Tata Motors

Performance Highlights

Y/E March (consolidated ` cr)	3QFY13	3QFY12	% chg (yoy)	2QFY13	% chg (qoq)
Net sales	**46,090**	**45,260**	***1.8***	**43,403**	***6.2***
EBITDA	5,657	6,827	*(17.1)*	5,334	*6.1*
EBITDA margin (%)	*12.3*	*15.1*	*(281)bp*	*12.3*	*(1)bp*
Adjusted PAT	**1,801**	**3,570**	***(49.5)***	**2,085**	***(13.6)***

Source: Company, Angel Research

Lower-than-expected consolidated performance: Tata Motors (TTMT)' adjusted net profit at `1,801cr was significantly lower-than-expected, due to a higher depreciation expense (up 29.8% qoq), forex loss of `174cr and a higher tax rate (at 38.7% vs 32% in 2QFY2013). The depreciation expense was higher due to the amortization of product development expenses on the new *Range Rover*.

The top-line at `46,090cr too was lower-than-expected due to unfavorable mix at Jaguar and Land Rover (JLR) and in standalone operations which resulted in a sequential decline in net average realization. JLR's top-line (up 15.7% qoq) was impacted mainly due to 5.5% qoq decline in net average realization led by unfavorable product-mix (higher share of *Evoque* and *Freelander*). The standalone top-line (down 14.8% qoq) was lower on account of inferior product-mix and higher discounts leading to a 7.9% qoq decline in net average realization. Sequentially, the consolidated EBITDA margin stood flat at 12.3% (lower than our estimates of 12.8%). The EBITDA margin at JLR declined 80bp sequentially to 14% due to unfavorable product-mix, adverse currency impact (~50bp qoq) and also owing to higher marketing costs to support existing models as well as costs related to the launch of the new Range Rover.

The standalone results posted a loss (adjusted) of `450cr, against our expectations of a `25cr loss, due to dismal operating performance, ie the top-line was down 14.8% qoq. The EBITDA margin deteriorated to 1.4% on lower utilization levels, commodity inflation and higher discounts in the PV and MHCV businesses.

Outlook and valuation: We retain our positive view on JLR and expect a ~15% volume CAGR over FY2012-14E driven by *Evoque*, new product launches (*Range Rover, Range Rover Sport, XF Sportbrake,* XF *AWD* and smaller engine variants of the *XF* and *XJ*) and continuous ramp-up in China. Further, favorable market and product-mix and stable commodity prices will help mitigate raw-material cost pressures. **We maintain our Accumulate rating on the stock with a sum-of-the-parts (SOTP) target price of `326.**

Key financials (Consolidated)

Y/E March (` cr)	FY2011	FY2012	FY2013E	FY2014E
Net Sales	**122,128**	**165,654**	**184,201**	**209,642**
% chg	*32.0*	*35.6*	*11.2*	*13.8*
Net Profit	**9,043**	**11,442**	**9,197**	**11,915**
% chg	*492.6*	*26.5*	*(19.6)*	*29.6*
EBITDA (%)	13.8	13.3	12.4	13.5
EPS (`)	**28.5**	**36.1**	**28.0**	**36.3**
P/E (x)	10.7	6.7	10.6	8.2
Adjusted P/E (x)*	13.7	8.0	15.7	11.4
P/BV (x)	5.0	2.9	2.3	1.9
RoE (%)	65.6	44.1	24.6	25.4
RoCE (%)	23.6	24.2	19.3	21.5
EV/Sales (x)	0.9	0.6	0.6	0.5
EV/EBITDA (x)	6.6	4.8	4.6	3.9

*Source: Company, Angel Research; Note: * adjusted for R&D spends at JLR, expensed at 80%, in-line with global peers, as against company's current rate of 15-20%*

ACCUMULATE

CMP	`297
Target Price	`326
Investment Period	12 Months

Stock Info	
Sector	Automobile
Market Cap (` cr)	94,640
Net Debt (` cr)	15,773
Beta	1.5
52 Week High / Low	337/203
Avg. Daily Volume	1,427,706
Face Value (`)	2
BSE Sensex	19,497
Nifty	5,897
Reuters Code	TAMO.BO
Bloomberg Code	TTMT@IN

Shareholding Pattern (%)	
Promoters	34.7
MF / Banks / Indian FIs	11.9
FII / NRIs / OCBs	46.1
Indian Public / Others	7.3

Abs. (%)	3m	1yr	3yr
Sensex	4.7	9.2	20.7
Tata Motors	7.0	10.8	115.7

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Exhibit 1: Quarterly financial performance (Standalone)

Y/E March (` cr)	3QFY13	3QFY12	% chg (yoy)	2QFY13	% chg (qoq)	9MFY13	9MFY12	% chg (yoy)
Net Sales	**10,630**	**13,338**	***(20)***	**12,481**	***(15)***	**33,698**	**37,916**	***(11)***
Consumption of RM	6,869	8,322	*(17.5)*	7,810	*(12.0)*	20,514	23,239	*(11.7)*
(% of Sales)	*64.6*	*62.4*		*62.6*		*60.9*	*61.3*	
Staff Costs	731	695	*5.2*	749	*(2.4)*	2,187	1,999	*9.4*
(% of Sales)	*6.9*	*5.2*		*6.0*		*6.5*	*5.3*	
Purchases of TG	1,138	1,538	*(26.0)*	1,465	*(22.3)*	4,201	4,428	*(5.1)*
(% of Sales)	*10.7*	*11.5*		*11.7*		*12.5*	*11.7*	
Other Expenses	1,746	1,931	*(9.6)*	1,804	*(3.2)*	5,297	5,558	*(4.7)*
(% of Sales)	*16.4*	*14.5*		*14.5*		*15.7*	*14.7*	
Total Expenditure	**10,485**	**12,486**	***(16.0)***	**11,828**	***(11.4)***	**32,199**	**35,225**	***(8.6)***
Operating Profit	**145**	**852**	***(82.9)***	**654**	***(77.8)***	**1,499**	**2,691**	***(44.3)***
OPM (%)	*1.4*	*6.4*		*5.2*		*4.4*	*7.1*	
Interest	368	294	*25.3*	367	*0.3*	1,054	894	*17.9*
Depreciation	482	421	*14.5*	447	*7.9*	1,359	1,173	*15.8*
Other Income	112	133	*(15.7)*	1,439	*(92.2)*	1,998	440	*354.3*
PBT (excl. Extr. Items)	**(593)**	**269**	-	**1,279**	-	**1,084**	**1,064**	*1.9*
Extr. Income/(Expense)	8	83	-	255	*(97)*	424	375	-
PBT (incl. Extr. Items)	**(601)**	**186**	**-**	**1,024**	**-**	**660**	**689**	***(4.2)***
(% of Sales)	*(5.7)*	*1.4*		*8.2*		*2.0*	*1.8*	
Provision for Taxation	(143)	13	-	157	-	46	12	*285.1*
(% of PBT)	*23.7*	*6.7*		*15.3*	54.9	*7.0*	*1.7*	
Reported PAT	**(458)**	**174**	**-**	**867**	**-**	**614**	**677**	***(9.3)***
Adj PAT	**(450)**	**257**	**-**	**1,122**	**-**	**1,038**	**1,052**	***(1.3)***
Adj. PATM	*(4.2)*	*1.9*		*9.0*		*3.1*	*2.8*	
Equity capital (cr)	638.0	638.0		638.0		638.0	638.0	
Reported EPS (`)	**(1.4)**	**0.8**	**-**	**3.5**	**-**	**3.3**	**3.3**	***(1.3)***

