

**Macro headwinds to continue**
**8<sup>th</sup> February 2019**

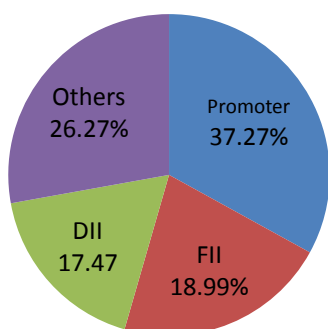
**CMP: Rs 150**  
**Target Price: Rs 159**  
**RECOMMENDATION: HOLD**

**Stock Info**

BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	36,546
NSE Nifty	10,943

**Market Info**

Market Capital	Rs 47,624 Cr
Equity Capital	Rs 679 Cr
6M Avg Trading Volume	17,647,201
52 Wk High / low	Rs 382/129
Face Value	Rs 2

**Shareholding Pattern as on Dec` 2018**

**Price Vs Sensex Chart**

**Consolidated Financial Result Q3FY19:**

Tata Motors reported Consolidated Revenue (net of excise) of ₹77,001 crores in Q3FY19 as against ₹ 72,771 crores for the corresponding quarter last year. Consolidated Loss before tax for the quarter was ₹ 29,228 crores, against profit of ₹ 2029 crores for the corresponding quarter last year. Consolidated Loss after tax (post profit / loss in respect of joint ventures and associated companies) for the quarter was ₹ 26,961 crores against profit of ₹ 1215 crores for the corresponding quarter last year.

**Standalone Operations:**

The revenues (net of excise) for Q3FY19 stood at ₹16,207 crores, as compared to ₹ 15,962 crores for the corresponding quarter last year, a growth of 1.5%. Operating profit (EBITDA) for Q3FY19 was ₹1468 crores versus ₹ 1383 crores for Q3FY18, with operating margin for Q3FY19 at 9%. Profit after tax stood at ₹ 617 crores, as compared to profit of 211 crores for the corresponding quarter last year.

**Q3 FY19 Conference call Highlights:**

- Trade wars, Macro headwinds, higher incentives lower consumer confidence led to the decline in JLR performance.
- Demand conditions remained subdued in China, and market share losses could persist for JLR due to structural issues.
- JLR's EBITDA margin contracted steeply, by 350bps yoy to 7.3% mainly due to lower volumes in China, higher warranty costs, and destocking expenses. In comparison, standalone margin expanded 100bps yoy to 9%.
- A no-deal Brexit can have negative implications due to the imposition of tariffs and change in manufacturing/sourcing strategies for JLR.
- JLR's EBIT margin guidance was reduced to 3-6% for FY20-22 from 4-7% for FY20-21, despite the aggressive cost-reduction efforts.
- JLR has taken a one-time asset impairment charge of GBP3.1bn, which will reduce depreciation expenses by ~GBP300mn/annum.
- Standalone volume performance has been impacted by the revision in axle load norms and liquidity stress.
- Demand likely to remain muted due to geopolitical, economic, financial and regulatory factors.
- Tata Harrier and I pace are the new exciting launches to look for which would help TATA motors on their volumes.

**Risks to Rating and Price Target:**

Downside risks to our rating and price target include: 1) any macro shock that disrupts luxury car growth in any global market; 2) lower-than-anticipated earnings improvement on lower gains on mix/FX; 3) slower-than-anticipated take-up for new model launches.

**VALUATION: Recommend Hold with target price of Rs 159 per share.**

**JLR Business (incl China):** We value JLR at Rs 155 per share, at 2.7x FY20E EV/EBITDA.

**Standalone Business:** We value standalone business at Rs 106 per share, at 6x FY20E EV/EBITDA. We expect standalone operations to pick up going ahead.

**Other Subsidiaries and Associates:** We value other subsidiaries at Rs 36 per share.

**Consolidated Net debt per share valued at Rs 138 per share.**

Our fair value for Tata Motors based on SOTP is coming at Rs 159 per share. We have **Hold** rating on this stock.

Consolidated, (in Rs crore)	FY18	FY19E	FY20E
Revenue	294,619	317,678	337,469
yoy%	9.2%	7.8%	6.2%
EBIDTA	34,526	27,516	28,583
yoy%	16.7%	-20.3%	3.9%
Net Profit	6,813	(19,940)	4,494
yoy%	12.4%	-392.7%	
EPS	26.8	(52.0)	15.9
EBITDA %	11.7%	8.7%	8.5%
Net Profit margin %	2.3%	-6.3%	1.3%
EPS	26.5	-52.0	15.9
P/E	5.7	-2.9	9.4

