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INITIATING COVERAGE
TVS MOTOR CO.

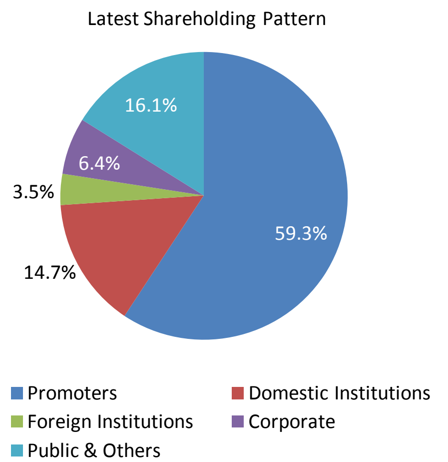
TVS MOTOR CO. LTD. (TVS) - RIDING A CHALLENGING ENVIRONMENT

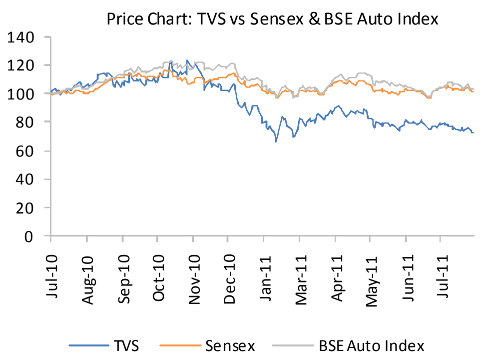
3rd August, 2011

CMP: Rs 53.00
Target Price: Rs 60.50
Recommendation: Accumulate
Time Horizon: FY12 end

Stock Info	
BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	18000
NSE Nifty	5410

Market Info	
Market Capital	Rs 2500 cr
Equity Capital	Rs 47.50 cr
Avg Trading Volume	2,111,555
52 Wk High / low	Rs 87.4 / 43.6
Face Value	Rs 1





Improvement in domestic product mix and scale offers scope to *"protect"* margins: We feel that the subsequent ramp up of three wheelers (3W) in TVS's product portfolio, along with a higher scale of operations over the next two years will offer "protection" to EBITDA margins amidst a highly challenging scenario. We feel that with an increase in scale of operations, TVS can marginally improve its cost structure with economies of scale. Having paid off Rs 218 crore of debt in FY11, we estimate stable cash flows in FY12&13 to provide support to net profit margins via lower net interest expense. We stress on the words *"margin protection"*, as we feel that EBITDA margin expansion over the next two fiscals will be difficult for TVS in the light of increased competition and a persistently challenging macro environment. We expect TVS's Operating EBITDA margins at 7.1% and 6.9% for FY12 & 13 respectively, (Core EBITDA at 5.2% and 5%).

Export Markets present growth opportunities: We feel that TVS's exports offer a strong base for diversification in the event of an unforseen loss in domestic market share or an overall domestic slowdown. Exports have increased sharply over FY11, with new markets being added across the globe. TVS's motorcycle and three wheeler exports have maintained momentum in Q1 FY12, registering growth of 23% and 371% respectively for the quarter (overall quarterly exports growth at 39% yoy). The demand for three wheeler exports has primarily come from SriLanka & Bangladesh, with Egypt being a new market added in FY11. Africa presents a good opportunity, accounting for about 40% of two wheeler exports for the company. We feel that growth in TVS's overall exports will provide a cushion to its domestic portfolio, which might come under pressure in the light of increased competition.

Valuation: TVS at Rs 53.00 currently trades at 10.8x and 9.4x estimated FY12 and FY13 EPS of Rs 4.9 and Rs 5.65 respectively. Its Enterprise Value (EV) trades at 8.6x and 7.9x estimated FY12 & FY13 Core EBITDA of Rs 378 and Rs 414 cr respectively. Our price target for TVS by the end of FY12 is Rs 60.50, based on weighted blend of 11x estimated FY13 EPS and 8.5x estimated FY13 Core EBITDA. (Assigning 50% weight to each multiple). Our target price is based on the assumption that DEPB will not be withdrawn. Please refer to the *scenario analysis section* for the impact of DEPB on TVS's financials and target price.

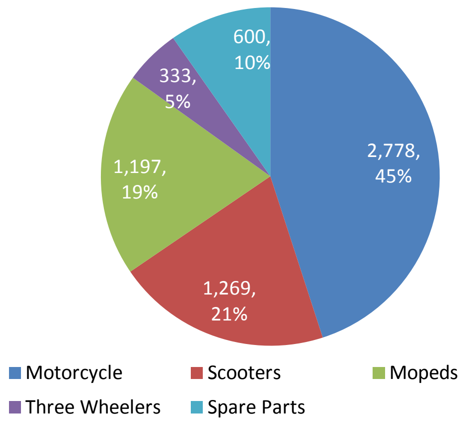
Y/E March, (in Rs crore)	FY10	FY11	FY12E	FY13E
Net Sales	4,363.1	6,179.5	7,210.2	8,388.4
Operating EBIDTA	349.9	456.4	521.5	590.6
Core EBITDA	282.8	346.8	378.3	413.5
PAT	88.0	194.6	233.1	269.0
EPS (bonus adjusted)	1.9	4.1	4.9	5.7
Cash flow from Operations	430.3	225.0	505.1	419.6
Free Cash Flow	370.1	105.6	380.1	294.6
Operating EBITDA %	7.9%	7.3%	7.1%	6.9%
Core EBITDA margin %	6.5%	5.6%	5.2%	5.0%
ROAE (%)	10.5%	20.9%	21.6%	21.5%
P/E (x)	28.6	12.9	10.8	9.4
EV/Core EBITDA (x)	11.6	9.4	8.6	7.9

COMPANY BACKGROUND

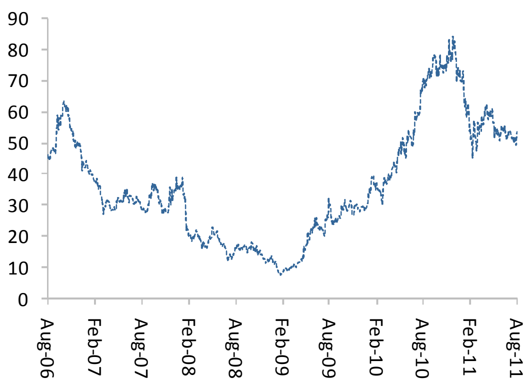
TVS Motor Co is a part of the prestigious TV Sundaram Iyengar and Sons Group, established in 1911, and one of India's top industrial entities with combined group turnover more than 4Bn $. TVS Motor Co is headed by Mr Venu Srinavasan, has today emerged as India's third largest two wheeler manufacturer. Apart from improving its foothold in the domestic market by venturing into the three wheeler passenger carrier segment, the company's exports have also increased significantly over the past five years and present strong opportunities going forward.

TVS Motor has three plants at Hosur (Tamil Nadu), Mysore (Karnataka) and Nalagarh (Himachal Pradesh). Its total annual plant capacity at end of FY11 was 30 lakh units, out of which 5 lakhs is at Himachal, and a combined capacity of 25 lakhs at Mysore & Hosur. The Himachal Pradesh plant comes under scheme of tax incentives, which include a 10 year 100% excise duty exemption, and a 5 year 100% income tax exemption until end of FY12 (after which 70% is taxable for the next five years). It sold a total of 2.047 million vehicles in FY11, a 33.5% growth over FY10. A breakup of unit sales in presented below:

FY11 estimate revenue breakup, (in Rs crores)



TVS Adjusted Share price in Rs, Previous 5 years



TVS Motor FY11 VOLUMES

Segment	Volumes	Market Share	TVS CAGR	Industry CAGR
Domestic Motorcycles	632,150	7%	-3.4%	9.2%
Motorcycle Exports	204,681	14%	30.5%	30.9%
Total Motorcycles	836,831	8%	0.7%	11.1%
Domestic Scooters	448,108	22%	13.9%	17.9%
Scooter Exports	18,156	35%	9.9%	-9.0%
Total Scooters	466,264	22%	13.7%	16.4%
Domestic Mopeds	697,418	100%	20.0%	16.0%
Moped Exports	6,295	100%	-15.0%	-32.0%
Total Mopeds	703,713	100%	19.0%	13.0%
Domestic Three Wheelers	22,357	5%	n.a	15.1%
Three Wheeler Exports	17,503	7%	n.a	28.8%
Total Three Wheelers	39,860	6%	n.a	19.3%

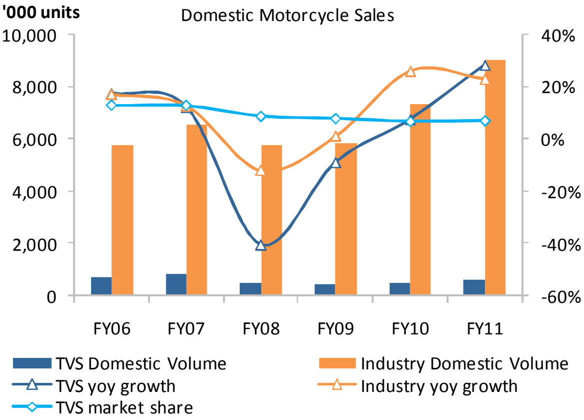
CAGR: over last 5 fiscal years
Three Wheelers include passenger carriers only.
TVS Three Wheeler 5 year CAGR not applicable, as it started production in FY08

TVS MOTOR CORPORATE STRUCTURE

	Region	% holding	Investments in FY11 (in Rs crore)	End Balance FY11 (in Rs crore)
Subsidiaries				
Sundaram Auto Components	India	100%	0.0	36.0
TVS Energy Ltd, Chennai	India	100%	14.3	51.8
PT TVS Motor Company *	Indonesia	100%	46.0	333.8
TVS Housing	India	100%	0.1	0.1
Associate Companies				
TVS Lanka (Private) Ltd	Sri Lanka	20%	0.0	2.1
Joint Venture				
TVS Andina, S.A	Colombia	26%	0.0	0.3
Other Strategic Investments				
TVS Motor Services Ltd **	India		174.9	236.8

* The 100% stake in the Indonesia Subsidiary is held via two other 100% subsidiaries incorporated in Holland and Singapore.

