

January 29, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	2,461		2,650	
Sales (Rs. m)	4,03,108	4,51,634	4,07,558	4,56,621
% Chng.	(1.1)	(1.1)		
EBITDA (Rs. m)	49,784	56,906	50,333	57,534
% Chng.	(1.1)	(1.1)		
EPS (Rs.)	65.2	75.1	66.3	76.5
% Chng.	(1.7)	(1.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	3,17,763	3,59,678	4,03,108	4,51,634
EBITDA (Rs. m)	35,140	42,442	49,784	56,906
Margin (%)	11.1	11.8	12.4	12.6
PAT (Rs. m)	20,829	25,855	30,975	35,670
EPS (Rs.)	43.8	54.4	65.2	75.1
Gr. (%)	39.7	24.1	19.8	15.2
DPS (Rs.)	8.0	9.0	11.0	13.5
Yield (%)	0.3	0.4	0.5	0.6
RoE (%)	30.2	29.3	27.7	25.6
RoCE (%)	28.5	30.7	30.6	29.5
EV/Sales (x)	3.6	3.1	2.8	2.5
EV/EBITDA (x)	32.2	26.6	22.7	19.8
PE (x)	53.3	42.9	35.8	31.1
P/BV (x)	14.4	11.2	8.9	7.2

Key Data

TVSM.BO | TVSL IN

52-W High / Low	Rs.2,958 / Rs.1,873
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.1,110bn/ \$ 12,824m
Shares Outstanding	475m
3M Avg. Daily Value	Rs.1615.64m

Shareholding Pattern (%)

Promoter's	50.27
Foreign	21.20
Domestic Institution	19.99
Public & Others	8.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.5)	(6.9)	20.3
Relative	0.1	(0.2)	12.1

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Robust margins; retains healthy growth outlook

Quick Pointers:

- Management expects to outpace the industry growth in Q4FY25/FY26
- Revival in rural demand to aid in volume growth for 2W industry

TVSL's Q3FY25 standalone revenue grew by 10.3% YoY while ASP remained flat, coming largely in-line with consensus/PL estimates. Gross profit grew by 19.2% YoY while margin expanded by 211bps YoY, aided by stable input cost, favorable currency realization and pricing action. However, it was offset by higher other expenses and employee cost in proportion to sales leading EBITDA margin expansion to a modest 68bps YoY. Healthy overall performance was suppressed by negative other income due to loss on fair valuation of investments as PAT grew moderately by 4.2%.

TVSL delivered record margin performance despite increasing penetration of EV in its overall sales. Going ahead, the company expects to receive PLI benefits from Q4FY25 which shall aid in improving overall profitability further. TVSL outlined new launches in EV and ICE platform across 2W/3W segment and remains confident on outpacing the industry growth in domestic market in the medium-term. Additionally, it remains optimistic on the growth prospects in the international market with LATAM being one of the key markets to drive growth in the premium category of products. We assume its revenue/EBITDA/EPS to grow at a CAGR of 12.4%/17.4%/19.6% over FY24-27E and retain our "HOLD" rating with a TP of Rs2,461 (including Rs 65 for TVS Credit), valuing its core business at a P/E of 33x on its Dec'26E EPS.

- Robust margins while PAT was lower than estimates:** TVSL revenue for Q3FY25 came in at Rs 90.9bn, as against PLe: Rs 91.9bn; BBGe: Rs91.1bn. The growth in revenue was primarily driven by healthy volume expansion and strong spares revenue. Spares revenue grew by 20% YoY to Rs 95bn with a contribution of 10.4% in its overall revenue. Gross profit was Rs 25.8bn; against PLe: Rs 26.2bn, while gross margin expanded by 211bps YoY to 28.4% (PLe: 28.5%), aided by flattish input cost and pricing action. EBITDA was Rs 10.8bn, against PLe: Rs 10.8bn; BBGe: Rs 10.7bn. PAT was reported at Rs 6.2bn; against PLe: Rs 6.7bn; BBGe: Rs 6.5bn.
- Volume led growth as realizations remained flat:** TVSL's volume during Q3FY25 increased by 10.1% to 1.21mn. TVSL's blended realization flat at Rs 75,061/unit, impacted by lower mix of 3W as compared to Q3FY24. Domestic realization grew marginally by 1% YoY to Rs 75,341/unit. Export revenue increased by 7.2% YoY to Rs 20.2bn while export realization declined by 9.3% YoY to Rs 68,673/unit, indicating to an inferior mix of products in the export volume.

