

India

July 31, 2025 - 4:01 PM

REDUCE (no change)

Consensus ratings*: Buy 17 Hold 12 Sell 6

Current price: Rs668
 Target price: ▶ Rs642
 Previous target: Rs642
 Up/downside: -3.9%
 InCred Research / Consensus: -13.4%

Reuters: TAMO.NS
 Bloomberg: TTMT IN
 Market cap: US\$28,150m
 Rs2,461,039m
 Average daily turnover: US\$114.4m
 Rs10005.0m
 Current shares o/s: 3,680.0m
 Free float: 53.6%

*Source: Bloomberg

Key financial forecast

	Mar-26F	Mar-27F	Mar-28F
Net Profit (Rsm)	258,816	311,022	374,230
Core EPS (Rs)	70.33	84.52	101.69
Core EPS Growth	3.9%	20.2%	20.3%
FD Core P/E	9.50	7.91	6.57
Recurring ROE	20.3%	20.4%	20.5%
P/BV (x)	1.77	1.48	1.24
DPS (Rs)	8.00	8.00	
Dividend Yield	1.25%		



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	(2.8)	3.8	(42.5)
Relative (%)	(0.3)	2.2	(42.3)

Major shareholders

	% held
Tata Group	46.4
LIC	3.0
SBI Mutual Fund	2.4

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Tata Motors**CV division adventures IVECO industrial biz**

- Commercial vehicle (CV) division ventures into a leveraged buyout of IVECO listed entity's industrial division for Rs381bn (6x CV division's FY25 FCF).
- While the medium-term synergy potential & market share gains are positives, short-term ones - equity raising, EPS dilution & weak 1Q results - disappoint.
- Domestic CV market share loss may rise as the focus is on consummating the acquisition while product synergy benefits are limited. Retain REDUCE.

About the IVECO all-cash equity deal

- Tata Motors has announced an €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%).
- Its 1QCY25 performance was weak as the industrial division's EBIT collapsed by 42% yoy to €117bn on just a 10% dip in sales, which is disappointing.
- 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 management's 'Unlimited Pathways' strategy is – a sales CAGR of 5% with a EBIT margin increase of 200bp and €0.75bn per annum 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 getting new products right along with cost reduction which are key monitorable.

Our take on the deal and end-market benefits

- Little benefit for India CV markets – most of IVECO's 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.
- Domestic market share erosion can accelerate – with the top management's priority in the next one-to-two years being to absorb the mammoth IVECO (2x sales) & no major launch in the LCV segment, we feel the market share erosion will prolong.
- 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. It plans to fund 35% of the acquisition via equity in the coming one-year period, which, we feel, will lead to a 15-18% dilution in the commercial vehicle or CV division's expected value, post-split, and a 10% downside to our current SOTP-based target price. On the combined Tata Motors entity, we maintain REDUCE rating. Our hopes of buying into the high RoCE India CV business, post-split, goes for a toss.

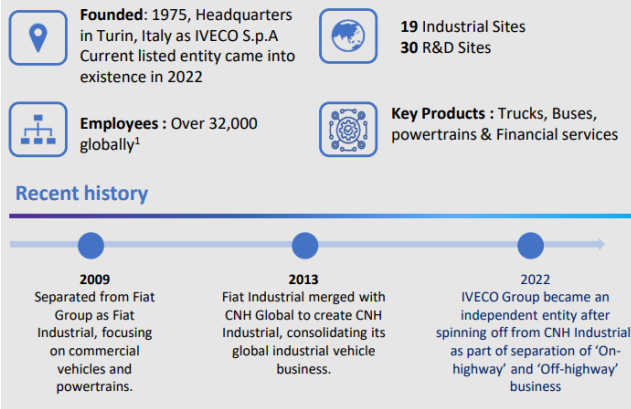
Figure 1: Combined entity CV division's key metrics

INR K Cr	TML (FY25)	IVG (CY24)	Aggregate (Memo)
Volume (#K), >6T Trucks	180	50	230
Volume (#K), Total	385	160	545
Revenue	70	137	207
EBITDA	8	16	25
EBITDA %	11.9%	11.8%	11.8%
EBIT	6	7	14
EBIT %	9.0%	5.3%	6.6%
Capex	3	9	12
FCF	7	3	9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

