



Press Release
Tourism Finance Corporation of India Limited
August 23, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	950.00	ACUITE A+ Stable Downgraded Negative to Stable	-
Non Convertible Debentures (NCD)	359.74	ACUITE A+ Stable Downgraded Negative to Stable	-
Non Convertible Debentures (NCD)	75.00	PP-MLD ACUITE A+ Stable Downgraded Negative to Stable	-
Non Convertible Debentures (NCD)	250.00	Provisional ACUITE AA- Stable Downgraded Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	1634.74	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE A+**' (read as **ACUITE A plus**) from '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 950.00 Cr. bank facilities of Tourism Finance Corporation of India Limited (TFCI). The outlook is revised from '**Negative**' to '**Stable**'

Acuite has downgraded its long-term rating to '**ACUITE A+**' (read as **ACUITE A plus**) from '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 359.74 Cr. secured redeemable Non-convertible debentures issued by Tourism Finance Corporation of India Limited (TFCI). The outlook is revised from '**Negative**' to '**Stable**'

Acuite has downgraded its long-term rating of '**ACUITE PP-MLD A+**' (read as **ACUITE Principal Protected Market Linked Debentures A plus**) from '**ACUITE PP-MLD AA-**' (read as **ACUITE Principal Protected Market Linked Debentures double A minus**) on the Rs. 75.00 Cr principal protected market linked debentures of Tourism Finance Corporation of India Limited (TFCI). The outlook is revised from '**Negative**' to '**Stable**'

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

The rating on the Rs. 250.00 Cr. proposed NCD for TFCI is provisional and the final rating is subject to:

- Appointment of a SEBI registered Debenture Trustee
- Execution of signing of Trust Deed
- Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and condition of term sheet.

Reason for downgrade

The revision in rating is primarily on account of deterioration in asset quality along with low provisioning coverage ratio and its resultant impact on the financial risk profile of the company. TFCI reported higher GNPA & NNPA levels at 3.92 percent and 2.95 percent respectively as on March 31, 2023 as compared to 0.74 percent and 0.37 percent respectively as on March 31, 2022 which further deteriorated to 5.35 and 4.16 percent respectively in June 2023. Acuite however notes that this surge in GNPA and NNPA levels is solely out of three large account for which resolution is currently underway. Acuite also notes that stressed assets (GNPA + SR accounts) as a percentage to its earning assets rose to 6.16 percent as on June 30, 2023 from 4.11 percent as on March 31, 2022. The rating is also constrained by drop in AUM over the years. AUM levels stood at Rs.1,584 Cr as on June 30, 2023 in comparison to Rs.1,621 Cr and Rs.1,834 Cr as on March 2023 and March 2022, respectively. Acuite further takes cognizance of TFCI's large exposure towards tourism sector. The rating continues to factor in long track record in financing tourism and related sectors, experienced management, healthy capitalisation levels and resource raising ability. The rating also takes into account its healthy capitalization with CAR levels of 62.65 percent coupled with low gearing levels of 0.98 times as on Mar 31, 2023 (CAR 54.59 percent and gearing 1.36 times as on March 31, 2022).

About the company

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 nationalized 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 Sajeeve 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 March 31, 2023, Life Insurance Corporation of India, the Oriental Insurance Co. Ltd., as promoters & Mr. Koppara Sajeeve Thomas and Pransatree Holdings Pte. Limited as promoter group, hold 17.96 percent stake in the company.

Standalone (Unsupported) Rating

ACUITE A+/Stable

Analytical Approach

Acuité 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.

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. 15per 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).

