

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR486 **TP: INR565 (+16%)** **Buy**

Below our estimate; JLR beat led by mix, India misses

Semiconductor supplies to improve in 2HFY22; long-term view remains intact

- TTMT's 2QFY22 performance was heavily impacted by the semiconductor shortage in JLR and India. Operating performance beat in JLR was driven by a favorable mix and lower fixed cost. India CV business missed our estimates due to commodity cost pressures. We expect a strong recovery/ traction in JLR/India businesses from 3QFY22E onwards.
- We have lowered our FY22E/FY23E EPS estimate by PTL/8% to account for the lost sales due to the ongoing semiconductor shortage as well as higher competitive intensity in the CV business. We maintain our Buy rating with a TP of INR565/share (Sep'23E SoTP-based).

Mix dilutes operating leverage impact; working capital hurts cash flows

- Consolidated revenue/EBITDA grew by ~15%/-29% YoY in 2QFY22 to INR614b/INR40.5b (est. INR606b/INR42b). Adjusted loss stood at INR44.4b (est. INR33b) as against a loss of INR3b/INR44.5b in 2QFY21/1QFY22.
- FCF outflow at INR32b was due to working capital outflow of INR20b in 2QFY22. Net consolidated debt (Auto) rose INR31b QoQ to INR644b.
- **Better mix drives beat, JLR expects gradual recovery from 2HFY22:** Net realizations grew 3.3% QoQ and 2.5% YoY to GBP60.75k (est. GBP60k). EBITDA margin declined by 170bp QoQ to 7.3% (est. 5.9%). The beat was driven by: a) a better mix, b) lesser VME, and b) lower fixed cost (lower than estimated staff and other expenses). Lower depreciation and positive contribution from the JV restricted EBIT margin to -4.7% (est. -7.3%). Net loss stood at GBP381m (est. GBP340m) due to higher tax. FCF outflow stood at GBP664m (v/s an outflow of GBP996b in 1QFY22 and a positive GBP463m in 2QFY21).
- **PV demerger makes its standalone operations non-comparable:** Pro forma revenue grew 94% YoY to ~INR187.8b (in line), with EBITDA margin expanding just 110bp YoY (+150bp QoQ) to ~4% (est. 7.3%). Commodity cost had ~4.8pp impact on margin.
- Realizations in the **CV business** declined by 3.4% QoQ (+26% YoY) to INR1.26m (est. INR1.34m). EBITDA margin stood at 3.1% (v/s 1.6% in 2QFY21 and 0.1% in 1QFY22). Realizations in the **PV business** improved by 7% QoQ (+18.7% YoY) to INR0.87m (est. INR0.84m). EBITDA margin stood at 5.1% (+100bp QoQ and 350bp YoY).

Highlights from the management commentary

- **Demand and supply:** Demand remains strong in JLR, with a record order book of ~127k units. The semiconductor shortage situation remains dynamic. However, JLR expects a gradual recovery starting 2HFY22, with higher production (by ~50k units) in 3Q from 2QFY22 levels.
- **Inventory** fell by 50k units YoY at the JLR and dealer level. Dealer inventory stood at 27k units. It will have to build 30-40k units of systemic inventory (of which 66% will at the dealer level), in addition to servicing its order book of ~127k units.

Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	1740.7/23.2
52-Week Range (INR)	532/131
1, 6, 12 Rel. Per (%)	43/42/214
12M Avg Val (INR M)	19016

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	2,498	3,022	3,831
EBITDA	357.8	380.0	569.2
Adj. PAT	2.2	-16.5	122.7
Adj. EPS (INR)	0.6	-4.3	32.0
EPS Gr. (%)	-102.2	-862.7	-845.1
BV/Sh. (INR)	144.3	140.0	171.0

Ratios

Net D/E (x)	2.1	2.1	1.8
RoE (%)	0.4	-3.0	20.6
RoCE (%)	11.3	46.4	13.6
Payout (%)	0.0	0.0	3.1

Valuations

P/E (x)	861.7	-113.0	15.2
P/BV (x)	3.4	3.5	2.8
EV/EBITDA (x)	6.4	6.9	4.1
Div. Yield (%)	0.0	0.0	0.2
FCF Yield (%)	5.3	-21.1	14.6

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	46.4	46.4	42.4
DII	13.4	11.6	13.2
FII	13.4	14.3	15.8
Others	26.8	27.7	28.6

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **Breakeven level (BEP)** stood at 85k units/quarter in 2QFY22. The management expects it to fall further to 70-75k in 3QFY22 due to a better mix. Underlying BEP will be less than 85k/quarter v/s 90k in 1HFY22 and 100k in FY21.
- VME to remain lower than normal levels of 4-5% for a longer period as there is a substantial mismatch between demand and supply.
- There was no change in the management's guidance for 2H and beyond, except a reduction in its FY22 investment to GBP2.3-2.4b (from GBP2.5b earlier).
- **India CV:** It is seeing early signs of a recovery in M&HCVs led by Infra and Construction. Large fleet/institutional customers still constitute a large part of total buyers. Fleet profitability is still lower than Mar'21 levels, but improvement in utilization and freight rates are positives.
- Recently launched Punch has volumes of 8k units in Oct'21 and a waiting period of 2-5 months across trim levels. It expects Punch to drive 2pp market share gains.

Valuation and view

- TTMT should witness a gradual recovery from 2QFY22 lows as supply-side issues ease and commodity headwinds stabilize (for the India business). It would gain from the triple benefits of: a) 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. The stock trades at 15.2x FY23E consolidated P/E and 4.1x EV/EBITDA. We maintain our Buy rating with a TP of INR565/share (Sep'23E SoTP-based).

