

TATA MOTORS LTD

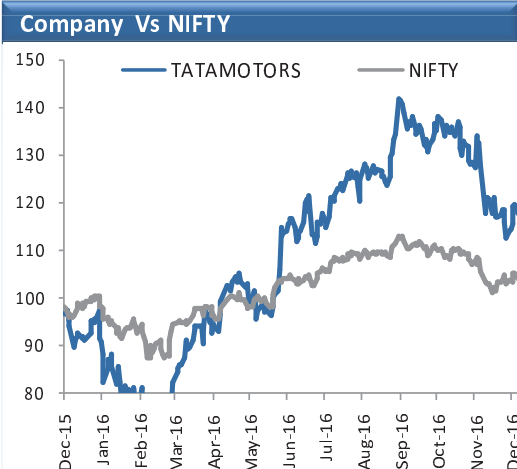
13-Dec-16

Result Update	
CMP	454
Target Price	530
Previous Target Price	
Upside	17%
Change from Previous	-

Market Data	
BSE Code	500570
NSE Symbol	TATAMOTORS
52wk Range H/L	599/266
Mkt Capital (Rs Cr)	130,662
Av. Volume	530992
Nifty	8,171

Stock Performance			
	1Month	1Year	YTD
Absolute	-10.4	-18.0	16.8
Rel.to Nifty	-8.9	-11.7	10.4

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoter	33.0	33.0	33.0
Public	67.0	67.0	67.0
Others	--	--	--
Total	100.0	100.0	100.0



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Tata Motors posted a growth of 7% YoY in the net revenue to Rs.65900 crore in 2QFY17. Passenger vehicles volume grew by 23% YoY due to higher sales of Tiago, which has a waiting period of 8 to 12 weeks. Commercial vehicle segment remained sluggish during the quarter due to heavy rain and freight issue and posted 1% growth YoY. Jaguar and Land Rover sales volumes were up by 84% and 15% respectively on account of low priced model launches in both the brands during the quarter. Recently launched F-Pace and Evoque convertible have received well response across regions and XF long wheel base launched in China have also shown strong volumes during the quarter. EBITDA Margin was declined by 110 bps to 9.5% in 2QFY17 due to adverse foreign exchange impact of GBP274 mn.

Result Highlights

Gross Margin improved by 190 bps due to soft commodity prices and favourable product mix.

EBITDA Margin contracted by 90 bps during the quarter due to higher other expenses. Higher advertising & promotion expenses on new and awaiting launches, Forex impact and one time provision of customer quality program led to increase in other expenses.

Company reported net profit of Rs.848 crore in 2QFY17 vs net loss of Rs.1740 crore in the same quarter last year.

Outlook

Going ahead, we expect that the current demonetization issue may be hampering the automotive industry for next couple of months. But we are hopeful about the recovery very soon due to strong infrastructure activity and new emission norms in the CV space which will result in pre-buying in 4QFY17. The company has plans to launch new models in the Passenger Vehicle segment in 2HFY17. The management has started restructuring of its passenger vehicle segment by increasing its supplier base and increasing operational efficiencies by various cost cutting initiatives. New model launches in Jaguar and Land Rover brands will provide further boost in the volumes of JLR. Based on the above arguments, we recommend 'BUY' on this stock with a target price of Rs.530, an upside of 17%.

	Rs. In crore				
Financials	2QFY17	1QFY17	2QFY16	QoQ	YoY
Sales	65900	65895	61524	0%	7%
EBITDA	6283	7613	6519	-17%	-4%
Net Profit	848	2260	-1740	-62%	-149%
EBIDTA%	9.5%	11.6%	10.6%		
PAT %	1.3%	3.4%	-2.8%		

(Source: Company/Eastwind)