TATA MOTORS
Connecting Aspirations

TATA

Key Highlights of the Results: Q2'20

Tata Motors Group

- JLR performance improves
- Sharp market decline in India
- Benefits from China recovery and Project Charge offset by M&HCV decline & India stock reduction
- Q2'20: Volumes at 242K down 25%; Revenue ₹65.4 KCr down 9%
- EBITDA margin at 12.4%(+250bps); EBIT margin at 3.8% (+210bps)
- PBT at ₹621Cr vs ₹(823)Cr in Q2'19

Jaguar Land Rover: Performance improves - continued recovery in China, Project Charge delivers

- Q2'20: Revenue £6 B (+8%);
- EBITDA margin at 13.8% **(amongst the highest in last 16 quarters)**; EBIT margin at 4.8%
- PBT £156M
- Project Charge on track to achieve £2.5B of cash and profit improvements with £2.2B achieved to date.
- The all new Defender launched. An icon reimagined for the 21st century
- £625 m UKEF-backed facility completed in October

Tata Motors (Standalone incl JO): Turnaround 2.0 – Managing the slowdown by doing it right

- Sharp decline in both PV and CV markets
- Q2'20: Revenue 10 KCr (down 44%); PBT ₹ (1,270) Cr impacted primarily by MHCV decline of 59%
- Focus on securing ecosystem viability and retail acceleration
- CV (Dom) retails higher by 26%(vs wholesales), PV(Dom) retails higher by 19%(vs wholesales)
- System stock reduced by ₹3400Cr

Funding plans –

- The Board of Directors of TML approve a preferential allotment of ordinary shares and warrants to the promoter, Tata Sons, for an aggregate consideration of ~₹6,500Cr subject to shareholder approval.
- This strong support from Tata Sons, will benefit all shareholders by allowing the business to focus on the long-term strategy, reduce debt levels and provide rating support to the TML Group.

JLR performance improves; Market slowdown impacts India

- **Benefits from China recovery and Project Charge offset by M&HCV decline and India stock reduction**
- **Q2'20: Revenue 65.4 KCr; PBT ₹ 621 Cr**

Mumbai, October 25, 2019: Tata Motors Ltd announced its results for the quarter ending September 30, 2019.

		Conso (₹ Cr Ind AS)		JLR (£M, IFRS)		TML (S) (₹Cr, Ind AS)	
		Q2 FY'20	Vs. PY	Q2 FY'20	Vs. PY	Q2 FY'20	Vs. PY
Q2 FY20	Net Revenue	**65,432**	**(9%)**	**6,086**	**8%**	**10,000**	**(44)%**
	EBITDA (%)	**12.4**	**250 bps**	**13.8**	**480 bps**	**(2.2)**	**(1090 bps)**
	EBIT (%)	**3.8**	**210 bps**	**4.8**	**560 bps**	**(9.8)**	**(1430 bps)**
	PBT	**621**	**-**	**156**	**-**	**(1,270)**	**-**
H1 FY20	Net Revenue	126,899	(8%)	11,160	3%	23,352	(32%)
	EBITDA (%)	9.4	70 bps	9.4	180 bps	2.9	(570 bps)
	EBIT (%)	0.7	20 bps	0.2	240 bps	(3.7)	(800 bps)
	PBT	(2,617)	-	(239)	-	(1,318)	-

Jaguar Land Rover (JLR)-Q2FY 20

- **Retails (**incl CJLR**)** down 0.7% to 128,953 units; **Wholesales** (incl CJLR) up 2.9% to 134,489 in Q2FY20.
- **Net Revenue** up 8% to £6B
- **EBIT at 4.8**%, better wholesales, China growth, lower operating costs, D&A and favourable Forex
- **PBT at** £ 156m
- **Investments:** £841m in products and technologies
- **Free Cash Flows** of £(64m), 559better than Q2 FY19 on higher profitability and lower investment spending

