

# Equity Research Report

## Tata Motors Ltd

### Announces de-merger of CV & PV (incl. EV) business.

#### About The Company

Tata Motors Ltd (from now on referred to as "Tata Motors" or "The Company"), a USD 42 billion organization, is a leading global automobile manufacturer of trucks, buses, utility vehicles, cars, and Defense vehicles headquartered in Mumbai, India. The company designs, manufactures, sells, and services various automotive vehicles. It also manufactures engines for industrial and marine applications. Tata Motors is the largest player in the CV and EV segment, and the third-largest in the PV segment in India.

Tata Motors was incorporated in 1945 with the name of Tata Engineering and Locomotive Co. (TELCO) for manufacturing Locomotives. In 2020, Tata Motors introduced India's First Electric SUV, the Nexon EV. In 2022-23, Tata Motors launched India's first CNG vehicle in the MHCV category, "Tata Ace EV" India's first mini electric truck, and India's first Bi-fuel (CNG+Petrol) pick-up truck "Intra V20 Bi-fuel".

Tata Motors has its main operations in the United Kingdom, South Korea, South Africa, Thailand, Indonesia, and India through 90 consolidated subsidiaries, 2 joint operations, 4 joint ventures, and 11 associates. The Company has fifteen Manufacturing sites in India, five in The United Kingdom, and Two in Europe. In addition, three Research and development sites in India and the United Kingdom, and one in Europe.

#### Brief Overview

The Revenue is ~Rs. 1,05,000 crore for Q2FY24 with an EBITDA and EBIT are 13.5% and 7.5% respectively. The H1FY24 is moderate due to the production constrained of Range Rover as two two-week plant summer shutdowns and no new launches in the PV and EV segments.

However, H2's performance is likely to improve as the company has a tailwind on the supply side, The shortage of semiconductors has eased out, and material prices have become normal. In the CV Segment, M&HCV, ILMCV, and Passenger are growing month over month. So going ahead, the company will focus on realization improvement and volume growth.

In the PV segment, The company launched Punch iCNG, Tigao, and Tigor this quarter. Nexon CNG, Safari CNG, and Harrier CNG were launched in October 2023. The company would plan to ramp up the supply for the new launches to drive volume growth.

#### Key Highlights

- Top line growth of 24.2% on a YOY basis was achieved for FY23 and growth of 25.0% QoQ basis in Q3FY24.
- Tata Motors had three classes of share outstanding which are ADR, Ordinary shares, and DVRs. In which ADRs were delisted from NYSE on Jan 2023. Tata Motors announced the cancellation of "A" ordinary shares (DVRs) from NSE and BSE.
- Tata Motors announced the demerger of Tata Motors Ltd. into two separate listed companies housing. A) the Commercial Vehicles business and its related investments in one entity and B) the Passenger Vehicles business including PV, EV, JLR, and its related investments in another entity.
- Tata Motors has acquired a 26.79% stake in Freight Tiger in Rs. 150 cores and in the next two or three years, the company will invest an additional Rs. 100 cores as required.

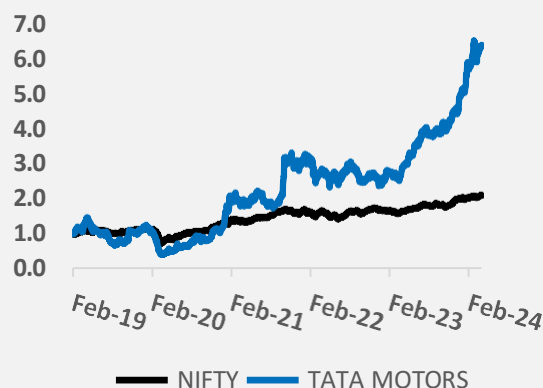


Recommendation	: xxx
CMP	: INR xx
Target Price	: xxx

#### Stock Data ( as on xxx)

NIFTY	: 21,743.3
52 Weeks H/L (INR)	: 950.0/400.5
Market Cap (INR Crs)	: 3,31,884
Outstanding Shares (Crs)	: xxxxx
Dividend Yield (%)	: xxxxx
NSE Code	: TATAMOTORS

#### Relative Stock Performance – 6Yr



#### Absolute Returns

1 Years	: 105.62%
3 Years	: 178.70%
5 Years	: 485.10%

#### Shareholding Pattern (as on Dec 31, 2023)

Promoter	: 46.4%
FII	: 18.6%
DII	: 17.4%
Public	: 17.6%

#### Financial Summary

In INR Crs	FY23	FY24E	FY25E
Net Revenue	345967.0	435324.3	471900.0
<b>YOY Growth %</b>	<b>24.2%</b>	<b>25.8%</b>	<b>8.4%</b>
EBITDA	31815.8	60454.6	67760.0
<b>EBITDA Margins (%)</b>	<b>9.2%</b>	<b>90.0%</b>	<b>12.1%</b>
PAT	2353.5	19600.0	22812.2
<b>YOY Growth %</b>	<b>-120.9%</b>	<b>732.8%</b>	<b>16.4%</b>
ROE	5.2%	30.6%	27.4%
EPS (in INR)	7.1	52.9	62.0
EV/EBITDA	7.44x	6.20x	5.30x

Guided by: Parth Verma

Prepared by : Aadish Gangwal

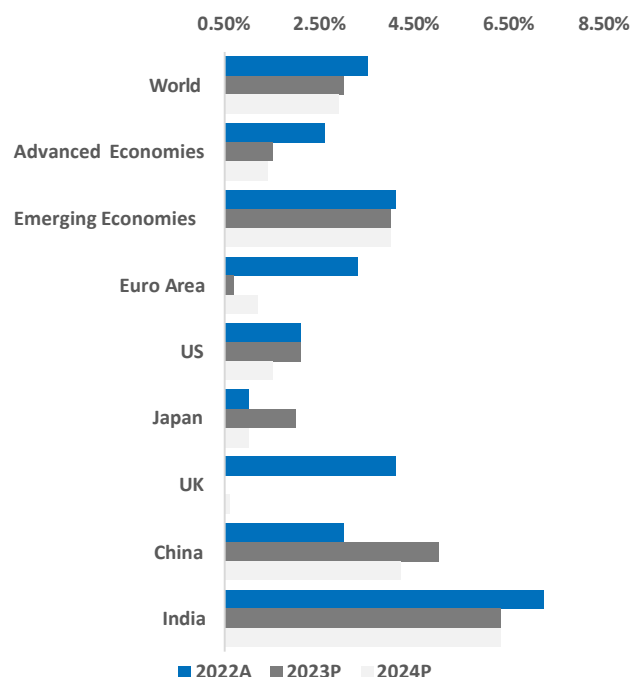
## Global Economy

The global economy was in the distress stage due to the blow of the pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. Economies are heavily dependent on Russian energy. The Energy market was disrupted by the war which led spike in energy Prices. Simultaneously, the massive tightening of monetary policy by most of the central banks has started to control inflation. Conversely, the rapid rise in interest rates has contributed to stresses in parts of the financial system raising financial stability concerns. Economic activity still falls short of its pre-pandemic path. Several forces are holding back the recovery which are the long-term consequences of the pandemic, the war in Ukraine. Others are more cyclical, including the effect of monetary policy tightening, and extreme weather events.

Due to the above issue, Advanced economies are projected to slow from 2.6% in CY22 to 1.5% in CY23 and 1.4% in CY24. However, Emerging and developing economies are projected to have a modest decline in growth from 4.1% in CY22 to 4.0% in both CY23 and CY24, and Global Inflation is forecast to decline steadily from 8.7% in CY22 to 6.9% in CY23 and 5.8% in CY24. The baseline forecast is for global growth to slow from 3.5% in CY22 to 3.0% in CY23 and 2.9% in CY24.

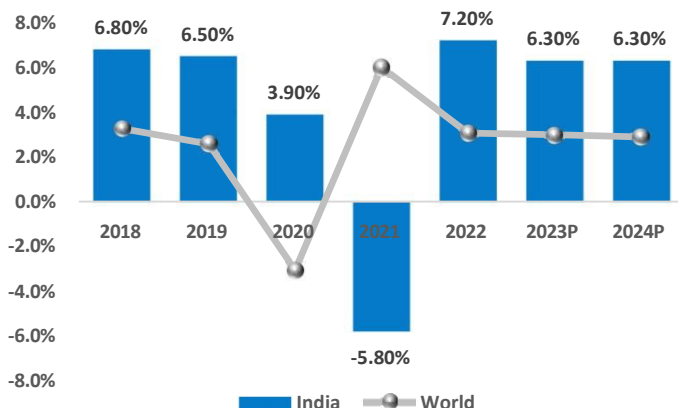
Source: IMF WEO, Company Analysis

## Global GDP Projection (%)



Source: IMF WEO, Company Analysis

## India vs Global GDP Growth



Source: IMF, World Bank, RBI

## Indian Economy

FY23 to become the fifth-largest economy in the world. According to IMF estimates, India will emerge as the world's third-largest economy by 2027. India aspires to be a developed economy by 2047.

India was one of the fastest-growing major economies in FY22/23 at 7.2% despite of challenging global environment. The growth was led by robust domestic demand, Strong public infrastructure investment, and a strengthening financial sector however the biggest boost came from the service sector, which grew by 10.3% in Q1FY24.

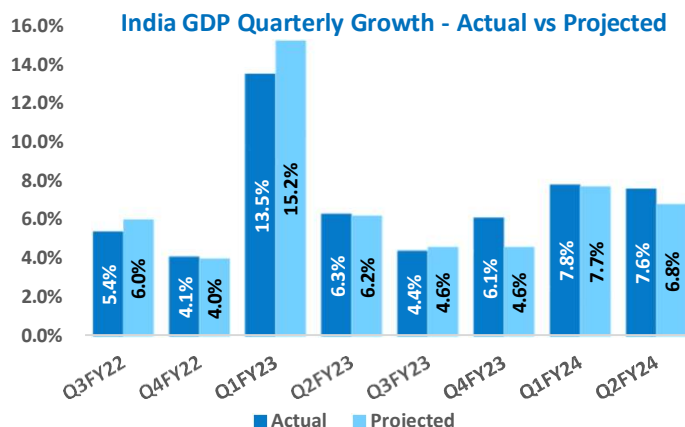
The World Bank forecasted India's GDP growth for FY 23/24 to be 6.3% whereas the RBI projected India's GDP growth for FY23/24 to be 7.3%. The expected moderation is mainly due to challenging external conditions and waning pent-up demand. However, service sector activity is expected to remain strong with growth of 7.4% and investment growth is also projected to remain robust at 8.9%.

The manufacturing sector has a share of 17.7% of the GDP, while the services sector has a share of 63.3%. The manufacturing sector is supported by the government via an initiated Production linked incentives scheme (PLIs) and heavy investment in Infrastructure.

On the demand front, urban consumption is flat while rural demand is showing signs of revival. Investment activity is benefitting from public sector capex. Strong growth is seen in imports and the production of capital goods. Further, inflation is expected to soften and within the targeted range soon.

Source: World Bank, RBI, Deloitte Article

## India GDP Quarterly Growth - Actual vs Projected



Source: IMF, World Bank, RBI

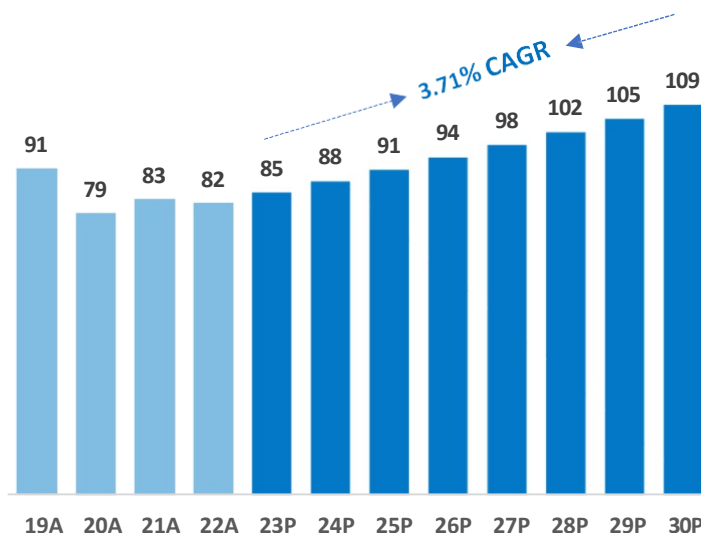
## Global Automobile Industry

The automotive manufacturing industry is ranked 1<sup>st</sup> out of all global manufacturing industries in terms of market size with 60 million vehicles produced each year which account for roughly 50% of global oil consumption. The current Global market for Automotive Manufacturing was valued at \$2.9 trillion in 2022 and it is currently growing at a CAGR of 3.1%. The industry is predicted to continue growing at a CAGR of 3.71% between 2020 to 2030, which will consist of a significant improvement in total production from 85.32 million units in 2020 to 122.83 million units in 2030.

Factors that lead to the growth of automobiles are the rising demand for low-emission vehicles, increasing consumer spending on safety and comfort features in automobiles, Increasing investment in public transport infrastructure, and the growing trend of electrification of automobiles along with the growing demand for premium vehicles. Region-wise, Asia-Pacific was the largest, the United States was the second largest, and Europe was the third largest manufacturer in 2022 accounting for 59%, 21%, and 19% share of global vehicle production in 2022 respectively. In contrast, China was the major player in Asia and worldwide accounting for 54% of Asia vehicle production and 32% of global vehicle production in 2022. Based on the Segment, Passenger vehicle was the leading segment globally in 2022.

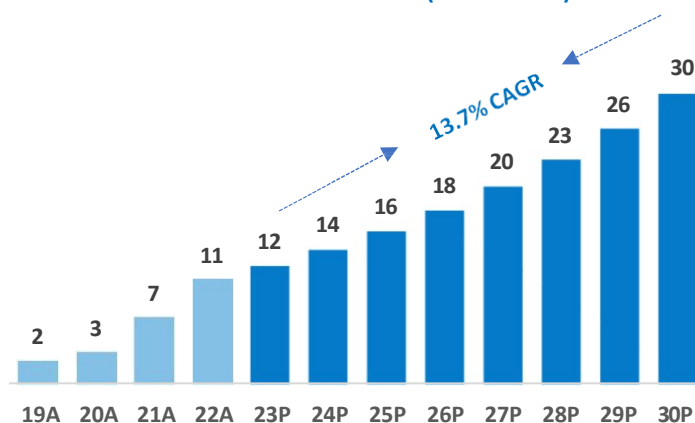
Source: Multiple Reports

## Global Automotive Sales Forecast (Units in Mn)



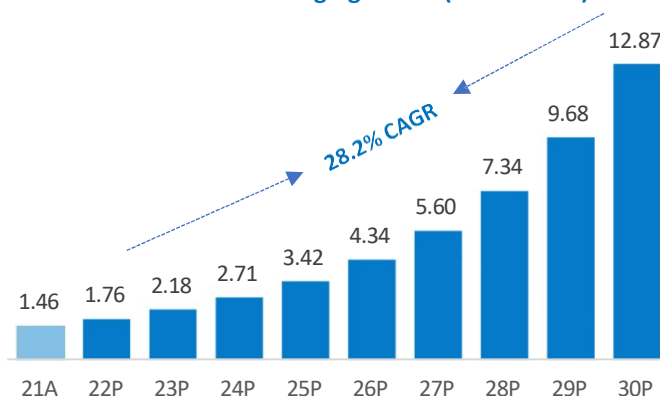
Source: OICA, AZO Report

## Global EV Sales Forecast (Units in Mn)



Source: IEA 50, Markets and Markets Report

## Global Forecast Charging Points (Units in Mn)



Source: Statista

## Global Electric Vehicles Market

The global EV market size was valued at USD 388.1 billion in 2023 and is expected to reach USD 951.9 billion by 2030 at a CAGR of 13.7% during the forecasted period 2023-2030. The unit volume of global EV sales is set to triple from 10.5 million in 2022 to over 31 million in 2027 and it is expected to more than double to over 74.5 million units in 2035. Electric vehicle sales were 14% of total global sales in 2022. China was the frontrunner once again, accounting for 60% of global electric car sales. In 2022, China has already exceeded its 2025 target for new energy vehicle sales.