** TVS Motor Services Ltd is the finance arm of the company.



Motorcycles: less than 150 cc segment		
Brand	**CC**	**Price**
	TVS	
Sport	100cc	36955
Star City	110cc	38885
Max 4R	110cc	39465
Jive	110cc	44810
	Key competition	
	Hero MotoCorp	
CD series	100cc	34000 - 38850
Splendour Series	100 cc	40700 - 43700
Passion Series	100cc	upto 46000
Super Splendour	125cc	47950
Glamour Series	125 cc	49300 - 58950
	Bajaj Auto	
Platina Series	100 - 125 cc	37017 - 40019
Discover Series	100 - 125cc	40998 - 45955
Pulsar Series	135cc	54032
	Honda	
CB Twister	110 cc	43907
	Yamaha	
Crux	110cc	36000
YBR	110cc - 125cc	42500 - 48000
SS	125cc	50400
	Suzuki	
Slingshot Series	125cc	45911 - 47313

More than 150 cc segment		
Brand	**CC**	**Price**
	TVS	
Apache RTR	160cc	64530
Apache RTR	180cc	69115
	Key competition	
	Hero MotoCorp	
Achiever	150cc	55925
CBZ & Hunk	150cc	61550 - 62215
Karizma series	225cc	75100 - 94000
	Bajaj Auto	
Discover Series	150 cc	50025
Pulsar Series	150,180,220 cc	63636 - 74861
Avenger	220cc	73262
Ninja	250cc	274950
	Honda	
CB Unicorn Series	150cc	60800 - 64100
CB 250R	250cc	143001
	Yamaha	
SZ series	150cc	49500 - 55500
FZ & Fazer series	150cc	65500 - 72500
YZF R15	150cc	99000
	Suzuki	
GS 150R	150cc	60270
	Royal Enfield	
Standard Bullet	350	88418
Electra SS	350	99369
Thunderbird	350	103853
Classic	350	106221
Classic	500	134132

Source: Company dealers, websites
All Motorcycle prices ex showroom Delhi, end of June 2011
Prices of motorcycles in the Rs 3 lakh plus category have been excluded

Business model stronger with introduction of three wheelers and higher contribution from exports

TVS has a diverse business model, offering products in different segments, both in the domestic and export market. We feel that among all its segments,

(a) The three wheeler segment &

(b) Overall exports segment have the potential to register strong growth over the next few years.

However, we feel that TVS's domestic two wheeler business (motorcycle, mopeds and scooters) might come under pressure over FY11 and FY12 due to increased competition.

TVS's Motorcycle Business

This segment accounts for almost 45% of the company's revenue (domestic and exports)

Domestic Motorcycles: TVS still hanging on amid stiff competition

The domestic motorcycle industry has witnessed strong competition over the last two years, and the situation is likely to become even more competitive following the Hero group and Honda split. All segments of the market (economy, executive and deluxe) are currently well represented. TVS has managed to register a market share of about 7% in FY11 for domestic motorcycles, improving marginally from 6.7% in FY10. Hero MotoCorp and Bajaj have a 55% and 27% share respectively, while Honda has increased its market share by about 1% in FY11 to 7.3%.

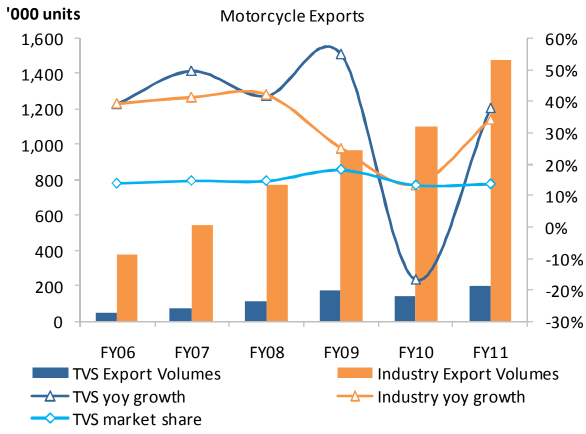
In FY11, TVS launched TVS Max4R 110cc, a variant of TVS Apache 180cc with ABS (Anti Lock braking) and an Electric Start version of TVS Sport.

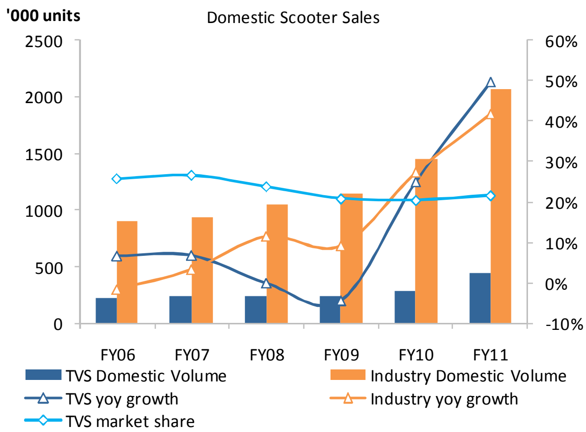
Less than 150cc segment: TVS currently competes in the economy segment with "Star" and "Sport" brands. This segment is dominated by Hero MotoCorp, followed by Bajaj. There is news of Honda planning to launch a bike in the 100cc segment, (currently its lowest offering is a 110cc bike "Twister" at a price of about 44000 ex showroom). TVS's introduction of the "gearless" 110 cc motorcycle TVS Jive in late FY10 at a higher price point (currently priced at about Rs 45000 ex showroom Delhi) helped it to address an important price point in the executive (mid) motorcycle segment which was previously missing.

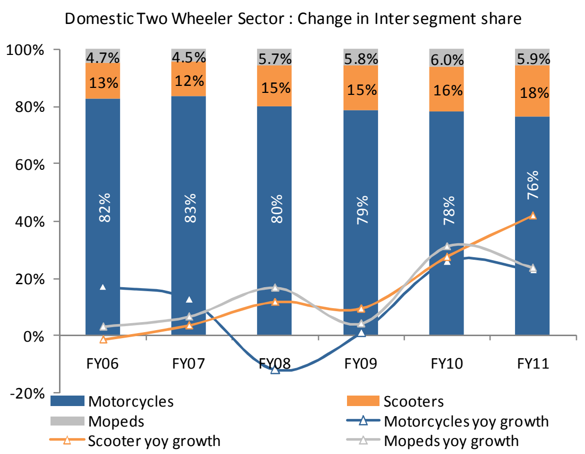
150cc plus segment: The Apache 160cc and 180cc motorcycles have emerged as strong brands in the 150cc+ segment space, but face tremendous competition from recognized brands such as Pulsar, Karizma, Unicorn and FZ series. We did a "product analysis" of domestic motorcycles based on parameters such as power to weight ratio, mileage and price and found that the Apache 160 fared extremely well in the 150cc / 160cc segment.

Concerns in the domestic motorcycle segment: We feel that Honda's exit from the Hero Group will surely result in higher competition over the next 2 years, and market shares of all competitors could under pressure. TVS although well represented in the less than 150cc segment will have to launch new models in the 150cc+ segment to maintain market share.

Another concern is the trend being witnessed is the declining share of the motorcycle segment in TVS's overall revenue. Share of revenue from motorcycles has been gradually declining over the past five years from 63.5% in FY06 to an estimated 45% by the end of FY11, which we feel is







an important factor resulting in margin compression. With rising interest rates and persistent inflationary pressure, domestic motorcycle sales could come under pressure in the near term. The company plans to launch one new model in FY12, besides variants of existing models. We estimate TVS's domestic motorcycle unit sales to grow by about 7.5% and 6.5% in FY12 & FY13 respectively, in a highly competitive market. We also feel that TVS's motorcycle exports will outpace its domestic growth.

Motorcycle Exports: Good opportunities ahead*:* TVS's motorcycle exports have increased at a 5 year CAGR of about 30%, at par with industry growth, and currently have a market share of about 14%. TVS's prime competitor in the motorcycle export market is Bajaj Auto, which has more than 65% share at present. Majority of TVS's motorcycle are exported to Africa, SriLanka and Bangladesh, with Africa accounting for more than 40% of total bike exports. Indian vehicles mainly compete with low cost Chinese vehicles in the African markets, whereas the Japanese are more dominant in other markets like South America and South East Asia. Countries like Nigeria have a per capita GDP higher than India and are in fast expansion mode. Post the Hero Honda split, the Hero group is scouting for new markets abroad, but we believe that Bajaj and TVS have a first mover advantage. Momentum in Q1 FY12 has been strong in this segment, with quarterly sales increasing by about 27% y-o-y, out of which TVS's growth has been close to 23%. TVS also has plans to increase its global market hold in South America (Brazil) and in South East Asian economies. We expect TVS's motorcycle exports to increase by 20% and 15% in FY12 and FY13 respectively, based on strong demand from existing global motorcycle markets and proposed penetration in new markets. We add that markets like Brazil and Indonesia remain extremely competitive due to the stronghold of Japanese OEM''s like Honda.

TVS's Scooter Business

This segment accounts for about 20% of the company's total revenues, and has this proportion has been fairly constant over the last three fiscal years. TVS's scooter range is very well represented across all price points, and its domestic brands have achieved good success. We feel that TVS's scooter portfolio is stronger in range and depth compared to its domestic motorcycle portfolio.

Domestic scooters: TVS rides the sectoral growth story in FY10& FY11
FY11 was a phenomenal year for the domestic scooter industry, clocking 42% yoy growth, vs 27% in FY10, easily outpacing growth in other segments of the auto sector. The domestic scooter segment increased its share in the overall domestic two wheeler sector to 17.6 % in FY11, compared to 15.6% in FY10.

