

May 28, 2019

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	192		192	
Sales (Rs. m)	3,201,901	3,458,908	3,201,901	3,458,908
% Chng.	-	-	-	-
EBITDA (Rs. m)	363,804	387,665	363,804	387,665
% Chng.	-	-	-	-
EPS (Rs.)	16.8	21.2	16.8	21.2
% Chng.	-	-	-	-

Key Financials

	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	2,946	3,019	3,202	3,459
EBITDA (Rs. bn)	370	298	364	388
Margin (%)	12.5	9.9	11.4	11.2
PAT (Rs. bn)	58	17	57	72
EPS (Rs.)	17.2	5.1	16.8	21.2
Gr. (%)	(43.1)	(70.3)	229.0	26.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	7.6	2.2	9.0	10.4
RoCE (%)	7.6	1.2	7.1	8.0
EV/Sales (x)	0.3	0.4	0.4	0.4
EV/EBITDA (x)	2.4	3.7	3.3	3.3
PE (x)	10.6	35.6	10.8	8.6
P/BV (x)	0.6	1.0	0.9	0.8

Key Data

TAMO.BO | TTMT IN

52-W High / Low	Rs.316 / Rs.129
Sensex / Nifty	39,683 / 11,925
Market Cap	Rs.568bn/ \$ 8,166m
Shares Outstanding	2,887m
3M Avg. Daily Value	Rs.11970.59m

Shareholding Pattern (%)

Promoter's	38.54
Foreign	19.14
Domestic Institution	16.10
Public & Others	26.22
Promoter Pledge (Rs bn)	9.13

Stock Performance (%)

	1M	6M	12M
Absolute	(15.9)	0.7	(38.3)
Relative	(17.2)	(9.9)	(45.7)

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Standalone turnaround 2.0 delivering results

Tata Motors Investor day highlighted details about its medium-to-long term strategy (Turnaround 2.0) for the domestic business. With focus on topline growth, customer centricity, enhanced dealer engagement, agile cost management and a lean & accountable organization, the management reiterated their key objectives: 1) Outperforming the industry for both the CV & PV segment (CV & PV volumes for TTMT up 17.5% & 12% respectively for FY19) 2) EBIT margin target of 4-6% over FY20-22 and 5-7% in the long run (FY19 EBIT margins at 3.8%) 3) Higher FCF generation curtailing Subsidiary investments within affordable limits. While the domestic demand environment for the next 3-6 months is expected to remain muted, H2 should see some recovery on anticipated pre-buy ahead of BS VI implementation. JLR outlook remains muted both for volumes and profitability with cut in EBIT margin guidance over FY20-21E to 3-6% (earlier 4-6%) owing to continued demand challenges & model run-outs. Retain "Accumulate" with a target price of Rs192, where we value JLR at 1.5x Mar'21E EV/EBITDA and Standalone entity at 9x Mar'21E EPS.

- Commercial Vehicles – Widening product range; increasing market share:** TTMT is maintaining focus on gaining market share (M&HCV, ILCV & SCV market share up by 70bps, 40bps & 50bps over FY18-19 respectively) on the back of broader product portfolio (several new launches like Intra), enhanced customer engagement & dealer network expansion (increasing its sales & service network by ~10% & 20% respectively over FY19). With increased on ground focus, TTMT has gained 1.7% share in M&HCVs and 2% share in ILCV in its focus markets of south India. It has reengineered all its products as per the revised axle norms and will shift its portfolio to BS VI in a phased manner over the current fiscal.
- Passenger Vehicles – Brand rebuilding, inventory mgt focus areas:** TTMT has been less impacted during this PV downturn (volumes up 12% v/s industry 3% in FY19) as it had reduced focus on fleet segment (5% v/s 12% for Industry) which declined by 58% in past 2 years. The two new modular architectures (Alpha and Omega) & the impact savings initiative reduced costs and enabled EBITDA breakeven for PV segment in FY19. PV dealer network has been expanded from 746 to 848 in FY19 with a target to cover 92% of the market by product and 65% by geography. TTMT aims to reduce their dealer inventory from ~6 weeks to 2 weeks by September, ahead of BS VI launches.
- Electric vehicles – Becoming more viable by the day** as Li-ion battery cost is expected to come down from \$400/Kwhr currently to ~\$100/Kwhr over the next 2 years. Average cost/km for an EV is just ~Rs1/Km as against Rs4-5/km for Diesel/Petrol vehicles. With the subsidies from FAME II available for the next 3 years, the viability of this shift is increasing & due to lowering manufacturing and running costs, EVs should stay viable even beyond the subsidy years. TTMT's Tigor EV has been received well in this segment. TTMT is focusing on developing its EV product range, identifying micro markets, developing charging solutions & enhancing the overall electric ecosystem to gain fair share of forecasted industry volumes of ~3mn units by 2030.

