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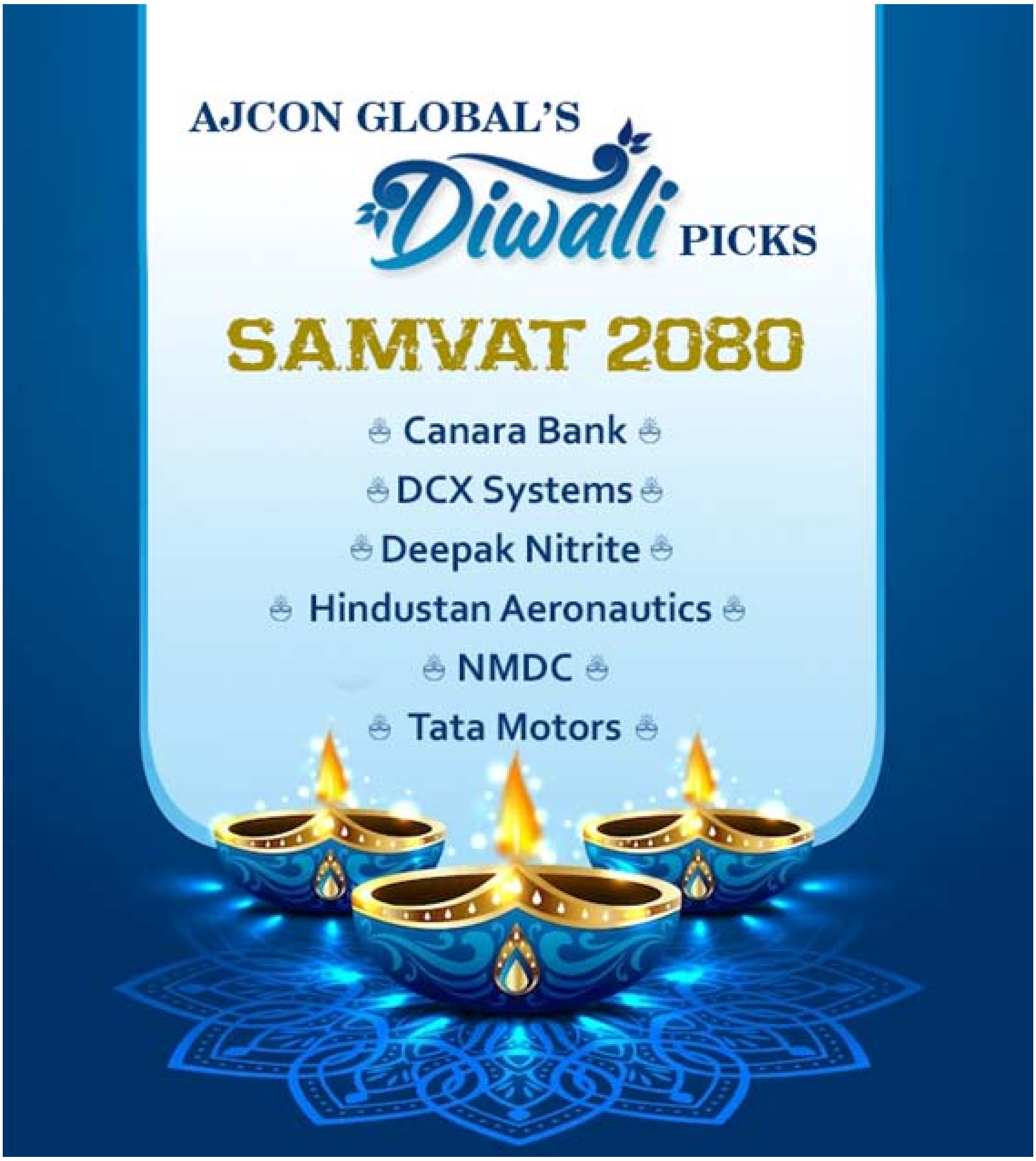

Report date: November 09, 2023

Company name	Recommendation	CMP (Rs.)	Target price (Rs.)	Upside (%)
Canara Bank	Buy	383.70	465	21.19
DCX Systems Limited	Buy	281.60	346	22.87
Deepak Nitrite Limited	Buy	2,082	2,539	21.95
Hindustan Aeronautics Limited	Buy	2,031	2,460	21.12
NMDC Limited	Buy	162.80	203	24.69
Tata Motors Limited	Buy	648.50	780	20.28

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Canara Bank| "Buy"| Target price: Rs. 465| Upside: 21.19%

CMP: Rs. 383.70 |FV: Rs. 10| Book value per share: Rs. 371.97 as on Q2FY24| Market Cap: Rs. 69,608.18 Crore|CRAR: 16.20 %| Global C/D ratio: 74.98 %| Domestic CASA ratio: 32.15 %| NIM: 3.0 %|Cost/Income: 43.74 %|Provision Coverage Ratio (PCR): 88.73 %| Gross NPA ratio: 4.76 %| Net NPA ratio: 1.41 %|Credit cost: 1.02 %|Slippage ratio: 0.33 %|RoA: 1.02%|RoNW: 22.01 %|52 Week High/Low: Rs. 392.80/Rs. 268.80

Recommendation and Investment Rationale

At CMP of Rs. 383.70, the stock trades at a P/BV of 1.03x. We believe the Bank deserves a premium due strong performance in the last few quarters and due to the following factors. We recommend a "Buy" with a target price of Rs. 465 (P/BV of 1.25x at H1FY24 Book value of Rs. 371.97)

In Q2FY24, the Bank has witnessed good performance on majority of the fronts which are as follows:

1) Domestic Gross Advances grew by 12.59 percent on YoY basis and registered a growth of 4.17 percent on QoQ basis to Rs. 8,78,256 Crore in Q2FY24 (Rs. 7,80,049 Crore in Q2FY23) as against Rs. 8,43,063 Crore in Q1FY24. The Management seems to be conservative in giving guidance of 10.50% credit growth in FY24 (Optimistic case: Credit growth guidance of 12%) and we expect the Bank to beat its own guidance.
2) Domestic deposits grew by 8.22 percent on YoY basis and by 3.52 percent on QoQ basis to Rs. 11,43,394 Crore in Q2FY24 (Rs. 10,56,519 Crore in Q2FY23) as against Rs. 11,04,506 Crore in Q1FY24.
3) Domestic CASA ratio stood at 32.15 percent in Q2FY24 (34.02 percent in Q2FY23) as against 30.56 percent in Q1FY24. On an analyst query, with regards to improving CASA ratio, the Bank's MD & CEO was of the view that CASA deposits can be garnered by improvement in the customer service. He further added that the Bank has on boarded 6 lakhs salaried customers. He was of the view that to maintain the existing level of CASA ratio, the Bank will need to grow CASA deposits in double digit.
4) Operating profit grew by 10.30 percent on YoY and witnessed a marginal growth of 0.16 percent on QoQ basis to Rs. 7,616 Crore in Q2FY24 (Rs. 6,905 Crore in Q2FY23) as against Rs. 7,604 Crore in Q2FY23. Net Interest Income grew by 19.76 percent on YoY basis and registered a growth of 2.73 percent on QoQ basis to Rs. 8,903 Crore in Q2FY24 (Rs. 7,434 Crore in Q2FY23) as against Rs. 8,666 Crore in Q1FY24.
5) Net Profit clocked a growth of 42.81 on YoY basis and grew by 2 percent on QoQ basis to Rs. 3,606 Crore in Q2FY24 (Rs. 2,525 Crore in Q2FY23) as against Rs. 3,535 Crore in Q1FY24.
6) Gross NPA ratio declined to 4.76 percent in Q2FY24 (6.37 percent in Q2FY23) as against 5.15 percent in Q1FY24. Net NPA ratio improved to 1.41 percent in Q2FY24 (2.19 percent in Q2FY23) as against 1.57 percent in Q1FY24.
7) Provision Coverage Ratio (PCR) improved to 88.73 percent in Q2FY24 (85.36 percent in Q2FY23) as against 88.04 percent in Q1FY24. Earlier, the Bank's MD & CEO said that every quarter, provisions worth Rs. 2,500 Crore will continue till the Bank reaches PCR of 90 percent.
8) Credit cost improved to 1.02 percent in Q2FY24 (1.31 percent in Q2FY23) as against 1.10 percent in Q1FY24. The Bank's MD &CEO gave credit cost guidance of 1-1.2% for FY24. He further added that the Bank does not see drastic reduction in credit cost as there is scope to the increase PCR to 95 percent.

9) CRAR stood at 16.20 percent (CET I: 11.58%, AT I: 2.02%, Tier II: 2.60%) as against 16.24 percent (CET I: 11.50%, AT I: 2.08%, Tier II: 2.66%).

10) Return on Asset (RoA) stood at 1.02 percent in Q2FY24 (0.79 percent in Q2FY23) as against 0.99 percent in Q1FY24. Return on Net worth (RoNW) stood at 22.01 percent in Q2FY24 (18.86 percent in Q2FY23) as against 22.95 percent in Q1FY24.

11) The Bank's Gross NPA and Net NPA declined both in absolute and percentage terms in Q2FY24, adequate provisioning, strong Balance Sheet, sequential decline in credit cost , well capitalized to meet credit growth, all gives confidence on the Bank.There are no major legacy issues and the management's assurance that recoveries would be higher led by some NCLT resolutions provides comfort.

12) The Bank's thrust on its digital journey has yielded good results and the Bank is taking digital initiatives on continuous basis. The Bank has planned capex of Rs. 1,000 – 1,200 Crore for digital transformation and already 80 percent of it has been spent. Significant increase in transactions has been witnessed through digital mode as compared to two years' back.

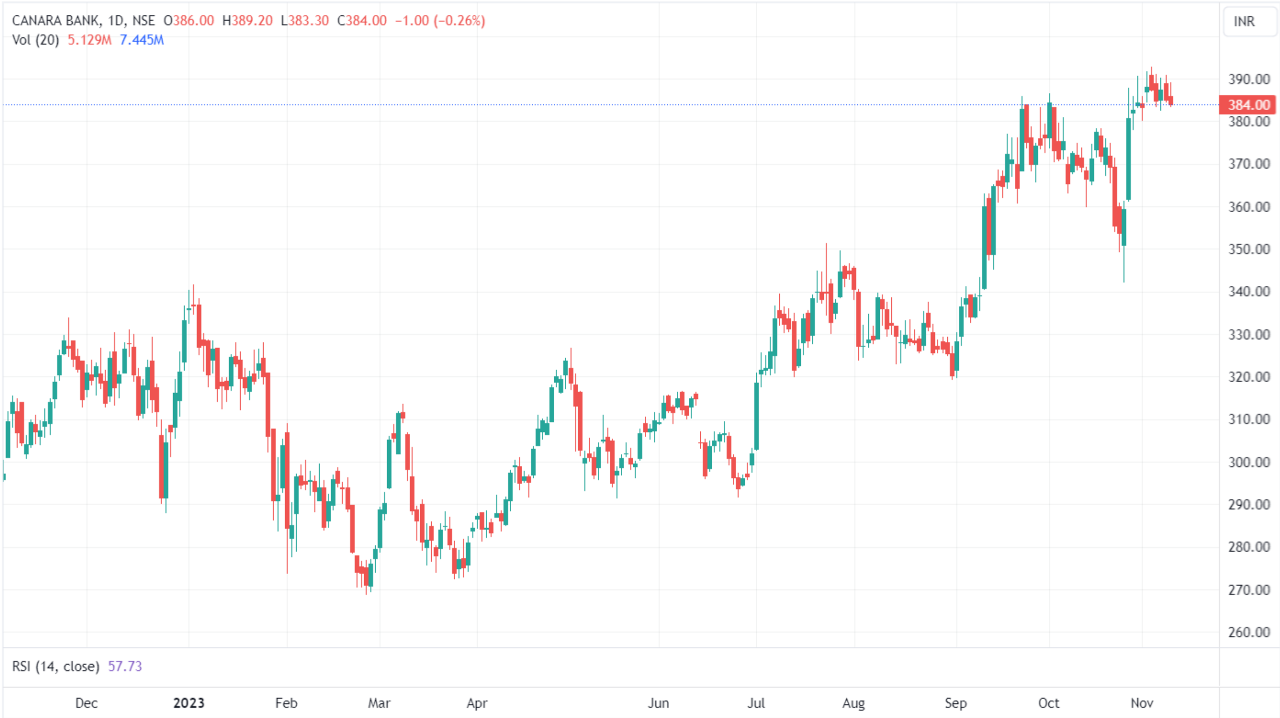
13) In addition, the present subsidiaries also offer a lot of value to the Bank and the Bank is looking to unlock value from its two subsidiaries by listing them in stock exchanges in time to come also sends positive signals.