Source: Company, Angel Research

Exhibit 2: 3QFY2013 – Actual vs Angel estimates - Standalone

Y/E March (` cr)	Actual	Estimates	*Variation (%)*
Net Sales	**10,630**	**11,396**	***(6.7)***
EBITDA	145	578	*(74.9)*
EBITDA margin (%)	*1.4*	*5.1*	*(370)bp*
Adj. PAT	**(450)**	**(25)**	**-**

Source: Company, Angel Research

Exhibit 3: Quarterly volume performance

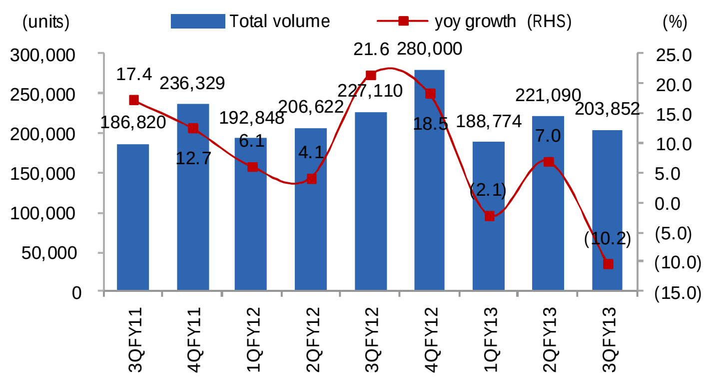
Y/E March (units)	3QFY13	3QFY12	% chg (yoy)	2QFY13	% chg (qoq)	9MFY13	9MFY12	% chg (yoy)
M&HCV	33,695	53,982	*(37.6)*	45,488	*(25.9)*	116,334	157,536	*(26.2)*
LCV	115,707	89,635	*29.1*	103,179	*12.1*	308,369	256,521	*20.2*
Total Commercial Vehicles	**149,402**	**143,617**	***4.0***	**148,667**	***0.5***	**424,703**	**414,057**	***2.6***
Utility Vehicles	12,282	13,745	*(10.6)*	14,522	*(15.4)*	37,972	36,375	*4.4*
Cars	42,168	69,748	*(39.5)*	57,901	*(27.2)*	151,041	176,148	*(14.3)*
Total Passenger Vehicles	**54,450**	**83,493**	***(34.8)***	**72,423**	***(24.8)***	**189,013**	**212,523**	***(11.1)***
Exports (Inc Above)	11,654	14,135	*(17.6)*	14,678	*(20.6)*	39,403	45,213	*(12.9)*
Total Sales	**203,852**	**227,110**	***(10.2)***	**221,090**	***(7.8)***	**613,716**	**626,580**	***(2.1)***

Source: Company, Angel Research

Standalone operating performance continued to disappoint: For 3QFY2013, the standalone operations posted a loss (adjusted) of `450cr, against our expectation of a loss of `25cr, primarily on account of dismal operating performance (EBITDA margins deteriorated to 1.4% on higher discounts and marketing spends in the PV and MHCV business and due to lower utilization levels).

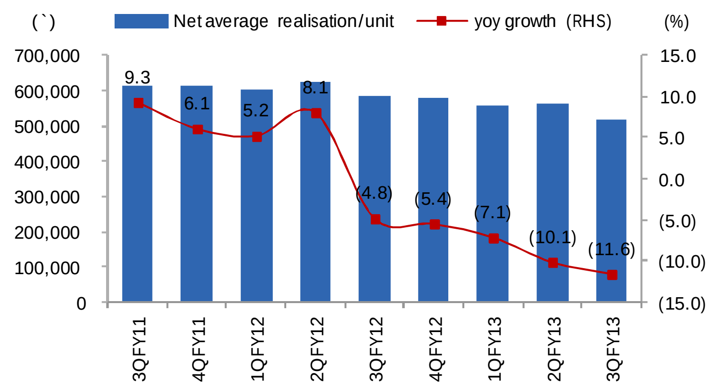
The standalone revenues registered a decline of 14.8% qoq (20.3% qoq) to `10,630cr, which was lower than our expectations `11,396cr. The top-line performance was lower-than-expected owing to a 7.9% qoq (11.6% yoy) decline in net average realization which was impacted on account of adverse product-mix (higher share of light commercial vehicles in the volume-mix) and higher level of discounts in the PV and MHCV businesses. The volumes posted a sequential decline of 7.8% qoq (10.2% yoy) primarily on account of severe decline in the MHCV volumes which were down 25.9% qoq (37.6% yoy) due to the slowdown in industrial activity, higher fuel prices and lower availability of freight. The PV business too remains under pressure (down 24.8% qoq and 34.8% yoy) due to sluggish demand and increasing competition.

