

India

ADD (no change)

Consensus ratings*: Buy 17 Hold 3 Sell 0

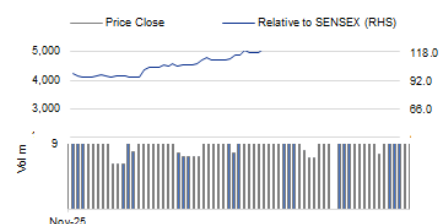
Current price: Rs470
 Target price: ▲ Rs521
 Previous target: Rs513
 Up/downside: 10.9%
 InCred Research / Consensus: 10.8%

Reuters:
 Bloomberg: TMCV IN
 Market cap: US\$18,829m
 Rs1,731,432m
 Average daily turnover: US\$0.0m
 Rs0.0m
 Current shares o/s: 3,680.0m
 Free float: 59.9%

*Source: Bloomberg

Key changes in this note

- FY26F-28F sales cut by 3-4%.
- FY26F-28F EPS raised by 2-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.8	0.0	0.0
Relative (%)	17.8	0.0	0.0

Major shareholders	% held
Tata Sons	40.1
LIC	4.7
ICI Prudential	2.2

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Tata Motors Ltd.**EBITDA margin and FCF scale new peaks**

- 3Q normalised PBT rising 40% yoy & 29% qoq led to 6% beta vs. our estimate, with EBITDA margin scaling a new high. FCF & RoCE also scaled new highs.
- We raise EPS estimates by 2-5%, as recent price hikes cover up commodity cost pressure, and also operating leverage is at play.
- Maintain ADD rating on the stock with a new TP of Rs521, as strong industry demand tailwinds along with market share gains demand a valuation upgrade.

Margin expansion helps overcome ASP weakness

Tata Motors' 3QFY26 commercial vehicle (CV) segment EBITDA rose by 28% yoy & 23% qoq to Rs27.5bn, a beat of 3% vs. our estimate. The 50bp qoq EBITDA margin expansion to 12.7% helped overcome 4% qoq ASP drop impact. Operating leverage helped overcome 110bp qoq gross margin dip. With an interest cost drop of 8% qoq, PBT rose 40% yoy and 29% qoq to Rs22.9bn, a 6% beat vs. our estimate. Sharp working capital reduction of Rs30bn aided FCF spike to Rs47.5bn. Domestic business has net cash amounting to Rs39bn.

Management conference-call highlights

Management indicated that double-digit volume growth will sustain for a few quarters aided by replacement demand, small operators, tipper truck segment and low base benefit. New launches, Ace Gold and Ace Pro, are helping the company to regain peak volumes. ASP decline is attributed to an adverse mix, with a higher contribution from smaller vans. The company gained market share with the help of tipper trucks in MHCV segment, while management reiterated that its focus is not only market share but also profitable growth. Tata Motors has taken ~1% vehicle price hike in Jan 2026, across its product range, to overcome commodity cost pressure.

Maintain EBITDA estimates but raise EPS

The volume growth trajectory for CV sector and Tata Motors has been as per our expectations in recent months. However, building in a weak product mix of ICV (Intermediate Commercial Vehicles) and MCV (Medium Commercial Vehicles) on ASP, we have cut ASP estimates, leading to FY26F-28F sales cut of 3-4%. With the impressive qoq EBITDA margin expansion trend sustained, we have increased FY26F-28F EBITDA margin by 30-60bp, thereby maintaining EBITDA estimates. Following strong cash flow benefitting via lowering interest costs, and also higher other income, we have increased FY26F-28F PAT by 2-5%.

