Detailed Report | 15 September 2015
Sector: Automobiles

Tata Motors

Transitory issues receding

Jinesh Gandhi (Jinesh@MotilalOswal.com); +91 22 3982 5416

Jay Shah (Jay.Shah@MotilalOswal.com); +91 22 3078 4701

TATA MOTORS: Transitory issues receding

Tata Motors

BSE Sensex	S&P CNX
25,706	7,829

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,395.9
M.Cap. (INR b)/(USD b)	1,134/17.1
52-Week Range (INR)	606/304
1, 6, 12 Rel. Per (%)	2/-30/-30
Avg Val(INRm)/Vol'000	3032/6474
Free float (%)	65.7

Financial Snapshot (INR Billion)

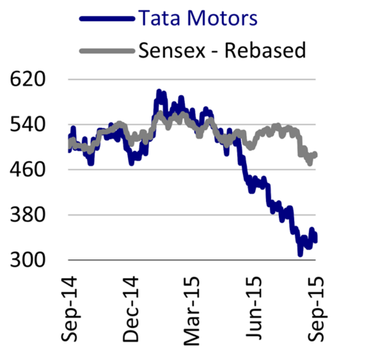
Y/E MARCH	2015	2016E	2017E
Net Sales	2,628	2,687	3,168
EBITDA	421	395	456
NP	140	147	184
Adj. EPS (INR)	43.6	43.2	54.1
EPS Gr. (%)	-1.1	-1.0	25.3
BV/Sh. (INR)	174.8	229.7	281.9
RoE (%)	23.1	21.9	21.2
RoCE (%)	24.2	18.0	18.5
Payout (%)	0.0	2.8	6.7
Valuations			
P/E (x)	7.7	7.7	6.2
P/BV (x)	1.9	1.5	1.2
EV/EBITDA (x)	3.1	3.4	2.7
Div. Yield (%)	0.0	0.3	0.9

Shareholding pattern (%)

As on	Jun-15	Mar-15	Jun-14
Promoter	72.6	72.6	68.0
DII	0.7	0.8	0.7
FII	0.2	0.6	0.6
Others	26.5	25.9	30.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR334 **TP: INR488 (+46%)** **Buy**

China uncertainty, but transitory issues receding

JLR's product portfolio expansion to drive outperformance

- **JLR's transitory issues, which impacted volumes by 5-8% since 3QFY15, are expected to recede from 3QFY16 and fully reflect in 2QFY16 performance.**
- **Despite growth normalizing in luxury cars, China is expected to outperform other key markets with 8-10% CAGR growth. JLR would outperform in China due to a) strong product pipeline, b) strength in the fast growing SUV segment, and c) network expansion.**
- **JLR's has several structural levers to dilute the impact of expected normalization of China profitability.**
- **Earnings downgrade cycle is nearing end, as transitory issues recede. Valuations attractive, despite normalizing China margins. Buy with a TP of ~INR488.**

JLR: China growth normalizing, but transitory issues receding

- China luxury car volume growth is moderating from 25-30% CAGR, driven by confluence of several structural factors, as reflected in 2.5% growth in CY15YTD. This coupled with transitory issues has resulted in a 33.5% decline in JLR's China retail sales in CY15YTD.
- JLR's transitory issues, in the form of model phase-out and teething troubles in China JV, have impacted volumes by 5-8% since 3QFY15.
- We expect volume recovery from transitory issues from 3QFY16, driven by a) China Evoque ramp-up from 3QFY16, b) Discovery Sport launch in China in 3QFY16, c) New XF and XE in China from 4QFY16, and d) ramp-up of new launches in other markets.
- Despite China's volume growth moderation, it is still expected to outgrow other markets with 8-10% CAGR over CY14-20.
- JLR is expected to outperform in China, driven by strong product pipeline, dominance in the fast growing SUV segment and dealer network expansion.

JLR: Several triggers to dilute China margin normalization

- Pricing pressure due to moderating growth, adverse terms of trade and increasing share of compact luxury cars are driving normalization of profitability in China. We expect JLR's profitability in China to normalize from ~25% in FY15 to ~15% by FY17, implying gross impact of ~400bp.
- JLR has several levers, both cyclical and structural, to dilute the impact of China margin normalization. Near-term EBITDA margin drivers (~100bp savings) include a) favorable commodity prices, b) operating leverage driven by recovery in volumes as transitory issues recede, and c) ramp-up in Chery JV.
- JLR has several structural drivers to margins (~50bp factored in) including a) full roll-out of modular strategy, b) operating leverage driven by ramp-up in Jaguar portfolio, and c) incremental production from low-cost countries.

- As a result, we estimate net impact of ~250bp (FY15-18E, including 100% of JV) on margins due to China profitability normalization.

India business back on recovery path; to turn FCF positive

- M&HCV industry is witnessing a cyclical recovery after witnessing ~10% CAGR decline (FY12-15). We estimate TTMT's M&HCV to witness ~24% volume CAGR over FY15-18 and recover ~120bp market share by FY18.
- LCV volumes are near bottom, with expected recovery from 4QFY16. TTMT's LCV volumes are estimated to see a 15% CAGR. However, TTMT needs to address the threat to its SCV business from pick-ups.
- Improvement in volumes (~19% CAGR over FY15-18) and EBITDA margins (~16.4pp over FY15-18) would drive significant improvement in FCF generation (cumulative: ~INR105b over FY16-18).

Valuations very attractive for the strong franchise

- TTMT’s earnings downgrade cycle is nearing end, especially as transitory issues (which impacted performance in last 12 months) are receding.
- Our analysis indicates that the current stock price factors in for the worst case, implying ~2% growth in FY17 volumes (~27% CAGR in China) and EBITDA margins of ~12.4% or implied China margins at ~9%.
- We are lowering our EPS estimates for FY16/17 by ~17%/6% to ~INR43/54 to factor in for a) lower JLR volumes due to higher-than-estimated impact of transitory issues, b) lower margins in JLR due to operating leverage, c) lower volumes in LCVs.
- Even after factoring for lower China margins, we estimate TTMT's consolidated EPS to grow ~17% CAGR.
- Valuations at at 7.7x/6.2x FY16E/17E consolidated EPS are very attractive for strong JLR franchise. Maintain **Buy** with a TP of INR488 (SOTP based).

Exhibit 1: TATA MOTORS: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY17E
Tata Motors - Standalone	EV/EBITDA	8.0	353
JLR (Adj for R&D capitalization)	EV/EBITDA	4.0	1,105
JLR - Chery JV EBITDA Share	EV/EBITDA	4.0	100
Others	EV/EBITDA	4.0	54
Total EV			**1,612**
Less: Net Debt			82
Add: Other Investments			
Tata Motors Finance	P/BV	0.75	28
Other Associates/JVs	P/BV	0.75	20
Tata Sons	40% discount		78
Total Equity Value			**1,657**
Fair Value (INR/Sh) - Ord Sh	**Fully Diluted**		**488**
Upside (%)			46.1
Fair Value (INR/Sh) - DVR	**@ 30% discount**		**341**
Upside (%)			41.9

Source: MOSL

Exhibit 2: Current stock price implies ~2% volume growth in FY17 and EBITDA margins of ~12.7%

GBP m	Base Case	What’s in the price?
Volumes (Ex JV, units)	**531,308**	**487,822**
Monthly run-rate (units)	**44,276**	**40,652**
Growth (%)	11.1	2.0
Realizations (GBP/unit)	**46,324**	**44,064**
Growth (%)	2.5	-2.5
Sales	**24,612**	**21,495**
EBITDA	**3,645**	**2,728**
EBITDA Margins (%)	14.8	12.7
Implied China EBITDA Margins (%)	**15.0**	**9.0**
PAT	**1,837**	**1,131**
Growth (%)	11.9	-31.1
CFO	**3,933**	**3,016**
FCF	**789**	**-128**
TTMT Consol EPS (INR)	**54.1**	**33.2**
TTMT SOTP TP (INR/Share)	**488**	**344**
Upside (%)	46.1	3.1

Source: MOSL

JLR: Transitory issues exist, but long term still positive

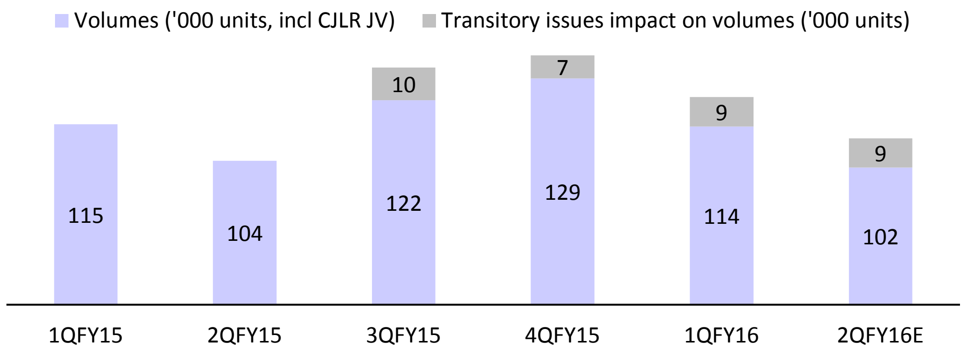
China still to outperform, with JLR to outperform in China

- **JLR's transitory issues, in the form of model phase-out and teething troubles in China JV, have impacted volumes by 5-8% since 3QFY15.**
- **We expect volume recovery from transitory issues from 3QFY16, driven by a) China Evoque ramp-up from 3QFY16, b) Discovery Sport launch in China in 3QFY16, c) New XF and XE in China from 4QFY16, and d) ramp-up of new launches in other markets.**
- **China luxury vehicle volume growth is moderating from the 25-30% witnessed till 1HCY14, impacted by confluence of several structural factors.**
- **The moderation, coupled with transitory issues, has resulted in a 28.4% decline in JLR's China retail sales in CY15YTD.**
- **Despite China's volume growth moderation, it is still expected to outgrow other markets with ~8% CAGR over CY14-20.**
- **However, JLR is expected to outperform in China—driven by strong product pipeline, dominance in the fast growing SUV segment and dealer network expansion.**

Transitory issues hurting volumes since 3QFY15…

- JLR has been witnessing transitory issues since 3QFY15 due to:
  - **3QFY15:** Production disruption at Solihull plant owing to capacity expansion for Jaguar XE launch, restricting Range Rover and Range Rover Sport volumes.
  - **3QFY15:** Phasing out of imported Evoque in China.
  - **3QFY15/4QFY15:** Phasing out of Freelander for Discovery Sport launch in 4QFY15.
  - **4QFY15**: Slower ramp-up of China-made Evoque, with ~4,000 units in 4QFY15 (v/s average of ~8,000/quarter).
  - **1QFY16**: Limited acceptance of locally made Evoque in China.
  - **1QFY16/2QFY16:** Phasing out of XF for the new XF.
  - **2QFY16:** Impact of explosion at Tianjin port (China), where ~5,800 imported vehicles were impacted.
  - **2QFY16:** China-made Evoque acceptance not desirable, forcing price cut of ~6% in July 2015.

Exhibit 3: Transitory issues have impacted volumes by 5-8% since 3QFY15



Source: Company, MOSL

…to fully reflect in 2QFY16 performance, but start receding from 3QY16

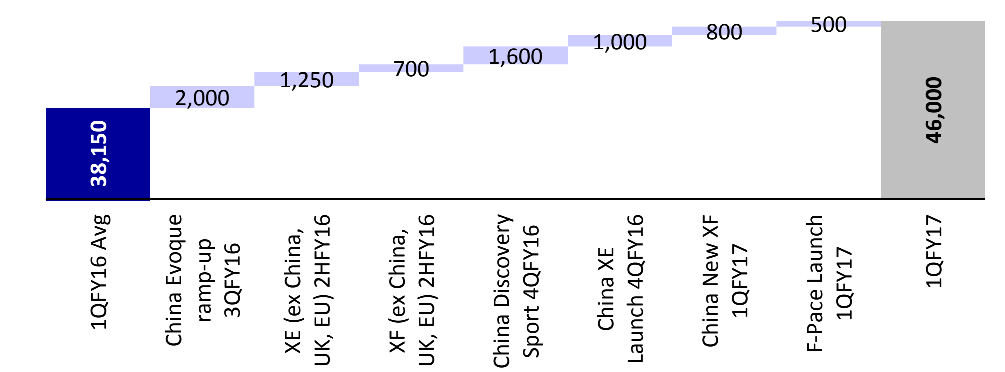
- We believe full impact of these transitory issues would be reflected in 2QFY16 performance, with EBITDA margins at ~14.2% - one of the worst performance of JLR since FY12.
- While it has already seen the impact of model phase-out of Freelander and XF, normalization of volumes from new launches of Discovery Sport and XF will fully reflect only by 4QFY16, especially in China through JV.
- While Chery JV would start local production of Discovery Sport by October 2015, local production of the new XF would commence by 4QFY16/1QFY17.
- Also, China-made Evoque is expected to see ramp-up from 3QFY16.
- Further, ramp-up in new launches of Discovery Sport, Jaguar XE and Jaguar XF in other markets would aid volume recovery.
- As a result, we estimate average monthly volumes for JLR to improve from ~38,150 units in 1QFY16, to ~46,000 units by 1QFY17.

