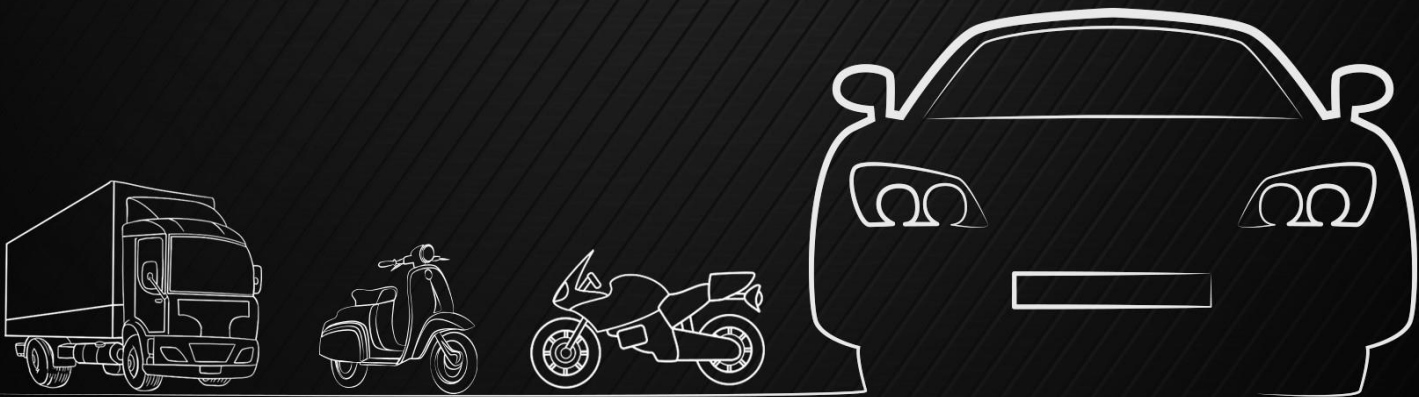


Q1FY25 Tata Motors Ltd



Tata Motors Ltd

Modest performance; near-term challenges remain

CMP INR 1,068*	Target INR 1,156	Potential Upside 8.2%	Market Cap (INR Mn) INR 35,60,709	Recommendation ACCUMULATE	Sector Automobile
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Result Highlights

- In Q1FY25, TML revenue stood at INR 1,080,480 Mn, which grew by 5.7% YoY/(-9.9% QoQ), missing our estimates by 2.3%. The YoY revenue growth was primarily driven by a 2.6% YoY increase in volume, reaching 327,646 units.
- TML-CV revenue grew by 5.0% YoY/(-17.3% QoQ), while TML-PV revenue decreased by 7.7% YoY (-17.9% QoQ).
- EBITDA stood at INR 155,090 Mn, up 14.4% YoY/(-8.7% QoQ), outperforming our estimates by 5.5%.
- In Q1FY25, PAT was INR 55,660 Mn (+73.8% YoY), which outperformed our estimates on the back of better operating performance partially offset by a higher tax rate in Q1FY25.
- We maintain our EV/EBITDA multiples across segments. We expect the CV and JLR segments will contribute to overall stability in performance. Consequently, we have revised our target price to INR 1,156/share (previously: INR 1,043). With an 8.2% upside potential, we reaffirm our “ACCUMULATE” rating on Tata Motors shares.**

MARKET DATA

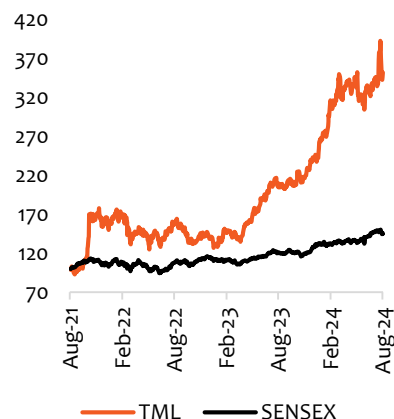
Shares outs (Mn)	3,324
Mkt Cap (INR Mn)	35,60,709
52 Wk H/L (INR)	1,179/593
Volume Avg (3m K)	14,115
Face Value (INR)	2
Bloomberg Code	TML IN

KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	24,97,948	27,84,536	34,59,670	43,79,278	4,722,101	5,201,276
EBITDA	3,05,553	2,47,988	3,18,158	5,95,622	705,598	796,178
PAT	-1,34,514	-1,14,415	24,143	3,13,991	234,416	292,158
Adj. PAT	20,418	-1,07,332	7,199	3,24,000	231,226	292,158
EPS (INR)	-37.0	-29.9	6.3	81.9	61.2	76.2
Adj. EPS	5.3	-28.0	1.9	84.5	60.3	76.2
EBITDA Margin	12.2%	8.9%	9.2%	13.6%	14.9%	15.3%
Adj. NPM	0.8%	-3.9%	0.2%	7.4%	4.9%	5.6%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	79,706
NIFTY	24,368

