Press Release

Infants Travels Private Limited

April 01, 2021

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.18.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Negative (Reaffirmed) (Outlook changed to Negative from Stable)

** Refer Annexure for details*

Rating Rationale

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

Revision in outlook is on account of substantial impact of COVID-19 pandemic on the Fleet management Industry leading to significant decline in the company's profitability. The company is expected to report net loss in FY2021 against a net profit of Rs.5.17 Cr in FY2020. This is a repercussion of 75 percent decline in operating performance of ITPL for the11MFY202. The company reported operating income of Rs.36 Cr in 11MFY2021 vis-à-vis Rs.140 Cr in the same period of previous FY2020. Resultantly, significant decline in the operating cash flows for the company in the current FY2021 will lead to weakening of the financial metrics and liquidity profile. The Covid-19 pandemic which imposed travel restrictions and the nationwide lockdown brought the entire fleet management industry to a standstill, and unlike other sectors, this industry is expected to take longer time to recover. The company's operations resumed from May 2020 albeit at considerably lower scale on account of work from home policy adopted by all major corporate clients. The improvement in the company's financial metrics is subjected to recovery in demand from its clientele. The continuation of Negative outlook reflects Acuite's expectation of sustained liquidity pressures over near to medium term arising from the unforeseeable demand for the fleet management industry.

The rating reaffirmation takes into the account ITPL's consistent growth in its operating performance supported by moderate growth in revenue and operating margins over the past 3 years ending FY2020. ITPL reported revenue and operating margins of Rs.124-154 Cr and 24-27 percent, respectively, over the 3 years through FY2020. The company's operating income grew at a CAGR of 7.5 percent during the period between FY2017-FY2020 (Operating income of Rs. 153.60 Cr in FY2020). Operating margin remained healthy and stable at over 24 percent in the past and is likely to remain at similar levels, going forward. The rating reaffirmation also takes into account its established track record in the Fleet Management Industry and extensive experience of the promoters over two decades, established client base including many reputed corporates in IT, education sector, and healthcare sectors among others. Acuite has also taken into cognizance of its liquidity supported by moratorium granted by lenders for repayment obligation on vehicle loans till August 31, 2020, moderate level of unencumbered cash balances about Rs.8.45 Cr as on March 31, 2020 and low reliance on its working capital limits. These strengths are partially offset by below-average financial risk profile, susceptibility of profitability to hikes fuel prices and exposure to intense competition.

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 and 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, and 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 established relationships with counterparties**
  Infants Travels is promoted by Mr. John Louis Joseph who has been engaged in the Fleet Management Industry for more than two decades. 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 7.5 percent over the past four years through FY2017-2020. 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 the company's experienced management and established relation with its elite and growing clientele.

- **Efficient working capital management**

ITPL's working capital management is efficient, with gross current assets (GCA) of 99-164 days historically due to efficient collection of trade receivables supported by reputed clientele. The debtor days were in the range of 41-51 days during FY2018-FY2020. This results in low reliance on bank lines at about 28 percent over six months through January 2021. Acuité believes that ITPL operation will continue to be efficiently managed supported by its collection mechanism cycle.

Weaknesses

- **Below-Average financial risk profile**

ITPL's financial risk profile is below-average, marked by a moderate net worth, highly leveraged ratios and moderate debt protection metrics. ITPL's net worth stood moderate at Rs.34.47 Cr as on March 31, 2020 as against Rs.29.27 Cr as on March 31, 2019. The net worth levels have seen significant improvement over the last three years as on March 31, 2020 on account of continuous accretion to reserves during the same period. ITPL's capital structure is leveraged marked by its high gearing (debt-to-equity) and high total outside liabilities to tangible networth (TOL/TNW) ratio of 2.50 times and 2.65 times respectively, as on March 31, 2020 vis-à-vis 3.25 times and 3.47 times as on March 31, 2019. Debt protection metrics are moderate, reflected in its interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 4.61 times and 0.33 times, respectively, in FY2020 vis-à-vis 5.01 times and 0.29 times for FY2019. The company incurred capex of Rs.98 Cr over the last three years towards purchase of new vehicles and maintenance of existing vehicles due to typical nature of the business. The company generated cash accruals of ~ Rs.26.49-28.66 Cr during the last three years through 2018-20, while it's maturing debt obligations were in the range of ~Rs.18-22 Cr for the same period. The cash accruals of ITPL are estimated to remain around ~ Rs.9.60 to 23.00 Cr during 2021-23, while its repayment obligations are estimated to be around Rs.9.50-22 Cr during the same period; implicating tightly matching NCAs vis-à-vis repayment obligations in FY2021. Acuité believes that the financial risk profile of the company is expected to remain below-average backed by routine capital expenditure towards addition and replacement of fleet and high debt obligations over the medium term.

- **Significant impact of Covid-19 pandemic on operating performance and geographical concentration risk in its revenue profile**

ITPL's business is susceptible to economic downturns with the volume handled being critical to ensure adequate utilisation of its captive fleet. The revenue of ITPL has been severely impacted because of the significant impact of Covid-19 which resulted in most of the corporates and schools opting work from home options (WFH). The pressure on the business of the company will continue over the medium term and the revenues along with profitability levels are expected to decline for FY2021 and FY2022 on account of prolonged WFH options on account of expected second wave of COVID-19. Recovery in scale of operation and operating margin will be key monitorable over the medium term. Moreover, operations of ITPL are concentrated in Bangalore and exposed to intense competition; both from large fleet cab operators and other regional players having a longstanding association with customers, thereby, restricting company's growth in scale of operation and bargaining power.

Liquidity Position: Stretched

ITPL's liquidity is expected to remain stretched in FY2021 marked by tighly matching net cash accruals (NCAs) against its repayment obligations. The cash accruals are expected to be in the range of Rs.9.60 to 23.00 Cr during FY2021-23, while its repayment obligations are estimated to be around Rs.9.50-22 Cr during the same period. ITPL's operations are efficiently managed leading to low reliance on working capital borrowings, its working capital limits are efficiently utilized at ~28 per cent during the last 6 months period ended January 2021. ITPL maintains unencumbered cash and bank balances of Rs.8.45 Cr as on March 31, 2020. The current ratio of ITPL stood comfortable at 1.74 times as on March 31, 2020. Acuité believes that the liquidity of ITPL is likely to remain stretched over the near term on account of expected declined growth in revenue and profitability resulting in low cash accruals to its maturing debt obligations.

Rating Sensitivities

- Scaling up of revenues along with sustained improvement in the profitability margins
- Further deterioration in Capital structure

Outlook: Negative

Acuité believes that the ITPL's credit profile will be under pressure on account of significant deterioration expected in its operating performance leading to pressure on cash flow over the near term. The rating may be downgraded in case of continued stress on its operating cash flows impairing its liquidity profile or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity. Conversely, the outlook may be revised to 'Stable' if the company is able to demonstrate significant ramp-up in operations and fleet optimisation leads to a sustainable increase in profitability or significant improvement in overall financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	153.60	144.31
PAT	Rs. Cr.	5.17	4.54
PAT Margin	(%)	3.37	3.15
Total Debt/Tangible Net Worth	Times	2.50	3.25
PBDIT/Interest	Times	4.61	5.01

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

Not Applicable

Material Covenants

None

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/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-January-2020	Cash Credit	Long Term	18.00	ACUITE BB+/Stable (Assigned)

***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	8.00	ACUITE BB+ / Negative (Reaffirmed) (Outlook changed to Negative from Stable)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Negative (Reaffirmed) (Outlook changed to Negative from Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Negative (Reaffirmed) (Outlook changed to Negative from Stable)

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