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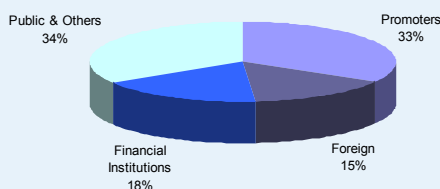
Price: **Rs.432**
12M Target Price: **Rs.471**
% Upside / (Downside) **9%**

Stock details

BSE Code	500570
NSE Code	TATAMOTORS
Bloomberg Code	TTMT IN
Reuters Code	TAMO BO
Market Cap (Rs bn)	167
Free Float (%)	67
52-wk Hi/Lo (Rs)	840 / 374
Avg Daily Vol (BSE)	162,965
Avg Daily Vol (NSE)	782,143
Shares o/s (mn) FV Rs 10	385

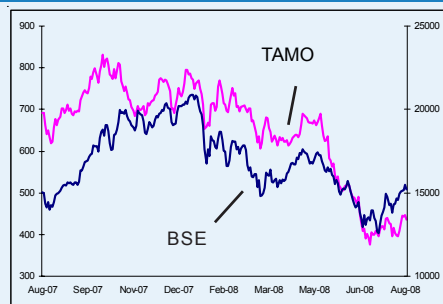
Source: Reliance Money Research

Shareholding pattern (30th June 2008)



Source: Reliance Money Research

Stock Performance (Rel to sensx)



Source: Capitaline

Tata Motors

Revival...not immediately

We recommend a HOLD

TAMO's has indicated that its funding plan for JLR is likely to lead to total equity dilution of 34-37%. We believe after the acquisition of JLR TAMO would become a truly global company with the world class brands like JLR, big capacity trucks from Tata Daewoo and a strong platform in growing economy like India. But in the short term i.e. for next 12-18 months, overall auto market is expected to remain unenthusiastic. Other challenges like rising interest cost, stringent financing norms, rising raw material cost and big capex plan to the tune of Rs.80-100bn for expanding/ installing new capacities would impact the performance in the short to medium term period.

We assign lower multiple to TAMO as the overall auto industry is expected to remain unenthusiastic in the medium term. We value core value of TAMO at Rs.318 and subsidiaries & other investments at Rs.153. Due to lack of appropriate information on JLR we have not considered the valuation of JLR in our SOTP valuation. Positive surprises on JLR would provide additional upside to our TAMO's target price. At current market price of Rs.432, the TAMO stock trades at PE multiple of 12x and 10x on FY09E and FY10E respectively. We recommend a HOLD with target price of Rs.471.

Q1FY09 net sales up by 14.4% y-o-y

TAMO's Q1FY09 net sales grew by 14.4% y-o-y to Rs.69.2bn backed by 6.7% growth in net sales realization and 3.4% growth in sales volume. Growth in overall sales was largely on account of strong performance of M&HCV, LCV and UV segments while passenger car segment along with exports reported a decline in sales. Passenger car sales of the company have fallen in Q1FY09E

Adjusted net profit falls by 30% y-o-y

EBITDA margins for the quarter remained under pressure due to rising raw material prices and came down by 116bps y-o-y to 7.5%. Adjusted net profit declined by 30% y-o-y to Rs.3.2bn which was lower than our estimates. This fall in net profit was on account of forex losses of Rs.1131mn and higher interest costs.

CV and passenger vehicle outlook remain unenthusiastic

After a continuous growth for last 6 years, domestic CV industry reported sales volume growth of 7% y-o-y in FY08. TAMO's CV segment reported 5% growth in FY08 and passenger car segment of TAMO witnessed a decline of 5% y-o-y. For FY09E we believe the outlook for CV and passenger vehicle segment remains unenthusiastic. Challenges in terms of rising interest cost, stringent financing norms adopted by financing institutions, rising raw material costs remain in FY09E as well.

Financials Summary

	Rs. Mn			
	FY07	FY08	FY09E	FY10E
Net Sales	270,615	287,308	323,794	375,636
EBITDA margin %	10.5	10.1	9.6	10.4
Net Profit	18,385	20,289	15,891	19,274
EPS (Rs)	47.7	52.6	35.4	42.9
CEPS (Rs)	69.5	73.1	56.0	67.6
EV/EBITDA	6.1	5.4	5.0	4.1
ROE %	29.6	27.6	15.7	14.8
ROCE %	30.4	21.8	18.4	19.3
P/E (x)	9.1	8.2	12.2	10.1
Market cap/Sales (x)	0.6	0.6	0.6	0.5

Source: Company / Reliance Money Research

Contd...

