

June 12, 2024

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,089		1,089	
Sales (Rs. m)	47,84,519	51,47,214	47,84,519	51,47,214
% Chng.	-	-	-	-
EBITDA (Rs. m)	7,18,406	7,97,484	7,18,406	7,97,484
% Chng.	-	-	-	-
EPS (Rs.)	75.2	88.5	75.2	88.5
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	3,460	4,379	4,785	5,147
EBITDA (Rs. bn)	318	596	718	797
Margin (%)	9.2	13.6	15.0	15.5
PAT (Rs. bn)	8	324	288	339
EPS (Rs.)	2.2	84.5	75.2	88.5
Gr. (%)	(107.7)	3,827.8	(11.0)	17.6
DPS (Rs.)	-	6.2	5.0	4.7
Yield (%)	-	0.6	0.5	0.5
RoE (%)	1.8	49.7	30.9	28.9
RoCE (%)	3.8	17.4	19.9	20.4
EV/Sales (x)	1.3	1.0	0.9	0.8
EV/EBITDA (x)	14.4	7.2	6.0	5.2
PE (x)	459.7	11.7	13.1	11.2
P/BV (x)	8.4	4.5	3.7	2.8

Key Data

TAMO.BO | TTMT IN

52-W High / Low	Rs.1,062 / Rs.556
Sensex / Nifty	76,607 / 23,323
Market Cap	Rs.3,626bn / \$ (2,14,68,26,273)m
Shares Outstanding	3,324m
3M Avg. Daily Value	Rs.12392.09m

Shareholding Pattern (%)

Promoter's	46.36
Foreign	19.20
Domestic Institution	16.15
Public & Others	18.31
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.2)	38.6	75.8
Relative	(10.1)	25.9	43.9

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Steady growth outlook across business verticals

Quick Pointers:

- Targeting strong double-digit EBITDA margin for CV in the next few years
- Slew of new launches in ICE & EV space to drive market share expansion
- Albeit a high base, PV industry to grow at a CAGR of 5-6% over next few years

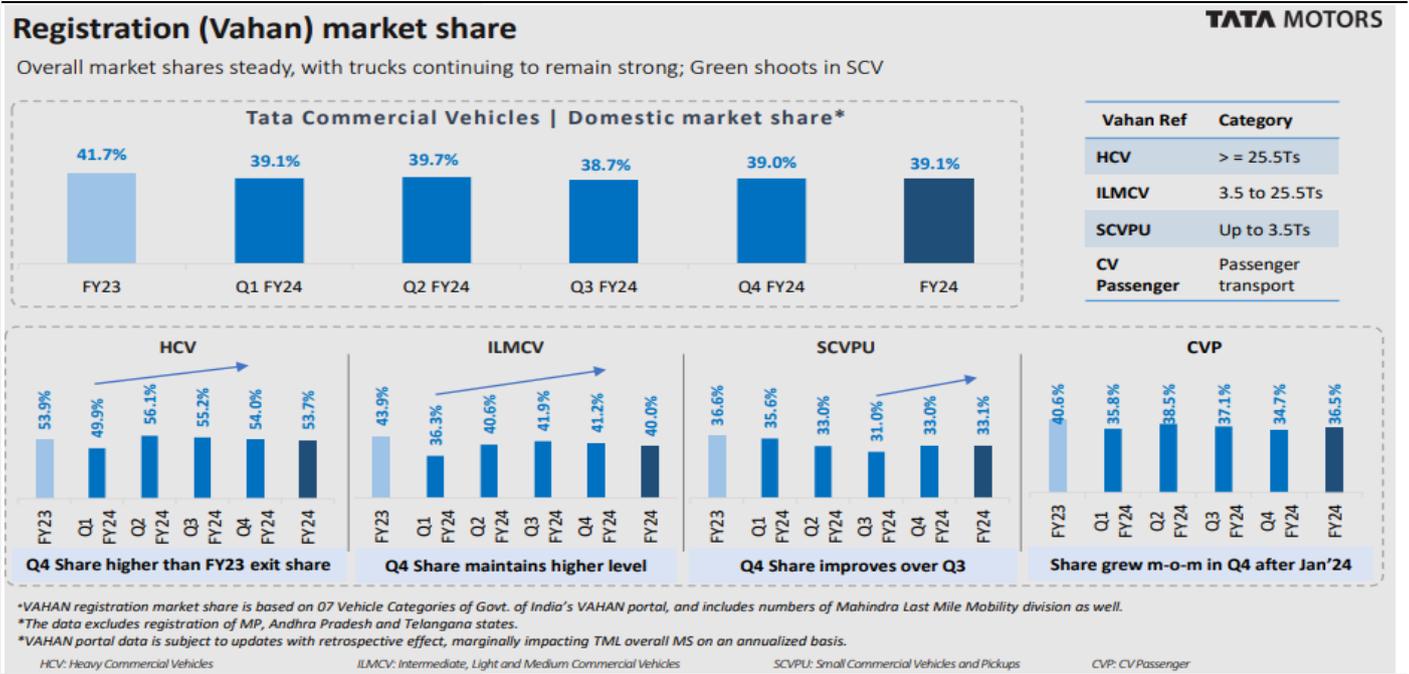
We attended Tata Motors' annual analyst meet where the company gave a detailed overview of its Commercial Vehicle (CV), Passenger Vehicle (PV) and Electric Vehicle (EV) businesses and its growth outlook. It aims to be net automotive debt free for the consolidated business by FY25E. The company believes the proposed demerger of CV business will help improve its management and focus. The company aims to improve its EBITDA margin in the next few years while focusing on cost optimization and product mix improvement. In the PV+EV business, the company aims to increase the addressable market with a slew of new launches on the ICE & EV platform and increase its EBITDA margin to 10% and market share to 18-20% by FY27E/FY30E, respectively.