Exhibit 4: JLR's 2QFY16 operating performance to fully reflect for transitory issues (IFRS, GBP m)

Y/E March	FY15				FY16				FY15	FY16E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Jaguar	19,584	17,781	19,053	20,078	21,202	21,191	28,053	34,050	76,496	104,496
% of total volumes	17.0	17.1	15.6	16.0	19.2	21.9	21.5	24.3	16.3	21.8
Land Rover	95,572	86,194	103,414	105,083	89,446	75,695	102,452	106,168	394,027	373,761
% of total volumes	83.0	82.9	84.4	84.0	80.8	78.1	78.5	75.7	83.7	78.2
Total Volumes (Excl JV)	**115,156**	**103,975**	**122,467**	**125,161**	**110,648**	**96,886**	**130,505**	**140,218**	**470,523**	**478,257**
Growth (%)	27.1	2.0	5.3	3.5	-3.9	-6.8	6.6	12.0	9.5	1.6
Total Volumes (Incl JV)	**115,156**	**103,975**	**122,467**	**129,205**	**114,452**	**101,886**	**141,005**	**152,621**	**474,567**	**509,964**
Growth (%)	27.1	2.0	5.3	6.8	-0.6	-2.0	15.1	18.1	10.4	7.5
Realization (GBP/unit)	**46,485**	**46,242**	**48,005**	**46,548**	**45,206**	**45,093**	**45,544**	**44,927**	**46,472**	**45,194**
Change YoY (%)	2.8	2.2	4.8	5.3	-2.8	-2.5	-5.1	-3.5	3.0	-2.8
Revenues	**5,353**	**4,808**	**5,879**	**5,826**	**5,002**	**4,369**	**5,944**	**6,300**	**21,866**	**21,614**
Growth (%)	30.7	4.2	10.3	8.9	-6.6	-9.1	1.1	8.1	12.8	-1.2
RM/Sales (%)	61.6	60.4	60.6	58.7	58.1	58.5	59.0	58.9	60.3	58.7
Staff Costs/Sales (%)	8.0	9.6	9.1	9.4	11.0	12.8	9.9	10.0	9.0	10.8
OE/Sales (%)	10.1	10.6	11.6	14.5	14.5	14.5	15.4	16.0	11.8	15.1
EBITDA	**1,087**	**933**	**1,096**	**1,016**	**821**	**620**	**934**	**955**	**4,131**	**3,330**
EBITDA Margins (%)	20.3	19.4	18.6	17.4	16.4	14.2	15.7	15.2	18.9	15.4
Fx loss/ (gain)	-70	85	138	220	-149	0	0	0	373	-149
Net Interest Cost	-1	-5	8	92	14	3	3	2	93	2
PAT	**693**	**450**	**593**	**302**	**492**	**225**	**451**	**454**	**2,038**	**1,642**
Growth (%)	128.0	-11.2	-4.2	-32.7	-29.0	-50.0	-23.9	50.5	8.5	-19.4

Source: Company, MOSL

Exhibit 5: JLR's transitory issues to start receding from 3QFY16 onwards (monthly volume)

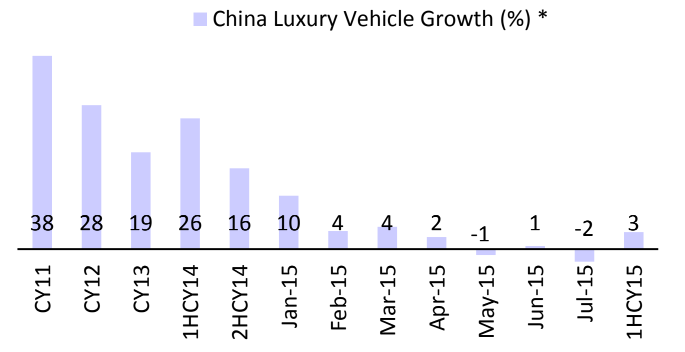


Source: MOSL

China volume growth normalizing…

- China luxury vehicle volume growth is moderating from the 25-30% witnessed till 1HCY14. Volume growth is muted at ~2.5% in CY15YTD.
- Luxury car volumes were impacted by confluence of several structural factors such as:
  - Anti-corruption drive in China by the current government.
  - Negative wealth effect due to sharp correction in real estate prices and equity markets.
  - Sharp drop in corporate profits.
- The demand moderation, coupled with transitory issues, has resulted in a 33.5% decline in JLR's China retail sales in CY15YTD.
- However, recent cut in interest rates and reserve ratio in China would help to arrest decline in luxury car sales.

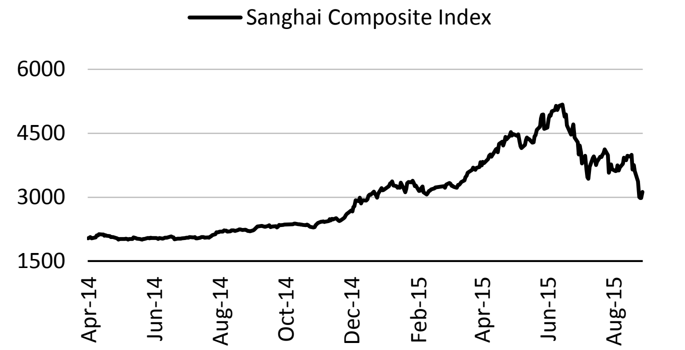
Exhibit 6: China luxury vehicle volume growth has been moderating since Jan 2015…



** Based on volumes Audi, BMW, Mercedes and JLR*

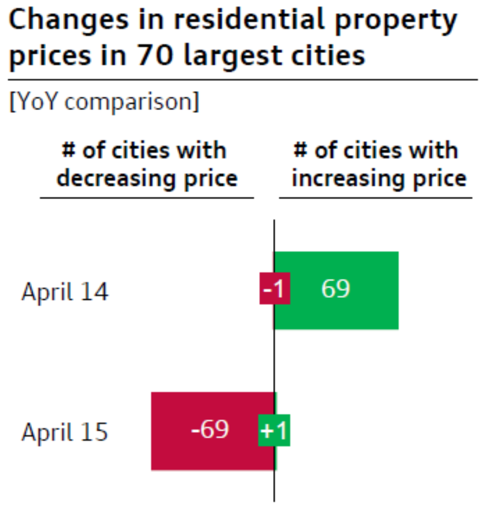
Source: MOSL

Exhibit 7: …impacted by recent correction in equity markets…



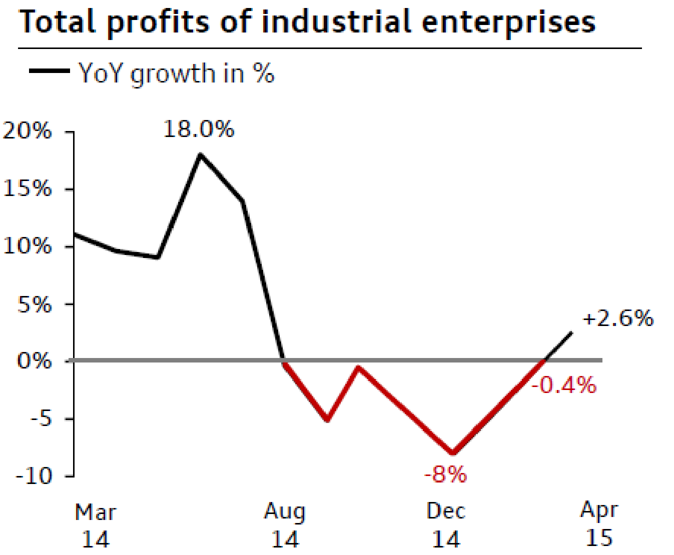
Source: Bloomberg, MOSL

Exhibit 8: …as well as real estate price correction…



Source: Audi, National Bureau of Statistics

Exhibit 9: …and sharp drop in corporate profits



Source: Audi, National Bureau of Statistics

…but China still to outperform, with JLR to outperform in China

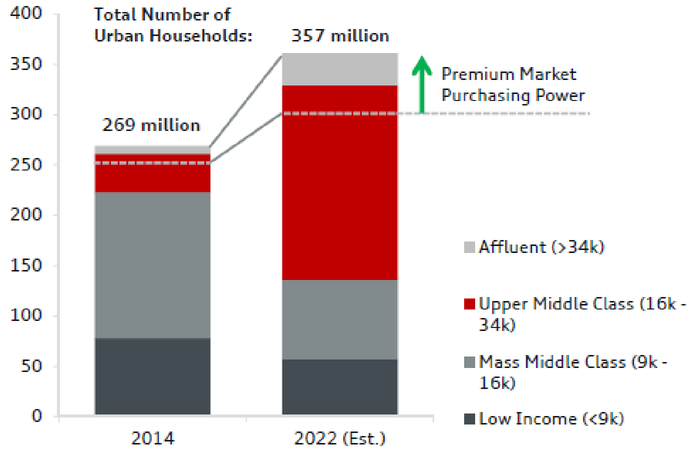
- Although China luxury vehicle volume growth has moderated from the heady 35%+ CAGR (CY06-14), it is still expected to outgrow other markets with ~8% CAGR over CY14-20.
- JLR is better placed to outgrow Chinese luxury vehicle market, driven by strong product pipeline, dominance in the fast growing SUV segment and dealer network expansion.
- Chery JV brings JLR on equal footing with peers, making it more cost competitive.
- Lastly, JLR recently reorganized in the Integrated Marketing, Sales and Service organization, and appointed Mr Mark Bishop (ex MD Porsche China) as the Head of China business. These changes have resulted in increased collaboration in China operations among the senior management from both JLR and Chery.

Exhibit 10: China market still expected to witness the fastest growth

Region	2014	2020	CAGR (%)
Western Europe	3,083	3,659	2.9
China	**1,830**	**2,869**	**7.8**
North America	2,169	2,688	3.6
Japan	314	309	-0.3
BRIKT	707	1,036	6.6
RoW	805	1,128	5.8
World	**8,907**	**11,689**	**4.6**

Source: BMW, Global Insight

Exhibit 11: Changes in social stratums to benefit premium market

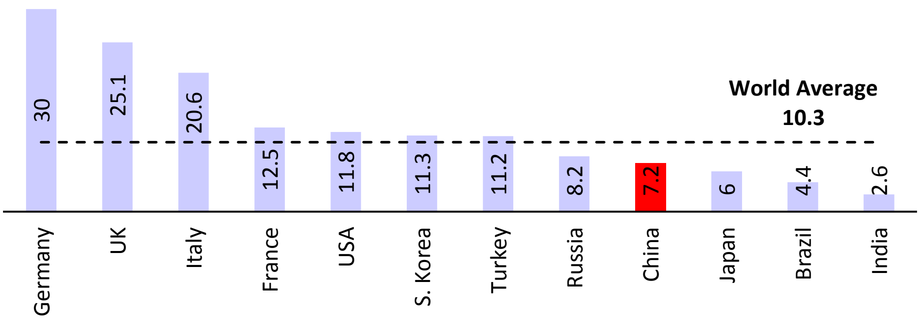


Source: McKinsey, MOSL

Exhibit 12: Increasing reach in tier-3 & below cities to be the next growth driver

Source: National Bureau of Statistics

Exhibit 13: Premium segment volumes in China still well below the global average (as a % of total cars)



