

# Tata Motors

**BSE SENSEX**  
28,290

**S&P CNX**  
8,769

**CMP: INR513 TP: INR775 (+51%)**
**Buy**

## TATA MOTORS

### Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,395.9
52-Week Range (INR)	599 / 266
1, 6, 12 Rel. Per (%)	-3/1/42
M.Cap. (INR b)	1742.1
M.Cap. (USD b)	25.9
Avg Val, INRm	4178
Free float (%)	65.3

### Financials Snapshot (INR b)

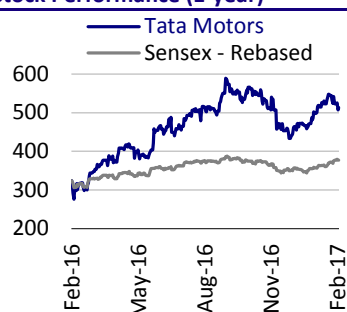
Y/E Mar	2016	2017E	2018E
Net Sales	2,756	2,883	3,366
EBITDA	402	356	467
NP	125	98	155
Adj. EPS (INR)	36.9	29.0	45.6
EPS Gr. (%)	(16)	(21.3)	57.3
BV/Sh. (INR)	238	266	308
RoE (%)	18.3	11.5	15.9
RoCE (%)	14.3	8.8	11.9
P/E (x)	13.9	17.7	11.2
P/BV (x)	2.2	1.9	1.7

### Shareholding pattern (%)

As On	Dec-16	Sep-16	Dec-15
Promoter	34.7	33.0	33.0
DII	14.8	14.5	17.4
FII	24.2	26.1	23.6
Others	26.2	26.4	26.0

FII Includes depository receipts

### Stock Performance (1-year)



## JLR Jan-17 below est at 48,740 units (+7% YoY)

**LR declines ~10%, while Jaguar volumes jump ~80% driven by F-Pace and XF**

- JLR Jan-17 wholesale volumes grew ~7% YoY (-8% MoM) to 48,740 units (estimate: 56,000 units), driven by F-pace and XF long wheel base in China.
- Jaguar volumes grew ~80% YoY to 15,427 units (estimate: 17,500 units), driven F-Pace and XF (along with the long wheel base in China). However, volumes of other Jaguar models continue to moderate.
- Land Rover volumes declined by ~10% YoY to 33,313 units (estimate: 38,500 units), due to product fatigue and discontinuance of old Discovery on the back of its launch in 4QFY17.
- JLR Jan-17 retail volumes grew ~4% YoY (-14% MoM) to 47,693 units, driven by 76% growth in retail volumes of Jaguar while LR volumes continued its decline (-11% YoY).
- Jaguar retail volume growth was driven by recently launched F-Pace (at ~5.9k units) while growth for XF moderated to 9% YoY. Jaguar XE witnessed 8% decline YoY.
- Land Rover's retail volumes declined by 11% YoY, mainly due to discontinuance of Discovery and RR (-2%), RR Evoque (-7%), while Discovery Sport (+10%) and RR Sport (+12%) arrested further decline.
- In terms of regional retail sales performance, North America led the way with a 29% YoY growth primarily led by newly launched XE and high demand for F-Pace. Besides China supported with a 12% YoY growth. Europe declined by 8% YoY while UK marginally grew by 2% YoY.
- For JLR, we are factoring in for wholesale volume growth of 13% in FY17 to ~612k. This implies residual growth of ~18% or ~run-rate of ~69.2k units.
- The stock trades at 11.2x/6.1x FY18/FY19E consolidated EPS. Maintain Buy with a TP of INR775 (FY19 SOTP-based) for ordinary shares and INR541 for DVR (~30% discount to TP for ordinary shares).

