

Aiming at industry leading growth in sustainable way

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

India Business Analyst Meet: We attended Tata Motors analyst day for its Indian business around 2 weeks back. The event showcased TML's capability across different powertrain technologies especially zero emission products, readiness with respect to new tech enabled vehicles & serious intent to grow the non-vehicle business. It talked about further strengthening the already profitable Indian business with strong ambition to grow ahead of industry in sustainable way

Key Takeaways

- Indian CV business:** (a) It expects domestic CV industry to grow at 4-5% in terms of volume over FY24-29, supported by favourable macro environment (b) it will work upon gaining market share across segments especially Small CV space (c) it will work upon increasing share of non-vehicle business from low-mid teens to ~20% in medium term, which is structural with tangible growth legs (d) focus on exports (e) further strength the double digit margin profile (10.8% in FY24) and return ratios (~36% in FY24) (f) maintain technology leadership in terms of powertrain capability with strong play in Electric bus as well as Electric LCV domain.
- Indian PV business:** (a) it plans to increase offerings thereby increasing the addressable market size from ~53% to ~80% with leading market share in sub-segments (b) play decisively in alternate fuels such as CNG (c) further grow the market in EV domain with focus on market leadership and development of charging infrastructure (d) improve domestic market share from ~14% to ~16% by FY27 and ~18-20% by FY30 through product interventions & shift towards greener fuels (e) it pegged long term growth CAGR for domestic PV space at ~6-7% CAGR to 60 lakh units by FY30
- Capex guidance & others:** It expects CV demerger to be largely complete by July 2025 with capex spend on the CV side pegged at ~2-4% of sales with sustainable FCF expected at ~6-8% and strong RoCE matrix. On the PV side it expects capex to be tad higher at ~6-8% of sales largely on new product development (capacity already enhanced to 1 million units, ~2x current volumes run-rate). On the EV side it has pegged Capex at ₹ 16-18k crore over FY24-30E with EV penetration expected at ~30% in its portfolio by FY30 and EBITDA breakeven in FY26.

Rating and Target Price

- TML has walked the talk on margin improvement & B/S deleveraging. With focus on further build upon these efficiencies, we upgrade the stock to **BUY**. We value Tata Motors 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	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%	4,68,538	5,06,690	7.6%
EBITDA	23,914	35,782	34,023	42,492	70,569	18.8%	72,262	81,897	7.7%
EBITDA Margins (%)	9.2	14.3	12.2	12.3	16.1		15.4	16.2	
Net Profit	(11,975)	(13,451)	(11,441)	2,414	31,399	NM	23,791	29,446	NM
EPS (₹)	(33.3)	(35.1)	(29.9)	6.3	85.3		64.7	80.0	
P/E	(28.5)	(27.0)	(31.8)	150.7	11.1		14.7	11.9	
RoNW (%)	(18.7)	(23.8)	(23.4)	4.6	33.7		20.8	20.9	
RoCE (%)	1.3	6.3	4.8	9.8	22.5		22.0	24.3	

Source: Company, ICICI Direct Research

TATA MOTORS Connecting Aspirations

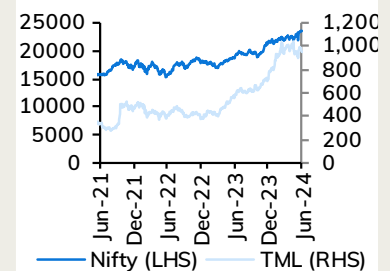
Particulars

Particular	₹ crore
Market Capitalization	3,49,567
Total Debt (FY24P)	98,500
Cash and Invts (FY24P)	60,060
EV	3,88,007
52 week H/L (₹)	1,066 / 568
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

Price Chart



Recent event & key risks

- Hosts Analyst Day for its Indian Business in the past fortnight
- Key Risk: (i) lower than build in volume growth at JLR (ii) lower than built in cash flow (CFO) generation & debt reduction

