Tek Travels Private Limited (Revised)

March 12, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term/Short Term Bank Facilities	268.50 (enhanced from Rs.173 crore)	CARE BBB+; Negative/CARE A2 (Triple B Plus; Outlook: Negative/A Two)	Reaffirmed and outlook revised from Stable
Long term Bank Facilities	10.00	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Reaffirmed and outlook revised from Stable
Total Facilities	278.50 (Rs. Two hundred and seventy-eight and fifty lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Tek Travels Private Limited (TTPL) continue to take support from the experienced promoters and management team, well established market position in the airline ticketing and hotel segment backed by a comprehensive product portfolio, continuous increase in scale of operations and healthy capital structure with no long-term debt. 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/ GMV to below 3.5%
- Any change in the policy with respect to the unclaimed airlines refunds written back resulting in lower income from this

Outlook: Negative

The revision in the outlook to Negative reflects the group's major dependence on airlines and hotel business segments for its revenues, which have been severely impacted due to the coronavirus (Covid-19) pandemic situation and the consequent lockdowns and travel restrictions imposed by the Government of India (GOI) during the year. This poses risk on the group's ability to generate significant revenue, thereby impacting its financial risk profile during FY21 & FY22.

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, chief technology officer and 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

TTPL, part of TBO group, has a well-established market position in the airline ticketing segment and hotel segment. It currently services over 60000 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 FY20,

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

TTPL group earned 78% (PY: 81%) of its consolidated Gross Merchandise Value (GMV) from operations in India while GMV from Dubai entity increased to 19% in FY19 to 22% in FY20. Other than India, TTPL group has presence in other countries mainly Saudi Arabia, UAE, Kuwait, Qatar, Brazil, Egypt, China.

Diversified revenues from different lines of business

The company has a diversified revenue base with majority of revenues from airline and hotel industry. TTPL earns net commission fees from airlines which remains low at around 1% where as in case of hotels. TTPL either receives commission fees or receives net rates from hotels on which it charges mark up. Fees/mark up in hotels remains at 4-5%. TTPL 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. 5.63 crore during FY20 (PY: Rs. 6.95 crore) by rendering technical services like portal services etc. which contributed nearly 0.96% of total operating income in FY20. Furthermore, group received nearly 9.94% of the total income in the form of credit card cashback income in FY20 on usage of credit card for making payments to airlines/ hotels. The unclaimed airlines funds written back formed nearly 3.48% of total income in FY20.

Increasing scale of operations along with improved profitability margins

Gross Merchandise Value (GMV) of TTPL on consolidated basis increased by 35% Y-o-Y to Rs. 12,107 crores during FY20 primarily because of 37% growth in airline business segment followed by 29% growth in hotel segment. The air business contributed 78% (PY: 81%) of the total GMV. The group has increased its operations in its Dubai entity with hotels business increasing by 42% to Rs.2,402 crore in FY20 and air business to Rs.244 crore (PY: Rs. 45 crores).

The profitability margins of the group stood strong by displaying y-o-y improvement. The PBILDT margin of the group improved by 557 bps and stood at 16.08% during FY20 (PY: 10.51%). The same is on account of multiplicity of factors such as increase in business from hotels segment during FY20, decline in the cost of providing services, profit on foreign exchange transaction and translation of Rs.3.93 cr. during FY20 as against net loss of Rs.0.55 cr. during FY19 and significant increase in the credit-card cash-back income during the year. Further, the PAT margin of the group improved by 623 bps and stood at 12.47% during FY20 (PY: 6.24%).

9MFY21 Performance: In 9MFY21, the group's GMV stood at Rs. 2,007 crore. which impacted severely on account of the impact of Covid-19 led lockdowns and travel restrictions which severely hit the tourism and hotel industries, thereby leading to low revenue generation of Rs. 76 as against Rs. 451 crores during 9MFY20. Therefore, the group recorded negative PBILDT and PAT of Rs. 18 cr. and Rs. 16 cr. during 9MFY21 (PY: positive Rs. 72 cr. and Rs. 61 cr. respectively).