Source: Company, MOSL

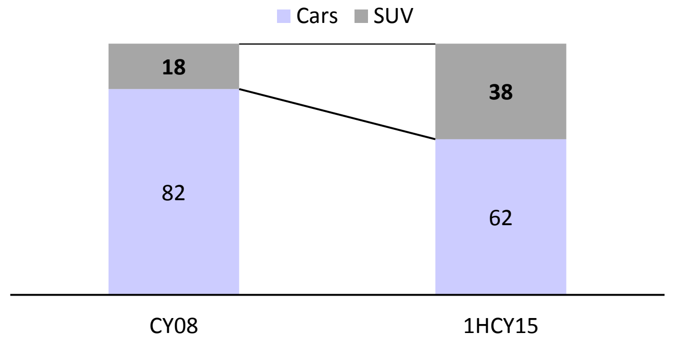
Exhibit 14: JLR to launch nine products (incl. replacement) over the next five years

Timeline	Model Name	Segment	Segment Size* ('000 units)
4QFY15	Discovery Sport	Compact Luxury SUV	1,706
1QFY16	XE	Premium Compact (P)	1,171
2QFY16	XF replacement	Mid Size (M)	1,262
4QFY16	Jaguar F-Pace	Luxury SUV/Crossover (S)	1,706
4QFY16	Evoque convertible	Compact Luxury SUV	42
CY16 (Mid)	Discovery replacement	Luxury SUV/Crossover (S)	1,706
FY17	Evoque XL	Luxury SUV/Crossover (S)	1,706
FY17	XJ replacement	High End (H)	284
FY18	Defender replacement	Luxury SUV/Crossover (S)	1,706
FY18	XJ Coupe	Sportscar (Sp)	42
FY20	Super Mini	Premium Compact (P)	1,129

* Categorty (Audi, Daimler, BMW and JLR)

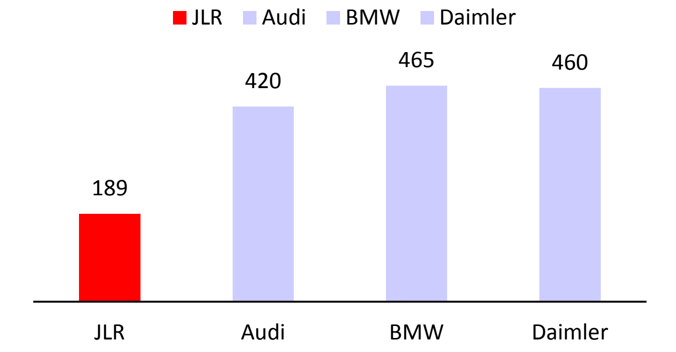
Source: Company, MOSL

Exhibit 15: Increasing luxury SUVs' share in China augurs well for JLR (% of total luxury vehicles in China)



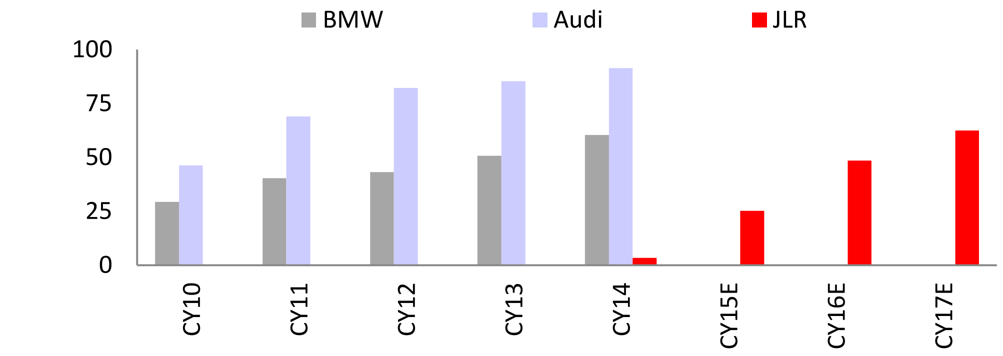
Source: Audi, MOSL

Exhibit 16: JLR has significant headroom to expand reach



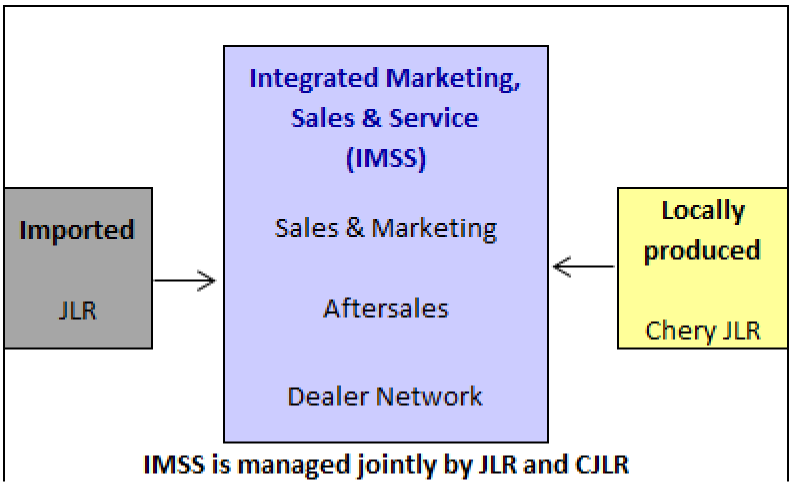
Source: Company, MOSL

Exhibit 17: Chery JV to bring JLR at equal footing with peers (JV's contribution to China volumes, %)



Source: Company, MOSL

Exhibit 18: IMSS manages imported and locally produced JLR car under one roof



Source: MOSL

JLR: Several triggers to dilute China margin normalization

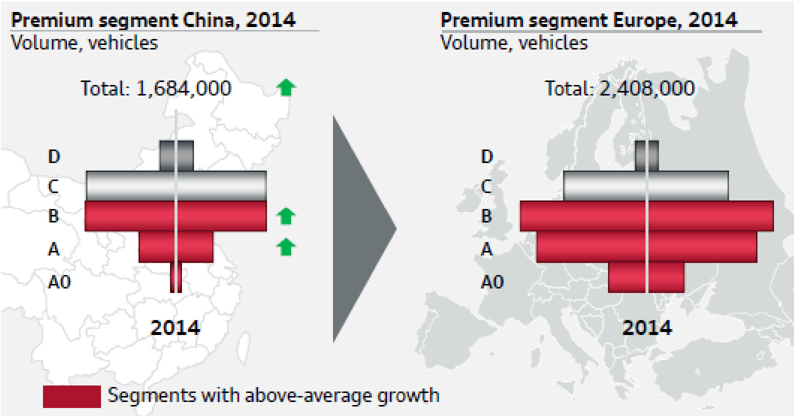
FCF generation to improve, as capex normalizes

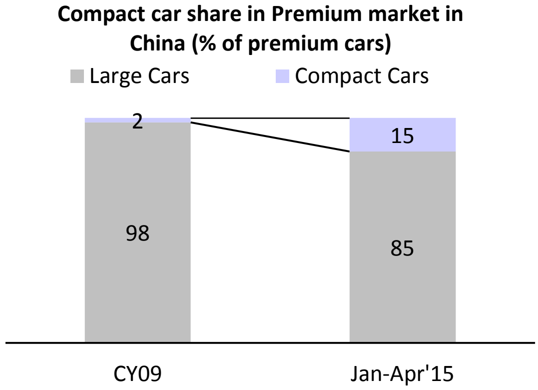
- **Moderating growth for luxury cars in China has put pressure on pricing, reflected in discounts of up to 35% (v/s a premium 2-3 years back); this, coupled with adverse terms of trade for OEMs and increasing share of compact luxury cars, is driving normalization of profitability in China.**
- **As a result, we expect JLR's profitability in China to normalize from ~25% in FY15 to ~15% by FY17—implying gross impact of ~400bp on JLR's margins.**
- **JLR has several levers, both cyclical and structural, to dilute the impact of China margin normalization.**
- **Near-term EBITDA margin drivers include a) favorable commodity prices, b) operating leverage driven by recovery in volumes as transitory issues recede, and c) ramp-up in Chery JV.**
- **In long term, JLR has several structural drivers to margins (not fully factored in yet) including a) full roll-out of modular strategy, b) operating leverage driven by ramp-up in Jaguar portfolio, and c) incremental production from low-cost countries.**
- **We estimate contribution of ~150bp from the near-term drivers and part benefit from long-term drivers, which in turn will resulting in net impact of ~250bp (FY15-18, including 100% of JV) on margins due to China profitability normalization.**

Expect pricing and profitability to normalize in China…

- Moderating growth for luxury cars has put pressure on pricing. Over the last two years, pricing power has shifted from supplier to buyers. Luxury vehicles, which used to command a premium 2-3 years back, are now selling at discounts of up to 35%.
- Also, an investigation by National Development and Reform Commission (NDRC) into alleged anti-competitive pricing practices in Luxury Car markets has forced luxury car makers to cut prices on select models and spare parts. NDRC imposed fines on Audi (~USD40m) and Mercedes Benz (~USD57m) for anti-competitive behavior.
- China's product mix in luxury car market is normalizing and converging with patterns witnessed in developed markets. The share of compact cars in luxury segment has increased from ~2% in CY09 to ~15% in CY15 (YTD April), and is expected to increase.
- Terms of trades are changing in China, with more bargaining powers in the hands of dealers. Luxury car dealers are demanding higher margins, lowering of sales target threshold for bonus, lowering of wholesale prices, an increase in credit period, etc.
- As a result, we expect profitability in China to normalize over the next two years—influenced by normalizing demand, product mix, and shift in balance toward consumers and dealers. We estimate EBITDA margins in China to normalize from ~25% in FY15 to ~15% by FY17, implying gross impact of ~385bp on JLR's blended margins.

Exhibit 19: Premium segment product mix moves toward the pattern of developed markets, with strong growth in compact luxury car segment





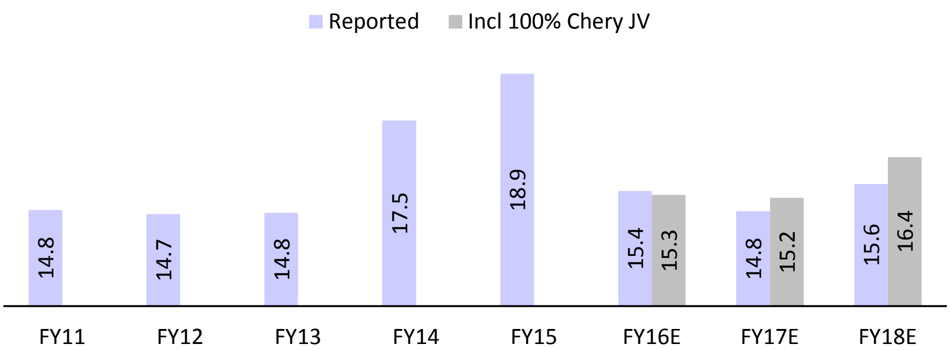
Source: Audi, MOSL

Exhibit 20: Terms of trade shifting in favor of dealers

OEM	Measure
JLR	Change in payment terms for incentives from year end to quarter end
BMW	~USD819m rebates to dealers for CY14
Audi	~USD320m incentive to dealers
Mercedes	~USD160m incentives to dealers
Overall	Dealer alliance negotiating with luxury OEMs to reduce sales targets

Source: MOSL

Exhibit 21: China profitability normalization to impact blended EBITDA margins by ~ 385bps gross and ~250b net impact



Source: Company, MOSL

...however, JLR has several levers to dilute China normalization

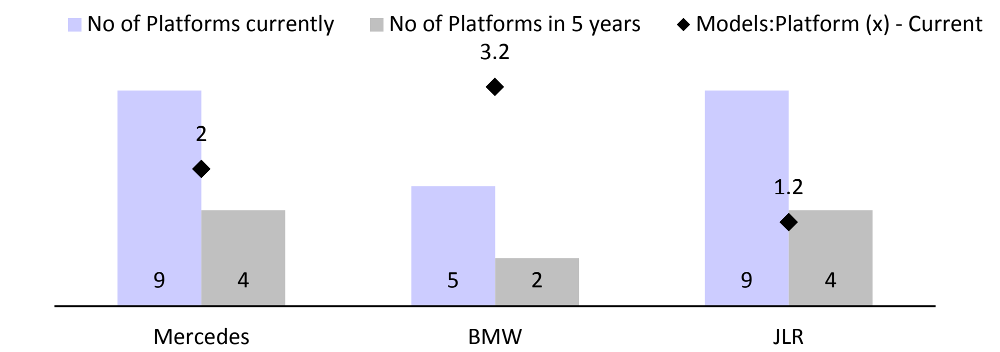
- While normalization of profitability in China would result in margin erosion of up to 400bp for JLR, there are several levers to reduce impact.
- Near-term EBITDA margin drivers, which are factored in our estimates, include:
  - Favorable commodity prices
  - Operating leverage driven by recovery in volumes as transitory issues recede
  - Ramp-up in Chery JV
- In long term, JLR has several structural drivers to margins (not fully factored in yet) including:
  - **Full roll-out of Modular Platform strategy:** JLR has moved to modular strategy platform to optimize product development cost, reduce development time and derive economies of scale. Based on our limited

understanding of JLR's product lifecycle, we estimate models per platform at 2.8x by FY18 (v/s 1.2x in FY15) as against management target of 4:1 by FY18-19. As per our estimates, over 95% of volumes by FY18 (v/s 69% in FY15) would be based on modular platforms. Our estimates don't factor in any benefit of modular platform strategy.

