

# Results in line at operating level

## JLR's positives offset by weak domestic business

November 8, 2012

<b>Rating</b> Remains	<b>Neutral</b>
<b>Target price</b> Increased from 261	INR 284
<b>Closing price</b> November 7, 2012	INR 269
<b>Potential upside</b>	+5.6%

### Action: Maintain Neutral; TP revised to INR284

TTMT's adj PAT of INR20.8bn was below our INR26bn estimate and consensus of INR23.8bn. However, EBITDA at INR53.3bn was in line with our estimates. Margins for JLR surprised positively, while that for the stand-alone business came in below estimates. We think the bulk of JLR's gross margin improvement may have come from currency movements. We have tweaked up our estimate for JLR and reduced estimates for the stand-alone business to factor in a weaker MHCV outlook in FY13F. Overall our EPS estimates are down by 2.5% for FY13F and up by 5% in FY14F as we factor in better-than-expected margins at JLR. Management continues to remain cautiously optimistic on JLR's outlook.

### Catalysts: Success of new models (positive); weaker USD, slowdown in China and domestic trucks (negative)

- Stronger-than-expected volumes for new launches could present potential upside risks.
- A slowdown in China or further slowdown in Domestic MHCVs could be a potential downside risk.
- Weakening USD could reverse currency gains seen in Q2FY13.

### Valuation: SOTP-based TP raised to INR284

We increase our TP by c.9% due as we roll forward to average EBITDA of FY14 and FY15 (from FY14F earlier). We value the stand-alone business at INR51.8/sh, based on 7.0x EBITDA of INR45,815mn. We value JLR at INR201.6/sh, based on 3.0x normalized EBITDA of INR239,206mn. We value other investments at INR30.5/sh.

31 Mar	FY12	FY13F		FY14F		FY15F	
Currency (INR)	Actual	Old	New	Old	New	Old	New
<b>Revenue (mn)</b>	1,656,545	2,017,491	1,981,795	2,179,379	2,186,659	2,242,068	2,268,584
<b>Reported net profit (mn)</b>	135,165	132,502	129,247	139,916	146,901	149,108	154,049
<b>Normalised net profit (mn)</b>	115,770	132,502	129,247	139,916	146,901	149,108	154,049
<b>FD normalised EPS</b>	36.31	41.56	40.53	43.88	46.07	46.76	48.31
<b>FD norm. EPS growth (%)</b>	35.8	14.5	11.6	5.6	13.7	6.6	4.9
<b>FD normalised P/E (x)</b>	7.4	N/A	6.6	N/A	5.8	N/A	5.6
<b>EV/EBITDA (x)</b>	4.2	N/A	3.8	N/A	3.4	N/A	3.1
<b>Price/book (x)</b>	2.6	N/A	1.9	N/A	1.5	N/A	1.2
<b>Dividend yield (%)</b>	1.5	N/A	1.5	N/A	1.5	N/A	1.5
<b>ROE (%)</b>	51.7	33.9	33.2	27.5	28.9	23.6	24.2
<b>Net debt/equity (%)</b>	64.6	55.1	58.6	46.9	45.6	34.9	33.3

Source: Company data, Nomura estimates

**Key company data:** See page 2 for company data and detailed price/index chart.

### Anchor themes

Volume growth for JLR should remain robust in China and new Evoque sales. However, we expect margins to remain at c.15% with some potential upside risks in 2HFY13F. Global slowdown remains a key risk, while the success of new models could present upside to medium-term volume growth.

### Nomura vs consensus

Our FY13-14F consolidated EBITDA estimates are in line with consensus.

### Research analysts

#### India Autos & Auto Parts

**Kapil Singh - NFASL**  
[kapil.singh@nomura.com](mailto:kapil.singh@nomura.com)  
 +91 22 4037 4199

**Nishit Jalan - NSFSP**  
[nishit.jalan@nomura.com](mailto:nishit.jalan@nomura.com)  
 +91 22 4037 4362

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

# Key data on Tata Motors

## Income statement (INRmn)

Year-end 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
<b>Revenue</b>	<b>1,225,574</b>	<b>1,656,545</b>	<b>1,981,795</b>	<b>2,186,659</b>	<b>2,268,584</b>
Cost of goods sold	-838,029	-1,150,930	-1,361,371	-1,515,243	-1,606,550
<b>Gross profit</b>	<b>387,544</b>	<b>505,615</b>	<b>620,424</b>	<b>671,416</b>	<b>662,034</b>
SG&A	-178,257	-215,772	-263,879	-285,370	-280,756
Employee share expense	-93,427	-122,985	-163,876	-175,868	-162,766
<b>Operating profit</b>	<b>115,861</b>	<b>166,859</b>	<b>192,669</b>	<b>210,177</b>	<b>218,512</b>
<b>EBITDA</b>	<b>162,416</b>	<b>223,112</b>	<b>259,108</b>	<b>289,601</b>	<b>311,675</b>
Depreciation	-46,555	-56,254	-66,439	-79,424	-93,163
Amortisation					
EBIT	115,861	166,859	192,669	210,177	218,512
Net interest expense	-20,454	-29,822	-16,548	-14,911	-14,624
Associates & JCEs	1,014	249	262	275	288
Other income	723	6,618	5,717	10,196	10,463
<b>Earnings before tax</b>	<b>97,142</b>	<b>143,903</b>	<b>182,100</b>	<b>205,737</b>	<b>214,639</b>
Income tax	-11,419	-27,310	-51,960	-57,821	-59,491
<b>Net profit after tax</b>	<b>85,724</b>	<b>116,593</b>	<b>130,140</b>	<b>147,917</b>	<b>155,148</b>
Minority interests	-485	-823	-893	-1,016	-1,099
Other items					
Preferred dividends					
<b>Normalised NPAT</b>	<b>85,238</b>	<b>115,770</b>	<b>129,247</b>	<b>146,901</b>	<b>154,049</b>
Extraordinary items	1,739	19,395	0	0	
<b>Reported NPAT</b>	<b>86,977</b>	<b>135,165</b>	<b>129,247</b>	<b>146,901</b>	<b>154,049</b>
Dividends	-12,742	-12,754	-12,754	-12,754	-12,754
<b>Transfer to reserves</b>	<b>74,235</b>	<b>122,411</b>	<b>116,493</b>	<b>134,146</b>	<b>141,295</b>

