

Robust performance in a seasonally weak qtr; deleveraging on track

In 3QFY24, JLR reported EBITDAM of 16.2% was +70bps above JMFe. 130bps sequential margin improvement was led by favourable mix and higher operating leverage. India business (CV+PV) EBITDAM stood at 9.8%, 80bps above JMFe. Supply normalization aided JLR in reducing its order backlog to c.148k units. While the US market continues to be strong, demand environment in EU remain stable. Management indicated of higher marketing spends going forward to drive JLR's order book. Focus is on achieving 10% EBIT margin by FY26 (vs. 8%+ in FY24) through better mix and higher operating leverage. Strong FCF generation is expected to support investments towards electrification at JLR and the company is on track to reduce net debt to <£1bn by FY24 end and turn net cash by FY25. TTMT's EV portfolio is leading the domestic EV space. CV demand is expected to remain muted in the near-term. However, improving margins for both domestic CV and PV segments augurs well for overall profitability. Domestic business is also on track to turn net debt free. Maintain BUY with Mar'25 SOTP of INR 1,000 (standalone / JLR valued at 10x /2.5x EV/EBIDTA). Slowdown in key global markets remains a monitorable.

- JLR –margin beats estimates:** JLR reported revenue of £7.4bn (+22% YoY, +7.6% QoQ), 2% above JMfe, led by favourable model mix. Wholesale volume (ex-CJLR) grew 27% YoY to c.101k units (+4% QoQ). Normalisation of component supplies helped the company lower order backlog to 148k units (vs.168k units at 2Q end). EBITDA margin stood at 16.2% (+430bps YoY; +130bps QoQ), +70bps above JMFe. Margin beat was led by higher operating leverage and lower semiconductor costs partially offset by higher fixed marketing, admin cost and FX revaluation. FCF stood at positive £626mn for 3QFY24 (positive £1.4bn for 9MFY24). Share of electrified model stood at 76% during 3Q, with 12% share of BEVs & PHEVs. For the upcoming RR Electric c.16k+ customers have signed-up so far.
- JLR – outlook:** TTMT highlighted that supply constraints have largely normalised and the company remains on track to achieve its FY24 production guidance of c.400k+ units (vs. 321k units in FY23). Demand environment in US continuous to remain robust. EU market remains steady and the company remains watchful of any slowdown going ahead. Given the margin performance during 9MFY24 and expected increase in marketing spends (variable+fixed), the company expects EBIT margin in FY24 to be over 8%. FY24 FCF guidance stands at over ~£2bn. Current net debt stands at £1.6bn (vs. £3bn at FY23 end) and the company expects to turn net cash by FY25 (<£1bn at FY24 end).
- India business – strong performance:** Standalone revenue (pro forma of India CV + PV business) stood at INR 315.8bn (+15% YoY, +3% QoQ), 2% above JMFe. Standalone business reported a positive FCF of ~INR 6.3bn during 3QFY24 led by healthy operating performance. EBITDAM stood at – **CV:** 11.1% (+70bps QoQ; JMFe +140bps), **PV:** 6.6% (+10bps QoQ; JMFe -40bps).
- India CV segment performance and outlook:** CV segment EBITDA margin stood at 11.1% (+270bps YoY, +70bps QoQ). YoY improvement was led by better realisation (incl. lower discounts) and higher operating leverage. The management expects CV demand to

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	27,84,536	34,59,670	44,09,557	48,65,388	52,31,859
Sales Growth (%)	11.5	24.2	27.5	10.3	7.5
EBITDA	3,39,440	4,25,954	6,48,407	7,05,560	7,60,079
EBITDA Margin (%)	12.2	12.3	14.7	14.5	14.5
Adjusted Net Profit	-1,08,119	8,238	1,79,050	2,29,831	2,67,682
Diluted EPS (INR)	-28.2	2.2	46.7	60.0	69.9
Diluted EPS Growth (%)	0.0	0.0	2,073.6	28.4	16.5
ROIC (%)	-0.1	3.0	17.1	20.1	22.7
ROE (%)	-21.7	1.8	33.0	31.0	27.4
P/E (x)	-31.1	408.7	18.8	14.6	12.6
P/B (x)	7.6	7.4	5.3	4.0	3.1
EV/EBITDA (x)	12.5	9.9	6.2	5.3	4.6
Dividend Yield (%)	0.0	0.0	0.2	0.3	0.3

