

## Tata Motors

### Performance Highlights

Consolidated (₹ cr)	3QFY11	3QFY10	% chg (yoy)	Angel est.	% diff
<b>Net sales</b>	<b>31,685</b>	<b>26,044</b>	<b>21.7</b>	<b>28,870</b>	<b>9.8</b>
Operating profit	4,489	2,972	51.0	3,705	21.2
OPM (%)	14.2	11.4	276bp	12.8	133bp
<b>Reported PAT</b>	<b>2,425</b>	<b>650</b>	<b>272.9</b>	<b>1,920</b>	<b>26.3</b>

Source: Company, Angel Research

**Consolidated results beat estimates on robust JLR performance:** Tata Motors (TML) reported impressive results for yet another quarter of FY2011, beating street's as well as our expectations. On a consolidated basis, the company reported strong 21.7% yoy and 10.1% qoq growth in net sales to ₹31,685cr, led by robust performance of JLR and better-than-expected performance at the standalone level. Operating margin improved substantially by 276bp yoy and 26bp qoq to 14.2% on the back of improved operational performance at JLR and favourable currency movement. As a result, net profit for the quarter grew significantly by 272.9% yoy to ₹2,425cr.

Standalone (₹ cr)	3QFY11	3QFY10	% chg (yoy)	Angel Est.	% diff
<b>Net sales</b>	<b>11,520</b>	<b>8,980</b>	<b>28.3</b>	<b>10,922</b>	<b>5.5</b>
Operating profit	1,168	1,129	3.5	1,006	16.1
OPM (%)	10.1	12.6	(243)bp	9.2	93bp
<b>Reported PAT</b>	<b>410</b>	<b>400</b>	<b>2.5</b>	<b>350</b>	<b>17.2</b>

Source: Company, Angel Research

**Standalone results driven by volume growth and higher average realisation:** On standalone basis, TML reported ~28% yoy growth in its top line, aided by the ~17% yoy jump in volumes and ~9.3% yoy growth in net realisation. Operating margin stood at 10.1%, down 243bp yoy due to raw-material cost pressures. Thus, net profit reported a ~3% yoy increase to ₹410cr.

**Outlook and valuation:** We maintain our positive stance on the company, considering its impressive operating performance especially on the JLR front. **We maintain Buy with an SOTP Target Price of ₹1,384.** We have valued the domestic core business at ₹406/share, implying 13x FY2012E earnings. Our embedded value of the subsidiaries and investments in TML's books (including JLR) works out to ₹978/share. We have valued JLR at 7x FY2012E earnings, in line with its peers.

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net sales</b>	<b>70,881</b>	<b>92,519</b>	<b>119,226</b>	<b>136,083</b>
% chg	100.1	30.5	28.9	14.1
<b>Adj. net profit</b>	<b>(2,228)</b>	<b>1,034</b>	<b>8,247</b>	<b>8,778</b>
% chg	-	-	697.3	6.4
EBITDA margin (%)	2.1	7.2	13.3	12.3
<b>Adj. EPS (₹)</b>	<b>(39.0)</b>	<b>18.1</b>	<b>130.3</b>	<b>138.6</b>
P/E (x)	-	63.1	8.8	8.3
P/BV (x)	10.1	8.1	3.8	2.7
RoE (%)	(30.4)	14.6	59.9	38.3
RoCE (%)	(3.1)	6.4	23.4	21.5
EV/Sales (x)	1.3	0.9	0.7	0.5
EV/EBITDA (x)	62.9	13.4	5.5	4.6

Source: Company, Angel Research

## BUY

CMP	₹1,145
Target Price	₹1,384

Investment Period	12 Months
-------------------	-----------

#### Stock Info

Sector	Automobile
Market Cap (₹ cr)	72,520
Beta	1.5
52 Week High / Low	1,381/664
Avg. Daily Volume	920,643
Face Value (₹)	10
BSE Sensex	17,729
Nifty	5,310
Reuters Code	TAMO.BO
Bloomberg Code	TTMT@IN

#### Shareholding Pattern (%)

Promoters	34.9
MF / Banks / Indian Fls	14.2
FII / NRIs / OCBs	43.2
Indian Public / Others	7.7

Abs. (%)	3m	1yr	3yr
Sensex	(13.9)	9.8	6.6
Tata Motors	(10.3)	66.4	69.7

**Yaresh Kothari**

022-3935 7800 Ext: 6844

yareshb.kothari@angelbroking.com

**Exhibit 1: Quarterly performance (Standalone)**

Y/E March (₹ cr)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
<b>Net Sales (includes Other Op. Inc.)</b>	<b>11,520</b>	<b>8,980</b>	<b>28.3</b>	<b>33,440</b>	<b>23,363</b>	<b>43.1</b>
Consumption of RM	6,644	4,845	37.1	18,427	12,869	43.2
(% of Sales)	57.7	54.0		55.1	55.1	
Staff Costs	581	473	22.9	1,672	1,353	23.5
(% of Sales)	5.0	5.3		5.0	5.8	
Purchases of TG	1,423	1,306	8.9	5,151	2,797	84.1
(% of Sales)	12.4	14.5		15.4	12.0	
Other Expenses	1,703	1,226	38.9	4,772	3,448	38.4
(% of Sales)	14.8	13.7		14.3	14.8	
<b>Total Expenditure</b>	<b>10,351</b>	<b>7,851</b>	<b>31.9</b>	<b>30,021</b>	<b>20,467</b>	<b>46.7</b>
<b>EBITDA</b>	<b>1,168</b>	<b>1,129</b>	<b>3.5</b>	<b>3,419</b>	<b>2,896</b>	<b>18.0</b>
EBITDA margin (%)	10.1	12.6		10.2	12.4	
Interest	274.9	286.1	(3.9)	896	825.2	8.6
Depreciation	337.1	264.1	27.6	976	756.6	29.0
Other Income	5	0	-	152	740.5	(79.4)
<b>PBT (excl. Extr. Items)</b>	<b>562</b>	<b>579</b>	<b>(3.0)</b>	<b>1,699</b>	<b>2,055</b>	<b>(17.3)</b>
Exceptional Items	30.5	24.2	-	92.7	45.1	-
<b>PBT (incl. Extr. Items)</b>	<b>531</b>	<b>555</b>	<b>(4.3)</b>	<b>1,606</b>	<b>2,010</b>	<b>(20.1)</b>
(% of Sales)	4.6	6.2		4.8	8.6	
Provision for Taxation	121.1	154.9	(21.8)	367.5	366.9	0.2
(% of PBT)	22.8	27.9		22.9	18.3	
<b>Reported PAT</b>	<b>410</b>	<b>400</b>	<b>2.5</b>	<b>1,238</b>	<b>1,643</b>	<b>(24.6)</b>
PATM	3.6	4.5		3.7	7.0	
Equity capital (cr)	633.1	544.0		633.1	544.0	
<b>EPS (₹)</b>	<b>6.5</b>	<b>7.4</b>	<b>(12.0)</b>	<b>19.6</b>	<b>30.2</b>	<b>(35.2)</b>

