

# Tata Motors

## JLR ready for next success

We expect the fourth generation Range Rover (RR) to drive considerable market share/volume improvement for JLR in FY14. Our analysis of luxury model launches in last 10 years suggests a 'next generation' launch is usually accompanied with rise in volumes/market share (refer Page 2-4). We expect new RR to emulate the trend and surpass its peak of 32,000 units in CY04.

### Key findings from our study on model launches

Our study of model launches by Audi, BMW, Mercedes and JLR depicts only 4 models (A3, A6, 7 series, XK) were able to set new benchmarks for volumes/market share. In most of the other cases, a new generation launch was able to regain previous volumes/market share (Range Rover, 3 series, C Class, E class).

### New RR - all ingredients for 'Evoque'ing response

Huge step up in product development - lighter by 420 kgs, fuel efficient engines, increased wheel base by 40 mm, eight speed transmission, and priced higher by only 3%. Also available in 3 litre diesel engine and hybrid variants.

### Raise JLR EV/EBITDA multiple to 3x from 2.5x

While near term volume surprise for JLR will come from new RR (initial reviews have been encouraging) and Evoque, introduction of new Range Rover Sports (RRS) in H2FY14, based on PLA platform (used in new RR), will ensure continued volume momentum. RRS has not seen a major upgrade since its launch in 2005. We raise our EV/EBITDA multiple for JLR to 3x from 2.5x to factor in our growing comfort on product development capabilities.

### Revise TP to Rs 305; upgrade to BUY

Increase our SOTP-based TP to Rs 305 (vs. Rs 252 earlier) driven by (a) FY14E EPS upgrade of 5% to Rs 45 (FY13 unchanged) to factor in higher volumes for RR and (b) higher multiple for JLR.

### Financial summary (Consolidated)

Y/E Mar	Sales (Rs bn)	EBITDA (Rs bn)	Adj. PAT (Rs bn)	Rep. PAT (Rs bn)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2011	1,200	167	87	92.7	27.1	-	62.1	25.4	-
2012	1,628	219	134	152.2	41.7	-	51.1	24.8	-
2013E	1,907	259	136	136.1	42.4	6.5	34.7	24.1	4.0
2014E	2,128	277	145	144.9	45.1	6.1	28	23.8	3.5

Source: Company, ENAM estimates

<b>CMP (Rs)</b>	<b>274</b>
<b>Target price (Rs)</b>	<b>305</b>
<b>Potential upside</b>	<b>11%</b>

#### Stock data

No. of shares (mn)	2,665
FV (Rs)	2/-
Market cap (Rs bn)	730
52 week high/low (Rs)	321/143
Avg. daily vol.* (shares)	12.5 mn
BSE Code	500570
NSE Code	TATAMOTORS
Bloomberg code	TTMT IB
Reuters Code	TELC.BO

\* BSE & NSE 6 monthly

#### Shareholding (%)

	Jun-12	QoQ Chg
Promoter	34.7	(0.1)
FIIs	27.7	0.1
MFs / UTI	1.6	(0.1)
Banks / FIs	10.5	(0.6)
Others	25.5	0.7

#### Price performance



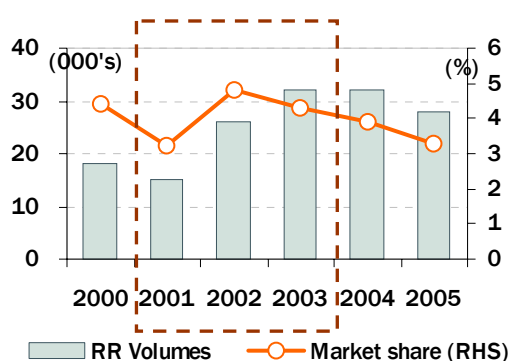
Source: Cline, ENAM Research

## Model launch and its impact on market share/volumes

The tables below show the correlation between model upgrades during the product life cycle and their impact on market share/ volumes within the segment. Some of the common elements for a strong rebound in volumes/market share across products were technology upgradation, more engine options, longer wheelbase, lower weights (aiding overall driving experience and fuel efficiency) etc.

New RR meets these criteria. Also, we believe new RRS (expected in H2FY14) will feature many of the technological advancements seen in RR. RR and RRS together account for 30% of volume and 40% of revenue for JLR (refer page 5).

