

Tata Motors | REDUCE

Volatility due to demerger; JLR getting back, domestic demand strong

Tata Motors (TTMT) hosted an analyst meet ahead of the demerger of its passenger vehicle (PV) and commercial vehicle (CV) businesses with 14th Oct'25 as the tentative record date. The CV business will be carved out and listed by early November, potentially causing short-term stock volatility due to PV-only revaluation till CV gets listed. On the JLR front, it faced a cyberattack on 31st Aug'25, with production resuming in phases from 25th Sep. Retail and wholesale volumes were stable due to sufficient inventory, though liquidity will get impacted - the quantum of which is not yet measurable. Demand is stable across the US, the UK, and China. JLR, however, will absorb the impact from the lower luxury tax threshold in China. On IVECO, the company highlighted that the complementarity with IVECO is highly significant, with synergies expected to surpass those achieved with JLR and the transaction would be EPS accretive from day one. On the CV side, the management expects GST rate rationalisation to benefit smaller CV segments like SCVs and ILCVs, where more buyers don't claim ITC. It projects double-digit CV growth in 2HFY26, aided by festive demand and GST rationalisation. On the PV front, festive season bookings have surged 25–30% YoY, driven by GST cuts, leading to strong demand. TTMT has seven new launches planned in the next 12 months, including ICE and EV models, with hybrids under consideration based on market demand. We change our rating from 'HOLD', as per our previous rating system, to 'REDUCE' in the new rating system with a Mar'27 SOTP-based TP of INR 689.

- **Price to get volatile post record date:** TTMT is set to undergo a strategic demerger, with a tentative record date of 14th Oct'25 marking a key milestone in the process. The demerger will separate its CV and PV businesses into distinct entities, enhancing focus and unlocking long-term value. Post that date, the CV segment will be carved out of the listed entity (Tata Motors Ltd), which may lead to increased stock volatility, primarily driven by the rebalancing of the PV-only valuation. The newly formed CV entity is expected to be listed by early-November, approximately 30 days after getting all regulatory approvals (pending completion of some formalities). Post the listing of the CV business, it will be renamed Tata Motors Ltd, while the PV business will operate under the name Tata Motors Passenger Vehicles Ltd (TMPV).
- **Impact of cyberattack on JLR is to be seen:** The management of JLR confirmed that the cyberattack on 31st Aug'25 was not covered by insurance, as no such coverage currently exists for incidents of this nature. While sales have resumed, and production restarted in a phased manner from 25th Sep, the company noted that retail and wholesale volumes were not materially impacted due to sufficient inventory levels. However, the attack will affect JLR's liquidity, though the management stated it is currently difficult to quantify the exact impact. Going forward, the focus remains on how quickly JLR can scale up production. On the demand front, the outlook remains positive: US demand is resilient with the tariff uncertainty resolved, UK maintains similar momentum, and China demand is stable although JLR will absorb near-term cost pressure due to the reduction in luxury tax threshold from RMB 1.3mn to RMB 0.9mn.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	43,40,160	43,96,950	45,58,726	47,89,129	50,15,132
Sales Growth (%)	25.5	1.3	3.7	5.1	4.7
EBITDA	5,78,090	5,61,380	4,32,996	4,79,912	5,26,375
EBITDA Margin (%)	13.3	12.8	9.5	10.0	10.5
Adjusted Net Profit	3,29,840	2,35,090	1,44,559	1,62,141	1,93,857
Diluted EPS (INR)	86.0	63.9	39.3	44.1	52.7
Diluted EPS Growth (%)	3,899.0	-25.7	-38.5	12.2	19.6
ROIC (%)	27.4	18.2	9.4	8.3	9.1
ROE (%)	50.7	23.4	11.9	12.1	13.0
P/E (x)	7.8	10.5	17.1	15.3	12.8
P/B (x)	3.0	2.1	1.9	1.8	1.6
EV/EBITDA (x)	5.4	4.8	6.8	5.9	5.1
Dividend Yield (%)	0.9	0.9	1.0	1.0	1.0

Source: Company data, JM Financial. Note: Valuations as of 29/Sep/2025



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	689
Upside/(Downside)	2.5%
Previous Price Target	688
Change	0.1%

Key Data – TTMT IN

Current Market Price	INR673
Market cap (bn)	INR2,476.3/US\$27.9
Free Float	51%
Shares in issue (mn)	3,830.1
Diluted share (mn)	3,680.0
3-mon avg daily val (mn)	INR7,289.8/US\$82.1
52-week range	998/536
Sensex/Nifty	80,365/24,635
INR/US\$	88.8