- **Strong EV performance:** Its EV sales increased by 57.3% YoY to 75,771 units with a revenue of Rs 8bn with a realization of Rs 105,581/unit. TVSL plans to further expand its EV portfolio to penetrate deeper into urban and semi-urban markets coupled with strategic dealer network expansion. Furthermore, as the E-3W market is expanding at a rapid pace, it aims to capture the growth trend with the introduction of the new launches in the category.
- **Healthy volume growth guidance:** TVSL is optimistic about Q4FY25, projecting a itself to grow faster than the industry and remains confident on outpacing industry growth FY26 as well, attributing this to new product launches, EV portfolio expansion, and a recovery in rural sales.

Exhibit 1: Q3FY25 Result Overview (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	% Var.	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Revenues	90,971	82,450	10.3	91,861	(1.0)	92,282	(1.4)	2,67,009	2,36,075	13.1
Raw Materials	65,112	60,756	7.2	65,681	(0.9)	66,018	(1.4)	1,90,934	1,74,850	9.2
% of Net Sales	71.6%	73.7%	-211 bps	71.5%	7 bps	71.5%	4 bps	71.5%	74.1%	-256 bps
Personnel	4,988	4,036	23.6	4,961	0.6	4,967	0.4	14,743	11,753	25.4
% of Net Sales	5.5%	4.9%	59 bps	5.4%	8 bps	5.4%	10 bps	5.5%	5.0%	54 bps
Manufacturing & Other Exp	10,056	8,414	19.5	10,380	(3.1)	10,499	(4.2)	30,117	23,593	27.7
% of Net Sales	11.1%	10.2%	85 bps	11.3%	-25 bps	11.4%	-32 bps	11.3%	10.0%	129 bps
Total Expenditure	80,156	73,206	9.5	81,022	(1.1)	81,485	(1.6)	2,35,795	2,10,196	12.2
EBITDA	10,815	9,244	17.0	10,840	(0.2)	10,798	0.2	31,214	25,879	20.6
EBITDA Margin (%)	11.9%	11.2%	68 bps	11.8%	9 bps	11.7%	19 bps	11.7%	11.0%	73 bps
Depreciation	1,883	1,781	5.8	1,834	2.7	1,806	4.3	5,452	5,117	6.6
EBIT	8,931	7,464	19.7	9,006	(0.8)	8,992	(0.7)	25,762	20,763	24.1
Interest Expenses	338	448	(24.6)	319	5.8	319	5.8	1,029	1,444	(28.8)
Non-operating income	-227	734	(130.9)	440	(151.5)	299	(175.9)	435	1,772	(75.4)
PBT	8,367	7,750	8.0	9,127	(8.3)	8,972	(6.7)	25,168	21,090	19.3
Tax-Total	2,182	1,817	20.1	2,400	(9.1)	2,346	(7.0)	6,584	5,115	28.7
Tax Rate (%) - Total	26.1%	23.4%	264 bps	26.3%	-22 bps	26.1%	-7 bps	26.2%	24.3%	191 bps
Reported PAT	6,185	5,934	4.2	6,727	(8.1)	6,626	(6.7)	18,584	15,976	16.3
Adj. PAT	6,185	5,934	4.2	6,727	(8.1)	6,626	(6.7)	18,584	15,976	16.3
PAT Margin	6.8%	7.2%	-40 bps	7.3%	-52 bps	7.2%	-38 bps	7.0%	6.8%	19 bps