Source: Company data, JM Financial. Note: Valuations as of 02/Feb/2024

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,000
Upside/(Downside)	13.8%
Previous Price Target	730
Change	37.0%

Key Data – TTMT IN

Current Market Price	INR879
Market cap (bn)	INR3,218.3/US\$38.8
Free Float	49%
Shares in issue (mn)	3,830.1
Diluted share (mn)	3,830.1
3-mon avg daily val (mn)	INR8,628.9/US\$104.1
52-week range	902/400
Sensex/Nifty	72,086/21,854
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	12.5	42.0	97.3
Relative*	12.4	29.4	66.5

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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decline by single-digit over next 2 quarters owing to high base (for 4Q) and upcoming general elections. Continued focus of GOI on infrastructure spends remains industry tailwind for medium-to-long term. Company's focus will be on improving market share in SCV segment, driving higher realisation for overall CV business and scaling up e-CVs.

- **India PV segment performance and outlook:** PV segment EBITDA came-in at 6.6% (-30bps YoY, +10bps QoQ). Share of EV/CNG vehicles in total volumes stood at 12%/ 14% during 9MFY24. EBITDA margin for EV business (excl. product develop cost) has turned positive (+0.2%) during 3Q. Management indicated that 1) softening key RM prices (incl. battery cost), 2) higher operating leverage, and 3) PLI incentive is expected to support EV business margins going ahead. Near-to-medium term focus is on driving EV penetration by leveraging expanded range of products. With respect to ICE business, recently launched CNG variants are driving growth and the company's focus is on maintaining market share through new models. The company indicated of healthy new launch pipeline (incl. refreshes) going forward. Production commenced at the new Sanand plant which is expected to drive volume ramp-up going ahead.

Exhibit 1. Quarterly financial result (Consolidated)

(INR mn)	Q3FY24	Q3FY23	% YoY	Q2FY23	% QoQ	Q3FY24E	% A/E
Sales	1,105,771	884,886	25.0	1,051,282	5.2	1,081,654	2.2
Cost of Goods sold	682,777	574,585	18.8	669,097	2.0	681,251	0.2
As a % of sales	61.7	64.9	-320.0	63.6	-190.0	63.0	-120.0
Staff Cost	111,022	85,929	29.2	100,989	9.9	101,860	9.0
As a % of sales	10.0	9.7	30.0	9.6	40.0	9.4	60.0
Other expenses	157,789	116,169	35.8	143,527	9.9	154,557	2.1
As a % of sales	14.3	13.1	110.0	13.7	60.0	14.3	0.0
EBITDA	154,184	108,202	42.5	137,669	12.0	143,987	7.1
EBITDA Margin (%)	13.9	12.2	170bps	13.1	80bps	13.3	60bps
PAT (Adjusted, Post MI)	71,134	29,581	140.5	38,877	83.0	63,163	12.6
PAT Margin (%)	6.4	3.3	310bps	3.7	270bps	5.8	60bps

Source: Company, JM Financial

Exhibit 2. Quarterly financial result (JLR)

JLR (GBP mn)	Q3FY24	Q3FY23	% YoY	Q2FY23	% QoQ	Q3FY24E	% A/E
JLR (Units, excl China JV)	101,043	79,591	27.0	96,817	4.4	101,043	0.0
Sales	7,375	6,041	22.1	6,857	7.6	7,228	2.0
Cost of Goods Sold	4,237	3,707	14.3	4,166	1.7	4,301	-1.5
As a % of sales	57.5	61.4	-3.9	60.8	-3.3	59.5	-2.0
Staff Cost	809	654	23.7	713	13.5	744	8.7
As a % of sales	11.0	10.8	0.1	10.4	0.6	10.3	0.7
Other expenses	1,137	964	17.9	957	18.8	1,062	7.0
As a % of sales	15.4	16.0	-0.5	14.0	1.5	14.7	0.7
Expenditure	6,183	5,325	16.1	5,836	5.9	6,108	1.2
EBITDA	1,192	716	66.5	1,021	16.7	1,120	6.4
EBITDA Margin (%)	16.2	11.9	430bps	14.9	130bps	15.5	70bps
Adj. PBT (bei)	624.0	262.0	138.2	437.0	42.8	505.3	23.5

