

March 28, 2024

Management Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		BUY	
Target Price	1,075		1,010	
Sales (Rs. m)	47,36,652	48,95,647	47,20,836	48,79,145
% Chng.	0.3	0.3		
EBITDA (Rs. m)	7,13,012	7,51,889	7,11,549	7,50,283
% Chng.	0.2	0.2		
EPS (Rs.)	76.5	82.1	76.2	81.8
% Chng.	0.4	0.4		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	3,460	4,447	4,737	4,896
EBITDA (Rs. bn)	318	638	713	752
Margin (%)	9.2	14.3	15.1	15.4
PAT (Rs. bn)	7	249	293	314
EPS (Rs.)	1.9	65.0	76.5	82.1
Gr. (%)	(106.7)	3,357.2	17.7	7.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	1.6	42.8	34.2	27.1
RoCE (%)	3.8	18.6	18.3	16.9
EV/Sales (x)	1.3	1.0	0.9	0.8
EV/EBITDA (x)	14.2	6.9	5.9	5.2
PE (x)	520.7	15.1	12.8	11.9
P/BV (x)	8.3	5.3	3.7	2.8

Key Data

TAMO.BO | TTMT IN

52-W High / Low	Rs.1,066 / Rs.400
Sensex / Nifty	72,996 / 22,124
Market Cap	Rs.3,582bn/ \$ 42,957m
Shares Outstanding	3,323m
3M Avg. Daily Value	Rs.11876.72m

Shareholding Pattern (%)

Promoter's	46.37
Foreign	18.62
Domestic Institution	17.34
Public & Others	17.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	57.8	137.5
Relative	1.8	42.9	87.6

Himanshu Singh

himanshuksingh@plindia.com | 91-22-66322269

In a strong position operationally

Quick Pointers

- Targeting 25-30% of EV mix in India PV portfolio in 2-3 years
- All businesses are in strong position to self-sustain and grow

We met with Tata Motors' management to understand the rationale behind the demerger and receive general business updates. TTMT is on track to meet its outlined operational metrics, viewing the demerger as having no impact on these objectives. TTMT expects demerger to offer greater maneuverability, aiming for both entities to operate in a self-sustaining manner. Although we see limited benefits in terms of value unlocking, TTMT's confidence reassures us of a sustainable recovery in both the India PV and JLR.

We remain positive on Tata Motors based on: 1) JLR's volume ramp-up, leading to strong revenue, profitability, and FCF; 2) a focus on increasing market share in the PV segment through model launches and rising EV penetration; and 3) profitable and robust FCF performance, driven by margin expansion in the CV segment. We have adjusted our estimates primarily for the India businesses, resulting in a consolidated EPS change of 0.4% for FY24-FY26E, with an estimated CAGR of 12.4% over the same period. We have increased our EV/EBITDA multiple for the India PV business to 13x to align it more closely with Maruti Suzuki. Consequently, our SoTP-based TP has been revised upwards to Rs. 1,075. However, given the stock's sharp run-up over the last three months, we are downgrading our recommendation to 'ACCUMULATE' from 'Buy'.

De-merger rationale: TTMT has created strong businesses that will be managed on a standalone basis. Given the significant product improvement backed by strong volume growth in its PV business, the management is optimistic both entities will operate in self-sustaining manner. Additionally, the demerger will enable the respective entities to pursue their strategies with greater ability and reinforce accountability. Tata Motor Finance, which largely caters to the CV segment, we expect it to be a part of the CV business; however, further details are expected to follow in due course.

Mixed commercial vehicle outlook: TTMT expects Q4FY24 and H1FY25 to remain muted due to a slowdown in the implementation of infrastructure projects ahead of the general elections. However, it expects volumes to recover from H2FY25, driven by government impetus on physical infrastructure improvement as CV industry is largely linked with the capex cycle. Despite the recent blip in its CV volumes and anticipation of muted business in H1FY25, the company's target is to sustain double-digit EBITDA margin for FY25.

