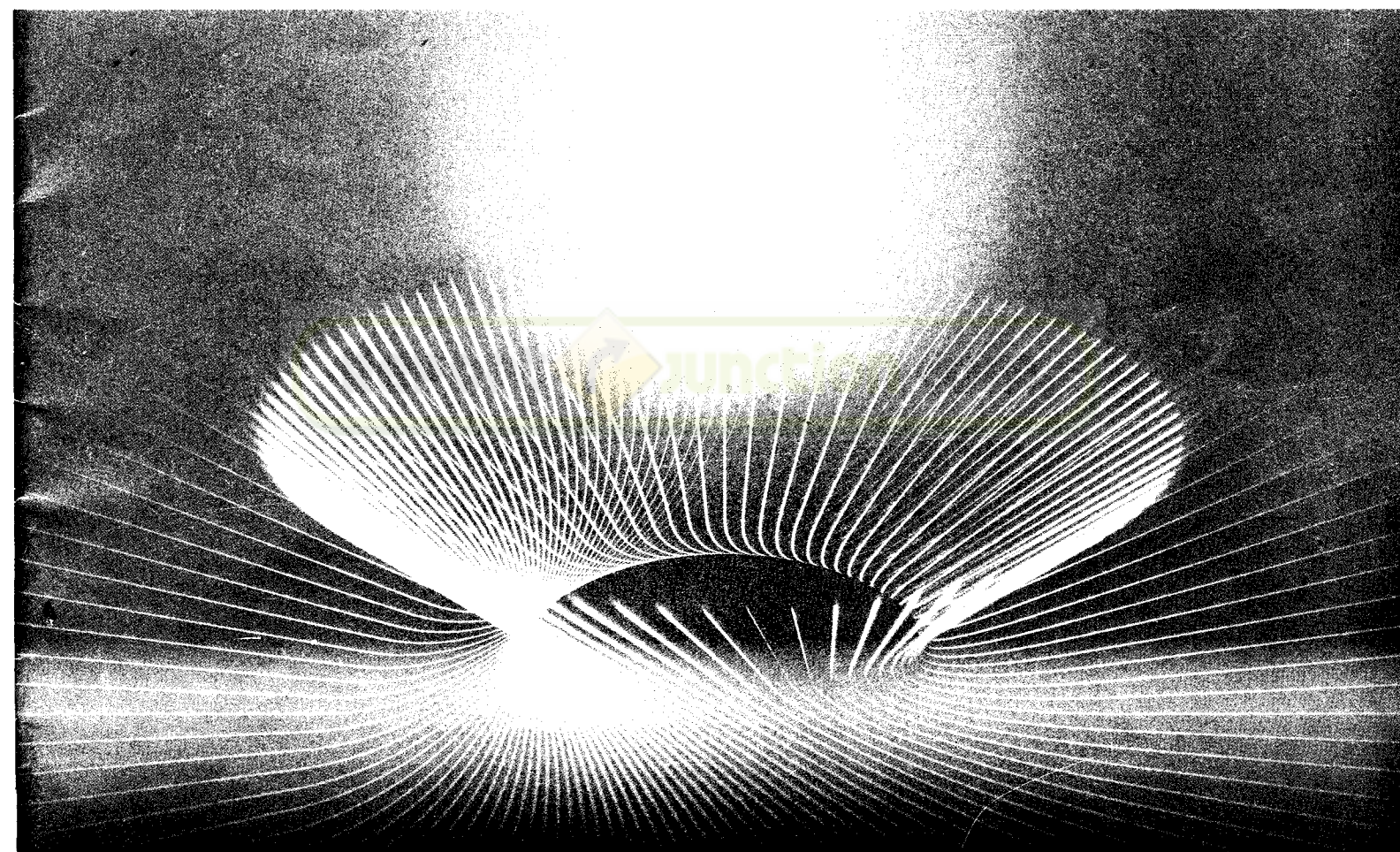




# **TATA INVESTMENT CORPORATION LIMITED**



**72<sup>nd</sup> ANNUAL REPORT**  
**2008 - 2009**

## TATA INVESTMENT CORPORATION LIMITED

Seventy-Second annual report 2008-2009

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Annual General Meeting on Wednesday, 8th July, 2009 at Homi J. H. Taleyerkhan 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.

