

Tata Motors

Tightening the belt

Amidst the COVID backdrop, Tata Motors management is focused on conserving capital by aggressively scaling back capex spends in FY21E (by over 30%) as well as seeking a strategic partner for the loss-making India passenger car business. As the business normalises at JLR/India, the cash flows are expected to improve over CY21E (led by working capital reduction). As stock valuations at below FY20 book value (0.8x) are factoring in a challenging environment, we reinstate coverage with an ADD rating.

- Capital conservation:** The net debt at JLR has risen to Rs 420bn in FY20 (from Rs 280bn in FY19), impacted by COVID - the debt/EBITDA at JLR is now at 2.9x (vs. 2.3x in FY19). The OEM is focusing on conserving cash by scaling down capex and accelerating its cost saving programs both in India and overseas (1) Capex spends to reduce by over 30% in FY21E (expenditure scaled back to Rs 15bn in India vs. Rs 53bn YoY; JLR revised capex is GBP 2.5bn vs. GBP 3.3bn) (2) Incremental cost savings of GBP 1.5bn under Project Charge+ at JLR in FY21.
- Seeking a partner for loss making India car business:** Tata Motors is exploring options for a strategic alliance for the domestic PV segment, that will provide access to capital, products, architectures and new age technologies. This step will reduce investments/capex required by the OEM. The segment assets of this division are Rs 168bn (\$2.2bn) and the company has taken a write off amounting to Rs 25.7bn for the passenger car segment in India.
- Business outlook:** The demand environment at JLR is expected to gradually normalize over 2HFY21, as countries are emerging out of the lockdown. The new Defender will keep product excitement alive, as the model has received 22,000 bookings. While sales are expected to decline in FY21, China will benefit from an early revival. To contend with the volatile environment, JLR is reducing breakeven point to 500,000 units through various cost saving initiatives over FY21E. In India, we expect a delayed recovery for the MHCV segment, where Tata Motors remains dominant with a 50% market share. For the car business, the OEM is reducing fixed costs and will focus on improving the (front end) sales experience for customers.
- Re-instate coverage with an ADD rating:** We set a Mar-22 SOTP target price of Rs 112. We value the India business at 9x EV/EBITDA and the JLR business at 2x EV/EBITDA. **Key risks:** Earlier than expected stake sale of the PV business on the upside, delayed economic recovery and any increase in geo political risks on the downside.

Financial Summary (Consolidated)

YE Mar (Rs mn)	FY18	FY19	FY20P	FY21E	FY22E
Net Sales	2,946,192	3,019,384	2,610,680	2,461,565	2,670,988
EBITDA	368,730	297,948	239,143	230,548	317,873
APAT	61,445	-13,245	-79,217	-78,812	-685
Adj. EPS (Rs)	18.1	(3.9)	(22.0)	(21.9)	(0.2)
P/BV (x)	0.4	0.6	0.8	0.9	0.9
EV/Sales (x)	0.3	0.3	0.5	0.5	0.4

Source: Company, HSIE Research

ADD

CMP (as on 22 June 2020)	Rs 103
Target Price	Rs 112
NIFTY	10,311

KEY CHANGES	OLD	NEW
Rating	-	ADD
Price Target	-	Rs 112
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	TTMT IN
No. of Shares (mn)	3,089
MCap (Rs bn) / (\$ mn)	317/4,170
6m avg traded value (Rs mn)	7,531
52 Week high / low	Rs 202/64

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.8	(41.7)	(35.4)
Relative (%)	16.1	(25.4)	(24.5)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	42.4	42.4
FIs & Local MFs	15.0	13.6
FPIs	18.3	16.8
Public & Others	24.2	27.2
Pledged Shares	1.7	1.7

Source : BSE

Aditya Makharia

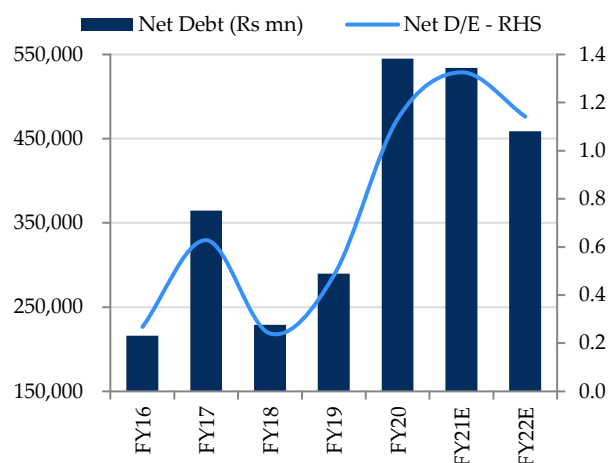
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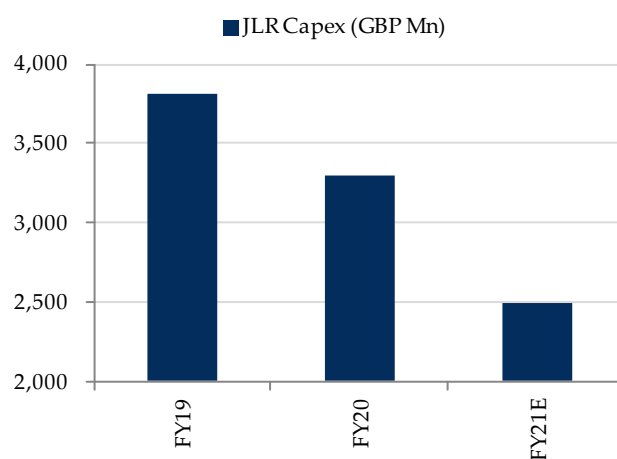
Focus charts

Net automotive debt



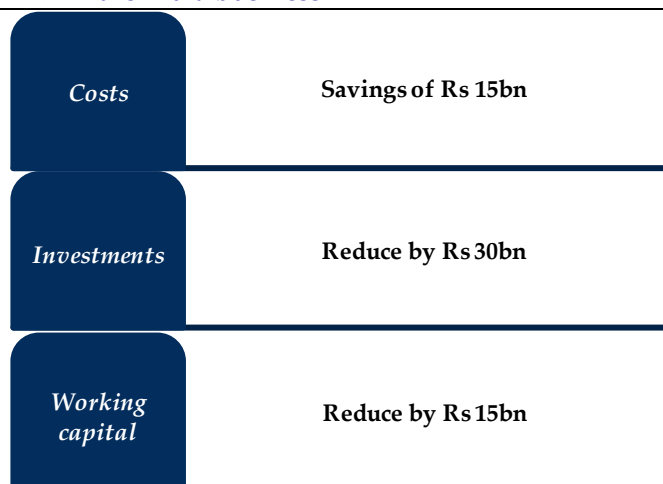
Source: Company, HSIE Research

JLR's capex is lower by 35% over FY19-21E



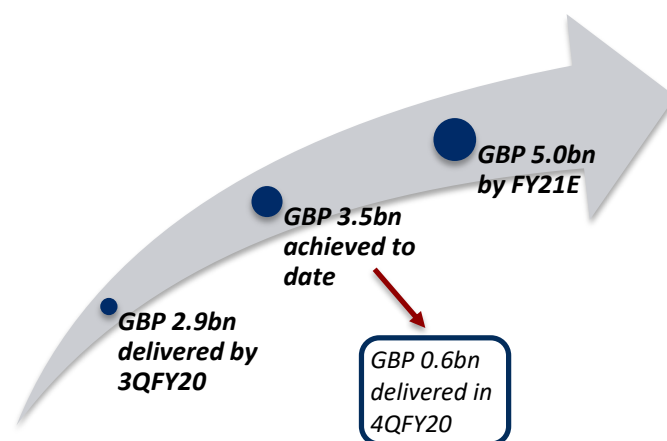
Source: Company, HSIE Research

Tata Motors is targeting cash savings of Rs 60bn in FY21 in the India business



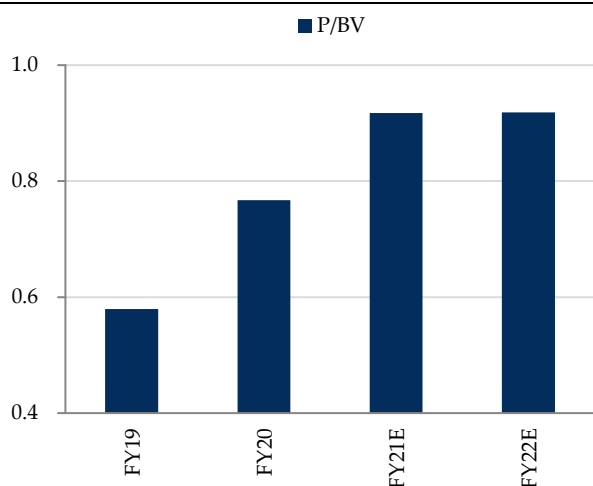
Source: Company, HSIE Research

JLR has raised FY21 target to GBP 5bn (from GBP 3.5bn) for the Charge+ programme



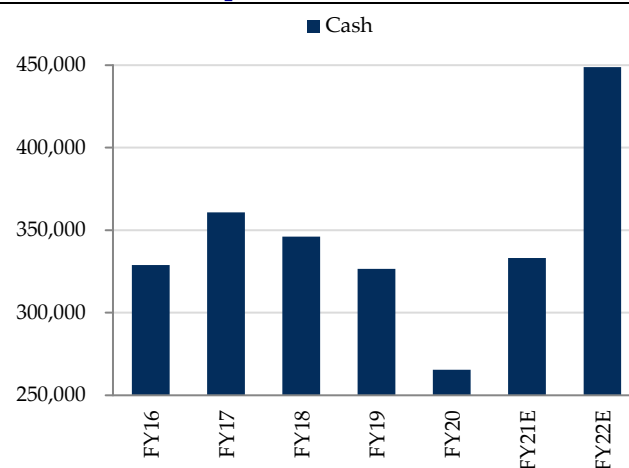
Source: Company, HSIE Research

Consolidated Price/Book value



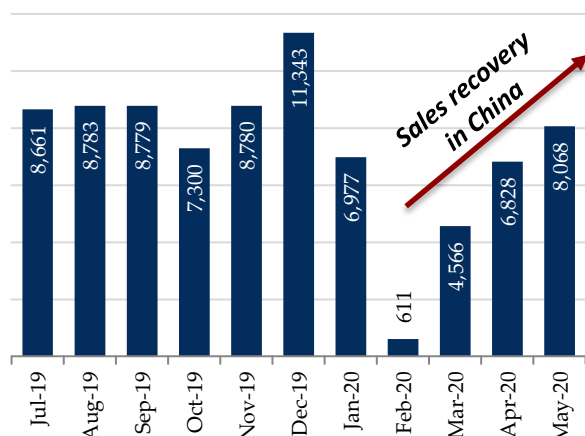
Source: Company, HSIE Research

Consolidated cash position (Rs mn)



