

June 5, 2017

# Tata Motors (TATMOT)

₹ 479

## Strong performance...

- Tata Motors' (TML) Q4FY17 results came in above our estimates. Consolidated revenues came in at ₹ 77217 crore (down 2.9% YoY, up 14.3% QoQ). Net revenue of ₹7268 mn (up 10.2% YoY, 11.2% QoQ) came in above our estimates, with the beat attributable to higher than estimated volumes. JLR wholesale volumes were at 175000 units (including China JV), up 7.7% YoY, 14.9% QoQ against our estimate of 144,736 units. Standalone revenues were at ₹ 13586.7 crore (up 6.2% YoY, down 33%QoQ) vs. our estimate of ₹ 12228 crore. Miss on estimates is on account of lower than estimated ASP
- Reported consolidated EBITDA margin was at 15.3% (our estimate: 10.4%) vs. 13.8% in Q4FY16 & 8.8% in Q3FY17. JLR's EBITDA margin for Q4FY17 was at 14.5%, above than our estimate of 11%. JLR's operating performance for the quarter was better due to lower-than-expected other expenses to sales due to operating leverage benefit & lower realised hedge book losses. Standalone EBITDA margin was at 6% (down 220 bps YoY) vs. our estimate of 1.4%
- The company reported a consolidated PAT of ₹ 4336.4 crore against ₹ 5211 crore in Q4FY16 & ₹ 112 crore in Q3FY17. JLR reported PAT of ₹557 mn, above our estimates. The beat on PAT is mainly attributable to higher revenue (due to higher-than-expected volumes), higher EBITDA margins & lower tax rate. Chery JV share of PAT was at ₹46 mn (vs. estimate of ~₹30 mn vs. ₹35 mn in Q3FY17 vs. ₹49 mn in Q4FY16). The standalone loss was at ₹ 829 crore vs. our estimated loss of ₹ 514 crore mainly due to higher depreciation & interest cost

## New products & technology to drive growth

We expect 21.6% CAGR in JLR profitability on the back of 1) strong product cycle (strong growth in XE & F-Pace to continue). Land Rover will recover in FY18 with the launch of new Discovery & Velar 2) long term benefit of modular strategy - more models on fewer platforms (from 11 models on six platforms to 17 models on four platforms) will reduce cost, 4) ramp up in China JV and 5) new production capacity in Slovakia. The company will launch its electric vehicle I-Pace in CY18. JLR also has a strategy to invest in hybrid/BEV technology & technology related to driver assistance and mobility. Overall, the company has given an EBIT guidance of 8-10% in the medium term (FY17 EBIT-6%). We have estimated JLR margins of 14.3%, 14.3% for FY18E, FY19E, respectively.

## Standalone business in transformation mode

The company is aiming to increase market share in >16 T from ~55-56% to 60% in two years on the back of launches (six new launches in FY18) in segments where it lacks a significant presence. On the PV side, TML plans to implement AMP (advanced modular strategy-reduction in number of platforms from six to two) 7 and has a product plan ready till FY22. Overall, we expect standalone volumes to grow at 13% CAGR in FY17-19E. We expect M&HCV volume growth of 7% CAGR in FY17-19E on the back of growth in economic activity & higher infrastructure spend.

## Long term story intact

We value the stock on an SOTP basis, with JLR (ex-China JV) at 3.4x EV/EBITDA basis contributing ~₹ 456/share while the domestic business contributes ₹ 31/share. Inclusive of other subsidiaries, we arrive at a target price of ₹ 560.

### Rating matrix

Rating	:	Buy
Target	:	₹ 560
Target Period	:	12 months
Potential Upside	:	17%

### What's Changed?

Target	changed from ₹ 535 to ₹ 560
EPS FY18E	Changed from ₹ 41.1 to ₹ 42.9
EPS FY19E	Introduced at ₹ 52.6
Rating	Unchanged

### Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	77,217.2	79,509.9	-2.9	67,531.3	14.3
EBITDA	11,832.7	10,958.0	8.0	5,975.3	98.0
EBITDA (%)	15.3	13.8	154 bps	8.8	493 bps
PAT	4,336.4	5,211.5	-16.8	111.6	3,786.7

### Key Financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	275,561	269,693	303,912	350,287
EBITDA	41,851	33,002	44,892	51,983
Net Profit	12,638	7,557	14,565	17,844
EPS (₹)	37.2	22.3	42.9	52.6

### Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E (x)	9.4	17.3	9.2	7.6
Target P/E (x)	15.1	25.2	13.1	10.7
EV/EBITDA (x)	4.9	6.6	4.8	4.2
P/BV (x)	2.0	2.6	2.0	1.6
RoNW (%)	21.0	15.0	22.0	21.1
RoCE (%)	17.3	11.6	16.8	17.1

### Stock data

Particular	Amount
Market Capitalization	₹ 162649.2 Crore
Total Debt (FY17)	72,038.8
Cash and Investments (FY17)	36,077.9
EV (FY17)	217,615.7
52 week H/L (₹)	598 / 417
Equity capital (₹ crore)	₹ 679.1 Crore
Face value (₹)	₹ 2

### Price performance (%)

	1M	3M	6M	12M
Tata Motors Ltd	5.8	1.6	3.7	20.7
M&M Ltd	3.5	0.3	12.5	1.1
Maruti Suzuki India Ltd	8.7	13.9	42.2	75.1

### Research Analyst

Nishit Zota  
 nishit.zota@icicisecurities.com  
 Vidrum Mehta  
 vidrum.mehta@icicisecurities.com

### Variance analysis- Consolidated

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Total Operating Income	77,217	66,962	79,510	-2.9	67,531	14.3	Came higher on account of higher than estimated JLR revenues, due to higher than estimated JLR volumes (175000 units against estimate of 144,700)
Raw Material Expenses	47,515	40,388	46,461	2.3	40,012	18.8	
Employee Expenses	7,027	6,998	7,721	-9.0	7,045	-0.2	
Other expenses	14886	16917	16324	-8.8	18834	-21.0	
Operating Profit (EBITDA)	11,832.7	6,993.3	10,958.0	8.0	5,975	98.0	Consolidated margins came in higher due to higher than estimated JLR margins, which was higher due to lower-than-expected other expense & lower realised hedge loss
EBITDA Margin (%)	15.3	10.4	13.8	154 bps	8.8	493 bps	
Depreciation	4670.2	4514.7	4345.5	7.5	4230.0	10.4	
Interest	1164	947	1379	-15.6	871	33.7	
Product Development expenditure	986.4	827.0	1066.7	-7.5	814.1	21.2	
Tax	1240	210	5211	-76.2	867	43.0	
PAT	4336.4	1041.7	5211.5	-16.8	111.6	3,786.7	Higher than estimates due to lower tax in JLR
EPS	12.8	3.1	8.6	48.0	0.3	3,786.7	
<b>Key Metrics</b>							
JLR sales ( mn GBP)	7268	6278	6594	10.2	6537	0.9	Came higher due to higher than estimated wholesale volumes
JLR margins (%)	14.5	11.0	13.7	85 bps	9.3	520 bps	JLR margins above estimates on account of lower other expense to sales & lower realised hedge loss
JLR PAT (mn GBP)	557	211	472	18.0	167	182.6	
Domestic revenues (₹ crore)	13586.7	12227.6	12569.8	8.1	10219.9	23.0	
Domestic margins (%)	6.0	-1.4	8.1	-216 bps	1.5	447 bps	
Domestic PAT (₹ crore)	-829.0	-513.5	465.0	278.3	-1045.9	-144.5	

Source: Company, ICICIdirect.com Research

### Change in estimates

	FY18E			FY19E	
(₹ Crore)	Old	New	% Change	New	Comments
Revenue	314,115	303,912	-3.2	350,287	
EBITDA	43,289	44,892	3.7	51,983	
EBITDA Margin (%)	13.8	14.8	99 bps	14.8	Increased margin estimates post management guidance of 8-10% EBIT margin for JLR
PAT	13,959	14,565	4.3	17,844	
EPS (₹)	41.1	42.9	4.4	52.6	

Source: Company, ICICIdirect.com Research

### Assumptions

Units	FY16		Current		Earlier	Comments
	FY16	FY17	FY18E	FY19E	FY18E	
Jaguar Land Rover	544,085	600,806	677,969	771,823	677,406	We have broadly maintained the FY18 volume estimates
Jaguar	102,106	176,560	196,957	236,348	211,263	
Land Rover	441,979	424,246	481,012	535,474	466,143	Expect growth in Land Rover volumes on the back of new Discovery & Velar
China JV	34,751	66,100	84,365	113,605	86,569	
Avg ASP/vehicle (₹)	40,817.2	41,975.3	43,334.2	44,194.6	43,883.4	Favourable product mix will aid ASP growth
RM/Unit (GBP)	24162	25183	26000	26515	26178	
Capitalised expenses (mn ₹)	1,242	1,426	1,656	1,926	1,675	
<b>India</b>						
M&HCV	176,493	175,808	187,222	201,288	202,621	
LCV	204,741	207,934	232,873	265,842	254,465	Growth likely to be largely back-ended in the recovery cycle
PV	130,478	158,884	188,866	226,451	182,944	Passenger volumes likely to grow on the back of new product launches

