Tourism Finance Corporation of India Ltd.
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CIN : L65910DL1989PLC034812

TF/LISTING/19
July 31, 2019

To

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 reaffirmed by credit rating agencies as detailed below:

Rating Agency	Date of Receipt of Letter	Rating (Amount – Rs. in crore)			Rating Action
		Long-term Bonds	Bank Borrowings	Commercial Paper	
CARE Rating	31.7.2019	**A+** Outlook:Stable (781.50)	--	**A1+** (100.00)	Reaffirmed
ACUITE Rating (earlier SMERA Rating)	30.7.2019	**AA-** Outlook:Stable (300.00)	--	--	Reaffirmed
Brickwork Rating	30.7.2019	**AA-** Outlook: negative (941.24 present outstanding 841.24)	**AA-** Outlook: Negative (400.00)	--	Reaffirmed

You are requested to kindly note that all the three rating agencies have since reaffirmed their respective ratings as on date. The rating rationale given by the respective rating agencies are enclosed as Annexure.

Yours faithfully,

(Sanjay Ahuja)
Company Secretary &
Compliance Officer

Rating Rationale
Tourism Finance Corporation of India Limited

Ratings

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

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 Sajeeve 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

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)
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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 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 Sajeeve 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.

Financial Performance: (Rs. Cr)

For the period ended / as at March 31,	*2017 iGAAP (12m, A)*	*2018 INDAS (12m, A)*	*2019 INDAS (12m, A)*
Interest Income	186.54	223.62	229.94
Interest charges	90.81	96.44	104.35
Net Interest Income	95.73	127.18	125.59
Other Income	22.00	0.27	6.35
Total Income	208.54	223.89	236.29
Operational Expenses (incl depreciation)	24.06	20.47	18.30
PAT	70.43	77.48	86.25
Financial Position			
Tangible Networth	554.2	668.1	729.7
Total Borrowings	1,050.0	1,303.6	1,323.6
Gross Loan Assets	1,421.0	1550.16	1,693.8
Net loan Portfolio	1,381.3	1511.62	1646.7
Investments (net)	247.6	301.4	318.1
Total Assets	1,700.3	2,007.0	2,083.5
Gross NPAs	81.1	33.3	87.14
Net NPA	43.0	1.02	47.62
Security Receipts	29.5	28.04	26.32
Key Ratios			
Profitability			
Interest income/ Avg. loans(%)	13.75%	15.05%	14.83%
Interest / Avg. Borrowed Funds (%)	8.87%	8.20%	7.94%
Interest Spread (%)	4.88%	6.86%	6.89%
Net Interest Margin (%)	5.82%	6.86%	6.14%
Operating expenses/average total assets	1.46%	1.10%	0.89%
PAT / Total Income (PAT Margin)(%)	33.77%	34.61%	36.50%
ROTA (PAT / Average Total Assets) (%)	4.28%	4.18%	4.22%
RONW (PAT / Average Tangible Networth) (%)	13.19%	12.68%	12.34%
Solvency			
Overall gearing (x)	1.89	1.95	1.81
Interest coverage before depreciation and provisions (x)	2.04	2.12	2.09
CAR(%)	39.08%	42.28	39.01
Tier I CAR(%)	32.69%	36.06	38.60
Asset Quality			
Gross NPA Ratio (%)	5.71%	2.15	5.14
Net NPA Ratio(%)	3.11%	0.08	2.88
Net NPA/ Net Worth(%)	7.76%	0.16%	6.53%

**A: Audited*

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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.	Name of the	Current Ratings	Rating history

No.	Instrument/Bank Facilities	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 Reedemable	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 Reedemable	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 Reedemable	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)

