

Tata Motors Limited

CMP : Rs 264.10

July 31 ,2018

Disappoints Street

India's biggest automaker Tata Motors reported a consolidated net loss for the quarter ended June at Rs 1,862.6 crore. Earnings missed estimates by a huge margin which was estimated to come around Rs 224 crore. Last year, the same quarter when the company had reported a one-time gain of Rs 3,600 crore after recalibrating the method of calculating pension liabilities at Jaguar Land Rover its net profit had come in at Rs 3200 crore. Tata Motors would have been in loss same quarter last year if not for this one-time gain. Net sales for the first quarter ended June 2018 rose 15% to Rs 67081.3 crore. Market had estimated the company's revenue to come in at Rs 70,320 crore.

Diesel concerns in UK and Europe, as well as the duty change impact in China, hit the company during the quarter.

Jaguar Land Rover's retail (dealer-to-customer) sales grew 5.9% during the June quarter to 145,510 units. The British subsidiary's wholesale (company-to-dealers) sales, however, witnessed a fall of 5% to 131,560 units, as against 138,476 units sold in the last year same quarter. Retail sales of Land Rover grew to 101,386 units, while that of Jaguar grew to 44,124 units. Sales of the two brands across Europe declined 7% while sales growth in China, their biggest market, slowed down to just 2.5%.

At the stand-alone level, the company's total (domestic and exports) sales of passenger and commercial vehicles rose 61% to 176,123 units during the quarter. The company's PV sales increased to 59,138 units, 48% more than it sold in the same quarter last year. The company's CV sales rose 68% during the quarter to 117,123 units.

Natarajan Chandrasekaran, Chairman commented "I am delighted with the progress made by the domestic business on their 'Turnaround 2.0' strategy. We continue to gain market share while strongly improving profitability in both Commercial Vehicles and Passenger Vehicles. Our drive for increased transparency continues with separate segmental results for CV and PV businesses from this quarter. I believe that with our focused efforts we are well positioned to "Win Decisively" in CV and "Win Sustainably" in PV.

With regards to JLR, we faced multiple challenges including temporary issues like China duty impact as well as the market issues like diesel concerns in UK and Europe. Despite these challenges, we remain committed to deliver the planned margins we outlined earlier this year and appreciate the urgency to address our challenges with speed. Towards this, we will step up all round execution. We will leverage our product portfolio to grow faster and drive down costs to improve operating leverage of the business. We will also calibrate our capital spends to minimize cash outflow.

With these focused efforts, I am confident that Tata Motors Group will deliver Competitive, Consistent and Cash Accretive Growth in the medium to long term".

Quarterly performance:

Operating profit margin on a consolidated basis for the quarter ended June 18 fell 40 bps to 8.1% (vis a vis 8.5%). The drop in margin was due to rise in other and raw material expenses (net of sales, stock adjusted). Raw material cost increased by 110 bps to 60%. Other expenses fell 100bps to 20%. Employee cost rose 40bps at 11.96%. Purchase of products for sales (net of sales, stock adjusted) rose 80 bps at 7.6%. Operating profit rose 9% to Rs 5,430 crore.

With 46% rise in other income to Rs 224.77 crore, PBIDT rose 10% to Rs 5,655.4 crore. Interest and depreciation charges rose 24% and 29% respectively during the quarter under review. Following this, the company incurred a loss of Rs 1576 crore at PBT before forex/EOL level vis a vis a loss of Rs 514 crore in previous corresponding quarter, rise of 207%.

Following a forex loss of Rs 1007 crore vis a vis a gain of Rs 631 crore, the company registered a loss of Rs 2584 crore at PBT

INDEX DETAILS

| | |
|-----------------|----------|
| SENSEX | 37494.40 |
| NIFTY (S&P CNX) | 11319.55 |

SCRIP DETAILS

| | |
|-----------------------|---------------------|
| Industry | Commercial Vehicles |
| Mkt Cap (Rs in Crore) | 83601.92 |
| Book Value (Rs) | 69.51 |
| Free Float (%) | 63.63 |
| Avg Vol Weekly (NSE) | 9728346 |
| 52 Week H/L (NSE) | 466.95 / 247.55 |
| Dividend Yield (%) | 0.00 |
| BSE Code | 500570 |
| NSE Code | TATAMOTORS |

SHAREHOLDING PATTERN(%)

| PARTICULARS | LATEST QUARTER | PREVIOUS QUARTER |
|-------------|----------------|------------------|
| Promoters | 36.37 | 36.37 |
| FIIIs | 18.27 | 20.26 |
| DIIIs | 18.51 | 17.48 |
| Others | 26.85 | 25.89 |
| Totals | 100 | 100 |

Price Comparison with Sensex



before EO level vis a vis Rs 116 crore profit in previous year. The company incurred Rs 3620 as EO income in the previous year vis a vis nil this year. Following this, at PBT after EO level, loss stood at Rs 2584 crore vis a vis gain of Rs 3737 crore in previous year. Following Rs 415 crore tax credit, and adjusting for share of profits in JVs, loss stood at Rs 1862 crore vis a vis gain of Rs 3200 crore in previous corresponding quarter.

