

November 11, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		ACCUMULATE	
Target Price	847		1,058	
Sales (Rs. m)	48,63,292	51,86,833	52,07,683	56,97,153
% Chng.	(6.6)	(9.0)		
EBITDA (Rs. m)	7,66,218	8,22,916	8,06,094	8,87,512
% Chng.	(4.9)	(7.3)		
EPS (Rs.)	78.4	79.9	84.2	89.7
% Chng.	(6.9)	(10.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	4,379	4,549	4,863	5,187
EBITDA (Rs. bn)	596	686	766	823
Margin (%)	13.6	15.1	15.8	15.9
PAT (Rs. bn)	324	271	300	306
EPS (Rs.)	84.5	70.8	78.4	79.9
Gr. (%)	3,830.7	(16.2)	10.7	2.0
DPS (Rs.)	6.2	6.0	6.6	7.5
Yield (%)	0.8	0.7	0.8	0.9
RoE (%)	49.8	27.8	24.2	20.2
RoCE (%)	17.4	20.5	20.7	19.0
EV/Sales (x)	0.8	0.8	0.7	0.7
EV/EBITDA (x)	6.0	5.0	4.4	4.1
PE (x)	9.5	11.4	10.3	10.1
P/BV (x)	3.6	2.8	2.2	1.9

Key Data TAMO.BO | TTMT IN

52-W High / Low	Rs.1,179 / Rs.639
Sensex / Nifty	79,486 / 24,148
Market Cap	Rs.3,374bn/ \$ 39,994m
Shares Outstanding	3,681m
3M Avg. Daily Value	Rs.13150.95m

Shareholding Pattern (%)

Promoter's	46.36
Foreign	19.20
Domestic Institution	16.15
Public & Others	18.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(12.4)	(20.2)	25.7
Relative	(10.1)	(26.2)	2.8

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JLR production impact leads to a weak quarter

Quick Pointers:

- Cautiously maintains JLR EBIT margin guidance of $\geq 8.5\%$ for FY25
- To focus on high value products in JLR business to drive profitability

TTMT's consolidated revenue for Q2FY25 declined by 3.5% YoY, missing consensus/PL estimates by 2%/6%. The de-growth in revenue was attributable to decline of 15.4%/5.9%/9.8% in its CV, PV and JLR volume respectively. Consequently, de-growth in volume coupled with production impact in its JLR business led its EBITDA to decline by 15% YoY while margin contracted by 155bps YoY to 11.5%. Weak overall performance dragged in PAT lower by 11% YoY. Despite weak operational performance specifically in the JLR business, the management remains optimistic on delivering EBIT margin of $\geq 8.5\%$ EBIT and 10% in FY26. In terms of CV and PV business, near term challenges shall impact its volume growth, however, remains optimistic on long term growth outlook to drive growth.

As Q2FY25 performance was weaker than anticipated, we cut our estimates by 7-11% to factor-in the impact of slowdown across business verticals. With key market like China & Europe being under pressure from competitive pressure and demand slowdown respectively, we expect JLR to deliver modest growth in its volume. Additionally, increased competitive intensity and slowdown in EV traction shall impact their PV business. CV business could benefit from demand revival in H2FY25 and CV upcycle from FY26. Based on this we change our rating from "Accumulate" to "Hold" with SoTP-based target price of Rs847 (previous Rs1,172).

- **Decline in volume and EV mix impact PV business:** Revenue declined by 3.9% YoY to Rs117bn. The de-growth in revenue was attributable to 5.9% decline in overall volume, EV volume declined by 16% while ICE volume declined by 4.3% YoY. On contrary, its ASP increased by 2.3% YoY to Rs901,318/unit. EBITDA declined by 6.7% YoY to Rs9.5bn, while margin was at 8.1%, with ICE margin at 8.5% and EV (excluding PDE) at 1.7%. With highest ever retails for October, the company aims to drive growth in H2FY25 on the back of new launch and comprehensive marketing campaign.
- **Seasonality impact overall CV business:** Revenue declined by 16.3% YoY to Rs155.2bn, owing to 15.4% YoY de-growth in volume and 1.1% YoY decline in ASP which came in at Rs 1.84mn. EBITDA came in at Rs16.5bn, down by 16.5% YoY while margin remained flat 10.7%. Withdrawal of indexation benefits on long term gains saw a rise in taxes impacting profitability with PAT declining by 62% YoY to Rs 4.8bn.
- **Supply issue leads to rise in overall expenses in JLR:** Revenue declined by 5.6% YoY to GBP6.5bn, impacted by 9.8% decline in its volume. On contrary, ASP increased by 5% YoY to GBP74,167/unit. Gross margin increased by 22bps YoY, however, lower wholesales increased VME, FMI and selling costs leading EBIT margin to decline by 221bps YoY to 5%. Despite weak operational performance PAT increased by 4% YoY to GBP0.3bn owing to forex gains and lower interest charges.

