Applied Investment Management (AIM) Program

AIM Class of 2014 Equity Fund Reports
Fall 2013

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Road Show Location: 1492 Capital Management

Student Presenter	Company Name	Ticker	Price	Page No.
John Osborne	Allegiant Travel Company	ALGT	$106.29	2
Ellen Toshach	Amira Nature Foods LTD	ANFI	$13.81	5
Eoghan Bahnson	AtriCure	ATRC	$12.57	8
Ryan Bailey	Tata Motors Limited	TTM	$30.46	11

Thank you for taking the time today and participating in the AIM 'road show' 1492 Capital Management. These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Today, each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A. Again, thank you for allowing us the opportunity to present at 1492.

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Allegiant Travel Company (ALGT)
October 29, 2013

John Osborne | Domestic Industrials

Allegiant Travel Company (NASDAQ: ALGT), through its subsidiaries, operates as a leisure travel company in the United States. It provides scheduled air transportation on limited frequency nonstop flights between small city markets and leisure destination. The company also provides air-related services and products in conjunction with air transportation, including use of its call center for purchases, baggage fees, advance seat assignment, travel protection products, change fees, priority boarding, food and beverage purchases on board, and other air-related services. In addition, it offers third party travel products, such as hotel rooms, ground transportation, and attractions. Further, the company provides air transportation through fixed fee agreements and charter service on a seasonal and ad-hoc basis. Allegiant Travel Company was founded in 1997 and is headquartered in Las Vegas, Nevada.

Price ($) (10/24/13)	106.29	Beta:	0.71	FY: December	2012A	2013E	2014E
Price Taget ($):	128.79	WACC	9.2%	Revenue (Mil)	909	1,030	1,132
52WK Range ($):	65.93-109.72	M-Term Rev. Gr Rate Est:	10.0%	% Growth	16.60%	13.35%	9.92%
Market Cap:	2.0B	M-Term EPS Gr Rate Est:	7.0%	Gross Margin	39.80%	40.87%	41.02%
Shares Oustanding	18.9M	Debt/Equity	37.7%	Operating Margin	14.56%	16.40%	19.00%
Short Interest (%):	5.1%	ROA:	10.5%	EPS	$4.62	$4.91	$5.29
Avg. Daily Vol:	101.45K	ROE:	20.9%	FCF/Share	2.67	2.67	3.01
Dividend ($):	N/A	ROIC	16.7%	P/E (Cal)	23.35	24.87	22.24
Yield (%):	N/A			EV/EBITDA	8.86	9.72	9.16

Recommendation

Instead of focusing on the business traveler, which most of the competition does, Allegiant focuses on the leisure traveler, selling directly to the consumer with no intermediaries. It's different and very profitable as a result. Revenues come from three sources: regularly-scheduled flights, fixed-fee customers from Harrah's and ancillary revenue from the sale of hotel rooms, rental cars and other travel-related business. The company's diversified revenue model works because of its backward nature. From 2011 to 2012, Allegiant Travel was rising over 78% in a little over a year. ALGT does not sell tickets through Expedia, Travelocity or any other travel website. Tickets can only be purchased via their website, over the phone or at a ticket counter. This equates to less expenses. ALGT focuses on markets where competitors will find it difficult to enter. The bigger airlines will have to accept losing money in these markets if they want to compete for market share. Of the 161 routes it flies, only 10 routes have competition. Shares have already jumped over 100% year-over-year. A 15% jump in travelers and a 13% increase in customer revenue has also occurred. Its load factor , an industry yardstick measuring the number of seats filled, jumped jumped from 86.9% to 90.8% during 4Q 2012 and has stayed consistent thus far in 2013. After having consistent profitability in a volatile airline industry, a strong financial position and opportunity to expand, it is recommended that ALGT be added to the AIM Domestic Equity portfolio with a price target of $128.77, which has a potential upside of 20.3%.

Investment Thesis

- **Company Diversification.** Allegiant Travel Company has added new air related fees in order to increase revenues in 2013. They introduced a carry on bag fee in April 2012 that has increased total bag fees per passenger +93% YoY. They are also coming out with a new loyalty program and co-branded credit card by the end of this year. Their third party products have continually done well over the past five years and management only sees that continuing to grow. They just introduced bundled vacation packages that gives the customer a wholesale price for hotel and a rental car. 94% of FY2013 sales thus far have come through their website. They had over 29 million website visitors in 2012 and it is projected for that number to double by the end of 2013.

