

Healthy results, guides for muted near term outlook

About the stock: Tata Motors (TML) is an auto OEM from the house of Tata's, operating in domestic (PV, CV) and global markets (Jaguar Land Rover i.e., JLR)

- FY24 consolidated sales mix- JLR ~69%, India CV & PV combined ~30%.
- TML India: CV market share: 38%; PV market share ~14% as of FY24

Q1FY25: TML reported healthy Q1FY25 results. Consolidated topline for the quarter stood at ₹1.1 lakh crore (up 6%YoY) with EBITDA at ~₹18,268 crore and EBITDA margins at 16.9%. JLR (TML's overseas luxury PV arm) reported EBITDA margins of 15.8% (down 50 bps QoQ). Indian CV business EBITDA margins came in at 11.6% (down 40 bps QoQ) while PV business EBITDA margins came in at 5.8% (down 150 bps QoQ). PAT in Q1FY25 came in healthy at ₹5,566 crore.

Investment Rationale

- Domestic business to witness tepid growth on high base, focus on improved profitability:** Over the past two years, domestic auto industry has experienced a significant recovery with PV space surpassing its pre-Covid highs in FY23. Also, the cyclical recovery in CV space has been robust with industry up ~70% from the lows experienced during covid and nearing its pre-Covid highs. On high base, industry commentary is cautious on growth prospects in PV & CV space for FY25E (low single digit growth). Long term prospects however are healthy for both the vehicle categories with growth rate pegged at ~5-8% CAGR amidst underpenetrated PV category and infrastructure led growth thrust domestically. TML's focus in the interim is to further improve upon the profitability in this space amidst its proven capabilities across powertrains (ICE, CNG, Electric, Hydrogen, etc.). On the EV side, it plans to build upon its leadership position in E-PV space and is also a prominent player supplying E-buses. It remains committed to new model launches with "Curvv" launch listed in near term.
- Turnaround in place at JLR, volumes to consolidate in medium term:** JLR is the overseas luxury PV arm at TML and has been subject to volatile earnings and cash flow generation in the past. With indigenous working on the product side, cost initiatives and consequent lowering of breakeven levels, JLR has staged a remarkable turnaround. In FY24, it reported record £29 billion of sales, ~16% as EBITDA margins, ~£ 2.3 billion as FCF generation. It has reduced its net debt from ~£3 billion to ~£700 million as of FY24. This substantially improves the financial health at JLR with company now aiming to be net debt free in FY25E. However, amidst muted global demand prospects, transition towards E-mobility and near-term supply chain issues, volume growth at JLR is expected to be tepid in FY25E.

Rating and Target Price

- TML has walked the talk on margin improvement & B/S deleveraging. With stock up ~10% in past month & lack of immediate triggers we downgrade it to **HOLD**. We value TML at ₹ **1,200** on SOTP basis (12.5x, 2.5x FY26E EV/EBITDA to India, JLR; ~₹225 value to Indian E-PV & stake in Tata Tech.)

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24	5 year CAGR (FY18-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	2,61,068	2,49,795	2,78,454	3,45,967	4,37,928	7.7%	4,60,273	5,02,169	7.1%
EBITDA	23,914	35,782	34,023	42,492	70,569	18.8%	70,502	80,229	6.6%
EBITDA Margins (%)	9.2	14.3	12.2	12.3	16.1		15.3	16.0	
Net Profit	(11,975)	(13,451)	(11,441)	2,414	31,399	NM	21,782	28,553	NM
EPS (₹)	(33.3)	(35.1)	(29.9)	6.3	85.3		59.2	77.6	
P/E	(33.0)	(31.3)	(36.8)	174.5	12.9		18.6	14.2	
RoNW (%)	(18.7)	(23.8)	(23.4)	4.6	33.7		19.3	20.7	
RoCE (%)	1.3	6.3	4.8	9.8	22.5		22.1	24.7	

Source: Company, ICICI Direct Research

TATA MOTORS Connecting Aspirations

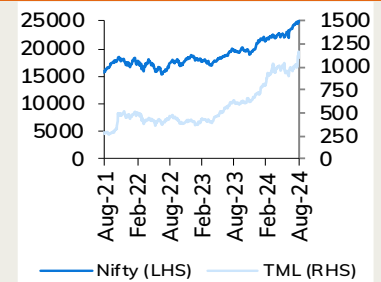
Particulars

Particular	₹ crore
Market Capitalization	4,04,762
Total Debt (FY24)	98,500
Cash and Invts (FY24)	60,060
EV	4,43,202
52 week H/L (₹)	1,179 / 593
Equity capital (₹ crore)	766.5
Face value (₹)	2.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	46.4	46.4	46.4	46.4
FII	18.4	18.6	19.2	18.2
DII	17.4	17.3	16.0	15.9
Other	17.9	17.8	18.4	19.5