Source: Company, Angel Research

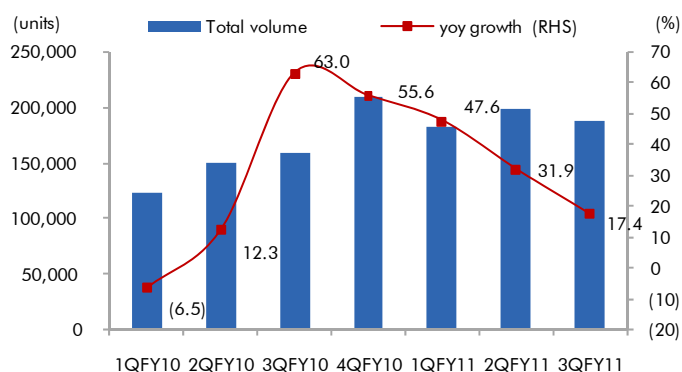
**Exhibit 2: Quarterly volume performance (Standalone)**

Y/E March (units)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
M&HCV	50,883	43,408	17.2	149,616	110,416	35.5
LCV	74,617	58,425	27.7	201,786	163,648	23.3
<b>Total Commercial Vehicles</b>	<b>125,500</b>	<b>101,833</b>	<b>23.2</b>	<b>351,402</b>	<b>274,064</b>	<b>28.2</b>
Utility Vehicles	9,478	6,545	44.8	29,019	22,518	28.9
Cars	51,842	50,761	2.1	186,515	136,047	37.1
<b>Total Passenger Vehicles</b>	<b>61,320</b>	<b>57,306</b>	<b>7.0</b>	<b>215,534</b>	<b>158,565</b>	<b>35.9</b>
Exports (Inc above)	15,962	10,300	55.0	26,698	23,522	13.5
<b>Total Sales</b>	<b>186,820</b>	<b>159,139</b>	<b>17.4</b>	<b>566,936</b>	<b>432,629</b>	<b>31.0</b>

Source: Company, Angel Research

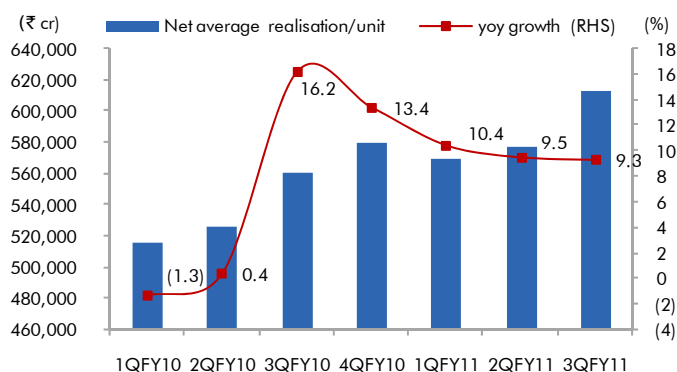
**Standalone performance ahead of expectations:** For 3QFY2011, TML reported 28.3% yoy growth in its top line to ₹11,520cr, ahead of our estimates of ₹10,922cr, aided by 17.4% yoy growth in volumes and ~9.3% yoy growth in average net realisation. On a qoq basis, however, the top line remained flat as volumes registered a decline of 5.8%. Volume growth was restricted on account of supply constraints due to emission norm changes. Realisation improved on account of better product mix (higher share of commercial vehicles) and price increases carried out during the quarter. The company's operating margin stood at 10.1% (v/s 9.2% est.), posting a decline of 243bp yoy due to a 372bp increase in raw-material cost and a 90bp increase in other expenses. As a result, net profit registered a marginal 2.5% yoy increase to ₹410cr, better than our estimates of ₹350cr.

