

October 13, 2021

## Event Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		UNDER REVIEW	
<b>Target Price</b>	592		-	
Sales (Rs. m)	3,465,021	4,036,230	3,244,811	3,687,249
% Chng.	6.8	9.5		
EBITDA (Rs. m)	439,213	515,643	427,649	490,258
% Chng.	2.7	5.2		
EPS (Rs.)	15.8	27.5	13.6	22.6
% Chng.	16.2	21.4		

### Key Financials - Consolidated

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	2,498	2,829	3,465	4,036
EBITDA (Rs. bn)	358	347	439	516
Margin (%)	14.3	12.3	12.7	12.8
PAT (Rs. bn)	36	8	61	105
EPS (Rs.)	9.5	2.2	15.8	27.5
Gr. (%)	(137.7)	(77.2)	629.1	73.5
DPS (Rs.)	-	-	1.0	2.0
Yield (%)	-	-	0.2	0.5
RoE (%)	6.2	1.5	10.3	15.8
RoCE (%)	4.1	2.6	6.0	8.6
EV/Sales (x)	0.9	0.8	0.6	0.5
EV/EBITDA (x)	6.0	6.4	4.8	3.8
PE (x)	44.2	193.9	26.6	15.3
P/BV (x)	2.9	2.9	2.6	2.3

### Key Data

TAMO.BO | TTMT IN

52-W High / Low	Rs.436 / Rs.126
Sensex / Nifty	60,284 / 17,992
Market Cap	Rs.1,498bn / \$ 19,837m
Shares Outstanding	3,320m
3M Avg. Daily Value	Rs.20832.69m

### Shareholding Pattern (%)

Promoter's	56.37
Foreign	23.11
Domestic Institution	15.08
Public & Others	5.44
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	40.8	46.9	209.7
Relative	36.2	16.7	108.5

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## Value unlocking on Cards

### Quick Pointers:

- TTMT to set up a wholly owned subsidiary to EV business
- TPG to invest \$1Bn in this entity for a stake of 11-15% valued at \$ 9.1Bn

**TTMT's announced setting up of wholly owned subsidiary dedicated to EVs and infusion of Rs75bn (\$1B) from TPG in an unincorporated subsidiary. This is second restructuring post hiving off the India PV business, that will help improve focus on both the businesses. Company outlined its aggressive stance for EV business with \$ 2Bn investment over next 5 years on product, platform, drive trains, technology charging infra and manufacturing. It plans to launch 10 EV products by FY26. Also, the PV business with its SUV focused approach and new product pipeline is set to gain market share.**

**We believe this transaction will lead to huge value unlocking for TTMT given 1) its assertive stance on EV ecosystem, 2) early mover advantage 3) market share gains from well strategized product pipeline in emerging segment and 4) benefit from new product launches and PV focused strategy in traditional ICE segment. We earlier valued the entire PV business (including EV business) at ~\$ 2.3bn, as against the EV subsidiary valuation of ~\$ 9.1bn which translates to incremental ~Rs 158/share. We thus assign 'BUY' rating to the stock with June'23 TP of Rs 592 valuing India business ex of EVco at 11.5x EV/EBITDA and JLR at 3x EV/EBITDA**

- TPG group to invests Rs75bn in Tata Motors' new EV subsidiary:** TPG Rise Climate along with ADQ will invest Rs 75bn (\$1 bn) to secure 11-15% stake in Tata Motors' new wholly-owned EV subsidiary (EVco)- through compulsory convertible preference shares (CCPS). 50% of the capital infusion by TPG will be completed by Mar-22 and rest by CY22 end. The implied equity valuation for EVco translates to \$9.1bn and conversion of CCPS to equity shares will happen by FY27 based on achievement of revenue thresholds.
- Aggressive plans for expansion of EV portfolio:** The company plans to have a portfolio of 10 EVs by FY26, across different price ranges and segments. It plans to invest \$ 2bn towards product development, technology, charging infra, network expansion and localisation to consolidate its presence in emerging segment.
- TTMT has market share of ~71% (11% in FY18) in the EV space with highest number of EV models introduced in the market. It also plans to grow its network as it has a presence across 100+ cities through 255 touchpoints.
- The management expects EV industry to grow 2.5-2.7x in FY22 vs 1.5-2x every year between FY17-FY21. Also, EV business currently contributes Rs 5-6bn to the company's revenues and is expected to breakeven EBITDA by next year.
- Management reiterated that ~20% of their volume will come from EVs as against industry penetration of ~10% in FY26.

