

January 10, 2025

Tata Consulting Engineers Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term – Fund-based facilities	77.0	77.0	[ICRA]AA+(Stable)
Long-term/Short-term – Non-fund based limits	589.0	589.0	[ICRA]AA+(Stable)/ [ICRA]A1+
Long-term/ Short-term – Unallocated	1.0	1.0	[ICRA]AA+(Stable)/ [ICRA]A1+
Long-term - Issuer rating	-	-	[ICRA]AA+(Stable)
Total	667.0	667.0	

*Instrument details are provided in Annexure-I

Rationale

On January 01, 2025, TCE Delaware Corp., a wholly-owned subsidiary of Tata Consulting Engineers Ltd (TCE), has acquired the entire stake in CDI Engineering Solutions, LLC (CDI), a US-based design engineering firm, with the aim to expand its global footprint. The acquisition is being partly funded by debt raised at TCE Delaware Corp. level and the balance through equity infusion from TCE.

ICRA has taken cognisance of the above development, wherein the acquisition debt will be guaranteed by TCE. ICRA notes that the consolidated debt is expected to go up in the near term following the acquisition. However, given the healthy capitalisation and operating margin at which TCE operates, the leverage and coverage metrics are anticipated to remain robust. The acquisition will help TCE to expand its presence in the North American market and deepen its expertise and gain traction in segments of sustainability, hydrocarbons & chemicals, and oil and gas industry. The profitability of CDI will remain a key monitorable.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities: [Click here.](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Tata Sons Private Limited (TSPL) holds 100% stake in TCE. ICRA expects TSPL to be willing to extend TCE financial support, should there be a need, given TCE's status as a wholly-owned subsidiary of Tata Sons and out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The analysis is based on TCE's consolidated financials with its three wholly-owned subsidiaries, TCE Delaware Corp., Ecofirst Services Limited, and Tata Engineering Consultants Saudi Arabia Company.

About the company

A wholly-owned subsidiary of TSPL, TCE is an engineering consultancy company offering solutions across a wide spectrum of industries. The company was incorporated as Tata-Ebasco Consulting Engineering Services in 1962 to offer engineering design solutions for Tata Power and has since emerged as a multi-disciplinary engineering consulting firm. It is one of the leading Indian engineering consultants having executed numerous projects in India and overseas covering diverse industries. The company has delivery centres at seven locations - Mumbai, Bengaluru, Kolkata, Jamshedpur, Delhi, Chennai and Pune. TCE is working on several projects funded by international funding agencies such as the World Bank, the Asian Development Bank and Japan International Cooperation Agency. TCE's board of directors include senior representatives from other Tata Group companies, with Mr. L Krishnakumar (ex Executive Director of Tata Consumer Products Limited) as the Chairman of the board.

Key financial indicators (audited)

TCE Consolidated	FY2023	FY2024
Operating income	1,080.5	1,355.1
PAT	153.8	219.1
OPBDIT/OI	20.0%	22.5%
PAT/OI	14.2%	16.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.4
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	36.8	56.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2025)		Chronology of rating history for the past 3 years						
			Jan 10, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
1 Fund-based facilities	Long term	77.0	[ICRA]AA+ (Stable)	05-Apr-24	[ICRA]AA+ (Stable)	-	-	14-Feb-23	[ICRA]AA (Stable)	24-Dec-21	[ICRA]AA (Stable)
				-	-	-	-	30-Dec-22	[ICRA]AA (Stable)	10-Dec-21	[ICRA]AA (Stable)
2 Non-fund based limits	Long term/ Short Term	589.0	[ICRA]AA+ (Stable)/ [ICRA]A1+	05-Apr-24	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	14-Feb-23	[ICRA]AA (Stable)/ [ICRA]A1+	24-Dec-21	[ICRA]AA (Stable)/ [ICRA]A1+
				-	-	-	-	30-Dec-22	[ICRA]AA (Stable)/ [ICRA]A1+	10-Dec-21	[ICRA]AA (Stable)/ [ICRA]A1+
3 Unallocated	Long term/ Short Term	1.0	[ICRA]AA+ (Stable)/ [ICRA]A1+	05-Apr-24	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	14-Feb-23	[ICRA]AA (Stable)/ [ICRA]A1+	24-Dec-21	[ICRA]AA (Stable)/ [ICRA]A1+
				-	-	-	-	30-Dec-22	[ICRA]AA (Stable)/ [ICRA]A1+	10-Dec-21	[ICRA]AA (Stable)/ [ICRA]A1+

