August 14, 2025

VE Commercial Vehicles Limited: Ratings reaffirmed for bank facilities and assigned for commercial paper programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based limits	530.00	525.00	[ICRA]AA+(Stable)/[ICRA]A1+; reaffirmed
Non-fund based facilities	55.00	75.00	[ICRA]AA+(Stable)/[ICRA]A1+; reaffirmed
Fund/ Non-fund based limits	375.00	325.00	[ICRA]AA+(Stable)/[ICRA]A1+; reaffirmed
Unallocated limits	-	35.00	[ICRA]AA+(Stable)/[ICRA]A1+; reaffirmed
Total BLR facilities	**960.00**	**960.00**	
Commercial Paper Programme	**-**	**100.00**	[ICRA]A1+; assigned

**Instrument details are provided in Annexure-I*

Rationale

The rating action for VE Commercial Vehicles Limited (VECV) continues to factor in its steady operational performance, aided by a stable market position as a leading commercial vehicle (CV) manufacturer in India, its strong parentage, robust balance sheet and strong liquidity profile. VECV is one of the leading players in the domestic CV industry, with a market share of 17.9% in FY2025 in its addressable market segment. It has presence across both the goods carrier and passenger carrier segments, along with a comprehensive and expanding product portfolio of gross vehicle weight spanning the 4.9–55T range. The company has recently entered the sub-4.9 T goods carrier segment, with the launch of a 3T goods carrier. Even as the CV industry is highly cyclical and subject to high competition, the company has maintained and improved its market presence over the years by steadily bridging portfolio gaps, expanding its dealer network and improving after-sales offerings. The same provides comfort regarding the company's ability to generate healthy cash flows going forward, thereby helping it maintain a strong credit profile.

The ratings continue to favourably factor in VECV's strong parentage as a joint venture (JV) between Eicher Motors Limited (EML, rated [ICRA]AAA/ Stable/[ICRA]A1+) and AB Volvo (rated A2, Stable, P1 by Moody's Investors Services). VECV continues to benefit from the strong product engineering technology support from AB Volvo, enabling timely modernisation and strengthening of the product portfolio, while EML's understanding of the Indian market supports cost-competitive manufacturing and developing a sales network.

The ratings also take comfort from the fact that VECV continues to follow a conservative financial policy, with large investments and capacity expansion projects over the years funded by cash flows from operations, and minimal dependence on external borrowings. The company continues to maintain a significant net-debt negative position. Accordingly, its balance sheet remains largely unleveraged (with TD/TNW and TD/OPBDIT of 0.0 times and 0.1 times, respectively, in FY2025). In FY2025, the operating profit margin improved to 8.6% from 7.8% in FY2024, aided by the benefits of operating leverage and cost control measures, and the credit metrics remained strong with an interest cover of 70.8 times and NCA/total debt of 740.9%, supported by its unleveraged balance sheet. Going forward, ICRA expects VECV to maintain a negative net-debt position and strong credit metrics, aided by the expectation of healthy cash accruals, even as the company continues to invest in enhancing capacity and product development capabilities.

ICRA notes that the company's revenues and earnings remain susceptible to the inherent cyclicality of the domestic CV industry, with earnings and return indicators moderating during periods of downturns and improving thereafter, as the industry volumes revive. The General Elections and its impact on construction and infrastructure activities resulted in a muted demand for the domestic CV industry in H1 FY2025. However, some recovery was witnessed in the latter part of FY2025 as macroeconomic activities restored, reflected in 1.2% YoY growth in domestic wholesale CV volumes in Q4 FY2025. Amid this backdrop, VECV demonstrated resilience as its volumes (including exports) and revenues grew by 6% and 8%, respectively, in FY2025. Overall, ICRA expects VECV to largely mirror the demand trends in the CV industry over the medium term.

The Stable outlook on the long-term rating reflects ICRA's opinion that VECV's credit metrics are expected to remain strong, aided by healthy cash accruals on the back of its established business position in the CV industry.

Key rating drivers and their description

Credit strengths

Strong parentage as JV between EML and AB Volvo provides access to technical and operational support – VECV is a JV between Eicher Motors Limited (EML, 54.4%) and AB Volvo, Sweden (Volvo, 45.6%). While the parentage of AB Volvo provides the company with leading technological capabilities, EML's long track record of operations provides strong engineering capabilities, the desired knowledge and understanding of the Indian market. Overall, benefitting from the complementing strengths of its JV partners, VECV has been able to establish a healthy presence in the domestic CV industry.

