

September 26, 2023

## Tata Steel Limited: Update on material event

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial Paper Programme	22500.00	22500.00	[ICRA]A1+;
<b>Total</b>	<b>22,500.00</b>	<b>22,500.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

Tata Steel Limited (TSL) has informed the stock exchanges on September 15, 2023 that the company and the UK Government has reached a joint agreement on a proposal to invest in the state-of-the-art 3 mtpa (million tonnes per annum) electric arc furnace (EAF) steelmaking at the Port Talbot site with a capital cost of 1.25 billion pounds including a grant from the UK Government of up to 500 million pounds, subject to relevant regulatory approvals, information, and consultation processes, and finalisation of detailed terms and conditions.

TSL's UK operations historically faced multiple challenges including the vintage nature of the plants, lack of adequate backward integration and elevated carbon costs. ICRA notes that apart from a brief period at the peak of the commodity upcycle in FY2022, the UK operations remained loss making over the years, resulting in sizeable financial dependence from the Tata Steel Group. TSL UK had to bear a large carbon cost burden worth around 70 million pounds annually because of a sharp spike in European carbon prices following the pandemic, commitment by the EU<sup>1</sup> member countries to achieve net zero emission target by 2050 and 50-55% higher carbon intensity of TSL UK than the benchmark level, as per the EU emission trading system. ICRA notes that several governments from the leading EU nations have been providing financial support to their respective domestic steel mills in helping meet their decarbonisation targets. The UK Government grant will create a level playing field in this context. ICRA understands that subject to relevant regulatory approvals, information, consultation processes and finalisation of detailed terms and conditions, the UK Government grant can go up to 500 million pounds, thereby meeting around 40% of the 1.25-billion-pounds EAF transition cost. This is expected to significantly enhance the project's viability indicators and create a sustainable pathway to profitability for the company's UK operations.

ICRA understands that the said plan would entail significant business restructuring for the UK operations, which would need discussions with multiple stakeholders including the employee unions. TSL's ability to reach an amicable resolution in these issues in a timely manner will be monitored.

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

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Ferrous Metals Industry</a>

<sup>1</sup> Among the leading EU countries, Germany has set an earlier net zero emission achievement target of 2045

Analytical Approach	Comments
Parent/Group Support	Parent Company: Tata Sons Private Limited (Tata Sons) ICRA expects Tata Sons to be willing to extend financial support to TSL, should there be a need, given its strategic importance to the Tata Group, and out of its need to protect its reputation. Both Tata Sons and TSL share the common Tata name, which in ICRA's opinion, would persuade TSPL to provide financial support to TSL to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TSL, which include 143 subsidiaries/step-down subsidiaries, 24 JVs and 20 associates that are enlisted in Annexure 2.

## About the company

TSL is a part of the widely diversified Tata Group. TSL has an annual crude steel capacity of 35 mtpa. The company has 21.6 mt of crude steel capacity in India, and the remaining capacity in Europe and Thailand. TSL has plans to increase its domestic steel capacity to 40 mtpa by 2030. TSL is planning to increase the capacity at Kalinganagar to 8 mtpa from the present 3 mtpa. Tata Steel Europe was formed by the takeover of the erstwhile Corus Plc by TSL. The company also has operations in Thailand. The product profile of the company comprises both long and flat products. Besides different varieties of steel, it is also a large producer of ferro-chrome products.

## Key financial indicators

TSL Consolidated	FY2022	FY2023
Operating Income (Rs. crore)	2,43,959.2	2,43,352.7
PAT (Rs. crore)	41,749.3	8,075.3
OPBDIT/OI (%)	26.6%	13.3%
PAT/OI (%)	17.1%	3.3%
Total Outside Liabilities/ (Tangible Net Worth+ Minority Interest) (times)	1.4	1.7
Total Debt/OPBDIT (times)	1.2	2.6
Interest Coverage (times)	11.9	5.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA – Not Applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2024)				Chronology of Rating History for the past 3 years							
		Amount Rated (Rs. crore)	Amount Outstanding as of Sep 25, 2023 (Rs. crore)	Date & Rating in		Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021			
				Sep 26, 2023	Jun 15, 2023	Oct 04, 2022	Jun 23, 2022	Feb 09, 2022	Sep 30, 2021	Jan 12, 2021	Sep 30, 2020		
1	Commercial Paper (CP)	Short Term	22,500.00	3900.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

