10 January 2018

Update | Sector: Automobiles

Tata Motors

BSE SENSEX	S&P CNX
34,433	10,632

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,395.9
52-Week Range (INR)	553 / 358
1, 6, 12 Rel. Per (%)	2/-13/-44
M.Cap. (INR b)	1613.2
M.Cap. (USD b)	25.0
Avg Val, INRm	3556
Free float (%)	63.6

Financials Snapshot (INR b)

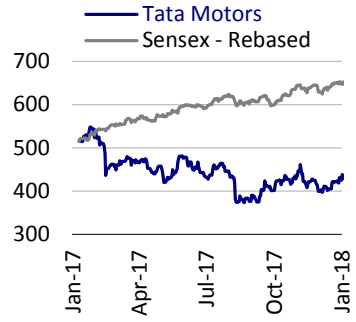
Y/E March	2018E	2019E	2020E
Net Sales	2,929	3,548	3,800
EBITDA	384	561	601
NP	111	206	225
Adj. EPS (INR)	32.8	60.7	66.3
EPS Gr. (%)	65.5	85.2	9.2
BV/Sh. (INR)	214	276	344
RoE (%)	17.0	24.8	21.4
RoCE (%)	9.6	15.2	13.9
P/E (x)	13.3	7.2	6.6
P/BV (x)	2.0	1.6	1.3

Shareholding pattern (%)

As On	Sep-17	Jun-17	Sep-16
Promoter	36.4	34.7	33.0
DII	15.3	16.1	14.5
FII	22.6	23.5	26.1
Others	25.8	25.7	26.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR433 TP: INR593 (+37%) Buy

JLR's December 2017 wholesale volumes in-line at 55k units

Land Rover volumes up 2.8% YoY; Jaguar volumes increase 6% YoY

- JLR's wholesale volumes grew 3.8% YoY and 1.5% MoM in December 2017 to 55,066 units (including China JV's 10,269 units). Jaguar volumes grew 6% YoY to 16,826 units against our estimate of 12,000 units due to lower XE sales. Land Rover (LR) volumes increased 2.8% YoY to 38,240 units against our estimate of 54,750 units, led by ramp-up of all-new Discovery and RR Velar.
- For 3QFY18, JLR wholesales grew 4.5% YoY to 159,067 units, led by 12.4% YoY growth in Land Rover sales while Jaguar sales fell 12.5% YoY to 42.4k units.
- JLR's retail volumes increased marginally by 0.6% YoY and 6.4% MoM to 55,697 units. The 4.1% YoY increase in LR volumes was partially offset by 7.8% YoY decline in Jaguar volumes.
- XF volumes grew 6.1% YoY. Jaguar XE volumes declined 35% YoY. F-Pace volumes remained flat YoY. Company started retails of E-Pace, with 454 units.
- LR's retail volumes increased by 4.1% YoY, mainly led by 71.1% rise in Discovery volumes, while RR Sport and RR Evoque volumes declined 37.5% and 12.5%, respectively. RR Velar clocked in 6,521 units.
- Region-wise, China reported strong volumes at 15,603k units (including China JV's 8,556 units), up 12.6% YoY. The growth in China is reflecting the introduction of the long wheelbase Jaguar XFL as well as strong sales of F-Pace, Discovery Sport, Range Rover Sport and Evoque. While retail sales were down in Europe (-4.6%), US (-9.2%) and UK (-15.8%), other markets witnessed volume growth of 19%.
- Mr Joe Eberhardt, President and CEO, Jaguar Land Rover North America, LLC said, "Jaguar Land Rover in the US achieved another record year for 2017, as our newest models broadened the appeal of both of our great brands."
- The stock trades at 7.2x/6.6x FY19E/FY20E consolidated EPS. Maintain **Buy** with a target price of INR593 (December 2019E SOTP-based) for ordinary shares and INR414 for DVR (~30% discount to TP for ordinary shares).

