



RATING RATIONALE

22 Sep 2022

Tata Steel Ltd.

Brickwork Ratings reaffirms the ratings for the unsecured Non-Convertible Debentures/Bond Issues aggregating Rs.2500.00 Cr of Tata Steel Ltd. and withdraws the rating of unsecured Non-Convertible Debentures / Bond Issue of Rs.1500 Cr on redemption

Particulars:

Instrument	Previous Amt (Rs. Cr)	Present Amt (Rs in Crs)	Tenor	Previous Rating August 2021	Current Rating
Unsecured NCD	2500	2500	Long Term	BWR AA+ (Stable)	BWR AA+ (Stable) (Reaffirmation)
Unsecured NCD	1500	-		BWR AA+ (Stable)	Withdrawn on Redemption
Total	4000	2500	Rupees Two Thousand Five Hundred Crore Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

RATING ACTION – Reaffirmation and Withdrawal

Brickwork Ratings (BWR) reaffirms the rating of the unsecured Non-Convertible Debenture (NCD) issues aggregating Rs.2500 Cr and withdraws the rating of the unsecured NCD issue of Rs.1500 Cr on redemption of Tata Steel Ltd. (TSL or the company).

The reaffirmation of the rating follows the consistent improvement in the company's operating performance in the domestic, as well as European market, coupled with improved debt protection metrics, which is expected to improve further with management's deleveraging target of USD 1 bn in FY23. The rating continues to derive strength from the professional management, group support and diversified product portfolio with backward-integrated operations in India in the form of captive iron ore and coal mines, making it one of the lowest-cost producers of steel and the market leader in EBITDA per tonne.

The rating is, however, constrained by the inherent risk associated with the steel industry, which is cyclical in nature, with volatility in raw material and finished good prices.

The Stable outlook indicates the sustainability of the current level of operations in the near future with a stable demand outlook and the management guidance of a reduction in gross debt, going forward. As per the management, although steel prices are not expected to rise in the near

term, it is volume growth on the back of demand, which will lead to the sustainability of the current performance.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has analyzed TSL on a consolidated basis. To arrive at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

KEY RATING DRIVERS

Credit Strengths-:

Key entity to Tata Group, with professional management – Tata Steel is a key listed entity of the well-known Tata group, which has a track record of servicing borrowings and access to financial markets. The group is one of the largest conglomerates in India, with over 100 operating companies in key business sectors such as steel, automotive, information technology, engineering, energy, aviation, power, mining, consumer products and chemicals. The group, through its parent holding company for all the group companies, Tata Sons Private Limited, owned a 32.46% stake in TSL as on 30 June 2022. The company is led by experienced and qualified management professionals.

Captive mines help maintain operating margins in high-input-cost scenario: TSL's domestic operations are well-integrated with captive power and mining operations, which meet 100% of its iron ore requirements and around 25% of its metallurgical coal requirements. Therefore, TSL (India operations) is among the most low-cost steel producers. TSL's Indian operations continue to be the highest EBITDA generators among peers.

Diversified product portfolio: TSL is a geographically diversified steel producer, with operations in various countries and a commercial presence in more than 50 countries globally. The company's product mix includes flat products such as hot rolled coils, cold rolled coils and galvanised steel, and long products such as wire rods, rebar, ferro alloys, tubes, bearings and wires. The product segments cater to agriculture, automotive, construction, consumer goods, energy and power, engineering and material handling, among others.

Focus on strengthening Indian market: Tata Steel's key market is still India, wherein it caters 87% market share, and the Indian market contributes around 55% of consolidated revenues. The margins in the domestic market are particularly higher owing to raw material procurement from captive mines. During FY22, TSL registered an EBITDA (standalone) of Rs .28863 per tonne, which is the highest amongst the peers.

Substantial improvement in FY22 performance:

During FY22, the consolidated revenue increased by 56% to Rs. 243959 Cr with the EBITDA per tonne improving to Rs. 21626 from Rs. 10838 in FY21. This was backed by a substantial increase in steel prices, coupled with volume growth with the bounce back of the global economy post the pandemic period. Steel prices have started cooling down since June 2022 and



are not expected to recover in the near term. BWR expects volume growth during FY23 for TSL with improvement in margins followed by the cooling of coking coal prices which will enable TSL to sustain the performance at the current level.

Credit Risks-:

Cyclicality of steel industry: The steel industry is sensitive to shifting economic cycles, which includes changes in interest rates and seasonal changes in demand and supply in the market.

