

Tata Motors Ltd

JLR throws in a margin surprise; maintain BUY

Tata Motors (TTMT) Q1FY11 results were significantly ahead of our and street expectations, driven by a very strong margin performance from the Jaguar Land Rover (JLR) business. JLR reported an EBITDA margin of 15.5% beating estimates by more than 400 bps. The strong numbers from JLR should lead to consensus earnings upgrades and be taken positively by the market. We upgrade our consolidated EPS estimates by 47%/29% to factor in a better performance from JLR. Our SOTP based target price stands revised upwards to Rs 1,150. We maintain our BUY recommendation on Tata Motors.

Q1 FY11 results - JLR steals the show:

- ❖ The standalone net revenue grew 62.6% YoY to Rs 104bn. EBITDA margin stood at 11.3%, 50 bps higher than expectation. Adj. net profit stood at Rs 4.6bn, 6% higher than anticipated.
- ❖ The JLR business surprised positively with a better than anticipated performance on most parameters. Net revenues grew 10% QoQ driven by a 4% growth in volumes and a 6% growth in realizations. EBITDA margin stood at 15.5%, 400 bps above expectations. The better performance was on account of a better product mix, a better geographic mix, lower discounts and a favorable currency. The management expects most of the benefits to continue in the quarters to come.

Upgrading estimates for JLR: Though we already have a BUY recommendation on the stock (expecting robust performance to continue), the JLR performance has taken us by surprise, warranting further upgrade in estimates. We therefore increase our realization and margin assumptions for the business. We increase our margin estimates by 300 bps from 11.0% to 14.0% as we expect most of the positives which benefited margins in Q1 to continue (expect currency benefits to reverse) in the coming quarters. Tax rates are unlikely to go up in spite of higher profits due to accumulated losses, further enhancing the earnings growth rate.

Increase target price to Rs 1,150, Maintain BUY – We increase our SOTP based target price to Rs 1,150 (from Rs 1,000 earlier) largely on account of an increase in value for JLR. We marginally reduce our target multiple for JLR from 5.5x to 5.0x EV/EBITDA, given that the possible margin expansion has already been achieved and margins are likely to have a downward bias. In our SOTP target of Rs 1,150, the standalone and JLR businesses now contribute equal value of Rs 512 each, while the other key holdings and subsidiaries are valued at Rs 125.

What's New?	Target	Rating	Estimates
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CMP	TARGET	RATING	RISK
Rs 957	Rs 1,150	BUY	HIGH

BSE	NSE	BLOOMBERG
500570	TATAMOTORS	TTMT IN

Company data

Market cap (Rs mn / US\$ mn)	546,016/11,768
Outstanding equity shares (mn)	571
Free float (%)	63.0
Dividend yield (%)	1.6
52-week high/low (Rs)	967/393
2-month average daily volume	4,171,368

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Tata Motors	957	24.2	19.7	39.2
BSE Auto	8,640	3.2	11.3	26.7
Sensex	18,220	2.2	5.1	14.4

Valuation matrix (Standalone)–Ex-Sub value @ Rs 637

(x)	FY09	FY10	FY11E	FY12E
P/E @ CMP	103.9	13.9	9.8	8.0
P/E @ Target	166.6	22.3	15.7	12.9
EV/EBITDA @ CMP	20.6	7.3	6.1	5.4

Valuation matrix (Consolidated)

(x)	FY09	FY10	FY11E	FY12E
P/E @ CMP	-	55.2	8.8	7.8
P/E @ Target	(20.8)	66.3	10.6	9.4
EV/EBITDA @ CMP	35.7	9.1	5.3	4.9

In the interest of timeliness this report has not been edited.

