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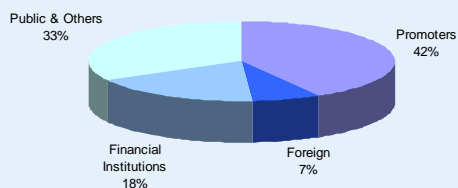
Price: **Rs.314**
12M Target Price: **Rs.235**
% Upside / (Downside) **(25%)**

Stock details

| | |
|--------------------------|------------|
| BSE Code | 500570 |
| NSE Code | TATAMOTORS |
| Bloomberg Code | TTMT IN |
| Reuters Code | TAMO BO |
| Market Cap (Rs bn) | 161 |
| Free Float (%) | 58 |
| 52-wk Hi/Lo (Rs) | 475 / 122 |
| Avg Daily Vol (BSE) | 731,608 |
| Avg Daily Vol (NSE) | 2,376,901 |
| Shares o/s (mn) FV Rs 10 | 514 |

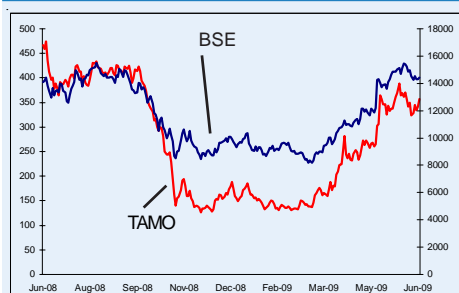
Source: Reliance Money Research

Shareholding pattern (31st March 2009)



Source: Reliance Money Research

Stock Performance (Rel to sensx)



Source: Capitaline

Tata Motors

SELL

JLR Impact

TAMO reported loss of Rs.25bn in FY09 on a consolidated basis first time after FY02. The company has already tied up for funds for JLR, but its leverage remains a concern in the short to medium term. We expect interest cost to go up in the near future. We continue to remain negative on CV industry as there are no signs of revival yet and assign SELL rating to the stock.

FY09 Consolidated revenue up to Rs.709bn

TAMO declared its first consolidated results after the acquisition of JLR for FY09. The company reported JLR financials for 10 months (June 2008-March2009). Net sales went up to Rs.709.3bn as against Rs.356.6bn mainly due to acquisition of JLR during FY09. Subsidiaries contributed ~64% of total revenue in FY09. Jaguar and Land Rover sales volume for the period came down by 4% and 39% respectively mainly due to slowdown in global economy. North America, UK, Europe reported decline of 37%, 31% and 37% respectively in sales volume for the period.

Reports net loss of Rs.25bn

TAMO's consolidated EBITDA declined by 56% y-o-y to Rs.18.5bn in FY09. Due to losses incurred in JLR (Rs.22.2bn) and Tata Finance (Rs.1.21bn) TAMO incurred consolidated net loss of Rs.25bn. Its interest cost at consolidated level went up to Rs.19.3bn compared to Rs.6.73bn on a standalone basis. The consolidated long term debt as on 31st March 2009 stood at Rs.163bn compared to net worth of Rs.58.3bn. TAMO's other subsidiaries like Tata Daewoo, Telcon, HVAL, HVTL reported decline in net profit by 30%, 86%, 56% and 60% respectively.

Financials Summary

| Rs. mn | FY08 | FY09E | FY10E | FY11E |
|----------------------|---------|---------|---------|---------|
| Net Sales | 287,308 | 256,608 | 262,859 | 297,555 |
| EBITDA margin % | 10.1 | 6.6 | 7.8 | 9.3 |
| Net Profit | 20,289 | 10,013 | 7,119 | 9,998 |
| EPS (Rs) | 49.1 | 20.7 | 13.8 | 19.4 |
| CEPS (Rs) | 73.1 | 37.8 | 33.0 | 41.3 |
| EV/EBITDA | 3.8 | 8.0 | 6.9 | 5.0 |
| ROE % | 27.6 | 9.6 | 5.5 | 7.8 |
| ROCE % | 21.8 | 8.6 | 6.1 | 7.4 |
| P/E (x) | 6.4 | 15.1 | 22.7 | 16.1 |
| Market cap/Sales (x) | 0.4 | 0.6 | 0.6 | 0.5 |

Source: Company / Reliance Money Research

Contd...

