

TVS Motor Company: EV Scale-up & Premiumisation Drive Growth

ADD

January 29, 2026 | CMP: INR 3,728 | Target Price: INR 3,920

Sector View: Positive

Expected Share Price Return: 5.1% | Dividend Yield: 0.3% | Expected Total Return: 5.4%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info		TVSL IN EQUITY
BB Code		
Face Value (INR)		1.0
52-w High/Low (INR)		3,909/2,193
Mkt Cap (Bn)		INR 1,784/ \$19.4
Shares o/s (Mn)		475.1
3M Avg. Daily Volume		7,95,748

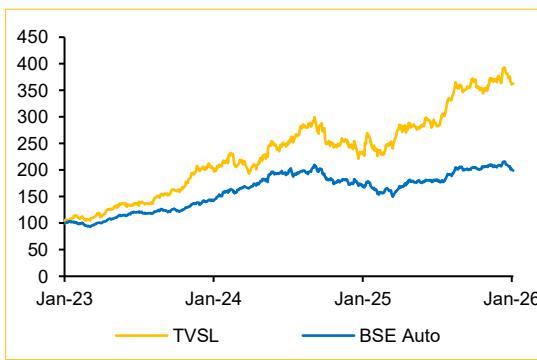
INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	465	449	3.4	557	535	4.1
EBITDA	59	57	5.1	71	67	4.9
EBITDAM%	12.8	12.6	20 bps	12.7	12.6	10 bps
PAT	36	35	4.6	44	42	4.4
EPS	76.0	72.7	4.6	91.9	88.0	4.4

Actual vs CIE Estimates			
INR Bn	Q3FY26A	CIE Est.	Dev. %
Revenue	124.8	121.9	2.4
EBITDA	16.3	15.2	7.2
EBITDAM %	13.1	12.5	60 bps
PAT	9.8	9.4	3.9

Key Financials				
INR Bn	FY24	FY25	FY26E	FY27E
Revenue	317.8	362.5	464.6	556.8
YoY (%)	20.5	14.1	28.2	19.8
EBITDA	35.1	44.5	59.5	70.7
EBITDAM %	11.1	12.3	12.8	12.7
Adj PAT	20.8	27.1	36.2	43.7
EPS	43.8	57.1	76.3	91.9
ROE %	26.9	27.3	27.9	25.9
ROCE %	30.4	31.8	34.3	32.6
PE(x)	85.0	65.4	48.9	40.6
EV/EBITDA	50.7	40.0	30.0	25.1
				21.3

Shareholding Pattern (%)			
	Dec-25	Sep-25	Jun-25
Promoters	50.27	50.27	50.27
FII	23.09	22.90	22.42
DII	18.28	18.34	18.80
Public	8.36	8.49	8.51

Relative Performance (%)			
	3Y	2Y	1Y
BSE Auto	98.5	39.4	20.0
TVSL	255.5	92.4	67.7



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Consistently Outperformed the Industry: In Q3FY26, TVS Motor (TVSL) delivered strong volume growth of 28% YoY, driven by broad-based demand across domestic, international, ICE and EV segments. Domestic 2W ICE volumes increased 24% YoY, significantly outperforming the industry growth of 16% YoY, reflecting strong brand traction, favourable product mix, and sustained rural and urban demand. International 2W ICE volumes grew 35% YoY, supported by robust momentum across key export markets. EV 2W volumes rose 41% YoY to 105,357 units, led by the continued success of the iQube platform.

We believe TVSL's sustained outperformance in domestic and export markets underscores its superior execution, diversified business model and competitive strength. We expect this momentum to continue, supported by premiumisation, EV scale-up, export recovery and a strong upcoming product pipeline.

View and Valuation: We revise our FY26E/FY27E EPS estimate upwards by 4.6%/4.4%, driven by faster EV scale-up, premiumisation and sustained margin expansion. We revise our target price to INR 3,920, based on FY28E EPS and assign a value of INR 101 per share to TVS Credit. We expect performance to improve further, supported by upcoming premium and EV launches which are margin-accretive. Accordingly, we upgrade our rating from 'REDUCE' to 'ADD' for the stock.

