

March 13, 2024

Tata Motors Limited: Update on Material Event

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Non-Convertible Debenture Programmes	2,000.0	2,000.0	[ICRA]AA (Stable); Outstanding
Long-term – Fund-based facilities	4,000.0	4,000.0	[ICRA]AA (Stable); Outstanding
Term Loans	1,000.0	1,000.0	[ICRA]AA (Stable); Outstanding
Commercial Paper Programme	6,000.0	6,000.0	[ICRA]A1+; Outstanding
Short-term Debt Programme	1,000.0	1,000.0	[ICRA]A1+; Outstanding
Non-fund Based Facilities	4,500.0	4,500.0	[ICRA]AA (Stable)/ [ICRA]A1+; Outstanding
Total	18,500.0	18,500.0	

*Instrument details are provided in Annexure-1

Material event

On March 04, 2024, Tata Motors Limited (TML) announced that its Board of Directors (Board) had approved the proposal of demerging TML into two separate listed companies, housing the commercial vehicles (CV) business and its related investments in one entity (CV entity) and the passenger vehicles (PV) business, including PVs, electric vehicles (EVs), Jaguar Land Rover Automotive PLC (JLR) and its related investments in another entity (PV entity). The demerger will be implemented through a National Company Law Tribunal (NCLT) scheme of arrangement and all shareholders of TML shall continue to have identical shareholding in both the listed entities.

Impact of material event

ICRA notes that the actual demerger would take nearly 12-15 months to complete and shall be subject to the Board's approval for the NCLT scheme of arrangement along with the necessary shareholder, creditor and regulatory approvals.

While the full details of the scheme are yet to be disclosed, ICRA expects both the resulting entities to maintain a strong credit profile even after the demerger, supported by their respective operational strengths. The CV entity shall continue to benefit from its dominant market share of ~39% in the domestic CV segment (for 9M FY2024), a strong and well diversified product portfolio and an extensive dealership-cum-service network. However, in line with the industry's characteristics, the CV entity's earnings shall remain susceptible to stiff competition and inherent cyclicity. The PV entity shall also continue to benefit from improving acceptability of its newer models with a market share of 14.6% in Q3 FY2024 and its global presence on account of JLR, which generated ~70% of TML's consolidated (excluding TMF Holdings Limited, or TMF) earnings in 9M FY2024. JLR has reported growth in volumes over the last few quarters supported by easing supply chain issues and increasing Defender, Range Rover and Range Rover Sport wholesales. Moreover, Range Rover Electric has been generating strong interest.

TML has an expected capex (including expensed and capitalised R&D) outlay of Rs. 35,000–Rs. 40,000 crore per annum. However, its liquidity profile is expected to remain adequate supported by steady cash flow generation. Moreover, ICRA expects the management's commitment to deleverage the balance sheet and maintain the overall borrowings at prudent levels to continue for both the resulting entities. Both entities are also expected to continue to enjoy exceptional financial flexibility as part of the Tata Group along with financial support from Tata Sons Private Limited (Tata Sons) (rated [ICRA]AAA (Stable)/[ICRA]A1+).

ICRA will continue to monitor the developments in this regard and their possible impact, if any, on the credit profile of TML.

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	Corporate Credit Rating Methodology Rating Methodology – Commercial Vehicles Rating Methodology – Passenger Cars & Utility Vehicles
Parent/Group support	Parent Company: Tata Sons Private Limited We expect TML's parent, Tata Sons (rated [ICRA]AAA (Stable) / [ICRA]A1+), to be willing to extend financial support to TML, should there be a need. Both TML and Tata Sons share a common name, which in ICRA's opinion would persuade Tata Sons to provide financial support to TML 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 TML, excluding the financial services business under TMF. However, the analysis considers the ordinary and extraordinary funding support likely to be extended by TML to TMF.

About the company

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 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).

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 offering premium and luxury segment cars and SUVs across multiple markets such as the UK, EU, North America, China and other overseas markets. Apart from JLR, which is wholly-owned by TML and generated ~65% of its consolidated turnover in FY2023, 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 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 manufacturing plants in six locations in India – Pune (Maharashtra), Lucknow (Uttar Pradesh), Jamshedpur (Jharkhand), Pantnagar (Uttaranchal), Dharwad (Karnataka) and Sanand (Gujarat); while 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. Moreover, as a Tata Group entity, TML operates assembly operations at multiple locations around the globe through its subsidiaries and JVs.

