October 04, 2022

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	22,500.00	22,500.00	[ICRA]A1+
Total	**22,500.00**	**22,500.00**	

^Instrument details are provided in Annexure-1

Rationale

The Board of Directors of Tata Steel Limited (TSL), in their meeting held on September 22, 2022, considered and approved a scheme of amalgamation of Tata Steel Long Products Limited (TSLPL, rated at [ICRA]A1+&), The Tinplate Company of India Limited (TCIL, rated at [ICRA]AA&/[ICRA]A1+&), Tata Metaliks Limited (TML, rated at [ICRA]AA&/[ICRA]A1+&), TRF Limited, The Indian Steel & Wire Products Limited (ISWPL, rated at [ICRA]A&/[ICRA]A1&), Tata Steel Mining Limited (TSML), S&T Mining Company Limited (STMCL) into TSL, subject to receipt of requisite statutory and regulatory approvals. The Boards of TSLPL, TML and ISWPL have simultaneously considered and approved the withdrawal of the scheme of amalgamation of TML and ISWPL into TSLPL, which was earlier announced on November 13, 2020.

The amalgamation of the listed Group entities, which include TSLPL (public shareholding of 25.09%), TML (public shareholding of 39.97%), TCIL (public shareholding of 25.04%), and TRF Limited (public shareholding of 65.88%), would be done entirely through a share swap[1] arrangement. However, the amalgamation of ISWPL would be done through a cash payout[2] to its 4.98% minority shareholders. TSML and STMCL are wholly-owned subsidiaries of TSL, and therefore will not be entitled for any cash/ non-cash consideration to be paid. Following the completion of the aforesaid amalgamation, the shareholding of Tata Sons Private Limited in Tata Steel Limited is estimated to marginally reduce by 0.75% to 33.18% from 33.93%.

Through the proposed amalgamation, the management aims to simplify the Group's organisational structure, fast track management decision making, and realise synergies associated with greater operational integration of products/ raw materials across the steelmaking value chain, common procurement systems, shared marketing/distribution systems, and rationalisation of logistics costs. In addition, pooling of financial and technical resources is expected to support faster execution of the Group's planned expansion projects. ICRA notes that following the amendment of the MMDR Act on March 28, 2021, TML and TSLPL incurred an additional regulatory expense worth Rs. 543 crore in FY2022 towards procurement of iron ore from TSL's captive mines. Following the amalgamation, the Group will be able to significantly reduce its regulatory expenses associated with the consumption of captive iron ore for its various steelmaking units. Given the amalgamation of the seven entities with its parent having a stronger credit profile, and the expected synergy benefits, which when materialized, would have a favourable impact on the credit profile of the Group.

[1] Considering swap ratio of: a) 67 equity shares of TSL for 10 equity shares of TSLPL, b) 33 equity shares of TSL for 10 equity shares of TCIL, c) 79 equity shares of TSL for 10 equity shares of TML, d) 17 equity shares of TSL for 10 equity shares of TRF Limited

[2] Rs.426 per share leading to a total cash outflow of Rs.12.71 crore

ICRA has noted the amalgamation announcement and does not expect it to have a material impact on TSL's credit profile. While evaluating TSL's credit profile, ICRA considers the consolidated business risk profile of the company that includes the six subsidiaries out of the seven entities getting amalgamated, excluding TRF Limited. As the transaction is majorly[3] being funded through a share swap arrangement, there would not be any material impact on the liquidity profile of TSL. Thus, the rating remains unchanged at [ICRA]A1+.

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

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for entities in the ferrous metals industry Corporate Credit Rating Methodology
Parent/Group Support	Parent Company: Tata Sons Private Limited (TSPL) ICRA expects TSPL 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 TSPL 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. As on March 31, 2022, the company had 218 subsidiaries/step-down subsidiaries, 25 JVs and 20 associates, that have been enlisted in Annexure-2.

About the company

TSL is a part of the widely diversified Tata Group. TSL has a crude steel capacity of 35 mtpa. The company has 20.6 mtpa of crude steel capacity in India, and the remaining capacity mainly in Europe. TSL has targeted to increase its domestic steel capacity to 40 mtpa by 2030. It 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 and Singapore. The product profile of the company comprises both long and flat products. In addition to different varieties of steel, it is also a large producer of ferro-chrome products.

Key financial indicators

Consolidated financials	FY2021	FY2022
Operating Income (Rs. crore)	1,56,294	243,959
PAT (Rs. crore)	8,190	41,749
OPBDIT/OI (%)	18.3%	26.6%
PAT/OI (%)	5.2%	17.1%
Total Outside Liabilities/Tangible Net Worth (times)	2.1	1.4
Total Debt/OPBDIT (times)	3.1	1.2
Interest Coverage (times)	3.8	11.9

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

[3] Cash payout of only Rs.12.71 crore is being made to the shareholders of ISWPL

