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Q3FY26 - Result Update
10^{th} Feb 2026

Tata Motors Commercial Vehicles

H2 Demand to Accelerate on Festive and Infra Push

CMP: INR 467

Rating: Buy

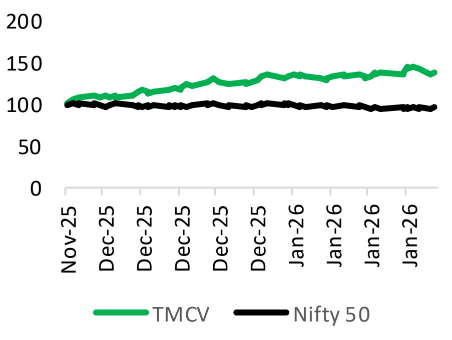
Target Price: INR 573

Stock Info	
BSE	TMCV |544569
NSE	TMCV
Bloomberg	TMCV:IN
Reuters	TMCV.NS
Sector	Automobile
Face Value (INR)	2
Equity Capital (INR Mn)	7,360
Mkt Cap (INR Mn)	1,636,980
52w H/L (INR)	485/306
Avg Yearly Vol (in 000')	13,150

Shareholding Pattern % *(As on Dec 2025)*	
Promoters	40.86
Public & Others	59.14

Stock Performance (%)	1m	2m	YTD
Tata Motors	0.29	25.01	36.88
Nifty	-4.71	-3.63	-4.26

Tata Motors (TMCV) Vs Nifty



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Tata Motors Q1FY26 consolidated revenue for Q3FY26 stood at ~INR 218,470 Mn, reflecting a 16% YoY and 17.55% QoQ growth, while EBITDA increased to ~INR 28,830 Mn with margins improving to 13.20%, up ~239 bps QoQ and ~1310 bps YoY. PAT for Q3 was INR 7,050 Mn, declining 47.97% YoY, largely due to one-off exceptional items including costs related to the New Labor Code (INR 6,030 Mn), demerger expenses (INR 9,620 Mn), and acquisition-related charges (INR 820 Mn). Adjusted PAT (excluding exceptional items) came at INR 23,480 Mn in Q3FY26.

Investment Rationale:

Buses and International Operations Add Earnings Diversification and Optionality: The bus segment and international CV operations provide incremental growth and diversification, reducing reliance on domestic truck cyclicality. The company has secured ~6,000 bus orders from state transport undertakings, with deliveries planned over the next 10–12 months, supporting revenue visibility into FY27. High single-digit growth is expected in the bus segment, driven by government-led replacement cycles, steady private demand, and early-stage electric bus adoption. International CV volumes grew ~70% YoY, led by a diversified mix of SAARC, MENA, and African markets, with revenues nearing historical peak levels. A more balanced geographic exposure and new product launches enhance the sustainability of export-led growth. Together, buses and international operations provide earnings resilience and optional upside, supporting a more stable and diversified growth profile over the medium term.

Improving Industry Fundamentals Drive Sustainable Volume Growth and Market Share Recovery: The recovery in CV demand is increasingly underpinned by improving freight economics rather than transient factors. Rising fleet utilization, 2–5% improvement in freight rates post GST 2.0, and strong e-way bill growth reflect healthier transporter profitability. The company's CV volumes grew 20% YoY in Q3FY26, with broad-based growth across HCV, ILMCV, and SCV segments, following a relatively flat H1. Market share recovery of ~100 bps QoQ further validates its strong positioning in heavy trucks and tippers, which are benefiting from infrastructure, mining, and urban construction activity. Financing conditions for operators have stabilized, with improving delinquency trends across lenders, supporting incremental demand.

Cash Generation Enhances Earnings Quality: The company has delivered 10 consecutive quarters of double-digit EBITDA margins, with Q3FY26 EBIT margins in the CV segment reaching 10.6% for the first time, underscoring operating leverage benefits from scale, improved realizations, and a favorable product mix. Importantly, margin expansion has been achieved despite commodity headwinds and the absence of one-off PLI gains that benefitted prior periods, indicating improved underlying earnings quality. Free cash flow generation remains strong, with INR ~48,000 Mn in Q3 FY26 and ~INR 52,000 Mn YTD, supported by strong operating profits and disciplined working capital management.

Outlook and valuation

The sharp pickup seen in Q3FY26 is expected to continue into Q4, aided by higher infrastructure and mining activity, improved freight rates, better fleet utilization, and a favorable base effect. The company expects demand to remain strong across trucks, buses, and small commercial vehicles, with additional momentum from the launch of 17 new next-generation trucks, including electric and alternative-fuel models, which should help drive volumes and market share. Bus deliveries are set to increase over the next 10–12 months following recent tender wins, while international business is expected to maintain strong double-digit growth led by SAARC, MENA, and African markets. On margin, commodity headwinds, particularly from precious metals and non-ferrous inputs, but expects partial offset through a 1% price hike taken from January and benefits from scale and cost control, supporting further margin improvement. The company reiterated discipline on capex, confidence in meeting its free cash flow guidance, and expects cash flows to remain strong in H2, with Q4 typically being the strongest quarter. **We value Tata Motors' standalone business at an FY28E EV/EBITDA of 15.5x to its EBITDA estimate of INR ~126,923 for FY28E and long-term investment at 2x its P/B, We assign a "BUY" rating to the stock with a Target Price of INR 573.**