Q1FY09 Performance - Standalone**Rs Mn**

	Q1FY08	Q1FY09	YoY (%)	FY 07	FY 08	YoY (%)
Net Sales	60,568.2	69,284.4	14.4	270,615.3	287,307.9	6.2
Other Income	882.9	3,156.1	257.5	6,983.5	4,831.8	(30.8)
Total Income	61,451.1	72,440.5	17.9	277,598.8	292,139.7	5.2
Total Expenditure	55,298.4	64,059.1	15.8	242,319.0	258,404.3	6.6
Operating Profits	5,269.8	5,225.3	(0.8)	28,296.3	28,903.6	2.1
OPM (%)	8.7	7.5	(115.9)	10.5	10.1	(39.6)
Interest	815.6	1,123.3	37.7	3,685.1	2,823.7	(23.4)
Depreciation	1,474.7	1,808.4	22.6	5,862.9	6,523.1	11.3
PBT	3,862.4	5,449.7	41.1	25,731.8	24,388.6	(5.2)
Provision for tax	1,253.7	189.8	(84.9)	6,597.2	5,475.5	(17.0)
PAT	2,608.7	5,259.9	101.6	19,134.6	18,913.1	(1.2)
Extraordinary Items	2,058.9	(1,998.9)	(197.1)	(750.0)	1,376.0	(283.5)
Adj PAT	4,667.6	3,261.0	(30.1)	18,384.6	20,289.1	10.4
Equity Capital	3,854.1	3,855.4	0.0	3,854.1	3,855.4	0.0
EPS (Rs)	12.1	8.5	(30.2)	47.7	52.6	10.3

Source: Company

TAMO's Q1FY09 net sales grew by 14.4% y-o-y to Rs.69.2bn backed by 6.7% growth in net sales realization and 3.4% growth in sales volume

Q1FY09 sales revenue in line with our expectations

TAMO's Q1FY09 net sales grew by 14.4% y-o-y to Rs.69.2bn backed by 6.7% growth in net sales realization and 3.4% growth in sales volume. Growth in overall sales was largely on account of strong performance of M&HCV, LCV and UV segments while passenger car segment along with exports reported a decline in sales. Passenger car sales of the company have fallen in Q1FY09E especially on account of decline in Indica sales, which despite the launch of LPG variant; the company was not able to revive. On the other side utility vehicles Sumo and Safari have shown good performance during the quarter thereby offsetting the lower sales of Indica cars.

UV segment of the company recorded a growth of 22.3% y-o-y

Other Key highlights :-

- TAMO registered a 15.9% growth in the CV segment during the quarter.
- TAMO's market share in the MHCV segment increased to 60.1% as against 58.6% in the same quarter last year.
- TAMO's market share in the LCV segment has increased to 69.8% as against 46.2% in the same period last year.
- Tammo launched Indica V2 Xeta LPG and Indigo CS Dicor during the quarter.
- UV segment of the company recorded a growth of 22.3% y-o-y. while, the passenger car segment grew by 12.4% y-o-y.

EBITDA remains flat in Q1FY09

EBITDA margins for the quarter remained under pressure due to rising raw material prices and came down by 116bps y-o-y to 7.5%. While the EBITDA of the company during the quarter reported a minor fall of 1% y-o-y to Rs.5.2bn. The company had hiked the price of its vehicles twice during the quarter i.e. one in the month of April and other in the month of June 2008 which has helped the company in offsetting the rise in raw material prices.

Adjusted net profit declined by 30% y-o-y to Rs.3.2bn

Adjusted net profit falls by 30% y-o-y

Adjusted net profit declined by 30% y-o-y to Rs.3.2bn which was lower than our estimates. This fall in net profit was on account of forex losses of Rs.1131mn and higher interest costs.

Jaguar reports higher volume growth while Land Rover reports decline

Jaguar reported sales volume growth of 49% y-o-y to 22,444 units while Land Rover reported decline in sales volume by 15% y-o-y to 52,728 units during Q1FY09. Jaguar XF was launched in March 2008 and a strong response with sales volume of more than 13,700 units during Q1FY09. Jaguar has reported impressive sales volume growth in difficult market conditions.

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Subsidiary performance remains robust

Rs Mn

TAMO's subsidiaries have posted impressive results.

	Subsidiary Turnover			PAT		
	Q1FY08	Q1FY09	YoY %	Q1FY08	Q1FY09	YoY %
Tata Daewoo	6,860.0	8,100.0	18.08	289.0	456.0	57.79
Telcon	5,370.0	6,490.0	20.86	660.0	679.0	2.88
Tata Technologies	2,660.0	2,850.0	7.14	33.0	99.0	200.00
HV Transmissions	390.0	480.0	23.08	74.0	109.0	47.30
HV Axles	400.0	530.0	32.50	98.0	127.0	29.59
Tata Motors Finance	1,640.0	2,050.0	25.00	104.0	-86.0	-182.69

Source: Company

TAMO's subsidiaries have posted impressive results. Its subsidiaries Tata Daewoo, Tata Technologies & HV Transmissions Ltd posted growth of 58%, 200% and 47% respectively at net profit level. TAMO's subsidiary Tata Motors finance failed to perform in this year due to slowdown in overall automotive sector.

