

Tamilnadu Civil Supplies Corporation

February 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Tamilnadu Civil Supplies Corporation (TNCSC) factors in the strength derived from the Government of Tamil Nadu's (GoTN's) ownership, demonstrated funding support from the GoTN in the form of budgeted subsidies, and extension of guarantee for the said facility being rated. TNCSC is strategically important to GoTN and acts as the extended arm of GoTN being the sole agency for the wholesale distribution of essential commodities under the Public Distribution System in Tamil Nadu. TNCSC enjoys a wide procurement and distribution network in Tamil Nadu. However, the rating is constrained by relatively high leverage levels, elongated collection period, and moderate financial performance of TNCSC, as it operates on no profit no loss model.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Improvement in risk profile of GOTN marked by

- State attaining revenue surplus.
- Significant reduction in (debt+ guarantee) to Gross State Domestic Product (GSDP).
- Significant growth in GSDP.
- Higher capital asset creation.

Negative factors

- Change in ownership or role of TNCSC in meeting the policy function of GOTN.
- Significant amount of losses incurred by TNCSC not compensated by subsidies.
- Significant delay in receipt of subsidies.

Analytical approach: Standalone and factoring linkages with GoTN.

TNCSC plays an important role in policy function of GoTN, administering the Public Distribution System (PDS) system and acts as a nodal agency for the welfare schemes of the GoTN. The subsidies are budgeted by GOTN and there is a demonstrated track record in respect of receipt of subsidies from the GoTN. In view of the strong linkage with GoTN, the linkages are being factored in.

Outlook: Stable

Given the important role which TNCSC plays in the policy function of GoTN and with GoTN holding 99.99% stake, the performance of TNCSC is expected to remain stable in the medium term.

Detailed description of key rating drivers:

Key strengths

Ownership by GOTN with experienced board members who are representatives from GOTN

GoTN holds 99.99% stake in TNCSC. TNCSC's board constitutes of 11 members with Chairman, Managing Director, and other directors (including district collectors). All the board members including Chairman and Managing Director are appointed by GoTN. The current chairman is Principal Secretary to GoTN. Directors include heads of various key departments of the state government such as Food & Consumer protection department, Agriculture & Farmers welfare department, Civil Supplies & Consumer Protection department, Tamil Nadu Warehousing Corporation, and district collectors among others. The senior management includes one Financial Advisor & Chief Accounts Officer and General Managers. All the board members and Senior Management have significant experience.

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

Strategic importance of TNCSC as sole nominee for the wholesale distribution of essential commodities under the PDS in Tamil Nadu with well-established network

TNCSC is the sole nominee of GoTN for the wholesale distribution of all essential commodities to retail outlets (35,169 fair price shops of which 1,455 is operated by TNCSC) under the Public Distribution System (PDS). The corporation primarily distributes rice, wheat, sugar and kerosene. Under special public distribution scheme, TNCSC also distributes pulses such as tur dal, bengal gram, green gram, Canadian yellow lentil, and edible oil at subsidised rates.

Rice procurement by TNCSC is a decentralised process wherein the paddy procured from farmers are sent to mills (owned/third party) for crushing and converted rice is then distributed. Wheat is obtained by allotment from Food Corporation of India (FCI). Sugar is obtained from cooperative societies; deficit is procured via tenders. Oil and pulses are obtained by floating tenders, and kerosene is procured from dealers of OMCs (procurement of kerosene is by 80% of advance payment and the balance after receipt). Kerosene is stored at 284 warehouses before supplying to the fair price shops.

TNCSC also undertakes supply of food commodities to the Noon Meal Centres under the Noon Meal Programme (NMP) for providing nutritious meal to school going children. Besides children, old age pensioner and pregnant women are also being covered under Nutritious Meal Scheme.

Apart from this, TNCSC also acts as a vehicle for delivering welfare schemes introduced by the GoTN owing to its vast reach and expertise in distribution. The state utilises TNCSC for implementation/distribution of schemes such as relief kits (cyclone relief kits), gift hampers in view of festivals such as Pongal, cash support, supplying consumer durable to Economically Weaker Section across schemes announced from time to time and for delivering essentials to canteens of State department.

TNCSC acts a procuring/processing unit as well

TNCSC procures paddy directly from farmers through Direct Purchasing Centres (DPC). The Corporation is also the sole agency to procure on behalf of Food Corporation of India and the paddy procured is hulled at its own rice mills or by private hullers. TNCSC owns 21 rice mills with a hulling capacity of 47,000 MT. The custom milled rice is adjusted against Central Pool Allotment for PDS. The difference between the cost of paddy as fixed by Government of India and the central issue price is reimbursed to TNCSC as Custom Milled Rice (CMR) subsidy by GoI. Infrastructure supporting activities of the corporation includes 284 operational godowns, 1455 PDS outlets, 21 modern rice mill, and 452 hulling agents.

