

Tata Motors (TTMT)

Automobiles & Components

BUY

MAY 12, 2022

RESULT

Sector view: **Cautious**

CMP (₹): **372**

Fair Value (₹): **470**

BSE-30: **52,930**

Managing well despite multiple headwinds. Tata Motors 4QFY22 consolidated EBITDA came broadly in line with our expectations. The near term may pose some challenges for the company; however, given the recent stock price correction, we believe Tata Motors is the best bet to play on global automotive cycle recovery. Also, strong momentum in domestic ICE and EV PV businesses, balance sheet deleveraging and uptick in the domestic CV business should drive strong earnings growth for the company. **BUY.**

Tata Motors				Forecasts/valuations			
Stock data				2022	2023E	2024E	
CMP(Rs)/FV(Rs)/Rating	372/470/BUY			EPS (Rs)	(28.0)	13.0	38.6
52-week range (Rs) (high-low)	537-268			EPS growth (%)	(653.5)	146.6	195.8
Mcap (bn) (Rs/US\$)	1,426/17.2			P/E (X)	(13.3)	28.5	9.6
ADTV-3M (mn) (Rs/US\$)	11,646/150			P/B (X)	3.2	2.9	2.2
Shareholding pattern (%)				EV/EBITDA (X)	8.8	5.8	3.8
Promoters	46.4			RoE (%)	(21.5)	10.6	25.9
FPIs/MFs/BFIs	19.6/6.5/7.0			Div. yield (%)	0.0	0.0	0.0
Price performance (%)				Sales (Rs bn)	2,785	3,216	3,704
Absolute	1M	3M	12M	EBITDA (Rs bn)	248	373	504
	(15.1)	(25.4)	14.2	Net profits (Rs bn)	(107)	50	148
Rel. to BSE-30	(5.4)	(16.4)	5.5				

JLR EBITDA 6% below our estimates due to lower-than-expected ASPs

JLR reported EBITDA of GBP599 mn (-40% yoy) in 4QFY22, 6% below our estimate primarily due to lower-than-expected ASPs. The decline in ASPs can be attributed to (1) an inferior model mix (lower mix of Range Rover family) and (2) lower geographical mix (lower mix of China). The company reported EBITDA margin of 12.6% (in line with our estimates) led by tight control on cost despite a weaker model mix and cost inflation. The near term may remain challenging due to China lockdowns and supply-chain constraints; however, we expect the company to tide through the crisis given its improved execution over the past few years. With improvement in the supply chain, we expect EBITDA margin to inch up led by (1) operating leverage benefits aided by gradual improvement in the supply chain and a strong order backlog on account of new launches and (2) cost-cutting initiatives (refocus initiatives).

Domestic CV business performance came in above our expectations

Domestic CV business EBITDA margin increased by 400 bps qoq to 6.4% (120 bps above our expectations mainly on account of higher ASPs). However, domestic PV business EBITDA margin increased by 270 bps qoq to 6.9% (110 bps below our estimates) in 4QFY22. The company remains upbeat on recovery in PV and CV segment volumes; however, inflationary pressures and supply-chain constraints remain an area of concern.

Fine-tune our FY2023-24E consolidated EPS estimates; maintain BUY rating

We have fine-tuned our FY2023-24E consolidated EPS estimates. While the near term may remain challenging for JLR due to China lockdowns and supply-chain constraints, we believe the company has done well to improve the structural profitability of the business over the past few years. Once chip shortage resolves, we believe JLR is well-positioned to benefit from global automotive cycle recovery. Also, we believe the domestic CV cycle recovery will continue as freight rate continues to firm up and fleet utilization levels improve. The company's successful new launches in domestic ICE PV segment as well as growing consumer demand for EV vehicles remains a bright spot for the company. Post recent correction in the stock, risk-reward is favorable and we believe the worst is also priced in at CMP. Maintain BUY; unchanged FV at Rs470.

Rishi Vora

Eswar Bavineni

Key highlights of JLR performance in 4QFY22

- ▶ **Unfavorable mix resulted in marginal miss at EBITDA level.** JLR reported EBITDA of GBP599 mn (-40% yoy) in 4QFY22, 6% below our estimate of GBP637 mn primarily due to lower-than-expected ASPs (on account of lower Range Rover mix and lower China mix), partly offset by lower VME costs. The company highlighted that around 7k units of wholesale volumes were impacted due to rundown of older models. The company expects the mix to improve from 3QFY23E onwards. EBIT margin improved to 2% in 4QFY22 from 1.4% in 3QFY22 led by (1) GBP128 mn positive impact due to higher volumes, (2) GBP41 mn (~120 bps) positive impact due to lower VME and (3) GBP19 mn (~50 bps) positive impact due to lower structural costs, partly offset by (1) GBP198 mn negative impact due to unfavorable mix, (2) 10 bps negative impact due to higher contribution cost and (3) 40 bps negative impact due to realized and unrealized hedges on FX, debt and commodities.

Reported EBITDA margin was 12.6% in 4QFY22 (+60 bps qoq), which was in line with our estimates. Gross margin improved by 10 bps qoq in 4QFY22. For FY2022, the company reported EBITDA margin of 10.3% (-250 bps yoy) mainly due to negative operating leverage, partly offset by a favorable mix. **While the company did not give any volume guidance for FY2023E, the company has set a target to achieve EBIT margin of 5% with FCF generation of GBP1 bn for FY2023E.** We expect JLR to clock in EBIT margin of 2.8% in FY2023E and 6.2% in FY2024E.

- ▶ **China JV performance came in better than our expectations; however, lockdown in China to impact performance.** Share of profit from JLR China JV was GBP3 mn in 4QFY22 versus negative GBP14 mn in 3QFY22. China JV reported EBITDA margin of 14% in 4QFY22 versus 2% in 3QFY22. Due to lockdowns in China, we expect the JV performance to remain under pressure in 1HFY23E.
- ▶ **Overall wholesale volumes impacted by chip constraints.** JLR's overall wholesale volumes (excluding China JV) declined by 38% yoy to 76.5k units in 4QFY22. The company has order book of 168k units as of March 2022, of which 41k units are for Defender and 46k units are for new Range Rover. On May 10, the company unveiled new Range Rover Sport with two extended range electric hybrids with a pure electric version arriving in 2024. The company has inventory of 30,000 units at the factory level as of March 2022.

The company expects chip shortage to gradually improve in CY2022; however, the company expects to see limited improvement in 1QFY23 due to wider supply-chain pressures due to China lockdowns. The company is having strategic discussions with semiconductor suppliers to secure long-term supply agreements for future product programs to minimize future supply risk. The company also highlighted that China sales are constrained due to supply chain; however, underlying demand trends continue to remain strong. We are building JLR volumes to increase by 12% yoy in FY22023E.

- ▶ **MHEV and PHEV mix continues to improve.** In FY2022, 66% of the total volumes sold were electrified. However, we would like to note that 55% of the total volumes came from MHEVs and 11% of the total volumes came from PHEVs and BEVs.
- ▶ **Achieved GBP1.5 bn of cost savings in FY2022; target of further GBP1 bn savings in FY2023E.** The company had launched refocus transformation program to drive cost efficiency, which has six key pillars – (1) **Quality** – reduced warranty spends, (2) **Programme Delivery and Performance** – efficient programme delivery, (3) **Delivered Cost Per Car** – reduction in vehicle cost, (4) **End-To-End Supply Chain** – faster vehicle delivery time, (5) **Customer & Market Performance** – increase profitable market share and (6) **China** – increase profitable market share. The company achieved cost savings of GBP1.5 bn in FY2022 led by (1) material cost reduction, (2) lower investments and (3)

data-driven optimization across product offer, ordering and build selection to drive improved mix & profitability. The company highlighted that key inflation-linked costs account for around 20% of material & other costs. In order to offset the impact, the company targets to achieve GBP1 bn of cost savings through the refocus program.

- ▶ **Russia-Ukraine conflict had limited impact on sales and supply chain.** The company highlighted that sales volumes were not materially impacted as JLR exposure to these two countries was less than 2.5% of total volumes. Also, JLR has a small number of parts which are sourced from Ukraine directly or indirectly and the company is closely working with its suppliers to ensure the current level of production.
- ▶ **Generated FCF of GBP340 mn in 4QFY22.** During 4QFY22, JLR reported FCF generation of GBP340 mn led by strong operating performance and improvement in working capital cycle. For FY2022, the company generated negative FCF of GBP1.2 bn mainly on account of an adverse working capital cycle. The company has a total debt of GBP7.6 bn with total cash outflow of ~GBP1.9 bn over CY2022-23E. In terms of liquidity, the company has adequate cash balances of GBP4.4 bn with additional undrawn RCF of GBP2 bn. The company has guided for capex + investments of GBP2.6 bn in FY2023E.

Exhibit 1: 4QFY22 EBITDA was 6% below estimates due to lower-than-expected ASPs as a result of weaker model and geographical mix
JLR interim financial results (including China JV income), March fiscal year-ends (GBP mn)