## Valuation and ratio analysis

Reported P/E (x)	9.9	6.4	6.6	5.8	5.6
Normalised P/E (x)	10.1	7.4	6.6	5.8	5.6
FD normalised P/E (x)	10.1	7.4	6.6	5.8	5.6
FD normalised P/E at price target (x)	9.8	7.2	6.4	5.7	5.4
Dividend yield (%)	1.5	1.5	1.5	1.5	1.5
Price/cashflow (x)	5.8	3.8	4.5	3.9	3.4
Price/book (x)	4.5	2.6	1.9	1.5	1.2
EV/EBITDA (x)	5.7	4.2	3.8	3.4	3.1
EV/EBIT (x)	7.9	5.6	5.1	4.7	4.4
Gross margin (%)	31.6	30.5	31.3	30.7	29.2
EBITDA margin (%)	13.3	13.5	13.1	13.2	13.7
EBIT margin (%)	9.5	10.1	9.7	9.6	9.6
Net margin (%)	7.1	8.2	6.5	6.7	6.8
Effective tax rate (%)	11.8	19.0	28.5	28.1	27.7
Dividend payout (%)	14.7	9.4	9.9	8.7	8.3
Capex to sales (%)	7.6	11.2	11.4	9.2	8.9
Capex to depreciation (x)	2.0	3.3	3.4	2.5	2.2
ROE (%)	63.5	51.7	33.2	28.9	24.2
ROA (pretax %)	14.1	16.5	14.9	13.8	12.9

## Growth (%)

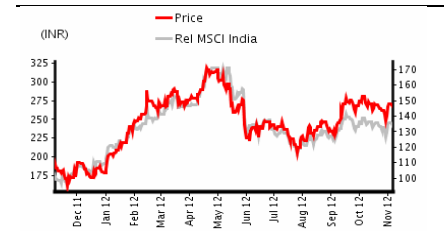
Revenue	32.5	35.2	19.6	10.3	3.7
EBITDA	100.1	37.4	16.1	11.8	7.6
EBIT	174.0	44.0	15.5	9.1	4.0
Normalised EPS	399.6	35.8	11.6	13.7	4.9
Normalised FDEPS	399.6	35.8	11.6	13.7	4.9

## Per share

Reported EPS (INR)	27.28	42.39	40.53	46.07	48.31
Norm EPS (INR)	26.73	36.31	40.53	46.07	48.31
Fully diluted norm EPS (INR)	26.73	36.31	40.53	46.07	48.31
Book value per share (INR)	60.13	103.97	139.85	179.45	220.12
DPS (INR)	4.00	4.00	4.00	4.00	4.00

Source: Company data, Nomura estimates

## Relative performance chart (one year)



Source: ThomsonReuters, Nomura research

(%)	1M	3M	12M
Absolute (INR)	-4.0	12.8	43.2
Absolute (USD)	-7.9	15.3	29.9
Relative to index	-3.0	5.5	36.8
Market cap (USDmn)	13,395.6		
Estimated free float (%)	60.0		
52-week range (INR)	320.75/160.15		
3-mth avg daily turnover (USDmn)	24,043.18		
Major shareholders (%)			
Tata Sons	25.9		
LIC	8.5		

Source: Thomson Reuters, Nomura research

## Notes

We expect 12-14% EPS growth over the next two years

**Cashflow (INRmn)**

Year-end 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
EBITDA	162,416	223,112	259,108	289,601	311,675
Change in working capital	20,810	52,849	-4,058	-4,181	4,955
Other operating cashflow	-35,471	-48,965	-63,422	-63,277	-64,462
<b>Cashflow from operations</b>	<b>147,755</b>	<b>226,996</b>	<b>191,628</b>	<b>222,144</b>	<b>252,168</b>
Capital expenditure	-93,702	-186,168	-225,011	-202,000	-202,000
<b>Free cashflow</b>	<b>54,052</b>	<b>40,828</b>	<b>-33,383</b>	<b>20,144</b>	<b>50,168</b>
Reduction in investments	7,975	-41	0	0	0
Net acquisitions					
Reduction in other LT assets	-101,506	-45,335	0	0	0
Addition in other LT liabilities	72,374	-24,265	0	0	0
Adjustments	-4,721	33,291	0	0	
<b>Cashflow after investing acts</b>	<b>28,175</b>	<b>4,479</b>	<b>-33,383</b>	<b>20,144</b>	<b>50,168</b>
Cash dividends	-14,670	-14,820	-14,820	-14,820	-18,541
Equity issue	47,032	-1,669	0	-5,819	-5,819
Debt issue	-22,978	143,384	132,755	34,542	21,459
Convertible debt issue	0	0	0	0	0
Others	331	605	893	1,016	1,099
<b>Cashflow from financial acts</b>	<b>9,715</b>	<b>127,500</b>	<b>118,828</b>	<b>14,919</b>	<b>-1,802</b>
<b>Net cashflow</b>	<b>37,889</b>	<b>131,979</b>	<b>85,445</b>	<b>35,062</b>	<b>48,365</b>
Beginning cash	87,433	125,323	257,302	342,747	377,809
Ending cash	125,323	257,302	342,747	377,809	426,174
Ending net debt	202,783	214,188	261,498	260,978	234,071

Source: Company data, Nomura estimates

**Notes**

Operating cashflows likely to remain strong but higher capex could impact free cash flow generation