CV division adventures IVECO industrial biz

Figure 2: IVECO Group N.V. at a glance



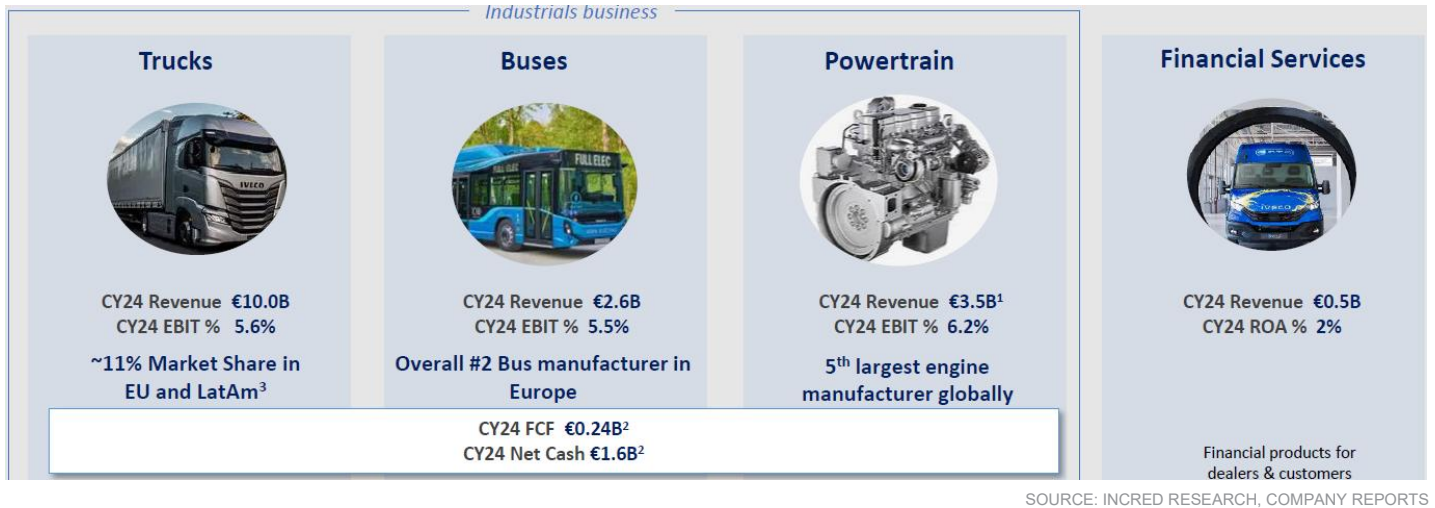
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Product positions of both entities



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: IVECO's various business segments and their performance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: IVECO scores an edge over peers on RoCE, RoE, EV/EBITDA and P/E fronts but a poor show in terms of sales CAGR, P/BV and dividend yield.

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	RoCE	RoIC
Iveco Group Nv	IVG IM Equity	EUR	19.01	5,894	9.8	7.8	1.8	19.6	18.1	1.3	1.5	1.3	2.4	3.2	7	6	7.2	9.3
Daimler Truck Holding Ag	DTG GR Equity	EUR	42.8	38,745	11.1	8.8	1.5	15.2	13.3	3.3	4.0	3.3	4.2	5.0	11	3	6.2	5.8
Volvo Ab-B Shs	VOLVB SS Equity	EUR	283.6	59,054	14.0	11.9	3.0	23.0	21.6	5.9	6.8	5.9	5.2	6.0	12	4	9.2	9.4
Traton Se	8TRA GY Equity	EUR	30.04	17,171	7.6	5.6	0.8	12.8	10.4	2.7	3.2	2.7	4.4	5.7	16	12	5.9	6.0

SOURCE: BLOOMBERG CONSENSUS ESTIMATE, INCRED RESEARCH, COMPANY REPORTS

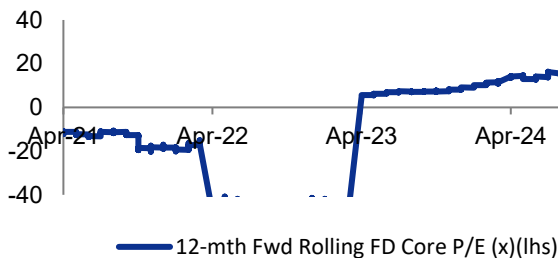
Profit & Loss

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	4,422,980	4,994,120	5,753,126	6,505,525
Gross Profit	1,733,470	1,897,507	2,192,829	2,490,633
Operating EBITDA	701,110	752,185	876,007	1,005,673
Depreciation And Amortisation	(339,980)	(383,178)	(424,679)	(468,792)
Operating EBIT	361,130	369,007	451,328	536,881
Financial Income/(Expense)	(69,230)	(45,679)	(43,437)	(37,125)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	64,400	59,798	63,130	64,323
Profit Before Tax (pre-EI)	356,300	383,126	471,021	564,079
Exceptional Items				
Pre-tax Profit	356,300	383,126	471,021	564,079
Taxation	(105,390)	(122,600)	(160,147)	(191,787)
Exceptional Income - post-tax	12,700			
Profit After Tax	263,610	260,525	310,874	372,292
Minority Interests	(5,000)	(5,500)	(4,400)	(3,520)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	3,212	3,790	4,548	5,458
Net Profit	261,822	258,816	311,022	374,230
Recurring Net Profit	249,122	258,816	311,022	374,230
Fully Diluted Recurring Net Profit	249,122	258,816	311,022	374,230

