

**Tata Motors Finance Limited**  
 (Formerly known as Sheba Properties Limited)  
 January 08, 2018

**Ratings**

Instruments/Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
LT Bank Facilities	17,000.00 (Rupees Seventeen Thousand crore only)	<b>CARE AA+; Stable</b> <b>(Double A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Non-Convertible Debentures	1,527.00 (Rupees One Thousand Five Hundred and Twenty Seven crore only)	<b>CARE AA+; Stable</b> <b>(Double A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Subordinated Debt	265.00 (Rupees Two Hundred and Sixty Five crore only)	<b>CARE AA+; Stable</b> <b>(Double A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Perpetual Debt	39.70 (Rupees Thirty Nine crore and Seventy lakh only)	<b>CARE AA-; Stable</b> <b>(Double A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Commercial Paper	6,000 (Rupees Six Thousand crore only)	<b>CARE A1+</b> <b>(A One Plus)</b>	<b>Reaffirmed</b>

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

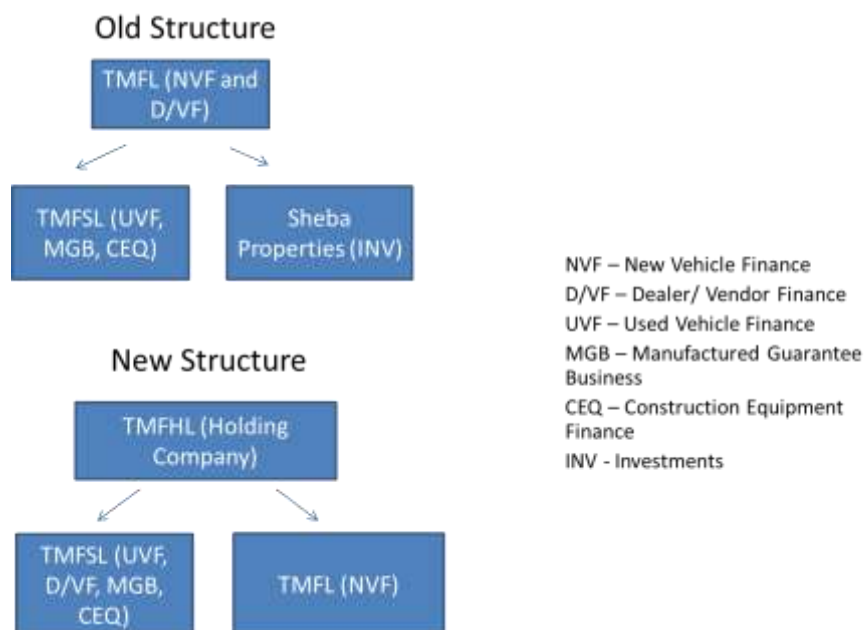
The ratings primarily factor in the parentage of Tata Motors Ltd. (TML, rated 'CARE AA+; Stable') and strategic importance of Tata Motors Finance Limited (TMFL) for the parent being the captive finance arm of TML, demonstrated capital and management support as well as common brand name. The ratings also continue to take into account TMFHL's strong operational linkages with TML, well diversified resource profile, comfortable liquidity, and adequate capitalization levels. The ratings further factor in stressed asset quality of the group, as well as moderate profitability parameters of the company. Continued support from the parent (TML), asset quality, profitability and capitalization are the key rating sensitivities.

**Key Developments**

TMFHL (formerly known as Tata Motors Finance Limited, the name of holding company was changed to 'TMF Holdings Limited' as on June 17, 2017) is a core investment company which is a majority owned subsidiary of TML. TMFHL was formerly a systemically important non-banking finance company into asset financing. TMHFL has two subsidiaries viz. Tata Motors Finance Solutions Ltd (TMFSL) and Tata Motors Finance Limited (TMFL; formerly known as Sheba Properties Ltd. - the name has been changed from June 30, 2017). 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. The dealer/vendor financing business of TMHFL 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. TMHFL acts as the holding company of TMFL and TMFSL.

The structure before and after giving effect to the scheme is as depicted in the diagram below.

