

TATA MOTORS

Disappointing on all fronts

India Equity Research | Automobiles

Tata Motors' (TTMT) Q1FY18 consolidated EBITDA of ~INR50bn (down ~45% YoY) came 26% below our estimate. JLR's EBITDA margin nosedived to 7.9% (down ~600bps YoY) on higher commodity/marketing costs and adverse regional mix. We had evinced our concern on margins due to aging portfolio (*refer our note – Race of Unequals*). However, we expect JLR's margin trajectory to improve over next 2 quarters on improving mix and waning impact of adverse hedge book from Q4FY18. An aging model portfolio (revenue weighted basis) and weak demand environment in key markets would nevertheless restrict sharp margin expansion. Factoring in the above and revised currency, we lower our FY18/19E EPS by 20%/10% to INR33/44.7. Maintain 'HOLD'.

Weak operating performance: JLR reports EBIT loss

Both JLR and standalone businesses disappointed on margin front. JLR's EBITDA stood at GBP442mn (EBIT loss of GBP8mn), down 41.5% YoY, 44% below our estimate, due to gross margin pressure, higher variable marketing spends (GBP93mn impact YoY) and launch costs (*Velar, Discovery*). Management indicated that discounts across markets would remain high (~5-6% of revenues) and staff costs would increase as well given hiring for the Slovakia plant. India business EBITDA margin of -0.8% stood below our 2% estimate. Ongoing cost saving initiatives should help support margins going ahead.

Aging JLR portfolio, new launches to provide only partial relief

We believe JLR's volume momentum is likely to be sustained by new launches (*Discovery, Velar, E-Pace, i-Pace*). However, with average discounts poised to increase, unlike in the past, these new launches are unlikely to be significant revenue contributors. Also, an aging portfolio (*Discovery Sport, Range Rover and Range Rover Sport* are in their third, fourth and fifth years respectively) will lead to higher discounts on a revenue-weighted basis.

Outlook and valuations: Margin concerns persist; maintain 'HOLD'

While JLR's product pipeline remains robust, we believe EBIT growth will trail Street's expectation, thereby affecting estimated free cash flow. We believe M&HCV market share gains will remain challenging. We maintain 'HOLD/SU' with TP of INR444 (JLR valued at 5.5x FY19E EBIT and standalone at 8x FY19E EV/EBITDA). At CMP, the stock trades at 9.5x FY19E EPS.

Financials (Consolidated)

Year to March	(INR bn)							
	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	585	650	(10.0)	772	(24.2)	2,697	2,968	3,290
EBITDA	50	90	(45.0)	108	(54.0)	338	366	423
Adjusted Profit	(11)	29	42.3	43	(25.9)	98	112	152
Diluted adj. EPS (INR)	(3.1)	8.5	(136.9)	12.8	(124.7)	28.9	33.1	44.7
Diluted P/E (x)						14.4	12.6	9.3
EV/EBITDA (x)						5.4	4.9	4.0
ROAE (%)						14.4	17.4	19.5

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	High
Sector Relative to Market	Underweight

MARKET DATA (R: TAMO.BO, B: TTMT IN)

CMP	: INR 416
Target Price	: INR 444
52-week range (INR)	: 599 / 415
Share in issue (mn)	: 2,887.3
M cap (INR bn/USD mn)	: 1,324 / 20,746
Avg. Daily Vol.BSE/NSE('000)	: 7,658.1

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	34.7	34.7	34.7
MF's, FI's & BK's	16.1	15.5	14.8
FII's	23.5	23.2	24.2
Others	25.7	26.6	26.2
* Promoters pledged shares (% of share in issue)			8.9

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	(4.8)	2.5	2.1
3 months	(2.5)	6.3	7.3
12 months	(19.0)	14.2	12.1

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August 9, 2017

Q1FY18 conference call takeaways

JLR demand outlook

- Chinese market: growth in line with GDP
- US and UK markets: While economic activity is better, volume are disappointing. Outlook remain challenging versus last year. For UK, change in excise duty structure from April 2017 has impacted demand
- Outlook for rest of world remains mixed – Russia expected to grow but Middle East and Brazil markets to decline
- On Shift to gasoline from diesel : Company believes modern diesel engines are as clean as gasoline engine and diesel is 25% more fuel efficient than gasoline engines. As per JLR, clean diesel has a key role to help OEM meet emission targets

