

Covid, exceptional charges drain profitability...

Tata Motors (TML) reported a dismal Q4FY20 performance. Consolidated net sales were at ₹ 62,493 crore, down 28% YoY (standalone sales down 48%, JLR sales down 24%) tracking 47% YoY volume de-growth in Indian operations (CV led) and 21% YoY volume decline in JLR (impacted by Covid-19). Consolidated EBITDA margins were at a new low of 5.9%, with standalone margins at -4.4% and JLR margins disappointed, falling 600 bps QoQ to 4.8%. Consolidated loss was at ₹ 9,864 crore, tracking muted margins, higher fixed costs & exceptional items (₹ 4,500 crore for forex loss, impairment charge on domestic PV business). For FY20, JLR's FCF improved by ₹563 million YoY to -₹702 million, with standalone FCF at -₹ 6,000 crore.

Demand picture unclear; JLR volumes to marginally outperform India

The Covid-19 pandemic struck JLR's China operations just as it was beginning to recover from a prolonged volume slump (retail still outperformed wider China industry by 770 bps in FY20). Revival has been swift there post easing of quarantine norms, with May volumes up 4.2% YoY and monthly leads trending positively. As production begins elsewhere in a calibrated manner, overall demand picture stays clouded by pandemic's impact on purchasing power, adding to other global challenges (regulatory, technological changes). Nevertheless, a healthy suit of products (Evoque, I-Pace, new Defender) is seen helping the subsidiary post 0.3% volume CAGR in FY20P-22E. India, meanwhile, continues to suffer from near standstill on CV side amid slowing economic activity. The company hopes to leverage its strong product portfolio to reinvigorate PV division, going forward.

Cost, capex, FCF focus stays intensified

JLR's FCF position continues to improve (up ₹563 million YoY to -₹722 million). Cost, profit and cash improvement plan 'Project Charge' has delivered results well ahead of schedule (**Exhibit 4**), delivering ₹3.5 billion in savings by FY20 instead of the originally planned ₹2.5 billion. Now termed 'Charge+', TML aims to achieve further ₹1.5 billion savings by FY21E (half of these being non-recurring and structural). The company has also initiated a similar ₹ 6,000 crore plan in India (includes ₹ 3,000 crore of planned capex reduction). Also, JLR capex has been revised downwards by 40% to ₹2.5 billion. The company aims to turn JLR FCF positive by FY22E, with further Charge+ progress a key monitorable, going ahead.

Valuation & Outlook

We do not expect the company to turn PAT positive or FCF positive before FY22E. Margins, however, are seen improving (after volume drop induced FY21E dip) amid continued cost focus. We value TML at ₹ 90 on SOTP basis i.e. 12.5x & 4x EV/EBITDA (FY22E) to TML standalone business & JLR, respectively, on SOTP basis, retaining our **HOLD** rating on the stock.

Key Financial Summary

Key Financials	FY18	FY19	FY20P	FY21E	FY22E	CAGR (FY20E-22E)
Net Sales	2,94,619.2	3,01,938.4	2,61,068.0	2,37,665.9	2,77,255.1	3.1%
EBITDA	38,058.3	29,794.8	23,914.1	17,953.6	32,201.9	16.0%
EBITDA Margins (%)	12.9	9.9	9.2	7.6	11.6	
Net Profit	9,091.4	(28,724.2)	(11,975.4)	(10,477.3)	921.8	NM
EPS (₹)	26.8	(84.6)	(32.8)	(27.4)	2.4	
P/E	3.5	(1.1)	(2.9)	(3.5)	39.5	
RoNW (%)	10.3	7.1	(4.3)	(12.3)	8.5	
RoCE (%)	9.1	5.4	3.0	(0.1)	7.2	

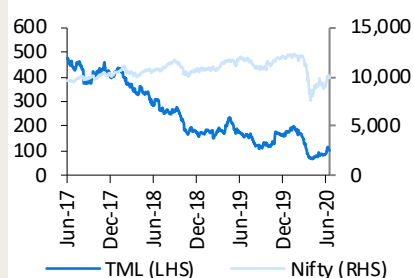
Source: ICICI Direct Research, Company

TATA MOTORS

Connecting Aspirations

Particulars	₹ crore
Market Capitalization	34,723
Total Debt (FY 20P)	1,15,492
Cash and Inv. (FY 20P)	44,588
EV (FY 20P)	1,05,627
52 week H/L (₹)	202 / 64
Equity capital (₹ crore)	719.5
Face value (₹)	2.0

Price chart



Key Highlights

- Consolidated Q4FY20 sales down 28%, tracking 48% India drop and 24% decline in JLR
- JLR margins down 600 bps QoQ to 4.8% amid negative operating leverage. Consolidated margins at new low of 5.9%
- Demand picture remains unclear post Covid although JLR is seen marginally outperforming India on volume front
- Sharpened focus on costs, capex and FCF is welcome
- Maintain HOLD with revised target price of ₹ 90 (SOTP), assigning 12.5x & 4x EV/EBITDA (FY22E) to standalone & JLR, respectively

