



# TVS Motor Co

Relative to sector: **Neutral**

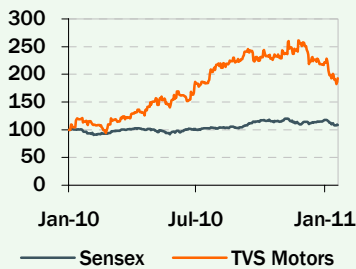
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**Relative Performance**



Source: Bloomberg, ENAM Research

**Stock data**

No. of shares : 475 mn  
Market cap : Rs 29.5 bn  
52 week high/low : Rs 87/ Rs 29  
Avg. daily vol. (6mth) : 4.3 mn shares  
Bloomberg code : TVSL IB  
Reuters code : TVSM.BO

**Shareholding (%) Dec-10 QoQ chg**

Category	Dec-10 (%)	QoQ chg
Promoters	59.3	0.0
FIs	7.2	(1.1)
MFs / UTI	5.3	(0.6)
Banks / FIs	8.0	1.9
Others	20.2	(0.2)

## VOLUMES AND MARGINS STABLE SEQUENTIALLY

TVS Motor's (TVS) Q3FY11 operating performance was below our expectations, with PBDIT margin of 6.7% (↓ 24bps QoQ, ↑ 24bps YoY). Despite strong vol. growth of ~35% YoY in the last three qtrs, PBDIT margin has largely remained flat at ~6.8%, due to higher material costs.

The co. has increased prices by 1-2% in Q3FY11, and further by 1.5% in Jan-11, to absorb the commodity pressures. With overall volume growth expected to be buoyant at 16% for FY12E and improving product mix, we expect operating margins to gradually gain momentum.

**Key highlights:**

- Overall vols up 40% YoY (flat QoQ) to 0.52 mn units, led by a healthy 64% YoY growth in scooter portfolio to 0.12 mn units. TVS reported revenue of Rs 16 bn (↑ 50% YoY & 1% QoQ), EBITDA of Rs 674 mn (↑ 31% YoY, ↓ 17% QoQ) and PAT of Rs 558 mn (↑ 133% YoY & 2% QoQ) in Q3FY11.
- The response to *Jive* has been below expectations with avg. MRR of ~6-8k units (vs. mgmt tgt of >15,000 units); however, this has been offset by robust demand for scooters & *Apache*. We expect scooters to grow by 25% in FY12E (vs. 55% in FY11E), outpacing the 2W ind. growth of ~15%. TVS plans to launch a new motorcycle & scooter in FY12E, along with variants of *Apache* & *Scooty* in H1FY12.
- 3Ws crossed 10,000 mark in Q3, with exports accounting for 51% (vs. 36% in Q2). The mgmt intends to clock ~60,000 units of 3Ws in FY12E, with higher contribution from exports. (contd. on pg 2...)

## Volume momentum healthy. Maintain HOLD

We expect overall volume growth to remain buoyant at 16% for FY12E; however, we are lowering our PBDIT margin assumptions by ~60 bps to 7% and 7.8% for FY11E and FY12E resp. on account of higher costs and slower ramp-up of motorcycles. We are reducing our EPS estimates by 7% and 5% for FY11E and FY12E to Rs 4.6 and Rs 6.5 resp. Maintain **HOLD** rating on the stock with a revised TP of Rs 70 (13x FY12E conso EPS of Rs 5.3), implying 13% upside.

**Financial Summary (Standalone)**

Y/E Mar	Sales (Rs mn)	EBITDA (Rs mn)	Adj. PAT (Rs mn)	Rep. PAT (Rs mn)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2009	36,709	1,187	303	311	0.6	148	-	4	6	-
2010	43,631	2,189	1,323	880	2.8	337	-	17	11	-
2011E	62,614	3,131	2,186	2,186	4.6	65	13.5	24	18	11.8
2012E	75,330	4,450	3,071	3,071	6.5	40	9.6	27	25	7.9

Source: Company, ENAM estimates. Note: Our conso EPS est. factors in loss of Rs 1.6 and Rs 1.1 from subsidiaries for FY11E and FY12E resp.