Financial Summary (Rs. In Crore)

Particulars	H1FY24	FY23	FY22	FY21
Net Interest Income	17,569	31,436	26,384	24,103
NIM (%)	3.02	2.95	2.82	2.76
Non – Interest Income	9,454	18,762	16,497	14,924
Cost/Income (%)	43.68	44.79	46.16	49.55
Operating Profit	15,220	27,715	23,090	19,689
Net profit	7,141	10,604	5,678	2,558
Global Gross Advances	9,23,966	8,62,782	7,41,147	6,75,155
Global Deposits	12,32,215	11,79,219	10,86,409	10,10,875
Domestic CASA ratio (%)	32.15	33.48	35.88	34.33
Global C/D ratio	74.98	73.17	68.22	66.79
Gross NPA (%)	4.76	5.35	7.51	8.93
Net NPA (%)	1.41	1.73	2.65	3.82
Provision Coverage Ratio (%)	88.73	87.31	84.17	79.68
Credit cost (%)	1.02#	1.17	1.53	2.09
Book Value (Rs.)	371.97	331.81	268.41	241.78
P/BV (x)	1.03	1.16	1.43	1.59
CRAR (%)	16.20	16.68	14.90	13.18
RoA(%)	1.01	0.81	0.48	0.23
RoE (%)	22.51	19.49	12.82	6.71

Source: Bank's Investor presentation, # as on Q2FY24

One-year price movement chart



Source: TradingView

DCX Systems Limited| "Buy"| Target price: Rs. 346| Upside: 22.87%

CMP: Rs. 281.60|FV: Rs. 2|Book Value per share: Rs.61.3 | Market Cap: Rs. 2,724 Crores | FY23 EPS: Rs. 7.41|Debt/Equity ratio: 0.69x| FY23 ROE: 12.69% | 52 Week High/Low: Rs.351/Rs.138| Promoter Holding: 71.7%

Background

DCX Systems Limited, among one of the leading Indian Defence Manufacturing Players offering a full service and manufacturing of Electronic Sub - Systems and cable -wire harnesses for both International and Domestic reputed customers.DCX Systems' businesses comprise of - System Integration, Cable and Wire Harness Assemblies, Printed Circuit Board Assemblies and Kitting which complement each other. The Company has strategically located manufacturing facility in SEZ in Bengaluru, spread over 30,000 sq. ft. New 40,000 sq. ft. facility in Bengaluru dedicated for EMS manufacturing.

The Company provides a complete spectrum of services to Aerospace, Land & Naval Defence systems, Satellites and Civil Aviation**.** Over the years, the company has expanded its product portfolio, customer base and gained technological expertise in manufacturing the products. For FY23, 95% of the order book comprises of system integration which includes Cable and Wire Harness Assemblies, 4% of the order book is for Kitting and 1% for System Integration.

Recommendation and Investment Rationale

At the CMP of Rs. 281.60, the stock trades at a P/E of 30.71x at EPS (TTM) of Rs. 9.17. We recommend a "Buy" with a target price of Rs. 346 (P/E of 30.71x at estimated FY24 EPS of Rs. 11.28) due to the following factors:

1) Unique business model providing end-to-end solutions of cable & wire harnesses, electronic sub-systems, high-end System Integration and PCB Assembly for Defence & Aerospace Industry
2) The Company has core competency in electronics manufacturing with focus on backward integration in PCBA's through 100% subsidiary, Raneal Advanced Systems – both for captive consumption and other markets
3) Build to Print Box Model: Domain expertise in developing & manufacturing aerospace & defence electronics products on Build to Print Model
4) Asset light business model: Equipment for testing etc. supplied by OEMs, thus facilitating asset light business, despite capital intensive product portfolio.
5) Strong relationship with Israeli Defence Companies, built over a Decade: IOP / Non-IOP partner for Israel / US OEMs to supply wide range of products for Aerospace & Defence.
6) For FY23, 95% of the order book comprises of system integration which includes Cable and Wire Harness Assemblies, 4% of the order book is for Kitting and 1% for System Integration.
7) The Government of India's "Atmanirbhar Bharat" initiative, promoting self-reliance, anticipates that over Rs. 1.75 lakh crore worth of orders will be placed with Indian industries in the next 5-10 years.
8) The Company has witnessed a healthy Revenue CAGR of 43 percent over the last 5 years and a PAT CAGR of 95 percent during the same period.

Risks and concerns: Competition: DCX Systems Limited faces the threat of competition from both established companies and emerging start-ups offering similar services. To maintain its competitive position, the company must continually innovate, differentiate its offerings, and provide exceptional value to its clients.

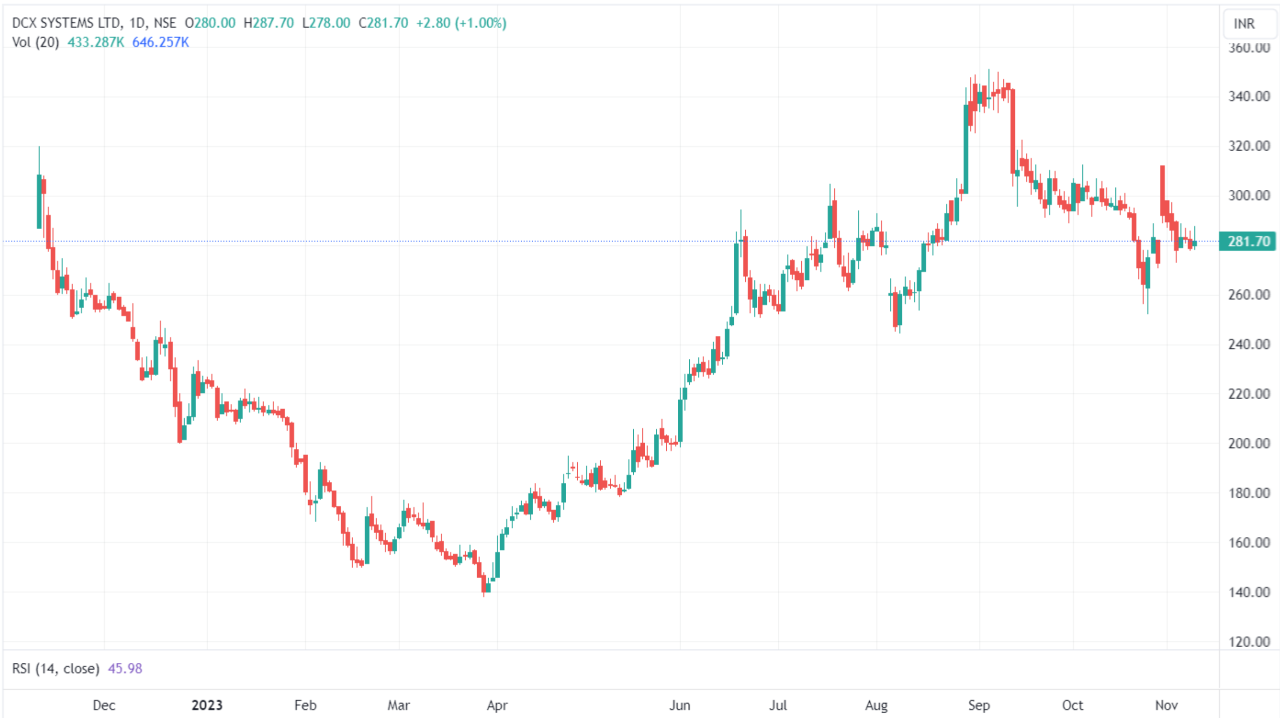
1) Uncertainty in Tendering Processes: The tendering processes in the defence and aerospace sectors can be complex and uncertain. DCX Systems Limited may face challenges in winning contracts due to factors such as intense competition, changing customer requirements, or delays in the tendering process. The company needs to closely monitor market dynamics, develop strong relationships with customers, and adapt its strategies to navigate this potential threat.
2) Unfavourable Policy Changes in Defence and Aerospace: Changes in government policies and regulations can pose a significant threat to DCX Systems Limited. Shifts in defence procurement policies, foreign investment regulations, or trade barriers can impact the company's operations, market access, and growth prospect.

