

**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
Average daily turnover:	Rs1,628,511m
Current shares o/s:	US\$0.0m
Free float:	Rs0.0m
*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)**

**Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

# 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 2025 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)					

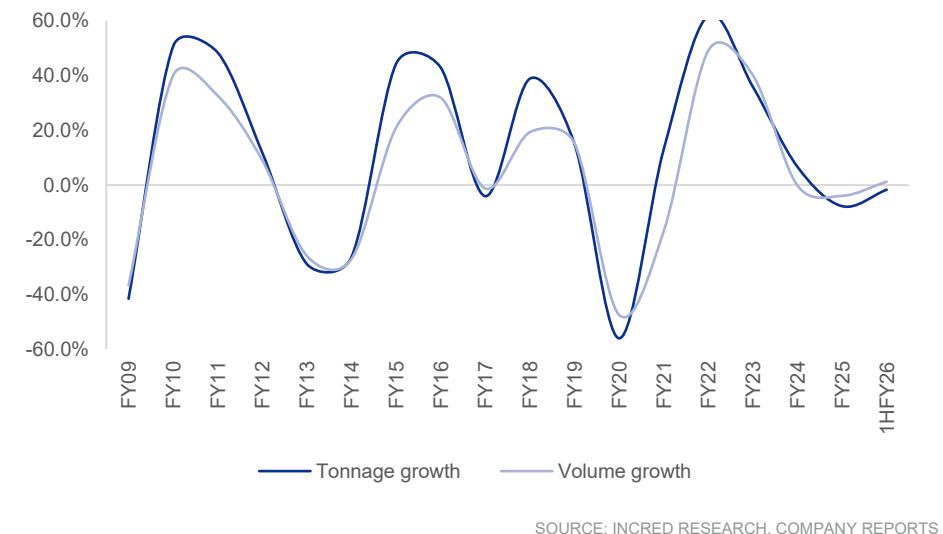
SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 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.

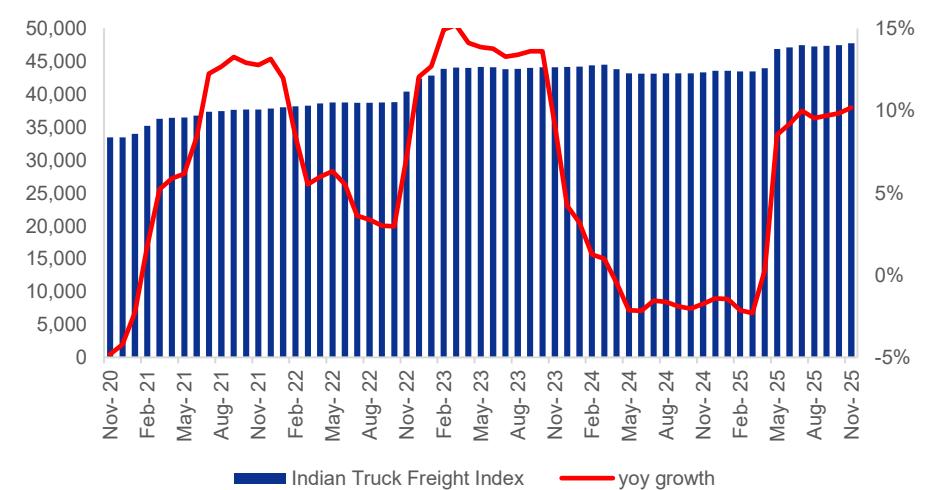
Figure 1: Long-term CV segment's cyclical volume downcycle is behind us



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).

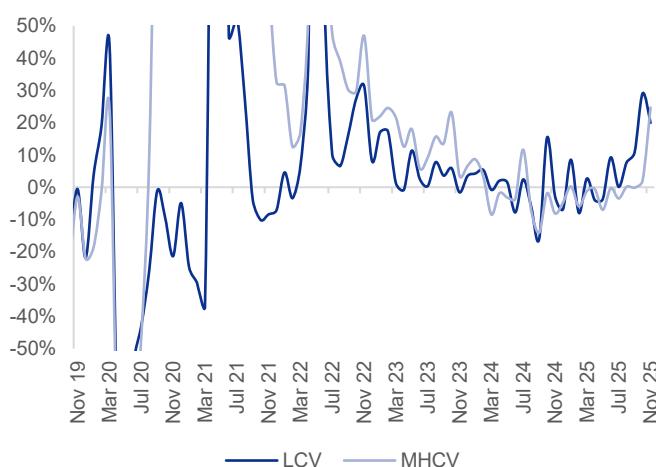
**Figure 3: GST 2.0 improved CV ecosystem profitability and sentiment**

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.	

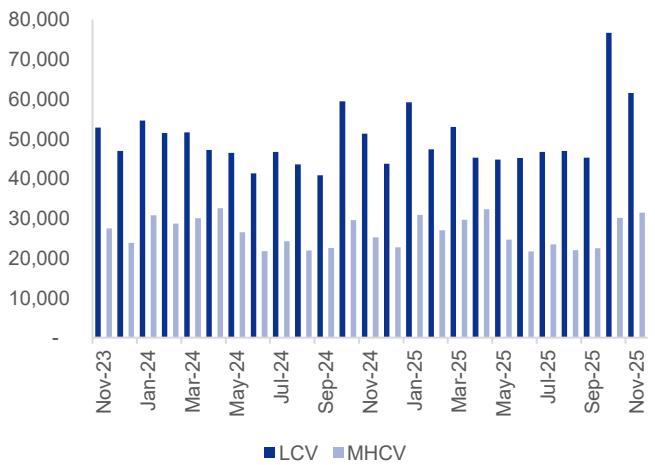
SOURCE: INCRED RESEARCH, COMPANY REPORTS

- 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**



**Figure 5: Absolute monthly volume scales new highs**

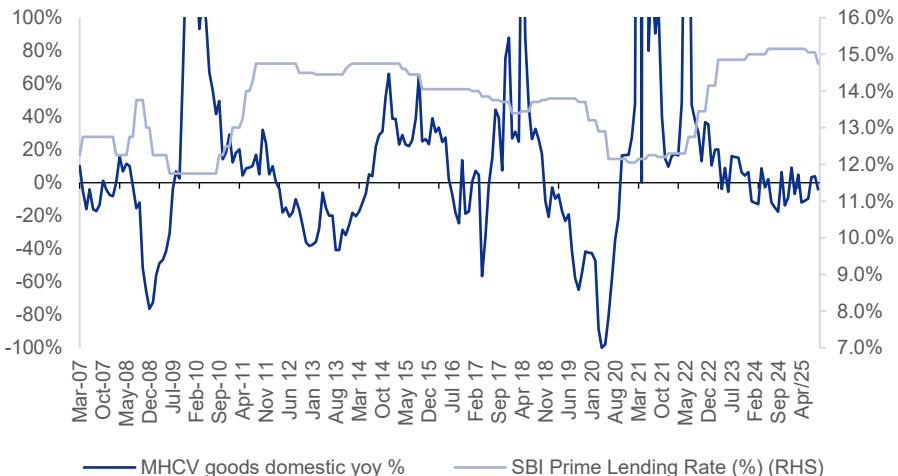


SOURCE: INCRED RESEARCH, COMPANY REPORTS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

