Tata Motors Ltd

(NSE:TATAMOTORS)

Sector: Automobile | Industry: Passenger & Commercial Vehicles
In-Depth Business & Financial Analysis – FY26

Report Date: 12/06/2025

Share Price: ₹ 715

Executive Summary

Tata Motors Ltd is a global automobile manufacturer with a presence in commercial and passenger vehicle markets. Known for brands such as Tata, Jaguar, and Land Rover, the company operates in over 125 countries. This report provides a deep-dive into the company's financial performance, market position, segment breakdown, and forward outlook for FY26.

Tata Motors Limited is India's leading automotive company, engaged in the design, manufacture, and sale of a wide range of vehicles. The company operates under key segments: Commercial Vehicles (CV), Passenger Vehicles (PV), Electric Vehicles (EV), and Jaguar Land Rover (JLR).

Key Highlights (FY25)

Total Revenue: ₹4,39,695 crore

EBITDA: ₹57,649 crore

EBITDA Margin: 13.1%

PAT: ₹28,149 crore

ROE: 28.0%

Net Automotive Debt: ₹(1,018) crore (i.e., net cash position)

Capex Spend: ₹47,784 crore

Free Cash Flow: ₹22,348 crore

Quick Takeaways

Net debt-free with strong FCF – first time in a decade

Upcoming demerger unlocks segment-focused value

Leader in India's EV market with 64k+ units sold

Company History and Evolution

Tata Motors Limited, a flagship company of the Tata Group, was established in 1945 as Tata Engineering and Locomotive Company (TELCO). Initially focused on locomotives, the company entered the commercial vehicle segment in 1954 in collaboration with Daimler-Benz. Over the decades, Tata Motors diversified into passenger vehicles, electric mobility, and luxury automobiles, eventually acquiring Jaguar Land Rover (JLR) in 2008 — a landmark global expansion move.

Today, Tata Motors is recognized as a global mobility powerhouse with a strong presence across 125+ countries, offering a wide portfolio ranging from small cars to heavy commercial vehicles, including cutting-edge EVs.

Leadership & Management

Chairman: Mr. N. Chandrasekaran (Chairman of Tata Sons)

Executive Director (CV): Mr. Girish Wagh

Managing Director (PV & EV): Mr. Shailesh Chandra

JLR CEO: Mr. Adrian Mardell

The board maintains a strong corporate governance framework with 78% independent directors and 33% board diversity (as of FY25).

Business Segments

Tata Motors operates through **four core verticals**:

1. Commercial Vehicles (CV)

India’s largest CV player with a ~39% market share

Offers trucks, buses, small cargo vehicles, and electric buses

Strong global presence through Tata Daewoo and exports to over 40 countries

2. Passenger Vehicles (PV)

Known for cars like Nexon, Harrier, Safari, and Punch
Third-largest PV player in India with a 13.9% market share
Premium design, high safety ratings, and affordable innovation

3. Electric Vehicles (EV)

#1 EV player in India with 64,269 units sold in FY25

Models include Nexon EV, Tiago EV, Tigor EV, and XPRES-T

Operates via Tata Passenger Electric Mobility Limited (TPEML)

4. Jaguar Land Rover (JLR)

Global luxury car brands: Jaguar, Range Rover, Discovery, and Defender

Focused on premium electrification, design, and sustainability

JLR aims to become a fully electric brand by 2030 and net-zero by 2039

Geographic Footprint & Operations

Presence: 125+ countries

Manufacturing: 24 plants (India, UK, South Africa, Thailand, Argentina, etc.)

R&D Centers: 8 globally

Workforce: ~85,000 employees across Tata Motors & JLR

Vision & Mission

Vision:

"To be the most aspirational Indian automotive brand, consistently winning by delivering superior financial returns, driving sustainable mobility solutions, and exceeding customer expectations."

Mission:

"To innovate mobility solutions with passion to enhance the quality of life."

