



TATA INVESTMENT CORPORATION LIMITED

71st Annual Report
2007-2008

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TATA INVESTMENT CORPORATION LIMITED

Seventy-first annual report 2007-2008

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BOARD OF DIRECTORS :

Mr. N.A. Soonawala (*Chairman*)
 Mr. A.B.K. Dubash
 Mr. K.N. Suntook
 Mr. M. J. Kotwal (*Executive Director & Secretary*)
 Mr. N. N. Tata
 Mr. K. A. Chaukar
 Mr. F. N. Subedar
 Mr. H. N. Sinor

Registered Office :

Ewart House,
 Homi Mody Street,
 Mumbai 400 001.
 (Tel: 66658282 – Fax: 22652629)
 e-mail: ticl@tata.com

Bankers :

Bank of India
 Catholic Syrian Bank
 Central Bank of India
 Citibank N.A.
 HDFC Bank Ltd.
 Hatton National Bank Ltd., Colombo
 ICICI Bank Ltd.
 Standard Chartered Bank
 The Hongkong and Shanghai Banking Corporation Ltd.

Auditors :

Messrs A.F. Ferguson & Co.
 Chartered Accountants.

Solicitors :

Messrs Mulla & Mulla and Craigie, Blunt & Caroe

Registrars & Share Transfer Agents :

TSR Darashaw Limited
 (Tel. 66568484 Fax: 66568494)
 e-mail: csg-unit@tsrdarashaw.com

Annual General Meeting on Tuesday, the 15th day of July, 2008 at Bombay House Auditorium at 3.30 p.m.

No hand bags/parcels of any kind will be allowed inside the Auditorium. The same will have to be deposited outside the Auditorium on the counter provided, at the visitor's own risk.

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NOTICE

THE SEVENTY-FIRST ANNUAL GENERAL MEETING OF TATA INVESTMENT CORPORATION LIMITED will be held at Bombay House Auditorium, Homi Mody Street, Mumbai 400 001, on Tuesday, the 15th day of July, 2008, at 3.30 p.m. to transact the following business :-

1. To receive and adopt the Directors' Report, the Audited Profit and Loss Account and the Cash Flow statement for the year ended 31st March, 2008; and the Balance Sheet as at that date.

2. To declare a dividend on Ordinary Shares.

3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. K.A. Chaukar, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, be and is hereby re-appointed a Director of the Company."

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. F.N. Subedar, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, be and is hereby re-appointed a Director of the Company."

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the Company be increased from Rs.50,00,00,000 divided into 5,00,00,000 Ordinary Shares of Rs.10 each to Rs.60,00,00,000 divided into 6,00,00,000 Ordinary Shares of Rs.10 each by creation of 1,00,00,000 Ordinary Shares of Rs.10 each and that Clause V of the Memorandum of Association of the Company be altered accordingly."

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :-

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, Article 6 of the Articles of Association of the Company be substituted by the following Article :

'6. The present authorised capital of the Company is Rs.60,00,00,000 divided into 6,00,00,000 Ordinary Shares of Rs.10 each with power to increase the capital from time to time."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells, Mumbai, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring auditors, Messrs A.F. Ferguson & Co., Chartered Accountants to examine and audit the accounts of the Company for the financial year 2008-2009, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service charges and other out-of-pocket expenses incurred in the performance of their duties."

NOTES :

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business under Item Nos. 5 to 7 set out above are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) The Register of Members and the Transfer Books of the Company will remain closed from Tuesday, 1st July, 2008 to Tuesday, 15th July, 2008, both days inclusive.

- d) Dividend, if declared, will be paid on or after 16th July, 2008, to those members whose names appear on the Company's Register of Members on 15th July, 2008. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 1st July, 2008 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Ltd.
- e) Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
- f) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
- g) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1997 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No.II to the Registrar of Companies, Central Government Office Bldg., 'A' Wing, 2nd floor, Next to Reserve Bank of India, CBD Belapur 400 614.

Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2001 onwards, are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed final dividend for the financial year ended 31st March, 2001 is due for transfer to the Fund on or before 15th August, 2008.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL
Executive Director & Secretary.