Europe was the second-largest market with an increase in sales by 15% in 2022 and the United States was the third-largest Electric vehicle market with an increase in sales by 55%, reaching 8% of total sales in 2022. China would retain its position as the largest market for electric vehicles with 40% of total sales by 2030. The United States doubles its market share to 20% by the end of 2030, while Europe maintains its current 25% share. Two and three-wheelers are the most electric market segment in the emerging market and developing economies. China is the leading country for battery production, specifically heavy-duty battery production.

In 2022, there were 2.7 million public charging points globally of which 900,000 were installed in 2022, accounting for 55% growth from 2021., China dominated the AC charging and fast DC charging market in 2022. During the year, 360,000 slow and almost 297,000 fast charging points were installed in China. In 2022, 450,000 EV chargers are publicly available in Europe. By 2025, it's estimated that 1.3 million charging stations will be publicly accessible, and the number should grow to 2.9 million by 2030 in Europe.

Source: Multiple Reports

# Tata Motors Ltd



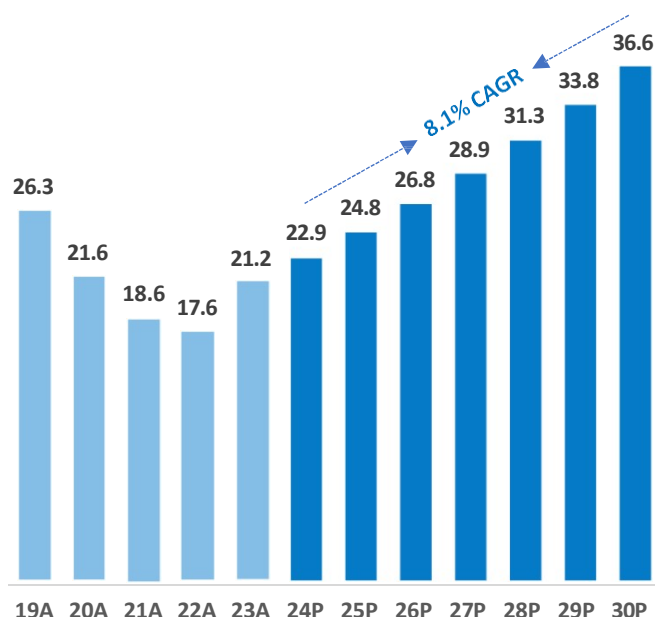
## Indian Automobile Industry

India's Automotive Market was valued at USD 100 billion in 2021 and is expected to reach USD 160 billion in 2027, registering a CAGR of 8.1% over the forecasted period (2022-2027). However, India became the third-largest automotive market in the world, surpassed Japan in 2022, and is only behind China and the USA. India is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's annual production of automobiles in FY 22 was ~22.93 million vehicles. Two-wheelers and passenger vehicles dominate the domestic Indian automobile market and account for 81% and 13% of the total unit sales respectively.

The Indian Passenger car market was valued at USD 32.50 billion in 2021, and it is expected to reach a value of US \$54.84 billion by 2027 while registering a CAGR of over 9% between 2022-27. India is also the third-largest passenger vehicle manufacturer in the world with 4.44 million. Only China and Japan are before India with 23.84 million and 6.57 million respectively. Passenger cars are dominated by small and mid-sized cars. Several initiatives by the Government of India such as the Automotive Mission Plan 2026, Scrappage Policy, and Production-Linked scheme in the Indian market are expected to make India one of the global leaders in the two-wheeler and four-wheeler market.

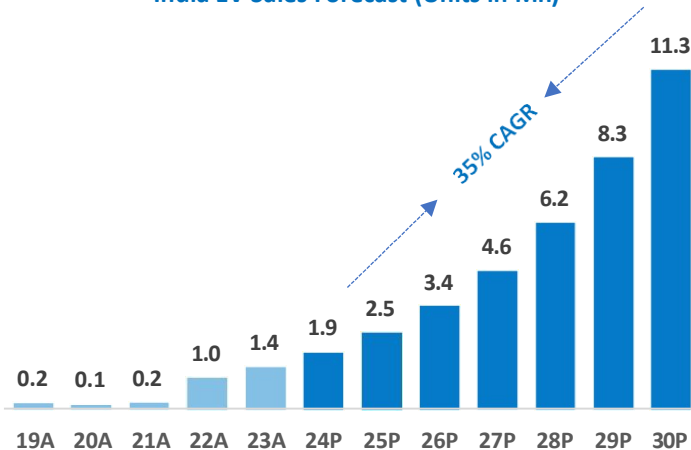
Source: IBEF, Invest India, Multiple Reports

## Indian Automotive Sales Forecast (Units in Mn)



Source: IBEF, Mordor Intelligence Report

## India EV Sales Forecast (Units in Mn)



Source: Mint, Statista

## Indian Electric Vehicles Market

Indian Electric Vehicle Market is projected to grow from USD 8674.45 million in 2022 to USD 23,514.54 million by 2031 at a CAGR of 23.47%. Electric Two-wheelers and three-wheelers own ~95% of the Indian EV Market, Electric two-wheelers comprise 54.48%, Electric three-wheelers consist 40.51%, and Electric Passenger vehicles comprise 4.63% in 2023.

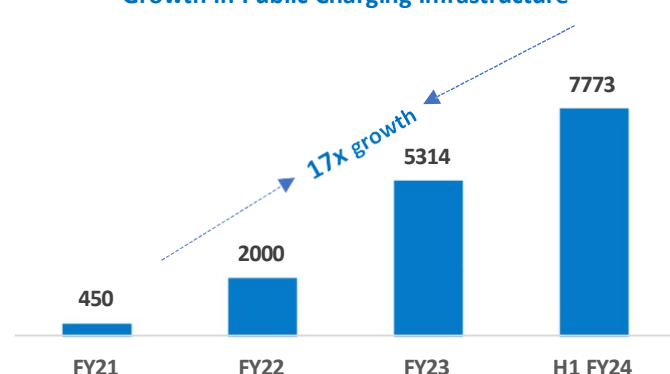
The Indian Government has set the target to achieve 30% electrification of the country's vehicles by 2030. Moving towards the target, The Government has introduced several Incentives and policies to support the growth of the EV industry. These are the Product Linked scheme, Faster Adoption of Manufacturing of Electric Vehicle Scheme – II (FAME – II), Scrappage Policy, and Tax exemption. These schemes directly and indirectly benefit the consumer and OEMs.

As of 31<sup>st</sup> March 2023, 6586 operational Public Charging Stations (PCS) are present in the country. In comparison with other regions, India significantly lags with other geographies on charging infrastructure, with roughly 200+ EVs per commercial charging point in the country, as compared to 20 in the US and less than 10 in China. In the second phase of the FAME-India Scheme, Rs. 1000 Cr. has been dedicated to expanding charging infrastructure.

The Electric vehicle market is highly dependent on the Battery market. As the Battery is the main component of the EV, EVs usually run lithium-ion batteries, which have exceptional longevity and good power of retaining energy. India heavily relies on imports of raw materials to make these batteries, lithium and cobalt are the minerals that India imports from China.

Source: Multiple Reports

## Growth in Public Charging Infrastructure



Source: Company Report

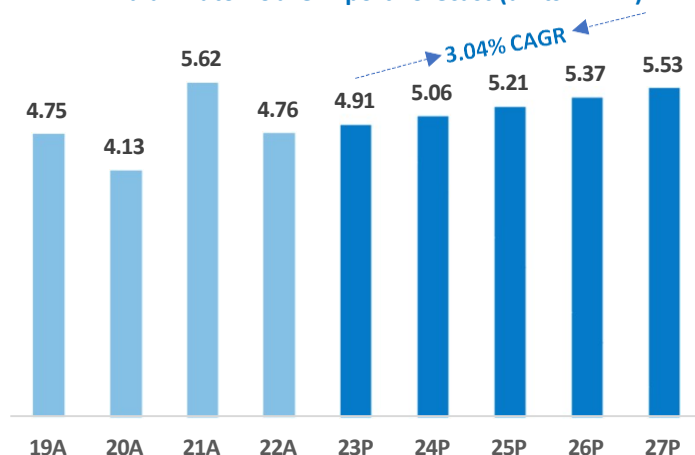
## Indian Automobile Export

A strong engineering talent base with low-cost manufacturing expertise helped India attract global manufacturers and become an export hub. India is the major exporter of automobiles worldwide, exporting 24% of total vehicles produced as of FY 22. India exported close to 5.6 million vehicles in FY22 which is an increase of 36% YOY compared with FY21. In value terms, vehicle and component exports stood at US\$ 23 billion as of FY22, representing 5% of the total exports. Automobile export volume and value grew at a CAGR of 8% and 7% respectively over FY 2017-22.

Major export destinations of Indian automobiles include- the US, South Africa, Mexico, Bangladesh, The UAE, Saudi Arabia, Turkey, Colombia, Brazil, Nigeria, Nepal, Indonesia, and the Philippines. According to the Ministry of Commerce and Industry's statistics, the US is a major export partner with close to US\$ 3 billion in exports as of FY22, followed by Mexico (US\$ 1.53 billion) and South Africa (US\$ 1.21 billion). Maruti Suzuki India and Hyundai are the country's first and second-largest exporters of passenger cars respectively. India's automobile exports grew by 15% in the fiscal year 2023. This figure will likely grow at a CAGR of 3.04% from 2023 to 2027.

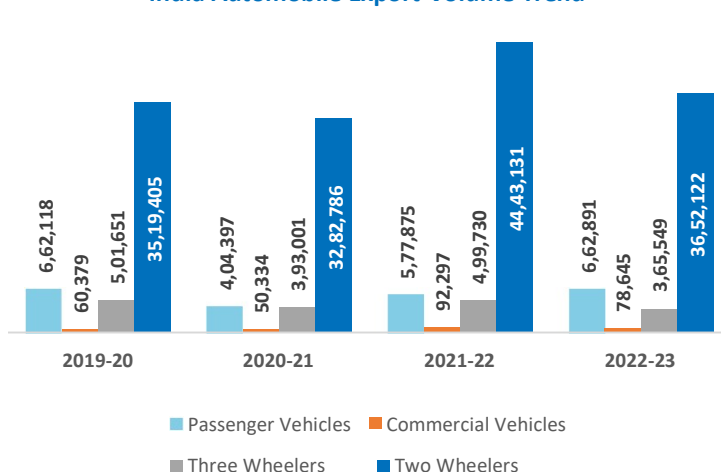
Source: IBEF, ACARA

Indian Automobile Export Forecast (units in Mn)



Source: SIAM, ACARA

India Automobile Export Volume Trend

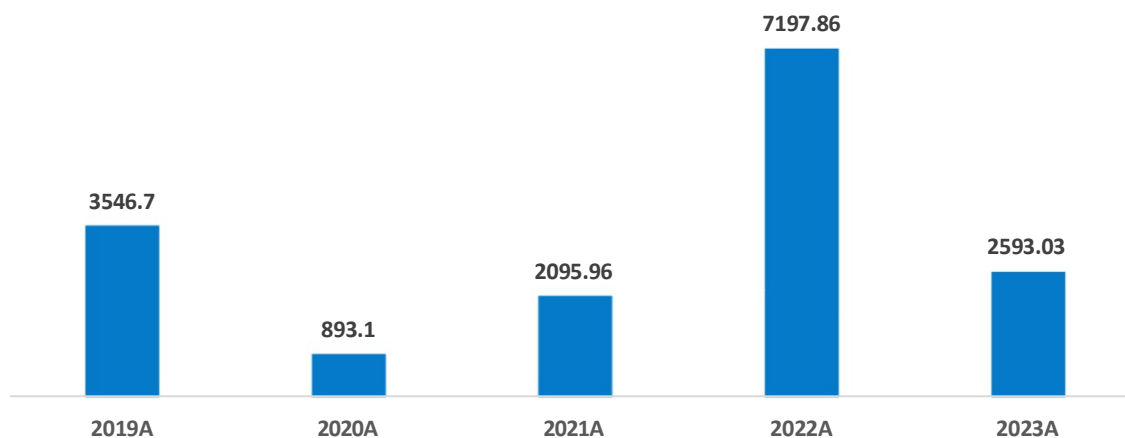


Source: SIAM

## Indian Automobile Import

Imports of Vehicles in India decreased to 2593.03 USD Million in 2023 from 7197.86 USD Million in 2022. Imports of Vehicles in India averaged 2308.14 USD Million from 1996 until 2023, reaching an all-time high of 7197.86 USD Million in 2022 and a record low of 58.14 USD Million in 2016.

Import Value of Automobile (in USD Mn)



Source: Trading Economics



## Quarterly Result Analysis – Q3FY24 and Q2FY24

### Financial Performance:

- Overall Revenue for Q2FY24 and Q3FY24 was ~INR 1,05,000 crores and ~INR 1,10,625 crores with an EBITDA margin of 13.7% for Q2FY24 and EBIT margin of 13.5% and 8.3% respectively for both quarters.
- Consolidated Free cash flow for Q2FY24 and Q3FY24 was INR 3900 crores and 6400 crores respectively.
- JLR reported revenue in Q2FY24 and Q3FY24 was GBP 6857 and GBP 7375 million with a PBT of GBP 877 million and GBP 627 million respectively.
- In Q3FY24, Net debt was INR 29,200 crore which Tata Motors India comprised INR 3,500 crore that will go to net Zero by the end of Q3FY24, and JLR consists of GBP 1.6 billion (INR 16,000 crore) would be cleaned out in the coming financial year.
- Non-vehicle business revenue also grew by 20% over Q2 of last year and 12% YOY.
- E-Dukaan has grown very handsomely 4 times over Q2 of FY 2023.

### Corporate Action:

- Tata Motors acquired a 27% stake in Freight Tiger with an investment of INR 150 crore for 26.79% and the company is planning to invest an additional INR 100 crore as required.