Conference Call Highlights:

JLR Business:

- The company was impacted by supply chain constraints and a temporary quality hold of ~6k units, which affected production and sales respectively.
- The company is confident of a strong recovery in the H2FY25, driven by easing supply constraints and increased production.
- JLR will focus on shifting towards high-value products like Range Rover, Range Rover Sport, and Defender, which have seen healthy traction and profitability in key markets.
- Despite weak operational performance, JLR is cautiously maintaining its EBIT guidance of 8.5% for FY25.
- The Chinese market is facing challenges due to industry-wide discounting and overstocking. JLR has managed the situation well, but the impact on H2 sales is expected.
- Premium segments like Range Rover and Defender remain less impacted by local competition in China.
- JLR remains committed to its electrification strategy and is investing heavily in BEV development and production.
- The company will be launching a new brand under Jaguar in December 2025, in Miami, USA.
- JLR aims for BEV-only vehicles by 2036, with a BEV variant across all model lines by 2030.

CV Business:

- Its October retail volume showed improvement, particularly in M&HCV, which experienced increased demand post-monsoon and during the festive season.
- The company delivered 550 electric buses in Q2, with over 3,300 electric buses in operation across India.
- Management anticipates growth in infrastructure spending and revival in demand post monsoon shall support demand recovery across CV subsegments.

PV Business:

- Its retail market share was steady at 13.3% for H1FY25. The festive season in October saw a boost in sales, with a record ~68.5 monthly registrations.
- New launches, including the Curvv EV and Nexon iCNG, were well-received, which shall aid in driving the demand momentum.
- The company focused on supporting its dealer network by reducing inventory levels, with average inventory holding for dealers was down to ~30 days.

Exhibit 1: SoTP valuation

SoTP value	Valuation	Multiple (x)	Sep-26 (Rs bn)
Standalone business	EV/EBITDA	10	885
JLR	EV/EBITDA	1.6	930
PV subsidiary	EV/EBITDA	10	362
China JV	P/E	9	5
Tata Motors Finance	P/BV	1.0	52
Total EV			3,696
(-) Net automotive debt (ex TMFL)			(32)
Total Equity Value (Rs bn)			2,254
Fair value/sh			616
Tata Technologies per share			42
Tata sons per share			87
EVCo value/sh			102
Target price			847

Source: PL

Exhibit 2: Q1FY25 Result Overview - Consolidated (Rs m)

