

June 13, 2024

Tata Motors Finance Limited (erstwhile Tata Motors Finance Solutions Limited): Long-term ratings Placed on rating watch with Positive Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	5,209	5,209	[ICRA]AA; Placed on rating watch with Positive Implications
Subordinated debt	1,515.1	1,515.1	[ICRA]AA; Placed on rating watch with Positive Implications
Perpetual debt	1,265	1,265	[ICRA]A+; Placed on rating watch with Positive Implications
Long-term/Short-term fund-based/Non-fund based bank lines	37,500	37,500	[ICRA]AA; Placed on rating watch with Positive Implications [ICRA]A1+; outstanding
Commercial paper programme	10,500	10,500	[ICRA]A1+; outstanding
Total	55,989.1	55,989.1	

*Instrument details are provided in Annexure I

Rationale

On June 4, 2024, the board of Tata Motors Finance Limited (erstwhile and Tata Motors Finance Solutions Limited; TMFL), TMF Holdings Limited (TMFHL) 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.

TCL has limited presence in commercial vehicle (CV)/passenger vehicle (PV) financing and thus the proposed merger will enable TCL will gain new customers in the CV/PV financing retail segments and improve the portfolio diversity for TCL. After the completion of the merger, TMFL's liabilities would be transferred to TCL (rated [ICRA]AAA (Stable)/[ICRA]A1+). Thus, TMFL's long-term ratings have been placed on Watch with Positive Implications.

While arriving at the current ratings, ICRA has considered the consolidated performance of 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 Tata Motors Limited (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 support from TML, in the past, included access to capital, management and systems and supervision by its board.

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 The 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 are mentioned in Annexure II.</i>

About the company

Tata Motors Finance Limited (erstwhile Tata Motors Finance Solutions Limited) is a non-banking financial company and a 100% subsidiary of TMF Holdings Limited. It operates as a captive financiers of CVs and cars for TML's customers and channel partners, provides used vehicle financing for TML's vehicles and other OEMs as well and has a corporate lending business as well. Previously, following demerger in FY2024, NBFC business of TMF Business Services Limited (earlier known as Tata Motors Finance Limited) was transferred to TMFL (earlier known as Tata Motors Finance Solutions Limited), and operating lease business was retained in TMFL which was later renamed as TMF Business Services Limited on June 30, 2023.

As on March 31, 2024, TMFL managed AUM of Rs. 38,353 crore consisting of new vehicle (66 %), used vehicles (24 %), CLG (8%) and others (2%). TMFL on standalone basis, reported a net profit of Rs. 52 crore in FY2024 on an asset base of Rs. 38,567 crore as on March 31, 2024 compared to with a net loss of Rs. 940 crore in FY2023 on an asset base of Rs. 41,609 crore as on March 31, 2023. The company reported a gross stage 3 and net stage 3 of 6.1% and 3.4%, respectively, as on March 31, 2024.

TMF Holdings Limited

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 3 manufacturers of PVs in India. TML has one of the most diversified product portfolios in the domestic CV industry with a presence across the light, medium and heavy-duty segments. its product portfolio in the PV segment also spans passenger cars and sports utility vehicles (SUVs).

Following the acquisition of JLR from Ford Motor Company for \$2.3 billion in June 2008, TML's business profile changed significantly. It transformed from being a predominantly India-centric original equipment manufacturer (OEM) to one with a presence in the premium and luxury car segments and SUVs across multiple markets such as the 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 historically expanded its operations in India as well as overseas through strategic alliances, mergers and acquisitions. Some of its key subsidiaries include TMFL (vehicle financing subsidiary), Tata Technologies Limited (software firm providing information technology solutions to the automotive industry), and 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 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). Tata Passenger Electric Mobility (subsidiary of TML) recently acquired Ford's manufacturing facility in Sanand. Additionally, the company's key subsidiary, JLR, operates four principal manufacturing facilities in the UK, as well as Brazil and Slovakia. In FY2015, JLR opened a manufacturing facility in China through a Chinese JV. As a Group, TML operates assembly operations at multiple locations across the globe 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	Current rating (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Amount o/s (Rs. crore) as on May-31-24	Date and rating in FY2025	Date and rating in FY2024		Date and rating in FY2023		Date and rating in FY2022	
				Jun-13-24	Jul-14-23	Jun-30-23	Mar-06-23	Dec-30-22 Oct-21-22	Feb-15-22	
1 Perpetual debt	Long term	1,265	1,013	[ICRA]A+; Rating Watch with Positive Implications	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	
2 Subordinated debt	Long term	1,515.1	1,035	[ICRA]AA; Rating Watch with Positive Implications	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	
3 Commercial paper	Short term	10,500.00	1,875	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
4 Non-convertible debenture	Long term	5,209	0	[ICRA]AA; Rating Watch with Positive Implications	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	-	-	-	
5 Long-term/Short-term fund-based/Non-fund based bank facilities	Long term/Short term	37,500	25,163	[ICRA]AA; Rating Watch with Positive Implications / [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA- (Positive)/ [ICRA]A1+	-	-	-	