High RoCE and favourable valuation provide comfort

Considering the delivery of consistent market share improvement from the low of Jun 2025 (Fig. 7) along with good FCF generation and high RoCE, we marginally raise target EV/EBITA to 13x one-year forward, which is still marginally below small peer Ashok Leyland (Fig. 11). This leads to a marginal rise in our SOTP-based target price to Rs521, from Rs513 earlier. Downside risks: Slowdown in truck demand because of a rise in fuel prices or government spending.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	790,320	754,260	839,613	993,478	1,112,925
Operating EBITDA (Rsm)	85,110	88,500	104,351	126,163	140,211
Net Profit (Rsm)	45,638	49,913	63,862	78,846	86,917
Core EPS (Rs)	0.0	13.6	17.4	21.4	23.6
Core EPS Growth	0.0%	0.0%	27.9%	23.5%	10.2%
FD Core P/E (x)	0.00	34.67	27.10	21.95	19.91
DPS (Rs)	0.0	0.0	2.7	8.6	8.7
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	0.00	19.04	16.03	12.48	11.03
P/FCFE (x)	0.00	0.00	42.22	68.71	37.11
Net Gearing	0.0%	45.8%	32.0%	36.2%	16.7%
P/BV (x)	0.00	20.40	17.36	11.77	8.58
ROE	0.0%	58.9%	69.2%	63.9%	49.9%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

EBITDA margin and FCF scale new peaks

Management conference-call highlights ➤

- **Market share trend:** ~100bp gained from 2Q to 3QFY26, led by strength in HCVs (Heavy Commercial Vehicles: 3-axle+/28t+) and improvement in ILMCVs (Intermediate, Light & Medium Commercial Vehicles). SCV (Small Commercial Vehicle) and bus segment shares remained stable qoq. Management's focus is on a basket of profitable growth metrics (not only market share).
- **International business:** Exports were up 70% yoy driven by Sri Lanka, Bangladesh market recovery, and fresh demand from MENA & North Africa, along with improved market mix vs. FY17 (less SAARC concentration). Management gave guidance of strong double-digit export growth next year.
- **Bus business momentum:** Strong momentum with multiple ICE vehicle tender wins totaling ~6,000 units, to be delivered over 10–12 months (key wins include Maharashtra, Gujarat, Northwest Karnataka, and Telangana). Private segment grew through MCV buses and Magic/Winger vans. Management expects mid-to-high single-digit growth in bus segment next year, with 4QFY26F/1QFY27F seen seasonally strong.
- **Bus body capacity & structure:** Bus body capacity increased by ~15% via debottlenecking. Two facilities: Tata Motors Body Solutions (TMBSL) and Automobile Corporation of Goa (ACG) with model allocation for efficiency. Electric vehicle bus production is currently at TMBSL and will be produced at ACG going ahead.
- **EV bus tender:** In the 10,900 e-bus tender (PM e-SEWA), management emphasised strict bidding discipline based on payment security mechanism, asset-light model, and financial prudence
- **SCV performance:** Ace Pro (end-2Q launch) and Ace Gold (LNT tech in 3Q) performed well. 3Q retail sales stood at ~45k units.
- **Parts & services:** Continued healthy double-digit growth.
- **Replacement demand:** Replacement demand gaining momentum post Goods and Services Tax (GST) 2.0 due to lower EMIs and improved affordability, although large fleet operators are still assessing input tax credit processes; management expects clearer procedures in FY27F, supporting faster replacement. Similar structural replacement s seen in buses, with states prioritising phased fleet replacement.
- **Fleet utilisation:** Utilisation improved post-GST cut in sectors like auto and consumer durables, and tipper trucks business improved with infrastructure activity revival after an extended monsoon season.
- **Freight rates and E-way bills:** Freight rates improved by ~2–5% across rigid trucks. Diesel consumption remains high and E-way bills grew by ~23% yoy in Dec 2025, indicating higher freight movement.
- **Commodity inflation & price hike:** Inflation seen in PGMs and non-ferrous metals (copper-led); 3Q commodity hit estimated at ~50bp, with similar headwinds expected in 4QFY26F. Steel prices in the open market have risen, with uncertainty into FY27F. Implemented ~1% price hike from 1 Jan 2026 across the product range to offset inflation.
- **ASP trend:** ASP declined qoq due to mix shift (higher ILMCV, SCV and small van contribution), despite higher HCV volumes; realisation improved sequentially vs. 1Q level.
- **Supply chain:** Rising demand across auto sector has created stress in castings, with debottlenecking already initiated. Management expects no major surprise, but highlighted industry-wide ramp-up as the key stress driver.
- **Discounts:** There is potential for discounts to moderate, but are expected to remain segment- and region-specific depending on competitive intensity and customer value proposition.

