

February 25, 2025

Tata Sons Private Limited: Ratings reaffirmed for bank lines, rating reaffirmed and withdrawn for non-convertible debenture and commercial paper programmes

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|--|-----------------------------------|----------------------------------|---|
| Long-term/ Short-term – Non-fund Based | 1,200.0 | 1,200.0 | [ICRA]AAA(Stable)/ [ICRA]A1+; reaffirmed |
| Non-Convertible Debenture Programme | 6,460.4 | 0.0 | [ICRA]AAA(Stable); reaffirmed and withdrawn |
| Commercial Paper Programme | 13,500.0 | 0.0 | [ICRA]A1+; reaffirmed and withdrawn |
| Total | 21,160.4 | 1,200.0 | |

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation reflects the status of Tata Sons Private Limited (Tata Sons) as the principal investment company of the Tata Group, the leading business and/or financial position of most of its major investee companies, and the superior financial flexibility from the market value of its investments. The market value of Tata Sons' quoted investments stood at ~Rs. 15.7 lakh crore as on December 31, 2024. The company had a cash surplus position of Rs. 3,042 crore as of March 31, 2024, with comfortable cash accruals aiding the overall reduction in the net debt position in the recent past. ICRA notes the substantial reduction in Tata Sons' net debt from Rs. 20,642 crore as of March 31, 2023 to negative Rs. 2,680 crore as of March 31, 2024. Proceeds from the dividend income as well as share buyback were utilised to repay and prepay the debt obligations in FY2024. Tata Sons continues to exhibit a healthy financial profile, which coupled with its ability to raise funds by monetising its investments results in a superior liquidity profile.

Tata Sons, the principal holding company of the Tata Group, has been participating in the fund-raising programmes of some of its investee companies. As some of its subsidiaries in the digital and aviation spaces are currently in the investment phase, the funding support to these businesses is likely to continue over the medium term. Despite these investment requirements, ICRA expects the credit profile of Tata Sons to remain robust, supported by healthy dividend income/ share buyback inflows and exceptional financial flexibility on account of the significant market value of its investments. ICRA also notes the classification of Tata Sons as an upper layer non-banking finance company (NBFC-UL) by the Reserve Bank of India (RBI) in September 2022 and Tata Sons' application for de-registration as an NBFC-UL entity, which is under consideration by the RBI at present.

The rating on the Rs. 6,460.4-crore non-convertible debenture (NCD) programme has been withdrawn, including (i) NCD programme worth Rs. 940.2 crore, which has been fully repaid, and there is no amount outstanding against it; and (ii) unplaced NCD programme worth Rs. 5,520.2 crore, as requested by the company. The rating on the Rs. 13,500-crore unplaced commercial paper (CP) programme has been withdrawn, as requested by the company. The rating withdrawal is in accordance with ICRA's policy on withdrawal.

The Stable outlook on the long-term rating of Tata Sons reflects ICRA's expectations that the company will continue to benefit from its diversified investment portfolio and the leading market position of its various key group entities. Continued inflows in the form of dividends/ share buyback proceeds from investee companies are expected to support Tata Sons' investment outlay into its Group entities over the near-to-medium term.

Key rating drivers and their description

Credit strengths

Status as principal holding company of the Tata Group; favourable financial risk profile and significant market value of investments – Tata Sons is the principal holding company of the Tata Group of Companies, and the owner of the Tata brand and the associated Tata trademark. With investments across several listed companies of the Tata Group, it derives strong financial flexibility from the market value of its quoted investments, which stood at around Rs. 15.7 lakh crore as on December 31, 2024, resulting in a superior liquidity position. Tata Sons has a track record of monetising investments to support its investment requirements, whenever required, and ICRA expects this trend to continue.

Diversified portfolio of investments and leading market position of key Tata Group companies – Tata Sons' equity investments are spread across 10 verticals — viz., technology, infrastructure, automotive, steel, aerospace and defence, financial services, tourism and travel, consumer and retail, trading and investments, and telecom and media—including investments in flagship concerns like TCS, Tata Steel Limited, The Tata Power Company Limited, Tata Motors Limited, Tata Chemicals Limited, Titan Company Limited, Trent Limited, Tata Capital Limited, and Tata Consumer Products Limited, among others, which enjoy leading market positions in their respective business sectors.

Strong business and financial position of TCS, the principal driver of Tata Sons' dividend income – TCS enjoys a leading position among the Indian players in the global IT and IT enabled services (ITeS) industry. Its financial position is characterised by healthy cash accruals and sizeable net cash surplus enjoyed over the years. It has announced sizeable dividend pay-outs and periodic share buybacks (in which Tata Sons has participated) over the years, which supported the overall cash inflows of Tata Sons. This is expected to continue, going forward, as well.