Exhibit 4: Volumes down 10.2% yoy



Source: Company, Angel Research

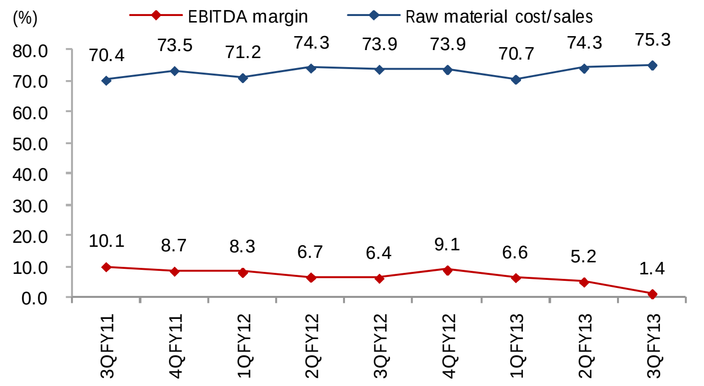
Exhibit 5: Net average realization down 7.9% qoq



Source: Company, Angel Research

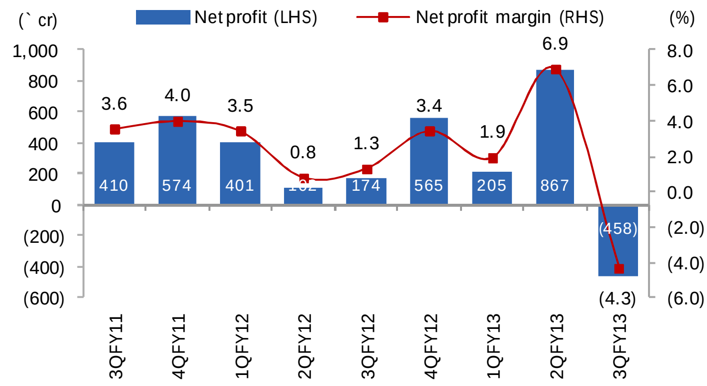
On a sequential basis, the EBITDA margin deteriorated to 1.4% (down 387bp qoq and 502bp yoy), which was significantly lower than our estimates of 5.1%. The operating performance disappointed due to adverse product-mix, commodity inflation, higher discounts and marketing spends in PV and MHCV business and lower utilization levels. Hence, raw-material and other expenditure as percentage of sales increased 100bp (140bp yoy) and 190bp qoq (190bp yoy) respectively. Consequently, operating profit declined 77.8% qoq (82.9% yoy) to `145cr.

Exhibit 6: EBITDA margin deteriorated further



Source: Company, Angel Research

Exhibit 7: Adjusted net loss at `450cr



Source: Company, Angel Research

Exhibit 8: Quarterly performance (Consolidated)

Y/E March (` cr)	3QFY13	3QFY12	% chg (yoy)	2QFY13	% chg (qoq)	9MFY13	9MFY12	% chg (yoy)
Net Sales	**46,090**	**45,260**	***1.8***	**43,403**	***6.2***	**132,816**	**114,747**	***15.7***
Consumption of RM	26,966	27,096	*(0.5)*	24,677	*9.3*	76,479	67,772	*12.8*
(% of Sales)	*58.5*	*59.9*		*56.9*		*57.6*	*59.1*	
Staff Costs	4,353	3,207	*35.7*	4,019	*8.3*	12,162	8,665	*40.3*
(% of Sales)	*9.4*	*7.1*		*9.3*		*9.2*	*7.6*	
Purchase of Goods	2,706	2,899	*(6.7)*	3,044	*(11.1)*	8,663	8,296	*4.4*
(% of Sales)	*5.9*	*6.4*		*7.0*		*6.5*	*7.2*	
Other Expenses	6,408	5,232	*22.5*	6,329	*1.2*	18,767	14,446	*29.9*
(% of Sales)	*13.9*	*11.6*		*14.6*		*14.1*	*12.6*	
Total Expenditure	**40,432**	**38,433**	***5.2***	**38,069**	***6.2***	**116,070**	**99,180**	***17.0***
EBITDA	**5,657**	**6,827**	***(17.1)***	**5,334**	***6.1***	**16,746**	**15,567**	***7.6***
EBITDA margin (%)	*12.3*	*15.1*		*12.3*		*12.6*	*13.6*	
Interest	935	720	*29.7*	847	*10.3*	2,586	2,210	*17.0*
Depreciation	2,070	1,616	*28.1*	1,594	*29.8*	5,230	4,090	*27.9*
Other Income	189	168	*12.6*	207	*(8.8)*	634	503	*26.0*
PBT (excl. Extr. Items)	**2,841**	**4,658**	***(39.0)***	**3,099**	***(8.3)***	**9,563**	**9,770**	***(2.1)***
Exceptional Items	174	164		10		624	660	
PBT (incl. Extr. Items)	**2,668**	**4,494**	***(40.6)***	**3,089**	***(13.6)***	**8,939**	**9,110**	***(1.9)***
(% of Sales)	*5.8*	*9.9*		*7.1*		*6.7*	*7.9*	
Provision for Taxation	1,032	1,071	*(3.7)*	988	*4.5*	2,888	1,786	*61.7*
(% of PBT)	*38.7*	*23.8*		*32.0*	*21.0*	*32.3*	*19.6*	
PAT	**1,636**	**3,423**	***(52.2)***	**2,101**	***(22.1)***	**6,051**	**7,324**	***(17.4)***
PATM	*3.5*	*7.6*		*4.8*		*4.6*	*6.4*	
Minority Interest	15	21	*(27.5)*	23	*(34.1)*	66	58	*12.7*
Associate Companies Profit	7	4	*75.3*	(3)	*(309.4)*	(38)	17	*(317.7)*
PAT after MI	**1,628**	**3,406**	***(52.2)***	**2,075**	***(21.6)***	**5,947**	**7,283**	***(18.3)***
Adjusted PAT	**1,801**	**3,570**	***(49.5)***	**2,085**	***(13.6)***	**6,571**	**7,943**	***(17.3)***
Equity shares (cr)	638.0	638.0		638.0		638.0	638.0	
Reported EPS (`)	**5.1**	**10.7**	***(52.2)***	**6.5**	***(21.6)***	**18.6**	**22.8**	***(18.3)***
Adjusted EPS (`)	**5.6**	**11.2**	***(49.5)***	**6.5**	***(13.6)***	**20.6**	**24.9**	***(17.3)***

