

**Tata Motors**

**BUY**

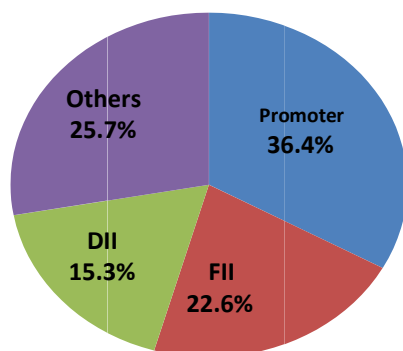
**Target Price: Rs. 472**

**Value Parameters -**

BSE Code	500570
NSE Symbol	TATAMOTORS
CMP (As on 01 <sup>st</sup> Dec, 2017)	Rs 399
Face Value	Rs 2
52 Week High/Low	358/552
Market Cap (Rs cr)	1,38,329
EPS (TTM)	34.82
PE ratio (x)	13.63

**Shareholding Pattern % (Sept '17)**

**Shareholding Pattern as on Sept-2017**



**Company Overview**

Tata Motors Ltd is one of India's largest automobile company. They are the leader in commercial vehicles in each segment, and among the top three in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. The company is the world's fourth largest truck manufacturer, and the world's second largest bus manufacturer.

**Investment Rationale**

- JLR's strategy is to achieve sustainable profitable growth by investing proportionally more in new products, technology and manufacturing capacity.
- The automotive environment is now more challenging with the shift to electrification, greater geopolitical uncertainty (e.g. Brexit) and softer markets in the UK and US with more competitive conditions generally.
- As previously indicated, JLR expects margin pressures seen in FY17, including higher incentive levels and launch and growth costs, to continue in FY18.
- Profitability by quarter will continue to reflect seasonality and launch timing, with prior model Range Rover and Range Rover Sport running out in Q3 and a very strong pipeline of exciting new products expected to ramp up in Q4 and beyond.

Focus of standalone business is to achieve PAT breakeven, as a combination of sales enhancement and rigorous cost reduction. Some of the initiatives are as follows:

- Network expansion.
- Cost reduction initiatives in areas of material cost, variable costs, fixed costs, etc.
- Improvement of supplier base.
- CV demand is expected to remain robust, led by macro factors such as government thrust on infrastructure, restriction on overloading and growth in e-commerce segments.

**Concerns**

- 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;
  - 3) Slower-than-anticipated take-up for new model launches.

**Valuations**

Our fair value for Tata Motors based on SOTP is coming at Rs 472 per share. We have BUY rating on this stock.

**Research Analyst Registration No.**

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