



## Rating Rationale

Akbar Travels Of India Pvt Ltd

19 July 2021

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 134.25 Crs of Akbar Travels Of India Pvt Ltd. ('ATIPL' or 'the Company')**

### Particulars

Facilities**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (07 Jan 2021)	Present
Fund Based	223.00	<b>94.25</b>	Long Term	BWR BB (Stable) Issuer Not Cooperating	<b>BWR BBB- (Negative) (Upgraded and Outlook revised to Negative)</b>
Non Fund Based	40.00	<b>40.00</b>	Short Term	BWR A4 Issuer Not Cooperating	<b>BWR A3 (Upgraded)</b>
<b>Total</b>	263.00	<b>134.25</b>	<b>INR One Hundred Thirty Four Crores and Twenty Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

\*\* Details of Bank Loan Facilities are provided in Annexures - I.

Brickwork Ratings (BWR) has principally relied on the Company's consolidated audited financials up to FY20, standalone audited financials up to FY20, standalone provisional financials of FY21 and standalone financial projections up to FY23, publicly available information and information/clarification provided by the company's management.

### **RATING ACTION / OUTLOOK:**

The Rating upgrade factors, inter alia, factors in the extensive experience of the Promoters along with an established track record of the Company, ATIPL's diversified operations and above average financial risk profile. These strengths are partially offset by a working capital intensive nature of the Operations, fragmented nature of the industry and an impact of Covid-19 on the operations of the Company.

The Outlook is Negative as BWR expects the business profile may further be impacted due to any ongoing or extended restrictions on air travel and tourism activity as a result of the pandemic.



## Key Rating Drivers:

### Credit Strengths:-

- **Extensive experience of the Promoters along with an established track record of the Company:** The promoters of the Company have an experience of more than four decades in the travel industry, and this has enabled them to develop healthy business relationships with corporate customers, agents, airlines and other suppliers. The Company has a strong presence and wide network in India and Middle East with over four decades of track record in this sector.
- **Diversified Operations:** Company has diversified operations in travel-related segments such as foreign exchange services, car rental services, holiday packages, visa services, and Hajj packages.
- **Above Average Financial Risk Profile:** The Company has an above average financial risk profile as reflected by a gearing of 0.84X in FY20 (Consolidated) as against 1.10X in FY19 (Consolidated). The same has improved due to an increase in TNW to Rs. 264.87 Crs in FY20 (FY19: Rs. 242.09 Crs) and reduction in total debt to Rs. 223.08 Crs in FY20 (FY19: Rs. 266.11 Crs). The coverage ratios as reflected by ISCR & DSCR stood comfortable at 1.75X & 1.61X in FY20. The current ratio has improved to 1.56X in FY20 and remained healthy. On a Standalone basis, the gearing improved to 0.09X in FY21 (Provisional) as against 0.75X in FY20 (FY19: 1.06X) on account of significant reduction in debt to Rs. 24.09 Crs in FY21 (FY20: Rs. 187.66 Crs) and increase in TNW in FY21(Provisional) to Rs. 256.03 Crs (FY20: Rs. 250.35 Crs). The ISCR & DSCR have also improved to 4.03X and 2.79X in FY21 (Provisional) as against 1.87X & 1.66X in FY20 due to decrease in borrowing cost as a result of reduced debt.

### Credit Risks:-

- **Working Capital intensive nature of the Operations:** The Company has substantial working capital requirements as it has to make weekly payments to suppliers against higher credit periods extended to corporate customers.
- **Fragmented nature of the industry:** The travel industry is fragmented and is highly sensitive to economic cycles. During an economic slowdown, people and businesses tend to cut back on travel. Also, any weakening in the financial health of corporate customers and decline in their spending could have an adverse effect on the Company's revenue.
- **Impact of Covid-19:** The business of the Company was heavily impacted owing to the lockdowns and subsequent economic slowdown that resulted from the spread of Covid-19. There is an aversion to travel both voluntary or owing to Government restrictions in both the retail and corporate space. This has resulted in subdued billings across airlines, hotels and other tour operations resulting in deterioration of the Company's scale of operations in FY21. However, ATIPL has focused on generating revenues from arranging chartered flights and selling quarantine packages, managing its debtors, reducing its borrowings and maintaining the liquidity at adequate levels in this tough time.



## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has taken a consolidated view on the operational and financial performance of the company while arriving at the rating. The list of consolidated entities is given in the annexure II.

## RATING SENSITIVITIES

### Positive Factors:

- Substantial scale up in operations along with improvement in profitability.

### Negative Factors:

- Any further decline in the scale of operations.
- Deterioration in profitability and/or working capital cycle.