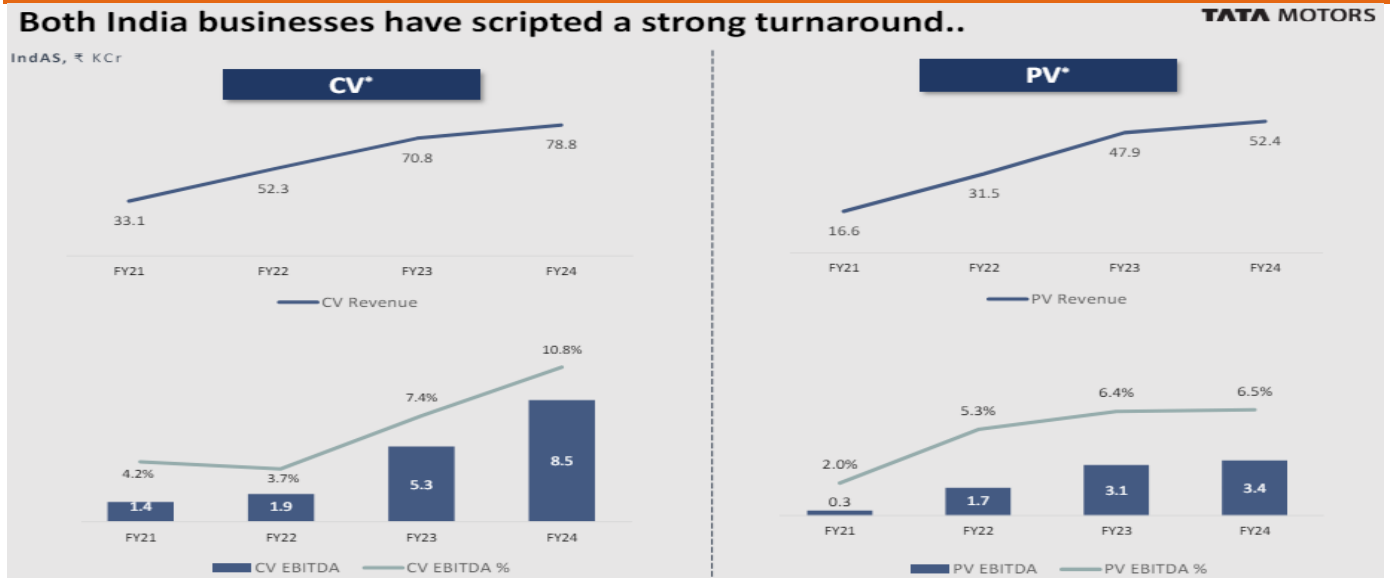
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Key Tables and Charts

Exhibit 1: Turnaround witnessed across domestic CV and PV business



Source: Company, ICICI Direct Research

Exhibit 2: Management take on individual businesses

We have navigated the choppy waters well

WIN DECISIVELY IN CV

- HCV and ILMCV trucks continue to win on a strong base
- Pivot to demand pull results in double digit EBITDA and strong FCF.
- Innovations in products and digital offerings strengthen competitiveness
- Non-Vehicular business delivers strong revenue and profit growth
- However, we remain hungry...**
- Need to win back SCV shares
- Accelerate growth further leveraging the government's infra investments backed by innovation and customer experience
- Improve profitability and sustain returns and cash flows through the cycle