Financial highlights - Tata Motors (Standalone)

(Rs mn)	FY09	FY10	FY11E	FY12E
Revenue	254,970	355,931	441,727	512,036
Growth (%)	(11.3)	39.6	24.1	15.9
Adj net income	1,716	13,588	20,352	24,857
Growth (%)	(90.8)	691.9	49.8	22.1
FDEPS (Rs)	3.1	23.0	32.6	39.8
Growth (%)	(93.0)	647.4	41.8	22.1

Financial highlights - Tata Motors (Consolidated)

(%)	FY09	FY10	FY11E	FY12E
Revenue	709,389	925,608	1,126,065	1,266,829
Growth (%)	98.9	30.5	21.7	12.5
Adj. Net Income	(30,803)	10,249	67,640	76,243
Growth (%)	(249.5)	-	559.9	12.7
Religare EPS (Rs)	(55.2)	17.3	108.4	122.2
Growth (%)	(213.1)	-	524.8	12.7





Result highlights

Fig 1 - Standalone Quarterly performance

(Rs mn)	Q1FY11	Q1FY10	% Chg YoY	Q4FY10	% Chg QoQ
Sales volume (units)	190,304	127,340	49.4	216,642	(12.2)
Realizations/Vehicle (Rs)	547,348	502,955	8.8	567,024	(3.5)
Net sales	104,163	64,046	62.6	122,841	(15.2)
Expenditure	92,425	56,766	62.8	109,970	(16.0)
Adj. Operating profit	11,738	7,280	61.2	12,871	(8.8)
EBITDA margin (%)	11.3	11.4	(10 bps)	10.5	80 bps
Other income	693	5	-	7	-
Interest	3,140	2,535	23.9	2,786	12.7
Depreciation	3,264	2,403	35.8	3,720	(12.3)
PBT	5,376	2,292	134.6	6,126	(12.2)
Tax	1,419	343	314.0	2,226	(36.2)
Adj. PAT	4,589	2,004	129.0	4,146	10.7
EPS (Rs)	7.4	3.9	88.6	7.6	(3.5)

Source: Company, RCML Research | Q4FY10 results derived from subtracting nine months results from full year

Unlike peers, RM-to-sales increases just 20bps QoQ, resulting in better-than-anticipated margins

Net profit 6% higher than expected due to better margins

Fig 2 - Consolidated Quarterly performance*

(Rs mn)	Q1FY11	Q1FY10	% Chg YoY	Q4FY10	% Chg QoQ
Net sales	270,556	163,970	65.0	289,778	(6.6)
Expenditure	232,002	158,941	46.0	258,423	(10.2)
Adj. Operating profit	38,554	5,029	666.6	31,354	23.0
EBITDA margin (%)	14.2	3.1	1110bps	10.8	340 bps
Other income	1,930	4,136	(53.3)	(4,975)	-
Interest	7,344	6,760	8.6	7,448	(1.4)
Depreciation	10,115	8,442	19.8	8,878	13.9
PBT	22,754	(2,699)	-	8,644	163.2
Tax	2,960	643	360.7	4,092	(27.7)
Adj. PAT	20,158	(6,627)	-	6,173	226.6
EPS (Rs)	32.3	(12.9)	-	11.3	184.6

Source: Company, RCML Research | Q4FY10 results derived from subtracting nine months results from full year

Fig 3 - Key subsidiaries performance: YoY Comparison

(Rs mn)	Revenue			EBITDA Margins			PAT		
	Q1FY11	Q1FY10	% chg	Q1FY11	Q1FY10	chg (bps)	Q1FY11	Q1FY10	% chg
Tata Daewoo	8,530	6,690	27.5	8.7	6.0	270	360	180	100.0
Tata technologies	2,980	2,460	21.1	14.1	5.7	840	270	50	440.0
Tata Mot. Finance	3,200	2,100	52.4	8.4	(35.2)	437	240	(370)	-
HV Transmission	620	390	59.0	56.5	48.7	770	170	70	142.9
HV Axle	730	440	65.9	61.6	56.8	480	220	100	120.0

