

**CMP: INR 2,335**

**Rating: Accumulate**

**Target Price: INR 2703**

**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)	11,09,305
52w H/L (INR)	2449/1873
Avg Yearly Vol (in 000')	923

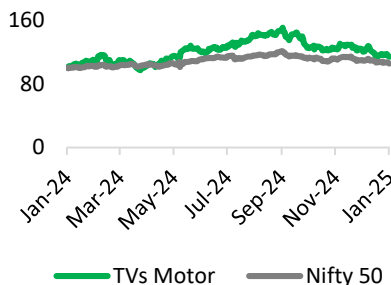
**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	50.27
Public & Others	49.73

Stock Performance (%)	1m	3m	12m
TVS Motors	-7.8	-9.4	13.6
Nifty	-4.1	-6.2	5.0

**TVS Motors Vs Nifty**



Abhishek Jain  
abhishek.jain@arihantcapital.com  
022 67114851

Jyoti Singh  
jyoti.singh@arihantcapital.com  
022 67114834

TVS Motor Company reported standalone revenue stood at INR 90,971 Mn, below our estimate of INR 91,505 Mn registering growth 10.3% YoY & down by 1.4% QoQ. EBITDA stood at INR 10,815 Mn, above our estimate of INR 10645 Mn, Registering a growth of 17.0%YoY/+0.2%QoQ. On the margins front, EBITDA margin up by bps 19bps QoQ/ up by 68bps YoY to 11.89%, above our estimate of 11.6%. Standalone PAT saw a growth of 4.2 %YoY & down by 6.7% QoQ to INR 6,185 Mn below our estimate of INR 6,498 Mn. EPS stood at INR 13.0 in Q3FY25 against INR 14.0 in Q2FY25 (INR 12.5 in Q3FY24).

**Export Traction Led by Strong Product Portfolio:** Company's international business showed strong growth, with 2W exports increasing by 26% YoY in Q3. Key regions such as Africa, Latin America, and the Middle East are showing significant traction, supported by strong products like HLX 125 Five Gear and enhanced distribution networks. The company has also entered Morocco, strengthening its presence in North Africa, and sees potential in expanding LATAM operations, including Brazil. Total export revenues stood at INT 20,180 Mn. TVS's strategic international expansion underscores its ability to capitalize on global opportunities, supported by strong brand equity and customer engagement.

**Investments in Technology and R&D:** Key innovations include smart connectivity features for EV models, such as real-time navigation and vehicle diagnostics. Significant progress has been made in its Norton premium motorcycle brand, with product launches expected in FY26. Additionally, investments in global hubs like Dubai aim to facilitate growth in Africa, the Middle East, and Europe.

**Outlook and valuation**

We anticipate continued strong performance across its ICE and EV segments, driven by strong demand for new products like the Jupiter 110 and the King EV Max. Expects to outperform industry growth in both categories while focusing on rural market recovery and export momentum in Africa, LATAM, and the Middle East. TVS is committed to improving EBITDA margins through better product mix, cost optimization, and leveraging economies of scale, with the current margin already at a record 11.9%.

**We value TVS Motors' standalone business at an FY27E PE of 26x to its EPS estimate of INR ~97 for FY27E and TVS credit services at 2.7x its BV (~INR 187/ share), which yields a revised target price of INR 2,703 per share (Earlier target price: INR 2,449 per share). We Upgrade our rating to Accumulate from Reduce 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	3,74,265	44,032	28,002	58.9	11.8	42.0
FY26E	4,33,866	54,316	36,345	76.5	12.5	32.3
FY27E	5,23,471	67,478	45,966	96.7	12.9	25.6