Demonstrated funding support from GOTN in the form of subsidies

The issue of essential commodities under the PDS is at significantly lower price than the price fixed by GoI. For instance, rice is being issued free of cost (on June 01, 2011). The differential cost is fully reimbursed to the corporation by the State government as a subsidy. The corporation closes the account on "No Profit-No Loss" basis. The cost difference (between the issue price at PDS and procurement price from FCI and /or market) and all expenses towards running TNCSC are received as subsidy from the Government of Tamil Nadu. The subsidy is received in advance each quarter and at the close of the year, any excess or shortfall is adjusted against the 'Advance Subsidy' account. The budget allocation for FY24 and FY25 was ₹10,500 crore each. However, CARE Ratings notes that the opening subsidy receivable was at ₹13,998 crore for FY25, which was significantly higher than the budgeted subsidy for the year. As of January 2025, TNCSC has received ₹8,375 crore of the budgeted subsidy and remaining expected to be received before FY25-end. TNCSC has approached the Government for further assistance beyond the budgeted subsidy in the budget review for FY25. TNCSC is expecting to receive support in the form of capital infusion to the tune ~₹2,000 crore by the end of FY25, which is expected to reduce the debt level.

Status on Tamil Nadu State Government finance

Tamil Nadu's economy is estimated to grow at a pace of 8.23% in FY24 as per revised estimates, on the back of 8.13% in FY23 in constant price terms. The state has seen growth in revenue receipts in FY24 (RE) by ~11.8% and is expected to grow at 9.7% in FY25. It is also fairly self-reliant with ~73% of its revenue receipts being accounted for by its own sources. The government is seen to be focusing on capital asset creation, specifically in areas of urban development, road transportation, water supply and sanitation, irrigation, and rural development. In addition, the state has been maintaining a consolidated sinking fund (CSF) and has a healthy balance of Auction Treasury Bills. The state is also found to be prudent in its liquidity management, as it has not been availing the Special Drawing Facility (SDF) or Ways and means advances (WMA) facility from the Reserve Bank of India (RBI). However, the indebtedness of the state indicated by debt / GSDP remains moderately elevated at 28% in FY24 (RE). Moreover, despite high amounts of guaranteed debt, the state has not maintained guarantee redemption fund.

Key weakness**Relatively low net worth with increasing debt levels and moderate financial performance as it operates on no profit or no loss business model**

The tangible net worth (TNW) of the corporation stood relatively low at ₹77.84 crore as on March 31, 2024, in line with the net worth as on March 31, 2019. The net worth level continued to remain at the same level considering no infusion of capital and nil

accretion to reserves as it operates on no profit or no loss business model. The overall gearing stood at 251.17x as on March 31, 2024 (PY: 258.48x) considering elevated working capital borrowings. Overall debt outstanding as of January 2025 stands at ~₹20,810 crore (FY24: ₹19,604 crore) and expected to be in the same range in the medium term.

Liquidity: Adequate

The Corporation receives subsidy from GoTN before each quarter end. For FY24-25, budget allocation was ₹10,500 crore, of which, TNCSC had received ₹8,375 crore as of January 2025 end. The company does not have major term debt other than ₹1.20 crore debt from GoTN. The major debt is working capital borrowings/ short-term loans in nature, which is generally used for procurement of paddy. CARE Ratings notes that procurement generally exceeds the level estimated in the budget for the financial year, which is funded out of these bank borrowings. Being a GoTN-owned Corporation, TNCSC has also demonstrated its ability to raise funds from banks to meet cash flow mismatches in the past.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[State Governments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Public services	Urban local bodies

TNCSC was incorporated in 1972 under the Companies Act, 1956. Later, in 1975 it was converted as a state-owned public sector undertaking to carry out procurement, purchase, store, process, and distribute essential commodities under the public distribution system (PDS) on behalf of Cooperation, Food and Consumer Protection Department of GoTN. It also procures and distributes other commodities required under welfare schemes implemented by the state government. The Managing Director and the Board of Directors of the corporation are appointed by the state government. The corporation has 33 regional offices headed by Senior Regional Managers/ Regional Managers in the cadre of District Revenue Officers/ Deputy Collectors.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	23,783.22	22,461.37	19,748.85
PBILDT	688.30	1047.22	1441.84
PAT	-14.79	-30.12	-15.59
Overall gearing (times)	226.19	258.48	251.86
Interest coverage (times)	0.89	0.95	0.92

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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB+; Stable

Annexure-2: Rating history for 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	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (06-Aug-21) 2)CARE A-(CE) (CW with Developing Implications) (21-Apr-21)
2	Unsupported Rating-Unsupported Rating (Long Term)	LT	-	-	-	-	-	1)Withdrawn (06-Aug-21) 2)CARE BBB+ (21-Apr-21)
3	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Dec-23)	1)CARE BBB+; Stable (02-Nov-22)	1)CARE BBB+; Stable (06-Aug-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

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

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About us:

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