	4QFY22	4QFY22E	4QFY21	3QFY22	(% chg.)			FY2022	FY2021	YoY (%)	FY2023E	FY2022E	YoY (%)
					4QFY22E	4QFY21	3QFY22						
Volumes (units)	76,526	76,526	122,689	69,182	(37.6)	10.6	294,182	347,632	(15.4)	341,633	294,182	16.1	
Average realization	62,293	66,291	53,289	68,168	(6.0)	16.9	(8.6)	62,274	56,758	9.7	63,386	62,274	1.8
Net sales	4,767	5,073	6,538	4,716	(6.0)	(27.1)	1.1	18,320	19,731	(7.2)	21,655	18,320	18.2
Of which hedge book gain/(loss)	(43)	—	14	(12)				(44)	(101)		—	(44)	
Total expenditure	(4,168)	(4,436)	(5,537)	(4,151)	(6.0)	(24.7)	0.4	(16,424)	(17,200)		(18,936)	(16,424)	
Raw materials	(2,807)	(3,018)	(4,065)	(2,783)	(7.0)	(30.9)	0.9	(11,239)	(12,335)		(13,534)	(11,239)	
Staff cost	(599)	(583)	(619)	(561)	2.7	(3.2)	6.8	(2,265)	(2,141)		(2,409)	(2,265)	
Other expenditure	(758)	(834)	(797)	(802)	(9.1)	(4.9)	(5.5)	(2,920)	(2,724)		(2,993)	(2,920)	
Forex losses (revaluation of WC)	(4)	—	(56)	(5)				—	—		—	—	
EBITDA	599	637	1,001	565	(5.9)	(40.2)	6.0	1,896	2,531	(25.1)	2,719	1,896	43.4
Associate Income (China JV)	3	(25)	(9)	(14)				(18)	(41)		(59)	(18)	
Interest	(96)	(90)	(73)	(95)	6.7	31.5	1.1	(360)	(240)		(200)	(360)	
Depreciation	(509)	(500)	(501)	(483)	1.8	1.6	5.4	(1,944)	(1,976)		(2,050)	(1,944)	
Pretax profits	(3)	22	418	(27)				(426)	274		410	(426)	
Tax expense	(61)	(4)	32	(58)				(374)	(239)		(142)	(374)	
Exceptional items (including unrealized FX losses)	(31)	—	(1,370)	18				(29)	(1,135)		100	(29)	
Reported profit after tax	(95)	17	(920)	(67)				(829)	(1,100)		368	(829)	
JLR wholesale volume mix (units)													
Jaguar	13,317		26,227	10,048	(49.2)	32.5	49,510	67,333	(26.5)	49,830	49,510	0.6	
Land Rover	63,209		96,462	59,134	(34.5)	6.9	244,672	280,299	(12.7)	291,803	244,672	19.3	
China JV	12,622		13,772	13,928	(8.4)	(9.4)	53,468	65,279	(18.1)	47,170	53,468	(11.8)	
Total volumes (including China JV)	89,148		136,461	83,110	(34.7)	7.3	347,650	412,911	(15.8)	388,803	347,650	11.8	
Product Mix (%)													
Jaguar	14.9		19.2	12.1			14.2	16.3		12.8	14.2		
Land Rover	70.9		70.7	71.2			70.4	67.9		75.1	70.4		
China JV	14.2		10.1	16.8			15.4	15.8		12.1	15.4		
Geographical Mix - Wholesale Volumes (units)													
China (Only JLR P&L, excludes China JV volumes)	10,268		10,700	10,105	(4.0)	1.6	94,884	109,732	(13.5)	111,963	94,884	18.0	
Europe	17,967		29,610	15,148	(39.3)	18.6	65,161	76,606	(14.9)	70,027	65,161	7.5	
North America	18,980		32,157	19,175	(41.0)	(1.0)	79,350	93,759	(15.4)	95,220	79,350	20.0	
United Kingdom	16,356		33,930	13,234	(51.8)	23.6	57,193	81,500	(29.8)	62,912	57,193	10.0	
Rest of World	12,955		16,292	11,520	(20.5)	12.5	51,062	48,622	5.0	48,681	51,062	(4.7)	
Modelwise wholesale volumes (units)													
XE	416		1,140	390	(63.5)	6.7	2,607	2,738	(4.8)	2,607	2,607	—	
XF	976		1,227	457	(20.5)	113.6	1,931	2,955	(34.7)	1,931	1,931	—	
XJ	3		30	6	(90.0)	(50.0)	32	632	(94.9)	32	32	—	
XK	—		—	—			—	—		—	—	—	
E-Pace	2,540		6,989	2,614	(63.7)	(2.8)	10,698	21,187	(49.5)	10,000	10,698	(6.5)	
F-Pace	5,873		11,393	3,102	(48.5)	89.3	20,358	24,046	(15.3)	21,376	20,358	5.0	
I-Pace	2,231		3,308	2,588			10,000	10,000	-	10,000	10,000	—	
Others (incl. F Type)	1,278		2,140	891	(40.3)	43.4	3,884	5,775	(32.7)	3,884	3,884	—	
Jaguar	13,317		26,227	10,048	(49.2)	32.5	49,510	67,333	(26.5)	49,830	49,510	0.6	
Defender	15,872		16,983	12,878			58,426	53,051	10.1	65,000	58,426	11.3	
Discovery	3,063		5,245	2,367	(41.6)	29.4	15,621	16,677	(6.3)	16,871	15,621	8.0	
Freelander/Discovery Sport	6,439		11,441	5,313	(43.7)	21.2	23,103	31,204	(26.0)	24,951	23,103	8.0	
Range Rover	5,212		12,653	12,424	(58.8)	(58.0)	33,520	37,410	(10.4)	60,000	33,520	79.0	
Range Rover Evoque	10,947		19,396	8,582	(43.6)	27.6	37,660	50,429	(25.3)	40,673	37,660	8.0	
Range Rover Velar	7,904		11,931	5,491	(33.8)	43.9	29,863	33,832	(11.7)	32,252	29,863	8.0	
Range Rover Sport	13,772		18,813	12,079	(26.8)	14.0	46,479	57,694	(19.4)	52,056	46,479	12.0	
Land Rover	63,209		96,462	59,134	(34.5)	6.9	244,672	280,297	(12.7)	291,803	244,672	19.3	
Currency Movement (average)													
GBPUSD	1.3		1.4	1.3	(2.8)	(0.6)							
GBPEUR	1.2		1.1	1.2	4.6	1.5							
GBPCNY	8.5		8.9	8.6	(4.9)	(1.3)							
Ratios (%)													
EBITDA margin (%)	12.6	12.6	15.3	12.0			10.3	12.8		12.6	10.3		
EBIT margin - including China JV profit (%)	2.0	2.2	7.5	1.4			(0.4)	2.6		2.8	(0.4)		
Raw material exp to sales	58.9	59.5	62.2	59.0			61.3	62.5		62.5	61.3		
Staff cost to sales	12.6	11.5	9.5	11.9			12.4	10.9		11.1	12.4		
Other expenses to sales	16.0	16.4	13.0	17.1			15.9	13.8		13.8	15.9		
Tax rate (%)	(2,033.3)	20.0	(7.7)	(214.8)			(87.8)	87.3		34.7	(87.8)		

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Higher volumes, lower volumes and unrealized commodity hedges positively impacted EBIT in 4QFY22
 JLR 4QFY22 PBT quarterly walk, March fiscal year-ends, 2021-22 (GBP mn)



Source: Company, Kotak Institutional Equities

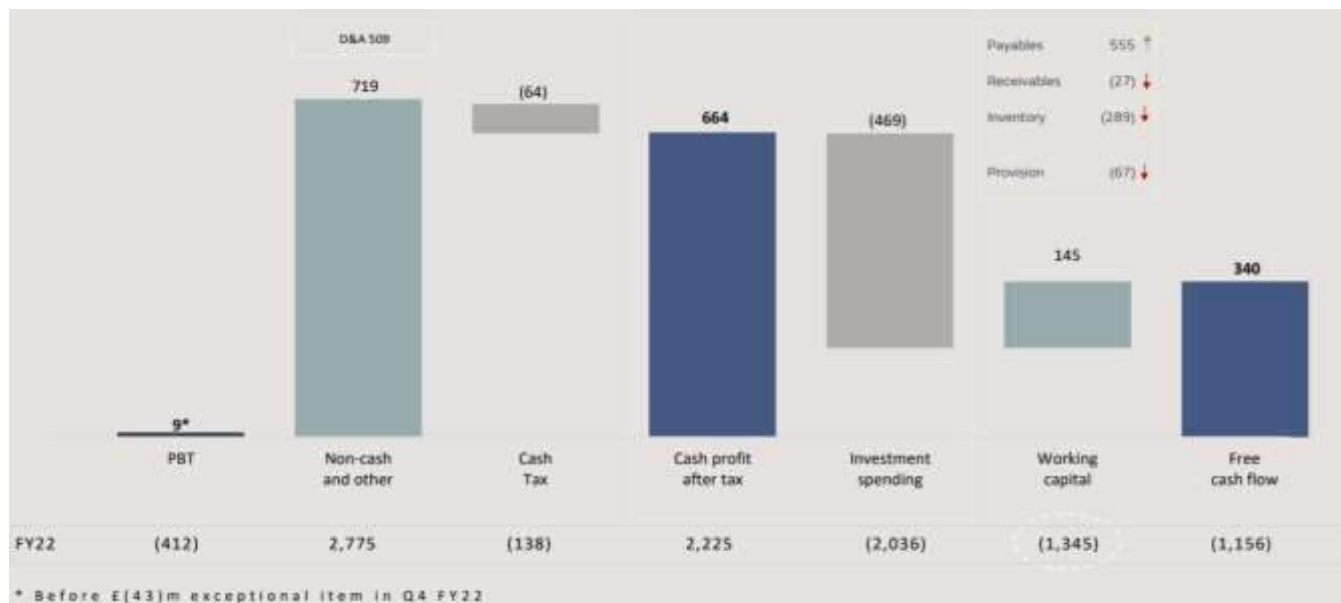
Exhibit 3: Lower volumes, RM headwinds, lower R&D capitalization cost and higher revaluation cost impacted EBIT in FY2022
 JLR FY2022 PBT yearly walk, March fiscal year-ends, 2021-22 (GBP mn)



Source: Company, Kotak Institutional Equities

Exhibit 4: JLR generated FCF of GBP340 mn in 4QFY22 due to strong operating performance; negative FCF of GBP1.2 bn in FY2022 mainly on account of working capital drag

JLR quarterly working capital and free cash flow, March fiscal year-ends, 2021-22 (GBP mn)



Source: Company, Kotak Institutional Equities

Exhibit 5: GBP depreciated by ~1% qoq against USD in 4QFY22

Average quarterly currency movement, March fiscal year-ends, 4QFY18-4QFY22

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
GBP-USD																	
Average	1.39	1.36	1.33	1.29	1.30	1.29	1.23	1.29	1.28	1.24	1.29	1.32	1.38	1.40	1.38	1.35	1.34
Period-end	1.40	1.32	1.30	1.28	1.32	1.27	1.23	1.33	1.24	1.24	1.29	1.37	1.38	1.38	1.35	1.35	1.31
EUR-USD																	
Average	1.23	1.19	1.16	1.14	1.14	1.12	1.11	1.11	1.10	1.10	1.17	1.19	1.21	1.21	1.18	1.14	1.12
Period-end	1.23	1.17	1.16	1.15	1.13	1.14	1.09	1.12	1.10	1.12	1.17	1.22	1.17	1.19	1.16	1.14	1.11
GBP-CNY																	
Average	8.8	8.7	8.9	8.9	8.8	8.8	8.6	9.1	8.9	8.8	8.9	8.8	8.9	9.0	8.9	8.6	8.5
Period-end	8.8	8.7	9.0	8.8	8.9	8.7	8.8	9.2	8.8	8.8	8.8	8.9	9.0	8.9	8.7	8.6	8.3
GBP-RUB																	
Average	79.1	84.4	85.4	85.8	85.9	83.0	79.6	82.0	85.4	89.8	95.3	100.6	102.7	103.7	101.2	97.9	118.5
Period-end	80.1	82.9	85.9	88.7	85.0	80.2	79.8	82.3	97.5	88.3	100.0	101.2	104.3	101.2	98.0	101.4	107.2

Source: Bloomberg, Kotak Institutional Equities

Exhibit 6: JLR expended ~73% of R&D in P&L in 4QFY22; overall capex and R&D was GBP469 mn in 4QFY22

Break-up of JLR R&D and capex spend, March fiscal year-ends, 4QFY19-4QFY22 (GBP mn)

	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
R&D expense													
Capitalized	404	339	353	344	333	168	210	192	157	132	119	106	98
Expensed	96	83	114	104	120	107	99	119	164	188	199	211	241
Total R&D expense	500	422	467	448	453	275	309	311	321	320	318	317	339
Investment in tangible and other intangible assets	500	373	374	444	313	272	222	364	268	251	166	195	130
Total product and other investment	1,000	795	841	892	766	547	531	675	589	571	484	512	469
R&D capitalized as % of total R&D	80.8	80.3	75.6	76.8	73.5	61.1	68.0	61.7	48.9	41.3	37.4	33.4	28.9