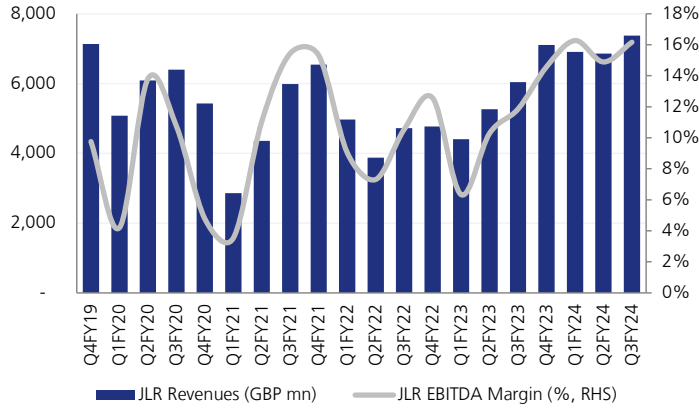
Source: JM Financial, Company; nmf – not meaningful

Exhibit 3. Quarterly financial result (domestic CV + PV)

	Q3FY24	Q3FY23	% YoY	Q2FY23	% QoQ	Q3FY24E	% A/E
CV (Units)	96,526	95,914	0.6	104,085	-7.3	96,526	0.0
PV (Units)	138,455	132,255	4.7	138,939	-0.3	138,455	0.0
Total Volumes (Units)	234,981	228,169	3.0	243,024	-3.3	234,981	0.0
Standalone Realisation (INR)	315,786	274,650	15.0	307,157	2.8	308,364	2.4
Sales	30,857	22,237	38.8	28,804	7.1	27,666	11.5
EBITDA	9.8	8.1	170bps	9.4	40bps	9.0	80bps
EBITDA Margin (%)	315,786	274,650	15.0	307,157	2.8	308,364	2.4

