

## Company Overview

RateGain Travel Technologies Ltd. (RTTL) is among the leading distribution technology companies globally and is the largest Software as a Service ("SaaS") company in the hospitality and travel industry in India. The company offers travel and hospitality solutions across a wide spectrum of verticals including hotels, airlines, online travel agents ("OTAs"), meta-search companies, vacation rentals, package providers, car rentals, rail, etc. RTTL is one of the largest aggregators of data points in the world for the hospitality and travel industry. In a highly fragmented landscape of travel technology providers, they offer a platform that bridges the data gap across the hospitality and travel industry. Their solutions help hospitality and travel companies find the right guest, decide the right price, distribute it to the preferred channel of the guest and once converted, helps them have an exceptional experience. They deliver hospitality and travel technology solutions through their SaaS platform and their products are classified into "Data as a Service"(DaaS), "Distribution" and "MarTech" ie Marketing Technology.

## Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ Repayment of indebtedness availed by RateGain UK, one of their subsidiaries from Silicon Valley bank (INR 853 mn)
- ⇒ Payment of deferred consideration for acquisition of DHISCO (INR 252 mn)
- ⇒ Strategic investments, acquisitions and inorganic growth (INR 800 mn)
- ⇒ Investment in technology innovation, Artificial Intelligence, and other organic growth initiatives (INR 500 mn)
- ⇒ Purchase of certain capital equipment for their Data Center (INR 408 mn)
- ⇒ General corporate purposes (Bal INR 937 mn).

## Investment Rationale

### Diverse and comprehensive portfolio for revenue maximisation, backed by marquee global customers with long term relationships

As of Sept 30,2021, their customer base of 1,462 customers included 8 Global Fortune 500 companies, comprising both travel suppliers and travel intermediaries. In the hotel segment, they work primarily with large and mid-size chains including the InterContinental Hotels Group, Kessler Collection, Lemon Tree Hotels Limited along with independent hotels. They serve customers in over 110 countries, as of Sept 30, 2021 including in other parts of Asia, Europe and the United States. Their long-standing relationships with customers is evidenced by the Gross Revenue Retention which was 94.20% and 92.92% in the five months ended Aug 31, 2020 and Aug 31, 2021. On the products side, they have introduced AirGain, CarGain and FerryGain, pricing intelligence products that are custom created for the airline, car rental and cruise and ferries industry, respectively, and complement their existing pricing insights and competitive intelligence products. RTTL's distribution platform is one of the largest processor of electronic hotel transactions, delivering advanced and affordable connectivity and distribution solutions to hotels worldwide (Source: Phocuswright Report). They are also a market leader in social media solutions and this is evident by the number of industry recognitions awarded to them on multiple occasions. These factors lead to diverse presence across globe and makes them stand out in all aspects.

### Strong financial performance with track record of successful acceleration post acquisitions

The Adjusted EBITDA was INR 373 mn, INR 317.7 mn, INR 236.7 mn, INR 183.7 mn and INR 123.9 mn in FY 19, 20 and 21 and in the five months ended Aug 31, 2020 and 2021, respectively. Their Adjusted EBITDA Margin was 14.3% and 7.9% in FY 19 and 20 respectively, and it was 9.4% in FY 21, despite the impact of COVID-19 and was 18.8% and 9.9% in the five months ended Aug 31, 2020 and 21, respectively. The numbers have been fairly decent keeping in mind how adversely the hospitality industry was hit by the pandemic. Also, as part of their inorganic growth measures they aim to strategically acquire businesses that offer products and technologies similar to theirs. This helps them expand their product portfolio and improve performance of their existing products. They acquired DHISCO in 2018, turned it profitable and got increased access to North American and European markets. They also acquired BCV, a marketing technology company in 2019 which enabled them to extend the company's offerings globally.

## Valuation and Outlook

RTTL is a global player and has strong backing of the promoter/entrepreneur, Mr Bhanu Chopra. The company is one of its kind in India and currently has no listed peers. However, when we see the overall picture, the company has been making losses and has seen marginal expansion in terms of revenue. Moreover, at the upper price band, the stock is valued at a Price/Sales of 18x based on FY21 earnings (on post-issue equity), which we believe is overpriced based on current financials. The hospitality/travel industry has recovered recently yet remains at risk due to the uncertainties and travel restrictions caused by the pandemic. Thus we give an "AVOID" rating to this issue.

## Issue Details

Offer Period	7 <sup>th</sup> Dec - 9 <sup>th</sup> Dec 2021
Price Band	INR.405 to INR.425
Bid Lot	35
Listing	BSE&NSE
Issue Size (no. of shares in mn)	31.43
Issue Size (INR. in bn)	13.36
Face Value	INR. 1

## Issue Structure

QIB	75 %
NIB	15 %
Retail	10 %

BRLM	IIFL Securities, Kotak Mahindra Capital Company Ltd, & Nomura Financial Advisors and Securities India Pvt Ltd
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Registrar	K FinTech Private Ltd.
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## Particulars Pre Issue % Post Issue %

Promoter	67.3 %	40.6 %
Public	32.7 %	59.4 %
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Income Statement (In mn)

