

Tata Motors

BSE SENSEX
73,872

S&P CNX
22,406

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3598
M.Cap.(INRb)/(USDb)	3616.5 / 43.6
52-Week Range (INR)	996 / 400
1, 6, 12 Rel. Per (%)	10/47/103
12M Avg Val (INR M)	7574
Free float (%)	53.6

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	4,375	4,719	5,077
EBITDA	595.1	677.6	753.1
Adj. PAT	202.7	229.0	265.7
Adj. EPS (INR)	52.9	62.3	72.3
EPS Gr. (%)	2,360	18	16
BV/Sh. (INR)	166.5	231.4	299.5

Ratios

Net D/E (x)	0.3	0.1	-0.1
RoE (%)	37.2	30.8	27.2
RoCE (%)	15.6	15.6	15.7
Payout (%)	5.7	6.7	5.8

Valuations

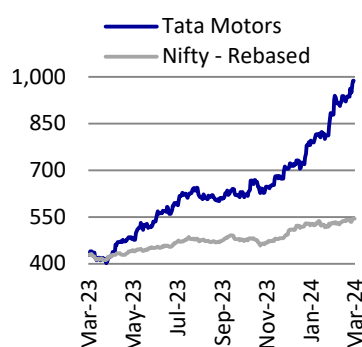
P/E (x)	18.7	15.9	13.7
P/BV (x)	5.9	4.3	3.3
EV/EBITDA (x)	6.8	5.4	4.5
Div. Yield (%)	0.3	0.4	0.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	46.4	46.4	46.4
DII	17.4	17.5	15.4
FII	18.6	18.4	18.2
Others	17.6	17.0	20.1

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR988 TP: INR1,000 (+1%) Downgrade to Neutral

Positives seem fully priced in

Demerger into two separate entities seems to be a step in right direction

Tata Motors (TTMT) has announced the demerger of its business verticals into two separate listed companies ([click here for the press release](#)), which will house: 1) the commercial vehicle (CV) business and its related investments in one entity; and 2) the passenger vehicle (PV) business, including PVs, EVs, JLR, and related investments in another entity. While the demerger seems to be a step in the right direction, we do not foresee any need to revisit our target price, which is already based on SoTP valuation. Moreover, despite factoring in most of the positive triggers in our estimates, we get limited upside given the recent sharp run-up in the stock. We, hence, downgrade TTMT to **Neutral** (from BUY) with an unchanged TP of INR1,000 per share.

Key highlights of business demerger

- The board has approved the proposal to demerge Tata Motors into two separate listed companies housing: 1) the CV business and its related investments in one entity, and 2) the PV businesses, including PVs, EVs, JLR, and related investments in another entity.
- The demerger will be implemented through an NCLT scheme of arrangement and all shareholders of TTMT shall continue to have identical shareholdings in both listed entities.
- The proposal will be placed before the TTMT board for approval in the coming months and will be subject to necessary approvals, which could take further 12-15 months to complete.
- This step will certainly help TTMT simplify its business structure.
- While the business demerger seems to be a step in the right direction, we do not foresee any need to revisit our TP, which is already based on SoTP valuation.

Our estimates factor in most of the positive triggers now

- **India PV business:** We factor in 8.5% volume growth in FY25E/FY26E each after 4.5% growth in FY24E vs. management/industry growth guidance of low single digits in FY25. We also factor in 100bp margin expansion over FY24-26E to 7.8%.
- **India CV business:** We factor in 6% volume growth in FY25E/FY26E each after 1% volume decline in FY24E vs. management/industry growth guidance of near-term weakness in FY25. We also factor in 100bp margin expansion over FY24-26E to 11.5%.
- **JLR:** We factor in 7% volume growth in FY25E/FY26E each after 25% volume growth in FY24E, compared to the weakness in global PV demand in key developed markets in 2024. We also factor in 150bp margin expansion over FY24-26E to 17.4%.
- We also expect the consolidated entity to become net cash by FY26E.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