Market leader Honda closed FY11 with a 43% share in the domestic scooter segment. TVS has maintained more than a 20% market share in each of the last 3 fiscals in this segment. Hero MotoCorp, Suzuki and Mahindra's market shares were at 16.5%, 11% and 7.7% respectively.

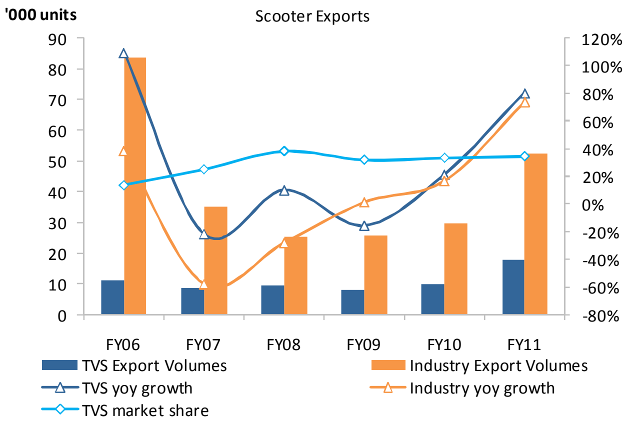
Key Scooter Brands in Domestic Market		
Brand	CC	Price (Rs)
TVS Motor		
Scooty Teenz	60	29640
Scooty Pep +	90	38625
Scooty Streak	90	39500
Wego (Unisex)	110	44820
Honda		
Dio DLX	100	39824
Activa DLX	110	43914
Aviator Std	110	44933
Hero Honda		
Pleasure	100	39500
Suzuki		
Suzuki Access	125	44154
Mahindra		
Kine	75	31,122
Flyte	125	40,490
Duro	125	41,842
Rodeo	125	44,762

Source: Company dealers, websites
All prices ex showroom New Delhi, end of June

TVS's scooters price range is from Rs 30,000 to Rs 45,000 ex showroom and the launch of the higher end "Unisex" scooter TVS Wego in late 2009 has added more depth to their portfolio.

TVS has plans to launch another scooter in FY12 for the domestic market, and there is news that it has plans to re-enter the "electric scooter" segment to take advantage of the governments incentives for Hybrid and Electric vehicles in the FY11-12 budget. We expect TVS's domestic scooters unit sales to increase by a 2 year CAGR of 12% over FY12 & 13 respectively, factoring in strong competition from Honda.

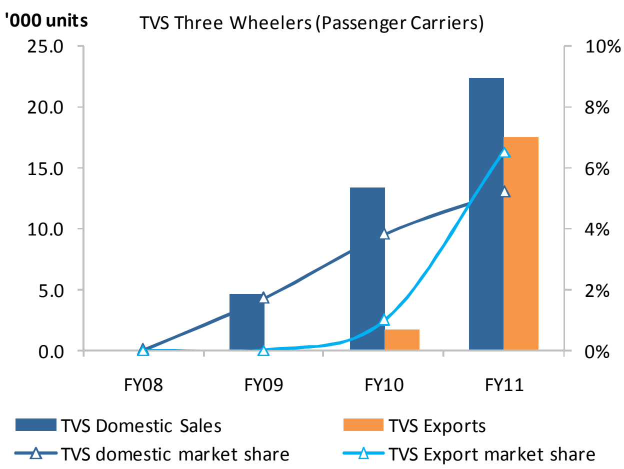
Scooter exports: A small segment, but growth opportunities present: This segment has shrunk in size from about 84000 scooters exported in FY06 to 52000 in FY11. FY11 incidentally happen to be an exceptional year, with exports growing by almost 75% yoy. The growth was led by TVS, which exported about 18000 scooters (80% yoy increase). The first three months of FY12 for TVS have also been encouraging, with annualized scooter exports close to 33000 units.



Concerns in the scooter segment: Even though this segment witnessed phenomenal growth in FY11, market leader Honda lost almost 7.5% market share in FY11 due to capacity constraints. This 7.5% accrued to Hero MotoCorp (2.2%), Mahindra Two Wheelers (2.9%), Suzuki (1.5%), and TVS (1.1%) respectively. With Honda's new plant about to commence production shortly, we expect its supply lag to be overcome, resulting in recapture of some market share. Yamaha is also planning to introduce electric scooters by FY12, which could further add to competition. We feel that TVS's scooter portfolio is better equipped than its motorcycle portfolio to handle competition. Our estimates are that TVS's domestic scooter market share will stabilize to about 20% over FY12 and FY13, (from 21.6% in FY11).

TVS's Three Wheeler Business

TVS forayed into the domestic passenger three wheeler business in FY08, and this segment accounts for about 5.5% of its current revenue.



Domestic Three Wheelers: TVS's entry in 3W to improve product mix: TVS's entry into the three wheeler passenger carrier business in FY08 can turn out to be one of the contributing factors in improvement of product mix and margins in the long run. TVS sold about 22,300 passenger carriers in the domestic market in FY11, and improved its market share by 140bps to 5.2%. Currently, LPG and Petrol variants are available in Chennai at an ex showroom price of Rs 143170, at a slight premium to competition. We expect TVS to achieve higher 3W sales over the next two years as the product becomes more acceptable on a pan India basis. By the end of FY10, TVS had expanded its 3W sales in 14 states, and is moving towards pan India availability. We have estimated and factored a 10% yoy growth in domestic 3W's for TVS, with expected unit sales at 24,600 and 27000 for FY12 and FY13 respectively. The state of Karnataka is on the verge of opening up 40,000 permits shortly, and that should help maintain near term momentum. We have used conservative assumptions as domestic 3W sales in Q1FY12 have been weak (Q1FY12 sales growth of 0.4% yoy). The 3W passenger carrier industry continues to be mostly regulated via the permit system.

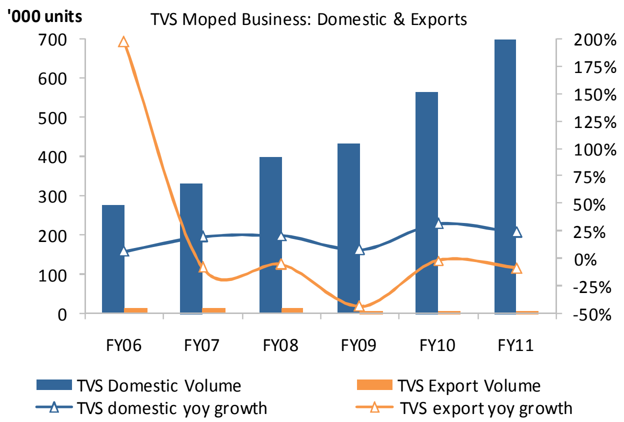
Three Wheeler Exports: Opportunities in South Asia: TVS exported about 17500 three wheelers in FY11, almost 10 times the FY10 numbers. 3W Exports for the first three months of FY12 have already clocked 8800 units (35000 annualized). Opportunities in South East Asia (SriLanka and Bangladesh) might result in a steady performance in this sector, once TVS's product becomes more acceptable. Even though it is early to speculate whether this strong trend can continue with the same momentum, we feel that 3W exports can increase at a strong over the next two years. Egypt was a new market added for TVS's three wheelers in FY11. We have factored in unit sales of 32,500 and 45,000 for TVS's 3W exports in FY12&13 respectively.

3W overall share in Revenue and profitability: We expect 3W's to contribute to about 7.5% of total revenues by end of FY13. We add that while competitors like Bajaj claim that their 3W business enjoy operating EBITDA margins of 30% (10% higher than their weighted operating EBITDA), we feel that such high margins might not accrue to TVS till FY13 because of the smaller scale of operations.

TVS's Moped business: Market Monopoly

TVS's moped business accounts for 20% of its total revenues

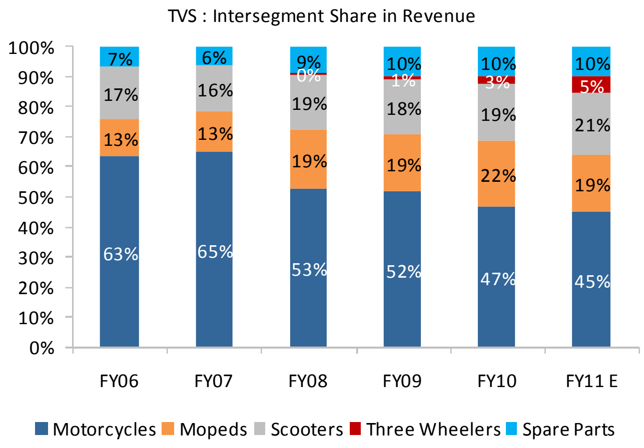
Domestic Mopeds: After the exit of Kinetic Motors and Majestic Auto from the domestic moped segment, TVS today has 100% market share and its domestic sales have increased by a cagr of about 20% over the past 5 years in volume terms, largely aided by two years of strong growth in FY10 and FY11, (31% and 23.5% respectively.) Its 75cc moped, the XL super currently sells at close to Rs 25,000 ex showroom Delhi. We expect domestic moped sales to grow by 17.5% each in FY12 and FY13, backed by strong rural demand.



Moped Exports: TVS's moped exports have fallen from 14300 per year in FY06 to about 6300 in FY11; hence this segment hardly contributes to TVS's revenue.

Concerns: The share of mopeds in TVS's overall revenue has slowly increased from 13% in FY06 to about 22% in FY10. We feel that this is one of the reasons resulting in margin pressure, because the moped business is a low margin game. Net realizations of TVS's mopeds business (domestic and exports) as per the FY10 annual report were only Rs 16,673, strikingly low compared to motorcycle and scooters, which had net realizations of Rs 32,000 and Rs 26,600 respectively. We feel that the company has low pricing power with respect to a product which sells for only 25000 ex showroom, and in future it would have to increase the share of motorcycles and scooters in its overall two wheeler portfolio to improve margins.

