

Press Release

A K Travel and Tours Private Limited

June 10, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 12.00 crore bank facilities of A K TRAVEL AND TOURS PRIVATE LIMITED. The outlook is '**Stable**'.

A K Travel and Tours Private Limited (AKPL), is an IATA approved Travel Agency in Mumbai offering services to various companies mainly in Mumbai and surrounding areas. AKPL was established in 1971 by Rawat family. The office is situated in Mumbai.

Analytical Approach

Acuite has considered the standalone financial and business risk profile to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and moderate margins**

AKPL was established back in 1971 by the Rawat family. The director, Mr. Suneet Ashokkumar Rawat, has been engaged in the business since 1996 and hence holds extensive experience in the ticketing business through AKPL as well as A K Tours Private Limited which is a group company engaged in ticketing and tour operating business since 1996. The experience of the directors has helped the company to maintain moderate margins at 38.00% for FY2019 (Prov.) and 35.22 percent for FY2018.

- **IATA accreditation**

IATA accreditation enables AKPL achieve a wide reach of airlines and air traffic. The accreditation provides a platform to book the tickets on behalf of all the airlines registered with IATA and also provides access to the billing platform popularly known as Billing and Settlement Plan, which acts as an interface for invoicing and payment between the agent, airlines and transport providers. This system reduces the risk of counterparty default and delays in payments and receipts.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of AKPL is below average marked by low net worth, high gearing and average debt protection metrics. The net worth stood at Rs. 2.72 crore as on 31 March 2019 (Provisional) as compared to Rs. 2.29 crore in FY2018. AKPL does not have any long term debt obligation. The gearing stood at 3.35 times as on 31 March 2019 (Provisional) as compared to 3.07 times as on 31 March 2018. TOL/TNW stood high at 5.04 times as on 31 March 2019 (Provisional) as against 4.75 times as on 31 March 2018. Interest coverage ratio stood at 1.68 times in FY2019 (Provisional) as compared to 1.72 times in FY2018. Acuite believes the ability of AKPL to improve its financial risk profile in the medium term will be a factor of key rating sensitivity.

- **Competitive and fragmented Industry**

AKPL faces intense competition from various ticket booking players which includes online and offline booking agencies in India which is likely to have an impact on its operating performance and profitability.

• Liquidity position

AKPL has moderate liquidity marked by average net cash accruals but no maturing debt obligations. AKPL generated cash accruals of Rs.0.49 to 0.57 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of NIL over the same period. The cash accruals of AKPL are estimated to remain around Rs.0.61-0.71 crore during 2019-21 while its repayment obligation are estimated to be around NIL. The cash credit limit in AKPL remains utilized at an average rate of 85 percent during the last 3 months period ended May 2019. AKPL maintains unencumbered cash and bank balances of Rs. 4.11 crore as on March 31, 2019 (Provisional). Acuite believes that the liquidity of AKPL is likely to remain moderate over the medium term on account of growing cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuite believes AKPL will maintain a 'Stable' business risk profile over the medium term on the back its experienced management. The outlook may be revised to 'Positive' in case AKPL maintains strong growth in revenues and profit margins while attaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its capital structure or liquidity profile of AKPL.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	4.17	3.68	3.66
EBITDA	Rs. Cr.	1.58	1.30	1.36
PAT	Rs. Cr.	0.43	0.42	0.48
EBITDA Margin	(%)	38.00	35.22	37.19
PAT Margin	(%)	10.34	11.47	13.13
ROCE	(%)	15.87	15.08	15.21
Total Debt/Tangible Net Worth	Times	3.35	3.07	4.14
PBDIT/Interest	Times	1.68	1.72	1.61
Total Debt/PBDIT	Times	5.00	4.67	4.39
Gross Current Assets (Days)	Days	1184	1041	1106

Status of non-cooperation with previous CRA (if applicable)

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B / Stable

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About Acuité Ratings & Research:

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