Mumbai, 16th May, 2008

Registered Office :
Ewart House
Homi Mody Street
Mumbai 400 001.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the special business mentioned in Item Nos. 5 to 7 of the accompanying Notice dated 16th May, 2008.

Item Nos. 5 & 6 : In order to facilitate the increase in capital arising out of the Zero Coupon Convertible Bonds, the Authorised Capital of the Company is being increased from Rs.50,00,00,000 divided into 5,00,00,000 Ordinary Shares of Rs.10 each to Rs.60,00,00,000 divided into 6,00,00,000 Ordinary Shares of Rs.10 each as indicated in the Resolution at Item Nos. 5 & 6 of the Notice. Consequently, Clause V of the Memorandum of Association and Article 6 of the Articles of Association of the Company are proposed to be altered.

A copy of the Memorandum & Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

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Item No. 7 : The Company's Statutory Accounts have been audited by Messrs A.F. Ferguson & Co. (AFF) since its incorporation.

AFF have, vide their letter dated 9th May, 2008, stated that they do not wish to seek re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of Deloitte Haskins & Sells (DHS) as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. DHS is an Indian firm of Chartered Accountants in which some partners of AFF are also partners. DHS have expressed its willingness to act as Auditors of the Company, if appointed and have confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

In view of the above and based on the recommendations of the Audit Committee, the Board of Directors have, at its meeting held on 16th May, 2008, proposed the appointment of DHS as the Statutory Auditors for the Financial Year 2008-2009 in place of AFF.

Members' approval is being sought to the appointment of DHS as the Statutory Auditors and to authorise the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Directors commend the resolution for acceptance by the Members.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL
Executive Director & Secretary.

Mumbai, 16th May, 2008

Registered Office :
Ewart House
Homi Mody Street
Mumbai 400 001.

**Details of the Directors seeking re-appointment at the
forthcoming Annual General Meeting -
Clause 49(1)(A) of the Listing Agreement**

Name of the Director	Mr. K.A. Chaukar	Mr. F.N. Subedar
Date of Birth	01.08.1947	24.09.1955
Date of Appointment	09.06.2004	11.03.2005
Expertise in specific functional areas	Investment and Finance	Taxation, Accounts and Finance
Qualifications	B.A (Eco), PGDBA, DEA – Rural Economics	B.Com., A.C.A., A.C.S.
No. of Shares held in the Company	Nil Ordinary Shares	1467 Ordinary Shares
Directorships held in other companies (excluding private and foreign cos.)	Tata Industries Ltd. (Mg. Director) Tata Advanced Materials Ltd. Tata Teleservices Ltd. Tata Autocomp Systems Ltd. Tata Communications Ltd. IDFC Private Equity Company Ltd. Tata Business Support Services Ltd. (Chairman) Tata Petrodyne Ltd. TSR Darashaw Ltd. (Chairman) Advinus Therapeutics Pvt. Ltd. Praj Industries Ltd. Tata Communications International Pte Ltd. Tata Industrial Services Ltd.	Tata Services Ltd. Tata Capital Ltd. Ewart Investments Ltd. Panatone Finvest Ltd. TCE Consulting Engineers Ltd. Global Information Services Ltd. THDC Ltd. Tata International Ltd. Tata Petrodyne Ltd. Tata Sky Ltd. Tata Realty & Infrastructure Ltd. Mc-Graw Hill Education (India) Pvt. Ltd. Zoroastrian Investment Corporation Pvt. Ltd.
Position held in mandatory committees of other companies	Tata Autocomp Systems Ltd. (Member: Audit Committee) Tata Teleservices Ltd. (Member: Audit Committee) Tata Communications Ltd. (Chairman: Shareholders/Investor Grievance Committee) (Member: Remuneration Committee) Tata Business Support Services Ltd. (Chairman : Audit Committee) (Member : Remuneration Committee) Tata Communications International Pte. Ltd. (Member: Audit Committee)	Tata Services Ltd. (Member : Audit Committee) (Member : Remuneration Committee) TCE Consulting Engineers Ltd. (Member : Audit Committee) Tata International Ltd. (Member : Audit Committee) (Member : Investment Committee) THDC Ltd. (Member : Audit Committee) (Member : Committee of Directors) Tata Petrodyne Ltd. (Member : Audit Committee)

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DIRECTORS' REPORT

TO

THE MEMBERS,

The Directors present their Seventy-first Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2008.

