

January 30, 2026 ^(Revised)

Tamilnadu Transport Development Finance Corporation Ltd: Ratings reaffirmed and withdrawn; rating reaffirmed and put on notice of withdrawal for fixed deposits

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Cash credit	1,348.09	1,348.09	[ICRA]BBB+(CE) (Stable); reaffirmed and withdrawn
Short-term fund based – Working capital demand loan	2,055.00	2,055.00	[ICRA]A2(CE); reaffirmed and withdrawn
Long-term Fund based – Term loan	90.00	90.00	[ICRA]BBB- (Stable); reaffirmed and withdrawn
Long-term/Short-term fund based – Unallocated	506.91	506.91	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed and withdrawn
Fixed deposit programme	4,000.00	4,000.00	[ICRA]BBB- (Stable); reaffirmed and put on notice of withdrawal
Total	8,000.00	8,000.00	

Rating without explicit credit enhancement

[ICRA]BBB-/ [ICRA]A3

*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]BBB+(CE) (Stable) and [ICRA]A2(CE) ratings

ICRA has reaffirmed and withdrawn the ratings for the Rs. 3,403.09-crore guaranteed long-term/short-term (Rs. 2,055.00 crore short-term facilities) bank facilities at Tamilnadu Transport Development Finance Corporation Ltd's (TDFC) request, based on the receipt of a no objection certificate from the lender. These ratings have been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

The reaffirmation is based on the unconditional, irrevocable and continuing guarantee¹ provided by the Government of Tamil Nadu (GoTN) for the above-mentioned facilities. The Stable outlook on the rating reflects ICRA's outlook on the rating for the GoTN.

Adequacy of credit enhancement

The ratings are credit enhanced, based on the attributes of the guarantee provided by the GoTN in favour of the said instruments. The guarantees are legally enforceable, irrevocable, unconditional and cover the entire amount and tenure of the rated instruments. However, the guarantees do not have a well-defined invocation and payment mechanism and do not explicitly cover debt servicing by the guarantor in the event of insolvency proceedings against the rated entity. Taking

¹ The assessment of the guarantee is based on the guarantee deed shared by the company in January 2025. ICRA does not have any incremental information to suggest any further changes to the terms of the guarantee

cognisance of the above factors, ICRA has assigned the ratings of [ICRA]BBB+(CE) (Stable) and [ICRA]A2(CE) to the said instruments against the rating without explicit credit enhancement of [ICRA]BBB-. Any change in the rating of the guarantor or in the unsupported rating of TDFC would have a bearing on the ratings of the aforesaid instruments. The ratings of these instruments may also change in a scenario whereby, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity or in the reputation sensitivity of the guarantor to a default by the rated entity or in the strategic importance of the rated entity for the guarantor.

Salient features related to the credit enhancement as specified in the guarantee documents

- Capital to risk-weighted assets ratio (CRAR) and other Reserve Bank of India (RBI) guidelines applicable to deposit-taking non-banking financial companies (NBFCs) shall be maintained at all times during the tenure of the rated instruments
- The shareholding of the existing promoters should not get diluted below the current levels or lead to a dilution in the controlling stake without the prior permission of the bank
- Promoter's shares in the company should not be pledged to any bank/NBFC/institution outside the banking arrangement without prior consent of the bank
- Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided that no default is subsisting in any repayment obligations to the bank

For the [ICRA]BBB- (Stable) and [ICRA]A3 ratings

ICRA has reaffirmed and withdrawn the rating for the Rs. 596.91-crore non-guaranteed long-term/short-term bank facilities at the request of the company, based on the receipt of a no objection certificate from the lender. Also, ICRA has reaffirmed and put on notice of withdrawal the rating for the Rs. 4,000-crore fixed deposit (FD) programme, based on a request from TDFC and on the confirmation that it had stopped using ICRA's rating for mobilisation of FDs, in accordance with ICRA's policy on the withdrawal of credit ratings.

The reaffirmation of the rating for the FD programme and non-guaranteed bank facilities derives strength from the ownership and expected financial support from the GoTN. It is, however, constrained by the weak profitability and modest risk profile owing to TDFC's borrower segment, i.e. state transport undertakings (STUs), and its concentrated deposit profile.

At present, TDFC's exposure to STUs (TDFC's total loan portfolio of Rs. 21,000 crore as of September 2025 consisted of loans to eight STUs in Tamil Nadu; TN) ranges between 50% and 101% of its Tier I capital, resulting in high concentration risk. However, it currently has exemption from the credit concentration norms applicable for NBFCs.

