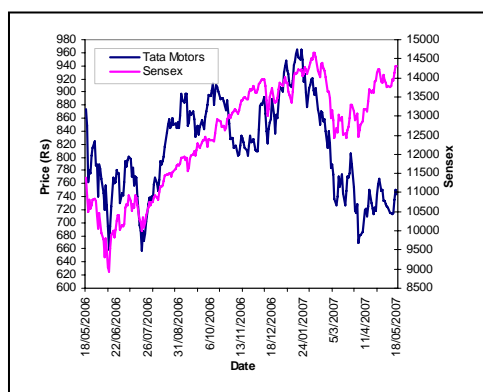


Tata Motors

CMP: Rs743
Buy
**Target Price: Rs900
(12 Months)**
Vaishali Jajoo
Tel: 022 – 4040 3800 Ext: 344
e-mail: vaishali.jajoo@angeltrade.com
Stock Info

Sector	Automobile
Market Cap (Rs cr)	28,627
Beta	1.1
52 WK High / Low	975/651
Avg Daily Volume	417838
Face Value (Rs)	10
BSE Sensex	14,303
Nifty	4,215
BSE Code	500570
NSE Code	TATAMOTORS
Reuters Code	TELC.BO
Bloomberg Code	TTMT IN
Shareholding Pattern (%)	
Promoters	33.4
MF/Banks/Indian FIs	17.6
FII/ NRIs/ OCBs	38.7
Indian Public	10.3

Share Price Vs Sensex

Q4FY2007 Result Update
Performance Highlights

- Revenue in line with expectation:** Tata Motors' Q4FY2007 Net Sales grew 20.3% on the back of a 16.2% rise in volumes and 3.7% increase in realisation. Topline also includes foreign exchange gain of Rs60.2cr in Q4FY2007 as against Rs29.38cr last year. Domestic sale of commercial vehicles (CV) and passenger vehicles contributed to a volume growth of 16% during Q4FY2007. Average realisation rose on the back of selective price hikes effected by the company and higher volumes in the CV segment.
- Decline in OPM:** Recurring operating margins (excluding forex gains) for the quarter fell from 12.2% to 11.3% due to the increase in input costs. Raw material costs, as a percentage of net revenues, was 70.8% in Q4FY2007, up from 69.8% in Q4FY2006. However, this was mitigated to some extent by lower-than-expected S&A expenditure, which fell by 45bp yoy.
- Earnings' growth subdued:** PAT for Q4FY2007 was Rs576.7cr (Rs452cr), a yoy increase of 25.9%. Net profit margin rose by 40bp to 6.9% mainly on account of a decline in Interest and Capital Costs. Net interest cost in Q4FY2007 fell to Rs59.8cr (Rs69.2cr), a decline of around 13.6% yoy.
- Consolidated performance fairly strong:** The company's consolidated revenue stood at Rs9,759cr (Rs7865cr), an increase of 24.1%. Consolidated PAT was at Rs649.8cr (Rs523cr), recording a growth of 24.3%. Tata Motors reported an EPS of Rs56.3 on consolidated basis for FY2007.

Key Financials

Y/E March (Rs cr)	FY2006	FY2007E	FY2008E	FY2009E
Net Sales	20,653	27,535	29,581	33,515
% chg	20.9	33.3	7.4	13.3
Net Profit	1,529	1,913	2,098	2,322
% chg	26.1	25.2	9.7	10.7
OPM (%)	12.5	12.0	11.9	11.8
EPS (Rs)	39.9	49.6	54.4	60.3
P/E (x)	18.6	15.0	13.6	12.3
P/CEPS (x)	13.9	11.5	10.5	9.3
ROE (%)	27.7	29.6	24.9	21.9
ROCE (%)	22.3	29.0	25.5	23.7
P/BV	5.2	4.4	3.4	2.7

Source: Company, Angel Research

Key Highlights

Volumes during Q4FY2007: Total sales volume for the quarter at 172,355 units was up by 16% over 148,343 units sold in the corresponding quarter of the previous year. In Q4FY2007 sale of commercial vehicles in the domestic market increased by 22% to 87,467 units, while passenger vehicle sales at 70,248 units was up 14% yoy. During FY2007, the company launched new vehicles and also extended its products to newer markets. The mini-truck, Ace, has now been extended across the country and a new variant, Ace HT, has also been launched. The 100,000th Ace was rolled out within 22 months of launch. In passenger vehicles, launches included the long wheel base Indigo XL with two new powertrains, a new range of the Indica and the Indigo along with a new 1.2 litre petrol engine option for the Indica. All these products have received encouraging response.

