

Tata Motors (TTMT)

Catalyst intact while navigating near term issues

View – JLR supply disruption yet unknow, can dent earnings momentum

TTMT's 1QFY25 consol results were operationally in-line to street while better to our estimates with EBITDA beat ~7.4% with consol margins at 14.4% (est 13.8%). Deleveraging is on track with net auto debt stood at ~Rs186b (vs ~Rs160b in FY24 and Rs437b in FY23). The company did maintain EBIT guidance at ~8.5% for FY25E (vs 8.5% in FY24), is despite it called out production constraints in 2Q/3Q led by plant shut down and floods at key aluminum supplier. This we believe is key to watch for as the EBIT margins guidance are largely hinges on volumes given key margins drivers such as 1) peak LR contribution, 2) RM tailwinds and 3) controlled VME is now moderating QoQ given demand challenges cropping up in key markets like Europe, UK and China while the US is still strong. This reflects in order book at ~104k units in 1QFY25 (vs ~133k at end of FY24, 150k in 3Q and 168k in 2Q).

We have liked TTMT given it's improving India franchise, early leadership in EVs in India, and JLR's improved profitability, standalone business is approaching cyclical volume moderation both in PV and CV whereas near term anticipated challenges at JLR can dent earning momentum. We raise FY25/26 consol EPS by 2%/1% to reflect upon likely muted volumes at JLR partially offset by increase in in the domestic business margins led by CV. We estimate revenue/EBITDA CAGR of 7-10% in FY24-26E and maintained the stock to ADD with SoTP based TP of Rs1,240 (v/s Rs1,196 earlier).

Result Highlights – Steady performance across business

- Consol revenues grew 5.7% YoY (-9.9% QoQ) at Rs1080.5b (est Rs1047.1b) as S/A revenues grew 6.5% YoY at Rs168.6b (est Rs172b) and JLR revenues grew 5.4% YoY at GBP7.3b (est GBP7.8b) as ASP grew ~1% YoY/~5.5% QoQ at GBP74.4k/unit (est 72.2k/unit).
- Consol EBITDA grew 14.4% YoY (-8.7% QoQ) at Rs155.1b (est ~Rs144.4) with margins expanded 110bp YoY (+20bp QoQ) at 14.4% (est 13.8%, cons 14.1%).
- Segmental EBIT performance** - 1) JLR at 9% (+30bp YoY/-20bp QoQ, est 8.8%) led by lower depreciation due to phase out of XE, XJ and F type. 2) Domestic CV at 9% (+280bp YoY/-60bp QoQ), 3) Domestic PV at 0.5% (flat YoY/-250bp QoQ).
- Adj.PAT came in-line at higher Rs57.8b (est Rs54.5b, cons Rs53.1b).
- CJLR performance** - Revenues grew 8.7% QoQ at GBP361m as volume grew 13.5%, EBITDA margins at ~18% (vs ~15% QoQ) and PAT at GBP10m (vs GBP7m QoQ).

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	1,080,480	1,047,784	1,092,000	3.1	-1.1	JLR continues to lead from the front.
EBITDA	155,090	144,434	153,488	7.4	1.0	
EBITDA margins %	14.4	13.8	14.1	60bp	30bp	
Adjusted PAT	57,734	54,520	53,100	5.9	8.7	

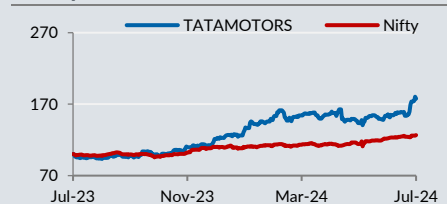
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,146
Target Price	: Rs 1,240
Potential Return	: +8.2%

Stock data (as on Aug 1, 2024)

Nifty	25,011
52 Week h/l (Rs)	1,179 / 591
Market cap (Rs/USD mn)	42,48,709 / 50,755
Outstanding Shares (mn)	3,833
6m Avg t/o (Rs mn):	10,601
Div yield (%):	1.1
Bloomberg code:	TTMT IN
NSE code:	TATAMOTORS