Exhibit 1: Financial Performance

Year-end March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY25	5,82,170	61,720	31,950	8.7	10.6%	29.0	53.8
FY26E	8,09,220	78,512	31,647	8.6	9.7%	22.3	54.3
FY27E	8,92,084	1,04,943	66,979	18.2	11.8%	16.0	25.7
FY28E	10,02,256	1,26,923	83,424	22.7	12.7%	12.6	20.6

Source: Arihant Research, Company Filings

Exhibit 2: Quarterly result summary

INR Mn (Consolidated)	Q3FY26	Q2FY26	Q3FY25	*Q-o-Q*	*Y-o-Y*
Net Sales	**2,18,470**	**1,85,850**	**1,88,190**	**17.55%**	**16.09%**
Material Cost	1,45,760	1,22,210	1,22,600	19.27%	18.89%
Change in Inventory	3,660	2,850	4,260	28.42%	-14.08%
Gross Profit	**69,050**	**60,790**	**61,330**	**13.59%**	**12.59%**
Gross Margin %	**32%**	**33%**	**33%**	**-110.30**	**-98.32**
Employees benefits expense	14,500	14,470	13,950	0.21%	3.94%
Other Expenses	25,720	46,150	27,050	-44.27%	-4.92%
EBITDA	**28,830**	**170**	**20,330**	**16858.82%**	**41.81%**
EBITDA margin %	**13.20%**	**0.09%**	**10.80%**	**1310.48**	**239.34**
Depreciation	4,830	4,720	5,570	2.33%	-13.29%
EBIT	**24,000**	**-4,550**	**14,760**	**NA**	**62.60%**
EBIT Margin %	**10.99%**	**-2.45%**	**7.84%**	**1343.37**	**314.24**
Other Income	3,320	1,720	3,920	93.02%	-15.31%
Finance Cost	1,980	2,560	3,520	-22.66%	-43.75%
Exceptional Item	16,430	100	240	16330.00%	6745.83%
PBT	8,910	-5,490	14,920	-262.30%	-40.28%
Tax-Total	2,200	3,060	1,760	-28.10%	25.00%
Tax Rate (%) - Total	25%	-56%	12%	-144.30%	109.32%
Share of Joint Venture	340.00	-120.00	390.00	-383.33%	-12.82%
Reported Net Profit	**7,050**	**-8,670**	**13,550**	**-181.31%**	**-47.97%**
PAT Margin %	**3.23%**	**-4.67%**	**7.20%**	**789.20**	**-397.32**
Reported EPS (INR)	1.92	(2.36)	3.68	NA	-47.97%
	Q3FY26	Q2FY26	Q3FY25	*Q-o-Q*	*Y-o-Y*
RMC/Sales (%)	66.72%	65.76%	65.15%	96.12	157.16
Employee exp/Sales (%)	6.64%	7.79%	7.41%	-114.88	-77.57
Other exp/Sales (%)	11.77%	24.83%	14.37%	-1305.91	-260.10

Volumes	Q3FY26	Q2FY26	Q3FY25	*Q-o-Q*	*Y-o-Y*
M&HCV	33,401	24,056	27,130	38.85%	23.11%
I & LCV	20,033	16,845	15,897	18.93%	26.02%
Passenger Carriers	10,691	11,428	10,001	-6.45%	6.90%
SCV cargo and pickup	43,793	34,732	38,232	26.09%	14.55%
Total Domestic	1,07,918	87,061	91,260	23.96%	18.25%
CV Exports	7,659	7,620	4,510	0.51%	69.82%
Total CV	1,15,577	94,681	95,770	22.07%	20.68%

SOTP				
Particular	Parameters	FY28E	EV/EBITDA (x)	EV
Tata Motors CV	EV/EBITDA	1,26,923	15.5	19,67,311
Other long term investment (Inc Tata Capital)	P/B	9,723	2.0	19,446
Total EV				19,86,757
Net Debt				(1,20,942)
Market Cap				**21,07,699**
No. Of Shares				3,680
TP				**573**
CMP				**467**
Upside				**22.6%**

