

November 26, 2025

TML Smart City Mobility Solutions Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund-based – term loan	347.00	347.00	[ICRA]AA+ (Stable); reaffirmed
Short-term – non-fund based – BG	467.00	467.00	[ICRA]A1+; reaffirmed
Long-term – fund-based - working capital limits	15.00	15.00	[ICRA]AA+ (Stable); reaffirmed
Unallocated limits	421.00	421.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Total	1,250.00	1,250.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of TML Smart City Mobility Solutions Limited (TMLSC) factors in the strong credit profile of its parent, Tata Motors Limited (TML, erstwhile TML Commercial Vehicles Limited; rated [ICRA]AA+ (Stable)/[ICRA]A1+), the market leader in the domestic commercial vehicle (CV) segment with a market share of 37.1% in FY2025. ICRA has noted the demerger of the erstwhile Tata Motors Limited (renamed as Tata Motors Passenger Vehicles Limited; TMPVL) with the CV business now housed under TML and the passenger vehicle business under TMPVL.

TMLSC signed concession agreements (CAs) with Bangalore Metropolitan Transport Cooperation (BMTTC) for procurement, supply, maintenance and operations of a total of 1,069 twelve-metre non-AC e-buses on intra-city routes in Bangalore. Its subsidiary, TML Smart City Mobility Solutions (J&K) Private Limited (TMLJ&K) signed CAs with Jammu Smart City Limited (JSCL) and Srinagar Smart City Limited (SSCL), in a largely similar model within the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME II) scheme, for the procurement, supply, maintenance and operations of 75 nine-meter AC e-buses and 25 twelve-meter AC e-buses, each. Going forward, TMLSC is likely to act as the holding company for all future e-bus projects of TML. The companies have deployed 921 buses in Bangalore and 200 buses in J&K, while the deployment of the remaining 148 buses in Bangalore is expected to be completed over the next few quarters.

The ratings also factor in the fixed per km fee with a pre-determined escalation clause for a minimum assured distance of 70,000 km annually for each bus for a tenure of 12 years, subject to meeting operational parameters. Accordingly, the SPVs are not exposed to the traffic risks on the routes operated, ensuring high revenue visibility, contingent around maintaining a contractually agreed bus availability of 95%, which the companies have largely been able to maintain for the deployed buses. The projects are entirely under the FAME-II scheme of the Government of India, as per which they are eligible to receive capital subsidy from the Department of Heavy Industries (DHI) in three tranches. This reduces capital costs and limits dependence on external borrowings for the project as 35% to 45% of the total project cost would be funded by the subsidy, thus strengthening the capitalisation and coverage metrics.

Procurement of the buses was initially funded by a mix of debt and equity. TMLJ&K has prepaid the entire term loan. While TMLSC has a term loan outstanding of Rs. 278.4 crore, ICRA understands that TMLSC is likely to prepay the entire term loan by the end of FY2026. The prepayment has been facilitated by funding support extended to TMLSC by its parent, TML. ICRA believes that TMLSC's healthy financial flexibility for being a part of the Tata Group, as evidenced by the extension of the inter

corporate deposits (ICDs) line of Rs. 1,000 crore from TML and the willingness to provide extended credit period or additional equity infusion, as required, is likely to ensure timely availability of funds to meet future funding requirements as well.

The ratings also factor in execution and operational risks, with respect to the deployment of the remaining 148 buses and stable performance of the deployed buses. ICRA notes that e-bus operations in the country are currently in the nascent stage, and the sustained performance of buses and batteries in the domestic market conditions, for the tenure of the CAs, remains to be seen. Despite limited track record of e-bus operations in the country, comfort is drawn from the Tata Group's combined deployment of more than 3,600 e-buses, which have cumulatively covered more than 420 million km with over 95% uptime. Additionally, established experience of TML in the domestic automotive market provides comfort.

Moreover, achievement of the required operating metrics for the projects in a sustained manner remains crucial from the credit perspective. Any underperformance in operations vis-à-vis agreed specifications, especially which impacts availability and reliability of buses, has the potential to impact the project viability, and hence, would be a key monitorable. Moreover, geo-political risks remain a sensitivity as any adverse development related to the import of EV components can impact the availability of components required for its operations.