TVSL: Outperformed our estimate across the board

- Revenue was up 37.1% YoY and up 4.8% QoQ to INR 1,24,763 Mn (vs CIE est. at INR 1,21,895 Mn), led by 27.5% YoY growth in volume and 7.6% YoY growth in ASP
- EBITDA was up 51.1% YoY and up 8.3% QoQ to INR 16,341 Mn (vs CIE est. at INR 15,237 Mn). EBITDA margin was up 121bps YoY and up 43bps QoQ to 13.1% (vs CIE est. at 12.5%)
- Adj. PAT was up 58.7% YoY and up 8.3% QoQ to INR 9,817 Mn (vs CIE est. at INR 9,448 Mn)

Norton Strategy: Premium Brand Revival with Long-term Value Focus: TVSL is rebuilding Norton as a global super-premium motorcycle brand, with new product families, such as **Manx** and **Atlas** positioned in the >650cc luxury segment. The company has invested ~INR 2,900 Mn in Q3FY26 towards product development, branding and global showcases, such as EICMA Milan. Initial launches are planned in CY2026, including India, with volumes expected to remain niche but margin-accretive.

TVSL (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Volumes (in units)	15,44,454	12,11,662	27.5	15,06,950	2.5
Net Sales	1,24,763	90,971	37.1	1,19,054	4.8
Material Expenses	88,828	65,112	36.4	84,604	5.0
Employee Expenses	6,189	4,988	24.1	6,047	2.4
Other Operating Expenses	13,405	10,056	33.3	13,317	0.7
EBITDA	16,341	10,815	51.1	15,086	8.3
Depreciation	2,335	1,883	24.0	2,144	8.9
EBIT	14,006	8,931	56.8	12,942	8.2
Interest Cost	579	338	71.6	466	24.4
PBT	13,147	8,367	57.1	12,263	7.2
RPAT	9,404	6,185	52.0	9,061	3.8
APAT	9,817	6,185	58.7	9,061	8.3
Adj EPS (INR)	20.7	13.0	58.7	19.1	8.3

TVSL	Q3FY26	Q3FY25	YoY (bps)	Q2FY26	QoQ (bps)
Material Exp % of Sales	71.2	71.6	(38)	71.1	13
Employee Exp. % of Sales	5.0	5.5	(52)	5.1	(12)
Other Op. Exp % of Sales	10.7	11.1	(31)	11.2	(44)
EBITDA Margin (%)	13.1	11.9	121	12.7	43
Tax Rate (%)	25.3	26.1	(76)	26.1	(79)
APAT Margin (%)	7.9	6.8	107	7.6	26

Source: TVSL, Choice Institutional Equities

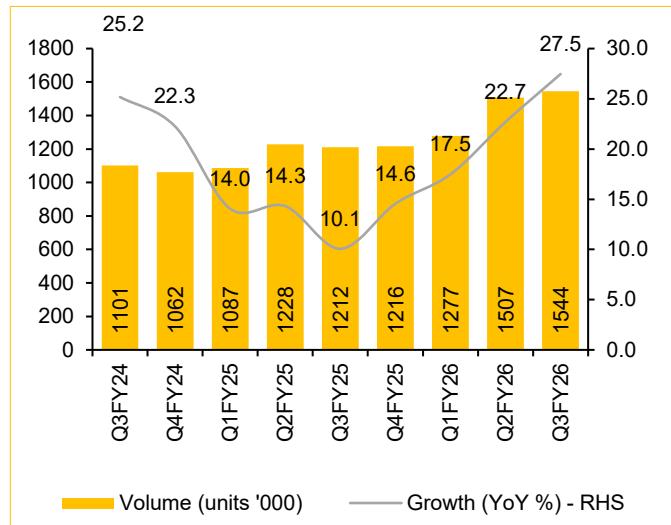
- TVSL delivered its highest-ever quarterly revenue and profitability in Q3FY26, supported by strong volume growth, operating leverage and favourable product mix
- Domestic ICE sales grew 21% YoY, outperforming industry growth of 16%, while international two-wheeler sales increased 35% YoY against industry growth of 23%.
- New product families, Mans and Atlas, were unveiled, positioning Norton in the super-premium luxury segment. Product launches are planned for 2026, including entry into the Indian market.