Stock performance



	1M	3M	1Y
Absolute return	+14.2%	+13.5%	+77.8%

Shareholding pattern (As of June'24)

Promoter	46.4%
FII+DII	34.3%
Others	19.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1,240	1,196

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	61.8	70.4
EPS (Old)	62.8	71.1
% change	(1.6%)	(0.9%)

Financial Summary

Y/E March (Rs bn)	FY24	FY25E	FY26E
Net Sales	4,379	4,910	5,288
EBITDA	706	723	809
Net Profit	326	237	270
Adj. EPS (INR)	85.0	61.8	70.4
EPS Gr. (%)	2,611	(27)	14
BV/Sh. (INR)	221.6	277.0	340.5
RoE (%)	50.0	24.8	22.8
RoCE (%)	30.3	20.6	21.6
Payout (%)	7.0	10.4	9.8
P/E (x)	13.5	18.5	16.3
P/BV (x)	5.2	4.1	3.4
EV/EBITDA (x)	6.8	6.0	5.0
Div. Yield (%)	0.5	0.6	0.6

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs.mn)	Q1FY25	Q1FY24	YoY chg	Q4FY24	FY24	FY23	YoY chg
Net Revenues	1,080,480	1,022,361	5.7	1,199,863	4,379,278	1,059,324	313.4
Raw Materials	659,130	637,835	3.3	737,849	2,727,557	681,944	300.0
% of Net Sales	61.0%	62.4%		61.5%	62.3%	64.4%	
Personnel	118,020	98,518	19.8	114,337	424,866	93,775	353.1
% of Net Sales	10.9%	9.6%		9.5%	9.7%	8.9%	
Manufacturing & Other Exp	224,920	209,780	7.2	251,278	898,337	212,562	322.6
% of Net Sales	20.2%	20.6%		20.9%	20.5%	20.1%	
Expenses capitalised	76,680	59,367	29.2	73,533	267,584	56,918	370.1
Total Expenditure	925,390	886,766	4.4	1,029,930	3,783,177	931,363	306.2
EBITDA	155,090	135,595	14.4	169,933	596,101	127,961	365.8
EBITDA Margin (%)	14.4%	13.3%		14.2%	13.6%	12.1%	
Depreciation	65,740	66,332	(0.9)	71,505	272,701	70,502	286.8
EBIT	89,350	69,264		98,428	323,400	57,459	462.8
Interest Expenses	20,880	26,154	(20.2)	22,338	99,858	26,417	278.0
Non-operating income	15,750	13,605	15.8	14,598	59,001	15,769	274.2
Forex gain	2,760	(3,418)	(180.7)	1,420	(219)	3,183	
Extraordinary Exp/ Income	(430)	6,770	(106.4)	881	9,771	2,153	353.8
PBT	87,410	46,527		91,228	272,553	47,841	
Tax-Total	31,780	15,630	103.3	(81,593)	(38,516)	(6,207)	520.6
Tax Rate (%) - Total	36.4%	33.6%		-89.4%	-14.1%	-13.0%	
Minority Interest / Share in Associates	2,550	3,088		3,680	7,395	4,325	
Profit after MI	58,209	40,918	42.3	176,500	329,077	55,843	489.3
Adj. PAT	57,734	41,008	40.8	177,414	332,280	58,275	470.2
PAT Margin	5.0%	3.9%		14.8%	7.6%	5.5%	

Source- Company, YES Sec

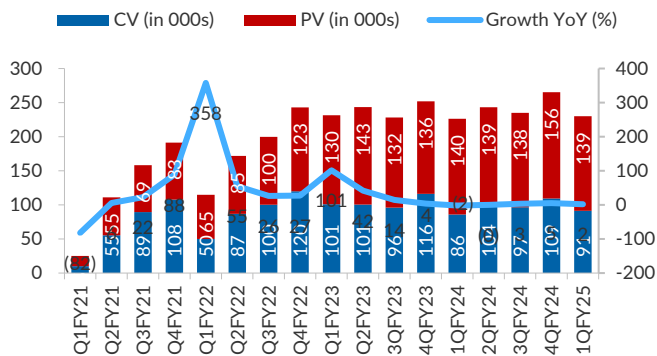
Exhibit 3: SOTP valuations

Rs/Share	FY25E	FY26E
Tata Motors - Standalone	438	499
CV business	297	334
PV business	142	165
Tata Motors - India EV business	98	98
JLR	353	356
Tata Motors Finance	49	44
Total EV	939	997
Less: Net Debt	(40)	(131)
Add: Tata Tech stake value	113	113
Total Equity Value	1,092	1,240

