

TATA MOTORS

Margin concerns ahead

India Equity Research | Automobiles



Edelweiss
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Tata Motors' (TTMT) Q3FY13 consolidated adjusted PAT at INR18bn (down 50% YoY, 14% QoQ) was sharply below our and Street estimates. The disappointment was driven by a dismal performance of domestic business, which posted INR4.9bn loss. EBITDA margin at 13.3% surprised positively on better performance at Jaguar Land Rover (JLR), which reported EBITDA margin of 14.0% versus estimated 12.5%. Though JLR's margin surpassed our estimate, it was the second lowest in the past 11 quarters with EBITDA per vehicle declining 10% QoQ and 24% YoY. TTMT has guided for JLR's EBITDA margin to be maintained at the current level, riding high launch expenses. Maintain 'REDUCE' with target price of INR253 (INR249 earlier).

Note: This report contains Q3FY13 concall highlights

Domestic business disappoints; JLR margin surpasses estimate

TTMT's domestic business disappointed significantly as the company reported a net loss of INR4.5bn against a profit of INR2.6bn in Q3FY12. EBITDA margin came in at 2.2% as all cost items stood higher. Low sales volume and average realisation also dragged down revenue (down 20% YoY and 15% QoQ). While JLR disappointed on the top line front (INR3.8bn versus estimate of INR4.0bn) due to lower average realisation, its EBITDA margin (under IFRS) at 14.0% surpassed our 12.5% estimate.

JLR profit margin under pressure

Though JLR's EBITDA margin was better than our estimate, it was the second lowest in the past 11 quarters. EBITDA per vehicle declined 10% QoQ and 24% YoY. While refraining from commenting on profit per vehicle, management guided for EBITDA margin of ~14% in FY14 due to high marketing expenses related to new launches.

Outlook and valuations: Margin concerns; maintain 'REDUCE'

We maintain our earnings estimates and EV/EBITDA multiples for TTMT (4x for JLR, 7.5x for standalone business) on FY14E EBITDA. We assign a 30% holdco discount to fair value of other subsidiaries to arrive at an SOTP of INR253 (INR249). We maintain our 'REDUCE/Sector Underperformer' recommendation/rating.

Financials (Consolidated)

(INR bn)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	FY12	FY13E	FY14E
Net revenues	461	453	1.8	434	6.2	1,657	1,885	2,175
EBITDA	61	72	(14.9)	59	4.8	237	244	273
Adj. profit after min.	18	36	(49.6)	21	(14.3)	143	110	104
Diluted adj. EPS (INR)						43.0	33.0	31.0
Diluted P/E (x)						6.9	9.0	9.6
EV/EBITDA (x)						4.8	5.3	5.2
ROAE (%)						55.3	29.7	22.9

EDELWEISS 4D RATINGS

Absolute Rating	REDUCE
Rating Relative to Sector	Underperformer
Risk Rating Relative to Sector	High
Sector Relative to Market	Equalweight

MARKET DATA (R: TAMO.BO, B: TTMT IN)

CMP	: INR 297
Target Price	: INR 253
52-week range (INR)	: 337 / 203
Share in issue (mn)	: 2,665.2
M cap (INR bn/USD mn)	: 872/ 16,173
Avg. Daily Vol.BSE/NSE('000)	: 12,244.6

SHARE HOLDING PATTERN (%)

	Current	Q2FY13	Q1FY13
Promoters *	34.7	34.7	34.7
MF's, FI's & BK's	11.8	12.3	12.3
FII's	28.7	28.0	27.7
Others	24.8	24.9	25.3
* Promoters pledged shares (% of share in issue)			8.9

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	(9.3)	(2.1)	7.8
3 months	7.1	3.8	12.0
12 months	10.9	8.9	27.9

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February 14, 2013

Q3FY13 results: Domestic business disappoints

Standalone: Domestic business disappointed significantly as the company reported a net loss of INR4.5bn against a profit of INR2.6bn in Q3FY12. Total revenue at INR106bn was down 20% YoY and 15% QoQ on account of low sales volume and average realisation, which dipped 7.5% QoQ likely on higher discounts due to competitive pressures. EBITDA margin was reported at 2.2% as all cost items stood higher.

JLR: EBITDA margin at 14% was above our and Street expectations. Total revenue at GBP3.8bn was higher 1.5% YoY and 15.7% QoQ primarily due to higher volume partially offset by lower average realisations (due to poor product mix and others). Adjusted PAT at INR285mn was 25% lower YoY and 20% higher QoQ.

