

Tata Motors

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Shareholding (%)

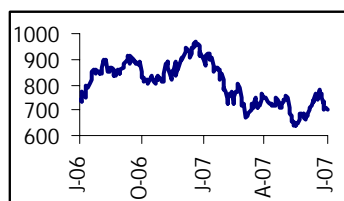
Promoters	33.4
FII's	18.0
Insurance Co.	10.9
Others	37.7

Share price performance

52-week high/low (Rs) 988/575			
	-1m	-3m	-12m
Abs (%)	4.4	-7.0	-5.7
Rel* (%)	-0.5	-17.8	-49.8

*to Nifty

Stock chart



A Tough Quarter

Tata Motors Limited's (TML's) Q1FY08 sales increased by 4.7% YoY to Rs 60.56 bn, supported by a marginal 1% increase in overall volumes. EBIDTA, inflated by forex gains, was up 17% YoY to Rs 7328 mn. Net profits were up 22.2% at Rs 4667 mn.

▲ Topline better than expected: Despite flat volumes, TML's Q1FY08 sales increased by 4.7% YoY to Rs 60568 mn. This was due to a 3.7% improvement in average realizations per vehicle. A gradual shift is seen in the market towards higher tonnage goods carriers. Moreover, the bus segment, marked by higher realizations, is also growing at a moderate pace. These factors are helping TML to improve its average realizations.

▲ EBIDTA inflated by forex gains: TML's Q1FY08 EBIDTA was up 17% YoY to Rs 7328 mn. EBITDA, however, was inflated by forex gains on borrowings, deposits, and loans amounting to Rs 2058.9 mn. EBIDTA margins increased 130 bps YoY to 12.1%. The margins would have been lower due to 80 bps increase in employee costs. This impact on margins, however, was more than offset by forex gains.

▲ Net profits were up 22.2% at Rs4667mn: Effect of the forex gains booked at operating level translated into a 22.2% increase in net profits; this growth surpassed expectations significantly.

▲ Overall scenario: In Q1FY08, TML took a hit in the M&HCV goods carriers segment due to high interest rates and a higher base effect arising from excessive capacity additions by fleet operators during the previous year. The bus segment, however, reported moderate growth due to orders from state transport corporations. The LCV segment continued to do well with a 10% growth during the quarter. Performance of the commercial vehicles segment was almost in line with the industry performance. TML, however, underperformed in the passenger cars segment with sales of both *Indica* and *Indigo* going down. *Indica* is facing competition from Maruti Udyog Limited's (MUL's) *Swift D* (Diesel variant); *Indigo* is competing with the newly launched *Mahindra Logan*, *Maruti SX4*, and *Hyundai Verna*.

▲ Outlook & Valuations: We expect the demand for commercial vehicles to improve post monsoon. We do not, however, see any major change in the passenger car segment for TML due to intensifying competition; moreover, TML does not have any major new products in its pipeline till Q4FY08 when a new, more efficient, version of *Indica* with a CiDi engine would be launched. At CMP of Rs 670, TML is quoting at 14.7x FY08E. We maintain our 'Hold' rating on the stock.

Hold

Rs670

August 1, 2007

Market cap

Rs bn 269

US\$ mn 6

Avg 3m daily volume

1,846,685

Avg 3m daily value

USD mn 32

Shares outstanding (mn)

385

Reuters

TELC.BO/TATAMOTORS

Bloomberg

TTMT IN

Sensex

15,551

Nifty

4,529

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Table 1. Quarterly result table

Rs mn	Q1FY08	Q1FY07	YoY (%)	Q4FY07	QoQ (%)
Net Sales	60,568.2	57,834.1	4.7%	82,670.0	-26.7%
Total Expenses	53,239.5	51,570.9	3.2%	73,292.8	-27.4%
Inc / Dec in stock	(1,373.5)	(3,853.3)	-64.4%	2,936.1	-146.8%
Raw material consumed	43,579.3	39,530.6	10.2%	55,618.1	-21.6%
Empolyee cost	3,518.7	3,024.3	16.3%	3,646.6	-3.5%
Product Development Exp	193.3	103.2	87.3%	285.2	-32.2%
Other Expenses	7,321.7	12,766.1	-42.6%	10,806.8	-32.2%
EBIDTA	7,328.7	6,263.2	17.0%	9,377.2	-21.8%
Other Income	863.2	859.1	0.5%	604.4	42.8%
PBIDT	8,191.9	7,122.3	15.0%	9,981.6	-17.9%
Interest	815.6	725.5	12.4%	597.7	36.5%
Gross Profit	7,376.3	6,396.8	15.3%	9,383.9	-21.4%
Depreciation	1,474.7	1,410.5	4.6%	1,582.5	-6.8%
PBT	5,901.6	4,986.3	18.4%	7,801.4	-24.4%
Tax	1,253.7	1,164.0	7.7%	2,030.8	-38.3%
PAT	4,647.9	3,822.3	21.6%	5,770.6	-19.5%
Extraordinary items	(19.7)	3.8	-618.4%	3.4	-679.4%
Adjusted Net profit	4,667.6	3,818.5	22.2%	5,767.2	-19.1%
Equity	3,854.2	3,831.2		3,854.1	
EPS	12.1	10.0		15.0	
Key Ratios (%)					
EBIDTA Margin	12.1	10.8		11.3	
Interest / Sales	1.3	1.3		0.7	
Tax / PBT	21.2	23.3		26.0	
NPM	7.7	6.6		7.0	