Consolidated quarterly performance

(INR Billion)

INR b	FY21				FY22E				FY21	FY22E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Net Op. Income	319.8	535.3	756.5	886.3	664.1	613.8	756.7	987.2	2497.9	3021.8	605.7
Growth (%)	-48.0	-18.2	5.5	41.8	107.6	14.7	0.0	11.4	-4.3	21.0	13.2
EBITDA	6.4	56.7	115.1	127.4	52.6	40.5	80.2	134.0	305.6	307.3	42.2
EBITDA Margin (%)	2.0	10.6	15.2	14.4	7.9	6.6	10.6	13.6	12.2	10.2	7.0
JLR EBITDA Margin (%)	3.6	11.1	15.8	15.3	9.0	7.3	12.1	17.0	12.8	12.1	5.9
Standalone EBITDA (%)	-26.2	2.9	7.1	8.3	2.5	4.0	5.6	7.0	4.8	5.2	7.3
Depreciation	56.0	56.0	61.3	62.2	62.0	61.2	62.5	65.3	235.5	251.0	62.0
Other Income	6.1	6.3	7.1	6.9	5.8	8.7	6.0	5.3	26.4	25.8	5.5
Interest Expenses	18.8	19.5	21.3	21.4	22.0	23.3	20.5	24.4	81.0	90.2	19.5
PBT before EO	-61.9	-8.2	45.9	57.0	-25.8	-34.7	4.5	52.9	32.9	-3.0	-31.0
EO Exp./(Inc.)	0.0	0.0	4.23	133.5	0.0	0.0	0.00	0.0	137.61	0.02	0.00
PBT after EO Exp.	-61.8	-8.1	41.7	-76.4	-25.8	-34.7	4.5	52.9	-104.7	-3.1	-31.0
Tax rate (%)	-35.6	57.9	22.7	1.7	-67.6	-29.0	0.0	-28.8	-24.3	-400.6	0.0
PAT	-83.8	-3.4	32.2	-75.1	-43.2	-44.8	4.5	68.2	-130.2	-15.3	-31.0
Minority Interest	0.1	-0.1	-0.4	-0.2	0.0	-0.3	-0.1	0.1	-0.6	-0.3	-0.1
Share in profit of Associate	-0.6	0.4	-2.8	-0.7	-1.3	0.6	-0.2	0.0	-3.8	-0.9	-1.8
Reported PAT	-84.4	-3.1	29.1	-76.1	-44.5	-44.4	4.2	68.3	-134.5	-16.5	-32.9
Adj. PAT	-84.4	-3.2	32.3	57.4	-44.6	-44.2	4.2	68.3	2.2	-16.4	-32.9
Growth (%)	135.5	23.1	85.9	-182.1	-47.1	1296.3	-87.0	18.9	-102.4	-859.3	940.5

E: MOFSL Estimates



JLR: Key takeaways from the management commentary

- **Demand and supply:** Demand remains strong in JLR, with a record order book of ~127k units. The semiconductor shortage situation remains dynamic. However, JLR expects a gradual recovery starting 2HFY22, with higher production (by ~50k units) in 3Q from 2QFY22 levels.
- **Inventory** fell by 50k units YoY at the JLR and dealer level. Dealer inventory stood at 27k units. It will have to build 30-40k units of systemic inventory (of which 66% will be at the dealer level), in addition to servicing its order book of ~127k units.
- **BEP** stood at 85k units/quarter in 2QFY22. The management expects it to fall further to 70-75k in 3QFY22 due to a better mix. Underlying BEP will be less than 85k/quarter v/s 90k in 1HFY22 and 100k in FY21.
- Its **refocus program** has delivered GBP500m in 1HFY22 (GBP300m/GBP200m in market performance/investment savings), of which GBP300m was in 2Q alone (GBP150m each in market performance/investment savings). The management expects to further reduce average material cost per car by GBP1,000 in FY22.
- **VME** to remain lower than normal levels of 4-5% for a longer period as there is a substantial mismatch between demand and supply. The management's focus is on lowering warranty costs to sub-3% levels (from 3.2% in 2QFY22). Underlying warranty cost has been ~3.2% over the last four quarters.
- **Emission compliance:** As the PHEV mix improves (with the resumption in normal semiconductor supplies), it will comply with emission norms in the UK and EU. In the US/China, which is a RR/RR Sports market, it will continue to buy credits from other OEMs. In CY21, it expects to purchase GBP37m in credits for the UK/EU and GBP59m for the US/China.
- **New Range Rover:** Runout for the new RR will start in 4QFY22, but wouldn't have any negative impact as demand for RR remains strong. The initial response to the new RR has been very positive, with the average transacting price for the pre-order at GBP126k.
- There was no change in the management's guidance for 2H and beyond, except a reduction in its FY22 investment to GBP2.3-2.4b (from GBP2.5b earlier). Of the planned restructuring cost of GBP500m, it has paid out GBP55m in 1H and plans to pay out GBP400m in 2HFY22.
- JLR was the most improved OEM (13th place) in the recent JD Power US Initial Quality Study and bagged the numero uno position in the JD Power US APEAL study. LR stood second in the China Customer Satisfaction index.
- **JLR's China business** witnessed a significant improvement in its import business, with a focus on the quality of sales. It is now exercising the same levers in the CJLR JV, with a focus on quality of sales, and implemented Project Charge from 4QFY21 (to lower the BEP). CJLR's import business is lagging by 12-18 months.

JLR quarterly performance (IFRS)

(GBP m)

