



January 19, 2017

The Secretary, Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Maharashtra, India.
Scrip Code: 500470

The Manager, Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.
Maharashtra, India.
Symbol: TATASTEEL

Dear Sirs/Madam,

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").

According to CARE Ratings, the uncertainties relating to the disposal/ restructuring of TSL's UK business has triggered a revision of Tata Steel's credit rating. The rating has been downgraded by 1 notch.

In accordance with the said Regulation(s), please find below the details of revision in ratings for the Company:-

Credit Rating Agency	Type of Credit Rating	Existing	Revised
CARE Ratings	Unsecured NCD	CARE AA+ (Stable)	CARE AA (Stable)
	Long Term Unsecured Rupee Loan	CARE AA+ (Stable)	CARE AA (Stable)
	Unsecured Subordinated Perpetual Securities	CARE AA (Stable)	CARE AA- (Stable)

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 K
Company Secretary

Encl: As Above

TATA STEEL LIMITED

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Corporate Identity Number L27100MH1907PLC000260

Tata Steel Limited

January 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	22,800	CARE AA; Stable [Double A; Outlook: Stable]	Revised from CARE AA+ [Double A Plus]
Total Facilities	22,800 (Rupees Twenty Two Thousand Eight Hundred crore only)		
Non-Convertible Debentures	7,151 (Rupees Seven Thousand One Hundred Fifty One crore only)	CARE AA; Stable [Double A; Outlook: Stable]	Revised from CARE AA+ [Double A Plus]
Perpetual Bonds Issue	2,275 (Rupees Two Thousand Two Hundred Seventy Five crore only)	CARE AA-; Stable [Double A Minus; Outlook: Stable]	Revised from CARE AA [Double A]

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in the ratings of Tata Steel Limited (TSL) takes into account the continuing uncertainties relating to the disposal / restructuring of its stressed UK business, the moderate financial risk profile of the company as reflected in its high gearing and below average debt coverage indicators in the category as well as low visibility in the short to medium term of sustainability of margins achieved in recent past.

The ratings favourably build in the successful ramp-up of Kalinganagar, the improvement in operating performance at TS UK – also assisted by a depreciating pound and the management's focus on improving TSL's credit profile by restructuring its operations to make them more efficient, refinancing its debt and monetising its liquid investments in order to deleverage the balance sheet. The ratings continue to be supported by high financial flexibility enjoyed by TSL by virtue of being part of the Tata group, its strong liquidity position which is further aided by investments in some of the other Tata group entities with significantly higher market value.

The above rating strengths are, however, tempered by the high level of uncertainty surrounding the restructuring/ sale of UK steel operations given the nature of complexities involved especially related to the Pension Liabilities; a relatively slow pick up of steel demand in the global market and challenging demand outlook in key geographies putting pressure on the realisations and a history of volatility in TSE's performance. While TSL has been trying to continually refinance its debt to ease its short repayment obligations as well as monetise its investments to deleverage the balance sheet, the gearing still remains high.

The timely disposal of the loss-making UK operations along with favourable global steel price movement remains the key rating sensitivities.

Detailed description of the key rating drivers

While the performance at European operations has witnessed an improvement in the short term it has remained volatile over the past few years. The current improvement in performance is in part attributable to the depreciating pound as well as current status quo in trade agreements between UK and EU. The company has therefore benefitted at its UK operations as a result of weakening of the Pound which has impacted imports and has also helped improve the domestic pricing for TSE.

TSL's consolidated capital structure and debt coverage indicators have consistently weakened in the past few years. The gross cash accruals have steadily declined from Rs.8,226 crore in FY13 (refers to the period April 1 to March 31) to Rs.5,501 crore in FY16, while the consolidated debt has increased from Rs.66,676 crore to Rs.86,204 crore during the

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

same period. Gearing levels deteriorated to 2.66 times in FY16 from 1.84 times in FY13 (Calculations are based upon financials reported as per IGAAP).

In the last 4 years, PBILDT/ton at the group level reduced from Rs.5,320 crore in FY13 to Rs.3,045 crore in FY16 adversely impacting its debt protection matrices. This was primarily due to losses at the European operations as well as the falling profitability at the India level. H1 FY17 marked a moderate improvement in the financials following improvement in UK operations partly due to a depreciating pound. However, given the volatility in currency and the subdued global steel environment; the uncertainty over the long-term stability of TSE remains.

