

Tata Motors Ltd

JLR volumes remain robust

Jaguar Land Rover's (JLR) January volume scorecard of 20,377 units was a shade above our expectations, putting the company well on track to meeting its full-year guidance of ~240,000 units. JLR's good run was led by the Land Rover brand which recorded its second highest volumes in FY11. Other luxury car majors—Audi, BMW and Mercedes—also kicked off the year with strong numbers across geographies. A key highlight for the month was the robust growth posted by all the majors in the EU (led by Germany). Sustained momentum in the luxury car market, specifically the US and China, and in new product launches suggests a healthy volume run-rate in the months to come. We have a BUY rating on Tata Motors (TTMT) with a target price of Rs 1,500.

JLR's volume scorecard

- JLR's total volumes stood at 20,377 units (+25% YoY, -5% MoM). Jaguar volumes came in at 3,056 units (+3% YoY, -30% MoM), while that of Land Rover stood at 17,321 units (+30% YoY, +2% MoM).
- Our FY11 volume estimate for JLR builds in ~24% volume growth (monthly run-rate of ~20,012 units).
- As in the past, the US market exhibited strong growth. The UK market too continued with a healthy run-rate.

(Note: EU new car registrations have not been reported so far for January '11)

Global luxury market review

- Luxury majors reported robust volumes for the month. While the US and China continue to support volume momentum, the EU—from where recovery is anticipated—reported heartening numbers as well.
- Audi AG started the year with a ~23% jump in sales, bucking the trend to record significant growth in all core European markets. Sales of BMW brand vehicles increased 30% in January—the company expects growth rates to remain strong over the next few months, while it believes the pace to slow a bit in the second half of the year due to the base effect. Mercedes-Benz had record January sales with a 23% increase.

Maintain BUY on TTMT

- We maintain a BUY on TTMT with a target price of Rs 1,500, valuing the standalone business at Rs 473, JLR at Rs 909 and other subsidiaries at Rs 108.

Recommendation snapshot

Company	CMP (Rs)	Target (Rs)	Rating
Tata Motors	1,237	1,500	BUY

Luxury majors – Volume/Growth

	Volume	Growth (% YoY)	Growth (% MoM)
Audi	95,400	22.6	7.8
BMW	90,841	30.0	(21.4)
JLR	20,377	25.3	(4.6)
Mercedes	82,700	23.4	(23.5)

Source: Company data, RCML Research

JLR – Volumes in key geographies

		Jan-11	Jan-10	Growth (% YoY)
Jaguar	US	935	631	48.2
	UK*	856	1,041	(17.8)
	RU	42	41	2.4
Land Rover	US	2,271	1,958	16.0
	UK*	2,530	2,518	0.5
	RU	563	316	78.2

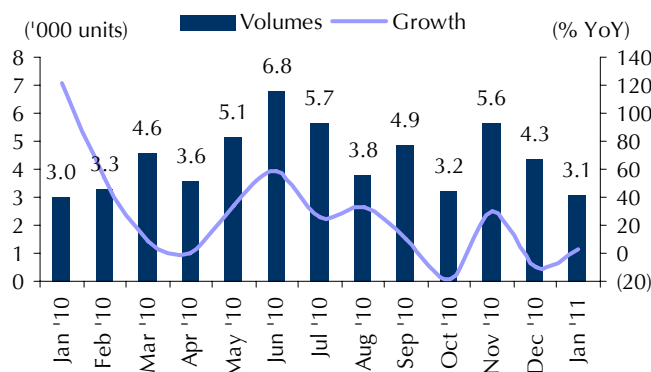
Source: Company data, RCML Research * Data for new car registrations

Global luxury carmakers optimistic on growth

Dr. Joachim Schmidt, Mercedes-Benz: "We will be building on this excellent start in the coming weeks and expect significant sales growth in the first quarter. We have ambitious plans for 2011: Our goal is to surpass the sales record set in 2007 and achieve the best year in the company's history."

