

Tata Motors (TAMO.BO)

2QFY13: JLR Broadly In Line, Parent Disappoints (again)

- Company Update
- Target Price Change
- Estimate Change

- **Parent EBITDA of Rs7.33bn** — was sharply (~37%) below our estimates, with a margin of 5.9% reflecting impact of a) discounts/incentives (100bps impact), and b) heavy truck/car businesses operating at sub-optimal utilizations (~70-75%/ <50% respectively). Reported PAT of Rs8.7bn included write-off of Rs1.75bn loan given to subsidiary (Hispano Carrocera).
- **JLR delivers an in-line result** — Under IFRS, reported EBITDA margins were 14.8% vs. 14.5% in 1Q. EBITDA was £486m vs. £526m. Interestingly, under I GAAP, margins were 13.7% (vs. 15.4% in 1Q, 15.2% est - mgmt stated the deviation was on account of f/x charges which this Q were above the EBITDA line). For both J and LR, retail vols (-3.3%/+37% Y/Y respectively) were much better than wholesale volumes.
- **Conference call takeaways** — 1) Domestic outlook remains subdued, reflecting adverse macro environment. 2) JLR outlook remains cautiously optimistic - mgmt appears fairly comfortable with a 350k-360k volume outlook for JLR in FY13 – 370k though is on the higher side. 3) China is in a slightly stronger position than expected, with pricing and margins holding up.
- **New model launch calendar is exciting** — J will see the introduction of the new F type (4QFY13), as also the sportbrake and AWD versions of the XF and smaller engine variants on the XF. LR's new RR has seen a good launch, in some markets the order book stretches for 6 months. The RR Sport will be launched in 2QFY14 - a positive surprise, and could provide upside to our FY14 volume estimates.
- **Capex on track; Cash/liquidity comfortable** — JLR generated FCF of 106m GBP in the Q; 222m GBP in 1H. Capex over 1H was 821m GBP. Cash/liquidity position remains comfortable, with net cash of 476m GBP.
- **Tweak estimates, Maintain Buy** — FY13 estimates pared ~4% to reflect slight cut in JLR volumes (357k vs. 372k earlier). Roll forward to Mar14 (from Sept13). **New TP of Rs309** is based on 7.5x EBITDA (parent), 3x EBITDA (JLR), Rs18/sh (subs).

Buy	1
Price (07 Nov 12)	Rs269.25
Target price	Rs309.00
	<i>from Rs295.00</i>
Expected share price return	14.8%
Expected dividend yield	0.8%
Expected total return	15.5%
Market Cap	Rs809,062M
	US\$14,866M

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



Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2011A	90,695	28.44	439.2	9.5	4.5	66.3	1.5
2012A	125,055	38.13	34.1	7.1	2.6	47.8	1.5
2013E	105,545	32.18	-15.6	8.4	2.0	27.6	0.5
2014E	127,633	38.92	20.9	6.9	1.5	25.9	0.8
2015E	136,346	41.57	6.8	6.5	1.3	22.2	1.1

Source: Powered by dataCentral

Jamshed Dadabhoy

+91-22-6631-9883
jamshed.dadabhoy@citi.com

Arvind Sharma

+91-22-6631-9852
arvind1.sharma@citi.com

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TAMO.BO: Fiscal year end 31-Mar						Price: Rs269.25; TP: Rs309.00; Market Cap: Rs809,062m; Recomm: Buy					
Profit & Loss (Rsm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	1,231,333	1,656,545	1,856,861	2,122,550	2,297,192	PE (x)	9.5	7.1	8.4	6.9	6.5
Cost of sales	-836,639	-1,150,930	-1,291,735	-1,457,209	-1,583,813	PB (x)	4.5	2.6	2.0	1.5	1.3
Gross profit	394,694	505,615	565,126	665,341	713,379	EV/EBITDA (x)	6.3	4.4	3.9	3.4	3.0
Gross Margin (%)	32.1	30.5	30.4	31.3	31.1	FCF yield (%)	4.1	5.5	1.3	3.9	3.4
EBITDA (Adj)	177,800	237,005	249,559	287,772	313,996	Dividend yield (%)	1.5	1.5	0.5	0.8	1.1
EBITDA Margin (Adj) (%)	14.4	14.3	13.4	13.6	13.7	Payout ratio (%)	14	11	4	5	7
Depreciation	-46,555	-56,254	-62,778	-69,218	-80,456	ROE (%)	67.7	51.7	27.6	25.9	22.2
Amortisation	0	0	0	0	0	Cashflow (Rsm)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	131,245	180,751	186,780	218,554	233,540	EBITDA	177,800	237,005	249,559	287,772	313,996
EBIT Margin (Adj) (%)	10.7	10.9	10.1	10.3	10.2	Working capital	-10,377	84,876	28,771	26,130	17,175
Net interest	-20,454	-29,822	-32,722	-31,245	-31,012	Other	-35,407	-89,713	-81,235	-90,920	-97,194
Associates	0	0	0	0	0	Operating cashflow	132,016	232,167	197,095	222,981	233,977
Non-op/Except	-6,419	-15,590	-12,840	-16,590	-20,140	Capex	-96,423	-183,448	-185,975	-188,525	-203,525
Pre-tax profit	104,372	135,339	141,219	170,719	182,388	Net acq/disposals	0	0	0	0	0
Tax	-12,164	400	-35,305	-42,680	-45,597	Other	-4,871	6,097	0	0	0
Extraord./Min.Int./Pref.div.	528	-574	-369	-406	-445	Investing cashflow	-101,294	-177,351	-185,975	-188,525	-203,525
Reported net profit	92,736	135,165	105,545	127,633	136,346	Dividends paid	-14,670	-14,856	-4,811	-7,474	-10,484
Net Margin (%)	7.5	8.2	5.7	6.0	5.9	Financing cashflow	-24,076	1,166	-111,721	-46,506	-40,051
Core NPAT	90,695	125,055	105,545	127,633	136,346	Net change in cash	8,956	47,667	-100,601	-12,050	-9,599
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	35,593	48,720	11,120	34,456	30,452
Reported EPS (Rs)	29.08	41.21	32.18	38.92	41.57						
Core EPS (Rs)	28.44	38.13	32.18	38.92	41.57						
DPS (Rs)	4.00	4.04	1.31	2.03	2.85						
CFPS (Rs)	41.40	70.79	60.10	67.99	71.34						
FCFPS (Rs)	11.16	14.86	3.39	10.51	9.29						
BVPS (Rs)	60.13	104.45	136.19	174.05	213.71						
Wtd avg ord shares (m)	3,189	3,174	3,174	3,174	3,174						
Wtd avg diluted shares (m)	3,189	3,280	3,280	3,280	3,280						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	33.1	34.5	12.1	14.3	8.2						
EBIT (Adj) (%)	177.6	37.7	3.3	17.0	6.9						
Core NPAT (%)	502.6	37.9	-15.6	20.9	6.8						
Core EPS (%)	439.2	34.1	-15.6	20.9	6.8						
Balance Sheet (Rsm)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	109,479	257,302	170,042	174,849	186,056						
Accounts receivables	68,774	82,368	92,329	105,540	114,223						
Inventory	140,705	182,160	204,188	233,404	252,608						
Net fixed & other tangibles	434,931	562,125	685,322	804,628	927,697						
Goodwill & intangibles	35,848	45,452	45,452	45,452	45,453						
Financial & other assets	216,815	302,769	375,828	419,011	450,963						
Total assets	1,006,552	1,432,176	1,573,160	1,782,883	1,977,001						
Accounts payable	371,147	473,112	530,323	606,204	656,082						
Short-term debt	0	0	0	0	0						
Long-term debt	327,914	471,490	437,443	430,479	430,952						
Provisions & other liab	113,330	153,003	169,720	189,962	207,421						
Total liabilities	812,390	1,097,605	1,137,486	1,226,645	1,294,455						
Shareholders' equity	191,715	331,499	432,233	552,393	678,255						
Minority interests	2,466	3,071	3,440	3,846	4,291						
Total equity	194,181	334,571	435,673	556,239	682,545						
Net debt	218,435	214,188	267,401	255,630	244,897						
Net debt to equity (%)	112.5	64.0	61.4	46.0	35.9						

