



Press Release

Tourism Finance Corporation of India Limited (TFCI)

July 25, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Commercial Paper (CPs)	100.00	IVR A1+ (IVR A One Plus)	-	Assigned	Simple
Total	100.00 (Rupees One Hundred crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics ratings has assigned its ratings to the proposed commercial paper issue of TFCI as it derives comfort from healthy capitalisation, sizeable scale of operations albeit degrowth witnessed in last 3 years, stable earnings profile and long track record of operations with experienced promoters and professional management. However, the ratings are constrained by moderate, albeit improving asset quality and inherent risks associated with NBFCs coupled with intense competition.

Key Rating Sensitivities:

Downward Factors

- Adverse movements in collection efficiency resulting in increased credit costs.
- Substantial deterioration in AUM levels, profitability, capitalisation levels, liquidity and asset quality.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Healthy capitalisation

TFCIs capitalisation levels continue to remain healthy with total CRAR of 59.01%, tangible net worth of Rs 1089.43 crore and low gearing of 0.90x in FY24 (refers to period April 1st, 2023, to Mar 31, 2024) (31st March 2023: CRAR:62.28%, Tangible Net Worth: Rs 1016.70 crore and gearing:0.98x). The company has been continuously raising additional capital required to augment the growth in AUM. The latest being Rs 50.00 crore of fresh capital in April 2024 through preferential allotment of shares. With the current levels of CRAR, TFCI can achieve an AUM growth of ~20% for next 3-4 years without any further capital infusion. As per management, TFCI is expected to achieve AUM of close to Rs.2500.00 crore by FY25 with higher demand and expected higher exposure in tourism segment and penetration into other sectors.

Moderate scale of operations albeit degrowth witnessed in AUM in the last 3 years.

Though, TFCI has a sizeable AUM of Rs 1588.92 crore as on 31st March 2024 which has witnessed degrowth in last 3 years from Rs 1,976.64 crore as on 31 March 2022 to Rs 1,621.48 crore as on 31 March 2023 and further to Rs 1588.92 crore as on 31 March 2024, despite growth in disbursements from Rs 277.00 crore in FY22 to Rs 852.70 crore in FY24. This was on account of higher prepayments in the last 2 years which stood at Rs.610.69 in FY23 and Rs.493.14 crore in FY24.

Stable earnings profile

Though TFCI's net interest income has declined in FY24 to Rs.94.96 crore (FY23: Rs.106.25 crore) due to degrowth in AUM, earning profile remains stable. NIM has marginally declined to 6.05% for FY24 (FY23:6.29%) due to increased cost of borrowings. Cost to income ratio remains low at 16.86% for FY24 (FY23:16.74%) reflecting optimisation of resources. ROTA remains healthy at 4.46% for FY24 (FY23:4.16%).



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Long track record of operations with experienced promoters and professional management

TFCI was established in 1989 and has a long track of providing financial assistance to various sectors for more than 3 decades. TFCI's AUM is geographically well spread across India. TFCI's current promoters are Life Insurance Corporation of India (LIC), the Oriental Insurance Co. Limited, and Pransatree Holdings Pte. Limited. Mr. Anoop Bali, Managing Director, is experienced finance personnel with over three decades of experience and takes care of day-to-day operations. The company's board has nine directors out of which five are independent directors including one female director. Over the years, the management of TFCI has put in place strong Credit appraisal policies and processes, Monitoring & Recovery, NPA/Stressed Asset Management, Legal team and Risk Management systems.

Key Rating Weaknesses

Moderate, albeit improving asset quality

TFCI is exposed to borrower concentration risk with top 20 borrowers contributing to 72.34% of total AUM coupled with the fact that average ticket size being ~Rs 60 crore, the asset quality of TFCI is susceptible to slippages as even a single account slipping into NPA status will have a significant impact on the asset quality of the company. However, recoveries have also improved in last 3 years with TFCI recovering Rs 515.17 crore in FY22, Rs 329.84 crore in FY23 and Rs 478.55 crore in FY24. On the back of which the asset quality has improved in FY24 with GNPA and NNPA reducing to 2.75% and 1.51% respectively in FY24 from 3.92% and 2.95% respectively in FY23.

Inherent risks associated with NBFCs coupled with intense competition.

Even though PCPL has ventured into other sectors such as manufacturing, MSME and real estate lending, its product diversification remains low with the concentration primarily being in the tourism segment (~61%). The NBFC industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position



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as has been seen during the pandemic and demonetisation coupled with severe competition by other NBFCs and Banks.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

Liquidity: Strong

TFCI has strong liquidity with total CRAR of 59.01% and TNW of Rs 1089.43 crore with a gearing of 0.90x as on 31 March 2024. TFCI also has adequately matched ALM profile with no negative cumulative mismatches across various buckets. Apart for this, TFCI has a liquidity in the form cash and bank balances, liquid investments and unutilised bank lines amounting to Rs 400.93 crore as on 31 March 2024 which provides additional comfort.

About the company

TFCI is a Delhi-based NBFC-ML, incorporated in 1989, as a Public Financial Institution (PFI) to cater to the financial needs of the tourism industry. The company is listed on Bombay Stock Exchange and National Stock Exchange. As on March 31, 2024, Life Insurance Corporation of India, the Oriental Insurance Co. Ltd., as promoters & Pransatree Holdings Pte. Limited as promoter group, holds collectively 8.04% stake in the company.



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Financials (Standalone)*:

Rs in crore

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	231.45	241.86
PAT	87.95	91.11
AUM	1621.48	1588.92
Tangible Networth	1016.70	1089.43
Total debt	998.83	977.66
Ratios		
NIM (%)	6.29	6.05
ROTA (%)	4.16	4.46
Interest Coverage (Times)	2.20	2.13
Total CRAR (%)	62.28	59.01
GNPA (%)	3.92	2.75
NNPA (%)	2.95	1.51
Overall Gearing (Times)	0.98	0.90

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr N o.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) Rating(s) assigned 2023-24	Date(s) Rating(s) assigned 2022-23	Date(s) Rating(s) assigned 2021-22
1.	Proposed Commercial Paper	Short Term	100.00	IVR A1+	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Instrument	ISIN	Date of Issuance	Maturity Date	Coupon (%)	Amount (Rs in Crores)	Listing Status	Rating
Proposed CPs	-	-	-	-	100.00	To be listed	IVR A1+
	Total				100.00		

Annexure 2: Facility wise lender details – Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Draft Term sheet for the proposed Commercial Paper issue of Rs 100.00 crore

Issuer	Tourism Finance Corporation of India Limited
Issue	Commercial Paper (CPs)
Discount Rate	8.25% p.a.
Period	Up to 364 days
Issue Size (Maturity Value)	Rs.100 Crore
Issue Size (Subscription Value)	Rs. 92.37875 Crore
Issue Size (Maturity Value) Per Unit	Rs. 5,00,000/- per unit
Issue Size (Subscription Value) Per Unit	Rs. 4,61,894/- per unit
• Conditions (If Any)	NIL
• Purpose of the Issue	Onward lending to short term loans and general cash flow requirements
• Credit Support (If Any)	NIL
Issuing And Paying Agent	State Bank of India
Listed/Non-Listed	Listed

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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