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Q4FY21 result review
and earnings revision

Automobiles

Target price: Rs536

Earnings revision

(%)	FY22E	FY23E
Sales	↑ 1.7	↑ 1.9
EBITDA	↑ 3.2	↑ 9.6
EPS	↑ 7.7	↑ 22.4

Target price revision

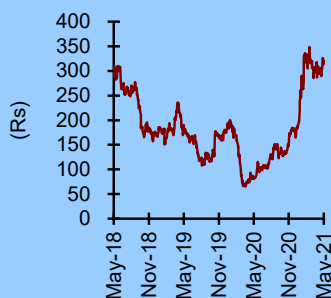
Rs536 from Rs457

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	42.4	42.4	46.4
Institutional investors	28.9	28.2	25.6
MFs and others	5.6	5.1	5.8
FIs/Banks	0.1	0.2	0.1
Insurance Co	6.6	6.5	5.8
FII	16.6	16.4	13.9
Others	28.7	29.4	28.0

Source: NSE

Price chart



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INDIA

Tata Motors

BUY

Maintained

Margins, FCF continue to positively surprise

Rs332

Tata Motors' (TTMT) Q4FY21 operational performance was ahead of consensus estimates with consolidated EBITDA margin at 14.4% (up 444bps YoY), driven by strong performance in domestic PV (~5%)/ CV(~9%) and JLR (15.3%). FCF generation (Q4: Rs102bn) aided net debt reduction (QoQ: Rs 138bn) and conservative FY22 FCF target is >GBP 500mn (excluding one-time restructuring costs). In JLR management remains focussed on capital deployment towards future technologies with low going concern risk while improving core EBIT margins (FY24 target: >7%). TTMT remains the market leader in domestic CV business which we believe would be multi-year growth story (expect >30% CAGR for industry over FY21-24E). On domestic PV, TTMT has surprised investors with market share gains, margin improvement in ICE segment (FY21:>8%) while grabbing customer mind space via EV offerings (e.g. Nexon). Maintain BUY.

- Key highlights of the quarter:** Standalone revenues grew ~106% YoY to ~Rs200bn while JLR revenues grew ~21% to ~GBP6.5bn. JLR's EBITDA margin improved 1054bps to 15.3% driven by structural cost reductions as *Project Charge+* delivered FY21 cash savings of GBP2.5bn. JLR reported a healthy FCF of GBP729mn in Q4 driven by reduction in structural costs. India PV/CV businesses clocked EBITDA margins at 4.9%/9.1% (both up 110bps QoQ), respectively. India business delivered Rs29.5bn of FCF driven by improved pricing, mix and tight working capital. TTMT booked one-time non-cash write down of EUR952mn related to discontinued models and EUR571mn towards restructuring costs at JLR.
- Key takeaways from concall:** Management indicated a) realisations declined in JLR due to shift of product mix towards LR SUV2/3 models in UK and Europe vis-à-vis SUV5 models in China (new year driven) in Q3; b) cost-savings on VME and warranty is likely to cumulatively sustain at <10% levels (8.3% in Q4); in India business, commodity price pressures were overcome through price increase of ~4% in PV and 3.3% in CV and structured cost reductions programs; c) strong response to new Defender 110 with current order book of >20k units, aggregate level order book stands at ~100k units; and d) India PV inventory stood at <10 days and Apr/May'21 is being used to bridge the gap and reduce wait time.
- Maintain BUY:** We believe improving domestic PV business/CV upcycle and managements enhanced focus on FCF generation to be debt free by FY23/24 augurs well for investor confidence. We believe reporting separation of PV/CV business aids value discovery. We reiterate our **BUY** rating on the stock with a revised SoTP-based target price of Rs536 (earlier: Rs457).

