

Tata Motors

BSE SENSEX

81,796

S&P CNX

24,947

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3681
M.Cap.(INRb)/(USDb)	2527.9 / 29.4
52-Week Range (INR)	1179 / 536
1, 6, 12 Rel. Per (%)	-6/-14/-37
12M Avg Val (INR M)	12022
Free float (%)	57.4

Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Net Sales	4,397	4,401	4,688
EBITDA	551.3	497.1	554.2
Adj. PAT	232.6	169.0	191.2
Adj. EPS (INR)	63.2	45.9	52.0
EPS Gr. (%)	8	-27	13
BV/Sh. (INR)	315.6	356.5	402.4

Ratios

Net D/E (x)	0.1	0.1	0.1
RoE (%)	23.1	13.7	13.7
RoCE (%)	14.2	10.4	10.9
Payout (%)	9.6	11.0	11.6

Valuations

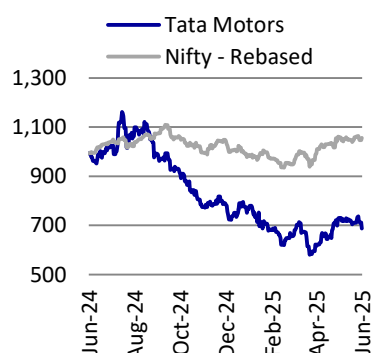
P/E (x)	10.9	14.9	13.2
P/BV (x)	2.2	1.9	1.7
EV/EBITDA (x)	4.3	4.6	4.0
Div. Yield (%)	0.9	0.7	0.9

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	42.6	42.6	46.4
DII	17.2	16.9	16.1
FII	17.8	18.7	19.2
Others	22.4	21.9	18.3

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR687
TP: INR690
Neutral

JLR EBIT margin guidance lowered to 5-7% for FY26

Outlook marred by multiple headwinds

We attended Tata Motors' (TTMT) virtual analyst meet for its JLR business. JLR continues to face several headwinds, such as tariff wars and resultant USD depreciation vs. GBP, uncertainty over EV transition, challenging market conditions in China, and rising warranty costs. As a result, management has lowered its EBIT margin guidance for FY26 to 5-7% from 10% earlier. It has also reduced its FCF guidance to nil from GBP1.8b earlier. TTMT has also indicated that it is working hard to improve efficiencies across the firm, with specific enterprise missions to drive the firm's transformation amid headwinds. These initiatives could result in cost savings of GBP1.4b p.a. during 2HFY26 to FY27-28 and help TTMT to return to its earlier EBIT margin target of 10% over time. While our estimates were already lower than the consensus, we have reduced our FY26 EBIT margin assumption for JLR to 6% (earlier 6.9%), which has led to a 10% cut in our FY26 earnings estimates. We have maintained our FY27 estimates at this stage. Given the multiple headwinds highlighted above, we reiterate Neutral with FY27E SOTP-based TP of INR690.

Below are the key takeaways from the analyst meet:

JLR FY26 Guidance lowered due to multiple headwinds

- Given the headwinds JLR is facing globally, management has lowered its EBIT margin guidance for FY26 to 5-7% from 10% (8.5% reported in FY25). This would entail a reduced revenue guidance of GBP28b (earlier >GBP30b).
- Management has also indicated that TTMT is working to improve efficiencies across the firm, with specific enterprise missions to drive the firm's transformation amid headwinds. These initiatives should result in cost savings of GBP1.4b p.a. during 2HFY26 to FY27-28 and help TTMT return to its earlier target of 10% EBIT margin over time.
- As a result, the company has reduced its FCF guidance to nil from GBP1.8b earlier. Working capital is expected to be adverse in FY26.
- Investment guidance stands at GBP3.8b in FY26 (same as in FY25) and GBP18b during FY24-28 (same as prior guidance). Over 50% of this amount would be invested in engineering and the balance in battery and EDU facilities, tooling, etc. In terms of brands, about 15% of investments would be in Jaguar and the balance in Land Rover.

Key headwinds highlighted by management

■ Uncertainty over tariffs

- Management hopes that the US and the UK seal a trade deal as announced by the two governments earlier. As part of the deal, auto exports to the US from the UK would attract a duty of ~10% for a quota of up to 100k vehicles.
- Given the sudden increase in tariffs, TTMT had temporarily stopped shipments to the US in Apr'25, which is likely to hurt its performance in 1QFY26. The company continues to assess pricing actions in the US after the new tariffs are effective.
- TTMT also hopes that there would be a trade deal between the US and European Union soon.

