

Continued struggles cloud some signs of promise...

Tata Motors (TML) reported weak results in Q1FY20. While consolidated revenues were down 8.4% YoY to ₹ 61,467 crore (JLR down 2.8% YoY, standalone down 19.9% YoY), the margin performance was more disappointing. Consolidated margins of 6.2% were at a multi-year low, dragged by negative operating leverage and higher marketing and warranty costs in JLR. Consequent consolidated loss at the PAT level was at ₹ 3,680 crore (JLR loss at ₹402 million). JLR reported negative FCF of ₹719 million.

JLR base effect kicks in, India CV business- cyclicity to prevail!

Thus far, Tata Motors' JLR brand has been suffering from a prolonged softness in sales volumes, with the China geography proving to be a particular pain point. Total JLR volumes for Q1FY20 were at 1.18 lakh units, down ~10% YoY. Encouragingly, however, in June 2019, JLR reported a volume growth of 15% YoY, albeit on a lower base. With base effect kicking in at JLR, going forward, we expect its volume growth to be in positive territory. However, it will still be marred by hovering concerns over Brexit and trade barriers. In India, the company has largely managed to retain its market leadership in the CV business, thus far. However, given the cyclical nature of the CV business amid challenging demand environment due to revised axle load norms, NBFC crisis, general economic slowdown as well as the imminent cost increase under BS-VI, prospects appear subdued. For FY19-21E, we incorporate 2.4% consolidated volume CAGR at TML. It includes 4% volume CAGR at JLR and 1.2% volume CAGR at India business.

Annual report takeaway: modest margin recovery on anvil

TML in its annual report for FY19 has guided for eventual margin uptick in its standalone as well as JLR business. On the JLR front, it sees EBIT margins in the range of 3-4% up to FY21E amid negative FCF and investments up to ₹4 billion. On a standalone basis, the guidance is for 4-6% EBIT margins by FY22 and positive FCF generation. We believe meaningful margin expansion for TML is still some time away - with volume revival & sustaining current pace of progress on project charge holding the key. Accordingly, we build in sedate 280 bps consolidated margin recovery to FY21E.

Valuation & Outlook

Going forward, we expect topline, EBITDA to grow at a CAGR of 5.1%, 19.5%, respectively, in FY19-21E. PAT is expected to be volatile given the nature of TML's earnings that include a high degree of one-offs. Market conditions remain challenging globally and in India, clouding our outlook. Using SOTP valuation technique we value TML at ₹ 160 i.e. 8x EV/EBITDA (FY21E) to TML standalone business (~15% premium to its competition) and 3x EV/EBITDA (FY21E) to JLR. We retain our **HOLD** rating on the stock.

Key Financial Summary

Key Financials	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19P-21E)
Net Sales	269,692.5	294,619.2	301,938.4	311,146.7	333,815.0	5.1%
EBITDA	33,002.3	38,058.3	29,794.8	35,189.4	42,540.3	19.5%
EBITDA Margins (%)	12.2	12.9	9.9	11.3	12.7	
Net Profit	7,556.6	9,091.4	(28,724.2)	3,159.0	7,257.8	NM
EPS (₹)	22.3	26.8	(84.6)	9.3	21.4	
P/E	6.7	5.6	(1.8)	16.1	7.0	
RoNW (%)	15.3	10.3	7.1	9.8	15.4	
RoCE (%)	11.5	9.1	5.4	9.1	11.3	

Source: ICICI Direct Research, Company

TATA MOTORS
Connecting Aspirations

Particulars

Particular	Amount
Market Capitalization	₹ 50934 Crore
Total Debt (FY19)	106,175.4
Cash and Investments (FY19)	42,178.6
EV (FY19P)	114,930.8
52 week H/L (₹)	382 / 142
Equity capital (₹ crore)	₹ 679.2 Crore
Face value (₹)	₹ 2

Key Highlights

- Consolidated sales down 8.4% YoY (9.9% JLR volume dip, 22.7% standalone volume drop) in Q1FY20
- A 6.2% consolidated margins are a multi-year low (JLR 4.2%, Standalone 6.4%), hurt by negative operating leverage and marketing and warranty costs at JLR
- Management maintains EBIT margin guidance & remains positive on China volumes trajectory
- Volume revival and sustained cost controls hold key to margins
- Maintain HOLD with revised target price of ₹ 160

