Tourism Finance Corporation of India Limited

August 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Bonds	175.00	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to the bonds of Tourism Finance Corporation of India Limited (TFCI) factors in its healthy profitability metrics with return on total assets (RoTA) at 4.95% in FY2025, driven by healthy net interest margins (NIMs), low gearing and contained credit cost. The rating also takes into consideration the company's strong capitalisation characterised by a healthy capital adequacy ratio (CAR) of 69.7% and comfortable gearing at 0.7x as on March 31, 2025, and its adequate liquidity position. Its capital profile is supported by healthy internal accruals and recent capital raise of ₹50 crore in FY2025. CARE Ratings Limited (CareEdge Ratings) expects the current capital to remain adequate in the near future to meet its growth requirements, given the company has been able to improve its asset quality metrics with its gross stressed assets (which includes security receipts (SR), gross stage 2 (GS2) assets, restructured assets and gross non-performing assets (NPA)) reducing to 4.21% as on June 30, 2025 from 11.67% as on March 31, 2024. Its net stressed assets and net NPA stood at 3.59% and 0.00%, respectively, as on June 30, 2025. Improvement in its asset quality was driven by recoveries made from gross NPA and SRs.

However, the rating is constrained by its moderate scale of operations, notwithstanding a 7% growth in assets under management (AUM) in FY25 at ₹1,694 crore as on March 31, 2025. Its 5-year compounded annualised growth rate (CAGR; from March 2020 to March 2025) stood at -1%. While the entity has been able to grow its disbursement volumes year on year (y-o-y), higher prepayment rate has kept the AUM growth rate moderate. CareEdge Ratings notes that the entity has started offering a new product, loan against securities (LAS), which is expected to further boost its disbursement volumes, the AUM growth is expected to remain moderate in the near term given the shorter tenure of such loans. The rating also factors in TFCI's high borrower concentration, with top 20 outstanding exposures accounting for ~62% of the gross loan book (~86% of its tangible net worth (TNW) as on March 31, 2025. While this has declined from 72% and 106%, respectively, in March 2024, the concentration remains high in absolute terms. Since TFCI primarily provides financial assistance for projects in the tourism sector and other allied activities, high sector concentration and moderate credit quality of the portfolio remains a concern, with 65% book towards the hotel industry. TFCI has been diversifying its portfolio by providing loans to NBFCs, real estate manufacturing entities, and entering new product segment of loan against security (LAS). Going forward, its ability to grow profitably while maintaining its asset quality will be a key for its credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant scale up of operations while maintaining healthy profitability
- Greater sector wise and borrower wise diversification with reduction in exposure towards the riskier asset classes including the hospitality sector

Negative factors

- Weakness in capitalisation profile of TFCI with gearing rising above 2.5x
- Increase in gross stress[2] book above 5% on a sustained basis
- Decline in profitability with RoTA below 3% on a sustained basis

Analytical approach:

Standalone

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

[2] *Gross stress book includes gross NPA, gross stage 2, restructured assets and gross security receipts*

The 'stable' outlook factors in CareEdge Ratings' expectation that TFCI will continue to maintain a comfortable gearing and liquidity position, while reporting healthy profitability metrics and keeping credit costs under control.

Detailed description of key rating drivers:

Key strengths

Healthy profitability supported by healthy margin and low credit cost:

TFCI reported profit after tax (PAT) of ₹104 crore in FY2025, translating in return on average total assets (RoTA) and return on net worth (RoNW) of 4.95% and 9.05%, respectively, compared to a PAT of ₹91 crore, RoTA of 4.41% and RoNW of 8.71% in FY2024. In Q1 FY2026, it reported a PAT of ₹31 crore. In FY2025, the company witnessed marginal compression in its spread owning to increased cost of funds, however, its net interest margin (NIM) in relation to average total assets (ATA) improved to 5.08% in FY2025 from 4.59% in FY2024, considering reduction in gearing. The company has also witnessed marginal increase in its operating expenses (in relation to ATA) to 1.28% in FY2025 from 1.15% in FY2024 owning to increased employee cost, however, impact of such increase was negated due to higher non-interest income (investment income). Its credit cost remained contained at 0.2% in FY2025, similar to FY2024 level. CareEdge Ratings expects the profitability of TFCI to remain healthy in the near term, however, its ability to keep credit cost contained will remain monitorable.

Comfortable capitalisation:

TFCI has consistently maintained a comfortable capitalisation profile in the past few years. It reported total CAR of 69.70% and a gearing of 0.7x as on March 31, 2025, compared to 59.05% and 0.9x, respectively, as on March 31, 2024. The capitalisation profile was supported by capital raise of ₹50 crore in FY2025 and healthy internal accruals. Going forward, CareEdge Ratings expects its capitalisation profile to remain adequate in the near-to-medium term without a need to raise further capital.

Improvement in asset quality:

The company has demonstrated a notable improvement in its asset quality metrics in Q1 FY2026. Its gross stress assets (which includes gross NPA, SRs, restructured book and GS2) reduced to 4.21% as on June 30, 2025, from 11.67% as on March 31, 2024. Its net stress and net NPA stood at 3.59% and 0.00%, respectively, as on June 30, 2025. The improvement in its asset quality was driven by recoveries made from gross NPA and SRs. However, CareEdge Ratings finds the credit profile of some TFCI's borrowers relatively moderate and hence, the performance of its loan book and the overall asset quality remains monitorable. A greater sector-wise and borrower-wise diversification with reduction in exposure towards the riskier asset classes including the hospitality sector will be key for its credit profile.

