

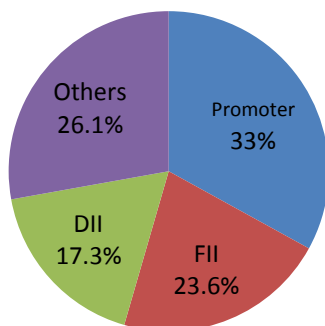


CMP: Rs 459
Target Price: Rs 550
RECOMMENDATION: BUY

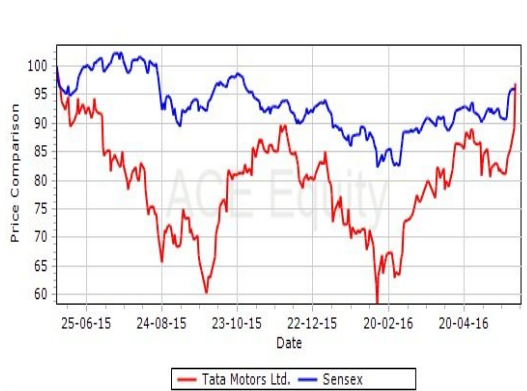
Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	26,747
NSE Nifty	8,184

Market Info	
Market Capital	Rs 1,32,291Cr
Equity Capital	Rs 679 Cr
Avg Trading Volume	56,20,420
52 Wk High / low	Rs 483/266
Face Value	Rs 2

Shareholding Pattern as on Mar 2016



Price Vs Sensex Chart



JLR delivered good set of numbers in Q4FY16 with profit of GBP 472 million due to superior geographical Mix. Total volume was 158,813 units for the quarter; increase of 23% compared to Q4FY15. However, JLR's margin was down by GBP 113 mn from Q4 FY15 but up by GBP 44 mn from Q3FY16, the year on year decrease broadly reflects softer sales in China. Capex during Q4FY16 stood at GBP 775 millions and it plans to invest GBP 3.75 bn in FY17. Standalone business has delivered positive EBITDA of Rs 896 crs and domestic business has improved in operating margin to 7.1%, which is an improvement of 570 bps YoY due to strong M& HCV growth of 26.6% YoY. PAT for this quarter was 465 Cr.

JLR Q4 margin was at 13.7% vs. 17.4% YoY and previous quarter was at 14.9% lower margins primarily due one-time reserve and charges of of GBP 166 million for the industry-wide recall in the U.S. of potentially faulty airbags supplied by Takata.

JLR remains focused on:

- JLR's strategy continues to be investing in new products, technology and manufacturing capacity to grow profitably.
- Jaguar Land Rover plans to continue to build on recent successful product launches with the sales ramp up of the Jaguar F-PACE , XE in the US, XF long wheel base in China and the Evoque Convertible in the coming months and future new model launches yet to be announced.
- 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.

JLR's all new launches –New Evoque, RR Sports, Discovery Sports & F-Type etc, are well received in all major markets. It further plans number of new launches new XJ, F-PACE also JLR has plans to introduce Plug in Hybrids (PHEVs) and Battery Electric Vehicles (BEVs) into its product range in all markets over next one year. We believe FY17 may see a strong uptick in JLR volumes and profitability. Along with the recent successful launches, new launches of XJ, F-Pace, and Evoque Convertible are expected to drive growth. Slovakian expansion may add capacities of 120,000 units starting from FY17-18, which will take care of further demand.

Standalone Operations:

Tata motors showed stronger growth visible in M&HCV and passenger vehicles. LCVs continue to remain weak. Improved operating performance in the quarter is reflected by revenue growth of 16.5% and positive EBITDA margin of 7.1%.

> Q4 Standalone Net Revenue stood at Rs 12,570 crores, 116.5% YoY increase. Volumes Increased by 5.5% and realizations improved by 10.6% on YoY basis.

> Standalone operation reported a profit of Rs 465 crs.

M&HCV Industry witnessing strong demand conditions fuelled by sustained replacement demand and initial fleet expansion demand. Growth was driven by volume expansion across the segment. Market Share for M&HCV in Q4 FY 16 stood at 55.8%, a growth of 260 bps against Q3 FY 16.

VALUATION: Recommend Buy with target price of Rs 550 per share.

JLR Business: We value JLR at Rs 527 per share, at EV / EBITDA x of 5.9x 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 550 per share. We recommend **BUY** 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 EBITDA	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, Arihant Research

JLR QUARTERLY PERFORMANCE

JLR Consolidated P&L: in million GBP	Q4FY16	Q4FY15	yoy%	Q3FY16	qoq%
Land rover units sold	128959	109127		113812	
Jaguar units sold	29854	20078		23841	
Total units sold	158813	129205	22.9%	137653	15.4%
Revenue	6594	5826	13.2%	5781	14.1%
Material Cost	3828	3417		3466	
Contribution	2766	2409	14.8%	2315	19.5%
contribution %	41.9%	41.3%		40.0%	
Employee Cost	648	550		582	
Other expenses (including R&D in full)	1513	1151		1197	
Product Development Cost Capitalized	298	308		323	
EBITDA	903	1016	-11.1%	859	5.1%
EBITDA margin %	13.7%	17.4%		14.9%	
Depreciation & Amortization	378	308		357	
Foreign exchange gain/(loss)	42	-220		63	
Net Financing expenses	13	92		10	
Exceptional Item	-58	0		-52	
PBT	577	396	45.7%	447	29.1%
Income tax expenses	105	94		7	
PAT	472	302	56.3%	440	7.3%

STANDALONE QUARTERLY PERFORMANCE

Standalone P&L in INR crore	Q4FY16	Q4FY15	yoy%	Q3FY16	qoq%
Commercial Vehicles	99487	84126	18.26%	78,294	27.07%
PV / UV	30,144	41853	-27.98%	31,384	-3.95%
Exports	17,135	13,291	28.92%	12,699	34.93%
Total Vehicles	1,46,766	1,39,270	5.38%	1,22,377	19.93%
Total Income from Operations	12,570	10,784	16.56%	10,001	25.69%
Total Material Cost	8,489	7,705		7160	
Contribution	2,70,524	2,13,675		2,23,068	
Contribution %	21.52	19.81		22.31	
Operating EBITDA	896	159	463.64%	461	94.30%
margin %	7.1%	1.5%		4.6%	
Other Income	460	83		475	
PBT	370	-1,156	-131.97%	-203	-281.89%
Tax expense / (credit)	-95.33	8		-2.37	
PAT	465	-1,164	-139.94%	-201	-331.50%

CONSOLIDATED QUARTERLY PERFORMANCE

Consolidated P&L: in Rs crore	Q4FY16	Q4FY15	YoY%	Q3FY16	QoQ%
Total Income from Operations	80,684	67,576	-16.2%	72,256	11.7%
Total Raw Material Cost	46,492	40,518	-12.8%	43,589	6.7%
Contribution	34,192	27,058	-20.9%	28,667	19.3%
Contribution %	42.4%	40.0%		39.7%	
Operating EBITDA	11,387	8,438	-25.9%	9,380	21.4%
margin %	14.1%	12.5%		13.0%	
PBT	6,561	2,771	-57.8%	4,176	57.1%
Tax expense	1,355	1,024	-24.4%	651	108.0%
PAT	5,206	1,747	-66.4%	3,524	47.7%
Net Profit after minority interest	5,177	1,717	-66.8%	3,508	47.6%

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%

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