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Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q2FY20	QoQ (%)	Comments
Total Operating Income	62,493	57,848	86,422	-27.7	71,676	-12.8	Topline came in ahead of estimates primarily tracking better than anticipated ASPs both in domestic operations and JLR
Raw Material Expenses	40,810	37,179	57,146	-28.6	46,418	-12.1	
Employee Expenses	7,699	7,448	7,999	-3.8	7,737	-0.5	
Other expenses	14,899	12,294	16,628	-10.4	13,758	8.3	Other expenses as a percentage of sales came in substantially higher at 23.8% , up 465 bps QoQ, primarily tracking negative operating leverage
Operating Profit (EBITDA)	3,660	4,513	9,092	-59.8	8,206	-55.4	
EBITDA Margin (%)	5.9	7.8	10.5	-466 bps	11.4	-559 bps	Margins came in at a new low of 5.9% with overall overheads registering QoQ increase
Depreciation	5,815	5,160	5,353	8.6	5,199	11.8	
Interest	1,953	1,714	1,588	23.0	1,744	12.0	Higher interest cost tracking increase in debt
Product devt. Expenditure	1,287	962	1,073	19.9	1,009	27.5	
Tax	358	(587)	111	221.5	(605)	-159.3	
PAT	(9,864)	(1,985)	1,109	-989.7	1,756	-661.8	PAT came in substantially negative owing to muted margin profile and one-offs amount to ~₹ 4,500 crore. One-offs included forex loss, provision for contractual obligations as well as impairment charge on domestic PV business
EPS	(27.0)	(5.4)	3.3	-926.5	5	-661.8	
Key Metrics							
JLR sales (mn GBP)	5,426	5,120	7,134	(23.9)	6,398	11.5	JLR revenue beat tracked better than anticipated ASPs and wholesale volumes
JLR margins (%)	4.8	8.0	9.8	-498 bps	10.8	-598 bps	Margins at JLR were disappointing at 4.8%
JLR PAT (mn GBP)	(539.0)	(43.0)	119.0	(552.9)	372	(68.0)	
Domestic revenues (₹ crore)	9,733	8,252	18,561	(47.6)	10,843	(10.2)	Domestic revenues came in higher tracking ASP beat (₹ 9.5 lakh/unit)
Domestic margins (%)	(4.4)	(3.3)	7.3	-1167 bps	1.4	-578 bps	
Domestic PAT (₹ crore)	(4,871)	(1,056)	106	4,683.3	(1,038)	369.5	Standalone loss included ~₹ 2.5k cr one-offs

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	260,319	237,666	-8.7	286,254	277,255	-3.1	Tweak sales estimates to build Covid-19 led demand impact. We expect topline to grow at 3.1% CAGR of 3.1% over FY20-22E
EBITDA	30,101	17,954	-40.4	37,492	32,202	-14.1	
EBITDA Margin (%)	11.6	7.6	-401 bps	13.1	11.6	-148 bps	Lower margin estimates tracking dismal performance in Q4FY20 and limited operating leverage benefits given muted demand prospects
PAT	-901	-10,477	NM	3,491	922	-73.6	
EPS (₹)	(2.4)	(27.4)	NM	9.1	2.4	-73.6	Sharp reduction in margin estimates & higher fixed charge (interest, depreciation) lead to sharply lowered forward PAT estimates

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Units	FY18	FY19	FY20	FY21E	FY22E	Comments
JLR						
Jaguar Sales Volume	176,246	177,450	144,270	126,418	141,588	
Land Rover Sales Volume	457,264	387,856	381,132	345,178	386,600	
Total JLR Sales Volume	633,510	565,306	525,402	471,596	528,188	At JLR, we build in 10% FY21E volume decline & 12% growth in FY22E, implying 0.3% CAGR over FY20-22E (Land Rover)
Growth (YoY, %)		-11%	-7%	-10%	12%	
Avg ASP/vehicle (£)	40,676	42,737	43,698	43,255	43,781	
RM/Unit (GBP)	25,774	27,720	27,948	27,915	27,454	
Capitalised expenses (mn £)	1,610	1,576	1,369	1,234	1,276	
India						
M&HCV	190,367	228,116	126,258	97,072	121,339	
LCV	259,072	288,128	213,658	171,475	214,344	
PV	189,619	215,697	132,868	108,679	135,849	
Total India Sales Volume	639,058	731,941	473,377	377,226	471,532	In India we build in 20% FY21E volume decline followed by 25% growth in FY22E.
Growth (YoY, %)		15%	-35%	-20%	25%	

Source: Company, ICICI Direct Research

Conference call highlights

Management guidance/outlook

- **The company did not commit to an outlook for FY21E on revenue or the margin front pending further demand clarity. It does, however, expect JLR FCF outflow to be up to £2 billion in Q1FY21E (£1.5 billion already in April-May), with India FCF to be up to ₹ 5,000 crore in the red**
- TML does not foresee significant commodity pricing pressures except for some precious metals
- **The company wants to turn JLR FCF positive by FY22E.**