Consolidated: Adjusted PAT at INR18bn (down 50% YoY and 14% QoQ) was much below our and Street estimates predominantly due to dismal performance of domestic business. However, EBITDA margin at 13.3% was higher than estimate due to better operating performance at JLR.

Conference call: Key highlights

JLR business

- New launches at regular intervals will keep marketing expenses elevated. Also, depreciation will have a rising trajectory on introduction of new products due to amortisation of R&D.
- Recent volatility in currency may not benefit the company immediately due to hedging policy being long term in nature.
- Fixed and variable costs share 50% each to total marketing expenses. Variable cost is reduced from the revenue and fixed cost becomes part of other expenses.
- China dealers' count stands at ~120 and will expand in future.
- The company is not seeing any material impact in near term of meeting emission norm requirements in the US and other key markets.
- In 9mFY13, investments in capex and product development stood at GBP1.461bn.
- Going forward, margins should be at current quarter's level.

Domestic business

- Operating performance of the CV business remained weak due to weak operating environment and competitive intensity.
- The company did not go for sales push. Thus, its wholesale sales were lower than retail sales and it also lost market share. Though it maintained its market share at the retail level (~60%).
- Discounts in CVs have been stable in past two months.
- Current capacity utilisation of MHCV and car plants is below 50%.
- In 9mFY13, investments in capex and product development stood at INR21bn.

Others

- **Price hike:** With ~1% hike in CVs in Q3FY13, the company took a further hike in January 2013.
- Net automotive debt to equity increased to 0.37 as on December 30, 2012, versus 0.29 as of September 30, 2012.

Outlook

- MHCV segment is likely to remain under pressure for atleast 1-2 quarters even if economic situation start improving.
- The company is expanding its dealer network for the passenger car segment and plans to come out with refreshes and new products at regular intervals.
- SCV likely to maintain growth momentum.
- Marketing costs likely to remain higher due to competitive intensity.

Table 1: SOTP valuation

	FY 14 EBITDA	Target Multiple	Implied EV
JLR	162,279	4.0	650,738
Tata Motor Standalone	44,637	7.5	334,778
Total EV			985,516
Total Debt			654,007
Cash and Investment			202,624
Automotive net debt			196,626
Mcap			788,890
Implied value per share			236
Value of other subsidiaries			17
Total vlaue per share			253

Table 2: Valuation of subsidiaries

Subsidiaries	Basis of valuation	P/E	Value (INR mn)	% holding	Value per share (INR)
Tata Daewoo	8x FY13 earnings	8	6,520	100.0	2
Tata Technologies	10x FY13 earnings	10	20,979	81.5	5
TML Drivelines Ltd	7x FY13 earnings	7	17,802	85.0	5
Tata Motors Finance	1x P/BV	1	18,580	100.0	6
Telcon	Implied valuation of stake sale		59,195	40.0	7
Total			81,684		24
Holding company discount				30.0	7
Value of subsidiaries					17

Source: Edelweiss research

Table 3: Edelweiss Vs consensus (Consolidated)
(INR mn)

Particulars	FY13E			FY14E		
	Edel	Consenses	% var	Edel	Consenses	% var
Sales	1,884,682	1,909,000	(1.3)	2,174,834	2,171,000	0.2
EBITDA	244,419	252,995	(3.4)	273,005	295,391	(7.6)
EBITDA (%)	13.0	13.0		12.6	13.6	
PAT	110,251	116,441	(5.3)	103,545	139,683	(25.9)
EPS	33.0	36.1	(8.5)	31.0	43.0	(27.9)