Segment wise, Tata and other brand and other vehicles, spares and financing constituted 27% of total revenues during the quarter while rest 73% came from Jaguar and Land Rover. Sales from the CV and PV business rose 49% and 45% respectively. Sales from JLR rose 3% at Rs 48,467 crore. On standalone basis, the company beat street expectations to post a net profit of Rs 1187.65 crore for the reporting quarter, as compared to a loss of Rs 463.14 crore posted in the same quarter last year. Market had expected the net profit to come in at Rs 371.8 crore. Total Stand-alone revenues came in at Rs 16803.11 crore, a growth of 62% as compared to Rs 10366.19 crore. In terms of profitability, JLR business reported a loss of Rs 1652 crore vis a vis a gain of Rs 770 crore in previous corresponding quarter.

For JLR business, for Q1 FY 19, retail sales grew 5.9% year-on-year to 145,510 vehicles. The increase reflects growing sales of the new Range Rover Velar, Range Rover Sport, Land Rover Discovery and Jaguar E-PACE. However, wholesales (including China JV) were 13,950 units lower than retails, primarily reflecting lower wholesales in China in advance of the reduction in import duties from 25% to 10% on 1 July and planned dealer stock reduction in other markets.

Revenues for the quarter were £5.2 billion, 6.7% lower year-on-year primarily as a result of the lower wholesales and increased incentives in China in advance of the 1 July duty reduction. The lower wholesales and higher China incentives combined with unfavourable balance sheet currency revaluation and higher depreciation and amortisation resulting from continuing investment led to a pre-tax loss for the quarter of £264 million (negative EBIT margin). Earnings before interest, tax and depreciation (EBITDA) were £325 million (6.2% margin).

For the standalone business, in Q1 FY '19 wholesales (including exports) grew 59% to 176,868 units with broad based growth across the entire portfolio on a low base. In the domestic market M&HCV trucks grew 111%, ILCV trucks +73%, SCV & Pick Ups +57% and CV Passenger +31%. PV was up 50%. CV growth reflects launch of new products and higher economic activities due to the improved industrial activity, robust demand in private consumption and government spending on infrastructure. Nexon, Tiago and Tigor continued to deliver strong growths.

In the quarter, revenue increased 83% to Rs. 16,803Cr, Pre-tax profit at Rs. 1,464 Cr (against Pre-tax loss of Rs. 463 Cr in Q1 FY 18). Pre-tax profit for the quarter includes dividend income of Rs. 1,310Cr (against dividend income of Rs. 557 Cr in Q1 FY18). Profit after tax for the quarter was Rs. 1188Cr.

Other Information

In the quarter, Net profit from joint ventures and associates contributed Rs. 306crore compared with Rs. 670cr in prior year. The decrease is coming mainly from the lower profitability in the JLR's China JV (CJLR) due to the custom duty impact. Other income was Rs. 225Cr versus Rs. 154Cr in the same quarter prior year. The increase is coming from mainly the additional interest incomes earned during the year.

Free Cash Flows

Free cash flow (automotive) in the quarter, was negative Rs. 18,109Cr reflecting lower operating profits at JLR and unfavourable working capital in both TML (S) and JLR.

Net Debt

Closing net debt was Rs. 62,436Cr compared to Rs. 39,977Cr as at 31st March 2018, reflecting negative free cash flow at both TML and JLR with continued high investments. Net Automotive debt stood at Rs. 32,977Cr vs Rs. 13,889Cr as at 31st March 2018.