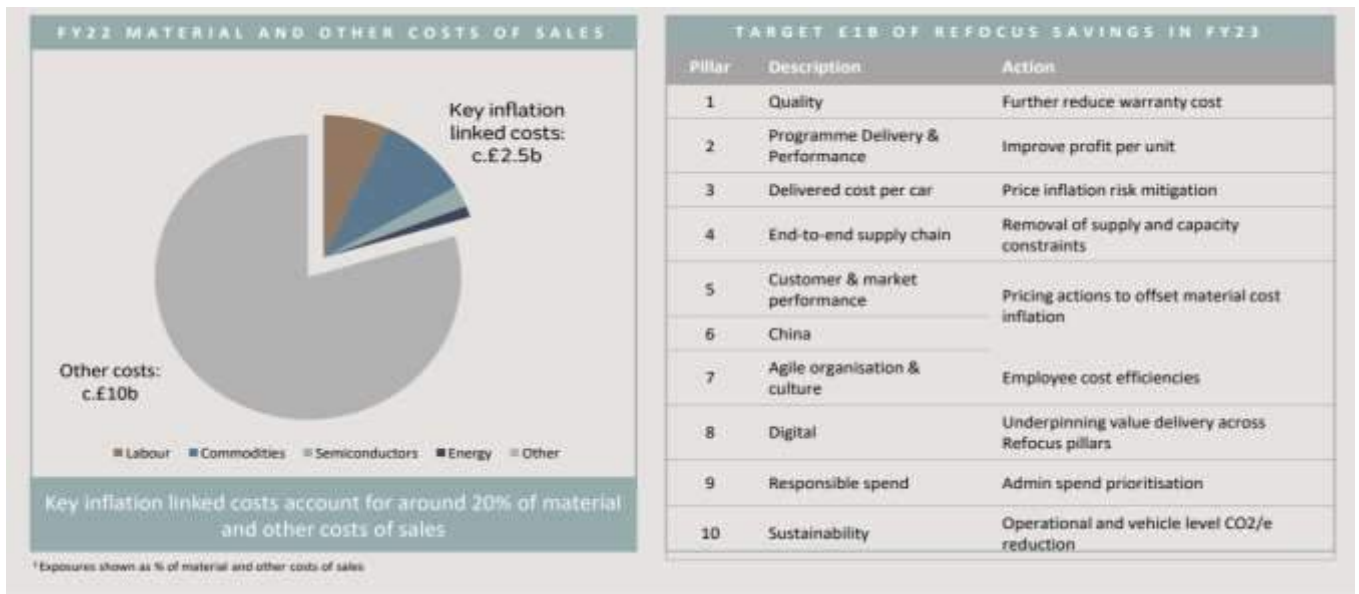
Source: Company, Kotak Institutional Equities

Exhibit 7: JLR quarterly breakeven wholesale volumes have come down to 75k units in 2HFY22 from 165k units in FY2019
 JLR PBT breakeven point, March fiscal year-ends, 2021-23 (units)



Source: Company, Kotak Institutional Equities

Exhibit 8: The company will look to control costs in FY2023 through refocus program to partly offset inflationary pressures
 JLR commodity impact, March fiscal year-end, 2022 (GBP bn, %)



Source: Company, Kotak Institutional Equities

Exhibit 9: We expect JLR volumes to grow at 11% CAGR over FY2022-25E

JLR geography-wise volume mix assumptions (including China JV), March fiscal year-ends, 2016-25E (units, %)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Geography										
N.A	108,900	132,000	136,447	133,237	135,766	93,759	79,350	95,220	109,503	114,978
UK	111,100	115,000	114,074	118,734	110,067	81,500	57,193	62,912	74,237	77,948
Europe (excl Russia and UK)	124,200	137,000	126,313	119,248	108,710	72,958	63,661	70,027	82,632	86,764
Russia	6,000	6,000	6,000	5,000	4,560	3,648	1,500	—	—	—
China	98,651	125,004	153,825	97,596	87,762	112,424	94,884	111,963	128,758	135,195
Asia Pac (excl China)	29,810	32,791	34,431	34,431	30,987	29,438	27,966	32,161	36,985	38,835
Rest of World	65,376	53,009	62,420	57,060	47,550	19,184	23,096	16,520	24,923	26,169
Total Volumes	544,037	600,804	633,510	565,306	525,402	412,911	347,650	388,803	457,037	479,889
Yoy growth (%)	15.6	10.4	5.4	(10.8)	(7.1)	(21.4)	(15.8)	11.8	17.5	5.0
Geographical mix (%)										
N.A	20.0	22.0	21.5	23.6	25.8	22.7	22.8	24.5	24.0	24.0
UK	20.4	19.1	18.0	21.0	20.9	19.7	16.5	16.2	16.2	16.2
Europe (excl Russia and UK)	22.8	22.8	19.9	21.1	20.7	17.7	18.3	18.0	18.1	18.1
Russia	1.1	1.0	0.9	0.9	0.9	0.9	0.4	—	—	—
China	18.1	20.8	24.3	17.3	16.7	27.2	27.3	28.8	28.2	28.2
Asia Pac (excl China)	5.5	5.5	5.4	6.1	5.9	7.1	8.0	8.3	8.1	8.1
Rest of World	12.0	8.8	9.9	10.1	9.1	4.6	6.6	4.2	5.5	5.5
Total Volumes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Volumes from CJLR JV has been included in China volumes

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: Success of Defender, Range Rover and RR Sport models key to achieve improved volume performance over FY2022-25E

JLR model-wise volume mix assumptions (including China JV), March fiscal year-ends, 2016-25E (units, %)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Model										
XF	62,951	35,054	41,654	24,469	12,637	9,601	10,187	9,361	10,476	11,330
XJ	12,200	10,100	9,000	4,204	2,824	632	32	32	32	32
XK	100	—	—	—	—	—	—	—	—	—
F type	12,600	10,900	9,200	7,700	6,346	5,775	3,884	3,884	3,884	3,884
XE	39,200	46,700	32,108	30,657	22,539	16,507	13,246	12,182	13,618	14,720
F Pace	1,806	76,000	69,500	50,885	45,943	24,046	20,358	21,376	23,513	25,865
I-Pace/E-Pace	—	—	14,800	59,533	53,981	33,879	20,698	20,000	30,000	30,000
Jaguar	128,857	178,754	176,262	177,448	144,270	90,440	68,405	66,835	81,524	85,831
Defender	20,200	600	—	6	121	53,051	58,426	65,000	80,000	84,000
Discovery	53,700	37,600	52,000	37,635	33,648	16,677	15,621	16,871	19,401	20,371
Freelander	—	—	—	7	—	2	—	—	—	—
Discovery Sport	89,800	124,873	118,173	84,416	76,420	60,033	43,286	43,116	49,583	53,107
Range Rover	60,100	56,300	54,900	57,051	50,965	37,410	33,520	60,000	69,000	72,450
RRSport	90,300	87,500	76,600	82,600	76,339	57,694	46,479	52,056	59,865	62,858
Evoque	101,080	115,177	96,277	65,377	90,667	63,772	52,050	52,673	60,574	64,292
Range Rover Velar	—	—	59,200	60,766	52,972	33,832	29,863	32,252	37,090	38,944
Land Rover	415,180	422,050	457,150	387,858	381,132	322,471	279,245	321,968	375,513	396,023
Total Volumes	544,037	600,804	633,412	565,306	525,402	412,911	347,650	388,803	457,037	481,854
Model mix (%)										
XF	11.6	5.8	6.6	4.3	2.4	2.3	2.9	2.4	2.3	2.4
XJ	2.2	1.7	1.4	0.7	0.5	0.2	0.0	0.0	0.0	0.0
XK	—	—	—	—	—	—	—	—	—	—
F type	2.3	1.8	1.5	1.4	1.2	1.4	1.1	1.0	0.8	0.8
Small Jaguar	7.2	7.8	5.1	5.4	4.3	4.0	3.8	3.1	3.0	3.1
F Pace	0.3	12.6	11.0	9.0	8.7	5.8	5.9	5.5	5.1	5.4
I-Pace/E-Pace	—	—	2.3	10.5	10.3	8.2	6.0	5.1	6.6	6.2
Defender	4—	—	—	—	—	12.8	16.8	16.7	17.5	17.4
Discovery	9.9	6.3	8.2	6.7	6.4	4.0	4.5	4.3	4.2	4.2
Freelander	—	—	—	—	—	—	—	—	—	—
Discovery Sport	16.5	20.8	18.7	14.9	14.5	14.5	12.5	11.1	10.8	11.0
Range Rover	11.0	9.4	8.7	10.1	9.7	9.1	9.6	15.4	15.1	15.0
RRSport	16.6	14.6	12.1	14.6	14.5	14.0	13.4	13.4	13.1	13.0
Evoque	18.6	19.2	15.2	11.6	17.3	15.4	15.0	13.5	13.3	13.3
Velar	—	—	9.3	10.7	10.1	8.2	8.6	8.3	8.1	8.1
Total Volumes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Volumes from CJLR JV has been included in China volumes

Source: Company, Kotak Institutional Equities estimates

CV business performance ahead of our estimates on better realizations

The CV business reported an EBITDA of Rs11.1 bn (-7% yoy; +271% qoq) in 4QFY22, 41% above our estimates due to better-than-expected ASPs. Net sales came in at Rs173.4 bn (+40% qoq) led by (1) 20% qoq increase in volumes and (2) 17% increase in ASPs due to lower mix of LCV segment & higher mix of M&HCV segment and lower discounts. EBITDA margin came in at 6.4% (+400 bps qoq), 120 bps above our estimates due to a better product mix. Gross margins declined by 30 bps on a qoq basis in 4QFY22. Standalone business reported net profit of Rs4.1 bn in 4QFY22.

Other key takeaways from the results and conference call

- ▶ **Market share gains in CV segment in FY2022.** Domestic retail CV volumes were up by 53% yoy (wholesale CV volumes, including exports, were up by 36.5% yoy) in FY2022. During FY2022, the company gained 250 bps market share in the CV segment from FY2021 levels led by (1) 310 bps market share gain in ILCV segment, (2) 160 bps market share gain in SCV segment, (3) 10 bps market share gain in M&HCV segment and (4) 420 bps market share gain in CV passenger segment.
- ▶ **Bright spots seen in CV segment.** The company highlighted that trucker's sentiment index for M&HCVs and ILCVs improved during the quarter with increasing fleet utilization levels and freight rates. The company highlighted that demand from retail segment has also started seeing uptick in demand. With schools and offices resuming operations, the company expects CV passenger segment demand to see sharp uptick over the coming quarters. Also, finance availability for M&HCV retail customers has improved, which augurs well for the sector. However, inflation continues to remain an area of concern mainly because of increase in fuel as well as steel prices. Also, semiconductor availability remains below the requirement of the company.
- ▶ **Won new orders in electric mobility space.** The company delivered 250+ electric buses in FY2022. The company highlighted that fuel cell EV from IOCL is under execution and the company has also received MoU for 39k vehicles from an e-commerce customer for e-cargo. The company will continue to strengthen its presence in EV buses segment through own, maintain and operate model along with digital initiatives.
- ▶ **Other key points.** (1) The company took 2-2.5% price hike in CV segment in April 2022 and (2) under-recovery of RM inflation has declined to 200 bps in 4QFY22 from 500 bps earlier mainly on account of reduction in discounts.