- **Strong Financial Position.** As of December 31, 2012 they had $352.7 million of unrestricted cash, cash equivalents and investment securities, total debt of $150.9 million and very strong debt to total capitalization ratio. Their ability to generate operating cash flows with their capital structure has allowed them to grow profitability with generation of net income in twn consecutive years. They believe they have more than adequate resources, with their current liquidity position and future financing opportunities, to invest in the growth of their fleet, information technology infrastructure and development, while also meeting their short-term obligations.
- **Growing Aircraft Fleet with Low Ownership Cost.** During 2012, they announced contracts under which they will add used Airbus equipment to their fleet. As of February 1, 2013, they have contracted to purchase seven A320 aircraft (with two additional aircraft expected to be under contract in the near future) and entered into operating lease agreements to lease nine A319 aircraft. These Airbus aircraft will allow for low aircraft ownership costs consistent with their very distinct business model.

Valuation

In order to reach an intrinsic value for ALGT, a ten year discounted cash flow model was conducted. The firm's current WACC of 7.2% was given a 200 bps safety margin that is more in line with industry averages, resulting in 9.2%. The DCF model generated an intrinsic value of $129.88.85 per share. An EV/EBITDA multiple approach was also used with a peer multiple of 8.86x; resulting in an intrinsic value of $131.51. A P/E multiple also was used with a peer multiple of 23.35x; producing an intrinsic value of $123.81. Weighing the three values 50/25/25 respectively, a price target of $128.77 was established, representing a 20.3% upside. ALGT does not pay a dividend.

Risks

- **Negative Economic Condititions Hurts Business.** The U.S. Economy continues to be impacted by high unemployment and other factors which may reduce the wealth and tighten spending of customers. Leisure travel is aligned with discretionary spending and it is uncertain to what extent the continuance of these current economic conditions will affect consumers and leisure travel in the future. These conditions could impact demand for airline travel in their small city markets or to their leisure destinations.
- **Increases in Fuel Prices Could Hurt Profitability.** Fuel costs constitute a significant portion of their total operating expenses, respresnting approximately 47.7% and 43.6% during 2012 and 2011, respectively. Significant increases in fuel costs have negatively affected their operating results in the past and in the future fuel cost volatility could materially affect ethir financial condition and reults from operations. Both the cost and availability of aircraft fuel are subject to many meteorological, economic and political factors and events which ALGT has no control.
- **Aging Fleet of Aircrafts.** Their MD-80 aircraft range from 16.9 to 27.4 years old, with an average age 23.3 years. The cost to maintain aircraft increases as they age and exceeds the cost to maintain newer aircraft. FAA regulations require additional and enhanced maintenance inspections for older aircraft. These regulations include Aging Aircraft Airworthiness Directives, which typically increase as an aircraft ages and vary by aircraft or engine type depending on the unique characteristics of each aircraft.

Management

Mr. Maurice J. Gallagher, Jr. has been the Chief Executive Officer of Allegiant Travel Company since August 2003 and Chairman since 2006. Mr. Gallagher provides senior management direction to companies that include Telecommunications and Internet applications service provider companies. Mr. Andrew C. Levy has been the President of Allegiant Travel Company since October 2009. Mr. Levy served various positions with ValuJet Airlines including Director of Contracts.

Ownership	
% of Shares Held by All Insiders and 5% Owners:	21%
% of Shares Held by Institutional & Mutual Fund Owners	81%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Renaissance Technologies, LLC	1,127,300	5.97%
Wasatch Advisors Inc.	1,075,740	5.70%
Franklin Resources, Inc.	1,072,335	5.68%
Vanguard Group, Inc.	915,044	4.85%
Times Square Capital Management	854,230	4.53%

Source: Bloomberg

Amira Nature Foods LTD (ANFI)
November 1, 2013

Ellen Toshach International Consumer Staples

Amira Nature Foods Ltd. is a provider of packaged Indian specialty rice, with sales in over 40 countries. It generates the majority of its revenue through the sale of Basmati rice, a long-grain rice grown only in certain regions of the Indian sub-continent. The Company sells its products, primarily in emerging markets, through a distribution network. It sells its Amira brand in more than 25 countries. The Company sells its Amira branded products to Indian retailers such as Bharti Wal-Mart, Big Bazaar, Metro Cash & Carry, Spar, Spencer's Retail, Star Bazaar (Tesco in India) and Total and retailers, such as Carrefour, Costco, Jetro Restaurant Depot, Lulu's and Smart & Final, and through the foodservice channel. It participates across the entire rice supply chain from the procurement of paddy to its storage, aging, processing into rice, packaging, distribution and marketing. Amira was founded in 1915, had an initial IPO on the NYSE on October 15, 2012, and is headquartered in Dubai, UAE.

