International Travel House Limited

August 30, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Fund Based	10.0	10.0	[ICRA]AA (Stable); Reaffirmed
Long-Term/Short-Term Non-fund Based	-	10.0	[ICRA]AA (Stable); Reaffirmed and [ICRA]A1+; Assigned
Total	**10.0**	**20.0**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA double A) for the Rs. 10-crore bank facilities of International Travel House Limited (ITHL). ICRA has also reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA double A) and assigned the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) for the enhanced bank facilities of Rs. 10-crore[1] of ITHL[2]. The outlook on the long-term rating is Stable.

Rationale

ICRA's rating continues to factor in the strong managerial as well as operational support provided to ITHL by the ITC Group[3], which holds 61.69% equity stake in the company. ITHL continues to receive support from ITC Limited (ITC) in terms of deputation of key managerial personnel and participation in strategic decision making through board representation. ITHL's diverse service offerings, which include air ticketing, visa assistance, car renting, MICE (Meetings, Incentives, Conferences, and Exhibitions), foreign exchange services and holiday packages continues to provide support to the top line despite intense competition in the industry. The company's reputed and diversified customer base keeps the counterparty default risk low. ICRA continues to take into account the company's comfortable liquidity profile with unlevered capital structure which has resulted in robust debt protection indicators.

ICRA has also considered the declining operating profit margins of the company owing to intense competition from cab aggregators across India. ITHL remains exposed to competition from local/regional players and online travel portals, who attempt to cross-sell standardised holiday packages along with air ticketing services.

The company's ability to withstand competition from organised and unorganised players as well as maintain adequate operating profit margins and liquidity will be the key rating sensitivities. Any change in shareholding pattern or the board structure will be closely monitored.

Outlook: Stable

ICRA believes that ITHL will continue to benefit from the extensive experience of its management and its established customer base. The outlook may be revised to Positive if substantial growth in revenues and profitability, and better working capital management strengthens the financial risk profile. The outlook may be revised to Negative if cash accrual

[1] *100 lakh = 1 crore = 10 million*

[2] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

[3] *ITC Limited, its subsidiaries and associate companies*

is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle weakens liquidity. The outlook may also be revised in line with the credit profile of ITC Limited.

Key rating drivers

Credit strengths

Strong parentage – ITHL, an associate company of ITC, receives operational support from the parent in terms of deputation of key managerial personnel and strategic decision making through board representation. The company also derives ~12% revenues from ITC and its Group companies.

Diverse offering of services – Diverse offering of services includes air ticketing, visa assistance, car renting, MICE, foreign exchange services and holiday packages, with the possibility of cross-selling of various services. The company also benefits from its association with IATA (International Air Transport association) and its ability to offers tickets of ~265 member airlines by using the Billing and Settlement Plan (BSP) System of IATA.

Reputed and diversified customer profile keeps counterparty default risk low – Reputed customer base reduces counterparty credit risk. Also, the company has established relationships with customers. ITHL's customer base is also diversified with the top-10 customers contributing only ~40% to the total gross billing in FY2018. The ratings also take into account the company's well-integrated business model that offers one-stop solutions as well as opportunities for cross-selling products to customers.

Low geographical- concentration risk – The company's wide geographical reach, through presence in 16 cities with 10 IATA offices, 15 travel counters, 16 car renting offices, and 38 implants with 40 customers, helps reduce its geographic concentration risk.

Comfortable capital structure with healthy debt protection indicators – ITHL's capital structure continues to remain unlevered and healthy liquidity with cash and liquid investments of Rs. 39.1 crore as on March 31, 2018.

Credit challenges

Declining operating profit margins – ITHL's muted topline growth coupled with inflationary pressure on the input costs such as employee overhead and fuel costs in the past couple of years resulted into contraction in the operating profit margins. The company's plans to reduce its fixed overheads in FY2019 will remain crucial for maintaining the present level of operating profit margins.

Intense competition in the car renting and air-ticketing business – Intense competition from cab aggregators coupled with decline in air-ticket realisation has affected the topline growth.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Impact of Parent or Group Support on an Issuer's Credit Rating

About the company

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. ITHL is present in ~16 cities through its 10 IATA offices, 15 travel counters, 18 car renting offices, and 52 implants with 40 customers.

ITHL registered an operating income (OI) of Rs. 204.3 crore with a profit after tax (PAT) of Rs. 7.0 crore in FY2018 compared with an OI of Rs. 201.5 crore and a PAT of Rs. 11.2 crore in the previous year. On a provisional basis, ITHL reported an OI of Rs. 51.2 crore with a PAT of Rs. 1.7 crore in Q1 FY2019.

Key financial indicators

	FY2016	FY2017	FY2018
Operating Income (Rs. crore)	195.9	201.5	204.3
PAT (Rs. crore)	9.6	11.2	7.0
OPBDIT/OI (%)	12.2%	13.0%	9.5%
RoCE (%)	10.3%	11.3%	7.2%
Total Debt/TNW (times)	0.0	0.0	0.0
Total Debt/OPBDIT (times)	NA	NA	NA
Interest coverage (times)	915.1	885.0	87.6

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating Aug-18	Date & Rating in FY2018 Jun-17	Date & Rating in FY2017	Date & Rating in FY2016
1	Fund based	Long term	10.0	**0**	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
2	Non fund based	Long term/ Short term	10.0 (enhanced from Nil)	**0**	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-

(Source: ITHL)

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 www.icra.in

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	-	-	-	10.0	[ICRA]AA (Stable)
NA	Bank Guarantee	-	-	-	10.0	[ICRA]AA (Stable)/ [ICRA]A1+

Source: ITHL

ANALYST CONTACTS

K Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Amit Arora
+91 124 4545 318
amita@icraindia.com

Manish Ballabh
+91 124 4545 812
manish.ballabh@icraindia.com

Arun Kumar
+91 124 4545 873
arun.kumar@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
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