



CMP: Rs 380
Target Price: Rs 410
RECOMMENDATION: HOLD

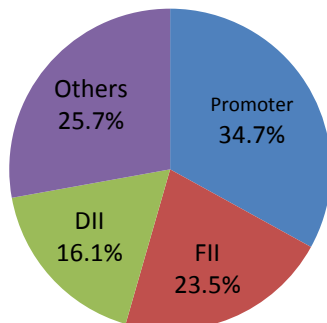
Stock Info

BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	31,531
NSE Nifty	9,820

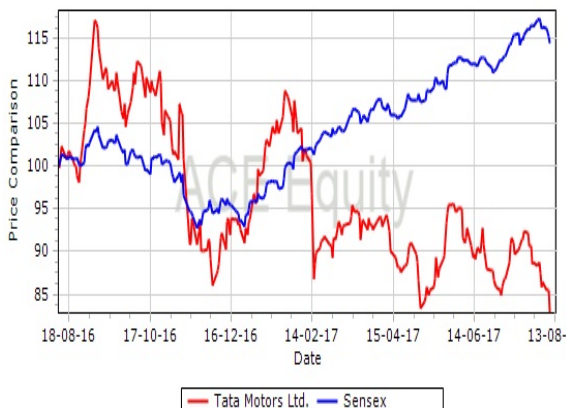
Market Info

Market Capital	Rs1,11,105Cr
Equity Capital	Rs 679 Cr
6M Avg Trading Volume	7,610,219
52 Wk High / low	Rs 598/375
Face Value	Rs 2

Shareholding Pattern as on Jun` 2017



Price Vs Sensex Chart

**Consolidated Financial Result Q1FY18:**

For the quarter ended June 30, 2017, Tata Motors reported consolidated revenues (net of excise) of Rs 58,493 crores as against Rs 65,005 crores for the corresponding quarter last year. Consolidated revenues for the quarter are lower due to translation impact from GBP to INR.

Consolidated Profit before tax for the quarter was Rs3,737 crores, against Rs2,551 crores for the corresponding quarter last year.

Consolidated Profit before tax for the quarter includes one- time gain of Rs 3,609 crores (£437million) relating to the changes made to the Jaguar Land Rover pension plans.

Standalone Operations:

The revenues (net of excise) of the Standalone business (including Joint Operations) for the quarter ended June 30, 2017 stood at Rs 9,094 crores, as compared to Rs 10,290 crores for the corresponding quarter last year.

> EBITDA of the Standalone business (including Joint Operations) for the quarter stood at Rs - 64.17 crores.

> Loss before and after tax for the quarter ended June 30, 2017 was Rs 466 crores and Rs467 crores, respectively, against profit before and after tax of Rs 38 crores and 25 crores, respectively, for the corresponding quarter last year.

The sales (including exports) of commercial and passenger vehicles for the quarter ended June 30, 2017, stood at 111,860 units, a de-growth of 11.8%, as compared to the corresponding quarter last year, with M&HCV de-growth of 34.8% Y-o-Y , LCV growth of 0.2% Y-o-Y and passenger vehicles segment growth of 4.7% Y-o-Y.

In Commercial Vehicles business, across all the segments, the Company has gained month-on-month improvement in sales and market share. The Company is confident of further building on this trend with increased focus on stakeholders' engagement and on the ground marketing activities.

In Passenger vehicles business, the Company's new cars- Tiago, Hexa, Tigor-continue to show strong sales. The Company plans to launch, in the month of September, its new car Nexon, which is receiving positive reviews in the media.

New Products and Currency to Benefit JLR in FY19E: JLR's new launches – New F-Pace, new Discovery Sports – are well received in all major markets in FY17, it further plans number of new launches over next two years. New Discovery, new RR Velar, E-Pace and I-Pace would help regain momentum in JLR volumes. New Discovery and new RR Velar are ramping up slowly, which would improve volumes in H2FY18 and FY19. Though previously entered hedge contracts would impact negatively over next six months, we expect JLR's margins to expand in FY19, as hedged position reduces. We believe that company's strategy on new products and its huge investment on R&D would pay off in FY19 and FY20.

Outlook:

We see multiple tailwinds driving earnings performance through FY18: 1) JLR's model cycle will remain exciting over the next 18 months as it rolls out six new SUV models, driving mix improvement in both revenues and margins – JLR remains one of the fastest-growing global luxury OEMs and it should continue to improve its market share;2) Profitability improvement at the China JV (CJLR) on higher utilization should boost profits; 3) FX moves (GBP depreciation) should help earnings as the hedge book progressively rolls off.

