

June 15, 2023

International Travel House Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based – Cash Credit	10.00	10.00	[ICRA]AA(Stable); reaffirmed
Long Term/ Short Term – Non fund Based – Bank Guarantee	20.00	20.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Total	30.00	30.00	

*Instrument details are provided in Annexure-1.

Rationale

ICRA's ratings continue to factor in the strong managerial as well as operational support provided to International Travel House Limited (ITHL) by the ITC Group¹, which holds a 61.69% equity stake in the company. ITHL continues to receive operational support from ITC Limited (ITC, the Group's flagship company, rated at [ICRA]A1+) in terms of deputation of key managerial personnel and participation in strategic decision making through board representation. Additionally, ITC contributes a notable portion to ITHL's revenues. ICRA notes ITHL's end-to-end presence in the business travel segment, where it offers a wide range of services including air ticketing, visa assistance, car rental, meetings, incentives, conferences and exhibitions (MICE) and tours, which besides supporting segmental diversity, offers opportunities for cross-selling products. With resumption of travel and recovery in business activities after the impact of the pandemic waned, the company posted healthy recovery in the operating income and profitability in FY2023, though the volumes are still to reach the pre-Covid level. Considering a steady increase expected in business travel, ITHL's service volumes are likely to improve further in FY2024. ICRA notes the reputed and diversified customer base of ITHL, which ensures low counterparty risk. The ratings continue to consider the company's unlevered capital structure and comfortable liquidity position.

The ratings are, however, constrained by the company's moderate size of business. While a sharp recovery of business activities and travel has been witnessed in FY2023, ITHL's service volumes are yet to reach the pre-Covid level due to hybrid work culture still being followed by many corporates wherein some of the meetings are preferred to be conducted online, thereby limiting requirement for business travel. Further, the working capital intensity of the company remains high due to longer credit period provided to the corporate customers, which is inherent to the business travel industry. Additionally, the company remains exposed to competition from local/regional players and online travel portals, which exerts pricing pressure on it, thereby impacting its profitability.

The Stable outlook on the long-term rating reflects ICRA's opinion that ITHL would continue to benefit from its strong linkages with its parent, ITC Limited, and would be able to maintain relationship with its customers along with a comfortable liquidity position.

Key rating drivers and their description

Credit strengths

Strong parentage and business linkages – ITHL is an associate company of ITC. It receives operational support from the parent in terms of deputation of key managerial personnel and strategic decision making through board representation. Also, the company derives more than 10% of gross transaction value from the ITC Group Companies.

Diverse offering of services provides opportunities to cross sell – The company has an end-to-end presence in the business travel segment and offers a wide range of services including air ticketing, visa assistance, car rental, meetings, incentives,

conferences and exhibitions (MICE) and tours, reducing segment concentration risks and offering opportunities for cross-selling products.

Reputed and diversified customer profile – The client base of ITHL includes reputed corporates like Infosys, Reliance Industries Limited, Mindtree Limited, National Payments Corporation of India, and the Tata Group, reducing the counterparty default risk. ITHL's customer base is also well diversified with the revenue base spread across a large number of clients without any major concentration.

Comfortable capital structure with healthy debt protection indicators – ITHL's capital structure continues to be unlevered, resulting in healthy credit metrics.

Credit challenges

Moderate size of business – The company's size of business remains moderate. With resumption of travel and recovery in business activities after the impact of the pandemic waned, the company posted healthy recovery in the operating income and profitability in FY2023, though the volumes are still to reach the pre-Covid level.

High working capital intensity – The working capital intensity remains high due to longer credit period provided to the corporate customers which is inherent to the business travel industry. However, it improved to 24.1% in FY2023 from 33.4% in FY2022 due to the company's focus on recovery of debtors in a timely manner.

Intense competition in the B2B car renting and business travel segment – Intense competition from B2B cab aggregators and online agents limits the business growth potential of the company.

Environmental and Social Risks

Environmental considerations: The major portion of ITHL's revenue is derived from the car rental business, which remains exposed to climate transition risks following the tightening emission standards and the shift in clients' preference away from fossil fuel-based cars. In case of any new regulation, ITHL may need to invest materially towards replacing its existing fleet with environment friendly vehicle. Any such large investment by the company, if funded by fresh debt, could impact its debt coverage metrics and liquidity in the near term. The company's initiative to gradually add electric cars to its fleet from FY2023, is a positive step in this direction.

Social considerations: Entities like ITHL have a considerable dependence on human capital. Thus, retaining human capital and maintaining healthy relationship with employees remain essential for disruption free operations. Another social risk that ITHL faces pertains to travel safety and quality, wherein instances of accidents or staff misbehaviour etc. could harm the reputation and create a more long-lasting adverse impact on revenue from the corporate. As a mitigating measure, the company continues to focus on maintaining stringent safety and hygiene protocol.

Liquidity Position – Adequate

The liquidity of the company is adequate with nil long-term repayment obligations and sufficient sanctioned working capital limits. ICRA also notes ITHL's unencumbered cash balances and liquid investments, which stood at Rs. 45.7 crore as on March 31, 2023.

Rating sensitivities

Positive factors – An upgrade in the ratings of ITHL is unlikely in the near term.

Negative factors – ICRA could downgrade the ratings of ITHL if there is a deterioration in ITC's credit quality. Any weakening of linkages and absence of any timely support from ITC Limited, if required, could also warrant ratings downgrade. A sharp decline in revenue and profitability, significant stretch in working capital cycle and reduction in the company's unencumbered cash and cash equivalents leading to a deterioration in its liquidity position could also trigger negative rating actions.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Parent Company – ITC Limited In its assessment, ICRA has factored in the company's high strategic importance to ITC Limited and strong operational linkages (common directorships and deputation of senior officials on the board of ITHL) with the same.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

International Travel House Limited commenced its operations in 1981 and went public on September 13, 1993. It offers a full bouquet of travel services including air ticketing, car rentals, overseas and domestic holiday packages, visa assistance, MICE management and foreign exchange services. ITHL is an ITC Group company, wherein 61.69% of the equity is held by the ITC Group, and the rest by the public. The company is an International Air Transport Association (IATA) member and offers tickets of 265 member airlines by using the Billing and Settlement Plan (BSP) system of IATA.

Key financial indicators

	FY2022	FY2023^
Operating Income (Rs. crore)	94.2	184.0
PAT (Rs. crore)	-10.7	28.4
OPBDIT/OI	-6.6%	11.7%
PAT/OI	-11.4%	15.4%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.4
Total Debt/OPBDIT (times)	-0.1	0.0
Interest Coverage (times)	-19.0	640.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ^Limited Audit

*Operating lease liabilities have been included while calculating debt as per Ind AS-116 in calculation of these ratios.

Source: Company; ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding (crore) as on May 31, 2023	Date and Rating on June 15, 2023	Date & Rating			
						FY2023	FY2022	FY2021	
						May 31, 2022	-	Mar 29, 2021	June 16, 2020
1	Fund Based – Cash Credit	Long-term	10.00	-	[ICRA]AA(Stable)	[ICRA]AA(Stable)	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Non fund Based – Bank Guarantee	Long-term/ Short-term	20.00	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based – Cash Credit	Simple
Long-term / Short-term - Non-fund-based – Bank Guarantee	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long-term - Fund-based – Cash Credit	Sep 19, 2022	NA	NA	10.00	[ICRA]AA(Stable)
NA	Long-term / Short-term - Non-fund-based – Bank Guarantee*	Sep 19, 2022	NA	NA	20.00	[ICRA]AA(Stable)/[ICRA]A1+

Source: Company

*Interchangeable with Fund-based limits

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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