Source: Company, RCML Research



Fig 4 - Jaguar Land Rover Quarterly Performance

(£ mn)	Q1FY11	Q4FY10	% chg QoQ	Q1FY10	% chg YoY
Realization increase of 6% QoQ due to better product mix and favorable currency					
Volumes (units)	59,200	57,004	3.9	35,900	64.9
Realisations (£)	38,209	35,927	6.4	31,337	21.9
Net Revenues	2,262	2,048	10.4	1,125	101.1
Expenditure					
RM Cost	1,393	1,300	7.2	814	71.1
Employee Cost	191	175	9.1	176	8.5
Manuf. Cost	328	339	(3.2)	170	92.9
EBITDA	350	234	49.6	(34)	-
Depr. & Amrtz.	98	86	14.0	80	22.5
Interest Cost	17	19	(10.5)	13	30.8
PBT	235	129	82.2	(127)	-
Ext. Gains	(1)	(41)	(97.6)	65	(101.5)
Income Tax	13	16	(18.8)	2	550.0
Reported PAT	221	72	206.9	(64)	-
Adj. PAT	222	113	96.5	(129)	-
RM/Sales (%)	61.6	63.5	(190 bps)	72.4	(1080 bps)
Emp. Cost/Sales (%)	8.4	8.5	(10 bps)	15.6	(720 bps)
Mfg. Cost/Sales (%)	14.5	16.6	(210 bps)	15.1	(60 bps)
EBITDA Margin (%)	15.5	11.4	410 bps	(3.0)	-

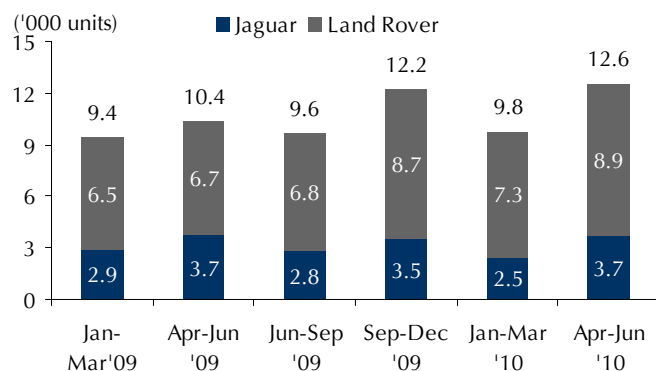
Source: Company, RCML Research

Fig 5 - JLR - Regional break-up of retail volumes

Geography	Q1FY11	% of total	Q1FY10	% of total
North America	12,636	21.4	10,302	21.9
Europe Excl Russia	14,861	25.2	12,633	26.8
UK	13,228	22.4	10,711	22.7
Russia	2,323	3.9	2,057	4.4
China	6,717	11.4	3,299	7.0
ROW	9,323	15.8	8,144	17.3
Total	59,088	100.0	47,146	100.0

