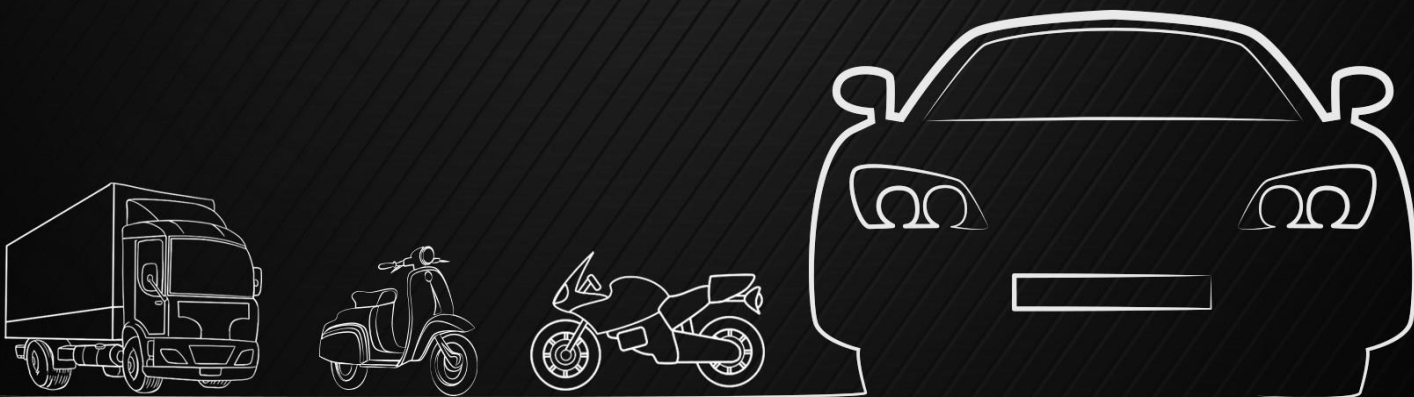


# Tata Motors Ltd



# Tata Motors Ltd

Strong performance across businesses, Net Profit positive after 7 consecutive quarters of losses

CMP INR 444	Target INR 572	Potential Upside 28.9%	Market Cap (INR Mn) INR 14,73,172	Recommendation BUY	Sector Automobile
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## Result Highlights of Q3FY23

- In Q3FY23, Tata Motors reported consolidated revenue of INR 8,84,886 mn (+22.5% YoY/ +11.2% QoQ). Revenue from operations for 9MFY23 grew by 20.0% YoY to INR 24,00,346 mn.
- Calculated EBITDA was at INR 96,430 mn (+42.6% YoY/ +55.6% QoQ). Calculated EBITDA margin improved by 153 bps YoY/ 311 bps QoQ to 10.9%. For 9MFY23, EBITDA grew by 18.3% YoY to INR 1,90,197 mn while EBITDA margin declined by 11 bps YoY to 7.9%.
- Net Profit was INR 29,577 mn against a loss of 15,161 mn in Q3FY22 and a loss of INR 9,446 mn in Q2FY23. For 9MFY23, Tata Motor's Net loss narrowed to INR 29,935 mn from INR 1,04,085 mn in 9MFY22.

## MARKET DATA

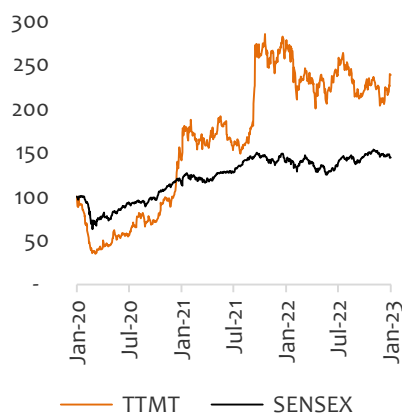
Shares outs (Mn)	3,830
Mkt Cap (INR Mn)	14,73,172
52 Wk H/L (INR)	520/366
Volume Avg (3m K)	14,940
Face Value (INR)	2
Bloomberg Code	TTMT IN

## KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	24,97,948	27,84,536	33,63,039	39,38,125	43,13,459
EBITDA	3,05,553	2,47,988	2,92,142	4,45,502	5,33,375
PAT	-1,34,514	-1,14,415	-5,890	1,01,298	1,41,652
EPS (INR)	-35.1	-29.9	-1.5	26.5	37.0
EBITDA Margin	12.2%	8.9%	8.7%	11.3%	12.4%
NPM	-5.4%	-4.1%	-0.2%	2.6%	3.3%

