

Tata Motors

Estimate change



TP change



Rating change



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Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USD\$)	339.4 / 4.6
52-Week Range (INR)	202 / 64
1, 6, 12 Rel. Per (%)	-3/-37/-23
12M Avg Val (INR M)	7138

Financials & valuations (INR b)

Y/E March	2020	2021E	2022E
Net Sales	2,611	2,553	2,986
EBITDA	239.1	228.7	395.1
Adj. PAT	-90.9	-123.6	22.6
Adj. EPS (INR)	-25.3	-34.4	5.9
EPS Gr. (%)	480	35.9	-117.2
BV/Sh. (INR)	175.3	141.0	145.1

Ratios

Net D/E (x)	1.6	2.0	1.8
RoE (%)	-14.8	-21.7	4.3
RoCE (%)	3.7	2.0	5.2
Payour (%)	0.0	0.0	0.0

Valuations

P/E (x)	-4.1	-3.0	17.7
P/BV (x)	0.6	0.7	0.7
EV/EBITDA (x)	3.7	4.7	2.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-8.5	-57.6	22.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	42.4	42.4	38.4
DII	13.4	13.6	16.0
FII	15.6	16.8	19.5
Others	28.6	27.2	26.1
FII Includes depository receipts			

CMP: INR104
TP: INR127 (+22%)
Buy
Tough quarter with loss of INR84b & -ve FCF of INR182b
Expect gradual recovery in FY21, but positive FCF from 2QFY21

- TTMT's had its toughest quarter ever with net consol losses of INR84b as both JLR and India business were badly hurt by Covid-19 related lockdowns. Unwinding of working capital and weak operating performance led to consol. (auto) FCF being negative at ~INR182b. However, it expects positive FCF in both businesses 2QFY21 onwards. Recovery in both businesses is critical for net debt reduction (INR678b, increase of INR196b QoQ).
- We expect losses to gradually reduce in coming quarters and turn profitable only from 4QFY21. We have increased our FY21E loss estimates by 8% to factor in high JLR tax partially offset by faster JLR volume recovery and cost cutting initiatives. Maintain **Buy** with TP of INR127.

Favorable mix and cost savings dilute impact of operating deleverage

- Consol. revenue/EBITDA declined ~48%/79% to ~INR320b/INR6.4b, translating to adj. loss of INR84.4b (v/s est. loss of ~INR98b and ~INR35.9b loss in 1QFY20).
- **JLR – favorable mix and cost cutting drives beat:** JLR's operating performance was supported by strong recovery in China (wholesale share at 38% v/s 20% in 1QFY20), cost cutting (GBP500m) and government grant for furloughed employees (~GBP122m). Strong mix improved realizations (+20% YoY; 28% QoQ). EBITDA margins declined 70bp YoY to 3.5% (v/s est. -3.6%). However, non-recognition of deferred tax assets resulted in higher-than-estimated net loss of GBP648m (v/s est. GBP557m). JLR's FCF was negative at GBP1.5b (v/s -GBP0.7b in 1QFY20), impacted by GBP1.1b increase in working capital. Chery Jaguar Land Rover (CJLR) achieved PAT break-even in 1QFY21, driven by lower variable marketing expenses (VME).
- **S/A – Fourth consecutive quarter of EBITDA loss:** Sharp volume decline, adverse mix and higher fixed cost led to the fourth consecutive quarter of EBITDA loss (~INR7b v/s est. ~INR11.7b). The beat was led by 10% YoY increase in realizations (due to higher spare contribution) and cost savings of INR5.4b. Adj. net loss was at ~INR21.4b (and ~INR13.6b in 1QFY20).
- Consol. net debt (auto) increased by INR196b QoQ to INR678b.

Highlights from management commentary

- JLR Project Charge delivered total savings of GBP1.2b (cost savings of GBP0.5b) and cash flow improvement in the quarter. It has increased FY21 target further from GBP1.5b to GBP2.5b, with the remaining GBP1.3b being equally targeted between cash and cost savings.
- JLR launched the *Defender* across markets and has strong order book of over 30k units. The *Defender* is expected to be a volume driver; annual volumes are expected at over 100k units.
- JLR's near-term performance is expected to be impacted as focus is on bringing down dealer inventory to ~55 days (from 90 days in Jun'20 and 140 days in Mar'20). However, overall performance should be better than 1QFY21. The company expects to turn FCF positive from 2QFY21.

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- S/A cost and cash savings stood at INR10.2b in 1QFY21. Targeting INR60b of cost (INR15b target) and cash savings.
- India business utilization stood at 20% for CVs and 60% for PVs.
- FY21 capex for JLR is expected at GBP2.5b and INR15b for the India business

Valuation and view

- We have increased our FY21E loss estimates by 8% to factor in high JLR tax partially offset by faster JLR volume recovery and cost cutting initiatives.
- The stock trades at 2.5x FY22E EV/EBITDA and 0.7x P/BV. Maintain **Buy** with TP of ~INR127 (Mar'22E-based SOTP).

Quarterly Performance [Consol.]

INR b	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Op Income	614.7	654.3	716.8	624.9	319.8	564.4	743.6	925.6	2610.7	2553.3	254.4
Growth (%)	-7.8	-9.1	-6.8	-27.7	-48.0	-13.7	3.7	48.1	-13.5	-2.2	-58.6
EBITDA	30.0	71.6	72.0	23.7	6.4	38.9	63.5	80.2	197.3	189.0	-30.1
EBITDA Margins (%)	4.9	10.9	10.0	3.8	2.0	6.9	8.5	8.7	7.6	7.4	-11.8
JLR EBITDA Margins (%)	4.2	13.8	10.8	4.8	3.5	7.8	8.8	10.5	8.7	8.5	-3.6
S/A EBITDA (%)	6.4	-1.7	-5.2	-4.4	-26.2	-6.2	5.0	6.3	1.3	1.4	-52.2
Depreciation	51.1	53.0	52.0	58.1	56.0	57.0	57.8	60.5	214.3	231.3	57.9
Other Income	8.4	6.7	9.0	5.6	6.1	7.0	7.0	6.7	29.7	26.8	4.3
Interest Expenses	17.1	18.4	17.4	19.5	18.8	19.0	18.0	17.8	72.4	73.6	18.0
PBT before EO	-31.3	5.8	13.5	-65.1	-61.9	-30.6	-10.1	4.0	-77.1	-98.6	-106.4
EO Exp/(Inc)	1.09	-0.39	0.01	28.01	-0.03	0.00	0.00	0.00	28.71	-0.03	0.00
PBT after EO Exp	-32.4	6.2	13.5	-93.1	-61.8	-30.6	-10.1	4.0	-105.8	-98.6	-106.4
Tax rate (%)	-6.1	71.7	-44.8	-3.8	-35.6	-20.0	-25.1	-149.1	-3.7	-25.1	10.3
PAT	-34.3	1.8	19.5	-96.7	-83.8	-36.8	-12.6	9.9	-109.8	-123.3	-95.5
Minority Interest	-0.2	-0.3	-0.2	-0.3	0.1	-0.1	-0.1	0.0	-1.0	-0.2	-0.1
Share in profit of Associate	-2.5	-3.6	-2.0	-1.9	-0.6	-0.4	-0.1	0.9	-10.0	-0.1	-2.5
Reported PAT	-37.0	-2.2	17.4	-98.9	-84.4	-37.3	-12.8	10.8	-120.7	-123.6	-98.1
Adj PAT	-35.9	-2.6	17.4	-69.9	-84.4	-37.3	-12.8	10.8	-90.9	-123.6	-98.1
Growth (%)	88.5	-54.1	-250.6	-426.8	135.5	1349.7	-173.4	-115.5	515.0	36.0	173.6