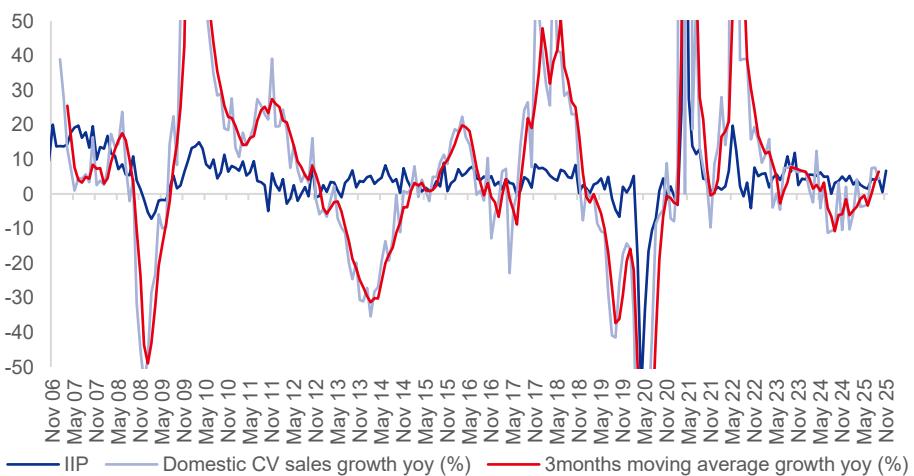
## Medium-term drivers in place for sustaining volume recovery ➤

**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

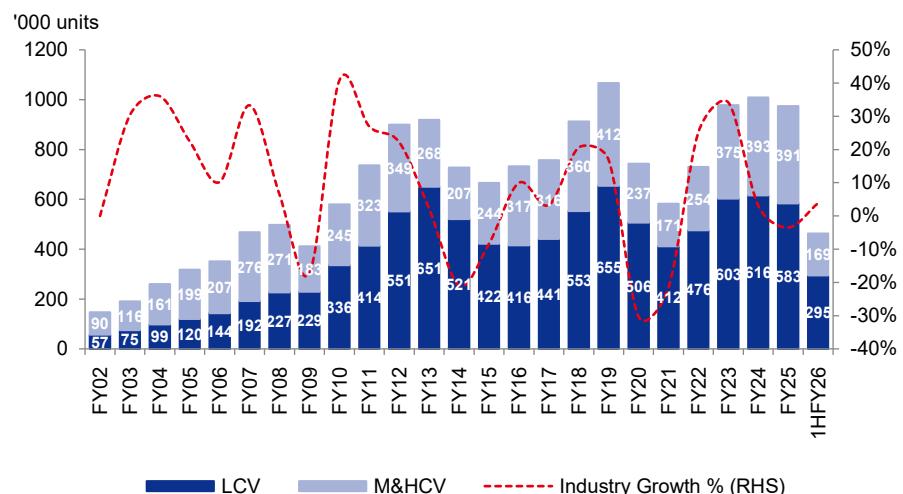
**Figure 7: CV sales volume recovery tracks the Index of Industrial Production (IIP) growth**



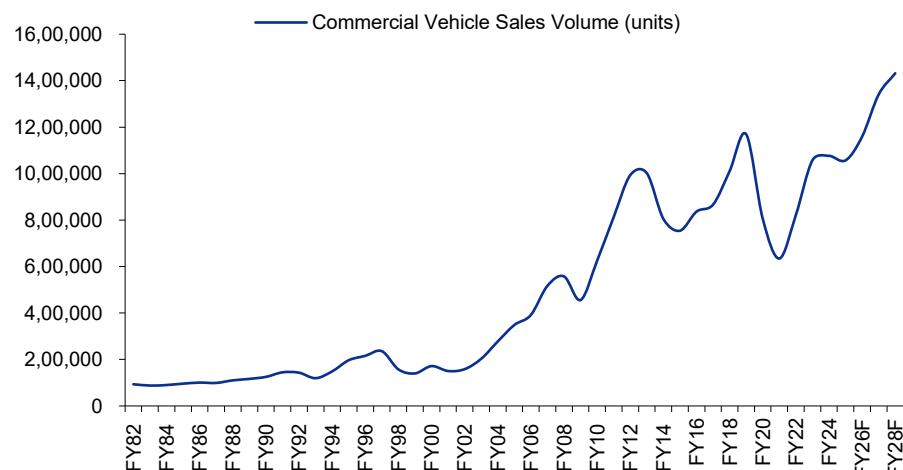
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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**

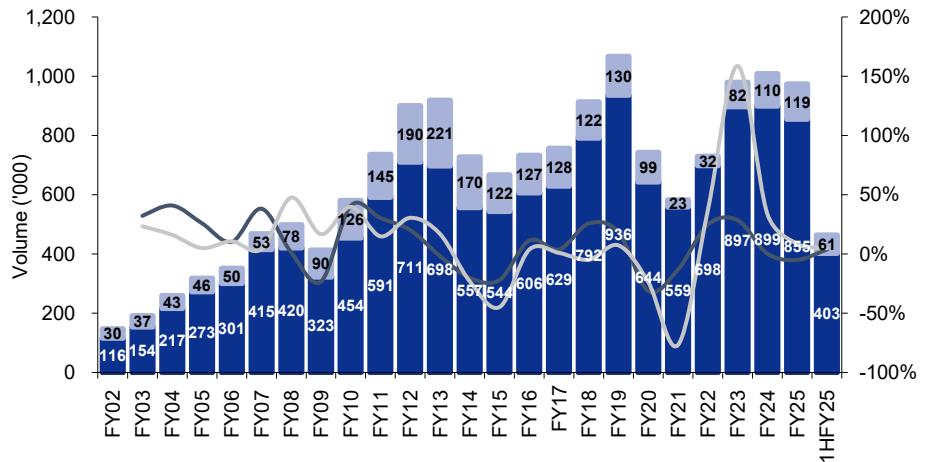
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

SOURCE: INCRED RESEARCH, COMPANY REPORTS

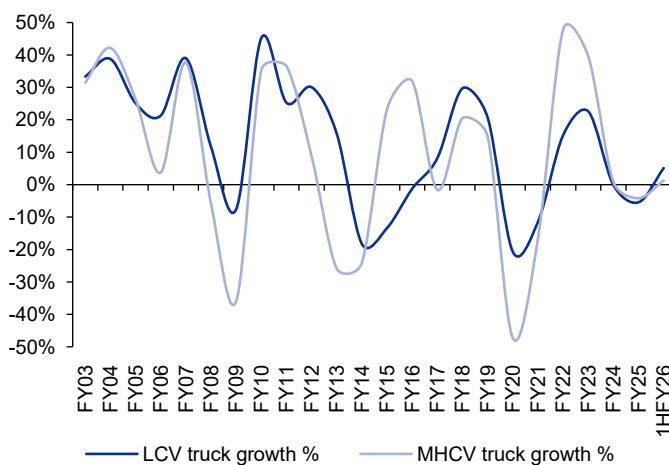
- India's commercial vehicle industry volume remains below the FY19 peak. Following the post-COVID pandemic recovery, growth accelerated sharply to a peak of 34% yoy in FY23, before decelerating over the subsequent two years and turning negative in FY25 (-3% yoy).
- FY26 has commenced on a subdued growth, 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