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



**Strong topline performance for all 3 businesses:** In Q3FY23, Tata Motors reported consolidated revenue of INR 8,84,886 mn (+22.5% YoY/ +11.2% QoQ). JLR wholesale volumes ex. Chery were at 79,591 units (+15.0% YoY/ +5.7% QoQ), its highest quarterly volumes since Q1FY22. For the JLR business, revenue grew by 28.1% YoY/ 14.8% QoQ in GBP terms. For TML-CV business, revenue grew by 22.5% YoY/ 2.8% QoQ even as wholesale volumes declined by 4.2% YoY/ 4.6% QoQ. For TML-PV, revenue grew by 37.4% YoY but declined by 7.0% YoY while wholesale volumes grew by 32.8% YoY but declined by 7.4% QoQ.

**EBIT margins improve across businesses led by higher volume, improved mix, pricing:** As per the company's definition, consolidated EBIT margin improved by 270 bps YoY. JLR EBIT margin improved by 230 bps YoY/ 270 bps QoQ due to higher wholesales and stronger product mix. JLR reported its highest PBT since Q4FY21 due to higher wholesales, stronger mix, pricing and FX offset by higher input costs, increase in SG&A spend and higher manufacturing & supply chain costs. TML-CV EBIT margin improved by 650 bps YoY/ 360 bps QoQ due to pricing improvement, cost actions and softening commodity prices. TML-PV reported EBIT margins improved by 510 bps YoY/ 110 bps QoQ driven by improved volumes & mix, realizations, softening commodities and certain one-offs of about 80 bps.

**Outlook:** All three auto verticals- JLR, TML-CV, and TML-PV improved on profitability metrics in Q3FY23. Management expects to sustain the improvement in margins and FCF generation in the coming quarters. Management expects chip supply to improve further leading to volume ramp-up, especially for JLR. Commodity costs are expected to be stable from here, which along with focus on profitable growth should aid EBIT and free cash flows. The zero net debt target remains as is for TML India business but it's a stretch for JLR and management will give an update on the same by end of March-23E.

## MARKET INFO

SENSEX	59,500
NIFTY	17,649

## SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sep-22	Jun-22
Promoters	46.4	46.4	46.4
FIIIs	18.2	19.0	13.7
DIIIs	15.4	14.8	15.2
Others	20.1	19.7	24.7
Total	100.0	100	100

15.7%

Revenue CAGR between FY22 and FY25E

29.1%

EBITDA CAGR between FY22 and FY25E

## ANALYST

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# Tata Motors Ltd

## Key Concall Highlights:

**JLR** – (1) JLR improved deliveries of the Range Rover and Range Rover Sport which are mainly targeted to North America and China. North America retail sales grew by 34.0% QoQ while China was impacted due to the COVID shutdowns. China has seen strong uplift in the first 3 weeks of January as dealer outlets have opened. (2) Deliveries of Defender have improved. (3) Revenue is anticipated to remain above GBP 6 bn for the foreseeable future. (4) Order book is at 215,000 units. As the supply of semiconductors is improving, order book will start to taper down QoQ as increasing production will lead to higher order fulfilment. However, for the next year the order book will still remain higher than normal levels. (5) JLR generated GBP 850 mn of Refocus savings in 9MFY23, and management remains confident of achieving GBP 1 bn+ in savings in FY23E. (6) JLR secured the extension of its undrawn unsecured revolving credit facility (RCF) of GBP 1.5 bn from March 2024 to April 2026. (7) Headwinds in the form of higher input costs and higher cost due to buying of premium chips to keep supply going are starting to taper off. (8) JLR will now increase its marketing spend which is at only 2/3<sup>rd</sup> of the pre-semiconductor shortage. (9) Engineering spends will also increase as JLR works towards its reimagined electrified future. On the other hand, working capital release from increased production will lead to increased cash generation. (10) The underlying cash generation in Q4FY23E will be broadly similar QoQ.

