

**Rising Interest Rates
Scenario to Hamper
Demand Growth****Margins likely to remain
under pressure****Down and may be on its
way out.....****New plants to kick off
price war in 2-wheelers****Time to Make a Pit stop**

The Automobile sector is expected to report subdued quarterly earnings growth, with profits pressured by firmer interest rates, volatile raw material prices and aggressive pricing due to the fierce competition amongst the leading players. The profit margins are also likely to remain under pressure on account of higher depreciation costs on the back of aggressive capital spending and higher promotion costs for new launches.

Two Wheelers

Two wheelers are expected to report de-growth in earnings on the back of fierce competition and cost pressures, which have drastically eroded their margins already. Moreover, the hardening interest rates are also expected to severely impact the future growth rates. Though the present strong demand continues to be the saving grace, we expect the future two wheeler sales to be impacted by the first time consumer's discernible shift towards used cars.

The price war in the motorcycle market is all set to worsen with large production capacities at tax-free locations in the North ready to go on stream. Companies are eligible for a host of incentives for investing in Uttarakhand and Himachal Pradesh, including waiver of the 16% excise duty for a period of ten years and a five-year income-tax break, followed by reduced levels over the next five years.

While Bajaj Auto's new factory at Pantnagar in Uttarakhand has started commercial production, Hero Honda's facility at Haridwar, also in Uttarakhand, and TVS Motor's plant at Baddi in Himachal Pradesh are expected to commence operations by the middle of this year. Together, the three plants will be capable of rolling out 1.8 million motorcycles a year – nearly a quarter of the current market of over 8 million.

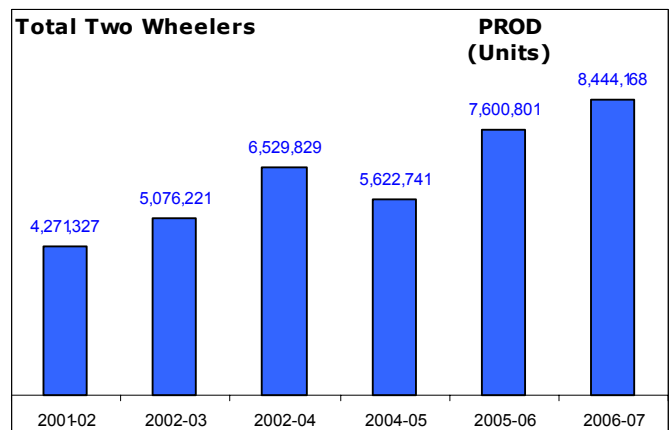
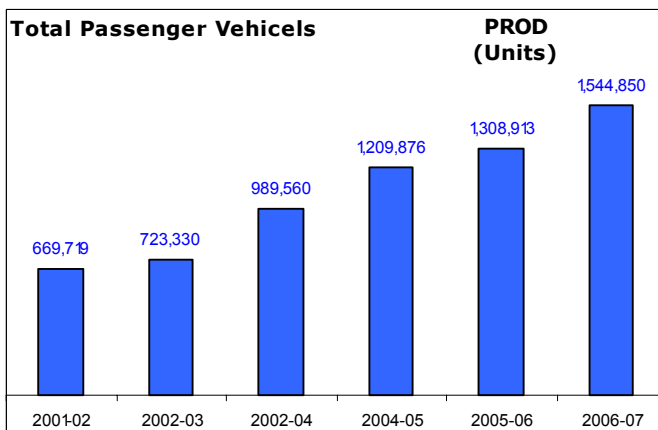
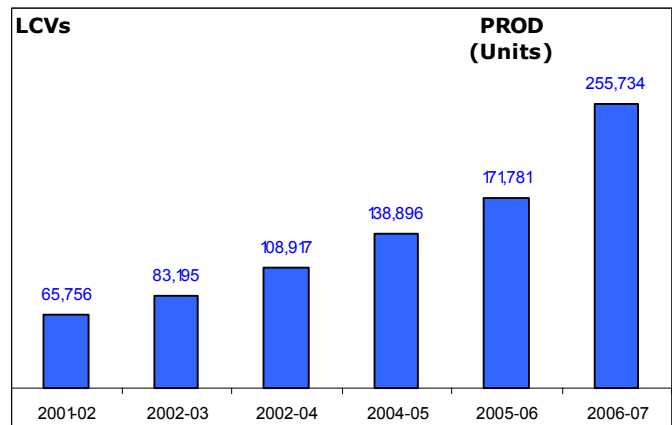
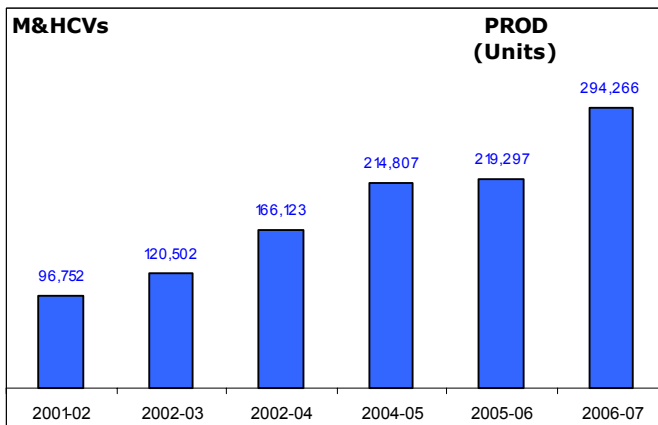
However, the capacity additions come at a time when Hero Honda and Bajaj Auto are involved in an intense price war and the two motorcycle giants have put on offer discounts of 6-8% on their best selling models, thereby putting the margins under pressure. To press home the first mover's advantage, Bajaj Auto has offered a cash discount of Rs 3,000 on its largest selling model, the 100cc Platina, making it the cheapest bike in the market.

