

October 26, 2026

Robust execution amidst rising cost pressures...

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

Q2FY27 Result: Tata Motors CV Q2FY27 results came in healthy. Consolidated topline for Q2FY27 stood at ₹25,338 crore (up 36% YoY) with EBITDA at ₹2,770 crore and EBITDA margins at 10.9% (down ~10 bps QoQ). PAT in Q2FY27 came in at ₹ 1,257 crore (up 245% YoY) because of one-time exceptional loss in base year.

Investment Rationale:

- Leadership in MHCV and Sustained Market-Share Gains:** TMCV continues to strengthen its competitive positioning, supported by broad-based volume growth, improving freight activity and infrastructure-led demand. In Q2FY27, wholesales grew 42% YoY to 1.35 lakh units, with double-digit growth across all major segments. H1FY27 market share increased by 110 bps over FY26 to 36.2%, led by HCV market share of 55.7% and a 500 bps improvement in CV passenger vehicles to 41.1%. Improving fleet utilization, stronger freight rates and resilient replacement demand provide support to the domestic CV cycle. While industry growth is expected to moderate to high-single-digit levels in Q3FY27 amid a higher base, TMCV's product portfolio, customer reach and market-share gains position it to capitalize on the underlying demand opportunity.
- Export Diversification, EV Growth and Strong Financial Position:** TMCV is expanding its growth opportunities beyond the domestic CV cycle through international markets, electric mobility and downstream businesses. The ~70,000-unit Indonesia order provides volume visibility across FY27–FY28, while improving demand in other international markets offers scope to diversify exports beyond this order-led ramp-up. EV volumes grew 143% YoY in Q2FY27, with EV SCV retail volumes increasing 2.9x, and management expects EV penetration in SCV pickups to potentially reach ~20% in Q4FY27. Meanwhile, aftermarket services, digital fleet solutions and other non-cyclical businesses, which account for approximately 20% of revenue, provide opportunities to improve earnings resilience. Strong cash generation, with consol FCF of ₹3,000 crore in Q2FY27 and net cash of ₹15,900 crore, supports investments in growth and operational capabilities.

Rating and Target Price

- Strong volume momentum, market-share gains, export visibility and a robust balance sheet support TMCV's medium-term growth outlook. Factoring in the core CV business, growth opportunities from the Iveco acquisition and the value of other investments, we maintain our Buy Rating on TML and value it at ₹ 515 on SOTP basis (12x EV/EBITDA on FY28E, 2x P/B on investments)

Key Financial Summary

Key Financials (₹ crore)	FY25*	FY26	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Total Operating Income	58,217	83,855	1,01,036	1,09,846	1,18,050	12.1%
EBITDA	7,077	10,725	11,220	12,413	13,576	8.2%
EBITDA Margins (%)	12.2	12.8	11.1	11.3	11.5	
Net Profit	3,195	3,030	7,827	8,458	9,483	46.3%
EPS (₹)	8.7	8.2	21.3	23.0	25.8	
P/E	46.1	48.6	18.8	17.4	15.5	
RoNW (%)	30.3	23.8	43.3	34.8	30.4	
RoCE (%)	24.0	41.9	37.1	34.6	31.4	

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

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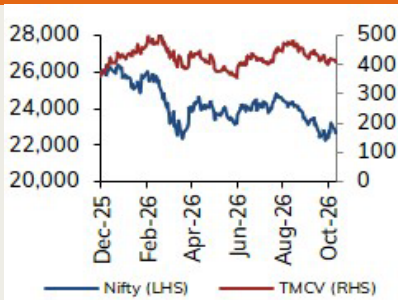
Particulars

Particulars	₹ crore
Market capitalisation	1,47,200
Total Debt (FY26)	4,817
Cash & Inv. (FY26)	13,050
EV (₹ crore)	1,38,967
52-week H/L (₹)	509 / 306
Equity capital (FY26)	736.0
Face value (₹)	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	42.6	42.6	42.6	42.5
FII	18.3	19.0	18.6	19.0
DII	16.9	17.6	18.2	18.6
Other	22.2	20.8	20.7	19.9