Source: Company, Angel Research

Exhibit 9: 3QFY2013 – Actual vs Angel estimates – Consolidated

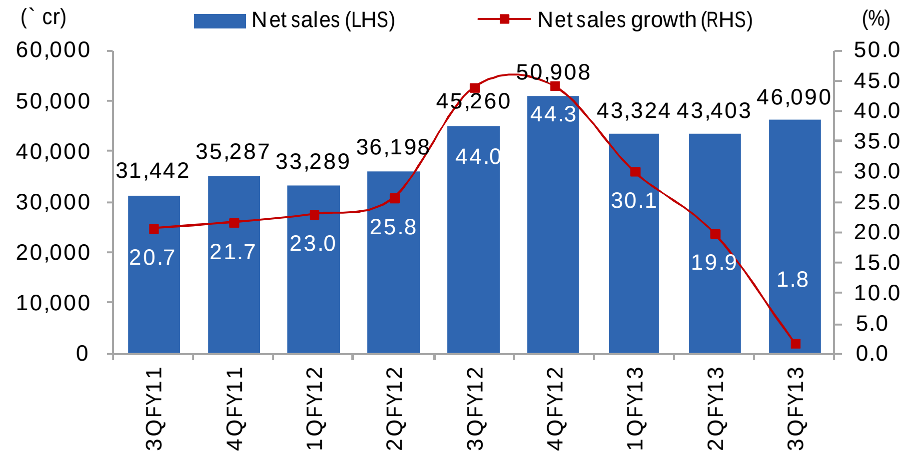
Y/E March (` cr)	Actual	Estimates	Variation (%)
Net Sales	**46,090**	**49,094**	***(6.1)***
EBITDA	5,657	6,302	*(10.2)*
EBITDA margin (%)	*12.3*	*12.8*	*(56)bp*
Adj. PAT	**1,801**	**2,865**	***(37.1)***

Source: Company, Angel Research

Lower-than-expected performance on the consolidated front: For 3QFY2013, TTMT's consolidated bottom-line was significantly lower than our expectations due to higher depreciation expense (up 29.8% qoq), forex loss of `174cr and higher tax rate (at 38.7% as against 32% in 2QFY2013). The consolidated top-line too was lower-than-expected due to unfavorable product-mix at JLR and in standalone operations, which resulted in a sequential decline in net average realization.

The consolidated top-line registered a modest sequential growth of 6.2% to `46,090cr, which was below our estimates of `49,094cr on account of lower-than-expected top-line in the JLR and standalone operations. JLR's top-line (up 15.7% qoq) was impacted mainly due to 5.5% qoq decline in net average realization led by unfavorable product-mix (higher share of Evoque and Freelander) and higher incentives. The standalone top-line (down 14.8% qoq) too was below our estimates on account of inferior product-mix and higher discounts leading to a 7.9% qoq decline in net average realization. JLR performance on a sequential basis was aided by a robust volume growth of 22.5% led by *Evoque* – up 34.5% qoq, *Freelander* – up 44.3% qoq and *XF* - up 41.3% qoq). JLR's net average realization however, declined 5.5% qoq (7.6% yoy) primarily due to unfavorable product-mix and higher incentives. The standalone revenues declined 14.8% qoq (20.3% yoy) as volumes and net average realization declined 7.8% qoq (10.2% yoy) and 7.9% qoq (11.6% yoy) during the quarter. The depreciation expense was higher due to the amortization of product development expenses on the new *Range Rover*.

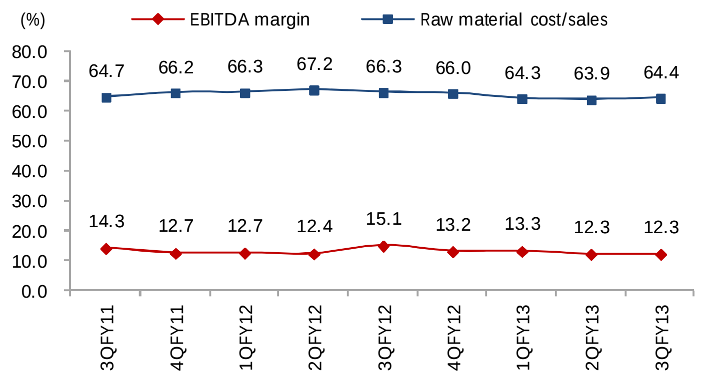
Exhibit 10: Modest growth in top-line



Source: Company, Angel Research

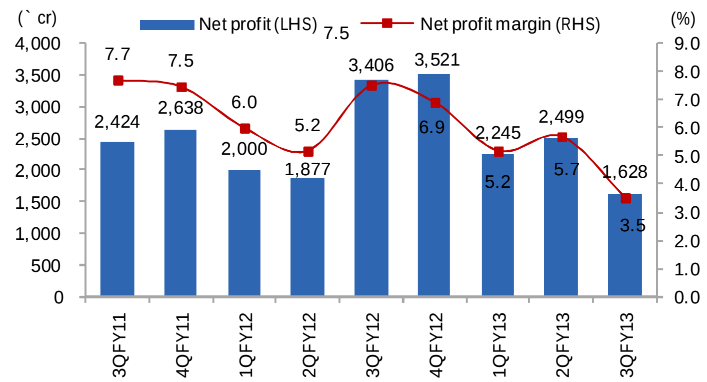
On a sequential basis, consolidated EBITDA margins stood flat at 12.3% (lower than our estimates of 12.8%) which led to a 6.1% growth in operating profit to `5,657cr. The EBITDA margins at JLR declined 80bp sequentially led by inferior product-mix and higher marketing costs to support existing models as well as costs related to the launch of the new *Range Rover*. On the standalone front, EBITDA margins contracted sharply by 387bp qoq to 1.4% due to adverse volume-mix, lower utilization levels and higher discounts and marketing spends in the PV and MHCV businesses. However, the adjusted net profit declined 13.6% qoq (49.5% yoy) to `1,801cr, lower than our expectations of `2,865cr, on account of higher depreciation expense (up 29.8% qoq), forex loss of `174cr and higher tax rate (at 38.7% as against 32% in 2QFY2013).

