

# Tata Motors

## JLR EBIT margin guidance is below expectation

The company held Jaguar Land Rover's Investor Day on 16 June 2025 to share its future strategy and measures to tackle ongoing business volatility. Management guided for an FY26 EBIT margin of 5-7% for JLR. This is in light of tariff uncertainty and a challenging business environment. It has announced enterprise missions to deliver benefits of £1.4bn per annum, offset tariff-related costs, forex headwinds, and the slowdown in China. Management believes that this will also allow JLR to return to 10% EBIT margin over the medium term. A key positive was that management has reiterated its long-term guidance of achieving 15% EBIT margin for JLR. Another guidance for FY26 is that it expects free cash flow to be near zero. Considering the challenging and uncertain business environment, we remain cautious on the JLR segment in the near term. We roll forward our valuation to Jun-27 estimates and value the company on a SOTP basis for a target price of Rs.681; we maintain a REDUCE rating.

### JLR Investor Day—key highlights:

- It expects the US-UK agreement to come into effect by the end of the quarter and believes that the 100,000 unit limit is sufficient for FY26. It is also optimistic of a US-EU trade deal to come through within a few months.
- It expects to invest £18bn over FY24-FY28 on the architecture, brand, BEV, ICE, and ADAS. It flagged off a technical protectionism risk where countries are protective of ADAS systems being used in vehicles on concerns of data privacy being compromised. It gave an example of the US and China, where it would need to separately invest in different ADAS technologies, making the whole exercise expensive.
- On lowering warranty costs, it said that it has been using AI and predictive analytics to improve forecasting and to reduce customer downtime.
- On the relaunching of the Jaguar, it highlighted that the idea of the relaunch was to get the attention of customers via design and positioning of the brand, on the back of a lower volume and higher realization strategy.
- It indicated that business in China has been tough on the back of limited demand facing unlimited production capacity. It highlighted rising discounts in China, where PV dealer closures last year surged to 4,400, which was 15% of the dealerships in China. It has been working on rebuilding, resizing, and restructuring dealerships via enhancing the product offerings and improving marketing, which it expects would then improve dealer profitability. It expects the Freelander launch to increase its potential market size in China, by targeting a different set of customers.
- It mentioned that BEV demand has not taken off globally as expected, which is also giving the company time to come up with the best versions of its BEV products. It indicated that it will not rush to the market with BEV launches. It also highlighted that interest for its BEVs has been strong from non-JLR customers, thus expanding its potential customer base.

### Financial summary

YE Mar (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
JLR - Net Sales (£ mn)	28,995	28,961	28,059	31,451	35,706
JLR - EBIT (£ mn)	2,445	2,474	1,864	2,381	3,153
JLR - EBIT Margin %	8.4	8.5	6.6	7.6	8.8
Standalone - Sales	733,031	694,190	758,620	862,145	981,339
Standalone - EBITDA Margin	12.2	13.1	13.0	13.4	13.9
India PV - Sales	526,850	490,890	513,536	557,760	610,134
India PV - EBITDA Margin %	8.4	8.8	8.7	9.5	10.0

Source: Company, HSIE Research

## REDUCE

CMP (as on 16 Jun 2025)	INR 685
Target Price	INR 681
NIFTY	24,947

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 733	INR 681
EPS %	FY26E	FY27E
	-12.1	-12.2

### KEY STOCK DATA

Bloomberg code	TTMT IN
No. of Shares (mn)	3,680
MCap (INR bn) / (\$ mn)	2,528/29,372
6m avg traded value (INR mn)	10,870
52 Week high / low	INR 1,179/536

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.8	(12.5)	(30.9)
Relative (%)	(6.0)	(12.6)	(37.1)

### SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	42.58	42.58
FIs & Local MFs	16.79	17.14
FPIs	18.66	17.84
Public & Others	21.97	22.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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## Financials

### Consolidated P&L

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	43,40,160	43,96,950	45,07,740	51,03,807	58,37,837
Growth (%)	25.5	1.3	2.5	13.2	14.4
Material Expenses	27,27,557	27,17,860	28,18,283	31,21,991	34,91,068
Employee Expense	4,19,900	4,77,670	5,04,867	5,51,211	6,12,973
Other Expenses	6,13,984	6,50,100	6,58,879	7,76,478	9,09,784
<b>EBITDA</b>	<b>5,78,719</b>	<b>5,51,320</b>	<b>5,25,711</b>	<b>6,54,127</b>	<b>8,24,013</b>
EBITDA Growth (%)	81.9	(4.7)	(4.6)	24.4	26.0
<b>EBITDA Margin (%)</b>	<b>13.33</b>	<b>12.54</b>	<b>11.66</b>	<b>12.82</b>	<b>14.12</b>
Depreciation	2,72,390	2,32,560	2,46,514	2,83,491	3,26,014
<b>EBIT</b>	<b>1,96,742</b>	<b>2,11,600</b>	<b>1,59,178</b>	<b>2,26,613</b>	<b>3,25,171</b>
Other Income (Including EO Items)	46,900	66,950	67,077	67,748	68,425
Interest	75,940	50,830	46,195	35,889	30,526
<b>PBT</b>	<b>1,67,702</b>	<b>2,27,720</b>	<b>1,80,060</b>	<b>2,58,472</b>	<b>3,63,070</b>
Total Tax	(40,240)	1,05,020	1,05,028	1,40,873	1,87,564
Minority Interest	2,921	(320)	(352)	(387)	(426)
<b>RPAT</b>	<b>2,10,864</b>	<b>1,22,380</b>	<b>74,680</b>	<b>1,17,212</b>	<b>1,75,080</b>
<b>Adjusted PAT</b>	<b>2,19,751</b>	<b>2,25,870</b>	<b>1,94,699</b>	<b>2,61,235</b>	<b>3,47,908</b>
APAT Growth (%)	2,952.6	2.8	(13.8)	34.2	33.2
<b>EPS</b>	<b>57.3</b>	<b>61.4</b>	<b>52.9</b>	<b>71.0</b>	<b>94.5</b>
EPS Growth (%)	2,950.7	7.0	(13.8)	34.2	33.2