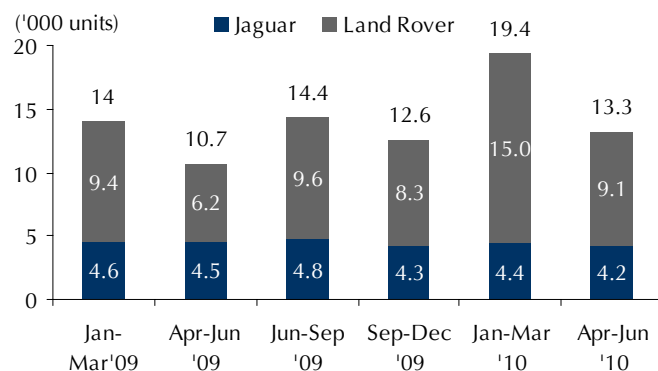
Source: Company, RCML Research

Fig 6 - JLR Retail Volume: North America



Source: Company, RCML Research

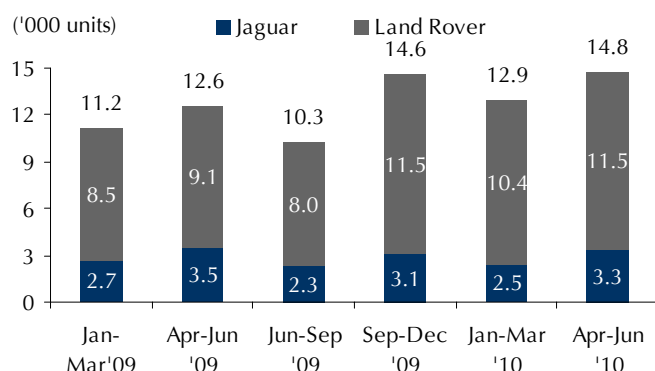
Fig 7 - JLR Retail Volume: UK



Source: Company, RCML Research

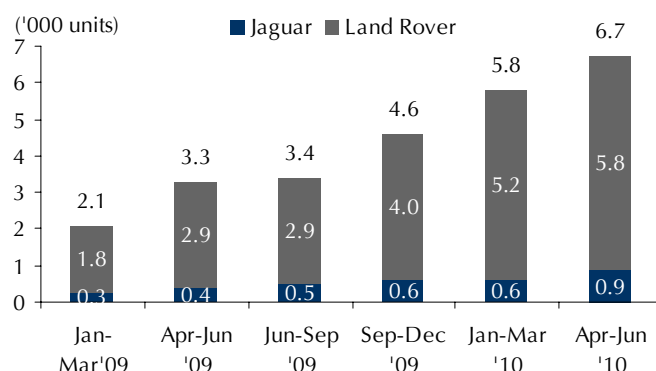


Fig 8 - JLR Retail Volume: Europe (Excl Russia)



Source: Company, RCML Research

Fig 9 - JLR Retail Volume: China



Source: Company, RCML Research

Revised Estimates

Fig 10 - Revised estimates – Standalone business

Key parameters (Rs mn)	FY11E			FY12E		
	Old	New	% Chg	Old	New	% Chg
Revenue	424,344	441,727	4.1	492,274	512,036	4.0
EBITDA margin (%)	11.5	11.2	(30 bps)	11.2	11.0	(20 bps)
Net profit	21,344	20,352	(4.6)	25,966	24,857	(4.3)
FDEPS (Rs)	34.2	32.6	(4.6)	41.6	39.8	(4.3)

Source: Company, RCML Research

Fig 11 - Revised estimates – JLR

(£ mn)	FY09 (10 months)	FY10	FY11E	FY12E	Comment
Volumes (units)	167,348	193,982	232,778	256,056	
% Growth	-	15.9	20.0	10.0	
Realisations (mn)	29,722	33,787	37,165	37,537	Increasing realization estimates on better product mix from higher Jagua sales and lower discounts
% Growth	-	13.7	10.0	1.0	
Revenues	4,974	6,554	8,651	9,612	
RM Cost	3,164	4,439	5,450	6,103	
% Sales	63.6	67.7	63.0	63.5	RM costs lower on lower discount and benefits from Euro rates
RM Cost/Unit	18,907	22,884	23,414	23,836	
Employee Cost (inc. provisions)	569	730	737	811	
% Sales	11.4	11.1	8.5	8.4	
Manufacturing Costs	1,282	953	1,254	1,403	
% of sales	25.8	14.5	14.5	14.6	
EBITDA	(41)	432	1,209	1,294	Increasing margins estimate by 30 bps from 11.0% to 14.0%
EBITDA Margin (%)	(0.8)	6.6	14.0	13.5	

Source: Company, RCML Research



Fig 12 - Revised estimates - Consolidated

Key parameters (Rs mn)	FY11E			FY12E		
	Old	New	% Chg	Old	New	% Chg
Revenue	1,054,462	1,126,065	6.8	1,203,046	1,266,829	5.3
EBITDA margin (%)	11.1	13.1	200 bps	11.2	12.7	150 bps
Net profit	46,123	67,640	46.7	58,965	76,243	29.3
FDEPS (Rs)	73.9	108.4	46.7	94.5	122.2	29.3

Source: Company, RCML Research

In spite of higher margins, lower taxes due to accumulated losses boost earnings growth

Fig 13 - Tata Motors SOTP-based valuation

Valuation Matrix	Valuation Basis	Value/Share
Tata Motors Standalone	EBITDA - 8.5x – FY12E	769
Jaguar Land Rover	EBITDA – 5.0x – FY12E	726
Less Adj. for R&D in JLR	2/3rd of Annual R&D expense	(150)
Less: Automotive Debt	Outstanding Debt/Share	(320)
Tata Motors Std.+ JLR		1,025
Other Holdings & Subs	Based of FY12E earnings/Book value	125
Total Value per share		1,150