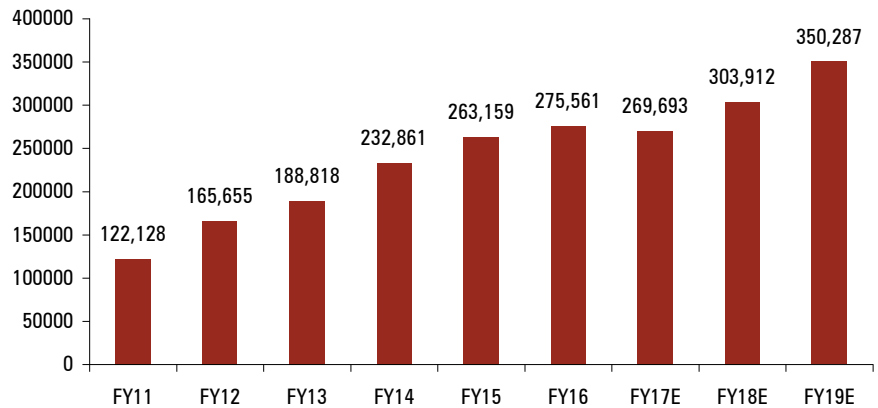
Source: Company, ICICIdirect.com Research

## Company Analysis

### Revenues to remain upbeat as JLR grows!

We expect consolidated revenues to grow at ~14% CAGR in FY17E-19E to ~₹ 350,287 crore driven by JLR's revenue growth of ~19% in the same period at ~£34.1 billion. On the India side, we expect revenues to rise at 14.6% CAGR to ~₹ 58,342 crore by FY19E.

**Exhibit 1: We build revenue growth at 14% CAGR in FY17-19E**

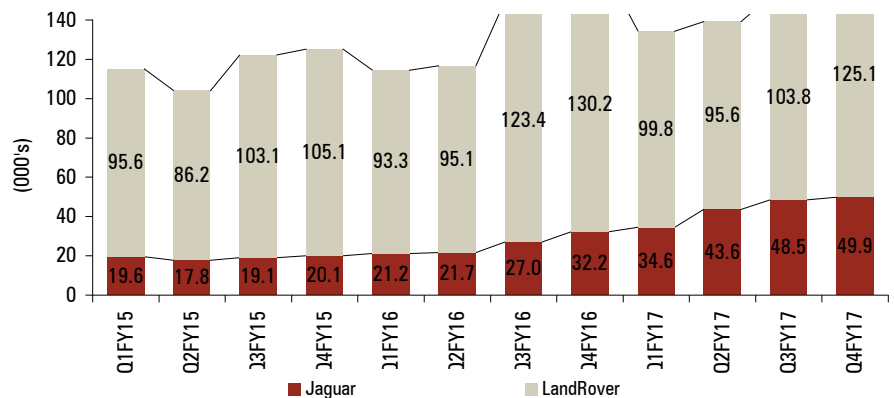


Source: Company, ICICIdirect.com Research

### JLR product story to continue in coming years!

The management has given a capex guidance of £ 4 billion. It is towards new products, technology & expansion of manufacturing capacity. The management expects capex to remain in the range of 15-17% of sales in the medium term on significant investments in platform development. Thus, we believe the roadmap for new product launches (and refreshes) in the medium term looks clear. We expect the China JV to ramp up in FY18E.