Despite macro hurdles, CV segment outperformed

- For Q1FY25, TML's consolidated revenue stood at INR 1,080,480 Mn, grew by 5.7% YoY/(-9.9% QoQ). The YoY revenue was driven by 5.0% YoY in CV business and 7.7% YoY growth from JLR business.
- The CV segment revenue was at INR 1,78,490 Mn (+5.0% YoY), led by favorable volume growth of 6.3% YoY.
- CV segment EBITDA margin stood at 11.4%, up by 234 bps YoY, driven by better realization and lower RM cost. However, the margin was contracted by 36 bps QoQ, mainly due to impacted weak seasonality and general elections.
- The Company expects CV margins to expand further with improvement in volumes.
- The PV segment revenue was at INR 1,18,470 Mn (-7.7% YoY, -17.9% QoQ). The decline in revenue was on account of a drop in volumes and an unfavorable mix.
- PV segment EBITDA was 5.4%, up 94 bps YoY but down 146 bps QoQ. The QoQ decline in margin was due to adverse operating leverage.
- The Company stated that domestic PV demand is currently muted but is expected to improve gradually in FY25E.

Softness in JLR business to continue for H2FY25E

- JLR reported decent Q1FY25 performance, with 4.8% (ex. CJLR) volume growth and positive realization driving net sales to INR 768,990 Mn (+7.7% YoY, -7.3% QoQ).
- The US/UK market continues to be strong. However, the demand environment in the EU remains muted, which impacted the volumes.
- In the near term, JLR indicated supply constraints owing to the annual summer plant shutdown and floods at the key aluminium supplier.
- The Company has maintained its guidance for a flattish EBIT margin in FY25E over FY24 (c.>8.5%) and 10.0% for FY26E.

SHARE HOLDING PATTERN (%)

Particulars (%)	Jun-24	Mar-24	Dec-23
Promoters	46.4	46.4	46.4
FIIIs	18.2	19.2	18.6
DIIIs	16.0	16.1	17.3
Others	19.4	18.3	17.7
Total	100	100	100

*Based on previous closing

14.6%

Revenue CAGR between FY23 and FY26E

243.7%

Adj. PAT CAGR between FY23 and FY26E

Tata Motors Ltd

Key Concall Highlights:

❖ Overall Outlook

- The Company expects gradual improvement in domestic demand during the rest of the year on account of continued investments in infrastructure, healthy monsoons, favorable macros, and festive demand. Global demand is likely to remain muted. Commodities are likely to remain range-bound.

❖ CV Business

- The Commercial Vehicle (CV) division of Tata Motors Limited (TML) will be demerged into a new, separately listed entity ("New CV Listed Co."). Subsequently, Tata Motors Passenger Vehicles (TMPV) will be merged into TML.
- TML will transfer all CV-related investments to the New CV Listed Co., while all investments related to passenger vehicles (including those with shared interests) will remain within TML.
- FAME 2 provided support for buses and SCVs (Small Commercial Vehicles), and the Company anticipates that FAME 3 will offer benefits for trucks and hydrogen vehicles.
- In the domestic Commercial Vehicle sector, the overall market share experienced a slight decline due to financing difficulties for first-time buyers in the small commercial vehicle and pickup segments.
- In Q1FY25, over 160 **electric buses** were delivered, bringing the total number of operational EV buses to more than 2,900. This includes over 1,300 buses from the CESL 1 tender.
- The details of the payment security mechanisms are currently being coordinated with the government, which is expected to improve the balance sheet.
- In **MHCV (Medium and Heavy Commercial Vehicles)** demand the Company is optimistic that good monsoon, stable policies, and ongoing infrastructure spending will keep demand strong.
- Fleet usage stayed good in Q1FY25 despite some seasonal challenges. However, in July, trucks covered less distance because there was less activity in mining and infrastructure projects, and heavy rainfall also reduced transportation activity.
- The Company anticipates stable growth for **SCVs** (Small Commercial Vehicles) and **LCVs** (Light Commercial Vehicles) in FY25E.

