Top Picks Post Q3FY16 Results

Capital First Limited (CFL)
Coal India Ltd. (CIL)
Force Motors Ltd (FML)

LIC Housing Finance (LICHSG)
Majesco Ltd. (MJCO)
Oberoi Realty Ltd (ORL)
OnMobile (OGL)

Reliance Industries Ltd. (RIL)
Shilpa Medicare (SLPA)
Tata Motors Ltd (TTMT)

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Capital First Limited (CFL)

CMP Rs 384|P/BV (FY16E) 2.1x|P/BV (FY17E) 1.9x | Target Rs 468/-

Investment Rationale

- Capital First Ltd (CFL) is a leading Non Banking Financial Company (NBFC) which has transformed itself from a wholesale lending NBFC to a strong retail lending NBFC in the last 5 years. CFL has a total AUM of Rs 150 bn with distribution network across 222 towns as of Q3FY16.
- The Asset under Management (AUM) of the company increased at a healthy pace of 28% y-o-y (+10% q-o-q) to Rs 150 bn as of Q3FY16 mainly led by strong growth of 30% y-o-y in Retail credit assets. The consumer asset financing (consumer durable / two-wheeler) continued to increase its contribution as it grew at a robust pace of 105% y-o-y to Rs 28 bn. We believe that the company is well set to maintain current growth momentum in the coming years also. CFL is well poised to grow at a CAGR of 27% over FY15-17E mainly led by retail credit assets.
- Net Interest Margin (calc) of CFL has increased to 6.7% in 9MFY16 from 5.8% in FY15. We expect the company will be able to maintain its margins at current level of 6.5% over FY15-17E supported by the change in borrowing mix coupled with the company's increasing presence in high yielding two wheeler and consumer durable loans (~19% of total AUM) both of which are fixed rate in nature.
- CFL has maintained its risk return profile efficiently even during difficult macro-economic periods. As of Q3FY16, Gross NPA / Net NPA ratios of the company were at 0.89% / 0.46%, respectively. This is based on the fact that asset mix has shifted towards comparatively safer segments like LAP, Mortgage, two wheelers and Consumer Durables than riskier segments of developer loans. We don't expect any significant deterioration in asset quality and expect it to remain broadly stable.
- Return ratios of CFL was lower over FY12-15 due to the fact that the company changed its accounting policy in FY13. However, with normalization of previous year amortizations from FY15 onwards along with improving efficiency in terms of lower cost to income (expense) ratio which is likely to help strong bottom line growth of 41% over FY15-17E. We expect RoE / RoA (calc) to improve to 13% / 1.5% by FY17E from 4% / 0.4% in FY14.
- CFL has partnered with Amazon seller services for the lending program under which CFL will provide loans to sellers (SMEs) amounting from Rs 1 mn to Rs 20 mn.

Capital First Limited (CFL) *(contd...)*

CMP Rs 384|P/BV (FY16E) 2.1x|P/BV (FY17E) 1.9x | Target Rs 468/-

Valuation

CFL's Q3FY16 result was above our expectations. The robust profit growth on y-o-y basis was due to (1) Robust 30% y-o-y growth in retail loan portfolio in Q3FY16, (2) NIM (calc) improved to 7.2% from 6.1% in Q3FY15 and (3) Better operating efficiency which helped to the company to reduce its cost to income ratio significantly to 51.1% from 57.3% in Q3FY15. We believe the current growth momentum to continue over FY15-17E on the back of the management's strong execution capabilities.

Overall, CFL has emerged as a specialized player in financing MSMEs by offering different products for their various financing needs. The management continued to deliver robust result quarter over quarter. It remains one of the top picks among our NBFCs coverage universe. At CMP of Rs 384/-, CFL is trading at P/ABV of 2.1x and 1.9x for FY16E and FY17E respectively. We maintain 'BUY' rating on the stock with price target of Rs 468/- (2.3x P/BV for FY17E).