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Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Total Operating Income	61,467	58,526	67,081	-8.4	86,422	-28.9	Topline came in ahead of our estimates primarily tracking better-than-expected sales volume at JLR in June 2019
Raw Material Expenses	39,775	38,171	43,027	-7.6	57,146	-30.4	RM costs came in lower at 67.4% of sales, down 140 bps QoQ; driven by softer commodity prices
Employee Expenses	7,720	7,384	8,523	-9.4	7,999	-3.5	
Other expenses	14289	11238	14263	0.2	16628	-14.1	Other expenses came in substantially higher on account of increased marketing spends as well as warranty costs at JLR and negative operating leverage due to decline in volumes
Operating Profit (EBITDA)	3,789.5	5,535.2	6,381.2	-40.6	9,092.2	-58.3	
EBITDA Margin (%)	6.2	9.5	9.5	-335 bps	10.5	-436 bps	EBITDA margins for the quarter came in at multiyear lows of 6.2%, down 440 bps QoQ
Depreciation	5111.7	5367.3	5857.1	-12.7	5353.1	-4.5	
Interest	1712	1539	1375	24.5	1588	7.8	Interest expense came in higher due to reclassification of long term operating lease as B/S item (AS-116)
Product Development expenditure	794.0	829.0	950.5	-16.5	1072.9	-26.0	
Tax	196	-550	-416	-147.2	111	75.9	
PAT	-3679.7	-1420.2	-1862.6	97.6	1108.7	-431.9	The company reported loss at the PAT level amounting to ~₹ 3700 crore, which was more driven by operationally muted performance vs. one-offs in previous quarters
EPS	-10.8	-4.2	-5.5	97.6	3.3	-431.9	
Key Metrics							
JLR sales (mn GBP)	5074	4802	5222	-2.8	7134	-26.8	Sales in JLR came in higher with total Q1FY20 sales volume at 1.2 lakh units vs. our expectation of 1.1 lakh units
JLR margins (%)	4.2	8.5	6.2	-203 bps	9.8	-556 bps	
JLR PAT (mn GBP)	-402	-40.6	-210	91.4	119	-276.5	JLR reported loss at the PAT level primarily driven by muted EBITDA margins
Domestic revenues (₹ crore)	13351.9	13029.4	16803.1	-20.5	18561.4	-28.1	
Domestic margins (%)	6.4	6.0	9.3	-291 bps	7.3	-87 bps	Domestic performance was broadly in line with our estimates with volume decline of 22% and negative operating leverage
Domestic PAT (₹ crore)	-97.1	-39.0	1187.7	108.2	106.3	-191.4	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY20E			FY21E			Comments
	(₹ Crore)	Old	New % Change	Old	New % Change		
Revenue	319,797	311,147	-2.7	344,163	333,815	-3.0	Lower our sales estimates for FY20E, FY21E primarily on account of muted demand prospects domestically and globally
EBITDA	37,483	35,189	-6.1	43,911	42,540	-3.1	
EBITDA Margin (%)	11.7	11.3	-41 bps	12.8	12.7	-2 bps	Lower margin estimates for FY20E tracking muted performance in Q1FY20. Largely maintain margin estimates for FY21E
PAT	4,911	3,159	-35.7	8,018	7,258	-9.5	
EPS (₹)	14.5	9.3	-35.7	23.6	21.4	-9.5	Decline in sales estimates coupled with decline in margin estimates leads to decline in PAT estimates for FY20E & FY21E

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Units	FY18	FY19	FY20E	FY21E	Comments
JLR					
Jaguar Sales Volume	176,246	177,450	185,403	194,673	
Land Rover Sales Volume	457,264	387,856	396,658	416,490	
Total JLR Sales Volume	633510	565306	582060	611163	We marginally upgrade our volumes estimates at JLR tracking positive management commentary on JLR prospects in Chinese market. We now build in volume CAGR of 4.0% in FY19-21E vs. 3.6% volume CAGR earlier
Avg ASP/vehicle (£)	40,676	42,737	43,315	43,522	
RM/Unit (GBP)	25,774	27,720	28,170	28,139	
Capitalised expenses (mn £)	1,610	1,576	1,691	1,785	
India					
M&HCV	190,367	228,116	220,139	229,830	
LCV	259,072	288,128	287,884	299,777	
PV	189,619	215,697	211,113	220,284	
Total India Sales Volume	639058	731941	719136	749892	Tracking muted demand prospects domestically and impending transition to BS-VI from FY21E onwards, we lower our volume estimates on standalone business. We expect volumes CAGR of 1.2% over FY19-21E

Source: Company, ICICI Direct Research

Conference call highlights

Management guidance/outlook and demand

- The company expects tough business climate to persist, going forward. In China, JLR is expected to benefit from some stabilisation in volumes and the launch of the Range Rover Evoque in August. Standalone CV business continues to grapple with revised axle load norms and tight liquidity. PV business, however, is seen faring better
- Brexit related uncertainty continues to impact. However, the company expects more clarity to emerge by October. The UK Pound Sterling is expected to weaken and offset higher tariff costs in first year after Brexit
- Competitive intensity remains high amid low demand and higher discounting
- Focus in JLR and in India remains on retail sales to control inventory
- The severity of India CV slowdown took the company by surprise

Sales, costs and margins

- EBIT margin guidance outlined earlier (3-4% in JLR and standalone for FY20-21) and FCF guidance for JLR is maintained. However, for FY20E, margin performance would be towards the lower end of the range
- Poor margin performance in Q1FY20 was largely on account of negative operating leverage given the volume impact in China and India, and spike in JLR variable marketing costs and warranty costs

Others

- Project charge progress remains on track. The company could over deliver on its commitment by the end of FY20E
- FCF at - £ 719 million was lower than last year by £954 million
- Working capital in India business came off sharply (up ~₹ 5,000 crore) due to collapse in volumes
- Ind-As-116 impacted consolidated and standalone EBITDA by 35 bps

Annual Report FY19 – Key takeaways

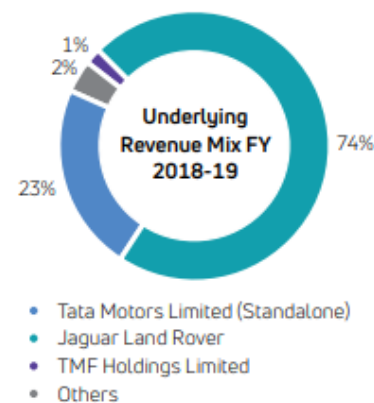
FY19 revenue mix was as follows - 74% JLR, 23% TML standalone, 1% TMF Holdings and 2% others

