

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|---------------|
| Bloomberg | TMCV IN |
| Equity Shares (m) | 3680 |
| M.Cap.(INRb)/(USDb) | 1731.4 / 18.8 |
| 52-Week Range (INR) | 476 / 306 |
| 1, 6, 12 Rel. Per (%) | 17/-/- |
| 12M Avg Val (INR M) | 6159 |

Financials & Valuations (INR b)

| Y/E March | 2026E | 2027E | 2028E |
|----------------|-------|-------|-------|
| Net Sales | 746 | 823 | 893 |
| EBITDA | 96.7 | 107.8 | 117.1 |
| Adj. PAT | 64.7 | 71.7 | 79.3 |
| Adj. EPS (INR) | 17.6 | 19.5 | 21.5 |
| EPS Gr. (%) | 6 | 11 | 10 |
| BV/Sh. (INR) | 38.6 | 55.6 | 74.2 |

Ratios

| | | | |
|-------------|------|------|------|
| Net D/E (x) | -0.1 | -0.2 | -0.3 |
| RoE (%) | 57.0 | 41.4 | 33.2 |
| RoCE (%) | 34.8 | 33.0 | 28.4 |
| Payout (%) | 11.4 | 12.8 | 13.9 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 26.7 | 24.1 | 21.8 |
| P/BV (x) | 12.2 | 8.4 | 6.3 |
| EV/EBITDA (x) | 17.2 | 14.9 | 13.3 |
| Div. Yield (%) | 0.4 | 0.5 | 0.6 |

CMP: INR470 **TP: INR431 (-8%)** **Neutral**

Earnings miss estimates led by input cost pressure

Market share loss in CVs remains key concern

- Tata Motors (TMCV) 3QFY26 PAT at INR15.9b was below our est. of INR18.4b due to lower-than-expected margin at 12.8% (est. 13.2%). Margin pressure was caused by higher input costs.
- The key concern for TMCV has been its gradual loss of market share across key segments. Further, its recent acquisition of Iveco would expose it to the ongoing global macro uncertainties, thereby driving a potential de-rating, if demand does not improve anytime soon. We have already factored in a pick-up in domestic CV demand in our estimates (we estimate 9% volume CAGR over FY25-28E). We also factor in margins to remain stable at 13% over FY25-28E. However, after the recent rally, the stock at 24.1x FY27E and at 21.8x FY28E EPS appears fairly valued. Maintain Neutral with a TP of INR431 per share – we value the core business at 13x Dec'27E EV / EBITDA (in line with peers) and add INR13 per share for its stake in Tata Capital.

Earnings below estimates due to input cost pressure

- Standalone 3Q revenue was in line with our estimate and up ~20% YoY at INR204b, primarily led by 21% YoY volume growth. However, ASPs declined 1% QoQ to INR1.7m per vehicle.
- EBITDA margin at 12.8% was slightly below our estimate of 13.2% due to input cost pressure.
- Led by strong revenue growth, EBITDA was up 29% YoY at INR26.1b (below est. of INR 27.5b).
- The company incurred INR15.5b in extraordinary expenses – INR9.6b in demerger costs, INR6b for new labor code provisions and INR820m in acquisition expenses.
- Adjusted for these, PAT grew 10% YoY to INR15.9b (below est. of INR18.4b).

Highlights from the management commentary

- Management expects 4QFY26 to be the strongest quarter, supported by pick-up in infrastructure spending, execution of government bus orders and continued truck recovery. Management also expects to sustain the demand momentum in 1HFY27, albeit over a low base.
- Market leadership was intact with a 35.5% domestic CV market share, supported by sharp recovery in HCV share to 58.2% (53.9% in FY25), steady ILMCV share at 40.0% and stable SCV share of 26.3%.
- Investment spending remained disciplined at INR5.5b in 3Q and INR20b in 9MFY26. TMCV delivered a strong FCF of INR47.5b in Q3, supported by strong operating leverage and disciplined working capital management. Net cash position strengthened to INR39b as of 9MFY26.
- TMCV launched 17 next-generation trucks in Jan'26, with all models compliant with stringent European ECE R29-03 safety standards.

