

India

REDUCE (no change)

Consensus ratings*: Buy 22 Hold 11 Sell 9

Current price: Rs2,703
 Target price: ▲ Rs2,154
 Previous target: Rs1,901
 Up/downside: -20.3%
 InCred Research / Consensus: -23.2%

Reuters: TVSM.NS
 Bloomberg: TVSL IN
 Market cap: US\$15,060m
 Rs1,283,970m
 Average daily turnover: US\$22.3m
 Rs1902.5m
 Current shares o/s: 475.1m
 Free float: 49.7%

*Source: Bloomberg

Key changes in this note

- Volume upgrade by 1% for FY26F-27F.
- FY26F-27F EBITDA upgrade by 5%.
- FY26F-27F PAT upgrade by 4-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.7	10.0	31.2
Relative (%)	7.7	6.1	21.7

Major shareholders	% held
Sundaram Clayton Limited	50.3
ICICI Prudential Fund	7.9
Government of Singapore	1.4

Research Analyst(s)**Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

Ravi GUPTA

T (91) 02241611552

E ravi.gupta@incredresearch.com

TVS Motor Co Ltd**Subsidiaries' losses dip; concerns over FCF**

- 4QFY25 standalone EPS grew by 30% to Rs14.6, beating our estimate by 4%, while the normalized EBITDA margin stood at 12.5%, beating our estimate.
- The rising margin trend led to our 5% EBITDA upgrade for FY26F-27F. The automobile subsidiaries' losses declined; however, FCF remains negative.
- We maintain our REDUCE rating on the stock as its rich +2SD above-the-mean-level valuation overlooks the demand for funding international losses.

EBITDA margin continues to expand

TVS Motor Company's (TVS Motor) 4QFY25 EBITDA rose by 27% yoy and 8% qoq to Rs11.7bn, beating our estimate marginally while missing the Bloomberg consensus estimate by 1.3%. The production-linked incentive or PLI scheme benefit-adjusted EBITDA margin at 12.5% expensed 60bp on a qoq basis aided by a sharp rise in inventory (2% of sales), which is difficult to sustain. 4Q normalized EPS rose by 30% qoq and 60% yoy to Rs18, aided by prior-period PLI scheme benefit. Capex rose by 80% yoy to Rs18bn & investment in subsidiaries doubled to Rs22.6bn in FY25. Automobile subsidiaries' EBIT loss declined by 44% qoq to Rs1.1bn.

Management conference-call highlights

Management expects moderate growth in 1QFY26F due to the high base effect, with positive momentum expected to resume from May-Jun 2025F. Capex for FY26F is planned to remain at a level similar to that in FY25. Electric two-wheeler (EV2W) volume grew by 44% yoy, and a few new product launches are expected in the coming quarters. Premium motorcycle models are scheduled for launch by the end of FY26F from Norton (based in the UK). The export business outpaced industry growth in FY25, driven by growth in LatAm markets.

EBITDA upgrade by around 5% for FY26F-27F

We have raised volume estimates by 1% for FY26F-27F due to faster-than-industry growth in exports, which also translate into an increase in revenue. EBITDA estimates stand upgraded by 5%, aided by continued gains from the PLI scheme on the back of growing electric vehicle or EV volume & improved localization efforts, which would result in margin expansion of 40bp for FY26F-27F. PAT stands upgraded by 4-5% for the same period.

