

**CMP: INR 2,565**

**Rating: Reduce**

**Target Price: INR 2,449**

**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 Mn)	12,18,669
52w H/L (INR)	2958/1548
Avg Yearly Vol (in 000')	1054

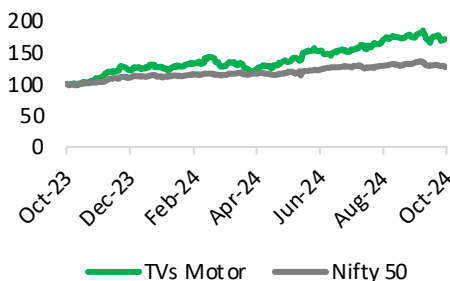
**Shareholding Pattern %**

(As on Sept, 2024)

Promoters	50.27
Public & Others	49.73

Stock Performance (%)	1m	3m	12m
TVS Motors	-2.8	12.8	71.5
Nifty	-5.7	-0.03	26.9

**TVS Motors Vs Nifty**



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Standalone revenue stood at INR 92,282 Mn, below our estimate of INR 96,040 Mn registering growth 13.3% YoY/10.2% QoQ. ICE and EV sales, with a 14% growth in overall 2w and 3w sales. Additionally, the company's EV sales grew by 31% in Q2FY25. EBITDA stood at INR 10,499 Mn, below our estimate of INR 11,370 Mn, Registering a growth of 20%YoY/+12.5%QoQ. On the margins front, EBITDA margin up by bps 24bps QoQ/ up 65bps YoY to 11.70%, below our estimate of 11.8%. The margin expansion led by softening in RM. Standalone PAT saw a growth of 23.5%YoY/ +14.8% QoQ to INR 6,626 Mn below our estimate of INR 7,024 Mn. Other income includes a gain on fair valuation of investment of INR 234.8 Mn for the Q2FY25 and INR 519.6 Mn H2FY25. The Company has invested INR 2189.6 Mn in its wholly owned subsidiary, TVS Motor (Singapore) Pte Limited, Singapore. EPS stood at INR 14.0 in Q2FY25 against INR 12.2 in Q1FY25 (INR 11.3 in Q2FY24).

**Strong demand led by new launches:** The company has launched the new TVS Jupiter 110, with good features, performance, comfort, and safety. Including an infinity lighting bar and premium finishes, it boasts innovative technology like iQube assist for torque on demand and superior fuel efficiency. The all-new TVS Apache RR310 is experiencing strong demand across India, available in two variants, including a customizable option. Meanwhile, the expanded TVS Ntorq 125 lineup and the matte black special edition of the Race XP continue to attract new customers, supporting a 4% growth in the industry this season.

**Focus on EV expansion and robust festive season:** During Navratra, the industry grew by 11%, with TVS outperforming expectations and remaining optimistic for Dussehra. Strong monsoon conditions foster positive momentum, especially in the EV segment, where the iQube brand excels. With a 31% sales increase in Q2, TVS is expanding its electric portfolio and exploring export opportunities.

**Global expansion opportunities:** TVS Motor is expanding in international markets like Latin America and ASEAN, with a notable growth of 16% in 2-wheeler sales. The African market, although facing challenges like currency depreciation, remains a key growth area for TVS, particularly through its HLX series.

**Outlook and valuation**

We expect continued strong volume growth in the next quarter with increased sales of (Apache, Ronin, Ntorq, Raider, Jupiter 125, and iQube) and new product launches. We expect TVS Motor to continue to work on improving its profitability and factor 77bps EBITDA margin expansion over FY25E-FY27E. Valuation at 34.7x/29.4x FY26E/FY27E EPS largely reflects its strong earnings growth potential. **We value TVS Motors' standalone business at an FY27E PE of 27x to its EPS estimate of INR ~84 for FY27E and TVS credit services at 2.5x its BV (~INR 174/ share), which yields a revised target price of INR 2,449 per share (Earlier target price: INR 2,384 per share). We downgrade our rating to Reduce from Neutral earlier on the stock.**