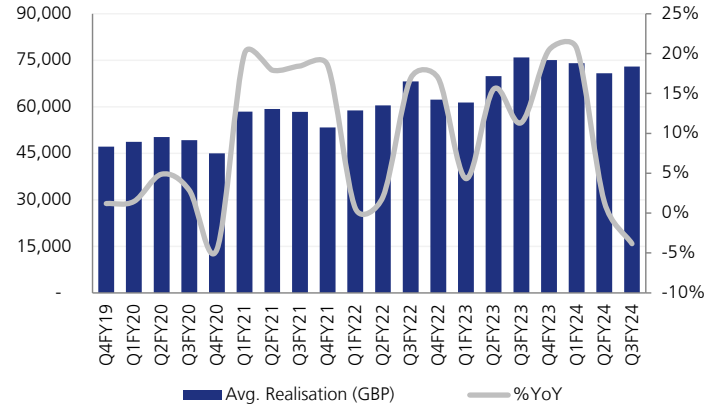
Source: Company, JM Financial

Exhibit 4. JLR revenue and margin trend



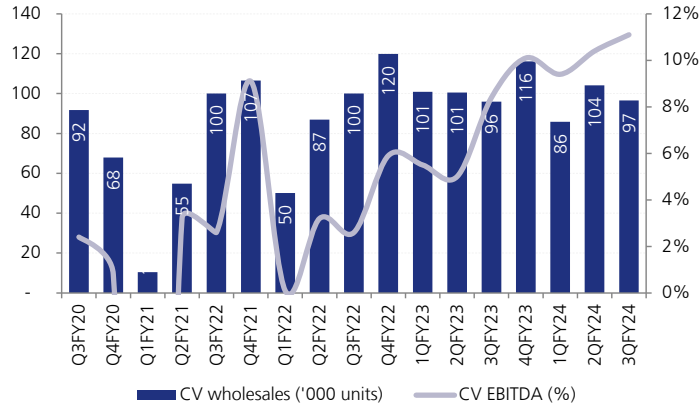
Source: JM Financial, Company

Exhibit 5. JLR avg. realisation (GBP) trend



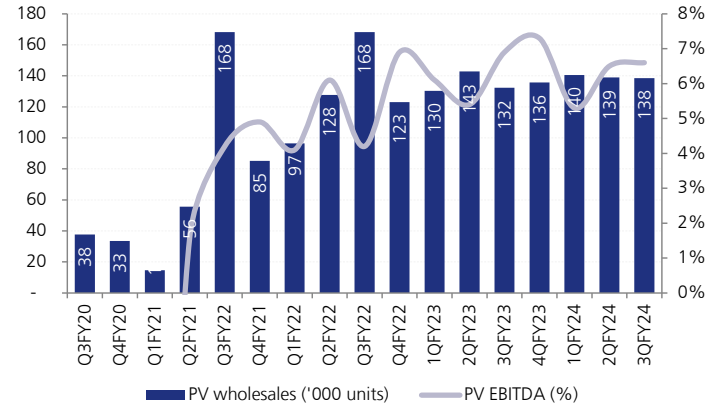
Source: JM Financial, Company

Exhibit 6. Standalone CV EBITDA margins



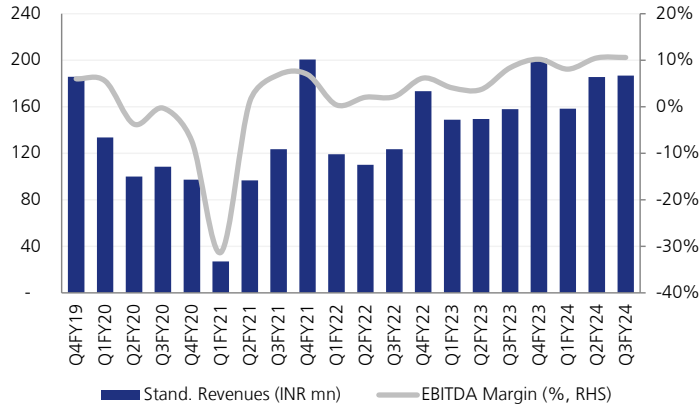
Source: Company, JM Financial

Exhibit 7. Standalone PV EBITDA margins



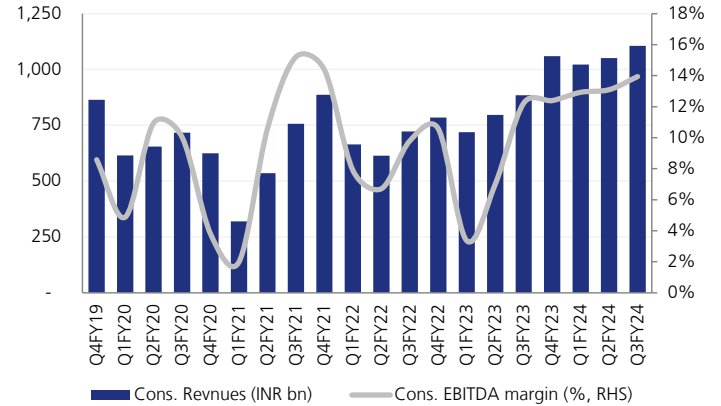
Source: Company, JM Financial

Exhibit 8. Standalone revenue and margin trend



Source: Company, JM Financial

Exhibit 9. Consolidated revenue and margin trend



Source: Company, JM Financial

Our Estimates

Exhibit 10. Standalone - key assumptions (INR mn)

