

March 2, 2010

Rating	Accumulate
Price	Rs711
Target Price	Rs915
Implied Upside	28.7%
Sensex	16,430

(Prices as on February 26, 2010)

Trading Data

Market Cap. (Rs bn)	390.0
Shares o/s (m)	548.1
Free Float	61.92%
3M Avg. Daily Vol ('000)	4,819.8
3M Avg. Daily Value (Rs m)	3,511.3

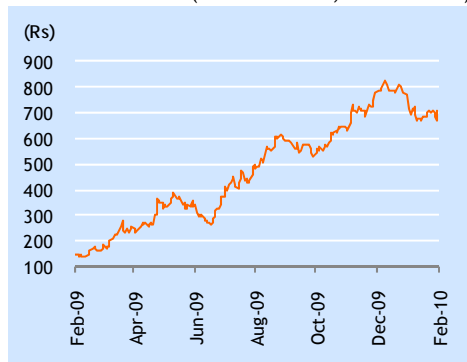
Major Shareholders

Promoters	38.08%
Foreign	15.67%
Domestic Inst.	18.46%
Public & Others	27.79%

Stock Performance

(%)	1M	6M	12M
Absolute	9.2	49.2	431.0
Relative	7.6	42.3	344.0

Price Performance (RIC: TAMO.BO, BB: TTMT IN)



Source: Bloomberg

- Q3FY10 consolidated results: Tata Motors posted 81.8% YoY growth in the automotive segment revenues, whereas JLR reported 31.8% YoY growth in its revenues. This led to an overall 47.1% YoY growth in the company's consolidated topline to Rs260bn. Due to higher operating leverage and tight control over fixed other expenditure, the company reported EBITDA of Rs30.5bn, translating into EBITDA margin of 11.7%. Adjusted for one-time forex, the profit stood at Rs8.8bn in Q3FY10 compared to a loss of Rs17.5bn in Q3FY09 (Rs1.3bn loss in Q2FY10).
- Volumes stage 28% QoQ improvement led by Land Rover sales: Jaguar and Land Rover (JLR) reported 28% QoQ growth in wholesale volumes for October-December 2009 period at 56,726 units. The improvement was mainly influenced by a 34.2% QoQ growth in sales of Land Rover at ~43,600 units on account of a pick up in demand for New Land Rover models across the markets, including North America, Russia and China. Jaguar reported an improvement of 11.5% QoQ, led by strong growth of the *XF* model.
- JLR turns EBITDA positive led by volume growth and better product mix JLR reported revenue of Rs156bn (£1,961m) and an EBITDA profit of Rs15.3bn (£192m) for Q3FY10. Improvement in volumes, better product mix, coupled with various cost-cutting measures, led to a better-than-expected performance from JLR. At the same time, introduction of models such as the upgraded *Range Rover* and *Range Rover Sport* that have higher margins also helped the company make profits in the quarter. Due to higher depreciation and interest expenses, the company reported PAT of Rs4.4bn (compared to a loss of Rs3.6bn in Q2FY10).
- Outlook: With signs of recovery in some of the key markets and aggressive cost-cutting measures, we have built-in a 19.5% volume growth at ~2.3 lac units in FY11E and an EBITDA margin of 8.8% at JLR. We value JLR at 4x FY11E EV/EBITDA multiple at Rs221/share. We have valued the standalone business at 18x FY11E EPS and other subsidiaries at Rs95/share, thereby arriving at a target price of Rs915/share on SOTP basis. At our target price, the stock would trade at ~15.0x FY11E consolidated EPS. We believe that an improvement in the core Commercial Vehicle (CV) business, coupled with recovery at the JLR front would lead to better stock price performance. We maintain 'Accumulate' on the stock.

Key financials (Y/e March)	FY09	FY10E	FY11E	FY12E
Revenues (Rs m)	709,389	869,790	1,091,022	1,225,599
Growth (%)	98.9%	22.6%	25.4%	12.3%
EBITDA (Rs m)	21,965	79,451	114,635	127,260
PAT (Rs m)	(21,658)	9,670	33,596	39,798
EPS (Rs)	N.A.	17.6	61.3	72.6
Growth (%)	N.A.	N.A.	247.4%	18.5%
Net DPS (Rs)	6.0	10.0	15.0	20.0

Source: Company Data; PL Research

Profitability & valuation	FY09	FY10E	FY11E	FY12E
EBITDA margin (%)	3.1	9.1	10.5	10.4
RoE (%)	N.A.	12.5	32.3	32.1
RoCE (%)	N.A.	1.1	2.1	1.9
EV / sales (x)	1.0	0.9	0.8	0.9
EV / EBITDA (x)	30.7	9.6	8.0	8.2
PER (x)	N.A.	40.3	11.6	9.8
P / BV (x)	6.2	4.1	3.4	2.9
Net dividend yield (%)	0.8	1.4	2.1	2.8