Key JVs/Collaborations

1. 51:49 JV with **Marcopolo (Brazil)** to manufacture buses in India
2. **Industrial JV with Fiat group** to manufacture PV, engines and transmissions for India and abroad
3. 50:50 JV with **Cummins US** for design and manufacture of diesel engines
4. 50:50 JV between **JLR and Chery** to manufacture some JLR models including powertrains
5. Collaboration of JLR with BMW to build electric drive units (EDUs)
6. The company also has a strategic partnership to build world's first premium self-driving vehicle for Waymo

Selected important developments during the year

1. JLR started developing all-terrain autonomous vehicles in Q1FY19
2. Sanand facility (Gujarat) reached 100% capacity utilisation in Q2FY19 due to strong Tiago & Tigor demand
3. Nexon became only Indian car to achieve 5 star adult safety rating in Q3FY19
4. Range Rover Evoque launched in Q3FY19, having entailed investment of £ 1 billion
5. TML supplied electric buses in several states and cities in Q4FY19
6. In Q4FY19, JLR developed new six cylinder petrol engine, manufactured in Wolverhampton UK



Revenue	FY 2018-19	
	(₹ in crores)	%
India	68,087.44	22.6%
China	30,414.75	10.1%
UK	49,113.81	16.3%
United States	52,472.91	17.4%
Rest of Europe*	49,814.17	16.4%
Rest of World*	52,035.32	17.2%
Total	3,01,938.40	

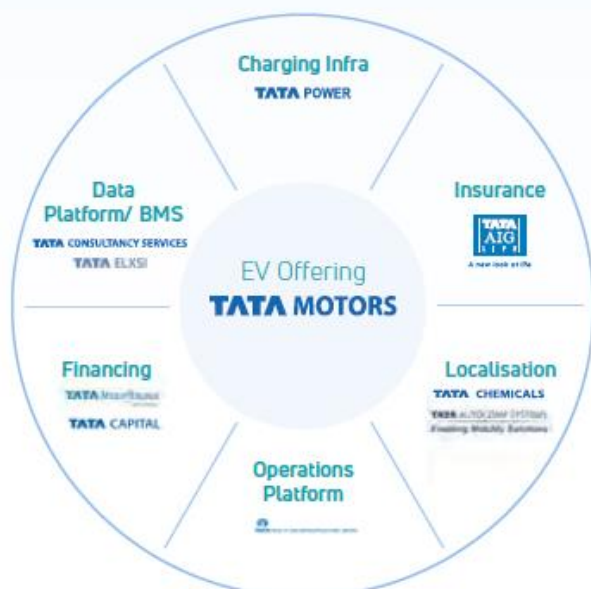
Source: Company Annual Report

In Q2FY19, Range Rover Sport completed first ever self-driving lap of one of UK's most challenging road layouts.

Exhibit 4: Using 'One Tata' ecosystem to drive electrification; harnessing partnerships to work on ACES*

Pioneering electrification

Group companies providing one Tata ecosystem



Working together to bring ACES to life



Source: Company; ACES* = Automated, Connected, Electric and Shared

Overview of JLR business

- Slow economic growth, weak consumer demand and US trade tensions hurt China's automotive industry. JLR was impacted by high inventory, poor dealer profitability and higher competition. The company's local turnaround programme was launched in 2018 and focuses on a 'pull' based model to reduce discounting and aid dealers while protecting premium placement. JLR is working on reducing inventories & increasing localization. Long term outlook for the geography remains positive
- End of uncertainty around Brexit is vital. JLR undertook factory downtime, higher buffer stocks to mitigate no-deal Brexit outcome. US proposal to impose 25% tariff on imported vehicles would seriously hurt the company and it is closely watching developments
- JLR achieved WLTP compliance with new models like Range Rover Evoque, LR Discovery Sport and Jaguar XE ahead of schedule
- New diesel cars have similar NOx emissions to petrol with 20% better fuel economy & 15% lower CO2 emissions. Diesel popularity impacted by emissions debate, stricter regulation, higher taxation and customer confusion. JLR remains on track to deliver 45% reduction in tailpipe emissions for Europe by 2020
- Connected mobility and EV is the future. EV penetration depends on customer demand (driven by subsidies and cost effectiveness) and charging infra availability
- From 2020 JLR will begin manufacture of next gen EDU in Wolverhampton UK, powered by batteries assembled at Birmingham, UK. Together to power JLR's future battery electric and plug in hybrid vehicles
- JLR continues to introduce driver assistance technology while also developing more advanced self-driving technology
- **FY20 priorities** - Defender launch, implementing modular architecture, China turnaround, sustaining Project Charge and Project Accelerate. Further focus on rationalizing non-core product spend, reducing powertrain complexity & innovative collaboration

JLR has two major design and engineering sites, three vehicle manufacturing facilities, and an engine manufacturing centre in the UK. It also has plants in China, Slovakia, Austria, Brazil and India.