❖ PV/EV Business

- According to Vahan's data, TML has maintained a 13.7% market share, driven by robust demand for the Punch and CNG vehicles.
- The punch model crossed more than 56,000 sales in Q1FY25.
- On 7th Aug 2024, the Company introduced its latest electric vehicle, **the Curvy.ev**, marking its fifth entry into the battery-operated vehicle market since 2020. This premium SUV coupe is available at a starting price of INR 1.75 million for the 45 kWh battery version, and INR 1.93 million for the 55 kWh battery version.
- The Company is also, going to launch **Sierra** in H2CY25E.
- The Company reported an all-time high in **channel inventory**, with further increases in Q1FY25, which is expected to put pressure on wholesales. Currently, dealer inventory for TML stands at 35-40 days, compared to the usual inventory level of around 30 days.
- Under the **Auto PLI scheme**, the Company is expected to submit claims for certified products by Q2FY25E. All electric vehicle (EV) products have already been certified.

❖ Jaguar Land Rover

- In Q1FY25, **Free cash flow** (FCF) amounted to GBP 230 Mn, compared to GBP 451 Mn in Q1FY24 and GBP 892 Mn in Q4FY24. The FCF target for FY25E is set at GBP 1.8 Bn.
- In Q1FY25, **net debt** reached GBP 1.0 Bn, an increase of GBP 0.3 Bn compared to the Q4FY24 level. JLR aims to achieve a net cash-positive position by FY25E.
- **Variable marketing expenses** (VME) rose from 0.8% last year to 3.2% in Q1. JLR expects a slight increase from this level moving forward.
- The Company has not taken any **substantial pricing** action for JLR.
- As of the end of Q1FY25, the **order backlog** was 104,000 units.
- In Q1FY25, **JLR's investment** totaled GBP 951 Mn. The Company projects an investment of GBP 3.5 Bn for FY25E, with approximately 66.0% of these investments capitalized. Engineering expenses are expected to have reached their peak at the current level.
- **Management expects** global demand could stay subdued, and commodity prices may remain stable. FY25E is expected to be challenging, particularly with a key aluminum supplier affected by floods, which could have a short-term impact. Despite these issues, JLR has maintained its financial targets and anticipates a resolution soon.
- The Company **stopped production** of the Jaguar XE, XF, and F-Type models, resulting in reduced depreciation since the assets related to these models were fully depreciated.
- During the quarter, JLR formed a **joint venture** with the Chinese automobile manufacturer Chery to license the Freelander brand to CJRL, focusing on the development and sales of electric vehicles in China.

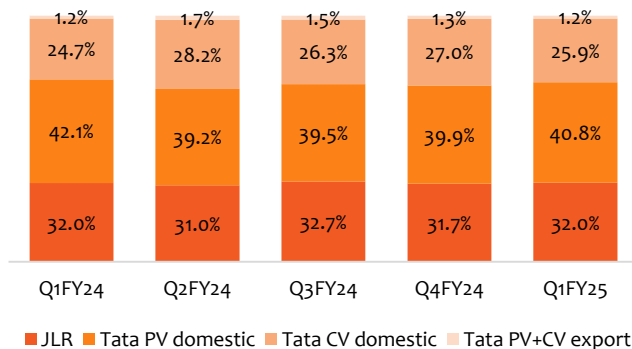
Tata Motors Ltd

Valuation and view:

TML exhibited modest performance in Q1FY25 driven by CV volume expansion, market share gains, and enhanced financial results. Looking ahead, Tata Motors anticipates gradual domestic demand improvement driven by infrastructure investment and festive periods, while global demand remains subdued. With strategic demergers, continued innovation in EVs, and targeted investments, the Company aims to enhance its market position. JLR's focus on maintaining financial targets and resolving supply challenges will be pivotal for future growth.

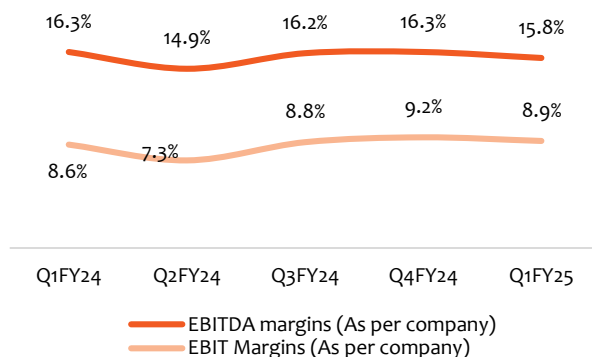
We maintain our EV/EBITDA multiple for the JLR segment at 3.2x FY26E EBITDA. We retain the valuation of the Chery-JLR JV business at 2.4x EV/EBITDA, TML-CV at 14.0x, and TML-PV at 16.0x, respectively, as we believe the prospects for these segments remain intact. Given the positive outlook for the CV and JLR businesses, we expect the Company to perform gradually and steadily in the future. Accordingly, we have revised our target price to INR 1,156 per share (previously: INR 1,043), which includes INR 42.00 for Tata Technologies. Given an 8.2% upside potential, we maintain our rating on Tata Motors shares as “ACCUMULATE.”

