FUNDAMENTAL ANALYSIS COURSE

TVS Srichakra Limited

Industry position, growth quality, margin cycle, cash conversion, valuation framework and risk analysis

CASE-STUDY DATE	LEARNING LENS	DECISION STANCE
13 Aug 2026	**FY26-FY28**	**No rating**
Based on disclosed company and market information	Growth, margins, returns and balance-sheet quality	Independent education case; no commercial call

Investment question

Can TVS Srichakra convert strong industry demand and revenue growth into durable market-share recovery, margins, cash flow and higher returns on capital?

How to use this case

- Separate industry volume growth from company-specific market-share movement.
- Bridge gross-margin changes to raw-material prices and pricing actions.
- Test earnings growth against working capital, leverage and free cash flow.
- Use scenario valuation only after identifying the evidence required for each outcome.

Prepared for AlphaBull Academy's Fundamental Analysis Course

1. Executive Summary

TVS Srichakra is a significant Indian manufacturer of two-wheeler and three-wheeler tyres, with exposure to domestic original-equipment customers, replacement demand and international markets. The source material indicates strong Q1FY27 growth, but also highlights competitive share pressure and a raw-material-driven margin squeeze.

Q1FY27 REVENUE	Q1FY27 EBITDA	EBITDA MARGIN
₹9,974 mn	**₹763 mn**	**7.6%**
+30.9% year on year	+56.3% year on year	Down 147 bps sequentially

What looks constructive

- Revenue growth accelerated sharply in Q1FY27 and exceeded the source estimate.
- Adjusted profit recovered from a weak comparable quarter.
- Interest cost declined and forecast leverage trends improve.
- Industry price increases can eventually offset a portion of raw-material inflation.

What requires proof

- Estimated domestic market share has fallen from roughly 29% to 25%.
- Natural rubber and crude-linked input inflation can compress gross and EBITDA margins before price actions catch up.
- FY27 forecast growth requires working-capital investment, reducing near-term operating cash flow.
- Forecast ROCE remains below double digits, limiting the quality of headline earnings growth.

Course conclusion

This is a growth-quality case: investors must distinguish cyclical recovery from sustainable competitive improvement. Revenue alone is not enough; market share, gross margin, free cash flow and incremental returns must confirm the thesis.

2. Business Model and Industry Position

Business driver	Why it matters	Analytical question
OEM demand	Links volumes to two-wheeler and three-wheeler production cycles	Is growth ahead of, in line with or below customer production?
Replacement market	Can support better mix and pricing, but requires brand and distribution strength	Are channel reach and consumer pull improving?
Exports	Adds geographic diversification and foreign-currency exposure	Is export growth profitable after freight and currency effects?
Product mix	Premium and specialized tyres can improve realization	Is mix creating structural margin improvement?
Raw materials	Natural rubber and crude derivatives are major cost inputs	How quickly can price increases close the price-cost gap?
Capacity and utilization	Fixed-cost absorption affects operating leverage	Does growth raise asset turns and return on capital?

Competitive-position diagnostic

- Estimated share movement should be checked against industry registration data, OEM sourcing changes and replacement-channel evidence.
- Limited product differentiation can make price, distribution, service and OEM relationships decisive.
- A growing industry can conceal company-specific underperformance if volumes rise slower than the category.

Potential advantages

- Established manufacturing capability and customer relationships.
- Presence across OEM, replacement and international channels.
- Ability to recover input inflation through phased price increases when competitive conditions permit.

3. Quarterly Results Diagnostic

Q1FY27 delivered strong annual growth but weaker sequential profitability. The useful question is whether the margin decline is temporary input-cost timing or evidence of weaker pricing power.