Exhibit 1: Volume Growth

	Q4FY2007	Q4FY2006	% chg	FY2007	FY2006	% chg
Commercial Vehicles (Dom)	87,467	71,416	22.5	298,586	214,836	39.0
Passenger Vehicles (Dom)	70,248	61,553	14.1	228,220	189,070	20.7
Total Domestic Sales	157,715	132,969	18.6	526,806	403,906	30.4
Export	14,640	15,374	(4.8)	53,474	50,223	6.5
Total	172,355	148,343	16.2	580,280	454,129	27.8

Source: Company, Angel Research

Capacity Expansion and New Launch: Tata Motors has increased its capital expenditure to Rs12,000cr from Rs10,000cr previously spread over the next four years. Capex will comprise Rs8,000cr for new product development and Rs4,000cr for capacity expansions. The company plans to source Rs7,500cr from internal accruals and raise the balance Rs4,500cr from issuance of suitable instruments in the domestic/overseas markets. The company is looking at increasing capacity across all products over the next 12-15 months. The company would also be launching new models and platforms in passenger cars, trucks and buses besides giving a face-lift to the existing models including the Indica replacement platform.

Outlook and Valuation

Tata Motors mentioned in its analyst meet that it is witnessing slackening of implementation of the ban on overloading of trucks in some states. If this trend continues, there exists a downside risk to our FY2008 growth estimate for M&HCVs. While it is now more or less certain that FY2008 will see mid-single digit volume growth at best for Tata Motors in both CVs and PVs, FY2009 should be a better year if overall economic growth in India stays strong. In our view, if freight demand stays strong, any over-supply situation in the CV industry will likely get resolved by Q4FY2008, paving the way for better growth in FY2009.

Going forward, investments in the subsidiaries would unlock the real value of the stock in the long term. Based on consolidated estimates, we believe the company to report an EPS of Rs65 and Rs72 for FY2008E and FY2009E, respectively. Based on SOTP valuation, we have arrived at the Target Price of Rs900. In view of the current weakness in the stock due to near-term growth concerns it is an excellent opportunity to Buy the stock with a long-term perspective. **We maintain our Buy rating on Tata Motors with a Target Price of Rs900.**

Exhibit 2: Q4FY2007 Performance (Consolidated)

Y/E Mar (Rs cr)	Q4FY2007	Q4FY2006	% chg	FY2007	FY2006	% chg
Net Sales	9,759.2	7,865.0	24.1	32,426.4	23,769.5	36.4
Other Income	30.9	1.1	2704.5	153.2	243.5	(37.1)
Total Income	9,790.1	7,866.1	24.5	32,579.6	24,013.0	35.7
EBITDA	1,251.3	1,036.3	20.8	4,115.8	3,048.3	35.0
OPM (%)	12.8	13.2		12.7	12.8	
Interest	121.1	74.0		405.8	246.0	
Depreciation	184.1	158.8	15.9	688.1	623.3	10.4
Profit Before tax	947.9	751.9	26.1	3,088.1	2,349.0	31.5
Tax	282.3	232.2		883.2	640.0	
Profit After tax	649.8	522.6	24.3	2,170.0	1,728.1	25.6
EPS (Rs)	16.9	13.6		56.3	45.1	

Source: Company, Angel Research

Exhibit 3: Q4FY2007 Performance (Standalone)

Y/E Mar (Rs cr)	Q4FY2007	Q4FY2006	% chg	FY2007	FY2006	% chg
Net Sales	8,267.0	6,869.7	20.3	27,535.2	20,653.5	33.3
Other Income	60.4	4.4	1267.4	245.2	289.1	(15.2)
Total Income	8,327.4	6,874.1	21.1	27,780.4	20,942.6	32.7
EBITDA	937.7	838.9	11.8	3,313.7	2,575.7	28.7
OPM (%)	11.3	12.2		12.0	12.5	
Interest	59.8	69.2		313.1	226.4	
Depreciation	158.3	136.3	16.1	586.3	520.9	12.5
Profit Before tax	779.8	647.6	20.4	2,573.2	2,053.4	25.3
Tax	203.1	189.5		659.7	524.5	
Profit After tax	576.7	458.1	25.9	1,913.5	1,528.9	25.2
EPS (Rs)	15.0	11.8		49.6	39.9	

Source: Company, Angel Research



Angel Broking Limited

Research Team Tel: 4040 3800

E-mail: research@angeltrade.com

Website: www.angeltrade.com

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor 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. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

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 and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of 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. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement 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.

We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Angel Broking, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Angel Broking and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

Angel Broking Limited and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions.

Angel Broking Limited and 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.

Sebi Registration No : INB 010996539