Price Chart



Recent event & key risks

- Reports healthy Q2FY27, margins at 10.9%; Iveco acquisition yet to be included in our financials.
- Key Risk: (i) lower than built in margins amidst RM led pressure on profitability (ii) lower than built in volume growth amidst moderation in demand on a high base in H2FY27

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Recent Quarterly Prints

Exhibit 1: Quarterly Valuation

₹ crore	Q2FY27	Q2FY26	YoY%	Q1FY27	QoQ%
Total Operating Income	25,338	18,585	36.3	20,667	22.6
Raw Material Expenses	17,716	12,506	41.7	14,236	24.4
Employee Expenses	1,580	1,447	9.2	1,590	-0.6
Other Expenses	3,524	2,682	31.4	2,788	26.4
EBITDA	2,770	2,253	22.9	2,274	21.8
EBITDA Margin (%)	10.9	12.1	-119 bps	11.0	-7 bps
Depreciation	539	472	14.2	508	6.1
Interest	100	256	-60.9	135	-25.9
Other Income	436	172	153.5	396	10.1
PBT (before exceptional)	2,574	1,692	52.1	2,019	27.5
Total Tax	744	306	143.1	414	79.7
Reported PAT	1,257	-867	245.0	2,560	-50.9

Source: Company, ICICI Direct Research

Q2FY27 Con-call Highlights

Volume Growth; Market Share gains: Reported strong operating performance in Q2 FY27, with wholesales increasing 42% YoY and 24% QoQ to 1,35,100 units. Growth remained broad-based across the portfolio, with heavy commercial vehicles (HCVs) growing 41% YoY, intermediate and light commercial vehicles (ILMCVs) growing 24%, small commercial vehicles (SCVs) and pickups growing 27%, and commercial vehicle passenger carriers increasing 31%. The company maintained its leadership in HCVs, with market share at 55.7%, up 50 basis points. ILMCV market share stood at 36.3%. In SCVs and pickups, market share improved to 27.6%, an increase of 130 basis points, while the CV passenger segment recorded the strongest improvement, with market share rising 500 basis points to 41.1%

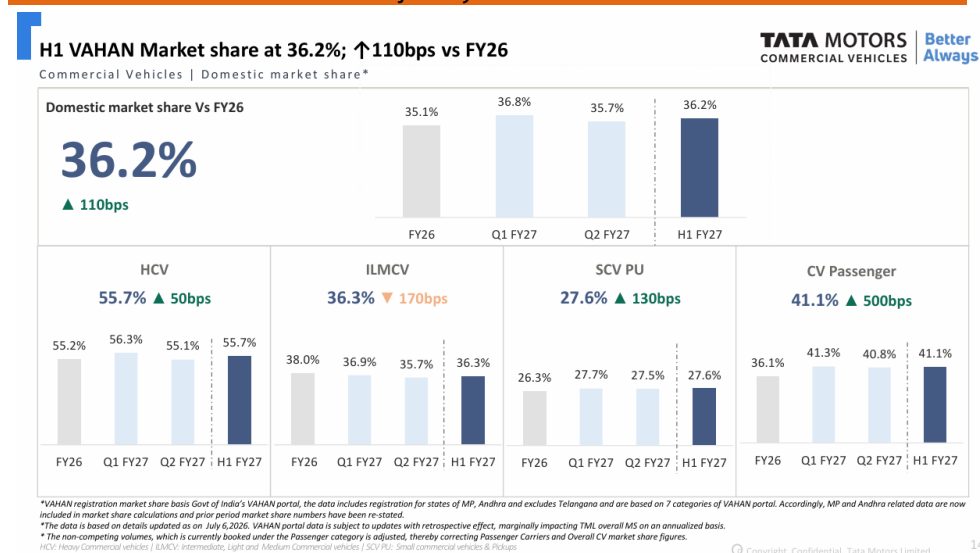
Commodity pressure: The management indicated that commodity costs had an approximately 540-basis-point YoY impact, with a further 200-basis-point impact between Q1 and Q2 FY27. Steel and rubber were identified as the largest contributors, with steel prices reaching a 52-week high and rubber prices remaining elevated amid tight supply and rising synthetic rubber costs. The company expects a further 150–200-basis-point commodity cost impact in Q3 FY27, depending on the movement of key input prices. To mitigate the pressure, TMCV has implemented four pricing actions during the year: approximately 1% in January, 2% in April, 2.5% in July and another 1–2% from October 1, depending on the segment.