Y/e March	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	Var (%)	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Net Revenues	10,14,500	10,51,282	-3.5%	10,81,712	-6.2%	10,80,480	-6.1%	20,94,980	20,73,643	1.0%
Raw Materials	6,22,350	6,69,097	-7.0%	6,79,315	-8.4%	6,59,130	-5.6%	12,81,480	13,06,932	-1.9%
% of Net Sales	61.3%	63.6%		62.8%		61.0%		61.2%	63.0%	
Personnel	1,17,180	1,00,989	16.0%	1,06,008	10.5%	1,18,020	-0.7%	2,35,200	1,99,507	17.9%
% of Net Sales	11.6%	9.6%		9.8%		10.9%		11.2%	9.6%	
Manufacturing & Other Exp	1,28,810	1,18,451	8.7%	1,21,152	6.3%	1,20,650	6.8%	2,49,460	2,44,728	1.9%
% of Net Sales	12.7%	11.3%		11.2%		11.2%		11.9%	11.8%	
Product Dev. Expenses	29,450	25,506	15.5%	26,781	0	27,590	6.7%	57,040	49,642	14.9%
% of Net Sales	2.9%	2.4%		2.5%		2.6%		2.7%	2.4%	
Total Expenditure	8,97,790	9,14,043	-1.8%	9,33,256	-3.8%	9,25,390	-3.0%	18,23,180	18,00,809	1.2%
EBITDA	1,16,710	1,37,239	-15.0%	1,48,456	-21.4%	1,55,090	-24.7%	2,71,800	2,72,835	-0.4%
EBITDA Margin (%)	11.5%	13.1%		13.7%		14.4%		13.0%	13.2%	
Depreciation	60,050	66,364	-9.5%	66,364	-9.5%	65,740	-8.7%	1,25,790	1,32,696	-5.2%
EBIT	56,660	70,875	-20.1%	82,092	-31.0%	89,350	-36.6%	1,46,010	1,40,139	4.2%
Interest Expenses	20,340	27,015	-24.7%	20,880	-2.6%	20,880	-2.6%	41,220	53,169	-22.5%
Non-operating income	15,660	16,307	-4.0%	17,123	-8.5%	15,750	-0.6%	31,410	29,913	5.0%
Forex gain	4,230	928	355.8%	0		2,760	53.3%	6,990	-2,490	NA
Extraordinary Income	-	27	-	-	-	-	-	-	122	-
Exceptional gain/(loss)	-640	1,264	-150.6%	0		-430	48.8%	-1,070	8,129	
PBT	56,850	59,859	-5.0%	78,335	-27.4%	87,410	-35.0%	1,44,260	1,06,386	35.6%
Tax-Total	23,170	22,028	5.2%	28,201	-17.8%	31,780	-27.1%	54,950	37,659	45.9%
Tax Rate (%) - Total	40.8%	36.8%		36.0%		36.4%		38.1%	35.4%	
PAT	33,680	37,830	-11.0%	50,134	-32.8%	55,630	-39.5%	89,310	68,727	29.9%
Share of profit of joint ventures and associates	820	490	67.2%	1,032	-20.5%	1,290	-36.4%	2,110	2,600	-18.8%
Reported PAT	34,500	38,321	-10.0%	51,166	-32.6%	56,920	-39.4%	91,420	71,327	28.2%
Minority interest	1,070	681	57.2%	1,260	-15.1%	1,260	-15.1%	2,330	1,659	40.4%
Adj. PAT	28,560	37,796	-24.8%	49,906	-42.8%	55,230	-48.3%	81,030	80,165	1.1%
PAT Margin	2.8%	3.7%		4.6%		5.1%		3.9%	3.9%	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	43,79,278	45,49,412	48,63,292	51,86,833
YoY gr. (%)	26.6	3.9	6.9	6.7
Cost of Goods Sold	27,27,557	27,92,891	29,68,339	31,92,985
Gross Profit	16,51,721	17,56,521	18,94,953	19,93,848
Margin (%)	37.7	38.6	39.0	38.4
Employee Cost	4,24,866	4,34,070	4,57,600	4,96,644
Other Expenses	6,31,232	6,36,918	6,71,134	6,74,288
EBITDA	5,95,622	6,85,534	7,66,218	8,22,916
YoY gr. (%)	87.2	15.1	11.8	7.4
Margin (%)	13.6	15.1	15.8	15.9
Depreciation and Amortization	2,72,701	2,81,018	3,23,882	3,71,709
EBIT	3,22,921	4,04,516	4,42,336	4,51,207
Margin (%)	7.4	8.9	9.1	8.7
Net Interest	99,858	92,137	93,532	94,045
Other Income	59,261	67,084	61,296	62,522
Profit Before Tax	2,72,553	3,80,534	4,10,100	4,19,685
Margin (%)	6.2	8.4	8.4	8.1
Total Tax	(38,516)	97,036	1,04,575	1,07,020
Effective tax rate (%)	(14.1)	25.5	25.5	25.5
Profit after tax	3,11,070	2,83,498	3,05,524	3,12,665
Minority interest	4,077	4,892	5,870	7,044
Share Profit from Associate	6,998	856	677	684
Adjusted PAT	3,24,000	2,71,402	3,00,331	3,06,304
YoY gr. (%)	-	-	-	-
Margin (%)	7.4	6.0	6.2	5.9
Extra Ord. Income / (Exp)	(9,771)	1,070	-	-
Reported PAT	3,13,991	2,79,462	3,00,331	3,06,304
YoY gr. (%)	1,200.6	(11.0)	7.5	2.0
Margin (%)	7.2	6.1	6.2	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	3,833	3,833	3,833	3,833
EPS (Rs)	84.5	70.8	78.4	79.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	35,77,963	40,41,264	44,33,361	48,16,623
Tangibles	35,77,963	40,41,264	44,33,361	48,16,623
Intangibles	-	-	-	-
Acc: Dep / Amortization	23,73,711	26,54,728	29,78,610	33,50,319
Tangibles	23,73,711	26,54,728	29,78,610	33,50,319
Intangibles	-	-	-	-
Net fixed assets	12,04,252	13,86,536	14,54,751	14,66,304
Tangibles	12,04,252	13,86,536	14,54,751	14,66,304
Intangibles	-	-	-	-
Capital Work In Progress	3,56,987	3,92,686	4,51,589	5,19,327
Goodwill	8,603	8,603	8,603	8,603
Non-Current Investments	87,178	91,537	96,114	1,00,920
Net Deferred tax assets	(11,434)	(12,463)	(13,584)	(14,807)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,42,532	1,45,383	1,52,652	1,60,285
Inventories	4,77,883	4,96,449	5,59,612	6,25,262
Trade receivables	1,69,518	1,80,730	1,99,861	2,27,368
Cash & Bank Balance	4,58,067	4,49,664	4,23,964	3,85,088
Other Current Assets	8,01,619	8,01,784	8,81,963	9,70,159
Total Assets	37,06,640	39,53,372	42,29,108	44,63,315
Equity				
Equity Share Capital	7,665	7,665	7,665	7,665
Other Equity	8,41,515	10,97,982	13,73,129	16,50,652
Total Networth	8,49,180	11,05,647	13,80,794	16,58,317
Non-Current Liabilities				
Long Term borrowings	10,72,625	9,20,249	8,74,236	8,30,524
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,80,430	9,09,882	9,59,334	10,08,946
Other current liabilities	8,11,212	9,18,480	9,08,638	8,51,156
Total Equity & Liabilities	37,06,640	39,53,372	42,29,108	44,63,315