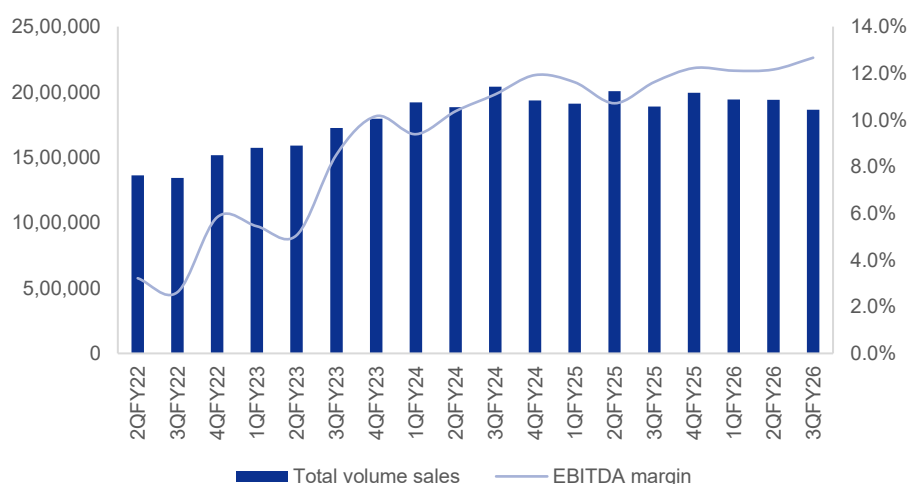
- **Finance availability & delinquencies:** Management indicated that delinquencies have stabilised and there is improvement, based on lender feedback, and financing availability remains supportive; stressed states (Uttar Pradesh, Andhra Pradesh, Karnataka) improving but still lagging.
- **Warranty:** Warranty provision increased (part price and claim trends), but YTD warranty remains at <2% of sales.
- **Product actions:** Launched 17 nextgen trucks including 5 EVs (7t/9t/12t and 28t/55t trucks & tippers). Introduced Azura series (7t–19t ILMCV new platform), and showcased Euro 6 range
- **Financial highlights:** YTD FCF at Rs52bn and RoCE improved to ~53%. Investments at Rs20bn, in line with guidance.
- **FCF performance:** 3QFCF driven by strong cash PAT and working capital reversal due to higher offtake and production. Management expects 4QFY26F to be the strongest quarter, further strengthening cash flow.
- **Government incentives:** PLI scheme incentives down at Rs750m due to prior-year one-time accrual partly offset by EPCG incentive accrual in 3QFY26.
- **Exceptional Items (3Q):** Exceptional impact was Rs16bn, driven by labour code impact (Rs6.03bn), merger costs (Rs9.6bn) and EVICO acquisition cost (Rs0.82bn); management clarified these are one-offs and non-recurring.
- **EVICO acquisition update:** Acquisition is progressing as planned; regulatory approvals expected by end-Mar 2026F, with deal closure targeted in 1QFY27F.

