

**Tata Motors Ltd.**

₹ 406

*Ready for a Gear Change!***Buy**

Nov 20, 2015

**Company Background**

Tata Motors Limited is India's largest automobile company, with consolidated revenues of INR 2,62,796 crores (USD 42.04 billion) in 2014-15. Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, South Africa and Indonesia. Among them is Jaguar Land Rover, the business comprising the two iconic British brands. It also has an industrial joint venture with Fiat in India. With over 8 million Tata vehicles plying in India, Tata Motors is the country's market leader in commercial vehicles and among the top in passenger vehicles. Tata cars, buses and trucks are being marketed in several countries in Europe, Africa, the Middle East, South Asia, South East Asia, South America, Australia, CIS and Russia.

**Key Highlights**

- ➔ Sales of Commercial Vehicles in India may grow by the continuing trend towards the replacement of ageing fleet vehicles and expectations of increases in demand from the infrastructure and industrial sectors due to reforms being initiated by the Government of India.
- ➔ Tata Motors is focusing on increasing its offerings in defence sector from providing only pure logistics solutions to tactical and combat solutions. We believe these efforts will provide the opportunity for capturing a larger share.
- ➔ Jaguar Land Rover intends to grow its business by diversifying its product range, for example, with the new Jaguar XE sports saloon and JLR Discovery Sport, which has just started sale in 2015. A Jaguar F-PACE performance crossover is also expected to commence sales in 2016.
- ➔ JLR is also in search of Global markets like China and probably focussing on ASEAN and Latin American Countries it intends to expand its global footprint in order to grow sales potential and appetite for the Company's products.
- ➔ The Company has pursued a strategy of increasing exports of Tata and other brand vehicles to new and existing markets. Improved market sentiment in certain countries to which the Company exports and a strong portfolio of Jaguar Land Rover vehicles has enabled the Company to increase its sales in these international markets in Fiscal 2015.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	4,68,934.3	3,84,760.3	3,81,268.1
Rev. growth (%)	(14.51)	(17.95)	(0.91)
EBITDA (INR mn)	39,302.3	34,391.8	10,913.4
Net profit (INR mn)	3,032.9	4,135.5	(46,455.5)
Shares outstanding (mn)	3,190.1	3,218.7	3,218.7
EPS (INR)	1.0	1.3	(14.4)
EPS growth (%)	(75.74)	35.14	(1223.33)
P/E (x)	280.26	306.75	(37.70)
RONW (%)	1.14	0.85	(28.10)
ROCE (%)	0.61	0.46	(13.53)

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**Info Codes**

Reuters	: TAMO.BO
Bloomberg	: TTMT@IN
NSE	: TATAMTR
BSE	: 500570

**Market Data**

52 Wk Range (₹)	: 279 / 605
Shares in Issue (mn)	: 3218.7
Mkt. Cap (₹ bn)	: 1158.0
BSE 2 Wk Avg Vol	: 702000

**Share Holding Pattern (%)**

Promoters	: 33.01
FII's	: 21.46
DII's	: 17.70
Others	: 27.83

**Investment Theme**

Tata Motors is the largest Indian auto company belonging to Tata group. It's strong & vast product portfolio has helped to cater wide range of customer from HCV, to small passenger cars. In the last few years it has made a few bold acquisitions, which appear to agur well for it. Especially JLR is on the right strategic path and is investing in the right areas, resulting in its evolution to a much stronger and balanced player in the luxury vehicle market. Talking about the Indian market though the passenger vehicle business appears to drag on stand-alone business performance. The CV business, which contributes ~35% to fair value, is expected to witness recovery in the next FY. We believe the company is well planned to sustain its growth trajectory and would continue to generate good growth even in the sluggish economic scenario.

**The Beast is still strong!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	4,91,789.0	3,77,709.5	(23.2)	3,94,349.4	4.4
Other Income	23,269.5	41,066.0	76.5	20,664.8	(49.7)
Change in Stocks	1,436.0	(3,717.2)	(358.9)	8,788.2	(336.4)
Raw Material Con.	2,78,999.5	2,09,907.7	(24.8)	2,26,025.9	7.7
Employee Exp.	28,370.0	29,249.7	3.1	31,747.1	8.5
Indirect Taxes	46,444.3	34,876.0	(24.9)	34,834.9	(0.1)
Other Exp.	1,49,341.7	1,37,047.3	(8.2)	1,52,546.6	11.3
Operating Exp.	5,01,719.5	4,14,797.9	(17.3)	4,36,366.3	5.2
Operating Profit	(9,930.5)	(37,088.4)	273.5	(42,016.9)	13.3
Total Interest	16,554.0	16,619.3	0.4	19,344.5	16.4
Gross Profit	(3,215.0)	(12,641.7)	293.2	(40,696.6)	221.9
Net Dep.	(4,979.1)	(4,892.0)	(1.7)	(1,883.4)	(61.5)
Total Taxation	(1,268.8)	(11,885.2)	836.7	7,642.3	(164.3)
Net Profit/Loss	3,032.9	4,135.5	36.4	(46,455.5)	(1,223.3)