**Exhibit 3: Healthy volume growth; up 17.4% yoy**



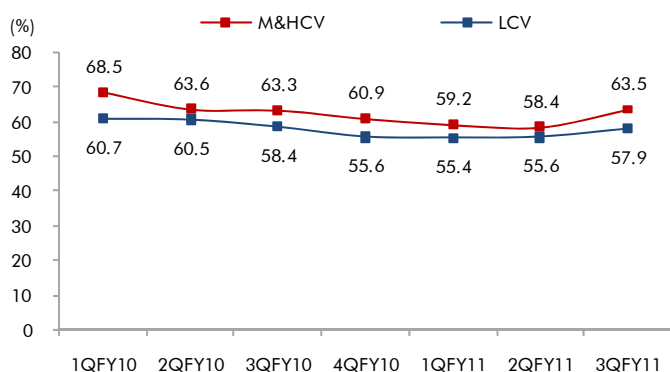
Source: Company, Angel Research

**Exhibit 4: Net average realisation up 9.3% yoy**



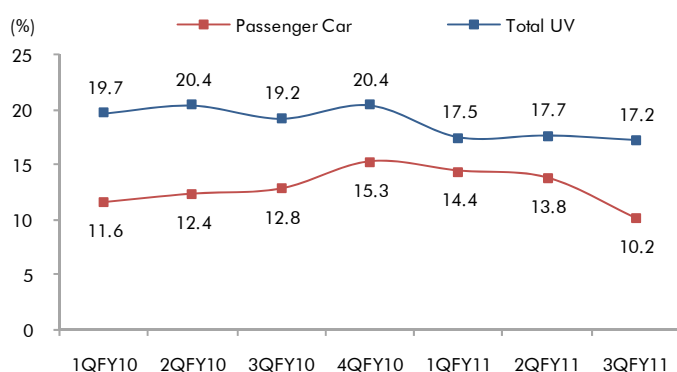
Source: Company, Angel Research

**Exhibit 5: M&HCV and LCV market share trend**

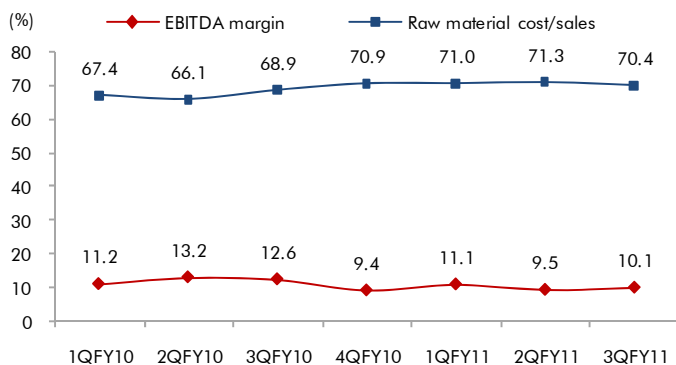


Source: Company, SIAM, Angel Research

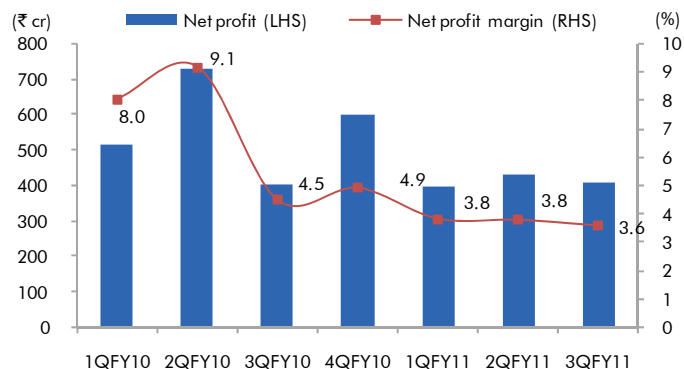
**Exhibit 6: Passenger car and UV market share trend**



Source: Company, SIAM, Angel Research

**Exhibit 7: EBITDA margin dips on input cost pressures**


Source: Company, Angel Research

**Exhibit 8: Net profit up 2.5% yoy**


Source: Company, Angel Research

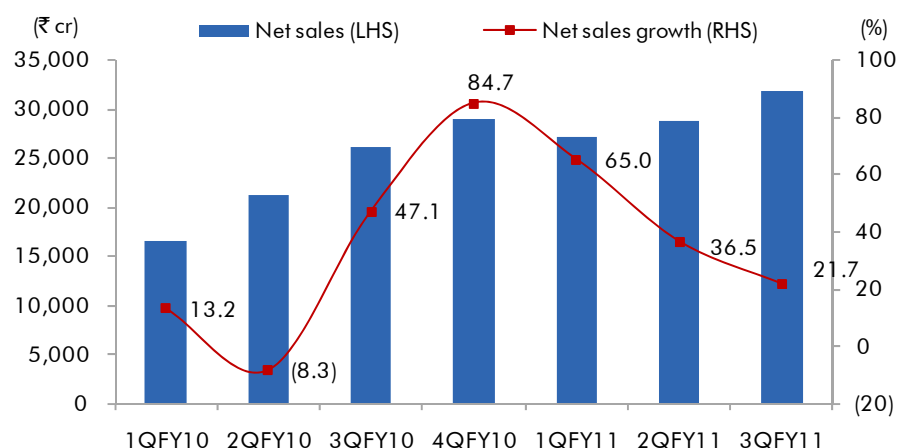
**Exhibit 9: Quarterly performance (Consolidated)**

Y/E March (₹ cr)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
<b>Net Sales (includes. Other Op. income)</b>	<b>31,685</b>	<b>26,044</b>	<b>21.7</b>	<b>87,523</b>	<b>63,530</b>	<b>37.8</b>
Consumption of RM	17,823	15,240	17.0	48,400	36,705	31.9
(% of Sales)	56.3	58.5		55.3	57.8	
Staff Costs	2,427	2,275	6.7	6,850	6,616	3.5
(% of Sales)	7.7	8.7		7.8	10.4	
Purchase of Goods	2,419	2,197	10.1	7,339	6,057	21.2
(% of Sales)	7.6	8.4		8.4	9.5	
Other Expenses	4,528	3,361	34.7	12,588	9,190	37.0
(% of Sales)	14.3	12.9		14.4	14.5	
<b>Total Expenditure</b>	<b>27,197</b>	<b>23,073</b>	<b>17.9</b>	<b>75,177</b>	<b>58,569</b>	<b>28.4</b>
<b>Operating Profit</b>	<b>4,489</b>	<b>2,972</b>	<b>51.0</b>	<b>12,346</b>	<b>4,960</b>	<b>149</b>
OPM (%)	14.2	11.4		14.1	7.8	
Interest	499	546	(8.5)	1,592	1,688	(5.7)
Depreciation	1,239	1,307	(5.2)	3,345	2,999	11.5
Other Income	9.9	4.7	111	64.0	732.5	(91)
<b>PBT (excl. Extr. Items)</b>	<b>2,760</b>	<b>1,123</b>	<b>146</b>	<b>7,472</b>	<b>1,005</b>	<b>643</b>
Exceptional Items	32.4	234.2		(53.9)	118.6	
<b>PBT (incl. Extr. Items)</b>	<b>2,728</b>	<b>889</b>	<b>207</b>	<b>7,526</b>	<b>886</b>	<b>749</b>
(% of Sales)	8.6	3.4		8.6	1.4	
Provision for Taxation	318.9	243	31	928	597	55.6
(% of PBT)	11.7	27.3		12.3	67	
<b>PAT</b>	<b>2,409</b>	<b>646.4</b>	<b>273</b>	<b>6,598</b>	<b>290</b>	<b>2,176</b>
PATM (%)	7.6	2.5		7.5	0.5	
Minority Interest	10.8	15.5	(30.3)	28.4	6.2	357
Associate Companies Profit	26.3	19.4	35.9	66.6	39.3	69.3
<b>Reported PAT</b>	<b>2,425</b>	<b>650.3</b>	<b>273</b>	<b>6,636</b>	<b>323</b>	<b>1,954</b>
<b>Adj. PAT</b>	<b>2,457</b>	<b>884</b>	<b>178</b>	<b>6,583</b>	<b>442</b>	<b>1,390</b>
Equity shares (cr)	633.1	544.0	16.4	633.1	544.0	16.4
<b>EPS (₹)</b>	<b>38.3</b>	<b>12.0</b>	<b>220</b>	<b>104.8</b>	<b>5.9</b>	<b>1,665</b>

