

Press Release

Infants Travels Private Limited

February 17, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-

Rating Rationale

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

Rationale for rating

The rating upgrade considers the revival in the business performance of ITPL on the back of working environment in corporates and schools being back to normalcy. The revival in the performance is marked by significant growth in its revenues during the current 10MFY2023. ITPL reported revenue of Rs. 108 Cr. during 10MFY2023 against Rs. 39 Cr in FY2022. The rating also takes into account ITPL's established track record in the fleet management services within Bengaluru city and its plan to expand further in Tamil Nadu and Andhra Pradesh. Further, the rating draws comfort from extensive experience of the promoters of over two decades, its reputed client base including corporate giants like J P Morgan, Siemens etc. Acuite has also taken cognizance of the company's liquidity supported by GECL loans and moratorium granted by lenders for repayment obligation during the covid period, moderate level of unencumbered cash balances of about Rs.15.64 Cr as on March 31, 2022 and moderate reliance on the working capital limits. However, these strengths are partially offset by below-average financial risk profile, susceptibility of profitability to hike in fuel prices and exposure to intense competition.

About the Company

Bengaluru-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. The company provides fleet services to corporates, schools, and hospitality industry. Currently, the company has a mix of around 1000+ buses with capacity ranging from 19-seater up to 45-seater. The company predominantly serves within entire Bengaluru city and has recently also expanded in Tamil Nadu and Andhra Pradesh.

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operations with experienced management and established relationship with corporate giants

ITPL 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 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.

Revival in revenues during FY2023 after significant impact of Covid-19 pandemic on the operating performance.

ITPL's business profile was severely impacted during the Covid-19 phase (FY2021 & FY2022) when most of the corporates and schools opted work from home options (WFH). The company reported revenues of Rs. 39.69 Cr in FY2022 and Rs. 43 Cr in FY2021 against Rs. 153 Cr in FY2020. The profitability turned negative owing to the negative operational environment during covid phase. The company reported losses of Rs. (8.11 Cr.) in FY2022 and Rs. (9.40Cr.) in FY2021. However, during FY2023 with gradual reduction in travel restrictions and improvement in the working environment ITPL reported significant growth in its revenues. The company has reported revenues to the tune of Rs. 107 Cr. during the 9MFY2023 and is expecting to surpass its pre-covid revenue levels for FY2023. Further, ITPL also reported PBT of Rs. 13.67 Cr. during 9MFY2023. Further, ITPL has its contracts with reputed corporate giants like J P Morgan Services (I) Pvt. Ltd, Siemens Technology, Samsung India Software Operations, Tech Mahindra Ltd., Ryan International School etc to name a few. Operations of ITPL are majorly concentrated in Bengaluru but also gradually expanding in Tamil Nadu & Andhra Pradesh. It has also received order from Siemens for its Gamesa Nellore and Chennai offices. Further, the company has been recording significant growth starting June-22 with increase in its monthly billing from Rs. 8 Cr in the previous months to currently at Rs. 16.51 Cr.

Acuité believes that ITPL's scale of operations is expected to improve further marked by its expansion plans and long term contracts being received from its elite clientele.

Weaknesses

Below average financial risk profile

ITPL's financial risk profile is below average, marked by low net worth, high gearing, and modest debt protection metrics. Due to net losses reported during last two consecutive years, ITPL's net worth has experienced severe erosion during FY2022 and FY2021 and stood at Rs. 15.90 Cr as on March 31, 2022 and Rs.24.31 Cr as on March 31, 2021, respectively. This has also resulted in highly leveraged capital structure marked by gearing (debt-to-equity) of 4.05 times as on March 31, 2022 against 2.76 times as on March 31, 2021. However, the net worth during December 31, 2022 improved because of the profit accretions and stood at Rs. 29.66 Cr and corresponding gearing for the same period stood improved at 3.55 times despite addition of debt. Due to nature of its business, ITPL needs to undertake continuous capex on adding vehicles which increases its debt levels. The total debt increased during 9MFY2023 and stood at around Rs. 105 Cr. against Rs. 64.33 Cr. Going forward, company does not have any immediate plans to avail additional debt in the near term. Further, the TOL/TNW stood high at 4.09 times, as on March 31, 2022, against 2.79 times respectively as on March 31, 2021. Debt protection metrics are moderate, reflected in its interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 2.12 times and 0.11 times, respectively, in FY2022 vis-à-vis 2.47 times and 0.19 times for FY2021. The DSCR during the same period stood stretched at 0.67 times and 1.17 times respectively. However, the company has met its obligations by availing moratorium and GECL loans.

Acuite believes that gradual and steady improvement in the financial risk profile will remain critical for overall business growth of ITPL.

Highly competitive industry and profitability susceptible to regulatory risks

Adding new drivers and retaining them remains challenging till date for the ride hailing industry given the unorganised and competitive market. Moreover, operations of ITPL are largely concentrated in Bengaluru 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. However, in order to reduce geographical concentration, company has recently started its operations in Tamil Nadu and soon plans to take off in Andhra Pradesh as well. Further, the operations of the industry are price sensitive and highly susceptible to fuel prices and other inflation inputs which exposes the company to regulatory risks.

Rating Sensitivities

- Slower than expected growth in the revenue & profitability margins
- Further deterioration in capital structure and financial risk profile

Material covenants

None

Liquidity Position Stretched

ITPL's liquidity is stretched marked by low net cash accruals against maturing debt obligations. The maturing debt obligations during FY2021 & FY2022 were serviced through availing moratorium and additional GECL limits. However, going forward with improvement in the revenues the company is expected to record cash accruals of around Rs. 28 Cr-Rs. 35 Cr during FY2023 and FY2024 respectively. The obligations against the same are expected at around Rs. 24 Cr.-Rs.25 Cr. ITPL's working capital operations are intensive dominated by the debtor days of around 91 during FY2022 & FY2021. The debtor days during the period were high owing to elongated collections due to companies being non-operational. However, the company has kept moderate reliance on working capital borrowings, with cash credit limits utilized at ~68 per cent during the last 6 months period ended December 2022. ITPL maintains unencumbered cash and bank balances of Rs.16.62 crore as on March 31, 2022 which includes FDR of Rs. 15.64 Cr. The current ratio of ITPL stood healthy at 1.26 times as on March 31, 2022.

Acuité believes that going forward the liquidity of ITPL is likely to become adequate over the medium term on account of expected growth in net cash accruals and efficient utilisation of its bank lines over the medium term.

Outlook: Stable

Acuité believes the ITPL will maintain 'Stable' outlook over the medium term on account of working environment being back to normalcy, 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 revenue and profitability or lower-than-expected cash generation, or any further stretch in the liquidity profile is recorded.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	39.69	43.73
PAT	Rs. Cr.	(8.41)	(9.40)
PAT Margin	(%)	(21.18)	(21.49)
Total Debt/Tangible Net Worth	Times	4.05	2.76
PBDIT/Interest	Times	2.12	2.47

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

ICRA Ratings vide its press release dated 5.09.2022, had reaffirmed the company to ICRA B+; INC

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jun 2022	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
01 Apr 2021	Secured Overdraft	Long Term	5.00	ACUITE BB+ Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE BB+ Negative (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ Negative (Reaffirmed)
22 Jan 2020	Cash Credit	Long Term	18.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Stable Upgraded
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Stable Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.