August 03, 2026

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	Financial sector regulator#
Long-term – Fund-based – Cash credit	176.11	176.11	[ICRA]AA+(Stable); reaffirmed	RBI
Long-term/short term – Non-fund based – Others	769.00	790.40	[ICRA]AA+(Stable)/ [ICRA]A1+; reaffirmed & assigned for enhanced amount	RBI
Issuer rating	-	-	[ICRA]AA+(Stable); reaffirmed	-*
Total	**945.11**	**966.51**		

^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

**Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

Rationale

The ratings reaffirmation reflects Tata Consulting Engineers Limited's (TCEL) long track record and extensive experience in the consulting industry, along with its continued leadership position in the domestic infrastructure consulting space. The entity has a diversified presence across geographies and business verticals, as well as a reputed clientele. The order book also remains healthy, supported by a comfortable financial profile. The company is expected to witness steady revenue growth over FY2027-FY2028, driven by its healthy order book position (~Rs. 5,056 crore as on March 31, 2026; OB/OI of 1.8 times based on FY2026 operating income), providing adequate medium-term revenue visibility, along with sustained order inflows.

The ratings continue to factor in TCEL's comfortable debt protection metrics and strong liquidity. Despite the debt-funded acquisition of CDI Engineering Solutions, LLC (CDI; now known as Tata Consulting Engineers USA, LLC) in January 2025 by TCE Delaware Corp. (a wholly owned subsidiary of TCEL), the total outside liabilities-to-tangible net worth (TOL/TNW) remained comfortable at 0.9 times as on March 31, 2026 (FY2025: 1.0 times). The coverage metrics also remain comfortable, notwithstanding some moderation arising from the impact on consolidated margins due to losses in the newly acquired US subsidiary. ICRA notes that the debt availed for the CDI acquisition (Rs. 242.1 crore outstanding as of March 2026) carries a bullet repayment obligation in October 2027, and the timely refinancing of the same remains a key monitorable. TCEL maintains a strong liquidity position, as reflected in free cash and liquid investments of ~Rs. 122 crore as on March 31, 2026. The ratings also derive comfort from the company's strong parentage as a wholly owned subsidiary of Tata Sons Private Limited (TSPL), and the resulting financial flexibility. ICRA expects the demonstrated Group support in the form of strategic, managerial and funding (if required) support to TCEL to continue going forward.

The long-term rating is, however, constrained by the company's working capital-intensive operations, characterised by an elongated cash conversion cycle, particularly for Government clients, and the milestone-based billing nature of contracts. While the working capital intensity improved in FY2026 (29.2% from 33.2% in FY2025), supported by better collections particularly in its US operations and healthy revenue growth, it is likely to remain elevated, with any material provisioning towards debtors or contract assets remaining a key monitorable. ICRA notes that the company's operating profitability moderated to 11.5% in FY2026 from 19.8% in FY2025, primarily on account of operating losses in CDI, weaker-than-expected performance, and lower utilisation levels in select business segments. While profitability remains lower than historical levels, a gradual recovery in earnings is likely supported by improving utilisation levels and cost optimisation initiatives. Nevertheless, TCEL's ability to improve the profitability of CDI and post recovery in consolidated margins remains a key monitorable from a credit perspective. Its profitability remains vulnerable to intense competition, especially in the domestic market. However, TCEL's strong technical expertise, pan-India presence, diversified segment exposure, and relatively higher-margin standalone business have helped it partially offset the pricing pressures arising from increased competition. TCEL's business profile remains exposed to investment cycles across key end-user industries and intense competition in the engineering consultancy sector. While the company benefits from a diversified presence across sectors, customers and geographies, order inflows remain susceptible to macroeconomic conditions, sector-specific capex cycles and delays in customer investment decisions. Nevertheless, its healthy order book provides some cushion against sector-specific downturns. ICRA notes that TCEL remains exposed to the risk of adverse exchange rate movements arising from revenues generated in overseas markets. Nevertheless, it follows a hedging policy for a portion of its exposure, which mitigates the impact of adverse exchange rate movements to an extent.

The Stable outlook reflects ICRA's expectation that TCEL will sustain steady revenue growth, supported by its healthy and diversified order book, while gradually improving profitability and maintaining a comfortable capital structure and 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 – TCEL's strong parentage as a wholly owned subsidiary of TSPL provides significant financial flexibility. ICRA expects the demonstrated group support in the form of strategic, managerial and funding support to TCEL to continue going forward. TCEL has a long track record and extensive experience in providing consulting services across diverse business verticals. TCEL enjoys a strong client profile across these business verticals, including reputed names from both the public and private sectors.

Diversified presence across sectors, clients and geographies lends stability to business profile – TCEL's business profile remains diversified across sectors, customers and geographies, reducing its dependence on any single segment or client. The order book is well diversified, with the top five projects accounting for only ~16% of the unexecuted order book as on March 31, 2026. In addition, the company's presence across domestic and international markets and multiple business verticals supports revenue resilience and provides stability to its overall business profile across economic cycles.