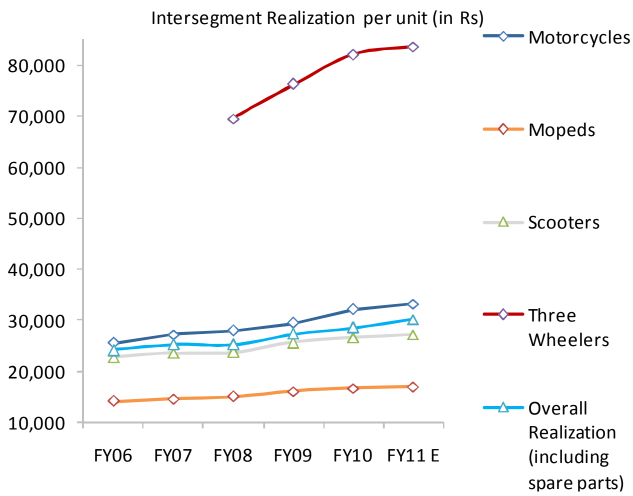
INVESTMENT RATIONALE



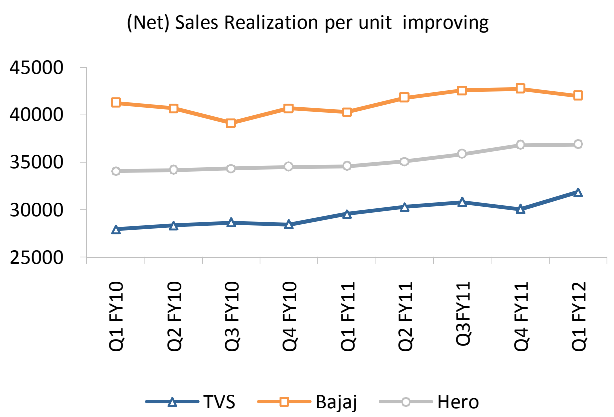
Change in domestic product mix and scale offers scope to "protect" margins

We feel that the subsequent ramp up of three wheelers (3W) in TVS's product portfolio, along with a higher scale of operations over the next two years will offer "protection" to EBITDA margins amidst a highly challenging scenario. This should help to negate the impact of higher revenue accruing to the low margin moped segment, and the possibility of domestic realizations being lower than expected. We also expect stable cash flow over FY12&13 to provide support to net earnings via lower net interest expense.

Margin protection rather than expansion: We stress on the word "margin ***protection***", as we feel that EBITDA margin expansion over the next two fiscals will be extremely difficult for TVS in the light increased competition in the domestic automobile industry, and a persistently challenging macro environment. We expect TVS's Operating EBITDA margins at 7.1% and 6.9% each for FY12 & 13 respectively, (Core EBITDA at 5.2% and 5%), using conservative assumptions in our valuation.

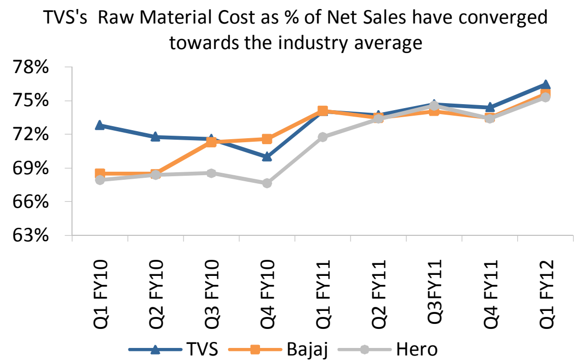


Three wheelers generally have higher margins than two & four wheelers because of higher pricing power available with the OEM's with respect to the end consumer. Competitors such as Bajaj claim that their 3W business enjoy operating EBITDA margins of about 30% (also due to a higher scale of operations), higher than their overall weighted margin of 20%. The higher pricing power available to the three wheeler OEM stems from the fact that the end user ultimately earns a cash flow from the product's use, and hence can be induced to pay higher premium initially. Another factor is that product enhancement features and advertisement expenses are not a key factor for 3W as they are for motorcycles and scooters, which results in lower cost and better margins.



FY08 Net realizations had actually fallen on a yoy basis from Rs 25,257 per unit to Rs 25201 per unit, due to an increase in mopeds and fall in motorcycles in the revenue mix. With the introduction of three wheelers and the gradual pick up FY09 onwards in this segment, realizations have improved. FY11 net realizations were Rs 30193 per unit, a 6% yoy improvement over FY10. We estimate the share of three wheelers in FY11 net revenue at about 5.4%, and expect it to increase to about 7.5% by end of FY13.

We expect steady contributions from all of TVS's business segments, but add that there is a strong likelihood of its domestic two wheeler portfolio (motorcycles and scooters) coming under pressure due to increased domestic competition. (We have duly factored this in our valuation assumptions) It should also take a few years for TVS to increase its scale of three wheeler production to start enjoying the full benefits of higher margins of that segment.

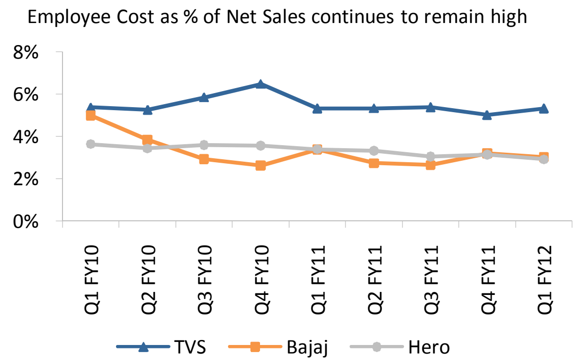


We feel that with an increase in scale of operations, TVS's Other Expenditure (SG&A) can improve marginally to about 14.3% of Net Sales by end of FY13, resulting in better margin protection.

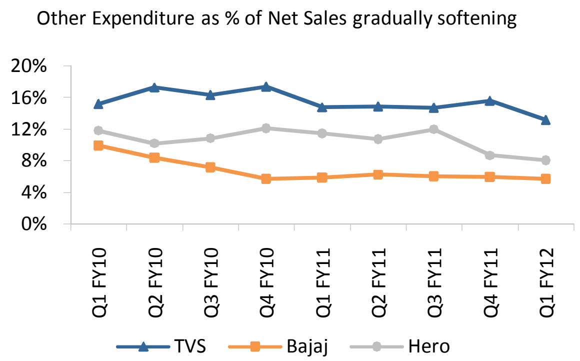
TVS's raw material cost as a percentage of net sales has already converged towards the ratio of Bajaj and Hero MotoCorp, aided by a favourable product mix.

The main factors why EBITDA margins for TVS are much lower than competition are due to:

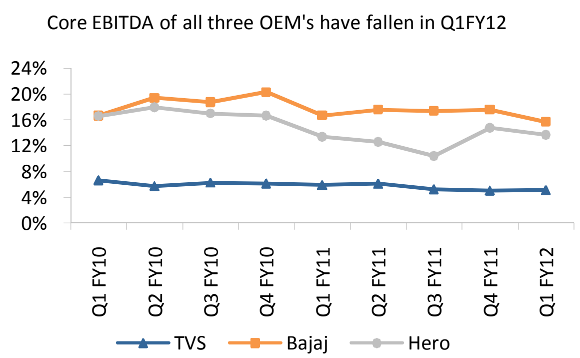
> High Other expenditure (SG&A): Other expenditure for TVS as a percentage of Net sales has average 15% for FY11, compared to 6% for Bajaj, a huge difference of 9%. Hero Honda's ratio has average 10.7% for the same period, being high due to its royalty expense. TVS clearly faces a disadvantage due to lower scale of operations. For example, TVS's advertisement cost per unit was about Rs 1024, more than double of Bajaj which was at Rs 492 per unit, and 30% higher than Hero MotoCorp which was at Rs 793 per unit. However we feel that as TVS increases its scale of operations over the next two years; its cost structure can improve with better economies of scale. This trend has already been observed in FY11, with annual Other Expenditure at 14.9% of Net Sales, an improvement of almost 180 basis points over FY10 which was at 16.7%. Going forward we expect total SG&A expenditure to improve marginally to 14.7% and 14.3% over FY12 & 13 respectively, with a higher scale of operations.



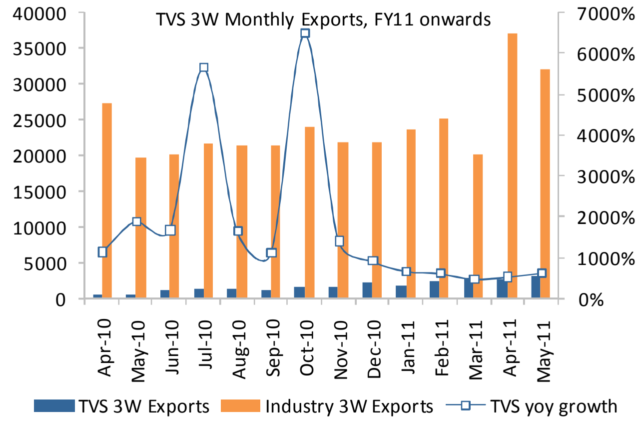
> Employee Cost: TVS's employee cost as a percentage of net sales has averaged 5.3% in FY11, significantly higher than Bajaj and Hero MotoCorp at 3% and 3.2% respectively. Employee expenditure as a percentage of net sales could soften marginally as the management claims that most of the hikes and employee benefits which were accumulating for a long period have been taken in FY11.