2. FINANCIAL RESULTS :

	Rupees (in crores)	Previous Year Rupees (in crores)
Total Income	210.08	204.12
Profit before tax	202.31	197.74
Less: Provision for tax	16.46	15.29
Amount transferred from Deferred Tax Asset	—	- 0.80
Profit after tax	185.85	181.65
Balance brought forward from the previous year	70.11	60.27
Amount available for appropriation	255.96	241.92
The Directors have made the following appropriations -		
Proposed dividend on Ordinary Shares @ 150%	51.69	51.69
Tax on dividends	8.78	8.78
Reserve Fund	37.18	36.33
General Reserve	75.00	75.00
	172.65	171.80
leaving a balance to be carried forward of	83.31	70.12

3. OPERATIONS :

The total income of the Company during the year increased to Rs.210 crores against Rs.204 crores in the previous financial year. The total expenditure during the year was Rs.7.76 crores against Rs.6.38 crores in the previous year. The increase is due to provision of certain employee costs in accordance with the revised Accounting Standard, and increase in other expenses.

The profit before tax increased from Rs.197.74 crores in the previous year to Rs.202.31 crores for the year under review and the profit after tax for the year under review increased to Rs.185.85 crores as against Rs.181.65 crores in the previous year.

The basic earnings per share (EPS) computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India was Rs.53.93 per share as against Rs.52.71 per share for the previous year.

Considering the volatility in the financial and stock markets during the year under review, the Directors trust that the shareholders will find the performance of the Company for the financial year 2007-2008 to be satisfactory.

4. DIVIDEND :

Your Directors are pleased to recommend a dividend of Rs.15 per share i.e. 150% for the year 2007-2008 (previous year 130% plus 20% special dividend). The total dividend payout (including dividend tax) would be about 33% of the profit after tax.

5. INVESTMENT PORTFOLIO :

A summarised position of the Company's portfolio of investments is given below :-

	31.03.2008 Rupees (in crores)	As on 31.03.2007 Rupees (in crores)
QUOTED INVESTMENTS (Long Term and Current) -		
Book value (net of provision for diminution)	521.40	387.06
Market value	2411.24	1843.47
UNQUOTED INVESTMENTS (including Mutual Funds and application money)-		
Book value (net of provision for diminution)	366.79	366.53
Estimated value (previous year taken at book value - please see para below)	654.48	366.53
TOTAL PORTFOLIO		
Total book value of all investments (net of provision for diminution)	888.19	753.59
Total of market value of quoted investments and estimated value of unquoted investments (subject to tax as applicable) (previous year's figure for unquoted investments taken at book value - please see para below)	3065.72	2210.00
TOTAL NUMBER OF COMPANIES (excluding mutual funds)	184	229

In the past, the NAV of the Company's share was computed on the basis of the market values of listed investments and the book values of unlisted investments. However, this year, an attempt has been made to determine the fair value of the unlisted investments to the extent possible, based on the last available data of such investments. The amounts invested in Mutual Funds (Rs.247.60 crores) on 31st March, 2008 (which is included in this category of unlisted investments) have been valued at their respective net asset values, most of the other large investments in unlisted companies have been taken on the basis of independent valuations and the balance shares which represent a relatively small portion have been taken on the basis of their respective book values. Accordingly, the NAV of the Company's share on 31st March, 2008, works out to Rs.805 per share, based on the market values of the listed investments and the fair values of the unlisted investments, subject to the limitations mentioned above, after deducting tax as applicable. On the earlier method of computation, the NAV on 31st March, 2008 would have worked out to Rs. 730 (Previous year Rs. 588).

In accordance with the relevant Accounting Practice, an amount of Rs.42.24 lacs being the provision for diminution in value of investments made earlier, now no longer required, has been written back to the Securities Premium Account.

