Tata Motors Commercial Vehicles (TATCOV)

ICICI Direct

CMP: ₹460 | Target ₹ 550 (19%) | Target Period: 12 months

BUY

August 13, 2026

Result Update

Strong volume momentum with multiple growth drivers...

About the stock: Tata Motors Commercial Vehicles (TMCV) is an auto OEM from the house of Tata's, operating in the domestic commercial vehicle (CV) space.

- Retail Market Share (FY26): ~36% in overall CV space, ~55% in Heavy CV domain, ~36% in Passenger (Bus) segment, ~27% in lights good vehicles

Q1FY27 Result: Tata Motors CV Q1FY27 results came in healthy. Consolidated topline for Q1FY27 stood at ₹20,667 crore (up 19% YoY) with EBITDA at ₹2,274 crore and EBITDA margins at 11% (down ~270 bps QoQ). PAT in Q1FY27 came in at ₹ 2,560 crore (up 83% YoY), supported by MTM gains on long term investments.

Investment Rationale:

- **Leadership in MHCV and Improving Market Share Momentum:** As India's market leader in Medium & Heavy Commercial Vehicles (MHCV), Tata Motors is a direct beneficiary of sustained infrastructure spending, mining activity, and road-led logistics growth. In Q1FY27, wholesale volumes grew ~27% YoY, wherein HCV share has reached 56.3%, overall vehicle share improved 100 bps sequentially, and SCV share increased by 110 bps. Industry tailwinds such as rise in freight rates, better fleet profitability, scrappage policy and high fleet age led replacement demand bode well for Tata Motors amidst its target to regain ~40% market share and expanding margins into the teens. Post-GST 2.0 normalization and aging BS4 fleets are gradually unlocking replacement-led demand, which tends to be margin accretive and less cyclical.
- **Diversification Through International Expansion and Integrated Logistics Ecosystem:** TMCV is increasingly building growth avenues beyond the traditional domestic CV cycle, which can improve the durability of earnings over the medium term. The 70,000-unit Indonesia order, to be executed across FY27-FY28, provides meaningful export visibility, while Q1 exports already grew 35% YoY despite limited shipments to the Middle East. Management is also actively expanding in SAARC and sub-Saharan Africa, using the Indonesia opportunity to seed additional products and segments in international markets. The proposed Iveco transaction, which was at the final regulatory approval stage during the quarter, could further strengthen TMCV's international presence and provide access to a broader global commercial-vehicle platform. Together, these initiatives provide TMCV with multiple avenues for growth outside the core domestic CV replacement cycle and enhance the company's strategic positioning across vehicles, international markets and the broader logistics ecosystem.

Rating and Target Price

- Healthy growth prospects in domestic market coupled with high export growth visibility, market share gains ambition, strengthening the core, scaling of new growth engines (especially digital ecosystem) and strategic global pivot (Iveco acquisition) bodes well for long term shareholder returns. Hence, we upgrade our Rating to **BUY** on TML and value it at **₹ 550** on SOTP basis (12.5x EV/EBITDA on FY28E, 2x P/B on investments)

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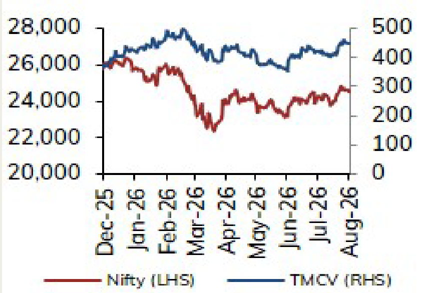
Particulars

Particulars	₹ crore
Market capitalisation	1,69,280
Total Debt (FY26)	4,817
Cash & Inv. (FY26)	13,050
EV (₹ crore)	1,61,047
52-week H/L (₹)	509 / 306
Equity capital (FY26)	736.0
Face value (₹)	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26
Promoter	42.6	42.6	42.6
FII	18.3	19.0	18.6
DII	16.9	17.6	18.2
Other	22.2	20.8	20.7

Price Chart



Recent event & key risks

- Reports steady Q1FY27, margins at 11%; Iveco acquisition yet to be included in our financials.
- Key Risk: (i) lower than built in volume growth amidst moderation in demand on a high base in H2FY27 (ii) lower than built in margins amidst RM led pressure on profitability

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Key Financial Summary

Key Financials (₹ crore)	FY25*	FY26	FY27E	FY28E	2-year CAGR (FY26-28E)
Total Operating Income	58,217	83,855	97,629	1,08,470	13.7%
EBITDA	7,077	10,725	11,447	12,962	9.9%
EBITDA Margins (%)	12.2	12.8	11.7	12.0	
Net Profit	3,195	3,030	8,272	8,523	67.7%
EPS (₹)	8.7	8.2	22.5	23.2	
P/E	53.0	55.9	20.5	19.9	
RoNW (%)	30.3	23.8	45.6	35.9	
RoCE (%)	24.0	41.9	36.5	35.7	