Valuation and view

- The industry's pricing discipline has certainly been commendable over the last 12 months, with all CV players witnessing improvement in margins. Further, while the CV industry demand has picked up after GST rate cuts, the key concern for TMCV has been its gradual loss of market share across key segments. Particularly worrisome is the market share loss in LCV goods from a high of 40% in FY22 to 28% now (down 220bp YoY YTD).
- Further, its recent acquisition of Iveco would expose it to the ongoing global macro uncertainties, thereby driving a potential de-rating if the demand environment does not improve anytime soon. Iveco has lowered its CY25 guidance thrice in the last three quarters given the macro uncertainty in its key regions. Further, a week ago, management slashed its FCF guidance to EUR60m from its initial estimate of EUR400-450m set in 1Q. Given the lack of visibility in its financials and given that this acquisition will initially be funded with a debt of EUR3.8b, we refrain from giving any incremental value to Iveco at this stage.
- We have already factored in a pick-up in domestic CV demand in our estimates (we estimate 9% volume CAGR over FY25-28E). We also factor in margins to remain stable at 13% over our forecast period. However, after the recent rally, the stock at 24.1x FY27E and at 21.8x FY28E EPS appears fairly valued. Maintain Neutral with a TP of INR431 per share – we value the core business at 13x Dec'27E EV/EBITDA (in line with peers) and add INR13 per share for its stake in Tata Capital.

Tata Motors Commercial Vehicles: Quarterly Performance (Standalone)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26E | Var (%) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | 3QE | | | |
| Net Operating income | 178,980 | 155,180 | 170,400 | 249,700 | 156,820 | 168,610 | 204,040 | 216,665 | 754,260 | 746,135 | 207,988 | -1.9 |
| Change (%) | 4.9 | -23.0 | -15.6 | 15.4 | -12.4 | 8.7 | 19.7 | -13.2 | -4.6 | -1.1 | 11.5 | |
| RM Cost (% of Sales) | 67.7 | 67.9 | 68.8 | 67.6 | 67.1 | 69.0 | 69.9 | 69.0 | 67.9 | 68.9 | 69.2 | |
| Staff Costs (% of sales) | 6.7 | 7.4 | 6.5 | 5.1 | 7.4 | 6.9 | 5.6 | 5.4 | 3.8 | -1.7 | 6.2 | |
| Other Exp (% of sales) | 14.0 | 14.1 | 12.9 | 12.4 | 13.4 | 11.8 | 11.6 | 11.3 | 14.1 | 12.0 | 11.4 | |
| EBITDA | 20,790 | 16,530 | 20,150 | 37,220 | 18,900 | 20,830 | 26,060 | 30,931 | 88,500 | 96,721 | 27,518 | -5.3 |
| EBITDA Margins (%) | 11.6 | 10.7 | 11.8 | 14.9 | 12.1 | 12.4 | 12.8 | 14.3 | 11.7 | 13.0 | 13.2 | -45.8 |
| Change (%) | 30 | -21 | -10 | 44 | -9 | 26 | 29 | -17 | 4 | 9 | 20.7 | |
| Non-Operating Income | 830 | 1,760 | 3,060 | -1,630 | 2,450 | 2,780 | 2,720 | 2,904 | 4,020 | 10,854 | 2,500 | 8.8 |
| Interest | 1,620 | 2,110 | 2,200 | -420 | 1,740 | 1,860 | 1,430 | 1,472 | 5,510 | 6,502 | 1,890 | |
| Depreciation & Amort. | 4,870 | 4,840 | 4,880 | 5,870 | 4,230 | 4,120 | 4,170 | 4,257 | 20,460 | 16,777 | 4,200 | |
| PBT before EO Exp | 15,350 | 11,220 | 16,030 | 30,070 | 16,350 | 17,570 | 23,180 | 28,106 | 66,490 | 85,206 | 23,928 | -3.1 |
| EO Exp/(Inc) | 0 | 330 | 240 | 0 | 100 | 23,660 | 15,450 | 0 | 0 | 39,210 | 0 | |
| PBT after EO Exp | 15,350 | 10,890 | 15,790 | 30,070 | 16,250 | -6,090 | 7,730 | 28,106 | 66,490 | 45,996 | 23,928 | -67.7 |
| Tax | 2,763 | 4,460 | 1,620 | 2,980 | 2,140 | 4,120 | 2,120 | 6,957 | 5,170 | 15,337 | 5,503 | |
| Effective Tax Rate (%) | 18.0 | 41.0 | 10.3 | 9.9 | 13.2 | 23.4 | 27.4 | 24.8 | 7.8 | 33.3 | 23.0 | |
| PAT | 12,587 | 6,430 | 14,170 | 27,090 | 14,110 | -10,210 | 5,610 | 21,149 | 61,320 | 30,659 | 18,424 | -69.6 |
| Change (%) | 0 | 0 | 0 | 34 | 12 | -259 | -60 | -22 | 16 | -50 | 30.2 | |
| Adj PAT | 12,587 | 6,760 | 14,410 | 27,090 | 14,210 | 13,450 | 15,908 | 21,149 | 61,320 | 64,718 | 18,424 | -13.7 |
| Change (%) | 34.5 | -55.7 | -13.0 | 29.0 | 12.9 | 99.0 | 10.4 | -21.9 | 0.3 | 5.5 | 30.2 | |

