

Tata Investment Corp. ₹ 441

A Listed Mutual Fund !**Buy**

Aug 03, 2012

Company Background

Tata Investment Corporation Limited (TICL) is a non-banking financial company. Earlier named The Investment Corporation of India, the company is primarily involved in investing in long-term investments such as equity shares and equity-related securities. Tata Investment Corporation Limited was promoted by Tata Sons Ltd., in 1937, under the name The Investment Corporation of India Limited. The Company's activities comprises primarily of investing in long term investments in equity shares, debt instruments, listed and unlisted, and equity related securities of companies in a wide range of industries. The major sources of income of the Company consist of dividend, interest and profit on sale of investments. Over the years, through a gradual and judicious portfolio management Tata Investment has built up a portfolio of investments which had a book value of over ₹1800 crores with an approximate market value of ₹ 4400 crores as on 31st March, 2012 spread over 171 companies in various industries.

Key Highlights

- ➔ TICL has been rated by CRISIL Ltd. for its Fixed Deposit programme since 1994 and for its debt programme from time to time. TICL has always been assigned the highest rating of AAA (pronounced Triple A) representing highest safety of payment of interest and principal amount, which rating has been re-affirmed from year to year and is valid to date.
- ➔ The Board of Directors of the Company at its meeting held on May 18, 2012, inter alia, has recommended a dividend of ₹ 21.00 (210%) per Ordinary share of ₹ 10.00 [including a Platinum Jubilee Dividend of ₹ 5.00 (50%).
- ➔ During the FY, Company has benefited from the increased yields on fixed income securities & timely re-allocation of funds in fixed income investments.
- ➔ The profits of the Company are derived from a mix of dividend and interest income, supplemented by profit on sale of investments.
- ➔ The Board of Directors had resolved to reduce the dependence on sums generated from realisation from sale of investments, providing an opportunity to further increase the period of holding and thereby benefit from a possible higher valuation.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (₹ mn)	2326.0	2481.0	2022.2
Rev. growth (%)	9.92	6.66	(18.49)
EBITDA (₹ mn)	2229.5	2361.9	1859.6
Net profit (₹ mn)	1939.2	1985.9	1615.9
Shares outstanding (mn)	48.3	48.3	55.1
EPS (INR)	40.2	41.1	29.3
EPS growth (%)	4.23	2.24	(28.71)
P/E (x)	12.3	12.4	15.1
RONW (%)	15.67	12.53	9.08
ROA (%)	12.89	12.30	8.63

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Info Codes

Reuters	: TINV.BO
Bloomberg	: TICL@IN
NSE	: TATAINVEST
BSE	: 501301

Market Data

52 Wk Range (₹)	: 542 / 396
Shares in Issue (mn)	: 55.1
Mkt. Cap (₹ bn)	: 24.29
BSE 2 Wk Avg Vol	: 1732

Share Holding Pattern (%)

Promoters	: 73.02
DII's	: 04.96
FII's	: 01.41
Others	: 20.61

Investment Theme

TICL is a non-banking financial company promoted by Tata Sons. The company is playing the role of a catalyst in promoting long-term investments in the country. They have also been instrumental in the promotion of projects with new Indian entrepreneurs and foreign collaborators. The company's activities primarily consist of investing in long-term investments in equity shares and other securities of companies in a range of industries. The major sources of income for the company consists of dividend income and profit on sale of investments. The company together with Tata Sons is a promoter of the Tata Mutual Fund. The company is also the principal shareholder of Tata Securities Ltd, a company engaged in the distribution of mutual funds and other investment-related securities.

Tata Buy Buy !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Net Sales	2298.5	2439.5	6.13	2021.0	(17.16)
Other Income	27.5	41.5	50.91	1.2	(97.11)
Employee Cost	53.2	71.1	33.65	89.4	25.74
Other Expenses	43.3	48	10.85	73.2	52.50
Operating Profit	2202.0	2320.4	5.38	1858.4	(19.91)
PBDIT	2229.5	2361.9	5.94	1859.6	(21.27)
Interest	0.0	8.2	-	0.0	(100.00)
PBDT	2229.5	2353.7	5.57	1859.6	(20.99)
Depreciation	1.4	9.0	542.86	4.1	(54.44)
Profit Before Tax	2228.1	2344.7	5.23	1855.5	(20.86)
Extra-ordinary items	(6.3)	(0.1)	(98.41)	12.2	(12,300.00)
PBT (Post EOI)	2221.8	2344.6	5.53	1867.7	(20.34)
Tax	282.6	358.7	26.93	251.8	(29.80)
Net Profit	1939.2	1985.9	2.41	1615.9	(18.63)

4 Years Balance Sheet

(₹ mn)

