

**COMPANY QUICK COMMENT**

JLR sales in USA increased by 12.7% YoY in Oct-11. Land Rover sales were up 31.4% while Jaguar sales were down 29.8%. Adjusted for lower number of selling days, sales volume of existing models declined by 3% yoy in Oct-11; largely in-line with our estimates. JLR's US retail sales volumes are up 6.6% FYTD12 (Apr-Oct, 2011). Sales of existing models are up 3.6% yoy FYTD12. Note that, we are building in only 1% yoy growth in US market for FY12. The wt. average marketing and promotional spends for JLR declined by 47% for the month. We expect the market to take this news positively. Maintain Buy.

Price target: 200.0 INR

Price (01 Nov 2011): 193.45 INR

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**JLR's US volumes increased 12.7% yoy in Oct-11; sales incentives declined 47% MoM**

JLR sales in USA increased by 12.7% YoY in Oct-11. Land Rover sales were up 31.4% while Jaguar sales were down 29.8%. We note that data includes 821 units of sales from Evoque. Further, numbers of selling days were lower at 26 days this year as compared to 27 days on Oct-10. Adjusted for lower number of selling days, sales volume of existing models declined by 3% yoy in Oct-11; largely in-line with our estimates.

JLR's US retail sales volumes are up 6.6% yoy FYTD12 (Apr-Oct, 2011). Sales of existing models are up 3.6% yoy FYTD12. Note that, we are building in only 1% yoy growth in US market for FY12.

In Oct-11, Audi sales were up 25.8% yoy, BMW sales up 13.5% yoy and Mercedes sales were up 26.5% yoy. Total US market sales including all vehicle types increased by 7.5% yoy in October 2011.

The wt. average marketing and promotional spends for JLR declined by 47% for the month due to a 31% decline at Jaguar and 48% decline at Land Rover.

## Exhibit 1: JLR sales volume in USA

	Oct-11	Oct-10	YoY	FYTD12	FYTD11	YoY
Land Rover	3,886	2,958	31.4	21,269	18,531	14.8
Jaguar	909	1,295	(29.8)	7,723	8,668	(10.9)
JLR	4,795	4,253	12.7	28,992	27,199	6.6
<b>Other key luxury OEMs</b>						
	Oct-11	Oct-10	YoY			
BMW	21,873	19,272	13.5			
Audi	10,225	8,128	25.8			
Mercedes	24,122	19,076	26.5			
Total Industry	1,021,313	950,165	7.5			

Source: Autodata Corp, USA

## Exhibit 1: JLR' marketing and promotional spend in USA

	Incentives (USD)			MoM increase (%)		
	Jaguar	Land Rover	Weighted avg	Jaguar	Land Rover	Weighted avg
Oct-10	2059	1075	1375			
Nov-10	2322	1240	1539	12.8	15.3	12.0
Dec-10	2497	1164	1487	7.5	(6.1)	(3.4)
Jan-11	2360	1031	1419	(5.5)	(11.4)	(4.6)
Feb-11	2663	838	1227	12.8	(18.7)	(13.5)
Mar-11	3499	929	1450	31.4	10.9	18.1

Apr-11	6459	1484	2953	84.6	59.7	103.7
May-11	7532	1709	3494	16.6	15.2	18.3
Jun-11	8253	1740	3732	9.6	1.8	6.8
Jul-11	7108	1986	3314	13.9	14.1	(11.2)
Aug-11	6901	2313	3340	(2.9)	16.5	0.8
Sep-11	6516	2777	3856	(5.6)	20.1	15.4
Oct-11	4471	1450	2023	31.4	(47.8)	(47.5)