Domestic PV business EBITDA margin came in below our expectations

Domestic PV business revenues increased by 22% qoq in 4QFY22 led by (1) 24% qoq increase in PV volumes and (2) 2% qoq decline in ASPs due to higher mix of Tata Punch (lower ASP product), partly offset by price hikes taken during the quarter. EBITDA margin came in at 6.9% in 4QFY22 (versus 4.2% in 3QFY22 and 4.9% in 4QFY21), 110 bps below our estimates. This was the first quarter in which domestic PV business achieved EBIT breakeven, which is commendable.

Other key takeaways from the results and conference call

- ▶ **New launches aiding market share gain in domestic PV segment.** Domestic retail PV volumes increased by 59% yoy in FY2022. Wholesale PV volumes (including exports) also increased by 67% yoy in FY2022. During FY2022, the company gained 390 bps market share in the PV segment on a yoy basis on account of new launches. The company's powertrain mix in FY2022 – (1) petrol – 72% (versus 80% in FY2021 and 71% in FY2020), (2) diesel – 20% (versus 18% in FY2021 and 28% in FY2020), (3) EV – 5% (versus 2% in FY2021 and 1% in FY2020) and (4) CNG – 3% (versus nil earlier). The company has launched Tiago and Tigor CNG variants and has seen strong traction for these models during the quarter. The company has channel inventory of less than two

weeks and strong order backlog. We expect strong momentum to continue in domestic PV segment over the coming quarters.

- ▶ **EV segment continued its strong momentum.** The company posted highest quarterly sales of 9.1k units in the EV segment. The company has 87% market share in the EV space and the company has increased its dealership network to 143 in FY2022 from 97 in FY2021. The company continues to remain optimistic about growth prospects of pure BEVs led by (1) positive 'Word of Mouth' publicity, (2) increase in public charging infrastructure and home charging awareness and (3) better value proposition of EVs versus ICE vehicles.

Capex spends to be stepped up further in FY2023 for product development

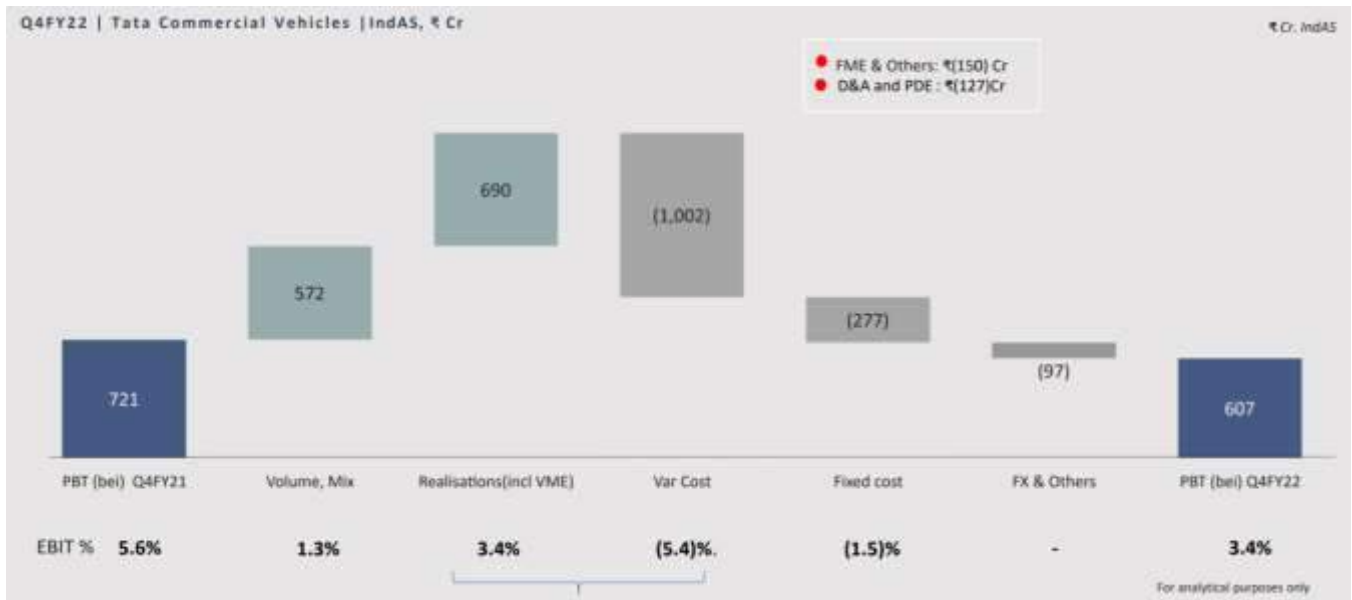
The company incurred capex of Rs36.7 bn in FY2022 for domestic CV, PV and EV business – out of which Rs14.6 bn was incurred towards capital investments. R&D investments were Rs22 bn in FY2022. The company generated FCF of Rs19 bn led by improvement in working capital and strong operating performance. Gross debt for the standalone entity stood at Rs204.9 bn as of March 2022 versus Rs255.3 bn as of December 2021 and Rs224.4 bn as of March 2021 and the company has cash balances (including current investments) worth Rs101.9 bn as of March 2022. The company has announced capex plan of Rs60 bn for FY2023E for product development and expects to generate FCF as well.

Exhibit 11: 4QFY22 standalone EBITDA was 41% above our estimates due to sharp jump in realizations
Tata Motors standalone interim financial results (domestic CV business), March fiscal year-ends (Rs mn)

	4QFY22	4QFY22E	4QFY21	3QFY22	(% chg.)			FY2022	FY2021	Yoy (%)
					4QFY22E	4QFY21	3QFY22			
Volumes (units)	119,870	119,870	107,484	100,070		11.5	19.8	356,972	262,770	35.8
Net realization (Rs)	1,446,423	1,271,446	1,254,179	1,234,414	13.8	15.3	17.2	1,324,016	1,148,344	15.3
Net sales	173,383	152,408	134,804	123,528	13.8	28.6	40.4	472,637	301,750	56.6
Total expenditure	(162,216)	(144,497)	(122,791)	(120,516)	12.3	32.1	34.6	(456,280)	(286,880)	59.0
Raw materials	(135,127)	(118,878)	(99,509)	(96,540)	13.7	35.8	40.0	(363,192)	(215,980)	68.2
Staff cost	(8,756)	(9,640)	(8,372)	(9,181)	(9.2)	4.6	(4.6)	(36,015)	(33,415)	7.8
Other expenditure	(18,334)	(15,978)	(14,911)	(14,795)	14.7	23.0	23.9	(57,072)	(37,485)	52.3
EBITDA	11,166	7,912	12,013	3,012	41.1	(7.0)	270.7	16,357	14,870	10.0
Other income	1,953	1,400	1,107	1,387	39.5	76.5	40.8	6,599	4,200	57.1
Interest	(4,918)	(5,200)	(4,763)	(5,356)	(5.4)	3.2	(8.2)	(21,217)	(21,108)	0.5
Depreciation	(4,579)	(4,550)	(4,556)	(4,522)	0.6	0.5	1.3	(17,606)	(17,307)	1.7
Profit before tax before exceptional	3,623	(438)	3,800	(5,478)				(15,867)	(19,346)	
Extraordinary gain/(loss)	918	—	(1,878)	(339)				(534)	(3,402)	
Pretax profits	4,541	(438)	1,922	(5,817)				(16,401)	(22,747)	
Tax expense	(407)	—	(284)	(538)				(992)	(207)	
Profit after tax	4,134	(438)	1,638	(6,355)				(17,392)	(22,954)	
Adjusted PAT	3,445	(438)	3,046	(6,101)				(16,992)	(20,403)	
Adjusted EPS (Rs)	0.9	(0.1)	0.8	(1.6)				(4.4)	(5.3)	
Segmental volume breakdown (units)										
MHCV	52,817	52,817	44,659	37,773		18.3	39.8	91,683	45,493	101.5
LCV	67,053	67,053	62,825	62,297		6.7	7.6	145,419	109,793	32.4
Product Mix (%)										
MHCV	44.1	44.1	41.5	37.7				38.7	29.3	
LCV	61.9	61.9	56.4	60.1				66.1	70.9	
Ratios (%)										
Raw material cost as % of net sales	77.9	78.0	73.8	78.2				76.8	71.6	
Staff cost as % of net sales	5.1	6.3	6.2	7.4				7.6	11.1	
Other expenses as % of net sales	10.6	10.5	11.1	12.0				12.1	12.4	
EBITDA margin (%)	6.4	5.2	8.9	2.4				3.5	4.9	
EBIT margin (%)	3.8	2.2	5.5	(1.2)				(0.3)	(0.8)	
Tax rate (%)	9.0	—	14.8	(9.3)				(6.0)	(0.9)	
Diluted no. of shares	3,829	3,829	3,598	3,829				3,829	3,829	

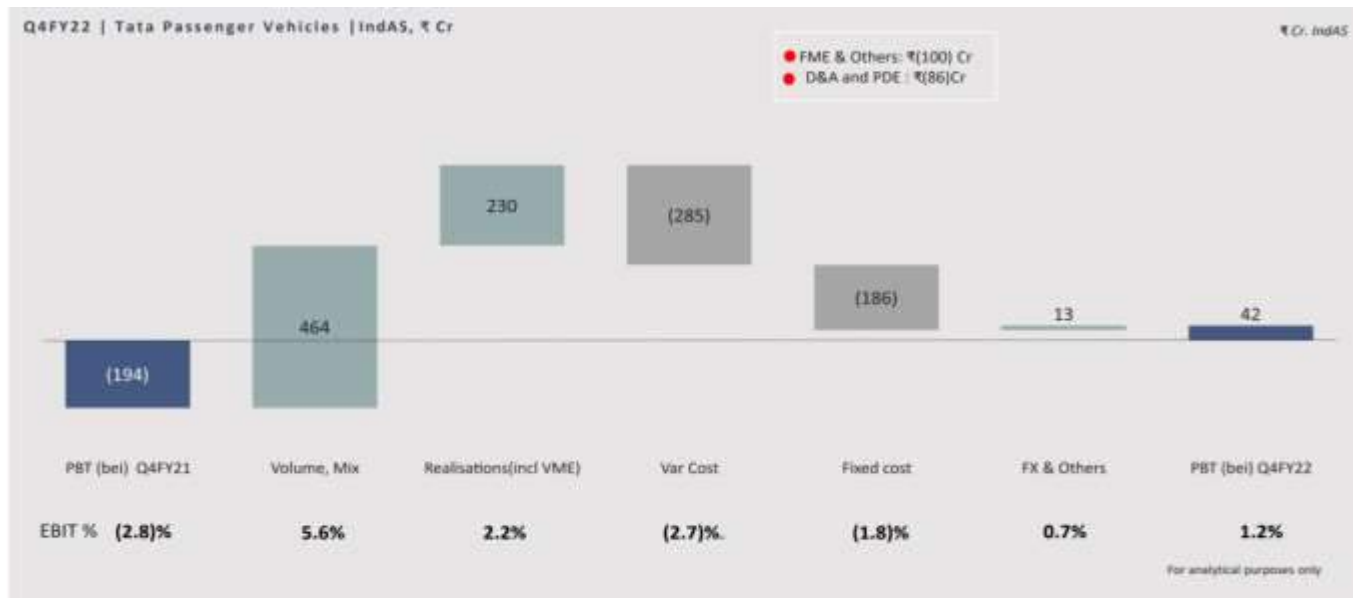
Source: Company, Kotak Institutional Equities estimates