Price ($): (10/25/13)	$ 13.81		Beta:	1.383		FY: Dec	2013 A	2014 E	2015 E
Price Target ($):	$ 18.21		WACC:	13.6%		Revenue ($mil)	$ 414	$ 500	$ 600
52 WK H-L ($):	3.82-6.50		M-Term Rev Gr. Rate Est:	16.4%		% Growth	26%	21%	20%
Market Cap (mil):	$ 21,950.20		M-Term EPS Fr. Rate Est:	29.7%		Gross Margin	16%	17%	18%
Float (%):	14.57		Debt/Equity:	112.5%		Operating Margin	6%	12%	12%
Short Interest (mil):	$ 1.30		ROA (ttm):	5.4%		EPS (Cal)	0.53	1.00	1.30
Ave Daily Vol (K):	213.854		ROE (ttm):	17.9%		FCF/Share	$ 1.43	$ 1.43	$ 1.73
Dividend	$ -					P/E (Cal)	12.5x	14.3x	11.0x
						EV/EBITDA	9.60x	11.10x	8.80x

Recommendation

Amira Nature Foods Limited primarily processes and sells specialty Indian rice, primarily Basmati rice along with other food products. The company sells goods to buyers located in India (46% of revenue), United Arab Emirates (18%), Kuwait (13%), and Other regions (22.6%). The processing plant for rice is located in Gurgaon, India. ANFI made a public offering on the NYSE on October 15, 2012 at a price of $10.00/share and initially offered nine million shares. The company's Basmati rice, which is their premium product, has built the Amira brand which is important as the firm seeks continued growth and pricing power. Because of their long history, the company is well positioned as one of the most recognizable and visible brand in India and in the operating countries. Because of the proceeds from the IPO, the company is currently working to expand the expertise in processing and processing capacity. Amira has six key growth strategies which include; accelerated global brand building, enhanced value-added product offering, strengthening the distribution footprint in India, further develop relationships with key retail partners, expanding to new high growth markets, and increasing processing capacity and operating efficiencies. The company is expanding into high growth markets (including U.K.), and offers over five different Basmati rice products in over 2,200 retail distribution points. Due to the strong growth possibilities and favorable valuation, it is recommended that ANFI is added to the AIM International Equity fund with a price target of $17.73, which offers a 28.4% upside. The company does not pay a dividend.

Investment Thesis

• **Many positive growth levers**. Three strong drivers for ANFI's top line grow include; ongoing disposable income growth in emerging markets, entry into new markets (recently South Korea and the UK with more planned distribution), and expansion in existing markets (e.g., the U.S.). Entry into new categories can add further upside. For example, organic ready meals, e.g. brown rice and lentils, are currently being introduced at trade shows. Additionally, another macro factor that will help drive growth for Amira is expanding the modern trade in India. The company now has more than double the number of stores in India with Amira's branded presence over the last year.

- **Value-added product offering.** As one of the six growth strategies for the company, in order to position Amira to capitalize the growing demand for organic products, the company announced its new organic business division. Amira expects the organic division in providing a more diversified and rigid product portfolio. The organic business was launched in the middle of June and the company hopes to progress into more supermarket chains in the next six to 12 months. According to management, the organic division is more profitable than the natural business, which is expected to increase margins as the division expands.
- **Strong agriculture crop in India.** According to the Ministry of Agriculture, India's main planted crop capacity has increase to approximately 19.64 million hectares, which is an increase of about 6.6% compared to the past season. Amira has a leading position in this industry and is expected to benefit from the strong supply of rice.

