



**Sohn Conference Hong Kong presented by  
Karen Leung Foundation  
June 12, 2014 – Hong Kong**

**TATA MOTORS**

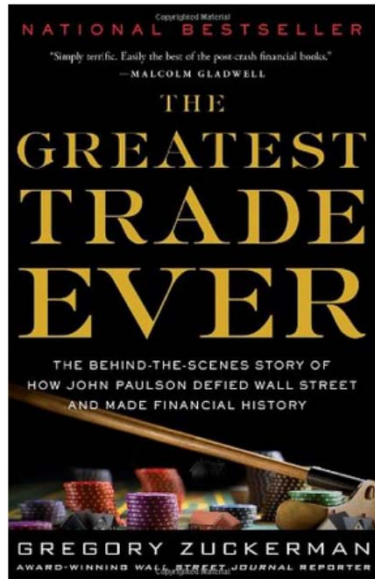
**Seth Fischer  
Oasis**

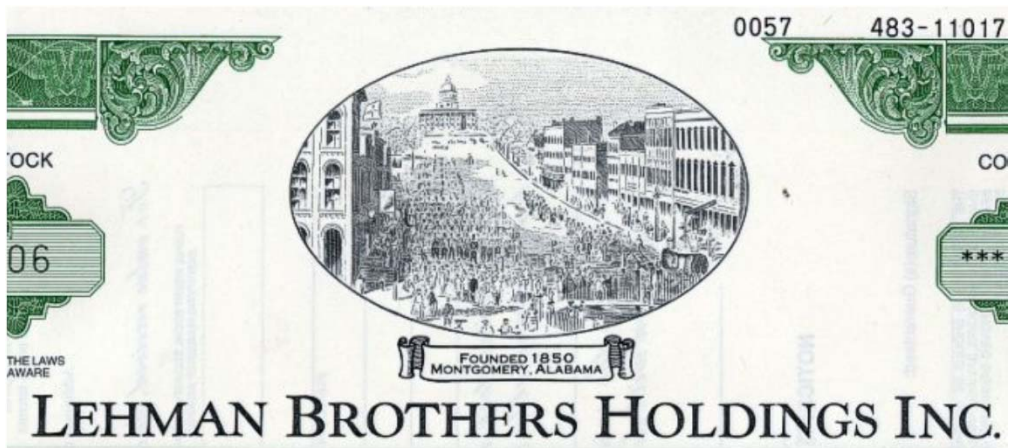
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What was the **BEST TRADE** of the financial crisis?



OASIS







**TATA MOTORS**



JAGUAR





<b>Jaguar Land Rover</b>						
<b>USD MM</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Wholesale volume	167,300	193,982	243,621	314,433	372,062	429,861
<i>% yoy growth</i>		16%	26%	29%	18%	16%
Revenue		9,832	15,793	21,619	23,676	32,956
<i>% yoy growth</i>			51%	37%	17%	23%
EBITDA	(393)	589	2,403	3,243	3,509	5,768
<i>% margin</i>		6%	15%	15%	15%	18%
<i>% yoy growth</i>			282%	35%	15%	45%
<b>Cumulative EBITDA</b>						<b>15,119</b>

Source: Company filings; Tata Motors has March fiscal year end

### Jaguar Land Rover Investment

#### USD MM

Initial investment in 2008	2,500
FY 2014 adjusted EBITDA	4,326
Multiply by: Exit Multiple	4.5x
Terminal value	19,467
Add: Cash & Equivalents	5,880
Less: Total Debt	3,417
Exit equity value	21,931
Cash-on-Cash Multiple	8.8x
Implied IRR	44%