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Maintain Buy: New Target Price Rs 309

Earnings Revision: We pare our JLR volume estimates slightly for FY13-15. However, we increase our FY15 JLR EBITDA, reflecting better ASPs. We do not change our assumptions for the domestic business. Our consolidated earnings are cut by ~4% for FY13, while FY15 earning assumptions increase by ~3%

Figure 1. Tata Motors: Earnings revision

	FY2013E	FY2014E	FY2015E	FY2013E	FY2014E	FY2015E	FY2013E	FY2014E	FY2015E
Jaguar Land Rover assumptions revision									
Wholesale volumes									
Jaguar	56,741	59,578	69,578	51,337	63,337	68,337	-9.5%	6.3%	-1.8%
% Chg YoY	5.0%	5.0%	16.8%	-5.0%	23.4%	7.9%			
Land Rover	315,660	347,226	388,893	305,660	342,886	384,033	-3.2%	-1.2%	-1.2%
% Chg YoY	21.2%	10.0%	12.0%	17.4%	12.2%	12.0%			
Total Jaguar Land Rover	372,401	406,804	458,471	356,997	406,223	452,370	-4.1%	-0.1%	-1.3%
% Chg YoY	18.4%	9.2%	12.7%	13.5%	13.8%	11.4%			
Net revenue (£ mn)	15,827	17,493	17,651	15,172	17,468	18,547	-4.1%	-0.1%	5.1%
EBITDA (£ mn)	2,420	2,719	2,872	2,350	2,712	2,927	-2.9%	-0.3%	1.9%
EBITDA Margin(%)	15.3%	15.5%	16.3%	15.5%	15.5%	15.8%			
Consolidated earnings revision (Rs mn)									
	FY2013E	FY2014E	FY2015E	FY2013E	FY2014E	FY2015E	FY2013E	FY2014E	FY2015E
Net sales	1,912,508	2,124,672	2,221,030	1,856,861	2,122,550	2,297,192	-2.9%	-0.1%	3.4%
EBITDA	255,539	288,382	309,317	249,559	287,772	313,995.7	-2.3%	-0.2%	1.5%
EBITDA Margin (%)	13.4%	13.6%	13.9%	13.4%	13.6%	13.7%			
PBT	147,199	171,328	177,710	141,219	170,719	182,388	-4.1%	-0.4%	2.6%
Tax (Rs)	36,800	42,832	44,427	35,305	42,680	45,597	-4.1%	-0.4%	2.6%
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%			
PAT	110,030	128,091	132,838	105,545	127,633	136,346	-4.1%	-0.4%	2.6%
PAT Margin (%)	5.8%	6.0%	6.0%	5.7%	6.0%	5.9%			

Source: Citi Research estimates

We retain our 7.5x / 3x EBITDA multiples for parent business and JLR respectively. We roll forward to March 14 from Sept 13 earlier

Figure 2. Tata Motors: Sum of Parts Valuation

	Methodology	Equity Value Diluted (Rs mn)	No of Shares	New Target Price (Rs/share)
Base Business	7.5x MAR14 EV/EBITDA	42,248	3,280	Rs 97
Total Subsidiary at 20% discount				Rs 18
JLR	3x Mar 14 EV/EBITDA	230,508	3,280	Rs 211
Less: Net Debt (adjusted for vehicle finance loan portfolio)		55,630	3,280	Rs 17
Total Value				Rs 309

Source: Citi Research

2Q FY13 Conference call takeaways

Domestic business

1) Subdued demand for PVs / MHCVs — Mgmt noted that MHCV demand has been subdued across the industry. While inventory levels are in line with mgmt's expectations (retails track wholesales volumes), incentives and discounts have risen (impacted margins by ~100bps). The company is currently running at 70-75% utilization levels at its MHCV production facilities. For Passenger Vehicles, in addition to sedate demand, there has been an increase in competitive intensity, resulting in further decline in TAMO's PV sales. Capacity utilization for PVs is sub 50%. The company has increased discounts, marketing and publicity expenditure to push volumes.

2) LCV volumes continues to be robust — LCV sales have been strong for Tata Motors (a trend visible across OEMs). Mgmt noted that the company has added capacity at Dharwad to augment the existing LCV (Ace) manufacturing capacity at Pantnagar.

3) Product mix/ discounts impact margins — Mgmt noted that standalone gross margin decline of ~410bps QoQ in 2QFY13 is a confluence of a) higher discounts and subventions on MHCVs and PVs and b) higher proportion of LCVs in the overall vehicle mix. At the EBITDA level, margin decline reflects additional expenses on publicity and marketing to push volumes. Price hikes have been modest- after the excise duty hike related price hike in April, mgmt undertook a modest 1% price increase on 1st November on its buses.

4) New products and refreshes to push volumes — Mgmt noted that going forward, it plans to launch new products and refreshes across its domestic vehicle portfolio to push volumes. The company has launched a de-contented version of the Prima and had also launched lower end version of the Indica in Oct (source: *Business Today*). Mgmt expects interest rates to ease, which should aid volumes over 2HFY13.

5) Other con call snippets — a) Net consolidated automotive debt is Rs 120bn, up from ~Rs 100bn at 1QFY13 end, b) Effective tax rate is expected to remain 18-20% for the domestic business, c) Annual capex in the domestic business over the next 4-5 years is expected to be ~Rs 30bn, with slightly more than half allocated for passenger vehicles. A major portion of the capex is directed towards product development while expenditure on plant and machinery will be 25-30% of overall capex, d) the manufacturing JV with FIAT will continue while FIAT will shift to an independent distribution network, going forward

Jaguar Land Rover

1) Outlook remains cautiously optimistic — Mgmt noted that the strong growth in JLR volumes was driven by new models as well as high growth in China volumes. Favorable forex rates (stronger Euro and USD) also buoyed profits, though weak volumes in Jaguar XJ and XK, together with a negative product mix (higher Evoque, lower Range Rover) impacted ASPs / margins slightly. Going forward, mgmt believes that new model launches (13MY XF, XJ, Sportbrake, AWD variants and smaller engine Jaguars) should drive volumes and profitability. On the flip side, the concerns on demand environment in Europe, UK and North America continue.