New launches

- Velar: Average waiting period of ~3 months; initial response has been very strong. Not yet launched in all the markets
- Discovery : Average waiting periods of ~2months. So far the product has been rolled out across UK, USA and China markets
- Launch of XF Sportbrake and E-Pace in FY18 and i-Pace (FY19) should support the volume momentum going forward
- Focus on investments in plug in hybrids and Electric vehicles (EVs) to meet emission norms. By 2020, expects share of plug in hybrids and EVs to be significantly higher
- With launch of Velar, Discovery and E-Pace, expects product mix impact on margins to be positive for rest of FY18

JLR margins

- Margins were impacted by lower wholesale volumes YoY, launch costs (Velar and Discovery), higher variable marketing spend (GBP93mn impact YoY) and impact of higher commodity costs like steel, aluminium (GBP96mn impact)
- JLR highlighted that variable marketing spend is particularly high across US markets and is discounting levels are increasing across other markets as well due to intensifying competition. JLR believes variable spends would remain in range of ~5-6% revenues
- Staff costs to continue to remain higher given the increasing workforce, hiring across areas like electronics/software/electrification and increasing workforce for Slovakia plant over next 12 months
- Margin pressures of FY17 to continue in FY18 as well; FY18 margins to be in similar range of FY17
- Reiterated long term EBIT margin guidance of 8-10% over the medium term. Operating leverage and internal cost savings initiatives are margin levers going ahead

FX accounting

- Accounting impact of Fx losses during the quarter was GBP365mn

- Expects hedging losses to come down in coming quarters assuming exchange rates remains at current levels; expects larger decline in Q4FY18 onwards
- Hedge reserve is currently to GBP 1.7bn as compared to GBP2bn end of March

Capex and cash flow

- FY18 target capex to be in the range of GBP4-4.3bn and directed towards new products (Velar, I-Pace, E-Pace) and capacity expansion at Slovakia plant
- Working capital is seasonally higher in Q1 and inventory during the quarter was higher due to Velar and Discovery models
- Paid dividend of GBP60mn in Q1FY18 and would pay out another GBP90mn in Q2

India business

- Has gained market share in M&HCVs during Apr-Jun 2017 led by addressing products gaps in 37T and 49T segments. Seeing good response for new SCR technology which is more fuel efficient than the EGR technology powered trucks
- Aims to regain market share by slew of launches (6 launches in M&HCV and 4 launches in ICV segments)
- Expects LCV and bus industry growth of 10% for FY18. M&CHV growth in H1FY18 to be subdued; H2 to witness pickup led by infrastructure revival and good monsoons
- For PVs, expects growth to be driven by ramp up of Tiago, Tigor, Hexa and Nexon models
- On margins, company expects cost reduction initiatives to help lower fixed cost overheads

Table 1: SOTP valuation

Financials (INR mn)					FY19E
A. Standalone					
EBITDA (Rs mn)					29,086
Target multiple (x)					8.0
Enterprise Value (Rs mn)					232,685
Per Share value (Rs)					69
B. JLR					
EBIT (Rs mn)					224,087
Target multiple EV/EBIT (x)					5.5
Enterprise Value (Rs mn)					1,232,479
Per Share value (Rs)					363
EBITDA (Rs mn)					412,415
Implied EV/EBITDA (x)					3.0
C. Finance Sub TMFL					
Net worth FY16 (Rs mn)					36,000
P/BV (x)					1.5
Value (Rs mn)					54,000
Per Share (Rs)					16
D. Subs (Rs mn)					
	PAT FY17	Multiple (x)	Value	TAMO's share	
TDCV	2,576	8	20,608	20,608	
Tata Tech	3,817	10	38,170	31,128	
Tata Driveline	548	8	4,384	3,726	
Total				55,462	
Per Share (Rs)					16
E. Net Debt					
Less: Automotive debt (Rs mn)					67,739
Per Share (Rs)					20
Total Target Price (A+B+C+D-E)					444