4 Issuer rating	Long Term	-	[ICRA]AA+ (Stable)	05-Apr-24	[ICRA]AA+ (Stable)	-	-	14-Feb-23	[ICRA]AA (Stable)	24-Dec-21	[ICRA]AA (Stable)
				-	-	-	-	30-Dec-22	[ICRA]AA (Stable)	10-Dec-21	[ICRA]AA (Stable)
5 Commercial paper programme	Short term	-	-	-	-	-	-	30-Dec-22	[ICRA]A1+; withdrawn	24-Dec-21	[ICRA]A1+
				-	-	-	-	-	-	10-Dec-21	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based	Simple
Long-term/ Short -term – Non-fund based limits	Very Simple
Long-term/Short-term – Unallocated	NA
Long-term – Issuer rating	NA

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	Fund-based facilities	NA	NA	NA	77.0	[ICRA]AA+(Stable)
NA	Non-fund based Limits	NA	NA	NA	589.0	[ICRA]AA+(Stable)/ [ICRA]A1+
NA	Unallocated	NA	NA	NA	1.0	[ICRA]AA+(Stable)/ [ICRA]A1+
NA	Issuer rating	-	-	-	-	[ICRA]AA+(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	TCEL Ownership	Consolidation Approach
Ecofirst Services Limited	100%	Full Consolidation
TCE Delaware Corp. LLC	100%	Full Consolidation
Tata Engineering Consultants Saudi Arabia	100%	Full Consolidation

Source: Company

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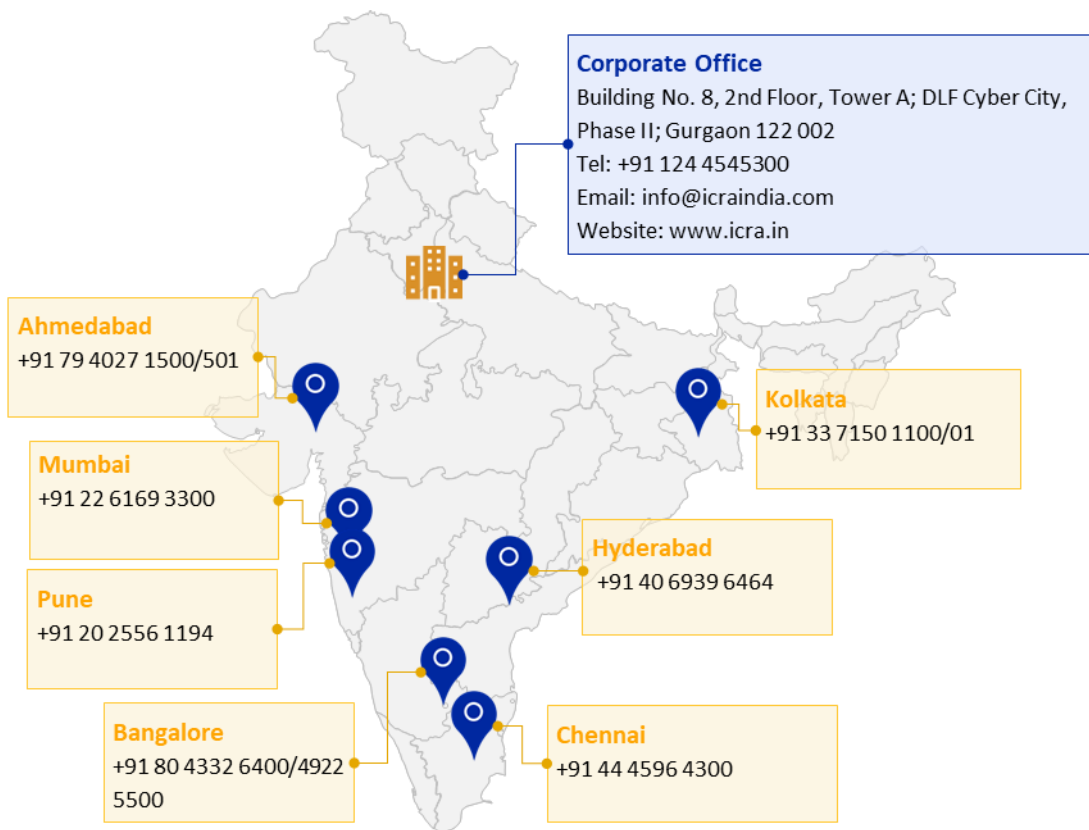
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