Source: Arihant Research, Company Filings

Q3Y26 Conference Call highlights

- CV segment EBITDA crossed a key milestone, reaching 10.6% for the first time, highlighting structural improvement in profitability.
- PBT before exceptional items rose to ~INR2,300 cr up ~INR600 cr YoY, underscoring the strength of core operations. Elevated exceptional items during the quarter aggregating ~INR 2,500 cr standalone were largely one-off in nature, related to labor code provisioning, merger costs and EVICO acquisition expenses, with management reiterating normalization from Q4 onwards.
- Free cash flow generation remained a key highlight, with Q3 FCF of ~INR4,800 cr supported by strong operating profitability, disciplined capex and working capital release.
- YTD FCF stood at ~INR5,200 cr while standalone net cash improved to ~INR3,900 cr, reinforcing balance sheet strength.
- **Cash flow:** Reduced volatility in cash flows since Q2FY26 and expects seasonally stronger Q4 to further support cash generation, positioning the company well for growth investments and shareholder value creation.
- Demand Underlying demand indicators strengthened meaningfully in Q3FY26 supported by higher infrastructure activity, post-monsoon recovery and improving freight economics.
- **Fleet utilization:** Improved steadily, reflected in higher diesel consumption and a ~23% YoY rise in e-way bills in December. Telematics data from ~1 Mn connected vehicles indicates a sustained improvement in utilisation over the past three years, suggesting demand recovery is structural rather than transient.
- **Replacement:** Replacement demand is gradually emerging as a medium-term structural tailwind post GST 2.0, aided by lower effective vehicle acquisition costs, improved freight rates and better transporter profitability. However, some large fleet operators remain cautious as they assess optimal input tax credit treatment under the revised GST regime. The company expects procedural clarity to improve through FY27, which could accelerate replacement-led demand across trucks and buses.
- **Segment:** HCV volumes grew ~23% YoY, led by strong traction in tippers driven by mining, infrastructure and urban construction activity. ILCV volumes rose ~26% YoY, supported by manufacturing recovery, e-commerce demand and the launch of the new Azura platform (7T–19T), which improves comfort, safety and fuel efficiency. The LCV and SCV segments also delivered healthy growth, aided by last-mile logistics and intra-city distribution, with new launches such as Ace Gold (CNG) contributing to Q3 retails of ~45,000 units—the highest since Q1 FY24.
- Company outlined a clear agenda to ramp up LCV volumes, positioning the segment as a relatively stable growth driver.
- Freight 2-5% post gst 2.0
- **MS:** MS recovered ~100 bps QoQ in Q3, driven by strength in HCV tippers, ILCVs and targeted micro-market interventions. The company emphasized a strategic shift from pure MS focus to a balanced scorecard approach encompassing revenue share, profitability, free cash flow and ROCE.
- **New product:** launches across segments are expected to support further share gains without sacrificing margins.
- **Realisation:** ASP QoQ softness was primarily mix-led, with higher contribution from SCVs, ILCVs and small vans offsetting HCV growth. Underlying realisations improved on a YoY basis, supported by favorable model mix and pricing discipline. Utilisation 80%
- **Price Hike:** The 1% price hike implemented from January 2026 is expected to partially offset commodity inflation pressures, while the company indicated scope for gradual discount moderation as customer value propositions strengthen.
- **Commodity:** Commodity inflation impacted margins by ~50 bps during Q3, driven largely by precious metals and non-ferrous metals such as copper. The company expects similar pressures in Q4, with steel prices also trending higher in the open market. Pricing actions, scale benefits and the absence of one-off costs are expected to support margin stability and gradual improvement going forward.
- **Capacity:** In-house manufacturing capacity across M&HCV and ILCV remains adequate, with operational flexibility across Jamshedpur, Lucknow and Dharwad plants. However, sharp demand recovery across the auto sector has led to tightness in select supplier categories, particularly castings.
- **Debottleneck:** Has initiated targeted debottlenecking measures and does not expect capacity constraints to materially impact volumes, though supplier working capital stress remains a watch point.
- **Tender for Bus:** The bus business continues to see strong traction, supported by a healthy tender pipeline of ~6,000 ICE buses to be executed over the next 10–12 months. Q4 and Q1 remain seasonally strong for buses, and the company expects high single-digit growth in FY27.
- EV bus participation remains selective, guided by payment security, asset-light structures and financial prudence, despite the large long-term electrification opportunity of ~850,000 buses.
- **Parts business:** Parts, services and digital businesses continued to grow at double-digit rates, benefiting from an expanding installed base.
- **Fleet Edge:** Subscriptions doubled YoY, supported by tiered pricing plans and improved value proposition. Smart City bus operations crossed ~50 cr km with ~95% uptime, reinforcing execution capabilities and enhancing recurring, annuity-like revenue streams.
- **Capex:** FY26 capex guidance of ~INR2,000 cr remains unchanged despite aggressive product launches and EV investments, reflecting disciplined capital allocation. Reiterated its focus on returns and capital efficiency, particularly in EV and bus tenders, preferring sustainable profitability over volume-led growth.
- **Exports:** International CV business grew ~70% YoY, led by Sri Lanka, SAARC, Middle East and North Africa. Export recovery is structurally healthier than FY17, with a more diversified geographic mix reducing concentration risk.
- Expects strong double-digit export growth to continue over the near term, supported by new product launches and improving macro conditions.

Income statement (INR mn)				
Year End-March	**FY25***	**FY26E**	**FY27E**	**FY28E**
Gross Sales	5,82,170	8,09,220	8,92,084	10,02,256
Net Sales	5,82,170	8,09,220	8,92,084	10,02,256
YoY (%)		39.0%	10.2%	12.4%
Adjusted COGS	**3,91,960**	**5,46,631**	**6,03,357**	**6,72,860**
YoY (%)		39.5%	10.4%	11.5%
Personnel/ Employee benefit expenses	42,230	58,149	63,500	71,342
YoY (%)		37.7%	9.2%	12.4%
Manufacturing & Other Expenses	86,260	1,25,928	1,20,285	1,31,131
YoY (%)		46.0%	-4.5%	9.0%
Total Expenditure	**5,20,450**	**7,30,708**	**7,87,141**	**8,75,333**
YoY (%)		40.4%	7.7%	11.2%
EBITDA	**61,720**	**78,512**	**1,04,943**	**1,26,923**
YoY (%)		27.2%	33.7%	20.9%
EBITDA Margin (%)	10.6%	9.7%	11.8%	12.7%
Depreciation	16,900	19,013	21,294	23,849
EBIT	**44,820**	**59,499**	**83,649**	**1,03,074**
EBIT Margin (%)	7.7%	7.4%	9.4%	10.3%
Interest Expenses	10,790	9,172	8,254	7,429
Non-operating/ Other income	8,770	10,859	11,971	13,450
Exceptional Items	3,170	16,630	0	0
Share of profit of joint ventures accounted for using the equity method	1,250	1,319	1,454	1,603
PBT	**39,630**	**44,557**	**87,365**	**1,09,095**
Tax-Total	8,930	14,229	21,841	27,274
Adj. Net Profit	**31,950**	**31,647**	**66,979**	**83,424**
Reported Profit	**31,950**	**31,647**	**66,979**	**83,424**
PAT Margin	5.5%	3.9%	7.5%	8.3%
Shares o/s/ paid up equity sh capital	3,680	3,680	3,680	3,680
Adj EPS	8.7	8.6	18.2	22.7

