

Tata Motors (TAMO) is one of the India's largest CV (Commercial Vehicles) manufacturer with 55% 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. Importantly, TAMO derives about 82% of its revenue from JLR.

### Key Developments

#### JLR business on a strong footing:

JLR contributes ~82% to the total revenues of TAMO. The new launches of JLR – New F-Pace (launched in Q1FY17), Evoque convertible (Q1FY17) and XFL (CJLR) (Q2FY17) – are well received in all major markets. For the current fiscal, the management has guided capex of about GBP 3.34 billion in its JLR business as it continues to invest in new products, technology and manufacturing capacity. Additionally, contribution of China region has increased from 11% in FY11 to 29% in FY15.

#### Continued focus on new product development:

The company launched many products during FY16 including – Ace Mega, SIGNA range of M&HCV, Ultra Electric, Range Rover Evoque, Jaguar XE, Jaguar XF, Jaguar XJ, Jaguar F-PACE and Tiago to name a few. Tata Motors has continued its endeavour to adopt technologies for its product range to meet the requirements of a globally competitive market.

#### Performance of the China JV:

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 (9MFY17 PAT contribution: 119 GBP mn) as against a loss of GBP 7 mn in FY15. Importantly, the volume growth in China is gradually recovering.

#### Holds dominant position in the M&HCV market with a 55% market share:

It is a leading company in the Indian commercial vehicles segment, with a 55% market share in the medium and heavy commercial vehicle (M&HCV) market. The management targets to achieve 60% market share in M&HCV space over the next 2 years, led by the launch of the new Signa range of trucks. Likewise, TAMO is hopeful of gaining market share in the PV segment with new launches including Hexa (waiting period of 2 months). As per the new marketing strategy, TAMO will launch two new models every year.

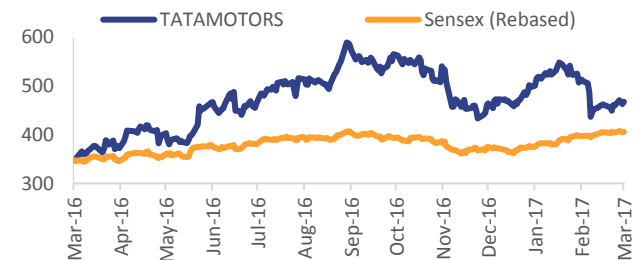
### Market Data

<b>CMP (Rs.)</b>	<b>445</b>
Face Value	2.0
52 week H/L (Rs.)	599/376
Adj. all time High (Rs.)	599
Decline from 52WH (%)	25.6
Rise from 52WL (%)	18.4
Beta	1.7
Mkt. Cap (Rs.Cr)	151,152
Enterprise Value (Rs. Cr)	169,391

### Fiscal Year Ended

	FY14	FY15	FY16
<b>Total revenue (Rs.cr)</b>	232,834	262,796	275,561
<b>Adj. PAT (Rs.cr)</b>	14,976	14,171	13,143
<b>Share Capital (Rs.Cr)</b>	644	644	679
<b>EPS (Rs.)</b>	46.5	44.0	38.7
<b>P/E (x)</b>	9.6	10.1	11.5
<b>P/BV (x)</b>	2.2	2.5	1.9
<b>ROE (%)</b>	29.0	23.3	19.2

### One year Price Chart



Shareholding	Mar-17	Dec-16	Diff.
<b>Promoters (%)</b>	34.7	34.7	-
<b>Public (%)</b>	65.3	65.3	-
<b>Others (%)</b>	-	-	-

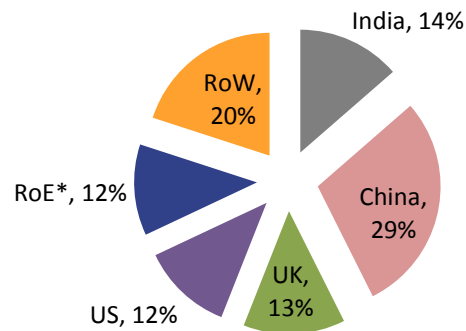
TAMO is one of the largest truck and bus manufacturers in the world.