Note: Adjusted EBITDA reflects adjustment for capitalized R&D expenses

Jaguar Land Rover FY 2014 EBITDA: USD 5.8Bn

## Jaguar XJ



# Jaguar F-Type

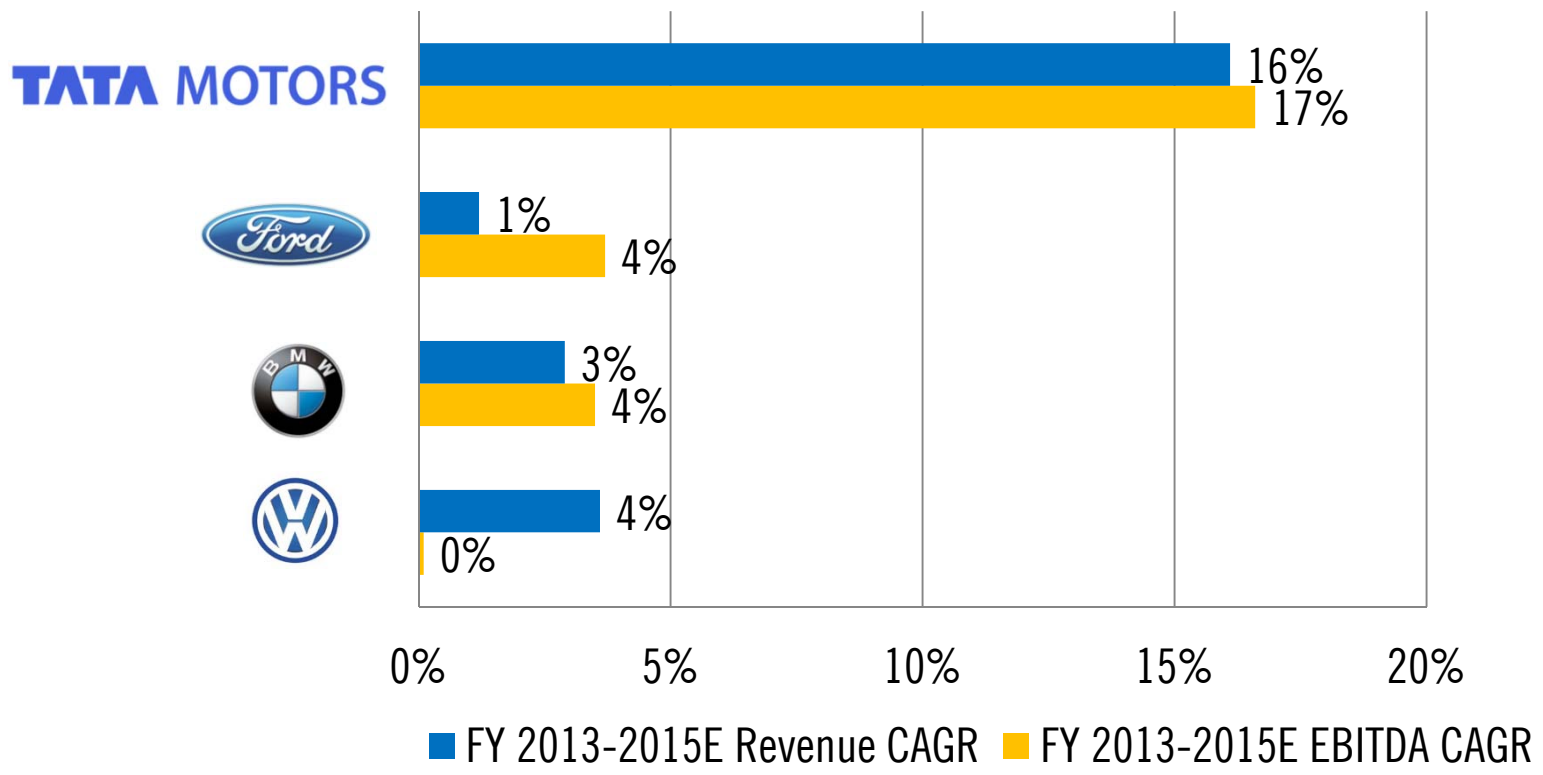


# Range Rover Sport



Range Rover won “Luxury Car of the Year”





Source: Bloomberg, Tata Motors has March fiscal year end



## Jaguar XE



# Land Rover Discovery Sport



First wheel: Jaguar Land Rover  
Second wheel: China  
Third wheel:  
Fourth wheel:



*"You're just printing cash in this market if you're good"*

FINANCIAL TIMES THURSDAY JUNE 12 2014 15

COMPANIES

# Carmakers 'printing cash' in China

**Foreign brands prevail**

That the Chinese car market has surpassed the US to become the world's largest is a source of immense pride for the architects of China's car boom. That the market is dominated by foreign brands is not, writes **Henry Foy and Tom Mitchell**.

Chinese branded cars together account for less than 40 per cent of the total market of more than 18m vehicles in China, trailing well behind market leaders such as Germany's Volkswagen and General Motors of the US.

In the past, that gap was accepted because of rules that mean all foreign carmakers have to operate in China in a joint venture with a local player. Those rules were engineered to help Chinese companies get a foot up in the market by learning from their global partners, while both companies made money.

But now the gap is growing at a rate that is alarming many in China, sparking a debate about how to reshape restrictions to encourage domestic players.

At the same time, global brands that have become very rich selling cars to China's growing middle class are considering ways to take a bigger slice of their joint ventures, and in some cases, joint-venture partners.

Volkswagen is considering increasing its stake in its Chinese joint venture with state-owned FAW to 50 per cent, from 40 per cent currently, chief executive Martin Winterkorn was quoted as saying in a newspaper interview last year.

Daimler, which sells Mercedes-Benz cars in China in a joint venture with Beijing Automotive, set a precedent last year when it bought a 12 per cent stake in the Chinese carmaker for €525m.

Whether Volkswagen or others follow Daimler's lead by taking more control of their Chinese operations, and a bigger slice of the profits, depends a great deal on the Chinese government.

The Ministry of Industry and Information Technology said earlier this year that it may loosen

**News analysis**

**Hefty profits from joint ventures are proving controversial as the market confounds expectations, writes Tom Mitchell**

In the 1960s, a former GM president reportedly observed that "what's good for General Motors is good for the US". Charles Erwin Wilson was in fact misquoted, but 50 years later it would appear that what is really good for GM is the China market.


In the first quarter of this year, GM's China joint ventures reported net income of \$56m, compared with just \$100m for the company's global operations.

While GM's quarterly results were affected by a \$1.8bn charge for its recall crisis and another \$400m loss related to its Venezuelan operations, China has for years been an extremely lucrative market for the US company. The country accounted for 35 per cent of GM's global vehicle sales in 2013, yet the \$3.7bn in net income reported by its China joint ventures came close to exceeding the \$3.8bn in overall net income attributable to shareholders.

China is also a cash cow for Volkswagen, which last year just beat its US rival for the No.1 spot in the world's largest car market. While China accounted for 31 per cent of VW's vehicle sales last year, its joint ventures in the country reported operating profits of €9.6bn compared with €11.7bn for VW worldwide.

Apart from booming car sales, multinational car companies also collect technology and brand royalties from their China joint ventures, and make additional money from selling components to them.

