

28 April 2025

India | Equity Research | Results Update

TVS Motor Company

Automotives

Continues to move up the profitability curve

TVS Motor Company (TVSL) continued to move up the profitability curve in Q4FY25. Excluding PLI benefit of previous quarters, Q4 EBITDA margin stood at 12.5%, up ~120bps/60bps. TVSL expects growth momentum to continue; it expects to outperform industry in both ICE and EV segments in FY26. We believe despite e2W scaling up, TVSL has the capability to deliver ~13% EBITDAM over FY26–27E, with 9% CAGR in overall volume in FY25–27E; accounting of PLI benefits should also support margins. We maintain **BUY**, with DCF-based TP of INR 3,150 (vs INR 2,900 earlier), implying 35x FY27E standalone EPS. Change in TP is led by ~20bps/60bps higher EBITDA margin in FY26/27E to account for accrual of PLI benefits and strong margin performance.

Q4FY25 conference call takeaways

- **Demand:** TVSL posted ~9% YoY volume growth in domestic market in Q4, and expects growth momentum to continue in FY26, led by expectations of a normal monsoon, favourable changes in income tax rates and lower interest rates. Exports grew 32% YoY in Q4, led by strong growth in Lat-Am/Asia/Middle East regions. Management highlighted that African markets have bottomed out and demand scenario may start improving FY26 onwards. It expects to continue to outperform industry in both ICE and EV segments in FY26.
- **New product launches:** TVSL has three battery options in iQube, 2.2 kWh, 3.4 kWh and 5.1 kWh; it plans further launches over next 2-3 quarters to expand its portfolio across multiple segments and use cases. Its recently launched e3W King Max has received good response and the company plans to scale up production in coming quarters. TVSL is planning to launch six new products under Norton brand in next three years – first product likely to launch in Q4FY26.
- **Margin:** Despite higher EV volume (EV revenue 9% of total), TVSL's EBITDA margin continued to make new highs with margin increasing to 12.5% in Q4 (including PLI benefits for the quarter). TVS accrued PLI benefits of ~50bps in Q4, and expects scale of benefits to increase with its e2W/e3W volumes increasing.
- **Other highlights:** TVSL's credit book size stood at INR 268bn, up 3% YoY, and its PBT grew 53% YoY to INR 3bn. It expects pace of investment in FY26 to be similar to FY25 levels (~INR 20bn), with investments going towards funding of its captive NBFC, funding at Norton and fresh investments for EVs/digitalisation. We believe, with Norton scaling up over the next couple of years and its captive NBFC's profitability rising, the company's ex-standalone losses should ease in next couple of years.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	3,17,764	3,62,513	4,10,801	4,64,374
EBITDA	35,141	44,540	52,856	63,454
EBITDA %	11.1	12.3	12.9	13.7
Net Profit	20,830	27,105	33,695	41,321
EPS (INR)	43.9	57.1	70.9	87.0
EPS % Chg YoY	39.7	30.1	24.3	22.6
P/E (x)	63.7	48.9	39.4	32.1
EV/EBITDA (x)	38.2	30.1	25.2	20.6
RoCE (%)	22.6	25.0	25.4	25.7
RoE (%)	30.2	30.7	29.7	28.6

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Market Data

Market Cap (INR)	1,327bn
Market Cap (USD)	15,606mn
Bloomberg Code	TVSL IN
Reuters Code	TVSM.BO
52-week Range (INR)	2,958 / 1,919
Free Float (%)	49.0
ADTV-3M (mn) (USD)	24.4

Price Performance (%)	3m	6m	12m
Absolute	19.6	13.4	38.5
Relative to Sensex	13.9	13.2	29.7

ESG Score	2023	2024	Change
ESG score	72.6	71.4	(1.2)
Environment	59.3	64.2	4.9
Social	74.4	71.4	(3.0)
Governance	80.1	75.9	(4.2)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.1	0.2
EBITDA	1.7	4.4
EPS	2.8	5.4

Previous Reports

29-01-2025: [Q3FY25 results review](#)

24-10-2024: [Q2FY25 results review](#)

Exhibit 1: Q4FY25 result review (standalone)

