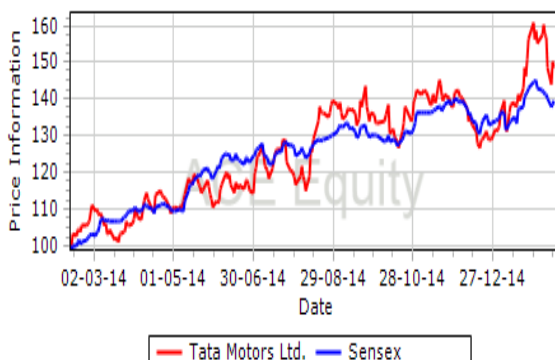
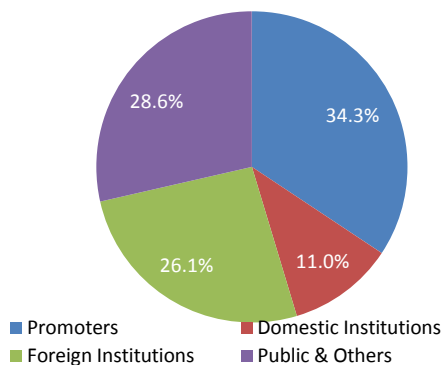


**CMP: Rs 559**  
**Target Price: Rs 588**  
**RECOMMENDATION: Hold**

Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	28,534
NSE Nifty	8,627

Market Info	
Market Capital	Rs 1,80,017 Cr
Equity Capital	Rs 644 Cr
Avg Trading Volume	58,86,170
52 Wk High / low	Rs 612/375
Face Value	Rs 2

Shareholding Pattern, as on Dec 2014



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 company failing to gain traction even with launch of new models. Our fair value for Tata Motors based on SOTP is coming at Rs 588 per share. We recommend Accumulate rating.

**JLR Q3 margins at 18.6% vs. 17.9% YoY is on account of better product mix. However, lower than previous quarter (19.4%) on account of one time wage settlement cost and new launch expenses.**

> JLR Q2FY15 Revenue at 5,879 mn GBP, 10.3% increase YoY, accompanied by a 5.0% YoY increase in overall volumes, and 5.1% YoY increase in net realization.

> JLR Q3FY15 EBITDA at 1,096 mn GBP, an increase of 14.8% yoy. EBITDA margins were at 18.6%.

> JLR Q3FY15 PBT at 685 mn GBP, a decrease of 18.6% YoY due. Decline in PBT is large attributed to Forex loss of 138 mn GBP on revaluation of Fx debt and unrealized hedges. PAT stood at 593 mn GBP (11.2% YoY decline). Effective tax rate for the quarter was 13.4% due to onetime adjustment for the reduction in the China withholding tax to 5% (v/s 10% earlier). Total Cash & Equivalents at end of Q3 was 4,027 mn GBP.

- JLR numbers were impacted by phasing out of Freelander 2 , which is expected to be completed by next quarter.
- Retails of Discovery Sport and Evoque from China JV to start in next quarter, where as Jaguar XE would be retailed from 1QFY16.
- JLR capacity to be ramped up to 550k units at UK and 130k at China JV by the end of FY16.

#### Standalone Operations:

**Standalone business continued to remain weak with entity reporting loss at EBITDA level. EBITDA margins came in at -9.6% compared to -5.9% YoY. Margins pressure is on account of weak operating leverage, due to continued weakness in CV segment.**

> Q3 Standalone Net Revenue stood at Rs 9,056 crores, 16.6% yoy increase. Volumes declined by 3.5% yoy, however, realizations improved by 20.1%.

> Standalone operation reported a loss of Rs 2,123 crs, highest ever in the history of Tata motors.

Domestic LCV business is impacted by slow economic growth, high interest rate, and weak sentiments. With stable government we expect CV demand to pick up.



**VALUATION: Recommend Accumulate with target price of Rs 588 per share.**

**JLR Business:** We value JLR at Rs 604 per share, at EV / EBITDA x of 4.5 x FY16E “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 -36 per share, at 4.5x FY16 Operating EBITDA. We expect standalone operations to pick up in FY16, 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 “Hold” with a target price of Rs 588.

Consolidated, (in Rs crore)	FY13	FY14	FY15E	FY16E
Revenue	1,88,793	2,32,834	2,51,503	2,76,772
yoy%	14.0%	23.3%	8.0%	10.0%
Operating EBITDA	24,596	34,838	39,991	46,438
yoy%	10.2%	41.6%	14.8%	16.1%
Net Profit	9,893	13,991	17,330	21,405
yoy%	-26.8%	41.4%	23.9%	23.5%
EPS	31.0	43.9	53.8	66.5
Operating EBITDA %	13.0%	15.0%	15.9%	16.8%
Net Profit margin %	5.2%	6.0%	6.9%	7.7%
P/E (x)	17.1	12.1	9.9	8.0
EV/EBITDA (x)	7.7	5.5	4.7	4.1