Automotive subsidiaries' EBIT losses decline

The standalone business continues to gain momentum, with cost-saving initiatives driving the EBITDA margin expansion while the sustained investments in subsidiaries keep free cash flow negative. That said, easing subsidiary losses provide some comfort. With the stock trading at +2SD on forward P/E and +1SD on P/BV, we retain our REDUCE rating on it. We raise our target price to Rs2,154 (from Rs1,901 earlier), based on 31x one-year forward P/E and valuing TVS Credit at Rs32/share (1.5x FY24 BV). Key upside risk: Better pricing environment in two-wheelers aiding the sustained upward margin trajectory.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	320,008	362,514	398,171	440,910	491,673
Operating EBITDA (Rsm)	37,385	44,541	46,984	52,027	58,017
Net Profit (Rsm)	23,075	27,105	27,434	30,248	33,919
Core EPS (Rs)	46.6	57.3	57.7	63.7	71.4
Core EPS Growth	54.6%	22.8%	0.9%	10.3%	12.1%
FD Core P/E (x)	55.65	47.37	46.80	42.45	37.85
DPS (Rs)	8.0	10.0	10.0	12.0	12.0
Dividend Yield	0.30%	0.37%	0.37%	0.44%	0.44%
EV/EBITDA (x)	34.67	29.11	27.61	24.93	22.22
P/FCFE (x)	205.04	52.72	494.69	268.23	109.52
Net Gearing	15.8%	12.8%	11.0%	8.7%	3.0%
P/BV (x)	16.61	12.92	10.52	8.76	7.34
ROE	32.2%	30.8%	24.8%	22.5%	21.1%
% Change In Core EPS Estimates			4.80%	3.90%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Subsidiaries' losses dip; concerns over FCF

Management conference-call highlights ➤

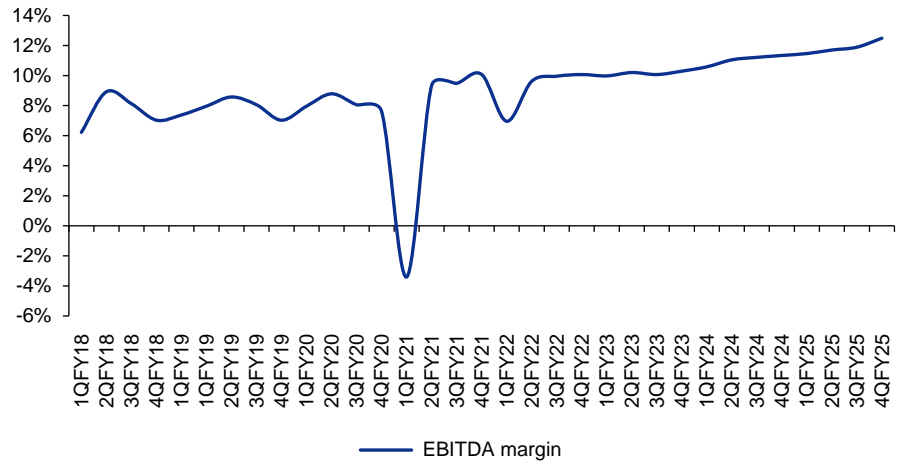
- **Industry performance and outlook:** In FY25, the domestic two-wheeler industry grew by ~7% while TVS Motor outperformed with a 9% growth. Moderate growth is expected in 1QFY26F due to the base effect while a positive momentum is likely from May-Jun 2025F due to the marriage season, normal monsoons, income-tax rebates, and infrastructure investments. The rural market pick-up is expected later during the year.
- **Financial performance:** 4QFY25 revenue was Rs93.42bn (PLI scheme benefit adjustment). 4Q EBITDA margin was at 14.0%, including the PLI benefit of previous quarters. The actual EBITDA margin stood at 12.5% vs. 11.3% in 4QFY24 on the back of cost-saving initiatives.
- **PLI scheme:** The scheme contributed 0.5% to margin in 4Q on a normalized basis. The company expects PLI benefits to continue and grow as the EV volume and localization improve.
- **Electric vehicle portfolio:** EV2W sales stood at 2,80,000 units (+44% yoy) in FY25. The company expanded its EV portfolio, with the launch of iQube with 2.2kWh, 3.4kWh, and 5.1 kWh battery options, and in the next few quarters it will launch a few more. In three-wheeler EVs, TVS King Max was launched during the quarter. Going ahead, management's endeavour is to expand the footprint. The EV portfolio revenue stood at Rs33.64bn in FY25 and at Rs.8.89bn in 4QFY24.
- **EV industry:** 2W EV retail sales rose from ~500,000 units in FY24 to ~1.25 m units in FY25, up 31% yoy. EV penetration in the overall Indian two-wheeler market reached an average 6.8% in FY25.
- **Scooter vs. motorcycle:** Scooters now comprise ~38–39% of the industry mix - it is likely to rise further on the back of convenience and rise of EV scooters. TVS Motor's product strategy is to offer segmented 2Ws (e.g., Zest, Jupiter, Ntorq) based on consumer needs.
- **Rural vs. urban:** Rural markets rebounded strongly in 2Q–3QFY25 while they slowed in 4Q, but are expected to revive in FY26F. Scooter penetration is still more urban-centered, but rural uptake is improving gradually.
- **Export business:** Revenue from exports stood at Rs23.91bn in 4QFY25 and the volume was 1.25m units (+24.5% yoy vs. industry growth of 22% yoy). The growth was mainly led by LATAM (Mexico, Colombia, Guatemala) and Asia, while it was mixed in Africa (recovery expected in a few quarters).
- **Spare parts business:** 4QFY25 spare parts revenue was at Rs9.07bn. Going ahead, steady growth, driven by improved service network, is expected.
- **Other income:** Other income includes Rs1,002.7m of dividend received from its subsidiary and Rs890.8mn being the loss on fair valuation of investments held by the company.
- **Investments:** In FY25, the total investment was Rs20bn for product development with Norton, UK (which is nearing product launch in 4QFY26F), expansion in TVS Credit, TVS Digital and the e-bicycle business in Europe. In FY26F, a similar investment pace is expected.
- **Capex:** Capex stood at Rs18bn in FY25 (vs. Rs11bn in FY24). The focus areas were new product development (ICE vehicles & EVs), capacity expansion (e.g., Jupiter production increase), EV manufacturing, and also components.
- **TVS Credit:** The loan book size is Rs266bn, with PBT at Rs10bn (+35% yoy) in FY25, and asset quality (GNPAs) at 2.9%. Going ahead, a conservative lending approach will be maintained. The key focus areas would be expansion, digital initiatives, and stable disbursements despite adverse macroeconomic conditions.
- **CNG scooter:** TVS Motor has a CNG scooter ready and its launch depends on market readiness, and the availability of compressed natural gas or CNG infrastructure.

