

November 10, 2021

## Tata International Limited: Ratings reaffirmed and withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short -term – Unallocated	300.0	300.0	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed and withdrawn
<b>Total</b>	<b>300.0</b>	<b>300.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation of Tata International Limited (TIL) factors in support from the strong parentage of Tata Sons Private Limited (Tata Sons, rated [ICRA]AAA (Stable) / [ICRA]A1+) holding ~45.5% stake and the balance being held by other Tata Group companies. The rating also factors in TIL's established presence in trading of metal, mineral and agro commodities and distribution of vehicles in Africa. The rating considers improvement in operating performance in FY2021 and expected improvement in the near term supported by restructuring measures taken by TIL in the last couple of years like consolidation of manufacturing facilities and rightsizing of manpower in leather division, exit from non-core businesses like speciality distribution in Africa (chemicals, healthcare products, agri distribution, infrastructure and construction equipment) and solar business in India. ICRA notes the company's plans to monetise non-core assets over the next 2-3 years, is expected to support liquidity and will help it to deleverage to an extent. However, timeliness of the monetisation will remain a key sensitivity.

The rating is, however, constrained by the stretched capital structure and weak coverage indicators. TIL's net worth has been impacted by losses in FY2019 and FY2020. The net worth has strengthened in FY2021 supported by infusion of equity capital of ~Rs 330 crore through rights issue by shareholders. TIL's net worth adjusted for perpetual non-convertible debenture is negative and is expected to improve in future, supported by positive cash accruals. ICRA also notes TIL's exposure to commodity price movement as majority of revenue (~83%) is generated from its commodity trading business. However, the risk is mitigated to an extent as it has mainly back-to-back purchase and sale arrangements. TIL generates its revenue in various currency and is exposed to currency risk in all the business verticals. However, the buy and sale for most of its trading takes place in the same currency, so those transactions do not carry any currency risk. In case of any cross-currency exposure, the company hedges the same as per its risk management policies.

The Stable outlook reflects continuous financial support available to TIL from Tata Sons, as required, and the strong financial flexibility enjoyed by it as part of the Tata Group.

The ratings assigned to unallocated bank limits of Tata International Limited have been withdrawn in accordance with ICRA's policy on withdrawal and suspension, at the request of the company.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage as part of Tata Group, Tata Sons holds about 45.5% stake in TIL** – The Tata Group holds about 99.95% stake in TIL, with Tata Sons holding 45.5% stake and the balance being held by other Tata Group companies. ICRA notes that trading

is among the 10 strategic verticals identified by the Tata Group. The shareholders had infused ~Rs. 330 crore equity through rights issue in FY2021. Tata Sons has also subscribed to the unsubscribed portion of the rights issue.

**Diversified business with presence in five core verticals** – TIL is involved in manufacturing leather and leather products (~3.6% of revenues in FY2021), metal trading (~53.0%), minerals Trading (~19.8%), agro commodity trading (8.2%), distribution of vehicle and Agriculture equipment in Africa (13.2%) and other businesses (2.3%). Its other businesses include hospitality business, manufacturing cycles and trailers, etc. The diversified presence across different verticals minimises the risk of demand slowdown in any particular industry.

**Expected improvement in cash accruals in near to medium term** – The company's cash accruals after payment of interest on perpetual NCD has remained negative for FY2016-FY2020 as it was impacted by poor operating performance, losses from discontinued operations and one-off losses in FY2020. In FY2020, TIL wrote off receivables of ~Rs. 298 crore from the sale of one of its subsidiaries and faced inventory loss of ~Rs. 89 crore from the sudden decline in coal prices. TIL generated positive cash accruals in FY2021, supported by improved operating performance. ICRA expects improvement in TIL's operating performance over the medium term supported by its restructuring steps. As part of its restructuring exercise, TIL has consolidated its leather factories, rightsized the manpower at its Dewas (Madhya Pradesh) factory, reduced stock and sale of coal to minimise the price risk and discontinued non-core businesses like distribution of speciality products and its solar business.