- **Operating leverage driven by ramp-up in Jaguar portfolio**: Jaguar's key launches (XE and F-Pace) are plugging major gaps in its product portfolio and expanding the addressable market size. While the management is aiming for 3x increase in Jaguar volumes over the next the years, we estimate 2x increase in Jaguar volumes over FY15-18—based on our conservative estimates (XE volumes of ~3,500 units/month by FY18 and ~1,000 units/month for F-Pace). Overall, we estimate ~13% CAGR in JLR volumes (FY15-18). Considering fixed costs were ~22% of sales in FY15, there is reasonable scope of operating leverage benefit to come through—not fully factored in our estimates.
- **Incremental production coming from low-cost countries:** JLR's entire incremental capacity is coming up in low-cost countries like Brazil and Slovakia. These new manufacturing destinations offer over 60% savings in manpower cost and have a well-developed vendor base there. Further, it has entered into contract manufacturing arrangement with Magna Steyr for manufacturing JLR cars at its Graz, Hungary plant.

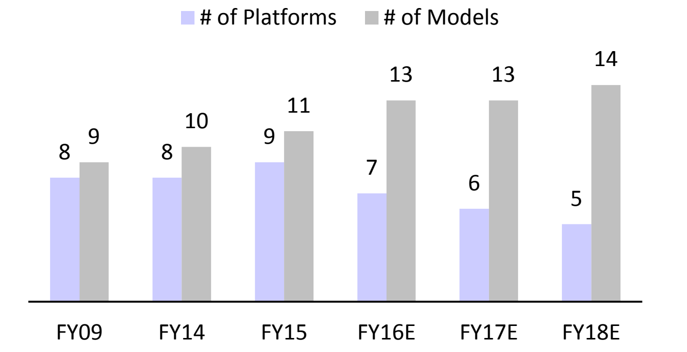
- We estimate contribution of ~150bp from near-term drivers and part benefit from long-term drivers, which in turn will result in net impact of ~250bp (FY15-18E, including 100% of JV) on margins due to China profitability normalization.
- Full benefit of long-term drivers, especially modular platform and shift to low-cost manufacturing, would further reduce impact of China normalization.

Exhibit 22: JLR's peers implementing modular platform strategy



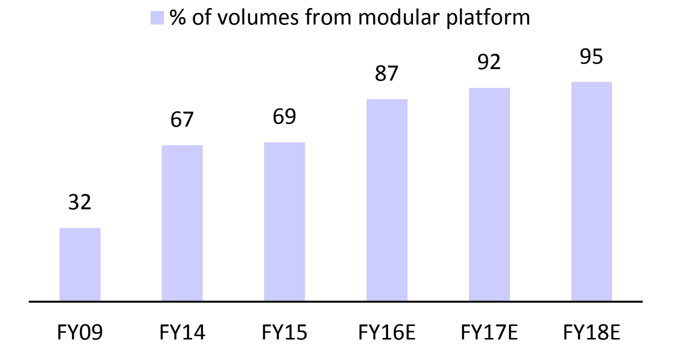
Source: Company, MOSL

Exhibit 23: No. of platforms v/s no. of models



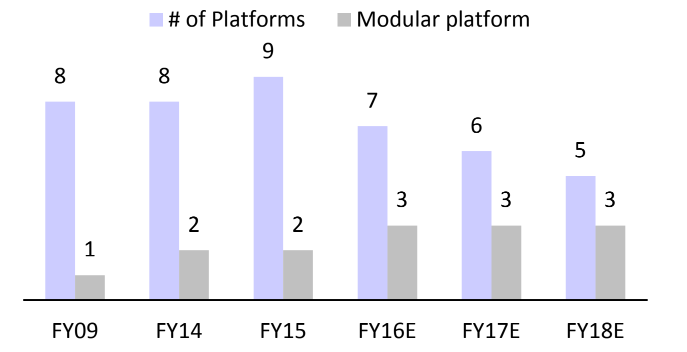
Source: Company, MOSL

Exhibit 24: Models on modular platform to be ~92% of the volumes by FY17



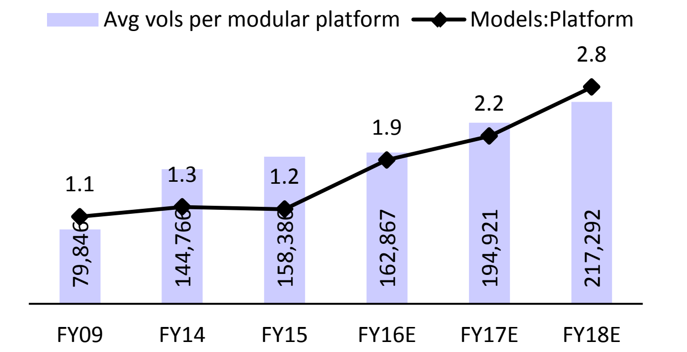
Source: Company, MOSL

Exhibit 25: Modular strategy to start playing out from FY16 in a meaningful manner



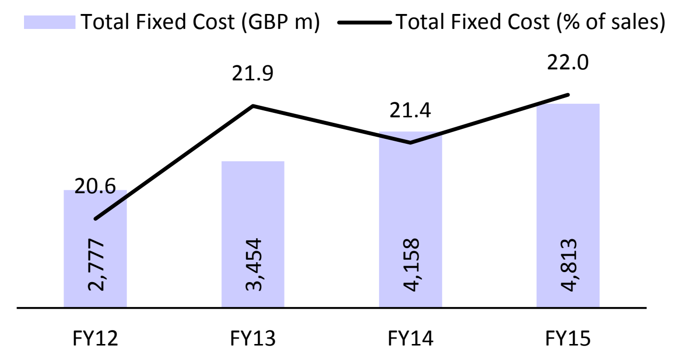
Source: Company, MOSL

Exhibit 26: We estimate models per platform at 2.8x by FY18, based on our limited understanding of JLR's product lifecycle (v/s Target of 4:1 by FY18-19)



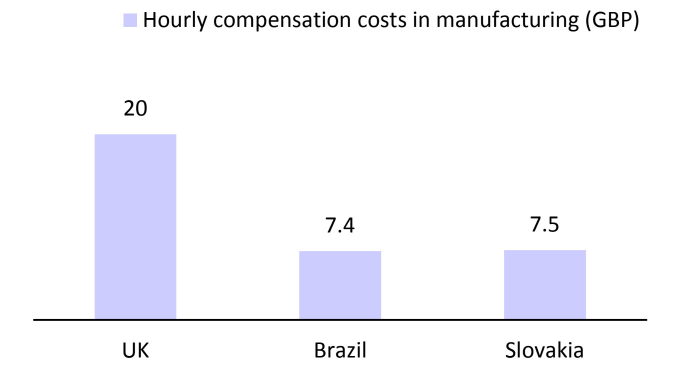
Source: Company, MOSL

Exhibit 27: High operating leverage potential for JLR as a fixed cost is high in luxury car business



Source: Company, MOSL

Exhibit 28: JLR's new manufacturing locations offer significant savings on manpower cost

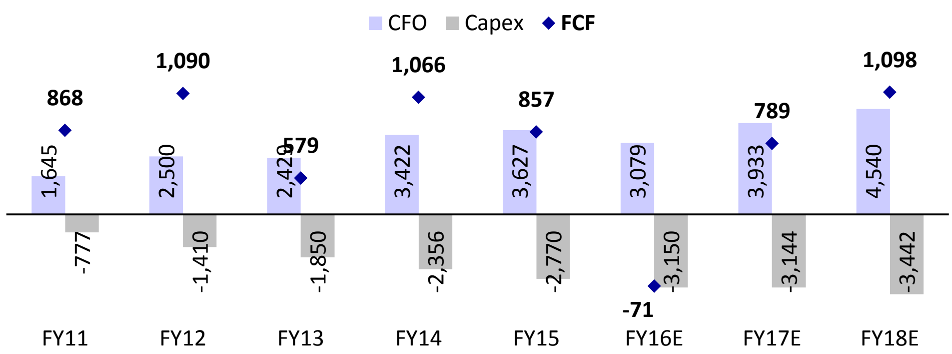


Source: Company, MOSL

JLR's FCF generation to improve, as capex normalizes

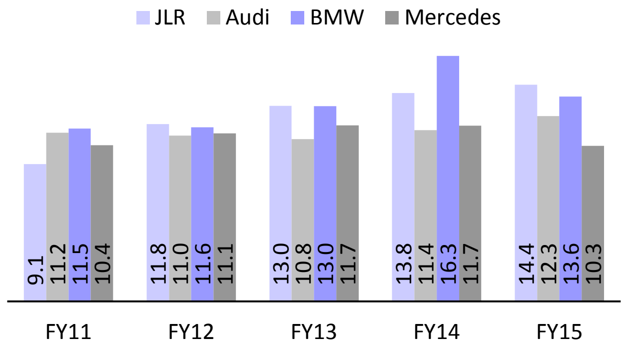
- JLR embarked on a significant product development and capex plan after witnessing improvement in its performance from FY11.
- From FY12, it stepped-up investments for product development and capex to 13-15% of sales to catch up with peers on product development and adding capacity to address strong growth.
- The management expects its capex cycle to start normalizing from the current ~15% of sales (including 100% of JV) to 10-12% in 3-4 years, which is in line with that of peers.
- We expect significant FCF generation from FY17 despite moderation in EBITDA margins, driven by normalization of capex cycle. We estimate FCF of GBP789m/GBP1.1b for FY17/18, based on capex of GBP3.45b/GBP3.8b in FY17/18.

Exhibit 29: JLR's FCF to improve sharply after weak FY16



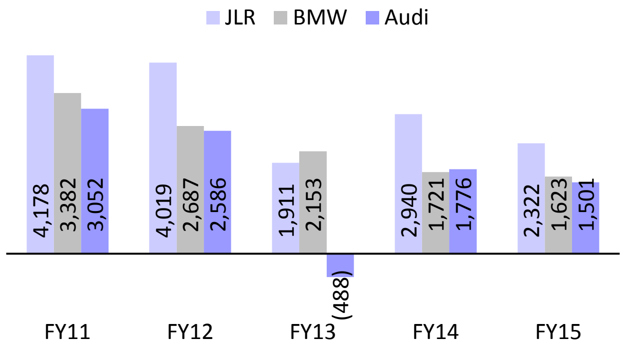
Source: Company, MOSL

Exhibit 30: JLR's capex (including R&D) higher than peers (as % of sales)



Source: Company, MOSL

Exhibit 31: JLR's FCF/unit higher than peers by over 40% (FCF, EUR/unit)



Source: Company, MOSL

India business back on recovery path

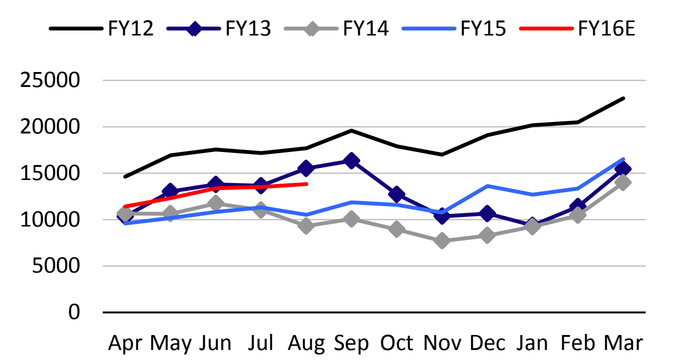
Margins to recover sharply, supported by several levers

