



RATING RATIONALE

03 Oct 2023

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.

Particulars:

Instrument	Previous Amt (Rs. Crs)	Present Amt (Rs. Crs)	Tenor	Previous Rating September 2022	Current Rating
Unsecured NCD	1000	2500	Long Term	BWR AA+ (Stable)/Reaffirmation	BWR AA+ (Stable)/Reaffirmation
Proposed NCD**	1500	-	-	BWR AA+ (Stable)/Reaffirmation	BWR AA+ (Stable)/Reaffirmation
Total	2500	2500	Rupees Two Thousand Five Hundred Crore Only		

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

**As Informed by the company and as per the information available in public domain, the company have not issued the proposed NCD of Rs. 1500 Crs till now.

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of the unsecured Non - Convertible Debenture (NCD) issues aggregating Rs. 2500 Crs of Tata Steel Ltd. (TSL or the company).

The reaffirmation of the rating follows company's stable operating performance in the domestic, as well as European market, coupled with comfortable debt protection metrics. 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.

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.

Developments in UK Operations: Tata Steel and the UK government announced a joint agreement on a proposal to invest in state-of-the-art Electric Arc Furnace steelmaking at the Port Talbot site with a capital cost of £1.25 billion inclusive of a grant from the UK Government of up to £500 million and the rest £725 million will be funded by Tata Steel Limited. The project is expected to be completed in 36 months of receipt of regulatory and planning approvals. It is expected that the proposed project will eliminate the current cash losses in the UK operations.



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 maintaining Net Debt to EBITDA within 2.5 going forward. As per the management, although steel prices are not expected to rise in the near term, volume growth on the back of demand will lead to the sustainability of the current performance.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - N.A.

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 32.44% stake in TSL as on 30 June 2023. 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 20%-25% of its metallurgical coal requirements. Therefore, TSL (India operations) is among one of the most low-cost steel producers.

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. The Indian market contributes more than 50% of consolidated revenues. The margins in the domestic market are particularly higher owing to raw material procurement from captive mines and also due to strong demand in domestic markets as compared to overseas markets.

Stable Revenue, Comfortable Gearing: During FY23, Consolidated Revenues were in same range at Rs. 2,43,353 crores (FY22: Rs. 2,43,959 Crs) due to volatility in operating environment across geographies. Consolidated EBITDA stood at Rs 32,300 crores (FY22: Rs. 63,830 Crs), with an EBITDA margin of ~13% (FY22: 26%). Consolidated Profit after Tax stood at Rs 8,075 crores (FY22: Rs. 41,749 Crs). The drop in EBITDA and Profitability in FY23 was due to European operations witnessing margin compression due to lower realisations and elevated input

costs as well as lower finished product prices and recession concerns weighed on steel prices, which coupled with elevated energy costs affected the company's performance. The company has reported the gearing of 0.91x in FY23 (FY22: 0.80x).

Acquisition of Neelachal Ispat Nigam Limited (NINL) and amalgamation of subsidiaries:

During FY23, TSL has completed the process of acquiring NINL and restarted the blast furnace during Q3FY23. The furnace at NINL is operating at capacity of around 1.0 MT. Post the completion of Kalinganagar expansion, TSL has the option to increase the capacity of NINL from 1.0 MT to 11 MT. During FY23, the board of TATA Steel has approved the strategic amalgamation of seven subsidiaries and one associate within TSL. The restructuring exercise is to simplify the group structure while also driving management efficiencies, strategic focus and improve agility across businesses based on the strong parental support from Tata Steel leadership.

Capex activity during the year: The management has guided a total capex outlay of Rs. 16,000 crore for the current year, most of which will be deployed for the Kalinganagar expansion. The Netherlands relining activity will be around Rs. 1,100 crore and the remaining operational capex of Rs. 1,900 crore both, will be through the cash balance available with the company. On a long-term basis, TSL hopes to achieve 40 MTPA domestic steel melting capacity by FY30. The company has sufficient land availability for expansion, especially in the Neelachal and Kalinganagar region for any future expansion.

Credit Risks:-

Cyclicality of steel industry: The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates, and seasonal changes in the demand and supply conditions in the market.

Volatility of raw material prices: The producers of steel products are essentially price-takers in the market, which directly expose their cash flows and profitability to the volatility of the steel industry. The company's margins are exposed to volatility in raw material prices, which are ultimately passed on to customers.

Commodity risks: Commodities are essential inputs to the manufacturing of steel. These commodities have global supply chains and their prices get significantly impacted by various factors such as geo-political landscape, supply-demand imbalance, weather patterns, policy interventions by governments in key sourcing or consuming countries (especially China), increasing financialization of commodities markets, etc. The changing prices of coal and iron are generally reflected through adjustments in the steel prices, which help in managing long-term price trends.