■ China market continues to be challenging

- ✓ While China's PV market grew 5% YoY in FY25, this was largely due to growth in the EV segment. However, the country's premium market declined 15% YoY in FY25.
- ✓ Almost 4,400 dealers have shut shops in China in CY24, representing about 50% of total dealer network.
- ✓ China continues to see fierce competition, with 215 out of 1,000 models seeing price reduction in CY24.
- ✓ The sharp slowdown in the auto segment has been attributed to curtailment in financing, as new credit issued by banks fell 21% YoY in CY24.
- ✓ Against this backdrop, RR has remained the No 1 brand in the >RMB1m value SUV market.
- ✓ JLR looks to improve its performance in China in FY26 by driving product enhancements in best-selling RR and Defender models, improving brand awareness with improved modern luxury retail experience, and leveraging its local footprint to achieve complementary growth by launching new Freelander through Chery JV by 2HCY26.

■ Impact of emission compliance

- ✓ Compliance-related costs have been rising for JLR.
- ✓ Management has indicated that it does not expect to pay fines in the UK as TTMT is moving to an electrified fleet in the coming years.
- ✓ In the US, JLR is ensuring emission compliance on the back of an optimal fleet mix and the purchase of credits from other OEMs even as the company continues to monitor evolving legislative changes.
- ✓ Even in Europe, TTMT continues to proactively monitor the mix by focusing on PHEVs and expects to be emission-compliant.

■ Issue of rising warranty costs

- ✓ JLR saw a rise in warranty costs for its vehicles in FY25, which remains an ongoing headwind that the company would look to mitigate.
- ✓ TTMT is now using predictive analytic tools to improve forecasting accuracy. This will help it maintain availability of spares as per requirement and hence minimize customers' downtime.
- ✓ It is also looking to improve the availability of JLR technicians to resolve complex issues at pace.

- Apart from the above-mentioned headwinds, USD weakness vs. GBP is expected to be another headwind. While TTMT is hedged for the near term, it is a risk to margins in the long term if it persists.
- Global OEMs are also facing an issue involving ADAS systems. US-based ADAS systems are not allowed in China, and the US has barred China-based ADAS systems in the country. This would mean double engineering costs for global OEMs like JLR; hence, development costs may rise if this issue continues.

JLR actions to offset these headwinds

- Management has indicated that TTMT is working on specific enterprise missions to drive transformation within the organization that will help to offset the above-mentioned headwinds. These include:
 - **Urgent impact measures** related to tackling the impact of tariffs, emission compliance, reduction in warranty costs, etc.
 - **High value:** TTMT aims to improve cost efficiencies and has set a target of achieving a double-digit reduction in structural costs in FY26. It wants to improve MLA profitability (maximizing value from this mix). The company is looking to reduce costs in manufacturing and freight and focusing on improving its performance in China on the back of initiatives highlighted above.
 - **Unlock potential:** The company is enhancing its brand positioning for all future products, including BEVs, across all brands and is focusing on unlocking value from accessory sales.
 - **Game changing:** TTMT aims to create strong brands after its BEV launches. It will focus on digital initiatives to optimize the total cost of ownership for value delivery. The company is looking to improve customer loyalty by delivering the best experience and reducing the turnaround time for issues. The company has achieved global NPS of 94, 12% global reduction in the number of customers with open issues, and 3% reduction in order cancellations.
- These would help the company deliver savings to the tune of GBP1.4b p.a. during 2HFY26 to FY27-28. These initiatives would help TTMT get back to its earlier target of 10% EBIT margin over time.

JLR looking at BEV transition as an opportunity to gain share

- There is a rising uncertainty about BEV transition in key global regions. This has given JLR an opportunity to focus on its BEV launches and build strong capabilities in BEV.
- However, most other peers seem to have gone for aggressive product launching without capability building, as per management.
- Hence, JLR expects the BEV transition to be an opportunity to gain share as customers, who were never considering JLR, are now showing interest in the brand's exciting EV unveils.

Milestones of its top brands

Range Rover (RR)

- It enjoys brand equity of 101 and has entered into Interbrand's top 100 global brands list.
- While the order intake for RR increased 15% YoY in FY25, the same for RRS increased 34% YoY in FY25.
- TTMT has launched special editions of RR variants, which have seen huge success: 1) Born of the Sand Edition in MENA region (priced at USD400k), 2) 10 years of SV edition in China priced at USD615k, 3) Masara edition in India priced at USD680k.
- The RR Electric now enjoys a waitlist of over 60k units.

Defender

- The brand equity for Defender has improved to 82 from an avg level of 78 over four quarters.
- Despite being in its sixth year, this model has posted record-high sales in FY25.
- The order intake on the model rose 3% in FY25, which was ahead of its estimates and decent given that it had minimal marketing spends.
- The Defender Octa enjoys an order book of 3k units. A limited edition of this variant was sold at GBP165k, highlighting that this brand's positioning can be elevated.

