

July 17, 2017

TMF Holdings Limited

Summary of rated instruments

Name of the Instrument*	Rated Amount (in Rs. crore)	Rating Action
Non-Convertible Debentures	1,250	[ICRA]AA (Positive); Assigned
Long Term Bank Lines programme	100	[ICRA]AA (Positive); Assigned
Commercial Paper/Short Term Debt	2,000 (reduced from Rs. 6,000)	[ICRA]A1+; Reaffirmed
Non-Convertible Debentures	4,000	[ICRA]AA (Positive); Withdrawn
Tier II Bonds	1,075	[ICRA]AA (Positive); Withdrawn
Subordinated Bonds	325	[ICRA]AA (Positive); Withdrawn
Perpetual Debt	415	[ICRA]A+ (Positive); Withdrawn
Bank Lines	12,850	[ICRA]AA (Positive) ; Withdrawn
Long term Fund based Limits#	5,223	[ICRA]AA (Positive) ; Withdrawn
Long Term Non-fund based Limits	2,632	[ICRA]AA (Positive) ; Withdrawn
Short term Fund based Limits#	5,523	[ICRA]A1+; Withdrawn

*Instrument details are provided in Annexure-1

#Interchangeable between short term and long term fund based limits, out of Rs. 5,523 crore long term fund based utilization is subject to a limit of Rs. 5,223 crore.

Rating action

ICRA has assigned a rating of [ICRA]AA (pronounced ICRA double A) for the Rs. 1,250 crore non-convertible debenture programme and Rs. 100 crore long-term bank lines of TMF Holdings Limited (TMFHL, erstwhile Tata Motors Finance Limited). ICRA has also reaffirmed the rating of [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 2,000 crore (reduced from Rs. 6,000 crore) commercial paper programme of TMFHL. The outlook on the long-term ratings is 'Positive'. ICRA has withdrawn the [ICRA]AA ratings assigned earlier to the Rs. 1,075 crore long term Tier II bonds, Rs. 325 crore long term subordinated bonds aggregating to Rs. 1,400 crore, and Rs. 4,000 crore non-convertible debenture programmes of the company. ICRA has also withdrawn the [ICRA]AA and [ICRA]A1+ rating assigned earlier to the Rs. 21,005 crore bank lines of TMFHL. As a part of the scheme of arrangement approved by the boards of TMFHL and Tata Motors Finance Limited (erstwhile Sheba Properties Limited), all assets and liabilities (including these rated instruments) related to the new vehicle financing business (NVF Business) have been transferred from TMFHL to TMFL.

Rationale

ICRA's ratings for TMFHL are based on its strong parentage, with Tata Motors Limited (TML, rated at [ICRA]AA(positive), [ICRA]A1+) holding majority shares and the demonstrated support from the parent

in the form of equity infusion, management and systems. ICRA notes that TMFHL is strategically important to TML given that it is the holding company for the captive financiers of the group i.e. Tata Motors Finance Limited (erstwhile Sheba) and Tata Motors Finance Solutions Limited (TMFSL), together referred to as TMFHL group. ICRA expects TML to continue to support TMFHL to enable it to maintain a prudent capital structure, while maintaining its majority ownership. The ratings are however tempered by the TMFHL group's concentration on TML vehicles, and its high delinquency level.

As per the scheme of arrangement approved by the boards of TMFHL, Sheba, TMFSL, preference shareholders, creditors and National Company Law Tribunal (NCLT), the new vehicle financing business of TMFHL has been transferred to Tata Motors Finance Limited (erstwhile Sheba). The existing dealer and vendor financing business have also been transferred to TMFSL. Subsequently, TMFL has applied for a Core Investment Company (CIC) license with RBI which is henceforth the parent company of TMFL and TMFSL. The CIC is responsible for lending and investing in Tata group companies. After completing the business transfers, the parent company's name has been changed to TMF Holdings Limited (TMFHL) while Sheba Properties Ltd has been renamed as Tata Motors Finance Limited to reflect its strong association with the Tata Motors group.

Key rating drivers

Credit strengths

- Strategic importance to TML (rated at [ICRA]AA (positive)/[ICRA]A1+) and the demonstrated support from the parent in the form of regular capital infusion
- Benefits of group association in terms of access to borrowings and low cost of funds
- Assured business volumes on account of TML's established market position, and well-established branch and distribution network
- Comfortable liquidity position. As part of the Tata group the company enjoys healthy financial flexibility.

