

Tata Motors

Refer to important disclosures at the end of this report

Weak operational performance;
Retain Hold

CMP: Rs 101

as of (June 16, 2020)

TP: Rs 92 (▲)

12 months

Rating: HOLD (■)

Upside: (8.8) %

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- EBITDA margin was below estimates in JLR, with a contraction of 300bps yoy to 6.2% (est.: 7.7%), due to lower realizations and adverse forex. Standalone margin also came in below estimates, with a contraction of 1,340bps to -7.4% (est.: -4%), due to lower gross margins.
- Near-term volumes are likely to be under pressure in JLR/standalone divisions, and a gradual recovery is expected in H2FY21 due to a low base, stimulus measures by governments to aid economic activity and new products. Management's efforts continue on reducing operating costs and capex.
- We reduce consolidated EBITDA estimates for FY21E by 33% to Rs171bn, led by lower volume and margin assumptions, but retain FY22E EBITDA forecast at Rs379bn. Our FY22 earnings estimate increases by 8% to Rs52bn, owing to lower depreciation and reduction in China JV losses.
- TTMT is relatively more vulnerable than other OEMs, owing to high fixed costs and weak Net Debt/EBITDA situation (3.6x as of Mar'20). Retain Hold with a TP of Rs92 (Rs78 earlier), based on EV/EBITDA of 2x/8x on FY22 estimates for JLR/standalone divisions.

Volume recovery to be gradual in JLR and standalone divisions: JLR's volume performance is likely to be subdued in the near term and we expect a gradual recovery in H2FY21, led by low base, stimulus measures by governments to aid economic activity and new products. We expect volume growth of 5% CAGR over FY20-22E. Similarly, India volume performance for PVs and CVs is expected to witness a gradual revival by H2FY21, led by a low base and pick-up in economic activity. We expect standalone volume growth at 5% CAGR over FY20-22E.

Management's efforts continue on cost-reduction initiatives: In JLR, the cost-reduction target stands at GBP1.5bn for FY21, to be achieved through: 1) reduction of non-recurring items such as capex, inventory reduction and other savings (government grants), and 2) sustained improvements such as better sales mix as well as reduction in VME, material costs, warranty costs and overheads. In the standalone division, FY21 cost-reduction target stands at Rs15bn, and working capital reduction target at Rs15bn. Improvement in volumes as well as reduction in operating costs and capex should support debt reduction over FY22-23E.

Maintain Hold: Our consolidated EBITDA estimates for FY21 has been reduced by 33% to Rs171bn, led by lower volume and margin assumptions, but FY22E EBITDA remains unchanged at Rs379bn. We are introducing FY23E EBITDA at Rs436bn, factoring in revenue growth of 11%. TTMT is relatively more vulnerable than other OEMs, owing to high fixed cost, weak Net Debt/EBITDA situation (3.6x as of Mar'20). We retain Hold rating on the stock with a TP of Rs92 (Rs78 earlier) based on EV/EBITDA of 2x/8x on FY22 estimates for JLR/standalone divisions and value of other businesses/investments at Rs42/share. Increase in TP has been supported by reduction in net debt position, and increase in value of investments. In sector EAP, we have an EW stance on the company. Key downside risks include lower-than-expected demand in key segments, failure of new launches and adverse currency/commodity prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,019,384	2,610,680	2,423,655	3,197,150	3,547,290
EBITDA	255,702	197,258	171,187	379,133	435,530
EBITDA Margin (%)	8.5	7.6	7.1	11.9	12.3
APAT	17,312	(74,607)	(107,769)	52,096	88,261
EPS (Rs)	5.1	(20.7)	(28.1)	13.6	23.1
EPS (% chg)	(72.5)	NM	NM	NM	69.4
ROE (%)	2.2	(12.1)	(18.3)	9.1	13.7
P/E (x)	19.7	(4.8)	(3.6)	7.4	4.4
EV/EBITDA (x)	3.8	5.4	7.8	3.3	2.5
P/BV (x)	0.6	0.6	0.7	0.6	0.6

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	NM/8.4
Target Price change (%)	17.5
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	(28.1)	13.6
Consensus	(5.1)	13.2
Mean Consensus TP (12M)	Rs 104	

Stock Details

Bloomberg Code	TTMT IN
Face Value (Rs)	2
Shares outstanding (mn)	3,089
52 Week H/L	202 / 64
M Cap (Rs bn/USD bn)	332 / 4.36
Daily Avg Volume (nos.)	73,802,850
Daily Avg Turnover (US\$ mn)	83.2

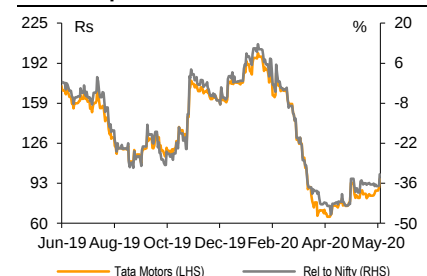
Shareholding Pattern Mar '20

Promoters	42.4%
FIIIs	16.8%
DIIIs	13.4%
Public and Others	27.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	19	12	(43)	(39)
Rel. to Nifty	11	14	(30)	(26)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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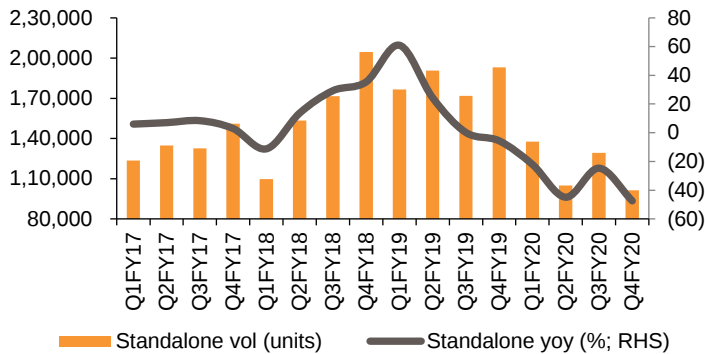
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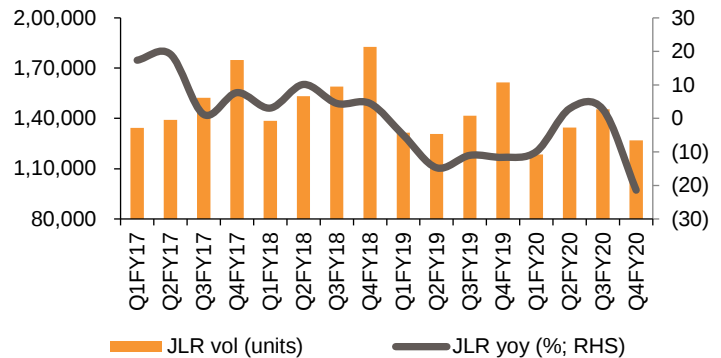
Story in charts

