

TMF Business Services Limited (TMFBSL)

June 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	200.00	CARE AA+; Stable/ CARE A1+	Reaffirmed
Commercial Paper	500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings continue to factor in the TMF group's (TMF Holdings limited (TMFHL) and its subsidiaries Tata Motors Finance Limited (TMFL) and TMF Business Services Limited (TMFBSL)) strong parentage Tata Motors Limited (TML rated CARE AA+; Stable/ CARE A1+) and strategic importance of the TMF group being the captive finance arm of TML's vehicles, the demonstrated capital, management support, and shared brand name.

Reaffirmation of ratings assigned to long-term/short-term debt instruments and bank facilities of TMF Group (TMFHL, TMFL and TMFSL) factors in ratings assigned to the parent company TML.

The board of directors of TMFL, TML and Tata Capital Limited (TCL rated CARE AAA; stable/ CARE AA+; stable) on June 04, 2024, approved the merger of TMFL with TCL through an NCLT scheme of arrangement. As consideration for the merger, TCL will issue its equity shares to TMFL's shareholders, resulting in TML effectively holding a 4.7% stake in the merged entity. The transaction is subject to approvals from shareholders, creditors, and regulators including NCLT, RBI and Stock Exchanges/SEBI. The transaction is expected to be completed in 9 to 12 months. The resultant entity will create a large diversified NBFC with significant presence in retail financing. TML will continue to support TMFL till the merger is complete and will continue to support other companies of the TMF group.

Ratings continue to consider adequate capitalisation at consolidated levels and well-diversified resource profile, supported by the group's strong resource-raising ability. However, ratings continue to remain constrained due to weak-but-improving asset quality and moderate profitability parameters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could lead to positive rating action/upgrade:

- Upward revision in the rating of the ultimate parent entity, TML

Negative factors: Factors that could lead to negative rating action/downgrade:

- Negative rating action on ultimate parent entity, TML
- Reducing support from TML to TMF group
- Deteriorating consolidated asset quality parameters on a sustained basis.
- Significantly deteriorating overall profitability and capitalisation from existing levels.

Analytical approach:

CARE Ratings has taken a consolidated approach for the TMF group TMF Holdings limited (TMFHL) and its subsidiaries Tata Motors Finance Limited (TMFL) and TMF Business Services Limited (TMFBSL) due to operational integration, financial flexibility, and common management between the companies. TMF group's ratings derive significant support from the company's parentage of TML.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Outlook: Stable

Stable outlook of TMFHL and TMFBSL considers stable outlook of TML and continuous managerial and financial support from TML.

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

TMF group derives significant support from TML, the ultimate parent. The Tata group has shared its brand with the TMF group, and therefore, continued financial, operational and management support from TML is expected and is a rating sensitivity. In the past, TML supported TMF group by way of equity infusion to maintain adequate capital structure for the companies within the TMF group.

TML is the largest commercial vehicle manufacturer in India. Tata Motors Group has a well-diversified product portfolio consisting of presence in both, commercial vehicle (CV) and passenger vehicle (PV) segments in India. TMF group is the captive financier for TML's vehicles, funded around 12% of TML's CV sales in FY24.

Care Rating expects that the recent announcement of demerger of TML to segregate its commercial vehicle (CV) and passenger vehicle (PV) businesses as two separately listed companies will not affect in the parent's support to the TMF group.

TML has been supporting TMFHL by way of equity infusion to support the business and capital requirement of TMFL and TMFBSL. In the past, TMFHL raised perpetual debt worth ₹1,800 crore, where TML has written a 'Put' option to purchase debentures from the debenture holder at respective exercise dates. In FY23, compulsorily convertible preference shares (CCPS) worth ₹371 crore was converted into equity, which was 100% held by TML.

Strong management and board of directors

The Company's board of directors consist of eminent personalities, viz., Nasser Munjee, Vedika Bhandarkar, Varsha Purandare, N. V. Sivakumar, P.B. Balaji and Dhiman Gupta. Nasser Munjee, an Independent Director & Chairman of the Company has played an instrumental role in setting up institutions like HDFC and IDFC in the past. Vedika Bhandarkar, Independent Director is also on the board of Tata Motors Limited (TML). She held various leadership positions in financial institutions. Varsha Purandare-Independent Director & Audit Committee Chairperson, has varied experience of 36 years in the areas of Credit, Forex, Risk, Treasury, Capital Markets, Investment Banking and Private Equity. She was the Managing Director and Chief Executive Officer of SBI Capital Markets Limited ("SBI Caps") from November 2015 up to December 2018. Besides the above, she has held several positions in SBI, in India and abroad. N.V. Sivakumar Independent Director has been with PwC for over 40 years assuming varied roles within the Advisory and Audit Service lines, working across multiple PwC offices in India, Middle East and the UK and serving a diverse set of domestic and international clients. P. B. Balaji is the Group CFO of TML. Dhiman Gupta Non-Executive Director, has over 15+ years of experience in corporate finance and Mergers and Acquisitions (M&A) across various industry verticals.