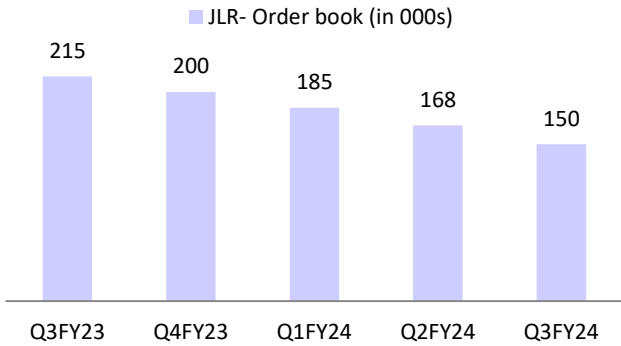
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

On the back of a strong performance across its key business segments, the stock has significantly outperformed key indices with 204% return in the last 36 months vs. ~50% return in the Nifty. Also, as highlighted above, we have already factored in most of the positive triggers in our estimates. While the business demerger seems to be a step in the right direction, we do not foresee any need to revisit our TP, which is already based on SoTP valuation. Given limited upside after the recent sharp run-up in the stock, we downgrade TTMT to Neutral (from BUY) with an unchanged TP of INR1,000 per share.

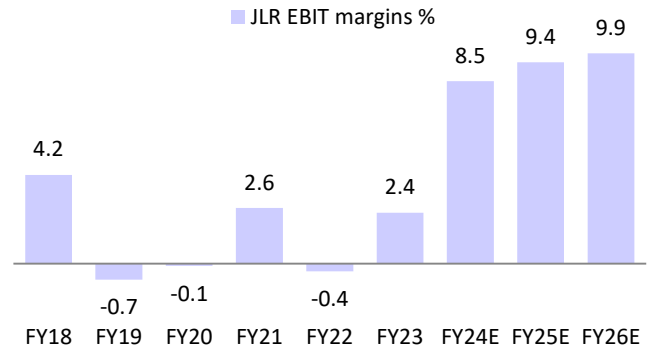
What is factored in the price?

Exhibit 1: JLR’s order backlog has been declining each quarter as supply chain normalizes



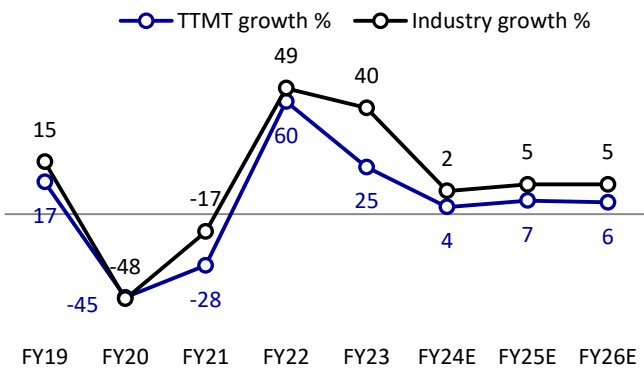
Source: Company, MOFSL

Exhibit 2: Our JLR EBIT margin assumptions could be at risk if favorable mix fails to sustain



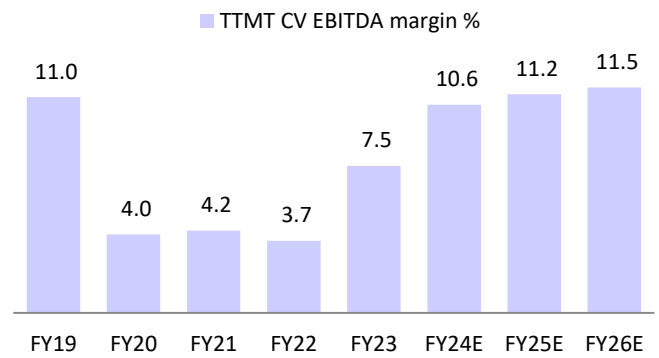
Source: Company, MOFSL

Exhibit 3: We expect TTMT MHCV volume growth to outperform the industry growth by 100-200bp



