

July 04, 2017

Tourism Finance Corporation of India Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Bond Programme	100.00	[ICRA]A- (stable)
Total	100.00	

*Issuer did not co-operate; Based on best available information.

^Instrument Details captured under Annexure-1

Rating action

ICRA has a rating outstanding of ICRA]A- (pronounced ICRA A minus) with 'stable' outlook for the Rs. 100 crore¹, bond programme of Tourism Finance Corporation of India Limited (TFCI)[†].

Rationale

The rating for TFCI factors in its established franchise in financing projects in the niche tourism sector, its good market knowledge of hotels financing space and long-track record. The rating also factors in TFCI's adequate capitalization levels. As part of its process and in accordance with its rating agreement with TFCI, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA]A- (stable) ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

Key rating drivers

Credit strengths

- Understanding and market knowledge of the sector, considering the long track record of the company and the significant experience of its management
- Adequate capitalisation levels

Credit weaknesses

- To control the asset quality, given the moderate profile of the borrowers of TFCI both in case of loans and equity exposures.
- To diversify the portfolio mix given that the company has higher concentration risk owing to majority exposure being to the tourism sector
- To improve the fee based income and hence overall quality of earnings

[†] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

¹ 100 lakh = 1 crore = 10 million

Description of key rating drivers:

The rating for TFCI factors in its established franchise in financing projects in the niche tourism sector, its good market knowledge of hotels financing space and long-track record. The rating also factors in TFCI's adequate capitalization levels. The rating is however constrained on account of deterioration in TFCI's asset quality indicators, its exposure to a single sector (although within tourism sector portfolio is diversified across various segments, though hotels constitute the largest segment), high concentration risk, moderate credit profile borrowers, the long gestation of the projects, nature of its portfolio and its limited diversity of income. The asset quality indicators for the company deteriorated significantly with the gross NPA% for the company increasing to 12.3% as on March 31, 2016 (3.84% as on March 31, 2015). ICRA has also taken note of the pressure on the earnings profile of the company following the increased credit costs and slowdown in business volumes.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

About the company:

Tourism Finance Corporation of India (TFCI) was set up by IFCI Ltd and other Financial/Investment Institutions to function as a specialised All-India Development Financial Institution to cater to the financial needs of the tourism industry. TFCI was incorporated as a Public Limited Company under the Companies Act, 1956 on January 27, 1989 and became operational with effect from February 1, 1989 on receipt of Certificate of the Commencement of Business from the Registrar of Companies. TFCI has been notified as a public financial institution. The company is listed on the National Stock Exchange and the Bombay Stock Exchange. The shareholding pattern on TFCI as on March 31, 2017:

As on	March 31, 2017
IFCI Limited	29.36%
Life Insurance Corporation of India	6.71%
United India Insurance Company Limited	1.48%
The Oriental Insurance Company Ltd	1.07%
Bank of India	4.70%
Total Promoter Share Holding	43.31%
Public	56.69%
Total	100.0%

Source: BSE website

For the year FY2017, TFCI reported a net profit after tax (PAT) of Rs. 70 crore over an asset base of Rs. 1,700 crore as compared with a PAT of Rs. 54 crore over an asset base of Rs. 1,590 crore for FY2016, registering a growth of 31%. The company reported a networth of Rs. 554 crore as on March 31, 2017.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument				Current Rating (FY2018)	Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2013	Date & Rating in FY2011	
					July 2017	Dec 2016	July 2012	Oct 2010	
1	Bonds	Long Term	100	100	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Bonds	March 31, 2009	9.50%	April 30, 2019	100	[ICRA]A- (Stable)

Source: Information memorandum issued by TFCI

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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