

TATA Motors Ltd.

Buy: Rs 275

Target: Rs 386

TATA Motors Ltd (TML) is India's largest diversified automobile company with ~7 decades of experience in original equipment manufacturing (OEM). The company has its presence across the world through its subsidiaries and associate companies.

TML is the first company to develop India's fully indigenous Passenger Car (Indica), Sport Utility Vehicle, LCV-Mini Truck (ACE) and TATA Nano, the peoples car.

TML is the 18th largest automobile company in the world based on volume. In 2008, the company acquired two iconic British brands JLR (Jaguar and Land Rover) for US\$2.3billion. To have a deeper product penetration and market share in China (the world's 4th largest luxury car market), JLR recently formed a JV with Chery Automobile.

The company is strategically placed across all the segments of automobile. With high competition and margin pressure in a price sensitive market in India, we expect future revenue and profitability of TML to be driven by JLR which is riding on high volume growth across the markets. We initiate coverage on the stock with BUY rating.

Investment Rationale:

JLR steering the future growth

JLR contributes nearly two-third of consolidated sales (including its subsidiaries and associates companies) of TML. JLR volume grew 25 percent to 2.4 lakh during FY11 from 1.94 lakh in FY10.

During the first 10 months of FY12, TML achieved a volume growth of 2.45 lakh against a total sales volume of 2.4 lakh last year. In Q3FY12, JLR posted 42/36 percent growth in net sales/profit to 3,749/639 million GBP. Sales realization grew 3.5 percent to 43,430 GBP per vehicle.

The 9M FY12 sales and PAT clocked 31 and 1.5 percent to 9367 and 785 million GBP, whereas realization grew 6.5 percent to 42,300 GBP. The company has maintained its EBITDA margin at 15-17 percent, whereas net margin is stable at 8-10 percent. With the sales contribution of ~Rs74,000crore, JLR has ~63 percent shares of consolidated TML's revenue during 9M FY12.

China is now the third largest destination after UK and North America, contributing ~16% of total volume during Q3FY12.

Net margin is likely to be stabilized at the current level due to erosion of tax shield from the UK operation, that is, tax rate has jumped 20 percentage points to 23 percent during Q3FY12, which is inching towards full tax rate at par with other players.

Since the market is not concentrated in one particular geography, We expect high volume growth going forward. China has emerged as one of the leading markets outside Europe and North America where the product realization is better than other regions.

STOCK DATA

BSE Code	500570
NSE Code	TATAMOTORS
Bloomberg Code	TTMT IN
52 Week High / Low (Rs.)	292 / 137
Face Value (Rs.)	2
Diluted Number of Shares (Crore.)	319
Market Cap. (Rs Crore.)	74204
Avg. Yearly Volume (Million)	1.4

SHAREHOLDING PATTERN (%)

Particulars	Dec. FY11	Sept. FY11	Jun. FY11	Mar. FY11
Promoters	35.0	35.1	34.8	34.8
FII's	24.1	21.9	23.0	23.6
Other Institutions	14.8	15.43	14.0	12.9
Public & Others	9.0	9.2	8.8	8.3
Custodian	17.09	18.48	19.38	20.39
Total	100.0	100.0	100.0	100.0

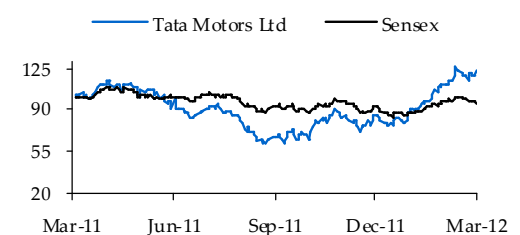
RETURNS STATISTICS (%)

	3 M	6 M	12 M
TATAMotors	51	74	11
Sensex	9	4	(10)

FINANCIAL RATIOS

Particulars	2011A	2012E	2013E	2014E
PE (x)	48.4	65.7	80.1	68.5
P/BV (x)	4.4	4.3	4.2	4.1
EV/EBITDA (x)	21.2	26.4	27.1	24.5
EV/Sales (x)	2.1	1.8	1.6	1.4
Mcap/Sales (x)	1.8	1.6	1.4	1.3
ROE (%)	10.4	6.6	5.3	6.0
ROCE (%)	9.8	6.7	5.9	6.3

RELATIVE TO SENSEX



FINANCIAL SUMMARY

Year	Sales (Cr)	EBITDA (Cr)	PBT (Cr)	PAT (Cr)	EPS (Rs)	DPS (Rs)	BV (Rs)
2011A	48,040.5	4,771.3	2,343.6	1,811.8	5.7	4.0	62.8
2012E	54,756.8	3,778.2	1,608.5	1,335.0	4.2	2.0	64.6
2013E	61,482.7	3,627.5	1,318.4	1,094.2	3.4	1.8	66.0
2014E	69,918.0	3,915.4	1,542.3	1,280.1	4.0	2.0	67.7

RAJESH GUPTA - Research Analyst

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JLR Q3FY12 PERFORMANCE

Particulars	Q3FY12	Q3FY11	Growth	93FY12	93FY11	Growth
Volume	86,322.0	63,155.0	36.7	216,362.0	175,440.0	23.3
Sales (Mn GBP)	3,749.0	2,650.0	41.5	9,367.0	7,135.0	31.3
Sales (Rs Cr)	29,617.1	20,935.0	41.5	73,999.3	56,366.5	31.3
Realization per Unit (Rs)	3,431,002.5	3,314,860.3	3.5	3,420,161.6	3,212,864.8	6.5
Realization per Unit (GBP)	43,430.4	41,960.3	3.5	43,293.2	40,669.2	6.5
EBITDA	5,048.1	3,578.7	41.1	11,218.0	8,903.3	26.0
PBT	509.0	296.0	72.0	976.0	815.0	19.8
Tax Expenses	116.0	7.0	1,557.1	191.0	41.0	365.9
PAT	3,104.7	2,283.1	36.0	6,201.5	6,114.6	1.4
EBITDA Margin (%)	17.0	17.1		15.2	15.8	
PAT Margin (%)	10.5	10.9		8.4	10.8	
Tax Rate (%)	22.8	2.4		19.6	5.0	