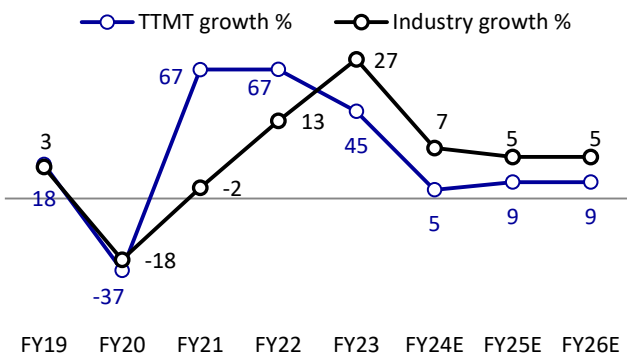
Source: Company, MOFSL

Exhibit 4: TTMT’s CV margin estimate may face downside risk if CV cycle fails to revive on expected lines



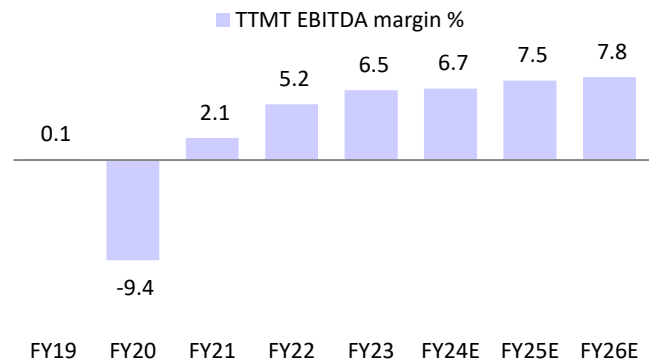
Source: Company, MOFSL

Exhibit 5: TTMT’s PV volume growth is expected to outperform the industry growth by 200-400bp



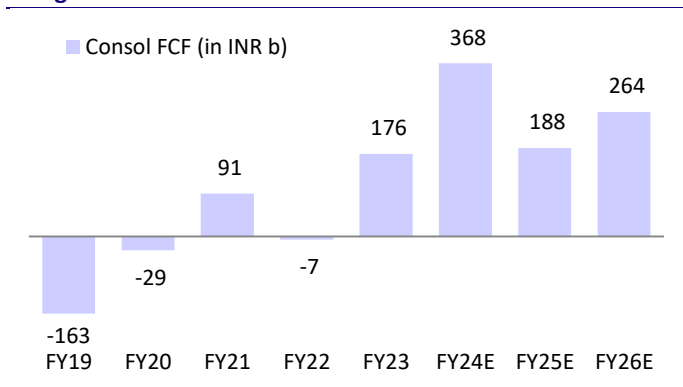
Source: Company, MOFSL

Exhibit 6: TTMT’s PV business EBITDA margin may be at risk if input costs start rising again



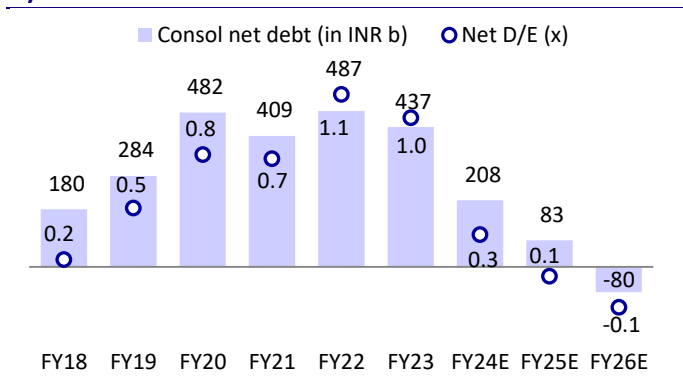
Source: Company, MOFSL

Exhibit 7: Healthy operating performance to drive healthy FCF generation over FY24-26E