WIN SUSTAINABLY IN PV

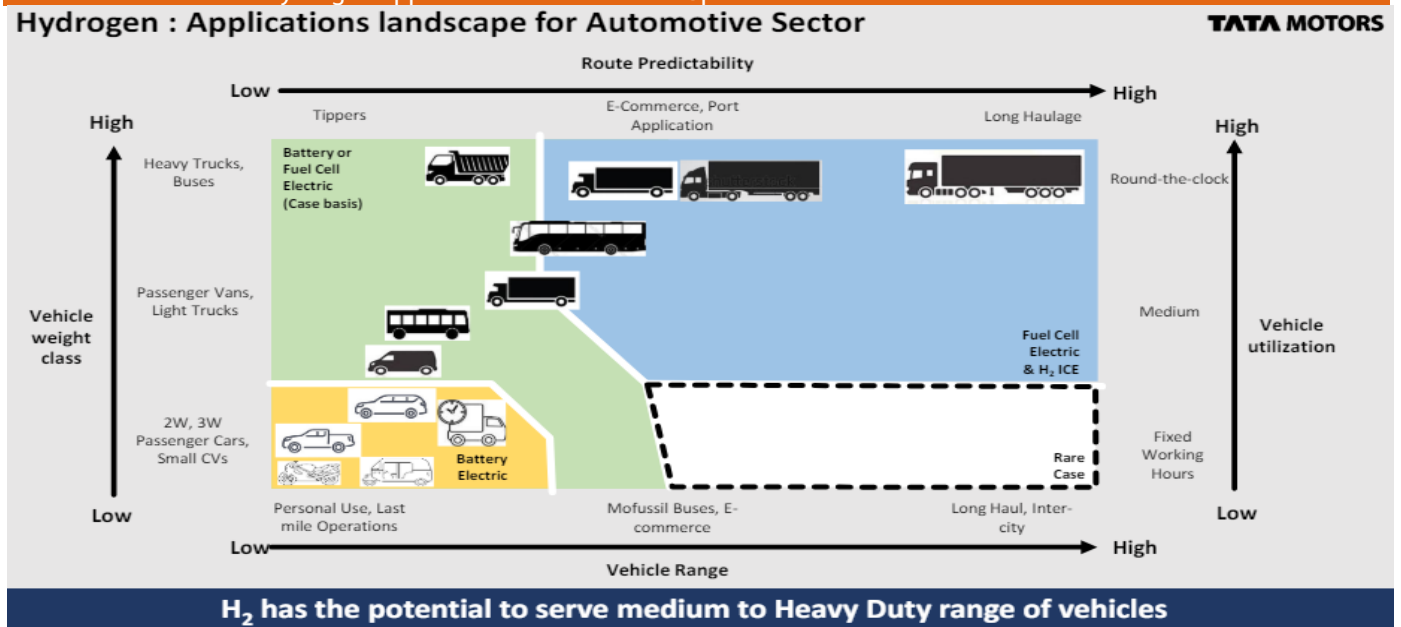
- Podium finish in PV secured
- Third consecutive year of highest ever volumes
- Business delivers double digit EBITDA margins
- Deliver market beating growth by addressing gaps in portfolio
- Step up margins by 200bps+ in the coming years
- Prepare for and remain vigilant for higher levels of competitive intensity

WIN PROACTIVELY IN EV

- #1 EV player with 73% market share
- Completed milestone of 150k EV sales
- Product portfolio continues to expand
- EBITDA neutral before product development expenses
- Drive up penetration of EVs in our portfolio to 30%+ by FY30
- Continue to focus on developing the market for mainstreaming of EVs

Source: Company, ICICI Direct Research

Exhibit 3: TML take on Hydrogen applications in Automotive Space



Source: Company, ICICI Direct Research

Exhibit 4: Key financial matrix guidance slide from the Analyst Meet

Business aims to deliver TATA MOTORS

Market beating growth with strong free cash flows

Area	CV	PV	EV
Market Shares / Growth	Gradually increasing shares; Market beating revenue growth	Volume growth well ahead of market 16% market share by FY27 18-20% in another 2-3 years	Continued leadership Penetration of EV – 30%+ by FY30
EBITDA	Strong double-digit EBITDA	Double Digit EBITDA	Breakeven EBITDA (FY26)
Capex	2-4% of Revenue	~6-8% Revenue	As necessary (₹ 16KCr- ₹ 18KCr between FY25- FY30)
Cash / Returns	FCF 6%-8% of revenue, Strong ROCE Reduced volatility	Positive & growing cash flows	Near term – Negative (funded); Med term – Neutral

Source: Company, ICICI Direct Research

Exhibit 5: Volume 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
Total JLR Sales Volume	4,12,911	3,47,650	3,72,217	4,01,303	4,30,354	4,58,909
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	5,93,637	6,23,401
Total India Sales Volume	4,85,361	7,29,145	9,54,626	9,69,340	9,96,514	10,46,421
Growth (YoY, %)	3%	50%	31%	2%	3%	5%

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

Exhibit 6: 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	15,774	12.5	1,97,180
JLR	FY26E EV/EBITDA	60,949	2.5	1,52,373
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	2.5	14,670
Total Enterprise Value (EV)				4,46,799
Net Debt	FY26E			6,435
Resultant Equity Value (target market cap)				4,40,363
Target Price per share (₹/share)				1,200

Source: ICICI Direct Research

Financial Summary (Consolidated)