Credit challenges

Possible support to Tata Group's acquisitions and organic growth plans; some key investee companies likely to continue to require funding from Tata Sons – The Tata Group has been expanding across sectors and is growing businesses through inorganic as well as organic means. Tata Sons, being the principal holding company for the Group, has been participating in the fund-raising programmes of its various group companies. As some of its subsidiaries in the digital and aviation space are currently in the investment phase, the funding requirements for these businesses are likely to continue over the medium term. ICRA expects the credit profile of Tata Sons to remain robust, supported by dividend income and other income sources (such as brand subscription income, interest income), along with exceptional financial flexibility on account of the significant market value of its investments.

Significant dependence on TCS for dividend income as well as investments – TCS accounted for around 84% of its dividend income (in FY2024) and around 67% of the market value of the quoted investments (as on December 31, 2024) of Tata Sons. While dividend income from companies other than TCS has increased over the years, Tata Sons' cash flows remain dependent on the performance of TCS to a large extent. However, robust business and financial position of TCS provides comfort in this regard.

Liquidity position: Superior

Tata Sons enjoys a superior liquidity position with free cash and bank balances, and liquid investments of ~Rs. 9,589 crore as on November 30, 2024, and healthy accrual generation, with no debt repayment obligations. The company also enjoys exceptional financial flexibility from the significant market value of its listed investments of around Rs. 15.7 lakh crore as on December 31, 2024.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Downward pressure on the rating could emerge if there is a significant deterioration in the credit profile of Tata Sons' major investee companies, resulting in significantly higher than budgeted investment requirements, or if its dividend income reduces significantly, thus resulting in increased leverage and pressure on its coverage metrics, on a sustained basis. Downward pressure on the company's ratings can also arise if a steep decline in the market value of its listed investments or a significant increase in the company's debt levels results in an increase in its total debt/market value of investments being higher than 10%, on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable Rating Methodologies | Corporate Credit Rating Methodology Rating Methodology for Investment Companies ICRA Policy on withdrawal of Credit Ratings |
| Parent/Group Support | Not applicable |
| Consolidation/Standalone | The ratings are based on the standalone financial profile of the company. While analysing Tata Sons, ICRA has taken into consideration the expected dividend inflows and the potential funding requirement of its major investee companies, which it may have to support. ICRA has also considered the market value of the quoted equity investments along with its portfolio of unlisted investments, which accord high financial flexibility. |

About the company

Tata Sons Private Limited, 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 the associated trademark. Charitable trusts owned ~65% of Tata Sons' shareholding, as on March 31, 2024. While income from dividends and profit generated on sale of investments constitute the principal revenue source for the company, there exist other sources of income for the company, such as royalty fees earned from Group companies for using the Tata brand. At present, Tata Sons' equity investments are spread across 10 business verticals, and include investments in flagship concerns like TCS, Tata Steel Limited, The Tata Power Company Limited, Tata Motors Limited, Tata Chemicals Limited, Titan Company Limited and Tata Consumer Products Limited, among others.

Key financial indicators

| Tata Sons Private Limited - Standalone | FY2023 Audited | FY2024 Audited |
|--|----------------|----------------|
| Operating Income (Rs. crore) | 34,896.8 | 43,746.9 |
| PAT (Rs. crore) | 22,132.4 | 34,654.0 |
| OPBDIT/OI (%) | 96.1% | 97.1% |
| PAT/OI (%) | 63.4% | 79.2% |
| Total Outside Liabilities/Tangible Net Worth (times) | 0.5 | 0.2 |
| Total Debt/OPBDIT (times) | 0.7 | 0.0 |
| Interest Coverage (times) | 15.8 | 28.7 |

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: Tata Sons, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | | | | | |
|-------------------------------------|-------------------------|--------------------------|--|---|-------------------------------|-----------|-------------------------------|-----------|-------------------------------|-----------|--------------------|
| | Type | Amount Rated (Rs. crore) | February 25, 2025 | FY2024 | | FY2023 | | FY2022 | | | |
| | | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Bank Guarantee | Long Term / Short Term | 1,200.0 | [ICRA]AAA (Stable)/ [ICRA]A1+ | 29-Feb-24 | [ICRA]AAA (Stable)/ [ICRA]A1+ | 15-Feb-23 | [ICRA]AAA (Stable)/ [ICRA]A1+ | 29-Mar-22 | [ICRA]AAA (Stable)/ [ICRA]A1+ | 30-Sep-21 | - |
| Non-convertible Debenture Programme | Long-Term | 6,460.4* | [ICRA]AAA (Stable); reaffirmed and withdrawn | 29-Feb-24 | [ICRA]AAA (Stable) | 15-Feb-23 | [ICRA]AAA (Stable) | 29-Mar-22 | [ICRA]AAA (Stable) | 30-Sep-21 | [ICRA]AAA (Stable) |
| Commercial Paper Programme | Short-Term | 13,500.0* | [ICRA]A1+; reaffirmed and withdrawn | 29-Feb-24 | [ICRA]A1+ | 15-Feb-23 | [ICRA]A1+ | 29-Mar-22 | [ICRA]A1+ | 30-Sep-21 | [ICRA]A1+ |

