

India Tourism Development Corporation Limited (Revised)

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	40.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has assigned short term rating of CARE A1+ for the bank facilities of India Tourism Development Corporation Limited (ITDC). The rating derives strength from its parentage as it is owned by Government of India (GoI) (87%) and holds strategic importance for the GoI as a preferred partner for all the events of Ministry of Tourism (MoT) vide a Memorandum of Understanding (MoU).

The rating further factors in the ITDC's comfortable financial risk profile characterized by its strong capital structure over the years and growing scale of operations, profitability, nil debt status and healthy liquidity position of the company. The rating also takes cognizance of the diversified nature of operations with presence in hotels largely through a well-known brand 'Ashok', event management, tours and travels, duty-free shops and sound & light shows. Though large portion of revenue are currently contributed by the hotel division alone being 60-70% of the total topline. shows. Further management also indicated that they have invited bids cargo & logistics agents to empanel under the travel & tour division which may lead to significantly scaling up of revenue from this segment and can be a growth driver going forward.

These rating strengths, however, are partially constrained by the competitive & cyclical nature of hospitality industry and sizeable contingent liabilities for various tax matters sub judice in the court which may impact the financial position of the company if materialized. CARE Ratings also takes a note that ITDC is holding many marquee properties in the hotel segment by its own and also under its subsidiaries and their long ongoing divestment plan which has been pending for some time now.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Decline in total operating income below Rs. 400 crore or operating margin less than 10% on a sustained basis
- Adverse outcome of any of the ongoing legal cases materializing the contingent liabilities and impacting the financial position of the company
- Any higher than envisaged debt-funded capex leading to deterioration in net debt to PBILDT beyond 0.50x
- Any adverse change in the ownership of ITDC and support from GoI

Analytical approach: Consolidated financials of ITDC have been considered owing to strong operational, management & financial linkages between all the entities and the parent. Further the rating also factors in strong linkages with parent - Government of India. List of entities under consolidation given in Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Majority ownership with GoI and operational support

ITDC is a Central Public Sector Enterprise (CPSE) with a "miniratna" status. As on March 31, 2024, GoI owned 87.03% of the stake in the company, 7.87% is held by The Indian Hotels Company Ltd. (rated CARE AA+; Stable / CARE A1+) and rest by public. ITDC is a Government Company under the administrative control of Ministry of Tourism. The functional directors including Chairman and Managing Director/Managing Director (CMD/MD) are selected on the recommendations of Public Enterprises Selection Board (PESB)/ Appointments Committee of the Cabinet (ACC) in accordance with the procedure and guidelines laid down by Government of India.

Under Events division, ITDC acts as an Event Management agency for Government entities including Ministries, PSUs, Statutory bodies etc. Ashok Events Division is the designated agency of Ministry of Tourism for handling Conferences, Workshops, Conclaves, Award Ceremonies and other events of National importance.

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

ITDC also has an MoU with MoT being engaged as Event Manager for MoT for organizing all its functions on a pan India basis. Therefore, ITDC holds strategic importance for MoT to do such events. This helps ITDC to maintain its market position and also provides revenue visibility.

Segmentally diversified business operations

ITDC provides one stop solution for Travel, Tourism and Hospitality related needs. Presently, ITDC has a network of 3 Hotels, 1 Restaurant, 4 ATT Units, 14 Duty Free Shops at Sea ports and 1 Duty free shop at Vizag airport. Further, ITDC also has 4 JV hotels which are managed under separate SPVs, these properties are under subsidiaries but are on divestments and does not contribute much to the income and profitability, but these are marquee properties and hold significant land value. Besides, ITDC is also managing catering services at Western Court, Vigyan Bhawan, Hyderabad House and Parliament House. These segments are broadly classified under 5 separate divisions: hotel & catering, Ashok Events Division, Ashok International Trade Division (Duty-free shops), Ashok Travels & Tours Division and Ashok Consultancy & Engineering Division (ACES) including Sound & Light Shows.

Hotel division is the largest contributor towards revenue accounting for around 60-70% of total revenue in last five fiscal years and stood at 62.66% of total revenue in FY24. In the hotel division, ITDC owns and operates 3 hotels viz., The Ashok, Hotel Samrat in New Delhi and Kalinga Ashok in Bhubaneswar for a total of 841 keys. The second-highest contributor to revenue has been Event Management which contributed 20.11% of total revenue during FY24 which has grown significantly by 96% on y-o-y basis. During FY24, the company has organized over 25 events. The management is now focussing on expanding its travel & tour division wherein the company has launched its online portal. The company will further diversify into cargo & logistics business which will be operated under the travel & tour division, for which the company has also invited bids to empanel the delivery agents. Such diversification of revenue insulates ITDC from slowdown in any one of the segments and ensures steady cashflows for the company.

The government has put up all the hotels of ITDC, its subsidiaries and JV for divestment except of Hotel Samrat. The divestment proposition has been under planning for over a decade for some of the hotels. The hotels are either proposed to be let out to third-party on O&M basis or lease or proposed to be transferred to the State government in which the same are located based on case-to-case basis. However, these proposals which are ongoing for more than 5 years are under considerations and at various stages pending with concerned authorities for each of the hotel.

