

March 15, 2023

Tata Community Initiatives Trust: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term –Non-fund Based Facilities	2.09	2.09	[ICRA]A(Stable); reaffirmed
Long-term– Proposed Non-fund Based Facilities	2.91	2.91	[ICRA]A(Stable); reaffirmed
Total	5.00	5.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation continues to factor in the strength of Tata Community Initiatives Trust’s (TCIT) strong brand as part of Tata Trusts, with Tata Sons Private Limited (Tata Sons; rated [ICRA]AAA (Stable)/[ICRA]A1+) being the settlor. The rating also factors in the extensive experience of the Tata Group, given its involvement in various charitable causes through different trusts, and its operations under the aegis of Tata Trusts. ICRA expects Tata Trusts to provide financial support to TCIT, if necessary. TCIT’s financial profile is comfortable and characterised by zero debt levels.

TCIT was set up by Tata Sons as a public charitable trust to maximise the impact of the corporate social responsibility (CSR) activities of the Tata Group of companies. TCIT accepts donations mainly for two verticals, viz. skill building (Tata Strive programme) and disaster management. In FY2022, more than 75% of the donations were received from Tata Group companies. Under its Tata Strive programme, TCIT offers standardised course content, which is designed to improve employability of the trainees through industry exposure, with the use of technology wherein Tata Consultancy Services Limited (TCS) is its technology partner.

Besides skill-building initiatives through its own centres, TCIT also collaborates with other institutions, including Government institutions such as Industrial Training Institutes (ITIs), for carving out a larger reach. In cases where it receives monetary grants from such institutions, TCIT is required to furnish performance bank guarantees (BGs) to ensure that the execution of the programmes will be as per the contracted terms. Currently, TCIT has been sanctioned grants from the Government for two programmes—Rs. 13.0 crore for the Din Dayal Upadhyay Grameen Kaushal Yojna (DDUGKY) and Rs. 8.7 crore for the Odisha Skill Development Authority (OSDA) with Rs. 0.86 crore and Rs. 1.23 crore BGs, respectively. ICRA notes that while the invocation of such BGs by the counterparty(ies) and not honouring the same post invocation in a timely manner would be construed as a default, there are several measures that will precede to delay the eventual invocation of the BGs, such as initiation of penal actions and request for refund of monetary grant. To mitigate this risk, as per the management, TCIT has its own performance systems and continuous monitoring in place to maintain a quality of execution. Moreover, TCIT also enjoys strong financial support from Tata Trusts, along with healthy free cash on books which would aid in case of BG invocation, if needed. There have not yet been any penalties levied by the Government.

ICRA notes that the operating margins and net margins have remained volatile over the years for the Trust, since its revenue is recognised as and when grant is received and expenses for the same may be apportioned over forthcoming years. In FY2020, TCIT reported a significant excess of income over expenditure since it received donations as part of the Odisha cyclone relief and rehabilitation programme and Covid related donations, which also could not be spent in their entirety in FY2020. These were spent over FY2021 and FY2022, which resulted in lower operating margins in FY2021 and FY2022 than FY2020. The Trust reported operating losses in 10M FY2023 as it had received funds earlier, which were expensed in 10M FY2023. The rating is constrained by the operating profile of TCIT, given its nature of operations, and its high dependence on the Tata Group of companies for donations. Any significant decline in donations from the Tata Group could impact the financials of TCIT.

The Stable outlook reflects ICRA's opinion that TCIT will continue to benefit from the strong brand as part of Tata Trusts, which in turn derives financial strength from its ~66% holding in Tata Sons.

Key rating drivers and their description

Credit strengths

Extensive experience of the Tata Group; TCIT is sole trust of all Tata Trusts programmes for skill-building – The rating factors in the strength of TCIT's brand as part of Tata Trusts with Tata Sons being the settlor, and the extensive experience of the Tata Group for not only supporting various charitable causes through different trusts, but also operating under the aegis of Tata Trusts. TCIT is the sole trust among all the Tata Trusts for carrying out skill-building initiatives of the Tata Group. While TCIT also accepts donations from entities outside the Tata Group, in FY2022, it received more than 75% of the donations from the Tata Group of companies. However, in 10M FY2023, the company has received high donations from companies other than Tata Group, which resulted in decrease in share from Tata Group to 45% in 10M FY2023. However, TCIT is expected to receive gap funding in Q4 FY2023 from the Tata Group, which is expected to improve the overall share from Group companies in FY2023.

