

November 3, 2011

<b>Reco</b>	<b>Previous Reco</b>
Hold	Hold
<b>CMP</b>	<b>Target Price</b>
Rs66	Rs72
EPS change FY12E/13E (%)	11.7/15.7
Target Price change (%)	16
Nifty	5,266
Sensex	17,482

### Price Performance

(%)	1M	3M	6M	12M
Absolute	13	25	29	(12)
Rel. to Nifty	2	28	34	2

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Automobiles
Bloomberg	TVSL@IN
Equity Capital (Rs mn)	475
Face Value(Rs)	1
No of shares o/s (mn)	475
52 Week H/L	87/44
Market Cap (Rs bn/USD mn)	31/629
Daily Avg Volume (No of sh)	2337703
Daily Avg Turnover (US\$m)	2.8

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	59.3	59.3	59.3
FII/NRI	5.0	4.0	5.1
Institutions	16.5	14.7	13.7
Private Corp	5.3	6.4	6.6
Public	14.0	15.6	15.2

Source: Capitaline

### Chirag Shah

chirag.shah@emkayglobal.com  
+91 22 6612 1252

### Siddhartha Bera

Siddhartha.bera@emkayglobal.com  
+91 22 6624 2494

- **Results in line with Sales/EBITDA/PAT at Rs 19.9bn/1.4bn/765mn vs est. of Rs 19.7bn/1.4bn/752mn. Company invested Rs 769mn in various subsidiaries during the quarter**
- **Oct 2011 vols declined by ~6.3% YoY to ~183,000 units due to one week maintenance shut down. Strong demand led to delay in planned shutdown (generally in May) to October**
- **Retain FY12E/FY13E vols. at 2.3mn/2.6mn units. Upgrade our F12E/FY13E by 12%/16% to Rs 5.8/7.2 due to favorable forex, price hike of 1%/3.5% in dom./exports and lower RM cost**
- **Retain HOLD rating but revise our TP upwards to Rs 72 (10x FY13x PER). Upside risk arises from better than expected margins in 2HFY12**

### Net Sales- Marginally above est.

Net sales at Rs 19.9bn was marginally above our est. of Rs 19.7bn. Average selling price increased by 6.9% YoY and 1.5% QoQ to Rs 32,337 primarily driven by improved product mix.

Product mix %	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
Motorcycles	39.8	39.8	41.0	40.1	39.5
Scooters	23.7	23.4	23.2	21.9	26.1
Mopeds	34.6	34.9	33.6	35.8	32.5
Three wheelers	1.9	1.9	2.3	2.1	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Exports	11.1	9.8	13.3	14.5	14.0
Domestic	88.9	90.2	86.7	85.5	86.0
<b>Units sold</b>	<b>524,954</b>	<b>524,169</b>	<b>533,772</b>	<b>536,129</b>	<b>603,689</b>

Product mix %	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
<b>Domestic</b>					
Economy	18.4	20.7	21.1	22.3	21.8
Executive	5.3	3.2	1.8	0.7	0.7
Premium	6.5	7.2	7.2	6.1	6.5
Scooters	22.7	22.7	22.1	20.4	24.6
Mopeds	34.3	34.7	33.3	35.6	31.9
3Wheelers	1.2	0.9	0.9	0.5	0.6

Source: CRISIL, Emkay research

### Financial Snapshot

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY10	44,301	1,893	4.3	900	1.9	254.0	11.4	35.0	19.8	3.8
FY11	62,891	3,931	6.3	1,949	4.1	116.7	21.3	16.2	9.9	3.2
FY12E	76,042	5,235	6.9	2,738	5.8	40.5	25.0	11.5	7.1	2.6
FY13E	86,619	6,180	7.1	3,435	7.2	25.5	26.1	9.2	5.6	2.2