Source: Arihant Research, Company Filings

## Exhibit 2: Quarterly result summary

Standalone INR mn	Q3FY25	Q2FY25	Q3FY24	QoQ (%)	YoY (%)
Net Sales	90,971	92,282	82,450	(1.4)	10.3
- Consumption of Raw Material	65,112	66,018	60,756	(1.4)	7.2
(% of Net Sales)	71.6	71.5	73.7	4bps	-211bps
- Staff Expenditure	4,988	4,967	4,036	0.4	23.6
(% of Net Sales)	5.5	5.4	4.9	10bps	59bps
- Other Expenditure	10,056	10,499	8,414	(4.2)	19.5
(% of Net Sales)	11.1	11.4	10.2	-32bps	85bps
Total Expenditure	80,156	81,485	73,206	(1.6)	9.5
EBITDA	10,815	10,798	9,244	0.2	17.0
EBITDA Margin (%)	11.89	11.70	11.21	19bps	68bps
Depreciation	1,883	1,806	1,781	4.3	5.8
EBIT	8,931	8,992	7,464	(0.7)	19.7
EBIT Margin (%)	9.82	9.74	9.05	7bps	77bps
Interest	338	319	448	5.8	(24.6)
Other income	(227)	299	734	(175.9)	(130.9)
PBT	8,367	8,972	7,750	(6.7)	8.0
Tax	2,182	2,346	1,817	(7.0)	20.1
Tax Rate (%)	26.1%	26.1%	23%	0bps	3bps
Adjusted PAT	6,185	6,626	5,934	(6.7)	4.2
Exceptional Item	-	-	-		
Reported PAT	6,184.8	6,626.2	5,933.5	(6.7)	4.2
EPS (INR)	13.0	14.0	12.5	(6.7)	4.2
Total Volumes (In Nos)	12,11,952	12,28,223	11,00,843	(1.3)	10.1
Net Realisation (INR)	75,061	75,135	74,897	(0.1)	0.2
EBITDA / Vehicle (INR)	8,923	8,791	8,397	1.5	6.3
<b>Segment Revenue</b>	<b>Q3FY25</b>	<b>Q2FY25</b>	<b>Q3FY24</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>
Automotive Vehicles & Parts	94162	95674.4	86207	(1.6)	9.2
Automotive Components	2243.1	2212.5	1779.8	1.4	26.0
Financial services	16834.2	16627.9	15100.2	1.2	11.5
<b>Volumes (In Nos)</b>	<b>Q3FY25</b>	<b>Q2FY25</b>	<b>Q3FY24</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>
Motorcycle	5,55,940	5,60,828	5,22,850	(0.9)	6.3
Scooter	4,92,893	4,90,375	4,04,051	0.5	22.0
E-Scooter	75,771	75,122	48,167	0.9	57.3
Moped	1,33,801	1,39,106	1,35,876	(3.8)	(1.5)
2W Domestic	9,10,887	9,12,461	8,46,962	(0.2)	7.5
2W Exports	2,71,747	2,77,848	2,15,815	(2.2)	25.9
2W Total	11,82,634	11,90,309	10,62,777	(0.6)	11.3
3W Domestic	10,560	7,190	5,335	46.9	97.9
3W Exports	22,109	30,724	32,731	(28.0)	(32.5)
3W Total	32,669	37,914	38,066	(13.8)	(14.2)
3W Domestic	9,21,447	9,19,651	8,52,297	0.2	8.1
3W Exports	2,93,856	3,08,572	2,48,546	(4.8)	18.2
Total	12,11,952	12,28,223	11,00,843	(1.3)	10.1
<b>Mix (%)</b>	<b>Q3FY25</b>	<b>Q2FY25</b>	<b>Q3FY24</b>	<b>YoY(bps)</b>	<b>QoQ (bps)</b>
Motorcycle	45.9	45.7	47.5	0.5	(3.4)
Scooter	40.7	39.9	36.7	1.9	10.8
E-Scooter	6.3	6.1	4.4	2.2	42.9
Moped	11.0	11.3	12.3	(2.5)	(10.6)
2W Domestic	75.2	74.3	76.9	1.2	(2.3)
2W Exports	22.4	22.6	19.6	(0.9)	14.4
3W Domestic	0.9	0.6	0.5	48.8	79.8
3W Exports	1.8	2.5	3.0	(27.1)	(38.6)
3W Domestic	76.0	74.9	77.4	1.5	(1.8)
3W Exports	24.2	25.1	22.6	(3.5)	7.4

Source: Arianth Research, Company Filings

**Q3Y25 Conference Call highlights**

- Launched TVS King EV Max, a 3W EV with advanced features with a 179 km range quick charging.
- EV 3W penetration was 26% in Q2 and 21% YTD FY25, with further growth in the coming months.
- Plans to launch additional EV models in FY25.
- TVS Credit added 3+ Mn new customers in FY25 taking its cumulative customer base to 17.7 Mn, driven by strong demand for vehicle financing.
- GNPA maintained at 3% and collections during the quarter were healthy at INR 70,000 Mn.
- Rural sales grew by 10% YoY better than urban and positive momentum is expected to continue.
- Improved performance in African markets and growth in North Africa due to the entry into Morocco.
- Continued expansion in Latin America and a reopening of the Sri Lankan market.
- Challenges persist in Bangladesh, but recovery is expected.
- FY25 is projected to be a strong year in domestic and international markets.
- Focus on cost reduction, better product mix, and international market expansion.
- Preparations for the OBD 2 norms are underway, with price increases expected to remain competitive and affordable.
- 2W industry expected to grow in double digits, with projecting growth ahead of the industry average.
- Scooter market share, combining ICE and EV, has grown to ~40%. Strong presence with iQube (EV), Jupiter (110cc and 125cc), and Ntorq models.
- Entry-level motorcycles and mopeds face challenges, expected to recover gradually.
- Strong R&D focus including the potential introduction of CNG scooters and high-capacity bikes (300cc models).
- Tightened credit norms for TVS Credit to maintain portfolio quality.
- Focus on premiumization with products like Apache (160cc to 310cc), Raider (125cc), and HLX series for exports.
- Investments INR 14,000 Mn in 9M, with an expected full-year investment of INR 17,000 Mn.
- Capex for the FY25 13,000 Mn.
- Collaboration with Hyundai for micro-mobility solutions, with further updates expected as plans mature.
- Super-premium products from Norton expected to launch in FY25-26
- The company expects to account for PLI benefits in Q4, which will further support margin expansion.

