

India

ADD (Initiating coverage)

Consensus ratings*:	Buy 12 Hold 3 Sell 1
Current price:	Rs442
Target price:	Rs513
Previous target:	NA
Up/downside:	16.1%
EIP Research / Consensus:	16.0%
Reuters:	
Bloomberg:	TMCV IN
Market cap:	US\$18,055m Rs1,628,511m
Average daily turnover:	US\$0.0m Rs0.0m
Current shares o/s:	7,360.0m
Free float:	53.6%
*Source: Bloomberg	



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	24.6	0.0	0.0
Relative (%)	24.6	0.0	0.0

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

Research Analyst(s)

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Tata Motors Ltd.

CV business cycle turnaround beneficiary

- Commercial vehicle cyclical demand turnaround led by small truck operators, aided by GST cut and freight rate rise, to drive double-digit volume growth.
- Tata Motors' strong presence among small operators and across tonnage portfolio to aid its market share recovery in this upcycle.
- Initiate coverage with an ADD rating, where CV biz is valued at 12.5x EV/EBITDA & value of arms at Rs25/share, leading to SOTP-based Rs513 TP.

Commercial vehicle business cycle turnaround to build momentum

With the business downcycle playing out well through six quarters (Apr 2024 to Jul 2025 - see Fig. 1), the Goods and Services Tax (GST) rate cut in Sep 20025 has sharply improved small transporters' business economics, thereby triggering a business cycle revival for new truck demand (Fig. 4). GST cut savings in the cost of tyres, lubricants and spare parts, we believe, can help boost small truck transporters' cash flow and vehicle price drop to yield lower payback benefit (Fig. 3), as it will be retained in the reverse charge mechanism of the GST regime. Medium-term drivers like easing interest rates (Fig.6) and improving Index of Industrial Production (IIP) to help sustain demand recovery till FY28F.

Tata Motors better placed to reverse market share loss

Tata Motors or TML's market share loss following the recent downturn in commercial vehicle (CV) demand has been more pronounced in less than 16t trucks. With demand revival likely to be driven by small transporters for small- and medium-size trucks, with its wide product portfolio and strong brand recall, it has good scope to regain market share.

Iveco deal is marginally accretive

A leveraged buyout of Iveco listed entity's industrial division for €3.8bn (6x CV division's FY25 FCF) comes as a surprise. While the medium-term synergy potential & market share gains are positive, short-term concerns are - equity raising, EPS dilution & weak quarterly results. There is little benefit for India CV market in the short-term as most of Iveco's products are premium-end high -tonnage trucks, buses and vans, whose market size may be just around 10% of MHCV volume. Medium-term technology investment synergy benefits, large engine portfolio & India export volume improvement are best-case benefits. Considering high business volatility and funding uncertainty, we haven't assigned value to Iveco, but we feel it will be initially be around 10% of the stock price in CY26F.

Assign an ADD rating to the stock with a 16% upside

Considering the early part of cyclical demand recovery, we assign EV/EBITDA multiple of 12.5x1-year forward for CV standalone EBITDA (12% discount to Ashok Leyland), leading to CV business value of Rs489/share. Subsidiaries are valued at Rs25/share, post 20% holding company discount, most of it coming from Tata Capital. We assign an ADD rating to the stock with a target price of Rs513, a 16% upside. Downside risks: Global challenges delaying the acquired IVECO industrial division's turnaround and weakness in domestic truck demand.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	790,320	754,260	877,788	1,030,705	1,149,075
Operating EBITDA (Rsm)	85,110	88,500	103,948	126,239	141,540
Net Profit (Rsm)	60,850	66,550	60,895	76,495	85,329
Core EPS (Rs)	0.0	18.1	8.3	10.4	11.6
Core EPS Growth	0.0%	0.0%	(54.2%)	25.6%	11.5%
FD Core P/E (x)	0.00	24.45	53.45	42.55	38.15
DPS (Rs)	0.0	0.0	11.0	13.9	14.3
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	0.00	17.88	30.25	24.26	21.11
P/FCFE (x)	0.00	16.74	30.92	139.91	22.96
Net Gearing	0.0%	45.8%	(14.8%)	7.4%	(15.9%)
P/BV (x)	0.00	38.38	22.34	14.65	10.44
ROE	0.0%	156.9%	52.8%	41.6%	32.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

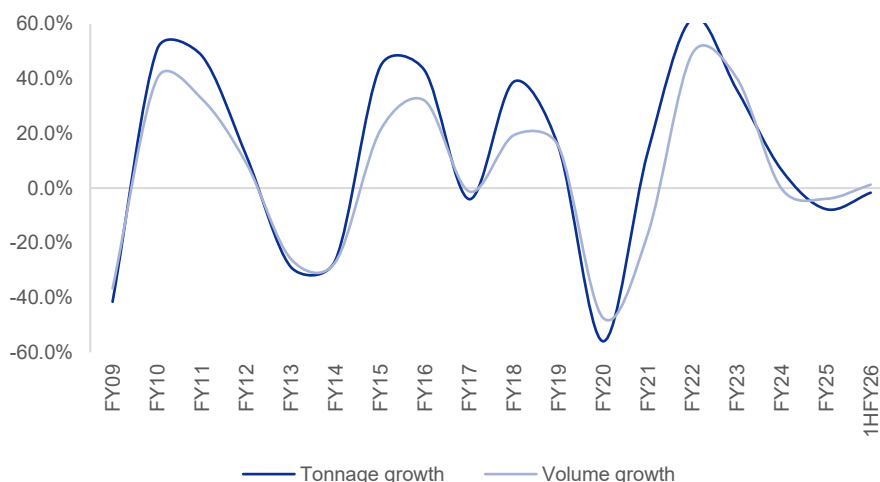
SOURCE: INCRED RESEARCH, COMPANY REPORTS

CV business cycle turnaround beneficiary

CVs – cyclical recovery ➤

- The CV industry saw a downcycle in 1HFY25 due to general elections in India. The negative growth trend improved to flat growth in 2HFY25, weak sentiment and demand that had earlier indicated a move into negative territory.
- Resilience seen in truck transporters' business from the volume impact of Dedicated Freight Corridor (DFC), with non-performing assets (NPAs) under control. Manufacturing-led recovery with productivity-linked incentive (PLI) benefits to drive load availability and truck volume.

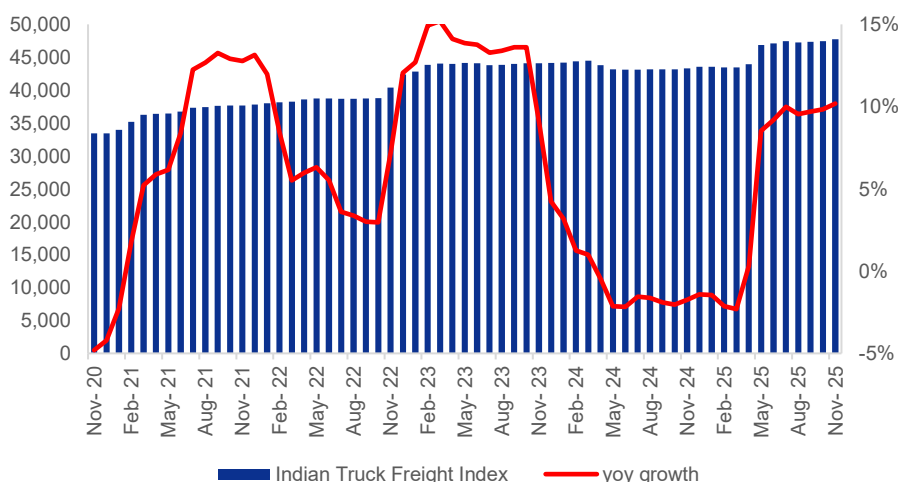
Figure 1: Long-term CV segment's cyclical volume downcycle is behind us



SOURCE: INCRED RESEARCH, COMPANY REPORTS

- With price rationalization in vehicle prices and operating costs, the truck freight index has been growing by ~9–10% over the past few months (Fig. 2), indicating strong fleet demand and improving profitability for truckers across the ecosystem. This creates a favorable backdrop for new CV purchases and could support replacement demand.

Figure 2: Truck freight rates witness strong double-digit growth yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

- Rising truck freight rates since Apr 2025, along with GST rate cut on tyres, lubricants, parts and trucks, have improved freight realisation and reduced both operating and acquisition costs for transporters.
- These measures are likely to lift small transporters' PAT by ~30–50% (supported by Reverse Charge Mechanism (RCM) benefits) and shorten truck

payback period by around four-to-six months, thereby improving affordability and supporting higher demand for new trucks.

- Growth in Indian automotive and consumer durable sectors—which together account for ~60% of manufacturing gross domestic product (GDP), is expected to grow by ~10%, providing a structural boost to freight volume.
- Overall, we believe these triggers will drive volume growth, with small truckers expected to be key participants, primarily through increased purchases of light commercial vehicles (LCVs).

