

JLR reported ~10% drop in Q2 wholesales at 87K units amid issues at a key aluminum vendor; however, it expects production and wholesales to grow strongly in H2 amid supply normalization. Commentary around volume rebound is encouragingly divergent from luxury peers, who have recently downgraded their outlook citing demand weakness in China. We reaffirm our positivity on the stock, given: i) structural improvements across operational parameters at JLR (on track for becoming net-debt free in FY25E), and ii) healthy India outlook (particularly in CVs amid impending cyclical recovery and strong margin uptick). TTMT's BS is healthy with least-demanding valuations among OEMs. We cut FY26E/27E EPS by ~2% (5%/10% revenue/PBT CAGR) on slight margin reduction, and reiterate BUY with unchanged SoTP-based TP of Rs1,175/sh.

Tata Motors: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	3,459,670	4,379,278	4,471,046	4,671,852	4,944,347
EBITDA	318,296	595,603	628,700	674,040	716,478
Adj. PAT	7,336	323,981	227,124	274,059	299,176
Adj. EPS (Rs)	1.9	84.5	61.7	74.5	81.3
EBITDA margin (%)	9.2	13.6	14.1	14.4	14.5
EBITDA growth (%)	28.3	87.1	5.6	7.2	6.3
Adj. EPS growth (%)	0.0	1,199.7	(24.7)	20.7	9.2
RoE (%)	1.6	49.8	23.8	23.1	20.6
RoIC (%)	3.0	42.7	30.1	31.5	31.9
P/E (x)	484.4	11.0	15.0	12.5	11.4
EV/EBITDA (x)	13.3	6.6	6.1	5.5	5.0
P/B (x)	7.8	4.2	3.2	2.6	2.1
FCFF yield (%)	4.1	9.4	1.0	6.8	6.0

Source: Company, Emkay Research

JLR: Expects strong improvement in H2 volumes on normalizing supplies

JLR reported Q2FY25 wholesale volumes of 87.3K units, down ~10% YoY/11% QoQ. Retails stood at 103K units (down 3% YoY, amid 22%/17% decline in Europe/China, respectively), against production of ~86K units (down 7% YoY). Notably, contribution of the most profitable models (*Range Rover*, *Range Rover Sport*, and *Defender*) stood at 67% vs 63.5% in Q2FY24. The decline in Q2 wholesales was due to production issues at a key aluminum supplier (already flagged in Q1); however, encouragingly, the company expects both production and wholesales to pick up strongly in H2FY25 as supplies normalize. This is in contrast to the recent outlook downgrades at peers like BMW and Mercedes-Benz amid muted demand in China.

Strong structural improvements at JLR; deleveraging story largely intact

We highlight that JLR has delivered strong improvements across financial/operational parameters (*Exhibit 5*) over the past 5 years, despite flattish volumes amid a strong focus on profitability and leveraging the strength/image of its iconic brands ('House of Brands' approach). It expects to further deliver upon growth, profitability, and return ratios while also investing toward electrification (introduction of electric *Range Rover* next year, upcoming all-electric transition of Jaguar). We expect profitability at JLR to sustain with the deleveraging journey also on track (net-debt free in FY25E).

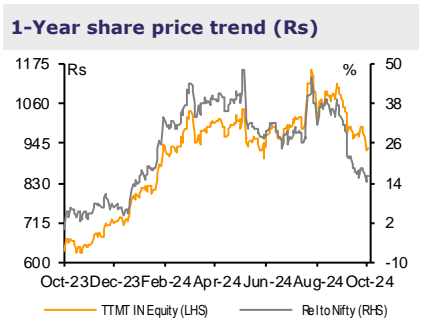
India outlook healthy, driven by cyclical revival in CVs

India business outlook is improving – especially in CVs, where: i) H2FY24 offers a benign base (industry volumes were down 1% YoY in H2FY24 as against 18% growth in Q2FY24), and ii) expected catch-up in GoI infra spends (~63% growth YoY needed over Aug-Mar to meet budgeted targets), should lead to healthy demand revival for the coming year. This should kick-start a cyclical recovery in MHCVs after 2 largely-flattish years (FY23-25E); continued healthy fleet operator profitability and sustained pricing discipline is also seen driving ~270bps margin expansion over FY24-27E. While PV industry outlook remains soft amid slowing retails (industry volumes are flat YoY till September on YTD basis), and rising inventory/discounts, TTMT is relatively better placed due to new launches incl *Curvv* (we build 4% volume CAGR over FY24-27E).

Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	26.6
CMP (07-Oct-24) (Rs)	927.9

Stock Data	Ticker
52-week High (Rs)	1,179
52-week Low (Rs)	612
Shares outstanding (mn)	3,680.9
Market-cap (Rs bn)	3,887
Market-cap (USD mn)	46,288
Net-debt, FY25E (Rs mn)	430,286
ADTV-3M (mn shares)	14
ADTV-3M (Rs mn)	14,975.3
ADTV-3M (USD mn)	178.3
Free float (%)	53.6
Nifty-50	24,796
INR/USD	84.0
Shareholding, Sep-24	
Promoters (%)	41.9
FPIs/MFs (%)	18.1/13.4

Price Performance			
(%)	1M	3M	12M
Absolute	(11.6)	(6.6)	49.5
Rel. to Nifty	(11.4)	(8.4)	18.5



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■ **BMW recently downgraded outlook on CY24 deliveries and profitability amid supply issues at a vendor and muted demand in China** ([link](#))

"The Board of Management of BMW AG adjusted the guidance for the 2024 financial year today. **This was triggered in part by additional headwinds in the Automotive Segment resulting from delivery stops and technical actions linked to the Integrated Braking System (IBS) that is provided by a supplier.** The delivery stops for vehicles that are not already in customers' hands will have a negative worldwide sales effect in the second half of the year. The IBS-related technical actions impact over 1.5 million vehicles and result in additional warranty costs in a high three-digit million amount in the third quarter. **In parallel to this effect, the ongoing muted demand in China is affecting sales volumes. Despite stimulus measures from the government, consumer sentiment remains weak.** Considering these developments in the Automotive Segment outlined above, the BMW Group has adjusted the guidance for the 2024 financial year as follows:

- **A slight decrease in deliveries versus previous year (previously: slight increase).**
- **An EBIT margin for 2024 in a corridor from 6% to 7% (previously: 8% to 10%).**
- Return on Capital Employed (RoCE) between 11% and 13% (previously: 15% to 20%).