We remain positive on Tata Motors based on the (1) healthy growth outlook across business verticals, (2) capex proposed for respective businesses to deliver a sustainable product portfolio, (3) market share expansion in the SCVPU and CPV business, the (4) sustained growth rate in the downstream/spares business. Hence, we keep our estimates unchanged and maintain our 'ACCUMULATE' rating with a TP of Rs1,089 based on SoTP valuation.

CV industry to grow at a CAGR of 4-5% over FY25-30: The company expects CV industry to grow at a CAGR of 4-5% over FY25-30, driven by the government's impetus on improving infrastructure, growth in freight traffic and gradual rise in replacement demand. Tata Motors expects investments in the CV business to constitute 2-4% of the revenue, of which majority will be towards product development, thereby increasing its overall offerings across multi-powertrains for domestic and international markets. In the international market, it looks to enter emerging markets and launch a product mix specific to the needs of respective markets, which shall aid incremental volume growth going ahead. Its downstream/spares business grew ~2.6x in FY24 with revenue contribution in mid-teens. It is focused on increasing the contribution to 20% in the next few years, which shall be driven by improved availability of products and network expansion.

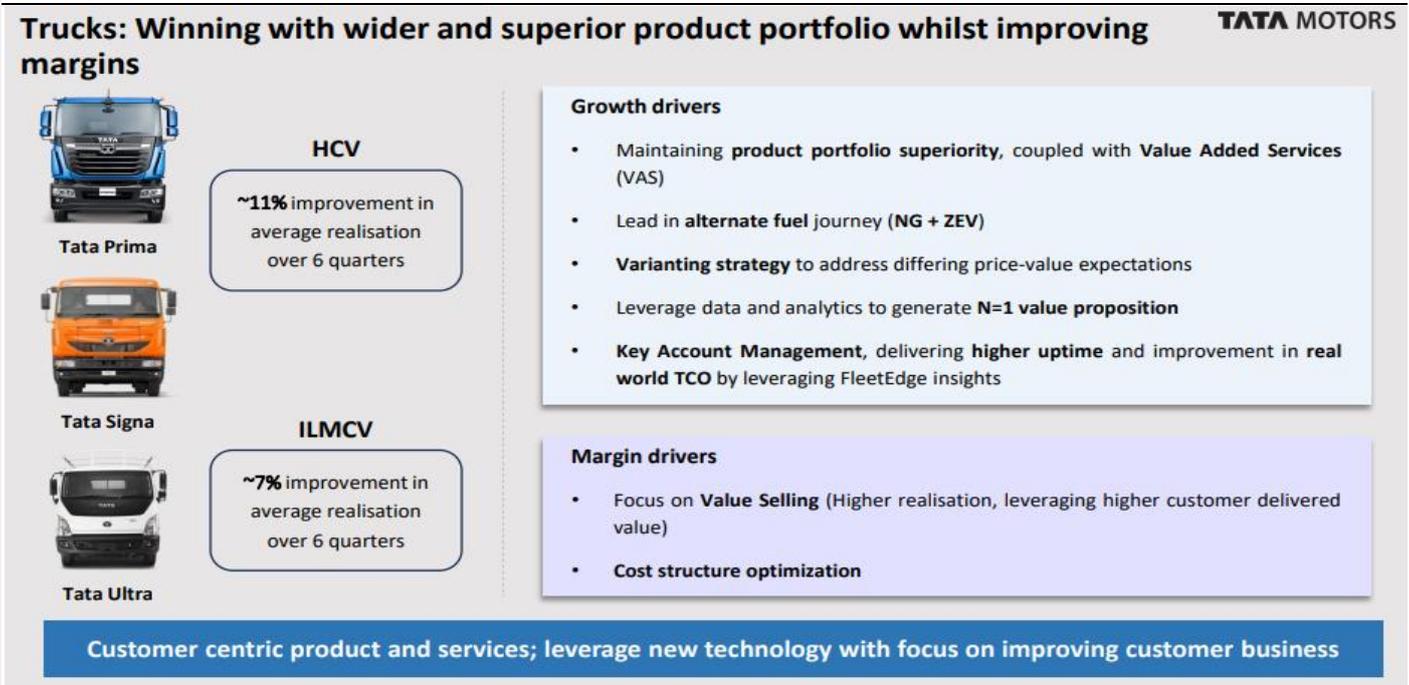
Focus on improving SCVPU & CVP market share: Market share of its SCVPU & CVP category witnessed a decline in FY24 due to competition and consumer preference towards 3W/E3W. To regain market share, the company is transitioning from B2B to B2B2C and has planned a slew of new launches (including EVs). Furthermore, it aims to improve ASP/margin through better product mix and cost reduction.