Exhibit 1: Standalone volumes declined 47% yoy to 101,420 units



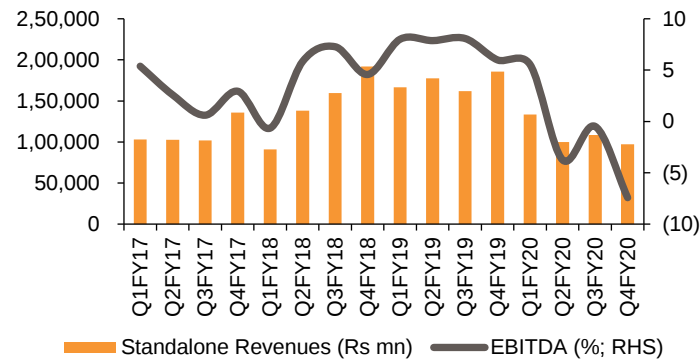
Source: Company, Emkay Research

Exhibit 2: JLR volumes fell 21% yoy to 126,979 units



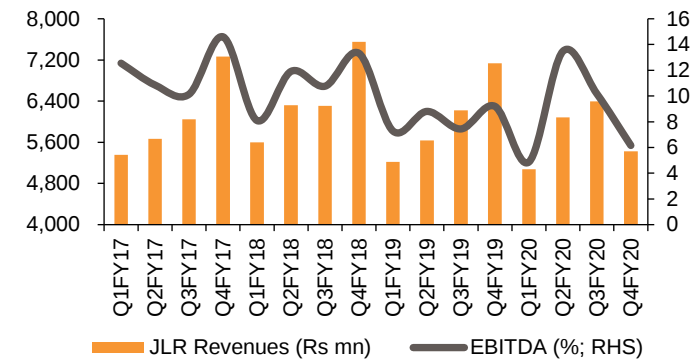
Source: Company, Emkay Research

Exhibit 3: Standalone EBITDA margin fell 1,340bps yoy to -7.4% due to lower scale, adverse mix and higher marketing expenses



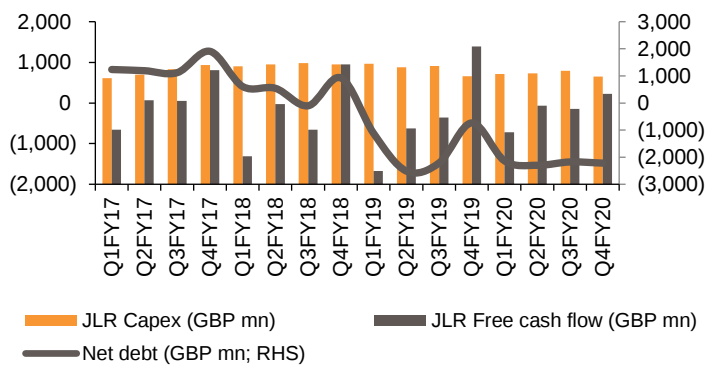
Source: Company, Emkay Research

Exhibit 4: JLR EBITDA margin fell 300bps yoy to 6.2% due to forex losses, lower scale and fall in realizations



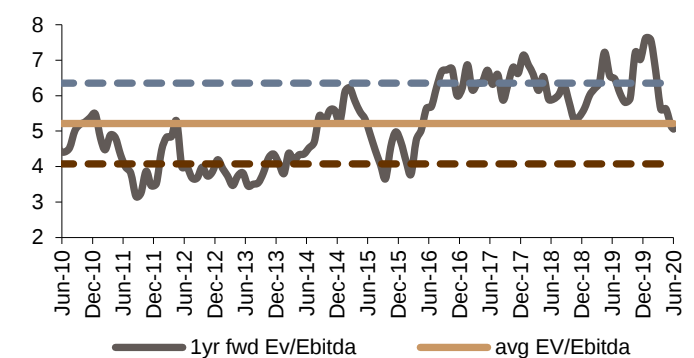
Source: Company, Emkay research

Exhibit 5: JLR: Q4 FCF was positive at GBP 225mn; Q1 FCF to be negative up to GBP 2bn



Source: Company, Emkay Research

Exhibit 6: Consolidated EV/EBITDA at historical averages



Source: Company, Emkay Research

Exhibit 7: JLR model-wise volume assumptions

Volumes	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Jaguar	169,284	150,484	153,755	125,820	112,484	142,709	146,413
XE	46,652	28,173	19,418	12,086	7,362	10,851	10,719
XF	25,557	19,773	14,522	6,911	5,998	8,266	8,236
New XJ	10,065	8,990	4,204	2,824	1,773	2,198	2,242
F Pace	76,147	69,544	50,885	45,943	45,835	56,986	59,085
XK	7	0	0	0	0	0	0
F- Type	10,856	9,228	7,701	6,346	5,296	6,568	6,830
E-Pace		14,776	42,539	36,928	31,036	38,861	39,562
I-Pace			14,486	14,782	15,183	18,979	19,738
Land Rover	365,462	394,814	354,137	350,132	321,503	386,634	397,389
Defender	446	45	5	121	17,000	22,100	24,310
Freelander	199	8	7	0	0	0	0
Discover Sport	85,993	74,513	58,364	52,889	40,149	50,631	51,610
Range Rover	68,163	54,910	57,052	50,965	42,725	49,134	50,117
Range Rover Evoque	85,580	77,520	57,706	83,198	84,650	105,809	108,869
Range Rover Sport	87,494	76,586	82,602	76,339	64,274	73,915	75,393
New Discovery	37,587	52,035	37,636	33,648	28,660	34,392	35,424
New Range Rover Velar		59,197	60,765	52,972	44,046	50,653	51,666
Total volumes (excl CJLR)	534,746	545,298	507,892	475,952	433,987	529,343	543,802
<i>Growth (%)</i>	<i>5.0</i>	<i>2.0</i>	<i>(6.9)</i>	<i>(6.3)</i>	<i>(8.8)</i>	<i>22</i>	<i>3</i>