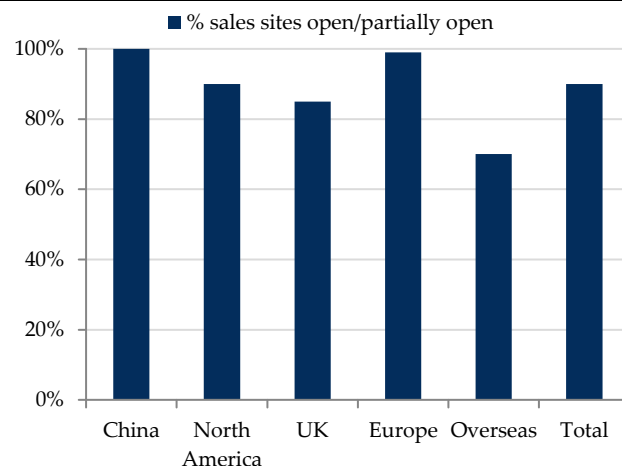
Source: Company, HSIE Research

JLR China retail sales



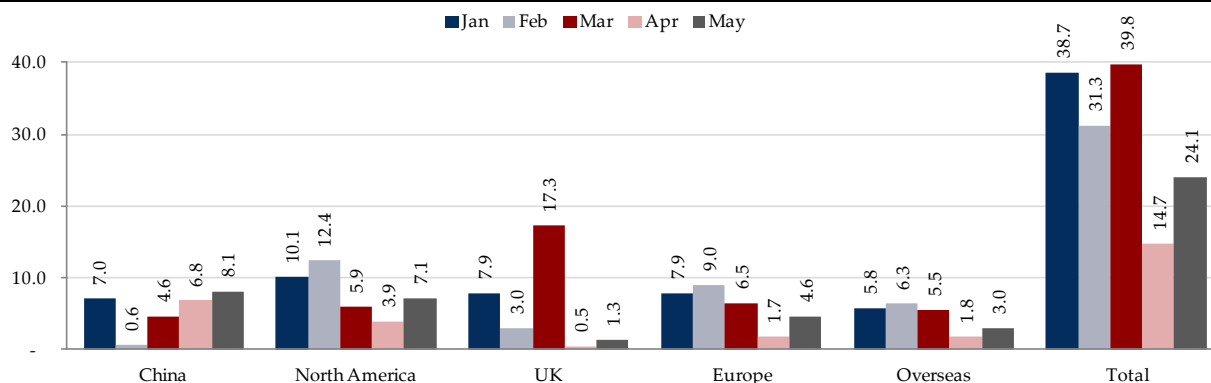
Source: Company, HSIE Research

JLR retailers status - Most dealerships have opened



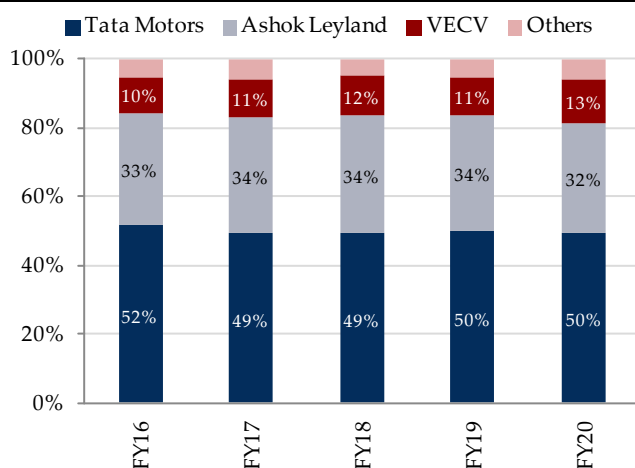
Source: Company, HSIE Research

JLR retail sales by region- Past the trough (in '000 units)



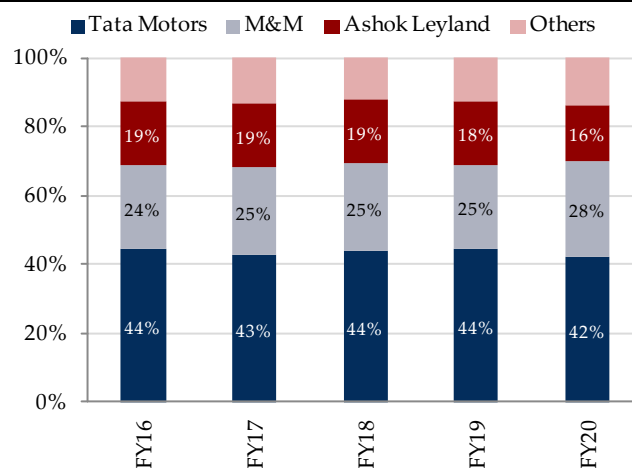
Source: Company, HSIE Research

Tata Motors is dominant player in MHCV segment



Source: SIAM, Company, HSIE Research

Overall CV share is above 40%

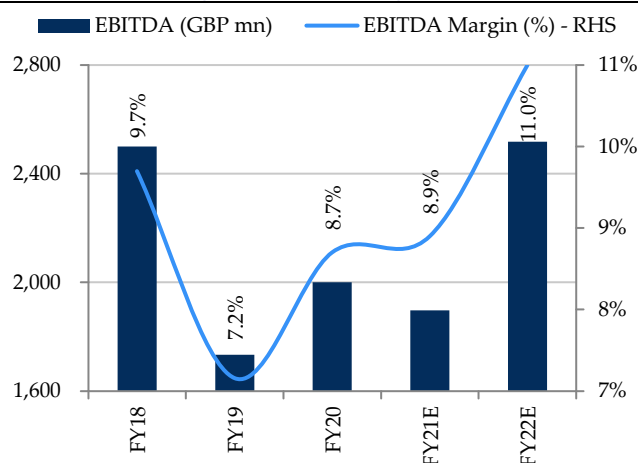


Source: SIAM, Company, HSIE Research

Tata Motors is focusing on capital conservation

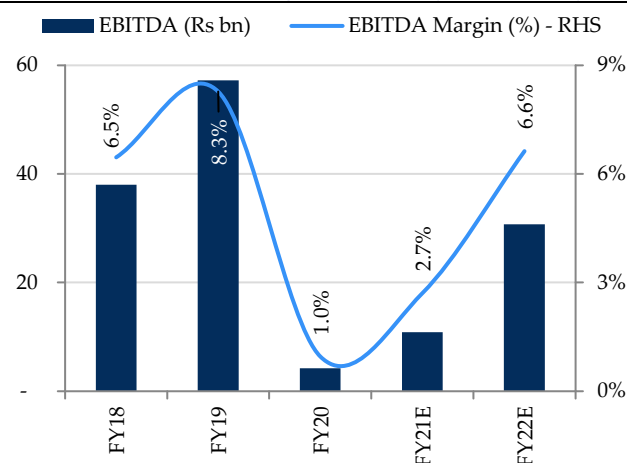
- Amidst the COVID outbreak, the Tata Motors management is focused on conserving capital by aggressively scaling back capex spends by over 30% as well as seeking a strategic partner for the loss-making India passenger car business. As the business normalizes at JLR/India (post the COVID-19 outbreak), the cash flows are expected to improve over CY21E (led by working capital reduction).
- Capital conservation:** The net debt at JLR has risen to Rs 420bn in FY20 (from Rs 280bn in FY19), impacted by COVID - the debt/EBITDA at JLR is now at 2.9x (vs. 2.3x in FY19). The EBITDA margins have remained range bound at JLR and have declined at the India business, due to the COVID environment.

JLR EBITDA margins – To be range bound in FY21E



Source: Company, HSIE Research

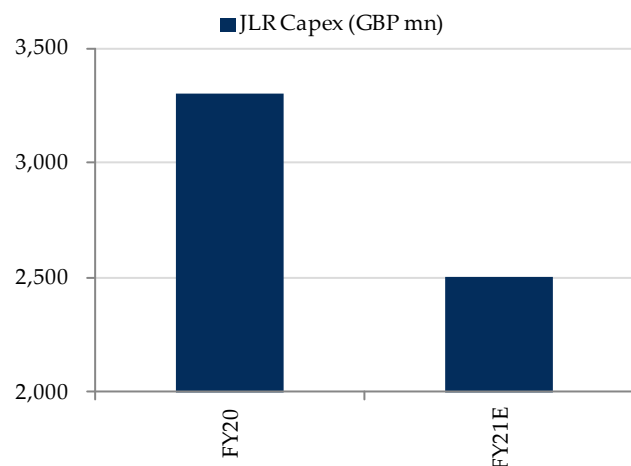
Standalone EBITDA margins - A delayed recovery



Source: Company, HSIE Research

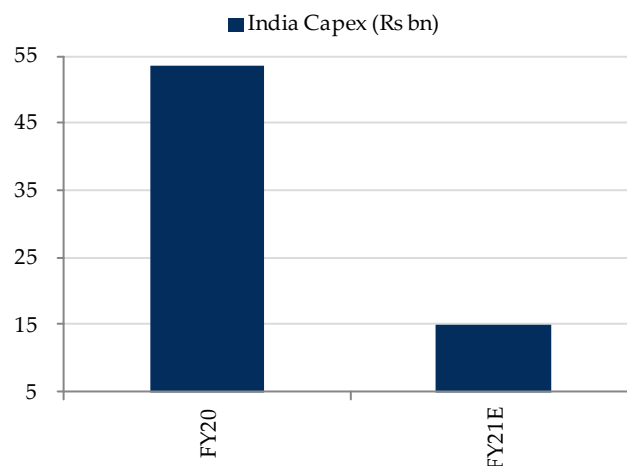
- Amidst this backdrop, the OEM is focusing on conserving cash by scaling down capex and accelerating its cost saving programs both in India and overseas. (1) aggregate capex spends to reduce by over 30% in FY21E (expenditure scaled back to Rs 15bn in India vs. Rs 53bn YoY; JLR revised capex is GBP2.5bn vs. GBP3.3bn). At JLR, ~55-60% of the capex is expected to be incurred in 2HFY21 and JLR is expected to be cash positive by FY22.

JLR capex – Scaling back



Source: Company, HSIE Research

Standalone business capex – Sharp cut in spends



Source: Company, HSIE Research

- JLR's 'Project Charge+' has a target to cumulatively save GBP 5bn by FY21 (GBP 3.5bn of savings delivered to date). This will happen through prioritizing investments, lowering warranty costs, minimizing overhead costs etc. Till 3QFY20 the company had saved GBP 2.9bn under 'Project Charge' with strict investment prioritization, reduction in working capital and cut in overhead costs and an additional GBP 0.6bn was saved in 4QFY20 under 'Project Charge+'.