Moderate albeit growing scale of operations and profitability

The total operating income of the company has been witnessing growth every year since last 3 fiscals and registered a CAGR of 22.36% for last 3 fiscals ending FY24 led by revival of hospitality industry post slump experienced in fiscal of 2020 & 2021 due to COVID-19. During FY24, the total operating income (TOI) stood at Rs. 528.99 crore increased from Rs. 453.23 crore during FY23; exhibiting a growth of 17% on y-o-y basis and 46% growth from pre-COVID levels. The growth was driven by increasing revenue of events division from 11.85% of TOI during FY23 to 20.11% of TOI during FY24 though hotel remained highest contributor at 62.66% during FY24 (PY: 68.81%).

The profitability of the company has also been experiencing similar trends wherein while the company posted PBILDT losses during FY21-22 owing to COVID-19, the same has improved significantly marked by PBILDT margin of 14.08% during FY23 and then further to 18.58% during FY24. The major cost for the company is the employee cost and cost of material & traded goods which accounts for 32% of total income each in FY24. The cost of material and traded goods has increased in FY24 to 32% of TOI from 25% of TOI in FY23, however, due to better apportionment of other fixed cost such as employee cost the overall profitability of the company improved during FY24. The profitability is majorly driven by hotel division which records PBIT margin of 29.87% during FY24 as against 26.58% during FY23. After hotel division, the duty-free shops and travel & tour operator has also posted PBIT margin of 15-20%.

During H1FY25, ITDC has recorded revenue of Rs. 246.46 crore with a moderation in PBILDT margin to 11.36% on account of elections in the country which impacted occupancy rates of hotel. However, the same is expected to improve in the second half of the fiscal and the company is expected to sustainably report PBILDT margin at around 16-17% in the medium term.

Comfortable capital structure

The capital structure of the company is comfortable marked by nil debt in the company against a modest net worth of Rs. 378.23 crore as on March 31, 2024. The company though has a fund-based sanctioned limit of Rs. 15 crore, the same however remains unutilised. The company plans to incur capex of around Rs. 150-200 crore in the next 3 fiscal years for renovations at Hotel Ashok and Hotel Samrat in New Delhi which would be entirely funded through internal accruals. In the absence of any debt-funded capex in the medium term the capital structure is expected to sustain. However, any major renovation of hotels may be taken up upon finalisation of divestment plans in the future course.

Key weaknesses

Significant contingent liabilities

The company has a contingent liability amounting to Rs. 1184.37 crore that is 3.12x of net worth as on March 31, 2024 (PY: Rs. 1067.88 crore). The liabilities majorly includes customs demand of Rs. 185 crore and Rs. 286 crore of dues not acknowledged as debt against which ITDC has also filed claims of Rs. 663.21 crore. All the matters are sub-judice in court. As discussed with management majority of these liabilities does not have any legal standing and as such are not expected to materialise. Further, there has been no instance of such liability arising in the near past.

Competitive and cyclical nature of industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments leading to high level of competition in the business. The company is exposed to the changes in the macro-economic factors, industrial growth, and tourist arrival growth in India, international and domestic demand-supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors, which leads to inherent cyclicity in the hospitality industry. These risks can impact the company's occupancy rate and thereby the company's profitability. However, these risks are mitigated by the company through its growing presence in other segments apart from hotels and support from government, allowing it to withstand demand vulnerability related to a particular region.

Liquidity: Strong

The strong liquidity position of the company is characterised by nil long-term debt against expected gross cash accruals of Rs. 70-90 crore in the next 3 fiscal years. The liquidity is further strengthened by free cash and cash equivalents of Rs. 118.97 crore as on September 30, 2024 (including fixed deposit of Rs. 107.70 crore). The company also has fund-based sanctioned limit of Rs. 15.00 crore which remains unutilised providing an additional buffer if any there is any mismatch in short-term liquidity. The company has capex requirement of around Rs. 150-200 crore in the next 3 fiscals ending FY27 to be funded entirely through internal accruals.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Government Support](#)

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

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

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Brief Financials- Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	453.23	528.99	246.46
PBILDT	63.83	98.31	27.99
PAT	54.61	70.66	31.86
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	71.64	30.40	103.67

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based-Short Term (Proposed)		-	-	-	15.00	CARE A1+
Non-fund-based-Short Term (Proposed)		-	-	-	25.00	CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based-Short Term	ST	15.00	CARE A1+				
2	Non-fund-based-Short Term	ST	25.00	CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Short Term	Simple
2	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Pondicherry Ashok Hotel Corporation Limited	Full	Subsidiaries engaged into similar line of business with strong operational, financial and management linkages
2	Ranchi Ashok Bihar Hotel Corporation Limited	Full	
3	Punjab Ashok Hotel Company Limited	Full	
4	Utkal Ashok Hotel Corporation Limited	Full	

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

Contact us

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About us:

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