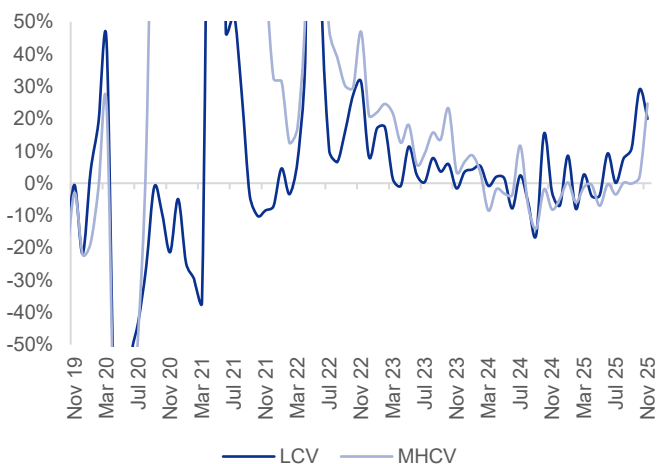
Figure 3: GST 2.0 improved CV ecosystem profitability and sentiment

Action	Effect
Truck freight rates are on the rise since Apr 2025.	Supports better revenue visibility for transporters.
GST rate cut on tyres, lubricants and parts.	Small transporter PAT improves by ~30–50% (via RCM benefits).
GST cut on trucks.	Truck payback period reduces by four-to-six months → higher new truck demand
GST rate cut to aid volume growth of 10% for auto & consumer durables (60% of manufacturing GDP).	Boosting freight volume and improving transporter business visibility.
Higher profitability + better payback + higher freight volume.	Demand for used trucks and new MCVs rises from small transporters.
Stronger small-transporter ecosystem and higher commercial vehicle demand.	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

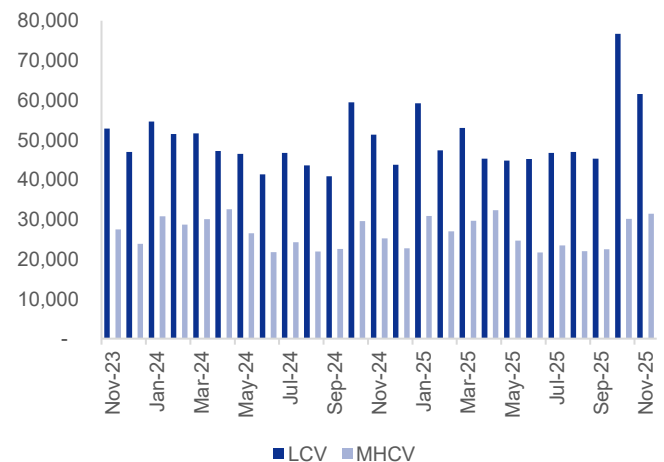
- Vahan retail sales have also been witnessing double-digit growth in the post-GST cut period (Fig. 4). LCVs have reported double-digit growth since Sep 2025, while MHCVs followed with double-digit growth from Nov 2025, trends that we believe are likely to sustain.

Figure 4: Volume growth recovery driven by LCV goods in this business cycle



SOURCE: INCRED RESEARCH, COMPANY REPORTS

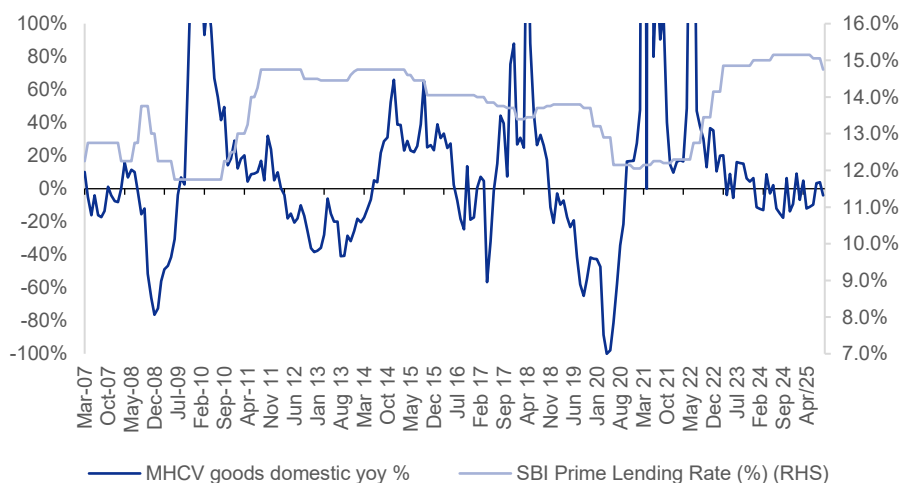
Figure 5: Absolute monthly volume scales new highs



SOURCE: INCRED RESEARCH, COMPANY REPORTS

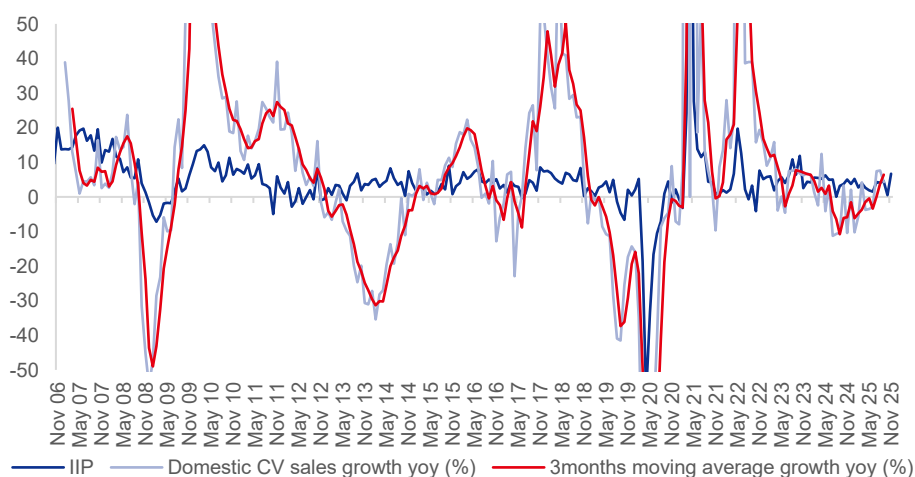
Medium-term drivers in place for sustaining volume recovery ➤

Figure 6: Big truck sales volume growth's inverse correlation to lending rates is about to play out for growth revival in FY26F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: CV sales volume recovery tracks the Index of Industrial Production (IIP) growth

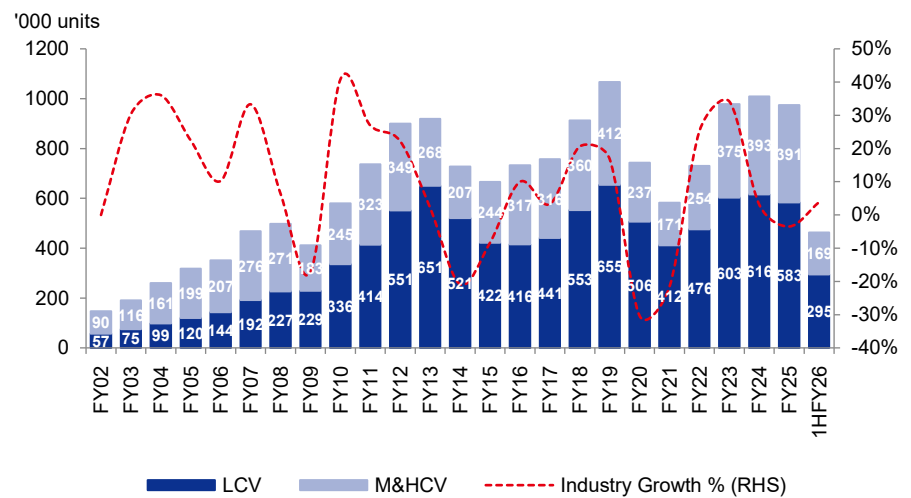


SOURCE: INCRED RESEARCH, COMPANY REPORTS

The GST rate cut-led volume revival in the commercial vehicle sector is unfolding an interesting business upcycle for demand. With medium-term business cycle drivers, we feel it will sustain the double-digit volume growth momentum in FY27F.

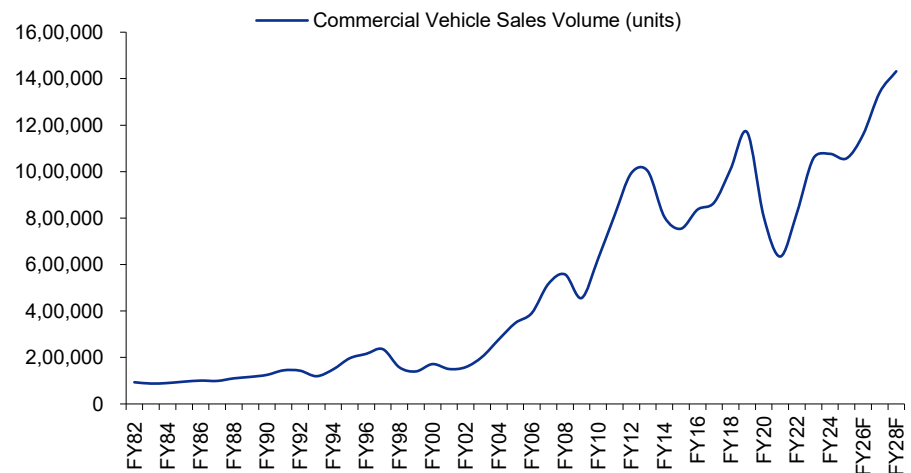
- Big truck sales volume growth shows an inverse correlation with lending rates (Fig. 6). Recent Reserve Bank of India's intervention to cut interest rates is likely to ease truckers' interest costs and support demand.
- IIP growth stood at ~7% YoY in Nov 2025 (Fig. 7). Historically, CV sales volume recovery closely tracks IIP growth; the recent uptick in IIP should improve tonnage visibility to buy new trucks. Considering that automobile and consumer durables (forming 60% of manufacturing GDP) are expected to clock double-digit growth aided by GST rate cut, we feel freight growth should aid new truck purchases.