**Exhibit 2: JLR volumes trend**

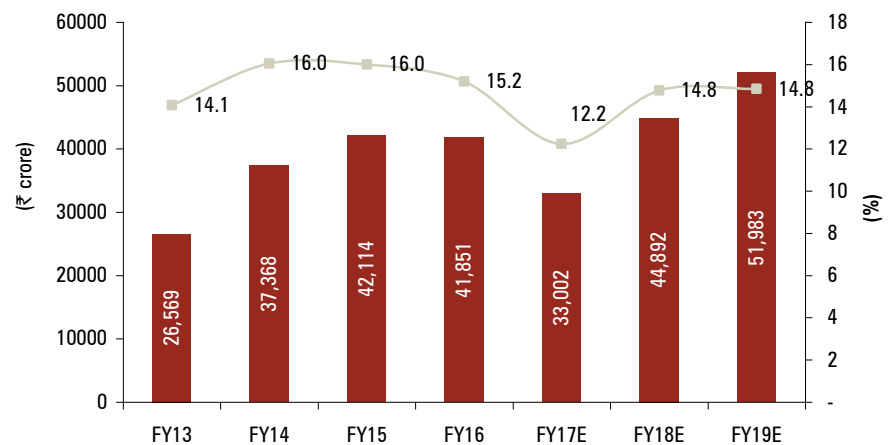


Source: Company, ICICIdirect.com Research

### EBITDA margins to trend higher

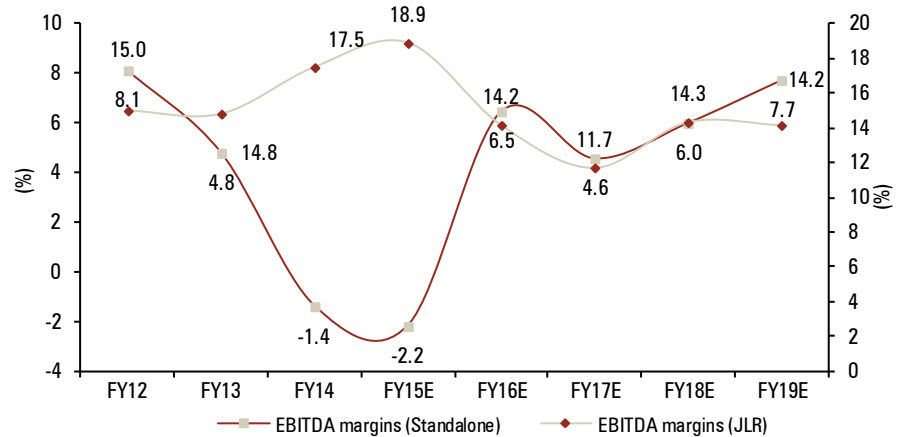
Tata Motors remains a unique case that in India has a combination of high leverage CV business along with a financial dragger on the PV side. On the other hand, on the global front with JLR, it has been one of the most profitable luxury carmakers in the world. The variation is mind boggling in itself with the number of levers towards EBITDA ranging from financial leverage to operating leverage to FX to product mix as well as market mix. Thus, in a nutshell, it remains a company that can have large variations from analyst estimates on a quarterly basis. We expect JLR's EBITDA margins to increase to 14.3% for FY18E, FY19E. In the domestic business, we expect operational positivity to emerge (7.7% in FY19E).

