




TVS Motor Company Ltd.

BUY

Sector: Automobiles

12th August 2025

Key Changes		Target 	Rating 	Earnings 		Target	Rs. 3,282
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 2,981
Large Cap	TVSL:IN	80,604	TVSMOTOR	532343	12 Months	Return	+10%

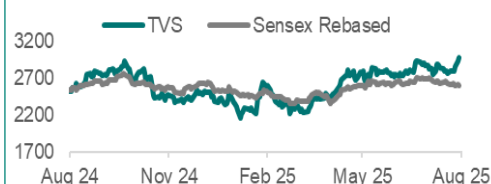
Data as of: 11-08-2025 18:00 hrs

Company Data			
Market Cap (Rs.cr)	1,41,018		
52 Week High - Low (Rs.)	3,020 - 2,170		
Enterprise Value (Rs.cr)	1,44,407		
Outstanding Shares (cr)	47.5		
Free Float (%)	50		
Dividend Yield	0.3%		
6m average volume (cr)	0.08		
Beta	1.4		
Face value Rs.	1		

Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	50.3	50.3	50.3
FII's	21.2	21.5	22.4
MFs/Insti	19.9	19.6	18.8
Public	8.7	8.7	8.5
Total	100.0	100.0	100.0
Promoter pledge	NIL	NIL	NIL

Price Performance	3 Month	6 Month	1 Year
Absolute Return	12.1%	15.0%	16.4%
Absolute Sensex	1.0%	3.1%	1.0%
Relative Return*	11.0%	11.9%	15.4%

*over or under performance to benchmark index



Standalone (Rs. cr)	FY25A	FY26E	FY27E
Sales	36,251	44,682	50,903
Growth (%)	14.1	23.3	13.9
EBITDA	4,454	5,362	6,414
EBITDA Margin (%)	12.3	12.0	12.6
PAT Adjusted	2,711	3,351	4,127
Growth (%)	30.1	23.6	23.1
Adjusted EPS	57.1	70.5	86.9
Growth (%)	30.1	23.6	23.1
P/E	50.4	40.8	33.1
P/B	13.7	10.6	8.5
EV/EBITDA	31.1	25.8	21.6
ROE (%)	27.8	26.4	26.0
D/E	0.2	0.1	0.1

Author: Saji John - Sr. Research Analyst

Superior product mix to aid growth.

TVS Motors (TVS) is the third largest two-wheeler manufacturer in India, with a domestic market share of 17.9% in FY25.

- TVS Q1FY26 revenue grew by ~20%, (above estimate) outperforming the industry growth, driven by strong volume growth and improved realization.
- EBITDA rose ~32% YoY with EBITDA margins expanding by 100bps, supported by softening other expenses and better product mix. PAT surged by ~35%YoY with PAT margins improving by 80bps.
- Norton is set to emerge as TVS's premier global brand, with commercial production slated to commence in Q3-Q4 FY26. TVS has introduced new iQube variants equipped with a 3.1kW battery, delivering enhanced range and advanced features.
- To address challenges in the supply of rare earth magnets for EVs, the company is developing HRE-free, ferrite-based, and magnet-free solutions while pursuing partnerships with Indian entities for magnet sourcing.
- We expect revenue & PAT to grow by ~18% and ~23% over FY25-27E factoring ~18% volume growth over the same period.
- The company expects to grow faster than the industry, driven by premium offerings, new product launches, export recovery and expanding retail network.

Outlook & Valuation

The demand environment remains positive, driven by good monsoons, benign interest rates, tax reliefs, and the festive season in addition to strong exports. FY26 capex is expected to be Rs. 1,600-1,700 cr. The company also plans to make strategic investments of Rs. 2,000 cr in FY26. Management indicated commodity cost pressures of around 0.5% in Q2, which they intend to mitigate through price hikes, optimized product mix, and cost reduction initiatives. TVS is well-positioned to sustain its competitive advantage in innovation and product engineering by launching customer-focused products ahead of its peers and delivering superior performance.

We value TVSM's standalone business at 35x FY27E EPS (Rs3,041/share) and TVS Credit Services at Rs.241 (2x P/BV) (15% holding dis.) to arrive at a target price of Rs.3,282/share and maintain BUY rating.

Quarterly Financials Standalone.

