

GOLDMINE STOCKS PVT. LTD

Research Division

Member: National Stock Exchange of India Ltd,
Bombay Stock Exchange Ltd.

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TATA MOTORS DVR [27/02/2014]

Equity	638.07
Reserves	36999.23
Acc.Dep	42878.00
Debt	43713.28
FV	2.00
Exp.NP	14500.00
Cash Pr.	25500.00
EPS	45.45
CEPS	79.93
Debt:Equi	1.16
Book Value	163.42
Cash Book Value	332.30
M.Price	401.00
M.Price DVR	195.00
M.Cap	127933.04
P/E	8.82
P/E DVR	4.29
Dividend Expected	5.00
Dividend Yield (%)	1.25
Dividend Yield (%) DVR	2.56
Total Worth	80515.30
Sales	250000.00

Shareholding Pattern- Tata Motors

Promoters	0.72
FII	65.31
Institutions	25.27
Corp.Bodies	1.87
Public	6.83

Shareholding Pattern- Tata Motors

Promoters	34.33
FII	27.58
Institutions	9.99
Corp.Bodies	0.45
Public	27.65

Equity of Tata Motors DVR is just Rs 96.40 crores.

Equity of Tata Motors is Rs 541.63 crores. The total is Rs 638.07 crores.

Background: Tata Motors is into Commercial vehicles, namely trucks and buses. It is also into passenger vehicle segments. The Indian operations currently not doing well. Sales have almost halved in last four years for Indian operations. Things may not improve immediately. May be it will take a couple of years for Indian operations to improve. We do not need to give more details about Tata Motors as it is a well known company from the respected Tata stable.

The surprise and stellar performances are coming from its overseas fully owned subsidiary JLR. That company now contributes nearly 75% of the total consolidated sales of the company and is making all the profits as the Indian operations are reporting losses. Yet the consolidated net profits of the company have jumped almost 195% that is almost tripled in the latest quarter. Thanks to JLR performances.

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Future Growth Triggers: As we said the Indian operations of Tata Motors are not doing well at all. Commercial Vehicle sales and passenger car sales have slumped. The domestic operations in passenger car segment are way behind other leaders like Maruti, M&M, Hyundai etc. Ratan Tata before retiring made remarks regarding Tata Motors having fallen way behind. This is an opportunity for the new young Chairman Cyrus Mistry, who is dynamic and comes from entrepreneurial family.

If Tata Motors can combine the technology of JLR and introduce affordable state of the car range in India, there is a huge market for such cars. And that may happen soon.

The company also has tie ups with some leaders in the bus and truck segment. We could see more buses, trucks and defense vehicles using state of the art technologies. So herein lies an opportunity in extreme pessimism of Indian operations.

Tata Motors DVR equity stands at 96.40 crores and that of Tata Motors stands at Rs 541.63 crores. Tata Motors DVR enjoys the same rights as Tata Motors in terms of bonus, rights etc. In addition to that they get about 5% dividend more than the ordinary share holders. The voting rights for Tata Motors DVR are one vote for every ten shares held. The differential voting rights is the only major difference.

When the DVR started trading it was just about 5-7% lower than the ordinary shares. Over the last five to six years, the differential has widened to almost 100%. The normal Tata Motors share quote at more than twice the DVR. Globally the difference between ordinary shares and DVR is just about 10%. So there is a huge arbitrage opportunity here besides chances of Tata Motors domestic operations improving in the next couple of years even as JLR expands in China, Middle East, Brazil etc.

Before five years, the promoters held about 84% equity of Tata Motors DVR. Now we have promoters having sold out Tata Motors DVR and now almost the entire holding is with FII's, institutions and partly with public. Since current promoter holding is down to 0.72% from almost 85%. The overall market cap of Tata Motors DVR is much lower than Tata Motors ordinary shares. So when global flows are low, chances of lower equity stock moving up are higher than higher equity stock.

Risks: The only short term risk is if global JLR sales start falling in a major way. That is unlikely as demand for premium cars have stayed strong even in weak economic environment. The wealthy class does not get much affected by economic slowdowns.

Technicals and Comments: Both Tata Motors and Tata Motors DVR are above all their moving averages. The stock has the potential to move up further. Tata Motors is quoting at a P/E of about 9 while Tata Motors DVR is quoting at a P/E of about 4.5 and both of them look cheaply valued. The valuations look even cheaper considering that Indian operations are making losses. Just imagine what would happen if Indian operations start improving from here on. Another trigger could be major entry of Tata Motors into defence sooner than later. So even that could help the company do well. The company could pay roughly a dividend of Rs 5 per share and even dividend yield is around 2.5%, which is very good for a Nifty stock.

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