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY13	FY14	FY15 E	FY16 E
<b>Net Sales</b>	<b>1,87,628</b>	<b>2,30,677</b>	<b>2,49,131</b>	<b>2,74,044</b>
YoY%	14.0	22.9	8.0	10.0
Other Operating Income	1,165	2,157	2,372	2,728
<b>Income from Operations</b>	<b>1,88,793</b>	<b>2,32,834</b>	<b>2,51,503</b>	<b>2,76,772</b>
Materials Consumed	1,20,088	1,43,586	1,54,461	1,68,537
Total Expenditure	1,64,197	1,97,996	2,11,512	2,30,334
<b>Operating EBITDA</b>	<b>24,596</b>	<b>34,838</b>	<b>39,991</b>	<b>46,438</b>
Operating EBITDA margin %	13.0	15.0	15.9	16.8
Depreciation	7,601	11,078	12,457	13,154
Operating EBIT before adj	16,995	23,760	27,534	33,284
Other Income	816	829	870	914
Interest	3,560	4,734	5,232	5,618
PBT before Excp Items	14,250	19,854	23,173	28,580
Exceptional item	(603)	(985)	-	-
<b>PBT</b>	<b>13,647</b>	<b>18,869</b>	<b>23,173</b>	<b>28,580</b>
Tax Expense	3,777	4,765	5,793	7,145
<b>Reported Net Profit</b>	<b>9,871</b>	<b>14,104</b>	<b>17,380</b>	<b>21,435</b>
YoY%	(27.3)	42.9	23.2	23.3
Effective Tax Rate	27.7	25.3	25.0	25.0
<b>Reported EPS</b>	<b>31.0</b>	<b>43.9</b>	<b>53.8</b>	<b>66.5</b>

Source: Company data, Arihant Research



**JLR QUARTERLY PERFORMANCE**

JLR Consolidated P&L: in million GBP	Q3FY15	Q3FY14	yoy%	Q2FY15	qoq%
Land rover units sold	103100	95998		86200	
Jaguar units sold	19100	20359		17800	
Total units sold	122200	116357	5.0%	104000	17.5%
<b>Revenue</b>	<b>5879</b>	<b>5328</b>	<b>10.3%</b>	<b>4808</b>	<b>22.3%</b>
Material Cost	3565	3296		2904	
Contribution	2314	2032	13.9%	1904	21.5%
contribution %	39.4%	38.1%		39.6%	
Employee Cost	535	440		463	
Other expenses (including R&D in full)	986	908		782	
Product Development Cost Capitalized	303	271		274	
<b>EBITDA</b>	<b>1096</b>	<b>955</b>	<b>14.8%</b>	<b>933</b>	<b>17.5%</b>
EBITDA margin %	18.6%	17.9%		19.4%	
Depreciation & Amortization	265	221		244	
Foreign exchange gain/(loss)	-138	92		-85	
Net Financing expenses	8	-16		-5	
PBT	685	842	-18.6%	609	12.5%
Income tax expenses	92	223		159	
<b>PAT</b>	<b>593</b>	<b>619</b>	<b>-4.2%</b>	<b>450</b>	<b>31.8%</b>
Tax Rate	13.4%	26.5%		26.1%	

**STANDALONE QUARTERLY PERFORMANCE**

Standalone P&L in INR crore	Q3 FY15	Q3 FY14	yoy%	Q2 FY15	qoq%
Commercial Vehicles	78748	86047	-8.48%	80,724	-2.45%
PV / UV	36,422	34,829	4.57%	32,407	12.39%
Exports	12,314	11,211	9.84%	14,089	-12.60%
Total Vehicles	1,27,484	1,32,087	-3.48%	1,27,220	0.21%
<b>Total Income from Operations</b>	<b>9,056</b>	<b>7,770</b>	<b>16.56%</b>	<b>8,750</b>	<b>3.50%</b>
Total Material Cost	6,991	5,963		6644	
Contribution	2,065	1,807		2,106	
Contribution %	22.8%	23.3%		24.1%	
<b>Operating EBITDA</b>	<b>-871</b>	<b>-459</b>	<b>NA</b>	<b>-265</b>	<b>NA</b>
margin %	-9.6%	-5.9%		-3.0%	
Other Income	58	1,988		143	
PBT	-2,105	621	NA	-1,107	NA
Tax expense / (credit)	18.14	-630		738.26	
<b>PAT</b>	<b>-2,123</b>	<b>1,251</b>	<b>NA</b>	<b>-1,846</b>	<b>NA</b>
Tax rate	-0.9%	-101.4%		-66.7%	

**CONSOLIDATED QUARTERLY PERFORMANCE**

Consolidated P&L: in Rs crore	Q3 FY15	Q3 FY14	yoy%	Q2 FY15	qoq%
<b>Total Income from Operations</b>	<b>69,973</b>	<b>63,877</b>	<b>9.5%</b>	<b>60,564</b>	<b>15.5%</b>
Total Raw Material Cost	42,698	39,961	6.8%	36,968	15.5%
Contribution	27,276	23,916	14.0%	23,596	15.6%
Contribution %	39.0%	37.4%		39.0%	
<b>Operating EBITDA</b>	<b>10,054</b>	<b>9,948</b>	<b>1.1%</b>	<b>9,567</b>	<b>5.1%</b>
margin %	14.4%	15.6%		15.8%	
PBT	5,732	6,128	-6.5%	5,671	1.1%
Tax expense	2,140	1,309	63.6%	2,364	-9.5%
PAT	3,592	4,819	-25.5%	3,307	8.6%
<b>Net Profit after minority interest</b>	<b>3,581</b>	<b>4,805</b>	<b>-25.5%</b>	<b>3,291</b>	<b>8.8%</b>

Source: Company data, Aриhant 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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