**Picking up speed**



**Chinese car sales (units '000)**

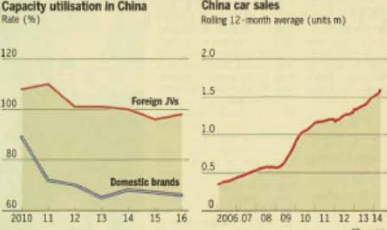
Company JV	2010	2014	Average annual change (%)
FAW-VW	870	1,793	+18
SAIC-GM	1,012	1,800	+12
Dongfeng-Nissan	706	1,180	+13
BAIC-Hyundai	703	1,100	+12
Changan-Ford	354	790	+27
FAW-Toyota	506	660	+27
Dongfeng-PSA	373	650	+15

**Major domestic brands**

Company	2010	2014	Average annual change (%)
SAIC-GM-Wuling	1,235	1,095	-11
Changan	397	940	+24
Great Wall	447	620	+19
Brilliance Auto	416	580	+19
Geely	500	555	+11
BYD	575	500	-13
Chery	500	500	0

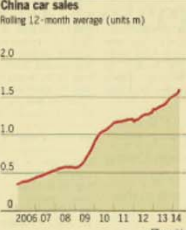
**Capacity utilisation in China**

Rate (%)



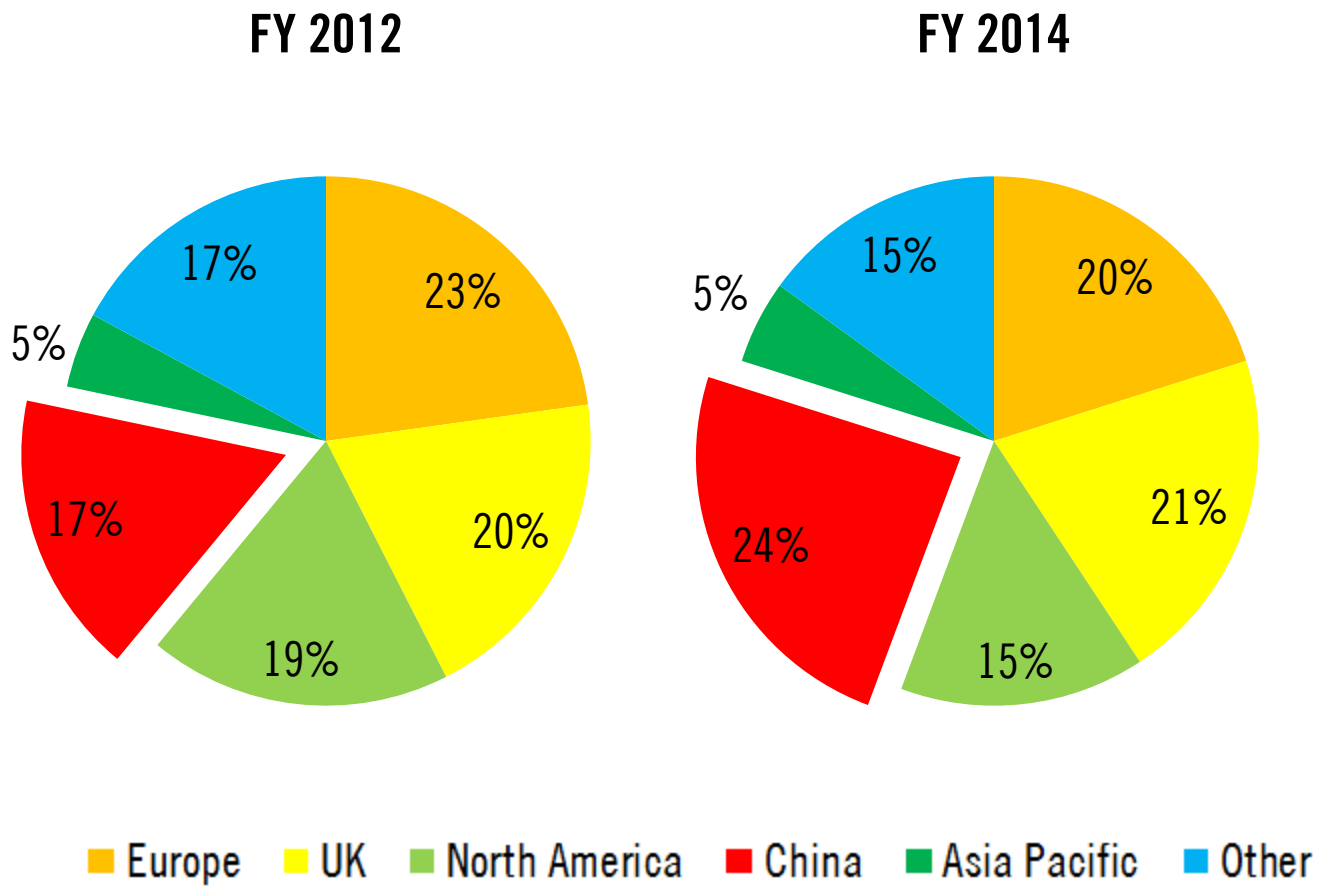
**China car sales**

Rolling 12-month average (units m)