Market Cap	Rs1182bn/US\$16.2bn	Year to Mar	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	TAMO.BO/TTMT IN	Revenue (Rs bn)	2,611	2,498	3,275	3,612
Shares Outstanding* (mn)	3,320.3	Net Profit (Rs bn)	(121)	(144)	123	187
52-week Range (Rs)	349/81	EPS (Rs)	2.1	(37.7)	32.0	48.9
Free Float (%)	53.6	% Chg YoY	NC	NC	NC	52.8
FII (%)	13.9	P/E (x)	NC	NC	10.4	6.8
Daily Volume (US\$/'000)	3,30,792	CEPS (Rs)	24.4	23.8	96.8	124.2
Absolute Return 3m (%)	2.7	EV/E (x)	9.6	5.3	3.4	2.3
Absolute Return 12m (%)	312.2	Dividend Yield (%)	-	-	0.3	0.6
Sensex Return 3m (%)	(2.1)	RoCE (%)	(2.0)	4.4	10.2	13.6
Sensex Return 12m (%)	69.0	RoE (%)	(19.1)	(26.1)	15.7	19.5

Table 1: Q4FY21 result review (consolidated)*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Total operating income	8,86,279	6,24,930	41.8	7,56,538	17.1
Raw material costs	5,69,932	4,08,096	39.7	4,88,798	16.6
Employee costs	79,830	76,987	3.7	75,622	5.6
Other expenditures	84,057	1,20,072	-30.0	68,008	23.6
Product development expenditure	12,483	12,865	-3.0	10,112	23.5
Total operating expenses	7,46,303	6,18,021	20.8	6,42,540	16.1
EBITDA	1,27,448	23,733	437.0	1,05,395	20.9
Adjusted EBITDA	14.4	3.8	1058 bps	13.9	45 bps
Depreciation & Amortization	62,171	58,149	6.9	61,288	1.4
Other income	6,914	5,645	22.5	7,120	-2.9
Interest costs	21,448	19,528	9.8	21,259	0.9
PBT	57,032	-65,123	NC	36,199	57.6
Taxes	-1,324	3,583	NC	9,452	-114.0
PAT before MI, PA and Excep.	58,356	-68,706	NC	26,747	118.2
Minority Interests	201	305	-34.2	350	-42.7
Profit from Associates	-745	-1,925	NC	-2,807	-73.5
Less: Exceptional Items	1,33,465	28,007	376.5	4,226	NC
PAT	-76,054	-98,942	-23.1	19,364	NC
Adjusted PAT	57,411	-70,936	NC	23,590	143.4

Source: Company data, I-Sec research

Table 2: Q4FY21 result review (standalone)*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Total operating income	2,00,459	97,329	106.0	1,46,306	37.0
Raw material costs	1,53,624	74,591	106.0	1,08,796	41.2
Employee costs	10,818	11,496	-5.9	11,059	-2.2
Other expenditures	18,820	17,696	6.3	15,531	21.2
Product development expenditure	3,562	2,974	19.8	1,763	102.1
Total operating expenses	1,86,822	1,06,757	75.0	1,37,149	36.2
EBITDA	13,637	-9,428	-244.6	9,158	48.9
Adjusted EBITDA	6.8	-9.7	1649 bps	6.3	54 bps
Depreciation & Amortization	9,642	9,841	-2.0	9,476	1.7
Other income	2,600	2,689	-3.3	2,067	25.8
Interest costs	5,149	5,571	-7.6	6,562	-21.5
PBT	1,446	-22,151	NC	-4,815	NC
Taxes	446	852	-47.7	375	NC
PAT before Exceptional	1,001	-23,003	NC	-5,190	NC
Less: Exceptional Items	-15,456	25,708	-	583	-
PAT	16,457	-48,711	NC	-5,773	NC
Adjusted PAT	1,001	-23,003	NC	-5,797	NC

Source: Company data, I-Sec research

Table 3: Q4FY21 result review (JLR)*(GBP mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Total operating income	6,538	5,426	20.5	5,982	9.3
EBITDA	1,001	259	286.5	946	5.8
EBITDA margin (%)	15.3	4.8	1054 bps	15.8	-50 bps
EBIT	491	-251	-295.6	398	23.4
EBIT margin (%)	7.5	-4.6	1214 bps	6.7	86 bps
PAT	-911	-519	75.5	384	-337.2
Profit from China JV	-9	-20	NC	-33.0	NC
Net PAT	-920	-539	NC	351	NC