Profit & Loss Statement (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>3,17,764</b>	<b>3,74,265</b>	<b>4,33,866</b>	<b>5,23,471</b>
Growth, %	20.5	17.8	15.9	20.7
RM expenses	2,34,290	2,72,278	3,13,251	3,77,946
Employee expenses	15,959	17,954	20,036	22,360
Other expenses	32,374	40,002	46,263	55,687
<b>EBITDA (Core)</b>	<b>35,141</b>	<b>44,032</b>	<b>54,316</b>	<b>67,478</b>
Growth, %	31	25	23	24
<b>Margin, %</b>	<b>11.1</b>	<b>11.8</b>	<b>12.5</b>	<b>12.9</b>
Depreciation	7,004	7,537	6,629	7,229
<b>EBIT</b>	<b>28,138</b>	<b>36,495</b>	<b>47,687</b>	<b>60,249</b>
Growth, %	38	30	31	26
<b>Margin, %</b>	<b>8.9</b>	<b>9.8</b>	<b>11.0</b>	<b>11.5</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>37,381</b>	<b>49,114</b>	<b>62,115</b>
Tax provided	6,977	9,378	12,769	16,149
<b>Profit after tax</b>	<b>20,830</b>	<b>28,002</b>	<b>36,345</b>	<b>45,966</b>
Exceptional Item	-	-	-	-
<b>Net Profit</b>	<b>20,830</b>	<b>28,002</b>	<b>36,345</b>	<b>45,966</b>
Growth, %	40	34	30	26
<b>Net Profit (adjusted)</b>	<b>20,830</b>	<b>28,002</b>	<b>36,345</b>	<b>45,966</b>

Balance Sheet (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
Cash & bank	5,310	7,453	28,437	61,059
Marketable securities cost	-	-	-	-
Debtors	13,021	15,337	17,779	21,451
Inventory	13,708	26,250	31,619	39,583
Loans & advances	-	-	3,470.90	3,514.90
Other current assets	7,958	8,356	8,774	9,213
<b>Total current assets</b>	<b>39,997</b>	<b>57,396</b>	<b>86,608</b>	<b>1,31,306</b>
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
<b>Net fixed assets</b>	<b>44,150</b>	<b>46,613</b>	<b>49,984</b>	<b>52,755</b>
<b>Total assets</b>	<b>1,57,357</b>	<b>1,84,219</b>	<b>2,23,802</b>	<b>2,78,270</b>
Current liabilities	57,996	66,889	77,105	93,029
Provisions	3,495	3,844	4,229	4,651
<b>Total current liabilities</b>	<b>61,490</b>	<b>70,734</b>	<b>81,333</b>	<b>97,680</b>
Non-current liabilities	6,372	2,967	2,967	2,967
<b>Total liabilities</b>	<b>67,863</b>	<b>73,701</b>	<b>84,301</b>	<b>1,00,648</b>
Paid-up capital	475	475	475	475
Reserves & surplus	76,835	99,135	1,29,207	1,68,329
Shareholders' equity	77,310	99,611	1,29,682	1,68,804
<b>Total equity &amp; liabilities</b>	<b>1,57,357</b>	<b>1,84,219</b>	<b>2,23,802</b>	<b>2,78,270</b>

Cash Flow				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Pre-tax profit</b>	<b>27,807</b>	<b>37,380</b>	<b>49,112</b>	<b>62,112</b>
Depreciation	7,004	7,537	6,629	7,229
Chg in working capital	12,104	-9,178	2,371	4,272
Total tax paid	-7,021	-9,378	-12,769	-16,149
<b>CFO</b>	<b>40,224</b>	<b>22,691</b>	<b>43,918</b>	<b>55,600</b>
Capital expenditure	-12,556	-10,000	-10,000	-10,000
Chg in marketable securities	-	-	-	-
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	12,691	33,918	45,600
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>(638)</b>	<b>20,984</b>	<b>32,623</b>
Opening cash balance	2,420	5,310	7,453	28,437
<b>Closing cash balance</b>	<b>5,310</b>	<b>7,453</b>	<b>28,437</b>	<b>61,059</b>

Ratios				
YE: Mar	FY24	FY25E	FY26E	FY27E
EPS (INR)	43.8	58.9	76.5	96.7
PER (x)	56.4	42.0	32.3	25.6
Price/Book (x)	14.3	11.1	8.6	6.6
EV/EBITDA (x)	33.7	26.8	21.3	16.7
EV/Net sales (x)	3.7	3.2	2.7	2.2
RoE (%)	27	28	28	27
RoCE (%)	33.2	35	36	35
Fixed Asset turnover (x)	3.3	3.5	3.8	4.2
Dividend Yield (%)	0.3	0.4	0.5	0.5
Receivable (days)	15	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)	(0.3)

Source: Arihant Research, Company Filings

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Fax: (91-731) 4217101

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880