

# Tata Motors

## Multiple headwinds ahead

JLR Q4 EBITDA margin improved 10bps QoQ to 16.3% due to higher wholesale and reduced staff expenses. India CV margins improved over 90bps QoQ, due to a better mix and soft input costs. India PV margins improved by 80bps QoQ, driven by a better mix, cost reductions and operating leverage. India EV margins (ex PDE) expanded from 0.2% in Q3 to 1.1% in Q4. JLR FY25 margins are expected to be in the same range as FY24 margins because of higher spending to generate demand. The India CV business is expected to pick up in 2HFY25, post-elections. The company is cautiously optimistic about the domestic PV business considering the high base of the last two years and a high channel inventory. Considering the sustained margin improvement in FY24, we revise our estimates upwards. The SoTP price target is revised to INR 831/sh from INR 596 earlier. Maintain SELL.

- JLR margin ahead of estimates:** JLR saw a margin growth of 10bps QoQ to 16.2% due to: 1) higher wholesales and 2) reduced employee costs. Some benefit of lower costs was offset by higher FMI. Net debt has reduced by GBP900mn to GBP 700mn in Q4. Due to an improvement in profitability in FY24, a review of the previous years' tax losses/allowances was recognised, resulting in a deferred tax asset of INR 77bn in Q4.
- Margin improvement in India business continues:** With the demand-pull strategy, the company is witnessing better realisation and an improvement in market share. This has led to EBITDA margin improving to 12% (+90bps) QoQ. Coupled with better realisation and operating leverage, the India PV business margin improved to 7.3% (+70bps QoQ) in Q4.
- Con call KTAs:** 1) Net debt has reduced to INR 1600bn from INR 2900bn in Q3. Tata Motors (India) has turned net cash in Q4FY24. It expects further debt reduction in FY25 in JLR, which would help it achieve its target of debt reduction. 2) Due to higher variable marketing expenses, JLR's EBIT margin is expected to be 8.5% in FY25. With margin-accretive new product launches planned in FY26, it expects a 10% EBIT margin in FY26. 3) In India, management expects the MHCV industry to be muted in 1HFY25 and a pick-up in 2HFY25. 4) The company expects an increased commodity price in Q1FY25, led by an increase in castings, forgings, aluminum and tyre prices. It expects to mitigate the impact of higher RM by passing it through with appropriate price hikes. 5) It plans to launch Curvv EV in 2HCY25, while Sierra EV is expected in 2HFY25. 6) Production has commenced from the Sanand facility. It has reached 6,500 units per month which it plans to ramp up to 10,000 units. 7) The ETR for JLR in FY24 was 28.5% (adjusted for DTA). It is expected to be in the 25-29% range in FY25. 8) It has 1200 buses to be supplied in FY25. With the payment security mechanism addressed and an asset-light model in place, it expects to participate in tenders in FY25.

### Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	1,192,134	1,050,167	13.5	1,097,992	8.6	3,459,670	4,379,278	4,569,960	5,056,934
EBITDA	202,474	156,079	29.7	180,737	12.0	424,778	705,209	574,104	635,084
APAT	92,074	53,305	72.7	70,276	31.0	7,199	285,484	95,544	114,509
EPS (INR)	24.0	14.1	70.2	18.3	31.0	1.9	74.5	24.9	29.9
P/E (x)						557.1	14.1	42.0	35.0
EV / EBITDA (x)						10.9	6.1	7.5	6.6
RoCE (%)						12.4	25.5	17.2	18.2

Source: Company, HSIE Research

SELL

CMP (as on 10 May 2024) INR 1,047

Target Price INR 831

NIFTY 22,055

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 596	INR 831
	FY25E	FY26E
EPS %	25%	12%

### KEY STOCK DATA

Bloomberg code	TTMT IN
No. of Shares (mn)	3,324
MCap (INR bn) / (\$ mn)	3,479/41,663
6m avg traded value (INR mn)	10,099
52 Week high / low	INR 1,066/504

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.4	60.8	105.4
Relative (%)	12.9	48.8	88.1

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	46.37	46.36
FIs & Local MFs	17.34	16.08
FPIs	18.62	19.20
Public & Others	17.60	18.36

Source : BSE

Pledged shares as % of total shares

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### Key Assumptions

Revenue break-up	FY24	FY25E	FY26E
India CVs	733,031	687,268	755,541
India PVs	526,850	582,146	643,328
JLR	3,028,250	3,200,284	3,547,777
Others	91,147	100,262	110,288
<b>Total</b>	<b>4,379,278</b>	<b>4,569,960</b>	<b>5,056,934</b>

EBIDTA break-up	FY24	FY25E	FY26E
India CVs	89,749	68,727	75,554
India PVs	44,420	46,572	51,466
JLR	482,515	393,635	436,377
Others	88,525	65,170	71,687
<b>Total</b>	<b>705,209</b>	<b>574,104</b>	<b>635,084</b>

EBIDTA margin break-up (%)	FY24	FY25E	FY26E
India CVs	12.2	10.0	10.0
India PVs	8.4	8.0	8.0
JLR	15.9	12.3	12.3
Others	97.1	65.0	65.0
<b>Total</b>	<b>16.1</b>	<b>12.6</b>	<b>12.6</b>

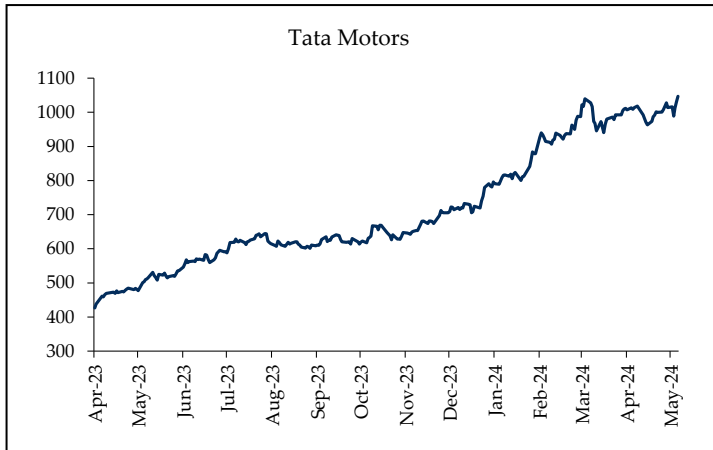
Source: Company, HSIE Research

### Valuation

Business Segment	Basis for Valuation (x)	Value (INR mn)	Value per share
India CV	12x FY 26 EV/EBITDA	906,649	237
India PV	25x FY 26 EV/EBITDA	1,177,779	307
Less: Debt		(65,969)	(17)
<b>Total India business</b>		<b>2,018,458</b>	<b>527</b>
JLR	2x FY26 EV/EBITDA	623,053	163
EV Subsidiary	Investment made		87
Value of stake in Tata Technologies	20% discount to CMP		55
<b>Total per share value</b>			<b>831</b>

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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