Source: Company, HSIE Research

### Consolidated Balance Sheet

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	7,665	7,360	7,360	7,360	7,360
Other Equity	8,41,515	11,54,080	13,19,339	15,43,774	18,45,682
<b>Total Shareholders' Funds</b>	<b>8,49,180</b>	<b>11,61,440</b>	<b>13,26,699</b>	<b>15,51,134</b>	<b>18,53,042</b>
Long Term Debt	6,21,485	4,02,170	2,61,411	1,69,917	1,10,446
Short Term Debt	3,63,516	2,22,820	2,00,538	2,12,570	2,25,324
<b>Total Debt</b>	<b>9,85,001</b>	<b>6,24,990</b>	<b>4,61,949</b>	<b>3,82,487</b>	<b>3,35,770</b>
Net Deferred Taxes	11,434	16,690	16,690	16,690	16,690
Other Non-Current Liabilities	81,759	66,100	66,100	66,100	66,100
<b>TOTAL SOURCES OF FUNDS</b>	<b>19,27,374</b>	<b>18,69,220</b>	<b>18,71,438</b>	<b>20,16,411</b>	<b>22,71,602</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>12,04,252</b>	<b>11,48,020</b>	<b>13,21,248</b>	<b>14,78,092</b>	<b>15,93,021</b>
<b>Goodwill</b>	<b>8,603</b>	<b>8,950</b>	<b>8,950</b>	<b>8,950</b>	<b>8,950</b>
CWIP	3,56,984	6,58,060	6,77,802	6,98,136	7,19,080
Non-current Investments	87,178	84,570	93,027	1,02,330	1,12,563
<b>Total Non-current Assets</b>	<b>16,57,017</b>	<b>18,99,600</b>	<b>21,01,027</b>	<b>22,87,507</b>	<b>24,33,614</b>
Inventories	4,77,883	4,72,690	4,69,299	5,45,338	6,23,769
Debtors	1,69,518	1,32,480	1,72,900	1,95,762	2,23,917
<b>Cash &amp; Equivalents</b>	<b>4,58,067</b>	<b>4,08,340</b>	<b>5,24,525</b>	<b>5,71,990</b>	<b>7,77,403</b>
Other Current Assets	8,01,622	6,01,320	6,61,781	7,28,238	8,01,291
Total Current Assets	19,07,090	16,14,830	18,28,504	20,41,329	24,26,379
Creditors	8,80,430	9,40,780	9,87,998	11,46,609	13,11,514
Other Current Liabilities & Provns	8,98,836	9,76,420	10,70,096	11,65,816	12,76,877
Total Current Liabilities	17,79,266	19,17,200	20,58,093	23,12,425	25,88,391
<b>Net Current Assets</b>	<b>1,27,824</b>	<b>(3,02,370)</b>	<b>(2,29,589)</b>	<b>(2,71,096)</b>	<b>(1,62,012)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>17,84,841</b>	<b>15,97,230</b>	<b>18,71,438</b>	<b>20,16,411</b>	<b>22,71,602</b>