The Directors confirm that most of the investments held by the Company are long term investments and would normally be held for more than one year from the date of acquisition, unless otherwise decided in specific cases. A small part (about 4% of the book value on 31st March, 2008) of the portfolio is in the category of 'Current Investments' which, for accounting and other purposes, are so classified at the time of making such investments and are indicated separately in the list of investments shown in the relevant schedule in the Balance Sheet.

The Board has been considering from time to time diversification of its investment portfolio in other areas such as real estate funds and making block investments in unlisted companies. Accordingly, for a start, the Company has made an investment in two Real Estate Funds from which, by their very nature, the Company can only expect returns over a period of time. In the case of unlisted investments, certain proposals are under active consideration.

6. MANAGEMENT DISCUSSION & ANALYSIS :

The financial year 2007-08 witnessed a continuation of the 'bull run' on the Indian Stock Exchange for the fifth year in succession. The BSE Sensex increased by about 25% from the start to the end of the year – but this figure does not reflect the large fluctuations in the intervening months. Such wide fluctuations have become very frequent particularly in the last two/three years; for example, in early January 2008, the BSE Sensex reached an all-time peak of 21207, showing an increase of 47% since April 2007 and then declined sharply by 36% to touch 15644 in March, 2008. The year 2007-08 therefore had a record of some of the largest daily increases and also the largest daily declines in the history of the BSE. This level of volatility is not conducive to orderly growth in the market and is particularly difficult for long-term investors like our Company which does not undertake frequent trading in shares.

While the changes in the BSE Sensex reflects the variations in the prices of the large companies included in that index, there were many occasions when the fluctuations in the other shares were even more dramatic in both directions which is not adequately noticed. For example, data compiled by some reputable research houses reveal that even after the recent boom years, around 55% of the number of shares were trading in March 2008 below their levels two years ago.

As in the past four years, the markets reacted favourably to the major positive factors in the Indian economy, namely the continuing high GDP growth rate of over 8%, sustained improvement in corporate quarterly earnings in 2007 and, importantly, the continuing inflow of large funds from Foreign Institutional Investors (FIIs). The FII inflow into equity markets during 2007-08 was about \$ 13 billion, which thus increased their total investment in our equity markets to over \$ 60 billion (i.e. Rs.2,40,000 crores). As we have said in our earlier reports, this is not an unmixed blessing because of the consequences of any large outflows from such investors for their own valid reasons which may have nothing to do with the Indian environment. Sure enough, when there was a major disturbance in the international financial world in the last quarter of 2007, there was an inevitable effect – though a little delayed – on our stock markets when some foreign funds were withdrawn and new investment was not forthcoming to the same extent. The drastic decline in our stock market in January 2008 was certainly related to these developments abroad and continues to keep our stock market subdued. Fortunately, there has been a healthy growth in inflows into the domestic Mutual Funds where the total assets under management are now reported to have reached a level of about Rs.5,00,000 crores, of which about Rs.1,50,000 crores are estimated to be in equity Mutual Funds. Another favourable development is the substantial increase in Foreign Direct Investment in the last two years which will directly contribute to the overall growth of the economy. It is also heartening to observe the large investment being made (and planned) in the infrastructure sector.

A fairly large amount of funds – both domestic and foreign – are now being invested in the real estate sector and this is having a similar effect on real estate values as the large fund inflows have had on our stock markets. Here too, this needs to be viewed with some caution as too much money is being invested too fast and while real estate values have inevitably shot up, it is to be seen whether the pent-up demand for such high value properties will keep pace with the supply. On the other hand, there is a huge demand for affordable real estate and it is this segment that needs to be addressed.

Shareholders are aware of the drastic change in the international financial situation since the last quarter of 2007 and the causes – and consequences – of these developments have been more than adequately analysed in the foreign and domestic media, and do not need further elaboration. Suffice it to say that, though the origin of these serious events was mainly in the U.S.A. with subsequent similar developments in many other countries, it was inevitable that our country would also feel some ripple effects. It is also not surprising that the most notable effect was on our stock market which, to a fair extent, have come to depend on foreign fund flows which were naturally affected by the financial developments in their home countries. Apart from this major development, we cannot be immune from other major negative factors such as the very sharp and continuous increase in fuel prices and other major raw material prices, the high rate of inflation resulting from high food and commodity prices, the relatively high domestic rates of interest, etc.