Expanding EV portfolio: The new Punch.ev has received strong response from customers with healthy enquiries, the new vehicle could add incremental volume of ~2-2.5k units per month. The upcoming launch of Tata Curvv EV, followed by ICE variant and Harrier EV will increase its offerings across multiple powertrain which

could aid in market share expansion and volume growth. Considering the expansion of its product portfolio, it targets to sell 100k EV units in FY25. Over the next 2-3 years, it aims to scale-up current EV mix from 12% to 25-30% and to 50% by FY30. Given its leading presence in the EV market, break-even at the EBITDA level (excluding R&D expenses), and strategic product portfolio, we believe it is well-placed to deliver healthy growth going forward, further aided by PLI benefits, which should likely start flowing from FY25.

Robust Land Rover outlook: The JLR business has delivered consistent performance since Q2FY23 which is backed by normalization of supply chain and corresponding improvement in production rate of key models like Range Rover, Range Rover Sport and Land Rover Defender. Consequently, the order book continues to reduce as the increase in production is enabling fulfillment of orders. The premium luxury segment where it operates has been resilient to headwinds. TTMT expects JLR's margin to improve consistently and to reduce its auto net debt of Rs 290bn over the next 12-15 months.

Revamp of Jaguar segment: It plans to launch its first EV for Jaguar unit by the end of CY25 while it aims to gradually phase out the ICE engine models. The new EV portfolio will be a premium niche market product.

Exhibit 1: SoTP Valuation

SoTP value	Valuation	Multiple (x)	Mar-26 (Rs bn)
Standalone business	EV/EBITDA	11.0	998
JLR	EV/EBITDA	2.0	1,104
PV subsidiary	EV/EBITDA	13.0	707
China JV	P/E	8.0	33
Tata Motors Finance	P/BV	1.0	51
Total EV			2,893
(-) Net automotive debt (ex TMFL)			(232)
Total Equity Value (Rs bn)			3,125
Fair value/sh			850
Tata Technologies per share			42
Tata sons per share			87
EVCo value/sh			96
Target price			1,075

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	34,59,670	44,47,186	47,36,652	48,95,647
YoY gr. (%)	24.2	28.5	6.5	3.4
Cost of Goods Sold	22,64,696	27,88,968	29,60,484	30,54,919
Gross Profit	11,94,973	16,58,218	17,76,168	18,40,728
Margin (%)	34.5	37.3	37.5	37.6
Employee Cost	3,36,547	4,12,041	4,32,301	4,42,255
Other Expenses	5,40,268	6,08,510	6,30,854	6,46,585
EBITDA	3,18,158	6,37,666	7,13,012	7,51,889
YoY gr. (%)	28.3	100.4	11.8	5.5
Margin (%)	9.2	14.3	15.1	15.4
Depreciation and Amortization	2,48,604	2,76,446	3,02,258	3,14,190
EBIT	69,554	3,61,220	4,10,754	4,37,698
Margin (%)	2.0	8.1	8.7	8.9
Net Interest	1,02,255	97,069	96,460	99,866
Other Income	47,371	47,722	50,585	53,620
Profit Before Tax	30,576	3,11,873	3,64,880	3,91,452
Margin (%)	0.9	7.0	7.7	8.0
Total Tax	7,041	62,375	72,976	78,290
Effective tax rate (%)	23.0	20.0	20.0	20.0
Profit after tax	23,535	2,49,498	2,91,904	3,13,162
Minority interest	2,756	2,783	2,811	2,839
Share Profit from Associate	3,364	2,164	3,953	4,146
Adjusted PAT	7,199	2,48,879	2,93,045	3,14,468
YoY gr. (%)	-	-	-	-
Margin (%)	0.2	5.6	6.2	6.4
Extra Ord. Income / (Exp)	15,905	-	-	-
Reported PAT	24,143	2,48,879	2,93,045	3,14,468
YoY gr. (%)	(121.1)	930.9	17.7	7.3
Margin (%)	0.7	5.6	6.2	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	3,830	3,830	3,830	3,830
EPS (Rs)	1.9	65.0	76.5	82.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	34,55,051	37,89,998	41,02,929	44,14,289
Tangibles	34,55,051	37,89,998	41,02,929	44,14,289
Intangibles	-	-	-	-
Acc: Dep / Amortization	21,01,009	23,77,455	26,79,713	29,93,903
Tangibles	21,01,009	23,77,455	26,79,713	29,93,903
Intangibles	-	-	-	-
Net fixed assets	13,54,042	14,12,543	14,23,215	14,20,385
Tangibles	13,54,042	14,12,543	14,23,215	14,20,385
Intangibles	-	-	-	-
Capital Work In Progress	1,42,745	1,57,020	1,72,721	1,89,994
Goodwill	8,406	8,406	8,406	8,406
Non-Current Investments	75,409	79,179	83,138	87,295
Net Deferred tax assets	(14,070)	(15,336)	(16,716)	(18,220)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,88,383	1,97,802	2,07,692	2,18,077
Inventories	4,07,554	5,48,283	5,83,971	6,10,279
Trade receivables	1,57,380	2,19,313	2,85,497	2,88,374
Cash & Bank Balance	3,70,156	5,14,433	7,36,459	10,36,109
Other Current Assets	6,98,390	7,61,063	8,29,430	9,04,014
Total Assets	34,02,464	38,98,042	43,30,530	47,62,933
Equity				
Equity Share Capital	7,660	7,660	7,660	7,660
Other Equity	4,45,558	7,03,416	9,96,461	13,10,930
Total Networkth	4,53,218	7,11,076	10,04,121	13,18,590
Non-Current Liabilities				
Long Term borrowings	13,41,134	13,73,070	14,08,199	14,46,840
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,20,558	9,25,989	9,86,262	10,19,368
Other current liabilities	7,59,057	7,97,010	8,36,860	8,78,703
Total Equity & Liabilities	33,60,814	38,98,042	43,30,530	47,62,933