CV segments mix improved YoY



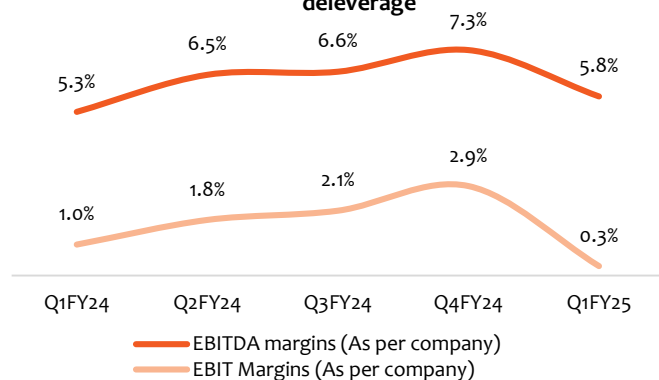
Source: Company, KRChoksey Research

Macro Headwind impact JLR Margin



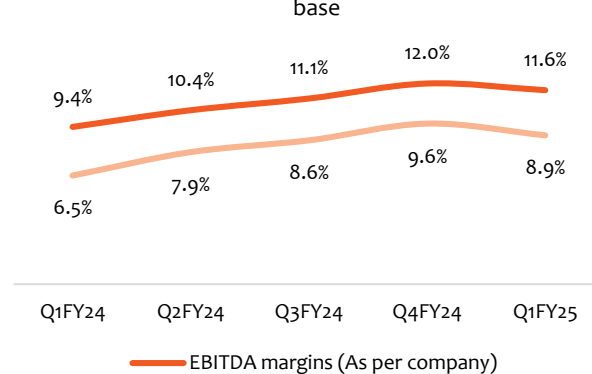
Source: Company, KRChoksey Research

TML-PV Margin declined due to adverse operating leverage



Source: Company, KRChoksey Research

TML-CV Margin sequentially fall due to higher base



Source: Company, KRChoksey Research

Tata Motors Ltd

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	27,84,536	34,59,670	43,79,278	4,722,101	5,201,276
Cost of sales	18,08,858	22,64,696	27,27,557	2,866,459	3,075,577
Gross profit	9,75,678	11,94,973	16,51,721	1,855,642	2,125,699
Employee benefit expense	3,08,085	3,36,547	4,24,866	469,163	502,027
Product development	92,095	1,06,620	1,09,587	129,263	105,690
Other expenses	4,71,483	6,17,997	7,89,229	850,073	1,014,366
Amount capitalised	-1,43,973	-1,84,348	-2,67,584	-298,455	-292,562
EBITDA	2,47,988	3,18,158	5,95,622	705,598	796,178
Depreciation	2,48,357	2,48,604	2,72,701	273,824	292,598
EBIT	-369	69,554	3,22,921	431,774	503,580
Finance costs	93,119	1,02,255	99,858	93,411	130,691
Foreign exchange (gain)/loss	787	-1,039	238	-2,760	0
Other income	30,536	46,332	59,499	70,374	83,220
PBT before exceptional items	-63,738	14,670	2,82,324	411,498	456,109
exceptional items	6,296	-15,905	9,771	-430	0
PBT after exceptional	-70,034	30,575	2,72,553	411,928	456,109
Income tax expense	42,313	7,041	-38,516	110,011	111,951
Share of profits of JV/Associates / MI	-2,068	608	2,921	-67,500	-52,000
PAT	-1,14,415	24,143	3,13,991	234,416	292,158
Adj. PAT	-1,07,332	7,199	3,24,000	231,226	292,158
EPS (INR)	(29.9)	6.3	81.9	61.2	76.2
Adj. EPS (INR)	(28.0)	1.9	84.5	60.3	76.2

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	1,42,828	3,53,880	6,79,154	597,396	731,341
Net Cash Flow from/(used in) Investing Activities	-47,751	-1,68,042	-2,28,281	-374,147	-312,077
Net Cash Flow from Financing Activities	-33,802	-2,62,429	-3,70,060	-133,742	-171,314
Net Inc/Dec in cash equivalents	61,275	-76,590	80,813	89,508	247,950
Opening Balance	3,17,000	3,81,590	3,18,870	400,148	489,655
Effect of foreign exchange on cash and cash equivalents	3,315	13,870	465	0	0
Closing Balance Cash and Cash Equivalents	3,81,590	3,18,870	4,00,148	489,655	737,606

