Tata Motors Passenger Vehicles Limited

July 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,800.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	200.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	1,100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Tata Motors Passenger Vehicles Limited (TMPVL) factor in its strong parentage being wholly owned subsidiary of Tata Motors Limited (TML, rated 'CARE AA+; Stable/ CARE A1+'), a market leader in domestic commercial vehicle (CV) market, while the company is one of the top four players in the domestic passenger vehicle (PV) industry. TMPVL has strong operational, managerial, and financial linkages with TML and Tata Group. TMPVL has strong financial flexibility as being part of the Tata Group. Ratings also factor TMPVL's established track record as one of the leading players in the domestic PV market and its large sales and distribution network.

CARE Ratings Limited (CareEdge Ratings) expects that the proposed demerger plan of TML segregating its CV and PV [including domestic PV+ Electric Vehicles (EV)+ Jaguar Land Rover (JLR)] businesses into two separately listed companies will not alter its net cash position for each of the companies. CareEdge Ratings expects strong business profile of its CV and PV segments to support credit profiles of two independent companies as well and the demerger is expected to be credit neutral.

CareEdge Ratings expects TMPVL to maintain and improve its market share in the domestic PV market in the medium-to-long term. The company reported a decline in total operating income (TOI) by 3.9% y-o-y in FY25, primarily driven by an unfavourable product mix, weaker realisations and decline in hatchback volumes. While the hatchback volumes declined by 13%, SUV volumes grew by 11% in FY25. Operating margins moderated by 102 bps to 5.94% in FY25 (FY24: 6.96%) driven by adverse product mix and lower realisations.

However, ratings are tempered by the company's large capex plans in the medium term for meeting consumer and regulatory requirements, EV penetration, technology upgrades, and for improving competitive positioning. The inherent cyclical nature and competitive pressure limits the scope for expansion in operating margin in the domestic PV industry, with high degree of competition envisaged from incumbents and new entrants.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving credit profile of TML.

Negative factors

- Deteriorating credit profile of TML.
- Weakening of operational performance, leading to significant loss of market share and declining operating margins below 5% on a sustained basis.

Analytical approach: Standalone

Standalone. For arriving at ratings, CareEdge Ratings has used its notch-up framework, factoring support that it derives from being a wholly owned subsidiary of TML.

Outlook: Stable

The stable outlook reflects the company's ability of maintaining and improving its market position by leveraging its strong brand and new product launches. Stable demand scenario is expected to help it in sustaining and improving its business profile over the medium term, while maintaining a strong leverage position.

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

Detailed description of key rating drivers:

Key strengths

Strong linkages and support from TML

TMPVL is a part of the Tata group, comprising 30 leading companies across 10 verticals, including Information Technology (IT), steel, automotive, consumer and retail, infrastructure, financial services, aerospace and defence, tourism and travel, telecom and media, and trading and investment. The group's operations span across over 100 countries in six continents. TMPVL is a wholly owned subsidiary of TML, which is the market leader in the domestic CV market. TMPVL is among the top four players in the domestic PV segment. In FY22, TMPVL was formed because of hiving off of TML's PV unit to focus on PVs powered by internal combustion engines. TMPVL has managerial linkages with TML as evidenced by presence of few common directors between TML and TMPVL. P B Balaji, Tata Motors Group CFO, is also on the Board of TMPVL. TMPVL also has operational linkages with TML and continues to be strategically important for the Tata group. The key management personnel of TMPVL have long-standing association with Tata Group. In the past, TMPVL issued ICD's to TML exhibiting financial linkages between TML and TMPVL. Being a part of the Tata group, TMPVL receives immense financial flexibility.

Healthy market share in PV business

TML's PV market share has been consistently increasing, from 4.8% in FY20 to 13.9% in FY24, driven by strong demand for the 'New Forever' portfolio and agile actions on demand and supply side. Demand emanated from increasing preference towards personal mobility, success of new product launches and availability of multiple powertrain options. However, TML's PV market share marginally declined to 13.2% in FY25 due to increased competition from new model launches.

Stable operating performance despite some moderation in FY25

The company's TOI has remained healthy at ₹48,969 crore in FY25 although declined by 3.9% y-o-y driven by an unfavourable product mix, weaker realisations and decline in hatchback volumes. While the hatchback volumes declined by 13%, SUV volumes grew by 11% in FY25 representing strong demand for its SUV product portfolio. Operating margins moderated by 102 bps to 5.94% in FY25 (FY24: 6.96%) driven by adverse product mix and lower realisations considering highly competitive and discount-driven environment during the year.

Strong financial risk profile

The company has strong financial risk profile characterised by robust capital structure and healthy debt coverage indicators. Overall gearing (including LC acceptances) improved to 0.38x (PY: 0.49x) as on March 31, 2025 considering reduction in LC acceptances from ₹1,592 crore as on March 31, 2024 to ₹431 crore as on March 31, 2025. Majority long-term debt is considering lease liabilities of ₹900 crore. The company has not utilised its fund-based working capital limits and has liquidity buffers of ₹1,260 crore as on March 31, 2025. The company has comfortable debt coverage metrics with improved total debt/ gross cash accruals (GCA), total debt/ PBILDT and interest coverage ratio to 0.70x (PY: 0.74x), 0.73x (PY: 0.74x), and 18.41x (PY: 14.97x), respectively, in FY25. The company also has free cash and cash equivalents of ₹4,742 crore as on March 31, 2025.