## Complexity level of the rated instrument

Instrument	Complexity Indicator
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 analyzing 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**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE081A14EJ8	CP	Sep 08, 2023	-	Dec 06, 2023	600.00	[ICRA]A1+;
INE081A14EK6	CP	Sep 08, 2023	-	Sep 29, 2023	400.00	[ICRA]A1+;
INE081A14EM2	CP	Sep 13, 2023	-	Dec 11, 2023	750.00	[ICRA]A1+;
INE081A14EN0	CP	Sep 13, 2023	-	Nov 20, 2023	750.00	[ICRA]A1+;
INE081A14EN0	CP	Sep 22, 2023	-	Nov 20, 2023	1400.00	[ICRA]A1+;
Not placed	CP	-	-	-	18600.00	[ICRA]A1+;

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
ABJA Investment Co. Pte. Ltd.	100.00%	Full consolidation
Indian Steel & Wire Products Ltd.	95.01%	Full consolidation
Tata Steel Utilities and Infrastructure Services Limited	100.00%	Full consolidation
Mohar Export Services Pvt. Ltd	66.46%	Full consolidation
Rujuvalika Investments Limited	100.00%	Full consolidation
Tata Steel Mining Limited	100.00%	Full consolidation
Tata Korf Engineering Services Ltd.	100.00%	Full consolidation
Tata Metaliks Limited	60.03%	Full consolidation
Tata Steel Long Products Limited	74.91%	Full consolidation
T Steel Holdings Pte. Ltd.	100.00%	Full consolidation
Tata Steel Downstream Products Limited	100.00%	Full consolidation
The Tinsplate Company of India Limited	74.96%	Full consolidation
Tata Steel Foundation	100.00%	Full consolidation
Jamshedpur Football and Sporting Private Limited	100.00%	Full consolidation
Bhubaneshwar Power Private Limited	100.00%	Full consolidation
Creative Port Development Private Limited	51.00%	Full consolidation
Angul Energy Limited	99.99%	Full consolidation
Tata Steel Support Services Limited (formerly Bhushan Steel (Orissa) Ltd.)	100.00%	Full consolidation
Bhushan Steel (South) Ltd.	100.00%	Full consolidation
Tata Steel Technical Services Limited (formerly Bhushan Steel (Madhya Bharat) Ltd.)	100.00%	Full consolidation
Bhushan Steel (Australia) PTY Ltd.	100.00%	Full consolidation
S & T Mining Company Limited	50.00%	Full consolidation
Medica TS Hospital Pvt. Ltd.	51.00%	Full consolidation
Tata Steel Advanced Materials Limited (formerly Tata Steel Odisha Limited)	100.00%	Full consolidation
Haldia Water Management Limited	60.00%	Full consolidation
Kalimati Global Shared Services Limited	100.00%	Full consolidation
Tata Steel Special Economic Zone Limited	100.00%	Full consolidation
Tata Pigments Limited	100.00%	Full consolidation
Adityapur Toll Bridge Company Limited	88.50%	Full consolidation
Neelachal Ispat Nigam Limited	74.67%	Full consolidation
Cerammat Private Limited	90.00%	Full consolidation
Tata Steel TABB Limited	100.00%	Full consolidation
T S Global Holdings Pte. Ltd.	100.00%	Full consolidation
Orchid Netherlands (No.1) B.V.	100.00%	Full consolidation
The Siam Industrial Wire Company Ltd.	100.00%	Full consolidation
TSN Wires Co. Ltd.	60.00%	Full consolidation
Tata Steel Europe Limited	100.00%	Full consolidation
Apollo Metals Limited	100.00%	Full consolidation
British Steel Corporation Limited	100.00%	Full consolidation
British Steel Directors (Nominees) Limited	100.00%	Full consolidation
British Steel Nederland International B.V.	100.00%	Full consolidation
C V Benine	76.92%	Full consolidation
Catnic GmbH	100.00%	Full consolidation
Catnic Limited	100.00%	Full consolidation
Tata Steel Mexico SA de CV	100.00%	Full consolidation