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	8.9%	9.2%	13.6%	14.9%	15.3%
Tax rate (%)	-60.4%	23.0%	-14.1%	26.7%	24.5%
Net Profit Margin (%)	-4.1%	0.7%	7.2%	5.0%	5.6%
RoE (%)	-21.7%	4.8%	43.1%	22.5%	22.5%
RoCE (%)	0.0%	3.9%	16.9%	20.5%	21.3%
Adj. EPS (INR per share)	-28.0	1.9	84.5	60.3	76.2
Adj. PE	-33.4x	498.2x	11.1x	17.7x	14.0x

Source: Company, KRChoksey Research

Tata Motors Ltd

Exhibit 4: Balance Sheet

INR Millions	FY 22	FY 23	FY 24	FY 25E	FY 26E
PPE	8,09,001	7,66,414	7,31,247	831,570	851,049
Capital WIP	35,290	52,199	1,09,373	109,373	109,373
Goodwill	66,860	78,010	80,595	80,595	80,595
Right to use assets	8,072	8,406	8,603	8,603	8,603
Other intangible assets	5,04,621	4,67,967	3,92,411	392,411	392,411
Intangible assets under management	67,221	90,546	2,47,611	247,611	247,611
Investments in equity accounted investees	43,494	46,757	53,403	53,403	53,403
Financial assets	1,94,796	1,81,799	1,89,985	189,985	189,985
Deferred tax assets (net)	38,709	51,847	1,30,990	130,990	130,990
Non-current tax assets (net)	11,968	15,564	21,297	21,297	21,297
Other non-current assets	56,392	86,021	57,204	57,204	57,204
Total Non-current Assets	18,36,424	18,45,529	20,22,718	2,123,041	2,142,520
Inventories	3,52,403	4,07,554	4,77,883	518,319	556,132
Trade receivables	1,24,421	1,57,380	1,69,518	182,789	201,337
Cash and cash equivalents	3,81,590	3,18,870	4,00,148	489,655	737,606
Other financial assets	5,27,865	5,24,738	5,24,328	524,328	524,328
Current tax assets (net)	2,598	2,593	1,012	1,012	1,012
Assets classified as held-for-sale	5,239	8,278	6,739	6,739	6,739
Other current assets	75,659	95,873	1,04,294	104,294	104,294
Total Current Assets	14,69,775	15,15,285	16,83,922	1,827,135	2,131,447
Total Assets	33,06,199	33,60,814	37,06,640	3,950,177	4,273,968
Equity share capital	7,659	7,660	7,665	7,660	7,660
Other equity	4,37,954	4,45,558	8,41,515	1,066,680	1,347,736
Non-controlling interests	42,711	72,777	81,759	81,759	81,759
Total Equity	4,88,323	5,25,995	9,30,939	1,156,099	1,437,155
Borrowings	9,77,592	8,86,958	6,21,485	590,411	560,890
Other financial liabilities	53,337	83,225	42,210	42,210	42,210
Provisions	1,29,559	1,31,965	1,65,367	165,367	165,367
Deferred tax liabilities (net)	15,584	14,070	11,434	11,434	11,434
Lease liability	59,624	75,685	76,695	76,695	76,695
Other non-current liabilities	75,352	92,643	1,22,340	122,340	122,340
Total non-current liabilities	13,11,048	12,84,545	10,39,530	1,008,456	978,935
Borrowings	4,27,274	3,78,491	3,74,445	374,445	374,445
Trade payables	5,99,704	7,20,558	8,80,430	925,266	992,767
Acceptances	97,800	71,960	59,356	59,356	59,356
Other financial liabilities	1,44,202	1,38,286	1,53,851	158,467	163,221
Provisions	1,07,663	1,18,107	1,22,915	122,915	122,915
Current tax liabilities (net)	12,539	12,542	15,271	15,271	15,271
Other current liabilities	1,17,615	1,10,330	1,29,903	129,903	129,903
Total current liabilities	15,06,828	15,50,273	17,36,170	1,785,622	1,857,877
Total liabilities	33,06,199	33,60,814	37,06,640	3,950,177	4,273,968

Source: Company, KRChoksey Research

Tata Motors Ltd

Tata Motors Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
12-Aug-24	1,068	1,156	ACCUMULATE	Buy	More than 15%
21-May-23	936	1,043	ACCUMULATE	Accumulate	5% – 15%
05-Mar-24	1,022	1,178	BUY	Hold	0 – 5%
09-Feb-24	915	1,060	BUY	Reduce	-5% – 0
16-Nov-23	680	784	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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