Key financial indicators (audited)

TML (Consolidated excluding TMF Holdings)	FY2022	FY2023
Operating income	2,75,788.6	344,009.2
PAT	(11,391.1)	3,366.5
OPBDIT/OI	8.3%	10.0%
PAT/OI	-4.1%	1.0%
Total outside liabilities/Tangible net worth (times)	5.1	4.7
Total debt/OPBDIT (times)	5.2	3.1
Interest coverage (times)	3.5	4.7

Source: Company, ICRA Research; Note: PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; All ratios as per ICRA's calculations

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 Feb 29, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021		
				Mar 13, 2024	Jul 05, 2023	Feb 15, 2023	Feb 16, 2022	Feb 16, 2021	
1 Non-convertible Debenture Programme	Long-Term	2000.0	500.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Negative)
2 Fund-based Facilities-Cash Credit	Long-Term	4000.0	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Negative)
3 Fund based-Term Loan	Long-Term	1000.0	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Negative)
4 Commercial Paper Programme	Short-Term	6000.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5 Debt Programme	Short-Term	1000.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6 Non-fund Based Facilities	Long-term/ Short-Term	4500.0	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA- (Positive)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Negative)/ [ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible Debenture Programme	Very Simple
Long-term-fund-based facilities-cash credit	Simple
Long-term-fund based-term loan	Simple
Commercial Paper Programme	Very Simple
Short-term debt Programme	Very Simple
Long-term / short-term-non-fund Based 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-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Yet to be placed	CP	-	-	-	6,000.0	[ICRA]A1+
Yet to be placed	Short-term Debt Programme	-	-	-	1,000.0	[ICRA]A1+
INE155A08191	NCD	20-Aug-14	9.81%	20-Aug-24	300.0	[ICRA]AA (Stable)
INE155A08209	NCD	12-Sep-14	9.77%	12-Sep-24	200.0	[ICRA]AA (Stable)
INE155A08241	NCD	10-Nov-14	9.35%	10-Nov-23	400.0	[ICRA]AA (Stable)
Yet to be placed	NCD	-	-	-	1,100.0	[ICRA]AA (Stable)
-	Proposed Term Loan	-	-	-	1,000.0	[ICRA]AA (Stable)
-	Fund-based Facility	-	-	-	4,000.0	[ICRA]AA (Stable)
-	Non-fund Based Facility	-	-	-	4,500.0	[ICRA]AA (Stable) / [ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
DIRECT SUBSIDIARIES		
TML Business Services Limited	100.00%	Full Consolidation
Tata Motors Insurance Broking and Advisory Services Limited	100.00%	Full Consolidation
Tata Technologies Limited	76.69%	Full Consolidation
TMF Holdings Limited	100.00%	Full Consolidation
Tata Motors Body Solutions Limited	100.00%	Full Consolidation
TML Holdings Pte. Limited	100.00%	Full Consolidation
Tata Hispano Motors Carrocera S.A.	100.00%	Full Consolidation
Tata Hispano Motors Carrocerries Maghreb SA	100.00%	Full Consolidation
Tata Precision Industries Pte. Limited	78.39%	Full Consolidation
Brabo Robotics and Automation Limited	100.00%	Full Consolidation
Jaguar Land Rover Technology and Business Services India (P) Ltd.	100.00%	Full Consolidation
TML CV Mobility Solutions Limited	100.00%	Full Consolidation
Tata Passenger Electric Mobility Limited	100.00%	Full Consolidation
Tata Motors Passenger Vehicles Limited	100.00%	Full Consolidation
Tata Smart City Mobility Solutions Limited	100.00%	Full Consolidation
INDIRECT SUBSIDIARIES		
Tata Motors European Technical Centre PLC	100.00%	Full Consolidation
Trilix S.r.l.	100.00%	Full Consolidation
Tata Daewoo Commercial Vehicle Company Limited	100.00%	Full Consolidation
Tata Daewoo Commercial Vehicle Sales and Distribution Company	100.00%	Full Consolidation
Tata Motors (Thailand) Limited	97.21%	Full Consolidation
PT Tata Motors Indonesia	100.00%	Full Consolidation
Tata Technologies (Thailand) Limited	76.69%	Full Consolidation
Tata Technologies Pte Limited	76.69%	Full Consolidation
INCAT International Plc.	76.69%	Full Consolidation
Tata Technologies Europe Limited	76.69%	Full Consolidation
Tata Technologies Nordics AB	76.69%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Tata Technologies GmbH	76.69%	Full Consolidation
Tata Technologies Inc.	76.74%	Full Consolidation
Tata Technologies de Mexico, S.A. de C.V.	76.74%	Full Consolidation
Cambric Limited	76.74%	Full Consolidation
Tata Technologies SRL Romania	76.74%	Full Consolidation
Tata Manufacturing Technologies (Shanghai) Limited	76.69%	Full Consolidation