E: MOFSL Estimates

Financials restated wef FY25, hence prior year financials not comparable



Key takeaways from the management commentary

3Q performance

- TMCV delivered a strong 3QFY26 performance with wholesales of 116,800 units, up 20% YoY. Growth was led by strong double-digit growth across all segments, except buses, which grew 4% in 3Q.
- EBIT, before exceptional items, rose ~45% YoY to INR23.2b, while FCF was INR47.5b, supported by strong operating leverage and disciplined working capital management. Net cash position strengthened to INR39b as of 9MFY26.
- Exceptional items of INR15.5b incurred in 3Q included provisions for the new labor code (INR6b), demerger-related costs (INR9.6b), and Iveco acquisition expenses (INR820m).
- Margin expansion was driven by scale benefits and favorable mix, partially offset by material cost inflation. Warranty costs increased due to rate recalibration but remained below 2% of sales on a YTD basis.

Business update/demand outlook

- Market leadership was sustained with a 35.5% domestic CV market share, supported by sharp recovery in HCV share to 58.2% (53.9% in FY25), steady ILMCV share at 40.0%, stable SCV share of 26.3%, and passenger carrier share of 35.9%.
- End-market conditions improved post-GST 2.0 with higher fleet utilization across segments. Firming up of freight rates led to improved fleet operator profitability and pick-up in replacement demand. The trucks segment witnessed a sharp cyclical recovery in this quarter (+24.2% YoY) after a subdued 1H, aided by festive demand, resumption of infrastructure projects after an elongated monsoon period.
- ILMCV segment is seeing improved demand due to ecommerce and pick-up in manufacturing segment.
- SCV and pickup retails reached their highest quarterly levels since 1QFY24, driven by strong performance of Ace Pro and Ace Gold variants.
- The bus business remained resilient, supported by a government order book exceeding 6,000 units, coupled with sustained demand for school buses.
- Management expects 4QFY26 to be the strongest quarter, supported by infrastructure spending, execution of government bus orders, continued truck recovery, SCV momentum, and stable non-cyclical revenue. Management also expects the demand momentum to sustain in 1H, albeit over a low base.

Capex and Investments

- Investment spending remained disciplined at INR5.5b in 3QFY26 and INR20b in 9MFY26, largely directed toward R&D, product development, and future-ready platforms.
- Capex guidance has been maintained, with no compromise on investments in new technologies, electrification, safety, and digital capabilities.
- There is flexibility in shifting capacities between four MHCV and ILMCV plants, with debottlenecking initiatives underway to address industry-wide supply tightness amid strong demand.

New Launches

- TMCV launched 17 next-generation trucks in Jan'26, representing a comprehensive portfolio refresh across safety, efficiency, and profitability, with all models compliant with stringent European ECE R29-03 safety standards.
- Key launches included the Prima 3540.K, the company's most powerful tipper targeting infrastructure-led demand, and the Azura series in the 7–19T ILMCV segment with redesigned cabins, higher payloads, and improved fuel efficiency.
- Tata Trucks.ev now offers India's broadest electric truck portfolio under the proprietary I-MOEV architecture, featuring modular battery packs, in-house BMS, and e-axles across multiple use cases.