Exhibit 11: EBITDA margin at 12.3%



Source: Company, Angel Research

Exhibit 12: Net profit below our estimates



Source: Company, Angel Research

Exhibit 13: Subsidiary performance

Key Subsidiaries (` cr)	3QFY2013				3QFY2012			
	Net sales	EBITDA	*EBITDAM (%)*	Net profit	Net sales	EBITDA	*EBITDAM (%)*	Net profit
Tata Motor Finance	784	128	*16.3*	84	546	106	*19.5*	71
Tata Technologies	536	102	*19.1*	75	440	80	*18.1*	58
Tata Daewoo (KRW bn)	175	9	*5.1*	1	159	7	*4.6*	(0)
TML Drivelines	89	30	*34.0*	12	174	106	*61.0*	61

Source: Company, Angel Research

Exhibit 14: JLR – Income statement

(£ mn)	3QFY13	3QFY12	*yoy chg (%)*	2QFY13	*qoq chg (%)*	FY2012	FY2013E	FY2014E
Volume (units)	**94,828**	**86,322**	***9.9***	**77,442**	***22.5***	**314,428**	**367,895**	**413,882**
Net realization (£)	40,115	43,430	*(7.6)*	42,458	*(5.5)*	42,972	41,582	42,414
Net sales	**3,804**	**3,749**	***1.5***	**3,288**	***15.7***	**13,512**	**15,298**	**17,554**
Operating profit	533	639	*(16.6)*	486	*9.7*	1,989	2,146	2,535
OPM (%)	*14.0*	*17.0*		*14.8*		*14.7*	*14.0*	*14.4*
PBT	**404**	**509**	***(20.6)***	**431**	***(6.3)***	**1,507**	**1,635**	**1,898**
PAT	**296**	**393**	***(24.7)***	**305**	***(3.0)***	**1,481**	**1,176**	**1,367**

Source: Company, Angel Research

Exhibit 15: 3QFY2013 – Actual vs Angel estimates – JLR

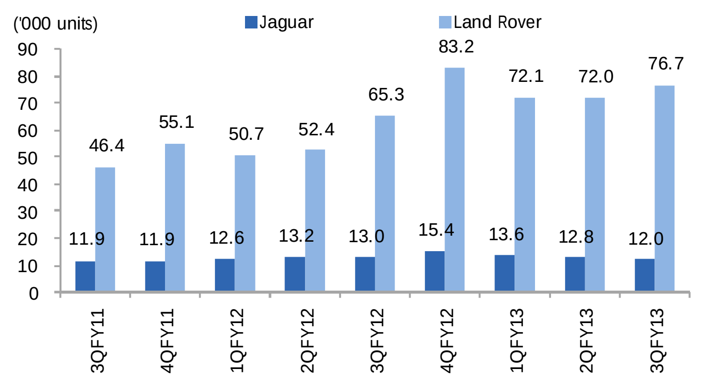
Y/E March (£ mn)	Actual	Estimates	Variation (%)
Net Sales	**3,804**	**4,121**	***(7.7)***
EBITDA	533	577	*(7.6)*
EBITDA margin (%)	*14.0*	*14.0*	*1bp*
Reported PAT	**296**	**317**	***(6.6)***

Source: Company, Angel Research

Slightly subdued JLR performance: JLR reported a strong sequential net sales growth of 15.7% (1.5% yoy) to GBP3,804mn primarily driven by a robust volume growth of 22.5% qoq. However, the top-line performance was lower than our estimates of GBP4,121mn largely on account of 5.5% qoq decline in net average realization. The net average realization declined on account of unfavorable product-mix (higher share of *Evoque* and *Freelander*) and higher incentives. The volume growth however, was led by *Evoque* – up 34.5% qoq, *Freelander* – up 44.3% qoq and *XF* - up 41.3% qoq models. Geography-wise, JLR's wholesale volumes grew strongly in Europe, North America and China with growth rates of 52.1%, 36.4% and 22% qoq respectively.

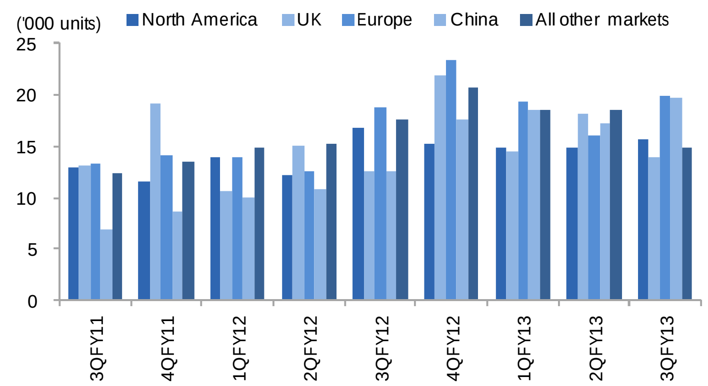
The EBITDA margins declined 80bp sequentially to 14%, in-line with our estimates, on account of an unfavorable product-mix (higher share of *Evoque and Freelander*), adverse currency impact (~50bp qoq) and also owing to higher marketing costs to support existing models as well as costs related to the launch of the new *Range Rover*. The reported net profit, posted a decline of 3% qoq (24.7% yoy) to GBP296mn; 6.6% lower than our estimates, largely on account of higher depreciation expense. Depreciation expense increased to GBP169mn from GBP120mn in 2QFY2013 driven by amortization of product development expense on the new *Range Rover*. JLR recorded a GBP39mn mark to market gain on bond call options during the quarter.

Exhibit 16: JLR's quarterly performance - Retail



Source: Company, Angel Research

Exhibit 17: JLR's performance – Retail



Source: Company, Angel Research

Conference Call – Key highlights

JLR

- According to the Management, the product pipeline remains strong and JLR should sustain volume momentum going ahead.
- The Free Cash Flow at JLR is expected to remain negative in FY2014 due to increased capex and planned expenditure related to product development.
- The depreciation expense is expected to remain at elevated levels on account of amortization of product development expenses.
- The company expects the EBITDA margins to broadly remain at current levels going ahead.
- The employee expense was higher as JLR started additional shifts at its plants and also recruited additional employees. JLR witnessed an exceptional cost of GBP10mn in 3QFY2013 related to employee payout in November 2012.
- JLR expects growth in China to sustain in FY2014 and intends to expand its dealer network to 150 dealers over the next year from ~120 dealers currently.
- JLR hedges ~90% of net forex exposure for the immediate following quarter, followed by lower percentage for subsequent periods.
- On the currency front, the company benefits when GBP weakens against USD and CNY. However it gets impacted if GBP weakens against the Euro. The company has stated that the currency movement has been favorable so far in 4QFY2013.

Standalone

- According to the Management, the standalone business performance remains under severe pressure due to weak economic environment and poor demand across segments. The Management expects the demand in the domestic MHCV industry to remain weak in the near term. The discounts in the MHCV segment remained at elevated levels in 3QFY2013.
- The capacity utilization in the MHCV segment has dropped to ~50% (~70% earlier) due to the slowdown. In the PV business it stands at ~50%. However, in the LCV segment it is currently at full utilization levels.
- The company maintained its capex guidance at `3,000cr.
- The company has lowered its inventory levels in the passenger car segment over the last few months. Hence the retail volume offtake for the company has been higher than wholesale over the last few months.

