

TATA Motors

Estimate change



TP change



Rating change



Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	864.3 / 12
52-Week Range (INR)	307 / 64
1, 6, 12 Rel. Per (%)	46/127/27
12M Avg Val (INR M)	11119

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Net Sales	2,611	2,469	3,084
EBITDA	239.1	313.7	431.9
Adj. PAT	-90.9	-29.4	78.1
Adj. EPS (INR)	-25.3	-7.7	20.4
EPS Gr. (%)	480	-69.6	-365.4
BV/Sh. (INR)	175.3	162.9	183.3

Ratios

Net D/E (x)	1.6	1.6	1.4
RoE (%)	-14.8	-4.7	11.8
RoCE (%)	3.7	-36.0	10.7
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	-10.4	-34.2	12.9
P/BV (x)	1.5	1.6	1.4
EV/EBITDA (x)	6.0	5.2	3.4
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-3.1	-18.7	20.8

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	42.4	42.4	42.4
DII	12.7	13.2	15.1
FII	15.6	15.8	18.3
Others	29.3	28.6	24.2

FII Includes depository receipts

CMP: INR263
TP: INR350 (+33%)
Buy
Above est.; beat driven by JLR; India also sees good recovery
Mix, cost savings, tight capex control drive QoQ debt reduction

- Tata Motors (TTMT) saw continued volume recovery in both businesses in 3QFY21. In addition to this factor, the benefit of the mix at JLR, certain favorable reversals at Jaguar Land Rover (JLR), and cost-cutting initiatives came together to deliver good all-round performance and QoQ debt reduction. Continued mix improvement in JLR and India, along with overall tight cost/capex control, would drive sharp improvement in operating performance and debt reduction.
- We upgrade our FY22E consol EBITDA by 7% (EPS upgrade of 36%), factoring in a) cost-cutting in JLR, b) volume upgrades in India PV and CV, and c) volume cuts in JLR. Maintain Buy, with TP of INR350 (Mar'23 SOTP).

Favorable mix, cost savings & cost reversals in JLR drive performance

- 3QFY21 consol revenue / EBITDA / adj. PAT grew ~6%/60%/86% YoY to ~INR756b/INR115b/INR32.3b (v/s est. INR714b/INR70b/INR0.8b). 9MFY21 consol revenue/EBITDA grew -19%/3%, while adj. loss was INR55.3b (v/s INR21b). Strong consol FCF generation was seen at INR79b in 3QFY21 (JLR at GBP562m and Standalone at INR22b), driving INR68b QoQ reduction in consol debt (auto) to INR547b.
- **JLR – all-round beat, cost reversals & Fx gains drive stellar performance:** Wholesale volumes (incl. Chery JLR) declined ~19% YoY to 119.7k (v/s est. ~113.7k). Net realizations grew 20% YoY to GBP58.3k (v/s est. GBP58.7k). EBITDA margins expanded 560bp YoY to 15.8% (v/s est. 11.3%), driven by a) a better mix (higher contribution from LR, China), b) lower variable marketing expenses (VME) / warranty, c) cost savings of GBP0.2b under Charge+, and d) 150bp benefit of reversal of regulatory fines and US residual value provisioning. Furthermore, Fx gains of GBP143m boosted adj. PAT to GBP385m (v/s est. PAT of GBP90m). The only negative was the EBITDA loss reported in CJLR – as it provided for higher VME for the liquidation of higher inventory.
- **S/A – Op. performance in-line; EBITDA margins at 7.1% (v/s est. 7%):** PV/CV volume recovery and cost-cutting resulted in EBITDA of ~INR10.4b (in-line). EBITDA margins expanded 420bp YoY to 7.1% (v/s est. 7%). EBITDA margins were at 8% (+580bp YoY) for the CV business and 3.8% for the PV business (v/s -3.6% in 3QFY20 and +1.6% in 2QFY21). However, higher depreciation and interest resulted in higher adj. net loss of ~INR6.3b (v/s est. INR3.7b loss in 2QFY21 and ~INR8.8b loss in 3QFY20).

Highlights from management commentary

- **JLR:** In 3QFY21, the brand saw one-off benefits in the form of reversal of compliance cost (GBP55m) and release of US residual reserve (GBP36m). Adjusted for this, EBIT margins would be ~5.2% (v/s reported 6.7%). The management indicated EBIT margins are sustainable at 4% levels as the mix would also normalize.

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- QoQ sales recovery was seen in JLR in all markets, except the UK – where 3Q is seasonally lower. China sales were up YoY, while other markets continue to fare below pre-COVID levels. Inventory is at ideal levels. It expects 4QFY21 retails to be only slightly higher than 3Q (4Q usually has the strongest retails).
- JLR saw some impact of the second wave of COVID on sales operations in the UK and EU. Overall, 75% of JLR retailers are operational globally. The UK is the worst impacted – showrooms are closed (but remote sales are reported) – followed by the EU with just 60% of operational showrooms (due to total lockdown in France and Germany).
- Defender has a three-month order backlog or >14k units. It is ready to launch the Defender 90 variant.
- The CV industry is expected to clock 0.7–0.75m units in FY22 (v/s 0.72m units in FY20). The domestic PV industry would clock volumes of 3.2–3.3m in FY22 (v/s 2.8m in FY20).

Valuation and view

- TTMT would see the triple benefit of a) macro recovery, b) company-specific volume/margin drivers, and c) sharp improvement in FCF and leverage in both JLR as well as the India business.
- While Brexit-related headwinds are behind us, the near-term risk of volume disruption – due to the possibility of a second wave of COVID – in the EU and UK cannot be ruled out.
- The stock trades at 3.4x FY22 EV/EBITDA and 1.4x P/BV. Maintain Buy, with TP of ~INR350 (Mar'23-based SOTP).

Quarterly Performance [Consol] (INR b)