GBP 3.5bn savings has been delivered till date

GBP bn	Charge			Charge+		4QFY20 comments
	FY19	FY20 to 3QFY20	Total till 3QFY20	4QFY20	Total to date	
Investment	0.7	0.8	1.5	0.4	1.9	Progress continues with strict investment prioritisation and controls
Working capital	0.4	0.3	0.7	-0.1	0.6	4Q inventory adversely impacted by the crisis
Costs & Profits	0.2	0.5	0.7	0.3	1.0	4Q: £30m People & Org, £70m Overheads; £50m Commercial; £50m in Manufacturing and £100m Material Cost
Total cash savings	1.3	1.6	2.9	0.6	3.5	

Source: Company, HSIE Research

Seeking a partner for loss making India car business

- Tata Motors is exploring options for a strategic alliance for the domestic PV segment, that will provide access to capital, products, architectures and new age technologies. This step will reduce investments/capex required by the OEM. Tata Motors has approved the **subsidiarization of the domestic PV business**. This is the first step in securing an alliance.
- **PV segment remains loss making:** The Car segment reported losses of Rs.14bn / Rs 27.5bn in FY19/20. The ongoing downturn and the COVID situation has prompted the management to seek a potential tie up.

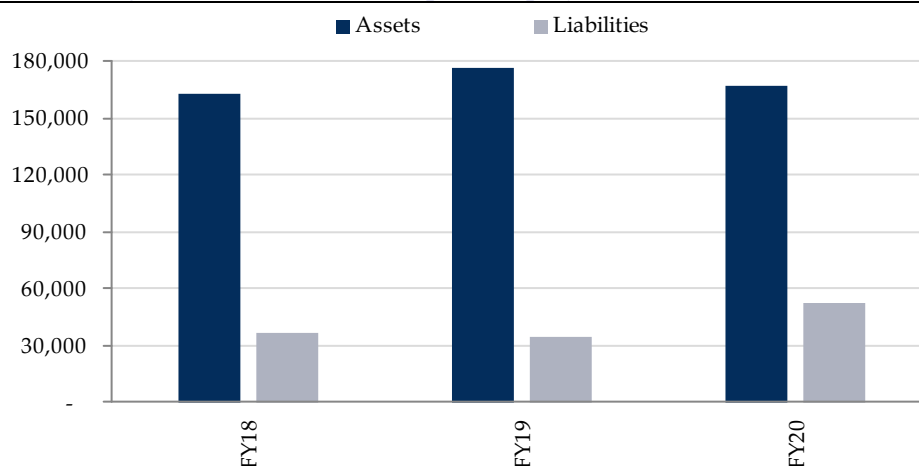
India Passenger vehicle segment is loss making

Rs mn	FY18	FY19	FY20
Sales	136,450	150,520	107,720
EBITDA	(15,555)	151	(10,557)
EBITDA Margins (%)	-11.4%	0.1%	-9.8%
EBIT	(30,200)	(13,970)	(27,469)
EBIT Margins (%)	-22.1%	-9.3%	-25.5%

Source: Company, HSIE Research

- Tata Motors requires to continually invest in the domestic car segment due to the evolving technology changes, at a time when business conditions are challenging. The OEM is in the midst of a new model launch cycle, which requires sustained investments. As the local car portfolio is significantly improved (Harrier, Tiago, etc), foreign OEMs will be willing to collaborate with TTMT in our view. **This will reduce the capital intensity for a segment, which accounts for ~5% of its overall global revenues.**
- The segment assets in this business are Rs 168bn (\$2.2bn) as of FY20 - the company has taken a write off amounting to Rs 25.7bn for the passenger car business in India.

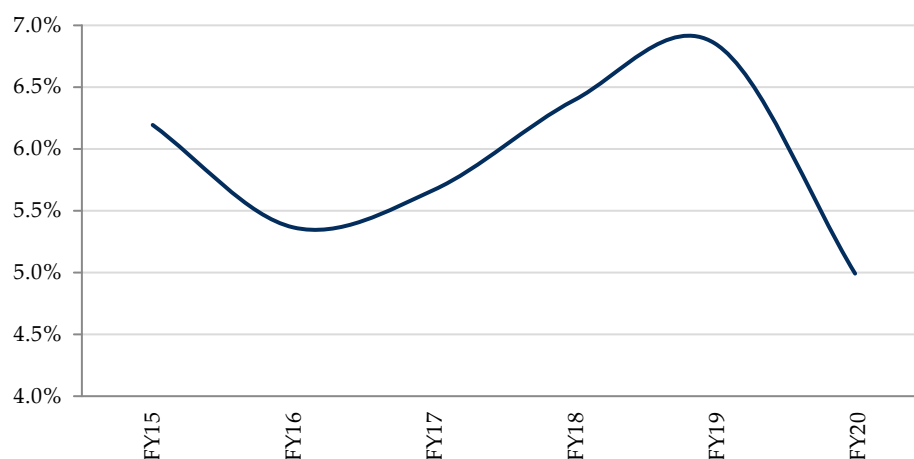
India Passenger vehicle business - Capital employed (Rs mn)



Source: Company, HSIE Research

- **The car business has a refreshed portfolio:** Over the last few years, TML has launched a slew of modern products including the Tiago, Tiger, Nexon, Hexa, Harrier and most recently the Altroz and Nexon EV. A fully refreshed BSVI ready product portfolio based on the Impact 2.0 design philosophy, consistently improving NPS scores and an entry into the EV space is reflective of its improving capabilities. To scale its mid single digit market share from hereon, the OEM is seeking a partner.
- **Tata Motors market share in the PV segment is in mid-single digits i.e. 5%.**

PV business market share



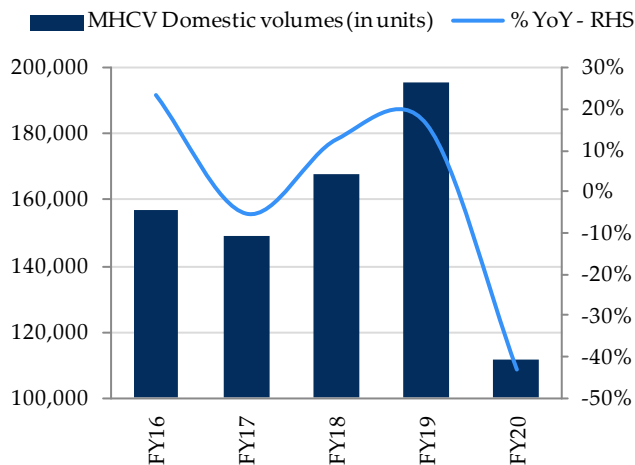
Source: SIAM, Company, HSIE Research

- **Tata Motors attempted to form alliances with PSA, VW in the past:** The company has in the past made a few attempts at forming partnerships with global OEMs. In 2015, it was in talks with French carmaker PSA Peugeot Citroen for a tie up that would have seen Tata manufacturing and producing the cars for the French company from its Sanand factory in Gujarat. The deal did not fructify. Then again in 2017, it signed an MoU with Skoda led Volkswagen Group to jointly develop a small car platform. It was called off after just four months.
- **Further rationale for the decision:** Passenger Vehicle business landscape is seeing rapid transformation in the form of tightening emission norms, push towards electrification and enhanced disruptions from autonomous and connected technologies. Additionally, India continues to remain an attractive market, which requires stepped up investments. **Mahindra Ford JV has shown the way:** With Mahindra collaborating with Ford, Tata Motors is likely to attract potential partners for the Indian market.

Commercial vehicles segment: Focus on reducing inventory

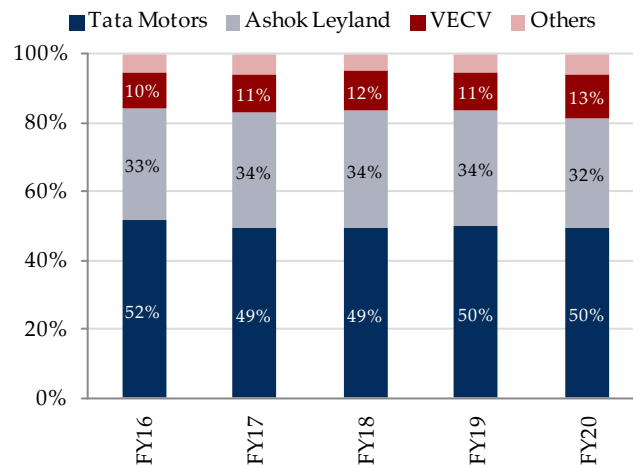
- Tata Motors is focusing on controlling channel inventory for the CV segment due to the ongoing downturn. The inventory was reduced by 51k units in 2HFY20. The OEM remains the dominant entity in the MHCV segment, with a market share of 50%.

Tata Motors' MHCV volumes



Source: SIAM, Company, HSIE Research

Tata Motors' MHCV market share (%)



Source: SIAM, Company, HSIE Research

Commercial vehicle segment

(Rs mn)	FY18	FY19	FY20
Sales	448,760	540,370	328,440
EBITDA	49,812	59,441	13,896
EBITDA Margins (%)	11.1%	11.0%	4.2%
EBIT	35,080	44,310	(1,128)
EBIT Margins (%)	7.8%	8.2%	-0.3%

Source: Company, HSIE Research

India business outlook

- We expect a delayed recovery for the MHCV business in India – where Tata Motors remains dominant player. For the car business, the OEM is reducing fixed costs and will focus on improving the (front end) sales experience for customers.

