

October 21, 2022 ^{Revised}

TMF Holdings Limited: Update

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	3,250.00	3,250.00	[ICRA]AA-(stable); outstanding
Long-term Bank Facilities	300.00	300.00	[ICRA]AA-(stable); outstanding
Commercial Paper Programme	2,500.00	2,500.00	[ICRA]A1+; outstanding
Total	6,050.00	6,050.00	

*Instrument details are provided in Annexure-1

Rationale

On October 3, 2022, the board of Tata Motors Finance Limited (TMFL) and Tata Motors Finance Solutions Limited (TMFSL) approved a scheme of arrangement between TMFL and TMFSL in relation to an internal realignment of its businesses involving inter-alia de-merger of TMFL's Non-Banking Finance (NBFC) business undertaking into TMFSL, on a going concern basis. The Scheme will come into effect after obtaining all applicable regulatory approvals.

Post the de-merger, TMF Holdings Ltd (TMFHL) will continue to hold 100% stake in TMFSL. The Scheme is being undertaken with the objective of consolidating the non-banking finance businesses of the group under TMFSL with a view to achieving optimal and efficient utilization of capital and enhancement of operational and management efficiencies. The demerger will be a plain share swap, and the outstanding assets and liabilities pertaining to NBFC business will be transferred to TMFSL from TMFL. Consequently, ICRA expects TMFL to operate the operating lease business.

The proposed Scheme of Amalgamation is not expected to impact the credit profile of the Company, as while arriving at the ratings, ICRA has considered the consolidated performance of TMFHL and its subsidiaries (TMFL and TMFSL) given the strong operational and financial synergies between the companies. Also, the proposed arrangement will not impact the shareholding and interlinkages between the group and the ultimate parent, Tata Motors Ltd (rated [ICRA]AA-(stable)/[ICRA]A1+). The ratings of the company continues to derive significant support from its ultimate parentage in the form of Tata Motors Ltd (TML). TMF Group's ratings are strongly linked to the stated intention of continued support from TML (rated [ICRA]AA-(stable)/[ICRA]A1+), which, in the past, has included access to capital, management and systems and supervision by a strong board. ICRA will continue to monitor the developments on the Scheme of Amalgamation and consequent impact on business plans of the entity, if any.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators – [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating approach - Implicit support from parent or group Rating Approach - Consolidation
Parent/Group Support	Ultimate Parent/Investor: Tata Motors Limited TMF group's ratings are strongly linked to the expectation of continued support from TML, which, in the past, has included access to capital, management and systems and supervision by a strong board.
Consolidation/Standalone	While arriving at the ratings, ICRA has considered the consolidated performance of TMFHL and its subsidiaries (TMFL and TMFSL) given the strong operational and financial synergies between the companies. <i>Details mentioned in Annexure 2.</i>

About the company

TMF Holdings Limited (TMFHL), a Core Investment Company, is the parent company of Tata Motors Finance Limited (TMFL) and Tata Motors Finance Solutions Limited (TMFSL). TMFHL is responsible for lending and investing in the Tata Motors Group companies. Following a restructuring of the TMF Group in FY 2017, the new vehicle financing business of the Group is housed in TMFL (Formerly known as Sheba Properties Limited). The existing Corporate Lending Business and used vehicle financing business is housed in TMFSL.

In FY2022, TMFHL (consolidated) reported a PAT of Rs. 156 crore on an asset base of Rs. 46,083 crore as against a PAT of Rs. 269 crore on an asset base of Rs. 45,864 crore in FY2021.

In FY2022, TMFHL (standalone) reported a PAT of Rs. 54 crore on an asset base of Rs. 8,307 crore as against a net loss of Rs. 110 crore on an asset base of Rs. 8,001 crore in FY2021.

Tata Motors Limited

Incorporated in 1945, Tata Motors Limited is India's largest automobile company and the market leader in the domestic CV industry and one of the top five manufacturers of PVs in India. In the domestic CV industry, TML has one of the most diversified product portfolios with a presence spanning across light, medium and heavy duty segments of the CV industry. The company's product portfolio in the PV segment also spans passenger cars, UVs and multi-purpose vehicles (MPVs).