Discovery

- Brand equity was stable at 74.
- Its order intake declined 5% YoY, which was decent considering the weak end-market demand.
- Around 30% of Discovery clients are female customers and over 50% of them own pets.

Jaguar

- The new Type 00 reveal has created a huge excitement in social media.
- This new product is expected to attract younger customers compared to the erstwhile ICE variant, which attracted relatively elder customers.
- In the US, which is one of its key markets, TTMT has seen a 23% increase in awareness for Jaguar as a luxury brand. It has seen a 20% increase in customers seeing "Jaguar" as a brand worth paying for more.

Update on partnerships

- JLR management believes right partnerships are key to navigating the ongoing disruptive trends in the global automotive industry.
- It has partnered with NVIDIA for autonomous driving and AI, and its next-generation products would come with NVIDIA-based software capabilities.
- JLR, Dow and Adient have partnered for the use of recycled materials in automotive seats, which is an industry-first initiative.
- The company's EV battery plant in the UK in partnership with Agratas is expected to be operational by 2027.
- JLR has partnered with Tata Communications to deliver global connectivity for JLR's next-gen vehicles.

Valuation and view

- Considering the headwinds TTMT is facing, management has lowered its EBIT margin guidance for FY26 to 5-7% from 10% earlier. As a result, it has reduced its FCF guidance to nil from GBP1.8b earlier. Management has also indicated that TTMT is working to improve efficiencies across the firm, with specific enterprise missions to drive the firm's transformation amid headwinds. These initiatives should result in cost savings of GBP1.4b p.a. during 2HFY26 to FY27-28 and help TTMT to return to its earlier target of 10% EBIT margin over time.
- While our estimates were already lower than the consensus, we have reduced our FY26 EBIT margin estimate for JLR to 6% (from 6.9%), which has led to a 10% cut in our FY26 earnings estimates. We have maintained our FY27 estimates at this stage.
- For the lack of any triggers, we reiterate Neutral with FY27E SOTP-based TP of INR690.