Smooth Ride so far...

Commercial Vehicles (CV):

India's top two Commercial Vehicle (CV) manufacturers Ashok Leyland and Tata Motors registered robust growth rates during FY2007 on the back of the Supreme Court ban on overloading of trucks. The CV segment had also witnessed a shift in demand from the 7–16 tonne segment to the 16–25 tonne segment, while Tata ACE continued to find favour in the last mile segment and was able to enhance its market share to around 66%.

With nearly all commercial vehicles in India and the majority of the passenger vehicles being financed with loans, the hardening interest rates, tightening liquidity and the higher base effect is expected to contribute to a moderation in the vehicular sales growth rate during FY2008, the signs of which were clearly visible in March 2007.



(Sources: SIAM)

Quarterly Performance
Tata Motors (TM) (Sales in Units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Passenger Cars	18,955	17,802	21,474	58,231	53,589	8.66	195,408	169,071	15.58
Utility Vehicles	5,173	5,364	6,227	16,764	13,756	21.87	49,526	39,789	24.47
Total PV	24,128	23,166	27,701	74,995	67,345	11.36	244,934	208,860	17.27
M&HCV	17,901	17,704	19,083	54,688	45,751	19.53	185,100	136,969	35.14
Passenger Carriers	1,736	1,765	2,378	5,879	6,320	-6.98	18,854	15,100	24.86
Goods Carrier	16,165	15,939	16,705	48,809	39,431	23.78	166,246	121,869	36.41
LCV	13,411	12,847	15,995	42,253	35,028	20.63	149,263	108,104	38.07
Passenger Carriers	1,327	1,118	2,088	4,533	3,851	17.71	16,361	12,824	27.58
Goods Carrier	12,084	11,729	13,907	37,720	31,177	20.99	132,902	95,280	39.49
Total CV	31,312	30,551	35,078	96,941	80,779	20.01	334,363	245,073	36.43
Grand Total	55,440	53,717	62,779	171,936	148,124	16.08	579,297	453,933	27.62

Ashok Leyland (ALL) (Sales in Units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
M&HCV	9,622	8,018	8,444	26,084	20,201	29.12	82,798	60,861	36.04
Passenger Carriers	1,752	1,671	1,671	5,094	4,032	26.34	15,497	15,667	-1.09
Goods Carrier	7,870	6,347	6,773	20,990	16,169	29.82	67,301	45,194	48.92
LCV	28	18	0	46	201	77.11	303	794	61.84
Passenger Carriers	28	17	0	45	196	-77.04	300	779	-61.49
Goods Carrier	0	1	0	1	5	-80.00	3	15	-80.00
Total CV	9,650	8,036	8,444	26,130	20,402	28.08	83,101	61,655	34.78

