



## **ABSTRACT**

Amalgamation of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) – Bringing Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) under the administrative control of the Finance Department - Regarding.

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### **Finance (BPE) Department**

G.O.Ms.No.336

Dated 23.11.2023

கார்த்திகை 7,

திருவள்ளூர் ஆண்டு 2054

### **ORDER:**

The Government of Tamil Nadu aims to achieve the ambitious goal of a \$1 Trillion economy, which would require substantial investments in infrastructure. Towards this end, existing modes of funding need to be enhanced substantially through innovative ways of financing to match the growing requirements in the infrastructure sector. One major innovation required in this direction is the creation of a robust state-owned Non-Banking Financial Company that would cater to the requirements of various infrastructure sub-sectors. This has been felt as a long-standing need and has been the recommendation of various expert committees, so far.

2) In 1997, an Expert Committee chaired by Thiru S.V.S. Raghavan examined the performance of Public Sector Undertakings in Tamil Nadu. The committee recommended, among other things, that Tamil Nadu Development Bank be formed by merging Tamil Nadu Industrial Investment Corporation Limited (TIIC) and a subsidiary company created from the merger of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) as one entity. Further, in 2020, the High-Level Committee headed by Dr. C. Rangarajan, former Governor of Reserve Bank of India, recommended that the Government should consider merging Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), Tamil Nadu Transport



Development Finance Corporation Limited (TDFC), and Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) to establish a robust institution for infrastructure project financing.

3) Presently, there are four State-owned Non-Banking Financial Companies in Tamil Nadu dealing with infrastructure financing, viz., Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), Tamil Nadu Transport Development Finance Corporation Limited (TDFC), Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Industrial Development Corporation Limited (TIDCO). Among the four Non-Banking Financial Companies in the State, Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) are collecting public deposits and have been funding capital expenditure and working capital needs of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and all State Transport Undertakings, respectively. Tamil Nadu Industrial Development Corporation Limited (TIDCO) and Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) have Deposit-taking licenses but do not collect public deposits.

4) These institutions were pioneering efforts when these were established and have served the State well for all these years. It is time to take the next step and create a robust infrastructure financing institution.

5) In 2022-23, the Hon'ble Minister (Finance & Human Resources Management) announced a comprehensive study of state-run financial institutions like Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), Tamil Nadu Transport Development Finance Corporation Limited (TDFC), Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO), Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), and Tamil Nadu Industrial Investment Corporation Limited (TIIC) in order to assess their risk profile, improve their operational efficiency and reduce their cost of funds. The study includes assessing the possibility of merging these institutions for risk diversification, operational efficiency, and possible tax planning.

6) The study has recommended that Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), Tamil Nadu Transport Development Finance Corporation Limited (TDFC) and Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) be amalgamated to create a unified entity due to their similar operational structure and objectives. This merger is expected to pool resources, streamline allocation processes, and potentially improve credit



ratings. Tamil Nadu Industrial Investment Corporation Limited (TIIC) and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), with different operations, may continue as separate entities, and a new investment management entity could be established through which fresh investments can be routed and also to oversee or monitor current investments of various financial instruments held by Public Sector Undertakings.

7) It is also felt that bringing Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) under the administrative control of the Finance Department would be essential to streamline fund management, to overcome regulatory challenges, and strengthen infrastructure project financing. This strategic alignment with expert committee recommendations would avoid a conflict of interest, address objections raised by audit, and optimize resource utilization, fostering a more resilient and cohesive financial framework crucial for the state's development.

8) In the first phase, merger of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC) is proposed to be taken up as they are mobilizing public deposits and therefore there is similarity in operation. A new and sizable entity, with the existing assets of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), Tamil Nadu Transport Development Finance Corporation Limited (TDFC) and mobilization of funds currently deposited in banks and other financial institutions is proposed to be established under the administrative control of the Finance Department to ensure that necessary funds are periodically invested by the Government to meet capital risk adequacy ratios. Investment Experts and Professional Experts would be suitably accommodated to manage the new company, with directors representing relevant departments. The new entity would continue to have separate verticals for lending to power sector and transport sector to fulfill credit requirement of these sectors. The existing administrative set up is proposed to be appropriately accommodated in the new entity.