I-PACE won the World Car, World Car Design and World Green Car, and European Car of the Year

JLR opened its state-of-the-art €1.4bn manufacturing facility in Nitra, Slovakia, marking the first time a UK automotive company has opened plant in this country.

From 2020, JLR will offer an electrified option on each of its models

Exhibit 5: JLR margin guidance going forward

		
FY 2020-21	FY 2022-23	BEYOND
3-4%	4-6%	7-9%
EBIT	EBIT	EBIT
> PREMIUM SEGMENT VOLUME GROWTH	> PREMIUM SEGMENT VOLUME GROWTH	> PREMIUM SEGMENT VOLUME GROWTH
NEGATIVE, IMPROVING FCF	POSITIVE FCF	POSITIVE FCF
UP-TO GBP 4 BN INVESTMENT SPENDING	UP-TO GBP 4 BN INVESTMENT SPENDING	11-13% OF REVENUE INVESTMENT SPENDING

Source: Company

- The revised axle load norms increased 20-25% capacity on >16T trucks, impacting 92% of the industry. TML hopes to combat this via re-engineering and reconfiguring existing prototypes and launching newly designed products
- The company is ready with BS-VI compliant engines across the board; deployment & validation will progress on schedule
- TML passed on production cost savings under GST to customers
- TML to leverage existing EV ready architecture and use 'One Tata' ecosystem to take a leadership role in India's electrification drive. It aims to provide full EV ecosystem solutions and for its comprehensive EV range to provide an attractive value proposition
- India is seen leading the world in shared mobility by 2030, with proportion of shared miles in total miles expanding from current 10% to 35%. TML has created a separate Mobility Innovations Hub division to explore solutions in this regard
- Connected mobility and telematics represent a big opportunity. The company has already installed 1 lakh telematics systems on its CVs and completed connected technology trials on Hexa
- **Focus areas domestically** - industry beating volume growth, pricing ahead of net inflation, savings led breakeven reduction, greater efficiencies for best conversion cycles, prudent and proactive capex, stress test plan to deliver growth even in downturns

TML is the first OEM in India to achieve BS VI certification for a naturally aspirated CNG engine for commercial vehicles

Exhibit 6: TML standalone margin guidance, going forward

TATA MOTORS		
FY 2020-22	BEYOND	
4-6%	5-7%	COMMITTED TO COMPETITIVE, CONSISTENT AND CASH-ACCRETIVE GROWTH OVER THE MEDIUM TO LONG TERM
EBIT	EBIT	
> MARKET VOLUME GROWTH	> MARKET VOLUME GROWTH	
POSITIVE FCF	POSITIVE FCF	

Source: Company

Project Charge update

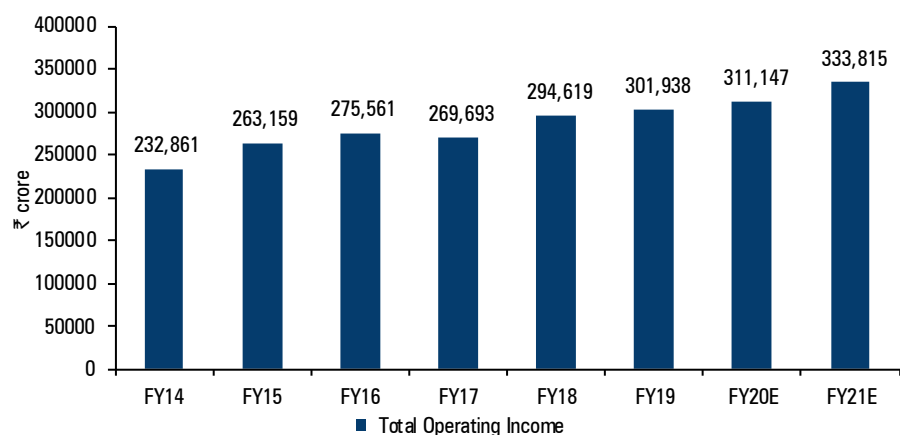
- Total £1.25 billion of £2.5 billion worth of cost and profit improvements envisaged under Project Charge achieved in FY19. Of this, £700 million was via cut in investments, £400 million represented working capital improvement & £150 million was saved through workforce reduction. From FY20, reducing 6,000 headcount will yield further £400 million cost savings

TMFL

- AUM rose 37% YoY to ₹ 38,000 crore and GNPA ratio reduced to 2.6% from 4% in FY18. It had 26% share in TML volumes.
- FY24 target - ₹ 75,000 crore AUM, 2.5% GNPA ratio & 20% RoE

Financial story in charts

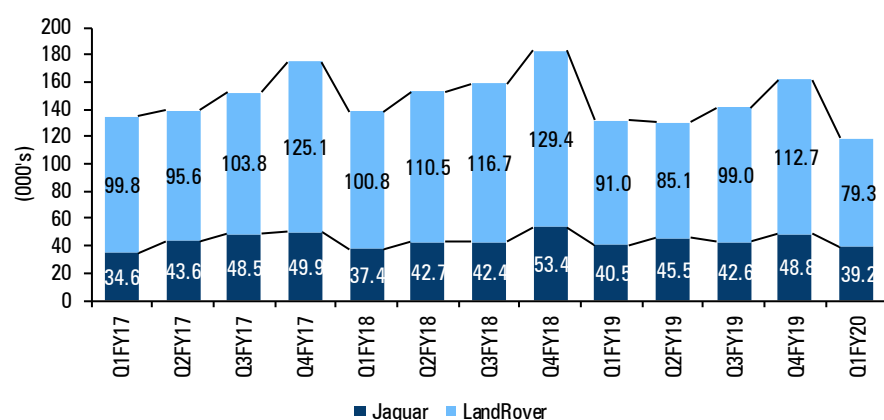
Exhibit 7: Topline trend



Source: Company, ICICI Direct Research

We expect sales to grow at a CAGR of 5.1% over FY19-21E led by 1.2% volume CAGR in India and 4.0% volume CAGR at JLR