Valuation

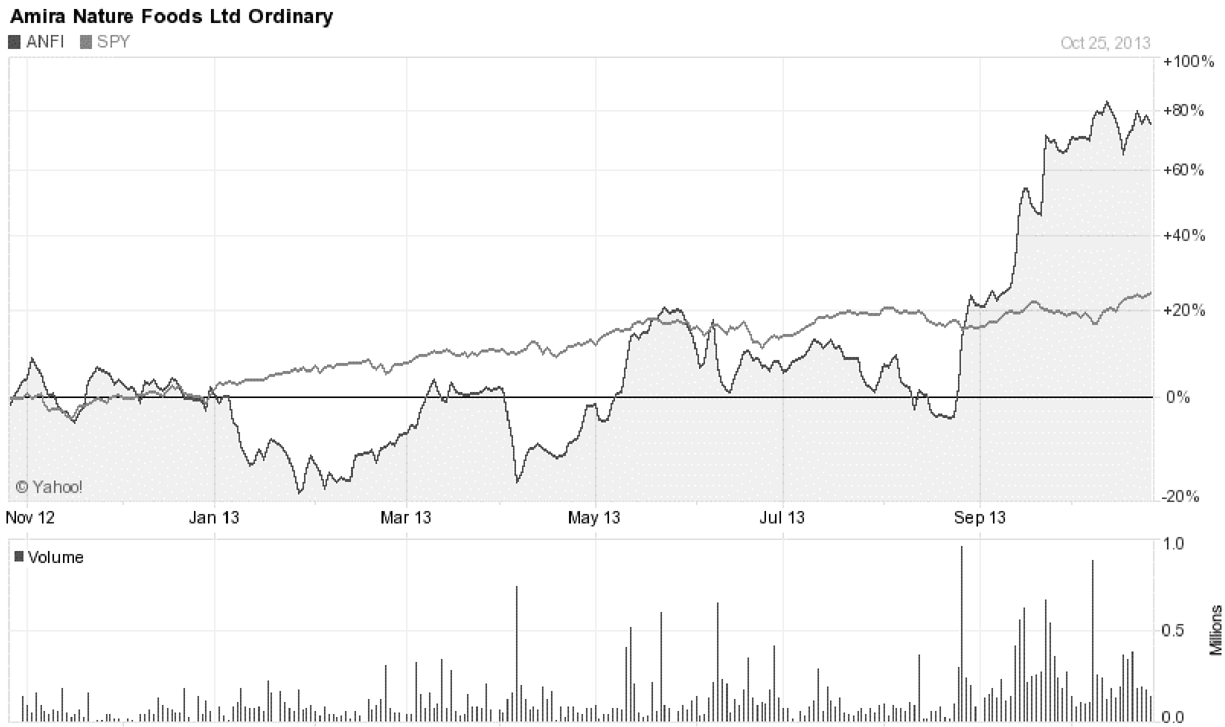
In order to reach an intrinsic value for Amira Nature Foods, a five year discounted cash flow model was conducted. Using a terminal growth rate of 3% and a WACC of 13.581% resulted in a valuation of $18.94. Sensitivity analysis on both the terminal growth rate and WACC provided for a range between $14.28 and $29.16. An EV/EBITDA multiple analysis was also conducted on ANFI. Using an average of three peers, an EV/EBITDA of 9.1x was used, resulting in an implied share value of $19.69. Additionally, a P/E comparison and valuation of the company's reserves were analyzed. Using an industry average P/E multiple of 19.1x the TTM EPS $0.70, a value of $13.38 was obtained. By weighing the DCF model 50%, P/E multiple 25%, and EV/EBITDA 25%, a price target of $17.73 was established. The company does not pay a dividend.

Threats

- **Non-contract sales**. Currently, Amira does not have long-term or exclusive supply contracts with customers or distributors. Because of this business model, the company is exposed to pricing and market risk from both customers and suppliers.
- **Limited number of facilities**. The company relies on one processing and packaging facility and a limited number of third party facilities. Due to the low number of facilities, Amira generates a substantial amount of revenue from few customers. Subsequently, since the company has a small number of facilities, operations and growth are affected by weather, disease, and pests in the local region.

Management

Karan Chanana is the current chairman and CEO of the company and has been in this position since February 2012. Mr. Chanana hold 55.12% of the shares outstanding for the company. Mr. Chanana has been a director of Amira India since 1994, a member of the board of directors of the Agricultural and Processed Food Products Export Development Authority under the Ministry of Commerce of India. Mr Chanana is also a member of various committees of the Confederation of Indian Industries.



