

Quote by Anurag Singh, Advisor, Primus Partners

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Synergy to determine success of TaMo's Iveco buy

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The success of Tata Motors' acquisition of Iveco Group NV (excluding the defence arm) will be determined by the synergy between the two companies.

Experts pointed out that the acquisition will give Tata Motors' commercial vehicle business a playing field in the global market, including in Latin America and Europe, and will allow the company to leverage manufacturing facilities across the world for its products.

DOUBLE THE JLR DEAL

Tata Motors announced the acquisition at €3.8 billion through a voluntary tender offer of €14.1 per share secured through bridge financing committed by Morgan Stanley and MUFG.

The acquisition is nearly double the size of the JLR deal and first major one un-



IN THE MAKING. The acquisition will establish the commercial vehicle entity after the demerger on a global platform REUTERS

der Chairman N Chandrasekaran.

"The acquisition is different from JLR as the portfolios are substantially different. The portfolios here sit next to each other, and hence the ability to synergise our thinking and approach the winning markets together is substantially greater," said PB Balaji, Chief Financial Officer of Tata Motors Ltd (TML), in a media call.

"We will need to leverage that. The commercial vehicle

business is different from the passenger vehicle business. It is a steady business where destruction levels are slow and gradual and not highly intense. It is a business where it takes time to build because one needs to have a portfolio, customers, service network and residual values.

These need to be established over a long period. Therefore, the only way to grow substantially is to ensure that inorganic becomes

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an important part of the milestone," he said.

ADDING TO TAMO'S 'CV'

The acquisition will also establish the commercial vehicle entity after the demerger on a global platform.

"The success will come from how well the integration happens and how synergies are unlocked. The company is on a transformation journey with the separation of the commercial vehicle and passenger vehicle business. The move gives them access to many technologies as well as the European market," stated Anurag Singh, Advisor, Primus Partners.

"It will also make the new commercial vehicle entity a

credible player in the global market. The two big shifts that are happening for commercial vehicles are the shift to new energy globally and the modernisation of commercial vehicles in India, and this deal should help both these causes," he added.

"Key downside risk is the possibility of a sales down-cycle in EU CVs. The buy strengthens Tata Motors portfolio by securing access to emerging technologies," said Nuvama.

"It creates a platform on a global basis, unlocking the ability to invest for long-term growth. Portfolio and geographical complementarity allow it to leverage each other's strengths, resulting in expected annual free cash flow synergies of up to 0.5 per cent of consolidated sales. It has indicated that the Iveco acquisition would be EPS accretive initially and should become meaningfully accretive in two years," added Nuvama.