Full year FY20 financials

- Total wholesale volumes for Q4FY20 were at 2.31 lakh units (down 35% YoY) and for full year FY20 were at 10.1 lakh units (down 23% YoY). India retail volumes at 5.1 lakh units were higher by 65,000 units compared to wholesales whereas JLR retail sales at 5.1 lakh units, lower by ~17,000 units compared to wholesales
- **JLR retail volumes were down 12.1% YoY with Europe (down 16.1%) and Overseas i.e. Brazil, Russia, South Korea down 20.3%. China (down 8.9%), UK (down 9.6%) and North America (down 7.5%) performed relatively better. JLR lost ~44,000 units on account of Covid-19. China outperformed industry volumes by 770 bps. On nameplate front, Range Rover Evoque volumes grew 25.5% while the electric Jaguar I-Pace saw 40% growth**
- From total FY20 revenue decline of 13.5%, volume and mix deterioration accounted for 13.1%
- **Standalone EBIT margins were negative 7.1% (down 1090 bps YoY); JLR margins were at negative 0.1% (up 60 bps YoY)**
- **JLR EBIT excluding Covid would have been at +£206 million (2.4% margins). The company estimated £599 million negative Covid impact and estimated that pre Covid margins in Q4FY20 were at ~6% levels**
- **JLR FCF position improved by £ 563 million YoY to -£702 million. It clocked positive CFO of £225 million for Q4FY20**
- **In India, the company estimated ₹ 500 crore of adverse Covid impact at EBIT level and ₹ 2,000 crore at FCF level for the year, with FY20 FCF at -₹ 6,000 crore**
- **Total automotive debt was at ~₹ 48200 crore. JLR debt was at £5.6 billion while standalone debt amounted to ₹ 6700 crore**

JLR operations

- **All JLR plants are operational (except UK's Castle Bromwich). The company is facing no supply constraints. Total 89% of retailers are operational globally (100% in China). Present inventory is at ~18,000 units (~45,000 units before shutdowns)**
- **JLR is receiving ~£50 million monthly government support for furloughed employees. It had placed ~20,000 employees on furlough initially but they are now returning to work**
- In Q4FY20, dealer inventory was 25% higher than normal and thereby impacted variable marketing expenses (VME).
- **JLR capex for FY20 was at £3.3 billion**
- For April and May 2020, China retail sales posted -3.1% YoY and +4.2% YoY growth. Average monthly leads were up 11% YoY and 14% YoY in the two months
- The Defender has >22k bookings as on date (about three months cover) but retails are limited as of now
- I-Pace volumes can be scaled up by 30-40% without trouble.

Indian operations

- **India capex spend for the year was at ₹ 5,344 crore. H2FY20 FCF was at +~₹ 400 crore**
- **The company is working towards securing further ₹ 4000 crore funding for India business (₹ 1,000 crore via NCDs, ₹ 3,000 crore via loans) and exploring further options including warrants**
- TML improved M&HCV and ILCV market share by 240 bps YoY to 57.4% and by 180 bps YoY to 47.2%, respectively, in FY20. SCV market share, however, declined 220 bps to 37.9% while overall CV market share fell 210 bps to 43%
- Overall PV market share fell 150 bps to 4.8% as of FY20, with PC share declining 170 bps to 4.2% and UV share declining 140 bps to 5.6%

- India dealer inventory is near nil in CV & ~13,000 units in PV. CV inventory reduced by 51,000 units in H2FY20 amid intense retail focus. Total >95% of CV vendors are operational currently

India PV business

- The company wrote down investments in the India PV business by ~₹ 2500 crore and aims to make it turn cash positive by FY23E. TML wants to achieve double digit PV market share, going forward
- It said that it is in discussion with several OEMs as regards strategic partnership for the division

Capex and costs

- TML has reduced JLR FY21E capex outlook by 40% to £2.5 billion, with standalone capex outlook reduced by 66% to ₹ 1,500 crore
- The company has raised upwards Project Charge+ targeted savings by £1.5 billion to £5 billion (by FY21E) while initiating cash improvement plan worth ₹ 6,000 crore in India - ₹ 1,500 crore through cost savings, ₹ 3,000 crore by reduced capex and ₹ 1,500 crore through working capital savings

Exhibit 4: Project Charge+ progress

£B	Charge			Charge+	
	FY19	FY20 to Q3	Total to FY20 Q3	FY20 Q4	Total to Date
Investment	0.7	0.8	1.5	0.4	1.9
Working Capital	0.4	0.3	0.7	-0.1	0.6
Cost & Profits	0.2	0.5	0.7	0.3	1.0
Total Cash Saving	1.3	1.6	2.9	0.6	3.5

