

Tata Motors (TTMT IN)

Rating: HOLD | CMP: Rs101 | TP: Rs87

June 16, 2020

Q4FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	87		84	
Sales (Rs. m)	26,33,086	28,69,033	25,91,930	28,98,010
% Chng.	1.6	(1.0)		
EBITDA (Rs. m)	2,44,670	3,15,109	2,47,345	3,27,115
% Chng.	(1.1)	(3.7)		
EPS (Rs.)	15.7	29.4	18.7	32.4
% Chng.	(15.8)	(9.2)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. bn)	3,019	2,611	2,633	2,869
EBITDA (Rs. bn)	298	239	245	315
Margin (%)	9.9	9.2	9.3	11.0
PAT (Rs. bn)	(15)	(91)	57	106
EPS (Rs.)	(4.4)	(25.3)	15.7	29.4
Gr. (%)	(119.0)	480.5	(162.3)	86.7
DPS (Rs.)	0.3	-	-	-
Yield (%)	0.3	-	-	-
RoE (%)	(1.9)	(14.8)	8.6	14.3
RoCE (%)	1.2	(1.1)	4.4	7.0
EV/Sales (x)	0.3	0.4	0.4	0.4
EV/EBITDA (x)	2.8	4.1	4.7	3.9
PE (x)	(23.1)	(4.0)	6.4	3.4
P/BV (x)	0.6	0.6	0.5	0.5

Key Data

TAMO.BO | TTMT IN

52-W High / Low	Rs.202 / Rs.64
Sensex / Nifty	33,229 / 9,814
Market Cap	Rs.332bn / \$ 4,364m
Shares Outstanding	3,089m
3M Avg. Daily Value	Rs.12322.86m

Shareholding Pattern (%)

Promoter's	41.79
Foreign	17.03
Domestic Institution	13.76
Public & Others	27.42
Promoter Pledge (Rs bn)	5.19

Stock Performance (%)

	1M	6M	12M
Absolute	19.1	(43.1)	(38.8)
Relative	11.5	(29.8)	(27.3)

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Weak results; JLR bets on China and new launch

Quick Pointers:

- The volatility in JLR performance continues as margins contract ~600bp QoQ to 4.8% (PLe 7%). S/A reported an EBITDA loss of Rs4.2b (PLe Rs3.8b).
- FY21 focus areas- JLR cost savings of GBP1.5bn and capex of GBP2.5bn (-40% v/s earlier target) and S/A (capex cut by 60% to Rs15bn).
- JLR bets on China's recovery and healthy response to the new Defender.

TTMT 4QFY20 performance was operationally weak with S/A margins at -4.4% (PLe -3.3%), JLR margins at 4.8% (PLe 7%) and consol margins at 3.8% (PLe 6%). The miss in JLR margin was led by negative operating leverage and weak performance at China JLR with an EBITDA loss of GBP16mn (v/s loss of GBP1mn in 3QFY20). With China stabilizing post COVID (May retails at +4.2% YoY) and improvement in other global markets, JLR to see gradual volume recovery. Consistent delivery in cost savings (Project charge savings of GBP3.5bn till date and target of GBP5bn by 4QFY21) and rationalized capex (-60% in S/A at Rs15bn and -40% at JLR at GBP2.5bn) should help cash flows in challenging times. We cut FY21/22 consol EPS by 16%/9% to factor in for weak margins. We maintain Hold with the revised SoTP based target price of Rs87 (from Rs84), where we value JLR at 4x EV/EBITDA and Standalone entity at 8x EV/EBITDA (unchanged).

- JLR margins weak led by lower sales:** Net revenues declined 24% YoY to GBP5.4bn (PLe: GBP5bn) as volumes declined ~25% while realizations improved 1.6% YoY. EBITDA margins came lower at 4.8% (PLe 7%, -600bp QoQ) impacted by increased VME and mix.
- S/A EBITDA turned negative at Rs4.2bn (PLe Rs3.8bn)-** S/A margins declined 580bp QoQ at -4.4% (PLe -3.3%) led by unfavorable mix (lower MHCV sales) and increased discounts. Adj. loss came higher at Rs23bn (PLe Rs20.3bn). EBITDA margin for CVs dipped 870bp YoY to 0.7% led by high discounting while OPM for PVs remained negative at 19.3%. TTMT reported an exceptional cost of Rs28bn (of which Rs14bn is impairment of PV business) and forex loss of Rs16.8bn.
- FY20 Consol Revenue/EBITDA** declined by ~14%/20% while Adj loss at Rs90.9bn (v/s Rs14.8bn in FY19)
- Con-call takeaways:** (1) **Re-iterated focus on scouting partner for domestic PV business** and indicated interest from various OEMs. (2) **JLR cost saving target of GBP1.5bn** led by material and warranty cost. (3) **Capex guidance** for India at Rs1.5bn (-60% v/s targeted) and JLR at GBP 2.5bn (-40% v/s targeted) for FY21. (4) **No fund infusion plans in TTMT finance** in FY21. Will go with asset light model. (5) India's PV business - Exceptional charge for rationalizing asset base and other provisions of Rs25bn. (6) JLR's China retail decline of 9% (v/s industry decline of 17%). (7) Defender (new launch) order book at 22k in UK/Europe/NA/China market. To be launched in other markets.

