

## Tata Motors

### Performance Highlights

Y/E March - consolidated (₹ cr)	2QFY12	2QFY11	% chg (yoy)	Angel est.	% diff
<b>Net sales</b>	<b>36,198</b>	<b>28,782</b>	<b>25.8</b>	<b>34,781</b>	<b>4.1</b>
OPM (%)	12.4	13.9	(146)bp	12.2	23bp
<b>Reported PAT</b>	<b>1,877</b>	<b>2,223</b>	<b>(15.5)</b>	<b>1,973</b>	<b>(4.9)</b>

Source: Company, Angel Research

**Forex loss eclipses healthy operating performance:** For 2QFY2012, Tata Motors' (TTMT) consolidated net profit declined by 15.5% yoy (6.1% qoq) on account of MTM loss of ₹439cr on foreign currency loans. Top-line growth of 25.8% yoy (7.8% qoq) came in slightly better than our expectation, aided by strong 30.3% yoy (8% qoq) growth in JLR's revenue. Operating margin contracted by 146bp yoy (flat qoq) to 12.4% due to raw-material cost pressures in domestic and JLR operations and unfavorable forex movement. Going ahead, management expects margins in both the businesses to remain under pressure, led by higher raw-material costs.

Y/E March - standalone (₹ cr)	2QFY12	2QFY11	% chg (yoy)	Angel est.	% diff
<b>Net sales</b>	<b>12,954</b>	<b>11,249</b>	<b>15.2</b>	<b>12,846</b>	<b>0.8</b>
OPM (%)	6.7	9.7	(299)bp	7.9	(116)bp
<b>Reported PAT</b>	<b>102</b>	<b>433</b>	<b>(76.4)</b>	<b>408</b>	<b>(75.0)</b>

Source: Company, Angel Research

**Standalone operating performance under stress:** TTMT posted in-line growth of 15.2% yoy (8.9% qoq) in its top line, driven by 4% yoy (6.9% qoq) growth in volumes and 8.2% yoy (1.8% qoq) growth in net average realization. Operating margin pressures continued during the quarter due to higher raw-material prices, lower operating leverage and higher marketing expenses in the passenger vehicle business. Thus, OPM declined significantly by 299bp yoy (139bp qoq) to 6.7%. Net profit fell by 76.4% yoy (74.6% qoq), led by weak operating performance and MTM loss of ₹294cr; however, tax credit of ₹66cr benefitted the bottom line.

**Outlook and valuation:** We broadly retain our estimates for JLR, as we believe strong volume traction witnessed in emerging markets and successful launch of new models will help sustain JLR's performance. However, we have lowered our standalone earnings estimates to ₹4.3/₹6.8 for FY2012E/13E to factor in the weak domestic volume performance and continued margin pressures. As a result, consolidated earnings estimates have been revised down by 4.3%/4.0% for FY2012/13E. At ₹181, the stock is trading at 6.1x FY2013E earnings.

**We recommend Neutral on the stock owing to a limited upside of 3.3% (fair value of ₹187) from current levels.**

#### Key financials (consolidated)

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
<b>Net Sales</b>	<b>92,519</b>	<b>123,133</b>	<b>144,712</b>	<b>162,452</b>
% chg	30.5	33.1	17.5	12.3
<b>Net Profit</b>	<b>1,526</b>	<b>9,065</b>	<b>8,524</b>	<b>9,362</b>
% chg	-	494.0	(6.0)	9.8
EBITDA (%)	8.4	13.7	12.0	11.6
<b>EPS (₹)</b>	<b>5.3</b>	<b>28.6</b>	<b>26.9</b>	<b>29.5</b>
P/E (x)	33.9	6.3	6.7	6.1
P/BV (x)	6.3	3.0	2.4	1.9
RoE (%)	21.3	65.8	39.4	33.9
RoCE (%)	8.9	24.7	21.0	19.8
EV/Sales (x)	0.9	0.6	0.5	0.5
EV/EBITDA (x)	10.5	4.6	4.6	4.2

Source: Company, Angel Research

## NEUTRAL

CMP	₹181
Target Price	-

Investment Period	-
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#### Stock Info

Sector	Automobile
Market Cap (₹ cr)	48,715
Beta	1.6
52 Week High / Low	276/138
Avg. Daily Volume	840,390
Face Value (₹)	10
BSE Sensex	16,883
Nifty	5,069
Reuters Code	TAMO.BO
Bloomberg Code	TTMT@IN

#### Shareholding Pattern (%)

Promoters	35.1
MF / Banks / Indian Fls	15.5
FII / NRIs / OCBs	41.2
Indian Public / Others	8.2

Abs. (%)	3m	1yr	3yr
Sensex	0.3	(16.9)	79.9
Tata Motors	13.2	(27.6)	560.7

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**Exhibit 1: Quarterly performance (standalone)**