Source: Company Data; PL Research

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Q3FY10 Result Overview (Consolidated)

(Rs m)

Y/e March	Q3FY10	Q3FY09	YoY gr. (%)	Q2FY10	9MFY10	9MFY09	YoY gr. (%)
Net Sales	260,443	177,033	47.1	211,002	635,415	551,849	15.1
Raw Materials	174,368	116,186	50.1	140,499	427,464	368,884	15.9
<i>% of Net Sales</i>	<i>67.0</i>	<i>65.6</i>		<i>66.6</i>	<i>67.3</i>	<i>66.8</i>	
Personnel	22,751	20,421	11.4	22,976	66,164	54,434	21.5
<i>% of Net Sales</i>	<i>9.8</i>	<i>11.5</i>		<i>10.9</i>	<i>10.4</i>	<i>9.9</i>	
Mfgr & Other Ex.	32,749	46,125	(29.0)	31,612	89,336	102,351	(12.7)
<i>% of Net Sales</i>	<i>12.6</i>	<i>26.1</i>		<i>15.0</i>	<i>14.1</i>	<i>18.5</i>	
Total Expenditure	229,868	182,732	25.8	195,086	582,964	525,670	10.9
EBITDA	30,575	-5,699	LTP	15,916	52,450	26,179	100.4
<i>EBITDA Margin (%)</i>	<i>11.7</i>	<i>(3.2)</i>		<i>7.5</i>	<i>8.3</i>	<i>4.7</i>	
Amortisation of DRE	857	724	18.5	858	2,645	1,709	54.7
Depreciation	13,072	6,522	100.4	8,479	29,994	16,580	80.9
EBIT	16,646	(12,944)	LTP	6,579	19,812	7,890	151.1
Net Interest	5,458	7,142	(23.6)	5,590	16,883	16,338	3.3
Adj. other income	(2,295)	(7,239)	LTP	4,067	4,983	(475)	LTP
PBT	8,893	(27,326)	LTP	2,873	9,067	(27,101)	LTP
Tax - Total	2,429	(1,187)	LTP	2,894	5,966	811	636.0
Reported PAT (After MI)	6,503	(25,988)	LTP	218	3,433	(28,209)	LTP
Adjusted PAT	8,845	(17,543)	LTP	(1,318)	17	(24,495)	LTP



JLR Performance

(£ m)

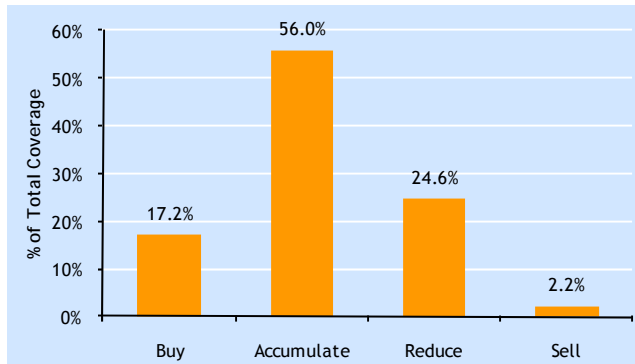
	9MFY10	Q3FY10	Q2FY10	Q1FY10
Volumes (Nos.)	136,927	56,726	44,301	35,900
Jaguar	36,526	13,126	11800	11600
Land Rover	100,400	43,600	32500	24300
Net Sales	4,506	1961	1420	1125
<i>per unit</i>	32,908	34,570	32,054	31,337
Raw Material	3,139	1338	987	814
<i>% of net sales</i>	69.7%	68.2	69.5	72.4
<i>per unit</i>	22,925	23,587	22,280	22,674
Employee cost	555	192	187	176
<i>% of net sales</i>	12.3%	9.8	13.2	15.6
Other operating expenses	614	239	205	170
<i>% of net sales</i>	13.6%	12.2	14.4	15.1
<i>per unit</i>	4,484	4,213	4,627	4,735
Total Expenditure	4,308	1,769	1,379	1,160
EBITDA	198	192	41	(35)
<i>% of net sales</i>	4.4%	9.8	2.9	-3.1
Product Development expenditure	28	8	9	11
Depreciation	245	118	58	69
EBIT	(75)	66	(26)	(115)
Interest charges	34	11	10	13
Profit Before Tax	(109)	55	(36)	(128)
Income Tax Charge	13	2	9	2
Profit / Loss	(122)	53	(45)	(130)
Reported profit	(71)	55	(61)	(65)

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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