Source: Company, MOFSL

Exhibit 8: We expect consol business to be net cash positive by FY26E



Source: Company, MOFSL

Exhibit 9: TATA MOTORS: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY24E	FY25E	FY26E
Tata Motors - Standalone	SOTP		1,512	1,775	1,999
CVs	EV/EBITDA	11	989	1,129	1,255
PVs	EV/EBITDA	15	524	645	744
JLR (Adj for R&D capitalization)	EV/EBITDA	2.5	1,032	1,173	1,306
JLR - Chery JV EBITDA Share	EV/EBITDA	2.5	30	34	37
Tata Motors Finance	P/BV	1.5	64	66	68
Total EV			2,638	3,048	3,411
Less: Net Debt (Ex TMFL)			208	83	-80
Add: TataTech @ INR435b Mcap	20% discount	53.39% stake	186	186	186
Total Equity Value			2,616	3,151	3,677
Fair Value (INR/Sh) - Ord Sh	Fully Diluted		683	857	1,000

Story in charts

Exhibit 10: Volume growth trajectory for JLR

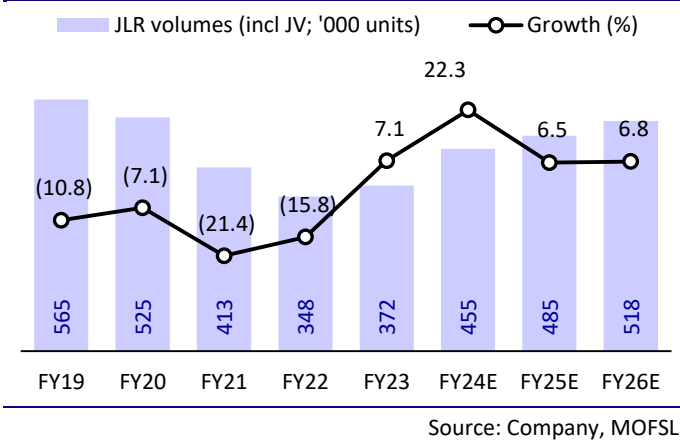


Exhibit 11: EBITDA and EBITDA margin trends for JLR

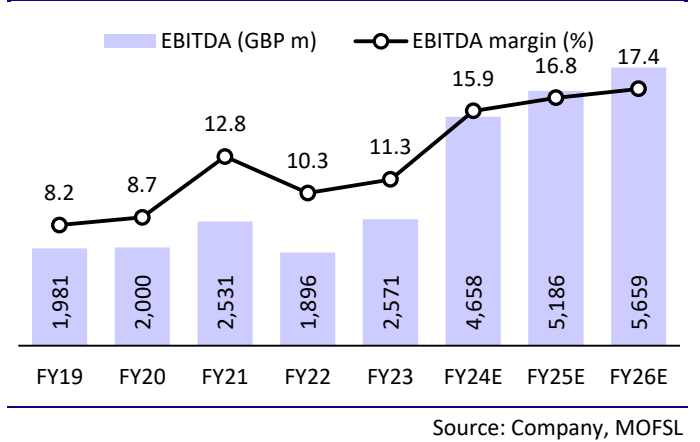


Exhibit 12: CFO/capex/FCF trends for JLR (GBP m)

