

**CMP: INR 1,997**

**Rating: Hold**

**Target Price: INR 2,138**

**Stock Info**

BSE	509243
NSE	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
Sector	Auto -2&3 Wheelers
Face Value (INR)	1
Equity Capital (INR mn)	475
Mkt Cap (INR bn)	895,321
52w H/L (INR)	2,314/1214
Avg Yearly Vol (in 000')	1083

**Shareholding Pattern %**

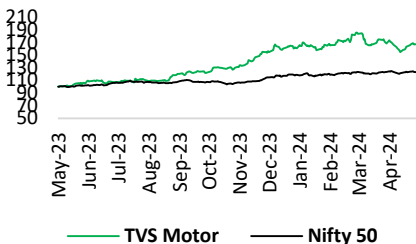
(As on March, 2024)

Promoters	34.76
Public & Others	65.24

**Stock Performance (%)**

	1m	3m	12m
TVS Motors	-9.4	-4.9	57.1
Nifty	1.1	12.3	21.7

**TVS Motors Vs Nifty**



Abhishek Jain  
abhishek.jain@arihantcapital.com  
022 67114851

Jyoti Singh  
jyoti.singh@arihantcapital.com  
022 67114834

TVS Motor Company has reported decent top line and Margin Expansion but PAT below estimates led by higher income tax rate. Standalone revenue stood at INR 81,688 Mn, above our estimate of INR 80,260 Mn registering 23.7% YoY/-0.9% QoQ. EBITDA stood at INR 9,262 Mn, above our estimate of INR 9,040 Mn, Registering a growth of 36.3%YoY/-0.2%QoQ. On the margins front, EBITDA margin up by bps 13bps QoQ/105bps YoY to 11.34%, above our estimate of 11.3%. The margin expansion led by softening in RM. Standalone PAT saw a growth of 18.3%YoY/ -18.2% QoQ to INR 4,854.3 Mn against our estimate of INR 5,380 Mn. Electric vehicle sales registered 100% growth at 1.94 lakh units. EPS stood at INR 10.2 in Q4FY24 against INR 12.5 in Q3FY24 (INR 8.6 in Q4FY23). The negative INR 460 Mn stems from a notional loss on the final valuation of company investments, previously accounted for as a gain in the FY23, contrasting with a positive INR 700 Mn in the Q3FY24, primarily due to realized gains on sales and notional gains on fair valuation.

**TVS iQUBE: Driving EV Expansion:** The new scheme, valid until July 2024, aligns with government support and infrastructure enhancements, supporting EV industry growth. With EV volumes doubling FY23, TVS iQUBE has become a leading brand, serving over 300,000 customers across 712 outlets. Recognized under the PLI scheme, the company is set for new product launches catering to diverse customer needs, while expanding exports and achieving notable success with TVS credits, recording sales of INR 130Mn customer bids in the FY24.

**Rural Market Dynamics and Consumer Aspirations:** Rural markets show positive momentum with anticipated normal monsoon, driving confidence. Increased activity levels and self-employment contribute to higher consumer aspirations, extending beyond entry-level products. Retail financing (56%) facilitates access to aspirational products, reflecting evolving consumer preferences even in rural areas.

**Continues improving EBITDA Journey:** Despite recent commodity price increases, sustained focus on product mix and cost reduction initiatives instills confidence for continuous EBITDA improvement. With a diverse product range including Apache, Jupiter, iCube, Raider, Ntorq, and more, TVS anticipates outpacing industry growth both domestically and internationally.

**Outlook and valuation**

The company stands poised as a key beneficiary of the anticipated revival in 2w demand, both domestically and in export markets. The company is strategically positioned to maneuver through the changing market dynamics by prioritizing premiumization, EV technology, and global expansion. Nonetheless, it faces obstacles such as competition in EV pricing and the performance of its subsidiary, Norton Motorcycles. **We value TVS Motors' standalone business at an FY27E PE of 25x to its EPS estimate of INR 81.9 for FY27E and TVS credit services at 2.6x its BV (INR 90.7/ share), which yields a revised target price of INR 2,138 per share (Earlier target price: INR 2,188 per share). We maintain our Hold rating on the stock.**