Tata Motors: Consolidated Results

| Particulars | Q1FY19 | Q1FY18 | Var.(%) | FY18 | FY17 | Var.(%) |
|------------------------------------|----------|----------|---------|-----------|-----------|---------|
| Total Operating Income | 67081.29 | 58493.37 | 15 | 294619.18 | 269692.51 | 9 |
| OPM(%) | 8.1 | 8.5 | | 11.3 | 12.4 | |
| OP | 5430.7 | 4964.8 | 9 | 33341.2 | 33499.4 | 0 |
| Other Income | 224.77 | 154.11 | 46 | 888.89 | 754.54 | 18 |
| PBIDT | 5655.4 | 5118.9 | 10 | 34230.1 | 34253.9 | 0 |
| Interest | 1375.27 | 1108.85 | 24 | 4681.79 | 4238.01 | 10 |
| PBDT | 4280.16 | 4010.09 | 7 | 29548.3 | 30015.88 | -2 |
| Depreciation | 5857.13 | 4524.56 | 29 | 21553.59 | 17904.99 | 20 |
| PBT before forex gain/loss | -1576.97 | -514.47 | 207 | 7994.71 | 12110.89 | -34 |
| Forex gain/loss | -1007.26 | 631.26 | PL | 1185.28 | -3910.1 | -130 |
| PBT Before EO | -2584.23 | 116.79 | PL | 9179.99 | 8200.79 | 12 |
| EO | | 3620.2 | -100 | 1975.5 | 1115.4 | 77 |
| PBT after EO | -2584.23 | 3736.99 | PL | 11155.49 | 9316.19 | 20 |
| Tax provision [^] | -415.63 | 1207.44 | LP | 4341.93 | 3251.23 | 34 |
| PAT | -2168.6 | 2529.55 | PL | 6813.56 | 6064.96 | 12 |
| Less: Minority Interest | | | | | | |
| Share of profit/loss of associates | 306.03 | 670.38 | -54 | 2278.26 | 1493 | 53 |
| Net Profit | -1862.6 | 3199.9 | PL | 9091.82 | 7557.96 | 20 |
| EPS* | | 8.8 | | 23.2 | 20.1 | |

Tata Motors: Consolidated Segment Results

| Particulars | Q1FY19 | Q1FY18 | Var.(%) | FY18 | FY17 | Var.(%) |
|--|----------|----------|---------|-----------|-----------|---------|
| Segment Revenue | | | | | | |
| (I) Automotive And Related Activity: | | | | | | |
| Tata Vehicles/Spares & Financing Thereof | | | | 66620.4 | 56448.78 | 18 |
| Commercial Vehicle | 13929.73 | 9322.51 | 49 | | | |
| Passenger Vehicle | 3465.91 | 2383.21 | 45 | | | |
| Finance | 733.09 | 631.18 | 16 | | | |
| Corporate/Unallocable | 22.75 | 49.25 | -54 | | | |
| Jaguar & Landrover Business | 48467.24 | 47044.48 | 3 | 226964.9 | 216388.82 | 5 |
| Less: Inter Segment Elimination | 17.28 | 40.88 | -58 | 131.91 | 145.19 | -9 |
| Total Automotive | 66601.44 | 59389.75 | 12 | 293453.33 | 272692.41 | 8 |
| (II)Others | | | #DIV/0! | 3252.4 | 3184.06 | 2 |
| Total Segment Revenue | 66601.44 | 59389.75 | 12 | 296705.69 | 275876.47 | 8 |
| Less : Inter-Segment Revenue | | | #DIV/0! | 1296.35 | 1384.35 | -6 |
| Net Sales | 66601.44 | 59389.75 | 12 | 295409.34 | 274492.12 | 8 |
| Segment Results | | | | | | |
| PBIT | | | | | | |
| (I) Automotive And Related Activity: | | | | | | |
| Tata Vehicles/Spares & Financing Thereof | | | | 2103.58 | 207.05 | 916 |
| Commercial Vehicle | 1057.2 | 219.39 | 382 | | | |
| Passenger Vehicle | -341.12 | -806.92 | -58 | | | |
| Finance | 462.04 | 294.17 | 57 | | | |
| Corporate/Unallocable | -57.24 | -69.3 | -17 | | | |
| Jaguar & Landrover Business | -1652.89 | 770.85 | -314 | 9408.8 | 15117.07 | -38 |
| Less: Inter Segment Elimination | | | 0 | | | 0 |
| Total Automotive | -532.01 | 408.19 | -230 | 11512.38 | 15324.12 | -25 |
| (II)Others | | | #DIV/0! | | | #DIV/0! |
| Total Segment Results | -532.01 | 408.19 | -230 | 11512.38 | 15324.12 | -25 |
| Less : Inter-Segment eliminations | | | #DIV/0! | | | #DIV/0! |
| Net Segment Result | -532.01 | 408.19 | -230 | 11512.38 | 15324.12 | -25 |

NOTES

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