

TATA MOTORS LIMITED

Weak set of numbers, improvement expected in FY26

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Tata Motors' consolidated EBITDA was below our estimates, led by weak JLR and CV business performance, partly offset by better-than-expected domestic PV business performance. JLR's FCF generation remained below expectations, despite better-than-expected EBIT margin. While we expect the near term to remain challenging, we believe demand trends will gradually improve across the three business segments. US shall remain strong for JLR, with uncertainty hovering around China and Europe. Domestic CV industry is expected to show an uptick from FY 26, with Q4 expected to report flattish growth, reduction in declines seen in the last few quarters. PV segment is expected to see a comeback with slurry of new launches. Maintain **BUY** with a pruned down target price of ₹826 on the back of weak set of numbers in Q3.

JLR operating performance was weak in Q3

JLR's reported EBIT of GBP674 mn in the quarter was in line with our expectation. Key negatives were (1) the inferior product mix and (2) higher variable marketing spends and warranty expenses, which were offset by better gross margins, lower staff costs and lower depreciation expense as the company extended the usable life of ICE plant equipment and Castle Bromwich's production cessation. Reported EBIT margin improved to 9% (20 bps yoy) in Q3 FY25, led by (1) a 110 bps positive impact due to higher volumes and mix and (2) 170 bps positive impact due to lower depreciation expense, partly offset by lower net pricing due to higher VME (-140 bps) and 160 bps negative impact due to higher warranty expense, along with a 140 bps negative impact due to unfavorable FX. JLR has trimmed its revenue guidance marginally, while maintaining EBIT/FCF guidance for FY2025E.

PVs performed well, CVs still weak – expected to revive soon

Domestic CV business reported an EBITDA of ₹20.2 bn which was down 6% yoy, which was below due to lower ASPs and weak gross margins, partly offset by lower-than-expected staff costs, PLI accrual and other expenses. The domestic PV business EBITDA margin was 80 bps above our expectations due to better gross margins due to commodity tailwinds and PLI accrual.

| Key Financials | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Net sales (₹ mn) | 34,59,670 | 43,79,275 | 42,31,892 | 45,93,968 | 49,03,145 |
| EBITDA (₹ mn) | 3,18,295 | 5,96,100 | 5,71,305 | 5,97,216 | 6,37,409 |
| EBITDA margins (%) | 9.2% | 13.6% | 13.5% | 13.0% | 13.0% |
| PAT (₹ mn) | 30,575 | 2,74,317 | 3,06,560 | 3,33,636 | 3,79,294 |
| PAT margins (%) | 0.9% | 6.3% | 7.2% | 7.3% | 7.7% |
| EPS (₹) | 6 | 81 | 56 | 67 | 79 |
| P/E (x) | 112 | 9 | 13 | 11 | 9 |
| P/BV (x) | 10 | 6 | 5 | 4 | 3 |
| EV/EBITDA (x) | 37 | 19 | 20 | 19 | 17 |
| ROE (%) | 4.5% | 33.6% | 18.7% | 18.3% | 17.8% |
| ROCE (%) | 3.9% | 16.4% | 16.9% | 15.7% | 15.6% |

BUY

| | |
|--------------------------|-----|
| Current Market Price (₹) | 700 |
| 12M Price Target (₹) | 826 |
| Potential Return (%) | 18 |

Stock Data

| | |
|--------------------------------|------------------------------|
| Sector : | Automobile & Auto Components |
| FV (₹) : | 2 |
| Total Market Cap (₹ bn) : | 2,560 |
| Free Float Market Cap (₹ bn) : | 1,458 |
| 52-Week High / Low (₹) : | 1,179 / 683 |
| BSE Code / NSE Symbol | 500570 / TATAMOTORS |
| Bloomberg : | TTMT: IN |

Shareholding Pattern

| (%) | Dec-24 | Sep-24 | Jun-24 | Mar-24 |
|-----------|--------|--------|--------|--------|
| Promoter | 42.58 | 42.58 | 41.86 | 46.36 |
| MF's | 10.96 | 10.58 | 9.83 | 9.50 |
| FPIs | 18.66 | 20.55 | 18.17 | 19.20 |
| Insurance | 5.07 | 4.76 | 5.16 | 5.64 |
| Others | 22.73 | 21.53 | 24.98 | 19.30 |

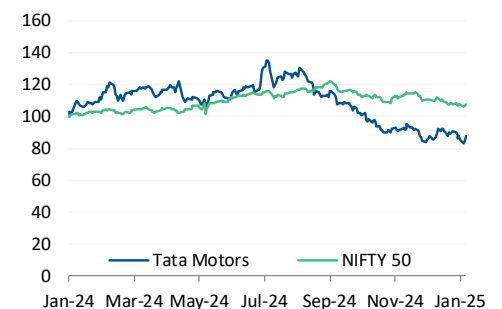
Source: BSE

Price Performance

| (%) | 1M | 3M | 6M | 1YR |
|-------------|-------|--------|--------|--------|
| Tata Motors | -3.5% | -10.7% | -33.1% | -12.4% |
| Nifty 50 | -4.8% | -5.3% | -6.7% | 7.6% |