	FY24E	FY25E	FY26E
Revenue (INR mn)	1,269,020	1,457,543	1,586,714
Blended ASP (INR)	1,289,227	1,324,740	1,332,322
Growth	7.7%	2.8%	0.6%
Total volume	979,436	1,094,848	1,184,826
Growth	2.0%	11.8%	8.2%
CV - domestic revenue (INR mn)	583,961	639,783	681,861
Volume	376,940	405,686	437,449
Growth	-4.2%	7.6%	7.8%
PV - domestic revenue (INR mn)	655,556	783,501	867,089
Volume	581,534	665,248	721,547
Growth	6.8%	14.4%	8.5%
EBITDA (INR mn)	123,195	138,726	156,394
EBITDA margin (%)	9.7%	9.5%	9.9%
PAT (INR mn)	60,261	72,619	86,005
EPS (INR)	16	19	22

Source: Company, JM Financial

Exhibit 11. JLR - key assumptions (GBP mn)

	FY24E	FY25E	FY26E
Revenue (GBP mn)	28,860	31,283	33,402
ASP (GBP)	72,699	73,390	74,116
Growth	2%	1%	1%
Volume	396,980	426,261	450,665
Growth	24%	7%	6%
EBITDA (GBP mn)	4,618	5,005	5,344
EBITDA margin (%)	16.0%	16.0%	16.0%
EBIT (excl. CJLR)	2,394	2,499	2,598
EBIT margin (%)	8.3%	8.0%	7.8%

Source: Company, JM Financial

Exhibit 12. CJLR - key assumptions (GBP mn)

	FY24E	FY25E	FY26E
Revenue (GBP mn)	1,813	2,014	2,197
ASP (GBP)	33,950	34,289	34,632
Growth	2.5%	1.0%	1.0%
Volume	53,398	58,738	63,437
Growth	5.0%	10.0%	8.0%
EBITDA (GBP mn)	236	282	297
EBITDA margin (%)	13.0%	14.0%	13.5%

Source: Company, JM Financial

Exhibit 13. TTMT fair value @ INR 1,000/share - SOTP

	Parameter	Multiple (x)	EBITDA, Sales (INR bn)	Total value (INR bn)	Value / Share (INR)
JLR	EV/EBITDA	2.5	556	1,390	360
CJLR (50% share)	EV/Sales	0.5	114	57	15
Total JLR enterprise value				1,447	375
Less: JLR net debt				165	45
JLR equity value				1,281	330
Domestic business enterprise value	EV/EBITDA	10	156	1,564	410
Less: Domestic automotive net debt				35	10
Domestic business equity value				1,528	400
Domestic PV EV business enterprise value				807	210
Tata Technologies stake at 25% hold co. discount				185	45
Sum of investments @ 25% discount				57	15
TTMT fair value				3,673	1,000