INR b	FY20				FY21E				FY20	FY21E	3QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Net Op Income	614.7	654.3	716.8	624.9	319.8	535.3	756.5	857.6	2610.7	2469.3	714.4
Growth (%)	-7.8	-9.1	-6.8	-27.7	-48.0	-18.2	5.5	37.2	-13.5	-5.4	-0.3
EBITDA	30.0	71.6	72.0	23.7	6.4	56.7	115.1	93.2	197.3	271.3	70.0
EBITDA Margins (%)	4.9	10.9	10.0	3.8	2.0	10.6	15.2	10.9	7.6	11.0	9.8
JLR EBITDA Margins (%)	4.2	13.4	10.2	4.8	3.6	11.1	15.8	13.2	8.7	12.1	11.3
S/A EBITDA (%)	6.4	-1.7	2.9	-4.4	-26.2	2.9	7.1	9.2	1.3	5.2	7.0
Depreciation	51.1	53.0	52.0	58.1	56.0	56.0	61.3	62.8	214.3	236.1	57.1
Other Income	8.4	6.7	9.0	5.6	6.1	6.3	7.1	7.3	29.7	26.8	7.0
Interest Expenses	17.1	18.4	17.4	19.5	18.8	19.5	21.3	20.3	72.4	79.8	19.0
PBT before EO	-31.3	5.8	13.5	-65.1	-61.9	-8.2	45.9	33.2	-77.1	9.0	0.9
EO Exp/(Inc)	1.09	-0.39	0.01	28.01	-0.03	-0.05	4.23	0.00	28.71	4.15	0.00
PBT after EO Exp	-32.4	6.2	13.5	-93.1	-61.8	-8.1	41.7	33.2	-105.8	4.9	0.9
Tax rate (%)	-6.1	71.7	-44.8	-3.8	-35.6	57.9	22.7	14.8	-3.7	651.3	20.0
PAT	-34.3	1.8	19.5	-96.7	-83.8	-3.4	32.2	28.3	-109.8	-26.8	0.7
Minority Interest	-0.2	-0.3	-0.2	-0.3	0.1	-0.1	-0.4	-0.4	-1.0	-0.8	-0.1
Share in profit of Associate	-2.5	-3.6	-2.0	-1.9	-0.6	0.4	-2.8	-2.2	-10.0	-5.3	0.2
Reported PAT	-37.0	-2.2	17.4	-98.9	-84.4	-3.1	29.1	25.6	-120.7	-32.8	0.8
Adj PAT	-35.9	-2.6	17.4	-69.9	-84.2	-3.2	32.3	25.6	-90.9	-29.4	0.8
Growth (%)	88.5	-54.1	-250.6	-426.8	134.8	23.1	85.9	-136.7	515.0	-67.7	-95.6

Source: Company, MOFSL



JLR: Key takeaways from management commentary

- **QoQ sales recovery was seen in all markets, except the UK** – where 3Q is seasonally lower. China sales were up YoY, while other market sales were still below pre-COVID levels. Inventory is at ideal levels. It expects 4QFY21 retails to be moderately higher v/s 3Q.
- The mix continued to improve on a YoY basis, with higher contribution seen from China (+5pp) and Land Rover (+7pp). **The management indicated this mix would normalize in the coming quarters**, with LR's sustainable contribution at 78% (v/s 84% in 3Q).
- **In 3QFY21, it saw one-off benefits** of reversal of compliance cost (GBP55m) and release of US residual reserve (GBP36m). Adjusted for this, EBIT margins would be ~5.2% (v/s reported 6.7%). The management indicated EBIT margins are sustainable at 4% levels as the mix would also normalize.
- **Charge+ cost savings of GBP0.2b** were seen in the quarter, including the reversal of the earlier charge on emission fines of GBP55m.
- **CJLR's EBITDA loss in 3QFY21** primarily reflects the provisioning of higher VME for reducing inventory, which is at two months. It expects to achieve breakeven within six months, with breakeven levels at volumes of ~5.5k/month.
- **Variable marketing expenses reduced** YoY by 110bp (-120bp QoQ) to 5%, partly driven by the release of US residual reserves of GBP36m. Underlying VME stood at 5.7%.
- **Warranty cost was down 80bp YoY** to 4%, benefiting from MY20, whose quality has been improved.
- Fines/credit purchase reversal of GBP55m for emission compliance (due to a sharp increase in PHEV/BEV sales in the UK/EU to 30% of sales in 3QFY21) boosted EBITDA. **For CY20, it had paid GBP60m in fines/credit purchase, and the management expects similar recurrences in CY21.**
- **The Brexit arrangement has been in-line** with JLR's planning assumptions. A minimal impact of tariffs was seen on sales, although some friction is expected on account of customs and administrative issues. It expects to satisfy the Rules of Origin criteria (55% for ICE and 40% for EVs).
- **A second wave of COVID has had some impact on sales operations in the UK and EU.** Overall, 75% of JLR retailers are operational globally. The UK is the worst impacted – showrooms are closed (but remote sales are reported) – followed by the EU with just 60% of operational showrooms (due to total lockdown in France and Germany). 95% of showrooms are open in the US. Manufacturing sites are open, but some supply and production challenges exist due to a higher COVID caseload.
- Significant product updates (hybrids and infotainment upgrades) are planned for Model Year 21 for E-Pace, Velar, F-Pace, and Discovery.
- **Defender has a three-month order backlog or >14k units.** It is ready to launch the Defender 90 variant.

JLR Quarterly Performance (IFRS)

(GBP m)

Y/E March (GBP Million)	FY20				FY21E				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Total Volumes (Incl JV)	118,550	134,489	147,416	124,947	65,425	91,367	119,658	124,783	525,402	401,233	113,658
Growth (%)	-9.9	2.9	4.1	-22.7	-44.8	-32.1	-18.8	-0.1	-7.1	-23.6	-22.9
Realization (GBP/unit)	48,698	50,246	48,477	45,729	58,452	59,250	58,315	57,988	48,291	58,432	58,658
Change YoY (%)	1.5	4.9	1.3	-2.9	20.0	17.9	20.3	26.8	1.3	21.0	21.0
Revenues	5,074	6,086	6,398	5,426	2,859	4,352	5,982	6,441	22,984	19,634	5,579
Growth (%)	-2.8	8.0	2.8	-23.9	-43.7	-28.5	-6.5	18.7	-5.1	-14.6	-12.8
RM/Sales (%)	64.7	61.1	64.7	65.3	64.1	61.9	62.6	63.5	63.9	63.0	63.3
Staff Costs/Sales (%)	12.9	10.4	10.2	11.5	15.2	11.3	9.9	9.3	11.2	10.8	9.9
Other Exp/Sales (%)	18.2	15.1	14.9	18.4	17.1	15.7	11.7	14.0	16.2	14.1	15.6
EBITDA	213	818	651	259	102	481	946	853	2,000	2,382	629
EBITDA Margins (%)	4.2	13.4	10.2	4.8	3.6	11.1	15.8	13.2	8.7	12.1	11.3
Depreciation & Amortization	463	504	453	490	491	469	515	515	1,910	1,990	475
Fx loss/ (gain)	70	68	-178	193	-26	-104	-143	0	153	-273	0
Net Finance Cost	35	39	33	50	50	52	65	55	157	222	50
Share of JV's PAT	-28	-41	-25	-20	0	1	-33	-28	-114	-60	2
PBT before EO Exp	-383	166	318	-494	-413	65	476	255	-334	383	106
EO Exp/(Inc)	12	10	0	7	0	0	37	0	29	37	0
PBT after EO Exp	-395	156	318	-501	-413	65	439	255	-363	346	106
Tax rate (%)	-1.8	35.9	-17.0	-7.6	-56.9	-80.0	20.0	2.4	-12.9	80.0	15.0
Adj PAT	-388	111	372	-531	-648	117	385	249	-377	77	90
Growth (%)	85.0	-210.2	-236.8	-308.0	66.8	5.1	3.5	-146.9	15.1	-120.3	-75.8