Exhibit 12: RM inflation and higher fixed cost negatively impacted EBIT margin on a yoy basis in 4QFY22
Quarterly PBT walk of the Tata Commercial Vehicles business, March fiscal year-ends, 2021-22 (Rs crore)



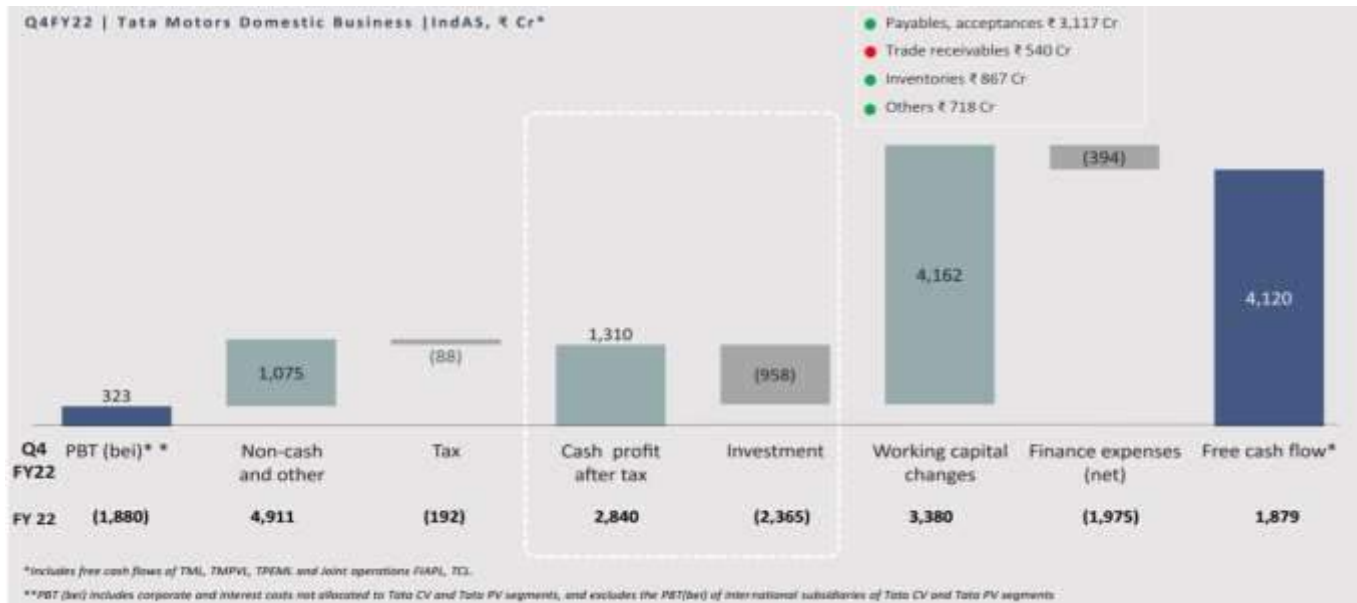
Source: Company, Kotak Institutional Equities

Exhibit 13: Higher volumes and favorable mix positively impacted EBIT margin on a yoy basis in 4QFY22
Quarterly PBT walk of the Tata Passenger Vehicles business, March fiscal year-ends, 2021-22 (Rs crore)



Source: Company, Kotak Institutional Equities

Exhibit 14: Standalone business generated positive FCF of Rs41 bn in 4QFY22 due to improvement in working capital
TTML's domestic quarterly cash-flow summary statement, March fiscal year-ends, 2021-22 (Rs crore)



Source: Company, Kotak Institutional Equities

Exhibit 15: Tata Motors domestic business invested Rs36.6 bn during FY2022
Tata Motors quarterly domestic R&D and capex spend, March fiscal year-ends, 2021-22 (Rs crore)



Source: Company, Kotak Institutional Equities

Exhibit 16: PV segment EBITDA margin came in at +6.9% (versus 4.2% in 3QFY22) and CV EBITDA margin came in at 5.9% in 4QFY22
Segmental revenue, EBITDA and EBIT of standalone business, March fiscal year-ends, 4QFY19-4QFY22 (Rs mn)

	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Commercial vehicle segment													
Revenue	144,961	102,097	77,858	79,218	70,157	14,380	55,544	95,682	133,386	65,766	109,960	123,528	173,383
EBITDA	13,661	8,780	2,491	1,743	491	(5,838)	2,000	7,655	12,138	66	3,409	3,212	10,230
EBITDA margin (%)	9.4	8.6	3.2	2.2	0.7	(40.6)	3.6	8.0	9.1	0.1	3.1	2.6	5.9
EBIT	10,192	4,799	(389)	(1,822)	(3,718)	(9,361)	(2,111)	3,445	8,211	(3,749)	(550)	(988)	5,895
EBIT margin (%)	7.0	4.7	(0.8)	(2.3)	(5.3)	(65.1)	(3.8)	3.6	6.2	(5.7)	(0.5)	(0.8)	3.4
Passenger vehicle segment													
Revenue	40,429	30,958	21,865	27,976	26,926	12,226	40,735	49,948	65,655	53,276	74,040	86,000	105,000
EBITDA	13	371	(4,679)	(1,007)	(5,197)	(1,993)	652	1,898	3,217	2,184	3,850	3,612	7,245
EBITDA margin (%)	0.0	1.2	(20.9)	(3.6)	(19.3)	(16.3)	1.6	3.8	4.9	4.1	5.2	4.2	6.9
EBIT	(4,614)	(3,065)	(8,374)	(5,539)	(10,393)	(6,663)	(4,196)	(2,997)	(1,827)	(3,250)	(1,851)	(2,236)	1,260
EBIT margin (%)	(11.4)	(9.9)	(38.3)	(19.8)	(38.6)	(54.5)	(10.3)	(6.0)	(2.8)	(6.1)	(2.5)	(2.6)	1.2

Source: Company, Kotak Institutional Equities estimates

Consolidated EBITDA broadly in line with our estimates

Tata Motors reported consolidated EBITDA of Rs87.4 bn (-31% yoy; +29% qoq), 2% below our estimates due to lower-than-expected ASPs in JLR business, partly offset by better-than-expected performance of commercial vehicle business. Revenues increased by 9% qoq in 4QFY22 due to (1) 40% qoq increase in domestic business CV revenues, (2) 22% qoq increase in domestic PV business revenues and (3) 1% qoq increase in JLR revenues (in GBP terms). Reported net loss was Rs10.3 bn in 4QFY22 mainly on account of exceptional loss of Rs11.7 bn pertaining to (1) customer liabilities arising from sanctions imposed against Russia (GBP43 mn) and (2) Rs3 bn of cost related to slump sale of passenger vehicle undertaking.

2nd consecutive quarter of positive FCF generation despite multiple challenges

On a consolidated basis, the company generated FCF of Rs79 bn in 4QFY22 led by (1) favorable working capital and (2) improvement in operating performance. However, for FY2022, the company generated negative FCF of Rs95 bn mainly on account of adverse working capital cycle (pertaining to JLR due to higher inventory days). The company's net automotive debt declined to Rs487 bn in 4QFY22 from Rs604 bn in 3QFY22. The company is targeting to reach near zero auto debt by FY2024E.

Challenging year for Tata Motors Finance

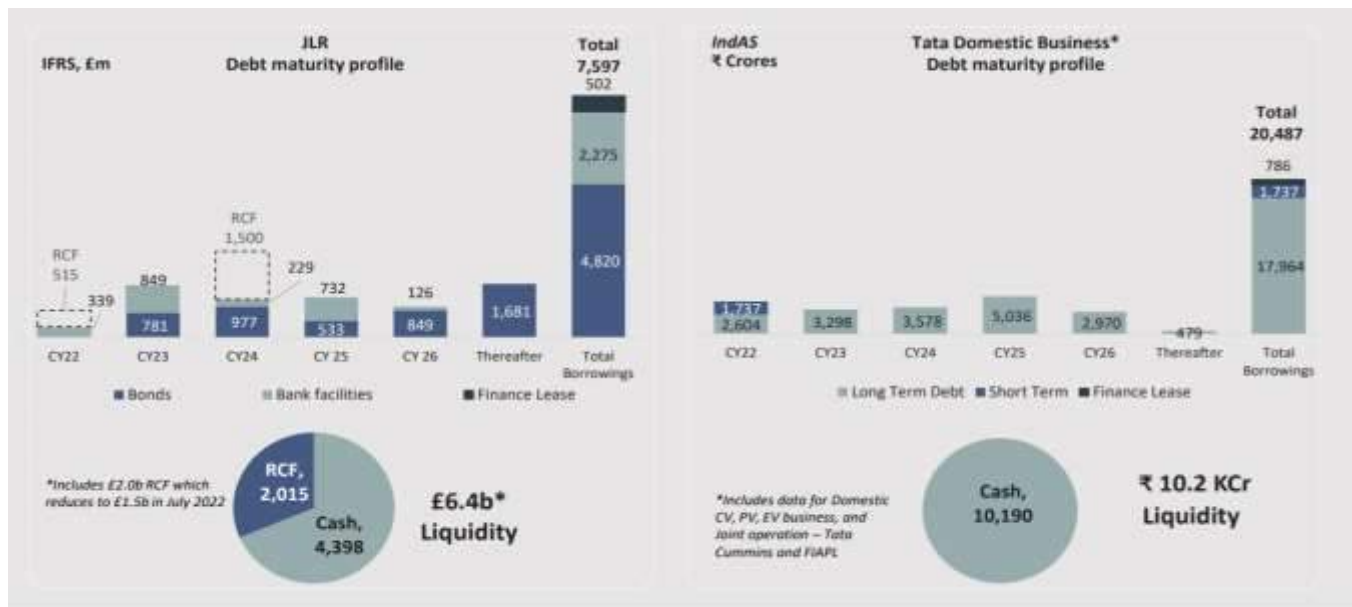
Disbursements for Tata Motors Finance grew by 24% yoy in FY2022; however, net NPA increased to 8.8% in FY2022 from 5% in FY2021 due to new RBI norms. The company reported PBT profit of Rs720 mn in 4QFY22 versus PBT profit of Rs1.5 bn in 4QFY21. The company highlighted that collections improved in 4QFY22 at 100.2%.

