

Tata Motors Limited

CMP : Rs 309.45

May 23, 2018

Q4 OPM skids 210 bps

Tata Motors, India's largest automotive player by revenue, missed market expectations with a 50% drop in its consolidated net profit for the fourth quarter ended March 2018 to Rs 2,176.16 crore. Revenue from operations grew 18% to Rs 91,279.09 crore in the quarter under review.

Market had pegged the company's consolidated net profit to come in at Rs 4,041 crore. The fall in bottom line was primarily due to a Rs 1,641.38-crore impairment of capital work in progress. Market has expected revenues to come in at Rs 89,507 crore.

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N Chandrasekaran, Chairman commented 'In FY 18, JLR delivered profitable growth despite challenging market conditions. We invested for growth, launched exciting new products and established landmark partnerships. In the near term, the challenges of market, technology and geo-political uncertainties are likely to persist. This is the 10th year of Tata's acquisition of JLR. In this period, we grew 5 times, strengthened our differentiated premium brands, built leading edge technical capabilities and improved profitability by 1300bps. Looking ahead, we will draw inspiration from this proven legacy to create value over the long term and drive each of these further. We will also focus on cost efficiencies, drive operating leverage and manage capital spends prudently.

In the domestic business, the 'Turnaround' results are clearly visible. We gained market share in both CV and PV with strong improvement in profitability and positive cash flows. With 'Turnaround 2.0' we will accelerate our efforts to 'Win Decisively' in CV, 'Win Sustainably' in PV and embed the turnaround culture in the company.

With these focused efforts, I am confident that Tata Motors Group shall deliver Competitive, Consistent and Cash Accretive Growth in the coming years'.

Mr. Guenter Butschek, Tata Motors CEO & MD, said: 'FY18 has been a hallmark year for Tata Motors with a record breaking sales performance, increase in market share and the standalone business turning profitable before one-time exceptional charges. As we step into Turnaround 2.0, we would like to embed Turnaround thinking within TML and our business plan will continue to remain robust in terms of sales, market share and financial performance. We want to structurally improve the business with reinforced & focused actions in PV, and continuing the momentum in CV from last year. Our future pipeline is full of attractive products, bundled with the most desirable and customer-centric service offerings. We will continue to enhance the organization's effectiveness, enabling greater speed, simplicity and agility in our efforts. These interventions give us the confidence to deliver competitive, consistent and cash accretive growth over the medium to long term.'

During the quarter ended March 2018, Tata Motors' standalone sales posted a solid jump of 36% to 204,255 units as against 150,448 units in the same period last year. Domestic sales were up 39% at 187,874 units from 135,416 units.

During the reporting quarter, the company's luxury-car subsidiary Jaguar Land Rover saw its sales decline 4% to 172,709 units. The fall was primarily due to lower UK sales, and to a lesser extent lower sale in Europe. UK industry sales were down 12.4% in the quarter, more than explained by lower diesel sales.

Quarterly performance

Operating profit margin on a consolidated basis for the quarter ended Mar 18 fell 210 bps to 11.9% (vis a vis 14%). The drop in margin was due to rise in other and raw material expenses (net of sales, stock adjusted). Raw material cost increased by 130 bps to 56.5%. Other expenses rose 210 bps to 21.9%. Employee cost was steady at 9.35%. Purchase of products for sales (net of sales, stock

INDEX DETAILS

SENSEX	34344.91
NIFTY (S&P CNX)	10430.35

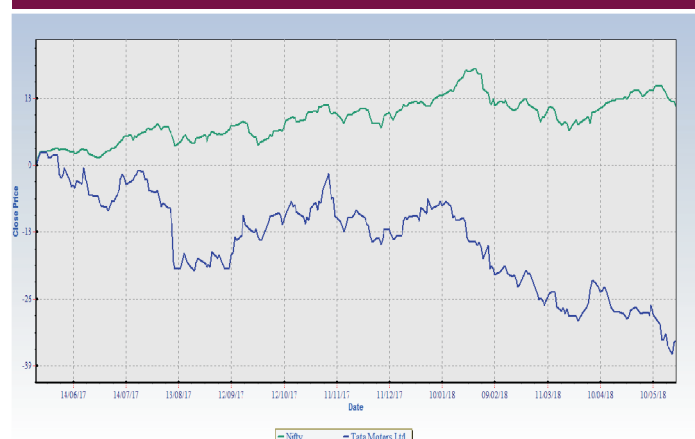
SCRIP DETAILS

Industry	Commercial Vehicles
Mkt Cap (Rs in Crore)	98243.44
Book Value (Rs)	69.28
Free Float (%)	63.63
Avg Vol Weekly (NSE)	13670099
52 Week H/L (NSE)	487.00 / 295.10
Dividend Yield (%)	0.00
BSE Code	500570
NSE Code	TATAMOTORS