■ **Mercedes-Benz also recently cut its margin outlook citing weakness in China**

"There is a tremendous amount of cautiousness, I'm trying to say this diplomatically... How long will that go on? I don't know, but I remain cautious for the foreseeable future on China."

- Ola Kaellenius, CEO, Mercedes Benz ([link](#))

Exhibit 1: China is a bigger market for BMW and Mercedes Benz (forms ~32/~36% of global volumes) than for JLR (~24% of retails)

China - contribution (%)	CY18/FY19	CY19/FY20	CY20/FY21	CY21/FY22	CY22/FY23	CY23/FY24	H1CY24/Q1FY25
BMW Group deliveries	25.6	28.6	33.5	33.6	33.1	32.4	31.0
Mercedes-Benz Cars	28.4	29.1	36.3	37.8	36.9	36.1	35.6
JLR retails incl. Chery JLR	17.1	17.7	25.3	25.4	25.7	24.1	22.0

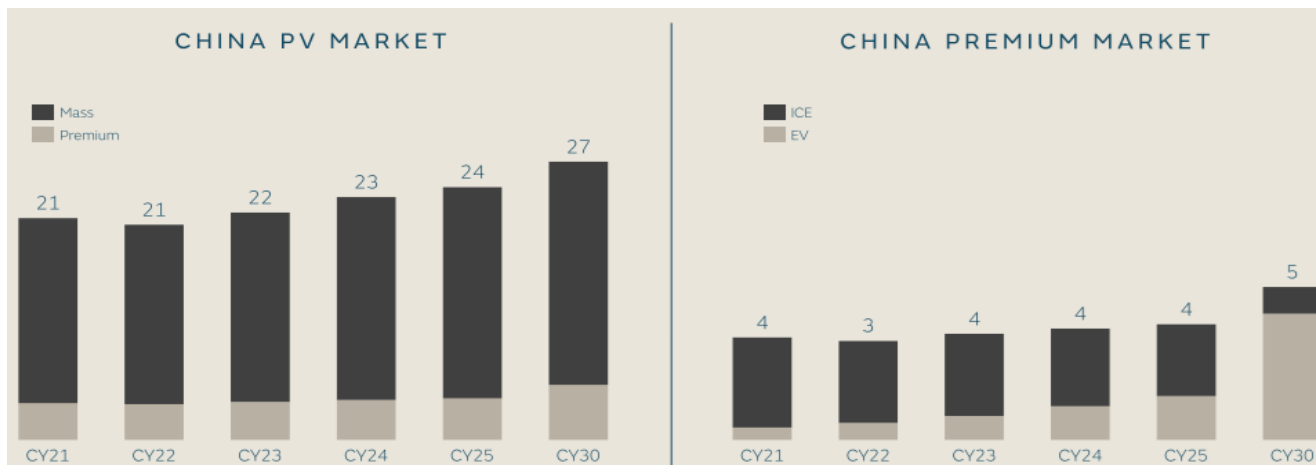
Source: Company, Emkay Research

■ **Notably, JLR's commentary on China has been relatively stronger**

"So it's certainly more difficult and more difficult at the lower price points in China at the moment. **However, the import business we still see as strong. We don't measure or refer to market share, but we note that our sales are increasing YoY in China. So it reflects the strength of the brands, particularly Range Rover and Defender.** We are paying close attention to it as there are certainly signals that demand is not at the level that we would like to see it going forward, and it will be a focal point for us for the balance of the year to make sure that we take the necessary action. So it is absolutely a focal point for us."

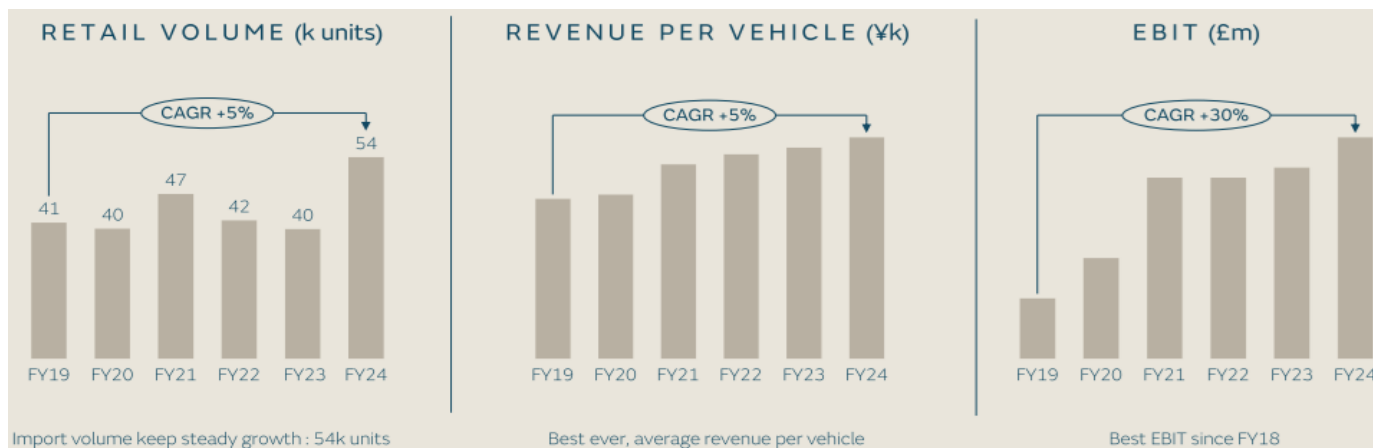
- Comments by Richard Molyneux, CFO, JLR in Q1FY25 ([link](#))

Exhibit 2: JLR – Overall China premium car market seen remaining largely stable over CY23-25, with rising share of EVs



Source: JLR 2024 Analyst Meet (link), Emkay Research

Exhibit 3: JLR China – FY24 represented a record year for volumes, ASPs, and EBIT



Source: JLR 2024 Analyst Meet (link), Emkay Research

Exhibit 4: JLR in Q1FY25 maintained its FY25 outlook with regards to EBIT margin and net-cash BS

