

India
June 19, 2024 - 11:41 PM

REDUCE (no change)

Consensus ratings*:	Buy 21	Hold 8	Sell 4
Current price:	Rs977		
Target price:	Rs769		
Previous target:	Rs769		
Up/downside:	-21.3%		
InCred Research / Consensus:	-29.7%		
Reuters:	TAMO.NS		
Bloomberg:	TTMT IN		
Market cap:	US\$42,905m		
	Rs3,580,616m		
Average daily turnover:	US\$140.9m		
	Rs11762.6m		
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	16.42	13.44	11.33
Recurring ROE	24.0%	23.6%	22.5%
P/BV (x)	3.55	2.88	2.29
DPS (Rs)	6.00	8.00	8.00
Dividend Yield	0.61%	0.82%	



Price performance	1M	3M	12M
Absolute (%)	2.8	2.4	73.2
Relative (%)	(1.7)	(4.6)	41.8

Major shareholders	% held
Tata Group	46.4
LIC	3.0
SBI Mutual Fund	2.4

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Tata Motors

JLR Investor Day - Highlights

- JLR to increase investments by 20% to £18bn in FY24-26F, and also gives guidance of a lower FCF (-20% yoy) of £1.8bn for FY25F.
- Management expects a 150bp EBIT margin expansion in two years via MLA platform and bespoke vehicles by FY26F. Gives 15% medium-term guidance.
- Management aims to improve profitability, despite the launch of EV Range Rover and Jaguar models, which looks stretched. Maintain REDUCE rating.

Volume and new model plans

- Management plans to recapture market share of 4.5% in FY25F and a sustained improvement from the supply chain-led loss in FY23F to 3.9%. Global premium car volume CAGR to sustain at 7% over FY22-25F.
- Plans to launch Range Rover Electric (first EMA BEV product) in CY25F and the new Jaguar electric vehicle in CY26F. Defender Octa will be launched in Jul 2024F under the HALO strategy. This strategy of specialized high-end vehicles in each of the four core brands may drive a 40% yoy division sales growth in FY25F vs. a 110% growth in FY24.
- Management expects the China passenger vehicle market to witness growth led by the premium segment, coupled with the rapid improvement in EV penetration. EV penetration is likely to cover ~90% of the premium segment in CY30F vs. ~35% in CY24.
- JLR and Chery have signed a Letter of Intent to license the Freelander brand to CJLR for making electric vehicles in China. Further, there is a plan to develop new models with technology and product development capability from Chery, and brand and design from JLR. Imported brands' EBIT margin scaled a five-year high in China, leading to a 30% EBIT CAGR over FY19-24 on a volume CAGR of just 5%.
- JLR's US JD power ranking for the initial two-to-six months' owning experience improved by two slots to the fourth position in CY23. However, the medium-term ownership (one-four years) experience is still challenging at 11th rank among peers, a 2-slot improvement.

Profitability and investment plans

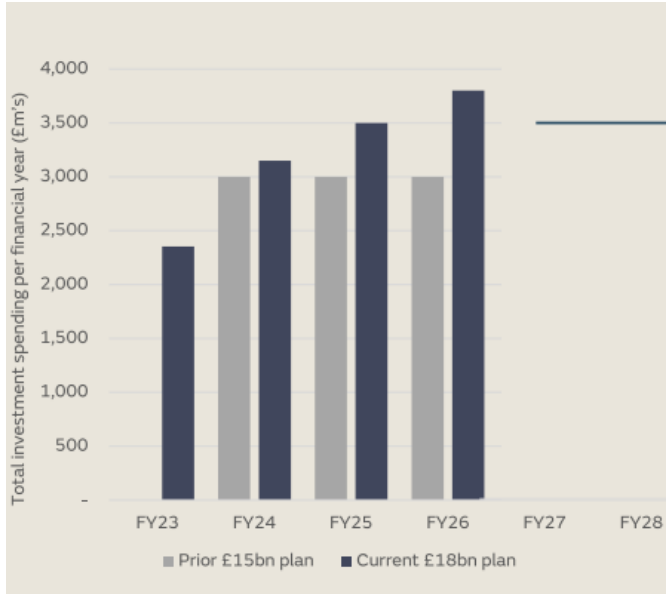
- Management raised its capex plan from £15bn to £18bn for FY25F-28F, of which 65% will be for BEV and the remaining for FLEX fuel.
- The long-term revenue target is set at £38bn vs. £30bn in FY25F. Looking at the past sales CAGR of 5%, we expect it to reach the sales target by FY30F.
- Management aims to improve the EBIT margin from 8.5% in FY24 to 10% in FY26F, driven by the modular longitudinal architecture, HALO product strategy, and new products, which will be partially offset by an investment of ~200bp in brand building.
- The long-term EBIT margin guidance stands at 15% for FY30F, which looks ambitious, leading to a FCF plan of £3bn.
- RoCE in FY24 was impressive at 21% and the company plans to use it as a key matrix of future delivery.
- We value JLR at 1.5x EV/EBITDA one-year forward, leading to a Rs250/share value in the sum-of-the-parts or SOTP-based target price.