Source: Company, MOFSL



Management commentary highlights

On 1QFY21 performance

- JLR's realizations and Gross Margin improved by better market conditions (China), product mix (SUV5), lower VME and favorable forex. Further, reduction in warranty cost (by 210bp YoY to 3.8%) along with other cost cutting initiatives supported EBITDA margins.
- Chery JV achieved break-even during the quarter, driven by lower VME (from 23% to 13%), following the trend of improvement in dealer transaction price.
- Elimination of prior UK tax losses led to deferred tax. This will reverse as it recovers losses, may be by end-FY21 or early-FY22E.

Status of operations

- JLR's 98% retail network is operational. All plants are operational (barring Castle Bromwich), which will gradually restart from 10th Aug'20.
- JLR launched the *Defender* across markets and has strong order book of over 30k units. The *Defender* is expected to be a volume driver with annual volumes expected at over 100k units.

- JLR's near-term performance will be impacted as it is focusing on bringing down dealer inventory to ~55 days (from 90 days in Jun'20 and 140 days in Mar'20). However, overall performance should be better than 1QFY21. The company expects to turn FCF positive from 2QFY21.
- Warranty cost should sustain at current levels due to quality improvement model year (MY20).
- In 2QFY21, volumes may not pick up sufficiently to generate profits; however, cash flow is expected to be positive, supported by improved working capital and continued cost savings.
- **Utilization** is relatively low. The company does not expect two shifts in other plants (except in Solihul and Slovakia) in 2QFY21 as it is working to reduce dealer inventories.
- Investment spending is expected to be GBP2.5b in FY21.
- JLR Project Charge delivered GBP1.2b of total savings (cost savings of GBP0.5b) and cash flow improvement during the quarter. It has increased its FY21 target further from GBP1.5b to GBP2.5b, with remaining GBP1.3b equally targeted between cash and cost savings. This brings the total charge plus savings so far to GBP4.7b, with a target of GBP6b by end-Mar'21.
- JLR's FY21 capex is maintained at GBP2.5b. The company spent GBP548m in 1QFY21.
- JLR's net debt stands at GBP2.75b (v/s GBP2.2b in Mar'20).

Exhibit 1: JLR Quarterly Performance (IFRS)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
(GBP Million)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Total Volumes (Incl JV)	118,550	134,489	147,416	124,947	65,425	115,614	143,557	175,625	525,402	500,220	65,425
Growth (%)	-9.9	2.9	4.1	-22.7	-44.8	-14.0	-2.6	40.6	-7.1	-4.8	-44.8
Realization (GBP/unit)	48,698	50,246	48,477	45,729	58,452	49,684	48,690	48,270	48,291	49,860	49,185
Change YoY (%)	1.5	4.9	1.3	-2.9	20.0	-1.1	0.4	5.6	1.3	3.3	1.0
Revenues	5,074	6,086	6,398	5,426	2,859	4,996	6,147	7,740	22,984	21,743	2,406
Growth (%)	-2.8	8.0	2.8	-23.9	-43.7	-17.9	-3.9	42.6	-5.1	-5.4	-52.6
RM/Sales (%)	64.7	61.1	64.7	65.3	64.1	63.5	63.0	62.8	63.9	63.2	63.5
Staff Costs/Sales (%)	12.9	10.4	10.2	11.5	15.2	11.4	10.6	8.6	11.2	10.7	21.8
Other Exp/Sales (%)	18.2	14.7	14.3	18.4	17.1	17.3	17.7	18.0	16.2	17.6	18.3
EBITDA	213	840	688	259	101	389	538	816	2,000	1,845	-87
EBITDA Margins (%)	4.2	13.8	10.8	4.8	3.5	7.8	8.8	10.5	8.7	8.5	-3.6
Depreciation & Amortization	463	504	453	490	491	495	500	522	1,910	2,008	500
Fx loss/ (gain)	70	90	-141	193	-27	25	50	50	212	98	50
Net Finance Cost	35	39	33	50	50	50	42	39	157	181	50
Share of JV's PAT	-28	-41	-25	-20	0	-4	-1	-3	-114	-7	-26
PBT before EO Exp	-383	166	318	-494	-413	-185	-54	202	-393	-450	-714
EO Exp/(Inc)	12	10	0	7	0	0	0	0	29	0	0
PBT after EO Exp	-395	156	318	-501	-413	-185	-54	202	-422	-450	-714
Tax rate (%)	-1.8	35.9	-17.0	-7.6	-56.9	20.0	20.0	19.8	-11.1	-50.5	22.0
Adj PAT	-389	111	372	-531	-648	-148	-43	162	-437	-677	-557
Growth (%)	85.1	-210.0	-236.8	-308.0	66.7	-233.2	-111.7	-130.5	33.3	55.0	43.2

E: MOFSL Estimates

Source: Company, MOFSL

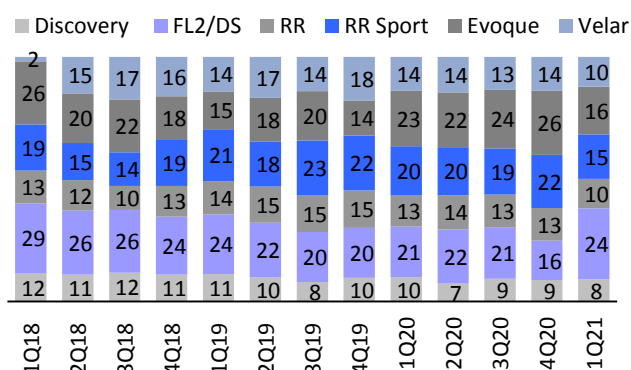
Exhibit 2: JLR Key Performance Indicator

