps
Depreciation	2,039	1,994	1,763	2.3	15.7
EBIT	10,591	11,333	7,838	(6.5)	35.1
EBIT Margin (%)	10.51	11.87	9.36	-136bps	115bps
Interest	403	358	372	12.6	8.3
Other income	343	145	363	136.5	(5.5)
PBT	10,531	11,120	7,829	(5.3)	34.5
Tax	2,745	2,599	2,056	5.6	33.5
Tax Rate (%)	26.1%	23.4%	26%	3bps	0bps
Adjusted PAT	7,786	8,521	5,773	(8.6)	34.9
Exceptional Item	-	-	-		
Reported PAT	7,785.9	8,521.2	5,773.2	(8.6)	34.9
EPS (INR)	16.4	17.9	12.2	(8.6)	34.9
Total Volumes (In Nos)	1,276,922	1,216,286	1,087,175	5.0	17.5
Net Realisation (INR)	78,948	78,521	77,040	0.5	2.5
EBITDA / Vehicle (INR)	9,891	10,957	8,832	(9.7)	12.0
Segment Revenue	Q1FY26	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
Automotive Vehicles & Parts	105,538	98,077	87,454	7.6	20.7
Financial services	16,834	16,667	16,113	1.0	4.5
Volumes (In Nos)	Q1FY26	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
Motorcycle	620,806	564,082	514,438	10.1	20.7
Scooter	498,781	501,823	418,417	(0.6)	19.2
E-Scooter	71,519	76,147	51,936	(6.1)	37.7
Moped	112,607	113,775	123,495	(1.0)	(8.8)
2W Domestic	913,946	867,554	828,323	5.3	10.3
2W Exports	318,248	312,126	228,027	2.0	39.6
2W Total	1,232,194	1,179,680	1,056,350	4.5	16.6
3W Domestic	10,764	7,085	4,674	51.9	130.3
3W Exports	34,214	27,386	26,151	24.9	30.8
3W Total	44,978	34,471	30,825	30.5	45.9
3W Domestic	924,710	874,639	832,997	5.7	11.0
3W Exports	352,462	339,512	254,178	3.8	38.7
Total	1,277,172	1,214,151	1,087,175	5.2	17.5
Mix (%)	Q1FY26	Q4FY25	Q1FY25	YoY(bps)	QoQ (bps)
Motorcycle	48.6	46.5	47.3	4.6	2.7
Scooter	39.1	41.3	38.5	(5.5)	1.5
E-Scooter	5.6	6.3	4.8	(10.7)	17.2
Moped	8.8	9.4	11.4	(5.9)	(22.4)
2W Domestic	71.6	71.5	76.2	0.1	(6.1)
2W Exports	24.9	25.7	21.0	(3.1)	18.8
3W Domestic	0.8	0.6	0.4	44.4	96.0
3W Exports	2.7	2.3	2.4	18.8	11.4
3W Domestic	72.4	72.0	76.6	0.5	(5.5)
3W Exports	27.6	28.0	23.4	(1.3)	18.0

Source: Arihant Research, Company Filings

TVS Motor Company Ltd-Q1FY26 Concall KTAs

Outlook: The company maintains a positive outlook on gross margins and continues to leverage growth while consistently improving its EBITDA. It also expects to grow ahead of the industry in international markets, supported by its strategic initiatives and expanding global presence.

EV scooter sales increased by 35% to 0.70 lakh units, with cumulative TVS iQube sales exceeding 6 lakh units, maintaining market leadership.

EV three-wheeler sales grew 46% to 0.45 lakh units, driven by strong TVS King EV demand.

Achieved 0.5% PLI benefit, sold 70K EVs this quarter, and reported INR1,000 Cr in EV revenue.

Staff appraisal and salary increments were implemented in Q1.

The company is investing in specific areas, with further clarity to be shared in due course.

Premium distribution efforts are underway; more details will be shared once finalized.

Discussions around the 2W category are ongoing; updates will be provided once the outcome is clear. This is a high-priority area.

Working towards PLI eligibility across all product segments. Detailed updates will be shared post-implementation.

ICE+EV portfolio is in line with industry trends. Rural demand is gradually picking up; the urban:rural mix is ~51:49. The company is ahead of the industry, especially in semi-urban regions.

Commodity costs increased in Q2FY26 primarily due to steel. A ~0.5% increase is expected. Price hikes will help offset the impact, and the company doesn't see it as a major challenge.

3W business has been showing positive gross margins since June. The company remains *optimistic and believes once customer demand strengthens, topline growth will follow.

Non-current investments: 40% are directed toward Norton; it's the second-largest investment (E-bike), while the rest are small, strategic investments.

Additional investments are being made in new product development.

FY26 capex guidance: INR 16,000–16,500 Mn.

PLI benefits for 3Ws expected to commence from Q2FY26.

ESOP costs are minimal and will not impact the next quarter.

Spares revenue in Q1FY26 stood at INR 9870 Mn.

Exports: INR 24870 Mn. The Africa are recovering after macro and currency-related challenges last year. Management is confident of outpacing industry growth. Africa, Demand is becoming stable. Company is very positive to maintain this growth rates. LATAM Region – Continues to growth and grow faster than industry, increase its share from current low levels of shares. Asia – Major Markets are doing well, there has been good growth from Nepal and Srilanka, there are certain challenges in the

Bangladesh challenges, Bangladesh is likely to recover.

The company is focused on total employee engagement and views ESOPs as an investment to support topline growth.