Source: Company, Angel Research

**Outstanding consolidated performance:** TML reported strong 21.7% yoy and 10.1% qoq growth in net sales to ₹31,685cr (v/s ₹28,870cr est.), led by robust performance of JLR and better-than-expected performance at the standalone level. Total volumes in the domestic markets grew by 17.4% yoy, while JLR volumes jumped by 11.3% yoy.

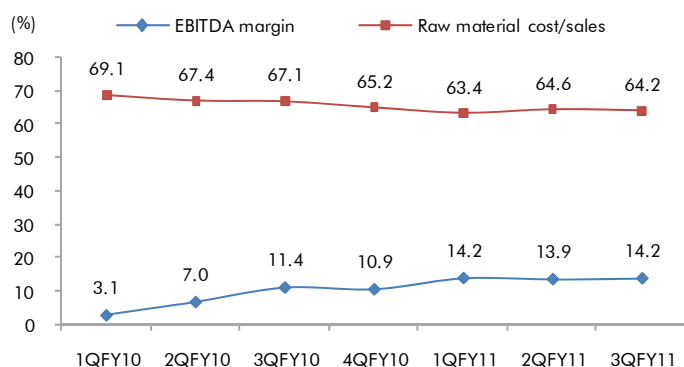
**Exhibit 10: Net sales up 21.7% yoy, led by a surge in JLR volumes**



Source: Company, Angel Research

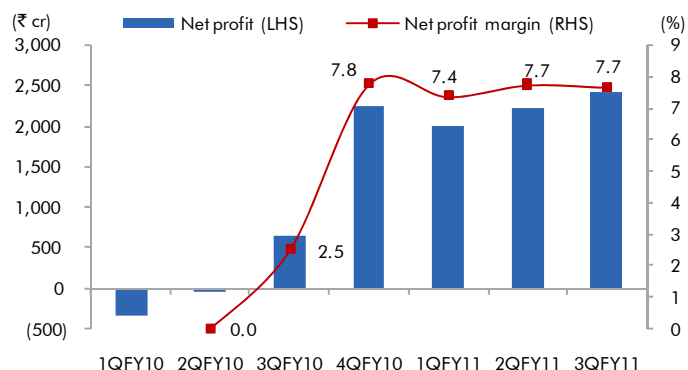
On the operating front, margin improved by a substantial 276bp yoy and 26bp qoq to 14.2% (v/s 12.8% est.) on the back of improved operational performance at JLR. Further, favourable currency movement average (GBP/USD for 3QFY2011 was 1.58 v/s 1.63 for 3QFY2010 and average GBP/EUR for 3QFY2011 was 1.16 v/s 1.11 for 3QFY2010) and restructuring efforts at JLR helped margin expansion at the consolidated level. As a result, net profit for the quarter grew significantly by 272.9% yoy to ₹2,425cr (v/s ₹1,920cr est.).

**Exhibit 11: Increased op. leverage benefits margins**



Source: Company, Angel Research

**Exhibit 12: Improved performance aids net profit growth**



Source: Company, Angel Research

TML's total gross debt, on a consolidated basis, decreased on a qoq basis to ~₹34,000cr (₹36,565cr in 2QFY2011). The consolidated net automotive debt-to-equity ratio stood at around 0.8 as on December 31, 2010, post the QIP issuance.

**Exhibit 13: JLR – Income Statement**

(£ mn)	3QFY11	3QFY10	% yoy chg	2QFY11	% qoq chg	FY2010	FY2011E	FY2012E
Volume (units)	63,155	56,732	11.3	55,134	14.5	193,957	238,146	266,723
Net realisation (£)	42,119	34,566	21.8	40,755	3.3	33,791	40,982	43,851
<b>Net sales</b>	<b>2,660</b>	<b>1,961</b>	<b>35.6</b>	<b>2,247</b>	<b>18.4</b>	<b>6,554</b>	<b>9,760</b>	<b>11,696</b>
Operating profit	463	192	141.1	351	31.9	385	1,529	1,731
OPM (%)	17.4	9.8		15.6		5.9	15.7	14.8
<b>PAT</b>	<b>275</b>	<b>157</b>	<b>75.2</b>	<b>238</b>	<b>15.5</b>	<b>3</b>	<b>972</b>	<b>1,076</b>

Source: Company, Angel Research

**Stellar performance by JLR continues:** JLR reported better-than-expected performance during the quarter. Net sales registered robust 35.6% yoy (18.4% qoq) growth to £2,660mn primarily due to an 11.3% yoy (14.5% qoq) increase in volumes and an impressive ~21.8% yoy (3.3% qoq) jump in average net realisation. Volume growth at the retail level was particularly strong in China (up 72%), Russia (up 24%) and North America (up 16%). Further, a shift in product mix towards higher-margin vehicles as well as reduction in discounts or subventions on new product launches led to better average realisations on a yoy and qoq basis.

