



September 20, 2010

## **ICRA assigns LAAA (stable) rating to Rs. 200 crore NCD programme of Tata Sons Limited; withdraws the rating for its Rs. 1,500 crore NCD programme**

ICRA has assigned an LAAA (pronounced L triple A) rating to the proposed Rs. 200.0 crore<sup>1</sup> Non-Convertible Debenture (NCD) programme of Tata Sons Limited (Tata Sons)<sup>†</sup>. The outlook on the rating is 'stable'. ICRA has also withdrawn the LAAA (stable outlook) rating assigned to the Rs. 1,500.0 crore NCD programme of Tata Sons, as the company has fully redeemed the investment on maturity. ICRA now has a long-term rating of LAAA (stable outlook) outstanding on the various NCD programmes, amounting to Rs. 8,750.0 crore of the company. ICRA also has a short-term rating of A1+ (pronounced A one plus) outstanding on the Rs. 2,625 crore (current outstanding nil) Commercial Paper Programme of the company.

The ratings incorporate Tata Sons' status as the principal investment company of the Tata Group; leading business and financial position of most of its major investee companies; and strong financial flexibility derived from the market value of its investments despite marginal increase in the debt levels to support funding requirement of its investee companies. Some of the large Tata Group companies have made substantial investments, both organic and inorganic in the recent past, which have resulted in substantial funding requirement for the group. Tata Sons, being the principal holding company, has actively participated in supporting the fund-raising programmes of some of its investee companies. While part of the investments have been supported by dividend & interest income and partly through sale of investments, Tata Sons has also been raising external borrowings to support such investments. This has resulted in an increase in the debt levels and subsequently leverage with marginal moderation in coverage indicators. ICRA, however, continues to draw comfort from the management's stated policy of limiting its leveraging to prudent levels by effecting sales of some of its investments, should the need arise. Tata Sons also continues to enjoy strong liquidity profile supported by adequate cash reserves and ability to raise funds through monetisation of investments.

With the improvement in the stock market performance, the market value of Tata Sons' quoted equity investments increased substantially during 2009-10. Also, Tata Sons has a substantial investment portfolio which is not listed in exchanges, which could potentially contribute to large values in the future.

### **Company Profile**

Tata Sons Limited (Tata Sons), founded in 1917 by the Tata Group's founder, Shri J N Tata, is the principal holding company for the Tata group and owner of the Tata brand and associated Tata trademark. Charitable trusts including those endowed by the late Sir Dorabji Tata own majority of Tata Sons' shareholding at 66%. While income from dividends and profit generated on sale of investments constitute the principal revenue source for the company, it also includes royalty fees earned from group companies for using the Tata brand. Such fees however are largely spent on the management of the brand. Tata Sons also provides certain group level services to the Tata companies, key amongst them being financial advisory (through Tata Financial Services), facilitating Business Excellence within the Tata Group by conducting training programme (through Tata Quality Management Services), legal assistance and HR services. Tata Consultancy Services division (TCS, one of the largest software companies in India and the highest contributor to Tata Sons in terms of revenues and profits) was spun-off as a separate entity during 2004-05. Currently, Tata Sons' equity investments are spread across seven major industry segments and include investments in flagship concerns like TCS, Tata Steel Limited, Tata Power Company Limited, Tata Motors Limited, Tata Chemicals Limited, Tata Teleservices Limited, Tata Tea Limited and so on.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

### **PRESS RELEASE**

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# ICRA Limited

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## Recent Results

For FY 2009-10, Tata Sons reported an increase of 19.4% in dividend income to Rs. 2,096.7 crore. Profit after Tax (PAT) declined by 46.9% at Rs. 1,621.1 crore compared to Rs. 3,053.6 crore for FY 2008-09.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

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