Outlook

- Global demand is likely to remain muted. Commodities are likely to remain range bound.
- We are likely to witness constrained production in Q2 and Q3 reflecting the annual summer plant shutdown and floods at a key aluminum supplier.
- As we work towards mitigation and recovery, we will hold our guidance on our key full year financial deliverables of >8.5% EBIT and achieving net cash

Our Reimagine journey continues

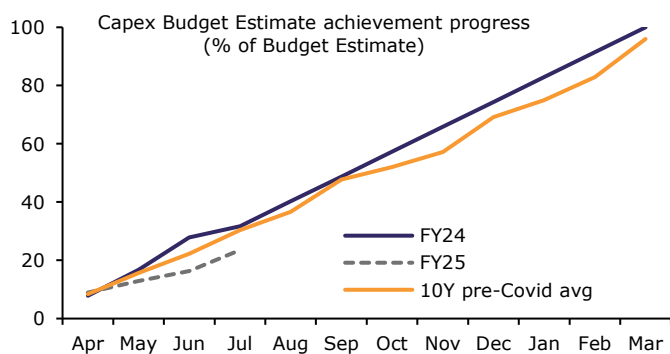
	Q1 FY25 ACTUAL	FY25 OUTLOOK	FY26 OUTLOOK	LONG-TERM VISION
REVENUE	£7.3b	£30b	>	c. £38b
EBIT MARGIN	8.9%	≥8.5%	10%	c. 15%
INVESTMENT	£951m	£3.5b	>	c. £4.0b
FREE CASHFLOW	£0.2b	c. £1.8b	=	c. £3.0b
NET CASH POSITIVE	£(1.0)b	Net cash positive	=	Strong balance sheet
ROCE	21.2%	>22%	>	>

Source: Company, Emkay Research

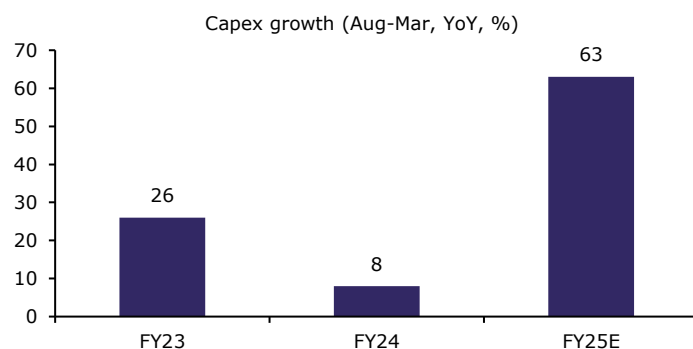
Exhibit 5: JLR has seen strong improvement across operational parameters despite low growth

	FY19	FY20	FY21	FY22	FY23	FY24
Product mix (%)						
Land Rover	69	73	78	80	83	88
Of which: RR, RRS, Defender	25	24	36	40	48	63
Jaguar	31	27	22	20	17	12
ASP (GBP mn)						
ASP (GBP mn)	47,675	48,291	56,758	62,274	70,976	72,252
Growth YoY (%)						
Growth YoY (%)		1	18	10	14	2
EBITDA margin (%)						
EBITDA margin (%)	8.2	8.9	12.8	10.3	11.3	15.9
EBITDA/unit (GBP)						
EBITDA/unit (GBP)	3,900	4,307	7,281	6,445	8,000	11,512
EBIT margin (%)						
EBIT margin (%)	(0.8)	0.6	2.8	(0.3)	2.3	8.4
EBIT/unit (GBP)						
EBIT/unit (GBP)	(360)	294	1,597	(163)	1,646	6,093
FCF (GBP mn)						
FCF (GBP mn)	(1,120)	(477)	485	(752)	978	2,269
Net Debt (GBP mn)						
Net Debt (GBP mn)	705	1,679	1,396	2,629	2,286	38
Net Debt/EBITDA (x)						
Net Debt/EBITDA (x)	0.4	0.8	0.6	1.4	0.9	0.0
RoE (%)						
RoE (%)	0.9	(2.8)	0.6	(16.3)	(1.2)	44.7
RoCE (Pre-tax, %)						
RoCE (Pre-tax, %)	(1.4)	1.3	4.9	(0.4)	4.9	23.9

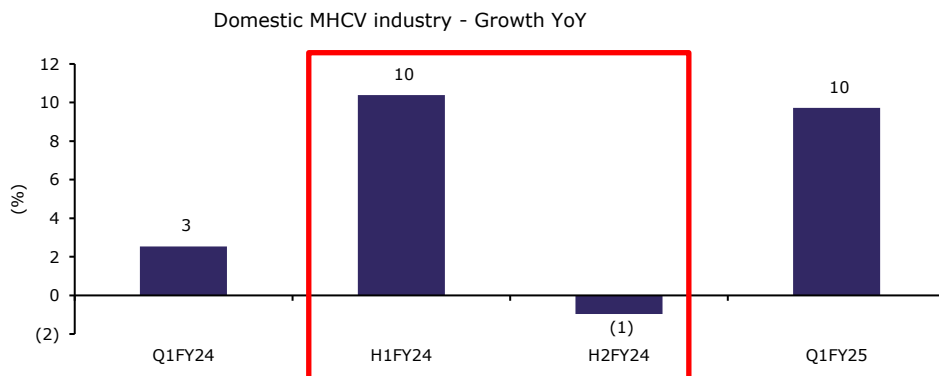
Source: Company, Emkay Research

Exhibit 6: Centre's capex declined 18% YoY till Jul-24 vs budgeted growth of 17%, amid factors like elections...

