

CMP: Rs 423
Target Price: Rs 472
RECOMMENDATION: HOLD

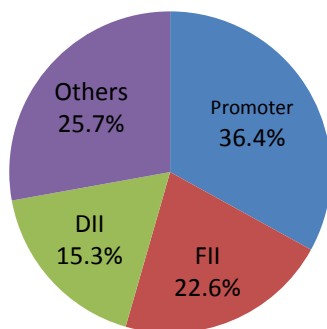
Stock Info

BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	33,250
NSE Nifty	10,308

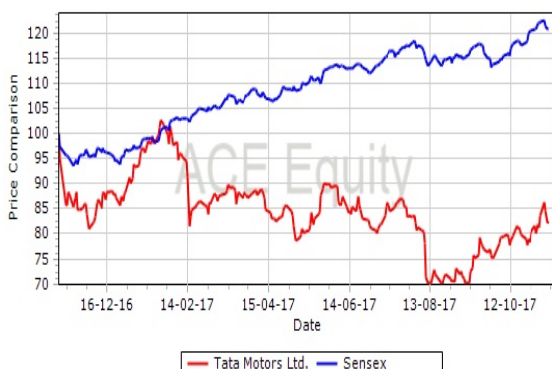
Market Info

Market Capital	Rs121,889Cr
Equity Capital	Rs 679 Cr
6M Avg Trading Volume	8,567,529
52 Wk High / low	Rs 552/358
Face Value	Rs 2

Shareholding Pattern as on Jun` 2017



Price Vs Sensex Chart



Consolidated Financial Result Q2FY18:

Tata Motors reported Consolidated Revenue (net of excise) of ₹70,156 crores in Q2FY18 as against ₹63,577 crores for the corresponding quarter last year, due to translation impact from GBP to INR profit was lower by ₹ 2,393 crores. Consolidated Profit before tax for the quarter was ₹ 3,081 crores, against ₹ 999 crores for the corresponding quarter last year. Consolidated Profit after tax (post profit / loss in respect of joint ventures and associated companies) for the quarter was ₹ 2,502 crores against ₹ 848 crores for the corresponding quarter last year, due to translation impact from GBP to INR profit was lower by ₹ 112 crores.

Standalone Operations:

The sales (including exports) of commercial and passenger vehicles stood at 152,979 units in Q2FY18, a growth of 13.8%, as compared to Q2FY17, with an impressive growth across segments; 28% in MHCV, 35% in LCV, 38% in SCV and pick-ups. The passenger vehicles grew by 14.4% versus the corresponding quarter last year. The revenues (net of excise) for Q2FY18 stood at ₹ 13,400 crores, as compared to ₹ 10,311 crores for the corresponding quarter last year, a growth of 30%. Operating profit (EBITDA) for Q2FY18 was ₹ 787 crores versus ₹ 386 crores for Q2FY17, a growth of 104%, with operating margin for Q2FY18 at 6%. Loss before tax for the quarter was at ₹ 266 crores and after tax ₹ 295 crores, against loss before a tax of ₹ 609 crores and after tax of ₹ 631 crores, respectively, for the corresponding quarter last year.

Going Ahead JLR :

- JLR's strategy is to achieve sustainable profitable growth by investing proportionally more in new products, technology and manufacturing capacity.
- JLR's is planning to achieve an 8-10% EBIT margin in the medium term.
- 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.

Going Ahead Standalone business:

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.

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 472 per share.

JLR Business (incl China): We value JLR at Rs 357 per share, at 3.5x 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 52 per share, at 6x FY19E EV/EBITDA. We expect standalone operations to pick up going ahead.

Other Subsidiaries and Associates: We value other subsidiaries at Rs 63 per share.

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

Consolidated, (in Rs crore)	FY17	FY18E	FY19E
Revenue	2,69,693	2,88,632	3,28,822
yoy%	-1.2%	7.0%	13.9%
EBIDTA	29,589	30,981	40,203
yoy%	-19.4%	4.7%	29.8%
Net Profit	6,064	5,220	5,464
yoy%	-49.7%	-13.9%	4.7%
EPS	21.9	20.1	23.7
EBITDA %	11.0%	10.7%	12.2%
Net Profit margin %	2.2%	1.8%	1.7%
EPS	21.9	20.1	23.7
P/E	21.6	18.9	16.0

