

# Tata Motors

BSE SENSEX

36,240

S&P CNX

10,947

**CMP: INR275 TP: INR459(+69%)**

**Buy**

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## TATA MOTORS

### Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,396.6
52-Week Range (INR)	468 / 253
1, 6, 12 Rel. Per (%)	-13/-42/-53
M.Cap. (INR b)	875.7
M.Cap. (USD b)	13.6
Avg Val, INRm	3731.0
Free float (%)	63.6

### Financials Snapshot (INR b)

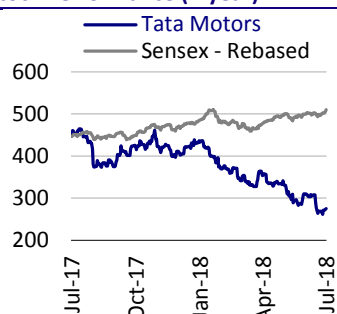
Y/E March	2018	2019E	2020E
Net Sales	2,946	3,256	3,636
EBITDA	369.7	458.2	510.2
NP	77.8	136.3	152.8
Adj. EPS (INR)	22.9	40.1	45.0
EPS Gr. (%)	15.7	75.2	12.1
BV/Sh. (INR)	281.0	322.4	368.6
RoE (%)	10.1	13.3	13.0
RoCE (%)	6.4	6.6	6.3
P/E (x)	12.0	6.9	6.1
P/BV (x)	1.0	0.9	0.7

### Shareholding pattern (%)

As On	Mar-18	Dec-17	Mar-17
Promoter	36.4	36.4	34.7
DII	17.7	17.1	15.5
FII	20.3	21.4	23.2
Others	25.7	25.1	26.6

FII Includes depository receipts

### Stock Performance (1-year)



## JLR's June-2018 wholesales below estimate at 37.5k

### Deferred purchase in China due to import duty cut impacts sales

- JLR's wholesale volumes declined 24% YoY (-20.5% MoM) to 37.5k units (est. of 50k units; includes China JV volume of 7.6k units) in June 2018.
- Jaguar volumes declined 16.9% YoY to 10.4k units (est. of 15.5k units), while Land Rover volumes fell 26.6% YoY to 27.1k units (est. of 34.5k units).
- JLR's retail volumes increased 0.9% YoY (+7.8% MoM) to 52k units, as Jaguar retails grew 6.4% YoY (+12.6% MoM) to 16.3k units, while LR retails declined 1.5% YoY (+5.8% MoM) to 35.7k units.
- Growth in Jaguar volume was led by E-pace (4.5k units), while volumes of other models like XF, F-Pace and XE declined 20.2%, 30.8% and 12.5% YoY, respectively.
- LR's retail volumes fell 1.5% YoY to 35.7k due to a decline in most models, barring Velar (5.4k units) and RR Sport (+2.2% YoY).
- Region-wise, sales in the UK and the US grew 0.9% and 7.4% YoY, respectively. However, in China, sales declined 9.5%, as the reduction in import duties on passenger vehicles in China from 1<sup>st</sup> July continued to result in deferred purchases. In Europe, too, sales declined by 3.8%.
- Mr Felix Brautigam, Jaguar Land Rover Chief Commercial Officer said, **"We have seen a positive month for Jaguar ahead of the start of customer deliveries of our Jaguar I-PACE, the car at the forefront of our electric vehicle revolution. Strong retails of the sporty and compact SUV Jaguar E-PACE in Europe, the UK and our Overseas region are driving sales performance for the brand, which is up over 6% for the month."**
- On decline in retail sales in China he said **"Land Rover sales declined slightly in June as China waited for the welcome reduction in import tariffs as of July. This was largely offset by increases in sales in UK, USA and our Overseas region. The award-winning Range Rover Velar continues to make its mark across all regions. Its combination of elegant design and refined capability successfully translates into growing global sales."**
- The stock trades at 6.9/6.1x FY19E/20E consolidated EPS. Maintain **Buy** with a target price of INR459 (Mar-20 SOTP-based).

