

**Tata Motors Finance Limited**  
**(Formerly known as Sheba Properties Limited)**  
August 27, 2019

**Ratings**

Instruments/Facilities	Amount (Rs. crore)	Rating <sup>2</sup>	Rating Action
LT Bank Facilities	25,000.00 (Enhanced from Rs.17,000.00 crore) (Rupees Twenty Five Thousand crore only)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Revised form CARE AA; Stable (Double A; Outlook: Stable)
Non-Convertible Debentures	1402.00 (Reduced from Rs.1,527.00 crore) (Rupees One Thousand Four Hundred and Two crore only)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Revised form CARE AA; Stable (Double A; Outlook: Stable)
Non-Convertible Debentures	5,000.00 (Rupees Five Thousand crore only)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Revised form CARE AA; Stable (Double A; Outlook: Stable)
Subordinated Debt	265.00 (Rupees Two Hundred and Sixty Five crore only)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Revised form CARE AA; Stable (Double A; Outlook: Stable)
Subordinated Debt	915.00 (Rupees Nine Hundred and Fifteen crore only)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Revised form CARE AA; Stable (Double A; Outlook: Stable)
Perpetual Debt	39.70 (Rupees Thirty Nine crore and Seventy lakh only)	CARE A; Negative (Single A; Outlook: Negative)	Revised form CARE A+; Stable (Single A Plus; Outlook: Stable)
Commercial Paper	7,000 (Rupees Seven Thousand crore only)	CARE A1+ (A One Plus)	Reaffirmed

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the long-term ratings of Tata Motors Finance Limited (TMFL) follows a revision in the long-term ratings of the parent company Tata Motors Limited (TML) from 'CARE AA; Stable' (Double A; Outlook: Stable) to 'CARE AA-; Negative' (Double A Minus; Outlook: Negative).

The ratings assigned to debt instruments / bank facilities of TMFL primarily factor in the parentage of Tata Motors Limited (TML), being a Tata group company and the strategic importance of TMFL for the parent being a captive finance arm for TML, strong operational linkages underlined by demonstrated capital and management support as well as common brand name.

The ratings also continue to take into account TMFL's well diversified resource profile and adequate capitalization levels. The ratings further factor in moderate asset quality of the group, adequate liquidity profile supported by the group's resource raising ability and moderate profitability parameters of the company.

Continued support from the parent (TML), asset quality, profitability and capitalization are the key rating sensitivities. The ratings of TMFL draw significant strength from the ratings of TML. Any change in the credit profile resulting in a rating change of TML, would necessitate a similar rating action on the ratings of TMFL.

**Detailed description of the key rating drivers****Key Rating Strengths****Strong parentage and strategically important subsidiary for the parent**

TMFL is a majority owned subsidiary of TMFHL which in turn is a wholly owned subsidiary of Tata Motors Limited (rated 'CARE AA-; Negative'). TML is the largest automobile manufacturer in Asia as well as largest commercial vehicle manufacturer in India. It is the leading player in the CV segment, with a market share of ~45.7% during nine months ended December 31, 2018. TML offers a broad portfolio of automotive products, with CVs ranging from sub-1 ton to 49-ton gross vehicle weight, trucks (including pickup trucks) to small, medium, and large buses and coaches to passenger cars and defense vehicles.

The auto finance companies (TMFSL and TMFL) and the holding company TMFHL are critical for TML for achieving their growth expectations and in creating demand in newer markets. The strategic importance is also underlined by the fact that TML has supported these companies in the past by way of providing limited / total credit loss cover for certain portion of the loan portfolio. The schemes have been discontinued since, with the existing portfolio of loans supported by

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

subvention being a rundown of the loans originated under the scheme initially. TMFSL and TMFL would be critical in expanding into newer business areas like used vehicle financing and dealer/vendor financing and continued financial, operational and management support from TML is expected and is a key rating sensitivity.

#### **Strong management and board of directors**

The company's Board of Directors comprise of eminent personalities of industry and key senior management executives of Tata Motors Limited having rich experience in their respective fields. Mr. Nasser Munjee is the Chairman of Board. Mr. Munjee was instrumental in setting up of institutions like HDFC and IDFC. Mr. Shyam Mani, Non-Executive Director on the Board, is also the Managing Director of TMF Holdings Limited managing the TMF Group since inception. Mr. Mani is an eminent professional and has rich experience across various functions, including manufacturing, procurement, finance and sales and marketing. Before his stint with the TMF Group, Mr. Mani was handling Sales & Marketing for the Commercial Vehicles Business Unit of Tata Motors Limited as Vice President. Mr. Samrat Gupta is the Chief Executive Officer (CEO) of the company, carrying vast experience in M&A, corporate restructuring, finance, sales and marketing. Mr. Samrat Gupta is the CEO of TMFL, and has over 20 years of work experience in the Tata group companies and other MNCs.

