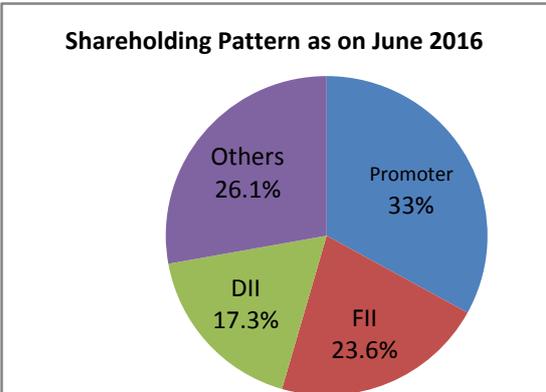




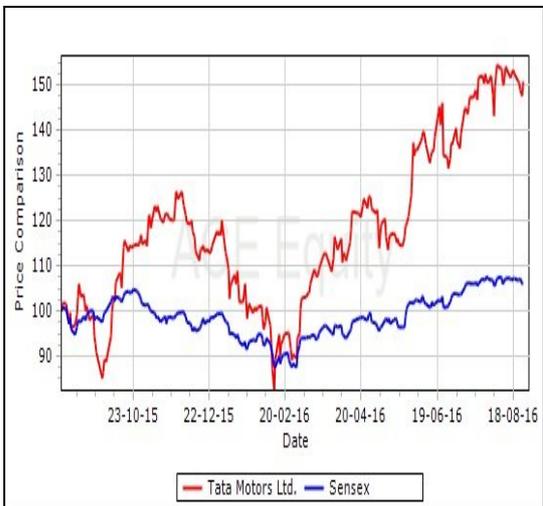
CMP: Rs 503
Target Price: Rs 518
RECOMMENDATION: NEUTRAL

Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	27,782
NSE Nifty	8,572

Market Info	
Market Capital	Rs 1,71,023Cr
Equity Capital	Rs 679 Cr
Avg Trading Volume	25,74,226
52 Wk High / low	Rs 522/265
Face Value	Rs 2



Price Vs Sensex Chart



JLR delivered steady set of numbers in Q1FY17 with profit of GBP 304 million due to adverse FX impact of GBP 207 million including revaluation of GBP 84 million, mainly EUR payables resulting from depreciation in the pound following the BREXIT vote. Jaguar Land Rover Wholesales and retails for the quarter were 120,776 units and 118,704 respectively. China JV Wholesales and retails for the quarter were 13,558 units and 14,059 units. Overall retail sales were up in all regions reflecting strong sales of discovery sport, XE and the new F-PACE – North America up 17%, UK up 18%, China up 19%, Europe up 16% and overseas markets up 6%. However, JLR’s EBITDA margin excluding FX revaluation stood at 14%.

JLR remains focused on:

- JLR’s strategy continues to be investing in new products, technology and manufacturing capacity to grow profitably.
- Strong profitability for china JV and 4 months waiting for F-PACE.
- Favourable impact of GBP depreciation going ahead.
- These new products are expected to drive solid profitable volume growth for JLR going forward.
- JLR recently announced the expansion of the usability of its remote functions app to include smart-watch technology.

There is significant investments in R&D, JLR is bridging gaps in its product portfolio and will be better able to meet market demands for launches. As such, not only will it expand its target market, but would also bring down the average age of its product portfolio, a key growth determinant in the luxury car segment. The new Jaguar XE and F-Pace will more than double the target market for the company in the luxury car segment. JLR would also benefit structurally on the back of platform consolidation as it improves profitability and ensures quicker time to market for upgrades.

Standalone Operations:

Tata motors showed stronger growth visible in M&HCV and passenger vehicles and LCV. Improved operating performance in the quarter is reflected by revenue growth of 8% and positive EBITDA margin of 5.6%.

> Q1 Standalone Net Revenue stood at Rs 11,276 crores, 9.77% YoY increase. Volumes Increased by 8%.

> Standalone operation reported a profit of Rs 24.20 crs.

During the quarter, all segments of the company witnessed growth- M&HCV grew by 7.8% Y-o-Y, LCV segment grew by 11.6% Y-o-Y, Passenger vehicles segment grew by 6.3% Y-o-Y with car segment growth of 15.1% Y-o-Y on the back of strong response to the recently launched Tiago. The strong growth in all segments along with ongoing cost reduction and other margin improvement initiatives, led to improvement of 60bps Y-o-Y in the EBITDA margin of Standalone business (Including Joint operations) and 100 bps Y-o-Y in the EBITDA margin of the standalone business.

VALUATION: Recommend Buy with target price of Rs 518 per share.