Source: Company data, Arihant Research

STANDALONE QUARTERLY PERFORMANCE

Tata Motors Standalone Numbers					
Particulars Rs in Crores	Q2 FY18	Q1 FY18	Q2FY17	QoQ	YoY
Net Sales	13888	9094	10282	53%	35%
Operating Cost	14675	9030	9896	63%	48%
EBITDA	787	-64	386	-1326%	104%
EBITDA Margins %	6%	-1%	4%	-903%	51%
Less: Depreciation	751	675	719	11%	4%
EBIT	36	-739	-333	-105%	-111%
EBIT margins %	0.26%	-8%	-3%	-103%	-108%
Less: Interest	444	368	373	21%	19%
PBT(Includind Other Income & Ex Items)	-266	-467	-609	-43%	-56%
Tax	29.41	0.20	22	14605%	35%
PAT	-295	-467	-631	-37%	-53%
Reported EPS	-0.9	-1.4	-1.9	-37%	-53%

CONSOLIDATED QUARTERLY PERFORMANCE

Tata Motors Consolidate Numbers					
Particulars in Rs Crore	Q2 FY18	Q1FY18	Q2 FY17	QoQ	YoY
Net Sales	70691	58493	63538	21%	11%
Operating Cost	61681	52897	57228	17%	8%
EBITDA	9010	5596	6310	61%	43%
EBITDA Margins %	13%	10%	10%	33%	28%
Less: Depreciation	4970	4525	4454	10%	12%
EBIT	4040	1072	1856	277%	118%
EBIT margins %	6%	2%	3%	212%	96%
Less: Interest	1147	1109	1025	3%	12%
PBT(Including Other Income & Ex Items)	3081	3737	999	-18%	208%
Tax	1090	1207	425	-10%	157%
PAT	1992	2530	575	-21%	247%
Share of Profit from JV	510	670	274	-24%	87%
Profit for the Period	2502	3200	848	-22%	195%
Reported EPS	7	9	2.4	-22%	200%

Source: Company data, Arihant Research

Profit and Loss Account, Year Ending March				Balance Sheet Year Ending March			
Particulars, in Rs crore	FY17	FY18E	FY19E	Particulars in Rs Crore	FY17	FY18E	FY19E
Net Sales	269693	288632	328822	Liability + Equity			
YoY%	-1%	7%	14%	a) Share Capital	679	679	679
EBITDA	29589	30981	40203	(b) Reserve and Surplus	57836	63103	68567
EBITDA Margins %	11%	11%	12%	Shareholders Fund	58515	63782	69246
Less: Depreciation	17905	23502	30121	Non- Current Liabilities	99610	108972	115241
EBIT	11684	7480	10083	Current Liabilities	115630	121509	129280
EBIT margins %	4%	3%	3%	Total Equity and Liability	273754	294263	313768
Less: Interest	4238	4536	5167				
PBT(Inclusive of Other Income & Exc Items)	9315	7676	8036	Assets			
Tax	3251	2456	2571	Fixed assets	129643	131836	145986
PAT	6064	5220	5464	Long Term Inv	8208	8082	8469
Share of Profit from JV	1493	1682	2682	Loans + Adv + Others	19072	20787	21003
Profit for the Period	7557	6901	8146	Non-current assets	156923	160705	175458
YOY %	-40%	-9%	18%	Current assets	64202	77211	81651
Effective Tax Rate	35%	32%	32%	Cash & Bank Balance	36078	34955	38458
Reported EPS	22	20	24	Other Current Assets	16552	21392	18202
				Sub-total - Current assets	116832	133558	138310
				Total - Assets	273754	294263	313768

Cash Flow Statement			
	FY17	FY18E	FY19E
Operating Activites			
PAT	7557	6901	8146
Add: Dep	17905	23502	30121
Others	3379	4032	4637
Changes in Working Capital	3254	2027	2012
Cash Taxes	(1,895)	(1,425)	(1,491)
Cash Operating Activites	30199	35037	43424
Cash Flow from Investing Activity			
Change in Investment	(22,008)	(28,421)	(32,421)
Capex	(16,072)	(16,251)	(17,064)
Cash From Investing Activity	(38,080)	(44,672)	(49,485)
Financing Activity			
Dividends + Interest paid	(5,458)	(5,305)	(5,785)
Change in Non Current liability	11663	15309	16840
Cash Flow From Financing	6205	10004	11055
Net decrease in cash and cash equivalents	(1,675)	368	4,994
Closing Balance	17154	13987	12864
Effect of foreign exchange on cash and cash equivalents	(1,492)	(1,491)	(1,491)
Closing Cash	13987	12864	16367

(*Closing cash excludes bank balances)

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

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