Y/E March (₹ cr)	2QFY12	2QFY11	yoy chg (%)	1QFY12	qoq chg(%)	1HFY12	1HFY11	yoy chg (%)
<b>Net Sales</b>	<b>12,954</b>	<b>11,249</b>	<b>15.2</b>	<b>11,898</b>	<b>8.9</b>	<b>24,852</b>	<b>21,665</b>	<b>14.7</b>
Consumption of RM	8,075	6,402	26.1	6,841	18.0	14,917	11,783	26.6
(% of Sales)	62.3	56.9		57.5		60.0	54.4	
Staff Costs	683	581	17.5	621	9.9	1,304	1,091	19.5
(% of Sales)	5.3	5.2		5.2		5.2	5.0	
Purchases of TG	1,501	1,762	(14.8)	1,390	8.0	2,891	3,728	(22.5)
(% of Sales)	11.6	15.7		11.7		11.6	17.2	
Other Expenses	1,822	1,409	29.3	2,079	(12.4)	3,901	2,813	38.7
(% of Sales)	14.1	12.5		17.5		15.7	13.0	
<b>Total Expenditure</b>	<b>12,081</b>	<b>10,154</b>	<b>19.0</b>	<b>10,931</b>	<b>10.5</b>	<b>23,012</b>	<b>19,415</b>	<b>18.5</b>
<b>EBITDA</b>	<b>873</b>	<b>1,095</b>	<b>(20.3)</b>	<b>967</b>	<b>(9.7)</b>	<b>1,840</b>	<b>2,250</b>	<b>(18.3)</b>
EBITDA margin (%)	6.7	9.7		8.1		7.4	10.4	
Interest	212	307	(30.9)	253	(16.2)	465	621	(25.1)
Depreciation	387	332	16.7	365	6.0	752	639	17.7
Other Income	57	78	(26.8)	116	(50.8)	172	147	17.4
<b>PBT (excl. Extr. Items)</b>	<b>331</b>	<b>533</b>	<b>(38.0)</b>	<b>464</b>	<b>(28.7)</b>	<b>795</b>	<b>1,137</b>	<b>(30.1)</b>
Exceptional Items	294	(4)	-	(2)	-	292	62	-
<b>PBT (incl. Extr. Items)</b>	<b>37</b>	<b>537</b>	<b>(93.2)</b>	<b>466</b>	<b>(92.2)</b>	<b>503</b>	<b>1,075</b>	<b>(53.2)</b>
(% of Sales)	0.3	4.8		3.9		2.0	5.0	
Provision for Taxation	(66)	104	(162.7)	65	(200.8)	(1)	246	(100.2)
(% of PBT)	(179.5)	19.4		13.9	(1,388.0)	(0.1)	22.9	
<b>Reported PAT</b>	<b>102</b>	<b>433</b>	<b>(76.4)</b>	<b>401</b>	<b>(74.6)</b>	<b>503</b>	<b>828</b>	<b>(39.2)</b>
PATM	0.8	3.8		3.4		2.0	3.8	
Equity capital (cr)	634.8	570.6		634.8		634.8	570.6	
<b>EPS (₹)</b>	<b>1.6</b>	<b>7.6</b>	<b>(78.8)</b>	<b>6.3</b>	<b>(74.6)</b>	<b>7.9</b>	<b>14.5</b>	<b>(45.4)</b>

Source: Company, Angel Research

**Exhibit 2: Quarterly volume performance (standalone)**

Y/E March (units)	2QFY12	2QFY11	yoy chg (%)	1QFY12	qoq chg(%)	1HFY12	1HFY11	yoy chg (%)
M&HCV	54,334	53,435	1.7	49,115	10.6	103,449	98,733	4.8
LCV	89,960	65,530	37.3	77,033	16.8	166,993	127,169	31.3
<b>Total Commercial Vehicles</b>	<b>144,294</b>	<b>118,965</b>	<b>21.3</b>	<b>126,148</b>	<b>14.4</b>	<b>270,442</b>	<b>225,902</b>	<b>19.7</b>
Utility Vehicles	12,003	9,746	23.2	10,627	12.9	22,630	19,541	15.8
Cars	50,137	69,694	(28.1)	56,263	(10.9)	106,400	134,673	(21.0)
<b>Total Passenger Vehicles</b>	<b>62,140</b>	<b>79,440</b>	<b>(21.8)</b>	<b>66,890</b>	<b>(7.1)</b>	<b>129,030</b>	<b>154,214</b>	<b>(16.3)</b>
Exports (Inc Above )	16,004	14,455	10.7	14,886	7.5	30,890	26,698	15.7
<b>Total Sales</b>	<b>206,434</b>	<b>198,405</b>	<b>4.0</b>	<b>193,038</b>	<b>6.9</b>	<b>399,472</b>	<b>380,116</b>	<b>5.1</b>

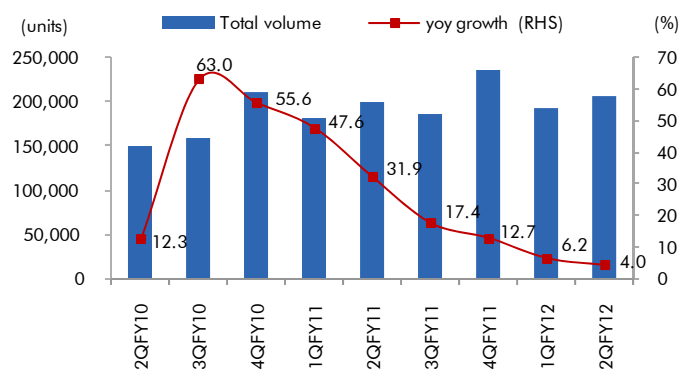
Source: Company, Angel Research

**Standalone operating performance under stress:** On a standalone basis, the top line grew by 15.2% yoy (8.9% qoq) to ₹12,954cr, in-line with our estimate. Growth was driven by an 8.2% yoy increase in net average realization. Volume growth, however, was subdued, registering a modest 4% yoy increase on account of a 21.8% yoy decline in passenger vehicle sales.

Operating margin declined substantially by 299bp yoy (139bp qoq) to 6.7% due to raw-material cost pressures, higher marketing spends in the passenger car business and lower operating leverage. As a result, operating profit declined by 20.3% yoy (9.7% qoq) to ₹873cr.

