

**Tata Investment Corp. Ltd.** ₹ 463*The Share with a NAV***Accumulate**

Mar 07, 2014

**Company Background**

Tata Investment Corporation Limited (Tata Invest) is a NBFC. 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 Rs. 18 bn with an approximate Quotable value of Rs. 36 bn as on date spread over 131 companies in various industries. The unquoted part includes Rs 8.5 bn in other investments like Mutual Funds, Venture Funds and Debt Instruments.

**Key Highlights**

- ➔ During the year 2011-12, the company had allocated a sizeable amount for investment in fixed income securities keeping a view about the overall economic environment. The value of these securities have appreciated, while earning a handsome yield.
- ➔ Only a current valuation of the quoted equity holdings of Tata Invest comes out to be Rs 655 per share that too in such a market which is showing high upward movements. The unquoted part of Rs 8.5 bn is servicing good returns.
- ➔ Shares of the Tata Group are showing a strong upward trend shares like Tata Elxsi in which it has a sizeable holding have appreciated 4x this year.
- ➔ Since the total investment of Tata Invest has a considerable spread the holding of the company is less vulnerable to short market fluctuations and individual sector issues.
- ➔ The companies balance sheet is strong for the past many years as the company does not have to service any debt. Further all the dividend income received by the company is non-taxable. Thus reducing tax burden on profits.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	2,485.2	2,036.0	2,066.4
Rev. growth (%)	5.99	(18.08)	1.49
EBITDA (INR mn)	2,322.9	1,854.8	1,912.4
Net profit (INR mn)	1,985.9	1,615.9	1,671.4
Shares outstanding (mn)	55.1	55.1	55.1
EPS (INR)	36.0	29.3	30.3
EPS growth (%)	(10.23)	(18.63)	3.43
P/E (x)	14.2	15.1	14.2
RONW (%)	12.4	9.0	8.6
ROA (%)	12.3	8.6	8.0

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**Previous Reports**

Recommended BUY at Rs. 441 on Aug 03, 2012 peak at Rs 500 in 2012.

**Info Codes**

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

**Market Data**

52 Wk Range (₹)	: 348 / 505
Shares in Issue (mn)	: 55.1
Mkt. Cap (₹ bn)	: 25.06
BSE 2 Wk Avg Vol	: 97000

**Share Holding Pattern (%)**

Promoters	: 73.02
DII's	: 4.96
FII's	: 1.20
Others	: 20.82

**Investment Theme**

Tata Invest is a non-banking financial company promoted by Tata Sons. It plays 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. Tata Invest's activities primarily consist of investing long-term 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. It is also the principal shareholder of Tata Securities Ltd, a company engaged in the distribution of mutual funds and other investment-related securities.

**Directly connected to the Market**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Income	2459.6	2023.1	(17.75)	2061.1	1.88
Other Income	25.6	12.9	(49.61)	5.3	(58.91)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	65.8	89.4	35.87	93.6	4.70
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	61.9	74.8	20.84	52.4	(29.95)
Operating Exp.	127.7	164.2	28.58	146.0	(11.08)
Operating Profit	2357.5	1871.8	(20.60)	1920.4	2.60
Total Interest	0.0	0.0	-	0.0	-
Gross Profit	2357.5	1871.8	(20.60)	1920.4	2.60
Net Dep.	12.7	4.1	(67.72)	3.0	(26.83)
Total Taxation	358.9	251.8	(29.84)	246.0	(2.30)
Net Profit/Loss	1985.9	1615.9	(18.63)	1671.4	3.43

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>15,297.8</b>	<b>16,396.9</b>	<b>19,209.4</b>	<b>19,779.0</b>
Equity Share capital	482.4	482.4	551.0	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	14,815.4	15,914.5	18,658.4	19,228.0
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	0.0	0.0	0.0	0.0
<b>USES OF FUNDS</b>	<b>15,297.8</b>	<b>16,396.9</b>	<b>19,209.4</b>	<b>19,779.0</b>
Gross Block	15.6	25.3	23.3	21.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	12.3	18.0	19.1	18.8
Net Block	3.3	7.3	4.2	2.5
Capital Work in Progress	7.1	0.0	0.0	0.0
Investments	13,055.3	12,908.9	18,076.1	19,416.0
Current Assets	2,315.1	3,573.5	2,580.7	1,519.6
Less : Current Liabilities	83.0	92.8	1,451.6	1,159.1
Total Net Current Assets	2,232.1	3,480.7	1,129.1	360.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	2,560.4	2,599.0	2,565.6	3,411.3
Mkt Val. Quoted Investments	28,234.7	33,042.8	37,357.4	37,915.9
Contingent Liabilities	134.6	154.6	92.3	81.4
Dividend (%)	150	160	210	160

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Income from Operations	287.1	416.5	1074.9	439.3
Operating Expenses	28.8	27.7	44.3	30.2
Operating Profit	258.3	388.8	1030.6	409.1
Other Income	0.1	0.6	6.6	1.7
Adjusted PBDIT	258.4	389.4	1037.2	410.8
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	0.5	0.2	0.3	0.3
Other Writeoffs	0.0	0.0	0.0	0.0
Adjusted PBT	257.9	389.2	1036.9	410.5
Tax Charges	44.5	66	108	81
Adjusted PAT	213.4	323.2	928.9	329.5
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	213.4	323.2	928.9	329.5

## 52 Week Index Relative Percentage Appreciation



## Tata Invest vs SENSEX

## Points to Ponder

Reducing its exposure and creating more focus Tata Investment has consolidated its equity holdings from 171 in 2012 to 131 in 2013. This shows that the management is more focussed and has taken benefit of the appraised prices of any long term investments. Company had, as early as during the year 2011-12, allocated a sizeable amount for investment in fixed income securities with a view that both inflation and interest rates will come down in the coming years. The value of these securities have appreciated, while earning a handsome yield, and further appreciation is possible given the fall in inflation and expected easing of rates from the Central Bank.

## Risks Associated

The last three years have been a trying period for equity markets with the country clouded by news of scams, currency depreciation, high inflation and a steep fall in growth. A lower rate of inflation and interest rates pronounce a better macro environment going forward. As per Analysts estimate that the earnings growth of Sensex companies may rebound to double digits for the year 2014-15. Reflecting this sentiment the Sensex has shown a robust trend with the Sensex reaching hits high in early March 2014. However having said that India as a country heavily depends on FII Inflows and the Current Account Deficit to which Equity Markets are the first to react. Since nearly 50% of the companies investment has a high equity market exposure, any continuation of the gloom or another political instability or scams coming out would cause damage.

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, 2013. 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. The overall balance sheet of the company is very strong due to zero debts and the investment portfolio has a wide spread.

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## Rating Interpretation

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

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