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,79,551	3,81,390	4,10,776	4,20,368
Add. Depreciation	2,72,701	2,81,018	3,23,882	3,71,709
Add. Interest	99,858	92,137	93,532	94,045
Less Financial Other Income	59,261	67,084	61,296	62,522
Add. Other	(49,490)	(68,154)	(61,296)	(62,522)
Op. profit before WC changes	6,02,620	6,86,390	7,66,895	8,23,599
Net Changes-WC	26,331	1,06,778	(1,22,863)	(1,89,224)
Direct tax	35,880	(96,007)	(1,03,454)	(1,05,797)
Net cash from Op. activities	6,64,831	6,97,161	5,40,578	5,28,578
Capital expenditures	(3,79,001)	(4,99,000)	(4,51,000)	(4,51,000)
Interest / Dividend Income	-	-	-	-
Others	83,571	60,945	49,450	50,084
Net Cash from Invst. activities	(2,95,429)	(4,38,055)	(4,01,550)	(4,00,916)
Issue of share cap. / premium	5	-	-	-
Debt changes	(2,68,509)	(1,52,376)	(46,012)	(43,712)
Dividend paid	(27,136)	(26,260)	(28,760)	(32,869)
Interest paid	(99,858)	(92,137)	(93,532)	(94,045)
Others	1,14,007	3,265	3,576	4,087
Net cash from Fin. activities	(2,81,491)	(2,67,508)	(1,64,729)	(1,66,538)
Net change in cash	87,911	(8,403)	(25,700)	(38,876)
Free Cash Flow	2,85,830	1,98,161	89,578	77,578