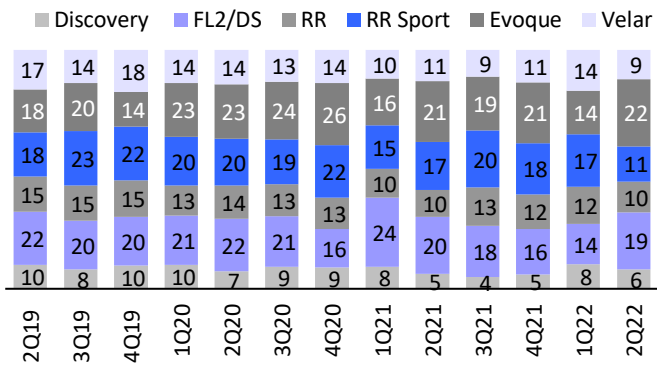
Y/E March (GBP Million)	FY21				FY22E				FY21	FY22E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Total Volumes (incl. JV)	65,425	91,367	1,19,658	1,36,461	97,141	78,251	98,000	1,36,976	4,12,911	4,10,368	78,251
Growth (%)	-44.8	-32.1	-18.8	9.2	48.5	-14.4	-18.1	0.4	-21.4	-0.6	-14.4
Realization (GBP/unit)	58,452	59,250	58,315	53,289	58,810	60,751	62,574	61,708	56,758	61,015	59,986
Change YoY (%)	20.0	17.9	20.3	16.5	0.6	2.5	7.3	15.8	17.5	7.5	1.2
Revenue	2,859	4,352	5,982	6,538	4,966	3,871	5,006	6,977	19,731	20,820	3,841
Growth (%)	-43.7	-28.5	-6.5	20.5	73.7	-11.1	-16.3	6.7	-14.2	5.5	-11.7
RM/Sales (%)	64.1	61.9	62.6	62.2	63.4	64.6	62.5	61.0	62.5	62.6	63.0
Staff Costs/Sales (%)	15.2	11.3	9.9	9.5	11.9	13.3	11.2	9.1	10.9	11.1	14.8
Other Exp./Sales (%)	17.1	15.7	11.7	13.0	15.6	14.9	14.2	12.9	13.8	14.2	16.2
EBITDA	102	481	946	1,001	449	283	608	1,183	2,531	2,523	228
EBITDA Margin (%)	3.6	11.1	15.8	15.3	9.0	7.3	12.1	17.0	12.8	12.1	5.9
Depreciation and Amortization	491	469	515	501	485	467	480	538	1,976	1,970	490
Forex loss/(gain)	-26	-104	-143	-116	-14	30	-35	-31	-389	-50	-25
Net Finance Cost	50	52	65	73	78	91	80	75	240	324	85
Share of JV PAT	0	1	-33	-9	-10	3	-2	-6	-41	-15	-18
PBT before EO Exp.	-413	65	476	534	-110	-302	81	595	663	263	-340
EO Exp./(Inc.)	0	0	37	1,486	0	0	0	0	1,523	0	0
PBT after EO Exp.	-413	65	439	-952	-110	-302	81	595	-860	263	-340
Tax rate (%)	-56.9	-80.0	20.0	3.4	-160.0	-26.2	10.0	-31.0	-27.8	30.0	0.0
Adj. PAT	-648	117	388	566	-286	-381	72	779	423	184	-340
Growth (%)	66.8	5.1	4.3	-206.6	-55.9	-425.6	-81.3	37.6	-212.1	-56.5	-390.4

E: MOFSL Estimates

JLR (GBP m) Key performance Indicator	FY21				FY22E				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Debt (IFRS)	2,748	3,346	2,678	1,915	3,020	3,761			1,915	
CFO	-964	994	1,237	1,318	-425	-180			2,528	
Capex	548	531	675	589	571	484			2,343	
FCF	-1,512	463	562	729	-996	-664			185	

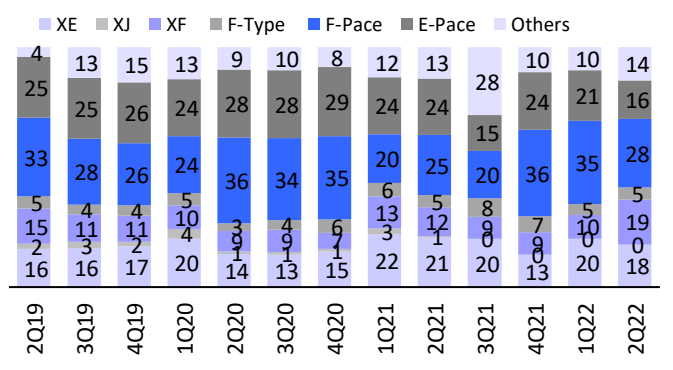
E: MOFSL Estimates

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



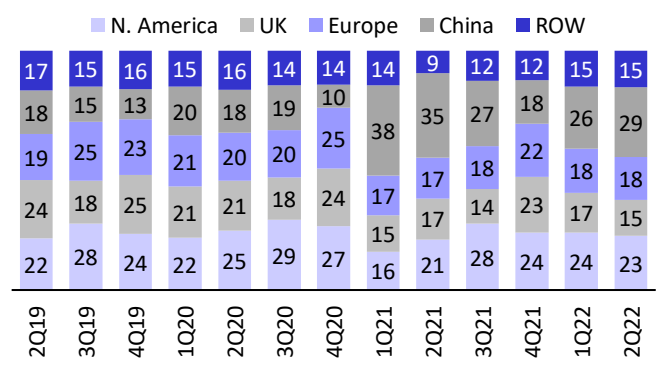
Source: Company, MOFSL

Exhibit 2: Jaguar – wholesale product mix (%)



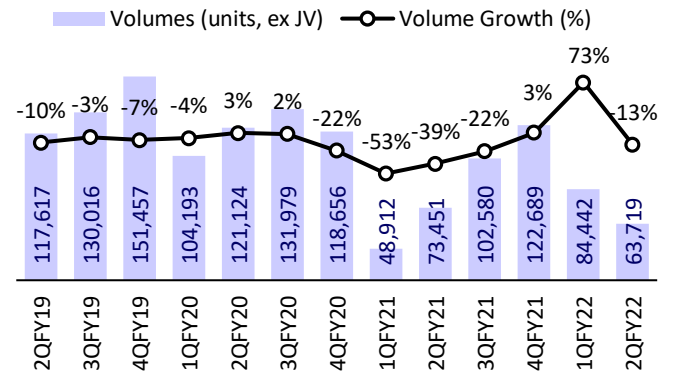
Source: Company, MOFSL

Exhibit 3: JLR – wholesale market mix (%)