Figure 1: Results comparison

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY25	qoq % chg	FY25	FY24	yoy % chg	Comments for the quarter
Revenue	93,904	81,688	15.0	90,971	3.2	3,62,513	3,20,008	13.3	1% below our estimate.
Raw material costs	66,672	59,440	12.2	65,112	2.4	2,57,607	2,34,290	10.0	
RM costs as a % of revenue	71.0	72.8	(176.3)	71.6	(57.5)	71.1	73.2	(215.2)	80bp below our estimate.
EBITDA	11,726	9,262	26.6	10,815	8.4	44,540	37,385	19.1	3% above our estimate.
EBITDA margin (%)	12.5	11.3	115.0	11.9	60.0	12.3	11.7	60.4	
Depreciation & amortization	1,994	1,887	5.7	1,883	5.9	7,446	7,004	6.3	-
EBIT	9,733	7,375	32.0	8,931	9.0	37,094	30,381	22.1	
Interest expenses	358	372	(3.8)	338	6.0	1,387	1,816	(23.7)	28% below our estimate.
Other income	145	173	(16)	185	(21.5)	580	285	103.5	28% below our estimate.
Pre-tax profit	9,520	7,176	32.7	8,778	8.4	36,287	28,850	25.8	
Tax	2,599	1,862	39.6	2,182	19.1	9,183	6,977	31.6	
Tax rate (%)	27.3	25.9	135.0	24.9	244.0	25.3	24.2	112.3	
Normalized net profit	6,921	5,314	30.2	6,596	4.9	27,105	21,874	23.9	4% above our estimate.
Exceptional items	1,600	(460)		(412)	nm	-	1,201	nm	
Reported net profit	8,521	4,854	75.5	6,185	37.8	27,105	23,075	17.5	
Normalized EPS (Rs)	14.57	11.19	30.2	13.88	4.9	57.1	46.0	23.9	
Volume (units)	12,16,286	10,62,529	14.5	12,11,952	0.4	47,52,060	42,23,162	12.5	
Realization (Rs/vehicle)	77,206	76,881	0.4	75,061	2.9	76,285	75,774	0.7	1% below our estimate.