Adequate capitalization levels

As on March 31, 2024, Capital to risk (weighted) assets ratio (CRAR) under TMFL stood at 20.92% (Tier 1: 12.71%) as against the regulatory requirement of 15% (Tier 1: 10%). On a standalone basis, leverage improved to 4.75x as on March 31, 2024, as against 5.22x as on March 31, 2023, given the decline in the company's overall debt.

On a consolidated level, gearing of the TMF group stood at 7.45x as on March 31, 2024, as against the gearing of 7.69x as on March 31, 2023, since total borrowing reduced with the fall in asset under management (AUM) despite the net worth getting hit due to marginal loss in FY24.

Comfort is drawn from the ultimate parent group, which has been providing capital and liquidity support to TMHFL and its subsidiaries.

Diversified funding profile

The TMF group's funding profile is well-diversified with resources being raised across avenues including banks, and capital market instruments such as commercial paper (CP), Non-convertible debentures, perpetual debts and through direct assignments.

Key weaknesses

Weak-but-improving asset quality metrics

The pandemic resulted in worsening asset quality for TMF group, which further exacerbated with implementing new income recognition, asset classification and provisioning pertaining to advances (IRACP) norms on October 01, 2023. As on March 31, 2024, the gross non-performing assets (GNPA) on a consolidated basis stood at 6.08% (net NPA: 3.44%), as against GNPA of 9.26% (NNPA: 5.02%) as on March 31, 2023.

Under TMFL, GNPA reduced to 6.08% as on March 31, 2024, from 9.26% as on March 31, 2023. The total restructured book stood at ₹1,096 crore as on March 31, 2024, as against ₹3,143 crore as on March 31, 2023. Given the product and customer segment that the company operates in, and the historical asset quality trend, its ability to improve the same will remain a key monitorable.

Moderate profitability parameters

On a consolidated level, the company reported loss of ₹117 crore in FY24 as against net loss of ₹1,013 crore. Net loss reduced due to significant reduction in credit cost from ₹2,039 crore in FY23 to ₹1,128 crore in FY24. As a result, return on average total assets (ROTA) improved to -0.29% in FY24 as against -2.29% in FY23.

Similarly, on a standalone level, TMFL reported net profit of ₹52 crore for FY24 with ROTA of 0.13% as against loss of ₹940 crore for FY23 considering decreased credit cost.

On a standalone level, TMFBSL reported net loss ₹11 crore in FY24.

Liquidity: Adequate

Being part of the Tata group, the company has financial flexibility to mobilise funds to meet funding requirements. As on March 31, 2024, TMFBSL had cash and liquid investments of ₹9 crore as against interest repayments of ₹6 crore for the next three months.

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

[Consolidation](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Other financial services

TMFHL

TMFHL, an erstwhile asset finance company and a systemically important non-banking financial company, is a wholly owned subsidiary of TML. The company is registered as a core investment company (CIC) with the RBI vide the certificate of registration dated October 11, 2017. The CIC acts as a holding company of two of its subsidiaries, TMFL and TMFBSL.

Brief Financials (₹ crore)	Consolidated (TMFHL)	
	FY23 (A)	FY24 (A)
Total income	5,057	5,135
PAT	-1,013	-117
Total assets (net of intangible and deferred tax assets)	42,707	39,313
ROTA (%)	-2.29	-0.29

A: Audited. Note: These are latest available financial results.

Note: All analytical ratios are per CARE Ratings' calculations.

TML

Incorporated in 1945, TML is among the leading automotive manufacturers in India. Essentially a CV manufacturer, TML forayed into manufacturing PVs across product segments such as compact, mid-size, and utility in 1998-99, broadening the company's business horizon. The company forayed into the premium luxury car segment by acquiring JLR in June 2008, which has a presence across geographies such as Europe, the UK, the US, and China. Through its subsidiaries and associates, TML also has a presence in Thailand, South Africa, South Korea, and Indonesia. Its manufacturing base in India is spread across Pune (Maharashtra), Jamshedpur (Jharkhand), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat), and Dharwad (Karnataka). In addition, outside India, the group has manufacturing units in the UK, South Korea, Thailand, China, and Indonesia. As at March 31, 2024, Tata Sons Private Limited, together with its subsidiaries owns 46.29% of the Ordinary shares and 7.66% of 'A' Ordinary shares of TML.