### Range Rover - New RR, the most import launch in last 10 years



**2002:** Third Generation launch, only automatic version, monocoque design

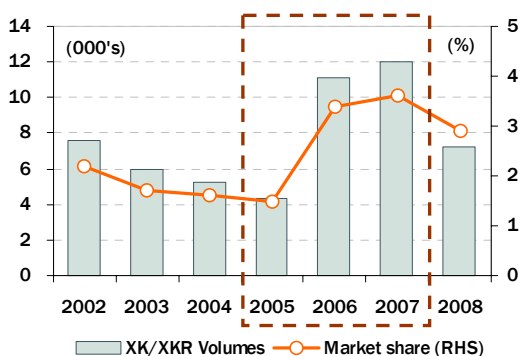
**2005:** Largely a facelift, BMW engines replaced with Ford engines, more electronics/features

**2009:** Largely a facelift, upgraded exterior/ interior to make it contemporary, 5 ltr petrol engine option

**2012:** Fourth generation, significant technological improvements, lighter chassis, fuel efficient engines, diesel hybrid variant, 3 ltr diesel option, 4 inch longer wheelbase

Source: Industry, Company, ENAM Research

### JLR - XK/XKR



**1996:** Code-named X100, was a replacement for XJS, offered lot of options/accessories

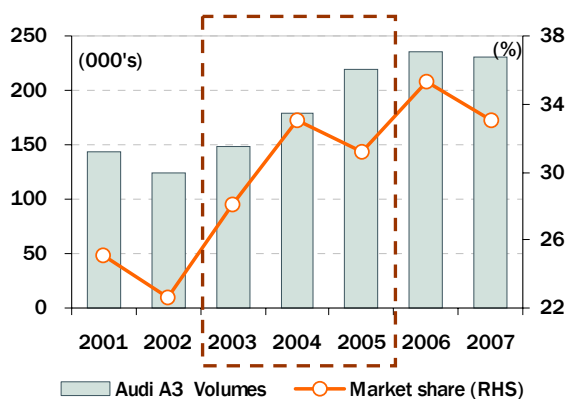
**2002:** No major changes made. Most important change was upgradation of engine from 4 ltr petrol to 4.2 ltr

**2005:** All new aluminum monocoque body, refined engine performance and better accessories

**2008:** Introduction of XKR - S, a limited edition offering, more powerful, improved aerodynamics and modified suspension

Source: Industry, Company, ENAM Research

## Audi A3



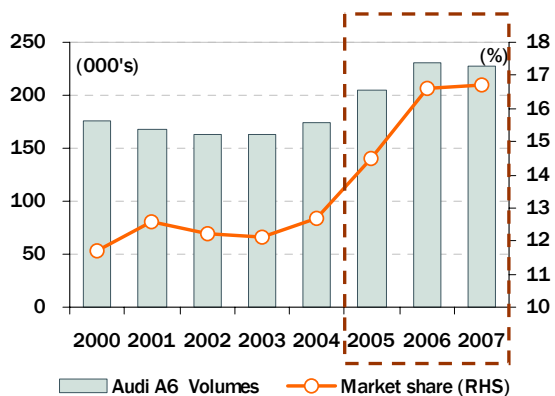
**2003:** Second generation, PQ35 platform, new 4 petrol engine option, initially 3 door option - 5 door option introduced a year later, many engine changes in next 5 years

**2008:** Largely a facelift, improved design, upgraded features/electronics

**2012:** Third Generation, 80 kgs (~7%) lighter than previous version, lots of electronics.

Source: Industry, Company, ENAM Research

## Audi A6



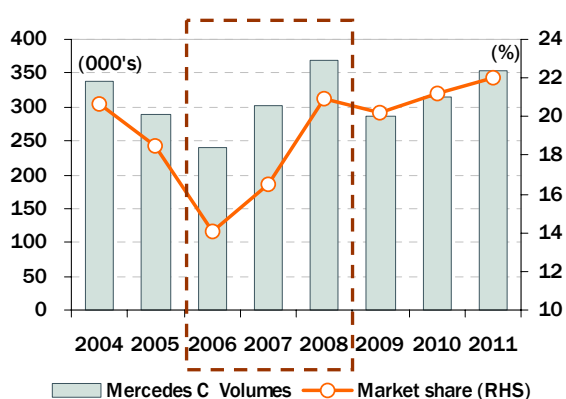
**2001:** Largely a facelift, wide range of petrol and diesel options, better powered engines