Credit weaknesses

- Ability to improve earnings profile of the operating companies, which has deteriorated sharply on account of a rise in delinquencies
- Moderate level of delinquency with consolidated gross NPAs of 18.1% as on March 31, 2017; however, the improving operating environment in the CV segment may support recoveries going forward . Exposed to concentration risks, with lending operations limited to TML vehicles

Description of key rating drivers:

TMFHL has applied with RBI to convert into a Core Investment Company with the Reserve Bank of India (RBI). It is the holding company for the captive financiers of the group i.e. Tata Motors Finance Limited (erstwhile Sheba) and TMFSL, together referred to as TMFHL group. TMFHL, through its subsidiaries, offers new/used vehicle financing for TML manufactured vehicles and dealer and vendor financing business for TML dealers and vendors, (hereinafter referred as Corporate Lending Group). Currently, TML holds majority stake in TMFHL.

During FY2017, the TMFHL group reported a negative growth of 0.5% in its managed portfolio which dropped from Rs. 22,017 crore as on March 31, 2016 to Rs 21,907 crore as on March 31, 2017. As on March 31, 2017, 79% of the TMFHL group's portfolio was accounted by commercial vehicles (CV), 16% of passenger vehicles (PV) and 5% of Corporate Lending business.

ICRA takes note of the stress on the TMFHL group's asset quality indicators with gross and net NPAs of 18.1% and 13.7% respectively as on March 31, 2017 (20.2% and 15.1% respectively as on March 31, 2016). As a part of the group's collections are in cash and its borrowers also rely on cash income, the collections were impacted considerably following demonetisation. ICRA however takes note of the management's initiatives to augment its recovery efforts and focus on partly and non-TML covered contracts, where credit selection criteria are stronger and asset quality relatively better. Some steps include installation of card swipe machines and point of sale machines at all branches, assisting customers in opening bank accounts and developing online payment options on its websites to promote cash less transactions. Going forward, the company's ability to manage asset quality and improve earnings would remain a key rating sensitivity.

The TMFHL group reported a loss of Rs. 1,182 crore in FY2017 as against a profit of Rs. 267 crore in FY2016, essentially on account of higher credit costs. TMFHL also enjoys strong financial flexibility and access to long term funding at competitive rates by virtue of being a part of the Tata group. As for borrowing profile, the group has debentures accounting for 39.16% and 60.84% as commercial paper. TMFHL's capitalisation remains above the regulatory required level with a CRAR of 65.7% (Tier I of 65.6%) as on March 31, 2017. ICRA expects TML to continue to provide equity support to TMFHL in future to enable it to maintain a prudent capital structure, while maintaining its majority ownership.

Key Financial Indicators

	Standalone		Consolidated	
	FY2016	FY2017	FY2016	FY2017
Net Operating Income	1,286.4	829.4	1,524.5	1,125.0
PAT	95.6	47.8	267.0	-1182.3
Net worth	3,600.0	3,515.4	2,980.6	1,636.8
Total Assets	20,608.1	5,511.4	24,004.7	22,922.5
ROA	0.5%	0.4%	1.1%	-5.0%
ROE	2.8%	1.3%	10.0%	-51.2%
Gross NPA%	13.1%	-	20.2%	18.1%
CAR%	16.1%	65.7%	-	-

Note: Amounts in Rs. crore; Source: TMFHL

Analytical approach:

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below

Links to applicable criteria

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

About the company:

TMF Holdings Limited

TMF Holdings Limited has applied for a Core Investment Company license with the RBI. It is the holding company for the captive financiers of the group i.e. Tata Motors Finance Limited (erstwhile Sheba Properties Ltd.) and Tata Motors Finance Solutions Limited. The company is responsible for lending and investing in group companies.



During FY2017, the TMFHL reported a standalone profit after tax (PAT) of Rs. 48 crore on an asset base of Rs. 5,511 crore against a PAT of Rs. 96 crore on asset base of Rs. 20,608 crore in FY2016.

Tata Motors Limited

Incorporated in 1945, Tata Motors Limited (TML) is India's largest automobile company and market leader in the domestic CV industry and one of the top five manufacturers of PVs in India. In the domestic CV industry, TML has one of the most diversified product portfolios with its presence spanning across light, medium & heavy duty segments. The company's product portfolio in the PV segment also spans across passenger car, utility vehicle and multi-purpose vehicle segments.

