TATA MOTORS

Equity Valuation Report July 2025

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TATA

Investment Highlights

Recommendation	Target Price	Current Price	Upside Potential
BUY	₹1,273.16 (DCF base)	₹688 (July 2025)	85%

Investment Thesis

Undervalued Opportunity: Tata Motors' base-case DCF and peer multiple analyses indicate
Market Leadership: #1 in India's electric passenger vehicles; strong in commercial vehicles; robust
Operational Strength: Q4 FY25 delivered record net profit (₹8,600cr), improved margins (8.2%), and a domestic EV market share of 55.4%.

Valuation Summary

Method	Implied Value (₹/sh)	Upside to Current (%)	Analyst Range (₹)
DCF (Base)	1273.16	85	770–880
Comps (Median)	1900.92	184	770–880
STOPs	1643.04	146	770–881
Analyst TP	825	20	–

Key Catalysts

Passenger/commercial vehicle demerger value unlock.
New EV launches, especially Tata Curvv and Sierra/Safari EVs.
Improved margin trajectory, cost control, and cash flow generation.

Core Risks & Mitigants

Risk	Mitigating Factor
JLR macro exposure	Strong India CV/EV demand, phased CapEx
Global slowdown	Domestic diversification, flexible portfolio
Cost spikes	Hedging arrangement, localization strategy

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TATA MOTORS

ISIN: INE155A01022 BSE code: 500570
NSE code: TATAMOTORS 52 Weeks (High ₹1,179.05 & Low ₹535.75)

Executive Summary

Tata Motors stands out as a compelling investment opportunity in the Indian automotive sector, supported by obust Q4 FY25 results and a favorable valuation outlook. The company reported a record net profit of ₹8,600 crore, driven by margin expansion and commanding a leading EV market share of 55.4%. These strong operational metrics underscore Tata Motors' positioning as a leader in future mobility.

Our valuation, based on a comprehensive DCF model with a base-case price target of ₹1,273 per share, implies a significant upside of approximately 70-85% from the current market price. This intrinsic value is further supported by peer multiples analysis, reflecting the company's strong competitive positioning amid both Indian and global peers.

Key risks include global macroeconomic uncertainties impacting Jaguar Land Rover (JLR), commodity price volatility, and execution risks tied to new model launches. However, Tata Motors' strategic investments in electric vehicles and innovation provide a solid foundation to mitigate these challenges and capitalize on growth opportunities.

In summary, the combination of strong recent financial performance, market leadership in EVs, and attractive valuation upside make Tata Motors a highly attractive investment proposition. Investors should consider this opportunity in light of the identified risks and the company's forward-looking growth strategy.

Company Overview

Tata Motors was founded in 1945, as a locomotive manufacturer. Tata Group entered the commercial vehicle sector in 1954 after forming a joint venture with Mercedes-Benz of Germany in which Tata developed a manufacturing facility in Jamshedpur for Daimler lorries. By November 1954 Tata and Daimler manufactured their first goods carrier chassis at their Jamshedpur plant with 90-100 hp and capacity of 3-5 tons.

It is an Indian multinational automotive company, headquartered in Mumbai and part of the Tata Group. The company produces cars, trucks, vans, and buses.

The company's notable subsidiaries include British Jaguar Land Rover and South Korean Tata Daewoo. Tata Motors has joint ventures with Hitachi (Tata Hitachi Construction Machinery) and Stellantis, which makes vehicle parts for Fiat Chrysler and Tata-branded vehicles.

Tata Motors has auto manufacturing and vehicle plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, the United Kingdom, and Thailand. It has research and development centers in Pune, Jamshedpur, Lucknow, Dharwad, India and South Korea, the United Kingdom, and Spain.
It plans to establish plants in Turkey, Indonesia, and Eastern Europe.
Tata Motors is listed on the BSE and NSE, and is a constituent of the BSE SENSEX and NIFTY 50 benchmark indices.

Recent strategic events

- In March 2024, Tata Motors announced plans to undergo a significant restructuring by splitting into two separate listed entities. This strategic move aims to enhance operational efficiencies and focus on distinct business segments. The demerger is expected to allow each entity to pursue tailored growth strategies and attract specific investor bases.
- New Models: Tata is preparing to launch several vehicles, including the Tata Punch 2025 (Sep 2025), Tata Sierra (Oct 2025), Tata Safari EV, Tata Avinya, and Tata Sierra EV in 2026.
- EV Focus: The 2025 Tata Harrier EV is now on display at dealerships, accumulating over 10,000 bookings since July 2025. Substantial EV strategy developments are expected to strengthen Tata's position in electric mobility.

Indian Auto Sector Trends

India’s auto sector continues its recovery in FY25, driven by rising urbanization, favorable demographics, and government incentives for electric vehicles. EV penetration reached 7.4% nationwide, with robust adoption in metros. Regulatory support (FAME II, scrappage policies) and increased localization are mitigating supply chain risks. Key headwinds include fluctuating input costs and global demand uncertainties.