**Balance sheet (INRmn)**

As at 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
Cash & equivalents	125,323	257,302	342,747	377,809	426,174
Marketable securities	0	0	0	0	0
Accounts receivable	65,257	82,368	101,881	109,545	116,737
Inventories	140,705	182,160	225,226	243,019	243,481
Other current assets	88,754	122,443	186,219	226,173	262,698
<b>Total current assets</b>	<b>420,038</b>	<b>644,274</b>	<b>856,073</b>	<b>956,546</b>	<b>1,049,091</b>
LT investments	14,216	14,257	14,257	14,257	14,257
Fixed assets	432,211	562,125	720,697	843,273	952,110
Goodwill	35,848	40,937	40,937	40,937	40,937
Other intangible assets	0	0	0	0	0
Other LT assets	101,506	146,841	146,841	146,841	146,841
<b>Total assets</b>	<b>1,003,818</b>	<b>1,408,433</b>	<b>1,778,804</b>	<b>2,001,854</b>	<b>2,203,235</b>
Short-term debt	0	0	0	0	0
Accounts payable	225,140	326,076	479,160	530,031	567,731
Other current liabilities	170,570	214,740	183,952	194,312	205,747
<b>Total current liabilities</b>	<b>395,711</b>	<b>540,816</b>	<b>663,112</b>	<b>724,343</b>	<b>773,477</b>
Long-term debt	328,106	471,490	604,245	638,787	660,245
Convertible debt	0	0	0	0	0
Other LT liabilities	85,822	61,557	61,557	61,557	61,557
<b>Total liabilities</b>	<b>809,638</b>	<b>1,073,863</b>	<b>1,328,914</b>	<b>1,424,686</b>	<b>1,495,280</b>
Minority interest	2,466	3,071	3,965	4,981	6,080
Preferred stock	0	0	0	0	
Common stock	6,377	6,348	6,348	6,348	6,348
Retained earnings	185,338	325,152	439,578	565,839	695,528
Proposed dividends					
Other equity and reserves					
<b>Total shareholders' equity</b>	<b>191,715</b>	<b>331,499</b>	<b>445,926</b>	<b>572,187</b>	<b>701,876</b>
<b>Total equity &amp; liabilities</b>	<b>1,003,818</b>	<b>1,408,433</b>	<b>1,778,804</b>	<b>2,001,854</b>	<b>2,203,235</b>

**Notes**

We expect net debt/equity to decline over the next two years

**Liquidity (x)**

Current ratio	1.06	1.19	1.29	1.32	1.36
Interest cover	5.7	5.6	11.6	14.1	14.9

**Leverage**

Net debt/EBITDA (x)	1.25	0.96	1.01	0.90	0.75
Net debt/equity (%)	105.8	64.6	58.6	45.6	33.3

**Activity (days)**

Days receivable	20.4	16.3	17.0	17.6	18.2
Days inventory	55.3	51.3	54.6	56.4	55.3
Days payable	96.9	87.6	107.9	121.5	124.7
Cash cycle	-21.2	-20.0	-36.4	-47.5	-51.2

Source: Company data, Nomura estimates

# Balanced risk-reward

## JLR – increasing estimates as we build in higher margins

We have kept our volume estimates largely unchanged from earlier levels. JLR's 2QFY13 margins came in at 14.8%, ahead of our expectation of 13.3%. This was driven largely by favourable currency movements and some benefit of decline in raw material prices. Going ahead, we believe that margins should improve in 2HFY13F led by operating leverage and model mix but weakening USD can offset some of the benefits. We increase our FY13-14F margin estimates by c.90-100 bps. We now expect EBITDA margins of 15.2% in FY13F and 15.3% in FY14F. Overall, we have increased our earnings estimates by 5% for FY13F and 11% for FY14F

Fig. 1: JLR: Earnings estimate revisions

	New			Old			% change		
	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
Volumes (Numbers)	365,020	391,809	411,955	368,207	391,330	410,896	(0.9)	0.1	0.3
Revenue (GBP m)	16,033	17,725	18,823	15,999	17,004	18,033	0.2	4.2	4.4
Realization/Vehicle (GBP)	43,922	45,240	45,692	43,452	43,452	43,886	1.1	4.1	4.1
YoY (%)	2.2	3.0	1.0	1.1	-	1.0			
EBITDA* (GBP m)	2,440	2,718	2,845	2,282	2,461	2,657	7.0	10.4	7.1
OPM (%)	15.2%	15.3%	15.1%	14.3%	14.5%	14.7%	1.0	0.9	0.4
Adj PAT (GBP m)	1370.9	1478.5	1473.9	1301.7	1330.0	1375.0	5.3	11.2	7.2

\* Per IFRS.

Source: Company data, Nomura estimates

Fig. 2: JLR volume estimates

	Sales volume			YoY (%)		
	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
North America	51,666	54,179	55,805	(1.3)	4.9	3.0
UK	41,113	43,476	44,780	(18.6)	5.7	3.0
Europe	44,327	44,855	46,201	(7.8)	1.2	3.0
China	52,104	61,368	69,946	16.7	17.8	14.0
Others	65,810	72,930	80,223	12.2	10.8	10.0
<b>Total (Excl Evoque)</b>	<b>255,020</b>	<b>276,809</b>	<b>296,955</b>	<b>0.3</b>	<b>8.5</b>	<b>7.3</b>
Evoque sales	110,000	115,000	115,000	82.7	4.5	-
Total - Overall sales	<b>365,020</b>	<b>391,809</b>	<b>411,955</b>	<b>16.1</b>	<b>7.3</b>	<b>5.1</b>
<b>Volume mix (%)</b>						
North America	20.3	19.6	18.8			
UK	16.1	15.7	15.1			
Europe	17.4	16.2	15.6			
China	20.4	22.2	23.6			
Other	25.8	26.3	27.0			

Source: Nomura estimates

## Stand-alone business – Cutting estimates on lower MHCV volumes and margins

Domestic MHCV industry continues to remain weak due to the slowdown in industrial production. Domestic industry volumes fell by 12% in 1HFY13; we don't expect any significant recovery in 2H. For TTMT, we now expect a 15% decline in MHCV volumes in FY13F as compared to a 10% decline expected earlier. We have also cut our FY14F volume growth estimates to 5% now from 10% earlier. As well we reduce our volume estimates in the passenger vehicle segment.

We have reduced our EBITDA margin estimates by 40-60 bps over FY13-14F largely due to lower operating leverage and higher discounts due to the industry slowdown. We now expect 6.9% EBITDA margin in FY13F and 7.2% in FY14F. We have reduced our stand-alone EPS estimates by 30% for FY13F and 18% for FY14F

Overall, we have reduced our FY13F consolidated EPS estimates by c.2% as the sharp decline in the stand-alone business offset increases in JLR business. For FY14F, we have increased our consolidated EPS estimates by 5% driven by an 11% increase in the JLR business.

