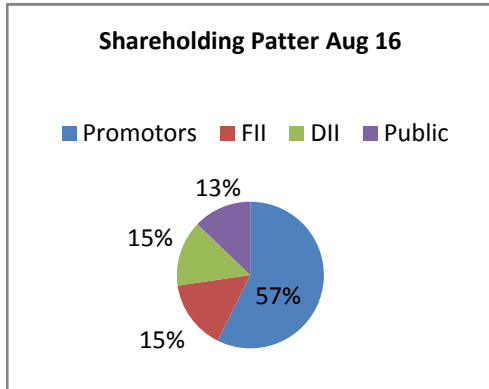




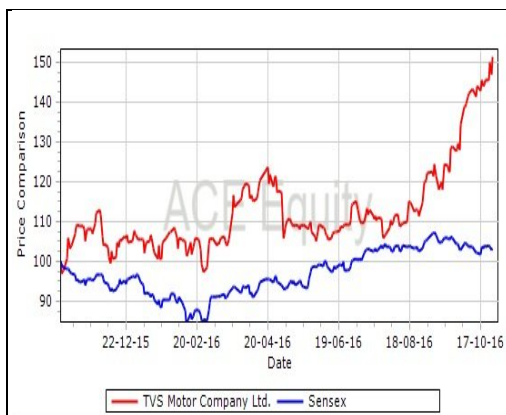
CMP: Rs 409
Target Price: Rs 416
Recommendation: Neutral

Stock Info	
BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	27,965
NSE Nifty	8,641

Market Info	
Market Capital	Rs 19,623 cr
Equity Capital	Rs 48 cr
Avg Trading Volume	21,32,5000
52 Wk High / low	Rs 241/ 418
Face Value	Rs 1



Price Vs Sensex Chart



A comprehensive product portfolio with good market acceptance of new products and steady growth in sales has enabled TVS Motor Company to post a 21.1% revenue growth during the financial year Q2FY17. During the quarter the company recorded total sales of 8.15 lakh units.

TVS reported decent set of numbers for Q2FY17. Volume for the company grew by 20.2% while realisations grew by 0.8% on YoY basis. Scooters grew by 5%, Motorcycles grew by 30%, Mopeds grew by 35% and 3W declined by 42% on YoY basis. Total number of units sold for the quarter was 8.15 lakh. The export market, which accounts for nearly 14% of total volume, is exposed to currency fluctuations and shortage of foreign exchange in the key African markets.

Net revenues rose 21% to Rs. 3,393 crs on YoY basis. Contribution margin decreased by 20 bps on YoY. However, operating EBITDA margin for the quarter increased by 5 bps to 8.15%.

Company is posting good sales number and they are being able deliver EBITDA Margin of 8.15% in Q2FY17 Vs 8.10% in Q1FY17.

> OUTLOOK FOR NEXT 2 YEARS: TVS expected to do well on its business front both in domestic as well as export market. With its customer centric engineering approach, consistent focus on quality and superior product line, TVS Motor Company is looking to consolidate its market share in the ongoing fiscal. The company will further strengthen its portfolio with new launches and upgrades of existing products. As per management commentary, Management is expected to boost demand in Entry level segments from rural area as well as urban area. Looking demand growth for Jupiter model, Management is expected to hike the price in subsequent years. Good Monsoon will drive growth to boost sales in two wheeler segment. Victor and Apache continue to gain market share in two wheeler segment. Management is quite confident that second half would be good for industry.

> VALUATION: Scooter portfolio stands well positioned however, considering 3 wheeler exports our view on stock remain cautious, the stock at Rs. 409 trades at 27.6x our estimated FY18 EPS of Rs 14.8 per share. We have assigned a price target of Rs 416 per share based on PE of 28x its FY18 estimates. We recommend **'NEUTRAL'** rating on the stock.

Y/E March, (in Rs crore)	FY15	FY16	FY17E	FY18E
Income from operations	10,098	11,244	14,216	16,774
yoy%	26	12	26	18
Operating EBIDTA	604	751	952	1,177
Operating EBITDA margin %	6.0	6.7	6.7	7.0
Adjusted PAT	348	431	559	705
yoy%	31.5	23.8	29.7	26.2
EPS	7.3	9.1	11.8	14.8
P/E (x)	36.0	31.9	34.8	27.6