Metric	Q1FY26	Q4FY26	Q1FY27	YoY	QoQ
Revenue	₹7,617mn	₹9,125mn	₹9,974mn	+30.9%	+9.3%
Raw-material cost	₹4,563mn	₹5,049mn	₹5,829mn	+27.8%	+15.4%
Gross margin	40.1%	44.7%	41.6%	+150 bps	-310 bps
EBITDA	₹488mn	₹832mn	₹763mn	+56.3%	-8.3%
EBITDA margin	6.4%	9.1%	7.6%	+124 bps	-147 bps
Adjusted PAT	₹6mn	₹337mn	₹302mn	NM	-10.4%

Margin bridge

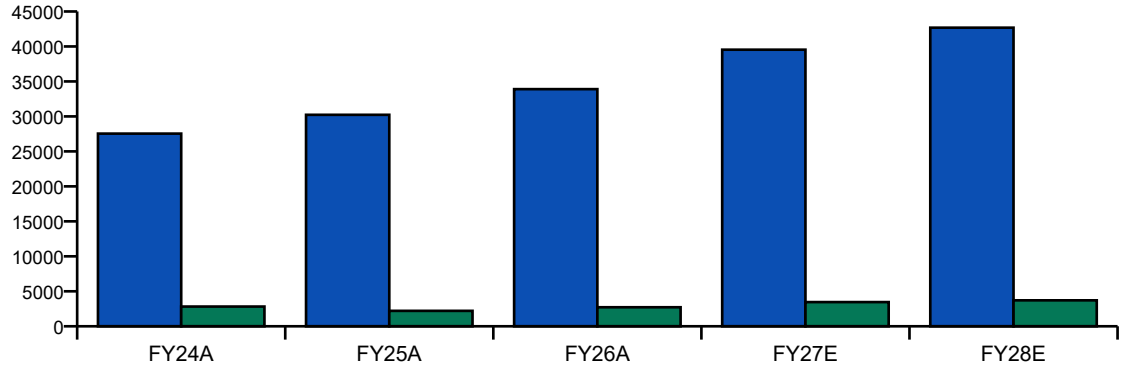
- Raw-material cost grew faster than revenue sequentially, compressing gross margin.
- Employee cost rose only 3.5% sequentially, so the main pressure was not fixed payroll.
- Other expenses rose 4.5% sequentially, below revenue growth.
- The next checkpoints are announced price increases, natural-rubber prices and the lag between cost inflation and realization.

Quality-of-earnings check

- Use adjusted profit consistently because Q1FY26 included an exceptional gain.
- Track other income separately from operating performance.
- Compare operating cash flow with EBITDA over full years, not a single quarter.

4. Financial Trend and Forecast Framework

FY27-FY28 figures below are source estimates, not facts. They provide a base case that students should stress-test.



Revenue and EBITDA (₹ mn): FY24A-FY28E

₹ mn unless stated	FY24A	FY25A	FY26A	FY27E	FY28E
Revenue	27,540	30,229	33,897	39,537	42,683
EBITDA	2,818	2,205	2,719	3,457	3,708
EBITDA margin	10.2%	7.3%	8.0%	8.7%	8.7%
Adjusted PAT	1,125	484	798	1,445	1,580
Adjusted EPS	₹146.9	₹63.1	₹104.2	₹188.6	₹206.3
ROE	10.4%	4.2%	6.6%	11.2%	11.2%
ROCE	8.0%	4.5%	5.8%	8.9%	9.0%

Interpretation

- The base case assumes 16.6% FY27 revenue growth followed by 8.0% in FY28.
- EBITDA margin recovers to 8.7%, still below FY24's 10.2%.
- Profit growth is magnified by the low FY25-FY26 base and should not be read without returns and cash flow.
- ROCE recovery to about 9% remains modest relative to the forecast earnings acceleration.