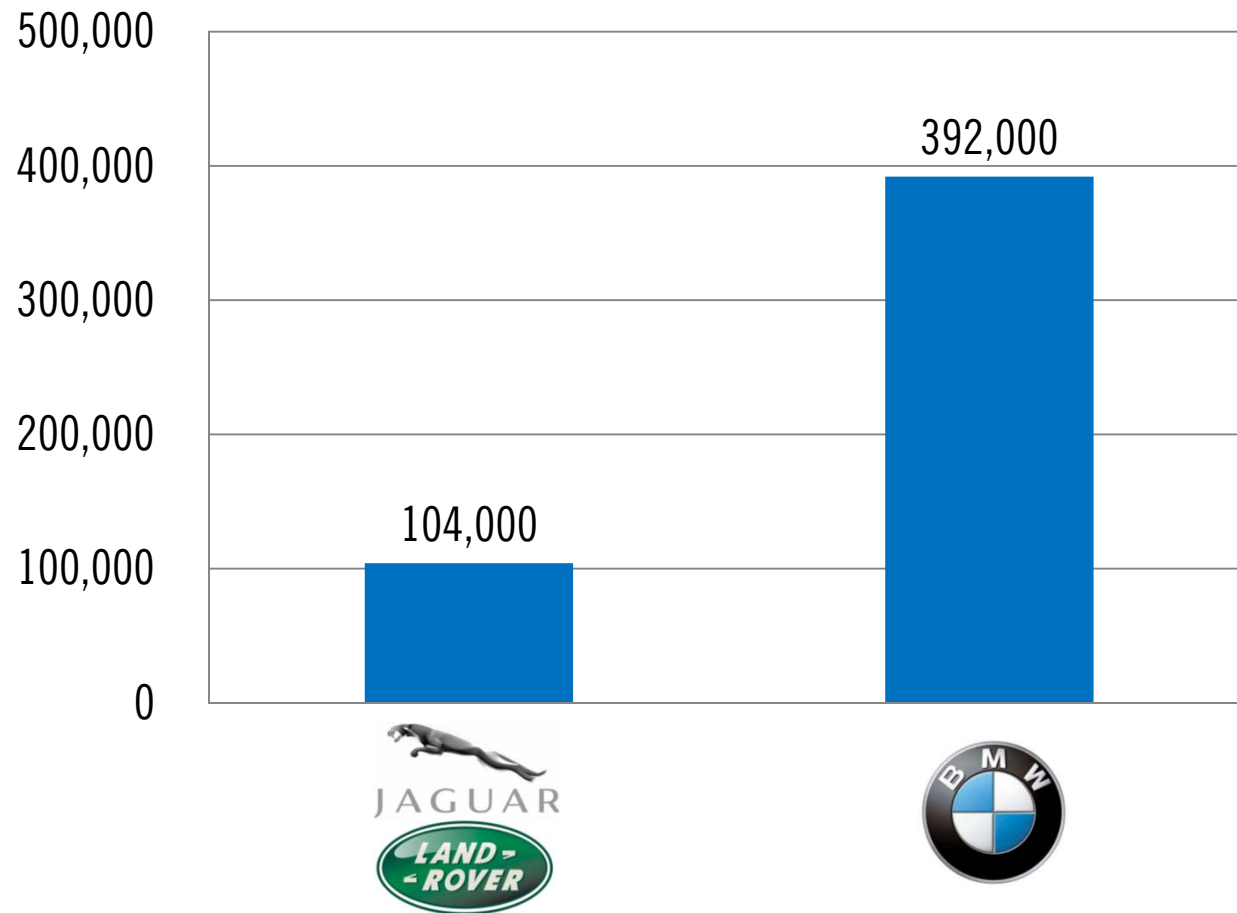


Source: IAC Automotive; Morgan Stanley; Bloomberg

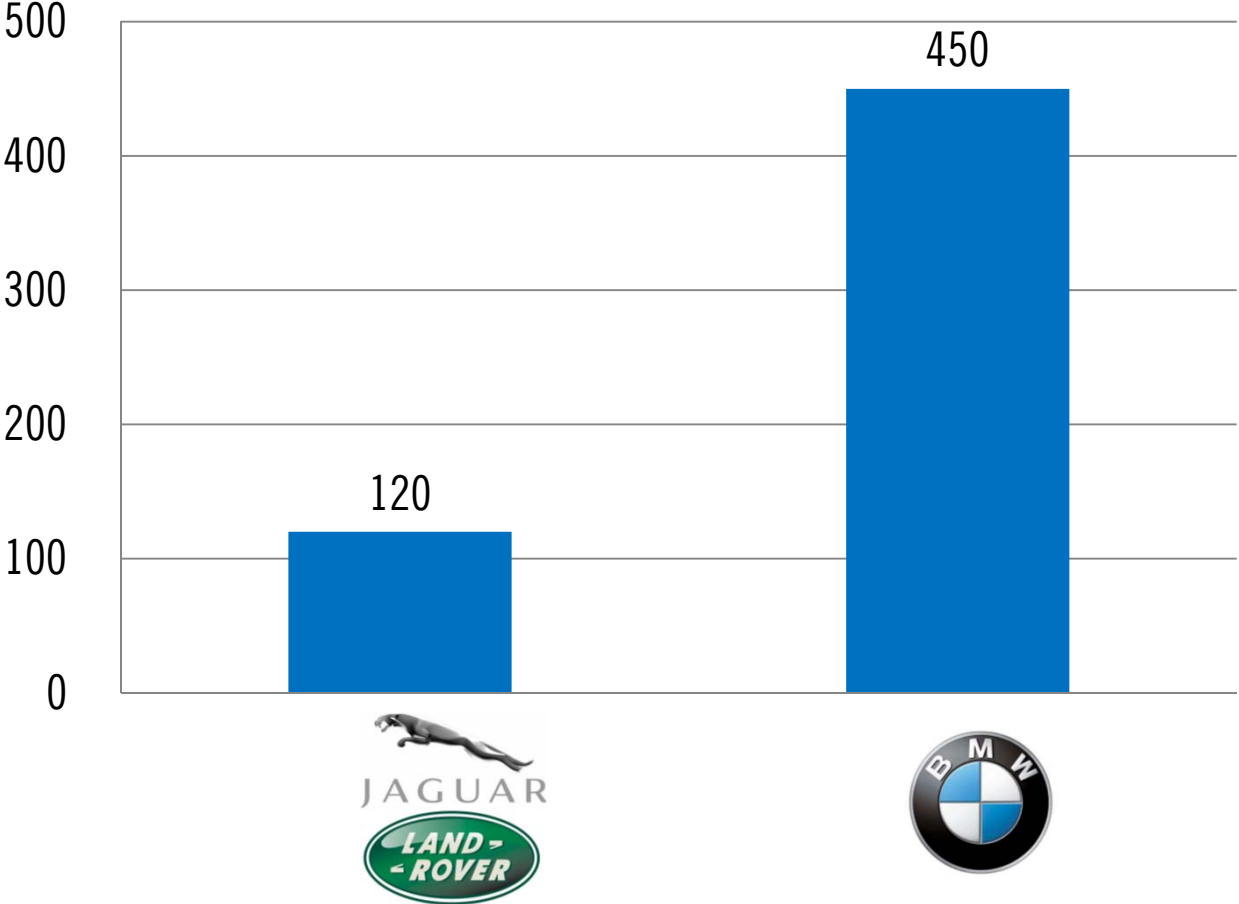
FT graphic



## Cars Sold in China Last Fiscal Year



### Number of Dealerships in China



April 2014

JLR reported 72% yoy growth in retail volume in China





May 2014

JLR reported 53% yoy growth in retail volume in China