JLR	FY20				FY21E				FY20	FY21E
Key performance Indicator	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Debt (IFRS)	2138	2300	2177	2220	2748				2220	
CFO	76	777	748	991	-964				2592	
Capex	795	841	892	766	548				3294	
FCF	-719.0	-64	-144	225	-1512.0				-702	

Source: Company, MOFSL

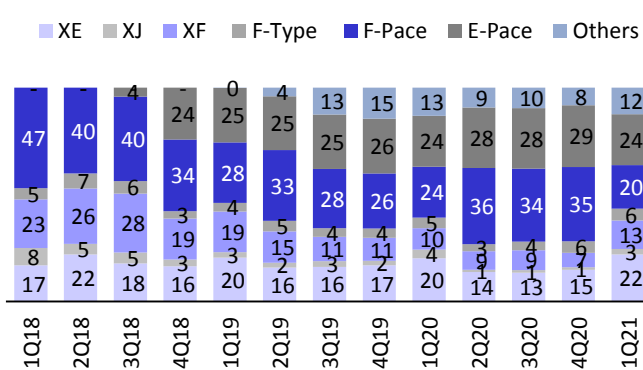
Key exhibits

Exhibit 3: Land Rover – wholesale product mix (%)



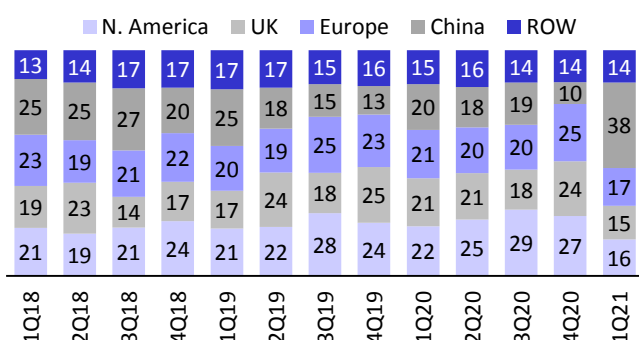
Source: Company, MOFSL

Exhibit 4: Jaguar – wholesale product mix (%)



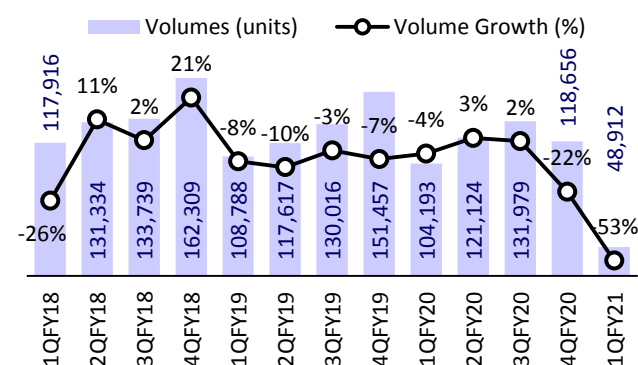
Source: Company, MOFSL

Exhibit 5: JLR – wholesale market mix (%)



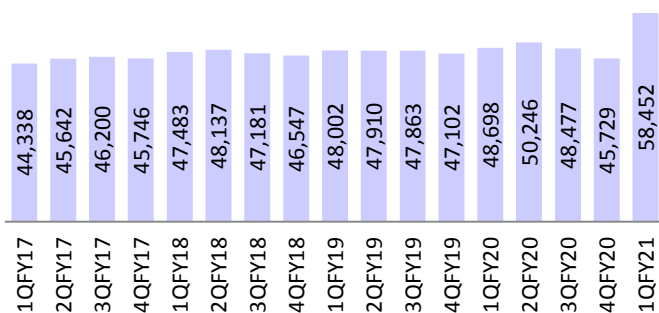
Source: Company, MOFSL

Exhibit 6: JLR – trend in volumes (excl. JV)



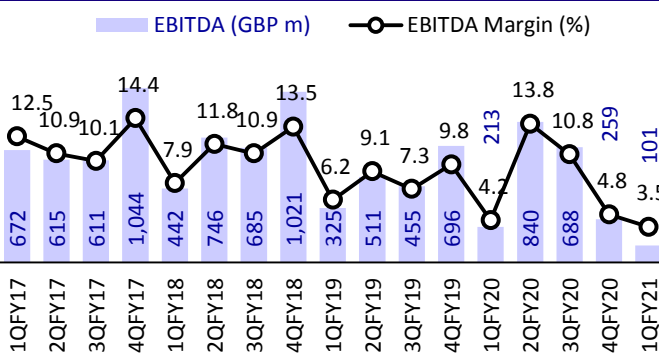
Source: Company, MOFSL

Exhibit 7: Trend in JLR realizations (GBP/unit)