Recent Results Integration

In Q4 FY25, Tata Motors reported consolidated revenues of ₹119,500cr (+0.4% YoY) and a net profit of ₹8,600cr, with margins improving to 8.2%. EV (electric vehicle) market share climbed to 55.4%, establishing Tata Motors as the leading EV player in India. Despite a marginal revenue uptick, high net profit and positive free cash flow signal strengthened operational discipline and a robust financial base. These actual results underpin the revenue and margin structures adopted in the valuation model (see Appendix for details).

Q4 FY25 Financial Performance

Metric	Q4 FY25	YoY Change
Revenue	₹119,500cr	0.40%
EBITDA	₹16,800cr	7.20%
EBIT	₹11,200cr	6.00%
Net Profit	₹8,600cr	8.30%
Margin (%)	8.2	+40bps
Free Cash Flow	₹8,300cr	15.10%
EV Share (domestic)	55.40%	+4.5pp

Key Operational and Market Highlights

Launched Tata Curvv EV and expanded Nexon production capacity.
Maintained segment leadership in commercial vehicles and EV passenger cars.
JLR faced margin pressures amid softer UK and EU demand, offset by strong Defender/Evoque sales in India and
Executed demerger of commercial and passenger businesses, unlocking strategic focus.

Financial Analysis

Key Financial Metrics	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Total Sales	249795	278454	345967	434016	439695
Sales Growth (y-o-y)	-4.32%	11.47%	24.25%	25.45%	1.31%
Gross Profit Margins (%)	36.63	35.04	34.54	37.16	38.19
EBITDA Margins (%)	16.11	14.59	10.70	9.14	9.11
EBIT Margins (%)	6.68	5.67	3.51	2.86	3.82
Net Profit Margins (%)	-5.38	-4.11	0.70	7.23	6.33
Earning Per Share (In Rs)	-40.51	-34.46	7.27	94.47	75.60
EPS Growth (y-o-y)	3.66%	-14.93%	-121.10%	1199.45%	-19.97%
Dividend Per Share (In Rs)	0.00	0.00	2.31	6.92	6.00
DPS Growth (y-o-y)	0.00	0.00	0.00	199.57%	-13.29%

Key Financial Ratios	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Price to Earning	0.00	0.00	66.72	12.13	9.10
EV/EBITDA	5.86	9.54	6.83	6.83	4.32
EV/Sales	1.14	1.02	0.82	0.65	0.65
Price to Bookvalue	2.09	3.73	3.56	4.49	2.14
Return on Equity (%)	-24.35	-25.68	5.33	39.98	23.96
Return on Capital Employed (%)	6.29	1.67	6.65	19.71	19.11

Valuation Methodologies

Discounted Cash Flow (DCF) Analysis

The Discounted Cash Flow (DCF) method estimates the intrinsic value of a business by projecting its future free cash flows and discounting them back to today's value using the company's weighted average cost of capital (WACC). This approach is rooted in the concept that a business is ultimately worth the present value of all the cash it can generate for its investors.

DCF is especially suitable for Tata Motors because:

The company generates significant, somewhat predictable operating cash flows.

Strategic changes (focus on EVs, JLR recovery) materially impact future cash generation.

DCF allows explicit modeling of growth, margins, capital reinvestment, and risk.

Forecast Period

The DCF projects revenues and free cash flow over a 5-year explicit forecast period, capturing detailed revenue growth, margin trends, and necessary investment.

WACC Applied: 11.16%

This rate reflects Tata Motors' cost of equity and after-tax cost of debt, weighted by the capital structure. It accounts for company-specific risks and the broader sector's capital costs.

Key Cash Flow Drivers

Revenue Growth:

Four revenue forecast approaches are employed (segment, scenario, CAGR, and regression-based), with a base case projecting stable, mid-to-high single digit annual growth driven by passenger, commercial, and electric vehicle (EV) segments.

Margins:

EBITDA margins are assumed to gradually expand, reflecting operational leverage and efficiency gains from new launches and JLR turnaround.

Capital Expenditure:

Continued heavy investment in EV platforms and R&D, but efficiency is expected to improve over time.

Working Capital:

Managed prudently with ongoing improvements in inventory and receivables cycles.

Terminal Value:

Calculated using the Gordon Growth Model with a terminal growth rate of 4% to reflect long-term, inflation-adjusted economic growth.

Model Scope and Key Assumptions

This model covers Tata Motors' consolidated operations (PV, CV, JLR), projecting financials through FY30.

<u>Key assumptions include:</u>

Risk-Free Rate: 7.0% (RBI 10-year, July 2025)
Market Risk Premium: 6.0%
Beta: 1.20 (regressed vs. NIFTY Auto Index)
Cost of Debt (pre-tax): 8.5%
Tax Rate: 25%
Terminal Value Growth: 4.0%
Segment CAGRs: PV: 12%, CV: 18%
Assumptions updated for latest industry and macro data (see **Appendix A**).