Exhibit 17: Consolidated EBITDA was 2% below our estimates due to lower-than-expected ASPs in JLR business
Tata Motors consolidated interim financial results, March fiscal year-ends (Rs mn)

	4QFY22	4QFY22E	4QFY21	3QFY22	(% chg.)			FY2022	FY2021	Yoy (%)	FY2023E	FY2022	Yoy (%)
					4QFY22E	4QFY21	3QFY22						
Net sales	784,391	793,345	886,279	722,293	(1.1)	(11.5)	8.6	2,784,536	2,497,948	11.5	3,215,667	2,784,536	15.5
Raw materials	(511,964)	(496,340)	(569,932)	(460,488)	3.1	(10.2)	11.2	(1,808,858)	(1,582,915)		(1,837,125)	(1,808,858)	
Staff costs	(80,294)	(80,336)	(79,830)	(76,510)	(0.1)	0.6	4.9	(308,085)	(276,485)		(312,530)	(308,085)	
Other expenses	(104,716)	(127,065)	(109,069)	(117,653)	(17.6)	(4.0)	(11.0)	(419,461)	(332,995)		(693,276)	(419,461)	
Total expenses	(696,975)	(703,741)	(758,831)	(654,651)	(1.0)	(8.2)	6.5	(2,536,404)	(2,192,395)		(2,842,931)	(2,536,404)	
EBITDA	87,416	89,604	127,448	67,642	(2.4)	(31.4)	29.2	248,132	305,553	(18.8)	372,736	248,132	50.2
Other income	9,026	7,500	6,914	7,026	20.3	30.5	28.5	30,536	26,432		32,000	30,536	
Interest expense	(23,805)	(23,500)	(21,448)	(24,007)	1.3	11.0	(0.8)	(93,119)	(80,972)		(84,479)	(93,119)	
Depreciation	(64,321)	(61,000)	(62,171)	(60,781)	5.4	3.5	5.8	(248,357)	(235,467)		(253,664)	(248,357)	
Extraordinary gain/(loss)	(11,726)	—	(127,176)	3,999				(7,227)	(120,289)		—	(7,227)	
Profit before tax	(3,411)	12,604	(76,433)	(6,121)				(70,034)	(104,743)		66,593	(70,034)	
Tax expense	(7,582)	(2,836)	1,324	(7,261)				(42,313)	(25,419)		(15,392)	(42,313)	
Minority interest/associates	665	(2,500)	(946)	(1,780)				(2,068)	(4,353)		(1,289)	(2,068)	
Profit after tax	(10,328)	7,268	(76,054)	(15,161)				(114,415)	(134,514)		49,912	(114,415)	
Adjusted profit after tax	(2,120)	7,268	12,969	(17,961)				(108,994)	(9,873)		49,912	(108,994)	
Adjusted EPS (Rs)	(0.6)	1.9	3.6	(4.7)				(28.5)	(2.6)		13.0	(28.5)	
Ratios (%)													
Raw material as % of sales	65.3	62.6	64.3	63.8				65.0	63.4		57.1	65.0	
Staff costs as % of sales	10.2	10.1	9.0	10.6				11.1	11.1		9.7	11.1	
Other expenses as % of sales	13.4	16.0	12.3	16.3				15.1	13.3		21.6	15.1	
EBITDA margin (%)	11.1	11.3	14.4	9.4				8.9	12.2		11.6	8.9	
Tax rate (%)	(22.3)	22.5	1.7	(118.6)				(60.4)	(24.3)		23.1	(60.4)	
Diluted no. of shares	3,829	3,829	3,598	3,829				3,829	3,829		3,829	3,829	

Source: Company, Kotak Institutional Equities estimate

Exhibit 18: Tata Motors has strong liquidity and debt securities are well spread-out
Break-up of Tata Motors debt maturity profile, calendar year-ends, 2022-28 (Rs crore, GBP mn)



Source: Company, Kotak Institutional Equities

Exhibit 19: We expect EBITDA margin to remain under pressure in FY2023E
Summary projected financials of JLR China JV venture, March fiscal year-ends, 2016-25E (GBP mn)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales volumes (units)										
Discovery Sport	8,000	38,873	43,673	26,053	23,531	28,829	20,183	18,165	20,889	22,978
Evoque	26,751	17,677	18,777	7,680	7,469	13,343	14,390	12,000	13,800	15,180
Jaguar XF	—	9,454	21,854	9,947	5,726	6,646	8,256	7,430	8,545	9,399
Jaguar XE	—	—	3,908	11,239	10,453	13,769	10,639	9,575	11,011	12,113
E-Pace	—	—	—	2,509	2,271	2,692	—	—	—	—
Total sales volumes	34,751	66,004	88,212	57,428	49,450	65,279	53,468	47,170	54,246	59,670
Net sales	1,106	2,163	2,773	1,697	1,296	2,309	2,017	1,779	2,087	2,342
Raw material cost	(675)	(1,298)	(1,608)	(1,154)	(1,037)	(1,732)	(1,452)	(1,290)	(1,503)	(1,686)
Staff cost	(50)	(73)	(98)	(109)	(119)	(150)	(145)	(157)	(163)	(169)
Royalty	(55)	(108)	(139)	(110)	(99)	(109)	(100)	(102)	(107)	(112)
Other expenses	(98)	(161)	(54)	(101)	(119)	(203)	(158)	(162)	(168)	(175)
Total expenses	(878)	(1,640)	(1,899)	(1,474)	(1,374)	(2,194)	(1,856)	(1,710)	(1,941)	(2,143)
EBITDA	228	523	874	223	(78)	115	161	69	146	199
Interest expense	(2)	(3)	(96)	(2)	(11)	(0)	(0)	(20)	(20)	(20)
Depreciation expense	(58)	(105)	(139)	(206)	(201)	(229)	(224)	(224)	(224)	(224)
Profit before tax	168	415	640	15	(290)	(114)	(63)	(175)	(98)	(45)
Tax	(44)	(103)	(136)	(2)	66	32	27	58	32	15
Profit after tax	124	312	504	13	(224)	(83)	(36)	(117)	(65)	(30)
Ratios										
Raw material cost as % of net sales	61.0	60.0	58.0	68.0	80.0	75.0	72.0	72.5	72.0	72.0
Staff cost as % of net sales	4.5	3.4	3.5	6.4	9.2	6.5	7.2	8.8	7.8	7.2
Royalty cost as % of net sales	5.0	5.0	5.0	6.5	7.7	4.7	5.0	5.7	5.1	4.8
Other expenses cost as % of net sales	8.9	7.4	1.9	5.9	9.2	8.8	7.9	9.1	8.1	7.5
EBITDA margin (%)	20.6	24.2	31.5	13.1	(6.0)	5.0	8.0	3.9	7.0	8.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 20: We expect standalone volumes to increase at 15% CAGR over FY2022-25E
Tata Motors standalone volume assumptions, March fiscal year-ends, 2016-25E (units)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
M&HCVs	176,493	175,262	190,367	224,940	124,446	90,155	144,500	179,008	213,880	234,841
M&HCVs-domestic	156,961	148,901	168,013	195,712	111,752	82,296	128,333	160,416	192,500	211,749
M&HCVs-exports	19,532	26,361	22,354	29,228	12,694	7,859	16,167	18,592	21,381	23,091
LCVs	205,231	209,767	259,066	294,837	216,254	172,618	212,472	257,093	294,633	324,096
LCVs-domestic	59,078	54,488	103,410	124,602	87,820	68,942	79,783	99,729	114,689	126,158
Ace	111,981	121,821	127,912	148,378	111,283	91,252	114,066	136,879	157,410	173,152
LCVs-exports	34,172	33,458	27,744	21,857	17,151	12,424	18,623	20,485	22,534	24,787
UVs	19,364	20,197	53,071	80,095	60,452	86,664	227,506	277,617	310,931	342,024
UVs-domestic	18,621	18,757	51,891	78,756	59,381	86,447	226,151	276,059	309,186	340,105
UVs-exports	743	1,440	1,180	1,339	1,071	217	1,355	1,558	1,745	1,920
Passenger vehicles	111,072	137,096	136,548	132,069	72,225	135,927	144,670	169,320	189,638	208,589
Passenger vehicles-domestic	86,796	126,908	133,579	131,011	71,816	135,578	144,221	168,759	189,010	207,911
Passenger vehicles-exports	3,264	2,597	1,118	682	409	349	449	561	629	679
Small car	21,012	7,591	1,851	376	—	—	—	—	—	—
Total domestic sales	454,449	478,466	586,656	678,835	442,052	464,515	692,554	841,842	962,794	1,059,074
Total export sales	57,711	63,856	52,396	53,106	31,325	20,849	36,594	41,197	46,289	50,477
Total vehicle sales	512,160	542,322	639,052	731,941	473,377	485,364	729,148	883,039	1,009,083	1,109,551
Volume growth (yoy %)										
M&HCVs	23.6	(0.7)	8.6	18.2	(44.7)	(27.6)	60.3	23.9	19.5	9.8
M&HCVs-domestic	23.6	(5.1)	12.8	16.5	(42.9)	(26.4)	55.9	25.0	20.0	10.0
M&HCVs-exports	24.2	35.0	(15.2)	30.8	(56.6)	(38.1)	105.7	15.0	15.0	8.0
LCVs	(7.5)	2.2	23.5	13.8	(26.7)	(20.2)	23.1	21.0	14.6	10.0
LCVs-domestic	(0.9)	(7.8)	89.8	20.5	(29.5)	(21.5)	15.7	25.0	15.0	10.0
Ace	(14.9)	8.8	5.0	16.0	(25.0)	(18.0)	25.0	20.0	15.0	10.0
LCVs-exports	11.4	(2.1)	(17.1)	(21.2)	(21.5)	(27.6)	49.9	10.0	10.0	10.0
UVs	(24.4)	4.3	162.8	50.9	(24.5)	43.4	162.5	22.0	12.0	10.0
UVs-domestic	(24.3)	0.7	176.6	51.8	(24.6)	45.6	161.6	22.1	12.0	10.0
UVs-exports	(26.3)	93.8	(18.1)	13.5	(20.0)	(79.7)	524.4	15.0	12.0	10.0
Passenger vehicles	(0.8)	23.4	(0.4)	(3.3)	(45.3)	88.2	6.4	17.0	12.0	10.0
Passenger vehicles-domestic	(6.2)	46.2	5.3	(1.9)	(45.2)	88.8	6.4	17.0	12.0	10.0
Passenger vehicles-exports	29.9	(20.4)	(57.0)	(39.0)	(40.0)	(14.7)	28.7	25.0	12.0	8.0
Small car	24.3	(63.9)	(75.6)	(79.7)	(100.0)	NA	NA	NA	NA	NA
Total domestic sales	0.5	5.3	22.6	15.7	(34.9)	5.1	49.1	21.6	14.4	10.0
Total export sales	15.6	10.6	(17.9)	1.4	(41.0)	(33.4)	75.5	12.6	12.4	9.0
Total vehicle sales	2.0	5.9	17.8	14.5	(35.3)	2.5	50.2	21.1	14.3	10.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 21: We expect domestic PV industry volumes to witness 8% CAGR over FY2022-50E; expect 100% EV penetration by 2050E
Assumptions for domestic PV industry, March fiscal year-ends, 2020-50E (mn units, %)