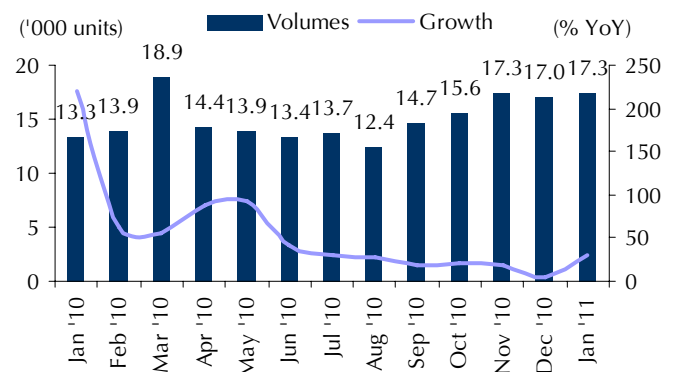
Peter Schwarzenbauer, Audi: "Development of the business in our European export markets is important to our annual forecast, which calls for 1.2mn cars to be sold. And I see strong signs here, with an increase of 18.6% in January alone."

Jaguar – Volume trend



Source: Company, RCML Research

Land Rover – Volume trend



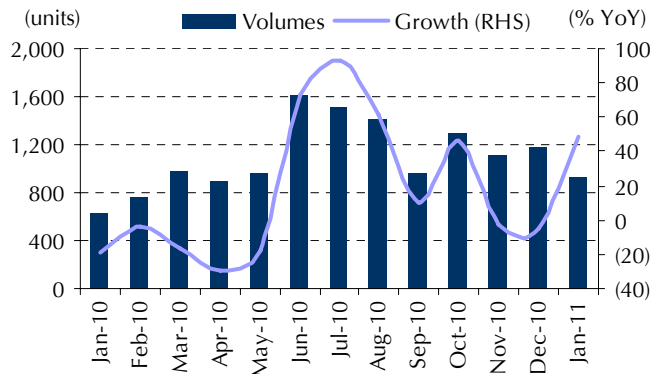
Source: Company, RCML Research





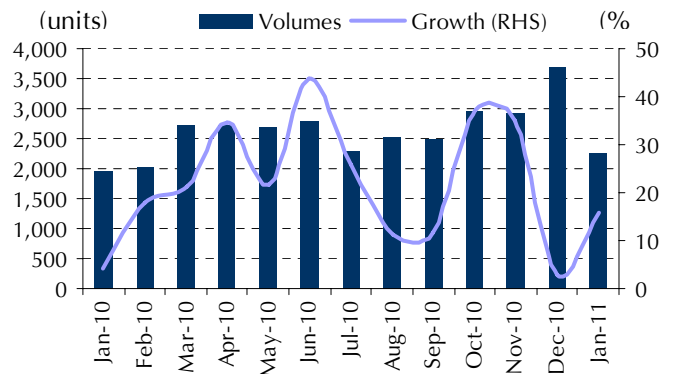
JLR – Performance in major markets

Fig 1 - Jaguar – US sales



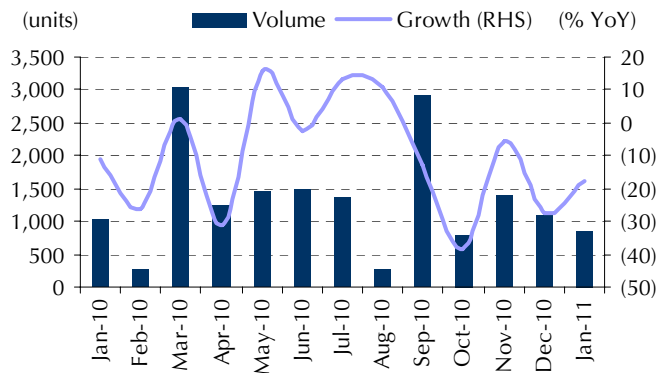
Source: Bloomberg, RCML Research

Fig 2 - Land Rover – US sales



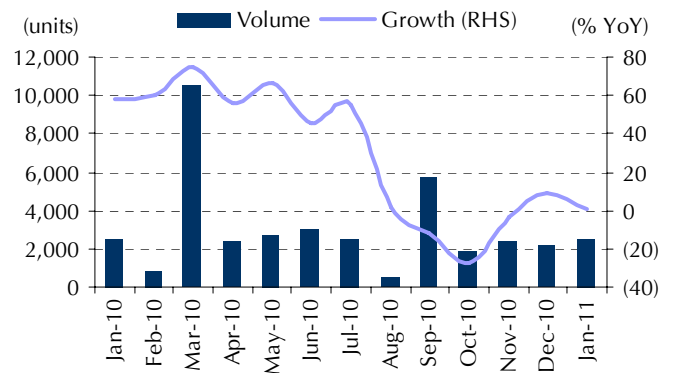
Source: Bloomberg, RCML Research

Fig 3 - Jaguar – UK new car registrations



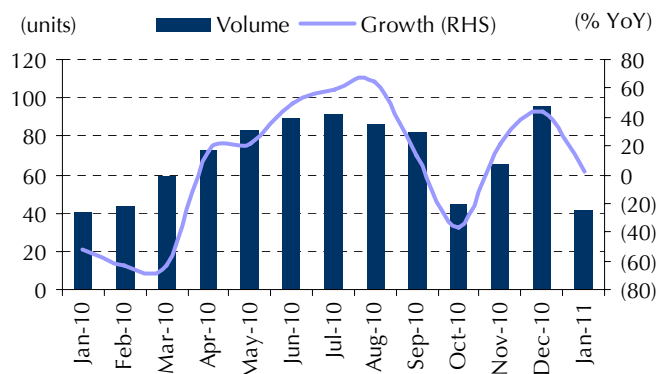
Source: Industry data, RCML Research

Fig 4 - Land Rover – UK new car registrations



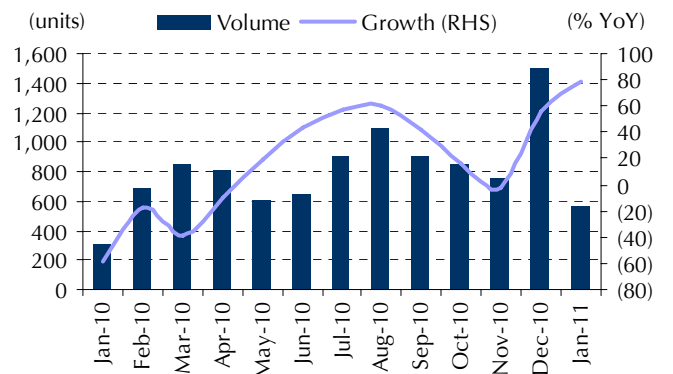