Source: CGA, Union Budget documents, Emkay Research

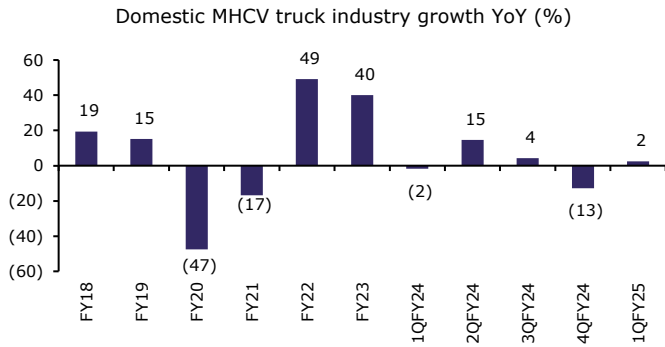
Exhibit 7: ...this should lead to strong ramp up in coming months; 63% YoY growth needed over Aug-Mar to meet Budget goals

Source: CGA, Union Budget documents, Emkay Research

Exhibit 8: MHCV industry grew 10% in H1FY24 vs 1% decline in H2FY24, thus presenting a benign base for H2FY25

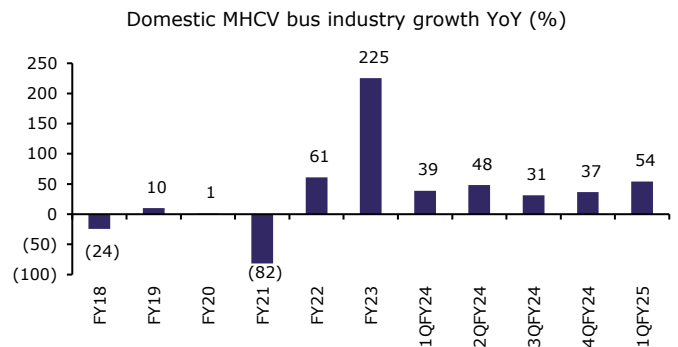
Source: SIAM, Emkay Research

Exhibit 9: While the truck segment has been muted following 2 strong years (FY22 and FY23)...



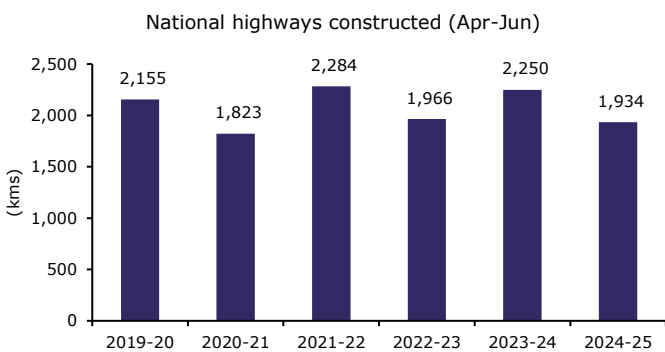
Source: SIAM, Emkay Research

Exhibit 10: ...the Bus industry continues to post robust growth



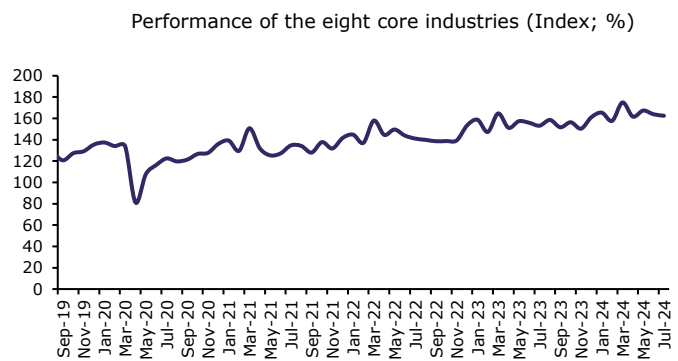
Source: SIAM, Emkay Research

Exhibit 11: Pace of national highway construction this year has been the slowest since FY21 (hampered by elections)



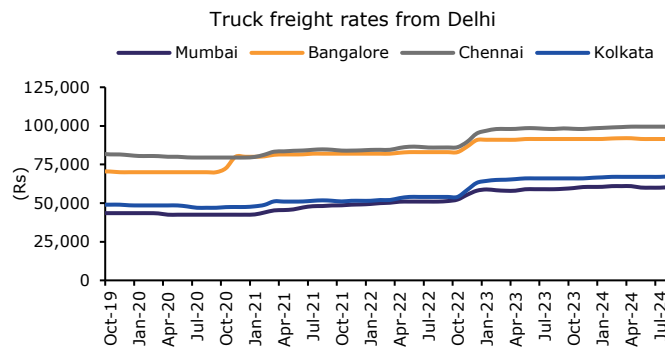
Source: CMIE, Emkay Research

Exhibit 12: Performance of the eight core industries, while below the recent peak, remains reasonably healthy



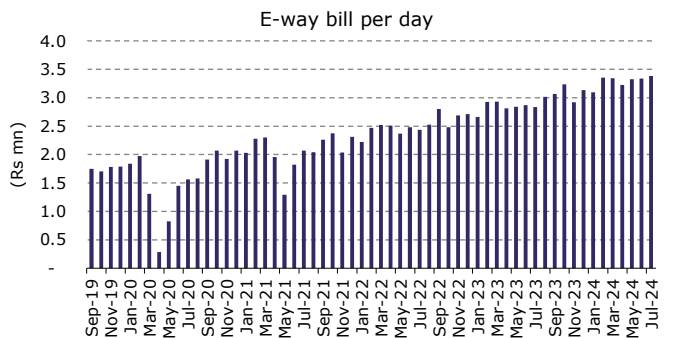
Source: CMIE, Emkay Research

Exhibit 13: Truck freight rates remain steady at elevated levels



Source: CMIE, Emkay Research

Exhibit 14: E-way bill generation continues to grow in double-digits; hit an all-time high recently



Source: CMIE, Emkay Research

Implementation of DFC on the final leg of the Western Corridor (Nhava Sheva in Mumbai) getting delayed amid land acquisition, soil quality, and execution issues

"... the connectivity of DFC to Nhava Sheva. DFC is now connected only to Mundra and Pipavav. Now for Nhava Sheva, they are saying it will be end of 2024."