The Stable outlook on the long-term rating reflects ICRA's expectation that the companies are likely to deploy and operate the buses in a timely manner with minimal delays and as per expected operating metrics.

Key rating drivers and their description

Credit strengths

Strong parentage and financial support from the Tata Group, along with associated financial flexibility – TMLSC is a wholly-owned subsidiary of TML, which is also the original equipment manufacturer (OEM) for all the three projects. Further, TML is the leader in the domestic CV space with a market share of 37.1% in FY2025 and has deployed more than 3,600 e-buses. Thus, execution and operational risks for the projects largely remain mitigated. Further, TML's demonstrated support in the form of approved unsecured ICDs and additional equity infusion (over and above that required for funding bus costs proportionately) along with the promoter's undertaking by TML for TMLSC's bank facilities, are likely to ensure timely availability of funds to meet any requirement. ICRA also notes the very high operational, managerial and financial linkages among TML, TMLSC and TML J&K, with the operations of the subsidiaries managed by a seasoned team of veterans from TML, and an overlapping treasury team to manage the finances.

High revenue visibility, with minimal traffic risk – In line with the Gross Cost Contract (GCC) model and as defined in the CA, the authorities would pay the service providers a fixed rate for a minimum contractually assured distance, subject to bus availability. Accordingly, the company does not bear the traffic risk and only needs to ensure availability of buses, as per the authority's deployment plan. Given this arrangement, it essentially translates into an annuity model of revenues over the concession period, with high revenue visibility. While the clause related to unutilised kilometre due to lower requirements by the authority (to be paid at 75% of the applicable rate) brings in some variability in the Bangalore project, 100% of the applicable rate would be paid for the J&K project, in case of unutilised kilometre.

Availability of capital subsidy strengthens capitalisation and coverage metrics – To support faster adoption of EVs in India, the Government has introduced various schemes such as FAME and Smart Cities, offering upfront subsidies (to reduce capital costs). In addition, several state governments have offered exemptions or reductions on road tax, registration tax and subsidised electricity tariffs etc. (under respective state EV policies). The projects are eligible for subsidy of 35-50% of the total cost for the projects, which helped reduce dependence on external debt funding for the project significantly and thereby improve capitalisation and coverage metrics of the company. Further, aided by the financial support extended by TML, TMLJ&K has already repaid the entire term loan availed for funding of 200 e-buses while TMLSC is also expected to prepay the term loan availed for funding 921 e-buses by the end of FY2026, effectively ending the companies' reliance on external debt financing.

Credit challenges

Risks related to counterparties and receivables build-up pertaining to both subsidy and revenues – Intra-city bus operations, in general, are subsidised and cannot recover the entire revenue payable from their ticket collections. Thus, dependence on timely Government grants/support to authorities for funding the gap remains critical, elevating the counterparty risks for such projects. While an escrow mechanism, wherein the authorities would be obligated to deposit two months of revenue payable as a payment reserve, reduces TMLSC's risks of an elongated receivable cycle, proper execution and maintenance of adequate funds in the escrow account remains a key monitorable.

Project remains exposed to execution risks – Although delivery of buses has been completed in Jammu and Srinagar and 921 out of 1,069 buses have been deployed in Bangalore, TMLSC remains exposed to some execution risks till the commencement of full commercial operation in Bangalore, which has seen some delays in deployment. Moreover, any non-compliance with the terms of the CA, delay in bus deliveries or handover of bus depots, could further delay the project execution, and will be closely monitored. Nevertheless, in case of any interim cash flow mismatch due to cost overrun or delay in receipt of subsidy, financial support is likely to be provided by the promoter group in the form of ICDs, extended credit period or additional equity infusion, as required. Further, the after-sales service (especially battery replacement) would depend on imports and any disruption in the supply of such EV components due to geopolitical developments is likely to impact the project operations/viability.