**TML-PV** – (1) PV industry recorded its highest-ever retail sales in Q3FY23 and wholesales grew by 23.0% YoY. For TML-PV, wholesales grew by 32.8% YoY while retail sales grew by 27.2% YoY. (2) TML-PV maintained a market share of about 14.1% in 9MFY23. (3) EV industry continued to have strong YoY growth at 130.0%. Growth for TML-PV was 108.0% YoY. TML-PV crossed the 50,000 units mark for EV sales since inception, and 44,000 units for 2022. (4) Improved supplies and new product launches should aid wholesales in Q4FY23E. (5) A lot of states have announced progressive EV policies that should support the EV growth in Q4FY23E. For TML-PV, Tiago EV deliveries have commenced and the company has a strong order book. (6) TML-PV showcased the Harrier & Safari Red # Dark at the Auto Expo which will be launched in Q4FY23E. (7) The industry supply situation has normalized, except some popular models which are still high on waiting list. There is higher time between enquiry and retail now, meaning lesser urgency of customers. (8) TML-PV is taking structural material cost reduction actions and will continue to drive other levers of margin improvement.

**TML-CV** – (1) CV industry grew by 16.0% YoY in Q3FY23, while TML-CV wholesales declined by 4.2% YoY. TML-CV had earlier signalled a higher focus on the market share of registrations and shifting to a demand-pull model. Shifting to the demand-pull model led to some impact in October but there is a sequential improvement in market share since then across the portfolio. (2) TML-CV's retail sales were higher than wholesales by 6.0%. (3) The volume growth rates have been dropping due to the base effect and the rate will go down further in Q4FY23E. M&HCVs are seeing higher growth due to a lower base and increasing fleet utilization. (4) Wholesales from the international business have been impacted as challenges continue and in most markets wholesales have dropped by more than 50.0%. (5) Share of CNG vehicles in sales has dropped substantially due to the rise in CNG prices. The trend should reverse as CNG prices stabilize. (6) So far in FY23E, TML-CV has launched 40 new products as well as 150 plus variants. (7) Going ahead, TML-CV will continue its focus on three areas: retail pull, improving the registration share, and realization improvement agenda. (8) The transition to RDE norms will happen in April 2023 and TML-CV will come up with a lot of value enhancement for the customer along with the price increase. The passing on of higher costs to the customers will likely be in one go. (9) The semiconductor supply situation was worrisome but has improved in the last 15 days. (10) TML-CV completed trials of the Ace Electric Vehicle in their customers' operations. The product is seeing increased enquiries. (11) The Smart City Mobility Solutions business has signed definitive agreements to supply 1,500 and 921 buses for Delhi Transport Corporation and Bangalore, respectively, and also received an order for 200 buses from Jammu & Srinagar. This business generated revenue of INR 2,600 mn in 9MFY23. (12) TML-CV has been reducing discounts in the M&HCVs and ILCVs since September 2022, which has helped performance in Q3FY23. This will also continue in Q4FY23E.

**Other updates** – (1) Tata Motors Finance reported losses in Q3FY23 due to higher provisions taken for restructured book.

## Valuation and view

After seeing net losses for 7 consecutive quarters, Q3FY23 saw TTMT deliver Net Profit on the back of improved profitability across all 3 businesses. The domestic PV and CV businesses have continued to perform strongly, while JLR has seen a significant improvement sequentially aided by higher volumes, improved product mix, and pricing. Management remains cautiously optimistic despite the global macroeconomic challenges. We expect JLR performance improvement to continue backed by improved supply visibility, higher volumes, improving product mix, the improved scale of operations, and working capital release leading to better cash flow generation. We expect the domestic PV business to continue to benefit from higher demand for SUVs and EVs, and new product launches, leading to improved profitability. The CV business is expected to gain market share and see improved profitability. **We expect the company will grow at CAGR of 15.7%/ 29.1% in revenues/EBITDA over FY22-25E. We change our valuation methodology to SOTP valuation. We value the JLR & Chery-JLR JV businesses at 2.5x EV/EBITDA, TML-CV at 13.0x EV/EBITDA, and TML-PV business at 14.8x EV/EBITDA and arrive at a target price of INR 572 per share (unchanged), implying an upside of 28.9%. Accordingly, we maintain our “BUY” rating on the shares of Tata Motors.**