Management Call – Highlights

- TVSL delivered its highest-ever quarterly revenue and profitability in Q3FY26, supported by strong volume growth, operating leverage and favourable product mix
- Operating revenue stood at INR 1,24,763 Mn, registering a 27% YoY growth as compared to INR 99,071 Mn in Q3FY25
- Operating EBITDA rose 51% YoY to INR 16,341 Mn; margin expanded to 13.1% (from 11.9%). Normalised margin (excluding prior PLI) stood at 12.4%, reflecting a 40 bps sequential improvement. Profit after tax increased to INR 9,404 Mn versus INR 6,185 Mn in the previous year. **A one-time labour code impact of INR 410 Mn was noted**
- International revenue in Q3FY26 reached INR 29,990 Mn (including INR 11,830 Mn from spare parts)
- Strong recovery was observed in Sri Lanka**, while Nepal, Africa and Latin America continued to deliver healthy growth momentum
- Domestic ICE sales grew 21% YoY, **outperforming industry growth of 16%**, while international two-wheeler sales increased 35% YoY against industry growth of 23%. The management expects domestic 2W industry to grow over 15% in Q4FY26E, supported by rural and urban demand
- Three-wheeler sales more than doubled to over **60,000 units as compared to 29,000 units in the corresponding quarter last year**
- EV sales grew 40% YoY to 106,000 units, marking the company's highest-ever quarterly EV volumes**
- EV three-wheeler volumes reached approximately 8,500–9,000 units this quarter
- The company is **producing 30,000–32,000 iQube units per month, while ramping up TVS Orbiter production to the tune of 10,000 units per month**
- The scooter segment accounts for nearly 40% share of the overall two-wheeler industry and continues to grow faster than motorcycles, supported by urban, rural and premium demand
- FY26E investment guidance has been raised **from the previous INR 20,000 Mn to INR 29,000 Mn**
- Core CAPEX is planned **at ~INR 17,000 Mn**, focused mainly on capacity augmentation and technology upgrade
- Notable Q3FY26 investment **comprises INR 2,000 Mn in TVS Credit so as to support portfolio expansion, INR 2,900 Mn in Norton Motorcycles** towards product development, branding and international marketing efforts, including EICMA Milan
- Also, the company added ~INR 1,000 Mn in the Ion project, in addition to ongoing investment in the e-bike segment and Dubai operations to strengthen global presence.
- New product families, **Mans and Atlas**, were unveiled, positioning **Norton in the super-premium luxury segment**. Product launches are planned for CY2026, including entry in the India market
- Rising prices of aluminium, copper and precious metals (platinum, palladium and rhodium) are estimated to have a **2.3% impact on sales**
- The company **implemented a 2.3%–3.0% price hike**, along with cost-optimisation initiatives so as to offset input cost pressure
- Previous challenges with magnet availability for EVs are easing and full supplies are expected next month. **Capacity increases generally take 2–3 months to implement**

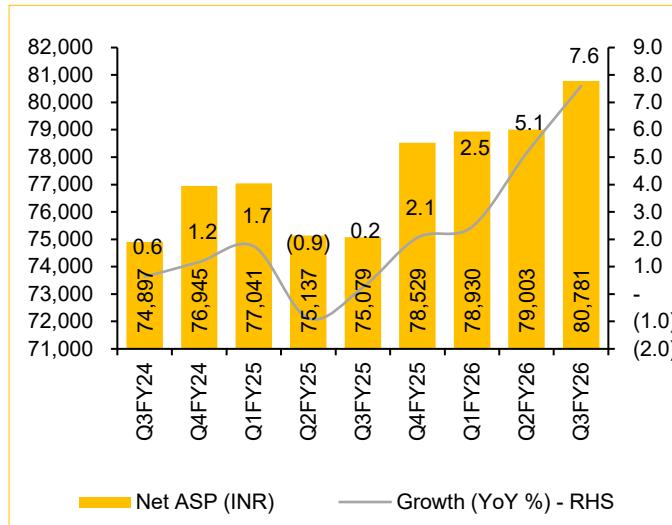
Institutional Equities

Volume grew 27.5% on a YoY basis



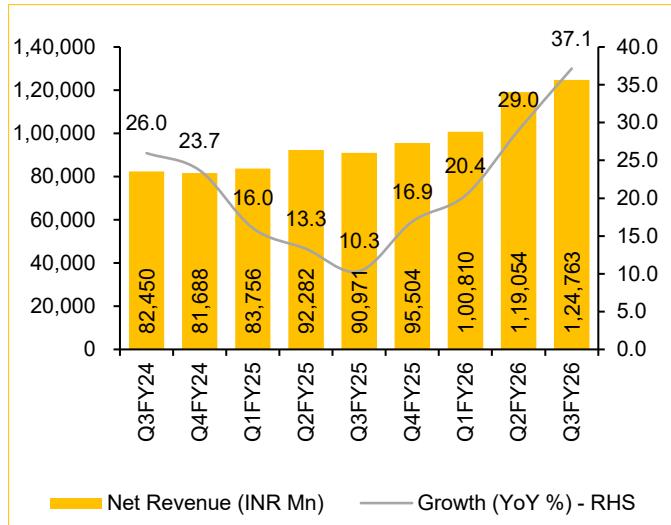
Source: TVSL, Choice Institutional Equities