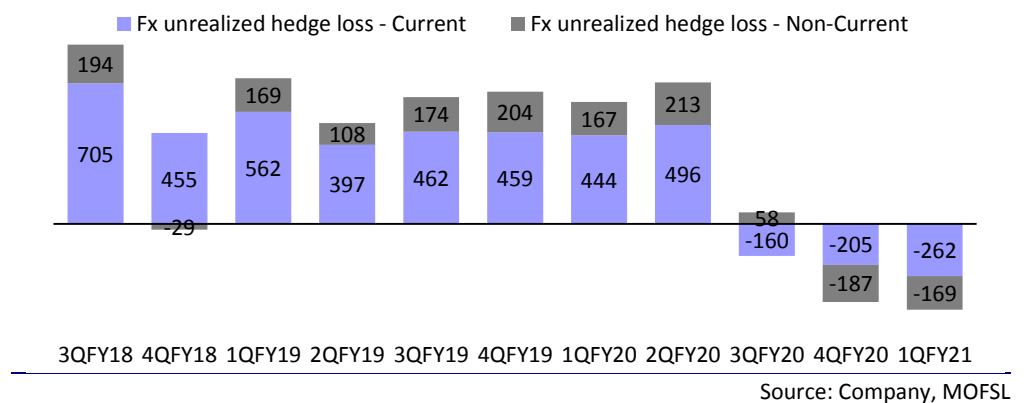
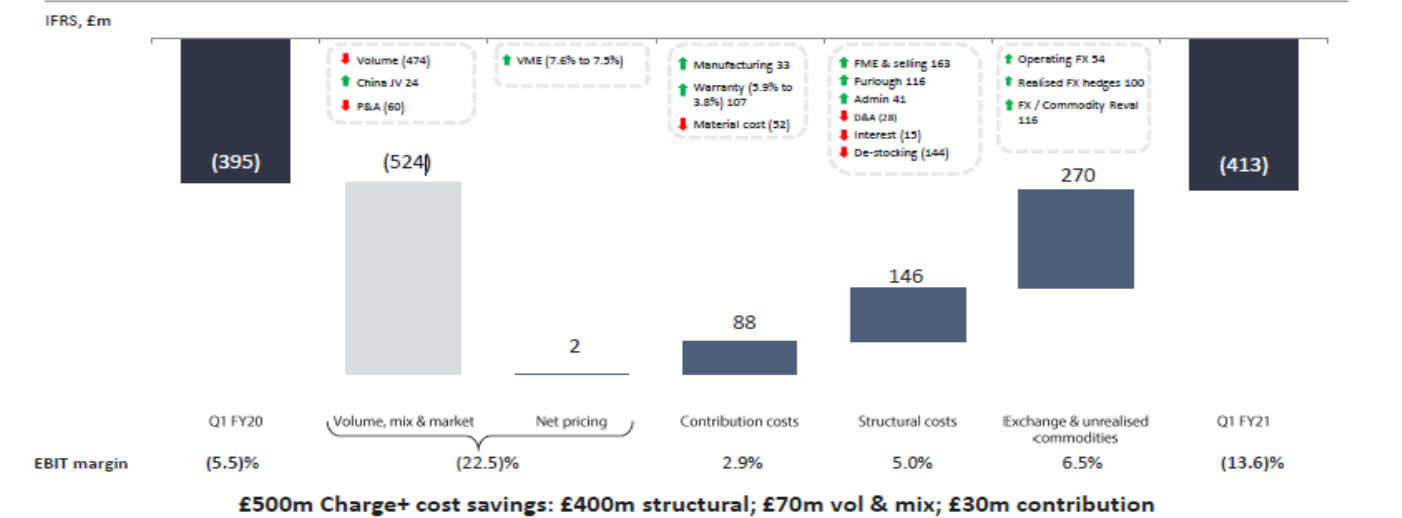
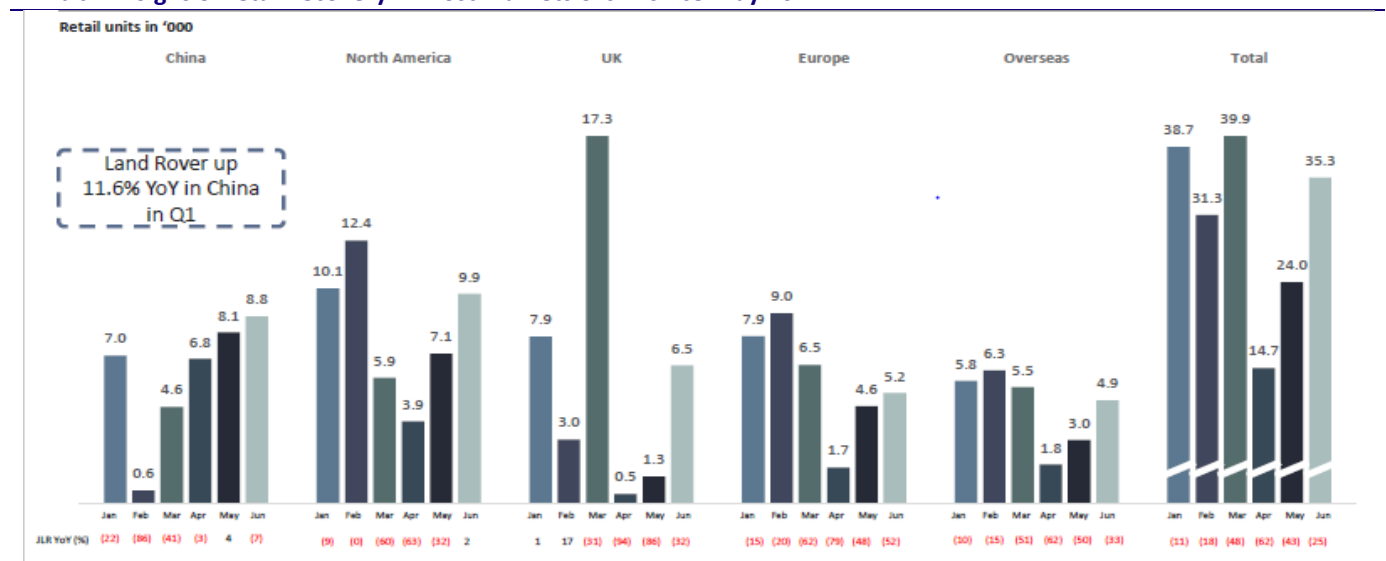


Source: Company, MOFSL

Exhibit 8: Trend in JLR EBITDA and EBITDA margins



Source: Company, MOFSL

Exhibit 9: Trend in JLR's unrealized forex hedge losses**Exhibit 10: Covid sales impact drives GBP413m loss****Exhibit 11: Signs of retail recovery in most markets of JLR since May '20**



India: Key takeaways from the management commentary

On 1QFY21 performance

- India business operating performance for CVs was impacted by the lockdown, leading to slowdown in economic activities.
- PV market share rose to 9.5% with the 'New Forever' range including the *Altroz*.
- Sharp increase in realizations – despite very low M&CHV contribution – was driven by higher contribution from spare sales.
- S/A net debt at INR257b (v/s ~INR209b in Mar'20).

Focus areas for FY21-22E

- S/A cost and cash savings of INR10.2b in 1QFY21. Targeting INR60b of cost (INR15b target) and cash savings.
- India plant utilization at 20% for CVs and 60% in PVs. PVs planning for two-shift operations.
- India business capex has been cut to ~INR15b in FY21 (v/s ~INR45b in FY20).
- India PV business is targeting to be cash positive by FY23E, by improving its contribution to margin and reducing fixed costs further.

Status of operations:

- CVs: 90% of sales and 95% of service outlets reopened. PVs: Pune, RJV and Sanand plants are operating at 70% manpower (started with 35% in May'20).
- At end-Jun'20, based on e-way bill data, fleet activity was back to 65-67% level.
- Plant utilization stands at ~20% for CVs and ~60% for PVs. Two shift operations are planned for PVs.