Exhibit 1: JLR has best in class residual values in its key regions



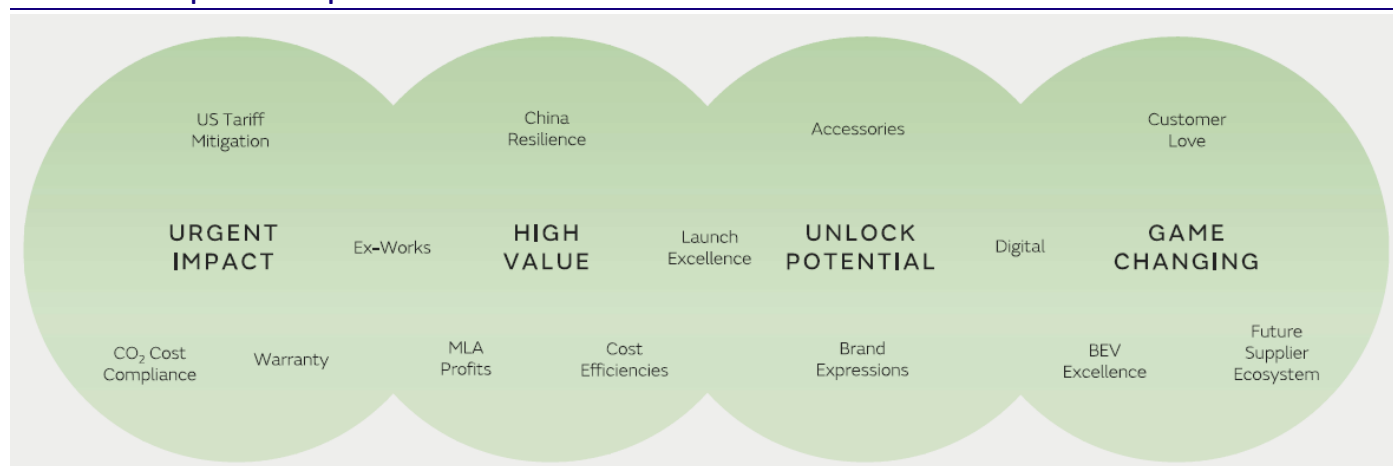
Source: Company, MOFSL

Exhibit 2: JLR has significant economic footprint in UK



Source: Company, MOFSL

Exhibit 3: JLR's specific enterprise missions to drive its transformation



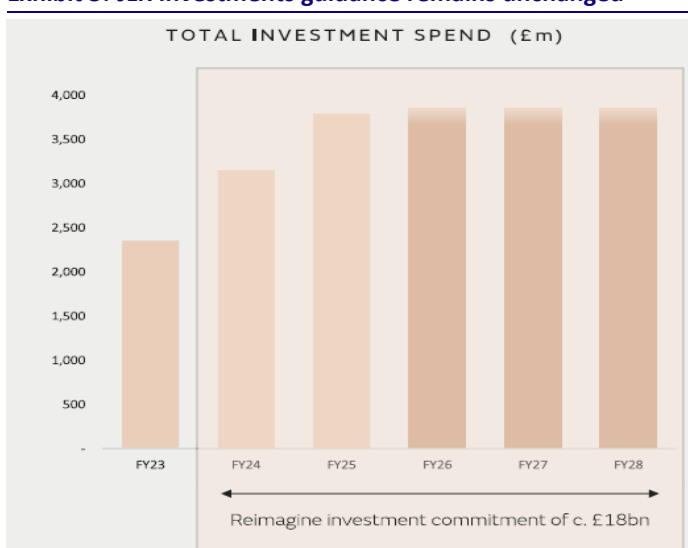
Source: Company, MOFSL

Exhibit 4: JLR has reduced its guidance for FY26

- FY26 EBIT in the range of 5% to 7%
- FY26 Free cash flow close to zero
- Improving year-on-year for FY27 and FY28
- Enterprise missions (excluding tariffs) will progressively deliver £1.4b per annum
 - Builds over time to offset residual tariff, foreign exchange and China risk
 - Allows for return to 10% EBIT