Financials:

Rs mn	NII	PAT	EPS (Rs)	ROA (%)	ROE (%)	BV (Rs)	ABV (Rs)	P/E	P/BV	P/ABV
FY12	3,063	922	14	2.0	11.9	126	126	9.9	1.1	1.1
FY13	3,084	698	10	1.1	8.0	134	134	16.5	1.2	1.2
FY14	4,038	370	5	0.4	3.6	138	138	34.1	1.1	1.1
FY15	6,277	1,120	12	1.1	8.4	169	167	31.2	2.3	2.3
FY16E	9,348	1,605	18	1.3	10.0	183	177	21.8	2.1	2.2
FY17E	11,786	2,238	25	1.6	12.9	205	196	15.6	1.9	2.0

Source: Company, IndiaNivesh Research; Standalone

Coal India Ltd. (CIL)

CMP Rs 313 | P/E (FY16E) 11.5x | P/E (FY17E) 10x | Target Rs. 467

Investment Rational

- After a couple of years of stagnant production levels in the past, CIL finally delivered strong performance in FY15. Production and offtake jumped by 9.6% and 9.8% respectively in 10MFY16 on the back of a concerted push by the government. The government has set a gross output target of one billion tonnes of coal by 2019-20, which is around double the current production. In near term the company has guided 11%/ 9% production growth for FY16e/FY17e to 550 MT/600 MT, however, we forecast 7% production growth in each year.
- In Q3FY16 the company showed strong operational performance, production grew 9.3% YoY to 143.9 MT (mn ton) and dispatches increased 10.7% YoY to 137.9 MT. Revenue increased 10% y-o-y to Rs 195.9 bn on the back of higher off-take and EBITDA margin expanded 500 bps YoY to 24.6% , benefited from operating leverage.
- Coal Ministry has allowed CIL to revert to the old system, removing the cap on e-auction volumes with effect from April 2015. This means Coal India is now be able to increase its e-auction volumes 10% of total sales (vs 7% of earlier cap) and may go up to 12% in good times. This will boost CIL's profitability as auctioned coal fetches 25-30 per cent more than notified price.
- The company has a strong balance sheet, with cash equivalents of Rs ~618bn (Rs. 98/share) at end of H1FY16. The company has dividend payout ratio at near 100 percent in previous two years. We believe the dividend payout will remain healthy, and would be ~50% in coming years.

Valuations

We believe that company is likely to show strong performance in medium to long term (expect CAGR production growth of 7% in next five years) due to strong domestic coal demand and monopoly in coal production in India. At CMP of Rs 313, stock is trading at 10X of its FY17E EPS We maintain buy rating on the stock with target price of Rs 467.

Y E March	Net sales(Rs. mn)	EBITDA(Rs. mn)	j. PAT(Rs. mn)	EPS(Rs.)	EBITDA margin(%)	PE(x)	MC/sales(x)
FY15	741,201	173,354	137,266	21.7	21.1	14.4	2.7
FY16E	800,644	189,493	171,842	27.2	23.7	11.5	2.5
FY17E	899,775	217,302	194,343	31	24.2	10.1	2.2

Source: Company Filings; IndiaNivesh Research   Note: CMP as of 17/02/2016

Force Motors Ltd (FML)

CMP Rs 2349 |P/E (16E) 18.9x | P/E (FY17E) 14.9x | Target Rs 3780

Investment Rationale

- **Increasing demand of LCV Traveller to boost revenue** – FML automotive segment grew 35% YoY in Q3FY16. Strong demand of Force Motors Traveller is the main reason for improvement in performance of the automobile segment. FML focuses on the niche passenger segment of the overall LCV market (where FML has a market share of around 40%), and more specifically in the market for LCVs with a maximum mass of five tonnes (where FML has a market share of around 75%). Key drivers of growth for Traveller class of vehicles are: Ambulances, Bus aggregators, School bus segment and Diversified segment. The company recently announced two new Traveller vans - Traveller Royal which is a 15-seater luxury van and Traveller Super which is 9-seater van to expand its footprint in the segment.
- **Tie-up with BMW and Mercedes ensures long term revenue visibility**- FML Auto component segment grew 64% YoY in Q3FY16 on account of strong Mercedes sales and addition of BMW sales (no BMW sales in Q3FY15). Going forward we expect this segment to grow at CAGR of 25%. FML is engaged in the contract manufacturing business for leading automobile companies wherein the company assembles engines, axles, and gearboxes for Mercedes-Benz India Pvt Ltd and BMW India Pvt Ltd. Force Motors is the only company in the world to assemble engines for both BMW and Mercedes. Luxury car sales in India have grown from 8516 units in FY09 to 32362 units in FY15. We have conservatively taken ~ 17% CAGR growth in total luxury Car market in FY16e and FY17e and believe Mercedes Benz sales to grow at CAGR of 25% and BMW sales to grow at CAGR of 6% in from FY15-17E.

