

# Tourism Finance Corp

₹150

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Mar 25, 2018

## Company Background

Tourism Finance Corporation (TFCI) is a Government of India Enterprise. It is engaged in the business of financing tourism-related projects. It is providing financial assistance to enterprises for setting up of tourism-related projects, facilities & services, such as hotels, restaurants, resorts, amusement parks, multiplexes & entertainment centers, education & sports, safari parks, rope-ways, cultural centers, convention halls, transport, travel & tour operating agencies, tourism emporia & sports facilities. Financial assistance include rupee loan, underwriting of public issues of shares/debentures & subscription to such securities, guarantee of deferred payments & credit raised abroad, equipment finance & leasing, assistance under suppliers credit, working-capital financing, takeover financing & advances against credit-card receivables. Company also provides high-quality research & Consultancy services to the tourism industry in general and to the investors in particular. The consulting services has providing to both central and state agencies by undertaking broad-based assignments. TFCI has been providing specific project-related services to various clients. It has pioneered & innovated various products in financing diverse needs of the industry such as first Amusement-cum-Water Park at Mumbai & first Water Sports Complex at Goa etc.

## Key Highlights

- ➔ For FY 2017 Net sales grew by 12.7% to ₹ 2,079.8 mn, EBITDA rose by 13.1% to ₹ 1,884.5 mn & net profit rose by 31.4% to ₹ 704.3 mn Y-o-Y.
- ➔ It is only the company in the country exclusively funding to tourism projects with more than 28 years of existence. Since inception, TFCI has provided financial assistance with an amount of ₹ 27,602 cr to creation/addition of 48,450 hotel rooms in the country in more than 822 projects.
- ➔ Interest is the major income source for the company, as the company is financing to tourism projects to develop tourism infrastructure.
- ➔ Balance sheet size has increased to ₹ 17,003 mn as compared to the previous year ₹ 15,902 mn with an increase by 6.92%. Net NPAs as on March 31, 2017 has decreased to ₹ 43.02 cr from ₹ 120.89 cr in previous year.

## Key Financials

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	1,880.5	1,856.5	2,319.0
Rev. growth (%)	0.42	(1.28)	24.91
EBITDA (INR mn)	1,678.5	1,665.4	1884.5
Net profit (INR mn)	601.8	536.1	704.3
Shares outstanding (mn)	80.7	80.7	80.7
EPS (INR)	7.1	6.3	8.3
EPS growth (%)	0.85	(11.55)	32.48
P/E (x)	9.56	6.76	9.90
RONW (%)	13.15	10.80	10.01
ROCE (%)	12.14	11.18	10.50

## Nishant Chopra

[nishantc@indiratrade.com](mailto:nishantc@indiratrade.com)

## Info Codes

Reuters	: TFCI.BO
Bloomberg	: TFCI IN
NSE	: TFCILTD
BSE	: 526650

## Market Data

52 Wk Range (₹)	: 87/182
Shares in Issue (mn)	: 80.7
Market. Cap ( bn)	: 12.15
BSE 2 Wk Avg Vol	: 34000

## Share Holding Pattern (%)

Promoters Holding	: 08.87
Public & Others	: 78.93
Corporate Holding	: 00.00
Foreign Institution	: 10.67
Institutions	: 00.76
Govt Holding	: 00.77

## Investment Theme

India is a large market for tourism and recognised as a destination for spiritual tourism for domestic & international tourists. Indian government has also released a fresh category of visa (M visa) to encourage medical tourism in the country. Government of India is working to achieve 1 % share in world's international tourist arrivals by 2020 and 2 % share by 2025. Sector is growing well, financing activities will also improve to develop assets. Ultimately TFCI also get benefited by financing to the sector, because it is only the company to finance to tourism companies in India. Company is monitoring its resource base to capture good opportunity to minimise the cost of capital. It can get the funds at a competitive rates, to maximise the Interest income. As the company is purely dependent on financing activities.

**Incredible India...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Operating Income	1,864.7	1,845.2	(1.0)	2,079.8	12.7
Other Income	15.8	11.3	(28.5)	239.2	2016.8
Total Income	1,880.5	1,856.5	(1.3)	2,319.0	24.9
Other Exp	96.7	103.7	7.2	98.7	(4.8)
Miscellaneous Exp	40.3	20.4	(49.4)	200.2	881.4
Employee Exp	65.0	66.9	2.9	135.6	102.7
Total Expenses	202.0	191.0	(5.4)	434.5	127.5
EBITDA	1,678.5	1,665.5	(0.8)	1,884.5	13.1
Dep	8.0	7.3	(8.8)	6.2	(15.1)
EBIT	1,670.5	1,658.2	(0.7)	1,878.3	13.3
Interest	851.9	901.3	5.8	908.1	0.8
EBT	818.6	756.9	(7.5)	970.2	28.2
Tax	216.8	220.7	1.8	265.9	20.5
Net Profit	601.8	536.2	(10.9)	704.3	31.4