Source: Company data, I-Sec research

Table 4: Key assumptions

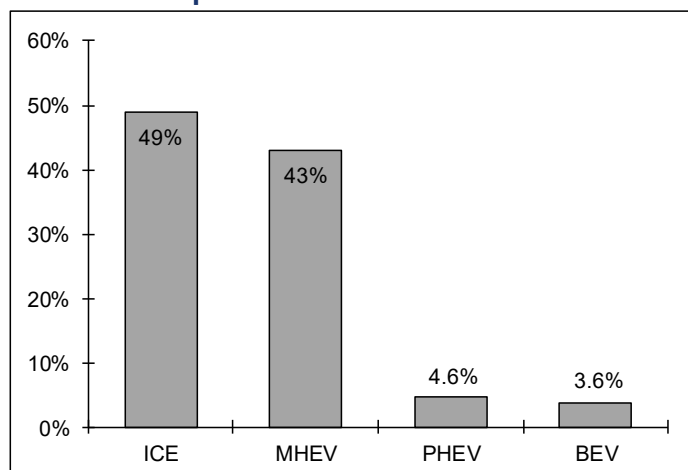
	FY18	FY19	FY20	FY21	FY22E	FY23E
Jaguar Land Rover wholesales (units)	5,45,298	5,08,635	4,77,266	3,47,632	4,03,983	4,24,293
Jaguar wholesales (units)	1,50,288	1,55,702	1,27,134	67,333	77,222	81,194
Land Rover wholesales (units)	3,95,010	3,52,933	3,50,132	2,80,299	3,26,761	3,43,099
JLR Revenues (GBP mn)	25,786	24,214	22,984	19,731	23,498	24,470
JLR EBITDA margin (%)	10.8%	8.2%	8.6%	12.8%	14.0%	14.3%
JLR PAT (ex-China JV) (GBP mn)	881	(3,324)	(355)	(1,059)	842	1,078
JLR product development expenses capitalised (GBP mn)	1,610	1,576	1,369	727	822	856
JLR Capex (GBP mn)	4,216	3,810	4,358	2,343	2,484	2,423
Avg ASP/vehicle (GBP)	47,288	47,606	48,158	56,758	58,167	57,672
RM/Unit (GBP)	29,943	30,808	30,767	35,483	36,778	36,333
China JV						
Volumes	90,113	56,331	48,975	65,834	73,185	83,855
Revenues (GBP mn)	2,773	1,713	1,297	1,985	2,422	3,063
PAT (GBP mn)	546	0	(112)	(24)	41	98
India	6,39,052	7,31,941	4,71,932	4,85,346	7,59,267	8,77,136
M&HCV (units)	1,91,319	2,24,940	1,28,033	89,853	1,43,048	1,78,097
LCV (units)	2,58,374	2,94,837	2,10,212	1,72,736	2,52,644	2,85,698
PV (units)	1,89,360	2,12,164	1,33,688	2,22,757	3,63,575	4,13,341
Revenue (Rs bn)	588	692	439	470	737	883
EBITDA margin (%)	5.6%	7.1%	-1.5%	3.2%	6.0%	9.5%
Adj. PAT (Rs bn)	(1)	22	(48)	(38)	6	42

Source: Company data, I-Sec research

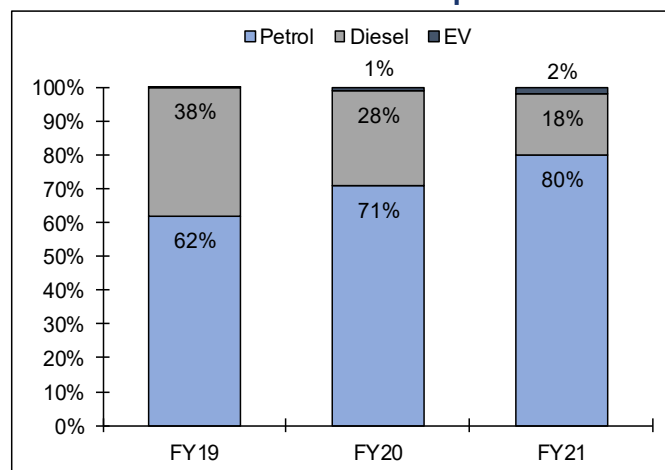
Table 5: JLR's EBIT margin to recover as capex intensity has likely peaked out

	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenues	25,786	24,214	22,984	19,731	23,498	24,470
EBIT (Including China JV Profit)	995	(177)	(46)	512	1,367	1,709
EBIT Margin (%)	3.9	-0.7	-0.2	2.6	5.8	7.0
EBIT (ex-China JV profit)	743	-180	68	553	1326	1601
EBIT Margin (%)	2.9	-0.7	0.3	2.8	5.6	6.5
Capex	4,186	3,810	4,358	2,343	2,484	2,423
Capex/Revenues (x)	16.2	15.7	19.0	11.9	10.6	9.9