**NOTICE**

THE SEVENTY-SECOND ANNUAL GENERAL MEETING OF TATA INVESTMENT CORPORATION LIMITED will be held at Homi J.H. Taleyarkhan Memorial Hall, Red Cross Office, 141, Shahid Bhagat Singh Road, Mumbai 400 001, on Wednesday, the 8th day of July, 2009, 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, 2009 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. A.B.K. Dubash, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, 1956, 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. H.N. Sinor, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, 1956, 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 Mr. P.P. Shah, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th July, 2008, pursuant to Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a member, under Section 257 of the Act, proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company."

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

**"RESOLVED** that Mr. A.N. Dalal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th July, 2008, pursuant to Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a member, under Section 257 of the Act, proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company."

7. To appoint Auditors and to fix their remuneration.

**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 and 6 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 Friday, 19th June, 2009 to Friday, 26th June, 2009, both days inclusive.
- d) Dividend, if declared, will be paid on or after 8th July, 2009, to those members whose names appear on the Company's Register of Members on 26th June, 2009. 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 Friday, 19th June, 2009 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, 1998 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, 2003 onwards, are requested to make their claims to the Company accordingly, without any delay.

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

**M.J. KOTWAL**  
**Executive Director & Secretary.**

Mumbai, 20th May, 2009

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 and 6 of the accompanying Notice dated 20th May, 2009.

**Item No. 5 :** Mr. P.P. Shah was appointed as an Additional Director of the Company on 19th June, 2008 and held office upto the last Annual General Meeting. He was again appointed as Additional Director with effect from 16th July, 2008, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company. Mr. Shah holds office upto the end of this Annual General Meeting.

Mr. Pradip Shah holds an MBA from Harvard Business School and is a qualified Cost Accountant. He was a founder Managing Director of the Credit Rating Information Services of India Ltd. (CRISIL), India's first and largest credit rating agency. Prior to founding CRISIL, Mr. Shah assisted in the setting up of Housing Development Finance Corporation Ltd. in 1977, before which he was a Project Officer at ICICI Ltd. Mr. Shah has also served as a consultant to USAID, the World Bank and the Asian Development Bank. Mr. Shah is presently the Chairman of IndAsia Fund Advisors Pvt. Ltd., a corporate finance and private equity advisory business, which he started in April 1998. He also helped establish the Indocean Fund in 1994 in association with affiliates of Chase Capital Partners and Soros Fund Management.

Mr. Shah is a Director on the Boards of many companies and a member of the various expert committees set up by the Government of India, Chambers of Commerce, Reserve Bank of India, etc.

It is therefore proposed to appoint Mr. P.P. Shah as a Director of the Company. The Company has received a Notice from a member under Section 257 of the Companies Act, 1956 signifying his intention of proposing Mr. Shah as a Director of the Company. The relevant particulars of Mr. Shah are given separately in this Notice.

**Item No. 6 :** Mr. A.N. Dalal was appointed as an Additional Director of the Company on 19th June, 2008 and held office upto the last Annual General Meeting. He was again appointed as Additional Director with effect from 16th July, 2008, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company. Mr. Dalal holds office upto the end of this Annual General Meeting.

Mr. Amit Dalal has obtained his MBA from the University of Massachusetts, USA. He is a member of the Bombay Stock Exchange and is the Managing Director of ANSec Ltd., one of the leading stock broking companies. He was formerly a partner of the erstwhile broking and merchant banking firm, Dhirajlal Maganlal & Sons. Mr. Dalal is also the Joint Managing Director of Kapsales Ltd. and a Director on the Boards of various companies and is associated with certain charitable institutions.

It is therefore proposed to appoint Mr. A.N. Dalal as a Director of the Company. The Company has received a Notice from a member under Section 257 of the Companies Act, 1956 signifying his intention of proposing Mr. Dalal as a Director of the Company. The relevant particulars of Mr. Dalal are given separately in this Notice.