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>355860.3</b>	<b>362113.0</b>	<b>344562.4</b>	<b>361602.9</b>
Equity Share capital	6347.5	6380.7	6437.8	6437.8
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	187091.6	184734.6	185100.0	141959.4
Long Term Loans	143988.6	114901.6	94972.7	124062.9
Short Term Loans	18432.6	56096.1	58051.9	89142.8
<b>USES OF FUNDS</b>	<b>355860.3</b>	<b>362113.0</b>	<b>344562.4</b>	<b>361602.9</b>
Gross Block	247202.9	267101.6	287819.1	318053.8
Less : Revaluation Reserves	237.5	233.1	228.7	228.7
Less : Accumulated Depreciation	97063.9	112607.3	135508.7	160309.8
Net Block	149901.5	154261.2	152081.7	157515.3
Capital Work in Progress	40366.7	47528.0	63550.7	60407.9
Investments	204935.5	199343.9	184584.2	169871.7
Current Assets	158886.7	138893.8	141246.6	158725.4
Less : Current Liabilities	198230.1	177913.9	196900.8	184932.7
Total Net Current Assets	(39343.4)	(39020.1)	(55654.2)	(26207.3)
Misc. Expenses not writtenoff	0.0	0.0	0.0	15.3
<b>NOTE</b>				
Bk Val Unquoted Investments	201400.6	192214.7	181049.2	166336.7
Mkt Val. Quoted Investments	2995.4	5642.4	2530.7	2752.6
Contingent Liabilities	151032.8	149811.1	130362.3	38510.9
Dividend (%)	200.0	100.0	100.0	0.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Dec 14	Mar 15	Jun 15	Sep 15
Net Sales	90,560.8	1,07,842.8	92,983.3	1,05,010.8
Cost Of Sales	1,01,436.0	1,07,295.3	89,704.0	99,192.8
Operating Profit	(10,875.2)	547.5	3,279.3	5,818.0
Other Income	584.4	830.7	9,802.4	2,178.5
Adjusted PBDIT	(10,290.8)	1,378.2	13,081.7	7,996.5
Financial Expenses	4,499.0	4,709.1	4,276.1	3,640.4
Depreciation	6,256.0	8,233.3	6,117.7	6,225.8
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(21,045.8)	(11,564.2)	2,687.9	(1,869.7)
Tax Charges	181.4	78.3	112.2	26.4
Adjusted PAT	(21,227.2)	(11,642.5)	2,575.7	(1,896.1)
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	978.6
Net Profit	(21,227.2)	(11,642.5)	2,575.7	(2,874.7)

**52 Week Index Relative Percentage Appreciation**

**Tata Motors vs SENSEX**
**Risks Associated**

The automotive industry and the demand for automobiles are influenced by general economic conditions, including, among other things, rates of economic growth, credit availability, disposable income of consumers, interest rates, environmental and tax policies, safety regulations, freight rates and fuel and commodity prices. Negative trends in any of these factors impacting the regions where the Company operates could materially and adversely affect the Company's business, financial condition and results of operations. The Company's Jaguar Land Rover business has significant operations in the United Kingdom, North America, continental Europe and China as well as sales operations in many major countries across the globe. Low economic growth in the Eurozone, recessionary concerns mounting in Brazil and slow down in China's economy may hamper Jaguar Land Rover's ambitions for growth in emerging markets such as China, India, Russia and Brazil, and they may not materialise as expected. The global automotive industry is highly competitive and competition is likely to further intensify in light of continuing globalisation and consolidation in the worldwide automotive industry. Competition is especially likely to increase in the premium automotive categories as each market participant intensifies its efforts to retain its position in established markets while also expanding in emerging markets. There can be no assurance that the Company will be able to compete successfully in the global automotive industry in the future. Increases in input prices may have a material adverse effect on the Company results of operations

## Tata Motors

### In a Nutshell

Tata Motors, part of the Tata group, looks after the automobile business. It was established in 1945 & has diversified in the last 6 decades. The company is the largest automobile company in India. Its product portfolio covers a wide range of products from LCV to personal cars. It caters to a range of consumers as well such as small cheap cars to middle class, luxury segments, commercial and also defence segment. The company has both marketing as well manufacturing facilities in number of countries. It has in the previous decade acquired a number of major automobile companies. They have not only helped increase revenue manifold but have also added some of the major automobile brands in world. The current scenario in the Indian Automobile segment is not well with the slowing down of economy, talks on Diesel deregulation and rise in costs the scenario does not fully promote growth. Realising this fact early Tata Motors has made some bold decisions in the recent past. One of them is the introduction and the manufacture of the Nano by carving a niche among the small passenger car segment. While the other is acquisition of the JLR a brand in the high end Luxury car segment. Though both of the decisions have not yet shown their effect one can sense the growth they can bring along. Now that the diesel deregulation effect has faded away and the firm is said to benefit from defence sector contracts which may be of a sizeable value, the gloom in the stock is diminishing and makes it lucrative at current levels. While we do not expect any short-term benefits from this stock, in the longer term, it may turn out to be a positive decision to buy it

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## Rating Interpretation

<b>Buy</b> : Expected to appreciate 20% or more over 12-months	<b>Reduce</b> : Expected to depreciate up to 10% over 12-months
<b>Accumulate</b> : Expected to appreciate 10% to 20% over 12-months	<b>Sell</b> : Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b> : Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b> : Expected to depreciate more than 10% over 45-days

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