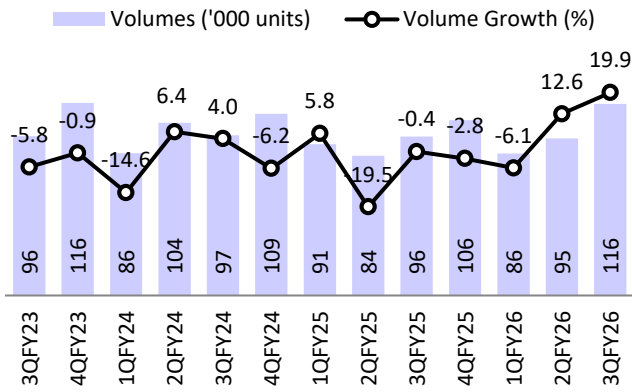
Exports

- Export volumes surged 71% YoY in 3Q to 7,700 units, led by recovery in Sri Lanka, SAARC markets, the Middle East, and Sub-Saharan Africa.
- Export revenue is approaching the historical peak levels despite volumes remaining below FY17 highs, reflecting improved product mix and realization.
- Launch of Euro 6-compliant trucks for the Middle East and North Africa positions TMCV as a key beneficiary of tightening emission norms in these regions.

Focus areas

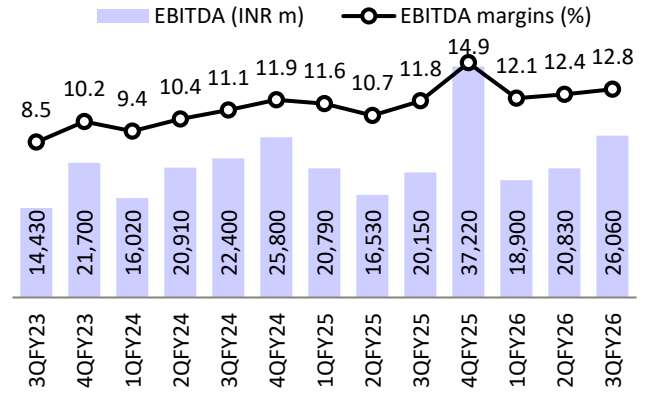
- Management continues to prioritize sustainable margin delivery through realization improvement, price hikes (1% this quarter) to mitigate commodity inflation, and leverage scale benefits.
- Replacement demand, acceleration under GST 2.0, remains a key medium-term growth lever, supported by improving fleet economics.
- Strengthening non-cyclical revenue streams remains a focus, including Smart City Mobility e-bus operations with over 3,600 e-buses deployed and Fleet Edge digital services, where subscription renewals have accelerated meaningfully.
- Medium-term growth will be driven by leadership in core CV segments, modernized product portfolio, expansion in EV and alternative fuel ecosystems, and continued international market penetration.