Source: Edelweiss research

Chart 1: JLR wholesale volumes – Geographic mix

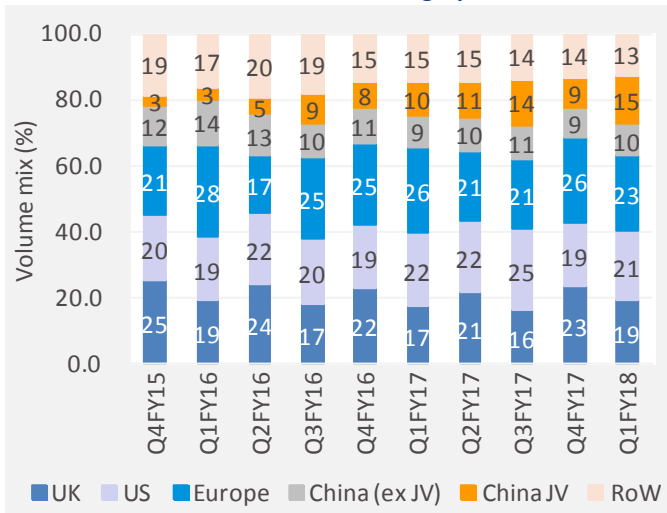
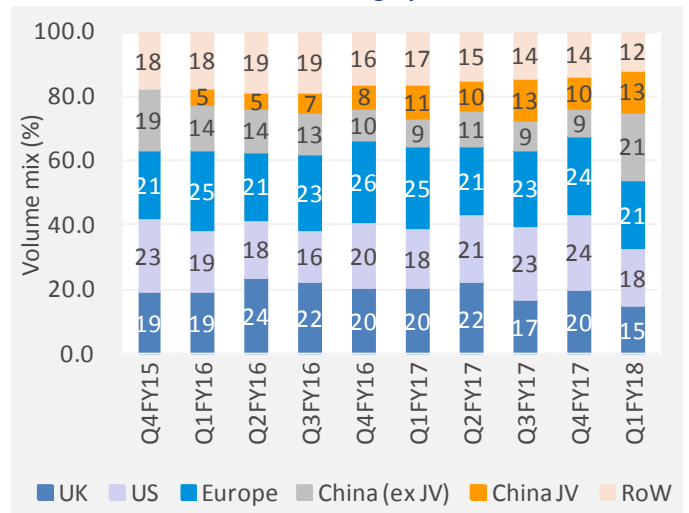


Chart 2: JLR retail volumes – Geographic mix



Source: Edelweiss research

Chart 3: Higher discounts and adverse mix dent margins

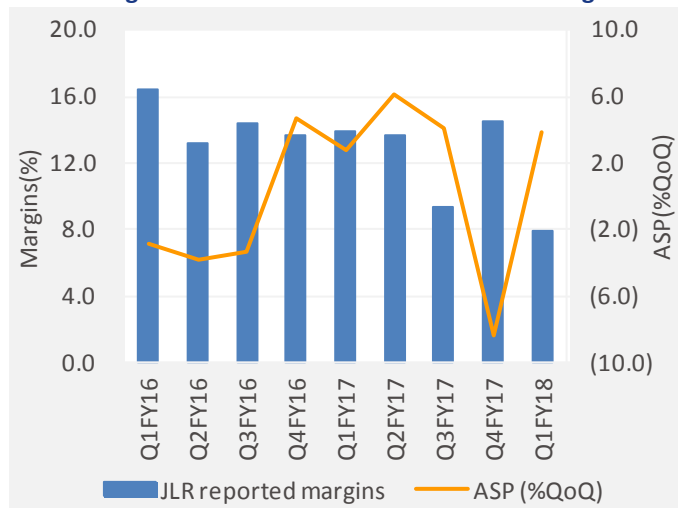
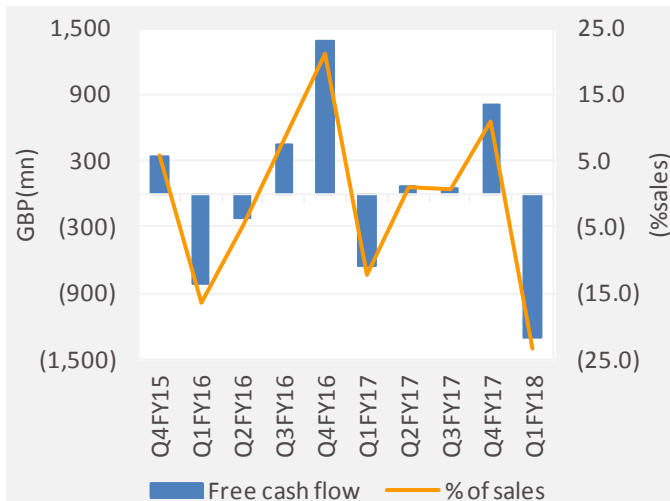