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY23	2,63,781	26,747	14,910	31.4	10.1	63.8
FY24	3,17,764	35,141	20,830	43.8	11.1	45.6
FY25E	3,61,262	41,517	26,118	55.0	11.5	36.4
FY26E	4,10,403	49,885	33,065	69.6	12.2	28.8
FY27E	4,70,559	57,927	38,898	81.9	12.3	24.5

Source: Arihant Research, Company Filings

Exhibit 2: Quarterly result summary

INR mn	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)
Net Sales	81,688	82,450	66,048	23.7	(0.9)
- Consumption of Raw Material	59,440	60,756	49,797	19.4	(2.2)
(% of Net Sales)	72.8	73.7	75.4	-263bps	-92bps
- Staff Expenditure	4,205	4,036	3,377	24.5	4.2
(% of Net Sales)	5.1	4.9	5.1	3bps	25bps
- Other Expenditure	8,782	8,414	6,076	44.5	4.4
(% of Net Sales)	10.8	10.2	9.2	155bps	55bps
Total Expenditure	72,427	73,206	59,250	22.2	(1.1)
EBITDA	9,262	9,244	6,798	36.3	0.2
EBITDA Margin (%)	11.34	11.21	10.29	105bps	13bps
Depreciation	1,887	1,781	1,674	12.7	6.0
EBIT	7,375	7,464	5,124	43.9	(1.2)
EBIT Margin (%)	9.03	9.05	7.76	127bps	-2bps
Interest	372	474	363	2.6	(21.5)
Other income	(287)	576	705	(140.7)	(149.8)
PBT	6,716	7,565	5,466	22.9	(11.2)
Tax	1,862	1,427	1,364	36.6	30.5
Tax Rate (%)	27.7%	23%	25%	11.1	18.6
Adjusted PAT	4,854	5,934	4,103	18.3	(18.2)
Exceptional Item	-	-	-	-	-
Reported PAT	4,854.3	5,933.5	4,102.7	18.3	(18.2)
EPS (INR)	10.2	12.5	8.6	18.3	(18.2)
Total Volumes (In Nos)	1,062,529	1,100,843	868,417	22.4	(3.5)
Net Realisation (INR)	76,881	74,897	76,055	1.1	2.6
EBITDA / Vehicle (INR)	8,717	8,397	7,828	11.4	3.8
Volumes (In Nos)	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)
Motorcycle	511,245	522,850	434,279	17.7	(2.2)
Scooter	395,914	404,051	295,635	33.9	(2.0)
E-Scooter	49,485	48,167	29,230	69.3	2.7
Moped	125,034	135,876	106,024	17.9	(8.0)
2W Domestic	796,267	846,962	629,033	26.6	(6.0)
2W Exports	235,926	215,815	206,905	14.0	9.3
2W Total	1,032,193	1,062,777	835,938	23.5	(2.9)
3W Domestic	6,091	5,335	4,038	50.8	14.2
3W Exports	24,245	32,731	39,447	(38.5)	(25.9)
3W Total	30,336	38,066	43,485	(30.2)	(20.3)
3W Domestic	802,358	852,297	524,216	53.1	(5.9)
3W Exports	260,171	248,546	439,341	(40.8)	4.7
Total	1,062,529	1,100,843	963,557	10.3	(3.5)
Mix (%)	4QFY24	3QFY24	4QFY23	QoQ (bps)	YoY(bps)
Motorcycle	48.1	47.5	45.1	62	305
Scooter	37.3	36.7	30.7	56	658
E-Scooter	4.7	4.4	3.0	28	162
Moped	11.8	12.3	11.0	(58)	76
2W Domestic	74.9	76.9	65.3	(200)	966
2W Exports	22.2	19.6	21.5	260	73
3W Domestic	0.6	0.5	0.4	9	15
3W Exports	2.3	3.0	4.1	(69)	(181)
3W Domestic	75.5	77.4	54.4	(191)	2,111
3W Exports	24.5	22.6	45.6	191	(2,111)

Source: Arianth Research, Company Filings

**Q4Y24 Conference-Call highlights**

Going forward, TVS Motor foresees strong growth in the domestic two-wheeler sector, emphasizing EV technology, premiumization, and cost efficiencies. Nonetheless, it remains vigilant of intense price competition in the EV market and hurdles encountered by its subsidiary, Norton Motorcycles. TVS Credit, its financing arm, achieved notable milestones, while the company persists in digital technology investments. Despite a solid performance in FY2024, TVS Motor remains cautious about prevailing market uncertainties and challenges.

