

Panatone Finvest Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	50.00	CARE AAA; Stable	Reaffirmed
Commercial paper	8,950.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to debt instruments of Panatone Finvest Limited (PFL) continues to factor strategic importance of PFL to Tata Sons Private Limited (TSPL). Rating also factors strong parentage exemplified in excellent track record of Tata Sons in extending need-based support to the Tata group companies and its articulation to support Panatone Finvest Limited in debt servicing.

Ratings take cognisance of PFL being a strategic investment-holding vehicle of TSPL's investments in media and telecom (MT) sectors. As on June 30, 2024, PFL holds 44.80% of ownership in Tata Communications Limited (TCL; rated 'CARE AAA; Stable/CARE A1+') followed by 55.60% ownership in Tejas Networks Limited (TNL). PFL will use its proposed borrowings to increase investments in these sectors including by acquiring stake from other Tata group companies or refinancing debt.

Ratings also factor in Tata Sons' intent to support PFL by maintaining majority shareholding and to enable PFL to perform its obligations towards its lenders and debt holders in full and in a timely manner.

Ratings' strengths are, however, tempered by limited revenue sources and exposure to market-related systematic risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Not applicable

Negative factors

- Weakening linkages with TSPL.
- Changes in PFL's importance to the Tata group and divestment by TSPL leading to a shareholding below 51% in PFL.
- Deteriorating credit profile of TSPL.

Analytical approach

Standalone, applying parent notch-up framework to factor in support available to PFL from TSPL.

Outlook: Stable

The 'Stable' outlook embodies that PFL is a strategic investment vehicle to TSPL and will continue to receive need-based support.

Detailed description of key rating drivers:

Key strengths

Strong parentage and support from Tata Sons

PFL remains a strategic investment vehicle for Tata Sons to foray into the media and telecom sector. TSPL have infused funds over a period in PFL on need based to acquire and increase the ownership primarily in Tata Communications Limited and Tejas Network Limited, which complement the investment philosophy of TSPL. TSPL continue to hold 99.99% stake in PFL. Participation of senior members of the Tata Group in the board of PFL strengthens the management team.

CARE Ratings expects TSPL to continue its need-based support to PFL owing to its significance in the MT sector investments and the clear intent to support PFL by TSPL to maintain majority shareholding and to assist PFL to discharge its debt obligations towards its debt holders and lenders in full and in a timely manner.

Healthy credit profile of operating entities of investments

PFL continues to generate revenue from the healthy dividend payouts received from TCL. TCL is one of the largest communication service providers in the enterprise segment, having a presence across 100 countries and six continents, supported by the presence of a large network of subsea cable and terrestrial cable networks. TCL's healthy credit profile is marked by the steady growth in generation of cash accruals and comfortable debt coverage ratios with superior liquidity. PFL has investments in TNL, which is into manufacturing telecom equipment that is used by telecom service providers, utilities, government, and defense networks. TNL's credit risk profile is marked by a strong capital structure and debt protection metrics and a healthy liquidity position with nil debt.

Key weakness

Limited revenue sources and exposure to market related systematic risk

PFL has limited revenue sources being the holding company, and hence, it depends on monetisation of investments or dividend income from underlying entities. Market value of investments is exposed to volatility associated with market-linked fluctuations. PFL has major investments in TCL and TNL, which are listed. Market value of these investments stands at about ₹37,212 crore, against external debt of ~₹4,275 crore as on August 31, 2024, which remains comfortable, with market value of investments to outstanding debt cover at 8.71x. However, considering total proposed debt of ₹9,000 crore, the cover (ratio of market value of existing and proposed investments to proposed debt) will be moderate at 4.14x. Increase in market-related risks, leading to a sharp fall in the share prices of its investments or a sharp reduction in dividends, will be a key monitorable.

Liquidity: Strong

Strong liquidity is marked by presence of unencumbered liquid funds aggregating to ₹19.23 crore as on July 31, 2024, and steady generation of income from dividend payments sufficient to meet interest obligations and flexibility to raise funds by sale of its investments, mainly shares in TCL and TNL, to meet exigencies. PFL enjoys a significant level of financial flexibility being part of TSPL.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

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 and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Holding company

A Tata Group company, PFL was formed as a special purpose vehicle (SPV) to bid for acquiring shares in Videsh Sanchar Nigam Limited (VSNL – then a public sector unit, now known as TCL) from the Government of India (GoI) under its disinvestment programme in 2002. In FY03, PFL acquired 45% in TCL, which was funded equally by equity and debt. In FY06, PFL sold 10.2% of TCL cumulatively on a net basis, proceeds of which, were utilised to repay borrowings, and the company has been debt-free since March 2016. As on date, PFL holds 44.8% in TCL and TSPL holds 99.99% in PFL. PFL also holds 55.60% of TNL's equity capital.

Earlier, PFL was registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). From April 22, 2019,

onwards, PFL is registered with the RBI as a Core Investment Company (CIC). The company is the MT Holdco of TSPL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	264.28	268.11	-
PBILDT	263.18	267.06	-0.47
PAT	-62.93	-92.08	-87.03
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	0.91	0.76	0.01

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE116F14174	18-01-2024	8.60%	16-01-2025	2005.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE116F14182	19-01-2024	8.60%	17-01-2025	2270.00	
Commercial Paper-Commercial Paper (Standalone)	Unutilised	-	-	-	4675.00	
Debentures-Non-Convertible Debentures*	-	-	-	-	50.00	CARE AAA; Stable

*Proposed and are not yet placed.

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	-	1)Withdrawn (24-Jan-22) 2)CARE A1+ (25-Aug-21)
2	Debentures-Non Convertible Debentures	LT	50.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-23)	1)CARE AAA; Stable (20-Jan-23) 2)CARE AAA; Stable (04-Jul-22)	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)
3	Commercial Paper-Commercial Paper (Standalone)	ST	8950.00	CARE A1+	-	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (20-Jan-23) 2)CARE A1+ (04-Jul-22)	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)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

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About us:

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