In our SOTP 45% of the value of business is derived from standalone and JLR each, the remaining 10% from other subsidiaries



Standalone financials

Profit and Loss statement

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Revenues	254,970	355,931	441,727	512,036
Growth (%)	(11.3)	39.6	24.1	15.9
EBITDA	14,760	41,783	49,510	56,475
Growth (%)	(49.9)	183.1	18.5	14.1
Depreciation & amortisation	9,257	11,779	12,984	14,412
EBIT	5,503	30,004	36,527	42,063
Growth (%)	(75.3)	445.2	21.7	15.2
Interest	6,736	12,462	12,179	11,913
Other income	2,420	(7,263)	2,789	2,993
EBT	1,188	10,278	27,136	33,143
Income taxes	125	5,895	6,784	8,286
Effective tax rate (%)	10.5	57.3	25.0	25.0
Extraordinary items	7,098	18,017	-	-
Min into / inc from associates	-	-	-	-
Reported net income	8,161	22,401	20,352	24,857
Adjustments	(6,445)	(8,813)	-	-
Adjusted net income	1,716	13,588	20,352	24,857
Growth (%)	(90.8)	691.9	49.8	22.1
Shares outstanding (mn)	385.4	570.6	570.6	570.6
FDEPS (Rs) (adj)	3.1	23.0	32.6	39.8
Growth (%)	(93.0)	647.4	41.8	22.1
DPS (Rs)	8.1	15.1	15.0	15.0

Cash flow statement

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Net income + Depreciation	16,861	32,694	32,452	38,347
Non-cash adjustments	(4,057)	(6,081)	3,786	502
Changes in working capital	(5,012)	27,506	(4,298)	(5,844)
Cash flow from operations	7,792	54,120	31,940	33,005
Capital expenditure	(40,113)	(23,102)	(22,679)	(25,000)
Change in investments	(70,492)	(86,056)	4,575	4,117
Other investing cash flow	(1,795)	(11,266)	-	-
Cash flow from investing	(112,400)	(120,424)	(18,104)	(20,883)
Issue of equity	41,097	17,942	-	-
Issue/repay debt	57,496	55,448	(1,854)	(8,000)
Dividends paid	(6,424)	(3,449)	(9,874)	(9,842)
Other financing cash flow	(10)	(2,775)	-	-
Change in cash & cash eq	(12,450)	862	2,108	(5,720)
Closing cash & cash eq	11,418	17,532	19,640	13,920

Economic Value Added (EVA) analysis

Y/E March	FY09	FY10	FY11E	FY12E
WACC (%)	13.5	13.5	13.5	13.5
ROIC (%)	2.5	4.7	9.6	10.5
Invested capital (Rs mn)	262,954	276,852	292,683	311,037
EVA (Rs mn)	(28,968)	(24,336)	(11,448)	(9,582)
EVA spread (%)	(11.0)	(8.8)	(3.9)	(3.1)

Balance sheet

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Cash and cash eq	11,418	17,533	19,640	13,920
Accounts receivable	15,552	23,919	23,259	24,305
Inventories	22,298	29,356	32,651	32,868
Other current assets	47,650	44,572	44,174	46,084
Investments	129,681	223,369	218,794	214,677
Gross fixed assets	139,052	184,168	219,168	254,168
Net fixed assets	76,453	112,039	134,939	156,449
CWIP	69,540	52,322	40,000	30,000
Intangible assets	-	-	-	-
Deferred tax assets, net	(8,658)	(15,086)	(14,086)	(13,086)
Other assets	20	1,616	1,616	1,616
Total assets	363,954	489,639	500,987	506,834
Accounts payable	48,721	64,281	60,147	69,721
Other current liabilities	40,861	81,811	83,928	71,685
Provisions	18,773	27,633	32,342	33,843
Debt funds	131,656	166,259	164,405	156,405
Other liabilities	1,641	-	-	-
Equity capital	5,141	5,706	5,706	5,706
Reserves & surplus	117,161	143,949	154,459	169,474
Shareholder's funds	122,302	149,654	160,164	175,179
Total liabilities	363,954	489,638	500,987	506,834
BVPS (Rs)	330.6	272.3	290.7	317.0