**Exhibit 3: Consolidated EBITDA margins to increase**



Source: Company, ICICIdirect.com Research

**Exhibit 4: Margins trend on standalone and JLR**

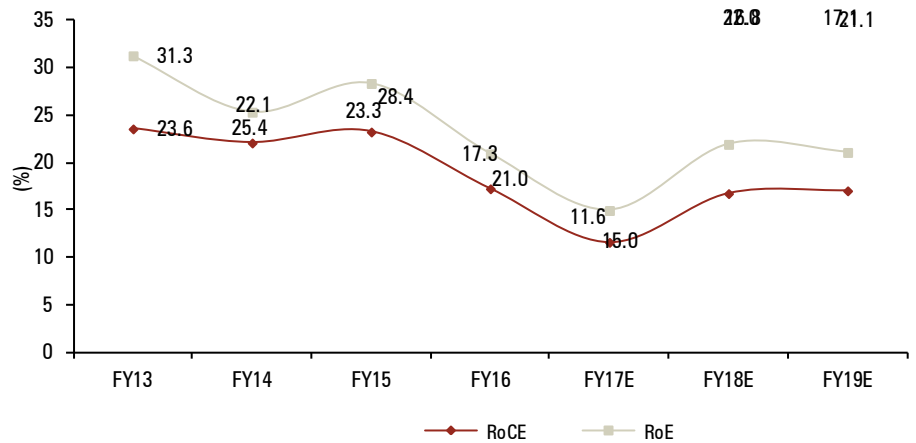


Source: Company, ICICIdirect.com Research

### Return ratios to increase to reflect rising margins

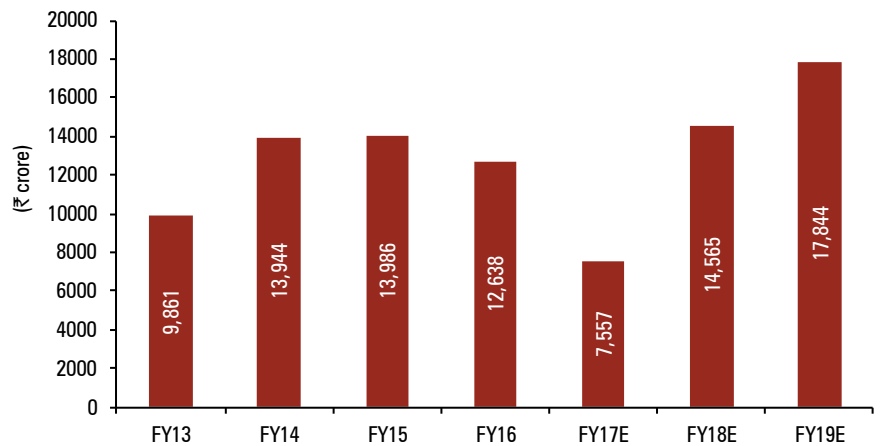
Return ratios witnessed a decline since FY12 primarily due to the significant investment in both JLR and domestic business, the latter of which failed badly in generating strong returns. Going ahead, we expect high JLR margins to positively impact return ratios. Return ratios in FY16E appear lower on account of the recent rights issue, which led to an equity dilution of ~5%. At the consolidated level, we expect PAT of ₹ 17,844 crore in FY19E.

**Exhibit 5: Returns ratios trend**



Source: Company, ICICIdirect.com Research

**Exhibit 6: Trend in net profit**



Source: Company press release, ICICIdirect.com Research

## Outlook and valuation

Tata Motors' business has been increasingly skewed towards the global business of JLR. We believe that with JLR's strong product line-up and planned product refreshes, the market share march is likely to continue. We remain positive on sustained earnings growth for the JLR business as the product pipeline grows and market share increases across geographies. We value the stock on an SOTP basis, with JLR on 3.4x EV/EBITDA basis contributing ~₹ 456/share (excluding JV) while the domestic business contributes ₹ 31/share. Inclusive of other subsidiaries, we arrive at a target price of ₹ 560.

**Exhibit 7: Valuation on SOTP method**

	Parameters	Basis	Multiple	Per Share
Tata Motors Core business	FY19E EBITDA	4,509	5	31
JLR	FY18E Adj EV/EBITDA	36,865	3.4	456
China JV @50% stake	FY19E EPS	7.0	8.0	56
<b>Subsidiary valuation</b>				
Tata Daewoo	FY19E EPS	0.4	8.0	3
Tata Motor Finance	FY19E Adj BV	4.1	1.0	4
Tata Technologies	FY19E EPS	1.4	10.0	14
Value of investments	0.1x BV of unquoted invst			3
Value of subsidiaries, investments				26
Value post discount	Holding co discount @ 30%			17
Total value per share				560
TML DVR inferred target value @ 30% discount				390

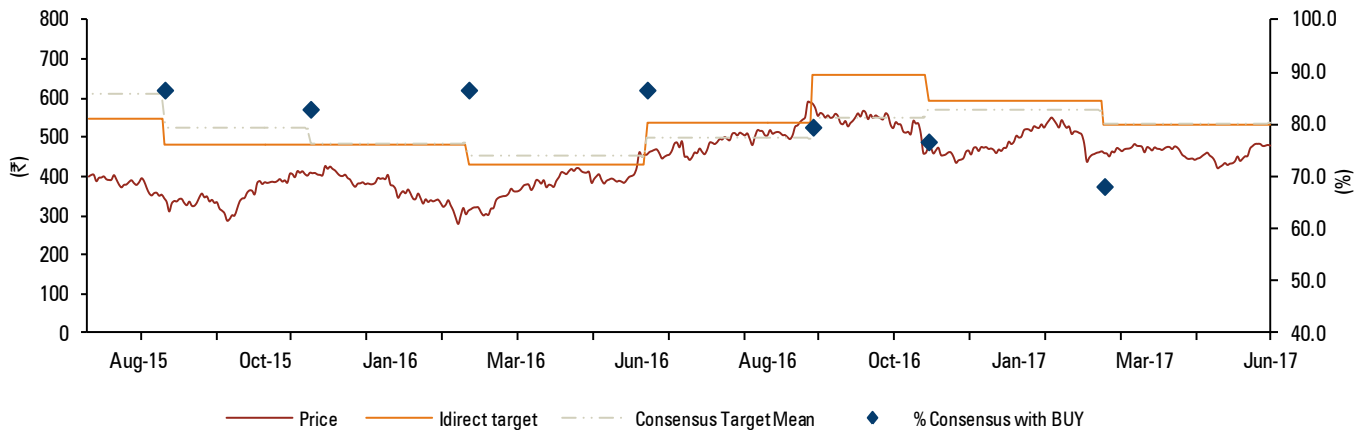
Source: Company, ICICIdirect.com Research