## Quarterly Summary

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD'12	YTD'11	YoY (%)
<b>Revenue</b>	<b>16,147</b>	<b>16,452</b>	<b>16,425</b>	<b>17,460</b>	<b>19,918</b>	<b>23.4</b>	<b>14.1</b>	<b>37,378</b>	<b>30,067</b>	<b>24.3</b>
<b>Expenditure</b>	<b>15,088</b>	<b>15,460</b>	<b>15,421</b>	<b>16,289</b>	<b>18,535</b>	<b>22.9</b>	<b>13.8</b>	<b>34,824</b>	<b>28,120</b>	<b>23.8</b>
<i>as % of sales</i>	93.4	94.0	93.9	93.3	93.1			125.4	128.7	
Consumption of RM	11,716	12,046	11,936	13,044	14,731	25.7	12.9	27,775	21,854	27.1
<i>as % of sales</i>	72.6	73.2	72.7	74.7	74.0			74.3	72.7	
Employee Cost	847	868	804	909	938	10.7	3.2	1,847	1,576	17.2
<i>as % of sales</i>	5.2	5.3	4.9	5.2	4.7			4.9	5.2	
Other expenditure	2,525	2,546	2,681	2,336	2,866	13.5	22.7	5,202	4,689	10.9
<i>as % of sales</i>	15.6	15.5	16.3	13.4	14.4			13.9	15.6	
<b>EBITDA</b>	<b>1,060</b>	<b>991</b>	<b>1,004</b>	<b>1,171</b>	<b>1,383</b>	<b>30.5</b>	<b>18.1</b>	<b>2,554</b>	<b>1,947</b>	<b>31.1</b>
Depreciation	280	279	243	277	286	2.2	3.3	563	546	3.1
<b>EBIT</b>	<b>780</b>	<b>712</b>	<b>760</b>	<b>894</b>	<b>1,097</b>	<b>40.6</b>	<b>22.7</b>	<b>1,991</b>	<b>1,402</b>	<b>42.0</b>
Other Income	26	72	3	-	23	(10.5)		23	67	(65.5)
Interest	142	96	57	116	112	(21.6)	(4)	227	312	(27.1)
<b>PBT</b>	<b>664</b>	<b>688</b>	<b>707</b>	<b>778</b>	<b>1,009</b>	<b>52.0</b>	<b>29.6</b>	<b>1,787</b>	<b>1,157</b>	<b>54.5</b>
Total Tax	127	142	228	191	244	91.4	27.8	434	226	92.2
<b>Adjusted PAT</b>	<b>536</b>	<b>546</b>	<b>479</b>	<b>588</b>	<b>765</b>	<b>42.6</b>	<b>30.2</b>	<b>1,353</b>	<b>931</b>	<b>45.3</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-			-	-	
<b>Adjusted PAT after MI</b>	<b>536</b>	<b>546</b>	<b>479</b>	<b>588</b>	<b>765</b>	<b>42.6</b>	<b>30.2</b>	<b>1,353</b>	<b>951</b>	<b>42.2</b>
<b>Extra ordinary items</b>	<b>11</b>	<b>12</b>	<b>(61)</b>	<b>0</b>	<b>-</b>			<b>0</b>	<b>21</b>	<b>(99.3)</b>
<b>Reported PAT</b>	<b>548</b>	<b>558</b>	<b>417</b>	<b>588</b>	<b>765</b>	<b>39.7</b>	<b>30.2</b>	<b>1,353</b>	<b>951</b>	<b>42.2</b>
<b>Reported EPS</b>	<b>1.2</b>	<b>1.2</b>	<b>0.9</b>	<b>1.2</b>	<b>1.6</b>	<b>39.7</b>	<b>30.2</b>	<b>2.8</b>	<b>2.0</b>	<b>42.2</b>