Demerger of TML to sharpen business focus and capital efficiency

CareEdge Ratings notes the announcement of composite scheme of arrangement involving the demerger of TML's CV business undertaking into TML Commercial Vehicles Limited (newly incorporated entity which will be renamed as TML) and the merger of TMPVL with the existing listed company, TML (which will be renamed as TMPVL), resulting in two separate listed companies for the CV and PV businesses. The scheme of arrangement has been filed with National Company Law Tribunal (NCLT) for approval. 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 growing, maintaining their respective strong market positions, and improving cashflow generation for maintaining deleveraged balance sheets. Post de-merger, CV and PV businesses are expected to maintain net cash position which is expected to support their independent credit profiles. TML has secured board approval, received NOCs from NSE and BSE and obtained shareholder approval for the proposed demerger, which is expected to be effective in the second half of FY26 per the management, subject to final approval from the NCLT. Upon demerger, shareholders will receive equivalent shares in both 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 are also expected to be allocated in the same proportion. The transaction is expected to be tax neutral.

Liquidity: Strong

Liquidity is marked by strong cash accruals, cash and cash equivalents of ₹4,742 crore as on March 31, 2025, and liquidity buffers of ₹1,260 crore as on March 31, 2025. Being a part of the Tata Group gives the company immense financial flexibility in terms of refinancing. The company does not have term debt repayment obligations in the near-to-medium term.

Key weaknesses

Inherent cyclicality and competitive nature of the domestic PV industry

The domestic PV industry is prone to cyclicality to a certain extent, depend on the macroeconomic environment and other factors such as fuel prices, interest rates, and the resultant change in overall inflation. The domestic PV market remains highly competitive, with a few large players such as Maruti Suzuki, Hyundai, Tata Motors, and Mahindra & Mahindra, dominating the domestic PV market accounting for ~80% market share. As consumer preferences have shifted from smaller cars to utility vehicles, competitive intensity has been increasing in the compact and mid-size utility vehicle segments. The domestic PV industry is highly competitive with frequent model launches by the existing and new players, aiming at increasing their market share in the growing market.

Profitability susceptible to commodity price cycles and regulatory interventions

TMPVL's profitability remains vulnerable to increases in input costs, either due to commodity price cycles or regulatory interventions such as tightening emission and safety norms, restrictions/increase in duties on import of key components. Ability of TMPVL to pass on the same to its customers without adversely impacting its market share or profitability margins remain a key monitorable.

High capital intensity of its businesses

The automobile industry is highly capital intensive and requires huge investments for continuously upgrading technology and launching new products. Per management guidance, Capex investments for its PV and EV business is estimated to be ~₹33k crore to ₹35k crore between FY26 and FY30. TMPVL's ability to generate healthy free cashflows and maintain its net debt-free status in an industry downturn can be severely tested in the backdrop of its huge capex requirements.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Automobiles	Passenger cars & utility vehicles

Historically, a CV manufacturer, TML forayed into manufacturing PV across all product segments, compact, mid-size, and utility in 1998-99, broadening its business horizon. On January 01, 2022, the PV Undertaking of TML was transferred to TMPVL as a going concern, on a slump sale basis, and TMPVL (name changed from TML Business Analytics Services Ltd on September 17, 2021) ceased to be subsidiary of TML Business Services Ltd and became the direct subsidiary of TML on January 01, 2022. The subsidiarisation of TMPVL under TML was to focus on PVs powered by internal combustion engines to provide a differentiated focus for the PV Business, realising its potential and unlocking business value by enhanced management focus and operational flexibility. TMPVL designs, manufactures, and sells a wide range of automotive PVs, primarily in the Indian market. In FY25, the company had the third highest market share in the Indian PV market at 13.2%.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Total operating income	50,981	48,969
PBILDT	3,550	2,909
PAT	1,404	554
Overall gearing (times)	0.49	0.38

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Interest coverage (times)	14.97	18.41

A: Audited; Note: these are latest available financial results

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
Fund-based – LT - Working Capital Limits	-	-	-	-	1800.00	CARE AA+; Stable
Fund-based – ST - Term loan*	-	-	-	-	100.00	CARE A1+
LT/ST Fund-based/Non-fund-based - CC/WCDL/OD/LC/BG*	-	-	-	-	200.00	CARE AA+; Stable / CARE A1+
Non-fund-based – ST - Working Capital Limits	-	-	-	-	1000.00	CARE A1+

*Proposed

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	200.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (21-May-24)	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	1000.00	CARE A1+	-	1)CARE A1+ (21-May-24)	-	-
3	Fund-based - ST-Term loan	ST	100.00	CARE A1+	-	1)CARE A1+ (21-May-24)	-	-
4	Fund-based - LT-Working Capital Limits	LT	1800.00	CARE AA+; Stable	-	1)CARE AA+; Stable (21-May-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based – LT - Working Capital Limits	Simple
2	Fund-based – ST - Term loan	Simple
3	LT/ST Fund-based/Non-fund-based - CC/WCDL/OD/LC/BG	Simple
4	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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About us:
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