BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 3,348 | ∀ 6%

TVS MOTOR | Automobiles | 29 October 2025

Overall strong show, valuations priced in maintain HOLD

- **Volume gains strong at 23% YoY, key driver for revenue that grew 29%/18% YoY/QoQ to ~Rs 119bn, NRPV gains 5% YoY**
- **Steady RM cost and better realisations helped maintain gross margin gain at ~29% flat YoY/QoQ, checks inflationary cost structure**
- **Maintain FY26 estimates, revise FY27/FY28 earnings, value TVS at 33x core business. TP revised to Rs3,348 (vs Rs2,809 earlier); retain HOLD**

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Robust top-line growth: Q2FY26 revenue growth was strong at 29% YoY (18% QoQ) to Rs 119bn, driven by 23% YoY (18% QoQ) volume growth to 1.5mn units. Motorcycles (+20% YoY) and Scooters (+30% YoY) now contribute 45%/43% in total volume. NRPV gained 5% YoY to Rs 79k, as price hikes in Q2YF26 helped offset the commodity pressure. PLI incentive contribution to revenue was at ~0.5% applicable across products.

Price increase offset RM inflation, helps margin gain: Raw material costs grew 28%/24% YoY/QoQ to Rs 87.7bn but fell to 71.1% of sales (vs. 71.5% YoY/flat QoQ). Commodity inflation ~0.6% QoQ passed in many regions, expected to soften in Q3FY26. Gross margin added 48 bps YoY to 28.9%. EBITDA surged 40% YoY (19% QoQ) to Rs 15.1bn, with margins expanding 100 bps YoY (20 bps QoQ) to 12.7%. Other expenses shot up ~27% YoY to Rs 13.3bn, on freight cost hike due to festive surge and will likely normalize Q3FY26 onwards.

Quarterly launches on track: Scooter share held strong at +40%, led by new Orbiter and NTorq 150 launch. TVS King HD EV and Apache RTX launched in E3W and premium bike segment respectively. Norton Superbike concept unveiled with global launch is planned for Q3FY26 and India entry for Q1FY27.

Estimates revised: We retain TVSL's earnings for FY26e but revise our FY27e/FY28e estimates upwards, baking in a 3Y Revenue/EBITDA/PAT CAGR of 17%/18%/22%. We expect healthy volume uptick across segments in their 2W/3W business. This will be driven by GST rate reduction, rural demand recovery, prudent handling of raw material costs inflation and an eye on exports.

Revise TP/multiple; maintain HOLD: Premiumisation focus will continue to balance the growth in EV scooters for margins. Further buoyant growth across segments in the motorcycle portfolio adds comfort. We revise our P/E for the core business at 33x (30x), additionally factoring in the strong launch program and healthy exports. We arrive at a new 1YF TP of Rs 3,348 (Rs2,809) valuing the core business at Rs 3,214 and Rs 133/sh for TVS Credit Services. Maintain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	TVSL IN/Rs 3,562
Market cap	US$ 19.2bn
Free float	48%
3M ADV	US$ 31.4mn
52wk high/low	Rs 3,720/Rs 2,171
Promoter/FPI/DII	52%/13%/25%

