

Tata Motors

Performance Highlights

Consolidated (₹ cr)	4QFY11	4QFY10	% chg (yoy)	Angel est.	% Diff.
Net sales	35,611	28,990	22.8	35,400	0.6
Operating profit	3,858	3,156	22.3	4,684	(17.6)
OPM (%)	10.8	10.9	(5)bp	13.2	(240)bp
Reported PAT	1,842	2,248	(18.1)	2,607	(29.4)

Source: Company, Angel Research

Consolidated results driven by volume growth and higher average realisation:

On a consolidated basis, Tata Motors (TML) reported ~22.8% yoy top-line growth, aided by a ~13% yoy jump in volumes. Operating margin stood at 10.8% in 4QFY2011 vs. 10.9% in 4QFY2010. Reported profit stood at ₹1,842cr in 4QFY2011 compared to ₹2,248cr in 4QFY2010.

Standalone (₹ cr)	4QFY11	4QFY10	% chg (yoy)	Angel est.	% Diff.
Net sales	14,601	12,230	19.4	14,556	0.3
Operating profit	1,246	(315)	(495.7)	1,307	(4.6)
OPM (%)	8.5	(2.6)	1,111bp	9.0	(44)bp
Reported PAT	573	(856)	(167.0)	466	23.0

Source: Company, Angel Research

Standalone results driven by volume growth and higher average realisation:

On a standalone basis, TML reported ~19% yoy top-line growth, aided by ~13% yoy volume growth. Operating margin stood at 8.5% vs. loss in 4QFY2010. Reported profit came in at ₹573cr against loss of ₹856cr in 4QFY2010.

Outlook and valuation: We estimate TML to record a 7% CAGR in net profit over FY2011–13E on a consolidated basis, owing to the better-than-expected recovery in JLR. At 1,089, on a consolidated basis, the stock is trading at 7.1x and 6.5x FY2012E and FY2013E earnings, respectively. Valuing the company on an SOTP basis, we maintain our Buy rating with a target price of ₹1,456.

Key financials (Consolidated)

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
Net sales	92,519	123,071	141,689	160,041
% chg	30.5	33.0	15.1	13.0
Net profit	1,034	9,267	9,702	10,549
% chg	-	795.9	4.7	8.7
EBITDA (%)	7.2	13.3	12.4	12.0
EPS (₹)	18.1	146.4	153.2	166.6
P/E (x)	60.0	7.4	7.1	6.5
P/BV (x)	7.7	3.4	2.4	1.8
RoE (%)	14.6	64.3	39.2	31.4
RoCE (%)	6.4	24.1	22.1	21.9
EV/Sales (x)	1.0	0.7	0.6	0.4
EV/EBITDA (x)	14.0	5.4	4.6	3.9

Source: Company, Angel Research

BUY

CMP	₹1,089
Target Price	₹1,456

Investment Period	12 Months
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Stock Info

Sector	Automobile
Market Cap (₹ cr)	69,092
Beta	1.3
52 Week High / Low	1,381/704
Avg. Daily Volume	599,531
Face Value (₹)	10
BSE Sensex	18,266
Nifty	5,476
Reuters Code	TAMO.BO
Bloomberg Code	TTMT@IN

Shareholding Pattern (%)

Promoters	34.8
MF / Banks / Indian Fls	13.1
FII / NRIs / OCBs	44.7
Indian Public / Others	7.4

Abs. (%)	3m	1yr	3yr
Sensex	3.2	9.6	12.2
Tata Motors	(1.5)	46.5	79.4

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Exhibit 1: Quarterly performance (Standalone)