Key Consolidated Financial Metrics (FY25)

Metric	FY25	FY24	FY23
Revenue	4,39,695	4,34,016	3,45,967
EBITDA	57,649	61,080	37,111
EBITDA Margin	13.10%	14.10%	10.70%
Profit Before Tax (BEI)	34,330	29,368	1,803
Profit After Tax (PAT)	28,149	31,807	2,690
EPS (Basic)	78.8	81.95	6.29
ROE	28.00%	48.80%	6.00%
ROCE	17.60%	18.70%	6.50%
Free Cash Flow	22,348	26,925	7,840
Net Automotive Debt	-1,018	16,022	43,687

Segmental Highlights

Commercial Vehicles (CV):

Revenue: 75,055

EBIT: 6,794

Connected vehicles: 796,432

Market share gain in Trucks and Buses despite overall industry decline

Passenger Vehicles (PV):

Revenue: 94,087

EBIT Margin: 5.5%

EV share: 13.8% of PV volumes

Models like Nexon, Punch, and Tiago EV drove growth

Electric Vehicles (EV):

Units sold: 64,269

Estimated contribution to PV revenue: ~14,000

Maintained #1 EV position with over 70% share in India

Jaguar Land Rover (JLR):

Revenue: £29 billion

EBIT Margin: 8.5%

Positive net cash at year-end

Continued progress in “Reimagine” EV roadmap

Financial Commentary

EBITDA dipped marginally YoY due to a shift in mix and lower margin in PV and JLR segments.

PAT remained resilient on the back of lower interest costs, higher CV profitability, and better operating leverage.

EPS of 78.80 reflects consistent value delivery to shareholders.
Tata Motors' returns improved structurally, with **ROE of 28% and ROCE of 17.6%**, exceeding pre-pandemic levels.

Capex and R&D investment totalled 47,784, directed toward EV platforms, new plants, and digital infrastructure.

Debt & Liquidity Position

Tata Motors ended FY25 in a **net cash position** of 1,018
Interest expenses fell from 6,819 to 5,814
Strong free cash flow of 22,348 supported debt reduction and future investments

Peer Valuation Analysis

1. Tata Motors
P/E: 9.3 | EV/EBITDA: 4.7 | ROE: 28.1% | P/B: 2.27

Comment:
Tata Motors is trading at a significant valuation discount to peers. With a strong ROE and low EV/EBITDA, it offers value + growth potential, driven by leadership in EVs and CVs, a clean balance sheet, and the upcoming demerger.

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2. Eicher Motors
P/E: 30.8 | EV/EBITDA: 21.7 | ROE: 24.1% | P/B: 6.84

Comment:
Commands a premium valuation due to Royal Enfield's dominance and strong operating metrics. However, the high multiples suggest the stock is priced for perfection.

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3. Maruti Suzuki
P/E: 26.9 | EV/EBITDA: 15.3 | ROE: 16.0% | P/B: 4.05

Comment:
As the market leader in PVs (45% share), Maruti trades at a healthy premium. Its valuations reflect brand strength and volume dominance, but its ROE is lower than peers, indicating room for efficiency gains.

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4. Mahindra & Mahindra (M&M)
P/E: 29.0 | EV/EBITDA: 14.0 | ROE: 18.0% | P/B: 4.87

Comment:
Well-diversified across PVs, tractors, and EVs. M&M's valuation is relatively high, supported by its leadership in SUVs and farm equipment, but ROE is mid-range.

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5. Hyundai Motor India
P/E: 28.9 | EV/EBITDA: 15.8 | ROE: 42.2% | P/B: 10.1

Comment:
Delivers the highest ROE among peers. Strong brand and export success justify its high valuation, but P/B of 10.1 suggests it's among the most expensive stocks in this space.

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6. Ashok Leyland
P/E: 23.9 | EV/EBITDA: 11.5 | ROE: 28.4% | P/B: 6.56

Comment:
Solid CV-focused business with high ROE, but valuation is elevated. Best suited for investors seeking CV cycle exposure and stable dividend income.

Financial Analysis

P&L Assumptions	2023A	2024A	2025A	2026E
Revenue Growth		24.25%	25.45%	1.31%
COGS	80.19%	79.31%	77.04%	75.60%
Gross Margin	19.81%	20.69%	22.96%	24.40%
Employee Costs		9.24%	24.77%	13.76%
Other Expenses	18645	25791	32132	35453
EBITDA	2.05%	3.50%	5.88%	5.48%
Depreciation (Dep / Op. FA		16.67%	18.60%	14.81%
Finance Costs		9.86%	7.89%	7.28%
Taxes	-38.47%	706.82%	-17.40%	31.73%

