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CARE assigns AA+ Rating to Non Convertible Debenture Issue of Tata Capital and reaffirms ratings assigned to the various issues of Tata Capital Ltd.

Rating

CARE has assigned 'CARE AA+' [Double A Plus] rating to the proposed Issue of Non Convertible Debentures (NCD) of Tata Capital Ltd. (TCL) of Rs.200 crore. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

CARE has retained the existing 'CARE AA+' [Double A Plus] rating to the NCDs of Tata Capital Ltd aggregating to Rs.3,250 crore (Outstanding Rs.3,080 crore as on September 30, 2010), the existing 'CARE AA' [Double A] rating to the Subordinate Debt of Tata Capital Ltd aggregating to Rs.1,000 crore (Outstanding Rs.905.45 crore as on September 30, 2010.) and also retained the existing 'CARE AA-' [Double A Minus] rating to the Perpetual Debt of Tata Capital Ltd aggregating to Rs.100 crore (yet to be placed).

Further, CARE has also reaffirmed the 'CARE AA+' [Double A Plus] rating to Long Term Bank Facilities amounting to Rs.2,510 crore of Tata Capital Ltd and also reaffirmed existing 'PR1+' [PR One Plus] rating to the short-term bank facilities amounting to Rs.500 crore of Tata Capital Ltd. This rating is applicable to facilities having tenure up to one year.

Instrument / Facility	Amount Rated (Rs crore)	Rating ¹	Remark
Secured NCD - Public Issue	1,500	CARE AA+ (Double A Plus)	Reaffirmed
Secured NCD - Private Placement	750	CARE AA+ (Double A Plus)	Reaffirmed
Secured NCD - Private Placement	500	CARE AA+ (Double A Plus)	Reaffirmed
Subordinated Debt – Unsecured	1,000	CARE AA (Double A)	Reaffirmed
Secured NCD - Private Placement	500	CARE AA+ (Double A Plus)	Reaffirmed
Perpetual Bonds	100	CARE AA- (Double A Minus)	Reaffirmed
Secured NCD - Private Placement	200	CARE AA+ (Double A Plus)	Assigned
Long Term Bank Facilities	2,510	CARE AA+ (Double A Plus)	Reaffirmed
Short Term Bank Facilities	500	PR 1+ (PR One Plus)	Reaffirmed

Rating Rationale

The rating factors in TCL's strong parentage (TCL being subsidiary of Tata Sons Ltd.), demonstrated support of the Tata group, both, by way of capital support as well as offering of in-house business opportunities (lending opportunities offered by the "Tata Ecosystem" comprising dealers/vendors and other business constituents/relationships affiliated with the group companies). The rating also factors in the brand equity of the parent company which would aid TCL in scaling up its volumes beyond the group related business as well as render it with strong resource raising capabilities.

¹ Complete definitions of the ratings assigned are available at www.careratings.com

The rating is however constrained by TCL's relatively limited track record of operations, its ability to lend competitively given the presence of established players in an intensely aggressive corporate and retail lending market and its ability to maintain asset quality with rising business volumes.

Company Profile

TCL is a subsidiary of Tata Sons Limited providing a wide spectrum of financial services (both fund based as well as non-fund based). TCL is having / planning to have the various business verticals like Retail Finance, Construction Equipment Finance, SME loans, Distribution and Broking of Financial Products, Wealth Management, Investment Banking and Private Equity either on its books or its subsidiary companies. It has already set up some of these business verticals. TCL recorded PAT of Rs.50 crore during FY10 on total income of Rs.1,379 crore. TCL reported capital adequacy ratio of 21.44% as on March 31, 2010 with Gross NPA ratio and net NPA ratios of 2.34% and 1.77% respectively. TCL reported PAT of Rs.25 crore during Q1FY11.

Analyst Contact

Name: Vijay Agrawal

Tel # 022-67543416

Email: vijay.agrawal@careratings.com

Name: Abhinav Sharma

Tel# 022-67543508

Email: abhinav.sharma@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. P N Sathees Kumar

Executive Vice President – Marketing

Mobile: +91-9820416004

mail:sathees.kumar@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Vice President – Marketing (SME)

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

Mr. Vivek Palan

Manager – Banking & Finance

Mobile: +91-98206 06406

E-mail:vivek.palan@careratings.com

4- Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr. Mehul Pandya Regional Manager 32 TITANIUM Prahaldnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr. Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3- Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms. Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>