



CMP: Rs 470
Target Price: Rs 453
RECOMMENDATION: NEUTRAL

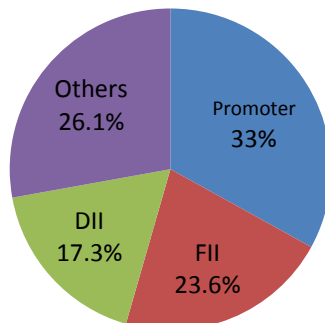
Stock Info

BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	26,818
NSE Nifty	8,296

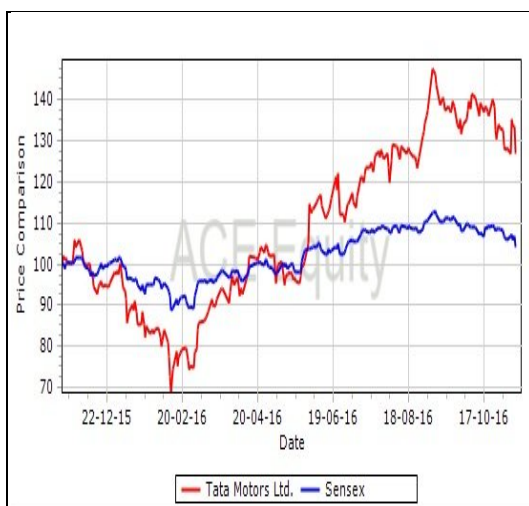
Market Info

Market Capital	Rs 1,59,429Cr
Equity Capital	Rs 679 Cr
Avg Trading Volume	95,81,716
52 Wk High / low	Rs 598/265
Face Value	Rs 2

Shareholding Pattern as on Sep` 2016



Price Vs Sensex Chart



Tata Motors delivered disappointing set of numbers in Q2FY17 with profit before tax for the quarter was Rs983 crores, against Rs1191 crores for the corresponding quarter last year broadly due to Higher volumes and favourable operating exchange, in Jaguar Land Rover business more than offset by the realized hedging losses of Rs3510 crores, and adverse commodity derivatives impact of Rs187 crores. Total retail sales including the China JV in the second quarter were 142,459 units, up 29.3%, primarily reflecting strong sales of the discovery sport, Evoque, XE and the new F-PACE. Retail sales grew across all key regions with North America up 39%, UK up 28%, China up 49%, Europe up 31% and overseas markets up 1%. Jaguar Land Rover wholesales and retail excluding the China JV for the quarter were 124,192 units and 128,967 units, up 11.7% and 22.7% respectively year on year. China JV wholesales and retails for the quarter were 15,043 units and 13,492 units, up 169% and 165% respectively.

JLR remains focused on:

- JLR's strategy continues to be investing in new products, technology and manufacturing capacity to grow profitably.
- Strong profitability for china JV and 4 months waiting for F-PACE.
- 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.

There is significant investments in R&D, JLR is bridging gaps in its product portfolio and will be better able to meet market demands for launches. As such, not only will it expand its target market, but would also bring down the average age of its product portfolio, a key growth determinant in the luxury car segment. The new Jaguar XE and F-Pace will more than double the target market for the company in the luxury car segment. JLR would also benefit structurally on the back of platform consolidation as it improves profitability and ensures quicker time to market for upgrades.

Standalone Operations:

Tata motors showed growth visible in LCV and passenger vehicles and de-growth in the M&HCV segment. Operating performance deteriorated in the quarter was reflected by reported loss of Rs630 crores.

> Q2 Standalone Net Revenue stood at Rs 10,322 crores and EBITDA margin stood at 3.6%.

> Standalone operation reported a loss of Rs 630 crores against profit of Rs25.7 crores in last quarter.

During the quarter, all segments of the company witnessed growth- LCV segment grew by 11.4% Y-o-Y, passenger vehicles segment grew by 20.5% Y-o-Y with car segment growth of 26.4% Y-o-Y on the back continued strong response to the recently launched Tiago, Exports grew by 20.1% Y-o-Y. This were more than offset by de-growth of 16.5% Y-o-Y in the M&HCV segment. Operating EBITDA of the standalone business for the quarter stood at Rs376 crores with EBITDA margin at 3.6%.(Margin Calculated on revenue net of excise duty).

VALUATION: Recommend NEUTRAL with target price of Rs 453 per share.

JLR Business: We value JLR at Rs 365 per share, at EV / EBITDA x of 6x FY18E 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 68 per share, at 6x FY18E EBITDA. We expect standalone operations to pick up in FY18, 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.