*“Apart from booming car sales, multinational car companies also collect **technology and brand royalties** from their China joint ventures, and make additional money from **selling components to them.**”*

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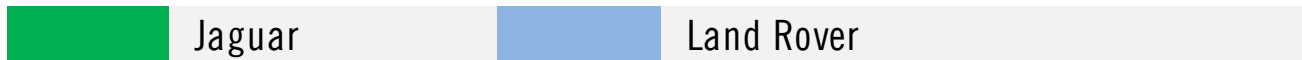
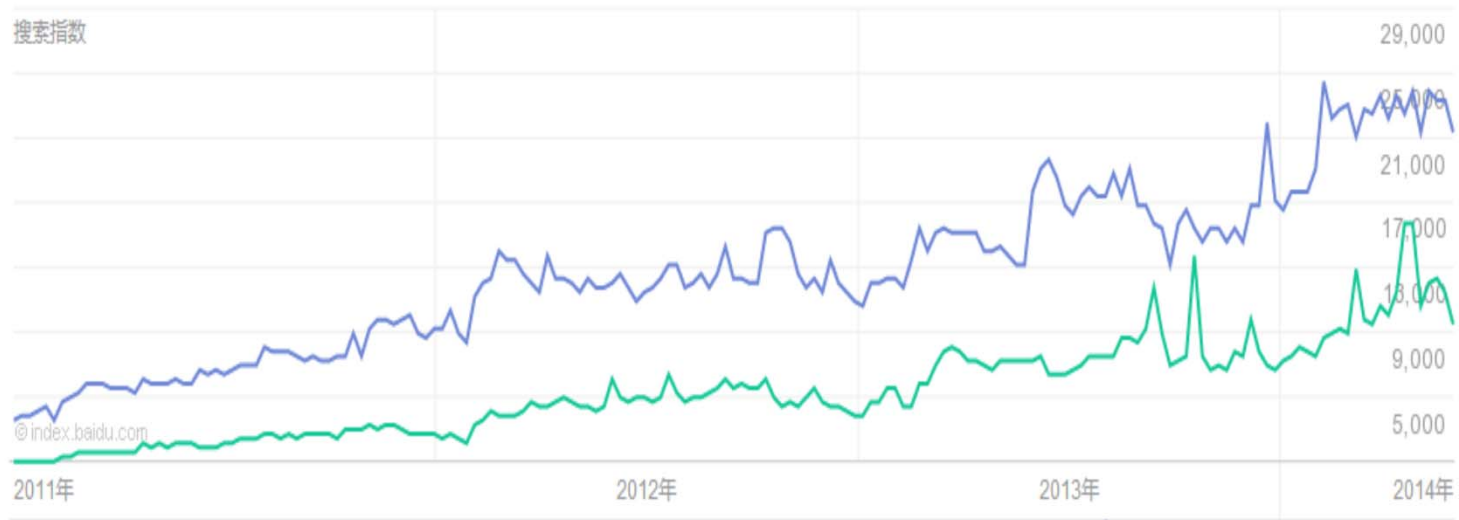
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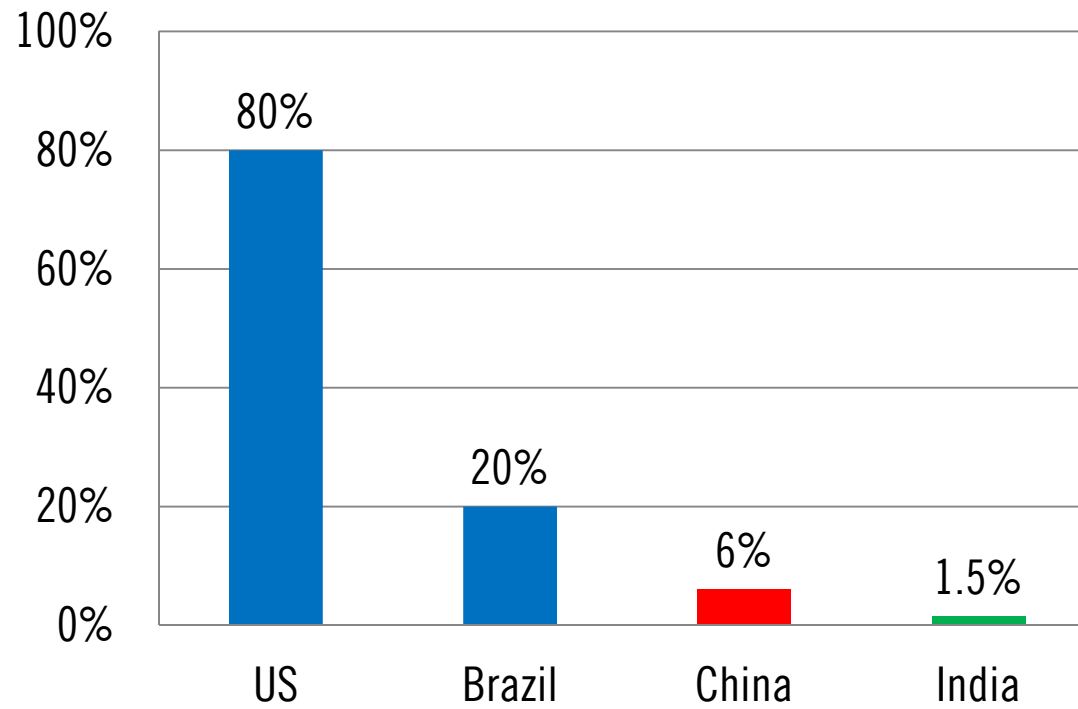