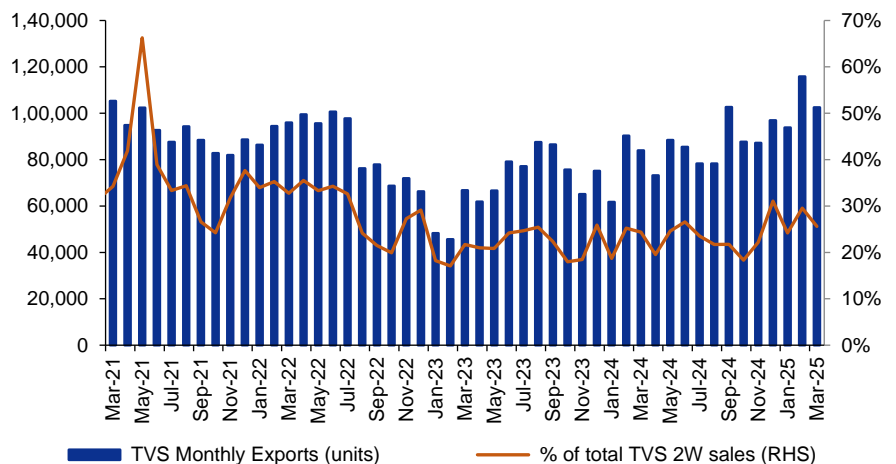
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: The EBITDA margin gradually scales a new high



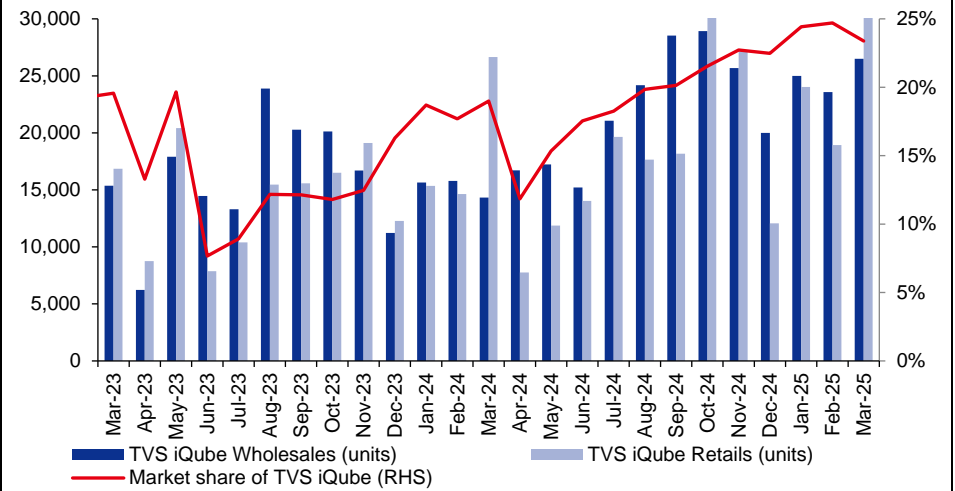
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Export sales growth trend improves gradually



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: TVS Motor's two-wheeler EV market share eases from its recent peak



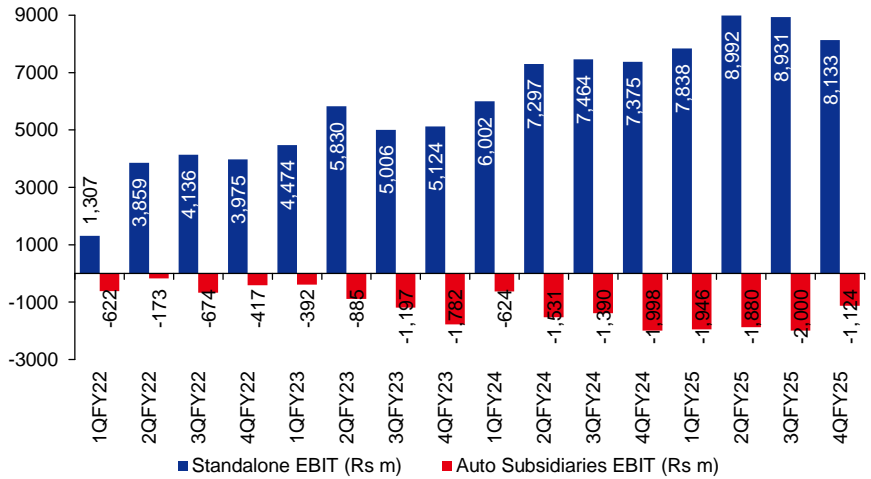
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Consolidated automobile segment's EBIT