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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					FY19 estimate	Gr. (%)	Residual Monthly Run rate	FY19 YTD Monthly Run rate
	Jun-18	Jun-17	YoY (%) chg	May-18	MoM (%) chg	FY19 YTD	FY18 YTD (%) chg					
<b>JLR</b>	<b>37,490</b>	<b>49,422</b>	<b>-24.1</b>	<b>47,131</b>	<b>-20.5</b>	<b>131,560</b>	<b>138,476</b>	<b>-5.0</b>	<b>670,793</b>	<b>11.6</b>	<b>59,915</b>	<b>43,853</b>
Jaguar	10,354	12,463	-16.9	12,652	-18.2	40,548	37,723	7.5	201,284	12.6	17,860	13,516
Land rover	27,136	36,959	-26.6	34,479	-21.3	91,012	100,753	-9.7	469,509	11.2	42,055	30,337

**TATA MOTORS : JLR [Retails]**

Company Sales	YoY			MoM		FY19 YTD	FY18 YTD	(% chg)
	Jun-18	Jun-17	YoY (%) chg	May-18	MoM (%) chg			
<b>JLR</b>	<b>52,049</b>	<b>51,591</b>	<b>0.9</b>	<b>48,281</b>	<b>7.8</b>	<b>145,510</b>	<b>137,463</b>	<b>5.9</b>
Jaguar	16,328	15,343	6.4	14,507	12.6	44,124	41,266	6.9
Land rover	35,721	36,248	-1.5	33,774	5.8	101,386	96,197	5.4

**Region-wise Retail Sales**

Region	Jun-18	Jun-17	YoY %	May-18	MoM %	FY19 YTD	FY18 YTD	YoY %
UK	9,139	9,061	0.9	9,757	-6.3	26,386	14,022	88.2
US	10,641	9,907	7.4	10,671	-0.3	30,886	18,486	67.1
Europe	12,445	12,939	-3.8	9,863	26.2	31,104	20,597	51.0
China	10,865	12,004	-9.5	10,523	3.3	34,358	21,510	59.7
RoW	8,959	7,680	16.7	7,467	20.0	22,776	11,257	102.3
<b>Total JLR</b>	<b>52,049</b>	<b>51,591</b>	<b>0.9</b>	<b>48,281</b>	<b>7.8</b>	<b>145,510</b>	<b>85,872</b>	<b>69.4</b>

**Brand-wise Retail Sales**

Brands	Jun-18	Jun-17	YoY %	May-18	MoM %	FY19 YTD	FY18 YTD	YoY %
XF	2,820	3,532	-20.2	2,381	18.4	8,047	6,060	32.8
XJ	450	814	-44.7	511	-11.9	1,374	1,617	-15.0
F-Pace	4,622	6,684	-30.8	4,458	3.7	13,038	10,964	18.9
E-Pace	4,525	0		3,670	23.3	11,314	0	
XE	3,013	3,442	-12.5	2,784	8.2	8,091	5,416	49.4
Others (incl. F-type)	898	871	3.1	703	27.7	2,260	1,866	21.1
<b>Total Jaguar</b>	<b>16,328</b>	<b>15,343</b>	<b>6.4</b>	<b>14,507</b>	<b>12.6</b>	<b>44,124</b>	<b>25,923</b>	<b>70.2</b>
Discovery	3,743	3,961	-5.5	3,656	2.4	10,902	5,311	105.3
Freelander/Dis. Sport	8,692	10,877	-20.1	8,086	7.5	24,194	17,158	41.0
Range Rover (incl. new)	4,266	4,770	-10.6	4,652	-8.3	13,300	9,292	43.1
RR Evoque	6,789	9,818	-30.9	5,094	33.3	17,010	14,995	13.4
RR Sport (incl. new model)	6,856	6,710	2.2	6,925	-1.0	20,354	13,193	54.3
RR Velar	5,375	112		5,361	0.3	15,626	0	
<b>Total Land Rover</b>	<b>35,721</b>	<b>36,248</b>	<b>-1.5</b>	<b>33,774</b>	<b>5.8</b>	<b>101,386</b>	<b>59,949</b>	<b>69.1</b>