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TATA MOTORS: JLR [Wholesales]

Company Sales	YoY			MoM						Residual Gr. (%)	Residual Monthly Run rate	FY18 YTD Monthly Run rate
	Dec-17	Dec-16	YoY (%) chg	Nov-17	MoM (%) chg	FY18YTD	FY17YTD	(%) chg	FY18 estimate	Gr. (%)			
JLR	**55,066**	**53,063**	**3.8**	**54,244**	**1.5**	**450,753**	**425,806**	**5.9**	**642,294**	**6.9**	**9.5**	**63,847**	**50,084**
Jaguar	16,826	15,879	6.0	12,287	36.9	122,845	126,661	-3.0	169,741	-5.0	-10.0	15,632	13,649
Land rover	38,240	37,184	2.8	41,957	-8.9	327,908	299,145	9.6	472,553	12.0	17.7	48,215	36,434

TATA MOTORS : JLR (Retails)

Company Sales	YoY			MoM				
	Dec-17	Dec-16	YoY (%) chg	Nov-17	MoM (%) chg	FY18YTD	FY17YTD	(%) chg
JLR	**55,697**	**55,374**	**0.6**	**52,332**	**6.4**	**385,903**	**369,134**	**4.5**
Jaguar	15,079	16,349	-7.8	13,688	10.2	109,550	102,536	6.8
Land rover	40,618	39,025	4.1	38,644	5.1	276,353	266,598	3.7

Region-wise Retail Sales

Region	Dec-17	Dec-16	YoY %	Nov-17	MoM %	FY18YTD	FY17YTD	YoY %
UK	6,223	7,394	-15.8	8,887	-30.0	75,120	82,127	-8.5
US	12,486	13,757	-9.2	10,926	14.3	92,994	88,433	5.2
Europe	11,510	12,069	-4.6	11,011	4.5	95,380	97,780	-2.5
China	15,603	13,859	12.6	13,808	13.0	112,810	91,618	23.1
RoW	9,875	8,296	19.0	7,700	28.2	65,296	64,551	1.2
Total JLR	**55,697**	**55,375**	**0.6**	**52,332**	**6.4**	**441,600**	**424,509**	**4.0**

Brand-wise Retail Sales

Brands	Dec-17	Dec-16	YoY %	Nov-17	MoM %	FY18YTD	FY17YTD	YoY %
XF	3,817	3,597	6.1	3,428	11.3	30,509	25,594	19.2
XJ	775	1,258	-38.4	777	-0.3	7,172	8,361	-14.2
F-Pace	6,595	6,604	-0.1	6,236	5.8	54,355	45,969	18.2
E-Pace	454	0		135		589	1	58,800
XE	2,624	4,035	-35.0	2,284	14.9	24,490	31,263	-21.7
Others (incl. F-type)	814	855	-4.8	828	-1.7	7,514	7,697	-2.4
Total Jaguar	**15,079**	**16,349**	**-7.8**	**13,688**	**10.2**	**124,629**	**118,885**	**4.8**
Defender	0	17	-100.0	0	0.0	1	1,192	-99.9
Discovery	4,528	2,646	71.1	4,445	1.9	34,472	33,659	2.4
Freelander/Dis. Sport	10,973	11,485	-4.5	10,112	8.5	88,106	88,186	-0.1
Range Rover (incl. new)	4,188	5,798	-27.8	4,309	-2.8	39,563	39,550	0.0
RR Evoque	8,666	9,899	-12.5	8,626	0.5	73,959	79,518	-7.0
RR Sport (incl. new model)	5,742	9,180	-37.5	5,379	6.7	54,985	63,518	-13.4
RR Velar	6,521	0		5,773		25,885	0	
Total Land Rover	**40,618**	**39,025**	**4.1**	**38,644**	**5.1**	**316,971**	**305,623**	**3.7**

Financials and valuations

Income Statement (Consolidated) (INR Million)