Source: Company, ICICI Direct Research

Recent Quarterly Prints

Exhibit 1: Quarterly Valuation

₹ crore	Q1FY27	Q1FY26	YoY%	Q4FY26	QoQ%
Total Operating Income	**20,667**	**17,324**	**19.3**	**26,098**	**-20.8**
Raw Material Expenses	14,236	11,368	25.2	17,916	-20.5
Employee Expenses	1,590	1,450	9.7	1,457	9.1
Other Expenses	2,788	2,631	6.0	3,437	-18.9
EBITDA	**2,274**	**2,157**	**5.4**	**3,568**	**-36.3**
EBITDA Margin (%)	11.0	12.5	-145 bps	13.7	-267 bps
Depreciation	508	480	5.8	510	-0.4
Interest	135	254	-46.9	166	-18.7
Other Income	396	302	31.1	317	24.9
PBT (before exceptional)	2,019	1,820	10.9	3,217	-37.2
Total Tax	414	277	49.5	830	-50.1
Reported PAT	**2,560**	**1,397**	**83.2**	**1,793**	**42.8**

Source: Company, ICICI Direct Research

Q1FY27 Con-call Highlights

Volume Growth; Market Share gains: Growth was broad-based, with every major product category recording double-digit growth: HCV volumes increased 22% to 26,400 units, ILMCV grew 16% to 17,100 units, SCV pickups grew 35% to 38,300 units, SCV passenger vehicles grew 23% to 18,700 units, while exports increased 35% to 8,100 units. It continued to gain market share, with overall vehicle share improving 100 bps sequentially and 170 bps YoY. HCV remains the strongest area, with market share reaching 56.3%, supported by new product launches and higher-payload trucks. SCV market share also improved by 110 bps, while the three-wheeler passenger segment saw a substantial 490 bps improvement, helped by government tender deliveries.

Commodity pressure: Management attributed the pressure primarily to steel, aluminium and copper inflation, with variable costs creating a 340 bps margin headwind. However, volume/mix and realization contributed positively, together adding around 140 bps, while operating leverage from the larger revenue base provided another 180 bps benefit. This demonstrates that TMCV has been able to absorb most of the commodity pressure through pricing, mix and cost discipline rather than allowing the entire inflationary impact to flow through margins.

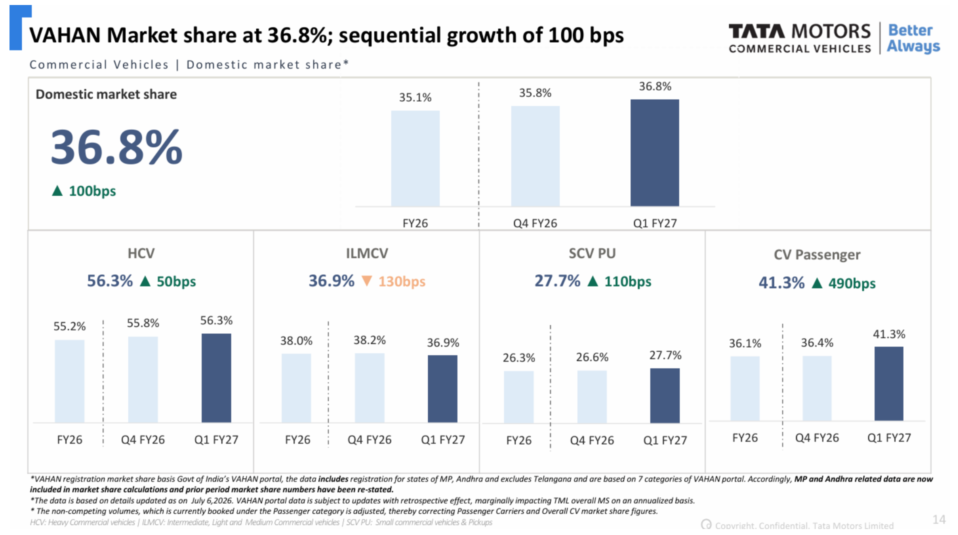
Buses, EVs, and Government Tenders: Electric vehicles emerged as an important growth driver. The company secured more than 3,400 EV orders across segments, while EV volumes nearly tripled YoY. SCV EVs were particularly strong, with more than 3,200 retail sales in Q1, almost four times the prior-year level, and EV penetration in SCV pickups reached double digits in both May and June. The company also had more than 850 electric bus orders, including orders/tenders from Chennai, Ahmedabad, Hyderabad and Odisha.