Source: Company; *rating has been withdrawn

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|--|----------------------|
| Long Term/Short-Term – 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-1: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (RS Crore) | Current Rating and Outlook |
|--------------|----------------------------|------------------|-------------|------------|-------------------------|----------------------------------|
| INE895D07354 | NCD | 27-Nov-12 | 9.40% | 27-Nov-27 | 70.0 | [ICRA]AAA (Stable); withdrawn |
| INE895D07446 | NCD | 20-Mar-14 | 9.90% | 20-Mar-24 | 240.0 | [ICRA]AAA (Stable); withdrawn |
| INE895D07453 | NCD | 2-Jun-14 | 9.44% | 2-Jun-24 | 140.2 | [ICRA]AAA (Stable); withdrawn |
| INE895D07487 | NCD | 19-Jun-14 | 9.30% | 19-Jun-24 | 390.0 | [ICRA]AAA (Stable); withdrawn |
| INE895D07495 | NCD | 22-Jan-15 | 8.50% | 22-Jan-25 | 85.0 | [ICRA]AAA (Stable); withdrawn |
| INE895D08618 | NCD | 5-Aug-16 | 8.08% | 5-Aug-26 | 10.0 | [ICRA]AAA (Stable); withdrawn |
| INE895D08642 | NCD | 2-Sep-16 | 8.04% | 2-Sep-26 | 5.0 | [ICRA]AAA (Stable); withdrawn |
| NA* | NCD | - | - | - | 5,520.2* | [ICRA]AAA (Stable); withdrawn |
| NA* | Commercial Paper Programme | NA | NA | 7-364 days | 13,500.0* | [ICRA]A1+; withdrawn |
| NA | Bank Guarantee | NA | NA | NA | 1,200.0 | [ICRA]AAA (Stable)/ [ICRA]A1+ |

Source: Company; *not yet issued

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

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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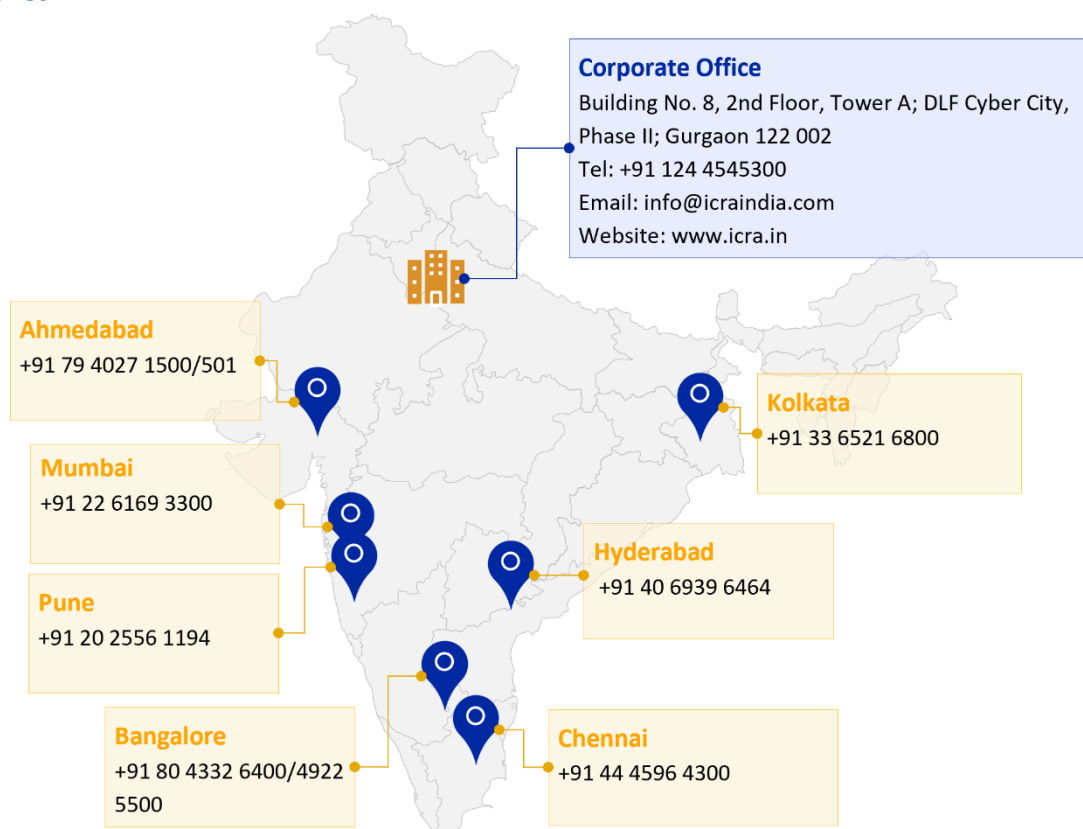


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