Key Rating Drivers

Strength

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

TFCI is promoted by Life Insurance Corporation of India (LIC), the Oriental Insurance Co. Limited, Mr. Koppara Sajeeve Thomas and Pransatree Holdings Pte. Limited. The promoters

and promoter group shareholding stood at 17.96 percent as on Mar 31, 2023. Mr. Koppara Sajeev Thomas, Director, is an experienced banker with over three decades of experience in retail and corporate banking, Capital Markets, Treasury and Risk Management. TFCI's loan book stood at Rs. 1,621 Cr. as on Mar 31, 2023 as compared to Rs. 1,834 Cr. as on March 31, 2022. TFCI disbursed Rs. 560 Cr. in FY2023 as compared to Rs. 277 Cr. during FY2022. Acuité 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 0.98 times as on Mar 31, 2023 from 1.36 times as on March 31, 2022 and 1.72 times as on March 31, 2021. Networth of TFCI, mainly comprised accumulated reserves and stood at Rs. 1,017 Cr. as on March 31, 2023 from Rs. 936 Cr. as on March 31, 2022. TFCI's Capital adequacy ratio has also improved to 62.65 percent as on Mar 31, 2023 from 54.59 percent as on March 31, 2022 (March 31, 2020: 39.87 percent), with Tier-1 at 62.30 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. 998 Cr as on Mar 31, 2023. The company has a positive mismatch in asset liability mismatch statement as on Mar 31, 2023. The bank borrowings contributed 63 percent 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.

Weakness

Weak asset quality

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 Cr in certain cases. TFCI's loan book is highly concentrated to company's top 20 borrowers. Given that wholesale exposures are chunky in nature, slippages in few accounts can lead to significant asset quality deterioration. GNPA and NNPA of TFCI had increased to 3.92 percent and 2.95 percent as on March 31, 2023 respectively. GNPA and NNPA was 0.74 percent and 0.37 percent as on March 31, 2022 on account of selling off of two accounts ARC.

TFCI's stressed assets as a percentage to its earning assets increased to 4.94 percent as on March 31, 2023 from 4.11 percent as on March 31, 2022. It further deteriorated to 6.16 percent as on June 30, 2023 on account of 3 cases slipping into NPA. While Acuite takes cognizance of TFCI's asset quality stress, the company is expecting resolution of few high ticket stressed assets during FY2024 which might ease asset quality/ profitability pressures. TFCI has made ECL provisions of Rs.19 Cr. for its Gross NPA that stood at of Rs. 84 Cr. as on June' 23.

Acuité 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.

Moderation in AUM

TFCI has witnessed a down trend in its AUM in the past two years where total loan portfolio of TFCI declined to Rs. 1,584 Cr. as on June 30, 2023 from Rs. 1,621 Cr. as on March 31, 2023 and further from Rs. 1,834 Cr. as on March 31, 2022. The decline in AUM was majorly on account prepayment of loans. This in-turn has affected their top line and the company has seen a decline in its Interest Income and Net Interest Income in FY2023. 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.

ESG Factors Relevant for Rating

Tourism Finance Corporation of India Limited (TFCIL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India. Some of the material governance issues for the sector are policies and practices with regards to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, sustainable financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. TFCIL has maintained adequate transparency in its business ethics operations as it can be inferred through its disclosures regarding its policies on related party transactions, vigil mechanism, grievance redressal committee and whistle blowing. Additionally, the company has defined a Code of Conduct to deter wrongdoings and to promote ethical practices. The company's board has seven directors out of which three are independent directors and one female director. The Audit Committee of the board comprises four directors, all of whom including the Chairman are independent. TFCIL has adequate transparency with respect to its shareholders rights, which can be inferred by way of its disclosures in this respect. Since TFCIL is engaged in funding tourism infrastructure projects, it needs to formulate policies to invest in green and sustainable projects and also have a negative screening mechanism in its credit policy. Further, it also needs to assess its lending portfolio from an ESG perspective. As regards the social factors, the projects financed by TFCIL are expected to boost tourism in the country and generate employment in the sector.

Rating Sensitivity

- Movement in AUM and disbursements levels
- Resolution of stressed assets
- Asset quality movement including softer buckets
- Concentration of portfolio in hospitality sector

Material Covenants

TFCI is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position Adequate

As per the asset liability management statement as on Mar 31, 2023, TFCI has positive cumulative mismatch in near to medium term bucket. TFCI maintained unencumbered cash balance of ~Rs. 90 Cr. as on June 30, 2023.