Source: Yahoo! Finance

Ownership

% of Shares Held by All Insider and 5% Owners:	55.15%
% of Shares Held by Institutional & Mutual Fund Owners	24.81%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	Out%
FNR LLC	2,293,994	6.43%
Federated Investors Inc	1,302,700	3.65%
UBS AG	879,585	2.47%
Calypso Capital Management LP	760,104	2.13%
Prudential Financial Inc	651,100	1.83%

Source: Bloomberg

AtriCure (ATRC)
November 1, 2013

Eoghan Bahnson | Healthcare

AtriCure Inc (ATRC) is a medical device company that sells surgical ablation systems focused on the treatment of atrial fibrillation (AF). Their surgical products are designed to create precise lesions in cardiac tissue to fix AF. Currently ATRC is the only FDA approved treatment of patients with persistent of long-term AF undergoing surgery. ATRC's main product is its Synergy Ablation sytem, which is a bipolar ablation clamp with radiofrequency capabilities. They also offer an AtriClip product, which is engineered to safely exclude the left atrial appendage (LAA). Since 2003, ATRC has treated 125,000 patients as it continues to train surgeons and educate patients on the benefits of their products. They are also globally diversified as international markets account for 25% of revenues. ATRC went public in 2005 and is headquartered in the state of Delaware.

Price ($) (10/25/13)	12.57	Beta:	1.3
Price Taget ($):	15.49	WACC	11.6%
52WK Range ($):	5.90-13.04	M-Term Rev. Gr Rate Est:	15.0%
Market Cap:	263.72B	M-Term EPS Gr Rate Est:	14.0%
Float	21.00M	Debt/Equity	3.0%
Short Interest (%):	2.4%	ROA:	-8.2%
Avg. Daily Vol:	80.811K	ROE:	-31.4%
Dividend ($):	$ -		
Yield (%):	0.00%		

FY: December	2012A	2013E	2014E
Revenue (Mil)	70	78	90
% Growth	9.08%	10.89%	15.30%
Gross Margin	71.20%	71.76%	73.50%
Operating Margin	-10.23%	-11.04%	-4.50%
EPS (Cal)	$0.56A	-$0.42E	-$0.21E
FCF/Share	-0.24	-0.08	0.21
P/E (Cal)	-	-	-

Recommendation

AF is a serious health problem in America and represents a large, expanding market. Approximately 1% of Americans suffer from AF, and 160,000 new cases are diagnosed every year. Although some cases are minor, the increased cardiac health risks are significant. 35% of patients with AF likely will have a stroke during their lifetime, 25% of which end in fatalities within 30 days. Cases of AF are expected to grow from 5.5 million people currently to 15.9 million by 2050. This growth will continue to expand the amount spent on treatment of AF, as there is no accepted cure. Cardiologists generally try drugs and minimally invasive catheter procedures before going to full ablation procedures and open-heart surgeries. These attempts at correcting AF have mixed results and typically are not effective at creating lesions to block abnormal electrical impulses that cause AF. ATRC provides a better product that has shown safer and more accurate surgeries. Revenues continue to increase as Q2 revenue was up 12% YoY and operating margins remain at an attractive 74%. Their ArtiClip device sales, which are mainly for LAA exclusion, are up 55% YoY. LAA management spending is expected to increase at a rate of $15 million a year. ATRC market position as a leader and innovator in the LAA space, should lead to significant growth. Going forward ATRC should continue to gain market share, as they compete with older treatment techniques and they have a technologically superior product. They also have protections from potential competition in the form of over 60 patents. It is recommended that AtriCure Inc. be added to the AIM domestic equity fund at a price target of $15.49 representing a 23.2% upside.

Investment Thesis

- **LAA Management Growth.** Left atrial apendage exclusion during surgeries is becoming increasingly popular. As mentioned before, spending on this type of surgery is expected to increase substantially due to recent research. 90% of strokes attributed to AF are due to blood pooling or clotting in the left atrial apendage. A person with AF is 6x more likely to have a stroke, making the LAA in AF patients extremely vulnerable. LAA exclusion during ablation procedures has shown promising results in reducing the number of LAA complications. This market is currently $500 million a year and the AtriClip system is the only FDA approved surgical device currently for these procedures.

- **Increasing Number of AF Patients.** Demographics and awareness should increase the number of AF patients globally. The 1% of Americans today that have AF are stictly based on diagnosed cases, which requires an electrocardiogram. Older age and obesity have long been associated with deterioration cardiact health. The increasing age and obesity of the population in the U.S. should lead to an increase in patients. As a leader in treating serious cases of AF ATRC should grow along with the expanding patient base.
- **Advertising Minimially Invasive Tools.** ATRC has been slightly held back by an inability to market products other than there open heart surgical ablation instruments. FDA regulations have not allowed certain devices to be marketed despite surgeons currently using them during procedures. Their DEEP AF Stroke clinical trial has finally begun as patient registration is complete, closing the time gap on FDA approval. These minimally invasive tools, which includes the AtriClip, are the future drivers of growth. Being able to officially market these products for treatments other than long term and persistent AF will substantially increase sales.

