

Driven by JLR

CMP: Rs 473

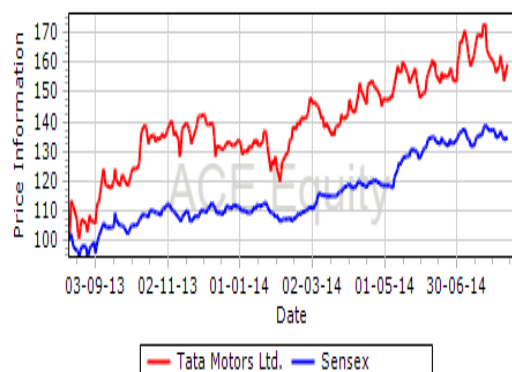
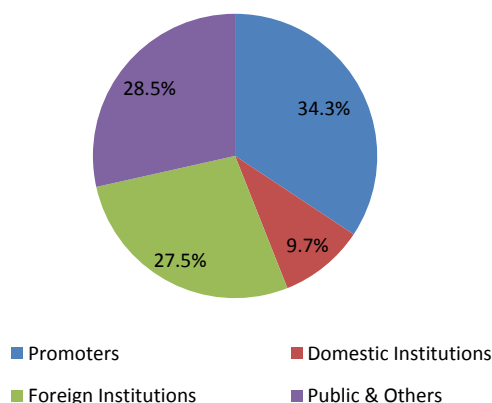
Target Price: Rs 563

RECOMMENDATION: Accumulate

Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	25,881
NSE Nifty	7,727

Market Info	
Market Capital	Rs 1,50,872 Cr
Equity Capital	Rs 638.1 Cr
Avg Trading Volume	7,007,090
52 Wk High / low	Rs 488/276
Face Value	Rs 2

Latest Shareholding Pattern (Jun'14)



JLR continues to report strong numbers on better product mix and healthy volumes growth across geographies. We remain positive on JLR's business on better visibility and improved volumes of new launches. High capex is however expected to pull down JLR's net cash/equity ratio to 3% by FY15. We remain bearish on standalone business on account of expected continuing weakness in domestic automobile market. Our fair value for Tata Motors based on SOTP is coming at Rs 563 per share. We recommend Accumulate rating.

JLR Q1 MARGINS AT 20.3% vs 16.5% Y-O-Y IS ON ACCOUNT OF BETTER PRODUCT MIX.

> JLR Q1FY15 Revenue at 5,353 mn GBP, a 30.7% increase YoY, accompanied by a 27.1% YoY increase in overall volumes, and 2.8% YoY increase in Net Realizations is lower than our expectations.

> JLR Q1FY15 EBITDA at 1,087 mn GBP, an increase of whopping 61.0% yoy. EBITDA margins were at 20.3%.

> JLR Q1FY15 PBT at 924 mn GBP, an increase of 122.7% YoY, PAT at 693 mn GBP (128.0% YoY jump). Effective tax rate for the quarter was 25.0%. Total Cash & Equivalents at end of Q1 was 3,301 mn GBP.

- China continues to remain a key market with a growth of 76.9%. While other markets like UK, Europe and North America have showed signs of revival.
- JLR continues to build sales momentum with Range Rover, new Range Rover Sport, Evoque, Freelander Jaguar XF Sportbrake and Jaguar F-TYPE.
- New launches (Discovery sport & Jaguar XE) will drive the volume growth in FY15.

Standalone Operations:

Standalone business continued to remain weak with entity reporting loss at EBITDA level. EBITDA margins came in at -3.9% compared to 1.2% YoY. Margins pressure is on account of weak operating leverage, due to continued weakness in CV segment.

> Q1 Standalone Net Revenue stood at Rs 7,705 crores, 15.4% yoy fall, with volumes falling by 28.3% yoy, but partially compensated by a 17.6% yoy increase in net realizations.

> Standalone operation reported a PAT of Rs 394 crores mainly due to the other income of Rs 1597 crores. Other income includes dividend of 150 mn GBP from JLR.

Domestic CV business is impacted by slow economic growth, high interest rate, high fuel cost and weak sentiments. With stable government we expect CV demand to pick up and also in PV with new launches especially Zest & Bolt, Company should do better in 2HFY15.

12th Aug, 2014



VALUATION: Recommend Accumulate with target price of Rs 563 per share.

JLR Business: We value JLR at Rs 599 per share, at EV / EBITDA x of 5.0 x FY15E “Adjusted” EBITDA. Our basis for positive view on JLR is on account of healthy margins on back of richer product mix supported by new launches.