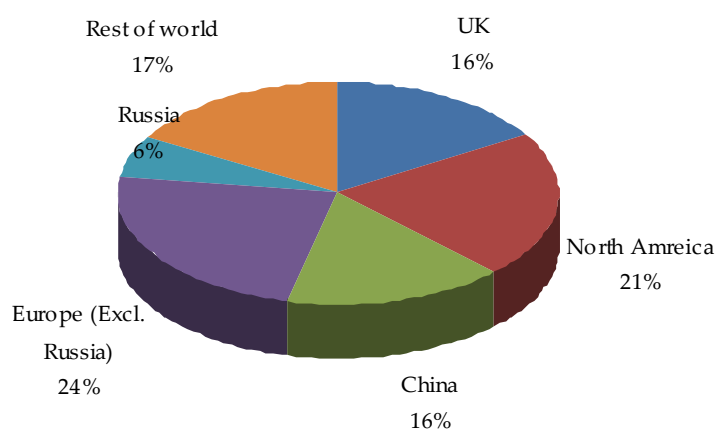
Source: SBICAP Securities Research / Company

Currently, China accounts for ~13 percent of global luxury car volume and is expected to grow to over 20 percent in the next 5-8 years, which will add over 2 million volume business for JLR.

TML is also strategically looking at other markets like South Africa, Australia, Brazil, India and Russia for balancing its regional presence.

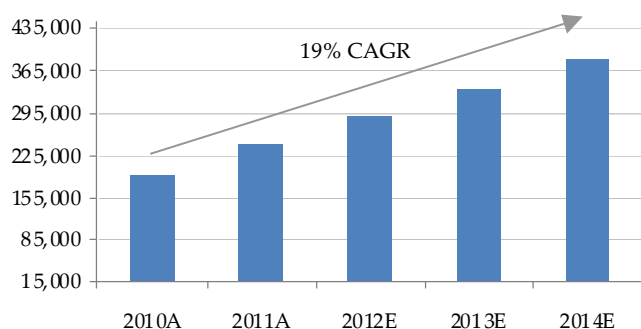
In addition, JLR is planning to set up manufacturing base in world's largest automobile market - China to penetrate its luxury SUV and Sedan in one of the fastest growing market and has recently formed a JV with Chery Automobile.

GEOGRAPHICAL CONTRIBUTION



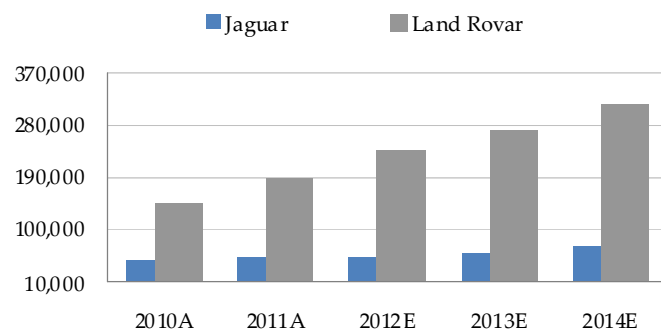
Source: SBICAP Securities Research / Company

TOTAL JLR VOLUME (NUMBERS)



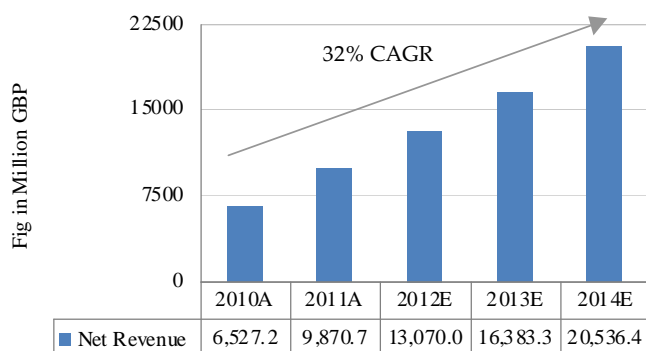
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JLR VOLUME (NUMBERS)



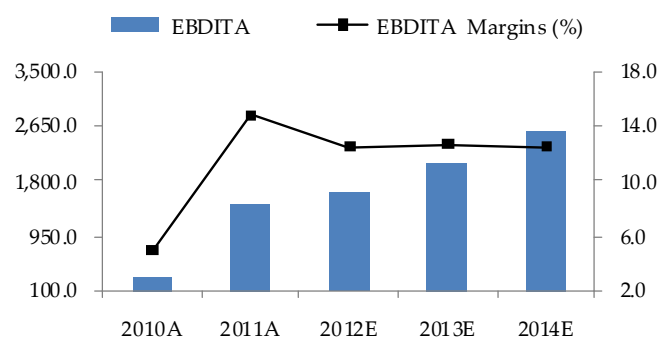
Source: SBICAP Securities Research / Company

JLR NET REVENUE (MN GBP)



Source: SBICAP Securities Research / Company

JLR EBITDA & MARGIN (MN GBP)



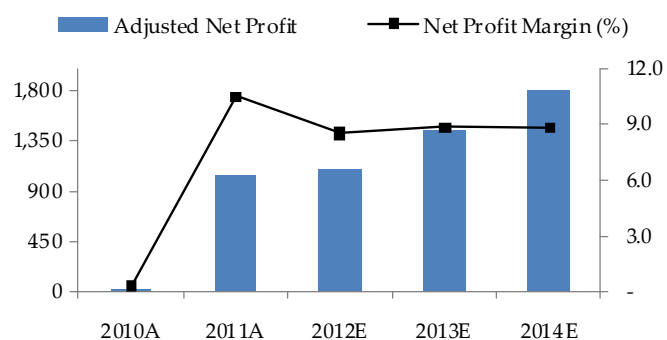
Source: SBICAP Securities Research / Company

We expect JLR's net sales and profit to grow at 28 and 21 percent CAGR to 20,536 and 1,810 million GBP between 2011A and 2014E, respectively. The sales growth is primarily driven by robust volume growth from China, Russia, Middle East and other developed markets. JLR is planning to launch over 30 product and its derivatives including engine over the next 3-5 years to compete with global players.

