

August 2, 2016

BSE Code: 500570    NSE Code: TATAMOTORS    Reuters Code: TAMO.NS    Bloomberg Code: TTMT:IN

Tata Motors (TAMO) is one of the India's largest CV (Commercial Vehicles) manufacturer with 52% market share in M&HCV segment. Besides, it also manufactures passenger cars and utility vehicles. With the acquisition of Jaguar Land Rover (JLR) from Ford in 2008, TAMO now has presence in the global luxury car market. Currently, TAMO derives 82% of its revenue from JLR.

## Key Developments

### New launches by JLR:

JLR has undertaken to launch many new products including F-Pace (launched in April 2016), XE (May, 2016), Evoque convertible (Q1FY17) & XFL (H2CY16)). Further, some other models launched during H2FY16 were XF in China (December, 2015), XJ 16MY (Feb, 2016). Additionally, the company has a favorable market mix (China's contribution increased from 11% in FY11 to 29% in FY15) and it sources from low-cost countries.

### Performance of China JV:

In November 2012, JLR has inked a 50:50 JV with Chery Automobile (CJLR) with an equity investment of USD 350 mn (share of JLR). This JV currently manufactures Range Rover Evoque & Land Rover Discovery Sport for the local Chinese market.

China JV reported a strong financial performance in FY16 despite being in a ramp up mode. The China JV's contribution to FY16 JLR's PAT was GBP 64 mn as against a loss of GBP 7 mn in FY15. Importantly, volume growth in China is gradually recovering (FY16 sales stood at 34,751 units).

### H1FY17 volume growth of JLR:

Increase in sales from Europe and UK supported the sales of Jaguar Land Rover in H1FY17 with retail sales of 291,556 vehicles, up 22% as against the same period last year.

The growth was primarily driven by an increase in Jaguar sales of 64% for the first half of the year. With retail sales of almost 9,500 vehicles, the F-PACE is Jaguar's fastest selling model and the brand's growth is supported by continued strong sales of both the XE and XF.

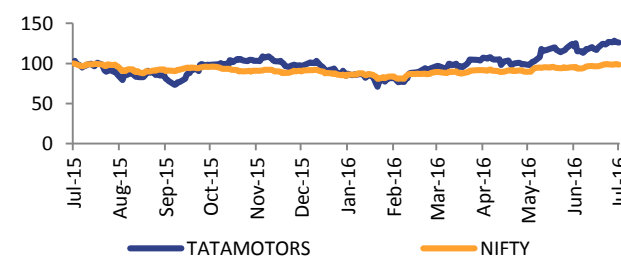
## Market Data

<b>CMP (Rs.)</b>	<b>508</b>
Face Value	2.0
52 week H/L (Rs.)	515/266
Adj. all time High (Rs.)	606
Decline from 52WH (%)	1.3
Rise from 52WL (%)	91.0
Beta	1.4
Mkt. Cap (Rs. Cr)	172,512
Enterprise Value (Rs. Cr)	192,652

## Fiscal Year Ended

	FY14	FY15	FY16
<b>Total revenue (Rs. cr)</b>	232,834	262,796	275,561
<b>Profit (Rs. cr)</b>	14,976	14,171	13,144
<b>Share Capital (Rs. Cr)</b>	644	644	679
<b>EPS (Rs.)</b>	46.5	44.0	38.7
<b>P/E (x)</b>	10.9	11.5	13.1
<b>P/BV (x)</b>	2.5	2.9	2.1
<b>ROE (%)</b>	29.0	23.3	19.2

## One year Price Chart



Shareholding	Jun16	Mar16	Diff.
<b>Promoters (%)</b>	33.0	33.0	-
<b>Public (%)</b>	67.0	67.0	-
<b>Others (%)</b>	-	-	-

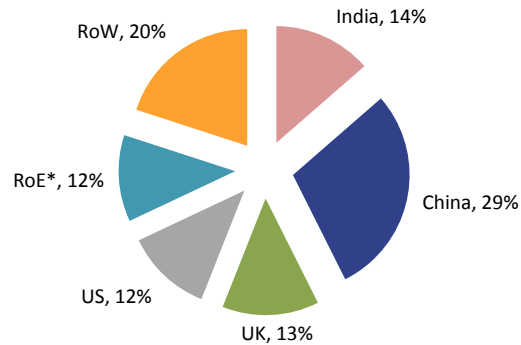
JLR markets products in 170 countries, through a global network of 19 national sales companies.

