

June 12, 2024

## Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>1,089</b>		<b>1,089</b>	
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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## Tata Motors (TTMT IN)

Rating: ACCUMULATE | CMP: Rs989 | TP: Rs1,089

### 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

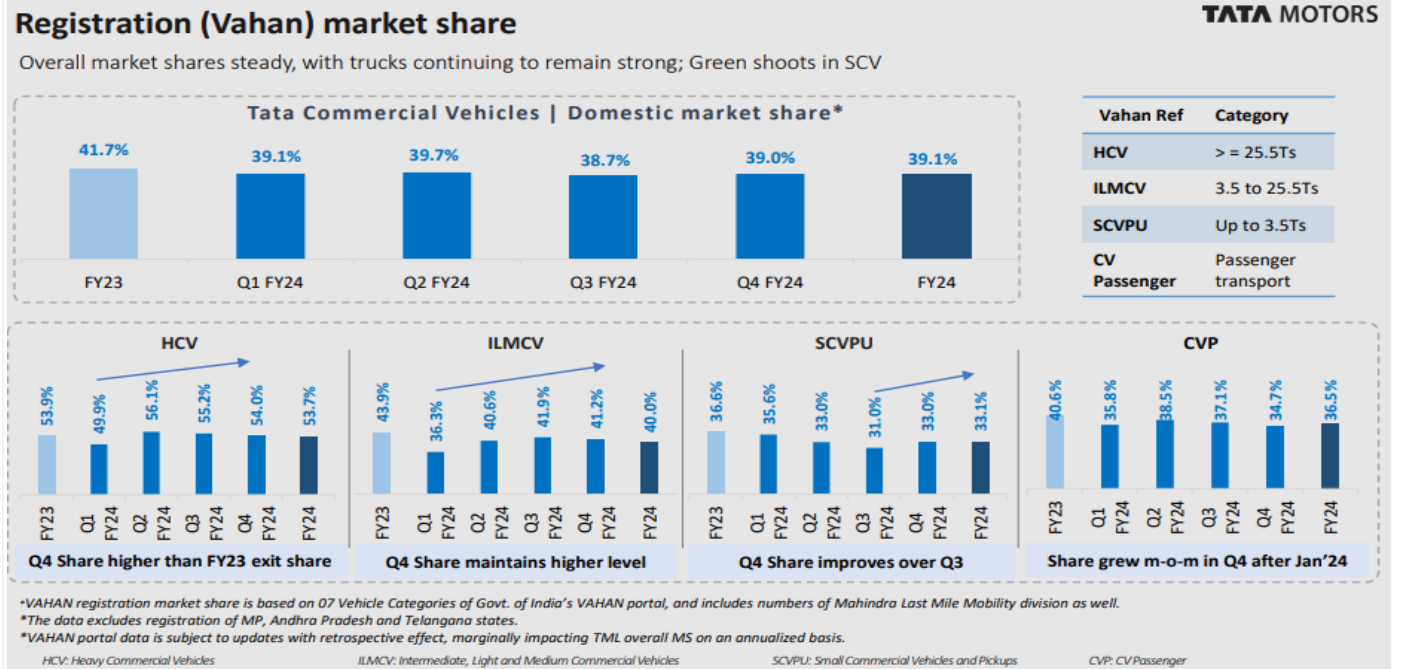
**We attended Tata Motors' annual analyst meet where the company gave a detailed overview of its Commercial Vehicle (CV), Passenger Vehicle (PV) and Electric Vehicle (EV) businesses and its growth outlook. It aims to be net automotive debt free for the consolidated business by FY25E. The company believes 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.