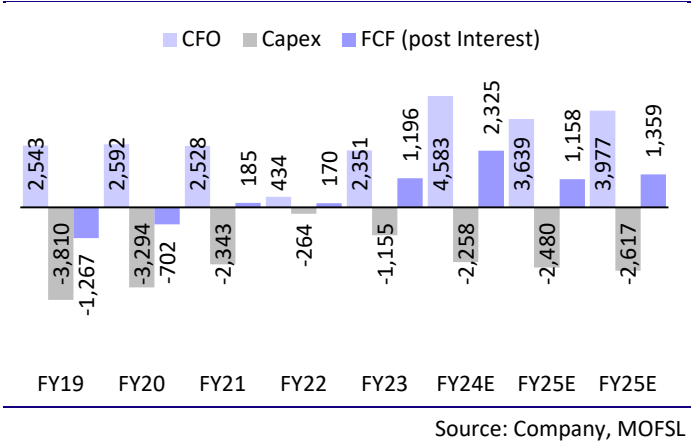


Exhibit 13: India business growth trajectory over FY22-25E

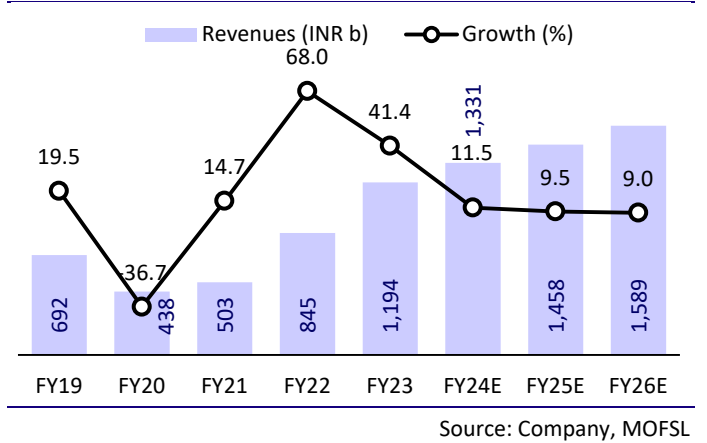


Exhibit 14: India EBITDA and margin trends

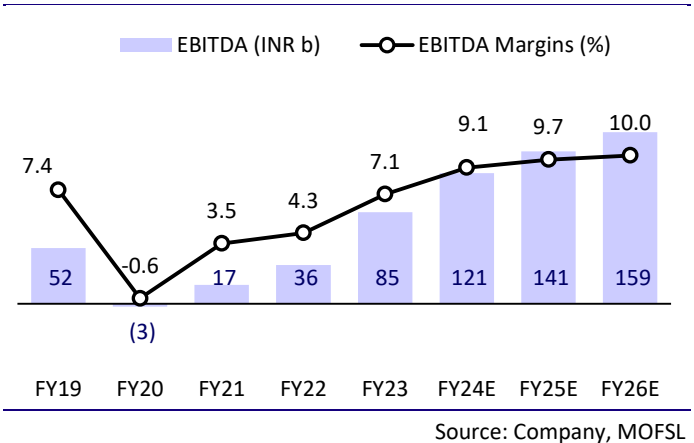
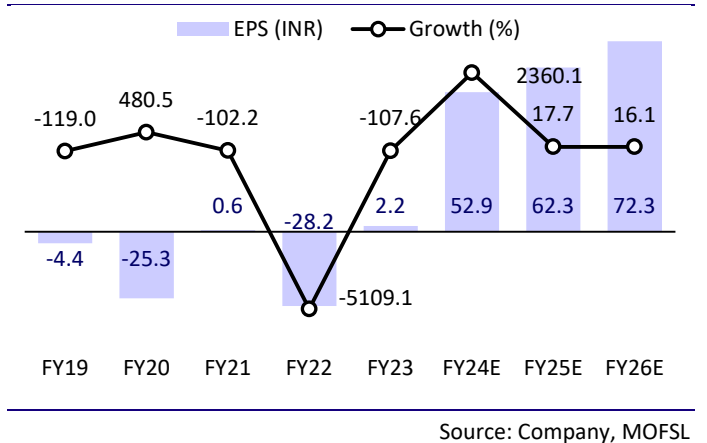


