

**Rating Action: Moody's reviews Tata Steel's Ba2 CFR for downgrade;  
downgrades Tata Steel UK to B3 and reviews rating for further downgrade**

---

15 Apr 2020

Singapore, April 15, 2020 -- Moody's Investors Service has today placed under review for downgrade Tata Steel Ltd.'s Ba2 corporate family rating (CFR). At the same time, Moody's has downgraded Tata Steel's wholly owned subsidiary, Tata Steel UK Holdings Limited's (TSUKH) CFR to B3 from B2 and placed the CFR under review for further downgrade.

The outlooks have been revised to ratings under review from stable.

**RATINGS RATIONALE**

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The steel sector has been one of the sectors most significantly affected by the shock given its sensitivity to consumer demand and sentiment.

More specifically, the weaknesses in the credit profiles of Tata Steel and TSUKH, including their exposure to steel demand for manufacturing and volatile material costs, have left them vulnerable to shifts in market sentiment in these unprecedented operating conditions, and they remain vulnerable to the outbreak continuing to spread.

Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety. Today's action reflects the impact on the companies of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

On 1 April, Tata Steel announced that: (i) its mining operations are currently operating at usual capacity; (ii) its integrated steel facilities in India and Europe have started reducing production; and (iii) it has suspended and put on care and maintenance mode its downstream facilities, in anticipation of weak steel demand [1].

Even ahead the coronavirus outbreak, sluggish economic growth, weak demand and narrow product spreads had led to a deterioration in the credit profiles of the two companies. Profitability -- as measured by EBITDA/ton -- for Tata Steel's Indian operations declined by almost 30% during the nine months ended December 2019 to INR11,290 from INR16,366 in the fiscal year ending March 2019 (fiscal 2019). Meanwhile, the European operations returned to generating an EBITDA loss after staying positive for almost four years.

"TSUKH's downgrade to B3 reflects its persistently weak credit metrics with little respite expected over the next 12 to 18 months, especially with the challenging industry conditions in Europe and stressed pricing environment," says Kaustubh Chaubal, a Moody's Vice President and Senior Credit Officer. "We expect that the credit profile of the European operations will remain weak, with weak plant utilization levels and depressed prices raising debt/EBITDA to double-digit levels."

TSUKH's CFR continues to incorporate two notches of uplift, reflecting Moody's expectation of continued as well as distress support from its shareholder, Tata Steel.

"The review for downgrade reflects our expectation that weak steel demand will strain the credit profiles of both Tata Steel and TSUKH, at least through the fiscal year ending March 2021, with both companies likely to remain in breach of our downgrade triggers," adds Chaubal, who is also Moody's Lead Analyst on Tata Steel and TSUKH.

Moody's expects Tata Steel and TSUKH will face significant challenges due to the coronavirus-led economic downturn, with declining sales, weak earnings and free cash flow generation because of tepid demand from automakers and manufacturing industries.

Moody's review for downgrade will focus on: (1) the outbreak's impact on the operations of Tata Steel and

TSUKH in light of increasing restrictions on people's movement and the potential for a shutdown of operations to ensure employee safety; (2) the impact of the outbreak on demand, steel prices and product spreads; (3) an analysis of their asset base, cost structure, likely cash burn rate and liquidity, as well as management's strategy for coping with prolonged low and volatile commodity prices; (4) the impact of potential countermeasures such as capex deferment as well as any government measures to support the steelmakers' operations and consumers in their main markets; and (5) their resilience in various stress testing scenarios, especially with respect to their liquidity profiles.

Moody's expects to conclude the review within 90 days.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given the current market situation, an upgrade of the CFRs of Tata Steel or TSUKH is unlikely in the near term. However, the outlooks could return to stable if improved market conditions lead to a recovery in metrics to pre-outbreak levels.

Moody's could downgrade Tata Steel's CFR if leverage remains in excess of 4.5x or EBIT/interest coverage fails to improve to at least 2.0x, both on a sustained basis.

Moody's could downgrade TSUKH's B3 CFR if the company continues to generate an EBITDA loss. Moreover, even with improvements in earnings, a failure to bring leverage back to around 7.0x will strain the B3 CFR. Also, any revision in Moody's assumption of support from Tata Steel will prompt a revision in the two-notch uplift incorporated in TSUKH's rating.

#### ESG CONSIDERATIONS

In terms of environmental, social and governance (ESG) factors, the ratings reflect the elevated environmental risk facing steel producers in terms of carbon regulation and air pollution. However, Tata Steel uses advanced technologies for producing steel, including the use of pellets that use direct reduced iron and scrap steel. The company also reuses industrial waste gases at its captive power plants and maximizes reutilization of treated waste water.

Ownership and control are key to Moody's assessment of governance risk, with concentrated ownership having either a positive or negative influence on corporate performance. TSUKH is wholly owned by Tata Steel, which is 33% owned by Tata Sons. Whereas concentrated ownership and control can raise potential conflicts of interest and/or related-party transactions that are not aligned with creditor interests, the concentrated ownership has benefited Tata Steel, TSUKH and its creditors.

Moody's views governance risk as moderate with no overall impact on the ratings of Tata Steel and TSUKH.

The principal methodology used in these ratings was Steel Industry published in September 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1074524](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1074524). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

Tata Steel Ltd. is a leading steel producer with manufacturing facilities in India (19.3 mt), the United Kingdom (3 mt), the Netherlands (7.0 mt) and in Southeast Asia (2.4 mt). The company is in the process of divesting the Southeast Asian operations. The UK and the Dutch operations are housed under Tata Steel UK Holdings Ltd.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be

assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website [www.moodys.com](http://www.moodys.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

At least one ESG consideration was material to the credit rating outcome announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on [www.moodys.com](http://www.moodys.com).

#### REFERENCES/CITATIONS

[1] Press release dated 1 April 2020 titled "COVID-19 Tata Steel Update"

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

Kaustubh Chaubal  
VP - Senior Credit Officer  
Corporate Finance Group  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Ian Lewis  
Associate Managing Director  
Corporate Finance Group  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Releasing Office:  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623

Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077



© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary

measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as

applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.