

Tata Motors

BUY

JLR robust volume continues in November

CMP: Rs173

Target Price: Rs207

Wholesale volume up 27% yoy; 31% above 7 month average

Tata Motors JLR sales (wholesale) in November 2011 was up 27% yoy (12% mom) at 29,183 units, led by Land Rover sales, up 38% yoy (14% mom) at 23,868 units and Jaguar sales of 5,315 units, down 5% yoy but up 2% mom.

After two consecutive months of positive yoy sales growth, Jaguar sales declined 5% in November 2011. Land Rover sales were supported by newly launched Evoque. We expect December 2011 to continue upward trend due to successful launch of new models like Evoque and Defender.

YTFDY12 sales up 19% yoy

	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTFDY11	YTFDY12	yoy (%)
JLR	22,957	29,183	27.1	26,158	11.6	155,824	185,431	19.0
Jaguar	5,621	5,315	(5.4)	5,231	1.6	38,676	35,195	(9.0)
LR	17,336	23,868	37.7	20,927	14.1	117,372	150,236	28.0

Source: Company, BRICS Research

JLR: Jaguar Land Rover

LR: Land Rover

JLR reported 19% yoy growth at 185,431 units for 8MFY12 – while sales of Jaguar declined 9% yoy to 35,195 units, those of LandRover increased 28% yoy to 150,236 units. To achieve our forecast for JLR of 275,393 units (up 14%) for FY12, the company needs monthly run rate of 22,321 units for rest of FY12, which we believe is achievable given successful launch of Evoque and rising sales from emerging markets. We also maintain volume forecast for FY13 at 297,425 units (up 8%).

JLR retail sales trend positive in November 2011

US retail sales up 17% yoy

In November 2011, JLR reported 17% yoy retail sales growth. Jaguar sales declined 18% yoy and Land Rover sales increased 31% yoy. Land Rover is posting faster sales growth than industry average driven by sales of newly launched Evoque.

US luxury car sales v/s total passenger vehicle sales

Company	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDCY10	YTDCY11	yoy (%)
Jaguar Land Rover	4,039	4,735	17.2	4,795	(1.3)	40,329	44,495	10.3
Jaguar	1,117	915	(18.1)	909	0.7	12,160	11,139	(8.4)
Land Rover	2,922	3,820	30.7	3,886	(1.7)	28,169	33,356	18.4
Total luxury car sales	165,242	209,701	26.9	204,700	2.4	1,773,781	2,092,521	18.0
Total passenger car sales	873,323	994,721	13.9	1,021,313	(2.6)	10,444,044	11,534,206	10.4

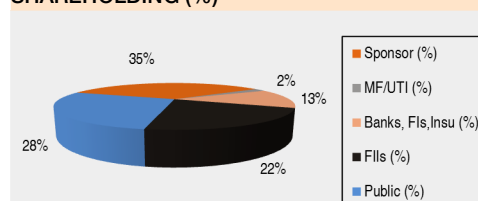
Source: BRICS Research

KEY DATA

Bloomberg	TTMT IN
Reuters	TAMO.BO
52-week high/low (Rs)	275/138
6-m avg. traded value	US\$54.3mn
Market cap	Rs507.4bn/US\$9.4bn
Shares outstanding	2,691.5mn
Face value (Rs)	Rs2

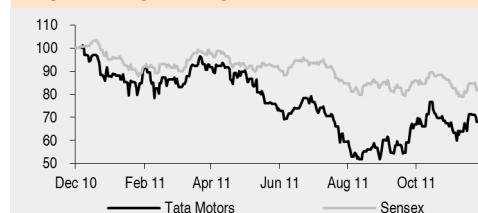
Source: Bloomberg

SHAREHOLDING (%)



Source: CMIE As of 30 September 2011

PRICE PERFORMANCE



Source: Bloomberg

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UK retail sales up 8% yoy

In November 2011 JLR sales reported 8% yoy retail sales growth. Jaguar sales declined 33% yoy and Land Rover sales increased 33% yoy. Land Rover sales are growing faster than industry average, supported by newly launched Evoque and Defender.