ASP Increased 7.6% YoY



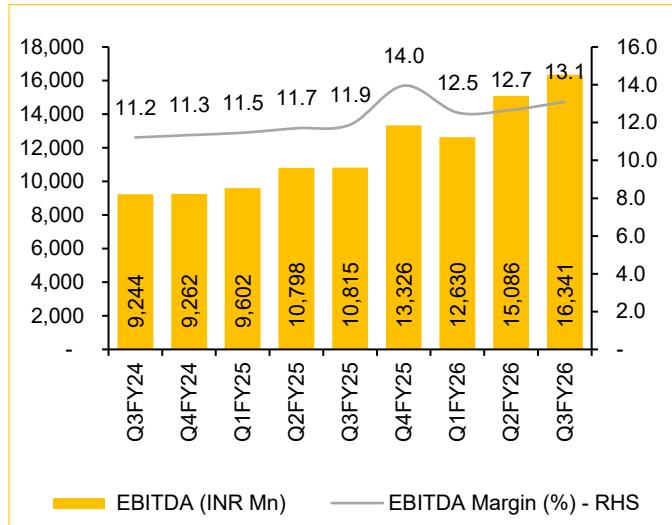
Source: TVSL, Choice Institutional Equities

Revenue was up 37.1% YoY, driven by higher volume



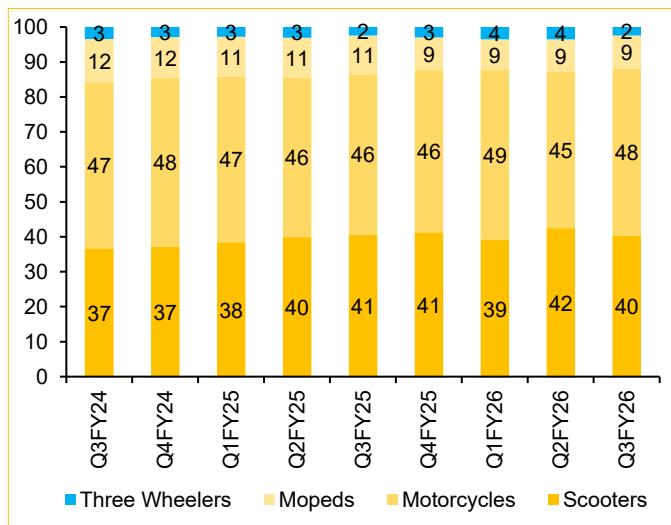
Source: TVSL, Choice Institutional Equities

EBITDA margin expanded 121 bps on a YoY basis



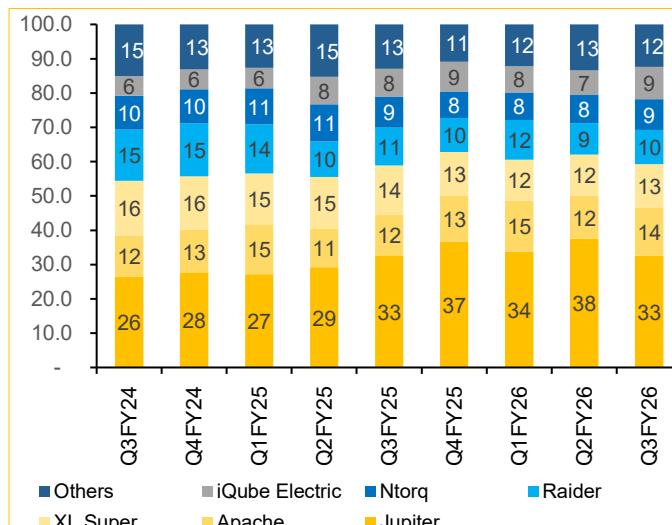
Source: TVSL, Choice Institutional Equities