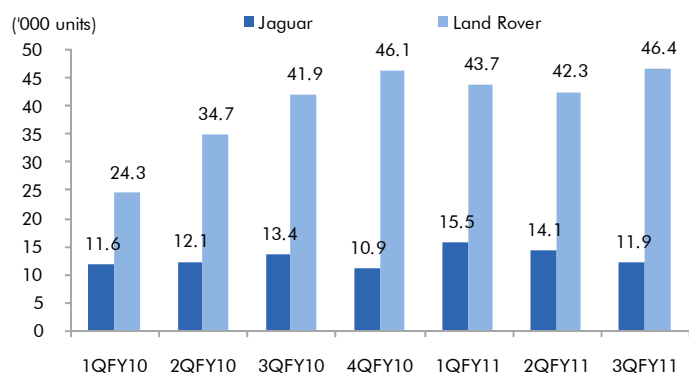
On the operating front, JLR recorded a substantial 762bp jump in operating margins to 17.4%, owing to improved operating leverage, favourable currency movement and cost-cutting measures initiated by the company. Hence, PAT witnessed 75.2% yoy and 15.5% qoq growth during 3QFY2011.

Thus, on overall excellent performance, we revise our PAT estimates upwards for JLR to £972mn and £1,076mn for FY2011 and FY2012, respectively.

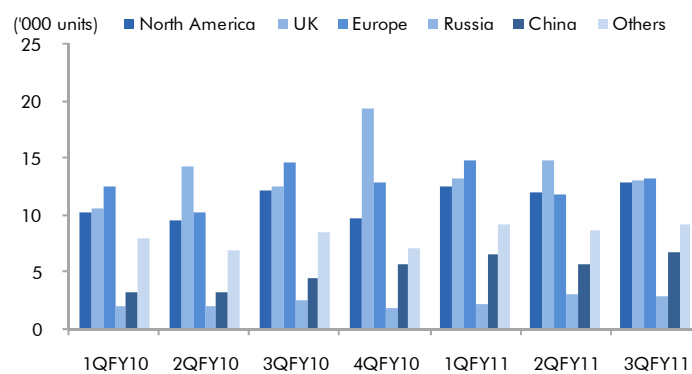
**Exhibit 14: Change in estimates (JLR)**

Y/E March (mn £)	Earlier estimates		Revised estimates		% chg	
	FY2011E	FY2012E	FY2011E	FY2012E	FY2011E	FY2012E
Revenue	9,178	10,493	9,760	11,696	6.3	11.5
OPM (%)	14.9	14.6	15.7	14.8	76bp	20bp
PAT	879	957	972	1,076	10.6	12.4

Source: Company, Angel Research

**Exhibit 15: JLR quarterly performance**


Source: Company, Angel Research

**Exhibit 16: JLR performance – Region-wise**


Source: Company, Angel Research

**Exhibit 17: Subsidiary performance**

Key Subsidiaries (₹ cr)	3QFY11				3QFY10			
	Revenue	EBITDA	OPM (%)	Net profit	Revenue	EBITDA	OPM (%)	Net profit
Tata Daewoo	658	24	3.6	(4)	586	21	3.5	(2)
Tata Tech.	313	39	12.5	28	279	36	12.7	22
Tata M. Finance	332	36	10.8	33	345	37	10.7	39
HV Transmissions	73	42	57.2	22	54	31	56.2	14
HV Axles	73	39	54.3	20	61	35	58.0	16
<b>Total</b>	<b>1,449</b>	<b>180</b>	<b>12.4</b>	<b>98</b>	<b>1,325</b>	<b>159</b>	<b>12</b>	<b>90</b>

Source: Company, Angel Research

**Subsidiaries showing substantial growth in performance:** TML's other key subsidiaries combined further recorded a 9.4% yoy increase in net sales to around ₹1,449cr (₹1,325cr) in 3QFY2011. On account of the increase in net sales in almost all its subsidiaries (except for Tata Motor Finance) and improved operating leverage, subsidiaries combined recorded a yoy increase in net profit for the quarter to ₹98cr (₹90cr). HVAL and HVTL reported significant improvement in the top line and bottom line, owing to continued growth in domestic MHCV volumes. Subsidiaries also plan to venture into manufacturing axles for the LCV range of vehicles and construction equipment.

Total vehicle financing disbursements (TMF) for 3QFY2011 stood at ₹1,855cr, an increase of 17.6% yoy, mainly on account of significant volume traction in the domestic four-wheeler industry. The book size at the end of December 2010 for TMF and TML (vehicle financing) stood at ₹8,294cr and ₹331cr, respectively. TMF's market share for 9MFY2011 stood at 19.5%. NIM of the vehicle financing business (TMF) for 3QFY2011 stood at 10.3%.

### Outlook and valuation

FY2010 was a year of recovery for TML's standalone business. The cut in interest rates and overall improvement in the financing scenario helped TML in reporting better volume growth in FY2010. Volume traction continued during 9MFY2011, with improved liquidity and further improvement in IIP. Our estimates for TML factor in a ~14% CAGR in commercial vehicle (CV) volumes over FY2010–12E and a ~36% CAGR in passenger vehicle (PV, including Nano) volumes. Following recovery in its core business, TML's key subsidiaries (linked to the fortunes of CVs) are also expected to show good results.

Moreover, with the positive trend in the external environment (in financial markets and improvement in general liquidity), TML has met most of its funding requirements (including JLR) at reasonable terms. Further, full recovery in the domestic CV cycle reduced the pressure on cash flows and has facilitated debt repayment. JLR has also recorded excellent recovery, aided by good recovery in its key markets. We expect the launch of new products in CY2011 to help JLR register a ~17% volume CAGR over FY2010–12E.