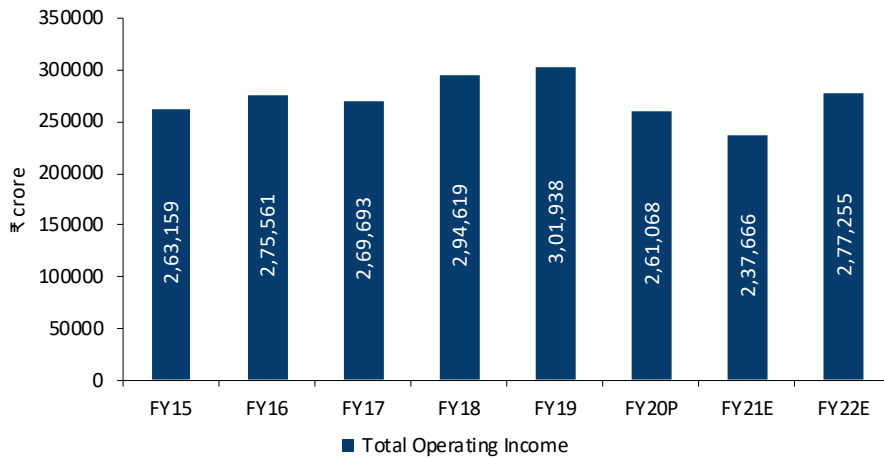
Project Charge+ has delivered £3.5 billion in savings till date (ahead of schedule), including £0.6 billion in Q4FY20.

Source: Company, ICICI Direct Research

- Of the targeted £1.5 billion Charge+ savings, £750 million would be non-recurring and structural in nature, in areas of contribution margins, material cost, warranty and other overheads.

Financial story in charts

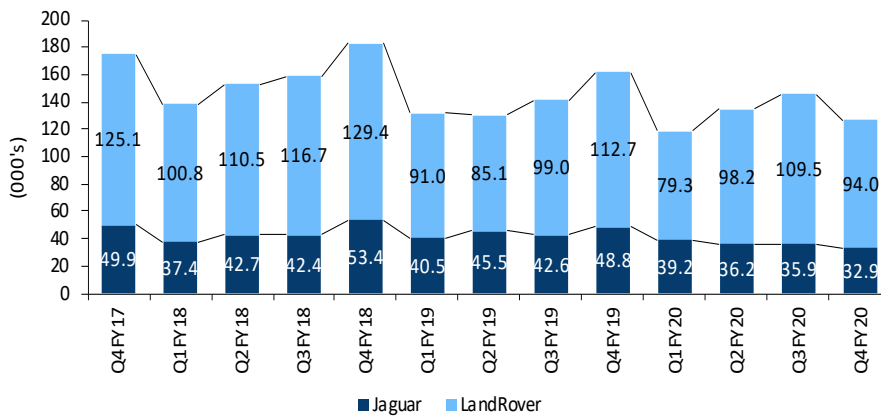
Exhibit 5: Topline trend



We expect sales to grow at 3.1% CAGR over FY20P-22E to ₹ 2.77 lakh crore, with JLR & India volume CAGR seen at 0.3% and -0.2%, respectively

Source: Company, ICICI Direct Research

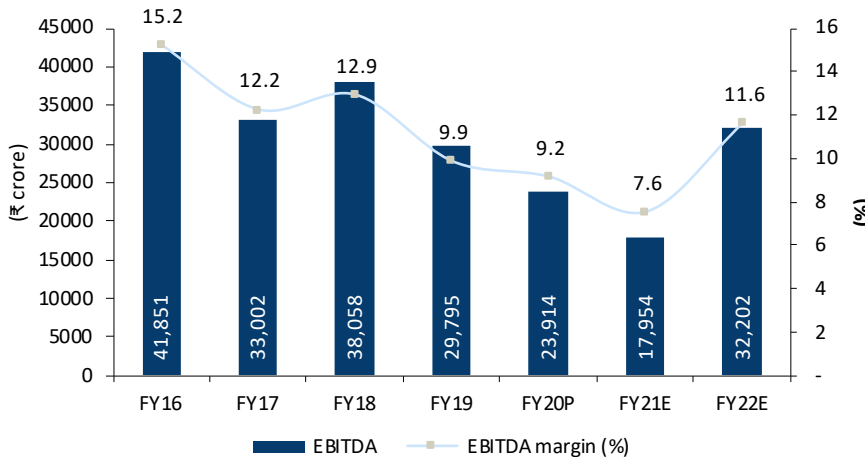
Exhibit 6: JLR volumes trend



Total JLR volumes for Q4FY20 were down 21% YoY at 1.27 lakh units as Covid disrupted operations, especially in China. Product mix continued to improve in favour of Land Rover.

Source: Company, ICICI Direct Research

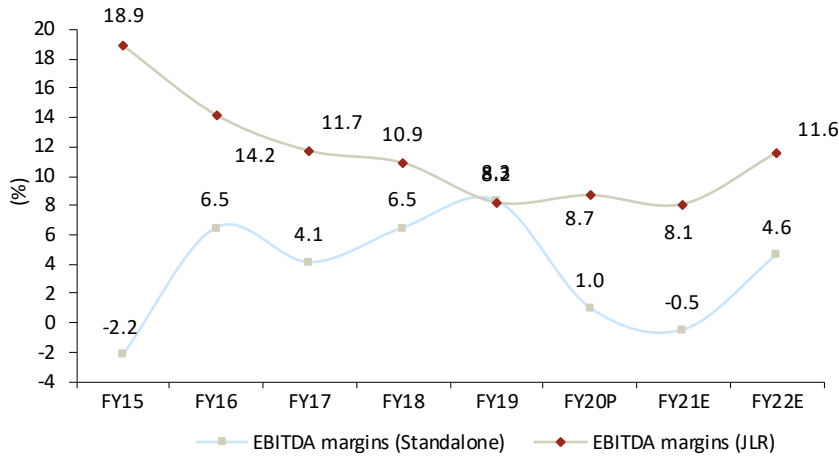
Exhibit 7: Consolidated EBITDA margin profile



