Tek Travels Private Limited

December 13, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term/Short-term Bank Facilities	125.00	**CARE BBB+; Positive/ CARE A2 (Triple B Plus; Outlook: Positive/ A Two)**	Revised from CARE BBB+; Stable/CARE A3+ (Triple B Plus; Outlook: Stable/A Three Plus)
Long-term Bank Facilities	14.50	**CARE BBB+; Positive (Triple B Plus; Outlook: Positive)**	Reaffirmed; Outlook revised from Stable
Total facilities	**139.50 (Rupees One hundred thirty nine crore & fifty lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the short-term bank facilities of Tek Travels Private Limited (TTPL) takes into account the comfortable liquidity profile of the group marked by growing cash accruals and healthy free cash balances maintained by the group. The ratings continue to derive strength from 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 marked by growth in gross merchandise value & increasing geographical presence and healthy capital structure. However, the ratings are constrained by highly competitive and fragmented nature of tourism industry leading to intense competition, seasonality of the tourism industry and susceptibility of business to changes in macroeconomic factors. The ratings take cognizance of divestment of controlling stake in TTPL by Naspers group and acquisition of substantial stake by Standard Chartered Financial Holdings due to which Indian promoters have acquired controlling stake in the company.

Going forward, the ability of the group to report envisaged growth in scale of operations, sustain moderate profitability margins and maintain a healthy capital structure shall be the key rating sensitivities.

Outlook: Positive

The outlook is positive on account of expected improvement in the operational performance of the group during FY19 (refers to the period April 1 to March 31). The outlook may be revised to stable if the group reports lower than envisaged operational performance.

Detailed description of the key rating drivers

Key Rating Strengths

Comfortable liquidity profile: The group has a comfortable liquidity profile marked by a negative operating cycle and low utilization of working capital limits. The fund based limits utilization stood at around 4% for trailing 12 months ending September 2018. The liquidity profile is further supported by free cash and bank balance of Rs. 169.96 cr. as on March 31, 2018. (PY: Rs. 154.70)

Experienced promoters and management team: Standard Chartered Financial holdings and LAP Travel Pvt. Ltd. holds 49.99 and 25.01% stake in TTPL respectively. Nijhawan group has invested in TTPL through LAP Travel Pvt. Ltd. Nijhawan Group has over 38 years of experience in the field to tour and travels. Myriad International Holdings (MIH) India Holdings Ltd was holding 51.85% (since 2012) in TTPL as on March 31, 2018. MIH India Holdings Ltd. is a subsidiary of South African media conglomerate-Naspers. However, during H1FY19, Naspers sold its 49.99% stake to Standard Chartered Financial Holdings and as part of a separate arrangement, MIH has transferred 1.86% shares to promoters. As a result, Indian promoters who have substantial experience in travel industry have acquired controlling stake in the company.

Well-established market position in the airline ticketing and hotel segment: TTPL group has a well-established market position in the airline ticketing segment and hotel segment as the company has physical presence in 45 cities and agent

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

base in more than 330 cities in India. It currently services over 45000 travel agents across more than 90 countries. The company has physical presence in 21 countries.

Increasing geographical presence and diversified revenue base: TTPL Group has to some extent diversified its geographic presence across MEA countries and Latin American countries, however, India still contributed 84.64% (PY: 85.35%) of the GMV in FY18. During FY18, MEA and Latin American countries (mainly Saudi Arabia, UAE, Kuwait, Qatar, Brazil and South Africa) contributed 15.36% (PY: 14.34%) of GMV. TTPL group realized major portion of its revenues from commission income from airline ticketing business and hotel reservation business. Also, the group realized some of its revenues from rendering technical services like portal services etc.

Growing scale of operations and moderate profitability margins : Gross Merchandise Value (GMV) of TTPL increased by 23.86% Y-o-Y to Rs. 6815.00 crore during FY18 primarily on account of 33.51% (PY: 52.62%) growth in hotel segment in India while growth in airline business segment stood at 21.49% in FY18 (PY: 19.06%). The group registered improvement in PBILDT margins of 16.89% in FY18 (PY: 15.84%). The profitability margins improved on account of increase in business from the hotels-segment. During H1FY19 (refers to the period April 1 to September 30), the group reported a total operating income of Rs. 219.47 crore.

Key Rating Weaknesses

Highly competitive and fragmented nature of tourism industry leading to intense competition: The Indian tours and travels industry is highly fragmented, with a large number of small unorganised tour operators as well as established players, i.e., MakemyTrip, Thomas Cook, Cox & Kings among others resulting in intense competition within the tourism space. However, comfort can be derived from the well-experienced management and established brand presence of TTPL.

Seasonality and susceptibility of business to changes in macroeconomic factors**:** The travel and tourism industry is highly cyclical in nature and is susceptible to seasonality and factors such as school and public holidays, weather, economic and political conditions. The industry remains susceptible to the various terrorism and other violence related incidents which may adversely impacts operational and financial profile of the industry players.

Industry prospects:

The travel industry is expected to record healthy growth over the 2016-2020 period, driven by a steady rise in tourist flows. The online travel category is currently experiencing rapid change with mobile channel, personalization and peer-to-peer travel services being the main disruptors. In particular the rise of the mobile channel is changing booking patterns, consumer behaviour and business models in travel industry.

Analytical approach: Consolidated

Since, TTPL and its subsidiaries/ group companies (Tek Travels DMCC, TBO HOLIDAYS BRASIL AGENCIA DE VIAGENS E RESERVAS LTDA, TBO Holidays Europe B.V., TBO Holidays Hongkong Limited) 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 to Credit Ratings
Factoring Linkages in Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Service Sector Companies
Financial ratios – Non-Financial Sector

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) 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. TTPL has a subsidiary in Dubai (started in 2012) which further has subsidiaries in Brazil, Hong Kong and Netherlands. These companies run online hotel portal (tboholidays.com). The total Gross Merchandise Value (GMV) earned by TTPL from Indian entity in FY18 was Rs. 5768.95 crore (PY: Rs. 4,696.52 crore) and from Dubai subsidiary was Rs 1046.46 crore (PY: Rs. 805.50 crore).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	285.29	349.84
PBILDT	45.18	59.09
PAT	28.91	35.56
Overall gearing (times)	-	-
Interest coverage (times)	15.86	10.17

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. 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.

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	-	-	-	125.00	CARE BBB+; Positive / CARE A2
Fund-based - LT-Bank Overdraft	-	-	-	14.50	CARE BBB+; Positive

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	125.00	CARE BBB+; Positive / CARE A2	-	1)CARE BBB+; Stable / CARE A3+ (10-Nov-17) 2)CARE BBB; Stable / CARE A3 (28-Apr-17)	1)CARE BBB / CARE A3 (09-Aug-16)	-
2.	Fund-based - LT-Bank Overdraft	LT	14.50	CARE BBB+; Positive	-	1)CARE BBB+; Stable (10-Nov-17) 2)CARE BBB; Stable (28-Apr-17)	1)CARE BBB (09-Aug-16)	-

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