Financial ratios

Y/E March	FY09	FY10	FY11E	FY12E
Profitability & Return ratios (%)				
EBITDA margin	5.8	11.7	11.2	11.0
EBIT margin	2.2	8.4	8.3	8.2
Net profit margin	0.7	3.8	4.6	4.9
ROE	1.7	10.0	13.1	14.8
ROCE	3.9	6.6	9.2	10.3
Working Capital & Liquidity ratios				
Receivables (days)	19	20	19	17
Inventory (days)	46	39	36	33
Payables (days)	93	85	72	65
Current ratio (x)	1.1	0.8	0.8	0.8
Quick ratio (x)	0.2	0.2	0.2	0.2
Turnover & Leverage ratios (x)				
Gross asset turnover	2.1	2.2	2.2	2.2
Total asset turnover	0.8	0.8	0.9	1.0
Interest coverage ratio	0.8	2.4	3.0	3.5
Adjusted debt/equity	0.5	0.7	0.6	0.5
Valuation ratios (x) Ex-Sub value @ Rs 637				
EV/Sales	1.2	0.9	0.7	0.6
EV/EBITDA	20.6	7.3	6.1	5.4
P/E	103.9	13.9	9.8	8.0
P/BV	1.0	1.2	1.1	1.0



Quarterly trend

Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11
Revenue (Rs mn)	64,046	79,788	89,799	122,841	104,163
YoY growth (%)	(7.6)	12.7	90.5	82.0	62.6
QoQ growth (%)	(5.1)	24.6	12.5	36.8	(15.2)
EBITDA (Rs mn)	7,280	10,657	11,519	12,871	11,738
EBITDA margin (%)	11.4	13.4	12.8	10.5	11.3
Adj net income (Rs mn)	2,004	3,745	4,244	4,146	4,589
YoY growth (%)	(51.4)	37.1	(602.5)	(284.0)	129.0
QoQ growth (%)	(188.9)	86.9	13.3	(2.3)	10.7

DuPont analysis

(%)	FY08	FY09	FY10	FY11E	FY12E
Tax burden (Net income/PBT)	72.6	144.5	132.2	75.0	75.0
Interest burden (PBT/EBIT)	115.2	21.6	34.3	74.3	78.8
EBIT margin (EBIT/Revenues)	7.8	2.2	8.4	8.3	8.2
Asset turnover (Revenues/Avg TA)	133.6	83.4	83.4	89.2	101.6
Leverage (Avg TA/Avg equitiy)	292.4	304.8	313.9	319.7	300.5
Return on equity	25.4	1.7	10.0	13.1	14.8



Consolidated financials

Profit and Loss statement

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Revenues	709,389	925,608	1,126,065	1,266,829
Growth (%)	98.9	30.5	21.7	12.5
EBITDA	21,974	86,557	147,151	160,575
Growth (%)	(48.3)	293.9	70.0	9.1
Depreciation & amortisation	28,554	43,853	46,385	49,447
EBIT	(6,580)	42,704	100,766	111,129
Growth (%)	(119.3)	(748.9)	136.0	10.3
Interest	21,706	24,653	25,392	25,432
Other income	(2,552)	2,256	3,116	3,333
EBT	(30,839)	20,307	78,490	89,030
Income taxes	3,358	10,058	10,850	12,787
Effective tax rate (%)	(10.9)	49.5	13.8	14.4
Extraordinary items	7,149	14,919	-	-
Min into / inc from associates	(632)	542	789	953
Reported net income	(27,450)	25,711	68,430	77,196
Adjustments	3,354	15,461	789	953
Adjusted net income	(30,803)	10,249	67,640	76,243
Growth (%)	(249.5)	(133.3)	559.9	12.7
Shares outstanding (mn)	514.0	570.6	570.6	570.6
FDEPS (Rs) (adj)	(55.2)	17.3	108.4	122.2
Growth (%)	(213.1)	(131.4)	524.8	12.7
DPS (Rs)	6.0	15.1	15.0	15.0

