

## Outperformance continues across segments...

Tata Motors (TML) reported an operationally strong Q4FY21 performance. Consolidated sales rose 41.8% YoY to ₹ 88,628 crore (JLR sales up 20.5%, India sales up ~106%) amid ~7.5% volume increase at JLR and ~90% India volume jump. Consolidated margins were down 37 bps QoQ at 16.5% (JLR 15.3%, India 8.7%) on the back of operating leverage benefits and softer than expected gross margin contraction. Consolidated loss after tax was at ₹ 7,585 crore, with the company booking net exceptional charge to the tune of ₹ 13,347 crore (₹ 9,606 crore for cancelled JLR models under 'Reimagine' & ₹ 5,388 crore for restructuring costs at JLR).

## Tailwinds in place for medium term volume recovery

Near term performance outlook across JLR, India CV, India PV business is clouded by confluence of Covid resurgence domestically, global semiconductor shortage although there are encouraging signs in the form of (a) strong JLR order-book of ~1 lakh units (including ~22,000 units for Defender), (b) <10 days India PV channel inventory as of Q4FY21 with stock build-up under way. Volume recovery is seen being progressive in FY22E once these transient effects wane. Aided by favourable base, the management expects JLR to post >20% YoY volume growth in FY22E. Defender, in particular, has done well and helped grow JLR market share in served segments to 6% as of Q4FY21 vs. 4.4% as of Q1FY21. In India, we expect PV business to continue to build on its stellar FY21 performance amid shift to personal mobility post Covid, strong response to the New Forever range. Furthermore, the CV division as the market leader is slated to benefit from the impending cyclical recovery in the space that coincides with demand tailwinds in the form of the government's infra push, pickup in construction and mining activities and resilience in e-commerce segment. We build 16%, 21.4% JLR, India volume CAGR, respectively, in FY21-23E.

## Cost, efficiency focus key to uptick in margins

Project Charge+ delivered on the outlined £6 billion cast, cost savings as per schedule while similar India programme overperformed by ₹ 3,300 crore. Under 'Reimagine', Project Refocus seeks to deliver value of up to £1 billion across business areas in FY22E. At JLR, focus on efficiencies (cash flow breakeven reduced to ~FY14 levels), quality of sales (via lower variable marketing expenses and warranty costs) and better product mix (in favour of Land Rover) are seen leading a structural shift in margins towards a higher plane. The company is also targeting tighter control over fixed costs in India, with operating leverage benefits set to mitigate some of the impact of commodity cost inflation over the medium term. TML is targeting FY22E JLR and India EBIT margins at >=4% and ~2.5%, respectively.

## Valuation & Outlook

For TML we factor in 21.4% sales CAGR in FY21-23E with FY23E EPS at ₹ 38.3/share. Progress on deleveraging, margin & cash flow generation fronts is encouraging, with JLR EV transition under Reimagine a key monitorable. We maintain **BUY**, valuing TML at ₹ 400 on SOTP basis (12x, 3x FY23E EV/EBITDA to standalone business & JLR, respectively (earlier TP ₹ 375)).

### Key Financial Summary

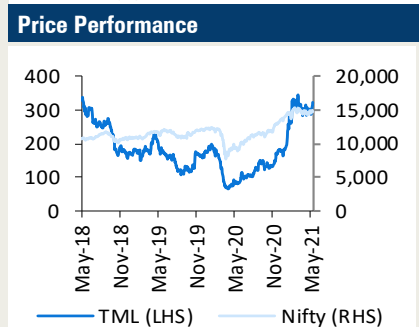
Key Financials	FY19	FY20	FY21P	FY22E	FY23E	CAGR (FY21P-23E)
Net Sales	3,01,938.4	2,61,068.0	2,49,794.8	3,15,639.5	3,68,139.6	21.4%
EBITDA	29,794.8	23,914.1	35,782.0	44,535.8	55,955.7	25.1%
EBITDA Margins (%)	9.9	9.2	14.3	14.1	15.2	
Net Profit	(28,724.2)	(11,975.4)	(13,395.0)	6,750.6	14,676.6	LP
EPS (₹)	(79.8)	(33.3)	(35.0)	17.6	38.3	
P/E	(4.0)	(9.6)	(9.1)	18.2	8.3	
RoNW (%)	(47.3)	(18.7)	(23.6)	10.6	18.8	
RoCE (%)	3.7	1.3	6.4	9.7	14.3	

Source: Company, ICICI Direct Research

## TATA MOTORS

Connecting Aspirations

Particulars	₹ crore
Market Capitalization	1,15,126
Total Debt (FY21P)	1,33,776
Cash and Investments (FY21P)	65,844
EV (FY21P)	1,83,058
52 week H/L (₹)	357 / 80
Equity capital (₹ crore)	719.5
Face value (₹)	2.0



### Key Highlights

- Consolidated Q4FY21 revenues up 41.8%, margins dip slightly to 16.5% amid operating leverage benefits.
- Volume performance to pick up across verticals once Covid, supply constraints ease. Continued focus on costs & cash generation seen lifting overall profitability going forward.

### Key risks to our call

- Slip in balancing EV product offering vs. capex need at JLR
- Delay in outlined progress plan on FCF, debt fronts.

