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STOCK BROKING PVT. LTD.

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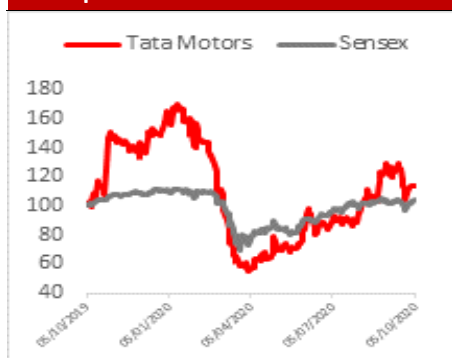
BUY

Current Price	140
Target Price	185
Upside	32%
52 Week Range	64/202

Key Share Data

Market Cap (Rs. Bn)	433
Market Cap (US\$ Mn)	5911
No of o/s shares (Mn)	3598
Face Value	2
Monthly Avg. Vol (BSE+NSE) ('000)	74614
BSE Code	500570
NSE Code	TATAMOTORS
Bloomberg	TTMT:IN

Price performance



% Shareholding	Jun-20	Mar-20
Promoters	42.39	42.39
FII	15.62	16.84
DII	12.99	13.08
Others	28.60	27.19
Total	100	100

Consolidated Financials (In INR Mn)

Year	Net Sales	Growth (%)	EBITDA	EBITDA Margin (%)	PAT	PAT Margin %	EPS	Growth %	PE (x)	ROE (%)
FY18	2893863	7%	338043	12%	77826	3%	26.45	21%	5.0	10%
FY19	2991906	3%	297948	10%	-14785	0%	-84.89	-421%	-26.2	-2%
FY20	2585944	-14%	239143	9%	-90921	-4%	-34.88	-59%	-5.7	-14%

Source: Dalal & Broacha Research

MOM volume pick-up in JLR, Domestic PV picking up pace, cost cutting efforts showing traction with rise in manufacturing shifts in JLR and are key factors for turning positive Tata Motors aided by Chairman's statement to be Net debt '0' by FY24

Tamo to be Net Debt Zero by FY24, efforts towards revenue improvement and cost cut going on: Tata Motors Chairman had announced in their AGM that they will reduce their consolidated automotive net debt (excluding the company's vehicle finance business) to near zero in the next three years. Currently, the group has a net automotive debt of Rs. ~480 bn. In addition to revenue improvement, cost rationalization, capex control, Tamo is also looking forward to monetizing non-core assets such as Tata Technologies and Hitachi JV (construction equipment) to support their deleveraging strategy.

JLR Recovery an Ongoing Progress, overall retail numbers witness QoQ improvement, China grows YoY:

US, UK, EU, and China's market has highlighted demand recovery for JLR Sales. There is an additional boost from strong demand supported by the recent launch of Evoque and Defender and a strong product pipeline which will help the demand growth sustain in upcoming quarters.

Q2FY21 Retail (ex-China) Improved significantly on QoQ basis and China too was up on a YoY & QoQ basis. Q2FY21 Retail volumes stood at 113569 units +53% on a QoQ basis indicating good recovery (however -ve 12% on a YoY basis), China showed good recovery with sales up 14.6% QoQ and 3.7% YoY.

New Launches continue during pandemic, thus growth momentum to continue:

The company also continued to launch planned new products and announced the new model year Jaguar F-PACE and Range Rover Velar, both now with mild-hybrid (MHEV) and plug-in hybrid (PHEV) variants. This brings the number of models offering PHEVs and MHEVs to seven each, with one more PHEV and four further MHEVs to be announced this year.

Free Cash Flow Positive from FY22 which one of the most important proof of management's efforts:

Capex for FY21 has been restricted to GBP 2.5 Billion for JLR and INR 15 Billion for Indian Business. The capex levels will be maintained at similar levels beyond FY21. JLR ended September-2020 with about £3 billion of cash and short-term deposits, up £0.3 billion, primarily reflecting positive free cash flow as expected in the Q2FY21. Total liquidity was about £5 billion, including the company's £1.9 billion



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Manufacturing shifts increased

JLR's vehicle manufacturing plants at Solihull (UK), Halewood (UK) and Nitra (Slovakia), as well as the Engine Manufacturing Centre (UK), have now increased to a two-shift pattern to meet increasing demand.

Tata Motors PV (India- Standalone PV) business too expected to turn cash Neutral by FY23, rise in personal mobility to aid growth: Tamo has one of the most refreshed portfolio as far as passenger vehicles are concerned, the recent importance received due to Covid-19 has further aided growth.

For Q2FY21 volumes rose by 142% to 34847 units and YTD it has witnessed growth of 39% to 44941 units, indicating MoM improvement.

In addition to this the management is also looking for a partner for the PV business for securing the future of this business and is open to all types of partnerships and does not necessarily seek just an equity partner.

This division too is expected to turn FCF positive by FY223.

Domestic Sales during September-2020

Tata Motors total domestic sales increased 37% YoY at 44,444 units in September, 2020 as against 32,376 units at the same time last year. In the passenger vehicle segment, the automaker recorded 21,199 units as against 8,097 units in September, 2019 growing by 163% YoY basis. Commercial vehicle segment witnessed a marginal dip of -4% YoY reporting 23,245 units in September, 2020 as against 24,279 units at the same time last year. There was a higher offtake in retail segment and the BS-VI products are receiving a good feedback from the customers which has been witnessed in the strong sale numbers.

Valuation & Outlook

Based on Bloomberg consensus Tata Motors (on consolidated) basis trades at 21x its FY22e EPS of Rs 6.8 and 12x its FY23e EPS of Rs 12.3

The efforts made (on costs as well as new launches) towards turning the company FCF positive is encouraging and would help tata motors to deleverage further. The recent improvement in JLR is also demand led as mentioned by

We would recommend investors to Buy the stock with a price target of Rs 185.



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