Valuation

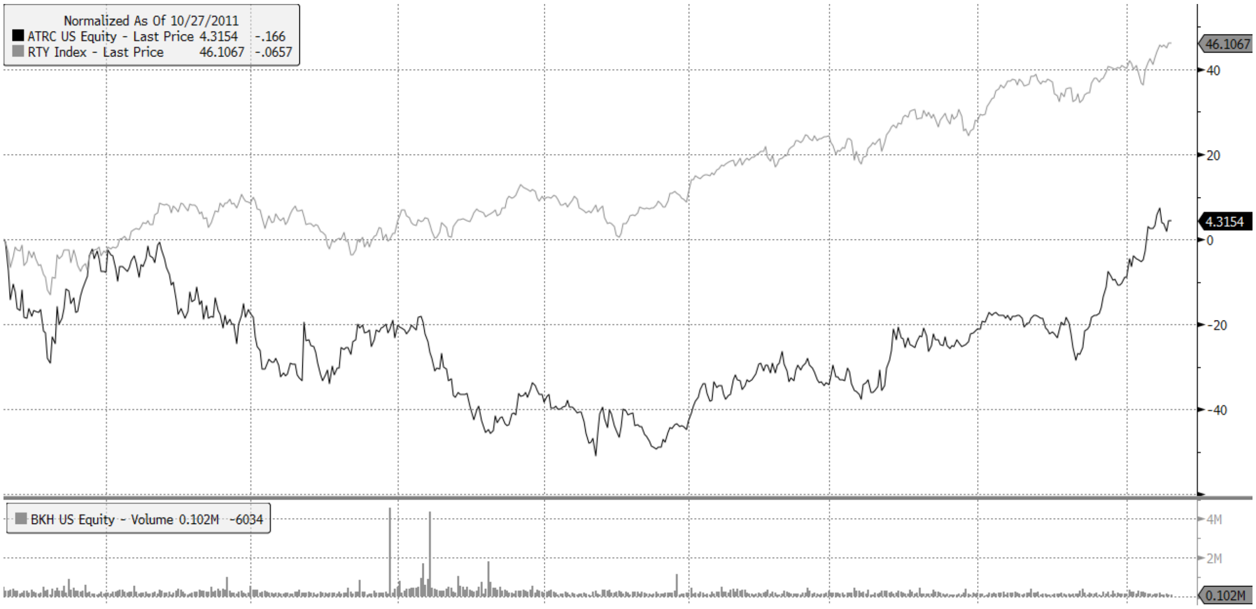
In order to reach an intrinsic value for ACHC, a five year discounted cash flow model was conducted. Using a terminal growth rate of 2% and a WACC of 11.6% resulted in a valuation of $14.62 with a range of $13.07-18.33. Additionally, a Price to Sales multiple comparison and valuation of the company's was analyzed. Using a blended average of the industry, historical average and current ratio a P/Sales multiple of 3.82x and a 2014 expected revenue of $89.82 million, a value of $16.35 was obtained. By weighing the DCF model 50% and the PE multiple 50% a price target of $15.49 was established. The firm does not pay a dividend.

Risks

- **Competition and Treatment Preferences.** Any revolutionary product from a larger competitor with better distribution networks could be detrimental. A change in the treatment preferences of doctors could also be disruptive. Even though ablation and LAA look like the future of AF procedures a new treatment could be the end of ATRC.
- **Government Regulation.** With all medical device companies government policy can play a big role. If the FDA decide to fail approval processes then ATRC's R&D products may never come to market. Payment from medical inurance is also always a worry with the changing landscape of health care coverage.
- **Clinical Trial Failures.** The main driver of ATRC's performance is the success of their products being better AF treatments than old solutions. Any clinical trial failures could spell disaster for their ability to get surgeons on board. It could also limit their ability to market their surgical products for more than one treatment purpose.

Management

Michael Carrel is the President and Chief Executive Officer of ATRC, and has been since he joined in November 2012. Previously, Mr. Carrel was the CEO for Vital Images, a publically traded medical imaging software company. M. Andrew Wade joined AtriCure in 2007 and currently serves as the companies CFO. The most recent addition to the management team is David Francischelli. He joined the AtriCure team in August of this year as the Vice President of Research and Development. He has over 25 years of experience in the medical device industry and holds over 50 U.S. granted patents.



