

Six Tata Group Entities Placed On CreditWatch Positive On Possible Increase In Group Support

June 13, 2024

SINGAPORE (S&P Global Ratings) June 13, 2024--S&P Global Ratings today placed its ratings on six Tata group entities on CreditWatch with positive implications. These companies are Tata Steel Ltd., Tata Motors Ltd., Jaguar Land Rover Automotive PLC (JLR), Tata Power Co. Ltd., TML Holdings Pte. Ltd., and ABJA Investment Co. Pte. Ltd.

RATINGS LIST

CreditWatch Action

	To	From
ABJA Investment Co. Pte. Ltd.		
Tata Steel Ltd.		
Issuer Credit Rating	BBB-/Watch Pos/--	BBB-/Positive/--
TML Holdings Pte. Ltd.		
Tata Motors Ltd.		
Issuer Credit Rating	BB+/Watch Pos/--	BB+/Positive/--
Jaguar Land Rover Automotive PLC		
Issuer Credit Rating	BB/Watch Pos/--	BB/Positive/--
Senior Unsecured	BB/Watch Pos	BB
Tata Power Co. Ltd.		
Issuer Credit Rating	BB+/Watch Pos/--	BB+/Stable/--
ABJA Investment Co. Pte. Ltd.		
Senior Unsecured	BBB-/Watch Pos	BBB-
TML Holdings Pte. Ltd.		
Senior Unsecured	BB+/Watch Pos	BB+
Tata Motors Ltd.		
Senior Unsecured	BB+/Watch Pos	BB+

The rating actions come ahead of our review of the relationship between the group's holding company, Tata Sons Pte Ltd. (unrated) and its subsidiaries.

The review will assess whether the potential of extraordinary support for the group entities from Tata Sons is greater than what we previously factored. This is due to increasing operational and

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management linkages within the group.

Tata Sons has a record of supporting group entities in events of stress. For example, the group provided material extraordinary financial support to entities such as Tata Teleservices Ltd. and Coastal Gujarat Power Ltd., an erstwhile subsidiary of Tata Power, which has now been merged with Tata Power.

We are also undertaking the review because we believe operational integration between Tata Sons and group entities, as well as between group entities, will continue to increase. Examples of such coordination in the future include:

- Battery plants that Agratas, a wholly owned subsidiary of Tata Sons, is setting up in the U.K. and India. The units will supply most of their output to Tata Motors and JLR. We believe the key reason for Tata Sons' investment in this business is the presence of Tata Motors and JLR in the electric vehicle (EV) segment. The battery plant will reduce capital expenditure for the two companies, and will help them secure customized battery supply. Details of the commercial arrangement are still not known, and production will likely commence in 2026.
- Planned platform-sharing partnership between Tata Motors and JLR to develop Tata Motors' Avinya series of EVs. The tie-ups would likely represent arms-length commercial agreements between the entities. In the EV business, Tata Power, Tata Chemicals Ltd. (unrated), Tata Consultancy Services Ltd. (TCS; unrated), and Tata Communications Ltd. (unrated) collaborate with Tata Motors for technology and charging infrastructure.
- Tata Motors' proposal to merge its captive finance unit with Tata Capital Ltd. (BBB-/Stable/A-3). This indicates greater cohesion within the group, with streamlining of businesses, exploration of potential synergies, and increasing future linkages.

In addition, we note the continued close involvement of Tata Sons in the strategies of group entities. For example, the holding company led negotiations with the U.K. government for setting up the battery plant and securing government support for the restructuring of Tata Steel's U.K. facility.

Tata Sons has a clear imprint on the group's financial strategy, in line with a groupwide focus on managing leverage.

The review will also consider Tata Sons' improving flexibility to provide support, and the group's more balanced cash flow generation. The market value of some of Tata Sons' key holdings has increased significantly over the past few years, in line with a material improvement in their financial performance.

Our review will also assess whether the difference in the ratings on Tata Motors and JLR is warranted. This is given the possibility of increasing integration between the two companies. We will also assess whether JLR, as an offshore step down subsidiary, would receive a comparable level of support as Tata Motors and other directly owned subsidiaries of Tata Sons.

We intend to resolve the CreditWatch in the next six to eight weeks.

We could raise the ratings by at least one notch if we assess that the group status of these companies is higher than the current moderately strategic importance. This would depend on our view of operational and management linkages, and the strength of expected group support.

We could affirm the ratings on the six companies if our review concludes that the expected support for the entities is not strong enough to warrant a rating uplift.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Oct. 23, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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