India business volume assumptions

(in units)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
MHCV	176,493	175,262	190,367	224,940	124,446	105,271	122,575
% YoY	24%	-1%	9%	18%	-45%	-15%	16%
LCV	204,678	209,873	259,072	294,837	216,254	185,292	208,255
% YoY	-8%	3%	23%	14%	-27%	-14%	12%
Passenger vehicles	132,679	163,513	191,694	212,962	132,802	112,435	128,087
% YoY	-5%	23%	17%	11%	-38%	-15%	14%
Total volumes	513,850	548,648	641,133	732,739	473,502	402,998	458,918
% YoY	2%	7%	17%	14%	-35%	-15%	14%

Source: Company, HSIE Research

Standalone Income Statement

(Rs mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Volumes (in units)	513,850	548,648	641,133	732,739	473,502	402,998	458,918
Average realisation (Rs/unit)	824,556	807,737	917,616	944,439	927,730	993,138	1,010,713
Net Revenues	423,698	443,163	588,314	692,028	439,282	400,233	463,834
<i>Growth (%)</i>	16.7	4.6	32.8	17.6	(36.5)	(8.9)	15.9
Material Expenses	295,953	313,455	426,849	506,158	325,745	294,572	330,714
Employee Expenses	30,368	37,644	39,667	42,731	43,843	39,623	41,281
Other Operating Expenses	70,076	73,943	83,792	85,874	65,513	55,207	61,084
Total Expenses	396,397	425,041	550,308	634,763	435,101	389,401	433,079
EBITDA	27,301	18,122	38,006	57,265	4,181	10,832	30,755
<i>EBITDA Margin (%)</i>	6.4	4.1	6.5	8.3	1.0	2.7	6.6
<i>EBITDA Growth (%)</i>	(441.3)	(33.6)	109.7	50.7	(92.7)	159.1	183.9
Depreciation	24,538	30,371	31,019	30,986	33,754	34,299	36,553
EBIT	2,764	(12,249)	6,987	26,278	(29,573)	(23,468)	(5,798)
Product development expenses	4,246	4,545	4,750	5,718	8,302	8,718	9,153
Interest	14,811	15,690	17,444	17,936	19,730	22,834	25,117
Other Income	14,766	9,811	15,576	25,547	13,831	15,674	22,604
PBT, Exceptional items and forex	(1,528)	(22,673)	369	28,172	(43,775)	(39,345)	(17,464)
Exceptional gain/(loss)	3,946	(3,387)	(9,667)	(2,031)	(25,109)	-	-
Forex gain/(loss)	(914)	2,528	(171)	(2,152)	(2,390)	-	-
PBT	1,504	(23,533)	(9,469)	23,989	(71,274)	(39,345)	(17,464)
Tax (Incl Deferred)	(839)	763	879	3,783	1,623	(5,902)	(2,620)
RPAT	2,343	(24,296)	(10,349)	20,206	(72,897)	(33,443)	(14,844)
APAT	(33)	(23,437)	(510)	24,721	(45,325)	(33,443)	(14,844)
<i>APAT Growth (%)</i>	(99.9)	71,049.7	(97.8)	(4,942.6)	(283.3)	(26.2)	(55.6)
Adjusted EPS (Rs)	(0.0)	(6.9)	(0.2)	7.3	(12.6)	(9.3)	(4.1)
<i>EPS Growth (%)</i>	(99.9)	71,045.5	(97.8)	(4,942.6)	(273.1)	(26.2)	(55.6)

Source: Company, HSIE Research

Jaguar Land Rover: Expect gradually recovery

- The demand environment at JLR is expected to gradually normalize over 2H FY21, as countries are emerging out of the lockdown. The production at the JLR facilities has recommenced. Expectedly, the China plant started operations in early Mar as the country emerged from COVID while the European plants have started production in 1Q FY21.

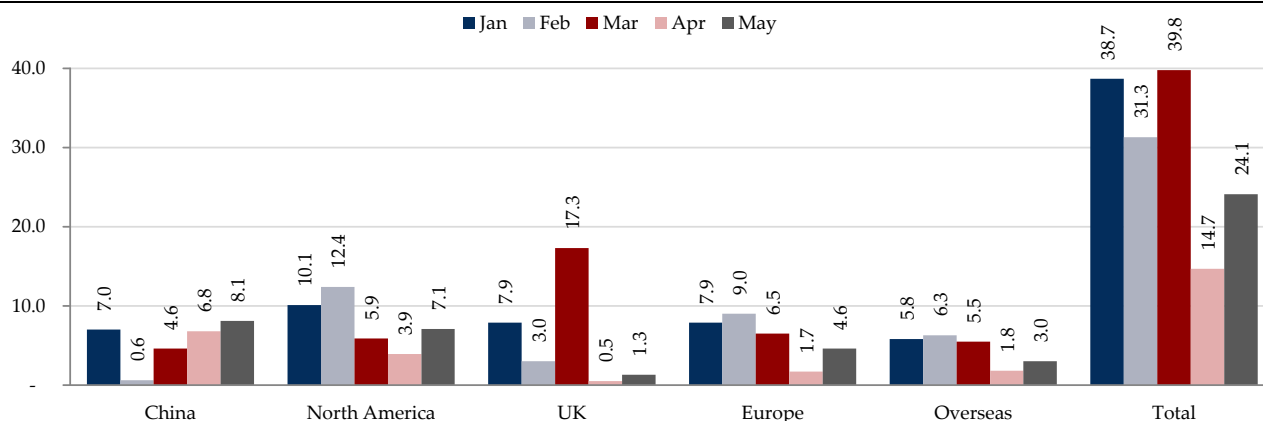
JLR Plant production has recommenced

		Since	Restart
UK (Solihull)	Range Rover, RR Sport, Velar, F-PACE	24th Mar	18th May
UK (Halewood)	Evoque, Discovery Sport	20th Mar	8th Jun
UK (Castle Bromwich)	Jaguar F-TYPE, XE, XF	30th Mar	To be confirmed
UK (Wolverhampton)	Engines	24th Mar	18th May
Slovakia	Defender, Discovery	20th Mar	18th May
Austria	I-PACE, E-PACE	17th Mar	18th May
Brazil (Assembly)	Evoque, Discovery Sport	20th Mar	15th Jun
India (Assembly)	Velar, Evoque, Disc. Sport, XE, XF, F-PACE	24th Mar	15th Jun
China JV	Evoque, Disc. Sport, E-PACE, XEL, XFL	18th Jan	2nd Mar

Source: Company, HSIE Research

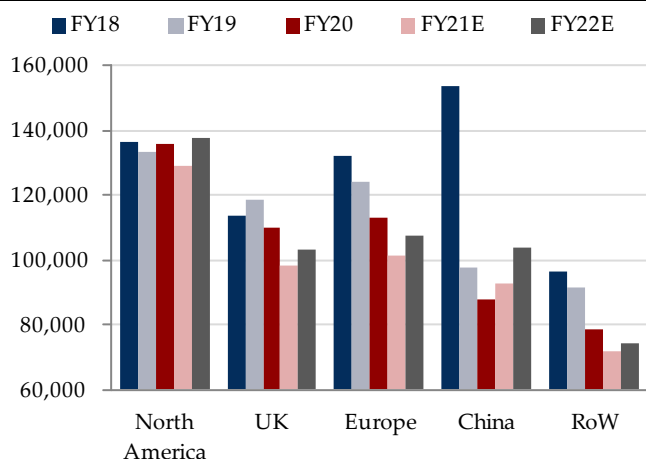
- Sales are also picking up from the trough levels of April across countries as the economies are gradually reopening.

JLR retail sales by region- Past the trough (in '000 units)

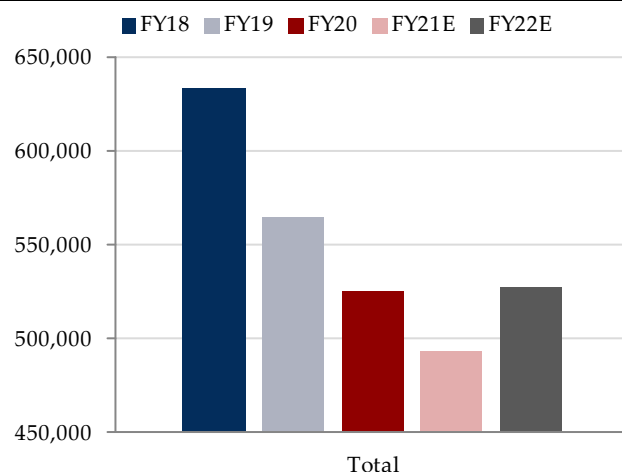


Source: Company, HSIE Research

- While overall sales are expected to decline in FY21 – we expect China to benefit from an early revival. JLR's new Defender will keep product excitement alive, as the model has received 22,000 bookings.

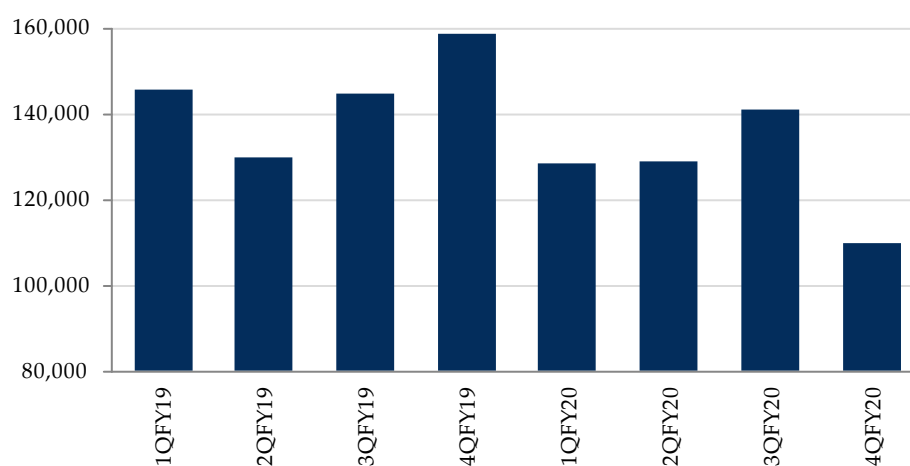
JLR region-wise sales (in units)

Source: Company, HSIE Research

JLR total sales (in units)

Source: Company, HSIE Research

- However, to contend with the volatile environment, JLR is reducing breakeven point to 500,000 units through various cost saving initiatives over FY21E.

JLR retail volumes (in units)

Source: Company, HSIE Research

JLR volume assumptions

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Jaguar	102,106	169,284	150,484	153,755	125,820	113,238	123,429
% YoY	33%	66%	-11%	2%	-18%	-10%	9%
Land Rover	407,228	365,462	394,814	354,123	350,132	327,810	345,541
% YoY	4%	-10%	8%	-10%	-1%	-6%	5%
China JV	34,751	66,060	88,212	57,428	49,450	52,233	58,172
% YoY	826%	90%	34%	-35%	-14%	6%	11%
Total	544,085	600,806	633,510	565,306	525,402	493,280	527,142
% YoY	9%	5%	2%	-7%	-6%	-7%	6%

Source: Company, HSIE Research

JLR Income Statement

(GBP mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Volumes (in units)	509,334	534,746	545,298	507,878	475,952	441,048	468,970
% YoY	9.1	5.0	2.0	(6.9)	(6.3)	(7.3)	6.3
Net Revenues	22,208	24,339	25,786	24,214	22,984	21,320	22,896
Growth (%)	1.6	9.6	5.9	(6.1)	(5.1)	(7.2)	7.4
Material Expenses	13,146	14,920	16,327	15,670	14,684	13,559	14,241
Employee Expenses	2,321	2,490	2,722	2,820	2,568	2,345	2,404
Other Operating Expenses	3,432	3,950	4,236	3,991	3,732	3,518	3,732
Total Expenses	18,899	21,360	23,285	22,481	20,984	19,422	20,378
EBITDA	3,309	2,979	2,501	1,733	2,000**	1,897	2,519
EBITDA Margin (%)	14.9	12.2	9.7	7.2	8.7	8.9	11.0
Depreciation	1,418	1,656	2,075	2,164	1,910	1,948	2,046
EBIT	1,891	1,323	426	(431)	90	(51)	473
Interest	52	35	47	76	157	201	213
Other Income	128	379	420	205	-	210	225
PBT, Exceptional items and forex	1,967	1,667	799	(302)	(67)	(42)	485
Exceptional gain/(loss)	(157)	-	437	(3,271)	29	-	-
Forex gain/(loss)	(317)	(216)	48	(59)	(212)	-	-
PBT	1,493	1,451	1,284	(3,632)	(250)	(42)	485
Share of profit from JV & associates	64	159	252	3	(114)	(25)	21
Tax	245	338	403	(308)	46	-	112
RPAT	1,312	1,272	1,133	(3,321)	(410)	(67)	394
APAT	1,731	1,488	801	(318)	(227)	(67)	394

Source: Company, HSIE Research **FY20 EBITDA as reported by the company, includes other income

Target price, valuation and key risks

- We set a Mar-22 SOTP target price of Rs 112. We value the India business at 9x EV/EBITDA and the JLR business at 2x EV/EBITDA.
- **Key risks:** Earlier than expected stake sale of the PV business on the upside, delayed economic recovery and any increase in geo-political risks on the downside.