Exhibit 1: New launches planned in SCVPU & CVP to regain market share



Source: Company

Exhibit 2: Better product mix driving ASP growth



Customer centric product and services; leverage new technology with focus on improving customer business

Source: Company

Exhibit 3: Capacity improvement and cost optimization driving ASPs higher

CV passenger: Improved mix, capacity actions and leaner cost structure paving way for profitable growth



Tata Starbus



Tata Winger



Tata Magic

CV Passenger

~16% improvement in average realisation over 6 quarters

Growth drivers

- **Product superiority** on performance, reliability & TCO established
- **Innovation intensity** continued with launch of **60 new variants** (incl Magic Bi-fuel, Winger 9S) improving addressable market
- **Variating strategy** to address multiple segments, especially **STUs** (state transport undertakings) and **school**
- Focused efforts on increasing **Vans salience** in the portfolio
- **Bus body building capacity** increased to fulfil peak seasonal demand

Margin drivers

- Focus on **Value Selling** (Higher realisation, leveraging higher customer delivered value)
- Continued actions to improve **retail product mix**
- **Cost structure optimization**

Improved economics, wider product range, increased capacity and scaling up demand generation

TATA MOTORS

Source: Company

Exhibit 4: Transitioning from B2B to B2B2C business model

SCVPU: Improved unit economics through structural interventions and enhanced value delivery



Tata Ace



Tata Intra



Tata Yodha

~9% improvement in average realisation over 6 quarters

Growth drivers

- Leverage BS6 Ph 2 vehicles **delivering superior value**
- Provide full complement of **multi-fuel options incl EVs**
- Shift to a **B2B2C business model**

Margin drivers

- **Improved realization** on enhanced product performance
- Better margins on **structural cost reduction**

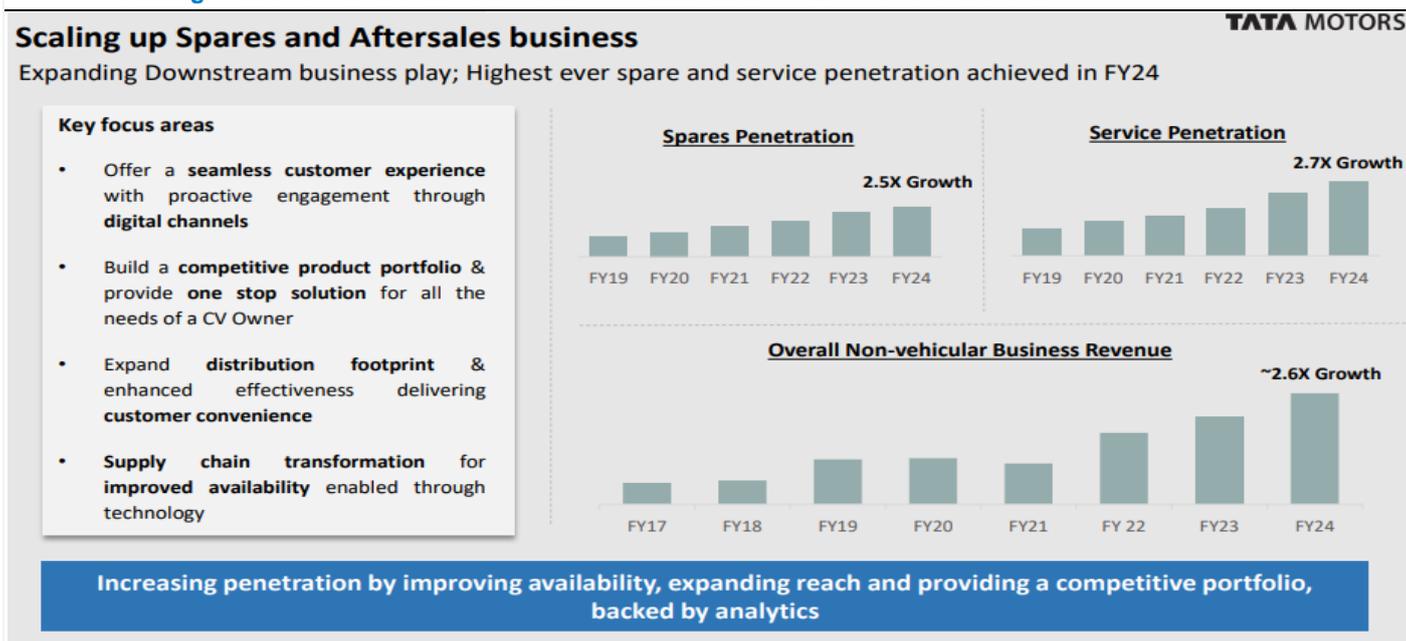
B2B2C shift – Focus areas	Actions
Sharper segmentation	<ul style="list-style-type: none"> • Usage based segmentation for differentiated product offering and sharper positioning • Demand generation pivoted from VME push to Digital
Digitally enabled and simplified sales process	<ul style="list-style-type: none"> • Simplified and agile lead management and lead conversion • Improved data quality and analytics
Enhanced service ecosystem	<ul style="list-style-type: none"> • Leveraging network to build wider service support • Focus on residual value enhancement
Responsive finance ecosystem	<ul style="list-style-type: none"> • Build robust financing ecosystem to enhance penetration and reduce risks