- Sanjay Swarup, Chairman & Managing Director, Container Corporation of India (Comments in Q2FY24; [link](#))

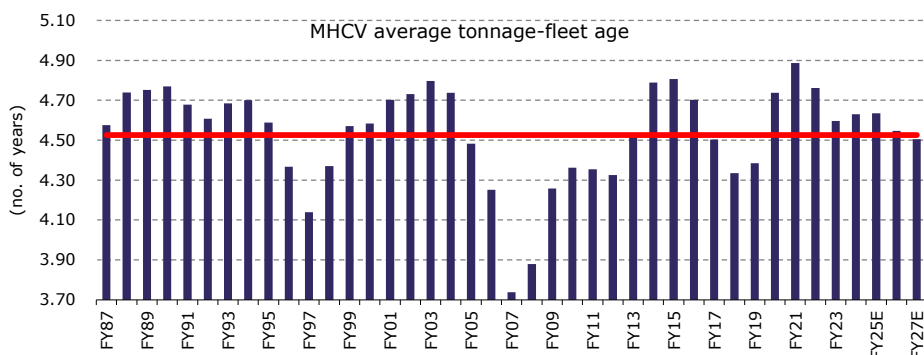
"DFC to Nhava Sheva only 100 kilometers is remaining. **And till now officially, we have come to know that by March 2025 they will be able to do it, which is a very, very optimistic target**"

- Sanjay Swarup, Chairman & Managing Director, Container Corporation of India (Comments in Q1FY25; [link](#))

"The last stretch of 104-km between Saphale and JNPT (Jawaharlal Nehru Port) was challenging from day one because **there were a lot of land acquisition issues**. Then, the problems with Tata Projects emerged, and they **got slow in executing the project**. **We are not expecting WDFC to be fully operational before one year from now ... The quality of soil is not favourable. From the stability point of view, the contractor is facing issues**. Because of the intervention of the Maharashtra government, we were able to complete the land acquisition last year – after a delay of almost 15-16 years."

- Comments in media by a senior DFC official, in Jul-24 ([link](#))

Exhibit 15: Sharp replacement-led upturn seen in truck industry volumes since FY21; average fleet age to start dipping below LTA going forward as replacement demand kicks in



Source: SIAM, Emkay Research

Exhibit 16: The MHCV industry retail volume decline had been narrowing prior to the high base-led weakness in Q2

Vahan registrations	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
2W	1,313,896	1,513,001	2,257,482	1,452,670	1,463,831	1,443,571	1,533,738	1,648,340	1,538,293	1,379,394	1,447,881	1,341,652	1,201,661
PV	310,227	335,235	344,848	277,443	368,855	306,764	295,032	313,097	281,313	262,196	297,079	287,519	246,914
3W	63,481	63,481	63,481	63,481	90,562	87,346	96,053	72,254	88,423	84,451	99,091	93,816	94,232
MHCV	26,714	31,273	28,236	24,441	30,342	29,294	29,893	32,063	26,299	21,527	24,096	21,753	22,878
LCV	46,947	52,535	50,985	44,896	52,023	49,707	49,094	45,061	43,816	38,819	44,287	41,286	40,854
Tractors	47,417	53,524	52,972	70,222	81,754	69,173	70,704	50,012	62,190	63,235	71,042	58,761	55,594

Growth YoY (%)	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
2W	22	(12)	22	28	15	14	6	34	3	5	18	7	(9)
PV	15	(4)	16	1	12	11	(7)	17	0	(6)	12	(2)	(20)
3W	(4)	(8)	(19)	(5)	43	38	51	14	39	33	56	48	48
MHCV	8	19	(1)	0	2	(1)	(16)	(7)	(5)	(8)	7	(11)	(14)
LCV	(7)	0	(13)	(9)	(2)	3	(5)	1	3	(8)	2	(8)	(13)
Tractors	(11)	0	(25)	(1)	24	14	(1)	3	(1)	(28)	(14)	(13)	17

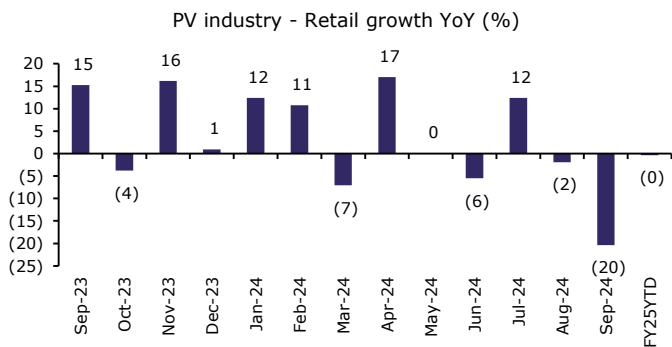
Source: Vahan, Emkay Research

Exhibit 17: Domestic CVs – TTMT has gained market share in all categories, except LCVs in recent quarters

Market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25
Domestic Buses												
AL (incl. Switch)	38.6	36.1	44.6	37.5	38.2	41.3	45.3	38.2	32.1	28.0	34.5	33.4
TTMT	40.1	40.1	34.0	38.5	37.2	36.5	37.0	34.3	38.3	29.8	30.2	33.0
Others	21.3	23.8	21.4	24.0	24.6	22.2	17.7	27.5	29.6	42.2	35.3	33.6
Domestic Trucks												
Up to 16.2T												
AL	20.7	22.0	25.8	29.1	27.0	28.4	29.9	23.1	18.3	20.5	22.8	30.2
TTMT	51.8	49.6	46.2	42.1	41.2	42.1	40.2	40.7	46.2	40.5	33.8	35.4
VECV	24.4	25.5	24.9	25.1	29.4	26.9	26.3	30.9	30.5	34.2	36.3	28.3
Others	3.0	3.0	3.0	3.8	2.5	2.5	3.6	5.4	5.0	4.8	7.1	6.1
Above 16.2T												
AL	24.5	29.5	33.2	35.3	36.7	35.2	28.3	30.8	31.2	36.0	32.3	30.1
TTMT	64.0	61.3	59.5	56.1	54.9	56.4	60.2	58.0	58.2	52.5	52.8	54.1
VECV	3.8	3.4	3.5	4.4	3.9	3.8	7.2	8.7	8.4	9.6	12.5	13.3
Others	7.6	5.8	3.8	4.1	4.5	4.6	4.4	2.4	2.3	1.9	2.3	2.5
Domestic LCVs												
AL	6.3	6.7	7.5	7.5	8.2	8.6	9.1	11.4	11.0	11.0	11.2	11.1
TTMT	48.1	42.8	38.6	38.1	40.4	40.8	39.0	38.8	40.1	36.0	32.2	30.4
M&M	36.4	39.1	41.4	42.0	39.9	38.3	39.1	37.5	36.3	40.1	42.8	43.9
Others	9.2	11.4	12.5	12.5	11.5	12.2	12.9	12.3	12.6	12.8	13.7	14.7