Source: Industry data, RCML Research

Fig 5 - Jaguar – RU sales



Source: Industry data, RCML Research

Fig 6 - Land Rover – RU sales



Source: Industry data, RCML Research



Tata Motors – Valuation

Fig 7 - Tata Motors SOTP-based valuation

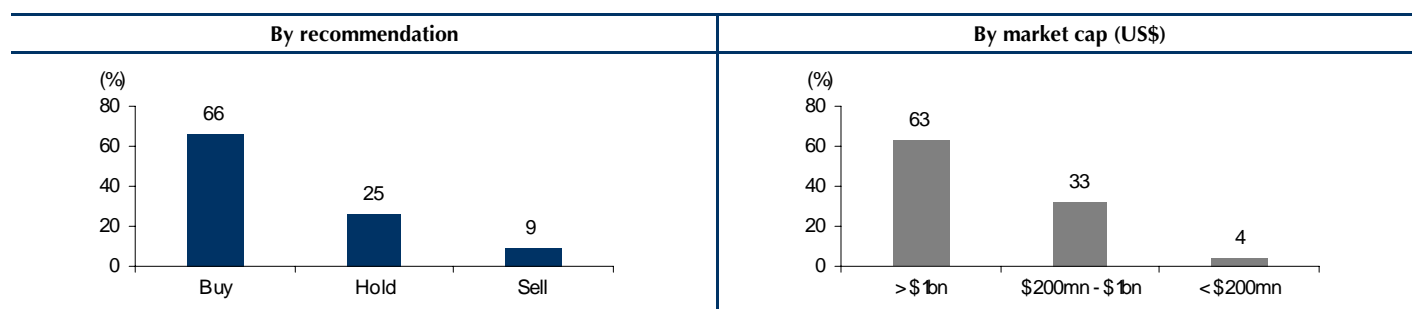
Valuation Matrix	Valuation Basis	Value/Share
Tata Motors Standalone	EBITDA - 7.5x – Sep 12E	611
Jaguar Land Rover	EBITDA – 5.5x – Sep 12E	1,163
Less Adj. for R&D in JLR*	50% of Annual R&D expense	232
Less: Automotive Debt	Outstanding Debt/Share	161
Tata Motors Std.+ JLR		1,381
Add: Other Holdings & Subs	Based on FY12E earnings/Book value	108
Total Value per share (rounded-off)		1,500

Source: Company, RCML Research

Standalone business valued at
Rs 473, JLR at Rs 909 and other
subsidiaries at Rs 108



Coverage Profile



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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