Jaguar Land Rover Automotive Plc	100.00%	Full Consolidation
Jaguar Land Rover Limited	100.00%	Full Consolidation
Jaguar Land Rover Austria GmbH	100.00%	Full Consolidation
Jaguar Land Rover Belux NV	100.00%	Full Consolidation
Jaguar Land Rover Japan Limited	100.00%	Full Consolidation
Jaguar Cars South Africa (Pty) Limited	100.00%	Full Consolidation
JLR Nominee Company Limited	100.00%	Full Consolidation
The Daimler Motor Company Limited	100.00%	Full Consolidation
Daimler Transport Vehicles Limited	100.00%	Full Consolidation
S.S. Cars Limited	100.00%	Full Consolidation
The Lanchester Motor Company Limited	100.00%	Full Consolidation
Jaguar Land Rover Deutschland GmbH	100.00%	Full Consolidation
Jaguar Land Rover Classic Deutschland GmbH	100.00%	Full Consolidation
Jaguar Land Rover Holdings Limited	100.00%	Full Consolidation
Jaguar Land Rover North America LLC	100.00%	Full Consolidation
Land Rover Ireland Limited	100.00%	Full Consolidation
Jaguar Land Rover Nederland BV	100.00%	Full Consolidation
Jaguar Land Rover Portugal - Veiculos e Pecas,	100.00%	Full Consolidation
Jaguar Land Rover Australia Pty Limited	100.00%	Full Consolidation
Jaguar Land Rover Italia Spa	100.00%	Full Consolidation
Jaguar Land Rover Espana SL	100.00%	Full Consolidation
Jaguar Land Rover Korea Company Limited	100.00%	Full Consolidation
Jaguar Land Rover (China) Investment Co. Limited	100.00%	Full Consolidation
Jaguar Land Rover Canada ULC	100.00%	Full Consolidation
Jaguar Land Rover France, SAS	100.00%	Full Consolidation
Jaguar Land Rover (South Africa) (pty) Limited	100.00%	Full Consolidation
Jaguar e Land Rover Brasil industria e Comercio de Veiculos LTDA	100.00%	Full Consolidation
Limited Liability Company "Jaguar Land Rover" (Russia)	100.00%	Full Consolidation
Jaguar Land Rover (South Africa) Holdings Limited	100.00%	Full Consolidation
Jaguar Land Rover India Limited	100.00%	Full Consolidation
Jaguar Cars Limited	100.00%	Full Consolidation
Land Rover Exports Limited	100.00%	Full Consolidation
Jaguar Land Rover Pension Trustees Limited	100.00%	Full Consolidation
Jaguar Racing Limited	100.00%	Full Consolidation
InMotion Ventures Limited	100.00%	Full Consolidation
In-Car Ventures Limited	100.00%	Full Consolidation
InMotion Ventures 2 Limited	100.00%	Full Consolidation
InMotion Ventures 3 Limited	100.00%	Full Consolidation
Shanghai Jaguar Land Rover Automotive Services Company Limited	100.00%	Full Consolidation
Jaguar Land Rover Slovakia s.r.o	100.00%	Full Consolidation
Jaguar Land Rover Singapore Pte. Ltd	100.00%	Full Consolidation
Jaguar Land Rover Columbia S.A.S	100.00%	Full Consolidation
PT Tata Motors Distribusi Indonesia	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Tata Motors Finance Solutions Limited	100.00%	Full Consolidation
Tata Motors Finance Limited	100.00%	Full Consolidation
Jaguar Land Rover Ireland (Services) Limited	100.00%	Full Consolidation
Jaguar Land Rover Taiwan Company Limited	100.00%	Full Consolidation
Jaguar Land Rover Servicios Mexico,S.A. de C.V.	100.00%	Full Consolidation
Jaguar Land Rover Mexico,S.A.P.I. de C.V.	100.00%	Full Consolidation
Jaguar Land Rover Hungary KFT	100.00%	Full Consolidation
Jaguar Land Rover Classic USA LLC	100.00%	Full Consolidation
Jaguar Land Rover Ventures Limited	100.00%	Full Consolidation
Bowler Motors Limited	100.00%	Full Consolidation
Jaguar Land Rover (Ningbo) Trading Co. Limited	100.00%	Full Consolidation
TML Smart City Mobility Solutions (J&K) Private Limited	100.00%	Full Consolidation
Tata Technologies Limited Employee Stock Option Trust	76.69%	Full Consolidation
INCAT International Limited ESOP 2000	76.69%	Full Consolidation
JOINT OPERATIONS		
Fiat India Automobiles Private Limited	50.00%	Proportionate Consolidation
Tata Cummins Private Limited	50.00%	
JOINT VENTURES		
Tata HAL Technologies Limited**	37.21%	Equity Method
Chery Jaguar Land Rover Automotive Company Limited	50.00%	
Loginomic Tech Solutions Private Limited (“TruckEasy”)	26.00%	
Jaguar Land Rover Switzerland AG	30.00%	
ASSOCIATES		
Automobile Corporation of Goa Limited	49.77%	Equity Method
Nita Co. Ltd	40.00%	
Tata Autocomp Systems Limited	26.00%	
Tata Hitachi Construction Machinery Company Pvt Ltd	39.99%	
Tata Precision Industries (India) Limited	39.19%	
Jaguar Cars Finance Limited	49.90%	
Cloud Car Inc	26.30%	
Synaptiv Limited	37.50%	
DriveClubService Pte. Ltd.	25.07%	
Inchcape JLR Europe Limited	30.00%	
Sertec Corporation Limited	40.00%	

