

Press Release
A K Travel and Tours Private Limited

January 27, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.12.00 cr. bank facilities of A K Travel and Tours Private Limited (ATPL). The outlook is '**Stable**'.

ATPL was established in the year 1971 by Mr. Suneet Rawat as a proprietorship and then the constitution was changed to private limited in the year 1992. The company offers services in airline reservation, hotel reservation, car rentals, visa and passport assistance, customized holiday package as well as cruise bookings but the major business is from airline ticket booking. The clients of ATPL are corporates, SME corporates and government officials. The office is situated in Mumbai.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ATPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations

ATPL was established back in 1971 by the Rawat family. The directors have been associated with ATPL since its inception and hence hold extensive experience in the ticketing business through ATPL as well as A K Tours Private Limited which is a group company engaged in ticketing business since 1992. The experience of the directors has helped the company to maintain healthy relationship with various corporate as well as government entities.

Acuité believes that the company will continue to benefit from the directors experience in the industry and their healthy relationship with the customers over medium term.

• IATA accreditation

The IATA accreditation enables ATPL achieve a wide reach to airlines and air traffic. The accreditation provides a platform to book the tickets on behalf of nearly 250 airlines registered with IATA and also provides access to the billing platform popularly known as BSP (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

• Average financial risk profile

The financial risk profile of ATPL is average marked by low net worth, high gearing and average debt protection metrics. The net worth stood at Rs. 2.58 crore as on 31 March 2020 (Provisional) as compared to Rs. 2.53 crore in as on 31 March 2019. TOL/TNW improved marginally, still stood high at 4.18 times as on 31 March 2020 (Provisional) as against 5.57 times as on 31 March 2019.

The total debt is about 9.01 crore as on 31 March 2020 (Provisional) consists mainly of working capital borrowings. The Debt/ EBITDA has deteriorated in the FY2020 (Provisional) to 6.52 times, which was 5.19 in the FY 2019. The deterioration was mainly because of the decline in the operating performance in FY2020.

The moderation in EBITDA in FY2020 along with interest cost at similar levels has resulted in moderation in the debt protection matrices. The Interest Service Coverage Ratio (ICR) deteriorated to 1.37 times in FY 2020 (Provisional) from 1.63 times in FY 2019 and NCA/ TD deteriorated to 0.04 times in FY 2020 (Provisional).

from 0.06 times in FY 2019. Moderate fixed cost has resulted in deterioration in profitability.

Going forward, the Acuité believes that the financial risk profile will continue to remain average mainly constrained by low net worth and moderate debt protection indicators.

• Competitive and fragmented industry

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

Liquidity position: Stretched

The Liquidity position of company is stretched mainly on account of lower cash accruals and high utilization of working capital limits. The working capital utilization was around 80% for last six months ended December 2020. The current ratio improved to 1.00 times as on 31st March 2020 (Provisional) as compared to 0.98 times as on 31 March 2019; however it remained low.

Rating Sensitivities

- Improvement in the scale of operations while maintain the profitability margins
- Deterioration in the financial risk profile or the liquidity position of the company

Material Covenants

None

Outlook: Stable

Acuité believes ATPL 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 of higher than expected growth in revenues of the company while maintaining its profitability margins along with improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or liquidity profile of ATPL.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	3.49	4.17
PAT	Rs. Cr.	0.07	0.25
PAT Margin	(%)	2.12	5.95
Total Debt/Tangible Net Worth	Times	3.49	3.60
PBDIT/Interest	Times	1.37	1.63

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
10-Jun-19	Cash Credit	Long term	9.50	ACUITE B/Stable (Assigned)
	Proposed Cash Credit	Long Term	2.50	ACUITE B/Stable (Assigned)

***Annexure – Details of instruments rated**

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

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About Acuité Ratings & Research:

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