ICRA notes that the amalgamation order for TDFC and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) was issued in November 2023, to create a single infrastructure project financing entity under the GoTN. However, the same has been placed on hold at present.

ICRA also takes note of the qualified audit opinion and observations in the RBI's inspection report with respect to various operational, governance, and financial aspects. TDFC's ability to redress these issues in a timely manner would remain monitorable.

Key rating drivers and their description

Credit strengths

GoTN guarantee for rated bank facilities – The ratings for the Rs. 3,403.09-crore (including short-term facilities of Rs. 2,055.0 crore) bank facilities are based on the strength of the unconditional, irrevocable and continuing guarantee from the GoTN. The Stable outlook on the rating reflects ICRA's outlook on the rating of the GoTN.

GoTN ownership and support – TDFC is the nodal financing agency for the STUs of TN, which provide road-based transport services. It raised capital of Rs. 3,425 crore during FY2020-FY2025 from the GoTN, which increased the GoTN's shareholding. The GoTN's stake stood at 100.0% as of March 2025 (69.7% in March 2019). The capital infusion helped the company comply with the key regulatory and prudential norms, which became applicable to government-owned NBFCs in March 2019. TDFC also has access to deposits from GoTN-owned/controlled entities, which upholds its liquidity profile. Given TDFC's strategic importance to the GoTN, ICRA expects it to receive timely capital and liquidity support as and when required.

The amalgamation of TDFC and TNPFC is awaiting further direction from the government, which is expected to show the way forward, while the integration of the information technology (IT) systems of both entities is being carried out.

Adequate capitalisation profile – TDFC's capitalisation profile has improved significantly over the years, with a gearing of 4.6 times and a capital adequacy ratio of 18.6% (Tier I – 18.2%) as of September 2025 vis-à-vis 31.4 times and 3.6%, respectively, as of March 2019. It received a sizeable equity infusion of Rs. 3,425 crore during FY2020-FY2025 from the GoTN. Going forward, ICRA expects timely support from the GoTN for fresh capital infusion into TDFC to meet its regulatory capital requirements.

Credit challenges

Modest risk profile of borrowers and concentration risk – TDFC extends credit to the STUs in TN. Most STUs have a weak financial profile as their net worth has eroded due to recurring losses. They are primarily dependent on funds from the GoTN and TDFC to support their operations. STUs receive subsidies in the form of reimbursement for student concession bus passes, free travel for women and additional diesel costs from the GoTN. TDFC is also exposed to significant borrower concentration risk with the top 3 borrowers constituting 47% of the total portfolio as of September 2025 (46% as of March 2024 and March 2023).

Weak profitability – As TDFC is a nodal agency, its profitability is weak with limited flexibility for its loans to STUs. Its net interest margin was low at 0.1% during FY2025-H1 FY2026 vis-à-vis 0.04% in FY2024. Operating expenses remained stable at 0.02-0.03% during FY2025-H1 FY2026 due to single branch operations while credit costs stood at 0.03-0.04% during FY2025-H1 FY2026 vis-à-vis 0.04% in FY2024 as only the standard asset provision is required on the incremental portfolio. The net profitability stood at 0.2% during FY2025-H1 FY2026 vis-à-vis 0.1% in FY2024 and is expected to remain at a similar level, going forward.

Concentrated deposit profile; critical to diversify funding sources – FDs are the key funding sources for TDFC and accounted for 61% of its total debt as of March 2025, followed by bank borrowings. Total deposits stood at Rs. 10,431 crore as of March 2025, including public deposits (28%), and Rs. 9,668 crore as of March 2024, including public deposits (30%). The balance was largely sourced from GoTN-owned/controlled entities and others, including educational institutions and temples. Public deposits comprised 0.8 times the net owned fund (NOF) as of March 2025 (0.9 times as of March 2024 and 1.0 times as of March 2023). The top 20 depositors comprised 58% of the total deposits as of March 2025 (56% as of March 2024 and 54% as of March 2023), reflecting the bulk nature of the deposit profile. Going forward, it will be crucial to diversify the funding profile and maintain public deposits at a prudent level.

Liquidity position: Adequate

For the [ICRA]BBB+(CE) (Stable) and [ICRA]A2(CE) ratings: Adequate

The GoTN did not avail the ways and means advances (WMA) and overdraft (OD) facilities from the RBI during FY2016 to FY2025 (till January 2025). Additionally, it had an investment of Rs. 36 billion in auction Treasury bills at January-end 2025. Based on the aforementioned indicators, the liquidity position of the state government can be inferred to be adequate in recent years.