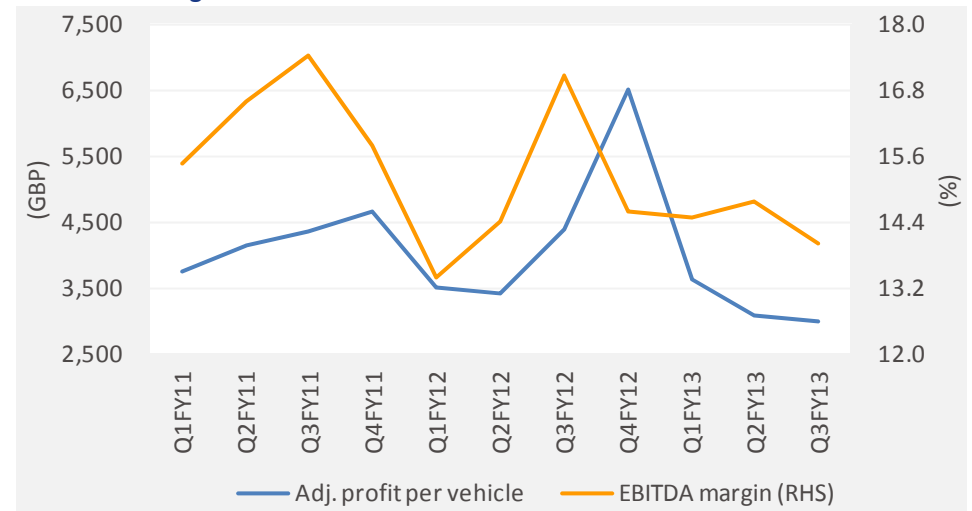
Source: Bloomberg, Edelweiss research

Table 4: Key assumptions

JLR	FY12	FY13E	FY14E	FY15E
Sales volume	315,637	363,308	401,930	450,405
Jaguar	54,039	51,845	58,496	63,773
Land Rover (ex-Evoque)	201,737	201,463	213,634	230,872
Evoque	59,861	110,000	129,800	155,760
EBITDA Margin (%)	16.1	14.2	13.9	14.0

Tata Motors (Standalone)	FY12	FY13E	FY14E	FY15E
Sales volume				
MHCV	221,202	169,710	199,579	238,087
LCV	364,410	423,975	500,437	573,338
PV	321,392	264,946	290,304	318,353
EBITDA margin (%)	8.1	4.9	7.8	9.6

Chart 1: JLR margin trend

Table 5: Sensitivity analysis - JLR EBITDA Margin and EV/EBITDA multiple
On FY14 estimates

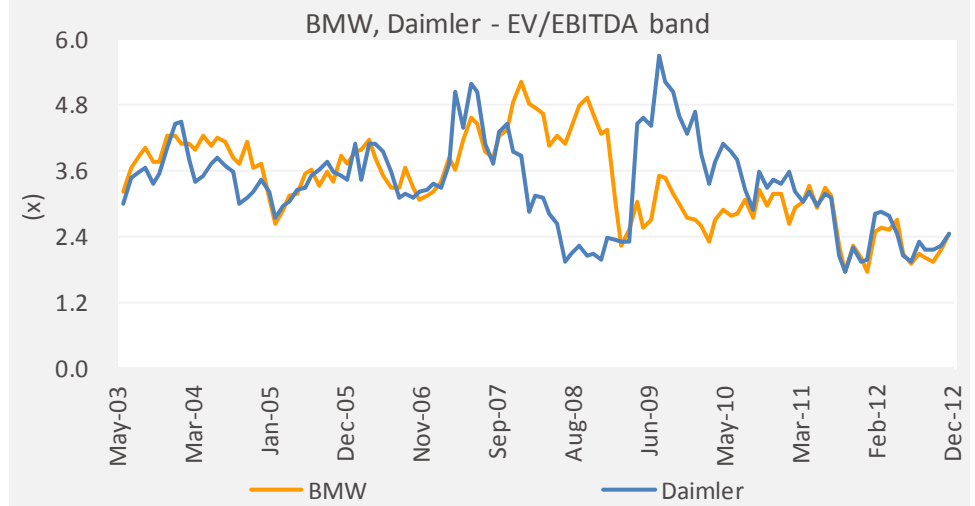
		EBITDA margin				
		252	12.50	13.90	14.50	15.00
EV/EBITDA multiple	3.00	185	203	211	218	
	3.50	206	228	237	245	
	4.00	227	252	263	272	
	4.50	249	276	288	298	
	5.00	270	301	314	325	

On FY15 estimates

		EBITDA margin				
		261	12.50	13.90	14.50	15.00
EV/EBITDA multiple	3.00	181	202	211	219	
	3.50	206	231	241	250	
	4.00	231	259	271	281	
	4.50	256	288	301	313	
	5.00	281	316	331	344	

