TML COMMERCIAL VEHICLES LIMITED

October 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	4,500.00	CARE AA+; Stable	Assigned
Short-term bank facilities	2,200.00	CARE A1+	Assigned
Non-convertible debentures	2,000.00	CARE AA+; Stable	Assigned
Commercial paper	6,000.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and instruments of TML Commercial Vehicles Limited (TMLCV) are driven by the strong business and financial profile of Tata Motors Limited's (TML) commercial vehicles (CV) business, which will be housed under TMLCV following the demerger approved by the National Company Law Tribunal (NCLT), effective October 01, 2025. The restructuring is aimed at enhancing strategic clarity and operational focus across TML's business segments. Tata Sons Private Limited (TSPL) will continue as the parent entity of TMLCV, mirroring the current shareholding pattern of TML, ensuring continuity in ownership and governance. Hereafter, "TMLCV" refers to TML's existing CV business.

Ratings remain aligned with the analytical approach previously adopted for TML (prior to demerger) and continue to reflect the healthy operating performance of the CV business in FY25 and Q1FY26, with total operating income (TOI) of ~₹75,100 crore in FY25 (previous year: ₹78,800 crore) and ₹17,000 crore in Q1FY26 (previous year: ₹17,800 crore). Operating margins improved to 11.8% in FY25 (PY: 10.8%) and 12.2% in Q1FY26 (PY: 11.6%), supported by better cost efficiencies and an improved product mix.

TMLCV benefits from its established position as one of India's largest OEMs, a geographically diversified presence backed by a robust sales and service network, and the strong parentage of TSPL. Healthy generation of free cashflows in FY24 and FY25 has helped to significantly de-leverage TMLCV, further strengthening its financial risk profile. Ratings also factor in the proposed acquisition of Iveco Group N.V., announced in July 2025, where TMLCV will acquire Iveco Group N.V. (Iveco, excluding its defence business) for a consideration of €3.8 billion through an all-cash tender offer. The acquisition is expected to close by April 2026 and will significantly expand TMLCV's global footprint, product portfolio, and scale, positioning it among the top global players in the CV segment.

However, ratings are tempered by inherent risks associated with the cyclical and highly competitive CV industry, and operating margins susceptible to volatility in commodity prices. Ratings also factor in the company's moderate capex plans in the medium term (excluding Iveco's acquisition) for meeting consumer and regulatory requirements, technology upgrades, and for improving competitive positioning.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Substantially improving profit before interest, lease rentals, depreciation and taxation (PBILDT) margin, supported by significantly improving its market share across business segments, leading to significant generation of free cashflows and net debt-free status on a sustained basis.

Negative factors

- Deteriorating net debt/PBILDT beyond 0.75x on a sustained basis.
- Weakening operational performance, leading to significant loss of market share and decline in operating margins on a sustained basis.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach: Standalone. For arriving at ratings, CARE Ratings Limited (CareEdge Ratings) has used its notch-up framework, factoring in the support derived as part of the Tata group, with TSPL as its main ultimate shareholder, which will directly hold shareholding in TMLCV post demerger.

Outlook: Stable

The stable outlook reflects the company's ability of maintaining market position by leveraging strong brand and stable demand scenario, which will help in sustaining and improving healthy business profile over the medium term, while maintaining a disciplined financial risk profile.

Detailed description of key rating drivers:

Key strengths

Strong linkages and support from Tata group

TMLCV business is part of the Tata group, which comprises 30 leading companies across 10 verticals, including information technology, steel, automotive, consumer and retail, infrastructure, financial services, aerospace and defence, tourism and travel, telecom and media, and trading and investment. The group operates in over 100 countries across six continents. TMLCV remains strategically important to the Tata group. As on June 30, 2025, TSPL and the promoter group held 42.57% stake in TML, which holds 100% stake in TMLCV. Post demerger, similar promoter holding will mirror in TMLCV. As part of the Tata group, TMLCV benefits from significant financial flexibility, and TSPL has a strong track record of providing financial support to group companies.