2) China the key growth driver—China is the biggest contributor to JLR's wholesale volumes for 1HFY13. With a favorable product mix (>90% LRs), China is expected to drive volumes as well as profitability for JLR.

3) Plant shutdown / model change impacted 2Q — Mgmt noted that 2Q dispatches were impacted by a 2 week plant shutdown in August and lower volumes of the Range Rover as the old model was phased out and new model deliveries were insignificant.

4) Gross margin improved in 2Q (IFRS) despite lower ASPs — Mgmt noted that gross margins increased in 2Q despite a decline in ASPs due to a) favorable forex rate trends (stronger USD and Euro), b) slight decline in global commodity costs (notably aluminum, copper, platinum, steel) and c) positive geographic mix.

5) Order book strong for new Range Rover—Mgmt noted that order book for the new RR is ~6 months in certain markets, alluding to strong volumes in 3Q. Order book for the Evoque is also fairly healthy at ~4 months in the UK (though lower than 6-10 months near launch).

2QFY13 Results

Figure 3. Tata Motors: Volume trends

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
H / MCVs	54,334	37,151	45,488	-16.3%	22.4%
LCVs	89,960	89,483	103,179	14.7%	15.3%
Total CVs	144,294	126,634	148,667	3.0%	17.4%
UVs	12,003	11,168	14,522	21.0%	30.0%
Cars	50,137	50,972	57,901	15.5%	13.6%
Total Passenger vehicles	62,140	62,140	72,423	16.5%	16.5%
Total vehicles	206,434	188,774	221,090	7.1%	17.1%

Source: Company

Figure 4. Tata Motors: 2QFY13 Standalone Results (Rs mn)

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Gross Sales	140,967	116,575	137,993	-2.1%	18.4%
Less: Excise duty	11,429	10,711	13,179	15.3%	23.0%
Net sales	129,538	105,864	124,814	-3.6%	17.9%
Decrease/(Increase) in Stocks	(319)	(9,820)	894		
Raw Materials	96,080	84,148	91,855	-3.1%	24.8%
Staff costs	6,829	7,069	7,492	9.7%	6.0%
Other Expenses	17,617	16,724	17,239	-2.1%	3.1%
Total Expenditure	120,207	98,120	117,479	-2.3%	19.7%
EBITDA	9,331	7,744	7,335	-21.4%	-5.3%
Forex gains	(2,942)	(1,610)	(799)		
Product Development	602	746	799	32.7%	7.2%
Interest	2,121	3,192	3,668	72.9%	14.9%
Other income	568	4,471	14,393	2434.9%	221.9%
EBDT	4,234	6,667	16,463	288.8%	146.9%
Depreciation & Amortization	3,869	4,294	4,472	15.6%	4.1%
PBT	365	2,373	11,991	3185.2%	405.2%
Exceptional income					
Exceptional expenditure			1,750		
Tax	(655)	320	1,570		
PAT	1,020	2,053	8,671	749.9%	322.3%
PAT (pre exceptionals)	1,020	2,053	10,421	921.5%	407.5%
Profit Margins					
EBITDA (%)	7.2	7.3	5.9		
Pre tax margins (%)	0.3	2.2	9.6		
Tax / PBT (%)	-179.5	13.5	15.3		
Net profit margins (%)	0.8	1.9	8.3		
Cost ratios (net sales)					
Raw materials / sales	73.9	70.2	74.3		
Staff costs / sales	5.3	6.7	6.0		
Other expenses / sales	13.6	15.8	13.8		

Source: Company, Citi Research

Figure 5. Jaguar Land Rover: Volume trends

	1QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Jaguar retail volumes	13,233	13,638	12,798	-3.3%	-6.2%
Land Rover retail volumes	52,449	72,120	71,951	37.2%	-0.2%
Total retail volumes	65,682	85,758	84,749	29.0%	-1.2%
Jaguar wholesale volumes	13,306	11,774	9,832	-26.1%	-16.5%
Land Rover wholesale volumes	54,694	71,678	67,610	23.6%	-5.7%
Total wholesale volumes	68,000	83,452	77,442	13.9%	-7.2%

Source: Company

Figure 6. Jaguar Land Rover: 2QFY13 Results (GBP mn- Indian GAAP)

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Revenue	2,929	3,638	3,288	12.3%	-9.6%
ASP (GBP / unit)	43,066	43,596	42,461	-1.4%	-2.6%
EBITDA	437	560	452	3.4%	-19.2%
EBITDA Margin	14.9%	15.4%	13.7%		
PBT	287	396	338	18.0%	-14.4%
PAT	238	309	251	5.5%	-18.8%

Source: Company, Citi Research

Figure 7. Tata Motors: 2QFY13 subsidiaries performance

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Tata Motors Finance (Rs mn)					
Net Revenue	4,940	6,230	6,780	37.2%	8.8%
EBITDA	790	835	1,051	33.0%	25.9%
EBITDA Margin	16.0%	13.4%	15.5%		
PAT	520	730	690	32.7%	-5.5%
Tata Technologies (Rs mn)					
Net Revenue	3,780	4,580	4,690	24.1%	2.4%
EBITDA	605	898	774	28.0%	-13.8%
EBITDA Margin	16.0%	19.6%	16.5%		
PAT	480	750	680	41.7%	-9.3%
Tata Daewoo (KRW bn)					
Net Revenue	213	217	205	-3.8%	-5.5%
EBITDA	7	13	10	37.1%	-24.7%
EBITDA Margin	3.3%	5.9%	4.7%		
PAT	1	3	1	0.0%	-66.7%
TML Drivelines Ltd					
Net Revenue	1,660	980	1,250	-24.7%	27.6%
EBITDA	981	372	619	-36.9%	66.2%
EBITDA Margin	59.1%	38.0%	49.5%		
PAT	55	240	33	-40.0%	-86.3%

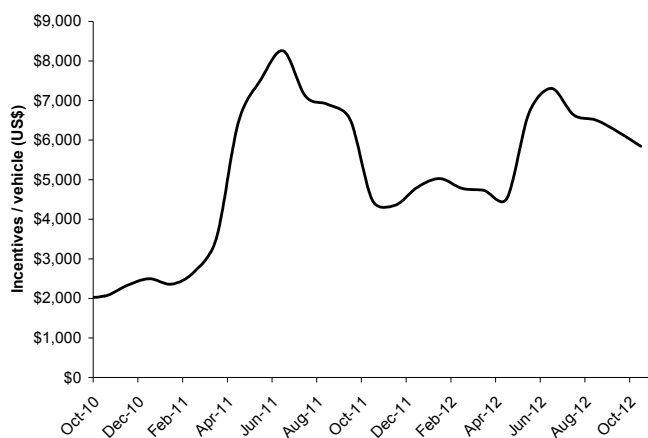
Source: Company

Figure 8. Tata Motors: 2QFY13 Consolidated Results (Rs mn)

