

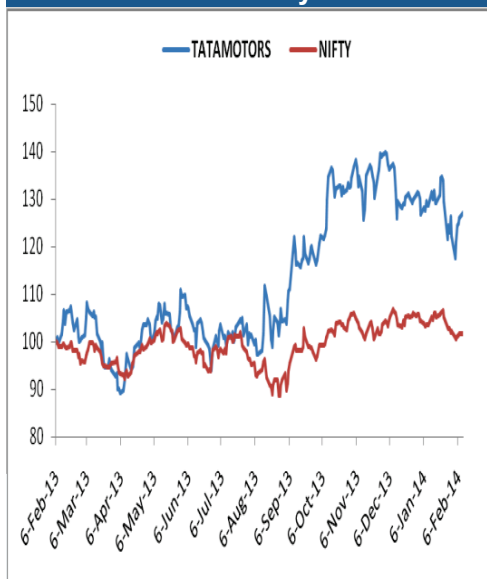
Result Update	BUY
CMP	364
Target Price	425
Previous Target Price	
Upside	17%
Change from Previous	

Market Data	
BSE Code	500570
NSE Symbol	TATAMOTORS
52wk Range H/L	405/252
Mkt Capital (Rs, Cr)	98,064
Average Daily Volume	4681598
Nifty	6053

Stock Performance-%	1M	1yr	YTD
Absolute	-1.1	27.5	48.6
Rel. to Nifty	0.8	25	35.6

Share Holding Pattern-%	Current	2QFY14	1QFY1
Promoters	34.3	34.3	34.3
FII	28.0	26.7	26.6
DII	9.6	11.7	11.4
Others	28.1	27.3	27.7

One Year Price vs Nifty



Tata Motors has posted 3QFY14 revenues at Rs 63877 Cr up by 38.59% YoY on the back of strong demand, Growth in volume and favorable product mix and geography mix of Jaguar and Land Rover. The growth in the volume of JLR is largely driven by launch of new Range Rover Sport, New Range Rover and Jaguar F-Type, along side higher volume of the newer XF and XJ derivatives. JLR whole sales volume for the 3QFY14 grew by 22.7 % YoY to 116357 units while its retail volume grew by 26.5 % to 112172 units. The revenues for JLR for the 3QFY14 came at GBP 5328 Mn representing growth of 40 %YoY. Amidst of splendid performance by British subsidiary, the domestic operations still acting as dragger to the consolidated performance. The domestic business once again for the quarter under review posted declining performance. The sales (including exports) of the commercial and passenger vehicles for the 3QFY14 stood at 132087 units translating a decline of 35.7% YoY. The revenues for the quarter from domestic business came at Rs 7770 Cr as compared to Rs 10630 Cr for the same time last fiscal. This weak performance in the quarter came on the back of prolonged slowdown in economic activities, weak consumer segment, tight financing norms with high interest rates, weak operating economics for the transporters due to lower fleet utilization and stagnant freight rates combined with fuel price hikes.

The consolidated operating EBITDA for the quarter came at Rs 9948 Cr and OPM at 15.5 %. The OPM surges by 330 bps due to improvement in operational metrics. The RM cost as percentage of sales stands 59% in comparison to 62 % for 3QFY13. The company spends nearly 1% of sales for its R&D. There is improvement of almost 100bps in other expenses as percentage of sales on yearly basis.

The consolidated adjusted net profits surged almost by 200 % YoY to Rs 4863 Cr. The sharp rise in the profits came in due to an exceptional income of Rs 1,948 Cr accruing to the local business, which came from a sale of stake in its Korean subsidiary to its Singapore subsidiary.

The management of the company after the results said that it expects capital expenditure of about 3.5 billion pounds to 3.7 billion pounds in fiscal 2015 from an estimated 2.75 billion pounds in fiscal 2014, raising worries that the increased spend would hurt free cash flow.

The company lost its Managing Director Karl Slym last week in an accident, and company has set up a panel, headed by Tata Sons chairman Cyrus P. Mistry, to oversee its operations and strategy as an interim measure after Slym's death.