JLR Business: We value JLR at Rs 495 per share, at EV / EBITDA x of 3.8x FY17E EBITDA. Our basis for positive view on JLR is on account of healthy margins on back of richer product mix supported by forthcoming new launches.

Standalone Business: We value standalone business at Rs 5 per share, at 5.7x FY17E EBITDA. We expect standalone operations to pick up in FY17, with improvement in economy and new product launches. Expected lower contributions from standalone operations have partly pushed down our valuations.

Other Subsidiaries and Associates: We value other subsidiaries such as TTL, TDCV, TMDL and Associates at a cumulative Rs 18 per share.

Our fair value for Tata Motors based on SOTP is coming at Rs 518 per share. We have **NEUTRAL** rating on this stock.

Consolidated, (in Rs crore)	FY14	FY15	FY16	FY17E
Revenue	2,32,834	2,62,796	2,75,561	2,87,050
yoy%	23.3%	12.9%	4.9%	4.2%
Operating EBIDTA	34,838	39,239	36,756	40,644
yoy%	41.6%	12.6%	-6.3%	10.6%
Net Profit	14,104	14,060	11,108	12,002
yoy%	42.9%	-0.3%	-21.0%	8.0%
EPS	43.9	43.1	32.7	37.3
Operating EBITDA %	15.0%	14.9%	13.3%	14.2%
Net Profit margin %	6.1%	5.4%	4.0%	4.2%
P/E (x)	9.0	12.6	9.4	12.3
EV/EBITDA (x)	4.6	5.5	4.0	5.1

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
Net Sales	2,30,677	2,60,734	2,72,646	2,83,552
YoY%	22.9	13.0	4.6	4.0
Other Operating Income	2,157	2,062	2,915	3,498
Income from Operations	2,32,834	2,62,796	2,75,561	2,87,050
Materials Consumed	1,43,586	1,59,920	1,62,419	1,71,123
Total Expenditure	1,97,996	2,23,558	2,38,805	2,46,406
Operating EBITDA	34,838	39,239	36,756	40,644
Operating EBITDA margin %	15.0	14.9	13.3	14.2
Depreciation	11,078	13,389	17,014	17,580
Operating EBIT before adj	23,760	25,850	19,742	23,063
Other Income	829	899	982	971
Interest	4,734	4,861	4,623	5,699
PBT before Excp Items	19,854	21,887	16,100	18,335
Exceptional item	(985)	(185)	(2,120)	(2,331)
PBT	18,869	21,703	13,981	16,003
Tax Expense	4,765	7,643	2,873	4,001
Reported Net Profit	14,104	14,060	11,108	12,002
YoY%	42.9	(0.3)	(21.0)	8.0
Effective Tax Rate	25.3	35.2	20.5	25.0
Reported EPS	43.9	43.1	32.7	37.3

Source: Company data, Arianth Research

CONSOLIDATED QUARTERLY PERFORMANCE

Tata Motors Consolidated numbers	Q1FY17	Q1FY16	Y-O-Y%
Net Revenue	65895	60401	9%
Cost of material consumed	42780	39016	
Purchase of product for sale	3261	3082	
Other expenses	12241	7296	
EBITDA	7613	11007	-31%
EBITDA Margin	11.6%	18.2%	
Depreciation and amortisation expenses	4551	3742	
Other income	174	224	
PBIT	3236	7489	-57%
Finance cost	1169	1150	
Exchange cost	-485	-634	
PBT	2551	6974	
Tax Expenses	720	1649	
PAT	1831	5325	-66%
Share of Profit/(Loss) of joint ventures	429	-71	
Net profit after taxes	2260	5254	
EPS	6.57	15.76	-58%

STANDALONE QUARTERLY PERFORMANCE

Tata Motors Standalone numbers	Q1FY17	Q1FY16	Y-O-Y%
Net Revenue	10320	9324	11%
Cost of material consumed	6784	5725	
Purchase of product for sale	939	1057	
Other expenses	2023	2072	
EBITDA	574	471	22%
EBITDA Margin	5.6%	5.0%	
Depreciation and amortisation expenses	712	580	
Other income	625	907	
PBIT	487	798	-39%
Finance cost	340	435	
Exchange cost	109	31	
PBT	38	332	
Tax Expenses	12	42	
PAT	26	290	-91%
Other comprehensive income / (loss)	-2	57	
Total comprehensive income after tax	24	346	
EPS	0.06	0.86	-93%

Source: Company data, Arihant Research

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Stock Rating

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

Research Analyst Registration No.

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**Arihant is Forbes Asia's '200 Best under a \$Bn' Company
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