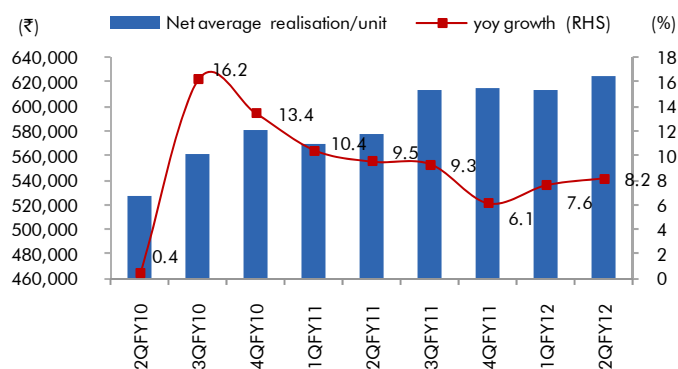
Reported net profit declined by 76.4% yoy (74.6% qoq) to ₹102cr, led by weak operating performance and forex loss of ₹294cr due to revaluation of foreign currency loans. Adjusted for forex loss, net profit fell by 7.6% yoy (flat qoq). During 2QFY2012, tax credit of ₹66cr benefitted the bottom line.

**Exhibit 3: Subdued PV sales affecting overall growth**



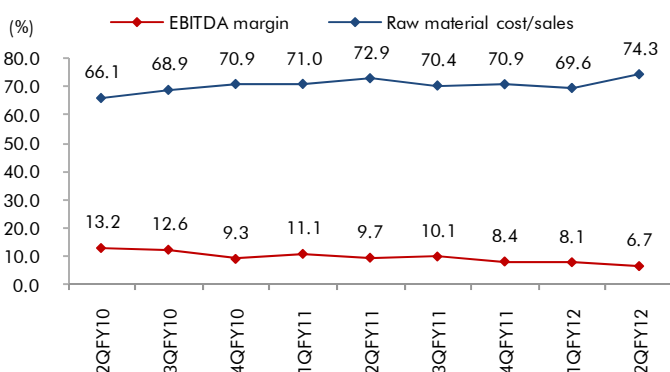
Source: Company, Angel Research

**Exhibit 4: Net average realization up 8.2% yoy**



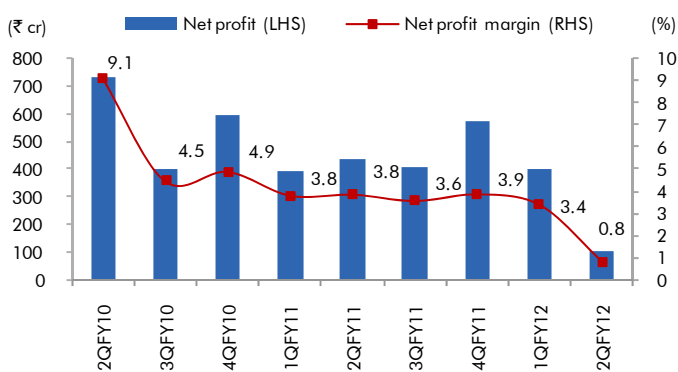
Source: Company, Angel Research

**Exhibit 5: EBITDA margin dips on input cost pressures**



Source: Company, Angel Research

**Exhibit 6: MTM loss impacts profitability**



Source: Company, Angel Research

**Exhibit 7: Quarterly performance (consolidated)**

Y/E March (₹ cr)	2QFY12	2QFY11	yoy chg (%)	1QFY12	qoq chg(%)	1HFY12	1HFY11	yoy chg (%)
<b>Net Sales</b>	<b>36,198</b>	<b>28,782</b>	<b>25.8</b>	<b>33,572</b>	<b>7.8</b>	<b>69,486</b>	<b>55,399</b>	<b>25.4</b>
Consumption of RM	21,335	16,056	32.9	19,342	10.3	40,677	30,577	33.0
(% of Sales)	58.9	55.8		57.6		58.5	44.0	
Staff Costs	2,866	2,274	26.0	2,592	10.5	5,458	4,423	23.4
(% of Sales)	7.9	7.9		7.7		7.9	6.4	
Purchase of Goods	2,804	2,394	17.1	2,593	8.1	5,397	4,920	9.7
(% of Sales)	7.7	8.3		7.7		7.8	7.1	
Other Expenses	4,689	4,057	15.6	4,809	(2.5)	9,214	7,622	20.9
(% of Sales)	13.0	14.1		14.3		13.3	11.0	
<b>Total Expenditure</b>	<b>31,694</b>	<b>24,780</b>	<b>27.9</b>	<b>29,337</b>	<b>8.0</b>	<b>60,747</b>	<b>47,542</b>	<b>27.8</b>
<b>EBITDA</b>	<b>4,504</b>	<b>4,002</b>	<b>12.6</b>	<b>4,236</b>	<b>6.3</b>	<b>8,740</b>	<b>7,857</b>	<b>11.2</b>
EBITDA margin (%)	12.4	13.9		12.6		12.6	14.2	
Interest	525	531	(1.2)	766	(31.4)	1,291	1,093	18.1
Depreciation	1,331	1,095	21.6	1,143	16.4	2,474	2,106	17.5
Other Income	61	20	211.4	76	(20.0)	137	54	153.1
<b>PBT (excl. Extr. Items)</b>	<b>2,709</b>	<b>2,395</b>	<b>13.1</b>	<b>2,403</b>	<b>12.7</b>	<b>5,112</b>	<b>4,712</b>	<b>8.5</b>
Exceptional Items	439	(128)	-	57	-	496	(86)	-
<b>PBT (incl. Extr. Items)</b>	<b>2,270</b>	<b>2,523</b>	<b>(10.0)</b>	<b>2,346</b>	<b>(3.2)</b>	<b>4,616</b>	<b>4,798</b>	<b>(3.8)</b>
(% of Sales)	6.3	8.8		7.0		6.6	8.7	
Provision for Taxation	363	313	16.0	352	3.2	715	609	17.4
(% of PBT)	16.0	12.4		15.0		15.5	12.7	
<b>PAT</b>	<b>1,907</b>	<b>2,210</b>	<b>(13.7)</b>	<b>1,994</b>	<b>(4.4)</b>	<b>3,901</b>	<b>4,189</b>	<b>(6.9)</b>
PATM	5.3	7.7		5.9		5.6	7.6	
Minority Interest	34	11	197.3	4	757.5	37	18	113.3
Associate Companies Profit	4	25	(84.0)	10	(59.0)	14	40	(66.3)
<b>PAT after MI</b>	<b>1,877</b>	<b>2,223</b>	<b>(15.5)</b>	<b>2,000</b>	<b>(6.1)</b>	<b>3,877</b>	<b>4,212</b>	<b>(7.9)</b>
Equity shares (cr)	634.8	570.6		634.8		634.8	570.6	
<b>Reported EPS (₹)</b>	<b>5.9</b>	<b>7.8</b>	<b>(24.1)</b>	<b>6.3</b>	<b>(6.1)</b>	<b>12.2</b>	<b>14.8</b>	<b>(17.3)</b>