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	11,05,771	11,99,863	10,80,480	10,14,500
YoY gr. (%)	25.0	13.3	5.7	(3.5)
Raw Material Expenses	6,82,777	7,37,849	6,59,130	6,22,350
Gross Profit	4,22,995	4,62,014	4,21,350	3,92,150
Margin (%)	38.3	38.5	39.0	38.7
EBITDA	1,53,333	1,69,933	1,55,090	1,16,710
YoY gr. (%)	59.0	32.8	14.4	(15.0)
Margin (%)	13.9	14.2	14.4	11.5
Depreciation / Depletion	68,500	71,505	65,740	60,050
EBIT	84,833	98,428	89,350	56,660
Margin (%)	7.7	8.2	8.3	5.6
Net Interest	24,849	22,319	20,880	20,340
Other Income	15,838	16,000	18,510	19,890
Profit before Tax	74,940	91,228	87,410	56,850
Margin (%)	6.8	7.6	8.1	5.6
Total Tax	5,418	(81,593)	31,780	23,170
Effective tax rate (%)	7.2	(89.4)	36.4	40.8
Profit after Tax	69,522	1,72,820	55,630	33,680
Minority interest	1,203	1,214	1,260	1,070
Share Profit from Associates	1,933	2,466	1,290	820
Adjusted PAT	70,284	1,73,551	52,470	28,560
YoY gr. (%)	137.6	208.6	35.2	(27.8)
Margin (%)	6.4	14.5	4.9	2.8
Extra Ord. Income / (Exp)	(883)	(881)	430	640
Reported PAT	71,454	1,75,286	56,920	34,500
YoY gr. (%)	141.6	224.1	77.7	(10.0)
Margin (%)	6.5	14.6	5.3	3.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	3,679	3,679	3,679	3,679
EPS (Rs)	19.1	47.2	14.3	7.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	84.5	70.8	78.4	79.9
CEPS	155.7	144.1	162.9	176.9
BVPS	221.6	288.5	360.3	432.7
FCF	74.6	51.7	23.4	20.2
DPS	6.2	6.0	6.6	7.5
Return Ratio(%)				
RoCE	17.4	20.5	20.7	19.0
ROIC	29.3	21.9	21.1	18.4
RoE	49.8	27.8	24.2	20.2
Balance Sheet				
Net Debt : Equity (x)	0.6	0.3	0.2	0.2
Net Working Capital (Days)	(63)	(67)	(61)	(52)
Valuation(x)				
PER	9.5	11.4	10.3	10.1
P/B	3.6	2.8	2.2	1.9
P/CEPS	5.2	5.6	4.9	4.6
EV/EBITDA	6.0	5.0	4.4	4.1
EV/Sales	0.8	0.8	0.7	0.7
Dividend Yield (%)	0.8	0.7	0.8	0.9

Source: Company Data, PL Research

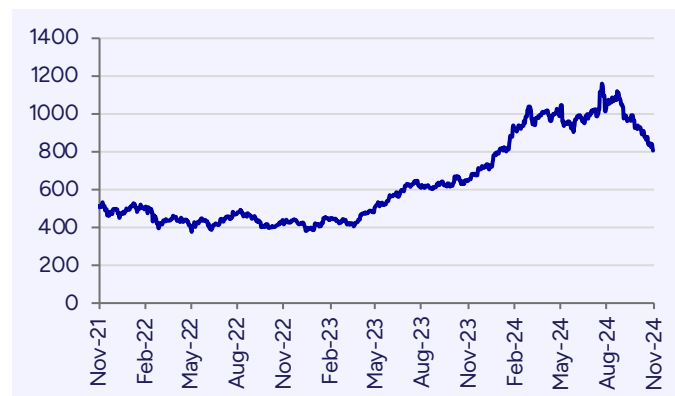
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
CV Volume (units)	3,95,845	3,77,920	3,90,150	4,02,884
Net realisation (Rs/unit)	18,51,383	19,07,125	19,61,252	20,19,170

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	1,058	928
2	02-Aug-24	Accumulate	1,254	1,144
3	08-Jul-24	Accumulate	1,089	994
4	12-Jun-24	Accumulate	1,089	989
5	13-May-24	Accumulate	1,089	1,047
6	08-Apr-24	Accumulate	1,080	1,007
7	30-Mar-24	Accumulate	1,075	979
8	05-Feb-24	BUY	1,010	879
9	08-Jan-24	BUY	900	791

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	474
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,526	1,484
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	BUY	2,835	2,437
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	BUY	5,852	5,000
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Hold	565	541
18	Gujarat State Petronet	Hold	380	390
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Hold	402	417
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,456	2,891
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

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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