



CMP: Rs 396
Target Price: Rs 385
Recommendation: Neutral

Stock Info	
BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	27,507
NSE Nifty	8,516

Market Info	
Market Capital	Rs 18,837 cr
Equity Capital	Rs 48 cr
Avg Trading Volume	19,47,300
52 Wk High / low	Rs 256/ 420
Face Value	Rs 1

A comprehensive product portfolio with good market acceptance of new products and steady growth in sales has enabled TVS Motor Company to post a 1.5% revenue growth during the financial year Q3FY17. During the quarter the company recorded total sales of 7.18 lakh units.

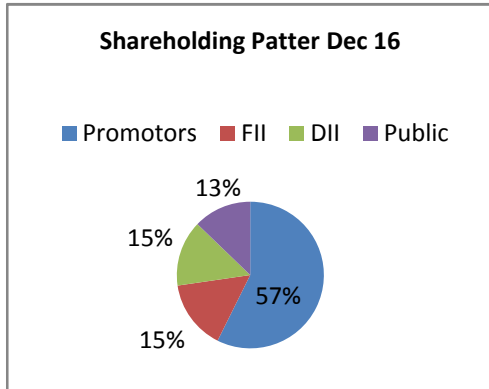
TVS reported decent set of numbers for Q3FY17. Volume for the company grew by 2.4% while realisations grew by 2.7% on YoY basis. Scooters declined by 4.7%, Motorcycles declined by 4.6%, Mopeds grew by 27% and 3W declined by 39% on YoY basis. Total number of units sold for the quarter was 7.18 lakh. The 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 revenue rose by 1.5% to Rs. 2,983 crs on YoY basis. Contribution margin decreased by 39 bps on YoY. However, operating EBITDA margin for the quarter increased by 45 bps to 7.40%.

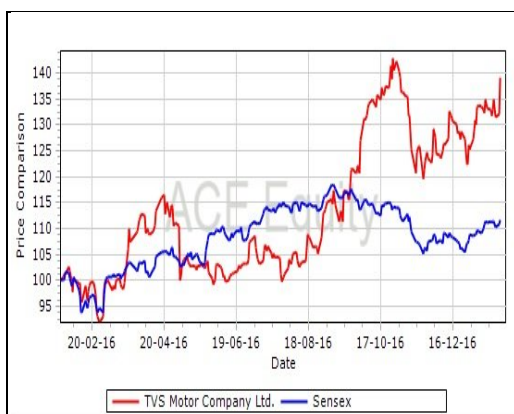
Company is posting good sales number and they are being able deliver EBITDA Margin of 7.40% in Q3FY17 Vs 6.95% in Q3FY16.

> **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 expecting to boost in demand going forward after demonetisation in Entry level segments from rural area. Jupiter has become a mega brand consistently selling more than 50,000 every month. Management is expected to hike the price in subsequent years. Management has given guidance for capex around Rs350-400cr. Victor and Apache continue to gain market share in two wheeler segment.

> **VALUATION:** Scooter portfolio stands well positioned however, considering 3 wheeler exports our view on stock remain cautious, the stock at Rs. 396 trades at 26.7x our estimated FY18 EPS of Rs 14.8 per share. We have assigned a price target of Rs 385 per share based on PE of 26x its FY18 estimates. We recommend '**NEUTRAL**' rating on the stock.



Price Vs Sensex Chart



Y/E March, (in Rs crore)	FY15	FY16	FY17E	FY18E
Income from operations	10,098	11,244	14,216	16,774
yoyp%	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
yoyp%	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

Source: - Company data, Arihant Research



Quarterly P&L in Rs crore	Q3FY17	Q3FY16	yoy%	Q2FY17	qoq%
Units sold	7,18,562	7,02,044	2.4%	8,15,562	-11.9%
Net Realization per unit	41,094	41,434	-0.8%	41,605	-1.2%
Net Sales	2,953	2,909	1.5%	3,393	-13.0%
Other Operating Income	31	31	-0.8%	33	-8.5%
Income from Operations	2,983	2,940	1.5%	3,426	-12.9%
Materials Consumed	2,149	2,106	2.1%	2,478	-13.3%
RM Cost per unit	29,909	29,994	-0.3%	30,380	-1.6%
Contribution Per Unit	11,185	11,440	-2.2%	11,225	-0.4%
Contribution margin %	27.22%	27.61%	-1.4%	26.98%	0.9%
Employees Cost	192	169	13.5%	199	-3.4%
Other Expenditure	424	463	-8.4%	474	-10.5%
Total Expenditure	2,765	2,737	1.0%	3,150	-12.2%
Operating EBITDA	218	202	8.0%	277	-21.0%
Margin	7.40%	6.95%		8.15%	
Core EBITDA	188	171	9.6%	243	-22.8%
Margin	6.37%	5.89%		7.17%	
Depreciation	72	49	46.0%	72	-0.6%
Other Income	35	12	196.4%	39	-11.2%
Interest	12	10	15.2%	9	22.4%
PBT before Exceptional Items	170	155	9.8%	234	-27.4%
Exceptional Items (net)	0	-6		0	
PBT	170	149	13.9%	234	-27.4%
Tax Expense	37	41		57	
Net Profit after Tax	133	108	23.2%	177	-25.2%
Effective Tax Rate	21.9%	27.7%		24.2%	
Extraordinary item	0.00	0		0.00	
PAT after extraordinary item	133	108	23.2%	177	-25.2%
EPS	2.79	2.27		3.73	



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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