Source: Company, Emkay Research

Exhibit 8: JLR region wise assumptions

JLR Region-wise sales	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
UK	115,342	114,074	118,750	110,067	93,048	122,397	124,845
North America	131,983	136,447	133,237	135,766	126,414	146,763	149,699
Europe	142,601	132,313	124,248	113,270	103,593	131,120	133,743
China	59,100	65,613	40,168	38,312	41,349	42,083	44,187
Other	85,720	96,851	91,489	78,537	69,583	86,979	91,328
Total excl China JV	534,746	545,298	507,892	475,952	433,987	529,343	543,802

Source: Company, Emkay Research

Exhibit 9: JLR forecasts

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Volume (excl CJLR)	534,746	545,298	507,892	475,952	433,987	529,343	543,802
<i>y-y growth (%)</i>	<i>5.0</i>	<i>2.0</i>	<i>(6.9)</i>	<i>(6.3)</i>	<i>(8.8)</i>	<i>22.0</i>	<i>2.7</i>
Realization/unit	45,515	47,288	47,675	48,291	48,803	49,184	51,201
<i>y-y growth (%)</i>	<i>4.0</i>	<i>3.9</i>	<i>0.8</i>	<i>1.3</i>	<i>1.1</i>	<i>0.8</i>	<i>4.1</i>
Revenue (GBP mn)	24,339	25,786	24,214	22,984	21,180	26,035	27,843
<i>y-y growth (%)</i>	<i>9.2</i>	<i>5.9</i>	<i>(6.1)</i>	<i>(5.1)</i>	<i>(7.8)</i>	<i>22.9</i>	<i>6.9</i>
Adj. EBITDA	2,893	2,910	2,000	2,052	1,810	2,940	3,202
EBITDA margin (% , RHS)	11.9	11.3	8.3	8.9	8.5	11.3	11.5
<i>Growth (%)</i>	<i>(11.0)</i>	<i>0.6</i>	<i>(31.3)</i>	<i>2.6</i>	<i>(11.8)</i>	<i>62.4</i>	<i>8.9</i>
Adj. PAT	1,023	635	71	(176)	(442)	337	392
<i>y-y growth (%)</i>	<i>(36.1)</i>	<i>(37.9)</i>	<i>(88.8)</i>	<i>(347.9)</i>	<i>151.4</i>	<i>(176.1)</i>	<i>16.5</i>

Source: Company, Emkay Research

Exhibit 10: Standalone volume assumptions

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
M&HCV	148,901	168,013	195,712	111,752	68,431	109,609	127,727
YoY %	(5.1)	12.8	16.5	(42.9)	(38.8)	60.2	16.5
LCV	156,719	208,443	251,611	192,062	109,034	167,001	195,899
YoY %	6.4	33.0	20.7	(23.7)	(43.2)	53.2	17.3
PV	172,504	210,200	231,512	138,238	140,211	219,512	242,393
YoY %	15.4	21.9	10.1	(40.3)	1.4	56.6	10.4
Exports	64,199	52,402	53,106	31,325	20,718	26,860	31,947
YoY %	10.6	(18.4)	1.3	(41.0)	(33.9)	29.6	18.9
Total	542,323	639,058	731,941	473,377	338,394	522,982	597,967
YoY %	6.0	17.8	14.5	(35.3)	(28.5)	54.5	14.3
Realizations (Rs/units)	817,158	905,967	945,469	927,974	921,205	1,053,304	1,106,862
YoY %	(2.4)	10.9	4.4	(1.9)	(0.7)	14.3	5.1
Revenue (Rs/mn)	443,163	578,965	692,028	439,282	311,730	550,859	661,866
YoY %	3.4	30.6	19.5	(36.5)	(29.0)	76.7	20.2

Source: Company, Emkay Research

Exhibit 11: Standalone forecasts

Key assumptions	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Volume (units)	542,323	639,058	731,941	473,377	338,394	522,982	597,967
y-y growth (%)	6.0	17.8	14.5	(35.3)	(28.5)	54.5	14.3
Realization/unit	817,158	905,967	945,469	927,974	921,205	1,053,304	1,106,862
y-y growth (%)	(2.4)	10.9	4.4	(1.9)	(0.7)	14.3	5.1
Revenue	443,163	578,965	692,028	439,282	311,730	550,859	661,866
y-y growth (%)	3.4	30.6	19.5	(36.5)	(29.0)	76.7	20.2
EBITDA	13,577	26,647	51,548	(4,122)	(8,712)	35,495	49,993
EBITDA margin (% , RHS)	3.1	4.6	7.4	(0.9)	(2.8)	6.4	7.6
Adj. PAT	(23,437)	2,230	24,389	(45,397)	(44,037)	(10,018)	13,292
y-y growth (%)	(642)	(110)	994	(286)	(3)	(77)	(233)