FT graphic

## Baidu Search Index (2011-2014 YTD)



## Car Penetration Comparison

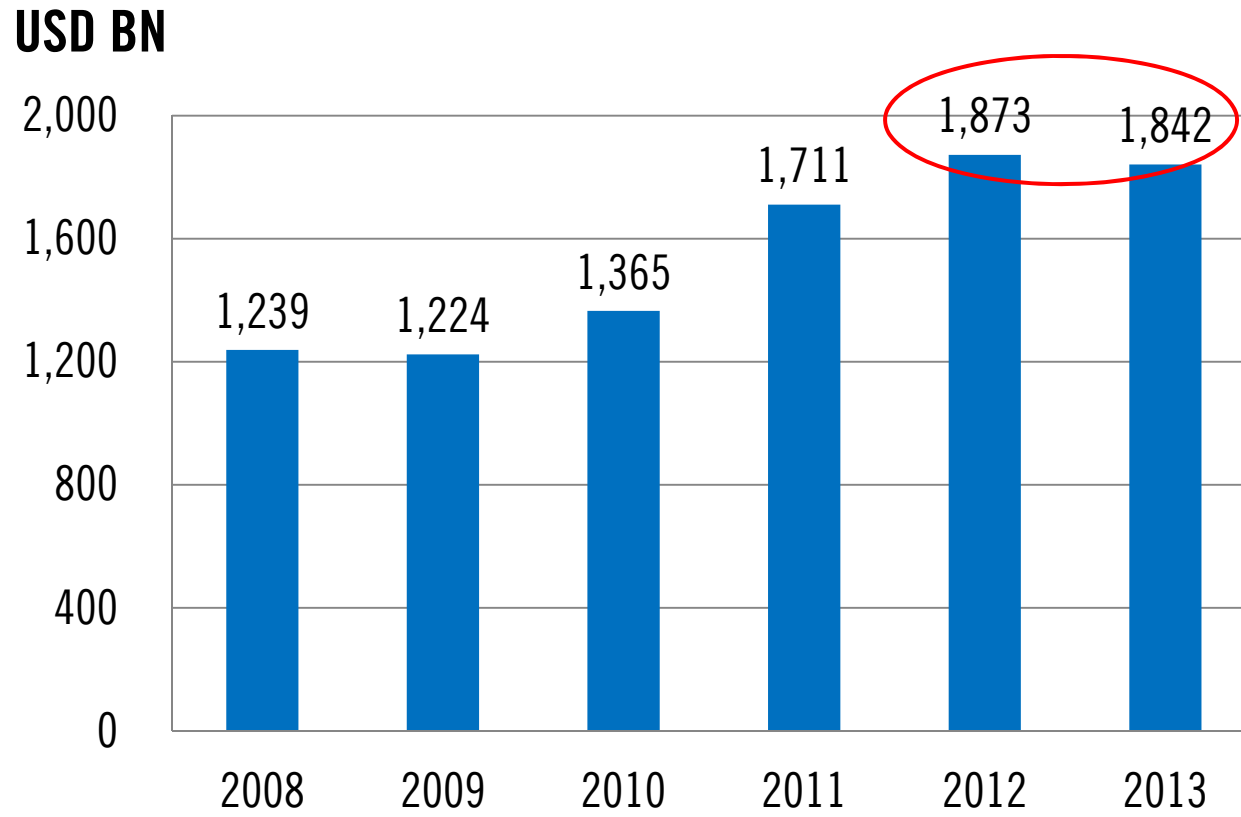




<b>India Business</b>						
<b>USD MM</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
CV volume	265,373	373,842	458,288	530,204	536,232	377,909
<i>% yoy growth</i>		41%	23%	16%	1%	-30%
PV volume	207,512	260,020	320,252	333,044	224,265	141,186
<i>% yoy growth</i>		25%	23%	4%	-33%	-37%
Revenue	5,126	7,910	10,464	10,648	8,290	5,812
<i>% yoy growth</i>		39%	32%	15%	-18%	-23%
EBITDA	350	929	1,068	865	395	(82)
<i>% margin</i>	7%	12%	10%	8%	5%	-1%
<i>% yoy growth</i>		138%	15%	-8%	-52%	NM

