

April 29, 2025

Tamil Nadu Power Finance and Infrastructure Development Corporation Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fixed deposit programme	44,224.58	44,224.58	[ICRA]BBB- (Stable); reaffirmed
Total	44,224.58	44,224.58	

*Instrument details are provided in Annexure I

Rationale

The rating for Tamil Nadu Power Finance and Infrastructure Development Corporation Limited's (TNPFC) fixed deposit (FD) programme continues to derive strength from the ownership and expected financial support from the Government of Tamil Nadu (GoTN). The rating, however, remains constrained by the significant borrower concentration risk, moderate profitability and concentrated deposit profile. ICRA notes that the capital profile has improved steadily over the last few years, backed by sizeable equity infusions by the GoTN. TNPFC had a capital adequacy ratio (CRAR) of 17.1%, while its public deposits to net owned funds (PD to NoF) ratio stood at 1.27 times (provisional) as of December 2024.

Historically, TNPFC has mainly lent to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO; rated [ICRA]A-(CE) (Stable)). In FY2025, TANGEDCO got bifurcated into two separate entities for generation and distribution, i.e., Tamil Nadu Power Generation Corporation Limited (TNPGL) as the thermal power generation entity and Tamil Nadu Power Distribution Corporation Limited as the distribution entity. Accordingly, TNPFC's disbursements have shifted to TNPGL from July 2024. In addition, TNPFC has also commenced lending to Tamil Nadu Green Energy Corporation Limited (TNGECL), a new entity in the renewable energy business formed through the merger of the Tamil Nadu Energy Development Agency (TEDA) and the renewable energy wing of TANGEDCO. As of December 2024, TNPGL accounted for 92% of TNPFC's loan portfolio, with TNGECL accounting for the balance.

ICRA notes that TNPFC's financial profile is expected to remain constrained owing to factors such as inadequate tariff rates, low capacity addition/utilisation over the years, moderately weak operational efficiency, etc. Notwithstanding the same, ICRA takes comfort from the strategic importance of the borrowing entities to the state's power sector due to which it has continued receiving support from the GoTN over the years.

ICRA notes that in November 2023, a government order was issued to amalgamate TNPFC and Tamilnadu Transport Development Finance Corporation Limited (TDFC) into a single infrastructure project financing entity under the GoTN. However, the same has been deferred currently as the entities are expected to improve their information technology systems before the amalgamation is implemented. ICRA also notes the qualification in TNPFC's audit report of FY2024 in relation to the overstatement of liabilities and believes that there is scope for improvement in TNPFC's internal controls and processes. TNPFC is taking initiatives to augment this.

The Stable outlook reflects the support from the GoTN, which would help keep the company's financial and operational performance under control.

Key rating drivers and their description

Credit strengths

GoTN ownership and support – TNPFC, wholly owned by the GoTN, is a key financing entity for the state's power and infrastructure projects in Tamil Nadu. It accounted for ~27% of TANGEDCO's borrowings outstanding as of March 2024. Given its strategic importance, ICRA expects TNPFC to receive timely capital and liquidity support from the GoTN and GoTN-controlled entities as and when required. During FY2019-FY2022, TNPFC received a total equity infusion of Rs. 3,677 crore from the GoTN to comply with various regulatory and prudential requirements, which are applicable to the Government-owned NBFCs. ICRA also notes that TNPFC has access to deposits from the GoTN and GoTN-controlled entities, which upholds its liability and liquidity profile. The company's board largely comprises Indian Administrative Services (IAS) officers from various departments of the GoTN.

Adequate capitalisation profile – TNPFC's capitalisation profile is adequate with a gearing of 5.9 times (provisional) as of December 2024 (5.8 times as of March 2024), improving significantly over the last five years from 14.0 times as of March 2019. Its CRAR also improved to 17.1% (provisional) as of December 2024 (17.4% as of March 2024) from 7.2% as of March 2019 on the back of capital infusions from the GoTN and better internal accruals in the past. The capital profile is expected to remain adequate in the medium term, given the modest growth expectations.

Credit challenges

Significant borrower concentration risk – TNPFC extended loans only to TANGEDCO until June 2024. As of March 2024, funding from TNPFC accounted for 27% of TANGEDCO's total borrowings. In FY2025, TANGEDCO was bifurcated into two separate entities for generation and distribution, i.e., Tamil Nadu Power Generation Corporation Limited (TNPGL) and Tamil Nadu Power Distribution Corporation Limited. Further, a new entity - Tamil Nadu Green Energy Corporation Limited (TNGECL) - has been formed for the renewable energy business through the merger of the Tamil Nadu Energy Development Agency (TEDA) and the renewable wing of TANGEDCO. At present, TNPFC lends to TNPGL (which accounted for 92% of loan portfolio as of December 2024) and TNGECL (which accounted for the balance 8% of the loan portfolio).