P&l	2023A	2024A	2025A	2026E
Revenue	278453.62	345966.97	434016	439695
Less : COGS	223300	274403	334380	332388
Gross Profit	**55153.62**	**71563.97**	**99636**	**107307**
Less : Expenses				
Employee Costs	30808.52	33654.7	41990	47767
Other Expenses	18645	25791	32132	35453
Total Expenses	49453.52	59445.7	74122	83220
EBITDA	**5700.1**	**12118.27**	**25514**	**24087**
Other Income	3053.63	4633.18	5692	6244
Depreciation	24835.69	24860.36	27239	23256
Finance Costs	9311.8	10225.48	7594	5083
Capitalized expenses	-14397	-18434	-26758	-31105
EBT	**-10996.76**	**99.61**	**23131**	**33097**
Less : Tax Expenses	4230	704.06	-4024	10502
PAT	**-15226.76**	**-604.45**	**27155**	**22595**

2027E	2028E	2029E	2030E	2031E
17.00%	14.50%	12.00%	9.50%	7.00%
75.10%	74.60%	74.10%	73.60%	73.10%
24.00%	24.00%	24.00%	24.00%	24.00%
15.92%	15.92%	15.92%	15.92%	15.92%
Net				
10.00%	10.00%	10.00%	10.00%	10.00%
14.81%	14.81%	14.81%	14.81%	14.81%
8.00%	8.00%	8.00%	8.00%	8.00%
25.17%	25.17%	25.17%	25.17%	25.17%

2027E	2028E	2029E	2030E	2031E
514449.6257	589052.3981	659747.3613	722433.0772	773014.0325
386326.6072	439404.393	488840.6548	531675.5511	565035.5999
128123.0185	**149648.0052**	**170906.7066**	**190757.5261**	**207978.4326**
55372.05516	64187.92246	74407.37712	86253.88636	99986.49597
21306.00079	26554.84289	30524.59331	32260.33206	30690.53335
76678.05595	90742.76535	104931.9704	118514.2184	130677.0293
51444.96257	**58905.23981**	**65974.73613**	**72243.30772**	**77301.40325**
6244	6244	6244	6244	6244
34673.94743	38101.24754	41877.21741	46035.84409	50614.64368
1605.9072	148.8384	223.2576	297.6768	372.096
-32660.25	-34293.2625	-36007.92563	-37808.32191	-39698.738
54069.35794	**61192.41638**	**66126.18675**	**69962.10874**	**72257.40157**
13608.17601	15400.90735	16642.63868	17608.06353	18185.74283
40461.18193	**45791.50902**	**49483.54807**	**52354.04521**	**54071.65874**

VALUATION -DCF

Present V INR Crs	132350.765
Terminal Value (Part II)	
Perpetual Growth Rate	0.04
Terminal Value	647005.2156
Present Value of Terminal value (Part II)	293336.3088
Equity Value (Part I + Part II)	425687.0737
Number of Shares	368
Value Per share	1156.758353
Price as on Valuation Date	713
Premium / Discount	-0.38362235

Ratio Analysis of - TATA MOTORS LTD					
Years	**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**
SalesGrowth	-4.32%	11.47%	24.25%	25.45%	1.31%
EBITDA Growth	79.50%	-23.44%	28.70%	81.75%	-4.51%
EBIT Growth	-106.02%	-1564.91%	-65.31%	-803.08%	16.90%
Net Profit Growth	-82.86%	619.52%	-70.90%	-779.78%	-39.39%
Dividend Growth	0.00%	0.00%	0.00%	200.17%	-13.36%
Gross Margin	21.81%	19.81%	20.69%	22.96%	22.49%
EBITDA Margin	12.93%	8.88%	9.20%	13.32%	12.56%
EBIT Margin	3.50%	-0.04%	2.01%	7.05%	7.27%
EBT Margin	0.26%	-3.39%	-0.95%	5.30%	6.11%
Net Profit Margin	-0.76%	-4.91%	-1.15%	6.22%	3.72%
SalesExpenses%Sales	8.88%	10.93%	11.49%	9.63%	9.93%
Depreciation%Sales	9.43%	8.92%	7.19%	6.28%	5.29%
OperatingIncome%Sales	3.50%	-0.04%	2.01%	7.05%	7.27%
Return on Capital Employed	4.43%	-0.06%	3.88%	15.91%	17.03%
Retained Earnings%	0.00%	0.00%	0.00%	91.48%	86.52%
Return on Equity%	-3.44%	-30.65%	-8.77%	31.81%	14.10%
Self Sustained Growth Rate	0.00%	0.00%	0.00%	29.10%	12.20%
Interest Coverage Ratio	1.08	-0.01	0.68	4.03	6.29

Rationale Behind the Demerger

1. Strategic Clarity & Focus - Each entity has distinct markets, capital needs, R&D intensity, and growth paths.CV business is B2B, volume-driven, sensitive to macro cycles. PV+JLR business is consumer-oriented, brand-heavy, innovation-led.