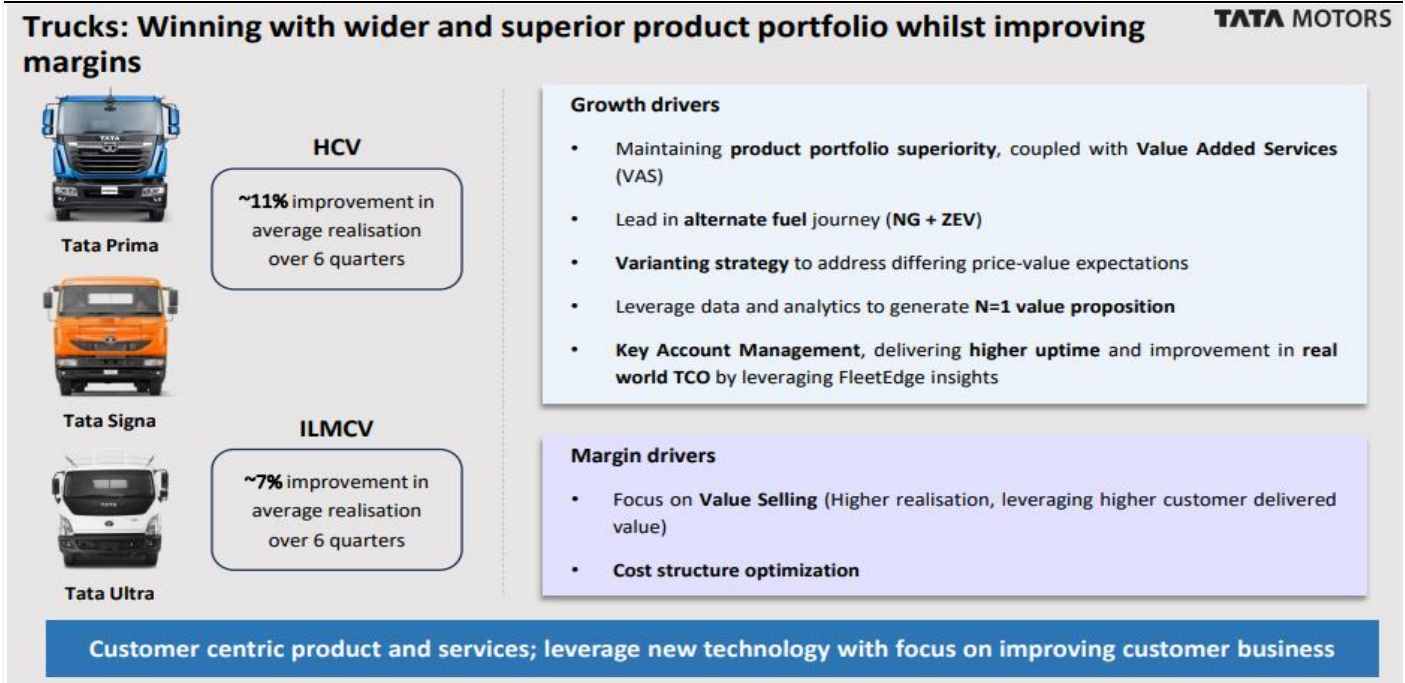
**Focus on improving SCVPU & CVP market share:** Market share of its SCVPU & CVP category witnessed a decline in FY24 due to competition and consumer preference towards 3W/E3W. To regain market share, the company is transitioning from B2B to B2B2C and has planned a slew of new launches (including EVs).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

