

Tamilnadu Industrial Development Corporation Limited

May 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer Rating	0.00	CARE A; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The issuer rating assigned to Tamil Nadu Industrial Development Corporation Limited (TIDCO) derives strength from significant market value of investments, regular inflow of dividend income from investments, and financial risk profile characterised by good profitability and comfortable capital structure. The rating also derives strength from Ownership by Government of Tamil Nadu. However, the rating is constrained by exposure to market-related risks of investment portfolio with concentration risk associated with top investment accounting for 97% of market value of investments, moderate scale of operations with relatively lower share of income from lending and project-related activities and risk associated with project funding/project investments including execution risk and commercialisation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Significant improvement in the scale of operations along with improvement in related revenue stream on sustained basis

Negative factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Significant decline in the market value of investments/dividend receipts on sustained basis
- Moderation in gearing levels with overall gearing exceeding 3x on a sustained basis.

Analytical approach:

Standalone

Outlook: Stable

The stable outlook reflects the likely continuation of stable credit profile with comfortable capitalisation levels.

Detailed description of the key rating drivers:

Key strengths

Significant market value of investments and steady flow of dividend income from investments

TIDCO has equity investments in various companies including subsidiaries and joint ventures. TIDCO's holdings in listed companies had a market value of ₹91,349 crore as on April 22, 2024. Among these holdings, Titan Company Limited (TCL, rated CARE AAA; Stable) is the major contributor, about 97% of the value of equity listed companies held by it. TIDCO's major income is in the form of dividends. During the period from FY'18 to FY'23, dividend income stood in the range of ₹78 crore to ₹238 crore. During 9MFY'24 dividend income stood in the range of ₹267 crore in which ₹247 crore is from TCL.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

There is limited flexibility to TIDCO in terms of disinvestment and any major disinvestment happens only with the approval of Government of Tamil Nadu (GoTN).

Ownership by Government of Tamil Nadu

TIDCO is a GoTN enterprise incorporated as a limited company in 1965 to identify and promote the establishment of large and medium scale industries within Tamil Nadu, in association with private and public institutions. GoTN holds 100% equity stake in TIDCO as on December 31, 2023. TIDCO is headquartered in Chennai, Tamil Nadu and the company operates only from its head office. The company also pays regular dividend to GoTN.

Currently, TIDCO's board consists of 11 directors including two independent directors. Directors of the company (other than the two independent directors) are nominated by GoTN. Thiru. Sandeep Nanduri, IAS is the Managing Director and Thiru V. Arun Roy, IAS is the Chairman. Most of board members are IAS officers holding various positions in the state government. TIDCO has well-defined organisation structure with separate teams for key functions including Development, Finance, Legal & Secretarial, HR & Admin department. Many of the departments are headed by SGM/GM level person. All departments report to ED who in turn reports to MD.

Financial risk profile characterised by good profitability and comfortable capital structure

Major source of income for TIDCO is dividend income. With significant amount of dividends received and in absence of any borrowings, the company reports good profitability. The company reported a profit after tax (PAT) of ₹228 crore in FY23 as against ₹252 crore in FY22. Return on Total Assets (ROTA) stood at 9.06 % in FY23 compared to 11.56% in FY22. During FY22, the company had a disinvestment of TRIL Info Park for which company has received income of ₹148 crore which resulted in higher profits. The capital adequacy ratio (CAR) and Tier-1 CAR stood at 29.39% and 27.44% as on March 31, 2023. Networth stood at ₹1,949 crore as on March 31, 2023.

PAT increased during 9MFY24 and stood at ₹301 crore. The company had received rental income of ₹65 crore which resulted in higher profits.

Key weaknesses

Exposure to market-related risks of investment portfolio with concentration risk associated with top investment

The company derives strength from the market value of investments held. Value of these investments undergoes sharp by it. As on April 22, 2024, the market value of investments stood at ₹91,349 crore, based on movement in market price of shares held by it. Its holding in Titan Company Ltd (TCL) contributes to 97% of market value of investments as on April 22, 2024, resulting in concentration risk. However, TCL has demonstrated healthy business and financial performance in the past. Further, the ability to diversify the investments remains key monitorable.

Moderate scale of operations with relatively lower share of income from lending and project-related activities

TIDCO's projects are limited to the state of Tamilnadu as the company was promoted with the objective of facilitating setting up of large industrial and infrastructure projects in Tamil Nadu. In addition, TIDCO also functions as nodal agency for development of few industrial corridors. The company generates negligible amount of income from lending and project related activities. Major portion of the income comes from the investments and the dividends from those equity investments. TIDCO has lower interest

income as the loans and advances as on December 31, 2023, stood at ₹187 crore and the interest income during 9MFY'24 was ₹ 3 crore.

Risk associated with project funding/project investments including execution risk and commercialisation risk

TIDCO is exposed to risks associated with funding of the projects. TIDCO is also exposed to the execution and commercialisation of projects. However, TIDCO appoints external consultants for feasibility study and a small team Project Management Consultant (PMC) and Engineering, Procurement and Construction (EPC) contractor is formed for the implementation of projects. The track record of TIDCO handling large projects over the years provides comfort.

Liquidity: Adequate

TIDCO has an outstanding debt of ₹31 crore as on December 31, 2023, and the company has a cash and cash balance of ₹105 crore as on December 31, 2023. The company receives significant dividend income on a yearly basis and with current investments, the liquidity is adequate.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks : Not Applicable

Applicable criteria

[Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Financial Ratios - Financial Sector](#)
[CARE's Issuer Rating](#)
[Non-Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

TIDCO was established in 1965 by GoTN to service large industrial and infrastructure projects which include large investments and huge employment potential. TIDCO is the nodal agency for the development of Chennai Bengaluru Industrial Corridor (CBIC), Chennai Kanyakumari Industrial Corridor (CKIC), Western Corridor (Kochi – Coimbatore - Bangalore Industrial Corridor) and Defense Industrial Corridor projects.

TIDCO has several joint venture projects across various sectors such as Chemicals, Fertilizers, Pharmaceuticals, Textiles, Iron and Steel, Auto Components, Food & Agro, Floriculture, Engineering, Petroleum and Petrochemicals, Infrastructure projects like IT/ITES Parks, Bio-Tech Parks, Special Economic Zones (SEZ), Road Development Projects and Agri Export Zones. TITAN Industries Limited, TANFAC Industries Ltd, Mahindra World City, Tamilnadu Petro products Ltd, TIDEL Park Ltd, Ascendas IT Park (Chennai) Ltd, TICEL Bio Park Ltd, Tamilnadu Road Development Company Ltd, Chennai Trade Centre, Tanflora Infrastructure Park Ltd, TIDEL Park Coimbatore Ltd, L&T Shipbuilding Ltd and Indian Oil LNG Private Ltd are some of the successful joint ventures of TIDCO.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (U/A)
Total operating income	323	285	340
PAT	252	228	301
Interest coverage (times)	23	2,600	113
Total Assets	2,577	2,472	2,574
Net NPA (%)	0	0	0
ROTA (%)	11	9	15

A: Audited UA: Unaudited; Note: 'These are latest available financial results'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE A; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE A; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated: Not Applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Contact us

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About us:

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