Source: Company data, I-Sec research *reported as per company

Chart 1: JLR powertrain mix

Source: Company data

Chart 2: Tata Motors India – PV powertrain mix

Source: Company data

Table 6: Estimates revision (consolidated)

(Rs mn, year ending March 31)

	FY22E			FY23E		
	Previous	New	Chg (%)	Previous	New	Chg (%)
Sales	32,20,942	32,74,863	1.7	35,45,413	36,12,249	1.9
EBITDA	4,28,096	4,41,617	3.2	5,03,448	5,51,673	9.6
PAT	1,13,906	1,22,648	7.7	1,53,046	1,87,398	22.4
EPS (Rs)	29.7	32.0	7.7	40.0	48.9	22.4

Source: I-Sec research

Valuations

We believe improving domestic PV business/CV upcycle and managements enhanced focus on FCF generation to be debt free by FY23 augurs well for investor confidence. We believe reporting separation of PV/CV business aids value discovery via relatively easier comparable analysis (e.g. Ashok Leyland for CV, MSIL for PV business). In both the PV and CV segments TTMT is now amongst top-3 players, is investing towards improving its existing product offerings as well new electric products. We reiterate our **BUY** rating on the stock with a revised SoTP-based target price of Rs536 (earlier: Rs457).

Table 7: Valuation by SoTP methodology

Particulars (Rs bn)	Parameters (FY23E)	Basis	Multiple	Per Share
Standalone - CV	EV/EBITDA	48	14	175
Standalone - PV	EV/EBITDA	36	8	76
	Net debt			12
	Equity Value			239
JLR	EV/EBITDA	360	3.0	282
	Net debt			27
	Equity Value			255
China JV @50% stake	EPS	3	10	26
Subsidiary valuation				
Tata Motor Finance	BV	5.7	1	6
Tata Technologies	EPS	1.4	12	16
Value of key subsidiaries				22
Value post discount	Holding co discount @ 30%			15
Total value per share				536

Source: I-Sec research

Financial summary (consolidated)

Table 8: Profit and loss statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Volumes units. (TML India)	4,77,266	3,47,632	4,03,983	4,24,293
Volumes units (JLR)	5,26,241	4,13,466	4,77,168	5,08,148
Total Op. Income	26,10,685	24,97,948	32,74,863	36,12,249
Operating Expenses	24,30,809	21,84,775	28,33,246	30,60,576
EBITDA	1,79,876	3,13,173	4,41,617	5,51,673
% margins	6.9%	12.5%	13.5%	15.3%
Depreciation & Amortisation	2,14,254	2,35,467	2,47,983	2,88,135
EBIT	-34,379	77,706	1,93,634	2,63,538
% margins	-1.3%	3.1%	5.9%	7.3%
Other Income	29,732	26,432	27,753	29,141
Gross Interest	72,433	80,972	71,176	67,201
PBT	-77,081	23,166	1,50,212	2,25,478
Less: Taxes	3,953	25,419	30,682	47,947
Less: Minority Interest	956	563	1,120	1,232
Add: Profit from Associates	-10,000	-3,790	4,238	11,098
Less: Exceptionals	28,714	1,37,610	-	-
Net Income (Reported)	-1,20,704	-1,44,215	1,22,648	1,87,398
Net Income (Adjusted)	-91,989	-6,605	1,22,648	1,87,398