**Exhibit 18: Change in estimates (Consolidated)**

Y/E March	Earlier estimates		Revised estimates		% chg	
	FY2011E	FY2012E	FY2011E	FY2012E	FY2011E	FY2012E
Gross Revenue (₹ cr)	121,724	138,341	123,550	141,385	1.5	2.2
OPM (%)	13.3	13.5	13.3	12.3	-	(125)
EPS (₹)	130.9	160.7	130.3	138.6	(0.5)	(13.7)

Source: Angel Research

We estimate TML to record a 191% CAGR in net profit over FY2010–12E on a consolidated basis, owing to the better-than-expected recovery in JLR. At ₹1,145, on a consolidated basis, the stock is trading at 8.8x and 8.3x FY2011E and FY2012E earnings, respectively. **Valuing the company on SOTP basis, we maintain our Buy recommendation with a revised Target Price of ₹1,384 (₹1,458).** We have valued the domestic core business at ₹406/share, implying 13x FY2012E earnings. Our embedded value of the subsidiaries and investments in TML's books (including JLR) works out to ₹978/share. We have valued JLR at 7x FY2012E earnings, in line with its peers.

**Exhibit 19: SOTP valuation**

Particulars	Parameter	Value/Share (₹)
TML (Standalone)	FY2012E (13x P/E)	406
JLR	FY2012E (7x PAT)	868
Key subsidiaries and others		110
<b>Target price</b>		<b>1,384</b>

Source: Angel Research

**Exhibit 20 : JLR peer valuation**

	P/E (x)		P/B (x)		EV/EBITDA (x)		P/Sales (x)	
	CY11E	CY12E	CY11E	CY12E	CY11E	CY12E	CY11E	CY12E
Audi	12.2	10.4	2.3	2.0	-	-	0.8	0.7
BMW	11.1	9.6	1.6	1.4	7.9	7.4	0.6	0.6
Daimler	10.5	9.1	1.5	1.4	8.4	7.6	0.6	0.5
Porsche	16.6	8.6	0.7	0.7	-	-	-	-
Volkswagen	8.9	7.7	1.1	0.9	6.5	6.1	0.4	0.4

Source: Bloomberg, Angel Research

**Key downside risk to our estimates:** Lower-than-expected growth in IIP and credit cycle would in turn result in lower offtake of CVs and PVs, which can impact our standalone numbers. Further, lower-than-expected recovery in the overseas market can affect our growth estimates at the JLR front.



**Exhibit 21 : Angel v/s consensus forecast**

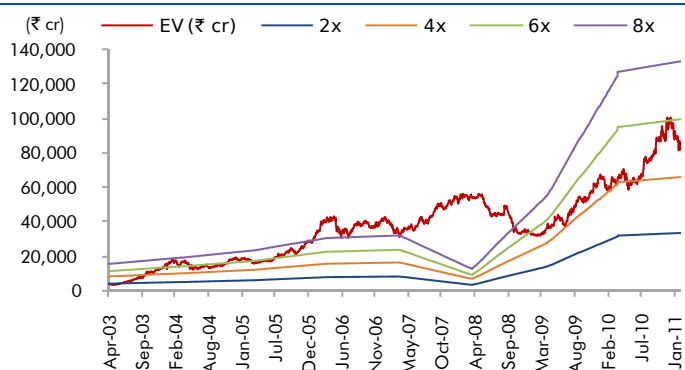
	Angel estimates		Consensus		Variation (%)	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Net sales (₹ cr)	119,226	136,083	117,619	136,024	1.4	-
EPS (₹)	130.3	138.6	133.8	155.1	(2.6)	(10.6)

Source: Bloomberg, Angel Research

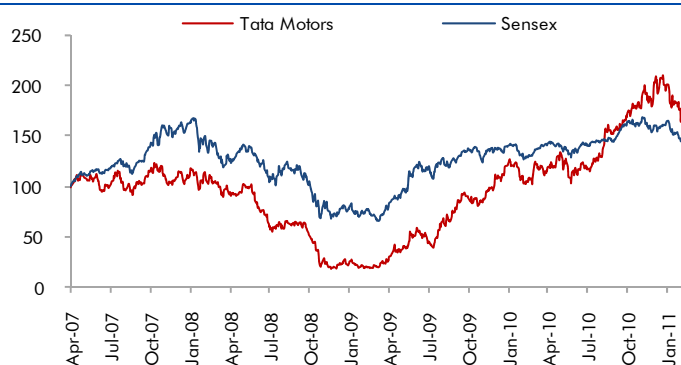
**Exhibit 22: Key assumptions**

Y/E March (units)	FY07	FY08	FY09	FY10	FY11E	FY12E
M&HCV	183,592	179,415	123,011	167,598	198,520	212,011
LCV	145,763	173,434	168,495	233,652	272,158	290,476
<b>Total CV</b>	<b>329,355</b>	<b>352,849</b>	<b>291,506</b>	<b>401,250</b>	<b>470,678</b>	<b>502,488</b>
UV	48,599	50,299	39,981	34,124	40,846	42,791
Cars	191,934	179,268	166,660	176,683	195,721	198,503
Nano	-	-	-	30,350	89,600	200,000
<b>Total PV</b>	<b>240,533</b>	<b>229,567</b>	<b>206,641</b>	<b>241,157</b>	<b>326,167</b>	<b>441,295</b>
Exports (Inc Above)	49,018	54,272	33,410	33,862	53,119	66,065
<b>Total volume</b>	<b>569,888</b>	<b>582,416</b>	<b>498,147</b>	<b>642,407</b>	<b>796,845</b>	<b>943,782</b>
JLR volume	-	-	-	193,957	238,146	266,723

Source: Company, Angel Research

**Exhibit 23: One-year forward EV/EBITDA**


Source: Company, Bloomberg, Angel Research

**Exhibit 24: Tata Motors v/s Sensex**


Source: Company, Bloomberg, Angel Research

**Exhibit 25: Automobile – Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY10-12E EPS CAGR (%)
					FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	
Ashok Leyland	Buy	54	62	15.8	15.9	11.2	9.6	8.1	12.4	16.1	28.6
Bajaj Auto	Buy	1,256	1,491	18.7	14.3	12.6	9.1	7.9	79.0	70.6	30.0
Hero Honda	Neutral	1,472	-	-	15.0	13.5	11.6	9.7	52.9	51.6	2.2
Maruti Suzuki	Buy	1,184	1,515	27.9	15.5	11.7	8.2	5.8	17.4	16.0	9.8
M&M	Buy	668	794	18.8	15.5	14.1	9.9	8.6	26.1	25.0	16.8
<b>Tata Motors</b>	<b>Buy</b>	<b>1,145</b>	<b>1,384</b>	<b>20.9</b>	<b>8.8</b>	<b>8.3</b>	<b>5.5</b>	<b>4.6</b>	<b>59.9</b>	<b>38.3</b>	<b>176.6</b>
TVS Motor	Buy	51	71	39.4	11.3	9.2	6.8	5.3	24.1	28.0	53.9