Quarterly Performance (Standalone)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
0.00	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Total Volumes (nos)	137,475	105,031	129,381	101,490	25,047	68,206	126,696	159,611	473,377	379,559	25,047
Change (%)	-22.1	-44.9	-24.6	-47.4	-81.8	-35.1	-2.1	57.3	-35.3	-19.8	-81.8
Avg Realn (INR '000/unit)	971	952	767	959	1,073	915	965	1,003	926	979	895
Change (%)	2.8	2.1	-18.8	-0.4	10.5	-3.9	25.8	4.5	-2.1	5.7	-7.8
Net Sales	133.5	100.0	99.3	97.3	26.9	62.4	122.3	160.0	438.4	371.6	22.4
Change (%)	-19.9	-43.7	-38.7	-47.6	-79.9	-37.6	23.2	64.4	-36.7	-15.2	-83.2
RM Cost (% of Sales)	71.9	74.8	81.0	76.6	72.2	74.0	74.0	74.3	74.3	74.0	80.0
Staff Costs (% of sales)	8.6	10.7	10.3	11.8	36.0	15.6	8.2	6.3	10.0	10.6	42.4
Other Exp (% of sales)	13.1	16.2	14.0	15.9	18.0	16.6	12.9	13.2	14.4	14.0	29.9
EBITDA	8.6	-1.7	-5.2	-4.3	-7.0	-3.9	6.1	10.0	5.7	5.2	-11.7
EBITDA Margins (%)	6.4	-1.7	-5.2	-4.4	-26.2	-6.2	5.0	6.3	1.3	1.4	-52.2
Non-Operating Income	4.0	3.6	3.5	2.7	1.3	2.5	2.5	2.4	13.8	8.8	1.5
Interest	4.4	5.0	4.8	5.6	5.5	5.8	5.5	5.7	19.7	22.5	5.8
Depreciation & Amort.	7.8	7.6	8.5	9.8	8.6	8.8	9.0	9.2	33.8	35.6	9.0
Product Dev. Expenses	1.2	2.1	2.1	3.0	1.4	1.3	1.3	1.3	8.3	5.2	0.5
PBT before EO Exp	-0.4	-13.4	-16.9	-22.2	-21.4	-17.1	-7.2	-3.8	-44.7	-49.3	-25.5
EO Exp/(Inc)	0.1	-0.7	1.5	25.7	0.5	0.0	0.0	0.0	26.6	0.5	0.0
PBT after EO Exp	-0.5	-12.7	-18.5	-47.9	-21.9	-17.1	-7.2	-3.8	-71.3	-49.8	-25.5
Effective Tax Rate (%)	-103.7	-0.9	-0.8	-1.8	0.0	0.0	0.0	0.1	-2.3	0.0	0.0
PAT	-1.0	-12.8	-18.6	-48.7	-21.9	-17.1	-7.2	-3.8	-72.9	-49.8	-25.5
Change (%)	-108.2	-1,274.6	-401.6	-4,687.1	2,156.1	33.5	-61.4	-92.3	-460.8	-31.7	2,527.8
Adj PAT	-0.9	-13.6	-17.1	-22.4	-21.4	-17.1	-7.2	-3.8	-45.7	-49.3	-25.5
Change (%)	LP	-822.2	-365.9	-1,381.2	LP	26.3	-57.8	-83.2	LP	LP	LP

Source: Company, MOFSL

Key performance Indicators (S/A)

Trend in segment mix					FY20				FY21E				FY20	FY21E
Volumes (units)					1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
M&HCVs					39,055	27,826	30,515	27,050	3,106	10,189	30,625	44,765	124,446	88,685
Contribution (%)					28.4	26.5	23.6	57.5	12.4	14.9	24.2	63.2	63.3	52.3
LCVs					61,232	50,776	62,157	19,961	7,370	23,259	55,334	26,101	72,225	80,863
Contribution (%)					44.5	48.3	48.0	42.5	29.4	34.1	43.7	36.8	36.7	47.7
Total CVs					100,287	78,602	92,672	47,011	10,476	33,448	85,959	70,866	196,671	169,549
Contribution (%)					72.9	74.8	71.6	100.0	41.8	49.0	67.8	100.0	100.0	100.0
Cars					17,913	14,587	19,764	19,961	10,094	21,920	22,748	26,101	72,225	80,863
Contribution (%)					13.0	13.9	15.3	42.5	40.3	32.1	18.0	36.8	36.7	47.7
UVs					19,275	11,842	16,945	12,390	4,477	12,838	17,989	19,318	60,452	54,621
Contribution (%)					14.0	11.3	13.1	26.4	17.9	18.8	14.2	27.3	30.7	32.2
Total Volumes					137,475	105,031	129,381	79,362	25,047	68,206	126,696	116,285	329,348	305,033

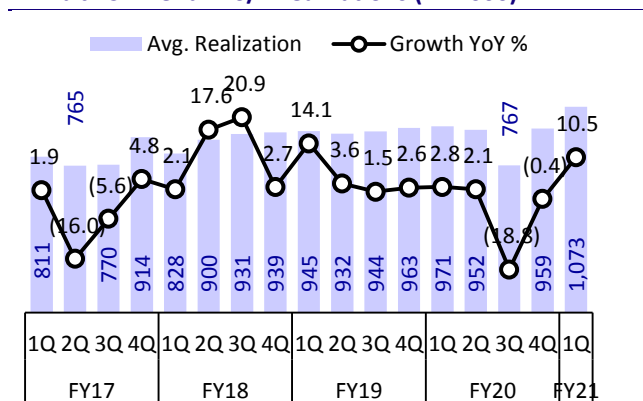
Source: Company, MOFSL

Exhibit 12: Key performance Indicators

TREND IN SEGMENT MIX					FY20				FY21E				FY20	FY21E
					1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Realizations (INR '000/unit)														
CVs					1,018	991	855	1,015	1,373	1,029	1,040	1,050	966.6	1,058
PVs					832	827	762	833	839	806	808	810	811.9	811
EBITDA Margin (%)														
CVs					8.6	3.8	2.2	0.7	-40.3				4.2	
PVs					1.2	-21.4	-3.6	-19.3	-14.5				-9.8	
EBIT Margins														
CVs					4.7	-0.8	-2.5	-6.1	-64.5				-0.6	
PVs					-10.0	-38.7	-19.9	-37.6	-52.8				-25.3	
Net Debt (S/A) (INR b)					217.2	236.9	179.1	208.8	257.0				208.8	

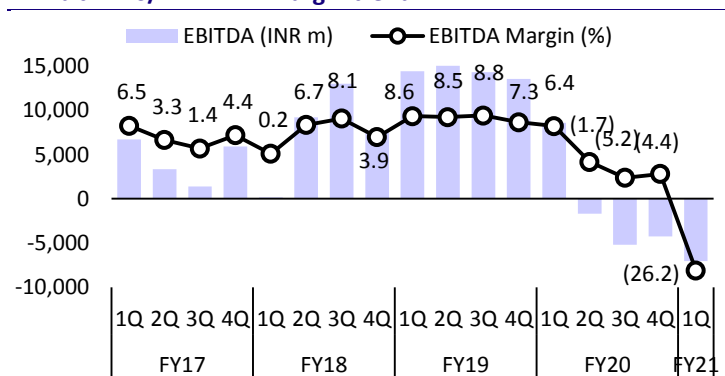
Source: Company, MOFSL

Exhibit 13: Trend in S/A realizations (INR'000)



Source: Company, MOFSL

Exhibit 14: S/A EBITDA margin trend



Source: Company, MOFSL

Valuation and view

- **Recovery in JLR volumes in FY21 to be driven by market recovery and ramp-up of new Evoque/Defender:** JLR volumes have been under pressure since FY19 due to several headwinds. However, there were early signs of recovery in 2HCY19 driven by the new *Evoque*, ramp-up of *I-Pace* as well as course correction in China, which was reversed by the COVID-19 outbreak. With good support from the government in China, the EU and the US, demand recovery is expected to be underway from 2HFY21. JLR should also benefit from the upcoming *Defender* launch and PHEV *Evoque/Discovery Sport*. We expect JLR's volumes (including JV) at 8% CAGR over FY20-23E (after 4.4% decline in FY17-20). This coupled with the possibility of mix improvement and reduction in variable marketing spends should also drive improvement in realizations.

