TBO Tek Limited

March 27, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	25.50 (Enhanced from 5.00)	CARE A-; Stable	Revised from CARE BBB+; Stable
Long Term / Short Term Bank Facilities	415.00 (Enhanced from 293.50)	CARE A-; Stable / CARE A2+	Revised from CARE BBB+; Stable / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of TBO Tek Limited (TTL) factors in substantial improvement in operating performance of the company during FY22 (refers to the period from April 01 to March 31) and 9MFY23 (refers to the period from April 01 to December 31) driven by increase in GMV (Gross merchandise value) on account of inorganic growth through strategic acquisitions and change in product mix as well as the geographic mix coupled with healthy capital structure as reflected by negligible long-term debt except lease liabilities. The ratings continue to derive strength from experienced promoters and management team and well-established market position in the airline ticketing and hotel segment with a comprehensive product portfolio. 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: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with TOI above Rs.1200 crore with PBILDT margin above 16% while maintaining moderate non-fund-based and fund-based utilization levels on a sustained basis.

Negative factors

- 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.

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. Details of subsidiaries are mentioned in **Annexure-6**.

Outlook: Stable

CARE Ratings believes that the entity shall sustain its comfortable financial risk profile over the medium term. CARE also believes that improvement in cash accruals of the company over medium term shall support its liquidity profile.

Key strengths

Improvement in operating performance in FY22 and 9MFY23: The total operating income of the group more than tripled to Rs.494.26 crore in FY22 (PY: Rs.145.22 crore) with a total GMV (Gross merchandise value) of Rs.10,105 crore in FY22 (PY: GMV of Rs.3,086 crore) primarily on account of low base in FY21 (due to covid-19). Further, during 9MFY23, total operating income of the group more than doubled to Rs.761.75 crore (PY: Rs.348.92 crore) supported by inorganic growth through strategic acquisitions and change in product mix as well as the geographic mix. In terms of profitability, the PBILDT margin of the group stood at 7.87% (PY: Net operating loss of Rs.18.01 crore) and 19.00% (PY: 13.48%) in FY22 and 9MFY23 respectively. The improvement in the PBILDT margin was on account of increase in scale alongside increased contribution from hotel reservation business.

Healthy capital structure: The group didn't have any debt in the balance sheet as on March 31, 2022 except for lease liabilities and loan taken by ESOP trust to the tune of Rs.2.69 crore (PY: Nil debt) with utilization of bank facilities largely pertaining to non-fund- based limits. The bank guarantees are provided by TTL to IATA (International Air Transport Association) and hotel suppliers for procuring air tickets and hotel booking respectively. The company has a negative operating cycle and consequently does not require any fund based limits.

Experienced promoters and management team: Mr. Ankush Nijhawan, co-founder of TTL, is a BBA graduate from Boston and he majored in marketing and psychology. Mr. Gaurav Bhatnagar, co-founder of TTL is a computer science graduate from IIT

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

(Indian Institute of Technology) Delhi. The extensive experience of the promoters in travel industry and IT (Information technology) 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 20,000 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 FY22, TTL earned ~66% (PY: ~77%) of its consolidated Gross Merchandise Value (GMV) from operations in India while GMV from Dubai entity, it earned 34% in FY22 as against 23% in FY21. 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.4.04 crore during FY22 (PY: Rs. 3.15 crore) by rendering technical services like portal services etc. which contributed ~1% of total operating income in FY22 (PY: ~2%).

Key weaknesses

Foreign exchange currency risk: TTL had nearly 62% of the business (GMV) from air ticketing in FY22 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%. The group reported gain due to foreign currency fluctuation to the tune of Rs.9.60 crore in FY22 (PY: gain of Rs.2.46 crore).

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: The Indian hospitality industry has shown resilience, bouncing back from the steep decline in the COVID-hit years with sharper inclines thereafter. FY21 was a survival year, FY22 was a revival year, and FY23 has been a growth year for the sector. The strong demand from leisure travel brought much-needed relief to the sector. Even weddings made a comeback with several hotels being completely sold out during the season. The demand outlook for the Indian hospitality industry for FY24 is positive. Domestic leisure travel may not remain as strong as it was in FY23, but it will still be significant and important. FTAs (Foreign tourist arrivals) for leisure and medical purposes are picking up, despite growing concerns about recession and global geopolitical issues. Corporate travel is expected to rise year on year in FY24, but it may still be impacted by ongoing global economic uncertainty, as companies are tapering travel costs and using more technology solutions in place of in-person meetings. In addition, the G20 presidency of India and events such as the ICC World Cup will increase demand for hotels.

Liquidity: Adequate: Adequate liquidity characterized by strong cash balance of ~Rs.250 crore as on December 31, 2022. Furthermore, group has Rs.415.00 crore of BG limits for which it keeps cash margin of 25%. The utilization of the non-fund-based limits stood at ~69% in the trailing 10 months ending December 31, 2022. The current ratio for the period ended March 31, 2022 is 1.19x (PY: 1.45x). The group is not planning any major capex in the near to medium term.

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
Policy on Withdrawal of Ratings

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Tour, Travel Related Services

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 (Consolidated) (₹ crore)	FY21 (A)	FY22 (A)	9MFY23 (P)
Total operating income	145.22	494.26	761.75
PBILDT	-18.01	38.91	144.74
PAT	-34.15	33.72	120.14
Overall gearing (times)	0.04	0.31	0.25
Interest coverage (times)	-14.14	11.90	72.73

A: Audited, P: Provisional, Note: 'The above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	25.50	CARE A-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	415.00	CARE A-; Stable / CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	415.00	CARE A-; Stable / CARE A2+	1)CARE BBB+; Stable / CARE A2 (01-Apr-22)	-	1)CARE BBB+; Negative / CARE A2 (12-Mar-21)	1)CARE BBB+; Stable / CARE A2 (24-Jan-20)
2	Fund-based - LT-Working Capital Limits	LT	25.50	CARE A-; Stable	1)CARE BBB+; Stable (01-Apr-22)	-	1)CARE BBB+; Negative (12-Mar-21)	1)CARE BBB+; Stable (24-Jan-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of subsidiaries- TTL

Subsidiaries	% Holding as on March 27, 2023
Tek Travels Cargo Private Limited	100%
Tek Travels DMCC	100%
TBO Holidays Brasil AgDe Viagens E rervas Ltda*	100%
TBO Holidays Europe BV*	100%
TBO Holidays Hongkong Limited*	100%
TBO Holidays Pte Ltd*	100%
TBO Holidays Malaysia Sdn Bhd.	100%
Travel Boutique Online S.A. De CV*	100%
TBO Technology Services DMCC*	100%
TBO Technology Consulting Shanghai Co., Ltd.*	100%
Tek Travels Arabia Company for Travel and Tourism	100%
TBO LLC*	100%
United experts for information systems Technology Co. LLC*	70%
ZamZam E-travel Services DMCC^	50%
TBO Tek Ireland Limited*	100%
BookaBed AG*	100%

*100% owned subsidiary of Tek Travels DMCC, ^50% holding of TBO Technology Services DMCC

Note on the complexity levels of the rated instruments: CARE Ratings 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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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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