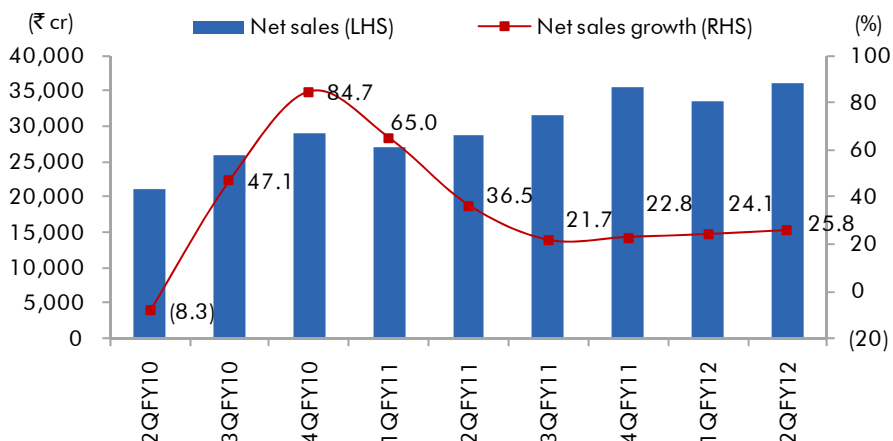
Source: Company, Angel Research

## Consolidated performance

**Forex loss eclipses healthy operating performance:** Consolidated top line registered slightly better-than-expected 25.8% yoy growth (strong 7.8% qoq) to ₹36,198cr, aided by 30.3% yoy (8% qoq) growth in JLR's revenue and 15.2% yoy (8.9% qoq) growth in standalone revenue. Volume performance at JLR continued to be driven by significant growth in China and Russia, where wholesale volumes grew by 103% and 6% yoy, respectively. Overall JLR volumes recorded robust 23.3% yoy growth to 68,000 units.

Total global volumes grew by 6.6% yoy (down 18.3% qoq) to 280,109 units, led by 20% growth in the global CV business and 23.3% yoy growth in JLR volumes.

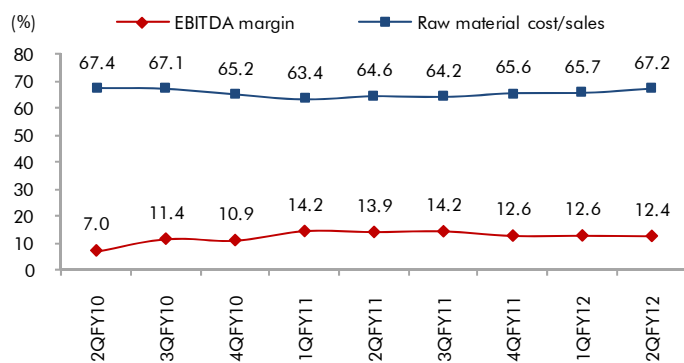
**Exhibit 8: Net sales up 25.8% yoy, aided by 30.3% jump in JLR revenue**



Source: Company, Angel Research

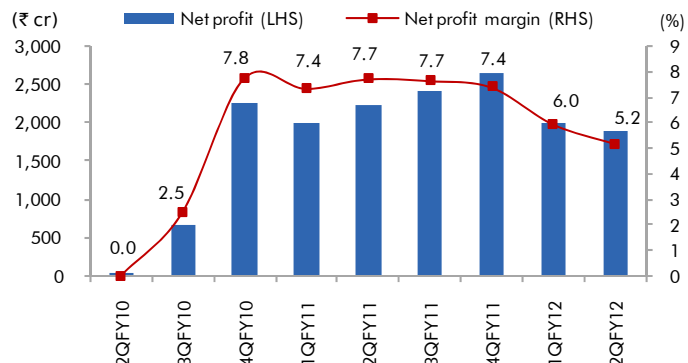
On the operating front, margin declined by 146bp yoy (flat qoq) to 12.4%, broadly in-line with our estimate of 12.2%, largely due to raw-material cost pressures in domestic and JLR operations and unfavorable forex movement. Reported net profit stood at ₹1,877cr, reporting a decline of 15.5% yoy (down 6.1% qoq). Reported net profit was impacted by notional forex loss of ₹439cr on account of revaluation of foreign currency borrowings due to unfavorable currency movement during the quarter. Adjusted for the notional loss, the bottom line grew by healthy 10.5% yoy (12.6% qoq).

