

India

June 12, 2024 - 12:39 AM

**REDUCE** (no change)

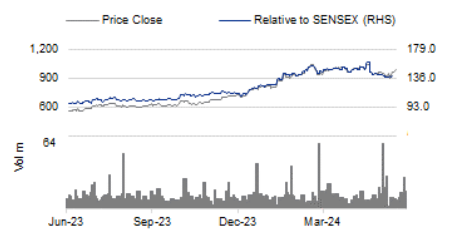
Consensus ratings\*: Buy 20 Hold 8 Sell 5

Current price:	Rs987
Target price:	Rs769
Previous target:	Rs769
Up/downside:	-22.1%
InCred Research / Consensus:	-29.5%
Reuters:	TAMO.NS
Bloomberg:	TTMT IN
Market cap:	US\$43,316m
	Rs3,619,941m
Average daily turnover:	US\$137.3m
	Rs11471.4m
Current shares o/s:	3,832.5m
Free float:	53.6%

\*Source: Bloomberg

**Key financial forecast**

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	228,156	278,630	330,706
Core EPS (Rs)	59.53	72.70	86.29
Core EPS Growth	(2.6%)	22.1%	18.7%
FD Core P/E	16.58	13.58	11.44
Recurring ROE	24.0%	23.6%	22.5%
P/BV (x)	3.59	2.90	2.32
DPS (Rs)	6.00	8.00	8.00
Dividend Yield	0.61%	0.81%	



**Price performance**

	1M	3M	12M
Absolute (%)	(5.4)	(2.6)	75.5
Relative (%)	(10.1)	(6.1)	44.0

**Major shareholders**

	% held
Tata Group	46.4
LIC	3.0
SBI Mutual Fund	2.4

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# Tata Motors

## Analyst meet highlights

- CV division's RoCE rising to 36% in a flat volume year is impressive. Van, pick-up vehicle, non-vehicle and digital businesses are a priority till FY30F.
- PV division aims to raise market share by 35% to 18-20% by FY30F, on a car industry CAGR of 6%. New models to expand its addressable market to 80%.
- Demerger may take a year to complete all formalities, after which we prefer the CV biz. Gradual recovery in India PV biz & JLR leads to REDUCE rating.

### Passenger vehicle (PV) segment

- Management expects India's passenger vehicle or PV industry to touch 6m units by FY30F, a CAGR of 6%. Expects fuel mix of 25:20:5:50 for CNG, EV, diesel and gasoline vehicles.
- Tata Motors plans to grow faster than the industry by improving its addressable market from 53% to 80% led by new name plates and powertrain options (EV and CNG).
- In the gasoline PV business, the company aims to scale to double-digit EBITDA margin and maintain capex at ~6-8% of the revenue with positive & growing cash flow.
- In the electric vehicle or EV business, it plans to maintain leadership in the industry and achieve a 30% penetration in its portfolio by FY30F. Management plans EBITDA breakeven by FY26F driven by softening battery costs and volume scale-up benefits.

### Commercial vehicle (CV) segment

- Management gave guidance of a 4-5% CV industry volume growth till FY30F. It aims to stabilize the cyclical nature of the CV business via new launches (vans and small EV trucks) and provide fleet management support to customers with the help of non-vehicle business revenue.
- Tata Motors has organized itself into eight verticals in the CV business to deliver superior value to its customers. Overall market shares remain steady, with trucks continuing to remain strong while witnessing green shoots in SCV, and the target is to win back market share in the small commercial vehicle or SCV segment.
- The aim is to improve the EBITDA margin by 200bp+ in the coming years, led by growth in the non-vehicle business, improved retail product mix and cost structure optimization. RoCE (pre-tax) improved from 21% in FY23 to 36% in FY24F which, management feels, can go up further.
- The endeavour is to post market-leading revenue growth with double-digit EBITDA margin and free cash flow or FCF in the range of 6-8% of revenue. The plan is to incur a capex of 2-4% of the revenue.
- Tata Motors plans to scale up its digital businesses to US\$1bn by FY30F – Fleet Age, Freight Tiger, E-dukan and Fleet Verse.
- EV plan: Tata Motors plans to tap the leasing option for FAME bus supplies to improve the RoCE. New EV heavy duty trucks are planned to address select addressable segments with predictable load and route.
- Post demerger of its businesses, considering the superior RoCE and FCF sustainability of the CV business, we feel, there will be better value creation in the medium term.