Figure 1: Result comparison

Y/E Mar (Rs m)	3QFY26	3QFY25	yoy % chg	2QFY26	qoq % chg	9MFY26	9MFY25	yoy % chg	Comments for the quarter
Revenue	2,17,010	1,85,310	17.1	1,84,510	17.6	5,72,510	5,37,570	6.5	4% below our estimate.
Raw material costs	1,62,370	1,38,320	17.4	1,37,270	18.3	4,25,430	4,00,770	6.2	
RM costs as a % of revenue	74.8	74.6	18	74.4	42.4	74.3	74.6	(24)	
EBITDA	27,490	21,540	27.6	22,440	22.5	70,640	60,900	16.0	3% above our estimate.
EBITDA margin (%)	12.7	11.6	104.4	12.2	50.6	12.3	11.3	101.0	87bp above our estimate.
Depreciation & amortisation	4,330	5,100	(15.1)	4,320	0.2	12,890	15,040	(14.3)	13% below our estimate.
EBIT	23,160	16,440	40.9	18,120	27.8	57,750	45,860	na	
Interest expenses	680	1,190	(42.9)	740	(8.1)	2,530	4,230	(40.2)	46% below our estimate.
Other Income	440	1,070	(58.9)	420	4.8	1,870	2,910	(35.7)	62% below our estimate.
Pre-tax profit	22,920	16,320	40.4	17,800	28.8	57,090	44,540	na	6% above our estimate.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Impressive EBITDA margin expansion in CV business



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: FCF at Rs48bn in 3Q driven by operating performance and disciplined working capital management

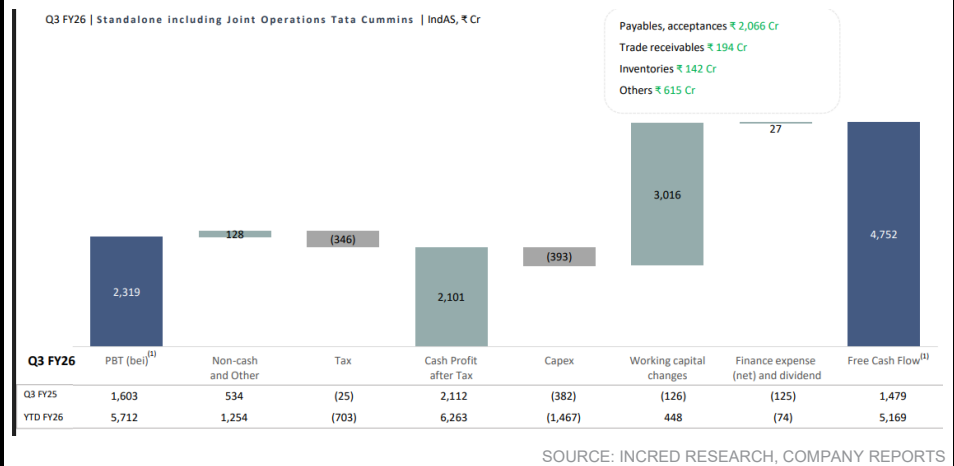


Figure 4: EBIT at 10.6% (+100bp) led by higher volume and improved realisation, partially offset by rising input costs and maiden PLI scheme benefits