Source: Emkay Research, Company

Exhibit 12: Revision in estimates

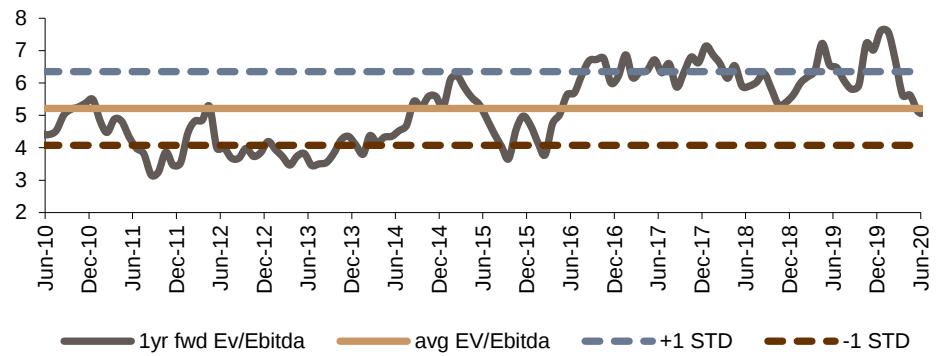
Consolidated	FY21				FY22				FY23E	
	Earlier	Revised	% chg	% YoY	Earlier	Revised	% chg	% YoY	Introducing	% YoY
JLR Volume (incl China JV)	496,493	488,150	(1.7)	(7.1)	571,471	588,922	3.1	20.6	606,360	3.0
Standalone Volume	438,069	338,394	(22.8)	(28.5)	511,085	522,982	2.3	54.5	597,967	14.3
Cons. Revenue	2,599,883	2,423,655	(6.8)	(7.2)	3,139,277	3,197,150	1.8	31.9	3,547,290	11.0
Cons. EBITDA	254,692	171,187	(32.8)	(13.2)	379,438	379,133	(0.1)	121.5	435,530	14.9
Cons. Margin (%)	9.8	7.1	(273) bps	(49) bps	12.1	11.9	(23) bps	480 bps	12.3	42 bps
Cons. PAT	(50,699)	(107,769)	NM	NM	48,059	52,096	8.4	(148.3)	88,261	69.4
Cons. EPS	(13.2)	(28.1)	NM	NM	12.6	13.6	8.4	(148.3)	23.1	69.4

Source: Company, Emkay Research

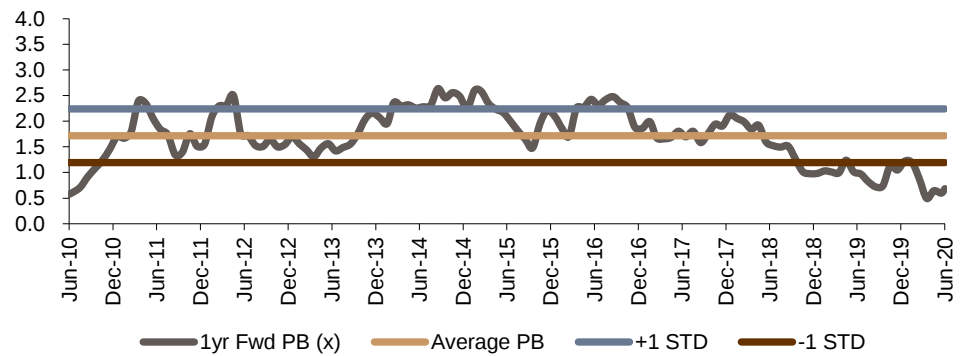
Exhibit 13: SOTP valuation

	Basis of valuation	Equity value (Rsmn)	Equity value (Rs/share)	Contribution to SOTP (%)
Standalone	EV/EBITDA 8x	60,430	16	17
JLR	EV/EBITDA 2x	130,648	34	37
Tata Sons	NAV 1x	121,479	32	35
Tata Motors Finance	P/B 2x FY19	22,679	6	6
Tata Technologies	P/E 10x FY19	15,585	4	4
Total		350,820	92	100

Source: Company, Emkay Research

Exhibit 14: 1-yr forward EV/EBITDA

Source: Company, Emkay Research

Exhibit 15: 1-yr forward P/B

Source: Company, Emkay Research

Earnings call highlights

Jaguar Land Rover

- Q4FY20 FCF was positive at GBP225mn, led by reduction in working capital, and FY20 FCF was negative at GBP0.7bn.
- Q1FY21 results expected to be weak due to impact of lockdowns. FCF to be negative at up to GBP2bn (In Apr-May'20, negative FCF stood at GBP1.5bn including adverse working capital of GBP1.2bn). The company is targeting positive FCFs over Q2-Q4FY21 and FY22.
- Update on sales and production ramp-up: 1) sales outlets are re-commencing and 89% are operational, 2) resumed production at the China plant, UK (Solihull/Halewood) vehicle plants, UK engine plant, Slovakia plant, and Austria contract assembly line, 3) volumes are recovering in China with sales of 6,828 units in Apr'20 (-3% yoy) and 8,068 units in May'20 (+4%), 4) quantum of volume decline in May'20 vs. Apr'20 has reduced in Europe, UK, North America and ROW regions, 5) new product Defender has received a good response with 22,000 bookings.
- JLR is receiving job retention scheme subsidies for furloughed employees at ~GBP50mn/month.
- FY20 capex stood at GBP3.3bn. FY21 capex reduced to GBP2.5bn. The company has deferred or cancelled low margin or non-critical investments.
- Project Charge has delivered savings of GBP3.5bn (GBP600mn in Q4) in past 18 months. Savings are expected in FY21 at GBP1.5bn, led by 1) GBP750mn due to non-recurring items such as capex, inventory reduction and other savings (government grants), and 2) GBP750mn due to sustained improvements such as better sales mix and reduction in VME, material costs, warranty costs and overheads.
- As of Mar'20, liquidity stood at GBP3.7bn of cash and GBP1.9bn of undrawn revolving credit facility. Gross debt stood at GBP5.9bn as of Mar'20, and additional debt of GBP630mn has been raised in Q1FY21.
- Forex hedges for next 4-5 years stands at USD3bn for RMB, USD8bn for GBP and USD6bn for EUR. For the next 1 year, hedge ratio is at 60-75%.

Standalone

- In FY20, retails were higher than wholesales by ~65,000 units, led by reduction in CV retails by ~49,000 units and PV retails by ~17,000 units.
- FY20 FCF was negative at Rs60bn. Q1FY21 results are expected to be weak due to the impact of lockdown. FCF should to be negative at ~Rs50bn. Targeting positive FCFs over Q2-Q4FY21 and FY22.
- PV business subsidiarisation: The company is in talks with potential investors for a stake sale. Focus of PV business is to become cash positive by FY23.
- FY20 capex at Rs53bn. FY21 capex reduced to Rs15bn.
- Cost-reduction target at Rs15bn, and working capital reduction target at Rs15bn for FY21.
- As of Mar'20, liquidity at Rs52bn of cash and Rs15bn for revolving credit facility. Gross debt stood at Rs261bn as of Mar'20, and additional Rs40bn is being raised in Q1FY21.