### TAMO: Business Overview

Tata Motors manufactures and sells commercial vehicles, utility vehicles and passenger cars in India. It is one of the leading companies in the Indian commercial vehicles segment, with a 55% 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) and Hexa (2017).

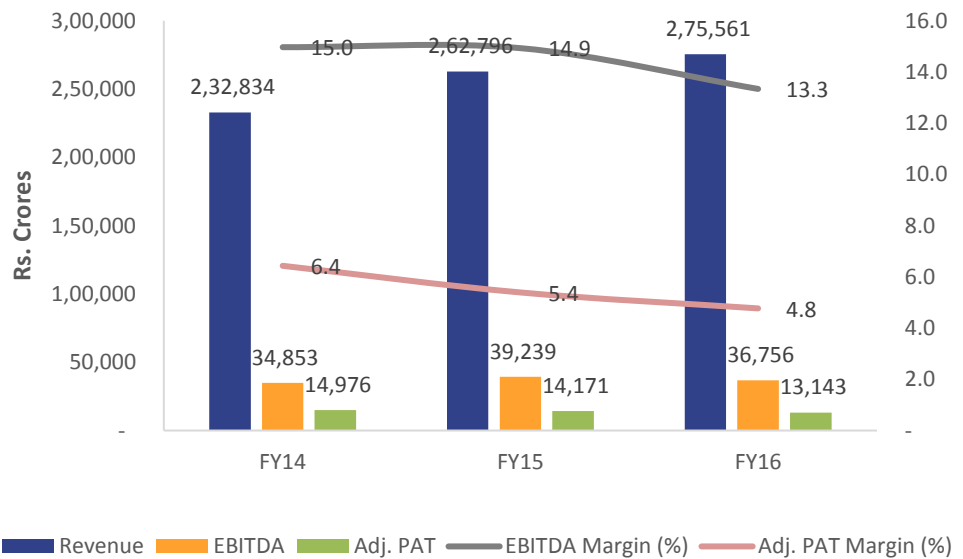
Further, with the acquisition of Jaguar Land Rover (JLR) from Ford in 2008, TAMO now has presence in the global luxury car market. JLR contributes ~82% to the total revenues of TAMO. JLR markets products in about 170 countries, through a global network of 19 national sales companies, 73 importers, 53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

#### Geography wise revenue breakup (FY16)



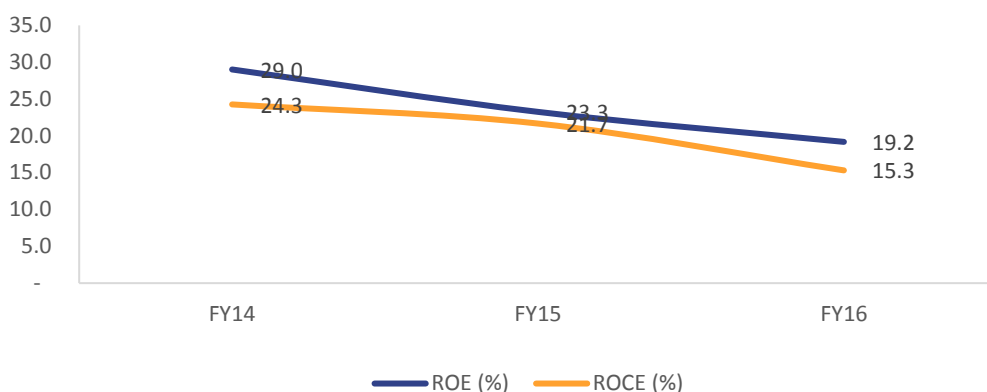
Source: Company, In-house research

#### Financial snapshot of Tata Motors



Source: Company, In-house research

### Return ratios trend



Source: Company, In-house research

### JLR: driving growth for the company

TAMO derives ~82% of its revenues from JLR. Jaguar Land Rover continued to experience growth in FY16 with wholesale volumes of 544,085 units, up 15.6% YoY, with strong growth in Europe, North America and the United Kingdom, up year-on-year by 45.2%, 37.7% and 26.2%, respectively. Retail volumes (including retail sales from the China Joint Venture) in Fiscal 2016 increased by 12.8% to 521,571 units from 462,209 units in Fiscal 2015 primarily driven by strong sales of the Jaguar XE and Land Rover Discovery Sport, as well as a solid performance by the iconic Land Rover Defender in its run out year.

