

## Press Release

### Tourism Finance Corporation of India Limited

August 05, 2021

#### Rating Reaffirmed & Assigned



<b>Total Facilities Rated*</b>	Rs. 750.00 Cr.
<b>Facilities Rated</b>	Rs. 159.74 Cr.
<b>Long Term Rating</b>	ACUITE AA-/ Outlook: Negative (Reaffirmed)
<b>Facilities Rated</b>	Rs. 140.26 Cr.
<b>Long Term Rating</b>	ACUITE AA- (Withdrawn)
<b>Facilities Rated</b>	Rs. 200.00 Cr.
<b>Long Term Rating</b>	ACUITE AA-/ Outlook: Negative (Assigned)
<b>Facilities Rated</b>	Rs.250.00 Cr.
<b>Long Term Rating</b>	ACUITE Provisional AA/ Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 159.74 crore secured redeemable Non-convertible debenture issued by Tourism Finance Corporation of India Limited (TFCI). The outlook continues to remain '**Negative**'.

Acuite has withdrawn the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 140.26 crore proposed secured redeemable Non-convertible debenture issued by Tourism Finance Corporation of India Limited (TFCI). This rating is being withdrawn on account of the request received by the client as per Acuite's policy.

Acuite has assigned the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 200.00 crore proposed bank facilities of Tourism Finance Corporation of India Limited (TFCI). The outlook is '**Negative**'.

Acuite has reaffirmed the long-term rating of '**ACUITE Provisional AA**' (read as **ACUITE Provisional double A**) on the Rs. 250.00 crore proposed secured redeemable Non-convertible debenture issued by Tourism Finance Corporation of India Limited (TFCI). The outlook is '**Stable**'.

The rating of Rs. 250.00 Cr proposed NCD issue of TFCI is provisional and final rating is subjected to

- Appointment of SEBI registered debenture trustee
- Execution of signing of Trust Deed with the proposed Structured Payment Mechanism (SPM) duly incorporated
- Receipt of final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions of term sheet.

The rating factors in TFCI's long track record in financing tourism and related sectors, resourceful promoters coupled with capital raising ability as well as experienced management. The rating also takes into account its healthy capitalization of 39.87 per cent coupled with low gearing levels of 1.72 times as on March 31, 2021. While Acuite takes cognisance of TFCI's exposure towards tourism sector which is facing headwinds on account of Covid-19, the company is expecting resolution of few high ticket stressed assets in the near term which might ease asset quality/ profitability pressures.

The rating is, however, constrained due to TFCI's high exposure to tourism and related sectors coupled with wholesale nature of portfolio. The rating is further constrained on account of weak asset quality and low provisioning buffers. Owing to Covid-19 impact on tourism sector, TFCI has witnessed rise in level of stressed assets (i.e. GNPA) rose to 3.52 per cent as on March 31, 2021 from 0.87 per cent as on

December 31, 2020 [March 31, 20: 2.50 per cent]. Going forward, continued parent support, ability to scale up/ diversify its business, contain slippages while maintaining operating metrics will be key monitorables.

### **Rating rationale for the proposed NCD of Rs. 250 Cr.:**

The rating factors in the Structured Payment Mechanism (SPM) put in place by TFCI to ensure timely availability of funds for servicing of debt obligations. The rating on the NCDs is secured by the presence of Structured Payment Mechanism, i.e. 15 per cent of the principal amount will be served as DSRA and this would be provided in the form of fixed deposit. TFCI shall ensure that there is adequate funds to meet scheduled interest and principal obligations at T-5 days (T is the due date).

### **About TFCI:**

TFCI is a Delhi-based NBFC-ND-SI, 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. Since September 2018, there have been significant changes in the promoters' shareholding, with a stake dilution by IFCI Ltd., Life Insurance Corporation of India and other nationalised banks during FY19. As a result of this, the new incoming shareholders like India Opportunities III Pte Ltd. & Tamaka Capital (Mauritius) Ltd. (managed by Ares SSG, a global Alternate Investment manager with approx. \$197 billion of assets under management) and Mr. Koppara Sajeve Thomas, as promoter group along with existing promoters, together held 51.58 percent as on March 31, 2019 of the total shares in the company. Since March 2019, Redkite Capital Pvt. Ltd., erstwhile shareholder of TFCI also started diluting its stake and in July 2020, it has been classified as public shareholder under regulatory approvals. As on 31st March 2021, Life Insurance Corporation of India & The Oriental Insurance Co. Ltd., as promoters & Mr. Koppara Sajeve Thomas and India Opportunities III Pte. Limited & Tamaka Capital (Mauritius) Limited (managed by Ares SSG), as promoter group, hold 27.25per cent stake in the company.

### **Analytical Approach**

Acuite has considered the standalone financial and business risk profile of TFCI to arrive at the rating. Further, the rating also takes the support of the presence of internal credit enhancement proposed in the form of Debt Service Reserve Account (DSRA) and the Structured Payment mechanism.

