

# Ratings

## Rating Rationale

September 22, 2017 | Mumbai

### TMF Holdings Limited

*Rated amount enhanced*

#### Rating Action

|   |  |
|---|--|
| <b>Non Convertible Debentures Aggregating Rs.2000 Crore*</b>                        | <b>CRISIL AA/Positive (Reaffirmed)</b> |
| <b>Short Term Debt Aggregating Rs.2000 Crore*<br/>(Enhanced from Rs.1000 Crore)</b> | <b>CRISIL A1+ (Reaffirmed)</b>         |

*1 crore = 10 million*

*Refer to annexure for Details of Instruments & Bank Facilities*

*\*The common independent director on the board of CRISIL and TMF Holdings Ltd did not participate in the rating committee meeting and the rating process for these instruments*

#### Detailed Rationale

CRISIL has reaffirmed its ratings on the debt instruments of TMF Holdings Limited (TMFHL) at 'CRISIL AA/Positive/CRISIL A1+'. Pursuant to the scheme of arrangement, TMHFL, (formerly known as Tata Motors Finance Limited (TMFL), which is the parent company of TMFL formerly known as Sheba Properties Limited (Sheba) (rated 'CRISIL AA/CRISIL A+/Positive/CRISIL A1+'); and Tata Motors Finance Solutions Limited (TMFSL; rated CRISIL AA/Positive/CRISIL A1+), is in the process of being reconstituted as a Core Investment Company (CIC).

Per the scheme, the new vehicle financing business (NVF) of TMFHL has been transferred to TMFL with scheme becoming effective on May 09, 2017. The transfer includes entire assets and liabilities of NVF business undertaking. On the other hand, the existing dealer/vendor financing business of TMFHL has been transferred to TMFHL's wholly owned subsidiary, TMFSL.

Subsequently, TMFHL is in the process of being reconstituted as a CIC that will be responsible for granting loans and making investments into group companies. With the completion of business transfers, the CIC's name has been changed to TMFHL.

The rating centrally factors in the high strategic importance to, and expectation of strong support from Tata Motors Limited (TML; CRISIL AA/Positive/CRISIL A1+) and the group's leading position in commercial vehicle (CV finance). The rating also centrally factors the strong association of the company with Tata Motors group. However, these rating strengths are partially offset by the expectation of continued pressure on asset quality, which would also impact earnings.

#### Analytical Approach

For arriving at its ratings on TMFHL, CRISIL has combined its business and financial risk profiles with those of its subsidiaries TMFL and TMFSL, given the integration of operations and commonality of management. The two subsidiaries primarily finance vehicles of TML and the TML ecosystem and have significant business, operational and management linkages with each other and with the ultimate parent, TML.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* High strategic importance to and expectation of strong support from TML

CRISIL's ratings on debt instruments and bank facilities of TMFHL are centrally based upon the expectation of strong support from the ultimate parent TML. This is because of high strategic importance of TMFHL, TMFL and TMFSL to TML and also latter's majority ownership in these companies

Post the restructuring, TMFL (erstwhile Sheba) will undertake the new vehicle financing business and will be the captive financier for TML's vehicles. On the other hand, TMFSL will be engaged in pre-owned vehicle financing business that has strong operational linkages with TML's pre-owned vehicles. TMFSL also started doing dealer/vendor financing which was earlier done by erstwhile TMFL. Accordingly, the three companies are expected to receive significant business, financial and managerial support from TML. In the past, TML has been infusing equity capital into TMFHL (erstwhile TMFL) at regular intervals. It infused Rs 1,150 crore from fiscal 2011 to fiscal 2014. CRISIL believes that TML will continue to provide similar support through TMFHL, enabling the companies to maintain their capital adequacy above the regulatory minimum.

The three companies have a high level of managerial and operational integration, where the parent extends management support through representation of its senior management on the boards of these companies. This, along with operational integration and a shared brand name, makes TML morally obligated to support TMFHL.

##### \* Leading position in CV finance

TMFHL's majority owned subsidiary TMFL is a leading vehicle financier in India and is among the top five commercial vehicle (CV) financiers with assets under management (AUM) of Rs 16,991 crore as of 30<sup>th</sup> June 2017. The consolidated AUM stood at Rs 21,511 crore as on the same date

#### Weakness

**\* Asset quality pressures to affect earnings profile**

TMFHL's consolidated asset quality is expected to be reflective of the nature of company's and subsidiaries' business, which is tilted predominantly in favor of financing TML's customer's segments such as first time users and buyers (FTUs and FTBs) of CVs. These customers are generally not catered to by the traditional CV financiers as the inherent credit risk in some of the customer segments is relatively high. As a result, the moderate portfolio performance is expected to constrain consolidated TMFHL's asset quality. Consolidated TMFHL's asset quality has remained under pressure with gross and net non-performing assets at 17.4% and 13.2% as on June 30, 2017 (18.05% and 13.67% respectively as on March 31, 2017). TMFHL has adopted 90 days provisioning norms one year ahead of RBI's timelines.