Source: Company filings; Tata Motors has March fiscal year end

## India GDP Slow Down

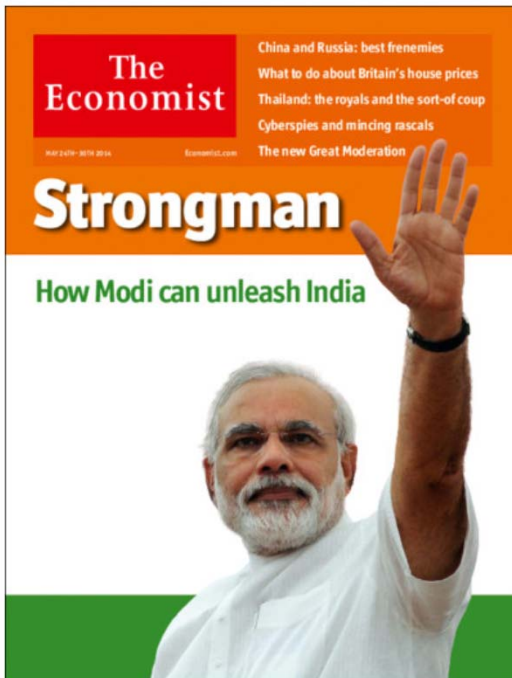




60% market share in the Indian CV segment



# Macro and Micro Fixes



*“Infrastructure development has to focus on highways, railways, port, power, etc. We will revive the National Highway Development Programme, which was so successfully started by the NDA government led by Atal Bihari Vajpayee. It is unfortunate that very good beginning made by the NDA government was not continued by the UPA in right earnest. **We will bring back the focus by connecting the country through a network of good quality highways.**”*

- Prime Minister Narendra Modi  
May 6, 2014

Domestic CV growth to turn positive in 1Q FY 2015

First wheel: Jaguar Land Rover

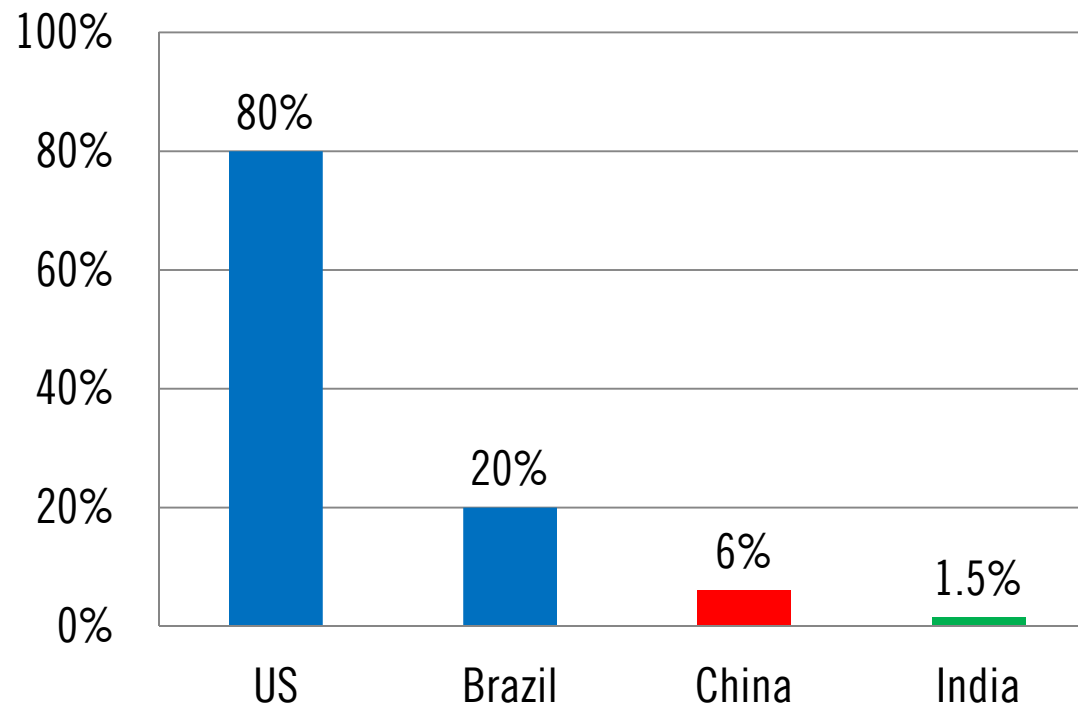
Second wheel: China

Third wheel: Domestic CV business

Fourth wheel: Domestic PV business



## Car Penetration Comparison







*“India is more urban than it admits. This has big implications, not least for business, which has much money to make if it can anticipate the needs – from toiletries to CARS – of the new aspirant class.”*

COMMENT

## India must accept it is urban and reap the benefits

**David Pilling**

One of the main reasons Narendra Modi scored such an overwhelming victory in last month's general election is also one of the least recognised: India is far more urban than it likes to think.

According to official statistics, not to mention India's nostalgic idea of itself as a country that "lives mainly in its villages", more than 30 per cent of the population is urban. But that wildly underestimates the true number. If "urban" India is defined by population density and includes former "villages" whose life has been turned upside down by roads, the Internet, satellite television and the availability of non-farm jobs, more like 70 per cent of citizens are living something approximating "city life".

Mr Modi, the new prime minister, realised this. He tapped into the sense of aspiration that this rapid urbanisation has engendered. The paternalistic Congress party did not. It continued to talk to the villages, having failed to recognise that it was addressing a dwindling constituency.