Source: Company, Angel Research

**Profit & loss statement (Consolidated)**

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>Gross sales</b>	<b>36,705</b>	<b>40,089</b>	<b>74,093</b>	<b>95,567</b>	<b>123,550</b>	<b>141,385</b>
Less: Excise duty	4,639	4,668	3,212	3,048	4,324	5,302
Net Sales	32,067	35,422	70,881	92,519	119,226	136,083
<b>Total operating income</b>	<b>32,067</b>	<b>35,422</b>	<b>70,881</b>	<b>92,519</b>	<b>119,226</b>	<b>136,083</b>
% chg	35.8	10.5	100.1	30.5	28.9	14.1
<b>Total Expenditure</b>	<b>28,320</b>	<b>31,490</b>	<b>69,371</b>	<b>85,852</b>	<b>103,428</b>	<b>119,413</b>
Net Raw Materials	21,961	24,376	48,025	61,495	78,689	91,175
Other Mfg costs	1,713	1,515	2,325	2,963	3,875	4,423
Personnel	2,409	2,745	7,297	8,943	10,730	12,247
Other	2,237	2,854	11,724	12,452	10,134	11,567
<b>EBITDA</b>	<b>3,746</b>	<b>3,932</b>	<b>1,509</b>	<b>6,667</b>	<b>15,797</b>	<b>16,670</b>
% chg	11.7	4.9	(61.6)	341.7	137.0	5.5
(% of Net Sales)	11.7	11.1	2.1	7.2	13.3	12.3
Depreciation & Amortisation	688	782	2,507	3,887	4,169	4,536
<b>EBIT</b>	<b>3,058</b>	<b>3,150</b>	<b>(997)</b>	<b>2,780</b>	<b>11,628</b>	<b>12,134</b>
% chg	37.7	3.0	-	-	318.3	4.4
(% of Net Sales)	9.5	8.9	(1.4)	3.0	9.8	8.9
Interest & other Charges	465	913	2,171	2,465	2,366	2,070
Other Income	491	619	1,316	1,672	617	702
(% of PBT)	15.7	20.1	(84.3)	47.5	6.2	6.4
<b>Recurring PBT</b>	<b>3,084</b>	<b>2,856</b>	<b>(1,852)</b>	<b>1,986</b>	<b>9,879</b>	<b>10,766</b>
% chg		(7.4)	-	-	397.5	9.0
Extraordinary Expense/(Inc.)	(43.5)	(230)	(291)	(1,537)	(154)	(138)
<b>PBT (reported)</b>	<b>3,127</b>	<b>3,086</b>	<b>(1,561)</b>	<b>3,523</b>	<b>10,033</b>	<b>10,904</b>
Tax	883	852	336	1,006	1,706	2,072
(% of PBT)	28.2	27.6	(21.5)	28.6	17.0	19.0
<b>PAT (reported)</b>	<b>2,244</b>	<b>2,235</b>	<b>(1,897)</b>	<b>2,517</b>	<b>8,327</b>	<b>8,832</b>
Add: Share of earnings of asso.	39	65	(52)	85	106	127
Less: Minority interest (MI)	74.2	132.3	(11.5)	30.3	32.6	42.7
PAT after MI (reported)	2,209	2,168	(1,937)	2,571	8,400	8,916
<b>ADJ. PAT</b>	<b>2,166</b>	<b>1,937</b>	<b>(2,228)</b>	<b>1,034</b>	<b>8,247</b>	<b>8,778</b>
% chg	31.8	(10.6)	-	-	697.3	6.4
(% of Net Sales)	6.8	5.5	(3.1)	1.1	6.9	6.5
<b>Basic EPS (₹)</b>	<b>56.2</b>	<b>50.2</b>	<b>(43.3)</b>	<b>18.1</b>	<b>130.3</b>	<b>138.6</b>
<b>Fully Diluted EPS (₹)</b>	<b>38.0</b>	<b>34.0</b>	<b>(39.0)</b>	<b>18.1</b>	<b>130.3</b>	<b>138.6</b>
% chg	31.8	(10.6)	-	-	618.6	6.4

**Balance sheet (Consolidated)**

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	385	386	514	571	633	633
Reserves & Surplus	7,336	8,312	5,427	7,636	18,673	25,928
<b>Shareholders' Funds</b>	<b>7,722</b>	<b>8,698</b>	<b>5,941</b>	<b>8,206</b>	<b>19,306</b>	<b>26,561</b>
Minority Interest	250	468	403	214	246	289
Total Loans	7,302	11,585	34,974	35,192	33,800	29,569
Deferred Tax Liability	817	974	680	1,154	1,354	1,572
<b>Total Liabilities</b>	<b>16,091</b>	<b>21,725</b>	<b>41,998</b>	<b>44,766</b>	<b>54,707</b>	<b>57,991</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	10,359	12,976	58,469	62,145	73,145	79,581
Less: Acc. Depreciation	5,427	6,060	33,269	34,414	38,583	43,119
<b>Net Block</b>	<b>4,933</b>	<b>6,915</b>	<b>25,200</b>	<b>27,732</b>	<b>34,562</b>	<b>36,462</b>
Capital Work-in-Progress	2,582	5,948	10,533	8,068	7,314	7,958
Goodwill	443	566	3,719	6,129	6,129	6,129
<b>Investments</b>	<b>1,175</b>	<b>2,666</b>	<b>1,257</b>	<b>2,219</b>	<b>2,188</b>	<b>2,610</b>
Current Assets	15,812	19,244	33,322	42,530	53,928	60,799
Cash	1,154	3,833	4,121	8,743	10,666	15,116
Loans & Advances	9,789	10,056	13,456	15,283	23,845	25,856
Other	4,869	5,355	15,745	18,503	19,417	19,827
Current liabilities	8,865	13,621	32,120	41,912	49,416	55,967
<b>Net Current Assets</b>	<b>6,947</b>	<b>5,623</b>	<b>1,202</b>	<b>618</b>	<b>4,512</b>	<b>4,832</b>
Mis. Exp. not written off	12	7	86	-	-	-
<b>Total Assets</b>	<b>16,091</b>	<b>21,725</b>	<b>41,998</b>	<b>44,766</b>	<b>54,707</b>	<b>57,991</b>

