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TF/LISTING/20
May 28, 2020

National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex, Bandra (E),Mumbai- 400 051	Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

Dear Sir,

This is to inform you that credit ratings of the company have been revised by Brickwork ratings as detailed below:

Rating Agency	Date of Receipt of Letter	Rating (Amount – Rs. in crore)		Rating Action
		Multiple Bond Issues (Long Term)	Bank Loan Facilities (Long Term)	
Brickwork Rating	28.5.2020	BRWA+ (Negative) (841.24)	BRWA+ (Negative) (1150.00 crore)	Rating Downgraded

The rating rationale given by Brickwork Rating is enclosed as Annexure.

Yours faithfully,

(Sanjay Ahuja)
Company Secretary &
Compliance Officer

RATING RATIONALE

Tourism Finance Corporation of India Ltd

27 May 2020

Brickwork Ratings downgrades the ratings of Tourism Finance Corporation of India Ltd. to 'BWR A+' from 'BWR AA-' while maintaining the outlook on Negative

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based	1150.00	1150.00	Long Term	BWRAA- (Negative)	BWR A+ (Negative) **(Downgrade)**
Total	**1150.00**	**1150.00**	**INR One Thousand One Hundred Fifty Crores Only**		

Instrument	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Multiple Bond Issues#	841.24	841.24	Long Term	BWRAA- (Negative)	BWRA+ (Negative) **(Downgrade)**
Total	**841.24**	**841.24**	**INR Eight Hundred Forty-One Crores and Twenty-Four Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
Issue-wise details in the annexure

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) revises its rating on the long-term bank facilities and bonds of TFCI to **'BWR A+' from 'BWR AA-'** while maintaining the rating outlook on Negative. The rating downgrade factors in the severe impact of COVID-19 on the tourism, hospitality and urban infrastructure sectors and the resultant deterioration in the loan collections of TFCI. Approximately 75% of the assets under management (AUM) of the company is exposed to the tourism and allied sectors. The negative outlook reflects the considerable risk of a delay in collections and the deterioration in the company's loan portfolio, rise in credit costs and muted growth in the loan book in the near term.

However, the rating continues to draw comfort from the experienced management team of the company, healthy capitalisation and comfortable liquidity position. The rating, however, remains constrained by its wholesale nature of operations with high concentration in the tourism sector and average asset quality.

KEY RATING DRIVERS

Credit Strengths:

Experienced management:
TFCI has an experienced management team to pursue the company's main objective of building a specialised financial institution to provide a long-term basis to tourism-related projects in the country. The company's senior management has vast experience in the financial services domain. Mr. Anirban Chakraborty, the MD and CEO of TFCI has an experience of over two decades in corporate and investment banking, and prior to joining TFCI he was the Dy. CEO of Axis Capital. The board of directors consists of 10 members, including 1 nominee director from the Ministry of Tourism, Government of India.

As on 31 March 2020, the cumulative shares were held by Tamaka Capital (Mauritius) Ltd and India Opportunities III Pte. Limited, both of which are ultimately owned by SSG Capital Partners.

Healthy capitalisation with low gearing: TFCI's capitalisation is healthy, with a sizable tangible net worth of Rs. 757.86 crs as on 31 December 2019 (Rs. 736.91 crs as on 31 March 2019). The Tier I capital adequacy ratio (CAR) and overall CAR were comfortable at 36.21% (FY19: 38.60%) and 36.62% (FY19: 39.01%), respectively, as on 31 December 2019, and were much higher than the minimum regulatory requirement. The gearing was low at 1.75 times as on 31 December 2019 (1.80 times as on 31 March 2019). Networth coverage for net NPAs as on 31 December 2019 was comfortable at 28.04 times, indicating adequate buffers to absorb asset side risks. BWR believes the company will remain well-capitalised over the medium term.

The profitability of TFCI is moderate with the return on assets (RoA) at 4.34% (annualised) for 9MFY20, against 4.20% for FY19. For 9MFY20, the company reported a profit after tax of Rs. 68.84 crs with total revenue of Rs. 208.36 crs, against a PAT of Rs. 86.25 crs, with the total revenue of Rs. 229.95 crs for FY19.

Adequate liquidity profile: TFCI's liquidity profile is comfortable with surplus cumulative mismatches across all of the buckets upto 5 years as per the ALM profile as of March 2020. Furthermore, the company has cash and cash equivalents amounting to Rs.184.01 Crs along with unavailed credit facilities (term loans and cash credit facilities) to the tune of Rs. 500.00 Crs as on April 2020, ensuring the availability of adequate funds to meet short- to near-term repayment obligations in case there is stress on collections, going forward, in the aftermath of the COVID-19 pandemic.

Credit Risks:

Moderate scale of operations and chunky nature of loan portfolio: In consideration with the nature of TFCI's philosophy of providing lending to the tourism and allied sectors, the company is expected to face the risks of customer concentration due to limited diversity in portfolio. Exposure to the tourism sector remained high at 55.20% as on 31 December 2019; it has however, reduced from a high of 61.31% as on 31 March 2019. TFCI is working towards bringing some diversity in its loan portfolio to reduce the risk of concentration. The company's AUM is increasing y-o-y, but remained moderate at Rs. 1838.68crs as on 31 December 2019, along with top 27 exposures accumulating to 70% of the portfolio.

