

## Tata Motors

### 3QFY10 Consolidated Results - Jaguar Land Rover reports quarterly profit; reiterate OW - ALERT

- **Tata Motors 3QFY10 consolidated results surprised positively:** The company reported a profit of Rs.6.5B, driven by Jaguar Land Rover, which reported a quarterly profit of GBP 55m (c.Rs.4B).
- **JLR volumes rise +28% qoq, led by improving demand for luxury vehicles:** JLR's wholesale volumes came in at 56,700 units over 3Q (up from 44,300 units in 2Q). Demand was driven by improved consumer sentiment in the companies key markets. Further, realizations improved +8% qoq, driven by an improved product mix as well as lower incentives. Thus, revenues were up +38% qoq at GBP 1.96B.
- **JLR profitability up sharply; EBITDA margins at 9.8% (vs. 2.9% qoq)**– The Jaguar Land Rover business reported an EBITDA of GBP 192m, with margins at 9.8%. The impressive performance was led by cost cutting initiatives as well as improved operating leverage - staff costs ratio declined 340bp qoq, other expenses were lower by 220bp qoq and material costs were lower 130bp qoq.
- The company incurred a higher depreciation charge at GBP 118m, which included a one time charge of GBP28m.
- **Outlook:** Management has guided for a healthy outlook over the year given its refreshed product line-up at Land Rover and its soon to be launched premium Jaguar saloon – ‘XJ’.
- **We reiterate our OW stance** as we believe that Tata Motors will benefit from an improving environment at JLR and sustained CV sales in India. Further, we expect gearing ratios to decline from hereon on improving operating cash flows.

Table 1: Jaguar Land Rover 3QFY10 Quarterly Results (in GBP M)

	1QFY10	2QFY10	3QFY10
Unit Sales (in nos)	35,900	44,300	56,700
Realization (in GBP)	31,337	32,054	34,586
Sales (in GBP M)	1,125	1,420	1,961
Raw Materials	814	987	1,338
RM/Sales (%)	72.4%	69.5%	68.2%
Employees	176	187	192
Emp / Sales	15.6%	13.2%	9.8%
Other expense	170	205	239
Expense / Sales	15.1%	14.4%	12.2%
Total Expense	1,160	1,379	1,769
EBITDA	(35)	41	192
Margin (%)	-3.1%	2.9%	9.8%
Depreciation	69	58	118
Product dev exp	11	9	8
Interest	13	10	11
PBT (pre exceptional)	-128	-36	55
Notional exchange gain/(loss)	65	-16	+2
PBT	-63	-52	57
Tax	2	9	2
PAT	-65	-61	55

Source: Company Reports

See page 3 for analyst certification and important disclosures, including non-US analyst disclosures.

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## Overweight

TAMO.BO, TTMT IN

Price: Rs711.20

26 February 2010

### Automobile Manufacture

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Figure 1: Jaguar Land Rover Wholesale Sales (in Unit '000s)

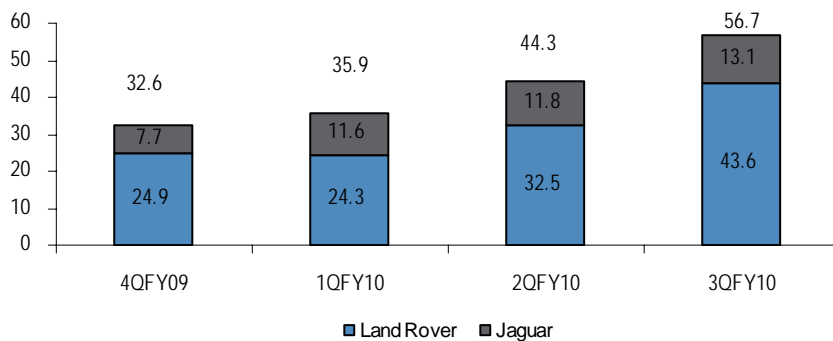


Table 2: Tata Motors 3QFY10 Consolidated P&L (Rs. M)

Consolidated P&L	3QFY09	3QFY10	% Change
Net Revenue	177,030	260,440	47%
EBITDA	(5,700)	30,570	NM
EBITDA Margin (%)	-3.2%	11.7%	
Other Income	1,210	50	-96%
Net Interest	7,142	5,460	-24%
Cash Profit	(11,640)	25,160	NM
Dep & Amortization	7,250	13,930	92%
Notional Forex gain /( loss)	(8,440)	(2,340)	NM
PBT	(27,330)	8,890	NM
Net Profit (after minority)	(25,990)	6,500	NM

Source: Company Reports

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Tata Motors (TAMO.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Nov-07	OW	733.78	863.00
07-Aug-09	N	418.30	440.00
18-Dec-09	OW	712.20	825.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
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