For the [ICRA]BBB- (Stable) and [ICRA]A3 ratings: Adequate

TDFC maintained a cash and bank balance of Rs. 3,909 crore as of November 2025 against estimated deposit maturities of Rs. 1,348 crore from December 2025 to February 2026. It also has a line of credit for Rs. 500 crore, which would act as a contingency fund and support the liquidity profile. As per the asset-liability management (ALM) statement as of November 2025, there were no cumulative mismatches across any of the buckets up to one year. The liquidity profile is also strengthened by deposits placed by GoTN-owned/controlled entities, which have healthy renewal rates and are expected to be stable. Going forward, it would be crucial for TDFC to raise capital/debt in a timely manner to adhere to regulatory norms and diversify its funding profile to maintain adequate liquidity.

Rating sensitivities

For the [ICRA]BBB+(CE) (Stable) and [ICRA]A2(CE) ratings

Not applicable

For the [ICRA]BBB- (Stable) and [ICRA]A3 ratings

Positive factors – The scale-up of operations while maintaining good asset quality and a Tier I capital of 15% on a sustained basis would be positive factors.

Negative factors – Pressure on TDFC’s ratings could arise on lower-than-expected support from the GoTN. Non-compliance with key RBI-stipulated requirements for government-owned NBFCs on a sustained basis or weakening of the liquidity profile would also negatively impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Financial Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings for the guaranteed bank facilities are based on the unconditional and irrevocable guarantee extended by the GoTN. The ratings for the FD programme and non-guaranteed bank facilities factor in TDFC’s systemic importance and the expectation of timely financial support from the GoTN, as and when required.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

About the company

Tamilnadu Transport Development Finance Corporation Ltd (TDFC) is a GoTN-owned NBFC with the GoTN holding a stake of 100.0% as of March 2025. It was primarily established to provide financial assistance to STUs. TDFC extends loans for the working capital and capital expenditure (including the purchase of buses) requirements of STUs. It also receives various subsidies and grants from the GoTN, on behalf of the STUs, and transfers the same to the STUs. Moreover, the company accepts deposits from government institutions, educational universities, temples and the public. It functions through its head office in Chennai (Tamil Nadu) and has a deposit mobilisation centre in Coimbatore with a staff of 15 employees as of March 2024.

In FY2025, TDFC reported a net profit of Rs. 47 crore on a total asset base of Rs. 22,835 crore compared to a net profit of Rs. 30 crore on a total asset base of Rs. 20,885 crore in FY2024.

Key financial indicators

TDFC	FY2024	FY2025	H1 FY2026
	Audited	Audited	Provisional
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income	1,230	1,384	641
Profit after tax	30	47	28
Total managed assets	20,885	22,835	23,779
Return on managed assets	0.1%	0.2%	0.2%
Return on net worth	0.9%	1.3%	1.5%
Managed gearing (times)	4.8	4.5	4.6
Gross stage 3	0.0%	0.0%	0.0%
CRAR	18.9%	19.2%	18.6%

Source: Company, ICRA Research; Amount in Rs. crore

About the guarantor

The GoTN's revenue receipt averaged ~10% of gross state domestic product (GSDP) during FY2020-FY2024. With support to power sector and welfare schemes, the state's revenue expenditure averaged a higher 12.1% of GSDP during this period. Accordingly, the state consistently recorded large revenue deficits although the size of the revenue deficit declined to 1.7% of GSDP in FY2024 from 2.1% in FY2020. The GoTN's capital expenditure improved to 1.7% of GSDP in FY2024 from 1.4% in FY2020. Nevertheless, it was able to limit its fiscal deficit to the borrowing limits set by the Government of India (GoI) during FY2020-FY2024. Reflecting sustained fiscal deficits and support extended to the power and civil supplies sector, the GoTN's leverage (excluding GST compensation back-to-back loans) worsened to ~31% of GSDP in FY2024 (while remaining stable at 30-31% during FY2021-FY2023) from 25.5% in FY2020.

As per the revised estimates (RE) for FY2025, the GoTN's revenue deficit and fiscal deficit are expected to widen to Rs. 46,468 crore and Rs. 1,01,698 crore, respectively, from Rs. 45,121 crore and Rs. 90,430 crore, respectively, in FY2024. The Medium-Term Fiscal Plan statement published by the GoTN along with the FY2026 Budget places the fiscal deficit at 3.26% of GSDP in FY2025 RE. This is expected to be within the net borrowing limit recommended by the 15th Finance Commission (FC; including conditional borrowing related to power sector reforms) for that fiscal.