Strong market position and well-diversified product portfolio in the Indian CV business

TMLCV is the market leader in the domestic CV segment with a market share of 37.1% in FY25 (FY24: 39.2%) and offers a broad portfolio of automotive products, including light, medium, and heavy CVs, in goods carrier and passenger carrier varieties. Despite a 4.7% revenue decline in the CV segment, primarily due to a 5.1% drop in volumes, the segment reported a 100bps improvement in PBILDT margin, reaching 11.8% in FY25 compared to 10.8% in FY24. This margin expansion was driven by cost-saving initiatives and improved realisations, supported by a disciplined pricing strategy focused on reducing discounting and prioritising profitable growth. Overall CV volumes moderated by 5.2% year-over-year (y-o-y) in FY25 due to y-o-y de-growth of 8.0% and 13.4% in heavy CV trucks and small CV cargo and pickup. However, intermediate and light medium CV volumes increased by 6.4% and CV passenger vehicle volumes grew by 14.8%. In Q1FY26, the CV business reported a revenue decline of 4.7% despite volume de-growth of 6.0% supported by a healthy PBILDT margin of 12.2%. CareEdge Ratings expects TMLCV to maintain significant leadership in the domestic CV market, despite industry volume growth expected to remain muted in FY26. TMLCV has a well-diversified product portfolio and automotive manufacturing facilities in Jamshedpur, Pune, Lucknow, Pantnagar, and Dharwad. As on March 31, 2025, TMLCV's business sales and distribution network in India comprised of 1,368 sales and 3,208 service touch points.

Demerger of TML to sharpen business focus and capital efficiency

Vide order dated August 25, 2025, National Company Law Tribunal (NCLT) has approved the scheme of arrangement, where the CV business undertaking of TML is demerged into TMCVL, incorporated in 2024, and Tata Motors Passenger Vehicles Limited (TMPVL) is merged into the existing listed company, TML, which will be renamed as TMPVL. Pursuant to this, earlier TMPVL will dissolve, resulting in two separate listed companies for the CV and PV businesses. Post-demerger, the PV business will house the existing domestic PV, JLR, and EV, which is expected to continue its growth trajectory. CareEdge Ratings expects that despite the de-merger, PV and CV businesses will continue to grow, maintain their respective strong market positions, and improve cashflow generation. The appointed date for the scheme is July 01, 2025, with the effective date of demerger as October 01, 2025. Upon demerger, shareholders will receive equivalent shares in the resulting entities. As of the appointed date, the asset split between the CV and PV entities is expected to follow a 60:40 ratio. Any remaining common assets and liabilities will also be allocated in the same proportion. The transaction is expected to be tax neutral.

Healthy financial risk profile despite Iveco acquisition

On July 30, 2025, the Executive Committee of TML's Board approved the €3.8 billion all-cash acquisition of Iveco Group N.V. (excluding its defence business), subject to regulatory and statutory approvals. The acquisition, expected to close by April 2026, will be funded initially through a bridge loan from Morgan Stanley and MUFG, to be refinanced by April 2027 through a mix of equity infusion (~30%), stake sale, and long-term debt. Iveco, a major player in the EU and LatAm CV markets, will significantly enhance TMLCV's global presence, making it the 4th largest player in the over 6T truck segment. Iveco's complementary product portfolio, and its €1.6 billion net cash position as on December 31, 2024, and €8.3 billion financial services arm (Iveco Capital), will strengthen TML's CV business post-demerger in October 2025. Iveco commands ~11% market share in the truck segment across the EU and LatAm (Brazil & Argentina) markets. 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. 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. Its product offerings include engines, drivelines, and electric powertrains. Despite a moderate increase in leverage, net debt to PBILDT is expected to remain below 0.75x, the acquisition is expected to be credit neutral, supported by healthy free cash flows and an improved capital structure projected by end-FY28.