Exhibit 1: Q4FY20 Result Overview - Consolidated (Rs m)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Revenues	6,24,930	8,64,220	(27.7)	7,16,761	26,10,680	30,20,201	(13.6)
Raw Materials	4,08,096	5,71,461	(28.6)	4,64,184	16,71,310	19,63,212	(14.9)
<i>% of Net Sales</i>	<i>65.3</i>	<i>66.1</i>		<i>64.8</i>	<i>64.0</i>	<i>65.0</i>	
Personnel	76,987	79,994	(3.8)	77,373	3,04,386	3,32,439	(8.4)
<i>% of Net Sales</i>	<i>12.3</i>	<i>9.3</i>		<i>10.8</i>	<i>11.7</i>	<i>11.0</i>	
Manufacturing & Other Exp	1,61,859	1,77,010	(8.6)	1,47,678	6,12,760	6,64,627	(7.8)
<i>% of Net Sales</i>	<i>25.9</i>	<i>20.5</i>		<i>20.6</i>	<i>23.5</i>	<i>22.0</i>	
Expenses capitalised	45,746	44,437	2.9	44,439	1,75,034	1,96,596	(11.0)
Total Expenditure	6,01,196	7,84,028	(23.3)	6,44,795	24,13,422	27,63,682	(12.7)
EBITDA	23,733	80,193	(70.4)	71,965	1,97,258	2,56,519	(23.1)
<i>EBITDA Margin (%)</i>	<i>3.8</i>	<i>9.3</i>		<i>10.0</i>	<i>7.6</i>	<i>8.5</i>	
Depreciation	58,149	53,531	8.6	51,993	2,14,254	2,35,906	(9.2)
EBIT	-34,415	26,662	NA	19,972	-16,996	20,613	NA
Interest Expenses	19,528	15,880	23.0	17,436	72,433	57,586	25.8
Non-operating income	5,645	8,636	(34.6)	9,001	29,732	28,836	3.1
Forex gain	-16,824	4,303	NA	1,972	-17,387	-9,059	NA
Extraordinary Exp/ Income	28,007	11,072	152.9	11	28,714	2,96,981	(90.3)
PBT	-93,130	12,649	NA	13,499	-1,05,800	-3,14,177	NA
Tax-Total	3,583	1,115	221.5	-6,046	3,953	-24,375	NA
<i>Tax Rate (%) - Total</i>	<i>-3.8</i>	<i>8.8</i>		<i>-44.8</i>	<i>-3.7</i>	<i>7.8</i>	
Minority Interest / Share in Associates	-2,230	-360	NA	-2,162	-10,956	1,075	NA
Adj. PAT	-70,936	21,388	NA	17,394	-91,968	-14,787	NA

Source: Company, PL

Exhibit 2: SOTP valuation

Rs/Share	Valuation Parameter	Multiple (x)	FY21E	FY22E
Tata Motors - Standalone	EV/EBITDA	8	36	83
JLR	EV/EBITDA	4	130	168
Other Subs			37	35
Total EV			203	286
Less: Net Debt			183	199
Total Equity Value			19	87