TSL has a high debt of ~ Rs.84,316 in H1 FY17 and while TSL has been trying to continually refinance its debt to ease its short repayment obligations as well as monetise its investment to deleverage the balance sheet, the gearing still remains uncomfortably high.

Analytical approach:

CARE has taken a consolidated approach to analyse TSL as the subsidiaries, both domestic and overseas, have strong financial and operational linkages.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

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

[Rating Methodology: Factoring Linkages in Ratings](#)

[CARE's methodology for Steel Companies](#)

[CARE's methodology for Short-term Instruments](#)

About the Company

TSL was established as India's first integrated steel company in 1907 by Mr Jamsetji N. Tata, the founder of the Tata Group. Tata Sons Limited held 29.75% stake in TSL as at September 30, 2016. The company has a presence across the entire value chain of steel manufacturing, including producing and distributing finished products as well as mining and processing of iron ore and coal for its steel production. The company has a total steel production capacity of 28.05 MTPA spread across India, UK, Netherlands, Thailand and Singapore.

The company also owns coal, iron ore and manganese & chrome mines at various locations. With respect to the India operations, the company is 100% backward integrated w.r.t. iron-ore mines and 50% backward integration for coal mines for its domestic operations. TSL purchases all of its iron ore and coal requirements for its European operations from the market.

For FY16, TSL reported a consolidated operating income of Rs.117,152 crore and a loss after tax of Rs.3,179 crore as against a consolidated operating income of Rs.139,504 crore and a loss after tax of Rs.3,956 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Mr Vittaldas Leeladhar, Non-Executive Director on the board of Tata Global Beverages Limited (a Tata group company), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	22800.00	CARE AA; Stable
Debentures-Non Convertible Debentures	4 October 2016	8.15%	1 October 2026	1000.00	CARE AA; Stable
Debentures-Non Convertible Debentures	15th May 2009	10.40%	15 May 2019	650.90	CARE AA; Stable
Debentures-Non Convertible Debentures	6 January 2011	10.25%	6 January 2031*	2500.00	CARE AA; Stable
Bonds-Perpetual Bonds	18 March 2011	11.80%	Perpetual	1500.00	CARE AA-; Stable
Bonds-Perpetual Bonds	11 May 2011	11.50%	Perpetual	775.00	CARE AA-; Stable
Debentures-Non Convertible Debentures	22 December 2010	10.25%	22 December 2030*	500.00	CARE AA; Stable
Debentures-Non Convertible Debentures	23 April 2012	2.00%	23 April 2022	1500.00	CARE AA; Stable
Debentures-Non Convertible Debentures	24 January 2013	9.15%	24 January 2019	500.00	CARE AA; Stable
Debentures-Non Convertible Debentures	24 January 2013	9.15%	24 January 2021	500.00	CARE AA; Stable

* Maturity in 3 tranches and last tranche due date.

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings ()			Chronology of Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	650.90	CARE AA; Stable	1)CARE AA+ (12-Jul-16)	1)CARE AA+ (09-Jul-15)	1)CARE AA+ (20-Oct-14)	1)CARE AA+ (22-Oct-13)
2.	Debentures-Non Convertible Debentures	LT	2500.00	CARE AA; Stable	1)CARE AA+ (12-Jul-16)	1)CARE AA+ (09-Jul-15)	1)CARE AA+ (20-Oct-14)	1)CARE AA+ (22-Oct-13)
3.	Bonds-Perpetual Bonds	LT	1275.00	CARE AA; Stable	1)CARE AA (12-Jul-16)	1)CARE AA (09-Jul-15)	1)CARE AA (20-Oct-14)	1)CARE AA (22-Oct-13)
4.	Bonds-Perpetual Bonds	LT	1000.00	CARE AA; Stable	1)CARE AA (12-Jul-16)	1)CARE AA (09-Jul-15)	1)CARE AA (20-Oct-14)	1)CARE AA (22-Oct-13)
5.	Debentures-Non Convertible Debentures	LT	3000.00	CARE AA; Stable	1)CARE AA+ (12-Jul-16)	1)CARE AA+ (09-Jul-15)	1)CARE AA+ (20-Oct-14)	1)CARE AA+ (22-Oct-13)
6.	Fund Based - LT-Term Loan	LT	22800.00	CARE AA; Stable	1)CARE AA+ (12-Jul-16)	1)CARE AA+ (09-Jul-15)	1)CARE AA+ (20-Oct-14)	-
7.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA; Stable	1)CARE AA+ (27-Sep-16)	-	-	-

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CIN - L67190MH1993PLC071691