

**Dear Shareholders,**

It is my privilege to welcome you all to the 33<sup>rd</sup> Annual General Meeting of the Company. The Annual Report had been uploaded on the websites of the Stock Exchanges and the Company and I hope you had the time to go through the same.

Your company has continued to play its role as a catalyst for the tourism sector in the backdrop of challenging environment caused by Covid -19 disruptions. The pandemic gave all of us reason for pause and to understand how tourism interacts with our societies and its impact on other economic sectors. Fiscal 2022 began on a somber note, but soon turned out to be a reflection of the resilience of the Indian Economy. I am pleased to report another year of consistent performance of your Company. Let me take you through the highlights of the performance of your Company for the Fiscal 2022 and the future outlook for the tourism sector as well as your Company.

**Economic Overview and Operating Environment**

Fiscal 2022 saw the Global Economy bounce back with most sectors reaching normalcy. Widespread vaccination coupled with strong policy initiatives taken by governments across the world ensured that most global economies saw some form of recovery, while developing economies saw strong growth fueled by pent up demand. While the global economy is recovering, the pace has been tempered with the emergence of geo-political tensions due to the Russia's invasion of Ukraine in February 2022 and the attendant fallout on multiple aspects of our lives in the highly connected world. We are witnessing inflationary pressures on account of oil shocks as well as supply chain disruptions. As a result of this combination of factors, the International Monetary Fund has projected the global economy to slow down from an estimated 6.1% in CY2021 to 3.6% in CY2022 & CY2023.

The Indian Economy on the other hand is poised for a rebound with projected GDP growth of 8.2% in CY2022, making it the fastest-growing economy in the world, almost twice faster than China's 4.4%, as per recent World Economic Outlook report of IMF. India's economic journey is likely to be driven by the continued policy focus of the Government on building infrastructure, capital expenditure by both the public and private sectors that will generate jobs and sustain growth. However, given the inflationary environment, the GDP growth forecast of Indian economy for CY2023 has been revised to 6.9% from earlier estimate of 7.1%. For the Tourism sector in particular, people are now used to traveling under the new standards. If current trends are to be followed, the domestic leisure and business tourism segments are likely to get a significant fillip as hordes of domestic travelers look to business travel and to unwind, after two years of almost no travel. Further, the opening of international travel will also lead to significant international tourist and business arrivals in the country, thus boosting the hotel business prospects significantly.

## Permit me to now take you through the operating environment in the Tourism Sector

The Tourism Sector, which took a severe hit in the previous year saw a strong recovery both in the domestic as well as international segments.

The industry's contribution to global GDP recovered to 6.1% in CY2021, which had contracted to 5.3% in CY2020 from 10.3% in CY2019. However, while the international tourist arrivals witnessed a 4% increase in CY2021 on a soft base, it remains below pre-pandemic levels by almost 72%, according to the United Nations World Tourism Organization (UNWTO). As most of the countries have reduced or are reducing Covid restrictions, we are likely to witness a strong revival of international tourism in the coming months. We are already witnessing an accelerated recovery with strong numbers being recorded for countries that are accepting inward tourists.

As for the Indian economy too, the Travel & Tourism sector holds prime importance, with its direct and indirect economic impact estimated at about 10% of GDP. While Fiscal 2021 saw the largest impact of the pandemic, Fiscal 2022 started on a somber note with the country in the grip of the second and probably the deadliest wave of Covid. However, the vaccinations as well as government response helped us tide over this challenge and by the second half of the year, with a minor aberration due to the third wave, the overall tourism sector saw a smart recovery. The air passenger traffic within India for CY 2021 was 182 million, higher than 2020 by 27%, however, the foreign tourist arrivals remained subdued at 1.41 million for CY 2021 in comparison with 2.74 million in CY 2020, because of widespread international travel restrictions.

With regards to the hotel industry, while the first half of fiscal 2022 was severely impacted due to the restrictions induced by the second wave of Covid, there were green shoots of recovery in the second half of the year. The business responded with agility focusing on alternate customer segments and revenue streams, such as domestic leisure, staycations, long weekend stays and weddings, which led to improved travel both on personal and business fronts. The occupancy of hotels increased to 45% in Fiscal 2022 in comparison to 34% in Fiscal 2021, with some cities like Goa, Udaipur, Kolkata, Ahmedabad and Chandigarh posting occupancies which were well on their way to pre-pandemic levels.

The Government of India travel relaxation allowed the resumption of regular international flights, thus opening international tourist arrivals inflow to India which is expected to boost the demand forecast for hotels and have a positive impact on occupancy and average room rates. The infrastructure investments by the state and central government should also aid movement of domestic tourism and this is likely to provide an additional growth impetus. India-wide occupancy is expected to breach pre-pandemic levels in 2022 with average rates approaching pre-pandemic levels towards the end of the year. However, this growth, of course is subject to inflationary pressures, the prolonged Ukraine war and zero Covid-19 tolerance policy of China.