Annexure-3: Details of Rated Facilities

Instruments	Amount (Rs. Cr) as on April 30, 2019	ROI	Allotment Date	Redemption at par on
LT subordinated Tier II Bonds				
Series MB XXXVIII	75	9.50%	March 31, 2009	April 30, 2019 (FY2020)
Series MB XXXIX	25	9.50%	April 08, 2009	April 30, 2019(FY2020)
Long-term bonds				
Series MB XXXX	50	8.90%	Nov 29, 2010	Nov 29, 2020 (FY2021)
Series MB XLI	100	10.15%	Sep 01, 2011	Sep 1, 2021 (FY2022)
Series MB XLII	100	10.20%	Nov 16, 2011	Nov 16, 2021 (FY2022)
Series MB XLIII	56.5	9.65%	Mar 19, 2012	Apr19,2022(FY2023)
Series MB XLIV	75	9.95%	Jun 30, 2012	Jul 1, 2022(FY2023)
Series MB XLV	75	9.95%	Aug 21, 2012	Aug 21, 2022 (FY2023)
Series MB XLVI-A	50	9.50%	Feb 25, 2013	Feb 25, 2023 (FY2023)
Series MB XLVI-B	100	9.60%	Feb 25, 2013	Feb 25, 2028 (FY2028)
Series MB XLVI-C	75	9.65%	Feb 25, 2013	Feb 25, 2033 (FY2033)

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Press Release

Tourism Finance Corporation of India Limited

July 15, 2019

Rating Reaffirmed

Total Facilities Rated*	Rs. 300.00 Cr.
Long Term Rating	ACUITE AA-/ Outlook: Stable

* *Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE AA-' (read as ACUITE double A minus)** to the Rs. 300.00 Cr. secured redeemable Non-convertible debenture issued by Tourism Finance Corporation of India Limited (TFCI). The outlook is **'Stable'**.

TFCI is a New Delhi-based company, 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. Recently, 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. Presently, Redkite Capital Private Limited, India Opportunities III Pte. Limited (ultimately owned by SSG Capital Partners) and Mr. Koppara Sajeeve Thomas have together acquired 45.81% stake in the company.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of TFCI to arrive at the rating.

Key Rating Drivers

Strengths

Established presence with focus on tourism and tourism related sector:

TFCI was promoted by Industrial Finance Corporation of India (IFCI), Life Insurance Corporation of India (LIC), State Bank of India, Bank of India, United India Insurance Co. Ltd and The Oriental Insurance Co. Ltd as an All India Public Financial Institution, pursuant to the recommendations of the National Commission on Tourism set up under the aegis of the erstwhile Planning Commission of India in 1989. The company has over the years developed an expertise in assessing risks relating to tourism and tourism related activities. As on March 31, 2019, TFCI had a loan book of Rs. 1693.82 Cr. (PY: Rs.1550.16 Cr), which comprised of 85% loans towards tourism sector while remaining were in the form of corporate loans and working capital loans to other sectors.

There has been a significant change in the overall shareholding pattern of the promoters, with stake dilution by IFCI Ltd., LIC and other nationalised banks. The new incoming shareholders include SSG Capital Partners and Mr. Koppara Sajeeve Thomas, now together hold 45.81% of the total shares in the company. Mr. Sajeeve 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 about two decades of experience in banking and finance. He was the deputy CEO of Axis Capital. Going forward, the company plans to add new verticals of investment banking and advisory services to their business model, leveraging on their expertise in assessing risks related to lending towards tourism and tourism related sector.

Acuité believes that TFCI will continue to leverage from its established position and its proven underwriting skills in respect of exposure to tourism and tourism related sector. The experience of the new management team is also expected to help them diversify their business in the wholesale lending sector.

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

Net worth of TFCI, mainly comprised accumulated reserves and stood at Rs. 736.91 Cr. in March 31, 2019 as against Rs. 678.19 Cr as on March 31, 2018. The company follows a conservative gearing policy, with gearing at 1.80 times as on March 31, 2019 (PY: 1.92 times). Its Capital adequacy ratio stood comfortable at 39.01

percent as on March 31, 2019 (PY: 39.90 percent), with tier-1 at 38.60 percent, providing adequate headroom to scale up its loan book.

The company has a healthy mix of medium to long term borrowings, cash credit and term borrowings from banks (30%) with maturity of 5-10 year period and borrowings in the form of Non-convertible debentures from capital markets (70%) with maturityof10-12 year period. Further, it provides loan with maturityof8-10years, leading to a healthy asset liability management.

Acuité believes that low gearing and medium to long term nature of its borrowings provide TFCI with adequate flexibility to manage its asset liability management and acts as a buffer to possible liquidity shocks.