Financial Summary (Rs. In Crore)

Particulars	H1FY24	FY23	FY22	FY21
Revenue from operations	479.23	1,254	1,102	641
EBITDA	26.91	84	67	10
EBITDA (%)	5.62	6.7	6.08	1.56
Net profit for the period	30.26	72	66	30
PAT margin (%)	6.31	5.74	5.99	4.68
Equity share cap.	19.345	19.345	15.48	3.50
Total Debt	409	409	509	503
Net Worth	592.6	567.05	117.59	46.78
EPS (Rs.)^	6.26#	7.41	8.48	3.10
P/E (x)	44.98^	38.0	33.21	90.84
RoE(%)	-	12.69	56.13	64.13

Source: Company, EPS is calculated on Post IPO Equity shares # denotes H1FY24 annualized EPS, * denotes P/E calculated at H1FY24 annualized EPS

One-year price movement chart



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Deepak Nitrite Limited| "Buy"| Target price: Rs. 2,539| Upside: 21.95%

CMP: Rs. 2,082|FV: Rs. 2| Book Value per share: Rs.318| Market Cap: Rs. 28,397 Crore| FY23 EPS: Rs. 62.47| FY23 RoE: 20.83%|52-week High/Low: Rs. 2372.70 / 1730| Debt-equity ratio:0.02x| Promoter Holding: 49.1%

Background

Deepak Nitrite Limited has 100+ products in its portfolio of chemical intermediates divided into Advanced intermediates and Phenolic segment; to serve the1000+ customers in domestic and international market with high quality products having 56+ application across dyes and pigments, agrochemicals, pharmaceuticals, fuel additives, Rubber, paper, detergents and personal care. The Company has a dedicated research facility at Nandesari with 70+ qualified PhDs and IITians. It has 6 modern manufacturing facilities with export to 45+ countries across 6 continents.

Recommendation and Investment Rationale

At the CMP of Rs. 2,082, the stock trades at a P/E of 35.58x at EPS (TTM) of Rs. 58.51. We recommend a "BUY" with a target price of Rs. 2,539 (P/E of 35.58x at estimated FY25 EPS of Rs. 71.37) due to the following factors:

1) The company has 70% market share in Indian important inorganic compounds and is the largest producer of Phenol and Acetone since 2019 in India.
   The Company enhanced its wallet share the in several products and commenced exporting product to China for pharmaceutical applications.
2) The Company adopted several strategies to deal with global headwinds like exploring new customer opportunities, optimizing procurement, driving for valorisation opportunities.
3) The Company is building a world-class R&D centre near Vadodara to solidify its capabilities and expertise across complex chemistries, while accelerating the growth momentum.
4) Acetone-derivatives project of MIBK and MIBC is expected to be commissioned on schedule in H1 FY25 and aims for downstream value added products using captively sourced acetone and the sodium nitrite project in Oman is on track and progressing well.
5) Initiatives around debottlenecking of Phenol facility have commenced and the same is expected to increase the production by close to 10% over FY 23 levels, thereby giving its subsidiary Deepak Phenolics Limited (DPL) more headroom for incremental growth in phenol.
6) Deepak Chem Tech Limited signed Rs. 5,000 crore MoU with Government of Gujarat
7) The Company witnessed improvement in EBITDA margin in Q2FY24 led by fall in raw material prices.

