Change in ☑ Estimates ☐ Rating ☐ Target

Q1 FY16

# Tourism Finance Corp Ltd.

- Growth in Q1 FY16 was weak as expected; company remains confident of healthy assets expansion in FY16
- NIM to remain steady in the longer term
- Asset quality performance was resilient again
- Retain Buy rating and 12-month price target to Rs82

**Result table**

| (Rs cr) | Q1 FY16 | Q4 FY15 | % qoq | Q1 FY15 | % yoy |
|---|---|---|---|---|---|
| Total Operating Income | 47 | 45 | 5.1 | 43 | 9.2 |
| Interest Expenses | (22) | (22) | 4.2 | (21) | 6.4 |
| **Net Interest Income** | 25 | 23 | 5.9 | 22 | 11.9 |
| Other income | 0 | 1 | (39.4) | 1 | (34.5) |
| **Total Income** | **25** | **24** | **4.8** | **22** | **10.9** |
| Operating expenses | (4) | (5) | (29.1) | (4) | (0.8) |
| Provisions | - | - | - | (2) | |
| PBT | 21 | 18 | 15.1 | 16 | 27.1 |
| Tax | (5) | (7) | (35.4) | (5) | - |
| Extraordinary | - | - | - | 7 | - |
| **Reported PAT** | **16** | **11** | **46.3** | **19** | **(13.3)** |

*Source: Company, India Infoline Research*

## Growth in Q1 FY16 was weak as expected; company remains confident of healthy assets expansion in FY16

TFCIL's balance sheet size was stable qoq but higher 10% yoy at ~Rs. 1,500cr. No increase in assets during the quarter was a result of low disbursements of Rs. 50cr being offset by an equivalent amount of repayments. Typically, the lending activity has been muted in Q1 of a fiscal. In Q1 FY15, the company had only disbursed Rs. 19cr but ended the year with total disbursements of Rs. 580cr. TFCIL currently has decent visibility of growth for the medium term with about Rs. 530cr of sanctions in hand and a pipeline of Rs. 300cr. In Q2 FY16, disbursements are likely to be in the range of Rs. 200-250cr with Rs. 100cr already disbursed in July. On the refinancing opportunity front, company is evaluating a few cases worth Rs. 80cr which may materialize in the near term. Overall, the management still remains confident of disbursing Rs. 700-800cr during the year and ending with a balance sheet of Rs. 2000cr implying 30%+ growth yoy. Repayments are likely to continue at the pace of about Rs. 50cr per quarter. The loan mix is likely to shift towards non-hospitality loans (well collateralized loans to infra/power, real estate, industry, etc) in the absence of capex revival in hospitality sector. The share of such loans could increase to ~30% by end-FY16 from current ~25%. Over the next 3-4 years, the management aspires to grow assets at 20-25% pa aided by revival in hospitality capex. With CAR at 39%, TFCIL has enough capital to support the envisaged growth without equity dilution.

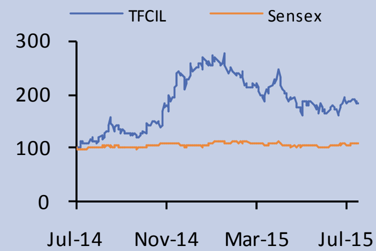
IIFL INDIA PRIVATE CLIENTS

| Rating: | BUY |
|---|---|
| Target: | Rs82 |
| CMP: | Rs58 |
| Upside: | 43.0% |

| | |
|---|---|
| **Sector:** | **Financials** |
| **Sector view:** | **Positive** |
| Sensex: | 27563 |
| 52 Week h/l (Rs): | 96/33 |
| Market cap (Rscr) : | 465 |
| 6m Avg vol ('000Nos): | 1,053 |
| Bloomberg code: | TFCI IN |
| BSE code: | 526650 |
| NSE code: | TFCILTD |
| FV (Rs): | 10 |

*Price as on July 29, 2015*

**Share price trend**




**Share holding pattern**

| (%) | Dec-14 | Mar-15 | Jun-15 |
|---|---|---|---|
| Promoter | 62.4 | 62.2 | 62.2 |
| Insti | 5.5 | 7.4 | 7.6 |
| Others | 32.1 | 30.4 | 30.2 |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**July 30, 2015**