Scaling up demand generation and conversion, through partnerships and innovation

TATA MOTORS

Source: Company

Exhibit 5: Aiming to increase non-vehicular business contribution to ~20% of overall revenue



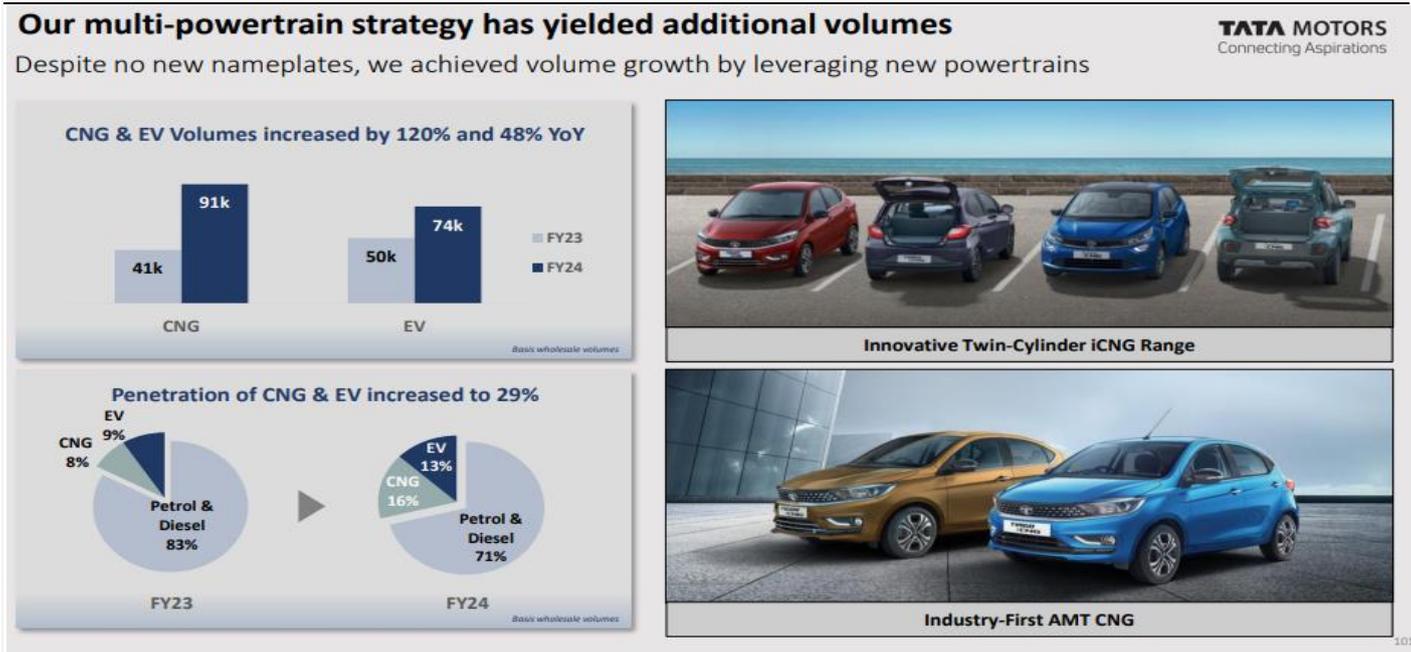
Source: Company

Aiming for ~16% market share by FY27 in PV: Tata Motors outlined its strategy to increase the market share to ~16% by FY27 and 18-20% by FY30, with a slew of new launches such as Curvv and Harrier followed by Sierra and EV on the Avinya platform. These new launches will increase its product offerings across powertrains and price points, and thus drive market share growth. Going ahead, it aims to increase the overall EBITDA margin for PV business by ~200bps to 10% by FY27E.