**Fig. 3: Standalone business: Earnings estimate revisions**

	New			Old			% change		
	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
<b>Standalone</b>									
MHCV volumes	188,093	197,498	227,122	199,401	219,341	235,947	(5.7)	(10.0)	(3.7)
% YoY	-15.0%	5.0%	15.0%	-9.9%	10.0%	7.6%			
LCV volumes	436,507	488,888	537,777	436,507	488,888	537,777	-	-	-
% YoY	20.0%	12.0%	10.0%	20.0%	12.0%	10.0%			
Car Volumes	152,798	165,021	178,223	190,997	206,277	222,779	(20.0)	(20.0)	(20.0)
% YoY	-20.0%	8.0%	8.0%	0.0%	8.0%	8.0%			
UV Volumes	56,464	60,981	65,860	62,110	67,079	72,446	(9.1)	(9.1)	(9.1)
% YoY	0.0%	8.0%	8.0%	10.0%	8.0%	8.0%			
Nano volumes	74,257	85,396	92,227	96,534	111,014	119,895	(23.1)	(23.1)	(23.1)
% YoY	0.0%	15.0%	8.0%	30.0%	15.0%	8.0%			
Total Volumes	908,119	997,784	1,101,209	985,550	1,092,600	1,188,844	(7.9)	(8.7)	(7.4)
% YoY	0.1%	10.3%	10.2%	10.3%	11.2%	8.7%			
Revenue (INR mn)	522,266	572,412	649,457	560,829	627,186	690,931	(6.9)	(8.7)	(6.0)
EBITDA (INR mn)	35,963	41,036	50,667	40,833	48,416	54,528	(11.9)	(15.2)	(7.1)
OPM(%)	6.9%	7.2%	7.8%	7.3%	7.7%	7.9%	(0.4)	(0.6)	(0.1)
EPS (INR)	6.5	8.1	10.1	9.2	9.9	11.2	(29.6)	(18.3)	(10.0)
Consol EPS (INR)	40.5	46.1	48.3	41.6	43.9	46.8	(2.5)	5.0	3.3

Source: Company data, Nomura estimates

**Fig. 4: Our FY13-14F consolidated EBITDA estimates are in line with consensus**

INR mn	Consolidated								
	Nomura			Consensus			% Difference		
	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
Sales	1,981,795	2,186,659	2,268,584	1,920,148	2,136,795	2,404,096	3.2	2.3	-5.6
EBITDA	259,108	289,601	311,675	255,507	288,416	325,231	1.4	0.4	-4.2
OPM	13.1%	13.2%	13.7%	13.3%	13.5%	13.5%	-0.2%	-0.3%	0.2%
PAT	129,247	146,901	154,049	122,609	139,091	152,727	5.4	5.6	0.9
EPS	40.5	46.1	48.3	38.5	43.6	47.9	5.4	5.6	0.9

Source: Bloomberg, Nomura estimates

## Maintain Neutral; TP revised to INR284

We increased our TP by c.9% to INR284 (from INR261). This is largely driven by: 1) an increase in valuation for the JLR business as we have increased our FY14F EBITDA estimates by 11% and 2) roll forward of TP to Sep-13 from Mar-13 earlier. The valuation of the stand-alone business has declined as we have cut our earnings estimates.

Our new 12-month TP of INR284 is based on a sum-of-the-parts methodology (unchanged). We value the stand-alone business at INR51.8/sh, based on 7.0x one-yr forward stand-alone EBITDA (average of FY14F and FY15F). We value JLR at INR201.6/sh, based on 3.0x FY14F one-yr forward normalized EBITDA of INR 239,206mn. We value other investments at INR30.5/sh.

Fig. 5: TTMT: SOTP-based valuation

New Valuation			New Valuation		
<i>Standalone Valuation</i>			<i>Standalone Valuation</i>		
	INR m			INR m	
Standalone EBITDA (Avg of FY14F and FY15F)	45,851		Standalone EBITDA FY14F	48,416	
Multiple	7.0		Multiple	7.0	
Standalone EV	320,958		Standalone EV	338,911	
Standalone Net Debt	155,881		Standalone Net Debt	136,417	
Standalone equity value	165,077		Standalone equity value	202,494	
<b>Value / Share (INR)</b>	<b>51.8</b>		<b>Value / Share (INR)</b>	<b>63.5</b>	
<i>JLR Valuation</i>			<i>JLR Valuation</i>		
		( GBP m)			( GBP m)
EBITDA (Avg of FY14F and FY15F)	239,206	2,781	EBITDA (FY14)	211,642	2,461
Normalized R&D expense (60% expensed)	33,239	387	Normalized R&D expense (60% expensed)	35,889	417
Normalized EBITDA	205,967	2,395	Normalized EBITDA	175,752	2,044
Multiple (x)	3.0		Multiple (x)	3.0	
EV	617,900	7,185	EV	527,256	6,131
Debt	(24,839)	(289)	Debt	(18,406)	(214)
Equity Value	642,739	7,474	Equity Value	545,663	6,345
<b>Value / Share (INR)</b>	<b>201.6</b>		<b>Value / Share (INR)</b>	<b>171.1</b>	
Value of stake in Tata Sons and Tata Steel (INR/Sh)	11.4		Value of stake in Tata Sons and Tata Steel (INR/Sh)	6.8	
Value of Subsidiaries (INR/Share)	19.1		Value of Subsidiaries (INR/Share)	19.6	
<b>Total Value</b>	<b>284.0</b>		<b>Total Value</b>	<b>261.0</b>	

Source: Nomura estimates

### Valuation at a premium to other luxury players

At current levels, JLR's FY14F EV/EBITDA is 3.1x, compared with the industry average of 2.5x. We believe that this is justified given higher-than-industry average EBITDA growth.

Fig. 6: Valuation of European OEMs

	Ticker	Price (LC)	EBITDA growth		EV/EBITDA		EV/EBIT		P/E	
			FY13F	FY14F	FY13F	FY14F	FY13F	FY14F	FY13F	FY14F
BMW	BMW GR	64.5	-5.3%	1.2%	2.3	2.3	3.8	3.8	8.4	8.4
Daimler	DAI GR	37.5	-5.0%	4.4%	2.7	2.6	4.0	3.9	8.0	7.7
Volkswagen	VOW3 GY	155.7	10.0%	14.8%	3.0	2.6	5.6	4.7	4.3	6.5
<b>Average</b>			<b>-0.1%</b>	<b>6.8%</b>	<b>2.7</b>	<b>2.5</b>	<b>4.5</b>	<b>4.1</b>	<b>6.9</b>	<b>7.5</b>
<b>JLR</b>	<b>Unlisted</b>	<b>201.6</b>	<b>27.3%</b>	<b>14.6%</b>	<b>3.5</b>	<b>3.1</b>	<b>4.7</b>	<b>4.3</b>	<b>6.9</b>	<b>6.2</b>

Note: Pricing as of 6 Nov 2012; JLR multiples are adjusted for R&amp;D expenditures.