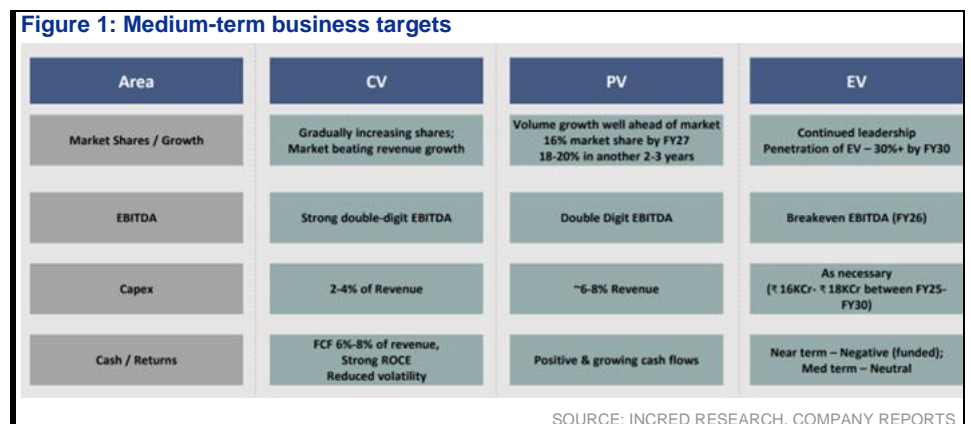


Figure 2: Alternative fuel option suitability for PV and CV segments

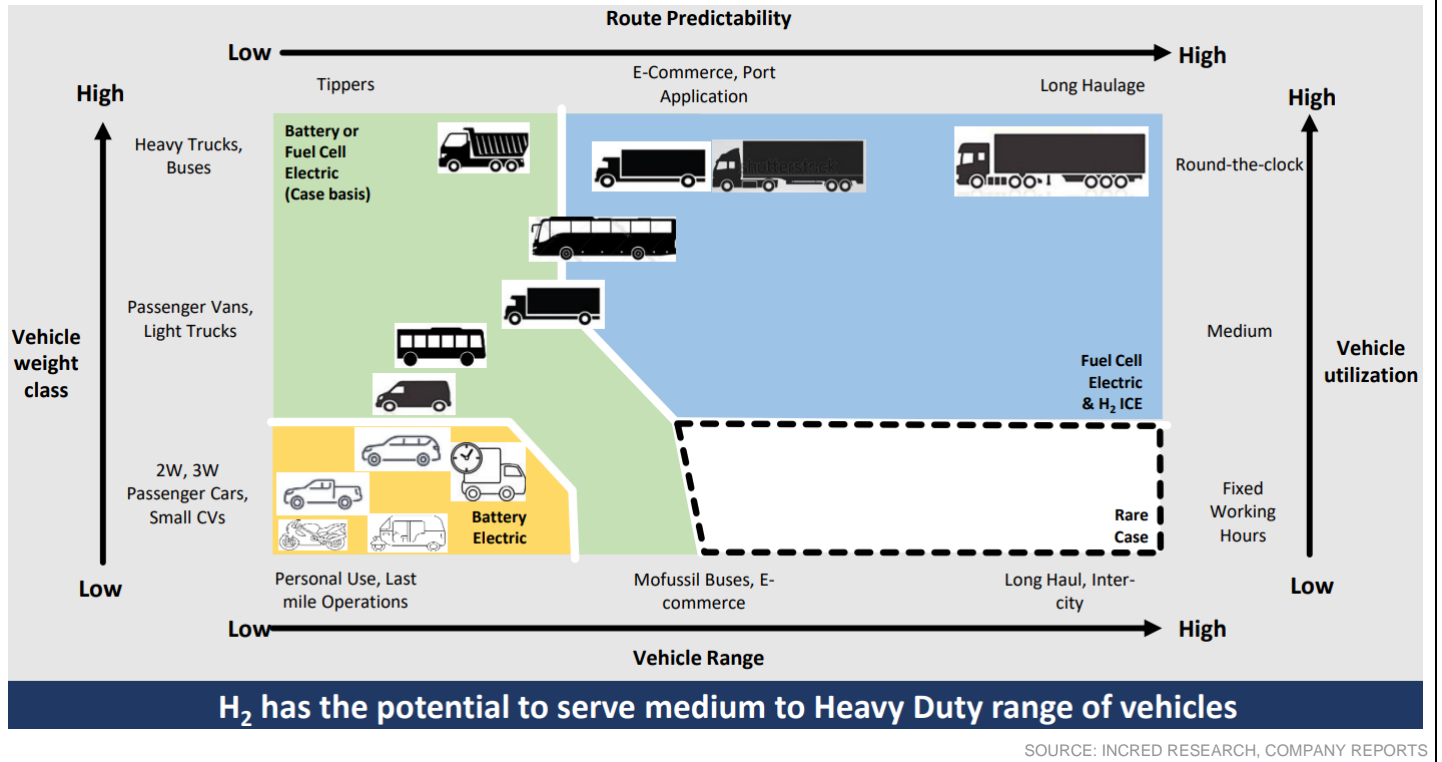


