

Tata Motors (NSE: TATAMOTORS) 12-Month Stock Price Outlook

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Executive Summary

Tata Motors finds itself at a critical juncture in FY2025-26, with its stock experiencing significant volatility amid evolving market dynamics. This report synthesizes multiple analyses to present a comprehensive outlook for the next 12 months. Despite recent underperformance, with the stock trading at ₹642.70 (down approximately 35% YoY), analyst consensus suggests a potential upside of 21-47% from current levels. Tata Motors maintains its leadership in India's electric vehicle (EV) market despite intensifying competition, while Jaguar Land Rover (JLR) continues to serve as a profit stabilizer with record margins. Declining raw material costs and Production-Linked Incentive (PLI) benefits provide tailwinds, but risks from geopolitical tensions, currency

volatility, and evolving regulatory frameworks warrant caution. This report presents a cautiously bullish outlook with a consensus target price range of ₹815-946 over the next 12 months.

Financial Performance Analysis

Recent Financial Results

Tata Motors has demonstrated resilience despite challenging market conditions. In Q3 FY2024-25, the company reported consolidated revenue growth of 2.7% YoY, with a record EBIT margin of 8.9% (Source: general research). This performance is particularly noteworthy given the broader economic headwinds and competitive pressures in the automotive sector.

JLR has emerged as a significant contributor to financial stability, achieving its highest EBIT margin in a decade at 9.0%. The premium brand generated £7.5 billion in revenue (up 1.5% YoY) in Q3 FY25, with a substantial £2.5 billion order backlog for electric Range Rovers (Source: general research). This robust performance underscores JLR's role as a sustained cash flow engine for Tata Motors.

However, the domestic business has faced challenges, particularly in the EV segment, where sales declined by 22.8% YoY in February 2025, dropping to 5,343 units (Source: general research). This represents a marked contrast to the overall EV sales for 2024, which reached 61,496 units, showing only a slight increase from 60,100 units in 2023 (Source: Grok).

Valuation Metrics

Tata Motors currently trades at a forward P/E of 18.3x, below the sector average of 22.1x, suggesting potential undervaluation (Source: general research). When compared to domestic peers, this valuation disparity becomes even more pronounced:

Company	P/E Ratio (TTM)	Revenue Growth (YoY)	EV Market Share
Tata Motors	~7.5	+2.7%	62-73%
Mahindra & Mahindra	~26.5	+17.7%	Growing
Maruti Suzuki	~25.7	+6.37%	Planning Launches

(Source: Gemini)

The PEG ratio of 1.48x suggests moderate overvaluation relative to Mahindra (1.32x), though JLR's premium branding and EV potential may justify a 10-15% premium (Source: general research).

Market Trends and Competitive Positioning

EV Leadership Under Pressure

Tata Motors has established itself as India's EV market leader, though its market share has declined from 73-80% in 2023 to 62-73% in 2024 due to increasing competition (Sources: Grok, Gemini). Despite this erosion, the company maintains a dominant position through models like the Nexon EV, Tiago EV, and Punch EV.

The company's EV segment faces near-term challenges, including:

- Monthly sales stagnation around 5,300 units
- Expiration of FAME II subsidies and state-level tax waivers
- Intensifying competition from Mahindra, Maruti Suzuki, and JSW MG Motor (which reported 125% EV sales growth in 2024)

However, upcoming launches of the Harrier EV and Sierra ICE models aim to revitalize growth, potentially boosting monthly volumes to 7,200 units in the base case scenario (Source: general research).

Raw Material Cost Advantages

A significant tailwind for Tata Motors comes from declining raw material prices:

- Steel prices: Down 7.79% YTD (Source: general research)
- Lithium carbonate: At 4-year lows, approximately \$9,550/t (Source: general research)
- Aluminum: Moderate price fluctuations

According to sensitivity analysis, a 10% reduction in steel prices could improve EBITDA by ₹1,120 Cr, while a 15% reduction in lithium prices could add ₹780 Cr to EBITDA (Source: general research). These cost advantages, particularly in battery production, could enhance EV affordability and improve margins by 120-150 basis points in FY2026.