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**Exhibit 1: Variance Analysis**

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Total Operating Income	88,628	88,698	62,493	41.8	75,654	17.1	Topline came in broadly in line with our estimates
Raw Material Expenses	56,993	59,077	40,810	39.7	47,910	19.0	RM costs were contained at 64.3% of sales, up 100 bps QoQ and much lower than our estimates
Employee Expenses	7,983	8,111	7,699	3.7	7,562	5.6	
Other expenses	12,601	14,849	14,899	-15.4	10,691	17.9	Savings were also realised in other expenses which for the quarter were at 14.2% of sales, up 10 bps QoQ
Operating Profit (EBITDA)	14,617	10,209	3,660	299.4	12,758	14.6	
EBITDA Margin (%)	16.5	11.5	5.9	1064 bps	16.9	-37 bps	EBITDA margins came in much ahead of estimates tracking beat on gross margins as well as lower than anticipated other expenses
Depreciation	6,217	6,158	5,815	6.9	6,129	1.4	
Interest	2,145	2,079	1,953	9.8	2,126	0.9	Interest cost was broadly on expected lines
Product development expenditure	1,872	1,135	1,287	45.5	1,248	50.0	
Tax	(132)	269	358	-137.0	945	-114.0	
PAT	(7,585)	(14,296)	(9,864)	-23.1	2,942	-357.9	PAT for the quarter was ahead of estimates tracking more than anticipated gross margins and some write-backs of previous write-downs
EPS	(19.8)	(37.3)	(27.0)	-26.6	NA	NA	
<b>Key Metrics</b>							
JLR sales ( mn GBP)	6,538	6,662	5,426	20.5	5,982	(9.3)	JLR sales came in a tad lower at £6.5 billion
JLR margins (%)	15.3	12.5	4.8	1054 bps	15.8	-50 bps	EBITDA margins at JLR was the real surprise at 15.3% of sales, down just 50 bps QoQ
JLR PAT (mn GBP)	(920.0)	(1,204.1)	(539.0)	70.7	351.0	(253.6)	
Domestic revenues (₹ crore)	20,046	18,448	9,733	106.0	14,631	37.0	Domestic revenues came in ahead of estimates tracking beat on ASP's
Domestic margins (%)	8.7	6.5	(4.4)	1306 bps	7.4	126 bps	
Domestic PAT (₹ crore)	1,646	(414)	(4,871)	133.8	(638)	(357.9)	Domestic PAT was supported by higher than anticipated margins as well as write back of exceptional items (write-downs)

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	322,159	315,639	-2.0	351,106	368,140	4.9	Marginally tweak sales estimates. We expect sales at Tata Motors to grow at a CAGR of 21.4% of sales
EBITDA	45,722	44,536	-2.6	51,535	55,956	8.6	
EBITDA Margin (%)	14.2	14.1	-9 bps	14.7	15.2	52 bps	Upgrade our margin estimates for FY23E, primarily tracking consistent outperformance at JLR
PAT	8,831	6,751	-23.6	12,468	14,677	17.7	
EPS (₹)	23.1	17.6	-23.6	32.6	38.3	17.7	Change in sales and margin estimates leads to double digit change in PAT estimates. We expect Tata Motors to report material PAT numbers, going forward, over FY22E-23E

Source: ICICI Direct Research

**Exhibit 3: Assumptions**

Units	FY18	FY19	FY20	FY21P	FY22E	FY23E	Comments
<b>JLR</b>							
Jaguar Sales Volume	176,246	177,450	144,270	90,440	87,487	74,364	
Land Rover Sales Volume	457,264	387,856	381,132	322,471	408,517	481,117	
<b>Total JLR Sales Volume</b>	<b>633,510</b>	<b>565,306</b>	<b>525,402</b>	<b>412,911</b>	<b>496,004</b>	<b>555,481</b>	Sales volume at JLR seen growing at a CAGR of 16% over FY21-23E, albeit on a low base. We assume volume growth of 20% YoY in FY22E at ~5 lakh units and 12% YoY in FY23E at ~5.6 lakh units.
<b>Growth (YoY, %)</b>		<b>-11%</b>	<b>-7%</b>	<b>-21%</b>	<b>20%</b>	<b>12%</b>	Land Rover is seen outperforming within the JLR pie
<b>India</b>							
M&HCV	190,367	228,116	123,172	90,152	119,205	148,453	
LCV	259,072	288,128	217,339	172,618	215,835	248,211	
PV	189,619	215,697	132,677	222,591	277,271	318,861	
<b>Total India Sales Volume</b>	<b>639,058</b>	<b>731,941</b>	<b>473,188</b>	<b>485,361</b>	<b>612,311</b>	<b>715,525</b>	With cyclical bottom being surpassed in the domestic CV industry, M&HCV sales volume at Tata Motors are seen growing at a CAGR of 28.3% over FY21-23E. On the PV segment front, we expect the outperformance to continue for the new forever series with volumes seen growing at a CAGR of ~20% over FY21-23E
<b>Growth (YoY, %)</b>		<b>15%</b>	<b>-35%</b>	<b>3%</b>	<b>26%</b>	<b>17%</b>	