Figure 3: PV industry fuel mix outlook

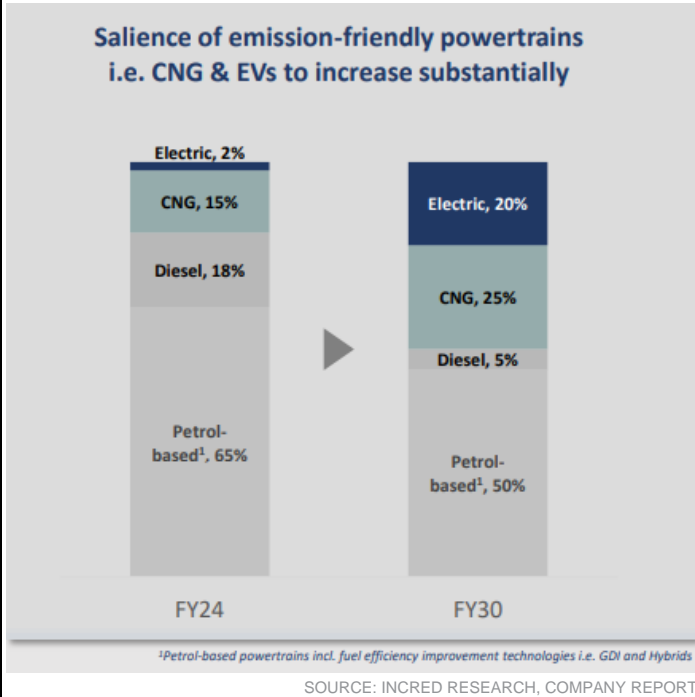
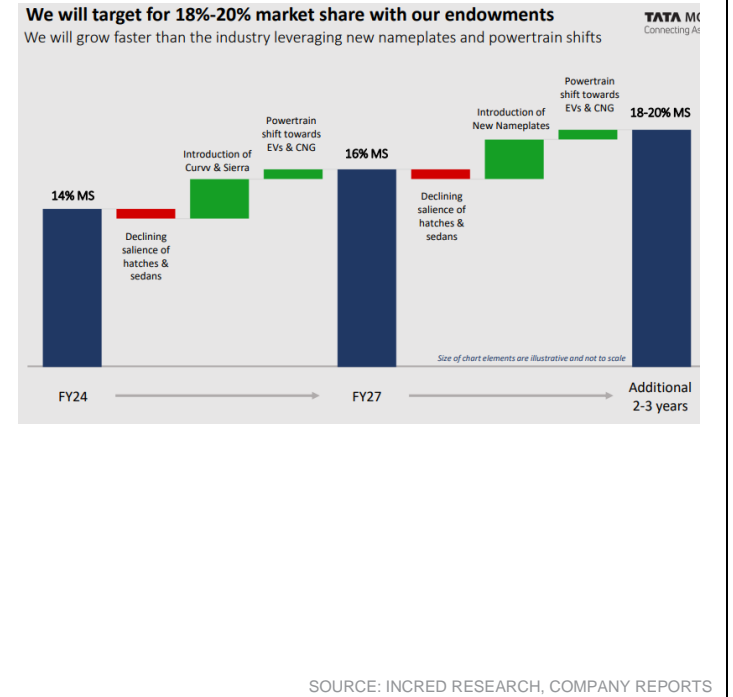