Weaknesses

Risk Inherent to wholesale lending activities
TFCI's loan book comprises long term loans (including project loans) to tourism and tourism related sector. Since these loans are usually for activities such as construction of hotels, etc. The average ticket size is high with individual exposures going beyond Rs. 75.00 Cr in certain cases. The company's top 20 borrowers accounted for ~62 percent of its total loan book as on March 31, 2019 (PY: ~63 percent). The key risk inherent in such wholesale lending activities is that a slippage in the credit quality of one or two large accounts can impact the operating performance of the company for that period. The risks are accentuated since a sizeable portion of TFCI's exposures are in the form of project lending and hence TFCI's portfolio remains exposed to the project risks of its borrowers.

TFCI's Gross Non-Performing Assets (GNPA) increased to 5.14 percent as on March 31, 2019 (comprising of four accounts) as against 2.15 percent as on March 31, 2018 (comprising of three accounts). In absolute terms GNPA increased from Rs. 33.30 Cr as on March 31, 2018 to Rs. 87.14 Cr as on March 31, 2019 due to slippage of one major account. In terms of provision coverage, the company's provisions increased from Rs. 32.08 Cr as on March 31, 2018 to Rs. 39.02 Cr as on March 31, 2019. Based on past experience, TFCI has demonstrated an ability to subsequently recover the dues in respect of delinquent accounts through various measures and on the strength of its significant security coverage (mostly in the form of immovable property). The performance and profitability during any period will depend on the extent of fresh slippages vis-à-vis the recoveries from existing delinquent accounts.

Recently, one of the large borrowers of TFCI (exposure ~6% of earning assets) exhibited a deterioration in credit quality as reflected in defaults on certain capital market instruments. While the said borrower has been regular with TFCI as on date, the said exposure will continue to remain vulnerable. In the event of any further deterioration in this account, the level of stressed assets would increase further from existing levels. Discussions with the management however, indicate that they do not expect any further stress in this account and are also hopeful of recoveries in certain other delinquent accounts.

Acuité believes that the ability of the management to curtail incremental slippages in asset quality and effect timely recoveries in existing delinquent accounts will remain a key monitorable.

Liquidity Position: Strong
As per the asset liability management statement as on March 31, 2019, TFCI has positive mismatch in most of its maturity buckets. The company has unutilised bank lines in the form of cash credit with an average utilisation of ~15% for the past six months ending June 30, 2019. The liquidity position of the company is healthy, in view of the relatively lower tenure of loans (assets) vis-à-vis its borrowings.

Outlook: Stable
Acuité believes that TFCI will maintain a 'Stable' outlook over the medium term supported by its established market position and conservative gearing policy. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio and business diversity while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality and profitability metrics. Also, the outlook may be revised to 'Negative' in case of any unexpected deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	2083.45	2007.04	1703.70
Total Income (Net of Interest Expense)	Rs. Cr.	123.19	118.26	117.73
PAT	Rs. Cr.	86.25	77.48	70.43
Net Worth	Rs. Cr.	736.91	678.19	625.76
Return on Average Assets (RoAA)	(%)	4.22	4.18	4.28
Return on Average Net Worth (RoNW)	(%)	12.19	11.88	12.36
Total Debt/Tangible Net Worth (Gearing)	Times	1.80	1.92	1.67
Gross NPAs	(%)	5.14	2.15	5.72
Net NPAs	(%)	2.81	0.08	3.03

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-17.htm
- Non- Banking Financing Entities- https://www.acuite.in/view-rating-criteria-10.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
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	Proposed 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	Long Term	300.00	ACUITE AA/Stable (Assigned)

	Debentures			

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Redeemable Non-Convertible Debentures	Nov 09,2015	8.81%	Nov 09, 2025	159.74	ACUITE AA-/Stable (Reaffirmed)
Secured Redeemable Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	140.26	ACUITE AA-/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Acuite
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Annexure A. Details of the rated instrument

Facilities	Scale	Amt. (Rs. Cr)	Ratings	Rating Action
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
Total Facilities		**300.00**		

Annexure B. Details of the rating prior to the above rating action

	Long Term Instruments	Short Term Instruments
Previous Rated Quantum	300.00Cr.	Not applicable
Rating	ACUITE AA-	Not applicable
Outlook	Stable	Not applicable

Rating Rationale

Tourism Finance Corporation of India Limited

30 July 2019

Brickwork Ratings reaffirms Rating for the Bank Loan Facilities amounting to Rs. 400 Crs and Multiple Bond Issues aggregating Rs. 841.24 Crs of Tourism Fi nance Corporation ofIndia Ltd