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	36.37	36.37
FIIIs	20.26	21.40
DIIIs	17.48	16.94
Others	25.89	25.29
Totals	100	100

Price Comparison with Sensex



adjusted) fell 18bps at 6.35%. Operating profit rose 1% to Rs 10,884.43crore.

With 56% rise in other income to Rs 364.35crore, PBIDT rose 2% to Rs 1,248.78crore. Interest and depreciation charges rose 1% and 39% respectively during the quarter under review. Following this, the company incurred a profit of Rs 3582 crore at PBT before forex/EO level vis a vis a gain of Rs 5201 crore in previous corresponding quarter, drop of 31%.

Following a forex gain of Rs 365crore vis a vis a gain of Rs 45 crore, the company registered PBT before EO at Rs 3948crore, vis a vis a profit of Rs 5246 crore, drop of 25%. The company incurred Rs 1640 crore EO expense vis a vis only Rs 80 crore in previous year. Following this, PBT after EO fell 55% to Rs 2307 crore. Following 21% drop in tax provision to Rs 977.11 crore, Pat fell 50% to Rs 2175 crore after adjusted for 106% rise in share of profits in JVs.

Segment wise, Tata and other brand and other vehicles, spares and financing constituted 20% of total revenues during the quarter while rest 80% came from Jaguar and Land Rover. Sales from the former rose 27% during the quarter to Rs 21,280crore while sales from JLR rose 13% at Rs 69,410crore. In terms of profitability, Tata and other brand and other vehicles, spares and financing registered a profit of Rs 940 crore vis a vis a profit of Rs 110 crore in previous year. PBIT from JLR decreased 44% at Rs 3317 crore.

Jaguar Land Rover's revenue for the quarter ended March came in at 7,555 million pounds, 4% higher than in the same quarter last year. Its pre-tax profit, however, fell 46% over the period to 364 million pounds.

FY 18 Performance:

For FY 17-18, the company registered Rs 294,619crore sales which was 9% higher vis a vis last year. OPM fell 110 bps to 11.3% in FY17-18 which led to marginal drop in operating profits to Rs 33,341 crore.

The drop in margin was due to increase in raw material expenses (net of sales, stock adjusted). Raw material cost increased by 46 bps to 57.9%. Other expenses rose 30 bps to 20.3%. Employee cost was steady at 10.22%.

With 18% increase in other income to Rs 888.89 crore, PBIDT fell marginally to Rs 34,230 crore. Interest and depreciation charges rose 10% and 20% respectively during the period under review. Following this, the company incurred a profit of Rs 7994 crore at PBT before forex/EO level, drop of 34%.

Following a forex gain of Rs 1185 crore vis a vis a loss of Rs 3910 crore, and EO income of Rs 1975 crore vis a vis Rs 1115 crore in previous year, the company registered PBT after EO at Rs 11155, rise of 20%. Following 34% rise in tax provision to Rs 4342 crore, Pat rose 20% to 9091crore.

The Tata Group company said that its effective tax rate for FY18 was 32.3%, largely because of tax credits in the standalone business not getting recognised and because of a one-time impact due to lower tax rates on deferred tax assets in the UK and US.

Segment wise, Tata and other brand and other vehicles, spares and financing constituted 22% of total revenues during the period while rest 78% came from Jaguar and Land Rover. Sales from the former rose 18% during FY18 to Rs 66,620 crore while sales from JLR rose 5% at Rs 226,964crore. In terms of profitability, Tata and other brand and other vehicles, spares and financing registered a profit of Rs 2103 crore vis a vis a profit of Rs 207 crore in previous year. PBIT from JLR decreased 38% at Rs 9,408crore.