**Outlook: Positive**

CRISIL believes TMFHL will remain strategically important to TML and will be benefitted from financial, operational, and management support from TML, over the medium term. The ratings may be upgraded or the outlook revised to 'Stable' in case of a similar action on TML's ratings.

**About the Company**

TMFHL is the holding company for TMFL and TMFSL that earlier operated as TMFL and was engaged in new vehicles finance business and dealers, vendor financing business. Following the business restructuring of the group, the company is in the process of being reconstituted as a CIC. This has been done to have a more focused approach to cater to the TML ecosystem of buyers, dealers and vendors. It is expected that a CIC would be better able to manage the funding needs of the financials services under TML

As an operating CIC, TMFHL would be required to maintain the ratio of group to non-group investments at 90% to 10%. As on March 31, 2017 the total assets and net worth stood at Rs 5,511 crore and Rs 3,515 crore respectively. In fiscal 2017, the company's standalone net profit stood at Rs 47.8 crore on total income (net of interest expenses) of Rs 829 crore as against net profit of Rs 95.6 crore on total income (net of interest expenses) of Rs 1,287 crore reported last year. However, the numbers are not comparable given the business restructuring.

As on quarter ending June 30, 2017, TMFHL's total assets and net worth stood at Rs 4,795 crore and Rs 3,479 crore respectively. For first quarter ending June 30, 2017, the company (standalone) incurred a loss of Rs 24 crore on total income (net of interest expenses) of negative Rs 9 crore as against net profit of Rs 17 crore on total income (net of interest expenses) of Rs 263 crore reported in same quarter last year. However, the numbers are not comparable given the business restructuring.

**Key Financial Indicators**

| As on/for the quarter ended June 30            |                | 2017        | 2016#     |
|--|----------------|-------------|-----------|
| <b>Total Assets</b>                            | <b>Rs. Cr.</b> | <b>4795</b> | <b>NA</b> |
| <b>Total income (Net of interest expenses)</b> | <b>Rs. Cr.</b> | <b>-9</b>   | <b>NA</b> |
| <b>Profit After Tax</b>                        | <b>Rs. Cr.</b> | <b>-24</b>  | <b>NA</b> |
| <b>Capitalization</b>                          | <b>%</b>       | <b>-</b>    | <b>NA</b> |
| <b>Gross NPA</b>                               | <b>Times</b>   | <b>17.4</b> | <b>NA</b> |
| <b>Return on Assets (Annualized)</b>           | <b>Times</b>   | <b>-1.9</b> | <b>NA</b> |

#TMFHL has been operating as a CIC from 31<sup>st</sup> Jan 2017 only hence financials for June 2016 period are not relevant.

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

| ISIN         | Name of the instrument       | Date of allotment | Coupon rate | Maturity date | Amount (Rs crore) | Rating assigned (with outlook) |
|--------------|------------------------------|-------------------|-------------|---------------|-------------------|--------------------------------|
| INE909H08220 | Non- Convertible Debentures^ | 10-Jan-17         | Zero coupon | 10-Jan-20     | 250               | CRISIL AA/Positive             |
| INE909H08238 | Non- Convertible Debentures^ | 10-Jan-17         | Zero coupon | 26-Mar-20     | 75                | CRISIL AA/Positive             |
| INE909H08246 | Non- Convertible Debentures^ | 10-Jan-17         | Zero coupon | 15-Apr-20     | 175               | CRISIL AA/Positive             |
| INE909H08253 | Non- Convertible Debentures^ | 25-Jan-17         | Zero coupon | 24-Jan-20     | 150               | CRISIL AA/Positive             |
| INE909H08261 | Non- Convertible Debentures^ | 25-Jan-17         | Zero coupon | 12-May-20     | 100               | CRISIL AA/Positive             |
| NA           | Non- Convertible Debentures* | NA                | NA          | NA            | 1250              | CRISIL AA/Positive             |
| NA           | Short Term Debt              | NA                | NA          | 7-365 days    | 2000              | CRISIL A1+                     |