Tata Motors (Standalone, incl JO)-Q2FY 20

- **Wholesales** down 44.1% to 106,349 units. CV down 41.2%, PV down 51.3%; Wholesale (Dom) down 45.1%, Retails down 26.9%
- **Net Revenue** down 44% to ₹10K Cr
- **EBIT at (9.8)**%, M&HCV volume down 59%, adverse mix and negative operating leverage
- **PBT** at ₹(1,270)Cr,
- **Investments:** ₹1,202 Cr in products and technologies.
- **Free cash flows** of ₹ (1,722) Cr. Stocks and Debtors improve. Creditors impacted by lower volumes

Jaguar Land Rover improved its performance this quarter and delivered a well-rounded performance. In particular, the improvement in China on the back of better operational metrics is reassuring. Project Charge is well ahead of plans and has delivered £2.2B so far. The product offensive continued with the launch of the New Defender which has received an excellent response. However, the market remains challenging due to a multitude of factors and in this context, we are focused on leveraging our strong brands and exciting product portfolio to improve our revenue growth while rigorously executing our cost and cash improvement plans.

In India, the auto industry witnessed a sharp decline in both Commercial and Passenger Vehicles resulting in a disappointing break to the rhythmic delivery of our Turnaround journey of the last two years. The profitability was impacted by adverse mix from the steep decline in M&HCV volumes and loss of operating leverage as we proactively focused on retails and reduced system stocks to secure dealer viability. Though the near-term market situation is fluid, we are optimistic on the medium-term outlook of this market and will continue to drive our Turnaround strategy and transition seamlessly to BSVI.

As we strengthen our internal capabilities, we remain confident of delivering competitive, consistent and cash accretive growth.

JAGUAR LAND ROVER

BUSINESS HIGHLIGHTS

- Strong demand for new Range Rover Evoque and Range Rover Sport with the launches of the new Jaguar XE and Land Rover Discovery Sport rolling out
- Revealed New Land Rover Defender, the toughest and most capable Land Rover; customer deliveries to begin from spring 2020
- Unveiled the advanced product creation centre at Gaydon, UK
- Company on track to achieve £2.5 billion cost and cash flow improvement target by end March 2020

FINANCIALS

Revenue increased 8.0% year-on-year to £6.1 billion, driven by higher wholesales (up 2.9%) and favourable product mix. While total retail sales were down slightly (-0.7%), performance in China improved sharply, up 24.3%. Global retail sales of the new Range Rover Evoque were up 54.6%, the Range Rover Sport up 17.5% and Jaguar I-PACE retails were up 2,593 units.

Jaguar Land Rover generated pre-tax profits of £156 million in the quarter, £246 million better year-on-year. The improvement reflects favourable wholesale volume and mix, operating costs, depreciation and amortization, and foreign exchange. Profit margins were also significantly improved with an EBIT margin of 4.8% and an EBITDA margin of 13.8%.

The company's Project Charge transformation programme contributed £162 million of cost improvement and £285 million reduction in investment spending in the quarter. With £2.2 billion efficiencies achieved to date, Jaguar Land Rover remains on track to achieve the full targeted £2.5 billion by 31 March 2020 and further improvements beyond then.

Free cash flow was negative £64 million for the quarter, a £559 million year-on-year improvement. This progress reflects the better profitability and a £154 million decrease in investment spending to £841 million for the period. At quarter end, Jaguar Land Rover had cash of £2.85 billion and a £1.9 billion undrawn credit facility. Since then, the company has completed a £625 million five-year amortizing loan facility backed by a £500 million guarantee from UK Export Finance (UKEF) and signed a new £100 million working capital facility for fleet buybacks.

For the financial year ending 31 March 2020, Jaguar Land Rover continues to expect year-on-year improvement and to target a 3-4% EBIT margin with cash flow increased over last year.