EBITDA margins expected to improve in FY22E after suffering drop in FY21E, with Charge+ progress a key monitorable up ahead

Source: Company, ICICI Direct Research

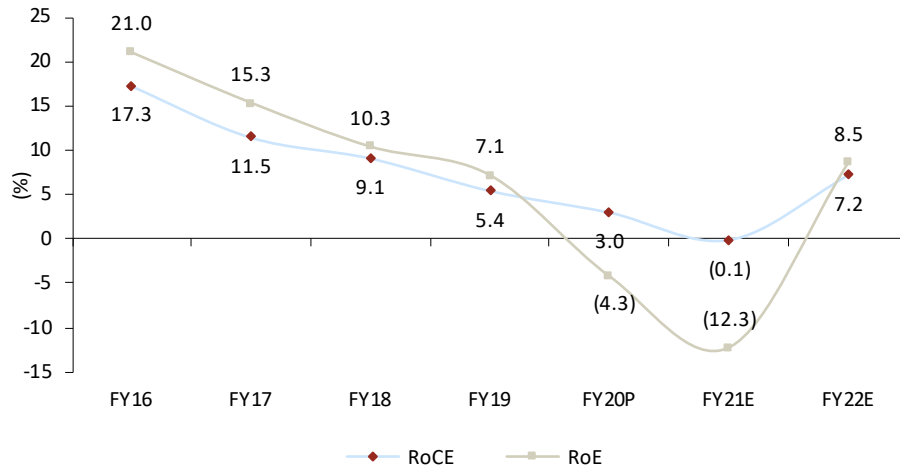
Exhibit 8: Margins trend at standalone and JLR



Source: Company, ICICI Direct Research

At JLR, we expect EBITDA margins to dip to 8.1% in FY21E before rising sharply to 11.6% levels by FY22E, courtesy continued focus on costs under Project Charge+. India margins are seen slipping into negative zone in FY21E amid various challenges faced by CV space. India cost rationalisation program and expected volume increase in FY22E is seen leading to margin revival in that year