Key weaknesses

Moderate scale:

While the company recorded a 7% y-o-y growth in its loan book in FY2025, its growth over the last five years remained at a compound annual growth rate (CAGR) of -1%. While its disbursements have increased in last 2 years, higher prepayments and foreclosures have kept AUM growth low and its overall scale relatively moderate. As on June 30, 2025, the company reported an AUM of ₹1,712 crore (₹1,694 crore in March 2025 and ₹1,589 crore in March 2024) compared to ₹1,976 crore in March 2021. The company continues to face stiff competition from banks and other NBFCs, which may constrain its ability to scale meaningfully and maintain pricing power in a competitive market. CareEdge Ratings notes that the entity has started offering another product, loan against securities (LAS), which is expected to further boost up its disbursements, however, given low tenure of the new product (up to one year), the growth in AUM is expected to remain moderate in near future. Its ability to scale up operations while maintaining healthy asset quality will be key for its credit profile.

High credit and sector-wise concentration:

TFCI's portfolio concentration remains high with the top 20 outstanding exposures accounting for ~62% of the gross loan book and 86% of its TNW as on March 31, 2025. While this has declined from 72% and 106%, respectively, in March 2024, the concentration remains high. TFCI was incorporated to cater to the financing needs of the hotel and tourism industries, ensuring priority funding of tourism-related projects and hence, its exposure towards the tourism industry forms majority share in its portfolio at 65% as on March 31, 2025, increasing slightly from 61% as on March 31, 2024. CareEdge ratings takes note of the company's plans to reduce such concentration in tourism sector and increasing exposure in other sectors such as manufacturing and, NBFCs among others.

Concentrated resource profile:

TFCI's resource base is relatively concentrated with reliance on nine lenders, largely public sector banks. As on March 31, 2025, its borrowings comprised non-convertible debentures (NCDs) with ~39% share and remaining 61% in the form of loans from banks (~30%), financial institutions (~9%) and non-banking finance companies (NBFCs; ~23%). The company has demonstrated its ability to raise funds from diverse sources, banks, financial institutions (Fis), and NCDs. Its average cost of funding stood at 9.72% in FY2025, which was relatively high. It's ability to diversify its resource profile by raising funds at competitive rates will be important.

Liquidity: Adequate

The company's liquidity profile remains adequate with cash and bank balances worth ₹141 crore and ₹173 crore in liquid investments as on March 31, 2025 (₹91 crore and ₹276 crore as on June 30, 2025), against debt repayments of ₹327 crore due over next one year, i.e., from April 2025 to March 2026. In the same period, the scheduled collections stand at ₹931 crore. The liquidity profile is further supported by undrawn bank lines of ₹100 crore as on March 31, 2025. Per the asset liability management (ALM) statement dated March 31, 2025, TFCI had positive cumulative mismatches across all time buckets.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Financial Institution

TFCI was promoted by (IFCI Ltd) and other FIs and banks in January 1989. IFCI divested its shareholding in TFCI through the years as it finally exited the company in FY20. As on March 31, 2025 and June 30, 2025, the promoters (Life Insurance Corporation of India [LIC] and The Oriental Insurance) and the promoters' group own 3.85% stake in the company reduced from 7.85% as on March 31, 2024. Sanjeev Kumar Thomas sold his shareholding to Aditya Kumar Halwasiya and the shareholding of Pransatree Holding Pte Ltd of 4% has been reclassified as public holding. In Q1FY2025, Aditya Halwasiya has infused ₹ 50.02 crore of capital in form the preferential issue, thus becoming the largest public shareholder with 15.20% stake as on March 31, 2025, which has further increased to 17.92% as on June 30, 2025. Since FY12, consequent to the change in the Memorandum of Articles, TFCI has also started lending to other sectors such as social infrastructure, hospitals, schools, colleges, universities, renewable energy, residential real estate, NBFCs/HFCs, and the manufacturing and services sectors. The company also coordinates and formulates guidelines and policies related to financing of tourism sector projects. As a developmental role, TFCI organises seminars, participates in tourism-related activities organised by the Ministry of Tourism and by trade bodies and associations. TFCI also provides research and consultancy services to the Central and state agencies and the private sector for development of the tourism industry.

Brief Financials (₹ crore): Standalone	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	242.04	260.06	65.81
PAT	91.11	103.81	30.56
Interest coverage (times)	2.14	2.28	2.77
Total Assets	2,098.81	2,098.01	2,152.22
Net NPA (%)	1.51	1.61	0.00
ROTA (%)	4.41	4.95	5.75

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
Bonds	INE305A09216	25-Feb-2013	9.6	25-Feb-2028	100.00	CARE A; Stable
Bonds	INE305A09208	25-Feb-2013	9.65	25-Feb-2033	75.00	CARE A; 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 2025-2026	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
1	Bonds-Unsecured Reedemable	LT	-	-	-	-	-	1)Withdrawn (01-Sep-22)
2	Bonds-Unsecured Reedemable	LT	-	-	-	-	-	1)Withdrawn (01-Sep-22)
3	Bonds	LT	-	-	-	-	1)Withdrawn (24-Aug-23)	1)CARE A; Stable (01-Sep-22)
4	Bonds	LT	175.00	CARE A; Stable	-	1)CARE A; Stable (21-Aug-24)	1)CARE A; Stable (24-Aug-23)	1)CARE A; Stable (01-Sep-22)

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	Bonds	Simple

Annexure-5: Lender details

To view lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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