Healthy order book providing adequate medium-term revenue visibility – The company's order book strengthened to ~Rs. 5,056 crore as on March 31, 2026, from ~Rs. 4,258 crore as on March 31, 2025, supported by healthy order inflows during FY2026. The outstanding order book translates into an Order Book/Operating Income (OB/OI) ratio of 1.8 times the FY2026 consolidated operating income, providing adequate medium-term revenue visibility. Further, the diversified composition of the order book across sectors and geographies supports revenue stability and growth prospects.

Comfortable capital structure and debt protection metrics – The company's capital structure remains comfortable, with a TOL/TNW ratio of 0.9 times as on March 31, 2026 (1.0 times as on March 31, 2025). Its debt protection metrics also remain comfortable, as reflected by an interest coverage ratio of 11.1 times in FY2026. While the company's leverage and coverage indicators moderated in FY2026 owing to lower profitability and acquisition-related debt, they continue to remain at comfortable levels. ICRA expects TCEL to maintain a comfortable capital structure and adequate debt protection metrics, supported by its healthy liquidity position, improving profitability and prudent financial management.

Credit challenges

Working capital-intensive operations with sizeable receivables and unbilled revenue – TCEL's operations remain working capital intensive, primarily on account of an elongated cash conversion cycle, particularly for Government clients, and the milestone-based billing nature of contracts. Nevertheless, the company's working capital profile improved in FY2026, with the NWC/OI ratio moderating to 29.2% from 33.2% in FY2025, supported by higher revenue growth and improved collections. While the working capital intensity remains relatively high, any material write-offs or provisions towards receivables and contract assets could impact profitability. The company's ability to sustain the improvement in working capital metrics remains a key monitorable.

Dependence on profitable scale-up of US subsidiary for meaningful consolidated returns – While the acquisition of TCE USA LLC has strengthened TCEL's scale, geographical diversification and international presence, the US operations reported losses in FY2026, thereby weighing on consolidated profitability. Nevertheless, business traction improved in FY2026, with sizeable order inflows resulting in a healthy order book position for the US subsidiary as well. The company's ability to achieve sustained improvement in utilisation levels and profitability at the US operations remains critical for enhancing consolidated earnings and remains a key monitorable.

Susceptibility of order inflows to cyclical capex spending across key end-user industries and stiff competition – TCEL's business profile remains exposed to investment cycles across key end-user industries and intense competition in the engineering consultancy sector. While the company benefits from a diversified presence across sectors, customers and geographies, order inflows remain susceptible to macroeconomic conditions, sector-specific capex cycles and delays in customer investment decisions. This was evident in FY2026, with weaker business activity in some segments amid subdued client spending and global uncertainties. Further, competition from established domestic and international players continues to exert pressure on pricing and margins. Nevertheless, the company's diversified business profile and healthy order book provide some cushion against sector-specific downturns.

Liquidity position: Strong

The company's liquidity position remains strong, supported by healthy cash flow generation, free cash and liquid investments of ~Rs. 122 crore as on March 31, 2026, and a sizeable cushion in its fund-based working capital limits. Against this, the company has minimal repayment obligations in FY2027, which can be comfortably serviced through its balance sheet liquidity and cash accruals generated during the year. Further, the company enjoys strong financial flexibility arising from its association with the Tata Group.

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 enhancing its profitability parameters and liquidity position.

Negative factors – Pressure on the ratings could emerge in the event of any material decline in revenue and profitability indicators and/or a significant weakening of the company's capital structure and debt protection metrics on a sustained basis. Additionally, deterioration in TCEL's working capital cycle leading to an adverse liquidity position could warrant a rating downgrade. Further, any weakening of its linkage with the parent company and/or deterioration in the credit profile of the parent entity could be a negative trigger. The specific credit metric includes a 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 TCEL. ICRA expects Tata Sons to be willing to extend TCEL financial support, should there be a need, given TCEL's status as a w0068olly 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 TCEL'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, TCEL 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 provide engineering design solutions for Tata Power and has since emerged as a multidisciplinary engineering consulting firm. It is one of India's leading engineering consultants, having executed numerous projects in India and overseas across diverse industries. The company has delivery centres at seven locations - Mumbai, Bengaluru, Kolkata, Jamshedpur, Noida, Vadodara and Pune. TCEL is working on several projects funded by international funding agencies such as the World Bank, the Asian Development Bank and the Japan International Cooperation Agency. In addition to independent directors, TCEL's board of directors include senior representatives from other Tata Group companies, with Mr. L. Krishnakumar, former Executive Director and Group CFO of Tata Consumer Products Limited, serving as the Chairman of the Board.