Targeting EV EBITDA breakeven in FY25: It recorded the highest EV sales of ~74k units in FY24, registering a growth ~48% over FY23. The growth was mainly driven by the UV portfolio as it received positive response towards refresher of Nexon.ev and Punch.ev. Going ahead, the company remains optimistic on growth prospects of the EV business and target it to achieve EBITDA breakeven in FY25.

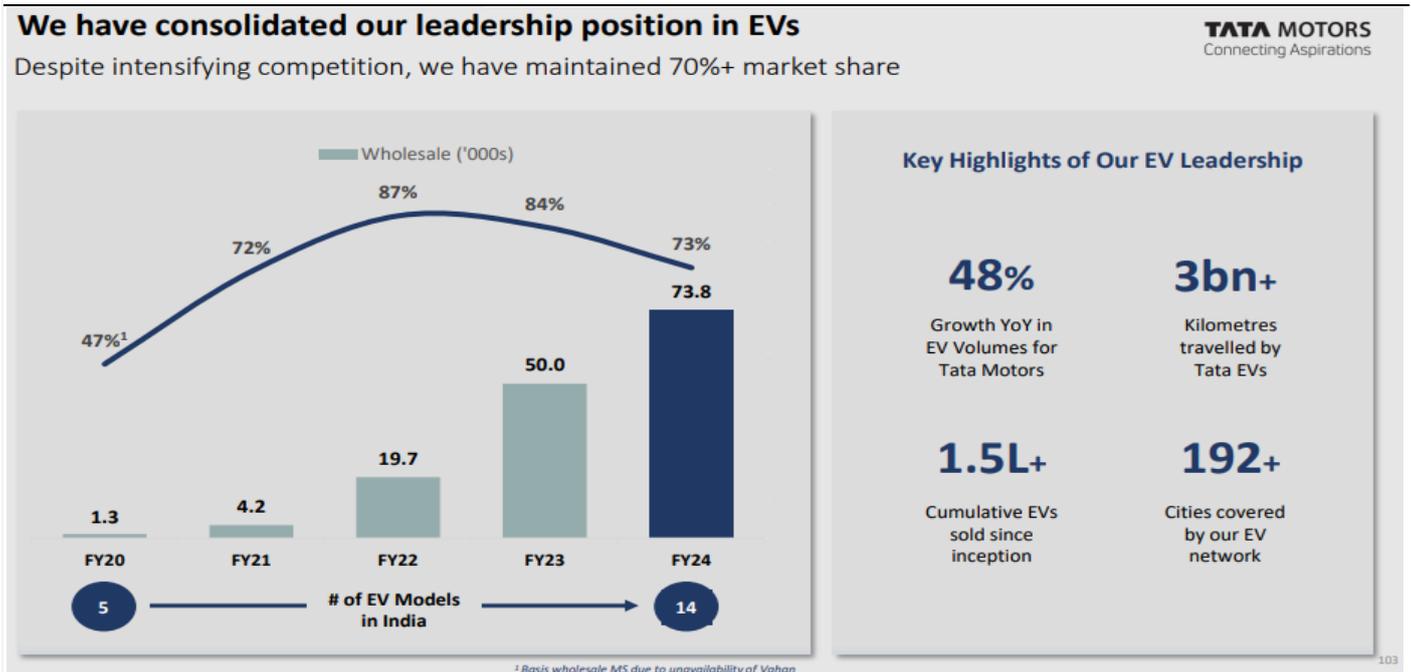
Internally funded capex to drive product development: Tata Motors indicated its CV/PV business will incur a capex of 2-4%/6-8% of the revenue, of which majority will be utilized towards product development. Additionally, EV capex is estimated at Rs160-180bn over FY25-30.