**Exhibit 8: Valuation**

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	275,561.1	4.7	37.2	(9.6)	12.9	4.9	21.0	17.3
FY17E	269,692.5	(2.1)	22.3	(40.2)	21.5	6.6	15.0	11.6
FY18E	303,912.1	12.7	42.9	92.7	11.2	4.8	22.0	16.8
FY19E	350,287.0	15.3	52.6	22.5	9.1	4.2	21.1	17.1

Source: Company, ICICIdirect.com Research

## Recommended History vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

## Key events

Date	Event
Jan-08	Much touted "Nano" is unveiled at Auto Expo along with new 1 tonne LCV's "ACE".
Jun-08	Acquisition of Jaguar & Land Rover for \$2.3 billion
Jan-09	Tata Motors posts losses as domestic economy sales weaken and global foray causes drag
Jul-09	Tata Motors' Q1FY10 results rise 58% YoY beat estimates ,early signs of recovery of economy. Nano dispathces rise to 9,000 units
May-10	JLR turns profitable for Tata Motors with FY10 PAT of £32 million, big earnings beat
Dec-10	Nano sales fall 85% to 509 units on unavailability of vehicle financing options amid fire incidents
Jun-11	JLR announces £1.5 billion capex spends, Tatat Motors CDS rises as European region problems flare up
Oct-11	JLR launches its path breaking mini-SUV "Evoque"
Aug-12	Karl Slym becomes MD of Tata Motor's domestic business
Jan-12	JLR reports highest rise in sales since June 2010 on the back of "Evoque"
May-12	JLR reports tax credits to boost profit amid weaker than estimated JLR margins
Oct-12	Siam cuts India auto sales forecast second time in a year
Aug-13	JLR reports stronger than estimated margins in Q1FY14 even as domestic business struggles in losses
Feb-14	JLR outlines timelines for new engine plant, new launches, China JV

Source: Company, ICICIdirect.com Research

Top 10 Shareholders						Shareholding Pattern					
Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)	(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
1	Tata Group of Companies	31-Mar-17	0.34	986.8	0.00	Promoter	33.0	33.0	33.0	34.7	34.7
2	Ewart Investment, Ltd.	20-Sep-16	0.2698	779.0	778.97	FII	39.9	42.6	45.2	43.1	42.3
3	Life Insurance Corporation of India	31-Mar-17	0.0518	149.4	0.00	DII	19.7	17.3	14.8	15.1	15.8
4	ICICI Prudential Life Insurance Company Ltd.	31-Mar-17	0.0161	46.4	1.97	Others	7.4	7.2	7.0	7.0	7.2
5	GIC Private Limited	31-Mar-17	0.0159	45.8	-1.84						
6	BlackRock Institutional Trust Company, N.A.	30-Apr-17	0.0155	44.7	1.13						
7	ICICI Prudential Asset Management Co. Ltd.	30-Apr-17	0.0118	34.2	6.27						
8	Invest AD	31-Mar-17	0.0118	34.0	-4.48						
9	The Vanguard Group, Inc.	30-Apr-17	0.0107	30.8	0.22						
10	Dimensional Fund Advisors, L.P.	31-Mar-17	0.0088	25.3	0.00						

Source: Reuters, ICICIdirect.com Research

## Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ICICI Prudential Asset Management Co. Ltd.	+44.8M	+6.3M	Norges Bank Investment Management (NBIM)	-36.5M	-5.3M
Lyxor Asset Management	+39.9M	+5.6M	Invest AD	-32.2M	-4.5M
ICICI Prudential Life Insurance Company Ltd.	+14.1M	+2.0M	Investec Asset Management Ltd.	-15.4M	-2.2M
SBI Funds Management Pvt. Ltd.	+8.5M	+1.2M	GIC Private Limited	-13.2M	-1.8M
BlackRock Institutional Trust Company, N.A.	+8.0M	+1.1M	Eastspring Investments (Singapore) Limited	-11.3M	-1.6M

