Tek Travels Pvt. Ltd.

April 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	8.50	CARE BBB (Triple B; Outlook: Stable)	Reaffirmed
Long/Short-term Bank Facilities	113.50	CARE BBB/CARE A3 (Triple B; Outlook: Stable / A Three)	Reaffirmed
Total Facilities	**122.00 (Rupees One Hundred Twenty Two crore 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) derive strength from the experience of the 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 moderate profitability margins, and healthy capital structure with no long-term debt.

However, the ratings are constrained by the geographical concentration of revenue, cyclical nature of business and highly competitive and fragmented nature of tourism industry leading to intense competition.

Going forward, the ability of the company to profitably improve its scale of operations along with maintaining its capital structure will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

MIH India Holdings Ltd and LAP Travel Pvt. Ltd. holds 51.85% and 24.07% stake in TTPL, respectively. MIH India Holdings Ltd. is a subsidiary of South African media conglomerate-Naspers. Naspers has other investments in online travel businesses such as Goibibo and Redbus. Nijhawan group has invested in TTPL through LAP Travel Pvt. Ltd. Nijhawan Group has over 38 years of experience in this field.

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 base in more than 330 cities in India. It currently services over 21000 travel agents across more than 50 countries. The company has physical presence in 15 countries.

Increasing scale of operations with moderate profitability margins

The Gross Merchandise Value (GMV) of TTPL (Indian operations) increased at compounded annual growth rate of 26% (approximately) from FY13 (refers to the period April 1 to March 31) to FY16. Furthermore, the company registered a y-o-y increase in GMV in FY16 of 22.48% was led by growth in both air and non-air business.

TTPL's financial profile is marked by continuous growth in the scale of operations along with increasing profitability and a lowly leveraged capital structure. TTPL witnessed a year-on-year growth of 26% in the total revenue along with 13% growth in its profitability to Rs.14.01 crore (FY15: Rs.12.36 crore). While, the company's operating profitability margins stood between the range of 8% and 9% in the FY15 and FY16, the PAT margin stood at 5.65% for the FY16 as against 7.94% for FY15.

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

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

TTPL's structure is lowly financed with no long-term borrowings in its capital mix. Besides, the above capital structure, TTPL's average working capital utilization also remained low at 3% during 12-month period ended January 31, 2017. The bank guarantees issued by TTPL stood at Rs.100.63 crore as on February 28, 2017.

The interest and finance charges (comprises of BG charges and interest expense) for bank facilities remained low at around Rs.1.13 crore in FY16.

Key Rating Weaknesses

Geographical concentration of revenue base and cyclical nature of industry

In FY16, TTPL group earned 87.25% of its consolidated Gross Merchandise Value (GMV) from operations in India. The concentration of GMV from Indian region makes TTPL's revenue prone to economic fluctuations of the country.

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, ie, MakemyTrip, Thomas Cook and 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.

Analytical approach: Standalone

Applicable Criteria

- Criteria on assigning Outlook to Credit Ratings
- CARE's Policy on Default Recognition
- Criteria for Short Term Instruments
- Rating Methodology-Manufacturing 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 platform, Travelboutiqueonline.com (TBO), which allows travel agents to search and book travel content - airlines, hotels, rail, and travel insurance. The company offers services in the business-to-business (B2B) segment. The company is an International Air Transport Association (IATA) registered ticketing agency.

TTPL has two subsidiaries in Dubai (started in 2012) and Brazil (started in 2016) respectively. These companies run online hotel portal. TTPL group currently provides service to over 21,000 travel agents across more than 50 countries. The group has physical presence in 15 countries. In India, TTPL has physical presence in 45 cities and agent base in more than 330 cities.

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	-	-	-	113.50	CARE BBB; Stable / CARE A3
Fund-based - LT-Cash Credit	-	-	-	8.50	CARE BBB; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	113.50	CARE BBB; Stable / CARE A3	-	1)CARE BBB / CARE A3 (09-Aug-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	8.50	CARE BBB; Stable	-	1)CARE BBB (09-Aug-16)	-	-

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