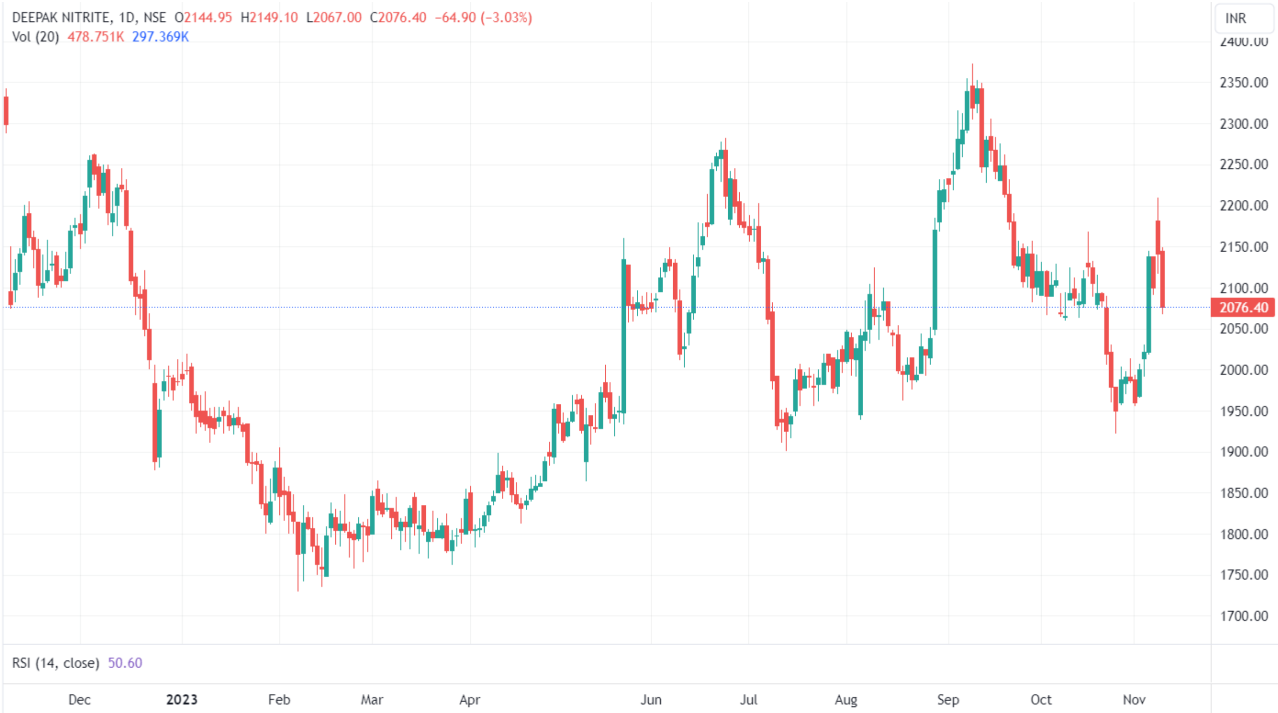
Financial Summary (Rs. In Crore)

Particulars	H1FY24	FY23	FY22	FY21
Revenue from operations	1,379	7,972	6,802	4,359
EBITDA	243	1,292	1,607	1,252
EBITDA (%)	17.62	16.21	23.63	28.72
Net profit for the period	243	852	1,067	776
PAT margin (%)	17.64	10.69	15.69	17.80
Equity share cap.	27.28	27.28	27.28	27.28
Total Debt	5.67	73	315	590

Net Worth	4,342	4,090	3,338	2,347
EPS (Rs.)	52.06#	62.47	78.20	56.88
P/E (x)	39.99*	33.33	26.62	36.60
RoE(%)	-	20.83	31.97	33.06

Source: Company, # denotes H1FY24 annualized EPS, * denotes P/E calculated at H1FY24 annualized EPS

One-year price movement chart



Source: TradingView

Hindustan Aeronautics Limited| "Buy"| Target price: Rs. 2,460| Upside: 21.12%

CMP: Rs. 2,031| FV: Rs.5| Book value per share: Rs. 352.46| Market Cap: Rs.1,35,828 Crore| FY 23 EPS: Rs.90|FY23 RoE: 27.2%| 52-week High/Low: Rs.2090/Rs.1150|Promoter holding: 71.6%

Background

Hindustan Aeronautics Limited is an Indian state-owned aerospace and defence company based in Bangalore, Karnataka. It is governed under the management of the Indian Ministry of Defence. These include manufacturing and assembly of aircraft, navigation and related communication equipment and airports operation. It is currently involved in the design, fabrication and assembly of aircraft, jet engines, helicopters and their spare parts. It has several facilities spread across India. The locations where the manufacturing plants are operated by HAL include Nasik, Korwa, Kanpur, Koraput, Lucknow, Bangalore and Hyderabad. Hindustan Aeronautics Limited is a defence PSU which was conferred Navaratna status in 2007. The Company boasts of research, design and development capabilities with the successful development of military aircraft and helicopters.

HAL plays a strategic role in India's defence program being the only Indian company having specialization in aircraft manufacturing and providing its Maintenance and related services. During FY23, the Company has produced 22 numbers of new Aircraft and Helicopters, covering LCA Tejas, Dornier Do-228, ALH Dhruv, Light Combat Helicopter (LCH) and Light Utility Helicopter (LUH) in addition to the production of 51 New Engines and Accessories, at its various Divisions. The Company has also overhauled 216 Aircraft / Helicopters and 536 engines during FY23.

Recommendation and Investment Rationale

At the CMP of Rs. 2,031, the stock trades at a P/E of 22.57x at EPS (TTM) of Rs. 89.98. We recommend a "Buy" due to the following factors with a target price of Rs. 2,460 at (P/E of 22.57x at estimated FY25 EPS of Rs. 109)

1) Leadership Position in the Indian Aeronautical industry and strong GoI support.
2) Long credible history of research, design and development, manufacturing and maintenance, repair and overhaul services.
3) Established track record in offering product life cycle support extending to periods beyond four decades.
4) Diversified product portfolio which includes fighter aircraft, trainer aircraft, transport aircraft, military helicopter and civil helicopters and their engines, avionics and accessories.
5) Government's push for Atmanirbhar Bharat: The Company indigenizes various items/ components and systems of foreign origin fitted on HAL platforms through in-house capabilities or with the help of local vendors to reduce dependence on imports, savings in foreign exchange and manage obsolescence, thus fostering self-reliance through 'Make in India'.
6) Strong research and development capabilities resulting in more indigenously designed and developed platforms to offer more products in the Domestic and Export Market.
7) The capability to cater a large spectrum of aerospace business which includes R&D, Production and MRO of the Fixed-wing Aircraft, Rotary-wing Aircraft, Aero-engines, LRUs and airborne systems
8) Strong order book and execution capabilities.
9) Expertise in aircraft upgrade for the Defence Customers which includes major changes like re-engineering, avionics upgrade, and weapon system integration.

10) In near future, Indian Defence market will continue to be prime revenue source for HAL due to projects like LCA Mk1A, LCH, LUH and HTT-40. The company has taken various initiatives to make systems more agile, effective, cost efficient and to be competitive. Enhancement of HAL capability is being planned to cater above projects. New production lines are being installed for HTT-40 and LCA Mk1A Production.
11) Trusted partner of Indian Defence Forces for providing support to aging fleets, some of which are more than 60 years old fleets.
12) Recently, HAL and Safran Aircraft Engines signed a Memorandum of Understanding (MoU) to develop industrial cooperation in Ring forging manufacturing for commercial anginas. HAL will produce LEAP (Leading Edge Aviation Propulsion. powering Airbus A320 Neo family and Boeing 737 Max) engine Forgings at its Foundry a Forge facility in Bengaluru as part of the MoU.