Company Name	Ownership	Consolidation Approach
Cogent Power Limited	100.00%	Full consolidation
Corbeil Les Rives SCI	67.30%	Full consolidation
Corby (Northants) & District Water Company Limited	100.00%	Full consolidation
Corus CNBV Investments	100.00%	Full consolidation
Corus Engineering Steels (UK) Limited	100.00%	Full consolidation
Corus Engineering Steels Limited	100.00%	Full consolidation
Corus Group Limited	100.00%	Full consolidation
Corus Holdings Limited	100.00%	Full consolidation
Corus International (Overseas Holdings) Limited	100.00%	Full consolidation
Corus International Limited	100.00%	Full consolidation
Corus International Romania SRL.	100.00%	Full consolidation
Corus Investments Limited	100.00%	Full consolidation
Corus Ireland Limited	100.00%	Full consolidation
Corus Liaison Services (India) Limited	100.00%	Full consolidation
Corus Management Limited	100.00%	Full consolidation
Corus Property	100.00%	Full consolidation
Corus UK Healthcare Trustee Limited	100.00%	Full consolidation
Crucible Insurance Company Limited	100.00%	Full consolidation
Degels GmbH	100.00%	Full consolidation
Demka B.V.	100.00%	Full consolidation
00026466 Limited (Formerly known as Firsteel Group Limited)	100.00%	Full consolidation
Fischer Profil GmbH	100.00%	Full consolidation
Gamble Simms Metals Limited	100.00%	Full consolidation
H E Samson Limited	100.00%	Full consolidation
Hadfields Holdings Limited	100.00%	Full consolidation
Halmstad Steel Service Centre AB	100.00%	Full consolidation
Hille & Muller GmbH	100.00%	Full consolidation
Hille & Muller USA Inc.	100.00%	Full consolidation
Hoogovens USA Inc.	100.00%	Full consolidation
Huizenbezit Breesaap B.V.	100.00%	Full consolidation
Inter Metal Distribution SAS	100.00%	Full consolidation
Layde Steel S.L.	100.00%	Full consolidation
London Works Steel Company Limited	100.00%	Full consolidation
Montana Bausysteme AG	100.00%	Full consolidation
Naantali Steel Service Centre OY	100.00%	Full consolidation
Norsk Stal Tynnplater AS	100.00%	Full consolidation
Norsk Stal Tynnplater AB	100.00%	Full consolidation
Orb Electrical Steels Limited	100.00%	Full consolidation
Oremco Inc.	100.00%	Full consolidation
Rafferty-Brown Steel Co Inc Of Conn.	100.00%	Full consolidation
S A B Profiel B.V.	100.00%	Full consolidation
S A B Profiel GmbH	100.00%	Full consolidation
Service Center Gelsenkirchen GmbH	100.00%	Full consolidation
Service Centre Maastricht B.V.	100.00%	Full consolidation
Societe Europeenne De Galvanisation (Segal) Sa	100.00%	Full consolidation
Staalverwerking en Handel B.V.	100.00%	Full consolidation
Surahammar Bruks AB	100.00%	Full consolidation
Swinden Housing Association Limited	100.00%	Full consolidation
Tata Steel Belgium Packaging Steels N.V.	100.00%	Full consolidation
Tata Steel Belgium Services N.V.	100.00%	Full consolidation
Tata Steel France Holdings SAS	100.00%	Full consolidation
Tata Steel Germany GmbH	100.00%	Full consolidation
Tata Steel IJmuiden BV	100.00%	Full consolidation
Tata Steel International (Americas) Holdings Inc	100.00%	Full consolidation
Tata Steel International (Americas) Inc	100.00%	Full consolidation
Tata Steel International (Czech Republic) S.R.O	100.00%	Full consolidation
Tata Steel International (France) SAS	100.00%	Full consolidation
Tata Steel International (Germany) GmbH	100.00%	Full consolidation
Tata Steel International (South America) Representacoes LTDA	100.00%	Full consolidation
Tata Steel International (Italia) SRL	100.00%	Full consolidation
Tata Steel International (Middle East) FZE	100.00%	Full consolidation
Tata Steel International (Nigeria) Ltd.	100.00%	Full consolidation
Tata Steel International (Poland) sp Zoo	100.00%	Full consolidation
Tata Steel International (Sweden) AB	100.00%	Full consolidation