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>13,618.0</b>	<b>15,008.7</b>	<b>15,902.0</b>	<b>17,003.0</b>
Equity Share Capital	807.2	807.2	807.2	807.2
Reserves and Surplus	3,557.5	3,983.8	4,333.4	4,735.3
Borrowings	8,615.0	9,565.0	9,965.0	10,499.6
Liabilities	430.3	463.0	617.1	621.3
Provisions	208.0	189.7	179.4	339.5
<b>USES OF FUNDS</b>	<b>13,618.0</b>	<b>15,008.7</b>	<b>15,902.0</b>	<b>17,003.0</b>
Tangible Assets	302.0	295.3	291.3	204.0
Intangible Assets	0.5	0.00	0.00	0.00
Non-Current Investments	686.9	1,168.5	1,132.6	1,805.5
Deferred Tax	0.00	0.00	0.00	0.00
Loans & Advances	11,730.1	12,649.8	12,926.0	14,069.8
Current Investments	662.0	734.6	1,412.8	671.0
Cash & Cash Equivalents	81.8	20.5	52.9	110.1
Other Current Assets	154.7	139.9	86.6	142.5
<b>NOTE</b>				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	418.0	750.9	133.1	671.0
Contingent Liabilities	119.4	103.2	116.6	156.7
Dividend (%)	12.0	18.0	18.0	20.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Operating Income	498.4	511	485.2	588.2
Other Operating Income	40.3	50.1	53.5	21.2
Other Income	2.4	0.6	0.7	0.5
Employees Cost	69	24.3	35.5	21.1
Other Expenses	32.3	9.7	10.6	18.6
EBITDA	439.8	527.7	493.3	570.2
Depreciation	1.4	2.0	2.0	2.0
EBIT	438.4	525.7	491.3	568.2
Interest	227.8	230.1	238.1	246.2
EBT	210.6	295.6	253.2	322
Tax	38.4	75.5	61.6	87.9
PAT	172.2	220.1	191.6	234.1
Extra Ordinary Items	0.0	0.0	0.0	0.0
Net Profit/(Loss)	172.1	220.2	191.6	234.2

**52 Week Index Relative Percentage Appreciation**

**Tourism Finance vs SENSEX**
**Risks Associated**

- ➔ Company is involved in financing activities, if there is any borrower is unable to pay interest or principle that borrower might become defaulter then the TFCI has to face default Risk, it will impact the profits.

**Scope of Growth**

- ➔ The Indian government has also released a fresh category of visa-M visa to encourage medical tourism in the country. It is likely to be a major driver to growth of sector. E-visa facility has extended to 161 countries. India's earnings from medical tourism could exceed \$ 9 bn by 2020.
- ➔ Launch of Swadesh Darshan Scheme with vision to develop theme based tourist circuits. Under this scheme 13 circuits have been identified and has approved projects worth ₹ 450 cr for the improvement and creation of tourism infrastructure in Madhya Pradesh, Uttarakhand, Tamil Nadu, Uttar Pradesh and Sikkim.
- ➔ Government of India has estimated that India would emerge with a market size of 1.2 mn cruise visitors by 2030-31. Government is planning to set up five cruise terminals in the country with an investment of 1,500 Cr, terminals will be built in Mumbai, Goa, Chennai, Cochin and near Kandla port.
- ➔ Tourist arrivals have increased due to flexible government policies, developed rail & road infrastructure, ease in availability of E visa to foreign tourists.
- ➔ Leisure travel is major revenue contributor to the tourism revenue, is expected to reach \$ 386.3 bn by 2027 and Business travel revenues will reach to \$ 23.3 bn by 2027. Increasing disposable Income leads to travel, there by leisure travel income will rise.

## Tourism Finance

### In a Nutshell

TFCI is engaged in the business of financing tourism-related projects. Provide financial assistance to enterprises for setting up or development of tourism-related projects, facilities and services. Company also provides high-quality research & consultancy services to the tourism industry in general and to the investors in tourism industry. It provides capital for someone to gain control of another corporation using stocks to gain the control. Contribution by the company to the Sector; TFCI is only the company in the country exclusively funding to tourism projects with more than 28 years of existence. So far, TFCI has given for addition of 48,450 hotel rooms in the country, with ₹ 27602 cr, in more than 822 projects. Tourism in India accounts for 9.6 % of the GDP, direct contribution to GDP is expected to reach \$ 147.96 bn by 2027. Foreign exchange earnings in February 2018 were \$ 2.706 bn. Government of India also has taken several steps to boost the industry such as M-Visa, E-Visa, Incredible India 2.0 and 100 % FDI to the sector. Industry is looking forward to expand E-Visa. India offers different kind of tourism products like; cruises, adventure, medical wellness, sports, MICE, eco-tourism, film, rural and religious tourism. Five year tax holiday has been offered for 2, 3 & 4 star hotels, except Delhi & Mumbai. For 2016-17 TFCI has recorded total operational income of ₹ 2,085.4 mn as against the previous year ₹ 1,856.4 mn. Balance sheet size has increased by 6.92% to increase balance sheet size, company has decided to concentrate on take-over financing of potentially viable projects. Takeover financing is funding for the purpose of obtaining control over a corporation through the purchasing of stock. It has announced a dividend of ₹ 2 per share.

### Indira Group Offices

**Registered Office** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224202 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

**Administrative Office** : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

**Tel** : 0731-4097170 **Fax** : 0731-4215999 **Email** : [customercare@indiratrade.com](mailto:customercare@indiratrade.com)

**Institutional Dealing Unit** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224209 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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