**2005:** Third generation, C6 platform, powered by new FSI engine technology, significant changes in exterior design

**2008:** Largely a facelift, improved driving dynamics and better technology, long list of standard safety features

Source: Industry, Company, ENAM Research

## Mercedes C class



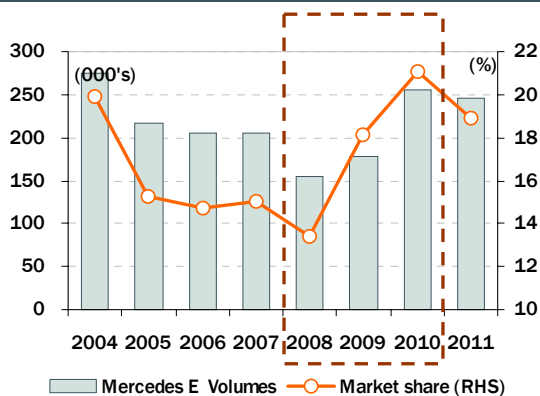
**2000:** Second generation, W203 series, longer wheelbase, completely redesigned

**2004:** Exterior practically unchanged, some internal upgrades, 6 speed gear box with smaller gear ratios

**2007:** Third generation, W204 series, completely redesigned, long wheelbase, diesel and petrol options, rear and all wheel drive options

Source: Industry, Company, ENAM Research

### Mercedes E class



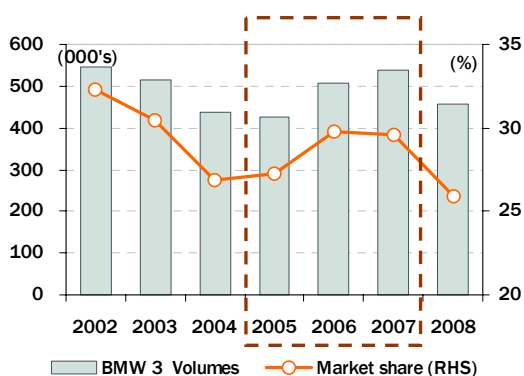
**2002:** Largely a facelift, better design, engine tweaks, luxurious interiors

**2006:** Minor exterior changes, high powered engines, addition of 3 ltr engine option

**2009:** New generation engines meeting EU5 standards, improved fuel efficiency, significant improvement in interiors/electronics

Source: Industry, Company, ENAM Research

### BMW 3 series



**2002:** Largely a facelift, restyled front and tail end, DVD based navigation system

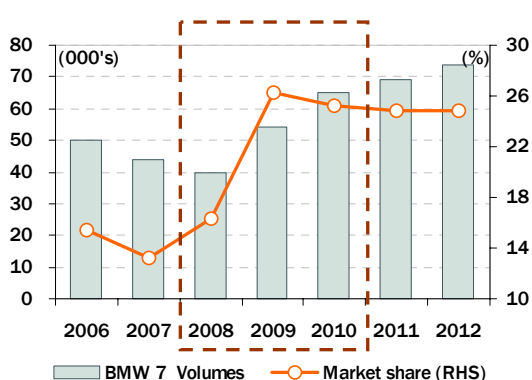
**2005:** Fifth generation, all new E901 platform, longer/wider/taller body, use of lightweight components

**2008:** Largely a facelift, refined engine, more electronics - enhanced I-drive system

**2012:** Sixth generation, longer/wider, new styling (only for sedan), feature rich product, new aluminum-based petrol engine

Source: Industry, Company, ENAM Research

### BMW 7 series



**2001:** Fourth generation, E65 platform, 5 inch longer wheelbase, Idrive system

**2005:** Largely a facelift, new 4.8 ltr engine replacing 4.4 ltr engine

**2008:** Fifth generation, long wheelbase and dynamic styling, three engine options - 4.4 ltr/3.0 ltr/3.0 ltr turbo

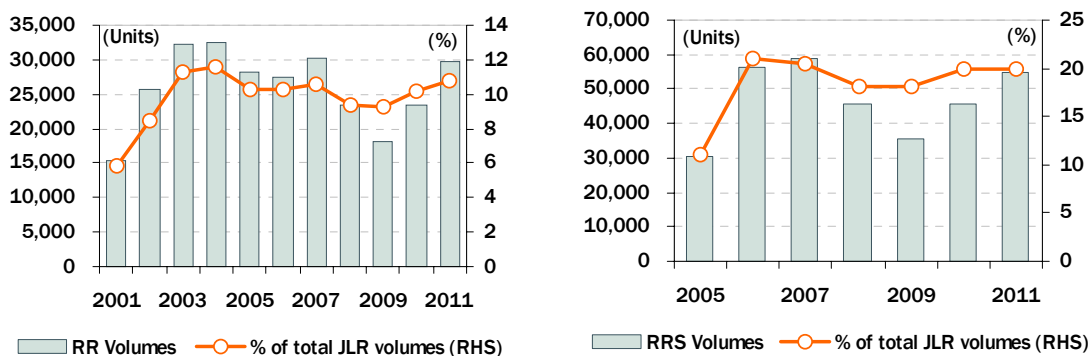
Source: Industry, Company, ENAM Research

**New Range Rover** - The fourth generation Range Rover incorporates the most significant change in the model's 42 year history - adoption of all aluminum monocoque body with focus on luxury and refinement.

