

# Tata Motors DVR may be included in global indices in November

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The surge in its stock price and the narrower discount vis-a-vis ordinary shares could potentially lead to Tata Motors DVR's inclusion in global indices in November, said analysts.

While Tata Motors is a member of Nifty, Sensex and some global indices, Tata Motors DVR has a much smaller index membership due to its lower free float and liquidity.

The DVR shares currently trade at a 32.7 per cent discount to ordinary shares. The DVR shares have run up 104 per cent

in the past six months compared with gains of 55 per cent made by Tata Motors.

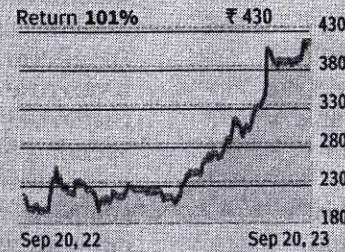
"The pre-positioning and passive buying could lead to the DVR discount narrowing further and provide trading opportunities for the next few weeks.

We estimate passive trackers will need to buy 40.63 million shares of Tata Motors DVR at the end of November," said analyst Brian Freitas of Periscope Analytics, who publishes on Smartkarma.

## SHARE SWAP

Once the scheme is implemented, the Tata Motors DVR shares will be

## Tata Motors Ltd - DVR



swapped for Tata Motors shares by the global index trackers, he said.

Post the implementation of the scheme of arrangement, Nifty 50 and S&P BSE Sensex trackers will need to buy around 34 million shares of Tata Motors due to an increase in shares outstanding and free

float, Freitas said. As of June 30, the promoter group owns 46.39 per cent of Tata Motors and 7.67 per cent of Tata Motors DVR.

On July 25, Tata Motors announced a restructuring to cancel all the Tata Motors DVR shares.

For every 10 shares of Tata Motors DVR held, shareholders would receive seven shares of Tata Motors, translating to a 20 per cent upside for Tata Motors DVR shareholders.

The Tata Motors DVR shares were issued at a 10 per cent discount to Tata Motors.

The discount continued to increase over time and

hit 66 per cent in late 2020 following which there was a gradual pullback in the discount. Emkay Global Financial Services has a Buy rating on Tata Motors with a target price of ₹750/share based on FY25 earnings estimates.

"While domestic commercial vehicles are likely to peak-out over FY23-25E, JLR outlook remains healthy, given the strong focus on mix, realizations and profitability, supported by a high order book; similarly, two new SUV launches are expected to drive performance in the Indian passenger vehicle business 4QFY24 onwards," the brokerage said.