## Financials and valuations

Income Statement (Consolidated)							(INR Million)
Y/E March	2014	2015	2016	2017	2018	2019E	2020E
<b>Total Income</b>	<b>2,328,337</b>	<b>2,631,590</b>	<b>2,730,456</b>	<b>2,696,925</b>	<b>2,946,192</b>	<b>3,256,485</b>	<b>3,636,446</b>
Change (%)	23.3	13.0	3.8	-1.2	9.2	10.5	11.7
Expenditure	1,954,308	2,210,452	2,312,693	2,327,802	2,576,462	2,798,314	3,126,263
<b>EBITDA</b>	<b>374,029</b>	<b>421,138</b>	<b>417,763</b>	<b>369,124</b>	<b>369,730</b>	<b>458,171</b>	<b>510,183</b>
% of Net Sales	16.1	16.0	15.3	13.7	12.5	14.1	14.0
Depreciation	110,782	133,886	167,108	179,050	215,536	260,305	303,464
<b>EBIT</b>	<b>263,248</b>	<b>287,252</b>	<b>250,655</b>	<b>190,074</b>	<b>154,194</b>	<b>197,866</b>	<b>206,719</b>
Product Dev. Exp.	25,652	28,752	34,688	34,136	36,319	35,659	35,153
Interest	47,338	48,615	48,891	42,380	46,818	45,185	46,827
Other Income	8,286	8,987	8,854	7,545	8,889	10,316	11,895
EO Exp/(Inc)	2,777	930	18,504	-11,146	-19,751	0	0
Forex Gain/ (Loss)	-7,077	-917	-16,169	-39,101	11,853	-22,555	-23,231
<b>PBT</b>	<b>188,690</b>	<b>217,026</b>	<b>141,258</b>	<b>93,148</b>	<b>111,550</b>	<b>104,782</b>	<b>113,402</b>
Tax	47,648	76,429	30,251	32,512	43,419	44,266	49,360
Effective Rate (%)	25.3	35.2	21.4	34.9	38.9	42.2	43.5
<b>Reported PAT</b>	<b>141,042</b>	<b>140,597</b>	<b>111,007</b>	<b>60,636</b>	<b>68,131</b>	<b>60,516</b>	<b>64,042</b>
Change (%)	43.0	-0.3	-21.0	-45.4	12.4	-11.2	5.8
% of Net Sales	6.1	5.3	4.1	2.2	2.3	1.9	1.8
Minority Interest	-595	-868	-989	-1,022	-1,025	-1,212	-1,337
Share of profit of associate	-537	134	5,775	14,930	22,783	31,929	43,628
<b>Net Profit</b>	<b>139,910</b>	<b>139,863</b>	<b>115,793</b>	<b>74,544</b>	<b>89,889</b>	<b>91,233</b>	<b>106,333</b>
<b>Adj. PAT</b>	<b>141,986</b>	<b>140,465</b>	<b>130,334</b>	<b>67,288</b>	<b>77,826</b>	<b>136,343</b>	<b>152,796</b>
Change (%)	42.6	-1.1	-7.2	-48.4	15.7	75.2	12.1