Consolidated Performance (Rs m)	4QFY25	4QFY24	YoY	3QFY25	QoQ	FY25	FY24	YoY
Major Segment Revenue								
a) Automotive Vehicles & Parts	99,971	84,106	18.9%	94,166	6.2%	3,77,024	3,31,888	13.6%
c) Financial Services	15,776	14,953	5.5%	16,834	-6.3%	65,590	57,918	13.2%
EBIT								
a) Automotive Vehicles & Parts	8,609	5,360	60.6%	6,917	24.5%	28,499	22,160	28.6%
c) Financial Services	2,147	1,741	23.3%	2,911	-26.3%	9,596	7,581	26.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Consolidated EBIT of auto vehicle and spare parts impacted by big losses of subsidiaries



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Standalone earnings revision summary

Rs m	FY26F		FY27F	
	Old	New	Old	New
Total Volume (nos)	50,78,282	51,20,881	54,98,761	55,66,475
% change		0.8%		1.2%
Net Sales	3,95,036	3,98,171	4,39,154	4,40,910
% change		0.8%		0.4%
EBITDA	44,639	46,984	49,624	52,027
% change		5.3%		4.8%
EBITDA margin	11.3%	11.8%	11.3%	11.8%
bp change		44		44
PAT	26,179	27,434	29,113	30,248
% change		4.8%		3.9%
EPS (Rs)	55.1	57.7	61.3	63.7
% change		4.8%		3.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Key assumptions

Volume assumptions (units)	FY23	FY24	FY25	FY26F	FY27F	FY28F
- Motorcycle	17,33,256	19,96,665	22,08,537	23,77,522	25,99,541	28,52,690
- Scooter	13,33,925	15,96,356	18,98,623	20,70,896	22,62,117	24,91,949
- Moped	4,45,773	4,84,531	5,10,237	5,27,397	5,49,967	5,78,087
- 3W	1,69,114	1,45,610	1,34,663	1,45,066	1,54,850	1,62,664
Total volume	36,82,068	42,23,162	47,52,060	51,20,881	55,66,475	60,85,390
% yoy	11.3%	14.7%	12.5%	7.8%	8.7%	9.3%
Revenue assumptions (Rs m)						
- Motorcycle	1,19,943	1,47,844	1,64,840	1,79,227	1,98,903	2,22,202
- Scooter	83,073	1,08,364	1,30,430	1,45,109	1,60,886	1,80,777
- Moped	14,666	16,436	17,342	18,105	19,163	20,344
- 3W	18,827	17,036	15,881	17,622	19,280	20,557
- Spare parts	23,530	27,060	30,375	34,020	38,102	42,674
Total revenue (Rs m)	2,60,040	3,16,739	3,58,868	3,94,082	4,36,334	4,86,553
% yoy	27.1%	21.8%	13.3%	9.8%	10.7%	11.5%
EBITDA (Rs m)	26,747	37,385	44,541	46,984	52,027	58,017
EBITDA margin %	10.1%	11.7%	12.3%	11.8%	11.8%	11.8%
PAT (Rs m)	14,131	21,874	27,232	27,434	30,248	33,919