**Margin**

The company is confident that its EBITDA will continue to improve QoQ.

**Debt**

The company reduced its debt by INR 1,000 cr including ICE and EV and all the new products. Company has investment outflow will be slightly lesser than the FY24, maybe INR 1100 cr to INR 1200 cr. Overall investment this year, INR 3000 Mn

**EV Momentum:**

Electric vehicle sales doubled YoY in FY2024, reaching 1.94 lakh units and reflecting a strong 101% growth. The company crossed the milestone of 3 lakh EV customers in India. The company is also expanding its TVS iQUBE product line with multiple options, including different battery cap.

**Product Launches**

The company launched several successful products in FY2024, including the TVS Raider and Jupiter 125. They plan to maintain this momentum with new launches in both ICE and EV segments throughout FY2025.

**International Expansion**

TVS Motor commenced exports of the TVS iQube electric scooter to ASEAN and other Asian markets. They also plan to expand their presence in developed and developing countries with EV and premium motorcycle offerings.

**Industry Growth**

TVS Motor anticipates healthy growth in the domestic two-wheeler industry in FY2025, driven by urban and rural demand. The company expects further expansion in the scooter segment with both ICE and EV options.

**EV Focus**

The company will continue investing in EV technology, R&D, and new product development. Multiple variants of the TVS iQube with different battery capacities and price points will be launched soon, along with a new EV 3w within FY2025.

**Premiumization & Cost Reduction**

The company remains committed to its premiumization strategy and cost reduction initiatives to sustain EBITDA margin improvement.

**International Markets**

TVS Motor is cautiously optimistic about recovery in the international two-wheeler market, particularly in Africa and Southeast Asia. They will focus on upgrading their product portfolio and strengthening their position in these regions. international business is INR 20,380 Mn. Fair part for Q4FY24 INR 8150 Mn.

**EV Price Competition**

Acknowledging intense competition in the EV market, impacting market share, the company focuses on building a robust brand and offering diverse options for long-term success.

**Norton Performance**

Despite challenges faced by its subsidiary, Norton Motorcycles, due to economic conditions in Europe, investments in new product development are expected to show results in FY 2026.

**Rural Recovery**

While optimistic about rural recovery, the company remains cautious of potential setbacks from severe heatwaves and uncertainties in the monsoon season.

**TVS Credit**

Achieved significant milestones in FY2024, with a customer base exceeding 130 Mn and AUM crossing INR.259000 Mn. The company plans to further expand its offerings beyond 2w and 3w financing

**Digital Transformation**

The company continues to invest in digital technologies to improve customer experience, retail and service management, and manufacturing processes.

**Exports**

The company is planning to launch new products in the international market, including in LATAM and South-East Asian market

Profit & Loss Statement (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>3,17,764</b>	<b>3,61,262</b>	<b>4,10,403</b>	<b>4,70,559</b>
Growth, %	20.5	13.7	13.6	14.7
RM expenses	2,34,290	2,62,818	2,96,311	3,39,743
Employee expenses	15,959	17,954	20,036	22,360
Other expenses	32,374	38,973	44,171	50,528
<b>EBITDA (Core)</b>	<b>35,141</b>	<b>41,517</b>	<b>49,885</b>	<b>57,927</b>
Growth, %	31	18	20	16
<b>Margin, %</b>	<b>11.1</b>	<b>11.5</b>	<b>12.2</b>	<b>12.3</b>
Depreciation	7,004	7,537	6,629	7,229
<b>EBIT</b>	<b>28,138</b>	<b>33,980</b>	<b>43,255</b>	<b>50,697</b>
Growth, %	38	21	27	17
<b>Margin, %</b>	<b>8.9</b>	<b>9.4</b>	<b>10.5</b>	<b>10.8</b>
Interest paid	1,816	763	551	507
Other Income	1,485	1,649	1,978	2,374
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>27,807</b>	<b>34,866</b>	<b>44,682</b>	<b>52,564</b>
Tax provided	6,977	8,748	11,617	13,666
<b>Profit after tax</b>	<b>20,830</b>	<b>26,118</b>	<b>33,065</b>	<b>38,898</b>
Exceptional Item	-	-	-	-
<b>Net Profit</b>	<b>20,830</b>	<b>26,118</b>	<b>33,065</b>	<b>38,898</b>
Growth, %	40	25	27	18
<b>Net Profit (adjusted)</b>	<b>20,830</b>	<b>26,118</b>	<b>33,065</b>	<b>38,898</b>