## ANALYST

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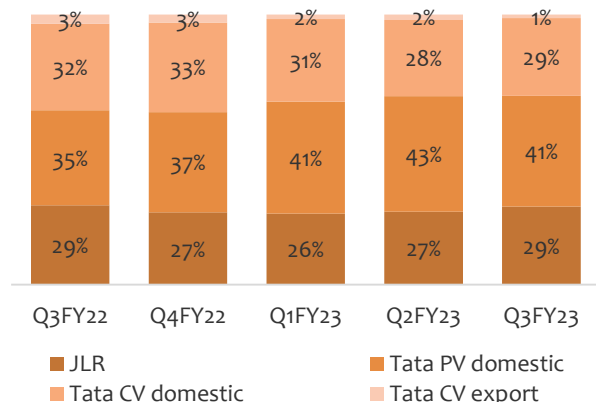
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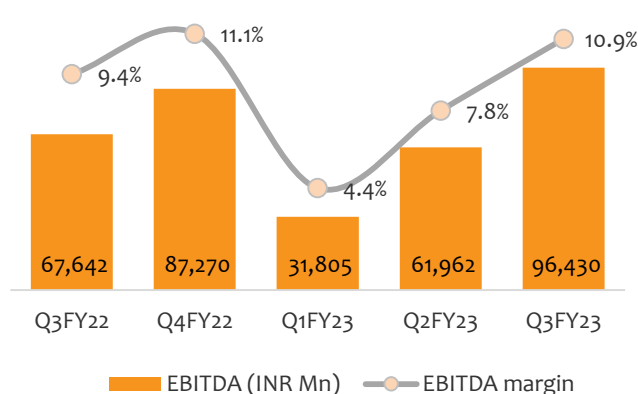
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# Tata Motors Ltd

Wholesale volume mix



Sequential margin improvement continues



## KEY FINANCIALS

Particulars (Mn)	Q3FY23	Q2FY23	Q3FY22	QoQ	YoY	9MFY23	9MFY22	YoY
Revenue from operations	8,84,886	7,96,114	7,22,293	11.2%	22.5%	24,00,346	20,00,146	20.0%
Other income	11,304	10,385	7,026	8.8%	60.9%	30,563	21,511	42.1%
Total Income	8,96,190	8,06,499	7,29,319	11.1%	22.9%	24,30,909	20,21,656	20.2%
Total Expenditure	7,88,456	7,34,151	6,54,651	7.4%	20.4%	22,10,149	18,39,428	20.2%
Cost of materials consumed	5,33,559	4,80,402	4,19,694	11.1%	27.1%	14,87,324	11,29,513	31.7%
Purchases of products for sale	54,713	53,243	48,741	2.8%	12.3%	1,60,593	1,30,238	23.3%
Changes in inventories,WIP and sale	-13,686	-7,695	-7,947	77.9%	72.2%	-65,164	37,142	-275.4%
COGS	5,74,585	5,25,950	4,60,488	9.2%	24.8%	15,82,753	12,96,893	22.0%
Employee costs	85,929	78,979	76,510	8.8%	12.3%	2,42,772	2,27,791	6.6%
Other expenses	1,27,942	1,29,222	1,17,653	-1.0%	8.7%	3,84,625	3,14,744	22.2%
EBITDA (Excl OI)	96,430	61,962	67,642	55.6%	42.6%	1,90,197	1,60,717	18.3%
EBITDA Margin (%)	10.9%	7.8%	9.4%	311bps	153bps	7.9%	8.0%	-11bps
Depreciation	60,718	58,973	60,781	3.0%	-0.1%	1,78,102	1,84,036	-3.2%
EBIT	35,712	2,989	6,861	1094.8%	420.5%	12,096	-23,318	151.9%
EBIT Margin (%)	4.0%	0.4%	0.9%	366bps	309bps	0.5%	-1.2%	167bps
Exceptional Items	-11,769	3,113	-3,999	-478.1%	-194.3%	-15,914	-4,499	-253.7%
Interest	26,758	24,873	24,007	7.6%	11.5%	75,838	69,313	9.4%
EBT	32,026	-14,612	-6,121	319.2%	623.2%	-17,266	-66,622	74.1%
Tax	2,628	-4,571	7,260	-157.5%	-63.8%	13,247	34,730	-61.9%
Net Profit from ordinary activity after tax	29,398	-10,041	-13,382	392.8%	319.7%	-30,513	-1,01,353	69.9%
Share of profit after tax of associate	1,034	1,057	-2,456	-2.2%	142.1%	2,451	-3,140	178.1%
Minority income	854	463	-676	84.7%	226.4%	1,873	-408	559.3%
PAT	29,577	-9,446	-15,161	413.1%	295.1%	-29,935	-1,04,085	71.2%
PAT Margin (%)	3.3%	-1.2%	-2.1%	453bps	544bps	-1.2%	-5.2%	396bps
EPS	7.7	-2.5	-4.0	413.1%	295.0%	-7.8	-27.2	71.2%