Source: Company, PL

Exhibit 2: Operating Metrics – Blended realizations remained flat on the account of lower 3W penetration

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	% Var.	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Sales Volume (nos)	12,11,952	11,00,843	10.1	12,11,952	-	12,28,223	(1.3)	35,27,350	31,28,465	12.8
Net Realisation/Vehicle	75,061	74,897	0.2	75,796	(1.0)	75,135	(0.1)	75,697	75,460	0.3
Material cost / vehicle	53,725	55,191	(2.7)	54,194	(0.9)	53,751	(0.0)	54,130	55,903	(3.2)
Gross Profit / vehicle	21,336	19,706	8.3	21,602	(1.2)	21,384	(0.2)	21,567	19,917	8.3
Employee cost /vehicle	4,116	3,666	12.3	4,093	0.6	4,044	1.8	4,180	3,808	9.8
Other expenses / vehicle	8,297	7,643	8.6	8,565	(3.1)	8,548	(2.9)	8,538	7,725	10.5
EBITDA/vehicle	8,923	8,397	6.3	8,944	(0.2)	8,791	1.5	8,849	8,385	5.5
Net Profit/vehicle	5,103	5,390	(5.3)	5,550	(8.1)	5,395	(5.4)	5,269	4,970	6.0

Source: Company, PL

Conference Call Highlights

- Strong performance of new models like Jupiter 110 contributed to the growth.
- Revival in participation from rural customers, healthy monsoon and other macro trends indicate continued confidence in the rural sentiments.
- Management expects continued outperformance in Q4FY25 and FY26, driven by new product launches across ICE and EV segments.
- TVSL expects strong growth momentum to continue in the E-3W segment.
- While African volume is gradually recovering, the management expects strong growth in LATAM to deliver healthy growth in international market.
- TVSL shall start to receive the PLI benefits from Q4FY25 which shall further aid in improving its overall profitability.
- The implementation of OBD2 Phase B norms will marginally increase the cost per vehicle.
- Capex incurred during Q3FY25 was Rs 3.4bn while guidance for FY25 was Rs 13bn.
- TVS Credit AUM was at Rs 279bn, registering a growth of 7% YoY. AUM growth has slowed due to the company tightening credit norms, particularly for risky customers and unsecured lending.
- Collections increased to Rs 70bn in Q3FY25, up from Rs 50bn in the same quarter last year.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	3,17,763	3,59,678	4,03,108	4,51,634
YoY gr. (%)	20.5	13.2	12.1	12.0
Cost of Goods Sold	2,34,290	2,57,529	2,89,230	3,25,176
Gross Profit	83,473	1,02,148	1,13,878	1,26,457
Margin (%)	26.3	28.4	28.3	28.0
Employee Cost	15,959	19,423	21,768	24,388
Other Expenses	32,374	40,284	42,326	45,163
EBITDA	35,140	42,442	49,784	56,906
YoY gr. (%)	31.4	20.8	17.3	14.3
Margin (%)	11.1	11.8	12.4	12.6
Depreciation and Amortization	7,004	7,459	8,148	9,192
EBIT	28,137	34,983	41,636	47,714
Margin (%)	8.9	9.7	10.3	10.6
Net Interest	1,816	1,371	1,245	1,131
Other Income	1,485	1,327	1,467	1,619
Profit Before Tax	27,806	34,940	41,858	48,202
Margin (%)	8.8	9.7	10.4	10.7
Total Tax	6,977	9,084	10,883	12,533
Effective tax rate (%)	25.1	26.0	26.0	26.0
Profit after tax	20,829	25,855	30,975	35,670
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	20,829	25,855	30,975	35,670
YoY gr. (%)	39.7	24.1	19.8	15.2
Margin (%)	6.6	7.2	7.7	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	20,829	25,855	30,975	35,670
YoY gr. (%)	39.7	24.1	19.8	15.2
Margin (%)	6.6	7.2	7.7	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,829	25,855	30,975	35,670
Equity Shares O/s (m)	475	475	475	475
EPS (Rs)	43.8	54.4	65.2	75.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	88,642	1,00,192	1,11,442	1,24,242
Tangibles	88,642	1,00,192	1,11,442	1,24,242
Intangibles	-	-	-	-
Acc: Dep / Amortization	50,924	58,383	66,531	75,722
Tangibles	50,924	58,383	66,531	75,722
Intangibles	-	-	-	-
Net fixed assets	37,719	41,810	44,912	48,520
Tangibles	37,719	41,810	44,912	48,520
Intangibles	-	-	-	-
Capital Work In Progress	9,301	9,751	10,501	11,701
Goodwill	-	-	-	-
Non-Current Investments	69,940	81,940	96,940	1,18,440
Net Deferred tax assets	(2,209)	(2,319)	(2,435)	(2,557)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	13,708	21,186	25,401	28,459
Trade receivables	13,021	21,778	26,506	30,934
Cash & Bank Balance	5,310	5,241	5,784	5,264
Other Current Assets	11,651	12,816	14,354	16,507
Total Assets	1,60,649	1,94,521	2,24,397	2,59,825
Equity				
Equity Share Capital	475	475	475	475
Other Equity	76,835	98,415	1,24,164	1,53,419
Total Network	77,310	98,890	1,24,639	1,53,894
Non-Current Liabilities				
Long Term borrowings	13,027	11,777	10,527	8,527
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	13,487	13,353	13,221	12,908
Trade payables	51,122	65,038	70,682	79,191
Other current liabilities	3,495	3,145	2,894	2,749
Total Equity & Liabilities	1,60,649	1,94,521	2,24,397	2,59,825