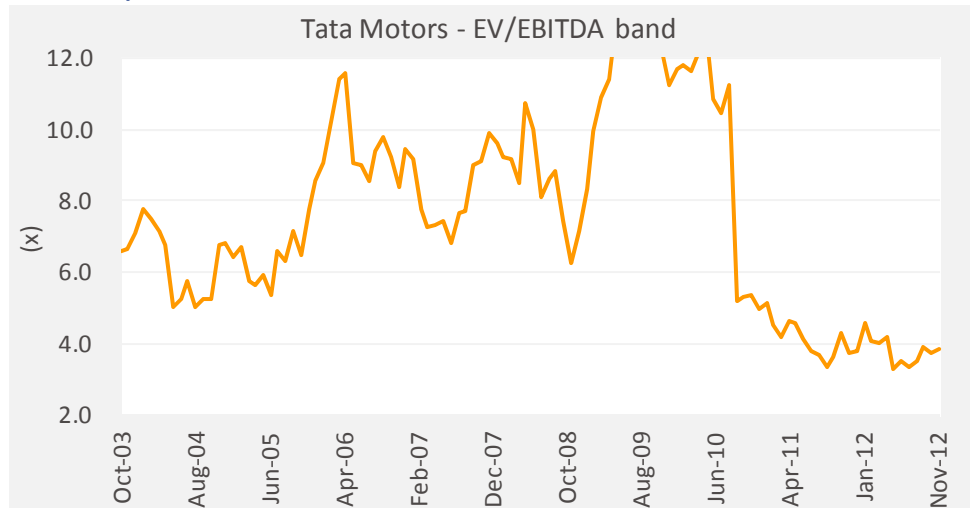
Source: Company, Edelweiss research

Chart 2: EV/EBITDA band of global peers



Source: Factset, Edelweiss research

Chart 3: EV/EBITDA band of Tata Motors



Source: Factset, Edelweiss research

Financial snapshot (Consolidated)

(INR mn)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	YTD13	FY13E	FY14E
Total operating income	460,895	452,603	1.8	434,029	6.2	1,328,160	1,884,682	2,174,834
Raw material	296,714	299,944	(1.1)	277,213	7.0	851,421	1,227,775	1,394,691
Staff costs	43,529	32,072	35.7	40,191	8.3	121,617	160,012	196,756
Expenses capitalized	25,325	22,743	11.4	27,589	(8.2)	79,009	90,400	91,936
Other expenses	84,539	71,103	18.9	85,604	(1.2)	251,737	342,875	402,318
Total expenditure	399,457	380,375	5.0	375,418	6.4	1,145,766	1,640,262	1,901,829
EBITDA	61,438	72,227	(14.9)	58,611	4.8	182,394	244,419	273,005
Other income (Excluding forex gain)	1,886	1,675	12.6	2,068	(8.8)	6,341	12,262	11,190
Interest	9,346	7,204	29.7	8,474	10.3	25,863	23,450	28,179
Profit before tax	28,414	46,582	(39.0)	30,987	(8.3)	95,632	156,660	148,474
Tax	10,318	10,711	(3.7)	9,876	4.5	28,883	45,733	44,039
Core profit	18,095	35,871	(49.6)	21,111	(14.3)	66,749	110,927	104,435
Minority interest	(152)	(210)	NA	(230)	NA	(658)	(676)	(890)
Share in profit from associates	67	-		(32)	(309.4)	(379)	-	-
Profit after tax and min. int.	18,010	35,661	(49.5)	20,848	(13.6)	65,712	110,251	103,545
Net profit	16,275	34,018	(52.2)	20,747	(21.6)	59,470	106,011	103,545
Forex (gains)/loss	(1,735)	(1,643)	NA	(101)	NA	(6,242)	(4,239)	
As % of net revenues								
Raw material	64.4	66.3		63.9		64.1	65.1	64.1
Employee cost	9.4	7.1		9.3		9.2	8.5	9.0
Other expenses	18.3	15.7		19.7		19.0	18.2	18.5
EBITDA	13.3	16.0		13.5		13.7	13.0	12.6
Adjusted net profit	3.9	7.9		4.9		5.0	5.9	4.8
Tax rate	36.3	23.0		31.9		30.2	29.2	29.7

JLR quarterly result

Volumes analysis

(GBP mn)

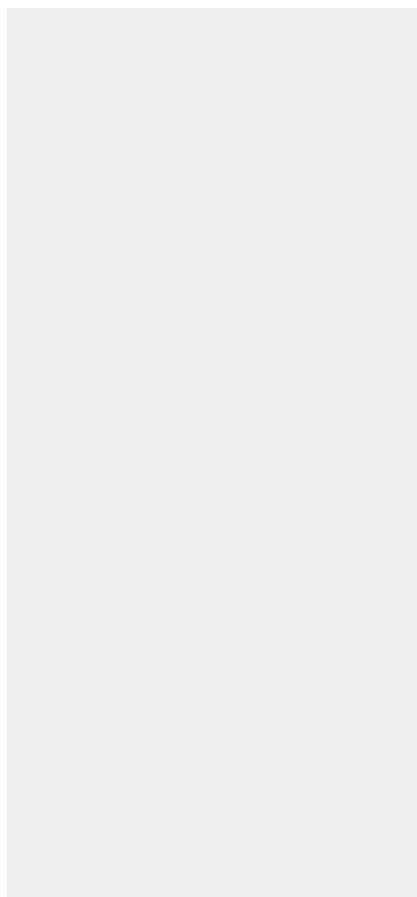
Particulars	Q3FY13	Q3FY12	% change	Q2FY13	% change	FY12	FY13E	FY14E
Volumes								
Jaguar	15,043	15,272	(1.5)	9,832	53.0	54,039	51,845	58,496
LandRover	53,101	46,780	13.5	41,810	27.0	201,737	201,463	213,634
Evoque	26,684	24,220		25,800	3.4	59,861	110,000	129,800
Total vehicles sold	94,828	86,272	9.9	77,442	22.5	315,637	363,308	401,930
Average realisation per un	40,115	43,456	(7.7)	42,458	(5.5)	40,158	39,136	40,271