E3W production capacity is sufficient; no capacity constraints.

Norton investment: Product to be ready by Q3–Q4. Region-specific strategies are in place. Additional products and e-bike innovations are being developed. Market recovery is expected, and internal restructuring will drive synergies.

Investments during the quarter: INR 4776.8 Cr in subsidiaries. INR 856.5 Mn in TVS Supply Chain Solutions Ltd.

TVS Credit

PBT during the quarter has grown 30% and the book size has increase to INR.269bn. There has been good growth from consumer financing. There were new 1.6 Mn customers added during the quarter and inching up the total customers to 20 Mn.

Rare earth magnets: Currently managing short-term supply for daily production. Long-term strategies are being developed, including localization within India. Aim to enhance resilience at both the company and country levels.

Focus remains on customer centricity, technology integration, product quality, and cost optimization to outperform markets.

Moderate growth expected in domestic ICE segment for Q2 FY26, supported by good monsoon and early sowing boosting rural demand.

Engagement with government continues regarding ABS norms emphasizing rider safety.

Motorcycles and scooters segments grew by 21% and 19%, respectively; mopeds declined slightly from 1.24 lakh to 1.12 lakh units.

Profit & Loss Statement (Standalone)

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	362,513	421,857	492,377	583,845
Growth, %	14.1	16.4	16.7	18.6
RM expenses	257,607	298,253	348,110	411,435
Employee expenses	19,703	22,264	24,936	27,928
Other expenses	40,664	45,662	52,631	62,265
EBITDA (Core)	44,540	55,678	66,700	82,216
Growth, %	27	25	20	23
Margin, %	12.3	13.2	13.5	14.1
Depreciation	7,446	8,842	10,026	11,362
EBIT	37,094	46,836	56,673	70,855
Growth, %	32	26	21	25
Margin, %	10.2	11.1	11.5	12.1
Interest paid	1,387	916	934	962
Other Income	580	696	835	1,002
Non-recurring Items	-	-	-	-
Pre-tax profit	36,288	46,616	56,574	70,895
Tax provided	9,183	12,120	15,274	19,140
Profit after tax	27,105	34,496	41,300	51,754
Exceptional Item	-	-	-	-
Net Profit	27,105	34,496	41,300	51,754
Growth, %	30	27	20	25
Net Profit (adjusted)	27,105	34,496	41,300	51,754

Balance Sheet (Standalone)

YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Cash & bank	5,583	3,111	2,399	5,457
Marketable securities cost	-	-	-	-
Debtors	12,801	14,896	17,386	20,616
Inventory	17,258	20,804	25,631	30,392
Loans & advances	-	-	-	-
Other current assets	11,870	12,463	13,086	13,741
Total current assets	47,511	51,274	58,502	70,206
Investments	92,714	120,528	156,687	203,693
Gross fixed assets	111,489	127,489	143,489	159,489
Less: Depreciation	-58,785	-67,627	-77,653	-89,015
Add: Capital WIP	6,420	6,420	6,420	6,420
Net fixed assets	52,704	59,862	65,836	70,474
Total assets	200,317	237,880	287,241	350,587
Current liabilities	72,563	84,032	98,079	115,965
Provisions	3,995	4,395	4,834	5,318
Total current liabilities	76,558	88,427	102,913	121,283
Non-current liabilities	5,669	3,756	3,756	3,756
Total liabilities	82,228	92,183	106,669	125,039
Paid-up capital	475	475	475	475
Reserves & surplus	98,891	127,114	161,570	205,908
Shareholders' equity	99,367	127,589	162,045	206,383
Total equity & liabilities	200,317	237,880	287,241	350,587

Source: Arihant Research, Company Filings

Cash Flow				
YE: Mar (INR mn)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	36,287	46,614	56,571	70,891
Depreciation	7,446	8,842	10,026	11,362
Chg in working capital	6,282	4,012	6,547	9,724
Total tax paid	-8,677	-12,120	-15,274	-19,140
CFO	39,362	47,571	57,971	72,799
Capital expenditure	-19,123	-16,000	-16,000	-16,000
Chg in marketable securities	-	-	-	-
Chg in investments	-22,802	-27,814	-36,159	-47,006
CFI	-41,345	-43,118	-51,323	-62,004
Free cash flow	20,239	31,571	41,971	56,799
Debt raised/(repaid)	2,215	3,470	416	637
Dividend (incl. tax)	-4,561	-6,271	-6,841	-7,412
CFF	-3,733	-3,717	-7,359	-7,737
Net chg in cash	(5,715)	735	(712)	3,058
Opening cash balance	5,310	5,583	3,111	2,399
Closing cash balance	5,583	3,111	2,399	5,457

Ratios				
YE: Mar	FY25	FY26E	FY27E	FY28E
EPS (INR)	57.2	72.6	86.9	108.9
PER (x)	49.1	38.7	32.3	25.8
Price/Book (x)	13.4	10.4	8.2	6.4
EV/EBITDA (x)	30.2	24.3	20.3	16.4
EV/Net sales (x)	3.7	3.2	2.7	2.3
RoE (%)	27	27	25	25
RoCE (%)	34	33	33	32
Fixed Asset turnover (x)	3.3	3.3	3.4	3.7
Dividend Yield (%)	0.3	0.4	0.4	0.5
Receivable (days)	13	13	13	13
Inventory (days)	23	21	22	22
Payable (days)	96	84	84	84
Net D/E ratio (x)	0.1	0.1	0.1	0.1

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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