

June 13, 2024

TMF Holdings Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible debenture programme	1,725.00	1,725.00	[ICRA]AA (Stable)
Long-term – Fund-based bank facilities	300.00	300.00	[ICRA]AA (Stable)
Commercial paper programme	2,500.00	2,500.00	[ICRA]A1+
Total	4,525.00	4,525.00	

*Instrument details are provided in Annexure I

Rationale

On June 4, 2024, the board of TMF Holdings Limited (TMFHL), Tata Motors Finance Limited (erstwhile and Tata Motors Finance Solutions Limited; TMFL) and Tata Capital Limited (TCL) approved a scheme of arrangement for the merger of TMFL with TCL. Under the non-cash transaction, TCL shall issue equity shares to TMFL's shareholders as consideration for the merger. Thus, TMFHL will hold a 4.7% stake in the merged entity. The scheme is subject to sanction from the stock exchanges, regulators, the National Company Law Tribunal (NCLT) and the requisite approvals from other stakeholders. The merger is expected to be concluded in 9-12 months, after which TMFL will cease to exist and would operate as a division of TCL.

Although TMFL, a wholly owned subsidiary of TMFHL, operates as a captive financier of TML's vehicles, TCL is not expected to face such constraints after the merger. ICRA takes note of Tata Motors Limited's (TML) stated intent to support the timely debt servicing of the standalone liabilities of TMFHL post completion of the merger.

While arriving at the current ratings, ICRA has considered the consolidated performance of TMF Holdings limited (TMFHL) and its subsidiaries, together referred to as the TMF Group), given the strong operational and financial synergies between the companies. Currently ICRA's ratings for the TMF Group derive significant support from its ultimate parentage in the form of TML (rated [ICRA]AA (Stable)/[ICRA]A1+). The Group's ratings are strongly linked to the expectation of continued support from TML. ICRA notes that in the past, support from TML included access to capital, management and systems and supervision by its board.

After the completion of the merger, the ratings will continue to factor in the support from the parent, given its stated intent to help the timely servicing of the company's debt.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
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. <i>Details mentioned in Annexure II.</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 demerger FY 2024, the NBFC business of TMFBSL (earlier known as Tata Motors Finance Limited) was transferred to TMFL (Formerly known as Tata Motors Finance Solutions Limited).

In FY2024, TMFHL (consolidated) reported a net loss of Rs. 117 crore on an asset base of Rs. 39,542 crore against a net loss of Rs. 1,013 crore on an asset base of Rs. 43,083 crore in FY2023. In FY2024, TMFHL (standalone) reported a net loss of Rs. 120 crore on an asset base of Rs. 8,939 crore against a net loss of Rs. 62 crore on an asset base of Rs. 9,408 crore in FY2023.

Tata Motors Limited

Incorporated in 1945, Tata Motors Limited is India's largest automobile company. It is the market leader in the domestic CV industry and one of the top three manufacturers of PVs in India. In the domestic CV industry, TML has one of the most diversified product portfolios with a presence across light, medium and heavy-duty segments of the CV industry. The company's product portfolio in the PV segment also spans passenger cars and sport utility vehicles (SUVs). Moreover, as a Group, TML operates assembly operations at multiple locations around the globe through its subsidiaries and JVs.

In June 2008, TML acquired JLR from Ford Motor Company for \$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 sport utility vehicles (SUVs) across multiple markets such as UK, Europe, North America, China and other overseas markets. Apart from JLR, which is wholly-owned by TML and generated ~70% of its consolidated turnover in FY2024, the company has also historically expanded its operations in India as well as overseas through strategic alliances, mergers and acquisitions. Some of its key subsidiaries include Tata Motors Finance Limited (vehicle financing subsidiary), Tata Technologies Limited (software firm providing IT solutions to the automotive industry), Tata Daewoo Commercial Vehicles Company Limited (CV operations in South Korea). The company also operates joint ventures (JVs) with Fiat (for PVs, engines and transmissions) and with Cummins (for engine manufacturing).

TML has six manufacturing plants in India at Pune (Maharashtra), Lucknow (Uttar Pradesh), Jamshedpur (Jharkhand), Pantnagar (Uttaranchal), Dharwad (Karnataka) and Sanand (Gujarat), and Tata Passenger Electric Mobility (subsidiary of TML) has recently acquired Ford's manufacturing facility in Sanand. In addition, the company's key subsidiary, JLR, operates four principal manufacturing facilities in the UK, as well as manufacturing facilities in Brazil and Slovakia. In FY2015, JLR opened a manufacturing facility in China, through a Chinese JV.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of May-31-24 (Rs. crore)	Date and Rating FY2025	Date and Rating in FY2024	Date and Rating in FY2023		Date and Rating in FY2022	
					Jun-13-24	Jul-14-23	Mar-06-23	Dec-30-22 Oct-21-22	Feb-15-22	
1	Long-term – Fund-based bank facilities	Long term	300	0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA] AA- (Positive)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	
2	Non-convertible debenture programme	Long term	1,725	0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA] AA- (Positive)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	
3	Commercial paper programme	Short term	2,500	775	[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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details as on May 31, 2024

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE909H14PN3	Commercial paper programme	Mar-7-24	NA	Mar-5-25	75	[ICRA]A1+
INE909H14PN3	Commercial paper programme	Mar-11-24	NA	Mar-5-25	200	[ICRA]A1+
INE909H14PO1	Commercial paper programme	May-27-24	NA	Aug-23-24	500	[ICRA]A1+
NA^	Commercial paper programme	-	-	7-365 days	1,725	[ICRA]A1+
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

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
TMF Holdings Limited	Parent	Full consolidation
Tata Motors Finance Limited (erstwhile Tata Motors Finance Solutions Limited)	Subsidiary	Full consolidation
TMF Business Services Limited	Subsidiary	Full consolidation

Source: Company data

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