We also expect market share of JLR in China to grow further led by the recent announcement of JV with Chinese partners Chery Automobile.

We expect EBITDA and Net margin of JLR to remain at the current level of 13 and 9 percent, respectively, and interest cost to decline due to debt repayment.

JLR ADJUSTED NP & MARGIN (MN GBP)



Source: SBICAP Securities Research / Company

New JLR Launches leading to attractive volume growth

Currently, TML has 9 models - 3 models under Jaguar and 6 models under Land Rover. The company has recently launched much awaited Range Rover Evoque. The new launch has helped TML to sell 22,710 units in just 3 months. We expect the new model to cross the total sales volume of its largest selling brand Range Rover Sport for FY12. The company has received robust response for Evoque and the current waiting period is ~6-8 months.

The company has planned to spend ~GBP7.5 billion over the next 7-8 years to launch new models under both Jaguar and Land Rover brands. The company has planned to bring smaller Jaguar and Refresh range rover brands by 2015 to target upper middle class. The company has begun local sourcing for Freelander to push for sales in India. The company has set up CKD (Completely Knock Down) in India during May 2010, which enables TML to sell its products at far lower price than Mercedes, Audi and BMW.

Going ahead, we expect JLR to launch more models to match the number of models with its peers like BMW, Audi and Mercedes. We also believe change in the product mix towards newer products would help the company to sustain its high EBITDA margin. The company has over 30 products and its derivatives including engine are lined up for product enhancements over the next 3-5 years.

MODEL-WISE VOLUME GROWTH

Jaguar	Q3FY12	Q3FY11	Growth	9M FY12	9M FY11	Growth
XK	1272	1023	24.34	3,704	4,049	(8.52)
XJ	4541	4544	(0.07)	11,609	10,041	15.62
XF	9454	7596	24.46	23,479	25,498	(7.92)
Total	15,267	13,163	15.98	38,792	39,588	(2.01)
Land Rover						
Range Rover Evoque	24,277	-	-	22,710	-	-
Freelander	9,314	14,415	(35.39)	34,911	40,359	(13.50)
Defender	4,667	4,909	(4.93)	14,609	13,279	10.02
Range Rover	7,583	7,472	1.49	22,021	17,687	24.50
Discovery	11,122	10,133	9.76	33,050	28,544	15.79
Range Rover Sport	14,087	13,054	7.91	41,154	34,071	20.79
Total	71,050	49,983	42.15	168,455	133,940	25.77

Source: Company

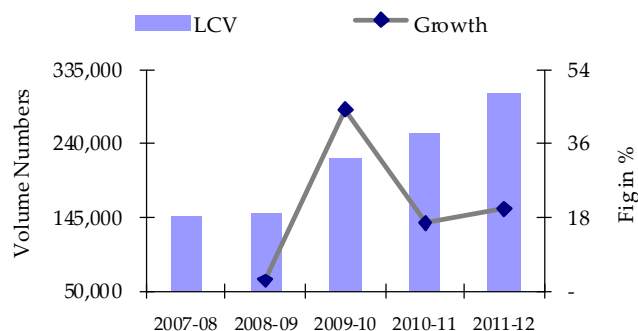
LCV driving domestic commercial vehicle segment

TATA 'ACE', light commercial vehicle (LCV) also known as mini truck, is the best performing vehicle in the domestic CV segment. TATA ACE has the largest market share of nearly two-third of mini truck segment.

The company has launched a portfolio of variants on the popular Ace platform - Ace EX, Super Ace and Venture - which has been well received in the market. TATA ACE's sales volume grew 16 percent CAGR in the last 5 years to 306,000 units. TML also launched super ace in Thailand.

Though we expect TATA ACE will continue as market leader, similar launch by other players might push down the market share of ACE.

DIVISION WISE SALES (%)



Source: SBICAP Securities Research / Company
Note: 10M volume for the FY12

Forayed into luxury bus segment through JV with Hispano Carrocera

The company has entered into luxury bus segment with the launch of TATA Divo and already sold over 20 buses. India has an annual demand of 700-800 intercity luxury buses, which is dominated by Volvo and Mercedes with Volvo's over 50 percent market share.

TML plans to sell 150 luxury Divo buses during the first years and is expected to be a leader with over 50 percent market share by 2015. In addition, TML also plans to launch multi-axle Divo by 2014.

The current price of Divo is Rs60 Lakh ex-showroom in Thane which is lower than other luxury buses offered by existing players. Also, features like on board refrigerator, better fuel efficiency would further raise its attractiveness within the offering.

The other JV with Fiat is expected to supply nearly 1 Lakh diesel engine to Maruti over the next 3 years. We expect more diesel vehicle to be produced going forward and hence the JV is strategically placed to gain better market share going forward.

M&HCV segment to grow positively

The medium and heavy commercial vehicle (M&HCV) segment is likely to register a growth of 6-8 percent over the next 2 years, lower than double-digit growth since the last 3 years due to high interest cost slowing index of industrial production.

With increasing interest rate, we expect fresh domestic and foreign investment to revive the core sector of Indian economy, which would lead to higher commercial vehicle growth.

Positive growth in Utility, but negative growth outlook for car segment

We expect a positive growth in Utility led by its leadership position and new launches. The company has recently launched Sumo Gold the redesigned SUV in February 2012 and is plans to sell 5,000 units per month. The utility segment clocked 28 percent growth during the first 10 months of FY12 compared to same period last year. We are expecting 10-12 percent growth in utility segment for FY13 and FY14.

The passenger car segment is expected to registered negative growth during the next 2 years, it has already shown a decline of 7 percent during the current financial year. TML has lost over 4 percent market share since the last 3-4 years due to overcrowded car market. In addition, it has just three products - Nano, Indica and Indigo, which is becoming difficult to compete.