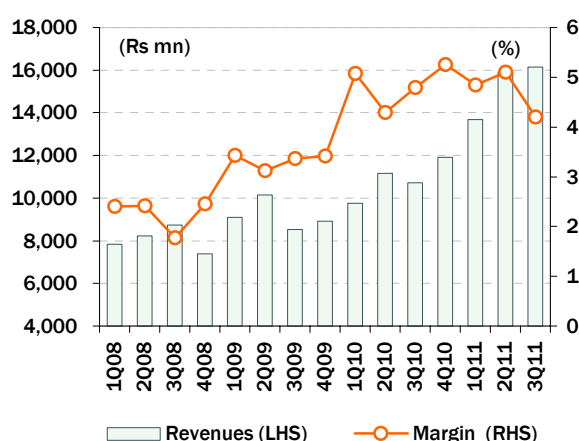
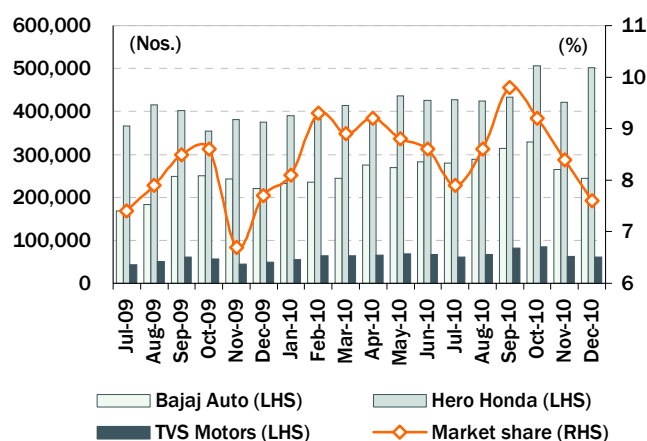
## Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
Net revenue	16,135	10,726	50	15,898	1	62,614	43,631	44
EBITDA	674	514	31	811	(17)	3,131	2,189	43
Other income	404	177	128	290	39	1,300	673	93
PBIDT	1,078	691	56	1,101	(2)	4,431	2,861	55
Depreciation	279	253	10	280	(0)	1,118	1,025	9
Interest	96	180	(47)	142	(32)	510	632	(19)
PBT	703	258	-	679	4	2,803	1,204	-
Tax	145	19	-	130	12	617	(118)	-
Adjusted PAT	558	239	-	549	2	2,186	1,323	65
Extra ordinary income/ (exp.)	(0)	(4)	-	(1)	(89)	-	(443)	-
Reported PAT	558	235	-	548	2	2,186	880	-
No. of shares (mn)	475	475	-	475	-	475	475	-
EBITDA margin (%)	4.2	4.8	-	5.1	-	5.0	5.0	-
PBIDT margin (%)	6.7	6.4	-	6.9	-	7.1	6.6	-
EPS - annualized (Rs)	4.7	2.0	-	4.6	2	4.6	2.8	65

Source: Company, ENAM Research. Other income includes other operating income.

## Volume and market share movements\*

## Revenue &amp; EBITDA margin\*\* trends

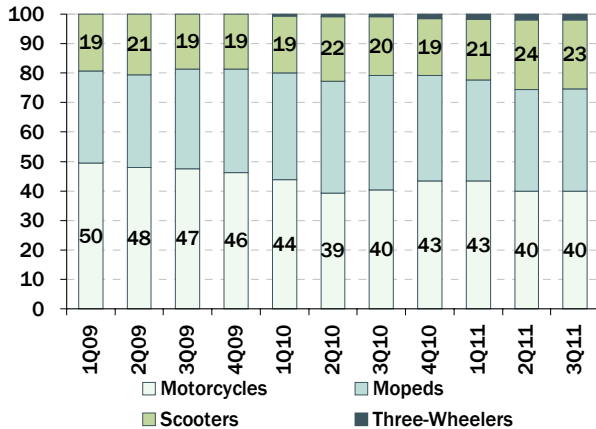


Source: Company, Industry, ENAM Research; \*indicated figures for only top 3 manufacturers (i.e. HHM, Bajaj and TVS). \*\* EBITDA margin does not include other operating income.

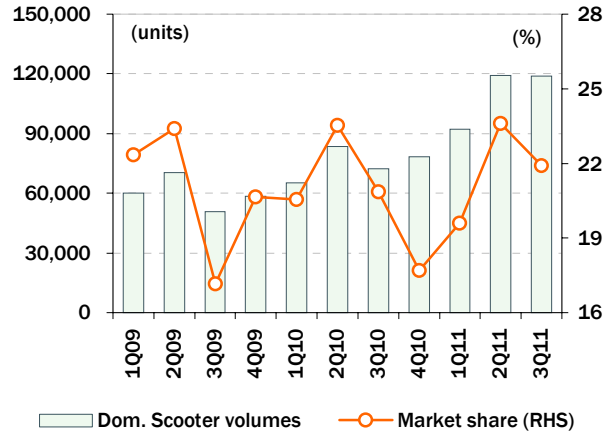
## Key highlights contd...

- TVS' Indonesian operations continued to be sluggish in Q3 as well (with vols of ~15,000 units in 9MYTD). The co. has ramped-up its dealer network to 150 (vs. 130 in Q2), with plans of adding ~30-40 in Q4 and expects the business to break-even only in H1FY12.
- TVS repaid debt of ~Rs 2 bn during the quarter, and hence interest costs declined by 32% QoQ (47% YoY) to Rs 96 mn. Other operating income were higher by 26% QoQ (97% YoY) at Rs 332 mn, on account of export benefits.

**Product portfolio trend**



**Scooters going steady**



Source: ENAM Research.

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