Source: Company, MOFSL

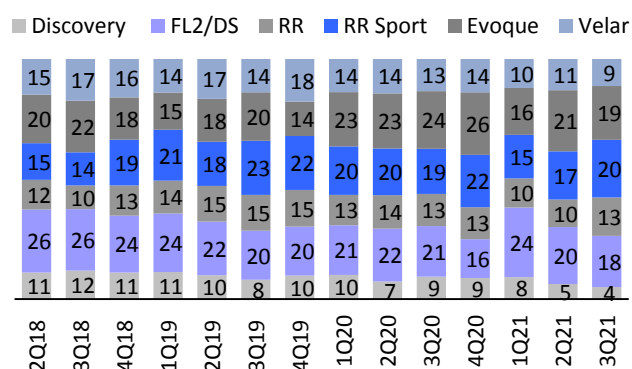
JLR Key Performance Indicator

JLR	FY20				FY21E			FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Net Debt (IFRS)	2,138	2,300	2,177	2,220	2,748	3,346	2,678	2,220
CFO	76	777	748	991	-964	994	1,237	2,592
Capex	795	841	892	766	548	531	675	3,294
FCF	-719	-64	-144	225	-1,512	463	562	-702

Source: Company, MOFSL

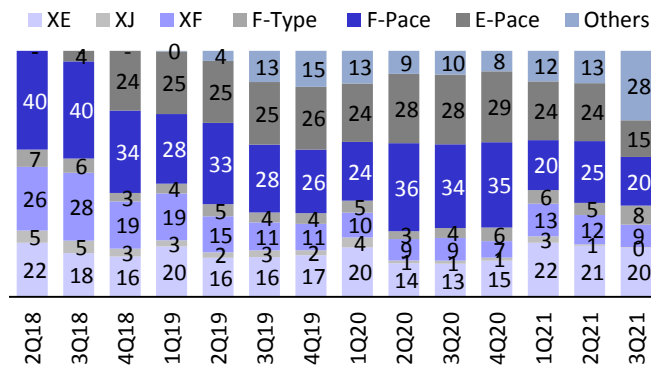
Key exhibits

Exhibit 1: Land Rover – wholesale product mix (%)



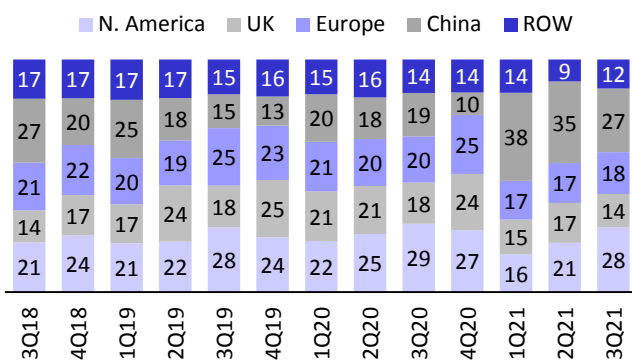
Source: Company, MOFSL

Exhibit 2: Jaguar – wholesale product mix (%)



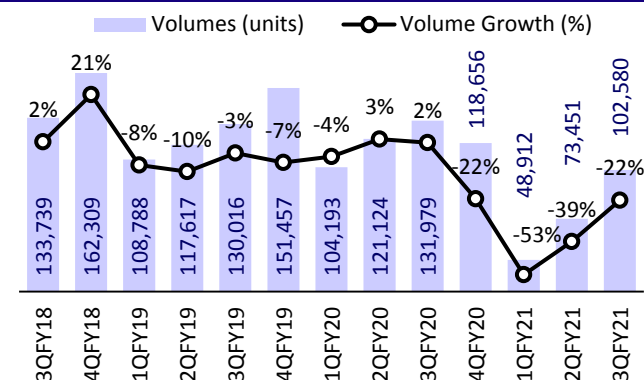
Source: Company, MOFSL

Exhibit 3: JLR – wholesale market mix (%)



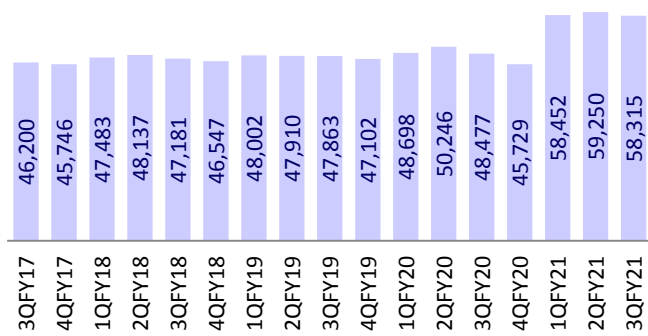
Source: Company, MOFSL

Exhibit 4: JLR – trend in volumes (ex JV)



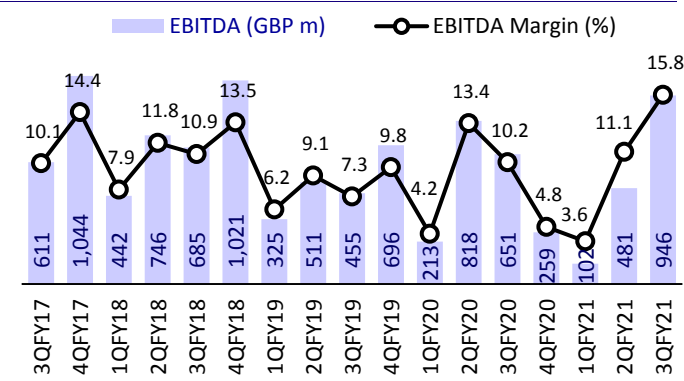
Source: Company, MOFSL

Exhibit 5: Trend in JLR realizations (GBP/unit)