** Effective holding % of the Company as it is a Joint Venture of Tata Technologies Ltd
Source: TML Annual Report FY2023

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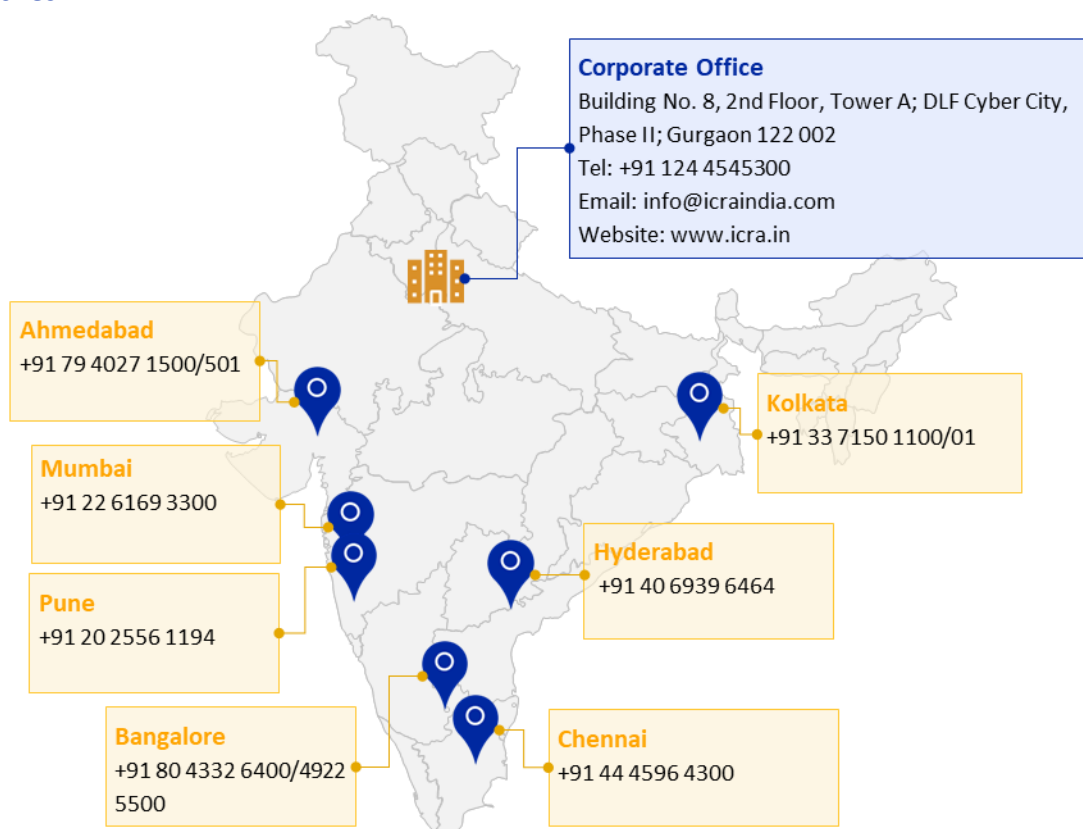


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