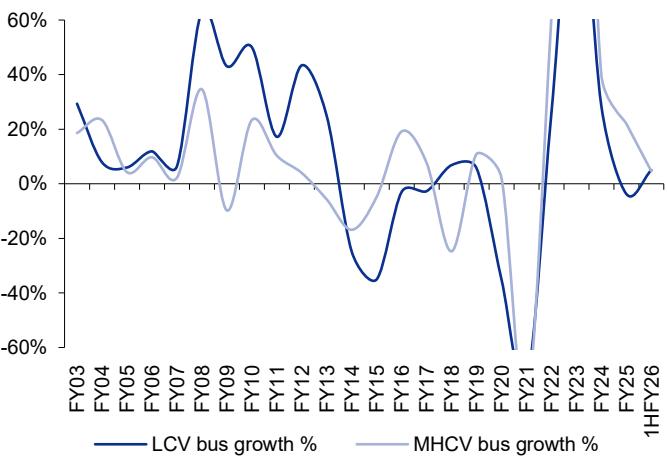
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: LCV growth recovery is quicker than in MHCV in 1H FY26



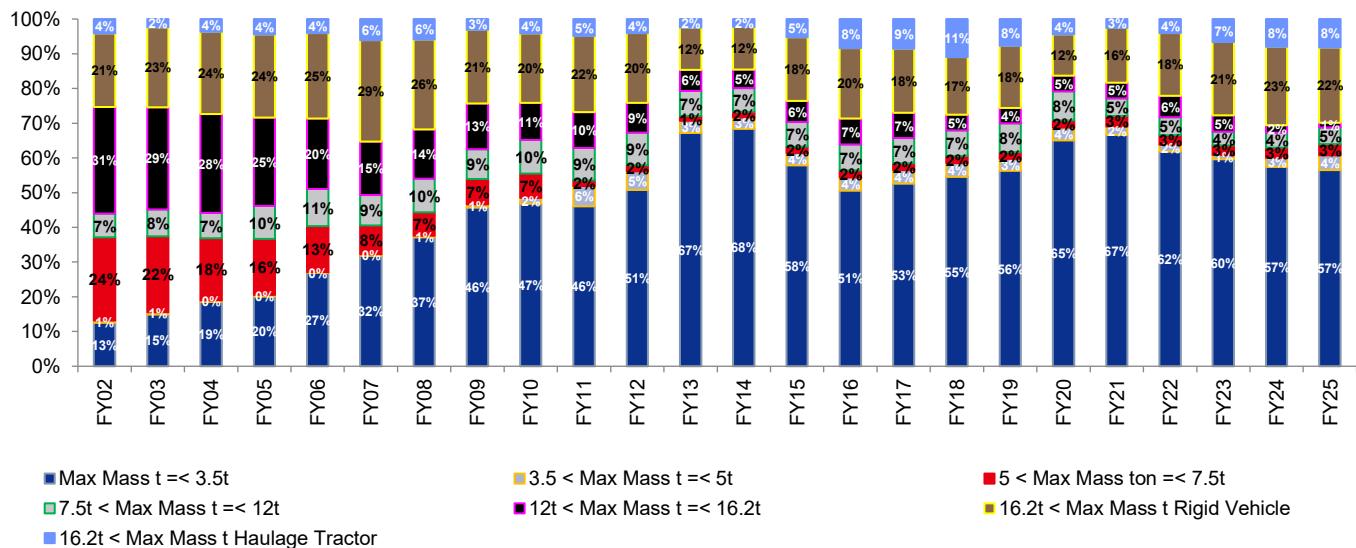
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Overall bus segment is in the growth phase



SOURCE: INCRED RESEARCH, COMPANY REPORTS

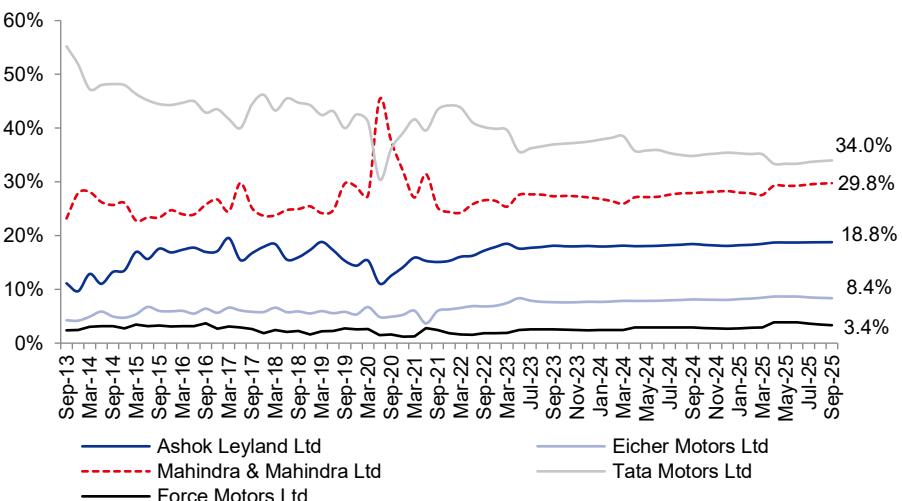
Figure 13: Domestic CV truck tonnage volume profile – MHCV tonnage scales a new high in the mix



SOURCE: INCRED RESEARCH, COMPANY REPORTS

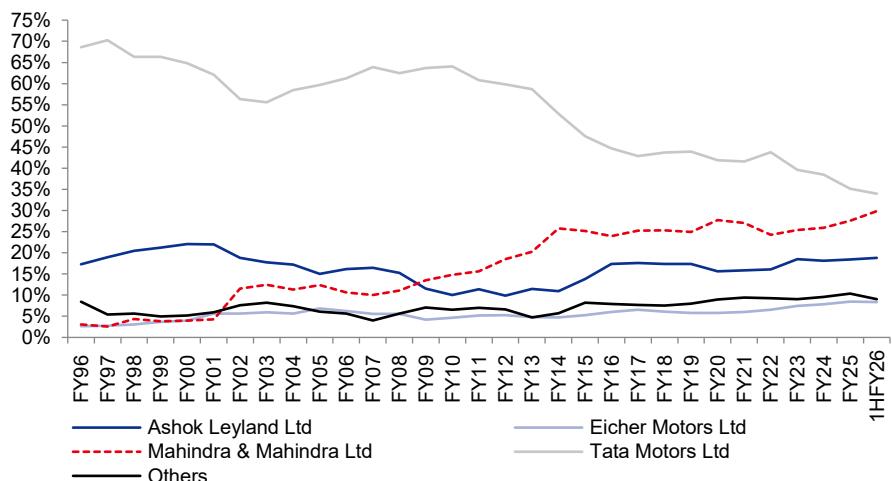
## Best opportunity for Tata Motors to recover lost market share ➤