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



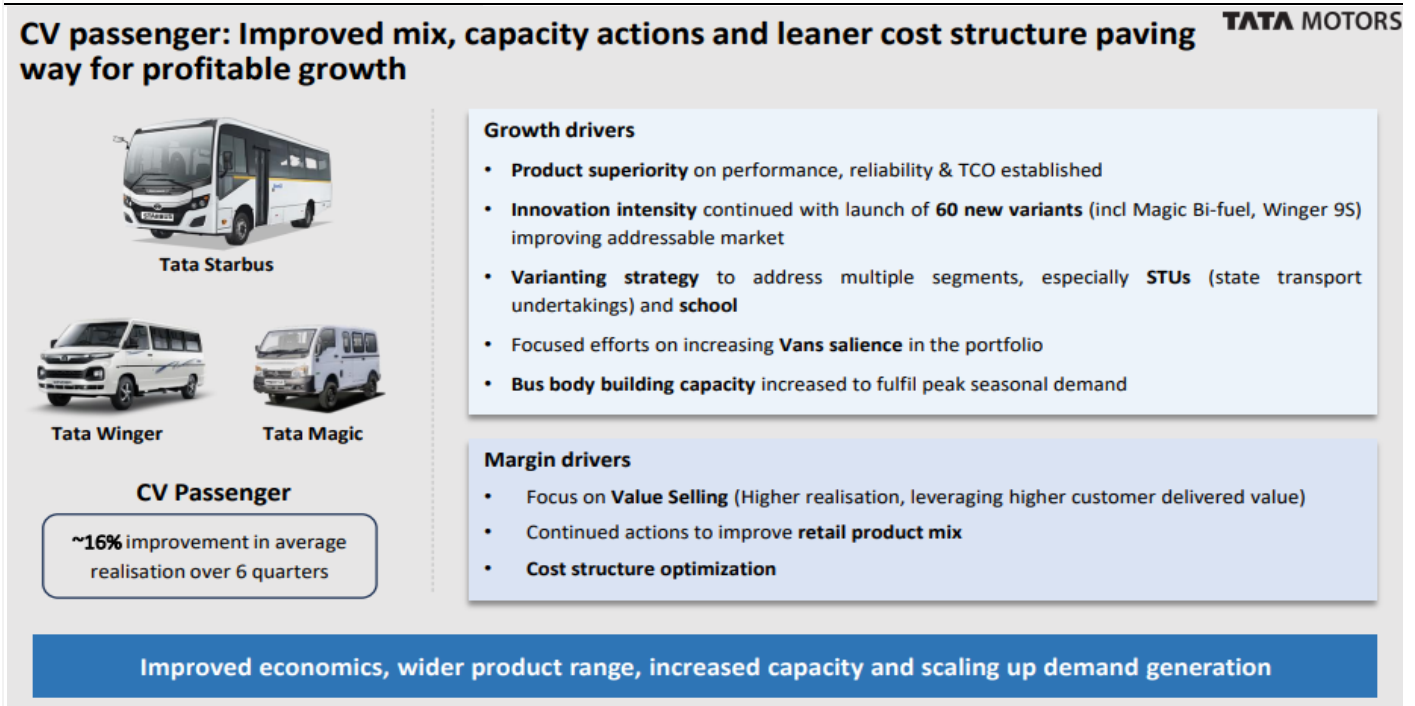
Source: Company

Exhibit 2: Better product mix driving ASP growth



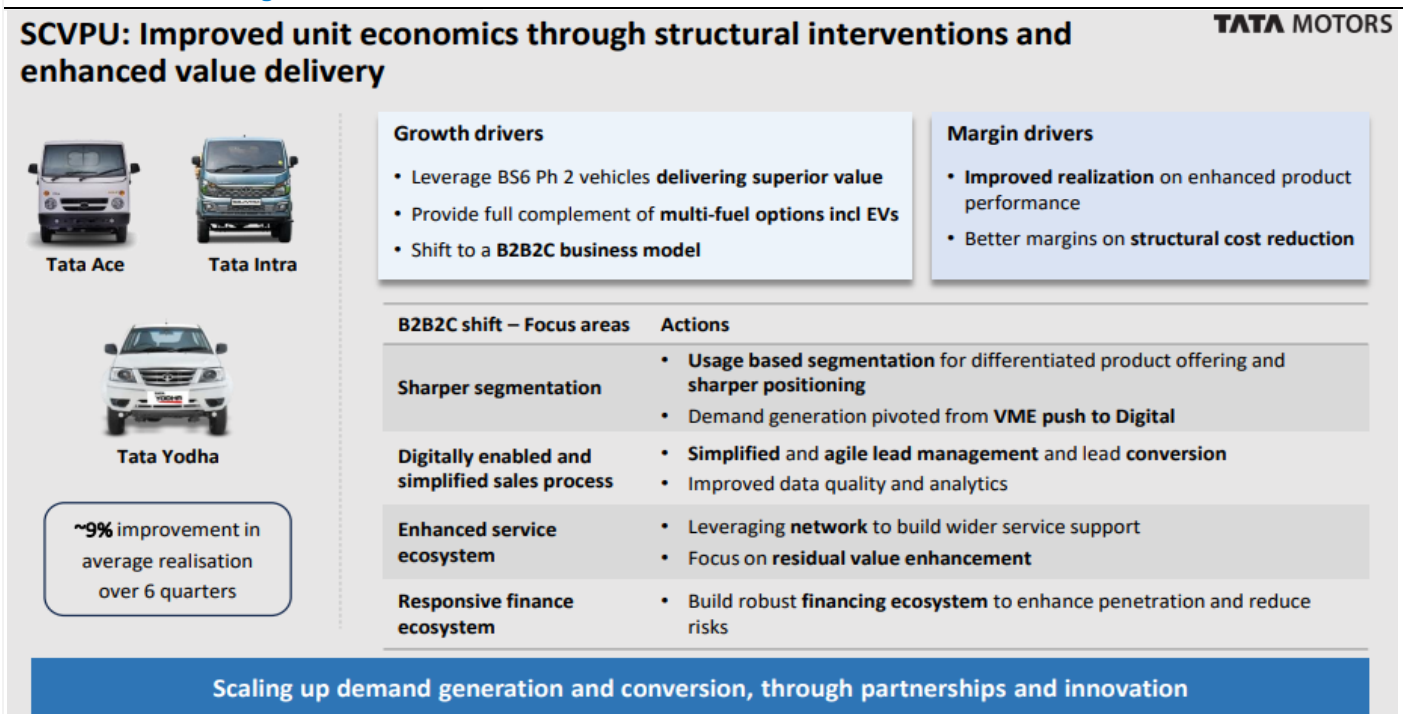
Source: Company

Exhibit 3: Capacity improvement and cost optimization driving ASPs higher



Source: Company

Exhibit 4: Transitioning from B2B to B2B2C business model



Source: Company

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

## Scaling up Spares and Aftersales business

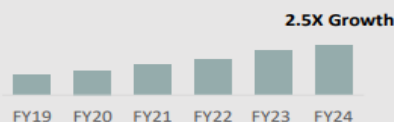
TATA MOTORS

Expanding Downstream business play; Highest ever spare and service penetration achieved in FY24

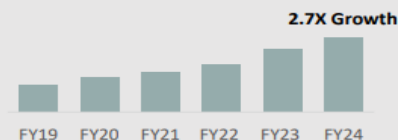
## Key focus areas

- Offer a seamless customer experience with proactive engagement through digital channels
- Build a competitive product portfolio & provide one stop solution for all the needs of a CV Owner
- Expand distribution footprint & enhanced effectiveness delivering customer convenience
- Supply chain transformation for improved availability enabled through technology

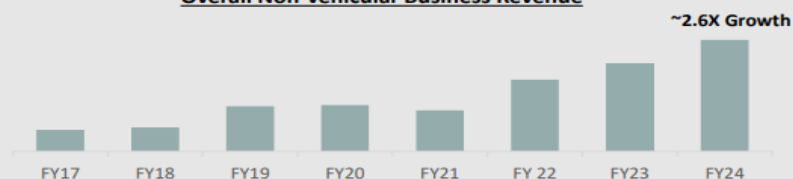
## Spares Penetration



## Service Penetration



## Overall Non-vehicular Business Revenue



Increasing penetration by improving availability, expanding reach and providing a competitive portfolio, backed by analytics