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	6.6	6.0	6.1	6.7	6.9	38	24	6.8	6.5	36	
EBIT	4.8	4.3	4.6	5.1	5.5	68	39	5.3	4.7	66	
EBT	4.1	4.2	4.3	4.5	5.1	95	61	4.8	3.8	93	
PAT	3.3	3.3	2.9	3.4	3.8	52	48	3.6	3.1	52	
Effective Tax rate	19.2	20.7	32.3	24.5	24.1	497	(34)	24.3	19.5	477	

Per Vehicle Analysis (Rs)						YoY (%)	QoQ (%)				YoY (%)
Revenues	30,760	31,386	31,358	32,567	32,994	7.3	1.3	32,793	30,408	7.8	
RM	22,318	22,981	22,789	24,331	24,401	9.3	0.3	24,368	22,102	10.3	
Staff Cost	1,614	1,656	1,534	1,696	1,554	(3.7)	(8.4)	1,621	1,594	1.6	
Other exp	4,809	4,858	5,119	4,357	4,748	(1.3)	9.0	4,564	4,742	(3.8)	
EBITDA	2,019	1,891	1,916	2,184	2,291	13.5	4.9	2,241	1,969	13.8	
PAT	1,022	1,041	914	1,096	1,267	24.0	15.6	1,187	941	26.1	

Source: Company, Emkay Research

**EBITDA margins: ~6.9% vs our est. of ~7.1%**

EBITDA at Rs 1.4bn was in line with our est. However, EBITDA margins at ~6.9% were lower than our est. of ~7.1% due to better than expected topline. RM to sales at 75.5% declined by 90 bps QoQ and was in line with our est.

**APAT: ~2% above est.**

Net profits at Rs 765 mn was ~2% above our est. of Rs 752 mn due to higher other income. Interest and depreciation costs of Rs 112mn and Rs 286 mn were in line with our est.

**Revision in estimates**

We maintain our volume estimates for FY12E/13E at 2.3mn/2.6mn units respectively. Our estimates imply volume growth of ~14% in H2FY12. We revise our net sales by 1.4%/1.6% in FY12/13 to factor in improved realizations and price hike of 1%/3.5% in domestic and export markets. We increase our EBITDA margins by 50bps/80bps in FY12/13 driven by price hike, moderation in input costs and favorable forex rates. We factor in USD/Re at Rs 46/47.5 in FY12/13 vs our earlier est. of Rs 45.5. Our net profit estimates is revised upwards by 11.7%/15.7% to Rs 2.8bn/3.4bn in FY12/13

Rs mn	FY12E			FY13E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Volumes	2,340,967	2,339,140	(0.1)	2,627,276	2,625,875	(0.1)
Sales	75,002	76,042	1.4	85,183	86,523	1.6
EBIDTA	4,786	5,235	9.4	5,330	6,180	16.0
EBIDTA margins (%)	6.4	6.9		6.3	7.1	
Net Profits	2,503	2,738	9.4	2,968	3,435	15.7
EPS	5.3	5.8	9.4	6.2	7.2	15.7

Source: Emkay Research

**Valuations and View**

At CMP of Rs 66.3, the stock trades at 11.5x/9.2x PER and 7.1x/5.6x EV/EBIDTA of our FY12/13 estimates. However, concerns continue to persist in the consolidated Balance Sheet. TVS further invested Rs 769mn in various subsidiaries and Sundaram Auto in Q2FY12. We maintain our target multiple to 10x PER and 6.1x EV/EBIDTA on our standalone FY13 est. due to balance sheet concerns. We retain our HOLD rating on the stock but upgrade our TP to Rs 72.

## Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>44,301</b>	<b>62,891</b>	<b>76,042</b>	<b>86,619</b>
Growth (%)	18.5	42.0	20.9	13.9
<b>Expenditure</b>	<b>42,409</b>	<b>58,960</b>	<b>70,807</b>	<b>80,439</b>
Materials Consumed	31,374	46,139	56,199	63,825
Employee Cost	2,513	3,283	3,775	4,370
Other Exp	8,523	9,538	10,833	12,244
<b>EBITDA</b>	<b>1,893</b>	<b>3,931</b>	<b>5,235</b>	<b>6,180</b>
Growth (%)	1.1	107.7	33.2	18.1
<b>EBITDA margin (%)</b>	<b>4.3</b>	<b>6.3</b>	<b>6.9</b>	<b>7.1</b>
Depreciation	1,025	1,073	1,168	1,217
<b>EBIT</b>	<b>867</b>	<b>2,859</b>	<b>4,068</b>	<b>4,964</b>
<b>EBIT margin (%)</b>	<b>2.0</b>	<b>4.5</b>	<b>5.3</b>	<b>5.7</b>
Other Income	545	96	43	73
Interest expenses	632	470	460	456
<b>PBT</b>	<b>781</b>	<b>2,485</b>	<b>3,651</b>	<b>4,581</b>
<b>Tax</b>	<b>-118</b>	<b>535</b>	<b>913</b>	<b>1,145</b>
Effective tax rate (%)	(15.2)	21.5	25.0	25.0
<b>Adjusted PAT</b>	<b>900</b>	<b>1,949</b>	<b>2,738</b>	<b>3,435</b>
Growth (%)	172.4	116.7	40.5	25.5
<b>Net Margin (%)</b>	<b>2.0</b>	<b>3.1</b>	<b>3.6</b>	<b>4.0</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-
<b>Adj. PAT After JVs/Ass/MI</b>	<b>900</b>	<b>1,949</b>	<b>2,738</b>	<b>3,435</b>
E/O items	(20)	(1)	-	-
<b>Reported PAT</b>	<b>880</b>	<b>1,948</b>	<b>2,738</b>	<b>3,435</b>
Growth (%)	172.4	116.7	40.5	25.5

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	236	2,389	3,608	4,508
Depreciation	1,025	1,073	1,168	1,217
Interest Provided	632	470	460	456
Other Non-Cash items	(352.5)	(1.1)	-	-
Chg in working cap	1,057	-883	-576	-447
Tax paid	118	-535	-913	-1,145
<b>Operating Cashflow</b>	<b>3,389</b>	<b>2,024</b>	<b>3,746</b>	<b>4,589</b>
Capital expenditure	(304)	(935)	(760)	(866)
<b>Free Cash Flow</b>	<b>3,085</b>	<b>1,090</b>	<b>2,986</b>	<b>3,723</b>
Other income	545	96	43	73
Investments	(3,094)	1,157	-1,000	-1,000
<b>Investing Cashflow</b>	<b>-2,853</b>	<b>318</b>	<b>-1,718</b>	<b>-1,794</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	973	-2,179	-500	-500
Interest Paid	-632	-470	-415	-456
Dividend paid (incl tax)	(329)	(605)	(792)	(994)
Income from investments				
Others	424	300		
<b>Financing Cashflow</b>	<b>880</b>	<b>-4,083</b>	<b>-1,707</b>	<b>-1,949</b>
<b>Net chg in cash</b>	<b>1,417</b>	<b>-1,741</b>	<b>322</b>	<b>846</b>
Opening cash position	421	1,010	60	337
<b>Closing cash position</b>	<b>1,837</b>	<b>-731</b>	<b>382</b>	<b>1,183</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	238	475	475	475
Reserves & surplus	8,416	9,519	11,465	13,907
<b>Net worth</b>	<b>8,654</b>	<b>9,994</b>	<b>11,940</b>	<b>14,381</b>
<b>Minority Interest</b>		-	-	-
Secured Loans	8,300	5,659	5,159	4,659
Unsecured Loans	1,733	2,195	2,195	2,195
<b>Loan Funds</b>	<b>10,033</b>	<b>7,855</b>	<b>7,355</b>	<b>6,855</b>
Net deferred tax liability	1,146	957	957	957
<b>Total Liabilities</b>	<b>19,832</b>	<b>18,805</b>	<b>20,251</b>	<b>22,193</b>
Gross Block	19,091	19,723	20,483	21,349
Less: Depreciation	9,534	10,347	11,514	12,731
<b>Net block</b>	<b>9,557</b>	<b>9,376</b>	<b>8,969</b>	<b>8,618</b>
Capital work in progress	271	574	574	574
<b>Investment</b>	<b>7,393</b>	<b>6,611</b>	<b>7,611</b>	<b>8,611</b>
<b>Current Assets</b>	<b>9,652</b>	<b>12,016</b>	<b>15,265</b>	<b>18,219</b>
Inventories	2,897	5,279	6,375	7,276
Sundry debtors	2,203	2,706	3,268	3,730
Cash & bank balance	1,010	60	337	1,183
Loans & advances	3,520	3,954	5,269	6,014
Other current assets	22	16	16	16
<b>Current lia &amp; Prov</b>	<b>7,341</b>	<b>9,772</b>	<b>12,168</b>	<b>13,829</b>
Current liabilities	6,672	8,852	11,058	12,562
Provisions	669	920	1,111	1,268
<b>Net current assets</b>	<b>2,311</b>	<b>2,244</b>	<b>3,097</b>	<b>4,389</b>
Misc. exp	300.8	-		
<b>Total Assets</b>	<b>19,832</b>	<b>18,805</b>	<b>20,251</b>	<b>22,193</b>

