

## TATA International Limited

January 10, 2023

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Commercial Paper	500.00	CARE A1+ (A One Plus)	Assigned
<b>Total Short-Term Instruments</b>	<b>500.00</b> <b>(₹ Five Hundred Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the instruments of Tata International Limited (TIL) factors in the strong financial and operational linkages with the parent (Tata Sons Private Limited (TSPL)) and other Tata Group companies. The ratings further consider the demonstrated track record of the parent in terms of timely fund infusion and the established global presence of the TIL with more than four decades of diversified operations across geographies. While the envisaged stake sale of non-core assets/investments has been further delayed, CARE has taken cognizance of the timely equity infusion via. Rights Issue amounting to Rs. 250 crores during FY22.

The rating comfort is also drawn from significant improvement in cash flow from operating activities during FY22 and H1FY23, coupled with adequate cash and bank balance including liquid funds like mutual funds and bonds amounting Rs 741.45 crore as on September 30, 2022 (Rs 637.39 crore as on March 31, 2022).

The ratings are however tempered by the cyclical nature of the product segment that TIL operates in, weak net worth base albeit improving on Y-o-Y basis and inherent risks pertaining to the trading nature of operations amid weak global economic indicators. Further, the ability of TIL to refinance the existing Perpetual NCD's will be a key monitorable from a rating perspective.

### Rating Sensitivities

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

- ✓ Company reporting net profit on a sustained basis.
- ✓ Significant improvement in leverage and debt coverage indicators on a sustained basis.
- ✓ Improvement in PBILDT margin over 2.5% on a sustained basis.

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

- × Total debt (excluding PNCs or other subordinated instruments) exceeding USD 650 million
- × Interest coverage is below 1.5x on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### Strong operations performance with improved net trading margins

During FY22, the metals and mineral segment of the company witnessed healthy improvement with a Y-o-Y growth rate of 27% and 88% in terms of revenue. Despite the decline in the quantities traded for the year, the growth in revenue is driven by the increased net trading margin for the company. During FY22, metals and minerals each posted a net trading margin of Rs 2445 Per MT (translating to Rs 334 crore) and Rs 316.20 per MT (translating to Rs 202 crore). The margin has increased by 1.24x times for the mineral segment driven by increased demand for Coking coal, Iron ore and other minerals in H2FY22.

Although a marginal contributor to the overall revenue (15% in FY22 and 8% in FY21), the performance of agriculture segment had doubled in FY22.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Strong parentage of the company**

TIL is 100% held by the Tata group with Tata Sons directly holding 49.68% stake and balance stake along with its subsidiaries in TIL. Other large Tata group companies like Tata Motors, Tata Chemicals, Tata Steel also hold significant stake in TIL. Mr Noel Naval Tata is the Managing Director of TIL and involved in the strategic decision making of the group. Also, Mr. NN Tata has been inducted in the Tata Trust, which is the holding entity for TSPL, which is largest shareholder of TIL. TIL plays an important role in the sales and marketing of various Tata group products in new, inaccessible markets like Africa.

**Strong focus on key segments, historical divestments in non-core, non-strategic businesses**

The business of the company can be broadly divided into three verticals, viz., Trading, Distribution and Manufacturing and has presence over 29 countries with regional offices in India, Asia, Africa, Europe, and North America. Trading business consists of trading in metals (steel, metallics and rolls, Aluminum, etc.), minerals (coal, pet coke, ores, and fluxes, ferro alloys and base metal) and agricultural products (pulses and sugar). Within the distribution segment, the company undertakes distribution in auto (passenger vehicles and commercial vehicles). In the manufacturing segment, the company undertakes the manufacturing of leather products, which includes fashion leather, performance leather, footwear, and garments.

In the past, TIL had discontinued distribution of healthcare and chemicals effective from April 01, 2018, further, the company continues to reduce its focus on non-core business. Also, the company has closed its manufacturing facilities for leather products in Dewas and shifted the operations to Chennai and Ranipet in Tamil Nadu in FY21.

The company is in the final stages of selling its investment in the Pamodzi Hotel in Africa and the same is expected to be closed by Q3FY23.

**Established presence in multiple trade hubs**

Over the last 5 years, TIL established full-fledged business setups in Singapore, London, Hong Kong, and Dubai. These offices have developed trading desks, and independent treasury over the last 3 years. This has now resulted in the development of new markets, on-boarding of new banking relations to finance regional trade flows at competitive terms and new trade flows (iron ore, raw cashew nut, etc.), which have led to increase in the operational scale of business. Now, as the business has achieved substantial operational scale, TIL is consolidating the business by exiting unprofitable businesses with strategic future and removing legacy bank relationships with higher cost structure.