Source: Bloomberg consensus estimates for NR stocks

## Key risks

### Downside risks

**Slower-than-expected growth in China:** A slower-than-expected growth in China volumes and/or pricing pressures could lead to downside risks to our earnings estimates.

**Global growth slowdown:** If economic growth in developed economies is weaker than expected, there could be downside risks to our earnings estimates.

**Sharper-than-expected slowdown in MHCV industry volumes:** We have assumed 15% decline in domestic MHCV volumes in FY13F and 5% growth in FY14F. If volumes remain weak or deteriorate from current levels, there could be downside risks to our standalone estimates.

### Upside risks

**Favorable currency movements:** JLR is a net importer of raw materials from Europe, and therefore, it gains if the euro depreciates vis-à-vis the GBP. Similarly, due to exports, JLR gains if the CNY and USD appreciate against the GBP. There could be potential upside risks to our margin estimates if either the EUR depreciates or the USD/CNY appreciates against the GBP.

**Success of new launches:** There are quite a few new launches planned over the next two to three years. If these models are more successful than our expectations, there could be upside risks to our estimates.

## 2QFY13 results – JLR strong but stand-alone business disappoints

### Above or below expectations?

Adj. consolidated PAT of INR 20.8bn was 13-20% below our (INR26bn) and consensus expectations (INR23.9bn). EBITDA was in line with our estimates. The key reason for the negative surprise was poor performance in the stand-alone business. EBITDA margin in stand-alone business was 5.2% vs our expectation of 7.9%. As per our calculations, adjusted for dividend from JLR, the stand-alone business had a net loss in the quarter.

In the JLR business, margins came in at 14.8% vs. our forecast of 13.3%, which is a positive surprise. Adjusted for fx gain, PAT was GBP238mn; largely in line with our estimates due to higher tax rate.

**Fig. 7: Consolidated results - Actual vs. expectations**

	INR mn			% difference from	
	Actual	Consensus	Nomura	Consensus	Nomura
Net Sales	434,029	439,697	437,326	-1.3%	-0.8%
EBITDA	53,336	55,993	53,215	-4.7%	0.2%
Adj PAT	20,848	23,878	26,031	-12.7%	-19.9%

Source: Company data, Bloomberg, Nomura estimates

### What do the results mean?

Higher gross margins at JLR should lead to some potential upside risks to earnings. However, this should be partly offset by weaker performance of the standalone business.

### Likely stock reaction

We don't expect the stock to react significantly on these results.

### Key numbers

#### JLR: Higher EBITDA margins a positive surprise

- JLR revenues came in at GBP3,288mn compared to our estimate of GBP3,325mn
- ASP came in at GBP42,458/ vehicle; ~1% below our estimate
- JLR EBITDA came in at GBP486mn vs our forecast of GBP443mn
- EBITDA margins at 14.8% came in above our estimate of 13.3%.
- Adj PBT came in at GBP364mn; above our estimate of GBP311mn
- JLR adj PAT was GBP238mn compared to our estimate of GBP236mn.
- There was a fx gain of GBP67; our numbers are adjusted for the same

#### Standalone business: Big disappointment

- Net Sales at INR124.8bn was below our estimate of INR129.3bn
- EBITDA came in at INR6.5bn lower than our estimate of INR10.2bn
- EBITDA margins at 5.2% was below our estimate of 7.9% led by increase in RM/sales
- Other income came in at INR14.4bn compared to our estimate of INR15bn
- During the quarter, there was a one-off loss of INR2.55bn which includes 1) fx loss of INR0.8bn and 2) provision for loan to subsidiary of INR1.75bn

- RM/Sales came in at 74.3% compared to our estimate of 70.6%
- Employee cost/Sales came in at 6% compared to our estimate of 6%
- Other expenses/Sales came in at 14.5% compared to our estimate of 15.5%

### **Key takeaways from the conference call**

#### **JLR**

- JLR does not see any slowdown or pricing pressures in China
- There are no major changes in volume trends over last quarter. EU/UK remains weak and US is holding up better.
- The company expects a much stronger performance in H2FY13 with the launch of new models.
- There were favorable currency movements which benefitted margins on q-q basis.
- The company sees 360,000-370,000 units as the top end of its volumes expectations.
- Management targets c.12,000-15,000units for new F-Type. It can stretch production to 20,000 if need be.
- New RR Sport model will be launched in H2-CY13
- Benefits of higher production from Halewood will be seen in Q3FY13.
- Incentives are higher than last year, but under control.
- Order book on new Range Rover is very healthy with nearly six months waiting in some markets.
- The company has c.100 dealers in China which should move up to 130 by end-FY13.
- There has not been any delay in rollout of new model years.

#### **Stand-alone**

- Weak demand trends continue in MHCVs. Inventory is under control.
- The company is making efforts to improve margin and volume profile for passenger vehicle business.
- The company will spend c.INR 30bn on capex. A large part of this may be for PV business. Around 70% of capex may be towards new product development.
- The company took a 1% price increase on Buses and Ace family in Nov.
- As of Sep-11, net Automotive debt stands at INR120bn.



