

**HOLD**

TP: Rs 2,809 | ▼ 2%

**TVS MOTOR**

| Automobiles

| 01 August 2025

**Steady show; healthy room for improvement; maintain HOLD**

- Volume gains of 17% YoY key driver for revenue that grew 20% YoY (~6% QoQ) to ~Rs 101bn, realisations gain relatively smaller
- Steady RM cost helped maintain gross margin ~28% flat YoY/QoQ, offsets an otherwise inflationary cost structure
- Maintain FY26/FY27 and introduce FY28 earnings, value TVS at 30x core business. TP revised to Rs2,809 (vs Rs2,738 earlier); retain HOLD

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**Volume gains support top-line growth:** TVSL's Q1FY26 revenue grew 20% YoY (~6% QoQ) to ~Rs 101bn, driven by 17% YoY volume growth to ~1.28mn units. Net realisation per vehicle (NRPV) remained largely stable at ~Rs 78.9k, with a rise of 2.5% YoY to offset inflationary cost pressure. Export revenue rose to Rs 24.9bn from Rs 23.91bn in Q4FY25. Revenue included a 0.5% PLI incentive contribution.

**Soft RM cost offsets an otherwise inflationary operating structure:** Raw material costs rose 20% YoY (8% QoQ) to Rs 70.6bn, softening to ~71.2% of sales (vs. 71.4% YoY, 69.8% QoQ). EBITDA grew 32% YoY to Rs 12.63bn, with margins improving to 12.5% (+100 bps YoY), including PLI benefits. Ex-PLI, margins were ~12%, driven by scale benefits and cost optimisation. Other expenses jumped 11% YoY (flattish QoQ) to Rs 10.6bn, driven by digital and tech investments.

**Supply chain resilience:** TVSL is actively addressing EV supply chain challenges, particularly rare earth magnet shortages, through local sourcing, higher-sized magnet resizing, and exploring HREE, ferrite-based, and magnet-free alternatives. Medium-term partnerships and alternate country sourcing aim to ensure production stability. Scooter share remained strong at ~38%, led by EV iQube's new 3 kWh variants. TVSL plans quarterly product launches in FY26, with Norton products expected in Q3/Q4 and e-bikes under evaluation.

**Estimates unchanged:** We have retained TVSL's earnings for FY26e/FY27e. The unchanged status (despite weak Q1) follows a steady revival in the 2W/3W business, distinctly rural demand recovery and prudent handling of raw material costs inflation and an eye on exports. We introduce FY28 estimates, baking in a 3Y Revenue/EBITDA/PAT CAGR of 17%/15%/18%.

**Revise TP; maintain HOLD:** We believe the focus on premiumisation will continue to balance the motorcycle portfolio across segments alongside buoyant growth in the EV scooter segment. We maintain our target P/E for the core business at 30x, and arrive at a new TP of Rs 2,809 (Rs2,738) (roll-forward to Q1FY28), with the core business valued at Rs 2,675 and Rs 133/sh for TVS Credit Services. Maintain HOLD

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	TVSL IN/Rs 2,858
Market cap	US\$ 15.5bn
Free float	48%
3M ADV	US\$ 24.8mn
52wk high/low	Rs 2,960/Rs 2,171
Promoter/FPI/DII	52%/13%/25%

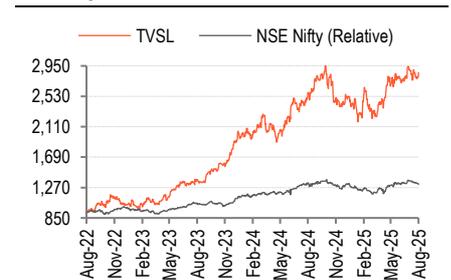
Source: NSE | Price as of 1 Aug 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,62,513	4,40,436	5,05,509
EBITDA (Rs mn)	44,540	52,869	61,202
Adj. net profit (Rs mn)	27,105	34,486	40,659
Adj. EPS (Rs)	57.1	72.6	85.6
Consensus EPS (Rs)	57.1	69.5	83.2
Adj. ROAE (%)	27.3	26.7	24.9
Adj. P/E (x)	50.1	39.4	33.4
EV/EBITDA (x)	30.5	25.6	22.2
Adj. EPS growth (%)	30.1	27.2	17.9