Bajaj Auto (BAL) (Sales in Units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	195,560	171,780	165,524	532,864	533,018	-0.03	2,376,519	1,913,094	24.22
Other 2 Wheelers	1,993	2,440	3,462	7,895	13,540	-41.69	20,480	115,996	-82.34
Total 2 Wheelers	197,553	174,220	168,986	540,759	546,558	-1.06	2,396,999	2,029,090	18.13
3 Wheelers	32,030	27,992	24,576	84,598	72,638	16.47	321,796	252,006	27.69
Grand Total	229,583	202,212	193,562	625,357	619,196	0.99	2,718,795	2,281,096	19.19

Hero Honda Motors Ltd (HHML) (Sales in Units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	289,669	273,021	283,662	846,352	757,442	11.74	3,254,042	2,985,736	8.99
Other 2 Wheelers	7,885	7,491	4,519	19,895	15,015	32.50	92,977	15,015	519.23
Grand Total	297,554	280,512	288,181	866,247	772,457	12.14	3,347,019	3,000,751	11.54

TVS Motor Co Ltd (TVS) (Sales in Units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	69,634	70,155	73,239	213,028	219,565	-2.98	925,140	806,654	14.69
Mopeds	30,979	30,018	34,671	95,668	79,705	20.03	344,558	290,273	18.70
Other 2 Wheelers	20,534	19,937	20,297	60,768	51,419	18.18	258,967	245,276	5.58
Grand Total	121,147	120,110	128,207	369,464	350,689	5.35	1,528,665	1,342,203	13.89

Result Estimates (Rs in Cr)

Comp	Net Sales			PBIDTA			PAT			EPS (in Rs)		
	Q4FY07E	Q4FY06	%Chg	Q4FY07E	Q4FY06	%Chg	Q4FY07E	Q4FY06	%Chg	Q4FY07E	Q4FY06	%Chg
TM	8,424	6,883	22.4	1,060	853	24.3	574	458	25.3	15	12	25.0
ALL	2,207	1,735	27.2	240	228	5.4	140	133	5.3	1.06	1.09	-2.8
BAL	2,157	2,166	-0.4	420	516	-18.6	248	322	-23.0	25	32	-21.9
HHML	2,512	2,256	11.4	281	406	-30.8	165	267	-38.2	8	13	-38.5
TVS	924	839	10.1	42	70	-39.6	6	29	-79.3	0.25	1.22	-79.5

Tata Motors Ltd. (TM)
CMP: Rs 743
Key Data:

BSE Code	500570
NSE Code	TATAMOTOR
Sensex	14137
52 week H/L (Rs)	997/651
April month H/L (Rs)	761/661
Market Cap (Rs Cr)	28633
Avg. daily vol. (6m)	350354
Face Value	10

Source: Capitaline

Shareholding Pattern (%):

Promoters	33.43
Institution	16.42
Foreign	38.00
Non-promoter Corp.	1.18
Public & Others	10.97

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly highlights:

- TM recorded robust growth rate of 16% YoY for the fourth quarter by selling 171,936 vehicles compared to 148,124 vehicles sold for the same quarter last year.
- CV volumes increased 20% YoY, from 80,779 units in Q4FY06 to 96,941 units for the current quarter. Both M&HCV and LCV segment registered growth rates of 20% and 21% respectively on a YoY basis. While M&HCV grew from 45,751 units to 54,688 units, the LCV segment expanded from 35,028 units to 42,253 units on the back of the surging "ACE". The passenger vehicle business reported a total sale of 74,995 vehicles, an increase of over 11% in the same period last year.
- Cumulative sales of PV in the domestic market for the fiscal were 226,893 units, the highest ever in any year and a growth of 20% over the previous year. Cumulative sales of CV in the domestic market for the fiscal were 299,173 units, an increase of 39% over last year, also the highest ever.
- On the back of the robust volume growth and stable operating margins, we expect TM's topline to grow by over 22% to Rs 8,424 Cr and the PAT to grow by over 25% to Rs 574 Cr. TM is expected to post an EPS of Rs 15 (on a standalone basis) for Q4FY07.
- TM's ACE has rewritten the dynamics of the CV industry and the company had achieved the milestone of rolling out its 100,000th ACE from its Pune Plant within 22 months of its launch in May 2005.
- TM has recently signed an agreement with Iveco to distribute its trucks through the Italian company's worldwide distribution network. Tata trucks - including the highly successful one tonne ACE - will be available through Iveco's sales network in markets like Brazil, Argentina, Russia and other markets where the Indian manufacturer has no significant presence.
- TM is also setting up a dedicated plant for ACE at Pant Nagar in Uttaranchal, with an annual capacity of 250,000 units, which is expected to begin production this year. Even though the hardening of interest rates is expected to slow down the future growth, we expect TM to maintain its dominance in the CV segment.