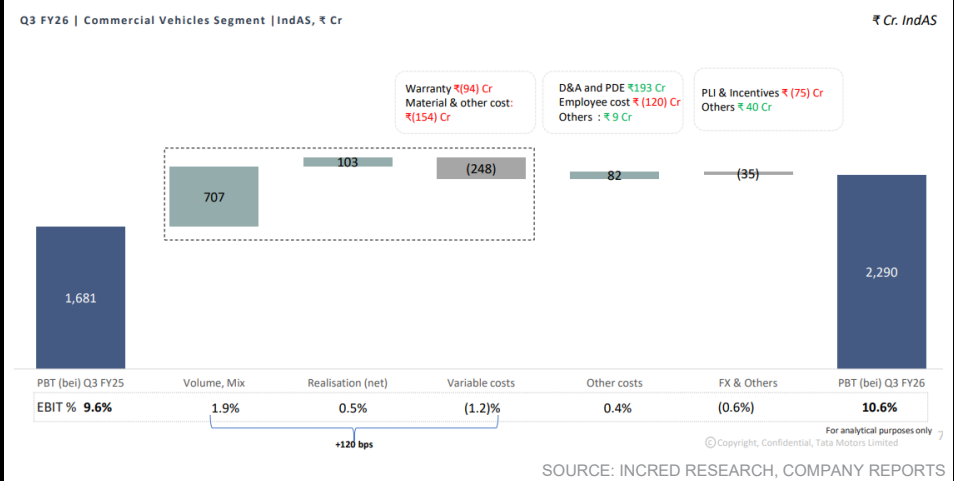
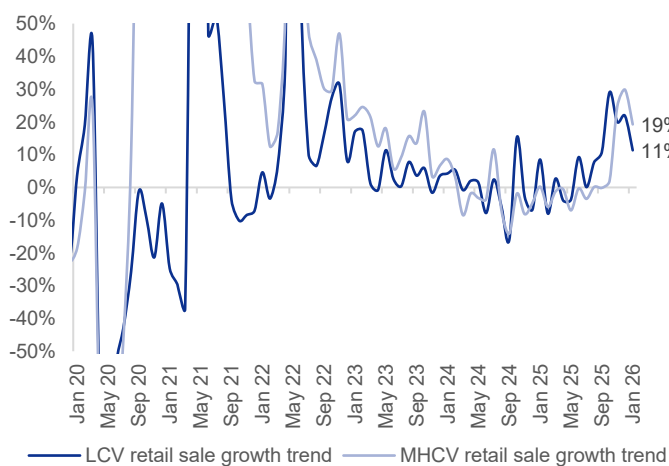
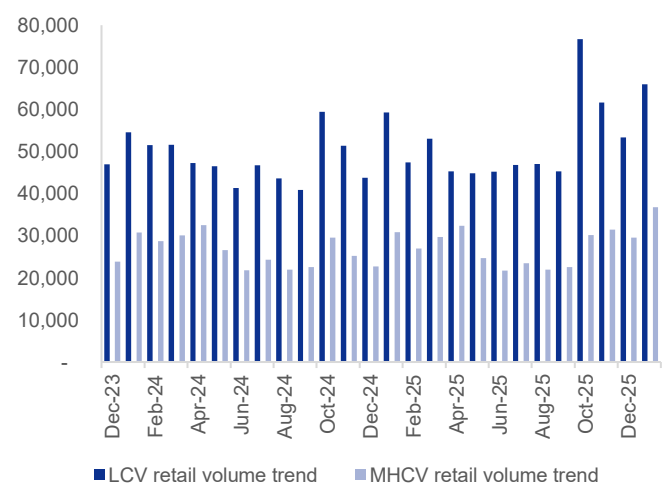


Figure 5: Retail CV sales witness double-digit growth of late...



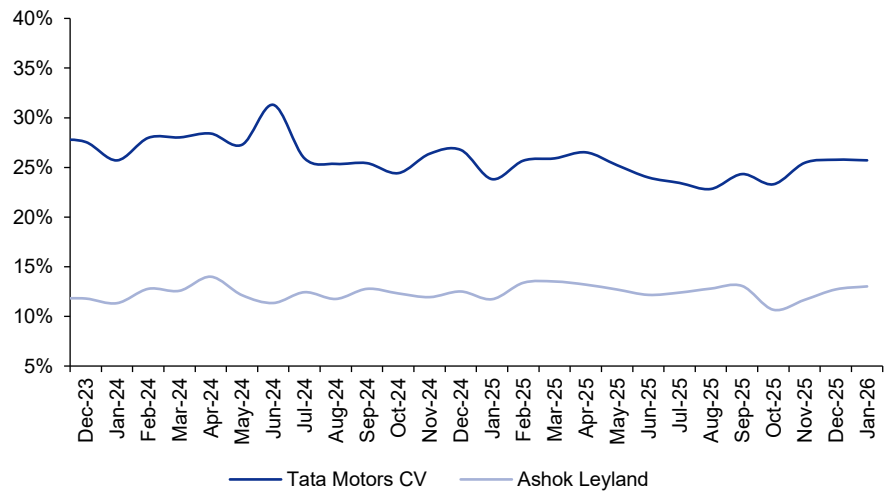
SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