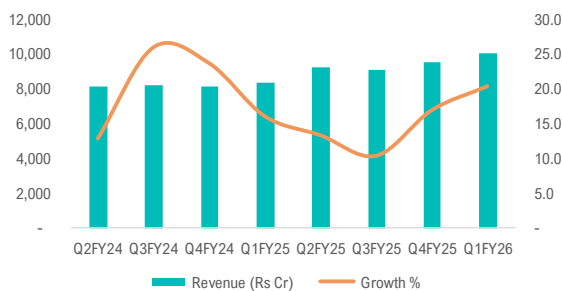
Rs.cr	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Sales	10,081	8,376	20.4	9,550	5.6
EBITDA	1,263	960	31.5	1,333	-5.2
Margin (%)	12.5	11.5	106bps	14.0	-142bps
EBIT	1,059	784	35.1	1,133	-6.5
PBT	1,053	783	34.5	1,112	-5.3
Rep. PAT	779	577	34.9	852	-8.6
Adj PAT	779	577	34.9	852	-8.6
EPS (Rs)	16.4	12.2	34.9	17.9	-8.6



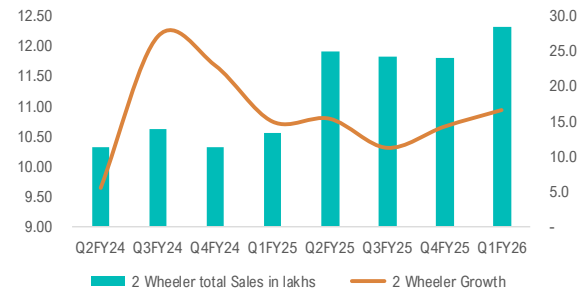
Key Highlights

- TVS aims to deepen its foothold in premium two-wheelers through models like the Norton, Ronin, Apache and Jupiter portfolios. A strategy to increase geographical footprint into the western market through the Norton brand is likely to enhance margin.
- Exports surged 39% to 3.52 lakh units, the highest ever, driven by demand growth in Sri Lanka, Nepal, and Latin America.
- TVS saw 35% growth in EV two-wheeler sales to 70,000 units in Q1 FY26 compared to 52,000 units the previous year. EV penetration in the two-wheeler industry reached 6.3%, with TVS iQube surpassing 600,000 unit sales.
- There are current challenges with rare earth magnets for EVs, which the company is managing through existing stocks and resizing locally available larger magnets.
- The credit book size expanded to Rs.26,900 cr, with a cumulative customer base of over 20 million. TVS Credit's profit before tax (PBT) for the current quarter saw a growth of 30% YoY, reaching ₹243 cr.
- Despite a slow pick in the African market, exports are likely to continue their momentum due to the good traction seen in Latin American, ASEAN and Sri Lankan markets.
- The company is committed to sustaining EBITDA margins while investing in future growth opportunities.

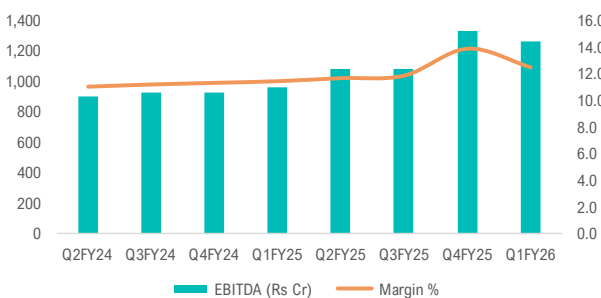
Revenue



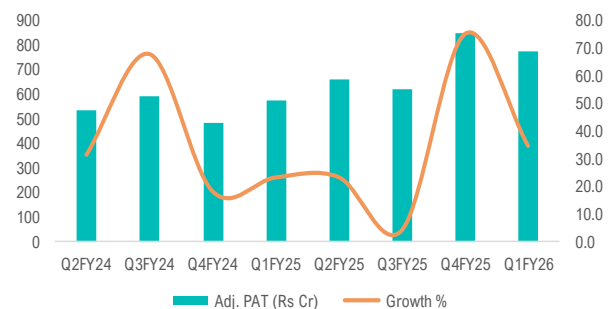
2 Wheeler Volume



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	41,707	47,011	44,682	50,903	7.1	8.3
EBITDA	5,213	6,017	5,362	6,414	2.9	6.6
Margins (%)	12.5	12.8	12.0	12.6	-50bps	-20bps
Adj. PAT	3,292	3,919	3,351	4,127	1.8	5.3
EPS	69	83	71	87	1.8	5.3



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	26,378	31,776	36,251	44,682	50,903
% change	27%	20%	14%	23%	14%
EBITDA	2,675	3,514	4,454	5,362	6,414
% change	36%	31%	27%	20%	20%
Depreciation	631	700	745	823	837
EBIT	2,043	2,814	3,709	4,539	5,576
Interest	141	182	139	137	126
Other Income	101	149	58	89	81
PBT	2,003	2,781	3,629	4,492	5,532
% change	65%	39%	31%	24%	23%
Tax	512	698	918	1,141	1,405
Tax Rate (%)	26%	25%	25%	25%	25%
Reported PAT	1,491	2,083	2,711	3,351	4,127
Adj	0	0	0	0	0
Adj PAT	1,491	2,083	2,711	3,351	4,127
% change	67%	40%	30%	24%	23%
No. of shares (cr)	47.5	47.5	47.5	47.5	47.5
Adj EPS (Rs.)	31.4	43.9	57.1	70.5	86.9
% change	67%	40%	30%	24%	23%
DPS (Rs.)	3.5	3.5	3.5	3.5	3.5
CEPS (Rs.)	44.7	58.6	72.7	87.9	104.5