Y/E March (₹ cr)	4QFY11	4QFY10	% chg	FY11A	FY10	% chg
Net Sales (include Other Op. Inc.)	14,601	12,230	19.4	48,040	35,593	35.0
Consumption of RM	8,277	6,917	19.7	26,704	19,786	35.0
(% of Sales)	56.7	56.6		55.6	55.6	
Staff Costs	622	483	28.8	2,294	1,836	24.9
(% of Sales)	4.3	3.9		4.8	5.2	
Purchases of TG	2,212	1,716	28.9	7,363	4,513	63.1
(% of Sales)	15.2	14.0		15.3	12.7	
Other Expenses	2,242	3,429	(34.6)	7,014	6,876	2.0
(% of Sales)	15.4	28.0		14.6	19.3	
Total Expenditure	13,354	12,545	6.5	43,375	33,012	31.4
EBITDA	1,246	(315)		4,665	2,581	
EBITDA margin (%)	8.5	(2.6)		9.7	7.3	
Interest	247.9	278.6	(11.0)	1,144.0	1,103.8	3.6
Depreciation	384.7	277.2	38.8	1,360.8	1,033.9	31.6
Other Income	31	1,113	(97.2)	183	1,853	(90.1)
PBT (excl. Extr. Items)	645	242	166.4	2,344	2,297	2.0
Exceptional Items	54.5	875.4		147.1	920.5	
PBT (incl. Extr. Items)	590	(633)	(193.2)	2,196	1,377	59.6
(% of Sales)	4.0	(5.2)		4.6	3.9	
Provision for Taxation	17.2	222.6	(92.3)	384.7	589.5	(34.7)
(% of PBT)	2.9	(35.1)		17.5	42.8	
Reported PAT	573	(856)	(167.0)	1,812	787	130.2
PATM	3.9	(7.0)		3.8	2.2	
Equity capital (cr)	637.7	570.7		637.7	570.7	
EPS (₹)	9.0	(15.0)	(159.9)	28.4	13.8	106.0

Source: Company, Angel Research

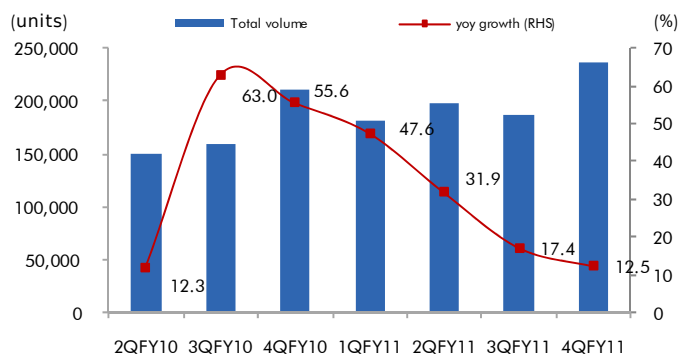
Exhibit 2: Quarterly volume performance (Standalone)

Y/E March (units)	4QFY11	4QFY10	% chg	FY2011	FY2010	% chg
M&HCV	62,662	57,412	9.1	212,278	167,828	26.5
LCV	82,861	70,049	18.3	284,647	233,697	21.8
Total Commercial Vehicles	145,523	127,461	14.2	496,925	401,525	23.8
Utility Vehicles	14,057	11,606	21.1	43,076	34,124	26.2
Cars	76,749	70,989	8.1	263,264	207,036	27.2
Total Passenger Vehicles	90,806	82,595	9.9	306,340	241,160	27.0
Exports (Inc Above)	15,384	10,618	44.9	58,044	34,140	70.0
Total Sales	236,329	210,056	12.5	803,265	642,685	25.0

Source: Company, Angel Research

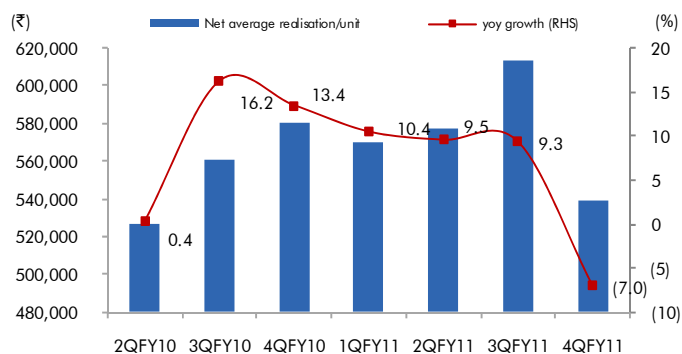
Standalone performance ahead of expectations: For 4QFY2011, TML reported 19.4% yoy growth in its top line to ₹14,601cr, in line with our estimates of ₹14,556cr, aided by 12.5% yoy growth in volumes. On a qoq basis, the top line grew by 26.7% as volumes registered growth of 26.5%. Operating margin stood at 8.5% due to a 35% decrease in other cost. As a result, net profit came in at ₹573cr against loss reported last year and better than our estimates of ₹466cr.