Source- Company, Yes Sec

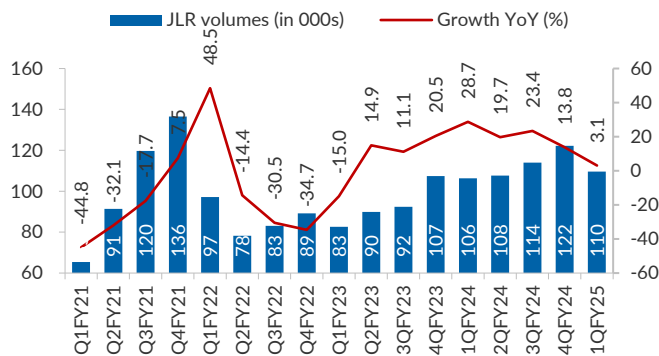
CHARTS

Exhibit 1: 1QFY25 volumes trend for PV and CV



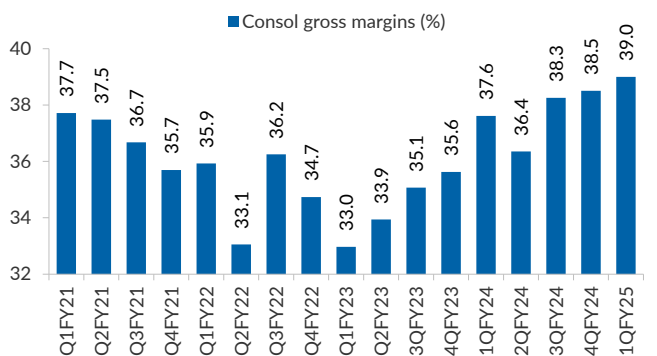
Source: Company, YES Sec

Exhibit 2: JLR volumes fell by 10.3% QoQ to ~109.6k



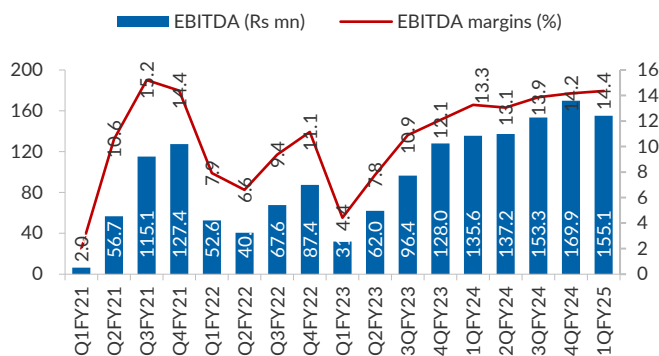
Source: Company, YES Sec

Exhibit 3: Gross margin expanded ~50bp QoQ at 39%



Source: Company, YES Sec

Exhibit 4: EBITDAM expanded ~20bp QoQ at 14.4%



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

JLR

- **Demand outlook** - Expect demand likely to remain muted (vs indication of demand remaining strong in markets such as North America and China in 4QFY24 call). Mix of Range Rover, Range Rover Sport and Defender increased to 68% of total wholesales. 1QFY25 retail sales up YoY in UK, North America and Europe while China was flat YoY.
 - **Demand outlook** - Seeing supply constraints play out over demand constraints which should help build order book back in the system. See muted demand from China while for Europe (flat retail in 1Q) expect some increase led by VME. The US remain strong while UK is recovering.
- **Aluminum shortage** - working on compensation measures due to ongoing disruption. Will look at alternate source and Tata ecosystem. More update on the same by 2QFY25 call.
- **Freelander** - have licensed the brand to CJLR for royalty and would entitle for share of profit of 50%. Have tried to reactivate dormant brand to royalty flow.
- **VME** - JLR net pricing slightly under pressure as reflected in VME which increased from 2.4% in 1QFY24 to 3.2% in 1QFY25 (vs ~3% in 4QFY24), though still lower than competition. Saw VME increase in UK market. **Expect limited increase in VME from 1QFY25 levels.**
- EBIT margin of 8.9% for the quarter reflects higher wholesales and material cost improvement offset partially by VME, FMI and selling costs.
 - **EBIT margins guidance maintained at >8.5% for FY25E even though seeing some pressure around production due to flood impact at supplier end and annual maintenance shutdown.**
- **FCF of GBP230m in 1QFY25** vs FCF of GBP892m for 4Q and a record GBP2.3b for FY24 leading to net debt to GBP1b (vs GBP732m in 4QFY24, GBP1.6b in 3Q and GBP2.2b in 2Q). JLR on track to turn net debt zero during FY25. **The increase in debt QoQ was led by dividend payment of GBP387m to TML and other net debt adjustment of GBP96m.**
- **Investments** - 1QFY25 investments at GBP951m with FY25 investment target maintained at GBP3.5b.
- ROCE at 21.2% in 1QFY25 and maintained FY25E ROCE target of 22%.
- **Decline in depreciation QoQ** as co stopped production of XE, XJ and F type for Jaguar brand.
- **Gross margins declined QoQ** due to VME increase, stock revaluations impact of GBP16m.
- **Order book ~104k vehicles at 1QFY25** (vs ~133k vehicles at end of FY24, 150k in 3Q and 168k in 2Q).