9) Accordingly, after taking into consideration all the above aspects as a part of enhancing the effective management of funds within State-owned entities, capitalizing synergy in operations, and ensuring optimum and efficient utilization of capital, resources, assets, and facilities of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited



(TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC), the Government orders the following:

- (a) Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC), which were hitherto functioning under the Energy and Transport Department respectively, are hereby brought under the Finance department.
- (b) The Human Resources Management Department shall make necessary changes in the business rules giving effect to the transfer of relevant subjects from the Energy Department and Transport Department to the Finance Department.
- (c) The Public Department shall give effect to the transfer of subjects from the Hon'ble Minister for Energy and the Hon'ble Minister for Transport to the Hon'ble Minister for Finance.
- (d) In-principle clearance is given for the amalgamation of Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) and Tamil Nadu Transport Development Finance Corporation Limited (TDFC).
- (e) The Finance department is authorized to take necessary steps such as appointing consultants and professional advisors for the process of amalgamation etc. and to seek necessary clearances from the concerned regulatory authorities.
- (f) All Government entities are hereby mandated to place their funds in State Non-Banking Financial Companies in appropriate investment instruments. Finance department will issue necessary instructions in this regard.

**(BY ORDER OF THE GOVERNOR)**

**T. UDHAYACHANDRAN**  
**PRINCIPAL SECRETARY TO GOVERNMENT**

To

The Additional Chief Secretary, Transport Department, Secretariat,  
 Chennai-9

The Principal Secretary to Government, Energy Department, Secretariat,  
 Chennai-9

The Secretary to Government, Public (Special B) Department, Secretariat,  
 Chennai -9

The Secretary to Government, Human Resources Management  
 Department, Secretariat, Chennai -9

The Chairman and Managing Director, Tamil Nadu Power Finance and  
 Infrastructure Development Corporation Limited.

The Joint Managing Director, Tamil Nadu Transport Development Finance Corporation Limited

Copy to: The Secretaries to Hon'ble Chief Minister, Secretariat, Chennai-9  
 Special Personal Assistant to Hon'ble Minister (Finance &HRM)  
 Special Personal Assistant to Hon'ble Minister (Energy)  
 Special Personal Assistant to Hon'ble Minister (Transport)  
 Senior Principal Private Secretary to the Chief Secretary to Government, Secretariat, Chennai-9  
 Senior Principal Private Secretary to the Principal Secretary to Government, Finance Department, Secretariat, Chennai-9  
 Principal Private Secretary to the Secretary (Expenditure), Secretariat, Chennai 600 009.  
 All Finance Directors  
 Additional Chief Secretary/ Principal Secretaries / Secretaries to Government of all Administrative Departments, Secretariat, Chennai-9  
 The Regional Director, Reserve Bank of India, Chennai-1  
 The Deputy General Manager, Department of Supervision, Reserve Bank of India, Chennai-1  
 The Registrar of Companies, Chennai-34  
 The Principal Accountant General (A&E), Chennai-18  
 The Chief Executive Officers of all Public Sector Undertakings/ Statutory Boards  
 The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited, Chennai  
 The Managing Directors of all State Transport Undertakings  
 Finance (PPP cell), Finance (Infra-I, II, III, IV), Finance (OP-I, II, III), PCB Units in Finance  
 The Registrar of all Universities/ Agricultural University, Coimbatore  
 The Inspector General of Registration, Chennai-28  
 The Registrar of Co-operative Societies, Chennai -10

// Forwarded : By order //

சி. சங்கரபாண்டி 23-11-2023  
 ASSISTANT DIRECTOR