Source: JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	27,84,536	34,59,670	44,09,557	48,65,388	52,31,859	
Sales Growth	11.5%	24.2%	27.5%	10.3%	7.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	27,84,536	34,59,670	44,09,557	48,65,388	52,31,859	
Cost of Goods Sold/Op. Exp	18,08,858	22,64,696	27,67,835	30,58,477	32,90,909	
Personnel Cost	3,08,085	3,36,547	3,95,654	4,22,341	4,48,860	
Other Expenses	3,28,152	4,32,472	5,97,660	6,79,011	7,32,011	
EBITDA	3,39,440	4,25,954	6,48,407	7,05,560	7,60,079	
EBITDA Margin	12.2%	12.3%	14.7%	14.5%	14.5%	
EBITDA Growth	-9.5%	25.5%	52.2%	8.8%	7.7%	
Depn. & Amort.	3,40,452	3,55,223	3,80,257	3,98,363	4,21,920	
EBIT	-1,011	70,731	2,68,150	3,07,197	3,38,159	
Other Income	30,536	46,332	60,231	67,459	75,554	
Finance Cost	93,263	1,02,392	99,317	78,835	69,835	
PBT before Excep. & Forex	-63,738	14,670	2,29,065	2,95,821	3,43,878	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	-63,738	14,670	2,29,065	2,95,821	3,43,878	
Taxes	42,313	7,041	52,685	69,518	80,811	
Extraordinary Inc./Loss(-)	-6,296	15,905	8,890	0	0	
Assoc. Profit/Min. Int.(-)	2,068	-608	-2,670	-3,528	-4,615	
Reported Net Profit	-1,14,415	24,143	1,87,940	2,29,831	2,67,682	
Adjusted Net Profit	-1,08,119	8,238	1,79,050	2,29,831	2,67,682	
Net Margin	-3.9%	0.2%	4.1%	4.7%	5.1%	
Diluted Share Cap. (mn)	3,829.0	3,830.1	3,830.1	3,830.1	3,830.1	
Diluted EPS (INR)	-28.2	2.2	46.7	60.0	69.9	
Diluted EPS Growth	0.0%	0.0%	2,073.6%	28.4%	16.5%	
Total Dividend + Tax	0	0	8,845	13,268	13,268	
Dividend Per Share (INR)	0.0	0.0	2.0	3.0	3.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	4,45,612	4,53,218	6,32,313	8,48,876	11,03,290	
Share Capital	7,658	7,660	7,660	7,660	7,660	
Reserves & Surplus	4,37,954	4,45,558	6,24,652	8,41,216	10,95,630	
Preference Share Capital	0	0	0	0	0	
Minority Interest	42,711	72,777	76,640	81,082	86,190	
Total Loans	14,64,490	13,41,134	11,11,134	9,91,134	8,71,134	
Def. Tax Liab. / Assets (-)	-23,124	-37,777	-578	-578	-578	
Total - Equity & Liab.	19,29,688	18,29,352	18,19,509	19,20,514	20,60,036	
Net Fixed Assets	14,82,994	14,55,137	14,68,233	14,82,891	14,94,643	
Gross Fixed Assets	32,91,386	34,71,899	37,18,644	40,08,576	43,13,004	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	19,10,903	21,59,507	24,36,343	27,26,113	30,34,012	
Capital WIP	1,02,511	1,42,745	1,85,932	2,00,429	2,15,650	
Investments	2,93,795	2,63,792	2,71,332	2,79,627	2,88,752	
Current Assets	14,90,702	15,90,039	18,52,493	21,24,765	24,27,205	
Inventories	3,52,403	4,07,554	5,43,644	5,99,842	6,45,024	
Sundry Debtors	3,45,375	3,91,553	4,83,239	5,33,193	5,73,354	
Cash & Bank Balances	4,06,692	3,70,156	3,63,596	4,84,355	6,51,556	
Loans & Advances	3,78,160	4,12,371	4,53,608	4,98,968	5,48,865	
Other Current Assets	8,072	8,406	8,406	8,406	8,406	
Current Liab. & Prov.	13,37,802	14,79,615	17,72,549	19,66,769	21,50,564	
Current Liabilities	5,99,704	7,20,558	9,27,407	10,25,711	11,02,631	
Provisions & Others	7,38,098	7,59,057	8,45,143	9,41,058	10,47,933	
Net Current Assets	1,52,900	1,10,424	79,943	1,57,996	2,76,641	
Total - Assets	19,29,689	18,29,352	18,19,509	19,20,514	20,60,036	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	-63,738	14,670	2,29,065	2,95,821	3,43,878	
Depn. & Amort.	3,40,452	3,55,223	3,80,257	3,98,363	4,21,920	
Net Interest Exp. / Inc. (-)	93,263	1,02,392	99,317	78,835	69,835	
Inc (-) / Dec in WCap.	-3,36,986	44,983	23,921	42,707	48,555	
Others	18,612	46,580	15,422	7,970	9,723	
Taxes Paid	-42,313	-7,041	-52,685	-69,518	-80,811	
Operating Cash Flow	9,290	5,56,808	6,95,297	7,54,177	8,13,100	
Capex	-2,34,767	-3,27,366	-3,93,353	-4,13,021	-4,33,672	
Free Cash Flow	-2,25,477	2,29,442	3,01,944	3,41,156	3,79,428	
Inc (-) / Dec in Investments	-11,012	-8,705	-7,541	-8,295	-9,124	
Others	-93,263	-1,02,392	-99,317	-78,835	-69,835	
Investing Cash Flow	-3,39,043	-4,38,464	-5,00,211	-5,00,151	-5,12,631	
Inc / Dec (-) in Capital	0	2	0	0	0	
Dividend + Tax thereon	0	0	-8,845	-13,268	-13,268	
Inc / Dec (-) in Loans	2,54,474	-1,23,356	-2,30,000	-1,20,000	-1,20,000	
Others	14,045	-31,526	37,199	0	0	
Financing Cash Flow	2,68,519	-1,54,880	-2,01,646	-1,33,268	-1,33,268	
Inc / Dec (-) in Cash	-61,233	-36,536	-6,560	1,20,759	1,67,201	
Opening Cash Balance	4,67,925	4,06,692	3,70,156	3,63,596	4,84,355	
Closing Cash Balance	4,06,691	3,70,156	3,63,596	4,84,355	6,51,556	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	-3.9%	0.2%	4.1%	4.7%	5.1%	
Asset Turnover (x)	1.5	1.8	2.4	2.6	2.6	
Leverage Factor (x)	3.7	4.2	3.4	2.5	2.0	
RoE	-21.7%	1.8%	33.0%	31.0%	27.4%	