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

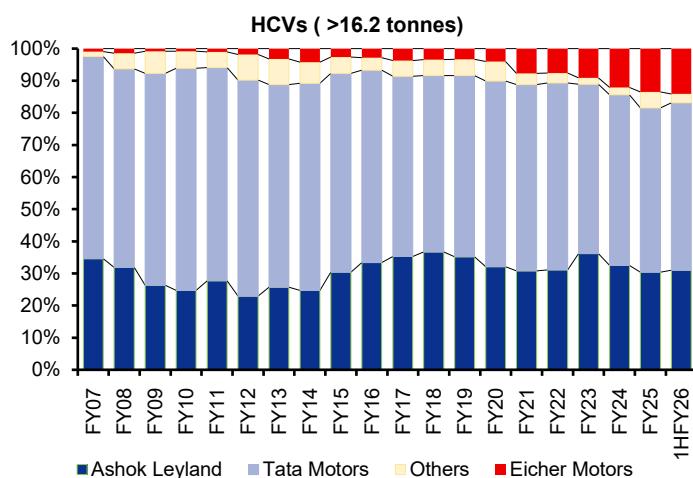


SOURCES: INCRED RESEARCH, COMPANY REPORTS

- 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).

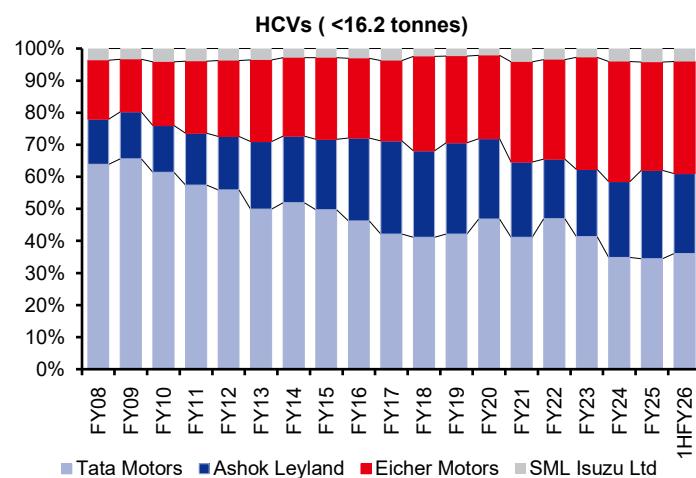
Tata Motors, with an installed CV manufacturing capacity of ~0.9m units per annum and widest tonnage product profile, we feel, is better placed to regain some of its lost market share from cyclical demand recovery driven by small transporters.

**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

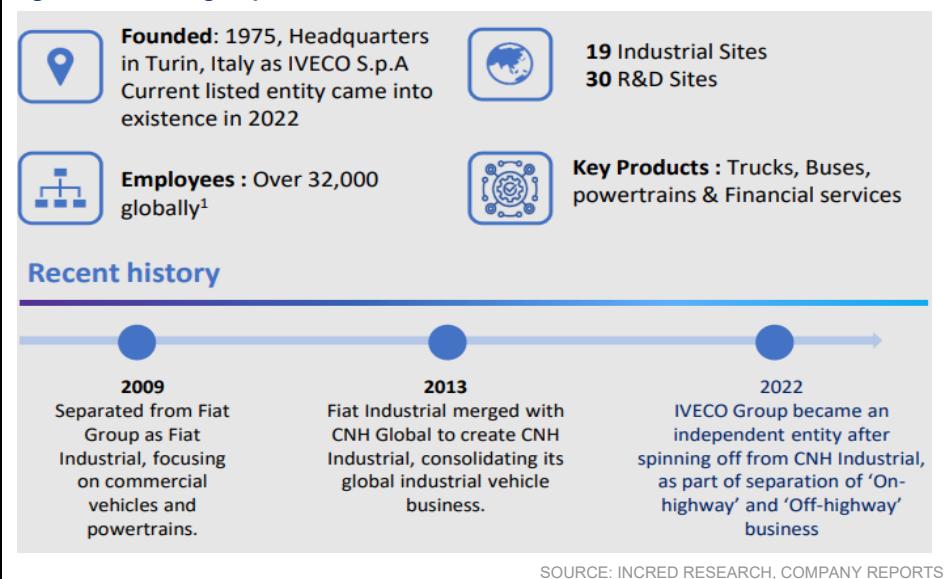
## Iveco's industrial division acquisition will be marginally accretive