Price Chart



Recent event & key risks

- Reports healthy Q1FY25 results. Consol margins at 16.9%.
- Key Risk: (i) higher than expected volume growth at JLR (ii) lower than built in cash flow generation and debt reduction

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Q1FY25 Results

Q1FY25 Result: Tata Motors reported healthy Q1FY25 results

- Consolidated topline for the quarter stood at ₹1.1 lakh crore (up 6%YoY) with EBITDA at ~₹18,268 crore and EBITDA margins at 16.9%, flat QoQ.
- Automotive net debt increased marginally from ₹ 16,000 crore (March'24) to ₹ 18,600 crore (Q1FY25). TML also announced composite scheme of arrangement involving demerger of CV business into a new company and merger of all PV businesses (Indian PV, Electric-PV and JLR) in residual listed entity with mirror shareholding.
- Margin performance was a positive surprise from the quarter especially at JLR and Indian CV business. In terms of outlook, the growth is tapering off across all its segments with potential supply chain disruptions limiting volumes at JLR for Q2-Q3FY25. Auto FCF generation stood at negative ₹ 1,200 crore with TML committed to be net cash positive in FY25.

JLR (TML's overseas luxury PV arm) reported EBITDA & EBIT margins of 15.8% (down 50 bps QoQ) & 8.8% (down 30 bps QoQ) respectively.

Indian CV business EBITDA margins came in at 11.6% (down 40 bps QoQ) while PV business EBITDA margins came in at 5.8% (down 150 bps QoQ).

PAT in Q1FY25 came in at ₹5,566 crore.

Earnings Conference Call Highlights

- At **JLR**, the product mix contribution from range rover, range rover sport and defender has increased to 68% in Q1FY25 from 64% in Q1FY24.
- During the quarter, JLR has entered into the collaboration in the form of JV with Chinese's automobile manufacturer Cheery to licenses the Freelander brand to CJRL for development and sales of electric vehicles in China
- JLR expects global demand to be muted with commodity prices are likely to be range bound. It expects production constraints in Q2FY25 and Q3FY25 due to annual summer plant shutdown and floods at a key aluminium supplier. However, it reiterates EBIT margins guidance for FY25 to be more than 8.5% and achieving net cash positive B/S.
- In **domestic PV space**, TML has maintained a Vahan market share at 13.7%, driven by sustained demand for Punch and CNG vehicles. The punch model crossed more than 56,000 sales in Q1FY25. TML will be launching Curvv EV on 7th August'24. TML current inventory at dealer level is ~35 to 40 days, which is higher than the normal inventory of 30 days.
- In domestic CV space, the overall CV market share was marginally impacted due to financing challenges for first time buyers for small commercial vehicle and pickup segment. However, the growth in MHCV was led by 19-ton segment of Medium Heavy commercial vehicle segment.
- TML has deployed more than 160 electric buses in Q1FY25, with more than 2900 buses deployed till date. It introduced the Ace EV 1 Ton payload, with sales volume for this product was more than 800 units in Q1FY25. Under the CLS tender, it has deployed more than 1300 buses within Delhi and Bangalore, and 200 buses in Jammu and Srinagar.

TML witnessed a firming in May and June, reflecting a recovery in retail sales in the coming month and demand to grow in the festive season. It aims to gain the market share by entering into mid-size SUV segment with the launch of Curvv model. It also expects to witness a sequential improvement in margins in the coming quarter owing to improved festive demand and new launches in pipeline.

Exhibit 1: Change in headline estimates

₹ Crore)	FY25E			FY26E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,68,538	4,60,273	-1.8	5,06,690	5,02,169	-0.9	Marginally tweaked volume estimates especially factoring in near term weakness. We expect topline at Tata Motors to grow at a CAGR of 7.1% over FY24-26E
EBITDA	72,262	70,502	-2.4	81,897	80,229	-2.0	
EBITDA Margin (%)	15.4	15.3	-11 bps	16.2	16.0	-19 bps	Marginally lowered margin estimates amidst less scope for operating leverage benefits
PAT	23,791	21,782	-8.4	29,446	28,553	-3.0	
EPS (₹)	64.7	59.2	-8.4	80.0	77.6	-3.0	Earnings gets downward revised tracking moderation in volume growth prospects