Even official statistics are striking. In 1951, there were only five cities

with a population above 1m and just 41 above a meagre 100,000. At that time, most of India's 360m people lived in 560,000 villages. Now there are at least 53 cities, or "urban agglomerations", in the term used by demographers, with a population above 1m and three above 10m. By 2031, six cities – Mumbai, New Delhi, Kolkata, Chennai, Bangalore and Hyderabad – will have 10m-30m inhabitants each. Today, cities with such unfamiliar names as Kozhikode, Vijayawada and Jamshedpur have joined the likes of Philadelphia and Barcelona in the million-plus club. India's population, now 1.2bn, is expected to peak at 1.6bn in 2050.

The really interesting developments are happening outside the biggest cities altogether. India's statisticians define "urban" as meaning a place with more than 5,000 people; at least 75 per cent of male inhabitants working in non-farm jobs; and with a population density of more than 400 per square kilometre. But if density alone is counted, then, as far back as the 2001 census, 68 per cent of Indians were already urban.

Indeed, it is in the towns and peri-urban landscapes, where rural

and urban India blend into one another, that the biggest changes are taking shape. Rajiv Kumar of the Centre for Policy Research in New Delhi estimates that more than half of people living in so-called villages derive at least part of their income from activities other than farming. Yamnaji Gule, who 40 years ago was driven by hunger from his village in

**Modi has tapped into the aspiration created by rapid urbanisation – which itself brings challenges and opportunities**

Maharashtra to work in Mumbai delivering tiffin lunch boxes, says younger people these days prefer to work in the factories that have sprung up near his village.

India, then, is more urban than it admits. This has big implications, not least for business, which has much money to make if it can anticipate the needs – from toiletries to cars – of the new aspirant class.

From the administrative side, too,

there are vital challenges and opportunities. For a start, more effort must go into planning cities. The country can no longer pretend that urban squalor is temporary and that migrants can simply return to their village land. The same goes for transport as well as housing, roads and sewerage. Of the 53 million-plus cities, only eight have integrated transport authorities, according to Jessica Seddon, an economist based in Chennai. Cities have been allowed to sprawl willy-nilly, depriving them of the cost and energy efficiencies that can result from density.

Nor has welfare provision, still mostly directed at poor villagers, caught up with the new demographic realities. Creating the conditions for enough urban jobs, one of Mr Modi's main election promises, will be another crucial task. If most men, half of whom are under 26, have cut ties with village life, they will become frustrated and potentially dangerous if they do not find gainful employment. Without jobs, the supposed demographic dividend may become more like a time-bomb. Male violence could also increase because of the sex imbalance that has resulted from selective

abortions of female foetuses.

On the other hand, social mores are changing fast as more people break free of the influence of conservative villages. Mr Modi's Hindu nationalist Bharatiya Janata party does not have a reputation for being socially progressive. If there is not to be an ugly conservative backlash against such shifts, the prime minister will need to steer his party to the side of tolerance.

Properly run and supported by appropriate legislation, the country's "cities could be engines of poverty reduction", in the words of the Indian Institute for Human Settlements. As countries such as China have found, urbanisation can do wonders for productivity growth and wealth creation. India's 53 biggest cities alone, home to 13.3 per cent of the population and occupying just 0.2 per cent of the land, produce nearly a third of national output. The 100 biggest cities produce 43 per cent.

Mr Modi owes his job in large part to the ranks of new urbanites. He should now make it his mission to put India's cities to work.

david.pilling@ft.com



## Tata Nano: The People's Car



## Smart City Cars



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## Fighting inflation, developing 100 smart cities in Modi's Vision 2014

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Public Comparables (x)	P / E		EV / EBITDA	
	FY 2014	FY 2015	FY 2014	FY 2015
Ford Motor	12.7	9.2	4.3	3.4
BMW	10.7	10.7	4.0	4.6
Volkswagen	7.5	7.0	4.1	3.5
Average	10.3	9.0	4.1	3.8
(x)	FY 2015	FY 2016	FY 2015	FY 2016
Tata Motors Ordinary Shares	8.4	7.2	3.7	3.2
<i>% discount to global peers</i>	<i>-18%</i>	<i>-19%</i>	<i>-10%</i>	<i>-17%</i>
Tata Motors DVRs	5.5	4.7	2.4	2.1
<i>% discount to global peers</i>	<i>-47%</i>	<i>-48%</i>	<i>-42%</i>	<i>-46%</i>

Source: Bloomberg, Tata Motors has March fiscal year end

DVRs are trading at a further 35% discount

<b>IND Bn</b>	<b>FY 2015</b>	<b>FY 2016</b>
JLR Adjusted EBITDA	400	450
Multiply by: Target Multiple	4.5x	4.5x
<b>JLR Enterprise Value</b>	<b>1,800</b>	<b>2,025</b>
Domestic Business EBITDA	40	40
Multiply by: Target Multiple	8.0x	8.0x
<b>Domestic Business Enterprise Value</b>	<b>320</b>	<b>320</b>
Add: Value for Other Subs	80	80
<b>Total Enterprise Value</b>	<b>2,200</b>	<b>2,425</b>
Add: Cash & Equivalents	317	317
Less: Total Debt & Minority Interest	556	556
<b>Total Equity Value</b>	<b>1,961</b>	<b>2,186</b>
Divide by: Total Shares Outstanding	3,190	3,190
Imply Value Per Share	615	685
<i>% to Current Ordinary Shares</i>	<i>38%</i>	<i>54%</i>
<i>% to Current DVRs</i>	<i>67%</i>	<i>86%</i>

Note: JLR Adjusted EBITDA reflects adjustment for capitalized R&D expenses

**Thank you!**



**OASIS**

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