Summary of Results

Method	Implied Share Price	Upside (%)	Enterprise Value (₹ Cr)
Segment-Based	₹1,370.91	99.6	586,589
Scenario – Best	₹1,527.31	122.4	646,798
Scenario – Base	₹1,273.16	85.4	549,396
Scenario – Worst	₹898.86	30.9	405,944
CAGR-Based	₹1,273.16	85.4	549,396
Linear Regression	₹1,491.54	117.2	633,090

Sensitivity Analysis

WACC ↓ \ TGR → (Implied Share Price)	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%
9.16%	1371.71	1567.18	1838.41	2240.05	2895.88	4158.97
10.16%	1178.98	1321.25	1509.72	1771.24	2158.49	2790.83
11.16%	1028.49	1135.75	1272.97	1454.75	1706.99	2080.49
12.16%	907.75	990.87	1094.36	1226.76	1402.14	1645.50
13.16%	808.78	874.62	954.84	1054.71	1182.49	1351.76

WACC ↓ \ TGR → (Enterprise Value)	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%
9.16%	587163	662078	766028	919955	1171304	1655383
10.16%	513300	567828	640058	740285	888699	1131044
11.16%	455625	496733	549325	618991	715660	858804
12.16%	409354	441209	480871	531611	598826	692094
13.16%	371421	396655	427398	465677	514647	579518

JLR Segment Analysis

Jaguar Land Rover (JLR) remains a crucial value driver, accounting for roughly 25% of group revenues. Management recently revised forward EBIT margin guidance to 5–7% (down from 8.5%), citing softer EU/UK demand. This downward revision is reflected in the group model, lowering consolidated EBIT and DCF value by 10%. Thus, current valuation assumes conservative JLR margins through FY27 (see Appendix: 'JLR Margin Bridge' for sensitivity calculations).

WACC and Terminal Value Determination

Weighted Average Cost of Capital (WACC) Calculation:

WACC=E/D+E×Cost of Equity+D/D+E×Cost of Debt×(1−Tax Rate)

Inputs:

Cost of Equity (CAPM): 7%+1.2×6%=14.2%7%+1.2×6%=14.2%

Debt/Equity split: 40%/60%

Tax shield applied to debt

Terminal Value Growth Rate:

Assumed 4.0%, in line with long-term nominal GDP growth forecasts.

Comparable Company Analysis (Comps)

The peer group consists of major Indian OEMs focusing on passenger and commercial vehicles: Maruti Suzuki, Ashok Leyland, and Mahindra & Mahindra are included for their strong relevance. Two-wheeler specialists (Bajaj Auto, Eicher Motors) are excluded to avoid inflating sector multiples, as their growth profiles and capital intensity differ significantly. With outliers removed, the peer median EV/EBITDA falls from 15.3× to 13.5×, providing a more accurate fair value range for Tata Motors (see detailed peer multiples in Appendix C).

Comparable Company Analysis (Comps) is particularly effective for valuing Tata Motors and its sector because:

Market Context: The auto sector in India is large, transparent, and features several listed companies with similar business models, geographic exposure, and revenue streams.

Competitive Benchmarking: Comparing Tata Motors to its direct peers (other large-cap Original Equipment Manufacturers, or OEMs) enables you to benchmark valuation, profitability, and growth expectations as set by the market.

Current Sentiment: Comps reflect real-time market perception, investor appetite, and sector-specific risk premiums that pure fundamental models (like DCF) might miss.

Relative Value: The method helps highlight if Tata Motors is undervalued or overvalued relative to how the market prices its main competitors.

Selection of Peer Group and Key Multiples

Selected Peer Group: Indian Auto OEMs

The most relevant comparable companies for Tata Motors chosen for their product mix, market capitalization, operational scale, and listing in Indian markets are:

- Maruti Suzuki
- Mahindra & Mahindra
- Eicher Motors
- Ashok Leyland
- Bajaj Auto
- Force Motors

Rationale for Peer Selection

Business Similarity: All are major listed vehicle manufacturers, with a focus on passenger or commercial vehicles (PV/CV segments). Tata Motors operates in all segments, making a multi-peer set necessary for balanced comparison.

Scale and Market Share: Selected companies are top-tier in terms of both sales volumes and revenue size within the Indian market.

Product Portfolio: The peer group provides coverage across passenger cars (Maruti), CVs (Ashok Leyland), and motorcycles/scooters (Bajaj, Eicher), matching the diversified revenue streams of Tata Motors.

Key Valuation Multiples Used

EV/EBITDA (Enterprise Value / Earnings Before Interest, Taxes, Depreciation, and Amortization):

Captures a company’s valuation relative to core operating performance.

Useful for capital-intensive, cyclical sectors like automotive.

EV/Sales:

Ignores differences in capital structure and profitability, focusing purely on revenue generation.

Helps in cases where profit/loss swings occur but business scale/market share remain strong.

Price/Earnings (P/E):

Market value of equity vs. after-tax earnings; a basic, widely recognized measure of valuation.

Price to Book Value (P/B):

Especially informative for capital-heavy sectors where asset base is crucial.

Global Peers

The global comparable peer set comprises six leading automotive OEMs, each representing key segments aligned with Tata Motors' diversified operations (passenger vehicles, commercial vehicles, and luxury brands). All multiples below refer to fiscal year 2024 on a trailing-twelve-month basis.