Exhibit 1: UK luxury car sales v/s total passenger vehicle sales

Company	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDCY10	YTDCY11	yoy (%)
JLR	3,768	4,086	8.4	3,757	8.8	50,361	47,864	(5.0)
Jaguar	1,386	924	(33.3)	713	29.6	15,325	12,974	(15.3)
Land Rover	2,382	3,162	32.7	3,044	3.9	35,036	34,890	(0.4)
Total luxury car sales	55,040	55,096	0.1	51,171	7.7	707,061	702,743	(0.6)
Total passenger car sales	139,875	134,027	(4.2)	134,944	(0.7)	1,907,029	1,822,065	(4.5)

Source: BRICS Research

Germany JLR retail sales down 6% yoy

Jaguar sales were down 17% yoy (up 35% mom) at 215 units, while Land Rover sales were up 30% yoy and 29% mom at 745 units. YTDCY11 sales for Jaguar were down 2% yoy at 2,773 units and Land Rover was down 4% yoy at 5,894 units.

Exhibit 2: German luxury car sales v/s total passenger vehicle sales

Company	Nov 10	Nov 11	yoy%	Oct 11	mom%	YTDCY10	YTDCY11	yoy%
JLR	834	960	15.1	735	30.6	8,954	8,667	(3.2)
Jaguar	259	215	(17.0)	159	35.2	2,838	2,773	(2.3)
Land Rover	575	745	29.6	576	29.3	6,116	5,894	(3.6)
Total luxury car sales	59,631	57,622	(3.4)	55,348	4.1	584,926	633,875	8.4
Total passenger car sales	262,289	269,144	2.6	258,253	4.2	2,685,990	2,929,133	9.1

Source: BRICS Research

Russia JLR retail sales up 83% yoy

Jaguar sales were up 92% yoy (1% mom) at 127 units, while Land Rover sales were up 83% yoy (27% mom) at 1,380 units. YTDCY11 sales for Jaguar were up 33% yoy at 1,014 units, while sales for Land Rover were up 36% yoy at 11,539 units.

Exhibit 3: Russian luxury car sales v/s total passenger vehicle sales

Company	Nov 10	Nov 11	yoy%	Oct 11	mom%	YTDCY10	YTDCY11	yoy%
JLR	822	1,507	83.3	1,213	24.2	9,229	12,553	36.0
Jaguar	66	127	92.4	126	0.8	762	1,014	33.1
Land Rover	756	1,380	82.5	1,087	27.0	8,467	11,539	36.3
Total luxury car sales	28,490	45,259	58.9	43,441	4.2	251,248	404,523	61.0
Total passenger car sales	190,133	239,539	26.0	240,865	(0.6)	1,707,586	2,402,043	40.7

Source: BRICS Research

Valuation

We believe JLR's performance will continue to drive Tata Motors stock price as it contributes 59% of revenue and 76% of profit. We value standalone business at Rs107 per share, 13x FY13E core earnings and JLR at 6x FY13E earnings (after adjusting for capitalisation for product development) at Rs104/share. We assign 20% discount to investments and subsidiaries (Rs100/share) to arrive at SOTP-based target price of Rs207/share. Maintain Buy.

Financial summary

Income statement					Balance sheet				
(Rs mn)					(Rs mn)				
Y/E 31 March	2010	2011	2012E	2013E	Y/E 31 March	2010	2011	2012E	2013E
Revenue	918,935	1,231,333	1,477,959	1,632,260	Net fixed assets	419,292	434,931	509,409	562,281
Revenue growth (%)	30.7	34.0	20.0	10.4	Investments	22,191	25,443	50,443	62,443
Operating exp	855,084	1,063,158	1,316,526	1,440,657	Current assets	425,296	510,349	517,768	576,064
EBITDA	63,851	168,175	161,433	191,603	Inventories	113,120	140,705	171,796	189,445
EBITDA margin (%)	6.9	13.7	10.9	11.7	Sundry debtors	71,912	68,774	75,248	90,320
Depreciation	38,871	46,555	50,522	53,128	Cash & bank balance	87,433	109,479	38,182	40,407
EBIT	24,979	121,620	110,911	138,475	Loans & advances	93,254	117,316	140,814	155,515
MTM profit / (loss)	—	—	—	—	Other current assets	59,578	74,075	91,728	100,377
Other income	37,496	896	1,046	1,492	Total assets	866,780	1,006,571	1,113,468	1,236,635
Interest paid	24,653	20,454	18,986	15,890	Net worth	82,065	191,715	263,634	360,269
PBT	37,822	102,062	92,971	124,077	Share capital	5,440	6,377	6,377	6,377
Tax	10,058	12,164	13,781	20,173	Reserves & surplus	76,625	185,338	257,257	353,892
PAT	27,765	89,898	79,189	103,904	Minority interest	2,135	2,466	2,306	2,106
Minority interest	3,918	(528)	(400)	(500)	Total debt	353,835	327,914	277,914	247,914
EO income	2,596	(2,310)	—	—	Secured loans	140,935	195,014	195,014	195,014
APAT	25,169	92,208	79,189	103,904	Unsecured loans	212,900	132,900	82,900	52,900
PAT growth (%)	(230.6)	223.8	(11.9)	31.2	Current liabilities & prov	417,208	469,838	554,976	611,709
Shares o/s (mn)	2,692	2,692	2,692	2,692	Current liabilities	340,773	371,147	533,924	584,266
Fully diluted o/s shrs (mn)	2,692	2,692	2,692	2,692	Provisions	76,435	98,692	21,051	27,443
FDEPS (Rs) recurring	7.4	29.1	25.0	32.7	Net deferred tax liab	11,536	14,638	14,638	14,638
					Total liabilities	866,780	1,006,571	1,113,468	1,236,635