Financial Summary (Rs. In Crore)

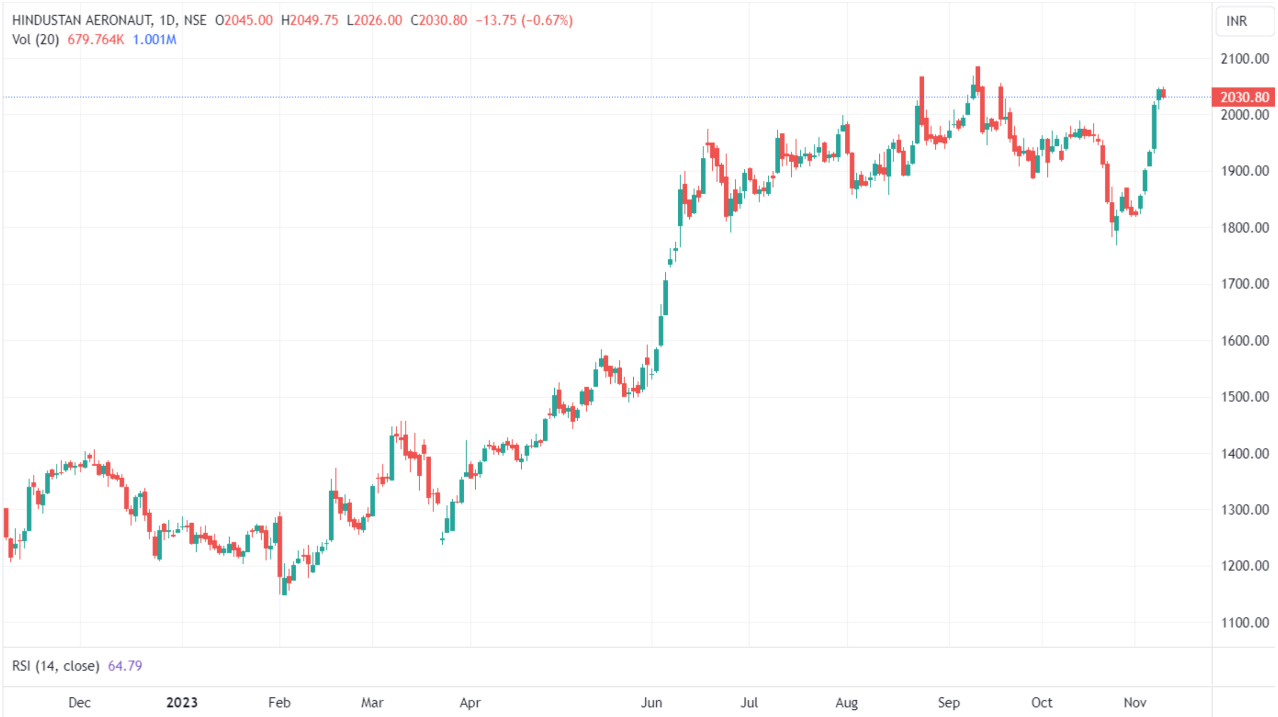
Particulars	Q1FY24	FY23	FY22	FY21
Revenue from operations	3,915	26,928	24,620	22,882
EBITDA	880	6,686	5,415	5,344
EBITDA (%)	22.48	24.82	22.00	23.35
Net profit for the period	814	5,828	5,080	3,246
PAT margin (%)	20.79	21.64	20.63	14.18
Equity share cap.	334.39	334.39	334.39	334.39
Networth	-	23,572	19,313	15,424
Total Debt	-	51	49	53
EPS (Rs.)	48.68#	86.89	76.05	48.44
P/E (x)	41.72*	23.43	26.71	41.92
RoE(%)	-	24.72	26.30	21.05

Source: Company, # denotes Q1FY24 annualized EPS, * denotes P/E calculated at Q1FY24 annualized EPS

Key Risks

1) Collaborations of Indian Private Companies with Global OEMs and capability building by them.
2) Change in preference of Defence customers by moving from nomination to competitive procurement.
3) Direct competition from foreign companies looking for enter/sustain into Indian market.

One-year price movement chart



Source: TradingView

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NMDC Limited| "Buy"| Target price: Rs. 203| Upside: 24.69%

CMP: Rs.162.80 | FV: Re. 1|Book Value per share: Rs.77.2|Market Cap: Rs. 47,710 Crore| FY23 EPS: Rs. 19.12|Debt-equity ratio: 0.02x|FY23 RoE: 24.77%| 52-week High/Low: Rs. 168 / 104| Promoter Holding: 60.79%

Background

National Mineral Development Corporation (NMDC), a Navratna Public Sector Enterprise under the Ministry of Steel, Government of India is the single largest producer of iron ore in India. It owns and operates highly mechanized iron ore mines in Chhattisgarh and Karnataka and has its registered office at Hyderabad, Telangana. The Company is producing about over 40 MTPA of iron ore from its major iron producing units i.e. from Bailadila Sector in Chhattisgarh and Donimalai in Bellary-Hospet region in Karnataka.

Recommendation and Investment Rationale

At the CMP of Rs. 162.80, the stock trades at a P/E of 8.21x at EPS (TTM) of Rs. 19.82. We recommend a "Buy" with a target price of Rs. 203 (P/E of FY24 estimated EPS of Rs. 24.75) due to the following factors:

1) NMDC is considered to be one of the low-cost producers of iron ore in the world. NMDC envisages to have an iron ore production capacity of 100 mn tonnes by FY30.It also operates the only mechanized diamond mine in India at Panna, Madhya Pradesh.
2) As a part of expansion, value addition and forward integration programmer, and also in consonance with the desire of the Government of India and Government of Chhattisgarh, NMDC Limited is setting up a 3 MTPA capacity Greenfield integrated steel plant ('NMDC Iron & Steel Plant' or 'NISP') at Nagarnar, located 16 km from Jagdalpur in Chhattisgarh State.
3) NMDC has made a comprehensive strategic management plan to enhance its iron ore production capacity to 67 MTPA by FY-26 and further to 100 MTPA by FY-30 to meet the growing requirements of iron ore in the Indian Steel sector.
4) Ministry of Coal has allocated two Coal Blocks namely Tokisud North Coal block &Rohne Coal Block on 17th March 2020 for commercial sale & captive purposes. NMDC has appointed MDO for Tokisud North Coal Block and plans to start its operations in FY24. NMDC Steel Limited is in the advanced stages of setting up a 3.0 MTPA (Million Tonnes Per Annum) greenfield Steel Plant at Nagarnar in Chhatisgarh, which is expected to operationalize in FY24.

