

Tata Motors

Focus on profitable growth to continue

The company held its investor day on 9 June 2025 to share its future plans for the India CV and PV businesses. We expect the CV segment to witness growth in FY26, though margins may be impacted in the near term as a result of the safeguard duty on steel. We expect the PV segment volumes to grow 2.5% in FY26, broadly in line with the industry. The slower EV sales and an ageing portfolio will be partially offset by continuing higher growth in the CNG segment (25% of its PV sales) and new refreshes/launches planned in FY26. We remain cautious in the near term due to the tariff overhang, subdued global macro, an ageing PV portfolio, slowing EV growth amidst higher competition and moderate growth for CVs. We value the company on a SOTP basis and a target price of Rs.733; we maintain a REDUCE rating.

- **Commercial vehicles–key goals:** By 2027, management expects to achieve 40% market share and market beating revenue growth, improve EBITDA margin to reach the teens, keep capex at 2-4% of revenue, achieve FCF equivalent to 7-9% of revenue, sustain high ROCE, and reduce volatility. It aspires to reach a stage (in 5 years) of delivering double-digit EBITDA margin across CV cycles. It will also focus on downstream revenues that will also remove some cyclicality from the CV business. Overall, it is optimistic of single-digit volume growth for the CV industry in FY26. It also highlighted that the recent 50bps rate cut by the RBI should aid demand. It mentioned that the worst of SCV segment financing is behind, and going forward, it expects to gain market share from Q2, and end FY26 with a 100-150bps gain.
- **Passenger vehicles–key goals:** Management aspires to achieve 16% market share in 2027 and further improve to 18-20% share in another 2-3 years thereon. It targets to achieve double-digit EBITDA margin while delivering FCF of more than Rs.10bn in 2027. Specifically in EVs, it expects EBITDA to be positive (including PLI) and continue to improve in FY26. While FCF for EVs is expected to be negative in the medium term, it highlighted that the business remains well-funded for the next three years. It indicated that 6-7% margins (without PLI) for the EV segment is possible in FY30. Overall, for the PV and EV business combined, it expects to reach a consolidated EBITDA margin of 10% by FY30, along with positive FCF. Over FY26-FY30, it expects to invest Rs.330-350bn in PVs (including EVs), with a focus on innovative new products, SDV, advanced technologies, and powertrains. In FY26, it expects to grow in strong double digits in the hatchback segment, although it expects the segment to decline at the industry level. It expects to launch seven new nameplates and 23 new facelifts and refreshes by FY30 to take the entire PV portfolio to 15 nameplates by FY30. The seven new nameplates include: Sierra, Avinya range (2), ICE products (2), and EV products (2).
- **Other key highlights:** On the demerger, it expects NCLT approval by August or September, while listing and trading of the new CV company is expected to happen thereafter at some point in CY25. It mentioned that dividend payout will also be a focus area, going forward.

Financial summary

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E
JLR - Net Sales (£ mn)	22,809	28,995	28,961	29,981	33,137
JLR - EBIT (£ mn)	529	2,445	2,474	2,385	2,690
JLR - EBIT Margin %	2.3	8.4	8.5	8.0	8.1
Standalone - Sales	657,573	733,031	694,190	764,064	875,163
Standalone - EBITDA Margin	8.7	12.2	13.1	13.0	14.3
India PV - Sales	482,990	526,850	490,890	513,528	561,750
India PV - EBITDA Margin %	7.7	8.4	8.8	8.7	10.0

Source: Company, HSIE Research

REDUCE

CMP (as on 9 Jun 2025)	INR 717
Target Price	INR 733
NIFTY	25,103

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 729	INR 733
	FY26E	FY27E
EPS %	0.0	0.0

KEY STOCK DATA

Bloomberg code	TTMT IN
No. of Shares (mn)	3,681
MCap (INR bn) / (\$ mn)	2,643/30,860
6m avg traded value (INR mn)	10,921
52 Week high / low	INR 1,179/536

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.7	(10.1)	(25.8)
Relative (%)	(0.2)	(11.3)	(33.3)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	42.58	42.58
FIs & Local MFs	16.79	17.14
FPIs	18.66	17.84
Public & Others	21.97	22.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Commercial vehicles–key highlights