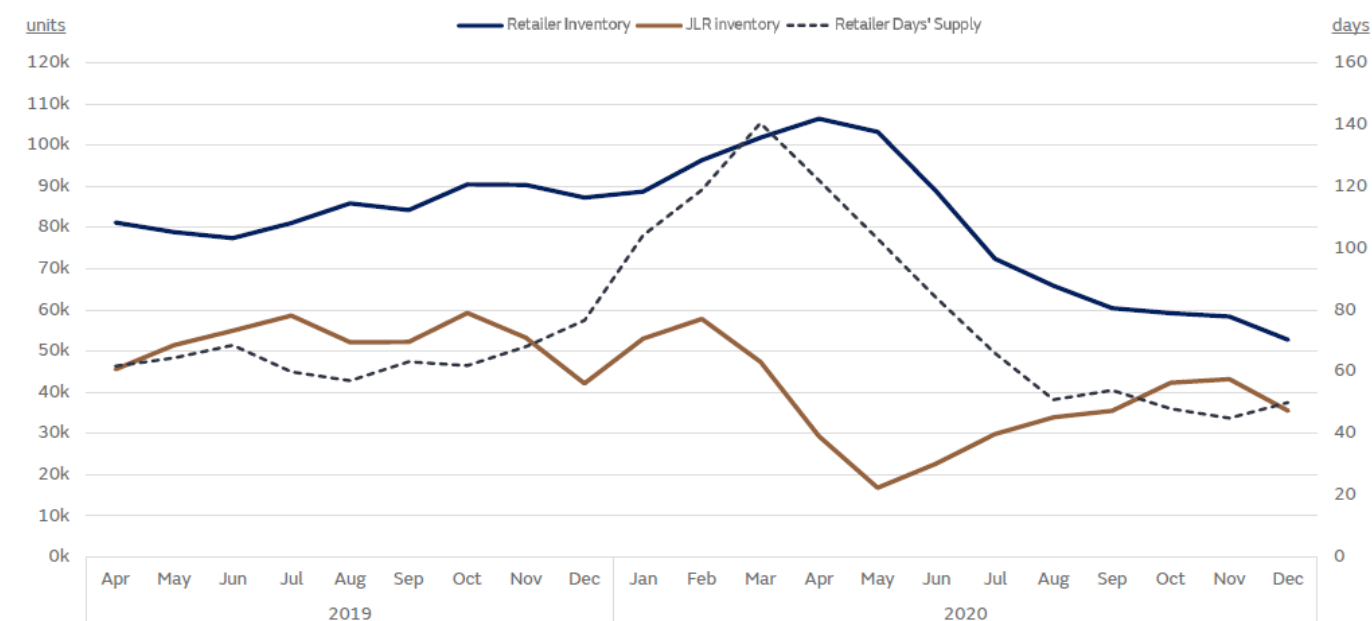


Source: Company, MOFSL

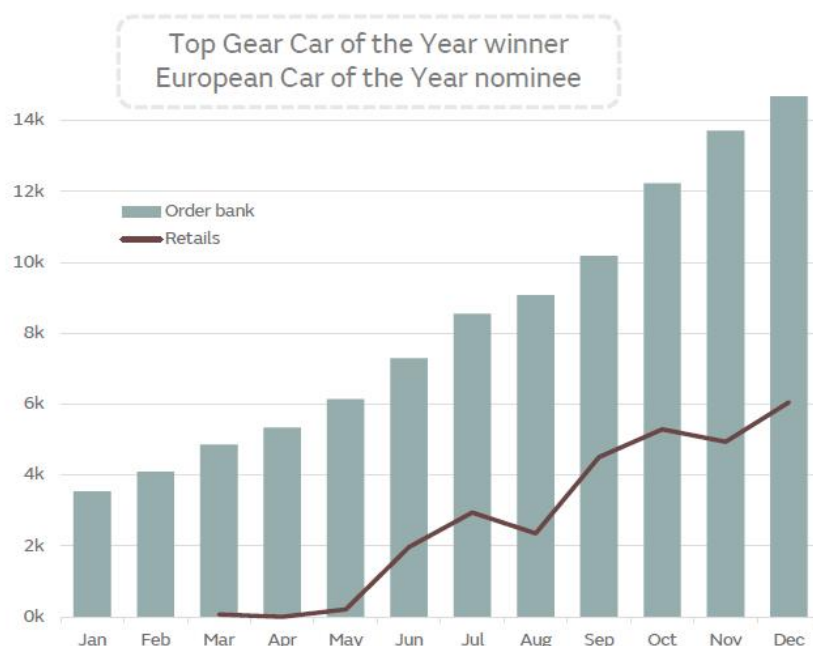
Exhibit 6: Trends in JLR EBITDA and EBITDA margins



Source: Company, MOFSL

Exhibit 7: JLR inventories remain at near ideal levels

Source: Company, MOFSL

Exhibit 8: Defender has continued to gain momentum with a strong order book of over three months

Source: Company, MOFSL

**India: Key takeaways from management commentary****CV business**

- Recovery was led by M&HCV and ILCV, with higher demand seen from infrastructure, mining, and e-commerce.
- Sentiment among fleet operators is improving, and fleet utilization levels are at 90–100% of pre-COVID levels. However, demand for buses poses a concern.
- It expects the CV industry to clock 0.7–0.75m units in FY22 (v/s 0.72m units in FY20).

PV business

- PV saw continued strength in sales momentum with the "New Forever" portfolio, resulting in the highest sales in 33 quarters and EBITDA margins of 3.8% (highest EBITDA in the last 10 years).
- Dealer inventory is the lowest ever seen historically.
- It is targeting double-digit market share, driven by the new Safari and Hornbill launches.
- It expects the domestic PV industry to clock volumes of 3.2–3.3m in FY22 (v/s 2.8m in FY20).

Financial highlights

- India capex would be moderately higher at INR18.5b for FY21 (v/s earlier guidance of INR15b), as it needs to invest in the PV business to support strong demand.
- S/A net debt was at INR213b (v/s INR233b in 2QFY21 and ~INR257b in 1QFY21).

Exhibit 9: Quarterly Performance (Standalone)

Y/E March	FY20				FY21E				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	
Total Volumes (nos)	137,475	105,031	129,381	101,490	25,047	110,379	158,208	192,125	473,377	485,759	158,208
Change (%)	-22.1	-44.9	-24.6	-47.4	-81.8	5.1	22.3	89.3	-35.3	2.6	22.3
Avg Realn (INR '000/unit)	971	952	831	959	1,073	876	922	1,013	926	955	934
Change (%)	2.8	2.1	-12.0	-0.4	10.5	-8.0	10.9	5.6	-2.1	3.1	21.5
Net Sales	133.5	100.0	107.6	97.3	26.9	96.7	145.8	194.6	438.4	463.9	147.8
Change (%)	-19.9	-43.7	-33.6	-47.6	-79.9	-3.3	35.6	99.9	-36.7	5.8	48.9
RM Cost (% of Sales)	71.9	74.8	74.8	76.6	72.2	75.0	74.6	73.9	74.3	74.3	74.5
Staff Costs (% of sales)	8.6	10.7	9.5	11.8	36.0	10.9	7.6	6.4	10.0	9.5	7.4
Other Exp (% of sales)	13.1	16.2	12.9	15.9	18.0	11.2	10.7	10.5	14.4	11.1	11.1
EBITDA	8.6	-1.7	3.1	-4.3	-7.0	2.8	10.4	17.8	5.7	23.9	10.3
EBITDA Margins (%)	6.4	-1.7	2.9	-4.4	-26.2	2.9	7.1	9.2	1.3	5.2	7.0
Non-Operating Income	4.0	3.6	3.5	2.7	1.3	2.4	2.1	2.4	13.8	8.3	2.5
Interest	4.4	5.0	4.8	5.6	5.5	6.3	6.6	6.3	19.7	24.8	5.8
Depreciation & Amort.	7.8	7.6	8.5	9.8	8.6	9.1	9.5	9.9	33.8	37.1	9.2
Product Dev. Expenses	1.2	2.1	2.1	3.0	1.4	1.8	2.4	2.4	8.3	7.9	1.5
PBT before EO Exp	-0.4	-13.4	-8.6	-22.2	-21.4	-11.7	-5.9	1.6	-44.7	-37.4	-3.7
EO Exp/(Inc)	0.1	-0.7	1.6	25.7	0.5	0.5	0.1	0.0	26.7	1.0	0.0
PBT after EO Exp	-0.5	-12.7	-10.2	-47.9	-21.9	-12.1	-6.0	1.6	-71.3	-38.4	-3.7
Tax	0.5	0.1	0.2	0.9	0.0	0.0	0.4	0.4	1.6	0.8	0.0
Effective Tax Rate (%)	-103.7	-0.9	-1.5	-1.8	0.0	0.0	-6.2	23.9	-2.3	-2.0	0.0
PAT	-1.0	-12.8	-10.4	-48.7	-21.9	-12.1	-6.4	1.2	-73.0	-39.2	-3.7
Change (%)	-108.2	-1,274.6	-268.3	-4,687.1	2,156.1	-5.4	-38.6	-102.5	-461.1	-46.3	-80.2
Adj PAT	-0.9	-13.6	-8.8	-22.4	-21.4	-11.7	-6.3	1.2	-45.7	-38.1	-3.7
Change (%)	LP	-822.2	-236.6	-1,381.2	2,305.5	-14.0	-28.3	-105.5	LP	LP	-78.3