Chart 4: Seasonal weakness seen in JLR FCF



Source: Edelweiss research

Table 2: JLR quarterly summary

	Q1FY18	Q1FY17	% Change	Q4FY17	% Change
Volumes (units)					
Jaguar	32,700	34,572	(5.4)	48,700	(32.9)
LandRover	85,216	86,204	(1.1)	110,176	(22.7)
Total vehicles sold*	117,916	120,776	(2.4)	158,876	(25.8)
Avg. realisation (GBP)	47,483	45,216	5.0	45,746	3.8
* excluding China JV					
	Q1FY18	Q1FY17	% Change	Q4FY17	% Change
GBP mn					
Total revenue	5,599	5,461	2.5	7,268	(23.0)
EBITDA	442	756	(41.5)	1,057	(58.2)
PBT	(20)	356	(105.6)	597	(103.4)
Tax	123	95	29.5	119	3.4
Reported PAT	472	304	55.3	557	(15.3)
	Q1FY18	Q1FY17	bps Change	Q4FY17	bps Change
Margin (% of sales)					
Raw material	63.7	59.1	458	62.0	166
Staff cost	11.7	11.1	64	9.0	275
Other expenditure	16.7	16.0	73	14.5	224
EBITDA	7.9	13.8	(595)	14.5	(665)

Source: Edelweiss research

Table 3: JLR volume forecasts

Units (ex China JV)	FY16	FY17E	FY18E	FY19E
Jaguar	102,107	169,284	178,170	190,877
% YoY	33.5	65.8	5.2	7.1
XF	36,197	25,557	26,835	28,177
% YoY	(21.2)	(29.4)	5.0	5.0
F-Pace	1,722	76,147	83,762	90,463
% YoY	n/a	4,322.0	10.0	8.0
XJ	12,230	10,065	10,065	10,065
% YoY	(24.7)	(17.7)	-	-
XK	147	7	-	-
% YoY	(93.1)	(95.2)	n/a	n/a
F-Type	12,564	10,856	10,856	10,856
% YoY	3.0	(13.6)	-	-
XE	39,247	46,652	46,652	51,317
% YoY		18.9	-	10.0
Landrover	407,228	373,509	407,914	450,294
% YoY	4.4	(8.3)	9.2	10.4
FL/Discovery Sport	104,211	86,178	94,796	99,536
% YoY	99.0	(17.3)	10.0	5.0
Evoque	78,677	93,641	98,323	103,239
% YoY	(34.3)	19.0	5.0	5.0
Mid size Range Rover	-	-	15,000	30,000
% YoY			n/a	n/a
Range Rover	60,123	68,163	71,571	78,728
% YoY	(2.0)	13.4	5.0	10.0
Range Rover Sport	90,267	87,494	83,119	91,431
% YoY	5.2	(3.1)	(5.0)	10.0
Defender	20,209	446	-	-
% YoY	1.0	(97.8)	n/a	n/a
Discovery	53,741	37,587	45,104	47,360
% YoY	6.0	(30.1)	20.0	5.0
Total JLR(ex China JV)	509,335	542,793	586,083	641,171
% YoY	9.2	6.6	8.0	9.4
China JV	29,000	65,000	90,000	110,000
%YoY		124.1	38.5	22.2
Total JLR(Incl China VV)	538,335	607,793	676,083	751,171

Source: Edelweiss research

Table 4: Standalone - Quarterly summary

	Q1FY18	Q1FY17	% Change	Q4FY17	% Change
Total vehicles sold	109,691	124,110	(11.6)	124,110	(11.6)
Avg Realisation (INR)	829,087	829,081	0.0	1,094,730	(24.3)
INR mn	Q1FY18	Q1FY17	% Change	Q4FY17	% Change
Net Sales	90,943	102,897	(11.6)	135,867	(33.1)
Net RM Cost	64,202	68,865	(6.8)	95,608	(32.8)
Staff costs	8,886	8,989	(1.2)	9,325	(4.7)
Other expenses	20,666	21,975	(6.0)	29,600	(30.2)
EBITDA	(721)	5,535	(113.0)	3,647	(119.8)
Profit before tax	(4,748)	1,167	n/a	(7,851)	(39.5)
Tax	2	121	(98.3)	109	(98.2)
Reported Net Profit	(4,671)	(829)	n/a	(8,290)	(43.7)
Margin analysis (% of sales)	Q1FY18	Q1FY17	bps Change YoY	Q4FY17	bps change QoQ
Raw materials	70.6	66.9	366.9	70.4	22.7
Staff cost	9.8	8.7	103.4	6.9	290.7
Other expenses	20.0	18.8	127.0	20.0	5.7
EBITDA	(0.8)	5.4	(617.2)	2.7	(347.8)
Adj. Net profit	(5.2)	1.0	(623.9)	(5.9)	63.6