Outlook: Stable

Acuité believes that TFCI will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to grow its AUM while maintaining healthy asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics, asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital adequacy parameters around existing levels.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	2037.02	2236.83
Total Income*	Rs. Cr.	138.49	128.37

PAT	Rs. Cr.	87.95	85.32
Net Worth	Rs. Cr.	1017.10	936.96
Return on Average Assets (RoAA)	(%)	4.12	3.87
Return on Average Net Worth (RoNW)	(%)	9.00	9.87
Total Debt/Tangible Net worth (Gearing)	Times	0.98	1.36
Gross NPA	(%)	3.92	0.74
Net NPA	(%)	2.95	0.37

*Total income equals to Net Interest Income

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

None

Any other information

Supplementary disclosures for Provisional Ratings

1. Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

2. Rating that would have been assigned in absence of the pending steps/ documentation

The rating would be equated to the standalone rating of the entity: ACUITE AA-/ Negative

3. Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Feb 2023	Term Loan	Long Term	248.50	ACUITE AA- Negative (Assigned)
	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	200.00	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	77.49	ACUITE AA- Negative (Assigned)
	Cash Credit	Long Term	120.00	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE AA- Negative (Assigned)
	Term Loan	Long Term	67.50	ACUITE AA- Negative (Assigned)
	Proposed Bank Facility	Long Term	34.17	ACUITE AA- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional AA Negative (Reaffirmed)
	Term Loan	Long Term	45.83	ACUITE AA- Negative (Assigned)
	Term Loan	Long Term	200.00	ACUITE AA- Negative (Assigned)
	Non Convertible Debentures	Long Term	75.00	ACUITE PP-MLD AA- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	50.68	ACUITE AA- Negative (Assigned)
	Cash Credit	Long Term	10.00	ACUITE AA- Negative (Assigned)
Term Loan	Long Term	45.83	ACUITE AA- Negative (Reaffirmed)	
29 Apr 2022	Principal Protected Market Linked Debentures	Long Term	75.00	ACUITE PP-MLD AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	200.00	ACUITE AA- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	200.00	ACUITE AA- Negative (Assigned)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional AA Stable (Reaffirmed)
26 Nov 2021	Principal Protected Market Linked Debentures	Long Term	75.00	ACUITE PP-MLD AA- Negative (Assigned)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional AA Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	200.00	ACUITE AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)
05 Aug 2021	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	140.26	ACUITE AA- (Withdrawn)
	Proposed Non Convertible	Long		ACUITE Provisional AA Stable

	Debentures	Term	250.00	(Reaffirmed)
	Proposed Bank Facility	Long Term	200.00	ACUITE AA- Negative (Assigned)
02 Mar 2021	Proposed Non Convertible Debentures	Long Term	140.26	ACUITE AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional AA Stable (Assigned)
24 Nov 2020	Proposed Non Convertible Debentures	Long Term	140.26	ACUITE AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	159.74	ACUITE AA- Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A+ Stable Downgraded Negative to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	INE305A09232	Non-Convertible Debentures (NCD)	09 Nov 2015	8.81	09 Nov 2025	Simple	159.74	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	INE305A07012	Principal protected market linked debentures	01 Dec 2021	Not Applicable	01 Dec 2024	Complex	75.00	PP-MLD ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.34	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	250.00	Provisional ACUITE AA- Stable Downgraded Negative to Stable
Bank of Baroda	Not Applicable	Term Loan	30 Jun 2022	9.05	31 Jul 2027	Simple	45.00	ACUITE A+ Stable Downgraded Negative to Stable
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	67.50	ACUITE A+ Stable Downgraded Negative to Stable

Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	77.49	ACUITE A+ Stable Downgraded Negative to Stable
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	41.67	ACUITE A+ Stable Downgraded Negative to Stable
Indian Infrastructure Finance Company Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	200.00	ACUITE A+ Stable Downgraded Negative to Stable
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE A+ Stable Downgraded Negative to Stable
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE A+ Stable Downgraded Negative to Stable
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	300.00	ACUITE A+ Stable Downgraded Negative to Stable

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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