Result Update

## NIM to remain steady in the longer term

Interest spread for the quarter is likely to have been maintained near 3.2%. 85-90% of TFCIL's borrowings are in the form of fixed-rate long tenor bonds and the residual is borrowings from commercial banks at the Base Rate. The blended funding cost was stable at ~9.8% and the portfolio was steady around 13%. To fund the incremental growth is assets and to substitute bank borrowings of about Rs. 125cr (costing 9.9%, much higher than bonds), TFCIL plans to raise Rs.500cr through long term bonds at a very competitive rate of near 9%. The company has secured a healthy long term credit rating of AA from two rating agencies. As per the management, the benefits of lower incremental borrowing cost would be largely passed to the borrowers through reduction in the PLR (currently standing at 12.75%). This should aid asset growth as company could offer more competitive rates to the borrowers without taking a hit on the spread.

## Asset quality performance was resilient again

Asset quality of TFCIL remained intact for the third second succeeding quarter. Gross NPLs were stable at Rs48cr (3.2%) in the absence of any slippages. Within the Gross NPLs, there are two large accounts of combined value of Rs. 46cr which slipped last year where TFCIL has already initiated the recovery process. It has taken possession of the underlying collateral; however, auctions held for liquidation did not receive any demand at the reserved price. In one of the cases, resolution could be achieved soon as the defaulting borrower is helping the company in liquidating the collateral. With the collateral value being substantially higher, company is hopeful to recover both the outstanding principal and interest. The credit cost was nil and the Net NPLs are under control at 1.3% of loan assets and <4% of Networth. Company's resilient asset quality performance over the past three years despite the severe slowdown in hospitality sector highlights its tight underwriting standards.

## Retain Buy rating and 12-month price target to Rs82

TFCIL Q1 FY16 performance was largely in line with our expectations. With the stock having corrected substantially over the past six months, the valuation is cheap at 0.8x FY17 P/ABV. It is even lower than PSU Banks than have substantial stressed assets, fragile capitalization and weak profitability profile. Though we expect company's RoA to moderate a bit going ahead, the delivery in FY17 would still be healthy at 3.6%. RoE is estimated at stay at 13-14% owing to high capitalization levels. Retain BUY with a 12-month price target of Rs82.

**Financial Summary**

| Y/e 31 Mar (Rs cr) | FY14 | FY15 | FY16E | FY17E |
|---|---|---|---|---|
| Total operating income | 1,065 | 1,029 | 1,135 | 1,394 |
| yoy growth (%) | 13.5 | (3.4) | 10.3 | 22.8 |
| Operating profit (pre-prov) | 887 | 859 | 953 | 1,189 |
| Net profit | 585 | 602 | 648 | 756 |
| yoy growth (%) | 5.4 | 2.9 | 7.6 | 16.7 |
| | | | | |
| EPS (Rs) | 7.2 | 7.5 | 8.0 | 9.4 |
| Adj.BVPS (Rs) | 54.1 | 57.1 | 63.7 | 68.0 |
| P/E (x) | 7.9 | 7.6 | 7.1 | 6.1 |
| P/BV (x) | 1.1 | 1.0 | 0.9 | 0.8 |
| ROE (%) | 13.7 | 13.2 | 12.8 | 13.4 |
| ROA (%) | 4.2 | 4.2 | 3.9 | 3.6 |
| Dividend yield (%) | 2.1 | 2.1 | 2.1 | 2.1 |
| CAR (%) | 37.2 | 37.9 | 33.5 | 27.8 |

*Source: Company, India Infoline Research*

## 'Best Broker of the Year' – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

## 'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

## 'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

## Other awards

- D&B Decide with Confidence 2012 – BEST BROKING HOUSE WITH GLOBAL PRESENCE
- Zee Business 2009, 2012 & 2013 – BEST MARKET ANALYST
- D&B Decide with Confidence 2009 – FASTEST GROWING LARGE BROKING HOUSE
- ASIAMONEY BROKERS POLL 2009 – BEST BROKERAGE, INDIA
- FinanceAsia COUNTRY AWARDS FOR ACHIEVEMENT 2008 – BEST BROKER, INDIA
- ASIAMONEY BROKERS POLL 2008 – MOST IMPROVED, INDIA

**Recommendation parameters for fundamental reports:**

**Buy –** Absolute return of over +15%

**Accumulate –** Absolute return between 0% to +15%

**Reduce –** Absolute return between 0% to -10%

**Sell –** Absolute return below -10%

**Call Failure -** In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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