Financial support from Tata Trusts – Tata Trusts is expected to provide financial support to TCIT in case of any need. ICRA notes that Tata Trusts derives financial strength from its ~66% shareholding in Tata Sons.

Financial profile supported by zero debt on books and ample liquidity – ICRA takes comfort from TCIT's unleveraged capital structure, as reflected by zero debt on its books and ample liquidity as reflected by fresh cash balances of Rs. 16.9 crore as of January 31, 2023. The Trust only has non-fund based limits, and does not avail any external loan facilities. Furthermore, TCIT does not have any major capital expenditure (capex) plans.

Credit challenges

Concentration risk with the Trust receiving most of its donations from Tata Group companies – TCIT's dependence on the Tata Group for donations exposes its income source to the risk of any weakening in financial profile of such donor entities. Furthermore, the overall concentration risk remains high, since more than 75% of its donations came from the Tata Group over the last three years. Thus, TCIT's financials might also be impacted by any substantial reduction in the CSR donations being routed by Tata Group companies through TCIT. However, TCIT has been able to diversify its donor base by accepting donations from other public/ private entities as well as from Government bodies to expand its programme outreach, with the ratio of donations from the Tata Group coming down to 75-80% at present from 95% in FY2019.

Liquidity position: Strong

TCIT had cash and equivalents of ~Rs. 16.9 crore as January 31, 2023, primarily comprising the unspent amount of donations received and nil debt repayment obligations. The liquidity profile of TCIT is further strengthened by its position as part of Tata Trusts, which in turn derives financial strength from its shareholding in Tata Sons.

Rating sensitivities

Positive factors – ICRA is unlikely to upgrade TCIT's rating in the near term, given the objective of the Trust and the nature of its operations.

Negative factors – The initiation of a penal action before the invocation of bank guarantees could be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group support	Parent / Group: Tata Trusts We expect Tata Trusts to be willing to extend financial support to TCIT, should there be a need, given the high strategic importance that TCIT holds for Tata Trusts for carrying out skill-building initiatives. Both TCIT and Tata Trusts also share a common name, which in ICRA's opinion would persuade Tata Trusts to provide financial support to TCIT to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The rating is based on the standalone financial profile of TCIT.

About the Company

Tata Community Initiatives Trust was set up as a public charitable trust, under the Indian Trust Act 1882, in September 2014 by Tata Sons (the settlor). At present, Mr. Suprakash Mukhopadhyay and Ms. Roopa Purushothaman are the trustees of TCIT.

To maximise the impact of the CSR activities of the Tata Group of companies, a set of Group CSR Programmes (GCPs) was identified to address national challenges by leveraging the experience and expertise of the companies. Towards this objective, TCIT was set up to undertake several Group CSR initiatives, mainly with the focus on skill building, through the Tata Strive programme, and for disaster relief. TCIT receives most of its funds from the Tata Group of companies.

Key financial indicators (audited)

TCIT Standalone	FY2021	FY2022
Operating income	53.0	40.9
PAT	5.5	-14.6
OPBDIT/OI	10.0%	-34.6%
PAT/OI	10.4%	-35.6%
Total outside liabilities/Tangible net worth (times)	0.0	0.1
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	-	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 15, 2023 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Mar 15, 2023	Mar 10, 2022	Mar 15, 2021	Feb 28, 2020
1 Non-fund Based Facilities	Long-term	2.09	--	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 Proposed Non-fund Based Facilities	Long-term	2.91	--	[ICRA]A (Stable)	[ICRA]A (Stable)	-	-

&= Under Watch with Developing Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Non-fund Based Facilities	Very Simple
Long-term – Proposed Non-fund Based Facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund Based Facilities	NA	NA	NA	2.09	[ICRA]A (Stable)
NA	Proposed Non-fund Based Facilities	NA	NA	NA	2.91	[ICRA]A (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Karan Gupta
+ 91 22 6114 3416
karan.gupta@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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