**Exhibit 9: EBITDA margin pressures continue**



Source: Company, Angel Research

**Exhibit 10: MTM losses impact profitability**



Source: Company, Angel Research

**Exhibit 11: JLR – Income statement**

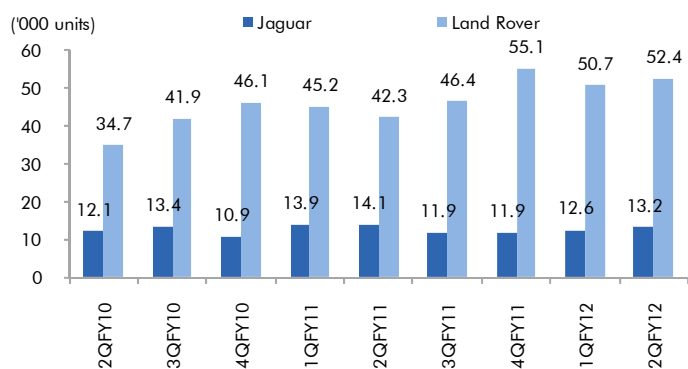
(£ mn)	2QFY12	2QFY11	yoy chg (%)	1QFY12	qoq chg (%)	FY2011	FY2012E	FY2013E
Volume (units)	<b>68,000</b>	<b>55,134</b>	<b>23.3</b>	<b>62,085</b>	<b>9.5</b>	<b>243,621</b>	<b>272,171</b>	<b>288,501</b>
Net realisation (£)	43,066	40,755	5.7	43,682	(1.4)	40,658	42,532	43,383
<b>Net sales</b>	<b>2,929</b>	<b>2,247</b>	<b>30.3</b>	<b>2,712</b>	<b>8.0</b>	<b>9,905</b>	<b>11,576</b>	<b>12,516</b>
Operating profit	437	351	24.5	408	7.0	1,619	1,706	1,777
OPM (%)	14.9	15.6		15.1		16.3	14.7	14.2
<b>PAT</b>	<b>238</b>	<b>238</b>	<b>(0.2)</b>	<b>219</b>	<b>8.5</b>	<b>1,043</b>	<b>905</b>	<b>876</b>

Source: Company, Angel Research

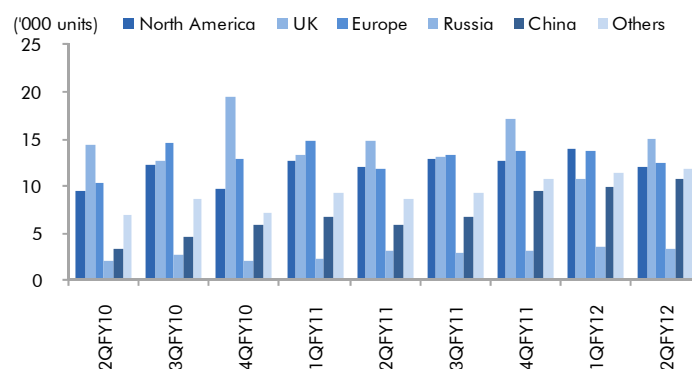
**Mixed performance at JLR:** JLR reported a strong operating performance for 2QFY2012, ahead of our estimates; however, bottom-line growth was flat on a yoy basis on account of MTM losses, high interest cost and increased tax rate.

JLR's net sales registered robust 30.3% yoy (8% qoq) growth to £2,929mn, driven by a strong 23.3% yoy (9.5% qoq) increase in volumes and a 5.7% yoy increase in net average realization. Total wholesale volumes increased as a result of strong demand from China, where volumes grew substantially by 103% yoy. Volumes in Europe and UK also grew by 47% and 7% yoy, respectively. Average net realization improved due to better product and geography mix.

On the operating front, JLR witnessed a 70bp yoy (flat qoq) contraction to 14.9%, in-line with our estimate, owing to raw-material cost pressures and less favorable operational exchange rates. Operating profit witnessed 24.5% yoy (7% qoq) growth to £437mn. Net profit, however, remained flat on yoy basis at £238mn mainly due to MTM losses on unhedged commodity and foreign exchange derivatives (non cash) of £94mn and higher interest and income tax expense.

**Exhibit 12: JLR quarterly performance**


Source: Company, Angel Research

**Exhibit 13: JLR performance – Region wise**


Source: Company, Angel Research

**Exhibit 14: Performance of subsidiaries**

Key Subsidiaries (₹ cr)	2QFY2012				2QFY2011			
	Net sales	EBITDA	EBITDAM (%)	Net profit	Net sales	EBITDA	EBITDAM (%)	Net profit
Tata Motor Finance	471	67	14.3	52	341	53	15.4	45
Tata Technologies	372	54	14.5	48	295	47	15.9	40
Tata Daewoo	902	29	3.2	3	589	38	6.5	7
TML Drivelines	165	98	59.5	55	146	85	58.1	43
<b>Subsidiary total</b>	<b>1,910</b>	<b>249</b>	<b>13.0</b>	<b>158</b>	<b>1,371</b>	<b>222</b>	<b>16.2</b>	<b>134</b>

Source: Company, Angel Research

**Outlook and valuation**

We broadly retain our estimates for JLR, as we believe strong volume traction witnessed in emerging markets and successful launch of new models will help sustain JLR's performance. However, we have lowered our standalone earnings estimates to ₹4.3/₹6.8 for FY2012E/13E to factor in the weak domestic volume performance and continued margin pressures. As a result, consolidated earnings estimates have been revised down by 4.3%/4.0% for FY2012/13E.

**Exhibit 15: Change in estimates (consolidated)**

Y/E March	Earlier estimates		Revised estimates		% chg	
	FY2012E	FY2013E	FY2012E	FY2013E	FY2012E	FY2013E
Net sales (₹ cr)	146,181	164,393	144,712	162,453	(1.0)	(1.2)
OPM (%)	12.0	11.6	12.0	11.6	-	-
EPS (₹)	28.1	30.7	26.9	29.5	(4.3)	(4.0)

Source: Company, Angel Research

We estimate TTMT to record a 15% CAGR in its revenue over FY2011–13E, driven by a ~10% revenue CAGR at JLR. However, due to margin pressures, earnings are expected to grow moderately by ~2% over FY2011–13E. At ₹181, the stock is trading at 6.1x and 4.2x FY2013E earnings and EV/EBITDA, respectively. **We recommend Neutral on the stock owing to a limited upside from current levels.** Our fair value for the stock works out to ₹187, valuing it on an SOTP basis. We have valued the domestic core business at ₹68/share, implying 10x FY2013E earnings. Our embedded value of the subsidiaries and investments in TTMT's books (including JLR) works out to ₹119/share. We have valued JLR at 5x FY2013E earnings, implying a ~30% discount to the average multiple of its peers.

