

DECEMBER 24, 2014

CARE ASSIGNS 'CARE AA+' RATING TO THE PROPOSED NCD ISSUE OF TATA CAPITAL FINANCIAL SERVICES LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Non-Convertible Debenture	300	CARE AA+ [Double A Plus]	Assigned

Other Ratings Outstanding

Facilities	Amount (Rs. crore)	Ratings
Non-Convertible Debentures	3,164	CARE AA+ [Double A Plus]
Long-term Bank Facilities	1,085	CARE AA+ [Double A Plus]
Subordinated Debt	1,500	CARE AA+ [Double A Plus]
Perpetual Debt	100	CARE AA [Double A]

Rating Rationale

The rating factors in TCFSL's strong parentage (TCFSL being wholly-owned subsidiary of Tata Capital Ltd.) and brand equity associated with the Tata Group, experienced management team drawn from parent and strong financial flexibility enjoyed by TCFSL by virtue of being part of Tata group. The rating also factors in moderate asset quality and the pressure on profitability. Continued parentage and support from Tata group, profitability and asset quality are the key rating sensitivities.

Background

TCFSL is a wholly owned subsidiary of Tata Capital Limited (TCL). TCL acts as holding company for the various operating companies of the group in the financial services sector. TCFSL provides a wide spectrum of financial products like term loans, supply chain financing, Construction Equipment financing (CE), project loans, home equity loans, personal loans, consumer durable loans and LAS. Total loan portfolio (including credit substitutes) stood at Rs.21,756 crore as on March 31, 2014. In FY14, net profit declined 38% to Rs.172 crore from Rs.276 crore for FY13. TCFSL's reported CAR continues to be comfortable at 16.97% as on March 31, 2014. TCFSL's Gross NPA ratio and Net NPA ratio stood at 4.52% (FY13: 2.31%) and 3.68% (FY13: 1.72%), respectively at the end of March 2014.

In H1FY15, PAT declined 20% on a y-o-y basis due to rise in provisions for NPAs. As on September 30, 2014, Gross and Net NPA ratios stood at 5.99% and 4.74%, respectively. Net NPA to net worth increased to 33.9% at the end of September 30, 2014 from 26.8% at the end of FY14.

Note:- Mr. Vittaldas Leeladhar, who is a Director on the Board of Tata Global Beverages Ltd. & Tata Cleantech Capital Ltd. (companies in the Tata Group), is a member of the Rating Committee in CARE. Mr. Leeladhar did not participate in the rating process or in the meeting of the Rating Committee when the rating of TCFSL was discussed.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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