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Research Summary

Tata Motors Q3 FY2022.



Tata Motors Limited is an Indian multinational company. It mainly deals with automotive manufacturing. The company is headquartered in Mumbai, India. The products include Automobiles, Luxury Vehicles, Commercial Vehicles, Automotive parts, pickup trucks and SUV's. It was incorporated in the year 1945. The company has its operation worldwide. Tata Motors has auto manufacturing and vehicle plants in different parts Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, the United Kingdom, and Thailand.

Industry Analysis

Tata Motors Limited is a well known multinational company in the automotive industry. Tata Motors is the third-largest carmaker now in India. It holds 9 percent share in the world's and stands fourth-largest automobile market. At present, the Tata Motors group is present in over 125 countries

Management Team

- Mr. P B Balaji---Group Chief Financial Officer.
- Mr. Girish Wagh---Executive Director.
- Mr. Shailesh Chandra---President - Passenger Vehicles Business Unit.
- Mr. Rajendra Petkar---President & Chief Technology Officer.
- Mr. Thomas Flack---President & Chief Purchasing Officer.

Quickly giving you an update on the PV business starting with the quarter highlights. For the industry, the industry degrew by 15% year-on-year primarily because of the semiconductor shortages. Otherwise the demand was pretty much similar to the last festive season.

P B Balaji - Group CFO

Competitors

Telsa
Mitsubishi Motors
Audi
Pacacar
Vovo
Hyundai Motors



Key Financial Highlights

In Crores	Q3 FY 2022	Q3 FY 2021
Revenue from Operation	72,229.29	75653.69
Total Expense	73630.14	71,775.77
Profit/Loss	-612.12	4167.39

Consolidated EBITDA of 10.2% declined by 460 bps and EBIT is at 1.7 % declined by 470 bps.

JLR Revenue declined by 21.2% £4.7b.

CV revenue increased by 28.7%, the EBITDA of 2.6%, which decreased by 540 bps.

PV revenue increased by 72.3%, EBITDA is at 4.2% increased by 40 bps.

“Overall the quarter saw 72,000 crores of revenue, decline of 4.5 %. PBT before exceptional item of INR 700 crores improved over the last quarter, but definitely lower compared to the same period last time. EBITDA of 10.2% sequentially improving but year-on-year down 460 bips and EBIT also improving sequentially but declined over the previous year. Free cash flow was positive INR 4000 crores for the quarter both JLR and Tata Motors being FCF positive.”

P B Balaji - Group CFO

Business Segment Analysis

Jaguar Land Rover Car

Retails declined by 38% to 80.1K units in Q3 FY 22.

Investments made for £0.5 billion in products and technologies.

Free Cash Flows are £164m in Q3 FY22.

Outlook

The demand remains strong despite the effect of omicron.

Expects semiconductor supply situation to improve.

The company expects performance to improve further in Q4 FY22 even though there is supply and cost challenges.

“So overall outlook, we see demand as remaining strong. Supply situation gradually improving, but inflation worries do persist. And we do expect to see this resilient performance we have been now turning in the last few quarters to improve further in Q4 FY '22 and beyond and JLR already talked about its focused actions and do so have Shailesh and Girish. So let me maybe add one last piece on the EV Helios TPG where we are in final stages of completing the CPs for drawing down the transformer.”

P B Balaji - Group CFO



Tata motors Car

Retails increased by 33% to 202.2K units.
Investments of ₹0.9 KCr in products and technologies.
Free Cash Flows earned ₹ 2.0 KCr in Q3 FY22.

SWOT Analysis

Strength

Tata Motors have a diversified portfolio in the Indian Industry.
It is very well known brand.
The company has large and diversified employee base.
The company has recorded a strong profit over the years.

Weakness

Tata motors fails to compete with the global market.
Less dependent on International markets.
Tata motors have unable grab the India market with luxury car like Jaguar.

Opportunity

The company should incline towards capturing new markets.
Tata Motors should introduce new electric cars to compete with new emerging players.
Increasing purchase power of Indians has open new market for Tata motors.

Key Developments

Tata Motors decided to invest \$2 billion in EVs after raising funds from TPG.
Tata Motors has decided to set up franchise vehicle scrappage centres.
Tata Motors has received an order for 3,500 XPRES-T EV units from BluSmart Mobility, an electric ride-hailing platform.
Bandhan Bank has decided to provide loans to Tata Motors' customers at an interest rate of 7.50%.
Tata Motors has decided to invest Rs 15,000 crore in electric vehicles.
Tata Motors is all set to launch Tiago, Tigor CNG in January 2022.
Tata Motors has appointed Anurag Mehrotra as Vice President of International Business.

“Pretty intense period of action both in Tata Motors as well as in JLR. Commercial vehicles we have unleashed rather more than unveiled almost 21 commercial vehicles across all segments on one day received very well. We then introduce the CNG technology in Tiago and Tigor called iCNG and I'm sure Shailesh will want to talk about it a little bit more. “

P B Balaji - Group CFO

Threat

Rising fuel cost is the biggest threat to Automobile Industry.
Stiff competition from other competitors.
The rising cost of production is a big threat for automobile industry.



Excerpts from the conference call Q&A

Regarding the question on chip supplies going forward, it was that, at the onset of EVs at JLR, there has been a meaningful cost increase. Analyst even questioned on M&HCV demand recovering in FY23-24. It was answered that the freight utilization and rate has gone up towards the end of the 3Q. The company expects a double digit growth next year. Analyst questioned on the credit margins. It was answered that the volumes are increasing compared to previous years, but it is still far away from the peak.

Regarding the question on chip supplies for CVs and PVs in Q4, it was answered that there is a customer mix which is currently skewed towards larger accounts, but there is a sign of retail/small customer coming back to market gradually.



Bay Area, San Francisco, CA