**Exhibit 16: SOTP valuation**

Particulars	Parameter	Value/Share (₹)
TML (Standalone)	FY2013E (10x P/E)	68
JLR	FY2013E (5x PAT)	101
Key subsidiaries and others		18
<b>Fair value</b>		<b>187</b>

Source: Company, Angel Research

**Exhibit 17: JLR peer valuation**

	P/E (x)		P/B (x)		EV/EBITDA (x)		P/Sales (x)	
	CY11E	CY12E	CY11E	CY12E	CY11E	CY12E	CY11E	CY12E
Audi	10.2	8.9	2.0	1.8	2.4	2.1	0.7	0.6
BMW	7.4	8.1	1.4	1.2	6.5	7.0	0.5	0.5
Daimler	6.3	6.3	0.9	0.8	6.9	7.1	0.3	0.3
Volkswagen	5.9	6.4	0.9	0.8	5.8	6.0	0.4	0.4

Source: Company, Angel Research

**Key downside risk to our estimates:** Lower-than-expected growth in JLR due to uncertainty in key markets (Europe, UK and US) will negatively affect our growth estimates on the JLR front. Further, softening of domestic interest rates poses an upside risk to our domestic volume estimates.

**Exhibit 18: Angel vs. consensus forecast**

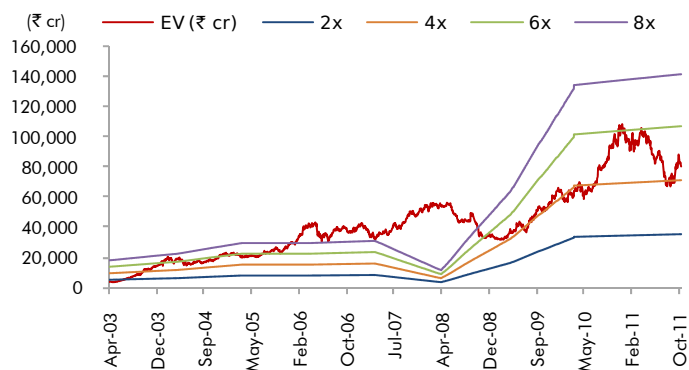
	Angel estimates		Consensus		Variation (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Net sales (₹ cr)	144,712	162,453	143,590	160,525	0.8	1.2
EPS (₹)	26.9	29.5	27.0	30.1	(0.7)	(1.9)

Source: Company, Angel Research

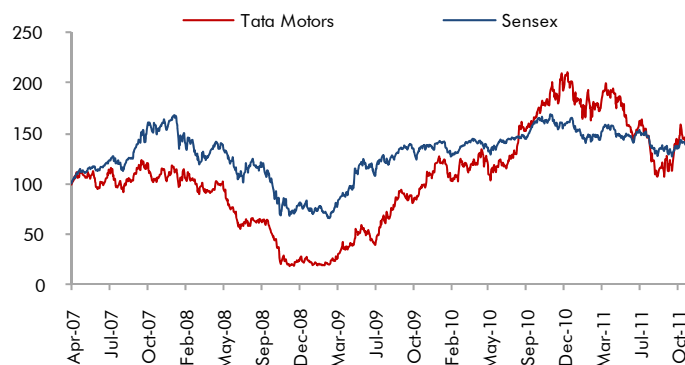
**Exhibit 19: Key assumptions**

Y/E March (units)	FY08	FY09	FY10	FY11	FY12E	FY13E
M&HCV	179,415	122,077	167,829	209,522	222,093	239,861
LCV	173,434	167,834	233,697	287,463	340,644	391,740
<b>Total CV</b>	<b>352,849</b>	<b>289,911</b>	<b>401,526</b>	<b>496,985</b>	<b>562,737</b>	<b>631,601</b>
UV	50,299	39,917	34,124	43,063	48,231	52,089
Cars	179,268	166,920	176,683	192,842	154,274	169,701
Nano	-	-	30,353	70,432	78,884	85,195
<b>Total PV</b>	<b>229,567</b>	<b>206,837</b>	<b>241,160</b>	<b>306,337</b>	<b>281,388</b>	<b>306,985</b>
Exports (Inc Above)	54,272	31,611	34,141	58,044	65,009	72,810
<b>Total volume</b>	<b>582,416</b>	<b>496,748</b>	<b>642,686</b>	<b>803,322</b>	<b>844,125</b>	<b>938,586</b>
<b>JLR volume</b>	-	-	-	<b>243,621</b>	<b>272,171</b>	<b>288,501</b>

Source: Company, Angel Research

**Exhibit 20: One-year forward EV/EBITDA**


Source: Company, Angel Research

**Exhibit 21: Tata Motors vs. Sensex**


Source: Company, Angel Research

**Exhibit 22: Automobile – Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY11-13E EPS
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	CAGR (%)
Ashok Leyland	Buy	26	32	21.2	11.6	9.7	6.8	5.8	14.8	16.5	7.3
Bajaj Auto	Neutral	1,714	-	-	16.1	14.8	11.1	9.4	55.5	47.0	10.4
Hero MotoCorp	Neutral	2,164	-	-	18.6	16.6	11.2	9.4	63.7	50.2	18.8
Maruti Suzuki	Accumulate	1,006	1,138	13.1	18.5	12.4	11.3	6.8	10.5	13.8	2.1
MM	Accumulate	759	859	13.2	16.0	14.1	10.3	8.5	25.5	25.0	11.8
<b>Tata Motors</b>	<b>Neutral</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>6.7</b>	<b>6.1</b>	<b>4.6</b>	<b>4.2</b>	<b>39.4</b>	<b>33.9</b>	<b>1.6</b>
TVS Motor	Accumulate	64	74	14.0	11.5	10.4	5.9	5.0	24.5	23.0	19.2

