

March 28, 2014

TVS Motor Company Ltd.

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NSE Code: TVSMOTOR

Reuters Code:

TVSM.NS

Bloomberg Code: TVSL:IN

TVS Motor Company Ltd. (TVS) is the third largest two-wheeler manufacturer in India and one among the top ten in the world. With a combined turnover of more than over \$6.5 billion, TVS Group employs a total workforce of close to over 39,000 employees. Charting a steady growth path of expansion and diversification, it currently comprises around over 50 companies. These operate in diverse fields that range from two-wheeler and automotive component manufacturing to automotive dealerships, finance and electronics.

### Investor's Rationale

**Strong exports boosted the topline by 13% YoY** – TVS recorded a decent growth of ~13% YoY in its topline during Q3FY'14 at ₹20.3 bn on standalone basis. During the quarter under review, two wheeler exports registered 22% growth, with sales increasing from 0.50 lakh units in the quarter ended December 2012 to 0.61 lakh units in the quarter ended December 2013. It was reported that TVS's Motorcycle sales grew from 1.97 lakh units to 2.07 lakh units and Scooter sales grew from 1.12 lakh units to 1.23 lakh units. Three wheeler sales during the quarter grew by 52% from 13,602 units to 20,701 units.

**Net profit posted a healthy growth of 31%** – The company reported a growth of 31% in its bottomline at ₹0.7 bn mainly aided by superior product-mix (higher share of scooters, three-wheelers and exports) and also due to better realization on the exports front. Further, sharp decline in finance cost by 58% at ₹0.05 bn from ₹0.12 bn and almost flat depreciation also aided the growth in bottomline. Consequently, NPM expanded by 44bps YoY to 3.3% from 2.9%.

**EBITDA margin grew merely by 11bps on lower operating expenses** – In line with the healthy net sales growth, the EBITDA grew by 15% YoY to ₹1.2 bn against the ₹1.1 bn year earlier. Further, fall in purchase of stock in trade by 60% at ₹0.10 bn from ₹0.25 bn was counter balanced by increase in cost of raw material by 13.7% at ₹13.94 bn from ₹12.26 bn and employee benefits by 18.2% from ₹1.23 bn to ₹1.04 bn. Accordingly, the OPM expanded merely by 11bps YoY to 6.0% from 5.9%.

**New launches to drive growth** – TVS plans to launch multiple products across segments to reinforce its product portfolio. With Jupiter launch, TVS has the complete range of scooters, with products in every sub-segment (women, unisex, men). Demand for newly launched Jupiter remains strong, with a waiting period across major markets. To strength its position in women scooter space TVS is planning to launch of Scooty Zest in April 2014 (110cc engine, currently offering 90cc variant).

### Market Data

Rating		BUY
CMP (₹)		96
Target Price		116
Stop Loss		87
Duration		Short-term
52-week High-Low (₹)		100/28.1
Rise from 52WL (%)		253
Correction from 52WH (%)		5.0
Beta		(0.15)
1 year Average Volume (mn)		1.2
Stock Return (%)	3M-	51.8
	6M-	184
	1Y-	206
Market Cap (₹bn)		46.98
Book Value (₹)		18.91

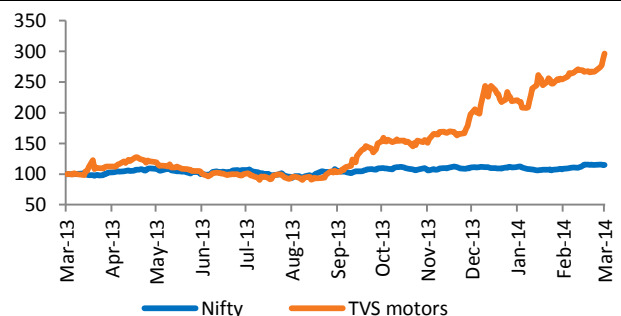
### Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	57.4	57.4	0.00
FII (%)	3.35	2.51	0.84
DII (%)	17.7	18.29	(0.59)
Public & Others (%)	21.55	21.8	(0.25)

### Quarterly Performance (Standalone)

(₹Mn)	Q3 FY'14	Q3 FY'13	Q2 FY'14	YoY Change(%)	QoQ Change (%)
Sales	20.3	18.0	19.6	13	3.7
Op. exp	19.3	17.1	18.7	12.8	3.3
EBITDA	1.2	1.1	1.2	15.0	5.1
OPM (%)	6.0	5.9	5.9	11bps	9.7bps
Net profit	0.7	0.5	0.9	31	(22.5)
NPM (%)	3.3	2.9	4.5	44bps	(112bps)
EPS (₹)	1.5	1.1	1.9	31.8	-22.5

### One Year Price Chart





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