

TBO Tek Limited (erstwhile Tek Travels Private Limited)

April 01, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00 (Reduced from 10.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Long Term / Short Term Bank Facilities	293.50 (Enhanced from 268.50)	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable/ A Two)	Reaffirmed; Outlook revised from Negative
Total Bank Facilities	298.50 (Rs. Two Hundred Ninety-Eight Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of TBO Tek Limited continue to derive strength from experienced promoters and management team, supported by well-established market position in the airline ticketing and hotel segment with a comprehensive product portfolio. Further, recovery in the operational performance in current fiscal backed by increase in scale of operations and better profitability margins and healthy capital structure with no long-term debt except for lease liabilities. However, the ratings are constrained by cyclical nature of business, susceptibility of profit to volatility in foreign exchange currency risk, and highly competitive and fragmented nature of tourism industry, leading to intense competition.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations with TOI above Rs.750 crore with further improvement in PBILDT margin while maintaining moderate non-fund-based and fund-based utilization levels

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Competition resulting in squeeze in commission income/ Gross Merchandise Value (GMV) to below 3.5%
- Any change in policy with respect to unclaimed airlines funds written back resulting in lower income from this

Outlook: Stable

The revision in the outlook to stable reflects revenue visibility going forward with resumption of travel services and opening up of the economy thereby leading to expected improvement in occupancy levels in hotels.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

Mr Ankush Nijhawan, co-founder of TTPL, is a BBA graduate from Boston and he majored in marketing and psychology. Mr. Gaurav Bhatnagar, co-founder of TTPL is a computer science graduate from IIT Delhi. The extensive experience of the promoters in travel industry and IT companies has helped the company to ramp up its operations profitably.

Well Established market position in the airline ticketing and hotel segment and presence in several countries

TTL, part of TBO group, has a well-established market position in the airline ticketing segment and hotel segment. It currently services over 19426 travel agents and has tie up with more than 7 lakh hotels across more than 100 countries. Although company has a presence in several countries' majority of the GMV is concentrated in its Indian and Dubai operations. In FY21, TTL group earned 81% (PY: 78%) of its consolidated Gross Merchandise Value (GMV) from operations in India while GMV from Dubai entity, it earned 19% in FY21 as against 22% in FY20. Other than India, TTL group also has presence in other countries mainly Saudi Arabia, UAE, Kuwait, Qatar, Brazil, Egypt, China and USA.

Diversified revenues from different lines of business

The company has a diversified revenue base with majority of revenues from airline and hotel industry. TTL earns net commission fees from airlines which remains low at around 3-4% whereas in case of hotels, it either receives commission fees or receives net rates from hotels on which it charges mark up. Fees/mark up in hotels remains at 6-8%. TTL sells technical/software related services to customers based in India and out of India where in it provides them a shell website which the customer can use as a B2B hotel service provider by adding their own suppliers. The group earned Rs. 3.15 crore during FY21 (PY: Rs. 5.63 crore) by rendering technical services like portal services etc. which contributed nearly 1.79% of total operating income in FY21.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Improved operational performance in current year

FY21 was an exceptional year for the travel and hospitality industry owing to the nation-wide lockdowns to curb the spread of novel coronavirus (COVID-19) pandemic, thereby company's performance also remained muted wherein it reported ~75% moderation in top-line with decline in Gross Merchandise Value (GMV) from Rs.12,166 crore in FY20 to Rs. 3,086 in FY21 during the year with drop in operational profitability and net losses.

However, in H1FY22 (UA), the company has displayed recovery whereby it has recorded total operating income of Rs.185.87 crore with total GMV of Rs.3,396.41 crore despite the impact of second-wave of COVID-19 in Q1FY22. The monthly transacting buyers for October, 2021 and November, 2021 as a percentage of monthly transacting buyers in FY20 was 102.3% and 105.9% respectively. Also, driven by strong recovery in many of the key markets, the company regained 107.6% and 114.88% of their monthly average of FY20 GTV in the months of October, 2021 and November, 2021 respectively. This recovery has been well spread across regions with 104.32% of GTV in India, 132.60% of GTV in the Middle East, and the company has recovered fully, and grown in regions of Latin America, North America and Europe as of November 30, 2021. Further, the month-wise growth has also been supported by inorganic growth through strategic acquisitions and change in product mix as well as the geographic mix. Moreover, the PBILDT margin also remained quite healthy and stood at ~16% owing to increase in scale alongside increased contribution from hotel reservation business.