Figure 6: ...along with strong volume momentum



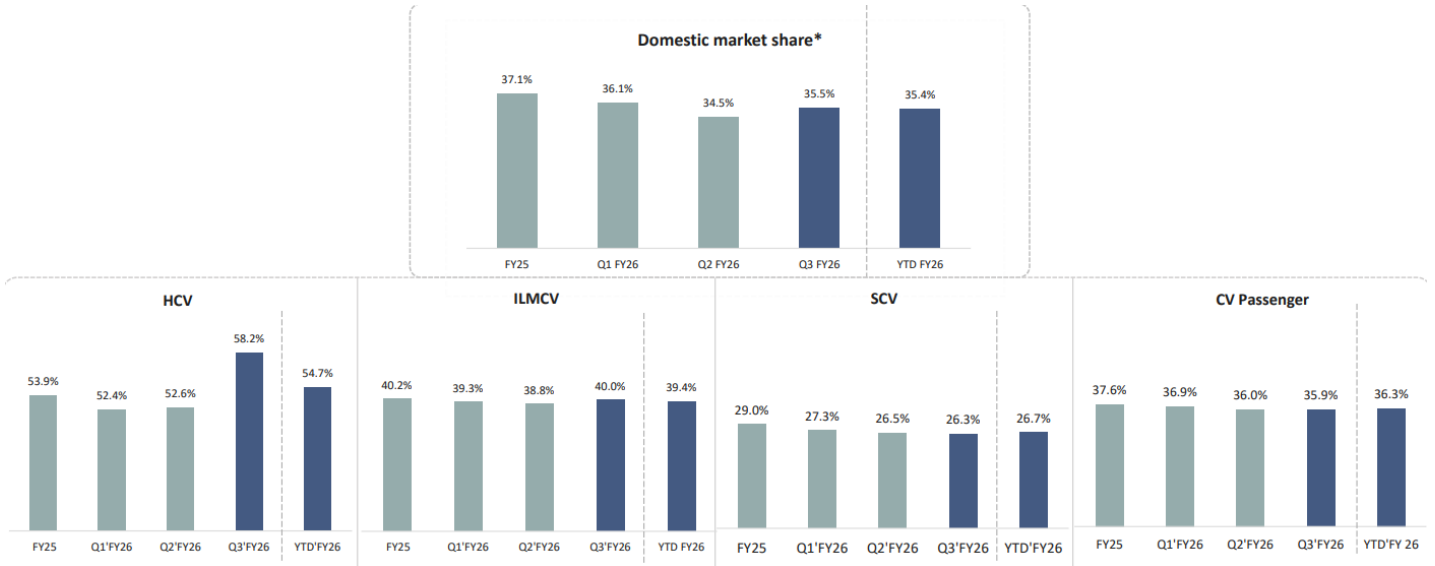
SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

Figure 7: Tata Motors sustains CV retail market share



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

Figure 8: VAHAN market share at 35.5%; HCV leads market share recovery, steady market share across other product lines



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Earnings revision summary

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Total CVs (units)	4,35,178	4,35,178	4,95,240	4,95,240	5,36,042	5,36,042
Change		0%		0%		0%
Net sales	8,77,788	8,39,613	10,30,705	9,93,478	11,49,075	11,12,925
Change		-4%		-4%		-3%
EBITDA	1,03,948	1,04,351	1,26,239	1,26,163	1,41,540	1,40,211
Change		0%		0%		-1%
EBITDA margin (%)	11.8%	12.4%	12.2%	12.7%	12.3%	12.6%
Change		59		45		28
Profit after tax	60,895	63,862	76,495	78,846	85,329	86,917
Change		5%		3%		2%
EPS (Rs.)	17	17	21	21	23	24
Change		5%		3%		2%