Financial Summary (Rs. in Crore)

Particulars	Q1FY24	FY23	FY22	FY21
Revenue from operations	5,395	17,667	25,965	15,370
EBITDA	1,994	6,054	12,626	8,790
EBITDA (%)	36.96	34.27	48.63	57.19
Net profit for the period	1,650	5,603	9,429	6,277
PAT margin (%)	30.64	31.71	36.31	40.84
Equity share cap.	293.07	293.07	293.07	293.07
Net Worth	-	22,621	18,018	29,884
Total Debt	-	423	1,800	2,000
EPS (Rs.)	22.52#	19.12	32.17	21.42

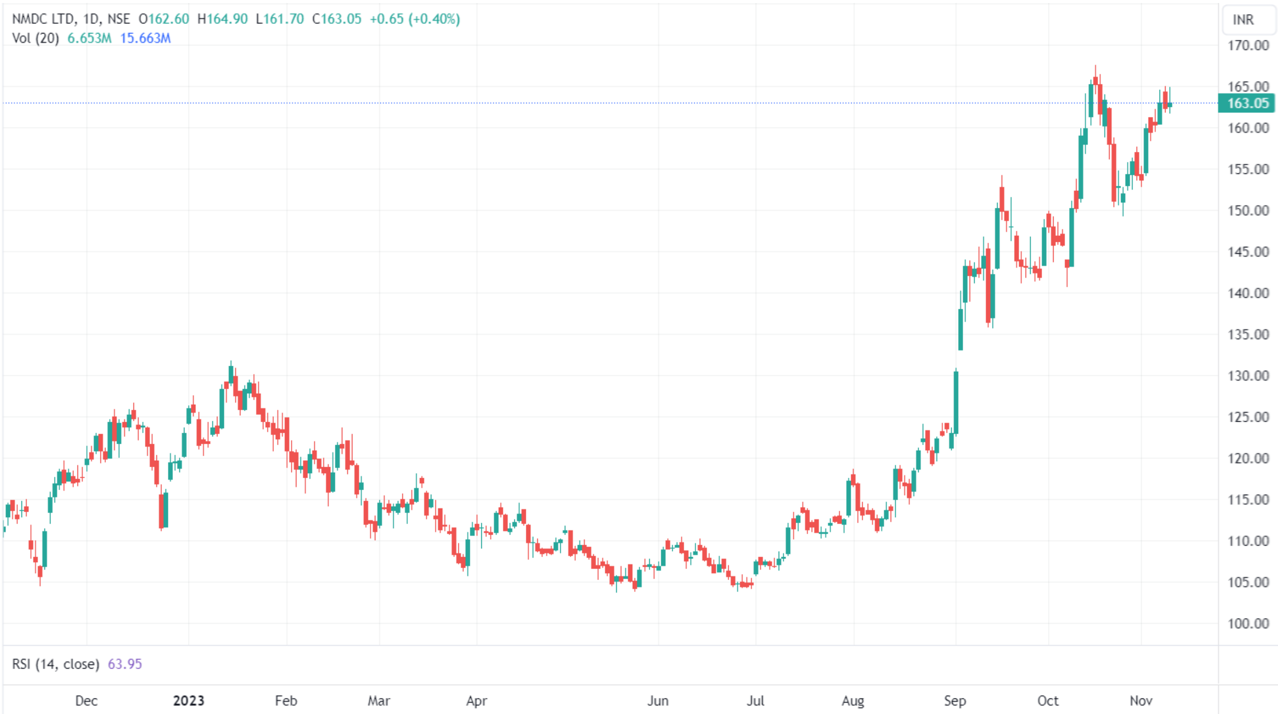
P/E (x)	7.24*	8.53	5.07	7.61
RoE(%)	-	24.77	52.33	21.00

Source: Company, # denotes Q1FY24 annualized EPS, * denotes P/E calculated at Q1FY24 annualized EPS

Risks and Concerns:

1) Uncertainty in export duties in Iron ore, pallets can lead to volatility in the prices of iron ore, further leading to reduced iron ore demand.
2) Disturbances due to Maoist activities in Bailadila region from where the majority of NMDC's productions comes from. At the same time, the location of Bailadila has a logistic disadvantage.
3) Although NMDC is entering into Coal Mining, the opening of the Coal Sector for Commercial mining will increase the competition for NMDC in the short to medium term.

One-year price movement chart



Source: TradingView

Tata Motors Limited| "Buy"| Target price: Rs. 780| Upside: 20.28 %

CMP: Rs. 648.50| FV: Rs. 2| Book Value per share: Rs. 161| | Market Cap: Rs. 2,15,753 Crore| FY23 EPS: Rs. 6.29 | FY23 RoE: 5.94%| 52-week High/Low: Rs. 678 / 375| Debt-equity ratio: 2.38x| Promoter Holding: 46.38%

Background

Tata Motors Limited is a leading global automobile manufacturer of cars, utility vehicles, pick-ups, trucks and buses, offering extensive range of integrated, smart and e-mobility solutions.

Tata Motors is India's market leader in commercial vehicles and amongst the top three in the passenger vehicles market.

Tata Motors strives to bring new products that fire the imagination of GenNext customers, fuelled by state-of-the-art design and R&D centres located in India, UK, US, Italy and South Korea. With a focus on engineering and tech enabled automotive solutions catering to the future of mobility, the company's innovation efforts are focused to develop pioneering technologies that are sustainable as well as suited to evolving aspirations of the market and the customers.

The company is pioneering India's Electric Vehicle (EV) transition and driving the shift towards sustainable mobility solutions by preparing a tailor-made product strategy, leveraging the synergy between the Group companies and playing an active role liasoning with the Government in developing the policy framework. With operations in India, the UK, South Korea, Thailand, South Africa and Indonesia, Tata Motors' vehicles are marketed in Africa, Middle East, Latin America, Southeast Asia and SAARC countries. As of March 31, 2023, Tata Motors' operations inter alia includes 88 consolidated subsidiaries, 2 joint operations, 3 joint ventures and numerous equity-accounted associates, including their subsidiaries, in respect of which the company exercises significant influence.

