



Company Name	: TATA INVESTMENT CORPORATION
BSE Code	: 501301
Time Duration	: 1 year
CMP	: ₹822 (as on 10 May., 2018)
Target Price	: ₹1030

The Value Pick for the month of May is Tata Investment Corporation Limited. The company is one of the oldest incorporated company of the Tata Group. The promoters' holdings account for 73.01% of the total stake, out of which 68.1% stake is owned by Tata Sons Ltd.

As the company is an investment vehicle, it does not have any fixed assets or debts. Thus, the company does not have to bear any depreciation and interest costs. Also, its operating costs are very minimal, which enables it to generate EBITDA margin of around 90%. It has maintained the PAT margin in the range of 75-80% over the years. This company can never generate losses as its main income is generated through dividend and interest income. It has investments in companies which are generous in paying dividends to the shareholders. Investing in TICI is like buying a mutual fund giving qualitative and quantitative returns which are greater than the index.

Business model and income source

The company's business model is that of a holding company which acts as a pure investment vehicle. Currently, it owns stake in 106 companies, 16 debentures, 2 government securities, 4 mutual funds and 5 other funds, including REIT. Of the total investment made, 85% is invested into listed equities, 5% into unlisted equities, 2% into mutual funds and 8% in bonds and others. The company's main source of income is through dividend and profit on sale of investments.

Over the years, TICI has been investing in companies which have combination of value and growth. The ideal investment bet for TICI is any company which exhibits growth characteristics, has efficient and reliable management, performing well within its industry and is trading at fair valuations. Thus, the company invests only in those companies which have strong positive outlook from long term perspective. However, with the introduction of the LTCG (long term capital gain) tax, the company is expected to sell some of its highly profitable investments which will trigger its topline in FY19 and thereafter.

Diversified portfolio

The company owns stocks across sectors and offers a balanced

exposure. Its diversified portfolio includes quoted and unquoted securities of companies that belong to Tata Group and other such well-known companies. TICI has invested across 20 sectors and has investment in Tata Motors, Tata Steel, Indian Hotels, Tata Chemicals, Tata Global, TCS of the Tata Group. In the banking sector, it has investments in ICICI Bank, Axis Bank, HDFC Bank and other such banks. In the cement sector, it has invested in Ultratech Cement. In the transmission sector, it has invested in companies like BHEL and L&T. From the FMCG sector, it has made investments in Pidilite, Asian Paints, ITC, etc. It has investments in LIC Housing Finance and GIC and PVR Cinemas. In the healthcare sector, it has investments in Sun Pharma and Cadila. In the IT sector it has invested in Infosys, Wipro and Tech Mahindra. It has also invested into top auto companies like Maruti, Bosch, M&M, Escorts, Bajaj Auto. It also has stake in companies like ONGC and Reliance Industries.

Under the unquoted securities, TICI has investments made in Tata AMC, Tata Capital, NSE, Amalgamated Plantations and many more. Also, it has investments in mutual funds and government bonds.

Steady growth in NAV

On a standalone basis, for FY16 and FY17, the company's book value of total investments stood at Rs 2,197 crore and Rs 2,420 crore, respectively. The market value of the said investments of FY16 and FY17 was Rs 6,658 crore and Rs 8,419 crore. In FY18, the book value of the investments increased to Rs 2,521 crore. The Net Asset Value (NAV) at end of FY17 was Rs 1530 which rose to Rs 1850 at end of FY18. Over the last 15 years, the company's 'value created' that includes realisable value of investments, the net current assets and shareholders funds, has grown at a CAGR of 20.46%. The company's latest market cap is Rs 4,725 crore. Thus, it is available at ~55% discount to NAV.

High dividend paying company

Since 2000, the company has been regularly paying dividends to its shareholders. Over the last 15 years, the aggregate dividend paid amounted to Rs 1044 crore. For FY12, it paid final dividend of Rs 16 per share and an additional dividend of Rs 5 per share

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as Platinum Jubilee dividend. For FY13, it paid dividend of Rs 16 per share. For FY14-17, the company consistently paid dividend of Rs 17 per share per year.

For FY18, the company's board of directors has approved dividend of Rs 20 per share. Also, it has approved to pay special dividend of Rs 2 per share. Thus, the company has maintained healthy dividend pay-out ratio of 48.44%. Taking the current market price and five years' average dividend, the dividend yield works out to 2.1%.

Valuation

The company is trading at TTM P/E of 19.8x with TTM EPS of Rs 43.10. Its TTM P/B is 1.83x which is lowest among its peers. Considering its diversified investment strategy, high dividend yield, growing NAV on a YoY basis and attractive valuations, we see a potential upside of 25% with target price of Rs 1,030. We urge investors to make investment in tranches and keep accumulating on dips.



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Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Total Revenue	309.77	272.25	252.95	233.77	225.52
Total Expenditure	26.79	32.06	18.62	17.73	17.73
PBIDT	282.98	240.18	234.33	216.03	207.79
PAT	237.49	202.38	202.61	186.51	178.68
Dividend %	200.00	180.00	170.00	170.00	170.00
Adj. EPS(Rs)	43.11	36.73	36.77	33.85	32.43

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201803	201712	Q on Q Var%	201703	Y on Y Var%
Total Revenue	58.34	47.02	24.07	35.83	62.82
Total Expenditure	5.56	3.46	60.70	17.77	-68.71
PBIDT (Excl OI)	14.17	14.45	-1.94	7.07	100.48
PAT	42.08	34.45	22.15	16.12	161.00
PBIDTM% (Excl OI)	71.81	80.67	-10.98	28.45	152.41
PBIDTM%	267.59	243.22	10.02	72.74	267.87
PATM%	213.28	192.37	10.87	64.91	228.58
Adj. EPS(Rs)	7.64	6.25	22.24	2.93	160.75