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 SENSITIVITIES:

Positive:

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

Negative:

- A substantial deterioration in profitability and debt coverage indicators
- Deterioration in credit profile of European Operations

LIQUIDITY INDICATORS (Strong):

As on June 30, 2023, TSL possess a Strong liquidity position, supported by strong cash flow generation capabilities that are ample enough to cover the annual debt repayment obligation for FY24 of Rs. 10,612 Crs for the company. For FY24, a capex worth Rs. 16,000 crore is estimated to be funded partly by cash and cash equivalents of Rs. 19,043 crore, internal accruals and debt. Historically, the second half of the year has been better for steel players in terms of profitability, and during the same, the management expects to achieve its repayment target of \$1 billion. Overall, BWR expects, TSL will be able to comfortably meet its capex commitments and service its debt obligations through internal accruals and cash and cash equivalents and finance is expansion partly through debt and partly through internal accruals. The liquidity along with steady cash accruals from operations also provides strong cushion at the time of high volatility in commodity prices.

COMPANY PROFILE

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Tata Steel Ltd. (TSL) was established in 1907 and is one of the flagship companies of Tata Group. Tata Sons Limited held a 32.44% stake in TSL as on 30 June 2023. 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 20%-25% backward integrated for the coal requirement for domestic operations.

KEY FINANCIAL INDICATORS

Rs. Crore	TSL - Consolidated			TSL – Standalone		
	FY22	FY23	Q1FY24	FY22	FY23	Q1FY24
Total Operating Income	243959	243352	59489	129021	129006	32341
EBITDA	63830	32300	6350	51456	27701	8101
PAT	41749	8075	524	33011	15495	4270
Total Debt*	75561	78017	N.A.	36525	38179	N.A.
Tangible Net Worth*	99159	85567	N.A.	118707	133067	N.A.
Gearing (x)	0.80	0.91	N.A.	0.32	0.29	N.A.
Current Ratio (x)	1.07	0.89	N.A.	0.65	0.86	N.A.

*As per BWR Calculations.

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 (2023)			Rating History		
		Type (Long Term/ Short Term)	Amt (Rs. Cr)	Rating	2022	2021	2020
1	Fund Based – Unsecured NCD	Long Term	2500	BWR AA+ (Stable)/Reaffirmation	BWR AA+ (Stable)/Reaffirmation (22 September)	BWR AA+ (Stable)/Upgraded (23 August) BWR AA (Stable)/Reaffirmation (24 June)	BWR AA (Stable)/Reaffirmation (27 November)
2	Fund Based – Unsecured NCD (Rs. 1500 Crs)	Long Term	-	-	Withdrawal on redemption (22 September)	BWR AA+ (Stable)/Upgraded (23 August) BWR AA (Stable)/Reaffirmation (24 June)	BWR AA (Stable)/Reaffirmation (27 November)
3	Fund Based – Subordinated Perpetual Securities (Rs. 1500 Crs)	Long Term	-	-	-	Withdrawn (24 June)	BWR AA- (Stable)/Reaffirmation (27 November)

4	Fund Based – Subordinated Perpetual Securities (Rs. 1000 Crs)	Long Term	-	-	-	Withdrawn (24 June)	BWR AA-(Stable)/Reaffirmation (27 November)
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](#)
- [Consolidation of Companies](#)

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Tata Steel Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR - N.A.

ANNEXURE II

Instrument	Issue Date	Amount in Crs.	Coupon	Maturity Date	Tenor	ISIN Particulars
NCD	October 2016	1000.00	8.15% p.a. payable annually	1-Oct-26	Long Term	INE081A08215

ANNEXURE III

List of entities consolidated as on 31st March 2023

SL No.	Name of the Company	Ownership (%)
A.	Subsidiaries	
1	ABJA Investment Co. Pte . Ltd.	100.00
2	The Indian Steel & Wire Products Ltd	95.01
3	Tata Steel Utilities and Infrastructure Services Ltd	100.00
4	Haldia Water Management Limited	60.00
5	Kalimati Global Shared Services Limited	100.00
6	Tata Steel Special Economic Zone Limited	100.00
7	The Tata Pigments Limited	100.00
8	Adityapur Toll Bridge Company Limited	88.50
9	Mohar Export Services Pvt. Ltd	66.46
10	NatSteel Asia Pte . Ltd.	
11	Rujuvalika Investments Limited	100.00
12	Tata Steel Mining Limited(Formerly known as TS Alloys Limited)	100.00
13	Tata Korf Engineering Services Ltd	100.00
14	Tata Metaliks Ltd.	60.03
15	Tata Steel Long Products Limited	74.91
16	Neelachal Ispat Nigam Limited	74.67
17	T Steel Holdings Pte. Ltd	100.00
18	T S Global Holdings Pte Ltd.	100.00
19	Orchid Netherlands (No.1) B.V.	100.00
20	The Siam Industrial Wire Company Ltd.	100.00
21	TSN Wires Co., Ltd.	60.00
22	Tata Steel Europe Limited	100.00
23	Apollo Metals Limited	100.00
24	00030048 Limited (Formerly British Steel Corporation Ltd)	100.00
25	British Steel Nederland International B.V.	100.00
26	C V Benine	76.92
27	Catric GmbH	100.00
28	Catnic GmbH	100.00
29	Tata Steel Mexico SA de CV	100.00