Figure 8: CV industry's growth turned positive (+4% yoy) in 1HFY26



SOURCE: INCRED RESEARCH, COMPANY REPORTS

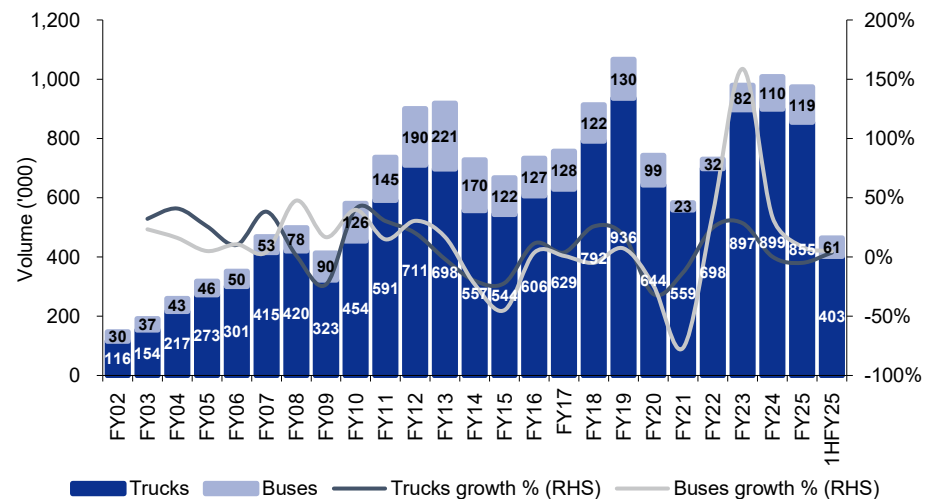
Figure 9: Long-term CV sales volume trend (units) and our outlook



SOURCE: INCRED RESEARCH, COMPANY REPORTS

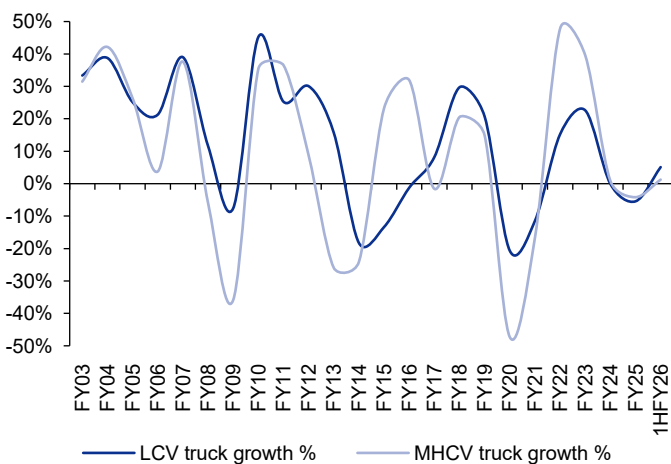
- India's commercial vehicle industry volume remains below the FY19 peak. Following the post-COVID pandemic recovery, growth accelerated sharply to a peak of 34% yoy in FY23, before decelerating over the subsequent two years and turning negative in FY25 (-3% yoy).
- FY26 has commenced on a subdued growth, reflecting a slowdown in domestic economic activity despite income-tax rate cuts and RBI-led interest-rate easing. While recent regulatory interventions have led to higher vehicle prices, GST rate cut set the cyclical recovery by rationalising vehicle prices.
- We estimate FY26F volume growth of 9.4% yoy, followed by a stronger 16% growth in FY27F, driven by the long-awaited replacement cycle (as fleet age is around 10-years now). FY27F volume is expected to surpass its FY19 peak, with growth moderating to ~7% in FY28F as the cycle normalises.

Figure 10: Domestic sales volume trend for trucks and buses in the CV segment



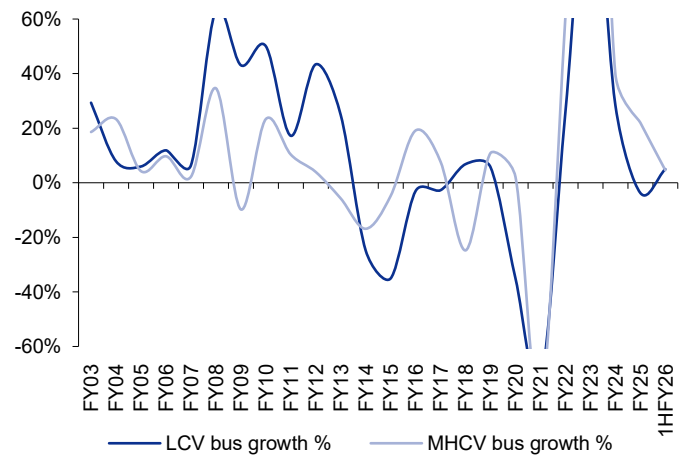
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: LCV growth recovery is quicker than in MHCV in 1HFY26



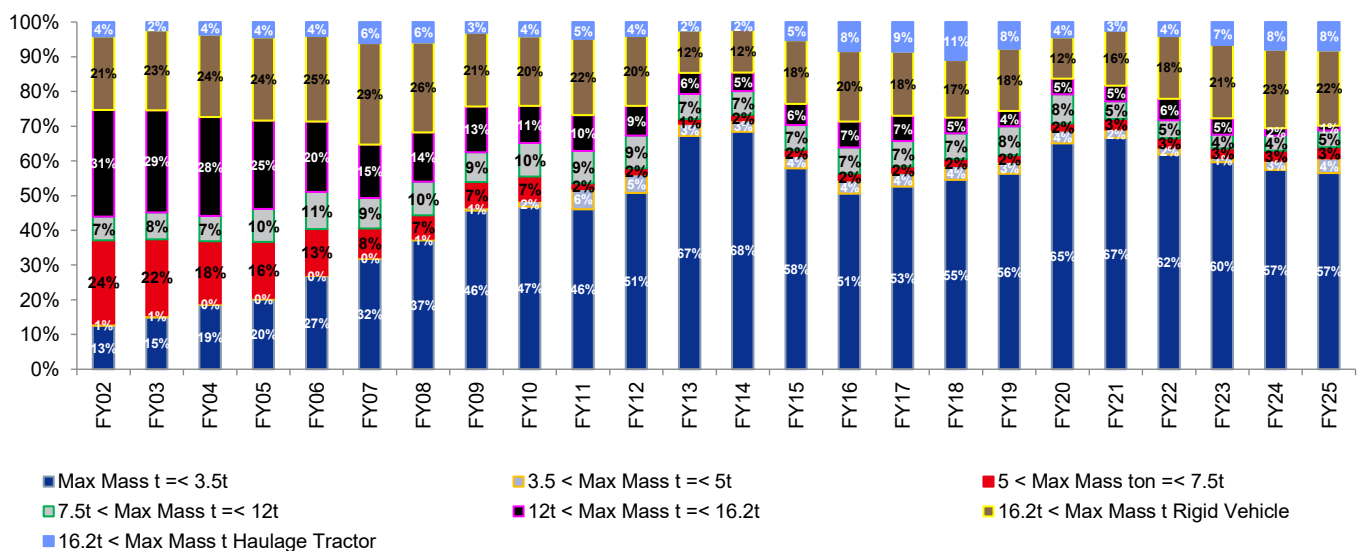
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Overall bus segment is in the growth phase



SOURCE: INCRED RESEARCH, COMPANY REPORTS

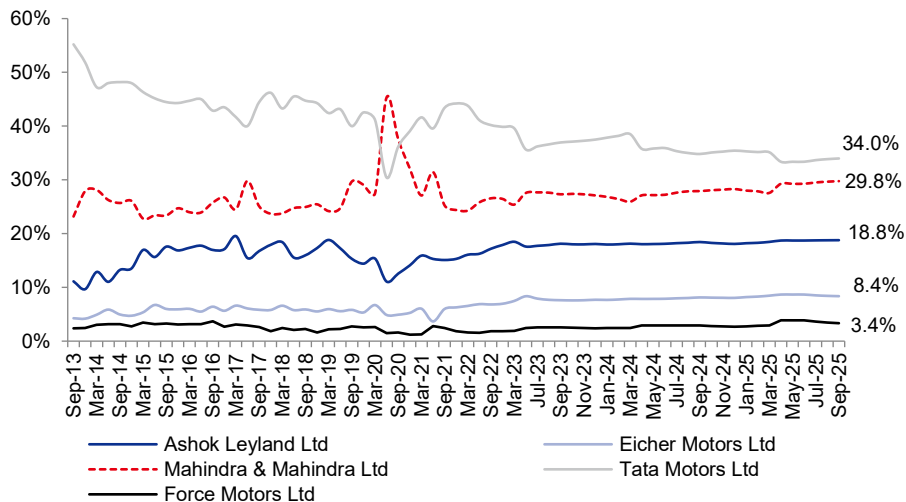
Figure 13: Domestic CV truck tonnage volume profile – MHCV tonnage scales a new high in the mix



SOURCE: INCRED RESEARCH, COMPANY REPORTS

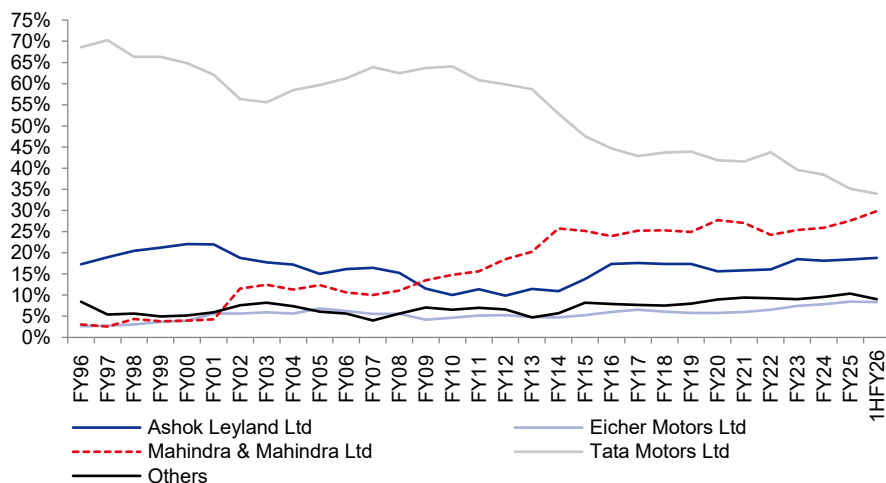
Best opportunity for Tata Motors to recover lost market share ➤

Figure 14: Domestic sales volume market share trend in the CV segment



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Long-term domestic sales volume market share trend in the CV segment