**Key Rating Weaknesses****Improved capital structure backed by rights issue and profit accruals, however negative net worth owing to historical losses**

Despite historical losses the net worth position for the company is increasing on a Y-o-Y basis mainly on account of improved profitability levels and various divestment measure taken by the company during the past two years. During FY22, TIL raised funds through rights issue of Rs 250.00 crore which is subscribed by the parent (Final shareholding of the parent of subscribing to rights issue is 49.68%). As on March 31, 2022, the total debt outstanding for the company has increased on account of higher working capital limits utilization (to support the scale of operations).

CARE has considered PNCD's worth Rs 800.00 crore as debt in its analysis as the instruments have first call option in January 2023. Further, the company is currently in the process of refinancing the existing instruments and the same will be key monitorable. However, by virtue of being a part of TATA group the company enjoys strong relationship with various stake holders and refinancing the same should not be a hurdle.

**Industry Outlook:**

**Coal (Minerals Segment):** Coal prices of South African thermal coal, have been on an upward trajectory since November 2021 and the geopolitical tensions between Russia and Ukraine had further pushed up the international coal prices. The global benchmark had crossed its all-time high price of around USD 200 per tonne (which was seen in October 2021) and peaked at around USD 300 per tonne in April 2022 before settling at USD 285 per ton in June 2022.

**Automobile (Distribution)**

The commercial vehicle domestic sales declined by 4.7% m-o-m in July 2022. This decline in sales was on account of a slowdown in construction activities due to the onset of rainfall. The Medium and Heavy Commercial Vehicle and Light Commercial Vehicle sub-segments domestic sales declined by 8.5% and 3.1%, respectively. On a Y-o-Y basis, the commercial vehicle segment sales increased by 36% on account of the low base last year. The exports for this segment also declined by 4.6% due to rising global uncertainties across various exports markets.

**Cyclical nature of the metal segment (Steel)**

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. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along with the delays in the completion hinders the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to a demand-supply mismatch. Furthermore, the producers of steel products are directly exposed to the volatility of the steel industry.

**Exposure to various trading risks (commodity price volatility, currency volatility, counterparty default) mitigated through conservative business model**

- 1) Commodity Risk:** Around 70% of the purchases in the trading business (metals, minerals, and agricultural products) are made on a back-to-back basis i.e., against a confirmed purchase order from buyer so the division doesn't take any price risk. However, the company does some part of coal and steel trading on stock and sale basis.
- 2) Counterparty Risk:** The bulk commodity business sells either against confirmed sales LCs from buyers or when the trade credit insurance is available on the buyer. In some cases, the Trading division works on stock and sale basis, where the sale is booked, but the actual physical delivery is done on CAD basis.
- 3) Currency Risk:** Majority of the bulk commodity business is denominated in USD on both the sales and purchase side and does not require hedging. In case, where the buyer insists on buying in local currency, and forex hedge is not available in that currency, TIL buys in USD, and converts the underlying exposure to local currency, by availing borrowing in that currency thus mitigating the forex risk.

**Liquidity: Strong**

TIL liquidity position is strong with cash and bank balance of Rs 637.80 crore as on March 31, 2022 (PY: Rs 483.17 crore) against repayment obligations of Rs 46.25 crore. In addition, the company also has liquid investment to the tune of Rs 492.79 crore which it can tap into in case of any uncertainty. With an average working capital utilization of 70% the company has sufficient headroom for any short-term cashflow mismatch. The operating cycle for the company as on March 31, 2022, improved to 30 days (PY: 40 days), despite the growing scale of operations demonstrate the ability of the company to efficiently manage its working capital position and improve its scale. In addition, around 60% of the debtors as on March 31, 2022, are within six months mitigating the counter party risk.

**Analytical approach: Consolidated**

Consolidated approach factoring its strong linkages both in terms of financial and operational linkages with the Tata Group. CARE has taken a consolidated view wherein TIL and its 39 subsidiaries, 2 associate entities and 7 joint ventures are considered. The details of the companies which have been consolidated are annexed.

**Applicable Criteria**

[Rating Methodology: Consolidation](#)

[Policy on Default Recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Financial ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on Assigning 'Outlook' or 'Credit Watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

## Rating Methodology -Wholesale Trading

### About the Company

Tata International Limited (TIL) is the primary trading arm of the Tata group, with a network of offices across 29 countries in Asia, Africa, the Americas, and Europe with an employee base of more than 5,500. The company undertakes distribution, manufacturing, trading, marketing, and supply integration across three key businesses, which include trading of metals, minerals and agricultural-based products, distribution and leather and leather product manufacturing and marketing. TIL is closely held by Tata group companies, wherein Tata Sons Ltd directly holds 49.86% as on March 31, 2022

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total operating income	16846.69	25731.97	15,273.01
PBILDT	302.37	520.99	462.01
PAT	116.95	207.07	181.15
Overall gearing (times)	-8.44	-17.84	-
Interest coverage (times)	1.11	1.93	2.21

A: Audited; UA: Unaudited.