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Earnings call highlights**

Parameter	Q1FY26	Q4FY25	Our View
Domestic Volume	<p>2W ICE sales increased 8% YoY, while industry declined ~3% in Q1FY26</p> <p>Rural growth at 3% YoY was below industry's 4% impacted by the early monsoon and sowing activities.</p>	<p>In Q4FY25 domestic two-wheeler (2W) ICE sales grew 6% YoY, while the industry was nearly flat with a marginal decline.</p> <p>Rural demand saw a slight dip in Q4FY25 and April 2025, but positive sentiment likely due to marriage season (May-June) and normal monsoon forecasts.</p>	<p>TVS will outpace industry growth with healthy product portfolio (intend to launch new products every quarter) and EV drive helping scooter sales.</p>
Exports	<p>2W exports rose 30% YoY to ~0.33M units, outpacing the industry's 23% growth.</p> <p>Export revenue came in at ~Rs 24.9 bn, led by a recovery in the Africa market, Nepal, and LATAM; Bangladesh continues to remain challenging environment.</p>	<p>2W international sales grew 23%, against industry growth of 21%.</p> <p>Total 2W exports for FY25 reached 1.25mn units (+24.5% YoY), driven by strong growth in Asia, LATAM, and a recovering Sri Lanka. Bangladesh faced challenges, while African markets showed mixed momentum due to economic slowdowns.</p> <p>International business revenue was Rs 23.91 bn.</p>	<p>TVSL's exports will be a key delta for volume as the opening of key overseas markets, including ASEAN, the Middle East and LATAM, augurs well for TVSL. Encouraging volume revival in African markets only provides additional cushion.</p>
Three-wheelers (3W)	<p>3W sales grew 46% YoY to 45k units, driven by increasing adoption of the TVS EV King Max in the e-3W segment.</p> <p>PLI benefits for e-3W are effective from June 2025, enhancing cost competitiveness.</p> <p>Dealer network currently covers ~70% of the Indian 3W market, with plans for further expansion.</p>	<p>3W sales grew 21% YoY to 37k units (vs 30k in Q4FY24).</p> <p>Recently launched TVS EV King Max (e-3W) is gaining strong customer acceptance, with L5 category e-3W penetration at ~28% and expected to reach 35%.</p> <p>TVS is expanding in select northern and eastern markets, with plans to scale up.</p>	<p>Despite being a late entrant in the segment, TVSL has gained healthy traction with encouraging growth. Besides the recent EV 3W launch, increasing penetration should provide added comfort.</p>
Electric Vehicles	<p>EV 2W sales grew 35% YoY to 70k units, contributing ~Rs 10 bn in revenue.</p> <p>Industry EV 2W penetration stood at 6.5% in Q1FY26, with TVS iQube maintaining a strong position.</p> <p>New iQube variants with a 3 kWh battery were launched, targeting urban and semi-urban markets, with ~900 dealerships.</p>	<p>EV 2W sales surged 54% YoY to 76k units (vs. 49k in Q4FY24).</p> <p>FY25 EV sales reached 2.8 lakh units (+44% YoY). EV revenue for Q4FY25 was Rs. 8.89 bn, and for FY25, Rs 33.64 bn.</p> <p>iQube is present in ~950 dealerships, with a new variant offering 3 battery options (2.2 kWh, 3.4 kWh, 5.1 kWh), receiving strong demand. New EV products are in the final stages of development.</p> <p>Industry EV 2W penetration stood at 6.8% for FY25, with retail sales at 1.2M units (+31% YoY).</p>	<p>Margins may be under pressure in the interim. However, TVSL's planned and structured EV thrust is likely to yield results in the medium term.</p>
Margins	<p>Operating EBITDA margin improved to 12.5% (+100 bps YoY), including a 0.5% PLI contribution, driven by scale benefits, better product mix, and cost reduction initiatives.</p> <p>EBITDA grew 32% YoY to Rs 12.6 bn.</p> <p>Staff costs rose on annual appraisals, performance-based increments, and strategic hiring for future growth.</p>	<p>Operating EBITDA margin reached 14%, including PLI benefits for the full year. Excluding prior quarters' PLI, Q4 margin was 12.5% (vs. 11.3% in Q4FY24), driven by robust revenue growth, better product mix, and sustained cost reduction.</p> <p>PLI benefit for Q4 alone was 0.5% of revenue.</p> <p>FY25 EBITDA margin was 12.3% (+120 bps YoY), with operating EBITDA at Rs 44.54 bn (+27% YoY).</p>	<p>Margins include PLI incentive for the year. However, even netting out the incentive contributions margins hover ~12.5% and are still very healthy.</p>

