

Tata Motors

BSE SENSEX

52,861

S&P CNX

15,818

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TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	1127.4 / 15.1
52-Week Range (INR)	361 / 101
1, 6, 12 Rel. Per (%)	-7/53/146
12M Avg Val (INR M)	16906
Free float (%)	53.6

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	2,498	3,084	3,650
EBITDA	357.8	412.2	544.2
Adj. PAT	2.2	53.7	131.4
Adj. EPS (INR)	0.6	14.0	34.3
EPS Gr. (%)	-102.2	2,390.1	144.4
BV/Sh. (INR)	144.3	158.3	191.6

Ratios

Net D/E (x)	2.1	1.9	1.6
RoE (%)	0.4	9.3	19.6
RoCE (%)	11.3	8.2	12.1
Payout (%)	0.0	0.0	2.9

Valuations

P/E (x)	NM	22.6	9.2
P/BV (x)	2.2	2.0	1.7
EV/EBITDA (x)	4.6	4.6	3.1
Div. Yield (%)	0.0	0.0	0.3
FCF Yield (%)	8.1	-26.2	16.8

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	46.4	42.4	42.4
DII	12.1	12.7	13.6
FII	13.8	15.6	16.8
Others	27.8	29.3	27.2

FII Includes depository receipts

CMP: INR317
TP: INR400 (+26%)
Buy

JLR 1QFY22 wholesales impacted by chip shortage

2QFY22 to see higher impact; GBP2b negative FCF, EBIT loss in 1HFY22

- JLR's retails grew 68% YoY to ~124.5k in 1QFY22, with LR/Jaguar growing 72.5%/55%.
- Wholesales stood at 84,442 units (excluding China JV), up 72.6% YoY. However, this was ~30,000 units lower (~27%) than what otherwise would have been planned as a result of semiconductor supply constraints and the impact of COVID-19, although this reduction had been broadly anticipated.
- Based on recent inputs from suppliers, the chip supply shortages in 2Q are expected to be greater than that in 1QFY22, potentially resulting in ~50% lower wholesale volumes than planned. It expects the situation to start to improve in 2HFY22. Hence, it expects a negative FCF of ~GBP1b, with a negative EBIT margin in 2QFY22.
- It expects to report an EBIT loss, a negative FCF of GBP1b each in 1Q/2QFY22, and a substantial improvement in 2HFY22 as chip supply improves.
- While the present supply constraints continue, the company will continue to prioritize the production of higher margin vehicles for available chip supply as well as make chip and product specification changes wherever possible to reduce the impact.
- However, retail demand remains strong. At present, it has ~110,000 global retail orders, the highest in the company's history, representing three months of sales cover, with five/four months in Europe/the UK. Orders for the Defender alone total over 29,000 units, representing over four months cover.
- Mr Thierry Bolloré, CEO, JLR, stated,** "The present semiconductor supply issues represent a significant near-term challenge for the industry, which will take time to work through. We are encouraged by the strong demand we see when supply recovers. We are taking strong steps to ensure the security of our supply chain for the future, working with our suppliers and chip manufacturers directly to increase visibility and control over chip supply for our vehicles."
- This supply-side related disruption in 1HFY22 would substantially impact JLR's volumes and earnings in 1H and FY22. However, FY23 should not see any negative material impact of supply-side disruptions. We lower our FY22E consolidated EPS estimate for TTMT by 40%, but largely leave unchanged our FY23E estimate.
- Valuation and view:** All three TTMT's businesses are in recovery mode. While the India CV business would see a cyclical recovery, the India PV business is in a structural recovery mode. JLR is also witnessing a cyclical recovery, supported by a favorable product mix. However, supply-side issues will defer the recovery process. While there would be no near-term catalysts from the JLR business, the India business (~50% of SoTP) would see a continued recovery. The stock trades at 9.2x FY23E consolidated EPS and 1.7x P/B. We maintain our Buy rating with a TP of INR400/share (Mar'23E SoTP-based).