Ownership	
% of Shares Held by All Insider and 5% Owners:	14%
% of Shares Held by Institutional & Mutual Fund Owners	71%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Cortina Asset Management, LLC	1,104,869	5.27%
Thomson Horstmann & Bryant, Inc	1,087,256	5.18%
Northpointe Capital LLC	905,271	4.31%
Tamarack Capital Management	872,447	4.16.%
Wasatch Advisors Inc	854,099	4.07%

Source: Bloomberg

Tata Motors Limited (TTM)

October 29, 2013

Ryan Bailey — International Consumer Discretionary

Tata Motors Limited (NYSE: TTM) is a leading producer of commercial and passenger vehicles within South East Asia. Tata separates its operations into three segments: Jaguar Land Rover (72.5% of revenue), Tata Vehicles (26.9%) and Construction Equipment (0.6%). The purchase of British consumer-vehicle manufacturer, Jaguar Land Rover in 2008, has supplemented Tata's ultra-low-cost vehicles and commercial lines with luxury automobiles. Tata produces a variety of vehicles; from micro and compact cars designed for bustling East-Asian dirt roads, to premium sports vehicles, as well as vans, trucks, buses and hybrid vehicles. Tata Motors Limited is part of the Indian conglomerate, Tata Group which was founded in 1945 and was, until recently, a family business.

Price ($): Oct 23 2013	$30.46	Beta:	1.44	FY: Dec	2013A	2014E	2015E
Price Target ($):	$40.54	WACC:	12.03%	Revenue ($mil)	$34,522	$34,883	$36,976
52 WK H-L ($):	$21.75-32.44	M-Term Revenue Gr. Rate Est:	5.31%	% Growth	0.75%	1.05%	6.00%
Market Cap (bil):	$19.43	M-Term EPS Gr. Rate Est:	6.90%	Operating Margin	8.94%	8.71%	9.91%
Float (mil):	420.47	Debt/Equity Ratio	141.00%	EPS (Cal)	$2.87	$2.68	$3.23
Short Interest (%):	0.97%	ROA:	5.5%	FCF/Share	$0.21	-$0.18	$0.30
Avg Vol (K):	1,502,930	ROE:	24.6%	P/E (Cal)	10.59x	11.37x	9.42x
Dividend ($):	$0.18	Tata Segment Vol Gr. YTD	-25.7%	EV/EBITDA	6.21x	6.10x	5.15x
Yield (%):	0.59%	Jaguar/Land Rover Vol Gr. YTD	15.8%				

Recommendation

After being battered by rumors of tapering, EMs have recovered significantly and now appear to have stabilized as expectations are that tapering will be pushed back to late 1Q14. One of the EMs most effected in August and September was India. With a growing current account deficit and a depreciating Rupee, investors fled the Sensex. Although GDP growth has decelerated to 4.8%, its lowest point since 2010 (compared to the high of 9.2%), inflation has resettled at 4.8% (10% in 2011) and projections are that core inflation will remain low. The depreciation of the Rupee has in fact been favorable to domestic producers as the cheap currency has caused imports to be more expensive and exports cheaper. Tata Motors is in a position to significantly benefit from the cheap Rupee and will likely see stronger sales growth over the next two quarters. With the Indian government investing in improved national highways, Tata could benefit from increased demand for commercial vehicles as producers transport goods by road rather than rail. Tata's subsidiary, Jaguar Land Rover has taken advantage of the European recovery. In order to the meet the increasing demand for Jaguar and Land Rover models, the subsidiary is expanding its manufacturing operations to supply wait-listed of customers. Given the economic moat caused by the currency, the opportunity to benefit from improved highways and demand for the Jaguar Land Rover models, it is recommended that Tata Motors Limited be added to the AIM International Portfolio with a price target of $40.54, representing a 33% upside.

Investment Thesis

- **Rupee Switching to a Lower Gear.** On September 3rd, the Rupee reached its historic low against the US Dollar, with US$1 purchasing Rs68.75 as a result of a sell-off in emerging market assets and a fear of India's wide current account deficit. With the Rupee significantly depressed, imports for Indian consumers have appeared more expensive relative to historical norms and Indian exports appear cheaper. As such, Tata's vehicles appear less expensive to consumers in India while foreign competitors appear more expensive. As the second largest Indian producer of cars, Tata's 2Q14 and 3Q14 sales should benefit from the short-term economic moat established by the relative pricing change.