### Product & Development:

- Plant installed in the Sanand 2 with a capacity of 3,00,000 units which can be further extended up to 4,20,000. Production has already started from 10<sup>th</sup> Jan onwards and sold out almost 900 vehicles out of the Sanand plant.
- Tata Motor's PV segment introduced Punch.ev on advanced pure EV architecture in Q3FY24.
- By Integrating The Fleet Edge and Freight Tigers, The company can provide a comprehensive freight management solution.
- AVINYA (TPEM's premium pure electric SUV) will be developed by JLR's EMA Platform.
- The JLR's EMA Platform accelerates Tata Motors towards the adoption of advanced ACES technologies.
- JLR was in production constrained on Range Rover as JLR had a two-week plant shutdown in Q2FY24.
- Defender did extremely well with 30,000 units sold in the quarter and Jaguar was also up in Q2FY24.
- Range Rove, Range Rover Sport, and Defender together make 77% of Q2FY2's order book which was 1,68,000 units and in Q3FY24 was 1,50,000.
- Electric vehicles Curvv and Sierra are planned to be launched in 2024 and 2025 respectively.

### Commercial Vehicle:

- The market share improved from 39.1% to 39.7% in the Q2FY24.
- Heavies and ILMCV both sections are doing well however small commercial vehicles facing some challenges in Q2FY24.
- The business model of a small commercial vehicle transitioned into a B2C kind of thinking.
- Passenger carriers grew, that is buses and vans grew by almost 32% in Q2FY24.
- The CV Segment has been getting good traction on all products after the introduction of BS6 phase II and a lot of focus has been given to influencer advocacy.
- CV Business introduced more than 200 variants within quarter two to expand the portfolio.
- There was a tailwind due to the softening of commodities, especially steel and precious metal which impacted the margins.
- Focusing on cost reduction efforts and also improving realizations month over month is all that has helped in margin improvement.
- CV business shifted to a pull-based model from a push-based model – a VME-based push.
- Introduced subscription modules from the second quarter in Fleet Edge and saw good traction from the customers for the same.
- As of Q3FY24, 530,000 vehicles are connected with the fleet edge. Getting more than 50% penetration in the trucks and buses in the subscription model.

### Passenger Vehicle:

- Passenger vehicle's domestic market shares are at 13.4% in Q2FY24 and 14.6% in Q3FY24 and they have retained the No.2 Position in the Passenger vehicle market in India in Q3FY24.
- The first half of FY24 is going to be challenging for the PV business because new Vehicles are coming rear-ended while most of the competition has launched their products in the first half of FY24.
- Nexon, Harrier, and Safari are our most profitable products. Those were the ones where the PV business did see a volume challenge in Q2FY24.
- The revenue went down 3% for the above reason with an EBITDA up at 6.5% and EBIT at 1.8% in Q2FY24.
- Cost reduction from a reduction in battery prices that helped to maintain profitability in Q2FY24.
- It is important to note that 8% of the sales are now accounted for by the new nameplate launches in the industry.
- The structural shift that we have been seeing towards SUVs was further pronounced in quarter two, now it is at 50% plus share which is at the cost of the decline of hatches and sedans in the industry.
- PV business secured the No.2 position in the Hatch segment with 48,000 vehicles sold in Q2FY24, and this has come from the multi-powertrain strategy which is CNG, Electric, and petrol.
- Supply concern looks to be eased out particularly when we talk about the semiconductor.
- PV business had a 13% share in CNG in H1FY24 however this has grown to nearly 20%.
- JLR sold nearly 25000 Jaguars in the H1FY24. winding up the production of the current cars down as we move to the new fully electric Jaguar.

## Quarterly Result Analysis – Q3FY24 and Q2FY24

### Electric Vehicle:

- The EV industry has grown by 107% in H1FY24 whereas Tata Motors' EV segment grew by 76% in H1FY24.
- EV as a portion of the total portfolio sitting at 13% in Q2FY24.
- The EV business size is stepping up and the EBITDA of minus 5% or Rs.100 crore loss in this quarter.
- Almost this entire Rs. 100 crore is the product development expenses that are being charged off.
- 7800 chargers have been put out on the market. Out of which ~4000 to 4500 were installed on the highway.
- Still, 90% of customer are charging their car at home with either a dedicated charger in their parking slot or residential welfare association common charges.
- Oil marketing companies have Rs. 800 crore of subsidy provided by the government to put 22,000 chargers on the highways by 2024.
- JLR's The Range Rover Electric, order bank and waiting list is open and has 16,000 people that have already signed up to that waiting list.
- EV business has delivered almost 21% growth in Q3FY24.
- Launched the First two TATA.EV exclusive channels in Gurugram, plan to only sell EVs through these channels in the cities where we open them.

### Guidance & Outlook:

- JLR changed its guidance in terms of EBIT from prior guidance of 6% plus around 8%.
- PV & EV business would ramp up the supply of the new launches to drive volume growth in H2FY24.
- The PV and JLR's performance in H2FY24 is likely to improve further for three reasons. One, seasonality will start working in the company's favor, supplies are likely to improve particularly in JLR as well as in passenger vehicles, and passenger vehicles have a slew of new launches coming through.
- JLR has an unrecognized deferred tax asset worth GBP 1 billion in the Q2FY24 quarter.
- Anticipating the total sales of Passenger vehicles for FY24 to be 4 million.
- No Plan for fundraising on EV arms and we are well funded by TPGF Secures and PLI.
- Focusing completely on building out the EV ecosystem, Signed MOU for almost 17,000 public charges, and started with the first dedicated EV showroom in India.
- Anticipated only less than 5% growth in PV Business in FY 2025 due to the High base effect in previous years.
- Focusing on delivering Range Rover BEV to the customer in 12 months from Q3FY24.

Source: Company Report

### Management Analysis

Sr. No	Key Person	Designation	Qualification	Political Nexus ?	Negative News
1	Mr. P B Balaji (Pathamadai Balachandran Balaji)	Group Chief Financial Officer	Mr. Balaji is a graduate of the Indian Institute of Technology, Chennai, and has a post-graduate management degree from the Indian Institute of Management, Kolkata. Mr. Balaji started his career with Unilever in 1993 as a Management Trainee and has worked in several roles in Finance and Supply Chain over a period of more than 20 years. Mr. Balaji has served as the Vice President of Finance for the Home and Personal Care business in India and earlier as the Vice President of treasury from Mar 2009 to Feb 2011 for the AAR region based out of Singapore. He was the Chief Accountant of the Unilever Group in London from Feb 2011 to Oct 2013. Mr. Balaji was earlier the Vice President of Finance from Oct 2013 to June 2014 for Unilever America, Supply Chain, based out of Switzerland, responsible for the financial aspects of an 18 billion supply chain. he had been heading the finance function as the Chief Financial Officer of Hindustan Unilever from July 2014 to Nov 2017.	NO	NO
2	Mr. Girish Wagh	Executive Director	Mr. Girish Wagh completed his Engineering from Pune University. Thereafter, he completed his Post Graduation in Manufacturing Management from the S P Jain Institute of Management and Research. He started his career at Tata Motors as a Graduate Engineer Trainee (GET) in 1992. In his career of 29 years with Tata Motors, he successfully delivered game-changing projects including the Tata ACE – Mini Truck and the new generation cars including Nano, Bolt, Zest, Tiago, Hexa, and Tigor. For his excellent contribution to the automotive industry, Mr. Wagh was recognized as the "Rising Star" by Automotive News Europe in 2011 and was recently awarded "CV Man of the Year" at the Apollo CV Awards 2020. Mr. Wagh has been President and Head of the Commercial Vehicle Business Unit - Tata Motors.	NO	NO

# Tata Motors Ltd



## Management Analysis

Sr. No	Key Person	Designation	Qualification	Political Nexus ?	Negative News
3	Mr. Shailesh Chandra	MD, Tata Motors Passenger Vehicles Ltd., and Tata Passenger Electric Mobility Ltd.	He is a mechanical engineer from IIT, BHU, Varanasi and therefore he completed his post-graduation from the S.P Jain Institute of Management & Research. He started his career in TML in 1995 and has over 28 years of experience in automotive production, design, and supply chain. In his robust career of 28 years, He has served as Production Manager, Senior Manager (vendor Development), and Divisional Manager at Tata Motors then General Manager & Assistant Vice president at Tata Sons, President of Passenger vehicle Business and Electric Mobility Business, and Currently serving as Managing Director of TMPVL and TPEML..	NO	NO
4	Mr. Rajendra Petkar	President & Chief Technology Officer	Mr. Rajendra Petkar is the President & Chief Technology Officer (CTO) and member of the Tata Motors Executive Committee (Excom). he heads the Engineering Research Centre Head (ERC) and is responsible for leading the Product Development & Engineering function that involves design and development of a vast range of vehicles & components for the company's product portfolio. In his previous role as Head of the Power Systems Engineering (PSE) Division at ERC, he was responsible for the design & development of engines, transmissions, and advanced powertrain concepts for the entire value chain of products. He commenced his journey with Tata Motors in 1989 as Post Graduate Trainee Engineer. With an illustrious career spanning over 29 years of research & development. Mr. Petkar is an Alumni of the Indian Institute of Technology Bombay with Post Graduation – M Tech with specialization in Thermal and Fluid Engg.	NO	NO
5	Mr. Ravindra Kumar G.P	President & Chief Human Resources Officer	Mr. Ravindra Kumar has an experience of almost 20 years in Human Resources. he was working with GE as CHRO – South Asia region. He started his career as an HR manager with Asian Paints and he has been working with Asian Paints and working with GE for the last 18 years. He joined the company as the organization and staffing manager in 2001. Since then he has moved up the ladder of success and honed his skills in various roles in the HR function. He completed his master's in human resources from the Tata Institute of Social Science, Before which he did his graduation and also obtained a master's degree in political science from Bangalore University of Hyderabad, respectively.	NO	NO
6	Mr. Rajesh Kannan	President & CDIO	Mr. Rajesh Kannan holds a B.Tech in Chemical Engineering from Anna University, Chennai, and a Master in Computer-Aided Design in Chemical Engineering from the Indian Institute of Technology, Mumbai. He is a Certified SAFE4 Agile practitioner and CGEIT(Certified in Governance of Enterprise IT) from ISACA. Before joining Tata Motors Limited, He was working with Tata Consultancy Services Limited as the vice president and business unit head of Service Design and Transformation. With 20 years of expertise, Rajesh Kannan excels in driving transformative, comprehensive digital and IT projects for worldwide organizations in various sectors, including retail, consumer products, media, advertising, banking, insurance, and financial services.	NO	NO

Source: Company Analysis, Internet

## Key Management of Jaguar Land Rover

Sr. No	Key Person	Designation	Qualification	Political Nexus ?	Negative News
1	Mr. Adrian Mardell	Interim CEO JLR	He joined JLR in 1990, holding a variety of financial positions until 2008 When he became the Deputy Chief Financial Officer. He was appointed to the position of interim CEO on 16 Nov 2022 for 3 Yrs. Adrian was JLR's CFO from 2019. He is a qualified Chartered Accountant and has spent 30 years working in financial roles at JLR. His current role includes corporate finance, treasury, financial reporting, accounting, tax, internal control, and business support.	NO	NO



## Management Analysis

Sr. No	Key Person	Designation	Qualification	Political Nexus ?	Negative News
2	Mrs. Barbara Bergmeier	Executive Director, Industrial Operations	Barbara Bergmeier joined JLR as an Executive Director of Industrial Operations in July 2022. She leads JLR's operations, which incorporates the responsibilities previously and supply chain teams. This change consolidates accountability for the complete ecosystem of how the company produces vehicles in one place. Barbara joined JLR from Airbus Defence and Space, where she was Executive Vice president and Head of operations. Barbara previously worked for almost 25 years at the BMW Group in international roles including vice president of Chassis and Drive components and vice president of Assembly and Logistics.	NO	NO
3	Mr. Nigel Blenkinsop	Executive Director, Company Quality and Customer Satisfaction	Nigel was appointed as an Executive Director, Company Quality and Customer Satisfaction in October 2020, and is responsible for driving quality improvement across the business. In 2012, Nigel joined JLR as Director of Powertrain Manufacturing and subsequently held the positions of Director of Quality and Automotive Safety and Operation Director of the Solihull Manufacturing Plant. Nigel has 30 years of experience working for large-scale manufacturing organizations in the automotive and aerospace sectors.	NO	NO
4	Mr. Nick Collins	Executive Director, Vehicle Programmes	Nick Collins was appointed to the position of Executive Director, Vehicle Programs in November 2020, and leads all vehicle programs as well as product strategy and special vehicle operations, integrating the business to bring the Reimagine strategy to life. For the past 25 years, Nick has been at the forefront of the automotive teams in the UK, Germany, Brazil, and Turkey.	NO	NO
5	Mr. Richard Molyneux	Chief Financial Officer	Richard was appointed to the position of chief financial officer on 20th July 2023. Before this, Richard spent over six years as JLR's Finance Director of Operations where he was instrumental in establishing finance Business Partnering for Sustainability and Services. He joined JLR in December 2015. Before that, he had worked with McLaren Automotive & General Motors, Overseeing their UK and European operations. He also holds a first-class Bachelor's degree from the University of Oxford as well as an INSEAD MBA.	NO	NO
6	Mr. Francois Dossa	Executive Director, Strategy & Sustainability	Francois was appointed to the role of JLR's Executive Director, Strategy and Sustainability in June 2021, to accelerate the company's strategic intent around clean mobility and connectivity. Francois' most recent role was senior vice president of transformation and organization for Groupe Renault, focusing on the creation of solutions and systems to shape the future of mobility.	NO	NO
7	Mr. Thomas Muller	Executive Director, Product Engineering	Thomas Muller joined JLR as an Executive Director of Product Engineering in April 2022. He is responsible for the technical development of all new Jaguar and Land Rover models, including hardware and software. With more than 20 years of experience in the automotive industry. Before JLR, Thomas worked at the Volkswagen Group, Where he held a variety of engineering leadership positions at Audi. Most recently, He was Executive Vice President for Research and Development of ADAS and Autonomous Driving at Volkswagen Group's automotive software subsidiary, CARIAD.	NO	NO
8	Mr. Lennard Hoornik	Chief Commercial Officer	Lennard Hoornik was appointed to the role of JLR's Chief Commercial Officer, in July 2021, helping to drive innovation within the company. Lennard spent eight years at Dyson as Chief Commercial Officer and has also held senior roles for Sony, Sony Ericsson, and HTC. In his role at JLR, Lennard is responsible for all global sales and marketing activity for both the Jaguar and Land Rover brands.	NO	NO