Source: Company, KRChoksey Research

## ANALYST

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# Tata Motors Ltd

## KEY FINANCIALS

Income Statement INR Mn	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>24,97,948</b>	<b>27,84,536</b>	<b>33,63,039</b>	<b>39,38,125</b>	<b>43,13,459</b>
Cost of sales	15,82,915	18,08,858	22,00,176	25,15,581	27,28,263
<b>Gross profit</b>	<b>9,15,032</b>	<b>9,75,678</b>	<b>11,62,863</b>	<b>14,22,544</b>	<b>15,85,196</b>
Employee benefit expense	2,76,485	3,08,085	3,33,198	3,73,515	4,05,966
Finance costs	80,972	93,119	99,665	98,726	95,167
Foreign exchange (gain)/loss	-17,322	787	2,144	0	0
Depreciation	2,35,467	2,48,357	2,39,766	2,52,158	2,90,988
Product development	52,266	92,095	1,07,671	1,19,561	1,30,957
Other expenses	4,09,220	4,71,483	6,05,900	6,83,235	7,33,161
Amount capitalised	-1,28,491	-1,43,973	-1,76,046	-1,99,269	-2,18,261
<b>Total expenses</b>	<b>24,91,512</b>	<b>28,78,811</b>	<b>34,12,472</b>	<b>38,43,507</b>	<b>41,66,239</b>
<b>EBITDA</b>	<b>3,05,553</b>	<b>2,47,988</b>	<b>2,92,142</b>	<b>4,45,502</b>	<b>5,33,375</b>
EBIT	70,086	-369	52,376	1,93,344	2,42,386
PBT	-1,04,743	-70,034	8,815	1,41,876	1,98,981
Income tax expense	25,419	42,313	15,855	42,563	59,694
<b>Net profit</b>	<b>-1,34,514</b>	<b>-1,14,415</b>	<b>-5,890</b>	<b>1,01,298</b>	<b>1,41,652</b>
<b>EPS (INR)</b>	<b>(35.1)</b>	<b>(29.9)</b>	<b>(1.5)</b>	<b>26.5</b>	<b>37.0</b>

Cash Flow Statement INR Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash from operations activities	2,90,005	1,42,828	4,43,104	4,47,888	5,38,863
Cash from investing activities	-2,61,263	-47,751	-2,85,858	-3,34,741	-3,66,644
Cash from financing activities	99,042	-33,802	-1,07,064	-1,49,989	-1,43,864
<b>Net inc/dec in cash equivalents</b>	<b>1,27,785</b>	<b>61,275</b>	<b>50,182</b>	<b>-36,843</b>	<b>28,355</b>
Opening Balance cash	1,83,722	3,17,000	3,81,590	4,31,772	3,94,929
Adjustment	5,494	3,315	0	0	0
<b>End Cash</b>	<b>3,17,000</b>	<b>3,81,590</b>	<b>4,31,772</b>	<b>3,94,929</b>	<b>4,23,285</b>

