July 27, 2026

Tata Hitachi Construction Machinery Company Private Limited: Long-term rating upgraded; short-term rating reaffirmed, outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action	Financial sector regulator#
Long-term/Short-term - Fund-based/Non-fund based - Others	900.00	900.00	[ICRA]AA+ (Stable)/[ICRA]A1+; Long-term rating upgraded from [ICRA]AA ; outlook revised to Stable from Positive; short-term rating reaffirmed	RBI
Total	**900.00**	**900.00**		

**Instrument details are provided in Annexure-I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The upgrade in the long-term rating of Tata Hitachi Construction Machinery Company Private Limited (THCM) reflects the gradual strengthening of its credit profile, reflected in healthy growth in scale, recovery in market position and improvement in cash accruals, which has resulted in significant deleveraging, which is expected to sustain over near to medium term. The ratings continue to be supported by THCM's leadership position in the domestic excavator market, established customer franchise, extensive dealer and service network, and strong technological backing from Hitachi Construction Machinery Co., Ltd. (HCMC). The company delivered a strong operational performance in FY2026, with operating income increasing by ~12% YoY to Rs. 5,612 crore (provisional figures; 8% CAGR over the last three years), driven by 8% YoY growth in machine sale volumes compared to 3% growth in the domestic excavator industry, improved realisations, healthy demand from the mining segment, improved traction in its core excavator business and a favourable product mix. The company's operating performance benefitted from a recovery in domestic excavator market share by ~1% YoY, reaffirming its strong competitive position in the segment.

THCM's financial profile strengthened materially in FY2026, supported by healthy profitability, robust cash generation and prudent working capital management. Operating margins remained healthy at ~12%, despite elevated steel prices in Q4 FY2026, aided by cost optimisation initiatives and a steady contribution from spare parts and service revenues. Improved cash flows and working capital efficiency enabled a significant reduction in total debt[1] to ~Rs. 86 crores as on March 31, 2026 (comprising entirely lease liabilities) from Rs. 310.5 crore a year earlier, resulting in a material improvement in leverage and coverage metrics, with TOL/TNW moderating to 0.9 times and interest coverage strengthening to 18.9 times. ICRA expects the benefits of lower leverage to be sustained over the medium term, as the company's moderate capex requirements and healthy operating cash flows are likely to limit dependence on fresh debt, while supporting further growth in scale. Over the near to medium term, the revenue growth is likely to remain supported by improving infrastructure execution, recovery in road sector project awards, sustained mechanisation trends and healthy demand from the mining and industrial construction segments. While inflationary pressures may impact the margins in FY2027, amid competitive intensity and elevated input costs, they are expected to remain comfortable at range bound levels of 10.5%-11.0%, driven by pricing actions, localisation initiatives, supply-chain optimisation measures and a growing contribution from higher-margin aftermarket revenues.

Notwithstanding the above strengths, the long-term rating remains tempered by THCM's exposure to inherently cyclical nature of the construction equipment industry, intense competition from domestic and international OEMs, commodity price, supply chain and foreign exchange risks arising from dependence on imported components, and product concentration, with the

[1] *Includes lease liabilities – Rs. 86.1 crore/Rs. 95.9 crore as on March 31, 2026/March 31, 2025, respectively*

excavators accounting for over 80% of revenues. While THCM has strengthened its risk mitigation framework through dynamic forex management (hedging is being done since December 2025 vs. nil hedging in FY2024 and FY2025), localisation initiatives, and efforts to diversify revenues via new products, exports and contract manufacturing opportunities within the HCMC Group, its ability to sustain profitability while further strengthening market position will remain a key monitorable.

Further, ICRA notes that HCMC has proposed global rebranding – from Hitachi to LANDCROS – from April 1, 2027, which will entail transition risk and necessitate continued customer engagement and brand building efforts. This will remain a key rating monitorable, given the potential impact on customer perception, dealer confidence and subsequent market acceptance. ICRA, however, expects the impact to remain limited, given THCM's established Tata Hitachi franchise and long-standing market presence.

The Stable outlook on the long-term rating reflects ICRA's opinion that THCM will sustain its leading position in the domestic mining and construction equipment (MCE) industry. Further, the outlook underlines ICRA's expectation that any incremental capex or investments will be funded in a manner such that it is able to durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Leading position in the domestic excavator market – THCM has maintained a leadership position in the domestic excavator industry, supported by its established presence of over 25 years, broad product portfolio and strong customer franchise. The company's competitive strength is reflected in its ability to outperform the industry in FY2026, with volume growth of 9% against domestic excavator industry growth of 3%. The demand prospects for the segment remain favourable over the medium to long term, aided by continued infrastructure investments, increasing mechanisation across construction and mining activities and advantageous product dynamics vis-à-vis backhoe loaders following the transition to CEV-V emission norms.

Established franchise with strong technological backing from HCMC – THCM's business profile is supported by its extensive dealer (51 as of FY2026 end) and service network (service outlets stands at over 310), strong brand equity, established customer relationships and continued technological support from HCMC, a global leader in hydraulic excavators. The company further benefits from its association with the Hitachi and Tata Groups, which enhances its business credibility and operational capabilities. While HCMC's planned rebranding to LANDCROS from April 1, 2027, remains a monitorable, the impact is expected to remain limited, given THCM's established Tata Hitachi franchise and long-standing market presence.