Investment arguments

- **JLR to register a strong ~15% volume CAGR over FY2012-14E:** The global luxury vehicle market has managed to post a healthy volume growth of ~10% YTD in FY2013 despite a challenging macro environment. Volumes of the top four players (Audi, BMW, Mercedez Benz and JLR) continue to hold up well driven by strong growth momentum in China. We expect JLR to deliver an ~15% volume CAGR over FY2012-14E on the back of momentum in the luxury vehicle market, coupled with strong *Evoque* volumes, and new product launches *(Range Rover, Range Rover Sport*, *Jaguar XF Sportbrake* and AWD and smaller engine options in the *XF and XJ* models). Further, expansion of dealer network in China from 110 to 145 by March 2013 will also aid growth. Additionally, favorable market mix (China's contribution increased from 11% in FY2011 to 17% in FY2012) and sourcing from low-cost countries will help TTMT mitigate raw-material cost pressures to a certain extent.

- **Domestic business to remain under pressure:** While we expect the commercial vehicle (CV) business to stage a recover in FY2014 led by easing of interest rates and sustained volume momentum in LCV sales, the PV segment is likely to remain under pressure led by weak product offerings amid rising competition. Further, led by higher discounts and promotional expenses, we expect the standalone profitability to remain under pressure.

Outlook and valuation

We revise our revenue and earnings estimates downwards to factor in the extremely poor standalone performance and higher depreciation expense at JLR. Further, we also account for higher tax rate as guided by the Management (at 30% for FY2013/14 against our earlier assumption of 25%). As a result, our earnings estimates are revised downwards sharply by 21%/14.5% for FY2013/14.

Exhibit 18: Change in estimates (consolidated)

Y/E March	Earlier estimates		Revised estimates		% chg	
	FY2013E	FY2014E	FY2013E	FY2014E	*FY2013E*	*FY2014E*
Net sales (` cr)	**190,883**	**218,159**	**184,201**	**209,642**	***(3.5)***	***(3.9)***
OPM (%)	*12.8*	*13.1*	*12.4*	*13.5*	*(44)bp*	*32bp*
EPS (`)	**35.5**	**42.5**	**28.0**	**36.3**	***(21.0)***	***(14.5)***

Source: Company, Angel Research

Nevertheless, we retain our positive view on JLR and expect an ~15% volume CAGR over FY2012-14 driven by continued momentum in the luxury vehicle market, coupled with strong *Evoque volumes, new product launches (Range Rover, Range Rover Sport, Jaguar XF Sportbrake and AWD and smaller engine options in the XF and XJ models).* and continuous ramp-up in China. Further, a favorable market and product-mix and stable commodity prices will help mitigate raw-material cost pressures. We model in JLR volume growth of 17%/12.5% for FY2013/14 to 367,895/413,882 units.

**We maintain our Accumulate rating on the stock with a SOTP target price of `326.** We have valued the domestic core business at `52/share, at 14x FY2014E earnings. We value JLR at 7x FY2014E earnings at `248/share. The embedded value of the subsidiaries and investments works out to `26/share.

Exhibit 19: SOTP valuation

Particulars	Parameter	Value/Share (`)
Standalone	FY2014E (14x P/E)	52
JLR	FY2014E (7x PAT)	248
Key subsidiaries and others		26
Target price		**326**

Source: Company, Angel Research

Exhibit 20: Peer valuation – Global luxury car manufacturers

	P/E (x)		P/B (x)		EV/EBITDA (x)		EV/Sales (x)	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
BMW	9.3	9.2	1.5	1.4	7.9	7.8	1.4	1.3
Daimler	9.5	8.1	1.1	1.0	9.4	8.3	1.0	1.0

Source: Company, Angel Research

Key downside risk to our estimates: Lower-than-expected growth in JLR due to uncertainty in key markets (Europe, UK, China and US) will negatively affect our volume growth estimates. Further, softening of domestic interest rates poses an upside risk to our domestic volume estimates.

Exhibit 21: Key assumptions

Y/E March (units)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
M&HCV	122,077	167,828	209,521	221,298	161,548	180,933
LCV	167,834	233,697	287,462	363,891	429,391	493,800
Total CV	**289,911**	**401,525**	**496,983**	**585,189**	**590,939**	**674,733**
UV	39,917	34,124	43,070	56,138	59,506	65,457
Cars	166,920	176,683	192,831	190,728	160,212	173,028
Nano	-	30,353	70,432	74,526	65,583	75,420
Total PV	**206,837**	**241,160**	**306,333**	**321,392**	**285,301**	**313,906**
Exports (Inc Above)	31,611	34,140	58,042	62,890	53,457	58,802
Total volume	**496,748**	**642,685**	**803,316**	**906,581**	**876,240**	**988,639**
JLR volume	**-**	**193,982**	**241,571**	**314,428**	**367,895**	**413,882**

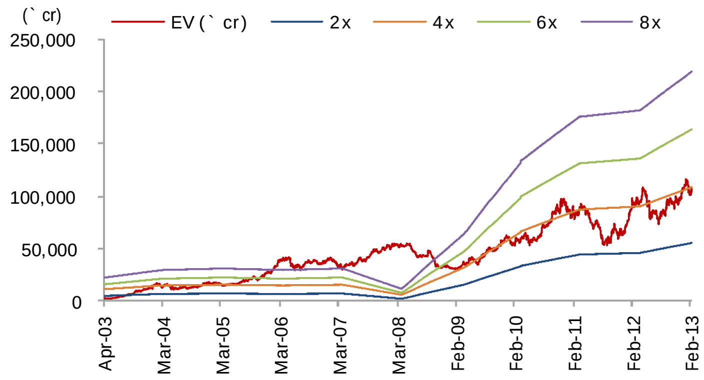
Source: Company, Angel Research

Exhibit 22: Angel vs consensus forecast

	Angel estimates		Consensus		*Variation (%)*	
	FY13E	FY14E	FY13E	FY14E	*FY13E*	*FY14E*
Total op. income (` cr)	**184,201**	**209,642**	**189,100**	**216,100**	***(2.6)***	***(3.0)***
EPS (`)	28.0	36.3	34.9	42.0	*(19.6)*	*(13.5)*