Price Performance

%	1M	6M	12M
Absolute	0.5	-0.3	-32.3
Relative*	-0.2	-3.9	-29.0

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **GST rationalisation, mixed effect on CVs:** On the domestic front, the recent GST rate rationalisation is expected to have a mixed impact across the CV portfolio. The effect is most pronounced in segments where buyers do not claim input tax credit (ITC). In HCVs, where nearly 60–70% of customers are B2B and avail ITC, the impact is relatively muted. In contrast, ILCVs (40%), buses (5%), and SCVs (18%) see a more significant share of non-ITC-taking buyers, making these segments more sensitive to the GST cuts. Interestingly, the greatest positive impact is expected in smaller vehicle categories, where a higher proportion of end-users benefit directly from reduced costs. Additionally, GST reduction on components like tyres and consumables could help lower operating expenses by 1-2%, thereby providing a modest boost to fleet operators' margins. Overall, the GST revisions provide a tailwind for profitability, particularly in the domestic SCV and ILCV segments. The management expects double-digit growth in the CV segment during 2H FY26, while 1H FY26 is likely to be flat to slightly negative. Overall, FY26 growth for the CV business is expected to be in mid-single digits.
- **IVECO transaction, synergies galore:** The company highlighted that the complementarity with IVECO is highly significant, with synergies expected to surpass those achieved with JLR. Except for a higher power-to-weight ratio in Europe, the product platforms are largely similar, enabling deeper integration. Approximately 40% of R&D and product development spends overlap, offering substantial cost-saving potential. On the revenue side, opportunities include entry into niche segments such as deep mining trucks in India, alongside leveraging IVECO's strong No. 3 market position in Latin America. In the >6T category, the combined entity is expected to rank as the fourth-largest global player, with the management guiding for the transaction to be EPS accretive from day one.
- **Domestic PVs, strong festive demand:** The festive season has begun on a robust note, with bookings rising 25–30% YoY, supported by the recent GST rationalisation. Over the long term, the company expects CNG to account for 25-30% of industry volume, EVs at ~20%, diesel at ~5%, with the remainder split between ICE petrol and hybrids. For 2H FY26, domestic industry volume is projected to grow 7–8%, while full-year FY26 growth is expected to remain below 5%. The company has lined up seven launches over the next 12 months, comprising four ICE models (notably the Sierra petrol) and three EVs (Punch EV, Tiago EV, and Sierra EV). The management also indicated that a hybrid offering could be introduced if market demand arises. Additionally, the used car market is witnessing a shift towards hatchbacks post-GST cuts. Lastly, the management indicated that the current fleet will be compliant with the upcoming CAFÉ norms.

Our Estimates

Exhibit 1. Standalone - key assumptions (INR mn)

	FY25A	FY26E	FY27E
Revenue (INR mn)	12,45,150	13,26,400	14,25,881
Blended ASP (INR)	1,301,619	1,315,045	1,327,733
Growth	-2.6%	1.0%	1.0%
Total volume	933,166	983,722	1,047,428
Growth	-3.7%	5.4%	6.5%
CV - domestic revenue (INR mn)	713,905	741,424	779,510
Volume	358,570	370,097	390,005
Growth	-5.2%	3.2%	5.4%
PV – domestic revenue (INR mn)	475,237	524,389	580,813
Volume	553,585	590,932	632,914
Growth	-3.0%	6.7%	7.1%
EBITDA (INR mn)	1,21,960	1,17,969	1,37,390
EBITDA margin (%)	9.8%	8.9%	9.6%

Source: Company, JM Financial

Exhibit 2. JLR - key assumptions

(GBP mn)

	FY25A	FY26E	FY27E
Revenue (GBP mn)	28,961	27,812	28,830
ASP (GBP)	72,240	75,572	77,899
Growth	0%	5%	3%
Volume	4,00,898	3,68,018	3,70,096
Growth	0%	-8.2%	0.6%
EBITDA (GBP mn)	4,151	3,421	3,834
EBITDA margin (%)	14.3%	12.3%	13.3%
EBIT (excl. CJLR)	2,474	1,473	1,702
EBIT margin (%)	8.5%	5.3%	5.9%

Source: Company, JM Financial

Exhibit 3. CJLR - key assumptions

(GBP mn)

	FY25A	FY26E	FY27E
Revenue (GBP mn)	1,105	938	1,020
ASP (GBP)	32,352	32,203	33,330
Growth	7.1%	-0.5%	3.5%
Volume	34,156	29,133	30,590
Growth	-31.9%	-14.7%	5.0%
EBITDA (GBP mn)	144	122	133
EBITDA margin (%)	13.0%	13.0%	13.0%