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Total Income	**1,888,176**	**2,328,337**	**2,631,590**	**2,730,456**	**2,696,925**	**2,928,590**	**3,547,912**	**3,799,521**
Change (%)	14.0	23.3	13.0	3.8	-1.2	8.6	21.1	7.1
Expenditure	1,622,487	1,954,308	2,210,452	2,312,693	2,327,802	2,544,971	2,986,902	3,198,227
EBITDA	**265,689**	**374,029**	**421,138**	**417,763**	**369,124**	**383,619**	**561,010**	**601,294**
% of Net Sales	14.1	16.1	16.0	15.3	13.7	13.1	15.8	15.8
Depreciation	75,693	110,782	133,886	167,108	179,050	201,752	245,349	285,968
EBIT	**189,996**	**263,248**	**287,252**	**250,655**	**190,074**	**181,867**	**315,661**	**315,326**
Product Dev. Exp.	20,216	25,652	28,752	34,688	34,136	34,727	33,513	32,701
Interest	35,533	47,338	48,615	48,891	42,380	42,954	44,744	45,663
Other Income	8,115	8,286	8,987	8,854	7,545	7,368	7,684	8,158
EO Exp/(Inc)	876	2,777	930	18,504	-11,146	-43,229	0	0
Forex Gain/ (Loss)	5,151	7,077	917	16,169	39,101	13,716	0	0
PBT	**136,335**	**188,690**	**217,026**	**141,258**	**93,148**	**168,501**	**245,087**	**245,119**
Tax	37,710	47,648	76,429	30,251	32,512	48,659	64,178	59,115
Effective Rate (%)	27.7	25.3	35.2	21.4	34.9	28.9	26.2	24.1
Reported PAT	**98,625**	**141,042**	**140,597**	**111,007**	**60,636**	**119,842**	**180,910**	**186,004**
Change (%)	-27.3	43.0	-0.3	-21.0	-45.4	97.6	51.0	2.8
% of Net Sales	5.2	6.1	5.3	4.1	2.2	4.1	5.1	4.9
Minority Interest	-837	-595	-868	-989	-1,022	-1,076	-1,187	-1,290
Share of profit of associate	1,138	-537	134	5,775	14,930	23,353	26,537	40,437
Net Profit	**98,926**	**139,910**	**139,863**	**115,793**	**74,544**	**142,119**	**206,259**	**225,151**
Adj. PAT	**99,560**	**141,986**	**140,465**	**130,334**	**67,288**	**111,373**	**206,259**	**225,151**
Change (%)	-16.3	42.6	-1.1	-7.2	-48.4	65.5	85.2	9.2

Balance Sheet (Consolidated)

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	6,381	6,438	6,438	6,792	6,792	6,792	6,792	6,792
Reserves	369,992	649,597	556,181	782,732	573,827	720,186	930,685	1,160,076
Net Worth	**376,373**	**656,035**	**562,619**	**789,524**	**580,619**	**726,978**	**937,477**	**1,166,868**
Loans	557,223	549,545	692,115	619,612	744,891	726,807	708,724	690,640
Deferred Tax	-24,094	-7,748	-13,900	44,748	11,740	11,740	11,740	11,740
Capital Employed	**913,206**	**1,202,038**	**1,245,167**	**1,458,212**	**1,341,781**	**1,471,132**	**1,664,735**	**1,877,332**
Gross Fixed Assets	1,205,654	1,329,282	1,582,066	1,976,068	2,043,106	2,471,810	2,847,860	3,232,752
Less: Depreciation	570,818	688,154	744,241	911,348	1,090,398	1,292,150	1,537,499	1,823,467
Net Fixed Assets	**634,836**	**641,128**	**837,825**	**1,064,720**	**952,708**	**1,179,660**	**1,310,361**	**1,409,285**
Capital WIP	60,000	332,626	286,401	259,189	336,988	250,000	250,000	250,000
Goodwill	41,024	49,788	46,970	7,598	6,733	6,733	6,733	6,733
Investments	90,577	106,867	153,367	237,670	203,379	226,732	253,269	293,706
Curr.Assets	**829,538**	**1,046,103**	**1,034,685**	**1,102,234**	**1,237,735**	**1,208,114**	**1,399,622**	**1,531,104**
Inventory	209,690	272,709	292,723	326,557	350,853	381,118	461,715	494,458
Sundry Debtors	109,427	105,742	125,792	135,709	140,756	160,471	194,406	208,193
Cash & Bank Bal.	211,127	297,118	321,158	304,604	360,779	256,178	308,153	368,105
Loans & Advances	280,739	273,241	256,948	254,033	291,474	306,474	321,474	336,474
Current Liab. & Prov.	**742,769**	**974,474**	**1,114,081**	**1,213,200**	**1,395,762**	**1,400,107**	**1,555,249**	**1,613,495**
Sundry Creditors	447,801	573,157	574,073	615,618	625,326	657,930	777,625	832,772
Other Liabilities	134,250	199,707	328,305	460,226	622,314	581,706	583,218	572,531
Net Current Assets	**86,769**	**71,629**	**-79,396**	**-110,965**	**-158,027**	**-191,993**	**-155,627**	**-82,392**
Appl. of Funds	**913,206**	**1,202,038**	**1,245,167**	**1,458,212**	**1,341,782**	**1,471,132**	**1,664,735**	**1,877,332**

E: MOSL Estimates

Financials and valuations

Ratios (Con.)