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	33,939	3,14,037	3,68,832	3,95,598
Add. Depreciation	2,48,604	2,76,446	3,02,258	3,14,190
Add. Interest	1,02,255	97,069	96,460	99,866
Less Financial Other Income	47,371	47,722	50,585	53,620
Add. Other	(63,276)	(47,722)	(50,585)	(53,620)
Op. profit before WC changes	3,21,522	6,39,830	7,16,965	7,56,034
Net Changes-WC	(6,864)	(21,951)	(70,115)	(28,821)
Direct tax	(8,556)	(61,108)	(71,596)	(76,786)
Net cash from Op. activities	3,06,102	5,56,771	5,75,254	6,50,428
Capital expenditures	(2,21,081)	(3,90,872)	(3,28,632)	(3,28,632)
Interest / Dividend Income	-	-	-	-
Others	93,280	34,532	36,736	39,079
Net Cash from Inv. activities	(1,27,801)	(3,56,340)	(2,91,896)	(2,89,554)
Issue of share cap. / premium	10,773	8,980	-	-
Debt changes	(1,23,356)	31,935	35,129	38,642
Dividend paid	-	-	-	-
Interest paid	(1,02,255)	(97,069)	(96,460)	(99,866)
Others	-	-	-	-
Net cash from Fin. activities	(2,14,837)	(56,154)	(61,331)	(61,224)
Net change in cash	(36,536)	1,44,277	2,22,027	2,99,650
Free Cash Flow	85,021	1,65,899	2,46,622	3,21,795

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	10,59,324	10,22,361	10,51,282	11,05,771
YoY gr. (%)	35.1	42.1	32.1	25.0
Raw Material Expenses	6,81,944	6,37,835	6,69,097	6,82,777
Gross Profit	3,77,380	3,84,526	3,82,185	4,22,995
Margin (%)	35.6	37.6	36.4	38.3
EBITDA	1,56,079	1,59,732	1,62,745	1,80,737
YoY gr. (%)	36.0	172.0	86.7	47.2
Margin (%)	14.7	15.6	15.5	16.3
Depreciation / Depletion	98,621	90,469	91,870	95,904
EBIT	57,459	69,264	70,875	84,833
Margin (%)	5.4	6.8	6.7	7.7
Net Interest	26,417	26,154	27,015	24,849
Other Income	18,953	10,187	17,236	15,838
Profit before Tax	47,841	46,527	59,859	74,940
Margin (%)	4.5	4.6	5.7	6.8
Total Tax	(6,207)	15,630	22,028	5,418
Effective tax rate (%)	(13.0)	33.6	36.8	7.2
Profit after Tax	54,048	30,897	37,830	69,522
Minority interest	883	979	681	1,203
Share Profit from Associates	913	2,110	490	1,933
Adjusted PAT	56,231	38,798	38,877	71,134
YoY gr. (%)	(1,862.6)	(159.7)	(409.2)	140.5
Margin (%)	5.3	3.8	3.7	6.4
Extra Ord. Income / (Exp)	(2,153)	(6,770)	(1,237)	(883)
Reported PAT	54,078	32,028	37,640	70,251
YoY gr. (%)	(623.6)	(164.0)	(498.5)	137.5
Margin (%)	5.1	3.1	3.6	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	3,677	3,677	3,677	3,677
EPS (Rs)	15.3	10.6	10.6	19.3