TTMT CV

- **Demand outlook** - Expect CV demand to benefit from positive macro indicators. MHCV - wait and watch, LCV - flat.
 - **Fleet Utilization remained at healthy levels in 1QFY25 and KM runs saw increase QoQ.** In Jul'24 it was impacted due to heavy rains impacting mining/infra/long haul movement leading to postponement of purchases.
 - **Demand pipeline hasn't seen a drop inline** with drop in the wholesales. Plus Infra segment will see payment release by the government which should support volumes.
 - **LCV** expected to remain flat in FY25 while bus to grow and MHCV need to keep a watch.

- **Digital sales** - Highest ever digital sales at 28% in 1QFY25 (vs 26% in Q4 FY24). FY24 digital sales surged to 20.3% from 13.3% in FY23.
- Non-vehicle-business revenue grew by ~8% YoY in 1QFY25 and 17% in FY24 on YoY basis.
- **TML Smart city** – 160 buses deployed in 1QFY25 (vs 1700+ EV buses deployed in FY24); total of 2900+ EV buses operational including 1300+ under CESL tender in Delhi and Bangalore. EV bus uptime at >95% in 1QFY25. Payment security mechanism is mostly placed which should lead to increased participation from TTMT CV.
- E-dukaan, online marketplace for spares grew revenue by 2.6x to Rs4.05b in 1QFY25.
- Fleet Edge has now 690K+ vehicles on platform clocked revenue of Rs150m in Q1FY25 (FY24 revenue Rs90m).
- ACE EV retails were at ~800 units in 1QFY25 (vs 2.1k in 4QFY24) as leveraging recently launched ACE EV 1 ton post FAME 2 discontinued. Have received PLI certificate for ACE 1 ton variant as well.

TTMT PV

- **EBITDA margins** – PV EBITDA at 8.5% in 1QFY25 (vs 10.2% in 4QFY24) with FY24 EBITDA at 9.4% (vs 8.5% in FY23). While EV vertical EBITDA at 0.1% (pre product development expense) vs 1.1% in 4Q vs 0.2% in 3Q and -0.7% in 2QFY24. The EBITDA improvement in the EV was led by fall in battery prices.
- **Powertrain Mix** – in 1QFY25, share of EV declined to ~12% of fuel mix (v/s 13%/9%/5% in FY24/FY23/FY22), share of CNG at 22% (v/s 16%/8%/3% in FY24/FY23/22).
- **EV distribution** – cities/dealership at 192/165/250 in FY24/FY23/FY22 and 293/250/143 in FY24/FY23/FY22 with overall charging infra touchpoints at 12.07k in 1QFY25 (vs 10.06k in FY24 and 5.3k as of FY23) and expect to take it to ~22k over 18 months.
- **Channel inventory high at resulting in stress on wholesales.**
 - Current inventory of 35-40 days vs normalized level of ~30 days.
 - ICE - Inquiries remained firm in May and June despite weak retails. Seeing some bounce back in July with festive sales expected to be good aided by new product launch (Curvv).
 - EV - Moderation in EV fleet segment demand due to expiry of FAME II. Fleet contribution fell to 5-6% vs ~10%. Had pre buy in 4QFY24 due to FAME expiry which led volume decline in 1QFY25.
- **New launch** - Curvv (mid SUV) by 2HCY24 and Sieraa in 2H of 2025.