Volatility of raw material prices: The company's margins are exposed to volatility in raw material prices, which are ultimately passed on to customers.

LIQUIDITY INDICATORS (Strong):

As on 30 June 2022, TSL had cash and cash equivalent of Rs. 28093 Cr, including Rs. 10,890 Cr of payment to be made for the acquisition of Neelanchal Ispat Nigam Ltd. (NINL). In that case, the total cash and cash equivalent available is Rs.17203 Cr as against long-term debt maturities of Rs. 2878 Cr in FY23. The liquidity, along with steady cash accruals from operations, provides sufficient cushion at the time of high volatility in commodity prices.

KEY RATING SENSITIVITIES:

Positive:

- A sustained improvement in revenue and profitability and debt coverage indicators

Negative:

- A deterioration in revenue and profitability with decline in debt coverage indicators
- Deterioration in credit profile of European Operations

COMPANY PROFILE

Tata Steel Ltd. (TSL) was established in 1907 and is one of the flagship companies of Tata Group. Tata Sons Limited held a 32.46% stake in TSL as of 30 June 2022. The company has a presence across the entire value chain of steel manufacturing, including producing and distributing finished products, as well as the mining and processing of iron ore and coal for its steel production.

TSL is one of the most geographically diversified steel producers, with operations in 26 countries and a commercial presence in more than 50 countries. The company's product mix includes flat products such as Hot Rolled coils, Cold Rolled coils and galvanised steel, and long products such as wire rods, rebar, ferro alloys, tubes, bearings and wires. The company also owns coal, iron ore, and manganese and chrome mines at various locations. The company is 100% backward integrated with respect to the iron ore requirement and 25% backward integrated for the coal requirement for domestic operations.

The company had a total steel production capacity of 34 Million Tonnes Per Annum (mtpa) as on 31 March 2022, spread across India, the UK, Netherlands, Thailand and Singapore, with 20.6 mtpa in India, 12 mtpa in Europe and 1.7 mtpa in South Asia).

KEY FINANCIAL INDICATORS

Rs. Crore	TSL - Consolidated		TSL – Standalone	
	FY21	FY22	FY21	FY22
Total Operating Income	156477	243959	84133	129021
EBITDA	30,892	63830	27340	51456
Reported PAT	8190	41749	17078	33011
Total Debt	88501	75,561	37,065	36525
Tangible Net Worth	59858	99159	88038	118707
Gearing (x)	1.48	0.80	0.42	0.32
Current Ratio (x)	0.94	1.07	1.00	0.65

On a consolidated basis, during 1QFY23, the company reported a total operating income of Rs. 63430 Cr (P.Y Rs. 53465 Cr), EBITDA of Rs. 15241 Cr (P.Y Rs. 16273 Cr) and PAT of Rs. 7714 Cr (P.Y of Rs.9768 Cr).

On a standalone basis, during 1QFY23, the company reported a total operating income of Rs. 32021 Cr (P.Y Rs. 27960 Cr), EBITDA of Rs. 10304 Cr (P.Y Rs. 12347 Cr) and PAT of Rs. 6114 Cr (P.Y Rs.8780 Cr).

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S. No	Instrument / Facility	Current Rating (2022)			Rating History				
		Type	Amt	Month	2021		2020	2019	
		(Long Term/ Short Term)	(₹ Crs)	22-Sep-22	23-Aug-21	24-Jun-21	27-Nov-20	15-Nov-19	24-May-19
1	Fund Based – Unsecured NCD	Long Term	2500	BWR AA+ (Stable)	BWR AA+ (Stable)	BWR AA (Stable)	BWR AA (Stable)	BWR AA (Stable)	BWR AA (Positive)
2	Fund Based – Unsecured NCD	Long Term	1500	Withdrawal on redemption	BWR AA+ (Stable)	BWR AA (Stable)	BWR AA (Stable)	BWR AA (Stable)	BWR AA (Positive)
3	Fund Based – Subordinated Perpetual Securities	Long Term				Withdrawn	BWR AA- (Stable)	BWR AA- (Stable)	BWR AA- (Positive)
4	Fund Based – Subordinated Perpetual Securities	Long Term				Withdrawn	BWR AA- (Stable)	BWR AA- (Stable)	BWR AA- (Positive)
Total			2500	Rupees Two Thousand Five Hundred Only					

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Criteria for Consolidation of Companies](#)
- [BWR's policy for withdrawal of rating](#)

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[Tata Steel Ltd.]