Prof. Dr. Ralf Speth, JLR Chief Executive commented, "Jaguar Land Rover has returned to profitability and revenue growth. This is testament to the fundamental strength of our business, our award-winning products, new technologies and operating efficiencies. We were one of the first companies in our sector to address the challenges facing our industry. As such, it is encouraging to see the impact of our Project Charge transformation programme and improvement initiatives in the China market start to come through in our results. Our people have responded very positively to the challenging circumstances over the past year. The improved performance this quarter reflects their ongoing passion and determination. Looking forward, we will continue our product offensive, broadening our range of electrified vehicles on the journey towards our Destination Zero future."

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TATA MOTORS (STANDALONE INCL. JOINT OPERATIONS)

BUSINESS HIGHLIGHTS

- Growth continues to be impacted by subdued demand, higher axle loads, liquidity stress, low freight availability for cargo operators and general economic slowdown
- Turnaround 2.0: Focused on securing ecosystem viability and improving retail growth.
- System stock reduced by ₹3.4KCr (TML + Dealership)
- CV (Dom) retails higher by 26%(vs wholesales), PV(Dom) retails higher by 19% (vs wholesales)
- CV EBITDA margins impacted due to adverse mix and negative operating leverage. PV EBITDA impacted by negative operating leverage.

FINANCIALS

In Q2FY‘20 wholesales (including exports) decreased 44.1% to 106,349 units. In the domestic market, M&HCV trucks de-grew 58.5%, ILCV trucks de-grew 32.7%, SCV & Pick Ups de-grew 32.5% and CV Passenger de-grew by 42.2%. Domestic PV volumes were down 51.8%.

Revenue for the quarter decreased 44% to ₹ 10KCr, Pre-tax loss at 1,270 Cr (against pre-tax profit of ₹ 150Cr in Q2FY 19) due to adverse mix from M&HCV volume decline, stock correction and negative operating leverage.

Free Cash flows for the quarter was ₹(1,722) Cr an improvement over the previous quarter with reductions in inventory and debtors offset by lower creditors.

Guenter Butschek, CEO and MD, Tata Motors, said "The Industry has been grappling with a long and sharp slowdown. Growth continues to be impacted by subdued demand, higher capacity from the new axle load norms, liquidity stress, low freight availability, weak consumer sentiment and general economic slowdown. The sharp market decline over the last few months has impacted our Q2 performance as well which is disappointing. With the onset of festive season, we are seeing initial green shoots this month with better retails in Passenger Vehicles. We hope that the slew of measures announced by the government so far, as well as their commitments to front end significant infrastructure investments, introduce a scrappage policy and ensure adequate liquidity to MSMEs will improve the situation in the coming months.
We are better prepared to tide over the current market challenges with proactive stock reductions, focus on retail acceleration and a deep commitment to the Turnaround journey. We remain agile to tap the potential demand rebound and are focused on achieving a smooth transition to BSVI for TML and our partners while providing world class BSVI solutions to our customers.”

ADDITIONAL COMMENTARY ON FINANCIAL STATEMENTS

(CONSOLIDATED NUMBERS, IND AS)

FINANCE COSTS

Finance costs increased by ₹609 Cr to ₹1,835 Cr during Q2FY'20 vs prior year due to higher borrowings as compared to Q2 FY'19

JOINT VENTURES, ASSOCIATES AND OTHER INCOME

For the quarter, net loss from joint ventures and associates amounted to ₹363 Cr compared with profit of ₹86 Cr in prior year. Other income (excluding grants) was ₹199 Cr versus ₹ 240 Cr in the prior year.

FREE CASH FLOWS

Free cash flow (automotive) in the quarter, was negative ₹(1.5)K Cr (as compared to negative ₹(4.4)K Cr in Q2 FY 19) reflecting cash out flow primarily at TML on account of challenging market conditions.

Notes: Joint Operations refers to Fiat Automobiles Pvt Ltd and Tata Cummins Pvt Ltd

For further information contact

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