30	Cogent Power Limited	100.00
31	Corbeil Les Rives SCI	67.30
32	Corby (Northants) & District Water Company Limited	100.00
33	Corus CNBV Investments	100.00
34	Corus Engineering Steels (UK) Limited	100.00
35	Corus Engineering Steels Limited	100.00
36	Corus Group Limited	100.00
37	Corus Holdings Limited	100.00
38	Corus International (Overseas Holdings) Limited	100.00
39	Corus International Limited	100.00
40	Corus International Romania SRL	100.00
41	Corus Investments Limited	100.00
42	Corus Ireland Limited	100.00
43	Corus Liaison Services (India) Limited	100.00
44	Corus Management Limited	100.00
45	Corus Property	100.00
46	Corus UK Healthcare Trustee Limited	100.00
47	Crucible Insurance Company Limited	100.00
48	Degels GmbH	100.00
49	Demka B.V.	100.00
50	00026466 Limited (Formerly known as Firsteel Group Limited)	100.00
51	Fischer Profil GmbH	100.00
52	Gamble Simms Metals Limited	100.00
53	H E Samson Limited	100.00
54	Hadfields Holdings Limited	62.50
55	Halmstad Steel Service Centre AB	100.00
56	Hille & Muller GmbH	100.00
57	Hille & Muller USA Inc.	100.00
58	Hoogovens USA Inc.	100.00
59	Huizenbezit "Breesaap" B.V.	100.00
60	Inter Metal Distribution SAS	100.00
61	Layde Steel S.L.	100.00
62	London Works Steel Company Limited "	100.00
63	Montana Bausysteme AG	100.00
64	Naantali Steel Service Centre OY	100.00

65	Norsk Stal Tynnplater AS	100.00
66	Norsk Stal Tynnplater AB	100.00
67	Oremco Inc.	100.00
68	Rafferty-Brown Steel Co Inc Of Conn.	100.00
69	S A B Profiel B.V.	100.00
70	S A B Profil GmbH	100.00
71	Service Center Gelsenkirchen GmbH	100.00
72	Service Centre Maastricht B.V.	100.00
73	Societe Europeenne De Galvanisation (Segal) Sa	100.00
74	Staalverwerking en Handel B.V.	100.00
75	Surahammar Bruks AB	100.00
76	Swinden Housing Association Limited	100.00
77	Tata Steel Belgium Packaging Steels N.V.	100.00
78	Tata Steel Belgium Services N.V.	100.00
79	Tata Steel France Batiment et Systemes SAS	
80	Tata Steel France Holdings SAS	100.00
81	Tata Sted Germany GmbH	100.00
82	Tata Steel IJmuiden BV	100.00
83	Tata Steel International (Americas)Holdings Inc	100.00
84	Tata Steel International (Americas) Inc	100.00
85	Tata Sata Steel International (Czech Republic) S.R.O	100.00
86	Tata Steel International (France) SAS	100.00
87	Tata Steel International (Germany) GmbH	100.00
88	Tata Steel International (South America) Representações LTDA	100.00
89	Tata Steel International (Italia) SRL	100.00
90	Tata Steel International (Middle East) FZE	100.00
91	Tata Steel International Limited	100.00
92	Tata Steel International (Poland) sp Zoo	100.00
93	Tata Steel International (Sweden) AB	100.00
94	Tata Steel International (India) Limited	100.00
95	Tata Steel International Iberica SA	100.00
96	Tata Steel Istanbul Metal Sanayi ve Ticaret AS	100.00
97	Tata Steel Maubeuge SAS	100.00
98	Tata Steel Nederland BV	100.00