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	2,946,192	3,019,384	3,201,901	3,458,908
YoY gr. (%)	9.2	2.5	6.0	8.0
Cost of Goods Sold	1,858,500	1,963,212	2,037,116	2,223,308
Gross Profit	1,087,692	1,056,172	1,164,786	1,235,601
Margin (%)	36.9	35.0	36.4	35.7
Employee Cost	303,001	332,439	304,181	328,596
Other Expenses	81,434	87,818	72,549	61,034
EBITDA	369,730	297,948	363,804	387,665
YoY gr. (%)	0.2	(19.4)	22.1	6.6
Margin (%)	12.5	9.9	11.4	11.2
Depreciation and Amortization	251,855	278,152	254,984	260,937
EBIT	117,875	19,796	108,821	126,729
Margin (%)	4.0	0.7	3.4	3.7
Net Interest	46,818	57,586	59,026	60,206
Other Income	8,889	29,653	30,394	33,434
Profit Before Tax	111,550	(313,712)	80,189	99,956
Margin (%)	3.8	(10.4)	2.5	2.9
Total Tax	43,419	(24,375)	24,057	29,987
Effective tax rate (%)	38.9	7.8	30.0	30.0
Profit after tax	68,131	(289,337)	56,133	69,969
Minority interest	1,025	1,020	1,071	1,125
Share Profit from Associate	22,783	2,095	1,892	3,074
Adjusted PAT	58,285	17,312	56,953	71,918
YoY gr. (%)	(43.1)	(70.3)	229.0	26.3
Margin (%)	2.0	0.6	1.8	2.1
Extra Ord. Income / (Exp)	31,604	(305,575)	-	-
Reported PAT	89,889	(288,262)	56,953	71,918
YoY gr. (%)	20.6	(420.7)	(119.8)	26.3
Margin (%)	3.1	(9.5)	1.8	2.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	89,889	(288,262)	56,953	71,918
Equity Shares O/s (m)	3,396	3,396	3,396	3,396
EPS (Rs)	17.2	5.1	16.8	21.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	2,104,191	2,231,990	2,581,990	2,931,990
Tangibles	1,386,781	1,610,207	1,960,207	2,310,207
Intangibles	717,411	621,783	621,783	621,783
Acc: Dep / Amortization	891,217	1,127,124	1,339,439	1,556,001
Tangibles	648,102	884,008	1,096,324	1,312,886
Intangibles	243,115	243,115	243,115	243,115
Net fixed assets	1,212,974	1,104,866	1,242,550	1,375,988
Tangibles	738,678	726,199	863,883	997,321
Intangibles	474,296	378,667	378,667	378,667
Capital Work In Progress	400,335	318,838	318,838	318,838
Goodwill	1,165	7,479	7,479	7,479
Non-Current Investments	261,905	315,307	333,239	355,239
Net Deferred tax assets	(19,671)	36,601	36,601	36,601
Other Non-Current Assets	35,812	39,633	39,633	39,633
Current Assets				
Investments	151,611	95,298	101,298	107,298
Inventories	421,376	390,137	413,624	446,992
Trade receivables	198,933	189,962	182,500	206,614
Cash & Bank Balance	346,139	326,488	209,593	113,770
Other Current Assets	102,476	70,245	75,245	80,245
Total Assets	3,313,505	3,071,945	3,147,691	3,285,788
Equity				
Equity Share Capital	6,792	6,792	6,792	6,792
Other Equity	947,487	595,003	651,957	723,875
Total Network	954,279	601,796	658,749	730,667
Non-Current Liabilities				
Long Term borrowings	611,995	709,737	689,737	669,737
Provisions	109,484	118,549	128,549	138,549
Other non current liabilities	111,652	139,222	139,222	139,222
Current Liabilities				
ST Debt / Current of LT Debt	167,949	201,503	201,503	201,503
Trade payables	720,384	685,135	703,928	770,106
Other current liabilities	543,862	567,936	577,936	587,936
Total Equity & Liabilities	3,313,505	3,071,945	3,147,691	3,285,788

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	133,308	(241,461)	81,010	101,905
Add. Depreciation	215,536	235,906	212,316	216,562
Add. Interest	46,818	57,586	59,026	60,206
Less Financial Other Income	8,889	29,653	30,394	33,434
Add. Other	284,490	(135,417)	-	-
Op. profit before WC changes	680,152	(83,386)	352,351	378,673
Net Changes-WC	(112,634)	24,118	(2,232)	3,697
Direct tax	9,085	(31,897)	(24,057)	(29,987)
Net cash from Op. activities	576,603	(91,165)	326,063	352,383
Capital expenditures	(533,580)	(52,616)	(350,000)	(350,000)
Interest / Dividend Income	-	-	-	-
Others	(4,748)	50,420	(13,933)	(18,000)
Net Cash from Invst. activities	(538,329)	(2,196)	(363,933)	(368,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(6,096)	131,296	(20,000)	(20,000)
Dividend paid	-	-	-	-
Interest paid	(46,818)	(57,586)	(59,026)	(60,206)
Others	-	-	-	-
Net cash from Fin. activities	(52,914)	73,710	(79,026)	(80,206)
Net change in cash	(14,640)	(19,651)	(116,896)	(95,823)
Free Cash Flow	43,023	(143,781)	(23,937)	2,383