## Management Analysis

### ❖ Independent Directors:

Sr. No	Name	Designation	Qualification	Political Nexus?	Negative News
1	Mr. Natarajan Chandrasekaran	Non-Executive Director and Chairman	Mr. Natarajan Chandrasekaran has completed a bachelor's in applied science and a Master's in Computer Application. He started his career with TCS as an intern in 1987. In September 2007, he was co-opted on the TCS board and named the Chief Operating Officer (COO) of the company and then he became the CEO in October 2009. He joined the Board of Tata Sons in October 2016 and was appointed Chairman in January 2017. Mr. Chandrasekaran also chairs the Boards of several group operating companies, including Tata Steel, Tata Motors, Tata Power, Indian Hotels, and Tata Consultancy Services (TCS). Mr. Chandrasekaran was also appointed as a Director on the Board of India's Central Bank, the Reserve Bank of India, in 2016. He has also served as the Chairperson of the Information and Communication Technology Industry Governors at the World Economic Forum, Davos in 2015-16. Mr. Natarajan Chandrasekaran is an active member of India's bilateral business forums including the USA, UK, Australia, and Japan. Currently, Mr. Natarajan Chandrasekaran is the Chairman of the Board of Tata Sons.	NO	NO
2	MR. OM PRAKASH BHATT	Non-Executive, Independent Director	Mr. OM Prakash Bhatt is a graduate in Science and a postgraduate in English Literature (Gold Medallist). OM Prakash Bhatt Started his career as a probationary officer in SBI in 1972. He also served as Managing Director of State Bank of Travancore from January 2005 to April 2006. Before becoming the managing director of the State Bank of Travancore, he was Chief General Manager of North-East Circle and within a year he lifted the circle from bottom to No. 1 position. He joined the chairman of SBI Group in June 2006. Under his leadership, SBI rose on the global list rankings of the Fortune 500. Mr. Bhatt has served as Chairman of the Indian Banks' Association, the apex body of Indian banks. He also served as India's economic diplomat as the government's nominee on the India-US CEO Forum, Indo-French CEO Forum, and Indo-Russia CEO Forum, forging links with a cross-section of the world's business leaders.	NO	NO
3	Ms. Hanne Sorensen	Non-Executive, Independent Director	Ms. Hanne Birgitte Sorensen holds an MSc in Economics and Management from the University of Aarhus. During the period from 1994 to 16, she was engaged in various roles within the A.P.Moller-Merks A/S Group in Denmark. From 2014 to 16 as the CEO of Damco, the Hague, Netherlands, a Supply Chain Management company specializing in retail, lifestyle, FMCG, technology, and chemicals, Damco is part of the A.P. Moller-Maersk Group, From 2012 to 13 as the CEO of Maersk Tankers, Copenhagen, the world's largest product tanker company and From 2008-12 as the Senior VP and Chief Commercial Officer of Maersk Line, Copenhagen, the world's largest container shipping company.	NO	NO
4	Ms. Vedika Bhandarkar	Non-Executive, Independent Director	Ms. Bhandarkar has an MBA from the Indian Institute of Management, Ahmedabad, and a B.Sc from MS University. She began her career with ICICI Bank in 1989 where she worked at ICICI Securities Ltd, a joint venture between ICICI and J.P. Morgan. In 1998, she joined J.P Morgan and served as the managing director and head of investment banking in the company till 2010. She was Vice Chairman and Managing Director at Credit Suisse Securities (India) Private Limited from 2010 to 2015, and also a part of the 7 member Credit Suisse Asia Investment Banking Department ('IBD') Operating Committee and the Global IBD Management Committee. Ms. Bhandarkar is the Chief Operating Officer of Water.org., a not-for-profit organization, overseeing the organization's strategy, growth, and water and sanitation program expansion in the country.	NO	NO

## Management Analysis

### ❖ Independent Directors:

Sr. No	Name	Designation	Qualification	Political Nexus ?	Negative News
5	Mr. Mitsuhiro Yamashita	Non-Executive, Non-Independent Director	Mr. Mitsuhiro Yamashita holds a Master's Degree in Aeronautical Engineering from Kyoto University and has also studied at the Massachusetts Institute of Technology (Advanced Research). He has 40 years of experience having worked in the Automotive Industry for the entire duration of his career. Mr. Yamashita joined Nissan Motor Co. Ltd. In 1979 as a Body Design Engineer and rose in the ranks becoming a Member of the Board of Directors and Executive Vice President supervising R&D in 2005. From 2005 to 2015, Mr. Yamashita led the R&D function and was involved in the development of electric vehicles, autonomous drive, and various other technologies to support Nissan's goal of achieving zero fatalities and zero emissions. In 2016, Mr. Yamashita was appointed as a Member of the Board and Executive Vice President (Development, Quality) for Mitsubishi Motors Corporation. In 2019, he was appointed as the Technical Advisor to Chairman, of Mitsubishi Motors Corporation.	NO	NO
6	Mr. Kosaraju Veerayya Chowdary	Non-Executive, Independent Director	Mr. Chowdary has done his graduation in Mathematics from Loyola College Chennai and Post Graduation in Mathematics from IIT, Chennai, and later joined the Indian Revenue Service in 1978. He held several executive positions and retired as Chairman of the Central Board of Direct Taxes. On Superannuation, he was appointed as an Advisor to the Department of Revenue, Ministry of Finance. Mr. Chowdary was the Central Vigilance Commissioner from June 2015 to June 2019. He was elected as a Member of the Executive Committee of the International Association of Anti-Corruption Agencies. He is a Member of the Advisory Board of Comptroller and Auditor General of India. He holds directorship in CCL Products (India) Limited, Divi's Laboratories Limited and Reliance Industries Limited.	NO	NO
7	Mr. Al-Noor Ramji	Non-Executive, Independent Director	Mr. Ramji was the Group Chief Digital Officer of Prudential plc from January 2016 to Jan 2022. Before 2016, Mr. Ramji was chief strategy officer of Calypso Technology, Inc., a global application software provider. From April 2010 to June 2013, he was the executive vice president and general manager at Misys Banking, at Misys PLC. From May 2004 to March 2010, he served in various executive roles at British Telecom, most recently as chief executive officer for BT Innovate and Design and Chief Information Officer of BT Group plc. Mr. Ramji holds a BSc in Electronics from the University of London and is a Chartered Financial Analyst.	NO	NO
8	Ms. Usha Sangwan	Non-Executive, Independent Director	Ms. Sangwan is a post-graduate in Economics, a PG Diploma holder in Human Resource Management, and a Licentiate from the Insurance Institute of India. Mrs. Sangwan joined LIC of India in 1981 as a Direct Recruit Officer and handled various important positions during her 37 years of stint in LIC, finally reaching the top position of Managing Director (2013-2018). Presently she is an independent director on the Board of Torrent Power, Trident Ltd, SBI Life, Axis Pension Fund, and Tata Technologies Ltd. She is also a member of the Financial Services Institutions Bureau of the Government of India constituted for the selection of Chairmen and MDs of Public Sector Financial Institutions. She is a member of the BCCI Diversity & Inclusion Committee and a chartered member of Equality (ex-Association of International Wealth Managers of India).	NO	NO

## Change in the Board (Appointment & Retirement)

- ❖ Mr. MITSUHIKO YAMASHITA (DIN:08871753), ceases to be a Non-Executive Non-Independent Director of the company, with an effect from October 27, 2023.

## Commentary

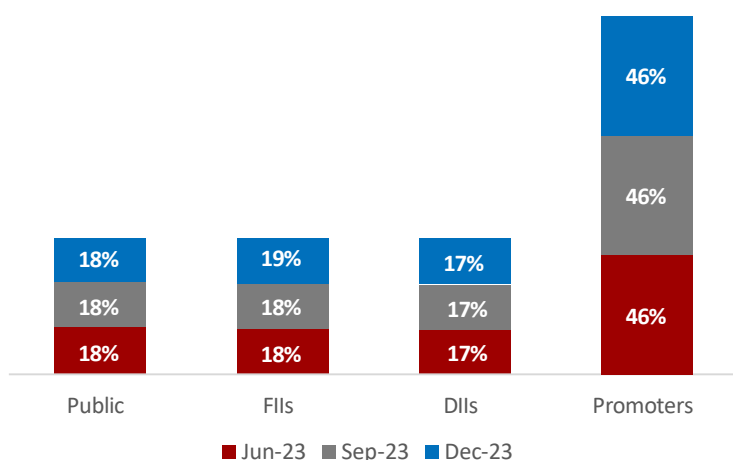
- ❖ The Company has strong management with vast experience, and technical expertise and graduated from the renowned university. They hold handsome knowledge about the business as they grew from the ground level of the company. Further, The independent directors come from diversified industries such as Finance, Law & Management.
- ❖ Based on our screening of publicly available data, we did not find any prominent political connections of leadership, and independent directors with national and regional political parties. Further, We did not find any conflict of interest of independent directors with the company, as reported.
- ❖ The current Chairman of Tata Sons and several group operating companies including Tata Motors and others. Mr. Natarajan Chandrasekaran joined Tata Consultancy Services in 1987 as an intern and was gradually promoted to his current designation in January 2017. The other members of the management were gradually promoted to his current designation, especially Mr. Girish Wagh, Mr. Shailesh Chandra, and Mr. Rajendra Petkar.
- ❖ Currently, the board consists of 8 directors out of which 6 are independent directors, i.e. 75% independent directors, 25% Board Diversity. The Board of Directors constitution is as per the provision of the Companies Act, 2013.

## Share Holding Pattern

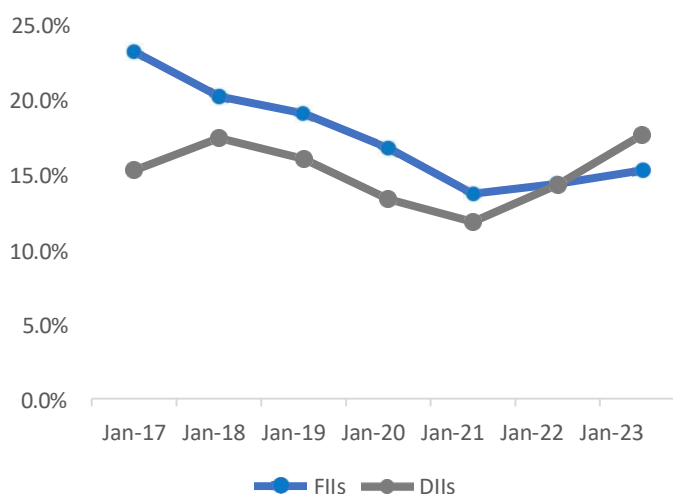
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Promoters	34.7%	36.4%	38.4%	42.4%	46.4%	46.4%	46.4%
FII's	23.2%	20.3%	19.1%	16.8%	13.8%	14.5%	15.3%
DII's	15.4%	17.5%	16.1%	13.4%	11.9%	14.4%	17.7%
Government	0.1%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Public	26.6%	25.7%	26.2%	27.2%	27.8%	24.6%	20.4%

Source: Screener.in

### Quarterly Shareholding pattern



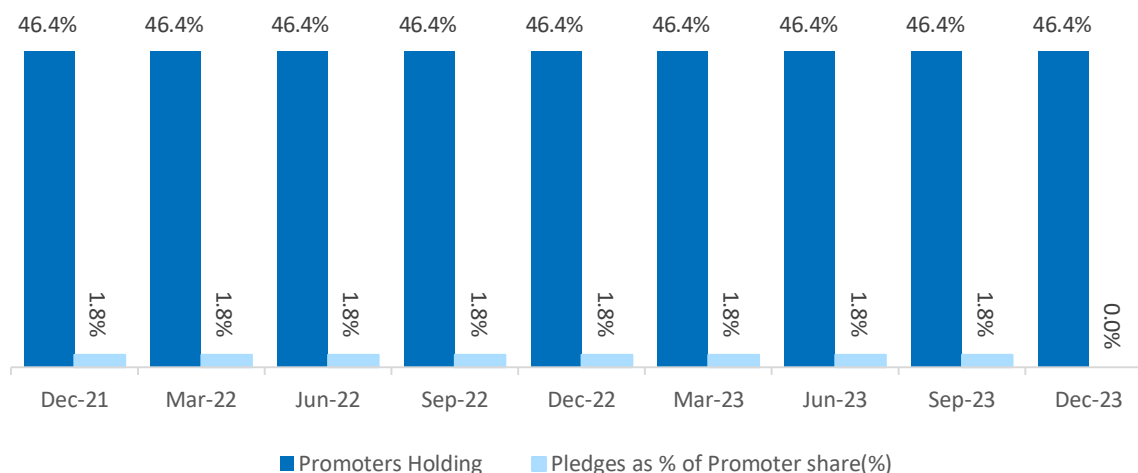
### Yearly FIIs and DIIs Shareholding



Source: Trendlyne, BSE

Source: Screener.in, BSE

## Promoter's Holding vs Pledge



Source: Trendlyne, BSE

### Commentary on the Shareholding Pattern

- ❖ The promoter released all its pledges in Q3FY24. Tata Motors has zero pledged shares in December 2023. As of Dec 2023, the promoter and Promoter group hold 43.7% and 2.7% respectively in the company. The promoter has diluted its insignificant 0.01% share over the quarter till Dec 2023.
- ❖ The Company has a majority shareholding with the institution & public to 53.47% as of Dec 2023. FIIs are holding 18.62%, DIIs are holding 17.25%, and Public and government are holding 17.60% and 0.14% respectively. FIIs increased their holding in the immediate last three quarters however DIIs and Public have diluted their shares in the last three quarters.
- ❖ Yearly, Promoter has increased its shares from 34.7% in March 2017 to 46.6% in March 2023. Though there is minor dilution in promoter holdings, it is not significant to conclude management's strategic exit from the company.
- ❖ We have checked the SEBI Promoter ceiling criteria of 75%. The Promoter and Promoter group's holding is 46.39% is well within compliance with the rule.

### Management Remuneration

During FY23, The company incurred managerial remuneration of INR 239.5 million as against INR 181.8 million in FY22 (31.7% increase in YOY basis). The Details are as under:

	Ratio of Remuneration to median employee salary	Designation	FY23	FY22	Ratio of Remuneration to median employee salary	YoY %	Growth YoY %
Mr. Girish Wagh	53.7x	Executive Director	58.6	44.5	31.6%	24.2%	76.2%
MR. PB Balaji	153.6x	Chief Financial Officer	167.4	127.3	31.5%	24.2%	76.2%
Mr. Maloy Kumar Gupta	12.4x	Company Secretary	13.5	10.0	35.7%	24.2%	76.2%
<b>Total</b>	<b>219.7x</b>		<b>239.5</b>	<b>181.8</b>	<b>31.7%</b>	<b>24.2%</b>	<b>76.2%</b>

Source: Company Analysis, Screener

Note: The remuneration of Girish Wagh for FY 2022 is for 9 months only as he joined the company as an Executive Director on 1 July 2021. Remuneration for the 12 months has been calculated.



# Tata Motors Ltd



Note: The remuneration of Maloy Kumar Gupta for FY 2022 is for 7 months only as he joined the company as a company secretary on 1 Sep 2021. Remuneration for the 12 months has been calculated.