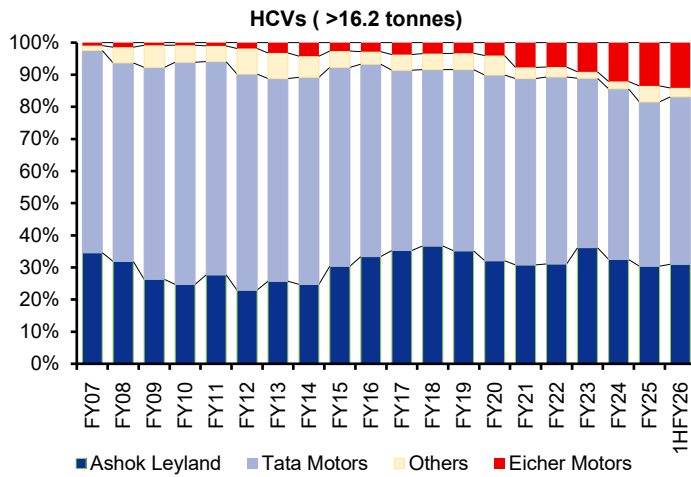


SOURCES: INCRED RESEARCH, COMPANY REPORTS

- Tata Motors has lost market share over the past few years, with a cumulative ~200bp decline over the last two years, taking its share to 34% in 1HFY26 (Fig. 14).
- The market share erosion has been largely concentrated in the less than 16.2t segment (Fig. 17), where Volvo has gained meaningfully, while Tata Motors has broadly maintained its position in the <16t segment (Fig. 16).

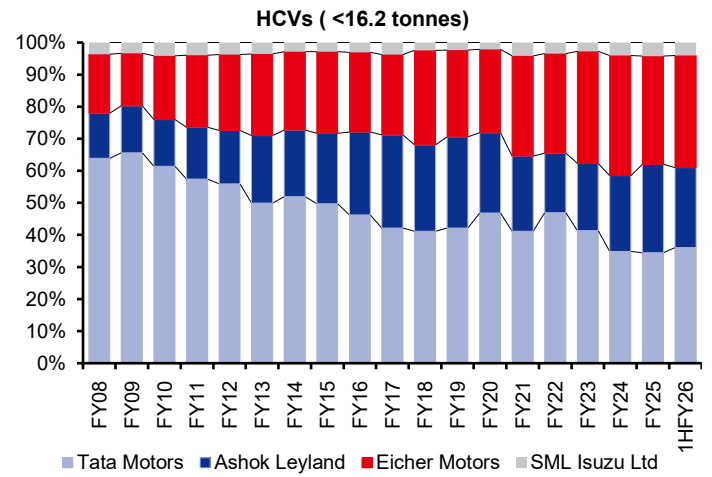
Tata Motors, with an installed CV manufacturing capacity of ~0.9m units per annum and widest tonnage product profile, we feel, is better placed to regain some of its lost market share from cyclical demand recovery driven by small transporters.

Figure 16: Market share trend in HCV trucks – Eicher Motors gains consistently



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Market share trend in MCV trucks – Ashok Leyland at a new high in HCVs



SOURCE: INCRED RESEARCH, COMPANY REPORTS

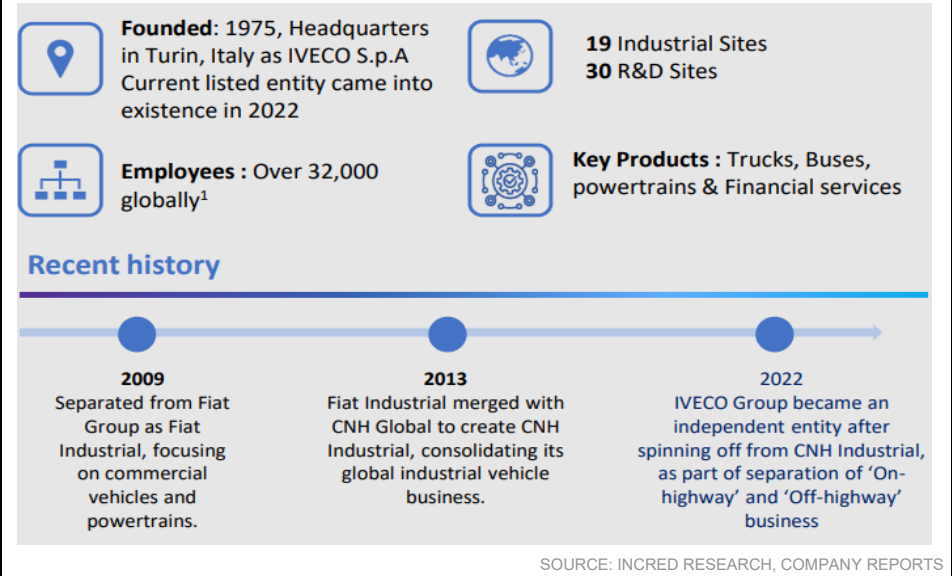
Iveco's industrial division acquisition will be marginally accretive

Business profile ►

Iveco Group is an Italian multinational company manufacturing commercial & defence vehicles and powertrains. The business has three segments: Industrials (trucks, buses, and powertrain), captive financial services, and defence products.

- Tata Motors has announced a €3.8bn all-cash stock buyout deal for Iveco listed entity's industrial division (excluding the defence equipment business). This will help Tata Motors to inch up to the No. 4 global CV volume ranking, from No. 6 currently.
- Iveco has a global market share of 13.3% in LCVs and 8.9% in MHCVs. Its revenue mix is tilted towards Europe (74%), South America (11%), and rest of the world (15%).
- FCF generation of €250-400m per annum by the industrial division consistently (~30% of EBIT) for the last three years and a net cash position of €1.9bn provide comfort. Iveco's management's 'Unlimited Pathways' strategy aims at sales CAGR of 5% with a EBIT margin increase of 200bp and €0.75bn per annum FCF by CY28F.
- **Iveco Group's strategy:** Post a 5% CAGR to have a €17.5bn business with 7-7.5% EBIT and €0.75-0.8bn FCF by CY28F.
- Post-merger, Tata Motors' management expects a sales mix comprising Europe (50%), India (35%) and South America (15%). It expects RoCE of the combined entity at 20+% and get new products right along with cost reduction, which are key monitorable.

Figure 18: IVECO group details



Our take on the deal and end-market benefits ➤

- Little benefit for India CV market – most Iveco products are premium-end high tonnage trucks, buses and vans, whose market size may be just around 10% of the MHCV volume, and hence the benefits may be limited for India operations.
- Medium-term technology investment synergy benefits and India export volume improvement are the best-case benefits from this deal.
- Iveco's engine division (22% of sales) looks promising; however, a slow start in EVs (2,500 units in CY24) & China import threat in Europe bus market are areas of concern.
- Management gave FCF synergy guidance of ~0.5% for the combined entity's sales from FY28F. It expects EPS breakeven in two years and the acquisition-related debt repayment in four years. Tata Motors plans to fund 20-30% of the acquisition via equity in the coming one-year period.