Exhibit 3: Healthy volume growth; up 12.5% yoy



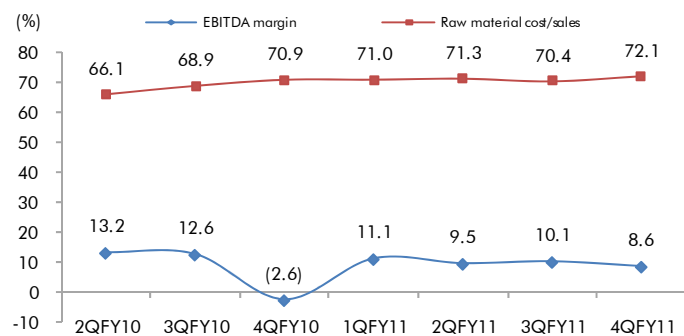
Source: Company, Angel Research

Exhibit 4: Net average realisation down 7% yoy



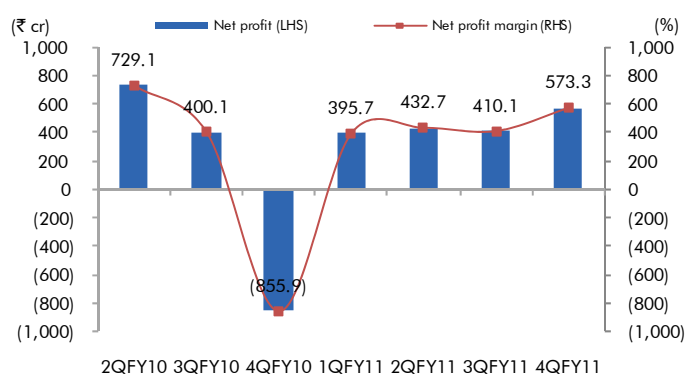
Source: Company, Angel Research

Exhibit 5: EBITDA margin dips on input cost pressures



Source: Company, Angel Research

Exhibit 6: Net profit against loss last year



Source: Company, Angel Research

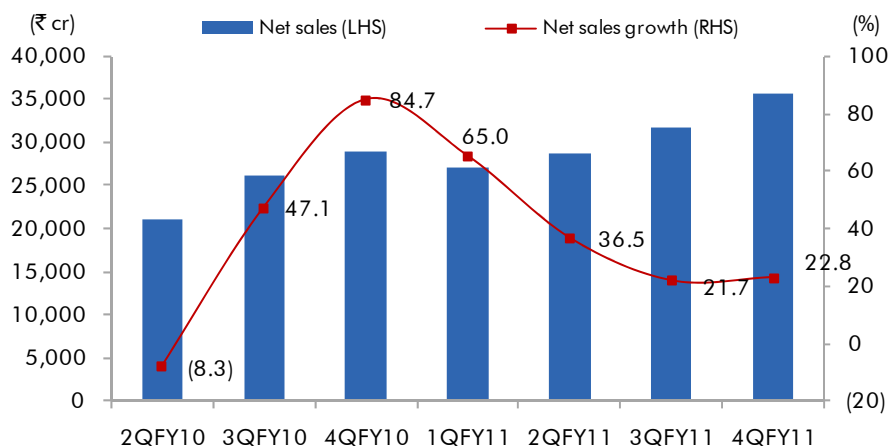
Exhibit 7: Quarterly performance (Consolidated)

Y/E March (₹ cr)	4QFY11	4QFY10	% chg	FY2011	FY2010	% chg
Net Sales (incl. oth. op. income)	35,611	28,990	22.8	123,133	92,519	33.1
Consumption of RM	20,218	16,251	24.4	68,618	52,957	29.6
(% of Sales)	56.8	56.1		55.7	57.2	
Staff Costs	2,493	2,135	16.7	9,343	8,752	6.8
(% of Sales)	7.0	7.4		7.6	9.5	
Purchase of Goods	3,052	2,481	23.0	10,391	8,539	21.7
(% of Sales)	8.6	8.6		8.4	9.2	
Other Expenses	5,990	4,966	20.6	17,965	14,156	26.9
(% of Sales)	16.8	17.1		14.6	15.3	
Total Expenditure	31,753	25,834	22.9	106,316	84,403	26.0
EBITDA	3,858	3,156	22.3	16,817	8,116	107
EBITDA margin (%)	10.8	10.9		13.7	8.8	
Interest	453	551	(17.8)	2,045	2,240	(8.7)
Depreciation	1,310	888	47.6	4,656	3,887	19.8
Other Income	25.6	1,060.6	(98)	89.6	1,793.1	(95)
PBT (excl. Extr. Items)	2,120	2,777	(24)	10,206	3,782	170
Exceptional Items	-	141.0		(231.0)	259.6	
PBT (incl. Extr. Items)	2,120	2,636	(20)	10,437	3,523	196
(% of Sales)	6.0	9.1		8.5	3.8	
Provision for Taxation	288.4	409	(30)	1,216	1,006	20.9
(% of PBT)	13.6	15.5		11.7	29	
PAT	1,832	2,227.0	(18)	9,221	2,517	266
PATM	5.1	7.7		7.5	2.7	
Minority Interest	10.0	24.1	(58.5)	48.5	30.3	60
Associate Companies Profit	20.0	45.2	(55.7)	101.4	84.5	19.9
PAT after MI	1,842	2,248.0	(18)	9,274	2,571	261
Adj. PAT	1,842	2,389	(23)	9,043	2,831	219
Equity shares (cr)	633.1	570.6	11.0	633.1	544.0	16.4
EPS (Rs)	29.1	39.4	(26)	146.5	47.3	210