- Drivers of growth for EV industry:** Management showcased its confidence in growth of EV industry which will be driven by government incentives and PLI scheme focused on EVs. Further, it believes that new emission norms and rising fuel prices will lead to increased cost ownership of ICEs; which will necessitate EV adoption by OEMs.
- About EVCo:** TML EVCo is to be created as an asset lite new subsidiary of TML. It will leverage all existing investments in technologies, brands, manufacturing capacities and sales network of TML PVCo (it plays role as Toll Manufacturer and service provider). EVCo will be paying royalty and manufacturing charges to the PVCo in accordance to rule of RPT transaction.

**Exhibit 1 : SOTP valuation**

Rs/Share	Valuation Parameter	Multiple (x)	FY23E	FY24E	June'23
Tata Motors - Standalone	EV/EBITDA	11.5	157	227	174
JLR	EV/EBITDA	3	209	286	228
EV Subsidiary			158	158	158
Tata Motors Fin	P/BV	1	13	13	13
Other Subs			18	21	18
<b>Total Share Price</b>			<b>555</b>	<b>705</b>	<b>592</b>

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>2,497,948</b>	<b>2,828,651</b>	<b>3,465,021</b>	<b>4,036,230</b>
YoY gr. (%)	(4.3)	13.2	22.5	16.5
Cost of Goods Sold	1,582,915	1,834,254	2,249,699	2,616,315
Gross Profit	915,032	994,396	1,215,322	1,419,915
Margin (%)	36.6	35.2	35.1	35.2
Employee Cost	276,485	278,810	325,719	375,942
Other Expenses	280,728	368,835	450,390	528,329
<b>EBITDA</b>	<b>357,819</b>	<b>346,751</b>	<b>439,213</b>	<b>515,643</b>
YoY gr. (%)	49.6	(3.1)	26.7	17.4
Margin (%)	14.3	12.3	12.7	12.8
Depreciation and Amortization	287,733	300,456	328,663	347,616
<b>EBIT</b>	<b>70,086</b>	<b>46,296</b>	<b>110,549</b>	<b>168,027</b>
Margin (%)	2.8	1.6	3.2	4.2
Net Interest	80,972	74,766	73,259	76,890
Other Income	43,753	30,397	34,956	40,200
<b>Profit Before Tax</b>	<b>(104,743)</b>	<b>1,926</b>	<b>72,246</b>	<b>131,336</b>
Margin (%)	(4.2)	0.1	2.1	3.3
Total Tax	25,419	(39)	19,506	35,461
Effective tax rate (%)	(24.3)	(2.0)	27.0	27.0
<b>Profit after tax</b>	<b>(130,161)</b>	<b>1,965</b>	<b>52,740</b>	<b>95,875</b>
Minority interest	563	569	574	580
Share Profit from Associate	(3,790)	6,915	8,431	9,843
<b>Adjusted PAT</b>	<b>36,491</b>	<b>8,311</b>	<b>60,597</b>	<b>105,139</b>
YoY gr. (%)	-	-	-	-
Margin (%)	1.5	0.3	1.7	2.6
Extra Ord. Income / (Exp)	(171,005)	-	-	-
<b>Reported PAT</b>	<b>(134,514)</b>	<b>8,311</b>	<b>60,597</b>	<b>105,139</b>
YoY gr. (%)	11.4	(106.2)	629.1	73.5
Margin (%)	(5.4)	0.3	1.7	2.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (m)</b>	<b>3,829</b>	<b>3,829</b>	<b>3,829</b>	<b>3,829</b>
<b>EPS (Rs)</b>	<b>9.5</b>	<b>2.2</b>	<b>15.8</b>	<b>27.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,128,886</b>	<b>3,373,222</b>	<b>3,638,762</b>	<b>3,901,996</b>
