September 14, 2021

The Secretary, Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Maharashtra, India.
Scrip Code: **500470/890144***

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/TATASTLPP***

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

Name of the Company	Credit Rating Agency	Type of Credit Rating	Existing	Revised
Tata Steel Limited	Moody's	Corporate Family Rating	'Ba2' Outlook: Stable	'Ba1' Outlook: 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

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

Encl: As Above

Securities in scrip code 890144 and symbol TATASTLPP stand suspended from trading effective February 17, 2021

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Tata Steel to Ba1; stable outlook

14 Sep 2021

Singapore, September 14, 2021 -- Moody's Investors Service has upgraded the corporate family rating of Tata Steel Ltd. to Ba1 from Ba2. The rating outlook remains stable.

"The upgrade to Ba1 reflects our view that Tata Steel's better-than-anticipated operating performance this fiscal year and a step-change reduction in gross debt have materially strengthened its credit metrics. We expect the company's leverage -- measured by consolidated debt/EBITDA to decline to 1.5x by March 2022 from 6.5x at March 2020, 3.3x at March 2021 and an estimated 2.1x at June 2021," says Kaustubh Chaubal, a Moody's Vice President and Senior Credit Officer.

"We project the company will continue to generate large and positive free cash flow from operations over the next 12-18 months because of supportive commodity prices, steady product spreads amid likely persisting strong steel demand," adds Chaubal who is also Moody's lead analyst on Tata Steel.

RATINGS RATIONALE

Tata Steel's financial policies prioritize debt reduction over capital expenditure (capex), supported by the company's strong operating cash flows. Such credit positive initiatives accelerate debt reduction and better equip the company to tide through industry downturns. The company's prudent financial strategy and risk management are a key component of Moody's governance risk assessment framework.

Tata Steel made a public commitment to reduce the company's gross debt by at least $1 billion every fiscal year before reinvesting surplus free cash flow generation into new initiatives. The company targets net leverage of 2x and EBITDA/interest coverage of 4x, through the cycle.

The upgrade to Ba1 reflects Tata Steel's conservative financial policies, which combined with Moody's expectations of strong operating performance throughout fiscal 2022, will contribute to further deleveraging and balance sheet strengthening. Moody's expects the company to reduce gross debt by at least a third -- or by around $5.8 billion by March 2022 from March 2020 levels. More importantly, the upgrade reflects the rating agency's expectation of moderate financial leverage and ample interest coverage for Tata Steel in a normalized steel price environment due to significant debt reduction in 2021.

Moody's expects the company to maintain a disciplined approach to liquidity, capex and shareholder returns. Prudent financial risk management has contributed to progressive reductions in financial leverage and the improved credit metrics have increased the company's cushion to withstand volatility in operations. Tata Steel's adjusted leverage declined to an estimated 2.1x at June 2021 from 6.5x at March 2020, and will wane further to 1.5x at the end of this fiscal year on the back of current positive dynamics for the steel industry. Over time, Moody's forecasts the company's leverage will track within 1.5x-2x and free cash flows to remain positive even as the annual capex reaches $1.5 billion.

Tata Steel's performance over the upcoming 12-18 months will remain strong, in line with the significantly improved operating environment this fiscal year that will keep near-term metrics strong for the rating. However, these levels are not likely to be sustainable when steel prices return to more normalized levels.

Moody's forecasts for Tata Steel are based on the rating agency's current price sensitivities for steel ($800 per ton for the Indian operations and $930/ton for Europe) for fiscal 2022. The forecasts are also based on the mid-point of Moody's price sensitivity range for the period beyond ($600-$800/ton). These price sensitivities translate into an EBITDA/ton assumption of $350 for fiscal 2022 and $230 thereafter for the Indian operations.

Tata Steel's European operations have faced volatile profitability, Moody's remains cautious in its forecasts and assumes that the business' profitability will reach $80/ton EBITDA in fiscal 2022 and a long-term sustainable EBITDA/ton of $50 for periods beyond.

The Ba1 CFR is supported by Tata Steel's solidly positioned large global operations spread across India and Europe. The company's strong position in India is reflective of its large scale and strong brand reputation. In addition, its cost-competitive, vertically integrated operations with in-house production of key raw materials help to keep its profitability high in the industry. These credit strengths underpin the company's strong market position as one of India's leading steelmakers.

The rating continues to incorporate a one-notch uplift, reflecting Moody's expectation of extraordinary support from its parent Tata Sons Ltd., should the need arise.

At the same time, the CFR also takes into consideration the weak-performing European operations that have long been a drag on the company's consolidated credit metrics, as well as the company's exposure to the inherently cyclical steel industry.

OUTLOOK

The stable outlook underscores Moody's view that Tata Steel will continue to strengthen its balance sheet, liquidity profile and financial policies to enhance its credit quality further. The stable outlook reflects the view that a supportive operating environment will help to sustain Tata Steel's improving performance such that debt/EBITDA leverage trends below 2.0x over the next 12 months.

LIQUIDITY

Tata Steel has good liquidity comprising the following sources: cash of $1.4 billion at 30 June 2021 and an estimated $6 billion in operating cash flow in the 18 months until December 2022. Moody's expects these cash sources to be more than sufficient to meet the company's capex, debt repayments (including short-term debt) and dividends aggregating $4.5 billion over the same period.

Given the inherently volatile steel industry, some unevenness in intra-year working capital is likely, causing the continued reliance on short-term 364-day working capital facilities. Tata Steel's association with the Tata brand enables it to have strong access to domestic capital markets. In addition, the company has long-standing relationships with Indian and multinational banks.

ESG CONSIDERATIONS

Moody's views the global steel sector as having high environmental risk, particularly regarding carbon transition risk and waste and pollution. Steel companies such as Tata Steel operate blast furnaces that are more exposed to carbon transition risk than electric arc furnace (EAF) producers, although the latter have high electricity requirements. The industry's transition to EAF will be slow and require new capital investment, as well as sufficient scrap supply.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Tata Steel's significantly improved operating performance in fiscal 2022 and the company's continued debt reduction will result in credit metrics that are stronger for the rating. However, steel prices and product spreads will return to normal levels with a more balanced supply and demand.

Leading indicators for a higher rating include adjusted EBIT margins above 10%, consolidated leverage below 2.5x and positive free cash flow generation; all sustained through the cycle. Conservative financial policies with good liquidity, continued gross-debt reduction and a prudent mix of debt and equity-funded capex would also be prerequisites for an upgrade.

While the growing Indian operations will dominate Tata Steel's consolidated metrics, an upgrade to investment grade would also require a sustained turnaround of the European operations through the cycle.

Negative pressure on the rating or outlook could result from weaker liquidity or from persistently high leverage, with leverage above 3.5x on a sustainable basis over the long-term, and EBIT/interest coverage below 4x. A deterioration in volumes and margins in the company's key operating markets, affecting its ability to generate positive free cash flow, or limited flexibility for capex and dividend reduction could also pressure the rating. Any change to Moody's assessment of support from parent Tata Sons could also cause the rating agency to review the current one-notch uplift in the CFR.

The principal methodology used in this rating was Steel Industry published in September 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1074524 . Alternatively, please see the Rating Methodologies page on 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), Europe - the UK (3 mt) and the Netherlands (7.0 mt), and Southeast Asia (2.4 mt). The UK and the Dutch operations are housed under Tata Steel UK Holdings Limited.

Tata Steel generated revenues of INR1,824 billion (USD24.3 billion) and EBITDA of INR439 billion (USD5.9) billion during the 12 months ended June 2021.

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.

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

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website 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 http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

At least one ESG consideration was material to the credit rating action(s) 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.

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