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Gross Sales	373,790	443,293	446,891	19.6%	0.8%
Less: Excise duty	11,814	10,057	12,862	8.9%	27.9%
Net sales	361,975	433,236	434,029	19.9%	0.2%
Decrease/(Increase) in Stocks	(7,740)	(19,620)	(10,058)		
Raw Materials	249,128	297,114	287,270	14.8%	-0.1%
Staff costs	28,656	37,897	40,191	40.3%	6.1%
Other Expenses	43,777	55,499	58,015	32.5%	4.5%
Total Expenditure	313,821	370,890	375,418	19.6%	1.2%
EBITDA	48,154	62,346	58,611	21.7%	-6.0%
Forex gains	(4,390)	(4,405)	153		
Product Development	3,115	4,797	5,274	69.3%	9.9%
Interest	5,251	8,044	8,474	61.4%	5.3%
Other income	608	2,386	2,068	239.9%	-13.3%
EBDT	36,008	47,486	47,084	30.8%	-0.8%
Depreciation & Amortization	13,308	15,659	15,944	19.8%	1.8%
PBT	22,700	31,827	31,140	37.2%	-2.2%
Exceptional income					
Exceptional expenditure			254		
Tax	3,630	8,688	9,876	172.0%	13.7%
PAT	19,069	23,139	21,010	10.2%	-9.2%
Minority Interest and share of profits from associate cos	(296)	(690)	(262)		
Net Profit	18,773	22,449	20,747	10.5%	-7.6%
PAT (pre exceptionals)	18,773	22,449	21,001	11.9%	-6.5%
Profit Margins					
EBITDA margins (%)	13.3	14.4	13.5		
Pre tax margins (%)	6.3	7.3	7.2		
Tax / PBT (%)	16.0	27.3	32.0		
Net profit margins (%)	5.2	5.2	4.8		
Cost ratios (net sales)					
Raw materials / sales	66.7	64.1	63.9		
Staff costs / sales	7.9	8.7	9.3		
Other expenses / sales	12.1	12.8	13.4		

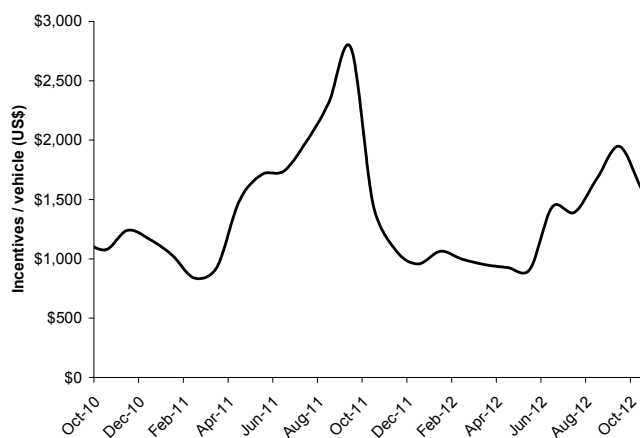
Source: Company, Citi Research

Figure 9. Jaguar Incentives (US\$ / vehicle)



Source: Autodata

Figure 10. Land Rover Incentives (US\$ / vehicle)



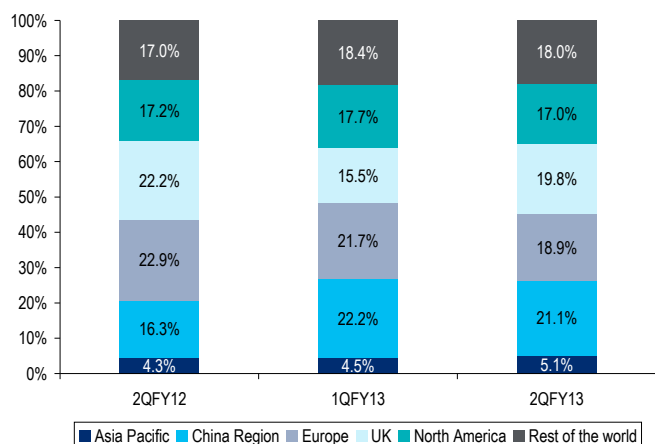
Source: Autodata

Figure 11. JLR: Geography wise wholesale volumes (units)

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Asia Pacific	2,952	3,721	3,947	33.7%	6.1%
China Region	11,117	18,564	16,374	47.3%	-11.8%
Europe	15,549	18,090	14,659	-5.7%	-19.0%
North America	11,728	14,810	13,157	12.2%	-11.2%
UK	15,080	12,940	15,361	1.9%	18.7%
Rest of the world	11,574	15,327	13,944	20.5%	-9.0%
Total	68,000	83,452	77,442	13.9%	-7.2%

Source: Company

Figure 13. JLR: Geography-wise share in wholesale volumes



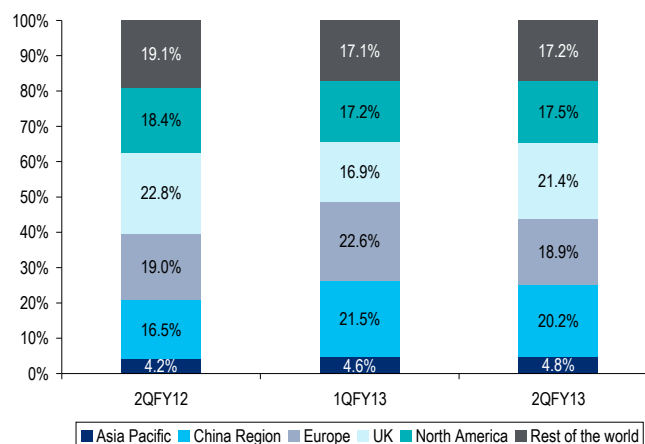
Source: Company

Figure 12. JLR: Geography wise retail volumes (units)

	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Asia Pacific	2,736	3,952	4,059	48.4%	2.7%
China Region	10,869	18,465	17,152	57.8%	-7.1%
Europe	12,458	19,378	16,025	28.6%	-17.3%
North America	12,106	14,789	14,820	22.4%	0.2%
UK	14,996	14,483	18,115	20.8%	25.1%
Rest of the world	12,517	14,691	14,578	16.5%	-0.8%
Total	65,682	85,758	84,749	29.0%	-1.2%

Source: Company

Figure 14. JLR: Geography-wise share in retail volumes



Source: Company

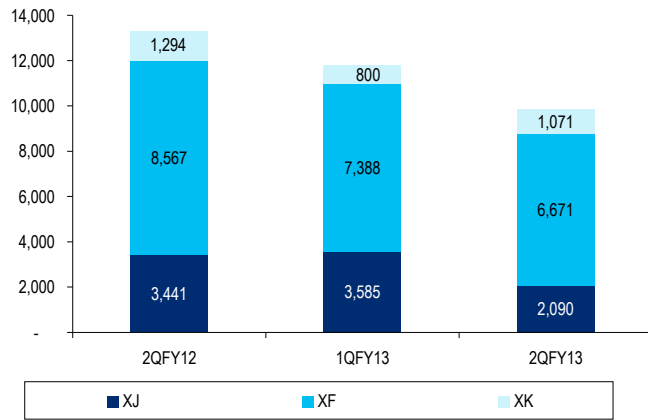
Figure 15. Jaguar Land Rover: Geography wise sales volume split

