

Tata Investment Co. Ltd. ₹ 630**Theme 2017 is Holding Companies!!! Buy**

Mar 17, 2017

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. 21.4 bn with an approximate Quotable value of Rs. 55 bn as on date spread over 95 companies in various industries. The unquoted part includes Rs. 3.7 bn in other investments like Mutual Funds, Venture Funds and Debt Instruments.

Key Highlights

- ➔ The profits of the Company are derived from a mix of dividend and interest income, supplemented by profit on sale of investments. Thus the company is never on a single income source and can modify its investments as per the performing markets.
- ➔ 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.
- ➔ Tata Invest has been rated by CRISIL Ltd. for its Fixed Deposit programme since 1994 and for its debt programme from time to time. The Company 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.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Income (INR mn)	2230.5	2311.2	2520.8
Income Growth (%)	8.19	3.62	9.07
EBITDA (INR mn)	2077.9	2160.3	2343.3
Net Profit INR mn)	1786.8	1865.1	2026.1
Shares Outstanding (mn)	55.1	55.1	55.1
EPS (INR)	29.54	30.39	33.31
EPS Growth (%)	6.95	2.88	9.61
P/E (x)	15.45	18.86	14.09
RONW (%)	10.25	10.23	10.66
ROCE (%)	8.84	8.85	9.24

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: TINV.NS
Bloomberg	: TICL:IN
NSE	: TATAINVEST
BSE	: 501301

Market Data

52 Wk Range (₹)	: 466 / 689
Shares in Issue (mn)	: 55.1
Mkt. Cap (₹ bn)	: 34.45
BSE 2 Wk Avg Vol	: 45000

Share Holding Pattern (%)

Promoters Holding	: 73.01
Government Holding	: 00.75
Domestic Institution	: 02.41
Foreign Institution	: 02.32
Public & Others	: 21.51

Investment Theme

Tata Invest is a non-banking financial company promoted by Tata Sons. It plays the role of a catalyst in promoting longterm 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 a shareholder of many Tata & non-Tata group companies, since a long time. It has been observed recently that Holding companies like Pilani, Bombay Burmah have been the pick in the market and are appreciating we feel the fever should pass on to Tata Invest soon.

Better to Hold a Holding Company!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Operating Income	2208.8	2309.5	4.56	2519.2	55157.3
Other Income	21.7	1.7	(92.17)	1.6	(101.7)
Total Income	2230.5	2311.2	3.62	2520.8	69573.4
Employee Exp.	72.6	95.4	31.40	103.6	229.9
Admin Expenses	10.4	23.1	122.12	36.8	-69.9
Misc. Expenses	69.6	32.4	(53.45)	37	(169.2)
Total Expenses	152.6	150.9	(1.11)	177.4	(16024.3)
Gross Profit	2077.9	2160.3	3.97	2343.4	58994.1
Depreciation	1.1	0.1	(90.91)	1.1	(101.2)
PBT	2076.8	2160.2	4.02	2342.3	58227.2
Taxation	290.0	295.1	1.76	316.1	17874.3
Reported PAT	1786.8	1865.1	4.38	2026.2	46137.7
Extra Ord. Items	0.0	0.0	-	0	-
Adjusted PAT	1786.8	1865.1	4.38	2026.2	46137.7

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
Sources of Funds	19814.6	20691.5	21538.1	22409.0
Equity Share capital	551.0	551.0	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	19228.0	20104.8	20943.5	21808.7
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	35.6	35.7	43.6	49.3
Uses of Funds	19814.6	20691.5	21538.1	22409.0
Gross Block	21.2	21.7	21.1	21.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	18.7	19.8	18.7	18.8
Net Block	2.5	1.9	2.4	2.3
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	19416.1	21416.2	22318.5	21973.5
Current Assets	1519.5	457.5	410.6	514.6
Less : Current Liabilities	1123.5	1184.1	1193.4	81.4
Total Net Current Assets	396.0	-726.6	-782.8	433.2
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Book Value of Unquoted Investments	4396.4	4626.9	5648.8	3700.3
Market Value of Quoted Investments	37915.9	44146.2	60138.8	55271.3
Contingent Liabilities	81.4	54.2	25.7	3.2
Dividend (%)	160.0	170.0	170.0	170.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Operating Income	392.3	468.8	1562.7	323.0
Operating Expense	49.9	40.6	52.6	41.3
Operating Profit	342.4	428.2	1510.1	281.7
Other Income	0.0	0.1	0.0	0.1
Adjusted PBIT	342.4	428.3	1510.1	281.8
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	0.3	0.2	0.2	0.2
Other Writeoffs	0.0	0.0	0.0	0.0
Adjusted PBT	342.1	428.1	1509.9	281.6
Tax Charges	35.1	90.0	210.0	58.0
Adjusted PAT	307.0	338.1	1299.9	223.6
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cashj Adjust	0.0	0.0	0.0	0.0
Net Profit	307.0	338.1	1299.9	223.6

52 Week Index Relative Percentage Appreciation



Tata Invest vs SENSEX

Business Outlook

➔ Over the last few years Tata Invest has been trying to focus onto growth sectors and divert its key investment to it. It has also written off old investments and now from last 171 equity investments in 2012 it has come down to around 95. This indicates the company is trying to shuffle off the non performing assets.

Risks

- ➔ Overall performance of the company is directly related to the performance of its portfolio, on the macro economic factors and the growth in sensex. The company doesnt have a business of its own and depends upon the spread for its earning. Events like global turmoil and a stagflation may damage the prospects of the company.
- ➔ 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 previously arisen from the changes in tax laws in Budget.
- ➔ The companies share price depends on the price of its portfolio and there for cannot be translated into a 1 to 1 proportion as if the company anytime starts selling off its investments the price of the balance shares with the company also fall therefore a traditional 40-50% discount has to be taken in account.
- ➔ The recent turmoil in the Tata Group may damage prices of the group companies. This in turn may hamper the valuation of the Holding Company.

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 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% of the paid-up capital of Tata Investment Corporation Limited. as on 31st Dec, 2016. Tata Invest has been rated by CRISIL since 1994, and has been assigned their highest rating of 'AAA' 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. Tata Invest 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. There is a slow and steady rise in Holding company prices which has been observed since the last year. We feel this value unlocking may still hold good for Tata Invest which already has a lot of investment in it particularly of the Tata Group.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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