

August 24, 2023

## International Travel House Limited: Update on material event

### Summary of rating action

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

\*Instrument details are provided in Annexure-1.

### Material Event

1. ITC Limited (the flagship company of the ITC Group, rated at [ICRA]A1+) announced on August 14, 2023, that its Board of Directors has approved the acquisition of 36,26,633 equity shares of International Travel House Limited (ITHL), representing 45.36% of ITHL's share capital as on date from Russel Credit Limited (RCL), a wholly-owned subsidiary of ITC Limited. The proposed acquisition shall be subject to obtaining relevant approvals from the Board of Directors of RCL, and execution of transaction documents (Agreement etc.) in due course.
2. ITC Limited also announced on August 14, 2023, that its investments in the hospitality entities, including ITHL, forming part of the hotels business are to be transferred to the proposed entity, ITC Hotels Limited. Accordingly, the shareholding of ITC Limited in ITHL would be transferred to ITC Hotels Limited post regulatory and statutory approvals.

### Impact of Material Event

In the first stage, post-acquisition of shares of ITHL by ITC Limited, the direct shareholding of ITC Limited in ITHL would increase from the existing 3.60% to 48.96%. However, the overall shareholding of the ITC Group<sup>1</sup> in ITHL will remain the same at 61.69%.

In the second stage, that is, post the demerger of the hotels business to the proposed entity (ITC Hotels Limited), the shareholding of ITC Limited in ITHL would be transferred to ITC Hotels Limited. At present, ITC Limited contributes a notable portion to ITHL's revenues, which is expected to continue going forward. ITHL will continue to derive synergy from the hotel as well as other businesses of ITC Limited, as it provides services like air ticketing and car rentals. The timeline for the receipt of approval for the Scheme of Demerger from the shareholders, creditors, stock exchanges, and the regulatory and statutory authorities, and the subsequent listing of ITC Hotels Limited, is expected to be around 15 months.

The overall impact of the exercise on ITHL's credit profile will be clear once further details are available. As there is going to be no change in the ITC Group's shareholding in ITHL, ICRA does not expect any material impact of these recent announcements on the credit quality of ITHL in the near-term. ICRA will continue to monitor the developments and assess the company's credit profile, once additional clarity emerges.

### Rationale

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#).

<sup>1</sup> ITC Limited (ITC, rated at [ICRA]A1+) holds a 3.6% stake in ITHL, Russel Credit Limited (WOS and investment arm of ITC) holds a 45.36% stake in ITHL and Russel Investment Limited (associate company of Russel Credit Limited) holds a 12.73% stake in ITHL. Together, the ITC Group holds a 61.69% stake in ITHL.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
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 between them, including common directorships and deputation of senior officials on the board of ITHL.
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, in which 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 <sup>^</sup>
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; <sup>^</sup>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	Current Rating (FY2024)					Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (crore) as on May 31, 2023	Date and Rating on	Date and Rating on	Date & Rating			
					Aug 24, 2023	June 15, 2023	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)	[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+	[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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