Source: Company, JM Financial

Exhibit 4. TTMT fair value @ INR 689/share – SOTP

	Parameter	Multiple (x)	EBITDA, Sales (INR bn)	Total value (INR bn)	Value / Share (INR)
JLR	EV/EBITDA	1.5	422	633	172
CJLR (50% share)	EV/Sales	0.5	56	28	8
Total JLR enterprise value				661	180
Less: JLR net debt				(306)	(83)
JLR equity value				967	263
Domestic business enterprise value	EV/EBITDA	10	137	1,346	365
Less: Domestic automotive net debt				(56)	(15)
Domestic business equity value				1,402	380
Tata Technologies stake at 25% hold co. discount				110	30
Sum of investments @ 25% discount				59	16
TTMT fair value				2,428	689

Source: JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	43,40,160	43,96,950	45,58,726	47,89,129	50,15,132
Sales Growth	25.5%	1.3%	3.7%	5.1%	4.7%
Other Operating Income	0	0	0	0	0
Total Revenue	43,40,160	43,96,950	45,58,726	47,89,129	50,15,132
Cost of Goods Sold/Op. Exp	27,27,550	27,17,860	28,72,148	30,18,086	31,61,627
Personnel Cost	4,19,900	4,77,670	4,74,080	4,90,609	5,10,987
Other Expenses	6,14,620	6,40,040	7,79,501	8,00,522	8,16,143
EBITDA	5,78,090	5,61,380	4,32,996	4,79,912	5,26,375
EBITDA Margin	13.3%	12.8%	9.5%	10.0%	10.5%
EBITDA Growth	81.0%	-2.9%	-22.9%	10.8%	9.7%
Depn. & Amort.	2,72,390	2,32,560	2,66,462	3,10,454	3,37,247
EBIT	3,05,700	3,28,820	1,66,534	1,69,459	1,89,129
Other Income	56,920	62,440	71,806	82,577	94,963
Finance Cost	75,940	50,830	49,155	40,155	31,155
PBT before Excep. & Forex	2,86,680	3,40,430	1,89,185	2,11,880	2,52,937
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,86,680	3,40,430	1,89,185	2,11,880	2,52,937
Taxes	-40,240	1,05,020	44,458	49,792	59,440
Extraordinary Inc./Loss(-)	-9,390	-5,500	0	0	0
Assoc. Profit/Min. Int.(-)	-2,920	320	167	-53	-360
Reported Net Profit	3,20,450	2,29,590	1,44,559	1,62,141	1,93,857
Adjusted Net Profit	3,29,840	2,35,090	1,44,559	1,62,141	1,93,857
Net Margin	7.6%	5.3%	3.2%	3.4%	3.9%
Diluted Share Cap. (mn)	3,835.0	3,680.0	3,680.0	3,680.0	3,680.0
Diluted EPS (INR)	86.0	63.9	39.3	44.1	52.7
Diluted EPS Growth	3,899.0%	-25.7%	-38.5%	12.2%	19.6%
Total Dividend + Tax	26,535	25,502	29,753	29,753	29,753
Dividend Per Share (INR)	6.0	6.0	7.0	7.0	7.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,86,680	3,40,430	1,89,185	2,11,880	2,52,937
Depn. & Amort.	2,72,390	2,32,560	2,66,462	3,10,454	3,37,247
Net Interest Exp. / Inc. (-)	75,940	50,830	49,155	40,155	31,155
Inc (-) / Dec in WCap.	1,51,306	1,89,010	-2,19,389	75,785	86,200
Others	2,513	-21,480	3,501	4,272	5,211
Taxes Paid	40,240	-1,05,020	-44,458	-49,792	-59,440
Operating Cash Flow	8,29,068	6,86,330	2,44,455	5,92,754	6,53,310
Capex	-3,78,483	-4,77,410	-4,08,425	-4,28,846	-4,50,288
Free Cash Flow	4,50,585	2,08,920	-1,63,969	1,63,908	2,03,022
Inc (-) / Dec in Investments	-11,772	2,610	0	0	0
Others	-75,940	-50,830	-49,155	-40,155	-31,155
Investing Cash Flow	-4,66,195	-5,25,630	-4,57,580	-4,69,001	-4,81,443
Inc / Dec (-) in Capital	10	-310	0	0	0
Dividend + Tax thereon	-26,535	-25,502	-29,753	-29,753	-29,753
Inc / Dec (-) in Loans	-2,68,494	-3,57,240	-1,20,000	-1,20,000	-1,20,000
Others	20,061	1,72,622	0	0	0
Financing Cash Flow	-2,74,959	-2,10,430	-1,49,753	-1,49,753	-1,49,753
Inc / Dec (-) in Cash	87,914	-49,730	-3,62,877	-25,999	22,114
Opening Cash Balance	3,70,156	4,58,070	4,08,340	45,463	19,463
Closing Cash Balance	4,58,070	4,08,340	45,463	19,463	41,577