Exhibit 16: Actual vs. Estimate (Q4FY20)

(Rs mn)	Actual	Estimate (Emkay)	Consensus Estimate	% Variation		Comment
				Emkay	Consensus	
Revenue	624,930	592,097	613,530	5.5	1.9	Above estimates, owing to higher-than-expected volume in JLR, and realizations in standalone division
EBITDA	23,733	35,663	42,828	(33.5)	(44.6)	
Margin (%)	3.8	6.0	7.0	(233) bps	(318) bps	Below estimates, owing to lower realizations/forex losses in JLR and lower gross margin in standalone
Adjusted PAT	(54,112)	(26,999)	(14,662)	NM	NM	Below estimates, due to lower operating margin, increase in depreciation and higher tax rate

Source: Bloomberg, Company, Emkay Research

Exhibit 17: Consolidated quarterly performance

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Revenue	864,223	614,670	654,320	716,761	624,930	(27.7)	(12.8)	2,610,680	3,019,384	(13.5)
Expenditure	784,028	584,715	582,715	644,795	601,196	(23.3)	(6.8)	2,413,422	2,763,682	(12.7)
as % of sales	90.7	95.1	89.1	90.0	96.2			92.4	91.5	
Consumption of RM	571,461	397,755	401,275	464,184	408,096	(28.6)	(12.1)	1,671,310	1,963,212	(14.9)
as % of sales	66.1	64.7	61.3	64.8	65.3			64.0	65.0	
Employee Cost	79,994	77,196	72,830	77,373	76,987	(3.8)	(0.5)	304,386	332,439	(8.4)
as % of sales	9.3	12.6	11.1	10.8	12.3			11.7	11.0	
Other expenditure	132,573	109,765	108,609	103,239	116,113	(12.4)	12.5	437,726	468,031	(6.5)
as % of sales	15.3	17.9	16.6	14.4	18.6			16.8	15.5	
EBITDA	80,196	29,955	71,605	71,965	23,733	(70.4)	(67.0)	197,258	255,702	(22.9)
Depreciation	53,531	51,117	52,996	51,993	58,149	8.6	11.8	214,254	235,906	(9.2)
EBIT	26,665	(21,162)	18,609	19,972	(34,415)	(229.1)	(272.3)	(16,996)	19,796	(185.9)
Other Income	8,633	8,360	6,726	9,001	5,645	(34.6)	(37.3)	29,732	29,653	0.3
Interest	15,880	17,116	18,354	17,436	19,528	23.0	12.0	72,433	57,586	25.8
PBT	19,418	(29,918)	6,981	11,538	(48,299)	(348.7)	(518.6)	(59,698)	(8,137)	633.7
Total Tax	1,115	1,961	4,455	(6,046)	3,583	221.5	(159.3)	3,953	(24,375)	(116.2)
Adjusted PAT	18,304	(31,879)	2,526	17,584	(51,882)	(383.4)	(395.1)	(63,650)	16,238	(492.0)
MI and Inc from JV	360	2,641	3,923	2,162	2,230			10,956	(1,075)	
Adjusted PAT after MI	17,944	(34,520)	(1,397)	15,422	(54,112)			(74,607)	17,312	(530.9)
Extra ordinary items (Loss)/Gain	(6,769)	(2,464)	(769)	1,961	(44,831)			(46,102)	(305,575)	
Reported PAT	11,175	(36,983)	(2,166)	17,383	(98,943)	(985.4)	(669.2)	(120,708)	(288,262)	(58.1)
Adjusted EPS	5.3	(10.2)	(0.4)	4.3	(15.0)	(384.7)	(450.9)	(20.7)	5.1	(506.8)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	9.3	4.9	10.9	10.0	3.8	(548)	(624)	7.6	8.5	(91)
EBIT	3.1	(3.4)	2.8	2.8	(5.5)	(859)	(829)	(0.7)	0.7	(131)
EBT	2.2	(4.9)	1.1	1.6	(7.7)	(998)	(934)	(2.3)	(0.3)	(202)
PAT	2.1	(5.6)	(0.2)	2.2	(8.7)	(1,074)	(1,081)	(2.9)	0.6	(343)
Effective Tax rate	5.7	(6.6)	63.8	(52.4)	(7.4)	(1,316)	4,498	(6.6)	299.6	(30,618)