Figure 19: Light commercial portfolio of IVECO

Market leader in LCVs with growing traction in HCVs

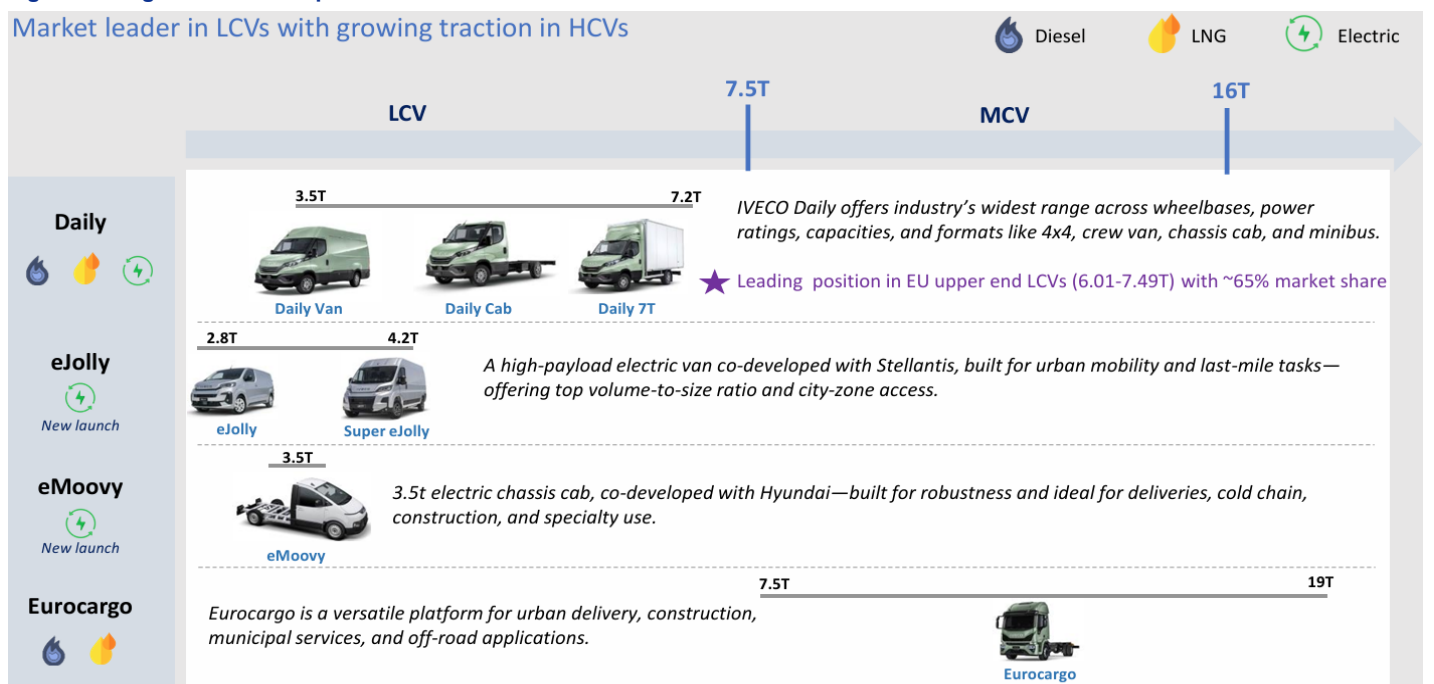
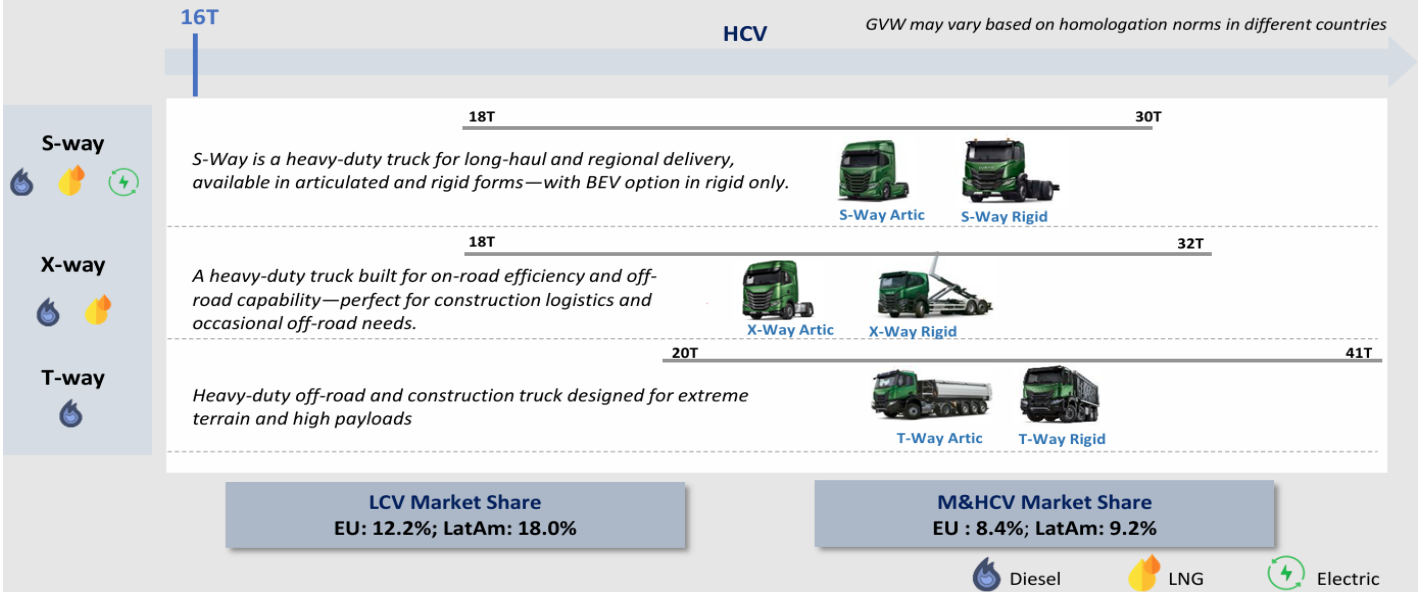


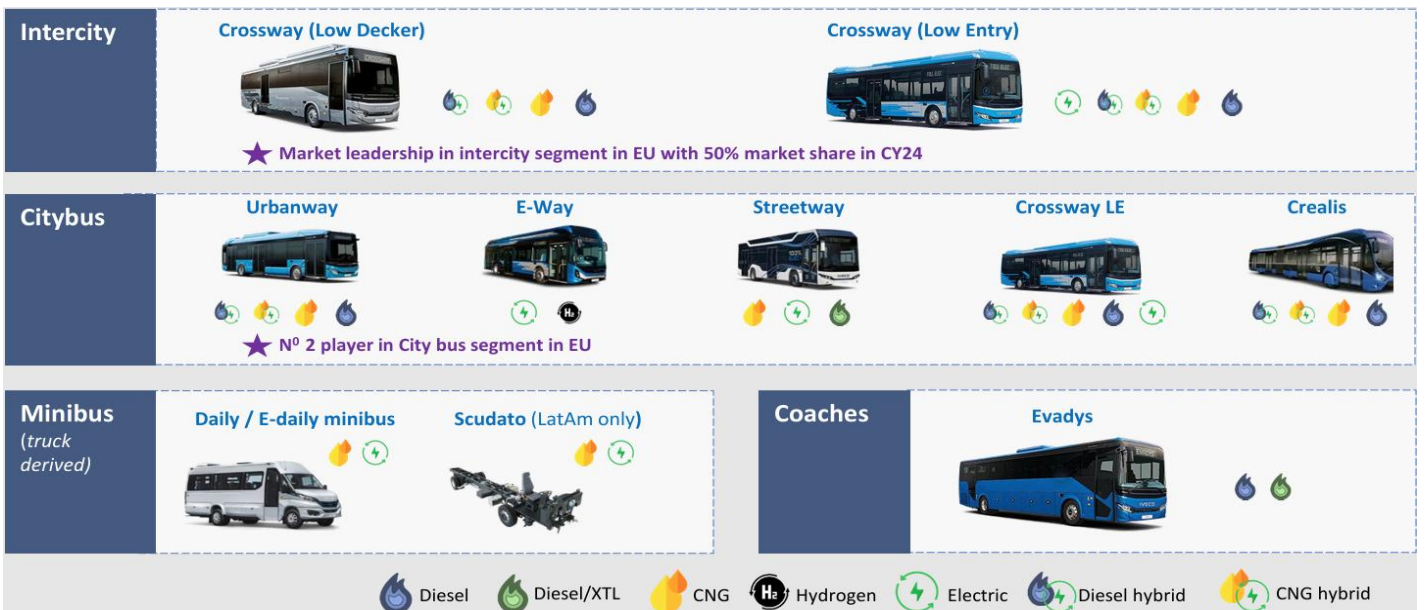
Figure 20: Heavy commercial vehicle portfolio

Market leader in LCVs with growing traction in HCVs



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Comprehensive multi-energy portfolio covering all segments in the bus business



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: 2025F financial guidance cut in 3Q results

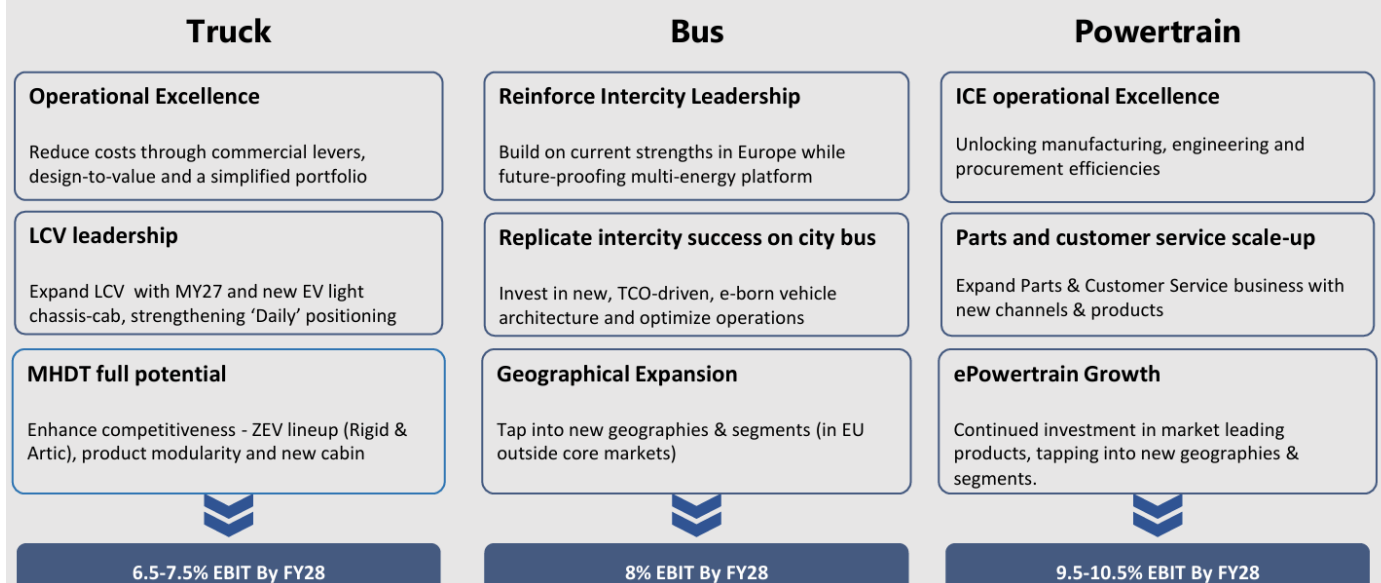
		Previous Guidance	New Guidance	New Guidance (Excl. Defence)
Group	Adjusted EBIT ⁽¹⁾	€880 – 980mn	€830 – 880mn	€680 – 730mn
Industrial Activities	Net Revenues (including currency translation effects)	Down (3) – (5)% versus FY 2024	Confirmed	Down (4) – (6)% versus FY 2024
	Adjusted EBIT ⁽¹⁾	€750 – 850mn	€700 – 750mn	€550 – 600mn
	Free Cash Flow ⁽¹⁾	€350 – 400mn	€250 – 350mn	Not Available

(1) This item is a non-EU-IFRS financial measure; reconciliation in the Appendix (slide n° 36).