Source: Company, Angel Research

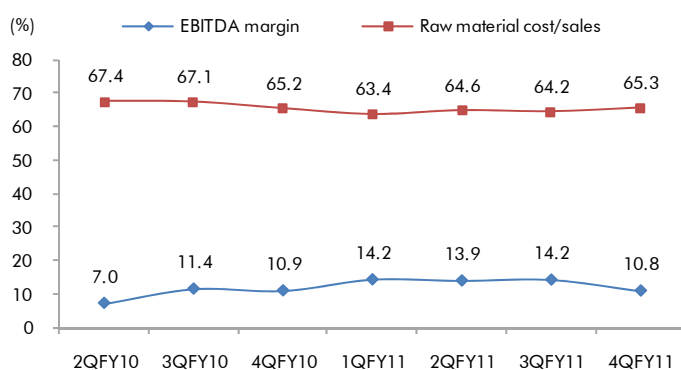
Outstanding consolidated performance: TML reported strong 22.8% yoy and 12.4% qoq growth in net sales to ₹35,611cr (vs. ₹35,400cr est.), led by robust performance of JLR and better-than-expected performance on the standalone level. Total volumes in the domestic market grew by 12.5% yoy, while JLR volumes jumped by 4.7% yoy.

Exhibit 8: Net sales up 22.8% yoy, led by a surge in JLR volumes



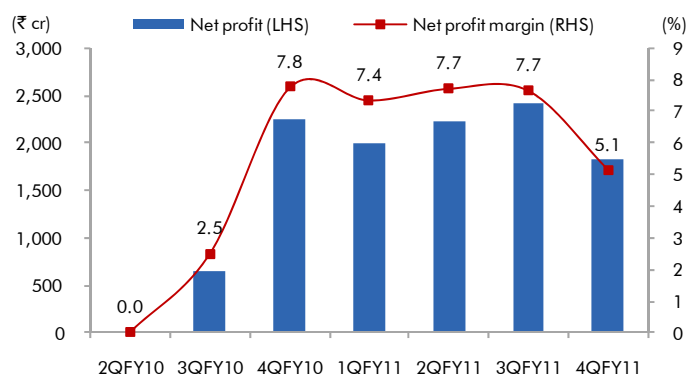
Source: Company

Exhibit 9: Higher RM cost hits EBITDA margin



Source: Company, Angel Research

Exhibit 10: Decline in net profit growth



Source: Company, Angel Research

JLR reported profit of £314mn in 4QFY2011, which was 3% above our estimates. Net sales of £2.74bn were 3% below estimates due to lower realisations. EBITDA of £433mn was 14% below estimates. Lower depreciation and product development expenses in the quarter resulted in offsetting the weak operational performance.

Volumes improved by 5% qoq, driven by 12% qoq improvement in Land Rover volumes. Jaguar volumes dropped by 24% qoq.

Average selling prices declined by 2% qoq, despite a price increase taken in January 2011, which we believe was due to lower share of China sales in the product mix and an increase in incentives.