Valuation summary

FY22		
Standalone business (Rs mn)	Multiple (x)	Value
Implied EV	9x EV/EBITDA	276,791
Net debt		215,631
Implied equity value		61,161
Value/sh (Rs)		17
JLR (GBP mn)		
Implied EV	2x EV/EBITDA (in-line with global peers)	5,037
Net debt		1,856
Implied equity value		3,181
Value/sh (Rs)		81
China JV		
Implied equity value (Rs mn)	8x P/E	15,066
Value/sh (Rs)		4
Value of Tata Motors Finance		
	1x P/BV	9
SOTP based value		112

Source: HSIE Research

- Global peers trade at mid-single digit P/E multiples.

Global peer-set

	P/E (x)		RoE (%)	
	CY21	CY22	CY21	CY22
BMW	8.7	7.2	7.3	8.9
Volkswagen	6.6	5.3	8.6	9.9
Daimler	9.8	6.3	6.3	9.7

Source: Bloomberg, HSIE Research

Domestic Peer-set comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	Adj EPS (Rs/sh)		Book value (Rs/sh)		P/BV (x)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Ashok Leyland	160	55	REDUCE	1.0	3.5	29.7	31.8	1.8	1.7
Bajaj Auto	826	2,853	ADD	149.4	167.6	853.4	930.4	3.3	3.1
Eicher	480	17,598	REDUCE	560.6	705.1	4,230.6	4,780.8	4.2	3.7
Escorts Ltd.	119	974	BUY	49.9	63.1	484.8	545.2	2.0	1.8
Hero Motocorp	482	2,413	BUY	128.7	155.5	771.3	845.8	3.1	2.9
Mahindra & Mahindra	594	499	ADD	25.8	34.4	315.5	341.9	1.6	1.5
Maruti Suzuki	1,781	5,898	BUY	146.0	252.4	1,761.0	1,937.7	3.3	3.0
Tata Motors	317	103	ADD	(21.9)	(0.2)	111.9	111.7	0.9	0.9

Source: HSIE Research

Quarterly Performance

- 4QFY20 results were weak with both India and JLR business reporting losses: JLR reported an EBIT loss of GBP 231mn. While India reported an EBITDA loss of Rs 4.25bn. The OEM reported a consolidated loss of Rs 98.6bn (Adj. Loss of Rs 58.6bn).

Five quarters at a glance – Consolidated

Particulars (Rs mn)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	% YoY	% QoQ
Net sales (incl OOI)	864,220	614,670	654,320	716,761	624,930	-28	-13
Material Expenses	571,461	397,755	401,275	464,184	408,096	-29	-12
Employee Expenses	79,994	77,196	72,830	77,373	76,987	-4	-0
Other Operating Expenses	121,844	101,825	97,622	93,146	103,248	-15	11
Total Expenditure	773,298	576,775	571,727	634,702	588,332	-24	-7
EBITDA	90,922	37,895	82,592	82,058	36,598	-60	-55
Depreciation	53,531	51,117	52,996	51,993	58,149	9	12
EBIT	37,392	-13,222	29,596	30,066	-21,551	NA	NA
Product development expenses	10,729	7,940	10,987	10,093	12,865	20	27
Interest Cost	15,880	17,116	18,354	17,436	19,528	23	12
Other Income	8,636	8,360	6,726	9,001	5,645	-35	-37
PBT, Exceptional items & Forex	19,418	-29,918	6,981	11,538	-48,299	NA	NA
Exceptional gain/(loss)	-11,072	-1,088	391	-11	-28,007	NA	NA
Forex gain/(loss)	4,303	-1,375	-1,160	1,972	-16,824	NA	NA
PBT	12,649	-32,382	6,212	13,499	-93,130	NA	NA
Tax	1,115	1,961	4,455	-6,046	3,583	221	NA
Profit from continuing operations	11,535	-34,342	1,758	19,545	-96,713	NA	NA
Share of profit of joint ventures and associates	-448	-2,454	-3,635	-1,986	-1,925	NA	NA
RPAT	11,087	-36,797	-1,877	17,559	-98,638	NA	NA
Minority interest	-88	187	289	176	305	NA	73
APAT	17,267	-34,766	-1,474	15,618	-58,595	NA	NA
Adj EPS	4.8	(9.7)	(0.4)	4.3	(16.3)	NA	NA

As % of sales	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (bps)	QoQ (bps)
Material Expenses	66.1	64.7	61.3	64.8	65.3	-82	54
Employee Expenses	9.3	12.6	11.1	10.8	12.3	306	152
Other Operating Expenses	14.1	16.6	14.9	13.0	16.5	242	353
Total Expenditure	89.5	93.8	87.4	88.6	94.1	466	559
EBITDA	10.5	6.2	12.6	11.4	5.9	-466	-559
EBIT	4.3	-2.2	4.5	4.2	-3.4	NA	NA
PBT	1.5	-5.3	0.9	1.9	-14.9	NA	NA
RPAT	1.3	-6.0	-0.3	2.4	-15.8	NA	NA
APAT	2.0	-5.7	-0.2	2.2	-9.4	NA	NA
Tax as % of PBT	8.8	-6.1	71.7	-44.8	-3.8	NA	NA

Source: Company, HSIE Research

Standalone quarterly performance

- Revenue for the quarter declined 48% YoY owing to a similar drop in volumes and flat realizations. The co reported an EBITDA loss of 4.25bn due to lower wholesale volumes driven to inventory correction and the impact of COVID. The co took an exceptional loss of Rs 25.7bn as charge for asset write downs and other provisions in India PV business. Adj. Net loss came in at Rs 20.8bn.
- CV business:** CV volumes for the quarter dropped by 50% YoY. CV segment revenue decline by 52% YoY owing to weak volumes and 3% YoY decline in realization (due to higher discounts). System inventory was reduced by 51k units in 2HFY20. The OEM gained market share in MHCV and ILCV segment due to its improved retail focus.

Commercial Vehicle segmental performance (Rs mn)

Rs mn	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	% YoY	% QoQ
Volumes (in units)	138,593	100,357	78,602	92,672	69,069	-50	-25
ASP/unit	1,046,012	1,008,400	990,560	854,843	1,015,796	-3	19
Sales (Rs mn)	144,970	101,200	77,860	79,220	70,160	-52	-11
EBITDA margin (%)	9.5	8.6	3.8	2.2	0.7	-877 bps	-150 bps
EBIT margin (%)	7.0	4.8	(0.5)	(2.3)	(5.3)	-1232 bps	-298 bps

Source: Company, HSIE Research

- PV business:** Volumes declined by 41/12% YoY/QoQ. However, the revenue decline (-33% YoY) was cushioned by higher realizations (+12% YoY) due to richer product mix and higher share of BS-VI models.

Passenger Vehicle segmental performance (Rs mn)

Rs mn	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	% YoY	% QoQ
Volumes (in units)	54,422	37,188	26,429	36,709	32,351	-41	-12
ASP/unit	742,898	832,527	827,500	762,211	832,432	12	9
Sales (Rs mn)	40,430	30,960	21,870	27,980	26,930	-33	-4
EBITDA margin (%)	(0.1)	1.2	(21.4)	(3.6)	(19.3)	-1920 bps	-1570 bps
EBIT margin (%)	(11.4)	(9.9)	(38.8)	(19.8)	(38.6)	-2717 bps	-1880 bps

Source: Company, HSIE Research

Five quarters at a glance – India business

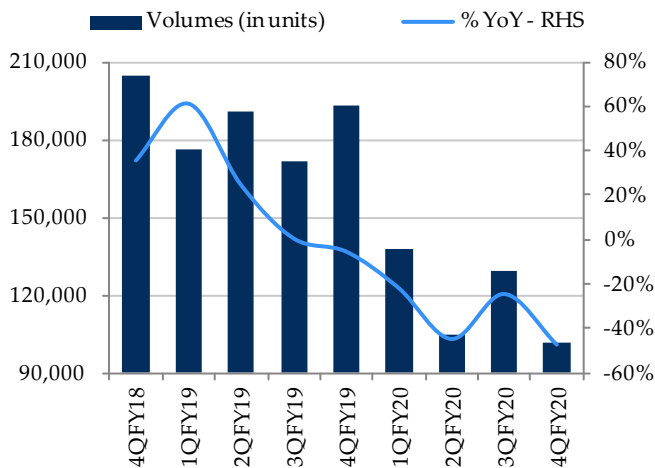
Particulars (Rs mn)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	% YoY	% QoQ
Volumes (in units)	193,015	137,545	105,031	129,381	101,420	-47	-22
Net ASP (Rs/veh)	961,656	970,730	952,146	838,060	959,660	-0	15
Net sales (incl OOI)	185,614	133,519	100,005	108,429	97,329	-48	-10
Material Expenses	138,091	95,940	74,797	80,417	74,591	-46	-7
Employee Expenses	11,347	11,493	10,671	10,183	11,496	1	13
Other Operating Expenses	22,634	17,500	16,220	16,297	15,495	-32	-5
Total Expenditure	172,071	124,934	101,688	106,897	101,582	-41	-5
EBITDA	13,543	8,585	-1,683	1,532	-4,253	NA	NA
Depreciation	8,726	7,771	7,607	8,535	9,841	13	15
EBIT	4,817	815	-9,290	-7,003	-14,095	NA	NA
Product development expenses	2,429	1,201	2,070	2,058	2,974	22	44
Interest Cost	3,891	4,395	4,979	4,785	5,571	43	16
Other Income	4,198	4,012	3,614	3,515	2,689	-36	-23
PBT, Exceptional items & Forex	2,694	-769	-12,725	-10,331	-19,950	NA	NA
Exceptional gain/(loss)	-817	-79	717	-40	-25,708	NA	NA
Forex gain/(loss)	778	372	-692	131	-2,201	NA	NA
PBT	2,655	-477	-12,700	-10,240	-47,858	NA	NA
Tax	1,593	494	120	157	852	-47	444
RPAT	1,062	-971	-12,820	-10,396	-48,711	NA	NA
APAT	1,434	-1,263	-12,761	-10,488	-20,802	NA	NA
Adj EPS	0.4	(0.4)	(3.5)	(2.9)	(5.8)	NA	NA

