

CMP: Rs 143  
Target Price: Rs 115  
**Recommendation: Reduce**

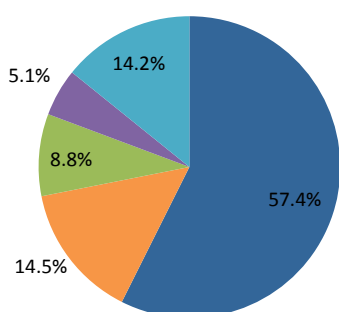
**Stock Info**

BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	26,126
NSE Nifty	7,790

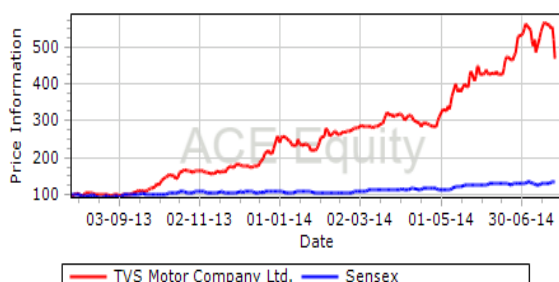
**Market Info**

Market Capital	Rs 6,793cr
Equity Capital	Rs 47cr
Avg Trading Volume	2,15,790
52 Wk High / low	Rs 179/ 28
Face Value	Rs 1

Latest Shareholding Pattern ,June 14



■ Promoters ■ DII ■ FII ■ Corporate ■ Others



TVS reported mixed set of numbers for Q1FY15. Volumes for the company grew by 18.1% while realisations increased by 10% on YoY basis. 2W sales increased by 22% on YoY basis and stood at 5.59 lakh units. However, scooters grew faster at 55%. 3W sales grew by 60% on YoY basis and stood at 25,000 units.

Net revenues rose 30% to Rs. 2,305cr on YoY basis. Contribution margin declined by 220 bps on YoY basis due to increase in raw material cost which increased to 74.1% of revenues as compared to 71.9% on YoY basis. However, operating EBITDA for the quarter improved 10bps YoY to 5.7% (far lower than expectation of 7%). Profit after tax for the quarter increased by 39% to Rs. 72 crs on YoY basis.

> **OUTLOOK FOR NEXT 2 YEARS:** TVS has done exceedingly well on its business front both in both domestic as well as export market. Company has been aggressively pursuing for higher domestic market share through new launches. Company intends to increase its market share in scooter segment to 16-18% from existing ~13%. Company is planning to launch refreshed version of Scooty, while it's recently launched Jupiter is gaining traction in domestic market.

> **FINANCIALS:** We estimate Net Revenue growth at a 2 year CAGR of 20%, and EBITDA growth at a CAGR of 43%. We expect operating margin to increase to 7.1% in FY15E and 8.6% in FY16E. We also believe that as sales of the company grows, per unit advertising and marketing cost will come down rapidly.

> **VALUATION:** The stock at Rs. 143 trades at 12.4x our estimated FY16 EPS of Rs 11.5 per share at which stock looks over-valued in our view. We have assigned a price target of Rs 115 per share based on PE of 10x its FY16 estimates. Recommend '**Reduce**' rating on the stock.

Y/E March, (in Rs crore)	FY13	FY14	FY15E	FY16E
Net Sales	7,070	7,858	9,250	11,293
yoy%	0.9%	11.1%	17.7%	22.1%
Operating EBIDTA	409	478	666	982
Operating EBITDA margin %	5.7%	6.0%	7.1%	8.6%
PAT	115	259	352	547
Adjusted PAT	207	262	352	547
yoy%	-16.9%	26.5%	34.4%	55.5%
EPS	2.44	5.44	7.40	11.51
EPS adjusted for exp items	4.35	5.44	7.40	11.51
P/E (x)	32.8	26.3	19.3	12.4
EV / EBITDA (x)	17.5	14.9	10.7	7.3

Source: - Company data, Arihant Research



Quarterly P&L in Rs crore	Q1FY15	Q1FY14	yoy%	Q4FY14	qoq%
Units sold	5,84,113	4,94,430	18.1%	5,63,681	3.6%
Net Realization per unit	38,746	35,196	10.1%	37,624	3.0%
<b>Net Sales</b>	<b>2,263</b>	<b>1,740</b>	<b>30.1%</b>	<b>2,121</b>	<b>6.7%</b>
Other Operating Income	42	20	111.0%	35	20.8%
<b>Income from Operations</b>	<b>2,305</b>	<b>1,760</b>	<b>31.0%</b>	<b>2,156</b>	<b>6.9%</b>
<b>Materials Consumed</b>	<b>1,677</b>	<b>1,252</b>	<b>33.9%</b>	<b>1,544</b>	<b>8.6%</b>
RM Cost per unit	28,705	25,318	13.4%	27,396	4.8%
Contribution Per Unit	10,041	9,878	1.7%	10,228	-1.8%
Contribution margin %	25.92%	28.06%	-7.7%	27.18%	
Employees Cost	140	113	24.1%	122	14.9%
Other Expenditure	357	297	20.3%	351	1.9%
<b>Total Expenditure</b>	<b>2,174</b>	<b>1,662</b>	<b>30.8%</b>	<b>2,017</b>	<b>7.8%</b>
Operating EBITDA	<b>131</b>	<b>98</b>	<b>33.3%</b>	<b>139</b>	<b>-5.4%</b>
Margin	5.79%	5.66%		6.54%	
<b>Core EBITDA</b>	<b>88.97</b>	<b>78.43</b>	<b>13.4%</b>	<b>103.75</b>	<b>-14.2%</b>
Margin	3.93%	4.51%		4.89%	
Depreciation	34	31	6.8%	36	-7.0%
Other Income	8.88	8.60	3.3%	6.62	34.1%
Interest	5.95	6.53	-8.9%	8.34	-28.7%
<b>PBT before Exceptional Items</b>	<b>100.51</b>	<b>69.05</b>	<b>45.6%</b>	<b>100.88</b>	<b>-0.4%</b>
Exceptional Items (net)	-	-		-	
<b>PBT</b>	<b>100.51</b>	<b>69.05</b>	<b>45.6%</b>	<b>67.79</b>	<b>48.3%</b>
Tax Expense	28.19	17.18	64.1%	18.70	50.7%
<b>Net Profit after Tax</b>	<b>72.32</b>	<b>51.87</b>	<b>39.4%</b>	<b>49.09</b>	<b>47.3%</b>
Effective Tax Rate	28.05%	24.88%		27.59%	
<b>PAT after extraordinary item</b>	<b>72.32</b>	<b>51.87</b>	<b>39.4%</b>	<b>52.12</b>	<b>38.8%</b>
EPS	1.52	1.09		1.10	

Source: - Company data, Arianth Research



**Arihant Research Desk**

E. research@arihantcapital.com  
T. 022-42254868

**Head Office**

3<sup>rd</sup> Floor, Krishna Bhavan,  
67 Nehru Road, Vile Parle (East),  
Mumbai - 400057  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

**Registered Office**

E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

**Stock Rating Scale**

	<b>Absolute Return</b>
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

**Contact**

SMS: 'Arihant' to 56677

**Website**

[www.arihantcapital.com](http://www.arihantcapital.com)

**Email Id**

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

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**ARIHANT capital markets ltd.**

3<sup>rd</sup> Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057  
Tel. 022-42254800 Fax. 022-42254880

[www.arihantcapital.com](http://www.arihantcapital.com)