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



During the quarter ended September 30, 2017, TMFSL wrote off the Manufacturer Guaranteed Business (MGB) portfolio. Dues against same have been settled by TMFHL in November 2017, which would further recover the same from TML in a phased manner as agreed between them.

#### 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 majority owned subsidiary of Tata Motors Limited (rated 'CARE AA+; Stable'). TML is the largest automobile manufacturer in Asia as well as largest CV manufacturer by revenue in India. It is the leading player in the CV segment, with a market share of ~44% for FY17 (refers to the period from April 01 till March 31). 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. TML continues to provide subvention to certain loans of TMFL originated under the respective schemes. TMFSL and TMFL would be critical in expanding into newer business areas like used vehicle financing and dealer/vendor financing.

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

The companies' Board of Directors comprise of representatives from TML's senior management. Mr. Shyam Mani is the Managing Director of TMFHL, and TMFSL, and is a non-executive director in TMFL. 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. Nasser Munjee, the Chairman of TMFL, played an important role in setting up of institutions like HDFC and IDFC. Apart from senior management from TML, the independent directors on the board of TMFL include eminent personalities having rich experience in their respective fields.

##### **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 capitalisation**

TML has been regularly infusing equity capital in TMFHL to support its business and to maintain adequate capitalization levels. Total and Tier I capital adequacy ratio (CAR) of TMFL stood at 17.49% and 10.44% as on March 31, 2017. Further, as on September 30, 2017, the company reported CAR of 15.6% and Tier I CAR of 10.8%.

#### **Diversified funding profile and comfortable liquidity profile**

TMFL's funding profile is 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. The company's standalone gearing stood at 8.18x as on March 31, 2017 and 8.99x as on September 30, 2017.

Liquidity profile of the company as on March 31, 2017 is comfortable. Being part of the Tata Group, TMFHL also has the strength to mobilise funds to meet any liquidity requirements.

#### **Key Rating Weakness**

##### **Improvement in asset quality stress; albeit continues to be under pressure**

Asset quality parameters of the company continue to remain stressed owing to TMFL being the captive finance arm of TML. The company, on a consolidated basis, reported Gross NPA Ratio and Net NPA Ratio of 18.05% and 13.67% (based on 90+ dpd) as on March 31, 2017 as against Gross NPA Ratio and Net NPA Ratio of 20.22% and 15.11% (based on 150+ dpd) as on March 31, 2016. Higher NPA ratios in both the companies could be attributed to adoption of the 90 dpd norms by the companies a year ahead of the date stipulated in RBI guidelines. However, excluding the portfolio of TMFSL (since the portfolio of TMFSL has a total loss cover from TML) i.e. considering only TMFL, reported Gross NPA Ratio remained almost stable at 9.84% [P.Y.: 9.81%], while Net NPA Ratio stood at 7.19% [P.Y.: 5.71%] as on March 31, 2017.

During the quarter ended September 30, 2017, TMFSL wrote off its Manufacturer Guaranteed Business (MGB) portfolio. Accordingly, net receivable amount of Rs.1,540.66 crore will be recovered from TML. Consequently, consolidated asset quality parameters improved with reported Gross NPA and Net NPA ratios at 6.80% and 5.12%, respectively at the end of September 30, 2017. The asset quality indicators improved in H1FY18 (refers to the period from April 01 to September 30) with Gross NPA ratio reported at 7.93% and Net NPA ratio at 5.97% as on September 30, 2017.

#### **Moderate profitability**

Profitability has been under pressure since FY14 due to stress on asset quality. During FY17, the total income of TMFHL (consolidated) declined by 15.7% to Rs.2,721 crore [P.Y.: Rs.3,229 crore]. The company, on consolidated basis, reported loss of Rs.1,182 crore FY17 as against Profit After Tax (PAT) of Rs.267 crore in FY16. The losses which were mainly attributable to the operation of TMFHL and TMFSL, were on account of decline in total income coupled with increase in operating expenditure and increased write-offs. On a standalone basis, the company earned PAT of Rs.44 crore on a total income of Rs.412 crore. In H1FY18 TMFL reported PAT of Rs.102 crore on a standalone basis.

