

May 13, 2024

## Firing on all cylinders, record margins across divisions

**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

**Q4FY24 Results:** Tata Motors reported robust Q4FY24 results. Consolidated topline stood at ₹1.2 lakh crore (up 13%YoY) with EBITDA at ~₹20,247 crore and EBITDA margins at 16.9%, up 50 bps QoQ. JLR reported EBITDA & EBIT margins of 16.3% (up 10 bps QoQ) & 9.2% (up 50 bps QoQ) respectively. Indian CV business EBITDA margins came in at 12% (by 90 bps QoQ) while PV business EBITDA margins came in at 7.3% (up 60 bps QoQ). PAT in Q4FY24 came in at ₹17,407 crore (led by operational excellence, also supported by tax credit i.e. creation of DTA). Automotive net debt reduced from ₹ 43,700 crore (FY23) to ₹ 16,000 crore (FY24)

### Investment Rationale

- JLR walks the talk on FCF and debt reduction, aims to be net debt free in FY25E:** TML's overseas luxury PV arm i.e. JLR has performed exceedingly well in FY24 with record £29 billion of sales, ~16% as EBITDA margins, ~8.5% as EBIT margins, ~£ 2.3 billion as FCF generation amid ~£3.2 billion of capex/investment spending. It has reduced its net debt from ~£3 billion to ~£700 million as of FY24 end as against the slated guidance of reducing it to below £1 billion. This substantially improves the financial health at JLR with company now aiming to be net debt free in FY25E amidst pent up capex spending to the tune of £3.5 billion for FY25E. Amidst healthy orderbook of 1.33 lakh units and slew of exciting product launches in the pipeline, we expect JLR to continue reporting healthy profitability going forward. We have baked in 16%/8.5% as EBITDA/EBIT margins for FY25E with similar readings pegged at 17%/9.7% respectively for FY26E.
- India business to build upon upgraded margin profile amid demand consolidation in near term:** Domestic CV & PV industry have witnessed healthy demand recovery over the past couple of years (post-Covid) and are likely to consolidate at present levels in near term driven by high base as well as impending union election. TML 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.) and guidance for double digit EBITDA margins. On the EV side, it plans to build upon its leadership position in E-PV space with target to sell ~1 lakh E-PVs in FY25E and is also a prominent player winning orders in CESL E-bus tenders

### Rating and Target Price

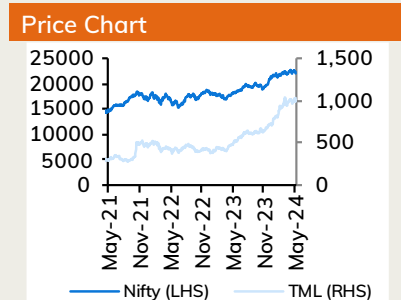
- Tata Motors is reporting record performance across all its segments, however due to lack of near-term triggers we retain our **HOLD** rating on the stock. We value Tata Motors at ₹ 1,120 on SOTP basis (12x, 2.2x FY26E EV/EBITDA to India, JLR; ₹225 value to Indian E-PV & stake in Tata Tech.)

## TATA MOTORS

Connecting Aspirations

Particulars	₹ crore
Market Capitalization	3,67,965
Total Debt (FY24P)	98,500
Cash and Invt (FY24P)	60,060
EV	4,06,405
52 week H/L (₹)	1,066 / 505
Equity capital (₹ crore)	766.5
Face value (₹)	2.0

Shareholding pattern	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	46.4	46.4	46.4	46.4
FII	17.7	18.4	18.6	19.2
DII	17.4	17.4	17.3	16.0
Other	18.5	17.9	17.8	18.4



### Recent event & key risks

- Reports robust Q4FY24 results
- In recent past, announces demerger of CV and PV businesses; mirror shareholding
- Key Risk: (i) higher than build in volume growth at JLR (ii) lower than built in cash flow generation and debt reduction

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### Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY18-24P)	FY25E	FY26E	2 year CAGR (FY24P-26E)
Net Sales	2,61,068	2,49,795	2,78,454	3,45,967	4,37,928	7.7%	4,66,380	5,05,050	7.4%
EBITDA	23,914	35,782	34,023	42,492	70,569	18.8%	71,466	81,307	7.3%
EBITDA Margins (%)	9.2	14.3	12.2	12.3	16.1		15.3	16.1	
Net Profit	(11,975)	(13,451)	(11,441)	2,414	31,399	NM	23,358	29,128	NM
EPS (₹)	(33.3)	(35.1)	(29.9)	6.3	85.3		63.5	79.2	
P/E	(30.0)	(28.5)	(33.5)	158.6	11.7		15.8	12.6	
RoNW (%)	(18.7)	(23.8)	(23.4)	4.6	33.7		20.5	20.7	
RoCE (%)	1.3	6.3	4.8	9.8	22.5		21.7	24.1	