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	30,19,384	26,10,680	26,33,086	28,69,033
YoY gr. (%)	3.6	(13.5)	0.9	9.0
Cost of Goods Sold	19,63,212	16,71,310	16,15,067	17,54,519
Gross Profit	10,56,172	9,39,370	10,18,019	11,14,514
Margin (%)	35.0	36.0	38.7	38.8
Employee Cost	3,32,439	3,20,411	3,09,441	3,17,176
Other Expenses	4,25,785	3,79,816	4,63,908	4,82,229
EBITDA	2,97,948	2,39,143	2,44,670	3,15,109
YoY gr. (%)	(11.9)	(19.7)	2.3	28.8
Margin (%)	9.9	9.2	9.3	11.0
Depreciation and Amortization	2,78,152	2,56,139	1,68,813	1,84,497
EBIT	19,796	(16,996)	75,857	1,30,612
Margin (%)	0.7	(0.7)	2.9	4.6
Net Interest	57,586	72,433	66,247	68,782
Other Income	20,594	12,344	49,429	52,286
Profit Before Tax	(3,13,712)	(1,05,800)	59,039	1,14,116
Margin (%)	(10.4)	(4.1)	2.2	4.0
Total Tax	(24,375)	3,953	2,952	9,129
Effective tax rate (%)	7.8	(3.7)	5.0	8.0
Profit after tax	(2,89,337)	(1,09,752)	56,087	1,04,987
Minority interest	1,020	956	1,288	1,398
Share Profit from Associate	2,095	(10,000)	1,843	2,179
Adjusted PAT	(14,785)	(90,921)	56,642	1,05,768
YoY gr. (%)	(119.0)	515.0	(162.3)	86.7
Margin (%)	(0.5)	(3.5)	2.2	3.7
Extra Ord. Income / (Exp)	(2,73,477)	(29,787)	-	-
Reported PAT	(2,88,262)	(1,20,709)	56,642	1,05,768
YoY gr. (%)	(420.7)	(58.1)	(146.9)	86.7
Margin (%)	(9.5)	(4.6)	2.2	3.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(2,88,262)	(1,20,709)	56,642	1,05,768
Equity Shares O/s (m)	3,396	3,598	3,598	3,598
EPS (Rs)	(4.4)	(25.3)	15.7	29.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	22,58,724	26,31,413	30,98,236	34,58,836
Tangibles	22,58,724	26,31,413	30,98,236	34,58,836
Intangibles	-	-	-	-
Acc: Dep / Amortization	11,53,858	13,68,113	14,96,006	16,37,177
Tangibles	11,53,858	13,68,113	14,96,006	16,37,177
Intangibles	-	-	-	-
Net fixed assets	11,04,866	12,63,301	16,02,230	18,21,659
Tangibles	11,04,866	12,63,301	16,02,230	18,21,659
Intangibles	-	-	-	-
Capital Work In Progress	3,18,838	3,56,223	2,50,000	2,50,000
Goodwill	7,478	7,771	7,771	7,771
Non-Current Investments	61,345	51,345	53,188	55,367
Net Deferred tax assets	36,601	35,160	35,160	35,160
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	96,362	1,11,740	-	-
Inventories	3,90,137	3,74,569	2,95,771	3,22,275
Trade receivables	1,89,962	1,11,727	1,44,279	1,57,207
Cash & Bank Balance	3,26,488	3,37,270	3,07,814	2,83,396
Other Current Assets	12,089	12,949	17,949	22,949
Total Assets	30,20,434	31,66,634	32,58,741	35,40,365
Equity				
Equity Share Capital	6,792	7,195	7,195	7,195
Other Equity	5,95,003	6,23,590	6,80,232	7,85,999
Total Network	6,01,795	6,30,785	6,87,427	7,93,195
Non-Current Liabilities				
Long Term borrowings	9,11,239	10,56,553	10,96,553	11,36,553
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,16,907	6,36,269	6,49,254	7,07,433
Other current liabilities	8,21,863	8,70,052	8,51,244	9,27,523
Total Equity & Liabilities	30,20,434	31,66,634	32,58,741	35,40,365