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

**M.J. KOTWAL**  
**Executive Director & Secretary.**

Mumbai, 20th May, 2009

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	<b>Mr. A.B.K. Dubash</b>	<b>Mr. H.N. Sinor</b>	<b>Mr. P. P. Shah</b>	<b>Mr. A. N. Dalal</b>
Date of Birth	22.09.1943	05.12.1944	07.01.1953	31.01.1963
Date of Appointment	27.08.1984	01.04.2005	19.06.2008	19.06.2008
Expertise in specific functional areas	Business & Industry	Banking, Finance and Investments	Investments and Finance	Investments and Capital markets
Qualifications	Businessman	B.Com., LL.B.	M.B.A. (Harvard Business School)	M.B.A. (University of Massachusetts)
No. of Shares held in the Company	972 Ordinary Shares	Nil Ordinary Shares	Nil Ordinary Shares	Nil Ordinary Shares
Directorships held in other companies (excluding private and foreign cos.)		3i Infotech Ltd. ICICI Lombard General Insurance Co. Ltd. Themis Medicare Ltd. Tata Motors Finance Ltd. ICICI Venture Funds Management Co. Ltd. Tata Capital Ltd. CRISIL Ltd. ICICI Prudential Asset Management Co. Ltd. Sahara India Financial Corporation Ltd. Zoroastrian Co-operative Bank Ltd. Cosmo Films Ltd.	Asset Reconstruction Company (India) Ltd. BASF India Ltd. Godrej & Boyce Mfg. Ltd. Grindwell Norton Ltd. Kansai Nerolac Paints Ltd. Panasonic Energy India Co. Ltd. Pfizer Ltd. Patni Computer Systems Ltd. Shah Foods Ltd. Wartsila India Ltd. KSB Pumps Ltd. Sonata Software Ltd. Mukand Ltd. Wockhardt Hospitals Ltd.	HL Investment Co. Ltd. Manugraph India Ltd. Sutlej Textiles & Industries Ltd. The Phoenix Mills Ltd.

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Name of the Director	Mr. A.B.K. Dubash	Mr.H.N. Sinor	Mr. P.P. Shah	Mr. A.N. Dalal
Position held in mandatory committees of other companies		3i Infotech Ltd. (Chairman: Board Governance Committee) (Member: Nomination Committee) (Chairman: Shareholders' Grievance Committee) ICICI Lombard General Insurance Co. Ltd. (Member: Board Governance Committee) (Member: Audit Committee) Themis Medicare Ltd. (Chairman: Audit Committee) (Member: Remuneration Committee) ICICI Venture Funds Management Co. Ltd. (Member: Audit Committee) (Member: Compensation Committee) CRISIL Ltd. (Chairman: Audit Committee) Tata Capital Ltd. (Member: Nomination Committee) (Member: Remuneration Committee) (Member: Executive Committee) (Member: ALCO & Finance Committee) (Member: Investment Committee) Sahara India Financial Corporation Ltd. (Member: Audit Committee) Tata Motors Finance Ltd. (Chairman: Remuneration Committee) (Member: Asset Liability Committee) Zoroastrian Co-operative Bank Ltd. (Chairman: Credit Committee) (Chairman: Audit Committee) (Chairman: IT Committee) (Chairman: Business Development Committee)	Asset Reconstruction Co. (India) Ltd. (Member: Executive Committee) (Member: Security Receipts Investment Capital & Debt Raising) BASF India Ltd. (Member: Audit Committee) Kansai Nerolac Paints Ltd. (Chairman: Audit Committee) Panasonic Battery India Co. Ltd. (Member: Audit Committee) (Chairman: Remuneration Committee) Pfizer Ltd. (Member: Audit Committee) (Member: Shareholders' Grievance Committee) Patni Computer Systems Ltd. (Member: Audit Committee) Sonata Software Ltd. (Member: Audit Committee) Wartsila India Ltd. (Chairman: Audit Committee) Wockhardt Hospitals Ltd. (Chairman : Audit Committee)	Sutlej Textiles Ltd. (Member : Audit Committee) The Phoenix Mills Ltd. (Member : Audit Committee)

## DIRECTORS' REPORT

TO  
THE MEMBERS,

The Directors present their Seventy-second Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2009.