Source: Company, Emkay Research

Exhibit 18: Standalone quarterly performance

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Revenue	185,614	133,519	100,005	108,429	97,329	(47.6)	(10.2)	439,282	692,028	(36.5)
Expenditure	174,500	126,135	103,758	108,955	104,556	(40.1)	(4.0)	443,404	640,480	(30.8)
as % of sales	94.0	94.5	103.8	100.5	107.4			100.9	92.6	
Consumption of RM	138,091	95,940	74,797	80,417	74,591	(46.0)	(7.2)	325,745	506,158	(35.6)
as % of sales	74.4	71.9	74.8	74.2	76.6			74.2	73.1	
Employee Cost	11,347	11,493	10,671	10,183	11,496	1.3	12.9	43,843	42,731	2.6
as % of sales	6.1	8.6	10.7	9.4	11.8			10.0	6.2	
Other expenditure	25,063	18,701	18,290	18,355	18,469	(26.3)	0.6	73,815	91,591	(19.4)
as % of sales	13.5	14.0	18.3	16.9	19.0			16.8	13.2	
EBITDA	11,114	7,385	(3,753)	(526)	(7,227)	(165.0)		(4,122)	51,548	(108.0)
Depreciation	8,726	7,771	7,607	8,535	9,841	12.8	15.3	33,753	30,986	8.9
EBIT	2,388	(386)	(11,360)	(9,061)	(17,068)	(814.9)		(37,875)	20,561	(284.2)
Other Income	4,198	4,012	3,614	3,515	2,689	(35.9)	(23.5)	13,831	25,547	(45.9)
Interest	3,891	4,395	4,979	4,785	5,571	43.1	16.4	19,730	17,936	10.0
PBT	2,694	(769)	(12,725)	(10,331)	(19,950)	(840.5)		(43,774)	28,172	(255.4)
Total Tax	1,593	494	120	157	852	(46.5)	444.2	1,623	3,783	(57.1)
Adjusted PAT	1,101	(1,263)	(12,845)	(10,488)	(20,802)			(45,397)	24,389	(286.1)
Extra ordinary items (Loss)/Gain	(39)	292	25	93	(27,909)			(27,499)	(4,183)	
Reported PAT	1,062	(971)	(12,820)	(10,395)	(48,711)	(4,687.1)		(72,896)	20,206	(460.8)
Adjusted EPS	0.3	(0.4)	(3.8)	(2.9)	(5.8)	(1,883.5)		(12.6)	7.2	(275.7)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	6.0	5.5	(3.8)	(0.5)	(7.4)	(1,341)	(694)	(0.9)	7.4	(839)
EBIT	1.3	(0.3)	(11.4)	(8.4)	(17.5)	(1,882)	(918)	(8.6)	3.0	(1,159)
EBT	1.5	(0.6)	(12.7)	(9.5)	(20.5)	(2,195)	(1,097)	(10.0)	4.1	(1,404)
PAT	0.6	(0.9)	(12.8)	(9.7)	(21.4)	(2,197)	(1,170)	(10.3)	3.5	(1,386)
Effective Tax rate	59.1	(64.3)	(0.9)	(1.5)	(4.3)	(6,341)	(276)	(3.7)	13.4	(1,714)

Source: Company, Emkay Research

Exhibit 19: JLR quarterly performance

£ mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Revenue	7,134	5,074	6,086	6,398	5,426	(23.9)	(15.2)	22,984	24,214	(5.1)
Expenditure	6,478	4,827	5,266	5,747	5,092	(21.4)	(11.4)	20,932	22,214	(5.8)
as % of sales	90.8	95.1	86.5	89.8	93.8			91.1	91.7	
Consumption of RM	4,689	3,281	3,720	4,141	3,542	(24.5)	(14.5)	14,684	15,670	(6.3)
as % of sales	65.7	64.7	61.1	64.7	65.3			63.9	64.7	
Employee Cost	662	656	631	655	626	(5.4)	(4.4)	2,568	2,820	(8.9)
as % of sales	9.3	12.9	10.4	10.2	11.5			11.2	11.6	
Other expenditure	1,127	890	915	951	924	(18.0)	(2.8)	3,680	3,724	(1.2)
as % of sales	15.8	17.5	15.0	14.9	17.0			16.0	15.4	
EBITDA	656	247	820	651	334	(49.1)	(48.7)	2,052	2,000	2.6
Depreciation	465	463	504	453	490	5.4	8.2	1,910	2,164	(11.7)
EBIT	191	(216)	316	198	(156)	(181.7)	(178.8)	142	(164)	
Other Income	0	0	0	0	0					
Interest	29	35	39	33	50	72.4	51.5	157	76	106.6
Share of JV	(14)	(28)	(41)	(25)	(20)	42.9		(114)	3	
PBT	148	(279)	236	140	(226)	(252.7)	(261.4)	(129)	(237)	
Total Tax	1	7	56	(54)	38			47	(308)	
Adjusted PAT	147	(286)	180	194	(264)	(279.6)	(236.1)	(176)	71	
Extra ordinary items (Loss)/Gain	(28)	(116)	(80)	178	(275)			(293)	(3,392)	
Reported PAT	119	(402)	100	372	(539)	(552.9)	(244.9)	(469)	(3,321)	

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	9.2	4.9	13.5	10.2	6.2	(304)	(402)	8.9	8.3		67
EBIT	2.7	(4.3)	5.2	3.1	(2.9)	(555)	(597)	0.6	(0.7)		130
EBT	2.1	(5.5)	3.9	2.2	(4.2)	(624)	(635)	(0.6)	(1.0)		42
PAT	2.1	(5.6)	3.0	3.0	(4.9)	(693)	(790)	(0.8)	0.3		(106)
Effective Tax rate	0.7	(2.5)	23.7	(38.6)	(16.8)	(1,749)	2,176	(36.4)	130.0		(16,639)

Source: Company, Emkay Research

Exhibit 20: Peer comparison

Companies	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)		PE (x)		ROE (%)		ROCE (%)	
					FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Ashok Leyland	52	76	153	Buy	1.1	3.4	48.8	15.2	3.7	11.5	5.6	14.2
Atul Auto	153	250	3	Buy	17.7	25.0	8.6	6.1	12.4	15.6	16.7	20.9
Bajaj Auto	2,797	2,629	809	Hold	129.5	184.8	21.6	15.1	18.1	23.8	23.3	30.6
Eicher Motors	16,825	19,954	459	Buy	520.4	995.9	32.3	16.9	13.5	22.5	18.5	28.0
Escorts Ltd	985	1,103	121	Buy	48.7	69.8	20.2	14.1	11.7	13.4	15.4	17.7
Hero Motocorp	2,400	2,530	479	Hold	112.4	171.4	21.3	14.0	15.7	22.7	19.7	29.2
Mahindra & Mahindra	510	572	635	Buy	23.7	37.7	21.6	13.5	7.9	11.7	9.7	14.3
Maruti Suzuki India	5,550	6,173	1677	Buy	128.5	268.4	43.2	20.7	7.8	15.4	10.2	19.9
Tata Motors	101	92	346	Hold	-28.1	13.6	-3.6	7.4	-18.3	9.1	-1.9	8.4
TVS Motor	344	296	164	Sell	5.7	13.8	60.5	25.0	7.3	16.4	8.1	16.8
Amara Raja Batteries	655	732	112	Buy	33.6	48.8	19.5	13.4	15.0	19.4	19.5	25.3
Apollo Tyres	107	95	61	Hold	4.0	10.6	26.7	10.1	2.4	6.0	3.6	6.3
Exide Industries	154	198	131	Buy	8.6	11.3	17.9	13.6	11.2	13.6	14.7	17.8
Motherson Sumi	95	115	300	Buy	2.7	5.8	35.5	16.5	7.5	15.2	5.6	15.2
Bharat Forge	351	348	163	Buy	11.0	17.2	32.0	20.4	8.5	12.4	8.6	12.1