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY24	3,17,764	35,141	20,830	43.8	11.1	56.4
FY25E	3,69,304	43,210	27,387	57.6	11.7	42.9
FY26E	4,14,034	50,917	33,830	71.2	12.3	34.7
FY27E	4,76,841	59,475	40,044	84.3	12.5	29.4

Source: Arihant Research, Company Filings

## Exhibit 2: Quarterly result summary

Standalone INR mn	Q2FY25	Q1FY25	Q2FY24	QoQ (%)	YoY (%)
Net Sales	92,282	83,756	81,446	10.2	13.3
- Consumption of Raw Material	66,018	59,804	60,276	10.4	9.5
(% of Net Sales)	71.5	71.4	74.0	14bps	-247bps
- Staff Expenditure	4,967	4,788	3,929	3.8	26.4
(% of Net Sales)	5.4	5.7	4.8	-33bps	56bps
- Other Expenditure	10,499	9,563	8,244	9.8	27.4
(% of Net Sales)	11.4	11.4	10.1	-4bps	126bps
Total Expenditure	81,485	74,154	72,449	9.9	12.5
EBITDA	10,798	9,602	8,998	12.5	20.0
EBITDA Margin (%)	11.70	11.46	11.05	24bps	65bps
Depreciation	1,806	1,763	1,701	2.4	6.2
EBIT	8,992	7,838	7,297	14.7	23.2
EBIT Margin (%)	9.74	9.36	8.96	39bps	79bps
Interest	319	372	523	(14.3)	(39.0)
Other income	299	363	462	(17.6)	(35.3)
PBT	8,972	7,829	7,237	14.6	24.0
Tax	2,346	2,056	1,871	14.1	25.4
Tax Rate (%)	26.1%	26.3%	26%	0bps	0bps
Adjusted PAT	6,626	5,773	5,366	14.8	23.5
Exceptional Item	-	-	-		
Reported PAT	6,626.2	5,773.2	5,365.5	14.8	23.5
EPS (INR)	14.0	12.2	11.3	14.8	23.6
Total Volumes (In Nos)	1,228,223	1,087,175	1,074,378	13.0	14.3
Net Realisation (INR)	75,135	77,040	75,808	(2.5)	(0.9)
EBITDA / Vehicle (INR)	8,791	8,832	8,375	(0.5)	5.0
Segment Revenue	Q2FY25	Q1FY25	Q2FY24	QoQ (%)	YoY (%)
Automotive Vehicles & Parts	95959.3	87213.3	84599	10.0	13.4
Automotive Components	2212.5	2009.2	1958.1	10.1	13.0
Financial services	16343	16352.5	14330.4	(0.1)	14.0
Volumes (In Nos)	Q2FY25	Q1FY25	Q2FY24	QoQ (%)	YoY (%)
Motorcycle	560,828	514,438	493,427	9.0	13.7
Scooter	490,375	418,417	419,969	17.2	16.8
E-Scooter	75,122	51,936	57,549	44.6	30.5
Moped	139,106	123,495	117,976	12.6	17.9
2W Domestic	912,461	828,323	792,342	10.2	15.2
2W Exports	277,848	228,027	239,030	21.8	16.2
2W Total	1,190,309	1,056,350	1,031,372	12.7	15.4
3W Domestic	7,190	4,674	5,014	53.8	43.4
3W Exports	30,724	26,151	37,992	17.5	(19.1)
3W Total	37,914	30,825	43,006	23.0	(11.8)
3W Domestic	919,651	832,997	797,356	10.4	15.3
3W Exports	308,572	254,178	277,022	21.4	11.4
Total	1,228,223	1,087,175	1,074,378	13.0	14.3
Mix (%)	Q2FY25	Q1FY25	Q2FY24	YoY(bps)	QoQ (bps)
Motorcycle	45.7	47.3	45.9	(3.5)	(0.6)
Scooter	39.9	38.5	39.1	3.7	2.1
E-Scooter	6.1	4.8	5.4	28.0	14.2
Moped	11.3	11.4	11.0	(0.3)	3.1
2W Domestic	74.3	76.2	73.7	(2.5)	0.7
2W Exports	22.6	21.0	22.2	7.9	1.7
3W Domestic	0.6	0.4	0.5	36.2	25.4
3W Exports	2.5	2.4	3.5	4.0	(29.3)
3W Domestic	74.9	76.6	74.2	(2.3)	0.9
3W Exports	25.1	23.4	25.8	7.5	(2.6)