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	27,806	34,940	41,858	48,202
Add. Depreciation	7,004	7,459	8,148	9,192
Add. Interest	1,816	1,371	1,245	1,131
Less Financial Other Income	1,485	1,327	1,467	1,619
Add. Other	(1,485)	(1,327)	(1,467)	(1,619)
Op. profit before WC changes	35,140	42,442	49,784	56,906
Net Changes-WC	10,616	(3,833)	(5,088)	(1,275)
Direct tax	(6,977)	(9,084)	(10,883)	(12,533)
Net cash from Op. activities	38,779	29,524	33,813	43,098
Capital expenditures	(11,787)	(12,000)	(12,000)	(14,000)
Interest / Dividend Income	-	-	-	-
Others	(3,515)	(10,673)	(13,533)	(19,881)
Net Cash from Invt. activities	(15,302)	(22,673)	(25,533)	(33,881)
Issue of share cap. / premium	-	-	-	-
Debt changes	(6,970)	(1,250)	(1,250)	(2,000)
Dividend paid	(3,801)	(4,276)	(5,226)	(6,414)
Interest paid	(1,816)	(1,371)	(1,245)	(1,131)
Others	-	-	-	-
Net cash from Fin. activities	(12,588)	(6,897)	(7,721)	(9,545)
Net change in cash	10,890	(45)	559	(328)
Free Cash Flow	26,992	17,524	21,813	29,098

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	81,688	83,756	92,282	90,971
YoY gr. (%)	23.7	16.0	13.3	10.3
Raw Material Expenses	59,440	59,804	66,018	65,112
Gross Profit	22,249	23,952	26,264	25,858
Margin (%)	27.2	28.6	28.5	28.4
EBITDA	9,262	9,602	10,798	10,815
YoY gr. (%)	36.3	25.7	20.0	17.0
Margin (%)	11.3	11.5	11.7	11.9
Depreciation / Depletion	1,887	1,763	1,806	1,883
EBIT	7,375	7,838	8,992	8,931
Margin (%)	9.0	9.4	9.7	9.8
Net Interest	372	372	319	338
Other Income	(287)	363	299	(227)
Profit before Tax	6,716	7,829	8,972	8,367
Margin (%)	8.2	9.3	9.7	9.2
Total Tax	1,862	2,056	2,346	2,182
Effective tax rate (%)	27.7	26.3	26.1	26.1
Profit after Tax	4,854	5,773	6,626	6,185
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,854	5,773	6,626	6,185
YoY gr. (%)	18.3	23.4	23.5	4.2
Margin (%)	5.9	6.9	7.2	6.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,854	5,773	6,626	6,185
YoY gr. (%)	18.3	23.4	23.5	4.2
Margin (%)	5.9	6.9	7.2	6.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,854	5,773	6,626	6,185
Avg. Shares O/s (m)	477	477	477	477
EPS (Rs)	10.2	12.1	13.9	13.0