### **Key Rating Drivers**

#### **Strengths**

#### **Established track record of long term funding; moderate business volumes along with gradual efforts to diversify into other sectors:**

The promoter group of TFCI consists of India Opportunities III Pte. Limited, Mr. Koppara Sajeve Thomas, Life Insurance Corporation of India (LIC), Tamaka Capital (Mauritius) Limited and The Oriental Insurance Co. Ltd. The stake of the promoter group is 27.25 per cent as on March 31, 2021.

Mr. Koppara Sajeve Thomas, Director, is an experienced banker with over three decades of experience in retail and corporate banking, Capital Markets, Treasury and Risk Management. Mr. Anirban Chakraborty, joined the board as Managing Director and CEO in April, 2019. Mr. Chakraborty has over two decades of experience in banking and finance. He was the deputy CEO of Axis Capital in his last assignment.

TFCI's loan book stood at Rs. 1976.64 Cr. as on March 31, 2021 (79 per cent comprised of tourism sector) as against Rs.1793.54 Cr. as on March 31, 2020 (73 per cent comprised of tourism sector). TFCI has disbursed Rs.457.27 Cr. in FY2021, out of which 31% was disbursed under Emergency Credit Line Guarantee Scheme (ECLGS). 86.31 per cent of the total portfolio is under on time as on March 31, 2021 as against 89.57 per cent of the total portfolio outstanding as on March 31, 2020 is under on time dpd.

Acuite believes that TFCI will continue to leverage its established position, proven underwriting skills in project financing and expertise of management to consolidate their position in the domestic lending sector.

#### **Prudent funding profile underpinned by low gearing and mix of medium term and long term borrowings:**

TFCI's gearing has improved to 1.72 times as on March 31, 2021 as against 1.80 times as on December 31, 2020 and 1.92 times as on March 31, 2020. Net worth of TFCI, mainly comprised accumulated reserves and stood at Rs. 791.63 Cr as on March 31, 2021 as against Rs. 773.62 Cr. as on December 31, 2020 and Rs. 753.52

Cr as on March 31, 2020. Its Capital adequacy ratio has also improved to 39.87 percent as on March 31, 2021 as against 37.59 percent as on December 31, 2020 (March 31, 2020: 37.56 percent), with tier-1 at 39.33 percent, providing enough headroom to scale up its loan book.

Since most of TFCI's assets are long term loans, TFCI's borrowing profile is largely constituted of medium to long term borrowings. The total borrowings stood at ~Rs.1359.61 Cr. as on March 31, 2021. Out of which, 75 per cent of the borrowing are maturing in 1-5 years bucket and 25 per cent are maturing beyond 5 years bucket. This leads to a positive mismatch in asset liability mismatch statement as on March 31, 2021. The bank borrowings contributed 42 per cent and the rest is funded through other capital market instruments. Notwithstanding the wholesale lending, TFCI continued to be conservatively geared and has adequate headroom to meet near term business requirements.

### **Weaknesses**

#### **Risk Inherent to wholesale lending segment:**

TFCI's loan book comprises long term loans (including project loans) primarily to tourism and tourism related sector. Since these loans are usually for activities such as the construction of hotels, etc. the average ticket size is high with individual exposures going beyond Rs. 75.00 Cr in few cases. The company's top 20 borrowers accounted for ~60 percent of its total loan book as on March 31, 2021 (~59 percent as on December 31, 2020). Given that wholesale exposures are chunky in nature, slippages in few accounts can lead to significant asset quality deterioration. Owing to Covid-19 impact on tourism sector, TFCI has witnessed deterioration in asset quality. GNPA and NNPA of TFCI is increased to 3.52 per cent [P.Y.: 2.50 per cent] and 2.84 per cent [P.Y.: 1.61 per cent] as on March 31, 2021 from 0.87 per cent and 0.63 per cent as on December 31, 2020, respectively. This steep increase is on the account of a pro-forma account of Rs.52.22, which classified as NPA as on March 31, 2021. However, owing to high asset cover ratio of its funded projects, TFCI would likely to recover its dues through enforcement process.

While Acuite takes cognisance of TFCI's asset quality stress, the company is expecting resolution of few high ticket stressed assets during FY22 which might ease asset quality/ profitability pressures.

Acuite believes that the ability of the management to curtail incremental slippages in asset quality and maintain the growth momentum in its loan book will remain key monitorable.