#### **Strong operational linkages with TML**

Being a captive financing arm of TML, it enjoys strong linkages and has relationship with the dealer network and preferred financier for most of its dealer network. Further, the Tata Group has shared its brand with its auto financing companies (TMFL and TMFSL).

#### **Capital support from parent leading to adequate capitalization**

TML has been regularly infusing equity capital in TMFHL to support its business and to maintain adequate capitalization levels. On October 26, 2018, TML infused Rs.300 crore in TMFHL by way of subscription to equity shares allotted on Rights Issue basis and additional Rs.300 crore on January 30, 2019. In turn, TMFHL infused equity capital of Rs.150 crore in TMFL on February 28, 2019, and an additional Rs.150 crore on March 18, 2019. TMFHL further infused Rs.150 crore as equity in June 2019.

Owing to a 39% growth in advances, TMFL's overall CAR saw some moderation and stood at 15.25% [P.Y.: 16.56%] as on March 31, 2019, while and Tier I CAR stood at 10.93% [P.Y.: 11.82%]. TML has consistently supported the company by way of infusion of requisite capital to maintain TMFL's CAR in the range of 15%-17%, through TMFHL. Being a captive finance arm of TML, the company is expected to receive continued support from TML to maintain CAR above the regulatory minimum. TMFL reported CAR of 16.11% (Tier I CAR: 11.11%) as on June 30, 2019.

#### **Diversified funding profile**

TMFL's funding profile is well diversified with resources being raised from various avenues like non-convertible debentures, subordinated debt, perpetual debt, and commercial paper. Also, the company has bank lines from a variety of banks to meet its funding requirements.

TMFL's standalone gearing improved, owing to the capital infusion in FY19 (refers to period from April 01 to March 31), and stood at 10.50x on March 31, 2019 as against 10.99x as on March 31, 2018.

#### **Key Rating Weakness**

##### **Moderate asset quality**

The asset quality parameters of the company have shown sign of improvement over the period. During FY18, TMFSL wrote off its Manufacturer Guaranteed Business (MGB) portfolio. The asset quality parameters improved further in FY19 with the consolidated Gross NPA ratio and Net NPA ratio (as per regulatory norms) at 2.60% [P.Y.: 4.00%] and 1.38% [P.Y.: 2.74%] respectively. On a standalone basis, TMFL reported Gross NPA ratio of 2.92% [P.Y.: 4.70%] and Net NPA ratio of 1.52% [P.Y.: 3.27%] as on March 31, 2019.

During Q1FY20, the company saw an increase in slippages. As a result, the company's standalone Gross NPA and Net NPA ratios stood at 4.49% and 2.87% respectively. As on June 30, 2019, consolidated Gross NPA and Net NPA ratios stood at 4.06% and 2.61% respectively.

##### **Moderate profitability**

There has been improvement in the overall performance of the TMFHL group since FY18. During FY19, the total income of TMFHL (consolidated) grew 37% to Rs.3,975 crore [P.Y.: Rs.2,908 crore]. The company, on consolidated basis, reported Profit After Tax (PAT) of Rs.164 crore in FY19 as against PAT of Rs.76 in FY18. Consolidated Return on Total Assets (RoTA) for FY19 was 0.48% [P.Y.: 0.29%]. On a standalone basis, in FY19, the company reported PAT of Rs.204 crore on total income of Rs.3,248 crore.

During Q1FY20 (refers to the period April 01 to March 31), TMFL reported loss of Rs.45 crore on a total income of Rs.931 crore on a standalone basis on account of increase in interest cost and credit costs.

**Moderate liquidity profile**

The liquidity profile of TMFL has been moderate and supported by back-up lines of credit from banks and refinance of loans as well as funding support from TML and other group companies. TMFL, being the captive finance arm of TML, is expected to receive support from the parent on a continuous basis. Being part of the Tata Group, TMFL also has the strength to mobilise funds to meet any liquidity requirements.