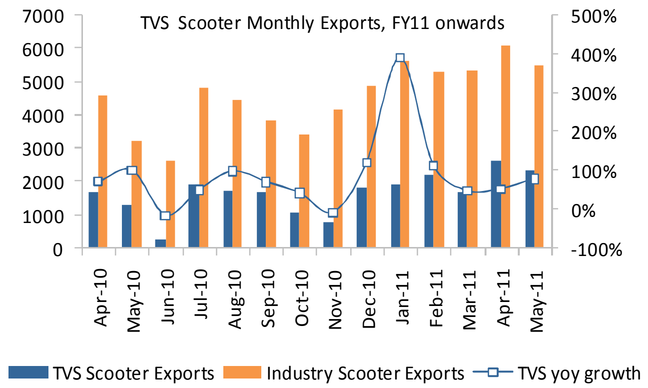


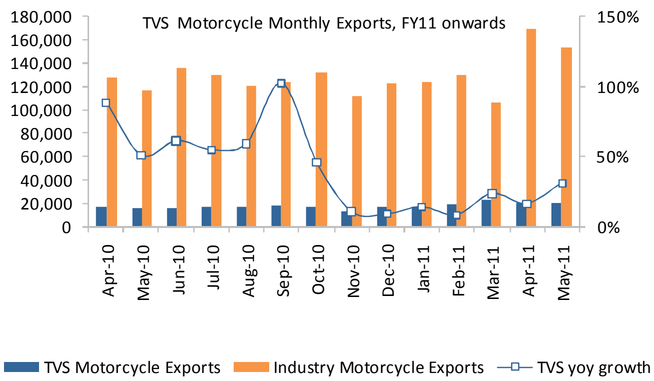
> Realization and Raw Material cost differential: A key driver for EBITDA margins are the differential between realizations and raw material costs. While we expect a change in product mix to improve realizations; we feel that passing on price hikes to the end consumer will be extremely difficulty in the current scenario. While Net Realizations per vehicle have increased marginally over the last 8 quarters with the calibrated increase in prices, raw material costs have mirrored a similar increase, resulting in virtually no increase in the differential.



EBITDA margin outlook: Our estimation of EBITDA margins is that they will stay near constant over FY12 and FY13, with the possibility of margin expansion extremely difficult for TVS in the light of high competition and a challenging macro environment. We estimate TVS's Operating EBITDA margins at 7.1% and 6.9% each for FY12 & 13 respectively, (Core EBITDA at 5.2% and 5%), using conservative assumptions in our valuation.







Export Markets present growth opportunities

We feel that TVS's exports offer a strong base for diversification in the event of an unforseen loss in domestic market share and overall domestic slowdown.

TVS's exports have increased sharply over FY11, with new markets being added across the globe. TVS's main competitor in the export market is Bajaj Auto, which is the clear market leader and has a clear first mover advantage.

Three Wheeler Exports: The demand for three wheeler exports has primarily come from SriLanka (after breakup of LTTE), Bangladesh and Egypt. Bajaj Auto is already present in all these markets. In FY11, TVS began to export 3W to Egypt, and registered overall sales of about 17500 units for the year. We feel that higher exports of three wheelers are a positive for TVS's overall margins, as three wheelers on an average earn almost double margins than two wheelers.

Two Wheeler Exports (Motorcycle, Scooter and Mopeds): Africa accounts for 40% of TVS's two wheeler exports, and 40% is sold in SriLanka and Bangladesh collectively. The balance 20% is accounted for in Latin America and South East Asia. Africa presents a significant opportunity, with demand primarily coming from countries like Nigeria and Kenya. The primary competition in Africa is from low cost Chinese bikes, with the Japanese OEM's more dominant in other regions outside Africa. There is news however that Honda is developing a low cost motorcycle costing 600$ for the African region. Demand from SriLanka has increased post the LTTE split. The company has an assembly operation in Brazil where it assembles the Apache motorcycle, and it plans to use Brazil as a base to supply other countries in Latin America like Colombia. Moped exports have however been on the decline.

Exports Outlook for FY12 and FY13: Based on the current strong momentum from emerging and frontier markets, and the opportunities ahead, we have estimated that TVS's overall exports have the possibility to grow by 27.5% and 19% in volumes over FY12 and FY13, and we expect FOB value of Rs 1082 and Rs 1374 crores over the same period respectively.

Better cash position expected to provide boost to bottom line: TVS's total cash balance at the end of FY11 crores (excluding investments in financing arm TVS Motor Services) was only 6 crores, after having repaid about Rs 220 crore of debt in FY11. Net Interest charges (Interest paid – Interest Earned) was Rs 47 crore in FY11, and we expect it to improve to Rs 38 crore by FY13.

Assumptions: In making this calculation, we have assumed investment capex of Rs 250 crores and Increase in Strategic Investments in subsidiaries & TVS Motor Services at Rs 315 crores over FY12 & FY13. We have also assumed a healthy dividend payout ratio of close to 27% over the next two years, and expect treasury income at Rs 18 crores and Rs 26 crores in FY12 & 13.

Other Updates:

Network and Touch Points: TVS currently has about 700 vehicle dealers (maximum of them being 2W dealers), and about 2000 service centres and sub dealer outlets. (Total touch points = 2700). Moped sales continue to be primarily in rural areas, whereas motorcycle and scooter sales are spread across both urban and rural. The company is slowly increasing its three wheeler penetration by scouting for new dealerships on a pan India basis. TVS is also scouting for new export destinations for its three wheeler vehicles. In FY11, Egypt was added as a new market in the three wheeler space.

Product Launches: The Company will launch products in the two wheeler motorcycle and scooter space in FY12, but a specialized foray into Electric Scooter segment still remains uncertain due to impediments such as low battery technology, despite benefits handed out in the 2011-12 Budget for alternative green fuels.

"Housing and Energy" subsidiary update: TVS has invested Rs 5 lakh in a 100% subsidiary TVS Housing Ltd to foray into the low cost housing sector in South India. The management has confirmed that the housing vertical is primarily an investment of the TVS "group" as a whole, and not confined to TVS Motors alone. Future deployment of cash flows into the housing subsidiary will be from the "TVS group" company's cash flows (and not TVS Motors). TVS also invested Rs 14.25 crores in its subsidiary TVS Energy Ltd, taking the total investment to about Rs 52 crores. The plant in Tamil Nadu is expected to be of a capacity of 25 Megawatts, and revenue stream is expected to start in FY12. The future of this subsidiary is uncertain as of now; there are chances that it might be spun off in future depending on the circumstances.

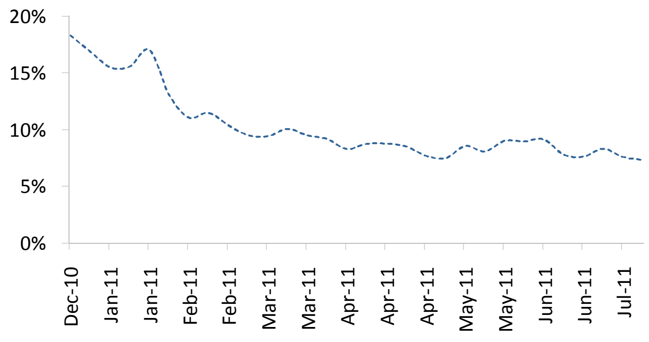
Concerns Section:

Withdrawal of DEPB benefits: The Government's decision in June to propose withdrawal of the DEPB export incentive scheme has put a great deal of uncertainty on margins of exporting companies which claim benefit of about 9% of their FOB value. The decision to withdraw the DEPB scheme has been postponed till September, and there is speculation that a new scheme of duty drawback might be offered, which would provide benefits of about 4% on FOB value. The key issue to be considered in this episode is that countries like China continue to subsidize their products by almost 15%, which aids them in dominating the entry level segment in export markets. A withdrawal of export incentives would put Indian automobiles at a significant disadvantage versus other countries like China. Passing on the full 9% could also result in the end consumer paying effectively higher, due to local taxes as well as a loss in unit sales to competition.

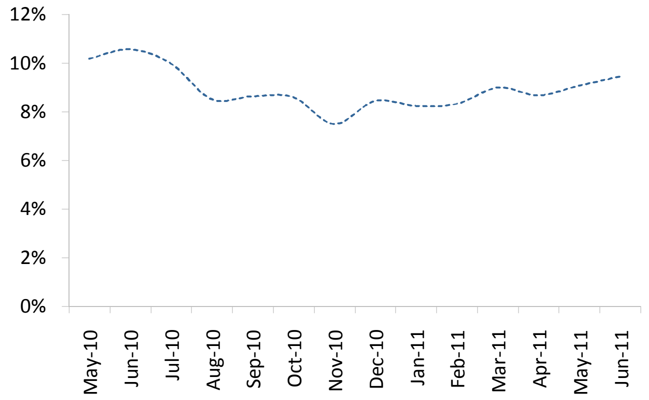
DEPB impact	**Existing Scenario**	**New Scenario**
on FY13 estimates	No change in DEPB	DEPB withdrawn
(in Rs crore)	Continues at 9%	4% Duty Drawback
FOB	1,311.3	1,274.5
Net Sales	8,388.4	8,351.6
Other Op. Income	177.0	73.9
Total Income	8,565.4	8,425.5
Operating EBITDA	590.6	570.0
margin%	6.9%	6.8%
Core EBITDA	413.5	411.6
margin%	4.9%	4.9%
PBT	376.2	355.7
margin%	4.5%	4.3%
PAT	269.0	254.3
margin%	3.2%	3.0%
FY13 EPS	5.7	5.4
Target Price	60.5	59.0

Scenario Analysis: We have done a scenario analysis under a restrictive set of assumptions of the proposed withdrawal of DEPB and its impact on TVS's financials. If DEPB is withdrawn and 4% duty drawback comes into play, we estimate a loss in operating EBITDA of Rs 20.6 crores in FY13, which works out to Rs 0.43 per share on a pre tax basis, and Rs 0.30 per share on an after tax basis. Under this scenario, out target price will fall from Rs 60.50 to Rs 59.00 using the same valuation methodology as described in the valuations section.