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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## TATA MOTORS: JLR [Wholesales]

Company Sales	YoY			MoM		YTD			Company Sales	Jan-17	Residual Growth (%) Jan-16	Residual Monthly Run rate YoY (%) chg	FY17 YTD Monthly Run rate Dec-16
	Jan-17	Jan-16	YoY (%) chg	Dec-16	MoM (%) chg	FY17-YTD	FY16-YTD	(%) chg					
<b>JLR</b>	<b>48,740</b>	<b>45,535</b>	<b>7.0</b>	<b>53,063</b>	<b>-8.1</b>	<b>474,546</b>	<b>427,193</b>	<b>11.1</b>	<b>JLR</b>	<b>48,740</b>	<b>45,535</b>	<b>7.0</b>	<b>53,063</b>
Jaguar	15,427	8,576	79.9	15,879	-2.8	142,088	78,489	81.0	Jaguar	15,427	8,576	79.9	15,879
Land rover	33,313	36,959	-9.9	37,184	-10.4	332,458	348,704	-4.7	Land rover	33,313	36,959	-9.9	37,184

## TATA MOTORS : JLR [Retails]

Company Sales	YoY			MoM		YTD		
	Jan-17	Jan-16	YoY (%) chg	Dec-16	MoM (%) chg	FY17YTD	FY16YTD	(%) chg
<b>JLR</b>	<b>47,693</b>	<b>46,016</b>	<b>3.6</b>	<b>55,375</b>	<b>-13.9</b>	<b>472,192</b>	<b>408,774</b>	<b>15.5</b>
Jaguar	13,949	7,941	75.7	16,349	-14.7	132,825	72,536	83.1
Land rover	33,744	38,075	-11.4	39,026	-13.5	339,367	336,238	0.9

## Region-wise Retail Sales

Region	Jan-17	Jan-16	YoY %	Dec-16	MoM %	FY17YTD	FY16YTD	YoY %
UK	8,131	7,936	2.5	7,394	10.0	90,258	79,863	13.0
US	9,908	7,670	29.2	13,757	-28.0	98,332	78,422	25.4
Europe	10,805	11,780	-8.3	12,069	-10.5	108,585	95,599	13.6
China	12,813	11,402	12.4	13,859	-7.5	104,430	80,350	30.0
RoW	6,036	7,228	-16.5	8,296	-27.2	70,587	74,540	-5.3
<b>Total JLR</b>	<b>47,693</b>	<b>46,016</b>	<b>3.6</b>	<b>55,375</b>	<b>-13.9</b>	<b>472,192</b>	<b>408,774</b>	<b>15.5</b>

## Brand-wise Retail Sales

Brands	Jan-17	Jan-16	YoY %	Dec-16	MoM %	FY17YTD	FY16YTD	YoY %
XF	3,133	2,874	9.0	3,597	-12.9	28,727	26,106	10.0
XJ	891	610	46.1	1,258	-29.2	9,252	9,391	-1.5
F-Pace	5,893	0		6,604		51,854	0	
XK	0	1		0		1	227	-99.6
XE	3,364	3,673	-8.4	4,035	-16.6	34,626	27,292	26.9
Others (incl. F-type)	668	783	-14.7	855	-21.9	8,365	9,520	-12.1
<b>Total Jaguar</b>	<b>13,949</b>	<b>7,941</b>	<b>75.7</b>	<b>16,349</b>	<b>-14.7</b>	<b>132,825</b>	<b>72,536</b>	<b>83.1</b>
Defender	53	2,267	-97.7	17	211.8	1,245	19,255	-93.5
Discovery	1,589	4,761	-66.6	2,646	-39.9	35,248	40,064	-12.0
Freelander/Dis. Sport	10,454	9,486	10.2	11,485	-9.0	98,640	71,323	38.3
Range Rover (incl. new)	4,909	5,012	-2.1	5,798	-15.3	44,459	48,808	-8.9
RR Evoque	9,090	9,729	-6.6	9,899	-8.2	88,608	87,294	1.5
RR Sport (incl. new model)	7,649	6,820	12.2	9,180	-16.7	71,166	69,494	2.4
<b>Total Land Rover</b>	<b>33,744</b>	<b>38,075</b>	<b>-11.4</b>	<b>39,025</b>	<b>-13.5</b>	<b>339,366</b>	<b>336,238</b>	<b>0.9</b>