Source: Reuters, ICICIdirect.com Research



## Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total operating Income	275,561	269,693	303,912	350,287
Growth (%)	4.7	-2.1	12.7	15.3
Raw Material Expenses	162,419	165,894	182,936	210,276
Employee Expenses	29,199	28,333	31,510	36,539
Marketing Expenses	65,032	59,340	64,750	74,465
Capitalised Expenses	-22,940	-16,877	-20,176	-22,976
Total Operating Expenditure	233,710	236,690	259,021	298,304
EBITDA	41,851	33,002	44,892	51,983
Growth (%)	-0.6	-21.1	36.0	15.8
Product development Expenses	3480	3414	3905	4517
Depreciation	17014	17905	19754	22769
Interest	4624	4238	4229	4229
Other Income	982	755	700	700
PBT	21195	11614	21608	25686
Minority Interest	106	0	0	0
Total Tax	2873	3251	4603	5504
PAT	12,638	7,557	14,565	17,844
Growth (%)	-9.6	-40.2	92.7	22.5
EPS (₹)	37.2	22.3	42.9	52.6

Source: Company, ICICIdirect.com Research

Cash flow statement				
₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit after Tax	12,638.4	9,395.7	17,603.0	21,334.6
Add: Depreciation	17,014	17,905	19,754	22,769
(Inc)/dec in Current Assets	-7,676	-2,491	-7,809	-11,543
Inc/(dec) in CL and Provisions	12,465	16,033	6,659	15,853
Others	0	0	0	0
CF from operating activities	34,441	40,842	36,207	48,414
(Inc)/dec in Investments	0	0	0	0
(Inc)/dec in Fixed Assets	0	0	0	0
Others	-39,797	-18,882	-31,215	-30,936
CF from investing activities	(39,797)	(18,882)	(31,215)	(30,936)
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-6,112	8,939	0	0
Dividend paid & dividend tax	0	0	0	0
Inc/(dec) in Sec. premium	0	0	0	0
Others	13,772	-29,316	-204	-409
CF from financing activities	7,660	(20,378)	(204)	(409)
Net Cash flow	2,305	1,583	4,787	17,069
Opening Cash	32,190	34,495	36,078	40,865
Closing Cash	34,495	36,078	40,865	57,934

Source: Company, ICICIdirect.com Research

Balance sheet				
₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Liabilities				
Equity Capital	679	679	679	679
Reserve and Surplus	81,993	62,072	79,471	100,397
Total Shareholders funds	82,672	62,751	80,150	101,076
Total Debt	11,224	11,410	11,410	11,410
Deferred Tax Liability	3,166	1,174	1,323	1,525
Long term provisions	51876	60629	60629	60629
Minority Interest / Others	22,377	26,997	30,423	35,065
Total Liabilities	171,315	162,962	183,935	209,705
Assets				
Gross Block	196,366	214,627	255,326	312,276
Less: Acc Depreciation	100,778	118,683	138,437	161,206
Net Block	95,588	95,944	116,889	151,070
Capital WIP	33,263	33,699	25,000	50
Total Fixed Assets	128,851	129,643	141,889	151,120
Investments	2,506	10,594	10,594	10,594
Inventory	33,399	32,511	36,636	43,186
Debtors	12,990	12,561	14,155	16,315
Loans and Advances	10,746	14,757	14,443	16,276
Other Current Assets	97,717	101,791	114,387	142,999
Cash	34,495	36,078	40,865	57,934
Total Current Assets	97,717	101,791	114,387	142,999
Creditors	63,633	62,066	64,946	74,856
Provisions	8,702	8,488	8,882	10,237
Total Current Liabilities	99,597	115,629	122,288	138,142
Net Current Assets	-1,880	-13,839	-7,901	4,858
Deferred Tax Asset	2,726	4,457	5,023	5,789
Application of Funds	171,315	162,962	183,935	209,705

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	37.2	22.3	42.9	52.6
Cash EPS	87.3	75.0	101.1	119.6
BV	243.5	184.8	236.0	297.7
DPS	0.0	0.0	0.0	0.0
Cash Per Share	6.1	6.0	6.7	7.8
Operating Ratios				
EBITDA Margin (%)	15.2	12.2	14.8	14.8
PBT / Net sales (%)	9.0	5.6	8.3	8.3
PAT Margin (%)	2.8	7.6	8.2	5.2
Inventory days	44.2	44.0	44.0	45.0
Debtor days	17.2	17.0	17.0	17.0
Creditor days	84.3	84.0	78.0	78.0
Return Ratios (%)				
RoE	21.0	15.0	22.0	21.1
RoCE	17.3	11.6	16.8	17.1
RoIC	41.9	25.1	30.5	26.0
Valuation Ratios (x)				
P/E	9.4	17.3	9.2	7.6
EV / EBITDA	4.9	6.6	4.8	4.2
EV / Net Sales	0.7	0.8	0.7	0.6
Market Cap / Sales	0.6	0.6	0.5	0.5
Price to Book Value	2.0	2.6	2.0	1.6
Solvency Ratios				
Debt/EBITDA	1.5	2.2	1.6	1.4
Debt / Equity	0.8	1.1	0.9	0.7
Current Ratio	0.6	0.6	0.7	0.7
Quick Ratio	0.3	0.3	0.3	0.3