Source: Company, Angel Research

**Profit & loss statement (consolidated)**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12E	FY13E
<b>Gross sales</b>	<b>40,089</b>	<b>74,093</b>	<b>95,567</b>	<b>127,420</b>	<b>149,806</b>	<b>168,170</b>
Less: Excise duty	4,668	3,212	3,048	4,286	5,093	5,718
Net Sales	35,422	70,881	92,519	123,133	144,712	162,452
<b>Total operating income</b>	<b>35,422</b>	<b>70,881</b>	<b>92,519</b>	<b>123,133</b>	<b>144,712</b>	<b>162,453</b>
% chg	10.5	100.1	30.5	33.1	17.5	12.3
<b>Total Expenditure</b>	<b>31,490</b>	<b>69,371</b>	<b>84,747</b>	<b>106,316</b>	<b>127,335</b>	<b>143,608</b>
Net Raw Materials	24,376	48,025	61,495	79,008	94,642	106,244
Other Mfg costs	1,515	2,325	2,954	3,512	4,474	5,198
Personnel	2,745	7,297	8,943	9,343	11,143	12,671
Other	2,854	11,724	11,355	14,453	17,076	19,494
<b>EBITDA</b>	<b>3,932</b>	<b>1,509</b>	<b>7,772</b>	<b>16,817</b>	<b>17,378</b>	<b>18,845</b>
% chg	4.9	(61.6)	414.9	116.4	3.3	8.4
(% of Net Sales)	11.1	2.1	8.4	13.7	12.0	11.6
Depreciation & Amortisation	782	2,507	3,887	4,656	5,048	5,700
<b>EBIT</b>	<b>3,150</b>	<b>(997)</b>	<b>3,885</b>	<b>12,162</b>	<b>12,330</b>	<b>13,145</b>
% chg	3.0	-	-	213.1	1.4	6.6
(% of Net Sales)	8.9	(1.4)	4.2	9.9	8.5	8.1
Interest & other Charges	913	2,171	2,465	2,385	2,645	2,540
Other Income	619	748	1,058	452	430	454
(% of PBT)	20.1	(35.1)	30.0	4.3	4.0	4.1
<b>Recurring PBT</b>	<b>2,856</b>	<b>(2,420)</b>	<b>2,478</b>	<b>10,228</b>	<b>10,114</b>	<b>11,059</b>
% chg	(7.4)	-	-	312.8	(1.1)	9.3
Extraordinary Expense/(Inc.)	(230)	(291)	(1,045)	(209)	(497)	-
<b>PBT (reported)</b>	<b>3,086</b>	<b>(2,129)</b>	<b>3,523</b>	<b>10,437</b>	<b>10,611</b>	<b>11,059</b>
Tax	852	336	1,006	1,216	1,645	1,769
(% of PBT)	27.6	(15.8)	28.6	11.7	15.5	16.0
<b>PAT (reported)</b>	<b>2,235</b>	<b>(2,465)</b>	<b>2,517</b>	<b>9,221</b>	<b>8,966</b>	<b>9,290</b>
Add: Share of earnings of asso.	65	(52)	85	101	122	146
Less: Minority interest (MI)	132	(11)	30	49	67	74
PAT after MI (reported)	<b>2,168</b>	<b>(2,505)</b>	<b>2,571</b>	<b>9,274</b>	<b>9,021</b>	<b>9,362</b>
<b>ADJ. PAT</b>	<b>1,937</b>	<b>(2,796)</b>	<b>1,526</b>	<b>9,065</b>	<b>8,524</b>	<b>9,362</b>
% chg	(10.6)	-	-	494.0	(6.0)	9.8
(% of Net Sales)	5.5	(3.9)	1.6	7.4	5.9	5.8
<b>Basic EPS (₹)</b>	<b>11.2</b>	<b>(9.7)</b>	<b>9.0</b>	<b>29.2</b>	<b>28.4</b>	<b>29.5</b>
<b>Fully Diluted EPS (₹)</b>	<b>10.0</b>	<b>(10.9)</b>	<b>5.3</b>	<b>28.6</b>	<b>26.9</b>	<b>29.5</b>
% chg	(82.1)	-	-	434.1	(6.0)	9.8

**Balance sheet (consolidated)**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12E	FY13E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	386	514	571	635	635	635
Reserves & Surplus	8,312	5,427	7,827	18,537	23,433	30,482
<b>Shareholders' Funds</b>	<b>8,698</b>	<b>5,941</b>	<b>8,398</b>	<b>19,171</b>	<b>24,068</b>	<b>31,116</b>
Minority Interest	468	403	214	247	314	387
<b>Total Loans</b>	<b>11,585</b>	<b>34,974</b>	<b>35,108</b>	<b>32,791</b>	<b>37,791</b>	<b>36,291</b>
Deferred Tax Liability	974	680	1,154	1,464	1,464	1,464
<b>Total Liabilities</b>	<b>21,725</b>	<b>41,998</b>	<b>44,873</b>	<b>53,673</b>	<b>63,637</b>	<b>69,259</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	12,976	58,469	61,116	68,918	84,135	95,001
Less: Acc. Depreciation	6,060	33,269	34,232	39,699	44,747	50,447
<b>Net Block</b>	<b>6,915</b>	<b>25,200</b>	<b>26,884</b>	<b>29,220</b>	<b>39,388</b>	<b>44,554</b>
Capital Work-in-Progress	5,948	10,533	8,916	11,729	10,938	11,400
Goodwill	566	3,719	6,129	6,129	6,129	6,129
<b>Investments</b>	<b>2,666</b>	<b>1,257</b>	<b>2,219</b>	<b>2,544</b>	<b>3,023</b>	<b>3,290</b>
<b>Current Assets</b>	<b>19,244</b>	<b>33,322</b>	<b>42,446</b>	<b>51,035</b>	<b>57,235</b>	<b>62,346</b>
Cash	3,833	4,121	8,743	10,948	11,875	11,426
Loans & Advances	10,056	13,456	15,199	19,139	20,260	22,743
Other	5,355	15,745	18,503	20,948	25,100	28,177
Current liabilities	13,621	32,120	41,721	46,984	53,076	58,461
<b>Net Current Assets</b>	<b>5,623</b>	<b>1,202</b>	<b>725</b>	<b>4,051</b>	<b>4,159</b>	<b>3,885</b>
Mis. Exp. not written off	7	86	-	-	-	-
<b>Total Assets</b>	<b>21,725</b>	<b>41,998</b>	<b>44,873</b>	<b>53,673</b>	<b>63,637</b>	<b>69,259</b>

