

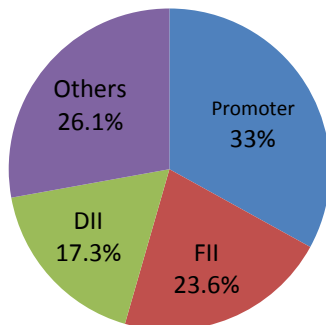


**CMP: Rs 443**  
**Target Price: Rs 453**  
**RECOMMENDATION: NEUTRAL**

Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	28,310
NSE Nifty	8,775

Market Info	
Market Capital	Rs 1,50,445Cr
Equity Capital	Rs 679 Cr
Avg Trading Volume	95,81,716
52 Wk High / low	Rs 598/290
Face Value	Rs 2

Shareholding Pattern as on Dec` 2016



Price Vs Sensex Chart



Tata Motors delivered disappointing set of numbers in Q2FY17 with profit before tax for the quarter at Rs 599 crores, against Rs 3414 crores for the corresponding quarter last year. In Jaguar Land Rover business – Strong retail sales, up 8.5% y-o-y on continued strong demand for the product, revenue up 13.1% y-o-y. Lower wholesale volumes and relatively weaker product mix in Jaguar Land Rover business; overall higher marketing expenses are partially offset by credit relating to the recovery because of explosion at the port of Tianjin (China). Total Retail sales including the china JV in the third quarter were 149,288 units, up 8.5% on strong demand for products, primarily reflecting higher volumes in China, North America and Europe led by strong sales of discovery spot, F-PACE and the new long wheel base XFL in China. Jaguar Land Rover wholesales and retails excluding china JV for the quarter were 130,910 units and 129,893 units, respectively. China JV wholesales and retails for the quarter were 21,335 units and 19,395 units, respectively.

**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.
- 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 growth visible in passenger vehicles and de-growth in the M&HCV segment. Operating performance deterioration in the quarter was reflected by reported loss of Rs1046 crores.

> Q3 Standalone Net Revenue stood at Rs 10,167 crores and EBITDA margin stood at 1.5%.

> Standalone operation reported a loss of Rs 1046 crores against loss of Rs137 crores in last quarter.

During the quarter, Commercial vehicle segments of the company witnessed demand shrinkage due to demonetization M&HCV segment witnessed major pressure with a fall of 9.0% Y-o-Y and LCV segment was overall flat. Passenger vehicles segment grew by 25.4% Y-o-Y with car segment growth of 31.1% Y-o-Y on the back of continued strong response to the Tiago. Exports grew by 34.6% Y-o-Y. Total sales including exports of passenger vehicles for the quarter ended Q3FY17, stood at 132,572 units, a growth of 7.5%, as compared to the corresponding quarter previous year.

**VALUATION: Recommend NEUTRAL with target price of Rs 453 per share.**

**JLR Business:** We value JLR at Rs 365 per share, at EV / EBITDA x of 6x FY18E 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 68 per share, at 6x FY18E EBITDA. We expect standalone operations to pick up in FY18, 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 20 per share.

Our fair value for Tata Motors based on SOTP is coming at Rs 453 per share. We have **NEUTRAL** rating on this stock.

Consolidated, (in Rs crore)	FY15	FY16E	FY17E	FY18E
Revenue	2,60,734	2,72,646	2,83,552	3,26,084
yoy%	12.0%	4.6%	4.0%	15.0%
Operating EBITDA	39,239	36,756	40,644	46,076
yoy%	12.6%	-6.3%	10.6%	13.4%
Net Profit	14,060	11,108	12,002	13,341
yoy%	-0.3%	-21.0%	8.0%	11.2%
EPS	43.1	32.7	37.3	41.4
Operating EBITDA %	15.0%	13.5%	14.3%	14.1%
Net Profit margin %	5.4%	4.1%	4.2%	4.1%
P/E (x)	12.6	15.6	12.6	11.3
EV/EBITDA (x)	5.5	5.7	4.9	2.8

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16 E	FY17 E	FY18E
<b>Net Sales</b>	<b>2,60,734</b>	<b>2,72,646</b>	<b>2,83,552</b>	<b>3,26,084</b>
YoY%	13.0	4.6	4.0	15.0
Other Operating Income	2,062	2,915	3,498	3,848
<b>Income from Operations</b>	<b>2,62,796</b>	<b>2,75,561</b>	<b>2,87,050</b>	<b>3,29,933</b>
Materials Consumed	1,59,920	1,62,419	1,71,123	1,97,281
Total Expenditure	2,23,558	2,38,805	2,46,406	2,83,856
<b>Operating EBITDA</b>	<b>39,239</b>	<b>36,756</b>	<b>40,644</b>	<b>46,076</b>
Operating EBITDA margin %	14.9	13.3	14.2	14.0
Depreciation	13,389	17,014	17,580	20,217
Operating EBIT before adj	25,850	19,742	23,063	25,859
Other Income	899	982	971	1,048
Interest	4,861	4,623	5,699	6,554
PBT before Excp Items	21,887	16,100	18,335	20,353
Exceptional item	(185)	(2,120)	(2,331)	(2,565)
<b>PBT</b>	<b>21,703</b>	<b>13,981</b>	<b>16,003</b>	<b>17,788</b>
Tax Expense	7,643	2,873	4,001	4,447
<b>Reported Net Profit</b>	<b>14,060</b>	<b>11,108</b>	<b>12,002</b>	<b>13,341</b>
YoY%	(0.3)	(21.0)	8.0	11.2
Effective Tax Rate	35.2	20.5	25.0	25.0
<b>Reported EPS</b>	<b>43.1</b>	<b>32.7</b>	<b>37.3</b>	<b>41.4</b>

Source: Company data, Arian Research

**STANDALONE QUARTERLY PERFORMANCE**

Tata Motors Standalone numbers	Q3FY17	Q2FY17	Q-o-Q%
Net Revenue	10220	10322	-1%
Cost of material consumed	6647	6560	
Purchase of product for sale	931	967	
Other expenses	2565	2489	
EBITDA	76	306	-75%
EBITDA Margin	0.7%	3.0%	
Depreciation and amortisation expenses	729	719	
Other income	94	146	
PBIT	-559	-266	110%
Finance cost	414	373	
Exchange cost	59	-30	
PBT	-1032	-609	69%
Tax Expenses	14	22	
PAT	-1046	-631	66%
<b>Other comprehensive income / (loss)</b>	<b>-6</b>	<b>24</b>	
Total comprehensive income after tax	-1052	-607	
EPS	-3.08	-1.86	

**CONSOLIDATED QUARTERLY PERFORMANCE**

Tata Motors Consolidated numbers	Q3FY17	Q2FY17	Q-o-Q%
Net Revenue	67531	65900	2%
Cost of material consumed	38399	36702	
Purchase of product for sale	3819	2921	
Other expenses	20152	19994	
EBITDA	5161	6283	-18%
EBITDA Margin	7.6%	9.5%	
Depreciation and amortisation expenses	4230	4454	
Other income	167	179	
PBIT	1099	2008	-45%
Finance cost	871	1025	
Exchange cost	-371	-16	
PBT	599	999	-40%
Tax Expenses	867	425	
PAT	-268	575	-147%
<b>Other comprehensive income / (loss)</b>	<b>380</b>	<b>274</b>	
Total comprehensive income after tax	112	848	
EPS	0.26	2.42	

Source: Company data, Arianth 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%

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