Exhibit 1: Volume trend



Source: Company, MOFSL

Exhibit 2: EBITDA margin trend

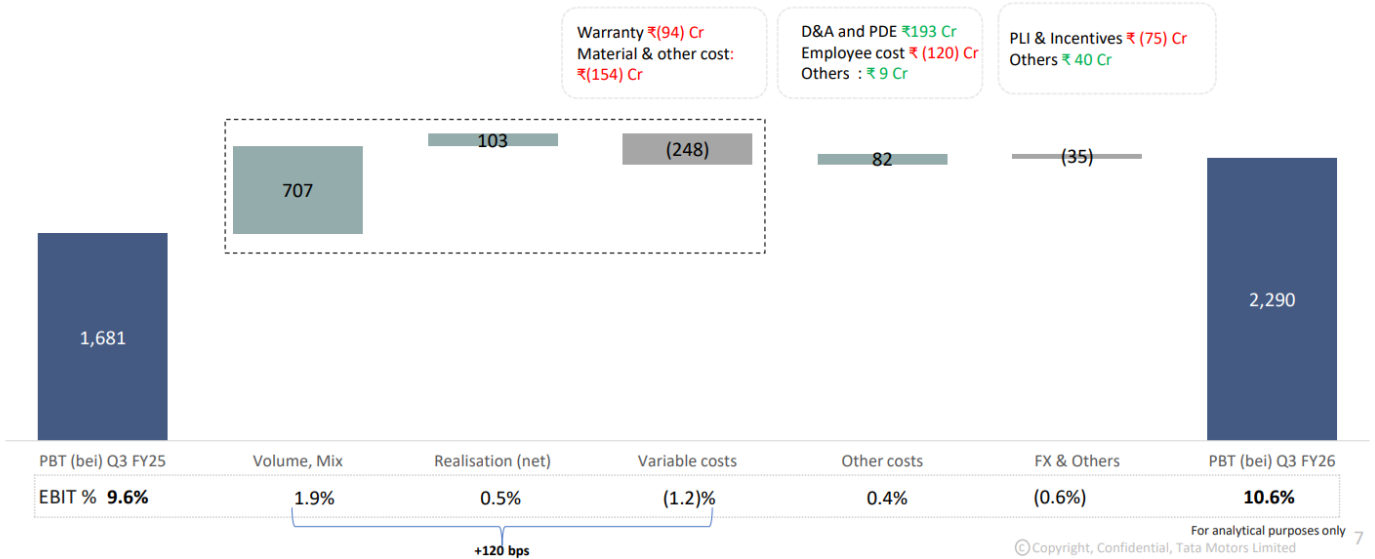


Source: Company, MOFSL; financials restated wef FY25, hence prior year financials not comparable