**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.

#### **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 majority owned subsidiary of Tata Motors Limited (TML, rated CARE AA+; Stable). 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 majority owned subsidiary of TML (rated 'CARE AA+; Stable'). 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)	
	FY16 (A)	FY17 (A) <sup>§</sup>	FY16 (A)	FY17 (A)
Total income	15	412	3,229	2,721
PAT	11	44	267	(1,182)
Total Assets (tangible)	205	17,417	23,389	22,714
Reported Net NPA (%)	-	7.19#	15.12^	13.66#
ROTA (%)	NA	0.50	1.17	(5.13)

A: Audited

^as per 150 dpd; #as per 90 dpd

§ Since the new vehicle financing business was transferred from TMFHL to TMFL during FY17, the financial parameters of FY17 are not directly comparable with that of FY16

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

**Any other information:** Not Applicable

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

**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.

**Analyst Contact:**

Name: Aditya Acharekar

Tel: 022-6754 3528

Mobile: + 91-9819013971

Email: aditya.acharekar@careratings.com

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.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.

#### 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	-	-	-	17000.00	CARE AA+; Stable
Bonds-Perpetual Bonds - Proposed	-	-	-	39.70	CARE AA-; Stable
Debt-Subordinate Debt	13-Nov-17	8.35%	13-Nov-27	50.00 *	CARE AA+; Stable
Debt-Subordinate Debt – Proposed	-	-	-	215.00	CARE AA+; Stable
Debentures-Non Convertible Debentures	24-Apr-17	Zero Coupon	24-Apr-19	125.00*	CARE AA+; Stable
Debentures-Non Convertible Debentures	30-May-17	Zero Coupon	27-May-20	290.00*	CARE AA+; Stable
Debentures-Non Convertible Debentures	2-Jun-17	Zero Coupon	2-Jun-20	250.00*	CARE AA+; Stable
Debentures-Non Convertible Debentures	12-Jun-17	Zero Coupon	10-Jul-20	360.00*	CARE AA+; Stable
Debentures-Non Convertible Debentures	24-Jul-17	Zero Coupon	25-Aug-20	150.00*	CARE AA+; Stable
Debentures-Non Convertible Debentures – Proposed	-	-	-	352.00	CARE AA+; Stable
Commercial Paper	-	-	7-364 days	4505.00*	CARE A1+
Commercial Paper – Proposed	-	-	-	1495.00	CARE A1+

\*Outstanding as on November 30, 2017

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

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)

			(Rs. crore)		assigned in 2017-2018	assigned in 2016-2017	assigned in 2015-2016	assigned in 2014-2015
1.	Fund-based/Non-fund-based-Long Term	LT	17000.00	CARE AA+; Stable	1)CARE AA+; Stable (09-May-17)	-	-	-
2.	Bonds-Perpetual Bonds	LT	39.70	CARE AA-; Stable	1)CARE AA-; Stable (09-May-17)	-	-	-
3.	Debt-Subordinate Debt	LT	265.00	CARE AA+; Stable	1)CARE AA+; Stable (09-May-17)	-	-	-
4.	Commercial Paper	ST	6000.00	CARE A1+	1)CARE A1+ (09-May-17)	-	-	-
5.	Debentures-Non Convertible Debentures	LT	1527.00	CARE AA+; Stable	1)CARE AA+; Stable (09-May-17)	-	-	-



**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-9099028864  
 Tel: +91-79-4026 5656  
 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91 98407 54521  
 Tel: +91-80-4115 0445, 4165 4529  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
 SCF No. 54-55,  
 First Floor, Phase 11,  
 Sector 65, Mohali - 160062  
 Chandigarh  
 Cell: +91 85111-53511/99251-42264  
 Tel: +91- 0172-490-4000/01  
 Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
 Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
 T-3, 3rd Floor, Manchester Square  
 Puliakulam Road, Coimbatore - 641 037.  
 Tel: +91-422-4332399 / 4502399  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**HYDERABAD**

**Mr. Ramesh Bob**  
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Cell : + 91 90520 00521  
 Tel: +91-40-4010 2030  
 E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 95490 33222  
 Tel: +91-141-402 0213 / 14  
 E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
 13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-98361 07331  
 Tel: +91-20- 4000 9000  
 E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691