- **M&HCV industry is witnessing a cyclical recovery after posting ~10% CAGR decline (FY12-15). We estimate TTMT's M&HCV to witness ~24% volume CAGR over FY15-18 and recover ~120bp market share by FY18.**
- **LCV volumes are near bottom, with expected recovery from 4QFY16. We estimate TTMT's LCV volumes to see a 15% CAGR (FY15-18E). However, TTMT needs to successfully address threat to its SCV business from pick-ups.**
- **With focus returning to PV business, it plans to launch two products every year till 2020. We conservatively estimate ~18% CAGR in TTMT's PV volume, given the strong product pipeline.**
- **Improvement in volumes (~19% CAGR over FY15-18) and EBITDA margins (~16.4pp over FY15-18) would drive significant improvement in FCF generation (cumulative FCF of ~INR105b over FY16-18E) despite capex of ~INR35-40b p.a; this, coupled with recent rights issues of ~INR76b, would lower S/A net debt to ~INR92b by FY18 (from ~INR202b in FY15) and net debt/equity to 0.4x by FY18 (from 1.4x in FY15).**

M&HCV back on track

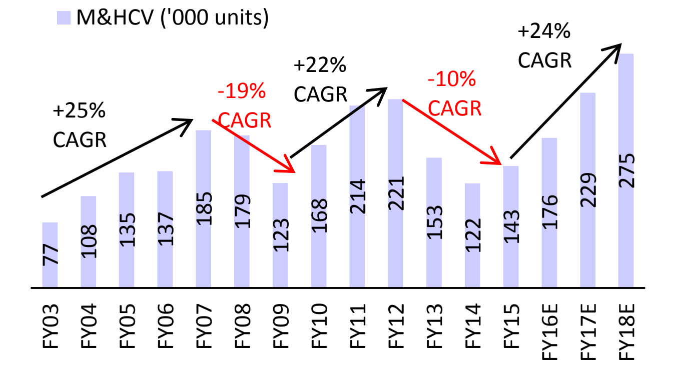
- M&HCV industry is back on track with cyclical recovery since 2QFY15. TTMT's M&HCV volumes grew ~16.5% in FY15 after declining at ~10% CAGR (FY12-15).
- We estimate TTMT's M&HCV to witness ~24% CAGR in volumes over FY15-18, driven by economic recovery, resumption of mining activity, revival of investment cycle and interest rate moderation.
- TTMT's market share in domestic M&HCV has declined 150bp since FY13 to ~51.9%, impacted by ~460bp market share loss in Buses segment due to selectively participating in JNNURM2/STU orders owing to lower margins/higher working capital requirements. However, its market share in trucks remains stable at 56.3% (v/s 56.6% in FY13).
- We expect TTMT to recover ~120bp market share by FY18, driven by stronger growth in trucks.

Exhibit 32: TTMT's M&HCV volumes witnessing recovery since 2QFY15



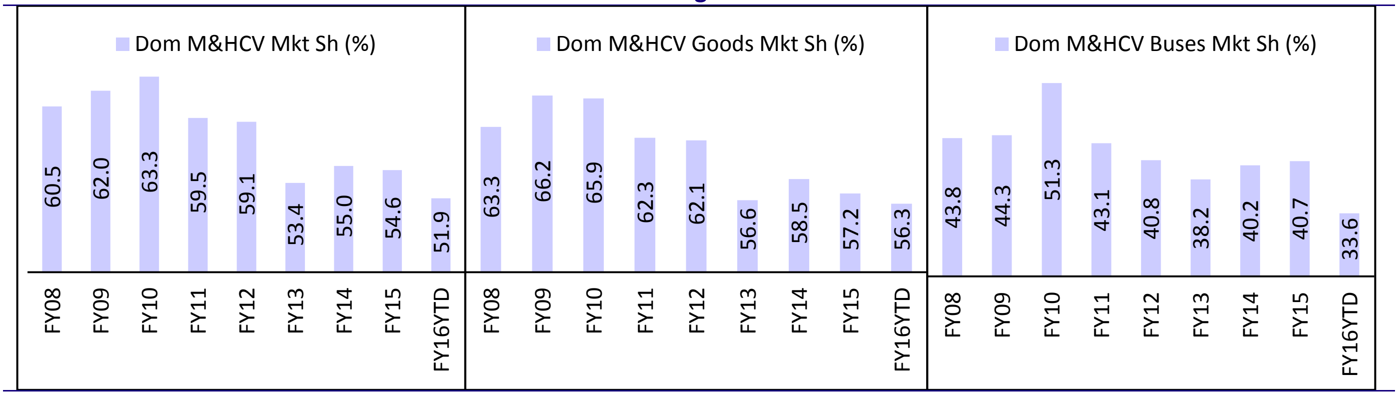
Source: Company, MOSL

Exhibit 33: TTMT's M&HCV volumes estimated to grow ~24% CAGR (FY15-18)



Source: Company, MOSL

Exhibit 34: TTMT's market share in M&HCV trucks stable over the last three years; however, significant decline in buses results lowers overall market share in the domestic M&HCV segment

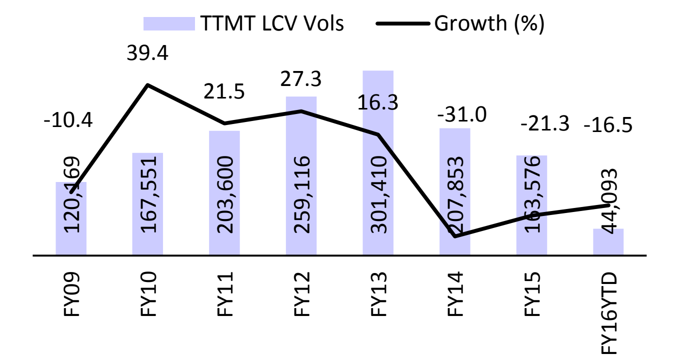


Source: SIAM, MOSL

LCVs near bottom, but structural challenges exist

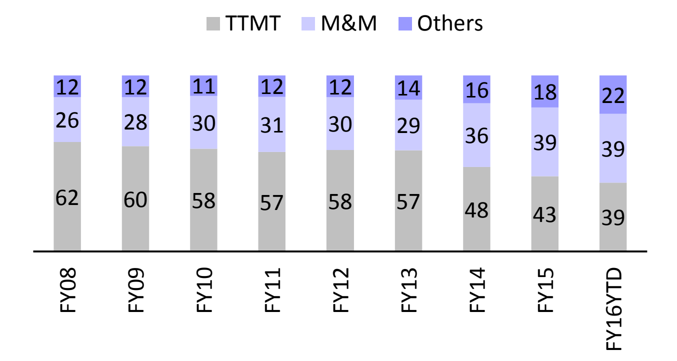
- TTMT's LCV volumes have declined at a 26% CAGR (FY13-15) after growing at a 25% CAGR till FY13 (over 5/10 years). LCV volumes were impacted by lack of last mile load availability, rural slowdown and moving away from lenient financing regime in light of very high defaults.
- TTMT's LCV volumes are near bottom and expected to recover from 4QFY16. We estimate TTMT's LCV volumes to witness a 15% CAGR (FY15-18).
- TTMT's market share has eroded significantly (~18pp) since FY13 to ~39% by FY16YTD, as aggressive product launches from M&M on pick-up side hurt its market share in the SCV category.
- While cyclical recovery would drive strong volume growth, there are structural challenges that TTMT needs to address to recover the lost market share in the SCV category. TTMT has launched three products to address competition from the pick-up segment.

Exhibit 35: TTMT's Domestic LCV volumes have been under severe stress…



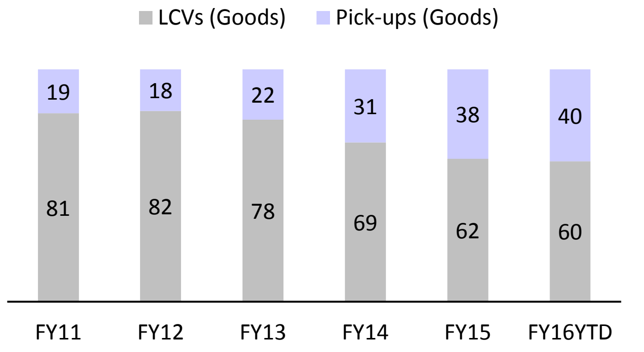
Source: SIAM, MOSL

Exhibit 36: …reflecting in significant market share loss (%)…



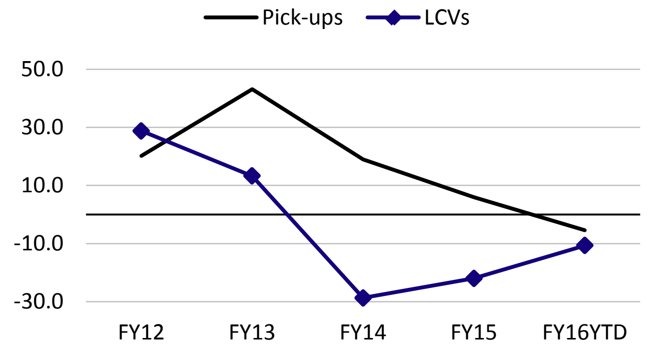
Source: SIAM, MOSL

Exhibit 37: …impacted by better value proposition of M&M's pick-up trucks…



Source: SIAM, MOSL

Exhibit 38: …as reflected in differential in growth rates between the two (%)

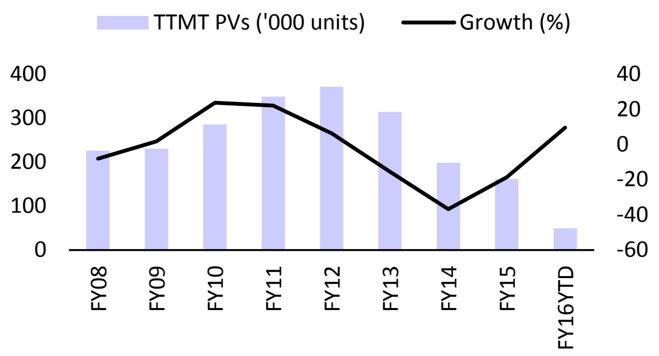


Source: SIAM, MOSL

PVs on recovery path, but still a long way to go

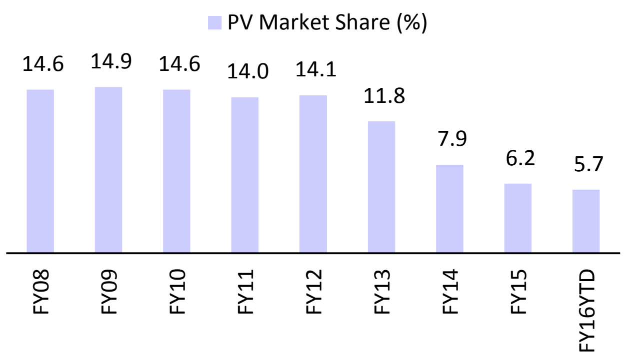
- TTMT's PV business had been in a free fall, with volumes falling from peak of 371k units in FY12 to ~162k by FY15 (decline of ~24%)—impacted by virtually no product launches since FY10 till 2HCY14.
- As a result, TTMT's PV business is operated at ~25% capacity utilization in FY15 as against breakeven utilization of over 50%. We estimate PV business's EBITDA loss at ~INR19-22b, on revenues of ~INR33b in FY15.
- However, with focus returning to PV business with new team in place, it plans to launch two products every year till 2020. This coupled with network expansion, dealer development and improvement in customer experience are the key focus areas to turn around PV business.
- We conservatively estimate ~18% CAGR in TTMT's PV volume, given the strong product pipeline.
- While EBITDA breakeven volumes of ~0.3m (v/s ~0.14m in FY15 v/s our estimate of 0.23m by FY18) over next 3 years appears stiff target (implying ~30% CAGR), it effectively hinges on new product launches (~4 by FY18) delivering over 3,000-4,000/month.

