

JULY 25, 2016

## CARE REAFFIRMS RATINGS ASSIGNED TO LONG TERM INSTRUMENTS AND BANK FACILITIES OF TATA BLUESCOPE STEEL LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	1000	<b>CARE A [Single A]</b>	Reaffirmed
Short term Bank Facilities	200.00	<b>CARE A1 [A One]</b>	Reaffirmed
<b>Total Facilities</b>	<b>1200.00 (Rupees One Thousand and Two Hundred crore only)</b>		
Non-Convertible Debentures@	250.00 (Rupees Two Hundred and Fifty crore only)	<b>CARE AA (SO) [Double A (Structured Obligation)]</b>	Reaffirmed

@ backed by letter of comfort provided by Tata Steel Ltd (Rated CARE AA+)

### Rating Rationale

The reaffirmation of ratings on the long-term and short-term bank facilities of TBSL, factors in the improvement in capacity utilization at Jamshedpur plant and lower prices of its main input i.e. HR and CR coils therein, resulting in an improvement in its operating performance in FY15 and FY16 (refers to period April 1 to March 31). The ratings also factor in the diversification of TBSL's revenue stream as a result of its foray into the midstream segment and the growing demand for coated steel products.

The ratings on TBSL continue to factor in the strength of its promoters, TSL and BlueScope Steel Limited (BSL), technological, operational and financial support received from them and backward integration achieved through the commissioning of coated steel plant at Jamshedpur in December 2011.

The above rating strengths however continue to be tempered by the strain on TBSL's capital structure on account of the debt raised for the Jamshedpur project, moderate operating margins and debt coverage indicators.

The rating assigned to the NCD issue of Tata BlueScope Steel Limited (TBSL) continues to factor in credit enhancement in the form of Letter of Comfort provided by Tata Steel Limited (TSL, rated CARE AA+) towards timely debt servicing by TBSL. Continued ownership by the current promoters, improvement in the capital structure and any large debt funded capital expenditure are the key rating sensitivities.

### Background

#### Tata BlueScope Steel Limited

Tata BlueScope Steel Limited (TBSL) is a 50:50 joint venture (JV) between Tata Steel Limited (TSL, rated CARE AA+) and BlueScope Steel Limited. The company operates in the segments of coated steel, steel building solutions and building products in the South Asian Association for Regional Cooperation (SAARC) region. TBSL has three divisions namely the building solutions division which manufactures and supplies pre-engineered building (PEB) solutions under the 'Butler Building Systems' and 'Ecobuild Building Systems' brands, the building products division, which manufactures and

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

supplies roll-formed roofing and wall cladding solutions and related building components under the Durashine, Ezybuild and Lysaght brands and the coated steel division, which manufactures metallic coated and pre-painted steel, for the building and construction industry.

The coated steel manufactured under this division is sold under two brands namely the pre-painted 'Colorbond' steel and the metallic coated 'Zincalume' steel. TBSL has a coated steel manufacturing facility at Jamshedpur with an annual metallic coating capacity of 250,000 mtpa of which 150,000 mtpa capacity is further equipped with color coating line. This facility commenced operations in December 2011 and currently operates at a capacity utilization of 78% (for period of FY16). This segment also caters to requirement of downstream segments (PEB and other building products) with about 75% of volumes produced being consumed internally. It contributed about 20% to the total revenues of the company in FY16 and primarily caters to other PEB players and retail requirements (for roofing). The company has facilities for roll-forming and PEB manufacturing at Pune (Maharashtra), Chennai (Tamil Nadu) and Bhiwadi (Rajasthan) with a total installed capacity of 2,66,339 mtpa.

#### **Tata Steel Limited (Letter of Comfort provider)**

Tata Steel Limited (TSL) was established as India's first integrated steel company in 1907 by Mr. Jamsetji N. Tata, the founder of the Tata Group. The company has a presence across the entire value chain of steel manufacturing, including producing and distributing finished products as well as mining and processing of iron ore and coal for its steel production. TSL has grown significantly in the last 5-6 years, with its steel production capacity increasing from approximately 5.0 mtpa in FY06 (refers to period April 1 to March 31) to 29.30 mtpa in FY14 primarily due to company's acquisition in April 2007 of Corus Group plc, that was renamed Tata Steel Europe (TSE) in September 2010.

The company is one of the most geographically diversified steel producers, with operations in 26 countries and commercial presence in more than 50 countries. The product mix of the company includes flat products such as HR Coils, CR Coils, Galvanized Steel; Long Products such as Wire Rods, Rebars; Ferro Alloys, Tubes, Bearings, Wires, etc.

TBSL reported a Total Operating Income (TOI) and Profit after Tax (PAT) of Rs. 1518 crore and Rs. 34.40 crore respectively in FY16 as against TOI and Loss of Rs. 1490.54 crore and Rs. 52.14 Crore in FY15.

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**Note: Mr. Vittaldas Leeladhar, Non-Executive Director on the board of Tata Global Beverages Limited (a Tata group company), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.**

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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