Balance Sheet (Standalone)				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
Cash & bank	5,310	4,690	21,775	45,594
Marketable securities cost	-	-	-	-
Debtors	13,021	14,804	16,818	19,283
Inventory	13,708	25,338	29,909	35,582
Loans & advances	-	-	3,470.90	3,514.90
Other current assets	7,958	8,356	8,774	9,213
<b>Total current assets</b>	<b>39,997</b>	<b>53,188</b>	<b>77,275</b>	<b>1,09,672</b>
Investments	69,913	76,913	83,913	90,913
Gross fixed assets	95,489	1,05,489	1,15,489	1,25,489
Less: Depreciation	-51,339	-58,875	-65,505	-72,734
Add: Capital WIP	3,297	3,297	3,297	3,297
Net fixed assets	44,150	46,613	49,984	52,755
<b>Total assets</b>	<b>1,57,357</b>	<b>1,80,011</b>	<b>2,14,469</b>	<b>2,56,636</b>
Current liabilities	57,996	64,565	72,935	83,625
Provisions	3,495	3,844	4,229	4,651
Total current liabilities	61,490	68,410	77,163	88,277
Non-current liabilities	6,372	2,967	2,967	2,967
<b>Total liabilities</b>	<b>67,863</b>	<b>71,377</b>	<b>80,131</b>	<b>91,244</b>
Paid-up capital	475	475	475	475
Reserves & surplus	76,835	97,252	1,24,044	1,56,097
Shareholders' equity	77,310	97,727	1,24,519	1,56,573
<b>Total equity &amp; liabilities</b>	<b>1,57,357</b>	<b>1,80,011</b>	<b>2,14,469</b>	<b>2,56,636</b>

Cash Flow				
YE: Mar (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Pre-tax profit</b>	<b>27,807</b>	<b>34,865</b>	<b>44,680</b>	<b>52,561</b>
Depreciation	7,004	7,537	6,629	7,229
Chg in working capital	12,104	-10,057	1,751	2,537
Total tax paid	-7,021	-8,748	-11,617	-13,666
<b>CFO</b>	<b>40,224</b>	<b>19,928</b>	<b>40,019</b>	<b>46,796</b>
Capital expenditure	-12,556	-10,000	-10,000	-10,000
Chg in marketable securities	0	0	0	0
Chg in investments	-13,074	-7,000	-7,000	-7,000
<b>CFI</b>	<b>-24,145</b>	<b>-15,351</b>	<b>-15,022</b>	<b>-14,626</b>
Free cash flow	27,668	9,928	30,019	36,796
Debt raised/(repaid)	-7,311	-1,513	-1,090	-1,003
Dividend (incl. tax)	-4,560	-5,701	-6,271	-6,841
<b>CFF</b>	<b>-13,688</b>	<b>-7,977</b>	<b>-7,912</b>	<b>-8,351</b>
<b>Net chg in cash</b>	<b>2,391</b>	<b>-3,401</b>	<b>17,085</b>	<b>23,819</b>
Opening cash balance	2,420	5,310	4,690	21,775
<b>Closing cash balance</b>	<b>5,310</b>	<b>4,690</b>	<b>21,775</b>	<b>45,594</b>

Ratios				
YE: Mar	FY24	FY25E	FY26E	FY27E
EPS (INR)	43.8	55.0	69.6	81.9
PER (x)	45.6	36.4	28.8	24.5
Price/Book (x)	12.3	9.7	7.6	6.1
EV/EBITDA (x)	27.3	23.1	18.9	15.8
EV/Net sales (x)	3.0	2.7	2.3	1.9
RoE (%)	27	27	27	25
RoCE (%)	33.2	33	34	32
Fixed Asset turnover (x)	3.3	3.4	3.6	3.7
Dividend Yield (%)	0.4	0.5	0.6	0.6
Receivable (days)	16	15	15	15
Inventory (days)	20	29	30	31
Payable (days)	85	74	74	74
Net D/E ratio (x)	0.1	0.1	(0.1)	(0.2)

Source: Arihant Research, Company Filings

## Arihant Research Desk

Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880