Healthy capital structure with no long-term debt and low working capital utilization

The company on consolidated level didn't have any debt in the balance sheet as on March 31, 2019 (PY: Nil debt) as the utilization of bank facilities largely pertain to non-fund-based limits. The utilization of Non-fund-based limits stood at 52.8% during last 12 months ending Dec,2020 with maximum utilization going up to 56.5% and minimum utilization remaining at 41.8%. TTPL on standalone basis has Rs.10 crore overdraft limits. Total outside liabilities to net-worth reduced from 4.79x as on March 31, 2019 to 2.54x as on March 31, 2020 as on March 31, 2019.

Key Rating Weaknesses

Foreign exchange currency risk

TTPL had nearly 78% of the business (GMV) from air ticketing in FY20 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

Tourist Arrivals

For Calendar Year (CY) 2019, Foreign Tourist Arrivals (FTAs) had reported a growth of 3.5% from 10.6 million arrivals in CY18 to 10.9 million arrivals in CY19.In CY20, apprehensions surrounding a new type of coronavirus across the globe in the months of December 2019 and January 2020 led to a y-o-y de-growth of 6.6% in FTAs in the month of February 2020 followed by 66.4% decline in the month of March.

In CY19, domestic tourist visits registered a y-o-y growth of 21.1% to 2.3 billion visits in comparison with 1.9 billion visits in CY18. The nationwide lockdown imposed in India adversely affected the domestic tourist visits; both business and leisure users' travel plans were impacted. Companies resorted to conducting their business through online through video calls during lockdown and people who wished to travel for leisure purpose had to remain confined in their homes.

Performance of hotels industry in CY20

The outbreak of Covid-19 and the subsequent imposition of lockdown severely impacted the occupancy across hotels and the overall occupancy rate (OR) fell from 70.5% in January of CY20 to as low as 11.7% in April, a sharp decline of 83.4%. In addition to this, other parameters that indicate operational performance of hotels such as Average Daily Rate (ADR) and Revenue per available room (RevPAR) also declined.

Liquidity: Adequate
Adequate liquidity characterized by strong cash balance as on Dec-31, 2020. Further, TTPL does not have term loan facility. TTPL has overdraft facility of Rs.10 crore. The utilization of the same stood nil. Furthermore, group has non-fund limits of Rs.268.50 crores and utilization of around Rs.112 crore against which lien FD is approx. 44 crores (40% of Rs.11 cr.).

The group has low capex requirements which are to be funded by internal accruals. The current ratio for the period ended March 31, 2020 is 1.30x (PY: 1.15x).

Analytical approach: Consolidated; Since, TTPL 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
Criteria on assigning 'outlook' and 'credit watch'
CARE's Policy on Default Recognition
Criteria for Short-term Instruments
CARE's methodology for financial ratios (Non-Financial Sector)
Liquidity analysis-Non-financial sector entities
Rating Methodology-Service Sector Companies

About the Company
Tek Travels Pvt Ltd (TTPL), 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)	FY19 (A)	FY20 (A)
Total operating income	447.79	586.37
PBILDT	47.05	94.27
PAT	27.93	73.12
Overall gearing (times)	-	-
Interest coverage (times)	13.05	40.60

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Complexity level of various instruments rated for this company: Annexure 3

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
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	268.50	CARE BBB+; Negative / CARE A2
Fund-based - LT-Bank Overdraft	-	-	-	10.00	CARE BBB+; Negative

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	268.50	CARE BBB+; Negative / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (24-Jan-20)	1)CARE BBB+; Positive / CARE A2 (13-Dec-18)	1)CARE BBB+; Stable / CARE A3+ (10-Nov-17) 2)CARE BBB; Stable / CARE A3 (28-Apr-17)
2.	Fund-based - LT-Bank Overdraft	LT	10.00	CARE BBB+; Negative	-	1)CARE BBB+; Stable (24-Jan-20)	1)CARE BBB+; Positive (13-Dec-18)	1)CARE BBB+; Stable (10-Nov-17) 2)CARE BBB; Stable (28-Apr-17)

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

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

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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.

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