



CMP: Rs 315  
 Target Price: Rs 362  
**Recommendation: Accumulate**

**Stock Info**

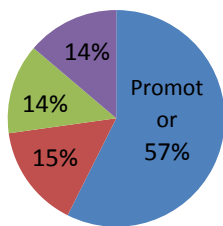
BSE Group	B
BSE Code	532343
NSE Symbol	TVSMOTOR
Bloomberg	TVSL IN
Reuters	TVSM.BO
BSE Sensex	25,145
NSE Nifty	7,708

**Market Info**

Market Capital	Rs 14,978 cr
Equity Capital	Rs 48 cr
Avg Trading Volume	22,23,680
52 Wk High / low	Rs 330/ 201
Face Value	Rs 1

**Shareholding Patter Dec 15**

Promotor DII's FII's Others



**Price Vs Sensex Chart**



TVS Motor Company posted 5.4% volume growth in FY 16, with total sales increasing from 25, 41,817 units recorded in the year 2015 to 26,79,452 units in this fiscal year 2016. By looking at potential demand for scooter segments using highly sophisticated run machine **BMW Acula 310**, we have estimated total sales will increase to **29,37,973 with growth of 9.6%** for FY17.

**Exports**

The company's total exports registered sales of 4,54,550 units in this year 2016 as against 4,18,515 units last year 2015. TVS continued its focus on exports and exported more than 4.5 Lacks units to ASEAN, Middle East and African countries. We have estimated **4,99,455 units Export sales with growth of 9.9%** for FY17.

**Two Wheelers**

Total two wheeler sales increased by 5.5% from 24,33,855 units in 2015 to 25,68,631 units in 2016, this is expected to hit 28,25,451 units with 10% growth in FY17 as we can see the domestic demand for new launches beating up this year specially in Scooters segments. Total Domestic Two wheelers sales grew by 4.7% increasing from 21,09,632 units in 2015 to 22,09,366 units in 2016. Additionally, the implementation of the recommendations of the Seventh Pay Commission in phases and expectations of softer interest rates would support demand (which remains healthy) for two-wheelers from urban households. We have estimated total domestic two wheeler sales 24,38,517 units for FY17.

Scooters sales of the company grew by 14.9% increasing from 7,07,537 units in 2015 to 8,13,277 units in 2016. This is a giant segment for TVS, also there is massive competition between Hero and TVS for 2<sup>nd</sup> position for market share, overall we have estimated growth for scooter at 16.2% with 9,45,010 units for this fiscal year. Moreover company eyeing on to sustain 2<sup>nd</sup> position in terms of market share in scooter segment.

Motorcycles sales grew by 5.9% increasing from 9,60,602 units in the year 2015 to 10,16,807 units in 2016. We have modelled volume growth in motorcycles to 11,46,449 units for FY17.

**Three Wheeler**

Three wheeler segment of the company registered sales of 1,10,821 units 2016 as against 1,07,962 units in 2015. For FY17 we've projected volume growth of 1,12,432 units with growth of 1.5%.

**Outlook:** The outlook for domestic motorcycles remains lively because of anticipated strength in the rural economy owing to good monsoon expectations which helps better crop output. Over the medium term, the two-wheeler industry is expected to reach a volume CAGR of 8-9% and a size of 22-23 million units (domestic + exports) by FY2019.



TVS Sales figures		
	FY16	FY17E
Domestic	22,24,902	24,38,518
Export	4,54,550	4,99,455
Total	<b>26,79,452</b>	<b>29,37,973</b>
Total Two Wheeler	<b>25,68,631</b>	<b>28,25,541</b>
Motor Cycles	10,16,807	11,46,449
Scooters	8,13,277	9,45,010
Moped	7,38,547	7,34,082
3W	<b>1,10,821</b>	<b>1,12,432</b>

**Financials:** We estimate Net Revenue growth of 13%, and EBITDA growth of 19% in FY17. We expect operating margin to increase to 7.3% in FY17E. We also believe that as sales of the company grows nearly 9.6% Y-o-Y, majorly contributed through Scooters segment, per unit advertising and marketing cost will come down marginally.

> **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. 315 trades at 27.9x our estimated FY17 EPS of Rs 11.3 per share. We have assigned a price target of Rs 362 per share based on PE of 32x its FY17 estimates. We have assigned higher multiple to factor in higher growth in sales number and increasing margins. We recommend '**Accumulate**' rating on the stock.

Y/E March, (in Rs crore)	FY14	FY15	FY16E	FY17E
<b>Income from operations</b>	<b>7,966</b>	<b>10,098</b>	<b>11,214</b>	<b>12,682</b>
yoy%	12	26	12	13
Operating EBIDTA	482	604	780	925
Operating EBIDTA margin %	6.1	6.0	7.0	7.3
<b>Adjusted PAT</b>	<b>264</b>	<b>348</b>	<b>438</b>	<b>537</b>
yoy%	27.8	31.5	26.0	22.6
EPS	5.6	7.3	9.2	11.3
P/E (x)	17.5	36.0	34.2	27.9

Source: - Company data, Arihant Research



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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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