Quarterly Sales (in number of units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Passenger Cars	18,955	17,802	21,474	58,231	53,589	8.66	195,408	169,071	15.58
Utility Vehicles	5,173	5,364	6,227	16,764	13,756	21.87	49,526	39,789	24.47
Total PV	24,128	23,166	27,701	74,995	67,345	11.36	244,934	208,860	17.27
M&HCV	17,901	17,704	19,083	54,688	45,751	19.53	185,100	136,969	35.14
Passenger Carriers	1,736	1,765	2,378	5,879	6,320	-6.98	18,854	15,100	24.86
Goods Carrier	16,165	15,939	16,705	48,809	39,431	23.78	166,246	121,869	36.41
LCV	13,411	12,847	15,995	42,253	35,028	20.63	149,263	108,104	38.07
Passenger Carriers	1,327	1,118	2,088	4,533	3,851	17.71	16,361	12,824	27.58
Goods Carrier	12,084	11,729	13,907	37,720	31,177	20.99	132,902	95,280	39.49
Total CV	31,312	30,551	35,078	96,941	80,779	20.01	334,363	245,073	36.43
Grand Total	55,440	53,717	62,779	171,936	148,124	16.08	579,297	453,933	27.62

Quarterly Performance (Rs in Cr)

Rs Cr	Q1FY07	Q2FY07	Q3FY07	Q4FY07E	Q4FY06	FY06	FY07E
Net Sales	5,783	6,572	6,957	8,424	6,883	20,654	27,736
% Change (YoY)	48	37	37	22	29	19	34
Other Income	86	85	14	50	14	299	235
Total Exp	5,157	5,831	6,034	7,414	6,044	18,152	24,436
Operating Profit	626	741	923	1,010	839	2,502	3,300
OPM (%)	10.82	11.27	13.27	11.99	12.19	12.11	11.90
PBIDT	712	825	937	1,060	853	2,801	3,535
Interest	73	96	85	90	69	226	343
PBDT	639	730	852	970	784	2,574	3,191
Depreciation	141	143	144	150	136	521	578
Tax	116	145	196	246	190	525	703
PAT	382	442	513	574	458	1,529	1,911
% Change (YoY)	40	31	54	25	14	12	25
EPS	10	11	13	15	12	40	50
NPM (%)	6.60	6.72	7.38	6.81	6.66	7.40	6.89

Ashok Leyland Ltd. (ALL)
CMP: Rs 38
Key Data:

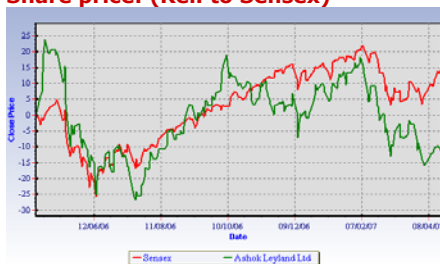
BSE Code	500477
NSE Code	ASHOKLEY
Sensex	14137
52 week H/L (Rs)	54/30
April month H/L (Rs)	39/35
Market Cap (Rs Cr)	5031
Avg. daily vol. (6m)	1050276
Face Value	1

Source: Capitaline

Shareholding Pattern (%):

Promoters	38.80
Institution	20.56
Foreign	27.14
Non-promoter Corp.	2.50
Public & Others	11.00

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly highlights:

- ALL, India's second biggest truck maker, reported robust growth rates of 28% YoY for Q4FY07 and sold 26,130 vehicles compared to 20,402 vehicles sold for the same quarter last year.
- ALL's cumulative vehicle sales for FY2007, were 35% higher than its sales in the previous year. During the year, the company sold 83,101 vehicles against 61,655 previously. Exports were 23% higher at 6,025 vehicles.
- We expect ALL's topline to increase by 27% to Rs 2,207 Cr and PAT to grow by 5% to Rs 140 Cr. ALL is expected to close FY2007 with a sales turnover and PAT of Rs 7,084 Cr and Rs 410 Cr, respectively. EPS for FY2007 is expected to be Rs 3.10.
- ALL is likely to introduce a new tractor, a 49-tonne vehicle, particularly suited for container cargo and also a luxury passenger bus sometime during the year.
- ALL has also announced plans to setup a Rs 1,200 Cr vehicle manufacturing unit in Uttaranchal, which would involve the setting up of a vehicle assembly and cab facility to produce 25,000 vehicles a year initially. The facility, which can also be ramped up to produce 40,000 vehicles, is expected to strengthen ALL's presence in northern region, which contributes to one fourth of its sales.
- Post the process of integrating the recently acquired truck business unit of Avia, we expect the benefits of the acquisition to fructify from FY2008. Avia manufactures light commercial vehicles of 6-tonne, 7.5-tonne and 9-tonne capacities using imported engines.
- We expect ALL to post a growth of about 15-20% during FY2008 and achieve sales of nearly 1-lakh units. We believe that ALL's strategy of diversifying its products base by entering the LCV segment would help reduce volatility in vehicle sales.

Quarterly Sales (in number of units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
M&HCV	9,622	8,018	8,444	26,084	20,201	29.12	82,798	60,861	36.04
Passenger Carriers	1,752	1,671	1,671	5,094	4,032	26.34	15,497	15,667	-1.09
Goods Carrier	7,870	6,347	6,773	20,990	16,169	29.82	67,301	45,194	48.92
LCV	28	18	0	46	201	-77.11	303	794	-61.84
Passenger Carriers	28	17	0	45	196	-77.04	300	779	-61.49
Goods Carrier	0	1	0	1	5	-80.00	3	15	-80.00
Total CV	9,650	8,036	8,444	26,130	20,402	28.08	83,101	61,655	34.78

Quarterly Performance (Rs in Cr)

(Rs Cr)	Q1FY07	Q2FY07	Q3FY07	Q4FY07E	Q4FY06	FY06	FY07E
Net Sales	1,424	1,676	1,778	2,207	1,735	5,248	7,084
% Change (YoY)	34	34	48	27	19	26	35
Other Income	14	34	6	20	11	63	74
Total Exp	1,309	1,544	1,597	1,987	1,518	4,716	6,436
Operating Profit	115	132	181	220	217	532	648
OPM (%)	8.06	7.87	10.18	9.97	12.49	10.13	9.14
PBIDT	129	166	187	240	228	595	722
Interest	1	0	3	5	10	16	8
PBDT	128	165	185	235	218	578	713
Depreciation	33	36	33	35	33	126	137
Tax	26	33	46	60	51	125	166
PAT	69	95	105	140	133	327	410
% Change (YoY)	61	27	93	5	-7	12	25
EPS	1	1	1	1	1	3	3
NPM (%)	4.86	5.69	5.92	6.34	7.69	6.24	5.78

Bajaj Auto Ltd. (BAL)
CMP: Rs 2449
Key Data:

BSE Code	500490
NSE Code	BAJAJAUTO
Sensex	14137
52 week H/L (Rs)	3325/2085
April month H/L (Rs)	2575/2250
Market Cap (Rs Cr)	24780
Avg. daily vol. (6m)	80721
Face Value	10

Source: Capitaline

Shareholding Pattern (%):

Promoters	29.85
Institution	8.34
Foreign	22.06
Non-promoter Corp.	13.35
Public & Others	26.45

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly highlights:

- Contrary to the stellar performance recorded during the past few quarters, India's second biggest motorcycle maker BAL failed to maintain its momentum and registered a meager 1% growth in volumes. BAL closed the quarter with 625,357 units as compared to 619,196 units in the same quarter a year ago.
- BAL had maintained its leadership in the 150cc plus premium segment, while it conceded market share in the economy segment to Hero Honda. BAL's motorcycle sales declined marginally to 532,864 units compared to 533,018 units for the corresponding year ago period. Sales of three wheelers were however up by 16% to 84,598 units.
- On the back of the meager volume growth, coupled with the pricing pressures and declining margins, we expect BAL's topline to register marginal de-growth while its PAT is likely to drastically decline by around 23% to Rs 248 Cr. BAL is expected to close the quarter with an EPS (on a standalone basis) of Rs 25, which should result in an EPS of Rs 116 for FY2007.
- In its plans to shift customers from the 100cc segment to a new segment, BAL also plans to roll out a new motorcycle in the executive category, priced around Rs 40,000. Post the successful demonstration of the CNG technology in three wheelers, BAL is also contemplating to extend the same to its two wheelers, which is expected to translate into significant savings in the running cost of bikes.
- BAL had recently inaugurated its one million-bike capacity Uttarakhand plant, which was set up at an investment of Rs 700 Cr, of which Rs 550 Cr was invested by its vendors. BAL's investment of Rs 150 Cr in this plant, translates into an investment of a mere Rs 1,500 per vehicle, which would result in a shorter payback period. The inauguration of its Greenfield plant in Pantnagar, Uttarakhand, is expected to kickoff tax rebates and BAL had announced a cut of as much as Rs 3,000 in the prices of its 100cc model Platina, which will be among the first few bikes to be manufactured here.
- The recent capacity expansions and the renewed emphasis on the three wheeler segment make BAL look in good stead. Also considering the sum of parts valuation to include the non-core businesses of investments and insurance (which may be de-merged in the near future), we believe BAL may surprise on the upside.

Quarterly Sales (in number of units):

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	195,560	171,780	165,524	532,864	533,018	-0.03	2,376,519	1,913,094	24.22
Other 2 Wheelers	1,993	2,440	3,462	7,895	13,540	-41.69	20,480	115,996	-82.34
Total 2 Wheelers	197,553	174,220	168,986	540,759	546,558	-1.06	2,396,999	2,029,090	18.13
3 Wheelers	32,030	27,992	24,576	84,598	72,638	16.47	321,796	252,006	27.69
Grand Total	229,583	202,212	193,562	625,357	619,196	0.99	2,718,795	2,281,096	19.19

Quarterly Performance (Rs in Cr)

(Rs Cr)	Q1FY07	Q2FY07	Q3FY07	Q4FY07E	Q4FY06		FY06	FY07E
Net Sales	2,203	2,436	2,568	2,157	2,166		7,668	9,364
% Change (YoY)	35	30	28	0	33		30	22
Other Income	95	142	161	140	103		438	538
Total Exp	1,852	2,083	2,217	1,877	1,753		6,335	8,030
Operating Profit	350	353	351	280	413		1,333	1,334
OPM (%)	15.90	14.47	13.68	12.98	19.07		17.38	14.25
PBIDT	445	495	513	420	516		1,771	1,873
Interest	1	2	0	0	0		0	3
PBDT	444	493	512	420	516		1,771	1,870
Depreciation	48	49	47	50	47		191	195
Tax	130	125	120	122	148		457	497
PAT	266	319	345	248	322		1,123	1,178
% Change (YoY)	27	13	24	-23	31		42	5
EPS	26	32	34	25	32		111	116
NPM (%)	12.08	13.09	13.44	11.50	14.86		14.65	12.58

Hero Honda Motors Ltd. (HHML)
CMP: Rs 661
Key Data:

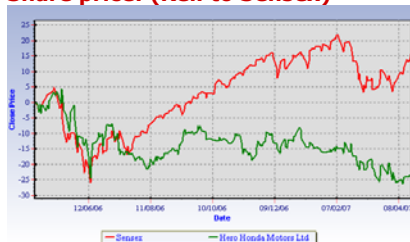
BSE Code	500182
NSE Code	HEROHONDA
Sensex	14137
52 week H/L (Rs)	898/565
April month H/L (Rs)	680/565
Market Cap (Rs Cr)	13199
Avg. daily vol. (6m)	118352
Face Value	2