Exhibit 3: Margin drivers in 3Q

Q3 FY26 | Commercial Vehicles Segment | IndAS, ₹ Cr

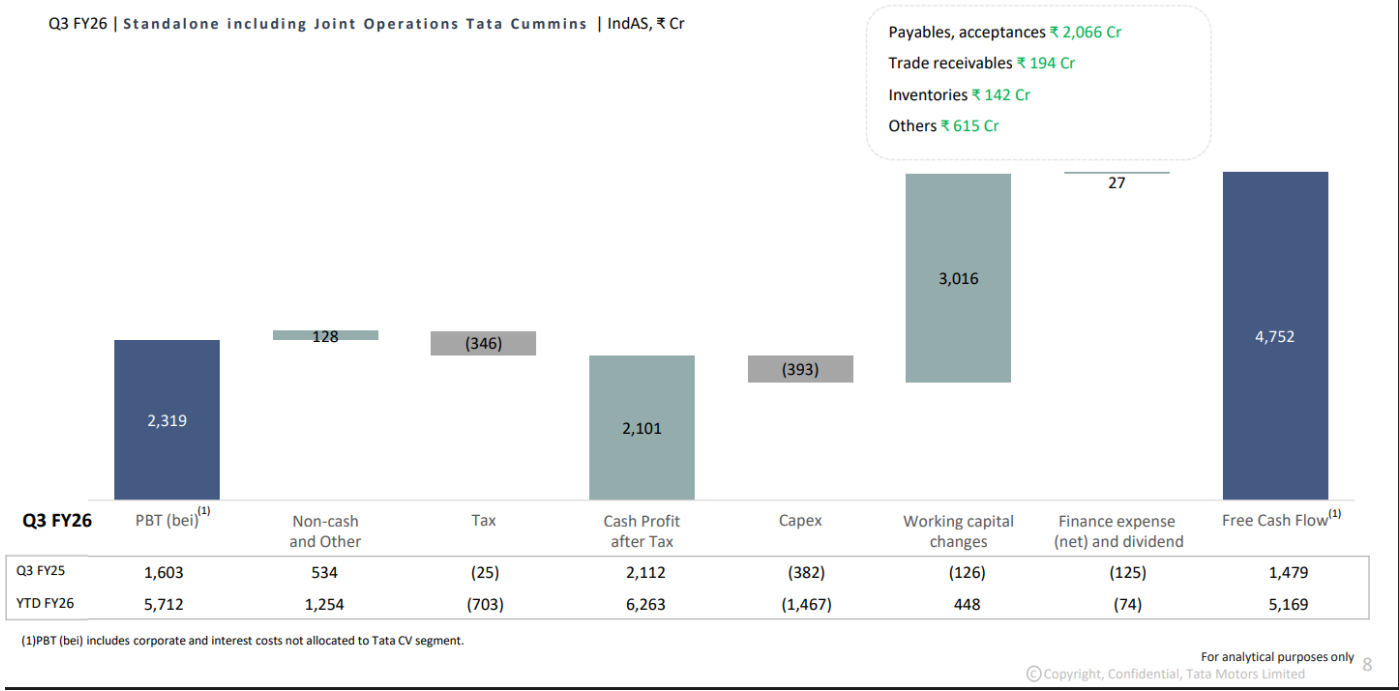
₹ Cr. IndAS



Source: Company, MOFSL

Exhibit 4: FCF of INR52b delivered in 9M

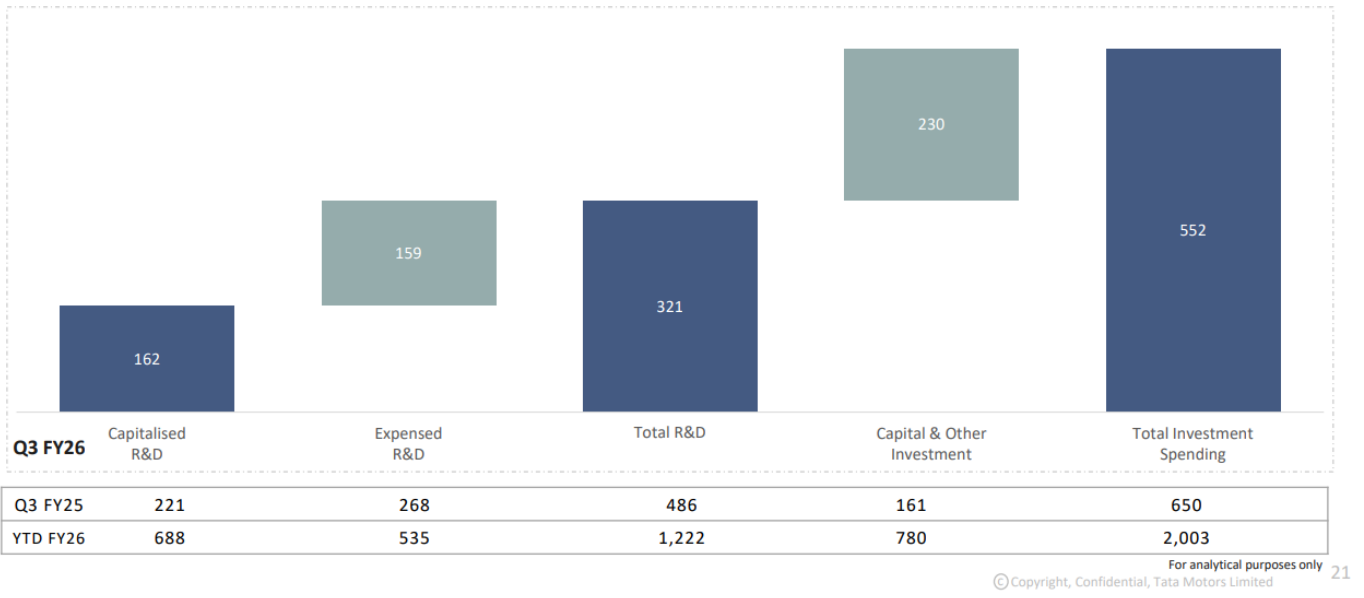
Q3 FY26 | Standalone including Joint Operations Tata Cummins | IndAS, ₹ Cr