* To date / current date : January 29, 2025

Tata Motors vs Nifty 50



EV launch pipeline

The company expects to launch EV vehicles in the coming years and will embark on this journey, with the launch of the electric Range Rover slated for release by the end of CY2025E. It will follow this up with the launch of Jaguar on JEA platform in FY2026E. The company intends to launch four electric Land Rover vehicles on both the MLA and EMA platforms. It opened a waitlist for the upcoming Range Rover EV and received a strong interest, with over >48k clients signing up for the vehicle until date. The company will wind down production of Jaguar models before the launch of its electric platform. During the year, it launched the Defender Octa to further strengthen its portfolio.

Expect domestic CV segment demand to recover from FY2026E

We expect the domestic CV segment's volumes to report a CAGR of 3-4% over FY2024-27E, led by (1) a 2% CAGR in the M&HCV segment's volumes and (2) 4-5% CAGR in the LCV segment's volumes. Overall, we expect the demand to recover gradually from FY2026E, led by (1) increased government spends on infrastructure, (2) higher fleet utilization levels and the fleet operator's profitability and (3) strong demand traction in the buses segment. Overall, we expect gradual recovery in the ICE LCV segment's volumes, given a sharp increase in total cost of ownership over the past few quarters (upfront cost due to emission norms), as the transportation of fruits and vegetables to mandis have improved from October 2024, where the demand for LCVs is strong. The company is planning to revive the demand for LCV vehicles, led by (1) the launch of improved value proposition products across the range and (2) resolve pipeline conversion challenges through revised financing arrangements.

Quarterly Financial Snapshot

| YE Mar (₹ mn) | Q3 FY25 | Q2 FY25 | % qoq | Q3 FY24 | % yoy |
|---------------------------------|--------------|--------------|--------------|--------------|------------------|
| Total income | 11,35,750 | 10,14,500 | 12.0% | 11,05,771 | 2.7% |
| Raw material costs | 6,94,220 | 6,22,350 | 11.5% | 6,82,777 | 1.7% |
| Employee costs | 1,20,110 | 1,17,180 | 2.5% | 1,11,022 | 8.2% |
| Other expenses | 1,91,100 | 1,58,260 | 20.8% | 1,98,953 | -3.9% |
| EBITDA | 1,30,320 | 1,16,710 | 11.7% | 1,53,333 | -15.0% |
| <i>EBITDA margins %</i> | <i>11.5%</i> | <i>11.5%</i> | <i>0 bps</i> | <i>13.9%</i> | <i>(240 bps)</i> |
| Depreciation & Amortization | 54,080 | 60,050 | -9.9% | 68,500 | -21.1% |
| Interest expenses | 17,250 | 20,340 | -15.2% | 24,849 | -30.6% |
| Other income | 17,900 | 15,660 | 14.3% | 14,988 | 19.4% |
| PBT | 76,890 | 51,980 | 47.9% | 74,972 | 2.6% |
| Tax | 20,960 | 23,170 | -9.5% | 5,418 | 286.9% |
| Adjusted PAT | 55,930 | 28,810 | 94.1% | 69,554 | -19.6% |
| Exceptional/Extraordinary items | -150 | 4,970 | N/A | 850 | N/A |
| Reported PAT | 55,780 | 33,780 | 65.1% | 70,405 | -20.8% |

Source: Company, LKP Research

Outlook and Valuation

While we believe there will be near-term headwinds for all three businesses, but we expect the (1) domestic CV business to recover from FY2026E, led by an increase in government spends on infra and construction projects, (2) the JLR business to gradually improve in FY 26, led by new launches & EV launch pipeline and (3) market share recovery in FY2026-27E in the PV segment, led by new launches in multiple powertrains. Healthy FCF generation is expected to support investments towards electrification at JLR and the company is on track to turn net cash by FY25 (guidance maintained). Maintain **BUY** with FY 27 SOTP of ₹826 (standalone / JLR valued at 11.5x / 2.4x EV/EBIDTA). Slowdown in key global markets remains a monitorable.