Exhibit 7: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Total operating Income	3,45,967	4,37,928	4,68,538	5,06,690	
Growth (%)	24.2	26.6	7.0	8.1	
Raw Material Expenses	2,26,470	2,72,756	2,93,878	3,15,237	
Employee Expenses	33,655	42,487	44,748	48,382	
Marketing Expenses	61,786	78,875	85,764	91,575	
Capitalised Expenses	-18,435	-26,758	-28,112	-30,401	
Total Operating Expenditure	3,03,475	3,67,359	3,96,277	4,24,792	
EBITDA	42,492	70,569	72,262	81,897	
Growth (%)	24.9	66.1	2.4	13.3	
Product development Exp	10662	10959	11164	12222	
Depreciation	24860	27270	29518	31921	
Interest	10225	9986	6195	4970	
Other Income	4633	5950	6069	6232	
PBT	12,129	39,191	42,618	51,238	
Minority Interest	276	408	534	588	
Total Tax	704	-3852	7863	9754	
Reported PAT	2,414	31,399	23,791	29,446	
Growth (%)	-121.1	1,200.5	-24.2	23.8	
EPS (₹)	6.3	85.3	64.7	80.0	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax	2,414.3	31,399.0	23,790.6	29,446.1	
Add: Depreciation	24,860	27,270	29,518	31,921	
(Inc)/dec in Current Assets	-12,075	-12,658	-7,729	-7,941	
Inc/(dec) in CL and Provisions	9,223	20,087	7,159	11,277	
Others	10,225	9,986	6,195	4,970	
CF from operating activities	34,647	76,085	58,934	69,673	
(Inc)/dec in Investments	3,000	3,408	5,750	-10,250	
(Inc)/dec in Fixed Assets	-22,075	-37,880	-42,567	-37,967	
Others	3,662	-4,771	292	487	
CF from investing activities	(15,412)	(39,243)	(36,525)	(47,730)	
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	-6,025	-970	
Opening Cash	40,669	37,016	45,807	39,782	
Closing Cash	37,016	45,807	39,782	38,812	

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Liabilities					
Equity Capital	766	767	735	735	
Reserve and Surplus	44,556	84,151	1,05,734	1,32,237	
Others	7,278	8,176	8,176	8,176	
Total Shareholders funds	52,600	93,094	1,14,646	1,41,148	
Total Debt	1,25,660	98,500	78,500	63,500	
Deferred Tax Liability	1,407	1,143	1,223	1,323	
Long term provisions	13,197	16,537	17,693	19,133	
Minority Interest / Others	26,040	24,124	25,811	27,912	
Total Liabilities	2,18,903	2,33,398	2,37,872	2,53,017	
Assets					
Gross Block	3,89,734	4,06,191	4,48,257	4,86,724	
Less: Acc Depreciation	2,58,495	2,85,765	3,15,283	3,47,205	
Net Block	1,31,239	1,20,425	1,32,974	1,39,519	
Capital WIP	14,275	35,698	36,198	35,698	
Total Fixed Assets	1,45,514	1,56,124	1,69,172	1,75,218	
Investments	26,379	22,971	17,221	27,471	
Inventory	40,755	47,788	51,347	55,528	
Debtors	15,738	16,952	19,255	20,823	
Loans and Advances	2,303	2,500	2,675	2,893	
Cash	37,016	45,807	39,782	38,812	
Total Current Assets	1,32,690	1,54,139	1,55,843	1,62,814	
Creditors	72,056	88,043	92,424	99,950	
Provisions	11,811	12,292	12,903	13,954	
Total Current Liabilities	1,17,178	1,37,265	1,44,425	1,55,701	
Net Current Assets	15,512	16,873	11,418	7,112	
Deferred Tax Asset	5,185	13,099	14,015	15,156	
Application of Funds	2,18,903	2,33,398	2,37,872	2,53,017	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Per share data (₹)					
EPS	6.3	85.3	64.7	80.0	
Cash EPS	71.2	153.2	144.9	166.8	
BV	137.4	243.1	311.6	383.6	
DPS	2.0	6.0	6.0	8.0	
Cash Per Share	145.9	156.9	130.5	155.1	
Operating Ratios					
EBITDA Margin (%)	12.3	16.1	15.4	16.2	
PBT / Net sales (%)	5.1	9.9	9.1	9.9	
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	20.8	20.9	
RoCE	9.8	22.5	22.0	24.3	
RoIC	16.1	44.6	38.8	44.1	
Valuation Ratios (x)					
P/E	150.7	11.1	14.7	11.9	
EV / EBITDA	9.9	5.5	5.3	4.3	
EV / Net Sales	1.2	0.9	0.8	0.7	
Market Cap / Sales	1.0	0.8	0.7	0.7	
Price to Book Value	6.9	3.9	3.0	2.5	
Solvency Ratios					
Debt/EBITDA	3.0	1.4	1.1	0.8	
Debt / Equity	2.4	1.1	0.7	0.4	
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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