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2050E	CAGR (%) 2022-50E
Number of households (mn)	298	304	310	316	323	329	336	342	349	356	363	504	
India's population (mn)	1,327	1,341	1,355	1,369	1,383	1,397	1,368	1,377	1,386	1,407	1,428	1,663	
Domestic PV volumes (units)	2,772,977	2,711,457	3,069,499	3,526,647	3,963,091	4,280,138	4,622,549	4,992,353	5,391,741	5,823,081	6,288,927	29,312,420	8.4
Domestic PV population (mn units)	31,689,466	32,849,740	33,966,849	34,975,161	36,311,613	38,014,109	40,229,149	42,722,930	45,435,692	48,331,616	51,461,033	238,572,735	7.2
Penetration per household (%)	10.6	10.8	11.0	11.1	11.2	11.6	12.0	12.5	13.0	13.6	14.2	47.3	
EV mix (%)	0.1	0.2	0.7	2.0	3.5	4.5	8.0	10.0	12.5	17.5	25.0	100.0	
Domestic EV volumes (units)	3,000	5,910	21,486	70,533	138,708	192,606	369,804	499,235	673,968	1,019,039	1,572,232	29,312,420	29.4
Domestic ICE volumes (units)	2,769,977	2,705,547	3,048,013	3,456,114	3,824,383	4,087,532	4,252,745	4,493,118	4,717,774	4,804,042	4,716,695	—	
Tata Motors domestic EV market share (%)	44.2	71.4	89.0	80.0	70.0	65.0	60.0	40.0	30.0	20.0	20.0	20.0	
Tata Motors domestic EV volumes (units)	1,325	4,218	19,129	56,426	97,096	125,194	221,882	199,694	202,190	203,808	314,446	5,862,484	22.7
Tata Motors domestic ICE market share (%)	4.7	8.1	11.5	11.2	10.5	10.3	11.0	11.0	11.0	11.0	11.0	11.0	
Tata Motors domestic ICE volumes (units)	129,872	217,807	351,243	388,391	401,100	422,821	467,802	494,243	518,955	528,445	518,836	—	

Source: Company, Kotak Institutional Equities estimates

Exhibit 22: We value domestic PV business at EV of Rs806 bn

DCF for Tata Motors domestic PV business, March fiscal year-ends, 2020-50E (Rs mn, mn units, %)

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2050E	CAGR (%)
Tata Motors domestic EV volumes (units)	1,325	4,218	19,129	56,426	97,096	125,194	221,882	199,694	202,190	203,808	314,446	5,862,484	22.7
Tata Motors domestic ICE volumes (units)	129,872	217,807	351,243	388,391	401,100	422,821	467,802	494,243	518,955	528,445	518,836	—	—
Tata Motors export volumes (units)	1,480	566	1,804	2,120	2,374	2,599	2,755	2,920	3,095	3,281	3,478	11,153	6.7
Tata Motors total volumes (units)	132,677	222,591	372,176	446,937	500,570	550,614	692,439	696,857	724,240	735,533	836,760	5,873,637	10.4
EV PV ASPs (Rs per vehicle)	1,300,000	1,300,000	1,313,000	1,247,350	1,222,403	1,246,851	1,271,788	1,297,224	1,323,168	1,349,632	1,376,624	2,045,591	1.6
ICE PV ASPs (Rs per vehicle)	809,368	753,222	835,830	794,285	761,960	777,199	792,743	808,598	824,770	841,265	858,090	1,262,576	1.5
Export PV ASPs (Rs per vehicle)	600,000	600,000	612,000	624,240	636,725	649,459	662,448	675,697	689,211	702,996	717,056	1,055,061	2.0
EV PV revenues (Rs mn)	1,723	5,483	25,116	70,383	118,690	156,098	282,187	259,048	267,532	275,065	432,874	11,992,246	24.6
Domestic PV revenues (Rs mn)	105,114	164,057	293,580	308,493	305,622	310,609	370,847	399,644	428,018	444,562	445,209	—	—
Export PV revenues (Rs mn)	888	340	1,104	1,323	1,511	1,688	1,825	1,973	2,133	2,306	2,494	11,767	8.8
Net sales	107,725	169,880	319,800	380,200	425,824	468,395	654,859	660,665	697,683	721,934	880,577	12,004,013	13.8
EV PV EBITDA (%)	(20.0)	(12.0)	(5.0)	(2.0)	2.0	6.0	6.0	6.0	7.0	7.0	7.0	11.0	—
Domestic PV EBITDA (%)	(9.7)	2.6	6.0	9.6	11.6	10.6	10.5	10.5	10.0	10.0	10.0	—	—
Export PV EBITDA (%)	3.0	(5.0)	2.0	5.0	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
EV PV EBITDA (Rs mn)	(345)	(658)	(1,256)	(1,408)	2,374	9,366	16,931	15,543	18,727	19,255	30,301	1,319,147	—
Domestic PV EBITDA (Rs mn)	(10,194)	4,215	17,674	29,711	35,323	33,027	38,939	41,963	42,802	44,456	44,521	—	—
Export PV EBITDA (Rs mn)	27	(17)	22	66	91	118	128	138	149	161	175	824	—
Tota EBITDA (Rs mn)	(10,511)	3,540	16,440	28,370	37,787	42,511	55,998	57,644	61,678	63,872	74,997	1,319,971	17.0
EBITDA margin (%)	(9.8)	2.1	5.1	7.5	8.9	9.1	8.6	8.7	8.8	8.8	8.5	11.0	—
EBIT	(27,372)	(15,683)	(6,600)	3,370	10,787	13,511	19,981	24,610	26,097	27,054	30,087	839,810	—
EBIT Margin (%)	(25.4)	(9.2)	(2.1)	0.9	2.5	2.9	3.1	3.7	3.7	3.7	3.4	7.0	—
EBIT (1-tax) (%)	(27,372)	(15,683)	(6,600)	2,527	8,090	10,134	14,985	18,458	19,572	20,290	22,565	629,858	—
Depreciation	19,223	23,040	25,000	27,000	29,000	29,000	36,017	33,033	35,582	36,819	44,909	480,161	11.5
Change in working capital	—	—	—	(4,585)	2,183	1,429	16,814	290	1,851	1,213	7,932	73,226	—
Capex	—	—	—	40,000	40,000	50,000	50,000	39,640	41,861	43,316	52,835	510,171	—
Free cash flow	(7,093)	(12,295)	(15,812)	11,561	11,442	11,561	11,442	12,580	6,708	6,708	6,708	526,622	—
Discounted cash flow	(6,537)	(10,163)	(11,721)	7,686	6,823	6,728	3,217	28,635	—	—	—	—	—
WACC (%)	11.5												
Sum of cash flows (Rs mn)	315,083												
Terminal growth (%)	6.0												
Terminal value (Rs mn)	551,873												
EV (Rs mn)	806,269												

Source: Company, Kotak Institutional Equities estimates

Exhibit 23: We value Tata Motors at Rs470/share based on SoTP methodology

Tata Motors SoTP valuation (Rs per share)

	Multiple (X)	Value (Rs mn)	Value per share (Rs)	Comments	
CV+PV business (Rs mn)					
CV EBIT	42,282	13.0	549,663	144	based on June 2024 estimates
PV EV			806,269	211	DCF methodology
Debt			(196,740)	(51)	
Total value			303		
JLR					
JLR UK net profit	116,806	5.0	584,030	153	based on June 2024E EPS
JLR China JV valuation			10	10	based on 5X June 2024 EV/EBITDA
Total standalone + JLR			466		
Value of Tata Motors Finance			6	6	1X P/BV on March 2023E
SOTP-based value			471		
Fair value			470		

Source: Kotak Institutional Equities estimates

Exhibit 24: We have fine-tuned our FY2023/24E consolidated EPS estimates
Earnings revision table, March fiscal year-ends, 2023-24E (Rs mn, GBP mn, %)

	New Estimates		Old estimates		change (%)	
	2023E	2024E	2023E	2024E	2023E	2024E
CVs + PVs (Rs mn)						
Volumes (units)	883,039	1,009,083	877,222	1,002,709	0.7	0.6
Net sales	974,927	1,129,704	942,748	1,094,121	3.4	3.3
EBITDA	67,140	96,716	56,873	89,222	18.1	8.4
EBITDA margin (%)	6.9	8.6	6.0	8.2		
JLR UK P&L (GBP mn)						
Volumes (units)	341,633	402,791	359,670	423,493	(5.0)	(4.9)
Average realization	63,386	61,414	63,058	61,113	0.5	0.5
Net sales	21,655	24,737	22,680	25,881	(4.5)	(4.4)
Of which hedged forex losses	—	—	—	—		
EBITDA	2,719	3,673	2,627	3,806	3.5	(3.5)
EBITDA margin (%)	12.6	14.9	11.6	14.7		
Reported net profit	427	1,158	395	1,144	7.9	1.2
China JV (GBP mn)						
Net sales	1,779	2,087	1,935	2,131	(8.0)	(2.1)
EBITDA	69	146	142	190	(51.2)	(22.8)
EBITDA margin (%)	3.9	7.0	7.3	8.9		
Net profit	(117)	(65)	(36)	(4)		
Consolidated (Rs mn)						
Net sales	3,215,667	3,704,095	3,375,025	3,860,382	(4.7)	(4.0)
EBITDA	372,736	503,922	375,195	531,992	(0.7)	(5.3)
EBITDA margin (%)	11.6	13.6	11.1	13.8		
Adjusted net profit	49,912	147,617	47,604	150,463	4.8	(1.9)
EPS	13.0	38.6	12.4	39.3	4.8	(1.9)
GBP:INR	97.0	98.0	101.0	101.0	(4.0)	(3.0)