Land Rover Wholesale Volumes					Jaguar Wholesale Volumes						
	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ		2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Asia Pacific	2,226	2,837	3,115	39.9%	9.8%	Asia Pacific	726	884	832	14.6%	-5.9%
China Region	9,352	16,635	15,413	64.8%	-7.3%	China Region	1,765	1,929	961	-45.6%	-50.2%
Europe	13,102	15,911	13,202	0.8%	-17.0%	Europe	2,447	2,179	1,457	-40.5%	-33.1%
North America	8,948	12,487	10,805	20.8%	-13.5%	North America	2,780	2,323	2,352	-15.4%	1.2%
UK	10,848	10,180	12,127	11.8%	19.1%	UK	4,232	2,760	3,234	-23.6%	17.2%
Rest of the world	10,218	13,628	12,948	26.7%	-5.0%	Rest of the world	1,356	1,699	996	-26.5%	-41.4%
Total	54,694	71,678	67,610	23.6%	-5.7%	Total	13,306	11,774	9,832	-26.1%	-16.5%

Land Rover Retail Volumes					Jaguar Retail Volumes						
	2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ		2QFY12	1QFY13	2QFY13	% Chg YoY	% Chg QoQ
Asia Pacific	1,967	3,103	3,145	59.9%	1.4%	Asia Pacific	769	849	914	18.9%	7.7%
China Region	9,235	16,285	15,789	71.0%	-3.0%	China Region	1,634	2,180	1,363	-16.6%	-37.5%
Europe	10,127	16,680	14,024	38.5%	-15.9%	Europe	2,331	2,698	2,001	-14.2%	-25.8%
North America	9,010	11,405	11,622	29.0%	1.9%	North America	3,096	3,384	3,198	3.3%	-5.5%
UK	10,635	11,399	14,093	32.5%	23.6%	UK	4,361	3,084	4,022	-7.8%	30.4%
Rest of the world	11,475	13,248	13,278	15.7%	0.2%	Rest of the world	1,042	1,443	1,300	24.8%	-9.9%
Total	52,449	72,120	71,951	37.2%	-0.2%	Total	13,233	13,638	12,798	-3.3%	-6.2%

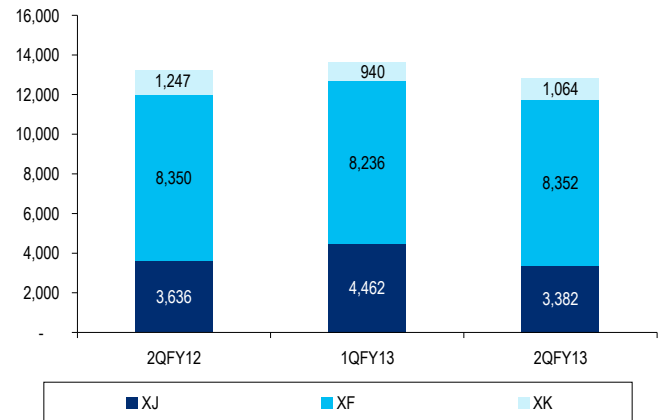
Source: Citi Research

Figure 16. Jaguar: Model-wise wholesale volumes (units)



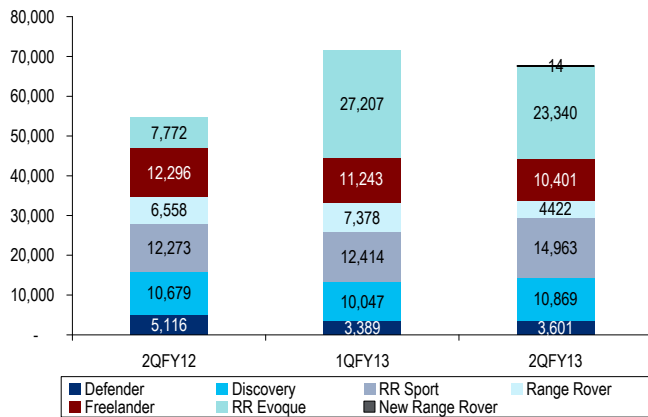
Source: Company

Figure 17. Jaguar: Model-wise retail volumes (units)



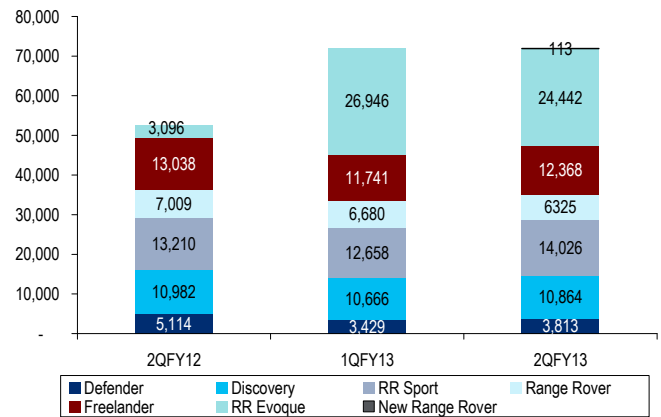
Source: Company

Figure 18. Land Rover: Model-wise wholesale volumes (units)



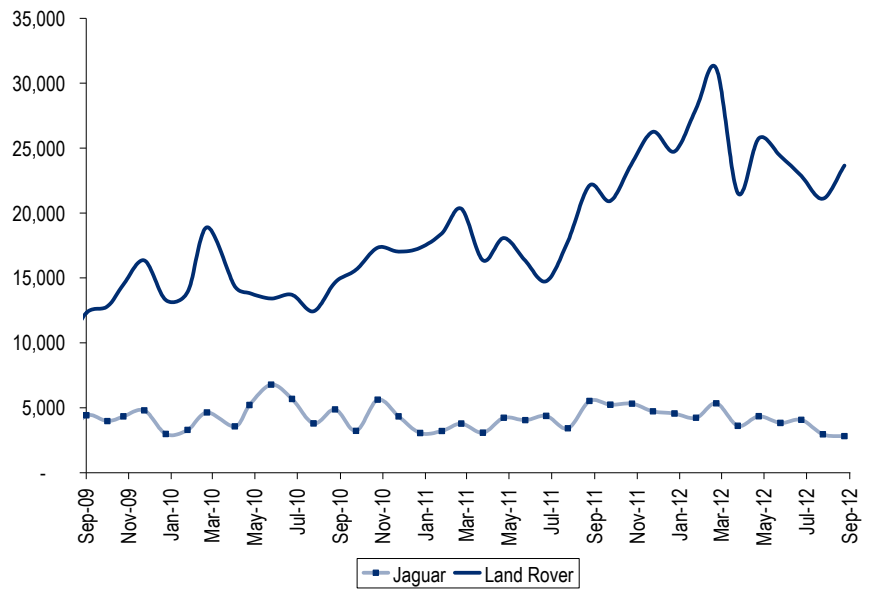
Source: Company

Figure 19. Land Rover: Model-wise retail volumes (units)