Source: Company, MOFSL

Exhibit 10: Key performance Indicator (S/A)

TREND IN SEGMENT MIX	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volumes (units)										
M&HCVs	39,055	27,826	30,515	27,050	3,106	13,436	28,951	46,545	124,446	92,038
Contribution (%)	28.4	26.5	23.6	57.5	12.4	12.2	18.3	50.7	63.3	40.8
LCVs	61,232	50,776	62,157	19,961	7,370	42,051	60,372	45,173	72,225	133,289
Contribution (%)	44.5	48.3	48.0	42.5	29.4	38.1	38.2	49.3	36.7	59.2
Total CVs	100,287	78,602	92,672	47,011	10,476	55,487	89,323	91,718	196,671	225,327
Contribution (%)	72.9	74.8	71.6	100.0	41.8	50.3	56.5	100.0	100.0	100.0
Cars	17,913	14,587	19,764	19,961	10,094	34,929	43,093	45,173	72,225	133,289
Contribution (%)	13.0	13.9	15.3	42.5	40.3	31.6	27.2	49.3	36.7	59.2
UVs	19,275	11,842	16,945	12,390	4,477	19,963	25,792	29,923	60,452	80,155
Contribution (%)	14.0	11.3	13.1	26.4	17.9	18.1	16.3	32.6	30.7	35.6
Total Volumes	137,475	105,031	129,381	79,362	25,047	110,379	158,208	166,814	329,348	438,771

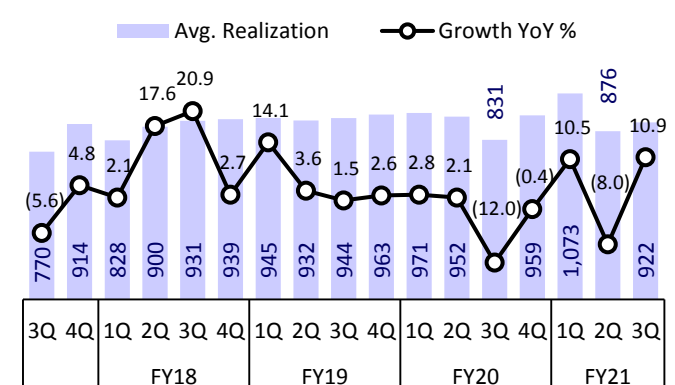
Source: Company, MOFSL

Exhibit 11: Key performance Indicator

TREND IN SEGMENT MIX	FY20				FY21E				FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	
Realizations (INR '000/unit)									
CVs	1,018	991	855	1,015	1,373	1,001	1,071		966.6
PVs	832	827	762	833	839	742	725		811.9
EBITDA Margin (%)									
CVs	8.6	3.8	2.2	0.7	-40.3	3.2	8.0		4.2
PVs	1.2	-21.4	-3.6	-19.3	-14.5	1.6	3.8		-9.8
EBIT Margins									
CVs	4.7	-0.8	-2.5	-6.1	-64.5	-3.8	3.7		-0.6
PVs	-10.0	-38.7	-19.9	-37.6	-52.8	-10.3	-6.3		-25.3
Net Debt (S/A) (INR b)	217.2	236.9	179.1	208.8	257.0	233.4	213.2	-	209

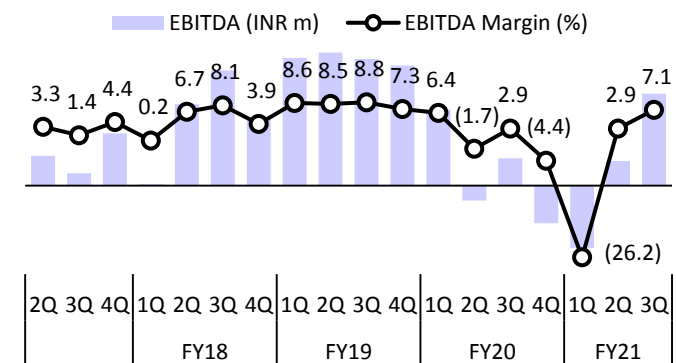
Source: Company, MOFSL

Exhibit 12: Trend in S/A realizations (INR'000)



Source: Company, MOFSL

Exhibit 13: 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 in newly launched Evoque and 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 in I-Pace, and course correction in China (reversed by the COVID-19 outbreak). With good support from the governments of 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) to decline at a 2.6% CAGR over FY20–23E (after 4.4% decline over FY17–20) as it de-focuses on less-profitable models. This, coupled with the possibility of mix improvement and reduced variable marketing spend, would drive further 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 the impairment), (b) mix improvement (growth in LR and China), (c) operating leverage, (d) cost savings on the modular platform (on the full rollout of the modular strategy), and (e) the low-cost Slovakia plant. The convergence of the multiple factors stated above could drive recovery in EBIT margins and leave scope for positive surprises on profitability. JLR's targeted transition from the 'push' to 'pull' strategy for volumes, particularly in China, would be a critical variable for margin expansion. We estimate JLR's EBIT margins at 1.7%/4.6%/5.7% in FY21/FY22/FY23E (v/s -0.1% in FY20).

- **India business outlook improving; PV breakeven in sight:** With a steadfast focus on reducing inventory over the last 3–4 quarters (due to a challenging demand environment), it took substantial production cuts, resulting in a sharp drop in wholesale volumes in 2HFY20. Subsequently, there was a further impact from COVID in 1HFY21. Although TTMT's India CV business is on a strong footing, M&HCV volumes may see the slowest recovery in the Auto industry. On the other hand, TTMT's refreshed product portfolio has helped its PV business recover rapidly, gain market share, and come on track to achieve FCF breakeven by FY23.
- **Valuation and view:** Over the last three years, JLR had suffered from adverse product (growth led by Jaguar), market mix (decline in China contribution), and increased capex, resulting in negative FCFF over FY18–20. JLR has been focused on cutting capex and cost, the benefits of which have now started to reflect. Despite the impact of COVID-19, we should see the mix normalizing – with recovery in LR and China. On the other hand, the India business recovery is very strong for PV and LCV, whereas M&HCV is showing promising signs for strong recovery in FY22. We upgrade our FY22E consol EBITDA by 7% (EPS upgrade of 36%), factoring in a) cost-cutting in JLR, b) volume upgrades in India PV and CV, and c) volume cuts in JLR. Maintain Buy, with TP of INR350 (Mar'23 SOTP).