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based	400	400	Long Term	BWRAA- (Pronounced BWR Double A Minus) Outlook: Stable	BWR AA- (Pronounced as BWR Double A Minus) Outlook: Negative **(Reaffirmation)**
Total	**400**	**400**	**INR Four Hundred Crores Only**		

Instrument	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Multiple Bond Issues#	941.24	841.24	Long Term	BWR AA- (Pronounced BWR Double A Minus) Outlook: Stable	BWRAA- (Pronounced BWR Double A Minus) Outlook: Negative **(Reaffirmation)**
Total	**941.24**	**841.24**	**INR Eight Hundred Forty-One Crores and Twenty-Four Lakhs Only**		

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

Rationale/Rating Sensitivities:

BWR has essentially relied upon the audited financial statements up to FY19, projected financial statements, publicly available information and information/clarifications provided by the company.

Revision in outlook to negative indicates the further possible deterioration in asset quality after an uptick in NPA levels during FY19. The NPAs could increase substantially from slippage to NPA in the exposure ofTFCI to Cox and Kings Ltd (rated 'BWR D'). The management, however, expects full recovery in Cox and Kings Ltd exposure owing to the strong collateral backing the exposure.

The rating continues to draw comfort from the experienced management team of the company, TFCI's status as a development finance institution for the tourism industry, steady improvement in the company's business profile, healthy capitalization and comfortable liquidity position.

The rating is however constrained by the chunky nature of the loan book leading to concentration risk, stiff competition from Banks and other financial institutions and moderate scale of operations of the company. The rating also takes into account the expected deterioration in the asset quality during the current fiscal from the already elevated levels of NPAs at the end of FY19. However, management is of the view that the resolution will takes place in majority of the assets within next three to four months. The company also expects to come out of Cox & Kings Ltd. Exposure with full recovery by December 2019.

Going forward, the ability of the company to continue raising low cost funds for financing, increasing scale of operations and improve asset quality shall remain key rating sensitivities.

Key Rating Drivers:

Credit Strengths:

Experienced Management: TFCI has in place 11-member Board. The board is a good mix of members from diverse background having decades of experience in their respective areas of expertise.

Healthy Capitalization and Low Gearing: TFCI has always maintained healthy capital adequacy. Total CRAR of the company declined marginally from 39.90% as on March 31, 2018 to 39.01% as on March 31, 2019 and Tier I CRAR stood stable at 38.60% as on March 31, 2019 as against 38.31% as on March 31, 2018. TNW of the company increased from Rs.678.19 Crs as on March 31, 2018 to Rs.736.91 Crs as on March 31, 2019. Gearing of the company came down marginally from 1.92 times as on March 31, 2018 to 1.80 times as on March 31, 2019.

Comfortable Liquidity Profile: TFCI's liquidity profile is comfortable with positive cumulative mismatches across all time buckets in the ALM profile. Further, the company has cash & liquid investments amounting to Rs.240.00 Crs as on 27 June 2019 ensuring availability of adequate short-term funds. The company also has sanctioned working capital limits of Rs.170 Crs, with average utilization of around 25% providing adequate liquidity support.

Strengthening Overall Financial Profile: AUM for the company increased from Rs.1550.16 Crs as on March 31, 2018 to Rs.1693.82 Crs as on March 31, 2019. During the same period PAT for the company also increased from Rs.77.48 Crs to Rs.86.25 Crs. Return on assets for the company increased marginally from 4.15% in FY18 to 4.20 % in FY19. ROE for the company stood at 12.19 % for FY19.

Credit Risks:

Moderate Scale of Operations and Chunky Nature of Portfolio: The loan portfolio continues to remain at a moderate level. Gross loan portfolio increased in the second half of FY19 after declining to Rs.1499.70 Crs. Loan portfolio as on March 31, 2019 stood at Rs.1693.82 Crs against Rs.1550.16 Crs as on March 31, 2018. Portfolio of the company has continued to remain chunky with top 20 assets contributing around 63% of the portfolio.

Weakening Asset Quality: TFCI witnessed increase in Gross NPA level after a media and entertainment company became NPA during FY19. Gross NPA for the company increased from 2.15% as on March 31, 2018 to 5.14% as on March 31, 2019. Recently Cox and Kings Ltd, where TFCI has exposure, defaulted on its repayments to NCD and CP holders. There is a high likelihood of the exposure becoming an NPA with TFCI, which could lead to a further sharp increase in Gross NPAs of TFCI in FY20. However, these assets are protected by large collateral securities which aids in recovery from the stressed assets and help keep write offs at minimal level. The management expects full recovery from these exposures in the current fiscal.