As % of sales	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (bps)	QoQ (bps)
Material Expenses	74.4	71.9	74.8	74.2	76.6	224	247
Employee Expenses	6.1	8.6	10.7	9.4	11.8	570	242
Other Operating Expenses	12.2	13.1	16.2	15.0	15.9	373	89
Total Expenditure	92.7	93.6	101.7	98.6	104.4	1,167	578
EBITDA	7.3	6.4	-1.7	1.4	-4.4	NA	NA
EBIT	2.6	0.6	-9.3	-6.5	-14.5	NA	NA
PBT	1.4	-0.4	-12.7	-9.4	-49.2	NA	NA
RPAT	0.6	-0.7	-12.8	-9.6	-50.0	NA	NA
APAT	0.8	-0.9	-12.8	-9.7	-21.4	NA	NA
Tax as % of PBT	60.0	-103.7	-0.9	-1.5	-1.8	NA	NA

Source: Company, HSIE Research

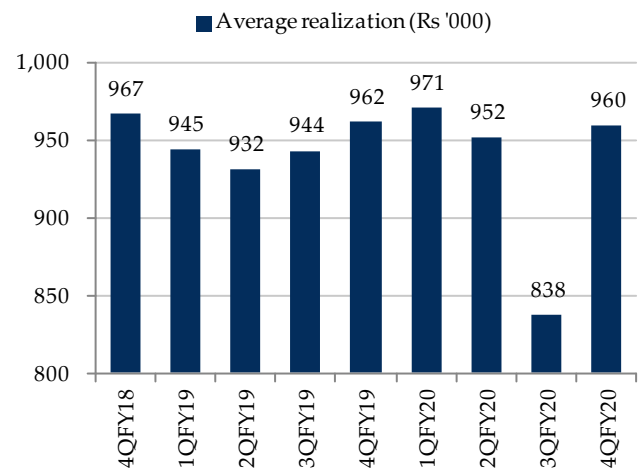
Standalone Quarterly charts

Total volumes declined sharply due to the COVID impact



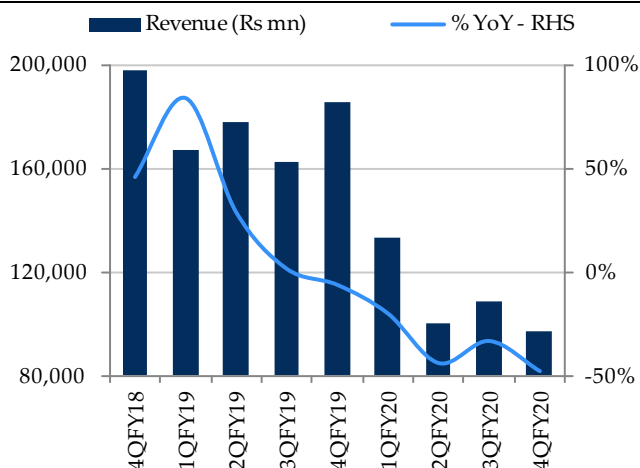
Source: Company, HSIE Research

Blended realization grew QoQ due to higher share of BSVI vehicles



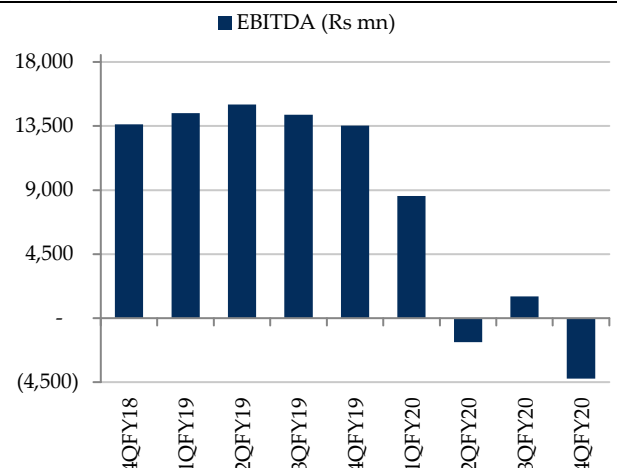
Source: Company, HSIE Research

Net revenues



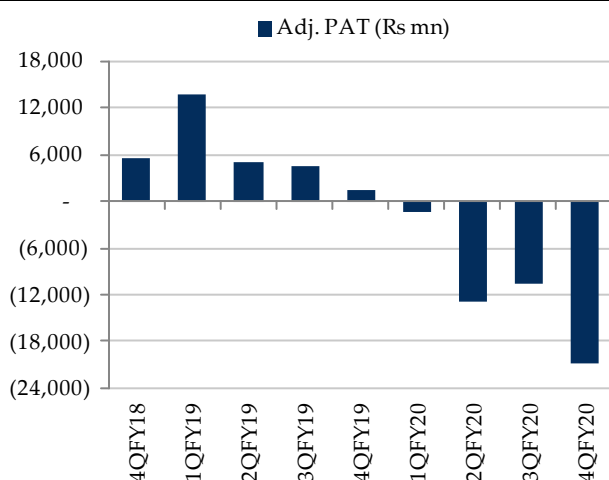
Source: Company, HSIE Research

Quarterly EBITDA



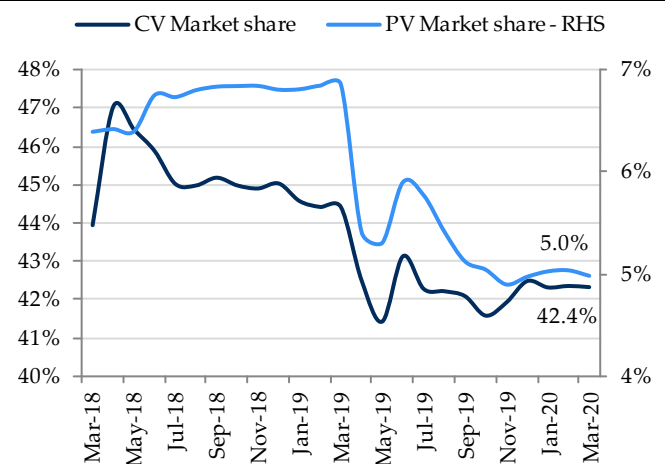
Source: Company, HSIE Research

APAT



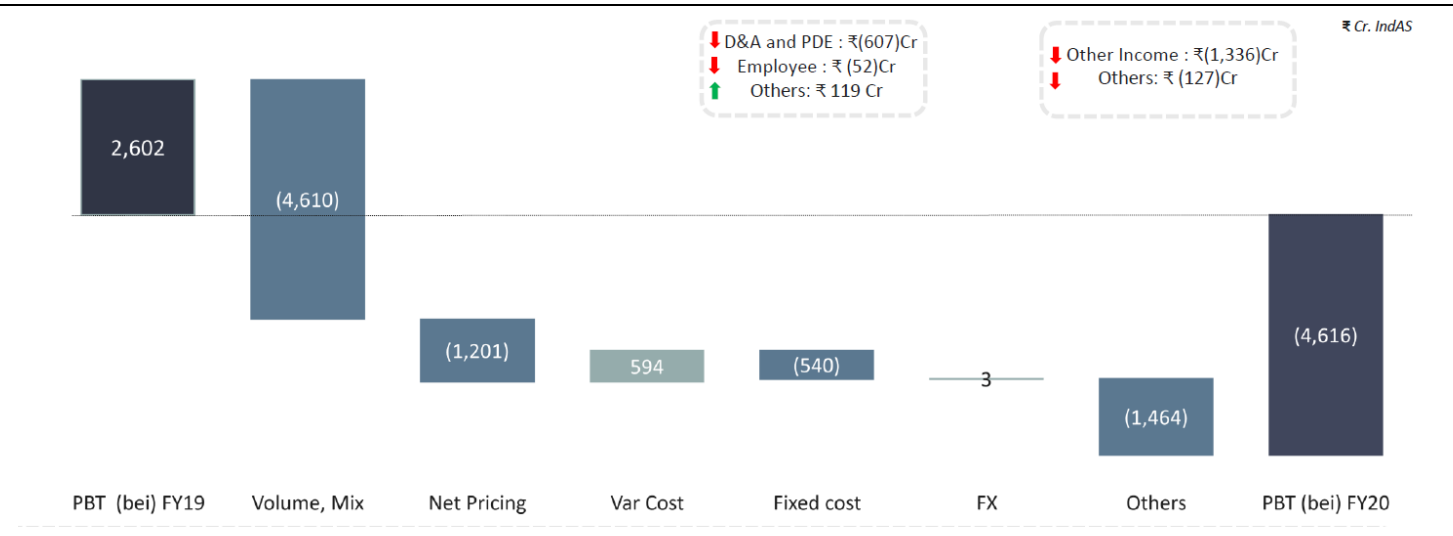
Source: Company, HSIE Research

Tata Motors' market share in CV & PV segment



Source: Company, HSIE Research

FY20 standalone PBT (Rs crores)



Source: Company, HSIE Research

JLR quarterly performance

- 4QFY20 retails fell by 49% YoY. At the end of FY20, the co had a global inventory of ~100k units. 25-30% retails were impacted due to lockdown
- JLR's revenue declined 24/15% YoY/QoQ to GBP 5.4mn. EBITDA came in at GBP 259mn (-63% YoY). EBITDA margin contracted by 500/600bps YoY/QoQ to 4.8%. This was owing to lower realizations and higher other expenses (18.4% of sales vs. 15.2/14.3% YoY/QoQ).
- Share of loss from the JLR China JV was GBP 20mn (- GBP 14mn YoY). This was due to decline in retail volumes in China on account of COVID-19 pandemic.
- The co highlighted that 89% of retail outlets have now opened across the globe. All the showrooms are open in China and the OEM registered a 4% YoY increase in retail sales during May-20. Customer inquiries have also improved significantly.
- Till 3QFY20 the company had saved GBP 2.9bn under 'Project Charge' with strict investment prioritization, reduction in working capital and cut in overhead costs. Additional GBP 0.6mn were save in 4QFY20 under 'Project Charge'.