Valuation

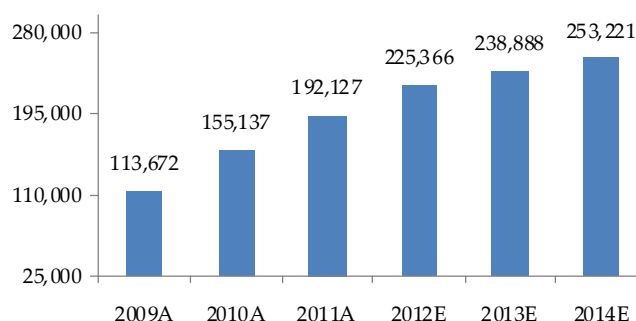
At the CMP of Rs275, the stock is trading at 66.0x/80.1x of its FY12E/FY13E earnings respectively, whereas on P/BV, it is trading at 4.3x/4.2x respectively.

We have used the sum of the parts (SOTP) valuation to arrive at the target price of TML, which are divided into 5 sub-segments - TML standalone, JLR, TFL, TATA Daewoo and TATA Tech. We have valued TML standalone based P/E multiple, whereas JLR is valued at EV/EBITDA basis benchmarked with valuations of BMW and Daimler. Others are valued on P/BV basis.

Currently, BMW and Daimler are trading at 5.6x and 9.2x on EV/EBITDA basis, respectively. We have assigned a multiple of 4.5x to JLR, a 20 percent discount to BMW's multiple to arrive at value of Rs231 per share. For TML standalone, based on its historical and rolling forward multiple after taking into account the standard deviation, we have given 37.9x to arrive at a value per share of Rs142.

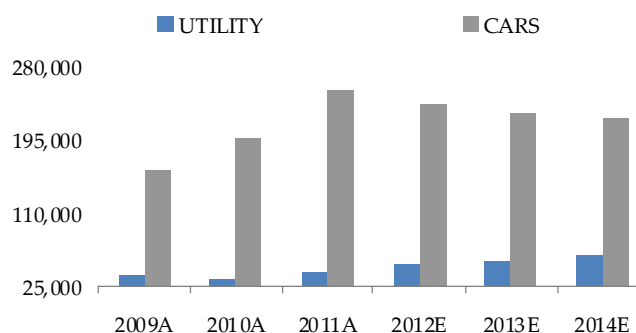
TATA Daewoo, TFL and Tata Tech are valued at Rs3.4, 6.8 and 2.3, respectively. All put together, we have arrived at a fair value of Rs386, which provides an upside potential of ~40 percent from the current level.

M& HCV (VOLUME NUMBERS)



Source: SBICAP Securities Research / Company

UTILITY & CAR SEGMENT OUTLOOK



Source: SBICAP Securities Research / Company

Company background and business model:

TATA Motors Ltd (TML) is India's largest automobile company with its presence across verticals - Passenger Cars, Commercial Vehicles (Heavy, Medium and Light), Utility Vehicles, Luxury Car and Sport Utility Vehicles (SUV) segments. The company is the leader in commercial vehicles segment, and is among the top-3 in passenger vehicles segment. TML is world's 3rd largest manufacturer of Buses and 4th in Trucks.

The company has ~7 decades of experience in automobile industry and has rolled out over 6.5 million vehicles so far. During FY11, TML has crossed the total volume figure of 8 lakh vehicles and we expect a landmark figure of 1 million volumes by FY13. The manufacturing plants of the company are spread across the length and bread of the country right from West to East and North to South.

TML is the first company to develop India's fully indigenous Passenger Car (Indica), Sport Utility Vehicle, LCV-Mini Truck (ACE) and TATA Nano, the people car in 2008.

The company entered into luxury SUV and Sedan with the acquisition of two British iconic brands Jaguar and Land Rover (JLR) for US\$2.3billion (~Rs 12,000crore) in 2008. Currently, TML drives nearly two-third of its revenue from JLR and rest from domestic, Export and Other JVs & Associates.

MANUFACTURING PLANTS

Plant	Product Manufacture	Installed Capacity
Jamshedpur	M&HCV, LCV	144,000
Pune	M&HCV's, LCV's, UV's, Cars	544,000
Lucknow	Buses	90,000
Uttarakhand	LCV-Ace & Passenger Car-Magic	500,000
Sanand	Passenger Car-Nano	250,000

Source: Company



Subsidiaries, JVs and Associates

Tata Daewoo Commercial Vehicle Company Ltd (TDCV)
 Tata Marcopolo Motors Ltd (TMML)
 Tata Hispano Motors Carrocera S. A.
 Tata Motors (Thailand) Limited (TMTL)
 Tata Motors(SA) Proprietary Ltd (TMSA)
 TML Drivelines Limited
 Telco Construction Equipment Co. Ltd (Telcon)
 TAL Manufacturing Solutions Ltd (TAL)
 Tata Motors European Technical Centre plc. (TMETC)
 Tata Technologies Ltd. (TTL) and its subsidiaries
 TML Distribution Company Limited (TDCL)
 Concorde Motors (India) Ltd. (Concorde)
 Tata Motors Finance Limited
 Tata Motors Insurance Broking & Advisory Services Ltd (TMIBASL)
 TML Holdings Pte. Ltd (TML)
 Sheba Properties Ltd. (Sheba)

Product Portfolio

Commercial Vehicles



Key Drivers

- Widest product range in the sub 1 tonne payload segment
- Best-in-class operating economics
- Sturdy, powerful Pick-ups with contemporary styling and features
- CNG variants available
- Over 40 variants
- Traditional range targeting price sensitive customers
- High-performance LCV and ICV from the world truck range
- Traditional range to target price sensitive customers
- World class PRIMA range (partly launched) with improved performance, reliability and cabin comfort targeting performance sensitive customers



