

Tata Motors (TTMT) - BUY

Result Update

Current Market Price (CMP) Rs.459	Target Price Rs.550
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Our fair value of Rs.550 is 19.9% higher than the current market price.

Rationale:

- Impressive JLR performance - JLR EBITDA 26% above our estimates.
- We believe the domestic EV PV business can be the game changer for the company
- We expect earnings per share (EPS) of Rs36.3 in FY23E and Rs46.5 in FY24E.
- Stock is trading at a PE of 12.6x on FY23E and 9.9x on FY24E earnings.
- We value the stock on sum-of-the-parts (SoTP) methodology.

Q2FY22 Earnings update:

👍 Positives:

- Domestic PV business EBITDA margin increased by 110 bps yoy to 5.2%.
- Domestic PV revenues grew by 83% yoy; domestic retail CV volumes grew 102% yoy.
- Company has done well to manage its profitability in a weak volume environment.

👎 Negatives:

- Domestic CV business EBITDA margin declined by 30 bps yoy due to RM headwinds.
- During Q2FY22, JLR reported negative free cash flow generation.

(EBITDA – Earnings before Interest, Tax, Depreciation and Amortization, EV – Electric Vehicle, PV – Passenger Vehicle; CV – Commercial Vehicle; RM – Raw Material)

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For detailed report dated 1st Nov 2021. Note: CMP & valuation may differ due to difference in dates.



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