Recommendation and Investment Rationale

At the CMP of Rs. 648.50, the stock trades at a P/E of 14.04x at EPS (TTM) of Rs. 46.16. We believe the Company deserves a premium due to the following factors and recommend a "Buy" due to the following factors and assign target price of Rs. 780 (P/E of 15x at estimated FY25 EPS of Rs. 52)

Investment Rationale

1) Positive future outlook: The Company remains optimistic on demand despite external challenges and anticipates a moderate inflationary environment. The Company aims to deliver a stronger performance in H2, due to a healthy order book at JLR, strong demand for heavy trucks in CV and exciting new generation products in PV. The Company's financial performance is expected to improve further owing to a richer mix, continued low-break-even in JLR, execution of demand-pull strategy in CV and improving profitability in PV/EV.
2) PB Balaji, Group Chief Financial Officer, Tata Motors said: "It is pleasing to see all the businesses deliver on their well differentiated plans this quarter. With a strong product pipeline, a seasonally stronger H2 and continued focus on cash accretive growth, we are confident of sustaining this momentum."
3) With regards toJaguar Land Rover,EBIT margin is expected to improve to around 8 percent for FY24 compared to prior guidance of 6 percent plus. The Company's priorities areto improve supply

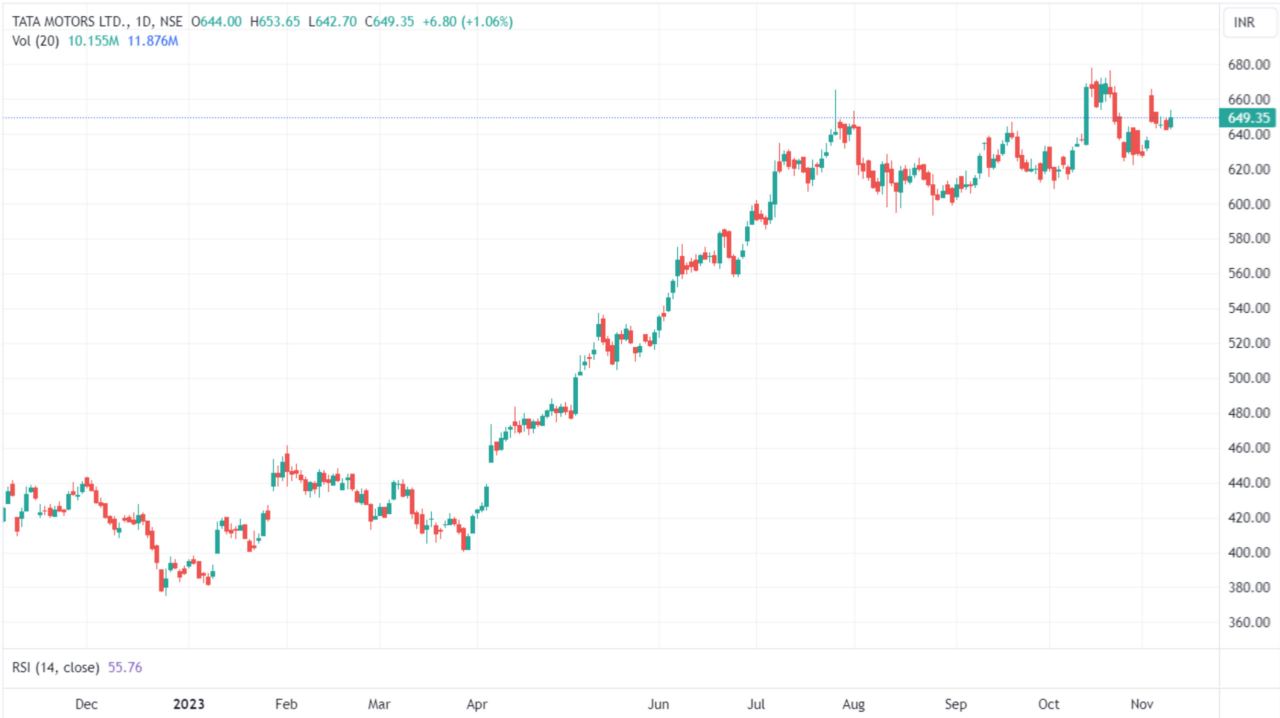
availability, focus on brand activation to secure order book, execute Reimagine plans flawlessly, EBIT margin to improve to around 8% for FY24 and net debt to reduce to reduce to < UK pound 1 billion by end of FY24.

4) In the Commercial Vehicles space, the Company continues to improve market shares and revenue growth through innovation, service quality and thematic brand activation and expects to deliver double-digit EBITDA in FY24
5) In the Passenger vehicle segment, the Company's priority is to deliver market beating growth through new product launches, each double digit EBITDA and sustain positive free cash flows.
6) In the EV space, the Company's priority is to expand the market and drive up EV penetration to 15%+ through an exciting range of products, Improve contribution margins; secure cost savings & PLI benefits.
7) The company said "We expect demand to sequentially improve in FY24. The promising monsoon and continuing infrastructure thrust by the Government auger well for the CV industry, even as it faces the headwinds of high interest rates, fuel prices and inflation. We will continue to drive our demand-pull strategy and drive customer preference through innovation, service quality and thematic brand activation. In the coming quarters, we aim to step up Vahan market shares and revenue growth through innovation, service quality and thematic brand activation and deliver double digit EBITDA in FY24 by improving realisations and cost savings."
8) Easing of Chip and other supply constraints continues: Chip and other supply constraints continue to ease in Q2 with the benefit of agreements and relationships with key suppliers. The Company successfully responded to supply chain challenges during Q2FY24 by utilizing better analytics and improved supplier relationships. The Company expects gradual improvement to continue over FY24, but active management still required. Q3 & Q4 production and wholesale volumes are expected to improve further.

Particulars	H1FY24	FY23	FY22	FY21
Revenue from operations	2,07,364	3,45,967	2,78,454	2,49,795
EBITDA	29,031	31,816	24,720	32,287
EBITDA (%)	14.0	9.2	8.88	12.93
Net profit for the period	7,133	2,690	(11,309)	(13,395)
PAT margin (%)	3.31	0.7	(4.11)	(5.38)
Equity share cap.	766.21	766.02	765.88	765.81
Net Worth	53,643	45,322	44,561	19,056
Total Debt	1,19,469	1,34,113	1,46,449	1,42,131
EPS (Rs.)	36.32#	6.29	(29.88)	(36.99)
P/E (x)	17.86*	103.10	-	-
RoE(%)	-	5.94	(7)	(13)

Source: Company, # denotes H1FY24 annualized EPS, * denotes P/E calculated at H1FY24 annualized EPS

One-year price movement chart



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