Cash flow statement				
(Rs mn)				
Y/E 31 March	2010	2011	2012E	2013E
PBT	37,822	102,062	92,971	124,077
Depreciation	38,871	46,555	50,522	53,128
Amortisation	—	—	—	—
Interest paid	24,653	20,454	18,986	15,890
Tax paid	—	—	—	—
Chg in working capital	50,154	(20,377)	98,150	9,311
Int/div in other income	—	—	—	—
Other operations	—	—	—	—
CF from operations (a)	141,444	136,530	246,847	182,233
Capital expenditure	(36,217)	(62,194)	(125,000)	(106,000)
Chg in investments	(9,617)	(3,251)	(25,000)	(12,000)
Other investing act	—	—	—	—
Int/div in other income	—	—	—	—
CF from investments (b)	(45,834)	(65,446)	(150,000)	(118,000)
Free cash flow (a+b)	105,227	74,336	121,847	76,233
Equity raised/(repaid)	16,852	51,671	—	—
Debt raised/(repaid)	4,097	(25,921)	(50,000)	(30,000)
Interest paid	(24,653)	(20,454)	(18,986)	(15,890)
Dividend (incl tax)	(8,559)	(14,540)	(7,270)	(7,270)
Other fin activities	(2,997)	(70,248)	(92,288)	(9,349)
CF from financing (c)	(15,261)	(79,492)	(168,545)	(62,509)
Net chg in cash (a+b+c)	80,349	(8,407)	(71,697)	1,725
Opening balance	41,213	87,433	109,479	38,182
Closing balance	87,433	109,479	38,182	40,407

Key ratios				
Y/E 31 March	2010	2011	2012E	2013E
Valuation ratios				
PE (x)	23.2	5.9	6.9	5.3
CEPS (Rs)	24.8	50.7	48.2	58.3
PCE (x)	7.0	3.4	3.6	3.0
BVPS (Rs)	144	301	413	565
Price/Book (x)	1.2	0.6	0.4	0.3
EV/EBITDA (x)	12.4	4.4	4.7	3.8
EV/Revenue (x)	0.9	0.6	0.5	0.4
Dividend yield (%)	8.7	8.7	8.7	8.7
Cash flow yield (%)	22.6	16.0	26.2	16.4
Performance ratios				
Raw material to sales (%)	67.8	71.5	67.1	67.0
SGA to sales (%)	—	—	—	—
Effective tax rate (%)	26.6	11.9	14.8	16.3
PAT margin (%)	3.0	7.3	5.4	6.4
DPS (Rs)	15.0	15.0	15.0	15.0
Dividend payout ratio (%)	201	52	60	46
Return ratios				
RoE avg (%)	35.6	67.4	34.8	33.3
RoCE avg (%)	7.4	33.9	33.3	43.6
Fixed asset turnover (x)	1.4	1.7	1.8	1.8
Working capital ratios				
Inventory (days)	66	58	63	63
Payable (days)	135	110	132	131
Receivable (days)	29	20	19	20
Working capital (days)	(40)	(31)	(50)	(47)
Leverage ratios				
Interest cost (%)	7.0	6.0	6.3	6.0
Net debt/equity (x)	3.2	1.1	0.9	0.6
Interest coverage (x)	1.0	5.9	5.8	8.7

BRICS RECOMMENDATION SCALE

BUY:	More than 15% upside
ADD:	Upside up to 15% (between 0% and 15%)
REDUCE:	Downside up to 15% (between 0% and -15%)
SELL:	More than 15% downside

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