In the budget estimates (BE) for FY2026, the GoTN had forecast its revenue deficit to decline to Rs. 41,635 crore from the level projected in FY2025 RE. Capital spending and net lending is expected to increase to Rs. 65,333 crore in FY2026 BE, 18.3% higher from FY2025 RE. The GoTN's fiscal deficit is budgeted to rise to Rs. 1,06,963 crore in FY2026 or 3% of GSDP (as per the Medium-Term Fiscal Plan statement).

ICRA would analyse the GoTN's provisional actuals for FY2025 and FY2026 to assess the performance of key fiscal indicators relative to the levels indicated in FY2025 RE and FY2026 BE, respectively. The financial health of the GoTN's power sector entities and their impact on the state's finances would remain key monitorable factors.

Key rating drivers and their description

Credit strengths

Healthy socio-economic indicators – The state's performance on various socio-economic and demographic indicators such as per capita income (Rs. 3,15,220 in FY2024), literacy rate (80.3% in 2011), urbanisation rate (48.5% in 2011) and irrigation coverage (60.4% in 2023) was favourable compared to the respective national averages (Rs. 1,88,892, 74.0%, 31.2% and 56.4%).

Moderate self-reliance – Around 58% of the GoTN’s revenue expenditure was covered through own revenues during FY2022-FY2024, higher than some of the states, indicating moderately healthy self-reliance.

Credit challenges

Committed expenditure and spending on key subsidies dominate revenue expenditure – Around 61% of the GoTN’s revenue spending was on committed expenditure, food and power subsidies during FY2022-FY2024, which was relatively higher than some of the other states. Such spending has contributed to the large revenue deficits of the GoTN in recent years.

Unfavourable quality of expenditure – The GoTN’s quality of expenditure (capital expenditure as a proportion of total expenditure) remained around 13% during FY2022-FY2024, lower than many other Indian states.

Increasing leverage – Reflecting the sustained fiscal deficits and support extended to the power sector, the GoTN’s leverage ((debt + guarantees) level increased to 30-31% of GSDP during FY2021-FY2024 from 25.5% in FY2020, higher than some of the other Indian states.

Rating sensitivities

Positive factors – Sustained improvement in the quality of fiscal deficits and relatively lower ranking on extended leverage levels compared to peer states would have a positive impact.

Negative factors – Further deterioration in the GoTN’s quality of fiscal deficits and/or a rise in the leverage levels would have a negative impact. Increase in the debt outstanding of the state power sector entities (either supported or unsupported by the GoTN), leading to a significant worsening of the consolidated leverage levels of the state government and its power entities, would also be a negative factor.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		
			Jan 30, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long term	1,348.09	[ICRA]BBB+(CE) (Stable); withdrawn	Apr 18, 2024	[ICRA]BBB+(CE) (Stable)	Dec 27, 2023	[ICRA]BBB+(CE) (Stable)	May 31, 2022	[ICRA]BBB+(CE) (Stable)
				Jan 10, 2025	[ICRA]BBB+(CE) (Stable)	-	-	Dec 29, 2022	[ICRA]BBB+(CE) (Stable)
Unallocated limits	Long term/ Short term	506.91	[ICRA]BBB-(Stable)/[ICRA]A3 ; withdrawn	Apr 18, 2024	[ICRA]BBB-(Stable)/[ICRA]A3	Dec 27, 2023	[ICRA]BBB-(Stable)/[ICRA]A3	-	-
				Jan 10, 2025	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-
Fund based – Term loan	Long term	90.00	[ICRA]BBB-(Stable); withdrawn	Apr 18, 2024	[ICRA]BBB-(Stable)	-	-	-	-
				Jan 10, 2025	[ICRA]BBB-(Stable)	-	-	-	-

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	Jan 30, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based – Working capital demand loan	Short term	2,055.00	[ICRA]A2(CE); withdrawn	Apr 18, 2024	[ICRA]A2(CE)	Dec 27, 2023	[ICRA]A2(CE)	May 31, 2022	[ICRA]A2(CE)
				Jan 10, 2025	[ICRA]A2(CE)	-	-	Dec 29, 2022	[ICRA]A2(CE)
Fixed deposit	Long term	4,000.00	[ICRA]BBB-(Stable)	Apr 18, 2024	[ICRA]BBB-(Stable)	Dec 27, 2023	[ICRA]BBB-(Stable)	May 31, 2022	[ICRA]BBB-(Stable)
				Jan 10, 2025	[ICRA]BBB-(Stable)	-	-	Dec 29, 2022	[ICRA]BBB-(Stable)
Fund based – Proposed limits	Long term/Short term			-	-	Dec 27, 2023	[ICRA]BBB-(Stable)/[ICRA]A3	May 31, 2022	[ICRA]BBB-(Stable)/[ICRA]A3
				-	-	-	-	Dec 29, 2022	[ICRA]BBB-(Stable)/[ICRA]A3