Outlook and valuation

Volume traction continued during FY2011, with improved liquidity and further improvement in IIP. Our estimates for TML factor in a ~8.3% CAGR in commercial vehicle (CV) volumes over FY2011–13E and a CAGR of ~8.2% in passenger vehicle (PV), including Nano volumes. Following recovery in its core business, TML's key subsidiaries (linked to the fortunes of CVs) are also expected to show good results. Moreover, with the positive trend in the external environment (in financial markets and improvement in general liquidity), TML has met most of its funding requirements (including JLR) at reasonable terms. Further, full recovery in the domestic CV cycle has reduced the pressure on cash flows and has facilitated debt repayment. JLR has also recorded excellent recovery, aided by good recovery in its key markets.

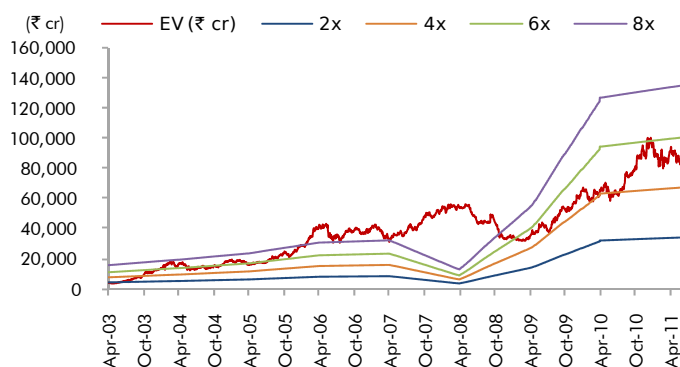
We estimate TML to record a 7% CAGR in net profit over FY2011–13E on a consolidated basis, owing to the better-than-expected recovery in JLR. At 1,089, on a consolidated basis, the stock is trading at 7.1x and 6.5x FY2012E and FY2013E earnings, respectively. Valuing the company on an SOTP basis, **we maintain our Buy recommendation with a target price of ₹1,456.**

Exhibit 11:

	Reco	CMP (₹)	TP (₹)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY2010-13E EPS CAGR (%)
Automobile					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
Ashok Leyland	Buy	50	64	26.7	10.6	9.5	7.6	6.8	15.0	15.2	22.6
Bajaj Auto	Buy	1,315	1,610	22.4	13.6	12.3	9.3	8.0	63.2	51.4	22.2
Hero Honda	Neutral	1,858	1,753	(5.7)	17.9	15.9	9.8	8.2	62.4	59.5	3.9
Maruti	Buy	1,216	1,506	23.9	13.5	12.1	7.5	6.0	16.9	15.8	6.3
Mahindra and Mahindra	Buy	702	881	25.5	14.3	13.2	8.7	7.6	27.3	24.4	14.1
Tata Motors	Buy	1,089	1,456	33.7	7.1	6.5	4.7	3.9	39.2	31.4	109.5
TVS Motor	Buy	52	62	20.6	11.7	10.0	5.9	5.0	20.7	21.0	41.0

