

## Press Release

### Infants Travels Private Limited

January 22, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.18.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs.18.00 Cr bank facilities of Infants Travels Private Limited (ITPL). The outlook is '**Stable**'.

Bangalore based ITPL was initially established as a proprietorship firm in 1993 and later converted to a private limited company in 2002. The company is promoted by Mr. John Louis Joseph along with his family members Mr. Arulraj Joseph, Mrs. Malathy John Louis, Mr. John Roshan Louis. ITPL is engaged in providing fleet management services for corporate clients such as J P Morgan, Tech Mahindra, Siemens, Samsung, SAP Labs, Ryan International School among others.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ITPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management, and healthy relationships with counterparties**

Infants Travels is promoted by Mr. John Louis Joseph who has been engaged in the same industry for more than two decades through ITPL. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its reputed customers like J P Morgan, Tech Mahindra, Siemens, Samsung, SAP Labs, Ryan International School among others. The promoter's experience in the business and affluence among corporate customers has helped the revenues to grow at a CAGR of 7.7 percent over the past three years through FY2017-2019. The revenue profile is supported by regular capital expenditure on vehicles.

Acuité believes that ITPL's business risk profile is expected to improve further supported by increasing size of fleet and customer addition.

- Moderate financial risk profile**

ITPL's financial risk profile is moderate, marked by a moderate net worth, high gearing and comfortable debt protection metrics.

ITPL's net worth stood moderate at around Rs.29.27 crores as on March 31, 2019. The net worth levels have seen significant improvement over the last three years through FY 2019 on account of accretion to reserves during the same period. The company has followed an aggressive financial policy in the past; the same is reflected through its peak gearing levels of 3.94 times as on March 31, 2019. The company incurred capex of Rs.72 crore over the last three years towards purchase of new vehicles and maintenance of existing vehicles as required by the nature of business.

On other company is generated cash accruals of ~ Rs.27 crore during the last three years through 2017-19, while it's maturing debt obligations were in the range of ~Rs.20-25 crores for the same period. The cash accruals of ITPL are estimated to remain around Rs.28 to 32 crores during 2020-22, while its repayment obligations are estimated to be around Rs.15-20 crores during the same time.

The revenues of the company increased by around 7 per cent to Rs.144.31 crore during 2018-19, while its operating margins deteriorated during last three years from 30-24 percent due to due to increase in various costs like road taxes, insurance, employee cost among others. However operating margin is remained stable at 24 per cent over the medium term. The healthy profitability levels coupled with

moderate debt levels has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were healthy at 5.01 percent and 0.29 times, respectively.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by increased scale of operations and routine capital expenditure towards addition and replacement of vehicles.

## Weaknesses

- **Working capital intensive operations**

Operations of the company have shown moderate working capital management marked by gross current assets (GCA) at 164 days in FY2019 as against 99 days in FY2018. Its receivable days stood at 51 days in FY2019 against 41 days in FY2018. Its bank limits are utilised efficiently at 68 percent over the six months through October 2019 supported by timely receivables from its customers. The current ratio of ITPL is comfortable at about 2.84 times as of March 31, 2019. Acuité expects the operations of the company to remain working capital intensive on account of the moderate receivable levels maintained by the company to cater to new customers.

- **Competitive Industry and geographical concentration risk**

The operations of ITPL are concentrated in Bangalore and it operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of organised and unorganised players in the sector limits the bargaining power with customers.

## Liquidity Position: Adequate

ITPL has adequate liquidity marked by healthy net cash accruals to maturing debt obligations. ITPL generated cash accruals of ~ Rs.27 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of ~Rs.20-25 crore for the same period. The cash accruals of ITPL are estimated to remain around Rs.28 to 32 crore during 2019-21, while its repayment obligations are estimated to be around Rs.15-20 crore during the same time. ITPL's operations are moderately working capital intensive managed but the company has kept moderate reliance on working capital borrowings, the cash credit limit in ITPL remains utilized at ~68 per cent during the last 6 months period ended November 2019. ITPL maintains unencumbered cash and bank balances of Rs.10.49 crore as on March 31, 2019. The current ratio of ITPL stood healthy at 2.84 times as on March 31, 2019. Acuité believes that the liquidity of ITPL is likely to remain adequate over the medium term on account of growth in net cash accruals (backed by increase in capacity) and efficient utilisation its bank lines over the medium term.

## Rating Sensitivities

- Scaling up of revenues along with sustained improvement in the profitability margins
- Further deterioration in gearing and debt protection metrics

## Material Covenants

None

## Outlook: Stable

Acuité believes the ITPL will maintain 'Stable' outlook over the medium term on account of promoters' extensive experience and healthy relationships with customers. The outlook may be revised to 'Positive' if significant ramp-up in operations and fleet optimisation leads to a sustainable increase in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if lower-than-expected profitability and revenue or lower-than-expected cash generation, or stretch in working capital.

## About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	144.31	134.44
PAT	Rs. Cr.	4.54	5.19
PAT Margin	(%)	3.15	3.86
Total Debt/Tangible Net Worth	Times	3.25	2.55
PBDIT/Interest	Times	5.01	4.72

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector Entities - <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/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	18.00	ACUITE BB+ / Stable

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### About Acuité Ratings & Research:

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