Figure 1: Financial outlook

	FY25	FY26	Long-term vision
REVENUE	£30b	>	c. £38b
EBIT MARGIN	≥8.5%	10%	c. 15%
INVESTMENT	£3.5b	>	c. £4.0b
FREE CASHFLOW	c. £1.8b	=	c. £3.0b
NET CASH POSITIVE	Net cash positive	=	Strong balance sheet

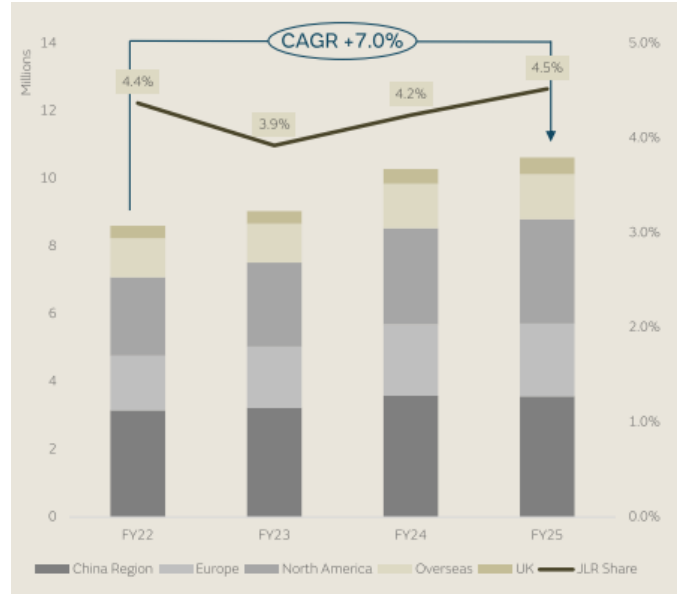
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Total investment plan upgrade to £18bn



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: JLR-relevant segment development and share