### 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.

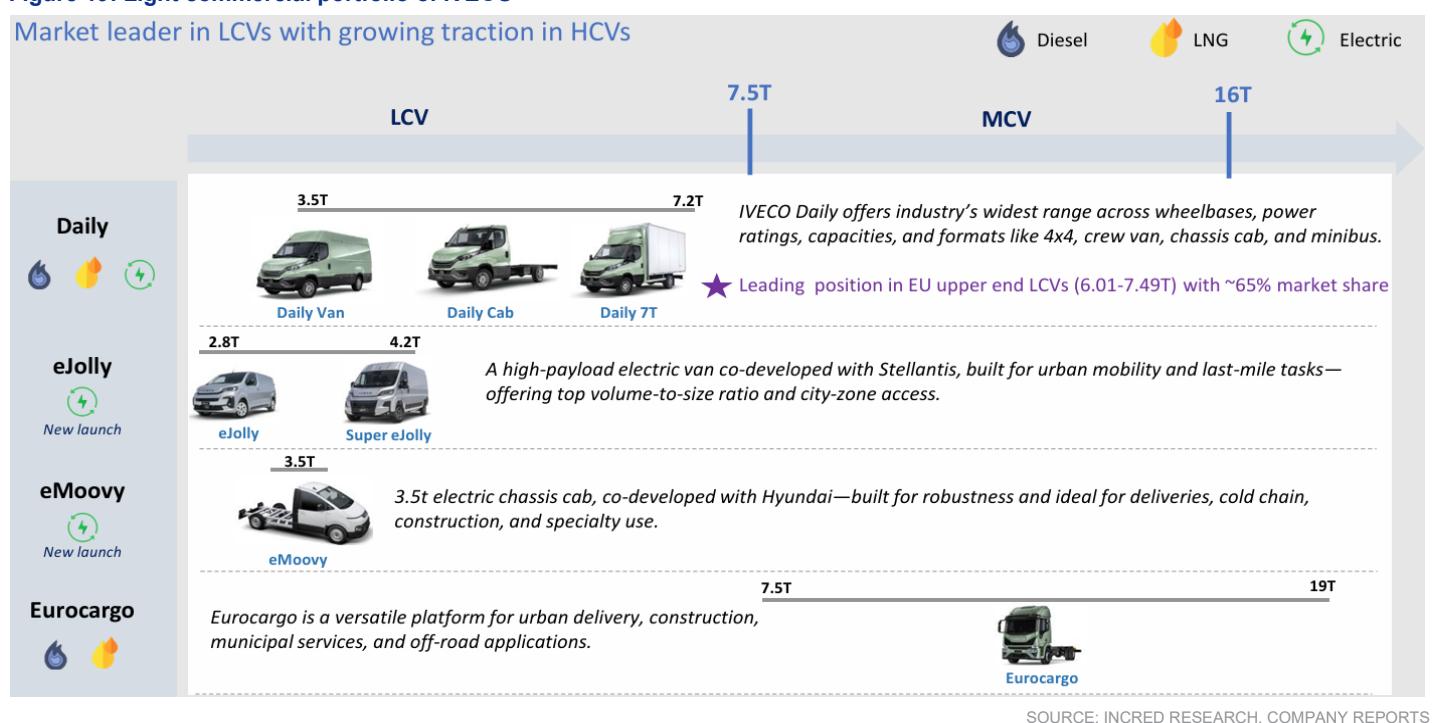
Figure 18: IVECO group details



### Our take on the deal and end-market benefits ➤

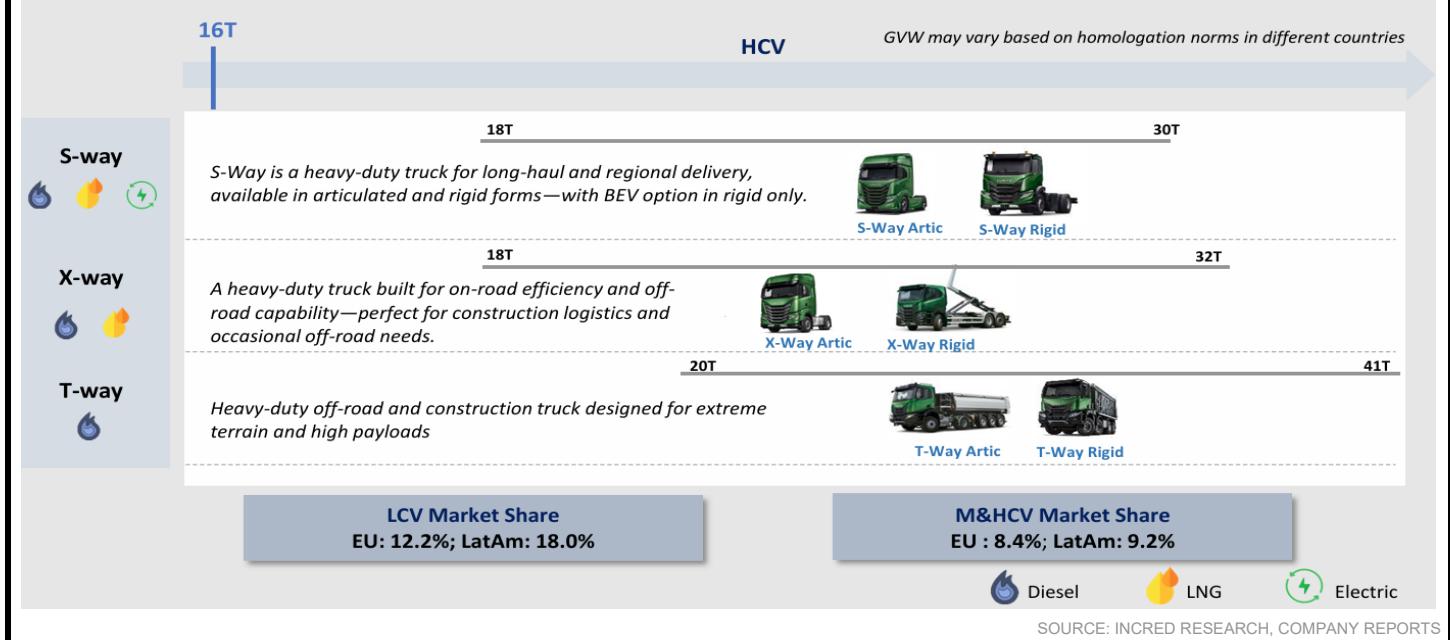
- Little benefit for India CV market – most IVECO products are premium-end high tonnage trucks, buses and vans, whose market size may be just around 10% of the MHCV volume, and hence the benefits may be limited for India operations.
- Medium-term technology investment synergy benefits and India export 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



**Figure 20: Heavy commercial vehicle portfolio**

Market leader in LCVs with growing traction in HCVs



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



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

Group	Adjusted EBIT <sup>(1)</sup>	Previous Guidance	New Guidance	New Guidance (Excl. Defence)
		€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 <sup>(1)</sup>	€750 – 850mn	€700 – 750mn	€550 – 600mn
	Free Cash Flow <sup>(1)</sup>	€350 – 400mn	€250 – 350mn	Not Available

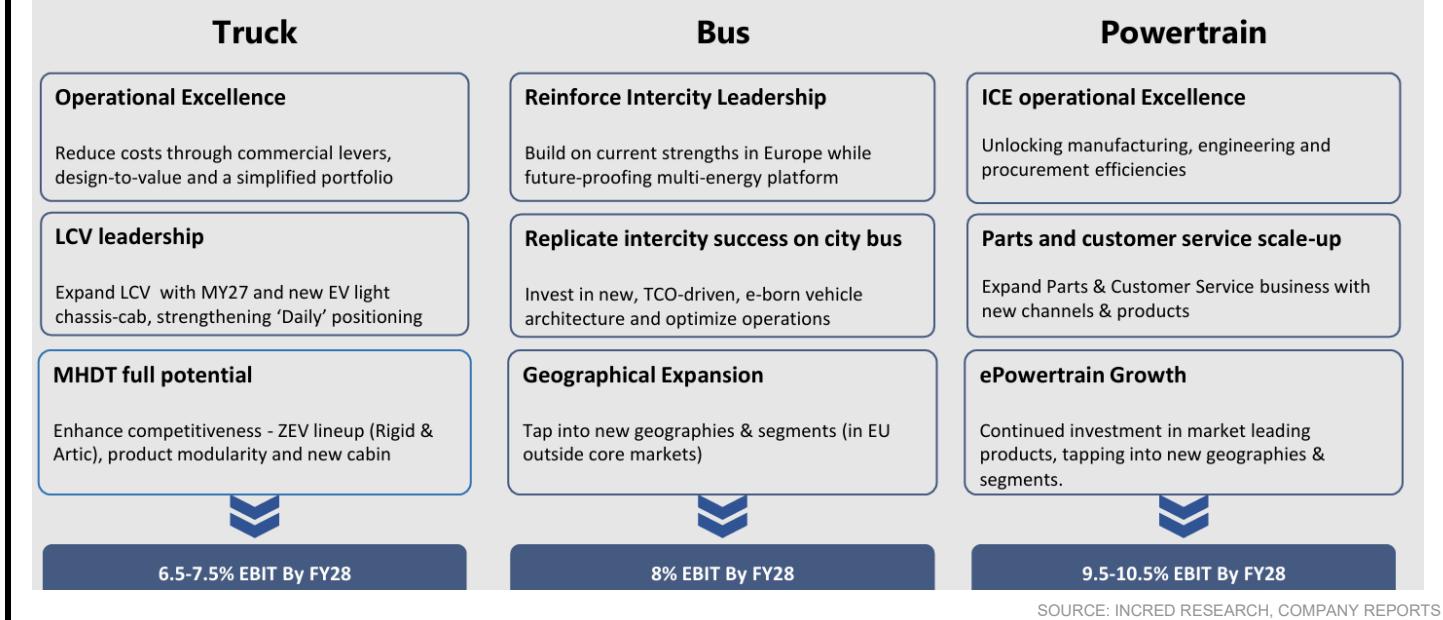
(1) This item is a non-EU-IFRS financial measure; reconciliation in the Appendix (slide n° 36).

