



# COMPANY ANALYSIS

TATA MOTORS LTD.



# TATA MOTORS

Tata Motors Ltd, one of India's biggest automakers, was founded in 1945. It is one of India's top three PV manufacturers and the market leader in the local CV sector. TML has one of the most well-rounded product portfolios in the domestic CV market, with a presence in the light, medium, and heavy-duty categories. In the PV market, the company's product line includes both SUVs and passenger automobiles.

**Industry:** Automobile Industry

**Area of Expertise:** Automobile Manufacturer (Passenger and Commercial Vehicles)

**TATA MOTORS around the world**

Tata Motors Group is on the roads of 175 countries



**Current Market  
Capitalization**



INR 1,68,483 Cr.

**Current Market  
Price**



INR 440

# Business Model

- Diversified Product Portfolio, Cost Leadership, Focus on Innovation, Global Expansion financing business and Strong Brand Equity are the major factors driving the growth of the business of the firm.
- The company has a diverse product portfolio, offering a wide range of vehicles across different categories, such as passenger cars, commercial vehicles, and electric vehicles.
- The firm's cost leadership strategy is based on operational efficiencies and economies of scale, which enables the company to offer affordable vehicles to its customers.
- The company has a robust supply chain management system and uses advanced manufacturing technologies to optimize its operations and reduce costs. Strong investments with focus to innovation, particularly in the area of electric vehicles and autonomous vehicle technology along with significant investments in research and development and has allowed it to introduce a range of electric vehicles to the market and is the current market leader in electric vehicle segment.
- The global presence and operations over 100 countries is a mark of its global outlook and is planning to expand its horizon particularly with its luxury car segment and electric vehicles.
- The company has established partnerships and collaborations with leading global automotive companies to expand its reach and access new markets. With the synergies of tata group's other verticals like Tata Chemicals, Tata Power, TCS, Tata Elxsi , Tata Digital and capitalising on these relations it is investing heavily on bringing out best cost-efficient deals in the electric vehicle segment that reassures the company to maintain the leadership.
- Tata Motors has a strong brand equity in the automotive industry, particularly in India. The company is known for its commitment to quality, innovation, and customer satisfaction, which has helped it build a loyal customer base and maintain a strong competitive position in the market.
- The company owns Tata Motors Finance which is a NBFC that offers commercial vehicle loan facility which expands the scope of prospective consumers. Thus, helping customers choose the car that they want rather than the car they can buy. Overall, Tata Motors' business model is focused on providing affordable, innovative, and high-quality vehicles to its customers, while maintaining operational efficiency and a strong global presence.

# SWOT

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## Strengths

- Diverse product portfolio
- Innovative products
- Strong supply chain
- Strong group synergies
- Strong brand equity
- Market leader in EV segment of India

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## Weakness

- Quality issues
- Social perception as cheap vehicle manufacturer
- Heavy invested capex on petroleum engine vehicles
- Increasing interest expense

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## Threats

- Strong competition
- Chip supply chain problems
- Regulatory challenges
- EV ecosystem is not good at present

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## Opportunities

- EV ecosystem
- Growth opportunities in emerging markets
- Strategic partnerships with group companies and others

# Recent Highlights

**Market Share:** TATA Motors PV market share stood to 14.1% in 1HFY23. The company's market share in SUVs improved to 41.6%. EVs recorded the highest-ever quarterly sales. Market share in EV stood at 87% in 2QFY23; PV and EV business YoY growth in Q3 33% and 108% respectively.

**Record Sales:** Company did highest ever calendar year wholesale of 5.26 lacs units in CY2022. The cumulative EV sales crossed 50K units. Highest ever quarterly retail of 139K units.

**Green mobility:** TATA Motors will supply 25,000 XPRES'T electric vehicle units to Uber in one of the largest deals in the green mobility space till date. As per a memorandum of understanding inked between the two entities, Uber will utilise the electric sedans in its premium category service, the companies said in a joint statement. This partnership will further cement TATA Motors market position in the fleet segment.