### 2. FINANCIAL RESULTS:

	Rupees (in crores)	Previous Year Rupees (in crores)
Total Income .....	213.44	210.07
Profit before tax .....	203.47	202.31
Less: Provision for tax .....	17.18	16.46
Profit after tax .....	186.29	185.85
Balance brought forward from the previous year .....	83.31	70.11
Amount available for appropriation .....	269.60	255.96
The Directors have made the following appropriations -		
Proposed dividend on Ordinary Shares @ Rs.15 per share .....	51.69	51.69
Tax on dividends .....	8.78	8.78
Reserve Fund .....	37.26	37.18
General Reserve .....	40.00	75.00
	137.73	172.65
leaving a balance to be carried forward of .....	131.87	83.31

### 3. OPERATIONS :

The total income of the Company during the year was Rs. 213.44 crores against Rs. 210 crores in the previous financial year. The increase in total income was mainly due to increase in dividend income and a substantial increase in interest income, though there was a decrease in profit on sale of investments due to the drastic fall in the stock markets during the latter half of the year under review. The total expenditure during the year was Rs. 9.97 crores against Rs. 7.78 crores in the previous year. The increase in expenditure is mainly due to provision for diminution in value of investments of Rs.1.84 crores debited to the Profit & Loss Account in accordance with the relevant Accounting Standard, and increase in certain other expenses.

The profit before tax for the year under review was marginally higher at Rs. 203.47 crores from Rs. 202.31 crores in the previous year and the same was the case of the profit after tax for the year under review at Rs. 186.29 crores compared to Rs. 185.85 crores in the previous year.

The basic and diluted earnings per share (EPS) computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India was Rs. 54.05 and Rs. 46.04 per share respectively as against Rs. 53.93 per share (basic & diluted) for the previous year.

Considering the generally difficult conditions in the stock markets during the year under review compared to the previous year and the lower level of growth in the economy, the Directors trust that the shareholders will find the performance of the Company for the financial year under review to be satisfactory.

### 4. DIVIDEND :

Your Directors are pleased to recommend a dividend of Rs.15 per share i.e. 150% for the year 2008-2009 (previous year - Rs.15 per share). The total dividend payout (including dividend tax) would be about 32.46% of the profit after tax.



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**5. INVESTMENT PORTFOLIO :**

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

	As on	
	31.03.2009	31.03.2008
	(Rs. in crores)	
<b>QUOTED INVESTMENTS</b> (Long Term and Current) -		
Book value (net of provision for diminution) .....	638.06	521.40
Market value .....	1296.55	2411.24
<b>UNQUOTED INVESTMENTS</b>		
(including Mutual Funds and application money) - .....		
Book value (net of provision for diminution) .....	581.16	366.79
Estimated value (please see para below) .....	869.72	654.48
<b>TOTAL PORTFOLIO</b>		
Total book value of all investments (net of provision for diminution) .....	1219.22	888.19
Total of market value of quoted investments and estimated value of unquoted investments (subject to tax as applicable) .....	2166.27	3065.72
<b>TOTAL NUMBER OF COMPANIES</b>		
(excluding mutual funds) .....	178	184

The Net Asset Value (NAV) of the Company's equity share, as computed by the management, was Rs.515 per share as on 31st March, 2009 (Rs.805 per share as on 31st March, 2008) on the basis of the market value of quoted investments, NAVs of unquoted mutual funds, most of the other large equity investments in unlisted companies taken on the basis of the last available independent valuations computed on the balance sheets available as at 31st March, 2008, and the relatively small balance of unquoted investments taken at respective book values, less applicable tax on the total notional appreciation.

In accordance with the Accounting Standard, a provision for diminution in value of investments of Rs.1.84 crores (including Rs.1.17 crores for 'current investments') has been debited to the Profit & Loss Account and a provision for diminution in value of long term investments of Rs.21.86 crores, has been made in the Securities Premium Account. Members attention is invited to Note 2 to the Notes to Account.

The Directors confirm that all the investments held by the Company, except those held as 'current investments', 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. Investment in the category of 'Current Investments' which, for accounting and other purposes, is so classified at the time of making the investment and is indicated separately in the list of investments shown in the relevant schedule in the Balance Sheet.

**6. MANAGEMENT DISCUSSION & ANALYSIS :**

Shareholders are aware of the major shocks in the international financial markets since the last quarter of 2007 which have been widely analysed – in hindsight – by many experts and therefore do not need further elaboration. The unique characteristic of this financial crisis is that it was truly global and affected almost all countries. This caused one of the most severe bear markets across the world including India. It was not only a bear market in equities but also in commodities (except gold) and real estate and such a bear market across asset classes was quite unprecedented. In turn, the situation required government intervention on a massive scale to rescue the banking and financial markets and resorting to drastic monetary action around the world. An event which started from the 'sub-prime housing mortgage area' in the U.S. blew up and exposed the highly leveraged financial system in all its diverse activities across the globe and rocked many of the largest and long-established banking and financial institutions to their very core. The cleansing process does not seem to be over and it is generally believed that it will take some more time to play itself out.