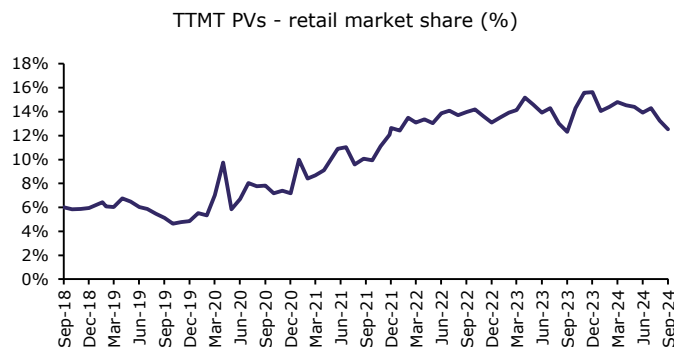
Source: SIAM, Emkay Research

Exhibit 18: PV industry retail growth has been flat on YTD basis after Shradh-led double-digit decline in Sep-24



Source: Company, Emkay Research

Exhibit 19: TTMT has largely sustained its retail market share in the 14-15% range, though Aug/Sep-24 saw a decline to ~12-13%



Source: Vahan, Emkay Research

Exhibit 20: Consolidated revenue model – We build in 5%/10% consolidated revenue/PBT CAGR over FY24-27E

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
CV revenues	439,282	301,750	472,637	657,573	733,031	728,258	793,462	853,500
Growth (%)		-31.3	56.6	39.1	11.5	-0.7	9.0	7.6
PV revenues		167,148	325,722	488,671	526,850	536,527	588,121	623,886
Growth (%)			94.9	50.0	7.8	1.8	9.6	6.1
India revenues		468,899	798,359	1,146,244	1,259,881	1,264,785	1,381,583	1,477,386
Growth (%)	-	-	70.3	43.6	9.9	0.4	9.2	6.9
CV EBITDA	(4,122)	14,870	16,357	48,108	78,701	88,119	104,340	114,369
EBITDA margin (%)		4.9	3.5	7.3	10.7	12.1	13.2	13.4
PV EBITDA	-	(4,020)	9,150	27,862	33,770	32,139	36,493	39,848
EBITDA margin (%)		(2.4)	2.8	5.7	6.4	6.0	6.2	6.4
CV EBIT	(37,875)	(2,437)	(1,248)	30,440	58,532	68,389	78,325	83,634
EBIT margin (%)		(0.8)	(0.3)	4.6	8.0	9.4	9.9	9.8
PV EBIT	-	(20,723)	(11,265)	5,552	10,270	5,819	7,015	6,832
EBIT margin (%)		(12.4)	(3.5)	1.1	1.9	1.1	1.2	1.1
JLR (GBP mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
JLR Revenues	22,984	19,731	18,320	22,809	28,995	29,754	30,484	32,102
Growth (%)	-5.1	-14.2	-7.2	24.5	27.1	2.6	2.5	5.3
JLR EBITDA (GBP mn)	2,050	2,531	1,896	2,571	4,620	4,659	4,946	5,380
EBITDA margin (%)	8.9	12.8	10.3	11.3	15.9	15.7	16.2	16.8
JLR EBIT (incl. China JV)	140	555	(48)	529	2,445	2,560	2,658	2,831
EBIT margin (%)	0.6	2.8	-0.3	2.3	8.4	8.6	8.7	8.8
JLR PBT (GBP mn)	(17)	315	(408)	89	2,140	2,378	2,532	2,737
JLR PAT (GBP mn)	(178)	35	(793)	(53)	2,576	1,703	2,067	2,235
Consolidated Financials (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
India revenues	439,282	468,899	798,359	1,146,244	1,259,881	1,264,785	1,381,583	1,477,386
JLR revenues	2,070,858	1,913,907	1,864,976	2,213,460	2,870,505	3,124,201	3,200,794	3,370,675
Consolidated revenues	2,610,680	2,497,948	2,784,536	3,459,670	4,379,278	4,471,046	4,671,852	4,944,347
Growth (%)	-13.5	-4.3	11.5	24.2	26.6	2.1	4.5	5.8
India EBITDA	(4,122)	10,850	25,507	75,971	112,471	120,258	140,834	154,217
JLR EBITDA	146,773	198,074	107,603	173,804	339,768	431,233	398,398	438,894
Consolidated EBITDA	197,258	305,553	248,132	318,296	595,603	628,700	674,040	716,478
Growth (%)	-22.9	54.9	-18.8	28.3	87.1	5.6	7.2	6.3
EBITDAM (%)								
India	(0.9)	2.3	3.2	6.6	8.9	9.5	10.2	10.4
JLR	8.9	12.8	10.3	11.3	15.9	15.7	16.2	16.8
Consolidated EBITDA margin (%)	7.6	12.2	8.9	9.2	13.6	14.1	14.4	14.5
Consol PBT	(59,698)	15,546	(62,807)	13,769	282,543	325,639	350,680	380,471
Consol Net Debt	741,232	910,874	1,002,403	683,383	357,948	430,286	277,705	146,540
Consol FCF	-28,976	91,457	-6,555	175,774	367,328	39,086	251,432	213,024
ROE (%)	(12.1)	(2.4)	(21.5)	1.6	49.8	23.8	23.1	20.6
ROCE (%)	0.1	3.4	0.7	4.0	15.5	16.3	15.1	15.9

Source: Company, Emkay Research; Note – EPS CAGR over FY24-27E is lower due to large DTA recognition at JLR in FY24

Exhibit 21: We trim FY26E/27E EPS by ~2% largely amid slightly lower margin estimates