- **JLR's profitability to improve, driven by mix, cost cutting and operating leverage:** JLR has several levers, both cyclical and structural, in the form of (a) targeted GBP1.5-2b cost cutting (incl. GBP300m savings in depreciation post impairment), (b) mix improvement (growth in Land Rover and China), (c) operating leverage, (d) cost savings on modular platform on full rollout of modular strategy, and (e) the low-cost Slovakia plant. The convergence of multiple factors stated above could drive recovery in EBIT margins and leave scope for surprises on profitability. JLR's targeted transition from 'push' to 'pull' strategy for volumes, particularly in China, would be a critical variable for margin expansion. We estimate JLR's EBIT margins at -0.8%/4%/5.9% in FY21/22/FY23E (v/s -0.1% in FY20).
- **India business outlook challenging:** With steadfast focus on reducing inventory over the last three quarters due to the challenging demand environment, the company took substantial production cuts. This resulted in a sharp drop in wholesale volumes in 2HFY20. However, COVID-19 outbreak puts India business recovery under risk, particularly for the CV business, which was already suffering from 30-35% excess capacity at the fleet operator level. While TTMT's India CV business is on strong footing, the India PV business (in particular) would be severely challenged during such uncertain times as customers prefer proved products/brands.
- **Valuation & view:** Over the last three years, JLR suffered from adverse product growth (led by *Jaguar*), market mix (decline in China contribution) and increase in capex, resulting in negative FCFF in FY18-20. JLR has been focused on cutting capex and cost, benefits of which have started to reflect now. Despite the impact of COVID-19, we should see mix normalizing with recovery in Land Rover and China. On the other hand, India business could take more time to recover. We downgrade our FY21E EPS estimates by 8% to factor in high JLR tax partially offset by faster JLR volume recovery and cost cutting initiatives. The stock trades at 2.5x FY22E EV/EBITDA and 0.7x P/BV. Maintain **Buy** with TP of ~INR127 (Mar22E-based SOTP).

Exhibit 15: Revised Estimates

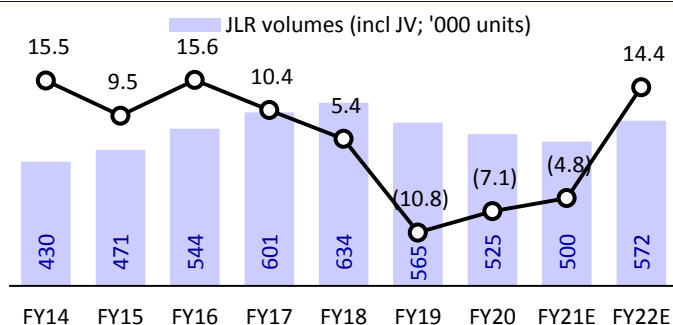
Key Assumptions	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Consolidated						
Net Sales	2,553	2,499	2.2	2,986	2,913	2.5
EBITDA	229	208	9.7	395	382	3.6
EBITDA Margins (%)	9.0	8.3	60bp	13.2	13.1	10bp
Net Profit	-124	-115	-7.8	23	9	163.2
Cons EPS	-34.4	-31.9	-7.8	5.9	2.2	163.2
JLR (IFRS, GBP M)						
Volumes ('000 units) incl JV	500	500	0.1	572	564	1.5
EBITDA	1,845	1,710	7.9	3,171	3,114	1.8
EBITDA Margins (%)	8.5	7.9	60bp	12.7	12.6	20bp
Net Profit	-677	-502	-35.0	597	528	13.1
Standalone						
Volumes ('000 units)	380	374	1.6	466	459	1.6
EBITDA	5	3	78.6	31	30	4.0
EBITDA Margins (%)	1.4	0.8	60bp	6.7	6.7	0bp
Net Profit	(49.3)	(52.9)	6.8	(23.2)	(24.6)	5.6

Source: Company, MOFSL

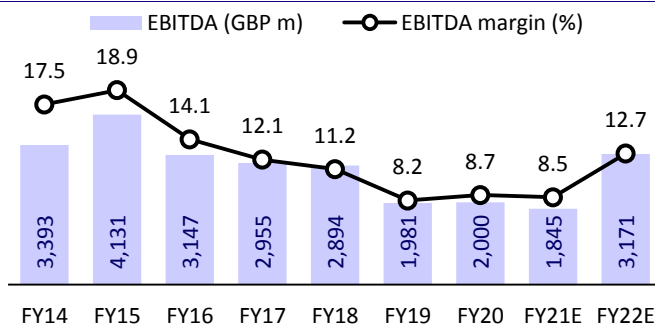
Exhibit 16: TATA MOTORS: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY22E	FY23E
SOTP Value				
Tata Motors - Standalone	EV/EBITDA	9	277	350
JLR (Adj for R&D capitalization)	EV/EBITDA	2.3	586	728
JLR - Chery JV EBITDA Share	EV/EBITDA	2.3	39	48
Tata Motors Finance	P/BV	1	39	39
Total EV			940	1,165
Less: Net Debt (Ex TMFL)			518	423
Tata Sons	50% discount		63	63
Total Equity Value			485	804
Fair Value (INR/Sh) - Ord Sh	Fully Diluted		127	210
Upside (%)			21.0	100.5