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: Long-term performance guidance

Business ambition as outlined in Iveco Group's 'Unlimited Pathways' strategy **TATA MOTORS**
Grow by 5% CAGR to deliver a €17.5B business with 7-7.5% EBIT and €0.75-0.8B FCF by CY28

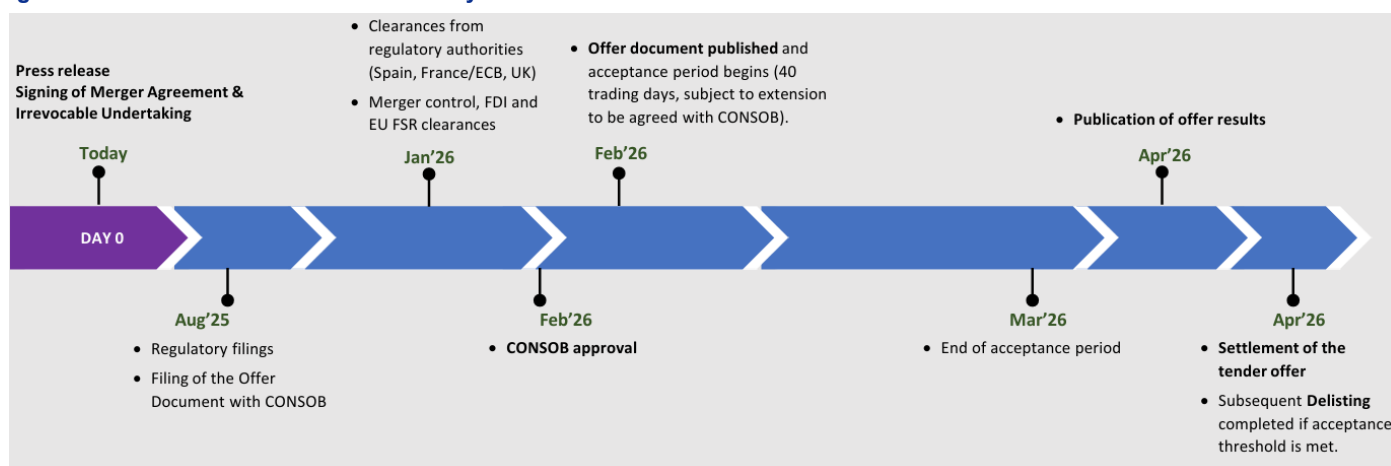


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Transactions details ➤

Tata Motors has agreed to acquire 100% of Iveco Group N.V. (excluding the defence business) through a voluntary tender offer at €14.1 per share, valuing the equity at €3.8bn, with the defence unit to be sold or spun off prior to settlement, supported by Iveco's board and Exor's irrevocable commitment to tender its shares, and subject to customary regulatory approvals including merger control, foreign direct investment or FDI, EU foreign subsidy and financial regulatory clearances.

Figure 24: Tentative timeline end-to-end may take nine months



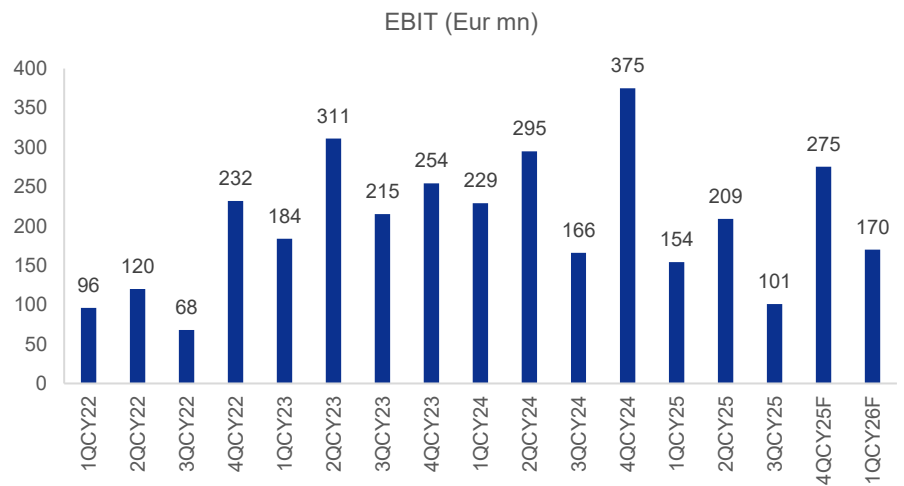
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Iveco's financials and Bloomberg consensus estimates ➤

Figure 25: Key financials and Bloomberg projections

EUR m	CY22	CY23	CY24	CY25F	CY26F	CY27F	3-year CAGR
Revenue	14,357	15,978	15,289	14,028	15,160	16,132	1.35%
Gross Margin	14%	17%	17%	15%	15%	15%	
EBITDA	1013	1505	1,656	1,439	1,609	1,806	2.19%
EBITDA Margin	7%	9%	11%	10%	11%	11%	
PAT	134	288.1	625	421	538	662	1.45%
PAT Margin	1%	2%	4%	3%	4%	4%	
Return on Equity %	6.33%	9.26%	14%	13%	16%	17%	

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 26: Iveco's volatile quarterly EBIT trend is an area of concern

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Financial outlook

- We expect the commercial vehicle (CV) industry to close FY26F with 10% volume growth. While growth in 1HFY26 remained modest at 4%, volume is likely to accelerate in 2HFY26F and further strengthen to 16% in FY27F, driven by rising replacement demand, before moderating in FY28F (Fig. 27).
- Tata Motors' CV volume grew by 3% yoy in 1HFY26, marginally trailing industry growth; however, we expect the company to outperform the industry as demand improves, supported by its ~900,000 units per annum capacity. We build in a 12% volume CAGR over FY26F-28F vs. CV industry's growth of 11%.

Figure 27: Total volume trend

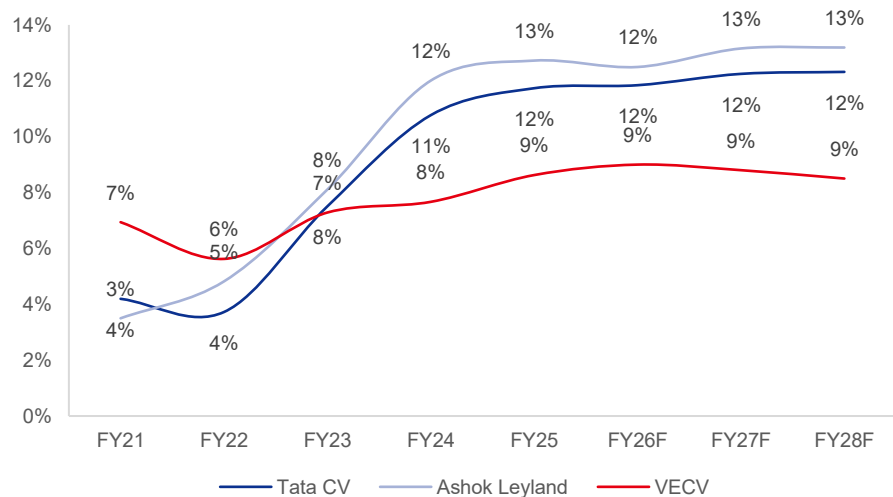
	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Tata CV	2,67,688	3,66,382	4,20,595	4,05,234	3,85,005	4,35,178	4,95,240	5,36,042
Growth rate		37%	15%	-4%	-5%	13%	14%	8%
Ashok Leyland	1,00,728	1,28,333	1,90,892	1,94,553	1,95,097	2,20,097	2,58,301	2,80,983
Growth rate		27%	49%	2%	0%	13%	17%	9%
VECV	41,250	57,024	79,623	85,560	89,416	99,586	1,09,662	1,20,921
Growth rate		38%	40%	7%	5%	11%	10%	10%
CV Industry	6,34,545	8,21,857	10,57,415	10,76,432	10,56,976	11,59,159	13,40,529	14,31,689
Growth rate		30%	29%	2%	-2%	10%	16%	7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profitability to remain healthy, supported by strong demand

- A healthy demand environment is likely to lead to lower discounts across the industry, supporting the sustainability of healthy margins across players (Fig 28). Tata Motors' EBITDA margin is marginally lower than that of Ashok Leyland, which, we feel, is due to its small truck product mix.
- Tata Motors has demonstrated superior RoCE and RoE versus key peers, driven by operating leverage from improved volume, disciplined capital allocation, and a structurally stronger balance sheet (Figs. 30 and 31). However, we feel the lower capital allocation has impacted its new launches and market share performance.

Figure 28: CV players expected to maintain their strong EBITDA margin



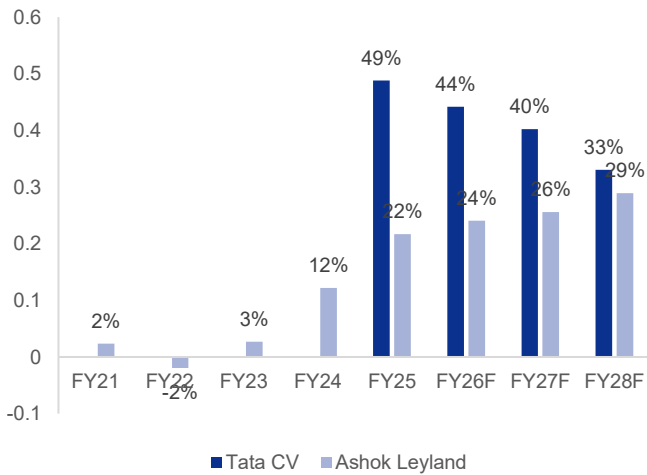
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 29: Domestic peer comparison on financials