Exhibit 39: TTMT's domestic PV volumes recover, driven by new product launches



Source: SIAM, MOSL

Exhibit 40: TTMT's Domestic PV market share to remain stable, albeit at lower levels



Source: SIAM, MOSL

Exhibit 41: TTMT's PV business to witness a slew of launches, after virtually no launch between 2010 and 2014

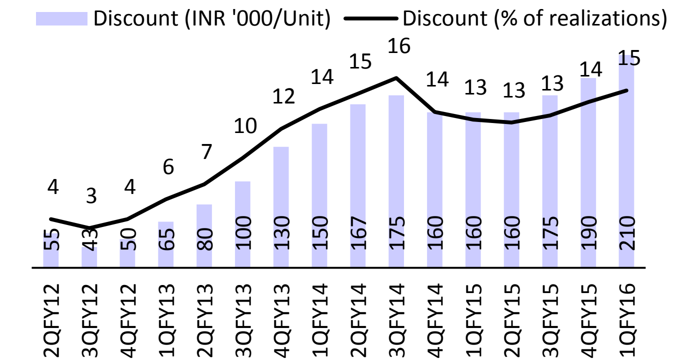
Product Name	Category	Launch Date
Winger	MUV	1HCY07
Safari	SUV	1HCY07
Nano	Mini	1HCY08
Sumo Grande	MUV	1HCY08
Indica V3	Compact	1HCY08
Indigo	Mid-Size	1HCY09
Manza	Mid-Size	2HCY09
Aria	MUV	1HCY10
Movus	MUV	1HCY14
Zest	Compact	2HCY14
Bolt	Compact	1HCY15
Nano Twist Active	Mini	1HCY15
Safari Storme	SUV	1HCY15
Kite Sedan	Mid-Size	2HCY15
Kite Hatchback	Compact	1HCY16
Eagle Crossover	UV1	1HCY16
Compact SUV	UV1	2HCY16
Q501/2		CY17
Raptor Sumo	MUV	1HCY18
Raptor Safari	SUV	1HCY18
AMP hatch		Beyond CY18
AMP notch		Beyond CY18

Source: Company, Autocar, MOSL

EBITDA margins to recover sharply, as there are several levers

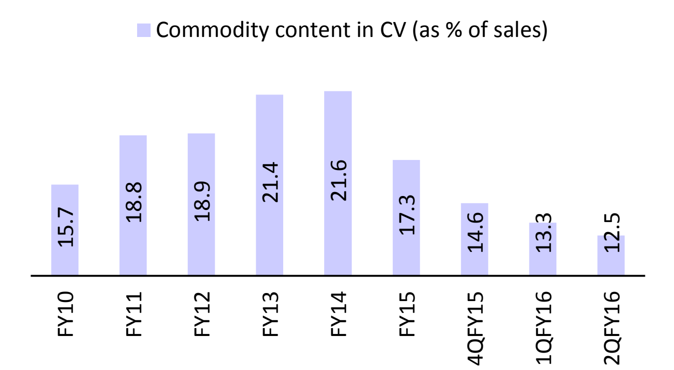
- Sharp recovery in CV business would drive return of pricing power to OEMs, resulting in moderation in discount levels. Average discounts currently are at ~INR210k/unit or ~15% of sales as against the normalized levels of 5-6%.
- Further, recent correction in commodity prices augurs well for OEMs. Based on our commodity index for CVs, there would be minimum ~100bp savings on account of favorable commodity prices.
- Lastly, recovery in volumes would drive operating leverage benefits. We factor in for ~670bp reduction over FY15-18 in fixed cost due to operating leverage.
- As a result, we estimate TTMT's S/A EBITDA margins to improve from -8% in FY15 to ~8.4% in FY18.

Exhibit 42: Discounts on M&HCV at all-time high due to weak demand and high competitive intensity



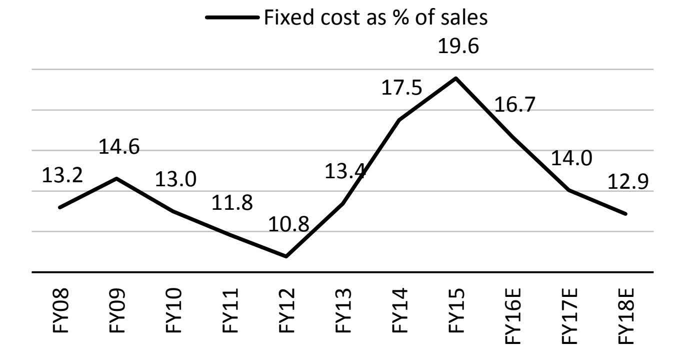
Source: Ashok Leyland, MOSL

Exhibit 43: Recent commodity price correction can potentially add ~100bp to margins



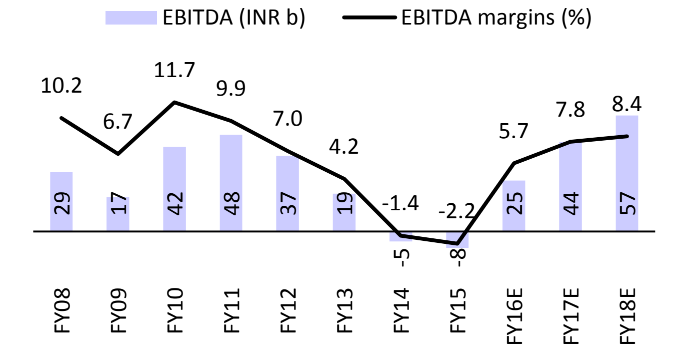
Source: Bloomberg, MOSL

Exhibit 44: Recovery in CV/PV volumes to drive operating leverage



Source: Company, MOSL

Exhibit 45: S/A EBITDA margins to recover meaningfully

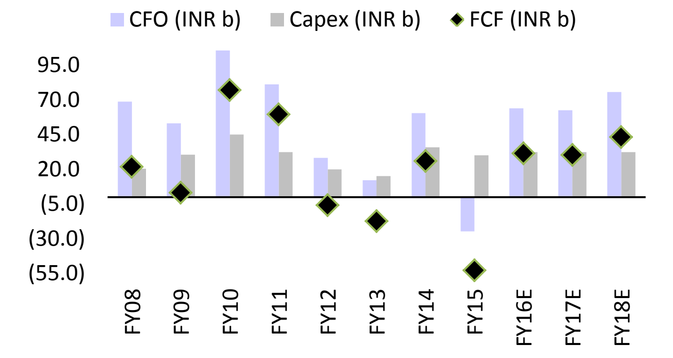


Source: Company, MOSL

S/A balance sheet to improve as FCF turns positive

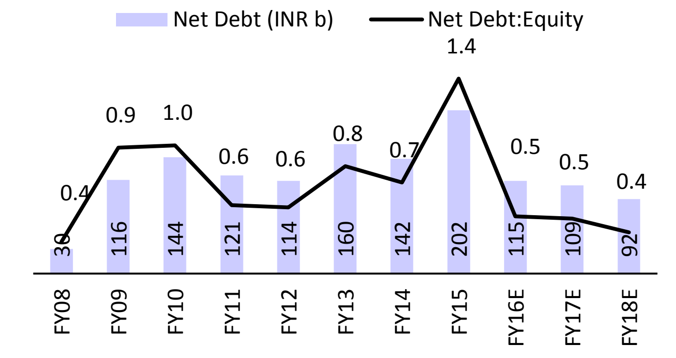
- Improvement in volumes (~19% CAGR over FY15-18) and EBITDA margins (~16.4pp over FY15-18) would drive significant improvement in CFO. We estimate S/A cumulative CFO of ~INR202.5b over FY16-18 (v/s ~INR48.2b over FY13-15).
- However, TTMT plans to continue to invest ~INR35b-40b pa on product development in both PVs and CVs.
- As a result, we estimate cumulative FCF generation of ~INR105b over FY16-18 (v/s negative FCF of ~INR44.4b over FY13-15); this, coupled with recent rights issues of ~INR76b, would drive balance sheet deleveraging—with S/A net debt reducing to ~INR92b by FY18 (from ~INR202b in FY15) and net debt/equity reducing to 0.4x by FY18 (from 1.4x in FY15).

Exhibit 46: Improvement in CFO would drive meaningful FCF generation…



Source: Company, MOSL

Exhibit 47: …along with recent rights issue, it would drive balance sheet deleveraging



Source: Company, MOSL

Valuations and view

Recovery imminent, as transitory issues recede

- **Recovery imminent in both JLR and India business:** JLR's transitory issues are expected to recede from 3QFY16, benefitting from ramp-up of new launches and addressing of teething troubles at JLR. Also, India business is back on recovery path—with both M&HCV and PV volumes witnessing recovery from 2HFY15 and LCV volumes expected to recover from 4QFY16.
- **Worst is priced in as CMP implies 8% China EBITDA margins:** TTMT's earnings downgrade cycle is nearing end, especially as transitory issues (which impacted performance in last 12 months) are receding.Our analysis indicates that the current stock price factors in for the worst case, with flat FY17 volumes and EBITDA margins of ~12.4% or implied China margins at ~8%.
- **Lowering estimates to factor in for transitory issues, but still estimate ~17% EPS CAGR over FY15-18:** We are lowering our EPS estimates for FY16/17 by ~17%/6% to ~INR43/54 to factor in for a) lower JLR volumes due to higher-than-estimated impact of transitory issues, b) lower margins in JLR due to operating leverage, c) lower volumes in LCVs. Our JLR margins already factor in for normalization of China profitability by FY17, reflecting in net erosion of ~330bp in margins over FY15-18. Even after factoring for lower China margins, we estimate TTMT's consolidated EPS to increase by ~17% CAGR.
- **Valuations very attractive for the strong franchise:** TTMT would benefit from a) ramp-up in Chery JV volumes, b) new launches (Jaguar XE, Discovery Sport and the upcoming F-Pace), c) benefit of modular platform strategy, and d) recovery in India business. The stock trades at 7.7x/6.2x FY16E/17E consolidated EPS. Maintain **Buy** with a TP of INR488 (SOTP based).

Exhibit 48: Revised Estimates

	FY16E			FY17E		
Key Assumptions	**Rev**	**Old**	**Chg (%)**	**Rev**	**Old**	**Chg (%)**
Consolidated						
Net Sales	2,687	2,854	-5.8	3,168	3,305	-4.2
EBITDA	395	438	-10.0	456	470	-3.1
EBITDA Margins (%)	14.7	15.4	-70bp	14.4	14.2	20bp
Net Profit	147	178	-17.4	184	195	-5.7
Cons EPS	43.2	52.3	-17.4	54.1	57.4	-5.7
JLR (IFRS)						
Volumes ('000 units) incl JV	510	547	-6.9	605	629	-3.8
EBITDA	3,330	3,746	-11.1	3,645	3,764	-3.2
EBITDA Margins (%)	15.4	16.1	-70bp	14.8	14.5	30bp
Net Profit	163	191	-14.8	185	194	-4.5
Standalone						
Volumes ('000 units)	552	607	-9.0	702	774	-9.2
EBITDA	25	22	12.9	44	44	-0.1
EBITDA Margins (%)	5.7	4.9	90bp	7.8	7.4	40bp
Net Profit	(6.8)	(9.6)	-29.3	7.0	7.5	-6.4

Source: MOSL

Exhibit 49: TATA MOTORS - Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY16E	FY17E	FY18E
SOTP Value					
Tata Motors - Standalone	EV/EBITDA	8.0	201	353	459
JLR (Adj for R&D capitalization)	EV/EBITDA	4.0	975	1,105	1,335
JLR - Chery JV EBITDA Share	EV/EBITDA	4.0	28	100	174
HV Axles	EV/EBITDA	4.0	6	8	8
HV Transmission	EV/EBITDA	4.0	4	6	6
Tata Technologies	EV/EBITDA	4.0	23	26	29
Tata Daewoo	EV/EBITDA	4.0	13	14	16
Total EV			**1,249**	**1,612**	**2,027**
Less: Net Debt (Ex FCCB & TMFL)			214	82	-79
Add: Other Investments					
Tata Motors Finance	P/BV	0.75	26	28	31
Other Associates/JVs	P/BV	0.75	9	20	42
Tata Sons	40% discount		78	78	78
Total Equity Value			**1,148**	**1,657**	**2,257**
Fair Value (INR/Sh) - Ord Sh	**Fully Diluted**		**338**	**488**	**665**
Upside (%)			1.3	46.1	95.2
Fair Value (INR/Sh) - DVR	**@ 30% discount**		**236**	**341**	**464**
Upside (%)			-1.8	41.9	89.7

Source: MOSL

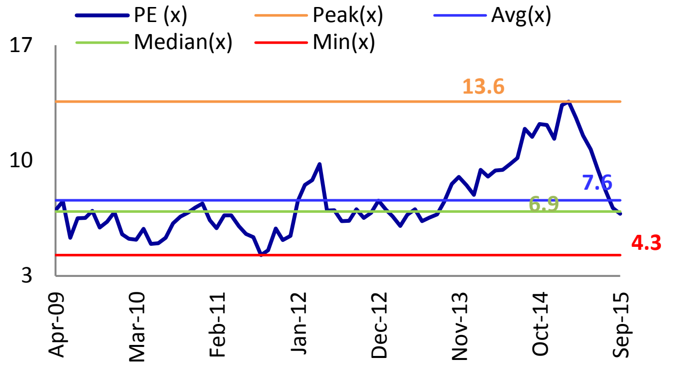
Current stock price implies ~27% CAGR decline in China volumes and ~9% China EBITDA margins, assuming ~10% volume CAGR and stable margins in other markets