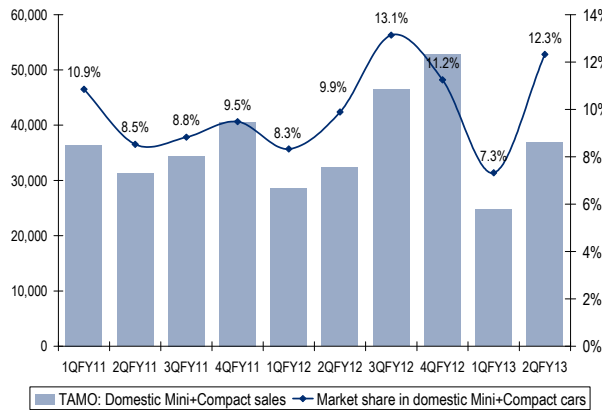
Source: Company

Figure 20. Jaguar Land Rover: Monthly wholesale volume trend



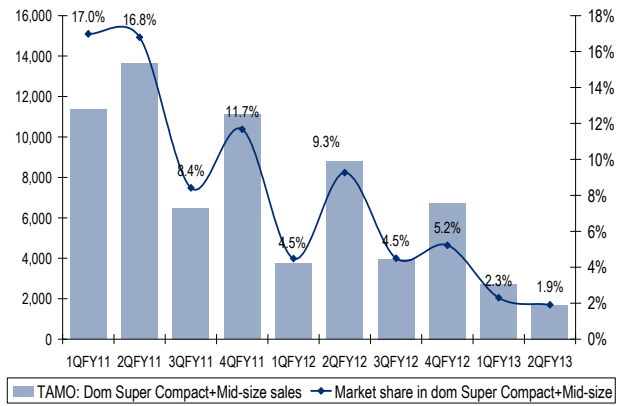
Source: Company

Figure 21. Tata Motors: Domestic Mini + Compact Cars



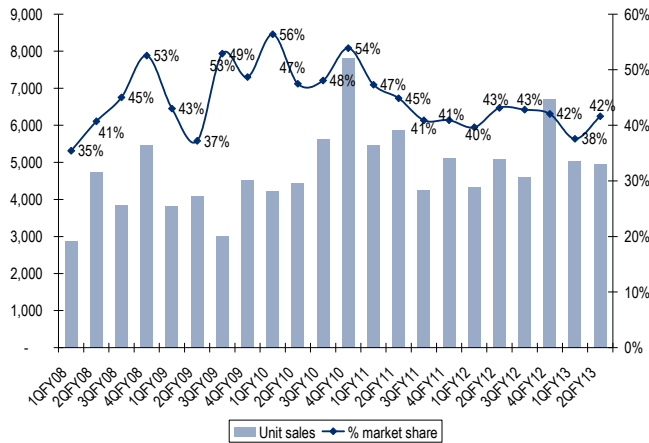
Source: SIAM, Citi Research

Figure 22. Tata Motors: Domestic Mid Size+ Super Compact cars



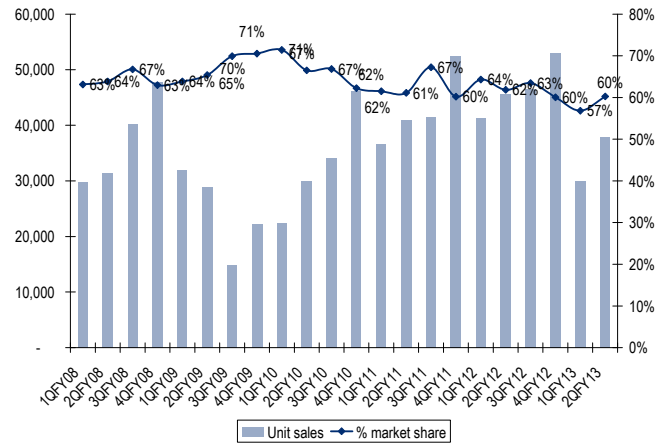
Source: SIAM, Citi Research

Figure 23. Tata Motors: Domestic Passenger MHCV Sales



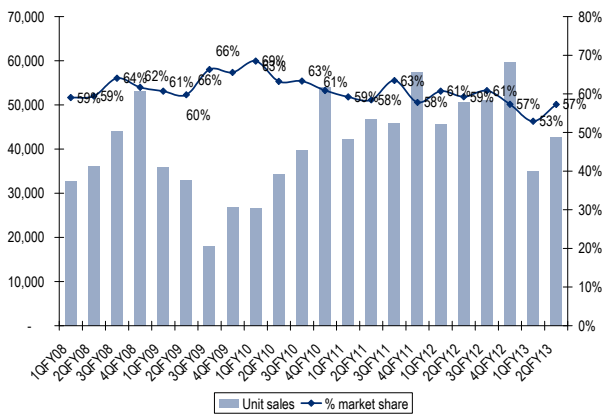
Source: SIAM, Citi Research

Figure 24. Tata Motors: Domestic Goods MHCV Sales



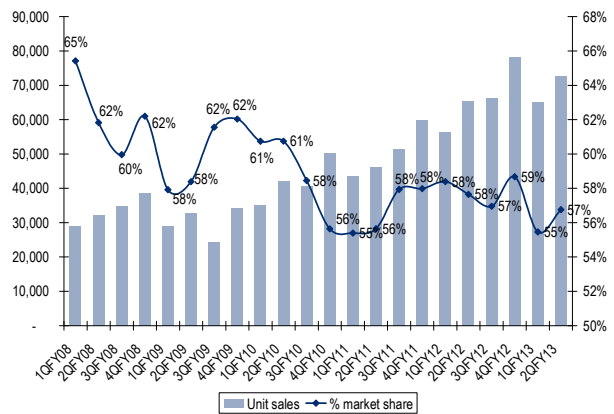
Source: SIAM, Citi Research

Figure 25. Tata Motors: Total Domestic MHCV Sales



Source: SIAM, Citi Research

Figure 26. Tata Motors: Total Domestic LCV Sales



Source: SIAM, Citi Research

Financial Statements

Figure 27. Tata Motors: Standalone Profit and Loss Statement (Rs mn)

	FY2010	FY2011	FY2012	FY2013E	FY2014E	FY2015E
Net Sales	355,931	480,404.6	543,066	506,315	571,781	648,987
Raw Materials	243,283	340,825	397,943	362,411	408,033	463,147
% of Net Sales	68.4	70.9	73.3	71.6	71.4	71.4
Other Variable Expenses	28,640	38,602	48,382	47,598	53,867	61,287
% of Net Sales	8.0	8.0	8.9	9.4	9.4	9.4
Employee Cost	18,361	22,940	26,915	30,952	34,666	38,826
% of Net Sales	5.2	4.8	5.0	6.1	6.1	6.0
Power & Fuel Cost	3,626	4,713	5,509	5,497	6,380	7,492
% of Net Sales	1.0	1.0	1.0	1.1	1.1	1.2
Other Expenses	20,238	25,612	20,200	23,586	26,588	29,664
% of Net Sales	5.7	5.3	3.7	4.7	4.7	4.6
Total Expenses	314,148	432,692	498,948	470,043	529,534	600,415
% of Net Sales	88.3	90.1	91.9	92.8	92.6	92.5
EBITDA	41,783	47,713	44,118	36,271	42,248	48,572
EBITDA Margin (%)	11.7	9.9	8.1	7.2	7.4	7.5