TVS Motor (INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ
Operating Matrices					
2W (Units)	11,79,680	10,32,193	14.3	11,82,634	-0.2
3W (Units)	36,606	30,336	20.7	29,318	24.9
Total Volumes (Units)	12,16,286	10,62,529	14.5	12,11,952	0.4
Domestic (Units)	8,76,774	8,02,358	9.3	9,18,096	-4.5
Exports (Units)	3,39,512	2,60,171	30.5	2,93,856	15.5
Average Realisation (Net, INR)	78,521	76,881	2.1	75,061	4.6
Sales	95,504	81,688	16.9	90,971	5.0
RM	66,672	59,440	12.2	65,112	2.4
As a % of sales	69.8	72.8	-300bps	71.6	-180bps
Employee Exp	4,959	4,205	17.9	4,988	-0.6
As a % of sales	5.2	5.1	0bps	5.5	-30bps
Other Costs	10,546	8,782	20.1	10,056	4.9
As a % of sales	11.0	10.8	30bps	11.1	0bps
EBITDA	13,326	9,262	43.9	10,815	23.2
EBITDA Margin (%)	14.0	11.3	260bps	11.9	210bps
Other Income	145	-287	NA	-227	NA
Interest	358	372	-3.8	338	6.0
Depreciation	1,994	1,887	5.7	1,883	5.9
PBT	11,120	6,716	65.6	8,367	32.9
Exceptional Item	0	0	NA	0	NA
Tax	2,599	1,862	39.6	2,182	19.1
Tax rate (%)	23.4	27.7	-440bps	26.1	-270bps
PAT (Reported)	8,521	4,854	75.5	6,185	37.8
PAT (Adjusted)	8,521	4,854	75.5	6,185	37.8
EPS (INR)	17.9	10.2	75.5	13.0	37.8

Source: I-Sec research, Company data

Exhibit 2: Estimates revision

	New assumption		Old assumption		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR mn)	4,10,801	4,64,374	4,10,543	4,63,623	0.1%	0.2%
Volume (mn units)	5.19	5.67	5.19	5.68	-0.1%	-0.1%
Growth (%)	9.3%	9.4%	9.4%	9.4%		
EBITDA (INR mn)	52,856	63,454	51,952	60,790	1.7%	4.4%
EBITDA margin (%)	12.9%	13.7%	12.7%	13.1%	0.0%	0.0%
PAT (INR mn)	33,695	41,321	32,773	39,205	2.8%	5.4%
EPS (INR)	70.9	87.0	69.0	82.5	2.8%	5.4%

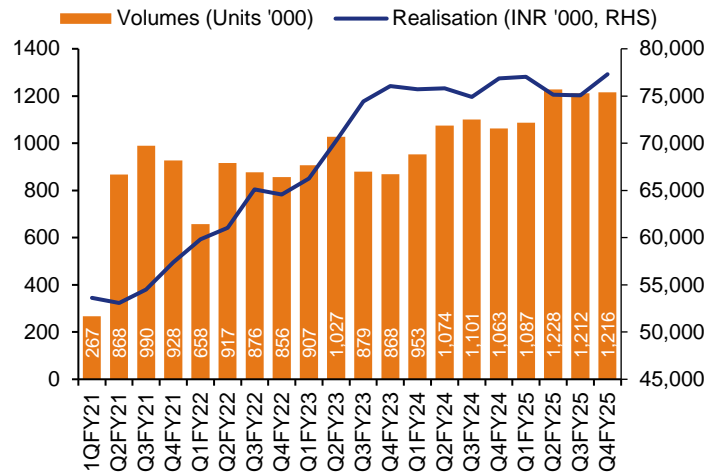
Source: I-Sec research, Company data

Downside risks

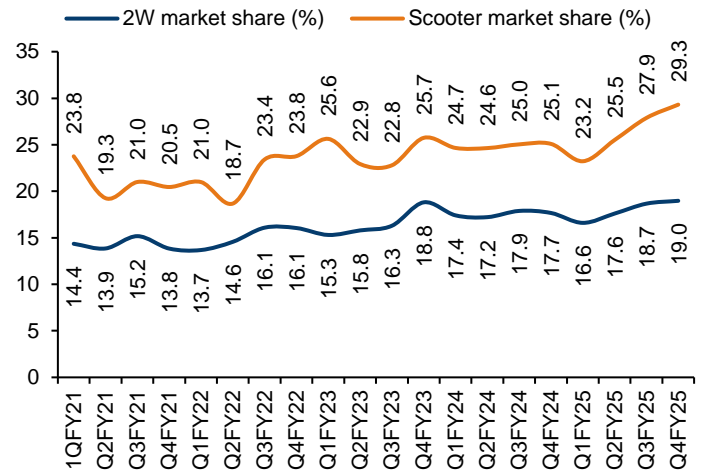
- Rising competitive intensity in e2W and reduction in FAME subsidy could pose a risk to profitability improvement of TVSL.
- Weak demand from target export markets could pose a risk to our demand estimates.
- Higher than expected cash outflow w.r.t. investments and rising losses from subsidiaries could pose a risk to current valuation multiple levels.

