

## Rating Rationale for Tourism Finance Corporation of India Limited's proposed unsecured Bond Issue of ₹ 200 Crores

**Bond Issue Rating: BWR AA-**

**Outlook : Stable**

Brickwork Ratings has assigned **BWR AA-** (Pronounced BWR Double A minus) (Outlook – Stable) for Tourism Finance Corporation of India Limited's (TFCI or “the Company”) proposed long term Unsecured Bond issue of ₹ 200 Crore having a tenor up to 10 years. Instruments with this rating are considered to have a **high degree** of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. A “Stable” rating outlook signifies the expectation of the rating being stable in the near term.

The rating, inter alia, factors TFCI's capital adequacy, gearing ratios, liquidity profile, prudential accounting policies, the NPA level, financial support to projects in the vital tourism sector of the economy. The proceeds of the proposed Bond issue would primarily be used for financing tourism related projects.

BWR has essentially relied upon the TFCI's audited financial performance up to FY 2011, projected financials, and information and clarification provided by the company.

### Outstanding Rating

Details of the current outstanding Rating is as under:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Tenor	Rating History
NCD	₹ 50 crore	BWR AA- (Stable)	Reaffirmed	10 years	BWR AA- (Stable) August 2009

TFCI's project related sanction (Rupee Loan/ Direct subscription to equity/Debentures/ Preference shares) increased by 28.73% from ₹ 521.27 crores in FY10 to ₹ 671.05 crores in FY11. However, project related disbursements (Rupee Loan/ Direct subscription to equity/Debentures/ Preference shares) have grown from ₹ 244.19 crores in FY10 to ₹ 311.64 crores in FY11, registering a growth of 27.62%. Short Term investments stood at ₹ 67.11 Crores in FY11 as compared to ₹ 49.09 Crores in FY10.

TFCI has well diversified loan portfolio in terms of tourism related projects. The company has financed a mix of hotels including five star to two star hotels, amusement parks and restaurants. It has sanctioned various projects to its top 20 borrowers amounting to ₹ 563.08 crores as on March 31, 2011.

Income from operations has increased by 34.86% from ₹ 80.07 crores in FY10 to ₹ 107.99 crores in FY11. Total income for the FY11 was ₹ 109.53 crores as compared to ₹ 81.50 crores in FY10, registering a growth of 34.40%. Profit before tax for FY10 was

₹ 46.07 crores while it stood at ₹ 68.80 crores for FY11. The company had registered net profit of ₹ 44.41 crores in FY11 as compared to ₹ 34.08 crore in FY10, a growth of 30.33%.

TFCI's net interest income as a percent of total income earning assets increased from 6.74% in FY10 to 7.70% in FY11. Leverage has slightly increased from 2.27 in FY10 to 2.41 in FY11.

The gross NPA's as a percentage to total advances amounts to 0.38% in FY11 (2.27% in FY10) and it had fully provided for bad loans because of which its net NPAs were nil.

The capital adequacy levels of TFCI continue to remain very high with an overall capital adequacy ratio of 50.74% and a Tier I capital ratio of 38.67% as of March 2011 as compared to 58.24% and 43.33% respectively as of March 2010. The Return on Assets stood at 5.70% during FY11 while ROE was 13.73% in FY11.

Abridged balance sheet and P&L for the period FY09 – FY11 have been given in Annexure I and II respectively.

Tourism industry has been identified as a major economic growth engine by GoI. It has shown sustained growth during the past few years. However, the global economic uncertainty and the pace of recovery would remain key concerns for the tourism industry.

Competition from banks which have access to relatively low-cost funds and their capacity to take relatively higher exposure would be the key concern for the company. Projects failure and time and cost escalations which may occur due to adverse market situation may tend to cause defaults and hence managing credit risk is a key risk factor.