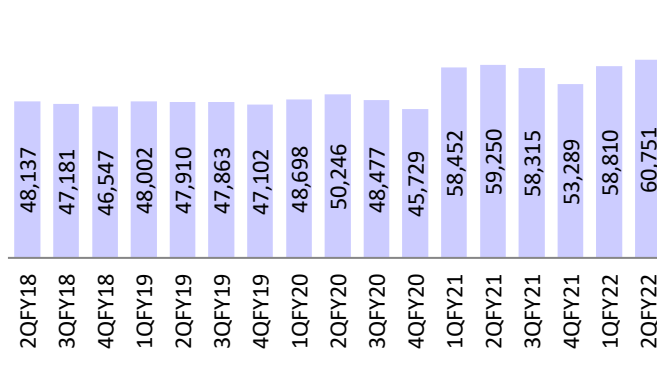
Source: Company, MOFSL

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



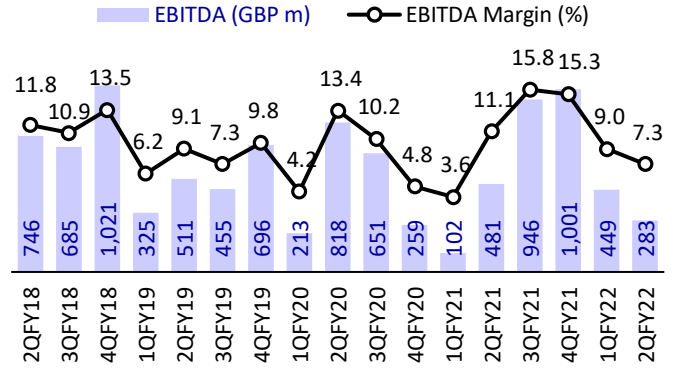
Source: Company, MOFSL

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



Source: Company, MOFSL

Exhibit 6: Trends in JLR EBITDA and EBITDA margin



Source: Company, MOFSL



India: Key takeaways from the management commentary

- **Demand outlook | MHCV:** It is seeing early signs of a recovery in M&HCVs led by Infra and Construction. Large fleet/institutional customers still constitute a large part of total buyers. Fleet profitability is still lower than Mar'21 levels, but improvement in utilization and freight rates are positives. **In Buses,** it is seeing some inquiries from STUs and stage carriers as offices start recalling employees. **SCVs** are resilient, but the semiconductor shortage is impacting supplies.
- **RM cost inflation:** EBITDA margin in the CV business was impacted by ~500bp in 2QFY22 due to higher commodity prices.
- **Financing:** Retail funding in M&HCV Cargo and Tippers remains a challenge. As NPAs are reducing, financiers are slowly coming back.
- CNG constitutes 40-50% of ICVs/LCVs and 15% of SCVs, driven by intra-city usage, good availability of CNG, and higher petrol/diesel prices.
- **Market share:** Recovery in the CV retail market share continued (44.6% in 1HFY22), with an improvement across segments (M&HCV: 61.6%, ILCV: 49.4%, SCVs: 38.4%, and Buses: 40.1%).

India PVs

- **EV penetration** stood ~5% for TTMT in Oct'21. Nexon EV has a waiting period of around six months. The management is focused on accelerating EVs adoption by targeting 16 states, which have a progressive EV policy.
- Recently launched **Tata Punch** clocked volumes of 8k units in Oct'21 and a waiting period of 2-5 months across trim levels. It expects Punch to drive 2pp market share gains.
- **Product pipeline:** It is exploring options beyond its current 6-7 models. The management has identified certain white spaces and is working on plugging the gaps. There will be more action on the EV front as it would be seeing 1-2 launches per annum.

Others

- Consolidated FCF outflow for the Auto business stood at INR32b (v/s an inflow of INR67b in 2QFY21). Of this, INR20b was due to unwinding of its working capital.
- Net consolidated debt (Auto) rose by INR31b QoQ to INR644b in 2QFY22.
- TMFL: Collection efficiency stood at 100% in 2QFY22. GNPA currently stands at 8.1%, and the management has targeted to pare it down to 5% by FY22-end.

Standalone quarterly performance (pro forma)

(INR b)

Y/E March	FY21				FY22E				FY21	FY22E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
INR Billion											
Total Volumes (nos.)	25,047	1,10,379	1,58,208	1,91,730	1,14,784	1,71,270	1,97,734	2,20,547	4,85,364	7,04,335	1,71,270
Change (%)	-81.8	5.1	22.3	88.9	358.3	55.2	25.0	15.0	2.5	45.1	55.2
Avg. Realn. (INR'000/unit)	1,073	876	922	1,041	1,037	1,096	1,105	1,135	966	1,101	1,096
Change (%)	10.5	-8.0	10.9	8.5	-3.3	25.2	19.9	9.0	4.3	14.0	25.2
Net Sales	26.9	96.7	145.8	199.6	119.0	187.8	218.5	250.2	468.9	775.6	187.8
Change (%)	-79.9	-3.3	35.6	105.0	343.0	94.2	49.8	25.4	7.0	65.4	94.2
EBITDA	-7.0	2.8	10.4	16.5	3.0	7.4	12.2	17.5	22.6	40.1	13.7
EBITDA Margin (%)	-26.2	2.9	7.1	8.3	2.5	4.0	5.6	7.0	4.8	5.2	7.3
PBT before EO Exp.	-21.4	-11.7	-5.9	0.5	-12.9	-8.2	-4.2	0.3	-38.5	-25.0	-1.9
EO Exp./(Inc.)	0.5	0.5	0.1	-16.4	0.2	0.3	0.0	0.0	-15.3	0.6	0.0
PBT after EO Exp.	-21.9	-12.1	-6.0	16.9	-13.1	-8.5	-4.2	0.3	-23.2	-25.6	-1.9

E: MOFSL Estimates; Note: From 2QFY22, India PV business has been demerged from the standalone business. These are proforma numbers.

Key performance indicator

TREND IN SEGMENT MIX	FY21				FY22E				FY21	FY22E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Volumes (units)											
M&HCVs	3,106	13,436	28,951	44,662	18,717	32,001	42,850	47,929	90,155	1,41,497	32,001
Contribution (%)	12.4	12.2	18.3	41.6	16.3	18.7	21.7	41.4	34.3	39.8	18.7
LCVs	7,370	42,051	60,372	62,825	31,428	54,886	60,054	67,802	1,72,618	2,14,171	54,886
Contribution (%)	29.4	38.1	38.2	58.4	27.4	32.0	30.4	58.6	65.7	60.2	32.0
Total CVs	10,476	55,487	89,323	1,07,487	50,145	86,887	1,02,904	1,15,731	2,62,773	3,55,668	86,887
Contribution (%)	41.8	50.3	56.5	100.0	43.7	50.7	52.0	100.0	100.0	100.0	50.7
Cars	10,094	34,929	43,093	47,811	33,202	41,330	45,677	51,003	1,35,927	1,71,212	41,330
Contribution (%)	40.3	31.6	27.2	44.5	28.9	24.1	23.1	44.1	51.7	48.1	24.1
UVs	4,477	19,963	25,792	36,432	31,437	43,053	49,153	53,813	86,664	1,77,455	43,053
Contribution (%)	17.9	18.1	16.3	33.9	27.4	25.1	24.9	46.5	33.0	49.9	25.1
Total Volumes	25,047	1,10,379	1,58,208	1,91,730	1,14,784	1,71,270	1,97,734	2,20,547	4,85,364	7,04,335	1,71,270