Revenue (Rs m)	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Tata CV	3,32,780	5,24,710	7,11,320	7,90,320	7,54,260	8,77,788	10,30,705	11,49,075
Ashok Leyland	1,53,015	2,16,887	3,61,442	3,83,670	3,87,527	4,49,125	5,30,453	5,83,193
VECV	85,970	1,27,244	1,89,520	2,18,790	2,34,450	2,63,019	2,92,559	3,22,853
Revenue yoy growth								
Tata CV		58%	36%	11%	-5%	16%	17%	11%
Ashok Leyland		42%	67%	6%	1%	16%	18%	10%
VECV		48%	49%	15%	7%	12%	11%	10%
EBITDA (Rs m)								
Tata CV	13,960	19,530	53,390	85,110	88,500	1,03,948	1,26,239	1,41,540
Ashok Leyland	5,352	10,452	29,307	46,065	49,306	56,114	69,788	76,930
VECV	5,965	7,156	13,805	16,774	20,221	23,672	25,745	27,443
EBITDA yoy growth								
Tata CV		40%	173%	59%	4%	17%	21%	12%
Ashok Leyland		95%	180%	57%	7%	14%	24%	10%
VECV		20%	93%	22%	21%	17%	9%	7%
EBITDA Margin (%)								
Tata CV	4%	4%	8%	11%	12%	12%	12%	12%
Ashok Leyland	3%	5%	8%	12%	13%	12%	13%	13%
VECV	7%	6%	7%	8%	9%	9%	9%	9%
PAT (Rs m)								
Tata CV	-5,070	-1,320	32,350	61,020	66,470	1,01,117	1,25,957	1,41,027
Ashok Leyland	-3,015	816	12,955	27,115	31,996	37,736	47,879	53,146
VECV	580	1,106	5,791	7,875	10,181	12,127	13,482	14,153

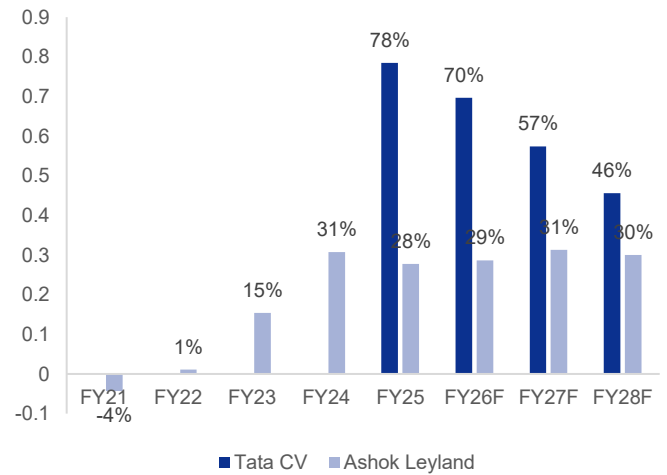
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 30: RoCE of Tata Motors vs. Ashok Leyland



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 31: RoE of Tata Motors vs. Ashok Leyland



SOURCE: INCRED RESEARCH, COMPANY REPORTS

IVECO combined entity's financials ➤

Figure 32: Combined entity's financials

	TMCV				IVECO				Combined Entity			
	FY25	FY26F	FY27F	FY28F	CY25F	CY26F	CY27F	CY28F	FY25	FY26F	FY27F	FY28F
Revenues	7,54,260	8,77,788	10,30,705	11,49,075	13,66,992	14,64,561	15,89,630	17,17,797	21,22,004	23,17,957	25,89,068	28,34,830
Growth		16%	17%	11%		7%	9%	8%		9%	12%	9%
EBITDA	88,500	1,03,948	1,26,239	1,41,540	1,50,369	1,62,566	1,90,756	2,06,136	2,41,277	2,63,465	3,09,947	3,43,830
EBITDA Margin (%)	12%	12%	12%	12%	11%	11%	12%	12%	11%	11%	12%	12%
EBIT	68,040	81,851	1,01,269	1,12,825	57,836	64,435	90,662	1,04,040	1,28,917	1,44,637	1,85,374	2,13,521
EBIT Margin (%)	9%	9%	10%	10%	4%	4%	6%	6%	6%	6%	7%	8%
Profit after tax	66,550	1,01,492	1,27,491	1,42,214	40,510	9,334	19,955	41,250	83,678	1,18,792	1,63,418	1,91,206
PAT Margin	9%	12%	12%	12%	3%	1%	1%	2%	4%	5%	6%	7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation and recommendation

- For the standalone CV business, we have applied a 12% discount to Ashok Leyland's long-term one-year forward EV/EBITDA mean valuation of 12.5x, reflecting continued market share losses (Fig. 14).
- Subsidiaries are valued at either listed price of entity or peer entity valuation, leading to Rs25 per share value, post 20% holding company discount. Major subsidiary value comes from 4.7% stake in Tata Capital, through Tata Motors Finance holding company and Tata Hitachi.
- We recommend ADD rating to the stock with a SOTP-based target price of Rs513. Key trigger is industry volume growth surprise.
- A sustained improvement in market share gain could drive a valuation re-rating, with the stock trading closer to ~14x EV/EBITDA. Under this scenario, our SOTP-based target price would increase to Rs.569.
- We have not incorporated IVECO acquisition value at this stage, as the statutory approvals are pending and funding structure for the transaction is yet to be disclosed by the company's management. Considering IVECO's volatile quarterly financial journey in CY25 and assuming 70% of €3.8bn will be debt funded, to be serviced by IVECO, we feel IVECO industrial division acquisition can add Rs54 per share value to the SOTP target price valuation at 10xCY26F EPS (Fig 37).

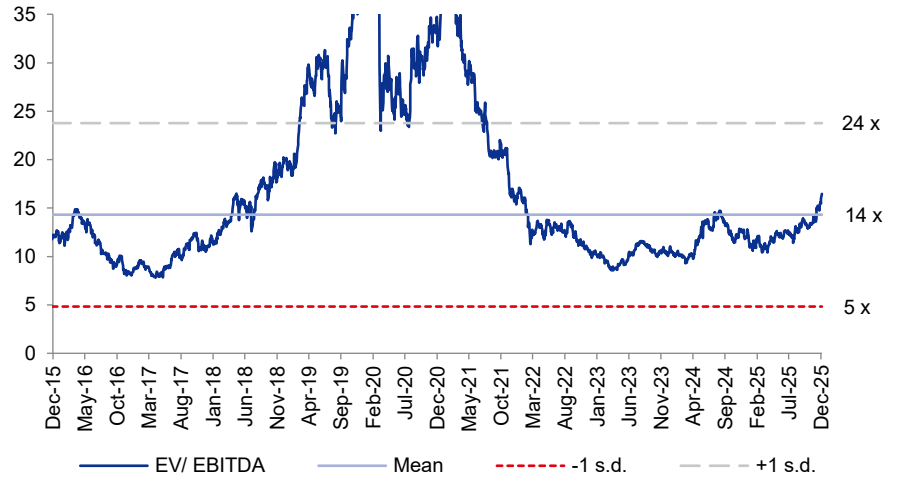
Figure 33: Our SOTP-based valuation methodology

	Peer set	Peer set valuation	Valuation Multiple	Value/share (Rs)	Comment
India CV business	Ashok Leyland	FY27F EV/EBITDA multiple	12.5	488	Discount to Ashok Leyland's valuation for IVECO industrial division acquisition and India market share challenges
Subsidiaries					
Tata Daewoo	Ashok Leyland	18.1x FY27F P/E	8.0	2.8	Discount valuation for its international operations
Tata Hitachi				5.9	10% discount to stake exchange valuation with Hitachi
TACO	Bharat Forge	32.3x FY27F P/E consolidate	15.0	0.2	Discount valuation for dependence on Tata Motors
Tata Cummins	Cummins India	37.9x FY27F P/E	20.0	3.1	
Tata Capital			0.0	18.6	
ACGL				1.4	
Sub Total				32	
Subsidiaries' value post 20% holding company discount				25	
Target price based on SOTP methodology				513	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Peer set valuation

Figure 34: Ashok Leyland's long-term EV/EBITDA trend



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 35: Global CV players' financial performance and Bloomberg consensus estimates

Revenue (US\$m)	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25F	CY26F	5-year CAGR	8-year CAGR
Iveco	13,281	12,591	11,286	14,963	15,122	17,281	16,539	16,356	17,675	3%	4%
Daimler	51,615	51,770	41,117	47,032	53,659	60,447	58,499	57,722	60,116	2%	2%
Volvo	45,029	45,704	36,896	43,398	46,950	52,134	49,838	51,665	52,665	2%	2%
Traton	30,623	30,115	25,780	36,216	42,484	50,693	51,355	51,025	53,433	5%	7%
Paccar	23,496	25,600	18,729	23,522	28,820	35,127	33,664	26,166	28,196	0%	1%
EBITDA (US\$m)	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25F	CY26F		
Iveco	13,281	12,591	11,286	14,963	15,122	17,281	16,539	16,356	17,675	3%	4%
Daimler	4,553	4,621	2,012	3,797	4,607	6,733	6,906	5,123	6,004	5%	3%
Volvo	6,681	7,050	5,125	7,059	7,463	9,881	8,668	7,556	8,214	2%	2%
Traton	4,083	4,565	3,002	3,822	5,163	7,231	7,997	6,055	7,095	7%	6%
Paccar	3,026	3,320	1,840	2,595	4,026	6,379	5,328	3,213	3,782	-1%	2%
PAT (US\$m)	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25F	CY26F		
Iveco	220	247	-442	85	141	312	676	491	627	35%	12%
Daimler	2,103	1,950	-215	1,691	2,628	4,013	4,382	2,757	3,319	5%	7%
Volvo	3,499	3,659	2,293	3,761	3,936	5,824	4,837	3,797	4,598	3%	3%
Traton	1,389	1,697	-565	886	1,464	2,698	3,191	1,851	2,710	13%	6%
Paccar	2,195	2,392	1,301	1,866	3,012	4,601	4,173	2,560	3,050	0%	3%
FCF (US\$m)	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25F	CY26F		
Iveco	-97	243	180	-30	664	406	268	233	552		
Daimler	-407	157	3,852	1,583	-1,497	-692	149	2,294	2,197		
Volvo	1,620	2,221	1,778	1,811	1,268	310	3,079	3,134	4,337		
Traton	-653	102	1,133	477	-2,071	1,148	625	1,840	2,540		
Paccar	1,040	890	1,349	554	1,637	2,928	2,895	2,331	2,779		

