

Tata Motors, Tata Motors DVR gain up to 8% amid heavy volumes



Shares of [Tata Motors](#) edged higher by 8 per cent to Rs 329 on the BSE in intra-day trade on Tuesday on the back of heavy volumes after the company outlined ambition to reach double-digit commercial vehicle (CV) margins and high single-digit passenger vehicle (PV) margins in coming years. It maintained plans to attain zero debt (excluding leases) by FY24 through strong operating cash flows and divestments.

At 03:08 pm, the stock was trading 6 per cent higher at Rs 322 on the BSE, as compared to a marginal 0.01 per cent risen in the S&P BSE Sensex. A combined around 130 million equity shares changed hands on the NSE and BSE.

Shares of Tata Motors DVR were up 5 per cent at Rs 124, after surging 7 per cent to Rs 126 on the BSE in intra-day trade. A combined total 7.7 million equity shares of the company changed hands on both exchanges.

In its virtual 2021 investor event for Indian operations, Tata Motors guided for sustainable free cash flow (FCF) generation in CVs and PVs (from FY24E onwards for the latter). The company said CV demand tailwinds are converging but peak industry volumes are two to three years away and the company would continue to lead 4-W electrification in India.

"We came away enthused by the exciting progress that the company has been making in its domestic CV, PV turnaround efforts. Tata Motors reiterated its commitment towards near-zero automotive net debt level by FY24E and is open to partnership in domestic PV business given segment's capex needs," ICICI Securities said in a note.

For Tata Motors, India business contributed around 18 per cent of FY20 sales (CV 14 per cent, PV 4 per cent). With impending investor day for JLR scheduled on February 26, 2021, our present estimates factor in our positivity on the changing India landscape, and hence we do not alter them, the brokerage said. However, it added that given the management intent on FCF generation and the profitable growth journey that lies ahead we upgrade our valuation multiples across business segments. It retained a BUY rating on the stock with a revised target price of Rs 350 (earlier Rs 301) on SOTP basis.

Motilal Oswal Financial Services maintained a 'BUY' rating on the stock with a target price of Rs 390 per share. The outlook for FY22 is positive as tailwinds are likely to be stronger than headwinds, the brokerage said.

"Tata Motors expects the overall domestic CV industry to grow by 36-38 per cent in FY22, with M&HCV growing at 60-65 per cent. Replacement demand is yet to return due to apprehension on the viability of BS-VI technology, and an increase in the CV population. Demand is driven by freight growth. The latter should be good as economies recover. Also, recovery in infra and real estate will be supportive," the brokerage added.