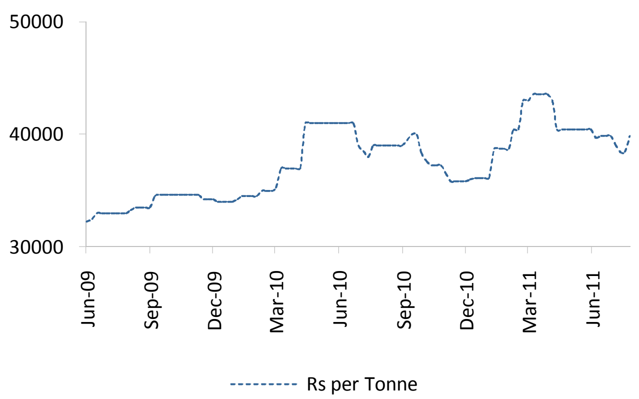
Weekly Food Inflation yoy % has corrected sharply over last 6 months



WPI (headline) Inflation continues to stay high



Domestic HRC steel prices continue to stay high, but have marginally softened over June & July



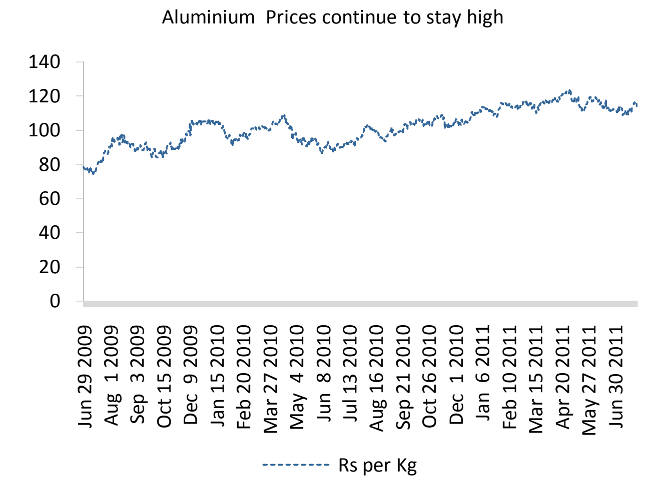
Financing, interest rates and inflationary pressure: We feel that the domestic automobile industry could marginally slowdown in FY12, primarily due to persistent high inflation and interest rates. Currently, TVS dealers in Delhi are providing finance to the consumer at about 11% p.a for a three year loan. (11% on a simple interest basis, which works out to about 21.5% on a compounded basis). This 11% financing structure is provided directly by the dealer through funds from TVS Motor via its financing arm TVS Motor Services, whereas other financers like HDFC and Fullerton charge between 13.5 to 14% interest (26.3% to 27.3% compounded). TVS has also tied up with Syndicate Bank in the beginning of FY12 to provide financing for its three wheelers.

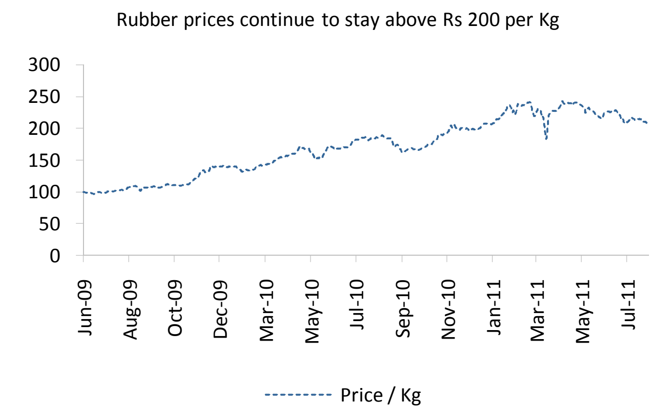
Currently About 25% of TVS's products in the domestic market are retail financed, 75% on cash basis (in line with industry trends). TVS has invested about Rs 175 crores in FY11 in its Financing arm TVS Motor services, but its share in vehicle financing continues to be minor. (Only 5000 units per month are being financed in the domestic market compared to a total current domestic monthly run rate of about 1.6 lakhs). The company will deploy more cash into TVS Motor Services FY12 onwards, and expects it to finance more vehicles. Deployment of funds will provide double benefit of improving both unit sales and treasury income.

Rising interest rates do not have much of an impact on incremental EMI's in numerical terms. For a fixed loan of Rs 50000, over 3 years at a compounded rate of 26% having an initial monthly EMI of Rs 2015, the EMI increases only by Rs 27 per month for every percent increase in the interest rate. However, defaults on loans and deferment of prospective two wheeler purchases take place because the consumer's household basket becomes dearer. Food inflation has corrected sharply over the last 6 months, offering relief to the two wheeler consumer. WPI inflation is expected to persist in the near term with the recent hike in petroleum product prices, but the Finance ministry expects it to moderate by the end of FY12.

Commodity prices concern: Commodity prices have continued to stay high, and TVS last hiked its prices by about 1.5% to 2% across its entire product portfolio in the first week of April to offset rising commodity costs, following a 1% to 2% hike in January 2011. Rubber and Steel prices have softened marginally over the last fortnight, but aluminium prices continue to stay high.

TVS's product portfolio is most sensitive to steel and aluminium prices, followed by rubber, crude and other non ferrous metals. We feel that two wheeler companies will find it difficult to continue raising product prices in the current inflationary scenario and might have to take a partial hit on their margins if commodity prices continue to trend upwards over FY12.





Commodity price outlook: We have factored in high commodity costs over FY12& 13, and expect little respite on this front, using a conservative approach. We TVS's estimate total materials consumed to increase by about 19% yoy over FY12 and 13, marginally higher than increase in Revenue at 18.4% each year respectively. While Q1FY12 was one of the highest in terms of raw material costs (at 76.4% of Net Sales), we expect the ratio to stay in the vicinity of close to 75% in FY12 and 13.

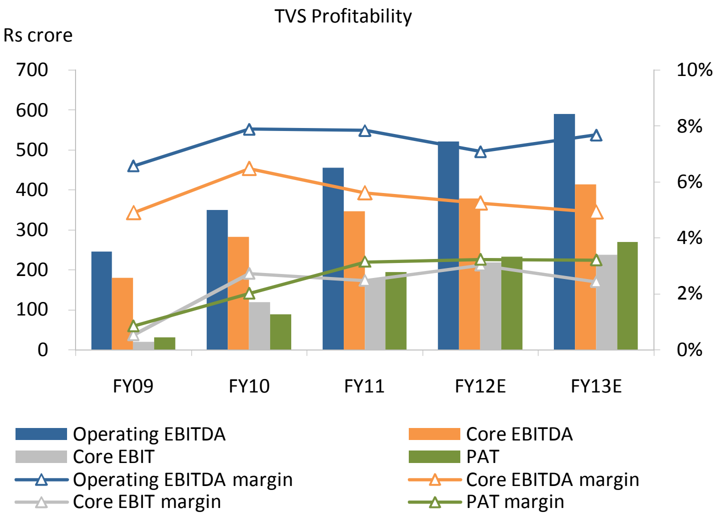
Update on Subsidiaries – PT TVS Indonesia still not profitable

TVS has a subsidiary in Indonesia which sold about 20000 units in FY11, a 33% yoy growth. In spite of the improvement in unit sales, the subsidiary is still not profitable at the EBITDA level; due to a very high proportion of other expenses in the initial ramp up phase (Other Expenses were higher than Net Sales in FY10). The company invested about Rs 46 cr in Indonesia during FY11 due to losses faced, taking total investments in Indonesia to Rs 339 crores. Total capacity in Indonesia stands at 3 lakh units per annum. TVS expects more local Indonesian NBFC retail financers to commence financing its products going forward. Localization of operations at Indonesia is about 40%.

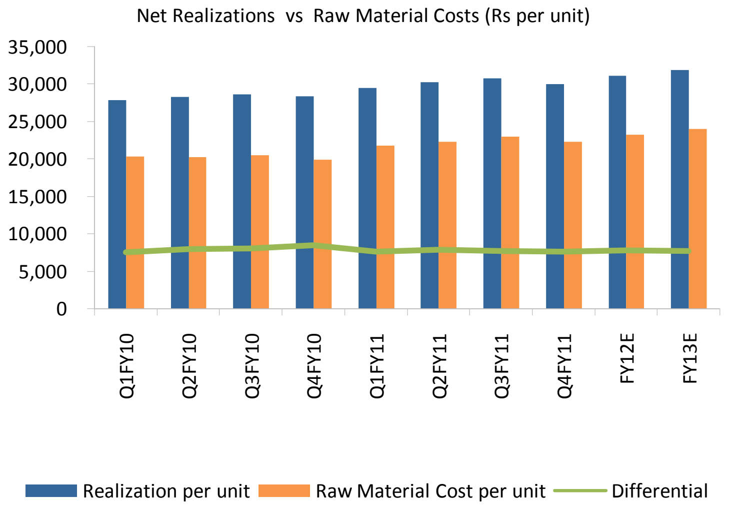
FY12 and FY13 outlook for Indonesian operations: TVS is considering expanding dealerships to more than 200 in FY12 to increase its coverage. The company sells the TVS Rockz, TVS Neo and TVS Apache in Indonesia. TVS has also stated that its subsidiary in Indonesia is targeting markets outside the country and aims to increase its presence in more provinces within the country. The management expects it to break even before end of FY13. We feel that the subsidiary might require unit sales of about 5000 per month to turn profitable. The Indonesian 2W market however remains extremely competitive, with Honda having more than 50% market share via its Joint venture with the local Astra group. The growth of Honda-Astra has been higher than other competitors over the last year.

Impact on Standalone cash flow: Due to the reduction of Net Worth of the subsidiary, TVS has invested about Rs 46 crores in FY11. We have estimated that TVS will inject a further total of Rs 90 crore over FY12 and FY13 to provide support until operations gather momentum. Any further investment required in the subsidiary due to delay in the pickup in operations could have an impact on the bottom line in terms of lower treasury income. However we feel that Rs 90 crores investment over two years should be satisfactory.