Strong financial profile with low leverage and healthy coverage indicators – THCM's financial profile remains strong, aided by sustained healthy earnings generation (RoCE above 20% over FY2024-FY2026), a conservative capital structure and comfortable debt protection metrics. The company's leverage indicators improved materially in FY2026, with TOL/TNW moderating to 0.9 times from 1.1 times in FY2025 and 1.4 times in FY2024, while the total debt declined to Rs. 86 crores from Rs. 310 crores in FY2025. Reflecting the lower debt burden and healthy profitability, the interest coverage strengthened to 18.9 times in FY2026 from 12.4 times in FY2025, while TD/OPBDITA improved to 0.1 times from 0.5 times over the same period. The company's working capital intensity improved significantly, led by focused inventory and supply chain management, with NWC/OI reducing to 7% from 12% in FY2025. This supported a stronger cash generation, enabling free cash and liquid investments to increase to Rs. 231 crores as on March 31, 2026, despite a dividend payout of ~Rs. 220 crore. While the company expects to incur capex of Rs. 180-200 crore in FY2027, the same is planned to be funded through internal accruals. THCM is expected to maintain a comfortable financial risk profile over the medium term, driven by healthy accruals, moderate capex requirements and limited dependence on external debt. Any sizeable dividend payout, which could adversely impact its financial metrics, would be a key monitorable.

Credit challenges

Susceptible to cyclicality in infrastructure spending and mining activity – THCM's operating performance remains linked to investment activity in the infrastructure, construction and mining sectors, which are inherently cyclical and influenced by the pace of Government capital expenditure, private sector investments and overall economic conditions. Any slowdown in project execution, deferment of infrastructure spending or moderation in mining activity could adversely impact equipment demand, thereby affecting the company's volume growth and profitability. While the Government's continued focus on infrastructure development is expected to support medium-term demand prospects, THCM's initiatives towards broadening its product portfolio, increasing after-market revenues and expanding exports provide some diversification benefits, partially mitigating the risks associated with end-market cyclicality.

Profitability exposed to competitive pressures, input cost inflation and forex fluctuations – THCM's profitability remains exposed to fluctuations in steel and other commodity prices (as raw material account for majority of the cost structure), supply-chain disruptions and adverse forex movements due to relatively high import dependence (~35% of total raw material consumption in FY2026), and intense competition in the domestic construction equipment industry, particularly from Chinese OEMs. While inflationary pressures may impact the margins in FY2027 amid elevated commodity costs (since January 2026), the profitability at absolute levels is expected to remain range-bound at comfortable levels (10.5-11%) over the medium term, supported by benefits from ongoing cost optimisation initiatives, operating leverage and a growing contribution from higher-margin after-market revenues. Nevertheless, its ability to pass on cost hikes and sustain margins at healthy levels will remain a key monitorable.

Liquidity position: Adequate

THCM's liquidity is expected to remain adequate, with positive cash flows from operations, coupled with buffer available as undrawn fund-based working capital limits (~Rs. 900 crore) and free cash balance of ~Rs. 230 crore as on March 31, 2026. The company's average working capital utilisation was ~30% of the sanctioned limits during the 12 months that ended in March 2026. As against these sources, the company has planned capex of Rs. 180-200 crore and no long-term debt repayment obligations in FY2027. ICRA expects the current liquidity buffer and expected cash flows from operations to comfortably meet near-term funding commitments.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if the company is able to significantly increase its scale of operations by diversifying its revenues, along with material strengthening of its market share and profitability, while maintaining net debt free status on a sustained basis.

Negative factors – Negative pressure on THCM's ratings could arise with a sustained pressure on margins or if the leverage or coverage metrics deteriorate on account of stretched working capital cycle, higher-than-expected capex spend or sizeable dividend payout. Specific credit metric that could lead to a rating downgrade include TD/OPBDITA above 1.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction Vehicles
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

Tata Hitachi Construction Machinery Company Private Limited, formerly Telco Construction Equipment Company Limited, is one of the major players in the Indian mining and construction equipment industry with leading market share in the hydraulic excavator machine segment. The company's product portfolio primarily consists of extensive range of hydraulic excavators, in addition to lower volumes of wheel loaders, backhoe loaders, etc. THCM has two manufacturing facilities, one each at Dharwad (Karnataka) and Kharagpur (West Bengal).

THCM began operations as the construction equipment division of Tata Engineering in 1961. It was incorporated as Telco Construction Equipment Company Limited in 1998 under the ownership of the Tata Group. In 2000, Hitachi Construction Machinery Company Limited (HCMC) acquired a 20% stake in THCM, subsequently raising it to 40% in December 2005 and 60% in March 2010. In December 2012, the company's name was changed to Tata Hitachi Construction Machinery Company

Limited and subsequently to Tata Hitachi Construction Machinery Company Private Limited. At present, THCM is a joint venture between HCMC (60% stake) and Tata Motors Limited (~40%).

Key financial indicators (audited)

THCM Standalone	FY2025	FY2026*
Operating income (Rs. crore)	5,024.4	5,612.0
PAT (Rs. crore)	370.4	403.5
OPBDIT/OI (%)	12.8%	11.9%
PAT/OI (%)	7.4%	7.2%
Total outside liabilities/Tangible net worth (times)	1.1	0.9
Total debt/OPBDIT (times)	0.5	0.1
Interest coverage (times)	12.4	18.9

*Source: Company ICRA Research; All ratios as per ICRA's calculations; * Provisional data*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;
Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based/Non-fund based - Others	Long Term/ Short Term	900.00	July 27, 2026	[ICRA]AA+ (Stable)/ [ICRA]A1+	July 07, 2025	[ICRA]AA (Positive)/ [ICRA]A1+	Jun 18, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Jul 18, 2023	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term - Fund-based/Non-fund based - Others	Simple

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	Financial sector regulator[#]
NA	**Fund-based/Non-fund based - Others**	-	-	-	900.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	RBI

Source: Company

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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

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

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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.

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