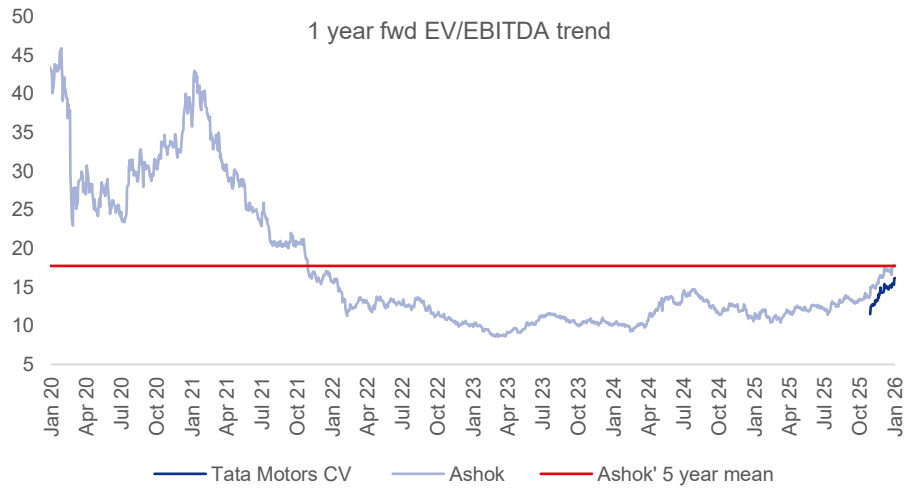
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Key assumptions

	FY23	FY24	FY25	FY26F	FY27F	FY28F
MHCV (domestic)	1,70,460	1,74,438	1,73,626	1,90,428	2,13,703	2,28,321
Growth (%)	33%	2%	0%	10%	12%	7%
LCV (domestic)	2,22,857	2,03,597	1,85,275	2,06,493	2,37,114	2,63,130
Growth (%)	15%	-9%	-9%	11%	15%	11%
Exports	17,785	17,698	18,164	30,000	36,000	36,000
Growth (%)	-49%	0%	3%	65%	20%	0%
Total Volume	4,11,102	3,95,733	3,77,065	4,26,921	4,86,817	5,27,451
Growth (%)	15%	-4%	-5%	13%	14%	8%
ASP (Rs)	16,83,710	19,44,309	19,49,403	19,20,162	19,96,969	20,66,863
Growth (%)		15%	0%	-1%	4%	3%
Revenue (Rs m)	7,08,160	7,87,900	7,50,530	8,35,613	9,88,978	11,07,925
Growth (%)	35%	11%	-5%	11%	18%	12%
EBITDA (Rs m)	53,390	85,110	88,500	1,04,351	1,26,163	1,40,211
Growth (%)	173%	59%	4%	18%	21%	11%
EBITDA margin	7.5%	10.8%	11.8%	12.5%	12.8%	12.7%
Growth (bp)	380	326	99	70	27	-10

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Tata Motors Commercial Vehicles trades at ~10% discount to Ashok Leyland on one-year forward mean EV/EBITDA



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 12: Our SOTP-based valuation matrix