Source: ICICI Direct Research

## Q4FY21 Earnings conference call highlights

### JLR

- **JLR is expected to post >20% YoY volume growth in FY22E.** While global semiconductor shortage has had limited impact till now, it is set to impact Q1FY22E volumes with improvement expected in H2FY22E. **Amid the ongoing impact of Covid, semiconductor shortage worries and impending commodity cost inflation, Q1FY22E could see a marginally negative EBIT reading for JLR**
- JLR retail volumes for FY21 were at 4.40 lakh units (down 14% YoY). In terms of geographies, on a full year basis, China led the way with 23% YoY growth. All other markets were in the red. In terms of nameplates, Jaguar volumes were down 31% YoY while Range Rover and Discovery sales were down 18% and 23%, respectively. Defender retails were at 45,200 units. **Total 49% of JLR sales were ICE models in FY21, with share of pure battery electric vehicles (BEV) at 3.6% and that of plug-in hybrids (PHEV) and mild hybrids (MHEV) at 4.6% and 42.9%, respectively.** Total JLR market share in served segments rose to 6% as of Q4FY21 vs. 4.4% as of Q1FY21. **As of Q4FY21, JLR order book was at ~1 lakh units**, of which Defender constituted ~22,000 units
- YoY improvement in PBT for Q4FY21 (£534 million vs. -£494 million) was on account of improvement in product mix, better pricing (variable marketing expenses, VME at 4.4% vs. 10.2% last year), lower warranty costs and favourable forex movement. For full year FY21, VME fell to 4.9% vs. 7.6% in FY20. **JLR expects VME to be 5% over H1FY22E**
- **Project Charge+ savings for Q4FY21 were at £0.3 billion. With this, JLR delivered on outlined target of £2.5 billion for FY21.** Total Charge+ savings over the programme tenure amounted to £6 billion - £2.1 billion in lower costs and profit improvements, £2.9 billion in reduced investments and £1 billion in working capital improvements
- **JLR FCF for Q4FY21, full year FY21 was at £729 million, £185 million, respectively.** It incurred £2.3 billion in capex for FY21, within the outlined limit of £2.5 billion. **Capex for FY22E is seen at ~£2.5 billion**
- **JLR cash flow breakeven (FCF neutral) wholesale volumes have reduced to <4 lakh units per annum in FY21 vs. 6 lakh units in FY19 on account of actions initiated under Project Charge and Charge+**
- **As a part of 'Reimagine', 'Project Refocus' seeks to deliver up to £1 billion in value in FY22E under 100+ initiatives spanning different pillars.** As an example, vehicle development costs are sought to be reduced by 30% and product time to market is sought to be reduced by 40%
- Depreciation is expected to be lower by £150 million per annum, going forward, due to write down of cancelled models while reduction in headcount (by ~2,000 employees) is seen leading to savings of £100 million in employee costs per annum

### India business

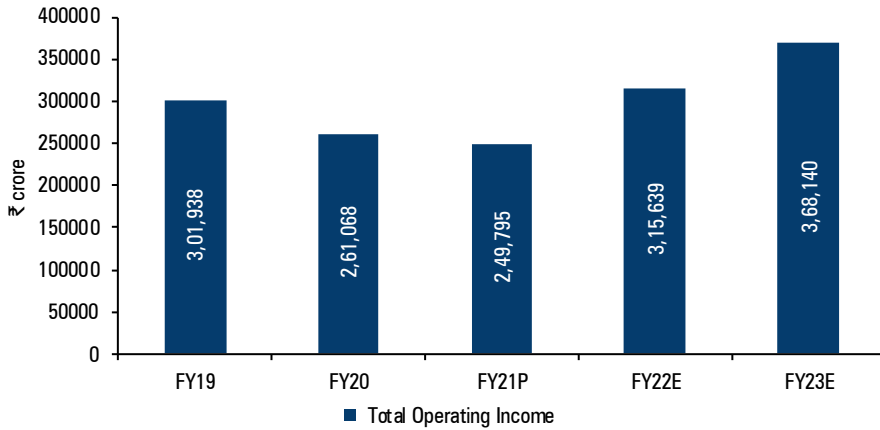
- **The PV industry could post ~30-31 lakh unit sales in FY22E with accelerated shift to personal mobility on account of the pandemic seen as one of the drivers. In May, <20% of TML PV showrooms are operational.** In May, <20% of TML PV showrooms are operational. The company is utilising the current period to build up channel inventory as dealer stock at the start of Q1FY22E was <10 days
- **EBITDA margins for India CV business and PV business in Q4FY21 were at 9.1% and 4.9%, respectively. India CV EBIT breakeven has reduced by 25%**
- **FY21 FCF for Indian operations were at ₹ 2,730 crore. Against outlined cash and cost savings target of ₹ 6,000 crore, the company delivered savings of ₹ 9,300 crore - ₹ 2,600 crore via reduced capex, ₹ 4,500 crore via working capital improvements and ₹ 2,200 crore via lower costs and profit improvements**
- India CV and PV businesses have taken price hikes of ~3.5-4% and 3.4% so far, respectively, in CY21
- FY21 EV volumes at TML rose 218% YoY. EV sales formed 2% of total PV sales vs. 0.2% in FY19. EV market share was at 71.4% in FY21, with Nexon EV having sold >4,000 units
- **Overall India capex spends for FY22E are expected at ₹ 3,000-3,500 crore**
- In Q4FY21, TML undertook a reversal of earlier charge of ₹ 1,900 crore in domestic PV business related to impairment (₹ 1,200 crore) and onerous contract provision (~₹ 700 crore) on the back of significant improvement of PV outlook