On March 04, 2024, the board of directors of TML approved the proposal of demerger of TML into two separate listed companies housing A) the Commercial Vehicles business and its related investments in one entity and B) the Passenger Vehicles businesses including PV, EV, JLR and its related investments in another entity. The demerger is likely to be completed over 12-15 months.

Brief Financials of TML (₹ crore)	Consolidated	
	FY23 (A)	FY24 (A)
Total income	3,48,984	4,40,899
PBILDT	34,847	62,557
PAT	2,690	31,807
Gross cash accruals	24,996	50,288
Overall gearing (times)	0.87	0.18
Adjusted net auto debt (excluding LC acceptances)/PBILDT	1.33	0.27
Interest coverage (times)	3.41	6.26

A: Audited. Note: These are latest available financial results.

Note: All analytical ratios are per CARE Ratings' calculations.

TMFBSL (erstwhile TMFL)

TMFBSL is a subsidiary of TMFHL. In a meeting held on October 03, 2022, the board of directors of TMFL and TMFBSL approved a scheme of arrangement between the two companies for an internal re-alignment of its business involving de-merger of TMFBSL's non-banking finance business undertaking into TMFL. This scheme of arrangement was completed in June 2023 and the appointed date for this demerger was April 01, 2023. Post the new scheme of arrangement, TMFBSL surrendered its NBFC licence. Currently, TMFBSL conducts its business operation under the operating lease business segment and finances the TML vehicles only. The vehicles are given on an operating lease of 4-6 years.

Brief Financials (₹ crore)	Standalone (TMFBSL)	
	FY23 (A)	FY24 (A)

Total income	3,668	56
PAT	-1,033	-11
Total assets (net of intangible and deferred tax assets)	30,122	308
ROTA (%)	-ve	-ve

A: Audited. Note: These are latest available financial results.

Note: All analytical ratios are per CARE Ratings' calculations.

TMFL (erstwhile TMFSL)

TMFL is a wholly owned subsidiary of TMFHL, which in turn, is a wholly owned subsidiary of TML. TMFL is a non-deposit systemically important NBFC. Currently, TMFL carries on (a) granting loans and facilities for, inter-alia, financing purchase of (i) new vehicles manufactured by TML (ii) pre-owned vehicles including refinancing existing vehicle finance loans; and (b) granting of loans and advances to transporters, dealers and vendors of TML including provision of working capital facilities, invoice discounting facilities and factoring facilities. It supports logistics value chain (working capital / invoice discounting / fuel loans / payment services) for transporters. It operates through its 340+ branches in addition to presence in Tata Motors dealers' sales outlets.

The board of directors of TML, TCL, and TMFL on June 04, 2024, approved the Scheme of Arrangement involving amalgamation of TMFL with TCL through an NCLT scheme of arrangement. As part of the consideration, TMFHL will be issued shares of TCL based on a share swap ratio. The holding company of TMFL, TMFHL will have 4.7% shareholding in TCL, post the merger. TMFL will get merged with TCL and TCL will take over all the assets, liabilities and. This transaction will be tax neutral. The scheme of arrangement is subject to approval of SEBI, RBI, NCLT and shareholders and creditors of TCL and TMFL and will take around 9 to 12 months to complete per company's guidance.

The merger will result in:

- Financial services business of Tata Group housing under one entity, leading to simplification and scaling up of the lending business of the group.
- Resultant entity will create a large diversified NBFC.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
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Bank Facilities: Fund-based/Non-fund-based-LT (Proposed)	-	-	-	-	200	CARE AA+; Stable/ CARE A1+
Commercial Paper (Proposed)	-	-	-	-	500	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-Long Term	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE AA; Stable (27-Jun-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (07-Sep-21)
2	Bonds-Perpetual Bonds	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE A+; Stable (27-Jun-23)	1)CARE A; Stable (06-Sep-22)	1)CARE A; Stable (07-Sep-21)
3	Debt-Subordinate Debt	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE AA; Stable (27-Jun-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (07-Sep-21)
4	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE A1+ (27-Jun-23)	1)CARE A1+ (06-Sep-22)	1)CARE A1+ (07-Sep-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE AA; Stable (27-Jun-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (07-Sep-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE AA; Stable (27-Jun-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (07-Sep-21)
7	Debt-Subordinate Debt	LT	-	-	-	1)Withdrawn (30-Jun-23) 2)CARE AA; Stable	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (07-Sep-21)

						(27-Jun-23)		
8	Commercial Paper- Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (13-Mar-24) 2)CARE A1+ (30-Jun-23)	-	-
9	Fund-based/Non- fund-based-LT/ST	LT/ST	200.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (13-Mar-24) 2)CARE AA; Stable / CARE A1+ (30-Jun-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based/Non-fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	TMF Holdings Ltd	Full	Holding
2	Tata Motors Finance Ltd	Full	Subsidiary
3	TMF Business Services Ltd	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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