Consolidated (Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY
JLR Volume (excl China JV)	393,820	393,820	-	(1.9)	397,512	397,512	-	0.9	412,424	412,424	-	3.8
Standalone Volume	386,599	387,849	0.3	1.0	412,539	409,130	(0.8)	5.5	433,939	431,299	(0.6)	5.4
Cons. Revenue	4,480,311	4,471,046	(0.2)	2.1	4,684,404	4,671,852	(0.3)	4.5	4,957,870	4,944,347	(0.3)	5.8
Cons. EBITDA	631,825	628,700	(0.5)	5.6	682,125	674,040	(1.2)	7.2	725,617	716,478	(1.3)	6.3
Cons. Margin (%)	14.1	14.1	(4) bps	46 bps	14.6	14.4	(13) bps	3 bps	14.6	14.5	(14) bps	0 bps
Cons. PAT	229,557	227,124	(1.1)	(29.9)	279,515	274,059	(2.0)	20.7	305,408	299,176	(2.0)	9.2
Cons. Dil. Adj. EPS (Rs)	62.4	61.7	(1.1)	(27.0)	76.0	74.5	(2.0)	20.7	83.0	81.3	(2.0)	9.2

Source: Emkay Research

Exhibit 22: Tata Motors – SOTP-based valuation

	Basis of valuation	Equity value (Rs mn)	Equity value (Rs/share)	Contribution to SOTP (%)	Remarks
India CV	EV/EBITDA 14x	1,566,919	426	37	Similar to EV/EBITDA multiple for AL
India ICE-PV	EV/Sales 1.4x	839,285	228	20	~25% discount to MSIL's multiple of ~1.8x EV/Sales
India E-PV	Transaction value	309,750	84	7	Taking Pre-money transaction valuation fixed during the TPG deal at 40% discount – implied value of 2x P/Sales on FY26E EV revenues
JLR	EV/EBITDA 1.5x	1,192,201	324	28	In line with EV/EBITDA valuation of European peers
JLR China JV	EV/EBITDA 4x	5,142	1	0	Stake stands at 50%
Tata Sons	NAV 1x	67,692	18	2	Holding company discount at 80% as stake may not be monetized
Tata Motors Finance	1.5x FY26E P/B	119,873	33	3	Holding company discount at 20%
Tata Technologies	Mcap	177,774	48	4	20% discount to CMP
Total (Rounded off)			1,175		

Source: Emkay Research

Exhibit 23: TTMT valuations are the least demanding among the OEM pack

OEM	EPS CAGR	P/E (x)			EV/EBITDA (x)			P/BV (x)		
	FY24-27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Ashok Leyland	13%	21.9	18.5	16.6	12.4	11.3	10.0	6.6	6.0	5.3
Bajaj Auto	13%	37.0	33.5	30.2	28.7	25.6	22.7	13.0	12.6	12.0
TVS Motor	27%	43.2	34.2	29.4	27.7	21.7	18.5	12.8	10.2	8.2
Hero Motocorp	14%	22.8	20.4	18.2	15.9	14.1	12.4	5.6	5.1	4.9
Eicher Motors (Consol)	9%	28.7	27.1	24.6	23.3	20.6	18.6	6.1	5.3	4.6
Maruti Suzuki	9%	26.5	24.7	22.9	16.7	14.8	13.2	4.2	3.8	3.5
Tata Motors (Consol)	-2%	14.9	12.2	11.2	6.1	5.4	4.9	3.2	2.6	2.1
Mahindra & Mahindra	4%	32.3	30.4	28.5	28.0	25.0	22.2	7.3	6.2	5.4
Escorts Kubota	21%	31.6	26.6	22.9	23.6	19.1	15.9	4.1	3.7	3.3

Source: Emkay Research; Note – EPS CAGR for TTMT over FY24-27E is lower due to large DTA recognition at JLR in FY24

Tata Motors: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	3,459,670	4,379,278	4,471,046	4,671,852	4,944,347
Revenue growth (%)	24.2	26.6	2.1	4.5	5.8
EBITDA	318,296	595,603	628,700	674,040	716,478
EBITDA growth (%)	28.3	87.1	5.6	7.2	6.3
Depreciation & Amortization	248,604	272,701	266,440	295,714	331,343
EBIT	69,692	322,901	362,260	378,326	385,136
EBIT growth (%)	0.0	363.3	12.2	4.4	1.8
Other operating income	0	0	0	0	0
Other income	46,332	59,499	48,789	51,229	54,815
Financial expense	102,255	99,858	85,410	78,874	59,479
PBT	13,769	282,543	325,639	350,680	380,471
Extraordinary items	0	0	0	0	0
Taxes	7,041	(38,516)	97,411	78,888	84,955
Minority interest	2,756	4,077	5,000	2,000	1,000
Income from JV/Associates	3,364	6,998	3,895	4,267	4,660
Reported PAT	24,143	313,991	227,124	274,059	299,176
PAT growth (%)	0.0	1,200.6	(27.7)	20.7	9.2
Adjusted PAT	7,336	323,981	227,124	274,059	299,176
Diluted EPS (Rs)	1.9	84.5	61.7	74.5	81.3
Diluted EPS growth (%)	0.0	1,199.7	(24.7)	20.7	9.2
DPS (Rs)	2.0	6.0	4.6	5.3	5.6
Dividend payout (%)	31.7	7.3	7.5	7.1	6.9
EBITDA margin (%)	9.2	13.6	14.1	14.4	14.5
EBIT margin (%)	2.0	7.4	8.1	8.1	7.8
Effective tax rate (%)	51.1	(13.6)	29.9	22.5	22.3
NOPLAT (pre-IndAS)	34,056	366,920	253,895	293,219	299,139
Shares outstanding (mn)	3,830.1	3,832.5	3,679.2	3,679.2	3,679.2

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	13,769	282,543	325,639	350,680	380,471
Others (non-cash items)	383,002	371,514	351,850	374,588	390,822
Taxes paid	(31,790)	(45,163)	(198,704)	(187,970)	(203,305)
Change in NWC	(31,271)	73,252	(63,595)	89,867	20,375
Operating cash flow	353,880	679,154	419,086	631,432	593,024
Capital expenditure	(178,107)	(311,825)	(380,000)	(380,000)	(380,000)
Acquisition of business	(134)	58,150	0	0	0
Interest & dividend income	10,199	0	0	0	0
Investing cash flow	(168,042)	(228,281)	(380,000)	(380,000)	(380,000)
Equity raised/(repaid)	34,737	819	0	0	0
Debt raised/(repaid)	(202,397)	(266,965)	(52,714)	(94,000)	(341,380)
Payment of lease liabilities	(15,166)	0	0	0	0
Interest paid	(93,360)	(93,323)	(85,410)	(78,874)	(59,479)
Dividend paid (incl tax)	(1,409)	(10,591)	(23,014)	(16,977)	(19,379)
Others	55,220	7,099	0	0	0
Financing cash flow	(222,375)	(362,961)	(161,138)	(189,851)	(420,239)
Net chg in Cash	(36,537)	87,912	(122,052)	61,581	(207,215)
OCF	353,880	679,154	419,086	631,432	593,024
Adj. OCF (w/o NWC chg.)	385,151	605,902	482,681	541,565	572,649
FCFF	175,774	367,328	39,086	251,432	213,024
FCFE	83,717	267,471	(46,324)	172,558	153,544
OCF/EBITDA (%)	111.2	114.0	66.7	93.7	82.8
FCFE/PAT (%)	346.8	85.2	(20.4)	63.0	51.3
FCFF/NOPLAT (%)	516.1	100.1	15.4	85.7	71.2