In FY '18 in the domestic business, wholesales (including exports) grew 17% to 636,968 units with broad based growth across the entire portfolio. In the domestic market M&HCV trucks grew 16%, ILCV trucks grew 36%, SCV & Pick Ups grew 37%. PV sales was up 19%.

For the Fiscal year 2018, in the JLR business, retail sales grew 1.7% yoy to 614,309 cars, with demand up in China (19.9%), North America (4.7%) and in Overseas Markets (3.4%). These regional increases offset lower figures in the UK (-12.8%) and Europe (-5.3%), where sales were impacted by consumer uncertainty surrounding diesel models. The increase in sales was driven by new models, including the latest Land Rover Discovery, the award-winning Range Rover Velar (World Car Design of the Year), the long-wheelbase Jaguar XFL in China and continued solid demand for the Jaguar F-PACE.

Other Information

In the quarter ended March 2018, net profit from joint ventures and associates contributed Rs 845 crore compared with Rs 411 crore in prior year. Other income was Rs 364 crore versus Rs 234 crore in the same quarter prior year. The increase is coming from mainly the additional interest incomes earned during the year.

Tata Motors: Consolidated Results

Particulars	Q4FY18	Q4FY17	Var.(%)	FY18	FY17	Var.(%)
Total Operating Income	91279.09	77217.19	18	294619.18	269692.51	9
OPM(%)	11.9	14		11.3	12.4	
OP	10884.4	10801.2	1	33341.2	33499.4	0
Other Income	364.35	234.16	56	888.89	754.54	18
PBIDT	11248.8	11035.3	2	34230.1	34253.9	0
Interest	1178.26	1163.97	1	4681.79	4238.01	10
PBDT	10070.52	9871.36	2	29548.3	30015.88	-2
Depreciation	6488.36	4670.24	39	21553.59	17904.99	20
PBT before forex gain/loss	3582.16	5201.12	-31	7994.71	12110.89	-34
Forex gain/loss	365.81	45.19	709	1185.28	-3910.1	-130
PBT Before EO	3947.97	5246.31	-25	9179.99	8200.79	12
EO	-1640.33	-80.81	999	1975.5	1115.4	77
PBT after EO	2307.64	5165.5	-55	11155.49	9316.19	20
Tax provision ^A	977.11	1239.62	-21	4341.93	3251.23	34
PAT	1330.53	3925.88	-66	6813.56	6064.96	12
Less: Minority Interest						
Share of profit/loss of associates	844.62	410.55	106	2278.26	1493	53
Net Profit	2175.1	4336.4	-50	9091.82	7557.96	20
EPS*	36.8	51.8		23.2	20.1	

Tata Motors: Consolidated Segment Results

Particulars	Q4FY18	Q4FY17	Var.(%)	FY18	FY17	Var.(%)
Segment Revenue						
(I) Automotive And Related Activity:						
Tata Vehicles/Spares & Financing Thereof	21280.33	16732.22	27	66620.4	56448.78	18
Jaguar & Landrover Business	69410.88	61591.65	13	226964.9	216388.82	5
Less: Inter Segment Elimination	19.12	91.78	-79	131.91	145.19	-9
Total Automotive	90672.09	78232.09	16	293453.33	272692.41	8
(II) Others	982.27	876.8	12	3252.4	3184.06	2
Total Segment Revenue	91654.36	79108.87	16	296705.69	275876.47	8
Less : Inter-Segment Revenue	375.77	362.26	4	1296.35	1384.35	-6
Net Sales	91278.59	78746.61	16	295409.34	274492.12	8
Segment Results						
PBIT						
(I) Automotive And Related Activity:						
Tata Vehicles/Spares & Financing Thereof	940.86	109.73	757	2103.58	207.05	916
Jaguar & Landrover Business	3317.21	5931.3	-44	9408.8	15117.07	-38
Less: Inter Segment Elimination			0			0
Total Automotive	4258.07	6041.03	-30	11512.38	15324.12	-25
(II) Others			#DIV/0!			#DIV/0!
Total Segment Results	4258.07	6041.03	-30	11512.38	15324.12	-25
Less : Inter-Segment eliminations			#DIV/0!			#DIV/0!
Net Segment Result	4258.07	6041.03	-30	11512.38	15324.12	-25

NOTES :-

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