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3,019,384	2,610,680	2,423,655	3,197,150	3,547,290
Expenditure	2,763,682	2,413,422	2,252,468	2,818,017	3,111,760
EBITDA	255,702	197,258	171,187	379,133	435,530
Depreciation	235,906	214,254	234,130	259,184	283,596
EBIT	19,796	(16,996)	(62,943)	119,949	151,935
Other Income	29,653	29,732	30,029	30,329	30,632
Interest expenses	57,586	72,433	88,290	91,433	83,238
PBT	(8,137)	(59,698)	(121,204)	58,845	99,329
Tax	(24,375)	3,953	(20,091)	5,686	10,969
Extraordinary Items	(305,575)	(46,102)	0	0	0
Minority Int./Income from Assoc.	1,075	(10,956)	(6,656)	(1,064)	(99)
Reported Net Income	(288,262)	(120,708)	(107,769)	52,096	88,261
Adjusted PAT	17,312	(74,607)	(107,769)	52,096	88,261

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	6,792	7,195	7,658	7,658	7,658
Reserves & surplus	595,003	623,590	541,383	593,479	681,741
Net worth	601,796	630,785	549,042	601,137	689,399
Minority Interest	5,231	8,136	9,092	10,048	11,004
Loan Funds	1,060,192	1,147,296	1,375,270	1,237,087	1,141,131
Net deferred tax liability	(36,601)	(35,160)	(129,826)	(83,865)	(6,284)
Total Liabilities	1,630,617	1,751,056	1,803,578	1,764,407	1,835,249
Net block	1,112,345	1,208,318	1,393,981	1,406,347	1,442,051
Investment	157,707	163,085	153,085	143,085	133,085
Current Assets	1,431,544	1,439,008	1,220,854	1,462,757	1,648,621
Cash & bank balance	326,488	337,270	334,662	293,741	351,579
Other Current Assets	102,380	110,458	82,180	108,408	120,280
Current liabilities & Provision	1,389,817	1,415,577	1,141,093	1,468,981	1,617,408
Net current assets	41,727	23,430	79,762	(6,224)	31,213
Misc. exp	0	0	0	0	0
Total Assets	1,630,617	1,751,056	1,803,578	1,764,407	1,835,249

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	(341,270)	(145,531)	(156,933)	28,408	69,555
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(72,123)	50,654	(58,939)	45,066	20,400
Operating Cashflow	159,254	236,598	31,974	464,366	523,399
Capital expenditure	(352,363)	(295,306)	(240,320)	(316,000)	(327,000)
Free Cash Flow	(193,109)	(58,708)	(208,346)	148,366	196,399
Investments	145,324	(63,877)	10,000	10,000	10,000
Other Investing Cash Flow	9,928	17,481	0	0	0
Investing Cashflow	(167,458)	(311,971)	(200,291)	(275,671)	(286,368)
Equity Capital Raised	0	38,888	26,025	0	0
Loans Taken / (Repaid)	159,302	84,217	227,974	(138,183)	(95,956)
Dividend paid (incl tax)	(947)	(568)	0	0	0
Other Financing Cash Flow	(99,751)	38,802	0	0	0
Financing Cashflow	(11,447)	86,154	165,710	(229,615)	(179,194)
Net chg in cash	(19,651)	10,782	(2,608)	(40,920)	57,837
Opening cash position	346,139	326,488	337,270	334,662	293,741
Closing cash position	326,488	337,270	334,662	293,741	351,579

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	8.5	7.6	7.1	11.9	12.3
EBIT Margin	0.7	(0.7)	(2.6)	3.8	4.3
Effective Tax Rate	299.6	(6.6)	16.6	9.7	11.0
Net Margin	0.5	(2.4)	(4.2)	1.7	2.5
ROCE	2.8	0.8	(1.9)	8.4	10.1
ROE	2.2	(12.1)	(18.3)	9.1	13.7
RoIC	2.3	(2.0)	(6.2)	10.7	13.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.1	(20.7)	(28.1)	13.6	23.1
CEPS	74.6	38.8	33.0	81.3	97.1
BVPS	177.2	175.3	143.4	157.0	180.0
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	19.7	(4.8)	(3.6)	7.4	4.4
P/CEPS	1.3	2.6	3.0	1.2	1.0
P/BV	0.6	0.6	0.7	0.6	0.6
EV / Sales	0.3	0.4	0.6	0.4	0.3
EV / EBITDA	3.8	5.4	7.8	3.3	2.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.1	1.1	1.7	1.4	1.1
Net Debt/EBIDTA	2.5	3.6	5.5	2.3	1.7
Working Cap Cycle (days)	(34.4)	(43.9)	(38.4)	(34.2)	(33.0)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	3.6	(13.5)	(7.2)	31.9	11.0
EBITDA	(16.8)	(22.9)	(13.2)	121.5	14.9
EBIT	(78.5)	NM	NM	NM	26.7
PAT	NM	NM	NM	NM	69.4

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	864,223	614,670	654,320	716,761	624,930
EBITDA	80,196	29,955	71,605	71,965	23,733
EBITDA Margin (%)	9.3	4.9	10.9	10.0	3.8
PAT	17,944	(34,520)	(1,397)	15,422	(54,112)
EPS (Rs)	5.3	(10.2)	(0.4)	4.3	(15.0)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20
Promoters	38.4	38.4	42.4	42.4	42.4
FIIIs	19.5	19.0	18.3	17.7	16.8
DIIIs	15.8	15.5	14.9	15.2	13.4
Public and Others	26.3	27.2	24.4	24.7	27.4