**SOURCE: INCRED RESEARCH, COMPANY REPORTS**

Figure 23: Long-term performance guidance

Business ambition as outlined in Iveco Group's 'Unlimited Pathways' strategy **TATA MOTORS**

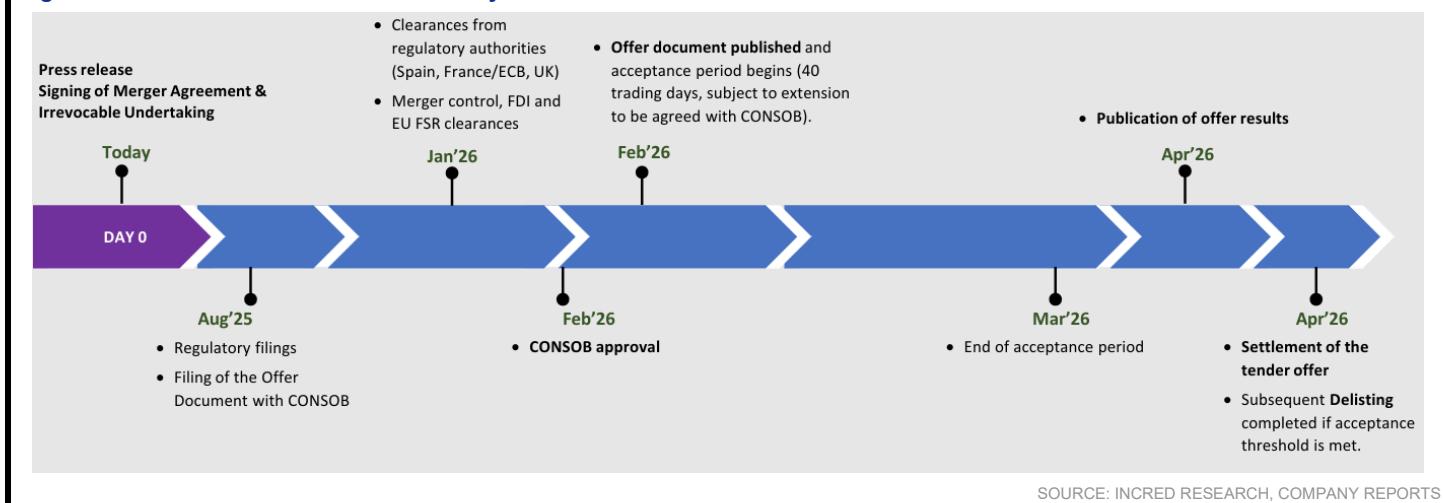
Grow by 5% CAGR to deliver a €17.5B business with 7-7.5% EBIT and €0.75-0.8B FCF by CY28



## 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

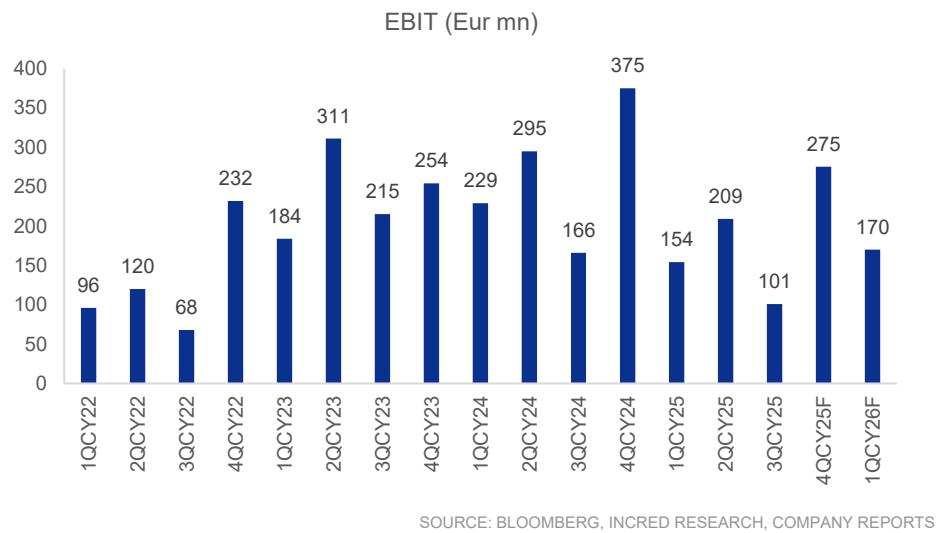


## Iveco's financials and Bloomberg consensus estimates ➤

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**

## 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

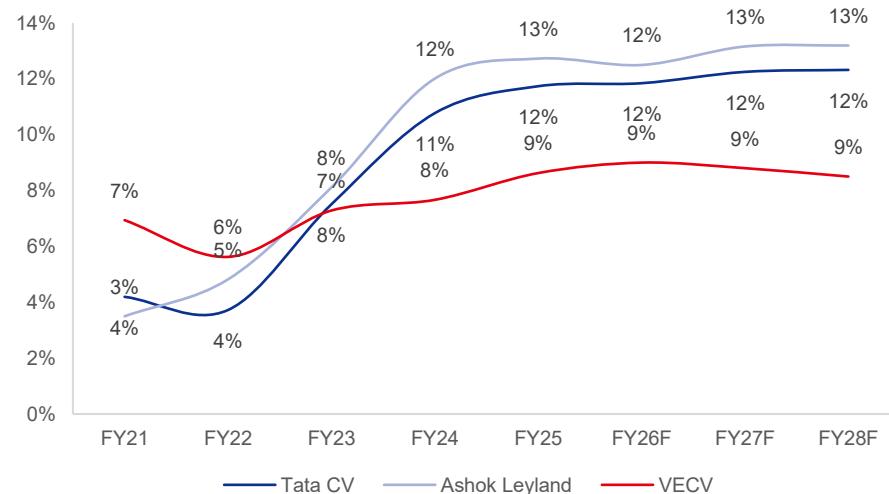
	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Tata CV	2,67,688	3,66,382	4,20,595	4,05,234	3,85,005	4,35,178	4,95,240	5,36,042
Growth rate		37%	15%	-4%	-5%	13%	14%	8%
Ashok Leyland	1,00,728	1,28,333	1,90,892	1,94,553	1,95,097	2,20,097	2,58,301	2,80,983
Growth rate		27%	49%	2%	0%	13%	17%	9%
VECV	41,250	57,024	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
<b>Revenue yoy growth</b>								
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%	
<b>EBITDA (Rs m)</b>								
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
<b>EBITDA yoy growth</b>								
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%	
<b>EBITDA Margin (%)</b>								
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%
<b>PAT (Rs m)</b>								
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