In June 2008, TML acquired Jaguar Land Rover from Ford Motor Company for US\$ 2.3 billion. Following the acquisition, TML's business profile underwent a significant change from being a predominantly India-centric OEM to one with presence in the premium and luxury segment cars and SUVs across multiple markets in Europe, North America, China, Russia and Brazil. Apart from JLR, which is wholly-owned by TML and contributed ~75% to its consolidated turnover in FY2018, the company has also historically expanded its operations in India as well as overseas through strategic alliances and mergers and acquisitions. Some of its key subsidiaries include Tata Motors Finance Limited (vehicle financing subsidiary), Tata Technologies Limited (a software firm engaged in providing IT solutions to the automotive industry), Tata Daewoo Commercial Vehicles Company Limited (CV operations in South Korea) and TML Drivelines Limited (its captive auto component manufacturer). The company also operates a joint venture (JVs) with Marcopolo (for building bodies for buses and coaches) and Fiat (for PVs, engines and transmissions).

TML has six manufacturing plants in India at Pune (Maharashtra), Lucknow (Uttar Pradesh), Jamshedpur (Jharkhand), Pantnagar (Uttaranchal), Dharwad (Karnataka) and Sanand (Gujarat). In addition, the company's key subsidiary, JLR, operates three manufacturing facilities and two design centres in the UK, and has also recently commenced manufacturing operations at Slovakia. In FY2013, JLR also formed a 50-50 JV with China-based Chery Automobiles to set up a manufacturing facility in China, which commenced operations from H2 FY2015. Moreover, as a Group, TML operates assembly operations at multiple locations around the globally through its subsidiaries and JVs.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	FY2022				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep-30-22 (Rs. crore)	Date and rating in FY2023	Date and rating in FY2022	Date and rating in FY2021		Date and rating in FY2020	
					Oct-xx-22	Feb-15-22	Feb-16-21	Aug-21-20	Oct-23-19	Aug-5-19
1	Long Term Bank Facilities	Long Term	300	0	[ICRA] AA- (stable)	[ICRA] AA- (stable)	[ICRA] AA- (stable)	[ICRA] AA- (negative)	[ICRA] AA- (negative)	[ICRA] AA- (negative)
2	Non-Convertible Debenture Programme	Long Term	3,250	525	[ICRA] AA- (stable)	[ICRA] AA- (stable)	[ICRA] AA- (stable)	[ICRA] AA- (negative)	[ICRA] AA- (negative)	[ICRA] AA- (negative)
3	Commercial Paper Programme	Short Term	2,500	425	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

Source: Company, ICRA Research

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-Convertible Debenture	Very Simple
Commercial Paper Programme	Very Simple
Bank Facilities	Very 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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details as on September 30, 2022

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE909H14OV9	Commercial Paper Programme	Aug-22-22	-	Oct-21-22	300	[ICRA]A1+
INE909H14OW7	Commercial Paper Programme	Aug-25-22	-	Aug-24-23	125	[ICRA]A1+
NA^	Commercial Paper Programme	-	-	7-365 days	2,075	[ICRA]A1+
INE909H08279*	Non-Convertible debentures	Sep-25-19	Zero coupon	Mar-28-22	1,000	[ICRA]AA-(stable)
INE909H08287	Non-Convertible debentures	Nov-13-19	Zero coupon	Nov-11-22	525	[ICRA]AA-(stable)
NA^	Non-Convertible debentures	-	-	-	1,725	[ICRA]AA-(stable)
NA^	Long Term Bank Facilities	NA	NA	NA	300	[ICRA]AA-(stable)

Source: Company; ^Yet to be placed; * To be withdrawn later

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
TMF Holdings Limited	Parent	Full consolidation
Tata Motors Finance Limited	Subsidiary	Full consolidation
Tata Motors Finance Solutions Limited	Subsidiary	Full consolidation

Source: annual report FY2022

Corrigendum

Updated the link for “Rating Approach-Consolidation” in the analytical approach section on page 2.

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Manushree Saggar
+91 124 4545 316
manushrees@icraindia.com

Sandeep Sharma
+91 124 4545 820
sandeep.sharma@icraindia.com

Balram Yadav
+91 22 6114 3000
balram.yadav@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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