CareEdge RATINGS

TBO Tek Limited

April 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.50 (Enhanced from 25.50)	CARE A-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	405.00 (Reduced from 415.00)	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of TBO Tek Limited (TTL) factors in improvement in operating performance of the company during FY23 (refers to the period from April 01, 2022 to March 31, 2023) and 9MFY24 (refers to the period from April 01, 2023 to December 31, 2023) 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. Further, in the last 2 years, TTL has acquired 2 companies in similar line of business amounting to ~Rs.315.00 crore which will help the group to expand its overseas business, however, going forward, any other debt funded acquisition will remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with TOI above Rs.1200 crore with further improvement in PBILDT margin while maintaining moderate non-fund-based and fund-based utilization levels.

Negative factors

- Competition resulting in squeeze in commission income/ GMV to below 3.5%.
- Any debt-funded capex/acquisition resulting in overall gearing above 0.75x on a sustained basis.

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.

Detailed description of the key rating drivers:

Key strengths

Improvement in operating performance in FY23 and 9MFY24: The total operating income of the group more than doubled to Rs.1,056.17 crore in FY23 (PY: Rs.494.26 crore) with a total GMV (Gross merchandise value) of Rs.21,955 crore in FY23 (PY: GMV of Rs.10,105 crore) supported by inorganic growth through strategic acquisitions and change in product mix as well as the geographic mix. Further, during 9MFY24, total operating income of the group grew by ~34% to Rs.1023.41 crore (PY: Rs.761.75 crore) largely driven by increase in revenue share from hotel business. In terms of profitability, the PBILDT margin of the group improved substantially to 17.92% in FY23 (PY: 9.78%). The improvement in the PBILDT margin was on account of increase in scale alongside increased contribution from hotel reservation business where profitability is higher as compared airline business. The group continued to report healthy PBILDT and PAT margin of 18.75% (PY: 20.97%) and 14.98% (PY: 15.77%) respectively in 9MFY24. Going forward, CARE expects the group maintain PBILDT margin of ~18%-19%.

Healthy capital structure: The group didn't have any debt in the balance sheet as on March 31, 2023 except for lease liabilities and loan taken by ESOP trust to the tune of Rs.6.36 crore (PY: Rs.2.69 crore) 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.

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

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 (Indian Institute of Technology) Delhi. The extensive experience of the promoters in travel industry and IT (Information technology) companies has helped the group 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, group has a presence in several countries' majority of the GMV is concentrated in its Indian and Dubai operations. In FY23, TTL earned ~60% (PY: ~66%) of its consolidated Gross Merchandise Value (GMV) from operations in India while GMV from Dubai entity, it earned 32% in FY23 as against 34% in FY22. 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.

Key weaknesses

Acquisition done in the current financial year: The group has acquired a company in Spain namely Jumbo online (100% acquisition) on December 18, 2023. The acquisition cost is 25 million euros (~Rs.227 crore) out of which company has paid 14 million euros (~Rs.127.00 crore) (from internal accruals), with 6 million euros (~Rs.55.00 crore) to be paid in December, 2024 and remaining 5 million (~Rs.45.00 crore) to be paid in December, 2025. Currently, the group plans to avail term loan of 15 million euros (~Rs.135.00 crore) at the end of FY24 (refers to the period from April 01, 2023 to March 31, 2024) with remaining 5 million euros (~Rs.45.00 crore) to be availed in FY25 (refers to the period from April 01, 2024 to March 31, 2025). Jumbo is a 40-year old brand in Spain which specializes in hotel properties in exotic islands all over Europe. Through this acquisition, the group plans to leverage the supplier and customer base of Jumbo and expand its business in the European market. However, going forward any further debt funded acquisition would remain a key monitorable.

Foreign exchange currency risk: TTL had nearly 64% of the business (GMV) from hotel reservation segment in FY23 and balance was from airline ticketing business. 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.4.76 crore in FY23 (PY: gain of Rs.9.60 crore).

Highly competitive and fragmented nature of tourism industry leading to intense competition: The Indian tours and travel industry is 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: On the back of the surge in domestic demand and underlying GDP growth, the players in the industry are witnessing strong capacity utilization. With the sharp increase in capacity utilization combined with stable supply growth, hotels are seeing significant ability to yield the demand for branded hotels on an ongoing basis which shall support the strong ARR (Average room rate) at current levels or drive some growth as well. While the material contribution from international travellers is yet to materialize, currently the domestic demand is the key driver. With the current travel momentum expected to continue and anticipated demand likely to outpace current supply, FY25 is likely to witness steady high occupancies in the range of 68-70% and continued RevPAR (Revenue per available room) growth at 9%-11% which shall aid in overall improvement of the credit profile of the players in the industry.

Liquidity: Adequate: Adequate liquidity characterized by cash balance of ~Rs.176 crore as on March 31, 2023. Furthermore, group has Rs.405.00 crore of BG limits for which it keeps cash margin of 40%. The utilization of the non-fund-based limits stood at ~72% in the trailing 12 months ending January 31, 2024. The current ratio for the period ended March 31, 2023 was 1.07x (PY: 1.09x). The group has recently made an acquisition amounting to ~Rs.227.00 crore (details mentioned above) which would be funded through debt (~Rs.190.00 crore) and remaining from internal accruals.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

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.

Industry classification

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

Brief Financials (Consolidated) (₹ crore)	FY22(A)	FY23 (A)	9MFY24 (UA)
Total operating income	494.26	1056.17	1023.41
PBILDT	48.35	189.27	191.91
PAT	33.72	136.86	153.34
Overall gearing (times)	0.27	0.22	0.17
Interest coverage (times)	8.14	13.90	12.98

A: Audited UA: Unaudited; 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		-	-	-	35.50	CARE A-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	405.00	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 2023-2024	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	405.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (27-Mar-23) 2)CARE BBB+; Stable / CARE A2 (01-Apr-22)	-	1)CARE BBB+; Negative / CARE A2 (12-Mar-21)
2	Fund-based - LT-Working Capital Limits	LT	35.50	CARE A-; Stable	-	1)CARE A-; Stable (27-Mar-23) 2)CARE BBB+; Stable (01-Apr-22)	-	1)CARE BBB+; Negative (12-Mar-21)

LT: Long term; ST: Short term; LT/ST: 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 all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Tek Travels Cargo Private Limited	Full	Similar line of business with common management.
2	Tek Travels DMCC	Full	Similar line of business with common management.
3	TBO Holidays Brasil AgDe Viagens E rervas Ltda*	Full	Similar line of business with common management.
4	TBO Holidays Europe BV*	Full	Similar line of business with common management.

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
5	TBO Holidays Hongkong Limited*	Full	Similar line of business with common management.
6	TBO Holidays Pte Ltd*	Full	Similar line of business with common management.
7	TBO Holidays Malaysia Sdn Bhd.	Full	Similar line of business with common management.
8	Travel Boutique Online S.A. De CV*	Full	Similar line of business with common management.
9	TBO Technology Services DMCC*	Full	Similar line of business with common management.
10	TBO Technology Consulting Shanghai Co., Ltd.*	Full	Similar line of business with common management.
11	Tek Travels Arabia Company for Travel and Tourism	Full	Similar line of business with common management.
12	TBO LLC*	Full	Similar line of business with common management.
13	United experts for information systems technology Co. (LLC)*	Proportionate (70%)	Similar line of business with common management.
14	BookaBed AG*	Full	Similar line of business with common management.
15	TBO Tek Ireland Limited*	Full	Similar line of business with common management.

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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