Valuations

Considering the growth in Luxury car segment, we see strong revenue growth from Auto component business that will help in overall margin expansion. Strong demand for Force Traveller from multiple industries will ensure strong growth of the Automobile segment. The company's net sale is expected to grow at CAGR 21% while the company's profit is expected to grow at CAGR of 43% for FY15-FY17E. At CMP of Rs. 2349, Force Motors is trading at 14.9x FY17e earnings; we recommend BUY with target price of Rs. 3780 (based on 24x FY17e earnings).

YE March (Rs. Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin (%)	ROE (%)	PE (x)	EV/EBITDA (x)
FY15A	23,637	1,470	1,014	76.9	6.2	8.0	30.5x	19.1x
FY16e	29,833	2,476	1,640	124.4	8.3	11.8	18.9x	11.3x
FY17e	34,598	3,079	2,076	157.5	8.9	13.3	14.9x	8.8x

Source: Company Filings; IndiaNivesh Research Note: CMP as of 17/02/2016

LIC Housing Finance (LICHSG)

CMP Rs.407 |P/ABV (FY16E) 2.3x | P/ABV (FY17E) 2.0x | Target Rs. 555

Investment Rationale

- **Loan growth to remain healthy:** LICHSG's loan book has grown at healthy pace of 23% CAGR in last 5 years (FY10-15) largely led by strong growth in individual loan book by 25% CAGR over the same period. Project loan segment was muted mainly due to company's conscious decision of not growing in this segment due to continuous stress (-8% CAGR over same period). In Q3FY16, LICHSG has maintained loan growth at 15% yoy led by stable growth in individual loan book and pick up in developer loan segment. We expect LIC Housing's loan book to grow at 16% CAGR over FY15-17E largely driven by healthy growth in individual loan segment.
- **Expect NIMs to remain stable:** In Q3FY16, LICHSG surprised on margins front as it was stable at 2.6% as against expectation of marginal decline. We are expecting NIMs of LIC housing to stabilise at 2.4% as lending rates in home loan segment has come down.
- **Best in class asset quality:** Asset quality of LIC housing continues to remain strong at Gross and Net NPA of 0.6% and 0.3% respectively. We are not worried on asset quality front mainly because of better risk management practice and safer customer profile (incrementally ~84% salaried).
- **Strong earnings growth to deliver ROEs / ROAs of 19% / 1.3% for FY17E:** Earnings growth of LICHSG was strong at 22% yoy in Q3FY16. Healthy mid to high teen loan growth and stable NIMs for LICHSG is likely to result in strong 16% CAGR in earnings for FY15-17E. We believe LICHSG's ROEs to improve further to 19% by FY17E from 18% in FY15 and ROAs to remain stable at 1.3%.

Valuations

LICHSG has maintained its growth momentum in Q3FY16 as well and it continues to remain our preferred pick in HFC space over other NBFCs mainly due to 1) healthy Loan growth of 16% CAGR over FY15-17E, 2) stable NIMs of 2.4%, 3) Best in class asset quality with Gross and Net NPA of 0.6% and 0.3% respectively, 4) strong earnings CAGR of 16% for FY15-17E reflecting ROEs / ROAs of 19% / 1.3% for FY17E and 5) reasonable valuation of 2.3x and 2.0x for FY16E and FY17E ABV. We recommend buy with target price of Rs 555, valuing it at 2.7x FY17E ABV.