In this scenario, it would be naïve to believe that in the current financial year 2008-09 there would be no adverse effect on the overall growth rate and that of various sectors of the economy. The corporate sector too cannot be immune to these factors and we should be prepared to see a moderation in the growth of corporate profits arising from pressure of rising costs on their margins. However, having

seen three/four years of exceptionally high growth in the corporate sector, a moderation in growth and profits would still provide satisfactory results and one should not over-react to such a situation.

The performance of our Company during 2007-08 has to be viewed in the context of the above mentioned factors. The Company has maintained its track record of profits even though the growth from Rs.182 crores to Rs.186 crores was only marginal. The reduction in the total dividend income was mainly due to a shift in the investments in Mutual Funds from 'dividend' schemes to 'growth' schemes with the latter being accounted as capital gains, and also because of payment of interim dividends by many companies in the latter half of the previous accounting year, to avail of certain tax benefits. The higher level of the profit on sale of investments was partly due to this factor and partly due to the fact that a major part of the sales were effected before the substantial decline in share prices in January, 2008.

As will be seen from the statement given earlier in this Report, the book value of the Company's investments increased from Rs.754 crores to Rs.888 crores during 2007-08 and the market value of the listed investments showed an increase of 31% during the year compared to the increase of 24% in the BSE-200 Index. The Company has also reduced the total number of investments from 229 to 184. The Directors have maintained a dividend of 150% on the Company's equity capital, though the previous year's dividend included a special dividend of 20%. Under the circumstances prevailing in 2007-08, the Directors hope that the shareholders would consider the financial results to be satisfactory.

7. PROPOSED RIGHTS ISSUE OF ZERO COUPON CONVERTIBLE BONDS :

Though the Company does have some surplus funds which are invested in Mutual Funds, these generate a good and steady income which is much higher than the low dividend yield on high-priced equity shares. Moreover, the Company has made some commitments for additional investments which, together with the dividend payment, will considerably reduce the surplus funds. As it is necessary in the interest of the long-term growth of the Company to increase the investment portfolio of the Company, your Board has announced a Rights Issue of Fully Convertible Bonds of about Rs.448 crores on reasonably attractive terms and which is structured in a way that the increase in the equity capital would be in stages so as to facilitate the servicing of such capital increases. The Directors hope that the shareholders will respond favourably to the proposed Rights Issue. The details of the issue have already been sent separately to the shareholders.

8. VOLUNTARY OPEN OFFER FOR SHARES BY TATA SONS LIMITED :

As the shareholders are aware, Tata Sons Ltd. (Tata Sons) the main promoter of the Company which, along with other Tata companies, held about 60.61% of the paid-up capital of the Company, made a public announcement on 15th September, 2007 for an Open Offer for acquisition of 28.39% of the equity shares of the Company at Rs.600 per share which represented a premium of 33% over the then prevailing market price of about Rs.450 per share. Thus, an opportunity was provided to the public shareholders of the Company to realise a higher value of the shares but at a more normal discount to the NAV prevalent at that time — as often suggested by the shareholders.

In the Public Announcement as well as in the Offer document, it had been clearly stated that it was the intention in future to increase the level of long term strategic and financial investments in Tata companies (both listed and unlisted) in the total portfolio of the Company. There could therefore be a change in the investment strategy of the Company over a period of time, which could have an impact on the realised profits of the Company. It was also stated that, there was no intention to change the Board of Directors of the Company (except in the ordinary course of business) nor to de-list the shares of the Company.

The Offer was first announced on 15th September, 2007 and on completion of the stipulated procedure, the Offer was open from 12th December, 2007 to 31st December, 2007. During this intervening period however, due to the exceptional buoyancy in the stock market, the market price of our shares increased well above the Offer price and, consequently only a very small number of shares were offered to and acquired by Tata Sons Ltd. under the Offer. As a result, the holding of Tata Sons Ltd. (along with other Tata companies) increased marginally from 60.61% to 60.64% of the paid-up capital of the Company.

Consequent upon a subsequent transfer of a block of shares inter-se between the promoters, the Company has become a subsidiary of Tata Sons Limited with effect from 13th February, 2008.