

Panatone Finvest Limited

July 04, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible Debentures	325.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Total Long-term instruments	325.00 (₹ Three hundred twenty-five crore only)		
Commercial paper	8,675.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short-term instruments	8,675.00 (₹ Eight thousand six hundred seventy-five crore only)		

Details of instruments/facilities in Annexure-1

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The reaffirmation of the ratings assigned to the long-term and short-term instruments of Panatone Finvest Limited (PFL) continue to factor in the ownership by Tata Sons Private Limited (TSPL), the importance of PFL to the Tata Group (the Group) as a vehicle for investments in the Media and Telecom (MT) vertical, ownership of 44.8% of equity shares of Tata Communications Ltd (TCL, rated 'CARE AA+; Stable/ CARE A1+') as on March 31, 2022, and its strong financial flexibility. The ratings also factor in articulation of TSPL's intent to support PFL in the form of maintaining majority shareholding and to assist PFL to perform its obligations towards its lenders and debt holders in full and timely manner.

The rating strengths are, however, to some extent tempered by volatility in profitability margins. PFL operates as a core investment company (CIC) for MT investment plans of TSPL.

Rating Sensitivities

Negative rating sensitivities along with quantifiable attributes:

- Weakening of linkages with TSPL.
- Any change in importance of PFL to the Tata Group and divestment by TSPL leading to shareholding below 51% in PFL.
- Deterioration in credit profile of TSPL.

Detailed rationale and key rating drivers key rating drivers

Key rating strengths

Strong parentage and Tata group support:

TSPL is the principal holding company of PFL, having an equity stake of 99.99% as on March 31, 2022. The company has strong linkages with its promoters as reflected through high level of ownership. TSPL has established presence across diverse sectors, such as steel, information technology, automobiles, retail, hospitality, power, among others.

In CARE Rating Limited's (CARE Ratings) opinion, PFL's credit ratings continue to reflect the established track record in managing the MT businesses and is aided by the management and financial support received from TSPL owing to its importance to the group's overall telecom business plans and the articulation of support to PFL by TSPL to maintain majority shareholding and to assist PFL to discharge its debt obligations to debt holders and lenders in full and timely manner.

Expected growth in investments in media and telecom sector:

Post completion of an additional 10% stake in TCL during FY21, the shareholding of PFL in TCL stands at 44.8% as on March 31, 2022. Furthermore, the company, during FY22, executed definitive agreements with Tejas Networks Limited (TNL). TNL is a listed entity involved in designing and manufacturing of networking products to telecom service providers and has been supplying equipment for more than 15 years. PFL holds 52.45% of the equity capital of TNL and convertible warrants as on April 8, 2022. PFL is expected to hold around 57% stake in TNL after conversion of warrants by the end of FY23.

The company proposes to raise borrowings in the form of Commercial Paper or NCDs for refinancing funding of investments for its investment portfolio in MT space.

The market value of the investments of PFL in TCL and TNL cumulatively, as on June 30, 2022, stood at ₹ 15,237.53 crore, as against carrying cost of around ₹7,919.50 crore. The market value of investment to outstanding debt stands at 3.03x. CARE Ratings expects the same to be in similar range on a sustainable basis and hence a key rating monitorable. Key credit strength is also derived from the articulated support from the parent, Tata Sons Pvt. Ltd. on an ongoing basis.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating weakness

Exposed to volatility in profitability margins:

The company invests in MT sector and is exposed to volatility in profitability margins. This is partially mitigated due to the strong parentage, strong financial flexibility being a TATA group company and robust risk management practices.

Liquidity: Strong

PFL is one of the promoter-holding companies of the Tata group and its financial flexibility stems from support from TSPL and other group companies. The company has the flexibility to raise funds by sale of its investments, mainly shares in TCL and TNL. Furthermore, as on April 30, 2022, PFL had liquid funds amounting to around ₹186 crore comprising of cash and equivalents and investments in mutual funds.

Analytical approach: Standalone, factoring linkages with TSPL.

PFL, being an investment holding company, is strategically important to the Tata group. Furthermore, Tata Sons Private Limited has also articulated its intent to maintain majority shareholding in PFL and to assist PFL to discharge its liabilities to debt holders and lenders in full and timely manner.

Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non-financial Sector](#)

[Investment holding companies](#)

[Liquidity analysis of Non-financial sector entities](#)

[Rating outlook and Credit watch](#)

[Short-term instruments](#)

About the Company:

PFL, a Tata Group company, was formed as a special purpose vehicle to bid for acquiring shares in Videsh Sanchar Nigam Limited ('VSNL' – then Public Sector Unit, now known as TCL) from the Government of India under its disinvestment programme in 2002. During FY03 (refers to the period April 1 to March 31), PFL acquired 45% in TCL which was funded equally by equity and debt. Subsequently, starting FY06, PFL, cumulatively on net basis, sold 10.2% of TCL, proceeds of which were utilised to repay borrowings, and thus the company is debt free since March 2016. As on date, PFL holds 44.8% in Tata Communications and Tata Sons holds 99.99% in PFL. PFL also holds 52.45% of the equity capital of TNL and convertible warrants of TNL.

Earlier, PFL was registered as a non-banking financial company (NBFC) with Reserve Bank of India (RBI). From April 22, 2019, onwards, PFL is registered with the RBI as a CIC. The company is the MT Holdco of Tata Sons Private Limited.

Brief Financials (₹ crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (A)
Total income	77.75	51.45	197.82
PBILDT	77.44	50.50	194.43
PAT	77.44	28.77	-65.65
Overall gearing	0.00	1.37	1.50
Interest coverage (times)	NM	4.30	0.87

A: Audited, NM: Not meaningful

Note: The financials have been reclassified as per CARE standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible Debentures*		-	-	-	325.00	CARE AAA; Stable
Commercial paper- Commercial paper (Standalone)		-	-	7 days to 364 days	8675.00	CARE A1+

* NCDs are not yet placed

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST- Bank Overdraft	ST	-	-	-	1)Withdrawn (24-Jan-22) 2)CARE A1+ (25-Aug-21)	-	-
2	Debentures-Non Convertible Debentures	LT	325.00	CARE AAA; Stable	-	1)CARE AAA; Stable (24-Jan-22) 2)CARE AAA; Stable (25-Aug-21) 3)CARE AAA; Stable (07-May-21) 4)Withdrawn (23-Apr-21)	1)CARE AAA; Stable (11-Feb-21)	-
3	Commercial Paper- Commercial Paper (Standalone)	ST	8675.00	CARE A1+	-	1)CARE A1+ (24-Jan-22) 2)CARE A1+ (25-Aug-21) 3)CARE A1+ (23-Apr-21)	-	-
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Jan-22) 2)CARE AAA; Stable (25-Aug-21) 3)CARE AAA; Stable (07-May-21)	-	-
5	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (24-Jan-22) 2)CARE A1+ (25-Aug-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non Convertible Debentures	Simple

Annexure-5: Bank lender details for this company: Not Applicable

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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