## Credit challenges

**Stretched capital structure and weak coverage indicators** – TIL's net worth has depleted in the past due to losses in FY2019 and FY2020. Its net worth was Rs. 306.1 crore as on March 31, 2021, which included perpetual NCD of Rs. 800 crore. So, adjusted for perpetual securities, TIL's net worth is negative. The net worth strengthened in FY2021 supported by infusion of equity capital of ~Rs. 330 crore through rights issue by shareholders. TIL has a highly leverage capital structure and weak coverage indicators with negative adjusted gearing, adjusted TD/OPBITDA of 17.7 times and interest coverage of 1.0 time as on March 31, 2021. The adjusted ratios are calculated after considering perpetual NCD as debt, including acceptance as debt.

**Exposed to various risks, partially mitigated by strong risk management policies** - TIL has generated ~83% of its revenues from commodity trading in FY2021, which exposes it to commodity price risk. However, the risk is mitigated to an extent as it mainly has back-to-back purchase and sale arrangements. ICRA notes that the company's profitability has been impacted by adverse movement in prices in the past; although it has changed its policies in FY2021 to minimise commodity price risk through increase in back-to-back arrangements. TIL generates its revenue in various currencies and is exposed to currency risks in all business verticals. However, the buy and sale for most of its trading takes place in the same currency, so those transactions do not carry any currency risk. In case of any cross-currency exposure, the company hedges the same as per its risk management policies.

TIL's business is also exposed to counterparty risk. However, it has various policies to reduce this risk. In its trading business, majority of TIL's sales are either backed by letter of credit, by upfront advances from customers, or covered under a credit insurance programme. TIL takes upfront advance of 30% of the vehicle value under its distribution vertical, and the ownership of the vehicle is transferred after the complete payment. The company has a KYC procedure in place for retail financing of vehicles in Africa. In its leather business, the company provides a credit period of 90-120 days to its export customers. TIL has secured its receivable under the ECGC policy. However, it has not witnessed any delinquency from its customers and neither have any claims been raised under the ECGC policy.

## Liquidity position: Adequate

TIL's liquidity is expected to remain adequate, evidenced by its cash and liquid investments of ~Rs. 659 crore as on June 30, 2021 and undrawn working capital facilities of ~Rs. 3,047. crore as of March 31, 2021. TIL has repayment liabilities of Rs. 35.9 crore in FY2022 and Rs. 1,503.1 crore in FY2023. TIL has refinanced its large repayment liabilities in FY2023. As part of the Tata Group, it enjoys healthy relationships with banks, which adds to its financial flexibility and supports its overall liquidity profile.

## Rating sensitivities

Not applicable as the ratings are being withdrawn.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TIL. As on March 31, 2021, the company had 42 subsidiaries, two associates, and six joint ventures that are all enlisted in Annexure-2.

## About the company

Promoted by the Tata Group in 1962, Tata International Limited (TIL) currently operates under five divisions, including its leather business (manufacturing and exports of leather and leather products), trading of metals, minerals and agro-commodities, and distribution of automobiles. TIL has significant presence across Africa, West Asia, South East Asia, the UK and USA through its wholly-owned overseas subsidiaries. In addition, TIL has formed a number of joint ventures and associates to capitalise upon diverse business opportunities across emerging markets.

## Key financial indicators (audited)

TIL Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	16247.9	16851.7
PAT (Rs. crore)	-522.2	101.8
OPBDIT/OI (%)	1.1%	2.0%
PAT/OI (%)	-3.2%	0.6%
Total Outside Liabilities/Tangible Net Worth (times)	NM	25.8
Total Debt/OPBDIT (times)	29.1	15.3
Interest Coverage (times)	0.4	1.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instrument				Current Rating (FY2022)		Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in
					November 10, 2021	October 7, 2021	FY2021	FY2020	FY2019
1	Unallocated	Long-term/ Short term	300.0	-	[ICRA]A+(Stable)/[ICRA]A1, Withdrawn	[ICRA]A+(Stable)/[ICRA]A1	NA	NA	NA

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Unallocated	-	-	-	300.0	[ICRA]A+(Stable)/[ICRA]A1;Withdrawn