Cash flow statement

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Net income + Depreciation	(2,418)	64,537	114,814	126,643
Non-cash adjustments	(43,696)	(36,160)	4,691	(969)
Changes in working capital	(13,450)	26,009	(17,344)	(7,257)
Cash flow from operations	(59,564)	54,386	102,160	118,417
Capital expenditure	(98,959)	(84,532)	(82,082)	(74,672)
Change in investments	1,273	(116)	(1,525)	(1,672)
Other investing cash flow	8,528	4,850	-	-
Cash flow from investing	(89,159)	(79,799)	(83,607)	(76,344)
Issue of equity	41,097	16,852	-	-
Issue/repay debt	113,572	56,082	(48,833)	-
Dividends paid	(7,595)	(3,496)	(10,037)	(9,843)
Other financing cash flow	(10)	(963)	-	-
Change in cash & cash eq	(1,658)	43,063	(40,317)	32,230
Closing cash & cash eq	41,213	87,434	47,117	79,346

Economic Value Added (EVA) analysis

Y/E March	FY09	FY10	FY11E	FY12E
WACC (%)	13.5	13.5	13.5	13.5
ROIC (%)	(2.3)	5.0	22.3	22.2
Invested capital (Rs mn)	439,564	422,345	480,636	518,887
EVA (Rs mn)	(69,909)	(36,223)	42,010	44,927
EVA spread (%)	(15.9)	(8.6)	8.7	8.7

Balance sheet

Y/E March (Rs mn)	FY09	FY10	FY11E	FY12E
Cash and cash eq	41,213	87,433	47,117	79,346
Accounts receivable	48,001	71,912	78,230	79,332
Inventories	101,547	113,120	117,657	119,375
Other current assets	126,514	152,831	164,328	164,043
Investments	12,574	22,191	23,716	25,388
Gross fixed assets	621,880	648,518	721,280	795,953
Net fixed assets	289,190	304,383	330,760	355,986
CWIP	105,330	80,680	90,000	90,000
Intangible assets	-	34,229	34,229	34,229
Deferred tax assets, net	(6,802)	(11,536)	(10,536)	(9,536)
Other assets	7,226	(1,912)	(7,994)	(5,594)
Total assets	724,793	853,332	867,508	932,570
Accounts payable	194,188	221,875	205,912	187,111
Other current liabilities	46,837	118,898	130,788	143,866
Provisions	70,592	76,435	84,510	87,447
Debt funds	349,739	351,924	303,090	303,090
Other liabilities	4,030	2,135	3,346	4,793
Equity capital	5,141	5,706	5,706	5,706
Reserves & surplus	54,266	76,359	134,156	200,557
Shareholder's funds	59,406	82,065	139,862	206,263
Total liabilities	724,793	853,332	867,508	932,570
BVPS (Rs)	125.6	153.8	255.1	371.5

Financial ratios

Y/E March	FY09	FY10	FY11E	FY12E
Profitability & Return ratios (%)				
EBITDA margin	3.1	9.4	13.1	12.7
EBIT margin	(0.9)	4.6	8.9	8.8
Net profit margin	(4.3)	1.1	6.0	6.0
ROE	(42.1)	14.5	61.0	44.1
ROCE	(2.0)	6.6	21.2	21.4
Working Capital & Liquidity ratios				
Receivables (days)	18	24	24	23
Inventory (days)	51	64	57	52
Payables (days)	99	123	105	86
Current ratio (x)	1.3	1.2	1.2	1.3
Quick ratio (x)	0.4	0.4	0.4	0.5
Turnover & Leverage ratios (x)				
Gross asset turnover	1.9	1.5	1.6	1.7
Total asset turnover	1.3	1.2	1.3	1.4
Interest coverage ratio	(0.3)	1.7	4.0	4.4
Adjusted debt/equity	2.9	2.5	1.4	1.1
Valuation ratios (x)				
EV/Sales	1.1	0.8	0.7	0.6
EV/EBITDA	35.7	9.1	5.3	4.9
P/E	-	55.2	8.8	7.8
P/BV	7.6	6.2	3.8	2.6