Tangibles	3,128,886	3,373,222	3,638,762	3,901,996
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,749,847</b>	<b>1,992,810</b>	<b>2,258,231</b>	<b>2,536,281</b>
Tangibles	1,749,847	1,992,810	2,258,231	2,536,281
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,379,039</b>	<b>1,380,412</b>	<b>1,380,531</b>	<b>1,365,715</b>
Tangibles	1,379,039	1,380,412	1,380,531	1,365,715
Intangibles	-	-	-	-
Capital Work In Progress	209,639	230,603	253,664	279,030
Goodwill	8,037	8,037	8,037	8,037
Non-Current Investments	55,691	58,475	61,399	64,469
Net Deferred tax assets	(15,559)	(16,959)	(18,486)	(20,149)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	190,512	200,037	210,039	220,541
Inventories	360,886	348,738	427,194	497,617
Trade receivables	126,791	178,244	218,344	254,338
Cash & Bank Balance	467,925	422,953	571,607	778,187
Other Current Assets	632,739	690,891	754,450	823,922
<b>Total Assets</b>	<b>3,431,258</b>	<b>3,518,392</b>	<b>3,885,265</b>	<b>4,291,857</b>
<b>Equity</b>				
Equity Share Capital	7,658	7,658	7,658	7,658
Other Equity	544,809	553,121	609,345	705,738
<b>Total Network</b>	<b>552,467</b>	<b>560,779</b>	<b>617,003</b>	<b>713,396</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,210,016	1,214,373	1,269,601	1,328,897
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	681,798	658,727	806,923	939,944
Other current liabilities	955,682	1,051,251	1,156,376	1,272,013
<b>Total Equity &amp; Liabilities</b>	<b>3,431,258</b>	<b>3,518,392</b>	<b>3,885,265</b>	<b>4,291,857</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(108,532)	8,841	80,677	141,179
Add. Depreciation	235,467	242,963	265,421	278,050
Add. Interest	80,972	74,766	73,259	76,890
Less Financial Other Income	43,753	30,397	34,956	40,200
Add. Other	93,857	(30,397)	(34,956)	(40,200)
Op. profit before WC changes	301,764	296,174	384,402	455,920
Net Changes-WC	104,309	(24,961)	71,206	72,770
Direct tax	(29,278)	1,439	(17,980)	(33,797)
<b>Net cash from Op. activities</b>	<b>376,794</b>	<b>272,652</b>	<b>437,628</b>	<b>494,893</b>
Capital expenditures	(204,888)	(265,300)	(288,600)	(288,600)
Interest / Dividend Income	-	-	-	-
Others	(176,975)	18,087	22,031	26,628
<b>Net Cash from Inv. activities</b>	<b>(381,863)</b>	<b>(247,213)</b>	<b>(266,569)</b>	<b>(261,972)</b>
Issue of share cap. / premium	63,232	-	-	-
Debt changes	153,464	4,357	55,228	59,296
Dividend paid	-	-	(4,373)	(8,746)
Interest paid	(80,972)	(74,766)	(73,259)	(76,890)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>135,724</b>	<b>(70,409)</b>	<b>(22,405)</b>	<b>(26,340)</b>
<b>Net change in cash</b>	<b>130,655</b>	<b>(44,971)</b>	<b>148,653</b>	<b>206,581</b>
Free Cash Flow	171,906	7,352	149,028	206,293