Income Statement

| (₹ mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Net Sales | 34,59,670 | 43,79,275 | 42,31,892 | 45,93,968 | 49,03,145 |
| Raw Material Cost | 22,64,696 | 27,27,555 | 25,39,135 | 28,48,260 | 30,39,950 |
| Employee Cost | 3,36,547 | 4,24,866 | 4,86,668 | 5,05,336 | 4,90,314 |
| Other Exp | 6,17,860 | 7,88,750 | 6,34,784 | 6,43,156 | 7,35,472 |
| EBITDA | 3,18,295 | 5,96,100 | 5,71,305 | 5,97,216 | 6,37,409 |
| EBITDA Margin(%) | 9.2% | 13.6% | 13.5% | 13.0% | 13.0% |
| Depreciation | 2,48,604 | 2,72,701 | 2,34,391 | 2,50,957 | 2,52,850 |
| EBIT | 69,692 | 3,23,399 | 3,36,914 | 3,46,259 | 3,84,559 |
| EBIT Margin(%) | 2.0% | 7.4% | 8.0% | 7.5% | 7.8% |
| Interest | 1,02,255 | 99,857 | 81,137 | 67,751 | 64,103 |
| Other Income | 46,332 | 59,499 | 50,783 | 55,128 | 58,838 |
| PBT | 13,769 | 2,83,041 | 3,06,560 | 3,33,636 | 3,79,294 |
| PBT Margin(%) | 0.4% | 6.5% | 7.2% | 7.3% | 7.7% |
| Tax | 7,041 | -38,516 | 91,968 | 76,736 | 75,859 |
| Adj PAT | 6,728 | 3,21,558 | 2,14,592 | 2,56,899 | 3,03,435 |
| Adj PAT Margins (%) | 0.2% | 7.3% | 5.1% | 5.6% | 6.2% |
| Exceptional items | 16,807 | -8,724 | 0 | 0 | 0 |
| Rep PAT | 23,535 | 3,12,834 | 2,14,592 | 2,56,899 | 3,03,435 |
| Rep PAT Margins (%) | 0.7% | 7.1% | 5.1% | 5.6% | 6.2% |

Source: Company, LKP Research

Balance Sheet

| (₹ mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|------------------|------------------|------------------|------------------|------------------|
| Equity and Liabilities | | | | | |
| Equity Share Capital | 7,660 | 7,665 | 7,665 | 7,665 | 7,665 |
| Reserves & Surplus | 5,18,335 | 9,23,274 | 11,37,866 | 13,94,766 | 16,98,201 |
| Total Networth | 5,25,995 | 9,30,939 | 11,45,531 | 14,02,431 | 17,05,866 |
| Non-current Liabilities | | | | | |
| Long term debt | 8,86,958 | 6,21,485 | 4,21,485 | 3,71,485 | 3,21,485 |
| Deferred tax assets/liabilities | 14,070 | 11,434 | 11,434 | 11,434 | 11,434 |
| Other non current liabilities | 3,83,518 | 4,06,612 | 4,11,229 | 4,22,091 | 4,31,366 |
| Total non-current liab & provs | 12,84,545 | 10,39,530 | 8,44,148 | 8,05,010 | 7,64,285 |
| Current Liabilities | | | | | |
| Trade payables | 7,20,558 | 8,80,430 | 8,27,828 | 9,20,807 | 9,91,107 |
| Short term provs | 1,18,107 | 1,22,915 | 1,22,915 | 1,22,915 | 1,22,915 |
| Short term borrowings | 3,69,647 | 3,63,516 | 3,51,247 | 3,81,299 | 4,06,961 |
| Other current liabilities | 3,41,962 | 3,69,310 | 3,60,629 | 3,84,164 | 4,04,260 |
| Total current liab and provs | 15,50,273 | 17,36,170 | 16,62,618 | 18,09,185 | 19,25,243 |
| Total Equity & Liabilities | 33,60,814 | 37,06,640 | 36,52,297 | 40,16,626 | 43,95,394 |
| Assets | | | | | |
| Net block | 7,66,414 | 7,31,247 | 8,71,250 | 10,46,254 | 12,53,758 |
| Capital WIP | 52,199 | 1,09,373 | 1,05,797 | 1,14,849 | 1,22,579 |
| Intangible assets | 4,67,967 | 3,92,411 | 3,18,016 | 2,37,054 | 1,51,701 |
| Non current investments | 75,409 | 87,178 | 93,102 | 1,01,067 | 1,07,869 |
| Long term loans | 7,453 | 4,416 | 4,267 | 4,632 | 4,944 |
| Other non current assets | 4,76,088 | 6,98,094 | 6,94,278 | 6,96,869 | 7,00,888 |
| Total non current assets | 18,45,529 | 20,22,718 | 20,86,710 | 22,00,726 | 23,41,739 |
| (i) Cash & cash equivalent | 3,18,870 | 4,00,148 | 3,47,194 | 4,59,190 | 5,99,397 |
| Bank balance other than (i) | 51,286 | 57,919 | 57,919 | 57,919 | 57,919 |
| Inventories | 4,07,554 | 4,77,883 | 4,75,363 | 5,03,449 | 5,37,331 |
| Trade receivables | 1,57,380 | 1,69,518 | 1,85,508 | 1,88,793 | 2,14,932 |
| Other current assets | 5,71,918 | 5,71,715 | 4,92,865 | 5,99,810 | 6,37,337 |
| Total current Assets | 15,07,007 | 16,77,182 | 15,58,849 | 18,09,161 | 20,46,916 |
| Assets classified as held-for-sale | 8,278 | 6,739 | 6,739 | 6,739 | 6,739 |
| Total Assets | 33,60,814 | 37,06,640 | 36,52,297 | 40,16,626 | 43,95,394 |