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



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

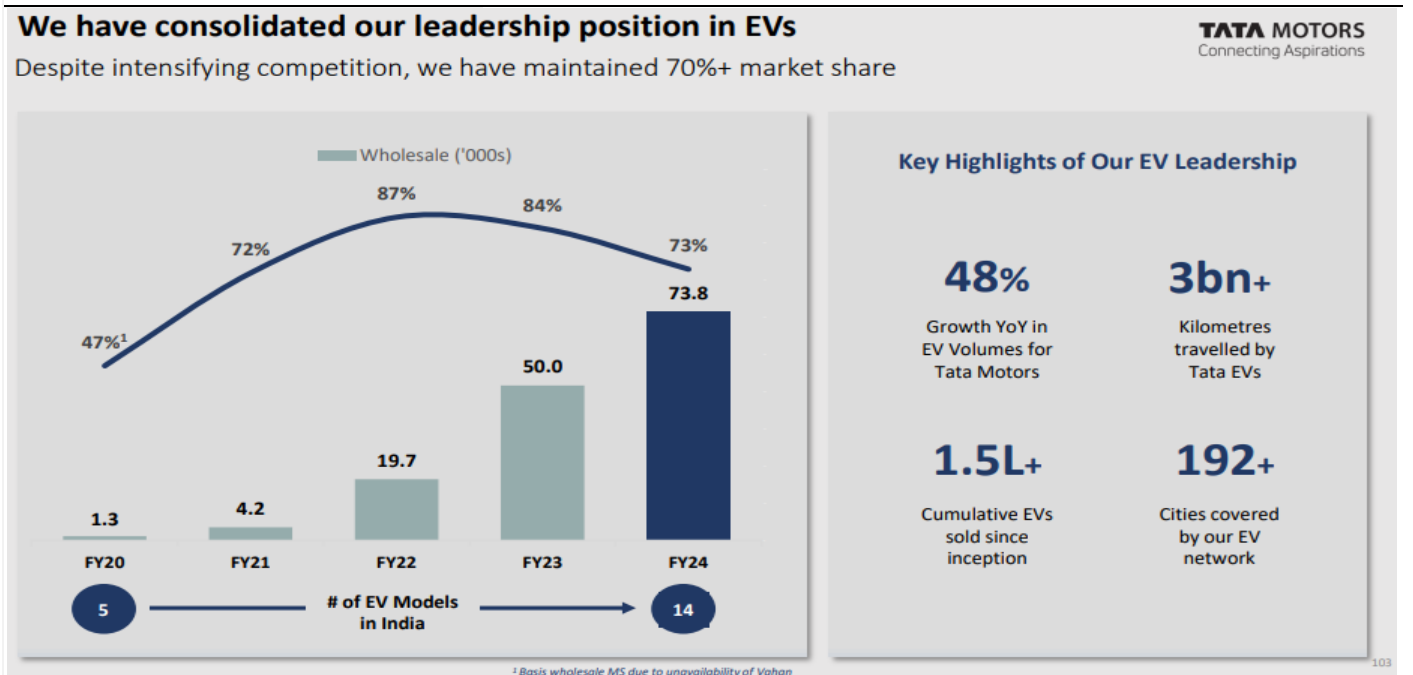
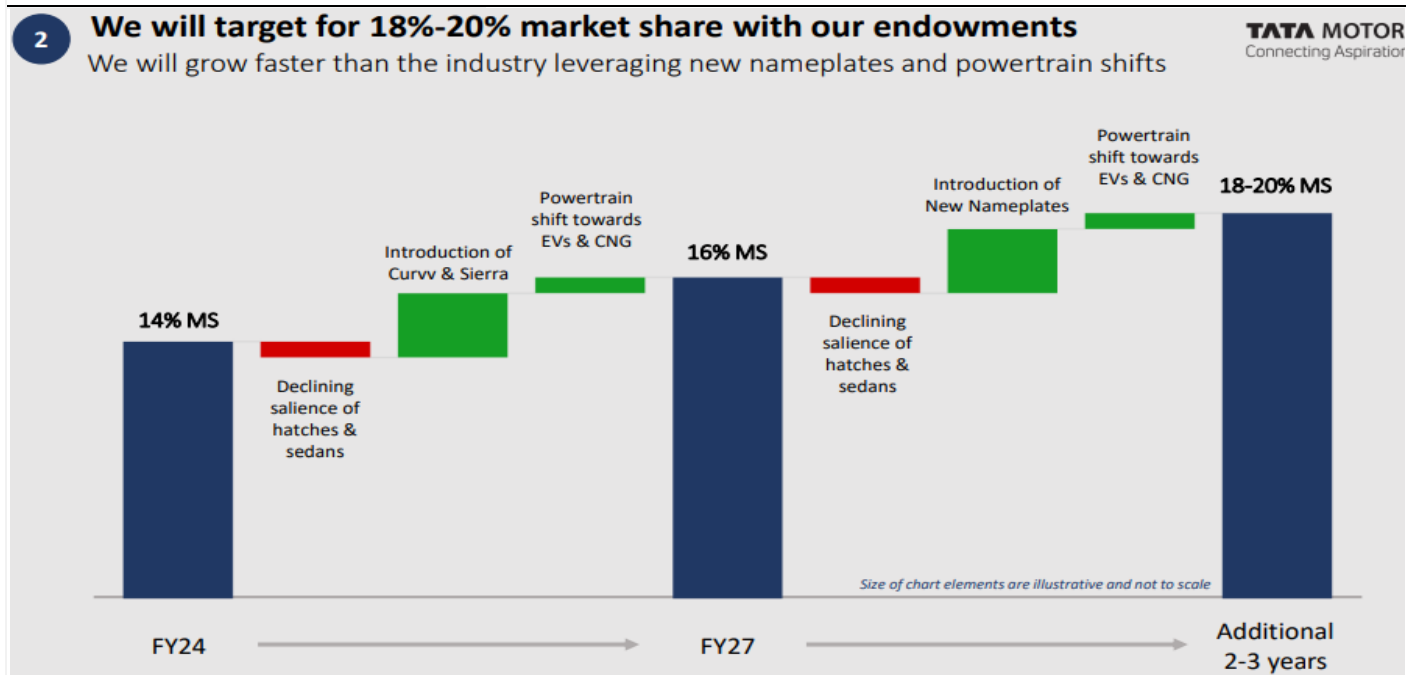
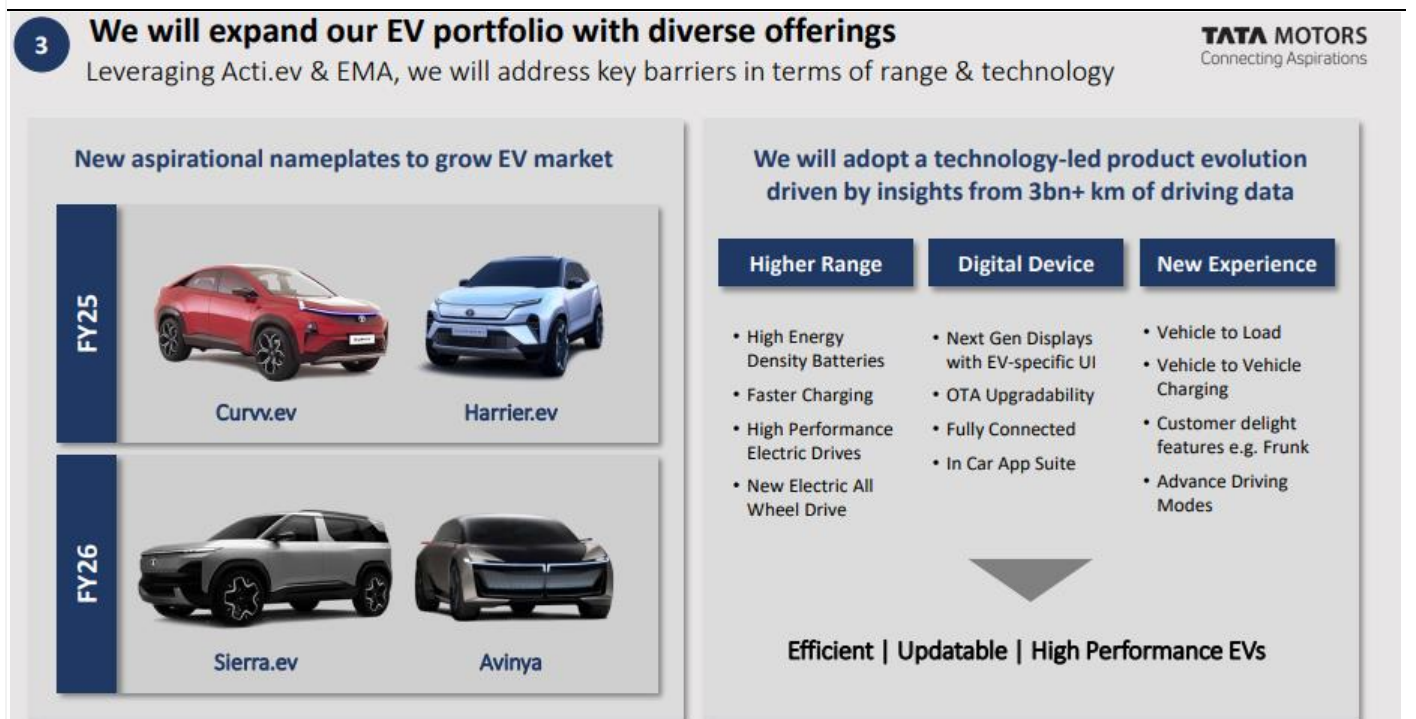