Comprehensive product portfolio across goods and passenger carrier segments; strong brand equity in the medium-duty truck segment – VECV has a comprehensive product portfolio, with a strong presence across the goods and passenger carrier segments. Over the past few years, the company has launched new trucks under its 'Pro Series' to address gaps in its product portfolio. As a result, VECV has catered to an enhanced customer profile, thereby helping it maintain a strong presence in the domestic CV industry. It enjoys a strong presence in the medium duty (MD) truck segment (i.e., 7-16T category), where it is the second-largest player. Despite increasing competition in the segment, including aggressive discounting practices and new product offerings across tonnage categories, VECV has managed to retain its stronghold in the segment, especially in the 7-12T category. In the heavy duty (HD) truck segment (>16T), however, its market share remains relatively low (approx. 13.8% in FY2025) at present. ICRA notes that the entity has been able to improve its market share in the HD segment over the past few years from 3-4%, supported by the introduction of new products to plug portfolio gaps. VECV has also forayed into the 3T segment, wherein it has launched the Eicher Pro X series. However, the sales volumes in the 3T segment are at a nascent stage.

Robust financial risk profile characterised by conservative capital structure, strong debt coverage indicators and strong liquidity – The company's capital structure continues to be healthy, characterised by a negative net-debt position, healthy debt coverage indicators and significant cash and bank balances (approx. Rs. 3,132 crore as on March 31, 2025). This has been supported by healthy cash flow generation from operations, which has been in surplus compared to its investment or capital expenditure (capex) requirements. Even though the company has incurred significant investments in recent years towards new product developments and its greenfield facility in Bhopal, the same has been funded by internal accruals and available cash balances, which has helped it maintain a strong credit profile.

Credit challenges

Significant cyclicality and high competition in domestic CV market; earnings susceptible to rise in commodity prices – The domestic CV industry remains inherently cyclical in nature, with the industry volumes strongly correlated to the level of economic activity. Additionally, the high competition in the industry led to a prevalence of aggressive discounting practices, which constrain the profitability of players. The domestic CV industry underwent one of the sharpest downcycles during FY2020–FY2021 due to multiple headwinds, including the pandemic. Accordingly, VECV's volumes, earnings and return indicators were also impacted, despite measures undertaken to prune costs. Nevertheless, the industry volumes witnessed a healthy YoY growth of 34% in FY2023, supported by the Government's continued push on infrastructure spending, demand from mining and construction activities, e-commerce and last-mile transportation requirements and replacement demand. Benefitting from the steady industry volumes, VECV's volumes (including exports) and revenues grew by 7% and 15%, respectively, in FY2024 due to the high base effect.

The domestic CV industry witnessed a nominal YoY contraction of approximately 1.2% in FY2025. Amid this backdrop, VECV demonstrated resilience, where its volumes (including exports) and revenues grew by 6% and 8%, respectively, in FY2025. Overall, ICRA expects VECV to largely mirror the demand trends in the CV industry over the medium term.

Relatively low market share in HD trucks at present; ability to improve segment market share remains critical – The Indian HD trucks market has remained historically duopolistic in nature with TML and Ashok Leyland Limited together accounting for 80-90% of the segment's sales volumes. While several other players have tried to increase their penetration in this lucrative segment, they have met with limited success so far. With a view of improving market share in the segment, VECV launched products under its Pro 6000 and Pro 8000 series, trying to plug any gaps in its product portfolio. In addition to rolling out specific products at selective locations, the company also increased its dealer presence in the identified markets to enhance its presence. Aided by these efforts, VECV's market share in this segment has improved to 13-14% in FY2025. However, its ability to sustain this enhancement remains to be seen.

Liquidity position: Superior

VECV's liquidity position is superior, aided by the expectation of healthy cash flow generation from operations, sizeable liquid investments and unencumbered cash balances of ~Rs. 3,132 crore as on March 31, 2025 and average undrawn working capital limits of ~Rs. 962.5 crore as on March 31, 2025. In relation to these sources of cash, VECV has nil debt repayments and capex requirements of Rs. 1,000-1,200 crore in FY2026. Overall, ICRA expects VECV to meet its near-term commitments through internal accruals, available cash balances and lines of credit and yet be left with healthy cash surpluses. Additionally, VECV's financial flexibility and its access to financial markets with the backing of two strong promoter groups provides comfort.

Rating sensitivities

Positive factors – ICRA could upgrade VECV's rating if there is a significant scale-up in operations and strengthening of the business profile, accompanied by a sustainable and meaningful gain in market share. The company's ability to maintain robust credit metrics and profitability indicators will also be considered favourably for a rating upgrade.

