

JLR: EBIT margin guidance intact

11 March 2025

We attended a meeting with Tata Motors' (TTMT IN) CFO, Mr. PB Balaji on 11 March 2025. Key takeaways were: 1) TTMT seemed confident of meeting Jaguar Land Rover's (JLR) FY25 EBIT margin guidance of ≥8.5% and net debt free. 2) JLR's focus will remain building on brands and superior mix-led growth – TTMT expects *Land Rover (LR)* to top global growth. 3) In India, TTMT's target of achieving double-digit EBITDA margin in the PV segment remains – *Sierra's ICE* version is likely in the festival season. 4) The SCV segment may see some revival with TTMT acknowledging certain issues. We maintain estimates and reiterate **Buy**, with SoTP-TP pared to INR 872 (from INR 909).

'House of Brands' strategy intact; VME and warranty to be fine-tuned: JLR continues to focus on its strategy of building on the 'House of Brands' and expects mix-led benefits to continue. Quality, residual value and preserving the luxury brand pedigree are some key pillars for luxury brands. JLR is confident of meeting its FY25 EBIT margin guidance of ≥8.5% and turning net debt free. It is yet to decide on positioning of *Discovery* as a brand. Warranty cost is a bigger concern, mainly for *Jaguar – For Range Rover* and *Defender*, warranty cost is much lower than JLR average. With *Jaguar ICE* to be phased out, expect positive impact on margin. Warranty cost may ebb from Q4. A reason for rising warranty issues in other global brands has been rising tech in software-defined vehicles and issues related to that.

TTMT cautious on global demand; expects *LR* to outperform: Europe has elongated the timelines for meeting emission regulations – Expect the UK to follow suit. Demand in the US is holding up well (monitor the direction of tariffs), in the EU is seeing some positive notes, in the UK is reviving and in China seems still stressed, albeit at a lesser clip than for global peers. TTMT sees concerns in China as more cyclical than structural. TTMT expects *LR* volumes to outperform global auto volume, given its positioning and branding strategy.

India PV: TTMT targets double-digit margin; focus on marketing to revive brands: TTMT has maintained its target of double-digit EBITDA margin for its India PV business (9MFY25 EBITDA margin at 6.6%). Also, it will focus on branding and marketing of the portfolio than just pricing and market share. Per TTMT, this renewed strategy will help it gain market share, eventually. *Curvv* is expected to be relaunched during the IPL and *ICE Sierra* during the festival season (Sep-Oct). Worst seems behind for the PV EV business and EV contribution in FY27-28 should at least touch 15-20%. TTMT will relook its distribution channel strategy.

Maintain Buy; TP cut to INR 872: Monitor how JLR balances premiumization (positive impact on margin from mix) with volume growth (operating leverage), even as global growth slows and order backlog exhausts. While Q4FY25 EBIT margin for JLR may be strong at ~10%, await FY26 EBIT margin guidance (currently 10%; Elara Estimate 9%). For India business, *Sierra ICE* launch during the festival season may arrest the market share dip from H2FY26. We are cautious on India CV cycle. Valuations are comfortable. We reiterate Buy, but cut SoTP-TP to INR 872 from INR 909, as we pare EV/EBTIDA for CV and PV segments to 10x/ 13x (from 11x/ 14x), respectively, on muted outlook.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	3,459,670	4,379,278	4,219,504	4,349,375	4,499,334
YoY (%)	24.2	26.6	(0.8)	6.9	6.0
EBITDA (INR mn)	319,197	595,383	566,576	602,235	645,562
EBITDA margin (%)	9.2	13.6	13.4	13.8	14.3
Adj PAT (INR mn)	8,238	323,761	218,165	230,418	254,636
YoY (%)	(107.6)	3,830.3	(32.6)	5.6	10.5
Fully DEPS (INR)	2.2	84.5	59.3	62.7	69.3
RoE (%)	5.4	48.2	22.9	19.7	18.1
RoCE (%)	4.0	18.2	17.6	16.9	16.3
P/E (x)	301.2	7.7	10.9	10.3	9.4
EV/EBITDA (x)	10.0	4.8	5.0	4.7	4.4

Note: Pricing as on 11 March 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 872**

Upside: **35%**

CMP: **INR 648**

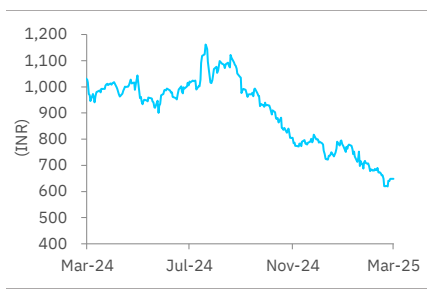
As on 11 March 2025

Key data

Bloomberg	TTMT IN
Reuters Code	TAMO. NS
Shares outstanding (mn)	3,681
Market cap (INR bn/USD mn)	2715/31,135
Enterprise Value (INR bn/USD mn)	3,387/38,836
Avg daily volume 3M (INR mn/USD mn)	10,659/122
52 week high/low	1,179/606
Free float (%)	57