YE March (Rs mn)	NII	Net Profit	EPS (Rs)	BV (Rs)	ABV (Rs)	ROE (%)	ROA (%)	P/BV (x)	P/ABV (x)
FY14	18989	13172	26.1	149	143	18.8	1.5	2.7	2.8
FY15	22364	13862	27.5	155	151	18.1	1.3	2.6	2.7
FY16E	29000	16378	32.4	181	174	19.3	1.4	2.2	2.3
FY17E	32907	18672	37.0	211	203	18.9	1.3	1.9	2.0

Source: IndiaNivesh Research

Majesco Ltd. (MJCO)

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CMP Rs.487 | EV/Sales (FY16E/FY17E) 1.30x / 0.90x | Target Rs.899

Investment Rationale

- **M&A = CROSS SELLING:** MJCO's acquisition of Agile and Cover-All brings significant cross-selling opportunity. These two acquisitions led to increase in total client base from 100 to 145 clients instantly. Additionally, acquisition brings presence across P&C insurance technology value chain [Consulting, Insurance Platform, Data Analytics, & Cloud]. In our view, cross-selling would be the key kicker for management's guidance to reach $200-225 mn revenue mark by FY18E.
- **SALES HIRING = HIGHER S&M ACTIVITY:** In order to increase client mining, MJCO is constantly focusing on selling and marketing activity. In Q3FY16, MJCO's marketing team increased to 57 person (v/s 55 in Q2FY16). MJCO's strategy to deploy onsite products consultant at key client level looks a prudent move and should deliver favourable results going-ahead. The higher S&M activity will lead to strong client mining along with new client addition.
- **L&A BUSINESS = POTENTIAL TRIGER:** MJCO's life and pension insurance suit should see good traction going ahead on back of improving industry rating (Ranked 3rd in Group Insurance). MJCO successfully completed end-to-end implementation of Policy Administration System (PAS) and New Business & Underwriting (NB&U) solution with Forester, Canada. Additionally, the company was able to win one more major top-tier financial protection insurer in the UK – Unum insurance for Group Billing & PAS.
- **Q3FY6 Result Update:** Q3FY16 revenue increased 5.6% Q/Q to Rs.1.98 bn driven by License (58.6% Q/Q), Cloud (+35.0% Q/Q), and Support (+0.7% Q/Q). This was partially offset by 4.0% Q/Q de-growth in Professional Services. MJCO reported operating loss of Rs.69 mn (v/s Rs.27 mn in Q2FY16) due to Salary hike (+10% offshore & +4% onsite) and increase in SG&A and other expenditure. On account of tax benefit of Rs.175 mn, MJCO reported Net profit of Rs 79 mn (v/s net loss of Rs5.8 mn in Q2FY16).

Valuations

At CMP of Rs.487, the stock is trading at EV/Sales of 1.30x/0.90x FY16E/FY17E estimates. We maintain BUY with target price to Rs.899 (Valuing 2.3x FY18E) on MJCO.

Y/e Mar. 31	Sales (Rs Mn)	EBITDA (Rs mn)	Margin (%)	Adj. PAT (Rs Mn)	EPS (Rs)	EBITDA margin (%)	ROE (%)	P/E (x)	EV/Sales (x)
FY15A	4,860	28	0.6	-40	-1.8	NM	-1.6	NM	2.0x
FY16E	7,519	-39	-0.5	-141	-6.2	248.6	-5.8	NM	1.3x
FY17E	10,504	243	2.3	58	2.5	-141.3	2.3	191.6x	0.9x
FY18E	12,778	1,026	8.0	585	25.7	909.7	19.0	19.0x	0.8x

Source: Company Filings; IndiaNivesh Research

Oberoi Realty Ltd (ORL)

CMP Rs 233 |EV/EBITDA (FY17E) 5.9x | Target Rs 342

Investment Rationale

- **Residential Segment**-ORL sold 645 units with total saleable area (SA) of 1.02 mn sq. ft. in Q3FY16 (v/s only 29 units |SA-0.06 mn sq. ft. in Q2FY16). The key reason for robust growth in sales was Oberoi Esquire project, which crossed the revenue recognition threshold in Q3FY16. The launch of Sky City, Borivali project (SA -3.9 mn sq. ft. with 0.95 mn sq. ft. of area booked & 619 units booked) also boosted the sales. ORL's Worli project, Three Sixty West (SA- 1.78 mn sq. ft) is expected to be launched by Q1FY17E which has already completed more than 50% of its construction.