Balance sheet				
Year-end March	**FY25***	**FY26E**	**FY27E**	**FY28E**
Sources of Funds				
Equity Share Capital	7,360	7,360	7,360	7,360
Reserves & Surplus/ Other Equity	97,970	1,29,617	1,96,596	2,80,020
Networth	**1,05,330**	**1,36,977**	**2,03,956**	**2,87,380**
Unsecured Loans/ Borrowings/ Lease Liabilities	99,250	71,782	66,072	61,647
Other Liabilities	54,850	62,855	72,726	85,076
Total Liabilities	**3,63,180**	**3,37,575**	**3,40,797**	**3,61,939**
Total Funds Employed	**4,68,510**	**4,74,552**	**5,44,753**	**6,49,319**
Application of Funds				
Net Fixed Assets	**1,60,920**	**1,64,409**	**1,71,326**	**1,80,908**
Capital WIP	7,190	7,909	8,700	9,570
Investments/ Notes/ Fair value measurement	40,100	52,915	58,307	65,231
Current assets	**2,39,690**	**2,39,159**	**2,99,149**	**3,90,611**
Inventory	46,250	39,202	32,837	34,467
Days	43.1	21.5	20.3	19.2
Debtors	30,640	42,590	39,648	42,649
Days	19.2	19.2	16.2	15.5
Other Current Assets	1,09,410	79,873	82,858	85,959
Cash and Cash equivalent	22,660.0	34,922.8	96,913.2	1,74,898.6
Current Liabilities/Provisions	**2,56,710**	**2,36,720**	**2,36,427**	**2,50,303**
Creditors / Trade Payables	1,15,640	1,08,396	1,06,331	1,18,396
Days	73	46	46	46
Liabilities	65,320	66,422	67,548	68,700
Net Current Assets	**-17,020**	**2,439**	**62,722**	**1,40,307**
Total Asset	**4,68,510**	**4,74,552**	**5,44,753**	**6,49,319**
Total Capital Employed	**4,85,530**	**4,72,113**	**4,82,032**	**5,09,012**

** FY25 numbers are from July 1, 2025 to March 31st 2025.*

Source: Arihant Research, Company Filings

Cash Flow Statement				
Year End-March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Profit before tax	**NA**	**31,647**	**66,979**	**83,424**
Adjustments: Add				
Depreciation and amortisation	NA	19,013	21,294	23,849
Interest adjustment	NA	-1,688	-3,717	-6,021
Change in assets and liabilities	NA	48,972	84,556	1,01,253
Inventories	NA	7,048	6,365	-1,629
Trade receivables	NA	-11,950	2,942	-3,001
Trade payables	NA	-7,244	-2,065	12,065
Other Liabilities and provisions	NA	-12,754	1,764	1,802
Other Assets	NA	29,537	-2,985	-3,100
Taxes	NA	3,560	4,981	6,970
Net cash from operating activities	**NA**	**57,168**	**95,557**	**1,14,359**
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	NA	-22,502	-28,211	-33,431
Net Sale/(Purchase) of investments	NA	-974	-1,071	-1,179
Others	NA	-2,372	6,218	6,230
Net cash (used) in investing activities	**NA**	**-26,567**	**-23,855**	**-29,249**
Interest expense	NA	-13,620	-6,356	-5,085
Dividend paid	NA	0	0	0
Other financing activities	NA	-7,322	-6,219	-5,189
Net cash (used) in financing activities	**NA**	**-18,339**	**-9,712**	**-7,125**
Closing Balance	**22,660**	**34,923**	**96,913**	**1,74,899**

