September 30, 2025

TML Commercial Vehicles Limited: [ICRA]AA+ (Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term term loan facilities	1,000.00	[ICRA]AA+ (Stable); assigned
Long-term fund-based facilities	4,000.00	[ICRA]AA+ (Stable); assigned
Non-convertible debenture programme	1,100.00	[ICRA]AA+ (Stable); assigned
Short-term debt programme	1,000.00	[ICRA]A1+; assigned
Commercial paper programme	6,000.00	[ICRA]A1+; assigned
Non-fund based facilities	4,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; assigned
Total	**17,600.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has assigned ratings to TML Commercial Vehicles Limited (TMLCV) considering the entity is expected to house the entire commercial vehicle (CV) business of the Tata Motors Group after the planned demerger of the CV and the passenger vehicle (PV) businesses of the Group, likely to be effective from October 1, 2025. After the demerger, the proposed limits being rated by ICRA, will be transferred to TMLCV from the existing limits of Tata Motors Limited (TML). ICRA notes that the regulatory approvals required for the demerger are already in place and after the demerger, TMLCV will be listed on the stock exchanges and will have an identical shareholding as that of TML with Tata Sons Private Limited (Tata Sons; rated [ICRA]AAA(Stable)/[ICRA]A1+) as the parent entity. The ratings, therefore, factor in the financial support that will be available to TMLCV from Tata Sons, and the exceptional financial flexibility enjoyed by it for being a part of the Tata Group. The ratings are also supported by the strong fundamentals of the CV business, having a leadership position in the domestic CV industry with a market share of 37.1% in FY2025.

Moreover, the CV business has a strong financial risk profile, marked by healthy revenues, improving profitability, strong liquidity and minimal reliance on debt. In FY2025, the business registered revenues of Rs. 75,426 crore with an operating profit margin (OPM) of 11.7%. In Q1 FY2025, revenues declined by 5% on a YoY basis to Rs. 17,099 crore, however, it registered an improvement in the OPM to 12.2%. The financial profile is expected to continue to remain strong, aided by its leadership position in the CV market, with a strong product portfolio, extensive sales and distribution network and strong brand equity.

That said, ICRA notes the proposed acquisition of the Iveco Group N.V. (excluding its defence business) by TML which is expected to be completed by TMLCV after the demerger. The deal is valued at around €3.8 billion, with TML offering €14.10 per share in cash. The acquisition is subject to regulatory approvals, including merger control, foreign direct investment review, compliance with the EU Foreign Subsidies Regulation, and financial regulatory clearances, which are expected to be completed in the first half of CY2026. The transaction will be initially funded through bridge loans, which will be refinanced later through a mix of debt (around 70%) and equity (around 30%). ICRA estimates that the leverage (as measured by Total Debt/ OPBITDA) of the CV business will temporarily rise to more than 2.5 times as of April 1, 2026. However, TMLCV will be able to maintain its financial risk profile with gradual reduction in leverage level, which is expected to improve to 1.7-1.9 times over the subsequent 12-18 months. Moreover, the final funding structure and the strategic integration of Iveco will be the key to realising synergies and support the credit profile of the expanded CV business.

The CV business also remains exposed to high cyclicality as the volumes are strongly correlated to economic activities, industrial growth, infrastructure investments and regulatory landscape. Moreover, it has faced increasing competition from its peers, which resulted in some decline in its market share in the recent past. The domestic wholesale CV industry volumes reported a marginal 0.6% YoY decline in Q1 FY2026, with early arrival of monsoons having some bearing on demand in the quarter. However, a steady recovery in volumes is anticipated in the subsequent quarters, aided by an uptick in demand from rural and semi-urban regions. For the full year, ICRA forecasts the Indian CV industry's wholesale volumes to record a modest YoY growth of 3-5%, following a marginal 1% YoY decline in FY2025. The ability of TMLCV to grow at the pace of the market and maintain a strong market share with a leadership position across segments will remain a key for the sustenance of a strong credit profile over the long term.

The Stable outlook on the rating reflects ICRA's belief that the CV business is expected to sustain its credit profile under TMLCV, supported by a healthy cash flow generation, a strong liquidity position and an established business position.

Key rating drivers and their description

Credit strengths

Leading market position in the domestic CV business, supported by strong and diversified portfolio, high brand equity and well entrenched market reach – The company's CV business has one of the most diversified product portfolios in the industry with presence across light, medium and heavy-duty vehicle segments and an overall market share of 37.1% in FY2025. The market share and volumes have been impacted in the recent years, primarily owing to challenges in the light goods vehicles (LGV) segment. However, going forward, volumes are expected to gradually improve, especially aided by the company's actions towards improving sales in the small commercial vehicles segment through efforts including product launches/interventions, multi-powertrain strategy and development of a strong digital ecosystem. Moreover, the OPM of the business rose to 11.7% in FY2025 from 7.4% in FY2023, partly on account of the focus on profitability.

Financial support from Tata Sons and strong financial flexibility for being a part of the Tata Group – TMLCV's credit profile is expected to benefit from the financial support it will receive from Tata Sons and the strong financial flexibility likely to be enjoyed by it for being a part of the Tata Group. The Group has provided funding support to TML over the years, including a cumulative equity infusion worth Rs. 6,500 crore in November 2019 and January 2021. ICRA expects both the post-demerger entities will continue to enjoy financial flexibility for being a part of the Tata Group, along with financial support from Tata Sons.