Source: Company Data, PL Research

Key Financial Metrics

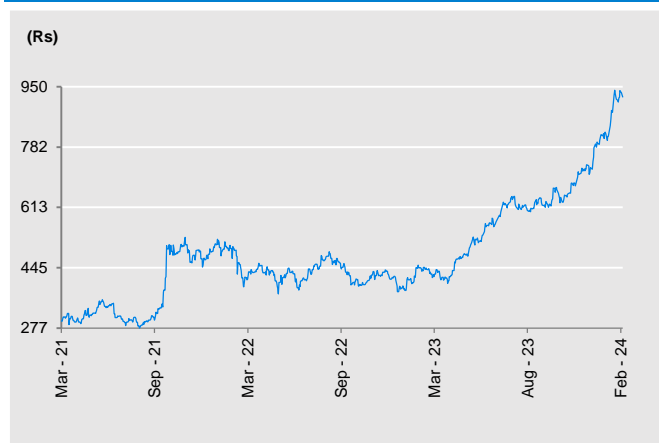
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	1.9	65.0	76.5	82.1
CEPS	66.8	137.2	155.4	164.1
BVPS	118.3	185.7	262.2	344.3
FCF	22.2	43.3	64.4	84.0
DPS	-	-	-	-
Return Ratio(%)				
RoCE	3.8	18.6	18.3	16.9
ROIC	4.1	23.6	25.2	26.2
RoE	1.6	42.8	34.2	27.1
Balance Sheet				
Net Debt : Equity (x)	1.7	0.9	0.5	0.1
Net Working Capital (Days)	(70)	(57)	(52)	(53)
Valuation(x)				
PER	520.7	15.1	12.8	11.9
P/B	8.3	5.3	3.7	2.8
P/CEPS	14.7	7.1	6.3	6.0
EV/EBITDA	14.2	6.9	5.9	5.2
EV/Sales	1.3	1.0	0.9	0.8
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Volume (units)	4,13,429	3,94,447	4,07,200	4,14,812
Net realisation (Rs/unit)	15,39,058	18,91,186	19,26,782	19,50,886

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Feb-24	BUY	1,010	879
2	08-Jan-24	BUY	900	791
3	03-Nov-23	BUY	785	636
4	09-Oct-23	BUY	760	622
5	26-Jul-23	BUY	760	639
6	07-Jul-23	BUY	675	601
7	08-Jun-23	BUY	605	568
8	15-May-23	BUY	605	516
9	12-Apr-23	BUY	590	459

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	210	180
2	Bajaj Auto	Reduce	6,080	7,213
3	Bharat Forge	Accumulate	1,295	1,131
4	CEAT	Accumulate	2,980	2,870
5	Divgi Torqtransfer Systems	BUY	1,135	913
6	Eicher Motors	Accumulate	4,100	3,854
7	Endurance Technologies	Hold	2,000	1,983
8	Exide Industries	Accumulate	340	315
9	Hero Motocorp	Accumulate	5,150	4,909
10	Mahindra & Mahindra	BUY	1,875	1,657
11	Maruti Suzuki	BUY	12,200	10,187
12	Tata Motors	BUY	1,010	879
13	TVS Motor Company	Hold	1,955	2,009

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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