## Financials and valuations

<b>Income Statement (Consolidated)</b>		<b>(INR Million)</b>						
<b>Y/E March</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>Total Income</b>	<b>1,656,545</b>	<b>1,888,176</b>	<b>2,328,337</b>	<b>2,631,590</b>	<b>2,755,611</b>	<b>2,883,177</b>	<b>3,365,996</b>	<b>4,074,606</b>
Change (%)	35.6	14.0	23.3	13.0	4.7	4.6	16.7	21.1
Expenditure	1,419,540	1,622,487	1,954,308	2,210,452	2,353,245	2,526,874	2,899,138	3,402,000
<b>EBITDA</b>	<b>237,005</b>	<b>265,689</b>	<b>374,029</b>	<b>421,138</b>	<b>402,367</b>	<b>356,303</b>	<b>466,857</b>	<b>672,607</b>
% of Net Sales	14.3	14.1	16.1	16.0	14.6	12.4	13.9	16.5
Depreciation	56,254	75,693	110,782	133,886	170,142	183,581	222,405	271,683
<b>EBIT</b>	<b>180,751</b>	<b>189,996</b>	<b>263,248</b>	<b>287,252</b>	<b>232,225</b>	<b>172,722</b>	<b>244,452</b>	<b>400,923</b>
Product Dev. Exp.	13,892	20,216	25,652	28,752	34,804	37,899	41,849	46,120
Interest	29,822	35,533	47,338	48,615	46,234	37,695	38,665	38,638
Other Income	6,618	8,115	8,286	8,987	9,817	7,534	8,566	8,789
EO Exp/(Inc)	1,774	876	2,777	930	18,794	-5,013	0	0
Forex Gain/ (Loss)	6,541	5,151	7,077	917	2,402	-7,290	0	0
<b>PBT</b>	<b>135,339</b>	<b>136,335</b>	<b>188,690</b>	<b>217,026</b>	<b>139,809</b>	<b>116,965</b>	<b>172,504</b>	<b>324,955</b>
Tax	-400	37,710	47,648	76,429	28,726	32,005	42,321	69,880
Effective Rate (%)	-0.3	27.7	25.3	35.2	20.5	27.4	24.5	21.5
<b>Reported PAT</b>	<b>135,739</b>	<b>98,625</b>	<b>141,042</b>	<b>140,597</b>	<b>111,083</b>	<b>84,960</b>	<b>130,183</b>	<b>255,075</b>
Change (%)	47.2	-27.3	43.0	-0.3	-21.0	-23.5	53.2	95.9
% of Net Sales	8.2	5.2	6.1	5.3	4.0	2.9	3.9	6.3
Minority Interest	-823	-837	-595	-868	-1,059	-976	-1,094	-1,208
Share of profit of associate	249	1,138	-537	134	213	18,152	25,854	31,042
<b>Net Profit</b>	<b>135,165</b>	<b>98,926</b>	<b>139,910</b>	<b>139,863</b>	<b>110,238</b>	<b>102,136</b>	<b>154,943</b>	<b>284,909</b>
<b>Adj. PAT</b>	<b>119,008</b>	<b>99,560</b>	<b>141,986</b>	<b>140,465</b>	<b>125,170</b>	<b>98,495</b>	<b>154,943</b>	<b>284,909</b>
Change (%)	28.3	-16.3	42.6	-1.1	-10.9	-21.3	57.3	83.9