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	2,635	3,481	4,373	5,314	6,369
Non-cash adj.	-513	-687	-997	-1,078	-1,328
Changes in W.C	-569	1,134	685	-191	458
C.F. Operation	1,553	3,928	4,061	4,046	5,499
Capital exp.	-940	-968	-2053	-1550	-1560
Change in inv.	-968	-1,307	-2,280	-2,300	-2,500
Other invest.CF	-214	-887	-40	-100	-150
C.F – Investment	-2,123	-3,163	-4,373	-3,950	-4,210
Issue of equity	0	0	0	0	0
Issue/repay debt	644	-731	222	-50	0
Dividends paid	-200	-200	-200	-200	-200
Other finance.CF	-65	402	306	-100	-600
C.F – Finance	379	-530	328	-350	-800
Chg. in cash	-191	236	16	-254	489
Closing cash	251	487	503	249	737

BALANCE SHEET

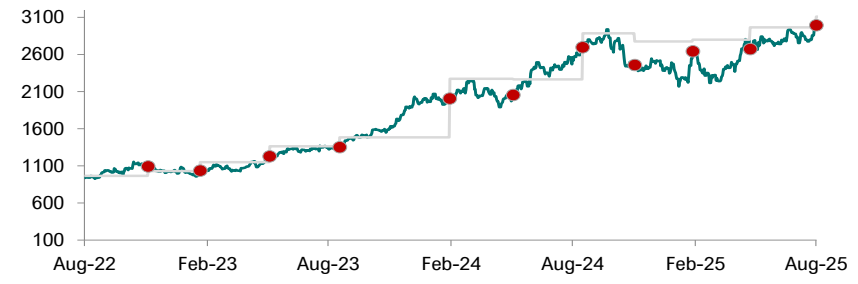
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	251	487	503	249	737
Accounts Receivable	955	1,302	1,280	1,836	2,092
Inventories	1,236	1,371	1,726	2,203	2,510
Other Cur. Assets	1,652	1,165	1,542	1,836	2,092
Investments	5,684	6,991	9,271	11,571	14,071
Gross Fixed Assets	7,809	8,722	10,462	11,962	13,462
Net Fixed Assets	3,191	3,442	4,477	5,193	5,895
CWIP	274	330	642	692	752
Intangible Assets	353.65	1201.65	1202.65	1263.65	1374.65
Def. Tax (Net)	198	187	266	203	126
Other Assets	0	0	0	0	0
Total Assets	13,794	16,477	20,910	25,048	29,650
Current Liabilities	1,097	1,169	1,432	1,469	1,674
Provisions	274	349	440	594	676
Debt Funds	2,245	1,513	1,735	1,685	1,685
Other Liabilities	0	0	0	0	0
Equity Capital	48	48	48	48	48
Reserves & Surplus	6,000	8,285	11,102	14,153	17,479
Shareholder's Fund	6,048	8,332	11,149	14,200	17,527
Total Liabilities	13,794	16,477	20,910	25,048	29,650
BVPS (Rs.)	127	175	235	299	369

RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	10.1	11.1	12.3	12.0	12.6
EBIT margin (%)	7.7	8.9	10.2	10.2	11.0
Net profit mgn.(%)	5.7	6.6	7.5	7.5	8.1
ROE (%)	27.4	29.0	27.8	26.4	26.0
ROCE (%)	16.6	18.7	19.1	18.4	18.4
W.C & Liquidity					
Receivables (days)	13.2	13.0	13.0	12.7	14.1
Inventory (days)	21.5	20.3	21.9	22.4	23.7
Payables (days)	19.0	17.6	18.4	16.5	15.8
Current ratio (x)	3.4	3.3	3.1	3.6	3.8
Quick ratio (x)	1.1	1.5	1.2	1.4	1.7
Turnover & Leverage					
Gross asset T.O (x)	3.6	3.8	3.8	4.0	4.0
Total asset T.O (x)	2.1	2.1	1.9	1.9	1.9
Int. coverage ratio (x)	14.5	15.5	26.8	33.2	44.1
Adj. debt/equity (x)	0.4	0.2	0.2	0.1	0.1
Valuation					
EV/Sales (x)	5.3	4.3	3.8	3.1	2.7
EV/EBITDA (x)	51.9	39.3	31.1	25.8	21.6
P/E (x)	91.6	65.6	50.4	40.8	33.1
P/BV (x)	24.0	19.2	13.7	10.6	8.5



Recommendation Summary (Last 3 years)



Dates	Rating	Target
10.Nov.22	Sell	1,029
27.Jan.23	Accumulate	1,149
11.May.23	Hold	1363
24.Aug.23	Hold	1,485
05.Feb.24	Buy	2,272
10.May.24	Buy	2,265
22.Aug.24	Accumulate	2,886
08.Nov.24	Buy	2,774
03.Feb.25	Hold	2,800
30.Apr.25	Buy	2,964
12.Aug.25	Buy	3,282

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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GRIEVANCES

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