August 05, 2025

Tata Motors Passenger Vehicles Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term/ short term - fund based/ non fund based limits	2,800.00	2,800.00	[ICRA]AA+(Stable)/[ICRA] A1+; reaffirmed
Unallocated limits	300.00	300.00	[ICRA]AA+(Stable)/[ICRA] A1+; reaffirmed
Total	3,100.00	3,100.00	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings of Tata Motors Passenger Vehicles Limited (TMPVL) factors in its strong parentage as a subsidiary of Tata Motors Limited (TML; rated [ICRA]AA+(Stable)/[ICRA]A1+). TML is among the largest automobile manufacturers in India with a market share of 37.1% in the domestic CV[1] market and 13.2% in the domestic PV[2] market in FY2025. It also has an established presence in the international passenger vehicle market through its subsidiary, Jaguar and Land Rover Automotive PLC (JLR). TMPVL is a core part of TML's business and its growth strategy, as evident from the presence of some common directors and benefits from the financial flexibility arising for being a part of the Tata Motors Group.

The ratings also factor in TMPVL's strong market position as one of the leading PV manufacturers, supported by a strong SUV[3] portfolio. While the company is expected to maintain a strong market share and healthy volumes, supported by the recent refreshes in the hatchback segment and planned new model launches and facelifts, actual performance of the new models and its impact on the company's sales and profitability would be monitored. ICRA also notes the significant related party transactions between TMPVL and its sister concern, TPEML[4] on account of the fungibility of their manufacturing facilities between EV and ICE[5] versions of the same models. Tata Motors Group reported revenues of around Rs. 40,300 crore in FY2025 against around Rs. 43,100 crore in FY2024, from sales of ICE PVs. However, owing to the fungibility of manufacturing facilities and sales of EVs to TPEML, TMPVL reported revenues of Rs. 48,969 crore in FY2025 against Rs. 50,981 crore in FY2024. The OPM[6] of TMPVL moderated slightly to 6% in FY2025 from 7% in FY2024, partially due to reduction in sales volumes.

Despite the same, TMPVL continues to maintain a strong financial risk profile, characterised by a strong liquidity position and healthy capitalisation and coverage indicators. As on March 31, 2025, TMPVL had cash, cash equivalents and liquid investments of Rs. 4,742 crore and unutilised working capital limits of around Rs. 1,260 crore. Total debt (including acceptances and lease liabilities) stood at Rs. 2,127 crore, leading to a net cash surplus position. Moreover, capitalisation and coverage indicators also continued to remain healthy with total debt/OPBDITA of 0.7 times and TOL/TNW of 1.4 times as on March 31, 2025. Moreover, ICRA expects TMPVL to continue to have minimal dependence on external debt and maintain a healthy financial profile over the medium term.

TMPVL, however, remains susceptible to commodity price cycles and price increases due to any adverse regulatory interventions, which cannot be fully passed on to the customers. Further, intense competition and cyclicality of the domestic PV market are also credit challenges. ICRA also notes that the domestic PV industry remains cyclical to some extent and

[1] *Commercial vehicle*
[2] *Passenger vehicle*
[3] *Sport Utility Vehicle*
[4] *Tata Passenger Electric Mobility Limited; rated [ICRA]AA+(Stable)/[ICRA]A1+*
[5] *Internal combustion engines*
[6] *Operating profit margin*

depends on the macroeconomic environment and other exogeneous factors. TMPVL's volumes and earnings would also be susceptible to the same.

ICRA notes that the demerger of the CV and PV (including JLR) businesses of the Tata Motors Group into separate listed entities is expected to be completed by around October 2025. All the CV and PV related assets, liabilities and employees are expected to be held by the respective listed companies and the asset ratio between the CV and the PV company is likely to be around 60:40, as per the scheme of arrangement approved by the shareholders. Accordingly, the remaining common assets and liabilities are also expected to be split in the same ratio. ICRA does not foresee any material impact of the demerger on the credit profile of the resulting entities, which will continue to benefit from their respective operational strengths and prudent borrowing levels. Both the entities are also expected to continue to enjoy exceptional financial flexibility for being a part of the Tata Group, along with financial support from Tata Sons[7].

The Stable outlook on the long-term rating reflects ICRA's expectation that TMPVL will continue to command a steady market share in the domestic PV industry and remain strategically important to the Tata Group.