Fig. 8: Stand-alone 2QFY13 results

INR m n	1QFY12A	1QFY13A	2QFY13A	Q/Q	Y/Y	2QFY13F
<b>Net Sales and Op. income</b>	<b>116,242</b>	<b>105,864</b>	<b>124,814</b>	<b>17.9%</b>	<b>-3.6%</b>	<b>129,335</b>
(Inc)/Dec in Stocks	(5,373)	(9,820)	894			-
Raw Materials	87,685	84,149	91,855			-
Net Raw Materials	82,312	74,329	92,749	24.8%	-3.1%	91,311
<b>RM/Sales</b>	<b>70.8%</b>	<b>70.2%</b>	<b>74.3%</b>	<b>4.1%</b>	<b>0.4%</b>	<b>70.6%</b>
Staff Welfare	6,211	7,069	7,492	6.0%	9.7%	7,775
Other Costs	18,053	17,469	18,038	3.3%	-1.0%	20,090
Total Cost	106,576	98,867	118,279	19.6%	-2.1%	119,176
<b>Operating Profit</b>	<b>9,666</b>	<b>6,997</b>	<b>6,536</b>	<b>-6.6%</b>	<b>-25.1%</b>	<b>10,159</b>
<b>OPM (%)</b>	<b>8.3</b>	<b>6.6</b>	<b>5.2</b>	<b>-137.3%</b>	<b>-150.2%</b>	<b>7.9</b>
Non-Operating Income	1,774	4,471	14,393			15,021
Extraordinary Income(+Forex)	24	-	-			-
Extraordinary Expense	-	1,610	2,549			-
Interest	3,150	3,192	3,668	14.9%	72.9%	3,192
Gross Profit	8,314	6,666	14,713	120.7%	247.5%	21,988
Less: Depreciation	3,651	4,294	4,472	4.1%	15.6%	4,494
Amortisation	-	-	-			-
PBT	4,663	2,372	10,241	331.7%	2705.8%	17,494
Tax	650	320	1,570			667
Effective Tax Rate (%)	13.9	13.5	15.3			3.8
<b>PAT</b>	<b>4,013</b>	<b>2,052</b>	<b>8,671</b>	<b>322.5%</b>	<b>749.9%</b>	<b>16,828</b>
<b>Adj PAT</b>	<b>3,988</b>	<b>3,662</b>	<b>11,220</b>	<b>206.4%</b>	<b>183.2%</b>	<b>16,828</b>

Source: Company data, Nomura estimates

Fig. 9: Cost ratios – Stand-alone

(%)	1QFY12A	1QFY13A	2QFY13A	Q/Q	Y/Y	2QFY13F
Staff cost / sales	5.3	6.7	6.0	245.2%	133.4%	6.0
Other expenses / sales	15.5	16.5	14.5	323.6%	97.1%	15.5
RM/ SALES	70.8	70.2	74.3	-323.0%	-59.9%	70.6
Total	91.7	93.4	94.8	245.8%	170.6%	92.1
OPM	8.3	6.6	5.2	-137.3%	-150.2%	7.9
Gross margins	29.2	29.8	25.7	323.0%	59.9%	29.40
Realisation per vehicle (INR)	602,169	560,798	564,541	0.7%	-10.0%	584,990
Raw Material/ Vehicle (INR)	426,403	393,746	419,508	6.5%	-9.6%	413,003
Operating Profit/Vehicle (INR)	50,073	37,066	29,561	-20.2%	-30.1%	45,951

Source: Company data, Nomura estimates

## Financials: Jaguar and Land Rover

Fig. 10: JLR: P&amp;L (GBPmn)

Year ended 31 Mar	FY12	FY13F	FY14F
Total Volumes (Numbers)	314433	365020	391809
YoY	29.1%	16.1%	7.3%
Net Sales/vehicle (GBP)	42972	43922	45240
	5.7%	2.2%	3.0%
(GBP mn)			
Total Revenue	13512	16033	17725
YoY	36.4%	18.7%	10.6%
RM cost	8733	10261	11433
Product dev cost	149	194	213
Employee cost	1011	1345	1426
Other exp	1629	1792	1936
Total cost	11523	13592	15008
EBITDA (excl product dev exp)	2138	2634	2931
Margin	15.8%	16.4%	16.5%
EBITDA *	1989	2440	2718
EBITDA margin	14.7%	15.2%	15.3%
Depreciation	466	521	649
interest	69	15	15
PBT	1492	1904	2054
tax	26	533	575
PAT	1481	1371	1479
cash earnings	1947	1892	2128
Capex	-1590	-2000	-2000
Excess/(Shortfall)	357	-108	128

Note: \* As per IFRS

Source: Company data, Nomura estimates

Fig. 11: JLR: balance sheet (GBPmn)

Year ended 31 Mar	FY12F	FY13F	FY14F
Secured	1,484.4	2,105.3	2,206.6
Un Secured	489.7	489.7	489.7
Total Loans	1,974.1	2,595.0	2,696.3
<b>Total Funds</b>	<b>4,994.4</b>	<b>6,836.2</b>	<b>8,266.0</b>
Gross Fixed Assets	4,213.1	6,213.1	8,213.1
Acc. Depreciation	1,254.7	1,776.0	2,425.2
Net Fixed Assets	2,958.4	4,437.1	5,787.9
CWIP	1,428.5	1,428.5	1,428.5
<b>Fixed Assets</b>	<b>4,386.9</b>	<b>5,865.6</b>	<b>7,216.4</b>
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investments</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
Inventories	1,496.8	1,844.8	2,039.6
Sundry Debtors	662.2	834.6	922.7
Cash and Bank Balances	2,430.4	2,883.8	3,188.3
Loans & Advances	457.0	527.1	582.8
<b>Current Assets</b>	<b>5,234.7</b>	<b>6,278.6</b>	<b>6,921.7</b>
Current Liabilities	4,271.9	4,831.7	5,341.9
Provisions	950.8	1,071.8	1,125.7
<b>Total Current Liabilities</b>	<b>5,222.7</b>	<b>5,903.5</b>	<b>6,467.6</b>
<b>Net Current Assets</b>	<b>12.0</b>	<b>375.1</b>	<b>454.1</b>
<b>Deferred Tax Assets</b>	<b>473.8</b>	<b>473.8</b>	<b>473.8</b>
<b>Total Assets</b>	<b>4,994.4</b>	<b>6,836.2</b>	<b>8,266.0</b>

Note: \* As per IFRS

Source: Company data, Nomura estimates

Fig. 12: JLR: cash flow (GBPmn)