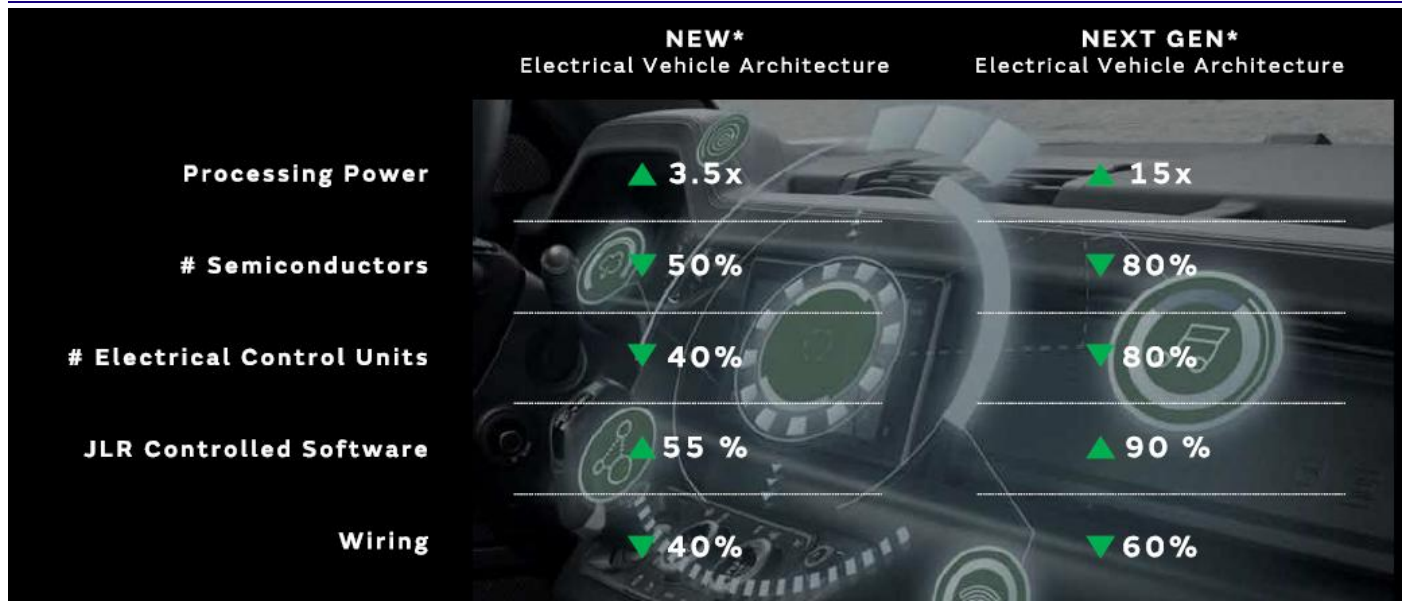
Source: Company, MOFSL

Exhibit 5: JLR Investments guidance remains unchanged



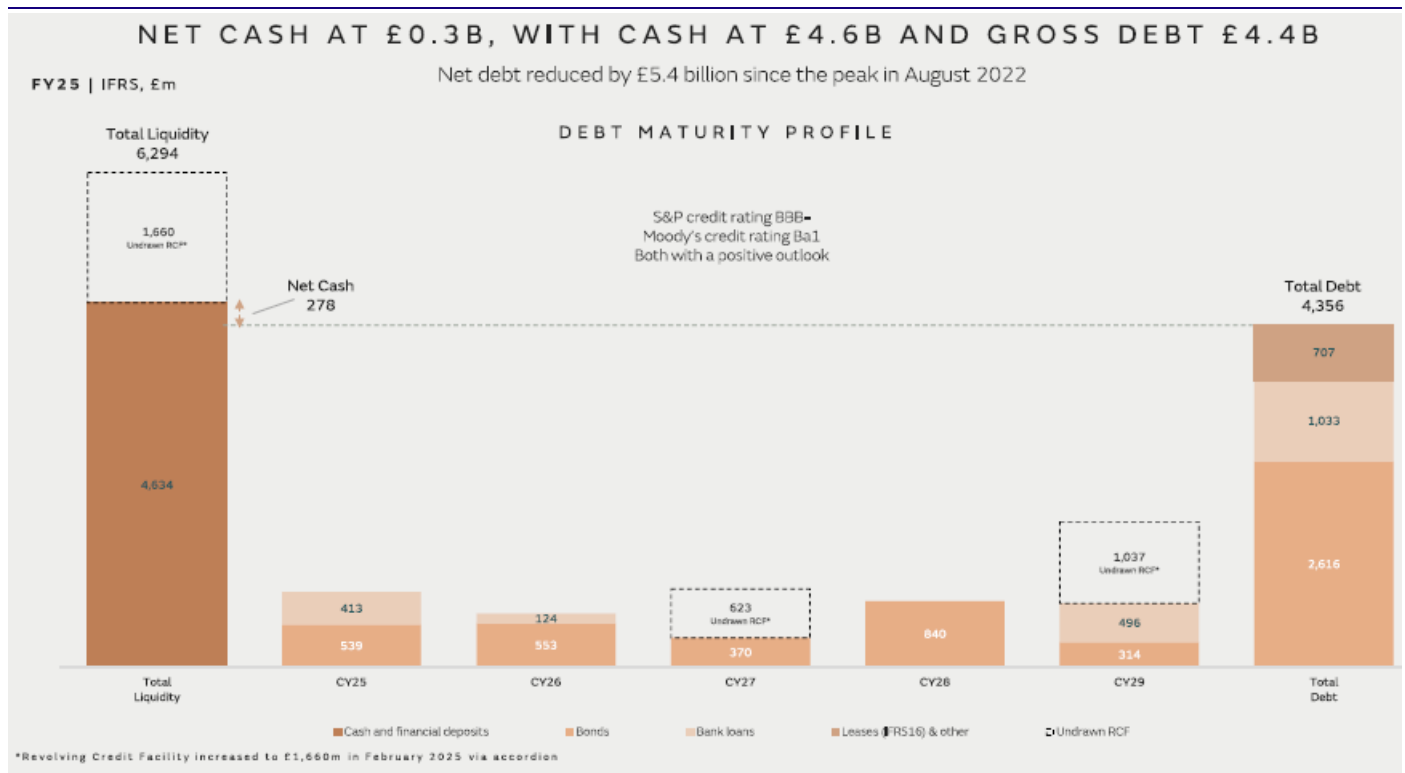
Source: Company, MOFSL

Exhibit 6: JLR's new EV architecture is a significant step towards its software-defined vehicle vision