Product segment mix (%)



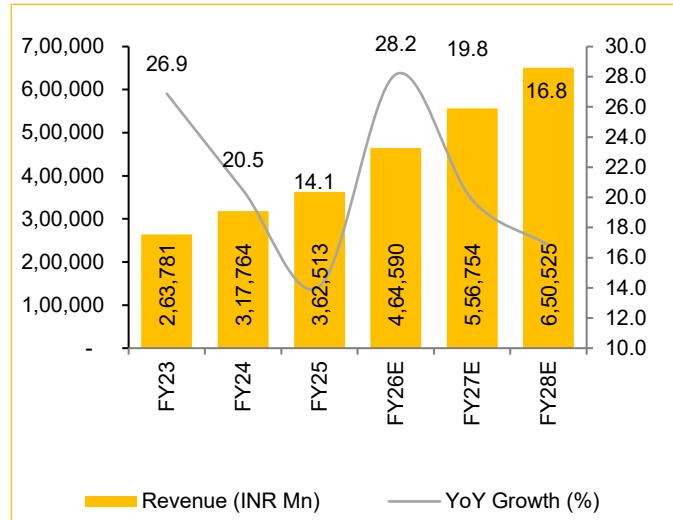
Source: TVSL, Choice Institutional Equities

Model mix (%)



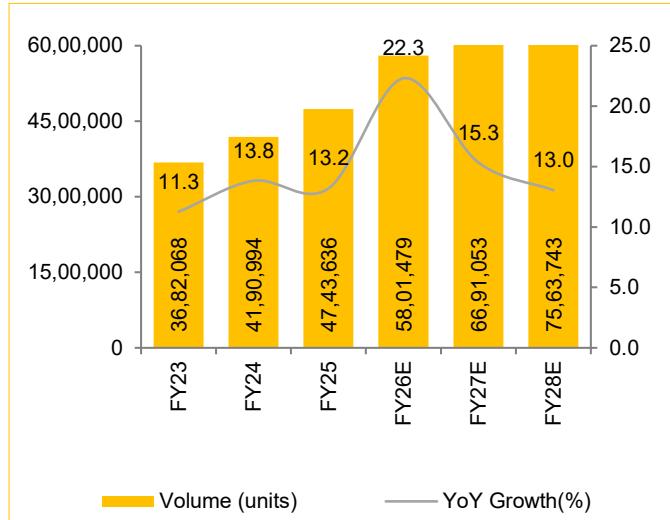
Source: TVSL, Choice Institutional Equities

Revenue expected to expand at a CAGR of 21.5% over FY25–28E



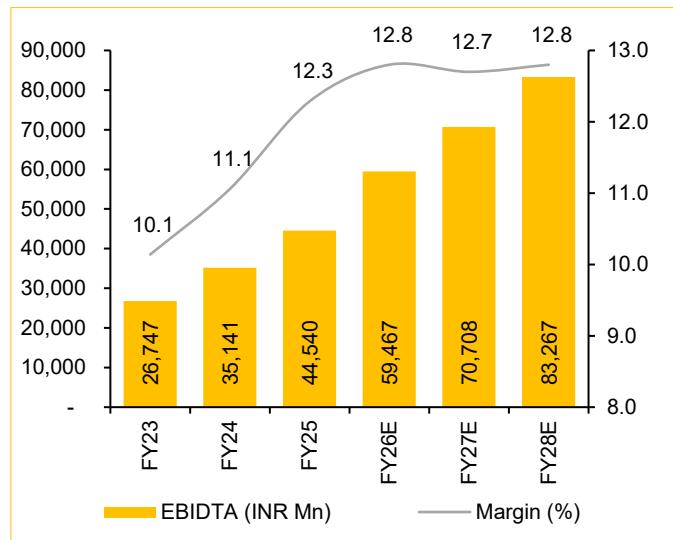
Source: TVSL, Choice Institutional Equities