Source: Company, ICRA Research

Complexity level of the rated instrument

Instrument	Complexity Indicator
Perpetual debt	Moderately Complex
Subordinated bonds	Simple
Non-convertible debenture	Simple
Long-term/Short-term fund-based/Non-fund based bank facilities	Simple
Commercial paper	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
NA^	Non-convertible debentures	Proposed	NA	NA	5,209	[ICRA]AA; Rating Watch with Positive Implications
INE909H08196	Subordinated Debt	12-Sep-2014	10.60%	12-Sep-2024	25	[ICRA]AA; Rating Watch with Positive Implications
INE909H08204	Subordinated Debt	26-Sep-2014	10.35%	26-Sep-2024	60	[ICRA]AA; Rating Watch with Positive Implications
INE909H08212	Subordinated Debt	19-Dec-2014	9.70%	19-Dec-2024	150	[ICRA]AA; Rating Watch with Positive Implications
INE601U08010	Subordinated Debt	13-Nov-2017	8.35%	13-Nov-2027	50	[ICRA]AA; Rating Watch with Positive Implications
INE601U08028	Subordinated Debt	28-Mar-2018	9.00%	28-Mar-2028	200	[ICRA]AA; Rating Watch with Positive Implications
INE601U08036	Subordinated Debt	31-Aug-2018	10.00%	31-Aug-2028	100	[ICRA]AA; Rating Watch with Positive Implications
INE601U08051	Subordinated Debt	29-Mar-2019	10.00%	29-Mar-2029	150	[ICRA]AA; Rating Watch with Positive Implications
INE601U08069	Subordinated Debt	30-Apr-2019	10.25%	30-Apr-2029	100	[ICRA]AA; Rating Watch with Positive Implications
INE601U08077	Subordinated debt	31-May-2019	9.95%	31-May-2029	200	[ICRA]AA; Rating Watch with Positive Implications
NA^	Subordinated Debt	Proposed	NA	NA	480.1	[ICRA]AA; Rating Watch with Positive Implications
INE909H08162*	Perpetual Debt	23-May-2013	11.33%	Perpetual	22.3	[ICRA]A+; Rating Watch with Positive Implications
INE909H08154*	Perpetual Debt	28-May-2013	11.03%	Perpetual	52.7	[ICRA]A+; Rating Watch with Positive Implications
INE909H08188	Perpetual Debt	5-Sep-2014	11.10%	Perpetual	50.3	[ICRA]A+; Rating Watch with Positive Implications
INE601U08085	Perpetual Debt	18-Jun-2019	11.50%	Perpetual	100	[ICRA]A+; Rating Watch with Positive Implications
INE601U08093	Perpetual Debt	1-Nov-2019	11.50%	Perpetual	60	[ICRA]A+; Rating Watch with Positive Implications
INE601U08101	Perpetual Debt	21-Nov-2019	11.50%	Perpetual	45	[ICRA]A+; Rating Watch with Positive Implications
INE601U08119	Perpetual Debt	18-Dec-2019	11.50%	Perpetual	45	[ICRA]A+; Rating Watch with Positive Implications
INE601U08127	Perpetual Debt	14-Jul-2020	10.50%	Perpetual	15	[ICRA]A+; Rating Watch with Positive Implications
INE601U08135	Perpetual Debt	9-Sep-2020	10.25%	Perpetual	43	[ICRA]A+; Rating Watch with Positive Implications
INE601U08143	Perpetual Debt	24-Sep-2020	10.25%	Perpetual	100	[ICRA]A+; Rating Watch with Positive Implications
INE601U08150	Perpetual Debt	11-Nov-2020	9.75%	Perpetual	85	[ICRA]A+; Rating Watch with Positive Implications
INE601U08168	Perpetual Debt	3-Dec-2020	9.75%	Perpetual	100	[ICRA]A+; Rating Watch with Positive Implications
INE601U08176	Perpetual Debt	21-Dec-2020	9.60%	Perpetual	60	[ICRA]A+; Rating Watch with Positive Implications
INE601U08184	Perpetual Debt	19-Jan-2021	9.55%	Perpetual	100	[ICRA]A+; Rating Watch with Positive Implications
INE601U08192	Perpetual Debt	02-Mar-2021	9.55%	Perpetual	210	[ICRA]A+; Rating Watch with Positive Implications
NA^	Perpetual Debt	Proposed	NA	NA	176.7	[ICRA]A+; Rating Watch with Positive Implications