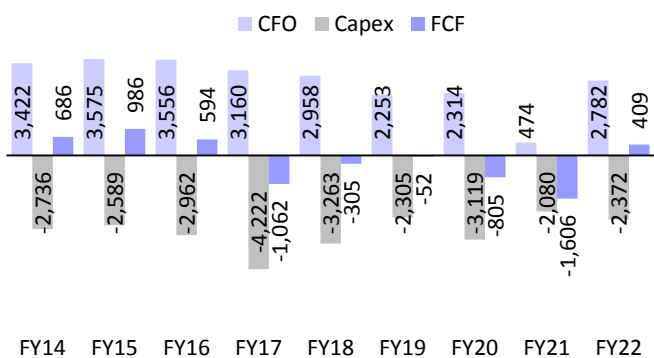
Tata Motors | Story in Charts

JLR volume growth trajectory

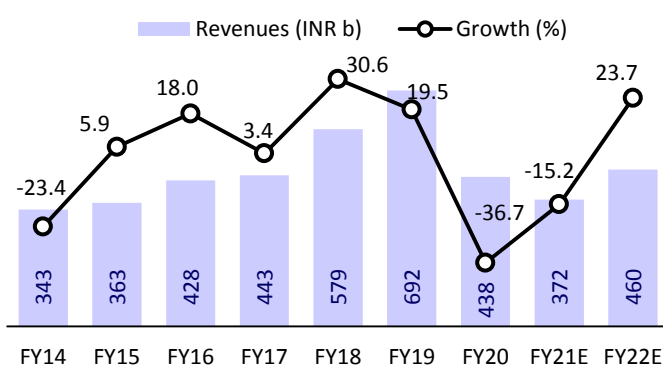
Source: Company, MOFSL

JLR EBITDA and EBITDA margin trend

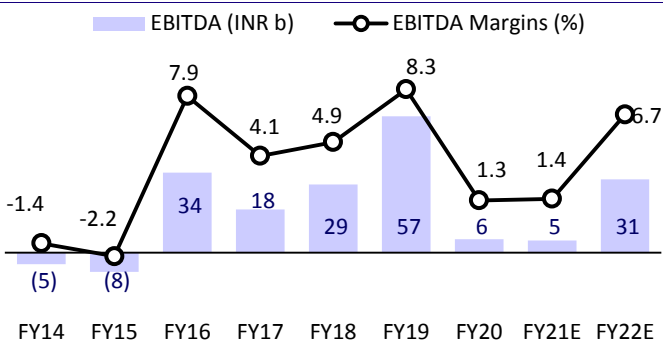
Source: Company, MOFSL

Exhibit 17: JLR's CFO/Capex/FCF trend (GBP m)

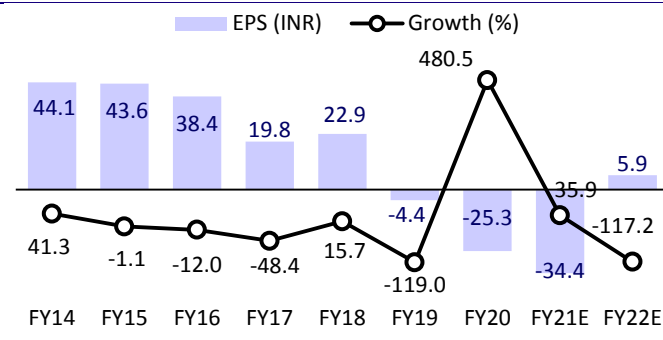
Source: Company, MOFSL

Exhibit 18: S/A business growth trajectory in FY20-22E

Source: Company, MOFSL

Exhibit 19: S/A EBITDA and margin trend

Source: Company, MOFSL

Exhibit 20: Consolidated earnings trajectory

Source: Company, MOFSL

Key operating metrics

Snapshot of Revenue model

000 units	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
JLR									
Jaguar	79	76	102	179	176	177	144	129	141
Growth (%)	37.2	-3.5	33.5	75.1	-1.4	0.7	-18.7	-10.9	9.7
% of Total JLR Vols	18.4	16.1	18.8	29.8	27.8	31.4	27.5	25.7	24.6
Land Rover	351	394	442	422	457	388	381	372	431
Growth (%)	11.6	12.4	12.2	-4.5	8.3	-15.2	-1.7	-2.5	16.0
% of Total JLR Vols	81.6	83.0	81.2	70.2	72.2	68.6	72.5	74.3	75.4
Total JLR Volumes (incl JV)	430	475	544	601	634	565	525	500	572
Growth (%)	15.5	10.4	14.6	10.4	5.4	-10.8	-7.1	-4.8	14.4
ASP (GBP '000/unit)	45	46	44	46	47	48	48	50	50
Growth (%)	6.3	3.0	-5.8	4.0	3.9	0.8	1.3	3.3	0.0
Net JLR Sales (GBP b)	19	22	22	24	26	24	23	22	25
Growth (%)	22.8	12.8	1.9	9.2	5.9	-6.1	-5.1	-5.4	14.5
INDIA									
MH&CVs	122	143	176	176	192	225	124	89	111
Growth (%)	-19.7	16.5	23.6	-0.3	9.2	17.1	-44.7	-28.7	25.0
LCVs	299	222	205	209	257	295	216	155	194
Growth (%)	-30.3	-25.8	-7.7	2.1	22.7	14.9	-26.7	-28.1	25.0
Total CVs	421	365	381	385	449	520	341	244	305
Growth (%)	-27.5	-13.5	4.6	1.0	16.6	15.9	-34.5	-28.4	25.0
Total PVs	145	138	152	157	190	211	133	135	161
Growth (%)	-36.5	-5.3	10.1	3.9	20.8	11.2	-37.3	2.1	19.1
Total Volumes	567	502	533	542	639	731	473	380	466
Growth (%)	-30.1	-11.4	6.1	1.8	17.8	14.5	-35.3	-19.8	22.9
ASP (INR 000/unit)	605	723	804	817	906	946	926	979	986
Net S/A Sales (INR b)	343	363	428	443	579	692	438	372	460
Growth (%)	-23.4	5.9	18.0	3.4	30.6	19.5	-36.7	-15.2	23.7

Financials and valuations

Income Statement (Consolidated)						(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Total Income	2,730,456	2,696,925	2,915,505	3,019,384	2,610,680	2,553,338	2,985,940
Change (%)	3.8	-1.2	8.1	3.6	-13.5	-2.2	16.9
Expenditure	2,312,693	2,327,802	2,577,462	2,721,436	2,371,537	2,324,647	2,590,875
EBITDA	417,763	369,124	338,043	297,948	239,143	228,691	395,065
% of Net Sales	15.3	13.7	11.6	9.9	9.2	9.0	13.2
Depreciation	167,108	179,050	215,536	235,906	214,254	231,292	258,143
EBIT	250,655	190,074	122,507	62,042	24,889	-2,601	136,922
Product Dev. Exp.	34,688	34,136	35,319	42,246	41,885	39,721	42,683
Interest	48,891	42,380	46,818	57,586	72,433	73,596	73,816
Other Income	8,854	7,545	39,576	29,653	29,732	26,752	24,200
EO Exp/(Inc)	18,504	-11,146	-19,751	296,516	28,714	0	0
Forex Gain/ (Loss)	-16,169	-39,101	11,853	-9,059	-17,387	-9,427	-9,764
PBT	141,258	93,148	111,550	-313,712	-105,800	-98,594	34,860
Tax	30,251	32,512	43,419	-24,375	3,953	24,733	18,027
Effective Rate (%)	21.4	34.9	38.9	7.8	-3.7	-25.1	51.7
Reported PAT	111,007	60,636	68,131	-289,337	-109,752	-123,327	16,833
Change (%)	-21.0	-45.4	12.4	-524.7	-62.1	12.4	-113.6
% of Net Sales	4.1	2.2	2.3	-9.6	-4.2	-4.8	0.6
Minority Interest	-989	-1,022	-1,025	-1,020	-956	-153	-274
Share of profit of associate	5,775	14,930	22,783	2,095	-10,000	-126	6,047
Net Profit	115,793	74,544	89,889	-288,262	-120,709	-123,606	22,606
Adj. PAT	130,334	67,288	77,826	-14,785	-90,921	-123,606	22,606
Change (%)	-7.2	-48.4	15.7	-119.0	515.0	35.9	-118.3