Source: Company, Citi Research estimates

Figure 28. Jaguar Land Rover plc : Profit and Loss Statement (£mn, volumes in units)

	FY10	FY11	FY12	FY13e	FY14e	FY15e
Volumes sold- Jaguar	47,418	52,993	54,039	51,337	63,337	68,337
% Change YoY	0.9%	11.8%	2.0%	-5.0%	23.4%	7.9%
Volumes sold- Land Rover	146,564	190,628	260,394	305,660	342,886	384,033
% Change YoY	21.8%	30.1%	36.6%	17.4%	12.2%	12.0%
Total vehicles sold	193,982	243,621	314,433	356,997	406,223	452,370
% Change YoY	15.9%	25.6%	29.1%	13.5%	13.8%	11.4%
Net Sales	6,554	9,905	13,521	15,172	17,468	18,547
Raw Materials (mat costs + bought outs)	4,439	6,101	8,504	9,862	11,179	11,870
% of Net Sales	67.7	61.6	62.9	65.0	64.0	64.0
Other Variable Expenses (stores, spares, tools)	59.0	99.1	135.2	136.6	174.7	185.5
% of Net Sales	0.90	1.00	1.00	0.90	1.00	1.00
Employee Cost	730	767	975	1155.9	1269.1	1362.5
% of Net Sales	11.14	7.74	7.21	7.62	7.27	7.35
Power & Fuel Cost	56.2	74.1	95.6	108.6	123.6	137.6
% of Net Sales	0.86	0.75	0.71	0.72	0.71	0.74
Other Expenses	838	1,245	1,598	1,560	2,009	2,065
% of Net Sales	12.78	12.57	11.82	10.28	11.50	11.13
Total Expenses	6,122.0	8,286.6	11,308.3	12,822.7	14,755.7	15,620.4
% of Net Sales	93.41	83.66	83.64	84.51	84.47	84.22
EBITDA	432.0	1,618.5	2,212.3	2,349.7	2,711.9	2,926.8
EBITDA (%)	6.6	16.3	16.4	15.5	15.5	15.8
Product Development Expenditure	48.0	119.4	149	200	250	300

Source: Company, Citi Research estimates

Figure 29. Tata Motors: Consolidated Profit and Loss Statement (Rs mn)

	FY10	FY11	FY12	FY13e	FY14e	FY15e
Net sales & operational income	925,193	1,231,333	1,656,545	1,856,861	2,122,550	2,297,192
% change YoY	30.4	33.1	34.5	12.1	14.3	8.2
Raw material expenses	615,823	790,084	1,094,676	1,228,957	1,387,991	1,503,357
% of net sales	66.6	64.2	66.1	66.2	65.4	65.4
Manpower costs	87,518	93,427	122,985	134,254	147,913	160,370
% of net sales	9.5	7.6	7.4	7.2	7.0	7.0
Other variable expenses	45,840	56,668	64,909	73,216	84,626	95,126
% of net sales	5.0	4.6	3.9	3.9	4.0	4.1
Fixed expenses	135,795	170,768	219,630	258,551	287,473	297,568
% of net sales	14.7	13.9	13.3	13.9	13.5	13.0
Expenses Capitalised	(45,925)	(57,413)	(82,660)	(87,675)	(73,225)	(73,225)
Cost of sales	839,051	1,053,533	1,419,540	1,607,303	1,834,778	1,983,197
% of sales	90.7	85.6	85.7	86.6	86.4	86.3
EBITDA	86,142	177,800	237,005	249,559	287,772	313,996
Product Development	4,982	9,625	13,892	17,000	21,250	25,500
Interest	22,397	20,454	29,822	32,722	31,245	31,012
Other income	416	896	6,618	4,160	4,660	5,360
EBDT	59,178	148,617	199,908	203,997	239,937	262,844
Depreciation	38,871	46,555	56,254	62,778	69,218	80,456
Exceptionals	14,919	2,310	(8,315)	-	-	-
PBT	35,226	104,372	135,339	141,219	170,719	182,388
Tax	10,058	12,164	(400)	35,305	42,680	45,597
PAT	25,169	92,208	135,739	105,914	128,039	136,791
Minority Interest and share of profits from associate cos	542	528	(574)	(369)	(406)	(445)
PAT (reported)	25,711	92,736	135,165	105,545	127,633	136,346
PAT (Recurring)	15,051	90,695	125,055	105,545	127,633	136,346
Profit Margins						
EBITDA Margin (%)	9.3	14.4	14.3	13.4	13.6	13.7
Pre tax margins (%)	3.8	8.5	8.2	7.6	8.0	7.9
Tax / PBT (%)	28.6	11.7	(0.3)	25.0	25.0	25.0
Net profit margins (%)	2.8	7.5	8.2	5.7	6.0	5.9
EPS FD (Rs)	9.0	29.1	38.1	32.2	38.9	41.6
CEPS FD (Rs)	22.6	43.7	58.4	51.3	60.0	66.1

Source: Company, Citi Research estimates

Figure 30. Tata Motors: Consolidated Balance Sheet (Rs mn)

	FY10	FY11	FY12	FY13e	FY14e	FY15e
SOURCES OF FUNDS						
Share Capital	5,706	6,377	6,348	6,348	6,348	6,348
Reserves and Surplus	76,359	185,338	325,152	425,886	546,045	671,907
Shareholder's Equity	82,065	191,715	331,499	432,233	552,393	678,255
Minority Interest	2,135	2,466	3,071	3,440	3,846	4,291
Total Debt	351,924	327,914	471,490	437,443	430,479	430,952
Other long term liabilities			24,586	27,044	29,749	32,724
Long term provisions			60,714	66,785	73,464	80,810
Deferred Tax Liability	11,536	14,638	(23,743)	(23,743)	(23,743)	(23,743)
Total Sources of Funds	447,660	536,733	867,617	943,204	1,066,187	1,203,289
APPLICATION OF FUNDS						
Gross Block	648,518	714,629	897,791	1,083,766	1,272,291	1,475,816
Less: Depreciation & Amortisation	344,135	396,987	495,125	557,903	627,121	707,577
Net Block	304,383	317,643	402,667	525,863	645,170	768,239
CWIP	80,680	117,289	31,215	31,215	31,215	31,215
Intangible assets under development			128,243	128,243	128,243	128,243
Fixed Assets	385,063	434,931	562,125	685,322	804,628	927,697
Goodwill	34,229	35,848	40,937	40,937	40,937	40,937
Investments	22,191	25,443	14,257	14,257	14,257	14,257
Long term loans and advances			136,580	205,000	230,000	250,000
Foreign Currency Monetary translation difference account	(1,912)		4,514	4,514	4,514	4,515
Current Assets						
Interest Accrued on Investments	24	19				
Inventories	113,120	140,705	182,160	204,188	233,404	252,608
Sundry Debtors	71,912	68,774	82,368	92,329	105,540	114,223
Cash and Bank Balances	87,433	109,479	257,302	170,042	174,849	186,056
Loans and Advances	76,223	91,247	113,372	127,082	145,265	157,217
Loans and Adv on vehicles	76,584	100,125				
Other current assets			9,071			
Total Current Assets	425,296	510,349	644,274	593,640	659,057	710,105
Current Liabilities and Provisions						
Current Liabilities	340,773	371,147	473,112	530,323	606,204	656,082
Provisions	76,435	98,692	67,704	75,891	86,750	93,887
Total CL and Provisions	417,208	469,838	540,816	606,214	692,954	749,969
Net Current Assets	8,088	40,511	103,458	(12,573)	(33,896)	(39,865)
Misc Expenditure / other non current assets		-	5,747	5,747	5,747	5,747
Total Assets	447,660	536,733	867,617	943,204	1,066,187	1,203,289

Source: Company, Citi Research estimates

Tata Motors

Company description

Tata Motors is one of the main companies of the Tata Group, India's largest business conglomerate. It is among the country's largest manufacturers of automobiles with a dominant position in the commercial-vehicle business. It has a significant presence in the utility vehicle and passenger-car segments too. The company has a 100% stake in Jaguar and Land Rover.