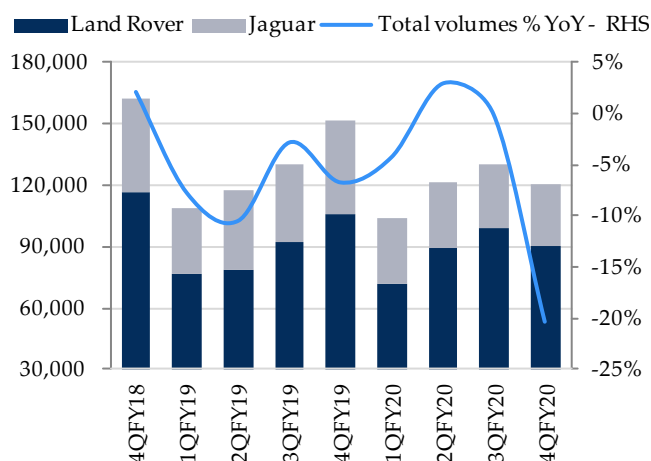
Five quarters at a glance - JLR

Particulars (GBP mn)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	% YoY	% QoQ
Volumes (in units, ex CJLR)	151,457	104,190	121,124	129,947	120,691	-20	-7
Net ASP (GBP/veh)	47,102	48,699	50,246	49,235	44,958	-5	-9
Net sales (incl OOI)	7,134	5,074	6,086	6,398	5,426	-24	-15
Material Expenses	4,689	3,281	3,720	4,141	3,542	-24	-14
Employee Expenses	662	656	631	655	626	-5	-4
Other Operating Expenses	1,087	924	895	914	999	-8	9
Total Expenditure	6,438	4,861	5,246	5,710	5,167	-20	-10
EBITDA	696	213	840	688	259	-63	-62
Depreciation	465	463	504	453	490	5	8
EBIT	231	-250	336	235	-231	NA	NA
Interest Cost	29	35	39	33	50	72	52
Exceptional gain/(loss)	-149	-12	-10	-	-7	NA	NA
Forex gain/(loss)	81	-70	-90	141	-193	NA	NA
Share of profit of joint venture	-14	-28	-41	-25	-20	NA	NA
PBT	120	-395	156	318	-501	NA	NA
Tax	1	7	56	54	38	NA	NA
RPAT	119	-402	100	264	-539	NA	NA

As % of sales	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (bps)	QoQ (bps)
Material Expenses	65.7	64.7	61.1	64.7	65.3	-44.9	55.5
Employee Expenses	9.3	12.9	10.4	10.2	11.5	225.8	129.9
Other Operating Expenses	15.2	18.2	14.7	14.3	18.4	317.4	412.6
Total Expenditure	90.2	95.8	86.2	89.2	95.2	498.3	598.0
EBITDA	9.8	4.2	13.8	10.8	4.8	-498.3	-598.0
PAT	1.7	-7.9	1.6	4.1	-9.9	NA	NA
Tax as % of PBT	0.8	-1.8	35.9	17.0	-7.6	NA	NA

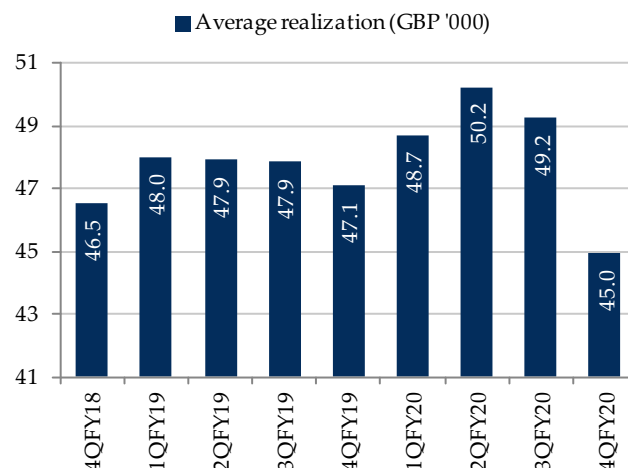
JLR Quarterly charts

Volumes at JLR was affected by the global pandemic



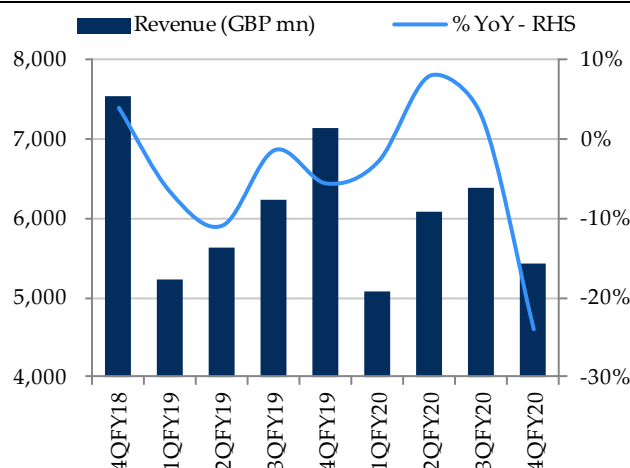
Source: Company, HSIE Research

Avg. realization declined YoY & QoQ



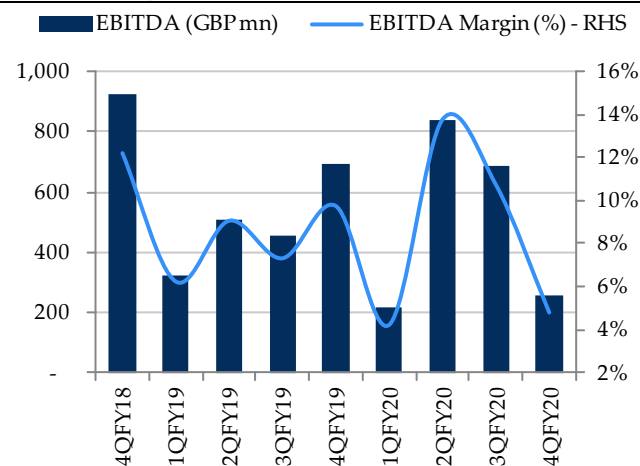
Source: Company, HSIE Research

Net revenues



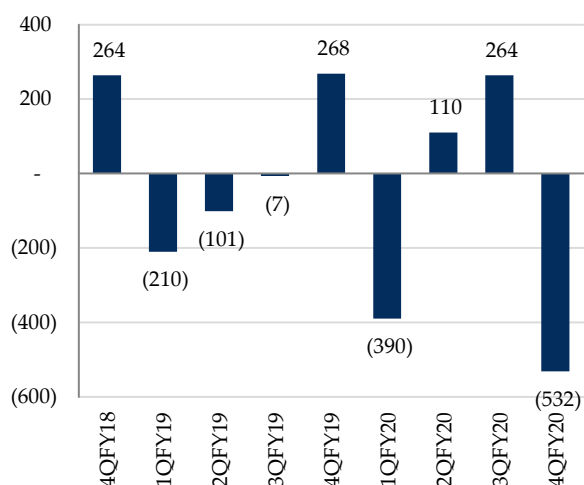
Source: Company, HSIE Research

EBITDA margin



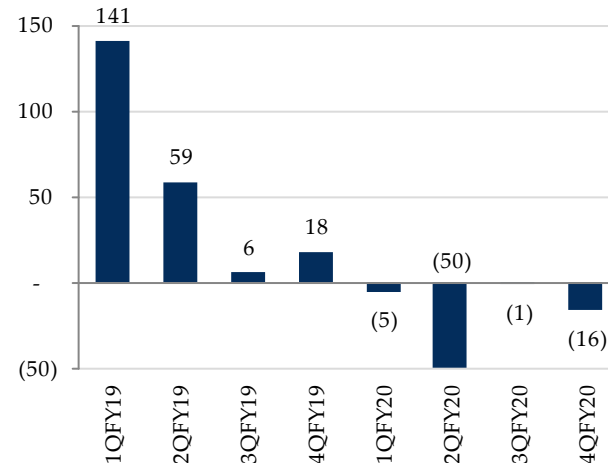
Source: Company, HSIE Research

JLR adjusted PAT (GBP mn)



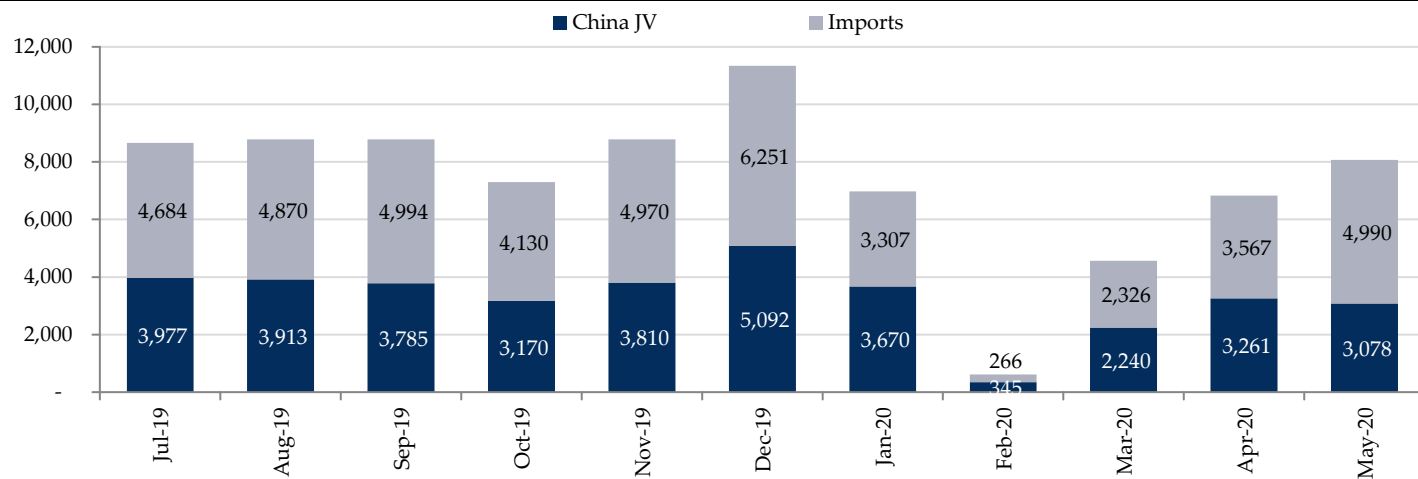
Source: Company, HSIE Research

JLR China JV EBITDA (GBP mn)