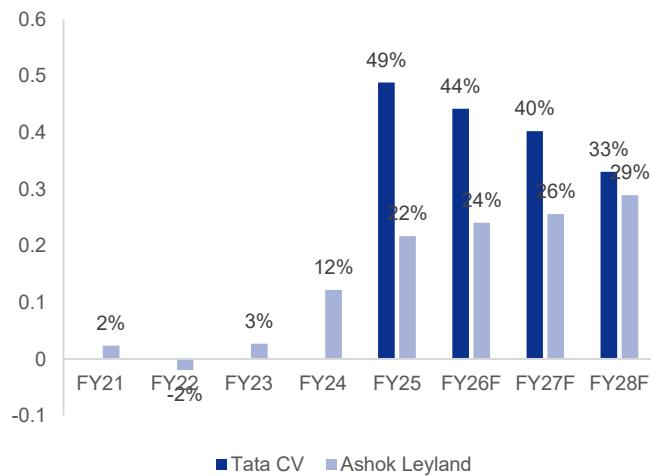
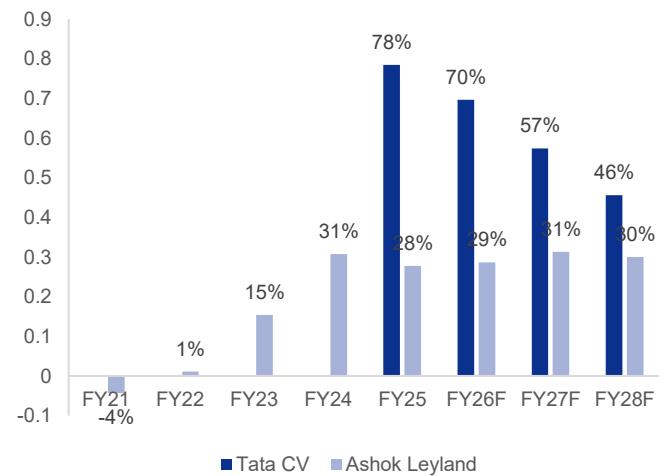


Figure 31: RoE of Tata Motors vs. Ashok Leyland



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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%	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
<b>Subsidiaries</b>					
Tata Daewoo	Ashok Leyland	18.1xFY27F 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	32.3xFY27F P/E consolidate	15.0	0.2	Discount valuation for dependence on Tata Motors
Tata Cummins	Cummins India	37.9xFY27F P/E	20.0	3.1	
Tata Capital			0.0	18.6	
ACGL				1.4	
Sub Total				32	
<b>Subsidiaries' value post 20% holding company discount</b>					<b>25</b>
<b>Target price based on SOTP methodology</b>					<b>513</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Peer set valuation

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

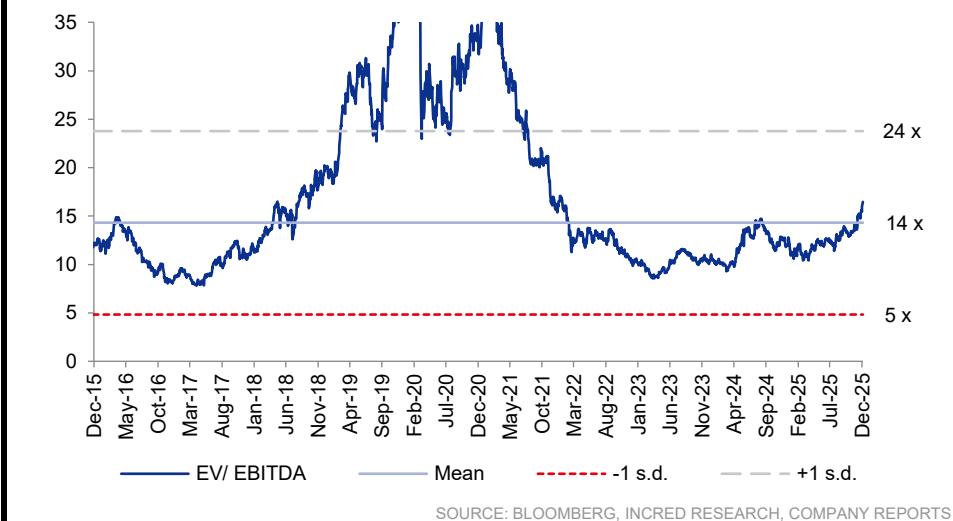


Figure 35: Global CV players' financial performance and Bloomberg consensus estimates

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		

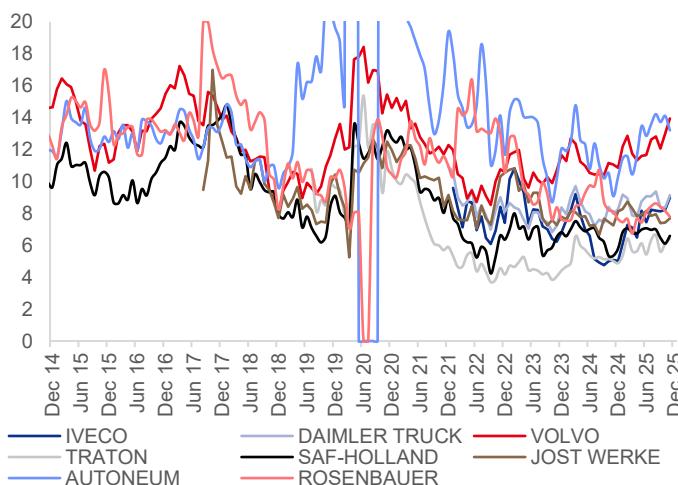
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 36: Global peer CV valuation comparison

Company	Bloomberg	Price	Market Cap	P/E(x)		P/BV(x)		RoE (%)		EV/EBITDA		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	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	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	5	12	4	
Traton Se	8TRA GY Equity	EUR	29.96	17,640	9	6	1	12	9	3	3	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	5	4	5	5	15	8
Jost Werke Se	JST GR Equity	EUR	53.1	932	10	8	2	22	20	5	7	5	2	4	1	1	8	
Autoneum Holding Ag	AUTN SW Equity	EUR	167	1,237	16	15	2	11	11	5	5	5	2	2	2	11	0	
Accelleron Industries Ag	ACLN SW Equity	USD	63	7,549	27	24	14	53	54	18	21	18	2	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		

