

Tata Motors Ltd



Tata Motors Ltd – Event Update

Writing the India EV Story

CMP INR 421	Target INR 495	Potential Upside 17.7%	Market Cap (INR Mn) INR 1,397,352	Recommendation BUY	Sector Automobile
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Key Highlights:

- Tata Motors announced that private equity firm TPG Group would be investing INR 7,500 crore in its new wholly owned electric vehicle subsidiary.
- In the new structure Tata Motors will be having two subsidiaries a) Tata Motors PV (PVCo) – 100% holdings, and b) Tata Motors EV (EVCo) – with 85-89% holdings and the balance 11-15% will be held by TPG group at an equity valuation of USD 9.1Bn.
- In exchange the Tata Motors will issue compulsory convertible preference shares (CCPS), which will be converted into ordinary equity shares in EVCo on the basis of achieving the revenue threshold.

Key Rationales:

- Tata Motors intend to have a differentiated focus for its CV and PV segments to help each realize their potential and unlock the business value and operational flexibility.
- The company aims to increase the market share to double digit in the PV business along with high single digit EBITDA and FCF positive by FY23.
- The company also aims to lead the EV charge in the Indian market.
- EVCo will introduce 10 new EVs, Catalyse charging infrastructure, invest proactively in drive trains, products and platforms by FY26.
- The EV requires more than USD 2bn of investments in the next 5 years. The PVCo will be fund constrained to support the aggressive EV aspirations. Tata Motors believes that there is a huge potential for significance value unlock and ability to fund the requirements of the business.

EV business roadmap:

- Expand portfolio of offering India specific products with different body styles and driving ranges (10 EVs by FY26). Transition to Modular Multi-energy platform from Conversion EVs.
- Expand beyond existing micro-markets (100+ cities , 255 touchpoints in FY22); Continue brand building for awareness creation and driving aspiration; Increase options to access Tata EVs (e.g Subscription); Drive superior customer experience through digital tool and experience centres.

Demand Drivers:

- Stringent emission roadmap will necessitate EV adoption by OEMs.
- Total Cost Ownership (TCO) parity with Internal Combustion engine (ICEs) will further propel EV adoption.
- Better customer options as OEMs introduce long range EVs.
- Favorable Govt. policies like PLI schemes, FAME II, and other fiscal / non-fiscal incentives.

Valuation:

With improving volume demand domestically and on international front backed by cost optimization and cash saving initiative, we expect the company will grow at CAGR of 22%/26% in topline/EBITDA over FY21/23E. Since our last recommendation, the stock price has achieved our target price of INR 394. Further, we have revised our FY23E EPS of INR 30.9 (earlier INR 18), and we apply a P/E multiple of 16x (earlier 22x) on FY23E EPS to arrive at revised target price of INR 495 (earlier INR 394) per share, implying upside potential of 17.7%. Accordingly, we reiterate our “BUY” rating on the shares of Tata Motors.

Key Financials

INR Mn	FY21	FY22E	FY23E
Revenue	2,497,948	2,949,493	3,724,325
EBITDA	305,553	336,122	484,162
PAT	-134,514	19,084	118,176
EPS (INR)	-35.1	5.0	30.9
EBITDA Margin	12.2%	11.4%	13.0%
NPM	-5.4%	0.6%	3.2%
P/E (x)	(12.1)	84.4	13.6

Source: KRChoksey Research

Shareholding Pattern

Particulars (%)	Jun-21	Mar-21	Dec-20
Promoters	46.41	46.41	42.39
FIIIs	14.28	13.78	15.62
DIIIs	11.63	12.07	12.72
Others	27.68	27.74	29.27
Total	100	100	100

Source: Bloomberg

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Asian Paints Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
29-Oct-20			ACCUMULATE	Buy	More than 15%
18-Aug-20	124	133	ACCUMULATE	Accumulate	5% – 15%
16-Jun-20	95	104	ACCUMULATE	Hold	0 – 5%
29-Apr-20	75	80	ACCUMULATE	Reduce	-5% – 0
03-Feb-20	166	180	ACCUMULATE	Sell	Less than – 5%

ANALYST CERTIFICATION:

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