<b>Balance Sheet (Consolidated)</b>		<b>(INR Million)</b>						
<b>Y/E March</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
Share Capital	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792
Reserves	320,638	369,992	649,597	556,181	801,035	896,238	1,040,157	1,314,042
<b>Net Worth</b>	<b>326,985</b>	<b>376,373</b>	<b>656,035</b>	<b>562,619</b>	<b>807,827</b>	<b>903,030</b>	<b>1,046,949</b>	<b>1,320,833</b>
Loans	471,490	557,223	549,545	692,115	630,999	617,916	599,832	581,748
Deferred Tax	-23,743	-24,094	-7,748	-13,900	4,397	4,397	4,397	4,397
<b>Capital Employed</b>	<b>777,803</b>	<b>913,206</b>	<b>1,202,038</b>	<b>1,245,167</b>	<b>1,452,105</b>	<b>1,535,201</b>	<b>1,662,130</b>	<b>1,919,139</b>
Gross Fixed Assets	897,791	1,205,654	1,329,282	1,582,066	1,891,371	2,392,226	2,720,226	3,084,226
Less: Depreciation	495,125	570,818	688,154	744,241	875,469	1,059,050	1,281,455	1,553,138
<b>Net Fixed Assets</b>	<b>402,667</b>	<b>634,836</b>	<b>641,128</b>	<b>837,825</b>	<b>1,015,902</b>	<b>1,333,176</b>	<b>1,438,770</b>	<b>1,531,087</b>
Capital WIP	159,458	60,000	332,626	286,401	272,604	70,000	70,000	70,000
Goodwill	40,937	41,024	49,788	46,970	48,365	48,365	48,365	48,365
Investments	89,177	90,577	106,867	153,367	204,661	222,813	248,667	279,709
<b>Curr.Assets</b>	<b>711,679</b>	<b>829,538</b>	<b>1,046,103</b>	<b>1,034,685</b>	<b>1,124,179</b>	<b>1,085,210</b>	<b>1,165,838</b>	<b>1,586,330</b>
Inventory	182,160	209,690	272,709	292,723	333,990	323,864	387,320	468,859
Sundry Debtors	82,368	109,427	105,742	125,792	129,900	142,184	165,994	200,939
Cash & Bank Bal.	182,381	211,127	297,118	321,158	328,800	281,173	268,034	565,542
Loans & Advances	249,952	280,739	273,241	256,948	286,983	291,983	296,983	301,983
<b>Current Liab. &amp; Prov.</b>	<b>626,116</b>	<b>742,769</b>	<b>974,474</b>	<b>1,114,081</b>	<b>1,213,607</b>	<b>1,224,363</b>	<b>1,309,511</b>	<b>1,596,353</b>
Sundry Creditors	366,863	447,801	573,157	574,073	636,329	655,627	737,752	893,064
Other Liabilities	130,835	134,250	199,707	328,305	372,083	347,561	313,545	390,716
<b>Net Current Assets</b>	<b>85,564</b>	<b>86,769</b>	<b>71,629</b>	<b>-79,396</b>	<b>-89,428</b>	<b>-139,153</b>	<b>-143,673</b>	<b>-10,022</b>
<b>Appl. of Funds</b>	<b>777,803</b>	<b>913,206</b>	<b>1,202,038</b>	<b>1,245,167</b>	<b>1,452,105</b>	<b>1,535,201</b>	<b>1,662,130</b>	<b>1,919,139</b>

E: MOSL Estimates

## Financials and valuations

### Ratios (Consolidated)

Y/E March	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Basic (INR)</b>								
EPS	37.5	31.2	44.1	43.6	36.9	29.0	45.6	83.9
EPS Fully Diluted	37.5	31.2	44.1	43.6	36.9	29.0	45.6	83.9
Normalized EPS ^	21.2	11.4	17.8	14.1	5.6	-4.2	8.3	41.4
EPS Growth (%)	28.9	-16.8	41.3	-1.1	-15.5	-21.3	57.3	83.9
Cash EPS	55.2	54.9	78.5	85.2	87.0	83.1	111.1	163.9
Book Value (Rs/Share)	103.0	118.0	203.8	174.8	237.9	265.9	308.3	388.9
DPS	4.0	2.0	2.0	0.0	0.2	3.0	4.0	4.0
Payout (Incl. Div. Tax) %	12.4	7.4	5.3	0.0	0.7	12.5	10.6	5.7
<b>Valuation (x)</b>								
Consolidated P/E				11.8	13.9	17.7	11.2	6.1
Normalized P/E				36.5	91.1	-121.9	62.0	12.4
EV/EBITDA				4.4	4.6	5.2	3.9	2.2
EV/Sales				0.7	0.7	0.6	0.5	0.4
Price to Book Value				2.9	2.2	1.9	1.7	1.3
Dividend Yield (%)				0.0	0.0	0.6	0.8	0.8
<b>Profitability Ratios (%)</b>								
RoE	45.9	28.3	27.5	23.1	18.3	11.5	15.9	24.1
RoCE	29.1	17.0	19.2	15.7	14.3	8.8	11.9	18.0
RoIC	60.2	30.6	38.7	39.2	32.6	15.6	18.1	30.3
<b>Turnover Ratios</b>								
Debtors (Days)	18	21	17	17	17	18	18	18
Inventory (Days)	40	41	43	41	44	41	42	42
Creditors (Days)	81	87	90	80	84	83	80	80
Asset Turnover (x)	2.1	2.1	1.9	2.1	1.9	1.9	2.0	2.1
<b>Leverage Ratio</b>								
Debt/Equity (x)	1.4	1.5	0.8	1.2	0.8	0.7	0.6	0.4