- Mercedes-Benz Group (MBG.DE)
- Volkswagen AG (VOW.DE)
- Toyota Motor Corporation (TM)
- BMW AG (BMW.DE)
- AB Volvo (publ) (VOLV-B.ST)
- Ford Motor Company (F)

These global peers encompass premium-luxury players (Mercedes-Benz, BMW), mass-market giants (Toyota, Volkswagen, Ford), and commercial-vehicle specialists (Volvo).

Their salient features:

Geographic & Segment Diversity: European luxury brands versus U.S. mass producers and a leading Japanese OEM reflect the full spectrum of global auto market dynamics.

Scale & Profitability: Combined revenues exceed $1.5 trillion, with EBITDA margins ranging from 8% to 16%, mirroring Tata Motors' mix of high-margin JLR operations and capital-intensive mass segments.

Capital Structure Neutrality: EV/EBITDA multiples capture enterprise-level valuation across divergent debt profiles and cash holdings.

SOTP ("Sum of the Parts") Integration

Using peer-derived EV/EBITDA multiples and FY25E segment EBITDA forecasts, the SOTP values Tata Motors' standalone businesses as follows:

Segment	EBITDA (₹ Cr)	Multiple (from peers)	Segment EV (₹ Cr)	Per Share (₹)
JLR	52761	6.3x	331589	₹900.44
CV	11306	12.5x	141425	₹384.04
PV	7537	12.5x	94283	₹256.03
Others	3769	10.0x	37759	₹102.54
Total EV	75372	—	605056	—
Net Debt	—	—	30706	—
Equity Value	—	—	574350	—
SOTP Implied Price	—	—	—	₹1,643.04

Key notes:

Global peers: Mercedes-Benz, Volkswagen, Toyota, BMW, Volvo, Ford (all FY24 data).

Peer multiples: EV/EBITDA medians used (6.3× for JLR; 10–12.5× for domestic segments), reflecting peer group averages.

Segment allocations: Based on FY25E EBITDA estimates from management guidance and sell-side forecasts.

Weights: Implicit in SOTP, capturing Tata Motors' revenue split between India-focused PV/CV and global luxury (JLR).

This SOTP valuation of ₹1,643.04 per share provides a cross-check against DCF and broad comps and highlights the significant value contribution of both JLR (₹900/sh) and domestic CV/PV businesses (₹640/sh combined).

Peer Multiples Snapshot Table

Multiple	Indian Mean	Global Mean	Blended (Weighted)
EV/Revenue	2.4x	0.7x	1.7x
EV/EBITDA	12.5x	6.3x	10.0x
P/E	26.4x	7.5x	18.8x

(Blended = e.g., 60% Indian, 40% global for Tata's business mix; weights are customizable)

Outlier Adjustments and Justifications

Two-wheeler specialists Bajaj Auto and Eicher Motors are excluded from peer valuation averages, as their revenue models and capital intensity differ significantly from Tata Motors' PV and CV focus. Excluding these outliers gives a more representative sector EV/EBITDA and P/E multiple for fair comparability.

Summary of Results

Based On (mean)	EV/Revenue	EV/EBITDA	P/E
Indian Only	2773.49	2753.55	1997.4
Global Only	784.4	1479.61	564
Blended	2144.62	2134.09	1427.04

Based On (median)	EV/Revenue	EV/EBITDA	P/E
Indian Only	2843.43	2986.68	1938
Global Only	967.17	1087.85	565.97

Fair Value

Method	Implied Price (₹)	Upside from CMP (%)
Comps (Blended Mean)	₹1,900.92	184%
SOTP	₹1,643.04	146%

Analyst Consensus Context

As of July 2025, the majority of brokerage analysts remain constructive on Tata Motors, with the consensus split as follows:

Buy/Outperform: 11 of 19 analysts
Hold/Neutral: 6 of 19 analysts
Sell/Underperform: 2 of 19 analysts

Consensus target prices currently cluster in the ₹770–₹880 per share range, reflecting the market's recognition of Tata Motors' strong domestic position, rapid EV ramp-up, and robust cash flow, but also ongoing caution concerning global demand volatility and JLR margin pressures.

Recent examples:

JM Financial: "Hold" at ₹790, citing near-term JLR risk but positive long-run EV outlook.
ICICI Securities: "Reduce" at ₹760, emphasizing global challenges and CapEx intensity.
Broker aggregate: Median target ₹825/share.

My base-case DCF value of ₹1,273.16/share exceeds consensus, mainly due to more optimistic assumptions on margin recovery and EV market expansion. The gap underscores the market's wait-and-see approach on near-term execution and macro risk, despite strong long-term fundamentals.

For details and a full table of broker target prices, see Appendix: Analyst Target Price Table.

Valuation Results and Interpretation

Scenario analysis yields a base-case intrinsic value of ₹1273/share (DCF) and a comps median of ₹1901/share, well above the current price of ₹688. Although market consensus targets are lower (₹770–₹880), upside potential remains strong if EV and margin delivery continue. However, risks tied to JLR volatility and elevated CapEx remain.