Source: Arianth Research, Company Filings

## Q2Y25 Conference Call highlights

**EVs:** Electric 2w sales surged by 31% compared to Q2 last year. EV penetration currently stands at around 7% for the quarter. TVS's iQube brand has established itself strongly in the market, emphasizing its advanced technology, features, and high quality. The company plans to expand its EV exports to ASEAN and other Asian markets. They are also planning to launch an EV 3w soon.

**Capex:** Estimated to be between INR 1200 crores and INR 1400 crores. Expected investments for the year are projected at around INR 1500 crores.

**New launches:** The company recently launched the all-new TVS Jupiter 110 and the TVS Apache RR310 (available in two variants), receiving positive market responses. TVS X, a super-premium product, has been introduced, and the company expects higher volumes in the coming quarters. The HLX-125 continues to perform well, delivering a combination of power and efficiency.

**Product pipeline:** TVS has a well-planned lineup for electric mobility, with additional launches expected in FY25. Norton product still in development, expected to be ready in about six quarters (anticipated in 2026).

**Competition:** TVS sees Bajaj and Hero as strong competitors. Despite competitive pressures causing a slight reduction in realization, TVS is focused on value addition rather than discounts.

**Pricing strategy:** The company has increased prices due to currency depreciation but remains committed to delivering value through features instead of engaging in aggressive discounting.

**Global markets:** The company is facing challenges in the Middle East due to currency depreciation and interest rate increases, while Europe is grappling with economic stress. However, TVS is optimistic about the demand for its products globally, especially its CNG and EV offerings.

**Demand:** Strong consumer demand, particularly for the TVS Jupiter brand, has been a key growth driver. The company is unable to meet the total demand in the market, indicating strong consumer interest. Increasing acceptance of CNG-powered 3-wheelers reflects demand for alternative fuel options.

**Supply chain:** TVS is continuously improving its supply chain and infrastructure, especially concerning the EV segment, which is expected to play a key role in the company's long-term growth.

**Guidance:** TVS expects to outpace the industry's growth expectations, with sustained growth in electric vehicle sales, global expansion, and product launches. Additionally, it anticipates **price increases** due to currency impacts, although its core focus remains on providing value to consumers.

**Margin:** TVS emphasized ongoing efforts to optimize costs and improve efficiencies, aiming to sustain and gradually increase the operating EBITDA margin further beyond the current 11.7%. Effective cost management and favorable commodity prices have supported their margin expansion, and they intend to maintain this momentum.

Profit & Loss Statement (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
Net sales	3,17,764	3,69,304	4,14,034	4,76,841
Growth, %	20.5	16.2	12.1	15.2
RM expenses	2,34,290	2,68,668	2,98,933	3,44,279
Employee expenses	15,959	17,954	20,036	22,360
Other expenses	32,374	39,472	44,148	50,726
<b>EBITDA (Core)</b>	<b>35,141</b>	<b>43,210</b>	<b>50,917</b>	<b>59,475</b>
Growth, %	31	23	18	17
<b>Margin, %</b>	<b>11.1</b>	<b>11.7</b>	<b>12.3</b>	<b>12.5</b>
Depreciation	7,004	7,537	6,629	7,229
<b>EBIT</b>	<b>28,138</b>	<b>35,673</b>	<b>44,288</b>	<b>52,246</b>
Growth, %	38	27	24	18
<b>Margin, %</b>	<b>8.9</b>	<b>9.7</b>	<b>10.7</b>	<b>11.0</b>
Interest paid	1,816	763	551	507
Other Income	1,485	1,649	1,978	2,374
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>27,807</b>	<b>36,559</b>	<b>45,715</b>	<b>54,113</b>
Tax provided	6,977	9,172	11,885	14,069
<b>Profit after tax</b>	<b>20,830</b>	<b>27,387</b>	<b>33,830</b>	<b>40,044</b>
Exceptional Item	-	-	-	-
<b>Net Profit</b>	<b>20,830</b>	<b>27,387</b>	<b>33,830</b>	<b>40,044</b>
Growth, %	40	31	24	18
<b>Net Profit (adjusted)</b>	<b>20,830</b>	<b>27,387</b>	<b>33,830</b>	<b>40,044</b>