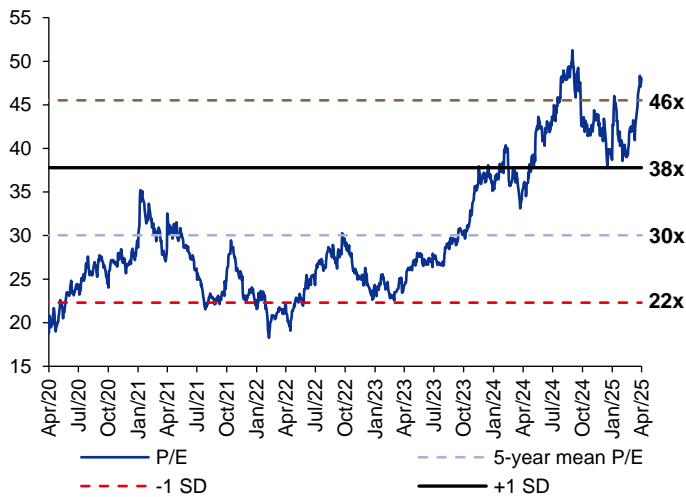
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: SOTP-based target price

	Methodology	Multiple	Value per share (Rs)
TVS Motor Company	P/E	31x 1-year forward	2,122.0
TVS Credit	P/BV	1.5x FY24 book value	32.4
SOTP-based valuation			2,154.0

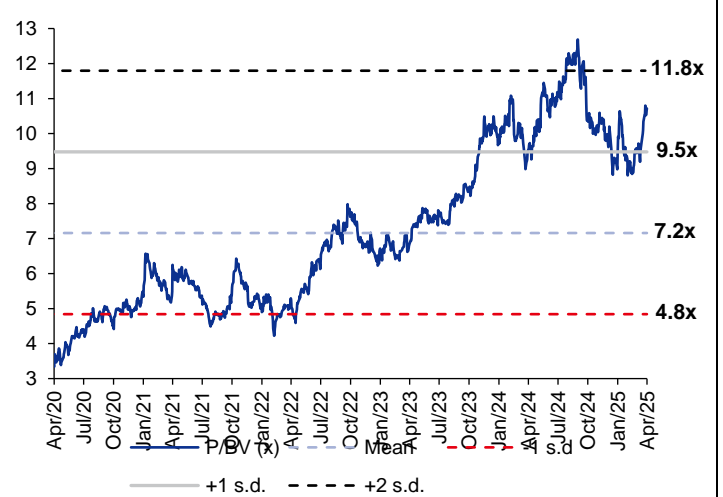
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: One-year forward P/E is above the +2SD level



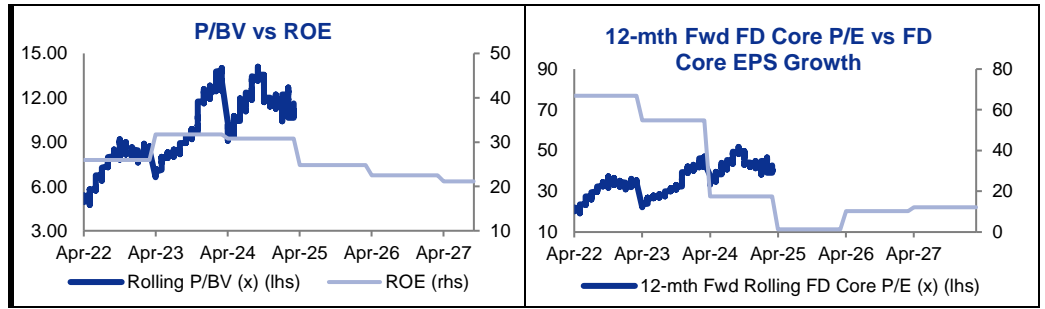
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: One-year forward P/BV is above the +1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	320,008	362,514	398,171	440,910	491,673
Gross Profit	85,718	104,907	113,479	125,659	139,635
Operating EBITDA	37,385	44,541	46,984	52,027	58,017
Depreciation And Amortisation	(7,004)	(7,446)	(9,111)	(10,326)	(11,480)
Operating EBIT	30,381	37,095	37,873	41,701	46,537
Financial Income/(Expense)	(1,816)	(1,387)	(1,550)	(1,625)	(1,600)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	285	706	750	800	900
Profit Before Tax (pre-EI)	28,850	36,414	37,073	40,876	45,837
Exceptional Items	1,201	(127)			
Pre-tax Profit	30,051	36,287	37,073	40,876	45,837
Taxation	(6,977)	(9,183)	(9,639)	(10,628)	(11,918)
Exceptional Income - post-tax					
Profit After Tax	23,075	27,105	27,434	30,248	33,919
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	23,075	27,105	27,434	30,248	33,919
Recurring Net Profit	22,152	27,200	27,434	30,248	33,919
Fully Diluted Recurring Net Profit	22,152	27,200	27,434	30,248	33,919