Exhibit 6: Multi-powertrain strategy delivering healthy growth across categories



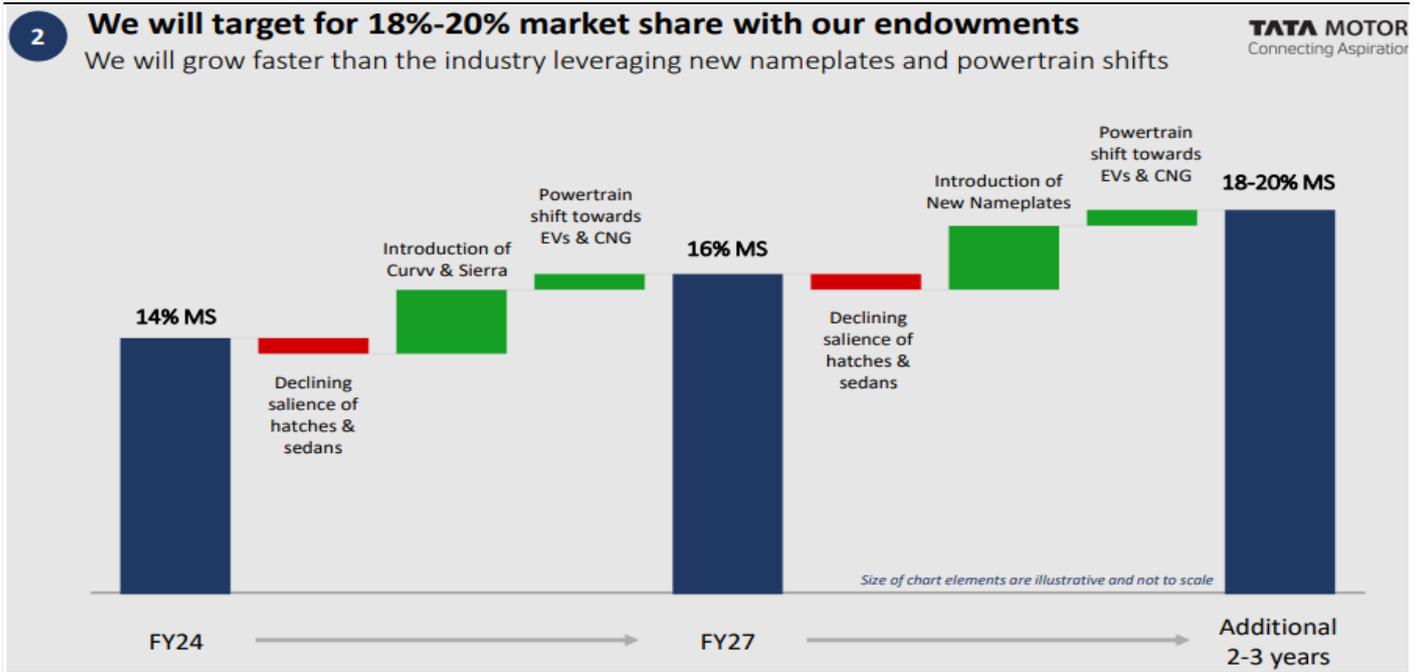
Source: Company

Exhibit 7: Highest EV volume in FY24 driven by upgrade and new launch



Source: Company

Exhibit 8: Slew of new launches on the ICE & EV platform to drive growth



Source: Company

Exhibit 9: Curvv.ev and Harrier.ev launch scheduled for H2FY25

3 We will expand our EV portfolio with diverse offerings
 Leveraging Acti.ev & EMA, we will address key barriers in terms of range & technology

TATA MOTOR
Connecting Aspirations

New aspirational nameplates to grow EV market

FY25		
	Curvv.ev	Harrier.ev
FY26		
	Sierra.ev	Avinya

We will adopt a technology-led product evolution driven by insights from 3bn+ km of driving data

Higher Range	Digital Device	New Experience
<ul style="list-style-type: none"> High Energy Density Batteries Faster Charging High Performance Electric Drives New Electric All Wheel Drive 	<ul style="list-style-type: none"> Next Gen Displays with EV-specific UI OTA Upgradability Fully Connected In Car App Suite 	<ul style="list-style-type: none"> Vehicle to Load Vehicle to Vehicle Charging Customer delight features e.g. Frunk Advance Driving Modes

↓

Efficient | Updatable | High Performance EVs

Source: Company

Exhibit 10: SoTP Valuation

SoTP value	Valuation	Multiple (x)	Mar-26 (Rs bn)
Standalone business	EV/EBITDA	12.0	1,146
JLR	EV/EBITDA	2.0	1,184
PV subsidiary	EV/EBITDA	12.0	670
China JV	P/E	8.0	30
Tata Motors Finance	P/BV	1.0	51
Total EV			3,081
(-) Net automotive debt (ex TMFL)			(98)
Total Equity Value (Rs bn)			3,179
Fair value per share			864
Tata Technologies per share			42
Tata sons per share			87
EVCo value/sh			95
Target price			1,089

