

Tata Industries Limited

April 3, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed Non-Convertible Debenture Issue	6,000.00 (Rs. Six Thousand Crore only)	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
Proposed Non-Convertible Debenture Issue/Term Loan	-	-	Withdrawn

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has withdrawn the rating assigned to the proposed NCD issue/term loan of Tata Industries Limited (TIL) with immediate effect as the company has not issued/utilised the same.

The rating assigned to the proposed non-convertible debenture issue of Tata Industries Limited (TIL) factors in strategic importance of TIL to the Tata Group, its strong financial flexibility and successful track record in incubating new ventures. The rating strengths however, continue to be tempered on account of inherent risks associated in incubating new business ventures and volatile margins.

The continuance of support from Tata Sons Pvt. Ltd. along with maintaining its shareholding remains key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and resourceful promoter group; strong financial flexibility: Tata Industries Limited is a part of the 150 year old Tata Group. The group has established its presence across diverse sectors such steel, information technology, automobiles, retail, hospitality, power, etc. The investments in these sectors are driven by the group's flagship investment company Tata Sons Private Limited (TSPL). TSPL enjoys exceptional financial flexibility. The flexibility stems from the ease of the company to raise funds by sale of its investments, mainly shares in Tata group companies and regular dividend income. As on Dec 31, 2018, the market value of the investments stood over Rs. 6 lakh crore. Further, with a robust balance sheet and low leverage, the company also can easily access the financial market to raise funds through external borrowings should the need arise.

Strategically important to TSPL: TIL is owned by TSPL and other Tata Group entities. The company primarily focuses on conceiving new business ideas in technology sensitive emerging growth sectors such as aerospace & defence, health sciences, food-processing, education, advanced materials, etc. Once the venture is conceived, the company strategically supports that venture by funding and active participation in the Board/Management. In certain cases, in line with overall group objectives or for strategic reasons, it divests its stake to any other Tata group company or to an external investor. Tata Industries also provides management and strategic consultancy services, apart from data analytics services, to the entities within the group. CARE believes TIL being strategically important to the group will continue to receive financial, operational and managerial support from TSPL which is a key rating monitorable.

Successful track record in incubating new business ventures: TIL has demonstrated track record in incubating new ventures like Tata Autocomp Systems Limited, Tata Interactive Systems (TIS), Drive India Enterprise Solutions Limited and Tata Advanced Materials Limited. These businesses were incubated by TIL. In some of these investments, TIL has divested/sold the business and proceeds were utilised for other new ventures.

Key Rating Weakness

Exposed to inherent risks of new business ventures: TIL is incorporated to conceive, invest, develop and scale up new business ventures. The company invests in different products/services spread across sectors. TIL continues to be exposed to the inherent risks of new business ventures. These risks stem from the different gestation periods, changes in regulatory framework, technological obsolescence, financial risks, negative to low returns which are inherent in starting a new venture.

Volatility in returns

TIL invests during the initial leg of the business cycle of a new product/service and continues to invest to scale it up. During the initial stages, the company has poor revenue visibility and often generates very low to negative returns on the investment. TIL generates returns from dividends on group investments and in some cases, by selling / divesting its stake

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

in the company/ business. During FY18 and FY19, TIL sold its stake in Advinus Therapeutics Limited and the foreign subsidiaries of Tata Interactive Systems, apart from selling TIS business in India. The company has entered in an agreement with Tata Advanced Systems Limited to divest its stake in TAML.

Liquidity: TIL 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 Tata group companies. As on Dec 31, 2018, the market value of the investments stood at Rs 1,364 crore. The cash and cash equivalents as on Dec 31, 2018 stood at Rs. 111 crore.

Analytical approach: Standalone factoring linkages with TATA Sons Pvt. Ltd. TIL, being an investment arm is strategically important to the group. Tata Sons Pvt. Ltd. has also articulated intent to maintain its shareholding in TIL and assist TIL to arrange funds in order to discharge its liabilities to debt holders and lenders in full and timely manner.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Non-Banking Financial Company](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios - Financial sector](#)

About Tata Industries Limited

Incorporated in 1945, Tata Industries Limited (TIL) is registered as a Core Investment Company (CIC) with the RBI on account of its investments made primarily in Tata Group companies. TIL was earlier registered as a NBFC. TIL invests in group companies which are engaged in high technology and emerging sectors such as information technology, aerospace & defence, e-commerce, health sciences, etc.

Apart from the investing activities, TIL also has following operating divisions

- Tata Class Edge (TCE) – providing educational content to educational institutions
- Tata Strategic Management Group (TSMG) – providing consultancy services to Tata Group and others
- Tata Digital Health (DHP) – setting up a platform for leveraging the power of digital technology to empower healthcare providers and consumers in India
- Tata Insights & Quants (TIQ) – setting up a platform for providing data analytics services for various Tata Group companies

TIL also operates through its subsidiaries/associates/joint ventures which are engaged in sectors such as non-conventional energy, aerospace & defence, food processing, e-commerce and health sciences.

Tata Sons Private Limited (TSPL) directly and through cross holdings holds a total of 53.62% in TIL.

(Rs. crore)

Brief Financials – TIL (Standalone)	FY17 (A)	FY18 (A)
Total income	391.19	321.23
PBILDT	90.74	-17.85
PAT	-585.03	-384.21
Overall Gearing	0.19	0.00
Interest Coverage (times)	5.84	NM

A: Audited

About Tata Sons Private Limited

The company was incorporated in 1917 and is registered as a CIC with the RBI. TSPL is the promoter in major Tata Group companies and is the owner of the Tata brand and the associated intellectual property. These are used by the group companies under a license from TSPL. About 66% of TSPL is held by philanthropic trusts endowed by members of the Tata family. The largest of these trusts are the Sir Dorabji Tata Trust and the Sir Ratan Tata Trust.

Dividend income, income from providing services (including brand subscription) and profit on sale of investments are the primary sources of revenue for the company. As of Dec 31, 2018, the market value of TSPL's quoted investments stood over Rs. 6 lakh crore.

Brief Financials – TSPL (Standalone)	FY17 (A)	FY18 (A)
Total operating income	9,985	28,159
PAT	824	873
Interest Coverage (times)	1.56	1.42
Interest Coverage (times) before provisions and writeoffs	2.86	15.48
Total Assets	71,815	70,515
ROTA (%)	1.24	1.23

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: 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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Proposed-Non Convertible Debenture Issue/Term Loan	-	-	-	0.00	Withdrawn
Proposed-Non Convertible Debenture Issue	-	-	-	6000.00	CARE AAA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Proposed-Non Convertible Debenture Issue/Term Loan	LT	-	-	1) CARE AAA (SO); Stable (12-Feb-19)	-	-	-
2.	Proposed-Non Convertible Debenture Issue	LT	6000.00	CARE AAA; Stable	-	-	-	-

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