Cash Flow

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	701,110	752,185	876,007	1,005,673
Cash Flow from Invt. & Assoc.				
Change In Working Capital	76,126	(149,590)	1,748	11,036
(Incr)/Decr in Total Provisions	218,263	(131,192)		(195,000)
Other Non-Cash	64,487	3,760	2,000	2,000
(Income)/Expense				
Other Operating Cashflow	12,700			
Net Interest (Paid)/Received	(4,830)	14,118	19,693	27,198
Tax Paid	(105,390)	(122,600)	(160,147)	(191,787)
Cashflow From Operations	962,465	366,681	739,300	659,120
Capex	(584,824)	(145,684)	(419,308)	(450,115)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	(45,062)	(106,799)	(103,841)	(101,172)
Cash Flow From Investing	(629,886)	(252,482)	(523,149)	(551,286)
Debt Raised/(repaid)	(359,922)	(4,911)	(4,911)	(4,911)
Proceeds From Issue Of Shares	(305)			
Shares Repurchased				
Dividends Paid	(22,080)	(29,440)	(40,480)	(51,520)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(382,307)	(34,351)	(45,391)	(56,431)
Total Cash Generated	(49,727)	79,848	170,761	51,403
Free Cashflow To Equity	(27,342)	109,288	211,241	102,923
Free Cashflow To Firm	401,810	159,878	259,589	144,959

12-mth Fwd Rolling FD Core P/E (x)



Balance Sheet

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	408,340	488,188	658,949	710,352
Total Debtors	132,480	164,190	204,906	267,350
Inventories	472,690	574,666	598,956	712,934
Total Other Current Assets	596,180	630,000	685,000	720,000
Total Current Assets	1,609,690	1,857,044	2,147,810	2,410,637
Fixed Assets	1,553,760	1,568,586	1,563,215	1,544,538
Total Investments	463,792	563,792	663,792	763,792
Intangible Assets	8,950	8,450	7,950	7,450
Total Other Non-Current Assets				
Total Non-current Assets	2,026,502	2,140,828	2,234,957	2,315,780
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	973,680	957,776	1,024,529	1,211,988
Other Current Liabilities	677,952	600,000	630,000	570,000
Total Current Liabilities	1,651,632	1,557,776	1,654,529	1,781,988
Total Long-term Debt	624,990	619,990	614,990	609,990
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	624,990	619,990	614,990	609,990
Total Provisions	384,350	368,690	395,690	297,690
Total Liabilities	2,660,972	2,546,457	2,665,209	2,689,668
Shareholders Equity	1,161,440	1,390,816	1,661,358	1,984,068
Minority Interests	66,100	60,600	56,200	52,680
Total Equity	1,227,540	1,451,416	1,717,558	2,036,748

Key Ratios

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	1.0%	12.9%	15.2%	13.1%
Operating EBITDA Growth	1.8%	7.3%	16.5%	14.8%
Operating EBITDA Margin	15.9%	15.1%	15.2%	15.5%
Net Cash Per Share (Rs)	(58.87)	(35.82)	11.95	27.27
BVPS (Rs)	315.61	377.94	451.46	539.15
Gross Interest Cover	5.22	8.08	10.39	14.46
Effective Tax Rate	29.6%	32.0%	34.0%	34.0%
Net Dividend Payout Ratio	9.2%	11.8%		
Accounts Receivables Days	12.46	10.84	11.71	13.25
Inventory Days	64.50	61.73	60.16	59.63
Accounts Payables Days	129.84	113.83	101.61	101.66
ROIC (%)	23.4%	22.2%	21.8%	25.6%
ROCE (%)	19.0%	18.6%	20.3%	21.4%
Return On Average Assets	8.7%	7.7%	8.2%	8.8%

Key Drivers

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	3.5%	2.3%	N/A	N/A
Unit sales grth (% , main prod./serv.)	(3.9%)	10.0%	5.9%	N/A

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.