**Key features:**

- Lighter by ~420 kgs. Now comparable to peers like Audi and BMW
- Sharp improvement in aerodynamic capabilities
- More engine options - 5 ltr petrol, 4.4 ltr diesel and new 3 ltr diesel. All options are paired with 8-speed automatic transmission
- A diesel hybrid will also be offered in 2013
- 9% increase in fuel efficiency
- Next-generation Terrain Response system, which analyses the current driving conditions and automatically selects the most suitable vehicle settings
- Host of advanced chassis and driver assistance technologies
- Host of accessories/electronics, many of them are upgrades/first time offerings
- Long-wheel base improving the leg room

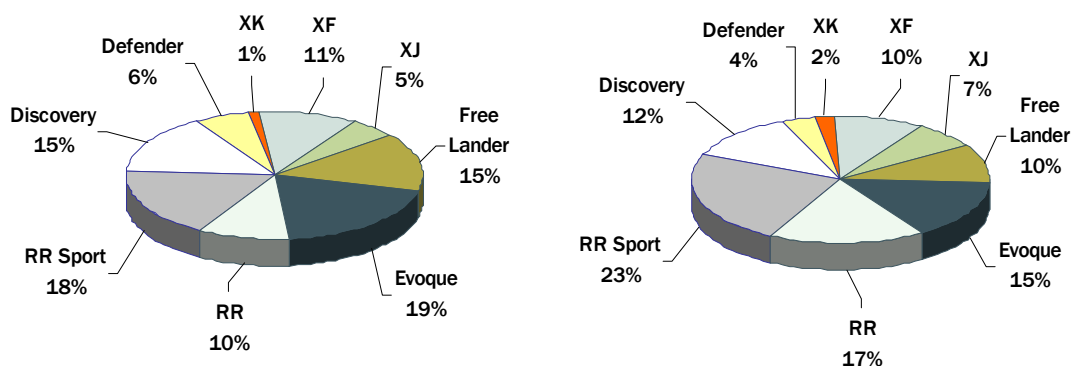
**RR and RRS- historical volumes and % of total volumes**



Source: Company, ENAM Research

**FY12 - JLR volume mix**

**FY12 - JLR revenue mix\***



Source: Company, ENAM Research, \*assumed constant pricing and mix across geographies

## Key changes in estimates

Conso (Rs bn)	New Est.			Old Est.	
	FY12	FY13E	FY14E	FY13E	FY14E
Revenue	1,628	1,907	2,128	1,907	2,105
EBITDA	219	259	277	259	268
Adj. PAT	134	136	145	136	138
EPS (Rs)	42.2	42.4	45.1	42.4	42.9
% change in EPS		0.0%	5.3%	-	-

Source: Company; ENAM Research

## SOTP valuation

A. Standalone Business		FY13E	FY14E		
EBITDA (Rs mn)		37,548	46,507		
Target Multiple (x)			5.5		
Enterprise Value (Rs mn)			255,790		
<b>Per Share value (Rs)</b>			<b>81</b>		
B. JLR					
EBITDA (Rs mn)		187,513	211,698		
Target Multiple (x)			3.00		
Enterprise Value (Rs mn)			635,094		
<b>Per Share value (Rs)</b>			<b>200</b>		
C. Finance Sub TMFL					
Net worth FY12 (Rs mn)			23,300		
P/BV (x)			1.5		
Value (Rs mn)			34,950		
<b>Per Share (Rs)</b>			<b>11</b>		
D. Subs (Rs mn)		PAT FY14E	Valn Multiple (x)	Value	Shr of TAMO
TDCV		2,243	10	22,433	22,433
Telcon		2,613	10	26,133	10,453
Tata Tech		3,009	10	30,089	24,537
HVAL		1,292	10	12,919	10,982
HVTL		1,181	10	11,806	10,035
<b>Total</b>					<b>78,440</b>
<b>Per Share (Rs)</b>					<b>25</b>
E. Net Debt			FY13E		
Less: Automotive Debt (Rs mn)			37,730		
<b>Per Share (Rs)</b>			<b>12</b>		
<b>Total Target Price (A+B+C+D-E)</b>			<b>305</b>		

Source: ENAM Research

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