ANNEXURE I

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Tenor	ISIN Particulars
NCD	October 2016	1000	8.15%	10 years	INE081A08215
NCD*	April 2012	1500	2.0%	10 years	INE081A08181

*Redeemed

ANNEXURE II

List of entities consolidated as on 31st March 2022

Sl. No.	Name of the Company	Ownership (%)
A.	Subsidiaries (Direct)	
1.	ABJA Investment Co. Pte. Ltd.	100.00
2.	Indian Steel and Wire Products Limited	95.01
3.	Tata Steel Utilities and Infrastructure Services Limited (Formerly known as Jamshedpur Utilities & Services Company Limited)	100.00
4.	Mohar Export Services Private Limited	66.46
5.	NatSteel Asia Pte. Ltd.	100.00
6.	Rujuvalika Investments Limited	100.00
7.	Tata Steel Mining Limited (Formerly known as T S Alloys Limited)	100.00

Sl. No.	Name of the Company	Ownership (%)
8.	Tata Korf Engineering Services Limited	100.00
9.	Tata Metaliks Limited	60.03
10.	Tata Steel Long Products Limited (Formerly known as Tata Sponge Iron Limited)	74.91
11.	T Steel Holdings Pte. Ltd.	100.00
12.	Tata Steel Downstream Products Limited	100.00
13.	Tayo Rolls Limited	54.91
14.	The Tinplate Company of India Limited	74.96
15.	Tata Steel Foundation	100.00
16.	Jamshedpur Football and Sporting Private Limited	100.00
17.	Bhubaneswar Power Private Limited	100.00
18.	Angul Energy Limited	99.99
19.	Tata Steel Support Services Limited (formerly Bhushan Steel (Orissa) Ltd.)	100.00
20.	Bhushan Steel (South) Ltd.	100.00
21.	Tata Steel Technical Services Limited (formerly Bhushan Steel (Madhya Bharat) Ltd.)	100.00
22.	Bhushan Steel (Australia) PTY Ltd.	100.00
23.	Creative Port Development Private Limited	51.00
24.	Medica TS Hospital Pvt. Ltd.	51.00
25.	S & T Mining Company Private Limited	100.00
B.	Subsidiaries (Indirect)	
1.	Haldia Water Management Limited	60.00

Sl. No.	Name of the Company	Ownership (%)
2.	Kalimati Global Shared Services Limited	100.00
3.	Tata Steel Special Economic Zone Limited	100.00
4.	The Tata Pigments Limited	100.00
5.	Adityapur Toll Bridge Company Limited	88.50
6.	T S Global Holdings Pte Ltd.	100.00
7.	Orchid Netherlands (No.1) B.V.	100.00
8.	The Siam Industrial Wire Company Ltd.	100.00
9.	&Eastern Steel Fabricators Philippines, Inc.	67.00
10.	TSN Wires Co. Ltd.	60.00
11.	Tata Steel Europe Limited	100.00
12.	Apollo Metals Limited	100.00
13.	Blastmega Limited	100.00
14.	British Steel Corporation Limited	100.00
15.	British Steel Directors (Nominees) Limited	100.00
16.	British Steel Nederland International B.V.	100.00
17.	C V Benine	76.92
18.	Catnic GmbH	100.00
19.	Catnic Limited	100.00
20.	Tata Steel Mexico SA de CV	100.00
21.	Cogent Power Limited	100.00

Sl. No.	Name of the Company	Ownership (%)
22.	Corbeil Les Rives SCI	67.30
23.	Corby (Northants) & District Water Company Limited	100.00
24.	Corus CNBV Investments	100.00
25.	Corus Engineering Steels (UK) Limited	100.00
26.	Corus Engineering Steels Holdings Limited	100.00
27.	Corus Engineering Steels Limited	100.00
28.	Corus Group Limited	100.00
29.	Corus Holdings Limited	100.00
30.	Corus International (Overseas Holdings) Limited	100.00
31.	Corus International Limited	100.00
32.	Corus International Romania SRL.	100.00
33.	Corus Investments Limited	100.00
34.	Corus Ireland Limited	100.00
35.	Corus Liaison Services (India) Limited	100.00
36.	Corus Management Limited	100.00
37.	Corus Property	100.00
38.	Corus UK Healthcare Trustee Limited	100.00
39.	Crucible Insurance Company Limited	100.00
40.	Degels GmbH	100.00
41.	Demka B.V.	100.00