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	(2,87,242)	(1,19,752)	56,642	1,05,768
Add. Depreciation	2,35,906	2,14,254	1,27,894	1,41,171
Add. Interest	78,819	11,913	49,429	52,286
Less Financial Other Income	20,594	12,344	49,429	52,286
Add. Other	2,60,141	1,27,101	1,288	1,398
Op. profit before WC changes	2,87,624	2,33,516	2,35,252	3,00,622
Net Changes-WC	(72,123)	50,663	(4,576)	50,025
Direct tax	(26,594)	(17,849)	(2,952)	(9,129)
Net cash from Op. activities	1,88,907	2,66,329	2,27,724	3,41,518
Capital expenditures	(3,52,363)	(2,95,306)	(3,60,600)	(3,60,600)
Interest / Dividend Income	-	-	-	-
Others	1,55,252	(46,397)	1,09,897	(2,179)
Net Cash from Invst. activities	(1,97,111)	(3,41,702)	(2,50,703)	(3,62,779)
Issue of share cap. / premium	-	38,888	-	-
Debt changes	1,59,302	82,529	40,000	40,000
Dividend paid	(947)	(568)	-	-
Interest paid	(70,051)	(86,953)	(66,247)	(68,782)
Others	-	-	-	-
Net cash from Fin. activities	88,304	33,896	(26,247)	(28,782)
Net change in cash	80,100	(41,477)	(49,227)	(50,042)
Free Cash Flow	(1,63,456)	(28,976)	(1,32,876)	(19,082)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	6,14,670	6,54,320	7,16,761	6,24,930
YoY gr. (%)	(7.8)	(9.1)	(6.8)	(27.7)
Raw Material Expenses	3,97,755	4,01,275	4,64,184	4,08,096
Gross Profit	2,16,915	2,53,044	2,52,577	2,16,833
Margin (%)	35.3	38.7	35.2	34.7
EBITDA	29,955	71,605	71,965	23,733
YoY gr. (%)	(40.7)	8.1	20.8	(70.4)
Margin (%)	4.9	10.9	10.0	3.8
Depreciation / Depletion	51,117	52,996	51,993	58,149
EBIT	(21,162)	18,609	19,972	(34,415)
Margin (%)	(3.4)	2.8	2.8	(5.5)
Net Interest	17,116	18,354	17,436	19,528
Other Income	6,985	5,566	10,973	(11,180)
Profit before Tax	(32,382)	6,212	13,499	(93,130)
Margin (%)	(5.3)	0.9	1.9	(14.9)
Total Tax	1,961	4,455	(6,046)	3,583
Effective tax rate (%)	(6.1)	71.7	(44.8)	(3.8)
Profit after Tax	(34,342)	1,758	19,545	(96,713)
Minority interest	187	289	176	305
Share Profit from Associates	(2,454)	(3,635)	(1,986)	(1,925)
Adjusted PAT	(35,895)	(2,557)	17,394	(70,936)
YoY gr. (%)	88.7	(50.7)	70.3	(418.9)
Margin (%)	(5.8)	(0.4)	2.4	(11.4)
Extra Ord. Income / (Exp)	(1,088)	391	(11)	(28,007)
Reported PAT	(36,983)	(2,166)	17,383	(98,943)
YoY gr. (%)	94.4	(80.2)	(106.4)	(985.4)
Margin (%)	(6.0)	(0.3)	2.4	(15.8)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(36,983)	(2,166)	17,383	(98,943)
Avg. Shares O/s (m)	3,219	3,219	3,219	3,219
EPS (Rs)	(11.2)	(0.8)	5.4	(22.0)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	(4.4)	(25.3)	15.7	29.4
CEPS	77.6	45.9	62.7	80.7
BVPS	177.2	175.3	191.1	220.5
FCF	(48.1)	(8.1)	(36.9)	(5.3)
DPS	0.3	-	-	-
Return Ratio(%)				
RoCE	1.2	(1.1)	4.4	7.0
ROIC	1.5	(1.5)	5.0	7.6
RoE	(1.9)	(14.8)	8.6	14.3
Balance Sheet				
Net Debt : Equity (x)	0.8	1.0	1.1	1.1
Net Working Capital (Days)	(17)	(21)	(29)	(29)
Valuation(x)				
PER	(23.1)	(4.0)	6.4	3.4
P/B	0.6	0.6	0.5	0.5
P/CEPS	77.6	45.9	62.7	80.7
EV/EBITDA	2.8	4.1	4.7	3.9
EV/Sales	0.3	0.4	0.4	0.4
Dividend Yield (%)	0.3	-	-	-

Source: Company Data, PL Research

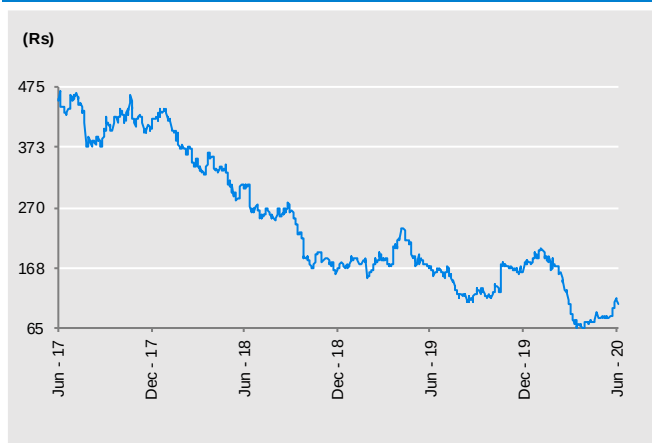
Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
JLR volume (units)	5,07,878	4,68,795	4,52,154	4,78,968
TTMT CV volume (units)	5,19,777	3,40,700	3,21,247	3,50,228
TTMT PV volume (units)	2,12,540	1,32,677	1,19,705	1,49,387

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-20	Hold	84	75
2	30-Jan-20	Hold	185	186
3	03-Jan-20	Hold	177	191
4	25-Oct-19	Hold	138	127
5	03-Oct-19	Hold	139	122
6	25-Jul-19	Hold	139	144
7	04-Jul-19	Accumulate	189	165

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	59	46
2	Bajaj Auto	Hold	2,504	2,556
3	Bharat Forge	Hold	345	246
4	CEAT	Accumulate	899	810
5	Eicher Motors	BUY	18,665	16,857
6	Exide Industries	Accumulate	179	173
7	Hero Motocorp	Accumulate	2,444	2,292
8	Mahindra & Mahindra	Hold	498	508
9	Maruti Suzuki	BUY	5,830	5,036
10	Motherson Sumi Systems	BUY	116	102
11	Tata Motors	Hold	84	75
12	TVS Motors	Hold	318	333

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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