Key Drivers

- Creating a new segment, currently served by 3-wheelers
- Primary demand in rural and semi urban markets
- New segment for Tata Motors
- Targeting fleet customers
- Widest range of buses World class
- Manufacturing facility with Marcopolo and Hispano

Passenger Vehicle



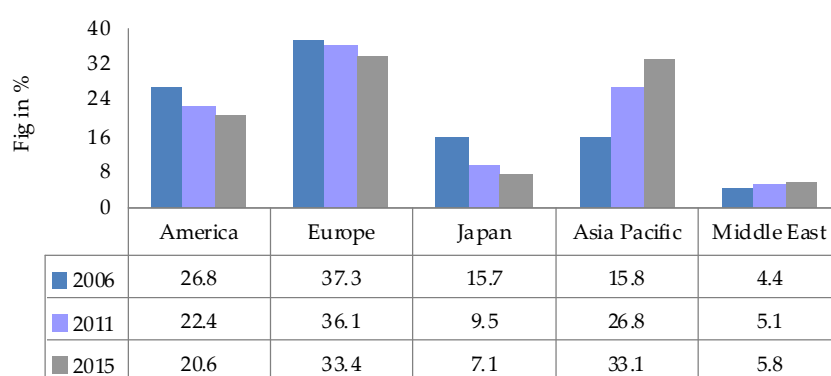
Source: Company

Industrial opportunity:

TML's future revenue growth will be driven by JLR's volume and profitability. The global share of expenditure on branded luxury products is likely to grow in Asia Pacific and Middle-East regions; while for developed country it is likely to decline. Thus, we expect the next phase of demand for luxury products to come from emerging and Asian countries.

According to the IHS Automotive, currently ~6 lakh of luxury vehicles are sold worldwide, which is expected to grow at ~10 percent CAGR to 9 Lakh luxury vehicles by 2015, SUV are slated to grow over 10 percent CAGR to 3 lakh units by 2015 while luxury car market to reach over 6 lakh units growing at 9 percent CAGR over the next 5 years. JLR has presence in both SUV and Compact segments with 9 models to tap the growing market going forward.

SHARE OF GLOBAL EXPENDITURE ON LUXURY BRANDED PRODUCTS

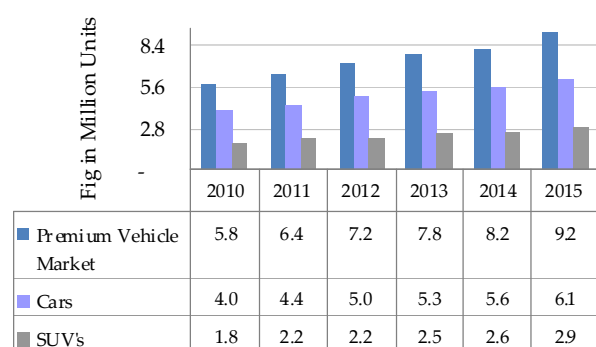


Source: Industry

At present, Germany is the world leader in luxury car market with ~29 percent share, followed by UK and USA at 22.4 and 12.2 percent, respectively. China, currently placed at 4th with 7.3%, is on its way to overtake Germany as the world's largest market for luxury cars going forward. According to research firm LMC Automotive, the number of luxury cars sold in China jumped 39 percent to 939,000 in 2011, beating Germany, which sold 914,000 luxury vehicles. Overall auto sales in China are likely to increase by 16 percent next year.

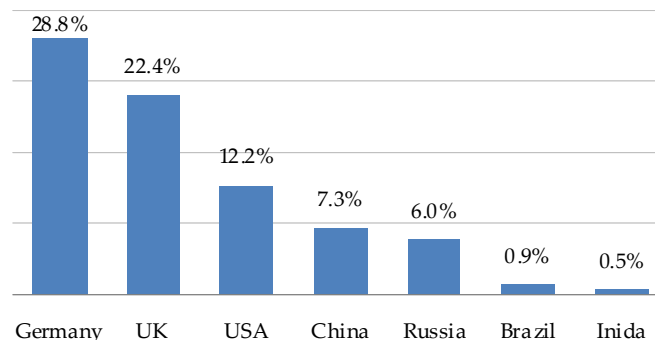
By 2020, China is expected to account for ~22 percent of global luxury car market from the current 13 percent. India, currently account for ~0.5% of global luxury car market with 16,000 units, is expected to cross 85,000 units by 2020, growing at 13 percent CAGR over the next 10 years.

PREMIUM CAR MARKET (IN MILLION UNITS)



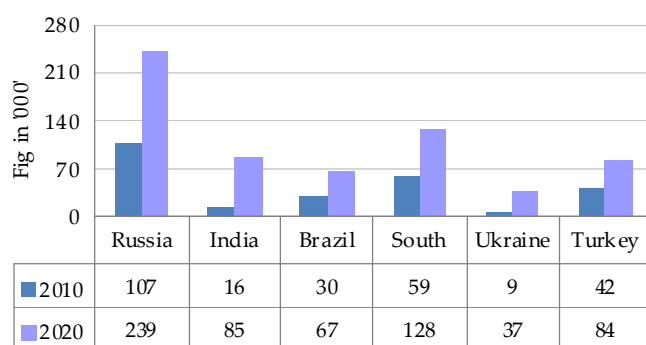
Source: IHS Automotive

PROPORTION PREMIUM CAR TO OVERALL MARKET



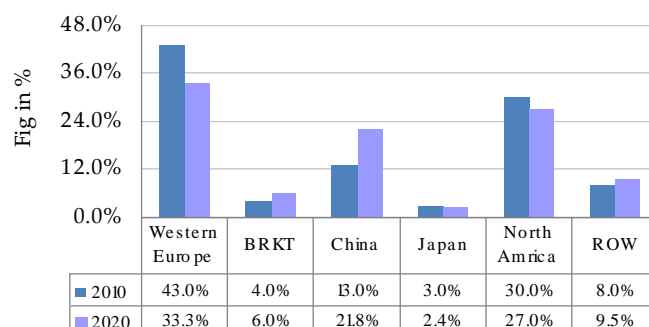
Source: BMW

PREMIUM SEGMENT GROWTH IN EMERGING MARKET



Source: BMW

MARKET SHARE OF DEVELOPED COUNTRIES IN LUXURY CAR SEGMENT



Source: BMW

Currently, China's luxury vehicle market is dominated by leading players like BMW, Mercedes and Audi etc. JLR has announced its recent JV with Chery Automobile Company to tap the fast emerging luxury market China. In order to embark on the Chinese markets, it needed a partner that could bring in the local expertise. According to Chinese government regulations, foreign car manufacturers can only build manufacturing plants in China, if they sign joint venture deals with indigenous brands.