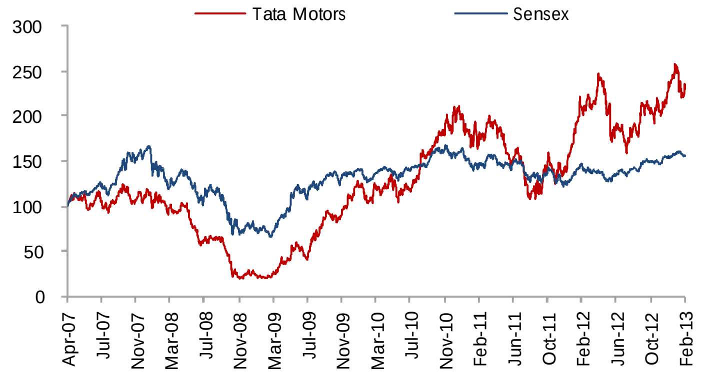
Source: Bloomberg, Angel Research

Exhibit 23: One-year forward EV/EBITDA



Source: Company, Angel Research

Exhibit 24: Tata Motors vs Sensex



Source: Company, Angel Research

Exhibit 25: Automobile - Recommendation summary

Company	Reco.	CMP (`)	Tgt. price (`)	*Upside (%)*	P/E (x) FY13E	P/E (x) FY14E	EV/EBITDA (x) FY13E	EV/EBITDA (x) FY14E	RoE (%) FY13E	RoE (%) FY14E	*FY12-14E EPS CAGR (%)*
Ashok Leyland	Buy	23	28	*25.4*	15.3	10.2	6.2	5.1	9.3	13.3	*2.7*
Bajaj Auto	Neutral	2,002	-	-	18.6	15.8	13.0	10.6	45.8	42.8	*8.9*
Hero MotoCorp	Buy	1,669	1,923	*15.2*	15.8	13.9	7.9	6.4	44.3	40.9	*5.3*
Maruti Suzuki	Neutral	1,473	-	-	22.9	15.4	10.9	7.2	11.6	15.3	*37.5*
Mahindra & Mahindra	Accumulate	899	1,019	*13.4*	16.3	14.0	9.5	7.7	24.5	23.8	*17.3*
Tata Motors	**Accumulate**	**297**	**326**	***9.5***	**10.6**	**8.2**	**4.6**	**3.9**	**24.6**	**25.4**	***1.2***
TVS Motor	Buy	40	47	*20.2*	9.3	7.5	3.5	2.6	16.4	18.0	*0.4*

Source: Company, Angel Research

Company background

Tata Motors is the largest commercial vehicle manufacturer in India with a domestic market share of ~60% and ~57% in the MHCV and LCV segments respectively. The company is also India's third largest PV manufacturer, with a domestic market share of ~12%. The company operates from its plants in Jamshedpur, Pune, Lucknow, Sanand, Pantnagar and Dharwad. TTMT acquired UK based luxury car manufacturer Jaguar Land Rover (JLR) in June 2008; it now accounts for ~65% of its consolidated revenue.

Profit and loss statement (Consolidated)

Y/E March (` cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Total operating income	**70,881**	**92,519**	**122,128**	**165,654**	**184,201**	**209,642**
% chg	*100.1*	*30.5*	*32.0*	*35.6*	*11.2*	*13.8*
Total expenditure	**69,371**	**84,747**	**105,310**	**143,576**	**161,360**	**181,445**
Net raw material costs	48,025	61,495	79,008	109,468	119,731	135,848
Other mfg costs	2,673	3,452	4,509	5,440	6,815	7,442
Employee expenses	7,297	8,943	9,343	12,298	16,578	19,077
Other	11,376	10,857	12,450	16,371	18,236	19,077
EBITDA	**1,509**	**7,772**	**16,817**	**22,078**	**22,841**	**28,197**
% chg	*(61.6)*	*414.9*	*116.4*	*31.3*	*3.5*	*23.4*
(% of total op. income)	*2.1*	8.4	*13.8*	*13.3*	*12.4*	*13.5*
Depreciation & amortization	2,507	3,887	4,656	5,625	7,054	8,806
EBIT	**(997)**	**3,885**	**12,162**	**16,453**	**15,786**	**19,391**
% chg	-	-	213.1	35.3	(4.0)	22.8
(% of total op. income)	*(1.4)*	*4.2*	*10.0*	*9.9*	*8.6*	*9.2*
Interest and other charges	2,171	2,465	2,385	2,982	3,393	3,213
Other income	748	1,058	429	662	827	926
Recurring PBT	**(2,420)**	**2,478**	**10,206**	**14,132**	**13,220**	**17,104**
% chg	-	-	*311.9*	*38.5*	*(6.5)*	*29.4*
Extraordinary income/ (expense)	(291)	(1,045)	(231)	598	0	0
PBT (reported)	**(2,129)**	**3,523**	**10,437**	**13,534**	**13,220**	**17,104**
Tax	336	1,006	1,216	2,811	3,966	5,131
(% of PBT)	*(15.8)*	*28.6*	*11.7*	*20.8*	*30.0*	*30.0*
PAT (reported)	**(2,465)**	**2,517**	**9,221**	**10,723**	**9,254**	**11,973**
Profit in earnings of associates	(52)	85	101	25	25	25
Minority interest (MI)	(11)	30	49	82	82	82
PAT after MI	**(2,505)**	**2,571**	**9,274**	**10,665**	**9,197**	**11,915**
ADJ. PAT	**(2,796)**	**1,526**	**9,043**	**11,264**	**9,197**	**11,915**
% chg	-	-	*492.6*	*24.6*	*(18.4)*	*29.6*
(% of total op. income)	(3.9)	1.6	7.4	6.8	5.0	5.7
Basic EPS (`)	**(9.7)**	**9.0**	**29.2**	**33.6**	**28.0**	**36.3**
Adj. EPS (`)	**(10.9)**	**5.3**	**28.5**	**35.5**	**28.0**	**36.3**
% chg	-	-	*432.8*	*24.5*	*(21.0)*	*29.6*

Balance sheet statement (Consolidated)