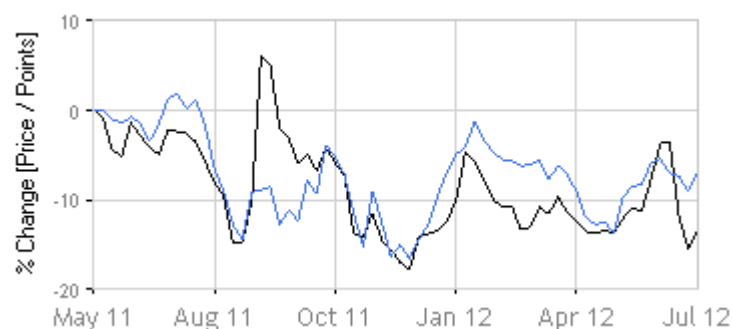
Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	13,930.1	15,297.7	16,396.8	19,209.2
Equity Share capital	344.6	482.4	482.4	551.0
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	9,108.1	14,815.3	15,914.4	18,658.2
Secured Loans	4,477.4	0.0	0.0	0.0
Unsecured Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	13,930.1	15,297.7	16,396.8	19,209.2
Gross Block	15.0	15.7	25.4	23.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	13.1	12.3	18.1	19.1
Net Block	1.9	3.4	7.3	4.2
Capital Work in Progress	0.0	7.1	0.0	1.0
Investments	12,192.2	13,055.2	12,908.8	18,076.1
Current Assets	2,407.7	2,315.1	3,573.4	2,579.5
Less : Current Liabilities	671.7	83.1	92.7	1,451.6
Total Net Current Assets	1,736.0	2,232.0	3,480.7	1,127.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	1322.3	2560.4	2599.0	2565.7
Mkt Val. Quoted Investments	17191.7	28234.7	33042.8	37357.4
Contingent Liabilities	0.9	94.6	154.6	1.1
Dividend (%)	150	150	160	210

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 11	Sep 11	Dec 11	Mar 12
Sales Turnover	304.0	341.2	883.9	385.5
Other Income	21.0	0.8	0.2	0.0
Total Income	325.0	342.0	884.1	385.5
Total Expenses	43.5	31.5	27.1	77.0
Operating Profit	260.5	309.7	856.8	308.5
Gross Profit	281.5	310.5	857.0	308.5
Interest	0.0	0.0	0.0	0.0
PBDT	281.5	310.5	857.1	308.5
Depreciation	3.2	0.9	1.0	1.2
PBT	278.3	309.6	856.1	307.3
Tax	52.4	50.1	61.5	58.1
Net Profit	225.9	259.5	794.6	249.2

52 Week Index Relative Percentage Appreciation



Tata Investment vs SENSEX

Points to Ponder

During the year, the Ordinary share capital of the Company increased from ₹ 482.4 mn as on 31.3.2011 to ₹ 551.0 mn, upon exercise of warrants on 9 May, 2011, resulting in an issue of 68,58,222 Ordinary shares. The warrant holders subscribed at ₹ 400 per share (i.e. at a premium of ₹ 390 per share) resulting in a net increase in the Securities Premium Account by ₹ 267.20 crores. Considering the increased share capital as above, the basic and diluted earnings per share (EPS) computed in accordance with the Accounting Standard 20 were ₹ 29.71 and ₹ 29.62 per share as at 31st March, 2012 against ₹ 41.17 and ₹ 39.65 per share as at 31 March, 2011, respectively.

Risks Associated

The total number of companies held in the equity portfolio of the Company stands reduced from 205 as on 31st March, 2011 to 171 as on 31 March, 2012. Besides reducing the number of scrips in which the Company is invested, the Company wrote off the historical holdings in 26 companies in Sri Lanka & Pakistan, which the Company had been carrying for over 50 years but which had either closed operations or could not be traced or realised and the cost of which had been written down to a very nominal amount. A depreciating rupee is a cause for concern to asset managers and may make India an unattractive destination for global inflows over the medium term. FIIs inflows are, in any case, fluid and can be easily reallocated elsewhere by global fund managers. The case for reallocation to other destinations stands enhanced with the legal uncertainties which have arisen from the proposed retrospective changes in tax laws in the current year's Budget.

In a Nutshell

Tata Investment is a non-banking financial company (NBFC) registered with the Reserve Bank of India under the category Investment Company. The Company remained a closely held company till 1959, when it became one of the few publicly held investment companies listed on the Stock Exchange, Mumbai. During the 1960s and 1970s the Company's activities underwent a gradual transformation from assisting in the establishment of new ventures, to acting as an investment company with a diversified portfolio of investments. The original inspiration for launching Tata Investment Corporation Limited was to help set up and nurture small and medium-sized entrepreneurs and their companies. For many years after its inception, the Company played a role of a catalyst in promoting long term investments in the country and was instrumental in the promotion of projects with new Indian entrepreneurs and foreign collaborators whilst simultaneously taking minority equity stakes in such new projects. The Company became a subsidiary of Tata Sons Ltd. in February, 2008. Tata Sons, together with other Tata companies, holds approximately 73.02% of the paid-up capital of Tata Investment Corporation Limited. as on 31st March, 2012. TICL has been rated by CRISIL since 1994, and has been assigned their highest rating of 'AAA' (pronounced triple A) representing highest safety in payment of interest and principal amount, which rating has been re-affirmed from year to year and is valid to date. TICL jointly with Tata Sons were among the first companies to receive an in-principle approval to incorporate, and become the sponsors of the Tata Mutual Fund.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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