CV and passenger vehicle outlook remain unenthusiastic

Tata Motors finance failed to perform in this year due to slowdown in overall automotive sector.

After a continuous growth for last 6 years, domestic CV industry reported sales volume growth of 7% y-o-y in FY08. TAMO's CV segment reported 5% growth in FY08 and passenger car segment of TAMO witnessed a decline of 5% y-o-y. However market share of TAMO in CV segment came down by 130bps y-o-y to 62.7% and in passenger vehicle segment it declined by 240bps y-o-y. For FY09E we believe the outlook for CV and passenger vehicle segment remains unenthusiastic. Challenges in terms of rising interest cost, stringent financing norms adopted by financing institutions, rising raw material costs remain in FY09E as well.

Financial Estimates

Year Ended March	FY08	FY09E	FY10E
Net Sales (Rs Mn)	287,308	323,794	375,636
EBITDA (Rs Mn)	28,904	30,995	38,955
EBITDA (%)	10.1	9.6	10.4
PAT (Rs Mn)	20,289	15,891	19,274
EPS (Rs)	52.6	35.4	42.9
P/E (x) @ Rs.432	8.2	12.2	10.1

Source: Company / Reliance Money Research

Company Background

Tata Motors Ltd, controlled by the House of Tatas, is the fifth-largest manufacturer of medium and heavy commercial vehicle and the second largest medium and heavy bus manufacturer in the world. It is the leader by far in commercial vehicles in each segment, and the second largest in the passenger vehicles market. In December 2006, Tata Motors entered an agreement with Fiat Auto S.p.A., Italy for the formation of a Joint Venture at Ranjangaon in Maharashtra to produce cars both for Fiat and the company as well as engines and transmissions. The new plant will have production capacity of 100,000 cars and 200,000 engines and transmissions per annum.

Through its subsidiaries, the company is engaged in engineering and automotive solutions, construction equipment manufacturing, automotive vehicle components manufacturing and supply chain activities, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications, and automotive retailing and service operations.

TAMO's has indicated that its funding plan for JLR is likely to lead to total equity dilution of 34-37%.

Valuation

TAMO's has indicated that its funding plan for JLR is likely to lead to total equity dilution of 34-37%. We believe after the acquisition of JLR TAMO would become a truly global company with the world class brands like JLR, big capacity trucks from Tata Daewoo and a strong platform in growing economy like India. But in the short term i.e. for next 12-18 months, overall auto market is expected to remain unenthusiastic. Other challenges like rising interest cost, stringent financing norms, rising raw material cost and big capex plan to the tune of Rs.80-100bn for expanding/ installing new capacities would impact the performance in the short term period.

We assign lower multiple to TAMO as the overall auto industry is expected to remain unenthusiastic in the medium term. We value core value of TAMO at Rs.318 and subsidiaries & other investments at Rs.153. Due to lack of appropriate information on JLR we have not considered the valuation of JLR in our SOTP valuation. Positive surprises on JLR would provide additional upside to our TAMO's target price.

SOTP Valuation of Tata Motors

Tata Motors (A)	9x FY09E	318
Value Assigned to other subsidiaries & Investments(B)		153
Tata Daewoo	8x FY09E	29
Telcon	8x FY09E	61
Tata Technologies	8x FY09E	7
HV Transmission	8x FY09E	10
HV Axles	7x FY09E	11
TACO	-	16
Other Investments	60% discount to Market Value/ Book Value	18
Total (A+B)		471

Source: Reliance Money Research

We recommend a HOLD with a target price of Rs.471.

At current market price of Rs.432, the TAMO stock trades at PE multiple of 12x and 10x on FY09E and FY10E respectively. We recommend a HOLD with target price of Rs.471.

Profit & loss statement (Rs mn)

Year to Mar	FY07	FY08	FY09E	FY10E
Net Sales	270,615.3	287,307.9	323,794.1	375,635.6
% Growth	30.9	6.2	12.7	16.0
EBIDTA	28,296.3	28,903.6	30,995.1	38,955.2
% Growth	9.7	2.1	7.2	25.7
Other Income	6,983.5	4,831.8	5,204.6	5,302.5
Interest	3,685.1	2,823.7	3,126.1	4,392.5
Depreciation	5,862.9	6,523.1	7,919.0	9,772.1
PBT	25,731.8	24,388.6	25,154.6	30,093.2
% Growth	25.3	(5.2)	3.1	19.6
Tax	4,825.0	5,475.5	7,923.7	9,479.3
Deferred Tax	1,772.2	-	-	-
Adj PAT	19,134.6	18,913.1	17,230.9	20,613.8
% Growth	25.2	(1.2)	(8.9)	19.6
Extra-ordinary	(750.0)	1,376.1	(1,340.0)	(1,340.0)
Reported PAT	18,384.6	20,289.2	15,890.9	19,273.8
% Growth	31.6	10.4	(21.7)	21.3
Dividend (%)	5,781.2	5,783.1	6,744.3	6,789.2
EPS (Rs)	47.7	52.6	35.3	42.9
BVPS (Rs)	178.2	203.3	275.4	303.9