Key financial indicators (audited)

TCEL Consolidated	FY2025	FY2026
Operating income	2,036.2	2,834.0
PAT	270.5	154.6
OPBDITA/OI (%)	19.8%	11.5%
PAT/OI (%)	13.3%	5.5%
Total outside liabilities/Tangible net worth (times)	1.0	0.9
Total debt/OPBDITA (times)	1.0	1.3
Interest coverage (times)	39.0	11.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; OI: Operating income; PAT: Profit after tax; OPBDITA: 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 (FY2027)				Chronology of rating history for the past 3 years					
	FY2027				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long-term	176.11	August 03, 2026	[ICRA]AA+ (Stable)	June 11, 2025	[ICRA]AA+ (Stable)	April 05, 2024	[ICRA]AA+ (Stable)	-	-
							January 10, 2025	[ICRA]AA+ (Stable)	-	-
Non-fund based – Others	Long-term/Short-term	790.40	August 03, 2026	[ICRA]AA+ (Stable)/ [ICRA]A1+	June 11, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	April 05, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-
							January 10, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-
Unallocated	Long-term/Short-term	0.00	August 03, 2026	-	June 11, 2025	-	April 05, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-
							January 10, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-
Issuer rating	Long-term	-	August 03, 2026	[ICRA]AA+ (Stable)	June 11, 2025	[ICRA]AA+ (Stable)	April 05, 2024	[ICRA]AA+ (Stable)	-	-
							January 10, 2025	[ICRA]AA+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – cash credit	Simple
Long-term/short term – Non-fund based – Others	Simple
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	Financial sector regulator#
NA	**Fund-based facilities**	NA	NA	NA	176.11	[ICRA]AA+(Stable)	RBI
NA	**Non-fund based Limits**	NA	NA	NA	790.40	[ICRA]AA+(Stable)/ [ICRA]A1+	RBI
NA	**Issuer rating**	-	-	-	-	[ICRA]AA+(Stable)	-*

Source: Company, ICRA Research

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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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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.

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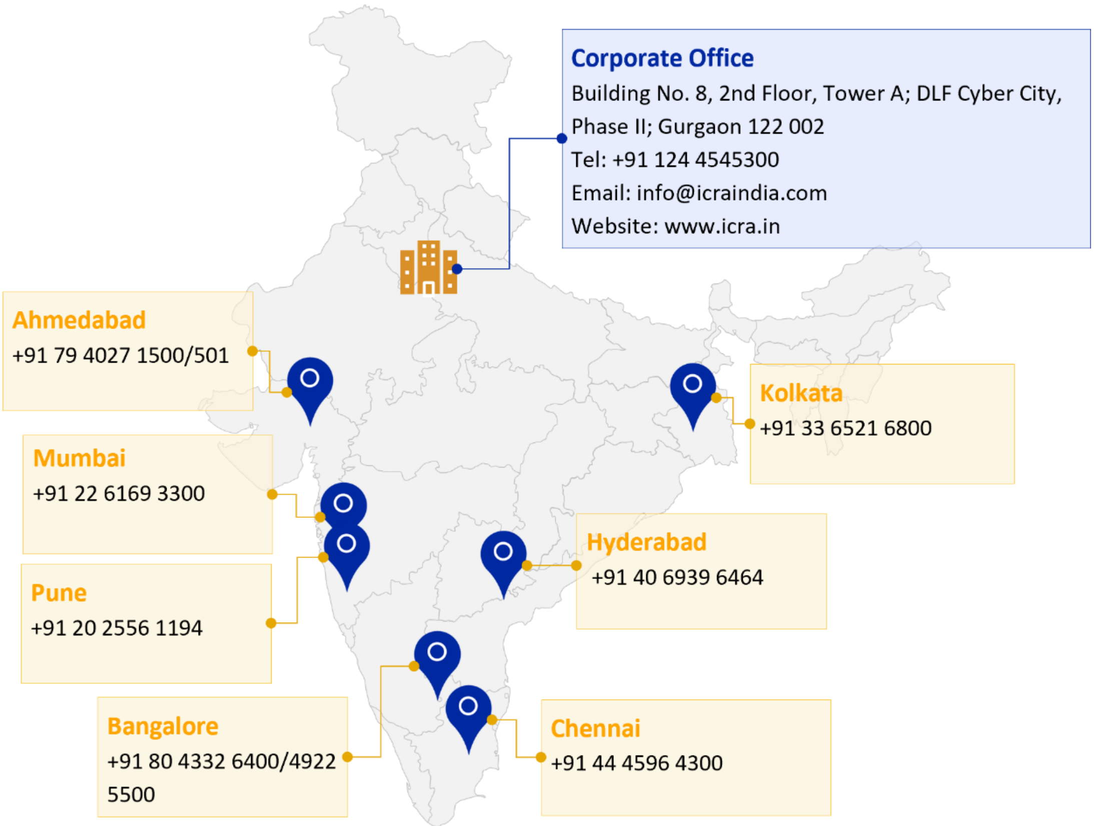

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