Figure 4: Tata Motors' medium-term PV market share plan



**Profit & Loss**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>4,379,278</b>	<b>5,166,642</b>	<b>6,207,721</b>	<b>6,843,993</b>
<b>Gross Profit</b>	<b>1,636,065</b>	<b>1,915,724</b>	<b>2,330,932</b>	<b>2,577,736</b>
<b>Operating EBITDA</b>	<b>688,893</b>	<b>773,509</b>	<b>897,051</b>	<b>999,806</b>
Depreciation And Amortisation	(382,289)	(446,006)	(485,265)	(515,748)
<b>Operating EBIT</b>	<b>306,605</b>	<b>327,504</b>	<b>411,786</b>	<b>484,057</b>
Financial Income/(Expense)	(99,858)	(76,389)	(76,754)	(78,553)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	59,499	52,529	47,111	49,443
<b>Profit Before Tax (pre-EI)</b>	<b>266,246</b>	<b>303,644</b>	<b>382,143</b>	<b>454,948</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>266,246</b>	<b>303,644</b>	<b>382,143</b>	<b>454,948</b>
Taxation	(40,351)	(85,020)	(114,643)	(136,484)
Exceptional Income - post-tax	84,647			
<b>Profit After Tax</b>	<b>310,542</b>	<b>218,624</b>	<b>267,500</b>	<b>318,464</b>
Minority Interests	1,326	1,485	1,633	1,797
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	6,998	8,048	9,496	10,446
<b>Net Profit</b>	<b>318,865</b>	<b>228,156</b>	<b>278,630</b>	<b>330,706</b>
Recurring Net Profit	234,219	228,156	278,630	330,706
<b>Fully Diluted Recurring Net Profit</b>	<b>234,219</b>	<b>228,156</b>	<b>278,630</b>	<b>330,706</b>

**Balance Sheet**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	641,616	706,731	791,437	1,001,550
Total Debtors	251,958	311,414	391,171	431,265
Inventories	599,901	721,914	884,388	975,035
Total Other Current Assets	750,000	825,000	920,000	1,040,000
<b>Total Current Assets</b>	<b>2,243,476</b>	<b>2,565,060</b>	<b>2,986,996</b>	<b>3,447,850</b>
Fixed Assets	987,352	865,946	766,784	664,472
Total Investments	363,792	463,792	563,792	663,792
Intangible Assets	7,606	7,106	6,606	6,106
Total Other Non-Current Assets				
<b>Total Non-current Assets</b>	<b>1,358,750</b>	<b>1,336,844</b>	<b>1,337,182</b>	<b>1,334,370</b>
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	899,852	990,863	1,156,507	1,275,045
Other Current Liabilities	535,000	550,000	560,000	570,000
<b>Total Current Liabilities</b>	<b>1,434,852</b>	<b>1,540,863</b>	<b>1,716,507</b>	<b>1,845,045</b>
Total Long-term Debt	985,001	935,001	930,001	925,001
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
<b>Total Non-current Liabilities</b>	<b>985,001</b>	<b>935,001</b>	<b>930,001</b>	<b>925,001</b>
Total Provisions	251,434	288,434	290,434	292,434
<b>Total Liabilities</b>	<b>2,671,286</b>	<b>2,764,297</b>	<b>2,936,941</b>	<b>3,062,480</b>
Shareholders Equity	849,180	1,054,362	1,302,360	1,633,066
Minority Interests	81,759	83,244	84,877	86,674
<b>Total Equity</b>	<b>930,939</b>	<b>1,137,606</b>	<b>1,387,237</b>	<b>1,719,740</b>