Quarterly P&L in Rs crore	Q2FY17	Q2FY16	yoy%	Q1FY17	qoq%
Units sold	8,15,562	6,78,718	20.2%	7,17,964	13.6%
Net Realization per unit	41,605	41,283	0.8%	39,732	4.7%
Net Sales	3,393	2,802	21.1%	2,853	18.9%
Other Operating Income	33	35	-5.9%	28	17.6%
Income from Operations	3,426	2,837	20.8%	2,881	18.9%
Materials Consumed	2,478	2,044	21.2%	2,090	18.5%
RM Cost per unit	30,380	30,121	0.9%	29,115	4.3%
Contribution Per Unit	11,225	11,161	0.6%	10,617	5.7%
Contribution margin %	26.98%	27.04%	-0.2%	26.72%	1.0%
Employees Cost	199	163	22.2%	181	9.5%
Other Expenditure	474	403	17.4%	409	15.8%
Total Expenditure	3,150	2,610	20.7%	2,681	17.5%
Operating EBITDA	277	227	21.9%	200	38.1%
Margin	8.15%	8.10%		7.02%	
Core EBITDA	243	192	27.0%	172	41.5%
Margin	7.17%	6.84%		6.03%	
Depreciation	72	57	28.1%	66	9.8%
Other Income	39	19	101.4%	36	8.4%
Interest	9	11	-18.0%	10	-3.8%
PBT before Exceptional Items	234	178	31.1%	161	45.5%
Exceptional Items (net)	0	0		0	
PBT	234	178	31.1%	161	45.5%
Tax Expense	57	46		40	
Net Profit after Tax	177	133	33.4%	121	46.3%
Effective Tax Rate	24.2%	25.5%		24.6%	
Extraordinary item	0.00	0		0.00	
PAT after extraordinary item	177.4	133	33.4%	121	46.3%
EPS	3.73	2.80		2.55	



Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Net Sales	9,917	11,108	14,047	16,575
YoY%	26.3	12.0	26.5	18.0
Other Operating Income	182	136	169	199
Income from Operations	10,098	11,244	14,216	16,774
Materials Consumed	7,297	8,025	10,033	11,802
Total Expenditure	9,494	10,493	13,264	15,597
Operating EBITDA	604	751	952	1,177
Operating EBITDA margin %	5.98	6.68	6.70	7.02
Depreciation	153	190	211	241
Operating EBIT	451	561	741	936
Other Income	33	51	56	66
Interest	27	48	42	50
PBT	456	565	755	953
Tax Expense	108	134	196	248
Reported Net Profit	348	431	559	705
YoY%	31.5	23.8	29.7	26.2
Effective Tax Rate	23.7	23.7	26.0	26.0
Reported EPS	7.3	9.1	11.8	14.8

Balance Sheet, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Liabilities + Equity				
(a) Share capital	48	48	48	48
(b) Reserves and surplus	1,598	1,888	2,328	2,918
Shareholders' funds	1,645	1,935	2,375	2,966
Non-current liab & Prov	715	710	791	776
Current liabilities	2,243	2,316	2,770	3,088
Total - Equity and liabilities	4,604	4,961	5,937	6,829
Assets				
Non-current assets				
Fixed assets	1,419	1,624	1,974	2,307
Long Term Inv	1,012	1,185	1,220	1,257
Loans + Adv + Others	144	137	145	171
Non-current assets	2,575	2,945	3,339	3,735
Current assets				
Cash	5	30	39	82
Other Current Assets	2,024	1,985	2,558	3,012
Sub-total - Current assets	2,029	2,016	2,599	3,094
Total - Assets	4,604	4,961	5,937	6,829

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Operating Activities				
PBT	456	565	755	953
Add Depr + non op exp	153	190	211	241
Others	1.1	2.7	3.0	3.3
Total	611	757	969	1,197
Cash Taxes	(141)	(158)	(222)	(270)
Changes in Working Cap	(385)	(357)	(450)	(607)
Cash Flow from Operations	85	242	296	319
Investing Activities				
Change in investments	(116)	(157)	(20)	(21)
Capex	(405)	(211)	(366)	(352)
Others	28	27	7	7
Cash Flow from Investing	(493)	(341)	(379)	(366)
Financing Activities				
Dividends + Taxes paid	(83.1)	(95.0)	(92.6)	(96.1)
Change in Non Curr Liab	414	215	190	185
Cash Flow from Financing	330.8	119.6	97.3	89.2
Opening Cash	80.5	2.9	23.9	38.1
Changes during year	(77.6)	21.1	14.2	42.2
Other bank balances	2.5	6.3	1.2	1.2
Closing cash	5	30	39	82

Ratio Analysis				
	FY15	FY16	FY17 E	FY18 E
Profitability				
Operating EBITDA%	6.0	6.7	6.7	7.0
Core EBITDA%	4.3	5.5	5.6	5.9
PAT%	3.4	3.8	3.9	4.2
ROAE%	22.7	24.1	25.9	26
Du Pont ROAE breakup				
PAT / Sales	3.4	3.8	3.9	4.2
Sales / Avg Total Assets	2.5	2.4	2.6	2.6
Avg Total Assets / Avg Eqty	2.7	2.7	2.5	2.4
ROE	22.7	24.1	25.9	26.4
Other Ratios				
Current Ratio	0.9	0.9	0.9	1.0
Long Term Debt / Equity	0.3	0.3	0.2	0.2
EPS	7.3	9.1	11.8	14.8
DPS	1.9	2.5	2.5	2.5
Dividend Payout ratio	26	28	21	17
P/E	36.0	31.9	34.8	27.6
BVPS	34.6	40.7	50.0	62.4
P/BV	7.6	7.1	8.2	6.6



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Stock Rating Scale

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

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**Arihant is Forbes Asia's '200 Best under a \$Bn' Company
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