Financial analysis

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	FY12	FY13E	FY14E
Total income from operati	3,804	3,749	1.5	3,288	15.7	13,533	15,243	17,260
EBITDA	533	639	(16.6)	486	9.7	2,176	2,164	2,399
Profit before tax	393	495	(20.6)	364	8.0	1,554	1,576	1,444
Tax	108	116	(6.9)	126	(14.3)	(53)	457	361
Adj. net profit	285	379	(24.8)	238	19.7	1,607.2	1,119.0	1,083.3

Margin analysis (as % of net sales)

Particulars	Q3FY13	Q3FY12	bps change	Q2FY13	bps change	FY12	FY13E	FY14E
EBITDA	14.0	17.0	(303.3)	14.8	(76.9)	16.1	14.2	13.9
Adj. net profit	7.5	10.1	(261.7)	7.2	25.4	11.9	7.3	6.3
Tax rate	(27.5)	(23.4)		(34.6)		(3.4)	29.0	25.0



Financial snapshot (Standalone)

Volumes analysis

(INR mn)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	FY12	FY13E	FY14E
Total vehicles sold	205,291	231,328	(11.3)	223,665	(8.2)	907,004	858,632	990,320
Avg Realisation (INR)	512,865	573,327	(10.5)	554,242	(7.5)	598,746	546,702	575,318

Financial analysis (standalone)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change			
Total Income from operations	106,301	133,379	(20.3)	124,814	(14.8)	543,065	469,416	569,749
Raw materials	80,073	98,600	(18.8)	92,749	(13.7)	397,049	347,684	409,028
Staff cost	7,314	6,950	5.2	7,491	(2.4)	26,915	29,583	33,500
Other expenditure	19,204	21,013	(8.6)	19,622	(2.1)	84,055	78,809	93,498
Less: Expenses capitalised	2,629	2,156	21.9	2,384	10.3	9,071	9,752	10,914
Total expenditure	103,963	124,407	(16.4)	117,479	(11.5)	498,948	446,324	525,112
EBITDA	2,338	8,972	(73.9)	7,336	(68.1)	44,118	23,092	44,637
Interest (Net)	3,678	2,936	25.3	3,668	0.3	12,186	14,409	15,026
Depreciation + Product development	5,709	4,667	22.3	5,271	8.3	18,410	21,658	23,708
Other income (Excluding forex gain)	1,118	1,326	(15.7)	14,393	(92.2)	5,741	18,759	17,588
Profit before tax	(5,931)	2,695	(320.1)	12,790	(146.4)	19,262	5,784	23,490
Tax	(1,428)	125	(1,238.7)	1,570	(190.9)	988	(87)	5,638
Adj. Net profit	(4,503)	2,569	(275.3)	11,220	(140.1)	18,274	5,871	17,853
Exchange gain/(loss) on forex loans	(82)	(833)	(90.2)	(2,549)	(96.8)	(5,852)	(4,240)	0
Reported Net profit	(4,585)	1,737	(364.0)	8,672	(152.9)	12,422	1,632	17,853

Margin analysis (as % of net sales)

Year to March	Q3FY13	Q3FY12	bps change	Q2FY13	bps change			
Raw material	75.3	73.9	140.2	74.3	101.8	73.1	74.1	71.8
Staff cost	6.9	5.2	167.0	6.0	87.9	5.0	6.3	5.9
Other expenditure	18.1	15.8	231.2	15.7	234.5	15.5	16.8	16.4
EBITDA	2.2	6.7	(452.7)	5.9	(367.8)	8.1	4.9	7.8
Adj Net profit	(4.2)	1.9	(616.3)	9.0	(1,322.6)	3.4	1.3	3.1
Tax rate	24.1	4.7	1,942.0	12.3	1,179.9	5.1	(1.5)	24.0

Company Description

TTMT is India's largest automobile company with a presence in commercial and passenger vehicles. It is the leader in nearly all commercial vehicle segments and the third largest in the passenger vehicles market with products in the compact and mid size car and utility vehicle segments. Through subsidiaries and associate companies, the company has operations in the UK, South Korea, Thailand and Spain. Among them is Jaguar Land Rover, the business comprising two iconic British brands. It also has an industrial joint venture with Fiat in India. It is also the world's fourth largest truck manufacturer and the second largest bus manufacturer. TTMT cars, buses and trucks are being marketed in several countries in Europe, Africa, the Middle East, South Asia, South East Asia and South America.