Limited overall track record of e-bus operations – The electric vehicle segment, including e-buses, is currently in the nascent stage in India, with operations picking up pace only over the last couple of years. Any underperformance in operation vis-à-vis expectations, especially that which impacts availability, reliability and maintenance of buses, has the potential to impact the project viability, and hence, would be a key monitorable. Besides, the battery performance and bus efficiency would also remain critical for the project to generate optimal returns. Additionally, considering that the majority of the e-bus operations in India and abroad have been for the intra-city segment, performance and reliance on inter-city routes would also be monitored. Nevertheless, comfort can be drawn from TML's growing presence as a key player in the e-bus segment and its track record of successful operations on the routes deployed, along with the extensive experience of the Group in the domestic automotive market. TML has successfully deployed more than 3,600 e-buses, covering a cumulative distance of more than 420 million km with more than 95% uptime.

Liquidity position: Adequate

TMLSC's liquidity position is adequate, augmented by financial support extended by the promoter entity in the form of an ICD line of Rs. 1,000 crore and cash flows generated from the operational buses. While debt repayments are limited, ICRA believes that the company intends to repay the entire term loan outstanding of Rs. 278.4 crore in FY2026, with adequate funding support from the parent, if required. Any further bus deployment will also be supported by TML through fund infusion in the form of equity or debt, as necessary.

Rating sensitivities

Positive factors – The long-term rating could be upgraded in case of a further improvement in the credit profile of TML, the parent entity.

Negative factors – Pressure on the ratings could arise in case of any material change in TML's credit profile or its support to the company. Any contractual non-performance by the company or any significant delay in receipt of subsidy or receivables will also be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The ratings are based on implicit support from Tata Motors Ltd. (TML). ICRA expects TML to extend timely financial support to TMLSC, should there be a need, given the strong operational, financial and managerial linkages between them
Consolidation/Standalone	While assigning the ratings, ICRA has taken a consolidated view of TMLSC and its wholly-owned subsidiary, TML J&K, given their common management and significant operational and financial linkages between them

About the company

Incorporated on May 25, 2022, TML Smart City Mobility Solutions Pvt. Ltd. (TMLSC) is a subsidiary Tata Motors Limited (TML), which has been set up to procure, operate and maintain electric buses for the Bangalore Metropolitan Transport Corporation (BMTCL). The contract secured from BMTCL comprises a concession agreement for 1,069 12-metre low floor non – AC EV buses dated December 16, 2022, of which, 921 have been deployed till date. The contract extends for a period of 12 years and will be operated under the GCC model and is eligible for capital subsidy from the Department of Heavy Industries under the FAME II scheme.

The Department of Heavy Industries and Ministry of Heavy Industries and Public Enterprises issued a corrigendum on June 11, 2021, based on which, Energy Efficiency Services Limited (EESL) was nominated to aggregate the demand of electric buses in nine major cities including Delhi, Mumbai, Chennai, Bangalore, Hyderabad, Kolkata, Pune, Ahmedabad and Surat. Subsequently, EESL, through its wholly-owned subsidiary, Convergence Energy Services Limited (CESL), undertook demand aggregation for electric buses through a ‘grand challenge’ that was issued to various states under the FAME II scheme.

Tata Motors Ltd. (TML) would be supplying the buses. As of March 31, 2025, TML owns a 99.99% equity stake of the company.

TMLSC will also be the holding company for all the future e-bus projects of TML and has a 100% shareholding of TML Smart City Mobility Solutions (J&K) Private Limited. The company is the GCC operator for the 200 e-buses delivered to Jammu and Srinagar for inter as well as intra city transportation.

Key financial indicators (audited)

TMLSC (Consolidated)	FY2024	FY2025
Operating income	370.4	1,069.8
PAT	-2.7	-19.8
OPBDITA/OI	-0.2%	4.3%
PAT/OI	-0.7%	-1.9%
Total outside liabilities/Tangible net worth (times)	4.3	2.8
Total debt/OPBDITA (times)	-311.7	18.9
Interest coverage (times)	-0.2	0.8

