

## RATING RATIONALE

24 Dec 2019

### Tamil Nadu Power Finance and Infrastructure Development Corporation Limited

**Brickwork Ratings Reaffirms the ratings for the Non-Convertible Debentures/Bonds of ₹ 1964.20 Crores of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited [hereafter referred to as TNPFDIC or “Corporation”]**

#### Particulars

Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2018)	Present
NCD/Bonds	1964.20	1964.20	Long Term	BWR A (CE) Stable	BWR A (CE)# Stable
<b>Total</b>	<b>1964.20</b>	<b>1964.20</b>	<b>INR One Thousand Nine Hundred Sixty Four Crores and Twenty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of NCD/Bonds provided in Annexure-I

#CE rating is based on the credit enhancement in the form of Unconditional & Irrevocable guarantee of Govt of Tamilnadu for timely debt servicing.

**Note:** TNPFDICs Unsupported/standalone rating is BWR BBB (Stable) and considering the credit enhancement, the rating has been notched upto BWR A (CE) (Stable).

#### RATING ACTION / OUTLOOK

The rating reaffirmation is on account of the credit enhancement in the form of unconditional and irrevocable guarantee of Government of Tamil Nadu (GoTN) for timely payment of principal and interest on the outstanding issues, GoTNs track record of no default, consistent growth in Loan portfolio of TNPFDIC and adequate liquidity. However, the rating is constrained from the increasing debt of GoTN resulting in increasing Fiscal deficit and committed expenses and corporation’s ability to timely adherence of the prudential regulations of RBI for the Government owned NBFCs.

#### Rating Outlook: Stable

BWR believes the **Tamil Nadu Power Finance and Infrastructure Development Corporation Ltd** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term.

## KEY RATING DRIVERS

### Credit Strengths:

- **Strong parentage of GoTN:** TNPFDIC is fully owned by Govt of Tamilnadu and is a key financial entity for funding state's power and infrastructure projects and hence is strategically important to the state. TNPFDIC has received continuous capital infusion from GoTN.
- **Fiscal profile of GoTN:** Total receipts of the state has increased from Rs 2,00,476 Crs in FY18 (Actuals) to Rs 2,45,016 Crs in FY19 (Revised Estimates). This was mainly on account of increase in states own tax revenue, share in central taxes, grants from centre and capital receipts. .At the same time, total expenditure of the state has increased from Rs 2,03,585 Crs in FY18 to Rs 2,48,360 Crs in FY19
- **Credit Enhancement:** The said bonds/NCDs are backed by credit enhancement in the form of "Unconditional and Irrevocable" guarantee of GoTN for timely debt servicing. The bonds also has structured payment mechanism including an ESCROW account monitored by debenture trustee.
- **Consistent growth in asset base:** Loan portfolio has consistently increased in the last 5 years at a CAGR of 18%. As on 31 Mar 2019, the o/s Loan portfolio stood at 33,162 Crs when compared to 28,527 Crs as on 31 Mar 2018. It currently provides assistance in the form of loans to TANGEDCO, which accounted for the entire portfolio as of 31 March 2019 and all the loans are standard as on date and hence no NPA's
- **Moderate Capitalisation:** As on 31 Mar 2019, total CRAR stood low at 7.12% as against the minimum prescribed requirement of 10% as on 31 Mar 2019. However, due to capital infusion of Rs 1,640 Crs in Aug 2019, total CRAR has increased to 12.12% which meets the minimum CRAR requirement of 12% as on 31 Mar 2020.

### Credit Risks:

- **Increasing Debt of GoTN:** Total debt outstanding for the state has increased from Rs 3,26,636 Crs in FY18 to Rs 3,61,793 Crs in FY19. The state govt. has also extended support (equity and guarantees) to various weak PSU entities, this has resulted in Debt+guarantees as a percentage of GSDP of 24.68 % for FY19. Committed expenses as a percentage of own tax revenues remains high at 98.54% for FY19 with interest payments as a percentage of own tax revenues contributing to 26.05%. Going forward reducing the debt levels and maintaining fiscal deficit below 3% will be key rating sensitivity.
- **Timely adherence to regulations:** RBI through its notification dated 31 May 2018, withdrew the exemptions extended to Govt owned NBFCs under Sec 45 NC of RBI Act, 1934 from following regulatory and statutory provisions. Hence the ability of the corporation to timely adhere with the prudent regulations like minimum CRAR of 15%, Fixed deposits to Net owned funds to be below 1.5x and provisioning norms by Mar 2020 will be a key rating sensitivity.
- **Low profitability due to high customer concentration risk:** Company provides loans to only TANGEDCO, which accounted for the entire portfolio as of 31 March 2019, thereby



