

June 11, 2025

Tata Consulting Engineers Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term-cash credit-fund based	77.00	176.11	[ICRA]AA+(Stable); reaffirmed & assigned for enhanced amount
Long-term/Short-term – Non-fund based limits	589.00	769.00	[ICRA]AA+(Stable)/ [ICRA]A1+; reaffirmed & assigned for enhanced amount
Long-term/ Short-term – Unallocated	1.00	0.00	-
Long-term - Issuer rating	-	-	[ICRA]AA+(Stable); reaffirmed
Total	667.00	945.11	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation reflects Tata Consulting Engineers Limited's (TCE) long track record and extensive experience in the engineering consulting industry, along with its continued strong leadership position in the domestic infrastructure consulting space, diversified presence across geographies, business verticals as well as the reputed clientele, healthy orderbook position and comfortable financial profile. During FY2025, the company reported a healthy Y-O-Y revenue growth of 50% to Rs. 2,036 crore partly supported by acquisition of CDI engineering solutions LLC (CDI). On a standalone basis, TCE witnessed Y-O-Y revenue growth of 29% to ~Rs. 1,726 crore. ICRA expects the company to witness healthy revenue growth of over 40% in FY2026 supported by healthy orderbook position including a full year consolidation of CDI. The company has an outstanding order book of ~Rs. 3,015 crore as on December 31, 2024 (excluding CDI orderbook of ~Rs. 1,680 crore), which translates to a comfortable Order Book/Operating Income (OB/OI) ratio of 1.75 times the estimated standalone OI¹ of FY2025, providing adequate medium term revenue visibility. The ratings continue to factor in TCE's comfortable debt protection metrics and strong liquidity. Though, with the acquisition of CDI (funded through debt of Rs. 256.15 crore and internal accruals of Rs. 180.68 crore), TOL/TNW increased to 0.95 times (FY2024: 0.43 times) as on March 31, 2025, respectively. However, it continues to remain at comfortable levels. TCE's continues to maintain strong liquidity position at a consolidated level, as reflected in free cash and liquid investment of ~Rs. 216.1 crore and unutilised fund-based working capital limits of ~Rs. 290.1 crore as on March 31, 2025. The ratings also derive comfort from the strong parentage as a wholly owned subsidiary of Tata Sons Private Limited (TSPL, rated [ICRA]AAA(Stable)/[ICRA]A1+), which provides it with superior financial flexibility. ICRA expects the demonstrated group support in the form of strategic, managerial and funding to TCE to continue going forward.

The long-term rating is however constrained by the company's working capital-intensive nature of operations with elongated receivable cycle and stiff competition from established local, multinational and boutique firms, which limits the pricing flexibility. Exposure to Government clients (TCE standalone derives ~35% of its revenue from domestic government clients) and milestone-based billing result in sizeable blockage of funds. Any material write-offs or provisioning towards the debtors and unbilled revenue could impact profitability and remains a key monitorable. While the company generates healthy operating margins, its profitability remains vulnerable owing to intense competition, especially in the domestic market. However, TCE's strong technical expertise and pan-India presence and diversified segment exposure along with its relatively

¹ Adjusting for opex revenue (plant maintenance/modernisation, preventive maintenance, and other plant asset lifecycle management solutions)

higher-margin overseas business has helped it to partially offset the pricing pressures from increased competition. ICRA notes that during FY2025, the consolidated operating profitability of TCE moderated to 19.8% from 22.5% in FY2024 on account of the consolidation of CDI, wherein margins are lower, and due to one-off acquisition related costs in CDI. The same is expected to decline further to ~16% in FY2026 due to increased revenue contribution from CDI where operating margin is expected to be in single digits. While overall profitability remains healthy, TCE's ability to turnaround CDI business and sequentially improve the profitability will remain important from credit perspective. ICRA notes that TCE remains exposed to the risk of adverse movements in exchange rates volatility arising out of revenue from the overseas markets. Nevertheless, it has a hedging policy (~20-25% of the total exposure is hedged) to mitigate the risks arising out of adverse movements in exchange rates to an extent.