Key Ratios				
Year-end March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Solvency Ratios				
Debt / Equity	0.9	0.5	0.3	0.2
Net Debt / Equity	0.7	0.2	-0.2	-0.4
Debt / EBITDA	1.3	0.8	0.6	0.2
Current Ratio	1.1	0.4	-0.4	-1.0
DuPont Analysis				
Sales/Assets	1.2	1.7	1.6	1.5
Assets/Equity	4.4	3.5	2.7	2.3
RoE	30.3%	23.1%	32.8%	29.0%
Per share ratios				
Reported EPS	8.7	8.6	18.2	22.7
Dividend per share	0.0	0.0	0.0	0.0
BV per share	28.6	37.2	55.4	78.1
Cash per Share	6.2	9.5	26.3	0.0
Revenue per Share	158.2	219.9	242.4	272.4
Profitability ratios				
Net Profit Margin (PAT/Net sales)	5.5%	3.9%	7.5%	8.3%
Gross Profit / Net Sales	32.7%	32.4%	32.4%	32.9%
EBITDA / Net Sales	10.6%	9.7%	11.8%	12.7%
EBIT / Net Sales	7.7%	7.4%	9.4%	10.3%
ROCE (%)	21.2%	25.0%	27.1%	25.8%
Activity ratios				
Inventory Days	43.1	21.5	20.3	19.2
Debtor Days	19.2	19.2	16.2	15.5
Creditor Days	72.5	45.6	45.6	45.6
Leverage ratios				
Interest coverage	4.2	6.5	10.1	13.9
Debt / Asset	0.2	0.1	0.1	0.1
Valuation ratios				
EV / EBITDA	29.0	22.3	16.0	12.6
PE (x)	53.8	54.3	25.7	20.6

** FY25 numbers are from July 1, 2025 to March 31st 2025.*

Source: Arihant Research, Company Filings

Tata Motors Passenger Vehicles Ltd

Expect Recovery in Q4 led by normalisation of JLR Volume

CMP: INR 378	
Rating: Buy	
Target Price: INR 458	

Stock Info	
BSE	500570
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Reuters	TMPV.NS
Sector	Automobile
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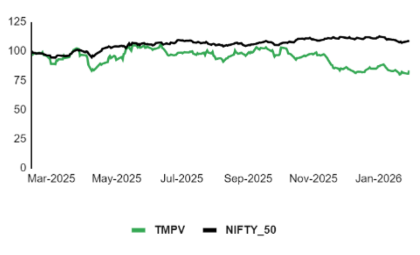
Shareholding Pattern % *(As on Dec 2025)*	
Promoters	42.5
Public & Others	57.5

Stock Performance (%)	1m	3m	YTD
Tata Motors	6.6	-6.9	-46.5
Nifty	-4.71	-3.63	-4.26

Tata Motors (TMCV) Vs Nifty



Tata Motors Q3FY26 consolidated revenue stood at INR 701,080 Mn, down by 25.8% YoY and down by 3.1% QoQ growth, while EBITDA increased to ~INR 8,790 Mn with margins improving to 1.25%, against -1.94% in Q2FY26 and 11.09% in Q3FY25 largely due to one-off exceptional items including costs related to the New Labor Code (INR 15,970 Mn).Reported PAT loss came at INR 34,830 Mn in Q3FY26. JLR's earnings impacted by weak demand, higher costs, and China luxury tax. JLR accounted for nearly two third of the consolidated revenue. The cyberattack caused an estimated cash outflow of around £1.5 bn, with the impact on earnings at more than £300 mn. JLR volumes were affected by an estimated 30,000 vehicles in the December quarter.

Investment Rationale:

Strong Product Cycle Driving Mix and ASP Expansion: The launch pipeline has materially strengthened the revenue mix. Sierra recorded 70,000 bookings on Day 1, with demand remaining strong and current bookings running into six digits. Nexon volumes exceeded ~63,000 units in Q3, while Punch emerged among the top three SUVs in India. New petrol variants for Harrier and Safari are seeing 30–35% mix contribution in early bookings, expanding addressable demand. These launches, combined with refreshes, are driving ASP uplift and mix improvement, supporting revenue growth ahead of volumes.

EV Leadership with Scale Economics Emerging: The EV business crossed 1.5 lakh vehicles on road, reinforcing category leadership. Q3 FY26 EV volumes grew 50% YoY, from 16,000 to 24,000 units, with December EV retails crossing 10,000 units. EV market share exited Q3 at 46%, reflecting dominance despite intensifying competition. Management highlighted a ~10% market share gain since Q1 FY26, supported by multi-price-point offerings and lifetime warranty. As volumes scale, EV losses are expected to narrow, improving consolidated unit economics over FY27–FY28.

PLI and Incentives Supporting Profitability: PLI continues to provide meaningful earnings support, with 40–45% of domestic revenues eligible. Q3 PLI accruals of INR 361 crore partially offset higher marketing and launch-related fixed costs. Incentives accrued for 9M FY26 stand at ~INR 573 crore, offering downside protection to margins during peak investment cycles. While accruals may remain volatile quarter-to-quarter, steady-state PLI benefits should remain structurally positive as EV and CNG penetration rises. This reduces reliance on aggressive pricing for margin defense

Outlook and valuation

The outlook remains constructive with improving earnings quality and visibility. Industry volumes are expected to grow in the high single digits in FY27, with H1FY27 outperforming H2 on the back of a strong marriage season, post-harvest rural liquidity, and sustained first-time buyer participation. Company volumes are likely to outpace industry growth, supported by a strong order book, recent launches, and capacity ramp-ups. Revenue growth should outstrip volumes, driven by a 4–5% ASP uplift from richer mix (SUVs, EVs, higher-spec variants) and calibrated pricing. EBITDA margins are expected to expand by ~50–100 bps, aided by operating leverage, mix improvement, PLI benefits, and tighter cost control, despite commodity and forex volatility. EV revenues, already at ~INR 4500 Mn in Q3, should scale meaningfully through FY27 as production ramps up and losses narrow with improving unit economics. Exports and the parts business should deliver mid-to-high double-digit and high-single-digit growth, respectively, supporting strong cash generation. Overall, FY27 is shaping up as a year of above-industry growth, margin expansion, and strengthening cash flows, reinforcing a medium-term quality-led growth trajectory.