Balance Sheet (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
Cash & bank	5,310	6,502	24,040	49,157
Marketable securities cost	-	-	-	-
Debtors	13,021	15,133	16,966	19,540
Inventory	13,708	25,902	30,173	36,057
Loans & advances	-	-	3,470.90	3,514.90
Other current assets	7,958	8,356	8,774	9,213
Total current assets	39,997	55,894	79,953	1,13,967
Investments	69,913	76,913	83,913	90,913
Gross fixed assets	95,489	1,05,489	1,15,489	1,25,489
Less: Depreciation	-51,339	-58,875	-65,505	-72,734
Add: Capital WIP	3,297	3,297	3,297	3,297
Net fixed assets	44,150	46,613	49,984	52,755
<b>Total assets</b>	<b>1,57,357</b>	<b>1,82,717</b>	<b>2,17,147</b>	<b>2,60,931</b>
Current liabilities	57,996	66,003	73,580	84,742
Provisions	3,495	3,844	4,229	4,651
Total current liabilities	61,490	69,847	77,809	89,393
Non-current liabilities	6,372	2,967	2,967	2,967
Total liabilities	67,863	72,814	80,776	92,361
Paid-up capital	475	475	475	475
Reserves & surplus	76,835	98,520	1,26,076	1,59,276
Shareholders' equity	77,310	98,995	1,26,551	1,59,751
<b>Total equity &amp; liabilities</b>	<b>1,57,357</b>	<b>1,82,717</b>	<b>2,17,147</b>	<b>2,60,931</b>

Cash Flow				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Pre-tax profit</b>	<b>27,807</b>	<b>36,558</b>	<b>45,713</b>	<b>54,110</b>
Depreciation	7,004	7,537	6,629	7,229
Chg in working capital	12,104	-9,513	1,439	2,689
Total tax paid	-7,021	-9,172	-11,885	-14,069
<b>CFO</b>	<b>40,224</b>	<b>21,740</b>	<b>40,471</b>	<b>48,094</b>
Capital expenditure	-12,556	-10,000	-10,000	-10,000
Chg in marketable securities	0	0	0	0
Chg in investments	-13,074	-7,000	-7,000	-7,000
<b>CFI</b>	<b>-24,145</b>	<b>-15,351</b>	<b>-15,022</b>	<b>-14,626</b>
Free cash flow	27,668	11,740	30,471	38,094
Debt raised/(repaid)	-7,311	-1,513	-1,090	-1,003
Dividend (incl. tax)	-4,560	-5,701	-6,271	-6,841
<b>CFF</b>	<b>-13,688</b>	<b>-7,977</b>	<b>-7,912</b>	<b>-8,351</b>
<b>Net chg in cash</b>	<b>2,391</b>	<b>(1,589)</b>	<b>17,538</b>	<b>25,117</b>
Opening cash balance	2,420	5,310	6,502	24,040
<b>Closing cash balance</b>	<b>5,310</b>	<b>6,502</b>	<b>24,040</b>	<b>49,157</b>

Ratios				
YE: Mar	FY24	FY25E	FY26E	FY27E
EPS (INR)	43.8	57.6	71.2	84.3
PER (x)	56.4	42.9	34.7	29.4
Price/Book (x)	15.2	11.9	9.3	7.4
EV/EBITDA (x)	33.7	27.4	22.9	19.1
EV/Net sales (x)	3.7	3.2	2.8	2.4
RoE (%)	27	28	27	25
RoCE (%)	33.2	34	34	33
Fixed Asset turnover (x)	3.3	3.5	3.6	3.8
Dividend Yield (%)	0.3	0.4	0.4	0.5
Receivable (days)	16	15	15	15
Inventory (days)	20	29	30	32
Payable (days)	85	74	74	74
Net D/E ratio (x)	0.1	0.1	(0.1)	(0.2)

Source: Arihant 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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