Exhibit 1: JLR [Retails, including JV]

Company sales	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY22 YTD	FY21 YTD	Change (%)
JLR	124,537	74,067	68.1	123,483	0.9	124,537	74,067	68.1
Jaguar	29,152	18,787	55.2	23,463	24.2	29,152	18,787	55.2
Land Rover	95,385	55,280	72.5	100,020	-4.6	95,385	55,280	72.5

Region-wise Retail sales

Region	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY22 YTD	FY21 YTD	YoY (%)
North America	31,357	20,833	50.5	31,438	-0.3	31,357	20,833	50.5
UK	23,675	8,252	186.9	26,317	-10.0	23,675	8,252	186.9
Europe	25,820	11,527	124.0	22,279	15.9	25,820	11,527	124.0
China	27,048	23,726	14.0	27,590	-2.0	27,048	23,726	14.0
RoW	16,637	9,729	71.0	15,818	5.2	16,637	9,729	71.0
JLR	124,537	74,067	68.1	123,441	0.9	124,537	74,067	68.1

Source: Company, MOFSL

Exhibit 2: Revised forecast (INR b)

Key Assumptions	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Consolidated						
Net Sales	3,084	3,161	-2.4	3,650	3,614	1.0
EBITDA	412	436	-5.4	544	523	4.1
EBITDA Margin (%)	13.4	13.8	-40bp	14.9	14.5	40bp
Net Profit	54	90	-40.0	131	128	2.6
Cons EPS	14.0	23.4	-40.0	34.3	33.4	2.6
JLR (IFRS, GBP m)						
Volumes ('000 units) incl. JV	480	494	-2.8	539	533	1.2
EBITDA	2,964	3,225	-8.1	3,924	3,704	5.9
EBITDA Margin (%)	13.0	13.7	-70bp	15.1	14.4	60bp
Net Profit	701	1,013	-30.8	1,309	1,213	7.9
Standalone						
Volumes ('000 units)	694	692	0.4	830	826	0.4
EBITDA	48	53	-9.1	78	80	-1.5
EBITDA Margin (%)	6.8	7.5	-70bp	9.1	9.3	-10bp
Net Profit	(15.4)	(8.7)	76.2	15.3	16.6	-7.6

Source: MOFSL

Financials and valuations

Income Statement (Consolidated)							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income	27,30,456	26,96,925	29,15,505	30,19,384	26,10,680	24,97,948	3,084,180	3,650,134
Change (%)	3.8	-1.2	8.1	3.6	-13.5	-4.3	23.5	18.4
Expenditure	23,12,693	23,27,802	25,77,462	27,21,436	23,71,537	21,40,128	2,672,016	3,105,965
EBITDA	4,17,763	3,69,124	3,38,043	2,97,948	2,39,143	3,57,819	412,163	544,169
% of Net Sales	15.3	13.7	11.6	9.9	9.2	14.3	13.4	14.9
Depreciation	1,67,108	1,79,050	2,15,536	2,35,906	2,14,254	2,35,467	250,686	271,661
EBIT	2,50,655	1,90,074	1,22,507	62,042	24,889	1,22,352	161,477	272,508
Product Dev. Exp.	34,688	34,136	35,319	42,246	41,885	52,266	45,409	47,952
Interest	48,891	42,380	46,818	57,586	72,433	80,972	80,613	83,158
Other Income	8,854	7,545	39,576	29,653	29,732	26,432	23,200	21,571
EO Exp./ (Inc.)	18,504	-11,146	-19,751	2,96,516	28,714	1,37,610	0	0
Forex Gain/(Loss)	-16,169	-39,101	11,853	-9,059	-17,387	17,322	11,022	10,220
PBT	1,41,258	93,148	1,11,550	-3,13,712	-1,05,800	-1,04,743	69,677	173,189
Tax	30,251	32,512	43,419	-24,375	3,953	25,419	16,789	44,250
Effective Rate (%)	21.4	34.9	38.9	7.8	-3.7	-24.3	24.1	25.5
Reported PAT	1,11,007	60,636	68,131	-2,89,337	-1,09,752	-1,30,161	52,888	128,939
Change (%)	-21.0	-45.4	12.4	-524.7	-62.1	18.6	-140.6	143.8
% of Net Sales	4.1	2.2	2.3	-9.6	-4.2	-5.2	1.7	3.5
Minority Interest	-989	-1,022	-1,025	-1,020	-956	-563	-274	-366
Share of profit of associate	5,775	14,930	22,783	2,095	-10,000	-3,790	1,134	2,787
Net Profit	1,15,793	74,544	89,889	-2,88,262	-1,20,709	-1,34,514	53,748	131,361
Adj. PAT	1,30,334	67,288	77,826	-14,785	-90,921	2,158	53,748	131,361
Change (%)	-7.2	-48.4	15.7	-119.0	515.0	-102.4	2,390.4	144.4