Source: Edelweiss research

Automobiles

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Total operating Income	584,934	650,047	(10.0)	772,172	(24.2)	2,696,925	2,968,014	3,290,420
Raw material	365,758	390,908	(6.4)	475,152	(23.0)	1,658,942	1,853,155	2,070,206
Staff costs	71,152	74,671	(4.7)	70,274	1.3	283,329	276,564	300,467
Expenses capitalized	39,491	41,849	(5.6)	40,441	(2.3)	168,770	177,063	186,695
Other expenses	137,867	136,042	1.3	159,175	(13.4)	585,566	649,830	683,930
Total expenditure	535,285	559,773	(4.4)	664,160	(19.4)	2,359,067	2,602,486	2,867,908
EBITDA	49,648	90,275	(45.0)	108,012	(54.0)	337,859	365,528	422,512
Depreciation	45,246	45,508	(0.6)	46,702	(3.1)	179,050	203,391	216,975
EBIT	4,403	44,767	(90.2)	61,309	(92.8)	158,809	162,137	205,538
Other income	1,541	1,736	(11.2)	2,342	(34.2)	7,545	8,846	9,612
Interest	11,089	11,785	(5.9)	11,640	(4.7)	42,380	37,760	32,360
Add: Exceptional items	36,202	4,905	638.0	(808)	(4,579.9)	(27,955)	-	-
Profit before tax	(5,145)	34,718	NA	52,011	NA	96,019	133,223	182,790
Provision for taxes	12,074	7,200	67.7	12,396	(2.6)	32,512	35,440	51,951
Minority interest	-	-	-	-	-	1,022	-	-
Associate profit share	6,704	4,290	56.3	4,106	63.3	14,930	14,567	20,812
Reported net profit	31,823	22,364	42.3	42,959	(25.9)	77,414	112,350	151,652
Adjusted Profit	(10,692)	28,970	NA	43,315	NA	98,038	112,350	151,652
Diluted shares (mn)	3,396	3,396	-	3,396	-	3,396	3,396	3,396
Adjusted Diluted EPS	(3.1)	8.5	NA	12.8	NA	28.9	33.1	44.7
Diluted P/E (x)	-	-	-	-	-	14.4	12.6	9.3
EV/EBITDA (x)	-	-	-	-	-	5.4	4.9	4.0
ROAE (%)	-	-	-	-	-	14.4	17.4	19.5

As % of net revenues

Raw material	62.5	60.1	-	61.5	-	61.5	62.4	62.9
Employee cost	12.2	11.5	-	9.1	-	10.5	9.3	9.1
Other expenses	16.8	14.5	-	15.4	-	15.5	15.9	15.1
EBITDA	8.5	13.9	-	14.0	-	12.5	12.3	12.8
Adjusted net profit	(1.8)	4.5	-	5.6	-	3.6	3.8	4.6
Tax rate	(234.7)	20.7	-	23.8	-	33.9	26.6	28.4

Company Description

TTMT is India's largest commercial vehicle player and fourth largest player in the PV market with products in compact and mid size cars and utility vehicle segments. Through subsidiaries and associate companies, the company has operations in the UK, South Korea, Thailand and Spain. Among them is Jaguar Land Rover, the business comprising 2 iconic British brands – Jaguar and Land Rover. TTMT's cars, buses and trucks are being marketed in several countries across Europe, Africa, the Middle East, South Asia, South East Asia and South America.

Investment Theme

We remain positive on JLR's healthy product pipeline and believe platform consolidation will accelerate model introductions over next 5 years. However, increasing average portfolio age for JLR and higher discounting are likely to cap margin expansion. We expect FCF generation of domestic business to remain under pressure given huge capex and continued pressure on market share.