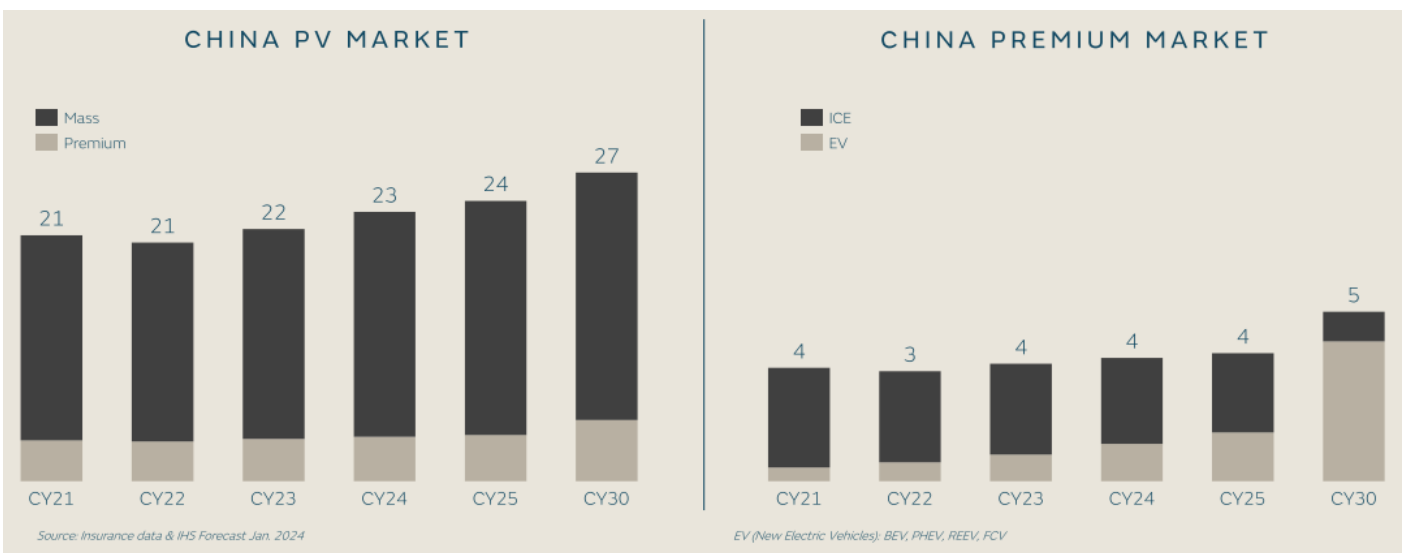
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBIT margin bridge for FY24-26F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: China passenger vehicle market outlook



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	4,379,278	5,166,642	6,207,721	6,843,993
Gross Profit	1,636,065	1,915,724	2,330,932	2,577,736
Operating EBITDA	688,893	773,509	897,051	999,806
Depreciation And Amortisation	(382,289)	(446,006)	(485,265)	(515,748)
Operating EBIT	306,605	327,504	411,786	484,057
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
Profit Before Tax (pre-EI)	266,246	303,644	382,143	454,948
Exceptional Items				
Pre-tax Profit	266,246	303,644	382,143	454,948
Taxation	(40,351)	(85,020)	(114,643)	(136,484)
Exceptional Income - post-tax	84,647			
Profit After Tax	310,542	218,624	267,500	318,464
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
Net Profit	318,865	228,156	278,630	330,706
Recurring Net Profit	234,219	228,156	278,630	330,706
Fully Diluted Recurring Net Profit	234,219	228,156	278,630	330,706

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
Total Current Assets	2,243,476	2,565,060	2,986,996	3,447,850
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	1,358,750	1,336,844	1,337,182	1,334,370
Total Non-current Assets	1,358,750	1,336,844	1,337,182	1,334,370
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
Total Current Liabilities	1,434,852	1,540,863	1,716,507	1,845,045
Total Long-term Debt	985,001	935,001	930,001	925,001
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	985,001	935,001	930,001	925,001
Total Provisions	251,434	288,434	290,434	292,434
Total Liabilities	2,671,286	2,764,297	2,936,941	3,062,480
Shareholders Equity	849,180	1,054,362	1,302,360	1,633,066
Minority Interests	81,759	83,244	84,877	86,674
Total Equity	930,939	1,137,606	1,387,237	1,719,740

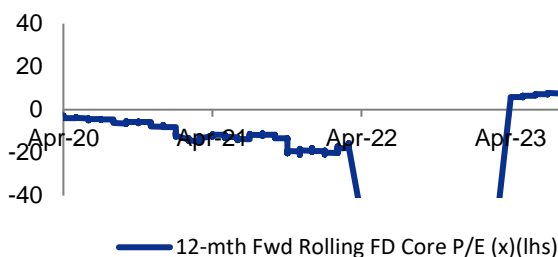
Cash Flow

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	688,893	773,509	897,051	999,806
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)
Cashflow From Operations	454,088	551,172	593,179	714,009
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)
Cash Flow From Investing	104,198	(413,172)	(472,929)	(498,986)
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				
Cash Flow From Financing	(286,826)	(72,885)	(35,543)	(4,911)
Total Cash Generated	271,460	65,115	84,706	210,112
Free Cashflow To Equity	286,772	88,089	115,339	210,112
Free Cashflow To Firm	658,144	214,389	197,003	293,576

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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