TFCI has put in place appropriate risk management practices. It constantly makes efforts to review and improve appraisal techniques, conducts sensitivity analysis to cope with adverse situations. Monitoring and supervision of the projects is made on a continuous basis to ensure greater control, improve recovery and reduce credit risk. Similarly appropriate steps are also taken to manage interest rate risk. Liquidity risk is managed through prudent resource planning to ensure availability of adequate funds to meet financial obligations. Keeping the steps taken by TFCI in view, Brickwork Ratings has assigned a stable outlook for the rating. TFCI's ability to raise low cost funds to finance viable tourism related projects and cautiously expand the scale of operations and maintain healthy asset portfolio will be the main drivers of growth for the Company.

Analysts	Media
<b>Mukesh Mahor</b> , Lead Analyst <a href="mailto:mukesh.m@brickworkratings.com">mukesh.m@brickworkratings.com</a>	<b>Anitha G</b> <a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<b>Shilpi Agarwal</b> , Co-Analyst <a href="mailto:shilpi.a@brickworkrating.com">shilpi.a@brickworkrating.com</a>	<b>Relationship Contact</b> <b>Nirmal VK</b> Head – Business Development <a href="mailto:nirmal.vk@brickworkratings.com">nirmal.vk@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

## Key Financials - TFCI

### Annexure I: Balance Sheet

S. No	Particulars (in ₹ Crores)	2010-11	2009-10	2008-09
<b>1</b>	<b>Sources Of Funds</b>			
1.1	Share Capital	80.72	80.72	80.72
1.2	Reserves and Surplus	259.38	226.23	203.83
	<b>Net-worth</b>	<b>340.10</b>	<b>306.94</b>	<b>284.55</b>
<b>2</b>	<b>Loan Funds</b>			
2.1	Secured Loans	197.35	115.13	55.00
2.2	Unsecured Loans	324.31	274.31	304.18
	<b>Total Debt</b>	<b>521.66</b>	<b>389.44</b>	<b>359.18</b>
	<b>Total Liabilities</b>	<b>861.76</b>	<b>696.38</b>	<b>643.73</b>
	<b>Application Of Funds</b>			
<b>3</b>	<b>Fixed Assets</b>			
3.1	Gross Block	40.30	39.59	38.65
3.2	Less: Depreciation	11.08	9.23	7.32
<b>3.3</b>	<b>Net Block</b>	<b>29.22</b>	<b>30.35</b>	<b>31.33</b>
<b>4</b>	<b>Investments</b>	<b>79.45</b>	<b>75.25</b>	<b>108.91</b>
5	Deferred Tax Assets	4.44	4.75	2.21
6	Loans to companies	745.84	585.58	458.47
7	Current Assets and Advances	29.44	32.66	69.12
8	Total Current Liabilities & Provisions	26.63	32.21	26.30
9	Net Current Assets	2.81	0.45	42.81
	<b>Total Assets</b>	<b>861.76</b>	<b>696.38</b>	<b>643.73</b>

## Annexure II: Abridged Profit and Loss

S. No	Particulars (in ₹ Crores)	2010-11	2009-10	2008-09
1	<b>Income</b>	<b>109.53</b>	<b>81.50</b>	<b>70.96</b>
1.1	Income from Operation	107.99	80.07	67.27
1.2	Other Operating Income	1.54	1.42	3.69
2	<b>Expenditure</b>	<b>40.73</b>	<b>35.42</b>	<b>31.73</b>
2.1	Interest Expended	41.64	33.13	28.26
2.2	Employee Cost	6.81	3.56	3.27
2.3	Other Operating Exp	3.93	2.82	3.48
2.4	Depreciation	1.85	1.91	1.73
2.5	Provisions for doubtful Debt/Investment	-13.50	-6.00	-5.00
3	<b>PBT</b>	<b>68.80</b>	<b>46.07</b>	<b>39.23</b>
4	Tax	24.39	11.99	10.26
5	<b>PAT</b>	<b>44.41</b>	<b>34.08</b>	<b>28.97</b>