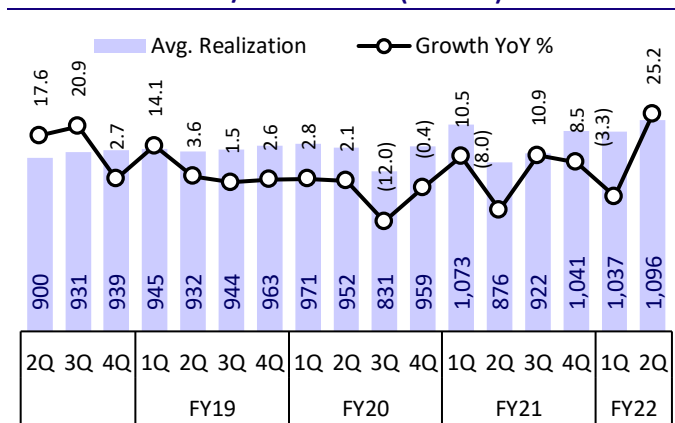
E: MOFSL Estimates

Key performance indicator

TREND IN SEGMENT MIX	FY21				FY22E				FY21	FY22E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Realizations (INR '000/unit)											
CVs	1,373	1,001	1,071	1,241	1,305	1,260	1,323	1,369	1137.8	1319.9	1343.8
PVs	839	742	725	779	824	882	864	871	757.3	863.3	836.6
EBITDA Margin (%)											
CVs	-40.3	3.2	8.0	9.1	0.1	3.1	4.8	6.2	5.3	4.2	
PVs	-14.5	1.6	3.8	4.9	4.1	5.2	6.2	7.5	2.2	6.0	
EBIT Margins											
CVs	-64.5	-3.8	3.7	6.0	-5.7	-0.5			0.1		
PVs	-52.8	-10.3	-6.3	-2.9	-6.1	-2.5			-9.3		
Net Debt (S/A) (INR b)	257.0	233.4	213.2	155.4	238.2	205.7			155		

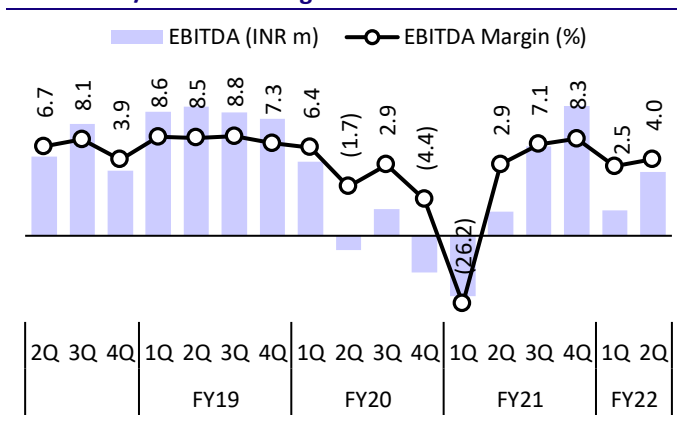
E: MOFSL Estimates

Exhibit 7: Trend in S/A realizations (INR'000)



Source: Company, MOFSL

Exhibit 8: S/A EBITDA margin trend



Source: Company, MOFSL

Valuation and view

- JLR volumes growth to be driven by market recovery and ramp-up in newly launched 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), which first got derailed due to Covid impact and now due to semi-conductor shortages. While semi-conductor shortages are impacting wholesale volumes, retail volumes are witnessing good recovery in all the key markets (reflecting in order book of over 110k units). JLR should also benefit from Defender ramp-up. We expect JLR's volumes (including JV) to grow at 12% CAGR over FY21–23E (after 13.3% CAGR decline over FY18–21). This, coupled with the possibility of mix improvement and reduced variable marketing spend, would led to ~16% revenue CAGR .
- 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) cost cutting initiatives on both variable and fixed cost, (b) mix improvement (growth in LR and China), (c) operating leverage, and (d) cost savings on the modular platform (on the full rollout of the modular strategy). 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 2.6%/7.3% in FY22/FY23E (v/s -0.1% /+2.6 in FY20/FY21).
- India business on recovery path; PV nearing cash breakeven:** India business recovery was severely impacted by second wave of Covid. Although TTMT's India CV business is on a strong footing and is primed for strong cyclical recovery in both M&HCV (42% CAGR over FY21-23E) and LCV (~22% CAGR). On the other hand, TTMT's refreshed product portfolio will enable sustained recovery in its PV business (~36% CAGR), gain market share, and come on track to achieve FCF breakeven by FY23.
- Valuation and view:** We cut our FY22E/FY23E EPS estimates PTL/8% to account for sales loss due to ongoing semiconductor as well as for higher competitive intensity in CV business. TTMT should witness gradual recovery from 2Q lows as supply side issues eases, and commodity headwinds stabilizes (for India

business). All three businesses of TTMT are in recovery mode. While the India CV business would see a cyclical recovery, the India PV business is in a structural growth mode. JLR is witnessing a cyclical recovery, supported by a favorable product mix. While JLR volumes will recover from lows of 2QFY22, the India business (~63% of SoTP) would see a continued recovery in both CVs (cyclical) and PVs (structural). The stock trades at 15.2x FY24E consolidated EPS and 4.1x EV/EBITDA. We maintain our Buy rating with a TP of INR565/share (Sep'23E SoTP-based).

