

**Price:** 2,738

**Recommendation:** Buy

**Industry:** 2/3 Wheelers

**Sector:** Consumer Discretionary

**Report Date:** 21-Apr-2025

TVS Motor Company is advancing its growth with new strategies and products like the Jupiter 110 and TVS King EV Max, achieving a record 11.9% EBITDA margin. The company is expanding its EV sales by 57% and diversifying with investments in the Norton brand and e-cycles. A new hub in Dubai aims to enhance its international presence. TVS Credit's growth complements its core business, while future plans focus on innovation and market expansion. Challenges remain in entry-level segments and EV adoption.

Sales		Profit & Loss		Profitability Matrix	
Current Year	34870 Cr	Operating Profit(Year)	4048 Cr	Operating Profit Margin	11.6 %
Previous Year	26378 Cr	Operating Profit(Quarter)	1081 Cr	EBITDA Margin	10.08 %
Current Quarter	9097 Cr	PAT (Year)	1972 Cr	Net Profit Margin	6.21 %
Previous Quarter	9228 Cr	PAT (Quarter)	618 Cr	EPS	49.3
Revenue (QYoY)	8245 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	55.5	Sales Growth	15.4 %	Sales Growth	-1.42 %
PEG Ratio	2.31	PAT Growth	33.88 %	Sales Growth QYoY	10.33 %
EV/EBITDA	32.2	EPS Growth	12.56 %	PAT Growth	-6.79 %
P/B	14.7	Dividend Yield	0.37	PAT Growth QYoY	4.22 %
Capital Allocation		Holdings		Leverage	
RoE	28.6 %	Promoter	50.3 %	Debt/Equity	0.18
RoA	13.1 %	FII	21.2 %	Debt	1555 Cr
RoCE	30.6 %	DII	20.0 %	Market Cap	130091 Cr
RoIC	112 %	Public	8.45 %	Enterprise value	130785 Cr
		No of Shares	47.5 Cr	Cash Equivalents	860 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

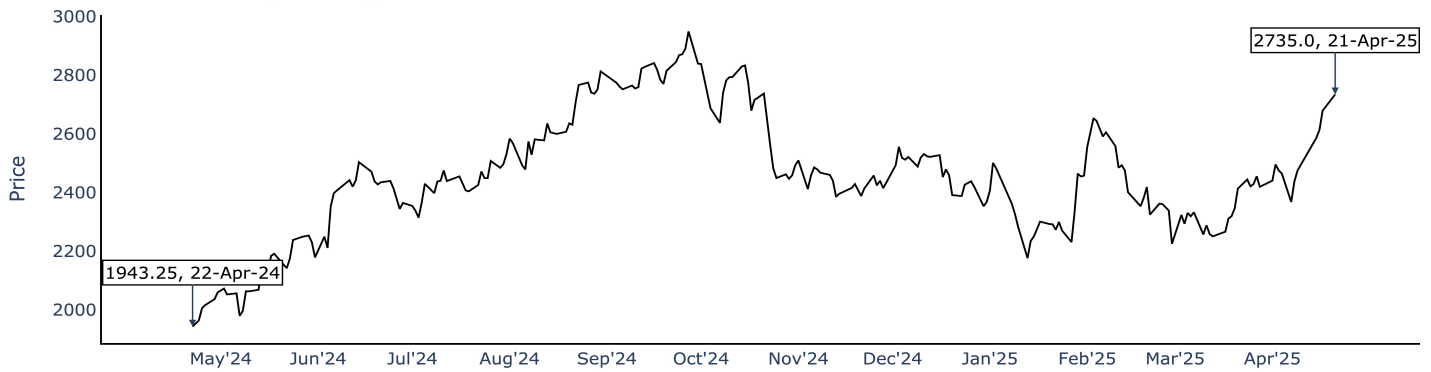
In the recent conference call, TVS Motor Company highlighted several new initiatives and business strategies aimed at sustaining growth and enhancing market presence. The company has introduced the new Jupiter 110, which has been well-received in the market, contributing to a record operating EBITDA margin of 11.9%. This achievement is notable as it excludes the recognition of PLI benefits. The company has also seen a significant increase in EV two-wheeler sales, which grew by 57% this quarter, indicating a strong shift towards electric mobility. The introduction of the TVS King EV Max, a three-wheeler with advanced electric propulsion, is expected to further strengthen their position in the EV market. This product offers a range of 179 kilometers and quick charging capabilities, making it a competitive offering in the market.

TVS Motor Company is actively pursuing diversification and expansion strategies. Investments are being made in product development, particularly for the Norton brand and e-cycles, with a focus on creating a range of products to meet diverse customer needs. The company is also setting up a new hub in Dubai to tap into opportunities in Africa, the Middle East, and Europe. This strategic move is expected to enhance their international business footprint. Additionally, TVS Credit has expanded its customer base significantly, adding over 3 million new customers this financial year, and is now a leading financier in consumer durables and used vehicle loans. This diversification in financial services complements their core automotive business and provides a stable revenue stream.