Key rating drivers and their description

Credit strengths

Strong parentage of Tata Group, with high degree of operational, managerial and financial linkages, along with associated financial flexibility – TMPVL continues to remain a strategically important entity for the Tata Group, having the PV (ICE) business of the Group. Moreover, the company has fungibility in its manufacturing capacities and thus, manufactures some EVs for the Group as well. It is a 100% subsidiary of TML and the common presence of directors and key management personnel, having long associations with the Group, provides further comfort about the strategic importance of TMPVL for the Group. ICRA expects the company to continue to remain a strategically important entity for the Group even after the planned demerger of TML and would continue to benefit from the financial flexibility of the Group.

Good market position in the domestic PV market, supported by healthy acceptance of few key models – TMPVL is one of the leading players in the domestic PV industry. The market share of the Tata Motors Group in the domestic PV industry stood at 13.2% in FY2025 and 12.3% in Q1 FY2026, which is largely contributed by ICE vehicles sold by TMPVL. The market share is supported by the strong performance of its key models like Punch and Nexon, which have been accepted well in the domestic market. Moreover, its portfolio interventions through refreshes of Tiago and Altroz, multi-powertrain options of Harrier and Safari and the launch of Sierra during the year are also expected to support its overall sales volumes. TMPVL would also benefit from the launch of seven new nameplates and 23 facelifts and refreshes of PVs by FY2030, which include models across powertrains, however, actual performance of these models in the market would be closely monitored.

Strong financial risk profile characterised by a healthy capital structure and credit metrics – The company has minimal dependence on external debt and a strong liquidity position with a net cash surplus of Rs. 2,615 crore and unutilised working capital limits of Rs. 1,260 crore as on March 31, 2025. Given the low reliance on external borrowings, the company's capital structure and credit metrics stood healthy with an overall gearing and total debt/OPBDITA of 0.2 times and 0.7 times, respectively as on March 31, 2025, and interest coverage of 18.6 times for FY2025. Moreover, ample liquidity and healthy cash flow generation are likely to limit dependence on external borrowings, going forward as well.

Credit challenges

Exposed to intense competition and cyclicality of the domestic PV market – The Indian PV market remains highly competitive, with presence of several Indian and foreign players and frequent model launches by incumbents and new players, to capture a larger share in the market. Moreover, the domestic PV industry remains cyclical to some extent and depends on the macroeconomic environment and other exogeneous factors. TMPVL's volumes and earnings would also be susceptible to the

[7] *Tata Sons Private Limited; rated [ICRA]AAA (Stable)/ [ICRA]A1+*

same. Accordingly, TMPVL's ability to maintain and/or expand its share in the market in the face of increasing competition and to mitigate downturns in the market, while protecting its profitability, remain critical.

Profitability susceptible to commodity price cycles and regulatory interventions – Like its peers, TMPVL's profitability remains susceptible to commodity price cycles and its ability to pass on the increase in input costs to customers, without jeopardising its market share. Moreover, the PV industry also remains dependent on the economic activity to a certain extent. Thus, increase in input costs, either due to commodity price cycles, or on account of regulatory developments such as tightening emission and safety norms, restrictions/duties on import of key components, and the company's ability to pass on the same to the customers without adversely impacting its earnings or market share would remain critical for maintaining a healthy credit profile. Further, any regulatory intervention that could impact demand and viability of the vehicles sold by TMPVL also has the potential to impact the company's performance.

Liquidity position: Strong

TMPVL's liquidity is strong, supported by healthy cash flow from operations, free cash and cash equivalents and liquid investments of Rs. 4,742.0 crore and undrawn working capital lines of Rs. 1,260 crore as on March 31, 2025. The company has no term debt repayments over the medium term, and capex/ investment in product development is expected at around Rs. 3,000-4,000 crore per annum, which is likely to be adequately funded from the existing sources of liquidity.

Rating sensitivities

Positive factors – The long-term rating could be upgraded in case of strengthening of the parent TML's credit profile.

Negative factors –Pressure on the ratings could arise in case of material weakening of the company's market position in the domestic PV industry, resulting in a sustained weakening in earnings, or in case of large debt-funded capex or investments that have an adverse impact on its credit metrics and liquidity profile on a sustained basis. Any material changes in TML's credit profile or committed support from TML could also trigger a downward revision in ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Passenger Cars
Parent/Group support	The ratings are based on implicit support from Tata Motors Ltd (TML). ICRA expects TML to extend timely financial support to TMPVL, should there be a need, given the strong operational, financial and managerial linkages between them.
Consolidation/Standalone	Standalone

About the company

TMPVL was formed as a result of transfer of the passenger vehicle unit of Tata Motors Limited in 2021. TMPVL designs, manufactures and sells a wide range of automotive passenger vehicles, primarily in the Indian market. TMPVL has been incorporated as a wholly-owned subsidiary of TML and currently manufactures vehicles in facilities located at Sanand (Gujarat), Pimpri Chinchawad and Ranjangaon (Maharashtra).