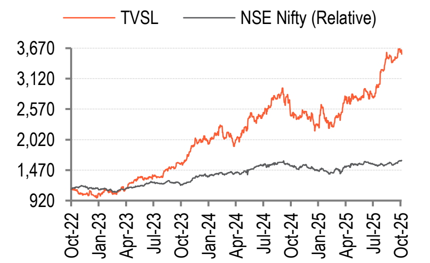
Source: NSE | Price as of 28 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,62,513	4,40,436	5,06,909
EBITDA (Rs mn)	44,540	52,869	62,772
Adj. net profit (Rs mn)	27,105	34,483	41,844
Adj. EPS (Rs)	57.1	72.6	88.1
Consensus EPS (Rs)	57.1	72.4	86.7
Adj. ROAE (%)	27.3	26.8	25.5
Adj. P/E (x)	62.4	49.1	40.4
EV/EBITDA (x)	38.1	32.0	27.0
Adj. EPS growth (%)	30.1	27.2	21.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q2FY26	Q1FY26	Our View
Domestic Volume	2W domestic ICE sales grew 21% YoY, outperforming industry growth of 8% YoY. Total 2W ICE sales grew by 23% YoY vs industry growth of 11% YoY. Rural industry grew 22% YoY, urban at 26% YoY; festive season industry (Vahan) grew by 24% YoY, with TVS up 32% YoY. GST reduction benefits are fully passed on to customers. H2FY26 industry is expected to grow by 8% YoY.	2W ICE sales increased 8% YoY, while industry declined ~3% in Q1FY26. Rural growth at 3% YoY was below the industry's 4%, impacted by early monsoon and sowing activities.	TVS will outpace industry growth with healthy motorcycle product portfolio and EV drive helping scooter sales.
Exports	2W exports grew 31% YoY to 0.4mn units vs industry growth of 26%. Export revenue in Q2YF26 was Rs 28.9bn vs Rs 24.9bn in Q1FY26. LATAM and Africa regions growing strong; TVSL is strengthening presence in Bangladesh and Asia (consistent growth in Sri Lanka and Nepal). Average realisation in Q2FY26 was flat QoQ at Rs 86.4.	2W exports rose 30% YoY to ~0.33mn units, outpacing the 23% industry growth. Export revenue came in at ~Rs 24.9 bn, led by recovery in Africa market, Nepal, and LATAM; Bangladesh continues to be a challenging environment.	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.
Three-wheelers (3W)	3W sales grew 41% YoY to 53k units. New TVS King Cargo HD EV launched with TVS connect capabilities. Share of EV 3W Vahan crossed 11%. There is strong customer response to EV King series following lower total cost of ownership. TVSL has added ~100 touchpoints in H1FY26.	3W sales grew 46% YoY to 45k units, driven by increasing adoption of the TVS EV King Max in the e-3W segment. PLI benefits for e-3W are effective from June 2025, enhancing cost competitiveness. Dealer network currently covers ~70% of the Indian 3W market, with plans for further expansion.	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.
Electric Vehicles	EV 2W sales grew by 7% YoY to 80k units, constrained by ongoing rare earth magnet supply chain challenges. TVS Orbiter launched at Rs 99,900, offering 158 km IDC range with advanced features like cruise control and connected features, targeting young urban commuters. iQube cumulative domestic sales crossed 700k units, reinforcing market leadership.	EV 2W sales grew 35% YoY to 70k units, contributing ~Rs 10 bn in revenue. Industry EV 2W penetration stood at 6.5% in Q1FY26, with TVS iQube maintaining a strong position. New iQube variants with a 3-kWh battery were launched, targeting urban and semi-urban markets with ~900 dealerships.	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.
Margins	Operating EBITDA margin improved to 12.7% (+100 bps YoY), including PLI contribution; normalised margin (ex. prior-year PLI recognition) rose 50 bps YoY from 12.2% in Q2FY25. EBITDA grew 40% YoY to Rs 15.1bn, driven by operating leverage, premium product mix, and cost increase pass through. Commodity costs increased by 0.6% QoQ in Q2FY26 with some increase expected in Q3FY26 though at a lower rate. Other expenses had impact of Rs 1.2bn due to freight cost increase and ~Rs 0.25bn R&D expense while marketing expense included ~Rs 0.7bn for three launches.	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. EBITDA grew 32% YoY to Rs 12.6 bn. Staff costs rose on annual appraisals, performance-based increments, and strategic hiring for future growth.	Adjusted margin trajectory improvement is ~ 50-60 bps YoY, which is commendable. We expect margins to be range bound ~ 12.5% conservatively.

Parameter	Q2FY26	Q1FY26	Our View
Capex & Investment	Investments were reiterated at ~Rs 20bn with no change in allocation. A differentiated retail strategy for Norton and premium TVS models is in development with European distribution network planning underway.	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. 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.	Based on TVSL's systematic investment and capex guidance, we expect a long-term favourable outcome.
Others	Spare part revenue was Rs 10.7bn in Q2YF26. Channel stock, except EV (due to magnet curbs), is maintained at sufficient levels of 25 days. TVS Credit book size reached Rs 278.1bn with loan disbursal to over 25 lakh customers; PBT grew 28% YoY to Rs 2.8bn in Q2FY26. H1FY26 customer base expanded to 2.13 crore. GST 2.0 implementation and deeper market penetration aided financing growth. Listing of preference share is in final stages; completion expected by and expected to be completed by Q3FY26.	Spare parts revenue reached Rs 9.87 bn, reflecting a steady aftermarket demand. TVS Credit book size stable at ~Rs 269.8 bn, with consistent performance. Export revenue at Rs 24.87 bn, supported by strong international demand. Commodity costs (steel) rose ~0.5%, partially offset by price hikes.	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.