- It highlighted that key challenges in CV growth has been in the northern region on the back of geopolitical uncertainty as well as slower pickup in fresh projects in UP, and in the eastern region, which has seen slower movement from West Bengal to Bangladesh.
- It mentioned that having achieved ADAS level 2 in CVs will be useful for safety and comfort of drivers.
- It mentioned that the average age of MHCV on the roads has been going up, which augurs well for replacement demand, though a part of it is also credited to better quality trucks as well as improving road infrastructure.
- It expects end-use segments to do well, which should aid demand.
- On DFC, it indicated that the North East stretch (already operational) has not impacted CV demand as they cater to bulk commodities that were already using railways to transport the material. However, the North West section that is used to transport containers would lead to some impact on tractor trailers, though it could perhaps improve the demand for ILCV and SCV.
- It mentioned that the tipper segment is doing well, on the back of new infra projects post-elections.
- It highlighted that while freight rates have gone up over the last 18 months, the operating costs have also gone up due to higher driver and vehicle costs.
- The company has moved from a push-based sales model to a pull-based model, moving from a market share focused approach to a profitable approach, along with a sharp focus on working capital management.
- It has been able to reduce dealer inventory, improve dealer profitability, and increase the service absorption ratio for dealers.
- It mentioned that the power to weight ratio has improved in the CV industry. As an example, it spoke of the tractor trailer segment, which used to go up to 180HP in the BSIV era, and is now starting at 300HP, leading to better productivity.
- It indicated that customers have become more demanding on vehicle uptime, especially the tipper and e-commerce customers. The company has been able to cater to this via AI and connected trucks that use predictive service tools.
- The company has eight scrapping centers currently and management indicated the commencement of four more within a month.
- It highlighted that the number of buses per 1,000 people in India is 1.2. It expects this to improve to 1.5 over the next 5-6 years.
- On bus demand, it indicated that STUs have a highly ageing fleet which calls for an urgent need to replace it. Additionally, urbanization is also creating the need for higher inter-city bus travel.
- It is close to launching the ACE Pro in the SCV segment, which is to be positioned between the ACE and 3W segment, and to be priced 25-30% below ACE. With industry leading payload and safety, it is expected to attract 3W customers.

Passenger vehicles–key highlights

- It highlighted that the multi-powertrain approach has not led to cannibalization as there are distinct set of customers across powertrains, and has instead helped boost sales.
- Number of dealer outlets have grown from 800 in FY20 to more than 1,500 currently.
- Withdrawal of FAME incentives impacted EV fleet sales in FY25. EV fleet sales used to comprise 15% of overall EV sales. It is now working to get the value proposition of the EV fleet vehicle close to the CNG proposition.
- It expects the domestic PV industry to reach 6 million units by FY30 on the back of increasing higher consumption households, lower PV penetration in India vs key global markets, and shortening of replacement cycle from six years earlier to four years currently.
- It mentioned that the PV industry is operating on a high base and, hence, growth is expected to be muted in FY26. It indicated that FY25 saw challenges of higher inventories, which led to higher dealer incentive and consumer schemes.
- It expects most of the industry launches to be in the SUV segment, going forward, and expects the hatchback segment to stabilize at 20% of the industry mix.
- It highlighted that the CAFÉ 3 norms are pushing the industry to adopt EVs as the penetration requirement to avoid penalties would be 10-12%.
- It indicated that while it has been slow in growing exclusive EV stores, it has identified 50 additional cities already to launch them, as and when EV volumes pick up.
- It mentioned that it has upgraded the workshop infrastructure to deliver a premium experience. It is also working on moving from manual processes to incorporating Kaizen, digitalization, and automation.
- It indicated that price parity of EV with its ICE models has been possible on the back of significant localization and drop in battery prices.
- On EV customer data, it mentioned that 90% of EV owners do not want to ever go back to ICE cars, while a third of Tata EV customers do not have an ICE PV.
- On PV exports, it highlighted that it is seeking to enter an additional large market in FY26, with focus on entering more markets over the next few years.