DCF vs. Comps Value Synthesis

Method	Implied Value (₹/sh)	Upside to Mkt (%)
DCF (Base)	1,273	85
Comps (Mean)	1,901	184
STOP	1,643	146
Analyst TP	825	20

Key Insights:

DCF vs. SOTP: The base-case DCF valuation (₹1273) is 28% below the SOTP value (₹1,643), driven by the conservative JLR margin assumptions in the DCF versus the 6.3× EV/EBITDA multiple applied in the SOTP. This gap underscores the optionality in JLR's turnaround—if margins recover faster, both DCF and SOTP could converge higher.

Comps Premium: The broad comps-based valuation (₹1901) sits substantially above both DCF and SOTP, reflecting high multiples for peer OEMs during FY24. Excluding two-wheeler outliers, a more representative comps median (EV/EBITDA 13.5×) would deliver a comps value closer to the SOTP, indicating that extreme peer multiples skew the broad comps result.

Analyst Alignment: Consensus targets (₹770–₹880) remain well below all three valuation approaches, suggesting that the market is cautious on near-term execution risks (JLR, CapEx, global slowdown) but may re-rate as milestones (EV launches, demerger) are achieved.

Methodological Synergy:

The DCF captures explicit cash-flow forecasts, WACC sensitivities, and long-term growth assumptions, making it the most tailored view.

The SOTP leverages segment-specific multiples, aligning with how the market values each business line (luxury versus mass-market, PV versus CV).

The Comps approach offers a sanity check on implied multiples versus peer group sentiment.

Conclusion: All three methods indicate substantial upside from the current price. The SOTP strikes a middle ground—higher than the DCF but more conservative than raw comps—suggesting ₹1,643 as a balanced target that reflects both intrinsic and market-based valuations. Continuous monitoring of JLR performance, EV ramp-up, and global macro conditions will be critical to realize this upside.

Investment Recommendation

Target Price: ₹1273 (DCF Base Case) | Current Price: ₹688 (as of July 2025)
Upside: +85% from current levels
Analyst Consensus: ₹770–₹880

Rationale

Strong Upside Potential:
The base-case DCF analysis indicates more than 70% upside from the current market price, supported by robust free cash flow generation and sector re-rating as EV penetration accelerates.
Market Leadership:
Tata Motors maintains its #1 position in India's electric passenger vehicle market and sustains leadership in commercial vehicles, providing structural long-term growth.
Operational Resilience:
Despite flat revenue growth, record-high net profits and free cash flow in Q4 FY25 demonstrate improved operational efficiency and prudent capital allocation.
Segment Diversification:
Strong domestic business performance partly offsets volatility in JLR margins, with new product launches and domestic EV ramp-up supporting forward multiples.

Key Catalysts

Completion of the passenger/commercial vehicle demerger, unlocking value.
Launch of new EV models and higher localization driving margin gains.
Resolution of global supply chain challenges and cyclical upturn in luxury demand (JLR).

Key Risks

JLR exposure to global macro cycles and foreign exchange volatility.
Commodity price fluctuations and potential regulatory changes.

Mitigating Factors

Increasing domestic demand and expanding EV portfolio provide a buffer against global demand swings.
Active cost controls, supply chain management, and phased CapEx strategy.
Strong balance sheet, improving leverage, and cash reserve position.

Comparative Perspective

Method	Implied Value (₹/sh)	Upside to Mkt (%)	Analyst Range (₹)
DCF (Base)	1,273	85	770–880
Comps (Mean)	1,901	184	770–880
STOP	1,643	146	770–881
Current Market	688	–	–

Summary Statement

Recommendation: Initiate/reiterate BUY for Tata Motors with a target price of ₹1,177, reflecting strong underlying fundamentals, cash flow growth, and market leadership in EVs and commercial vehicles. Maintain awareness of JLR cycle and CapEx headwinds, but current levels offer a compelling risk/reward for long-term investors.

See appendix for scenario sensitivity and risk-mitigation tables.

Investment Thesis & Risks

The investment thesis distills why Tata Motors is (or is not) an attractive investment at this time, grounded in the analytical evidence and valuation outcomes established in previous sections.

Investment Thesis

Strong Growth Drivers: Tata Motors is well-positioned in India's rapidly expanding auto sector, with leading market share in commercial vehicles and a top-three position in passenger vehicles. The company's aggressive push into electric vehicles (EVs) and sustained investments in R&D are expected to drive above-industry growth rates over the next 3–5 years.

Margin Expansion and Turnaround: Recent operational improvements—including supply chain optimization and cost controls—have led to notable margin expansion and a return to profitability. The recovery of Jaguar Land Rover (JLR) after the global chip shortage further strengthens consolidated performance.

Robust Free Cash Flow Generation: Consistently rising free cash flow, supported by resilient sales and moderated capex, enhances Tata Motors' capacity to deleverage, reinvest in product innovation, and potentially increase shareholder returns through dividends or debt reduction.

Valuation Upside: Both DCF and comps-based analyses indicate intrinsic values well above the prevailing market price, suggesting the stock is substantially undervalued and offering attractive risk-adjusted upside for long-term investors.