Exhibit 9: Revised Estimates

Key Assumptions	FY22E			FY23E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Consolidated						
Net Sales	3,022	3,046	-0.8	3,831	3,755	2.0
EBITDA	380	391	-2.8	569	559	1.9
EBITDA Margins (%)	12.6	12.8	-30bp	14.9	14.9	0bp
Net Profit	-16	12	-232.2	123	134	-8.3
Cons EPS	-4.3	3.3	-232.2	32.0	34.9	-8.3
JLR (IFRS, GBP M)						
Volumes ('000 units) incl JV	410	430	-4.5	519	526	-1.3
EBITDA	2,523	2,533	-0.4	4,041	3,914	3.2
EBITDA Margins (%)	12.1	11.9	20bp	15.2	15.0	20bp
Net Profit	184	231	-20.4	1,298	1,280	1.4
Standalone						
Volumes ('000 units)	704	699	0.7	851	845	0.7
EBITDA	40	57	-29.1	81	84	-3.9
EBITDA Margins (%)	5.2	7.5	-230bp	8.4	9.1	-60bp
Net Profit	(24.4)	(7.7)	218.4	15.5	16.7	-7.4

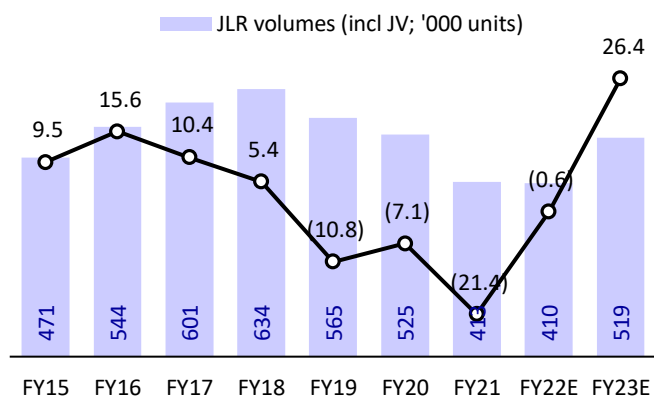
Source: MOFSL

Exhibit 10: TATA MOTORS: Sum-of-The-Parts valuation

INR B	Valuation Parameter	Multiple (x)	FY22E	FY23E	FY24E
SOTP Value					
Tata Motors - Standalone	SOTP		820	1,283	1,596
CVs	EV/EBITDA	12	265	599	766
ICE PVs	EV/EBITDA	10	180	310	398
EV PVs	DCF		375	375	432
JLR (Adj for R&D capitalization)	EV/EBITDA	2	451	757	821
JLR - Chery JV EBITDA Share	EV/EBITDA	2	17	27	30
Tata Motors Finance	P/BV	1.0	42	46	51
Total EV			1,331	2,113	2,498
Less: Net Debt (Ex TMFL)			672	400	196
Tata Sons	60% discount		155	155	155
Total Equity Value			814	1,868	2,457
Fair Value (INR/Sh) - Ord Sh	Fully Diluted		213	488	642
Upside (%)			-56.2	0.4	32.1

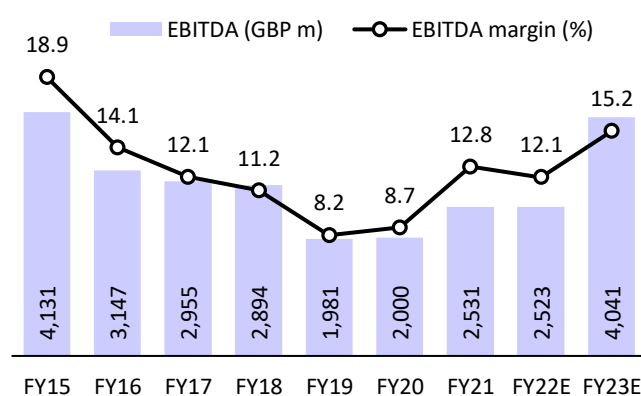
Tata Motors | Story in charts

Exhibit 11: JLR volume growth trajectory



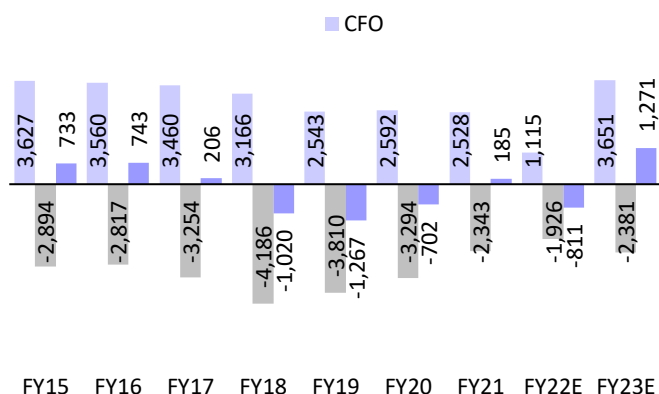
Source: Company, MOFSL

Exhibit 12: JLR EBITDA and EBITDA margin trend



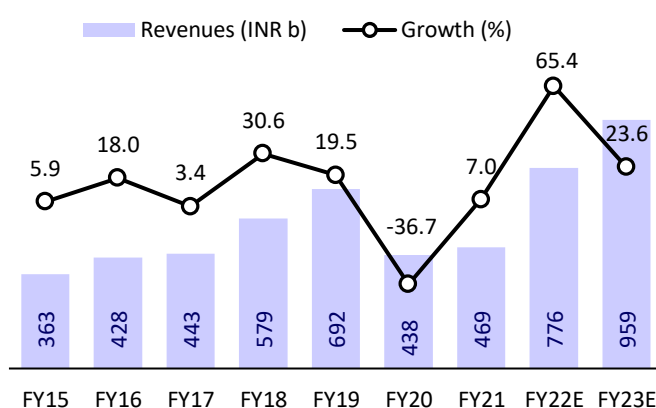
Source: Company, MOFSL

Exhibit 13: JLR's CFO/Capex/FCF trend (GBP m)