Financials

Consolidated P&L

Year End (March) - INR mn	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	34,59,670	43,40,160	43,96,950	46,38,460	52,15,445
Growth (%)	24.2	25.5	1.3	5.5	12.4
Material Expenses	22,64,696	27,27,557	27,17,860	28,82,910	31,79,052
Employee Expense	3,36,547	4,19,900	4,77,670	5,10,231	5,52,837
Other Expenses	5,40,268	6,13,984	6,50,100	6,78,361	7,74,738
EBITDA	3,18,158	5,78,719	5,51,320	5,66,959	7,08,818
EBITDA Growth (%)	(6.4)	81.9	(4.7)	2.8	25.0
EBITDA Margin (%)	9.2	13.33	12.54	12.22	13.59
Depreciation	2,48,604	2,72,390	2,32,560	2,46,514	2,83,491
EBIT	(37,065)	1,96,742	2,11,600	2,00,426	2,87,305
Other Income (Including EO)	63,276	46,900	66,950	67,077	69,089
Interest	1,02,255	75,940	50,830	46,195	35,889
PBT	(76,044)	1,67,702	2,27,720	2,21,308	3,20,505
Total Tax	7,041	(40,240)	1,05,020	1,19,465	1,60,485
Minority Interest	608	2,921	(320)	(352)	(387)
RPAT	(82,477)	2,10,864	1,22,380	1,01,492	1,59,634
Adjusted PAT	7,199	2,19,751	2,25,870	2,21,511	2,97,656
APAT Growth (%)	(106.6)	2,952.6	2.8	(1.9)	34.4
EPS	1.9	57.3	61.4	60.2	80.9
EPS Growth (%)	(106.6)	2,950.7	7.0	(1.9)	34.4

Source: Company, HSIE Research

Consolidated Balance Sheet

Year End (March) - INR mn	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS					
Share Capital - Equity	7,660	7,665	7,360	7,360	7,360
Other Equity	4,45,558	8,41,515	11,54,080	13,46,151	16,07,006
Total Shareholders' Funds	4,53,218	8,49,180	11,61,440	13,53,511	16,14,366
Long Term Debt	8,86,958	6,21,485	4,02,170	2,61,411	1,69,917
Short Term Debt	3,69,647	3,63,516	2,22,820	2,00,538	2,12,570
Total Debt	12,56,605	9,85,001	6,24,990	4,61,949	3,82,487
Net Deferred Taxes	14,070	11,434	16,690	16,690	16,690
Other Non-Current Liabilities	72,777	81,759	66,100	66,100	66,100
TOTAL SOURCES OF FUNDS	17,96,669	19,27,374	18,69,220	18,98,249	20,79,644
APPLICATION OF FUNDS					
Net Block	13,12,392	12,04,252	11,48,020	13,21,248	14,78,092
Goodwill	8,406	8,603	8,950	8,950	8,950
CWIP	1,42,745	3,56,984	6,58,060	6,77,802	6,98,136
Non-current Investments	2,63,792	87,178	84,570	93,027	1,02,330
Total Non-current Assets	17,27,334	16,57,017	18,99,600	21,01,027	22,87,507
Inventories	4,07,554	4,77,883	4,72,690	4,82,908	5,57,267
Debtors	1,57,380	1,69,518	1,32,480	1,77,914	2,00,044
Cash & Equivalents	3,70,156	4,58,067	4,08,340	5,61,364	6,44,092
Other Current Assets	6,98,390	8,01,622	6,01,320	6,61,781	7,28,238
Total Current Assets	16,33,480	19,07,090	16,14,830	18,83,967	21,29,642
Creditors	7,20,558	8,80,430	9,40,780	10,16,649	11,71,689
Other Current Liabilities & Provns	8,43,587	8,98,836	9,76,420	10,70,096	11,65,816
Total Current Liabilities	15,64,145	17,79,266	19,17,200	20,86,744	23,37,505
Net Current Assets	69,335	1,27,824	(3,02,370)	(2,02,778)	(2,07,864)
TOTAL APPLICATION OF	17,96,669	17,84,841	15,97,230	18,98,249	20,79,644