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	43.8	54.4	65.2	75.1
CEPS	58.6	70.1	82.3	94.4
BVPS	162.7	208.1	262.3	323.9
FCF	56.8	36.9	45.9	61.2
DPS	8.0	9.0	11.0	13.5
Return Ratio(%)				
RoCE	28.5	30.7	30.6	29.5
ROIC	22.5	23.8	23.6	22.5
RoE	30.2	29.3	27.7	25.6
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.1	0.1
Net Working Capital (Days)	(28)	(22)	(17)	(16)
Valuation(x)				
PER	53.3	42.9	35.8	31.1
P/B	14.4	11.2	8.9	7.2
P/CEPS	39.9	33.3	28.4	24.7
EV/EBITDA	32.2	26.6	22.7	19.8
EV/Sales	3.6	3.1	2.8	2.5
Dividend Yield (%)	0.3	0.4	0.5	0.6

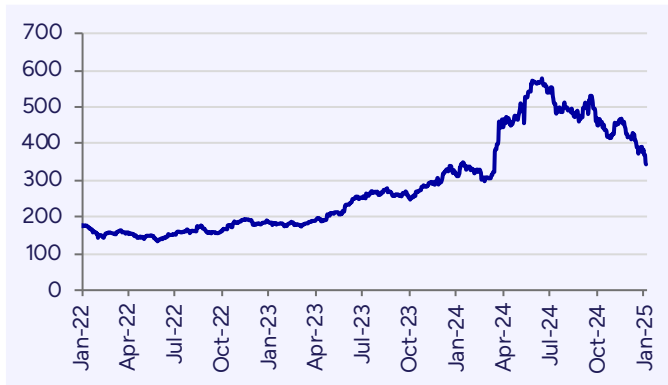
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Scooter volume (units)	15,67,240	18,26,997	20,01,169	22,02,878
Motorcycle volume (units)	19,93,053	22,22,068	24,29,685	26,09,760
Moped volume (units)	4,84,531	5,31,712	5,57,643	5,85,837
Total two-wheeler volume (units)	40,44,824	45,80,777	49,88,497	53,98,475
Three-wheeler volume (units)	1,46,170	1,25,451	1,38,730	1,51,595
Total volume (units)	41,90,994	47,06,228	51,27,228	55,50,069
Realisation per unit (Rs)	75,820	76,426	78,621	81,374

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Hold	2,650	2,362
2	24-Oct-24	Hold	2,628	2,563
3	07-Oct-24	Hold	2,784	2,638
4	07-Aug-24	Hold	2,484	2,479
5	08-Jul-24	Hold	2,300	2,429
6	09-May-24	Accumulate	2,179	2,064
7	08-Apr-24	Hold	1,995	2,069

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	243	223
2	Bajaj Auto	BUY	10,116	8,642
3	Bharat Forge	Accumulate	1,435	1,249
4	CEAT	Hold	3,030	3,044
5	Divgi Torqtransfer Systems	Hold	637	585
6	Eicher Motors	Hold	5,332	5,163
7	Endurance Technologies	BUY	2,698	2,100
8	Exide Industries	Hold	437	405
9	Hero Motocorp	Accumulate	4,662	4,138
10	Mahindra & Mahindra	BUY	3,541	3,086
11	Maruti Suzuki	BUY	14,129	11,822
12	Tata Motors	Hold	784	795
13	TVS Motor Company	Hold	2,650	2,362

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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