Volume projected to increase at a CAGR of 16.8% over FY25–28E



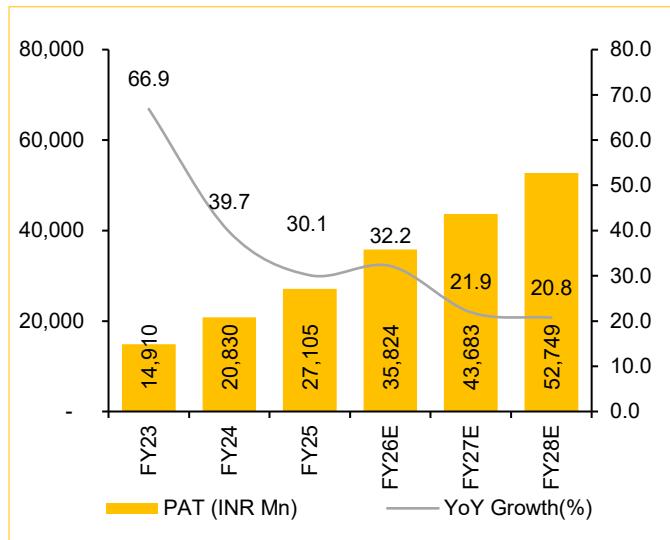
Source: TVSL, Choice Institutional Equities

EBITDA anticipated to expand at a CAGR of 23.2% over FY25–28E



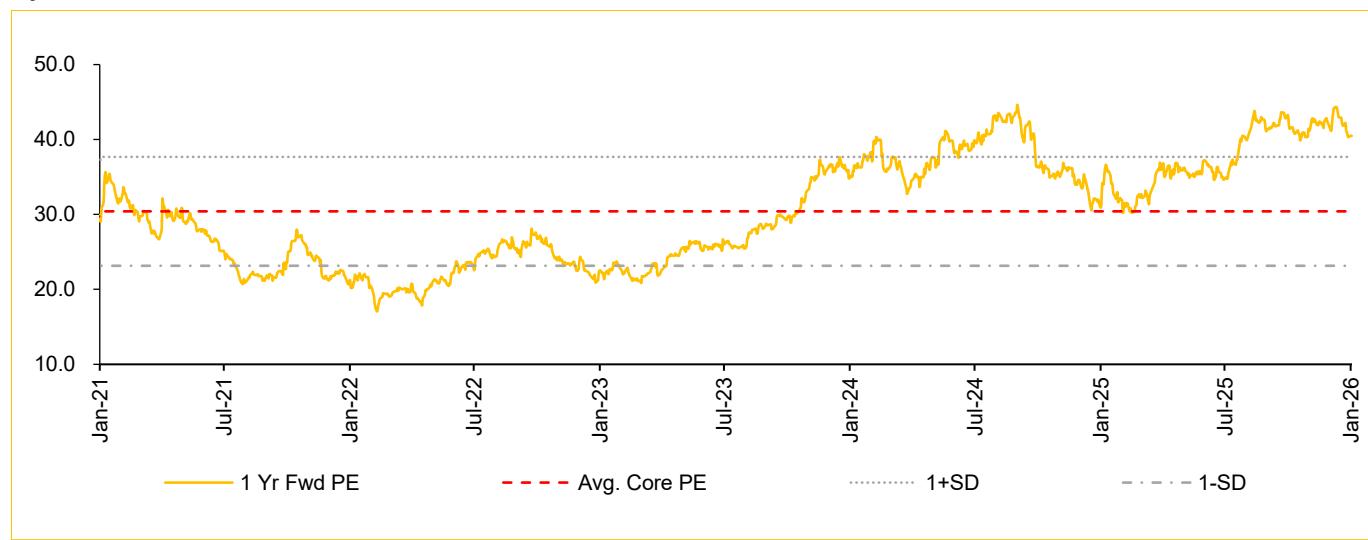
Source: TVSL, Choice Institutional Equities

PAT expected to increase at a CAGR of 24.8% over FY25–28E



Source: TVSL, Choice Institutional Equities

1-year forward PE band



Source: TVSL, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3,17,764	3,62,513	4,64,590	5,56,754	6,50,525
Gross Profit	83,474	1,04,907	1,34,266	1,60,902	1,88,002
EBITDA	35,141	44,540	59,467	70,708	83,267
Depreciation	7,004	7,446	9,001	10,187	10,682
EBIT	28,138	37,094	50,466	60,521	72,585
Interest Expenses	1,816	1,387	1,874	1,822	1,735
Other Income	1,485	580	232	332	432
Exceptional Item	0	0	(414)	0	0
Reported PAT	20,830	27,105	35,824	43,683	52,749
Minority Interest	0	0	0	0	0
Adjusted PAT	20,830	27,105	36,238	43,683	52,749
EPS (INR)	43.8	57.1	76.3	91.9	111.0