^Rated and outstanding

\*Rated but unutilized

**Annexure - Rating History for last 3 Years**

| Instrument                     | Current |         |                    | 2017 (History) |                  | 2016     |                    | 2015     |                                 | 2014     |                  | Start of 2014       |
|--------------------------------|---------|---------|--------------------|----------------|------------------|----------|--------------------|----------|---------------------------------|----------|------------------|---------------------|
|                                | Type    | Quantum | Rating             | Date           | Rating           | Date     | Rating             | Date     | Rating                          | Date     | Rating           | Rating              |
| Non Convertible Debentures     | LT      | 2000    | CRISIL AA/Positive |                | No Rating Change | 05-10-16 | CRISIL AA/Positive |          | No Rating Change                | 10-01-14 | CRISIL AA/Stable | CRISIL AA-/Positive |
| Perpetual Bonds                | LT      |         | --                 | 25-07-17       | Withdrawal       | 05-10-16 | CRISIL A+/Positive |          | No Rating Change                | 10-01-14 | CRISIL A+/Stable | CRISIL A/Positive   |
| Short Term Debt                | ST      | 2000    | CRISIL A1+         |                | No Rating Change |          | No Rating Change   |          | No Rating Change                |          | No Rating Change | CRISIL A1+          |
| Subordinated Debt              | LT      |         | --                 | 25-07-17       | Withdrawal       | 05-10-16 | CRISIL AA/Positive |          | No Rating Change                | 10-01-14 | CRISIL AA/Stable | CRISIL AA-/Positive |
| Fund-based Bank Facilities     | LT/ST   |         | --                 | 25-07-17       | Withdrawal       | 05-10-16 | CRISIL AA/Positive |          | No Rating Change                | 10-01-14 | CRISIL AA/Stable | CRISIL AA-/Positive |
| Non Fund-based Bank Facilities | LT/ST   |         | --                 | 25-07-17       | Withdrawal       | 25-04-16 | CRISIL A1+         | 23-12-15 | CRISIL AA/Stable/<br>CRISIL A1+ |          | No Rating Change | CRISIL A1+          |

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

**Links to related criteria**

[Rating Criteria for Banks and Financial Institutions](#)

[Rating Criteria for Finance Companies](#)

[CRISILs Bank Loan Ratings](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Group Support](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

**For further information contact:**

| Media Relations  | Analytical Contacts  | Customer Service Helpdesk  |
|--|--|--|
| <p><b>Saman Khan</b><br/>Media Relations<br/><b>CRISIL Limited</b><br/>D: +91 22 3342 3895<br/>B: +91 22 3342 3000<br/><a href="mailto:saman.khan@crisil.com">saman.khan@crisil.com</a></p> <p><b>Naireen Ahmed</b><br/>Media Relations<br/><b>CRISIL Limited</b><br/>D: +91 22 3342 1818<br/>B: +91 22 3342 3000<br/><a href="mailto:naireen.ahmed@crisil.com">naireen.ahmed@crisil.com</a></p> <p><b>Jyoti Parmar</b><br/>Media Relations<br/><b>CRISIL Limited</b><br/>D: +91 22 3342 1835<br/>B: +91 22 3342 3000<br/><a href="mailto:jyoti.parmar@crisil.com">jyoti.parmar@crisil.com</a></p> | <p><b>Krishnan Sitaraman</b><br/>Senior Director - CRISIL Ratings<br/><b>CRISIL Limited</b><br/>D: +91 22 3342 8070<br/><a href="mailto:krishnan.sitaraman@crisil.com">krishnan.sitaraman@crisil.com</a></p> <p><b>Ajit Velonie</b><br/>Director - CRISIL Ratings<br/><b>CRISIL Limited</b><br/>D: +91 22 4097 8209<br/><a href="mailto:ajit.velonie@crisil.com">ajit.velonie@crisil.com</a></p> <p><b>Shubha Bhanu</b><br/>Rating Analyst - CRISIL Ratings<br/><b>CRISIL Limited</b><br/>D: +91 22 4254 4058<br/><a href="mailto:Shubha.Bhanu@crisil.com">Shubha.Bhanu@crisil.com</a></p> | <p>Timings: 10.00 am to 7.00 pm<br/>Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports:<br/><a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries:<br/><a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p> |



**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

**About CRISIL Limited**

CRISIL is an agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

**About CRISIL Ratings**

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016

**DISCLAIMER**

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com), or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL

Stay | CRISIL Website | Twitter  | LinkedIn  | YouTube  | Facebook   
Connected

CRISIL has revised its rating symbols and definitions with effect from July 11, 2011, to comply with the SEBI circular, 'Standardisation of Rating Symbols and Definitions'. The revised rating symbols carry the prefix, 'CRISIL'. The rating symbols for short-term instruments have been revised to 'CRISIL A1', 'CRISIL A2', 'CRISIL A3', 'CRISIL A4', and 'CRISIL D' from the earlier 'P1', 'P2', 'P3', 'P4', and 'P5', respectively. The revision in the rating symbols and definitions is not to be construed as a change in the ratings. For details on revised rating symbols and definitions, please refer to the document, 'Revision of Rating Symbols and Definitions', at the link, <http://www.crisil.com/ratings/credit-rating-scale.html>