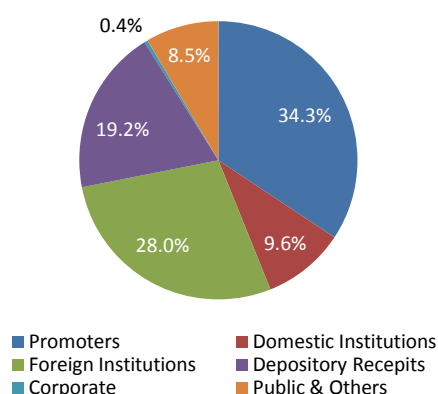


**CMP: Rs 364**  
**Target Price: Rs 391**  
**RECOMMENDATION: Hold**

Stock Info	
BSE Group	A
BSE Code	500570
NSE Symbol	TATAMOTORS
Bloomberg	TTMT IN
Reuters	TAMO.BO
BSE Sensex	20334
NSE Nifty	6053

Market Info	
Market Capital	Rs 100220Cr
Equity Capital	Rs 638.1 Cr
Avg Trading Volume	9,374,000
52 Wk High / low	Rs 405/252
Face Value	Rs 2

Shareholding Pattern, as on Dec 2013



JLR's margins at 17.9% were boosted by richer product mix. Standalone business weakness continues, with a fifth consecutive quarter of operating EBIT loss. 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 391 per share. We recommend Hold rating.

**JLR Q3 MARGINS AT 17.9% (a 390BPS Y-O-Y JUMP, 10BPS Q-O-Q JUMP), IMPROVEMENT ON ACCOUNT OF STRONGER PRODUCT MIX.**

> JLR Q3FY14 Revenue at 5328 mn GBP, a 40.1% increase yoy, accompanied by a 7.5% yoy increase in overall volumes, and a stronger 30.3% yoy increase in Net Realizations on account of richer product mix. Higher Range Rover (new version) and Jaguar F Type drove the better mix. Net Realization per unit came in at an all time high of 52271 GBP per vehicle.

> JLR Q3FY14 EBITDA at 955 mn GBP, a huge jump of 79% yoy. EBITDA margins were at 17.9%, (390 bps yoy expansion, and 10 bps qoq jump). Strong margins came in on account of higher operating leverage as company could produce and sell more units from same operations.

> JLR Q3FY14 PBT at 842 mn GBP, a jump of almost 108% yoy, PAT at 619 mn GBP (109% yoy jump), at an effective tax rate of 26.5%. Total Cash & Equivalents at end of Q2 was at 4643 mn GBP.

**Standalone Operations:**

**Standalone business weakened further with entity reporting loss at EBITDA level. EBITDA margins came in at -5.9% compared to 0.9% during 2QFY14 and 1.4% during 3QFY13. Margins pressure is on account of weak operating leverage, due to weakness in PV and CV segment.**

> Q3 Standalone Net Revenue at Rs 7769.7 crores, a 27% yoy and 12.4% qoq fall, with volumes falling by 35.7% yoy and 12.5% qoq, but compensated by a 13.2% yoy and 0.1% qoq jump in net realizations.

> Standalone operation reported profit of Rs 1251cr and this was primarily due to gains on account of divestments of investments to TML holding Pte Ltd. and tax credits. During the quarter standalone operations reported gain of Rs 1948cr by virtue of stake divestments and Rs 630cr on account of tax credits.

Cons, (in Rs crore)	FY11	FY12	FY13	FY14E	FY15E
Revenue	122,128	165,654	188,818	242,249	257,875
yoy%	32.0%	35.6%	14.0%	28.3%	6.5%
Operating EBITDA	16,817	22,311	24,547	37,275	39,835
yoy%	107.2%	32.7%	10.0%	51.8%	6.9%
Net Profit	9,274	13,517	9,893	16,503	18,013
yoy%	260.7%	45.8%	-26.8%	66.8%	9.1%
EPS	31.1	42.6	31.0	51.7	56.0
Operating EBITDA %	13.8%	13.5%	13.0%	15.4%	15.4%
Net Profit margin %	7.6%	8.2%	5.2%	6.8%	7.0%
P/E (x)	11.7	8.5	11.7	7.0	7.1
EV/EBITDA (x)	5.6	4.2	3.8	2.5	2.2

