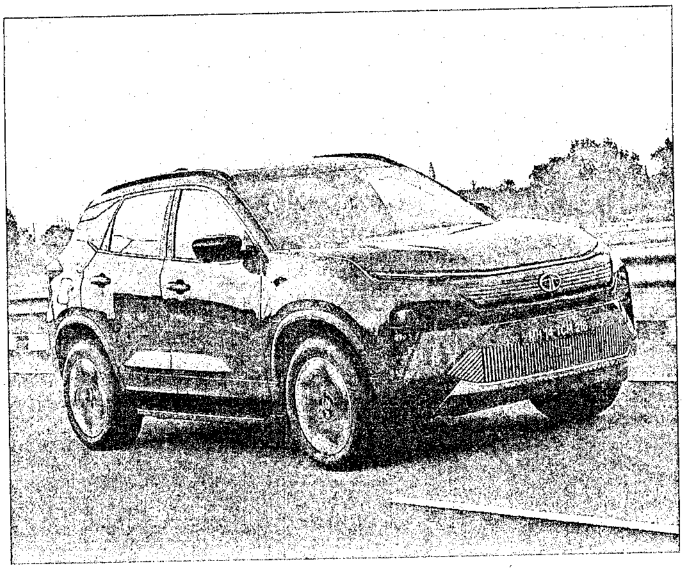
Tata Motors aims double-digit PV growth

JLR MARGINS TO DECLINE 150 BPS IN FY25–27



FINANCIALS & VALUATIONS		
Y/E March (₹ cr)	FY25	FY26E
Net Sales	4,39,700	4,53,800
Ebitda	5,51,300	4,71,600
Adj. PAT	2,32,600	1,68,400
Adj. EPS (₹)	63.2	45.8
EPS Gr. (%)	8	-28
BV/Sh. (₹)	315.6	356.2
Ratios		
Net D/E (x)	0.1	0.1
RoE (%)	23.1	13.6
RoCE (%)	14.2	10.5
Payout (%)	9.6	11.0
Valuations		
P/E (x)	10.0	13.8
P/BV (x)	2.0	1.8
EV/Ebitda (x)	3.9	4.4
Div. Yield (%)	1.0	0.8

Source: Company, MOFSL

TATA MOTORS' CONSOLIDATED Ebitda margin of 9.2% in Q1FY26 came in below our estimate of 10.9% due to weaker-than-expected performance at JLR and India PVs. Consolidated profit before tax (PBT) was ahead of estimate due to lower depreciation and lower interest expenses. JLR is facing multiple headwinds, which include: (i) tariff-led uncertainty for exports to the US; (ii) demand weakness in key regions like Europe and China; and (iii) rising variable marketing expense (VME), warranty and emission costs. Given these factors, management has refrained from giving any guidance for FY26 and beyond. Given the above headwinds, we expect margin pressure to persist for JLR and have factored in 150bp margin decline over FY25-27E. Even in India, both CV and PV businesses are seeing moderation in demand. The overall India business (PV+CV) recorded free cash outflow of ₹3,800 crore in Q1 after capex of ₹2,200 crore. We reiterate Neutral with June-27E SoTP based TP of ₹631.

JLR: Luxury demand globally has been weak given the tariff-led uncertainty in key regions. However, once the tariffs are set, management expects the uncertainty to go away, and hence, demand would reset to the new normal. In terms of region-wise demand, US demand continues to be strong and UK is stable. However, Europe remains uncertain and China has been weak due to the additional tax on luxury vehicles. Management has maintained its FY26 Ebit margin guidance at 5-7% with near nil free cash flow (FCF).

India CVs: Management expects the CV industry to post single-digit volume growth in Q2 over a low base. Further, with normal monsoon and festive season build-up, Tata Motors expects CV demand to pick up in second half. Hence, it maintains 5% volume growth guidance for the industry in FY26. Among segments, the company expects heavy commercial vehicles (HCVs) to post 3-5% growth, Intermediate and Light commercial vehicles (ILCVs) a bit lower, small commercial vehicles (SCVs) to remain flat.

India PVs: In India PVs, Tata Motors continues to expect low single-digit growth in PVs in FY26. Even to achieve this, demand will need to pick up in the festive season and 2H, given that the first four months have seen flat retail demand, with a 3% decline in the last two months. Internal combustion engine (ICE) margin is likely to remain under pressure in the near term. However, with a pick-up in demand, management expects ICE margins to revive in the medium term. Tata Motors remains committed to achieving double-digit Ebitda in the long run in PV business.

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