Source: Company, MOFSL

Exhibit 7: JLR is now net cash

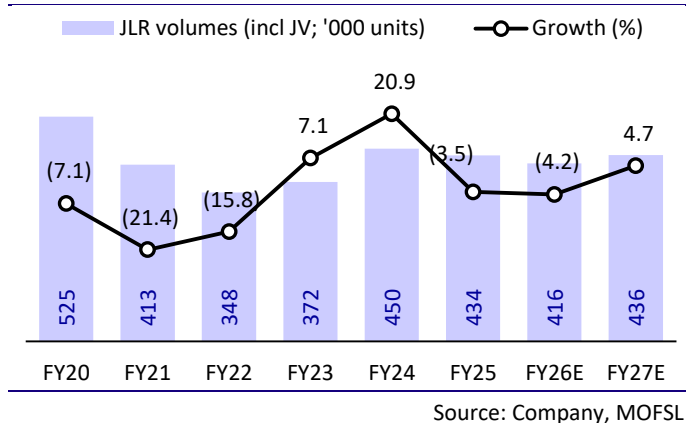
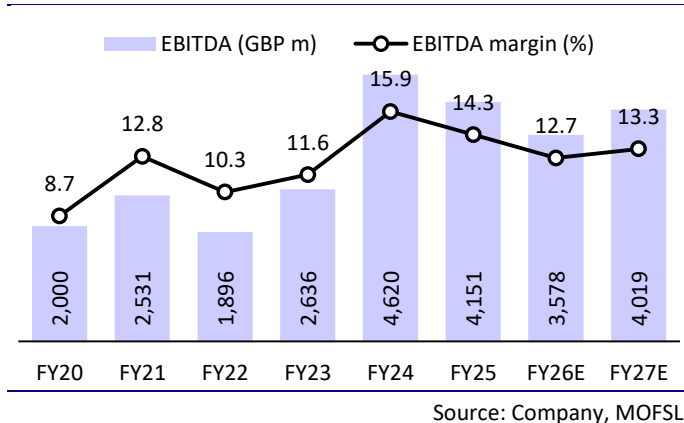
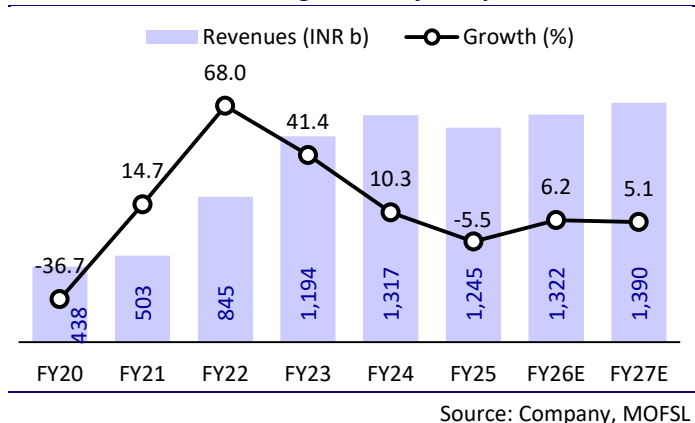
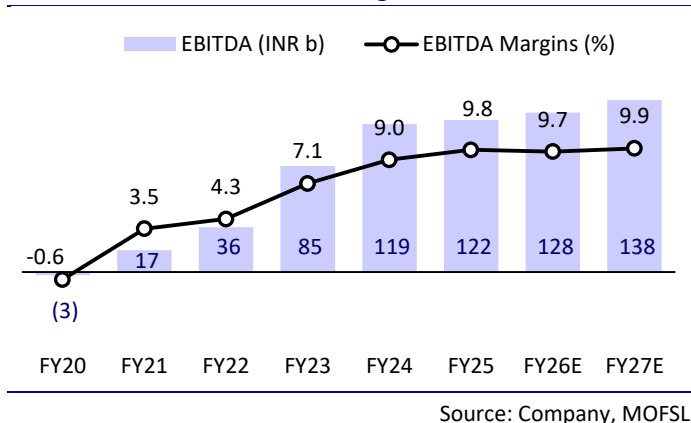


Source: Company, MOFSL

TATA MOTORS: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY25E	FY26E	FY27E
Tata Motors	SOTP		1,485	1,553	1,673
CVs	EV/EBITDA	11	981	1,031	1,121
PVs	EV/EBITDA	15	504	523	553
JLR (Adj for R&D capitalization)	EV/EBITDA	2.5	828	680	787
JLR - Chery JV EBITDA Share	EV/EBITDA	2.5	28	23	25
Finance arm	P/BV	1.2	40	36	32
Total EV			2,381	2,293	2,517
Less: Net Debt (Ex TMFL)			134	123	92
Add: Financing arm			112	112	112
Total Equity Value			2,359	2,283	2,538
Fair Value (INR/Sh) - Ord Sh			641	620	690

Story in charts

Exhibit 8: Volume growth trajectory for JLR

Exhibit 9: EBITDA and EBITDA margin trends for JLR

Exhibit 10: India business growth trajectory over FY25-27E

Exhibit 11: India EBITDA and margin trends


Key operating metrics

Snapshot of Revenue model

000 units	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
JLR								
Jaguar	144	90	68	63	71	42	13	1
Growth (%)	-18.7	-37.3	-24.4	-7.9	12.3	-41.1	-70.0	-90.0
% of Total JLR Vols	27.5	21.9	19.7	16.9	15.7	9.6	3.0	0.3
Land Rover	381	322	279	309	379	393	403	434
Growth (%)	-1.7	-15.4	-13.4	10.7	22.6	3.6	2.7	7.7
% of Total JLR Vols	72.5	78.1	80.3	83.1	84.3	90.4	97.0	99.7
Total JLR Volumes (incl JV)	525	413	348	372	450	434	416	436
Growth (%)	-7.1	-21.4	-15.8	7.1	20.9	-3.5	-4.2	4.7
ASP (GBP '000/unit)	48	57	62	71	72	72	72	73
Growth (%)	1.3	17.5	9.7	14.0	1.8	0.0	0.0	1.0
Net JLR Sales (GBP b)	23	20	18	23	29	29	28	30
Growth (%)	-5.1	-14.2	-7.2	24.5	27.1	-0.1	-2.8	7.0
INDIA								
MH&CVs	124	90	145	179	181	182	191	200
Growth (%)	-44.7	-27.6	60.3	23.6	1.4	0.2	5.0	5.0
LCVs	216	173	210	235	215	195	205	215
Growth (%)	-20.8	-20.2	21.4	12.1	-8.6	-9.0	5.0	5.0
Total CVs	341	263	354	413	396	377	396	416
Growth (%)	-31.6	-22.9	34.7	16.8	-4.3	-4.8	5.0	5.0
Total PVs	133	223	372	541	573	556	574	586
Growth (%)	-37.3	67.8	67.2	45.4	6.0	-3.0	3.1	2.1
Total Volumes	473	485	726	955	969	933	969	1,001
Growth (%)	-33.3	2.5	49.6	31.4	1.6	-3.7	3.9	3.3
ASP (INR 000/unit)	926	1,036	1,163	1,251	1,359	1,334	1,364	1,388
Net S/A Sales (INR b)	438	503	845	1,194	1,317	1,245	1,322	1,390
Growth (%)	-36.7	14.7	68.0	41.4	10.3	-5.5	6.2	5.1