Source: Company, ICICIdirect.com Research



## ICICIdirect.com coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Amara Raja (AMARAJ)	855	930	Hold	14604	28.0	33.2	40.4	30.5	25.7	21.2	17.3	14.9	12.4	25.8	27.4	28.0	18.5	19.3	19.6
Apollo Tyre (APOTYR)	228	280	Buy	11503	21.7	21.8	19.7	10.5	10.5	11.6	6.5	7.9	8.6	19.9	13.6	11.0	17.1	15.0	12.2
Ashok Leyland (ASHLEY)	92	105	Buy	26018	2.5	4.3	4.7	36.3	21.4	19.5	12.3	11.6	10.8	22.8	21.2	21.6	17.4	21.2	16.5
Bajaj Auto (BAAUTO)	2828	3000	Hold	81834	126.8	132.3	155.4	23.4	22.5	19.1	17.5	18.0	15.0	42.2	30.5	33.5	29.9	22.4	24.0
Balkrishna Ind. (BALIND)	1472	1670	Buy	14223	58.7	74.0	81.4	25.1	19.9	18.1	13.9	12.8	10.6	20.4	23.0	24.0	20.3	23.0	24.0
Bharat Forge (BHAFOR)	1139	1300	Buy	26549	29.9	40.1	47.6	38.1	28.4	23.9	20.8	13.9	11.7	16.1	22.2	26.9	14.6	17.9	21.2
Bosch (MICO)	23650	25250	Buy	74261	410.2	567.0	566.2	55.2	40.0	40.0	36.0	37.5	26.1	15.1	15.8	15.8	22.5	21.4	25.3
Eicher Motors (EICMOT)	28370	30500	Buy	76627	655.9	833.2	1019.4	43.3	34.0	27.8	24.8	18.4	14.7	39.2	41.1	39.1	36.0	33.6	30.9
Exide Industries (EXIIND)	229	270	Buy	19469	7.3	8.2	9.4	31.3	28.1	24.3	19.0	17.7	14.4	19.4	18.7	20.4	14.0	14.1	14.8
Hero Mototcorp (HERHON)	3666	3975	Buy	73219	156.9	169.1	199.6	23.4	21.7	18.4	15.2	14.3	11.9	53.6	43.5	49.0	39.4	33.0	36.3
JK Tyre & Ind (JKIND)	166	215	Buy	3758	21.0	16.6	18.1	7.9	10.0	9.1	5.8	8.1	6.5	20.1	11.2	11.8	29.1	15.8	18.2
Mahindra CIE (MAHAUT)	240	280	Buy	7752	4.5	10.3	13.5	53.7	23.2	17.7	16.8	11.5	9.1	5.4	10.8	12.6	6.9	11.1	13.2
Maruti Suzuki (MARUTI)	7156	7200	Buy	216263	151.3	242.9	280.1	47.3	29.5	25.5	21.4	18.6	15.8	23.9	26.3	26.5	16.9	20.3	20.4
Motherson (MOTSUM)	444	450	Hold	62387	11.1	16.7	22.9	40.1	26.6	19.4	15.1	10.5	7.8	16.0	22.2	28.4	19.6	23.1	25.0
Tata Motors (TELCO)	479	560	Buy	144917	22.3	42.9	52.6	21.5	11.2	9.1	6.6	4.8	4.2	11.6	16.8	17.1	15.0	22.0	21.1
Wabco India (WABTVS)	5830	7000	Buy	11077	107.7	118.6	158.4	54.1	49.1	36.8	37.9	32.4	24.8	19.4	17.8	19.4	25.5	24.5	26.8

Source: Company, ICICIdirect.com Research

## **RATING RATIONALE**

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: >10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)**

## ANALYST CERTIFICATION

We /I, Nishit Zota, MBA & Vidrum Mehta, MBA Research Analyst, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Nishit Zota, MBA & Vidrum Mehta, MBA Research Analyst, of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Nishit Zota, MBA & Vidrum Mehta, MBA Research Analyst, do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.