- ❖ The ratio of KMP's remuneration with the median employee remuneration is **219.7x** for FY 2023, Whereas the median ratio of KMP's with the median employee remuneration for the peers stood at **322.5x** for FY 2023.
- ❖ We have observed variation in revenue growth of the company as growth in KMP remuneration. The revenue grew at 3% CAGR over the last 5 years and 11% CAGR over the last 3 years whereas the KMP remuneration has declined by -9% CAGR over the last 5 years and by -4% CAGR over the last 3 years. There was a pay cut in the CEO and MD's remuneration in 2020 due to the COVID-19 impact on the business.
- ❖ The remuneration has been decreasing in the last 5 years as there was a change in the Management. The CEO and MD, Mr. Guenter Butschek, and the company secretary (Mr. Hoshang Sethna) have resigned from the company which led to a reduction in the remuneration.

(Rs. in Lakhs)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	3 year CAGR	5 years CAGR
Managerial Remuneration	3,868	3,140	2,666	2,499	2,395	-4%	-9%
Managerial Remuneration Growth		-18.8%	-15.1%	-6.3%	-4.2%		
Sales	3,01,93,800	2,61,06,800	2,49,79,500	2,78,45,400	3,45,96,700	11%	3%
Sales Growth		-13.5%	-4.3%	11.5%	24.2%		

Source: Company Analysis, Screener

## Board Efficiency

Basis our research, The Board of Directors (BOD) has adequate representation of independent directors, industry experts, finance, legal experts, as required by the statute.

The efficiency of BOD can be gauged by their contribution to various important meetings held in FY23. The details are as under:

Name of Director	Category	No. of Board Meetings held in a year	No. of Board Meetings attended in a year	Attendance at the last AGM
Mr N Chandrasekaran	(C), NINED	6	6	YES
Mr Om Prakash Bhatt	ID	6	6	YES
Ms Hanne Sorensen	ID	6	5	YES
Ms Vedika Bhandarkar	ID	6	4	YES
Mr Kosaraju Veerayya	ID	6	6	YES
Mr Mitsuhiro Yamashita	NINED	6	6	YES
Mr Al-Noor Ramji	ID	6	5	YES
Mr Girish Wagh	ED	6	6	YES
Mr Thierry Bolloré	NINED	6	4	YES

(C) - Chairperson; NINED – Non-Independent Non-Executive Director; ID-Independent Director; ED – Executive Director

Source: Company Analysis

During FY23, the company has been supervised by the BOD efficiently as the majority of members of the board have attended all the board meetings which showed good participation by the board in key matters discussed during the year and held the company in making effective decisions.

Name of Director	Entrepreneur/ Leadership	Engineering & technology	Financial Expertise	Global Exposure	Automobile Industry Experience	Diversity	Mergers & Acquisitions	Board Services & Governance	Sales & Marketing
Mr Natarajan Chandrasekaran	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Om Prakash Bhatt	✓	-	✓	✓	-	✓	✓	✓	-
Ms Hanne Sorensen	✓	-	✓	✓	✓	✓	✓	✓	✓
Ms Vedika Bhandarkar	✓	-	✓	✓	✓	✓	✓	✓	✓
Mr Kosaraju Veerayya Chowdary	✓	-	✓	-	-	✓	✓	✓	-
Mr Mitsuhiro Yamashita	✓	✓	-	✓	✓	✓	✓	✓	-
Mr Thierry Bolloré	✓	✓	-	✓	✓	✓	✓	✓	✓
Mr Al-Noor Ramji	✓	✓	✓	✓	-	✓	✓	✓	✓
Mr Girish Wagh	✓	✓	-	-	✓	-	✓	✓	✓

Source: Company Analysis

## Tata Motors Ltd



### Income Statement Quarterly Snapshot

Particular (INR in Crores)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	88,489	1,05,932	1,02,236	1,05,128	1,10,577
Total Expenditure	77,668	92,818	89,018	91,361	95,159
<b>EBITDA</b>	<b>10,821</b>	<b>13,114</b>	<b>13,218</b>	<b>13,767</b>	<b>15,418</b>
<i>EBITDA Margine (%)</i>	<i>12%</i>	<i>12%</i>	<i>13%</i>	<i>13%</i>	<i>14%</i>
Depreciation	6,072	7,050	6,633	6,636	6,850
Interest	2,676	2,642	2,615	2,652	2,485
Other Income	1,130	1,362	684	1,507	1,410
Profit before Extra Ordinary Item	3,203	4,784	4,654	5,986	7,493
Extraordinary Expenses	-	-	-	-	-
<b>Profit Before Tax</b>	<b>3,203</b>	<b>4,784</b>	<b>4,654</b>	<b>5,986</b>	<b>7,493</b>
<i>Tax Rate (%)</i>	<i>8%</i>	<i>-13%</i>	<i>34%</i>	<i>37%</i>	<i>7%</i>
<b>Net Profit</b>	<b>3,043</b>	<b>5,496</b>	<b>3,301</b>	<b>3,832</b>	<b>7,145</b>
<i>Net Profit Margin</i>	<i>3%</i>	<i>5%</i>	<i>3%</i>	<i>4%</i>	<i>6%</i>

Source: Company Analysis, Consensus Estimate

### Income Statement Yearly Snapshot

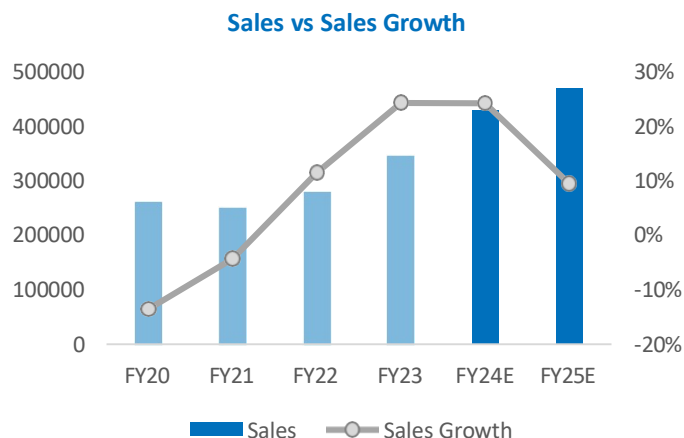
Particulars (INR in Crores)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,91,550	3,01,938	2,61,068	2,49,795	2,78,454	3,45,967	4,29,733	4,70,319
<i>YOY Change %</i>	<i>8.1%</i>	<i>3.6%</i>	<i>-13.5%</i>	<i>-4.3%</i>	<i>11.5%</i>	<i>24.2%</i>	<i>24.2%</i>	<i>9.4%</i>
Material Cost	1,98,254	2,08,337	1,80,137	1,67,363	1,92,133	2,38,717	2,74,438	3,00,088
Employee Cost	29,155	30,194	26,107	24,980	27,845	34,597	41,755	44,666
Other Cost	32,684	38,743	36,837	25,165	33,755	40,837	59,363	64,697
<b>Total Expenses</b>	<b>2,60,093</b>	<b>2,77,274</b>	<b>2,43,081</b>	<b>2,17,507</b>	<b>2,53,734</b>	<b>3,14,151</b>	<b>3,75,555</b>	<b>4,09,451</b>
Total Expenses % Sales	89.2%	91.8%	93.1%	87.1%	91.1%	90.8%	87.4%	87.1%
<b>EBITDA</b>	<b>31,457</b>	<b>24,664</b>	<b>17,987</b>	<b>32,288</b>	<b>24,720</b>	<b>31,816</b>	<b>54,178</b>	<b>60,868</b>
<i>EBITDA Margin</i>	<i>10.8%</i>	<i>8.2%</i>	<i>6.9%</i>	<i>12.9%</i>	<i>8.9%</i>	<i>9.2%</i>	<i>12.6%</i>	<i>12.9%</i>
Depreciation	21,554	23,591	21,425	23,547	24,836	24,860	29,627	32,886
<b>EBIT</b>	<b>9,903</b>	<b>1,073</b>	<b>-3,438</b>	<b>8,741</b>	<b>-116</b>	<b>6,956</b>	<b>24,551</b>	<b>27,982</b>
<i>EBIT Margin</i>	<i>3.4%</i>	<i>0.4%</i>	<i>-1.3%</i>	<i>3.5%</i>	<i>0.0%</i>	<i>2.0%</i>	<i>5.7%</i>	<i>5.9%</i>
Interest	4,682	5,759	7,243	8,097	9,312	10,225	9,876	8,784
<b>EBT</b>	<b>5,221</b>	<b>-4,686</b>	<b>-10,681</b>	<b>644</b>	<b>-9,428</b>	<b>-3,269</b>	<b>14,676</b>	<b>19,198</b>
Other Income	5,933	-26,686	102	-11,118	2,424	6,328	8,768	8,842
<b>Profit before tax</b>	<b>11,154</b>	<b>-31,372</b>	<b>-10,579</b>	<b>-10,474</b>	<b>-7,004</b>	<b>3,059</b>	<b>23,443</b>	<b>28,040</b>
Tax	4,341	-2,438	396	2,542	4,231	706	9,398	9,284
<b>Profit after tax</b>	<b>6,813</b>	<b>-28,934</b>	<b>-10,975</b>	<b>-13,016</b>	<b>-11,235</b>	<b>2,353</b>	<b>14,045</b>	<b>18,756</b>
Profit from Associates	2,278	210	-1,000	-379	-74	336	234	210
<b>Net Profit</b>	<b>9,091</b>	<b>-28,724</b>	<b>-11,975</b>	<b>-13,395</b>	<b>-11,309</b>	<b>2,690</b>	<b>14,279</b>	<b>18,966</b>
<i>Net Profit Margin</i>	<i>3.1%</i>	<i>-9.5%</i>	<i>-4.6%</i>	<i>-5.4%</i>	<i>-4.1%</i>	<i>0.8%</i>	<i>3.3%</i>	<i>4.0%</i>

Source: Company Analysis, screener.in, Consensus Estimate

## Commentary

### Revenue

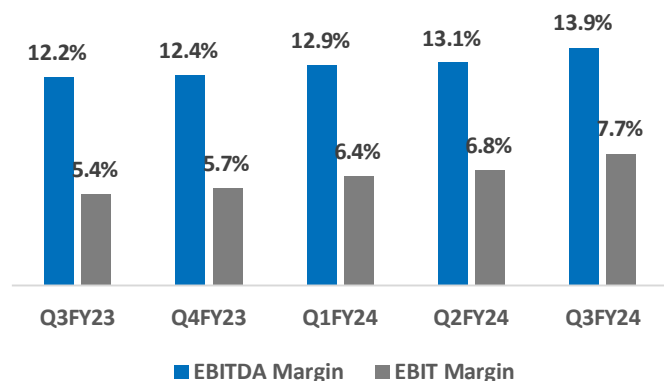
In the recent quarterly result, the growth in consolidated revenue was 25% in Q3FY24 and 32% growth which is 3 lakh crore on a Year-to-date basis from Q1FY24 to Q3FY24. That 25% growth in revenue came from the volume and mix which contributed 18%, realization improvement contributed just 1.7%, and Translation from Pound to rupees contributed 4.5%. All three segments of TATA Motors JLR, CV, and PV are in positive from the profitability perspective. JLR posted a revenue of GBP 7.4 billion (up by 22% QoQ) in Q3FY24 and GBP 21.1 billion (up by 35% YoY) on a Year-to-date basis from Q1FY24 to Q3FY24. CV business posted 19% revenue growth in Q3 FY24 which mostly came from the realization improvement as there were some commodity headwinds, especially in steel in Q3FY24. CV segment had its highest-ever revenue at Rs. 18, 538 crore surpassed its earlier highest in Q3FY2019. The NON-Vehicle business grew by 12% YOY and 20% of CV sales leads came from digital sources.



Source: Company Analysis

### Margin

#### Consolidated EBITDA vs EBIT Margin

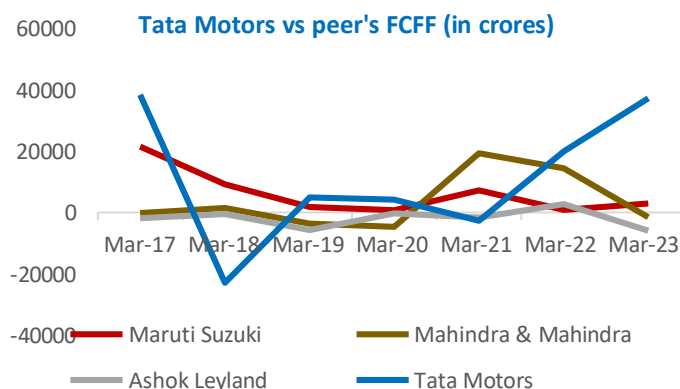


In recent quarterly results, The company posted consolidated EBITDA and EBIT margins of 13.3% and 8.3% respectively (QoQ growth of 200 bps and 390 bps respectively). The last three quarter's consolidated EBITDA and EBIT Margin are pretty flat in which JLR reported 16% EBITDA and 8.8% EBIT margin, CV business posted an EBITDA margin of 11.1% and on a Year to date basis (YTD) 10.4%. EBIT Margin of 8.6% (QoQ growth of 270 bps), and PV business delivered EBITDA margin flat at 6.1% and EBIT margin of 2.1% (QoQ growth of 70 bps). Volume mix, realization, and cost reduction (reduction in battery prices) led to the growth in the consolidated margin of the company. As the PLI benefit is not considered in the reported margin hence there will be further improvement in the margin once the PLI benefit will be received from the government.

Source: Company Analysis

### Free Cash Flow

The company has posted ₹19,960 crores and ₹37,254 crores of positive free cash flow for the firm in FY22 and FY23 respectively. The median Free cash flow of its peers was negative (₹-1491 crore) in FY 23 whereas Tata Motors reported positive Free cash flow ₹37254 crore in FY23. The company is in a good position to tackle the day-to-day operating expenses as the Company has maintained better liquidity than its peers in FY22 and FY23. JLR reported the Free cash flow of GBP 451 million and GBP 300 million in Q1 and Q2 FY24 whereas the guidance on the FCFF is GBP 2 billion for the H2FY24. The company reported ₹3,900 crores and ₹6400 crores in the Q2 and Q3FY24.