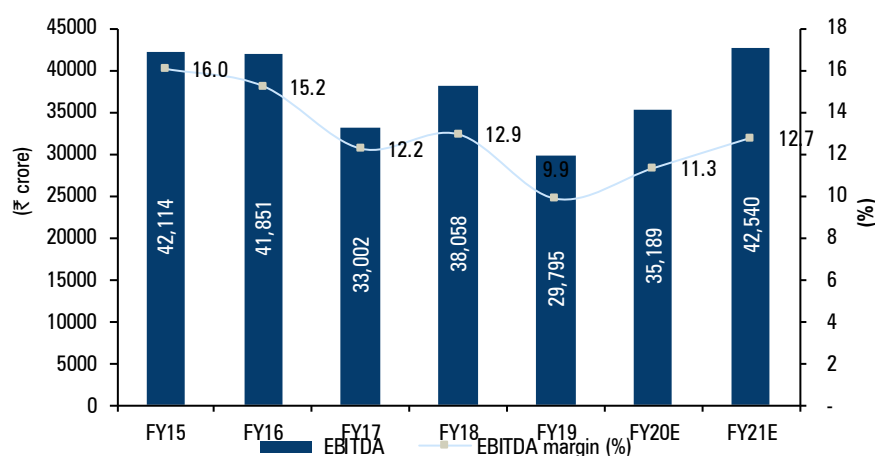
Exhibit 8: JLR volumes trend



Source: Company, ICICI Direct Research

Total JLR volumes for Q2FY19 were down 10.0% YoY to 1.18 lakh units

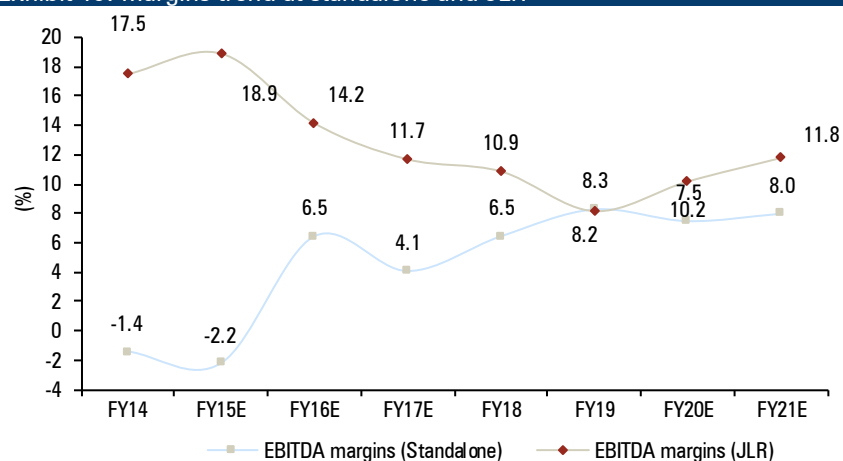
Exhibit 9: Consolidated EBITDA margin profile



Source: Company, ICICI Direct Research

EBITDA margins are expected to steadily improve from 9.9% in FY19 to 11.3% in FY20E, up 280 bps over FY19-21E

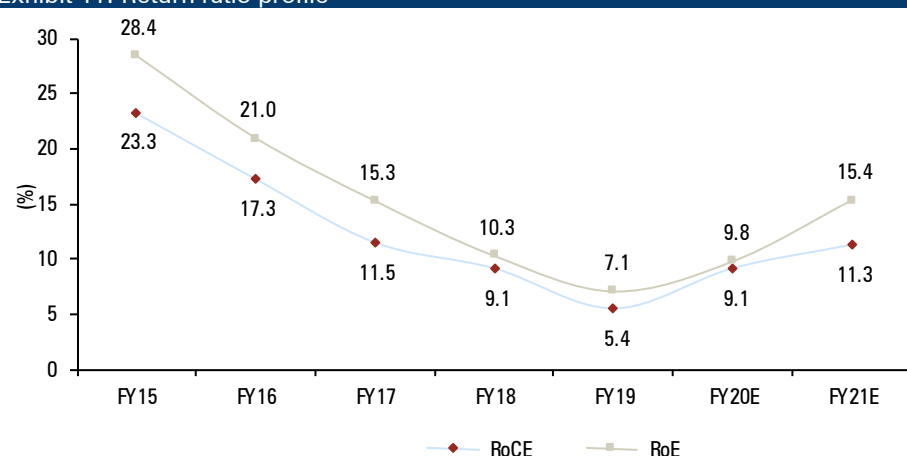
Exhibit 10: Margins trend at standalone and JLR



