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Tata Motors Ltd

Tata Electric Vehicle Unit (TPEML) plans \$1-2Billion IPO in FY25-26

- Tata Passenger Electric Mobility Limited (TPEML), a subsidiary of Tata Motors coming up for an IPO. Over the 12-18 months.
- Subsidiary is planning to raise \$1-2 Billion for a strategic push. And last year, January,2023, \$1Billion funding from the Private Equity Company and another Tranche of \$2 Billion by 2026
- This leading Carmaker in India has a market share of more than 80% and sold over 53,000 EV units so far in FY2024.
- Given the Government push for Electric mobility and growth potential with good sales figures, There is good opportunity.

Source: Livemint

Q3 FY2024 Result Update

- Reported a Revenue of Rs 1,10,577 crore for Q3FY24, a growth of 24.9% compared to the year-ago period Jaguar Land Rover segment was the top selling segment (22%), followed by Commercial Vehicle (19%) and Passenger Vehicle (10%).
- EBITDA reported by the company was Rs 15,800 crore, up 60.6% YoY. The EBIT reported was Rs 9,200 crore All the vertical are continuing their Profitable Growth Trajectory
- Company posted a net profit of Rs 7,025 crore in Q3FY24, up 137%. The firm's net profit more than doubled sequentially. In the year-ago period, the company has a profit of Rs 2,958 crore.

Source: Company Filings, ICICI Direct

Peer Comparison

Companies	Mcap	LTM Multiples			FY24 Multiples			FY25 Multiples		
		EV/SALES	EV/EBITDA	P/E	EV/SALES	EV/EBITDA	P/E	EV/SALES	EV/EBITDA	P/E
Tata Motors	290500	1.09x	10.04x	120.49x	0.99x	8.15x	76.29x	0.93x	6.59x	54.48x
Maruti Suzuki India Ltd	334033	2.79x	25.10x	39.14x	2.43x	21.52x	32.20x	2.04x	17.18x	26.68x
Mahindra & Mahindra	204724	2.32x	12.14x	19.24x	2.14x	9.30x	15.69x	1.85x	6.71x	14.49x
Ashok Leyland Ltd	51450	1.93x	15.62x	3.90x	1.80x	13.99x	2.59x	1.70x	12.83x	2.24x
Bajaj Auto Ltd	216665	5.64x	26.38x	35.75x	5.05x	24.46x	35.36x	4.66x	2.32x	34.51x
Force Motors Ltd	5172	1.05x	9.74x	38.70x	0.87x	9.06x	27.33x	0.79x	6.97x	22.89x

Source: Own Calculation

CMP : 958

Target: 1148 (19%)

Key Data

CMP	₹958
Market Cap	₹3,50,241
Book Value	₹161
Face Value	2.00
P/E ratio	17.4
Industry P/E ratio	78.62
BSE Code	500570
NSE Ticker	TATAMOTORS

Industry

Sector	: Automobile
Sub Sector	: LCVs/HCVs
Classification:	Large cap.

Financials Summary

Y/E DEC	FY23A	FY24F	FY25F
Sales	3,52,354	3,85,290	4,12,655
EBITDA	38,143	46,955	58,111
Net Profit	2,414	3,815	5,345
EV/EBITDA	10.04x	8.15x	6.59x

Shareholding pattern (%)

As On	Dec-23	Sep-22
Promoter	46.47%	63.90%
FII	18.62%	26.45%
DII	17.25%	3.42%
Public	17.70%	6.20%

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Website to Download Full Report:

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Aftermarket Service in Automobile sector

- Beyond the Vehicle sales, the company also generates a good source of income on maintenance, repairs, and the sale of spare parts. These After sale services not only contributes to ongoing services but also plays a pivotal role in promote customer loyalty and shaping brand perception.
- The sale of vehicle marks just a beginning of a relationship between the automaker and the consumer. Aftermarket services offer a diversified revenue stream, providing a continuous source of income beyond the one-time transaction of a new vehicle.
- The Revenue after One-Time Transactions (Sale of Vehicle) is natural in this Industry. consumers who find consistent, high-quality services are more likely to return to the same brand for their next vehicle purchase and spread positive word-of-mouth.

Source: Company Filings, Fortune India

Key Revenue Segments

Product Wise Breakup

Particular	2020A	2021A	2022A	2023A	2024F	2025F
Commercial Vehicle	36,329	33,104	52287	70815	93,543	1,17,688
Passenger Vehicle	10,481	16,606	31514	47867	61,099	79,311
Jaguar Land Rover	2,08,040	1,93,822	187,696	222,859	244,199	268514
Financing	4,295	4,490	4,584	4,595	46055	4625

Source: Company Filings

CAPEX: Growth

- Company has planned Rs 8000 crore so far for the CAPEX this year, and out of 6,000 crore has already been spent.
- Management has planned to bring out the new products, Charging Infrastructure and creating an ecosystem for EV.
- Company has also acquired Sanand plant from Ford