Our fair value for Tata Motors based on SOTP is coming at Rs 453 per share. We have **NEUTRAL** rating on this stock.

Consolidated, (in Rs crore)	FY15	FY16E	FY17E	FY18E
Revenue	2,60,734	2,72,646	2,83,552	3,26,084
yoy%	12.0%	4.6%	4.0%	15.0%
Operating EBIDTA	39,239	36,756	40,644	46,076
yoy%	12.6%	-6.3%	10.6%	13.4%
Net Profit	14,060	11,108	12,002	13,341
yoy%	-0.3%	-21.0%	8.0%	11.2%
EPS	43.1	32.7	37.3	41.4
Operating EBITDA %	15.0%	13.5%	14.3%	14.1%
Net Profit margin %	5.4%	4.1%	4.2%	4.1%
P/E (x)	12.6	15.6	12.6	11.3
EV/EBITDA (x)	5.5	5.7	4.9	2.8

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16 E	FY17 E	FY18E
Net Sales	2,60,734	2,72,646	2,83,552	3,26,084
YoY%	13.0	4.6	4.0	15.0
Other Operating Income	2,062	2,915	3,498	3,848
Income from Operations	2,62,796	2,75,561	2,87,050	3,29,933
Materials Consumed	1,59,920	1,62,419	1,71,123	1,97,281
Total Expenditure	2,23,558	2,38,805	2,46,406	2,83,856
Operating EBITDA	39,239	36,756	40,644	46,076
Operating EBITDA margin %	14.9	13.3	14.2	14.0
Depreciation	13,389	17,014	17,580	20,217
Operating EBIT before adj	25,850	19,742	23,063	25,859
Other Income	899	982	971	1,048
Interest	4,861	4,623	5,699	6,554
PBT before Excp Items	21,887	16,100	18,335	20,353
Exceptional item	(185)	(2,120)	(2,331)	(2,565)
PBT	21,703	13,981	16,003	17,788
Tax Expense	7,643	2,873	4,001	4,447
Reported Net Profit	14,060	11,108	12,002	13,341
YoY%	(0.3)	(21.0)	8.0	11.2
Effective Tax Rate	35.2	20.5	25.0	25.0
Reported EPS	43.1	32.7	37.3	41.4

Source: Company data, Arianth Research

STANDALONE QUARTERLY PERFORMANCE

Tata Motors Standalone numbers	Q2FY17	Q1FY17	YoY%
Net Revenue	10322	10320	0.03%
Cost of material consumed	6560	6784	
Purchase of product for sale	967	939	
Other expenses	2489	2014	
EBITDA	306	583	-48%
EBITDA Margin	3.0%	5.7%	
Depreciation and amortisation expenses	719	712	
Other income	146	625	
PBIT	-266	496	-154%
Finance cost	373	349	
Exchange cost	-30	109	
PBT	-609	38	-1708%
Tax Expenses	22	12	
PAT	-631	26	-2550%
Other comprehensive income / (loss)	24	-2	
Total comprehensive income after tax	-607	24	
EPS	-1.86	0.06	

CONSOLIDATED QUARTERLY PERFORMANCE

Tata Motors Consolidated numbers	Q2FY17	Q1FY17	YoY%
Net Revenue	65900	65895	0%
Cost of material consumed	36702	42780	
Purchase of product for sale	2921	3261	
Other expenses	19994	12232	63%
EBITDA	6283	7622	
EBITDA Margin	9.5%	11.6%	
Depreciation and amortisation expenses	4454	4551	
Other income	179	174	
PBIT	2008	3245	-38%
Finance cost	1025	1178	
Exchange cost	-16	-485	
PBT	999	2551	
Tax Expenses	425	720	
PAT	575	1831	-69%
Other comprehensive income / (loss)	0	0	
Total comprehensive income after tax	0	0	
EPS	2.42	6.57	

Source: Company data, Arian Research

Arihant Research Desk

E. research@arihantcapital.com

T. 022-42254868

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
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

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

Research Analyst Registration No.

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

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

Disclaimer: Arihant Capital Markets Limited is not soliciting any action based upon it. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However we do not represent that it is accurate or complete and it should not be relied upon such. 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 Arihant is in any way responsible for its contents. The firm or its employees 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 the firm, its owners or its employees may have a position or be otherwise interested in the investment referred to in this document. This is just a suggestion and the firm or its employees will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets ltd.

www.arihantcapital.com