Parameter	Q1FY26	Q4FY25	Our View
Capex & Investment	<p>FY26 capex guidance set at Rs 16-17 bn, focusing on new product development, capacity expansion, and technology. Investments (~Rs 20 bn estimated) allocated to Norton (~40%, with product launches in Q3/Q4FY26), e-bikes, TVS Digital, and other strategic ventures like Ion Mobility.</p> <p>E-bike ventures (e.g., SMG, EGO) face challenges due to a slow European market but are expected to break even in the medium term.</p>	<p>Standalone capex for FY25 was Rs 18 bn (vs Rs 11 bn in FY24), primarily for new product development, technology, and capacity expansion (e.g., Jupiter 110 capacity increased to 65k units/month).</p> <p>Total investments, including subsidiaries, reached ~Rs 40 bn in FY25 (vs Rs 24.5 bn in FY24), with significant allocations to TVS Credit (~Rs 5 bn annually), Norton (products expected by Q4FY26), and technology (e.g., TVS Digital, Moto).</p> <p>Investments in TVS Supply Chain included notional losses and small stakes viewed as financial investments.</p>	<p>Based on TVSL's systematic investment and capex guidance, we expect a long-term favourable outcome.</p>
Others	<p>Spare parts revenue reached Rs 9.87 bn, reflecting steady aftermarket demand.</p> <p>TVS Credit book size stable at ~Rs 269.8 bn, with consistent performance.</p> <p>Export revenue at Rs 24.87 bn, supported by strong international demand.</p> <p>Commodity costs (steel) rose ~0.5%, partially offset by price hikes.</p>	<p>TVS Credit: Book size is currently at ~Rs 270 bn, serving 1.9 crore customers (+40 lakh in FY25). Q4 PBT grew 53% YoY to ~Rs. 3 bn; FY25 PBT grew by 35% to Rs 10.3 bn. GNPA was at 2.9%.</p> <p>Spare parts revenue stood ~Rs 9 bn in Q4FY25.</p> <p>Investments in subsidiaries included dividend income from SACL and notional losses in TVS Supply Chain.</p>	<p>Other segments continued to perform on a steady footing. Statutory cost inflation due to new norms will impact the industry and, hence, can be passed through by price hikes.</p>

Source: Company, BOBCAPS Research | 2W: Two-wheeler, PLI: Production-linked Incentives, EV: Electric vehicles

**Fig 2 – Quarterly performance**

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Q1FY26E
Volume	12,77,172	10,87,175	17.5	12,29,027	3.9	12,77,172
Avg. Realisation per Vehicle	78,932	77,039	2.5	77,707	1.6	76,930
Net Revenues	1,00,810	83,755	20.4	95,504	5.6	98,253
<b>Total Income (A)</b>	<b>1,00,810</b>	<b>83,755</b>	<b>20.4</b>	<b>95,504</b>	<b>5.6</b>	<b>98,253</b>
<b>Operating Expenses</b>						
Raw materials consumed	71,754	59,804	20.0	66,672	7.6	70,054
Employee Expenses	5,808	4,788	21.3	4,959	17.1	5,455
Other Expenses	10,618	9,563	11.0	10,546	0.7	10,808
<b>Total Expenditure (B)</b>	<b>88,180</b>	<b>74,154</b>	<b>18.9</b>	<b>82,178</b>	<b>7.3</b>	<b>86,317</b>
<b>EBITDA (A-B)</b>	<b>12,630</b>	<b>9,601</b>	<b>31.6</b>	<b>13,326</b>	<b>23.2</b>	<b>11,936</b>
Other Income	343	363	(5.5)	145	(163.9)	155
Depreciation	2,039	1,763	15.7	1,994	5.9	2,010
EBIT	10,934	8,200	33.3	11,478	31.9	10,081
Finance Costs	403	372	8.3	358	6.0	361
PBT after excep items	10,531	7,828	34.5	11,120	32.9	9,719
Tax expense	2,745	2,056	33.5	2,599	5.6	2,333
<b>Reported PAT</b>	<b>7,786</b>	<b>5,772</b>	<b>34.9</b>	<b>8,521</b>	<b>(8.6)</b>	<b>7,387</b>
<b>Adjusted PAT</b>	<b>7,786</b>	<b>5,772</b>	<b>34.9</b>	<b>8,521</b>	<b>(8.6)</b>	<b>7,387</b>
EPS (Rs)	16.4	12.1	34.9	17.9	(8.6)	15.5
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>	
Gross Margin	28.8	28.6	22.6	30.2	(136.7)	28.7
EBITDA Margin	12.5	11.5	106.6	14.0	(142.5)	12.1
EBIT Margin	10.8	9.8	105.5	12.0	(117.2)	10.3
PBT Margin	10.4	9.3	110.0	11.6	(119.7)	9.9
Tax Rate	26.1	26.3	(19.8)	23.4	269.6	24.0
Adj PAT Margin	7.7	6.9	83.1	8.9	(119.9)	7.5