Healthy financial risk profile – The CV business has a strong financial profile, marked by minimal dependence on external debt, leading to healthy capitalisation and coverage indicators. Moreover, the base CV business (without the acquisition of Iveco) is expected to sustain its strong financial profile with a healthy cash flow generation, leading to a sustained cash surplus and a strong liquidity position. While the leverage might be impacted over the short term in case of the acquisition of Iveco by Q1 FY2027, the business will benefit from the enhanced geographical diversification, access to emerging technologies (including in alternative powertrains) and better positioning to invest in sustainable mobility solutions. Moreover, after the acquisition, the consolidated CV company is expected to become the fourth-largest global truck manufacturer (in the above 6-tonnes segment) by sales volume. Besides, strong cash flows from the combined business will aid in a sustained debt reduction, leading to easing of leverage level over the next 12-18 months after the acquisition.

Credit challenges

Exposure to cyclicality in the CV industry – The CV industry remains highly cyclical as the volumes are strongly correlated to economic activities, industrial growth, infrastructure investments and regulatory landscape. While CV industry sales declined marginally by 1% in FY2025, an improving economic environment, coupled with accelerated pace of construction and infrastructure activities, recent GST rate cuts, replacement demand due to ageing fleet, and Government mandates are expected to result in a 3-5% growth on a YoY basis in FY2026.

Liquidity position: Strong

TMLCV's liquidity is expected to remain strong, supported by a healthy cash flow generation and cash, cash equivalents and liquid investments of Rs. 4,400 crore in June 2025. Its liquidity will be further supported by moderate utilisation of the fund-based limits of Rs. 4,000 crore, expected to be transferred post the demerger. Its available liquidity and cash flow generation are expected to be sufficient to fund its capex requirements (including towards R&D) of Rs. 2,500-3,500 crore per annum. The company has already secured bridge financing to fund the proposed acquisition of Iveco and the expected equity infusion and strong cash flows from the combined businesses are likely to remain sufficient for servicing its debt repayments over the near-to-medium term.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if the company is able to significantly grow and geographically diversify its revenues while strengthening its market share and profitability, maintaining comfortable debt protection metrics.

Negative factors – The ratings may be downgraded in case of a material weakening in TMLCV's performance or higher-than-expected capex, sustainably impacting the company's earnings or debt protection metrics. Specific credit metric that could lead to ratings downgrade includes an increase in total debt (including acceptances)/OPBDITA to above 1.5 times on a sustained basis. Weakening of linkages with Tata Sons will also be a negative rating factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Commercial Vehicles
Parent/Group support	Parent Company (after the effectiveness of the demerger): Tata Sons Private Limited ICRA expects Tata Sons (rated [ICRA]AAA (Stable) / [ICRA]A1+) to be willing to extend financial support to TMLCV, should there be a need. Both TMLCV (proposed to be renamed as Tata Motors Limited after the demerger) and Tata Sons will share a common name, which in ICRA's opinion would persuade Tata Sons to provide financial support to TMLCV to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the estimated consolidated financials of the CV business, which will be transferred under TMLCV after the demerger

About the company

TMLCV is a new entity and a 100% subsidiary of TML, which was incorporated in FY2025 for housing the CV business of the Tata Motors Group after the planned demerger of the CV and PV businesses with a likely effective date of October 1, 2025. After the demerger, TMLCV will be listed and have the same shareholding as that of TML.

Key financial indicators (audited)

Company name (consolidated)	FY2024	FY2025
Operating income	NA	NA
PAT	NA	NA
OPBDIT/OI	NA	NA
PAT/OI	NA	NA
Total outside liabilities/Tangible net worth (times)	NA	NA
Total debt/OPBDIT (times)	NA	NA
Interest coverage (times)	NA	NA

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;

Note: TMLCV is a new entity incorporated to house the CV business of the Tata Motors Group after the demerger, having an effective date of October 1, 2025

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 30, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	1,000.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Fund-based facilities	Long term	4,000.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
NCDs	Long term	1,100.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
STD programme	Short term	1,000.00	[ICRA]A1+	-	-	-	-	-	-
CPs	Short term	6,000.00	[ICRA]A1+	-	-	-	-	-	-
Non-fund based facilities	Long term/ short term	4,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term term loan facilities	Simple
Long-term fund-based facilities	Simple
Non-convertible debenture programme	Very simple
Short-term debt programme	Very simple
Commercial paper programme	Very simple
Non-fund-based facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name*	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	-	-	-	1,000.00	[ICRA]AA+ (Stable)
NA	Fund based facilities	-	-	-	4,000.00	[ICRA]AA+ (Stable)
NA	NCDs	-	-	-	1,100.00	[ICRA]AA+ (Stable)
NA	STD programme	-	-	-	1,000.00	[ICRA]A1+
NA	CPs	-	-	-	6,000.00	[ICRA]A1+
NA	Non-fund based facilities	-	-	-	4,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+

**All limits are proposed and yet to be placed as the limits are expected to be transferred to TMLCV from the existing limits of TML after the demerger*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable; while ICRA has considered the consolidated financials of the CV business of the Tata Motors Group, TMLCV is a new entity incorporated to house that business after the demerger, having an effective date of October 1, 2025.

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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