- **Annuity Segment**-Revenue contribution from Rental business & Hotel business stood at Rs 1,286 mn / Rs 304 mn with EBIDTA margin of 95%/32% for 9MFY16. The stable revenues from annuity business along with its high margins is like icing on the cake for ORL.

- **Land Acquisition Strategy**-The Company is virtually debt free compared to its highly leveraged Real Estate peers. Given the slowdown in the real-estate sector, management intends to accumulate land inventory at premium locations with bargain price. Regarding this, the company passed a board resolution in Q2FY16 to raise funds upto Rs 22.5 bn through equity /debt/ combination.

Valuations

At CMP of Rs.233, the stock is trading at 9.1x FY16E and 5.9x FY17E EV/EBIDTA estimates. ORL is our top pick in Real Estate sector due to the quality of land bank, healthy balance sheet, and management ability to execute projects. We maintain BUY rating

on ORL with a SoTP based target price of Rs.342/share (47% upside).

YE March (Rs mn.)	Net Sales	EBITDA	EBIDTA (%)	PAT Adj.	PAT (%)	Equity Cap.	EPS (Rs)	EV/EBITDA (x)	P/E(x)
FY13	10,476	6,121	58%	5,049	48%	3,282	15.4	10.8x	15.1x
FY14	7,985	4,348	54%	3,111	39%	3,282	9.5	16.5x	24.6x
FY15	9,227	5,138	56%	3,171	34%	3,282	9.7	14.4x	24.1x
FY16E	14,979	7,696	51%	4,970	33%	3,392	14.7	9.1x	15.9x
FY17E	24,465	12,649	52%	8,001	33%	3,392	23.6	5.9x	9.9x

Source: Company Filings; IndiaNivesh Research Note: CMP as of 17/02/2016

OnMobile (OGL)

CMP Rs.106 | P/E (FY16E) NM | P/E (FY17E) 9.7x | Target Rs.140

Investment Rationale

- **Liquidity Cushion:** The higher cash balance of Rs.2,783 mn (Rs.27 per share) gives lot of investment cushion. Further, the deployment of cash to creating shareholder (share buy-back of Rs.700 mn) value and consistent reduction in debt looks positive. Given the high operating cash flow generating business model, we expect consistent increase in cash balance going-ahead.
- **New Product Launch to Drive Growth:** The company's initiative to launch two new products in next generation RBT space remains the key trigger for revenue growth. The beta version of product is already launched in Spain, which attracted ~70 mn paid subscribers in last six months.
- **Consolidation Approach:** We like management's consolidation approach and recent restructuring initiatives: (1) divestment of loss making Voxmobili business for $26 mn in Jul-2014, and (2) reduction in employee base to 1,087 (v/s 1,600 in Q1FY15). In 9MFY16, these initiatives led to 2.8% Y/Y revenue decline but 440 bps expansion in EBITDA margin.
- **Q3FY16 Result Update:** Reported revenue de-growth of 0.1% Q/Q to Rs.2,068 mn. However, EBITDA grew by 2.2% Q/Q to Rs.402 mn. As a result, EBITDA margin stood at 19.4% (v/s 19.0% in Q2FY16). OGL reported net loss of Rs.76 mn (v/s loss of Rs.12.6 mn in Q2FY16 and Rs.73.8 mn in Q3FY15). Adj. exceptional loss (Currency devaluation Rs.64.8 mn), OGL reported net loss of Rs.11.5 mn (v/s Rs.12.6 mn in Q2FY16).

Valuations

At CMP of Rs.106, the stock in trading at P/E multiple of 9.7x FY17E earnings estimate. We continue to like the story due to following reasons: (1) operational turnaround on back of restructuring, (2) top management reorganization, and (3) strong cash generating business model. The cash per share of Rs.25 bring cushion to investors (Excluding Buy-Back). We maintain 'BUY' with increase in TP to Rs.140 (Valuing 12.8x FY17E).