Source: Company, ICICI Direct Research

## Q4FY24 Earnings Conference Call Highlights

### Jaguar Land Rover

- **Order Book:** The order book at the end of FY24 was around 133,000 vehicles, out of which 76% of orders were from Range Rover, Range Rover Sport, and Defender. Demand for Range Rover Sport Vehicle more than doubled to 4,099 units in FY24, with an average price point of ~ £202,000. This also includes the sale of 20 Range Rover SV Bespoke sadaf editions selling out at higher price point of ~ £330,000 each.
- **New Launches:** The new Defender OCTA to be revealed on 3rd July'24, touted as the ultimate range rover. New Range Rover electric has generated over 28,700 on the waiting list and is expected to be delivered next year. A new Jaguar will also launch by end of the next year.
- **Others:** JLR reported free cashflow of £892 million for Q4FY24 and a record £2.3 billion for FY24. Net Cash and Net Debt for the year ended FY24 stood at £4.2 billion and £0.7 billion, respectively. Investment spending is anticipated to be £3.5 billion in FY25. It aims to become a net debt free company by end of FY25. Dividend paid by JLR in the region of £400 million. It has paid a cash tax of £333 million and expect tax range to be in the range of 25% to 29% in FY25.

### Indian Passenger Vehicle

- **Industry Guidance:** TML anticipates PV industry to grow by less than 5% in FY25 due to high base effect and higher channel inventory. However, the secular growth trend for PV industry is expected to be at 6% to 8%, primary driven by Electric Vehicle and CNG segment. The share of SUVs contribution has increased to >50% and expects to continue this demand traction particularly in the mid-size and sub-compact segment.
- **Electric Vehicle & New Launches:** TML continued to improve profitability in EV segment for the second consecutive quarter. It has passed on a benefit of reduction in battery prices to the customer by taking a price cut in Q4FY24. TML will launch new nameplate Curvv in H2CY24, a mid-size SUV category, the segment that has reported highest growth in FY24. It will be focusing on driving higher penetration of EVs and CNGs products in certain cities. Additionally, it will also launch Sierra in H2CY25. Moreover, it will also launch petrol version of Harrier Safari in FY25 and thereafter EV version in the coming years. The sales of diesel variant of Harrier Safari have increased from 3500 units in H1FY24 to 4500 units in H2FY24.

### Commercial Vehicle

- **New Launches:** It has launched a new variant of ACE carrying a payload of 1 ton. This new model will provide 30% better Total cost of ownership (TCO), partly addressing challenges from withdrawal of FAME incentives.
- **Electric Buses:** TML has deployed more than 1700 electric buses in FY24 and has received a tender of supplying more than 1200 buses in FY25. It is in continue engagement with the government for Payment security mechanism and an asset light business model.
- **Management Guidance:** TML expects a slowdown in CV in Q1FY25 but demand will pick up from Q2FY25. It remains cautiously optimistic and expects overall CV industry growth to be flat to slightly declining range in FY25. However, it anticipates higher demand for high tonnage vehicles, especially those above 48-ton multi axle vehicle segment.

**Management Guidance:** JLR expects EBIT margins for FY25 to be at similar levels reported in FY24. It will have higher spend towards variable marketing expenses, which will be offset by operational cost reduction and operating leverage through higher production volume of Range Rover and Range Rover Sports in FY25. JLR anticipates an improvement in EBIT margins to 10% in FY26, driven by new launches.

**Sanand Plant and PLI:** Sanand Plant was commissioned in January'24 and currently ramped up to 6500 units per month. It expects to ramp up to 10,000 units per month and further increase to 15,000 to 16,000 units per month. TML received the PLI certificate for Tiago EV, with the SOP of disbursement being finalized and expected to be completed by H2FY25. TML will also apply for PLI for additional new products in H1 FY25.

**Others:** TML witnessed an increase in first time buyers particularly from professionals for its EV offerings.

**Commodity Cost Inflation:** TML has witnessed an increase in commodity costs in casting, forgings, tyres, and aluminium, which will impact the margins. It will take an appropriate price hike at the right time. However, battery prices are still expected to decline to a certain level.