Source: Company, HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	69,554	3,06,329	3,18,760	3,20,445	4,25,327
Non-operating & EO Items	46,332	56,440	63,280	67,077	69,089
Interest Expenses	1,02,255	75,940	50,830	46,195	35,889
Depreciation	2,48,604	2,72,390	2,32,560	2,46,514	2,83,491
Working Capital Change	(28,763)	(1,13,110)	2,51,010	3,25,422	87,814
Tax Paid	30,153	37,604	(99,764)	(1,19,465)	(1,60,485)
Others	47,011	(558)	(11,989)	-	-
OPERATING CASH FLOW (a)	5,15,146	6,35,035	8,04,687	8,86,188	7,41,125
Capex	(3,27,700)	(4,88,274)	(5,84,911)	(5,59,503)	(5,98,690)
Free Cash Flow (FCF)	1,87,445	1,46,762	2,19,776	3,26,685	1,42,435
Investments	30,004	1,76,613	2,608	(8,457)	(9,303)
INVESTING CASH FLOW (b)	(2,97,697)	(3,11,660)	(5,82,303)	(5,67,960)	(6,07,993)
Debt Issuance/(Repaid)	(1,40,166)	(2,71,604)	(3,60,011)	(1,63,042)	(79,461)
Interest Expenses	(1,02,255)	(75,940)	(50,830)	(46,195)	(35,889)
FCFE	1,49,534	(48,902)	(89,405)	2,09,838	98,862
Change in net worth	(8,269)	1,01,428	1,04,480	(352)	(387)
Dividend	(7,660)	(22,995)	(22,080)	(29,440)	(36,800)
FINANCING CASH FLOW (c)	(2,58,350)	(2,69,111)	(3,28,441)	(2,39,028)	(1,52,537)
NET CASH FLOW (a+b+c)	(40,901)	54,264	(1,06,057)	79,199	(19,405)
Opening cash	4,06,692	3,70,156	4,58,067	4,08,340	5,61,364
Closing Cash & Equivalents	3,65,791	4,24,420	3,52,010	4,87,539	5,41,959

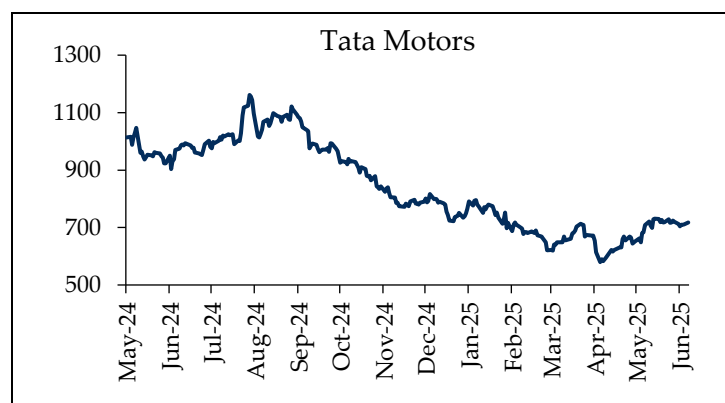
Source: Company, HSIE Research

Ratios

Year End (March)	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY (%)					
GPM	34.5	37.2	38.2	37.8	39.0
EBITDA Margin (%)	9.2	13.3	12.5	12.2	13.6
EBIT Margin	(1.1)	4.5	4.8	4.3	5.5
PBT Margin	(2.2)	3.9	5.2	4.8	6.1
APAT Margin	0.2	5.1	5.1	4.8	5.7
RoE	1.6	33.7	22.5	17.6	20.1
RoIC (or Core RoCE)	(2.8)	17.7	9.1	7.3	10.3
RoCE	(2.0)	11.0	12.5	11.5	14.4
EFFICIENCY					
Tax Rate (%)	(9.3)	(24.0)	46.1	54.0	50.1
Fixed Asset Turnover (x)	1.1	1.3	1.3	1.2	1.3
Inventory (days)	43	40	39	38	39
Debtors (days)	17	14	11	14	14
Other Current Assets (days)	74	67	50	52	51
Payables (days)	76	74	78	80	82
Other Current Liab & Provns	89	76	81	84	82
Cash Conversion Cycle (days)	(32)	(28)	(59)	(60)	(60)
Net D/E (x)	2.0	0.6	0.2	(0.1)	(0.2)
Interest Coverage (x)	(0.4)	2.6	4.2	4.3	8.0
PER SHARE DATA (Rs)					
EPS	1.9	57.3	61.4	60.2	80.9
CEPS	66.8	128.4	124.6	127.2	157.9
Dividend	2.0	6.0	6.0	8.0	10.0
Book Value	118.3	221.6	315.6	367.8	438.7
VALUATION					
P/E (x)	381.5	12.5	11.7	11.9	8.9
P/BV (x)	6.1	3.2	2.3	1.9	1.6
EV/EBITDA (x)	11.4	5.7	5.2	4.5	3.4
EV/Revenues (x)	1.0	0.8	0.6	0.5	0.5
OCF/EV (%)	14.2	19.4	28.2	34.9	31.2
FCF/EV (%)	5.2	4.5	7.7	12.9	6.0
FCFE/Mkt Cap (%)	5.4	(1.8)	(3.4)	8.0	3.7
Dividend Yield (%)	0.3	0.8	0.8	1.1	1.4

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Tata Motors: Company Update

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