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		not yet placed	not yet placed	not yet placed	500.00	CARE A1+

### Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non-Convertible Debentures	LT	-	-	-	-	1)Withdrawn (01-Jun-20)	1)CARE A; Stable (10-Jan-20)
2	Fund-based - LT-Working Capital Limits	LT	575.00	CARE AA-; Stable	1)CARE AA-; Stable (18-Oct-22)	1)CARE AA-; Stable (03-Mar-22) 2)CARE AA-; Stable (27-Oct-21) 3)CARE A+; Positive (17-Sep-21)	1)CARE A+; Negative (21-Sep-20) 2)CARE A+; Negative (01-Jun-20)	1)CARE A+; Stable (10-Jan-20)
3	Non-fund-based - ST-BG/LC	ST	230.00	CARE A1+	1)CARE A1+ (18-Oct-22)	1)CARE A1+ (03-Mar-22) 2)CARE A1+ (27-Oct-21)	1)CARE A1 (21-Sep-20) 2)CARE A1 (01-Jun-20)	1)CARE A1 (10-Jan-20)

						3)CARE A1 (17-Sep-21)		
4	Commercial Paper- Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (14-Sep-21)	1)CARE A1 (21-Sep-20) 2)CARE A1 (01-Jun-20)	1)CARE A1 (10-Jan-20)
5	Debentures-Non- Convertible Debentures	LT	800.00	CARE A+; Stable	1)CARE A+; Stable (18-Oct-22)	1)CARE A+; Stable (27-Oct-21) 2)CARE A; Positive (17-Sep-21)	1)CARE A; Negative (21-Sep-20) 2)CARE A; Negative (01-Jun-20)	1)CARE A; Stable (10-Jan-20)
6	Term Loan-Long Term	LT	41.70	CARE AA-; Stable	1)CARE AA- ; Stable (18-Oct-22)	1)CARE AA-; Stable (03-Mar-22)	-	-
7	Debentures-Non- Convertible Debentures	LT	800.00	CARE A+; Stable	1)CARE A+; Stable (08-Dec- 22)	-	-	-
8	Term Loan-Long Term	LT	150.00	CARE A+; Stable	1)CARE A+; Stable (08-Dec- 22)	-	-	-
9	Commercial Paper- Commercial Paper (Standalone)	ST	500.00	CARE A1+				

\*Long Term / Short Term

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

#### Annexure 5: Bank Lender Details for this Company

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

#### Annexure 6: List of entities consolidated

Sr. No.	Subsidiaries	% of shareholding
1	Tata Africa Holdings (SA) (Pty) Limited (TAHL)	100
2	Tata International Metals (Asia) Limited	100
3	Tata Southeast Asia (Cambodia) Limited	100
4	Tata West Asia FZE (TWA)	100
5	Tata Africa Holdings (Ghana) Limited	100
6	Alliance Motors Ghana Limited	100
7	Tata Africa Holdings (Kenya) Limited (TAHKL)	100
8	Tata Africa Holdings (Tanzania) Limited (TAHTL)	100
9	Tata Africa Services (Nigeria) Limited (TASNL)	100
10	Tata Automobile Corporation (SA) (Proprietary) Limited	100
11	Tata Holdings Mocambique, Limitada (THML)	100
12	Tata Uganda Limited (TUL)	100
13	Tata Zambia Limited (TZL)	100
14	Tata International Unitech (Senegal) SARL	100

15	Blackwood Hodge Zimbabwe (Private) Limited (BHZPL)	100
16	Tata Africa (Cote D'Ivoire) SARL	100
17	Tata De Mocambique, Limitada (TDML)	100
18	Pamodzi Hotels Plc (PHP)	90
19	TIL Leather (Mauritius) Limited (TLML)	100
20	Move On Componentes E Calcado S A	0.00
21	Monroa Portugal, Comercio E Servicos, Unipessoal LDA	100
22	Move On Retail Spain S L	100
23	Tata International Singapore Pte Ltd (TISPL)	100
24	Tata International Metals ( Americas) Limited	100
25	Tata International Metals ( UK) Limited	100
26	Tata International West Asia DMCC	100
27	Motor Hub East Africa Limited	100
28	Tata International Vietnam Company Limited	100
29	Tata International Canada Limited	100
30	Newshelf 1369 Pty Ltd	100
31	Alliance Finance Corporation Limited	100
32	Tata International Metals (Guangzhou) Limited	100
33	AFCL Ghana Limited	100
34	AFCL Zambia Limited	100
35	Alliance Leasing Limited	100
36	AFCL Premium Services Limited	100
37	AFCL RSA (Pty) Limited	100
38	TISPL Trading Company Limited	100
39	Société Financière Décentralisé Alliance Finance Corporation Senegal	100
	<b>Subsidiaries</b>	
1	Calsea Footwear Private Limited	100
2	Stryder Cycle Private Limited	100
3	Tata International Vehicles Application Pvt. Ltd.	100

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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