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# TATA MOTORS

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Business Valuation Project



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# Overview of the Industry

India is the world's fourth largest producer of automobiles, with an average annual production of over 4 million vehicles. The country is also the world's largest tractor manufacturer, second-largest bus manufacturer, and third largest heavy trucks manufacturer.

The automobile industry in India accounts for 6.4% of the country's total GDP and creates over 32 million job opportunities. The industry's contribution to the national GDP has risen to about 7.1% from 2.77% in 1992-93. India aims to double its auto industry size to Rs. 15 lakh crores by the end of 2024.

Some of India's major automobile manufacturing companies include:

Maruti Suzuki

Hyundai Motor India

Tata Motors

Ashok Leyland

Mahindra & Mahindra

Force Motors

Royal Enfield

Sonalika Tractors

Hindustan Motors

The automotive industry includes industries associated with producing, wholesaling, retailing, and maintaining motor vehicles.

# About Tata Motors Ltd.

Tata Motors Group is a leading global automobile manufacturer. Part of the illustrious multi-national conglomerate, the Tata group, it offers the world a wide and diverse portfolio of cars, sports utility vehicles, trucks, buses, and defence vehicles.

Market Share: Tata Motors is the leading player in the CV segment, with a market share of 45% during FY22. TAMO has consistently reported an increase in its PV market share from 4.8% in FY20 to 12.1% in FY22 to 14.3% in Q1FY23. The company remains a market leader in the EV segment, with a market share of 87% in FY22 and 88% in Q1FY23.

## Key subsidiaries

1. Tata Motors Passengers Vehicles Limited (TMPV)
2. Tata Passengers Electric Mobility (TPEM)
3. Jaguar Land Rover (JLR)
4. Tata Motors Finance Limited (TMFL)

## Why TATA Motors?

We chose TATA Motors because its striking brand portfolio consists of Commercial Vehicles, Passenger Vehicles and Luxury Vehicles. It is home to iconic brands like Jaguar and Land Rover (JLR). These different brands cater to a wide range of customers and market segments, and offer a wide array of products under the canopy of Tata Motor.

Tata Motors has stayed ahead of the curve by mapping out quality and safety as key parameters in its strategic roadmap. We launched a range of safety-related technologies and continues to invest in R&D facilities and technologies in adherence to our core commitment to deliver the safest vehicles across segments. In terms of quality, all our facilities utilise standardised systems to provide exceptional experiences.

All manufacturing divisions have been certified with ISO TS 16949 (QMS standard for the automotive industry), ISO 9001 and ISO 14001 (Environmental Management System), as well as for OHSAS 18001 (Occupational Health and Safety).

## **PROFIT AND LOSS Statement and balance sheet** **FORECASTING**

We have forecasted the P&L using sales growth of 7 years, which is 6.31% and operating profit margin growth rate of 4.55%.

All other line items are forecasted as a percentage of revenue.

Tax refund is anticipated for the next 7 years taking an average from 2013 to 2023 as per PWC report.

[https://viewpoint.pwc.com/dt/us/en/pwc/accounting\\_guides/income\\_taxes/income\\_taxes\\_16\\_US/chapter\\_5\\_valuation\\_US/57\\_future\\_taxable\\_in\\_US.html#pwc-topic.dita\\_1743275109224693](https://viewpoint.pwc.com/dt/us/en/pwc/accounting_guides/income_taxes/income_taxes_16_US/chapter_5_valuation_US/57_future_taxable_in_US.html#pwc-topic.dita_1743275109224693)

Balance sheet figures are forecasted using long-term growth rate of 5.5%, which was mentioned in the annual report pg no. 453

## **Calculation of free cash flows**

We have taken a CAGR of free cash flows from 2017 to 2023 excluding FY20 and FY21 because of abnormal losses due to the pandemic and forecasted FCFF for the next 7 years.

### **Discounted FCFF model**

We have used single stage DCF model for calculating the value of firm as we didn't have much information regarding the same.

The value per share is 413.51 as compared to current market price of 627.5 indicating a overvalue of 34%

### **APV Approach**

Bankruptcy cost is assumed to be zero due to lack of information.

### **Dividend Discount Model**

We have not calculated the firm value using this approach as the company announced dividend which has been given on pg no. 350 of annual report but it has yet to be accounted in cash flow statement for FY 23.

### **Relative valuation**

For this method we have compared the ratios of top players in the automobile industry like Ashok Leyland, Maruti Suzuki, Mahindra and Mahindra and Eicher motors.

### **EVA Approach**

While calculating capital employed the formula used by us was different from the used in the annual report and even after using the same the values differed a lot.

So, we have taken ROCE as 9% as mentioned in annual report pg no. 408

### **Residual income**

Required rate of return= WACC

DPS1=0 as company did not pay any dividend. Pg no 145