Key Risks

Domestic business: In PV business, TTMT continues to invest in a new platform due to for launch in 2019. Success of this platform is a key monitorable. In its commercial vehicle business, the company is unable to stem the loss of market share, despite having a wide distribution network and strong brand equity. This is likely to put pressure on its margin profile over long term driven by higher support activities.

Jaguar and Land Rover: Given competitive intensity, we expect profitability to lag volume growth. Electric vehicles remain a key event as it is unclear as of now the extent of success all the traditional players are likely to achieve

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Sector				
Cars - domestic vol. (% YoY)	8.0	4.0	8.0	8.0
MHCV - domestic vol (% YoY)	30.0	1.0	8.0	8.0
Company				
Revenue assumptions				
Domestic vol growth (% YoY)				
Cars - domestic vol. (% YoY)	(2.5)	26.0	14.5	8.3
MHCV - domestic vol (% YoY)	23.4	(5.0)	8.1	6.6
LCV - dom. vol. (% YoY)	(9.9)	6.5	1.6	10.2
Domestic avg. realisation (INR)	839,373.2	820,479.0	763,458.7	763,412.8
Domestic avg. realisation (% YoY)	16.3	(2.3)	(6.9)	-
JLR sales volume (Nos)				
Jaguar	102,107	169,284	178,170	190,877
Land Rover	407,228	373,509	407,914	450,294
Cost assumptions				
RM cost/vehicle	570,274	579,775	524,558	517,610
Employee cost/vehicle	62,474	65,812	67,131	67,525
Average salary	1,139,040	1,366,822	1,503,504	1,623,784
Promotion cost (% revenue)	1.6	1.9	1.9	1.7
EBITDA/vehicle	57,725	23,048	28,061	44,905
Financial assumptions				
Avg. Interest rate (%)	13.8	10.2	7.0	5.0
Depreciation rate (%)	10.2	10.8	11.4	10.3
Tax rate (%)	17.2	26.2	26.6	28.4
Dividend payout (%)	-	0.9	4.1	3.0
B/S assumptions				
Net borrowings (INR mn)	(116,492)	125,280	(20,000)	(20,000)
Capex (INR mn)	70,182	174,380	325,500	300,300
Debtor days	17	19	17	16
Inventory days	69	74	68	64
Payable days	215	253	233	203
Cash conversion cycle	(128)	(161)	(148)	(124)

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	2,730,456	2,696,925	2,968,014	3,290,420
Materials costs	1,633,830	1,658,942	1,853,155	2,070,206
Manufacturing expenses	11,107	15,224	15,896	17,672
Employee costs	288,809	283,329	276,564	300,467
Total SG&A expenses	580,418	570,341	633,934	666,258
Expenses capitalised	166,783	168,770	177,063	186,695
Total operating expenses	2,347,381	2,359,067	2,602,486	2,867,908
EBITDA	383,075	337,859	365,528	422,512
Depreciation	167,108	179,050	203,391	216,975
EBIT	215,967	158,809	162,137	205,538
Add: Other income	8,853.5	7,545.4	8,846.12	9,611.87
Less: Interest Expense	48,891	42,380	37,760	32,360
Add: Exceptional items	(34,672)	(27,955)	-	-
Profit Before Tax	141,258	96,019	133,223	182,790
Less: Provision for Tax	30,251	32,512	35,440	51,951
Less: Minority Interest	989	1,022	-	-
Associate profit share	5,775	14,930	14,567	20,812
Reported Profit	115,793	77,414	112,350	151,652
Exceptional Items	(28,711)	(20,624)	-	-
Adjusted Profit	144,504	98,038	112,350	151,652
Shares o /s (mn)	3,396	3,396	3,396	3,396
Adjusted Basic EPS	42.6	28.9	33.1	44.7
Diluted shares o/s (mn)	3,396	3,396	3,396	3,396
Adjusted Diluted EPS	42.6	28.9	33.1	44.7
Adjusted Cash EPS	91.8	81.6	93.0	108.6
Dividend per share (DPS)	-	0.2	1.2	1.2
Dividend Payout Ratio(%)	-	0.9	4.1	3.0