## **Now, coming to our Performance,**

### ***Business Performance***

As you are aware, your Company has been acknowledged as a major contributor to the growth of tourism infrastructure in the three decades of existence. Since inception, your Company has been instrumental in creation and addition of nearly 52,000 star-category hotel rooms, representing about 26% of the total star category hotel room supply in the country. With the financial assistance provided by TFCI, the assisted projects has provided employment to about 1,00,000 persons besides indirect employment.

Fiscal 2022 was a year where we exercised caution with respect to disbursements given the challenging market conditions specially caused by covid-19 disruptions. During 2021-22, your Company sanctioned term loans of ₹237.21 crore and made aggregate disbursements of ₹277.47 crore. TFCI recorded Gross Operating Profit of ₹ 107.90 crore as against Rs.99.86 crore during the previous year. On the asset quality front, you would be pleased to hear that our robust risk management and standard operating procedures have aided our efforts in keeping our NPAs to the minimum. As on 31st March 2022, your company had one borrower account in non-performing asset category. Accordingly, as on 31st March 2022, your company had Net NPA of 0.37% of total loans. We are pleased to inform that said NPA account got subsequently settled in May 2022 and accordingly, the asset quality further improved with NIL NPA as of June 2022.

### ***Business Outlook and Strategic Initiatives***

Over the years, your Company has built strong competencies in appraisal, disbursement and has played a pivotal role in the development of the tourism industry. In keeping with the changing business environment, the Board of Directors of the Company has decided to expand our areas of operations, through careful consideration, into the healthcare, education, and other key strategic initiatives. This will also help in diversifying the loan book and thereby reducing the sector concentration risk. Let me take you through some of the opportunities in these segments:

1. The Indian healthcare sector is estimated to reach ₹ 28 lakh crore in CY 2022. The Government of India, State Governments as well as the Private Sector came into strong focus as a result of the pandemic and the Central and State governments have now expanded the healthcare outlays to spruce up the healthcare infrastructure in the country. According to the Economic Survey of 2022, India's public healthcare spending in 2021-22 was 2.1% of GDP, up from 1.8% in 2020-21 and 1.3% in 2019-20. The health sector accounts for 29.5% of the total gross written premiums in the country. We see some strong opportunities presenting itself in the near future.
2. India's education sector is expected to be worth ₹17 lakh crore by FY25. Investment in education will witness significant growth due to the increasing opportunities in technology-enabled services and overall, the sector is expected to grow at CAGR of 12-13%. The Government of India has also allocated almost ₹ 60,000 crore for FY23 for education, as such investment opportunities in this sector appears encouraging.

3. Besides these segments, your Company is making inroads in financing manufacturing units especially in MSME segment and plans to finance residential real estate projects in affordable and mid-market segments which continue to drive demand in the real estate segment. Your company proposes to take strategic initiative to build a customer focused retail book through co lending model and gradually expand the same in coming years.

We believe that over the years, the Board of Directors has not only built a strong governance in the Company and also ensured that your Company has all the key ingredients to push for a renewed pace of growth in the forthcoming years through our continued focus on tourism while also pursuing the said strategic initiatives.

### ***On the Resource Management front,***

In Fiscal 2022, TFCI mobilized about ₹370 crore through an optimum combination of debt and equity. TFCI raised funds through a Preferential Issuance of Equity Shares to the promoter group and marquee investors at issue price of ₹ 67.50 aggregating to ₹ 65.18 crore in October 2021. TFCI also raised secured market-linked Non-convertible Debentures of ₹40 crore at XIRR of 9.95% p.a. redeemable on 1st December 2024 through private placement. Further, TFCI raised term loans of ₹265 crore from Banks/Financial Institutions for tenure upto five years. Your company will approach banks/institutions for financial assistance to meet its future requirement of resources. Your Company may also raise funds through issue of long-term bonds/debentures depending upon the interest rate scenario in the market. Your Company is confident of meeting the funds requirements by raising resources at competitive rates.

We also appreciate that employees play a pivotal role in the running of our businesses. Accordingly, the Board of Directors have proposed an ESOP scheme to reward the existing eligible employees and to attract fresh talent for the company.

### **Acknowledgements**

I would like to place on record our sincere thanks to all our stakeholders for being a pillar of support, especially during a globally challenging period of time. I am grateful to the Reserve Bank of India, the Securities and Exchange Board of India, other Financial Institutions, and Banks for their continued support to the Company, and importantly, their focused approach at ensuring our Economy is relatively insulated to global shocks.

I am also extremely grateful to my colleagues on the Board for their counsel, guidance and support in driving this great Company to even greater heights. I join the Board of Directors in extending our gratitude to the employees for their perseverance and dedication to the Company.

Finally, acknowledge the support, patronage, and encouragement extended to us by the investors and each of you, in all these years.

Thank you,

September 19, 2022  
New Delhi

**Chairman**