

May 13, 2024

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 | 2.09 | 2.09 | [ICRA]A (Stable); reaffirmed |
| Long Term – Proposed Non-Fund Based Limits | 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 Tata Community Initiatives Trust's (TCIT) strong brand for being a 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 is 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 FY2023 and 11M FY2024, more than 50% 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. Tata Consultancy Services Limited (TCS) is its technology partner.

Besides skill-building initiatives through its own centres, TCIT collaborates with other organisations, including Government institutions such as Industrial Training Institutes (ITIs), for a wider reach. In cases where it receives monetary grants from such institutions, TCIT is required to furnish performance bank guarantees (BGs) to ensure that the programmes will be executed as per the contracted terms. TCIT has been sanctioned Government grants worth 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) along with Rs. 0.86-crore and Rs. 1.23-crore BGs, respectively.

ICRA notes that 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, but 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. As per the management, to mitigate this risk, TCIT has its own performance systems and continuous monitoring is done to maintain quality execution. Moreover, TCIT enjoys strong financial support from Tata Trusts, along with healthy free cash on books, which would aid in case of BG invocation, if needed. The Government has not yet levied any penalty. ICRA notes that the company has applied to opt out of the DDUGKY project and is awaiting project closure letter from Maharashtra State Rural Livelihood Mission, given the operational constraints attached with the project. TCIT has already refunded the amount received for this project along with interest. However, there were no penal charges and BG invocation issue for the DDUGKY project. The other project under OSDA has been running well, with the trust receiving additional work under skill development. The trust has also got donations from several new corporates in the last one year related to skill development (both technical as well as soft skills). ICRA also notes that the Trust's operating margins and net margins have remained volatile over the years as its revenue is recognised as and when grant is received and expenses for the same may be apportioned over the forthcoming years. The trust reported

operating profits in FY2023 as the donations received were higher than the expenses. 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 donation 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 it is a 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 brand strength of TCIT for being a part of Tata Trusts, with Tata Sons as the settlor. The rating also considers 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 FY2023 and 11M FY2024, it received more than 50% of the donations from the Tata Group of Companies.

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 balance of Rs. 17.0 crore as of February 29, 2024. The Trust only has non-fund-based limits and does not avail any external loan facility. Besides, TCIT does not have any major capital expenditure (capex) plan.

Credit challenges

Exposed to concentration risk as the trust receives 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 the financial profile of such donor entities. Besides, the overall concentration risk remains high as more than 50% of its donations came from the Tata Group over the last five years. Thus, TCIT's financials might also be impacted by any substantial reduction in the CSR donations routed by the 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 contribution of donations from the Tata Group coming down to 53% at present from 95% in FY2019.

Liquidity position: Strong

TCIT had cash and equivalent of ~Rs. 17.0 crore as of February 29, 2024, primarily comprising the unspent amount of donations received and nil debt repayment obligation. The liquidity profile of TCIT is further strengthened by its status of being a 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 – Initiation of a penal action before the invocation of bank guarantees will be a negative rating trigger.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Parent / Group: Tata Trusts ICRA expects 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 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). 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 has been identified to address national challenges by leveraging the experience and expertise of the companies. 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)

| | FY2022 | FY2023 |
|--|--------|--------|
| Operating income | 40.9 | 50.6 |
| PAT | -14.6 | -0.6 |
| OPBDIT/OI | -34.6% | 1.1% |
| PAT/OI | -35.6% | -1.3% |
| Total outside liabilities/Tangible net worth (times) | 0.1 | 0.2 |
| Total debt/OPBDIT (times) | 0.0 | 0.0 |
| Interest coverage (times) | - | - |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | |
|---|-----------|--------------------------|---|-------------------------|---|-------------------------|-------------------------|--|
| | | Amount rated (Rs. crore) | Amount outstanding as of May 07, 2024 (Rs. crore) | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | |
| | | | | May 13, 2024 | | | | |
| 1 Non-fund Based Facilities | Long-term | 2.09 | -- | [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) | [ICRA]A (Stable) | |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|--|----------------------|
| Long-term - Non-fund Based Facilities | Veey 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

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