YE Mar (Rs. Mn)	Net Sales	EBITDA	Adj PAT	EPS (Rs)	EBITDA Margin (%)	ROE (%)	PE (x)	EV/EBITDA (x)
FY14A	8,653	125	-1,320	-11.6	1.4	17.8	-9.2x	97.7x
FY15A	8,687	924	103	0.9	10.6	33.6	111.7x	13.2x
FY16e	9,555	1,784	-128	-1.2	18.7	33.6	-90.1x	6.8x
FY17e	10,893	2,365	1,144	11.0	21.7	34.6	9.7x	5.1x

Source: Company Filings; IndiaNivesh Research *Note: NM – Not Material*

Reliance Industries Ltd. (RIL)

CMP Rs. 952|P/E (FY16E) 12.5x | P/E (FY17E) 10.1x | Target Rs.1300

Investment Rationale

- RIL reported strong set of numbers in Q3FY16 on the back of strong margin from refining and petchem business. GRM stood at $11.5/bbl vs. $10.6/bbl in Q2FY16 and $7.3/bbl in Q3FY15 due to strong naphtha and gasoline cracks. Petchem margin expanded due to stronger polymer chain deltas and higher volume. In Q3FY16, RIL EBITDA margin expanded by 736 bps YoY to 16.7%. Recent crude price fall is due to supply glut and not due to product demand decline. In fact lower crude prices reduced product prices and resulted in higher demand. This coupled with delays in the refinery capacity addition has led to higher margins and we expect margins to remain strong for next few quarters.
- Further USD 4 bn Petcoke Gasification project is under rapid execution which is expected to provide competitive energy costs. RIL's dependency on imported gas will decrease with completion of coke gasification and gross refining margin (GRM) will improve by $2-2.5 per barrel. RIL has also earmarked USD 4 billion for a petrochemicals project in Jamnagar that will include a cracker unit. This project is expected to be commissioned in FY17 and would nearly double the ethylene capacity to 3.3 million tonnes a year. Further ongoing Polyester expansion and new off-gases cracker will add further value in petchem profitability.
- RIL reported ROE of 9.6% in FY15, down 80 bps YoY. The key reason for decline in ROE was due to above Rs 1000 bn CWIP under the ongoing capex programme. We expect ROE to improve from FY17, when its large projects will commence. Further retail business is continuously progressing well and telecom business is likely to contribute in overall revenue from FY17.

Valuation

RIL is in the midst of executing its largest ever capex plans in core and non-core businesses. We expect the earnings growth trigger to play out in RIL in FY17, when its large core projects get commission. The Core projects are petcoke gasification plant at its refinery, refinery off-gas cracker in petrochemicals, polyester/aromatics capacity expansion. At CMP Rs. 952 stock is trading at 10.25x FY17E EPS which is lower than its mean of 15x. We maintain BUY rating on the stock with target price of Rs. 1300(based on 14x FY17e earnings).

Rs Mn	Net Sales	EBITDA	Adj PAT	EPS (Rs)	EBITDA Margin (%)	ROE (%)	P/E (x)	EV/EBITDA (x)
FY15	37,54,350	3,73,640	2,09,531	64.90	10.0	9.6	14.7	11.4
FY16e	25,89,142	4,37,727	2,45,848	76.15	16.9	10.4	12.5	10.2
FY17e	28,48,314	5,53,418	3,05,687	94.68	19.4	11.7	10.1	8.5

Source: Company Filings; IndiaNivesh Research Note: CMP as of 17/02/2016

Shilpa Medicare (SLPA)

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CMP Rs.421 |P/E (FY16E) 36x| P/E (FY17E) 24.7x | Target Rs.517

Investment Rationale

- The receipt of letter of compliance from USFDA for its API facility at Raichur implies that SLPA can start supplying API & formulators for US market. We consider this to be one of the key triggers for potential upside in earnings for SLPA going forward.
- The plant was inspected in March 2015. Given the scenario, where the business of pharma companies getting impacted by regulatory hurdle, we believe that SLPA has overcome this hurdle and expect considerable business from this facility, subject to product approval for its customer.
- We expect revenue to the tune of Rs1.5-Rs2bn from API facility, subject to product approval.
- In addition, SLPA had USFDA inspection at its formulation facility at Jadcherla. SLPA continues to implement remediation measures to get facility in compliance with USFDA norms. There may be revenue upside to the tune of Rs11bn from this facility post USFDA clearance and subsequent product approval . We have not yet incorporated this upside in our EPS estimate.
- In terms of Q3FY16 performance, SLPA delivered 22.5% y-y growth in adjusted PAT, led by healthy sales in Onco-API, non-Onco API as well as CRAMS segment.

