



The management in their India business analyst meet too highlighted their path to sustained FCF and achieving EBIT margin guidance of 3-5%.

JLR retails for May'18 increased 6% YoY to 41.6k. [Jaguar](#) retails increased 7% YoY to 14.5k units while [Land Rover](#) (LR) volumes increased 6% YoY to 33.8k units. The growth for JLR (Ex-China geography) stood strong at 11% YoY which has been highest growth in last 14 months.

JLR's volumes in last 14 months was largely led by China with weakness seen especially in UK and Europe. May'18 saw a strong growth of 21% YoY in UK. While April'18 had also seen a 26% YoY growth in UK, that was largely led by a low base. Growth in North America was also strong at 17% YoY while Europe retails continued to decline at 9% YoY (consecutive decline for last 8 months).

JLR retail growth ex-China geography stood at a strong 11% YoY, highest in last 14 months. China retails declined 8% YoY mainly due to customers postponing purchases for an impending price reduction post the import duty cut in China to be implemented from July.

LR growth of 6% YoY was led by Discovery at 14% YoY; Velar volumes increased 10% MoM (Velar absent last May'18). RR Sport increased 1% YoY, second consecutive growth

post 9 months of decline earlier. Discovery Sport/Evoque declined 10%/ 36% YoY also exacerbated due to weakness in China this month. Jaguar E-Pace increased 18% MoM to 3.7k units, while I-Pace (EV) volumes have increased to 41 units vs 18 units MoM. F-Pace/ XF continue their declines at 23%/ 25% YoY.

We believe the stock is currently pricing in extreme pessimism of a flattish volume growth for JLR for FY19E. We have factored in a volume CAGR of 7% over FY19-20E for JLR. YTDFY19 retail volume growth for JLR stands at 9% with China yet to bounce back; while we remain watchful of Europe (-9% in YTDFY19) and UK growth sustainability (+23% YoY).

The management in their India business analyst meet too highlighted their path to sustained FCF and achieving EBIT margin guidance of 3-5%. We believe the risk: reward for [Tata](#) Motors at current levels is extremely favorable and recommend Accumulate with a TP of Rs 362.

By Elara Capital

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).