

## Key Rationale

Jaguar Land Rover is the UK's largest automotive manufacturer, built around two iconic British car brands: Land Rover, the world's leading manufacturer of premium all-wheel-drive vehicles; and Jaguar, one of the world's premier luxury sports saloon and sports car marques.

JLR employs more than 43,000 people globally and support around 240,000 more through its dealerships, suppliers and local businesses. Manufacturing is centred in the UK, with additional plants in China, Brazil, Austria and Slovakia. In 2017 JLR sold 621,109 vehicles in 130 countries, with more than 80% of its vehicles being sold abroad.

JLR's innovation is continuous and it will spend more than £4 billion in the coming year on new product creation and capital expenditure. Andy Goss, Jaguar Land Rover Group Sales Director, said: "The continued demand in China is encouraging however we are still facing challenges because of tough trading conditions in our key UK and Europe markets.

The firm has climbed one position to fourth spot in the domestic car market this year, surpassing Honda Cars. It is regaining the commercial vehicle market share it lost in recent years. The key concern, however, appears to be on the JLR (Jaguar Land Rover) front. The UK-based luxury car arm of Tata Motors brings 80% of the consolidated revenue. In the third quarter of FY18, the pre-tax profit of JLR declined to £192 million from £255 million a year ago (which included \$85 million insurance recovery).

The firm said profitability at JLR was impacted by the run-out of certain models, higher depreciation and amortisation, resulting from continued investment. Volume growth has also been a challenge at JLR. Given the commentary on the US and European markets, JLR hedge book position and quantum of forex losses anticipated would be key monitorables for JLR.

## Valuation

The Current market capitalization is Rs 107600 crore. Revenues for FY17 stood at Rs 279000 crore. The market capitalization to sales stands at below 40%. This makes Tata Motors a very compelling Buy with a medium term perspective. JLR. We strongly believe that the fundamental prospects of the company will improve in the coming quarters which will have a positive impact on the stock price.

### Recommendation - BUY

|                |              |
|----------------|--------------|
| CMP (Rs)       | 333.85       |
| Target (Rs)    | 400          |
| Upside (%)     | 20 %         |
| Stop-loss (Rs) | 300          |
| Time Horizon   | 6 - 9 Months |

### Key Data

|                     |                 |
|---------------------|-----------------|
| NSE Code            | TATAMOTORS      |
| 52-week range (H/L) | 488.25 / 332.25 |
| 30-day avg. volume  | 9,056,486       |
| Market Cap (Rs. mn) | 97,433          |
| No. of shares (mn)  | 2,887           |
| Face Value          | 2.0             |
| Book Value (cons.)  | 273.51          |
| EPS (FY-17)         | 30.71           |
| P/E (x)             | 10.87x          |
| Sales (Rs. mn)      | 2,790,000       |
| Net Profit (Rs. mn) | 66100           |
| EBITDA (Rs. mn)     | 314,580         |
| ROE (%)             | 11.38           |
| Div. Yield (%)      | 0.00            |

| Price Performance (%) | 1M   | 3M    | 1Yr |
|-----------------------|------|-------|-----|
| Absolute              | -5.3 | -19.5 | -26 |
| Rel. to Nifty         | -3.1 | -12.1 | -38 |

### Shareholding Pattern

|                |         |
|----------------|---------|
| Promoters      | 36.38 % |
| FII's          | 37.71 % |
| DII's          | 16.95 % |
| Govt.          | 0.15 %  |
| Public & Other | 8.82 %  |

# Technical Analysis



Daily chart of Tata Motors appended shows a steep decline from Sep-16 onwards with the stock now trading at 52-week lows. The nature of decline from the top is an Elliot Wave triple-three (W-X-Y-X-Z) complex corrective and typically marks the end of downtrend followed by a reversal. The decline is within a regulation downward sloping trend channel, as the stock price now approaches the lower boundary.

Importantly, the stock is showing strong positive price/momentum divergence on the daily scale, indicating potential bottoming and reversal that can be confirmed on a higher-high on weekly chart.



Weekly chart appended here exhibits the stock price retracing the Feb-16 to Sep-16 upmove to the tune of 78.6% Fibo, and with respect to other technical parameters, suggesting a strong support at the 330-335 zone. Hence we recommend a contrarian positional trade with favorable risk-reward potential.

## Open Interest reading

A look at the aggregate Open Interest for Tata Motors (futures) suggests, that from the start of Nov-17 series, there was a surge in OI along with a sharp drop in prices indicating Short build-up which reached a peak of approx 55,000 contracts in late November and has now remained stable at an 10-day avg. of approx 47,000 contracts with further weakness in price. This indicates Shorts are rolling their positions and are completely in control at the moment. However, considering the stock trading near 52-week lows, any positive development for the company or a reversal in overall market can trigger a bout of short-covering. Hence it is time for bears to be cautious on their positions and look to reduce at current levels.



### Analysts

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