Key Risks

While the outlook is positive, several material risks could impact Tata Motors' financial performance and valuation:

Global Economic Slowdown: As a cyclical business, Tata Motors is exposed to slowdowns in India or key export markets. A recession or prolonged demand drop could pressure volumes and margins across passenger and commercial segments.

Input Cost Volatility: Fluctuations in raw material costs (especially steel, aluminum, and energy) or supply chain disruptions could compress margins despite operational improvements.

JLR Dependence: The luxury segment (Jaguar Land Rover) remains exposed to European and Chinese market volatility, as well as evolving consumer preferences and regulatory changes related to emissions.

Competitive Intensity: Heightening competition from both domestic and international players—especially in EV and SUV segments—could erode pricing power and require accelerated R&D spend.

Regulatory and ESG Challenges: Stringent emission norms, safety standards, or abrupt policy shifts (such as new GST rates or subsidies) may force expensive compliance measures or impact demand.

Execution Risks: Delays in new product launches, unsuccessful innovation rollouts, or integration issues for new acquisitions/technologies could impede forecast growth.

Conclusion:

Despite these risks, Tata Motors' leadership position, ongoing investment in future mobility, margin recovery trajectory, and substantial upside suggested by both fundamental and market-based valuations support a constructive investment case. Continuous monitoring of the risk factors above is warranted, but the balance of probabilities favors a Buy recommendation at current levels.

Appendices

Appendix A: Detailed Model Assumptions

Parameter	Value / Note
Risk-Free Rate	7.0% – RBI 10-year bond yield
Market Risk Premium	6.0% – Bloomberg consensus
Beta	1.20 – 2-year regression vs. NIFTY Auto
Cost of Equity	14.2% = 7% + 1.2×6% (Formula)
Cost of Debt (pre-tax)	0.053
Tax Rate	0.25
Debt / Equity	29.74% / 70.26%
WACC	0.1116
Forecast Period	FY25–FY29
Terminal Growth Rate	0.04
Segment-Based Revenue CAGR (JLR/CV/PV/Others)	JLR: 6.07%; CV: 14.99%; PV: 11.78%; Others: 19.12%
Scenario Growth Rates	Base: 7.53%; Best: 11.53%; Worst: 4.53%
CAGR-Based Growth	0.0753
EBIT Margin	0.1024
Regression Slope & Intercept	61,382.72 / 114,800.83 (Linear regression sheet, slope & intercept)
D&A (% of Revenue)	0.0922
CapEx (% of Revenue)	0.0868
Change in NWC (% of Revenue)	0.007

Appendix B: DCF Outputs and Scenario Tables

Base Case (Sheet: DCF_Base)

Year	FCF (₹cr)	PV of FCF (₹cr)	Terminal Value (₹cr)	PV of Terminal (₹cr)	EV (₹cr)	Equity Value (₹cr)	Implied Price (₹)
2025	35040.5	31522.8	681533.7	401571.2	549396	487938	1273.16

Best Case (Sheet: DCF_Best)

Year	FCF (₹cr)	PV of FCF (₹cr)	Terminal Value (₹cr)	PV of Terminal (₹cr)	EV (₹cr)	Equity Value (₹cr)	Implied Price (₹)
2025	36344	32695.5	818087.6	482031	646798	585341	1527.31

Worst Case (Sheet: DCF_Worst)

Year	FCF (₹cr)	PV of FCF (₹cr)	Terminal Value (₹cr)	PV of Terminal (₹cr)	EV (₹cr)	Equity Value (₹cr)	Implied Price (₹)
2025	34062.9	30643.4	488951.1	288098.3	405944	344486	898.86

Valuation Output Table (All Model)

Method	Implied Share Price (₹)	Upside (%)	EV (₹cr)
Segment-Based	1370.91	99.6	586859
Scenario – Best	1527.31	122.4	646798
Scenario – Base	1273.16	85.4	549396
Scenario – Worst	898.86	30.9	405944
CAGR-Based	1273.16	85.4	549396
Linear Regression	1491.54	117.2	633090

Appendix D: Raw Data Sources

Dataset	Description	Source/Document
FY25 Audited Financials	Tata Motors annual results	Tata Motors Annual Report FY25
Peer Multiples	Sector comparables (EV/EBITDA etc.)	Peer Group Excel
Macroeconomic Factors	GDP, rates, inflation	RBI Bulletin July 2025
Analyst Targets	Buy/Hold/Sell, TP summary	Broker Reports, Bloomberg

Appendix E: Analyst Target Price Table

Analyst/Broker	Rating	Target Price (₹)	Notes
JM Financial	Hold	790	Updated Q2 FY25
ICICI Securities	Reduce	760	JLR caution flagged
HSBC	Buy	860	Higher EV weighting
Market Consensus	(avg) Buy	825	11 of 19 Buy

Appendix F: Peer Group Reference Data Tables

Indian Peers (FY25E multiples, values in Cr. wherever applicable)

