

## Rating Rationale

October 18, 2023 | Mumbai

# Tata Investment Corporation Limited

Rating Reaffirmed

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### Rating Action

<b>Rs.10 Crore Non Convertible Debentures</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

### Detailed Rationale

CRISIL Ratings has reaffirmed its CRISIL AAA/Stable rating on the non-convertible debentures (NCDs) of Tata Investment Corporation Limited (TICL).

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The rating continues to reflect TICL's healthy capital position, robust and well-diversified investment portfolio, healthy earnings profile, and comfortable liquidity. These rating strengths are partially offset by susceptibility to volatility inherent in capital markets.

### Analytical Approach

For arriving at its ratings, CRISIL Ratings has considered the consolidated credit profile of TICL, including its subsidiary - Simto Investment Company Limited (Simto) This is because they have significant operational and management linkages.

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Please refer Annexure - List of a Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

### Key Rating Drivers & Detailed Description

#### Strengths:

#### Healthy capital position

TICL's capital position remains healthy, as evidenced by a large reported consolidated network of Rs 19,572 crore and standalone network of Rs 19,402 crore as on March 31, 2023. Capitalisation metrics were comfortable with the overall capital adequacy ratio of TICL at 100.3%. and that of Simto at 48.7% as on March 31, 2023. Capital position is supported by stable internal accruals and should remain healthy, considering the size and scale of operations.

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#### Robust and well diversified investment portfolio

Prudent investment strategies have enabled TICL to build and maintain its robust and diversified investment portfolio. The management philosophy has remained unchanged. The company continues to invest in fundamentally strong, highly liquid, dividend-yielding stocks. Healthy returns realised from the portfolio have supported the earnings profile. As on June 30, 2023, equity investments (including InVITs / REITs), on a standalone basis, accounted for around 79% of the investment portfolio in terms of book value, followed by 11% investments in bonds/debentures and G-Sec, and the remaining 10% in mutual funds and venture capital funds.

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#### Healthy earnings profile

The earnings profile remains healthy over the years, as reflected by the sustained and large cash accruals reported by TICL. The consolidated income mix has been fairly stable with dividend income contributing to over 63%, and interest income forming 14% of total income, in fiscal 2023. TICL reported a consolidated profit after tax (PAT) of Rs 252 crore in fiscal 2023, up 17% from fiscal 2022, majorly on account of higher dividend income. Further, the company reported healthy consolidated PAT of Rs. 148 crore for the quarter ended June 30, 2023. Consequently, return on average total assets on a consolidated basis stood at 1.2% in fiscal 2023 and 1.2% in fiscal 2022.

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On adoption of Ind AS, realised profits arising from sale of long-term equity investments and any changes in fair value of equity/bonds is reported under other comprehensive income and thus does not form part of total income. Overall, TICL's profitability position should remain healthy over the medium term, supported by stable returns realised on its portfolio.

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#### Weakness:

#### Susceptibility to volatility inherent in the capital market

With around 79% of TICL's investments being parked in equities (including InVITs / REITs) as on June 30, 2023, susceptibility to volatility inherent in the capital markets is relatively high. Adverse movements in the equity market can, therefore, substantially reduce the value of the company's investment portfolio, and hence, remain a key rating sensitivity factor.

#### Liquidity: Superior

Given its business, it has comfortable liquidity with investments in liquid mutual funds and other liquid securities, which can be diluted easily. As on June 30, 2023, TICL on standalone basis has no borrowings, while Simto has Rs. 250 crores of commercial paper with staggering maturity profile so as to mitigate any market event linked refinancing risk. Overall, as on June 30 2023, TICL's the book value of investments on standalone basis was about Rs 3,344 crore with market value of about Rs 23,741 crore, thereby offering high levels of liquidity support.

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#### ESG profile

CRISIL Ratings believes that TICL's Environment, Social, and Governance (ESG) profile supports its already strong credit risk profile.

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The ESG profile for financial sector entities typically factors in governance as a key differentiator between them. The sector has reasonable social impact because of its substantial employee and customer base and can play a key

role in promoting financial inclusion. While the sector does not have a direct adverse environmental impact, the lending decisions may have a bearing on the environment.

TICL has an ongoing focus on strengthening various aspects of its ESG profile.

TICL's key ESG highlights:

- The company has implemented e waste policy and taken measures to dispose of plastic waste in environmentally sustainable manner, saving power by using LED equipment.
- To offset its Carbon Liabilities for FY2022-23, The Company has retired 45 Verified Emission Reductions (VER) through the 400 MW Solar Power Project at Bhadla, Rajasthan, India.
- ESG disclosures of the company are evolving and it is in the process of further strengthening the disclosures going forward.
- The company has a strong governance structure with 50% of its board comprising independent directors, none of the independent directors have tenure of more than 10 years and there is a segregation in chairperson and executive positions.

There is growing importance of ESG among investors. TICL's commitment to ESG principles will play a key role in enhancing stakeholder confidence, given the sizeable investment book of the company.

#### Outlook: Stable

CRISIL Ratings believes TICL will maintain its healthy capital position and comfortable earnings profile over the medium term, supported by its diversified investment portfolio.

#### Rating Sensitivity Factors

##### Downward factors:

- Any significant drop in the market value of investments eroding the network.
- Change in debt philosophy resulting in steady-state gearing of over 0.25 times

#### About the Company

TICL was promoted by Tata Sons in 1937, under the name The Investment Corporation of India Limited; the name was changed to the current one in 1995. TICL is an investment company with a diversified portfolio. Majority of TICL's investments are in high-dividend-yielding companies. As at March 31, 2023, Tata Sons Private Limited, along with other promoter shareholders, hold 73.4% stake in TICL.

#### Key Financial Indicators: (TICL- Consolidated)

As on / for the period ended	Unit	March 31, 2023	Mar 31, 2022	Mar 31, 2021
<b>Total assets</b>	<b>Rs crore</b>	<b>21,089</b>	<b>20,990</b>	<b>14,886</b>
<b>Total income</b>	<b>Rs crore</b>	<b>278</b>	<b>254</b>	<b>163</b>
<b>Profit after tax</b>	<b>Rs crore</b>	<b>252</b>	<b>214</b>	<b>155</b>
<b>Return on assets</b>	<b>%</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>

Any other information: Not applicable

#### Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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#### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Non-convertible debentures*	NA	NA	NA	10	Simple	CRISIL AAA/Stable

\*Yet to be issued

#### Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Simto Investment Company Limited	Full	Subsidiary
Tata Asset Management Private Limited	Equity method	Associate
Tata Trustee Company Private Limited	Equity method	Associate
Amalgamated Plantations Private Limited	Equity method	Associate

#### Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	10.0	CRISIL AAA/Stable		--	02-12-22	CRISIL AAA/Stable	24-12-21	CRISIL AAA/Stable	29-12-20	CRISIL AAA/Stable	CRISIL AAA/Stable

All amounts are in Rs. Cr.

#### Criteria Details

Links to related criteria

[Rating Criteria for Finance Companies](#)

**CRISILs Criteria for Consolidation**

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<p><b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a></p> <p><b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a></p> <p><b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a></p>	<p>Ajit Velonie Senior Director <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:ajit.velonie@crisil.com">ajit.velonie@crisil.com</a></p> <p>Rounak Agarwal Team Leader <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:rounak.agarwal@crisil.com">rounak.agarwal@crisil.com</a></p> <p>Shaunak Samirbhai Shah Rating Analyst <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:Shaunak.Shah@crisil.com">Shaunak.Shah@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>

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