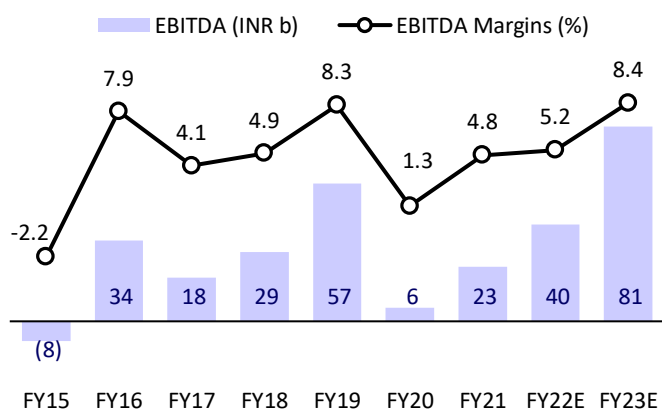
Source: Company, MOFSL

Exhibit 14: S/A business growth trajectory over FY20–22E



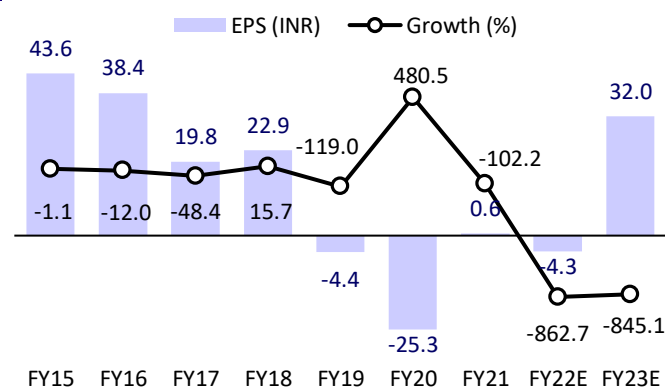
Source: Company, MOFSL

Exhibit 15: S/A EBITDA and margin trend



Source: Company, MOFSL

Exhibit 16: Consolidated earnings trajectory



Source: Company, MOFSL

Key operating metrics

Snapshot of Revenue model

000 units	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
JLR								
Jaguar	102	179	176	177	144	90	75	93
<i>Growth (%)</i>	33.5	75.1	-1.4	0.7	-18.7	-37.3	-16.6	23.0
<i>% of Total JLR Vols</i>	18.8	29.8	27.8	31.4	27.5	21.9	18.4	17.9
Land Rover	442	422	457	388	381	322	335	426
<i>Growth (%)</i>	12.2	-4.5	8.3	-15.2	-1.7	-15.4	3.9	27.1
<i>% of Total JLR Vols</i>	81.2	70.2	72.2	68.6	72.5	78.1	81.6	82.1
Total JLR Volumes (incl JV)	544	601	634	565	525	413	410	519
<i>Growth (%)</i>	14.6	10.4	5.4	-10.8	-7.1	-21.4	-0.6	26.4
ASP (GBP '000/unit)	44	46	47	48	48	57	61	60
<i>Growth (%)</i>	-5.8	4.0	3.9	0.8	1.3	17.5	7.5	-2.0
Net JLR Sales (GBP b)	22	24	26	24	23	20	21	27
<i>Growth (%)</i>	1.9	9.2	5.9	-6.1	-5.1	-14.2	5.5	27.4
INDIA								
MH&CVs	176	176	192	225	124	90	141	182
<i>Growth (%)</i>	23.6	-0.3	9.2	17.1	-44.7	-27.6	56.9	28.6
LCVs	205	209	257	295	216	173	214	255
<i>Growth (%)</i>	-7.7	2.1	22.7	14.9	-26.7	-20.2	24.1	19.3
Total CVs	381	385	449	520	341	263	356	437
<i>Growth (%)</i>	4.6	1.0	16.6	15.9	-34.5	-22.9	35.4	23.0
Total PVs	152	157	190	211	133	223	349	414
<i>Growth (%)</i>	10.1	3.9	20.8	11.2	-37.3	67.8	56.6	18.6
Total Volumes	533	542	639	731	473	485	704	851
<i>Growth (%)</i>	6.1	1.8	17.8	14.5	-35.3	2.5	45.1	20.8
ASP (INR 000/unit)	804	817	906	946	926	966	1,101	1,127
Net S/A Sales (INR b)	428	443	579	692	438	469	776	959
<i>Growth (%)</i>	18.0	3.4	30.6	19.5	-36.7	7.0	65.4	23.6

Financials and valuations

Income Statement (Consolidated)							(INR b)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Total Income	2,696.9	2,915.5	3,019.4	2,610.7	2,497.9	3,021.8	3,830.8
Change (%)	-1.2	8.1	3.6	-13.5	-4.3	21.0	26.8
EBITDA	369.1	338.0	297.9	239.1	357.8	380.0	569.2
% of Net Sales	13.7	11.6	9.9	9.2	14.3	12.6	14.9
Depreciation	179.0	215.5	235.9	214.3	235.5	251.0	272.3
EBIT	190.1	122.5	62.0	24.9	122.4	129.0	297.0
Product Dev. Exp.	34.1	35.3	42.2	41.9	52.3	72.7	76.8
Interest	42.4	46.8	57.6	72.4	81.0	90.2	84.9
Other Income	7.5	39.6	29.7	29.7	26.4	25.8	31.3
EO Exp/(Inc)	-11.1	-19.8	296.5	28.7	137.6	0.0	0.0
Forex Gain/ (Loss)	-39.1	11.9	-9.1	-17.4	17.3	5.1	0.0
PBT	93.1	111.6	-313.7	-105.8	-104.7	-3.0	166.6
Tax	32.5	43.4	-24.4	4.0	25.4	12.2	46.5
Effective Rate (%)	34.9	38.9	7.8	-3.7	-24.3	-403.2	27.9
Reported PAT	60.6	68.1	-289.3	-109.8	-130.2	-15.3	120.2
Change (%)	-45.4	12.4	-524.7	-62.1	18.6	-88.3	-886.9
% of Net Sales	2.2	2.3	-9.6	-4.2	-5.2	-0.5	3.1
Minority Interest	-1.02	-1.02	-1.02	-0.96	-0.56	-0.3	-0.4
Share of profit of associate	14.93	22.78	2.10	-10.00	-3.79	-0.9	2.8
Net Profit	74.5	89.9	-288.3	-120.7	-134.5	-16.5	122.7
Adj. PAT	67.3	77.8	-14.8	-90.9	2.2	-16.5	122.7
Change (%)	-48.4	15.7	-119.0	515.0	-102.4	-862.9	-845.1

Balance Sheet (Cons.)

Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Sources of Funds							
Share Capital	6.8	6.8	6.8	7.2	7.7	7.7	7.7
Reserves	573.8	947.5	595.0	623.6	544.8	528.3	647.2
Net Worth	580.6	954.3	601.8	630.8	552.5	536.0	654.8
Loans	744.9	779.9	911.2	996.8	1,147.8	1,147.8	1,157.8
Deferred Tax	11.7	19.7	-36.6	-35.2	-29.6	-29.6	-29.6
Capital Employed	1,341.8	1,759.1	1,481.7	1,600.5	1,686.3	1,670.1	1,799.3
Gross Fixed Assets	1,628.4	2,156.8	2,258.7	2,601.4	2,982.6	3,176.5	3,461.2
Less: Depreciation	675.7	918.0	1,153.9	1,368.1	1,603.6	1,854.6	2,126.9
Net Fixed Assets	952.7	1,238.8	1,104.9	1,233.3	1,379.0	1,321.9	1,334.3
Capital WIP	337.0	400.3	318.8	356.2	209.6	250.0	250.0
Goodwill	6.7	1.2	7.5	7.8	8.0	8.0	8.0
Investments	203.4	208.1	157.7	163.1	246.2	46.6	49.5
Curr.Assets	1,237.7	1,423.5	1,431.5	1,406.3	1,543.1	1,501.2	1,994.2
Inventory	350.9	421.4	390.1	374.6	360.9	372.5	493.3
Sundry Debtors	140.8	198.9	190.0	111.7	126.8	165.6	230.9
Cash & Bank Bal.	360.8	346.1	326.5	337.3	467.9	337.5	609.4
Loans & Advances	291.5	445.9	512.9	569.7	568.8	601.8	631.8
Current Liab. & Prov.	1,395.8	1,512.8	1,538.8	1,566.1	1,699.7	1,457.6	1,836.7
Sundry Creditors	625.3	769.4	716.9	664.0	681.8	761.7	923.6
Other Liabilities	622.3	538.8	601.3	651.5	753.4	530.4	703.2
Net Current Assets	-158.0	-89.3	-107.2	-159.8	-156.6	43.5	157.5
Appl. of Funds	1,341.8	1,759.1	1,481.7	1,600.5	1,686.3	1,670.1	1,799.3

E: MOFSL Estimates

Financials and valuations

Ratios (Con.)

Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Basic (INR)							
EPS	19.8	22.9	-4.4	-25.3	0.6	-4.3	32.0
EPS Fully Diluted	19.8	22.9	-4.4	-25.3	0.6	-4.3	32.0
EPS Growth (%)	-48.4	15.7	-119.0	480.5	-102.2	-862.7	-845.1
Cash EPS	72.5	86.4	65.1	34.3	62.1	61.2	103.1
Book Value (Rs/Share)	171.0	281.0	177.2	175.3	144.3	140.0	171.0
DPS	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	3.1
Valuation (x)							
Consolidated P/E	24.5	21.2	-111.6	-19.2	861.7	-113.0	15.2
EV/EBITDA	5.0	5.5	7.0	9.4	6.4	6.9	4.1
EV/Sales	0.7	0.6	0.7	0.9	0.9	0.9	0.6
Price to Book Value	2.8	1.7	2.7	2.8	3.4	3.5	2.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Profitability Ratios (%)							
RoE	9.8	10.1	-1.9	-14.8	0.4	-3.0	20.6
RoCE	9.2	6.4	5.2	3.7	11.3	46.4	13.6
RoIC	22.6	12.0	7.7	3.6	20.2	72.2	22.2
Turnover Ratios							
Debtors (Days)	19	25	23	16	19	20	22
Inventory (Days)	47	53	47	52	53	45	47
Creditors (Days)	85	96	87	93	100	92	88
Asset Turnover (x)	2.0	1.7	2.0	1.6	1.5	1.8	2.1
Leverage Ratio							
Debt/Equity (x)	1.3	0.8	1.5	1.6	2.1	2.1	1.8

E: MOFSL Estimates

Cash Flow Statement

Y/E March	2017	2018	2019	2020	2021	2022E	2023E
OP/(Loss) before Tax	75.6	90.9	-287.2	-119.8	-134.0	-16.5	122.7
Int/Div. Received	36.7	39.5	-4.4	-11.9	-5.1	25.8	31.3
Depreciation	179.0	215.5	235.9	214.3	235.5	251.0	272.3
Direct Taxes Paid	-19.0	-30.2	-26.6	-17.5	-21.0	-12.2	-46.5
(Inc)/Dec in WC	32.5	-64.3	-72.1	50.6	-0.9	-330.6	158.0
Other Items	9.0	23.3	65.0	125.1	234.0	0.3	0.4
CF from Op Activity	313.8	274.8	-89.5	240.8	308.5	-82.2	538.2
Extra-ordinary Items	-11.8	-36.2	278.4	25.5	-18.5	-51.3	0.0
CF after EO Items	302.0	238.6	188.9	266.3	290.0	-133.5	538.2
(Inc)/Dec in FA+CWIP	-304.1	-350.5	-352.4	-295.3	-198.5	-234.2	-284.7
Free Cash Flow	-2.1	-111.9	-163.5	-29.0	91.5	-367.8	253.5
(Pur)/Sale of Invest.	-91.6	99.1	143.6	-35.8	-58.2	199.6	-2.8
CF from Inv Activity	-395.7	-251.4	-208.8	-331.1	-256.7	-34.7	-287.5
Issue of Shares	0.0	0.0	0.0	38.9	26.0	0.0	0.0
Inc/(Dec) in Debt	116.6	75.2	159.3	70.8	154.5	0.0	10.0
Interest Paid	-53.4	-54.1	-70.1	-75.2	-81.2	-90.2	-84.9
Dividends Paid	-1.2	-1.0	-0.9	-0.6	-0.3	0.0	-3.9
CF from Fin Activity	62.1	20.1	88.3	33.9	99.0	-90.2	-78.7
Inc/(Dec) in Cash	-31.7	7.3	68.4	-30.9	132.3	-258.4	171.9
Add: Beginning Bal.	171.5	139.9	147.2	215.6	184.7	317.0	58.6
Closing Balance	139.9	147.2	215.6	184.7	317.0	58.6	230.6

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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