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	37,385	44,541	46,984	52,027	58,017
Cash Flow from Invt. & Assoc.					
Change In Working Capital	5,001	7,086	(3,116)	(1,788)	(3,676)
(Incr)/Decr in Total Provisions	3,312	(676)	3,866	(300)	200
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,531)	(681)	(800)	(825)	(700)
Tax Paid	(6,977)	(9,183)	(9,639)	(10,628)	(11,918)
Cashflow From Operations	37,190	41,088	37,296	38,487	41,924
Capex	(11,787)	(16,278)	(15,000)	(15,000)	(13,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(11,827)	(1,466)	(18,200)	(17,200)	(15,200)
Cash Flow From Investing	(23,614)	(17,744)	(33,200)	(32,200)	(28,700)
Debt Raised/(repaid)	(7,313)	1,011	(1,500)	(1,500)	(1,500)
Proceeds From Issue Of Shares			(19,000)		
Shares Repurchased					
Dividends Paid	(3,801)	(4,751)	(4,751)	(5,701)	(5,701)
Preferred Dividends					
Other Financing Cashflow	1,201	(127)			
Cash Flow From Financing	(9,913)	(3,867)	(25,251)	(7,201)	(7,201)
Total Cash Generated	3,663	19,477	(21,155)	(914)	6,023
Free Cashflow To Equity	6,262	24,355	2,596	4,787	11,724
Free Cashflow To Firm	15,392	24,731	5,646	7,912	14,824

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	6,083	6,559	4,403	3,489	9,512
Total Debtors	13,021	12,801	16,363	20,536	24,247
Inventories	13,708	17,258	20,727	26,575	29,635
Total Other Current Assets	10,878	14,446	11,480	12,680	13,380
Total Current Assets	43,690	51,063	52,973	63,280	76,774
Fixed Assets	47,020	55,852	61,741	66,415	68,434
Total Investments	69,913	92,714	110,714	127,714	142,714
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	116,933	148,566	172,455	194,129	211,148
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	51,122	61,537	65,453	73,686	76,782
Other Current Liabilities	8,560	12,016	12,516	13,016	13,516
Total Current Liabilities	59,682	73,553	77,969	86,702	90,298
Total Long-term Debt	18,265	19,276	17,776	16,276	14,776
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	18,265	19,276	17,776	16,276	14,776
Total Provisions	5,365	7,434	7,634	7,834	8,034
Total Liabilities	83,312	100,262	103,379	110,812	113,108
Shareholders Equity	77,310	99,367	122,050	146,597	174,815
Minority Interests					
Total Equity	77,310	99,367	122,050	146,597	174,815

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	21.3%	13.3%	9.8%	10.7%	11.5%
Operating EBITDA Growth	39.8%	19.1%	5.5%	10.7%	11.5%
Operating EBITDA Margin	11.7%	12.3%	11.8%	11.8%	11.8%
Net Cash Per Share (Rs)	(25.64)	(26.77)	(28.15)	(26.91)	(11.08)
BVPS (Rs)	162.72	209.15	256.89	308.56	367.95
Gross Interest Cover	16.73	26.75	24.43	25.66	29.09
Effective Tax Rate	23.2%	25.3%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	17.4%	17.4%	17.3%	18.8%	16.8%
Accounts Receivables Days	12.87	13.00	13.37	15.27	16.62
Inventory Days	20.31	21.94	24.35	27.38	29.14
Accounts Payables Days	72.00	79.81	81.41	80.55	78.00
ROIC (%)	73.1%	111.2%	104.6%	95.4%	87.2%
ROCE (%)	32.8%	33.9%	28.6%	27.0%	26.0%
Return On Average Assets	15.5%	15.7%	13.4%	13.0%	12.9%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	6.8%	0.8%	1.7%	1.7%	2.0%
Unit sales grth (% , main prod./serv.)	14.7%	12.5%	7.8%	8.7%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.