Source: Company, PL

Financials

Income Statement (Rs mn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	34,59,670	43,79,278	47,84,519	51,47,214
YoY gr. (%)	24.2	26.6	9.3	7.6
Cost of Goods Sold	22,64,696	27,27,557	29,87,973	32,03,213
Gross Profit	11,94,973	16,51,721	17,96,546	19,44,001
Margin (%)	34.5	37.7	37.5	37.8
Employee Cost	3,36,547	4,24,866	4,37,483	4,65,774
Other Expenses	5,40,268	6,31,232	6,40,657	6,80,743
EBITDA	3,18,158	5,95,622	7,18,406	7,97,484
YoY gr. (%)	28.3	87.2	20.6	11.0
Margin (%)	9.2	13.6	15.0	15.5
Depreciation and Amortization	2,48,604	2,72,701	3,15,223	3,27,485
EBIT	69,554	3,22,921	4,03,183	4,69,999
Margin (%)	2.0	7.4	8.4	9.1
Net Interest	1,02,255	99,858	90,601	93,182
Other Income	47,371	59,261	60,094	61,296
Profit Before Tax	30,576	2,72,553	3,72,676	4,38,113
Margin (%)	0.9	6.2	7.8	8.5
Total Tax	7,041	(38,516)	83,852	98,576
Effective tax rate (%)	23.0	(14.1)	22.5	22.5
Profit after tax	23,535	3,11,070	2,88,824	3,39,538
Minority interest	2,756	4,077	4,117	4,159
Share Profit from Associate	3,364	6,998	3,599	3,754
Adjusted PAT	8,238	3,23,762	2,88,306	3,39,133
YoY gr. (%)	-	-	-	-
Margin (%)	0.2	7.4	6.0	6.6
Extra Ord. Income / (Exp)	15,905	(9,771)	-	-
Reported PAT	24,143	3,13,991	2,88,306	3,39,133
YoY gr. (%)	(121.1)	1,200.6	(8.2)	17.6
Margin (%)	0.7	7.2	6.0	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,039	(238)	-	-
Equity Shares O/s (m)	3,830	3,833	3,833	3,833
EPS (Rs)	2.2	84.5	75.2	88.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs mn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	34,55,051	35,91,874	39,45,229	42,99,265
Tangibles	34,55,051	35,91,874	39,45,229	42,99,265
Intangibles	-	-	-	-
Acc: Dep / Amortization	21,01,009	23,73,711	26,88,933	30,16,419
Tangibles	21,01,009	23,73,711	26,88,933	30,16,419
Intangibles	-	-	-	-
Net fixed assets	13,54,042	12,18,163	12,56,296	12,82,847
Tangibles	13,54,042	12,18,163	12,56,296	12,82,847
Intangibles	-	-	-	-
Capital Work In Progress	1,42,745	3,56,987	3,92,686	4,31,955
Goodwill	8,406	8,603	8,603	8,603
Non-Current Investments	75,409	87,178	91,537	96,114
Net Deferred tax assets	(14,070)	(11,434)	(12,463)	(13,584)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,88,383	1,42,532	1,49,659	1,57,142
Inventories	4,07,554	4,77,883	5,89,872	6,34,588
Trade receivables	1,57,380	1,69,518	2,35,949	2,53,835
Cash & Bank Balance	3,70,156	4,58,067	4,05,583	6,61,938
Other Current Assets	6,98,390	8,01,619	8,73,848	9,52,664
Total Assets	34,02,464	37,20,551	40,04,033	44,79,686
Equity				
Equity Share Capital	7,660	7,665	7,665	7,665
Other Equity	4,45,558	8,41,515	10,07,815	13,26,405
Total Networkth	4,53,218	8,49,180	10,15,480	13,34,070
Non-Current Liabilities				
Long Term borrowings	13,41,134	10,72,625	11,07,754	11,46,396
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,20,558	8,80,430	9,30,687	10,01,239
Other current liabilities	7,59,057	8,11,212	8,51,773	8,94,362
Total Equity & Liabilities	33,60,814	37,06,640	40,04,033	44,79,686