Source: ICICI Direct Research

Key Tables and Charts

Exhibit 2: Quarterly Analysis

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Total Operating Income	1,08,048	1,02,236	5.7	1,19,986	-9.9	Topline growth came in steady at 5.7% YoY amidst single digit volume growth at both Indian operations and JLR
Raw Material Expenses	65,913	63,783	3.3	73,785	-10.7	
Employee Expenses	11,802	9,852	19.8	11,434	3.2	Employee costs came in a tad higher at 10.9% of sales, up 130 bps QoQ
Other expenses	19,733	18,564	6.3	21,874	-9.8	
Operating Profit (EBITDA)	18,268	15,973	14.4	20,247	-9.8	
EBITDA Margin (%)	16.9	15.6	128 bps	16.9	3 bps	EBITDA margin was a positive surprise amidst savings realised on raw material as well as other expenses
Depreciation	6,574	6,633	-0.9	7,151	-8.1	
Interest	2,088	2,615	-20.2	2,234	-6.5	Interest cost declined tracking lower debt
Product develop. Exp.	2,759	2,414	14.3	3,254	-15.2	
Tax	3,178	1,563	NM	(8,159)	NM	
PAT	5,566	3,203	-73.8	17,407	-68.0	PAT for the quarter stood at healthy ₹ 5,000 crore plus. Not comparable YoY and QoQ due to lot of one-off's
EPS	15.1	8.7	73.8	47.3	-68.0	
Key Metrics						
JLR sales (mn GBP)	7,273	6,903	5.4	7,860	(7.5)	Volumes grew ~5% YoY at JLR for Q1'25
JLR margins (%)	15.8	16.3	-50 bps	16.3	-50 bps	Margins declined by ~50 bps QoQ & YoY
JLR PAT (mn GBP)	502.0	323.0	55.4	1,391.0	64	PAT stood healthy at 502 million pounds

Source: Company, ICICI Direct Research

Exhibit 3: Volume Assumptions

Units	FY21	FY22	FY23	FY24	FY25E	FY26E
JLR						
Jaguar Sales Volume	90,440	68,405	63,001	49,561	36,908	36,908
Land Rover Sales Volume	3,22,471	2,79,245	3,09,216	3,51,742	3,76,283	4,05,189
Total JLR Sales Volume	4,12,911	3,47,650	3,72,217	4,01,303	4,13,191	4,42,097
Growth (YoY, %)	-2.1%	-16%	7%	8%	3%	7%
India						
M&HCV	90,152	1,34,797	1,87,185	1,84,216	1,91,732	2,01,319
LCV	1,72,618	2,22,174	2,26,354	2,11,630	2,13,690	2,24,374
PV	2,22,591	3,72,174	5,41,087	5,73,495	6,02,768	6,32,995
Total India Sales Volume	4,85,361	7,29,145	9,54,626	9,69,340	10,08,190	10,58,687
Growth (YoY, %)	3%	50%	31%	2%	4%	5%

Source: ICICI Direct Research; JLR volumes till FY23 included CJLR numbers, FY24 onwards it is excluding CJLR

Exhibit 4: SOTP valuation

Particulars	Parameters	FY26E EBITDA (₹ crore)	EV/EBITDA Multiple (x)	Resultant EV (₹ crore)
Tata Motors India business (CV, PV, Ex-Electric-PV)	FY26E EV/EBITDA	15,626	12.5	1,95,329
JLR	FY26E EV/EBITDA	60,122	2.5	1,50,306
India EV business (PV)	~11% stake sale @ ₹7,500 cr	NA	NA	60,682
Tata Technologies Stake Valuation	53.4% stake @ ₹ 40,250 crore	NA	NA	21,494
Other Investments	3x P/B on FY26E	9,218	3.0	27,654
Total Enterprise Value (EV)				4,55,464
Net Debt	FY26E			13,147
Resultant Equity Value (target market cap)				4,42,317
Target Price per share (₹/share)				1,200

Source: ICICI Direct Research

Financial Summary (Consolidated)