Note: as on 11 March 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	46.4	46.4	42.6	42.6
% Pledged	-	-	-	-
FII	19.3	18.3	20.7	18.8
DII	16.1	16.2	17.1	17.0
Others	18.2	19.1	19.6	21.6

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(8.7)	(9.7)	0.7
Tata Motors	(18.9)	(33.6)	(36.8)
NSE Mid-cap	(17.8)	(17.3)	0.0
NSE Small-cap	(23.3)	(21.3)	(2.1)

Jay Kale, CFA

Auto & Auto Ancillaries
+91 22 6164 8507
jay.kale@elaracapital.com

Associates
Munindra Upadhyay
Neel Doshi



Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,459,670	4,379,278	4,219,504	4,349,375	4,499,334
EBITDA	319,197	595,383	566,576	602,235	645,562
Add:- Non operating Income	46,332	59,499	33,620	15,341	16,731
OPBITDA	365,529	654,883	600,196	617,576	662,293
Less :- Depreciation & Amortization	248,604	272,701	223,425	234,803	250,903
EBIT	116,925	382,181	376,771	382,773	411,391
Less:- Interest Expenses	102,255	99,858	63,564	51,908	45,759
PBT	14,670	282,324	313,207	330,865	365,632
Less :- Taxes	7,041	(38,516)	93,962	99,260	109,690
Share of minority interests	2,756	4,077	3,335	3,668	4,035
Profit from associates	3,364	6,998	2,255	2,481	2,729
Adjusted PAT	8,238	323,761	218,165	230,418	254,636
Reported PAT	8,238	323,761	218,165	230,418	254,636
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	7,660	7,665	7,665	7,665	7,665
Reserves	445,558	841,515	1,052,327	1,275,391	1,522,673
Net worth	453,218	849,180	1,059,992	1,283,056	1,530,338
Borrowings	1,256,605	985,001	998,364	1,011,556	1,012,768
Minority Interest	72,777	81,759	81,759	81,759	81,759
Deferred Tax (Net)	(14,070)	(11,434)	(11,434)	(11,434)	(11,434)
Other liabilities	843,587	898,836	946,300	979,180	1,014,376
Total Liabilities	2,640,256	2,826,210	3,097,848	3,366,984	3,650,676
Gross Block	3,816,390	3,980,951	4,425,293	4,884,937	5,367,416
Less:- Accumulated Depreciation	2,503,998	2,776,699	3,000,124	3,234,928	3,485,830
Net Block	1,312,392	1,204,252	1,425,169	1,650,010	1,881,586
Add:- Capital work in progress	151,151	365,587	365,587	365,587	365,587
Investments	263,792	229,710	248,086	267,933	289,368
Net Working Capital	(155,624)	(233,029)	(113,717)	(79,444)	(80,628)
Cash and Cash Equivalents	370,156	458,067	371,100	361,275	393,140
Other Assets	698,390	801,623	801,623	801,623	801,623
Total Assets	2,640,256	2,826,210	3,097,848	3,366,984	3,650,676
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non cash items	416,941	694,894	441,591	465,222	505,539
Add/Less : Working Capital Changes	(31,270)	29,422	(71,848)	(1,393)	36,381
Operating Cash Flow	385,670	724,316	369,742	463,828	541,920
Less:- Capex	(93,289)	(314,136)	(444,342)	(459,644)	(482,479)
Free Cash Flow	292,381	410,180	(74,600)	4,184	59,442
Financing Cash Flow	(262,429)	(370,060)	13,363	13,191	1,213
Investing Cash Flow	(168,042)	(228,281)	(462,719)	(479,491)	(503,913)
Net change in Cash	(44,800)	125,975	(79,613)	(2,471)	39,220
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	24.2	26.6	(3.6)	3.1	3.4
EBITDA Growth	29.1	86.5	(4.8)	6.3	7.2
PAT Growth	(107.6)	3,830.3	(32.6)	5.6	10.5
EBITDA Margin	9.2	13.6	13.4	13.8	14.3
Net Margin	0.2	7.4	5.2	5.3	5.7
Return & Liquidity Ratios					
Net Debt/Equity (x)	1.5	0.5	0.4	0.4	0.3
ROE (%)	5.4	48.2	22.9	19.7	18.1
ROCE (%)	4.0	18.2	17.6	16.9	16.3
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	2.2	84.5	59.3	62.7	69.3
EPS Growth (%)	(107.6)	3,830.3	(29.8)	5.6	10.5
DPS (INR/Share)	2.0	6.0	2.0	2.0	2.0
P/E Ratio (x)	301.2	7.7	10.9	10.3	9.4
EV/EBITDA (x)	10.0	4.8	5.0	4.7	4.4
EV/Sales (x)	0.9	0.7	0.7	0.7	0.6
Price/Book (x)	5.5	2.9	2.2	1.9	1.6
Dividend Yield (%)	0.3	0.9	0.3	0.3	0.3