Investment rationale

A weakening product mix, and higher capex costs driven by regulatory and customer requirements are expected to keep FCF of the company negative in FY14. Emission requirements for FY16 and beyond will likely keep capex on R&D at elevated levels, impacting cash flow generation.

Key Risks

Better than expected success of new launches

JLR is planning a slew of launches. If the response is better than anticipated, it may result in volumes and margin upsides as well as expansion of EV/EBITDA multiples

Domestic CV cycle

TTMT is india's largest and dominant CV manufacturer. India's CV industry is currently in a downturn with a sharp dip in volumes on account of rising fuel costs and non-responsive freight rates. While we are expecting an uptick in mid FY14, a sharper / earlier than expected recovery can present upsides to our earnings / valuation estimates

Financial Statements

Key Assumptions

Year to March	FY12	FY13E	FY14E	FY15E
Macro				
GDP(Y-o-Y %)	6.5	5.5	6.5	7.0
Inflation (Avg)	8.8	7.8	6.0	6.0
Repo rate (exit rate)	8.5	7.5	6.8	6.0
USD/INR (Avg)	47.9	54.5	54.0	52.0
Sector				
Cars - domestic vol. (% YoY)	2.2	0.5	9.0	15.0
MHCV - domestic vol (% YoY)	8.2	(19.4)	14.6	20.3
LCV - dom. vol. (% YoY)	23.8	16.5	21.4	19.6
Steel prices (INR/t)	38,500	39,200	39,433	41,268
Aluminium prices (USD/t)	2,316	1,983	2,250	2,350
Company				
Revenue assumptions				
Domestic vol growth (% YoY)				
Cars - domestic vol.	4.3	(17.6)	9.6	9.7
MHCV - domestic vol	7.7	(24.2)	18.2	20.0
LCV - dom. vol	28.1	18.8	18.9	15.0
Domestic avg. realisation (INR)	594,606	542,576	571,490	593,755
Domestic avg. realisation (% YoY)	0.2	(8.8)	5.3	3.9
JLR sales volume (Nos)				
Jaguar	54,039	51,845	58,496	63,773
Land Rover (ex-Evoque)	201,737	201,463	213,634	230,872
Evoque	59,861	110,000	129,800	155,760
JLR avg realisation (INR)	3,011,820	3,344,517	3,441,505	3,510,774
JLR avg realisation (% YoY)	12.1	11.0	2.9	2.0
Cost assumptions				
RM cost/vehicle	437,759	404,927	413,026	421,286
Employee cost/vehicle	29,674	34,454	33,828	34,414
Average salary	921,193	964,704	1,024,609	1,100,761
Promotion cost (% revenue)	1.9	2.2	2.2	2.2
EBITDA/vehicle	54,971	48,741	62,833	73,640
Financial assumptions				
Average Interest rate (%)	7.5	4.7	4.8	4.6
Average Depreciation rate (%)	7.0	7.7	8.7	9.0
Tax rate (%)	(0.3)	29.2	29.7	31.4
Dividend payout ratio (%)	10.2	16.9	21.6	20.0
B/s assumptions				
Net borrowings (INR mn)	138,870	86,781	125,251	112,190
Capex (INR mn)	188,567	205,917	270,011	270,011
Debtor days	16	17	16	16
Inventory days	50	60	65	66
Payable days	100	113	118	123
Cash conversion cycle (days)	(34)	(37)	(37)	(40)

Income statement

(INR mn)