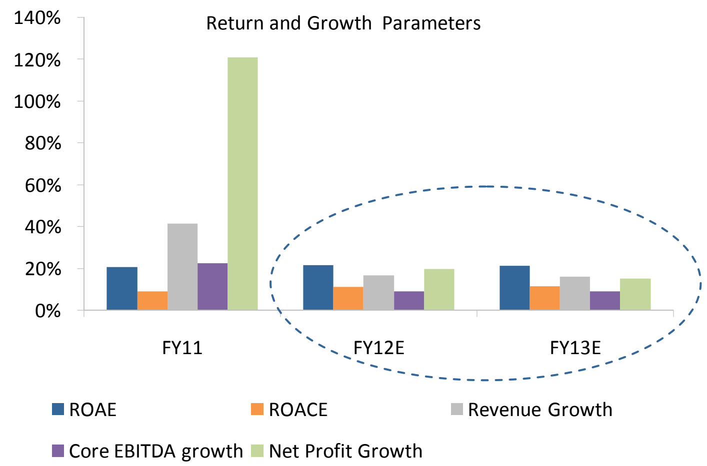
Due to the uncertainty surrounding the subsidiary and the small scale of operations at present (Indonesian Sales at 1.4% of Revenue), we have decided not to consolidate the subsidiary. Our financial statements and projections involve standalone projections.



After riding the phenomenal growth story in FY10 &FY11, we expect the momentum to ease, and estimate that incremental margin expansion over FY12&13 will be difficult in the midst of a highly challenging scenario. We estimate Operating EBITDA margins during FY12 & 13 at 7.1% and 6.9%, with less scope for any significant expansion.



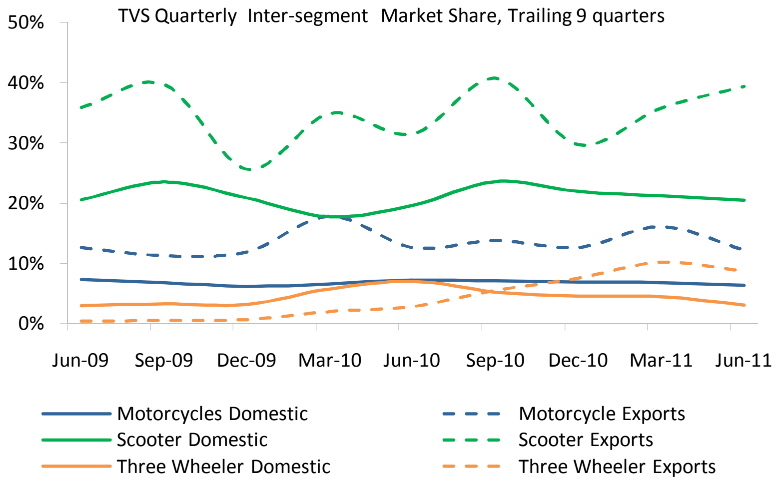
While Net Realizations per vehicle have increased marginally over the last 8 quarters with the calibrated increase in prices, raw material costs have mirrored a similar increase, resulting in virtually no increase in the differential. We expect that in all likelihood, this trend will continue in FY12&13, providing little scope for EBITDA margin expansion.



After the supernormal growth phase in FY11, we expect return and growth parameters to "normalize" over FY12 and 13, having have factored in conservative assumptions in our valuation. Estimating EBITDA margins to stay near constant levels, we feel that revenue growth of about 16.5% cagr over the next two fiscal years can translate into bottomline growth of about 17% cagr over the same period.

P&L (Standalone), in Rs crore	Q1 FY12	Q1 FY11	Q4 FY11	y-o-y	q-o-q
Units sold	536,131	463,840	533,772	16%	0%
Net Sales	1,707.3	1,369.6	1,604.6	25%	6%
Other Operating Income	38.8	23.4	28.8	66%	34%
Income from Operations	1,746.0	1,393.0	1,633.5	25%	7%
Materials Consumed	1,304.4	1,013.8	1,193.6	29%	9%
Employees Cost	90.9	72.9	80.4	25%	13%
Other Expenditure	225.3	202.5	250.4	11%	-10%
Total Expenditure	1,620.7	1,289.3	1,524.4	26%	6%
Operating EBITDA	125.4	103.7	109.1	21%	15%
Margin	7.2%	7.4%	6.7%		
Core EBITDA	86.6	80.3	80.3	8%	8%
Margin	5.1%	5.9%	5.0%		
Depreciation	27.7	26.6	24.3	4%	14%
Amortization	8.3	13.9	17.8	-41%	-53%
Operating EBIT	89.4	63.2	67.0	42%	34%
Margin	5.1%	4.5%	4.1%		
Other Income	0.0	4.1	0.3	-100%	-100%
Forex translation difference	0.0	0.1	(0.1)	-86%	-140%
PBIT	89.4	67.4	67.2	33%	33%
Net Interest Charge	11.6	17.0	5.7	-32%	105%
PBT	77.9	50.5	61.6	54%	26%
Tax Expense	19.1	10.1	19.9	89%	-4%
Net Profit after Tax	58.8	40.4	41.7	46%	41%
EPS (Bonus Adjusted)	1.24	0.85	0.88	46%	41%

Source: Company Filings



Moped data has been excluded as TVS has a 100% market share

Q1 FY12 results: A Positive surprise

TVS reported a good set of Q1 results today amid a challenging environment. With some cost cutting, it was able to maintain margins despite high raw material costs.

Topline: Total Units sold for Q1FY12 increased by 16% yoy, realizations for the quarter were also higher by 8% yoy, (Rs 31844 per vehicle), resulting in overall growth in Net Sales for the quarter at 25% on a yoy basis.

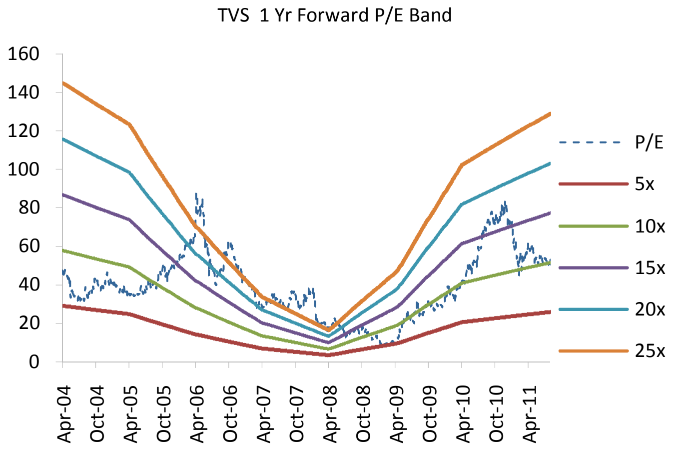
EBITDA maintained with lower SG&A expenses: Total materials consumed as a percentage of Net Sales remained high at 76.4% (the highest in twelve quarters), but TVS was able to undertake cost cutting in Other Expenses (SG&A) in Q1, which came in at 13.2% of Net Sales compared to 14.8% in Q1 FY11. Core EBITDA margins were at 5.1% for Q1FY12, a mild improvement over 5% in the previous quarter (sequential), but still lower than 5.9% in Q1 FY11.

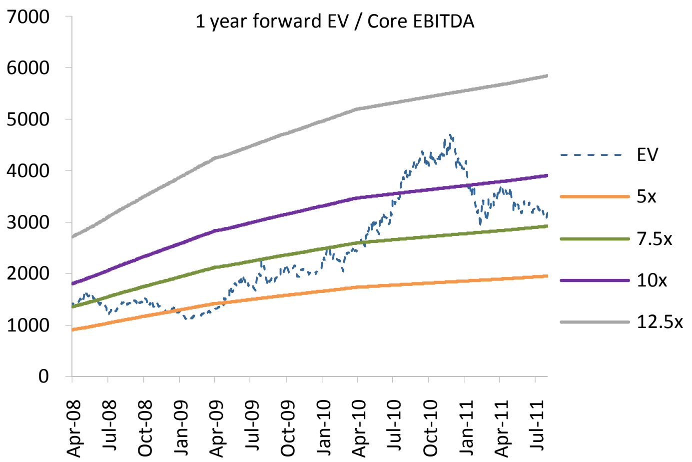
EBIT margins improve with lower amortization expense: Uptil FY11 end, TVS was amortizing New Product Launch expenses on a quarterly basis. Misc expenditure not written off as at end of FY10 (29.73 crores) was fully written off over FY11, hence the company only provided for Rs 8.3 crore of amortization expense for Q1 FY12 (for moulds and dies). Operating EBIT margins improved almost 100 bps on a yoy basis. Going forward TVS will expense new product launch expenses in SG&A.

Net Income: Bottomline earnings were up 46% yoy, and 41% on a sequential basis.

Investments during quarter: TVS invested Rs 34.89 crores in its European subsidiary, and Rs 22.55 crores directly in its Indonesian subsidiary. We assume that the former investment will also be diverted towards Indonesia, taking total investments in Indonesia in FY12 to Rs 57.44 crores. We have assumed that TVS will invest Rs 90 crores in Indonesia over FY12 & 13. TVS also invested Rs 30.96 crores in its finance arm TVS Motor Services.

Second Interim Dividend for FY11 @ Rs 0.60 per share (60%): TVS declared a second interim dividend of Rs 0.60 per share, taking the total dividend for FY11 at Rs 1.10 per share, which works out to a annualized dividend yield of 2.1% at the current market price. We expect TVS to maintain a payout ratio of close to 27% in FY12 & 13. We have built in an estimate for dividend per share at Rs 1.3 and Rs 1.5 for FY12 & 13 respectively (compared to Rs 1.1 per share in FY11).





Valuation:

We remain cautious in our valuation of TVS Motor, in the light of a challenging macro environment and the strong likelihood of increased competition in the domestic automobile market over FY12 and FY13.

TVS at Rs 53.00 currently trades at 10.8x and 9.4x estimated FY12 and FY13 EPS of Rs 4.9 and Rs 5.65 respectively. Its Enterprise Value (EV) trades at 8.6x and 7.9x estimated FY12 & FY13 Core EBITDA of Rs 378 and Rs 414 cr respectively.

We feel that a 1 year forward P/E multiple of 11 and a one year forward EV / Core EBITDA multiple of 8.5 is justified based on its nature of TVS's operations and the current cycle of the domestic auto industry.

Our price target for TVS by the end of FY12 is Rs 60.50, based on weighted blend of 11x estimated FY13 EPS and 8.5x estimated FY13 Core EBITDA. (Assigning 50% weight to each multiple).