Liquidity: Strong

TMLCV's liquidity profile remains strong, supported by cash and liquid investments of ~₹4,455 crore as on June 30, 2025. Once the bank lines become active from the effective date of demerger, TMLCV will also have liquidity buffers in the form of unutilized fund-based working capital lines and fully unutilized commercial paper. The available liquidity and liquidity buffer, against total debt of ~₹5,954 crore as on June 30, 2025, are adequate to cover debt repayments in the medium term. The unutilised bank lines are sufficient to meet incremental working capital requirements over the next one year. The capex requirements of TMLCV and Iveco are expected to be met through their respective free cash flows. Liquidity remains supported by strong financial flexibility, backed by the company's association with the Tata Group.

Key weaknesses

Exposure to inherent cyclical automobile industry and competitive pressures

TMLCV remains exposed to the cyclical automotive industry, which witnessed significant volatility in the past due to macroeconomic factors, especially in the domestic CV segment. The industry is influenced majorly by government spending and growth in GDP. Per CareEdge Ratings research, in FY24, the industry faced challenges, resulting in muted volume growth of 0.7% due to fading domestic demand, and sluggish overseas demand. In FY25, CV industry volumes marginally declined by 1.2%, with the M&HCV segment staying flat and the LCV segment registering a decline of 2.0%. Demand for M&HCV trucks in FY25 was led by replacement demand, infrastructure development, and construction activities. In Q1FY26, domestic CV volumes marginally declined by 0.6% y-o-y.

Susceptibility of margins to raw material price volatility

Key raw materials required for CV original equipment manufacturers (OEMs) include steel, iron, aluminium, copper, rubber, and glass. Prices of these raw materials have shown significant volatility in recent years. Most OEMs have increased prices post-COVID to mitigate the impact of higher input costs. However, passing on the entire increase to end-consumers remains challenging, especially in segments with intense competition. Thus, margins of OEMs remain susceptible to variations in raw material prices.

Moderate capital intensity of its businesses

The automotive industry is capital-intensive and requires substantial investments for continuous technology upgrades and new product launches. The transition to electric vehicles (EVs) also entails significant research and product development expenses. TML also has large capex plans in the medium term across its business segments. Its India CV business will entail capex of ~2-4% revenues in the medium term. TML's CV business' ability to generate healthy free cashflows in an industry downturn can be severely tested in the backdrop of its capex requirements on a continuous basis for keeping itself abreast of evolving technologies, meeting regulatory norms on emission reduction, and the ongoing electrification drive.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Commercial Vehicles
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Agricultural, commercial and construction vehicles	Commercial vehicles

Incorporated in 2024, TMLCV will house the CV business of TML and will be among the leading automotive manufacturers in India. Vide order dated August 25, 2025, the NCLT approved the scheme of arrangement under which the CV business undertaking of TML is demerged into TMLCV, which will be renamed as TML. Post demerger, through its subsidiaries and associates, TMLCV will also have a presence in South Korea and a manufacturing base across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), and Dharwad (Karnataka) in India.

Brief Financials: Not applicable as company is recently incorporated and CV business of TML is being transferred to the company on October 01, 2025.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)*	-	-	-	7-364 days	6,000.00	CARE A1+
Debentures-Non-convertible debentures*	-	-	-	-	2,000.00	CARE AA+; Stable
Fund-based - LT-Term Loan*	-	-	-	-	1,000.00	CARE AA+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	3,500.00	CARE AA+; Stable
Fund-based - ST-Daylight Overdraft Credit Facility	-	-	-	-	1,200.00	CARE A1+
Non-fund-based - ST-Working Capital Limits	-	-	-	-	1,000.00	CARE A1+

*Proposed, no outstanding

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Debentures-Non-convertible debentures	LT	2000.00	CARE AA+; Stable				
2	Commercial Paper-Commercial Paper (Standalone)	ST	6000.00	CARE A1+				
3	Fund-based - ST-Daylight Overdraft Credit Facility	ST	1200.00	CARE A1+				
4	Fund-based - LT-Working Capital Limits	LT	3500.00	CARE AA+; Stable				
5	Fund-based - LT-Term Loan	LT	1000.00	CARE AA+; Stable				
6	Non-fund-based - ST-Working Capital Limits	ST	1000.00	CARE A1+				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not available

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT-Working Capital Limits	Simple
5	Fund-based - ST-Daylight Overdraft Credit Facility	Simple
6	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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