Source: Autodata Corp, USA

**Valuation Methodology and Investment Risks:** Valuation Methodology We have valued TTMT on a sum-of-the-parts basis to arrive at our TP of INR200/share. We value the standalone business at 8x FY13F EV/EBITDA at INR94.7/share. We value JLR at 2.5x FY13F EV/EBITDA at INR73.1/share and other investments at INR31.8. Risks that may impede the achievement of the target price  
**Upside risks:** 1) Emerging markets doing well — JLR has consistently improved its margins and realisations. We believe that if its volumes in China continue to grow sharply, there could be upside risk to our estimates. 2) Success of Evoque — We are building in around 25,000 units of Evoque sales for FY12. If the product sells much more than that, there would be upside risks to our estimates. 3) Growth in developed markets — If developed markets continue to record robust volume growth for Land Rover, there would be upside risks to our estimates.  
**Downside risks:** 1) JLR's margin weakening — JLR's margins are highly sensitive to volumes because of its high operating leverage. We assume JLR will be able to sustain volume. If volumes fall short of our assumptions, there could be material downside risk to our estimates. 2) Slowdown in India truck volumes — We assume that the domestic economy will remain stable and Tata Motors' domestic truck volumes will continue to grow. In case of a sharp slowdown, there could be material downside risk to our estimates. 3) Passenger vehicle business may drag — TTMT's PV business has reported volume growth well below industry levels. Nano, which was expected to be a high-volume segment, has seen a sharp fall in sales from a peak of 9,000 in July 2010 to around 1,200 units in August 2011 (retail sales were around 6,500 units). If the PV business continues to face market share pressure, it may remain a drag on earnings growth.

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### Mentioned companies

Issuer name	Ticker	Price	Price date	Stock rating	Disclosures
Tata Motors	TTMT IN	193.45 INR	01 Nov 2011	Buy	49

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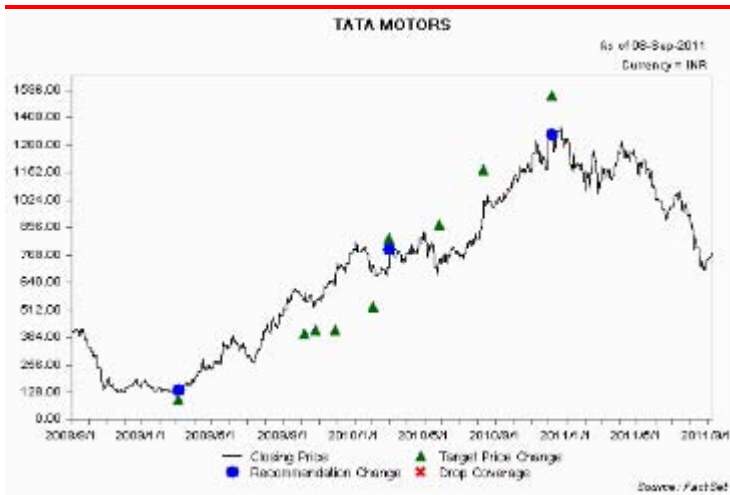
## Previous Rating

Issuer name	Previous Rating	Date of change
Tata Motors	Neutral	21 Sep 2011

## Tata Motors (TTMT IN)

193.45 INR (01 Nov 2011) Buy

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
07-Dec-2010		1514.00	1331.90
07-Dec-2010	Neutral		1331.90
11-Aug-2010		1167.00	1006.65
28-May-2010		906.00	748.00
02-Mar-2010		844.00	797.10
02-Mar-2010	Buy		797.10
02-Feb-2010		526.00	707.95
30-Nov-2009		419.00	660.90
26-Oct-2009		418.80	539.35
07-Oct-2009		400.00	557.55
05-Mar-2009		92.50	139.30
05-Mar-2009	Reduce		139.30

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

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**Risks that may impede the achievement of the target price** Upside risks: 1) Emerging markets doing well — JLR has consistently improved its margins and realisations. We believe that if its volumes in China continue to grow sharply, there could be upside risk to our estimates. 2) Success of Evoque — We are building in around 25,000 units of Evoque sales for FY12. If the product sells much more than that, there would be upside risks to our estimates. 3) Growth in developed markets — If developed markets continue to record robust volume growth for Land Rover, there would be upside risks to our estimates. Downside risks: 1) JLR's margin weakening — JLR's margins are highly sensitive to volumes because of its high operating leverage. We assume JLR will be able to sustain volume. If volumes fall short of our assumptions, there could be material downside risk to our estimates. 2) Slowdown in India truck volumes — We assume that the domestic economy will remain stable and Tata Motors' domestic truck volumes will continue to grow. In case of a sharp slowdown, there could be material downside risk to our estimates. 3) Passenger vehicle business may drag — TTMT's PV business has reported volume growth well below industry levels. Nano, which was expected to be a high-volume segment, has seen a sharp fall in sales from a peak of 9,000 in July 2010 to around 1,200 units in August 2011 (retail sales were around 6,500 units). If the PV business continues to face market share pressure, it may remain a drag on earnings growth.

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