Balance sheet (Rs mn)

Year to Mar	FY07	FY08	FY09E	FY10E
Equity Cap	3,854.1	3,855.4	4,496.2	4,496.2
Reserves	64,843.4	74,539.6	119,323.6	132,129.8
Networth	68,697.5	78,395.0	123,819.8	136,626.0
Secured loans	20,220.4	24,619.9	4,619.9	16,619.9
Unsecured loans	19,871.0	38,185.3	38,185.3	38,185.3
Total loans	40,091.4	62,805.2	42,805.2	54,805.2
Total Liability	108,788.9	141,200.2	166,625.0	191,431.2
Net Block	63,945.8	104,522.7	127,603.7	148,831.6
Investments	24,770.0	49,111.3	49,111.3	49,111.3
Deffered Tax Assets	(7,868.3)	(9,757.2)	(9,757.2)	(9,757.2)
Inventory	25,009.5	24,218.3	15,708.2	16,810.2
Debtors	7,821.8	11,307.3	12,052.3	13,982.0
Cash balance	8,267.6	23,973.1	32,637.7	41,985.4
Other CA	60,319.3	44,330.5	49,960.2	57,959.1
Current Liabilities	59,934.5	86,672.0	101,666.3	116,902.9
Provisions	13,643.2	19,894.3	9,085.3	10,648.7
NCA	27,840.5	(2,737.1)	(393.3)	3,185.1
Misc Exp	100.9	60.5	60.5	60.5
Total Assets	108,788.9	141,200.2	166,625.0	191,431.2

Ratio Analysis

Year to Mar	FY07	FY08	FY09E	FY10E
OPM %	10.5	10.1	9.6	10.4
NPM %	6.8	7.1	4.9	5.1
ROE %	29.6	27.6	15.7	14.8
ROCE %	30.4	21.8	18.4	19.3
Int. Cover (x)	8.0	9.6	9.0	7.9
D/E (x)	0.6	0.8	0.3	0.4
Asset Turnover (x)	2.4	1.8	1.7	1.7
Debtors Days	10.4	11.0	13.4	13.4
Inventory Days	47.3	22.0	25.0	23.0
Valuation ratios				
P/E (x)	9.1	8.2	12.3	10.1
P/CF per share (x)	6.2	5.9	7.7	6.4
EV/EBIDTA (x)	6.1	5.4	5.0	4.1
EV/Sales (x)	0.6	0.5	0.5	0.4
Mkt Cap/Sales(x)	0.6	0.6	0.6	0.5
CEPS (Rs)	69.5	73.1	55.9	67.6
P/ BV (x)	2.4	2.1	1.6	1.4

Cash Flow Statement (Rs mn)

Year to Mar	FY07	FY08	FY09E	FY10E
PAT	19,134.6	18,913.1	17,230.9	20,613.8
Depreciation	5,862.9	6,523.1	7,919.0	9,772.1
Change in WC	(5,307.7)	46,283.1	6,320.7	5,769.4
Operating CF	19,689.8	71,719.3	31,470.7	36,155.3
Capex	(23,663.8)	(46,066.7)	(31,000.0)	(31,000.0)
Misc Exp	1,591.1	40.4	-	-
Investing CF	(22,072.7)	(46,026.3)	(31,000.0)	(31,000.0)
Dividends	(6,648.3)	(6,650.6)	(7,755.9)	(7,807.6)
Debt	10,723.0	22,713.8	(20,000.0)	12,000.0
Equity	-	(1,709.4)	35,949.8	-
Investments	(4,618.5)	(24,341.3)	-	-
Financing CF	(543.8)	(9,987.5)	8,193.9	4,192.4
Net Change	(2,926.7)	15,705.5	8,664.6	9,347.7
Opening Cash	11,194.3	8,267.6	23,973.1	32,637.7
Closing Cash	8,267.6	23,973.1	32,637.7	41,985.4

Source: Reliance Money Research

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Reliance Money Stock Rating

Rating	Stock Performance
BUY	Appreciate more than 15% in next 12 months
HOLD	Appreciate upto 15% in next 12 months
REDUCE	Depreciate upto 10% in next 12 months
SELL	Depreciate More than 10% in next 12 months

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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |
BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833
Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647|
NMCE member code: CL0120 Mutual Funds : Reliance Securities Limited | AMFI ARN No.29889

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