Source: Company data, I-Sec research

Table 9: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
ASSETS				
Current Assets	10,79,391	12,67,966	13,94,425	15,88,652
Cash & cash eqv.	3,32,776	4,68,392	5,24,131	6,22,510
Current Liabilities & Provisions	8,56,932	9,93,314	10,31,975	10,68,977
Net Current Assets	2,22,459	2,74,652	3,62,451	5,19,675
Investments	1,63,085	2,46,203	2,46,203	2,46,203
Goodwill	7,771	8,037	8,037	8,037
Net Fixed Assets	16,24,019	15,88,215	16,17,006	14,98,871
Capital Work-in-Progress	3,56,223	2,09,639	2,09,639	2,09,639
Long term loans & advances	2,23,661	2,38,654	2,44,654	2,50,654
Deferred Tax Assets	69,472	66,098	66,098	66,098
Other non-current asset	53,816	16,085	16,085	16,085
Total Assets	23,64,278	24,37,944	25,60,533	26,05,623
LIABILITIES				
Borrowings	10,56,553	12,10,016	10,95,016	9,60,016
long-term borrowings	8,84,785	9,85,248	8,85,248	7,65,248
short-term borrowings	1,71,767	2,24,768	2,09,768	1,94,768
Long-term provisions	1,47,367	1,36,068	1,46,068	1,46,068
Deferred Tax Liability	29,820	26,423	26,423	26,423
Other Non-current Liabilities	4,91,620	4,97,235	4,97,235	4,97,235
Minority Interest	8,136	15,735	15,807	16,157
Equity Share Capital	7,195	7,658	7,658	7,658
Reserves & Surplus	6,23,587	5,44,809	7,72,326	9,52,066
Net Worth	6,30,783	5,52,467	7,79,984	9,59,724
Total Liabilities	23,64,278	24,37,944	25,60,533	26,05,623

Source: Company data, I-Sec research

Table 10: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Cashflow before working capital changes	93,551	91,252	3,70,631	4,75,533
Working Capital Changes	5,038	83,423	(32,059)	(58,846)
Operating Cashflow	98,588	1,74,675	3,38,572	4,16,687
Capital Commitments	(4,19,069)	(2,34,316)	(2,85,000)	(2,85,000)
Free Cashflow	(3,20,481)	(59,642)	53,572	1,31,687
Cashflow from Investing Activities	(3,91,636)	(2,58,417)	(2,72,702)	(1,75,650)
Issue of Share Capital	403	463	-	-
Inc/(Dec) in securities premium	-	-	26,020	-
Inc/(Dec) in Borrowings	1,45,140	1,53,464	(1,15,000)	(1,35,000)
Dividend paid	-	-	(3,829)	(7,658)
Cashflow from Financing Activities	2,94,803	2,19,358	(10,131)	(1,42,658)
Net Cashflow	1,756	1,35,616	55,739	98,379
Cash & Bank balance	3,32,776	4,68,392	5,24,131	6,22,510

Source: Company data, I-Sec research

Table 11: Key ratios

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
Per Share Data (in Rs.)				
EPS (Basic)	(31.5)	(37.7)	32.0	48.9
EPS (Adjusted)	(24.0)	(1.7)	32.0	48.9
Cash EPS	24.4	23.8	96.8	124.2
Dividend per share (DPS)	-	-	1.0	2.0
BVPS (Adjusted)	164.7	181.0	203.7	250.6
Growth Ratios (%)				
Total Op. Income (Sales)	(13.6)	(4.3)	31.1	10.3
EBITDA	(27.9)	74.1	41.0	24.9
Net Income (Adjusted)	NC	NC	NC	52.8
EPS (Adjusted)	NC	NC	NC	52.8
Cash EPS	NC	(2.5)	306.2	28.3
BVPS (Adjusted)	4.8	9.9	-	-
Valuation Ratios (x)				
P/E (Adjusted)	NC	-	10.4	6.8
P/BV (Adjusted)	2.0	1.8	1.6	1.3
EV/EBITDA	9.6	5.3	3.4	2.3
EV/Sales	0.7	0.7	0.5	0.3
Return/Profitability Ratios (%)				
EBITDA Margin	6.9	12.5	13.5	15.3
Net Income Margin (Adjusted)	(3.5)	(26.4)	(0.6)	3.1
RoCE	(2.0)	4.4	10.2	13.6
RoNW	(19.1)	(26.1)	15.7	19.5
Dividend Payout Ratio	-	-	3.1	4.1
Dividend Yield	-	-	0.3	0.6
Solvency/Wkg. Cap. Ratios (x)				
Net D/E	1.0	1.0	0.5	0.2
Debt/EBITDA	5.9	3.9	2.5	1.7
Current Ratio	1.3	1.3	1.4	1.5
Quick Ratio	0.9	0.8	0.8	0.9
Inventory (days)	54	54	42	41
Receivables (days)	36	45	39	38
Payables (days)	94	112	90	85

Source: Company data, I-Sec research

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