



April 16, 2020

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Scrip Code: 500470/890144

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Maharashtra, India.  
Symbol: TATASTEEL/TATASTEELPP

Dear Madam, Sirs,

**Sub: Intimation of Revision in Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

This has reference to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (the "Regulations"). In accordance with the said Regulation(s), please find below the details of revision in ratings for Company and its subsidiary: -

Name of the Company	Credit Rating Agency	Type of Credit Rating	Existing	Revised
Tata Steel Limited	Moody's Investor Service	Corporate Family Rating	'Ba2' Outlook: Stable	'Ba2' Outlook: Review for Downgrade
Tata Steel UK Holdings Ltd		Corporate Family Rating	'B2' Outlook: Stable	'B3' Outlook: Review for Downgrade

The report from the credit rating agency covering the rationale for revision in credit rating is enclosed.

This is for your information and records.

Yours faithfully,  
**Tata Steel Limited**

**Parvatheesam Kanchinadham**  
Company Secretary and  
Chief Legal Officer (Corporate and Compliance)

Encl: As Above

**TATA STEEL LIMITED**

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Corporate Identity Number L27100MH1907PLC000260

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

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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).

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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.

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