Exhibit 8: Slew of new launches on the ICE & EV platform to drive growth



Source: Company

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



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
<b>Total EV</b>			<b>3,081</b>
(-) Net automotive debt (ex TMFL)			(98)
<b>Total Equity Value (Rs bn)</b>			<b>3,179</b>
Fair value per share			864
Tata Technologies per share			42
Tata sons per share			87
EVCo value/sh			95
<b>Target price</b>			<b>1,089</b>

Source: Company, PL

## Financials

### Income Statement (Rs mn)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>34,59,670</b>	<b>43,79,278</b>	<b>47,84,519</b>	<b>51,47,214</b>
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
<b>EBITDA</b>	<b>3,18,158</b>	<b>5,95,622</b>	<b>7,18,406</b>	<b>7,97,484</b>
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
<b>EBIT</b>	<b>69,554</b>	<b>3,22,921</b>	<b>4,03,183</b>	<b>4,69,999</b>
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
<b>Profit Before Tax</b>	<b>30,576</b>	<b>2,72,553</b>	<b>3,72,676</b>	<b>4,38,113</b>
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
<b>Profit after tax</b>	<b>23,535</b>	<b>3,11,070</b>	<b>2,88,824</b>	<b>3,39,538</b>
Minority interest	2,756	4,077	4,117	4,159
Share Profit from Associate	3,364	6,998	3,599	3,754
<b>Adjusted PAT</b>	<b>8,238</b>	<b>3,23,762</b>	<b>2,88,306</b>	<b>3,39,133</b>
YoY gr. (%)	-	-	-	-
Margin (%)	0.2	7.4	6.0	6.6
Extra Ord. Income / (Exp)	15,905	(9,771)	-	-
<b>Reported PAT</b>	<b>24,143</b>	<b>3,13,991</b>	<b>2,88,306</b>	<b>3,39,133</b>
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)	-	-
<b>Equity Shares O/s (m)</b>	<b>3,830</b>	<b>3,833</b>	<b>3,833</b>	<b>3,833</b>
<b>EPS (Rs)</b>	<b>2.2</b>	<b>84.5</b>	<b>75.2</b>	<b>88.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs mn)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>34,55,051</b>	<b>35,91,874</b>	<b>39,45,229</b>	<b>42,99,265</b>
Tangibles	34,55,051	35,91,874	39,45,229	42,99,265
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>21,01,009</b>	<b>23,73,711</b>	<b>26,88,933</b>	<b>30,16,419</b>
Tangibles	21,01,009	23,73,711	26,88,933	30,16,419
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>13,54,042</b>	<b>12,18,163</b>	<b>12,56,296</b>	<b>12,82,847</b>
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	-	-	-	-
<b>Current Assets</b>				
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
<b>Total Assets</b>	<b>34,02,464</b>	<b>37,20,551</b>	<b>40,04,033</b>	<b>44,79,686</b>
<b>Equity</b>				
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
<b>Total Network</b>	<b>4,53,218</b>	<b>8,49,180</b>	<b>10,15,480</b>	<b>13,34,070</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	13,41,134	10,72,625	11,07,754	11,46,396
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
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
<b>Total Equity &amp; Liabilities</b>	<b>33,60,814</b>	<b>37,06,640</b>	<b>40,04,033</b>	<b>44,79,686</b>