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 – JLR's geographic profile is balanced, but this still remains a risk; 2) lower-than-anticipated earnings improvement on lower gains on mix/FX; a 3) slower-than-anticipated take-up for new model launches.

VALUATION: Recommend Hold with target price of Rs 410 per share.

JLR Business (incl China): We value JLR at Rs 362 per share, at 3.2x FY19E EV/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 46 per share, at 8x FY19E EV/EBITDA. We expect standalone operations to pick up in FY19E.

Other Subsidiaries and Associates: We value other subsidiaries at Rs 55 per share.

Our fair value for Tata Motors based on SOTP is coming at Rs 410 per share, post excluding net debt of Rs 53 per share. We have **HOLD** rating on this stock.

Consolidated, (in Rs crore)	FY17	FY18E	FY19E
Revenue	2,69,693	2,80,480	2,91,699
yoy%	-1.2%	4.0%	4.0%
EBIDTA	29,589	30,747	33,345
yoy%	-19.4%	3.9%	8.5%
Net Profit	6,064	5,599	3,510
yoy%	-49.7%	-7.7%	-37.3%
EPS	21.9	21.2	18.0
EBITDA %	11.0%	11.0%	11.4%
Net Profit margin %	2.2%	2.0%	1.2%
EPS	21.9	21.2	18.0
P/E	21.6	17.9	21.1

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY16	FY17	FY18E	FY19E
Net Sales	273046	269693	280480	291699
YoY%	5%	-1%	4%	4%
EBITDA	36691	29589	30747	33345
EBITDA Margins %	13%	11%	11%	11%
Less: Depreciation	16711	17905	22838	26720
EBIT	19980	11684	7909	6625
EBIT margins %	7%	4%	3%	2%
Less: Interest	4889	4238	4408	4584
PBT(Inclusive of Other Income & Exc Items)	15091	9315	8234	5161
Tax	3025	3251	2635	1652
PAT	12066	6064	5599	3510
Share of Profit from JV	577	1493	1682	2682
Profit for the Period	12643	7557	7280	6191
YOY %	-21%	-40%	-4%	-15%
Effective Tax Rate	21%	35%	32%	32%
Reported EPS	34	22	21	18

Source: Company data, Arianth Research

STANDALONE QUARTERLY PERFORMANCE

Tata Motors Standalone Numbers					
Particulars Rs in Crores	Q1 FY18	Q4 FY17	Q1FY17	QoQ	YoY
Net Sales	9094	13587	10290	-33%	-12%
Operating Cost	9030	12967	9815	-30%	-8%
EBITDA	-64	620	475	-110%	-114%
EBITDA Margins %	-1%	5%	5%	-115%	-115%
Less: Depreciation	675	810	712	-17%	-5%
EBIT	-739	-190	-238	290%	211%
EBIT margins %	-8%	-1%	-2%	482%	252%
Less: Interest	368	455	349	-19%	5%
PBT(Includind Other Income & Ex Items)	-467	-818	38	-43%	-1333%
Tax	0.20	11	12	-98%	-98%
PAT	-467	-829	26	-44%	-1914%
Reported EPS	-1	-2	0.08	-44%	-1914%

CONSOLIDATED QUARTERLY PERFORMANCE

Tata Motors Consolidate Numbers					
Particulars in Rs Crore	Q1FY18	Q4FY17	Q1FY17	QoQ	YoY
Net Sales	58493	77217	65005	-24%	-10%
Operating Cost	52897	66371	57388	-20%	-8%
EBITDA	5596	10846	7617	-48%	-27%
EBITDA Margins %	10%	14%	12%	-32%	-18%
Less: Depreciation	4525	4670	4551	-3%	-1%
EBIT	1072	6176	3066	-83%	-65%
EBIT margins %	2%	8%	5%	-77%	-61%
Less: Interest	1109	1164	1178	-5%	-6%
PBT(Including Other Income & Ex Items)	3737	5166	2551	-28%	46%
Tax	1207	1240	720	-3%	68%
PAT	2530	3926	1831	-36%	38%
Share of Profit from JV	670	411	429	63%	56%
Profit for the Period	3200	4336	2260	-26%	42%
Reported EPS	9	13	6.6	-26%	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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