Year to March	FY12	FY13E	FY14E	FY15E
Income from operations	1,656,545	1,884,682	2,174,834	2,511,163
Materials costs	1,094,676	1,227,775	1,394,691	1,588,816
Manufacturing expenses	81,290	75,957	87,776	99,296
Employee costs	122,985	160,012	196,756	231,809
Total SG&A expenses	203,249	266,918	314,542	364,055
Expenses capitalised	82,660	90,400	91,936	93,649
Total operating expenses	1,419,540	1,640,262	1,901,829	2,190,327
EBITDA	237,005	244,419	273,005	320,836
Depreciation & Amortization	70,146	76,571	107,541	135,391
EBIT	166,859	167,848	165,464	185,445
Non-Operational Income	6,618	12,262	11,190	11,704
Interest expenses	29,822	23,450	28,179	32,804
Profit before tax	143,654	156,660	148,474	164,344
Provision for tax	(400)	45,733	44,039	51,558
Net profit	144,055	110,927	104,435	112,786
Extraordinary income/ (loss)	(8,315)	(4,239)	-	-
Profit After Tax	143,480	110,251	103,545	111,667
Minority interest	(574)	(676)	(890)	(1,119)
Profit after minority interest	135,165	106,011	103,545	111,667
Diluted EPS (INR)	43.0	33.0	31.0	33.4
Dividend payout (%)	10.2	16.9	21.6	20.0

Common size metrics

Year to March	FY12	FY13E	FY14E	FY15E
Materials costs	66.1	65.1	64.1	63.3
S G & A expenses	7.3	9.4	10.2	10.8
EBITDA margins	14.3	13.0	12.6	12.8
Net profit margins	8.7	5.9	4.8	4.5

Growth ratios (%)

Year to March	FY12	FY13E	FY14E	FY15E
Revenues	34.5	13.8	15.4	15.5
EBITDA	33.3	3.1	11.7	17.5
EPS	58.7	(23.2)	(6.1)	7.8

Balance sheet		(INR mn)			
As on 31st March	FY12	FY13E	FY14E	FY15E	
Equity capital	6,348	6,348	6,348	6,348	
Reserves & surplus	325,152	412,507	493,665	582,945	
Shareholders funds	331,499	418,855	500,013	589,293	
Minority interest (BS)	3,071	2,146	1,007	(361)	
Short term debt	191,865	314,949	440,200	552,390	
Long term debt	275,111	238,808	238,808	238,808	
Current maturity of long term	84,449	25,000	25,000	25,000	
Borrowings	466,975	553,756	679,007	791,197	
Deferred tax liability	(23,743)	(23,743)	(23,743)	(23,743)	
Sources of funds	777,803	951,015	1,156,285	1,356,386	
Tangible assets	271,186	396,562	555,033	685,652	
Intangible assets	131,481	135,481	139,481	143,481	
CWIP (incl. intangible)	161,250	159,458	159,458	159,458	
Total net fixed assets	563,916	691,501	853,972	988,592	
Goodwill on consolidation	40,937	40,937	40,937	40,937	
Non current investments	13,915	14,165	14,565	14,965	
Current Investments	75,262	101,465	101,065	100,665	
Cash and equivalents	182,381	75,387	86,993	100,447	
Inventories	182,160	245,699	284,827	330,239	
Sundry debtors	82,368	88,452	102,538	118,886	
Loans and advances	248,161	280,531	341,719	427,701	
Other current assets	14,818	15,347	15,897	16,347	
Total current assets (ex cash)	527,507	630,029	744,980	893,173	
Trade payable	366,863	441,902	520,496	615,542	
Others current liabilities	259,252	155,006	158,737	158,737	
Total current liabilities &	626,116	596,907	679,233	774,278	
Net current assets (ex cash)	(98,609)	33,122	65,748	118,895	
Uses of funds	777,803	951,015	1,156,285	1,356,386	
Book value per share (INR)	104.4	132.0	157.5	185.7	

Free cash flow		(INR mn)			
Year to March	FY12	FY13E	FY14E	FY15E	
Net profit	143,480	110,251	103,545	111,667	
Depreciation	56,254	76,571	107,541	135,391	
Gross cash flow	200,308	187,498	211,976	248,177	
Less: Changes in WC	(27,526)	107,838	35,815	53,147	
Operating cash flow	227,834	79,660	176,162	195,030	
Less: Capex	188,567	205,917	270,011	270,011	
Free cash flow	39,266	(126,257)	(93,850)	(74,981)	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		EV/EBITDA (X)		ROAE (%)	
		FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Tata Motors Ltd	16,178	9.0	9.6	5.4	5.3	29.7	22.9
Ashok Leyland	1,120	22.6	9.1	10.1	6.4	6.5	15.9
Mahindra & Mahindra Ltd	10,258	16.8	14.0	11.8	9.7	24.7	24.7
Maruti Suzuki India Ltd	7,959	24.0	16.3	11.5	7.9	11.1	14.5
Median	-	19.7	11.8	10.8	7.2	17.9	19.4
AVERAGE	-	18.1	12.2	9.7	7.3	18.0	19.5