99	Tata Steel Nederland Consulting & Technical Services BV	100.00
100	Tata Steel Nederland Services BV	100.00
101	Tata Steel Nederland Technology BV	100.00
102	Tata Steel Nederland Tubes BV	100.00
103	Tata Steel Netherlands Holdings B.V.	100.00
104	Tata Steel Norway Byggsystemer A/S	100.00
105	Tata Steel UK Consulting Limited	100.00
106	Tata Steel UK Holdings Limited	100.00
107	Tata Steel UK Limited	100.00
108	Tata Steel USA Inc	100.00
109	The Newport And South Wales Tube Company Limited	100.00
110	Thomas Processing Company	100.00
111	Thomas Steel Strip Corp.	100.00
112	TS South Africa Sales Office Proprietary Limited	100.00
113	Tulip UK Holdings (No.2) Limited	100.00
114	Tulip UK Holdings (No.3) 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	51.00
119	TSMUK Limited	100.00
120	T S Canada Capital Ltd	100.00
121	Tata Steel Minerals Canada Limited	82.00
122	Tata Steel (Thailand) Public Company Limited	67.90
123	Tata Steel Manufacturing (Thailand) Public Company Limited (formerly N.T.S Steel Group Public Limited Company)	67.83
124	T S Global Procurement Company Pte . Ltd	100.00
125	TS Asia (Hong Kong) Ltd.	
126	Tata Steel International (Shanghai) Ltd.	100.00
127	Tata Steel Downstream Products Limited	100.00
128	Tata Steel Advanced Materials Limited	100.00
129	Ceramat Private Limited	90.00
130	Tata Steel TABB Limited	100.00
131	Tayo Rolls Limited	54.91

132	The Tinplate Company of India Limited	74.96
133	Tata Steel Foundation	100.00
134	Jamshedpur Football and Sporting Private Limited	100.00
135	Bhubaneswar Power Private Limited	100.00
136	Angul Energy Limited	99.99
137	Tata Steel Support Services Limited (formerly Bhushan Steel (Orissa) Ltd.)	100.00
138	Bhushan Steel (South) Ltd.	100.00
139	Tata Steel Technical Services Limited formerly Bhushan Steel (Madhya Bharat) Ltd.)	100.00
140	Bhushan Steel (Australia) PTY Ltd.	100.00
141	Bowen Energy PTY Ltd.	100.00
142	Bowen Coal PTY Ltd.	100.00
143	Creative Port Development Private Limited	51.00
144	Subarnarekha Port Private Limited	50.67
145	S & T Mining Company Limited	100.00
146	Medica TS Hospital Pvt. Ltd.	51.00
B.	Joint Ventures	
147	mjunction services Limited	50
148	Tata NYK Shipping Pte Ltd.	50
149	TM International Logistics Limited	51
150	Industrial Energy Limited	26
151	Andal East Coal Company Pvt. Ltd. *	33.89
152	Tata NYK Shipping (India) Pvt. Ltd.	50
153	International Shipping and Logistics FZE	51
154	TKM Global China Ltd	51
155	TKM Global GmbH	51
156	TKM Global Logistics Limited	51
157	Naba Diganta Water Management Limited	74
158	Jamipol Ltd.	40.22
159	Nicco Jubilee Park Limited	25.31
160	Himalaya Steel Mills Services Private Limited	25.31
161	Air Products Llanwern Limited	50
162	Laura Metaal Holding B.V.	49
163	Ravenscraig Limited	33.33
164	Tata Steel Ticaret AS	50
165	Texturing Technologies Limited	50

166	Hoogovens Court Roll Service Technologies VOF	50
167	Minas De Benga (Mauritius) Limited	35
168	Tata BlueScope Steel Private Limited	50
169	BlueScope Lysaght Lanka (Pvt) Ltd	50
170	Jamshedpur Continuous Annealing & Processing Company Private Limited	51
C.	Associates	
171	Kalinga Aquatics Limited	30
172	Kumardhubi Fireclay & Silica Works Limited	27.78
173	Kumardhubi Metal Casting and Engineering Limited	49.31
174	Strategic Energy Technology Systems Private Limited	25
175	Tata Construction & Projects Limited	27.19
176	TRF Limited	34.11
177	Malusha Travels Private Limited	33.23
178	Bhushan Capital & Credit Services Private Limited	42.58
179	Jawahar Credit & Holdings Private Limited	39.65
180	European Profiles (M) Sdn. Bhd.	20
181	GietWalsOnderhoudCombinatie B.V.	50
182	Hoogovens Gan Multimedia S.A. De C.V.	50
183	ISSB Limited	50
184	Wupperman Staal Nederland B.V.	30
185	Fabsec Limited	25
186	9336-0634 Québec Inc	27.33
187	TRF Singapore Pte Limited	34.11
188	TRF Holding Pte Limited	34.11
189	Dutch Lanka Trailer Manufacturers Limited	34.11
190	Dutch Lanka Engineering (Private) Limited	34.11



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