The JV is worth 17.5 billion yuan (~\$2.8 billion) and is currently applying for regulatory approval from the Chinese authorities. The JV would have following scope of operations:

- Manufacture Jaguar Land Rover and JV branded vehicles
- Sale of vehicles produced by the JV company
- Establishment of a research and development facility
- Engine manufacturing

INDIAN AUTOGROWTH OUTLOOK

in '000s units)	2009A	2015E	2020E	Growth
Passenger Vehicles	2,200	5,100	8,800	13.4
SCVs	150	670	1,100	19.9
LCVs	120	360	470	13.2
M&HCVs	200	390	500	8.7
Two-Three wheelers	10,230	22,100	32,000	10.9
Tractors	420	710	1,000	8.2
Construction Equipment	40	100	180	14.7
Total	13,360	29,430	44,050	11.5

Source: Industry (Growth* is CAGR)

The Indian automobile market would continue to grow at 11 percent CAGR to 44 million by 2020. The growth is expected to be driven primarily in LCVs, 2-Wheelers and SCVs.

The higher base effect of 2/3 wheelers is also expected to fuel the overall volume numbers.

The passenger car market would grow at 13.4 percent CAGR over the next 10 years, primarily due to higher disposable income, rising working age population, affordability, emergence new metro cities and graduation from 2-wheelers owner to 4-wheelers.

Financials & Valuations:

We expect TML standalone net sales to grow at 13 percent CAGR to Rs70,000crore in FY14E from the current Rs48,000crore during FY11A. The sales growth is primarily driven by an impressive volume uptick from LCV and Utility segments, which are expected to grow in double-digit over the next 2-3 years.

However, margins would continue to be under pressure due to rising cost of raw material, employee cost and interest cost. We expect volume degrowth in passenger car segment due to overcrowded Indian car market and persistent high interest rate with no signs of softening. The volume in rest of segment would remain flat due to high cost of debt, as ~85-90 percent of vehicle finance is done through debt.

EBITDA and Net profit to decline at a CAGR of 6 and 13 percent to Rs3,915crore and Rs1,280crore, respectively. Whereas EBITDA and Net margins to declined to 5.6 and 2.0 percent from the current level of 7 and 3 percent, respectively.

At the CMP of Rs275, the stock is trading at 66.0x/80.1x of its FY12E/FY13E earnings and on P/BV, it is trading at 4.3x/4.2x respectively.

We have used the sum of the parts (SOTP) valuation to arrive at the target price of TML, which are divided into 5 sub-segments - TML standalone, JLR, TFL, TATA Daewoo and TATA Tech. We have valued TML standalone based P/E multiple, whereas JLR is valued at EV/EBITDA basis benchmarked with valuations of BMW and Daimler. Others are valued on P/BV basis.

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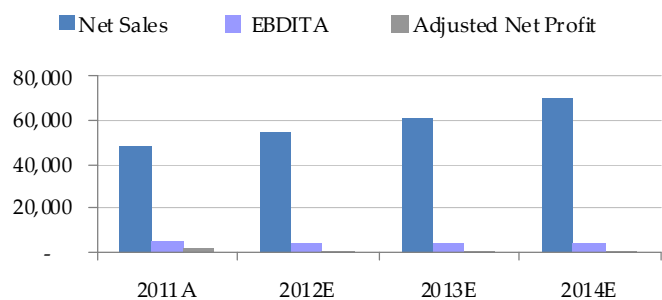
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SOTP

A) Tata Motors Ltd	FY13E		
EPS	3.8		
PE Multiple	37.9		
Fair Value	142		
B) TATA Daewoo			
Net worth (Rs Cr)	1,085.1		
No. of Shares (Crore)	318.9		
BV Per Share (Rs)	3		
C) TATA Motors Finance Ltd			
Net worth (Rs Cr)	2,155.3		
No. of Shares (Crore)	318.9		
BV Per Share (Rs)	7		
D) TATA Technologies Ltd			
Net worth (Rs Cr)	727.5		
No. of Shares (Crore)	318.9		
BV Per Share (Rs)	2		
E) JLR			
EV/EBITDA (TTM Basis)	5.6	9.2	7.4
EBITDA (FY13E) Rs Cr @ Rs79 GBP	16437.3		
EV/EBITDA multiple assigned equivalent to BMW	4.5		
Enterprise Value (Rs Cr)	73,639.2		
No. of Shares (Cr)	318.9		
Value Per Share	230.9		
Total Value (A+B+C+D+E)	386		

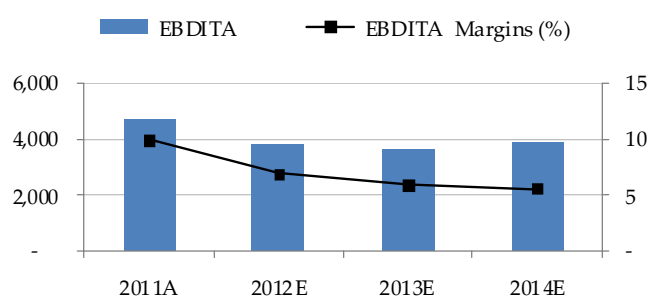
Sources: Bloomberg, Capitaline & SBICAP Securities Research