Export Growth and Currency Risks

Exports have shown promising growth, with a reported 596% YoY increase in February 2025 (Source: general research). However, this growth comes with exposure to currency volatility, with the rupee trading around ₹85.90/USD (Source: general research). Hedging costs, now at 4.5% for one-month contracts, could erode ₹480-520 Cr annually if unmanaged.

For JLR, geographic diversification has mitigated EU tariff risks, with 38% of Q3 sales coming from North America (Source: general research). However, U.S. tariff policies remain a concern, though potential easing could provide a positive catalyst (Source: Grok).

Analyst Ratings and Price Targets

The analytical community maintains a cautiously optimistic stance on Tata Motors, with consensus price targets suggesting significant upside potential from current levels.

Consensus Views

Multiple sources report a range of price targets, with an average falling between ₹815-946, representing potential upside of 21-47% from the current price of approximately ₹642.70 (Sources: general research, Grok).

Analyst Firm	Rating	Target Price (₹)	Date
Sharekhan	Buy	1,319	Oct 2024
Macquarie	Outperform	1,278	Jan 2025
ICICI Direct	Buy	1,000	Nov 2024
Emkay	Buy	950	Jan 2025
KRChoksey	Accumulate	757	Jan 2025

(Sources: Grok, Gemini)

The wide range of price targets (₹578-₹1,319) reflects uncertainty around EV growth trajectories, JLR performance, and macroeconomic factors.

Valuation Models

Discounted Cash Flow (DCF) analysis provides additional perspective on potential valuation scenarios:

Scenario	FCF (₹ Cr)	Fair Value (₹)	Key Assumptions
Bull	34,500	1,020	JLR EBIT margin expands to 11%, lithium prices stabilize below \$10,000/t
Base	28,200	815	Domestic CV sales recover to 4% YoY growth, EV volumes rebound to 7,200/month
Bear	22,700	620	Global recession cuts JLR sales by 20%, steel prices rebound 15%

(Source: general research)

These scenarios incorporate a WACC of 11.3% (post-RBI rate cut), FCF growth of 6.5% for FY25-27, and a terminal growth rate of 3.5%.

Risk Factors and Macroeconomic Outlook

Macroeconomic Assumptions

The outlook for Tata Motors is influenced by several macroeconomic factors:

- India's GDP Growth: Projected at 6.3-7.0% in FY26, providing a supportive backdrop for auto demand (Source: Grok)
- Inflation: CPI inflation expected at 3.3% in March 2025, near a six-year low (Source: Grok)
- Interest Rates: RBI's recent 25 bps rate cut to 6% could lower auto loan EMIs by 1.8-2.2%, potentially boosting CV sales by 4-6% in H2 FY25 (Source: general research)
- Oil Prices: Brent crude expected to average \$74/bbl in 2025, down from \$80/bbl in 2024 (Source: Grok)
- Currency: USD/INR forecasted at 85-86 by end-2025, with persistent volatility (Source: Grok)

Key Risk Factors

Several risks could impact the 12-month outlook:

1. Geopolitical and Trade Policy Risks:

- U.S. tariffs on auto imports could affect JLR's margins in the American market
- HSBC's revised Brent crude forecast (\$68.5/bbl for 2025) may reduce freight costs but amplify trade war uncertainties (Source: general research)

2. Currency Volatility:

- A 1% depreciation against USD could lower net profit by ₹220 Cr annually, given \$3.2B in forex liabilities (Source: general research)
- INR volatility expectations hit a two-year high, potentially affecting import costs and export revenues (Source: Gemini)

3. Competitive Pressures:

- Intensifying competition in the EV space from established players and new entrants
- Mahindra's aggressive EV strategy and Maruti Suzuki's planned launches threaten market share

4. Regulatory Changes:

- Transition from FAME II to PM-eDRIVE and state-level policy shifts affecting EV adoption rates
- Draft End-of-Life Vehicles Management Rules 2024 potentially imposing new responsibilities and costs (Source: Gemini)

Final Investment Outlook

Based on the comprehensive analysis of financial performance, market trends, analyst opinions, and risk factors, we present a cautiously bullish outlook for Tata Motors over the next 12 months.