Source: IISL research, company

Table 2. Estimates

Rs. mn	FY06	FY07	FY08E	Fy09E
Net Sales	206,022	275,352	290,838	341,165
% change		33.7%	5.6%	17.3%
EBIDTA	25,059	32,287	31,895	38,067
% change		28.8%	-1.2%	19.3%
EBIDTA margins	12.2%	11.7%	11.0%	11.2%
PAT	15,289	19,148	17,558	19,549
% change		25.2%	-8.3%	11.3%
PAT margins	7.4%	7.0%	6.0%	5.7%
EPS	39.7	49.7	45.6	50.7
% change		25.2%	-8.3%	11.3%
P/E(x)	16.9	13.5	14.7	13.2
Equity	3853.2	3854.1	3854.1	3854.1

Source: IISL research, company

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Table 3. Consolidated results

	July07	July06	Chg (%)
Net sales	76313.1	67333.3	13%
EBDITA	10669	7740	38%
Margin	14.0%	11.5%	22.0%
other income	136	173	-21%
Net interest	1762	784	125%
Dep	1755	1655	6%
Product Dev.	193	103	87%
PBT	7095	5371	32%
PAT	5159	3802	36%
EPS	13	10	36%

Source: IISL research, company

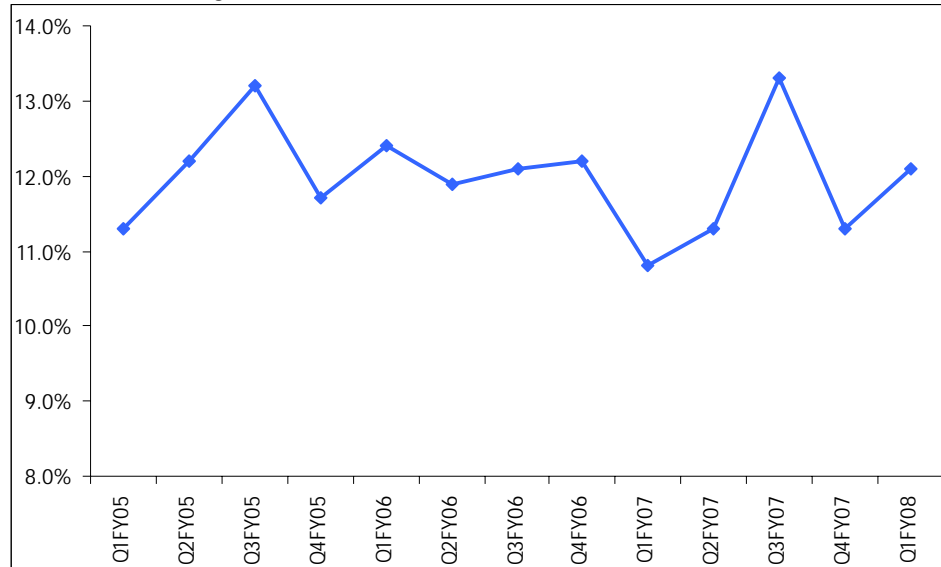
Table 4. Volume profile

	1QFY08	1QFY07	Chg (%)
CV	61633	63082	-2%
pv	52573	50151	5%
exports	13889	13161	6%
total	128095	126394	1%

Source: IISL research, company

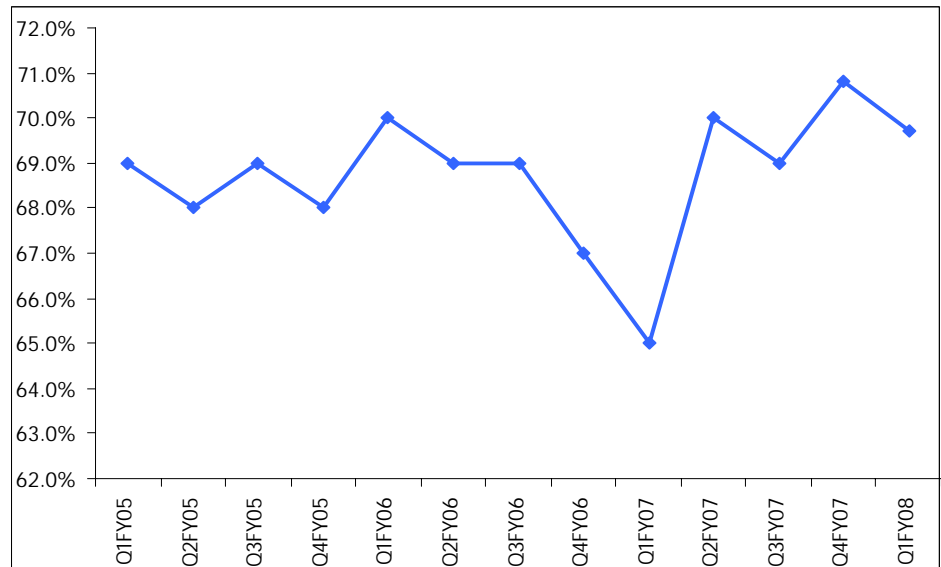
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Chart 1. EBIDTA margins



Source: IISL research, company

Chart 2. RM/Sales



Source: IISL research, company

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