We value Tata Motors' standalone business at an FY28E EV/EBITDA of 14x to its EBITDA estimate of INR 559,544 for FY28E and long-term investment at 3x its Tata JLR, We assign a "BUY" rating to the stock with a Target Price of INR 458.

Exhibit 1: Financial Performance

Year-end March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY24	4,340,160	578,087	324,527	84.6	13.3%	3.3	4.5
FY25	3,660,940	480,770	281,490	52.7	13.1%	3.3	7.2
FY26E	3,042,972	96,806	752,623	-23.8	3.2%	17.0	-15.9
FY27E	3,463,242	211,995	34,252	9.3	6.1%	8.0	40.6
FY28E	3,899,982	362,530	142,127	38.6	9.3%	4.3	9.8

Source: Arihant Research, Company Filings

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Exhibit 2: Quarterly result summary

INR Mn (Consolidated)	Q3FY26	Q2FY26	Q3FY25	*Q-o-Q*	*Y-o-Y*
Net Sales	701,080	723,490	944,720	-3.1%	-25.8%
Material Cost	542,150	399,780	550,900	35.6%	-1.6%
Change in Inventory	(103,920)	79,680	18,430	-230.4%	-663.9%
Gross Profit	262,850	244,030	375,390	7.7%	-30.0%
Gross Margin %	37%	34%	40%	376.26	-224.34
Employees benefits expense	113,810	108,310	104,840	5.1%	8.6%
Other Expenses	140,250	225,780	165,750	-37.9%	-15.4%
EBITDA	8790	-14040	104800	-162.6%	-91.6%
EBITDA margin %	1.25%	-1.94%	11.09%	319.44	-983.95
Depreciation	49,690	48,710	48,630	2.0%	2.2%
EBIT	-40900	-62750	56170	-34.8%	-172.8%
EBIT Margin %	-5.83%	-8.67%	5.95%	283.94	-1177.95
Other Income	14,670	14,610	14,090	0.4%	4.1%
Finance Cost	6,820	6,860	8,430	-0.6%	-19.1%
PBT	(49,020)	(81,080)	61,830	-39.5%	-179.3%
Tax Rate (%) - Total	27.0%	21.0%	27.0%	28.6%	0.0%
Share of loss of joint venture	1,690	380	(770)	344.7%	NA
Profit after tax and exceptional gain on discontinued operations	0.00	826160	13210	-100.0%	-100.0%
Adjusted PAT	-34830	-63680	41640	-45.3%	-183.6%
Reported Net Profit	-34830	762480	54850	-104.6%	-163.5%
PAT Margin %	-4.97%	105.39%	5.81%	-11035.72	-1077.40
Reported EPS (INR)	-9.46	-17.30	11.32	-45.3%	-183.6%
	Q3FY26	Q2FY26	Q3FY25	*Q-o-Q*	*Y-o-Y*
RMC/Sales (%)	62.96	66.86	60.68	-389.77	227.83
Employee exp/Sales (%)	16.23	14.97	11.10	126.30	513.61
Other exp/Sales (%)	20.00	31.21	17.54	-1120.22	246.00

SOTP After Demerger (EV/ EBITDA)

Tata Passenger	39,967	14X	559,544
Tata JLR	447,307	3X	1,341,920
EV			1,901,463
(-)Net debt			216,650
Total Equity value			1,684,813
TP			458
CMP(INR)			378
Upside			21.2%

Source: Arihant Research, Company Filings

Tata Motors Passenger Vehicles Limited – Q3FY26 Concall KTAs

Volume-Led Growth with Mix-Driven Margin Recovery into FY27

Outlook: The company expects the PV industry to grow ~8–9% in FY26, while the company is guided to deliver mid-teens growth, implying continued market share gains. Q4FY26 margins are expected to improve sequentially, driven by higher volumes, richer mix from Sierra, Harrier and Safari, lean channel inventories, better fixed-cost absorption and price hikes planned from February, partly offsetting commodity pressures of ~1.7–2% of revenue. EV momentum remains strong, with EV volumes growing ~50% YoY in Q3 and exit market share at ~46%, supporting sustained growth into FY27. Near-term supply constraints, particularly at Tier-1/2 suppliers, may cap faster ramp-up for Sierra, but capacity additions over the next 5–6 months should ease bottlenecks and reduce waiting periods. Looking ahead to FY27, growth visibility is supported by new launches (Sierra EV, Punch EV), refreshes and a balanced ICE–EV–CNG portfolio, positioning the company for industry-leading growth with gradual and sustainable margin expansion.

Industry Demand
PV industry offtake (~1.3 mn units) aided by festive demand and GST 2.0 tailwinds. Growth was broad-based across segments, especially sub-compact, compact and mid-SUVs, with EV industry volumes up ~76% YoY, reflecting strong consumer acceptance and new launches.

Volumes & MS
~171k wholesales and over 200k retails, up ~22% YoY. January 2026 marked an all-time high monthly sale of ~71k units (+47% YoY). Market share improved to ~13.8%, up ~100 bps QoQ, positioning the company as the #2 PV player in India.