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

Fig 2 – Quarterly performance

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E
Volume	15,06,950	12,28,223	22.7	12,77,172	18.0	15,06,950
Avg. Realisation per Vehicle	79,003	75,135	5.1	78,932	0.1	72,618
Net Revenues	1,19,054	92,282	29.0	1,00,810	18.1	1,09,431
Total Income (A)	**1,19,054**	**92,282**	**29.0**	**1,00,810**	**18.1**	**1,09,431**
Operating Expenses						
Raw materials consumed	84,604	66,018	28.2	71,754	17.9	78,371
Employee Expenses	6,047	4,967	21.7	5,808	4.1	5,866
Other Expenses	13,317	10,499	26.8	10,618	25.4	11,490
Total Expenditure (B)	**1,03,968**	**81,485**	**27.6**	**88,180**	**17.9**	**95,727**
EBITDA (A-B)	15,086	10,798	39.7	12,630	19.4	13,704
Other Income	(213)	299	(171.3)	343	(162.2)	311
Depreciation	2,144	1,806	18.7	2,039	5.1	2,081
EBIT	12,729	9,291	37.0	10,934	16.4	11,934
Finance Costs	466	319	45.9	403	15.6	454
PBT after excep items	12,263	8,972	36.7	10,531	16.4	11,480
Tax expense	3,202	2,346	36.5	2,745	16.7	2,755
Reported PAT	**9,061**	**6,626**	**36.7**	**7,786**	**16.4**	**8,725**
Adjusted PAT	**9,061**	**6,626**	**36.7**	**7,786**	**16.4**	**8,725**
EPS (Rs)	19.1	13.9	36.7	16.4	16.4	18.4
Key Ratios (%)			**(bps)**		**(bps)**	
Gross Margin	28.9	28.5	47.6	28.8	11.5	28.4
EBITDA Margin	12.7	11.7	97.1	12.5	14.3	12.5
EBIT Margin	10.7	10.1	62.3	10.8	(15.4)	10.9
PBT Margin	10.3	9.7	57.8	10.4	(14.6)	10.5
Tax Rate	26.1	26.1	(3.6)	26.1	4.7	24.0
Adj PAT Margin	7.6	7.2	43.0	7.7	(11.3)	8.0

Source: Company, BOBCAPS Research

Valuation Methodology

We retain TVSL's earnings for FY26e but revise our FY27e/FY28e estimates upwards, baking in a 3Y Revenue/EBITDA/PAT CAGR of 17%/18%/22%. We expect healthy volume uptick across segments in their 2W/3W business. This will be driven by GST rate reduction, rural demand recovery, prudent handling of raw material costs inflation and an eye on exports.

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). Management indicated Rs20bn in FY26 and Rs16bn investment in FY27. Investments in TVS Supply Chain included notional losses and small stakes, viewed as financial investments. Management indicates that the investments are for strategic gains that will benefit the company in the medium/long term, though this remains a concern.

Premiumisation focus will continue to balance the growth in EV scooters for margins. Further, buoyant growth across segments in the motorcycle portfolio adds comfort. 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. Effectively, we revise our P/E for the core business at 33x (30x), additionally factoring in strong launch program and healthy exports. We arrive at a new 1YF TP of Rs 3,348 (Rs2,809), valuing the core business at Rs 3,214 and Rs 133/sh for TVS Credit Services. Maintain HOLD.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,40,436	5,06,909	5,84,592	4,40,436	5,05,509	5,79,811	0.00	0.28	0.82
EBITDA	52,869	62,772	72,481	52,869	61,202	68,322	0.00	2.57	6.09
Adj PAT	34,483	41,844	49,367	34,486	40,659	45,074	0.00	2.91	9.52
Adj EPS (Rs)	72.6	88.1	103.9	72.6	85.6	94.9	0.00	2.89	9.49

Source: Company, BOBCAPS Research

Fig 4 – Key assumptions

	FY25	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	5,06,909	5,84,592
EBITDA (Rs mn)	44,540	52,869	62,772	72,481
EBITDA margin (%)	12.3	12.0	12.4	12.4
Adj. PAT (Rs mn)	27,105	34,483	41,844	49,367
EPS (Rs)	57.1	72.6	88.1	103.9

