

## Tourism Finance Corporation of India Limited

July 05, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bonds	681.50 (Rupees Six Hundred Eighty One crore and Fifty lakh only)	<b>CARE A+; Stable</b> <b>(Single A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Long-term Subordinated Bonds	100.00 (Rupees One Hundred crore only)	<b>CARE A+; Stable</b> <b>(Single A Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Commercial Paper	100.00 (Rs. One Hundred crore only)	<b>CARE A1+</b> <b>(A One Plus)</b>	<b>Reaffirmed</b>

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the instruments of Tourism Finance Corporation of India Ltd (TFCI) continue to factor in its experienced management, healthy capitalization levels, adequate profitability, and comfortable liquidity profile. However, these rating strengths are partially offset by weakness in asset quality in FY19, borrower concentration risk on account of TFCI being into wholesale lending, loan book concentration to tourism sector, moderate loan book growth over years and moderate size of loan book vs. other large entities in wholesale lending segment and stiff competition from banks & other NBFCs / financial institutions.

Going forward, the ability of TFCI to increase the loan book while sustaining profitability, improving asset quality and achieving diversity would be the key rating sensitivities.

Also, IFCI's shareholding in TFCI has been reduced to 0.97% as on March 31, 2019. Now, TFCI is being promoted by a group of shareholders (including Redkite Capital Private Limited, a NBFC owing 32.81%, India Opportunities III Pte. Limited ultimately owned by SSG Capital Partners owning 8% and Mr. Koppara Sajeev Thomas owning 5%). Also, new investors are present on the Board of TFCI.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced management:** The company was established to cater to the needs of the tourism industry and to ensure priority funding of tourism-related projects. The company has an experienced management team and the board of the company consists of 14 members including one Nominee member from GoI, one representative member from LIC, three promoter directors, one whole time director, managing director and seven independent members. Mr Anirban Chakraborty is the CEO and MD of the company with vast experience in the field of credit monitoring, risk and analytics.

**Healthy capitalization and low gearing:** The capitalization level of TFCI continues to remain comfortable with a CAR of 39.01% as on March 31, 2019 (42.28% as on March 31, 2018). TFCI's gearing was 1.81 times as on March 31, 2019 (vs. 1.95 times as on March 31, 2018). Given the strong capitalization and low gearing, TFCI has sufficient unutilized and underleveraged capital to grow its asset book.

The debt of TFCI consists mainly of long-term bonds (71% of total borrowings) and bank borrowings (29% of total borrowings).

**Comfortable liquidity profile:** TFCI has adequate liquidity as reflected by positive cumulative mismatch in all time buckets as per structural liquidity statement on March 31, 2019. TFCI had cash and liquid investments worth Rs.100 crore as on March 31, 2019. While TFCI provides loans for longer tenures (with annual portfolio run down rate in the range of 10-15%), its ability to raise funding for longer tenures, lower gearing and available liquidity supports its liquidity profile.

**Adequate profitability:** TFCI reported profit after tax (PAT) of Rs.86.25 crore during FY19 vs. Rs.77.48 crore in FY18, the increase in PAT was supported by increase in interest income. ROTA and NIM during FY19, stands at 4.22% and 6.14%, respectively.

#### Key Rating Weaknesses

**Moderate loan book growth over years and moderate size of loan book vs. other large entities in wholesale lending segment and stiff competition from banks & other NBFCs / financial institutions:** TFCI registered a moderate growth of 9% y-o-y in gross loan portfolio to Rs.1,694 crore as on March 31, 2019 from Rs.1,550 cr as on March 31, 2018. TFCI's loan book

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

comprised lending to tourism sector (75% of loan book), loan to manufacturing companies (18%), loan to NBFC (5% of loan book) and balance being other corporate lending as on March 31, 2019.

**Weakness in asset quality:** The asset quality of TFCI deteriorated during FY19 with gross NPA ratio at 5.14% as on March 31, 2019, as against 2.15% on March 31, 2018, led by fresh slippages in FY19. Net NPA ratio stood at 2.88% as on March 31, 2019 (0.08% as on March 31, 2018). The company has an exposure to Cox and Kings (CARE D/A4) of Rs.66.72 crore (4% of gross loan book and 9% of tangible net worth as on March 31, 2019) which may lead to further deterioration in the asset quality of the company. However, management mentioned that the company has security cover in the form of pledge of shares of around 2 times on the outstanding exposure to Cox and Kings.