Source: Capitaline

Shareholding Pattern (%):

Promoters	54.95
Institution	8.09
Foreign	26.93
Non-promoter Corp.	0.53
Public & Others	9.50

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly highlights:

- HHML, the 'World No.1' two-wheeler company, clocked sales of 866,247 two-wheelers in the fourth quarter Q4FY07, thus ending the financial year 2006-07 with an impressive cumulative tally of 3,347,019 units (growth of 12% as compared to FY2006). HHML has maintained its leadership in the Indian two-wheeler industry by registering 12% increase in two wheeler sales at 866,247 units as compared to 772,457 units in the same quarter a year ago.
- While the motorcycle segment reported 12% increase in volumes from 757,442 units to 846,352 units, the scooter segment increased 33% from 15,015 units to 19,895 units on a YoY basis. The current quarter also witnessed HHML recover a significant portion of the market share, which it had conceded to BAL during the earlier part of the year.
- The launching of the new models, aggressive pricing & marketing, and the rising cost of key raw materials is expected to hit operating margins in this quarter. We expect HHML's topline to grow by 11% to Rs 2,512 Cr, while the PAT is expected to decline by 38% to Rs 165 Cr, resulting in an EPS of Rs 8 for Q4FY07.
- HHML's current capacity of about 3.9 million units is likely to be ramped upto 4.4 million units by mid-2007, and the proposed Greenfield plant in Haridwar is likely to take HHML's total capacity to about 5.4 million units by FY2008. The plant is expected to produce all the two-wheeler models in the Hero Honda portfolio, including the recently launched 150cc `CBZ X-treme' and the fuel injection-based Glamour FI. HHML initially plans to make Splendor Plus and Passion Plus at the new facility, and would follow it up with the other models too once the capacity is ramped up.
- We expect the pricing pressures and promotional offers to continue during the major part of FY2008, and hence do not foresee any substantial improvement in the margins going forward. Though HHML has been able to sell nearly 1 million units more than its rival BAL, we do not expect HHML to register stellar performances in the forthcoming quarters as the volume growth rate for the two wheeler segment is likely to witness a marked slowdown.

Quarterly Sales (in number of units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	289,669	273,021	283,662	846,352	757,442	11.74	3,254,042	2,985,736	8.99
Other 2 Wheelers	7,885	7,491	4,519	19,895	15,015	32.50	92,977	15,015	519.23
Grand Total	297,554	280,512	288,181	866,247	772,457	12.14	3,347,019	3,000,751	11.54

Quarterly Performance (Rs in Cr)

(Rs Cr)	Q1FY07	Q2FY07	Q3FY07	Q4FY07E	Q4FY06		FY06	FY07E
Net Sales	2,364	2,230	2,666	2,512	2,256		8,714	9,772
% Change (YoY)	20	3	15	11	16		17	12
Other Income	52	59	34	30	43		156	175
Total Exp	2,045	1,946	2,364	2,261	1,893		7,350	8,617
Operating Profit	319	284	302	251	363		1,364	1,155
OPM (%)	13.49	12.71	11.32	9.99	16.10		15.66	11.82
PBIDT	371	343	336	281	406		1,521	1,331
Interest	-3	-6	-6	-6	-4		-6	-21
PBDT	375	349	341	287	410		1,527	1,352
Depreciation	32	34	38	40	30		115	144
Tax	105	99	94	82	112		441	380
PAT	238	216	209	165	267		971	828
% Change (YoY)	22	-9	-20	-38	29		31	-15
EPS	12	11	10	8	13		49	41
NPM (%)	10.06	9.68	7.85	6.57	11.84		11.15	8.47

TVS Motor Company Ltd. (TVS)
CMP: Rs 57
Key Data:

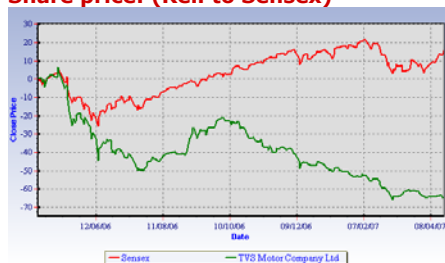
BSE Code	532343
NSE Code	TVSMOTORS
Sensex	14137
52 week H/L (Rs)	173/53
April month H/L (Rs)	61/56
Market Cap (Rs Cr)	1354
Avg. daily vol. (6m)	262478
Face Value	1