Source: Company, ICICI Direct Research

At JLR, we expect EBITDA margins to improve to 11.8% in FY21E vs. 8.2% in FY19

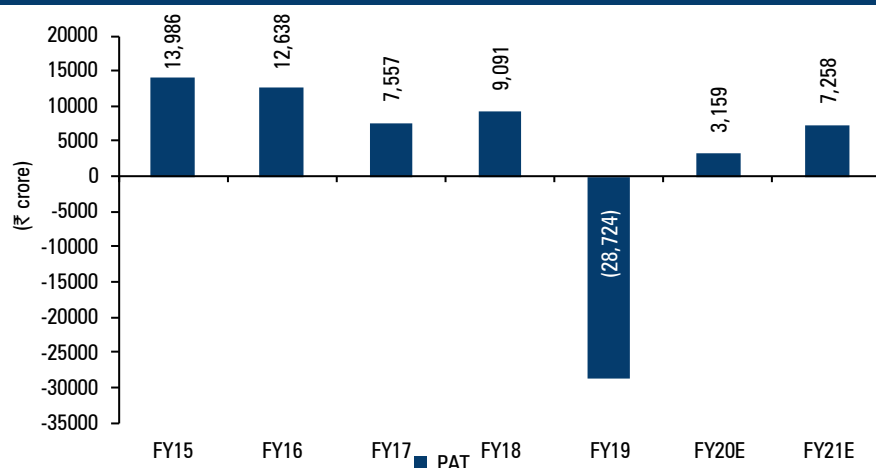
Exhibit 11: Return ratio profile



Source: Company, ICICI Direct Research

RoCE expected to improve to ~11% by FY21E

Exhibit 12: PAT trend



Source: Company, ICICI Direct Research

PAT is expected to be volatile given the nature of TML earnings, which include a high degree of one-offs. We expect TML to report PAT of ₹ 7,258 crore in FY21E

Exhibit 13: Valuation as per SOTP method

	Parameters	Basis	Multiple	Per Share
Tata Motors Core business	FY21E EBITDA	6,234	8.0	93
JLR	FY21E Adj EV/EBITDA	24,995	3.0	39
Other Subsidiaries + Investments				28
Total value per share				160
TML DVR inferred target value @ 35% discount				104

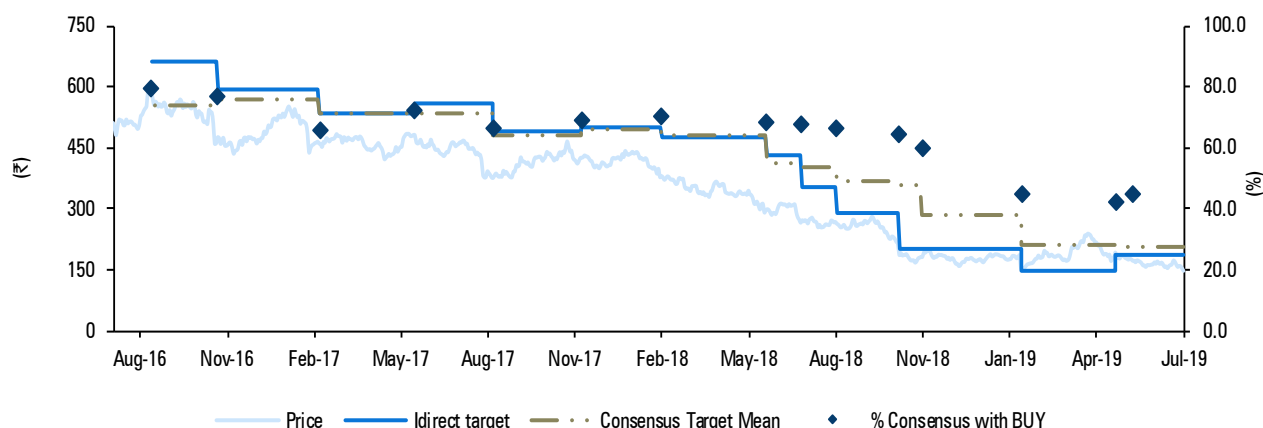
Source: Reuters, ICICI Direct Research

Exhibit 14: Valuation Summary

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY17	269,693	-2.1	22.3	-40.2	6.7	2.4	15.3	11.5
FY18	294,619	9.2	26.8	20.3	5.6	2.4	10.3	9.1
FY19	301,938	2.5	-84.6	NA	NA	3.9	7.1	5.4
FY20E	311,147	3.0	9.3	NA	16.1	3.6	9.8	9.1
FY21E	333,815	7.3	21.4	129.8	7.0	3.1	15.4	11.3

Source: Bloomberg, ICICI Direct Research

Exhibit 15: Recommendation history vs. consensus



Source: Reuters, ICICI Direct Research

Exhibit 16: Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Tata Group of Companies	31-Mar-19	38.3	1,104.4	31.67
2	Life Insurance Corporation of India	31-Mar-19	5.1	147.4	-1.92
3	Reliance Nippon Life Asset Management Limited	30-Jun-19	3.4	99.1	1.05
4	GIC Private Limited	31-Mar-19	2.6	75.0	2.06
5	BlackRock Institutional Trust Company, N.A.	30-Jun-19	1.6	45.7	-1.08
6	SBI Funds Management Pvt. Ltd.	30-Jun-19	1.3	37.1	0.85
7	The Vanguard Group, Inc.	30-Jun-19	1.3	37.0	0.00
8	Dimensional Fund Advisors, L.P.	31-May-19	1.2	35.3	0.14
9	Norges Bank Investment Management (NBIM)	31-Dec-18	1.1	32.0	6.73
10	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Jun-19	0.9	27.2	0.00