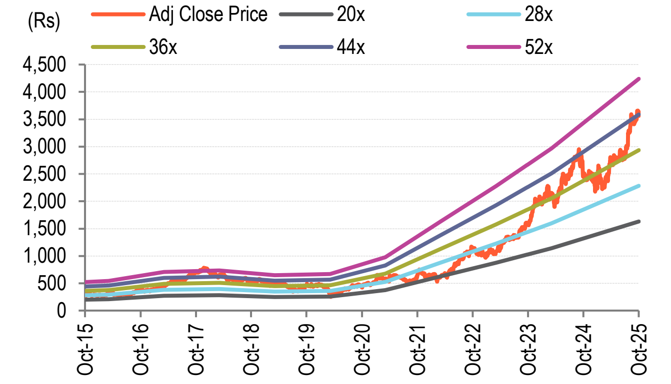
Source: Company, BOBCAPS Research

Fig 5 – Valuation summary

Business	1-year forward EPS (Rs)	Target P/E (x)	Value (Rs/sh)
Standalone Business	103.9	33	3,214
TVS Credit Services	-	-	133
Total	**-**	**-**	**3.348**

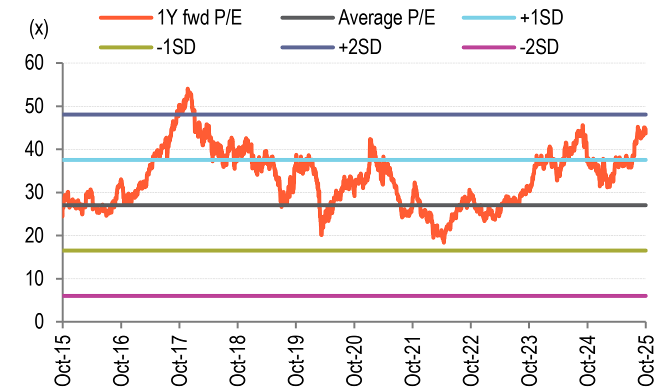
Source: BOBCAPS Research | Valuation is based on Sep-27 earnings

Fig 6 – P/E band: TVSL's current valuations fairly reflect its earnings pace



Source: Bloomberg, BOBCAPS Research

Fig 7 – 1YF P/E: We value TVSL at a well-deserved 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.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**3,17,764**	**3,62,513**	**4,40,436**	**5,06,909**	**5,84,592**
EBITDA	35,141	44,540	52,869	62,772	72,481
Depreciation	7,004	7,446	6,861	7,885	8,170
EBIT	29,623	37,674	47,472	56,756	66,354
Net interest inc./(exp.)	(1,816)	(1,387)	(1,496)	(1,333)	(1,397)
Other inc./(exp.)	1,485	580	1,464	1,868	2,043
Exceptional items	0	0	0	0	0
EBT	27,807	36,288	45,977	55,422	64,957
Income taxes	6,977	9,183	11,494	13,578	15,590
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**20,830**	**27,105**	**34,483**	**41,844**	**49,367**
Adjustments	0	0	0	0	0
Adjusted net profit	**20,830**	**27,105**	**34,483**	**41,844**	**49,367**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	51,122	61,537	59,015	68,856	78,600
Other current liabilities	7,189	11,306	16,865	17,489	19,755
Provisions	3,495	4,401	4,841	5,325	5,857
Debt funds	15,134	17,349	15,885	14,593	15,016
Other liabilities	4,502	3,010	2,860	2,717	2,581
Equity capital	475	475	475	475	475
Reserves & surplus	76,836	98,892	1,28,149	1,63,816	2,07,007
Shareholders' fund	77,311	99,367	1,28,624	1,64,292	2,07,482
Total liab. and equities	**1,58,753**	**1,96,971**	**2,28,089**	**2,73,271**	**3,29,291**
Cash and cash eq.	5,310	5,583	3,274	4,177	12,323
Accounts receivables	13,021	12,801	15,568	18,567	22,196
Inventories	13,708	17,258	17,964	21,317	25,366
Other current assets	11,651	15,421	17,964	20,973	24,574
Investments	69,913	92,714	1,12,882	1,44,382	1,76,882
Net fixed assets	43,723	49,431	55,071	57,686	60,016
CWIP	3,297	6,420	8,026	8,828	10,594
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
Total assets	**1,58,752**	**1,96,970**	**2,28,089**	**2,73,271**	**3,29,291**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**36,090**	**39,480**	**35,694**	**47,972**	**55,225**
Capital expenditures	(11,787)	(16,278)	(14,105)	(11,303)	(12,266)
Change in investments	(13,074)	(22,802)	(20,168)	(31,500)	(32,500)
Other investing cash flows	1,485	580	1,464	1,868	2,043
Cash flow from investing	**(23,376)**	**(38,499)**	**(32,809)**	**(40,934)**	**(42,723)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(7,683)	2,215	(1,465)	(1,291)	423
Interest expenses	(1,816)	(1,387)	(1,496)	(1,333)	(1,397)
Dividends paid	(3,801)	(4,751)	(5,226)	(6,176)	(6,176)
Other financing cash flows	(112)	789	0	0	0
Cash flow from financing	**(13,412)**	**(3,133)**	**(8,186)**	**(8,801)**	**(7,151)**
Chg in cash & cash eq.	**(698)**	**(2,153)**	**(5,301)**	**(1,764)**	**5,351**
Closing cash & cash eq.	**5,310**	**5,583**	**3,274**	**4,177**	**12,323**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	43.8	57.1	72.6	88.1	103.9
Adjusted EPS	43.8	57.1	72.6	88.1	103.9
Dividend per share	8.0	10.0	11.0	13.0	13.0
Book value per share	162.7	209.2	270.7	345.8	436.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.3	4.7	3.8	3.3	2.9
EV/EBITDA	48.2	38.1	32.0	27.0	23.5
Adjusted P/E	81.2	62.4	49.1	40.4	34.3
P/BV	21.9	17.0	13.2	10.3	8.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.7	75.0	75.5	76.0
Interest burden (PBT/EBIT)	93.9	96.3	96.8	97.7	97.9
EBIT margin (EBIT/Revenue)	9.3	10.4	10.8	11.2	11.4
Asset turnover (Rev./Avg TA)	344.6	334.6	329.8	308.2	287.5
Leverage (Avg TA/Avg Equity)	1.3	1.2	1.2	1.1	1.1
Adjusted ROAE	30.2	30.7	30.2	28.6	26.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	20.5	14.1	21.5	15.1	15.3
EBITDA	31.4	26.7	18.7	18.7	15.5
Adjusted EPS	39.7	30.1	27.2	21.3	18.0
Profitability & Return ratios (%)					
EBITDA margin	11.1	12.3	12.0	12.4	12.4
EBIT margin	9.3	10.4	10.8	11.2	11.4
Adjusted profit margin	6.6	7.5	7.8	8.3	8.4
Adjusted ROAE	26.9	27.3	26.8	25.5	23.8
ROCE	24.1	26.0	26.7	26.1	24.8
Working capital days (days)					
Receivables	13	13	12	12	13
Inventory	15	16	15	14	15
Payables	72	80	69	64	64
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.2	0.2
Current ratio	0.7	0.7	0.7	0.7	0.8
Net interest coverage ratio	(16.3)	(27.2)	(31.7)	(42.6)	(47.5)
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%