Source: Company Filings

Baby kehndi pehle Jaguar lelo, Phir jinna marzi pyaar lai lo

- Finally the JLR buyout **has turned out to be favorable outcome for Tata Motors and have paid off**,
- Ranger Rover is up by 20% YoY, Defender is up by 46% YoY and Jaguars and Discoveries are up by 9% YoY,
- After acquiring **JLR in 2008, Tata Motors' debt piled up to ₹21,900 crore. As JLR moves to achieving a net debt to zero by fiscal 2025.**
- The Tata Group has **hiked JLR's margin guidance from 6% to 8% for FY24.** The luxury **carmaker targets 10% EBIT margin by FY26.** The 10% margin will be delivered through revenue growth, quality of sales, new platforms and continued focus in maintaining lower break-evens

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Financial Summary

Profit and Loss Statement

Amt is in INR (Crore) Only

Particulars	2020	2021	2022	2023
Sales	264,179.78	253,147.52	281,617.50	352,534.97
<i>Growth %</i>		<i>-4%</i>	<i>11%</i>	<i>25%</i>
EBITDA	18,088.78	21,169.60	27,144.14	38,143.39
<i>Growth %</i>		<i>17%</i>	<i>28%</i>	<i>41%</i>
Depreciation/Amortization	21,425.43	23,546.71	24,835.69	24,860.36
<i>Growth %</i>		<i>10%</i>	<i>5%</i>	<i>0%</i>
PBIT	-3,336.65	-2,377.11	2,308.45	13,283.03
<i>Growth %</i>		<i>-29%</i>	<i>-197%</i>	<i>475%</i>
Interest & Other Items	7,243.33	8,097.17	9,311.86	10,225.48
PBT	-10,579.98	-10,474.28	-7,003.41	3,057.55
<i>Growth %</i>		<i>-1%</i>	<i>-33%</i>	<i>-144%</i>
Taxes & Other Items	1,490.87	2,977.11	4,438.06	643.26
Net Income	-12,070.85	-13,451.39	-11,441.47	2,414.29

Source: Company Filings

Balance Sheet Statement

Amt is in INR (Crore) Only

Particulars	2020	2021	2022	2023
Assets				
Cash and Short Term Investments	44,588.51	65,843.65	63,378.41	55,853.87
Total Receivables	11,172.69	12,679.08	12,442.12	15,737.97
Total Inventory	37,456.88	36,088.59	35,240.34	40,755.39
Other Current Assets	26,369.17	32,276.32	35,916.67	39,181.24
Current Assets	1,19,587.25	1,46,887.64	1,46,977.54	1,51,528.47
Net Property/Plant/Equipment	1,22,498.95	1,09,997.99	1,00,229.28	1,01,037.58
Goodwill & Intangibles	40,230.48	49,673.55	48,877.26	45,316.68
Long Term Investments	5,446.94	5,569.09	6,670.31	7,540.85
Deferred Tax Assets (Net)	3,516.03	2,964.46	2,312.41	3,777.72
Other Assets	28,899.74	26,477.18	23,994.69	25,473.13
Non Current Assets	2,00,592.14	1,94,682.27	1,82,083.95	1,83,145.96
Total Assets	3,20,179.39	3,41,569.91	3,29,061.49	3,34,674.43
Accounts Payable	70,030.10	73,369.08	64,382.91	75,853.30
Other Current Liabilities	70,423.95	84,380.10	86,299.90	79,174.03
Current Liabilities	1,40,454.05	1,57,749.18	1,50,682.81	1,55,027.33
Total Equity	63,892.09	56,820.21	48,832.30	52,599.51
Total Liabilities & Shareholder's Equity	3,20,179.39	3,41,569.91	3,29,061.49	3,34,674.43

Source: Company Filings

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Financial Summary

Cash Flow Statement

Amt is in INR (Crore) Only

Particulars	2020	2021	2022	2023
Cash from Operating Activities	26,632.94	29,000.51	14,282.83	35,388.01
Cash from Investing Activities	-33,114.55	-25,672.50	-4,443.66	-15,417.17
Cash from Financing Activities	3,389.61	9,904.20	-3,380.17	-26,242.90
Changes in Working Capital	3,280.46	-2,197.13	-12,659.94	-6,306.12
Capital Expenditures	29,702.03	20,205.40	15,168.42	19,230.17
Free Cash Flow	-3,069.09	8,795.11	-885.59	16,157.84

Financial Ratios

Particulars	2020	2021	2022	2023
Return on Assets %	0.1%	1.7%	0.4%	1.9%
Return on Capital %	0.1%	2.8%	0.7%	3.2%
Return on Equity %	(19.2%)	(22.2%)	(21.2%)	5.1%
Total Asset Turnover	0.8x	0.8x	0.8x	1.0x
Fixed Asset Turnover	3.0x	2.7x	3.0x	3.8x
Inventory Turnover	3.9x	4.0x	4.6x	5.5x
Current Ratio	0.9x	0.9x	1.0x	1.0x
Quick Ratio	0.5x	0.7x	0.7x	0.7x

Source: Own Calculation

Key takeaways from Valuations and it's Risk

- Company Top Line has been increased by more than 25%, The Jaguar Land Rover has contributed tremendously and become top revenue driver for the Company.
- Inventory days are decreasing over the period of time reflecting optimized supply chain management.
- Improved Return on Assets and Return on Capital signify effective utilization of resources, driving profitability
- Increase in CAPEX, reflects more growth and led to more future earnings for its shareholders.