Source: Company Data, PL Research

Cash Flow (Rs mn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	33,939	2,79,551	3,76,275	4,41,867
Add. Depreciation	2,48,604	2,72,701	3,15,223	3,27,485
Add. Interest	1,02,255	99,858	90,601	93,182
Less Financial Other Income	47,371	59,261	60,094	61,296
Add. Other	(63,276)	(49,490)	(60,094)	(61,296)
Op. profit before WC changes	3,21,522	6,02,620	7,22,005	8,01,238
Net Changes-WC	(6,864)	26,331	(1,59,830)	(28,278)
Direct tax	(8,556)	35,880	(82,823)	(97,454)
Net cash from Op. activities	3,06,102	6,64,831	4,79,352	6,75,506
Capital expenditures	(2,21,081)	(3,79,001)	(4,02,965)	(3,93,304)
Interest / Dividend Income	-	-	-	-
Others	93,280	83,571	48,609	49,236
Net Cash from Inv. activities	(1,27,801)	(2,95,429)	(3,54,357)	(3,44,068)
Issue of share cap. / premium	10,773	1,14,012	(1,00,122)	-
Debt changes	(1,23,356)	(2,68,509)	35,129	38,642
Dividend paid	-	(27,136)	(21,884)	(20,543)
Interest paid	(1,02,255)	(99,858)	(90,601)	(93,182)
Others	-	-	-	-
Net cash from Fin. activities	(2,14,837)	(2,81,491)	(1,77,478)	(75,083)
Net change in cash	(36,536)	87,911	(52,483)	2,56,355
Free Cash Flow	85,021	2,85,830	76,386	2,82,202

Source: Company Data, PL Research

Quarterly Financials (Rs mn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	10,22,361	10,51,282	11,05,771	11,99,863
YoY gr. (%)	42.1	32.1	25.0	13.3
Raw Material Expenses	6,37,835	6,69,097	6,82,777	7,37,849
Gross Profit	3,84,526	3,82,185	4,22,995	4,62,014
Margin (%)	37.6	36.4	38.3	38.5
EBITDA	1,35,595	1,37,239	1,53,333	1,69,933
YoY gr. (%)	326.3	121.5	59.0	32.8
Margin (%)	13.3	13.1	13.9	14.2
Depreciation / Depletion	66,332	66,364	68,500	71,505
EBIT	69,264	70,875	84,833	98,428
Margin (%)	6.8	6.7	7.7	8.2
Net Interest	26,154	27,015	24,849	22,319
Other Income	10,187	17,236	15,838	16,000
Profit before Tax	46,527	59,859	74,940	91,228
Margin (%)	4.6	5.7	6.8	7.6
Total Tax	15,630	22,028	5,418	(81,593)
Effective tax rate (%)	33.6	36.8	7.2	(89.4)
Profit after Tax	30,897	37,830	69,522	1,72,820
Minority interest	979	681	1,203	1,214
Share Profit from Associates	2,110	490	1,933	2,466
Adjusted PAT	38,798	38,877	71,134	1,74,953
YoY gr. (%)	(159.7)	(409.2)	140.5	211.1
Margin (%)	3.8	3.7	6.4	14.6
Extra Ord. Income / (Exp)	(6,770)	(1,237)	(883)	(881)
Reported PAT	32,028	37,640	70,251	1,74,072
YoY gr. (%)	(164.0)	(498.5)	137.5	221.9
Margin (%)	3.1	3.6	6.4	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	3,679	3,679	3,679	3,679
EPS (Rs)	10.5	10.6	19.3	47.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	2.2	84.5	75.2	88.5
CEPS	67.1	155.6	157.5	173.9
BVPS	118.3	221.6	265.0	348.1
FCF	22.2	74.6	19.9	73.6
DPS	-	6.2	5.0	4.7
Return Ratio(%)				
RoCE	3.8	17.4	19.9	20.4
ROIC	4.1	29.3	21.3	24.6
RoE	1.8	49.7	30.9	28.9
Balance Sheet				
Net Debt : Equity (x)	1.7	0.6	0.5	0.2
Net Working Capital (Days)	(70)	(63)	(50)	(49)
Valuation(x)				
PER	459.7	11.7	13.1	11.2
P/B	8.4	4.5	3.7	2.8
P/CEPS	14.7	6.4	6.3	5.7
EV/EBITDA	14.4	7.2	6.0	5.2
EV/Sales	1.3	1.0	0.9	0.8
Dividend Yield (%)	-	0.6	0.5	0.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Volume (units)	4,13,539	3,95,845	4,00,592	4,18,350
Net realisation (Rs/unit)	15,38,814	18,51,383	19,39,434	19,97,324

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-May-24	Accumulate	1,089	1,047
2	08-Apr-24	Accumulate	1,080	1,007
3	30-Mar-24	Accumulate	1,075	979
4	05-Feb-24	BUY	1,010	879
5	08-Jan-24	BUY	900	791
6	03-Nov-23	BUY	785	636
7	09-Oct-23	BUY	760	622
8	26-Jul-23	BUY	760	639
9	07-Jul-23	BUY	675	601

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	239	211
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	Accumulate	831	765
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	163	209
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	2,716	2,372
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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