Source: Capitaline

Shareholding Pattern (%):

Promoters	56.83
Institution	22.81
Foreign	4.00
Non-promoter Corp.	6.36
Public & Others	10.00

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly highlights:

- TVS, the third largest two-wheeler manufacturer in India, once again reported disappointing numbers during Q4FY07, as total volumes rose by just over 5%. During the fiscal FY2007, the company's total two wheeler sales grew 13.9% at 1,528,665 units compared to 1,342,203 units in the previous fiscal.
- TVS reported a 3% dip in motorcycle sales during Q4FY07 at 213,028 units as against 219,565 units in the same quarter a year ago. Motorcycle sales during the full year ended FY2007, however, grew by 14.7% at 925,140 units compared to 806,654 units during the previous fiscal.
- In scooters, TVS Scooty clocked sales of 60,768 units in Q4FY07 compared to 51,419 units in the previous year, up 18.2% on a YoY basis. Mopeds registered a 20% increase from 79,705 units to 95,668 units in Q4FY07 on a YoY basis.
- We expect TVS' topline to grow by 10% to Rs 924 Cr while the PAT is expected to decline by 79% to Rs 6 Cr resulting in an EPS of Re 0.25 for Q4FY07.
- TVS plans to invest up to US\$ 100 mn over the next three years to set up manufacturing facilities in Indonesia with a capacity to manufacture 300,000 motorcycles a year that will cater to the markets in Southeast Asia.
- TVS is also planning to line up a slew of launches for 2007-08, and has recently announced the introduction of a new variant (named Star Sport) in the Star category of economy bikes in its portfolio, which is aimed at further consolidating the company's position in the economy segment.
- TVS' entry into the highly profitable domestic 3-wheeler market, as also its foray into the Indonesian market, will have a meaningful impact only from FY09E, while the near-term execution risks for these projects persist.
- TVS has the lowest operating margins of sub 3+% as compared to its competitors like Bajaj Auto (OPM of 13+%) and Hero Honda (OPM of 10+%). Considering the fierce competition in the two wheelers industry, especially in the 100cc motorcycle segment (the largest segment of two wheelers), we expect TVS to further loose ground to its financially superior competitors.

Quarterly Sales (in number of units)

MONTH	JAN-07	FEB-07	MAR-07	Q4FY07	Q4FY06	%CHG	FY07	FY06	%CHG
Motorcycles	69,634	70,155	73,239	213,028	219,565	-2.98	925,140	806,654	14.69
Mopeds	30,979	30,018	34,671	95,668	79,705	20.03	344,558	290,273	18.70
Other 2 Wheelers	20,534	19,937	20,297	60,768	51,419	18.18	258,967	245,276	5.58
Grand Total	121,147	120,110	128,207	369,464	350,689	5.35	1,528,665	1,342,203	13.89

Quarterly Performance (Rs in Cr)

(Rs Cr)	Q1FY07	Q2FY07	Q3FY07	Q4FY07E	Q4FY06		FY06	FY07E
Net Sales	922	1,078	935	924	839		3,235	3,859
% Change (YoY)	25	37	7	10	17		13	19
Other Income	18	11	18	15	21		71	61
Total Exp	880	1,022	906	897	791		3,030	3,705
Operating Profit	42	56	30	27	48		204	154
OPM (%)	4.51	5.19	3.17	2.92	5.74		6.32	4.00
PBIDT	59	67	47	42	70		275	215
Interest	6	6	9	9	5		13	30
PBDT	53	61	39	33	65		262	186
Depreciation	23	24	24	24	24		94	96
Tax	9	11	3	3	12		51	26
PAT	21	25	11	6	29		117	64
% Change (YoY)	-15	-22	-63	-79	-39		-15	-46
EPS	0.90	1.05	0.48	0.25	1.22		4.93	2.68
NPM (%)	2.31	2.30	1.23	0.65	3.47		3.62	1.65

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