Source: Company, MOFSL

Exhibit 5: 3QFY26 investment spend was INR5.5b; 9MFY26 spend stood at INR20b

Q3 FY26 | Standalone including Joint Operations Tata Cummins | IndAS, ₹ Cr



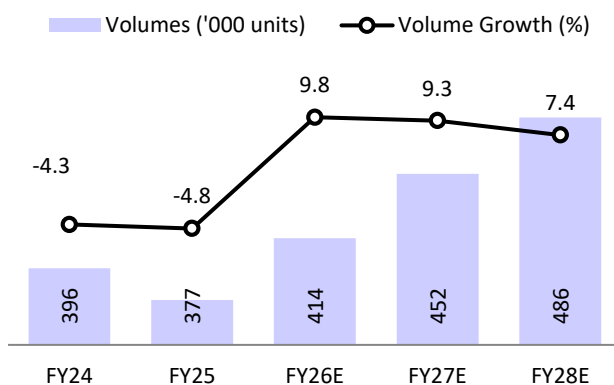
Source: Company, MOFSL

Valuation and view

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- Further, its recent acquisition of Iveco would expose it to the ongoing global macro uncertainties, thereby driving a potential de-rating, if the demand environment does not improve anytime soon. Iveco has revised downwards its CY25 guidance thrice in the last 3 quarters given the macro uncertainty in its key regions. Further, a week back, management slashed its FCF guidance to Euro 60m from their initial estimate of Euro400-450m set in Q1. Given the lack of visibility in its financials and given that this acquisition will initially be funded with a debt of Euro3.8b, we refrain from giving any incremental value to Iveco at this stage.
- We have already factored in a pick-up in domestic CV demand in our estimates (we estimate 9% volume CAGR over FY25-28E). We also factor in margins to remain stable at 13% over our forecast period. However, post the recent rally, the stock at 24.1x FY27E and at 21.8x FY28E EPS appears fairly valued. Maintain Neutral with a TP of INR431 per share – we value the core business at 13x Dec'27E EV / EBITDA (in line with peers) and add INR13 per share for its stake in Tata Capital.

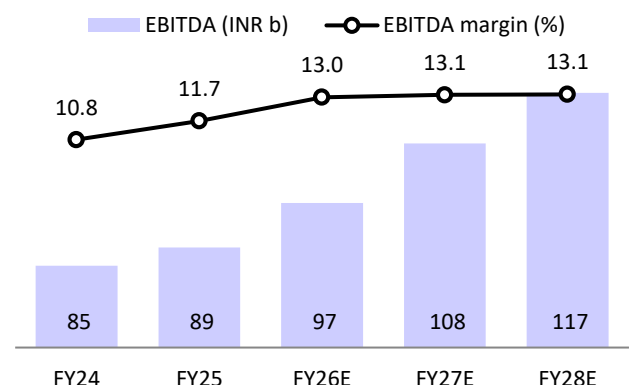
Story in charts

Exhibit 6: Volume growth trajectory



Source: Company, MOFSL,

Exhibit 7: EBITDA and EBITDA margin trend



Source: Company, MOFSL, financials restated wef FY25, hence prior year financials not comparable

Financials and valuations

| Income Statement | | | | (INR m) |
|---------------------|----------------|----------------|----------------|----------------|
| Y/E March | 2025 | 2026E | 2027E | 2028E |
| Total Income | 754,260 | 746,135 | 823,352 | 893,218 |
| Change (%) | -4.6 | -1.1 | 10.3 | 8.5 |
| EBITDA | 88,500 | 96,721 | 107,764 | 117,097 |
| Change (%) | 4.0 | 9.3 | 11.4 | 8.7 |
| % of Net Sales | 11.7 | 13.0 | 13.1 | 13.1 |
| Depreciation | 20,460 | 16,777 | 17,227 | 17,677 |
| EBIT | 68,040 | 79,944 | 90,537 | 99,420 |
| Interest | 5,510 | 6,502 | 6,837 | 6,884 |
| Other Income | 4,020 | 10,854 | 11,939 | 13,133 |
| EO Exp/(Inc) | 0 | 39,210 | 0 | 0 |
| Forex Gain/ (Loss) | -90 | 910 | 0 | 0 |
| PBT | 66,460 | 45,996 | 95,640 | 105,669 |
| Tax | 5,170 | 15,337 | 23,910 | 26,417 |
| Reported PAT | 61,290 | 30,659 | 71,730 | 79,252 |
| Change (%) | 16.4 | -50.0 | 134.0 | 10.5 |
| Adj. PAT | 61,320 | 64,718 | 71,730 | 79,252 |
| Change (%) | 0.3 | 5.5 | 10.8 | 10.5 |