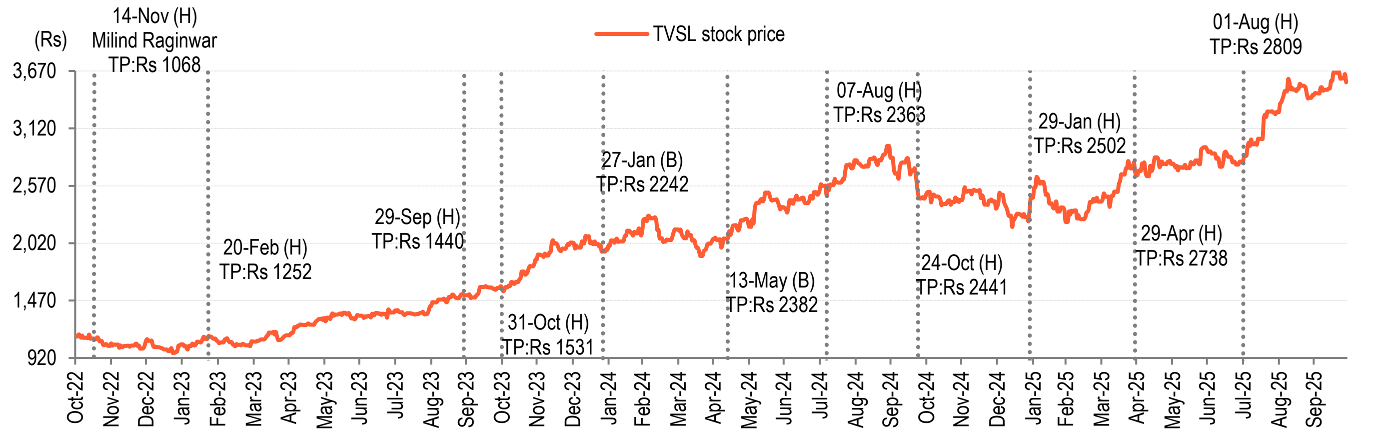
HOLD – Expected return from -6% to +15%

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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