Looking ahead, TVS Motor Company is optimistic about future growth and scaling opportunities. The company plans to continue its growth momentum by leveraging its strong brand portfolio, which includes popular models like Apache, Jupiter, and iQube. The focus will be on maintaining a competitive edge through product innovation, cost reduction, and expanding market reach. The company is also preparing for the introduction of OBD2B norms, ensuring compliance and readiness for new regulatory standards. With a strong R&D capability, TVS is well-positioned to introduce new products and technologies that cater to evolving consumer preferences.

While the company has demonstrated robust performance, there are areas for potential improvement. The entry-level motorcycle and moped segments face challenges, and there is a need to address these to capture a larger market share. Additionally, while the EV segment is growing, further efforts are needed to increase penetration and adoption rates. The company could benefit from enhancing its marketing strategies to better communicate the value proposition of its EV offerings. Overall, TVS Motor Company is on a positive trajectory, with strategic initiatives in place to drive future growth and profitability.

TVSMOTOR Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Hero Motocorp	78335.20	18.90	21.95%	-2.13%	4.82%	4.12%	1.51%
Urja Global	673.10	420.69	1.18%	3.64%	84.31%	53.13%	-45.56%
Wardwizard Inno.	549.56	119.99	14.79%	48.28%	-18.84%	164.43%	-32.63%
Ola Electric	23324.42			-13.92%	-19.37%	-13.94%	-51.61%
Tunwal E-Motors	176.96	15.00	82.16%		65.47%		6.96%

Aspect	Commentary
Revenue	The company shows a strong revenue increase from the previous year, indicating robust sales growth. However, a slight decline in quarterly revenue suggests potential seasonal or market fluctuations. This trend highlights the need for strategic adjustments to maintain consistent growth and address any underlying issues affecting quarterly performance.
Profit & Loss	The company demonstrates solid profitability with a significant operating profit and PAT. The quarterly figures reflect a stable performance, though there is room for improvement in optimizing operational efficiencies to enhance profit margins further. This stability is crucial for sustaining investor confidence and supporting future growth initiatives.
Profitability Matrix	The profitability metrics indicate a healthy financial position, with strong operating and net profit margins. The EPS suggests good earnings potential for shareholders. Maintaining these margins will be essential for the company to continue attracting investment and supporting its strategic growth plans in a competitive market environment.
Valuation Matrix	The valuation metrics reveal a high P/E ratio, suggesting the market expects future growth. The PEG ratio indicates growth potential relative to earnings. The EV/EBITDA and P/B ratios reflect the company's market valuation. These metrics highlight the importance of delivering on growth expectations to justify current valuations.
Growth (YoY)	Year-over-year growth metrics show impressive sales and PAT growth, reflecting successful strategic initiatives. The EPS growth further underscores the company's ability to enhance shareholder value. Sustaining this growth trajectory will be vital for maintaining market leadership and achieving long-term financial objectives.
Growth (QoQ)	Quarter-over-quarter growth metrics indicate a slight decline in sales and PAT, suggesting potential short-term challenges. However, the positive QYoY growth highlights underlying strength. Addressing these quarterly fluctuations will be crucial for ensuring consistent performance and meeting investor expectations.
Capital Allocation	The company exhibits strong capital allocation efficiency, with high RoE, RoA, and RoCE. The exceptional RoIC indicates effective investment strategies. Maintaining this capital efficiency will be key to supporting future growth initiatives and ensuring optimal returns on invested capital in a competitive market.
Holdings	The holdings structure shows a balanced distribution among promoters, FIIs, DIIs, and the public. This diversity in ownership can provide stability and support strategic decision-making. Ensuring transparent communication with all stakeholders will be essential for maintaining trust and facilitating future capital-raising efforts.
Leverage	The company's low debt-to-equity ratio indicates prudent financial management and a strong balance sheet. This conservative leverage position provides flexibility for future investments and growth opportunities. Maintaining this financial discipline will be crucial for navigating market uncertainties and supporting long-term strategic goals.

**Analyst viewpoint:** TVS Motor Company presents a compelling investment case in the short to mid-term with a robust growth outlook bolstered by strategic initiatives and product innovations. The company has demonstrated impressive sales growth, achieving a quarter-on-quarter sales growth of 10.33% year-on-year, alongside a 4.22% growth in profit after tax. Their strategic focus on the electric vehicle segment, with EV sales expanding by 57% this quarter, is pivotal in aligning with industry trends towards sustainable transportation. The company's strong EBITDA margin of 11.9%, coupled with a diverse product portfolio including the newly launched Jupiter 110 and the TVS King EV Max, helps fortify its competitive position amidst peers like Hero Motocorp and Ola Electric. Strong capital allocation efficiency, evidenced by a return on equity of 28.6% and a low debt-to-equity ratio of 0.18, supports sustainable growth and provides flexibility for future investments and expansion.

However, it is essential to consider the slight quarterly decline of 1.42% in sales and the challenges in the entry-level motorcycle segments that could pose short-term hurdles. TVS's high P/E ratio of 55.5 signals market expectations of sustained growth, but demands consistent performance to justify current valuations. The company's strategic diversification, including its expansion into financial services, enhances its revenue streams, setting a solid foundation for continued market leadership. While areas for improvement exist, particularly in enhancing market penetration of its EV offerings, TVS Motor Company is strategically well-positioned to capitalize on the favorable trends in mobility and innovation, affirming our bullish view.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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