ICRA, however, takes comfort from the strategic importance of the borrowing entities to the state's power sector, due to which it is expected to continue receiving support from the GoTN. However, any material deterioration in the credit profile of the borrowing entities would be a key rating sensitivity.

ICRA also notes that TNPFC has taken regulatory exemption from the adherence to existing credit concentration norms. At present, TNPFC's exposure is predominantly to TNPGL and was ~526% of its Tier-I capital.

Moderate profitability indicators – TNPFC's profitability remained low due to limited pricing flexibility with the borrowers. TNPFC lends at competitive rates and provides additional rebates, leading to modest interest margins. The net profitability moderated to 0.6% in FY2024 and 1.0% in 9M FY2025 compared to the average of 1.3% during FY2020-FY2023 and 0.4% during FY2016-FY2019 as the margins remained modest. The credit cost is low as there have been no overdues from its borrowers. Going forward, the profitability is expected to remain range-bound and will be maintained at similar levels due to limited pricing flexibility.

Concentrated deposit profile – TNPFC's borrowing profile is concentrated with FDs, constituting 100% of the total borrowings as of December 2024. Within FDs, public deposits constituted ~23% as of December 2024 with the rest largely from the GoTN and GoTN-controlled entities. ICRA notes that TNPFC's depositor profile is concentrated towards government entities, including educational institutions, municipal corporations and infrastructure development institutions managed by the GoTN. The top 20 depositors accounted for ~40% of the total deposits as of December 2024. ICRA notes that the PD to NoF ratio was 1.27 times (provisional) as of December 2024, within the regulatory threshold of 1.5 times.

Liquidity position: Adequate

TNPFC had cash and bank balances of Rs. 5,598.8 crore as of March 2025 compared to its deposit maturities of Rs. 5,173.5 crore during April-June 2025. The liquidity profile is also supported by the deposits placed by the GoTN-owned/controlled entities, which are expected to be stable. The top 20 depositors as of December 2024, accounting for 40% of the total deposits, are largely GoTN-owned/controlled entities. ICRA expects TNPFC to receive timely support from the GoTN to maintain an adequate liquidity profile going forward.

Rating sensitivities

Positive factors – Improvement in the risk profiles of the GoTN or TNPFC's borrowers and a sustained improvement in the earnings, funding and capital profile would positively impact the rating.

Negative factors – Pressure on the rating could arise in case of lower-than-expected support from the GoTN or a material deterioration in the credit profile of TNPFC's borrowers. Noncompliance with key Reserve Bank of India (RBI) stipulated requirements for Government-owned NBFCs on a sustained basis or weakening of the liquidity profile would also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	The rating factors in TNPFC's strategic importance to the GoTN and the expectation of timely financial support from the GoTN, if required
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financial statements of TNPFC

About the company

TNPFC is wholly owned by the GoTN. Incorporated in 1991 as a deposit-accepting NBFC, TNPFC mobilises funds through public and institutional deposits for funding power and infrastructure projects in Tamil Nadu (TN). At present, it extends loans to TNPGL and TNGEL. TNPFC's funding profile comprises deposits from public and state government institutions (100% of the borrowings as of December 2024).

TNPFC reported a net profit of Rs. 289 crore in FY2024 on a total asset base of Rs. 51,770 crore compared to a net profit of Rs. 1,017 crore on a total asset base of Rs. 51,355 crore in FY2023. In 9M FY2025 (provisional), the company reported a profit after tax of Rs. 395 crore on a total asset base of Rs. 55,361 crore.

Key financial indicators (audited)

TNPFC	FY2023	FY2024	9M FY2025
Total income	4,781	3,602	2,827
PAT	1,017	289	395
Total managed assets	51,355	51,770	55,361
Return on managed assets	2.0%	0.6%	1.0%
Reported gearing (times)	6.0	5.8	5.5
Gross stage 3	0.0%	0.0%	0.0%
CRAR	15.9%	17.4%	17.1%

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)		Chronology of rating history for the past 3 years						
	FY2026		FY2025		FY2024		FY2023		
	Type	Amount rated (Rs. crore)	Apr 29, 2025	Date	Rating	Date	Rating	Date	Rating
Fixed Deposit Programme	Long	44,224.58	[ICRA]BBB-(Stable)	Apr 29, 2024	[ICRA]BBB-(Stable)	Apr 21, 2023	[ICRA]BBB-(Stable)	Apr 05, 2022	MA-(Stable)
	Term	-	-	-	-	Dec 27, 2023	[ICRA]BBB-(Stable)	Jun 08, 2022	[ICRA]BBB-(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fixed Deposit Programme	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fixed Deposit	NA	NA	NA	44,224.58	[ICRA]BBB- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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