

Akbar Travels of India Private Limited

January 24, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (term loan)	3.82	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Long-term Bank Facilities (fund based)	186.75	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short-term Bank Facilities (non-fund based)	45	CARE A4; (A Four)	Revised from CARE A3 (A Three)
Total Facilities	235.57 (Rs. Two hundred Thirty Five crore and Fifty Seven lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Akbar Travels of India Private Limited (ATIPL) is on account of stretched liquidity position due to elongated recoveries from customers and consequent, deterioration in the credit profile of the company. Furthermore, the rating continues to be constrained due to leveraged capital structure, working capital intensive nature of operations, volatile operating margins, and highly competitive and fragmented nature of tourism industry. The ratings however, continue to derive strength from vast experience of the promoters and long track record of the company in airlines ticketing segment, its well-established position in the travel industry backed by a comprehensive product portfolio.

Going forward, ability of the company to improve its liquidity position by efficient working capital management thereby leading to improvement in capital structure, and sustaining profitability margins whilst scaling up operations are the key rating sensitivities.

Outlook: Stable

Detailed description of the key rating drivers

Key Rating Weaknesses

Stretched liquidity position of the company

Over the years, in order to de-risk revenue concentration from International Air Transport Association (IATA) agents, the company is focusing on increasing sales from corporate customers. Due to intense competition, the credit period offered to corporate customers is higher leading to elongated recoveries. Owing to the above, the company's working capital bank limits is fully utilized and thus, the liquidity position of the company is strained.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Volatile operating margins

The tourism industry continues to grapple with intense competition leading to competitive cost pressures on existing players. The same is reflected in stagnant total operating income of Rs.168 crore in FY17 (refers to the period April 1 to March 31) and decline in profit before interest, depreciation and tax (PBILDT) margin to 38.35% in FY17 from 41.50% in FY16.

Leveraged capital structure

The company operates in a working capital-intensive industry segment. The capital structure remained leveraged at 2.00 times as on March 31, 2017 from 2.20 times as on March 31, 2016 owing to higher reliance on working capital borrowings to fund its day to day operations indicating stretched liquidity position. Furthermore, the total debt/gross cash accruals remained on the higher side at 14.26 times in FY17 from 14.63 times in FY16.

Working capital intensive nature of operations

The nature of business in which the company operates is working-capital intensive as the receivables comprise the total ticket value whereas the company earns only a part of the total ticket value as commission income. Furthermore, the company is required to pay advances to carriers for booking tickets and offer extended credit period to corporate customers.

Fragmented nature of tourism industry leading to intense competition

The Indian tours and travels industry is highly fragmented, with a large number of small unorganized tour operators as well as established players resulting in intense competition within the tourism space. Further with advent of newer forms of booking travel tickets (i.e. smart phones, internet and social media), the company's ability to garner higher sales is critical due to intense competition prevalent in the industry.

Key Rating Strengths***Experienced promoters with long track record in the airline ticketing industry***

The business entity is in existence since 1978 as a proprietorship, reflecting long track record and continuity of operations. Subsequently, in 2001 it was converted into a family-owned private limited company. ATIPL is promoted by Mr. K. V. Abdul Nazar, who is having more than 40 years of experience in the same line of industry.

Well established market position in the airline ticketing segment

ATIPL is well-established in the airline ticketing segment as the company operates from around 132 branches across India and seven overseas locations along with tie-ups with various agents. Besides airline ticketing, the company has been engaged in providing a bouquet of travel-related services including visa/passport services and documentation, insurance services, forex services, car rental services, corporate services, hotel, cruise, and euro rail passes, Haj & Umrah Tours. This enables the company to provide various ancillary services with travel related solutions under one roof.

Analytical approach:

Standalone.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Service Sector Companies](#)

About the Company

Akbar Travels of India Private Limited (ATIPL) is promoted by Mr. K.V. Abdul Nazar and family, which commenced commercial operations as a proprietary concern in 1978 and was reconstituted as a private limited company in 2001. Presently, ATIPL, a closely held family entity is engaged in the business of airline ticketing, visa/passport services and documentation, insurance services, forex services, car rental services, corporate services, hotel, cruise, and euro rail passes, Haj & Umrah tours. The company is approved by International Air Transport Association (IATA) and is the member of Travel Agent Association of India, Travel Agent Federation of India and IATA Agents Association of India. ATIPL derives commission from the booking of domestic and international tickets and also receives productivity linked bonus (PLB) on an annual/semi-annual basis from various airlines it deals. The company operates with most of the airlines which operate around the world as it derives majority of the ticket sales turnover from overseas travel booking and remaining is derived from ticket sales achieved through domestic travel bookings. Presently, the company has more than 132 branches in India and operates in 7 overseas locations like Malaysia, London, USA, UAE, Kuwait, Qatar and Oman through its various joint ventures and subsidiaries.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	163.49	168.37
PBILDT	67.85	64.58
PAT	20.21	22.34
Overall gearing (times)	2.20	2.00
Interest coverage (times)	2.19	2.55

A: Audited

Status of non-cooperation with previous CRA:

CRISIL has suspended its rating vide press release dated December 22, 2015 on account of non-cooperation by Akbar Travels of India Pvt Ltd (ATIPL) with CRISIL's efforts to undertake a review of the outstanding ratings.

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	186.75	CARE BB; Stable
Fund-based - LT-Working Capital Demand loan	-	-	February, 2020	3.82	CARE BB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	45.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	186.75	CARE BB; Stable	1)CARE BBB-; Stable (22-May-17)	-	1)CARE BBB-(08-Feb-16) 2)CARE BBB-(22-Apr-15)	-
2.	Fund-based - LT-Working Capital Demand loan	LT	3.82	CARE BB; Stable	1)CARE BBB-; Stable (22-May-17)	-	1)CARE BBB-(08-Feb-16) 2)CARE BBB-(22-Apr-15)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	45.00	CARE A4	1)CARE A3 (22-May-17)	-	1)CARE A3 (08-Feb-16) 2)CARE A3 (22-Apr-15)	-

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