5. Cash Flow, Working Capital and Leverage

Metric	FY24A	FY25A	FY26A	FY27E	FY28E
Operating cash flow	1,766	3,290	2,991	1,546	2,986
Capital expenditure	(2,394)	(1,612)	(972)	(1,272)	(1,400)
Free cash flow	(940)	430	1,934	1,375	1,896
Net working-capital days	52	41	27	36	35
Inventory days	167	140	128	118	126
Debtor days	28	32	36	35	34
Net debt / EBITDA	2.8x	3.6x	2.5x	1.8x	1.4x
Interest coverage	6.6x	4.5x	5.9x	8.1x	8.7x

Cash-conversion interpretation

- FY27 operating cash flow is forecast to fall despite higher profit because working capital absorbs cash.
- Free cash flow remains positive in the base case, but the buffer is narrower than headline EBITDA growth suggests.
- Debt is forecast to remain flat while earnings rise, improving leverage ratios.
- Inventory remains the largest working-capital item; reversal in raw-material prices can create both cash and inventory-valuation effects.

Student calculation

Calculate EBITDA-to-operating-cash-flow conversion and free-cash-flow margin for FY26-FY28. Then stress FY27 working capital by adding 10 inventory days and determine the effect on free cash flow.

6. Valuation Framework - No Commercial Call

At the source reference price of ₹3,995, the forecast multiples below illustrate how valuation depends on successful earnings recovery. They are a starting point for scenario analysis, not a conclusion.

Multiple	FY26A	FY27E	FY28E	Question to test
P/E	38.0x	21.0x	19.2x	Does earnings growth translate into cash-backed returns?
EV/EBITDA	13.7x	10.6x	9.5x	Is the margin recovery structural or cyclical?
P/BV	2.5x	2.3x	2.1x	Does sub-10% ROCE support the book-value premium?
Dividend yield	1.0%	1.0%	1.0%	Should cash reduce leverage before higher distribution?

Scenario framework

Scenario	Operating assumptions	Evidence required
Downside	Share losses continue; input inflation persists; weak price-cost recovery	Volumes below industry, gross-margin pressure, cash absorption
Base	Industry-led growth; gradual pricing; 8-9% EBITDA margin	Stable share, positive FCF and declining leverage
Upside	Share stabilizes; replacement/export mix improves; margin returns toward FY24	Better realization, double-digit ROCE and stronger cash conversion

Valuation discipline

- Do not capitalize one quarter's earnings recovery as permanent.
- Use a lower multiple when returns remain below the cost of capital or competitive evidence is weak.
- Require market-share stabilization and cash conversion before assuming a higher-quality growth profile.
- Value downside explicitly through lower margins, slower growth and higher working-capital needs.

7. Risk Register and Student Worksheet

Risk	Why it matters	Monitor
Market-share erosion	Industry growth can mask relative underperformance	Company volume versus 2W/3W production and replacement demand
Raw-material inflation	Natural rubber and crude derivatives pressure gross margin	Commodity prices, inventory and price actions
Pricing lag	Competitive intensity may delay full cost pass-through	Realization versus input-cost movement
Working capital	Fast growth can absorb cash	Inventory, debtor and creditor days
Customer concentration	OEM sourcing changes can move volumes quickly	Customer mix and contract wins/losses
Leverage	Debt reduces flexibility during margin compression	Net debt/EBITDA and interest coverage
Execution	Export and replacement growth must remain profitable	Channel mix, freight, currency and segment margins

Student questions

- Estimate implied market growth versus company growth and reconcile the market-share direction.
- Build a price-cost margin bridge using natural-rubber inflation and quarterly price increases.
- Create three FY28 EBITDA-margin cases and calculate EPS and free cash flow for each.
- Compare ROCE with the valuation multiple and decide what evidence would justify a rerating.
- Write a thesis with three confirming and three disconfirming indicators.

Educational conclusion

TVS Srichakra is a useful fundamental-analysis case because strong reported growth coexists with questions about competitive position, margin durability and capital efficiency. The central task is to determine whether earnings recovery reflects sustainable business improvement or a cyclical rebound from a weak base.

Sources and attribution

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