### Others

- **Net automotive debt as of FY21 was at ₹ 40,900 crore vs. ₹ 48,200 crore as of FY20, lower by ₹ 7,300 crore**

### Financial story in charts

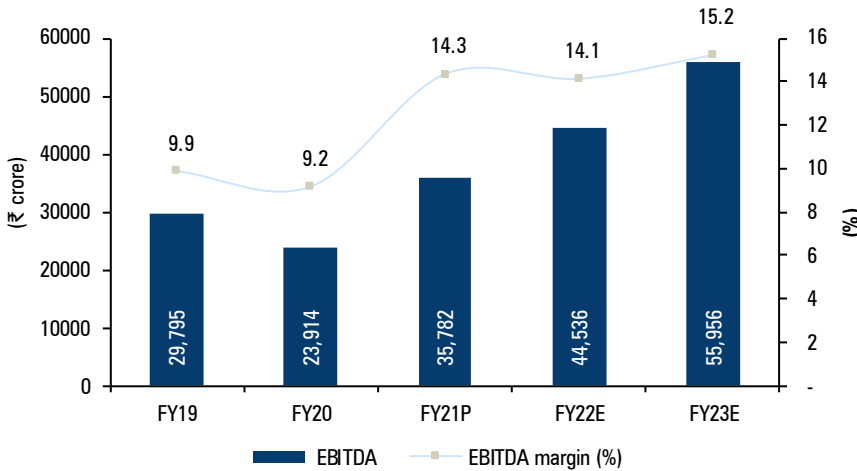
Exhibit 4: Topline trend



We expect sales to grow at 21.4% CAGR over FY21-23E to ₹ 3.7 lakh crore, with JLR & India volume CAGR seen at 16% and 21.4%, respectively

Source: Company, ICICI Direct Research

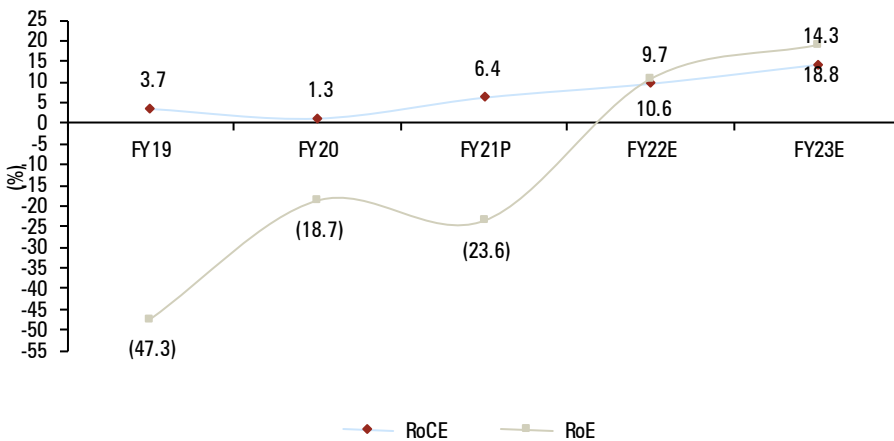
Exhibit 5: Consolidated EBITDA margin profile



EBITDA margins are seen improving to 15.2% by FY23E tracking various cost control measures undertaken by the company as well as operating leverage benefits as scale of operations improve

Source: Company, ICICI Direct Research

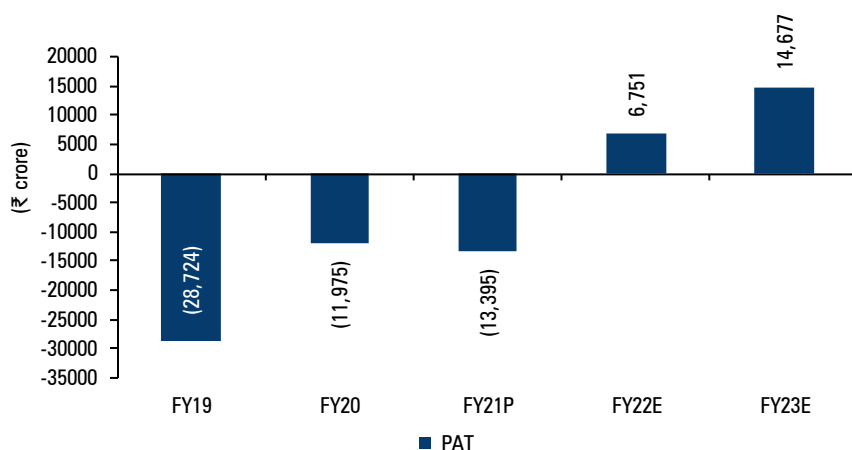
Exhibit 6: Return ratio profile



RoCE expected to improve to ~14% by FY23E tracking margin improvement

Source: Company, ICICI Direct Research

Exhibit 7: PAT trend



We expect TML to report PAT of ₹ 14,677 crore in FY23E

Source: Company, ICICI Direct Research

Exhibit 8: Valuation as per SOTP method

Particulars	Parameters	EBITDA	Multiple	Per Share Equity Value
Tata Motors Core business	FY23E EV/EBITDA	6,370	12.0	170
JLR	FY23E Adj EV/EBITDA	39,955	3.0	215
Other Investments	3x P/B on FY20	2,047	3.0	15
<b>Total value per share</b>				<b>400</b>