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	7,660	7,665	7,665	7,665	7,665
Reserves & Surplus	445,558	841,515	1,051,662	1,306,342	1,584,732
Net worth	453,218	849,180	1,059,327	1,314,007	1,592,397
Minority interests	72,777	81,759	86,759	88,759	89,759
Deferred tax liability (net)	(37,777)	(119,557)	(220,850)	(329,932)	(448,281)
Total debt	1,256,605	985,001	932,287	838,287	496,907
Total liabilities & equity	1,744,823	1,796,384	1,857,523	1,911,120	1,730,781
Net tangible fixed assets	729,760	621,620	734,050	818,336	866,994
Net intangible assets	504,621	504,621	504,621	504,621	504,621
Net ROU assets	78,010	78,010	78,010	78,010	78,010
Capital WIP	142,745	356,984	358,114	358,114	358,114
Goodwill	8,406	8,603	8,603	8,603	8,603
Investments [JV/Associates]	60,725	60,725	63,725	66,725	69,725
Cash & equivalents	573,222	627,053	502,001	560,581	350,366
Current assets (ex-cash)	1,211,477	1,318,033	1,496,517	1,563,730	1,654,937
Current Liab. & Prov.	1,564,145	1,779,266	1,888,119	2,047,601	2,160,590
NWC (ex-cash)	(352,667)	(461,233)	(391,601)	(483,871)	(505,652)
Total assets	1,744,823	1,796,384	1,857,523	1,911,120	1,730,781
Net debt	683,383	357,948	430,286	277,705	146,540
Capital employed	1,744,823	1,796,384	1,857,523	1,911,120	1,730,781
Invested capital	968,130	751,622	933,683	925,700	952,576
BVPS (Rs)	118.3	221.6	287.9	357.1	432.8
Net Debt/Equity (x)	1.5	0.4	0.4	0.2	0.1
Net Debt/EBITDA (x)	2.1	0.6	0.7	0.4	0.2
Interest coverage (x)	0.9	0.3	0.2	0.2	0.1
RoCE (%)	4.0	15.5	16.3	15.1	15.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	484.4	11.0	15.0	12.5	11.4
P/CE(x)	13.9	6.0	6.9	6.0	5.4
P/B (x)	7.8	4.2	3.2	2.6	2.1
EV/Sales (x)	1.2	0.9	0.9	0.8	0.7
EV/EBITDA (x)	13.3	6.6	6.1	5.5	5.0
EV/EBIT(x)	60.8	12.1	10.6	9.8	9.2
EV/IC (x)	4.4	5.2	4.1	4.0	3.7
FCFF yield (%)	4.1	9.4	1.0	6.8	6.0
FCFE yield (%)	2.4	7.5	(1.4)	5.1	4.5
Dividend yield (%)	0.2	0.6	0.5	0.6	0.6
DuPont-RoE split					
Net profit margin (%)	0.2	7.4	5.1	5.9	6.1
Total asset turnover (x)	1.8	2.5	2.4	2.5	2.7
Assets/Equity (x)	4.3	2.7	1.9	1.6	1.3
RoE (%)	1.6	49.8	23.8	23.1	20.6
DuPont-RoIC					
NOPLAT margin (%)	1.0	8.4	5.7	6.3	6.1
IC turnover (x)	3.6	5.8	4.8	5.0	5.2
RoIC (%)	3.0	42.7	30.1	31.5	31.9
Operating metrics					
Core NWC days	(37.2)	(38.4)	(32.0)	(37.8)	(37.3)
Total NWC days	(37.2)	(38.4)	(32.0)	(37.8)	(37.3)
Fixed asset turnover	1.0	1.2	1.2	1.1	1.1
Opex-to-revenue (%)	25.3	24.1	24.6	23.1	23.0

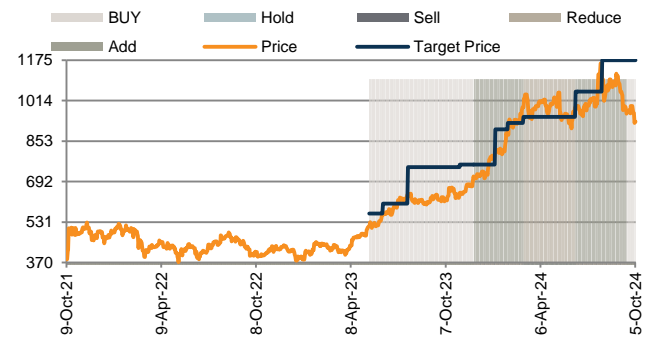
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Sep-24	962	1,175	Buy	Chirag Jain
02-Aug-24	1,097	1,175	Add	Chirag Jain
10-Jul-24	1,006	1,050	Add	Chirag Jain
12-Jun-24	989	1,050	Add	Chirag Jain
11-May-24	1,047	950	Reduce	Chirag Jain
18-Apr-24	971	950	Reduce	Chirag Jain
04-Mar-24	987	950	Reduce	Chirag Jain
03-Feb-24	879	925	Add	Chirag Jain
10-Jan-24	808	900	Add	Chirag Jain
30-Nov-23	706	760	Add	Chirag Jain
03-Nov-23	648	760	Buy	Chirag Jain
26-Jul-23	641	750	Buy	Chirag Jain
08-Jun-23	560	605	Buy	Chirag Jain
13-May-23	516	565	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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