India was not immune to some of the effects of the global crisis. After nearly five years of a continuous 'bull run' on the Indian Stock Exchange, the financial year 2008-2009 witnessed a major decline. The BSE Sensex which had reached a peak of 21,200 in January, 2008 had declined by 36% to 15,644 in the beginning of April 2008 and plunged to a low of 7,697 in October 2008 i.e. a decline of 64% from the peak and a decline of 38% from the beginning to the end of the financial year 2008-2009.

In our reports over the last two years, we had been cautioning about the rapid rise in our stock market prices and particularly on the possible adverse effects of the withdrawal of funds by the Foreign Institutional Investors (FIIs) from the Indian stock market. It is relevant to note that after the large inflows of FII funds over the last few years had reached a peak level of around \$ 68 billion in 2007-2008, their withdrawals to the extent of about \$ 10 billion (i.e. only 15% of their total investments) in 2008-2009 was one of the major causes for the virtual collapse in prices of shares. We had also stated in the past that such withdrawals could take place for reasons which were not related to the situation in our country but could arise out of developments abroad affecting the FIIs – which is indeed what happened. Another sector which we had cautioned on in our last report was the similar explosion in real estate values arising from large fund inflows into that sector. The subsequent decline in real estate prices and the even greater fall in the share prices in this sector during the latter part of 2008 has confirmed our views and it is not clear whether this declining trend is over.

The performance of our Company during 2008-2009 has to be viewed in the context of the turbulent conditions which prevailed during that year. Though our dividend income increased during 2008-2009 due to higher profits earned by companies in the previous year 2007-2008, the profit from sale of investments was lower due to the decline in stock market prices. Fortunately, we had retained fairly large liquid resources on which we were able to earn interest at higher rates which prevailed during 2008. A combination of these sources of income enabled the Company to maintain our total income at Rs.213.44 crores against Rs.210.27 crores in the previous year and the profit after tax at Rs.186.29 crores as against Rs.185.85 crores in the previous year. Considering the difficult environment, we trust the shareholders would consider the results to be satisfactory.

As stated earlier in this report, the NAV of our Company's equity share declined from Rs.805 on 31st March, 2008 to Rs.515 on 31st March, 2009 i.e. a decline of 36%. This compares with the decline of 38% in the BSE Sensex and of 41% in the BSE-200 Index over the same period. Moreover, it should be noted that our figures include a fairly large amount held in liquid resources (due to uncertain market conditions) which did not reflect growth in value but earned good interest income.

The stock market has started the new financial year (2009-2010) on a favourable note with the BSE Sensex increasing by about 46% from April to the middle of May 2009 (as on the date of this report). However, as the shareholders are aware, the reduced GDP growth rate during 2008-2009 which is expected to continue into the current financial year, could affect the performance of companies in various industries. This, together with other uncertainties at this point of time, make it difficult to predict the prospects for 2009-2010. However, the emergence of a relatively more stable Government bodes well for the country, even though the new Government would have to urgently deal with some major problems such as the large fiscal and current account deficits, the increasing burden of debt and subsidies and the need for stimulation of demand across the economy.

## **7. RIGHTS ISSUE OF ZERO COUPON CONVERTIBLE BONDS :**

As shareholders are aware, the Company had, in October 2008, made a Rights Issue of Zero Coupon Fully Convertible Bonds of Rs.650/- each (ZCCB) with detachable warrants, of the aggregate value of Rs.448 crores approximately. The Issue was fully subscribed and 68,88,343 ZCCB were allotted on 24th October, 2008.

The Company had made an application to the Foreign Investment Promotion Board (FIPB) for issuance of the ZCCB with warrants to non-resident shareholders and FIIs who hold about 3% of the paid-up capital of our Company. Since the Company had not received the FIPB approval, despite several reminders, within 60 days from the date of closure of the Issue, the Company, in accordance with the terms of the Issue, has refunded the application monies with interest, to all non-resident shareholders/applicants.

Each ZCCB is fully and automatically convertible into two Ordinary shares, the first on 1st August, 2009 and the second on 31st March, 2010. Each warrant is exercisable between 1st April, 2011 and