Investment strategy

We rate Tata Motors shares Buy (1). TTMT has benefited for the past two years from a benign macro environment; it has raised equity and deleveraged its balance sheet meaningfully. Medium term (from a 2+ year perspective), we think Tata Motors has several thematically appealing characteristics – it is well positioned as a proxy to the India infrastructure / capex story, given its dominant positioning in trucks), it is also taking the correct steps to become a stronger player in the premium passenger car space globally, which should benefit from strong growth in China and other emerging markets. Going forward, over the next few months, we anticipate some headwinds in both its key businesses. We expect CVs might be impacted given the higher interest rate regime and slower industrial growth climate in India. JLR could also potentially face headwinds in the form of greater competitive intensity from premium luxury manufacturers as also a slowdown in Europe – all factors that could result in rising discounts and lower profitability – this when coupled with an ambitious long-term capex program definitely heightens the business risk over the next year.

Valuation

Our Rs309 target price for Tata Motors is based on a sum-of-the-parts valuation. We value Tata Motors' core business at Rs97/share (on a share count of 3280m shares), based on 7.5x March14E EV/EBITDA. We value subsidiaries and investments at Rs18. We value JLR at 3x March14E EV/EBITDA, which equates to around Rs211/share. We then deduct total net debt (ex vehicle finance debt) which equates to Rs 17/share. At our target price, TTMT would trade at a consolidated price-to-book value of 2.3x / 1.8x (FY13/14E), which appears reasonable when juxtaposed against ROEs of 24%, 23% in FY13E/14E respectively. On a P/E basis, the stock would trade at ~9.5x and 7.9x FY13E/14E EPS.

Risks

The key downside risks to our estimates that could prevent the shares from reaching our target price emanate from: a) JLR is exposed to risks of a global macro slowdown. Weaker-than-forecast demand conditions for luxury cars and SUVs in Europe and the US could impact JLR volumes and EPS, given the high leverage of this business to these geographies, b) increase in competitive intensity from JLR's peer group (Mercedes, BMW, Audi) could result in lower-than-expected volume growth, c) cyclical risks within the CV business are increasing- our CV forecasts are predicated on our economist Rohini Malkani's view that industrial growth should rebound in FY13, and d) we assume that the credit and liquidity environment will remain stable. A credit 'crunch' could impact consumer confidence and possibly JLR's sales (especially in developed markets). Given TTMT's fairly leveraged balance sheet, this is a risk. Key upside risks to our target price are as follows: a) better-than-forecast growth in the Range Rover / Land Rover product

portfolio, b) a turnaround of the passenger car business in India, and c) a sharp upward climb in the CV cycle in India.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

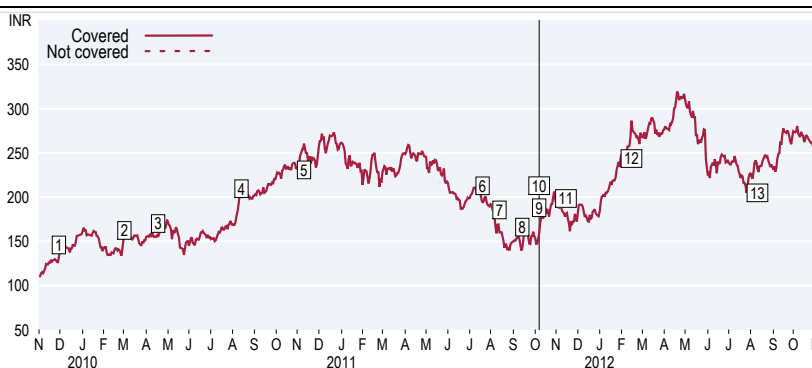
IMPORTANT DISCLOSURES

Tata Motors (TAMO.BO)

Ratings and Target Price History

Fundamental Research

Analyst: Jamshed Dadabhoj



	Date	Rating	Target Price	Closing Price
1	30-Nov-09	*1M	*165.60	132.18
2	2-Mar-10	1M	*170.20	159.42
3	19-Apr-10	1M	*189.40	155.09
4	13-Aug-10	1M	*239.40	203.40
5	10-Nov-10	1M	*306.60	260.43

* Indicates change

	Date	Rating	Target Price	Closing Price
6	20-Jul-11	1M	*240.60	193.74
7	12-Aug-11	1M	*228.20	160.22
8	14-Sep-11	1M	*228.20	142.50
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*1	228.20	158.80

	Date	Rating	Target Price	Closing Price
11	15-Nov-11	1	*215.00	181.30
12	15-Feb-12	1	*316.00	286.40
13	10-Aug-12	1	*295.00	232.00

Rating/target price changes above reflect Eastern Standard Time

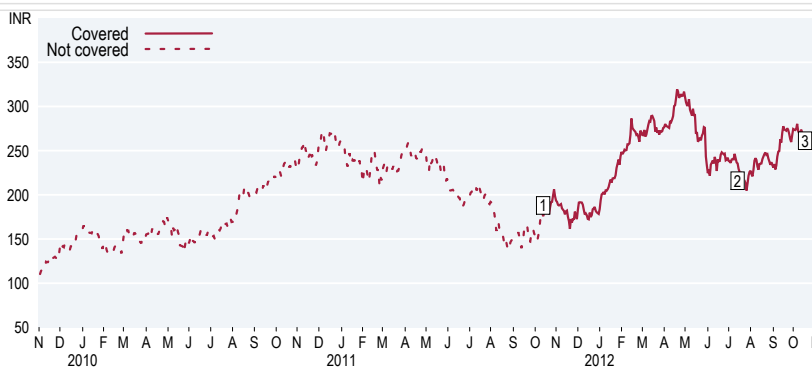
Tata Motors (TAMO.BO)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Jamshed Dadabhoj



	Date	Rating	Target Price	Closing Price
1	13-Oct-11	*ADD MP	-	175.75

* Indicates change

	Date	Rating	Target Price	Closing Price
2	13-Jul-12	*REM MP	-	235.50

	Date	Rating	Target Price	Closing Price
3	17-Oct-12	*ADD MP	-	264.90

Rating/target price changes above reflect Eastern Standard Time

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