Balance Sheet (Consolidated)							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	6,792	6,792	6,792	6,792	7,195	7,658	7,659	7,659
Reserves	7,82,732	5,73,827	9,47,487	5,95,003	6,23,590	5,44,809	598,557	726,064
Net Worth	7,89,524	5,80,619	9,54,279	6,01,795	6,30,785	5,52,467	606,216	733,723
Loans	6,19,612	7,44,891	7,79,944	9,11,239	9,96,782	11,47,756	1,147,756	1,157,756
Deferred Tax	44,748	11,740	19,671	-36,601	-35,160	-29,645	-29,645	-29,645
Capital Employed	14,58,212	13,41,781	17,59,144	14,81,664	16,00,542	16,86,313	1,740,336	1,878,208
Gross Fixed Assets	19,76,068	16,28,389	21,56,778	22,58,724	26,01,413	29,82,619	3,187,948	3,464,952
Less: Depreciation	9,11,348	6,75,681	9,17,952	11,53,858	13,68,113	16,03,580	1,854,266	2,125,927
Net Fixed Assets	10,64,720	9,52,708	12,38,826	11,04,866	12,33,301	13,79,039	1,333,682	1,339,025
Capital WIP	2,59,189	3,36,988	4,00,335	3,18,838	3,56,223	2,09,639	250,000	250,000
Goodwill	7,598	6,733	1,165	7,478	7,771	8,037	8,037	8,037
Investments	2,37,670	2,03,379	2,08,128	1,57,707	1,63,085	2,46,203	48,689	51,476
Curr. Assets	11,02,234	12,37,735	14,23,465	14,31,544	14,06,255	15,43,136	1,588,677	1,979,733
Inventory	3,26,557	3,50,853	4,21,377	3,90,137	3,74,569	3,60,886	380,241	470,017
Sundry Debtors	1,35,709	1,40,756	1,98,933	1,89,962	1,11,727	1,26,791	168,996	220,008
Cash and Bank Bal.	3,04,604	3,60,779	3,46,139	3,26,488	3,37,270	4,67,925	413,904	629,172
Loans and Advances	2,54,033	2,91,474	4,45,929	5,12,867	5,69,741	5,68,849	601,849	631,849
Current Liab. and Prov.	12,13,200	13,95,762	15,12,775	15,38,770	15,66,092	16,99,741	1,488,749	1,750,064
Sundry Creditors	6,15,618	6,25,326	7,69,398	7,16,907	6,63,982	6,81,798	777,382	880,032
Other Liabilities	4,60,226	6,22,314	5,38,766	6,01,347	6,51,452	7,53,395	542,370	670,025
Net Current Assets	-1,10,965	-1,58,027	-89,309	-1,07,226	-1,59,837	-1,56,605	99,928	229,669
Appl. of Funds	14,58,212	13,41,782	17,59,144	14,81,664	16,00,542	16,86,313	1,740,336	1,878,208