Standalone Business: We “downgrade” the standalone business to Rs -56 per share, at 5.0x FY15 Operating EBITDA. We expect standalone operations to pick up in 2HFY15, 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.

We recommend to “**Accumulate**” with a target price of Rs 563.

Consolidated, (in Rs crore)	FY12	FY13E	FY14	FY15E
Revenue	1,65,654	1,88,818	2,54,528	3,05,433
yoy%	35.6%	14.0%	34.8%	20.0%
Operating EBITDA	22,311	24,547	38,748	51,148
yoy%	32.7%	10.0%	57.9%	32.0%
Net Profit	13,517	9,893	18,128	20,666
yoy%	45.8%	-26.8%	83.2%	14.0%
EPS	42.6	31.0	56.8	64.8
Operating EBITDA %	13.5%	13.0%	15.2%	16.7%
Net Profit margin %	8.2%	5.2%	7.1%	6.8%
P/E (x)	11.1	15.2	8.3	7.3
EV/EBITDA (x)	8.7	7.9	5.0	3.8



JLR QUARTERLY PERFORMANCE

JLR Consolidated P&L: in million GBP	Q1FY15	Q1FY14	yoy%	Q4FY14	qoq%
Land rover units sold	95572	72043	32.7%	98953	-3.4%
Jaguar units sold	19584	18577	5.4%	22000	-11.0%
Total units sold	115156	90620	27.1%	120953	-4.8%
Revenue	5353	4097	30.7%	5349	0.1%
Material Cost	3299	2490	32.5%	3291	0.2%
Contribution	2054	1607	27.8%	2058	-0.2%
contribution %	38.4%	39.2%		38.5%	
Employee Cost	429	361	18.8%	463	-7.3%
Other expenses (including R&D in full)	811	813	-0.2%	933	-13.1%
Product Development Cost Capitalized	273	242	12.8%	258	5.8%
EBITDA	1087	675	61.0%	920	18.2%
EBITDA margin %	20.3%	16.5%		17.2%	
Depreciation & Amortization	234	202	15.8%	236	-0.8%
Foreign exchange gain/(loss)	70	-30	-333.3%	22	218.2%
Net Financing expenses	-1	28		130	
PBT	924	415	122.7%	576	60.4%
Income tax expenses	231	111	108.1%	127	81.9%
PAT	693	304	128.0%	449	54.3%
Tax Rate	25.0%	26.7%		22.0%	

STANDALONE QUARTERLY PERFORMANCE

Standalone P&L in INR crore	Q1 FY15	Q1 FY14	yoy%	Q4 FY14	qoq%
Commercial Vehicles	75039	106960	-29.84%	83,000	-9.59%
PV / UV	25,346	35,955	-29.51%	35,651	-28.91%
Exports	10,227	11,437	-10.58%	13,657	-25.12%
Total Vehicles	1,10,612	1,54,352	-28.34%	1,32,308	-16.40%
Total Income from Operations	7,705	9,105	-15.37%	8,545	-9.84%
Total Material Cost	5,701	6,610		6758	
Contribution	2,003	2,494		1,788	
Contribution %	26.0%	27.4%		20.9%	
Operating EBITDA	-298	105	-383.43%	-639	NA
margin %	-3.9%	1.2%		-7.5%	
Other Income	1,597	1,621		148	
PBT	394	753	-47.74%	-1,417	NA
Tax expense / (credit)	0	50		-600.32	
PAT	394	703	-44.02%	-817	-148.21%
Tax rate	0.0%	6.6%		42.4%	

CONSOLIDATED QUARTERLY PERFORMANCE

Consolidated P&L: in Rs crore	Q1 FY15	Q1 FY14	yoy%	Q4 FY14	qoq%
Total Income from Operations	64,683	46,785	38.3%	65,317	-1.0%
Total Raw Material Cost	39,736	28,886	37.6%	40,284	-1.4%
Contribution	24,947	17,899	39.4%	25,033	-0.3%
Contribution %	38.6%	38.3%		38.3%	
Operating EBITDA	11,142	6,219	79.2%	10,000	11.4%
margin %	17.2%	13.3%		15.3%	
PBT	7,528	2,927	157.2%	5,053	49.0%
Tax expense	2,115	1,164	81.7%	1,097	92.8%
PAT	5,413	1,763	207.1%	3,956	36.8%
Net Profit after minority interest	5,398	1,726	212.7%	3,918	37.8%



Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254868

Head Office

3rd Floor, Krishna Bhuvan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

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

Stock Rating

Recommendation	Absolute Return
Buy	> 20%
Accumulate	12-20%
Hold	5-12%
Neutral	0 - 5%
Reduce	< 0%

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

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ARIHANT capital markets ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057
Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com