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company financials and ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Nov 26, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term Loan	Long term	347.00	[ICRA]AA+ (Stable)	Aug 27, 2024	[ICRA]AA+ (Stable)	Mar 29, 2024	[ICRA]AA+ (Stable)	-	-
Non-Fund Based – BG	Short term	467.00	[ICRA]A1+	Aug 27, 2024	[ICRA]A1+	Mar 29, 2024	[ICRA]A1+	-	-
Working Capital Limits - CC	Long term	15.00	[ICRA]AA+ (Stable)	Aug 27, 2024	[ICRA]AA+ (Stable)	Mar 29, 2024	[ICRA]AA+ (Stable)	-	-
Unallocated Limits	Long term/short term	421.00	[ICRA]AA+ (Stable)/[ICRA]A1+	Aug 27, 2024	[ICRA]AA+ (Stable)/[ICRA]A1+	Mar 29, 2024	[ICRA]AA+ (Stable)/[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based – Term Loan	Simple
Short Term – Non-Fund Based – BG	Very simple
Long Term – Fund Based - Working Capital Limits – CC	Simple
Long Term/Short Term -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 - fund based – term loan	February 2024	8.45%	March 2033	347.00	[ICRA]AA+ (Stable)
NA	Short term – non fund based – BG	-	-	-	467.00	[ICRA]A1+
NA	Long term – fund based - working capital limits	-	-	-	15.00	[ICRA]AA+ (Stable)
NA	Unallocated limits	-	-	-	421.00	[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

Company Name	TMLSC's Ownership	Consolidation Approach
TML Smart City Mobility Solutions (J&K) Private Limited	99.99%	Full Consolidation

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Kinjal Shah

+91 022 6114 3400

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Gaurav Kushwaha

+91 40 4547 4829

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

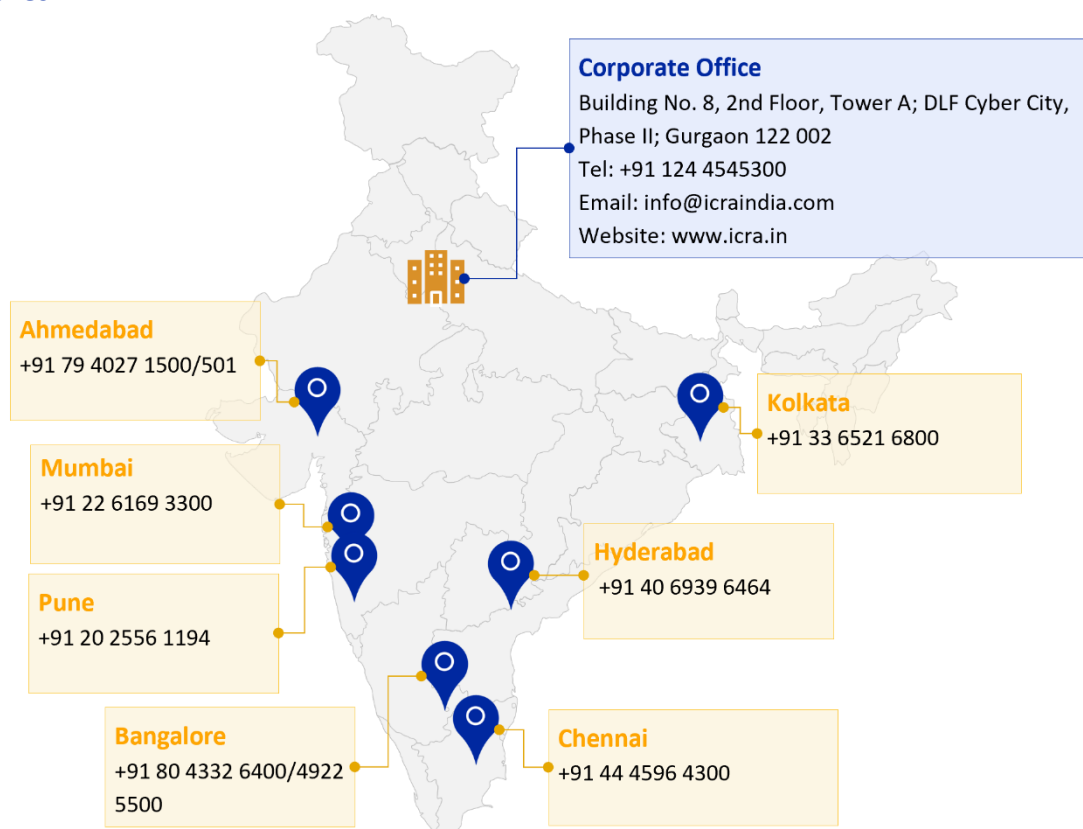


Registered Office

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



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

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.