EARNINGS



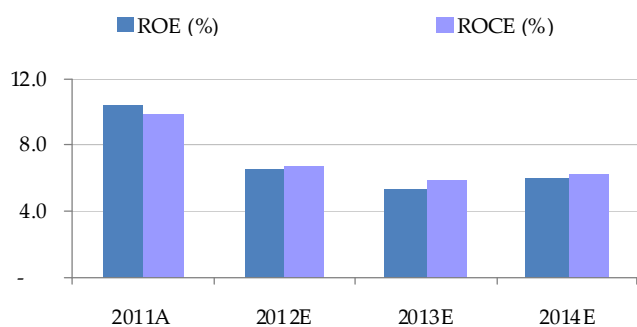
Source: SBICAP Securities Research

EBDITA & MARGINS



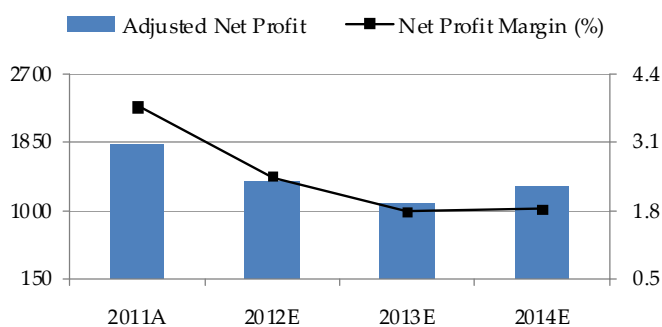
Source: SBICAP Securities Research

ROE & ROCE (%)



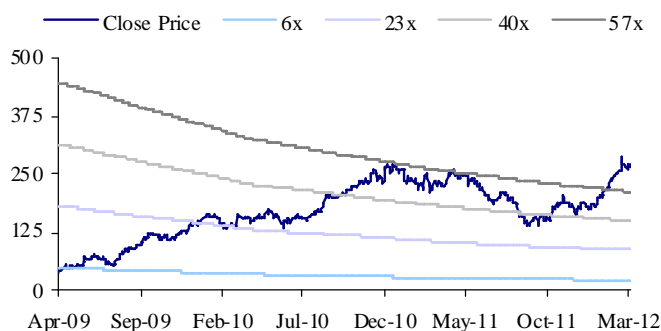
Source: SBICAP Securities Research

ADJUSTED PROFIT & MARGIN



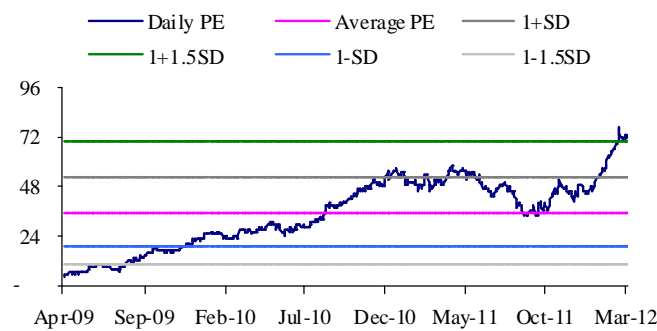
Source: SBICAP Securities Research

1 YEAR FORWARD PE MULTIPLE



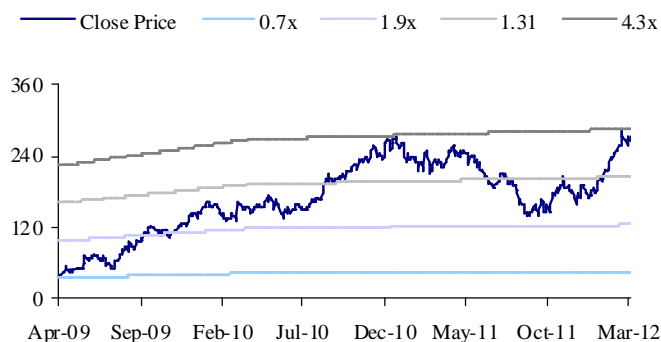
Source: SBICAP Securities Research

AVERAGE PE MULTIPLE



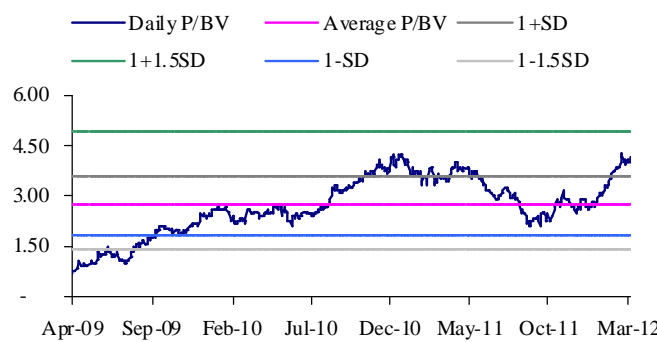
Source: SBICAP Securities Research

1 YEAR FORWARD P/BV MULTIPLE



Source: SBICAP Securities Research

AVERAGE P/BV MULTIPLE



Source: SBICAP Securities Research

Financial Statements:

Income Statement

Figures in Cr.

Particulars	2011A	2012E	2013E	2014E
Net Sales	48,040.5	54,756.8	61,482.7	69,918.0
Other Income	183.3	273.8	307.4	349.6
Total Income	48,223.7	55,030.6	61,790.1	70,267.6
Total Expenditure	43,269.2	50,978.6	57,855.2	66,002.6
Raw Material Consumed	34,421.6	39,972.5	45,189.8	51,739.3
As % of Sales	71.7%	73.0%	73.5%	74.0%
Other Operating Cost	8,847.6	11,006.1	12,665.4	14,263.3
As % of Sales	18.4%	20.1%	20.6%	20.4%
EBDITA (Excl OI)	4,771.3	3,778.2	3,627.5	3,915.4
EBDITA (Incl. OI)	4,954.6	4,052.0	3,934.9	4,265.0
Product Devt. Exp.	106.2	109.5	123.0	139.8
Interest	1,144.0	930.6	926.7	876.4
PBDT	3,704.4	3,011.9	2,885.2	3,248.8
Depreciation	1,360.8	1,403.4	1,566.8	1,706.5
PBT	2,343.6	1,608.5	1,318.4	1,542.3
Tax	384.7	273.4	224.1	262.2
Net Profit	1,958.9	1,335.0	1,094.2	1,280.1
Extra-ordinary Item	(147.1)	-	-	-
Adjusted PAT	1,811.8	1,335.0	1,094.2	1,280.1
Equity	637.7	637.7	637.7	637.7
EPS	5.7	4.2	3.4	4.0
Cash EPS	9.9	8.6	8.3	9.4
FV	2.0	2.0	2.0	2.0

Cash Flow Statement

Figures in Cr.