# Sector-wise Trend

## 01 BEST SALES YEAR FOR THE SECTOR

The sector witnessed highest sales at 37.93 Lakh vehicles being sold in the year 2022.

## 02 TRANSITION TO ELECTRIC VEHICLES

The demand for Electric Vehicles is picking up due to support from government and investments in infrastructure.

## 03 RISING COST OF OWNERSHIP OF VEHICLES

The rising interest rate is increasing the cost of financing for buying vehicles.

## 04 SCRAPPAGE POLICY

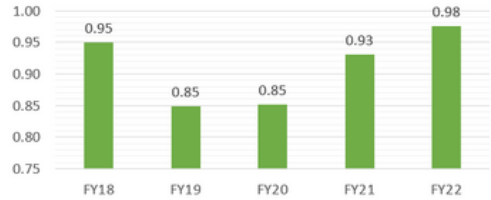
The scrappage policy is going to generate fresh demand for vehicles for the sector.

# Financial Highlights

PARTICULARS	FY 19-20	FY 20-21	FY 21-22	COMMENTS
Revenue(INR in Crores)	2,61,068	2,49,795	2,78,454	Revenue growth lower compared to volume growth on account of lower JLR sales.
Inventory Turnover	6.97	6.92	7.90	Increased due to reduction in average inventory.
EBITDA Margin	8.5	12.2	9.6	Due to lower sales in JLR business and impact of commodity inflation in CV business.
Interest Coverage	1.77	1.49	0.9	Due to lower earnings at both Tata Motors and JLR, the interest coverage ratio is low.
ROE	-19%	-24%	-26%	Increase in expenses owing to the rising interest rate.

# Ratio Analysis

## CURRENT RATIO



Current ratio has improved in past 2 financial year. This indicates that current assets are improving compare to its current liabilities

## ASSET TURNOVER



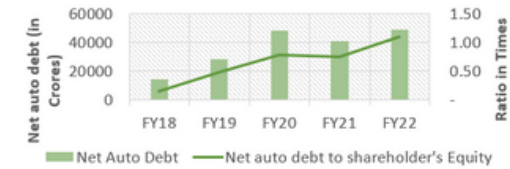
Total Asset turnover is flat over the 5 years. The ratio is below 1, so company is not able to fully utilize its assets to convert into the sales.

## CASH CONVERSION CYCLE



Cash conversion cycle is negative because of higher days payable.

## LOAN TO VALUE RATIO



Indicates that the loan taken is more than 1.2 times the shareholders equity which is a sign of caution.



# Future Outlook

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## FOR THE INDUSTRY

- In terms of market size, the India passenger car market was estimated to be worth USD 32.70 billion in 2021, and it is anticipated to increase at a CAGR of over 9% from 2022 to 2027 to reach USD 54.84 billion. By 2025, it is predicted that India's electric vehicle (EV) market will be worth INR 50,000 crore (USD 7.09 billion).
  - With fresh releases and growing traction for EVs, the passenger segment for both two-wheelers and four-wheelers (four-wheelers) is anticipated to stay strong. Tractor and agricultural equipment sales are anticipated to be driven by rural demand, which will be advantageous to businesses with significant rural and semi-urban presence.
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## FOR THE COMPANY

- After seeing net losses for 7 consecutive quarters, Q3FY23 saw TTMT deliver Net Profit on the back of improved profitability across all 3 businesses. The domestic PV and CV businesses have continued to perform strongly, while JLR has seen improvement aided by higher volumes, improved product mix, and pricing. Demand remains strong with record bookings.
- Management expects improvement in margins and FCF generation in the coming quarters. Management expects chip supply to improve further leading to volume ramp-up, especially for JLR. Commodity costs are expected to be stable from here, which along with focus on profitable growth should aid EBIT and free cash flows.