2. Tailored Capital Allocation - Enables each segment to deploy capital based on segment-specific RoI. EV and JLR require higher R&D and capex. CV can focus on cost efficiency, hydrogen, fleet tech.

3. Improved Operational Efficiency - Dedicated leadership and decision-making. Incentives, targets, and dealership operations can now be better aligned.

4. Unlocking Shareholder Value - Pure-play companies are easier for analysts and investors to evaluate. Often leads to re-rating of valuation multiples for both entities post-demerger. Investors can now choose exposure to either business independently.

5. Strengthened Employee Focus & Culture - Employee KPIs, training, and rewards can now be customized by segment. Improves accountability and motivation — especially for dealer-facing roles, as you noted.

SWOT Analysis

Strenghts

1. Early Entry into EV Landscape - First-mover advantage in India's EV segment with products like the Nexon EV and Tiago EV. Leading the EV 4 wheeler market with 64,269 EV units sold in FY25 .

2. Strong Brand Positioning - Tata is associated with trust, safety, and nation-building; strong brand loyalty, especially in value-conscious India.

3. JLR Brand Support - Despite past challenges, JLR remains a premium luxury brand with rising EBIT margins and a positive net cash position in FY25. JLR also acts as a major contributor to Tata Motors by sharing technology and designs which reduces the R&D cost for Tata Motors might incur for adding modern features to its lower end PVs from scratch.

4. Part of Tata Group (Global Conglomerate) - Access to group synergies, capital, and credibility; helps weather economic and geopolitical storms.

5. Higher Safety Ratings - Cars like Nexon and Punch have 4- & 5-star GNCAP safety ratings, a critical factor for modern buyers.

6. Jaguar Repositioned - Jaguar is being reinvented as a pure electric luxury brand with a bold new design language, starting with its upcoming EV launch.

7. Trust = Tata - ESG focus, governance, and social responsibility build investor and customer trust (e.g., CSR reach to 14.78 lakh beneficiaries in FY25).

8. Strong Distributor Network - Over 9,300+ touchpoints globally, one of the widest in the Indian automotive industry.

9. Demerger Strategy - Enables focused capital allocation, better management accountability, and improved dealer service structures post-split.

10. Healthy Financial Turnaround - Highest ever revenue in FY25 (₹4.4 lakh crore). Group became net debt-free. ROCE: 17.6%, ROE: 28%, showcasing operational and financial efficiency .

11. Improved Operating Margins - FY25 EBITDA margin at 13.1%, up from 10.7% in FY23 — signaling strong cost control and product mix optimization.

Weaknesses

1. Inconsistent Service Quality - Despite product quality, after-sales service continues to be a pain point, affecting brand perception.

2. Jaguar as a Drag (Historically) - Though recovering in FY25, Jaguar has lagged in innovation and profitability compared to global peers.

3. Dealer Conflicts & Lack of Control - Complaints of toxic dealership culture, possibly due to not being able to properly differentiate its strategy for its PV and CV.

4. Low Margins in Some Segments - CV segment showed only moderate growth and profitability. For instance, EBIT margins here are still lagging behind the PV segment.

Opportunities

1. EV Growth in India & Abroad - Tata is leading the Indian EV space and can scale internationally, especially in Southeast Asia and Africa.

2. Growing Indian GDP and Population - Rising disposable income, aspirations, and urbanization make India a long-term PV growth market.

3. Favorable Government Policies - FAME II, PLI schemes, and state-level EV incentives provide a supportive policy environment.

4. AI & Connected Vehicle Integration - Tata is already piloting AI for predictive maintenance and customer engagement; huge value-add for fleet services and smart mobility.

5. Hydrogen & Alternative Fuel Tech - India's first H2ICE truck by Tata Motors shows leadership in green CV tech.

6. Massive Infra Push in India - ₹11 lakh crore government capex target in FY26 will spur demand for CVs and fleet upgrades.

7. Demerger to Unlock Value - Separate listed companies will attract focused investors and enable tailored growth strategies.

Threats

1. Supply Chain Risk from China - Any restriction on battery raw materials or semiconductors (mostly sourced from China) can delay production and increase costs.