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	86.0	87.5	87.7	87.2
Materials costs	59.8	61.5	62.4	62.9
Staff costs	10.6	10.5	9.3	9.1
S G & A expenses	15.1	14.9	15.4	14.6
Depreciation	6.1	6.6	6.9	6.6
Interest Expense	1.8	1.6	1.3	1.0
EBITDA margins	14.0	12.5	12.3	12.8
Net Profit margins	5.3	3.7	3.8	4.6

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	3.9	(1.2)	10.1	10.9
EBITDA	(2.5)	(11.8)	8.2	15.6
PBT	(30.2)	(32.0)	38.7	37.2
Adjusted Profit	10.0	(32.2)	14.6	35.0
EPS	4.2	(32.2)	14.6	35.0

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	6,792	6,792	6,792	6,792	
Reserves & Surplus	782,733	573,828	693,607	840,687	
Shareholders' funds	789,524	580,620	700,399	847,479	
Minority Interest	4,328	4,532	4,532	4,532	
Short term borrowings	113,771	126,325	126,325	126,325	
Long term borrowings	505,841	618,566	598,566	578,566	
Total Borrowings	619,612	744,891	724,891	704,891	
Def. Tax Liability (net)	44,748	11,739	11,739	11,739	
Sources of funds	1,458,212	1,341,782	1,441,561	1,568,641	
Gross Block	1,681,808	1,628,389	1,953,889	2,254,189	
Net Block	519,417	434,680	516,890	550,668	
Capital work in progress	259,189	336,988	336,988	336,988	
Intangible Assets	552,900	524,761	576,660	626,207	
Total Fixed Assets	1,331,507	1,296,429	1,430,538	1,513,864	
Cash and Equivalents	409,206	343,247	342,180	425,152	
Inventories	326,557	350,853	345,091	382,955	
Sundry Debtors	135,709	140,756	137,891	153,060	
Loans & Advances	468,432	606,259	540,522	518,935	
Current Assets (ex cash)	930,698	1,097,868	1,023,504	1,054,950	
Trade payable	1,075,844	1,247,640	1,140,164	1,186,944	
Other Current Liab	137,355	148,122	214,498	238,380	
Total Current Liab	1,213,200	1,395,762	1,354,662	1,425,324	
Net Curr Assets-ex cash	(282,501)	(297,894)	(331,158)	(370,375)	
Uses of funds	1,458,212	1,341,782	1,441,561	1,568,641	
BVPS (INR)	232.5	171.0	206.2	249.6	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	115,793	77,414	112,350	151,652	
Add: Depreciation	167,108	179,050	203,391	216,975	
Interest (Net of Tax)	40,484	31,266	27,715	23,163	
Others	(20,803)	63,332	67,726	78,019	
Less: Changes in WC	(76,413)	15,393	33,264	39,217	
Operating cash flow	378,995	335,669	377,919	430,591	
Less: Capex	70,182	174,380	325,500	300,300	
Free Cash Flow	308,813	161,289	52,419	130,291	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		378,995	335,669	377,919	430,591
Investing cash flow		(375,044)	(132,543)	(316,654)	(290,688)
Financing cash flow		(37,951)	82,169	(62,332)	(56,931)
Net cash Flow		(34,000)	285,295	(1,067)	82,971
Capex		(70,182)	(174,380)	(325,500)	(300,300)
Dividend paid		(29)	(730)	(4,572)	(4,572)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		21.4	14.4	17.4	19.5
ROACE (%)		16.6	12.1	12.4	14.4
Inventory Days		69	74	68	64
Debtors Days		17	19	17	16
Payable Days		215	253	233	203
Cash Conversion Cycle		(128)	(161)	(148)	(124)
Current Ratio		1.1	1.0	1.0	1.0
Gross Debt/EBITDA		1.6	2.2	2.0	1.7
Gross Debt/Equity		0.8	1.3	1.0	0.8
Adjusted Debt/Equity		0.8	1.3	1.0	0.8
Net Debt/Equity		0.3	0.7	0.5	0.3
Interest Coverage Ratio		4.4	3.7	4.3	6.4

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		2.0	1.9	2.1	2.2
Fixed Asset Turnover		2.8	2.7	2.9	2.9
Equity Turnover		4.0	3.9	4.6	4.2