## Key Tables and Charts

### Exhibit 1: Quarterly Analysis

	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	Comments
Total Operating Income	1,19,986	1,05,932	13.3	1,10,577	8.5	Company reported healthy topline growth of 13% YoY at ₹ 1.2 lakh crore
Raw Material Expenses	73,785	68,194	8.2	68,278	8.1	Savings were realised on the RM front with gross margins up 30 bps QoQ
Employee Expenses	11,434	9,378	21.9	11,102	3.0	
Other expenses	21,874	18,431	18.7	19,895	9.9	Other expenses stood marginally higher
Operating Profit (EBITDA)	20,247	15,622	29.6	18,074	12.0	
EBITDA Margin (%)	16.9	14.7	213 bps	16.3	53 bps	EBITDA margins at TML further improved 50 bps QoQ at 16.9% led by record margin profile across all its segments namely JLR, India CV & PV
Depreciation	7,151	7,050	1.4	6,850	4.4	
Interest	2,234	2,642	-15.4	2,485	-10.1	Interest expenses declined due to reduction in debt
Product develop. Exp.	3,254	2,812	15.7	2,740	18.7	
Tax	(8,159)	(621)	NM	542	NM	Tax came in negative due to tax credit accounted due to creation of DTA at JLR
PAT	17,407	5,408	-221.9	7,025	147.8	PAT came in healthy supported by record profitability as well as negative tax rate
EPS	47.3	14.7	221.9	19.1	147.8	
<b>Key Metrics</b>						
JLR sales ( mn GBP)	7,860	7,102	10.7	7,375	6.6	
JLR margins (%)	16.3	14.6	170 bps	16.2	10 bps	JLR surprised positively on margins front
JLR PAT (mn GBP)	1,391.0	259.0	437.1	592.0	(135)	PAT came in substantially positive on account of DTA charge (tax credit)

Source: Company, ICICI Direct Research

### Exhibit 2: Assumptions

Units	FY21	FY22	FY23	FY24	FY25E	FY26E
JLR						
Jaguar Sales Volume	90,440	68,405	63,001	49,561	49,239	49,239
Land Rover Sales Volume	3,22,471	2,79,245	3,09,216	3,51,742	3,81,115	4,09,670
<b>Total JLR Sales Volume</b>	<b>4,12,911</b>	<b>3,47,650</b>	<b>3,72,217</b>	<b>4,01,303</b>	<b>4,30,354</b>	<b>4,58,909</b>
Growth (YoY, %)	-21%	-16%	7%	8%	7%	7%
India						
M&HCV	90,152	1,34,797	1,87,185	1,84,216	1,86,859	1,96,202
LCV	1,72,618	2,22,174	2,26,354	2,11,630	2,16,018	2,26,819
PV	2,22,591	3,72,174	5,41,087	5,73,495	5,74,542	6,09,069
<b>Total India Sales Volume</b>	<b>4,85,361</b>	<b>7,29,145</b>	<b>9,54,626</b>	<b>9,69,340</b>	<b>9,77,419</b>	<b>10,32,089</b>

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

### Exhibit 3: 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	15,277	12.0	1,83,325
JLR	FY26E EV/EBITDA	60,949	2.2	1,34,089
India EV business (PV)	~11% stake sale @₹7,500 cr	NA	NA	60,682
Tata Technologies Stake Valuation	53.4% stake @ ₹ 41,000 crore	NA	NA	21,894
Other Investments	2x P/B on FY26E	5,868	2.0	11,736
Total Enterprise Value (EV)				4,11,725
Net Debt	FY26E			-2,205
Resultant Equity Value (target market cap)				4,13,930
<b>Target Price per share (₹/share)</b>				<b>1,120</b>