Year ended 31 Mar	FY12F	FY13F	FY14F
PAT	1,481	1,371	1,479
Depreciation	466	521	649
(Profit)/Loss on sale of Assets	-	-	-
Net Income Tax	26	533	575
Interest	69	15	15
Pension costs	-	-	-
Exchange Difference	-	-	-
Total Adjustments	560	1,069	1,239
Operating Profit	2,041	2,440	2,718
(inc)/dec in WC	(690)	(363)	(79)
Tax refund (paid)	(26)	(533)	(575)
<b>Cash from operations</b>	<b>1,325</b>	<b>1,544</b>	<b>2,064</b>
(Purchase) of Fixed Assets	(1,590)	(2,000)	(2,000)
Sale of Fixed Assets	-	-	-
Interest received	-	-	-
Purchase of JLR	-	-	-
<b>Net Cash from Investing</b>	<b>(1,590)</b>	<b>(2,000)</b>	<b>(2,000)</b>
Issue of Pref shares	-	-	-
Increase in borrowings	334	621	101
Issue of ordinary shares	-	-	-
Dividend Paid	-	(150)	(150)
Interest paid	(69)	(15)	(15)
<b>Net cash used in Financing</b>	<b>265</b>	<b>456</b>	<b>(64)</b>

Note: \* As per IFRS

Source: Company data, Nomura estimates

## Stand-alone business financials

Fig. 13: Stand-alone business: P&amp;L (INRmn)

Year ended 31 Mar (Rs mn)	FY11	FY12	FY13F	FY14F
<b>Net sales</b>	<b>470,884</b>	<b>543,066</b>	<b>522,266</b>	<b>572,412</b>
growth (%)	32.3	15.3	(3.8)	9.6
Operating expenses	(424,233)	(501,290)	(486,303)	(531,376)
<b>Operating profit (EBITDA)</b>	<b>46,652</b>	<b>41,775</b>	<b>35,963</b>	<b>41,036</b>
Depreciation	(13,608)	(16,067)	(18,296)	(20,384)
<b>EBIT</b>	<b>33,044</b>	<b>25,708</b>	<b>17,667</b>	<b>20,652</b>
Other income	4,230	5,741	21,117	24,065
Interest paid	(13,837)	(12,186)	(13,696)	(12,519)
<b>Pre-tax profit</b>	<b>23,437</b>	<b>19,263</b>	<b>25,088</b>	<b>32,198</b>
Extraordinary income(expense)	(1,471)	(5,852)	-	-
<b>PBT after extraordinary</b>	<b>21,965</b>	<b>13,410</b>	<b>25,088</b>	<b>32,198</b>
Tax (current + deferred)	(3,847)	(988)	(4,516)	(6,440)
<b>Profit after tax</b>	<b>18,118</b>	<b>12,422</b>	<b>20,572</b>	<b>25,759</b>
Adj. PAT	19,590	18,275	20,572	25,759
Adj. PAT ex subsidiary dividends	18,298	17,305	5,172	11,889
growth (%)	(42.0)	(5.4)	(70.1)	129.9

Source: Company data, Nomura estimates

**Fig. 14: Stand-alone business: Balance sheet (INRmn)**

Year ended 31 Mar (Rs mn)	FY11	FY12	FY13F	FY14F
Current assets	108,857	111,227	114,849	117,288
Investments	226,242	204,936	204,936	204,936
Net fixed assets	172,161	190,562	202,266	211,883
Other non-current assets	-	-	-	-
<b>Total assets</b>	<b>507,260</b>	<b>506,724</b>	<b>522,051</b>	<b>534,106</b>
Current liabilities	147,874	164,068	158,878	169,165
Total Debt	159,154	158,806	173,571	170,220
Other liabilities	-	(2,584)	(2,584)	(2,584)
<b>Total liabilities</b>	<b>307,029</b>	<b>320,290</b>	<b>329,866</b>	<b>336,801</b>
Share capital	6,377	6,348	6,348	6,348
Reserves & surplus	193,756	189,913	195,664	200,784
<b>Shareholders' funds</b>	<b>200,133</b>	<b>196,260</b>	<b>202,012</b>	<b>207,131</b>
Minorities	4,030	2,135	2,466	3,071
<b>Total equity &amp; liabilities</b>	<b>507,162</b>	<b>516,550</b>	<b>531,878</b>	<b>543,932</b>

Source: Company data, Nomura estimates

**Fig. 15: Stand-alone business: Cashflow (INRmn)**

Year ended 31 Mar (Rs mn)	FY11	FY12	FY13F	FY14F
PAT	18,118	12,422	20,572	25,759
less: Proposed dividend	14,670	14,820	14,820	14,820
Depreciation	13,608	16,067	18,296	20,384
<b>Operating cashflow</b>	<b>17,056</b>	<b>13,669</b>	<b>24,047</b>	<b>31,322</b>
Change in WC	34,415	(13,824)	8,813	(7,849)
Change in fixed assets (Capex)	20,334	33,397	30,000	30,000
Change in Intangibles	-	-	-	-
<b>Free cash flow</b>	<b>(37,693)</b>	<b>(5,904)</b>	<b>(14,766)</b>	<b>9,170</b>
<b>Financing Cashflow</b>				
Increase in debt	(6,466)	(13,734)	14,766	(3,351)
Less: Increase in Investments	2,873	(21,307)	-	-
Increase in share capital	671	(30)	-	-
Increase in share premium	46,361	(1,639)	-	(5,819)
Others	-	-	-	-
<b>Financing Cashflow</b>	<b>37,693</b>	<b>5,904</b>	<b>14,766</b>	<b>(9,170)</b>

Source: Company data, Nomura estimates

# Appendix A-1

## Analyst Certification

We, Kapil Singh and Nishit Jalan, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

## Issuer Specific Regulatory Disclosures

The term "Nomura Group Company" used herein refers to Nomura Holdings, Inc. or any affiliate or subsidiary of Nomura Holdings, Inc. Nomura Group Companies involved in the production of Research are detailed in the disclaimer below.

Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Tata Motors	TTMT IN	INR 269	07-11-2012	Neutral	Not rated	A6

A6 A Nomura Group Company expects to receive or intends to seek compensation for investment banking services from the issuer in the next three months.