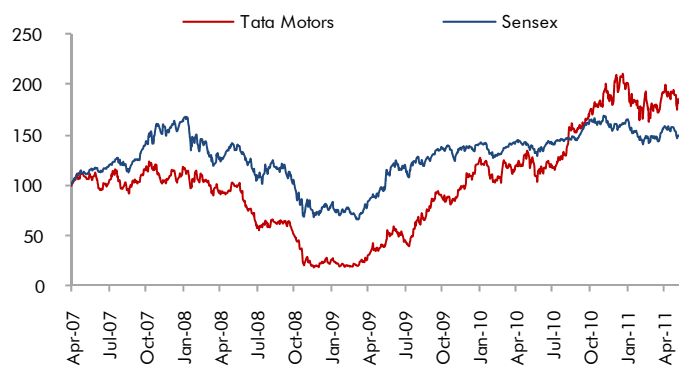
Source: Company, Angel Research

Exhibit 12: One-year forward EV/EBITDA



Source: Company, Angel Research

Exhibit 13: TML vs. Sensex



Source: Company, Angel Research

Profit & loss statement (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E	FY13E
Gross sales	40,089	74,093	95,567	127,535	147,210	166,276
Less: Excise duty	4,668	3,212	3,048	4,464	5,520	6,235
Net Sales	35,422	70,881	92,519	123,071	141,689	160,041
Total operating income	35,422	70,881	92,519	123,071	141,689	160,042
% chg	10.5	100.1	30.5	33.0	15.1	13.0
Total Expenditure	31,490	69,371	85,852	106,703	124,120	140,836
Net Raw Materials	24,376	48,025	61,495	80,612	93,798	106,427
Other Mfg costs	1,515	2,325	2,963	4,307	4,959	5,601
Personnel	2,745	7,297	8,943	9,723	11,477	13,123
Other	2,854	11,724	12,452	12,061	13,886	15,684
EBITDA	3,932	1,509	6,667	16,368	17,569	19,206
% chg	4.9	(61.6)	341.7	145.5	7.3	9.3
(% of Net Sales)	11.1	2.1	7.2	13.3	12.4	12.0
Depreciation & Amortisation	782.1	2,506.8	3,887.1	4,719.0	5,650.7	6,234.2
EBIT	3,150	(997)	2,780	11,649	11,919	12,972
% chg	3.0	-	-	319.1	2.3	8.8
(% of Net Sales)	8.9	(1.4)	3.0	9.5	8.4	8.1
Interest & other Charges	913	2,171	2,465	1,937	1,660	1,510
Other Income	619	1,316	1,672	824	840	906
(% of PBT)	20.1	(84.3)	47.5	7.9	7.6	7.3
Recurring PBT	2,856	(1,852)	1,986	10,537	11,098	12,366
% chg	(7.4)	-	-	430.6	5.3	11.4
Extraordinary Exps./ (Inc.)	(230.4)	(290.9)	(1,536.7)	53.5	-	-
PBT (reported)	3,086	(1,561)	3,523	10,484	11,098	12,366
Tax	852	336	1,006	1,319	1,443	1,855
(% of PBT)	27.6	(21.5)	28.6	12.6	13.0	15.0
PAT (reported)	2,235	(1,897)	2,517	9,165	9,656	10,511
Add: Share of earnings of associate	65	(52)	85	87	104	125
Less: Minority interest (MI)	132.3	(11.5)	30.3	38.4	57.6	86.3
PAT after MI (reported)	2,168	(1,937)	2,571	9,213	9,702	10,549
ADJ. PAT	1,937	(2,228)	1,034	9,267	9,702	10,549
% chg	(10.6)	-	-	795.9	4.7	8.7
(% of Net Sales)	5.5	(3.1)	1.1	7.5	6.8	6.6
Basic EPS (₹)	50.2	(43.3)	18.1	146.4	153.2	166.6
Fully Diluted EPS (₹)	50.2	(43.3)	18.1	146.4	153.2	166.6
% chg	(10.6)	-	-	707.4	4.7	8.7

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E	FY13E
SOURCES OF FUNDS						
Equity Share Capital	386	514	571	633	633	633
Preference Capital	-	-	-	-	-	-
Reserves & Surplus	8,312	5,427	7,636	19,997	28,229	37,666
Shareholders' Funds	8,698	5,941	8,206	20,630	28,862	38,300
Minority Interest	468	403	214	252	309	396
Total Loans	11,585	34,974	35,192	29,792	25,542	22,542
Deferred Tax Liability	974	680	1,154	1,154	1,154	1,154
Total Liabilities	21,725	41,998	44,766	51,828	55,867	62,391
APPLICATION OF FUNDS						
Gross Block	12,976	58,469	62,145	75,504	84,339	93,047
Less: Acc. Depreciation	6,060	33,269	34,414	39,133	44,783	51,017
Net Block	6,915	25,200	27,732	36,371	39,556	42,030
Capital Work-in-Progress	5,948	10,533	8,068	7,550	8,434	8,374
Goodwill	566	3,719	6,129	6,129	6,129	6,129
Investments	2,666	1,257	2,219	2,332	2,793	3,120
Current Assets	19,244	33,322	42,530	48,116	54,389	64,251
Cash	3,833	4,121	8,743	7,164	9,970	13,746
Loans & Advances	10,056	13,456	15,283	19,691	22,670	25,607
Other	5,355	15,745	18,503	21,260	21,749	24,898
Current liabilities	13,621	32,120	41,912	48,671	55,434	61,513
Net Current Assets	5,623	1,202	618	(555)	(1,045)	2,738
Mis. Exp. not written off	7	86	-	-	-	-
Total Assets	21,725	41,998	44,766	51,828	55,867	62,391