Financials and valuations

Income Statement (Consolidated)							(INR b)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Total Income	2,610.7	2,497.9	2,784.5	3,459.7	4,379.3	4,397.0	4,400.5	4,688.1
Change (%)	-13.5	-4.3	11.5	24.2	26.6	0.4	0.1	6.5
EBITDA	197.3	305.6	248.1	318.3	596.1	551.3	497.1	554.2
% of Net Sales	7.6	12.2	8.9	9.2	13.6	12.5	11.3	11.8
Depreciation	214.3	235.5	248.4	248.6	272.7	232.6	258.3	278.1
EBIT	-17.0	70.1	-0.2	69.7	323.4	318.8	238.8	276.1
Product Dev. Exp.	41.9	52.3	92.1	106.6	109.6	107.2	111.9	116.7
Interest	72.4	81.0	93.3	102.4	100.3	50.8	52.8	58.3
Other Income	29.7	26.4	30.5	46.3	59.5	62.4	58.4	59.3
EO Exp/(Inc)	28.7	137.6	6.3	-15.9	-78.1	4.7	0.0	0.0
Forex Gain/ (Loss)	-17.4	17.3	-0.8	1.0	-0.2	9.2	0.0	0.0
PBT	-105.8	-104.7	-70.0	30.6	360.4	334.9	244.4	277.2
Effective Rate (%)	-3.7	-24.3	-60.4	23.0	13.7	31.4	30.9	31.0
Reported PAT	-109.8	-130.2	-112.3	23.5	311.1	229.9	168.8	191.3
Change (%)	-62.1	18.6	-13.7	-120.9	1,221.7	-26.1	-26.6	13.3
Minority Interest	-0.96	-0.56	-1.3	-2.8	-4.1	-3.2	-2.9	-3.5
Share of profit of associate	-10.00	-3.79	-0.7	3.4	7.0	2.9	3.1	3.5
Net Profit	-120.7	-134.5	-114.4	24.1	314.0	229.6	169.0	191.2
Adj. PAT	-90.9	2.2	-108.1	8.2	224.9	232.6	169.0	191.2
Change (%)	515.0	-102.4	-5,109.7	-107.6	2,629.7	3.4	-27.3	13.1

Balance Sheet (Cons.)							(INR b)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Sources of Funds								
Share Capital	7.2	7.7	7.7	7.7	7.7	7.4	7.4	7.4
Reserves	624	545	438	446	842	1,154	1,305	1,474
Net Worth	631	552	446	453	849	1,161	1,312	1,481
Loans	997	1,148	1,397	1,257	985	715	715	715
Deferred Tax	-35	-30	-23	-38	-120	-55	-55	-55
Capital Employed	1,601	1,686	1,862	1,745	1,796	1,888	2,041	2,214
Gross Fixed Assets	2,698	3,129	3,233	3,303	3,336	3,513	4,335	4,762
Less: Depreciation	1,435	1,750	1,852	1,991	2,132	2,365	2,623	2,901
Net Fixed Assets	1,263	1,379	1,380	1,312	1,204	1,148	1,712	1,861
Capital WIP	356	210	103	143	357	658	250	250
Goodwill	8	8	8	8	9	9	9	9
Investments	163	246	294	264	321	479	633	686
Curr.Assets	1,376	1,543	1,483	1,582	1,685	1,420	1,344	1,438
Inventory	375	361	352	408	478	473	473	504
Sundry Debtors	112	127	124	157	170	132	133	141
Cash & Bank Bal.	337	468	407	370	458	408	320	361
Loans & Advances	540	569	585	628	551	382	394	405
Current Liab. & Prov.	1,566	1,700	1,406	1,564	1,779	1,827	1,906	2,031
Sundry Creditors	664	682	600	721	880	941	942	1,003
Other Liabilities	651	753	569	594	611	518	663	706
Net Current Assets	-190	-157	77	17	-94	-407	-562	-593
Appl. of Funds	1,601	1,686	1,862	1,745	1,796	1,888	2,041	2,214