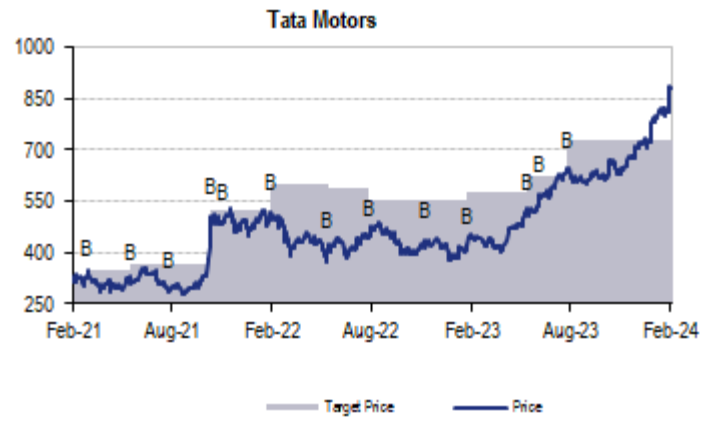
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	116.4	118.3	165.1	221.6	288.1	
ROIC	-0.1%	3.0%	17.1%	20.1%	22.7%	
ROE	-21.7%	1.8%	33.0%	31.0%	27.4%	
Net Debt/Equity (x)	1.9	1.7	0.9	0.4	0.0	
P/E (x)	-31.1	408.7	18.8	14.6	12.6	
P/B (x)	7.6	7.4	5.3	4.0	3.1	
EV/EBITDA (x)	12.5	9.9	6.2	5.3	4.6	
EV/Sales (x)	1.5	1.2	0.9	0.8	0.7	
Debtor days	45	41	40	40	40	
Inventory days	46	43	45	45	45	
Creditor days	90	87	90	90	90	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-Jan-20	Buy	230	
13-Apr-20	Buy	120	-47.8
16-Jun-20	Buy	120	0.0
2-Aug-20	Buy	125	4.2
28-Oct-20	Buy	170	36.0
31-Jan-21	Buy	320	88.2
28-Feb-21	Buy	350	9.4
19-May-21	Buy	365	4.3
27-Jul-21	Buy	365	0.0
13-Oct-21	Buy	525	43.8
2-Nov-21	Buy	525	0.0
31-Jan-22	Buy	600	14.3
13-May-22	Buy	585	-2.5
28-Jul-22	Buy	550	-6.0
9-Nov-22	Buy	550	0.0
26-Jan-23	Buy	575	4.5
14-May-23	Buy	625	8.7
7-Jun-23	Buy	625	0.0
26-Jul-23	Buy	730	16.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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