Source: Reuters, ICICI Direct Research

Exhibit 17: Recent activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Tata Group of Companies	+79.8M	+31.7M	Fidelity International	-28.9M	-11.7M
Norges Bank Investment Management (NBIM)	+16.7M	+6.7M	APG Asset Management N.V.	-26.8M	-10.7M
Caisse de Depot et Placement du Quebec	+11.8M	+4.8M	FIL Investment Management (Singapore) Ltd.	-10.9M	-4.4M
Kotak Mahindra Asset Management Company Ltd.	+6.6M	+2.8M	ICICI Prudential Asset Management Co. Ltd.	-6.5M	-2.7M
GIC Private Limited	+5.2M	+2.1M	HSBC Global Asset Management (Hong Kong) Limited	-6.4M	-2.5M

Source: Reuters, ICICI Direct Research

Exhibit 18: Shareholding pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	36.4	37.3	37.3	38.4	38.4
FII	18.3	18.8	19.0	19.1	23.1
DII	18.5	17.3	17.3	16.1	12.3
Others	26.8	26.7	26.4	26.4	26.3

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 19: Profit and loss statement ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	294,619	301,938	311,147	333,815
Growth (%)	9.2	2.5	3.0	7.3
Raw Material Expenses	185,850	196,321	202,182	216,228
Employee Expenses	30,300	33,244	32,175	33,934
Marketing Expenses	58,999	62,238	62,390	63,417
Capitalised Expenses	-18,588	-19,660	-20,789	-22,304
Total Operating Expenditure	256,561	272,144	275,957	291,275
EBITDA	38,058	29,795	35,189	42,540
Growth (%)	15.3	-21.7	18.1	20.9
Product development Expenses	3532	4225	4049	4375
Depreciation	21554	23591	20847	22366
Interest	4682	5759	6731	7211
Other Income	889	2965	2383	1787
PBT	12,712	2,505	9,316	14,242
Minority Interest	0	0	0	0
Total Tax	4342	-2437	1875	2467
Reported PAT	9,091	(28,724)	3,159	7,258
Growth (%)	20.3	-416.0	-111.0	129.8
Adjusted PAT	8,944	9,912	4,320	6,274
Growth (%)	-48.4	10.8	-56.4	45.2
EPS (₹)	26.8	(84.6)	9.3	21.4

Source: Company, ICICI Direct Research

Exhibit 20: Cash flow statement ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	9,911.8	(28,724.2)	3,159.0	7,257.8
Add: Depreciation	21,554	23,591	20,847	22,366
(Inc)/dec in Current Assets	-21,197	4,945	552	-4,182
Inc/(dec) in CL and Provisions	17,814	-5,213	3,697	6,246
Others	0	27,838	0	0
CF from operating activities	28,082	22,437	28,255	31,687
(Inc)/dec in Investments	0	0	0	0
(Inc)/dec in Fixed Assets	-53,915	-32,468	-40,000	-35,000
Others	-13,504	-2,633	-709	81
CF from investing activities	(67,419)	(35,101)	(40,709)	(34,919)
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	10,346	17,225	12,000	4,000
Dividend paid & dividend tax	0	0	0	0
Inc/(dec) in Sec. premium	0	0	0	0
Others	27,526	-6,526	0	0
CF from financing activities	37,872	10,699	12,000	4,000
Net Cash flow	-1,464	-1,965	-454	768
Opening Cash	36,078	34,614	32,649	32,195
Closing Cash	34,614	32,649	32,195	32,963

Source: Company, ICICI Direct Research

Exhibit 21: Balance Sheet ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	679	679	679	679
Reserve and Surplus	94,749	59,500	62,659	69,917
Total Shareholders funds	95,428	60,180	63,339	70,596
Total Debt	88,950	106,175	118,175	122,175
Deferred Tax Liability	6,126	1,491	1,537	1,648
Long term provisions	10948	11855	12216	13106
Minority Interest / Others	14,429	17,238	17,748	19,003
Total Liabilities	215,882	196,939	213,015	226,529
Assets				
Gross Block	261,534	274,314	316,814	354,314
Less: Acc Depreciation	140,236	163,827	184,674	207,040
Net Block	121,297	110,487	132,140	147,274
Capital WIP	40,034	31,884	29,384	26,884
Total Fixed Assets	161,331	142,370	161,524	174,158
Investments	20,813	15,771	16,021	16,271
Inventory	42,138	39,014	39,213	42,070
Debtors	19,893	18,996	18,754	20,120
Loans and Advances	710	2,280	1,269	1,307
Other Current Assets	120,812	113,901	112,895	117,845
Cash	34,614	32,649	32,195	32,963
Total Current Assets	120,812	113,901	112,895	117,845
Creditors	72,038	68,514	72,459	77,738
Provisions	7,954	10,197	10,639	11,259
Total Current Liabilities	115,469	110,256	113,953	120,199
Net Current Assets	5,343	3,645	(1,058)	(2,353)
Deferred Tax Asset	4,159	5,151	5,308	5,695
Application of Funds	215,882	196,939	213,015	226,529