Exhibit 50: Current stock price implies ~2% growth FY17 volumes and EBITDA margins of ~12.7%

GBP M	Base Case	A	B	C	D
Volumes (Ex JV, units)	**531,308**	**454,344**	**478,257**	**487,822**	**549,996**
Monthly run-rate (units)	**44,276**	**37,862**	**39,855**	**40,652**	**45,833**
Growth (%)	11.1	-5.0	0.0	2.0	15.0
Realizations (GBP/unit)	**46,324**	**42,934**	**44,064**	**44,064**	**46,324**
Growth (%)	2.5	-5.0	-2.5	-2.5	2.5
Sales	**24,612**	**19,507**	**21,074**	**21,495**	**25,478**
Variable cost	17,373	13,770	14,876	15,173	17,984
Fixed cost	3,594	3,594	3,594	3,594	3,594
EBITDA	**3,645**	**2,143**	**2,604**	**2,728**	**3,899**
EBITDA Margins (%)	14.8	11.0	12.4	**12.7**	**15.3**
Implied China EBITDA Margins (%)	**15.0**	**4.1**	**8.0**	**9.0**	**16.4**
PBT	2,342	841	1,302	1,426	2,597
PAT	**1,837**	**681**	**1,036**	**1,131**	**2,033**
Growth (%)	11.9	-58.5	-36.9	-31.1	23.8
CFO	**3,933**	**2,431**	**2,892**	**3,016**	**4,187**
FCF	**789**	**-713**	**-252**	**-128**	**1,043**
TTMT Consol EPS (INR)	**54.1**	**19.8**	**30.4**	**33.2**	**60.0**
TTMT SOTP TP (INR/Share)	**488**	**253**	**325**	**344**	**528**
Upside (%)	46.1	-24.3	-2.7	3.1	58.0

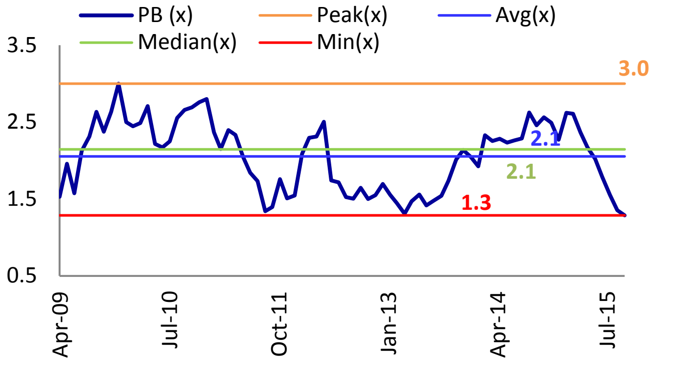
Source: MOSL

Exhibit 51: Trend in TTMT's PE (x)



Source: Company, MOSL

Exhibit 52: TTMT's consolidate P/B (x) near bottom



Source: Company, MOSL

Comparative valuation

Auto OEM's	CMP (INR)*	Rating	TP (INR)	P/E (x) FY16E	P/E (x) FY17E	EV/EBITDA (x) FY16E	EV/EBITDA (x) FY17E	RoE (%) FY16E	RoE (%) FY17E	RoCE (%) FY16E	RoCE (%) FY17E
Bajaj Auto	2,295	Buy	3,154	17.6	13.6	10.9	8.6	33.0	36.5	46.5	49.1
Hero MotoCorp	2,311	Buy	2,938	15.0	12.6	9.4	8.0	42.5	41.7	59.6	56.9
TVS Motor	231	Buy	287	23.5	14.1	14.5	9.4	25.7	33.8	24.8	34.2
M&M	1,152	Neutral	1,315	16.4	12.0	13.1	10.5	16.6	17.8	18.3	19.9
Maruti Suzuki	4,331	Buy	5,290	24.1	17.2	12.1	9.4	19.2	22.6	26.4	30.0
Tata Motors	**334**	**Buy**	**488**	**7.7**	**6.2**	**3.4**	**2.7**	**21.9**	**21.2**	**18.0**	**18.5**
Ashok Leyland	87	Buy	104	22.6	12.2	11.1	6.7	20.0	30.7	20.5	31.5
Eicher Motors #	18,558	Buy	24,137	50.7	29.1	27.4	16.5	35.4	44.7	38.3	52.5
Global Peers											
BMW AG (EUR) #	86.8	NR	-	9.4	9.0	7.2	7.0	16.0	14.6	7.3	7.1
Daimler AG (EUR) #	75.3	NR	-	9.3	8.5	3.2	2.9	18.1	17.9	8.2	8.3

Nos. are on CY basis

Source: Bloomberg, MOSL

Exhibit 53: Snapshot of Revenue model

000 units	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
JLR									
Jaguar	**47**	**53**	**54**	**58**	**79**	**76**	**104**	**135**	**154**
Growth (%)	-16.0	11.8	2.0	7.0	37.2	-3.5	36.6	29.2	14.5
% of Total JLR Vols	24.4	21.8	17.2	15.5	18.4	16.3	21.8	25.4	27.2
Land Rover	**147**	**191**	**260**	**314**	**351**	**394**	**405**	**470**	**523**
Growth (%)	1.5	30.1	36.6	20.7	11.6	12.4	2.9	15.9	11.2
% of Total JLR Vols	75.6	78.2	82.8	84.5	81.6	83.7	84.8	88.5	91.9
Total JLR Volumes (ex JV)	**194**	**244**	**314**	**372**	**430**	**471**	**478**	**531**	**568**
Growth (%)	-3.4	25.6	29.1	18.3	15.5	9.5	1.6	11.1	7.0
ASP (GBP '000/unit)	**34**	**41**	**43**	**42**	**45**	**46**	**45**	**46**	**48**
Growth (%)	13.8	20.4	6.1	-1.3	6.3	3.0	-2.8	2.5	3.0
Net JLR Sales (GBP b)	**7**	**10**	**14**	**16**	**19**	**22**	**22**	**25**	**27**
Growth (%)	31.9	51.2	36.9	16.8	22.8	12.8	-1.2	13.9	10.2
DOMESTIC									
MH&CVs	168	214	221	153	122	143	176	229	275
Growth (%)	36.4	27.5	3.4	-31.1	-19.7	16.5	23.3	30.0	20.0
LCVs	234	295	364	429	299	222	216	281	337
Growth (%)	38.3	26.2	23.3	17.8	-30.3	-25.8	-2.6	30.0	20.0
Total CVs	**402**	**509**	**585**	**581**	**421**	**365**	**392**	**510**	**612**
Growth (%)	37.6	26.7	14.9	-0.7	-27.5	-13.5	7.6	30.0	20.0
Total PVs	**266**	**328**	**338**	**229**	**145**	**138**	**160**	**193**	**228**
Growth (%)	24.2	23.0	3.1	-32.2	-36.5	-5.3	16.2	20.5	18.4
Total Volumes	**668**	**837**	**923**	**810**	**567**	**502**	**552**	**702**	**840**
Growth (%)	31.9	25.2	10.3	-12.2	-30.1	-11.4	9.9	27.2	19.5
ASP (INR 000/unit)	**533**	**574**	**581**	**549**	**605**	**723**	**793**	**801**	**813**
Net S/A Sales (INR b)	**356**	**480**	**536**	**445**	**343**	**363**	**438**	**563**	**683**
Growth (%)	39.1	35.0	11.6	-17.0	-22.9	5.9	20.7	28.5	21.4

Source: Company, MOSL

Exhibit 54: JLR: Product Mix (Wholesale, including 100% CJLR)

Units	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Jaguar								
XF	31,470	33,651	38,303	46,662	45,921	43,625	47,987	52,786
Growth (%)	-7.1	6.9	13.8	21.8	-1.6	-5.0	10.0	10.0
XJ	16,361	15,843	15,703	19,271	16,332	11,432	10,289	11,318
Growth (%)	520.0	-3.2	-0.9	22.7	-15.3	-30.0	-10.0	10.0
XK	5,057	4,545	3,792	3,245	2,078	500	500	
Growth (%)	-16.4	-10.1	-16.6	-14.4	-36.0	-75.9	0.0	
F-Type Sportscar			14	10,129	12,165	15,939	16,191	15,372
Growth (%)					20.1	31.0	1.6	-5.1
XE						30,000	48,000	60,000
Growth (%)							60.0	25.0
F-Pace						3,000	12,000	15,000
Growth (%)							300.0	25.0
Total Jaguar	**52,993**	**54,039**	**57,812**	**79,307**	**76,496**	**104,496**	**134,967**	**154,477**
Growth (%)	3.9	2.0	7.0	37.2	-3.5	36.6	29.2	14.5
Land Rover								
Defender	17,898	19,290	15,318	16,679	20,036	26,441		
Growth (%)	-6.4	7.8	-20.6	8.9	20.1	32.0		
Freelander/ Discovery Sports	57,031	46,977	51,986	56,712	52,347	65,434	75,249	82,774
Growth (%)	18.8	-17.6	10.7	9.1	-7.7	25.0	15.0	10.0
Discovery	41,104	46,466	43,813	44,343	50,601	51,866	59,646	68,593
Growth (%)	33.3	13.0	-5.7	1.2	14.1	2.5	15.0	15.0
Range Rover Sport	48,989	56,235	56,708	66,123	85,762	85,762	90,050	94,553
Growth (%)	24.3	14.8	0.8	16.6	29.7	0.0	5.0	5.0
Range Rover	25,606	31,209	30,134	45,786	61,418	64,489	67,713	71,099
Growth (%)	29.4	21.9	-3.4	51.9	34.1	5.0	5.0	5.0
Evoque		60,217	116,291	120,911	123,863	111,477	139,346	153,280
Growth (%)			93.1	4.0	2.4	-10.0	25.0	10.0
Others							37,996	52,382
Growth (%)								37.9
Total Land Rover	**190,628**	**260,394**	**314,250**	**350,554**	**394,027**	**405,468**	**470,000**	**522,681**
Growth (%)	21.3	36.6	20.7	11.6	12.4	2.9	15.9	11.2
Total JLR	**243,621**	**314,433**	**372,062**	**429,861**	**470,523**	**509,964**	**604,967**	**677,158**
Growth (%)	17.0	29.1	18.3	15.5	9.5	8.4	18.6	11.9

Source: Company, MOSL

Exhibit 55: Market Mix - Wholesale (incl 100% of CJLR)