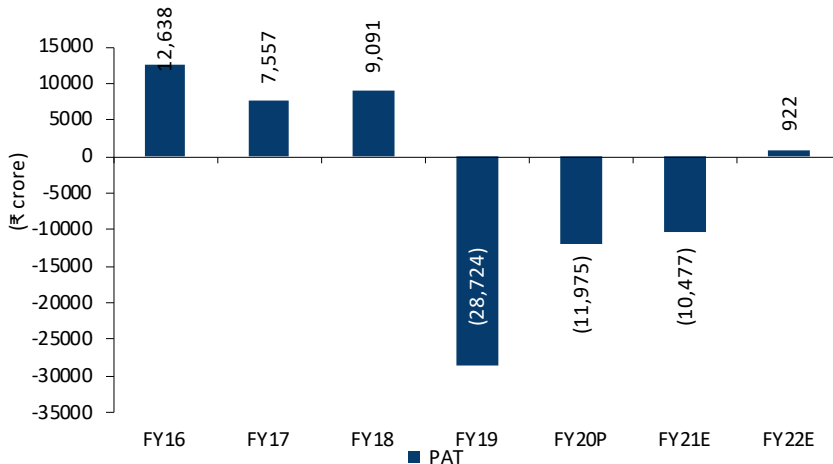
Exhibit 9: Return ratio profile



Source: Company, ICICI Direct Research

RoCE expected to improve to ~7.2% by FY22E tracking margin improvement

Exhibit 10: PAT trend



Source: Company, ICICI Direct Research

We expect TML to report PAT of ₹ 922 crore in FY22E

Exhibit 11: Segment-wise, model-wise FY20 volumes at TML

	Domestic			Exports			Total			Domestic market share (%)
	FY19	FY20	YoY (%)	FY19	FY20	YoY (%)	FY19	FY20	YoY (%)	
Standalone - India										
I. Passenger Cars	1,31,387	71,816	-45.3%	682	409	-40.0%	1,32,069	72,225	-45.3%	4.2
Micro	376	-	-100.0%	-	-	NA	376	-	-100.0%	
Nano	376	-	-100.0%	-	-	NA	376	-	-100.0%	
Compact	1,31,011	71,816	-45.2%	682	409	-40.0%	1,31,693	72,225	-45.2%	
Indigo CS	-	-	NA	150	-	-100.0%	150	-	-100.0%	
Tiago	92,369	49,364	-46.6%	373	289	-22.5%	92,742	49,653	-46.5%	
TIGOR	25,804	10,049	-61.1%	134	108	-19.4%	25,938	10,157	-60.8%	
Zest	11,156	3,684	-67.0%	17	-	-100.0%	11,173	3,684	-67.0%	
Bolt	1,682	261	-84.5%	-	-	NA	1,682	261	-84.5%	
ALTR0Z	-	8,458	NA	-	-	NA	-	8,458	NA	
Indica	-	-	NA	8	12	50.0%	8	12	50.0%	
II. Utility Vehicles	78,756	59,381	-24.6%	1,339.0	1,071.0	-20.0%	80,095	60,452	-24.5%	6.3
<4.4m	61,182	43,260	-29.3%	1,195	789	-34.0%	62,377	44,049	-29.4%	
Nexon	55,008	43,260	-21.4%	701	689	-1.7%	55,709	43,949	-21.1%	
Sumo	6,174	-	-100.0%	494	100	-79.8%	6,668	100	-98.5%	
4.4 - 4.7m	10,027	13,961	39.2%	102	75	-26.5%	10,129	14,036	38.6%	
Safari	5,664	1,105	-80.5%	102	-	-100.0%	5,766	1,105	-80.8%	
Harrier	4,363	12,856	194.7%	-	75	NA	4,363	12,931	196.4%	
>4.7m	7,547	2,160	-71.4%	42	207	392.9%	7,589	2,367	-68.8%	
Hexa	7,547	2,160	-71.4%	42	207	392.9%	7,589	2,367	-68.8%	
III. Vans	21,369	7,041	-67.1%	629	903	43.6%	21,998	7,944	-63.9%	5.3
Hard tops	5,595	4,128	-26.2%	1	-	-100.0%	5,596	4,128	-26.2%	
Magic Express	5,595	4,128	-26.2%	1	-	-100.0%	5,596	4,128	-26.2%	
Soft tops	15,774	2,913	-81.5%	628	903	43.8%	16,402	3,816	-76.7%	
ACE Magic	13,152	2,714	-79.4%	628	903	43.8%	13,780	3,617	-73.8%	
Magic Iris	2,622	199	-92.4%	-	-	NA	2,622	199	-92.4%	
A. Passenger Vehicles (I + II + III)	2,31,512	1,38,238	-40.3%	2,650	2,383	-10.1%	2,34,162	1,40,621	-39.9%	5.0
IV. M&HCV	1,95,712	1,11,752	-42.9%	29,228	12,694	-56.6%	2,24,940	1,24,446	-44.7%	49.7
Passenger i.e. Bus	14,447	14,333	-0.8%	4,061	3,459	-14.8%	18,508	17,792	-3.9%	35.6
Goods i.e. Trucks	1,81,265	97,419	-46.3%	25,167	9,235	-63.3%	2,06,432	1,06,654	-48.3%	52.8
V. LCV	2,51,611	1,92,062	-23.7%	21,228	16,248	-23.5%	2,72,839	2,08,310	-23.7%	39.0
Passenger	18,382	16,324	-11.2%	2,641	1,730	-34.5%	21,023	18,054	-14.1%	35.6
Goods	2,33,229	1,75,738	-24.7%	18,587	14,518	-21.9%	2,51,816	1,90,256	-24.4%	39.3
B. CV (IV + V)	4,47,323	3,03,814	-32.1%	50,456	28,942	-42.6%	4,97,779	3,32,756	-33.2%	42.3
C. Total standalone (A + B)	6,78,835	4,42,052	-34.9%	53,106	31,325	-41.0%	7,31,941	4,73,377	-35.3%	

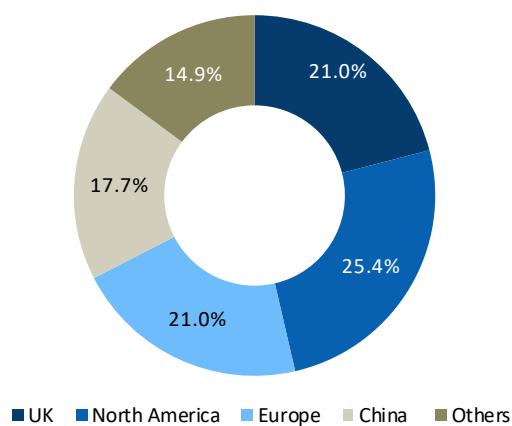
Source: SIAM, ICICI Direct Research

Exhibit 12: Segment-wise, model-wise volumes at JLR for FY20

(Retail volumes)	FY19	FY20	YoY (%)
Jaguar Land Rover (including Chery - JLR)			
I. Jaguar	1,80,198	1,40,593	-22.0%
XE*	30,430	21,949	-27.9%
XF*	27,096	11,726	-56.7%
XJ	4,072	3,535	-13.2%
E - Pace	46,711	37,894	-18.9%
F - Pace	52,683	43,388	-17.6%
I-Pace	11,336	15,867	40.0%
F TYPE	7,870	6,234	-20.8%
II. Land Rover	3,98,717	3,68,066	-7.7%
Defender	-	249	NA
Discovery Sport*	87,977	74,568	-15.2%
Discovery	40,839	33,674	-17.5%
Range Rover Sport	80,422	74,277	-7.6%
Range Rover	56,417	47,290	-16.2%
Range Rover Velar	64,820	52,902	-18.4%
Range Rover Evoque*	68,242	85,106	24.7%
Total JLR (I +II)	5,78,915	5,08,659	-12.1%