### Tata Motors Ltd.: Business overview

Tata Motors manufactures and sells commercial vehicles, utility vehicles and passenger cars in India. It is one of the leading company in the Indian commercial vehicles segment, with a 52% market share in the medium and heavy commercial vehicle market. TAMO entered the passenger car market in 1998 with Indica model. In 2003, it launched the mid-size sedan, Indigo, followed by Nano (2009), Zest (2014), Bolt (2015), Tiago (2016).

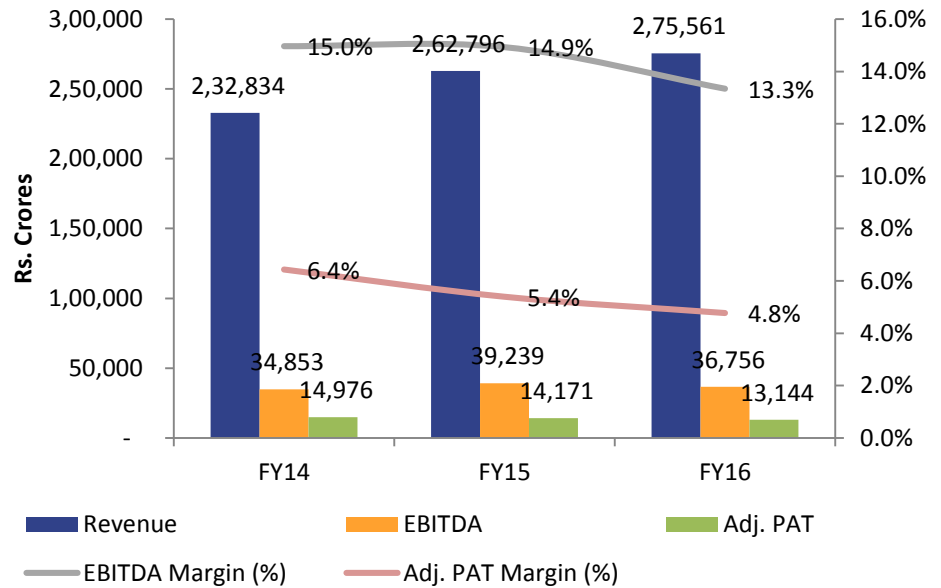
Further, with the acquisition of Jaguar Land Rover (JLR) from Ford in 2008, TAMO now has presence in the global luxury car market. Currently, JLR contributes ~82% to the total revenues of TAMO. JLR markets products in 170 countries, through a global network of 19 national sales companies, 73 importers, 53 export partners and 2,674 franchise sales dealers, of which 915 are joint Jaguar and Land Rover dealers.

#### Geographywise revenue breakup



Source: Company, In-house research; \*: Rest of Europe(RoE) is geographic Europe excluding UK & Russia

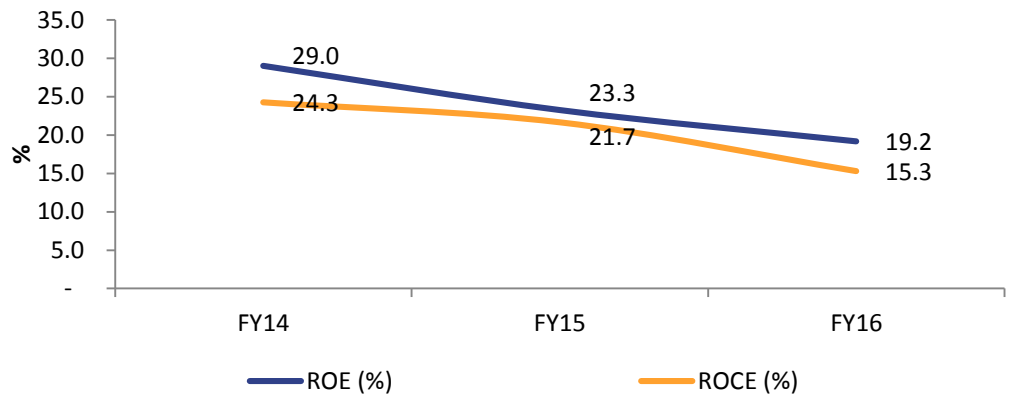
#### Financial snapshot of Tata Motors



Source: Company, In-house research

JLR's new product pipeline remains strong and includes hybrids and electric vehicles.