Quarterly trend





Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11
Revenue (Rs mn)	163,970	211,002	260,443	289,778	270,556
YoY growth (%)	13.2	(8.2)	47.1	84.6	65.0
QoQ growth (%)	4.5	28.7	23.4	11.3	(6.6)
EBITDA (Rs mn)	5,029	15,059	29,718	31,354	38,554
EBITDA margin (%)	3.1	7.1	11.4	10.8	14.2
Adj net income (Rs mn)	(6,627)	2,401	8,845	6,173	20,158
YoY growth (%)	-	-	-	-	-
QoQ growth (%)	(71.7)	(136.2)	268.3	(30.2)	226.6

DuPont analysis

(%)	FY08	FY09	FY10	FY11E	FY12E
Tax burden (Net income/PBT)	67.1	99.9	50.5	86.2	85.6
Interest burden (PBT/EBIT)	90.4	468.6	47.6	77.9	80.1
EBIT margin (EBIT/Revenues)	9.5	(0.9)	4.6	8.9	8.8
Asset turnover (Revenues/Avg TA)	120.9	132.8	117.3	130.9	140.8
Leverage (Avg TA/Avg equitiy)	359.2	729.9	1,115.5	775.4	520.1
Return on equity	25.1	(42.1)	14.5	61.0	44.1

Company profile

Tata Motors is India's largest commercial vehicle manufactures with a market share in the M&HCV segment of 61% and 59% in the LCV segment. It is the third largest passenger car manufacturer with a market share of 13.2%. The launch of the mass market 'Nano' is expected to increase its market share in the passenger car segment further. In FY09 it acquired Jaguar and Land Rover brands from Ford Motor Co, which now contribute more than 50% of revenues.

Shareholding pattern

(%)	Dec-09	Mar-10	June-10
Promoters	37.0	38.1	37.0
FIs	17.8	15.7	22.4
Banks & FIs	18.2	18.5	18.6
Public	26.9	27.8	22.0

Recommendation history

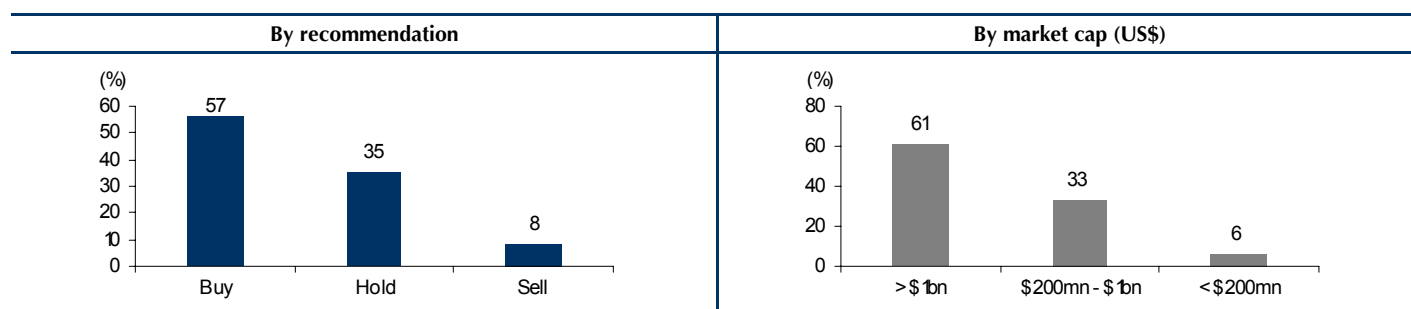
Date	Event	Reco price	Tgt price	Reco
2-Feb-10	Company Update	720	867	Buy
18-May-10	Company Update	789	1,000	Buy
28-May-10	Alert	750	1,000	Buy
11-Aug-10	Results Review	957	1,150	Buy

Stock performance





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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