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E	FY13E
Profit before tax	3,086	(1,561)	3,523	10,484	11,098	12,366
Depreciation	782	2,507	3,887	4,719	5,651	6,234
Change in Working Capital	(4,397)	(15,377)	(7,425)	(6,594)	(6,086)	(4,911)
Less: Other income	(6,976)	(15,517)	(14,635)	(8,400)	(10,652)	(6,393)
Direct taxes paid	852	336	1,006	1,319	1,443	1,855
Cash Flow from Operations	5,596	750	13,614	15,690	19,872	18,227
(Inc.)/Dec. in Fixed Assets	(5,983)	(50,078)	(1,211)	(12,841)	(9,719)	(8,649)
(Inc.)/Dec. in Investments	(1,491)	1,408	(962)	(113)	(461)	(326)
(Inc.)/Dec. in loans and advances	278	3,582	500	(1,356)	(1,400)	(1,401)
Other income	619	1,316	1,672	824	840	906
Cash Flow from Investing	(6,577)	(43,772)	(1)	(13,486)	(10,740)	(9,470)
Issue of Equity	0	3,958	57	63	-	-
Inc./(Dec.) in loans	4,283	23,389	219	(5,400)	(4,250)	(3,000)
Dividend Paid (Incl. Tax)	688	677	365	1,002	1,111	1,111
Others	1,304	(14,833)	9,630	(552)	3,187	3,092
Cash Flow from Financing	3,667	42,856	(8,990)	(3,784)	(6,326)	(4,980)
Inc./(Dec.) in Cash	2,685	(166)	4,622	(1,579)	2,806	3,777
Opening Cash balances	1,154	3,833	4,121	8,743	7,164	9,970
Closing Cash balances	3,833	4,121	8,743	7,164	9,970	13,746

Key ratios

Y/E March	FY08	FY09	FY10	FY11E	FY12E	FY13E
Valuation Ratio (x)						
P/E (on FDEPS)	21.7	(25.1)	60.0	7.4	7.1	6.5
P/CEPS	13.9	91.7	12.6	4.9	4.5	4.1
P/BV	4.8	9.6	7.7	3.4	2.4	1.8
Dividend yield (%)	1.4	0.6	1.4	1.4	1.4	1.4
EV/Sales	1.8	1.3	1.0	0.7	0.6	0.4
EV/EBITDA	18.8	65.2	14.0	5.4	4.6	3.9
EV / Total Assets	3.4	2.3	2.1	1.7	1.5	1.2
Per Share Data (₹)						
EPS (Basic)	50.2	(43.3)	18.1	146.4	153.2	166.6
EPS (fully diluted)	34.0	(39.0)	18.1	162.4	170.0	166.6
Cash EPS	78.2	11.9	86.3	220.9	242.5	265.1
DPS	15.0	6.1	15.1	15.0	15.0	15.0
Book Value	137.0	92.1	126.7	322.9	452.9	602.0
Dupont Analysis						
EBIT margin	8.9	(1.4)	3.0	9.5	8.4	8.1
Tax retention ratio	0.7	1.2	0.7	0.9	0.9	0.9
Asset turnover (x)	2.4	2.7	2.6	3.2	3.3	3.6
ROIC (Post-tax)	15.8	(4.7)	5.7	26.9	24.4	25.0
Cost of Debt (Post Tax)	7.0	11.3	5.0	5.2	5.2	5.3
Leverage (x)	0.6	2.4	3.8	1.5	0.7	0.3
Operating ROE	21.1	(42.6)	8.1	60.3	37.2	30.4
Returns (%)						
ROCE (Pre-tax)	16.7	(3.1)	6.4	24.1	22.1	21.9
Angel ROIC (Pre-tax)	20.7	(2.7)	8.3	27.6	27.8	28.6
ROE	23.6	(30.4)	14.6	64.3	39.2	31.4
Turnover ratios (x)						
Asset Turnover (Gross Block)	3.0	2.0	1.5	1.8	1.8	1.8
Inventory / Sales (days)	33	37	44	38	36	34
Receivables (days)	19	18	24	21	20	20
Payables (days)	116	123	135	121	121	120
Working capital cycle (ex-cash) (days)	39	(3)	(22)	(23)	(24)	(25)
Solvency ratios (x)						
Net debt to equity	0.6	5.0	3.0	1.0	0.4	0.1
Net debt to EBITDA	1.3	19.6	3.6	1.2	0.7	0.3
Interest Coverage (EBIT / Interest)	3.5	(0.5)	1.1	6.0	7.2	8.6