Exhibit 15: Consolidated earnings trajectory



Key operating metrics

Snapshot of Revenue model

000 units	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
JLR									
Jaguar	176	177	144	90	68	63	69	72	76
<i>Growth (%)</i>	-1.4	0.7	-18.7	-37.3	-24.4	-7.9	10.1	3.6	5.7
<i>% of Total JLR Vols</i>	27.8	31.4	27.5	21.9	19.7	16.9	15.2	14.8	14.7
Land Rover	457	388	381	322	279	309	386	413	442
<i>Growth (%)</i>	8.3	-15.2	-1.7	-15.4	-13.4	10.7	24.7	7.0	7.0
<i>% of Total JLR Vols</i>	72.2	68.6	72.5	78.1	80.3	83.1	84.8	85.2	85.3
Total JLR Volumes (incl JV)	634	565	525	413	348	372	455	485	518
<i>Growth (%)</i>	5.4	-10.8	-7.1	-21.4	-15.8	7.1	22.3	6.5	6.8
ASP (GBP '000/unit)	47	48	48	57	62	71	73	72	71
<i>Growth (%)</i>	3.9	0.8	1.3	17.5	9.7	14.0	2.5	-1.0	-1.5
Net JLR Sales (GBP b)	26	24	23	20	18	23	29	31	32
<i>Growth (%)</i>	5.9	-6.1	-5.1	-14.2	-7.2	24.5	28.3	5.5	5.3
INDIA									
MH&CVs	192	225	124	90	145	181	188	201	213
<i>Growth (%)</i>	9.2	17.1	-44.7	-27.6	60.3	25.1	3.7	7.1	6.2
LCVs	236	273	216	173	210	233	217	229	241
<i>Growth (%)</i>	24.1	15.7	-20.8	-20.2	21.4	11.1	-6.7	5.3	5.3
Total CVs	428	498	341	263	354	414	405	430	454
<i>Growth (%)</i>	17.0	16.3	-31.6	-22.9	34.7	16.8	-2.1	6.1	5.7
Total PVs	190	211	133	223	372	541	566	614	667
<i>Growth (%)</i>	20.8	11.2	-37.3	67.8	67.2	45.4	4.6	8.5	8.6
Total Volumes	618	709	473	485	726	955	971	1,044	1,121
<i>Growth (%)</i>	18.1	14.7	-33.3	2.5	49.6	31.5	1.7	7.5	7.4
ASP (INR 000/unit)	936	976	926	1,036	1,163	1,251	1,371	1,397	1,417
Net S/A Sales (INR b)	579	692	438	503	845	1,194	1,331	1,458	1,589
<i>Growth (%)</i>	30.6	19.5	-36.7	14.7	68.0	41.4	11.5	9.5	9.0

Financials and valuations

Income Statement (Consolidated)						(INR b)		
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Total Income	3,019.4	2,610.7	2,497.9	2,784.5	3,459.7	4,375.2	4,719.0	5,076.9
Change (%)	3.6	-13.5	-4.3	11.5	24.2	26.5	7.9	7.6
EBITDA	255.7	197.3	305.6	248.1	318.3	595.1	677.6	753.1
% of Net Sales	8.5	7.6	12.2	8.9	9.2	13.6	14.4	14.8
Depreciation	235.9	214.3	235.5	248.4	248.6	276.4	295.4	321.7
EBIT	19.8	-17.0	70.1	-0.2	69.7	318.7	382.1	431.4
Product Dev. Exp.	42.2	41.9	52.3	92.1	106.6	118.2	122.8	128.5
Interest	57.6	72.4	81.0	93.3	102.4	101.8	102.1	104.7
Other Income	29.7	29.7	26.4	30.5	46.3	63.0	53.9	56.1
EO Exp/(Inc)	296.5	28.7	137.6	6.3	-15.9	8.9	0.0	0.0
Forex Gain/ (Loss)	-9.1	-17.4	17.3	-0.8	1.0	-11.2	-21.9	-22.2
PBT	-313.7	-105.8	-104.7	-70.0	30.6	259.9	312.1	360.6
Effective Rate (%)	7.8	-3.7	-24.3	-60.4	23.0	25.0	26.9	26.7
Reported PAT	-289.3	-109.8	-130.2	-112.3	23.5	194.8	228.1	264.5
Change (%)	-524.7	-62.1	18.6	-13.7	-120.9	727.9	17.0	16.0
Minority Interest	-1.02	-0.96	-0.56	-1.3	-2.8	-3.4	-4.5	-5.1
Share of profit of associate	2.10	-10.00	-3.79	-0.7	3.4	4.5	5.4	6.4
Net Profit	-288.3	-120.7	-134.5	-114.4	24.1	196.0	229.0	265.7
Adj. PAT	-14.8	-90.9	2.2	-108.1	8.2	202.7	229.0	265.7
Change (%)	-119.0	515.0	-102.4	-5,109.7	-107.6	2,360.1	13.0	16.1