Source: Company, HSIE Research

Retail sales in China are recovering post COVID



Source: Company, HSIE Research

Consolidated Financials

Consolidated Income Statement

(Rs mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	2,755,611	2,696,925	2,946,192	3,019,384	2,610,680	2,461,565	2,670,988
Growth (%)	4.9	(2.1)	9.2	2.5	(13.5)	(5.7)	8.5
Total Expenses	2,353,572	2,327,802	2,577,462	2,721,436	2,371,537	2,231,017	2,353,115
EBITDA	402,039	369,124	368,730	297,948	239,143	230,548	317,873
EBITDA Margin (%)	14.6	13.7	12.5	9.9	9.2	9.4	11.9
EBITDA Growth (%)	(4.5)	(8.2)	(0.1)	(19.2)	(19.7)	(3.6)	37.9
Depreciation	170,142	179,050	215,536	235,906	214,254	215,875	227,229
EBIT	231,898	190,074	153,194	62,042	24,889	14,673	90,644
Product development expenses	34,804	34,136	35,319	42,246	41,885	45,236	47,497
Interest	46,234	42,380	46,818	57,586	72,433	77,677	82,350
Other Income	9,817	7,545	8,889	29,653	29,732	32,705	37,610
PBT, Exceptional items and forex	160,677	121,103	79,946	(8,137)	(59,698)	(75,535)	(1,593)
Exceptional gain/(loss)	(18,466)	11,146	19,751	(296,516)	(28,714)	-	-
Forex gain/(loss)	(2,402)	(39,101)	11,853	(9,059)	(17,387)	-	-
PBT	139,809	93,148	111,550	(313,712)	(105,800)	(75,535)	(1,593)
Share of profit from JV & associates	213	14,930	22,783	2,095	(10,000)	(2,311)	1,883
Tax (Incl Deferred)	28,726	32,512	43,419	(24,375)	3,953	-	-
RPAT	111,296	75,566	90,914	(287,242)	(119,752)	(77,846)	290
Minority Interest	1,059	1,022	1,025	1,020	956	966	975
APAT	129,019	99,703	61,445	(13,245)	(79,217)	(78,812)	(685)
APAT Growth (%)	(8.8)	(22.7)	(38.4)	(121.6)	498.1	(0.5)	(99.1)
Adjusted EPS (Rs)	38.0	29.4	18.1	(3.9)	(22.0)	(21.9)	(0.2)
EPS Growth (%)	(13.6)	(22.7)	(38.4)	(121.6)	464.6	(0.5)	(99.1)

Source: Company, HSIE Research

Consolidated Balance sheet

(Rs mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS							
Share Capital – Equity	6,792	6,792	6,792	6,792	7,195	7,195	7,195
Reserves	801,035	573,827	947,487	595,003	474,295	395,483	394,798
Total Shareholders Funds	807,827	580,619	954,279	601,796	481,490	402,679	401,993
Minority Interest	8,883	4,532	5,251	5,231	6,187	7,153	8,128
Total Debt	704,685	744,891	779,944	911,239	1,099,532	1,158,707	1,228,754
Net Deferred Taxes	4,397	11,740	61,258	14,910	16,252	17,715	19,309
TOTAL SOURCES OF FUNDS	1,525,791	1,341,782	1,800,731	1,533,176	1,603,462	1,586,253	1,658,185
APPLICATION OF FUNDS							
Net Block	1,015,902	952,708	1,212,974	1,104,866	1,162,028	1,146,941	1,120,293
CWIP	272,604	336,988	400,335	318,838	350,722	385,794	424,374
Goodwill	48,365	6,733	1,165	7,479	7,479	7,479	7,479
Investments	204,661	203,379	208,128	157,707	165,593	173,872	182,566
Total Non-current Assets	1,541,533	1,499,808	1,822,601	1,588,890	1,685,821	1,714,086	1,734,711
Cash & Equivalents	328,800	360,779	346,139	326,488	265,438	333,030	448,858
Inventories	333,990	350,853	421,376	390,137	371,932	316,969	329,300
Debtors	129,900	140,756	198,933	189,962	178,814	161,856	168,309
Other Current Assets	331,490	385,348	524,456	576,468	634,115	673,194	735,205
Total Current Assets	1,124,179	1,237,735	1,490,904	1,483,055	1,450,299	1,485,050	1,681,671
Creditors	636,329	576,983	720,384	685,135	593,661	579,985	622,011
Other Current Liabilities & Provns	503,592	818,779	792,390	853,634	938,998	1,032,897	1,136,187
Total Current Liabilities	1,139,921	1,395,762	1,512,774	1,538,769	1,532,659	1,612,882	1,758,198
Net Current Assets	(15,742)	(158,027)	(21,870)	(55,714)	(82,360)	(127,833)	(76,526)
TOTAL APPLICATION OF FUNDS	1,525,791	1,341,782	1,800,731	1,533,176	1,603,462	1,586,253	1,658,185

Source: Company, HSIE Research

Consolidated Cash Flow

(Rs mn)	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	140,022	108,078	134,333	(311,617)	(115,800)	(77,846)	290
Non-operating & EO Items	11,051	20,410	(40,493)	275,922	16,370	(32,705)	(37,610)
Interest Expenses	46,234	42,380	46,818	57,586	72,433	77,677	82,350
Depreciation	170,142	179,050	215,536	235,906	214,254	215,875	227,229
Working Capital Change	(12,022)	174,264	(150,796)	14,194	(34,404)	113,065	64,522
Tax Paid	(10,430)	(25,169)	6,099	(21,973)	(2,611)	1,463	1,594
OPERATING CASH FLOW (a)	344,997	499,013	211,496	250,018	150,243	297,528	338,375
Capex	(335,818)	(138,607)	(533,581)	(52,616)	(303,300)	(235,860)	(239,160)
Free Cash Flow (FCF)	9,179	360,406	(322,085)	197,402	(153,057)	61,668	99,215
Investments	(51,294)	1,282	(4,748)	50,420	(7,885)	(8,280)	(8,694)
Non-operating Income	(11,051)	(20,410)	40,493	(275,922)	(16,370)	32,705	37,610
INVESTING CASH FLOW (b)	(398,163)	(157,735)	(497,836)	(278,117)	(327,556)	(211,435)	(210,243)
Debt Issuance/(Repaid)	(31,419)	40,206	35,052	131,296	188,293	59,175	70,047
Interest Expenses	(46,234)	(42,380)	(46,818)	(57,586)	(72,433)	(77,677)	(82,350)
FCFE	(68,474)	358,232	(333,850)	271,112	(37,197)	43,167	86,911
Share Capital Issuance	139,236	(307,124)	283,465	(65,261)	403	(0)	(0)
Dividend	(776)	-	-	-	-	-	-
FINANCING CASH FLOW (c)	60,808	(309,298)	271,700	8,448	116,263	(18,502)	(12,304)
NET CASH FLOW (a+b+c)	7,642	31,979	(14,640)	(19,651)	(61,050)	67,592	115,828
Closing Cash & Equivalents	328,800	360,779	346,139	326,488	265,438	333,030	448,858

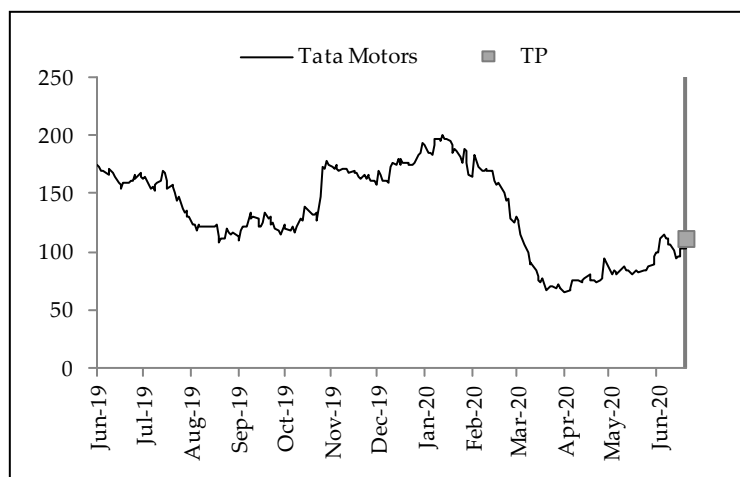
Source: Company, HSIE Research

Key Ratios

	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)							
EBITDA Margin	14.6	13.7	12.5	9.9	9.2	9.4	11.9
EBIT Margin	8.4	7.0	5.2	2.1	1.0	0.6	3.4
APAT Margin	4.7	3.7	2.1	(0.4)	(3.0)	(3.2)	(0.0)
RoE	18.8	14.4	8.0	(1.7)	(14.6)	(17.8)	(0.2)
RoIC (or Core RoCE)	17.6	12.8	5.7	(9.3)	2.1	1.1	7.4
RoCE	14.1	10.1	4.7	(11.0)	3.7	3.0	7.9
EFFICIENCY							
Tax Rate (%)	17.9	26.8	54.3	-	-	-	-
Fixed Asset Turnover (x)	2.7	2.8	2.4	2.7	2.2	2.1	2.4
Inventory (days)	44.2	47.5	52.2	47.2	52.0	47.0	45.0
Debtors (days)	17.2	19.0	24.6	23.0	25.0	24.0	23.0
Other Current Assets (days)	43.9	52.2	65.0	69.7	88.7	99.8	100.5
Payables (days)	84.3	78.1	89.2	82.8	83.0	86.0	85.0
Other Current Liab & Provns (days)	66.7	110.8	98.2	103.2	131.3	153.2	155.3
Cash Conversion Cycle (days)	(45.6)	(70.2)	(45.6)	(46.2)	(48.6)	(68.3)	(71.8)
Net Debt/EBITDA (x)	0.9	1.0	1.2	2.0	3.5	3.6	2.5
Net D/E (x)	0.5	0.7	0.5	1.0	1.7	2.1	1.9
Interest Coverage (x)	5.0	4.5	3.3	1.1	0.3	0.2	1.1
PER SHARE DATA (Rs)							
EPS	38.0	29.4	18.1	(3.9)	(22.0)	(21.9)	(0.2)
CEPS	82.9	75.0	90.2	(15.1)	26.3	38.4	63.2
Dividend	0.2	-	-	-	-	-	-
Book Value	238	171	281	177	134	112	112
VALUATION							
P/E (x)	2.7	3.5	5.7	NA	NA	NA	NA
P/BV (x)	0.4	0.6	0.4	0.6	0.8	0.9	0.9
EV/EBITDA (x)	1.8	2.0	2.1	3.1	5.0	5.2	3.6
EV/Revenues (x)	0.3	0.3	0.3	0.3	0.5	0.5	0.4
OCF/EV (%)	47.6	68.1	27.0	26.8	12.5	24.9	29.4
FCF/EV (%)	1.3	49.2	(41.2)	21.1	(12.7)	5.2	8.6
FCFE/Mkt Cap (%)	(18.5)	97.0	(90.4)	73.4	(10.1)	11.7	23.5
Dividend Yield (%)	0.2	-	-	-	-	-	-

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
22-Jun-20	103	ADD	112

Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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