Sl. No.	Name of the Company	Ownership (%)
42.	00026466 Limited (Formerly known as Firsteel Group Limited)	100.00
43.	Fischer Profil GmbH	100.00
44.	Gamble Simms Metals Limited	100.00
45.	Grant Lyon Eagre Limited	100.00
46.	H E Samson Limited	100.00
47.	Hadfields Holdings Limited	62.50
48.	Halmstad Steel Service Centre AB	100.00
49.	Hammermega Limited	100.00
50.	Hille & Muller GmbH	100.00
51.	Hille & Muller USA Inc.	100.00
52.	Hoogovens USA Inc.	100.00
53.	Huizenbezit "Breesaap" B.V.	100.00
54.	Inter Metal Distribution SAS	100.00
55.	Layde Steel S.L.	100.00
56.	London Works Steel Company Limited	100.00
57.	Montana Bausysteme AG	100.00
58.	Naantali Steel Service Centre OY	100.00
59.	Norsk Stal Tynnplater AS	100.00
60.	Norsk Stal Tynnplater AB	100.00
61.	Orb Electrical Steels Limited	100.00

Sl. No.	Name of the Company	Ownership (%)
62.	Oremco Inc.	100.00
63.	Plated Strip (International) Limited	100.00
64.	Rafferty-Brown Steel Co Inc Of Conn.	100.00
65.	Runmega Limited	100.00
66.	S A B Profiel B.V.	100.00
67.	S A B Profil GmbH	100.00
68.	Service Center Gelsenkirchen GmbH	100.00
69.	Service Centre Maastricht B.V.	100.00
70.	Societe Europeenne De Galvanisation (Segal) Sa	100.00
71.	Staalverwerking en Handel B.V.	100.00
72.	Stewarts And Lloyds (Overseas) Limited	100.00
73.	Surahammar Bruks AB	100.00
74.	Swinden Housing Association Limited	100.00
75.	Tata Steel Belgium Packaging Steels N.V.	100.00
76.	Tata Steel Belgium Services N.V.	100.00
77.	Tata Steel Denmark Byggsystemer A/S	100.00
78.	Tata Steel France Holdings SAS	100.00
79.	Tata Steel Germany GmbH	100.00
80.	Tata Steel IJmuiden BV	100.00
81.	Tata Steel International (Americas) Holdings Inc	100.00

Sl. No.	Name of the Company	Ownership (%)
82.	Tata Steel International (Americas) Inc	100.00
83.	Tata Steel International (Czech Republic) S.R.O	100.00
84.	Tata Steel International (France) SAS	100.00
85.	Tata Steel International (Germany) GmbH	100.00
86.	Tata Steel International (South America) Representações LTDA	100.00
87.	Tata Steel International (Italia) SRL	100.00
88.	Tata Steel International (Middle East) FZE	100.00
89.	Tata Steel International Limited	100.00
90.	Tata Steel International (Poland) sp Zoo	100.00
91.	Tata Steel International (Sweden) AB	100.00
92.	Tata Steel International (India) Limited	100.00
93.	Tata Steel International Iberica SA	100.00
94.	Tata Steel Istanbul Metal Sanayi ve Ticaret AS	100.00
95.	Tata Steel Maubeuge SAS	100.00
96.	Tata Steel Nederland BV	100.00
97.	Tata Steel Nederland Consulting & Technical Services BV	100.00
98.	Tata Steel Nederland Services BV	100.00
99.	Tata Steel Nederland Technology BV	100.00
100.	Tata Steel Nederland Tubes BV	100.00
101.	Tata Steel Netherlands Holdings B.V.	100.00

Sl. No.	Name of the Company	Ownership (%)
102.	Tata Steel Norway Byggsystemer A/S	100.00
103.	Tata Steel Sweden Byggsystem AB	100.00
104.	Tata Steel UK Consulting Limited	100.00
105.	Tata Steel UK Holdings Limited	100.00
106.	Tata Steel UK Limited	100.00
107.	Tata Steel USA Inc.	100.00
108.	The Newport And South Wales Tube Company Limited	100.00
109.	Thomas Processing Company	100.00
110.	Thomas Steel Strip Corp.	100.00
111.	TS South Africa Sales Office Proprietary Limited	100.00
112.	Tulip UK Holdings (No.2) Limited	100.00
113.	Tulip UK Holdings (No.3) Limited	100.00
114.	U.E.S. Bright Bar Limited	100.00
115.	UK Steel Enterprise Limited	100.00
116.	Unitol SAS	100.00
117.	Fischer Profil Produktions -und-Vertriebs - GmbH	100.00
118.	Al Rimal Mining LLC	70.00
119.	TSMUK Limited	100.00
120.	Tata Steel Minerals Canada Limited	82.00
121.	T S Canada Capital Ltd	100.00