Balance Sheet (Cons.)						(INR b)		
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Share Capital	6.8	7.2	7.7	7.7	7.7	7.7	7.4	7.4
Reserves	595.0	623.6	544.8	438.0	445.6	630.0	843.5	1,093.9
Net Worth	601.8	630.8	552.5	445.6	453.2	637.6	850.9	1,101.2
Loans	911.2	996.8	1,147.8	1,396.8	1,256.6	1,256.6	1,256.6	1,256.6
Deferred Tax	-36.6	-35.2	-29.6	-23.1	-37.8	-37.8	-37.8	-37.8
Capital Employed	1,481.7	1,600.5	1,686.3	1,862.0	1,744.8	1,932.6	2,150.4	2,405.8
Gross Fixed Assets	2,317.7	2,698.0	3,128.9	3,232.9	3,413.4	3,615.1	3,949.8	4,302.0
Less: Depreciation	1,212.8	1,434.7	1,749.8	1,852.4	2,101.0	2,377.4	2,672.8	2,994.5
Net Fixed Assets	1,104.9	1,263.3	1,379.0	1,380.5	1,312.4	1,237.7	1,277.0	1,307.5
Capital WIP	318.8	356.2	209.6	102.5	142.7	250.0	250.0	250.0
Goodwill	7.5	7.8	8.0	8.1	8.4	8.4	8.4	8.4
Investments	157.7	163.1	246.2	293.8	263.8	54.7	60.1	66.6
Curr.Assets	1,431.5	1,376.3	1,543.1	1,482.6	1,581.6	2,491.5	2,791.5	3,179.7
Inventory	390.1	374.6	360.9	352.4	407.6	599.3	646.4	695.5
Sundry Debtors	190.0	111.7	126.8	124.4	157.4	263.7	284.4	306.0
Cash & Bank Bal.	326.5	337.3	467.9	406.7	370.2	946.9	1,144.1	1,426.7
Loans & Advances	512.9	539.7	568.8	584.5	628.4	658.4	688.4	718.4
Current Liab. & Prov.	1,538.8	1,566.1	1,699.7	1,405.5	1,564.1	2,109.7	2,236.7	2,406.3
Sundry Creditors	716.9	664.0	681.8	599.7	720.6	1,030.9	1,111.9	1,196.2
Other Liabilities	601.3	651.5	753.4	568.6	593.5	839.1	866.2	931.9
Net Current Assets	-107.2	-189.8	-156.6	77.1	17.5	381.8	554.8	773.4
Appl. of Funds	1,481.7	1,600.5	1,686.3	1,862.0	1,744.8	1,932.6	2,150.4	2,405.8

Financials and valuations

Ratios (Con.)