The Stable outlook reflects ICRA's expectation that TCE will sustain healthy revenue growth, supported by a strong order book, while maintaining a comfortable capital structure along with robust debt protection metrics.

Key rating drivers and their description

Credit strengths

Strong parentage being a wholly-owned subsidiary of TSPL; extensive experience and reputed clientele – TCE's strong parentage, as a wholly-owned subsidiary of TSPL, provides exceptional financial flexibility. ICRA expects the demonstrated group support in the form of strategic, managerial and funding to TCE to continue going forward. TCE has a long track record and extensive experience spanning over six decades in providing consulting services across diverse business verticals. TCE enjoys a strong client profile in these business verticals, including reputed names from the public and the private sectors.

Diversified expertise across various sectors and geographies lends stability to order book – The company's revenues are fairly diversified across sectors. PMC sector contributed to the highest share with 27% of revenues in 9M FY2025, followed by the energy sector (21%), hydrocarbon and chemicals (18%), and mining and metallurgy (14%). TCE derives its revenues from projects based across India as well as from overseas clients. Its diversified presence across sectors and geographies lends stability to earnings and cash flows, in case of slowdown in specific geography/region or sector.

Healthy improvement in order book position provides revenue visibility – The company has an outstanding order book of ~Rs. 3,015 crore as on December 31, 2024 (excluding CDI orderbook of ~Rs. 1,680 crore), which translates to a comfortable Order Book/Operating Income (OB/OI) ratio of 1.75 times the estimated standalone OI² of FY2025, providing adequate medium term revenue visibility.

Comfortable capital structure and debt protection metrics – The company's capital structure remains comfortable, with a Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio of 0.95 times as of March 31, 2025. Its debt protection metrics also remain robust, as reflected by an interest coverage ratio of 39.0 times in FY2025. While the recent debt raised for acquisition purposes is expected to moderate these metrics from current levels, ICRA expects TCE to continue maintaining a comfortable capital structure and strong debt protection indicators going forward.

Credit challenges

Working capital-intensive operations with high debtor and unbilled revenue – TCE's operations are working capital intensive with sizeable funds blocked in working capital cycle, especially elongated receivable and unbilled revenue. During FY2025, NWC/OI increased to ~32% in FY2025, primarily due to partial revenue recognition from the CDI acquisition. Since the acquisition occurred in Q4 FY2025, only three months of revenue were recognized in FY2025, while the balance sheet reflects the full-year impact of the acquired operations. This temporary mismatch is expected to normalize, with the NWC/OI ratio anticipated to return to below ~30% going forward given CDI's lower working capital cycle.

² Adjusting for opex revenue (plant maintenance/modernisation, preventive maintenance, and other plant asset lifecycle management solutions)

Stiff competition in industry and susceptibility to exchange fluctuation risks – TCE is amongst the leading infrastructure consulting firms in India. However, it continues to face intense competition from other established domestic and international firms, which constrains the pricing flexibility. The company’s ability to retain critical talent remains crucial for maintaining its competitive position across various business units. TCE remains exposed to the risk of adverse movements in exchange rates and volatility arising out of revenue from the overseas markets. Nevertheless, the company has a hedging policy (~20-25% of the total exposure is hedged), in order to mitigate the risks arising out of adverse movements in exchange rates to an extent.

Vulnerability to macro-economic scenario as capex spends are cyclical in nature, impacting order inflows – The company’s revenues are likely to remain dependent (almost 70-75% of revenues) on large capex-driven projects in both overseas and domestic markets. While it is trying to maintain a healthy mix of capex and opex-related orders to bring more stability in its revenue profile, TCE remains susceptible to macro-economic scenario as capex spends are cyclical in nature. Sustained slowdown in order inflow can have a negative bearing on the revenue visibility in the medium term.