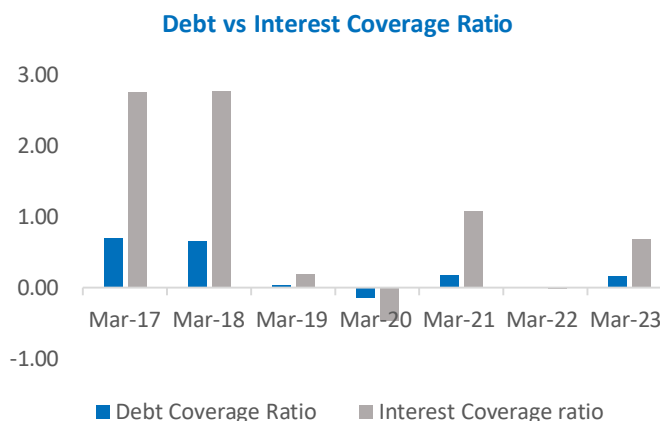


Source: Company Analysis

## Commentary

### Debt

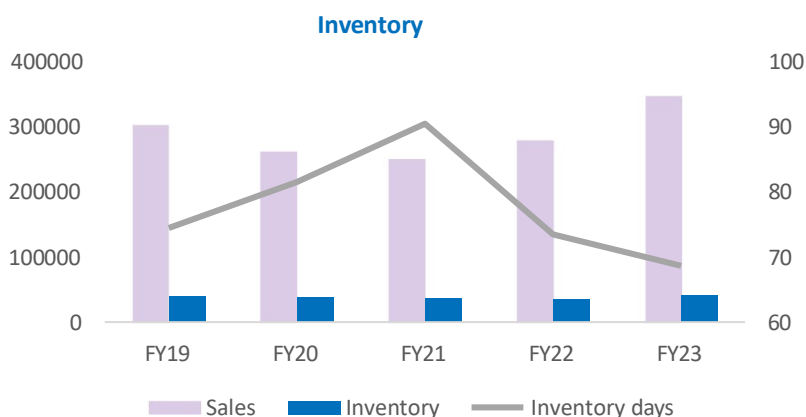
The long-term liability has been consistently increasing since 2017 whereas it was reduced in FY23 (₹ 88,696 crores vs ₹ 97,759 crores in FY22). Long-term liability has increased in 3 years at a CAGR of 2% and in the last 5 years at a CAGR of 8%. The total debt for FY23 was ₹1,25,660 crores with short-term borrowings are ₹14,067 crores, current portion of long-term borrowings ₹22,898 crores, and Long-term borrowings are ₹88,696 crores (JLR's long term debt was ₹55,099 crores). Tata Motors sold a 9.9% stake of Tata Technology Limited (TTL) for ₹1613.7 crore to continue to its deleverage plan in FY 23. In the last 12 months, the company has reduced debt by almost ₹28,000 crores. As a result, In recent company's result, the debt stood at ₹29,000 crores of which Tata Motors India consists only ₹3,500 crores that will go net zero by the end of this quarter whereas JLR consists GBP 1.6 billion (₹16,000 crores) which should be get cleaned out in FY25.



Source: Company Analysis

### Inventory

The company's revenue growth and growth in inventory are almost aligned, The inventory grew at a CAGR of 3% in 3 years and -1% in 5 years whereas revenue grew by 10% and 3% respectively. There is a marginal increase in the inventory in FY23 (15.6% vs -2.4% in FY22). Whereas there was a marginal decline in the inventory for four consecutive FY2019, 2020, 2021, and 2022 due to the impact of Covid 19. The dealer inventory and retail inventory were ramped up because of the sudden fall in demand in 2019 due to the company having reduced their manufacturing to prevent excess supply than demand. As the demand was low in those four consecutive years hence the company reduced the production of cars to maintain the level of demand and supply. The inventory was also impacted due to the shortage of semiconductors during that period. There is a marginal decline in the inventory days during FY23 (69 days vs 73 days in FY22 and 90 days in FY21). The median Inventory Days of its peers stands at 48 days (Highest 94 days & Lowest being 20 days) in FY23. The inventory days of the company for FY23 are not significantly higher than the median inventory days of its peers which indicates the company is managing its inventory efficiently and the situation is getting normalized as pre covid. As per our research, there are no major challenges seen in inventory levels besides the high level of channel inventory in Q2FY24 which the company is expecting, the inventory will come down due to a ramp-up in demand as the festive season is coming ahead.



Source: Company Analysis

## Commentary

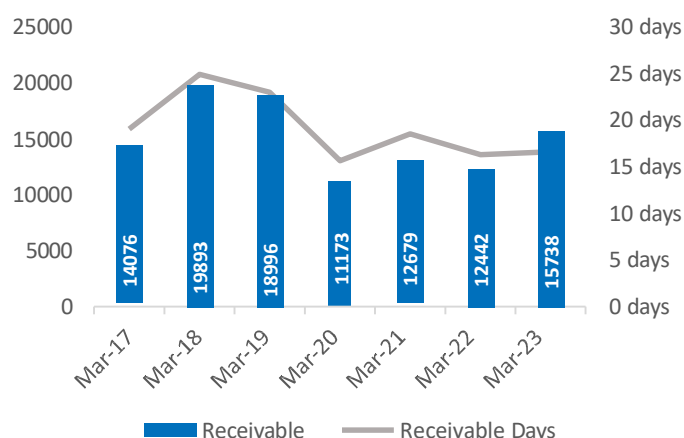
### Trade Receivable

The company's trade receivable growth is almost aligned with the growth of the revenue except for FY18 and FY20. In FY18, The receivables increased by 41.3% whereas revenue increased by 8.1% due to the introduction of new models in JLR which led to higher sales at the year's end in FY20, The receivables decreased by 41.2% whereas revenue decreased by 13.5% due to lower sales volume with an effect of covid-19. The 3 years CAGR growth rate of revenue and bills receivable are almost equivalent which are 10% and 12% respectively. However, 5 Years of CAGR growth of revenue and bills receivable are 3% and -5%. The company witnessed a slight increase in the receivable days for FY23 (17 days vs 16 days for FY22 respectively). However, the median bills receivable days of its peers is 21 for FY 23. The company has a better collection policy than its peers. Basis our research, on the quality of the receivables, we noted that the majority of Trade Receivables are not due. The company's trade receivable is only 0.24% of sales and 5.24% of trade receivable outstanding from more than 6 months, only 0.21% of sales and 4.48% of trade receivable is outstanding from less than 6 months, and 4.10% of its Sales and 90% of trade receivable is not due yet for FY 2023. Trade receivables overdue more than six months include ₹574.10 crore ( 4% of trade receivables) outstanding from the Government organization of India, which are considered recoverable.

Sales vs Receivable Growth



Receivable vs O/s Days



Source: Company Analysis

### Revenue Analysis

Tata Motors generate revenue from the sale of Products and sale of services. Sale of products includes (i) commercial and passenger vehicles and vehicle parts and (ii) Sales of other products software products and other automotive products, sale of services includes maintenance service, telematic features, and extended warranties for commercial and passenger vehicles, software support services and insurance broking services, and Financing includes interest income from financing transaction includes income from the leasing of vehicles to customers. ~97% of revenue was generated by selling products (25% increase in FY 2022-23 from FY2022-21). The contribution of sales of vehicles in FY 2022-23 was 84%, sales of spare parts were 9%, and sales of miscellaneous products were 11%. Sale of services and Financing contribute only 1% of the total revenue for FY 2022-23.

Demand for our vehicles in the Indian Market is subject to seasonal variations. Demand generally peaks in the last quarter of each financial year, i.e. between Jan and March each year.

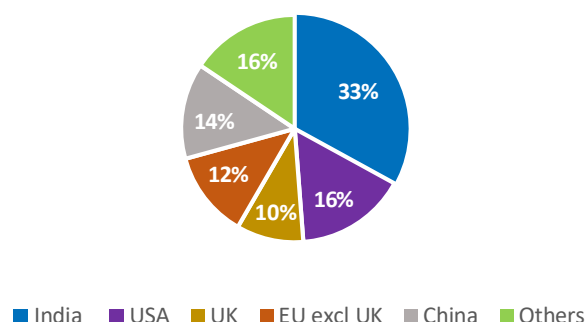
Particular (In crores)	FY23	FY22	% Change
<b>Sale of Products:</b>			
(i) Sale of vehicles	2,90,006	2,27,179	28%
(ii) Sale of spare parts	32,328	28,779	12%
(iii) Sale of miscellaneous products	12,558	11,294	11%
<b>Total Sale of Product</b>	<b>3,34,892</b>	<b>2,67,252</b>	<b>25%</b>
Sale of Services	3,763	3,871	-3%
Finance Revenue	4,219	4,112	3%
Other operating Revenue	3,092	3,218	-4%
<b>Total Revenue</b>	<b>3,45,967</b>	<b>2,78,454</b>	<b>24%</b>
Other Income	4,633	3,054	52%

Source: Company Analysis



## Revenue Analysis

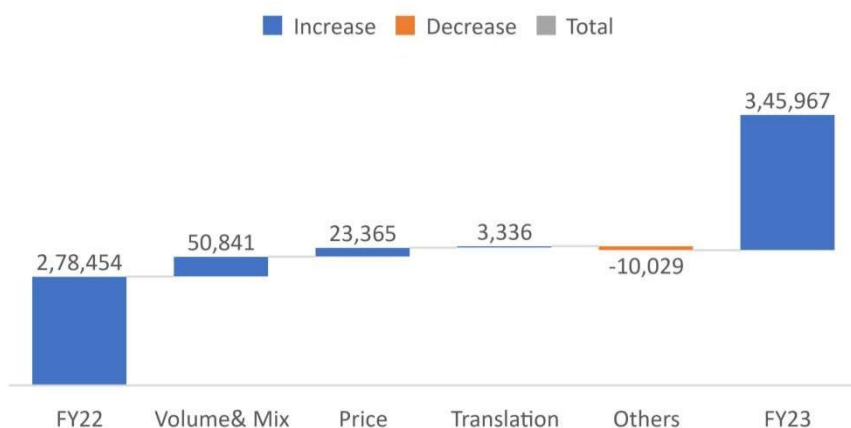
Region wise revenue for FY 23



Automotive operations are the most significant segment, accounting for 99.0% of our total revenues in FY 2022-23 and FY 2021-22. The automotive operation segment is further divided into four segments: Tata Commercial vehicles, Tata passenger vehicles, Jaguar Land Rover, and vehicle Financing. Jaguar Land Rover contributed 64% of our total automotive revenue compared to 68% in FY 2021-22 (before intra-segment elimination) and the remaining 36% was contributed by Tata and other brand vehicles and vehicle financing in FY 2022-23, compared to 32% in FY 2021-22. This reflects higher growth of Tata-branded vehicles as compared to Jaguar Land Rover for FY 2022-23. Tata Motor's other operation business segment mainly includes information technology services machine tools and factory automation solutions.

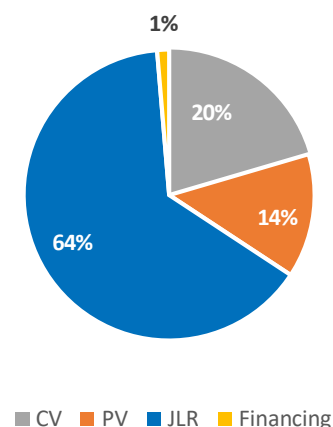
Total consolidated revenue from operation including finance revenue increased by 24.2% to ₹3,45,967 crores in FY 2022-23 from ₹2,78,454 crores in FY 2021-22. Revenue from the sale of vehicles increased to ₹2,90,006 crores in FY 2022-23, compared to ₹2,27,179 crores, an increase of 27.7%. The revenue of the Tata brand vehicle including vehicle finance increased by 39.4% to ₹1,23,639 crores in FY 2022-23 from ₹88,701 crores in FY 2021-22, mainly due to increased volumes both in the commercial and passenger vehicle segments. Moreover, The segment wise revenue is described below:

Revenue Walk (₹ in crore)



Source: Company Analysis, Internet

Revenue segment Breakdown for FY 23



Source: Company Analysis, Internet

### ❖ Tata Commercial Vehicles:

The revenue from Tata commercial vehicles was ₹70,816 crore in FY2022-23, compared to ₹52,287 crore in FY 2021-22, an increase of 35.4%. Revenue from sales of vehicles and spare parts of Commercial Vehicles manufactured in India increased by 38.7% to ₹64,029 crores in FY 2022-23 from ₹46,171 crores in FY 2021-22. The Revenue of commercial vehicles at the overall level increased due to an increase in infrastructure projects, housing construction, and the mining segments in India, as increased demand from e-commerce players due to the necessity for last-mile distribution.

### ❖ Tata Passenger Vehicles:

The revenue from Tata Passenger Vehicles was ₹47,868 crores in FY 2022-23, compared to ₹31,515 crores in FY 2021-22, an increase of 51.9%. Revenue from sales of vehicles and spare parts of passenger vehicles manufactured in India increased by 49.2% to ₹48,226 crores in FY2022-23 from ₹32,324 crores in FY 2021-22. The revenue of passenger cars in India has increased by 26.6% to ₹8,331 crores in FY 2022-23 from ₹6,579 crores in FY 2021-22. Electric Vehicles increased to ₹6586 crore in FY 2022-23 from ₹2,577 in FY 2021-22 and Utility vehicles increased by 45.2% to ₹23,935 crore in FY 2022-23 from ₹16,490 crores in FY 2021-22. This increase in Passenger Vehicles was mainly on account of Pent-up demand, better products, and safety features of the new Forever range of vehicles.

### ❖ Vehicle Financing:

Revenue from vehicle financing operations was flat at ₹4,595 crores in FY 2022-23, compared to ₹4,585 crores in FY 2021-22.

## Revenue Analysis

### ❖ Jaguar & Land Rover:

The revenue of our Jaguar Land Rover business increased by 18.7% to ₹2,22,860 crores in FY 2022-23 from ₹1,87,697 crores in FY 2021-22. This increase was after an unfavorable translation of ₹ 11,380 crores from GBP to Indian rupees in FY 2022-23. Excluding the currency translation, Jaguar Land Rover wholesale volumes improved across all key regions in FY 2022-23, up 9.2% Year on Year compared to FY 2021-22. Jaguar brand vehicle sales were 42,720 units in FY 2022-23 from 49,150 units in FY 2021-22, a decrease of 13.7%. However, Land Rover vehicle sales increased from 2,44,672 units in FY 2021-22 to 2,78,642 units in FY 2022-23, an increase of 13.9% (volume excluding the China Joint Venture). The increase in revenue is also driven by product mix improvement.

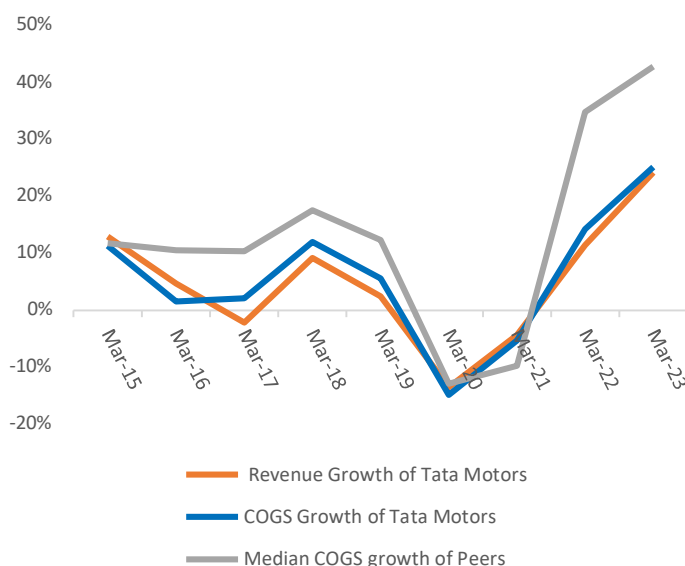
Source: Company Analysis

## Cost of Goods Sold Analysis

Raw material components are Steel, Iron, Rubber, Glass, Aluminium, Copper, and Battery cell material in which the key raw materials of Tata Motors are Steel, Aluminium, and Battery cell material. Steel is the principal component of commercial vehicles, and has witnessed exponential price increases, but has established in the FY 2022-23. During under review, a major demand and supply imbalance was seen in the first half of the year till September 2022. The spike in commodity prices has impacted the industry as a whole. The company is running a comprehensive campaign to offset the impact of such cost pressures by hedging the commodity price through the forward contract. The company is exposed to commodity price risk arising from the purchase of certain raw materials such as Aluminium, Copper, Platinum, and palladium. This risk is mitigated through the use of derivative contracts and fixed-price contracts with suppliers.

