

Eastern Travels Private Limited

Instrument	Amount	Rating Action
Fund Based Limit – Term Loan	Rs. 1.0 crore	[ICRA]BB- (Stable) Assigned
Fund Based Limit – Cash Credit	Rs. 8.0 crore	[ICRA]BB- (Stable) Assigned
Non Fund Based Limit – Bank Guarantee	Rs. 0.35 crore	[ICRA]BB- (Stable) Assigned
Fund Based Limit – Overdraft	Rs. 0.15 crore	[ICRA]A4 Assigned
Unallocated Limits	Rs. 0.50 crore	[ICRA]BB- (Stable)/ [ICRA]A4 Assigned

ICRA has assigned a long term rating of [ICRA]BB- (pronounced ICRA double B minus) to Rs 8.00 crore cash credit limits, Rs. 1 crore term loans and Rs. 0.35 crore non fund based bank limits, and a short term rating of [ICRA]A4 (pronounced ICRA A4) to Rs. 0.15 crore overdraft limits of Eastern Travels Private Limited (ETPL)[†]. ICRA has also assigned the ratings of [ICRA]BB- and [ICRA]A4 to ETPL's unallocated limits of Rs. 0.50 crore. The outlook on the long term rating is Stable.

The assigned ratings take into account ETPL's established track record in the travel and tourism industry for more than five decades, its IATA accreditation that connects the company to all major airlines globally and enables it to use the billing and settlement system of IATA for settlement of transactions with the airlines. The ratings also take into account healthy domestic passenger volume growth expected over the medium term that would have a favourable impact on the overall business of all the travel agencies including ETPL. The ratings take note of the fragmented nature of the travel and tourism industry characterized by the presence of large number of unorganized regional players, which increases the competitive intensity since the operations of the company are only limited to the Eastern region of the country. However, a diversified clientele comprising reputed corporate entities and long relationship with key clients mitigates this risk to some extent. The ratings take note of the significant dependence of revenues on air ticket bookings, which remains vulnerable to macroeconomic conditions, foreign exchange fluctuations and exogenous shocks. However, share of other segments, which commands relatively higher margins than air ticketing, are increasing consistently over the past few years that has led to an improvement in the profitability. Nonetheless, the same continues to remain moderate, which coupled with the company's high gearing levels, due to low net-worth deployed in the business, have led to subdued debt coverage indicators. ICRA notes that the overall business of ETPL has increased significantly during the current financial year on the back of addition of new clients as well as increased bookings from the existing clients, however, the net-worth and profits, in absolute terms, continue to remain nominal. The ratings note that the travel and tourism industry is characterised by high working capital intensity of business, as receivables and advances to clients/vendors relate to gross value of transactions whereas income embodies only the commission/incentives earned. Hence, in ICRA's opinion, efficient working capital management would remain a critical determinant of its credit profile going forward.

Entity Profile

Established in 1963 as a proprietorship concern, Eastern Travels Private Limited (ETPL) was incorporated in 1980. ETPL is an integrated travel solutions provider agency in India and has a network of 8 branches (6 branches are IATA approved) located in Eastern India, one located in Mumbai along with an associate office in Delhi. It provides travel and travel related financial services to its clients that comprise airline ticket booking, visa processing, car renting, hotel reservation etc. It also provides its clients with money changing services that include buying and selling of foreign exchange, traveller's cheques and money gram facilities.

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Recent Results

During FY15, ETPL reported a profit after tax (PAT) of Rs. 0.48 crore on an operating income of Rs. 18.32 crore as against a PAT of Rs. 0.44 crore on an operating income of Rs. 17.97 crore during FY14.

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