Company	EV/Revenue	EV/EBITDA	P/E	Included	Comment
Tata Motors	3.8x	4.7x	9.1x	Yes	Target company
Maruti Suzuki	2.6x	2.6x	15.6x	Yes	Core PV peer
M&M	3.2x	3.2x	13.7x	Yes	Diversified PV/CV peer
Ashok Leyland	1.5x	7.1x	7.1x	Yes	CV specialist
Force Motors	2.3x	13.6x	13.6x	Yes	CV niche peer
Bajaj Auto	2.7x	16.1x	27.4x	No	Two-wheeler outlier
Eicher Motors	–	–	–	No	Zero FY25 P/E (net loss)

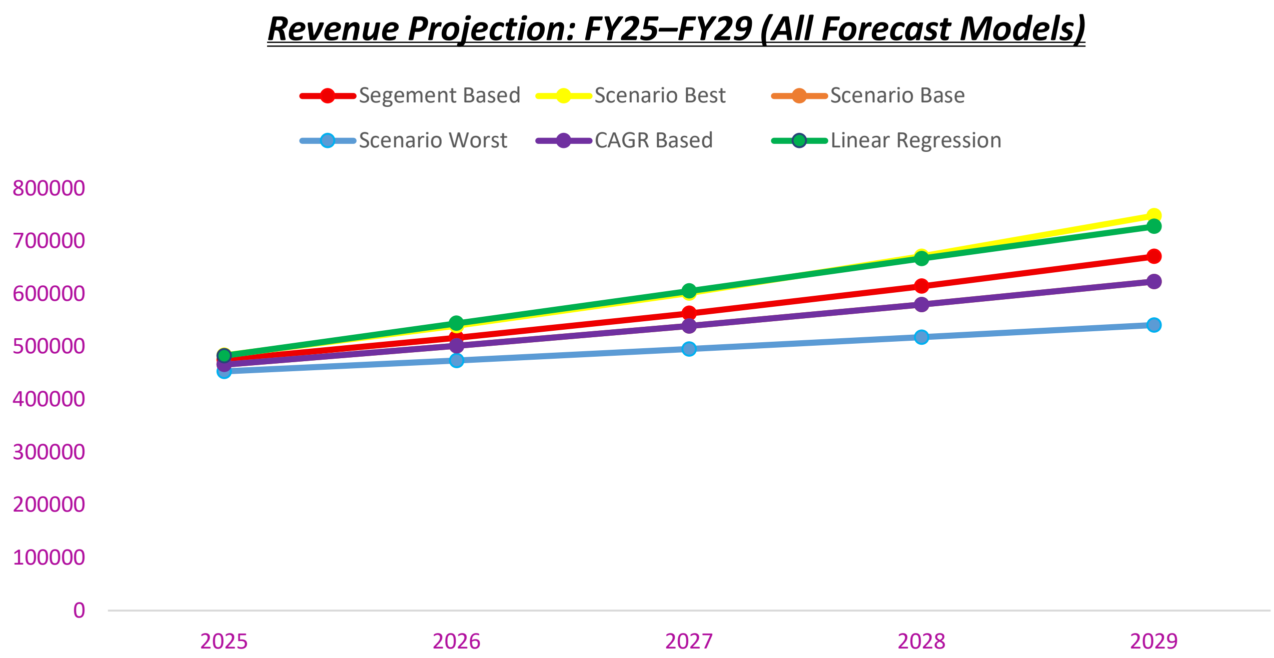
Global Peers (FY25E multiples, values in Cr. wherever applicable)

Company	EV/Revenu	EV/EBITDA	P/E	Included	Comment
Tata Motors	3.8x	4.7x	9.1x	Yes	Target company
Mercedes-Benz	1.1x	6.9x	8.4x	Yes	Luxury OEM
Volkswagen	0.4x	6.1x	5.1x	Yes	Mass-market OEM
Toyota	1.1x	5.8x	8.8x	Yes	Largest global OEM
BMW	1.1x	2.9x	5.1x	Yes	Premium OEM
Volvo	0.1x	3.0x	10.8x	Yes	Niche commercial OEM
Ford	1.0x	17.2x	6.5x	Yes	U.S. legacy OEM