Source: Company, HSIE Research

## Consolidated Cash Flow

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	3,06,329	3,18,760	2,79,197	3,70,636	4,97,998
Non-operating & EO Items	56,440	63,280	67,077	67,748	68,425
Interest Expenses	75,940	50,830	46,195	35,889	30,526
Depreciation	2,72,390	2,32,560	2,46,514	2,83,491	3,26,014
Working Capital Change	(1,13,110)	2,51,010	3,15,394	88,972	96,328
Tax Paid	37,604	(99,764)	(1,05,028)	(1,40,873)	(1,87,564)
Others	(558)	(11,989)	-	-	-
<b>OPERATING CASH FLOW ( a )</b>	<b>6,35,035</b>	<b>8,04,687</b>	<b>8,49,349</b>	<b>7,05,862</b>	<b>8,31,728</b>
Capex	(4,88,274)	(5,84,911)	(5,59,503)	(6,04,691)	(6,34,716)
Free Cash Flow (FCF)	1,46,762	2,19,776	2,89,846	1,01,171	1,97,012
Investments	1,76,613	2,608	(8,457)	(9,303)	(10,233)
<b>INVESTING CASH FLOW ( b )</b>	<b>(3,11,660)</b>	<b>(5,82,303)</b>	<b>(5,67,960)</b>	<b>(6,13,994)</b>	<b>(6,44,949)</b>
Debt Issuance/(Repaid)	(2,71,604)	(3,60,011)	(1,63,042)	(79,461)	(46,717)
Interest Expenses	(75,940)	(50,830)	(46,195)	(35,889)	(30,526)
FCFE	(48,902)	(89,405)	1,72,999	57,598	1,80,821
Change in net worth	1,01,428	1,04,480	(352)	(387)	(426)
Dividend	(22,995)	(22,080)	(29,440)	(36,800)	(46,000)
<b>FINANCING CASH FLOW ( c )</b>	<b>(2,69,111)</b>	<b>(3,28,441)</b>	<b>(2,39,028)</b>	<b>(1,52,537)</b>	<b>(1,23,669)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>54,264</b>	<b>(1,06,057)</b>	<b>42,360</b>	<b>(60,669)</b>	<b>63,110</b>
Opening cash	3,70,156	4,58,067	4,08,340	5,24,525	5,71,990
<b>Closing Cash &amp; Equivalents</b>	<b>4,24,420</b>	<b>3,52,010</b>	<b>4,50,700</b>	<b>4,63,856</b>	<b>6,35,101</b>

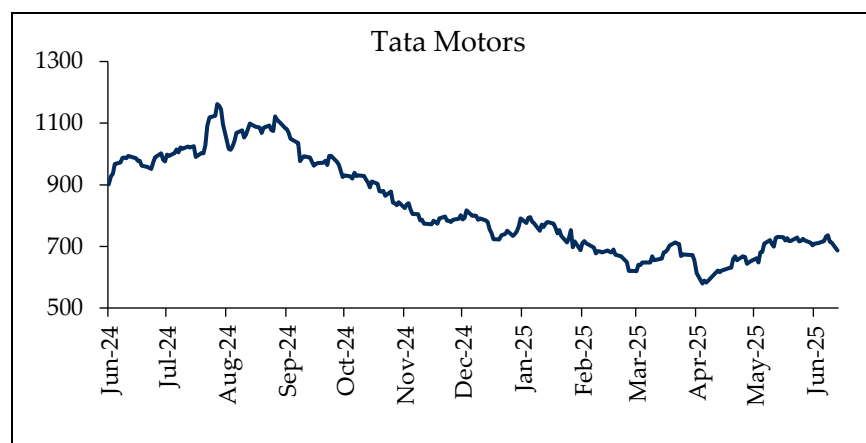
Source: Company, HSIE Research

## Ratios

Year End (March)	FY24	FY25	FY26E	FY27E	FY28E
<b>PROFITABILITY (%)</b>					
GPM	37.2	38.2	37.5	38.8	40.2
EBITDA Margin (%)	13.3	12.5	11.7	12.8	14.1
EBIT Margin	4.5	4.8	3.5	4.4	5.6
PBT Margin	3.9	5.2	4.0	5.1	6.2
APAT Margin	5.1	5.1	4.3	5.1	6.0
RoE	33.7	22.5	15.7	18.2	20.4
RoIC (or Core RoCE)	17.7	9.1	5.2	7.4	10.7
RoCE	11.0	12.5	9.2	11.7	15.2
<b>EFFICIENCY</b>					
Tax Rate (%)	(24.0)	46.1	58.3	54.5	51.7
Fixed Asset Turnover (x)	1.3	1.3	1.2	1.2	1.3
Inventory (days)	40	39	38	39	39
Debtors (days)	14	11	14	14	14
Other Current Assets (days)	67	50	54	52	50
Payables (days)	74	78	80	82	82
Other Current Liab & Provns (days)	76	81	87	83	80
Cash Conversion Cycle (days)	(28)	(59)	(61)	(60)	(59)
Net D/E (x)	0.6	0.2	(0.0)	(0.1)	(0.2)
Interest Coverage (x)	2.6	4.2	3.4	6.3	10.7
<b>PER SHARE DATA (Rs)</b>					
EPS	57.3	61.4	52.9	71.0	94.5
CEPS	128.4	124.6	119.9	148.0	183.1
Dividend	6.0	6.0	8.0	10.0	12.5
Book Value	221.6	315.6	360.5	421.5	503.5
<b>VALUATION</b>					
P/E (x)	11.9	11.2	12.9	9.6	7.2
P/BV (x)	3.1	2.2	1.9	1.6	1.4
EV/EBITDA (x)	5.4	5.0	4.7	3.6	2.5
EV/Revenues (x)	0.7	0.6	0.5	0.5	0.4
OCF/EV (%)	20.1	29.4	34.6	30.3	40.0
FCF/EV (%)	4.7	8.0	11.8	4.3	9.5
FCFE/Mkt Cap (%)	(1.9)	(3.5)	6.9	2.3	7.2
Dividend Yield (%)	0.9	0.9	1.2	1.5	1.8

Source: Company, HSIE Research

### Price history



### Rating Criteria

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

## Tata Motors: Company Update

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