International business & Indonesia order: The 70,000-unit Indonesia order for Yodha and Ultra T.7 has moved into the execution phase, with deliveries initiated during Q1 and around 2,000 vehicles shipped in the quarter. Management confirmed that the entire order is expected to be supplied over FY27 and FY28, providing meaningful export visibility. The company is also using the Indonesia opportunity to seed other products and segments, while simultaneously pursuing demand in SAARC and sub-Saharan Africa. The Middle East remains relatively weak, but the company has been able to deliver 35% YoY export growth despite limited shipments to that region.

Q2 Outlook Remains Healthy, But Commodities and Supply Chain Need Monitoring: Management remains constructive on near-term demand and expects Q2 to deliver double-digit YoY growth, with July described as particularly robust despite the monsoon. However, commodity inflation remains a key risk, with further pressure expected from steel, rubber and other commodities. The company has taken a 2.5% price increase effective July, while continuing internal cost-management initiatives.

Key tables & Charts

Exhibit 2: Vahan Market Share Trajectory



Source: Company, ICICI Direct Research

Exhibit 3: Outlook and focus areas

Looking Ahead

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Q2 Focus Areas:

- **Overall:** Manage commodity inflation through price increases and cost management. Address supply chain challenges through targeted debottlenecking in view of increased industry demand.
- **Trucks**: Accelerate growth through the MY26 portfolio, higher-payload trucks, and BEV expansion.
- **CV Passenger**: Execute ~4.5k Government, Defence and STU orders, including 850 e-buses, while sustaining Magic and tender momentum.
- **SCVPU**: Build on Ace and Intra momentum, leverage shift towards EVs to drive market share gains.
- **Parts & Services:** Accelerate year-on-year growth through demand generation, portfolio expansion and resilient supply chain fulfillment.
- **International Business**: Increased demand generation from other markets in view of Middle East crisis. Further ramp up of deliveries of Indonesia order.

Source: ICICI Direct Research

Exhibit 4: Volume Assumptions

Units	FY24	FY25	FY26	FY27E	FY28E
Domestic Volumes	3,78,060	3,58,570	**4,00,113**	**4,41,883**	**4,68,607**
Exports Volume	17,785	18,333	**28,216**	**47,037**	**68,327**
Total Sales Volume	3,95,845	3,76,903	**4,28,329**	**4,88,920**	**5,36,935**
YoY Growth (%)		-5%	**14%**	**14%**	**10%**

Source: Company, ICICI Direct Research

Exhibit 5: SoTP based target price calculation

Particulars	Parameters	FY28E EBITDA (₹ crore)	EV/EBITDA Multiple (x)	Resultant EV (₹ crore)
Tata Motors India CV	EV/EBITDA	12,962	12.5	1,62,027
Other long term investments (incl. Tata Capital)	P/B	8,409	2.0	16,818
Total EV				1,78,845
Net Debt	FY28			-22,675
Total Equity Value				2,01,520
Number of Shares				368
Target Price (₹/share)				**550**

Source: ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement ₹ crore

(Year-end March)	FY25*	FY26	FY27E	FY28E
Net Sales	57,788	83,390	97,155	1,07,930
Other Operating Income	429	465	474	540
Total Operating Income	58,217	83,855	97,629	1,08,470
Growth (%)	0.0	44.0	16.4	11.1
Raw Material Expenses	39,196	56,732	67,340	74,844
Employee Expenses	4,223	5,804	6,493	7,267
Other Operating Expense	8,672	11,689	13,417	14,589
Capitalized expenses	-951	-1,095	-1,068	-1,193
Total Operating Expenditure	51,140	73,130	86,182	95,508
EBITDA	7,077	10,725	11,447	12,962
Growth (%)	NA	51.5	6.7	13.2
Depreciation	1,690	1,945	2,137	2,374
Interest	1,079	874	573	348
Other Income	877	1,124	1,457	1,773
PBT	5,185	9,030	10,194	12,013
Others	1,097	4,367	-361	692
Total Tax	893	1,633	2,286	2,798
PAT	3,195	3,030	8,268	8,523
Growth (%)	NA	-5.2	172.9	3.1
EPS (₹)	8.7	8.2	22.5	23.2

Source: Company, ICICI Direct Research; *FY25 numbers are from 1st July 2024-March 2025