**High concentration risk:** As on March 31, 2019, TFCI's exposure to tourism-related projects was 75% of the gross portfolio thereby making the company vulnerable to adverse trends in the tourism sector. In addition to sector concentration risk, TFCI also faces borrower concentration risk as the top 20 outstanding exposures account for 63% of its total exposure and 145% of its tangible net-worth as on March 31, 2019.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE Methodology for Non Banking Financial Companies](#)

[Financial Sector –Financial Ratios](#)

#### About the Company

TFCI was promoted by IFCI Ltd along with other financial institutions and banks in January 1989. IFCI divested its shareholding in TFCI and reduced it to 0.97% as on March 31, 2019. Now, a group of shareholders (including Redkite Capital Private Limited, a NBFC owing 35.81%, India Opportunities III Pte Limited ultimately owned by SSG Capital Partners owning 8% and Mr. Koppara Sajeev Thomas owning 5%) own 45.81% stake in the company as on March 31, 2019. The company was established to cater to the needs of the tourism industry and to ensure priority funding of tourism-related projects. TFCI provides financial assistance to tourism-related projects, such as hotels, resorts, restaurants, amusement parks, etc, primarily in the form of long-term loans and also by investing in such company's debentures, equity, preference shares, etc. Since FY12, consequent to change in Memorandum of Articles, TFCI has also started lending to other sectors such as infrastructure and solar power. The company also coordinates and formulates guidelines and policies related to financing of Tourism sector projects. As a developmental role, TFCI organizes seminars, participates in tourism related activities organized by the Ministry of Tourism and by trade bodies/associations. TFCI also provides research and consultancy services to state and central agencies for development of the tourism industry.

Brief Financials^ (Rs. crore)	FY18 (A)	FY19 (A)
Total Income	223.9	236.3
PAT	77.5	86.3
Interest coverage (%)	2.12	2.09
Total Assets	2,007.0	2,083.5
Net NPA (%)	0.08	2.88
ROTA (%)	4.18	4.22

A: Audited, ^ as per IND AS

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Subordinated	March 31, 2009	9.50%	April 30, 2019	100.00	CARE A+; Stable
Bonds-Unsecured Redeemable	Nov 29, 2010	8.90%	Nov 29, 2020	50.00	CARE A+; Stable
Bonds-Unsecured Redeemable	Sep 01, 2011	10.15-10.20%	Nov 16, 2021	200.00	CARE A+; Stable
Bonds-Unsecured Redeemable	Mar 19, 2012	9.65%	Apr 19, 2022	56.50	CARE A+; Stable
Bonds	Jun 30, 2012	9.50-9.95%	Feb 25, 2023	200.00	CARE A+; Stable
Bonds	Feb 25, 2013	9.60-9.65%	Feb 25, 2033	175.00	CARE A+; Stable
Commercial Paper	-	-	-	100.00	CARE A1+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds-Subordinated	LT	100.00	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A; Stable (09-Oct-17)	1)CARE A; Stable (14-Mar-17) 2)CARE A (05-Oct-16)
2.	Bonds-Unsecured Redeemable	LT	50.00	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+; Stable (14-Mar-17) 2)CARE A+ (05-Oct-16)
3.	Bonds-Unsecured Redeemable	LT	200.00	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+; Stable (14-Mar-17) 2)CARE A+ (05-Oct-16)
4.	Bonds-Unsecured Redeemable	LT	56.50	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+; Stable (14-Mar-17) 2)CARE A+ (05-Oct-16)
5.	Bonds	LT	200.00	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+; Stable (14-Mar-17) 2)CARE A+ (05-Oct-16)
6.	Bonds	LT	175.00	CARE A+; Stable	-	1)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+; Stable (14-Mar-17) 2)CARE A+ (05-Oct-16)
7.	Commercial Paper	ST	100.00	CARE A1+	-	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (09-Oct-17)	1)CARE A1+ (14-Mar-17)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra  
Contact no. – +91-22-6837 4424  
Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name - Gaurav Dixit  
Group Head Contact no.- +91-11-4533 3235/+91 9717070079  
Group Head Email ID- [gaurav.dixit@careratings.com](mailto:gaurav.dixit@careratings.com)

### Business Development Contact

Name:. Swati Agrawal  
Contact no. : +91-11-4533 3200 / +91-98117 45677  
Email ID : [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**