Material cost increased by 25.2% to ₹2,26,470 crores in FY 2022-23 from ₹1,80,886 crores in FY 2021-22, in line with an increase in revenue. As a percentage of revenue material costs are 65.5% in FY 2022-23 as compared to 65.0% in FY 2022-21. Tata Motor's COGS growth from FY14 to FY23 is slightly lesser than the Median COGS growth of its Peers for the same period which indicates that the company has expensed less than its Peers on the Material.

Revenue vs COGS vs Median COGS Growth of Peers



Source: Company Analysis

## Cash Flow Statement Yearly Snapshot

Particular (INR in Crores)	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
Cash from Operating Activity (CFO)	23,857	18,891	26,633	29,001	14,283	35,388
% Growth YoY	-21.0%	-20.8%	41.0%	8.9%	-50.7%	147.8%
Cash from Investing Activity	-25,139	-20,878	-33,115	-25,673	-4,444	-15,417
Cash from Financing Activity	2,012	8,830	3,390	9,904	-3,380	-26,243
Net Cash Flow	730	6,843	-3,092	13,232	6,459	-6,272

Source: Company Analysis, Screener.in

## Tata Motors Ltd


☐ Balance Sheet Yearly Snapshot

Particular (INR in crores)	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
Equity Share Capital	679	679	720	766	766	766
Reserves	94,749	59,500	61,491	54,481	43,795	44,556
Borrowings	88,950	1,06,175	1,24,788	1,42,131	1,46,449	1,34,113
Other Liabilities	1,42,813	1,39,349	1,33,181	1,44,193	1,38,051	1,55,239
<b>Total Liabilities</b>	<b>3,27,192</b>	<b>3,05,703</b>	<b>3,20,179</b>	<b>3,41,570</b>	<b>3,29,061</b>	<b>3,34,674</b>
Net Block	1,21,414	1,11,234	1,27,107	1,38,708	1,38,855	1,32,080
Capital Work in Progress	40,034	31,884	35,622	20,964	10,251	14,275
Investments	20,813	15,771	16,308	24,620	29,380	26,379
Other Assets	1,44,932	1,46,814	1,41,141	1,57,278	1,50,575	1,61,941
<b>Total Assets</b>	<b>3,27,192</b>	<b>3,05,703</b>	<b>3,20,179</b>	<b>3,41,570</b>	<b>3,29,061</b>	<b>3,34,674</b>
Working Capital	2,118	7,466	7,961	13,085	12,524	6,702
Debtors	19,893	18,996	11,173	12,679	12,442	15,738
Inventory	42,138	39,014	37,457	36,089	35,240	40,755
Cash & Bank	34,614	32,649	33,727	46,792	40,669	37,016

Source: Company Analysis, Screener.in

☐ Ratio Analysis

	FY-14	FY-15	FY-16	FY-17	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
<b>Profitability Ratios</b>										
Sales Growth	23.3%	13.0%	3.8%	-1.2%	8.1%	3.6%	-13.5%	-4.3%	11.5%	24.2%
Expenses Growth	24.0%	13.2%	4.2%	6.1%	3.6%	3.4%	-12.6%	-12.8%	20.4%	29.2%
EBITDA Growth	41.7%	12.6%	-2.1%	-22.9%	6.3%	-21.6%	-27.1%	79.5%	-23.4%	28.7%
EBIT Growth	39.9%	8.7%	-16.1%	-46.1%	-15.2%	-89.2%	-420.2%	-354.2%	-101.3%	-6116.8%
PBT Growth	38.3%	15.0%	-34.9%	-34.1%	19.8%	-381.2%	-66.3%	-1.0%	-33.1%	-143.7%
Net Profit Growth	40.8%	-0.3%	-21.0%	-45.4%	12.4%	-524.7%	-62.1%	18.6%	-13.7%	-120.9%
Gross Margin	37.1%	38.0%	39.2%	35.7%	35.6%	35.7%	36.8%	38.5%	35.6%	33.2%
Operating Margin	15.0%	14.9%	14.1%	11.0%	10.8%	8.2%	6.9%	12.9%	8.9%	9.2%
PBT Margin	8.1%	8.2%	5.2%	3.5%	3.8%	-10.4%	-4.1%	-4.2%	-2.5%	0.9%
Net Margin	6.1%	5.3%	4.1%	2.2%	2.3%	-9.6%	-4.2%	-5.2%	-4.0%	0.7%
<b>Efficiency Ratios</b>										
Debtor Turnover	22.0	20.9	20.1	19.2	14.7	15.9	23.4	19.7	22.4	22.0
Inventory Turnover	8.5	9.0	8.4	7.7	6.9	7.7	7.0	6.9	7.9	8.5
Net Fixed Asset Turnover	3.4	3.0	2.5	2.8	2.4	2.7	2.1	1.8	2.0	2.6
Total Asset Turnover	1.1	1.1	1.0	1.0	0.9	1.0	0.8	0.7	0.8	1.0

Source: Company Analysis, Screener.in

## Tata Motors Ltd



	FY-14	FY-15	FY-16	FY-17	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
<b>Leverage Ratios</b>										
Debt/Equity	92.4%	130.8%	87.9%	135.4%	93.2%	176.4%	200.6%	257.3%	328.6%	295.9%
Debt/Assets	27.8%	31.0%	26.4%	28.8%	27.2%	34.7%	39.0%	41.6%	44.5%	40.1%
Debt/EBITDA	174.0%	187.6%	180.6%	265.7%	282.8%	430.5%	693.8%	440.2%	592.4%	421.5%
CFO/Debt	59.6%	48.3%	54.6%	38.4%	26.8%	17.8%	21.3%	20.4%	9.8%	26.4%
Interest Coverage ratio	4.97	5.46	3.89	3.20	3.38	-4.45	-0.46	-0.29	0.25	1.30
Operating Leverage		0.7	-4.3	37.6	-1.9	-25.0	31.0	82.0	-8.8	-252.3
Financial Leverage	3.3	4.2	3.3	4.7	3.4	5.1	5.1	6.2	7.4	7.4

**Capital Allocation Ratios**

Return on capital Employed	18.7%	20.5%	12.8%	9.9%	8.6%	-15.4%	-1.8%	-1.2%	1.2%	7.4%
Sales/Capital Employed	1.8	2.0	1.8	2.0	1.6	1.8	1.4	1.3	1.5	1.9
Return on Invested Capital	14.6%	14.4%	9.4%	6.0%	4.5%	-21.6%	-7.2%	-8.6%	-7.5%	1.7%

**Cash Ratios**

Free Cash Flow (Rs Cr)	33302.2	32240.3	35559.5	27127.3	21065.4	15742.8	24798.9	26558.5	12282.8	32688.0
FCF/Sales	14%	12%	13%	10%	7%	5%	9%	11%	4%	9%
CFO/Total Assets	17%	15%	14%	11%	7%	6%	8%	8%	4%	11%
CFO/Total Debt	0.6	0.5	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.3
Cash Interest Coverage	9.6	9.9	9.4	8.9	7.0	3.9	4.7	4.9	3.0	4.5
CFO/Capex	12.7	10.8	16.2	9.8	8.5	6.0	14.5	11.9	7.1	13.1

Source: Company Analysis, Screener.in

### Cash Conversion Cycle

	FY-14	FY-15	FY-16	FY-17	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
Debtor Days	17	17	18	19	25	23	16	19	16	17
Inventor Days	43	41	44	47	53	47	52	53	46	43
Trade Payable Days	130	116	125	124	140	126	136	170	133	118
Cash Conversion Cycle	-70	-58	-63	-57	-63	-56	-68	-99	-71	-58

Source: Company Analysis, Screener.in

### Commentary

❖ **Profitability Ratio:**

Over the past decade, Tata Motors has exhibited a nearly identical topline growth trajectory compared to its industry peers. During this period, the company's expenses have remained relatively stagnant in relation to its revenue. However, despite maintaining stable expense levels, Tata Motors experienced a more significant decline in margins compared to its peers from FY2014 to FY2023.

While the industry's average sales grew at a CAGR of 10.5% between FY2014 and FY2023, Tata Motors' sales registered a comparatively lower CAGR of 7.1% over the same period. Despite this, the company managed to keep its expense growth lower and relatively consistent compared to its sales growth in the past three and five years, although it was slightly higher over the nine years. This suggests that Tata Motors may possess pricing power, leading to an improvement in its EBITDA margin.

In FY2023, the company's gross margin stood at 33.2%, outperforming its industry peers, whose gross margin was 30.4% in the same period. This indicates consistent outperformance by Tata Motors in terms of gross margin over the past three years. However, despite maintaining a better gross margin, Tata Motors consistently reported lower EBITDA and operating margins than its peers since FY2014. In FY2023, the company's EBITDA margin was 9.2%, lower than the industry average EBITDA margin of 12.0%. Similarly, the operating margin was also reported at 9.2% in FY2023, indicating higher spending on selling, general, and administrative expenses (SG&A) and depreciation and amortization (D&A) compared to its peers.

Furthermore, Tata Motors' profit before tax (PBT) margin in FY2023 stood at 0.9%, significantly lower than the industry average PBT margin of 8.8% in the same period. This discrepancy can be attributed to the company's higher interest burden, which adversely impacted its PBT margin.

#### ❖ Efficiency Ratio:

Throughout the past decade, Tata Motors has maintained a constant Debtor turnover ratio, recording 22x in FY2014 and maintaining the same ratio in FY2023. This ratio surpassed the industry average debtor turnover ratio of 17.3x in FY2023. Additionally, the company's median debtor turnover ratio over the past decade was 20.5x, compared to a median of 14.3x for its peers. These figures suggest that Tata Motors has implemented a superior liquidity and collection policy compared to its peers, particularly evident in recent years where the company's debtor turnover ratio has exceeded that of its peers.

However, Tata Motors' inventory turnover ratio has consistently fallen below the industry average. In FY2023, the company's inventory turnover ratio was 8.5x, while the industry's average stood at 12.3x. This lower ratio over the past decade indicates that Tata Motors struggled to sell its products as frequently as its peers, suggesting suboptimal inventory management practices within the company. Furthermore, Tata Motors' net fixed assets have consistently lagged behind its peers from FY2014 to FY2023, implying inefficient utilization of its fixed assets in generating sales. The decline in the company's net fixed assets turnover ratio from 3.4x in FY2014 to 2.6x in FY2023 further supports this notion. Despite the industry's average net turnover ratio being 5.2 in FY2023, Tata Motors recorded a ratio of 2.6x in the same period.

Given that both the fixed assets and inventory turnover ratios of Tata Motors have consistently trailed those of its peers, it indicates that the company is not leveraging its assets as effectively as its industry counterparts to drive sales.

#### ❖ Leverage Ratio:

The company's Debt to Equity Ratio experienced significant growth from 0.92 in FY2014 to 2.96 in FY2023. In the same year, the company's Debt-equity ratio surpassed the industry average of 1.64, with the company's median debt-equity ratio standing at 1.56 over the decade, compared to a peer median of 1.64. This indicates a higher proportion of debt relative to equity in the company's capital structure, suggesting increased financial risk.

While the Debt to Assets ratio marginally increased from 0.28 in FY2014 to 0.40 in FY2023, it remained lower than the industry's average of 0.45 in FY2023. Similarly, the company's median Debt to Assets Ratio throughout the decade was 0.33, compared to a peer median of 0.43. This suggests that the company relies less on debt financing for its operations and investments.

The company's Debt to EBITDA Ratio saw a significant increase from 1.7 in FY2014 to 4.2 in FY2023, albeit still lower than the industry average of 4.5 in FY2023. The company's median Debt to EBITDA Ratio over the decade was 3.5, compared to a peer median of 4.3. As the company's Debt to EBITDA ratio exceeded 1, it indicates that the company generated insufficient cash operating profit to cover its debt obligations, potentially facing challenges in repaying debt without external funding.

Furthermore, the company's CFO to Debt ratio decreased from 0.60 in FY2014 to 0.26 in FY2023, despite being higher than the industry average of -0.08 in FY2023. A CFO-to-debt ratio below 1 suggests that the company is generating less cash from its operations than its debt obligations.

Additionally, the company's interest coverage ratio declined from 5.0 in FY2014 to 1.3 in FY2023, below the industry average of 3.4 in FY2023. With the interest coverage ratio nearing 1 in FY2023, it indicates that the company's earnings are almost equivalent to its interest expenses. Over the decade, the median interest coverage ratio for the company was 2.2, compared to the industry average median of 2.8 for the same period.

#### ❖ Cash Conversion Cycle:

The cash conversion cycle was lower as compared to its peers throughout the decade which indicates that the company has better working capital management and operating efficiency. As the cash conversion cycle was negative throughout the decade means company manages its working capital on the supplier's money.

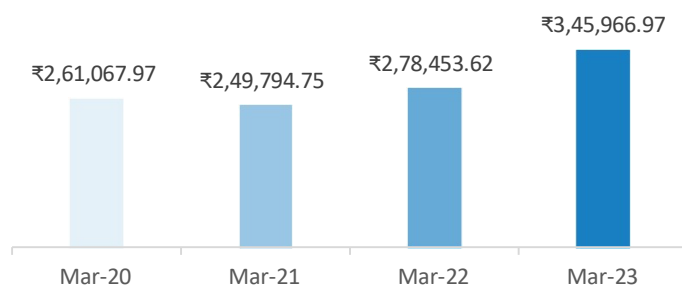


## Tata Motors Ltd

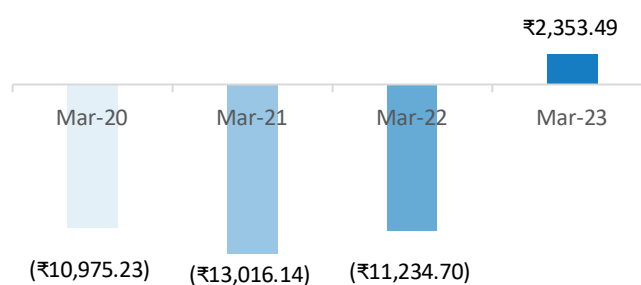


## DuPont Analysis

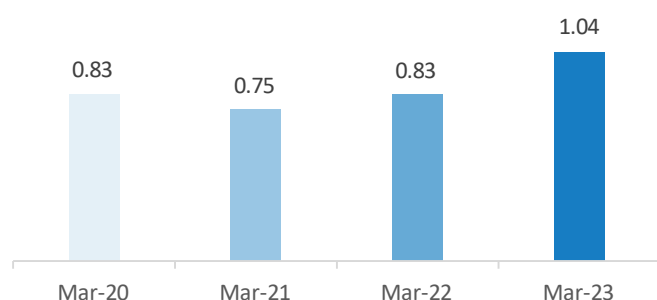
## Revenue from Operations (in Crs.)