Exhibit 14: Revised Estimates

Key Assumptions	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Consolidated						
Net Sales	2,469	2,457	0.5	3,084	3,007	2.6
EBITDA	314	277	13.0	432	403	7.2
EBITDA Margins (%)	12.7	11.3	140bp	14.0	13.4	60bp
Net Profit	-29	-50	-41.1	78	57	36.5
Cons EPS	-7.7	-13.9	-44.7	20.4	14.9	36.5
JLR (IFRS, GBP M)						
Volumes ('000 units) incl JV	401	415	-3.3	463	495	-6.5
EBITDA	2,382	2,158	10.4	3,200	3,020	6.0
EBITDA Margins (%)	12.1	10.9	120bp	13.9	13.1	70bp
Net Profit	77	-31	-345.8	879	773	13.7
Standalone						
Volumes ('000 units)	486	484	0.4	699	663	5.5
EBITDA	24	22	7.2	53	48	12.1
EBITDA Margins (%)	5.2	4.8	40bp	7.8	7.4	40bp
Net Profit	(38.1)	(34.9)	9.3	(3.7)	(8.3)	-55.3

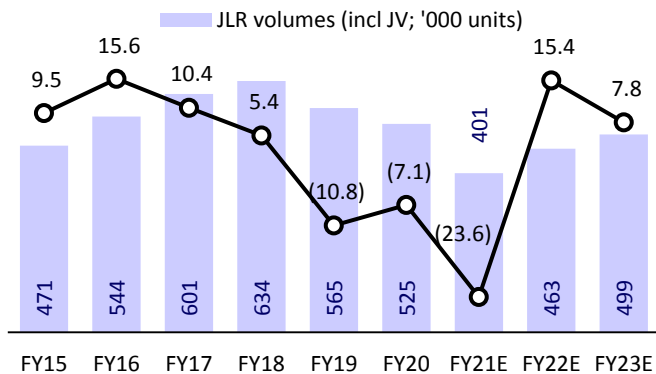
Source: Company, MOFSL

Exhibit 15: TATA MOTORS: Sum-of-The-Parts valuation

INR B	Valuation Parameter	Multiple (x)	FY22E	FY23E
SOTP Value				
Tata Motors - Standalone	EV/EBITDA	10	528	752
JLR (Adj for R&D capitalization)	EV/EBITDA	2.0	558	659
JLR - Chery JV EBITDA Share	EV/EBITDA	2.0	18	24
Tata Motors Finance	P/BV	1.0	43	48
Total EV			1,147	1,484
Less: Net Debt (Ex TMFL)			360	233
Tata Sons	60% discount		91	91
Total Equity Value			878	1,341
Fair Value (INR/Sh) - Ord Sh	Fully Diluted		229	350
<i>Upside (%)</i>			-12.7	33.3

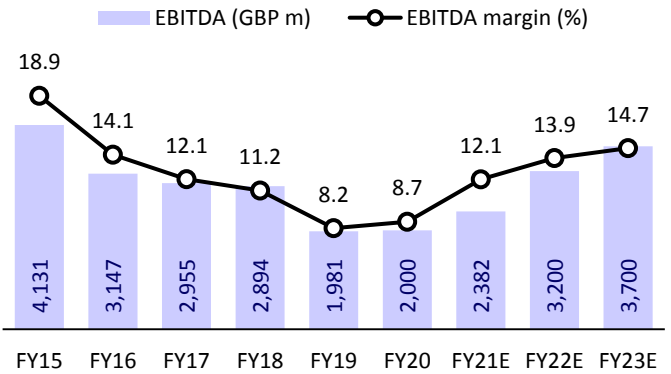
Tata Motors | Story in charts

Exhibit 16: JLR volume growth trajectory



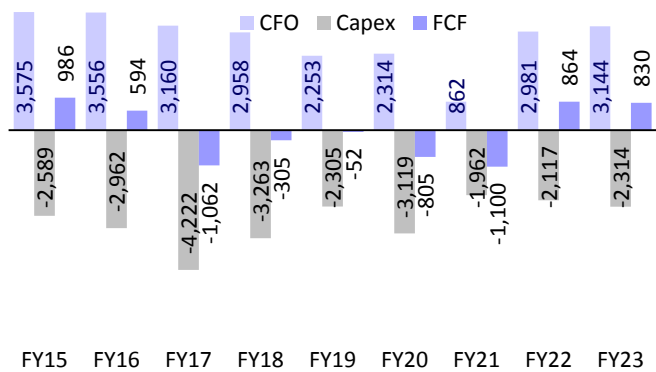
Source: Company, MOFSL

Exhibit 17: JLR EBITDA and EBITDA margin trend



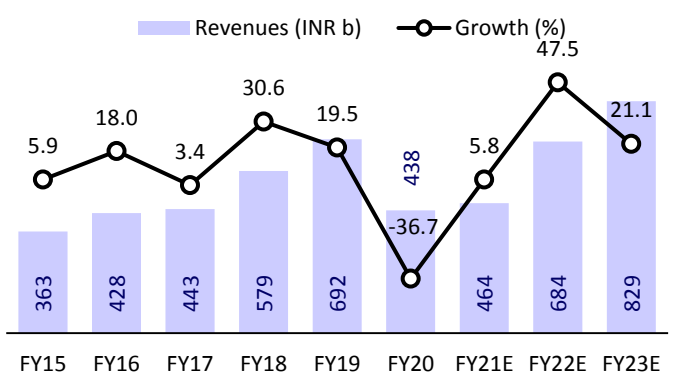
Source: Company, MOFSL

Exhibit 18: JLR's CFO/Capex/FCF trend (GBP m)