Key Financials - Consolidated

Rs Mn

| | FY08 | FY09 | YoY (%) |
|------------------------|-----------|------------|---------|
| Net Sales | 356,600.7 | 709,388.5 | 98.9 |
| Other Income | 2,674.8 | 7,989.6 | 198.7 |
| Total Income | 359,275.5 | 717,378.1 | 99.7 |
| Total Expenditure | 314,768.6 | 690,901.0 | 119.5 |
| Operating Profits | 41,832.1 | 18,487.5 | (55.8) |
| OPM (%) | 11.7 | 2.6 | (912.5) |
| Interest | 7,430.6 | 19,309.0 | 159.9 |
| Depreciation | 7,820.7 | 25,067.7 | 220.5 |
| PBT | 29,255.6 | (17,899.6) | (161.2) |
| Provision for tax | 8,515.4 | 3,357.5 | (60.6) |
| PAT | 20,740.2 | (21,257.1) | (202.5) |
| Extraordinary Items | 1,607.3 | (3,392.9) | (311.1) |
| Minority | (1,322.5) | 114.8 | (108.7) |
| Profit/(Loss) Asso Cos | 652.0 | (517.3) | (179.3) |
| Adj PAT | 21,677.0 | (25,052.5) | (215.6) |
| Equity Capital | 3,855.4 | 5,140.5 | 33.3 |
| EPS (Rs) | 56.2 | (48.7) | (186.7) |

Source: Company

We continue to recommend a SELL

TAMO's long term debt on a consolidated basis went up to Rs.163bn in FY09. In addition to it the company has raised NCDs for Rs.42bn and it also raised ~\$1bn for JLR for working capital requirements. TAMO has charged actuarial loss for JLR pension plan of Rs.14.57bn to Reserves which along with losses incurred during FY09, impacted consolidated net worth and book value at consolidated stood at Rs.113 per share compared to current estimated debt levels of ~Rs.240bn. We believe the debt equity ratio for FY10E to become >2x and apart from this the company is also likely to raise debt on JLR books which would increase leverage risk going ahead. We believe CV industry would continue to face pressures in FY10E mainly due to slowdown in overall economy, lower industrial production and stringent financing norms. We also don't expect any immediate revival in JLR sales volume in FY10E. We estimate TAMO to report EPS of Rs.14 and Rs.19 for FY10E and FY11E respectively. At current market price of Rs.314, the stock trades at a PE multiple of 23x and 16x for FY10E and FY11E respectively. We value TAMO at Rs.194 (10x FY11E) and other subsidiaries at Rs40 (including JLR). We recommend a SELL on the stock with a target price of Rs.235.

Contd....

Profit & loss statement (Rs mn)

| Y/E March | FY08 | FY09 | FY10E | FY11E |
|----------------|-----------|-----------|-----------|-----------|
| Net Sales | 287,307.9 | 256,607.8 | 262,859.3 | 297,554.9 |
| % Growth | 6.2 | (10.7) | 2.4 | 13.2 |
| EBIDTA | 28,903.6 | 17,013.2 | 20,502.6 | 27,707.4 |
| % Growth | 2.1 | (41.1) | 20.5 | 35.1 |
| Other Income | 4,831.8 | 9,259.7 | 6,540.0 | 4,580.0 |
| Interest | 2,823.7 | 6,736.8 | 9,258.3 | 9,348.3 |
| Depreciation | 6,523.1 | 8,745.4 | 9,829.8 | 11,245.3 |
| PBT | 24,388.6 | 10,790.7 | 7,954.5 | 11,693.8 |
| % Growth | (5.2) | (55.8) | (26.3) | 47.0 |
| Tax | 5,475.5 | 125.0 | 835.2 | 1,695.6 |
| Deferred Tax | - | - | - | - |
| Adj PAT | 18,913.1 | 10,665.7 | 7,119.2 | 9,998.2 |
| % Growth | (1.2) | (43.6) | (33.3) | 40.4 |
| Extra-ordinary | 1,376.1 | (652.6) | - | - |
| Reported PAT | 20,289.2 | 10,013.1 | 7,119.2 | 9,998.2 |
| % Growth | 10.4 | (50.6) | (28.9) | 40.4 |
| Dividend (%) | 150.0 | 150.0 | 150.0 | 151.0 |
| EPS (Rs) | 49.1 | 20.7 | 13.8 | 19.4 |
| BVPS (Rs) | 203.3 | 252.3 | 248.9 | 251.0 |

Balance sheet (Rs mn)