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		42.6	28.9	33.1	44.7
Y-o-Y growth (%)		4.2	(32.2)	14.6	35.0
Adjusted Cash EPS (INR)		91.8	81.6	93.0	108.6
Diluted P/E (x)		9.8	14.4	12.6	9.3
P/B (x)		1.8	2.4	2.0	1.7
EV / Sales (x)		0.6	0.7	0.6	0.5
EV / EBITDA (x)		4.2	5.4	4.9	4.0
Dividend Yield (%)		-	0.1	0.3	0.3

Additional Data

Directors Data

N N Wadia	Non-Executive Independent Directors	R A Mashelkar	Non-Executive Independent Directors
S Bhargava	Non-Executive Independent Directors	N Munjee	Non-Executive Independent Directors
V K Jairath	Non-Executive Independent Directors	R Sen	Non-Executive Independent Directors
Cyrus P Mistry	Chairman, Non-Executive Director	Ralf Speth	Other Non-Executive Directors
Ravindra Pisharody	Executive Directors	Satish Borwankar	Executive Directors

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Tata sons ltd	31.6	Citibank na	17.18
Life insurance corp	5.18	Tata industries ltd	2.5
Blackrock	2.25	Govt of singapore	1.87
Gic private limited	1.59	Icici prudential lif	1.57
Icici prudential ass	1.25	Vanguard group	1.23

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
13 Dec 2016	Tata Sons Ltd	Buy	50000000	486.13

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
19 Dec 2016	Tata sons Ltd	Buy	50000000.00
22 Sep 2016	Tata sons Ltd	Sell	2105773.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Amara Raja Batteries	BUY	None	None	Ashok Leyland	BUY	SO	H
Bajaj Auto	HOLD	SU	L	Ceat Ltd	BUY	SO	L
Eicher Motors	BUY	SO	M	Exide Industries	BUY	SP	L
Hero MotoCorp	HOLD	SU	H	Mahindra & Mahindra Ltd	BUY	SO	M
Maruti Suzuki India Ltd	BUY	SO	H	Minda Corporation	BUY	SO	M
Motherson Sumi Systems	HOLD	SU	H	Suprajit Engineering	BUY	SO	H
Tata Motors Ltd	HOLD	SP	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss
Ideas create, values protect

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Aditya Narain

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Coverage group(s) of stocks by primary analyst(s): Automobiles

Ashok Leyland, Amara Raja Batteries, Bajaj Auto, Ceat Ltd, Eicher Motors, Exide Industries, Hero MotoCorp, Minda Corporation, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Motherson Sumi Systems, Suprajit Engineering, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
08-Aug-17	Eicher Motors	In-line quarter; <i>Result Update</i>	31,489	Buy
08-Aug-17	Amara Raja Batteries	Auto healthy, industrial sluggish; pressure on margin; <i>Result Update</i>	801	Buy
04-Aug-17	Mahindra & Mahindra	Resilient margins; demand outlook robust; <i>Result Update</i>	1,418	Buy

Distribution of Ratings / Market Cap

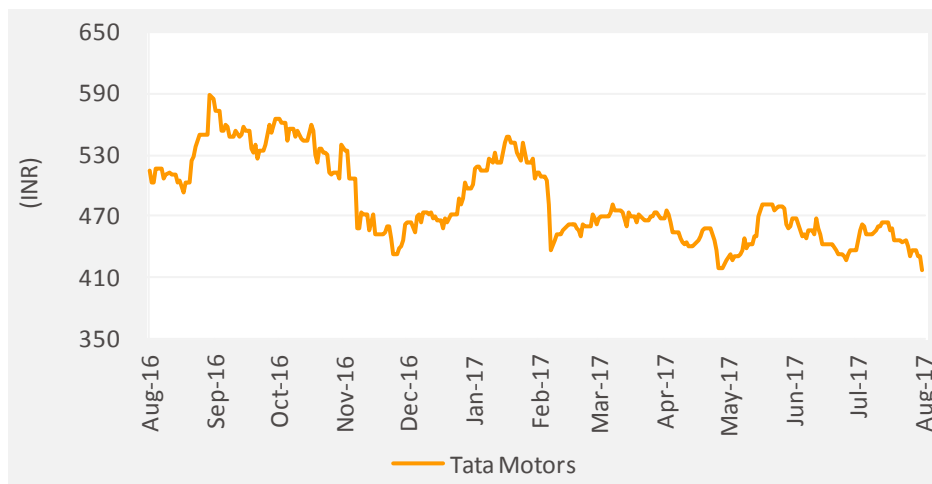
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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