Margin
EBITDA margin stood at ~7% and EBIT margin at ~1.2%, improving ~100 bps QoQ. PBT was ~INR 300 cr, flat YoY, as volume-led gains and PLI incentives were offset by adverse realizations, higher launch-related marketing spends and elevated depreciation from recent SOPs.

Incentives & PLI
PLI incentives contributed ~INR 361 cr in Q3 and ~INR 573 cr YTD, with ~40–45% of revenues currently eligible. PLI accruals can be volatile quarter-to-quarter but should structurally rise as value addition increases.

EVs
EV volumes grew ~50% YoY (from ~16k to ~24k units). EV market share improved sharply, with exit share of ~46% in December, reflecting strong traction across Nexon EV and newer offerings. Management indicated EV demand has remained resilient despite GST-led TCO changes, supported by multi-price-point strategy, feature enhancements and lifetime warranty offerings.

Product Portfolio
The Sierra launch received exceptional response with ~70,000 bookings on Day 1, with cumulative bookings now in six digits. Production is ramping up, though near-term supply is constrained by supplier-side capacity limitations. Punch facelift, Harrier & Safari petrol variants, and re-entry into fleet (Express petrol/CNG) are expected to support growth in Q4 and beyond.

Capacity
Sierra deliveries began mid-January with ~7,000 units supplied in Jan. Capacity expansion is planned in two phases over the next 5–6 months, which should gradually reduce waiting periods (currently ~6–7 months). Supplier constraints, especially in castings, remain a near-term bottleneck across the industry.

Pricing & Discounts

No price hikes were taken in January; price increases are planned in February. Blended discounts stood at ~3.5–4% of revenue in Q3, including incentives. Moderation in VME levels compared to earlier quarters, aiding margin recovery.

Commodities

Commodity impact has been running at ~1.7–2% of revenue in recent quarters. While pressures persist, management expects structural cost reduction initiatives, operating leverage and richer mix to offset these headwinds over the medium term.

CF

Domestic business remained cash positive (~INR 300 cr) in Q3, aided by strong working capital inflows.

Capex

FY26 capex is guided at ~INR 4,200–4,300 cr, broadly steady, focused on new launches, EVs and capacity expansion.

Segments

Nexon remained the highest-selling model in India (~63k units in Q3), while Punch continued to rank among the top three SUVs. The INR 15–20 lakh EV segment (including Curvv EV) has started seeing improved traction, with management expecting gradual volume ramp-up as customer adoption stabilizes.

Booking

Strong booking pipeline for Sierra, sustained demand across core SUVs, improving EV penetration and disciplined inventory management provide high visibility into Q4 FY26 and FY27 growth, with Tata Motors PV well-positioned to outperform industry growth.

Income statement (INR mn)				
Year End-March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Gross Sales	3,660,940	3,042,972	3,463,242	3,899,982
Net Sales	3,660,940	3,042,972	3,463,242	3,899,982
YoY (%)	0.0%	-16.9%	13.8%	12.6%
Adjusted COGS	**2,214,320**	**1,930,443**	**2,093,333**	**2,307,320**
YoY (%)	-18.8%	-12.8%	8.4%	10.2%
Personnel/ Employee benefit expenses	421,100	453,041	527,776	567,250
YoY (%)	0.29%	7.59%	16.50%	7.48%
Manufacturing & Other Expenses	748,870	748,169	867,630	941,596
YoY (%)	-3.0%	-0.1%	16.0%	8.5%
Total Expenditure	**3,180,170**	**2,946,166**	**3,251,247**	**3,537,452**
YoY (%)	0.0%	-79.9%	119.0%	71.0%
EBITDA	**480,770**	**96,806**	**211,995**	**362,530**
YoY (%)	0.0%	-79.9%	119.0%	71.0%
EBITDA Margin (%)	13.1%	3.2%	6.1%	9.3%
Depreciation	211,020	197,594	207,473	217,847
% of Gross Block	6.9%	6.4%	6.7%	6.9%
EBIT	**269,750**	**-100,788**	**4,521**	**144,683**
EBIT Margin (%)	7.4%	-3.3%	0.1%	3.7%
Interest Expenses	39,010	27,488	28,863	30,306
Non-operating/ Other income	54,370	57,059	65,304	73,548
Exceptional Items	1,960	42,520	0	0
PBT	**284,540**	**-109,910**	**45,311**	**192,867**
Tax-Total	90,600	-22,313	11,060	50,740
Adj. Net Profit	**193,940**	**-87,597**	**34,252**	**142,127**
Profit after tax and exceptional gain on discontinued operations	**87,550**	**840,220**	**0**	**0**
Reported Profit	**281,490**	**752,623**	**34,252**	**142,127**
PAT Margin	5.3%	-2.9%	1.0%	3.6%
Shares o/s/ paid up equity sh capital	3,680.0	3,680.0	3,680.0	3,680.0
Adj EPS	52.7	-23.8	9.3	38.6
Dividend payment	23,030.0	8,096.0	8,464.0	12,144.0
Dividend payout (%)	11.9%	-9.2%	24.7%	8.5%
Retained earnings	170,910	-95,693	25,788	129,983