Source: Company data, Arihant Research

**STANDALONE QUARTERLY PERFORMANCE**

Tata Motors Standalone Numbers					
Particulars Rs in Crores	Q3FY19	Q2FY19	Q3FY18	YoY	QoQ
Net Sales	16208	17759	15962	2%	-9%
Operating Cost	14695	16662	14658	0%	-12%
EBITDA	1513	1097	1305	16%	38%
EBITDA Margins %	9%	6%	8%		
Less: Depreciation	767	754	789		2%
EBIT	746	343	516	44%	118%
EBIT margins %	5%	2%	3.23%		
Less: Interest	468	443	496	-6%	6%
PBT(Includind Other Income &Ex Items)	519	150	239	117%	245%
Tax	-99	41	27.74		
PAT	617	109	212	192%	466%
Reported EPS	1.8	0.3	0.6	192%	466%

**CONSOLIDATED QUARTERLY PERFORMANCE**

Tata Motors Consolidated Numbers					
Particularls in Rs Crore	Q3FY19	Q2 FY19	Q3FY18	YoY	QoQ
Net Sales	77001	72112	73366	5%	7%
Operating Cost	70789	65854	65486	8%	7%
EBITDA	6212	6258	7880	-21%	-1%
EBITDA Margins %	8%	9%	11%	-25%	
Less: Depreciation	6439	5941	5571	16%	8%
EBIT	-228	316	2309	-110%	NA
EBIT margins %	-0.3%	0.4%	3%		NA
Less: Interest	1568	1227	1247	26%	28%
PBT(Including Other Income & Ex Items)	-29228	-823	2029	NA	NA
Tax	-2405	272	1068	NA	NA
PAT	-26823	-1095	961	NA	NA
Share of Profit from JV	-138	86	253	NA	NA
Profit for the Period	-26961	-1009	1215	NA	NA
Reported EPS	-79	-3	3.53	NA	NA

Source: Company data, Arihant Research

Profit and Loss Account, Year Ending March				Balance Sheet Year Ending March			
Particulars, in Rs crore	FY18	FY19E	FY20E	Particulars in Rs Crore	FY18	FY19E	FY20E
Net Sales	294619	317678	337469	Liability + Equity			
YoY%	9%	8%	6%	a) Share Capital	679	679	679
EBITDA	34526	27516	28583	(b) Reserve and Surplus	95274	73495	77257
EBITDA Margins %	12%	9%	8%	Shareholders Fund	95953	74174	77937
Less: Depreciation	21554	18015	18810	Non- Current Liabilites	92178	98741	102815
EBIT	12972	9501	9772	Current Liabilities	143219	148246	156410
EBIT margins %	4%	3%	3%	Total Equity and Liability	331351	321161	337161
Less: Interest	4682	5097	5352				
PBT(Inclusive of Other Income & Exc Items)	11155	6389	6420	Assets			
Tax	4342	-2216	1926	Fixed assets	161447	143191	146354
PAT	6813	-19940	4494	Long Term Inv	10216	10385	11756
Share of Profit from JV	2278	2278	899	Loans + Adv + Others	23714	28585	24843
Profit for the Period	9091	-17661	5393	Non-current assets	195377	182161	182953
YOY %	20%	-294%		Current assets	76695	101483	109951
Effective Tax Rate	39%	-35%	30%	Cash & Bank Balance	34614	7995	14410
Reported EPS	27	-52	16	Other Current Assets	24665	29523	29847
(*Closing cash excludes bank balances)				Sub-total - Current assets	135973	139001	154208
				Total - Assets	331351	321161	337161

Cash Flow Statement			
	FY18	FY19E	FY20E
Operating Activites			
PAT	9091	-17661	5393
Add: Dep	21554	18015	18810
Others	4032	4637	5332
Cash Taxes	(2,518)	1,285	(1,117)
Cash Operating Activites	34342	10838	32171
Cash Flow from Investing Activity			
Change in Investment	(22,208)	(12,421)	(22,941)
Capex	(19,944)	(14,340)	(15,057)
Cash From Investing Activity	(42,152)	(26,761)	(37,998)
Financing Activity			
Dividends + Interest paid	(5,460)	(5,947)	(5,352)
Change in Non Current liability	15300	16830	19085
Cash Flow From Financing	9840	10883	13733
Net decrease in cash and cash equivalents	2,030	(5,040)	7,906
Closing Balance	13987	14526	7995
Effect of foreign exchange on cash and cash equivalents	(1,491)	(1,491)	(1,491)
Closing Cash	14,526	7,995	14,410

### Arihant Research Desk

E. research@arihantcapital.com  
T. 022-42254800

### Head Office

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road,  
Chakala, Andheri (E).  
Mumbai - 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

### Registered Office

E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

### Stock Rating Scale

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

**Research Analyst Registration No.**

**Contact**

**Website**

**Email Id**

**INH000002764**

**SMS: 'Arihant' to 56677**

[www.arihantcapital.com](http://www.arihantcapital.com)

[research@arihantcapital.com](mailto:research@arihantcapital.com)

**Arihant is Forbes Asia's '200 Best under a \$Bn' Company  
'Best Emerging Commodities Broker' awarded by UTV Bloomberg (2011)**

#### Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.