### Return Ratios Trend



Source: Company, In-house research

### New launches by JLR

JLR has launched many new products including F-Pace (launched in April 2016), XE (May, 2016), Evoque convertible (Q1FY17) & XFL (H2CY16)). Further, some other models launched during H2FY16 were XF in China (December, 2015), XJ 16MY (Feb, 2016). Additionally, the company has a favorable market mix (China's contribution increased from 11% in FY11 to 29% in FY15) and it sources from low-cost countries.

### Product portfolio of JLR

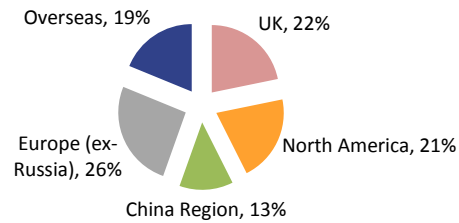
Jaguar products	Land Rover products
Jaguar XF (executive car)	Land Rover Defender (off-road vehicle)
Jaguar F-Type (sports car)	Land Rover Freelander (compact SUV)
Jaguar XK (grand tourer)	Land Rover Discovery (mid-size SUV)
Jaguar XJ (luxury car)	Range Rover Evoque (compact SUV)
Jaguar XE (entry-level luxury sedan)	Range Rover (full-size SUV)

### JLR's new product pipeline

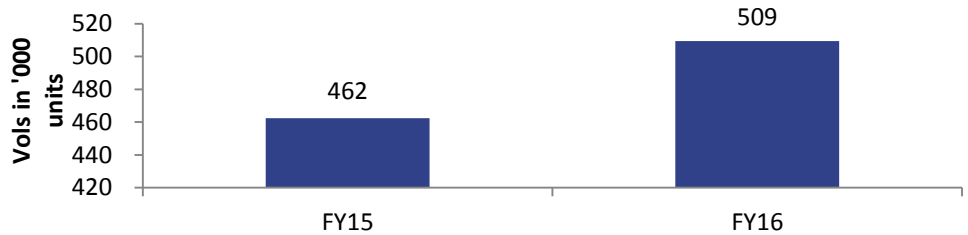
Timeline	Model
Q1FY17	F-Pace
Q1FY17	Jaguar XE
Q1FY17	Evoque convertible
H2CY16	XFL (CJLR)
Q2FY18	Mid-sized RR

Source: Company, In-house research

### Breakup of JLR wholesale volumes by geography



### JLR volumes (excluding China JV) growth trend



Source: Company, In-house research

### JLR's growth strategy

The JLR growth strategy hinges on new product introduction to capture market share of the peers, refurbishing the old models with new ones and most importantly, aggressively expanding manufacturing base to high growth geographies like China. TAMO globally faces competition primarily from Audi, BMW & Mercedes.

### Contribution of China JV to JLR's competitiveness and profitability

In November 2012, JLR had inked a 50:50 JV with Chery Automobile (CJLR) with an equity investment of USD 350 mn (share of JLR). This JV currently manufactures Range Rover Evoque & Land Rover Discovery Sport for the local Chinese market. Despite being in a ramp up mode, CLJR reported a strong financial performance in FY16. The China JV's contribution to FY16 JLR's PAT was GBP 64 mn as against a loss of GBP 7 mn in FY15. Importantly, volume growth in China is gradually recovering (FY16 sales stood at 34,751 units).