### Cash Flow Statement (Consolidated)

(INR Million)

Y/E March	2012	2013	2014	2015	2016	2017E	2018E	2019E
OP/(Loss) before Tax	135,165	98,926	139,910	139,863	110,238	102,136	154,943	284,909
Int/Div. Received	5,376	8,062	6,933	7,777	9,817	7,534	8,566	8,789
Depreciation	56,209	75,648	110,736	133,864	131,228	183,581	222,405	271,683
Direct Taxes Paid	-17,679	-22,231	-43,083	-41,940	-10,430	-32,005	-42,321	-69,880
(Inc)/Dec in WC	-22,801	-680	57,744	-36,718	17,674	2,098	-8,619	163,858
Other Items	24,401	64,617	88,983	136,570	3,154	976	1,094	1,208
<b>CF from Op Activity</b>	<b>180,670</b>	<b>224,343</b>	<b>361,223</b>	<b>339,415</b>	<b>261,681</b>	<b>264,321</b>	<b>336,069</b>	<b>660,568</b>
Extra-ordinary Items	8,549	4,342	7,221	20,191	-18,794	5,013	0	0
<b>CF after EO Items</b>	<b>189,219</b>	<b>228,684</b>	<b>368,444</b>	<b>359,606</b>	<b>242,888</b>	<b>269,334</b>	<b>336,069</b>	<b>660,568</b>
(Inc)/Dec in FA+CWIP	-137,829	-187,203	-269,252	-315,396	-295,509	-298,250	-328,000	-364,000
(Pur)/Sale of Invest.	-72,976	-54,984	-36,611	-37,570	-51,294	-18,152	-25,854	-31,042
<b>CF from Inv Activity</b>	<b>-210,804</b>	<b>-242,188</b>	<b>-305,863</b>	<b>-352,966</b>	<b>-346,803</b>	<b>-316,402</b>	<b>-353,854</b>	<b>-395,042</b>
Issue of Shares	1,386	7	1	0	135,788	5,344	5,344	5,344
Inc/(Dec) in Debt	113,054	45,082	30,092	122,288	-61,115	-13,084	-18,084	-18,084
Interest Paid	-33,737	-46,560	-61,706	-63,070	-46,234	-37,695	-38,665	-38,638
Dividends Paid	-15,031	-15,087	-7,220	-7,204	-818	-12,276	-16,368	-16,368
<b>CF from Fin Activity</b>	<b>65,672</b>	<b>-16,558</b>	<b>-38,832</b>	<b>52,014</b>	<b>27,621</b>	<b>-57,712</b>	<b>-67,774</b>	<b>-67,746</b>
<b>Inc/(Dec) in Cash</b>	<b>44,087</b>	<b>-30,061</b>	<b>23,749</b>	<b>58,655</b>	<b>-76,294</b>	<b>-104,780</b>	<b>-85,559</b>	<b>197,780</b>
Add: Beginning Bal.	104,244	153,550	142,531	152,629	211,283	134,990	30,210	-55,349
<b>Closing Balance</b>	<b>148,330</b>	<b>123,488</b>	<b>166,280</b>	<b>211,283</b>	<b>134,990</b>	<b>30,210</b>	<b>-55,349</b>	<b>142,431</b>

E: MOSL Estimates

NOTES

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