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	17.2	5.1	16.8	21.2
CEPS	91.3	87.0	91.9	98.0
BVPS	281.0	177.2	194.0	215.1
FCF	12.7	(42.3)	(7.0)	0.7
DPS	-	-	-	-
Return Ratio(%)				
RoCE	7.6	1.2	7.1	8.0
ROIC	6.8	1.5	6.2	6.5
RoE	7.6	2.2	9.0	10.4
Balance Sheet				
Net Debt : Equity (x)	0.3	0.8	0.9	0.9
Net Working Capital (Days)	(12)	(13)	(12)	(12)
Valuation(x)				
PER	10.6	35.6	10.8	8.6
P/B	0.6	1.0	0.9	0.8
P/CEPS	57.2	54.5	57.6	61.4
EV/EBITDA	2.4	3.7	3.3	3.3
EV/Sales	0.3	0.4	0.4	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

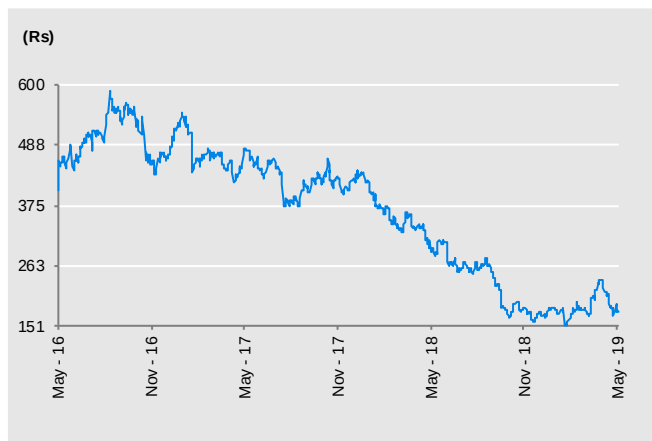
Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenue	667,011	721,121	770,009	864,220
YoY gr. (%)	14.0	3.3	3.8	(5.3)
Raw Material Expenses	430,269	459,587	501,895	571,461
Gross Profit	236,741	261,534	268,114	292,759
Margin (%)	35.5	36.3	34.8	33.9
EBITDA	60,010	78,260	71,733	90,922
YoY gr. (%)	(49.7)	30.4	(8.3)	26.8
Margin (%)	9.0	10.9	9.3	10.5
Depreciation / Depletion	68,077	70,097	75,719	64,260
EBIT	(8,067)	8,164	(3,986)	26,662
Margin (%)	(1.2)	1.1	(0.5)	3.1
Net Interest	13,753	12,269	15,685	15,880
Other Income	6,050	6,172	5,818	8,636
Profit before Tax	(25,842)	(8,234)	(292,284)	12,649
Margin (%)	(3.9)	(1.1)	(38.0)	1.5
Total Tax	(4,156)	2,719	(24,052)	1,115
Effective tax rate (%)	16.1	(33.0)	8.2	8.8
Profit after Tax	(21,686)	(10,953)	(268,232)	11,535
Minority interest	398	393	317	(88)
Share Profit from Associates	3,060	859	(1,376)	(448)
Adjusted PAT	(8,951)	(186)	8,506	17,944
YoY gr. (%)	(16.3)	(100.8)	(21.0)	(47.4)
Margin (%)	(1.3)	-	1.1	2.1
Extra Ord. Income / (Exp)	(10,073)	(10,302)	(278,431)	(6,769)
Reported PAT	(19,024)	(10,488)	(269,925)	11,175
YoY gr. (%)	(159.8)	(142.2)	(2,351.9)	(47.4)
Margin (%)	(2.9)	(1.5)	(35.1)	1.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(19,024)	(10,488)	(269,925)	11,175
Avg. Shares O/s (m)	3,396	3,396	3,396	3,396
EPS (Rs)	(2.6)	(0.1)	2.5	5.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Jun-18	BUY	378	296
2	11-Jun-18	BUY	378	296
3	26-Jun-18	BUY	289	378
4	10-Jul-18	BUY	378	269
5	1-Aug-18	BUY	352	264
6	5-Oct-18	BUY	352	223
7	31-Oct-18	BUY	267	179
8	7-Jan-19	BUY	267	175
9	11-Feb-19	BUY	207	153
10	5-Apr-19	BUY	207	205

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	107	94
2	Bajaj Auto	Reduce	2,823	3,047
3	Bharat Forge	Hold	513	486
4	CEAT	HOLD	1,100	1,057
5	Eicher Motors	Hold	20,161	20,354
6	Exide Industries	Accumulate	231	214
7	Hero Motocorp	Accumulate	2,784	2,593
8	Mahindra & Mahindra	BUY	878	658
9	Maruti Suzuki	BUY	7,600	7,108
10	Motherson Sumi Systems	Accumulate	150	151
11	Tata Motors	Accumulate	192	178
12	TVS Motors	Hold	474	492
13	Wabco India	Accumulate	7,111	6,326

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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