| Balance Sheet | | | | (INR m) |
|----------------------------------|----------------|----------------|----------------|----------------|
| Y/E March | 2025 | 2026E | 2027E | 2028E |
| Sources of Funds | | | | |
| Share Capital | 7,360 | 7,360 | 7,360 | 7,360 |
| Reserves | 77,450 | 134,808 | 197,337 | 265,550 |
| Net Worth | 84,810 | 142,168 | 204,697 | 272,910 |
| Loans | 54,640 | 53,440 | 51,740 | 50,240 |
| Deferred Tax | 6,350 | 6,668 | 7,001 | 7,351 |
| Capital Employed | 145,800 | 202,275 | 263,438 | 330,501 |
| Net Fixed Assets | | | | |
| Capital WIP | 6,500 | 6,825 | 7,166 | 7,525 |
| Goodwill | 0 | 0 | 0 | 0 |
| Investments | 100,100 | 90,100 | 150,100 | 210,100 |
| Curr.Assets | 151,710 | 166,478 | 166,123 | 169,899 |
| Inventory | 31,540 | 30,663 | 33,836 | 36,708 |
| Sundry Debtors | 22,780 | 22,481 | 24,808 | 26,913 |
| Cash & Bank Bal. | 15,790 | 29,617 | 21,589 | 18,157 |
| Loans & Advances | 33,150 | 33,813 | 34,489 | 35,179 |
| Others | 48,450 | 49,904 | 51,401 | 52,943 |
| Current Liab. & Prov. | 226,330 | 186,330 | 197,673 | 208,517 |
| Sundry Creditors | 132,630 | 90,332 | 99,319 | 107,746 |
| Other Liabilities | 51,320 | 52,346 | 53,393 | 54,461 |
| Provisions | 42,380 | 43,651 | 44,961 | 46,310 |
| Net Current Assets | -74,620 | -19,852 | -31,550 | -38,618 |
| Appl. of Funds | 145,800 | 202,275 | 263,438 | 330,501 |

Financials and valuations

Ratios

| Y/E March | 2026E | 2027E | 2028E |
|---------------------------------|-------------|-------------|-------------|
| Basic (INR) | | | |
| EPS | 17.6 | 19.5 | 21.5 |
| EPS Growth (%) | 5.5 | 10.8 | 10.5 |
| Cash EPS | 22.1 | 24.2 | 26.3 |
| Book Value (Rs/Share) | 38.6 | 55.6 | 74.2 |
| DPS | 2.0 | 2.5 | 3.0 |
| Payout (Incl. Div. Tax) % | 11.4 | 12.8 | 13.9 |
| Valuation (x) | | | |
| Consolidated P/E | 26.7 | 24.1 | 21.8 |
| EV/EBITDA | 17.2 | 14.9 | 13.3 |
| EV/Sales | 2.2 | 2.0 | 1.7 |
| Price to Book Value | 12.2 | 8.4 | 6.3 |
| Dividend Yield (%) | 0.4 | 0.5 | 0.6 |
| Profitability Ratios (%) | | | |
| RoE | 57.0 | 41.4 | 33.2 |
| RoCE (Post-tax) | 34.8 | 33.0 | 28.4 |
| RoIC | 107.5 | 84.7 | 83.2 |
| Turnover Ratios | | | |
| Debtors (Days) | 11 | 11 | 11 |
| Inventory (Days) | 11 | 11 | 11 |
| Creditors (Days) | 64 | 64 | 64 |
| Leverage Ratio | | | |
| Net Auto Debt/Equity (x) | -0.1 | -0.2 | -0.3 |

Cash Flow Statement

| Y/E March | 2026E | 2027E | 2028E |
|-----------------------------|----------------|----------------|----------------|
| OP/(Loss) before Tax | 85,206 | 95,640 | 105,669 |
| Int/Div. Received | -4,352 | -5,103 | -6,250 |
| Depreciation | 16,777 | 17,227 | 17,677 |
| Direct Taxes Paid | -15,337 | -23,910 | -26,417 |
| (Inc)/Dec in WC | -40,941 | 3,670 | 3,636 |
| Other Items | -10,757 | -4,954 | -4,194 |
| CF from Op Activity | 30,597 | 82,570 | 90,122 |
| Extra-ordinary Items | 0 | 0 | 0 |
| CF after EO Items | 30,597 | 82,570 | 90,122 |
| CF from Inv Activity | -1,707 | -72,861 | -74,131 |
| Issue of Shares | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -1,200 | -1,700 | -1,500 |
| Interest Paid | -6,502 | -6,837 | -6,884 |
| Dividends Paid | -7,360 | -9,200 | -11,040 |
| CF from Fin Activity | -15,062 | -17,737 | -19,424 |
| Inc/(Dec) in Cash | 13,828 | -8,028 | -3,432 |
| Add: Beginning Bal. | 15,790 | 29,617 | 21,589 |
| Closing Balance | 29,618 | 21,589 | 18,157 |

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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