Financials and valuation

Ratios (Con.)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Basic (INR)								
EPS Fully Diluted	-25.3	0.56	-28.2	2.2	58.7	63.2	45.9	52.0
EPS Growth (%)	NA	NA	NA	NA	-	7.7	-27.3	13.1
Cash EPS	34.3	62.1	36.6	67.1	129.8	126.4	116.1	127.5
Book Value (Rs/Share)	175.3	144.3	116.4	118.3	221.6	315.6	356.5	402.4
DPS	0.0	0.0	0.0	2.0	6.0	6.0	5.0	6.0
Payout (Incl. Div. Tax) %	0.0	0.0	0.0	93.6	10.3	9.6	11.0	11.6
Valuation (x)								
Consolidated P/E	NA	NA	NA	319.3	11.7	10.9	14.9	13.2
EV/EBITDA	15.0	10.0	13.4	10.2	4.8	4.3	4.6	4.0
EV/Sales	1.1	1.2	1.2	0.9	0.6	0.5	0.5	0.5
Price to Book Value	3.9	4.8	5.9	5.8	3.1	2.2	1.9	1.7
Dividend Yield (%)	0.0	0.0	0.0	0.3	0.9	0.9	0.7	0.9
Profitability Ratios (%)								
RoE	-14.8	0.4	-21.7	1.8	34.5	23.1	13.7	13.7
RoCE (Post-tax)	0.9	7.3	2.7	5.0	18.7	14.2	10.4	10.9
Turnover Ratios								
Debtors (Days)	16	19	16	17	14	11	11	11
Inventory (Days)	52	53	46	43	40	39	39	39
Creditors (Days)	93	100	79	76	73	78	78	78
Asset Turnover (x)	1.6	1.5	1.5	2.0	2.4	2.3	2.2	2.1
Leverage Ratio								
Net Auto Debt/Equity (x)	0.8	0.7	1.1	1.0	0.2	0.1	0.1	0.1

Cash Flow Statement

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
(INR b)								
OP/(Loss) before Tax	-119.8	-134.0	-113.1	26.9	318.1	232.8	169.0	191.2
Int/Div. Received	-11.9	-5.1	-6.6	-13.0	-26.6	-25.4	58.4	59.3
Depreciation	214.3	235.5	248.4	248.6	272.7	232.6	258.3	278.1
Direct Taxes Paid	-17.5	-21.0	-19.1	-31.8	-45.2	-39.9	-75.5	-85.9
(Inc)/Dec in WC	50.6	-0.9	-104.7	-31.3	73.3	81.6	66.6	72.4
Other Items	125.1	234.0	144.3	138.5	8.7	154.1	2.9	3.5
CF from Op Activity	240.8	308.5	149.1	338.0	601.0	635.7	479.6	518.6
Extra-ordinary Items	25.5	-18.5	-6.3	15.9	78.1	-4.7	0.0	0.0
CF after EO Items	266.3	290.0	142.8	353.9	679.2	631.0	479.6	518.6
(Inc)/Dec in FA+CWIP	-295.3	-198.5	-149.4	-178.1	-311.8	-370.7	-414.0	-427.8
Free Cash Flow	-29.0	91.5	-6.6	175.8	367.3	260.3	65.7	90.8
(Pur)/Sale of Invest.	-35.8	-58.2	104.9	23.9	84.0	-105.3	-153.1	-53.5
CF from Inv Activity	-331.1	-256.7	-44.4	-154.2	-227.8	-475.9	-567.1	-481.3
Issue of Shares	38.9	26.0	37.7	37.7	0.8	-0.3	0.0	0.0
Inc/(Dec) in Debt	70.8	154.5	22.0	-205.4	-274.7	-106.4	0.0	0.0
Interest Paid	-75.2	-81.2	-92.5	-93.4	-93.3	-58.1	-52.8	-58.3
Dividends Paid	-0.6	-0.3	-1.0	-1.4	-2.9	-23.0	-18.5	-22.2
CF from Fin Activity	33.9	99.0	-33.8	-262.4	-370.1	-187.9	-71.3	-80.5
Inc/(Dec) in Cash	-30.9	132.3	64.6	-62.7	81.3	-32.8	-158.8	-43.1
Add: Beginning Bal.	215.6	184.7	317.0	381.6	318.9	400.1	367.4	208.6
Closing Balance	184.7	317.0	381.6	318.9	400.1	367.4	208.6	165.5

E: MOFSL Estimates

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