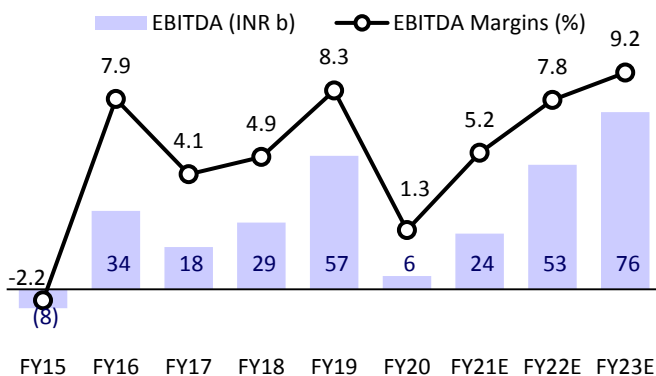
Source: Company, MOFSL

Exhibit 19: S/A business growth trajectory over FY20–22E



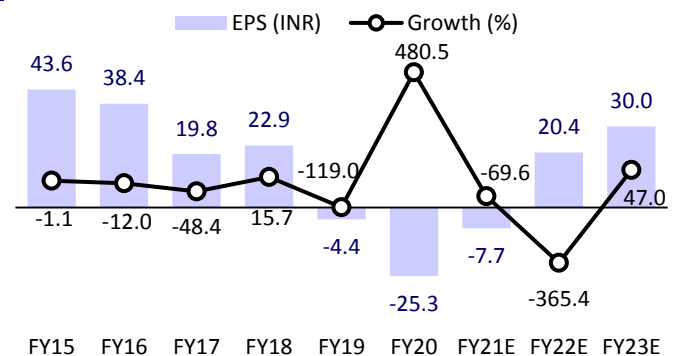
Source: Company, MOFSL

Exhibit 20: S/A EBITDA and margin trend



Source: Company, MOFSL

Exhibit 21: Consolidated earnings trajectory



Source: Company, MOFSL

Key operating metrics

Snapshot of Revenue model

000 units	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
JLR										
Jaguar	79	76	102	179	176	177	144	86	93	99
Growth (%)	37.2	-3.5	33.5	75.1	-1.4	0.7	-18.7	-40.6	8.9	6.3
% of Total JLR Vols	18.4	16.1	18.8	29.8	27.8	31.4	27.5	21.3	20.2	19.9
Land Rover	351	394	442	422	457	388	381	316	370	400
Growth (%)	11.6	12.4	12.2	-4.5	8.3	-15.2	-1.7	-17.2	17.1	8.2
% of Total JLR Vols	81.6	83.0	81.2	70.2	72.2	68.6	72.5	78.7	79.8	80.1
Total JLR Volumes (incl JV)	430	475	544	601	634	565	525	401	463	499
Growth (%)	15.5	10.4	14.6	10.4	5.4	-10.8	-7.1	-23.6	15.4	7.8
ASP (GBP '000/unit)	45	46	44	46	47	48	48	58	59	60
Growth (%)	6.3	3.0	-5.8	4.0	3.9	0.8	1.3	21.0	1.0	1.5
Net JLR Sales (GBP b)	19	22	22	24	26	24	23	20	23	25
Growth (%)	22.8	12.8	1.9	9.2	5.9	-6.1	-5.1	-14.6	17.7	9.3
INDIA										
MH&CVs	122	143	176	176	192	225	124	92	143	182
Growth (%)	-19.7	16.5	23.6	-0.3	9.2	17.1	-44.7	-26.0	55.2	27.8
LCVs	299	222	205	209	257	295	216	180	225	268
Growth (%)	-30.3	-25.8	-7.7	2.1	22.7	14.9	-26.7	-16.6	25.0	19.0
Total CVs	421	365	381	385	449	520	341	272	368	451
Growth (%)	-27.5	-13.5	4.6	1.0	16.6	15.9	-34.5	-20.1	35.2	22.4
Total PVs	145	138	152	157	190	211	133	213	331	383
Growth (%)	-36.5	-5.3	10.1	3.9	20.8	11.2	-37.3	60.9	55.2	15.6
Total Volumes	567	502	533	542	639	731	473	486	699	834
Growth (%)	-30.1	-11.4	6.1	1.8	17.8	14.5	-35.3	2.6	44.0	19.2
ASP (INR 000/unit)	605	723	804	817	906	946	926	955	978	994
Net S/A Sales (INR b)	343	363	428	443	579	692	438	464	684	829
Growth (%)	-23.4	5.9	18.0	3.4	30.6	19.5	-36.7	5.8	47.5	21.1

Financials and valuations

Income Statement (Consolidated)							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total Income	27,30,456	26,96,925	29,15,505	30,19,384	26,10,680	24,69,281	30,84,100	35,20,048
Change (%)	3.8	-1.2	8.1	3.6	-13.5	-5.4	24.9	14.1
Expenditure	23,12,693	23,27,802	25,77,462	27,21,436	23,71,537	21,55,606	26,52,249	30,03,809
EBITDA	4,17,763	3,69,124	3,38,043	2,97,948	2,39,143	3,13,675	4,31,851	5,16,240
% of Net Sales	15.3	13.7	11.6	9.9	9.2	12.7	14.0	14.7
Depreciation	1,67,108	1,79,050	2,15,536	2,35,906	2,14,254	2,36,127	2,53,259	2,77,311
EBIT	2,50,655	1,90,074	1,22,507	62,042	24,889	77,549	1,78,592	2,38,928
Product Dev. Exp.	34,688	34,136	35,319	42,246	41,885	42,406	45,138	47,587
Interest	48,891	42,380	46,818	57,586	72,433	79,791	75,593	68,192
Other Income	8,854	7,545	39,576	29,653	29,732	26,825	25,200	21,571
EO Exp/(Inc)	18,504	-11,146	-19,751	2,96,516	28,714	4,145	0	0
Forex Gain/ (Loss)	-16,169	-39,101	11,853	-9,059	-17,387	26,828	9,951	10,150
PBT	1,41,258	93,148	1,11,550	-3,13,712	-1,05,800	4,860	93,012	1,54,871
Tax	30,251	32,512	43,419	-24,375	3,953	31,652	13,419	40,828
Effective Rate (%)	21.4	34.9	38.9	7.8	-3.7	651.3	14.4	26.4
Reported PAT	1,11,007	60,636	68,131	-2,89,337	-1,09,752	-26,792	79,593	1,14,042
Change (%)	-21.0	-45.4	12.4	-524.7	-62.1	-75.6	-397.1	43.3
% of Net Sales	4.1	2.2	2.3	-9.6	-4.2	-1.1	2.6	3.2
Minority Interest	-989	-1,022	-1,025	-1,020	-956	-778	-274	-366
Share of profit of associate	5,775	14,930	22,783	2,095	-10,000	-5,266	-1,249	1,122
Net Profit	1,15,793	74,544	89,889	-2,88,262	-1,20,709	-32,835	78,070	1,14,799
Adj. PAT	1,30,334	67,288	77,826	-14,785	-90,921	-29,411	78,070	1,14,799
Change (%)	-7.2	-48.4	15.7	-119.0	515.0	-67.7	-365.4	47.0