Y/E March (` cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity share capital	514	571	635	635	656	656
Reserves & surplus	5,427	7,827	18,537	32,064	41,309	51,374
Shareholders' Funds	**5,941**	**8,398**	**19,171**	**32,699**	**41,965**	**52,030**
Minority interest	403	214	247	307	307	307
Total loans	**34,974**	**35,108**	**30,362**	**38,704**	**37,704**	**35,704**
Deferred tax liability	680	1,154	1,464	(2,374)	(2,374)	(2,374)
Other long term liabilities	-	-	2,293	2,459	2,459	2,459
Long term provisions	-	-	4,826	6,071	6,071	6,071
Total Liabilities	**41,998**	**44,873**	**58,362**	**77,865**	**86,132**	**94,197**
APPLICATION OF FUNDS						
Gross block	58,469	63,823	71,463	89,779	108,531	130,460
Less: Acc. depreciation	33,269	34,232	39,699	49,512	56,567	65,373
Net Block	**25,200**	**29,590**	**31,764**	**40,267**	**51,964**	**65,087**
Capital work-in-progress	10,533	8,916	11,457	15,946	15,194	18,264
Goodwill	3,719	3,423	3,585	4,094	4,094	4,094
Investments	**1,257**	**2,219**	**2,544**	**8,918**	**8,918**	**8,918**
Long term loans and advances	-	-	9,818	13,658	13,658	13,658
Other noncurrent assets	-	-	332	575	575	575
Current assets	**33,322**	**42,446**	**40,881**	**56,935**	**62,035**	**61,688**
Cash	4,121	8,743	11,410	18,238	21,201	15,223
Loans & advances	13,456	15,199	8,875	12,244	11,973	13,627
Other	15,745	18,503	20,596	26,453	28,861	32,839
Current liabilities	32,120	41,721	42,019	62,526	70,306	78,087
Net current assets	**1,202**	**725**	**(1,138)**	**(5,591)**	**(8,270)**	**(16,399)**
Misc. exp. not written off	86	-	-	-	-	-
Total Assets	**41,998**	**44,873**	**58,362**	**77,865**	**86,132**	**94,197**

Cash flow statement (Consolidated)

Y/E March (` cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	(2,129)	3,523	10,206	14,132	13,220	17,104
Depreciation	2,507	3,887	4,656	5,625	7,054	8,806
Change in working capital	4,709	5,099	4,048	2,280	5,449	1,958
Others	(3,263)	(1,448)	(6,024)	(181)	-	-
Other income	(748)	(1,058)	(429)	(662)	(827)	(926)
Direct taxes paid	(336)	(1,006)	(1,216)	(2,811)	(3,966)	(5,131)
Cash Flow from Operations	**739**	**8,997**	**11,240**	**18,384**	**20,931**	**21,810**
(Inc.)/Dec. in fixed assets	(50,078)	(3,736)	(8,113)	(13,783)	(18,000)	(25,000)
(Inc.)/Dec. in investments	1,408	(962)	(325)	(962)	-	-
Other income	748	1,058	429	662	827	926
Cash Flow from Investing	**(47,922)**	**(3,640)**	**(8,008)**	**(14,083)**	**(17,173)**	**(24,073)**
Issue of equity	3,958	1,405	4,700	(164)	1,920	-
Inc./(Dec.) in loans	23,389	135	(4,746)	8,342	(1,000)	(2,000)
Dividend paid (Incl. Tax)	677	365	1,002	1,481	1,715	1,715
Others	(19,448)	3,113	1,521	7,132	-	-
Cash Flow from Financing	**47,471**	**(1,209)**	**(565)**	**2,527**	**(795)**	**(3,715)**
Inc./(Dec.) in cash	288	4,148	2,666	6,828	2,963	(5,978)
Opening Cash balances	**3,833**	**4,121**	**8,743**	**11,410**	**18,238**	**21,201**
Closing Cash balances	**4,121**	**8,743**	**11,410**	**18,238**	**21,201**	**15,223**

Key ratios

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	-	55.5	13.7	6.7	10.6	8.2
P/CEPS	-	15.7	8.2	4.8	6.0	4.7
P/BV	13.1	10.3	5.0	2.9	2.3	1.9
Dividend yield (%)	0.4	1.0	1.4	1.4	1.5	1.5
EV/Sales	1.4	1.1	0.9	0.6	0.6	0.5
EV/EBITDA	70.2	14.0	6.6	4.8	4.6	3.9
EV / Total Assets	2.5	2.4	1.9	1.4	1.2	1.2
Per Share Data (`)						
EPS (Basic)	(10.9)	5.3	21.6	44.5	28.0	36.3
EPS (fully diluted)	(9.8)	5.3	24.1	49.5	28.0	36.3
Cash EPS	0.2	19.0	36.3	62.2	49.6	63.2
DPS	1.2	3.0	4.0	4.0	4.5	4.5
Book Value	18.4	25.9	60.0	102.8	127.7	158.4
Dupont Analysis						
EBIT margin	(1.4)	4.2	10.0	9.9	8.6	9.2
Tax retention ratio	1.2	0.7	0.9	0.8	0.7	0.7
Asset turnover (x)	2.7	2.6	3.1	3.5	3.5	3.3
ROIC (Post-tax)	(4.5)	7.9	27.6	27.5	20.7	21.6
Cost of Debt (Post Tax)	10.8	5.0	6.4	6.8	6.2	6.1
Leverage (x)	2.4	3.7	1.5	0.5	0.3	0.2
Operating ROE	(40.6)	18.7	58.6	38.6	24.5	24.7
Returns (%)						
ROCE (Pre-tax)	(3.1)	8.9	23.6	24.2	19.3	21.5
Angel ROIC (Pre-tax)	(2.7)	11.5	27.5	32.5	28.2	27.7
ROE	(38.2)	21.3	65.6	43.4	24.6	25.4
Turnover ratios (x)						
Asset Turnover (Gross Block)	2.0	1.5	1.8	2.1	1.9	1.8
Inventory / Sales (days)	37	44	38	36	38	38
Receivables (days)	18	24	20	16	17	17
Payables (days)	123	134	110	123	124	122
WC cycle (ex-cash) (days)	(3)	(22)	(31)	(40)	(53)	(53)
Solvency ratios (x)						
Net debt to equity	5.0	2.9	0.9	0.4	0.2	0.2
Net debt to EBITDA	19.6	3.1	1.0	0.5	0.3	0.4
Interest Coverage (EBIT / Int.)	(0.5)	1.6	5.1	5.5	4.7	6.0

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Disclosure of Interest Statement	Tata Motors
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ` 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	