	Peer set	Peer set valuation	Valuation Multiple	Value/share (Rs)	Comment
India CV business	Ashok Leyland	FY27F EV/EBITDA multiple	13.0	496	Discount to Ashok Leyland's valuation due to IVECO asset 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
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 (Rs)				521	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	790,320	754,260	839,613	993,478	1,112,925
Gross Profit	230,170	241,850	266,157	311,952	348,346
Operating EBITDA	85,110	88,500	104,351	126,163	140,211
Depreciation And Amortisation	(20,360)	(20,460)	(18,414)	(20,808)	(23,929)
Operating EBIT	64,750	68,040	85,937	105,355	116,282
Financial Income/(Expense)	(6,570)	(5,510)	(3,200)	(3,000)	(3,500)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,670	4,020	2,412	2,774	3,107
Profit Before Tax (pre-EI)	60,850	66,550	85,149	105,129	115,889
Exceptional Items					
Pre-tax Profit	60,850	66,550	85,149	105,129	115,889
Taxation	(15,213)	(16,638)	(21,287)	(26,282)	(28,972)
Exceptional Income - post-tax					
Profit After Tax	45,638	49,913	63,862	78,846	86,917
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	45,638	49,913	63,862	78,846	86,917
Recurring Net Profit	45,638	49,913	63,862	78,846	86,917
Fully Diluted Recurring Net Profit	45,638	49,913	63,862	78,846	86,917

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA			104,351	126,163	140,211
Cash Flow from Invt. & Assoc.					
Change In Working Capital			9,281	39,229	(11,419)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received			(788)	(226)	(393)
Tax Paid			(21,287)	(26,282)	(28,972)
Cashflow From Operations			91,557	138,883	99,426
Capex			(26,000)	(29,000)	(32,000)
Disposals Of FAs/subsidiaries			(9,570)	(99,700)	(15,800)
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing			(35,570)	(128,700)	(47,800)
Debt Raised/(repaid)			(15,000)	15,000	(5,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid			(9,901)	(31,539)	(32,159)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing			(24,901)	(16,539)	(37,159)
Total Cash Generated			31,086	(6,356)	14,467
Free Cashflow To Equity			40,987	25,183	46,626
Free Cashflow To Firm			59,187	13,183	55,126

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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	7,766	1,411	15,878
Total Debtors		22,780	23,003	24,497	36,589
Inventories		31,540	32,204	32,662	45,737
Total Other Current Assets		52,930	59,150	61,150	65,150
Total Current Assets		123,040	122,123	119,720	163,354
Fixed Assets		135,690	143,276	151,468	159,539
Total Investments		112,800	119,800	219,500	232,500
Intangible Assets					
Total Other Non-Current Assets		600	600	600	600
Total Non-current Assets		249,090	263,676	371,568	392,639
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors		132,630	138,019	174,199	182,947
Other Current Liabilities		51,100	56,100	61,100	66,100
Total Current Liabilities		183,730	194,119	235,299	249,047
Total Long-term Debt		54,640	39,640	54,640	49,640
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities		54,640	39,640	54,640	49,640
Total Provisions		48,950	52,380	54,380	55,580
Total Liabilities		287,320	286,139	344,319	354,267
Shareholders Equity		84,810	99,661	146,969	201,726
Minority Interests					
Total Equity		84,810	99,661	146,969	201,726

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth		(4.6%)	11.3%	18.3%	12.0%
Operating EBITDA Growth		4.0%	17.9%	20.9%	11.1%
Operating EBITDA Margin		11.7%	12.4%	12.7%	12.6%
Net Cash Per Share (Rs)		(10.56)	(8.66)	(14.46)	(9.17)
BVPS (Rs)		23.05	27.08	39.94	54.82
Gross Interest Cover		12.35	26.86	35.12	33.22
Effective Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days		5.51	9.95	8.73	10.02
Inventory Days		11.23	20.29	17.37	18.71
Accounts Payables Days		47.24	86.13	83.61	85.25
ROIC (%)			107.8%	123.2%	248.6%
ROCE (%)		46.6%	58.4%	58.5%	49.1%
Return On Average Assets		29.0%	17.5%	18.5%	17.1%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	15.5%	0.3%	(1.5%)	4.0%	3.5%
Unit sales grth (% , main prod./serv.)	(3.7%)	(5.0%)	13.0%	13.8%	8.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Disclaimer?