Upside risks

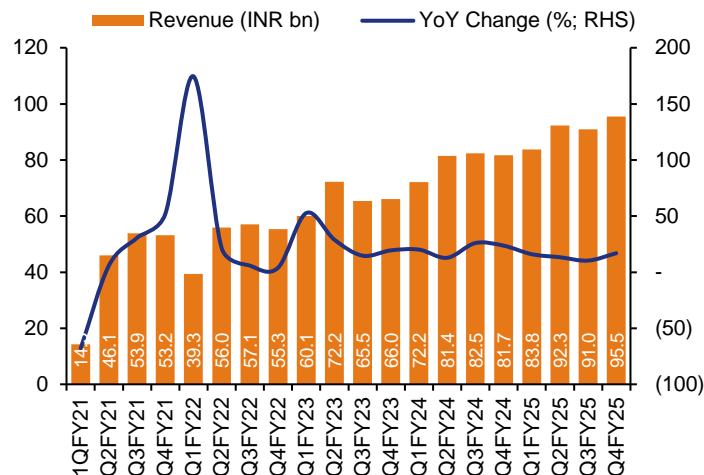
- Higher-than-expected demand growth in domestic and export markets.
- Lower-than-expected impact of EV volumes on EBITDA margin.

Exhibit 3: TVSL volume vs ASP trend

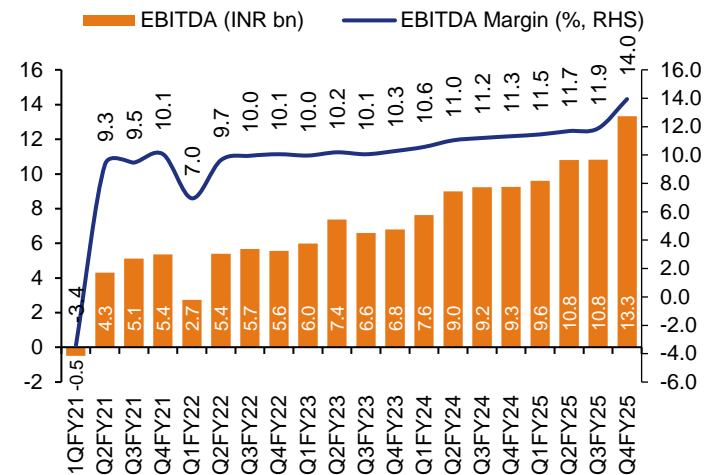
Source: I-Sec research, Company data

Exhibit 4: TVSL market share trend

Source: I-Sec research, Company data

Exhibit 5: TVSL quarterly revenue trend

Source: Bloomberg, I-Sec research

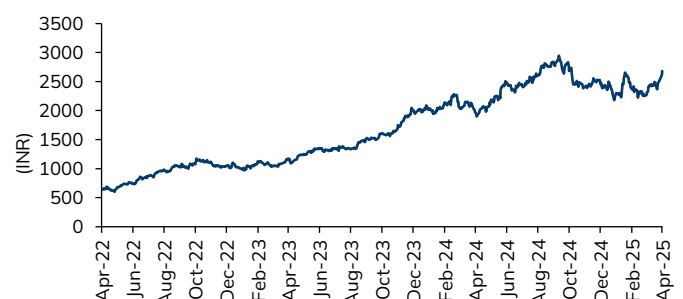
Exhibit 6: TVSL EBITDA vs EBITDA margin trend

Source: Bloomberg, I-Sec research

Exhibit 7: Shareholding pattern

%	Jun'24	Sep'24	Mar'25
Promoters	50.3	50.3	50.3
Institutional investors	41.3	41.4	40.5
MFs and others	16.4	15.5	15.2
FIs/Banks	0.7	0.7	0.5
Insurance	2.8	2.6	3.3
FIIIs	21.4	22.6	21.5
Others	8.4	8.3	9.2

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	3,17,764	3,62,513	4,10,801	4,64,374
Operating Expenses	32,374	40,664	46,087	51,852
EBITDA	35,141	44,540	52,856	63,454
EBITDA Margin (%)	11.1	12.3	12.9	13.7
Depreciation & Amortization	7,004	7,446	8,290	9,066
EBIT	28,138	37,094	44,566	54,388
Interest expenditure	-	-	-	-
Other Non-operating Income	1,485	580	1,794	2,005
Recurring PBT	27,807	36,288	45,109	55,319
Profit / Loss from Associates	-	-	-	-
Less: Taxes	6,977	9,183	11,415	13,998
PAT	20,830	27,105	33,695	41,321
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	20,830	27,105	33,695	41,321
Net Income (Adjusted)	20,830	27,105	33,695	41,321