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Basic (INR)								
EPS	-4.4	-25.3	0.6	-28.2	2.2	52.9	62.3	72.3
EPS Fully Diluted	-4.4	-25.3	0.6	-28.2	2.2	52.9	62.3	72.3
EPS Growth (%)	-	-	-	-	-	-	17.7	16.1
Cash EPS	65.1	34.3	62.1	36.6	67.1	125.1	142.6	159.8
Book Value (Rs/Share)	177.2	175.3	144.3	116.4	118.3	166.5	231.4	299.5
DPS	0.0	0.0	0.0	0.0	2.0	3.0	4.2	4.2
Payout (Incl. Div. Tax) %	0.0	0.0	0.0	0.0	93.6	5.7	6.7	5.8
Valuation (x)								
Consolidated P/E	-226.7	-39.1	1,751.5	-35.0	459.0	18.7	15.9	13.7
EV/EBITDA	14.8	20.5	13.8	18.0	13.8	6.8	5.4	4.5
EV/Sales	1.3	1.6	1.7	1.6	1.3	0.9	0.8	0.7
Price to Book Value	5.6	5.6	6.8	8.5	8.3	5.9	4.3	3.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.4
Profitability Ratios (%)								
RoE	-1.9	-14.8	0.4	-21.7	1.8	37.2	30.8	27.2
RoCE (Post-tax)	2.8	0.9	7.3	2.7	5.0	15.6	15.6	15.7
RoIC	2.5	-2.5	11.6	0.0	5.3	29.0	40.6	46.6
Turnover Ratios								
Debtors (Days)	23	16	19	16	17	22	22	22
Inventory (Days)	47	52	53	46	43	50	50	50
Creditors (Days)	87	93	100	79	76	86	86	86
Asset Turnover (x)	2.0	1.6	1.5	1.5	2.0	2.3	2.2	2.1
Leverage Ratio								
Net Auto Debt/Equity (x)	0.5	0.8	0.7	1.1	1.0	0.3	0.1	-0.1

Cash Flow Statement

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
(INR b)								
OP/(Loss) before Tax	-287.2	-119.8	-134.0	-113.1	26.9	196.0	229.0	265.7
Int/Div. Received	-4.4	-11.9	-5.1	-6.6	-13.0	63.0	53.9	56.1
Depreciation	235.9	214.3	235.5	248.4	248.6	276.4	295.4	321.7
Direct Taxes Paid	-26.6	-17.5	-21.0	-19.1	-31.8	-65.1	-84.0	-96.1
(Inc)/Dec in WC	-72.1	50.6	-0.9	-104.7	-31.3	212.4	24.2	64.1
Other Items	65.0	125.1	234.0	144.3	138.5	3.4	4.5	5.1
CF from Op Activity	-89.5	240.8	308.5	149.1	338.0	686.1	523.0	616.7
Extra-ordinary Items	278.4	25.5	-18.5	-6.3	15.9	-8.9	0.0	0.0
CF after EO Items	188.9	266.3	290.0	142.8	353.9	677.2	523.0	616.7
(Inc)/Dec in FA+CWIP	-352.4	-295.3	-198.5	-149.4	-178.1	-308.9	-334.7	-352.2
Free Cash Flow	-163.5	-29.0	91.5	-6.6	175.8	368.3	188.2	264.4
(Pur)/Sale of Invest.	143.6	-35.8	-58.2	104.9	23.9	209.1	-5.4	-6.4
CF from Inv Activity	-208.8	-331.1	-256.7	-44.4	-154.2	-99.8	-340.2	-358.6
Issue of Shares	0.0	38.9	26.0	37.7	37.7	0.0	-0.3	0.0
Inc/(Dec) in Debt	159.3	70.8	154.5	22.0	-205.4	0.0	0.0	0.0
Interest Paid	-70.1	-75.2	-81.2	-92.5	-93.4	-101.8	-102.1	-104.7
Dividends Paid	-0.9	-0.6	-0.3	-1.0	-1.4	-11.6	-15.4	-15.4
CF from Fin Activity	88.3	33.9	99.0	-33.8	-262.4	-113.3	-117.8	-120.2
Inc/(Dec) in Cash	68.4	-30.9	132.3	64.6	-62.7	464.0	65.0	137.9
Add: Beginning Bal.	147.2	215.6	184.7	317.0	381.6	318.9	782.9	848.0
Closing Balance	215.6	184.7	317.0	381.6	318.9	782.9	848.0	985.8

E: MOSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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