Source: Reuters, ICICI Direct Research

Exhibit 13: JLR FY20 retail volume breakup by geography



Source: Reuters, ICICI Direct Research

Exhibit 14: Valuation as per SOTP method

	Parameters	Basis	Multiple	Per Share
Tata Motors Core business	FY 22E EBITDA	2,220	12.5	18
JLR	FY 22E Adj EV/EBITDA	23,159	4.0	60
Other Subsidiaries +Investments				12
Total value per share				90
TML DVR inferred target value @ 35% discount				54

Source: Reuters, ICICI Direct Research

Exhibit 15: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY 18	2,94,619	9.2	26.8	20.3	3.5	1.9	10.3	9.1
FY 19	3,01,938	2.5	(84.6)	NA	NM	3.3	7.1	5.4
FY 20P	2,61,068	-13.5	(32.8)	NA	NM	4.4	-4.3	3.0
FY 21E	2,37,666	-9.0	(27.4)	NA	NM	6.8	-12.3	-0.1
FY 22E	2,77,255	16.7	2.4	NA	39.5	3.7	8.5	7.2

Source: Bloomberg, ICICI Direct Research

Exhibit 16: Shareholding pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	38.4	38.4	38.4	41.7	42.4
FII	19.1	23.1	19.0	18.3	16.8
DII	16.1	12.3	15.5	14.9	13.5
Others	26.4	26.3	27.2	28.4	27.3

Source: Bloomberg, ICICI Direct Research

Financial Summary

Exhibit 17: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Total operating Income	3,01,938	2,61,068	2,37,666	2,77,255
Growth (%)	2.5	-13.5	-9.0	16.7
Raw Material Expenses	1,96,321	1,67,131	1,54,063	1,77,176
Employee Expenses	33,244	30,439	30,161	31,074
Marketing Expenses	62,238	57,087	51,423	55,379
Capitalised Expenses	-19,660	-17,503	-15,934	-18,576
Total Operating Expenditure	2,72,144	2,37,154	2,19,712	2,45,053
EBITDA	29,795	23,914	17,954	32,202
Growth (%)	-21.7	-19.7	-24.9	79.4
Product development Expenses	4225	4189	3611	4016
Depreciation	23591	21425	20796	21487
Interest	5759	7243	7335	7100
Other Income	2965	2973	2676	2876
PBT	2,505	(3,520)	(8,370)	5,577
Minority Interest	0	0	0	0
Total Tax	-2437	395	-2396	312
Reported PAT	(28,724)	(11,975)	(10,477)	922
Growth (%)	-416.0	-58.3	-12.5	-108.8
EPS (₹)	(84.6)	(32.8)	(27.4)	2.4

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	(28,724.2)	(11,975.4)	(10,477.3)	921.8
Add: Depreciation	23,591	21,425	20,796	21,487
(Inc)/dec in Current Assets	4,945	6,254	7,274	-8,418
Inc/(dec) in CL and Provisions	-5,213	-1,978	-8,668	16,131
Others	27,838	4,500	0	0
CF from operating activities	22,437	18,225	8,924	30,122
(Inc)/dec in Investments	0	0	0	0
(Inc)/dec in Fixed Assets	-32,468	-41,007	-25,000	-30,000
Others	-2,633	3,878	-2,768	1,318
CF from investing activities	(35,101)	(37,129)	(27,768)	(28,682)
Issue/(Buy back) of Equity	0	40	46	0
Inc/(dec) in loan funds	17,225	9,317	13,500	200
Dividend paid & dividend tax	0	0	0	0
Inc/(dec) in Sec. premium	0	2,984	3,424	0
Others	-6,526	7,641	-868	0
CF from financing activities	10,699	19,982	16,103	200
Net Cash flow	-1,965	1,078	-2,741	1,640
Opening Cash	34,614	32,649	33,727	30,985
Closing Cash	32,649	33,727	30,985	32,626

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Liabilities				
Equity Capital	679	720	766	766
Reserve and Surplus	59,500	61,491	54,438	55,360
Total Shareholders funds	60,180	62,211	55,204	56,126
Total Debt	1,06,175	1,15,492	1,28,992	1,29,192
Deferred Tax Liability	1,491	1,942	1,768	2,062
Long term provisions	11855	14737	13416	15650
Minority Interest / Others	17,238	19,462	17,001	19,697
Total Liabilities	1,96,939	2,13,844	2,16,380	2,22,727
Assets				
Gross Block	2,74,314	3,11,583	3,41,583	3,76,583
Less: Acc Depreciation	1,63,827	1,85,252	2,06,048	2,27,536
Net Block	1,10,487	1,26,330	1,35,534	1,49,047
Capital WIP	31,884	35,622	30,622	25,622
Total Fixed Assets	1,42,370	1,61,952	1,66,157	1,74,669
Investments	15,771	16,308	16,558	16,808
Inventory	39,014	37,457	32,557	37,980
Debtors	18,996	11,173	10,418	12,154
Loans and Advances	1,269	935	851	993
Other Current Assets	1,13,901	1,08,726	98,710	1,08,768
Cash	32,649	33,727	30,985	32,626
Total Current Assets	1,13,901	1,08,726	98,710	1,08,768
Creditors	68,514	63,627	58,603	68,364
Provisions	10,197	10,329	9,513	11,098
Total Current Liabilities	1,10,256	1,08,277	99,609	1,15,740
Net Current Assets	3,645	448	(899)	(6,972)
Deferred Tax Asset	5,151	5,458	4,969	5,796
Application of Funds	1,96,939	2,13,844	2,16,380	2,22,727