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Basic (INR)								
EPS	**31.2**	**44.1**	**43.6**	**38.4**	**19.8**	**32.8**	**60.7**	**66.3**
EPS Fully Diluted	**31.2**	**44.1**	**43.6**	**38.4**	**19.8**	**32.8**	**60.7**	**66.3**
Normalized EPS ^	**11.4**	**17.8**	**14.4**	**7.2**	**-10.6**	**-1.0**	**22.2**	**18.3**
EPS Growth (%)	-16.8	41.3	-1.1	-12.0	-48.4	65.5	85.2	9.2
Cash EPS	54.9	78.5	85.2	87.6	72.5	92.2	133.0	150.5
Book Value (Rs/Share)	118.0	203.8	174.8	232.5	171.0	214.1	276.1	343.6
DPS	2.0	2.0	0.0	0.0	0.0	0.3	0.3	0.3
Payout (Incl. Div. Tax) %	6.5	4.6	0.0	0.0	0.0	1.0	0.5	0.5
Valuation (x)								
Consolidated P/E				10.7	20.8	13.3	7.2	6.6
Normalized P/E				57.5	-38.8	-437.5	19.6	23.9
EV/EBITDA				3.5	4.3	4.5	2.9	2.5
EV/Sales				0.5	0.6	0.6	0.5	0.4
Price to Book Value				1.8	2.4	2.0	1.6	1.3
Dividend Yield (%)				0.0	0.0	0.1	0.1	0.1
Profitability Ratios (%)								
RoE	28.3	27.5	23.1	19.3	9.8	17.0	24.8	21.4
RoCE	17.0	19.2	15.7	15.1	9.2	9.6	15.2	13.9
RoIC	30.6	38.7	39.2	34.5	22.6	21.9	29.3	26.3
Turnover Ratios								
Debtors (Days)	21	17	17	18	19	20	20	20
Inventory (Days)	41	43	41	44	47	48	48	48
Creditors (Days)	87	90	80	82	85	82	80	80
Asset Turnover (x)	2.1	1.9	2.1	1.9	2.0	2.0	2.1	2.0
Leverage Ratio								
Debt/Equity (x)	1.5	0.8	1.2	0.8	1.3	1.0	0.8	0.6

Cash Flow Statement

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
OP/(Loss) before Tax	98,926	139,910	139,863	110,238	74,544	142,119	206,259	225,151
Int/Div. Received	8,062	6,933	7,777	8,258	7,545	7,368	7,684	8,158
Depreciation	75,648	110,736	133,864	170,142	179,050	201,752	245,349	285,968
Direct Taxes Paid	-22,231	-43,083	-41,940	-19,939	-65,520	-48,659	-64,178	-59,115
(Inc)/Dec in WC	-680	57,744	-36,718	25,515	103,236	-70,635	15,610	-13,284
Other Items	64,617	88,983	136,570	96,855	1,068	1,076	1,187	1,290
CF from Op Activity	**224,343**	**361,223**	**339,415**	**391,069**	**299,923**	**233,021**	**411,912**	**448,168**
Extra-ordinary Items	4,342	7,221	20,191	8,857	11,146	43,229	0	0
CF after EO Items	**228,684**	**368,444**	**359,606**	**399,925**	**311,069**	**276,251**	**411,912**	**448,168**
(Inc)/Dec in FA+CWIP	-187,203	-269,252	-315,396	-326,232	-144,837	-341,716	-376,049	-384,893
(Pur)/Sale of Invest.	-54,984	-36,611	-37,570	-68,134	34,291	-23,353	-26,537	-40,437
CF from Inv Activity	**-242,188**	**-305,863**	**-352,966**	**-394,366**	**-110,546**	**-365,069**	**-402,586**	**-425,330**
Issue of Shares	7	1	0	74,332	-283,449	5,344	5,344	5,344
Inc/(Dec) in Debt	45,082	30,092	122,288	-47,483	125,280	-18,084	-18,084	-18,084
Interest Paid	-46,560	-61,706	-63,070	-57,039	-42,380	-42,954	-44,744	-45,663
Dividends Paid	-15,087	-7,220	-7,204	-1,739	0	-1,104	-1,104	-1,104
CF from Fin Activity	**-16,558**	**-38,832**	**52,014**	**-31,930**	**-200,550**	**-56,797**	**-58,588**	**-59,508**
Inc/(Dec) in Cash	**-30,061**	**23,749**	**58,655**	**-26,371**	**-27**	**-145,615**	**-49,262**	**-36,670**
Add: Beginning Bal.	153,550	142,531	152,629	219,875	360,779	256,178	308,153	368,105
Closing Balance	**123,488**	**166,280**	**211,283**	**193,505**	**360,752**	**110,562**	**258,891**	**331,435**

E: MOSL Estimates

NOTES

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