Particulars	2011A	2012E	2013E	2014E
PBT	2,343.6	1,608.5	1,318.4	1,542.3
Depreciation	1,360.8	1,403.4	1,566.8	1,706.5
Interest (Net)	1,144.0	930.6	926.7	876.4
Direct Taxes Paid	(384.7)	(273.4)	(224.1)	(262.2)
Change in WC	(3,025.7)	1,512.1	1,641.6	1,972.2
CF from optg. activities	1,438.0	5,181.1	5,229.5	5,835.1
(Inc) / Dec. Capex	(2,292.9)	(2,245.0)	(2,500.0)	(2,500.0)
Free Cash Flow	(854.9)	2,936.1	2,729.5	3,335.1
(Inc) / Dec. in Investment	(287.3)	(0.1)	14.0	13.5
CF from investing activities	(2,580.2)	(2,245.1)	(2,486.0)	(2,486.5)
Issue of Shares	5,736.1	-	-	-
Change in Debt	(695.8)	(776.6)	(349.5)	(332.0)
Interest Paid	(1,144.0)	(930.6)	(926.7)	(876.4)
Dividend	(1,482.3)	(739.7)	(665.8)	(739.7)
Other Adjustment (Net)	(596.2)	276.7	268.5	340.7
CF from fin. activities	1,817.9	(2,170.3)	(1,673.5)	(1,607.4)
Net Change in cash	675.7	765.8	1,070.0	1,741.3
Opening Balance	1,753.3	2,428.9	3,194.7	4,264.7
Closing Balance	2,428.9	3,194.7	4,264.7	6,005.9

Balance Sheet

Figures in Cr.

Particulars	2011A	2012E	2013E	2014E
Equity Capital	637.7	637.7	637.7	637.7
Reserve and Surplus	19,375.6	19,970.9	20,399.3	20,939.7
Net Worth	20,013.3	20,608.6	21,037.1	21,577.4
Secured Loans	7,766.1	6,989.4	6,640.0	6,308.0
Unsecured Loans	8,132.7	8,132.7	8,132.7	8,132.7
Loan Funds	15,898.8	15,122.1	14,772.7	14,440.7
Deferred Tax Liability	2,023.2	2,299.8	2,582.3	2,936.6
Total Capital Employed	37,935.2	38,030.5	38,392.0	38,954.6
Gross Block	21,883.3	24,896.4	27,331.2	29,551.8
Less: Accumulated Dep.	8,466.3	9,869.6	11,436.5	13,143.0
Net Block	13,417.1	15,026.7	15,894.7	16,408.8
Capital Work In Progress	4,058.6	3,290.5	3,355.7	3,635.1
Investments	22,624.2	22,624.2	22,624.2	22,624.2
Inventories	3,891.4	4,814.6	5,624.8	6,600.3
Sundry Debtors	2,602.9	3,042.0	3,415.7	3,884.3
Cash and Bank Balance	2,428.9	3,194.7	4,264.7	6,005.9
Int. accrued on investments	0.1	0.1	0.1	0.1
Loans and Advances	5,167.3	5,475.7	5,840.9	6,292.6
Total Current Assets	14,090.6	16,527.2	19,146.1	22,783.2
Creditors	10,347.2	12,036.6	13,660.3	15,583.9
Other Current Liabilities	2,685.3	3,833.0	4,918.6	6,292.6
Provision	3,222.7	3,568.5	4,049.9	4,620.2
Total Current Liabilities	16,255.2	19,438.1	22,628.7	26,496.7
Net Current Assets	(2,164.6)	(2,910.9)	(3,482.6)	(3,713.5)
Total Assets	37,935.2	38,030.5	38,392.0	38,954.6

Important Ratios:

Particulars	2011A	2012E	2013E	2014E
(A) Measures of Performance (%)				
EBITDA Margin (%)	9.9	6.9	5.9	5.6
Gross Profit Margin (%)	7.7	5.5	4.7	4.6
Total Tax Rate (%)	16.4	17.0	17.0	17.0
Net Profit Margin (%)	3.8	2.4	1.8	1.8
(B) Measures of Financial Status				
Debt / Equity (x)	0.8	0.7	0.7	0.7
Net Debt / Equity (x)	0.7	0.6	0.5	0.4
Debtors Period (days)	18.7	20.0	20.0	20.0
Creditors Period (days)	92.2	85.0	85.0	85.0
Inventory Period (days)	28.4	34.0	35.0	36.0
(C) Measures of Investment				
EPS (Rs)	5.7	4.2	3.4	4.0
Book Value (Rs)	62.8	64.6	66.0	67.7
Earning Yield	2.1	1.5	1.3	1.5
ROA (%)	5.1	3.5	2.9	3.3
Return on Net Worth (%)	10.4	6.6	5.3	6.0
Return on Cap. Employed (%)	9.8	6.7	5.9	6.3
Interest Coverage (x)	3.0	2.7	2.4	2.8
(D) Measures of Valuation				
P/E (x)	47.9	65.0	79.3	67.8
M. Cap to Sales (x)	1.8	1.6	1.4	1.2
EV/Sales (x)	2.1	1.8	1.6	1.4
EV/EBDITA (x)	21.0	26.1	26.8	24.3

Source: SBICAP Securities Research

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