Source: Company, BOBCAPS Research

## Valuation Methodology

We have retained TVSL's earnings for FY26e/FY27e. The unchanged status despite weak Q1) follows a steady revival in the 2W/3W business, distinctly rural demand recovery and prudent handling of raw material costs inflation and an eye on exports. We introduce FY28 estimates, baking in a 3Y Revenue/EBITDA/PAT CAGR of 17%/15%/18%.

Total investments, including subsidiaries, reached ~Rs 40 bn in FY25 (vs Rs 24.5 bn in FY24), with significant allocations to TVS Credit (~Rs 5 bn annually), Norton (products expected by Q4FY26), and technology (e.g., TVS Digital, Moto). Investments in TVS Supply Chain included notional losses and small stakes, viewed as financial investments. Management indicates the investments are for strategic gains that will benefit the company in medium/long term, though this remains a concern.

We believe the focus on premiumisation will continue to balance the motorcycle portfolio across segments alongside buoyant growth in the EV scooter segment. We estimate a healthy outlook for high-end products such as Apache and benefits from revival in export markets to offset the drag from the EV segment. We maintain our target P/E for the core business at 30x and arrive at a new TP of Rs 2,809 (earlier Rs2,738) following roll-forward to Q1FY28, with the core business valued at Rs 2,675 and Rs 133/sh for TVS Credit Services. Maintain HOLD

**Fig 3 – Key assumptions**

	FY25E	FY26E	FY27E	FY28E
2W volume (nos)	46,93,335	53,80,503	59,45,677	65,75,276
3W volume (nos)	1,56,261	1,81,263	1,99,389	2,21,322
Revenues (Rs mn)	3,62,513	4,40,436	5,05,509	5,79,811
EBITDA (Rs mn)	44,540	52,869	61,202	68,322
EBITDA margin (%)	12.3%	12.0%	12.1%	11.8%
Adj. PAT (Rs mn)	27,105	34,486	40,659	45,074
EPS (Rs)	57.1	72.6	85.6	94.9

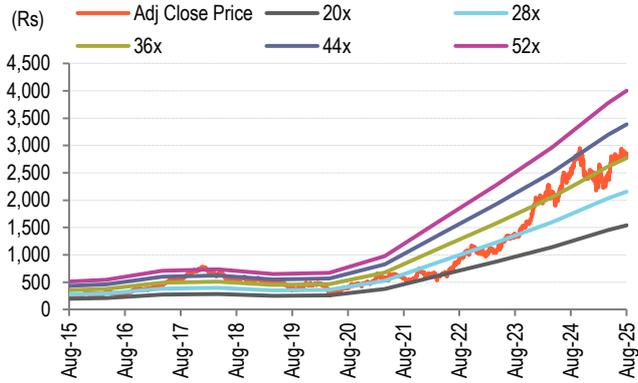
Source: Company, BOBCAPS Research

**Fig 4 – Valuation summary**

Business	1-year forward EPS (Rs)	Target P/E (x)	Value (Rs/sh)
Standalone Business	87.9	30	2,675
TVS Credit Services	-	-	133
<b>Total</b>	-	-	<b>2,809</b>