### Domestic business:

TAMO witnessed recovery in domestic business with total volumes growing by ~2% in FY16 as against a de-growth of more than 10% in FY15. In the domestic market, the company sold an overall ~512,000 vehicles, with commercial vehicles (CV) volumes of 326,755 a growth of 2.8% YoY driven by volume expansion across segments. However, the company's Passenger Vehicles sales were lower by 7.0% at 127,118 vehicles. Sales of cars were lower by 3.8% at 106,827 and utility vehicles and vans sales volumes were down by 20.6% at 20,291. The net income from the company's standalone business grew by ~17% YoY to Rs. 42,370 crores in FY16.

## Balance Sheet (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
Share Capital	644	644	679
Reserve and surplus	64,960	55,618	80,103
<b>Net Worth</b>	<b>65,603</b>	<b>56,262</b>	<b>80,783</b>
Minority Interest	421	433	888
Total Debt	54,954	69,211	63,100
Other non-current liabilities	14,787	24,276	21,764
<b>Total Equity &amp; Liabilities</b>	<b>135,766</b>	<b>150,183</b>	<b>166,535</b>
Net Fixed Assets	87,238	103,092	118,587
Capital WIP	10,137	9,330	10,264
Goodwill	4,979	4,697	4,837
Investments	10,687	15,337	20,466
Net current assets	3,613	530	(3,495)
Deferred tax assets (net)	775	1,390	(440)
Other non-current assets	18,337	15,806	16,316
<b>Total Assets</b>	<b>135,766</b>	<b>150,183</b>	<b>166,535</b>

## Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
<b>Net profit/loss before tax &amp; extraordinary items</b>	<b>13,991</b>	<b>13,986</b>	<b>14,002</b>
Net cashflow from operating activities	36,151	35,183	35,382
Net cash used in investing activities	(29,893)	(34,519)	(37,590)
Net cash used from financing activities	(3,883)	5,201	2,971
<b>Net inc/dec in cash and cash equivalents</b>	<b>2,375</b>	<b>5,865</b>	<b>764</b>

## Financial performance snapshot

Net sales of the company stood at Rs. 275,561 Crores in FY16, a growth of 4.9% as compared to Rs. 262,796 Crores in FY15. The operating expenses of the company increased by 6.8% YoY to Rs. 238,805 Crores from Rs. 223,558 Crores during the year. The company's EBITDA grew by 6.3% YoY to Rs. 36,756 Crores in FY16 from Rs. 39,239 Crores in FY15. EBITDA margin contracted by 159 bps to 13.3% in FY16 from 14.9% in FY15. Net profit decreased by 21.2% to Rs. 11,024 Crores in FY16 from Rs. 13,986 Crores in FY15. The NPM contracted by 62 bps to 4.8% from 5.4% during the above period.

## Profit & Loss Account (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
<b>Net revenue</b>	<b>232,834</b>	<b>262,796</b>	<b>275,561</b>
Expenses	197,980	223,558	238,805
<b>EBITDA</b>	<b>34,853</b>	<b>39,239</b>	<b>36,756</b>
Depreciation	11,078	13,389	17,014
<b>EBIT</b>	<b>23,775</b>	<b>25,850</b>	<b>19,742</b>
Interest cost	4,749	4,861	4,623
Other Income	829	899	982
<b>Profit Before Tax</b>	<b>19,854</b>	<b>21,887</b>	<b>16,101</b>
Tax	4,765	7,643	2,873
<b>Profit After Tax</b>	<b>15,090</b>	<b>14,244</b>	<b>13,228</b>
Minority Interest	59	87	106
P/L from Associates	(54)	13	21
<b>Adjusted PAT</b>	<b>14,976</b>	<b>14,171</b>	<b>13,144</b>
E/o expense / (income)	(985)	(185)	(2,120)
<b>Reported Profit</b>	<b>13,991</b>	<b>13,986</b>	<b>11,024</b>

## Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	15.0	14.9	13.3
EBIT Margin (%)	10.2	9.8	7.2
NPM (%)	6.4	5.4	4.8
ROCE (%)	24.3	21.7	15.3
ROE (%)	29.0	23.3	19.2
EPS (Rs.)	46.5	44.0	38.7
P/E (x)	10.9	11.5	13.1
BVPS(Rs.)	203.8	174.8	237.9
P/BVPS (x)	2.5	2.9	2.1
EV/EBITDA (x)	5.4	5.1	5.5



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