## Key ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	4.3	6.3	6.9	7.1
Net Margin	2.0	3.1	3.6	4.0
ROCE	7.5	15.4	21.0	23.7
ROE	11.4	21.3	25.0	26.1
RoIC	7.5	25.5	34.9	42.1
<b>Per Share Data (Rs)</b>				
EPS	1.9	4.1	5.8	7.2
CEPS	4.1	6.4	8.2	9.8
BVPS	17.6	21.0	25.1	30.3
DPS	0.6	1.1	1.4	1.8
<b>Valuations (x)</b>				
PER	35.0	16.2	11.5	9.2
P/CEPS	16.4	10.4	8.1	6.8
P/BV	3.8	3.2	2.6	2.2
EV / Sales	0.8	0.6	0.5	0.4
EV / EBITDA	19.8	9.9	7.1	5.6
Dividend Yield (%)	0.9	1.7	2.2	2.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.7	0.7	0.5	0.2
Net Debt/EBIDTA	3.2	1.9	1.1	0.5
Working Cap Cycle (days)	(12.9)	(5.0)	(6.8)	(6.6)

\* The difference between the closing cash as per balance sheet and as per cash flow is due to cash credit balances

**Recommendation History: TVS Motor Company Ltd – TVSL IN**

Date	Reports	Reco	CMP	Target
07/09/2011	<a href="#">Auto Sector Report Cruising through barriers</a>			
29/07/2011	<a href="#">TVS Motor Q1FY12 Result Update</a>	Accumulate	49	62
03/05/2011	<a href="#">TVS Motor Q4FY11 Result Update</a>	Accumulate	56	72
21/01/2011	<a href="#">TVS Motor Q3FY11 Result Update</a>	Accumulate	62	72

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
31/10/2011	<a href="#">Maruti Suzuki Q2FY12 Result Update</a>	Hold	1,128	1,140
24/10/2011	<a href="#">Bajaj Auto Q2FY12 Result Con Call Update</a>	Buy	1,693	2,210
20/10/2011	<a href="#">Bajaj Auto Q2FY12 Result Update First Cut</a>	Accumulate	1,367	1,950
19/10/2011	<a href="#">Hero MotoCorp Q2FY12 Result Update</a>	Accumulate	1,985	2,250

**Emkay Global Financial Services Ltd.**

Corporate Add: B – Ruby Mills Tower, 7<sup>th</sup> Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: [www.emkayglobal.com](http://www.emkayglobal.com)

**DISCLAIMER:** This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.