Balance Sheet (Cons.)						(INR Million)	(INR Million)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	6,792	6,792	6,792	6,792	7,195	7,196	7,659
Reserves	782,732	573,827	947,487	595,003	623,590	499,984	548,152
Net Worth	789,524	580,619	954,279	601,795	630,785	507,181	555,811
Loans	619,612	744,891	779,944	911,239	996,782	996,782	996,782
Deferred Tax	44,748	11,740	19,671	-36,601	-35,160	-35,160	-35,160
Capital Employed	1,458,212	1,341,781	1,759,144	1,481,664	1,600,542	1,477,090	1,525,994
Gross Fixed Assets	1,976,068	1,628,389	2,156,778	2,258,724	2,601,413	2,958,443	3,234,658
Less: Depreciation	911,348	675,681	917,952	1,153,858	1,368,113	1,599,405	1,857,548
Net Fixed Assets	1,064,720	952,708	1,238,826	1,104,866	1,233,301	1,359,039	1,377,110
Capital WIP	259,189	336,988	400,335	318,838	356,223	250,000	250,000
Goodwill	7,598	6,733	1,165	7,478	7,771	7,771	7,771
Investments	237,670	203,379	208,128	157,707	163,085	51,219	57,265
Curr.Assets	1,102,234	1,237,735	1,423,465	1,431,544	1,406,255	1,152,188	1,363,631
Inventory	326,557	350,853	421,377	390,137	374,569	279,818	343,588
Sundry Debtors	135,709	140,756	198,933	189,962	111,727	139,909	163,613
Cash & Bank Bal.	304,604	360,779	346,139	326,488	337,270	249,772	340,742
Loans & Advances	254,033	291,474	445,929	512,867	569,741	469,741	502,741
Current Liab. & Prov.	1,213,200	1,395,762	1,512,775	1,538,770	1,566,092	1,343,126	1,529,783
Sundry Creditors	615,618	625,326	769,398	716,907	663,982	643,581	736,259
Other Liabilities	460,226	622,314	538,766	601,347	651,452	524,658	589,007
Net Current Assets	-110,965	-158,027	-89,309	-107,226	-159,837	-190,938	-166,151
Appl. of Funds	1,458,212	1,341,782	1,759,144	1,481,664	1,600,542	1,477,090	1,525,994

E: MOFSL Estimates

Financials and valuations

Ratios (Con.)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS	38.4	19.8	22.9	-4.4	-25.3	-34.4	5.9
EPS Fully Diluted	38.4	19.8	22.9	-4.4	-25.3	-34.4	5.9
EPS Growth (%)	-12.0	-48.4	15.7	-119.0	480.5	35.9	-117.2
Cash EPS	87.6	72.5	86.4	65.1	34.3	29.9	73.3
Book Value (Rs/Share)	232.5	171.0	281.0	177.2	175.3	141.0	145.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (Incl. Div. Tax) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
Consolidated P/E	2.7	5.3	4.6	-24.0	-4.1	-3.0	17.7
EV/EBITDA	1.0	1.5	1.7	2.6	3.7	4.7	2.5
EV/Sales	0.2	0.2	0.2	0.3	0.3	0.4	0.3
Price to Book Value	0.5	0.6	0.4	0.6	0.6	0.7	0.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)							
RoE	19.3	9.8	10.1	-1.9	-14.8	-21.7	4.3
RoCE	15.1	9.2	6.4	5.2	3.7	2.0	5.2
RoIC	34.5	22.6	12.0	7.7	3.6	-0.4	7.3
Turnover Ratios							
Debtors (Days)	18	19	25	23	16	20	20
Inventory (Days)	44	47	53	47	52	40	42
Creditors (Days)	82	85	96	87	93	92	90
Asset Turnover (x)	1.9	2.0	1.7	2.0	1.6	1.7	2.0
Leverage Ratio							
Debt/Equity (x)	0.8	1.3	0.8	1.5	1.6	2.0	1.8

Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
OP/(Loss) before Tax	110,238	75,566	90,914	-287,242	-119,752	-123,606	22,606
Int/Div. Received	8,258	36,653	39,542	-4,413	-11,913	26,752	24,200
Depreciation	170,142	179,050	215,536	235,906	214,254	231,292	258,143
Direct Taxes Paid	-19,939	-18,951	-30,212	-26,594	-17,489	-24,733	-18,027
(Inc)/Dec in WC	25,515	32,542	-64,337	-72,123	50,636	-56,397	66,183
Other Items	96,855	8,954	23,333	64,994	125,105	153	274
CF from Op Activity	391,069	313,814	274,776	-89,472	240,841	53,461	353,379
Extra-ordinary Items	8,857	-11,822	-36,202	278,379	25,488	0	0
CF after EO Items	399,925	301,992	238,574	188,908	266,329	53,461	353,379
(Inc)/Dec in FA+CWIP	-326,232	-304,135	-350,486	-352,363	-295,306	-250,807	-276,215
Free Cash Flow	73,693	-2,143	-111,912	-163,455	-28,976	-197,346	77,164
(Pur)/Sale of Invest.	-68,134	-76,664	86,031	157,691	-46,397	111,866	-6,047
CF from Inv Activity	-394,366	-380,799	-264,456	-194,672	-341,702	-138,941	-282,262
Issue of Shares	74,332	46	0	0	38,888	1	26,025
Inc/(Dec) in Debt	-47,483	116,583	75,183	159,302	81,318	0	0
Interest Paid	-57,039	-53,363	-54,106	-70,051	-75,184	-73,596	-73,816
Dividends Paid	-1,739	-1,212	-960	-947	-568	0	0
CF from Fin Activity	-31,930	62,053	20,117	88,304	44,453	-73,595	-47,790
Inc/(Dec) in Cash	-26,371	-16,754	-5,764	82,540	-30,920	-159,075	23,327
Add: Beginning Bal.	211,283	171,536	152,932	133,058	215,598	184,678	25,603
Closing Balance	184,913	154,782	147,167	215,598	184,678	25,603	48,930

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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