**Analytical approach:** Since TMFSL and TMFL are subsidiaries of TMFHL, CARE has taken a consolidated approach for assigning the ratings. Further, TMFHL's ratings derive significant support from the company's parentage of TML.

**Liquidity Profile**

TMFL's asset liability maturity (ALM) profile as on July 31, 2019 after considering committed lines of credit, had positive cumulative mismatch in all time brackets up to 3 months. The company has been able to generally roll over its commercial papers considering its parentage. The company had undrawn lines of Rs.2,666 crore as on July 31, 2019. Being part of the Tata Group, TMFL is expected to receive support from the parent on a continuous basis and be able to mobilise funds to meet any liquidity requirements.

**Applicable Criteria:**

[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE Policy on Default Recognition](#)  
[Rating Methodology: Factoring Linkages in Rating](#)  
[Financial ratios - Financial Sector](#)  
[Non-Banking Financial Companies](#)  
[Criteria for Short Term Instruments](#)

**About the Company****TMFHL**

TMFHL, an erstwhile asset finance company and systemically important non-banking financial company, is a wholly owned subsidiary of Tata Motors Limited (TML, rated CARE AA-; Negative). Prior to March 2015, TMFHL's (formerly known as TMFL) loan portfolio comprised of financing Tata Motors manufactured vehicles. Being a strategically important subsidiary, TML has been extending support by way of capital from time to time. TML in order to increase its sales in the past has also given guarantee on some of the portfolio originated by TMFHL, wherein TML would bear entire losses in case of non-recovery (manufacturer guaranteed business). In March 2015, the company management initiated business restructuring as part of which its manufacturer guaranteed and used vehicle finance businesses were transferred to a new formed wholly owned subsidiary Tata Motors Finance Solutions Limited (TMFSL).

As per the scheme of arrangement (approved by the board of TMFHL during FY17 and NCLT on April 06, 2017), the new vehicle financing business of TMFHL has been transferred to TMFL (formerly known as Sheba Properties Limited). Its dealer/vendor financing business has been transferred to TMFSL. TMFHL has been converted into a core investment company (CIC) post the requisite approvals from RBI vide certificate of registration dated October 11, 2017. The name of the company has been changed to TMF Holdings Limited with effect from June 17, 2017. The CIC acts as holding company of the lending subsidiaries.

**TML**

Incorporated in 1945, TML is one of the leading automotive manufacturers in India. Essentially a CV manufacturer, TML forayed into manufacturing of passenger vehicles across all product segments viz. compact, mid-size and utility in 1998-99, broadening the business horizon of the company. TML forayed into the premium luxury car segment through acquisition of JLR in June 2008, which has a presence across various geographies such as Europe, US, China, Russia and Brazil. Through its subsidiaries and associates, TML also has a presence in Thailand, South Africa, South Korea and Indonesia. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat) and Dharwad (Karnataka). In addition, JLR has three manufacturing units and two product development centers in the UK.

**TMFSL**

TMFSL (formerly known as Rajasthan Leasing Pvt. Ltd.) is a wholly owned subsidiary of TMFHL which in turn is a wholly owned subsidiary of TML (rated 'CARE AA-; Negative'). At the end of FY15, TMFSL purchased the manufacturer (TML) guaranteed business and used vehicle finance business from TMFHL, on a slump sale basis. The objective of creating TMFSL was to have a dedicated focus for the manufacturer (TML) guaranteed business and used vehicle financing business and also to de-risk the balance sheet of TMFL. During the quarter ended September 30, 2017 TMFSL wrote off its manufacturer guaranteed business and is currently dedicated to used vehicle financing and dealer/vendor financing.

**TMFL**

TMFL is a majority owned subsidiary of TMFHL and is a systemically important NBFC classified as an asset financing company registered with RBI. As per the scheme of arrangement approved by the board of both companies, accepted and approved by NCLT, the new vehicle financing business of TMFHL has been transferred to TMFL w.e.f the close of business hours on January 31, 2017. The name of the company was changed from Sheba Properties Limited w.e.f. June 30, 2017.