Status of non-cooperation with previous CRA – Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of May 31, 2022 (Rs. crore)	Date & Rating in		Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020	
					Oct 4, 2022	Jun 23, 2022	Feb 09, 2022	Sep 30, 2021	Jan 12, 2021	Sep 30, 2020	Aug 30, 2019	May 21, 2019
1	Commercial Paper (CP)	Short Term	22,500	11,400	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Amount in Rs. crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper (CP)	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
INE081A14CL8	CP	Apr-2022	-	Jun-2022	1,000.00	[ICRA]A1+
INE081A14CK0	CP	Mar-2022	-	Jun-2022	1,400.00	[ICRA]A1+
INE081A14CR5	CP	May-2022	-	Jun-2022	1,000.00	[ICRA]A1+
INE081A14CS3	CP	May-2022	-	Jun-2022	1,000.00	[ICRA]A1+
INE081A14CM6	CP	Apr-2022	-	Jul-2022	2,500.00	[ICRA]A1+
INE081A14CO2	CP	Apr-2022	-	Jul-2022	1,000.00	[ICRA]A1+
INE081A14CP9	CP	May-2022	-	Aug-2022	1,500.00	[ICRA]A1+
INE081A14CN4	CP	Apr-2022	-	Aug-2022	1,000.00	[ICRA]A1+
INE081A14CQ7	CP	May-2022	-	Nov-2022	1,000.00	[ICRA]A1+
Not placed	CP	-	-	-	11,100.00	[ICRA]A1+

Source: *NSDL website; CP – Commercial Paper; As on May 31, 2022*

Annexure-2: List of entities considered for consolidated analysis

Company Name	TSL Ownership	Consolidation Approach
ABJA Investment Co. Pte. Ltd.	100.00%	Full Consolidation
The Indian Steel & Wire Products Ltd	95.01%	Full Consolidation
Tata Steel Utilities and Infrastructure Services 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
The Tata Pigments Limited	100.00%	Full Consolidation
Adityapur Toll Bridge Company Limited	88.50%	Full Consolidation
Mohar Export Services Pvt Ltd	66.46%	Full Consolidation
NatSteel Asia Pte. Ltd.	100.00%	Full Consolidation
Rujuvalika Investments Limited	100.00%	Full Consolidation
Tata Steel Mining Limited (Formerly known as T S Alloys Limited)	100.00%	Full Consolidation
Tata Korf Engineering Services Ltd.	100.00%	Full Consolidation
Tata Metaliks Ltd	60.03%	Full Consolidation
Tata Steel Long Products Limited	74.91%	Full Consolidation
TSIL Energy Limited	100.00%	Full Consolidation
T Steel Holdings Pte. Ltd	100.00%	Full Consolidation
T S Global Holdings Pte. Ltd	100.00%	Full Consolidation
Orchid Netherlands (No.1) B.V.	100.00%	Full Consolidation
NatSteel Holdings Pte. Ltd	-	Full Consolidation
NatSteel Recycling Pte Ltd.	-	Full Consolidation
NatSteel Trade International Pte. Ltd.	-	Full Consolidation
Easteel Services (M) Sdn. Bhd.	-	Full Consolidation
The Siam Industrial Wire Company Ltd.	100.00%	Full Consolidation
Eastern Steel Fabricators Philippines, Inc	67.00%	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

Company Name	TSL Ownership	Consolidation Approach
C V Benine	76.92%	Full Consolidation
Catnic GmbH	100.00%	Full Consolidation
Catnic Limited	100.00%	Full Consolidation
Tata Steel International Mexico SA de CV	100.00%	Full Consolidation
Cogent Power Inc	-	Full Consolidation
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

Company Name	TSL Ownership	Consolidation Approach
S A B Profiel B.V.	100.00%	Full Consolidation
S A B Profil GmbH	100.00%	Full Consolidation
Service Centre 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 Batiment et Systemes SAS	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) Representações 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 Limited	100.00%	Full Consolidation
Tata Steel International (Poland) sp Zoo	100.00%	Full Consolidation
Tata Steel International (Sweden) AB	100.00%	Full Consolidation
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 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
TS South Africa Sales Office Proprietary Limited	100.00%	Full Consolidation
Tulip UK Holdings (No.2) Limited	100.00%	Full Consolidation

Company Name	TSL Ownership	Consolidation Approach
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
T S Canada Capital Ltd.	100.00%	Full Consolidation
Tata Steel Minerals Canada Limited	82.00%	Full Consolidation
Tata Steel (Thailand) Public Company Limited	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
Tata Steel International (Asia) Limited	100.00%	Full Consolidation
TS Asia (Hong Kong) Ltd.	100.00%	Full Consolidation
Tata Steel International (Shanghai) Ltd.	100.00%	Full Consolidation
Tata Steel Downstream Products Limited	100.00%	Full Consolidation
Tata Steel Advanced Materials Limited	100.00%	Full Consolidation
Ceramat Private Limited	90.00%	Full Consolidation
Tayo Rolls Limited~	54.91%	Full Consolidation
The Tinplate 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
Bamnipal Steel Limited	100.00%	Full Consolidation
Tata Steel BSL Limited	100.00%	Full Consolidation
Angul Energy Limited	99.99%	Full Consolidation
Tata Steel Support Services Limited	100.00%	Full Consolidation
Bhushan Steel (South) Ltd	100.00%	Full Consolidation
Tata Steel Technical Services Limited	100.00%	Full Consolidation
Bhushan Steel (Australia) Pty. 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
Medica TS Hospital Ltd	51.00%	Equity Method
Creative Port Development Private Limited	51.00%	Equity Method
Subarnarekha Port Private Limited	50.63%	Equity Method

Source: TSL FY2022 annual report; List does not include the subsidiaries under liquidation/strike-off with no assets, liabilities and transactions during FY2022

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