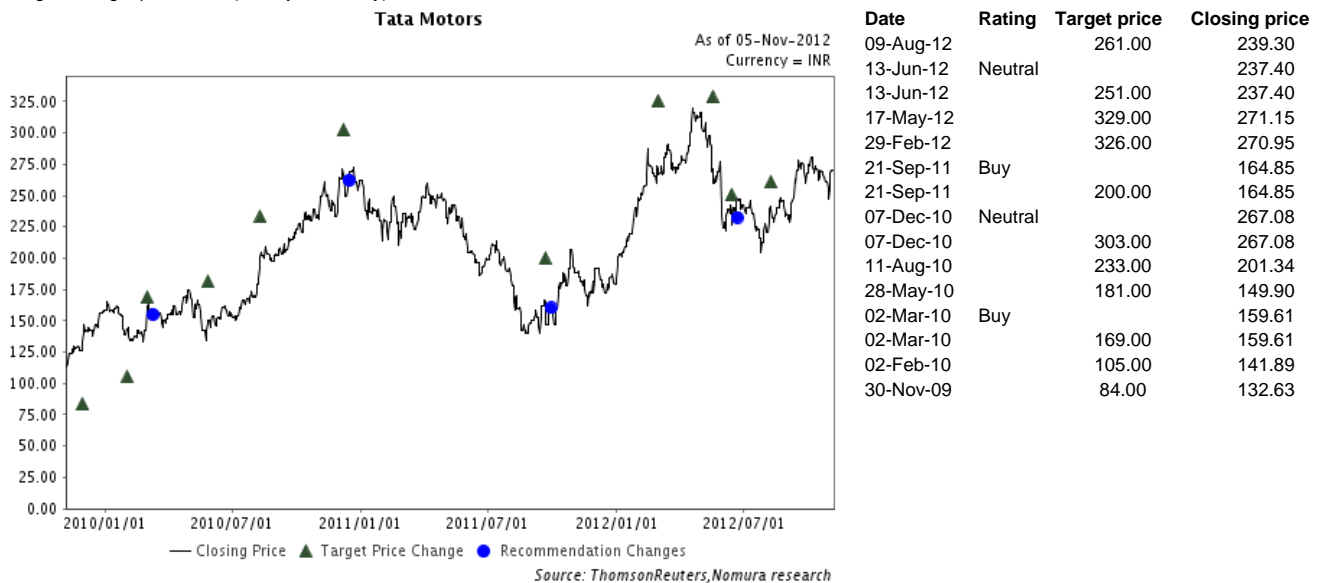
## Previous Rating

Issuer name	Previous Rating	Date of change
Tata Motors	Buy	13-6-2012

## Tata Motors (TTMT IN)

INR 269 (07-11-2012) Neutral (Sector rating: Not rated)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** Our new 12-month target price of INR284 is based on a sum-of-the-parts methodology (unchanged). We value the stand-alone business at INR51.8/sh, based on 7.0x one-yr forward stand-alone EBITDA (average of FY14F and FY15F). We value JLR at INR201.6/sh, based on 3.0x FY14F one-yr forward normalized EBITDA of INR 239,206mn. We value other investments at INR30.5/sh.

**Risks that may impede the achievement of the target price** Downside risks include 1) global growth slowdown; 2) slower-than-expected growth in China; and 3) sharper-than-expected slowdown in MHCV industry volumes. Upside risks include 1) success of new launches and 2) favourable currency movements.

## Important Disclosures

### Online availability of research and conflict-of-interest disclosures

Nomura research is available on [www.nomuranow.com/research](http://www.nomuranow.com/research), Bloomberg, Capital IQ, Factset, MarkitHub, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email [grpsupport-eu@nomura.com](mailto:grpsupport-eu@nomura.com) for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Any authors named in this report are research analysts unless otherwise indicated. *Industry Specialists* identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear. *Marketing Analysts* identified in some Nomura research reports are research analysts employed by Nomura International plc who are primarily responsible for marketing Nomura's Equity Research product in the sector for which they have coverage. Marketing Analysts may also contribute to research reports in which their names appear and publish research on their sector.

### Distribution of ratings (Global)

The distribution of all ratings published by Nomura Global Equity Research is as follows:

43% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 40% of companies with this rating are investment banking clients of the Nomura Group\*.

45% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 46% of companies with this rating are investment banking clients of the Nomura Group\*.

12% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 22% of companies with this rating are investment banking clients of the Nomura Group\*.

As at 30 September 2012. \*The Nomura Group as defined in the Disclaimer section at the end of this report.

### Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to target price defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

#### STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States/Europe**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

#### SECTORS

A '**Bullish**' stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A '**Neutral**' stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A '**Bearish**' stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia.

### Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

#### STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A '**Buy**' recommendation indicates that potential upside is 15% or more. A '**Neutral**' recommendation indicates that potential upside is less than 15% or downside is less than 5%. A '**Reduce**' recommendation indicates that potential downside is 5% or more. A rating of '**Suspended**' indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

#### SECTORS

A '**Bullish**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A '**Neutral**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A '**Bearish**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

### Target Price

A Target Price, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

## Disclaimers

This document contains material that has been prepared by the Nomura entity identified at the top or bottom of page 1 herein, if any, and/or, with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or identified elsewhere in the document. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the 'Nomura Group'), include: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; P.T. Nomura Indonesia ('PTNI'), Indonesia; Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; SEBI Registration No: BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034, MCX: INE261299034); Nlplc, Madrid Branch ('Nlplc, Madrid') and Nlplc, Italian Branch ('Nlplc, Italy'). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under a Research Assistance Agreement. CNS is not a Nomura entity.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by Nomura Group are hereby excluded and Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. Nomura Group is under no duty to update this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Nomura Group does not provide tax advice.

Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. Nomura Group companies may also act as market maker or liquidity provider (as defined within Financial Services Authority ('FSA') rules in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates. Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis, quantitative analysis and short term trading ideas; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. Nomura Group publishes research product in a number of different ways including the posting of product on Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements. Clients outside of the US may access the Nomura Research Trading Ideas platform (Retina) at <http://go.nomuranow.com/equities/tradingideas/retina/>. Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nlplc, which is authorized and regulated by the FSA and is a member of the London Stock Exchange. It does not constitute a personal recommendation, as defined by the FSA, or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are 'eligible counterparties' or 'professional clients' as defined by the FSA, and may not, therefore, be redistributed to retail clients as defined by the FSA. This document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934.

This document has not been approved for distribution in the Kingdom of Saudi Arabia ('Saudi Arabia') or to clients other than 'professional clients' in the United Arab Emirates ('UAE') by Nomura Saudi Arabia, Nlplc or any other member of Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or to any person located in Saudi Arabia or to clients other than 'professional clients' in the UAE. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are a 'professional client' in the UAE and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese walls and employee training.

**Additional information is available upon request and disclosure information is available at the Nomura Disclosure web**

**page:** <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2012 Nomura International (Hong Kong) Ltd. All rights reserved.