Brief Financials (Rs. crore)*	Standalone (TMFL)		Consolidated (TMFHL)	
	FY18 (A)	FY19 (A)	FY18 (A)	FY19 (A)
Total income	2,444	3,248	2,908	3,975
PAT	272	204	76	164
Total Tangible Assets <sup>^</sup>	22,694	32,738	28,632	40,117
Net NPA (%)	3.28	1.52	2.74	1.38
ROTA (%)	1.35	0.74	0.29	0.48

A: Audited

\*As per IndAS

<sup>^</sup>Total assets excludes deferred tax asset and intangible assets

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-Long Term	-	-	-	25,000	CARE AA-; Negative
Bonds-Perpetual Bonds – Proposed	-	-	-	39.70*	CARE A; Negative
Debentures-Non Convertible Debentures	30-May-17	8.40%	27-May-20	290.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	02-Jun-17	8.40%	02-Jun-20	250.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	12-Jun-17	8.32%	10-Jul-20	360.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	24-Jul-17	7.78%	25-Aug-20	150.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	22-Jun-18	9.15%	07-Jun-21	70.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	24-Jul-18	9.15%	26-Jul-21	70.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	09-Aug-18	9.03%	30-Jan-20	615.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	26-Sep-18	8.80%	26-Dec-19	100.00	CARE AA-; Negative
Debentures-Non Convertible	11-Sep-18	9.10%	23-Aug-21	25.00	CARE AA-; Negative

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures					
Debentures-Non Convertible Debentures	06-Nov-18	9.85%	27-Dec-21	35.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	16-Nov-18	3 Month T bill* + 240 bps	18-Nov-19	150.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	04-Dec-18	9.66%	20-Mar-20	450.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	04-Dec-18	9.85%	04-Dec-21	75.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	11-Dec-18	9.59%	29-May-20	100.00	CARE AA-; Negative
Debentures-Non Convertible Debentures	28-Dec-18	9.25%	28-Dec-21	26.00	CARE AA-; Negative
Debentures-Non Convertible Debentures – Proposed	-	-	-	3,636.00*	CARE AA-; Negative
Debt-Subordinate Debt	13-Nov-17	8.35%	13-Nov-27	50.00	CARE AA-; Negative
Debt-Subordinate Debt	28-Mar-18	9.00%	28-Mar-28	200.00	CARE AA-; Negative
Debt-Subordinate Debt	31-Aug-18	10.00%	31-Aug-28	100.00	CARE AA-; Negative
Debt-Subordinate Debt	29-Mar-2019	10.00%	29-Mar-29	150.00	CARE AA-; Negative
Debt-Subordinate Debt	30-April-2019	10.25%	30-April-29	100.00	CARE AA-; Negative
Debt-Subordinate Debt	31-May-2019	9.95%	31-May-29	200.00	CARE AA-; Negative
Debt-Subordinate Debt – Proposed	-	-	-	380*	CARE AA-; Negative
Commercial Paper	-	-	7 – 365 days	7000.00	CARE A1+

\*As on July 31, 2019

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based/Non-fund-based-Long Term	LT	25000.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18) 3)CARE AA+; Stable (15-May-18)	1)CARE AA+; Stable (08-Jan-18) 2)CARE AA+; Stable (09-May-17)	-
2.	Bonds-Perpetual Bonds	LT	39.70	CARE A; Negative	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Stable (25-Feb-19) 2)CARE AA-;	1)CARE AA-; Stable (08-Jan-18) 2)CARE AA-;	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						Stable (08-Oct-18) 3)CARE AA-; Stable (15-May-18)	Stable (09-May-17)	
3.	Debt-Subordinate Debt	LT	265.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18) 3)CARE AA+; Stable (15-May-18)	1)CARE AA+; Stable (08-Jan-18) 2)CARE AA+; Stable (09-May-17)	-
4.	Commercial Paper	ST	7000.00	CARE A1+	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (25-Feb-19) 2)CARE A1+ (08-Oct-18) 3)CARE A1+ (01-Jun-18) 4)CARE A1+ (15-May-18)	1)CARE A1+ (08-Jan-18) 2)CARE A1+ (09-May-17)	-
5.	Debentures-Non Convertible Debentures	LT	1402.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18) 3)CARE AA+; Stable (15-May-18)	1)CARE AA+; Stable (08-Jan-18) 2)CARE AA+; Stable (09-May-17)	-
6.	Debentures-Non Convertible Debentures	LT	5000.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18) 3)CARE AA+; Stable (15-May-18) 4)CARE AA+; Stable (23-Apr-18)	-	-
7.	Debt-Subordinate Debt	LT	915.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18)	-	-



Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						3)CARE AA+; Stable (01-Jun-18)		

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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