Source: Company, ICICI Direct Research

Exhibit 9: Model-wise retail volumes at JLR in FY21

Particulars	Total			% of sales mix	
	FY20	FY21	YoY %	FY20	FY21
<b>A. Jaguar</b>	<b>1,40,593</b>	<b>97,669</b>	<b>(30.5)</b>	<b>27.6</b>	<b>22.2</b>
<i>XE</i>	21,949	18,441	(16.0)	4.3	4.2
<i>XF</i>	11,726	9,993	(14.8)	2.3	2.3
<i>XJ</i>	3,535	970	(72.6)	0.7	0.2
<i>E - Pace</i>	37,894	20,488	(45.9)	7.4	4.7
<i>F - Pace</i>	43,388	26,291	(39.4)	8.5	6.0
<i>I-Pace</i>	15,867	15,734	(0.8)	3.1	3.6
<i>F TYPE</i>	6,234	5,752	(7.7)	1.2	1.3
<b>B. Land Rover</b>	<b>3,68,066</b>	<b>3,41,919</b>	<b>(7.1)</b>	<b>72.4</b>	<b>77.8</b>
<i>Defender</i>	249	45,244	18,070.3	0.0	10.3
<i>Discovery Sport</i>	74,568	64,519	(13.5)	14.7	14.7
<i>Discovery</i>	33,674	19,109	(43.3)	6.6	4.3
<i>Range Rover Sport</i>	74,277	64,197	(13.6)	14.6	14.6
<i>Range Rover</i>	47,290	42,399	(10.3)	9.3	9.6
<i>Range Rover Velar</i>	52,902	37,880	(28.4)	10.4	8.6
<i>Range Rover Evoque</i>	85,106	68,571	(19.4)	16.7	15.6
<b>C. Total Sales (A + B)</b>	<b>5,08,659</b>	<b>4,39,588</b>	<b>(13.6)</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, ICICI Direct Research