Key financial indicators (audited)

TMPVL – Standalone	FY2024	FY2025
Operating income	50,981.0	48,969.0
PAT	1,404.0	554.0
OPBDIT/OI	7.0%	6.0%
PAT/OI	2.8%	1.1%
Total outside liabilities/Tangible net worth (times)	1.2	1.4
Total debt/OPBDIT (times)	0.7	0.7
Interest coverage (times)	15.0	18.6

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

	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Aug 5, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based/ non fund based limits	Long Term/ Short Term	2,800.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	27-AUG-2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	07-NOV-2023	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
				-	-	13-MAR-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Unallocated limits	Long Term/ Short Term	300.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	27-AUG-2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	07-NOV-2023	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
				-	-	13-MAR-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/Short Term - Fund Based/Non fund based limits	Simple
Unallocated Limits	Not Applicable

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	**Long Term/Short Term - Fund Based/Non fund based limits**	NA	NA	NA	2,800.00	**[ICRA]AA+ (Stable)/ [ICRA]A1+**
NA	**Long Term/Short Term – Unallocated Limits**	NA	NA	NA	300.00	**[ICRA]AA+ (Stable)/ [ICRA]A1+**

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

Kinjal Shah
+91 022 61143400
kinjal.shah@icraindia.com

Deepak Jotwani
+91 124 4545 870
deepak.jotwani@icraindia.com

Gaurav Kushwaha
+91 40 6939 6405
gaurav.kushwaha@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

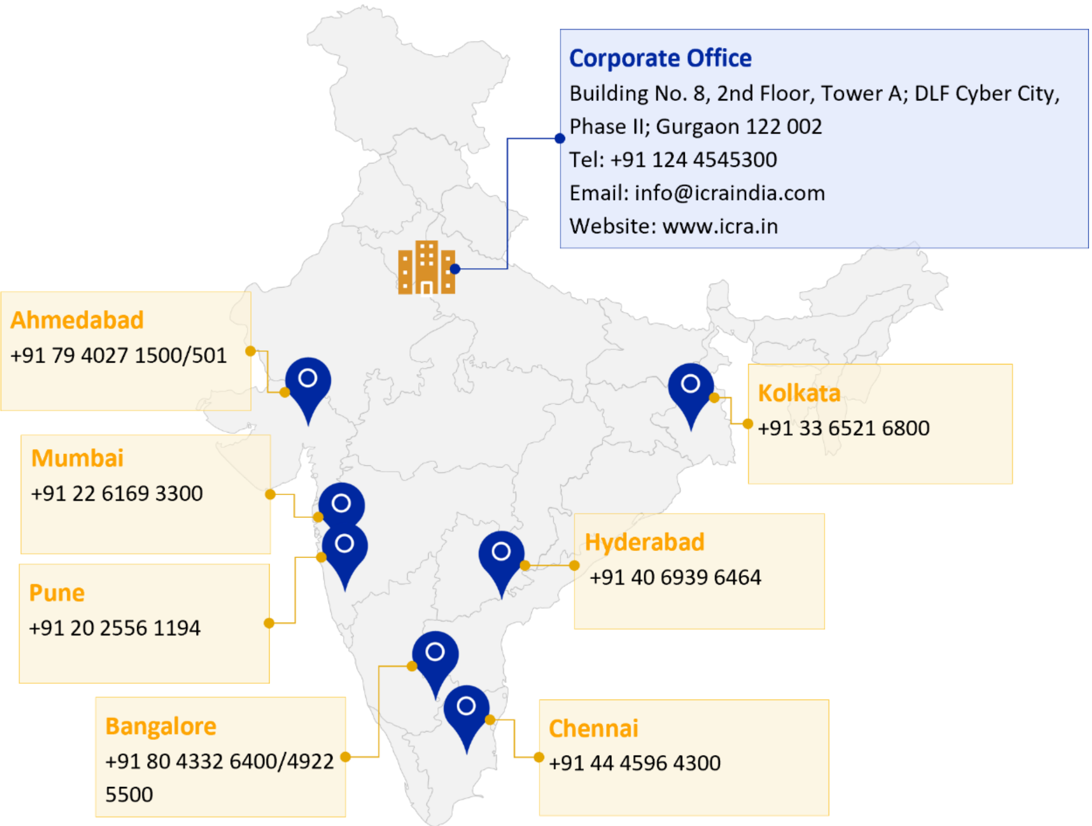
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.