	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Jaguar								
North America	15,757	13,230	14,283	16,992	15,532	18,638	27,958	30,753
Growth (%)	27.1	-16.0	8.0	19.0	-8.6	20.0	50.0	10.0
UK	15,950	13,902	13,722	16,335	17,961	26,942	33,677	35,361
Growth (%)	-11.2	-12.8	-1.3	19.0	10.0	50.0	25.0	5.0
Europe (excl Russia)	10,874	10,554	9,643	12,145	10,091	17,659	20,308	21,324
Growth (%)	-5.4	-2.9	-8.6	25.9	-16.9	75.0	15.0	5.0
China	2,414	7,726	10,300	19,680	21,138	25,366	34,244	37,668
Growth (%)	18.2	220.0	33.3	91.1	7.4	20.0	35.0	10.0
ROW	7,998	8,627	9,864	14,155	11,774	15,891	18,781	20,659
Growth (%)	25.2	7.9	14.3	43.5	-16.8	35.0	18.2	10.0
Total Jaguar	**52,993**	**54,039**	**57,812**	**79,307**	**76,496**	**104,496**	**134,967**	**154,477**
Growth (%)	3.9	2.0	7.0	37.2	-3.5	36.6	29.2	14.5
Land Rover								
North America	36,766	45,097	50,656	54,309	63,512	73,039	81,803	89,984
Growth (%)	25.4	22.7	12.3	7.2	16.9	15.0	12.0	10.0
UK	42,608	47,894	54,306	59,545	70,091	80,605	90,277	99,305
Growth (%)	9.0	12.4	13.4	9.6	17.7	15.0	12.0	10.0
Europe (excl Russia)	43,659	61,026	69,166	70,615	79,631	99,539	111,483	122,632
Growth (%)	11.7	39.8	13.3	2.1	12.8	25.0	12.0	10.0
China	25,187	46,806	69,158	84,267	98,172	78,538	106,026	121,930
Growth (%)	68.3	85.8	47.8	21.8	16.5	-20.0	35.0	15.0
ROW	42,408	59,571	70,964	81,817	82,621	73,748	80,410	88,831
Growth (%)	59.4	40.5	19.1	15.3	1.0	-10.7	9.0	10.5
Total Land Rover	**190,628**	**260,394**	**314,250**	**350,554**	**394,027**	**405,468**	**470,000**	**522,681**
Growth (%)	21.3	36.6	20.7	11.6	12.4	2.9	15.9	11.2
Total JLR								
North America	52,523	58,327	64,939	71,301	79,044	91,677	109,761	120,737
Growth (%)	25.9	11.1	11.3	9.8	10.9	16.0	19.7	10.0
Contribution (%)	21.6	18.5	17.5	16.6	16.8	18.0	18.1	17.8
UK	58,558	61,796	68,028	75,880	88,052	107,546	123,954	134,666
Growth (%)	2.6	5.5	10.1	11.5	16.0	22.1	15.3	8.6
Contribution (%)	24.0	19.7	18.3	17.7	18.7	21.1	20.5	19.9
Europe (excl Russia)	54,533	71,580	78,809	82,761	89,722	117,198	131,792	143,955
Growth (%)	7.8	31.3	10.1	5.0	8.4	30.6	12.5	9.2
Contribution (%)	22.4	22.8	21.2	19.3	19.1	23.0	21.8	21.3
China	27,601	54,532	79,458	103,947	119,310	103,903	140,269	159,598
Growth (%)	62.3	97.6	45.7	30.8	14.8	-12.9	35.0	13.8
Contribution (%)	11.3	17.3	21.4	24.2	25.4	20.4	23.2	23.6
ROW	50,406	68,198	80,828	95,973	94,395	89,640	99,191	109,490
Growth (%)	52.7	35.3	18.5	18.7	-1.6	-5.0	10.7	10.4
Contribution (%)	20.7	21.7	21.7	22.3	20.1	17.6	16.4	16.2
Total JLR	**243,621**	**314,433**	**372,062**	**429,861**	**470,523**	**509,964**	**604,967**	**677,158**
Growth (%)	17.0	29.1	18.3	15.5	9.5	8.4	18.6	11.9

Source: Company, MOSL

Financials and valuations

Income Statement (Consolidated) (INR Million)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
Total Income	**1,221,279**	**1,656,545**	**1,888,176**	**2,328,337**	**2,627,963**	**2,687,092**	**3,167,870**	**3,559,831**
Change (%)	32.0	35.6	14.0	23.3	12.9	2.2	17.9	12.4
Expenditure	1,043,129	1,419,540	1,622,487	1,954,308	2,206,825	2,292,539	2,712,358	3,031,094
EBITDA	**178,150**	**237,005**	**265,689**	**374,029**	**421,138**	**394,553**	**455,512**	**528,737**
% of Net Sales	14.6	14.3	14.1	16.1	16.0	14.7	14.4	14.9
Depreciation	46,555	56,254	75,693	110,782	133,886	164,020	178,488	206,409
EBIT	**131,595**	**180,751**	**189,996**	**263,248**	**287,252**	**230,533**	**277,024**	**322,328**
Product Dev. Exp.	9,976	13,892	20,216	25,652	28,752	30,995	34,140	37,929
Interest	23,853	29,822	35,533	47,338	48,615	34,218	29,286	25,079
Other Income	4,295	6,618	8,115	8,286	8,987	13,246	10,521	9,971
PBT	**104,372**	**135,339**	**136,335**	**188,690**	**217,026**	**193,261**	**224,120**	**269,291**
Effective Rate (%)	11.7	-0.3	27.7	25.3	35.2	24.8	24.2	23.8
Adj. PAT	**92,736**	**119,008**	**99,560**	**141,986**	**140,465**	**146,775**	**183,873**	**231,926**
Change (%)	492.4	28.3	-16.3	42.6	-1.1	4.5	25.3	26.1

Balance Sheet (Consolidated) (INR Million)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
Share Capital	6,377	6,348	6,381	6,438	6,438	6,792	6,792	6,792
Reserves	185,338	320,638	369,992	649,597	556,181	773,411	950,352	1,171,254
Net Worth	**191,715**	**326,985**	**376,373**	**656,035**	**562,619**	**780,203**	**957,144**	**1,178,045**
Loans	303,622	471,490	557,223	549,545	692,115	699,031	685,947	667,863
Deferred Tax	14,638	-23,743	-24,094	-7,748	-13,900	-13,900	-13,900	-13,900
Capital Employed	**512,440**	**777,803**	**913,206**	**1,202,038**	**1,245,167**	**1,470,759**	**1,635,892**	**1,840,175**
Gross Fixed Assets	715,231	897,791	1,205,654	1,329,282	1,582,066	2,111,367	2,432,982	2,774,289
Less: Depreciation	396,987	495,125	570,818	688,154	744,241	908,260	1,086,748	1,293,157
Net Fixed Assets	**318,245**	**402,667**	**634,836**	**641,128**	**837,825**	**1,203,106**	**1,346,234**	**1,481,133**
Capital WIP	117,289	159,458	60,000	332,626	286,401	70,000	70,000	70,000
Goodwill	35,848	40,937	41,024	49,788	46,970	46,970	46,970	46,970
Investments	25,443	89,177	90,577	106,867	153,367	155,979	171,305	199,594
Curr.Assets	**506,995**	**711,679**	**829,538**	**1,046,103**	**1,034,685**	**1,040,093**	**1,233,814**	**1,427,399**
Inventory	140,705	182,160	209,690	272,709	292,723	294,476	347,164	390,119
Sundry Debtors	65,257	82,368	109,427	105,742	125,792	125,152	147,545	165,800
Cash & Bank Bal.	114,096	182,381	211,127	297,118	321,158	318,953	431,094	556,968
Loans & Advances	178,422	249,952	280,739	273,241	256,948	261,948	266,948	271,948
Current Liab. & Prov.	**491,378**	**626,116**	**742,769**	**974,474**	**1,114,081**	**1,045,389**	**1,232,432**	**1,384,921**
Sundry Creditors	279,031	366,863	447,801	573,157	574,073	588,952	694,328	780,237
Other Liabilities	112,776	130,835	134,250	199,707	328,305	235,581	277,731	312,095
Net Current Assets	**15,616**	**85,564**	**86,769**	**71,629**	**-79,396**	**-5,296**	**1,382**	**42,478**
Appl. of Funds	**512,440**	**777,803**	**913,206**	**1,202,038**	**1,245,167**	**1,470,759**	**1,635,892**	**1,840,175**

E: MOSL Estimates

Financials and valuations

Ratios (Consolidated)

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
Basic (INR)								
EPS	**29.1**	**37.5**	**31.2**	**44.1**	**43.6**	**43.2**	**54.1**	**68.3**
EPS Fully Diluted	**28.8**	**37.0**	**30.9**	**44.1**	**43.6**	**43.2**	**54.1**	**68.3**
Normalized EPS ^	**16.5**	**20.9**	**11.3**	**17.8**	**14.1**	**9.6**	**18.6**	**31.0**
EPS Growth (%)	492.4	28.3	-16.3	42.6	-1.1	-1.0	25.3	26.1
Cash EPS	43.7	55.2	54.9	78.5	85.2	91.5	106.7	129.1
Book Value (Rs/Share)	60.1	103.0	118.0	203.8	174.8	229.7	281.9	346.9
DPS	4.0	4.0	2.0	2.0	0.0	1.0	3.0	4.0
Payout (Incl. Div. Tax) %	15.8	12.4	7.4	5.3	0.0	2.8	6.7	7.1
Valuation (x)								
Consolidated P/E				7.6	7.7	7.7	6.2	4.9
Normalized P/E				18.8	23.7	34.9	17.9	10.8
EV/EBITDA				3.3	3.1	3.4	2.7	2.0
EV/Sales				0.5	0.5	0.5	0.4	0.3
Price to Book Value				1.6	1.9	1.5	1.2	1.0
Dividend Yield (%)				0.6	0.0	0.3	0.9	1.2
Profitability Ratios (%)								
RoE	48.4	45.9	28.3	27.5	23.1	21.9	21.2	21.7
RoCE	26.5	29.0	23.4	25.7	24.2	18.0	18.5	19.1
Turnover Ratios								
Debtors (Days)	20	18	21	17	17	17	17	17
Inventory (Days)	42	40	41	43	41	40	40	40
Creditors (Days)	83	81	87	90	80	80	80	80
Asset Turnover (x)	2.4	2.1	2.1	1.9	2.1	1.8	1.9	1.9
Leverage Ratio								
Debt/Equity (x)	1.6	1.4	1.5	0.8	1.2	0.9	0.7	0.6

Cash Flow Statement (Consolidated) **(INR Million)**

Y/E March	2011	2012	2013	2014	2015	2016E	2017E	2018E
OP/(Loss) before Tax	92,736	135,165	98,926	139,910	139,863	146,775	183,873	231,926
Int/Div. Received	4,115	5,376	8,062	6,933	7,777	13,246	10,521	9,971
Depreciation	46,510	56,209	75,648	110,736	133,864	164,020	178,488	206,409
Direct Taxes Paid	-13,912	-17,679	-22,231	-43,083	-41,940	-48,006	-54,297	-64,189
(Inc)/Dec in WC	-40,484	-22,801	-680	57,744	-36,718	-76,304	105,462	84,779
Other Items	29,639	24,401	64,617	88,983	136,570	1,091	1,276	1,465
CF from Op Activity	**118,604**	**180,670**	**224,343**	**361,223**	**339,415**	**200,822**	**425,323**	**470,361**
Extra-ordinary Items	-7,773	8,549	4,342	7,221	20,191	0	0	0
CF after EO Items	**110,830**	**189,219**	**228,684**	**368,444**	**359,606**	**200,822**	**425,323**	**470,361**
(Inc)/Dec in FA+CWIP	-81,128	-137,829	-187,203	-269,252	-315,396	-312,900	-321,616	-341,307
(Pur)/Sale of Invest.	4,158	-72,976	-54,984	-36,611	-37,570	-2,611	-15,326	-28,289
CF from Inv Activity	**-76,970**	**-210,804**	**-242,188**	**-305,863**	**-352,966**	**-315,511**	**-336,942**	**-369,596**
Issue of Shares	32,550	1,386	7	1	0	74,901	5,344	5,344
Inc/(Dec) in Debt	-11,677	113,054	45,082	30,092	122,288	6,916	-13,084	-18,084
Interest Paid	-24,691	-33,737	-46,560	-61,706	-63,070	-34,218	-29,286	-25,079
Dividends Paid	-10,195	-15,031	-15,087	-7,220	-7,204	-4,092	-12,276	-16,368
CF from Fin Activity	**-14,013**	**65,672**	**-16,558**	**-38,832**	**52,014**	**43,508**	**-49,302**	**-54,188**
Inc/(Dec) in Cash	**19,848**	**44,087**	**-30,061**	**23,749**	**58,655**	**-71,182**	**39,079**	**46,577**
Add: Beginning Bal.	67,920	104,244	153,550	142,531	152,629	211,283	140,101	179,181
Closing Balance	**87,768**	**148,330**	**123,488**	**166,280**	**211,283**	**140,101**	**179,181**	**225,758**

E: MOSL Estimates

NOTES

Disclosures

This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company(ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

MOSt and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOSt and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on the profitability of MOSt which may include earnings from investment banking and other business.

MOSt generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, MOSt generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. MOSt and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOSt even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report
Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOSt's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and it's associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
Most and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Motilal Oswal Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH000000412

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	TATA MOTORS
▪ Analyst ownership of the stock	No
▪ Served as an officer, director or employee	No

A graph of daily closing prices of securities is available at www.nseindia.com and http://economictimes.indiatimes.com/markets/stocks/stock-quotes

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt & its group companies to registration or licensing requirements within such jurisdictions.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act(FAA) read with regulation 17(1)(d) of the Financial Advisors Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.
In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:
Kadambari Balachandran
Email : kadambari.balachandran@motilaloswal.com
Contact : (+65) 68189233 / 65249115
Office Address : 21 (Suite 31),16 Collyer Quay,Singapore 04931

MOTILAL OSWAL

Motilal Oswal Securities Ltd
Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025
Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com