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)
<b>Net cash from Op. activities</b>	<b>3,06,102</b>	<b>6,64,831</b>	<b>4,79,352</b>	<b>6,75,506</b>
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
<b>Net Cash from Invt. activities</b>	<b>(1,27,801)</b>	<b>(2,95,429)</b>	<b>(3,54,357)</b>	<b>(3,44,068)</b>
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	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,14,837)</b>	<b>(2,81,491)</b>	<b>(1,77,478)</b>	<b>(75,083)</b>
<b>Net change in cash</b>	<b>(36,536)</b>	<b>87,911</b>	<b>(52,483)</b>	<b>2,56,355</b>
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
<b>Net Revenue</b>	<b>10,22,361</b>	<b>10,51,282</b>	<b>11,05,771</b>	<b>11,99,863</b>
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
<b>EBITDA</b>	<b>1,35,595</b>	<b>1,37,239</b>	<b>1,53,333</b>	<b>1,69,933</b>
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
<b>EBIT</b>	<b>69,264</b>	<b>70,875</b>	<b>84,833</b>	<b>98,428</b>
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
<b>Profit before Tax</b>	<b>46,527</b>	<b>59,859</b>	<b>74,940</b>	<b>91,228</b>
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)
<b>Profit after Tax</b>	<b>30,897</b>	<b>37,830</b>	<b>69,522</b>	<b>1,72,820</b>
Minority interest	979	681	1,203	1,214
Share Profit from Associates	2,110	490	1,933	2,466
<b>Adjusted PAT</b>	<b>38,798</b>	<b>38,877</b>	<b>71,134</b>	<b>1,74,953</b>
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)
<b>Reported PAT</b>	<b>32,028</b>	<b>37,640</b>	<b>70,251</b>	<b>1,74,072</b>
YoY gr. (%)	(164.0)	(498.5)	137.5	221.9
Margin (%)	3.1	3.6	6.4	14.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Avg. Shares O/s (m)	3,679	3,679	3,679	3,679
<b>EPS (Rs)</b>	<b>10.5</b>	<b>10.6</b>	<b>19.3</b>	<b>47.6</b>

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
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
<b>Return Ratio(%)</b>				
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
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.7	0.6	0.5	0.2
Net Working Capital (Days)	(70)	(63)	(50)	(49)
<b>Valuation(x)</b>				
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

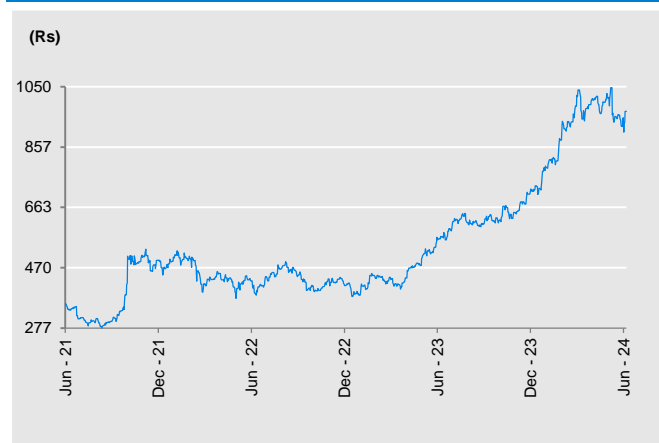
## Key Operating Metrics

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

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