Balance sheet				
Year-end March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Sources of Funds				
Equity Share Capital	7,360	7,360	7,360	7,360
Reserves & Surplus/ Other Equity	1,220,180	1,148,244	1,182,497	1,324,624
Networth	**1,227,540**	**1,155,604**	**1,189,857**	**1,331,984**
Unsecured Loans/ Borrowings/ Lease Liabilities	411,180	250,312	202,052	163,443
Other Liabilities	233,990	236,084	238,198	240,334
Total Liabilities	**2,558,880**	**2,283,670**	**2,136,947**	**2,161,737**
Total Funds Employed	**3,786,420**	**3,439,274**	**3,326,804**	**3,493,720**
Application of Funds				
Net Fixed Assets	**1,685,180**	**1,582,087**	**1,481,052**	**1,372,563**
Capital WIP	176,240	211,488	253,786	304,543
Investments/ Notes/ Fair value measurement	29,230	32,153	35,368	38,905
Current assets	**1,598,110**	**1,299,087**	**1,221,504**	**1,419,775**
Inventory	472,690	416,760	374,242	407,468
Days	78.3	68.2	67.6	67.6
Debtors	132,480	124,203	144,302	169,564
Days	15.1	14.9	15.2	15.9
Other Current Assets	117,940	120,299	122,705	125,159
Cash and Cash equivalent	90.8	81.1	74.5	71.6
Current Liabilities/Provisions	**158,310**	**163,059**	**167,951**	**172,990**
Creditors / Trade Payables	222,820	222,820	222,820	222,820
Days	910,600	808,498	691,500	735,743
Liabilities	1,102,560	167,634	168,981	170,342
Net Current Assets	**1,439,800**	**1,136,028**	**1,053,553**	**1,246,785**
Total Asset	**3,786,420**	**3,439,274**	**3,326,804**	**3,493,721**
Total Capital Employed	**2,346,620**	**2,303,247**	**2,273,251**	**2,246,936**

Source: Arihant Research, Company Filings

Cash Flow Statement				
Year End-March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Profit before tax	**193,940**	**-87,597**	**34,252**	**142,127**
Adjustments: Add				
Depreciation and amortisation	211,020	197,594	207,473	217,847
Interest adjustment	-15,360	-29,570	-36,441	-43,242
Change in assets and liabilities	366,570	72,330	196,820	304,588
Inventories	5,190	55,930	42,518	-33,226
Trade receivables	37,040	8,277	-20,099	-25,263
Trade payables	60,360	-132,282	-116,998	44,243
Other Liabilities and provisions	-22,960	1,334	1,347	1,361
Other Assets	-122,280	-9,952	-10,303	-10,667
Taxes	8,350	644	663	683
Net cash from operating activities	**567,750**	**5,345**	**101,365**	**289,349**
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-221,660	-124,377	-143,311	-154,636
Net Sale/(Purchase) of investments	-70,540	100,048	30,865	37,563
Others	-42,320	-15,992	-17,774	-19,768
Net cash (used) in investing activities	**-571,020**	**-45,783**	**-135,736**	**-142,411**
Interest expense	-288,820	-171,263	-75,676	-67,453
Dividend paid	-23,030	-8,096	-8,464	-12,144
Other financing activities	118,320	0	0	0
Net cash (used) in financing activities	**-46,460**	**-158,418**	**-62,320**	**-50,271**
Closing Balance	**408,340**	**209,484**	**112,792**	**209,460**
FCF	**362,620**	**-137,132**	**-63,694**	**102,075**
Capex (% of sales)	205,130	60,859	69,265	78,000

Key Ratios				
Year-end March	**FY25**	**FY26E**	**FY27E**	**FY28E**
Solvency Ratios				
Debt / Equity	0.3	0.2	0.2	0.1
Net Debt / Equity	0.2	0.2	0.3	0.1
Debt / EBITDA	0.8	2.5	0.9	0.4
Current Ratio	0.5	2.6	1.4	0.5
DuPont Analysis				
Sales/Assets	1.0	0.9	1.0	1.1
Assets/Equity	3.1	3.0	2.8	2.6
RoE	15.8%	-7.6%	2.9%	10.7%
Per share ratios				
Reported EPS	52.7	-23.8	9.3	38.6
Dividend per share	6.3	2.2	2.3	3.3
BV per share	333.6	314.0	323.3	362.0
Cash per Share	93.3	47.9	25.8	47.9
Revenue per Share	994.8	826.9	941.1	1059.8
Profitability ratios				
Net Profit Margin (PAT/Net sales)	5.3%	-2.9%	1.0%	3.6%
Gross Profit / Net Sales	39.5%	36.6%	39.6%	40.8%
EBITDA / Net Sales	13.1%	3.2%	6.1%	9.3%
EBIT / Net Sales	7.4%	-3.3%	0.1%	3.7%
ROCE (%)	7.4%	-3.1%	0.1%	4.4%
Activity ratios				
Inventory Days	78.3	68.2	67.6	67.6
Debtor Days	15.1	14.9	15.2	15.9
Creditor Days	90.8	81.1	74.5	71.6
Leverage ratios				
Interest coverage	6.9	-3.7	0.2	4.8
Debt / Asset	0.1	0.1	0.1	0.0
Valuation ratios				
EV / EBITDA	3.3	17.0	8.0	4.3
PE (x)	7.2	-15.9	40.6	9.8

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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