Source: Company, LKP Research

Key Ratios

| YE Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------|---------|---------|--------|-------|-------|
| Per share data (₹) | | | | | |
| Adj. EPS | 6 | 81 | 56 | 67 | 79 |
| CEPS | 36 | 76 | 59 | 66 | 73 |
| BVPS | 69 | 122 | 149 | 183 | 223 |
| Growth Ratios(%) | | | | | |
| Net Sales | 24.2% | 26.6% | -3.4% | 8.6% | 6.7% |
| EBITDA | 28.3% | 87.3% | -4.2% | 4.5% | 6.7% |
| PAT | -122.3% | 797.2% | 11.8% | 8.8% | 13.7% |
| EPS | -122.5% | 1188.8% | -31.1% | 19.7% | 18.1% |
| CEPS | -4.8% | 115.2% | -23.4% | 13.1% | 9.5% |
| Valuation Ratios (X) | | | | | |
| PE | 112.3 | 8.7 | 12.6 | 10.6 | 8.9 |
| P/CEPS | 19.9 | 9.3 | 12.1 | 10.7 | 9.8 |
| P/BV | 10.3 | 5.8 | 4.7 | 3.9 | 3.2 |
| EV/Sales | 3.4 | 2.6 | 2.7 | 2.4 | 2.2 |
| EV/EBITDA | 37.0 | 19.2 | 19.7 | 18.7 | 17.2 |
| Operating Ratios (Days) | | | | | |
| Inventory days | 43 | 40 | 41 | 40 | 40 |
| Receivable Days | 17 | 14 | 16 | 15 | 16 |
| Payables day | 116 | 118 | 119 | 118 | 119 |
| Net Debt/Equity (x) | 1.8 | 0.6 | 0.4 | 0.2 | 0.1 |
| Profitability Ratios (%) | | | | | |
| ROCE | 3.9% | 16.4% | 16.9% | 15.7% | 15.6% |
| ROE | 4.5% | 33.6% | 18.7% | 18.3% | 17.8% |

Source: Company, LKP Research

Cash Flow

| (₹ mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| PBT | 26,899 | 3,18,068 | 3,06,560 | 3,33,636 | 3,79,294 |
| Depreciation | 2,48,604 | 2,72,701 | 2,34,391 | 2,50,957 | 2,52,850 |
| Interest | 1,02,255 | 99,858 | 81,137 | 67,751 | 64,103 |
| Chng in working capital | -31,271 | 73,252 | 3,745 | 605 | 10,585 |
| Tax paid | -31,790 | -45,163 | -91,968 | -76,736 | -75,859 |
| Other operating activities | 39,184 | -39,562 | 0 | 0 | 0 |
| Cash flow from operations (a) | 3,53,880 | 6,79,154 | 5,33,865 | 5,76,213 | 6,30,972 |
| Net Capital expenditure | -1,78,107 | -3,11,825 | -2,96,424 | -3,54,052 | -3,82,729 |
| Chng in investments | 40,250 | 52,113 | 3,011 | -22,466 | -19,595 |
| Other investing activities | -30,185 | 31,432 | 0 | 0 | 0 |
| Cash flow from investing (b) | -1,68,042 | -2,28,281 | -2,93,413 | -3,76,518 | -4,02,324 |
| Free cash flow (a+b) | 1,85,839 | 4,50,873 | 2,40,452 | 1,99,694 | 2,28,648 |
| Inc/dec in borrowings | -1,82,233 | -2,55,910 | -2,12,269 | -19,948 | -24,338 |
| Interest paid | -93,360 | -93,323 | -81,137 | -67,751 | -64,103 |
| Other financing activities | 13,163 | -20,827 | 0 | 0 | 0 |
| Cash flow from financing (c) | -2,62,429 | -3,70,060 | -2,93,405 | -87,698 | -88,442 |
| Net chng in cash (a+b+c) | -76,591 | 80,813 | -52,954 | 1,11,996 | 1,40,207 |
| Closing cash & cash equivalents | 3,18,870 | 4,00,148 | 3,47,194 | 4,59,190 | 5,99,397 |

Source: Company, LKP Research

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