View And Valuation

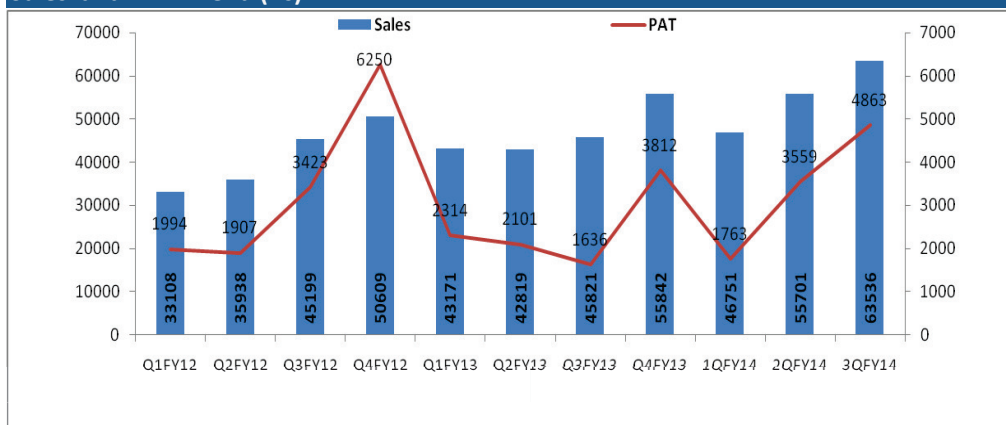
The stock at its CMP of Rs 364 is trading at 7.34 x of one year forward FY14E EPS of Rs 50. The robust 3QFY14 results, Strong cash flows by JLR and better demand outlook, new product mix of JLR with brand positioning makes us positive for the company. **We Maintain BUY for the stock with Target Price Rs 425.**

Financials	Rs, Crore				
	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	63877	56882	12.3	46090	38.6
EBITDA	9948	8635	15.2	5657	75.9
PAT	4863	3559	36.6	1636	197.2
EBITDA Margin	15.6%	15.2%	40bps	12.3%	330bps
PAT Margin	7.6%	6.3%	140bps	3.5%	410bps

(Source: Company/Eastwind)

TATAMOTORS

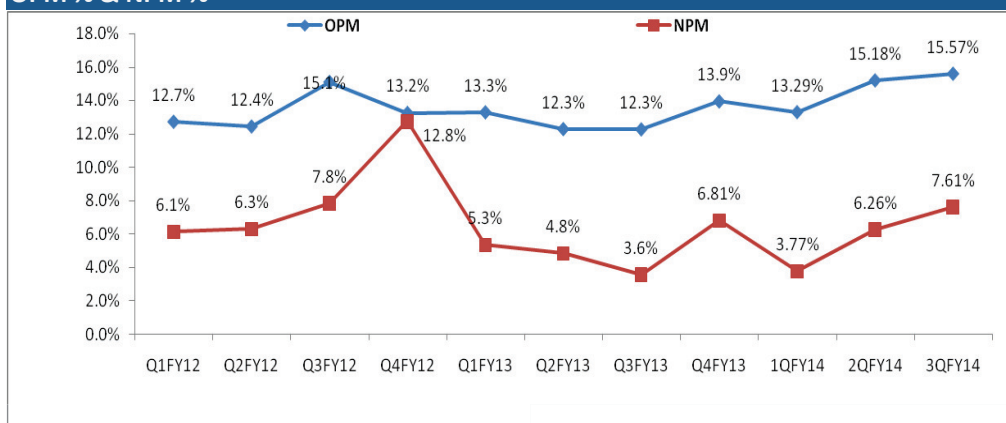
Sales and PAT Trend (Rs)



(Source: Company/Eastwind)

The revenue jumps by 38.59% YoY on the back of strong demand, Growth in volume and favorable product mix and geography mix of Jaguar and Land Rover.

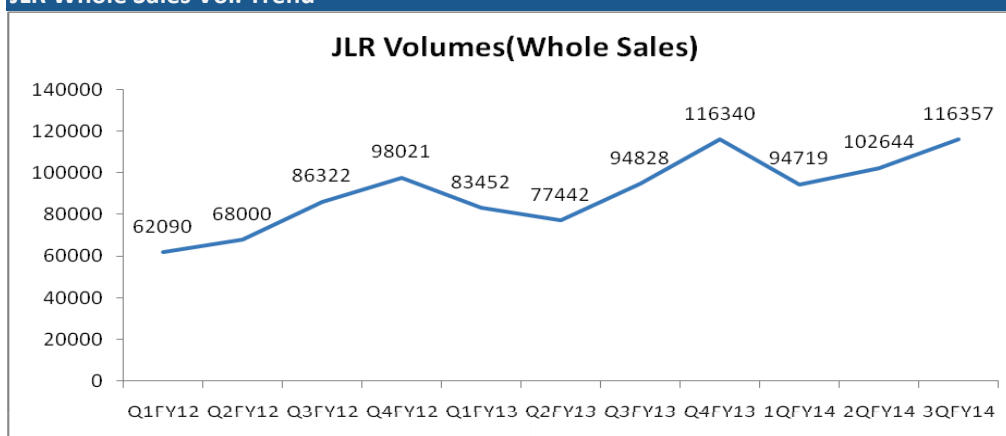
OPM % & NPM %



(Source: Company/Eastwind)

The OPM surges by 330 bps due to improvement in operational metrics. The sharp rise in the profits came in due to an exceptional income of Rs 1,948 Cr accruing to the local business.

JLR Whole Sales Vol. Trend



(Source: Company/Eastwind)

The growth in the sales volume comes from all geographies including Brazil, China, India and the United States.