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TVS Motor Company Ltd. (TVSMOTOR) is the third largest two-wheeler manufacturer in India and one among the top ten in the world. TVS Motor currently manufactures a wide range of two-wheelers from mopeds to racing inspired motorcycles. The company will launch an all new executive segment motorcycle in the second quarter of the current year and a new scooter later in the year, to complete its product portfolio which will increase the company's sales volume. The company has 4 plants - located at Hosur and Mysore in South India, in Himachal Pradesh, North India and one at Indonesia. The company has a production capacity of 2.5 million units a year.

### Investor's Rationale

#### Net profit fell by 13.1% on increase in branding investments

TVSMOTOR reported decline in net profit for Q1FY'13 by 13.1% YoY at ₹0.5 billion mainly on account of increase in branding investments across key brands including TVS Wego, TVS StaR City and TVS Sport along with the recently introduced Apache RTR and Scooty Pep. Further, flat sale of 4.9% YoY dragged the net profit for the quarter.

#### Flat topline of 4.9% YoY on lower volume during the quarter

The company has posted marginal growth of 4.9% YoY in its net sales to ₹17.9 billion on account of lower sales volume though boosted by 8.0% improved blended realizations per unit. The total sales volume fell by 3.0% to 5.2 lakh units primarily on reduced sales in motorcycle and scooter segment fell 4.0% to 1.1 lakh units, though healthy demand in mopeds (6.0% growth to 2.0 lakh units) moderated the overall fall. Further, three wheeler sales reduced by 12.0% to 9,079 units primarily due to lower offtake in its exports though domestic sales improved by 26.0%.

#### OPM crashed by 80bps on higher operating expenses

TVSMOTOR's EBITDA declined by 8.2% YoY at ₹1.1 billion due to increased branding spend though partially offset by lower raw material costs (as % to sales net stock adjusted declined by 310bps). Further, other expenditure and staff cost grew by 290bps and 70bps to 16.0% and 6.0% respectively. Thus, OPM crashed by 80bps YoY to 5.9% against 6.7%.

#### NPM fell by 56bps on higher depreciation and interest

Despite of increase in other income by 40.3% YoY and decline in tax 21.2% YoY at ₹0.2 billion, NPM contracted by 56bps at 2.8% against 3.4% mainly due to increase in depreciation and interest 11.8% and 2.0% YoY at ₹0.3 billion and ₹0.2 billion respectively.

### Market Data

CMP (₹)	37.7
Target Price	43
Stop Loss	36
Duration	Mid-term
52-week High-Low (₹)	703/31.8
Rise from 52WL (%)	18.9
Correction from 52WH (%)	43.2
Beta	1.2
1 year Average Volume (mn)	2.2
	3M- (3.82)
Stock Return (%)	6M- (26.7)
	9M- (35.5)
Market Cap (₹bn)	17.8
Enterprise Value (₹bn)	28.0

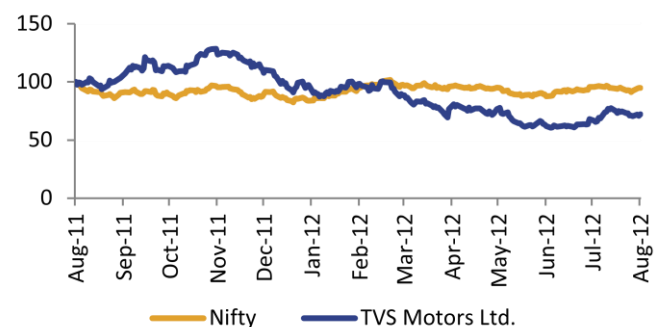
### Shareholding Pattern

	Jun'12	Mar'12	Chg
Promoters (%)	59.31	59.31	0
FII (%)	2.18	2.63	(0.45)
DII (%)	16.15	16.51	(0.36)
Public & Others (%)	22.36	21.55	0.81

### Quarterly Performance (Standalone)

(₹ bn)	Q1 FY'13	Q1 FY'12	Q4 FY'12	YoY Change(%)	QoQ Change(%)
Net sales	17.9	17.1	16.0	4.9	11.7
Op. exp.	17.1	16.3	15.3	5.1	12.0
EBITDA	1.1	1.2	1.0	(8.2)	8.7
OPM	5.9	6.7	6.1	(80bps)	(17bps)
Net profit	0.5	0.6	0.6	(13.1)	(10.7)
NPM (%)	2.8	3.4	3.5	(56bps)	(70bps)
EPS	1.1	1.2	1.2	(12.9)	(10.0)

### One Year Price Chart





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