Balance Sheet (Cons.)							(INR Million)
Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	6,438	6,438	6,792	6,792	6,792	6,792	6,792
Reserves	649,597	556,181	782,732	573,827	947,487	1,088,070	1,245,106
<b>Net Worth</b>	<b>656,035</b>	<b>562,619</b>	<b>789,524</b>	<b>580,619</b>	<b>954,279</b>	<b>1,094,862</b>	<b>1,251,897</b>
Loans	549,545	692,115	619,612	744,891	779,944	761,860	743,776
Deferred Tax	-7,748	-13,900	44,748	11,740	19,671	19,671	19,671
<b>Capital Employed</b>	<b>1,202,038</b>	<b>1,245,167</b>	<b>1,458,212</b>	<b>1,341,781</b>	<b>1,759,144</b>	<b>1,882,855</b>	<b>2,023,144</b>
Gross Fixed Assets	1,329,282	1,582,066	1,976,068	2,043,106	2,544,760	3,007,106	3,327,277
Less: Depreciation	688,154	744,241	911,348	1,090,398	1,305,934	1,566,240	1,869,704
<b>Net Fixed Assets</b>	<b>641,128</b>	<b>837,825</b>	<b>1,064,720</b>	<b>952,708</b>	<b>1,238,826</b>	<b>1,440,866</b>	<b>1,457,573</b>
Capital WIP	332,626	286,401	259,189	336,988	400,335	250,000	250,000
Goodwill	49,788	46,970	7,598	6,733	1,165	1,165	1,165
Investments	106,867	153,367	237,670	203,379	208,128	240,056	283,685
<b>Curr.Assets</b>	<b>1,046,103</b>	<b>1,034,685</b>	<b>1,102,234</b>	<b>1,237,735</b>	<b>1,423,465</b>	<b>1,378,268</b>	<b>1,574,966</b>
Inventory	272,709	292,723	326,557	350,853	421,377	423,789	473,236
Sundry Debtors	105,742	125,792	135,709	140,756	198,933	178,438	199,257
Cash & Bank Bal.	297,118	321,158	304,604	360,779	346,139	294,024	395,456
Loans & Advances	273,241	256,948	254,033	291,474	445,929	460,929	475,929
<b>Current Liab. &amp; Prov.</b>	<b>974,474</b>	<b>1,114,081</b>	<b>1,213,200</b>	<b>1,395,762</b>	<b>1,512,774</b>	<b>1,427,500</b>	<b>1,544,244</b>
Sundry Creditors	573,157	574,073	615,618	625,326	769,398	713,750	797,029
Other Liabilities	199,707	328,305	460,226	622,314	538,766	535,313	547,958
<b>Net Current Assets</b>	<b>71,629</b>	<b>-79,396</b>	<b>-110,965</b>	<b>-158,027</b>	<b>-89,309</b>	<b>-49,232</b>	<b>30,722</b>
<b>Appl. of Funds</b>	<b>1,202,038</b>	<b>1,245,167</b>	<b>1,458,212</b>	<b>1,341,782</b>	<b>1,759,145</b>	<b>1,882,855</b>	<b>2,023,144</b>

E: MOSL Estimates

## Financials and valuations

### Ratios (Con.)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
<b>Basic (INR)</b>							
EPS	44.1	43.6	38.4	19.8	22.9	40.1	45.0
EPS Fully Diluted	44.1	43.6	38.4	19.8	22.9	40.1	45.0
EPS Growth (%)	41.3	-1.1	-12.0	-48.4	15.7	75.2	12.1
Cash EPS	78.5	85.2	87.6	72.5	86.4	116.8	134.4
Book Value (Rs/Share)	203.8	174.8	232.5	171.0	281.0	322.4	368.6
DPS	2.0	0.0	0.0	0.0	0.0	0.3	0.3
Payout (Incl. Div. Tax) %	4.6	0.0	0.0	0.0	0.0	0.8	0.7
<b>Valuation (x)</b>							
Consolidated P/E	6.2	6.3	7.2	13.9	12.0	6.9	6.1
Normalized P/E	9.4	10.6	14.4	189.8	74.4	14.4	11.8
EV/EBITDA	2.8	2.6	2.4	3.0	3.1	2.5	2.0
EV/Sales	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Price to Book Value	1.4	1.6	1.2	1.6	1.0	0.9	0.7
Dividend Yield (%)	0.7	0.0	0.0	0.0	0.0	0.1	0.1
<b>Profitability Ratios (%)</b>							
RoE	27.5	23.1	19.3	9.8	10.1	13.3	13.0
RoCE	19.2	15.7	15.1	9.2	6.4	6.6	6.3
RoIC	38.7	39.2	34.5	22.6	15.1	12.0	10.6
<b>Turnover Ratios</b>							
Debtors (Days)	17	17	18	19	25	20	20
Inventory (Days)	43	41	44	47	52	48	48
Creditors (Days)	90	80	82	85	95	80	80
Asset Turnover (x)	1.9	2.1	1.9	2.0	1.7	1.7	1.8
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.8	1.2	0.8	1.3	0.8	0.7	0.6