The price target is based on the assumption that DEPB benefits will not be withdrawn (it will maintain status quo at 9% of FOB). If DEPB is withdrawn and 4% on FOB duty drawback is offered, our estimated target price using same valuation methodology is Rs 59.00.

Key Assumptions and Ratios	FY09	FY10	FY11	FY12E	FY13E	FY10 YoY%	FY11 YoY %	FY12 YoY%	FY13 YoY%
Domestic Motorcycles	457,896	492,358	632,150	679,218	722,069	7.5%	28.4%	7.4%	6.3%
Motorcycle Exports	177,993	148,443	204,681	245,617	282,460	-16.6%	37.9%	20.0%	15.0%
Motorcycles Grand Total	*635,889*	*640,801*	*836,831*	*924,835*	*1,004,529*	*0.8%*	*30.6%*	*10.5%*	*8.6%*
Domestic Scooters	239,469	299,396	448,108	476,973	560,444	25.0%	49.7%	6.4%	17.5%
Scooter Exports	8,287	10,066	18,156	30,000	40,000	21.5%	80.4%	65.2%	33.3%
Scooters Total	*257,438*	*309,691*	*466,264*	*506,973*	*585,351*	*20.3%*	*50.6%*	*8.7%*	*15.5%*
Domestic Mopeds	429,727	564,584	697,418	819,466	962,873	31.4%	23.5%	17.5%	17.5%
Moped Exports	7,040	6,905	6,295	6,295	6,295	-1.9%	-8.8%	0.0%	0.0%
Mopeds Total	*436,767*	*571,489*	*703,713*	*825,761*	*969,168*	*30.8%*	*23.1%*	*17.3%*	*17.4%*
Domestic Three Wheelers	4,596	13,400	22,357	24,593	27,052	191.6%	66.8%	10.0%	10.0%
Three Wheeler Exports	17	1,716	17,503	32,500	45,000	9994.1%	920.0%	85.7%	38.5%
3W Grand Total	*4,613*	*15,116*	*39,860*	*57,093*	*72,052*	*227.7%*	*163.7%*	*43.2%*	*26.2%*
Total Domestic sales	1,131,688	1,369,738	1,800,033	2,000,250	2,272,437	21.0%	31.4%	11.1%	13.6%
Total Exports	193,337	167,130	246,635	314,412	373,755	-13.6%	47.6%	27.5%	18.9%
Grand Total	**1,346,468**	**1,533,375**	**2,046,668**	**2,314,663**	**2,631,100**	**13.9%**	**33.5%**	**13.1%**	**13.7%**
Net Realization (including spare parts)	27,263	28,454	30,193	31,150	31,882	4.4%	6.1%	3.2%	2.3%
Raw Material Cost per Vehicle	20,486	20,231	22,378	23,301	24,077	-1.2%	10.6%	4.1%	3.3%
Differential per Vehicle	6,777	8,223	7,815	7,849	7,805	21.3%	-5.0%	0.4%	-0.6%
Operating EBITDA per vehicle (in Rs)	1,825	2,282	2,230	2,253	2,245	25.0%	-2.3%	1.0%	-0.4%
Dividend Payout Ratio	107.0%	64.8%	26.9%	26.5%	26.5%				

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY10	FY11E	FY12E	FY13E
Net Sales	4,363.1	6,179.5	7,210.2	8,388.4
YoY%	*18.9%*	*41.6%*	*16.7%*	*16.3%*
Other Op. Income	*67.0*	*109.6*	*143.2*	*177.0*
Income from Operations	*4,430.1*	*6,289.1*	*7,353.4*	*8,565.4*
Materials Consumed	3,102.2	4,580.0	5,393.4	6,334.9
Total Expenditure	*4,080.3*	*5,832.7*	*6,831.8*	*7,974.8*
Operating EBITDA	349.9	456.4	521.5	590.6
Core EBITDA	282.8	346.8	378.3	413.5
Depreciation & Amort	164.3	170.9	160.4	176.6
Operating EBIT	185.6	285.5	361.2	413.9
Core EBIT	118.6	175.9	218.0	236.9
Net Interest Charge	*63.2*	*47.0*	*50.3*	*37.7*
PBT before Excp Items	122.9	248.1	310.8	376.2
Exceptional Items	46.7	0.0	0.0	0.0
Adjusted PBT	76.2	248.1	310.8	376.2
Tax Expense	(11.8)	53.5	77.7	107.2
Reported Net Profit	88.0	194.6	233.1	269.0
YoY%	*183.1%*	*121.1%*	*19.8%*	*15.4%*
EPS	1.9	4.1	4.9	5.7

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	FY10	FY11E	FY12E	FY13E
Operating Activities				
PBT	76.2	248.1	310.8	376.2
Depreciation and Non Op Exp	342.7	172.0	185.5	190.2
less Non Op Income	(71.2)	(27.3)	(18.1)	(26.2)
CFO before tax and WC adj	347.7	392.7	478.3	540.2
Taxes	(21.7)	(53.5)	(77.7)	(107.2)
Changes in Working Capital	104.3	(114.2)	104.6	(13.4)
Cash Flow from Operations	**430.3**	**225.0**	**505.1**	**419.6**
Free Cash Flow	370.1	105.6	380.1	294.6
Investing Activities				
Net Investments	*(348.4)*	*73.5*	*(211.5)*	*(103.5)*
Capex	*(60.2)*	*(119.5)*	*(125.0)*	*(125.0)*
Interest Received	12.3	29.0	18.1	26.2
Cash Flow from Investments	**(267.1)**	**(16.9)**	**(318.4)**	**(202.3)**
Financing Activities				
Loans Taken / (Repaid)	97.3	(218.3)	(50.0)	(50.0)
Total Interest Paid	(75.4)	(76.0)	(68.4)	(63.9)
Dividends paid with taxes	(38.9)	(41.1)	(66.0)	(77.6)
Cash Flow from Financing	**(17.0)**	**(335.4)**	**(184.4)**	**(191.5)**
Opening Cash	(40.7)	101.0	6.0	8.3
Changes during year	146.2	(127.3)	2.3	25.8
Closing Cash	101.0	6.0	8.3	34.1

Balance Sheet, Year Ending March				
Particulars, in Rs crore	FY10	FY11E	FY12E	FY13E
SOURCES OF FUNDS				
Share Capital	*23.8*	*47.5*	*47.5*	*47.5*
Reserves & Surplus	*841.6*	*951.9*	*1113.0*	*1298.9*
Shareholders' Funds	*865.3*	*999.4*	*1160.5*	*1346.4*
Loan Funds	*1003.3*	*785.0*	*735.0*	*685.0*
Net Deferred Tax	114.6	96.0	96.0	96.0
Capital Employed	*1983.2*	*1880.4*	*1991.5*	*2127.4*
USE OF FUNDS				
Gross Block	1909.1	2028.6	2153.6	2278.6
Accumulated Depreciation	953.4	1060.7	1177.8	1304.1
Net Block	955.7	968.0	975.8	974.5
CWIP	27.1	27.1	27.1	27.1
Fixed Assets	982.8	995.0	1002.9	1001.6
Investments	739.3	660.2	871.7	975.3
Current Ass, Loans and Adv				
Inventory	289.7	528.0	420.2	522.1
Debtors	220.3	271.0	321.6	390.8
Cash and Bank	101.0	6.0	8.3	34.1
Other Current Assets	2.2	2.2	2.2	2.2
Loans and Advances	352.0	395.0	395.0	395.0
Total	965.2	1202.2	1147.2	1344.2
Current Liabilities	667.2	885.0	932.4	1090.0
Provisions	66.9	92.0	98.0	103.5
Net Current Assets	231.1	225.2	116.9	150.6
Misc Exp n.w.o	30.1	0.0	0.0	0.0
Capital Deployed	1983.2	1880.4	1991.5	2127.4

Ratio Analysis				
	FY10	FY11E	FY12E	FY13E
Profitability				
Operating EBITDA%	7.9%	7.3%	7.1%	6.9%
Core EBITDA%	6.5%	5.6%	5.2%	5.0%
Operating EBIT%	4.2%	4.5%	4.9%	4.8%
Core EBIT%	2.7%	2.8%	3.0%	2.8%
PAT%	2.0%	3.1%	3.2%	3.2%
ROAE%	10.5%	20.9%	21.6%	21.5%
ROACE% (using core EBIT)	6.2%	9.1%	11.3%	11.5%
Du Pont ROE breakup				
PAT / Sales	2.0%	3.1%	3.2%	3.2%
Sales / Avg Total Assets	1.71	2.23	2.45	2.64
Avg Total Assets / Avg Equity	3.04	2.97	2.72	2.53
ROAE	10.5%	20.9%	21.6%	21.5%
Other Ratios				
Current Ratio	1.37	1.45	1.31	1.23
Long Term Debt / Equity	1.16	0.79	0.63	0.51
Valuation Ratios				
EPS *	1.9	4.1	4.9	5.7
CEPS *	5.3	7.7	8.3	9.4
DPS *	1.2	1.1	1.3	1.5
Dividend %	120%	110%	130%	150%
Dividend Payout ratio	65%	27%	26%	26%
P/E	27.5	12.5	10.4	9.0
BVPS *	18.2	21.0	24.4	28.3
P/BV	2.8	2.4	2.1	1.8
EV / Core EBITDA	11.6	9.4	8.6	7.9
Cash & Cash Eq per share (1) *	8.6	0.1	0.7	0.7
Cash & Cash Eq per share (2) *	9.9	5.1	8.3	10.4

* Bonus adjusted

Cash & Cash Equivalents (1) do not include investments in TVS Motor Services

Cash & Cash Equivalents (2) include investments in TVS Motor Services.

Note: TVS Motor Services is the financing arm of the company.

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Stock Rating

	Absolute Return
Buy	> 20%
Accumulate	12-20%
Hold	5-12%
Reduce	< 5%

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