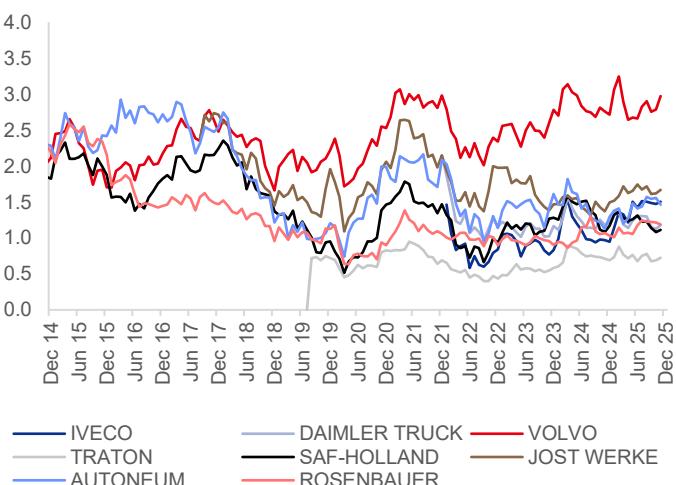
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



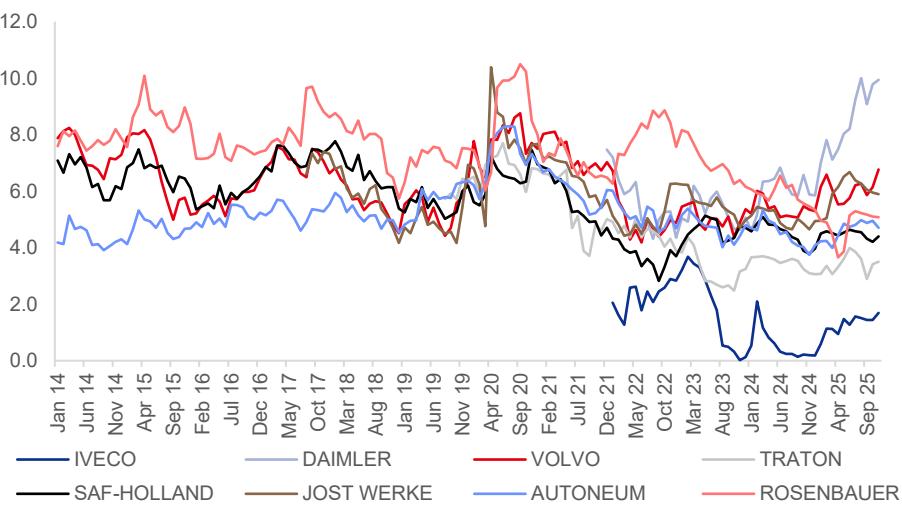
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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
<b>Total Net Revenues</b>	<b>790,320</b>	<b>754,260</b>	<b>877,788</b>	<b>1,030,705</b>	<b>1,149,075</b>
<b>Gross Profit</b>	<b>230,170</b>	<b>241,850</b>	<b>276,503</b>	<b>322,611</b>	<b>358,512</b>
<b>Operating EBITDA</b>	<b>85,110</b>	<b>88,500</b>	<b>103,948</b>	<b>126,239</b>	<b>141,540</b>
Depreciation And Amortisation	(20,360)	(20,460)	(22,097)	(24,969)	(28,715)
<b>Operating EBIT</b>	<b>64,750</b>	<b>68,040</b>	<b>81,851</b>	<b>101,269</b>	<b>112,825</b>
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
<b>Profit Before Tax (pre-EI)</b>	<b>60,850</b>	<b>66,550</b>	<b>81,194</b>	<b>101,993</b>	<b>113,771</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>60,850</b>	<b>66,550</b>	<b>81,194</b>	<b>101,993</b>	<b>113,771</b>
Taxation			(20,298)	(25,498)	(28,443)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>60,850</b>	<b>66,550</b>	<b>60,895</b>	<b>76,495</b>	<b>85,329</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>60,850</b>	<b>66,550</b>	<b>60,895</b>	<b>76,495</b>	<b>85,329</b>
Recurring Net Profit	60,850	66,550	60,895	76,495	85,329
<b>Fully Diluted Recurring Net Profit</b>	<b>60,850</b>	<b>66,550</b>	<b>60,895</b>	<b>76,495</b>	<b>85,329</b>

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
<b>Cashflow From Operations</b>	<b>80,960</b>	<b>165,030</b>	<b>131,313</b>	<b>163,995</b>	<b>162,644</b>
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)
<b>Cash Flow From Investing</b>	<b>(61,020)</b>	<b>(129,000)</b>	<b>(13,473)</b>	<b>(131,731)</b>	<b>(21,085)</b>
Debt Raised/(repaid)		61,210	(12,570)	(9,000)	200
Proceeds From Issue Of Shares					
Shares Repurchased			(40,597)	(50,997)	(52,619)
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>		<b>61,210</b>	<b>(53,167)</b>	<b>(59,997)</b>	<b>(52,419)</b>
Total Cash Generated	19,940	97,240	64,673	(27,732)	89,140
<b>Free Cashflow To Equity</b>	<b>19,940</b>	<b>97,240</b>	<b>105,270</b>	<b>23,265</b>	<b>141,759</b>
<b>Free Cashflow To Firm</b>	<b>26,510</b>	<b>41,540</b>	<b>123,040</b>	<b>36,765</b>	<b>146,359</b>

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	
<b>Total Current Assets</b>	<b>123,040</b>	<b>178,126</b>	<b>137,732</b>	<b>232,254</b>	
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	
<b>Total Non-current Assets</b>	<b>249,090</b>	<b>259,993</b>	<b>387,724</b>	<b>404,009</b>	
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	
<b>Total Current Liabilities</b>	<b>183,730</b>	<b>200,394</b>	<b>219,236</b>	<b>239,248</b>	
Total Long-term Debt	54,640	39,640	29,640	29,640	
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>54,640</b>	<b>39,640</b>	<b>29,640</b>	<b>29,640</b>	
Total Provisions	48,950	52,380	54,380	55,580	
<b>Total Liabilities</b>	<b>287,320</b>	<b>292,414</b>	<b>303,256</b>	<b>324,468</b>	
Shareholders Equity	84,810	145,705	222,200	311,795	
Minority Interests					
<b>Total Equity</b>	<b>84,810</b>	<b>145,705</b>	<b>222,200</b>	<b>311,795</b>	

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

**DISCLAIMER**

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

**Analyst declaration**

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

---

**InCred Research Services Private Limited****Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Mayuresh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

**Recommendation Framework****Stock Ratings**

Definition: The stock's total return is expected to exceed 10% over the next 12 months.

Add The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Hold The stock's total return is expected to fall below 0% or more over the next 12 months.

Reduce *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: An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

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

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

**Country Ratings**

Definition: An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Overweight A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Neutral An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.