

March 29, 2021

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 limits	10.00	10.00	[ICRA]AA(Stable); Reaffirmed
Long/Short Term: Non-fund based limits	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 in terms of deputation of key managerial personnel and participation in strategic decision making through board representation. Further, ITC contributes to a significant proportion of ITHL's revenues. ICRA takes note of the company's end-to-end presence in the business travel segment where it offers a wide range of services including air-ticketing, visa assistance, car-renting, meetings, incentives, conferences and exhibitions (MICE) and tours, which besides supporting segmental diversity, offers opportunities for cross-selling products. The company has been able to partially offset the impact of the rising competition in the car rentals segment through cost rationalisation and disposal of low-cost fleet. ICRA considers the reputed and diversified customer base of ITHL, which translates into low counterparty default risk. The ratings also continue to take into account the company's unlevered capital structure.

The ratings, are however, constrained by the deterioration in the business travel segment, wherein ITHL acts as an intermediary between corporate passengers and airlines. The has been impacted as there has been continued decline in domestic average ticket prices (DATP) and many players in in the Indian airlines industry face a financial crisis and there has been a pull-back of volume linked financial incentives paid to travel management companies. Moreover, due to impact of Covid-19, the travel industry has been severely impacted. ITHL has reported subdued billings and operating losses in Q1–Q3 FY2021. Additionally, it remains exposed to competition from local/regional players and online travel portals, which exerts pricing pressure on it, thereby impacting its profitability.

Key rating drivers and their description

Credit strengths

Strong parentage – ITHL is an associate company of ITC Limited. It receives operational support from the parent in terms of deputation of key managerial personnel and strategic decision making through board representation. The company also derived ~14.8% of the FY2020 revenues from ITC and its Group companies.

Diverse offering of services providing 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-renting, meetings, incentives, conferences and exhibitions (MICE) and tours, reducing segment-concentration risks and offering opportunities for cross-selling products.

¹ ITC Limited (ITC) 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.

Reputed and diversified customer profile – The client base of ITHL includes reputed customers like Infosys, Reliance Industries Ltd, Facebook, Apple, and the Tata Group, reducing the counterparty default risk. ITHL’s customer base is also well diversified with the top five customers contributing to ~23.7% and ~28.2% of the total gross transaction billing² in FY2019 and FY2020, respectively.

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

Credit challenges

Weakening business environment – ITHL acts as an intermediary between corporate passengers and airlines within the business travel segment. The continued decline in DATP and turbulence in the Indian airlines industry, with most players in financial crisis, has resulted in pullback of volume-linked financial incentives paid to travel management companies, including ITHL. Moreover, due to Covid-19, the company’s billings and revenues have plunged, leading to operating losses in Q1–Q3 FY2021.

Declining operating profit margins – ITHL’s muted top-line growth coupled with inflationary pressure on the input costs such as employee overhead and fuel costs in the past couple of years resulted in contraction in the operating profit margins. ITHL’s operating margins have been on a declining trend since the last few fiscals. The company incurred a net loss in FY2020 and H1 FY2021, of ~Rs. 7.4 crore and ~Rs 27.7 crore, respectively.

Exposed to intense competition in car renting and business travel segment – Intense competition from cab aggregators and online agents coupled with decline in air ticket realisations have affected top-line growth.

Liquidity position: Adequate

The liquidity position of ITHL is **adequate** with no long-term repayment obligations and nil utilisation of the sanctioned working capital limits. ICRA also notes ITHL’s unencumbered cash balances and liquid investments, which remained at ~Rs. 70.7 crore as on September 30, 2020 (Rs. 25.8 crore as on March 31, 2020).

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 deterioration of ITC’s credit quality. Any weakening of linkages and absence of any timely support from ITC Limited, if required, could also warrant a downgrade in the ratings.

² Gross Transaction Value, (GTV) is a measure of the number of items sold (no of tickets sold) multiplied by the price collected (average ticket price). GTV is a measure of what is billed to the customers.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer's Credit Rating
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	Standalone

About the company

International Travel House Limited (ITHL) commenced 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 to clients. ITHL is an ITC Group company, wherein 61.69% of the equity is with the ITC Group, and the rest is with 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

	Audited	Audited	Unaudited	Unaudited
	FY2019	FY2020	H1 FY2021	9M FY2021
Operating Income (Rs. crore)	208.1	209.2	22.3	38.6
PAT (Rs. crore)	2.7	-7.4	-27.7	-38.4
OPBDIT/OI (%)	5.9%	1.1%	-104.5%	-84.4%
RoCE (%)*	2.6%	-5.1%	-39.8%	-
Total Outside Liabilities/Tangible Net Worth (times)*	0.3	0.3	0.3	-
Total Debt/OPBDIT (times)*	0.0	1.1	0.0	-
Interest Coverage (times)	324.0	4.7	-216.5	-
DSCR (times)*	325.9	7.9	-40.5	-

Source: ITHL; ICRA Research

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)			Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in		Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					29-Mar-21	16-Jun-20	20-Dec-19	30-Aug-18	12-Jun-17
1	Fund based limits	Long Term	10.00	-	[ICRA]AA(Stable)	[ICRA]AA(Stable)	[ICRA]AA(Stable)	[ICRA]AA(Stable)	[ICRA]AA(Stable)
2	Non-Fund based limits	Long/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 instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Cash Credit	October 2020	NA	NA	10.00	[ICRA]AA(Stable)
NA	Bank Guarantee	October 2020	NA	NA	20.00	[ICRA]AA(Stable)/[ICRA]A1+

Source: ITHL

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

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