Exhibit 10: Segment-wise, model-wise volumes at TML (India) in FY21

Particulars	Domestic			Exports			Total			% of sales mix			Domestic MS %
	FY20	FY21	YoY %	FY20	FY21	YoY %	FY20	FY21	YoY %	FY20	FY21		
<b>I. Passenger cars</b>	<b>71,816</b>	<b>1,35,578</b>	<b>88.8</b>	<b>409</b>	<b>349</b>	<b>(14.7)</b>	<b>72,225</b>	<b>1,35,927</b>	<b>88.2</b>	<b>15.3</b>	<b>28.0</b>	<b>8.8</b>	
<b>Compact</b>	<b>71,816</b>	<b>1,35,578</b>	<b>88.8</b>	<b>409</b>	<b>349</b>	<b>(14.7)</b>	<b>72,225</b>	<b>1,35,927</b>	<b>88.2</b>	<b>15.3</b>	<b>28.0</b>		
<i>Altroz</i>	8,458	60,379	613.9	-	30	NA	8,458	60,409	614.2	1.8	12.4		
<i>Bolt</i>	261	-	(100.0)	10	30	200.0	271	30	(88.9)	0.1	0.0		
<i>Tiago</i>	49,365	60,711	23.0	291	204	(29.9)	49,656	60,915	22.7	10.5	12.6		
<i>Tigor</i>	10,048	14,488	44.2	108	85	(21.3)	10,156	14,573	43.5	2.1	3.0		
<i>Zest</i>	3,684	-	(100.0)	-	-	NA	3,684	-	(100.0)	0.8	-		
<b>II. Utility Vehicles</b>	<b>59,381</b>	<b>86,447</b>	<b>45.6</b>	<b>1,071</b>	<b>217</b>	<b>(79.7)</b>	<b>60,452</b>	<b>86,664</b>	<b>43.4</b>	<b>12.8</b>	<b>17.9</b>	<b>8.2</b>	
<b>&lt;4m</b>	<b>43,260</b>	<b>63,756</b>	<b>47.4</b>	<b>689</b>	<b>204</b>	<b>(70.4)</b>	<b>43,949</b>	<b>63,960</b>	<b>45.5</b>	<b>9.3</b>	<b>13.2</b>		
<i>Nexon</i>	43,260	63,756	47.4	689	204	(70.4)	43,949	63,960	45.5	9.3	13.2		
<b>4.4-4.7m</b>	<b>13,961</b>	<b>22,691</b>	<b>62.5</b>	<b>175</b>	<b>13</b>	<b>(92.6)</b>	<b>14,136</b>	<b>22,704</b>	<b>60.6</b>	<b>3.0</b>	<b>4.7</b>		
<i>Harrier</i>	12,856	18,836	46.5	75	13	(82.7)	12,931	18,849	45.8	2.7	3.9		
<i>Safari</i>	1,105	3,855	248.9	-	-	NA	1,105	3,855	248.9	0.2	0.8		
<i>Sumo</i>	-	-	NA	100	-	(100.0)	100	-	(100.0)	0.0	-		
<b>&gt;4.7m</b>	<b>2,160</b>	<b>-</b>	<b>(100.0)</b>	<b>207</b>	<b>-</b>	<b>NA</b>	<b>2,367</b>	<b>-</b>	<b>(100.0)</b>	<b>0.5</b>	<b>-</b>		
<i>Hexa</i>	2,160	-	(100.0)	207	-	NA	2,367	-	(100.0)	0.5	-		
<b>III. Vans</b>	<b>7,041</b>	<b>2,084</b>	<b>(70.4)</b>	<b>860</b>	<b>209</b>	<b>(75.7)</b>	<b>7,901</b>	<b>2,293</b>	<b>(71.0)</b>	<b>1.7</b>	<b>0.5</b>	<b>1.9</b>	
<b>Hard tops</b>	<b>5,964</b>	<b>2,084</b>	<b>(65.1)</b>	<b>128</b>	<b>-</b>	<b>(100.0)</b>	<b>6,092</b>	<b>2,084</b>	<b>(65.8)</b>	<b>1.3</b>	<b>0.4</b>		
<i>Magic Express</i>	5,964	2,084	(65.1)	128	-	(100.0)	6,092	2,084	(65.8)	1.3	0.4		
<b>Soft tops</b>	<b>1,077</b>	<b>-</b>	<b>(100.0)</b>	<b>732</b>	<b>209</b>	<b>(71.4)</b>	<b>1,809</b>	<b>209</b>	<b>(88.4)</b>	<b>0.4</b>	<b>0.0</b>		
<i>Magic Iris</i>	1,077	-	(100.0)	732	209	NA	1,809	209	(88.4)	0.4	0.0		
<b>A. Total PV (I + II + III)</b>	<b>1,38,238</b>	<b>2,24,109</b>	<b>62.1</b>	<b>2,340</b>	<b>775</b>	<b>(66.9)</b>	<b>1,40,578</b>	<b>2,24,884</b>	<b>60.0</b>	<b>29.7</b>	<b>46.3</b>	<b>8.3</b>	
<b>IV. M&amp;HCV</b>	<b>1,12,228</b>	<b>82,296</b>	<b>(26.7)</b>	<b>10,944</b>	<b>7,856</b>	<b>(28.2)</b>	<b>1,23,172</b>	<b>90,152</b>	<b>(26.8)</b>	<b>26.0</b>	<b>18.6</b>		
<i>Passenger</i>	14,809	2,514	(83.0)	1,822	899	(50.7)	16,631.0	3,413.0	(79.5)	3.5	0.7	34.3	
<i>Goods</i>	97,419	79,782	(18.1)	9,122	6,957	(23.7)	1,06,541	86,739	(18.6)	22.5	17.9	52.0	
<b>V. LCV</b>	<b>1,91,586</b>	<b>1,58,110</b>	<b>(17.5)</b>	<b>17,852</b>	<b>12,215</b>	<b>(31.6)</b>	<b>2,09,438</b>	<b>1,70,325</b>	<b>(18.7)</b>	<b>44.3</b>	<b>35.1</b>		
<i>Passenger</i>	15,848	3,999	(74.8)	3,323	895	(73.1)	19,171	4,894	(74.5)	4.1	1.0	33.1	
<i>Goods</i>	1,75,738	1,54,111	(12.3)	14,529	11,320	(22.1)	1,90,267	1,65,431	(13.1)	40.2	34.1	38.9	
<b>B. Total CV (IV + V)</b>	<b>3,03,814</b>	<b>2,40,406</b>	<b>(20.9)</b>	<b>28,796</b>	<b>20,071</b>	<b>(30.3)</b>	<b>3,32,610</b>	<b>2,60,477</b>	<b>(21.7)</b>	<b>70.3</b>	<b>53.7</b>	<b>42.3</b>	
<b>C. Total sales (A + B)</b>	<b>4,42,052</b>	<b>4,64,515</b>	<b>5.1</b>	<b>31,136</b>	<b>20,846</b>	<b>(33.0)</b>	<b>4,73,188</b>	<b>4,85,361</b>	<b>2.6</b>	<b>100.0</b>	<b>100.0</b>		

Source: SIAM, ICICI Direct Research

Exhibit 11: Valuation Summary

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY19	3,01,938	2.5	(79.8)	NA	NM	6.0	-47.3	3.7
FY20	2,61,068	-13.5	(33.3)	NA	NM	7.9	-18.7	1.3
FY21P	2,49,795	-4.3	(35.0)	NA	NM	5.1	-23.6	6.4
FY22E	3,15,639	26.4	17.6	NA	18.2	4.2	10.6	9.7
FY23E	3,68,140	16.6	38.3	117.4	8.3	2.9	18.8	14.3

Source: Company, ICICI Direct Research

Exhibit 12: Shareholding pattern

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoters	42.4	42.4	42.4	42.4	46.4
FII	16.8	15.6	15.8	15.6	13.8
DII	13.5	13.2	13.1	12.6	11.9
Others	27.3	28.8	28.7	29.4	27.9