Financials

- **Net auto debt increased to Rs186b (vs Rs160b in FY24 and Rs437b in FY23).** The increase in debt was led by seasonality effect while focus in deleveraging continues. JLR on track to net debt free.
- **India PV PLI – Auto PLI SOP have been issued in July by MHI.** Tiago.EV is certified and eligible for incentives for sales done in FY24. Will file claims by end Sep'24.
- **India PV** – decline in ASP was led by low contribution from EVs. Expect ASP recovery from 2Q.
- **Tata Motors Finance** – 1QFY25 NPA at 3.4% (vs FY24 NPA at 3.2% and 4.5% in FY23). Capital adequacy at 19.7%, Tier-1 capital at 11.6%. DE ratio at 7.1x (vs 6.5x in 4Q). Disbursals at Rs45.2b for 1QFY25 (+33% YoY).
- Auto strong FCF of Rs141b in Q4, leading to full year auto FCF at Rs269b.

FINANCIALS

Exhibit 5: Balance Sheet

Y/E March	2021	2022	2023	2024	2025E	2026E
Share Capital	7,658	7,659	7,660	7,665	7,665	7,665
Reserves	544,809	437,954	445,558	841,515	1,053,801	1,297,391
Net Worth	552,467	445,612	453,218	849,180	1,061,466	1,305,056
Loans	1,421,306	1,464,490	1,341,134	1,072,625	822,625	702,625
Minority Interest	15,735	42,711	72,777	81,759	83,562	85,527
Deferred Tax	(29,645)	(23,124)	(37,777)	(119,557)	(118,997)	(118,437)
Capital Employed	1,959,863	1,929,689	1,829,352	1,884,008	1,848,656	1,974,772
Gross Fixed Assets	3,128,886	3,232,889	3,303,008	3,336,218	3,805,203	4,167,203
Less: Depreciation	1,749,847	1,852,406	1,990,616	2,131,966	2,422,708	2,741,128
Net Fixed Assets	1,379,039	1,380,483	1,312,392	1,204,252	1,382,495	1,426,074
Capital WIP	209,639	102,511	142,745	356,984	250,000	250,000
Goodwill	8,037	8,072	8,406	8,603	8,603	8,603
Investments	246,203	293,795	263,792	229,711	176,785	158,422
Curr.Assets	1,543,136	1,482,630	1,581,633	1,776,100	2,062,031	2,319,362
Inventory	360,886	352,403	407,554	477,883	538,081	579,520
Sundry Debtors	126,791	124,421	157,380	169,518	201,781	217,320
Cash & Bank Bal.	467,925	406,692	370,156	458,067	686,537	921,890
Loans & Advances	568,849	584,547	628,388	648,323	608,323	568,323
Others	18,686	14,566	18,156	22,309	27,309	32,309
Current Liab. & Prov.	1,426,191	1,337,802	1,479,615	1,691,642	2,031,257	2,187,689
Sundry Creditors	681,798	599,704	720,558	880,430	941,643	1,014,161
Other Liabilities	479,845	500,876	508,985	522,931	739,862	796,840
Provisions	264,548	237,222	250,072	288,281	349,753	376,688
Net Current Assets	116,945	144,829	102,018	84,458	30,773	131,673
Appl. of Funds	1,959,863	1,929,689	1,829,352	1,884,008	1,848,656	1,974,772