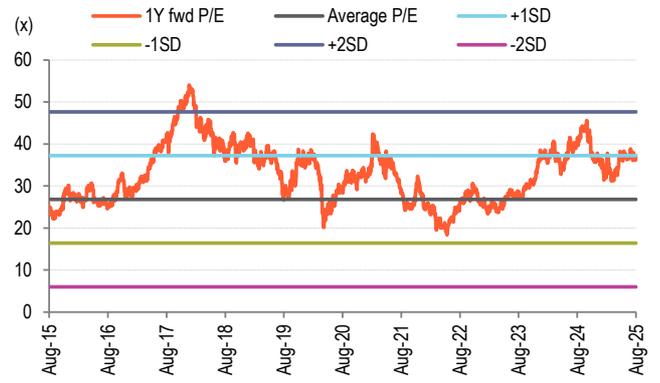
Source: BOBCAPS Research | Valuation is based on Dec-26 earnings

**Fig 5 – P/E band: TVSL’s current valuations fairly reflect its earnings pace**



Source: Bloomberg, BOBCAPS Research

**Fig 6 – 1YF P/E: We value TVSL at a marginal premium to mean valuations**



Source: Bloomberg, BOBCAPS Research

### Key risks

Key upside/downside risks to our estimates:

- Higher investments remain as the key risk with earnings impact.
- Commodity cost moving in either direction faster than estimated.
- Faster pace of launches crowding markets can put pricing under pressure.

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>3,17,764</b>	<b>3,62,513</b>	<b>4,40,436</b>	<b>5,05,509</b>	<b>5,79,811</b>
EBITDA	35,141	44,540	52,869	61,202	68,322
Depreciation	7,004	7,446	7,064	7,885	8,371
EBIT	29,623	37,674	47,541	55,153	61,764
Net interest inc./(exp.)	(1,816)	(1,387)	(1,560)	(1,300)	(1,665)
Other inc./(exp.)	1,485	580	1,735	1,835	1,814
Exceptional items	0	0	0	0	0
EBT	27,807	36,288	45,981	53,852	60,099
Income taxes	6,977	9,182	11,495	13,194	15,025
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>20,830</b>	<b>27,105</b>	<b>34,486</b>	<b>40,659</b>	<b>45,074</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>20,830</b>	<b>27,105</b>	<b>34,486</b>	<b>40,659</b>	<b>45,074</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	51,122	72,319	48,786	55,843	63,080
Other current liabilities	7,189	524	27,221	30,587	32,212
Provisions	3,495	4,401	3,653	4,018	4,420
Debt funds	15,134	17,349	11,265	10,406	10,732
Other liabilities	4,502	3,010	2,859	2,716	2,580
Equity capital	475	475	475	475	475
Reserves & surplus	76,836	98,891	1,28,450	1,62,933	2,01,830
Shareholders' fund	77,311	99,366	1,28,925	1,63,408	2,02,306
<b>Total liab. and equities</b>	<b>1,58,753</b>	<b>1,96,969</b>	<b>2,22,709</b>	<b>2,66,978</b>	<b>3,15,329</b>
Cash and cash eq.	5,310	5,583	3,197	3,628	4,572
Accounts receivables	13,021	12,801	18,562	20,973	24,157
Inventories	13,708	17,258	17,964	21,317	25,262
Other current assets	11,651	15,421	21,556	24,756	28,736
Investments	69,913	92,714	1,01,281	1,32,781	1,65,281
Net fixed assets	43,723	49,777	55,213	57,828	59,957
CWIP	3,297	6,075	7,594	8,354	10,025
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,870)	(2,659)	(2,659)	(2,659)	(2,659)
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>1,58,752</b>	<b>1,96,969</b>	<b>2,22,709</b>	<b>2,66,978</b>	<b>3,15,329</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>36,090</b>	<b>39,432</b>	<b>27,917</b>	<b>47,090</b>	<b>47,986</b>
Capital expenditures	(11,787)	(16,278)	(14,019)	(11,259)	(12,171)
Change in investments	(13,074)	(22,802)	(8,567)	(31,500)	(32,500)
Other investing cash flows	1,485	580	1,735	1,835	1,814
<b>Cash flow from investing</b>	<b>(23,376)</b>	<b>(38,500)</b>	<b>(20,850)</b>	<b>(40,924)</b>	<b>(42,857)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(7,683)	2,215	(6,084)	(859)	326
Interest expenses	(1,816)	(1,387)	(1,560)	(1,300)	(1,665)
Dividends paid	(3,801)	(4,751)	(5,226)	(6,176)	(6,176)
Other financing cash flows	(112)	789	0	0	0
<b>Cash flow from financing</b>	<b>(13,412)</b>	<b>(3,133)</b>	<b>(12,870)</b>	<b>(8,336)</b>	<b>(7,516)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(698)</b>	<b>(2,202)</b>	<b>(5,803)</b>	<b>(2,170)</b>	<b>(2,387)</b>
<b>Closing cash &amp; cash eq.</b>	<b>5,310</b>	<b>5,583</b>	<b>3,197</b>	<b>3,628</b>	<b>4,572</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	43.8	57.1	72.6	85.6	94.9
Adjusted EPS	43.8	57.1	72.6	85.6	94.9
Dividend per share	8.0	10.0	11.0	13.0	13.0
Book value per share	162.7	209.1	271.4	343.9	425.8