- **The Road to Commercial Recovery.** In order to develop the nation's infrastructure, the Indian government has spent $71B since 2006 in order to upgrade, repair and widen the National Highways Network. This network represents only 2% of the length of roads in India, but carries ~40% of national traffic. Tata's commercial lines will benefit from the completion of the project as producers switch from rail to road in order to transport their goods. This is supported by the increase in the average road freight index's accelerated growth to 1.93% in 2Q13 from 0.3% in 2Q12 as Phase I and II near completion.
- **That New Factory Smell.** With a slight, but important recovery in Europe (as evidenced by the first quarter of growth in two years for Spain), Tata's Jaguar segment is seeing higher sales volumes as consumer confidence and discretionary spending improve. UK Consumer confidence, taken by market research firm GfK, reached its highest point in six years. Jaguar increased sales by 18% in the UK over the past 12 months. SUV sales also increased by 36%. The subsidiary recently announced an investment of nearly £1.5B (US$2.43B) to expand its manufacturing facility in Solihill. This comes after reaching maximum production at three of their plants, and wait-listing customers for up to nine months for some vehicle lines. With such strong consumer demand, investing in the development of operations will help the firm reach customers faster. Ralf Speth, Jaguar Land Rover's Chief Executive has pronounced the launch of 40 new models within five years and expects to double the current volume to 750,000 vehicles by 2015.

Valuation

To find an intrinsic value for Tata Motors, a 5-Yr DCF was paired with a P/E multiple. Each valuation method was given a 50% weight. The 5-Yr DCF used a terminal growth rate of 3.5%, had a WACC of 12.03% (which included a 300bps country premium) and resulted in a value of $45.58. An expected P/E multiple of 13.24x was used against 2014E earnings resulting in a value of $35.49. Weighing the valuations evenly resulted in a target price of $40.54, representing a 33.08% upside. Tata Motors has a dividend yield of 0.6% (TTM).

Risks

- **Indian Economy Leaning on the Break.** India's economy grew at 4.8% in 2Q13, well below the high of 9.2% growth in 2Q11. With growth decelerating across Asia, and a recent downward revision in forecasts for 2013-14 from Fitch and the World Bank, a decrease in consumer spending is also possible. This will likely negatively impact Indian sales for Tata.
- **Inflating Prices, Not Tires.** Although inflation has cooled recently with the deceleration in economic growth in India, the risk of a return to inflation higher than 5% can be expected in 2014 as the economy returns to higher levels of growth, and uncertainty over the Indian federal government elections ends. High inflation puts pressure on the costs of manufacturing for Tata that cannot be entirely passed on to the consumer without impacting demand negatively. Additionally, Indian LPG prices have increased 8% YoY and high speed diesel increased 21.49% in 1Q14. More expensive driving costs will be a disincentive for consumers to purchase vehicles.
- **Running Out of "Easy-Money" Gas.** As was seen between August and September, speculation of Fed tapering led to investor flight from EM, which caused the Sensex to fall nearly 12%. When the Fed does decide to taper, there is the chance that such an investor flight could occur again. However, the Indian government has taken steps to secure the Rupee by increasing its holdings of foreign currencies, and it appears likely that tapering will not begin until 1Q14.

Management

Karl Slym is the Managing Director of Tata Motors Limited, having joined the firm in September 2012, after spending 25 years at GM, including seven years as head of Indian Operations. Slym is well known in the Indian automobile industry and his move from GM to Tata did not go unnoticed. The Jaguar Land Rover subsidiary, headquartered in the UK, is operated independently by Ralf Speth. Ratan Tata, the great-grandson of Tata Group's founder, is Chairman Emeritus and advises the entire Tata Group. He previously served as Chairman of the Group, but his position now maintains the family's presence in the business.

Ownership	
% Shares Held by All Insider and 5% Owners:	NA
% Shares Held by Institutional & Mutual Fund Owners:	NA
	Source: Yahoo! Finance

Top 5 Shareholders		
Holder	Shares	% Out
JP Morgan Chase & Company	5,878,504	1.11%
Schroeder Investment Management Group	5,729,309	1.09%
BlackRock Group Limited	4,362,374	0.86%
American Century Companies, Inc.	3,768,322	0.81%
Allianz Asset Management Inc	3,731,006	0.73%
		Source: Yahoo! Finance