Sl. No.	Name of the Company	Ownership (%)
122.	Tata Steel (Thailand) Public Company Ltd.	67.90
123.	Tata Steel Manufacturing (Thailand) Public Company Limited (formerly N.T.S Steel Group Public Limited Company)	99.90
124.	The Siam Construction Steel Company Limited*	-
125.	The Siam Iron and Steel (2001) Company Limited*	-
126.	T S Global Procurement Company Pte. Ltd.	100.00
127.	Tata Steel International (Shanghai) Ltd.	100.00
128.	TS Asia (Hong Kong) Ltd.	100.00
129.	Tata Steel Advanced Materials Limited (formerly Tata Steel Odisha Limited)	100.00
130.	Ceramat Private Limited	90.00
131.	Bowen Energy PTY Ltd.	100.00
132.	Bowen Coal PTY Ltd.	100.00
133.	Bowen Consolidated PTY Ltd.	100.00
134.	Subarnarekha Port Private Limited	100.00
135.	Rohit Ferro-Tech Limited	100.00
136.	Tata Steel TABB Limited	100.00
C.	Jointly Controlled Entities (Direct)	
1.	mjunction services Limited	50.00
2.	Tata NYK Shipping Pte Ltd.	50.00
3.	TM International Logistics Limited	51.00
4.	Industrial Energy Limited	26.00

Sl. No.	Name of the Company	Ownership (%)
5.	Andal East Coal Company Pvt. Ltd. *	33.89
D.	Jointly Controlled Entities (Indirect)	
1.	Tata NYK Shipping (India) Pvt. Ltd.	100.00
2.	International Shipping and Logistics FZE	100.00
3.	TKM Global China Ltd	100.00
4.	TKM Global GmbH	100.00
5.	TKM Global Logistics Limited	100.00
6.	Naba Diganta Water Management Limited	74.00
7.	Jamipol Ltd.	42.00
8.	Nicco Jubilee Park Limited	25.31
9.	Himalaya Steel Mills Services Private Limited	26.00
10.	Air Products Llanwern Limited	50.00
11.	Laura Metaal Holding B.V.	49.00
12.	Ravenscraig Limited	33.33
13.	Tata Steel Ticaret AS	50.00
14.	Texturing Technologies Limited	50.00
15.	Hoogovens Court Roll Service Technologies VOF	50.00
16.	Minas De Benga (Mauritius) Limited	35.00
17.	Tata BlueScope Steel Private Limited	50.00
18.	BlueScope Lysaght Lanka (Pvt) Ltd	100.00

Sl. No.	Name of the Company	Ownership (%)
19.	Jamshedpur Continuous Annealing & Processing Company Private Limited	51.00
E.	Associates (Direct)	
1.	Kalinga Aquatics Limited	30.00
2.	Kumardhubi Fireclay & Silica Works Limited	27.78
3.	Kumardhubi Metal Casting and Engineering Limited	49.31
4.	Strategic Energy Technology Systems Private Limited	25.00
5.	Tata Construction & Projects Limited	27.19
6.	TRF Limited	34.11
7.	Malusha Travels Private Limited	33.23
8.	Bhushan Capital & Credit Services Private Limited	42.58
9.	Jawahar Credit & Holdings Private Limited	39.65
F.	Associates (Indirect)	
1.	European Profiles (M) Sdn. Bhd.	20.00
2.	GietWalsOnderhoudCombinatie B.V.	50.00
3.	Hoogovens Gan Multimedia S.A. De C.V.	50.00
4.	ISSB Limited	50.00
5.	Wupperman Staal Nederland B.V.	30.00
6.	Fabsec Limited	25.00
7.	9336-0634 Québec Inc	33.33
8.	TRF Singapore Pte Limited	100.00

Sl. No.	Name of the Company	Ownership (%)
9.	TRF Holding Pte Limited	100.00
10.	Dutch Lanka Trailer Manufacturers Limited	100.00
11.	Dutch Lanka Engineering (Private) Limited	100.00

For print and digital media

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