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	43,690	51,063	68,276	92,875
of which cash & cash eqv.	5,310	5,583	14,873	33,024
Total Current Liabilities & Provisions	61,805	77,244	86,791	97,360
Net Current Assets	(18,115)	(26,181)	(18,515)	(4,485)
Investments	69,913	92,714	1,07,714	1,22,714
Net Fixed Assets	37,719	45,223	52,062	54,115
ROU Assets	-	-	-	-
Capital Work-in-Progress	9,301	10,629	6,620	7,231
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	98,817	1,22,385	1,47,880	1,79,576
Liabilities				
Borrowings	19,636	20,360	17,860	15,360
Deferred Tax Liability	1,871	2,659	2,659	2,659
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	475	475	475	475
Reserves & Surplus	76,835	98,891	1,26,886	1,61,082
Total Net Worth	77,310	99,366	1,27,361	1,61,557
Minority Interest	-	-	-	-
Total Liabilities	98,817	1,22,385	1,47,880	1,79,576

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	83,756	92,282	90,971	95,904
% growth (YOY)	16.0	13.3	10.3	16.9
EBITDA	9,602	10,798	10,815	13,326
Margin %	11.5	11.7	11.9	14.0
Other Income	363	299	(227)	145
Extraordinaries	-	-	-	-
Adjusted Net Profit	5,773	6,626	6,185	8,521

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	38,858	42,890	43,610	54,507
Working Capital Changes	11,024	8,339	1,625	4,120
Capital Commitments	(11,787)	(16,278)	(11,120)	(11,731)
Free Cashflow	27,071	26,613	32,490	42,776
Other investing cashflow	(13,074)	(22,802)	(15,000)	(15,000)
Cashflow from Investing Activities	(24,861)	(39,080)	(26,120)	(26,731)
Issue of Share Capital	-	-	-	-
Interest Cost	(198)	(299)	0	0
Inc (Dec) in Borrowings	(6,997)	723	(2,500)	(2,500)
Dividend paid	(3,800)	(4,750)	(5,700)	(7,125)
Others	-	-	-	-
Cash flow from Financing Activities	(10,996)	(4,326)	(8,200)	(9,625)
Chg. in Cash & Bank balance	3,001	(515)	9,290	18,151
Closing cash & balance	5,421	4,795	14,874	33,024

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	43.9	57.1	70.9	87.0
Adjusted EPS (Diluted)	43.9	57.1	70.9	87.0
Cash EPS	58.6	72.7	88.4	106.1
Dividend per share (DPS)	8.0	10.0	12.0	15.0
Book Value per share (BV)	162.8	209.2	268.1	340.1
Dividend Payout (%)	18.2	17.5	16.9	17.2
Growth (%)				
Net Sales	20.5	14.1	13.3	13.0
EBITDA	31.4	26.7	18.7	20.1
EPS (INR)	39.7	30.1	24.3	22.6
Valuation Ratios (x)				
P/E	63.7	48.9	39.4	32.1
P/CEPS	47.7	38.4	31.6	26.3
P/BV	17.2	13.4	10.4	8.2
EV / EBITDA	38.2	30.1	25.2	20.6
EV / Sales	4.2	3.7	3.2	2.8
Profitability Ratios				
Gross Profit Margins (%)	21.2	23.5	24.1	24.8
EBITDA Margins (%)	11.1	12.3	12.9	13.7
EBIT Margins (%)	8.9	10.2	10.8	11.7
Net Profit Margins (%)	6.6	7.5	8.2	8.9
RoCE (%)	22.6	25.0	25.4	25.7
RoE (%)	30.2	30.7	29.7	28.6
Dividend Yield (%)	0.3	0.4	0.4	0.5
Operating Ratios				
Fixed Asset Turnover (x)	6.8	6.5	7.0	7.6
Inventory Turnover Days	16	17	17	17
Receivables Days	15	13	15	15
Payables Days	66	71	71	72
Effective Tax Rate (%)	25.1	25.3	25.3	25.3
Net Debt / Equity (x)	0.2	0.1	0.0	(0.1)
Net Debt / EBITDA (x)	0.4	0.3	0.1	(0.3)

Source Company data, I-Sec research

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