**JLR QUARTERLY PERFORMANCE**

JLR Consolidated P&L: in million GBP	Q3FY14	Q3 FY13	yoy%	Q2 FY14	qoq%
Land rover units sold	95998	79785	20.3%	83097	15.5%
Jaguar units sold	20359	15043	35.3%	18834	8.1%
Total units sold	101391	94828	7.5%	101931	0.0%
Revenue	5328	3804	40.1%	4612	15.5%
Material Cost	3296	2409	36.8%	2827	16.6%
Contribution	2032	1395	45.7%	1785	13.8%
contribution %	38.1%	36.7%		38.7%	
Employee Cost	440	353	24.6%	390	12.8%
Other expenses (including R&D in full)	908	738	23.0%	831	9.3%
Product Development Cost Capitalized	271	229	18.3%	259	4.6%
EBITDA	955	533	79.2%	823	16.0%
EBITDA margin %	17.9%	14.0%		17.8%	
Depreciation & Amortization	221	169	30.8%	216.0	2.3%
Foreign exchange gain/(loss)	92	11.0	736.4%	73.0	26.0%
Net Financing expenses	-16.0	-29.0	-44.8%	12.0	-
PBT	842	404	108.4%	668	26.0%
Income tax expenses	223	108	106.5%	164	38.5%
PAT	619	296	109.1%	507	22.1%
Tax Rate	26.5%	26.7%		24.1%	

**STANDALONE QUARTERLY PERFORMANCE**

Standalone P&L in INR crore	Q3 FY14	Q3 FY13	yoy%	Q2 FY14	qoq%
Commercial Vehicles	86047	138963	-38.1%	101902	-15.6%
PV / UV	34829	54675	-36.3%	35411	-1.6%
Exports	11211	11653	-3.8%	13617	-17.7%
Total Vehicles	132087	205291	-35.7%	150930	-12.5%
Total Income from Operations	7770	10631	-26.9%	8868.5	-12.4%
Total Material Cost	5963	8007	-25.5%	6583.5	-9.4%
Gross margin	22.3%	24.0%		24.9%	
Operating EBITDA	-459.1	145.3	-	81.3	-
margin %	-5.9%	1.4%		0.9%	
Other Income	1988.1	111.8	1678.2%	76.2	2509.3%
PBT	621.4	-601.3	-	-701.5	-
Tax expense / (credit)	-630.0	-142.8	341.2%	-180.0	250.0%
PAT	1251.4	-458.5	-372.9%	-803.5	-255.7%
Tax rate	-101.4%	23.8%		18.3%	

**CONSOLIDATED QUARTERLY PERFORMANCE**

Consolidated P&L: in Rs crore	Q3 FY14	Q3 FY13	yoy%	Q2 FY14	qoq%
Total Income from Operations	63877	46089.5	38.6%	56882.3	12.3%
Total Raw Material Cost	39961	29671.4	34.7%	34621.7	15.4%
Gross Margin %	37.4%	35.6%		39.1%	
Operating EBITDA	9948.5	5657.3	75.9%	8635.1	15.2%
margin %	15.6%	12.3%		15.2%	
PBT	6127.7	2667.9	120%	5026.3	28.9%
Tax expense	1308.6	1031.8	26.8%	1193.4	9.6%
PAT	4819.1	1636.0	194.6%	3559.0	35.4%
Net Profit for the period	4804.8	1627.5	195.2%	3541.9	35.7%

**Concall Highlights:**

- JLR FY15E capex is pegged at GBP 3.5-3.75bn and will be invested on new products, technologies and capacity additions.
- Volume growth expected to be strong
- Free cash flow was at GBP 234mn and Gross debt was at GBP 2.4bn.

**VALUATION: Recommend Hold with target price of Rs 391 per share.**

**JLR Business:** We value JLR to Rs 400 per share, at EV / EBITDA x of 4.0 x FY15E “Adjusted” EBITDA. Our basis for positive view on JLR is expected healthy margins on account of stronger mix, and expected better volume traction in the new product line-up.

**Standalone Business:** We “downgrade” the standalone business further to negative Rs 28per share, at 5.6 x FY15 Operating EBITDA. We expect standalone operations to remain weak in FY14 and FY15, with continuing pressure in the CV segment, and market share pressure in the PV segment. Expected lower contributions from standalone operations have partly pushed down our valuations. We expect standalone operations to register an Operating EBIT loss in FY14 and FY15.

**Other Subsidiaries and Associates:** We value other subsidiaries such as TTL, TDCV, TMDL and Associates at a cumulative Rs 20 per share.



**Arihant Research Desk**

E. [research@arihantcapital.com](mailto:research@arihantcapital.com)  
T. 022-42254868

**Head Office**

3<sup>rd</sup> 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](http://www.arihantcapital.com)

**Email Id**

[research@arihantcapital.com](mailto: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.**

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

[www.arihantcapital.com](http://www.arihantcapital.com)