Source: Company, ICICI Direct Research

Exhibit 22: Key ratios

(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
EPS	26.8	-84.6	9.3	21.4
Cash EPS	90.2	-15.1	70.7	87.2
BV	282.6	178.8	188.1	209.4
DPS	0.0	0.0	0.0	0.0
Cash Per Share	101.9	96.2	94.8	97.1
Operating Ratios				
EBITDA Margin (%)	12.9	9.9	11.3	12.7
PBT / Net sales (%)	5.6	2.1	4.6	6.0
PAT Margin (%)	3.1	2.2	1.0	2.2
Inventory days	52.2	47.2	46.0	46.0
Debtor days	24.6	23.0	22.0	22.0
Creditor days	89.2	82.8	85.0	85.0
Return Ratios (%)				
RoE	10.3	7.1	9.8	15.4
RoCE	9.1	5.4	9.1	11.3
RoIC	19.2	8.5	15.8	19.3
Valuation Ratios (x)				
P/E (adjusted)	5.1	11.8	8.1	4.7
EV / EBITDA	2.4	3.9	3.6	3.1
EV / Net Sales	0.3	0.4	0.4	0.4
Market Cap / Sales	0.2	0.2	0.2	0.2
Price to Book Value	0.5	0.8	0.8	0.7
Solvency Ratios				
Debt/EBITDA	2.3	3.6	3.4	2.9
Debt / Equity	0.9	1.7	1.9	1.7
Current Ratio	0.7	0.6	0.6	0.6
Quick Ratio	0.3	0.3	0.3	0.3

Source: Company, ICICI Direct Research

Exhibit 23: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Amara Raja (AMARAJ)	621	590	Reduce	10601	28.3	31.1	33.8	22.3	20.3	18.6	11.0	9.7	8.7	21.2	21.0	20.5	14.5	14.3	14.0
Apollo Tyre (APOTYR)	175	180	Hold	10017	11.9	16.8	21.5	15.8	11.2	8.7	6.8	6.8	5.6	8.2	8.6	10.2	8.3	9.0	10.5
Ashok Leyland (ASHLEY)	79	100	Hold	23264	6.8	5.9	5.3	11.7	13.5	15.0	8.1	8.6	9.0	27.5	24.1	20.9	24.4	19.3	16.5
Bajaj Auto (BAAUTO)	2570	2800	Reduce	74364	161.6	173.0	190.8	18.9	17.6	16.0	14.3	12.3	10.7	21.0	21.0	28.0	19.9	20.4	20.0
Balkrishna Ind. (BALIND)	733	740	Hold	14170	40.5	40.9	45.3	19.2	19.0	17.2	11.8	10.6	9.1	20.4	19.0	19.3	16.7	19.0	19.3
Bharat Forge (BHAFOR)	437	535	Buy	32590	22.2	23.8	25.4	21.0	19.5	18.3	11.9	11.0	10.3	18.4	18.5	19.1	19.1	17.9	17.5
Bosch (MICO)	15151	15550	Reduce	46240	523.6	538.6	573.1	32.5	31.6	29.7	23.3	22.0	20.5	17.5	15.9	15.0	25.8	23.5	22.3
Eicher Motors (EICMOT)	17077	19000	Hold	46553	808.1	902.5	1032.7	23.2	20.8	18.2	16.6	14.5	12.0	32.5	29.5	28.5	24.8	22.6	21.4
Escorts (ESCORT)	495	600	Hold	6070	39.6	42.0	48.1	16.7	15.7	13.7	10.6	9.1	7.8	21.0	21.7	21.6	15.6	14.7	14.6
Exide Industries (EXIIND)	192	200	Reduce	16320	9.1	9.5	10.4	21.7	22.5	20.8	12.7	11.8	10.7	18.4	17.8	17.5	12.9	12.3	12.1
Hero Moto (HERHON)	2406	2700	Hold	48052	169.5	173.0	192.1	14.8	14.5	13.1	9.2	8.8	7.5	37.1	34.4	34.9	26.3	24.3	24.5
JK Tyre & Ind (JKIND)	75	100	Buy	1706	7.8	4.6	7.9	10.3	17.4	10.1	6.3	7.2	6.2	10.9	9.1	10.5	10.3	6.5	9.5
Mahindra CIE (MAHAUT)	195	230	Buy	7382	13.2	14.1	17.1	14.8	13.8	11.4	7.8	7.8	6.4	12.4	11.1	11.9	13.2	12.6	14.2
Maruti Suzuki (MARUTI)	5919	5815	Sell	178798	248.3	239.1	287.5	27.8	28.9	24.0	15.8	16.1	12.6	16.3	14.5	16.6	16.3	14.4	15.6
Motherson (MOTSUM)	111	125	Hold	35132	5.1	5.0	6.5	23.5	23.9	18.4	8.5	8.5	6.6	13.5	12.3	16.0	14.7	13.2	15.5
Tata Motors (TELCO)	150	160	Hold	50934	-84.6	9.3	21.4	-1.8	16.1	7.0	3.9	3.6	3.1	5.4	9.1	11.3	7.1	9.8	15.4
Wabco India (WABTVS)	6199	6510	Hold	11759	148.8	157.7	178.3	41.7	39.3	34.8	26.6	24.5	21.5	15.9	14.5	14.3	23.0	21.4	21.0

Source: Reuters, ICICI Direct Research

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