### Cash Flow Statement

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
OP/(Loss) before Tax	139,910	139,863	110,238	74,544	89,889	136,343	152,796
Int/Div. Received	6,933	7,777	8,258	7,545	8,889	10,316	11,895
Depreciation	110,736	133,864	170,142	179,050	215,536	260,305	303,464
Direct Taxes Paid	-43,083	-41,940	-19,939	-65,520	-35,488	-44,266	-49,360
(Inc)/Dec in WC	57,744	-36,718	25,515	103,236	-83,358	-92,191	21,477
Other Items	88,983	136,570	96,855	1,068	6,288	1,212	1,337
<b>CF from Op Activity</b>	<b>361,223</b>	<b>339,415</b>	<b>391,069</b>	<b>299,923</b>	<b>201,755</b>	<b>271,719</b>	<b>441,609</b>
Extra-ordinary Items	7,221	20,191	8,857	11,146	19,751	0	0
<b>CF after EO Items</b>	<b>368,444</b>	<b>359,606</b>	<b>399,925</b>	<b>311,069</b>	<b>221,507</b>	<b>271,719</b>	<b>441,609</b>
(Inc)/Dec in FA+CWIP	-269,252	-315,396	-326,232	-144,837	-565,001	-312,011	-320,171
(Pur)/Sale of Invest.	-36,611	-37,570	-68,134	34,291	-4,748	-31,929	-43,628
<b>CF from Inv Activity</b>	<b>-305,863</b>	<b>-352,966</b>	<b>-394,366</b>	<b>-110,546</b>	<b>-569,749</b>	<b>-343,940</b>	<b>-363,799</b>
Issue of Shares	1	0	74,332	-283,449	283,771	5,344	5,344
Inc/(Dec) in Debt	30,092	122,288	-47,483	125,280	35,052	-18,084	-18,084
Interest Paid	-61,706	-63,070	-57,039	-42,380	-46,818	-45,185	-46,827
Dividends Paid	-7,220	-7,204	-1,739	0	0	-1,104	-1,104
<b>CF from Fin Activity</b>	<b>-38,832</b>	<b>52,014</b>	<b>-31,930</b>	<b>-200,550</b>	<b>272,006</b>	<b>-59,028</b>	<b>-60,671</b>
<b>Inc/(Dec) in Cash</b>	<b>23,749</b>	<b>58,655</b>	<b>-26,371</b>	<b>-27</b>	<b>-76,237</b>	<b>-131,249</b>	<b>17,139</b>
Add: Beginning Bal.	142,531	152,629	211,283	184,913	184,886	108,649	-22,600
<b>Closing Balance</b>	<b>166,280</b>	<b>211,283</b>	<b>184,913</b>	<b>184,886</b>	<b>108,649</b>	<b>-22,600</b>	<b>-5,461</b>

E: MOSL Estimates

NOTES

## Explanation of Investment Rating

### Investment Rating

BUY	Expected return (over 12-month)
SELL	>=15%
NEUTRAL	< - 10%
UNDER REVIEW	> - 10 % to 15%
NOT RATED	Rating may undergo a change
	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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