Average asset quality: TFCI's asset quality is average with reported gross NPAs at 3.34% as of December 2019; however, it has reduced from 5.14% as of March 2019, mainly on account of partial write-offs of one large NPA account. The loan portfolio remains wholesale in nature and with high sectoral concentration, remains vulnerable to any industry risk associated with the tourism and urban infrastructure sectors. However, the loan assets are adequately covered through sufficient collateral securities (average LTV: 40% and security cover: 2x), which shall help to keep ultimate losses at the minimum. However, the COVID-19 crisis is expected to have an impact on the collection efficiency of the company over the near term. The extent of impact on the portfolio is expected to be ascertained over the next few months as collections resume post the loan moratorium period. Any sharp deterioration in asset quality can have a bearing on the company's rating and remains a key rating sensitivity.

Weak external environment for NBFCs: The entire NBFC sector is currently facing challenges in terms of raising funds. While the recent liquidity crisis revolving around the sector has not much affected the company since most of the portfolio is built through equity (the gearing of the company as on 31 December 2019 is 1.75x), the ability of the company to raise liabilities will remain a key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The ability of the firm to manage asset quality and profitability while maintaining liquidity and capitalisation would be key rating sensitivities.

Positive: The rating outlook may be revised to Stable if there is no material deterioration in asset quality or profitability, and the company is able to maintain liquidity and capitalisation.

Negative: The rating may be downgraded if there is a share rise in stressed assets, deterioration in profitability, liquidity or capital levels, as well as a contraction in the loan book.

LIQUIDITY POSITION: ADEQUATE

TFCI has cash and cash equivalents amounting to Rs.184.01 Crs, along with unavailed credit facilities (term loans and cash credit facilities) to the tune of Rs. 500.00 Crs as on April 2020. For March 2020 and April 2020, the collection efficiency stands at ~90% and ~40%, respectively. Over the next 6 months, the company has a debt repayment obligation of approximately Rs. 400.00 crs, and the company has adequate liquidity to meet these obligations. TFCI has plans to raise around Rs 200-350 Crores in NCDs under the TLTRO window of the RBI.

COMPANY PROFILE

Tourism Finance Corporation of India Ltd (TFCI) was established in 1989 with the main objective of setting-up a specialised financial institution to expedite growth in tourism infrastructure in the country by providing a dedicated line of credit on a long-term basis to tourism-related projects in the country. TFCI provides financial assistance to enterprises, for setting-up and/or development of tourism-related activities, facilities and services, which inter-alia include hotels, restaurants, holiday resorts, amusement parks and complexes for entertainment, education and sports, safari parks, rope-ways cultural centers, convention halls, all forms of transport industry, air-taxis, travel and tour operating agencies, tourism emporia and sports facilities.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key financial highlights are given in the table below:

Particulars	Unit	FY18 (A)	FY19(A)	9MFY20 (A)
Portfolio O/S	Rs. Crores	1550.16	1693.82	1838.68
Gross NPA	%	2.15	5.14	3.34
NetNPA	%	0.08	2.81	1.47
Total Income	Rs. Crores	206.23	236.29	211.22
Net Interest Income	Rs. Crores	103.86	107.39	88.12
PAT*	Rs. Crores	77.48	86.25	68.84
Tangible Net Worth	Rs. Crores	678.19	736.91	757.86
CRAR	%	39.90	39.01	36.62

*including comprehensive income on change in fair value of the investments

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

Rating History for the last three years:

Instrument	Current Rating (May 20)			Rating History					
	Type	Amount (Rs Crs)	Rating	2020 Feb	2020 Jan	2019 Sept	2019 July	2018	2017
Term Loan	Long Term	980.00	BWR A+ Negative (Downgrade)	BWR AA- Negative	BWR AA- Negative	BWR AA- Negative	BWR AA- Negative	BWR AA- Stable	BWR AA- Stable
Cash Credit		170.00							
Multiple Bond Issues		841.24							
Total		1991.24	INR One Thousand Nine Hundred Ninety One Crores and Twenty Four Lakhs Only						

I: Issue wise details of the Bonds

Instrument	Issue Date	Amount (Rs. Crs)	Coupon	Maturity Date	ISIN Particulars	Rating*
Secured bond issue (Series MB 2015-01)	Nov9,2015	159.74	8.81%	Nov 9, 2025	INE305A09232	BWR A+ Negative (Downgrade)
Unsecured bond issue (Series MB XLVI-B, XLVI-C)	Feb 25, 2013	100	9.60%	Feb 25, 2028	INE305A09216	
	Feb25,2013	75	9.65%	Feb 25, 2033	INE305A09208	
Unsecured bond issue (Series MB XLIV, MB XLV & MB XLVI-A)	Jun30,2012	75	9.95%	Jul 1, 2022	INE305A09182	
	Aug21,2012	75	9.95%	Aug 21, 2022	INE305A09190	
	Feb25,2013	50	9.50%	Feb 25, 2023	INE305A09224	
Unsecured bond issue (Series MB XLIII)	Mar 19, 2012	56.50	9.65%	Apr 19, 2022 Call Option: Mar 19, 2019	INE305A09174	
Unsecured bond issue (Series MB XLI & MB XLII)	Sep1,2011	100	10.15%	Sep 1, 2021	INE305A09158	
	Nov 16, 2011	100	10.20%	Nov 16, 2021	INE305A09166	
Unsecured bond issue (Series XXXX)	Nov 29, 2010	50	8.90%	Nov 29, 2020	INE305A09141	
Total		841.24	(INR Eight Hundred Forty-One Crores and Twenty Four Lakhs Only)			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Banks & Financial Institutions

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