Source: Company, KRChoksey Research

# Tata Motors Ltd

Balance Sheet INR Mn	FY21	FY22	FY23E	FY24E	FY25E
PPE	7,96,401	8,09,001	8,55,094	9,37,676	10,13,332
Capital WIP	83,771	35,292	35,292	35,292	35,292
Goodwill	64,907	66,860	66,860	66,860	66,860
Right to use assets	8,037	8,072	8,072	8,072	8,072
Other intangible assets	5,17,732	5,04,621	5,04,621	5,04,621	5,04,621
Intangible assets under management	1,25,868	67,221	67,221	67,221	67,221
Investments in equity accounted investees	42,008	43,494	43,494	43,494	43,494
Financial assets	2,52,337	1,94,796	1,72,524	1,72,524	1,72,524
Deferred tax assets (net)	45,204	38,709	38,709	38,709	38,709
Non-current tax assets (net)	10,033	11,968	11,968	11,968	11,968
Other non-current assets	16,085	56,392	56,392	56,392	56,392
<b>Total Non current Assets</b>	<b>19,62,382</b>	<b>18,36,426</b>	<b>18,60,247</b>	<b>19,42,829</b>	<b>20,18,485</b>
Inventories	3,60,887	3,52,403	4,21,951	4,82,440	5,23,229
Trade receivables	1,26,791	1,24,421	1,65,848	2,15,788	2,36,354
Cash and cash equivalents	3,17,000	3,81,590	4,31,772	3,94,929	4,23,285
Other financial assets	5,90,355	5,27,865	4,78,913	4,78,913	4,78,913
Current tax assets (net)	8,653	2,598	2,598	2,598	2,598
Assets classified as held-for-sale	2,208	5,239	5,239	5,239	5,239
Other current assets	62,984	75,659	75,659	75,659	75,659
<b>Total Current Assets</b>	<b>14,68,877</b>	<b>14,69,775</b>	<b>15,94,521</b>	<b>16,66,046</b>	<b>17,55,756</b>
<b>Total Assets</b>	<b>34,31,260</b>	<b>33,06,201</b>	<b>34,54,767</b>	<b>36,08,875</b>	<b>37,74,241</b>
Equity share capital	7,658	7,659	7,658	7,658	7,658
Other equity	5,44,809	4,37,954	4,32,063	5,33,362	6,75,014
Non-controlling interests	15,735	42,711	42,711	42,711	42,711
<b>Total Equity</b>	<b>5,68,202</b>	<b>4,88,323</b>	<b>4,82,432</b>	<b>5,83,730</b>	<b>7,25,382</b>
Borrowings	9,31,128	9,77,592	10,26,471	9,75,148	9,26,390
Other financial liabilities	25,564	53,337	53,337	53,337	53,337
Provisions	1,36,068	1,29,559	1,29,559	1,29,559	1,29,559
Deferred tax liabilities (net)	15,559	15,584	15,584	15,584	15,584
Lease liability	54,121	59,624	59,624	59,624	59,624
Other non-current liabilities	1,23,126	75,352	75,352	75,352	75,352
<b>Total non current liabilities</b>	<b>12,85,564</b>	<b>13,11,048</b>	<b>13,59,928</b>	<b>13,08,604</b>	<b>12,59,847</b>
Borrowings	4,27,917	4,19,179	3,77,261	3,77,261	3,77,261
Trade payables	6,81,798	5,99,704	6,93,206	7,92,580	8,59,590
Acceptances	78,603	97,800	1,36,919	1,36,919	1,36,919
Other financial liabilities	1,37,256	1,44,204	1,58,625	1,63,383	1,68,285
Provisions	1,28,480	1,07,663	1,07,663	1,07,663	1,07,663
Current tax liabilities (net)	10,864	12,539	12,539	12,539	12,539
Liabilities associated with Assets held-for-sale	0	31	31	31	31
Other current liabilities	1,04,432	1,17,615	1,17,615	1,17,615	1,17,615
<b>Total current liabilities</b>	<b>15,77,494</b>	<b>15,06,831</b>	<b>16,11,954</b>	<b>17,16,090</b>	<b>17,88,000</b>
<b>Total liabilities</b>	<b>34,31,260</b>	<b>33,06,201</b>	<b>34,54,767</b>	<b>36,08,875</b>	<b>37,74,241</b>

Key Ratio	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin (%)	12.2%	8.9%	8.7%	11.3%	12.4%
Tax rate (%)	-24.3%	-60.4%	179.9%	30.0%	30.0%
Net Profit Margin (%)	-5.4%	-4.1%	-0.2%	2.6%	3.3%
RoE (%)	-22.3%	-21.7%	-1.2%	19.0%	21.6%
RoCE (%)	3.6%	0.0%	2.8%	10.0%	11.9%
Current Ratio (x)	0.93x	0.98x	0.99x	0.97x	0.98x
EPS (INR per share)	(35.1)	(29.9)	(1.5)	26.5	37.0
PE	NA	NA	NA	16.0x	11.4x

Source: Company, KRChoksey Research

## ANALYST

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# Tata Motors Ltd

Tata Motors Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
31-Jan 23	444	572	BUY	Buy	More than 15%
10-Nov 22	423	572	BUY		
02-Aug 22	479	630	BUY	Accumulate	5% – 15%
13-May 22	404	630	BUY		
04-Feb-22	504	630	BUY	Hold	0 – 5%
03-Nov-21	488	630	BUY		
13-Oct-21	421	495	BUY	Reduce	-5% – 0
20-May-21	308	360	BUY		
				Sell	Less than – 5%

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