Balance Sheet (Cons.)							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Share Capital	6,792	6,792	6,792	6,792	7,195	7,659	7,659	7,659
Reserves	7,82,732	5,73,827	9,47,487	5,95,003	6,23,590	6,16,317	6,94,387	8,05,331
Net Worth	7,89,524	5,80,619	9,54,279	6,01,795	6,30,785	6,23,976	7,02,046	8,12,990
Loans	6,19,612	7,44,891	7,79,944	9,11,239	9,96,782	9,96,782	9,96,782	10,06,782
Deferred Tax	44,748	11,740	19,671	-36,601	-35,160	-35,160	-35,160	-35,160
Capital Employed	14,58,212	13,41,781	17,59,144	14,81,664	16,00,542	15,94,510	16,72,854	17,94,163
Gross Fixed Assets	19,76,068	16,28,389	21,56,778	22,58,724	26,01,413	29,54,883	31,97,421	34,66,811
Less: Depreciation	9,11,348	6,75,681	9,17,952	11,53,858	13,68,113	16,04,239	18,57,498	21,34,809
Net Fixed Assets	10,64,720	9,52,708	12,38,826	11,04,866	12,33,301	13,50,644	13,39,923	13,32,002
Capital WIP	2,59,189	3,36,988	4,00,335	3,18,838	3,56,223	2,50,000	2,50,000	2,50,000
Goodwill	7,598	6,733	1,165	7,478	7,771	7,771	7,771	7,771
Investments	2,37,670	2,03,379	2,08,128	1,57,707	1,63,085	46,079	44,830	45,952
Curr.Assets	11,02,234	12,37,735	14,23,465	14,31,544	14,06,255	12,38,927	15,68,155	18,46,133
Inventory	3,26,557	3,50,853	4,21,377	3,90,137	3,74,569	3,04,432	3,80,231	4,53,267
Sundry Debtors	1,35,709	1,40,756	1,98,933	1,89,962	1,11,727	1,35,303	1,68,992	2,12,167
Cash & Bank Bal.	3,04,604	3,60,779	3,46,139	3,26,488	3,37,270	3,16,502	4,98,243	6,25,010
Loans & Advances	2,54,033	2,91,474	4,45,929	5,12,867	5,69,741	4,69,741	5,02,741	5,32,741
Current Liab. & Prov.	12,13,200	13,95,762	15,12,775	15,38,770	15,66,092	12,98,910	15,37,825	16,87,694
Sundry Creditors	6,15,618	6,25,326	7,69,398	7,16,907	6,63,982	6,22,394	7,77,362	8,48,669
Other Liabilities	4,60,226	6,22,314	5,38,766	6,01,347	6,51,452	5,07,387	5,91,471	6,46,146
Net Current Assets	-1,10,965	-1,58,027	-89,309	-1,07,226	-1,59,837	-59,983	30,330	1,58,439
Appl. of Funds	14,58,212	13,41,782	17,59,144	14,81,664	16,00,542	15,94,510	16,72,854	17,94,163

E: MOFSL Estimates

Financials and valuations

Ratios (Con.)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Basic (INR)								
EPS	38.4	19.8	22.9	-4.4	-25.3	-7.7	20.4	30.0
EPS Fully Diluted	38.4	19.8	22.9	-4.4	-25.3	-7.7	20.4	30.0
EPS Growth (%)	-12.0	-48.4	15.7	-119.0	480.5	-69.6	-365.4	47.0
Cash EPS	87.6	72.5	86.4	65.1	34.3	54.0	86.5	102.4
Book Value (Rs/Share)	232.5	171.0	281.0	177.2	175.3	162.9	183.3	212.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Payout (Incl. Div. Tax) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4
Valuation (x)								
Consolidated P/E	6.8	13.3	11.5	-60.3	-10.4	-34.2	12.9	8.8
EV/EBITDA	2.3	2.9	3.3	4.4	6.0	5.2	3.4	2.6
EV/Sales	0.4	0.4	0.4	0.4	0.6	0.7	0.5	0.4
Price to Book Value	1.1	1.5	0.9	1.5	1.5	1.6	1.4	1.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Profitability Ratios (%)								
RoE	19.3	9.8	10.1	-1.9	-14.8	-4.7	11.8	15.2
RoCE	15.1	9.2	6.4	5.2	3.7	-36.0	10.7	11.1
RoIC	34.5	22.6	12.0	7.7	3.6	-49.5	16.4	20.1
Turnover Ratios								
Debtors (Days)	18	19	25	23	16	20	20	22
Inventory (Days)	44	47	53	47	52	45	45	47
Creditors (Days)	82	85	96	87	93	92	92	88
Asset Turnover (x)	1.9	2.0	1.7	2.0	1.6	1.5	1.8	2.0
Leverage Ratio								
Debt/Equity (x)	0.8	1.3	0.8	1.5	1.6	1.6	1.4	1.2

Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
OP/(Loss) before Tax	1,10,238	75,566	90,914	-2,87,242	-1,19,752	-32,835	78,070	1,14,799
Int/Div. Received	8,258	36,653	39,542	-4,413	-11,913	26,825	25,200	21,571
Depreciation	1,70,142	1,79,050	2,15,536	2,35,906	2,14,254	2,36,127	2,53,259	2,77,311
Direct Taxes Paid	-19,939	-18,951	-30,212	-26,594	-17,489	-31,652	-13,419	-40,828
(Inc)/Dec in WC	25,515	32,542	-64,337	-72,123	50,636	-1,20,621	91,427	-1,341
Other Items	96,855	8,954	23,333	64,994	1,25,105	778	274	366
CF from Op Activity	3,91,069	3,13,814	2,74,776	-89,472	2,40,841	78,620	4,34,810	3,71,878
Extra-ordinary Items	8,857	-11,822	-36,202	2,78,379	25,488	-4,145	0	0
CF after EO Items	3,99,925	3,01,992	2,38,574	1,88,908	2,66,329	74,475	4,34,810	3,71,878
(Inc)/Dec in FA+CWIP	-3,26,232	-3,04,135	-3,50,486	-3,52,363	-2,95,306	-2,47,247	-2,42,538	-2,69,390
Free Cash Flow	73,693	-2,143	-1,11,912	-1,63,455	-28,976	-1,72,772	1,92,272	1,02,488
(Pur)/Sale of Invest.	-68,134	-76,664	86,031	1,57,691	-46,397	1,17,005	1,249	-1,122
CF from Inv Activity	-3,94,366	-3,80,799	-2,64,456	-1,94,672	-3,41,702	-1,30,241	-2,41,289	-2,70,513
Issue of Shares	74,332	46	0	0	38,888	26,026	0	0
Inc/(Dec) in Debt	-47,483	1,16,583	75,183	1,59,302	81,318	0	0	10,000
Interest Paid	-57,039	-53,363	-54,106	-70,051	-75,184	-79,791	-75,593	-68,192
Dividends Paid	-1,739	-1,212	-960	-947	-568	0	0	-3,855
CF from Fin Activity	-31,930	62,053	20,117	88,304	44,453	-53,764	-75,593	-62,047
Inc/(Dec) in Cash	-26,371	-16,754	-5,764	82,540	-30,920	-1,09,531	1,17,928	39,318
Add: Beginning Bal.	2,11,283	1,84,913	1,68,159	1,62,395	2,44,934	2,14,014	1,04,484	2,22,411
Closing Balance	1,84,913	1,68,159	1,62,395	2,44,934	2,14,014	1,04,484	2,22,411	2,61,730

E: MOFSL Estimates

NOTES

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

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