Source: Edelweiss research

Cash flow metrics		FY12	FY13E	FY14E	FY15E
Year to March					
Operating cash flow		227,834	79,660	176,162	195,030
Investing cash flow		(260,617)	(232,370)	(270,011)	(270,011)
Financing cash flow		106,531	45,716	105,456	88,434
Net cash flow		73,747	(106,994)	11,606	13,453
Capex		(188,567)	(205,917)	(270,011)	(270,011)
Dividends paid		(14,568)	(14,870)	(18,656)	(22,387)

Profitability & efficiency ratios

Year to March	FY12	FY13E	FY14E	FY15E
ROAE (%)	55.3	29.7	22.9	20.9
ROACE (%)	26.4	20.8	16.8	15.7
Inventory day	50	60	65	66
Debtors days	16	17	16	16
Payable days	100	113	118	123
Cash conversion cycle (days)	(34)	(37)	(37)	(40)
Current ratio	1.1	1.2	1.2	1.3
Debt/EBITDA	2.0	2.3	2.5	2.5
Fixed asset turnover (x)	3.3	3.0	2.8	2.7
Debt/Equity	1.4	1.3	1.4	1.3

Operating ratios

Year to March	FY12	FY13E	FY14E	FY15E
Total asset turnover	2.5	2.2	2.1	2.0
Fixed asset turnover	3.3	3.0	2.8	2.7
Equity turnover	6.3	5.0	4.7	4.6

Valuation parameters

Year to March	FY12	FY13E	FY14E	FY15E
Diluted EPS (INR)	43.0	33.0	31.0	33.4
Y-o-Y growth (%)	58.7	(23.2)	(6.1)	7.8
CEPS (INR)	60.3	59.1	66.8	78.2
Diluted PE (x)	6.9	9.0	9.6	8.9
Price/BV (x)	2.8	2.3	1.9	1.6
EV/Sales (x)	0.7	0.7	0.7	0.6
EV/EBITDA (x)	4.9	5.4	5.3	4.8

Additional Data

Directors Data

N N Wadia	Non-Executive Independent Directors	S M Palia	Non-Executive Independent Directors
R A Mashelkar	Non-Executive Independent Directors	S Bhargava	Non-Executive Independent Directors
N Munjee	Non-Executive Independent Directors	V K Jairath	Non-Executive Independent Directors
R Sen	Non-Executive Independent Directors	Cyrus P Mistry	Non-Executive Independent Directors
Ratan N Tata, Chairman	Other Non-Executive Directors	Ravi Kant, Vice Chairman	Other Non-Executive Directors
J J Irani	Other Non-Executive Directors	Ralf Speth	Other Non-Executive Directors
Carl-Peter Forster	Other Non-Executive Directors	Ravindra Pisharody	Executive Directors
Satish Borwankar	Executive Directors		

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Life Insurance Corp. of India	6.22	Capital Research & Management Co. (World Investors)	4.18
The Vanguard Group, Inc.	1.46	JF Asset Management Ltd.	0.95
FIL Investment Management (Hong Kong) Ltd.	0.79	Capital Research & Management Co. (Global Investors)	0.56
Reliance Capital Asset Management Ltd.	0.46	BlackRock Fund Advisors	0.39
William Blair & Co. LLC (Investment Management)	0.37	Schroder Investment Management Ltd.	0.37

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
30 Nov 2012	Vanguard Emerging Markets Stock Index Fund A Series Of Vang	Sell	14516798	274.43

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
22 Feb 2012	TATA AIG General Insurance Co. Limited	Sell	20000.00
23 Feb 2012	Tata AIG Life Insurance Company Limited	Buy	700000.00
27 Feb 2012	Tata AIG General Insurance Company Limited.	Buy	100000.00
29 Feb 2012	Tata Industries Limited	Sell	88000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Ashok Leyland	BUY	SP	H	Bajaj Auto	REDUCE	SU	M
Eicher Motors	BUY	SO	M	Exide Industries	HOLD	SP	L
Hero MotoCorp	REDUCE	SU	H	Mahindra & Mahindra Ltd	BUY	SO	M
Maruti Suzuki India Ltd	BUY	SO	H	Tata Motors Ltd	REDUCE	SU	H

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): Automobiles

Ashok Leyland, Bajaj Auto, Eicher Motors, Exide Industries, Hero MotoCorp, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
13-Feb-13	Eicher Motors	Margin recovery ahead; <i>Result Update</i>	2,625	Buy
12-Feb-13	Auto Compass	January: Two wheelers surprise positively; <i>Sector Update</i>		
08-Feb-13	Mahindra & Mahindra	Margin skid; <i>Result Update</i>	885	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	118	46	17	181
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	117	57	7	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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