Liquidity position: Strong

The company’s liquidity position is strong, reflected by free cash and liquid investment of ~Rs. 216.1 crore and unutilised fund-based working capital limits of ~Rs. 290.1 crore as on March 31, 2025. Against this, the company has principal repayment obligations of Rs. 29.46 crore in FY2026, which can be comfortably serviced through the company’s balance sheet liquidity and cash accruals generated during the year.

Rating sensitivities

Positive factors – The crystallisation of scenarios for any rating upgrade in the medium term is unlikely. The long-term rating would be upgraded if there is a significant scale up in the company’s revenues, along with improved business diversification, while improving its profitability parameters and its liquidity position.

Negative factors – Downward pressure on the ratings could emerge in case of any material decline in revenues and profitability indicators and/or increase in debt levels due to inorganic expansion resulting in significant weakening of key debt protection metrics on a consistent basis. Additionally, deterioration in TCE’s working capital cycle leading to an adverse liquidity position could warrant a rating downgrade. Further, any weakening of linkage with the parent company and/or weakening in the credit profile of the parent entity could be a negative trigger. Specific credit metric includes TOL/TNW of greater than 1.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Tata Sons Private Limited (Tata Sons) holds a 100% stake in TCE. ICRA expects Tata Sons 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, 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, Noida 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	FY2024	FY2025*
Operating income	1,355.1	2,036.2
PAT	219.1	270.5
OPBDIT/OI	22.5%	19.8%
PAT/OI	16.2%	13.3%
Total outside liabilities/Tangible net worth (times)	0.4	1.0
Total debt/OPBDIT (times)	0.1	1.0
Interest coverage (times)	56.7	39.0

Source: Company, ICRA Research; * Provisional numbers; 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	Current (FY2026)				Chronology of rating history for the past 3 years					
	FY2026				FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	176.11	June 11,2025	[ICRA]AA+ (Stable)	05-APR-2024	[ICRA]AA+ (Stable)	-	-	30-DEC-2022	[ICRA]AA (Stable)
					10-JAN-2025	[ICRA]AA+ (Stable)	-	-	14-FEB-2023	[ICRA]AA (Stable)
Long term / short term-others-non fund based	Long Term/ Short Term	769.00	June 11,2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	05-APR-2024	[ICRA]AA+ (Stable)/[ICRA]A1+	-	-	30-DEC-2022	[ICRA]AA (Stable)/[ICRA]A1+
					10-JAN-2025	[ICRA]AA+ (Stable)/[ICRA]A1+	-	-	14-FEB-2023	[ICRA]AA (Stable)/ [ICRA]A1+
Long term / short term-unallocated-unallocated	Long Term/ Short Term	0.00	June 11,2025	-	05-APR-2024	[ICRA]AA+ (Stable)/[ICRA]A1+	-	-	30-DEC-2022	[ICRA]AA (Stable)/ [ICRA]A1+
					10-JAN-2025	[ICRA]AA+ (Stable)/[ICRA]A1+	-	-	14-FEB-2023	[ICRA]AA (Stable)/ [ICRA]A1+

Issuer Rating	Long Term	0.00	June 11,2025	[ICRA]AA+ (Stable)	05-APR-2024	[ICRA]AA+ (Stable)	-	-	30-DEC-2022	[ICRA]AA (Stable)
					10-JAN-2025	[ICRA]AA+ (Stable)	-	-	14-FEB-2023	[ICRA]AA (Stable)
Commercial paper/std	Short Term				-	-	-	-	30-DEC-2022	[ICRA]A1+; withdrawn

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 – 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	176.11	[ICRA]AA+(Stable)
NA	Non-fund based Limits	NA	NA	NA	769.00	[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.	100%	Full Consolidation
Tata Engineering Consultants Saudi Arabia	100%	Full Consolidation

Source: Company

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