Source: Own Analysis

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Valuation and Risk

Sum of the Parts Valuation

Amt in INR (Rupees only)

SoTP Value	Valuation Parameter	Multiples	Enterprise Value
Commerical Vehicle	EV/EBITDA	15.2x	80,711.70
Passenger Vehicle	EV/EBITDA	15.2x	47,516.72
Jaguar and Landrover	EV/EBITDA	15.2x	363,664.41
Vehicle Financing	P/BV	2.7x	4,203.63
Unallocable	EV/EBITDA	12.0x	(2,284.80)
Intersegment	EV/EBITDA	12.0x	16,837.56
Others	EV/EBITDA	12.0x	11,082.12

Total Enterprise Value	5,21,731.33
Less: Debt	1,27,864.00
Add: Cash	40,554.00
Total Equity Value	4,34,421.33
Shares Outstanding	332
Value per Share	1,308.50

Trading Comps Valuation

Amt in INR (Rupees only)

Particulars	CCM-High	CCM-Low
Trading Comps Range	270.58	1850.84

Source: Own Calculation

Key takeaways from Valuations and it's Risk

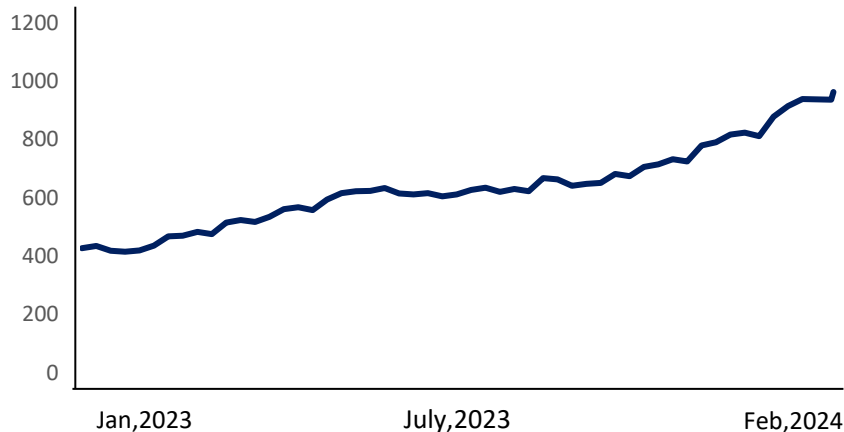
- After conducting a comprehensive SOTP Valuation for Tata Motors Ltd, we have determined an intrinsic value of 1308.50 per share. With the current market price at 965, **our analysis suggests a potential undervaluation, presenting an attractive opportunity for investors seeking upside potential in Tata Motors stock.**
- Simultaneously, I have applied the Trading Comps Model, benchmarking Tata Motors Ltd against industry peers through key multiples like P/E and EV/EBITDA. **The Trading Comps Model suggested a valuation range of Rs 270.56 to Rs 1850.84 per share**, offering valuable insights into TaMo competitive standing within the market.
- As I present this valuation, it is crucial to recognize the dynamic nature of the market. Regular monitoring and reassessment will be essential to adapt to evolving risks and market conditions.

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Price Performance

Tata Motors Price Chart (Jan,2023 – Feb,2024)



Source: Yahoo Finance

Technical Analysis Trends

Particular	Short Term	Medium Term	Long Term
Trend	Bullish	Bullish	Bullish
Resistance	972	996	1323
Support	950	934	894

Source: Own Analysis

Historical Performance

Data is on Daily Basis

1 Week	2.70 %
1 Month	8.88 %
3 Months	23.43 %
YTD	21 %
1 Year	128 %
5 Years	433 %

Source: Moneycontrol

Pivot Levels

Data is on Daily Basis

Type	R1	R2	PP	S1	S2
Classic	944	951	937.55	930	923
Fibonacci	943	946	937.55	932	928
Camarilla	938	939	937.55	935	934

Source: Moneycontrol

Moving Average

Data is on Daily Basis

5	938
10	932
20	921
50	840
100	754
200	674

Source: Moneycontrol

Key takeaways from Price Performance

- The price chart for Company indicates a Bullish trend over the 1 day timeframe.
- The stock has experienced a consistent upward movement, reflecting positive investor sentiment and strong market demand especially after the Q3 results of FY2024.
- Notable support levels include 932 and 928 where the stock has shown resilience and rebounded in the past.
- A notable Breakout has been observed in Tata Motors in a Daily timeframe.
- The Stock has become Multibagger from last 5 Year's and has delivered more than 433 %.

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