Note: Pricing as on 11 March 2025; Source: Company, Elara Securities Estimate

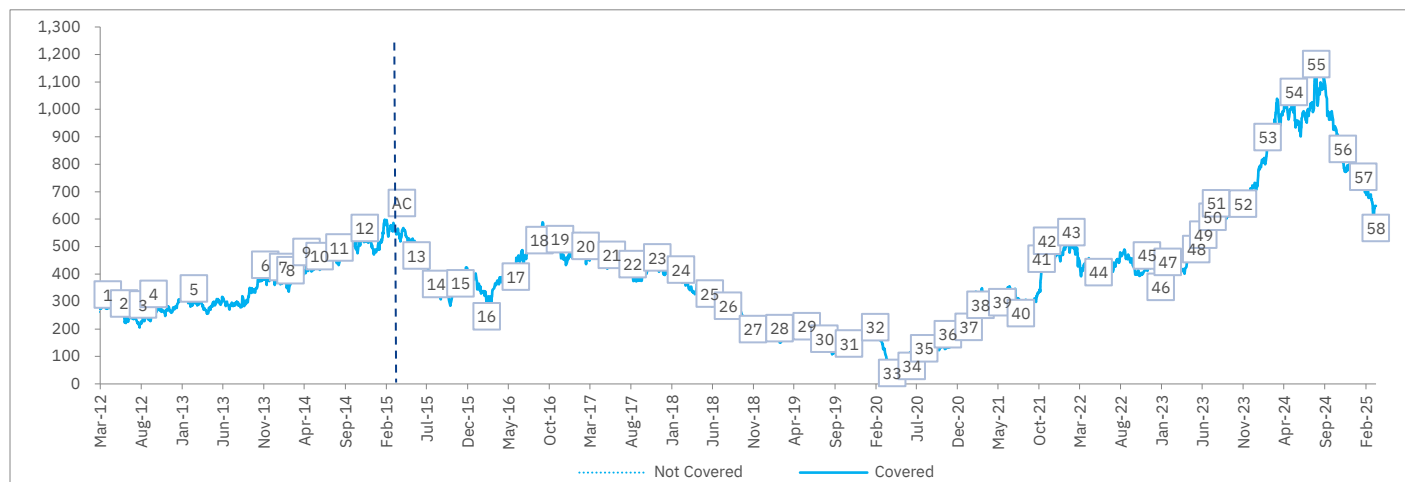
Margin expansion led by recovery at JLR

Exhibit 1: Valuation summary

SoTP based valuation: (INR)	FY27E
CV business value (10x EV/ EBITDA)	271
PV Co business value (13x EV/ EBITDA)	172
JLR UK value per share (2.5x adj EV/EBITDA)	363
CJLR value per share (9x P/E)	9
Subsidiaries	56
Value per share (INR)	872

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
47	25-Jan-2023	Buy	INR 521	INR 419
48	12-May-2023	Buy	INR 615	INR 516
49	7-Jun-2023	Accumulate	INR 615	INR 568
50	11-Jul-2023	Accumulate	INR 650	INR 529
51	25-Jul-2023	Accumulate	INR 752	INR 639
52	2-Nov-2023	Buy	INR 779	INR 636
53	2-Feb-2024	Accumulate	INR 935	INR 879
54	10-May-2024	Accumulate	INR 1,100	INR 1,047
55	1-Aug-2024	Accumulate	INR 1,300	INR 1,144
56	8-Nov-2024	Buy	INR 1,088	INR 805
57	24-Jan-2025	Buy	INR 909	INR 734
58	11-Mar-2025	Buy	INR 872	INR 648

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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India
Elara Securities (India) Private Limited
 One International Center, Tower 3,
 21st Floor, Senapati Bapat Marg,
 Elphinstone Road (West)
 Mumbai – 400 013, India
 Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
 6th Floor, The Grove,
 248A Marylebone Road,
 London, NW1 6JZ,
 United Kingdom
 Tel : +44 20 7486 9733

USA
Elara Securities Inc.
 230 Park Avenue, Suite 2415,
 New York, NY 10169, USA
 Tel: +1 212 430 5870
 Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
 One Marina Boulevard,
 Level 20,
 Singapore 018989
 Tel : +65 6978 4047



**Managing
Director**

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



**Head of
Research**

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



**India, APAC &
Australia**

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



**Corporate
Access,
Conference &
Events**

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited
 Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500
 CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933
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 Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
 Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509