exposing itself to significant borrower concentration risk. Given the limited flexibility in pricing with TANGEDCO and rebate for prompt repayment, the profitability remains low. ROA & ROE stood at 0.25% & 7.73% respectively for FY19.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the credit enhancement in the form of Unconditional & Irrevocable guarantee for timely debt serving from Govt of Tamil Nadu (GoTN), fiscal profile of GoTN and financial profile of TNPFDIC and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

**Positive:** Upward revision in the credit rating of the guarantor.

**Negative:** Downward revision in the credit rating of the guarantor.

## **LIQUIDITY POSITION: Adequate**

Corporation has adequate liquidity as reflected in its ALM profile dated 30 Nov 2019 with no cumulative negative mismatches across various buckets. As on 30 Nov 2019 it has net cash of Rs 370 Crs which provides additional liquidity comfort.

## **COMPANY PROFILE**

Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFDIC) was established in the year 1991 and is wholly owned by the Government of Tamil Nadu. It is a Deposit Accepting - Non-Banking Finance Company registered with RBI. It fulfills the objective of mobilizing funds through normal commercial channels to provide financial assistance for the development of power and infrastructure projects within the state of Tamil Nadu particularly to the schemes relating to generation, transmission and distribution network of erstwhile TNEB (now TANGEDCO). The Corporation raises resources mainly through mobilizing fixed deposits. Its lending profile consists of Hire Purchase and Term Loans for long-tenure projects of power sector.

## **KEY FINANCIAL INDICATORS (in INR Crs)**

### **FINANCIAL INDICATORS - ISSUER**

<b>Key Parameters</b>	<b>Units</b>	<b>FY18</b>	<b>FY19</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Loan Portfolio	Rs in Crs	28527	33162
Total Revenues	Rs in Crs	2365	3036
PAT	Rs in Crs	88	83
Tangible Networth	Rs in Crs	1020	1076
NIM	%	1.27	1.18
CRAR	%	3.55	7.16

**FINANCIAL INDICATORS – CREDIT ENHANCEMENT PROVIDER**

Key Parameters	Units	FY18	FY19
Result Type		Actuals	Revised Estimates
Total Revenues	Rs in Crs	2,00,476	2,45,016
Total Expenditure	Rs in Crs	2,03,585	2,48,360
Revenue Deficit	Rs in Crs	21,594	19,319
Fiscal Deficit	Rs in Crs	39,840	45,520
Own Tax Revenues/GSDP	%	6.57	6.86
Committed Expenses / Own Tax Revenue	%	98.06	98.54
Revenue Deficit/GSDP	%	1.51	1.20
Fiscal Deficit/GSDP	%	2.79	2.83

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil**

**RATING HISTORY**

S.No	Instrument /Facility	Current Rating (Dec 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Dec, 2018	Dec, 2017	Dec, 2016
1	NCD/ Bonds	Long Term	1964.20	<b>BWR A (CE) Stable</b>	<b>BWR A (SO) Stable</b>	<b>BWR A (SO) Stable</b>	<b>BWR A (SO) Stable</b>
	<b>Total</b>		<b>1964.20</b>	<b>INR One Thousand Nine Hundred and Sixty four crores and twenty lakhs only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Bank And Financial Institutions](#)
- [Credit Enhancement](#)

For any other criteria obtain hyperlinks from website



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**Tamil Nadu Power Finance and Infrastructure Development Corporation Ltd**  
**ANNEXURE I**

**INSTRUMENT (NCD/Bonds) DETAILS**

Instrument	Issue Date	Amount in ₹ Cr.	Coupon Rate	Maturity Date	ISIN Particulars
NCD/Bonds	1 Sep 2012	253.90	9.67%	1 Sep 2022	INE859N08019
	9 Jan 2013	508.70	9.56%	9 Jan 2023	INE859N08027
	9 Apr 2013	201.60	9.35%	9 Apr 2023	INE859N08035
	29 May 2013	1000.00	9.19%	29 May 2023	INE859N08043

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