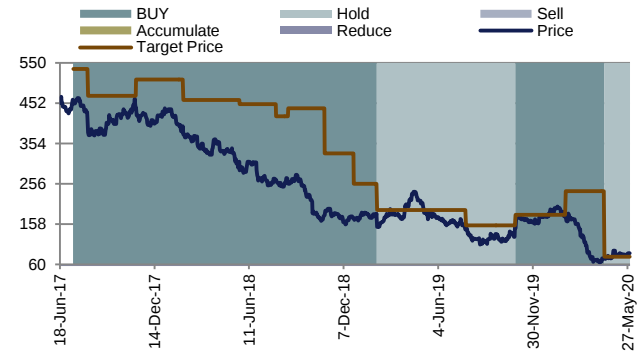
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-May-20	84	78	12m	Hold	Raghunandhan NL
13-Apr-20	74	78	12m	Hold	Raghunandhan NL
27-Feb-20	145	238	12m	Buy	Raghunandhan NL
14-Feb-20	169	238	12m	Buy	Raghunandhan NL
9-Feb-20	174	238	12m	Buy	Raghunandhan NL
31-Jan-20	177	238	12m	Buy	Raghunandhan NL
30-Jan-20	186	180	12m	Buy	Raghunandhan NL
27-Dec-19	176	180	12m	Buy	Raghunandhan NL
27-Nov-19	166	180	12m	Buy	Raghunandhan NL
1-Nov-19	175	180	12m	Buy	Raghunandhan NL
30-Oct-19	172	180	12m	Buy	Raghunandhan NL
28-Oct-19	148	180	12m	Buy	Raghunandhan NL
1-Oct-19	115	155	12m	Hold	Raghunandhan NL
26-Sep-19	125	155	12m	Hold	Raghunandhan NL
3-Sep-19	113	155	12m	Hold	Raghunandhan NL
28-Aug-19	116	155	12m	Hold	Raghunandhan NL
26-Jul-19	147	155	12m	Hold	Raghunandhan NL
1-Jul-19	168	192	12m	Hold	Raghunandhan NL
27-Jun-19	166	192	12m	Hold	Raghunandhan NL
3-Jun-19	175	192	12m	Hold	Raghunandhan NL
29-May-19	176	192	12m	Hold	Raghunandhan NL
28-May-19	180	192	12m	Hold	Raghunandhan NL
21-May-19	177	192	12m	Hold	Raghunandhan NL
2-May-19	207	192	12m	Hold	Raghunandhan NL
8-Feb-19	151	192	12m	Hold	Raghunandhan NL
4-Feb-19	180	256	12m	Buy	Raghunandhan NL
26-Dec-18	171	256	12m	Buy	Raghunandhan NL
1-Nov-18	179	330	12m	Buy	Raghunandhan NL
24-Aug-18	256	440	12m	Buy	Raghunandhan NL
1-Aug-18	265	420	12m	Buy	Raghunandhan NL
6-Jul-18	271	450	12m	Buy	Raghunandhan NL
24-May-18	289	450	12m	Buy	Raghunandhan NL
6-Feb-18	375	460	12m	Buy	Raghunandhan NL
9-Nov-17	440	510	12m	Buy	Raghunandhan NL
4-Oct-17	424	470	12m	Buy	Raghunandhan NL
4-Sep-17	383	470	12m	Buy	Raghunandhan NL
10-Aug-17	380	470	12m	Buy	Raghunandhan NL
13-Jul-17	459	535	12m	Buy	Mihir Jhaveri

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 11 years of research experience. His team currently covers 14 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Auto & Auto Ancillaries	5.32	5.32	0%	0	100.00
Amara Raja Batteries	0.10	0.10	0%	0	1.88
Apollo Tyres	0.07	0.00	-100%	-7	0.00
Ashok Leyland	0.14	0.28	99%	14	5.25
Atul Auto	0.00	0.10	NA	10	1.90
Bajaj Auto	0.68	0.36	-47%	-32	6.68
Bharat Forge	0.16	0.29	76%	12	5.43
Eicher Motors	0.44	0.55	27%	12	10.42
Escorts	0.00	0.13	NA	13	2.36
Exide Industries	0.13	0.13	0%	0	2.48
Hero Motocorp	0.58	0.31	-47%	-27	5.77
Mahindra & Mahindra	0.91	0.91	0%	0	17.02
Maruti Suzuki India	1.38	1.49	8%	11	27.95
Motherson Sumi	0.21	0.21	0%	0	3.99
Tata Motors	0.35	0.35	0%	0	6.59
Tata Motors DVR	0.04	0.04	0%	0	0.80
TVS Motor	0.13	0.08	-40%	-5	1.46
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

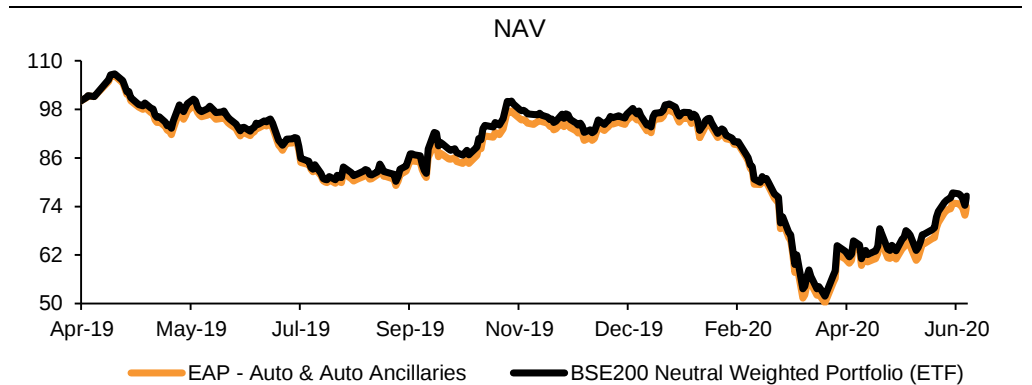
Sector portfolio NAV

	Base 1-Apr-19	9-Sep-19	13-Dec-19	13-Mar-20	13-May-20	Latest 12-Jun-20
EAP - Auto & Auto Ancillaries	100.0	82.7	93.8	70.3	65.3	73.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	84.0	95.4	71.4	68.0	76.5

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 16 Jun 2020 09:09:25 (SGT)

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