Source: ICICI Direct Research

## Financial Summary (Consolidated)

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Total operating Income	3,45,967	4,37,928	4,66,380	5,05,050	
Growth (%)	24.2	26.6	6.5	8.3	
Raw Material Expenses	2,26,470	2,72,756	2,92,562	3,14,334	
Employee Expenses	33,655	42,487	44,637	48,299	
Marketing Expenses	61,786	78,875	85,698	91,413	
Capitalised Expenses	-18,435	-26,758	-27,983	-30,303	
Total Operating Expenditure	3,03,475	3,67,359	3,94,913	4,23,743	
EBITDA	42,492	70,569	71,466	81,307	
Growth (%)	24.9	66.1	1.3	13.8	
Product development Exp	10662	10959	11082	12159	
Depreciation	24860	27270	29382	31818	
Interest	10225	9986	6195	4970	
Other Income	4633	5950	6069	6232	
PBT	12,129	39,191	41,958	50,750	
Minority Interest	276	408	534	588	
Total Tax	704	-3852	7719	9648	
Reported PAT	2,414	31,399	23,358	29,128	
Growth (%)	-121.1	1,200.5	-25.6	24.7	
EPS (₹)	6.3	85.3	63.5	79.2	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax	2,414.3	31,399.0	23,358.2	29,127.6	
Add: Depreciation	24,860	27,270	29,382	31,818	
(Inc)/dec in Current Assets	-12,075	-12,658	-6,033	-7,936	
Inc/(dec) in CL and Provisions	9,223	20,087	5,065	11,309	
Others	10,225	9,986	6,195	4,970	
CF from operating activities	34,647	76,085	57,967	69,290	
(Inc)/dec in Investments	3,000	3,408	5,750	-10,250	
(Inc)/dec in Fixed Assets	-22,075	-37,880	-38,500	-32,000	
Others	3,662	-4,771	236	500	
CF from investing activities	(15,412)	(39,243)	(32,514)	(41,750)	
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	-8,403	-7,914	
CF from financing activities	(22,889)	(28,051)	(28,434)	(22,914)	
Net Cash flow	-3,654	8,791	-2,981	4,626	
Opening Cash	40,669	37,016	45,807	42,826	
Closing Cash	37,016	45,807	42,826	47,452	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	766	767	735	735	
Reserve and Surplus	44,556	84,151	1,05,302	1,31,486	
Others	7,278	8,176	8,176	8,176	
Total Shareholders funds	52,600	93,094	1,14,213	1,40,397	
Total Debt	1,25,660	98,500	78,500	63,500	
Deferred Tax Liability	1,407	1,143	1,218	1,319	
Long term provisions	13,197	16,537	17,611	19,071	
Minority Interest / Others	26,040	24,124	25,692	27,822	
Total Liabilities	2,18,903	2,33,398	2,37,234	2,52,109	
<b>Assets</b>					
Gross Block	3,89,734	4,06,191	4,44,191	4,76,691	
Less: Acc Depreciation	2,58,495	2,85,765	3,15,147	3,46,966	
Net Block	1,31,239	1,20,425	1,29,043	1,29,725	
Capital WIP	14,275	35,698	36,198	35,698	
Total Fixed Assets	1,45,514	1,56,124	1,65,242	1,65,424	
Investments	26,379	22,971	17,221	27,471	
Inventory	40,755	47,788	51,110	55,348	
Debtors	15,738	16,952	17,889	19,372	
Loans and Advances	2,303	2,500	2,662	2,883	
Cash	37,016	45,807	42,826	47,452	
Total Current Assets	1,32,690	1,54,139	1,57,191	1,69,753	
Creditors	72,056	88,043	90,720	98,243	
Provisions	11,811	12,292	12,665	13,715	
Total Current Liabilities	1,17,178	1,37,265	1,42,331	1,53,640	
Net Current Assets	15,512	16,873	14,861	16,113	
Deferred Tax Asset	5,185	13,099	13,950	15,107	
Application of Funds	2,18,903	2,33,398	2,37,234	2,52,109	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Per share data (₹)</b>					
EPS	6.3	85.3	63.5	79.2	
Cash EPS	71.2	153.2	143.3	165.6	
BV	137.4	243.1	310.4	381.6	
DPS	2.0	6.0	6.0	8.0	
Cash Per Share	145.9	156.9	138.8	178.6	
<b>Operating Ratios</b>					
EBITDA Margin (%)	12.3	16.1	15.3	16.1	
PBT / Net sales (%)	5.1	9.9	9.0	9.8	
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	14.0	14.0	
Creditor days	76.0	73.4	71.0	71.0	
<b>Return Ratios (%)</b>					
RoE	4.6	33.7	20.5	20.7	
RoCE	9.8	22.5	21.7	24.1	
RoIC	16.1	44.6	39.5	47.7	
<b>Valuation Ratios (x)</b>					
P/E	158.6	11.7	15.8	12.6	
EV / EBITDA	10.3	5.8	5.5	4.5	
EV / Net Sales	1.3	0.9	0.8	0.7	
Market Cap / Sales	1.1	0.8	0.8	0.7	
Price to Book Value	7.3	4.1	3.2	2.6	
<b>Solvency Ratios</b>					
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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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