Exhibit 7: Cash flow statement ₹ crore

(Year-end March)	FY25*	FY26	FY27E	FY28E
Profit after Tax	NA	3,030	8,268	8,523
Add: Depreciation	NA	1,945	2,137	2,374
(Inc)/dec in Current Assets	NA	2,509	-2,736	-1,404
Inc/(dec) in CL and Provisions	NA	6,956	5,516	4,007
Others	NA	874	573	348
CF from operating activities	NA	15,314	13,758	13,848
(Inc)/dec in Investments	NA	-2,001	-3,700	-3,700
(Inc)/dec in Fixed Assets	NA	-2,394	-2,915	-3,238
Others	NA	633	50	50
CF from investing activities	NA	-3,762	-6,565	-6,888
Issue/(Buy back) of Equity	NA	0	0	0
Inc/(dec) in loan funds	NA	-4,339	-1,000	-1,500
Interest and Dividend outgo	NA	-2,346	-2,781	-3,292
Inc/(dec) in Share Cap	NA	0	0	0
Others	NA	643	-643	0
CF from financing activities	NA	-6,042	-4,424	-4,792
Net Cash flow	NA	5,510	2,769	2,169
Opening Cash	NA	2,266	7,776	10,545
Closing Cash	2,266	7,776	10,545	12,714

Source: Company, ICICI Direct Research; *FY25 numbers are from 1st July 2024-March 2025

Exhibit 8: Balance sheet ₹ crore

(Year-end March)	FY25*	FY26	FY27E	FY28E
Liabilities				
Equity Capital	736	736	736	736
Reserve and Surplus	9,797	11,998	17,419	22,998
Total Shareholders funds	10,533	12,734	18,155	23,734
Total Debt	9,156	4,817	3,817	2,317
Deferred Tax Liability	888	1,414	1,414	1,414
Minority Interest / Others	2,616	2,730	2,880	3,030
Total Liabilities	23,193	21,695	26,266	30,495
Assets				
Gross Block	16,164	18,407	21,622	25,160
Less: Acc Depreciation	2,500	4,445	6,582	8,957
Net Block	13,664	13,962	15,039	16,203
Capital WIP	1,875	2,026	1,726	1,426
Total Fixed Assets	15,539	15,988	16,765	17,629
Investments & Goodwill	5,282	13,283	16,983	20,683
Inventory	4,625	5,448	6,654	7,392
Debtors	3,064	2,721	3,993	4,435
Loans and Advances	37	32	37	41
Other Current Assets	10,942	1,958	2,211	2,430
Cash	2,266	7,776	10,549	12,718
Total Current Assets	20,934	17,935	23,444	27,017
Current Liabilities	18,839	24,714	29,130	32,360
Provisions	4,819	5,900	7,000	7,777
Current Liabilities & Prov	23,658	30,614	36,130	40,137
Net Current Assets	-2,724	-12,679	-12,686	-13,120
Others Assets	5,096	5,103	5,203	5,303
Application of Funds	23,193	21,695	26,266	30,495

Source: Company, ICICI Direct Research; *FY25 numbers are from 1st July 2024-March 2025

Exhibit 9: Key ratios

(Year-end March)	FY25*	FY26	FY27E	FY28E
Per share data (₹)				
EPS	8.7	8.2	22.5	23.2
Cash EPS	13.3	13.5	28.3	29.6
BV	28.6	34.6	49.3	64.5
DPS	NA	4.0	6.0	8.0
Cash Per Share (Incl Invst)	14.4	35.5	52.5	67.9
Operating Ratios (%)				
EBITDA Margin	12.2	12.8	11.7	12.0
PAT Margin	5.5	3.6	8.5	7.9
Inventory days	29.2	23.8	25.0	25.0
Debtor days	19.4	11.9	15.0	15.0
Creditor days	90.8	68.7	70.0	70.0
Return Ratios (%)				
RoE	30.3	23.8	45.6	35.9
RoCE	24.0	41.9	36.5	35.7
RoIC	35.3	149.3	210.3	327.1
Valuation Ratios (x)				
P/E	53.0	55.9	20.5	19.9
EV / EBITDA	24.5	15.0	13.4	11.3
EV / Net Sales	3.0	1.9	1.6	1.4
Market Cap / Sales	2.9	2.0	1.7	1.6
Price to Book Value	16.1	13.3	9.3	7.1
Solvency Ratios				
Debt/EBITDA	1.3	0.4	0.3	0.2
Debt / Equity	0.9	0.4	0.2	0.1
Current Ratio	0.5	0.4	0.5	0.5
Quick Ratio	0.2	0.2	0.2	0.2

Source: Company, ICICI Direct Research; *FY25 numbers are from 1st July 2024-March 2025

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Sell: <-15%

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