Ratio Analysis

	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenue	20.5	14.1	28.2	19.8	16.8
EBITDA	31.4	26.7	33.5	18.9	17.8
PAT	39.7	30.1	33.7	20.5	20.8
Margins (%)					
EBITDA	11.1	12.3	12.8	12.7	12.8
PAT	6.6	7.5	7.8	7.8	8.1
Profitability (%)					
ROE	26.9	27.3	27.9	25.9	24.4
ROCE	30.4	31.8	34.3	32.6	31.1
ROIC	33.6	35.4	37.6	36.2	35.2
Working Capital					
Inventory Days	16	17	17	17	17
Debtor Days	15	13	15	15	15
Payable Days	59	62	62	62	62
Cash Conversion Cycle	(28)	(32)	(31)	(30)	(30)
Valuation Metrics					
PE(x)	85.0	65.4	48.9	40.6	33.6
EV/EBITDA (x)	50.7	40.0	30.0	25.1	21.3
Price to BV (x)	22.9	17.8	13.6	10.5	8.2
EV/OCF (x)	49.2	41.8	33.2	30.6	24.5

Source: TVSL, Choice Institutional Equities

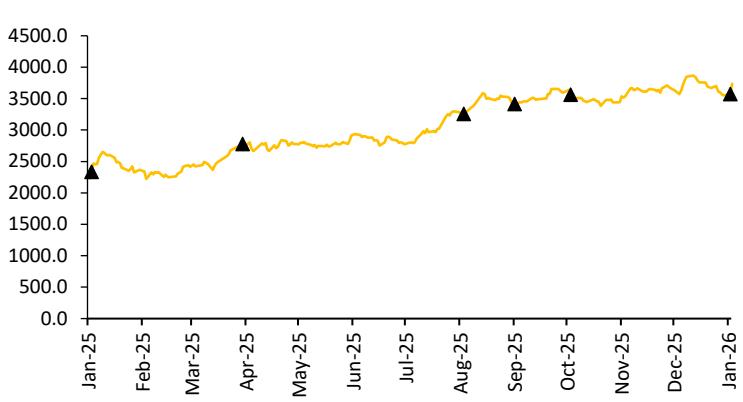
Balance Sheet (INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	77,310	99,367	1,29,964	1,68,421	2,15,944
Minority Interest	0	0	0	0	0
Deferred Tax	1,871	2,659	2,659	2,659	2,659
Total Debt	15,134	17,349	17,349	17,349	17,349
Other Liabilities & Provisions	5,504	4,766	7,143	7,876	9,621
Total Net Worth & Liabilities	99,820	1,24,141	1,57,116	1,96,306	2,45,574
Net Fixed Assets	37,719	43,464	51,962	53,776	55,094
Capital Work in Progress	3,297	6,420	7,120	7,820	8,520
Investments	69,913	92,714	1,17,077	1,48,653	1,89,953
Cash & Bank Balance	5,310	5,583	5,886	10,661	18,803
Loans & Advances & Other Assets	9,148	8,544	14,867	17,816	22,768
Net Current Assets	(20,256)	(27,001)	(33,910)	(31,759)	(30,761)
Total Assets	99,820	1,24,141	1,57,116	1,96,306	2,45,574

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	36,173	42,657	53,778	58,177	72,164
Cash Flows from Investing	(10,555)	(13,191)	(17,500)	(12,000)	(12,000)
Cash Flows from Financing	(14,696)	(5,871)	(4,722)	(6,315)	(5,216)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	74.9%	74.7%	74.0%	74.0%	74.0%
Interest Burden	98.8%	97.8%	95.9%	97.5%	98.2%
EBIT Margin	8.9%	10.2%	10.9%	10.9%	11.2%
Asset Turnover	3.2	2.9	3.0	2.8	2.6
Equity Multiplier	1.3	1.2	1.2	1.2	1.1
ROE	26.9%	27.3%	27.6%	25.9%	24.4%

Historical Price Chart: TVSL



Date	Rating	Target Price
August 07, 2024	BUY	2,680
October 24, 2024	BUY	2,759
January 22, 2025	BUY	2,936
April 29, 2025	ADD	2,920
August 04, 2025	ADD	3,100
September 15, 2025	REDUCE	3,400
October 29, 2025	REDUCE	3,400
January 29, 2026	ADD	3,920

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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