## LIQUIDITY INDICATOR: Adequate

The liquidity appears to be adequate to service the present debt obligations. ATIPL's major bank exposure consists of working capital facilities only. On a standalone basis, the Company has cash and bank balance of Rs. 13.65 Cr (other than Rs. 7.63 Cr kept as margin money in the form of fixed deposits with banks) as on 31 March 2021 (Provisional). Long term loans outstanding as on 31 March 2021 are Rs.0.95 Crs which consist of vehicle loans. The average cash credit utilisation has significantly reduced and was ~23% during the last 6 months ended June 2021.

## COMPANY PROFILE

The Company was incorporated in 1978 as a proprietorship concern by Mr. K V Abdul Nazar. Later on in the year 2001 it was converted into a private limited company. ATIPL is engaged in the business of International & Domestic Air Ticketing, Foreign Exchange [FFMC], Hotel Bookings, Visa Servicing, Hajj & Umrah Services, Travel Insurance, Car Rental Services, Cruise and Railway bookings and Holiday Packages. Presently the company is managed by Mr. K V Abdul Nazar and his wife Mrs. Noorjahan Abdul Nazar in the Capacity of directors. ATIPL's head office is located in Mumbai and has a pan India presence with offices located in cities like Mangalore, Cochin, Trivandrum, Chennai, Delhi, Kolkata, Jalandhar, Ahmedabad, Bangalore, Lucknow, etc. Further, post establishing itself in India, ATIPL has set up its offices across the countries in the Middle East and U.S.A.

## KEY FINANCIAL INDICATORS - Consolidated

Key Parameters <sup>s</sup>	Units	FY19 (Audited)	FY20 (Audited)
Operating Income	Rs. Crs	193.28	192.13
EBITDA	Rs. Crs	64.30	61.00
PAT	Rs. Crs	22.45	20.25
Tangible Net worth	Rs. Crs	242.09	264.87
Total Debt/TNW	Times	1.10	0.84
Current Ratio	Times	1.23	1.56

<sup>s</sup>As per BWR calculations



### KEY FINANCIAL INDICATORS - Standalone

Key Parameters <sup>§</sup>	Units	FY19 (Audited)	FY20 (Audited)
Operating Income	Rs. Crs	166.45	166.98
EBITDA	Rs. Crs	56.99	57.44
PAT	Rs. Crs	18.94	18.90
Tangible Net worth	Rs. Crs	231.08	250.35
Total Debt/TNW	Times	1.06	0.75
Current Ratio	Times	1.28	1.78

For FY21 (Provisional Financials), on a standalone basis, the Company has reported a total operating income of Rs. 53.22 Crs with EBITDA of Rs. 14.12 Crs.

<sup>§</sup>As per BWR calculations

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:** The terms of sanction include standard covenants normally stipulated for such facilities.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:** NA

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]:**

Sl. No.	Instrument/ Facility	Current Rating (Year 2021)			Rating History <sup>1</sup>			
		Type	Amount (Rs. Crs)	Rating	07Jan2021	07Jan2020	2019	2018
1	Fund Based	Long Term	94.25	<b>BWR BBB- (Negative) (Upgraded and Outlook revised to Negative)</b>	BWR BB (Stable) Issuer Not Cooperating	BWR BBB- (Stable)	N/A	N/A
2	Non Fund Based	Short Term	40.00	<b>BWR A3 (Upgraded)</b>	BWR A4 Issuer Not Cooperating	BWR A3	N/A	N/A
<b>Total</b>			<b>134.25</b>	<b>INR One Hundred Thirty Four Crores and Twenty Five Lakhs Only</b>				

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)

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### Akbar Travels of India Pvt Ltd

#### ANNEXURE I

#### Details of Bank Loan Facilities rated by BWR:

Sr. No.	Lender	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank of Baroda	Cash Credit	90.00	0.00	90.00
		Inland Bank Guarantee	0.00	40.00	40.00
2.	Federal Bank	Overdraft	1.70	0.00	1.70
		WCDL	2.55	0.00	2.55
<b>Total</b>					<b>134.25</b>

#### ANNEXURE II

#### List of entities consolidated:

S.No.	Name of the company	Shareholding %	Consolidation %
1	Akbar Travels of India & Partners LLC (Oman)	55%	100% to the extent of shareholding
2	Akbar Travels of India Ltd (USA)	100%	
3	Akbar Travels of India Ltd (UK)	100%	
4	Akbar Travels of India WLL (Qatar)	49%	
5	Akbar Travels of India Pvt LLC (UAE)	49%	
6	Akbar Travels of India SDN. BHD. (Malaysia)	30%	
7	Akbar Travels of India Company (Kuwait)	49%	
8	Akbar Group International DMCC	100%	



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