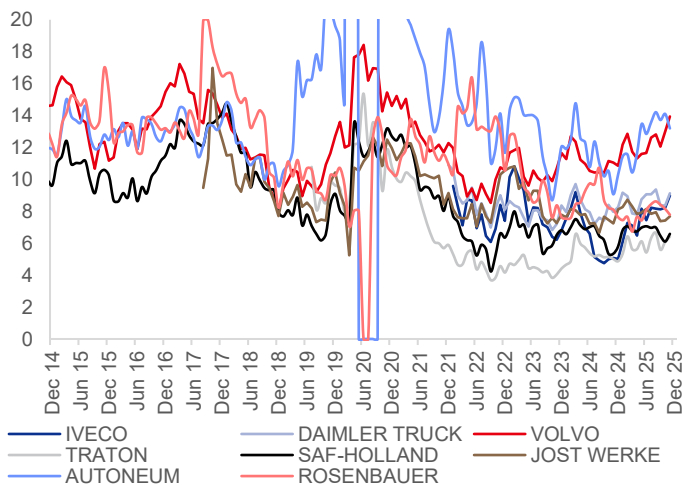
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 36: Global peer CV valuation comparison

Company	Bloomberg	Price	Market Cap	P/E(x)		P/BV(x)		RoE (%)		EV/EBITDA (x)		Dividend Yield (%)		Sale CAGR (%)		
	Ticker	Curr (local curr)	(US\$ m)	CY25F	CY26F	CY25F	CY26F	CY25F	CY26F	CY25F	CY26F	CY25F	CY26F	3 years	5 years	
Iveco Group Nv	IVG IM Equity	EUR	18,745	5,987	12	9	2	16	14	2	3	2	2	3	7	6
Daimler Truck Holding Ag	DTG GR Equity	EUR	37.02	33,376	12	10	1	13	11	4	5	4	4	5	11	3
Volvo Ab-B Shs	VOLVB SS Equity	EUR	291.9	64,702	16	14	3	21	20	7	7	7	5	5	12	4
Traton Se	8TRA GY Equity	EUR	29.96	17,640	9	6	1	12	9	3	3	3	4	5	16	12
Saf-Holland Se	SFQ GY Equity	EUR	14.92	798	8	7	1	16	15	5	5	5	4	5	15	8
Jost Werke Se	JST GR Equity	EUR	53.1	932	10	8	2	22	20	5	7	5	2	4	1	8
Autoneum Holding Ag	AUTN SW Equity	EUR	167	1,237	16	15	2	11	11	5	5	5	2	2	11	0
Accelleron Industries Ag	ACLN SW Equity	USD	63	7,549	27	24	14	53	54	18	21	18	2	2	11	5
Rosenbauer International Ag	ROS AV Equity	USD	45.9	551	12	8	1	16	12	5	6	5	0	1	10	6

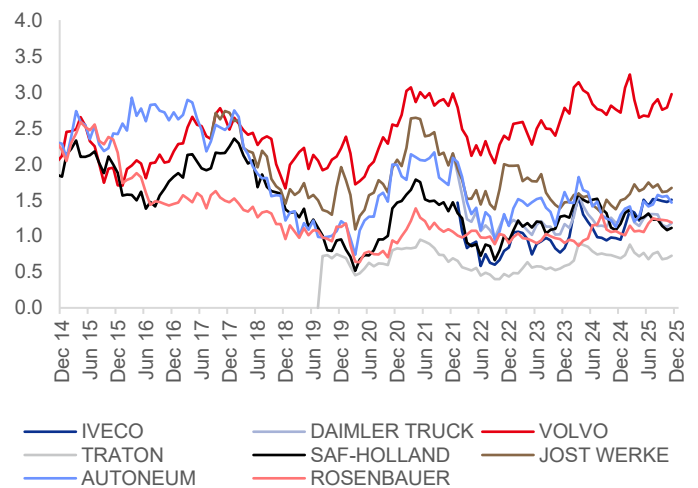
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 37: P/E (x) valuation trend of global CV players



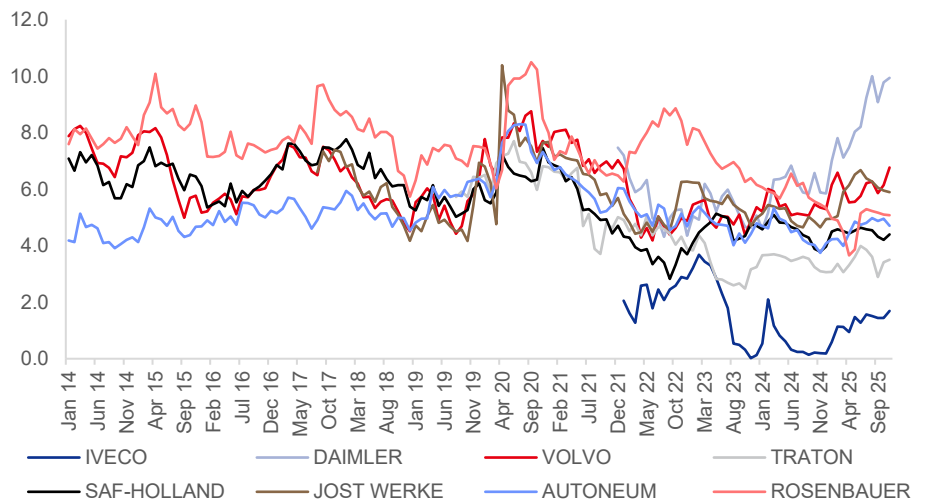
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 38: P/BV (x) valuation trend global CV players



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 39: Global truck peers' EV/ EBITDA (x) trend



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	790,320	754,260	877,788	1,030,705	1,149,075
Gross Profit	230,170	241,850	276,503	322,611	358,512
Operating EBITDA	85,110	88,500	103,948	126,239	141,540
Depreciation And Amortisation	(20,360)	(20,460)	(22,097)	(24,969)	(28,715)
Operating EBIT	64,750	68,040	81,851	101,269	112,825
Financial Income/(Expense)	(6,570)	(5,510)	(5,200)	(4,500)	(4,800)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,670	4,020	4,543	5,224	5,746
Profit Before Tax (pre-EI)	60,850	66,550	81,194	101,993	113,771
Exceptional Items					
Pre-tax Profit	60,850	66,550	81,194	101,993	113,771
Taxation			(20,298)	(25,498)	(28,443)
Exceptional Income - post-tax					
Profit After Tax	60,850	66,550	60,895	76,495	85,329
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	60,850	66,550	60,895	76,495	85,329
Recurring Net Profit	60,850	66,550	60,895	76,495	85,329
Fully Diluted Recurring Net Profit	60,850	66,550	60,895	76,495	85,329

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	85,110	88,500	103,948	126,239	141,540
Cash Flow from Invt. & Assoc.					
Change In Working Capital		78,310	8,266	12,258	(7,538)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(4,150)	(1,780)	(1,200)		200
Tax Paid			20,298	25,498	28,443
Cashflow From Operations	80,960	165,030	131,313	163,995	162,644
Capex			(3,903)	(4,031)	(3,285)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(61,020)	(129,000)	(9,570)	(127,700)	(17,800)
Cash Flow From Investing	(61,020)	(129,000)	(13,473)	(131,731)	(21,085)
Debt Raised/(repaid)		61,210	(12,570)	(9,000)	200
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid			(40,597)	(50,997)	(52,619)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing		61,210	(53,167)	(59,997)	(52,419)
Total Cash Generated	19,940	97,240	64,673	(27,732)	89,140
Free Cashflow To Equity	19,940	97,240	105,270	23,265	141,759
Free Cashflow To Firm	26,510	41,540	123,040	36,765	146,359

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents		15,790	61,258	13,281	79,253
Total Debtors		22,780	24,049	25,415	37,778
Inventories		31,540	33,669	33,886	44,074
Total Other Current Assets		52,930	59,150	65,150	71,150
Total Current Assets		123,040	178,126	137,732	232,254
Fixed Assets		135,690	139,593	143,624	146,909
Total Investments		112,800	119,800	243,500	256,500
Intangible Assets					
Total Other Non-Current Assets		600	600	600	600
Total Non-current Assets		249,090	259,993	387,724	404,009
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors		132,630	144,294	158,136	173,148
Other Current Liabilities		51,100	56,100	61,100	66,100
Total Current Liabilities		183,730	200,394	219,236	239,248
Total Long-term Debt		54,640	39,640	29,640	29,640
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities		54,640	39,640	29,640	29,640
Total Provisions		48,950	52,380	54,380	55,580
Total Liabilities		287,320	292,414	303,256	324,468
Shareholders Equity		84,810	145,705	222,200	311,795
Minority Interests					
Total Equity		84,810	145,705	222,200	311,795

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	11.1%	(4.6%)	16.4%	17.4%	11.5%
Operating EBITDA Growth	59.4%	4.0%	17.5%	21.4%	12.1%
Operating EBITDA Margin	10.8%	11.7%	11.8%	12.2%	12.3%
Net Cash Per Share (Rs)		(5.28)	2.94	(2.22)	6.74
BVPS (Rs)		11.52	19.80	30.19	42.36
Gross Interest Cover	9.86	12.35	15.74	22.50	23.51
Effective Tax Rate			25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days		5.51	9.74	8.76	10.04
Inventory Days		11.23	19.79	17.41	18.00
Accounts Payables Days		47.24	84.05	77.95	76.48
ROIC (%)			102.6%	134.0%	171.2%
ROCE (%)		93.2%	48.1%	44.4%	36.8%
Return On Average Assets		38.0%	16.0%	16.6%	15.3%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	15.5%	0.3%	3.0%	3.2%	3.0%
Unit sales grth (% , main prod./serv.)	(3.7%)	(5.0%)	13.0%	13.8%	8.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.