#### **Continued high exposures on tourism sector which are impacted by the pandemic:**

Covid -19 pandemic and the consequent lockdowns have adversely impacted the tourism sector. The recovery of occupancy rate is expected to happen in gradual manner. The total loan portfolio of TFCI stood at Rs.1976.64 Cr. as on March 31, 2021, out of which 79 per cent of the exposure was in the tourism sector. Given the current environment and intermittent lockdowns, there could be increased pressure on the asset quality for players like TFCI. The exposure of TFCI is mostly associated with established and reputed brands, which partly mitigates the risk. Any further slowdown in economic activities will impact the business, thereby affecting the cash flows of borrowers and impeding their ability to meet their commitment in a timely manner.

#### **Liquidity Position: Adequate**

As per the asset liability management statement as on March 31, 2021, TFCI has positive cumulative mismatch in most of its maturity buckets up to the next 1 year bucket. The company has unutilised bank lines in the form of cash credit with an average utilisation of ~60per cent for the past six months ending March 31, 2021. TFCI maintained unencumbered cash of Rs.18.18 Cr. as on March 31, 2021. TFCI has also undrawn facilities of Rs.40 Cr. from the banks. Further, it received a sanction of Rs. 50 Cr. from another bank during Q1FY22. Hence, the liquidity position of the company is adequate. Acuite believes that TFCI has comfortable liquidity profile over near to medium term.

#### **Rating Sensitivities**

- Significant changes in Promoter holding/ Ownership pattern
- Asset quality slippages
- Changes in profitability parameters
- Significant growth/ diversification in loan book

#### **Material Covenants**

None

### Outlook: Negative\*

Acuite expects the credit profile of TFCI to be under pressure on account of its significant exposure to tourism and tourism related sectors. The rating could be downgraded in case of higher than expected deterioration in asset quality and material reduction in profitability. Conversely, the outlook may be revised to stable if the company is able to contain the asset quality pressures, maintain collection efficiency and profitability parameters at healthy levels.

\*As mentioned above, the analytical approach taken for rating of proposed non-convertible debentures of Rs.250.00 Cr. is based on internal credit enhancement in the form of DSRA of 15per cent of the principal amount. Hence, the outlook is 'Stable' for proposed facility of Rs.250.00 Cr., however, the outlook is reaffirmed at 'Negative' for the unsupported rating of TFCI.

### About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	2177.71	2236.73
Total Income (Net of Interest Expense)	Rs. Cr.	128.39	138.59
PAT	Rs. Cr.	80.75	81.02
Net Worth	Rs. Cr.	791.63	753.52
Return on Average Assets (RoAA)	(%)	3.66	3.75
Return on Average Net Worth (RoNW)	(%)	10.45	10.87
Total Debt/Tangible Net Worth (Gearing)	Times	1.72	1.92
Gross NPAs	(%)	3.52	2.50
Net NPAs	(%)	2.84	1.61

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Mar-2021	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/Negative (Reaffirmed)
	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	140.26	ACUITE AA-/ Negative (Reaffirmed)
	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	250.00	ACUITE Provisional AA/Stable (Assigned)
24-Nov-2020	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/ Negative (Reaffirmed)
	Proposed Secured Redeemable Non-	Long Term	140.26	ACUITE AA-/ Negative (Reaffirmed)

	Convertible Debentures			
05-Dec-2019	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/Negative (Reaffirmed; Outlook Revised from Stable)
	Secured Redeemable Non-Convertible Debentures	Long Term	140.26	ACUITE AA-/ Negative (Reaffirmed; Outlook Revised from Stable)
15-Jul-2019	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures	Long Term	140.26	ACUITE AA-/Stable (Reaffirmed)
31-Jul-2018	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/Stable (Reaffirmed)
	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	140.26	ACUITE AA-/Stable (Reaffirmed)
16-Sep-2017	Secured Redeemable Non-Convertible Debentures	Long Term	159.74	ACUITE AA-/Stable (Reaffirmed; Outlook revised from Negative to Stable)
	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	140.26	ACUITE AA-/Stable (Reaffirmed; Outlook revised from Negative to Stable)
19-Oct-2016	Secured Redeemable Non-Convertible Debentures	Long Term	300.00	ACUITE AA-/Negative (Downgraded from ACUITE AA; Outlook Revised from Stable to Negative)
11-Aug-2015	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	300.00	ACUITE AA/Stable (Reaffirmed)
27-Jul-2015	Proposed Secured Redeemable Non-Convertible Debentures	Long Term	50.00	ACUITE AA/Stable (Assigned)

**\*Annexure – Details of instruments rated**

ISIN	Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
INE305A09232	Not Applicable	Secured Redeemable Non-Convertible Debentures	Nov 09, 2015	8.81 per cent	Nov 09, 2025	159.74	ACUITE AA-/Negative (Reaffirmed)
-	Not Applicable	Proposed Secured Redeemable Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	140.26	ACUITE AA- (Withdrawn)

-	Not Applicable	Proposed Secured Redeemable Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	250.00	ACUITE Provisional AA/Stable (Reaffirmed)
-	Not Applicable	Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE AA-/Negative (Assigned)

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## About Acuite Ratings & Research:

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