| Y/E March | FY08 | FY09 | FY10E | FY11E |
|---------------------|-----------|------------|------------|------------|
| Equity Cap | 3,855.4 | 5,140.5 | 5,140.5 | 5,140.5 |
| Reserves | 74,539.6 | 124,563.5 | 122,815.3 | 123,887.1 |
| Networth | 78,395.0 | 129,703.9 | 127,955.8 | 129,027.6 |
| Secured loans | 24,619.9 | 94,619.9 | 127,619.9 | 107,619.9 |
| Unsecured loans | 38,185.3 | 43,185.3 | 43,185.3 | 33,185.3 |
| Total loans | 62,805.2 | 137,805.2 | 170,805.2 | 140,805.2 |
| Total Liability | 141,200.2 | 267,509.1 | 298,761.0 | 269,832.8 |
| Net Block | 104,522.7 | 138,977.3 | 141,147.5 | 142,902.1 |
| Investments | 49,111.3 | 157,611.3 | 177,611.3 | 157,611.3 |
| Deffered Tax Assets | (9,757.2) | (9,757.2) | (9,757.2) | (9,757.2) |
| Inventory | 24,218.3 | 14,495.4 | 13,723.5 | 14,253.2 |
| Debtors | 11,307.3 | 12,830.4 | 12,412.8 | 11,571.6 |
| Cash balance | 23,973.1 | 4,977.4 | 14,010.4 | 4,737.3 |
| Other CA | 44,330.5 | 39,593.6 | 40,558.2 | 45,911.6 |
| Current Liabilities | 86,672.0 | 89,848.0 | 88,864.1 | 94,446.6 |
| Provisions | 19,894.3 | 1,431.6 | 2,141.8 | 3,010.9 |
| NCA | (2,737.1) | (19,382.7) | (10,301.0) | (20,984.0) |
| Misc Exp | 60.5 | 60.5 | 60.5 | 60.5 |
| Total Assets | 141,200.2 | 267,509.2 | 298,761.0 | 269,832.8 |

Ratio Analysis

| Y/E March | FY08 | FY09 | FY10E | FY11E |
|-------------------------|------|------|-------|-------|
| OPM % | 10.1 | 6.6 | 7.8 | 9.3 |
| NPM % | 7.1 | 3.9 | 2.7 | 3.4 |
| ROE % | 27.6 | 9.6 | 5.5 | 7.8 |
| ROCE % | 21.8 | 8.6 | 6.1 | 7.4 |
| Int. Cover (x) | 9.6 | 2.6 | 1.9 | 2.3 |
| D/E (x) | 0.8 | 1.1 | 1.3 | 1.1 |
| Asset Turnover (x) | 1.8 | 1.3 | 1.2 | 1.3 |
| Debtors Days | 11.0 | 18.0 | 17.0 | 14.0 |
| Inventory Days | 22.0 | 28.0 | 26.0 | 24.0 |
| Valuation ratios | | | | |
| P/E (x) | 6.4 | 15.1 | 22.7 | 16.1 |
| P/CF per share (x) | 4.3 | 8.3 | 9.5 | 7.6 |
| EV/EBIDTA (x) | 3.8 | 8.0 | 6.9 | 5.0 |
| EV/Sales (x) | 0.4 | 0.5 | 0.5 | 0.5 |
| Mkt Cap/Sales(x) | 0.4 | 0.6 | 0.6 | 0.5 |
| CEPS (Rs) | 73.1 | 37.8 | 33.0 | 41.3 |
| P/ BV (x) | 1.5 | 1.2 | 1.3 | 1.3 |

Cash Flow Statement (Rs mn)

| Y/E March | FY08 | FY09 | FY10E | FY11E |
|--------------|------------|-------------|------------|------------|
| PAT | 18,913.1 | 10,665.7 | 7,119.2 | 9,998.2 |
| Depreciation | 6,523.1 | 8,745.4 | 9,829.8 | 11,245.3 |
| Change in WC | 44,573.7 | (2,350.0) | (48.7) | 1,409.8 |
| Operating CF | 70,009.9 | 17,061.1 | 16,900.3 | 22,653.3 |
| Capex | (46,066.7) | (43,200.0) | (12,000.0) | (13,000.0) |
| Misc Exp | 40.4 | - | - | - |
| Investing CF | (46,026.3) | (43,200.0) | (12,000.0) | (13,000.0) |
| Dividends | (6,650.6) | (8,867.4) | (8,867.4) | (8,926.5) |
| Debt | 22,713.8 | 75,000.0 | 33,000.0 | (30,000.0) |
| Equity | - | 49,510.6 | - | - |
| Investments | (24,341.3) | (108,500.0) | (20,000.0) | 20,000.0 |
| Financing CF | (8,278.1) | 7,143.3 | 4,132.6 | (18,926.5) |
| Net Change | 15,705.5 | (18,995.7) | 9,033.0 | (9,273.1) |
| Opening Cash | 8,267.6 | 23,973.1 | 4,977.4 | 14,010.4 |
| Closing Cash | 23,973.1 | 4,977.4 | 14,010.4 | 4,737.3 |

Source: Reliance Money Research

Reliance Money Stock Rating

| Rating | Stock Performance |
|--------|--|
| BUY | Appreciate more than 15% in next 12 months |
| HOLD | Appreciate upto 15% in next 12 months |
| REDUCE | Depreciate upto 10% in next 12 months |
| SELL | Depreciate More than 10% in next 12 months |

Reliance Securities Limited:

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 Tel.: 91-22-42171234

Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |
 BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833
 Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647|
 NMCE member code: CL0120 Mutual Funds : Reliance Securities Limited | AMFI ARN No.29889

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