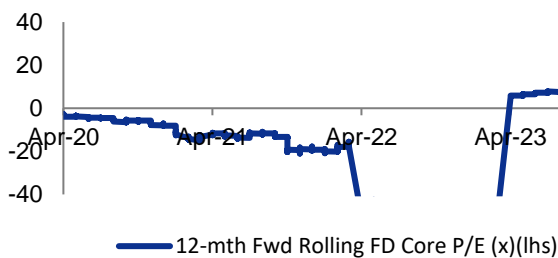
**Cash Flow**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>688,893</b>	<b>773,509</b>	<b>897,051</b>	<b>999,806</b>
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(179,592)	(90,458)	(76,587)	(12,202)
(Incr)/Decr in Total Provisions	(53,361)	(15,000)	(80,000)	(110,000)
Other Non-Cash (Income)/Expense	(5,789)	(8,000)	(3,000)	2,000
Other Operating Cashflow	84,647			
Net Interest (Paid)/Received	(40,358)	(23,860)	(29,643)	(29,109)
Tax Paid	(40,351)	(85,020)	(114,643)	(136,484)
<b>Cashflow From Operations</b>	<b>454,088</b>	<b>551,172</b>	<b>593,179</b>	<b>714,009</b>
Capex	93,774	(324,600)	(386,103)	(413,436)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	10,425	(88,572)	(86,826)	(85,550)
<b>Cash Flow From Investing</b>	<b>104,198</b>	<b>(413,172)</b>	<b>(472,929)</b>	<b>(498,986)</b>
Debt Raised/(repaid)	(271,514)	(49,911)	(4,911)	(4,911)
Proceeds From Issue Of Shares	5			
Shares Repurchased				
Dividends Paid	(15,316)	(22,974)	(30,632)	
Preferred Dividends				
Other Financing Cashflow				
<b>Cash Flow From Financing</b>	<b>(286,826)</b>	<b>(72,885)</b>	<b>(35,543)</b>	<b>(4,911)</b>
Total Cash Generated	271,460	65,115	84,706	210,112
<b>Free Cashflow To Equity</b>	<b>286,772</b>	<b>88,089</b>	<b>115,339</b>	<b>210,112</b>
<b>Free Cashflow To Firm</b>	<b>658,144</b>	<b>214,389</b>	<b>197,003</b>	<b>293,576</b>

**Key Ratios**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	26.6%	18.0%	20.2%	10.2%
Operating EBITDA Growth	82.7%	12.3%	16.0%	11.5%
Operating EBITDA Margin	15.7%	15.0%	14.5%	14.6%
Net Cash Per Share (Rs)	(89.60)	(59.56)	(36.15)	19.97
BVPS (Rs)	221.57	275.11	339.82	426.11
Gross Interest Cover	3.07	4.29	5.37	6.16
Effective Tax Rate	15.2%	28.0%	30.0%	30.0%
Net Dividend Payout Ratio	6.5%	10.1%	11.0%	
Accounts Receivables Days	17.06	19.90	20.66	21.93
Inventory Days	67.02	74.20	75.62	79.54
Accounts Payables Days	112.59	106.14	101.09	104.02
ROIC (%)	20.5%	18.9%	23.2%	25.9%
ROCE (%)	16.5%	16.3%	18.6%	19.4%
Return On Average Assets	9.2%	7.4%	8.0%	8.4%

**12-mth Fwd Rolling FD Core P/E (x)**



**Key Drivers**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg. main prod./serv.)	3.7%	1.7%	2.9%	N/A
Unit sales grth (%. main prod./serv.)	1.8%	10.7%	11.6%	6.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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