Tata Motors Limited

August 07, 2025

On July 30, 2025, the Executive Committee of the Board of Tata Motors Limited (TML), duly authorized by its Board of Directors approved the 100% acquisition of Iveco Group N.V. (excluding its defence business) [Iveco], through an all-cash voluntary tender offer. The overall consideration for the acquisition is €3.8 billion and is subject to various necessary regulatory, statutory, and other approvals. Iveco Group N.V., currently listed on Euronext Milan is expected to be delisted following the sale or spin-off of defence business prior to the settlement of the tender offer. The acquisition is expected to close by April 2026. TML will initially fund it through a €3.8 billion bridge facility committed by Morgan Stanley and MUFG, which is planned to be refinanced by April 2027. The refinancing is expected to involve ~30% equity infusion, proceeds from the sale of stake in investments and long-term debt of 4-5 year's tenure.

The already announced demerger plan of TML segregating its Commercial Vehicle (CV) and Passenger Vehicle (PV) businesses in two separately listed companies is on track and the said demerger is expected to be effective in October 2025.

CARE Ratings Limited (CareEdge Ratings) takes note of the recent announcement for acquisition of Iveco which would come under the CV entity. The acquisition will lead to TML becoming 4th largest global player in above 6 tonne truck segment diversifying TML's geographical presence across Europe and LatAm. Further the product profile of Iveco Group N.V. is complementary to TML's product portfolio. Iveco commands ~11% market share in the truck segment across the EU and LatAm (Brazil & Argentina) markets, supported by key manufacturing hubs in Italy and Spain. The company offers a comprehensive range of trucks, from LCVs to HCVs (>3.2T), all under the Iveco brand. In the EU upper-end LCV segment (6.01–7.49T), Iveco holds a dominant position with a market share of around 65%. Overall, it captures 12.2% of the EU LCV market and 18.0% of the LCV market in LatAm. In the M&HCV segment, Iveco holds an 8.4% market share in the EU and 9.2% in LatAm. Iveco is the second-largest bus manufacturer in Europe, with key manufacturing facilities located in Czech Republic and France. The company offers a diverse portfolio of buses—including intercity, city, minibuses, and coaches—marketed under the Iveco and Heuliez brands. In the EU intercity bus segment, Iveco holds a market-leading position with a 50% share as of CY24. It also ranks as the second-largest player in the EU city bus segment. Additionally, Iveco is the fifth-largest engine manufacturer globally, with key manufacturing operations in Italy. Its product offerings include engines, drivelines, and electric powertrains.

As a part of this acquisition, Iveco is expected to hive off its defence division by March 2026. Also, as a part of acquisition of Iveco, its captive financial services arm viz. Iveco Capital shall also come to TML. Iveco Capital is largely into wholesale and retail lending. Under wholesale lending, it is into dealer financing and few customized financing solutions for distributors whereas under retail lending, it provides loans to end customers majorly through partners. It has presence of more than 50 years in this business with a total portfolio (On and off-books) of €8.3 billion carrying ROTA of ~2% while delinquencies on books (>30 days) stood at 1.9%.

The €3.8 billion bridge financing facility to be used to fund the Iveco acquisition in FY27 is expected to moderate the capital structure and leverage indicators of the demerged CV entity (including Iveco) in FY27. However, with subsequent refinancing through equity infusion and proceeds from the stake sale, the capital structure is expected to again improve in FY28 with peak net debt/PBILDT at ~0.75x during this acquisition in FY26-27. Iveco (excluding defence business) also carry healthy financial profile with similar PBILDT margin as TML with net cash position of ~€1.6 billion as on December 31, 2024. With the acquisition of Iveco, TML's scale of operations will significantly increase to over ₹2 lakh crore with healthy PBILDT margin of 12% leading to healthy free cash flows which should comfortably meet servicing of its acquisition debt. Although, CareEdge Ratings has a credit neutral view on the demerged CV entity and the acquisition, it will continue to monitor the further developments with regard to the said acquisition.

Please refer to the following link for CareEdge Ratings Ltd.'s previous press release on Tata Motors Limited, which captures, among other things, the rationale and key rating drivers along with their detailed description, rating sensitivities, liquidity position, and brief financial indicators. Click here.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Arti Roy Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in

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