Negative factors – ICRA could downgrade VECV's ratings if a prolonged weak demand environment for CVs leads to sustained deterioration in the financial risk profile. A specific credit metric for a downgrade will be total debt/OPBITA above 1.0 times, on a sustained basis, alongside a material depletion of cash and cash equivalents. Additionally, any weakening in the parent companies' credit profile or business linkages could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Commercial Vehicles
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VECV. As on March 31, 2025, the company had five subsidiaries, which are enlisted in Annexure-II.

About the company

VE Commercial Vehicles Limited, a joint venture between Eicher Motors Limited (EML, 54.4%) and AB Volvo, Sweden (45.6%), was incorporated on July 1, 2008 and is jointly managed by EML and AB Volvo. The company is a CV OEM with a product portfolio spanning 3–55T trucks and buses. The company manufactures its entire range of vehicles under the 'VE Series' brand. Apart from vehicle manufacturing, the company is also involved in the manufacture of auto components, Euro VI emission compliant engines for the export markets, along with sales and marketing of Volvo-branded premium range of trucks in India. In 2020, Volvo Buses India was integrated into VECV, including manufacture, assembly, distribution, and sale of Volvo Buses in

India. While the company has been strengthening its position in the HD segment, aided by the technology support from AB Volvo, it is particularly strong in the MD truck segment.

The company's manufacturing facilities for CVs are at Pithampur and Bhopal (both in Madhya Pradesh) and have a combined production capacity of ~ 1,30,000 units p.a. Its manufacturing facilities for auto components and powertrain are at Dewas and Pithampur, respectively.

Key financial indicators (audited)

VECV Consolidated	FY2024	FY2025
Operating income*	21,868.0	23,548.2
PAT	823.0	1,286.4
OPBDIT/OI	7.8%	8.6%
PAT/OI	3.8%	5.5%
Total outside liabilities/Tangible net worth (times)	1.7	1.5
Total debt/OPBDIT (times)	0.3	0.1
Interest coverage (times)	38.2	70.8

Source: Company, ICRA Research; Operating income here refers to revenue from operations and other related income of the company

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 rating (FY2026)			Chronology of rating history				
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		
				14-Aug-25	5-Jul-24	20-Jul-23	31-Mar-23	11-Jul-22	25-May-22
1	Fund Based Limits	Long-term/ Short-term	525.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-
2	Fund Based Limits- Cash Credit	Long-term/ Short-term	-	-	-	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
3	Non Fund-Based Facilities	Long-term/ Short-term	75.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
4	Fund/Non Fund-based Limits	Long-term/ Short-term	325.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
5	Term Loans	Long-term	-	-	-	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
6	Unallocated Limits	Long-term/ Short-term	35.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-	-	-
7	Commercial Paper Programme	Short-term	100.00	[ICRA]A1+	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

8	**NCD Programme**	Long-term	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits	Simple
Non Fund-Based Facilities	Very Simple
Fund/Non Fund-based Limits	Simple
Unallocated Limits	Not applicable
Commercial Paper Programme*	Very simple

** Complexity categorisation is as per the latest understanding of ICRA and is subject to change once the issuance terms are finalised*

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 Limits**	NA	NA	NA	525.00	[ICRA]AA+(Stable)/[ICRA]A1+
NA	**Non-fund Based Facilities**	NA	NA	NA	75.00	[ICRA]AA+(Stable)/[ICRA]A1+
NA	**Fund/Non-fund-Based Limits**	NA	NA	NA	325.00	[ICRA]AA+(Stable)/[ICRA]A1+
NA	**Unallocated Limits**	NA	NA	NA	35.00	[ICRA]AA+(Stable)/[ICRA]A1+
NA	**Commercial Paper Programme**	Yet to be placed			100.00	[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

Company Name	VECV Ownership	Consolidation Approach
VE Commercial Vehicles Limited	100.00% (rated entity)	Full Consolidation
VECV Lanka (Private) Limited	100.00%	Full Consolidation
VECV South Africa (Pty) Limited	100.00%	Full Consolidation
VE Electro-Mobility Limited	100.00%	Full consolidation
VE Connected Solutions Private Ltd.	51.00%	Full Consolidation
PT VECV Automotive Indonesia	99.99%	Full consolidation

Source: VECV audited financials for FY2025
Note: ICRA has considered the consolidated financials of the parent (VECV) and its subsidiaries while assigning the ratings.

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