**Cash flow statement (consolidated)**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12E	FY13E
Profit before tax	3,086	(2,129)	3,523	10,437	10,611	11,059
Depreciation	782	2,507	3,887	4,656	5,048	5,700
Change in Working Capital	(4,397)	(15,377)	(7,234)	(5,428)	(4,516)	(4,319)
Less: Other	(6,976)	(16,085)	(9,827)	(1,961)	(5,023)	(5,918)
Direct taxes paid	852	336	1,006	1,216	1,645	1,769
<b>Cash Flow from Operations</b>	<b>5,596</b>	<b>750</b>	<b>8,997</b>	<b>10,409</b>	<b>14,521</b>	<b>16,589</b>
(Inc.)/Dec. in Fixed Assets	(5,983)	(50,078)	(1,030)	(10,615)	(14,426)	(11,329)
(Inc.)/Dec. in Investments	(1,491)	1,408	(962)	(325)	(478)	(267)
(Inc.)/Dec. in loans and adv.	278	3,582	174	1,216	(3,146)	(500)
Other	619	748	1,058	452	430	454
<b>Cash Flow from Investing</b>	<b>(6,577)</b>	<b>(44,340)</b>	<b>(759)</b>	<b>(9,273)</b>	<b>(17,621)</b>	<b>(11,642)</b>
Issue of Equity	-	3,958	57	64	-	-
Inc./Dec. in loans	4,283	23,389	135	(2,317)	5,000	(1,500)
Dividend Paid (Incl. Tax)	688	677	365	1,002	1,481	1,856
Other	1,311	(15,855)	4,645	(2,319)	2,454	5,753
<b>Cash Flow from Financing</b>	<b>3,661</b>	<b>43,878</b>	<b>(4,090)</b>	<b>1,068</b>	<b>4,027</b>	<b>(5,397)</b>
Inc./Dec. in Cash	2,679	288	4,148	2,205	927	(449)
<b>Opening Cash balances</b>	<b>1,154</b>	<b>3,833</b>	<b>4,121</b>	<b>8,743</b>	<b>10,948</b>	<b>11,875</b>
<b>Closing Cash balances</b>	<b>3,833</b>	<b>4,121</b>	<b>8,743</b>	<b>10,948</b>	<b>11,875</b>	<b>11,426</b>

**Key ratios**

Y/E March	FY08	FY09	FY10	FY11	FY12E	FY13E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	18.0	-	33.9	6.3	6.7	6.1
P/CEPS	11.6	1116	9.6	4.2	4.2	3.8
P/BV	4.0	8.0	6.3	3.0	2.4	1.9
Dividend yield (%)	1.7	0.7	1.7	2.2	2.8	3.3
EV/Sales	1.6	1.2	0.9	0.6	0.5	0.5
EV/EBITDA	15.9	57.7	10.5	4.6	4.6	4.2
EV / Total Assets	2.9	2.1	1.8	1.4	1.3	1.1
<b>Per Share Data (₹)</b>						
EPS (Basic)	10.0	(10.9)	5.3	28.6	26.9	29.5
EPS (fully diluted)	6.8	(9.8)	5.3	31.8	29.9	29.5
Cash EPS	15.6	0.2	19.0	43.2	42.8	47.5
DPS	3.0	1.2	3.0	4.0	5.0	6.0
Book Value	27.3	18.4	25.9	60.0	75.4	97.6
<b>DuPont Analysis</b>						
EBIT margin	8.9	(1.4)	4.2	9.9	8.5	8.1
Tax retention ratio	0.7	1.2	0.7	0.9	0.8	0.8
Asset turnover (x)	2.4	2.7	2.6	3.3	3.3	3.2
ROIC (Post-tax)	15.8	(4.5)	7.9	29.1	23.5	21.4
Cost of Debt (Post Tax)	7.0	10.8	5.0	6.2	6.3	5.8
Leverage (x)	0.6	2.4	3.7	1.6	1.0	0.8
Operating ROE	21.1	(40.6)	18.7	65.3	40.3	34.1
<b>Returns (%)</b>						
ROCE (Pre-tax)	16.7	(3.1)	8.9	24.7	21.0	19.8
Angel ROIC (Pre-tax)	20.7	(2.7)	11.5	30.4	25.4	24.2
ROE	23.6	(38.2)	21.3	65.8	39.4	33.9
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	3.0	2.0	1.5	1.9	1.9	1.8
Inventory / Sales (days)	33	37	44	38	39	40
Receivables (days)	19	18	24	21	21	21
Payables (days)	116	123	134	110	109	108
Working capital cycle (ex-cash) (days)	39	(3)	(22)	(22)	(18)	(17)
<b>Solvency ratios (x)</b>						
Net debt to equity	0.6	5.0	2.9	1.0	1.0	0.7
Net debt to EBITDA	1.3	19.6	3.1	1.1	1.3	1.1
Interest Coverage (EBIT / Interest)	3.5	(0.5)	1.6	5.1	4.7	5.2

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### Disclosure of Interest Statement

### Tata Motors

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

### Ratings (Returns):

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)