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/Short-term fund-based/Non-fund based bank facilities	NA	NA	NA	37,500	[ICRA]AA; Rating Watch with Positive Implications/ [ICRA]A1+
INE477S14CB1	Commercial Paper	4-Mar-2024	NA	3-Jun-2024	300	[ICRA]A1+
INE477S14CC9	Commercial Paper	11-Mar-2024	NA	11-Mar-2025	100	[ICRA]A1+
INE477S14CD7	Commercial Paper	18-Mar-2024	NA	17-Mar-2025	100	[ICRA]A1+
INE477S14CE5	Commercial Paper	24-May-2024	NA	22-Aug-2024	500	[ICRA]A1+
INE477S14CF2	Commercial Paper	27-May-2024	NA	26-Aug-2024	150	[ICRA]A1+
INE477S14CF2	Commercial Paper	28-May-2024	NA	26-Aug-2024	450	[ICRA]A1+
INE477S14CG0	Commercial Paper	28-May-2024	NA	27-Aug-2024	75	[ICRA]A1+
INE477S14CH8	Commercial Paper	29-May-2024	NA	28-Aug-2024	200	[ICRA]A1+
NA^	Commercial Paper	NA	NA	7-365 days	8,625	[ICRA]A1+

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

[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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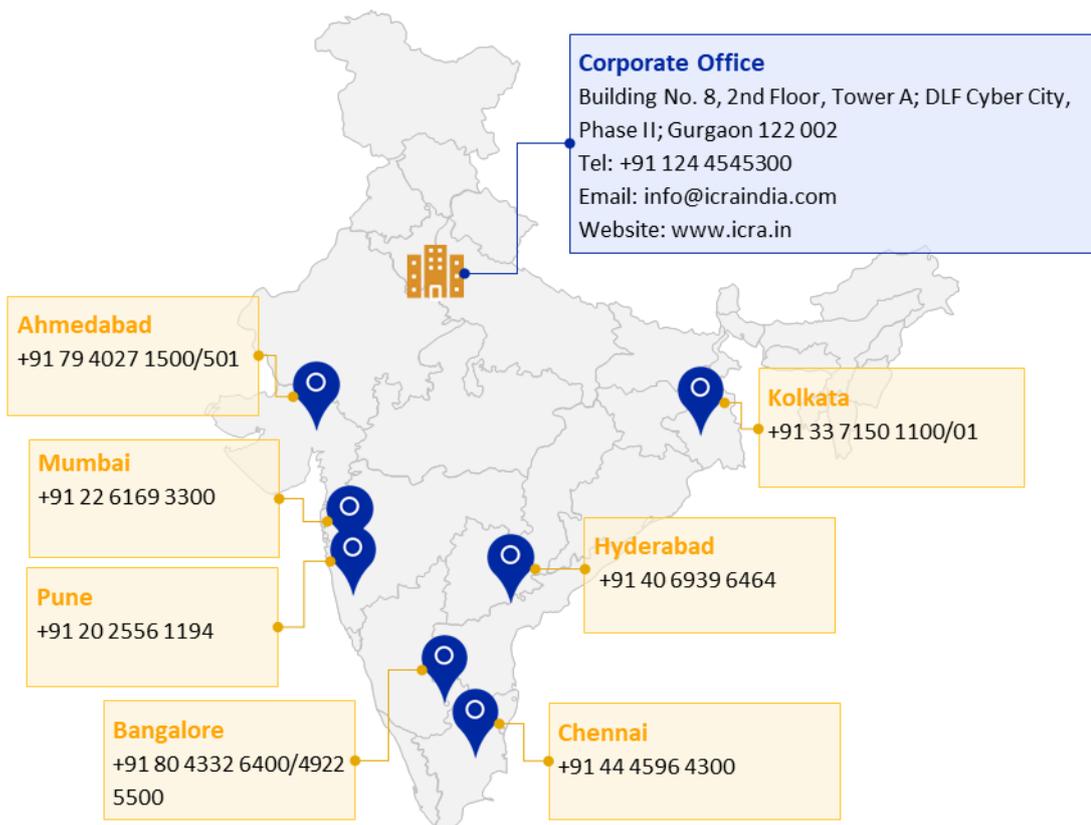
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