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	TIL Ownership	Consolidation Approach
Tata Africa Holdings (SA) (Pty) Limited	100%	Full Consolidation
TIM International Metals (Asia) Limited	100%	Full Consolidation
Tata South-East Asia Limited	100%	Full Consolidation
Tata International Metals (Asia) Limited	100%	Full Consolidation
Tate Africa Holdings (Ghana) Limited	100%	Full Consolidation
Tata. Africa Holdings (Kenya) Limited	100%	Full Consolidation
Tata Africa Holdings (Tanzania) Limited	100%	Full Consolidation
Tata Africa Services (Nigeria) Limited	100%	Full Consolidation
Tata Automobile Corporations (SA) (Proprietary) Limited	100%	Full Consolidation
Tata Holdings Mocambique Limited	100%	Full Consolidation
Tata Uganda Limited	100%	Full Consolidation
Tata Zambia Limited	100%	Full Consolidation
Tata International Unitech (Senegal) SARL	100%	Full Consolidation
Blackwood Hodge Zimbabwe (Private) Limited	100%	Full Consolidation
Tata Africa (Cote D'Ivoire) SARL	100%	Full Consolidation
Tata De Mocambique. Limited	100%	Full Consolidation
Pamodzi Hotel Plc	90%	Full Consolidation
TIL Leather (Mauritius) Limited	100%	Full Consolidation
Move on Componentes E Calçado S A	100%	Full Consolidation
Monroa Portugal, Comercio E Servicos Unipessoal LDA	100%	Full Consolidation
Move on Retail Spain SL	100%	Full Consolidation
Tata International Singapore Pte Ltd	100%	Full Consolidation
Tata International Metals (Americas) Limited	100%	Full Consolidation
Tata International Metals (UK) Limited	100%	Full Consolidation
Tata International West Asia DMCC	100%	Full Consolidation
Motor Hub East Africa Limited	100%	Full Consolidation
Tata International Vietnam Company Limited	100%	Full Consolidation
Tata International Canada Limited	100%	Full Consolidation
Newsshelf 1369 Pty Ltd	100%	Full Consolidation
Alliance Finance Corporation limited	100%	Full Consolidation
Tata International Metals (Guangzhou) Pvt Ltd	100%	Full Consolidation
AFCL Ghana Limited	100%	Full Consolidation
AFCL Zambia Limited	100%	Full Consolidation
Alliance leasing Limited	100%	Full Consolidation
AFCL Premium Services Limited	100%	Full Consolidation
AFCL RSA Pvt Limited	100%	Full Consolidation
TISPL Trading Company Ltd	100%	Full Consolidation
Société Financière Décentralisé Alliance Finance Corporation Senegal	100%	Full Consolidation
Alliance Finance Corporation Senegal	100%	Full Consolidation
Calsea Footwear Pvt Ltd	100%	Full Consolidation

Company Name	TIL Ownership	Consolidation Approach
Stryder Cycle Pvt Ltd	100%	Full Consolidation
Tata International DLT Private Limited	100%	Full Consolidation
<b>Joint Venture</b>		
Tata Precision Industries (India) Limited,	50%	Equity Method
Tata International GST Autoleather Limited	50%	Equity Method
T/A Tata International Cape Town,	50%	Equity Method
Women in Transport	50%	Equity Method
Consillience Technologies (Propreitary) Limited	50%	Equity Method
Ferguson Place Pty Ltd.	50%	Equity Method
<b>Associates</b>		
Tata Motors SA Pty Ltd	60%	Equity Method
Imbanita Consulting and Engineering Services (Pty) Ltd	40%	Equity Method

**Source:** TIL financial statements FY2021

**Note:** ICRA has taken a consolidated view of the parent (TIL) and its subsidiaries while assigning the ratings.

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545 328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Deepak Jotwani**

+91 124 4545 870

[deepak.jotwani@icraindia.com](mailto:deepak.jotwani@icraindia.com)

**Pawan Mundhra**

+91 20 6606 9918

[Pawan.mundhra@icraindia.com](mailto:Pawan.mundhra@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



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