2. Global Trade Volatility - Brexit, US tariffs, or Eurozone disruptions could hurt JLR exports.

3. Commodity Price Fluctuations - Steel, lithium, and energy cost volatility can pressure margins — particularly in CV and EV manufacturing.

4. Intensifying Competition - Strong PV and EV push by Maruti, Hyundai, MG, Mahindra, and new entrants like BYD, Tesla (India plans) pose long-term risk.

5. Regulatory Changes - Stricter emissions norms (e.g., BS-VI phase 2, ZEV mandates) may require rapid tech adaptation and increase R&D costs.

6. JLR Vulnerability to Luxury Cycles - Luxury vehicle demand is highly sensitive to economic downturns, interest rates, and discretionary income.

7. Currency Fluctuations - With international operations (especially JLR), forex volatility can affect profitability.

Strategic Risks

1. Post-Demerger Execution Risk - Complex transition may lead to inefficiencies, loss of shared synergies, and unclear brand positioning during the split.

2. Global Brand Repositioning (Jaguar) - The transformation of Jaguar into a pure EV luxury brand carries execution risk — in product acceptance, pricing, and brand perception. Also taking into account the major backlash it faced on social media during its product unveil.

3. High R&D Commitments - Sustaining ₹33,569 crore annual R&D spend across EV, ADAS, AI, and hydrogen tech may strain profitability if commercial returns lag and sometimes the invesment might also become obsolete due to fast changing norms in the industry

Operational Risks

1. Supply Chain Vulnerability - High dependency on imports of critical EV components (batteries, semiconductors) from China, Korea, and Europe.
Any disruption (e.g., export bans, geopolitical issues) can severely affect production.

2. Dealer Relationship Management - Inconsistent dealer experiences and limited control have previously led to customer dissatisfaction and brand dilution, especially in semi-urban areas.

3. JLR Capacity Utilization Risk - JLR's UK manufacturing footprint must adapt to EVs — underutilized facilities could turn into cost burdens during transition.

4. Electric Bus Deployment Challenges - Public mobility projects (e.g., 3,600+ EV buses deployed) depend on state policies and uptime targets; risk of penalties or contract loss if SLAs aren't met.

5. Skilled Talent Shortage - Recruiting and retaining talent in AI, EV design, and software-defined vehicle (SDV) architecture remains a constraint.

Financial Risks

1. Volatility in Commodity Prices - Steel, lithium, rare earths, and energy prices directly impact manufacturing cost. Volatility can compress margins specially due to ongoing war conflicts.

2. Foreign Exchange Risk - JLR revenue is in GBP/USD/EUR, while costs are in multiple currencies. Forex swings can impact earnings significantly.

3. Interest Rate Risk - Though now net-debt-free, any future borrowing for capex or expansion will expose the company to rising interest rate environments.

Regulatory Risks

1. Emission Norm Tightening - Upcoming BS-VI phase 3 and global ZEV (zero-emission vehicle) mandates will require constant product upgrades and compliance costs.

2. EV Policy Changes - Reduction or delay in subsidies (like FAME II, state EV incentives) can make Tata's EVs less price-competitive.

3. Customs Duties & Trade Policy - Changes in import/export duties (especially post-Brexit, India-China tensions) may hurt component sourcing or JLR exports.

Technology Risks

1. Rapid Tech Obsolescence - EV and autonomous vehicle technology evolves quickly — risk of falling behind in software-defined vehicles, OTA capabilities, or AI integration will have a huge effect on the future forecasts

2. Cybersecurity Threats - Increasing digitalization in manufacturing and connected vehicles opens the company to cyber-attacks or data breaches.

3. EV Battery Technology Risk - Dependency on third-party battery makers means limited control over cell chemistry evolution, costs, or recycling standards.

Environmental and ESG Risks

1. Climate Change Impact - Weather disruptions affect production, logistics, and even mining/sourcing of key materials like lithium.

2. Resource Scarcity (Water, Energy) - Several Tata plants have high energy and water demands. Any regional restrictions or droughts could impact operations.

Reputational Risks

1. Brand Dilution from Poor Service - Inconsistent after-sales support, especially in non-metro areas, risks negative customer sentiment.

2. Product Recall Risk - High product complexity, especially in EVs and JLR, raises the probability of technical issues and large-scale recalls.

3. Social Media Backlash / Dealer Conflicts - Online consumer forums and social channels amplify negative stories around delivery delays, dealer frauds, etc.

THANK YOU!

Thank you for reading our detailed analysis on Tata Motors. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape.

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