### 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)

Source: Company, In-house research

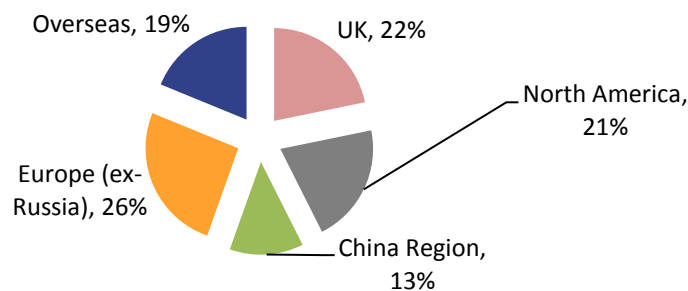
### JLR's new product pipeline

Timeline	Model
Q1FY17	Jaguar F-Pace
Q1FY17	Evoque convertible
Q2FY17	XFL (CJLR)
Q4FY17	All new Discovery
CY18	I-PACE

Source: Annual Report 2016 for JLR, In-house research

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

### Breakup of JLR wholesale volumes by geography



Source: Company, In-house research

### JLR business on a strong footing

The new launches of JLR – New F-Pace (launched in Q1FY17), Evoque convertible (Q1FY17) and XFL (CJLR) (Q2FY17) – are well received in all major markets. For the current fiscal, the management has guided capex of about GBP 3.34 billion in its JLR business as it continues to invest in new products, technology and manufacturing capacity. Additionally, contribution of China region has increased from 11% in FY11 to 29% in FY15.

### Ramp-up in China JV

In November 2012, JLR 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 & Jaguar XFL for the local Chinese market. Despite being in a ramp up mode, CJLR reported a strong financial performance in FY16. The China JV's contribution to FY16 JLR's PAT was GBP 64 mn (9MFY17 PAT contribution:119 GBP mn) vs a loss of GBP 7 mn in FY15. Importantly, volume growth in China is gradually recovering.

### Holds dominant position in the M&HCV market with a 55% market share

It is a leading company in the Indian commercial vehicles segment, with a 55% market share in the medium and heavy commercial vehicle (M&HCV) market. The management targets to achieve 60% market share in M&HCV space over the next 2 years, led by the launch of the new Signa range of trucks. While M&HCV contributed 33% to the total standalone volumes in Q3FY17, LCV contributed 36% to the total volumes in Q3FY17. Notably, TAMO has taken a price increase of ~1% in LCV and 3% in M&HCV in stages in Jan&Feb-17. Further, in LCV segment, it is mulling about expansion of the new Ultra Range across tonnages and applications. Moreover, it is planning to launch more products with the superior next gen 3 litres and 5 litres common rail engines. TAMO is hopeful of gaining market share in the PV segment with new launches including Hexa (waiting period of 2 months). As per the new marketing strategy, TAMO will launch two new models every year.

## 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	121,042
Capital WIP	10,137	9,330	7,809
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>11,024</b>
Net cashflow from operating activities	36,151	35,183	39,167
Net cash used in investing activities	(29,893)	(34,519)	(38,611)
Net cash used from financing activities	(3,883)	5,201	(3,193)
<b>Net inc/dec in cash and cash equivalents</b>	<b>2,375</b>	<b>5,865</b>	<b>(2,637)</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 de-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 adjusted profit de-grew by 7.3% YoY to Rs. 13,143 crores in FY16 from Rs. 14,171 crores in FY15. The Adj. 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>13,143</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)	9.6	10.1	11.5
BVPS (Rs.)	203.8	174.8	237.9
P/BVPS (x)	2.2	2.5	1.9
EV/EBITDA (x)	4.8	4.6	5.0



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