Buses and EVs: TMCV continued to see strong traction in electric commercial vehicles, with overall EV volumes growing 143% YoY during Q2 FY27. Electric SCV retail volumes crossed 4,400 units, representing approximately 2.9 times the year-ago level, although deliveries were constrained by the availability of certain imported aggregates and battery-related components. EV trucks also continued to gain customer acceptance. In the SCV pickup category, EVs accounted for ~12% of the relevant volumes during the quarter, with management expecting penetration to increase in Q3 and potentially reach around 20% in Q4 FY27.

International business & Indonesia order: International business emerged as a major growth driver, with volumes increasing 177% YoY in Q2 FY27. The performance was led by the large Indonesia order of approximately 70,000 vehicles, with deliveries expected to be spread across FY27 and FY28. The company is currently supplying approximately 4,500–5,000 vehicles per month under the order. Beyond Indonesia, international business also improved sequentially, supported by stabilization in markets such as sub-Saharan Africa, Nepal and Sri Lanka. Management reiterated that international business is generally margin-accretive, although the Indonesia order's higher proportion of LCVs and smaller vehicles is dilutive to average selling prices (ASPs).

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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Q3 FY27 Strategic Priorities

- Overall:** Leverage demand momentum with disciplined pricing, costs and supply.
- Trucks:** Drive growth through productivity, payload and TCO improvements.
- CV Passenger:** Capture passenger mobility growth and scale electric buses.
- Small Commercial Vehicles & Pickups:** Accelerate portfolio growth and EV adoption.
- Parts & Services:** Scale aftermarket through uptime and service reach.
- International Business:** Diversify and scale while managing geopolitical volatility.
- Iveco:** Consolidation to begin next quarter; focus on delivering a seamless transition.

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Source: ICICI Direct Research

Exhibit 4: Volume Assumptions

Units	FY24	FY25	FY26	FY27E	FY28E	FY29E
Domestic Volumes	3,78,060	3,58,570	4,00,113	4,62,721	4,90,653	5,20,317
Exports Volume	17,785	18,333	28,216	69,960	85,129	92,676
Total Sales Volume	3,95,845	3,76,903	4,28,329	5,32,681	5,75,782	6,12,993
YoY Growth (%)		-5%	14%	24%	8%	6%

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	12,413	12.0	1,48,951
Other long-term investments (incl. Tata Capital)	P/B	8,409	2.0	16,818
Total EV				1,65,769
Net Debt	FY28			-23,666
Total Equity Value				1,89,435
Number of Shares				368
Target Price (₹/share)				515

Source: ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement

₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Net Sales	83,390	1,00,620	1,09,408	1,17,580
Other Operating Income	465	416	438	470
Total Operating Income	83,855	1,01,036	1,09,846	1,18,050
Growth (%)	44.0	20.5	8.7	7.5
Raw Material Expenses	56,732	70,749	76,892	82,635
Employee Expenses	5,804	6,391	6,975	7,555
Other Operating Expense	11,689	13,754	14,774	15,583
Capitalized expenses	-1,095	-1,078	-1,208	-1,299
Total Operating Expenditure	73,130	89,816	97,433	1,04,474
EBITDA	10,725	11,220	12,413	13,576
Growth (%)	51.5	4.6	10.6	9.4
Depreciation	1,945	2,163	2,298	2,469
Interest	874	423	198	63
Other Income	1,124	1,592	1,751	2,003
PBT	9,030	10,226	11,668	13,047
Others	4,367	-211	372	382
Total Tax	1,633	2,610	2,838	3,183
PAT	3,030	7,827	8,458	9,483
Growth (%)	-5.2	158.3	8.1	12.1
EPS (₹)	8.2	21.3	23.0	25.8