**Cash flow statement (Consolidated)**

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
Profit before tax	3,127	3,086	(1,561)	3,523	10,033	10,904
Depreciation	688	782	2,507	3,887	4,169	4,536
Change in Working Capital	(699)	(4,397)	(15,377)	(7,425)	(7,426)	(5,872)
Less: Other	3,109	(6,976)	(15,517)	(14,635)	(19,949)	(14,579)
Direct taxes paid	883	852	336	1,006	1,706	2,072
<b>Cash Flow from Operations</b>	<b>(875)</b>	<b>5,596</b>	<b>750</b>	<b>13,614</b>	<b>25,019</b>	<b>22,075</b>
(Inc.)/Dec. in Fixed Assets	(2,661)	(5,983)	(50,078)	(1,211)	(10,246)	(7,079)
(Inc.)/Dec. in Investments	87	(1,491)	1,408	(962)	31	(421)
(Inc.)/Dec. in loans and advances	11	278	3,582	500	(2,956)	(1,000)
Other	491	619	1,316	1,672	617	702
<b>Cash Flow from Investing</b>	<b>(2,073)</b>	<b>(6,577)</b>	<b>(43,772)</b>	<b>(1)</b>	<b>(12,554)</b>	<b>(7,799)</b>
Issue of Equity	110	0	3,958	57	63	-
Inc./(Dec.) in loans	3,923	4,283	23,389	219	(1,392)	(4,231)
Dividend Paid (Incl. Tax)	584	688	677	365	1,002	1,111
Other	1,897	1,304	(14,833)	9,630	10,215	6,706
<b>Cash Flow from Financing</b>	<b>2,720</b>	<b>3,667</b>	<b>42,856</b>	<b>(8,990)</b>	<b>(10,543)</b>	<b>(9,826)</b>
Inc./(Dec.) in Cash	(228)	2,685	(166)	4,622	1,923	4,450
<b>Opening Cash balances</b>	<b>1,386</b>	<b>1,154</b>	<b>3,833</b>	<b>4,121</b>	<b>8,743</b>	<b>10,666</b>
<b>Closing Cash balances</b>	<b>1,154</b>	<b>3,833</b>	<b>4,121</b>	<b>8,743</b>	<b>10,666</b>	<b>15,116</b>

**Key ratios**

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	20.4	22.8	-	63.1	8.8	8.3
P/CEPS	15.0	14.6	96.4	13.3	5.8	5.4
P/BV	5.7	5.1	10.1	8.1	3.8	2.7
Dividend yield (%)	1.3	1.3	0.5	1.3	1.3	1.3
EV/Sales	1.9	1.8	1.3	0.9	0.7	0.5
EV/EBITDA	18.8	17.9	62.9	13.4	5.5	4.6
EV / Total Assets	4.4	3.2	2.3	2.0	1.6	1.3
<b>Per Share Data (₹)</b>						
EPS (Basic)	56.2	50.2	(43.3)	18.1	130.3	138.6
EPS (fully diluted)	38.0	34.0	(39.0)	18.1	144.5	153.8
Cash EPS	76.1	78.2	11.9	86.3	196.1	210.3
DPS	15.0	15.0	6.1	15.1	15.0	15.0
Book Value	121.6	137.0	92.1	126.7	302.0	416.6
<b>DuPont Analysis</b>						
EBIT margin	9.5	8.9	(1.4)	3.0	9.8	8.9
Tax retention ratio	0.7	0.7	1.2	0.7	0.8	0.8
Asset turnover (x)	3.0	2.4	2.7	2.6	3.2	3.3
ROIC (Post-tax)	20.5	15.8	(4.7)	5.7	25.6	24.0
Cost of Debt (Post Tax)	6.2	7.0	11.3	5.0	5.7	5.3
Leverage (x)	0.4	0.6	2.4	3.8	1.6	0.7
Operating ROE	26.4	21.1	(42.6)	8.1	58.4	37.5
<b>Returns (%)</b>						
ROCE (Pre-tax)	23.1	16.7	(3.1)	6.4	23.4	21.5
Angel ROIC (Pre-tax)	22.3	20.7	(2.7)	8.3	27.9	30.3
ROE	31.3	23.6	(30.4)	14.6	59.9	38.3
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	3.3	3.0	2.0	1.5	1.8	1.8
Inventory / Sales (days)	32	33	37	44	36	33
Receivables (days)	17	19	18	24	21	20
Payables (days)	82	116	123	135	126	127
Working capital cycle (ex-cash) (days)	66	39	(3)	(22)	(22)	(22)
<b>Solvency ratios (x)</b>						
Net debt to equity	0.6	0.6	5.0	3.0	1.1	0.4
Net debt to EBITDA	1.3	1.3	19.6	3.6	1.3	0.7
Interest Coverage (EBIT / Interest)	6.6	3.5	(0.5)	1.1	4.9	5.9

Research Team Tel: 022 - 3935 7800

 E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

 Website: [www.angelbroking.com](http://www.angelbroking.com)

## DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

**Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.**

### Disclosure of Interest Statement

	Tata Motors
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	Yes
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

<b>Ratings (Returns) :</b>	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
----------------------------	------------------------------------	---	--------------------