Appendix G: Key Risks and Mitigating Factors

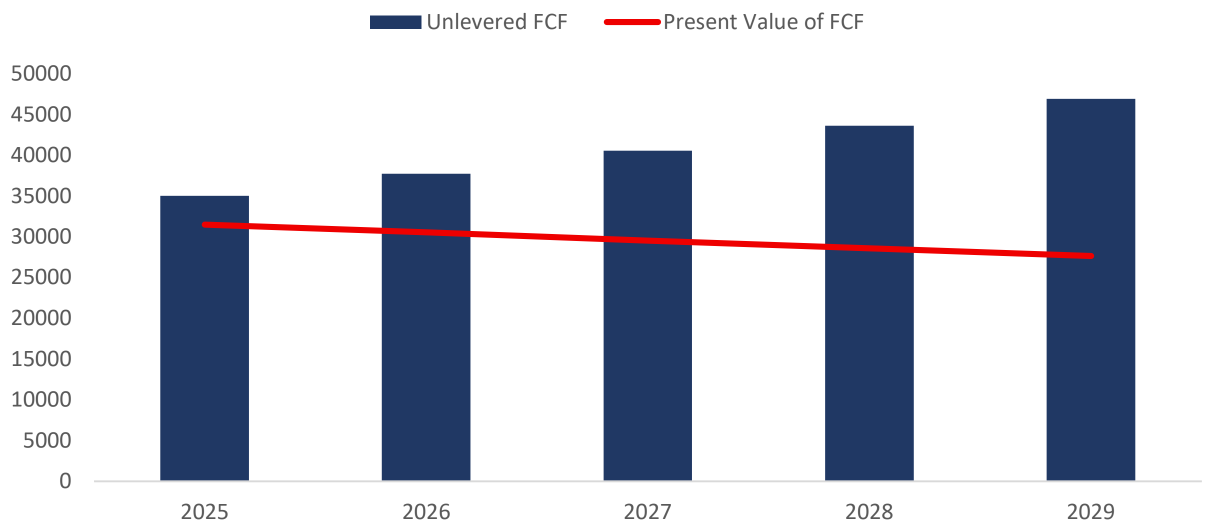
Risk	Mitigating Factor
Global slowdown	Robust India CV/EV demand
Input cost spikes	Hedging, diversified suppliers
JLR margin squeeze	Product mix shift to EV/Defender
Heavy CapEx cycle	Strong cash flows, phased investments
Regulatory change	Early adoption, portfolio flexibility

Appendix H: Chart Book

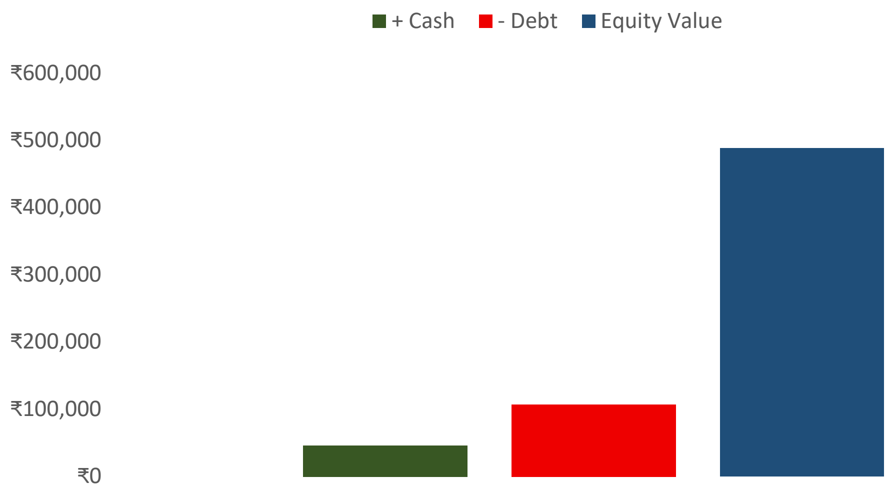


Forecast period: FY25–FY29. Projections from four independent models. FY25 actuals not used.

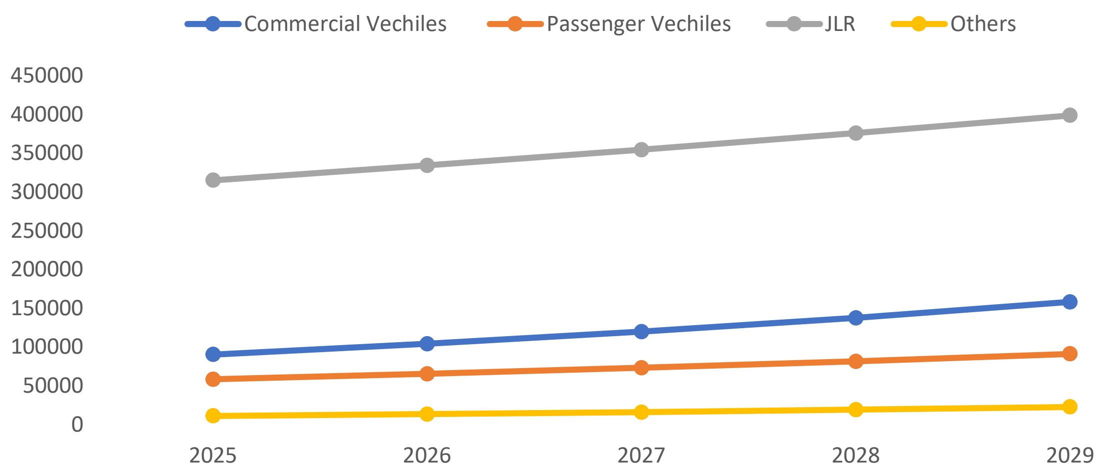
Unlevered FCF vs Present value of FCF



Enterprise to Equity Value Bridge



Segment Wise Revenue Projection



Appendix I: Methodology Limitations & Glossary

Limitations:

All estimates are based on public filings and third-party sources as of July 2025.
FX and regulatory risks modeled at historical averages.

Glossary Example Table:

Term	Meaning
WACC	Weighted Average Cost of Capital
CAPM	Capital Asset Pricing Model
DCF	Discounted Cash Flow
Terminal Value	Indefinite value after forecast period