E: MOFSL estimates

Financials and valuations

Ratios (Consolidated)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	38.4	19.8	22.9	-4.4	-25.3	0.6	14.0	34.3
EPS Fully Diluted	38.4	19.8	22.9	-4.4	-25.3	0.6	14.0	34.3
EPS Growth (%)	-12.0	-48.4	15.7	-119.0	480.5	-102.2	2,390.1	144.4
Cash EPS	87.6	72.5	86.4	65.1	34.3	62.1	79.5	105.2
Book Value (INR/Share)	232.5	171.0	281.0	177.2	175.3	144.3	158.3	191.6
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	2.9
Valuation (x)								
Consolidated P/E	9.2	17.8	15.4	-81.0	-14.0	625.7	22.6	9.2
EV/EBITDA	3.1	3.7	4.2	5.5	7.4	5.0	4.6	3.1
EV/Sales	0.5	0.5	0.5	0.5	0.7	0.7	0.6	0.5
Price-to-Book Value	1.5	2.1	1.3	2.0	2.0	2.4	2.0	1.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Profitability Ratios (%)								
RoE	19.3	9.8	10.1	-1.9	-14.8	0.4	9.3	19.6
RoCE	15.1	9.2	6.4	5.2	3.7	11.3	8.2	12.1
RoIC	34.5	22.6	12.0	7.7	3.6	20.2	13.7	20.5
Turnover Ratios								
Debtors (Days)	18	19	25	23	16	19	20	22
Inventory (Days)	44	47	53	47	52	53	45	47
Creditors (Days)	82	85	96	87	93	100	92	88
Asset Turnover (x)	1.9	2.0	1.7	2.0	1.6	1.5	1.8	1.9
Leverage Ratio								
Debt/Equity (x)	0.8	1.3	0.8	1.5	1.6	2.1	1.9	1.6

Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	1,10,238	75,566	90,914	-2,87,242	-1,19,752	-1,33,951	53,748	131,361
Int./Div. Received	8,258	36,653	39,542	-4,413	-11,913	-5,109	23,200	21,571
Depreciation	1,70,142	1,79,050	2,15,536	2,35,906	2,14,254	2,35,467	250,686	271,661
Direct Taxes Paid	-19,939	-18,951	-30,212	-26,594	-17,489	-21,046	-16,789	-44,250
(Inc.)/Dec. in WC	25,515	32,542	-64,337	-72,123	50,636	-926	-310,554	85,528
Other Items	96,855	8,954	23,333	64,994	1,25,105	2,34,023	274	366
CF from Op. Activity	3,91,069	3,13,814	2,74,776	-89,472	2,40,841	3,08,459	565	466,237
Extra-ordinary Items	8,857	-11,822	-36,202	2,78,379	25,488	-18,454	-50,099	0
CF after EO Items	3,99,925	3,01,992	2,38,574	1,88,908	2,66,329	2,90,005	-49,533	466,237
(Inc.)/Dec. in FA+CWIP	-3,26,232	-3,04,135	-3,50,486	-3,52,363	-2,95,306	-1,98,548	-245,690	-277,005
Free Cash Flow	73,693	-2,143	-1,11,912	-1,63,455	-28,976	91,457	-295,223	189,232
(Pur.)/Sale of Invest.	-59,542	-91,579	99,095	1,43,582	-35,840	-58,177	197,514	-2,787
CF from Inv. Activity	-3,85,774	-3,95,714	-2,51,391	-2,08,781	-3,31,146	-2,56,725	-48,176	-279,792
Issue of Shares	74,332	46	0	0	38,888	26,025	1	0
Inc./(Dec.) in Debt	-47,483	1,16,583	75,183	1,59,302	70,761	1,54,549	0	10,000
Interest Paid	-57,039	-53,363	-54,106	-70,051	-75,184	-81,229	-80,613	-83,158
Dividends Paid	-1,739	-1,212	-960	-947	-568	-303	0	-3,855
CF from Fin Activity	-31,930	62,053	20,117	88,304	33,896	99,042	-80,612	-77,013
Inc./(Dec.) in Cash	-17,779	-31,669	7,300	68,431	-30,920	1,32,322	-178,321	109,432
Add: Beginning Bal.	2,11,283	1,71,536	1,39,867	1,47,168	2,15,598	1,84,678	317,000	138,679
Closing Balance	1,93,505	1,39,867	1,47,167	2,15,598	1,84,678	3,17,000	138,679	248,111

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

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