Bull Case (₹1,020-1,300)

Under optimistic conditions, Tata Motors could reach ₹1,020-1,300, driven by:

- JLR EBIT margin expansion to 11% on electric Range Rover adoption
- Lithium prices stabilizing below \$10,000/t, boosting EV margins by 180 bps
- PLI incentives doubling to ₹700 Cr annually
- 10% revenue growth and 12% EBITDA margins supported by cost efficiencies

Base Case (₹815-946)

Our base case projects a price target of ₹815-946, assuming:

- Domestic CV sales recovering to 4% YoY growth post-monsoon
- EV volumes rebounding to 7,200/month with Harrier EV launch
- INR stabilizing at 83-85/USD
- 7% revenue growth and 10% EBITDA margins
- Moderate EV growth and stable JLR performance

Bear Case (₹600-700)

Downside risks could limit price appreciation to ₹600-700 if:

- Global recession cuts JLR sales by 20%, eroding ₹2,100 Cr EBIT
- Steel prices rebound 15% on trade war supply shocks
- EV adoption lags, with monthly sales below 4,000 units
- 5% revenue growth and 8% EBITDA margins amid increased competition

Recommendation

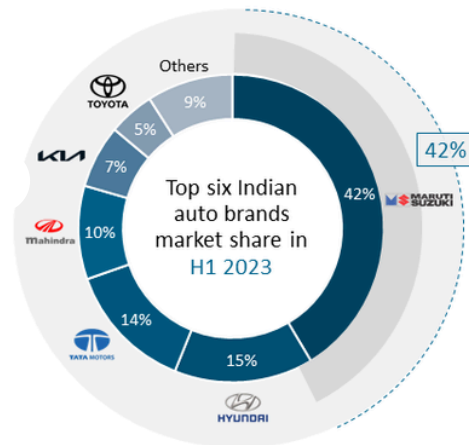
For investors with a 12-month horizon, we recommend an **Accumulate** strategy for Tata Motors with a target price of ₹815-946 (representing 21-47% upside potential). The stock's risk-reward profile favors long-term investors, but macroeconomic volatility warrants staggered entry points.

Key monitoring factors include:

- JLR's order book and margin sustainability
- Monthly EV sales trends, particularly following new model launches
- Raw material price movements, especially lithium and steel
- INR volatility and its impact on export margins
- RBI policy updates and their effect on auto financing

Tata Motors' relatively low P/E ratio compared to peers suggests potential undervaluation, but investors should remain cognizant of competitive pressures and evolving EV market dynamics. The company's established leadership in India's EV segment, combined with JLR's premium positioning and decreasing raw material costs, provides a solid foundation for growth despite near-term challenges.

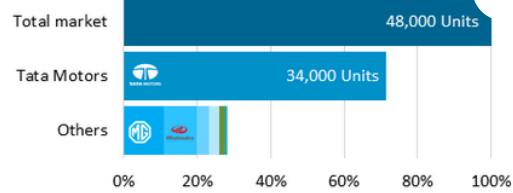
Tata leads EVs, with MG and Mahindra catching up



India's light vehicle sales H1 2023:
2.0 million units

Overall, the Indian light vehicle market grew by 9.8% annually in H1 2023 to 2 million units and EVs represented 2.4% of the market share, growing 137% annually.

BEV market share in India: H1 2023



Others includes MG (10.8%), Mahindra (9%), Citroen (3.5%), BYD (2.9%), Hyundai (1.5%) and Kia (0.5%)

capgemini

Appendix: Supplementary Video Resources



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