In June 2008, TML acquired Jaguar Land Rover (JLR) from Ford Motor Company for US\$ 2.3 billion. Following the acquisition, TML's business profile underwent a significant change from being predominantly an India-centric OEM to one with presence in the premium and luxury segment cars and SUVs and presence across multiple markets in Europe, North America, China, Russia and Brazil. Apart from JLR which is wholly-owned by TML and contributed ~82% to its consolidated turnover in FY2016, the company has also historically expanded its operations both in India and overseas through strategic alliances and mergers and acquisitions. Some of its key subsidiaries include Tata Motors Finance Limited, Tata Technologies Limited (a software firm engaged in providing IT solutions to the automotive industry), Tata Daewoo Commercial Vehicles Company Limited (CV operations in South Korea) and TML Drivelines Limited (its captive auto component manufacturer). The company also operates JVs with Marco Polo (for building bodies for buses & coaches) and Fiat (for PVs, Engines & Transmissions).

TML has six manufacturing plants in India located at Pune (Maharashtra), Lucknow (Uttar Pradesh), Jamshedpur (Jharkhand), Pantnagar (Uttaranchal), Dharwad (Karnataka) and Sanand (Gujarat) in India. In addition, JLR operates three manufacturing facilities and two design centres in UK. In FY2013, JLR also formed a 50-50 JV with China-based Chery Automobiles to set-up a manufacturing facility in China, which commenced operations in H2FY2015. JLR has also announced its plans of setting up a manufacturing unit in Slovakia, which will gradually expand JLR's total production capacity over the medium term. Apart from these locations, as a group, TML also has assembly operations at multiple locations globally, through its subsidiaries and JVs.

For FY2017, TML reported a standalone net loss of Rs. 2,480 crore on a revenue of Rs. 49,100 crore as compared with a net profit of Rs. 62 crore on a revenue of Rs. 47,384 crore in FY2016

For FY2017, TML reported a consolidated net profit of of Rs. 7,557 crore on a revenue of Rs. 274,492 crore as compared with a net profit of Rs. 11,678 crore on a revenue of Rs. 277,661 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:
Table:

Sr. No.	Instrument	Current Rating (FY 2018)			Chronology of Rating History for the past 3 years							
		Type	Rated amount (Rs. crore)	July 2017	FY2017			FY2016		FY2015		
					Jan-17	Jun-16	Apr-16	Jan-16	Jul-15	Jan-15	Apr-14	
1	Long Term NCD	Long Term	1,250	[ICRA]AA (positive); assigned	-	-	-	-	-	-	-	-
2	Long Term Bank Lines	Long Term	100	[ICRA]AA (positive); assigned	-	-	-	-	-	-	-	-
3	Long Term NCD	Long Term	4,000	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]A A (stable)	[ICRA]AA (stable)
4	Long Term Tier II Bonds	Long Term	1,075	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]A A (stable)	[ICRA]AA (stable)
5	Long Term Subordinated Bonds	Long Term	325	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (positive)	[ICRA]AA (positive)	[ICRA]AA (positive)	[ICRA]AA (positive)	[ICRA]AA (positive)	[ICRA]A A (positive)	[ICRA]AA (positive)
6	Long Term Perpetual Debt	Long Term	415	[ICRA]A+; withdrawn	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)	[ICRA]A+ (stable)
7	Long Term Fund based Limits	Long Term	12,850	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]A A (stable)	[ICRA]AA (stable)
8	Short Term Fund based Limits	Long Term/Short term	5,223	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]A A (stable)	[ICRA]AA (stable)
9	Non-fund based Limits	Long Term	2,632	[ICRA]AA(positive); withdrawn	[ICRA]AA (positive)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]A A (stable)	[ICRA]AA (stable)
10	Short Term Fund based Limits	Short Term	5,523	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
11	Commercial Paper/Short Term Debt	Short Term	2,000 (reduced from Rs 6000)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Long Term Fund Based TL	NA	NA	NA	100	[ICRA]AA(positive)
Long Term NCD	NA	NA	NA	1,250	[ICRA]AA(positive)
Commercial Paper	NA	NA	NA	2,000	[ICRA]A1+

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