Source: Company, YES Sec

Exhibit 6: Income statement

Y/E March	2021	2022	2023	2024	2025E	2026E
Total Income	2,497,948	2,784,536	3,459,670	4,379,278	4,909,993	5,288,123
Change (%)	(4.3)	11.5	24.2	26.6	12.1	7.7
Expenditure	2,140,128	2,444,310	3,034,755	3,673,590	4,187,288	4,479,090
EBITDA	357,819	340,227	424,915	705,688	722,705	809,033
% of Net Sales	14.3	12.2	12.3	16.1	14.7	15.3
Depreciation	235,467	248,357	248,604	272,701	290,742	318,421
EBIT	122,352	91,870	176,312	432,987	431,964	490,613
Product Dev. Exp.	52,266	92,095	106,620	109,587	110,263	111,782
Interest	80,972	93,119	102,255	99,858	73,160	67,540
Other Income	26,432	30,536	46,332	59,499	48,667	26,545
EO Exp/(Inc)	137,610	6,440	(15,768)	10,250	-	-
Forex Gain/ (Loss)	17,322	(787)	1,039	(238)	-	-
PBT	(104,743)	(70,035)	30,576	272,553	297,207	337,836
Tax	25,419	42,313	7,041	(38,516)	59,441	67,567
Effective Rate (%)	(24.3)	(60.4)	23.0	(14.1)	20.0	20.0
Reported PAT	(130,161)	(112,348)	23,535	311,070	237,766	270,268
Change (%)	18.6	(13.7)	(120.9)	1,221.7	(23.6)	13.7
% of Net Sales	(5.2)	(4.0)	0.7	7.1	4.8	5.1
Minority Interest	(563)	(1,327)	(2,756)	(4,077)	(1,803)	(1,966)
Share of profit of associate	(3,790)	(741)	3,364	6,998	961	1,637
Net Profit	(134,514)	(114,415)	24,143	313,991	236,924	269,940
Adj. PAT	36,491	(104,084)	12,006	325,689	236,924	269,940
Change (%)	(140.1)	(385.2)	(111.5)	2,612.7	(27.3)	13.9

Source: Company, YES Sec

Exhibit 7: Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025E	2026E
OP/(Loss) before Tax	(133,961)	(113,088)	26,899	318,068	236,924	269,940
Int/Div. Received	5,109	6,594	12,976	26,553	48,667	26,545
Depreciation	235,467	248,357	248,604	272,701	290,742	318,421
Direct Taxes Paid	(21,046)	(19,096)	(31,790)	(45,163)	(58,881)	(67,007)
(Inc)/Dec in WC	(926)	(104,737)	(31,271)	73,252	282,155	134,453
Other Items	54,278	131,238	112,695	43,992	1,803	1,966
CF from Op Activity	138,922	149,269	338,112	689,403	801,408	684,318
Extra-ordinary Items	151,083	(6,440)	15,768	(10,250)	-	-
CF after EO Items	290,005	142,828	353,880	679,154	801,408	684,318
(Inc)/Dec in FA+CWIP	(198,558)	(149,383)	(178,107)	(311,825)	(362,000)	(362,000)
Free Cash Flow	91,447	(6,555)	175,774	367,328	439,408	322,318
(Pur)/Sale of Invest.	(62,704)	101,632	10,065	83,545	52,926	18,363
CF from Inv Activity	(261,263)	(47,751)	(168,042)	(228,281)	(309,074)	(343,637)
Issue of Shares	26,025	37,686	33,742	38,942	-	-
Inc/(Dec) in Debt	154,549	22,026	(201,402)	(312,780)	(250,000)	(120,000)
Interest Paid	(81,229)	(92,514)	(93,360)	(93,323)	(73,160)	(67,540)
Dividends Paid	(303)	(999)	(1,409)	(2,898)	(24,639)	(26,350)
CF from Fin Activity	99,042	(33,802)	(262,429)	(370,060)	(347,799)	(213,890)
Inc/(Dec) in Cash	127,785	61,275	(76,591)	80,813	144,535	126,791