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22E
<b>Net Revenue</b>	<b>7,56,538</b>	<b>8,86,279</b>	<b>6,64,065</b>	<b>5,69,873</b>
YoY gr. (%)	5.5	41.8	107.6	6.5
Raw Material Expenses	4,79,097	5,69,932	4,25,501	3,70,417
Gross Profit	2,77,441	3,16,347	2,38,563	1,99,456
Margin (%)	36.7	35.7	35.9	35.0
<b>EBITDA</b>	<b>1,27,579</b>	<b>1,46,170</b>	<b>73,012</b>	<b>34,192</b>
YoY gr. (%)	55.5	299.4	321.9	(48.8)
Margin (%)	16.9	16.5	11.0	6.0
Depreciation / Depletion	73,771	80,893	82,457	80,241
<b>EBIT</b>	<b>53,809</b>	<b>65,277</b>	<b>(9,446)</b>	<b>(46,048)</b>
Margin (%)	7.1	7.4	(1.4)	(8.1)
Net Interest	21,259	21,448	22,033	18,692
Other Income	13,351	13,204	5,667	7,599
<b>Profit before Tax</b>	<b>41,674</b>	<b>(76,433)</b>	<b>(25,786)</b>	<b>(57,141)</b>
Margin (%)	5.5	(8.6)	(3.9)	(10.0)
Total Tax	9,452	(1,324)	17,420	-
Effective tax rate (%)	22.7	1.7	(67.6)	-
<b>Profit after Tax</b>	<b>32,222</b>	<b>(75,108)</b>	<b>(43,206)</b>	<b>(57,141)</b>
Minority interest	350	201	8	-
Share Profit from Associates	(2,807)	(745)	(1,295)	-
<b>Adjusted PAT</b>	<b>33,291</b>	<b>57,411</b>	<b>(44,534)</b>	<b>(57,141)</b>
YoY gr. (%)	91.4	(180.9)	(47.2)	1,690.0
Margin (%)	4.4	6.5	(6.7)	(10.0)
Extra Ord. Income / (Exp)	(4,226)	(1,33,465)	25	-
<b>Reported PAT</b>	<b>29,065</b>	<b>(76,054)</b>	<b>(44,509)</b>	<b>(57,141)</b>
YoY gr. (%)	67.2	(23.1)	(47.3)	1,717.7
Margin (%)	3.8	(8.6)	(6.7)	(10.0)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Av g. Shares O/s (m)	3,829	3,829	3,829	3,829
<b>EPS (Rs)</b>	<b>8.7</b>	<b>15.0</b>	<b>(11.6)</b>	<b>(14.9)</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	9.5	2.2	15.8	27.5
CEPS	84.7	80.6	101.7	118.2
BVPS	144.3	146.5	161.1	186.3
FCF	44.9	1.9	38.9	53.9
DPS	-	-	1.0	2.0
<b>Return Ratio(%)</b>				
RoCE	4.1	2.6	6.0	8.6
ROIC	8.2	4.1	7.7	12.7
RoE	6.2	1.5	10.3	15.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.0	1.1	0.8	0.5
Net Working Capital (Days)	(129)	(115)	(105)	(100)
<b>Valuation(x)</b>				
PER	44.2	193.9	26.6	15.3
P/B	2.9	2.9	2.6	2.3
P/CEPS	5.0	5.2	4.1	3.6
EV/EBITDA	6.0	6.4	4.8	3.8
EV/Sales	0.9	0.8	0.6	0.5
Dividend Yield (%)	-	-	0.2	0.5

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Volume (units)	4,85,361	6,21,609	7,53,167	8,82,667
Net realisation (Rs/unit)	9,69,000	10,15,233	10,62,081	11,16,457

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Oct-21	UR	-	377
2	7-Jul-21	Reduce	255	317
3	19-May-21	Reduce	279	332
4	7-Apr-21	Reduce	271	308
5	1-Mar-21	Reduce	255	323
6	22-Feb-21	Reduce	255	305
7	1-Feb-21	Reduce	231	263
8	11-Jan-21	Hold	172	198
9	28-Oct-20	Hold	146	136

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	156	136
2	Bajaj Auto	Hold	3,923	3,829
3	Bharat Forge	Accumulate	897	742
4	CEAT	Hold	1,461	1,348
5	Eicher Motors	Accumulate	2,758	2,821
6	Endurance Technologies	BUY	1,844	1,605
7	Exide Industries	UR	-	184
8	Hero Motocorp	Accumulate	3,057	2,842
9	Mahindra & Mahindra	BUY	978	878
10	Maruti Suzuki	Accumulate	7,888	7,493
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	UR	-	377
13	TVS Motors	BUY	690	558

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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