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
EPS	-84.6	-32.8	-27.4	2.4
Cash EPS	-15.1	25.9	27.0	58.5
BV	178.8	174.8	146.3	148.7
DPS	0.0	0.0	0.0	0.0
Cash Per Share	96.2	92.3	80.9	85.2
Operating Ratios				
EBITDA Margin (%)	9.9	9.2	7.6	11.6
PBT / Net sales (%)	2.1	1.0	-1.2	3.9
PAT Margin (%)	-9.5	-4.6	-4.4	0.3
Inventory days	47.2	52.4	50.0	50.0
Debtor days	23.0	15.6	16.0	16.0
Creditor days	82.8	89.0	90.0	90.0
Return Ratios (%)				
RoE	7.1	-4.3	-12.3	8.5
RoCE	5.4	3.0	-0.1	7.2
RoIC	8.5	3.1	-3.1	10.8
Valuation Ratios (x)				
P/E (adjusted)	7.5	-12.7	-5.3	7.5
EV / EBITDA	3.3	4.4	6.8	3.7
EV / Net Sales	0.3	0.4	0.5	0.4
Market Cap / Sales	0.1	0.1	0.1	0.1
Price to Book Value	0.5	0.5	0.6	0.6
Solvency Ratios				
Debt/EBITDA	3.6	4.8	7.2	4.0
Debt / Equity	1.7	1.8	2.3	2.3
Current Ratio	0.6	0.6	0.6	0.6
Quick Ratio	0.3	0.2	0.2	0.2

Source: Company, ICICI Direct Research

Exhibit 21: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Apollo Tyre (APOTYR)	105	100	Hold	6,006	8.3	2.4	7.6	12.6	44.2	13.8	6.2	5.8	4.5	4.8	3.5	6.1	4.8	1.2	4.3
Ashok Leyland (ASHLEY)	52	55	Buy	15,221	1.2	1.7	3.2	44.7	30.6	16.2	13.2	11.5	7.8	6.0	7.0	11.9	4.7	5.7	10.4
Bajaj Auto (BAAUTO)	2,780	2,840	Hold	80,445	176.3	134.9	162.1	15.8	20.6	17.2	12.7	15.8	12.1	23.8	23.2	25.1	25.6	17.7	19.1
Bharat Forge (BHAFOR)	350	320	Hold	16,295	10.8	7.0	12.7	32.3	49.8	27.6	16.3	18.9	14.0	8.4	6.3	9.4	9.4	5.7	9.8
Eicher Motors (EICMOT)	16,860	18,070	Hold	45,960	670.4	495.4	690.9	25.1	34.0	24.4	19.3	24.1	16.9	22.5	15.9	19.1	18.3	12.2	14.9
Escorts (ESCORT)	975	1,020	Buy	11,952	39.6	40.8	50.3	24.6	23.9	19.4	16.3	15.7	12.6	18.9	13.3	14.2	14.2	10.1	11.1
Exide Industries (EXIIND)	155	170	Hold	13,175	9.7	8.1	9.7	16.0	19.1	16.1	9.5	10.1	8.5	16.7	13.8	15.2	13.4	10.3	11.4
Hero Moto (HERHON)	2,400	2,500	Hold	47,928	181.9	109.8	147.6	13.2	21.9	16.3	10.6	14.0	10.2	26.5	18.7	23.2	22.7	14.5	17.9
M&M (MAHMAH)	515	600	BUY	64,025	10.7	28.4	39.7	48.1	18.2	13.0	10.4	11.1	8.2	13.0	11.1	14.2	6.4	9.5	12.0
Maruti Suzuki (MARUTI)	5,550	4,650	Reduce	1,67,654	187.1	138.4	194.4	29.7	40.1	28.5	18.2	21.5	15.3	7.4	4.8	7.9	11.7	8.2	10.6
Minda Industries (MININD)	287	300	Buy	7,525	7.0	7.6	11.8	40.9	37.6	24.3	13.1	11.7	9.4	11.3	11.8	15.0	11.5	11.6	15.4
Tata Motors (TATMOT)	95	90	Hold	34,723	-32.8	-27.4	2.4	NM	NM	39.5	4.4	6.8	3.7	3.0	-0.1	7.2	-4.3	-12.3	8.5

Source: Reuters, ICICI Direct Research

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