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21P	FY22E	FY23E
<b>Total operating Income</b>	<b>2,61,068</b>	<b>2,49,795</b>	<b>3,15,639</b>	<b>3,68,140</b>
Growth (%)	-13.5	-4.3	26.4	16.6
Raw Material Expenses	1,67,131	1,58,291	2,07,589	2,40,078
Employee Expenses	30,439	27,648	28,181	30,016
Marketing Expenses	57,087	40,922	49,440	56,815
Capitalised Expenses	-17,503	-12,849	-14,106	-14,726
Total Operating Expenditure	2,37,154	2,14,013	2,71,104	3,12,184
<b>EBITDA</b>	<b>23,914</b>	<b>35,782</b>	<b>44,536</b>	<b>55,956</b>
Growth (%)	-19.7	49.6	24.5	25.6
Product development Exp	4189	5227	5029	5782
Depreciation	21425	23547	25251	27610
Interest	7243	8097	8330	7830
Other Income	2973	2643	2705	2759
<b>PBT</b>	<b>(3,520)</b>	<b>8,513</b>	<b>13,660</b>	<b>23,275</b>
Minority Interest	0	0	0	0
Total Tax	395	2542	1726	3499
<b>Reported PAT</b>	<b>(11,975)</b>	<b>(13,395)</b>	<b>6,751</b>	<b>14,677</b>
Growth (%)	-58.3	NM	LP	117.4
<b>EPS (₹)</b>	<b>(33.3)</b>	<b>(35.0)</b>	<b>17.6</b>	<b>38.3</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21P	FY22E	FY23E
Profit after Tax	(11,975.4)	(13,395.0)	6,750.6	14,676.6
Add: Depreciation	21,425	23,547	25,251	27,610
(Inc)/dec in Current Assets	6,254	-6,045	-14,956	-14,518
Inc/(dec) in CL and Provisions	-6,111	12,128	15,529	20,615
Others	11,743	21,444	3,330	7,830
<b>CF from operating activities</b>	<b>21,336</b>	<b>37,678</b>	<b>35,905</b>	<b>56,214</b>
(Inc)/dec in Investments	0	0	0	0
(Inc)/dec in Fixed Assets	-41,007	-33,809	-28,500	-28,000
Others	4,692	-3,994	-2,236	1,846
<b>CF from investing activities</b>	<b>(36,315)</b>	<b>(37,803)</b>	<b>(30,736)</b>	<b>(26,154)</b>
Issue/(Buy back) of Equity	40	46	0	0
Inc/(dec) in loan funds	12,635	14,965	-1,000	-15,000
Dividend paid & dividend tax	0	0	0	0
Inc/(dec) in Sec. premium	2,984	3,424	0	0
Others (incl finance costs)	397	-5,244	-8,330	-7,830
<b>CF from financing activities</b>	<b>16,057</b>	<b>13,191</b>	<b>(9,330)</b>	<b>(22,830)</b>
Net Cash flow	1,078	13,066	-4,160	7,231
Opening Cash	32,649	33,727	46,792	42,632
<b>Closing Cash</b>	<b>33,727</b>	<b>46,792</b>	<b>42,632</b>	<b>49,863</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21P	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	720	766	766	766
Reserve and Surplus	61,492	54,481	61,232	75,908
Others	1,681	1,574	1,574	1,574
<b>Total Shareholders funds</b>	<b>63,892</b>	<b>56,820</b>	<b>63,571</b>	<b>78,247</b>
Total Debt	1,18,811	1,33,776	1,32,776	1,17,776
Deferred Tax Liability	1,942	1,556	1,966	2,293
Long term provisions	14737	13607	14037	16372
Minority Interest / Others	18,595	21,095	23,499	27,408
<b>Total Liabilities</b>	<b>2,17,976</b>	<b>2,26,853</b>	<b>2,35,849</b>	<b>2,42,096</b>
<b>Assets</b>				
Gross Block	3,11,583	3,46,703	3,85,203	4,18,203
Less: Acc Depreciation	1,85,252	2,08,799	2,34,050	2,61,661
Net Block	1,26,330	1,37,904	1,51,153	1,56,542
Capital WIP	35,622	20,964	15,964	10,964
<b>Total Fixed Assets</b>	<b>1,61,952</b>	<b>1,58,868</b>	<b>1,67,117</b>	<b>1,67,506</b>
Investments	16,308	24,620	25,370	26,120
Inventory	37,457	36,089	44,968	52,447
Debtors	11,173	12,679	15,566	20,172
Loans and Advances	935	1,749	2,211	2,578
<b>Cash</b>	<b>33,727</b>	<b>46,792</b>	<b>42,632</b>	<b>49,863</b>
Total Current Assets	1,08,726	1,27,836	1,38,632	1,60,381
Creditors	63,627	68,180	77,829	90,774
Provisions	10,329	12,848	14,666	17,106
Total Current Liabilities	1,04,145	1,16,272	1,31,802	1,52,417
<b>Net Current Assets</b>	<b>4,581</b>	<b>11,564</b>	<b>6,830</b>	<b>7,964</b>
Deferred Tax Asset	5,458	4,520	5,712	6,662
<b>Application of Funds</b>	<b>2,17,976</b>	<b>2,26,853</b>	<b>2,35,849</b>	<b>2,42,096</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY20	FY21P	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	-33.3	-35.0	17.6	38.3
Cash EPS	26.3	26.5	83.6	110.4
BV	177.6	148.4	166.0	204.4
DPS	0.0	0.0	0.0	0.0
Cash Per Share	123.9	172.0	162.4	182.6
<b>Operating Ratios</b>				
EBITDA Margin (%)	9.2	14.3	14.1	15.2
PBT / Net sales (%)	1.0	4.9	6.1	7.7
PAT Margin (%)	-4.6	-5.4	2.1	3.1
Inventory days	52.4	52.7	52.0	52.0
Debtor days	15.6	18.5	18.0	20.0
Creditor days	89.0	99.6	90.0	90.0
<b>Return Ratios (%)</b>				
RoE	-18.7	-23.6	10.6	18.8
RoCE	1.3	6.4	9.7	14.3
RoIC	2.4	11.6	16.0	24.1
<b>Valuation Ratios (x)</b>				
P/E (adjusted)	NM	NM	11.4	6.3
EV / EBITDA	7.9	5.1	4.2	2.9
EV / Net Sales	0.7	0.7	0.6	0.4
Market Cap / Sales	0.4	0.5	0.4	0.3
Price to Book Value	1.8	2.2	1.9	1.6
<b>Solvency Ratios</b>				
Debt/EBITDA	5.0	3.7	3.0	2.1
Debt / Equity	1.9	2.4	2.1	1.5
Current Ratio	0.6	0.6	0.6	0.6
<b>Quick Ratio</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>

