



CMP: Rs 287  
Target Price: Rs 316  
**Recommendation: HOLD**

Stock Info	
BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	25,233
NSE Nifty	7,742

Market Info	
Market Capital	Rs 13,677 cr
Equity Capital	Rs 48 cr
Avg Trading Volume	22,23,680
52 Wk High / low	Rs 341/ 201
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 12% revenue growth during the financial year 2015-16. During the year the company recorded total sales of 26.79 lakh units.

TVS reported decent set of numbers for Q4FY16. Volume for the company grew by 9.8% while realisations grew by 5% on YoY basis. Scooters grew by 19%, Motorcycles grew by 12%, Mopeds grew by 3% and 3W declined by 20% on YoY basis. Total number of units sold for the quarter was 6.60 lakh. The export market, which accounts for nearly 20% of total volume, is exposed to currency fluctuations and shortage of foreign exchange in the key African markets.

Net revenues rose 15.3% to Rs. 2,776 crs on YoY basis. Contribution margin increased by 22 bps on YoY basis due to soft raw material prices which declined to 71.2% of revenues as compared to 71.5% on YoY basis. However, operating EBITDA margin for the quarter increased by 19 bps to 6.43% (far lower than expectation of 6.9%). Adjusted Profit after tax for the quarter increased by 30.1% to Rs. 117 crs on YoY basis (largely due other income).

**Company is posting good sales number but they are not being able to convert that into higher margin which is our biggest concern.**

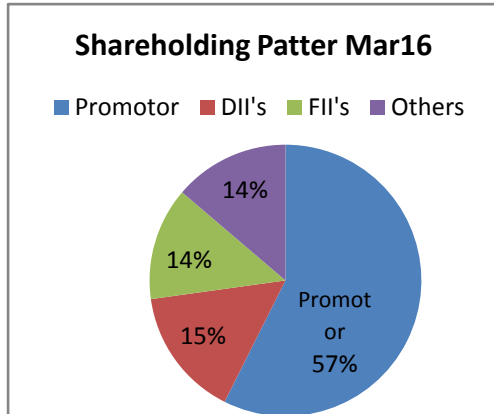
> **OUTLOOK FOR NEXT 2 YEARS:** TVS has done exceedingly well on its business front both in domestic as well as export market. With its customer centric engineering approach, consistent focus on quality and superior product line, TVS Motor Company is looking to consolidate its market share in the ongoing fiscal. The company will further strengthen its portfolio with new launches and upgrades of existing products. Company plans to launch 2 new products next 6 months. The company has guided for 10% operating margin in FY18.

> **FINANCIALS:** We estimate Net Revenue growth of 13%, and EBITDA growth of 22% in FY17. We expect operating margin to increase to 7.3% in FY17E. We also believe that as sales of the company grows, per unit advertising and marketing cost will come down gradually.

> **VALUATION:** Considering well positioned scooter portfolio, robust product pipeline coupled with possibility of disproportionate gains on new launch success and further gains from TVS-BMW alliance, we continue to remain positive on the stock. The stock at Rs. 287 trades at 25.4x our estimated FY17 EPS of Rs 11.3 per share. We have assigned a price target of Rs 316 per share based on PE of 28x its FY17 estimates. We recommend 'HOLD' rating on the stock.

Y/E March, (in Rs crore)	FY14	FY15	FY16	FY17E
Income from operations	7,966	10,098	11,244	12,671
yoy%	12	26	12	13
Operating EBITDA	482	604	756	923
Operating EBITDA margin %	6.1	6.0	6.7	7.3
Adjusted PAT	264	348	438	536
yoy%	27.8	31.5	25.9	22.5
EPS	5.6	7.3	9.2	11.3
P/E (x)	17.5	36.0	35.0	25.4

Source: - Company data, Arihant Research



Price Vs Sensex Chart





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**Stock Rating Scale**

	<b>Absolute Return</b>
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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