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.3	3.7	3.1	2.7	2.3
EV/EBITDA	38.7	30.5	25.6	22.2	19.9
Adjusted P/E	65.2	50.1	39.4	33.4	30.1
P/BV	17.6	13.7	10.5	8.3	6.7

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.7	75.0	75.5	75.0
Interest burden (PBT/EBIT)	93.9	96.3	96.7	97.6	97.3
EBIT margin (EBIT/Revenue)	9.3	10.4	10.8	10.9	10.7
Asset turnover (Rev./Avg TA)	344.6	334.6	335.2	316.4	295.7
Leverage (Avg TA/Avg Equity)	1.3	1.2	1.2	1.1	1.1
Adjusted ROAE	30.2	30.7	30.2	27.8	24.7

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	20.5	14.1	21.5	14.8	14.7
EBITDA	31.4	26.7	18.7	15.8	11.6
Adjusted EPS	39.7	30.1	27.2	17.9	10.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	11.1	12.3	12.0	12.1	11.8
EBIT margin	9.3	10.4	10.8	10.9	10.7
Adjusted profit margin	6.6	7.5	7.8	8.0	7.8
Adjusted ROAE	26.9	27.3	26.7	24.9	22.3
ROCE	24.1	26.0	27.1	26.1	23.6
<b>Working capital days (days)</b>					
Receivables	13	13	13	14	14
Inventory	15	16	15	14	15
Payables	72	87	70	53	52
<b>Ratios (x)</b>					
Gross asset turnover	0.3	0.3	0.3	0.3	0.2
Current ratio	0.7	0.7	0.8	0.8	0.8
Net interest coverage ratio	(16.3)	(27.2)	(30.5)	(42.4)	(37.1)
Adjusted debt/equity	0.2	0.2	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

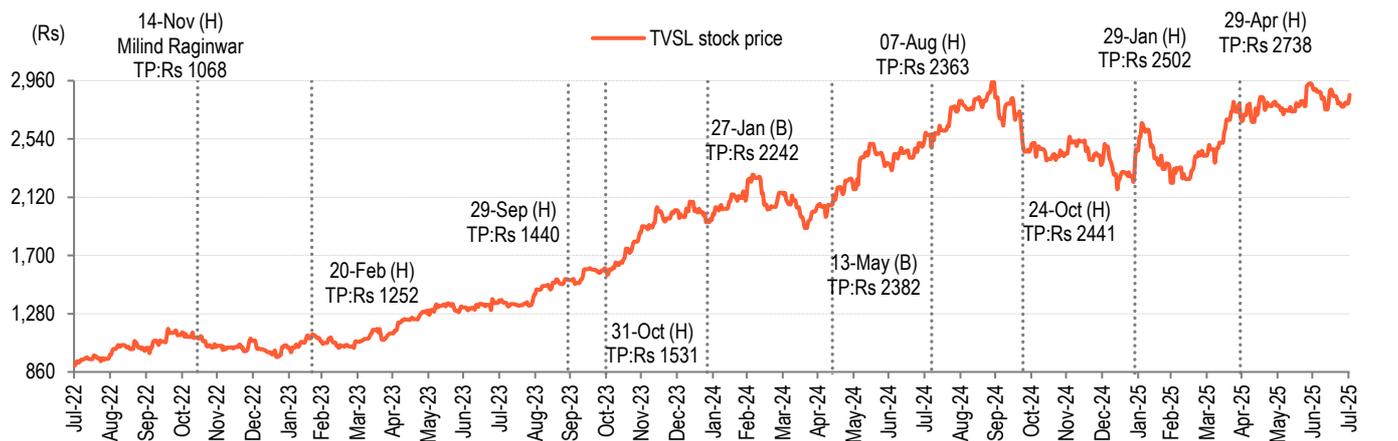
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): TVS MOTOR (TVSL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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