Valuation

We introduced FY18 estimates in Q3FY16 result update and rolled forward our valuation to FY18E earnings. We also upgraded PE multiple from 16x to 18x to factor regulatory clearance for API facility. Accordingly, we revised our price target to Rs517 (from Rs345), based on 18x FY18E EPS of Rs28.6 and upgraded rating from hold to BUY.

in Rs mn	Sales	EBITDA	EBITDA %	PAT	EPS	ROE %	P/E	EV/EBITDA
FY13	3,713	689	18.5	476	6.2	14.8	21.0	15.5
FY14	5,714	1,160	20.3	781	10.2	19.8	23.1	16.6
FY15	6,138	1,286	21.0	728	19.1	13.5	22.0	13.5
FY16E	6,997	1,449	20.7	901	11.7	14.2	36.0	23.4
FY17E	9,897	2,091	21.1	1,313	17.0	17.4	24.7	16.1
FY18E	14,980	3,281	21.9	2,202	28.6	22.8	14.7	10.1

Source: Company Filings, IndiaNivesh Research

Tata Motors Ltd (TTMT)

CMP Rs 301|P/E (FY16E) 8.9x | P/E (FY17E) 8.1x | Target Rs 496

Investment Rationale

- **Domestic business** continued its strong performance in Q3FY16 on back of growth in M&HCV segment. TTMT's CV business is well placed to ride the recovery with wide and compelling product range - with new launches across Prima and Ultra Range, refreshes/variants in SCV and pick-ups. The company has done well in PV segment with launch of Zest and Bolt and we expect the good performance to continue with expected launch of new sporty compact hatchback, new sporty compact Sedan, Hexa, Nexon.
- **On consolidated front**, During Q3FY16 Tata Motors JLR profitability was impacted due to lower China sales and poor product mix. JLR continued to do well in US,UK and Europe. The sales is expected to keep on improving in the next three or four years on the back of upcoming launches like Jaguar XE in the US and the Jaguar F-PACE in Spring 2016 followed by the Evoque Convertible. All these new products are expected to drive significant volume growth in 2016/17.
- **Strong numbers from US, Europe and UK neutralising lower China JLR sales** – JLR showed 32% YoY growth in Q3FY16. JLR sales are up 9% YTD inspite of 22 % fall in China sales compared to last year reflecting the slowdown in the China's economy. But sales have soared 25% in the UK, 39% in the rest of Europe and 26 % in North America on YTD basis which has made up for fall in China sales. Even JLR's China joint venture with Chery has turned positive in the quarter and resulted in income of £22m million, despite the plant running at only 39% utilization.

Valuations

At CMP of 301, the stock is trading at 8.1X of its FY17E EPS. We value JLR Standalone at Rs 410/share based on 4x FY17E EV/EBITDA, JLR JV at Rs 32/share based on 1x FY17E EV/Sales. We value the Indian business along with subsidiaries and associates at ~Rs. 70/share, based on 8x FY17E EV/EBITDA and 25% discount on investments and Net Debt at ~Rs -15/share. We recommend BUY on the stock with SOTP based target price of Rs. 496.

YE March (Rs. Mn)	Net Sales	EBITDA	Adj PAT	EPS (Rs)	EBITDA Margin (%)	ROE (%)	PE (x)	EV/EBITDA (x)
FY15A	2,627,963	392,387	144,090	44.2	14.9	25.6	6.8x	3.5x
FY16e	2,607,095	353,610	114,733	33.8	13.6	15.1	8.9x	4.1x
FY17e	2,776,420	389,656	126,284	37.2	14.0	14.3	8.1x	4.0x

Source: Company Filings; IndiaNivesh Research *Note: CMP as of 17/02/2016*