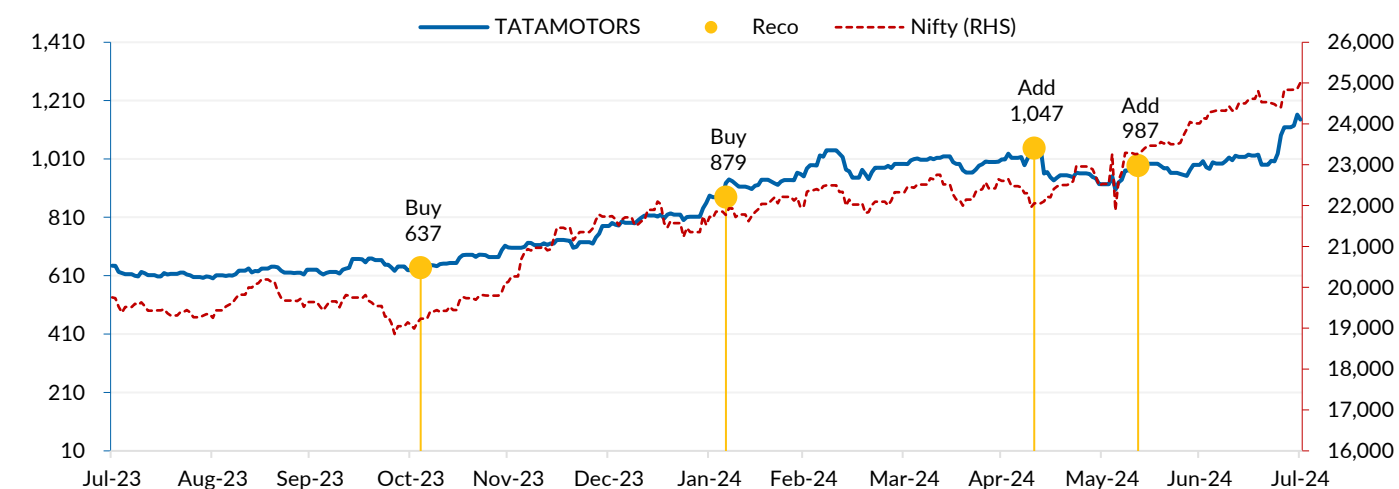
Source- Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/E March	2021	2022	2023	2024	2025E	2026E
Basic (INR)						
EPS	9.5	(27.2)	3.1	85.0	61.8	70.4
EPS Fully Diluted	9.5	(27.2)	3.1	85.0	61.8	70.4
EPS Growth (%)	(137.7)	(385.2)	(111.5)	2,611.0	(27.3)	13.9
Cash EPS	71.0	37.7	68.0	156.1	137.7	153.5
Book Value (Rs/Share)	144.3	116.4	118.3	221.6	277.0	340.5
DPS	-	-	2.0	6.0	6.4	6.9
Payout (Incl. Div. Tax) %	-	-	62.7	7.0	10.4	9.8
Valuation (x)						
Consolidated P/E	120.3	(42.2)	365.6	13.5	18.5	16.3
EV/EBITDA	14.2	15.1	12.0	6.8	6.0	5.0
EV/Sales	2.0	1.9	1.5	1.1	0.9	0.8
Price to Book Value	7.9	9.8	9.7	5.2	4.1	3.4
Dividend Yield (%)	-	-	0.2	0.5	0.6	0.6
Profitability Ratios (%)						
RoE	6.2	(20.9)	2.7	50.0	24.8	22.8
RoCE	10.2	10.1	9.1	30.3	20.6	21.6
RoIC	16.5	13.6	12.5	52.2	43.9	56.9
Turnover Ratios						
Debtors (Days)	18.5	16.3	16.6	14.1	15.0	15.0
Inventory (Days)	52.7	46.2	43.0	39.8	40.0	40.0
Creditors (Days)	99.6	78.6	76.0	73.4	70.0	70.0
Asset Turnover (x)	1.3	1.4	1.9	2.3	2.7	2.7
Leverage Ratio						
Debt/Equity (x)	2.6	3.3	3.0	1.3	0.8	0.5

Source- Company, Yes Sec

Recommendation Tracker



Source - YES Sec

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