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term fund based – Cash credit	Simple
Short-term fund based – Working capital demand loan	Simple
Long-term fund based – Term Loan	Simple
Long-term/Short-term fund based – Unallocated	Not applicable
Fixed deposit programme	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 sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit - 1	-	-	-	1,348.09	[ICRA]BBB+(CE) (Stable); withdrawn
NA	WCDL-1	-	-	-	600.00	[ICRA]A2(CE); withdrawn
NA	WCDL-2	-	-	-	1,455.00	[ICRA]A2(CE); withdrawn
NA	Term loans	-	-	FY2025	90.00	[ICRA]BBB-(Stable); withdrawn
NA	Long term/Short term – Unallocated	-	-	-	506.91	[ICRA]BBB-(Stable)/[ICRA]A3; withdrawn
NA	Fixed deposits	-	-	-	4,000.00	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

The rating rationale document dated January 30, 2026 has been corrected with the revisions as detailed below:

- (i) The amount of bank facilities reaffirmed and withdrawn has been corrected to 3,403.09-crore from 3,430.09-crore in the first para of the rationale in Page 1.
- (ii) The rating action for fixed deposits (reaffirmed and put on notice of withdrawal) in the rating history for past three years' table has been removed in page 7.

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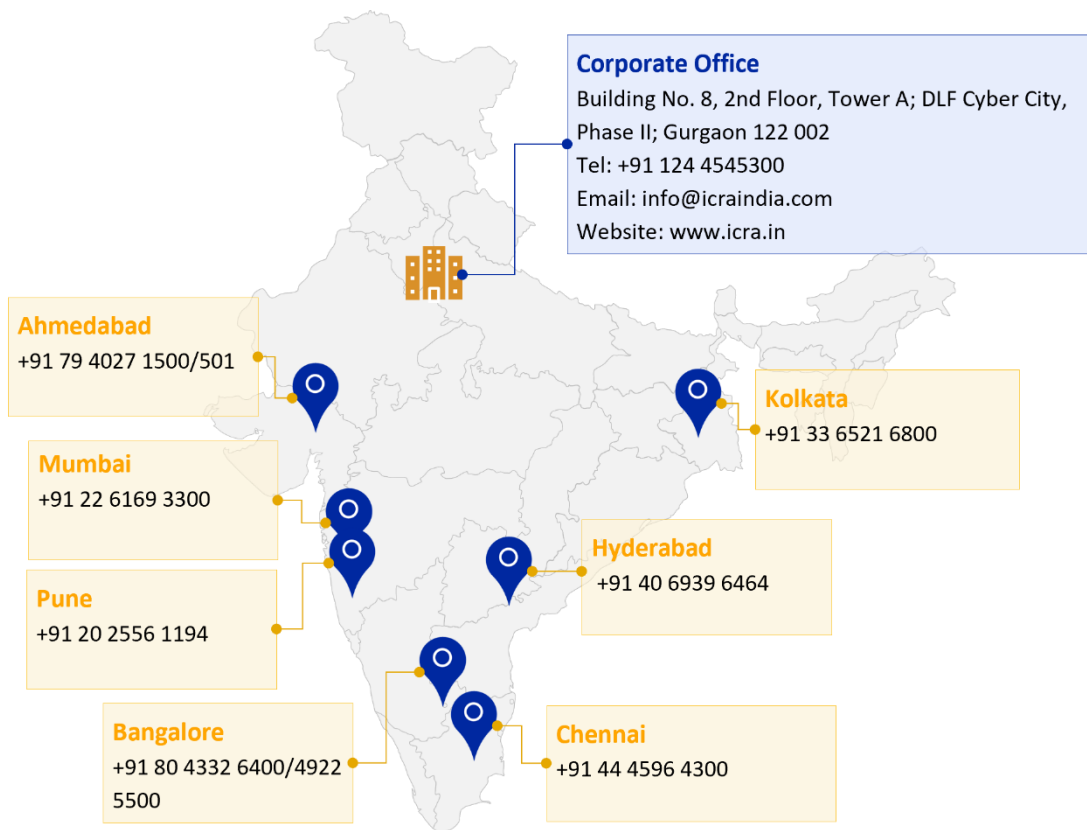
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