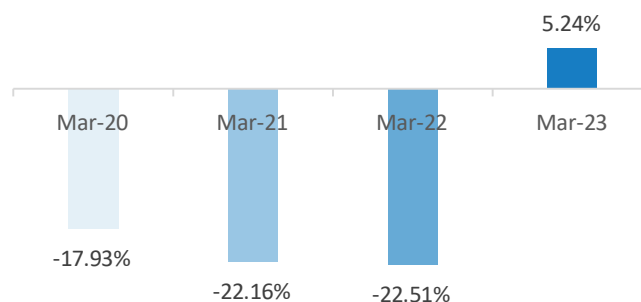
## Net Profit (in Crs.)



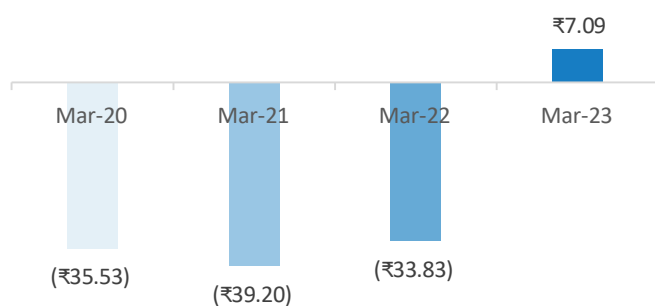
## Asset Turnover Ratio



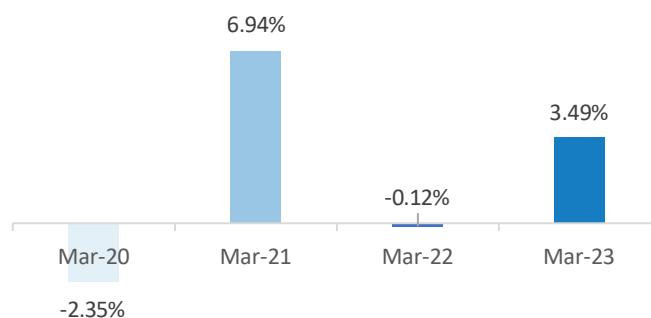
## Return on Equity



## Earnings Per Share (in Rs.)



## Return on Capital Employed



## RETURN ON EQUITY (ROE)

	FY-20	FY-21	FY-22	FY-23
NET PROFIT	₹ -10,975.23	₹ -13,016.14	₹ -11,234.70	₹ 2,353.49
AVERAGE SHAREHOLDERS EQUITY	₹ 61,195.30	₹ 58,728.88	₹ 49,903.98	₹ 44,941.52
RETURN ON EQUITY	-17.93%	-22.16%	-22.51%	5.24%

## ROE - DUPONT EQUATION

	FY-20	FY-21	FY-22	FY-23
NET PROFIT	₹ -10,975.23	₹ -13,016.14	₹ -11,234.70	₹ 2,353.49
REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
NET PROFIT MARGIN (A)	-4.20%	-5.21%	-4.03%	0.68%

## DuPont Analysis

REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
AVERAGE TOTAL ASSETS	₹ 3,12,941.44	₹ 3,30,874.65	₹ 3,35,315.70	₹ 3,31,867.96
ASSET TURNOVER RATIO (B)	0.83	0.75	0.83	1.04
AVERAGE TOTAL ASSETS	₹ 3,12,941.44	₹ 3,30,874.65	₹ 3,35,315.70	₹ 3,31,867.96
AVERAGE SHAREHOLDERS EQUITY	₹ 61,195.30	₹ 58,728.88	₹ 49,903.98	₹ 44,941.52
EQUITY MULTIPLIER (C)	5.11	5.63	6.72	7.38
RETURN ON EQUITY (A*B*C)	-17.93%	-22.16%	-22.51%	5.24%

## RETURN ON ASSETS (ROA)

	FY-20	FY-21	FY-22	FY-23
NET PROFIT	₹ -10,975.23	₹ -13,016.14	₹ -11,234.70	₹ 2,353.49
AVERAGE TOTAL ASSETS	₹ 3,12,941.44	₹ 3,30,874.65	₹ 3,35,315.70	₹ 3,31,867.96
RETURN ON ASSETS	-3.51%	-3.93%	-3.35%	0.71%

## ROA - DUPONT EQUATION

	FY-20	FY-21	FY-22	FY-23
NET PROFIT	₹ -10,975.23	₹ -13,016.14	₹ -11,234.70	₹ 2,353.49
REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
NET PROFIT MARGIN (A)	-4.20%	-5.21%	-4.03%	0.68%
REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
AVERAGE TOTAL ASSETS	₹ 3,12,941.44	₹ 3,30,874.65	₹ 3,35,315.70	₹ 3,31,867.96
ASSET TURNOVER RATIO (B)	0.83	0.75	0.83	1.04
RETURN ON ASSETS(A*B)	-3.51%	-3.93%	-3.35%	0.71%

## RETURN ON CAPITAL EMPLOYED (ROCE)

	FY-20	FY-21	FY-22	FY-23
NOPAT	₹ -3,566.81	₹ 10,861.89	₹ -185.44	₹ 5,353.82
AVERAGE CAPITAL EMPLOYED	₹ 1,51,659.06	₹ 1,56,481.61	₹ 1,59,169.42	₹ 1,53,525.39
RETURN ON CAPITAL EMPLOYED	-2.35%	6.94%	-0.12%	3.49%

## ROCE - DUPONT EQUATION

	FY-20	FY-21	FY-22	FY-23
NOPAT	₹ -3,566.81	₹ 10,861.89	₹ -185.44	₹ 5,353.82
REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
NOPAT MARGIN (A)	-1.37%	4.35%	-0.07%	1.55%
REVENUE	₹ 2,61,067.97	₹ 2,49,794.75	₹ 2,78,453.62	₹ 3,45,966.97
AVERAGE CAPITAL EMPLOYED	₹ 1,51,659.06	₹ 1,56,481.61	₹ 1,59,169.42	₹ 1,53,525.39
CAPITAL TURNOVER RATIO (B)	1.72	1.60	1.75	2.25
RETURN ON CAPITAL EMPLOYED (A*B)	-2.35%	6.94%	-0.12%	3.49%

## DuPont Analysis

## MOAT ASSESSMENT

	FY-20	FY-21	FY-22	FY-23
Gross Profit Margin	36.84%	38.51%	35.61%	33.16%
EBITDA Margin	6.89%	12.93%	8.88%	9.20%
Net Profit Margin	-4.20%	-5.21%	-4.03%	0.68%
ROIC	-7.16%	-8.64%	-7.47%	1.65%
ROCE	-2.35%	6.94%	-0.12%	3.49%
ROE	-3.51%	-3.93%	-3.35%	0.71%
EPS	₹ -35.53	₹ -39.20	₹ -33.83	₹ 7.09
ROA	-3.51%	-3.93%	-3.35%	0.71%

## PEER COMPARISON (DUPONT EQUATION)

	TATA MOTORS LTD	ASHOK LEYLAND LTD	MARUTI SUZUKI INDIA LTD	Mahindra & Mahindra
NET PROFIT MARGIN (A)	0.68%	3.22%	6.98%	9.38%
ASSET TURNOVER RATIO (B)	1.04	0.86	1.48	0.64
EQUITY MULTIPLIER (C)	7.38	6.20	1.36	3.64
RETURN ON EQUITY (A*B*C)	5.24%	17.17%	14.05%	21.85%

## PEER COMPARISON

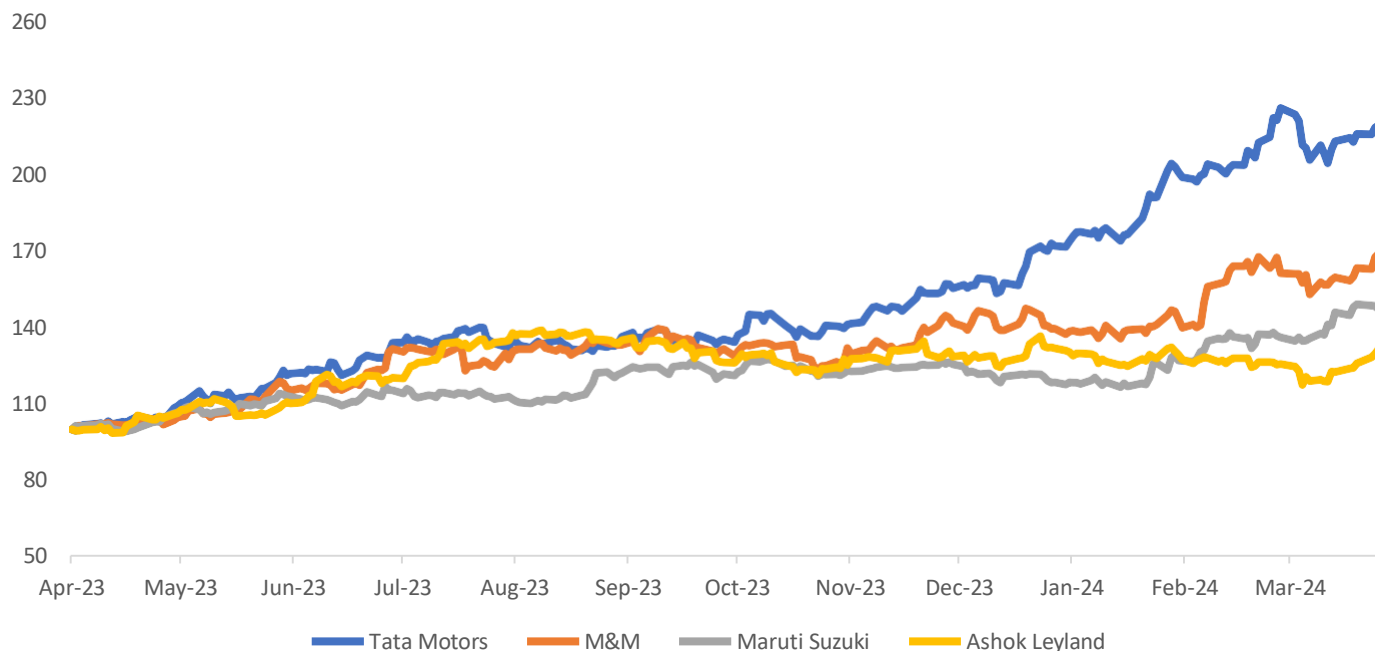
	TATA MOTORS LTD	AVERAGE	MEDIAN
NET PROFIT MARGIN (A)	0.68%	6.53%	6.98%
ASSET TURNOVER RATIO (B)	104.25%	99.33%	86.00%
EQUITY MULTIPLIER (C)	738.44%	373.33%	364.00%
RETURN ON EQUITY (A*B*C)	5.24%	24.20%	21.85%

### Dupont Summary

- ❖ In the past three years, the company experienced a negative Return on Equity (ROE), with a significant improvement observed in FY2023, where the ROE turned positive, rising from -17.93% in FY2020 to 5.24% in FY2023. This turnaround can be attributed to an increase in both the Assets turnover ratio and Equity Multiplier over the last four years, from 0.83x to 1.04x and 5.11x to 7.38x, respectively, between FY2020 and FY2023. These improvements indicate enhanced operating efficiency and financial leverage within the company.
- ❖ The negative ROE in previous years was primarily due to a negative net profit margin; however, this margin improved from -4.20% in FY2020 to 0.68% in FY2023. Similarly, the Return on Assets (ROA) was negative from FY2020 to FY2022 but turned positive in FY2023, increasing from -3.35% to 0.71%. Despite the improvement in asset efficiency during this period, the negative ROA was largely attributable to the negative net profit margin.
- ❖ Furthermore, the Return on Capital Employed (ROCE) increased from -2.35% in FY2020 to 3.49% in FY2023, driven by an increase in the Net Operating Profit After Tax (NOPAT) margin and Capital turnover ratio. The NOPAT margin rose from -1.37% in FY2020 to 1.55% in FY2023, primarily due to a significant revenue increase in FY2023, supported by volume and realization improvements. Additionally, the Capital turnover ratio increased substantially from 1.72 in FY2020 to 2.25 in FY2023, indicating more efficient utilization of capital by the company.

## Peers Comparison

## Peer Stock Performance (1Y)- Indexed



Source: Yahoo Finance

## Peers Financial Performance

Sr.	Name	CMP	Mar Cap	Debt	Debt/Equity	Int Coverage	P/E	PEG	ROE%	ROCE%
1	Tata Motors	1008.5	369224.6	127864.3	2.4	3.3	18.3	-0.9	5.6	6.0
2	Ashok Leyland	176.1	51723.2	34391.62	3.9	2.4	21.9	-3.0	15.1	11.4
3	Maruti Suzuki	12888.0	405705.0	392.5	0.0	72.9	33.3	57.4	11.5	14.5
4	M & M	2090.9	259915.6	99711.68	1.7	3.2	23.4	2.3	18.1	12.7

Source: Screener.in

## Analyst Coverage Universe

#	Date	Research House	Rating	Price at Reco	Target
1	28-03-2024	Prabhudas Lilladhar	Accumulate	992.8	1075
2	05-03-2024	ICICI Direct	Hold	1021.9	1085
3	05-03-2024	Sharekhan	Buy	1017.65	1188
4	05-03-2024	KRChoksey	Buy	1021.9	1178
5	12-02-2024	KRChoksey	Buy	911.6	1060
6	07-02-2024	ICICI Direct	Hold	933.8	1000
7	05-02-2024	SMC online	Results Update	926.8	-
8	05-02-2024	Motilal Oswal	Buy	926.8	1000
9	03-02-2024	HDFC Securities	Sell	878.75	596
10	18-11-2023	KRChoksey	Buy	681.55	784
11	03-11-2023	HDFC Securities	Sell	647.5	534
12	03-11-2023	SMC online	Results Update	647.5	-
13	08-08-2023	Geojit BNP Paribas	Buy	607.3	737
14	01-08-2023	KRChoksey	Buy	644.3	743
15	28-07-2023	ICICI Direct	Buy	635.3	810
16	26-07-2023	HDFC Securities	Sell	641.1	520
17	26-07-2023	ICICI Securities Limited	Accumulate	639.45	699
18	26-07-2023	Motilal Oswal	Buy	641.1	750
19	26-07-2023	Axis Direct	Not Rated	641.1	-
20	26-07-2023	Axis Direct	Not Rated	641.1	-

Source: Trendlyne.com

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