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement

₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit after Tax	3,030	7,827	8,458	9,483
Add: Depreciation	1,945	2,163	2,298	2,469
(Inc)/dec in Current Assets	2,509	-3,155	-1,164	-1,089
Inc/(dec) in CL and Provisions	6,956	6,046	3,202	2,977
Others	874	423	198	63
CF from operating activities	15,314	13,303	12,992	13,902
(Inc)/dec in Investments	-2,001	-5,200	-5,200	-7,200
(Inc)/dec in Fixed Assets	-2,394	-2,515	-2,735	-2,939
Others	633	50	50	50
CF from investing activities	-3,762	-7,665	-7,885	10,089
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-4,339	-2,000	-1,500	-900
Interest and Dividend outgo	-2,346	-2,263	-2,406	-2,639
Inc/(dec) in Share Cap	0	0	0	0
Others	643	-643	0	0
CF from financing activities	-6,042	-4,906	-3,906	-3,539
Net Cash flow	5,510	732	1,201	274
Opening Cash	2,266	7,776	8,508	9,709
Closing Cash	7,776	8,508	9,709	9,983

Source: Company, ICICI Direct Research;

Exhibit 8: Balance sheet

₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	736	736	736	736
Reserve and Surplus	11,998	17,342	23,592	30,499
Total Shareholders funds	12,734	18,078	24,328	31,235
Total Debt	4,817	2,817	1,317	417
Deferred Tax Liability	1,414	1,414	1,414	1,414
Minority Interest / Others	2,730	2,880	3,030	3,180
Total Liabilities	21,695	25,189	30,089	36,246
Assets				
Gross Block	18,407	21,222	24,258	27,497
Less: Acc Depreciation	4,445	6,608	8,906	11,375
Net Block	13,962	14,614	15,352	16,122
Capital WIP	2,026	1,726	1,426	1,126
Total Fixed Assets	15,988	16,340	16,778	17,248
Investments & Goodwill	13,283	18,483	23,683	30,883
Inventory	5,448	6,892	7,494	8,053
Debtors	2,721	4,135	4,496	4,832
Loans and Advances	32	39	42	45
Other Current Assets	1,958	2,249	2,446	2,637
Cash	7,776	8,508	9,709	9,983
Total Current Assets	17,935	21,823	24,187	25,551
Current Liabilities	24,714	29,617	32,204	34,609
Provisions	5,900	7,043	7,658	8,230
Current Liabilities & Prov	30,614	36,660	39,862	42,839
Net Current Assets	-12,679	-14,837	-15,675	-17,288
Others Assets	5,103	5,203	5,303	5,403
Application of Funds	21,695	25,189	30,089	36,246

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	8.2	21.3	23.0	25.8
Cash EPS	13.5	27.1	29.2	32.5
BV	34.6	49.1	66.1	84.9
DPS	4.0	5.0	6.0	7.0
Cash Per Share (Incl Invst)	35.5	51.0	67.9	87.7
Operating Ratios (%)				
EBITDA Margin	12.8	11.1	11.3	11.5
PAT Margin	3.6	7.7	7.7	8.0
Inventory days	23.8	25.0	25.0	25.0
Debtor days	11.9	15.0	15.0	15.0
Creditor days	68.7	68.0	68.0	68.0
Return Ratios (%)				
RoE	23.8	43.3	34.8	30.4
RoCE	41.9	37.1	34.6	31.4
RoIC	149.3	232.8	356.1	563.1
Valuation Ratios (x)				
P/E	48.6	18.8	17.4	15.5
EV / EBITDA	13.0	11.7	10.0	8.5
EV / Net Sales	1.7	1.3	1.1	1.0
Market Cap / Sales	1.8	1.5	1.3	1.3
Price to Book Value	11.6	8.1	6.1	4.7
Solvency Ratios				
Debt/EBITDA	0.4	0.3	0.1	0.0
Debt / Equity	0.4	0.2	0.1	0.0
Current Ratio	0.4	0.5	0.5	0.5
Quick Ratio	0.2	0.2	0.2	0.2

Source: Company, ICICI Direct Research

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