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,49,180	11,61,440	12,76,246	14,08,635	15,72,739
Share Capital	7,670	7,360	7,360	7,360	7,360
Reserves & Surplus	8,41,510	11,54,080	12,68,886	14,01,275	15,65,379
Preference Share Capital	0	0	0	0	0
Minority Interest	81,760	66,100	69,769	73,987	78,839
Total Loans	10,72,640	7,15,400	5,95,400	4,75,400	3,55,400
Def. Tax Liab. / Assets (-)	-1,19,560	-55,070	-55,070	-55,070	-55,070
Total - Equity & Liab.	18,84,020	18,87,870	18,86,345	19,02,952	19,51,908
Net Fixed Assets	15,61,230	18,06,080	19,48,043	20,66,435	21,79,477
Gross Fixed Assets	36,36,147	38,12,477	46,46,630	50,55,055	54,83,901
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	24,31,897	26,64,457	29,30,919	32,41,373	35,78,619
Capital WIP	3,56,980	6,58,060	2,32,332	2,52,753	2,74,195
Investments	2,29,710	3,56,560	3,56,560	3,56,560	3,56,560
Current Assets	17,84,710	15,52,020	15,47,175	15,96,321	16,94,066
Inventories	4,77,880	4,72,690	4,99,586	5,24,836	5,49,604
Sundry Debtors	4,10,220	1,32,480	4,37,138	4,59,232	4,80,903
Cash & Bank Balances	4,58,070	4,08,340	45,463	19,463	41,577
Loans & Advances	4,29,940	5,29,560	5,56,038	5,83,840	6,13,032
Other Current Assets	8,600	8,950	8,950	8,950	8,950
Current Liab. & Prov.	16,91,630	18,26,790	19,65,433	21,16,364	22,78,194
Current Liabilities	9,39,780	9,73,680	10,17,303	10,62,547	11,06,817
Provisions & Others	7,51,850	8,53,110	9,48,130	10,53,817	11,71,378
Net Current Assets	93,080	-2,74,770	-4,18,258	-5,20,043	-5,84,129
Total - Assets	18,84,020	18,87,870	18,86,345	19,02,952	19,51,908

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.6%	5.3%	3.2%	3.4%	3.9%
Asset Turnover (x)	2.2	2.2	2.3	2.5	2.5
Leverage Factor (x)	3.0	2.0	1.6	1.5	1.3
RoE	50.7%	23.4%	11.9%	12.1%	13.0%

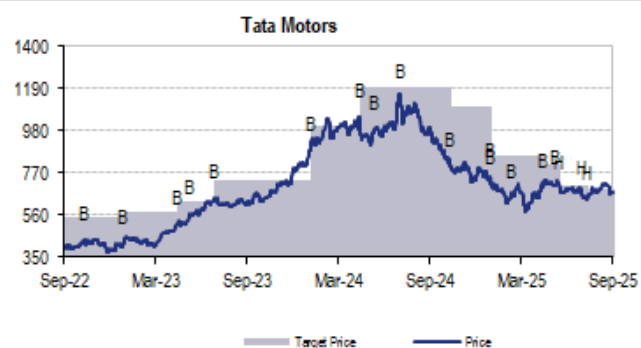
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	221.4	315.6	346.8	382.8	427.4
ROIC	27.4%	18.2%	9.4%	8.3%	9.1%
ROE	50.7%	23.4%	11.9%	12.1%	13.0%
Net Debt/Equity (x)	0.6	0.0	0.2	0.1	0.0
P/E (x)	7.8	10.5	17.1	15.3	12.8
P/B (x)	3.0	2.1	1.9	1.8	1.6
EV/EBITDA (x)	5.4	4.8	6.8	5.9	5.1
EV/Sales (x)	0.7	0.6	0.6	0.6	0.5
Debtor days	34	11	35	35	35
Inventory days	40	39	40	40	40
Creditor days	91	93	90	90	90

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-May-22	Buy	585	
28-Jul-22	Buy	550	-6.0
9-Nov-22	Buy	550	0.0
26-Jan-23	Buy	575	4.5
14-May-23	Buy	625	8.7
7-Jun-23	Buy	625	0.0
26-Jul-23	Buy	730	16.8
4-Feb-24	Buy	1,000	37.0
12-May-24	Buy	1,200	20.0
11-Jun-24	Buy	1,200	0.0
1-Aug-24	Buy	1,200	0.0
10-Nov-24	Buy	1,100	-8.3
27-Jan-25	Buy	900	-18.2
29-Jan-25	Buy	860	-4.4
11-Mar-25	Buy	860	0.0
14-May-25	Buy	810	-5.8
9-Jun-25	Buy	815	0.6
16-Jun-25	Hold	705	-13.5
31-Jul-25	Hold	705	0.0
10-Aug-25	Hold	688	-2.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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