Source: Company, Kotak Institutional Equities estimates

Exhibit 25: We build in EBIT margin of ~6.2-6.7% in JLR UK financials over FY2024-25E
Jaguar Land Rover (ex-China JV) income statement, March fiscal year-ends, 2016-25E (GBP mn)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Volumes (000s)	509	535	545	508	476	348	294	342	403	422
Sales	22,286	24,339	25,786	24,214	22,984	19,731	18,320	21,655	24,737	25,880
Of which realized forex losses	78	(1,320)	(1,389)	(703)	(544)	(101)	(44)	—	—	—
Realizations per vehicle	43,759	45,510	47,296	47,677	48,291	56,758	62,274	63,386	61,414	61,300
Cost of sales	18,821	21,143	22,880	21,812	20,513	16,711	15,585	18,418	20,546	21,320
Materials	13,562	15,071	16,328	15,670	14,684	12,335	11,239	13,534	15,213	15,787
Labor	2,321	2,490	2,722	2,820	2,568	2,141	2,265	2,409	2,649	2,755
Manufacturing costs and SG&A	2,938	3,582	3,830	3,322	3,261	2,235	2,081	2,476	2,683	2,778
D&A	1,418	1,656	2,075	2,164	1,910	1,976	1,944	2,050	2,100	2,300
Product dev	318	368	406	421	421	489	839	518	518	518
EBIT	1,729	1,172	425	(183)	140	555	(48)	669	1,573	1,742
EBIT per vehicle	3,395	2,191	780	(360)	294	1,597	(163)	1,957	3,906	4,126
EBITDA	3,147	2,828	2,500	1,981	2,050	2,531	1,896	2,719	3,673	4,042
EBITDA per vehicle	6,179	5,288	4,585	3,901	4,307	7,281	6,445	7,958	9,120	9,574
Other income	128	379	420	(102)	(262)	388	14	100	120	150
Interest	52	35	52	76	157	240	360	200	150	100
PBT	1,805	1,516	793	(361)	(279)	703	(394)	569	1,543	1,792
Tax	293	331	398	(308)	47	239	374	142	386	448
Forex gains/(losses)	(136)	(102)	467	(3,271)	(29)	(1,523)	(43)	—	—	—
PAT	1,376	1,083	862	(3,324)	(355)	(1,059)	(811)	427	1,158	1,344
EBITDA margin (%)	14.1	11.6	9.7	8.2	8.9	12.8	10.3	12.6	14.9	15.6
EBIT margin - including China JV profit (%)	8.0	5.5	2.6	(0.7)	0.1	2.6	(0.4)	2.8	6.2	6.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 26: We expect profitability of domestic CV business to improved led by operating leverage benefits and easing of RM pressures
Tata Motors domestic CV and PV business profitability assumptions, March fiscal year-ends, 2018-25E (Rs mn, %)

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Tata Motors domestic PV segment								
Volumes (units)	189,619	212,164	132,677	222,591	372,176	446,937	500,570	550,614
ASPs (Rs per vehicle)	732,131	709,465	811,932	763,193	859,271	850,678	850,678	850,678
Revenue (Rs mn)	138,826	150,523	107,725	169,880	319,800	380,200	425,824	468,395
EBITDA (Rs mn)	(15,210)	151	(10,511)	3,540	16,440	28,370	37,787	42,511
EBITDA margin (%)	(11.0)	0.1	(9.8)	2.1	5.1	7.5	8.9	9.1
EBITDA per vehicle (Rs per vehicle)	(80,212)	709	(79,226)	15,904	44,173	63,476	75,489	77,207
EBIT (Rs mn)	(29,838)	(13,970)	(27,372)	(15,683)	(6,600)	3,370	10,787	13,511
EBIT margin (%)	(21.5)	(9.3)	(25.4)	(9.2)	(2.1)	0.9	2.5	2.9
EBIT per vehicle (Rs per vehicle)	(157,356)	(65,845)	(206,303)	(70,457)	(17,734)	7,540	21,550	24,539
Tata Motors domestic CV segment								
Volumes (units)	449,433	519,777	340,700	262,773	356,972	436,102	508,513	558,937
ASPs (Rs per vehicle)	1,012,120	1,039,610	966,624	1,148,331	1,324,016	1,363,737	1,384,193	1,384,193
Revenue (Rs mn)	454,880	540,365	329,329	301,750	472,637	594,728	703,881	773,677
EBITDA (Rs mn)	49,586	59,404	13,506	14,870	16,357	38,770	58,929	66,597
EBITDA margin (%)	10.9	11.0	4.1	4.9	3.5	6.5	8.4	8.6
EBITDA per vehicle (Rs per vehicle)	110,330	114,288	39,641	56,588	45,823	88,901	115,884	119,149
EBIT (Rs mn)	34,894	44,310	(1,131)	184	(1,248)	20,956	40,515	47,583
EBIT margin (%)	7.7	8.2	(0.3)	0.1	(0.3)	3.5	5.8	6.2
EBIT per vehicle (Rs per vehicle)	77,641	85,248	(3,320)	700	(3,497)	48,053	79,673	85,131

Source: Company, Kotak Institutional Equities estimates

Exhibit 27: We expect profitability to recover from FY2023E onwards

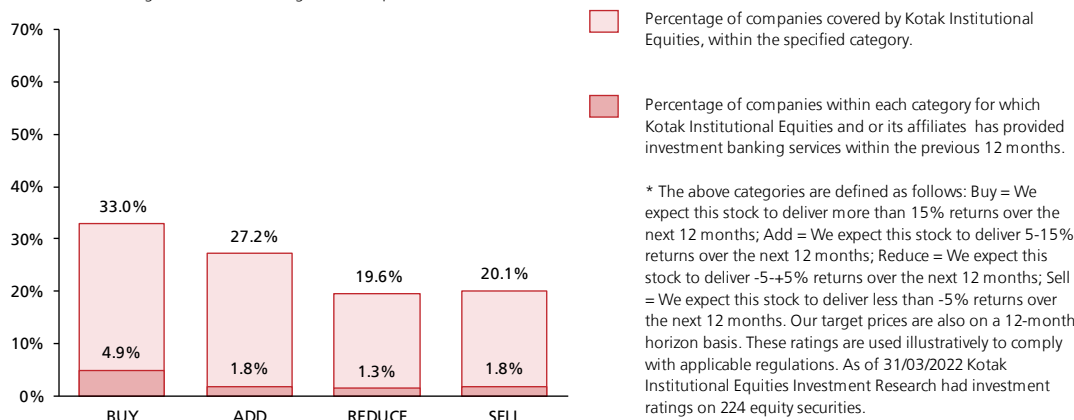
Tata Motors consolidated profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2016-25E (Rs mn)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Profit model (Rs mn)										
Net sales	2,730,456	2,696,925	2,915,505	3,019,384	2,610,680	2,497,948	2,784,536	3,215,667	3,704,095	3,965,274
EBITDA	383,075	334,988	302,724	255,702	197,258	305,553	248,132	372,736	503,922	561,725
Other income	8,854	7,545	39,576	29,653	29,732	26,432	30,536	32,000	34,000	36,000
Interest	(48,891)	(42,380)	(46,818)	(57,586)	(72,433)	(80,972)	(93,119)	(84,479)	(81,107)	(76,833)
Depreciation	(167,108)	(179,050)	(215,536)	(235,906)	(214,254)	(235,467)	(248,357)	(253,664)	(263,151)	(287,598)
Profit before tax	175,930	121,103	79,946	(8,137)	(59,698)	15,546	(62,807)	66,593	193,664	233,294
Extra ordinary income/(expenses)	(24,271)	(19,569)	22,123	(269,928)	(46,102)	(120,289)	(7,227)	—	—	—
Tax	(40,652)	(40,899)	(33,938)	(11,273)	(3,953)	(25,419)	(42,313)	(15,392)	(45,117)	(54,476)
Minority Interest + Associate income	4,786	13,908	21,758	1,075	(10,956)	(4,353)	(2,068)	(1,289)	(930)	845
Net profit	115,793	74,544	89,889	(288,262)	(120,708)	(134,514)	(114,415)	49,912	147,617	179,663
Adjusted net profit	140,064	94,112	67,766	(18,335)	(74,607)	(14,225)	(107,188)	49,912	147,617	179,663
Adjusted EPS (Rs)	41.2	27.7	20.0	(5.4)	(20.7)	(3.7)	(28.0)	13.0	38.6	46.9
Balance sheet (Rs mn)										
Equity	6,792	6,792	6,792	6,792	7,195	7,658	7,658	7,658	7,658	7,658
Reserves and Surplus	782,732	573,827	947,487	595,003	623,590	544,809	437,954	487,866	635,483	815,146
Deferred tax liability	44,748	11,740	61,258	14,910	19,419	15,559	15,584	15,584	15,584	15,584
Minority Interest	4,328	4,532	5,251	5,231	8,136	15,735	42,711	43,711	44,711	45,711
Total borrowings	733,413	786,040	889,505	1,212,095	1,188,105	1,359,045	1,396,770	918,956	691,608	537,799
Current liabilities	1,099,398	1,354,613	1,403,213	1,237,914	1,374,768	1,488,452	1,405,522	1,453,658	1,674,454	1,792,521
Total liabilities	2,671,412	2,737,543	3,313,505	3,071,945	3,221,213	3,431,258	3,306,199	2,927,432	3,069,498	3,214,419
Net fixed assets	1,323,909	1,289,696	1,613,309	1,423,705	1,556,770	1,523,772	1,416,134	1,418,880	1,399,154	1,357,015
Goodwill	7,598	6,733	1,165	7,479	7,771	8,037	8,072	8,072	8,072	8,072
Investments	45,340	52,968	56,517	62,409	54,469	55,691	66,703	66,703	66,703	66,703
Cash	496,934	511,190	497,750	421,787	445,885	658,437	633,784	177,988	206,948	303,583
Other current assets	797,630	876,956	1,144,765	1,156,567	1,156,317	1,185,322	1,181,507	1,255,788	1,388,621	1,479,045
Miscellaneous expenditure	—	—	—	—	—	—	—	—	—	—
Total assets	2,671,412	2,737,543	3,313,505	3,071,945	3,221,213	3,431,258	3,306,199	2,927,432	3,069,498	3,214,419
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	365,864	269,450	302,911	261,114	215,675	290,921	247,565	357,055	458,876	509,094
Working capital changes	13,132	32,542	(64,337)	(72,207)	50,654	(916)	(104,737)	(26,146)	87,964	27,642
Net financial income	(40,037)	(34,835)	(7,242)	(27,933)	(42,702)	(54,540)	(62,582)	(52,479)	(47,107)	(40,833)
Cash flow from operations	338,958	267,158	231,332	160,975	223,628	235,465	80,246	278,430	499,732	495,903
Capital expenditure	(314,442)	(304,135)	(350,486)	(352,363)	(295,306)	(198,548)	(149,383)	(256,411)	(243,425)	(245,459)
Free cash flow	24,517	(36,977)	(119,154)	(191,388)	(71,678)	36,917	(69,137)	22,019	256,308	250,444
Ratios										
EBITDA margin (%)	14.0	12.4	10.4	8.5	7.6	12.2	8.9	11.6	13.6	14.2
Debt/equity (X)	0.9	1.4	0.9	2.0	1.9	2.5	3.1	1.9	1.1	0.7
Net debt/equity (X)	0.3	0.5	0.4	1.3	1.2	1.3	1.7	1.5	0.8	0.3
Book value (Rs per share)	230.3	169.0	280.7	175.0	173.2	142.2	114.3	127.3	165.9	212.8
ROAE (%)	20.7	13.7	8.8	(2.4)	(12.1)	(2.4)	(21.5)	10.6	25.9	24.5

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2022

Ratings and other definitions/identifiers

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