Analytical Approach: BWR has assessed the company on a standalone basis. Please refer to the applicable criteria at the end.

Rating Outlook: Negative

Change in outlook to negative indicates likely worsening of the asset quality and decline in profitability margins owing to higher provisioning in the current fiscal. The rating may be downgraded if the asset quality does not improve within the timelines provided by the company. The rating outlook may be revised to 'Stable' if the company manages to contain any further increase in NPAs and successfully resolves the existing NPAs without any severe damage to the balance sheet.

About the Company:

Tourism Finance Corporation of India Ltd (TFCI) was established in 1989 with the main object of setting-up a specialized financial institution to expedite the growth of tourism infrastructure in the country by providing dedicated line of credit on 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, sports facilities etc.

Redkite Capital Private Limited("Redkite") is the majority shareholder with 32.81% which it acquired in FY19. Redkite was set up on June 29, 2010 as a Non-Deposit taking NBFC (NBFC-ND) registered with RBI. RCPL received its Certification of Registration in June 2011. RCPL is headquartered in Delhi and has its corporate office in Mumbai. RCPL was engaged in the business of secured lending before it bought majority shareholding in TFCI. The Corporation is listed at BSE/NSE.

The key promoter of RCPL is Mr. Naresh Tikamchand Jain. He is a qualified Chartered Accountant. Mr. Jain is also the Founding and Managing Partner of Iyer Jain Khandelwal & Company. Redkit Capital along with India Opportunity III Pts Ltd and Koppara Sajeeve Thomas holds 45.81% share in the company and can be considered as joint promoters.

The key stake holder in Redkite Capital Pvt. Ltd. is SSG Capital Partners III LP ('SSG') which also owns the India Opportunity III Pte Ltd. SSG has raised total funds of USD 5.5 Billion out of which investments have been to the tune of USD 4.00 Billion. Further, India accounts for around 40-45% of the total investments from SSG Capital. SSG capital is committed to extend equity support TFCI on continuous basis.

Company's Financial Performance:

Total sanctions by the company declined from Rs. 1272.30 Crs during FY18 to Rs. 1064.65 Crs during FY19. Major decline was from non-tourism sector. Around 75% of the company's loan book as on 31st March 2019 comprised loans sanctioned to companies in tourism sector.

Key financial highlights are given in the table below:

Particulars	Unit	FY18 (A)	FY19(A)
Portfolio O/S	Rs. Crores	1550.16	1693.82
Gross NPA	%	2.15	5.14
NetNPA	%	0.08	2.18
Net Interest Income	Rs. Crores	103.86	107.39
PAT	Rs. Crores	77.48	86.25
Tangible Net Worth	Rs. Crores	678.19	736.91
CRAR	%	39.90	39.01

Rating History for the last three years:

Sl. No.	Instrument		Current Rating (July 2019)		Rating History		
Bank Loan Facilities		Type	Amount (Rs Crs)	Rating	2018	2017	2016
1.	Term Loan (Existing/ proposed)	Long Term	230.00	BWRAA- Pronounced as BWR Double A Minus (Outlook: Negative) (Reaffirmation)	BWRAA- Pronounced as BWR Double A Minus Outlook: Stable	BWRAA- Pronounced as BWR Double A Minus Outlook: Stable	BWR AA- Pronounced as BWR Double A Minus Outlook: Stable
2.	Cash Credit		170.00				
3.	Multiple Bond Issues	Long Term	841.24				
Total			1241.24	INR One Thousand Two Hundred and Forty-One Crores and Twenty-Four Lakhs Only			

Annexure 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 AA- (Pronounced BWR Double A Minus) Outlook: Negative **(Reaffirmation)**
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)	Jun 30, 2012	75	9.95%	Jul 1, 2022	INE305A09182	
	Aug 21, 2012	75	9.95%	Aug 21, 2022	INE305A09190	
	Feb 25, 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)	Sep 1, 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 941.24 Crores (INR Nine Hundred Forty-One Crores and Twenty Four Lakhs Only)			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Banks & Financial Institutions

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.