TMF Holdings Limited
(Formerly known as Tata Motors Finance Limited)
August 27, 2019

Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating[3]	Rating Action
Non-Convertible Debentures	1,250 (Rupees One Thousand Two Hundred and Fifty crore only)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	**Revised form CARE AA; Stable (Double A; Outlook: Stable)**
LT/ST Bank Facilities	300 (Rupees Three Hundred crore only)	**CARE AA-; Negative / CARE A1+ (Double A Minus; Outlook: Negative/ A One Plus)**	**Revised form CARE AA; Stable/ CARE A1+ (Double A; Outlook: Stable/ A One Plus)**
Commercial Paper	2,500 (Rupees Two Thousand Five Hundred 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 TMF Holdings Ltd (TMFHL) 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 TMFHL primarily factor in the parentage of Tata Motors Limited (TML), being a Tata group company and the strategic importance of TMFHL for the parent being the holding company of the captive finance arms of 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 TMFHL's well diversified resource profile, and adequate capitalization levels. The ratings further factor in moderate asset quality of the group, moderate 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 TMFHL 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 TMFHL.

Detailed description of the key rating drivers
Key Rating Strengths
Strong parentage and strategically important subsidiary for the parent
TMFHL is a Tata group company being a wholly owned subsidiary of Tata Motors Limited (rated 'CARE AA-; Negative') which is the largest automobile manufacturer in Asia as well as the largest commercial vehicle (CV) 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 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 representatives from TML's senior management. Mr. Shyam Mani is the Managing Director of TMFHL, and is a non-executive director in TMFL and TMFSL. Mr. Mani has experience across various functions, including manufacturing, procurement, finance and sales and marketing. Mr. Mani had also been the Vice President – Sales & Marketing for the Commercial Vehicles Business Unit of TML. Mr. Guenter Butschek, who is the Managing Director and Chief Executive Officer (MD & CEO) of TML took over as the Chairman of TMFHL in February 2018. Mr. Butschek has over 25 years of experience in international automotive management, holding functions like production, industrialization and procurement, having been associated with the Airbus Group and Daimler AG. Apart from

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

senior management from TML, the Board also comprises independent directors, who are industry experts and eminent personalities having rich experience in their respective fields.

Strong operational linkages and brand sharing 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 capitalisation

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. In March 2018, TML infused Rs.300 crore of equity capital in TMFHL through Rights Issue. On a standalone basis, TMFHL reported adjusted net worth ratio of 62.20% as on March 31, 2019 against minimum regulatory requirement of 30% for a Core Investment Company (CIC). Adjusted net worth ratio of TMFHL stood at 62.63% as on June 30, 2019.

Diversified funding profile

TMFHL's funding profile is diversified with resources being raised from various avenues like non-convertible debentures and commercial paper. On a consolidated basis, the group's overall gearing improved to 23.74x as on March 31, 2019 as against 28x as on March 31, 2018. TMFHL's equity (on a consolidated basis) as on March 31, 2018 standalone leverage ratio of TMF Holdings stood at 0.67x as on March 31, 2019 against regulatory cap of 2.5x. Further, comfort is drawn from the parent group which has been providing capital and liquidity support to TMHFL and its subsidiaries. The company is expected to receive around Rs.600 crore during FY20 out of which Rs.150 crore was received in June 2019.

Key Rating Weaknesses

Moderate asset quality

Asset quality parameters of the company have shown sign of improvement over the period. During the quarter ended September 30, 2017, 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. During Q1FY20, the companies saw an increase in slippages. As a result, consolidated Gross NPA and Net NPA ratios as on June 30, 2019 stood at 4.06% and 2.61% respectively.

Moderate profitability

There has been improvement in the overall performance of the 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, TMFHL reported a profit of Rs.4 crore on a total income of Rs.288 crore, earning a RoTA of 0.05%, as against net loss of Rs.26 crore on total income of Rs.168 crore. During Q1FY20 (refers to the period April 01 to June 30) TMFHL reported PAT of Rs.49 crore on a total income of Rs.116 crore on a standalone basis.

Moderate liquidity profile

The liquidity profile of TMFHL is supported by refinance of loans as well as funding support from TML and other group companies. TMFHL, being a subsidiary of TML, is expected to receive support from the parent on a continuous basis. Being part of the Tata Group, TMFHL 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

TMFHL's asset liability maturity (ALM) profile as on July 31, 2019, considering committed lines of credit from TML, had negative cumulative mismatch of Rs.549 crore up to 3 months, in the over 2 months to 3 month time bracket. The company has been able to generally roll over its commercial papers considering its parentage. TMFHL has additional lines of credit of Rs.500 crore from TMFSL and Rs.500 crore from TMFL, which would be used to bridge the mismatch along with refinancing of CP. TMFHL, being a subsidiary of TML, 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 of TMFHL (Rs. crore)*	Standalone		Consolidated	
	FY18 (A)	FY19 (A)	FY18 (A)	FY19 (A)
Total income	168	288	2,908	3,975
PAT	(26)	4	76	164
Total Tangible Assets^	6,681	7,083	28,632	40,117
Net NPA (%)	NA	NA	2.74	1.38
ROTA (%)	(0.42)	0.05	0.29	0.48

A: Audited
**As per IndAS*
^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 - LT/ ST-Term loan	-	-	-	300.00	CARE AA-; Negative / CARE A1+
Debentures-Non Convertible Debentures – Proposed	-	-	-	1250.00	CARE AA-; Negative
Commercial Paper	-	-	7-365 days	2500.00	CARE A1+

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.	Commercial Paper	ST	2500.00	CARE A1+	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (25-Feb-19) 2)CARE A1+ (08-Oct-18)	1)CARE A1+ (08-Jan-18) 2)CARE A1+ (04-Dec-17) 3)CARE A1+ (11-Jul-17) 4)CARE A1+ (13-Apr-17)	-
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (07-Jul-17) 2)CARE AA+; Stable (13-Apr-17)	-
3.	Debt-Subordinate Debt	LT	-	-	-	-	1)Withdrawn (07-Jul-17) 2)CARE AA+; Stable (13-Apr-17)	-
4.	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (11-Jul-17) 2)CARE AA-; Stable (13-Apr-17)	-
5.	Debentures-Non Convertible Debentures	LT	1250.00	CARE AA-; Negative	1)CARE AA; Stable (05-Jul-19)	1)CARE AA; Stable (25-Feb-19) 2)CARE AA+; Stable (08-Oct-18)	1)CARE AA+; Stable (08-Jan-18) 2)CARE AA+; Stable (11-Jul-17)	-

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
6.	Fund-based - LT/ ST-Term loan	LT/ST	300.00	CARE AA-; Negative / CARE A1+	1)CARE AA; Stable / CARE A1+ (05-Jul-19)	1)CARE AA; Stable / CARE A1+ (25-Feb-19) 2)CARE AA+; Stable / CARE A1+ (08-Oct-18) 3)CARE AA+; Stable / CARE A1+ (27-Apr-18)	1)CARE AA+; Stable / CARE A1+ (08-Jan-18) 2)CARE AA+; Stable / CARE A1+ (11-Jul-17)	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

CONTACT US

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact 1
Group Head Name - Mr. Aditya Acharekar
Group Head Contact no. 022-6754 3528
Group Head Email ID- aditya.acharekar@careratings.com

Analyst Contact 2
Mr. Sanjay Kumar Agarwal
Contact no. : (022) 6754 3500 / 582
Email ID- sanjay.agarwal@careratings.com

Business Development Contact
Name: Ankur Sachdeva
Contact no.: 91 98196 98985
Email ID: ankur.sachdeva@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**