Source: Company, ICICI Direct Research

**Exhibit 17: ICICI Direct coverage universe (Auto & Auto Ancillary)**

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Apollo Tyre (APOTYR)	215	260	BUY	13,653	5.5	9.9	16.2	39.0	21.8	13.2	6.5	6.7	4.9	7.6	6.1	9.1	6.4	5.3	8.2
Ashok Leyland (ASHLEY)	120	150	Buy	35,125	-1.7	1.4	4.6	-69.8	86.2	26.4	119.9	24.8	13.4	-3.6	6.1	16.4	-6.9	5.9	17.5
Bajaj Auto (BAAUTO)	4,080	4,500	BUY	1,18,063	157.4	183.5	210.0	25.9	22.2	19.4	19.5	16.0	13.7	18.2	21.9	25.2	18.1	20.6	23.1
Balkrishna Ind. (BALIND)	2,150	2,250	Buy	41,563	59.8	68.2	80.5	36.0	31.5	26.7	23.5	20.2	17.1	19.3	20.4	21.6	19.2	19.0	19.4
Bharat Forge (BHAFOR)	675	670	Hold	31,426	-5.2	11.8	19.1	NM	57.4	35.4	46.5	24.9	18.1	1.2	7.1	11.1	3.7	10.2	14.9
Eicher Motors (EICMOT)	2,550	3,050	Hold	69,513	48.7	73.3	94.2	52.4	34.8	27.1	34.8	24.0	18.9	11.7	15.3	16.7	12.0	15.8	17.5
Escorts (ESCORT)	1,165	1,140	Hold	14,281	71.2	62.0	76.9	16.4	18.8	15.1	10.0	11.5	9.0	18.7	13.8	14.8	16.2	12.6	13.7
Exide Industries (EXIIND)	185	200	Hold	15,725	8.9	9.3	11.0	15.6	15.0	12.6	10.9	10.4	9.0	14.0	13.8	15.1	11.0	10.5	11.5
Hero Moto (HERHON)	2,920	3,440	Buy	58,312	148.4	170.8	196.5	19.7	17.1	14.9	12.5	10.6	9.1	20.8	23.1	24.5	19.5	20.7	21.7
M&M (MAHMAH)	780	1,000	Buy	96,970	10.8	36.0	44.8	72.1	21.7	17.4	14.9	13.4	10.9	9.6	9.6	11.4	7.7	11.1	12.5
Maruti Suzuki (MARUTI)	6,840	6,080	Reduce	2,06,623	140.0	172.9	225.1	48.9	39.6	30.4	30.5	22.7	16.9	4.3	6.6	9.1	8.2	9.5	11.4
Minda Industries (MININD)	580	625	Buy	15,771	5.8	11.6	17.9	99.6	49.8	32.5	24.3	16.9	13.2	8.7	14.2	19.1	8.7	15.9	19.5
Motherson (MOTSUM)	240	225	Hold	75,790	2.5	6.7	8.1	NM	36.0	29.7	17.6	10.2	8.7	6.0	16.3	18.9	7.1	16.1	17.4
<b>Tata Motors (TATMOT)</b>	<b>320</b>	<b>400</b>	<b>Buy</b>	<b>1,15,126</b>	<b>-35.0</b>	<b>17.6</b>	<b>38.3</b>	<b>NM</b>	<b>18.2</b>	<b>8.3</b>	<b>5.1</b>	<b>4.2</b>	<b>2.9</b>	<b>6.4</b>	<b>9.7</b>	<b>14.3</b>	<b>-23.6</b>	<b>10.6</b>	<b>18.8</b>

Source: Company, ICICI Direct Research



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