Company Name	Ownership	Consolidation Approach
Tata Steel International (India) Limited	100.00%	Full consolidation
Tata Steel International Iberica SA	100.00%	Full consolidation
Tata Steel Istanbul Metal Sanayi ve Ticaret AS	100.00%	Full consolidation
Tata Steel Maubeuge SAS	100.00%	Full consolidation
Tata Steel Nederland BV	100.00%	Full consolidation
Tata Steel Nederland Consulting & Technical Services BV	100.00%	Full consolidation
Tata Steel Nederland Services BV	100.00%	Full consolidation
Tata Steel Nederland Technology BV	100.00%	Full consolidation
Tata Steel Nederland Tubes BV	100.00%	Full consolidation
Tata Steel Netherlands Holdings B.V.	100.00%	Full consolidation
Tata Steel Norway Byggsystemer A/S	100.00%	Full consolidation
Tata Steel Sweden Byggsystem AB	100.00%	Full consolidation
Tata Steel UK Consulting Limited	100.00%	Full consolidation
Tata Steel UK Holdings Limited	100.00%	Full consolidation
Tata Steel UK Limited	100.00%	Full consolidation
Tata Steel USA Inc.	100.00%	Full consolidation
The Newport And South Wales Tube Company Limited	100.00%	Full consolidation
Thomas Processing Company	100.00%	Full consolidation
Thomas Steel Strip Corp.	100.00%	Full consolidation
TSSouth Africa Sales Office Proprietary Limited	100.00%	Full consolidation
Tulip UK Holdings (No.2) Limited	100.00%	Full consolidation
Tulip UK Holdings (No.3) Limited	100.00%	Full consolidation
UK Steel Enterprise Limited	100.00%	Full consolidation
Unitol SAS	100.00%	Full consolidation
Fischer Profil Produktions -und-Vertriebs - GmbH	100.00%	Full consolidation
Al Rimal Mining LLC	70.00%	Full consolidation
TSMUK Limited	100.00%	Full consolidation
Tata Steel Minerals Canada Limited	82.00%	Full consolidation
T S Canada Capital Ltd	100.00%	Full consolidation
Tata Steel International (Shanghai) Ltd.	100.00%	Full consolidation
Tata Steel (Thailand) Public Company Ltd.	67.90%	Full consolidation
Tata Steel Manufacturing (Thailand) Public Company Limited	99.90%	Full consolidation
T S Global Procurement Company Pte. Ltd.	100.00%	Full consolidation
Bowen Energy PTY Ltd.	100.00%	Full consolidation
Bowen Coal PTY Ltd.	100.00%	Full consolidation
Bowen Consolidated PTY Ltd.	100.00%	Full consolidation
Subarnarekha Port Private Limited	50.63%	Full consolidation
Mjunction services limited	50.00%	Equity Method
Tata NYK Shipping Pte Ltd.	50.00%	Equity Method
TM International Logistics Limited	51.00%	Equity Method
Industrial Energy Limited	26.00%	Equity Method
Andal East Coal Company Pvt. Ltd.	33.89%	Equity Method
Tata BlueScope Steel Private Limited	50.00%	Equity Method
Jamshedpur Continuous Annealing & Processing Company Private Limited	51.00%	Equity Method
Naba Diganta Water Management Limited	74.00%	Equity Method
Jamipol Limited	39.78%	Equity Method
Himalaya Steel Mills Services Private Limited	26.00%	Equity Method
Laura Metaal Holding B.V.	49.00%	Equity Method
Ravenscraig Limited	33.33%	Equity Method
Tata SteelTicaret AS	50.00%	Equity Method
Texturing Technology Limited	50.00%	Equity Method
Air Products Llanwern Limited	50.00%	Equity Method
Hoogovens Court Roll ServiceTechnologies VOF	50.00%	Equity Method
Minas De Benga (Mauritius) Limited	35.00%	Equity Method
Bluescope Lysaght Lanka (Pvt) Ltd	100.00%	Equity Method
Tata NYK Shipping (India) Pvt. Ltd.	100.00%	Equity Method
International Shipping and Logistics FZE	100.00%	Equity Method
TKM Global China Limited	100.00%	Equity Method
TKM Global GmbH	100.00%	Equity Method
TKM Global Logistics Limited	100.00%	Equity Method
Kumardhubi Fireclay & Silica Works Ltd.	27.78%	Equity Method
Kumardhubi Metal Casting and Engineering Limited	49.31%	Equity Method
Strategic Energy Technology Systems Private Limited	25.00%	Equity Method
Tata Construction & Projects Ltd.	27.19%	Equity Method

Company Name	Ownership	Consolidation Approach
TRF Limited	34.11%	Equity Method
Malusha Travels Pvt Ltd.	33.23%	Equity Method
European Profiles (M) Sdn. Bhd.	20.00%	Equity Method
GietWalsOnderhoudCombinatie B.V.	50.00%	Equity Method
Hoogovens Gan Multimedia S.A. De C.V.	50.00%	Equity Method
ISSB Limited	50.00%	Equity Method
Wupperman Staal Nederland B.V.	30.00%	Equity Method
9336-0634 Quebec Inc	33.33%	Equity Method
TRFSingapore Pte Limited	100.00%	Equity Method
TRF Holding Pte Limited	100.00%	Equity Method
Dutch Lanka Trailer Manufacturers Limited	100.00%	Equity Method
Dutch Lanka Engineering (Private) Limited	100.00%	Equity Method
Fabsec Limited	25.00%	Equity Method

**Source:** Company

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