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Total operating Income	3,45,967	4,37,928	4,60,273	5,02,169
Growth (%)	24.2	26.6	5.1	9.1
Raw Material Expenses	2,26,470	2,72,756	2,85,186	3,10,361
Employee Expenses	33,655	42,487	47,268	50,647
Marketing Expenses	61,786	78,875	85,449	91,063
Capitalised Expenses	-18,435	-26,758	-28,133	-30,130
Total Operating Expenditure	3,03,475	3,67,359	3,89,771	4,21,941
EBITDA	42,492	70,569	70,502	80,229
Growth (%)	24.9	66.1	-0.1	13.8
Product development Exp	10662	10959	11739	13647
Depreciation	24860	27270	28077	30130
Interest	10225	9986	7080	4970
Other Income	4633	5950	6256	6429
PBT	12,129	39,191	41,878	51,557
Minority Interest	276	408	504	554
Total Tax	704	-3852	8538	9478
Reported PAT	2,414	31,399	21,782	28,553
Growth (%)	-121.1	1,200.5	-30.6	31.1
EPS (₹)	6.3	85.3	59.2	77.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Profit after Tax	2,414	31,399	21,782	28,553
Add: Depreciation	24,860	27,270	28,077	30,130
(Inc)/dec in Current Assets	-12,075	-12,658	-6,128	-8,666
Inc/(dec) in CL and Provisions	9,223	20,087	4,716	12,384
Others	10,225	9,986	7,080	4,970
CF from operating activities	34,647	76,085	55,527	67,370
(Inc)/dec in Investments	3,000	3,408	9,750	-5,250
(Inc)/dec in Fixed Assets	-22,075	-37,880	-42,567	-37,967
Others	3,662	-4,771	78	584
CF from investing activities	(15,412)	(39,243)	(32,739)	(42,633)
Issue/(Buy back) of Equity	0	0	-31	0
Inc/(dec) in loan funds	-14,017	-27,160	-20,000	-15,000
Dividend paid & dividend tax	0	0	0	0
Inc/(dec) in Sec. premium	0	0	0	0
Others (incl finance costs)	-8,873	-891	-9,288	-7,914
CF from financing activities	(22,889)	(28,051)	(29,319)	(22,914)
Net Cash flow	-3,654	8,791	-6,530	1,824
Opening Cash	40,669	37,016	45,807	39,276
Closing Cash	37,016	45,807	39,276	41,100

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Liabilities				
Equity Capital	766	767	735	735
Reserve and Surplus	44,556	84,151	1,03,726	1,29,335
Others	7,278	8,176	8,176	8,176
Total Shareholders funds	52,600	93,094	1,12,637	1,38,246
Total Debt	1,25,660	98,500	78,500	63,500
Deferred Tax Liability	1,407	1,143	1,202	1,311
Long term provisions	13,197	16,537	17,380	18,963
Minority Interest / Others	26,040	24,124	25,355	27,663
Total Liabilities	2,18,903	2,33,398	2,35,075	2,49,683
Assets				
Gross Block	3,89,734	4,06,191	4,48,257	4,86,724
Less: Acc Depreciation	2,58,495	2,85,765	3,13,842	3,43,972
Net Block	1,31,239	1,20,425	1,34,415	1,42,752
Capital WIP	14,275	35,698	36,198	35,698
Total Fixed Assets	1,45,514	1,56,124	1,70,614	1,78,450
Investments	26,379	22,971	13,221	18,471
Inventory	40,755	47,788	50,441	55,032
Debtors	15,738	16,952	18,915	20,637
Loans and Advances	2,303	2,500	2,628	2,867
Cash	37,016	45,807	39,276	41,100
Total Current Assets	1,32,690	1,54,139	1,53,736	1,64,226
Creditors	72,056	88,043	90,794	99,058
Provisions	11,811	12,292	12,676	13,829
Total Current Liabilities	1,17,178	1,37,265	1,41,982	1,54,365
Net Current Assets	15,512	16,873	11,755	9,861
Deferred Tax Asset	5,185	13,099	13,767	15,021
Application of Funds	2,18,903	2,33,398	2,35,075	2,49,683

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (₹)				
EPS	6.3	85.3	59.2	77.6
Cash EPS	71.2	153.2	135.5	159.5
BV	137.4	243.1	306.1	375.7
DPS	2.0	6.0	6.0	8.0
Cash Per Share	145.9	156.9	118.3	136.8
Operating Ratios				
EBITDA Margin (%)	12.3	16.1	15.3	16.0
PBT / Net sales (%)	5.1	9.9	9.2	10.0
PAT Margin (%)	-7.0	-1.2	3.3	5.1
Inventory days	43.0	39.8	40.0	40.0
Debtor days	16.6	14.1	15.0	15.0
Creditor days	76.0	73.4	72.0	72.0
Return Ratios (%)				
RoE	4.6	33.7	19.3	20.7
RoCE	9.8	22.5	22.1	24.7
RoIC	16.1	44.6	37.7	42.8
Valuation Ratios (x)				
P/E	174.5	12.9	18.6	14.2
EV / EBITDA	11.2	6.3	6.2	5.2
EV / Net Sales	1.4	1.0	1.0	0.8
Market Cap / Sales	1.2	0.9	0.9	0.8
Price to Book Value	8.0	4.5	3.6	2.9
Solvency Ratios				
Debt/EBITDA	3.0	1.4	1.1	0.8
Debt / Equity	2.4	1.1	0.7	0.5
Current Ratio	0.6	0.6	0.7	0.7
Quick Ratio	0.3	0.3	0.3	0.3

Source: Company, ICICI Direct Research

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Buy: >15%

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Sell: <-15%



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