Healthy capital structure

The company at a consolidated level didn't have any debt in the balance sheet as on March 31, 2021 except for lease liabilities (PY: Nil debt) as the utilization of bank facilities largely pertain to non-fund-based limits. The average of max-utilization of Non-fund-based limits stood at 43.2% during last 12 months ending Mar,2022.

Key Rating Weaknesses**Foreign exchange currency risk**

TTL had nearly 76% of the business (GMV) from air ticketing in FY21 and balance was from Hotel reservation segment. While the payment for air ticketing is made in Indian rupee to IATA and airlines, nearly 50% of the payment for international hotel reservation is done in Indian rupee and balance is done in different currency. The payment received from agents in air ticketing is in Indian Rupee and in hotel reservation is in different currency. For hedging of the forex currency risks, the group enters into forward contracts and levies forex currency mark-ups on travel agents. The hedge ratio of the group usually remains between 70 to 100%.

Highly competitive and fragmented nature of tourism industry leading to intense competition

The Indian tours and travel industry are highly fragmented, with a large number of small un-organised tour operators as well as established players, i.e., MakemyTrip, Expedia, D'pauls among others resulting in intense competition within the tourism space. Furthermore, with advent of newer forms of booking travel tickets (i.e. smart phones, internet and social media) the group's ability to garner higher sales is critical due to intense competition prevalent in the industry. However, comfort can be derived from the well-experienced management and established brand presence of TBO.

Industry Prospects

During FY21, the demand was severely impacted in travel and tourism sector with government-imposed lockdowns, decline in customer confidence, and restrictions on tourism-related mobility. The industry experienced a significant loss of jobs, mass booking cancellations, issues in refunds, and a halt on investments and initiatives (both at government and non-government level). However, green shoots of growth were seen since May 2021 as some destinations eased travel restrictions and consumer confidence increased, albeit slowly, therefore, the travel market is expected to fully recover and grow at a faster pace as a contribution to global GDP, clocking a CAGR of 4.5% from 2019 to 2024 according to PGA Labs estimates. The industry is expected to surpass pre-COVID-19 levels by 2023 and reach US\$ 11.5 trillion by 2024. Also, the adoption of e-visas by government of India is expected to double the tourist flow into India.

Liquidity: Adequate

Adequate liquidity characterized by strong cash balance of Rs.456.30 crore as on September 30, 2021. Further, TTL does not have term loan facility. TTPL has overdraft facility of Rs.5 crore which can be availed against the cash margin of 50% of the limit. The utilization of the same stood nil. Furthermore, company has Rs.338 crore of BG limits for which it keeps cash margin of 40%. The utilization of the non-fund-based limits stood at 43.2% in the last 12 months ending March, 2022.

The company has low capex requirements which are to be funded by internal accruals. The current ratio for the period ended March 31, 2021 is 1.29x (PY: 1.34x).

Analytical approach: Consolidated; Since, TTL and its wholly owned subsidiaries are into similar line of business with a common management, a consolidated approach has been considered in credit risk assessment.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the Company

TBO Tek Limited (TTL), erstwhile known as Tek Travels Private Limited was founded in 2006 by Mr. Ankush Nijhawan and Mr. Gaurav Bhatnagar, operates online platforms- Travelboutiqueonline.com (TBO) and has diverse product offerings which include airline reservation, hotel reservation, holiday package deal, rail travel and travel insurance. The company offers services in business to business (B2B) segment. It is an International Air Transport Association (IATA) registered ticketing agency. Travel Boutique Online (TBO) portal earns majority of the revenue from airline and hotel reservation.

Brief Financials (Rs. crore) (Consolidated)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	588.30	176.53	185.87
PBILDT	103.10	12.99	31.13
PAT	72.93	(34.14)	17.74
Overall gearing (times)	0.07	0.04	NA
Interest coverage (times)	26.87	6.05	27.33

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	293.50	CARE BBB+; Stable / CARE A2
Fund-based - LT-Bank Overdraft		-	-	-	5.00	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	293.50	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Negative / CARE A2 (12-Mar-21)	1)CARE BBB+; Stable / CARE A2 (24-Jan-20)	1)CARE BBB+; Positive / CARE A2 (13-Dec-18)
2	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB+; Stable	-	1)CARE BBB+; Negative (12-Mar-21)	1)CARE BBB+; Stable (24-Jan-20)	1)CARE BBB+; Positive (13-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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