Particulars	FY19	FY20	FY21	5MFY22
<b>Revenue</b>				
Revenue from Operations	2,616	3,987	2,508	1,253
<b>Total Revenue</b>	<b>2,616</b>	<b>3,987</b>	<b>2,508</b>	<b>1,253</b>
<b>Expenses</b>				
Employee Benefit Expenses	1,208	2,058	1,513	759
Other Expenses	1,190	1,642	934	449
<b>Total Operating Expenses</b>	<b>2,398</b>	<b>3,700</b>	<b>2,446</b>	<b>1,207</b>
<b>EBITDA</b>	<b>218</b>	<b>287</b>	<b>62</b>	<b>45</b>
Depreciation and Amortisation Expense	202	427	359	130
Amortization of Goodwill		537		
Other Income	111	589	133	60
<b>EBIT</b>	<b>127</b>	<b>(88)</b>	<b>(164)</b>	<b>(25)</b>
Finance Costs	32	89	82	22
<b>Restated Profit before exceptional items and tax</b>	<b>95</b>	<b>(178)</b>	<b>(246)</b>	<b>(46)</b>
Exceptional Items				47
<b>Profit/(loss) before tax</b>	<b>95</b>	<b>(178)</b>	<b>(246)</b>	<b>(94)</b>
Current Tax	44	25	31	6
Deferred Tax Charge	(59)	(2)	8	(17)
<b>Total Tax</b>	<b>(15)</b>	<b>23</b>	<b>39</b>	<b>(10)</b>
<b>PAT</b>	<b>110</b>	<b>(201)</b>	<b>(286)</b>	<b>(83)</b>
<b>Diluted EPS</b>	<b>1.2</b>	<b>(2.3)</b>	<b>(3.1)</b>	<b>(0.9)</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	5MFY22
Cash Flow from operating activities	362	191	206	70
Cash flow from investing activities	(34)	(1,123)	(817)	(3)
Cash flow from financing activities	(63)	728	929	(52)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>265</b>	<b>(204)</b>	<b>318</b>	<b>16</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>126</b>	<b>396</b>	<b>210</b>	<b>538</b>
<b>Net foreign exchange difference</b>	<b>5</b>	<b>18</b>	<b>10</b>	<b>(3)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>396</b>	<b>210</b>	<b>538</b>	<b>551</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	5MFY22
<b>Liabilities</b>				
Share Capital	7	7	7	79
Investment entirely equity in nature	1	1	1	1
Other Equity	1,425	1,370	2,441	2,362
<b>Net worth</b>	<b>1,432</b>	<b>1,377</b>	<b>2,449</b>	<b>2,442</b>
Long-Term Borrowings	244	1,007	981	951
Lease Liabilities	213	180	26	3
Other Financial Liabilities	2	203		
Long-Term Provisions	31	30	33	35
<b>Total Non Current Liabilities</b>	<b>491</b>	<b>1,421</b>	<b>1,040</b>	<b>989</b>
Borrowings	-	151	137	142
Lease Liabilities	86	100	27	20
Trade Payables	193	385.66	243	234
Other Financial Liabilities	320	90	105	87
Other Current Liabilities	300	427	370	340
Income Tax Liabilities (net)	26	17.93	24	26
Short Term Provisions	2	2	2	2
<b>Total Current Liabilities</b>	<b>926</b>	<b>1,173</b>	<b>909</b>	<b>851</b>
<b>Total Liabilities</b>	<b>2,849</b>	<b>3,971</b>	<b>4,398</b>	<b>4,282</b>
<b>Assets</b>				
Property, Plant & Equipment	171	131	79	57
Right of Use Asset	216	197	46	19
Goodwill	93	368	369	368
Other Intangible assets	580	1,463	1,186	1,085
Financial Assets	66	55	8	8
Income Tax Assets (Net)	8	10	8	10
Deferred Tax Assets (Net)	38	38	30	47
Other Non-Current Assets	2	1	1	2
<b>Total Non Current Assets</b>	<b>1,174</b>	<b>2,264</b>	<b>1,725</b>	<b>1,595</b>
Financial Assets				
Investments	406.93	449	1,290	1,312
Trade Receivables	633	777	669	641
Cash and Cash Equivalents	396	210	538	551
Bank Balances	52	34	36	36
Loans	9	2	2	3
Other Financial Assets	34	39	26	22
Other Current Assets	144	197	112	122
<b>Total Current Assets</b>	<b>1,675</b>	<b>1,708</b>	<b>2,673</b>	<b>2,686</b>
Net Current Assets	749	535	1,764	1,836
<b>Total Assets</b>	<b>2,849</b>	<b>3,971</b>	<b>4,398</b>	<b>4,282</b>

Source: RHP, BP Equities Research

### Key Risks

- ⇒ Substantially all their revenues are derived from the worldwide hospitality and travel industry and factors that negatively impact that industry could have a material adverse effect on their business, prospects, financial condition and results of operations.
- ⇒ Covid-19 pandemic has had a significant adverse effect on their business and operations, and its future waves may continue to impact their business, operations, and create uncertainties.
- ⇒ The market for SaaS solutions in the hospitality and travel industry is new and evolving, and if this market develops more slowly than the company expects, or develops in a way the company hasn't predicted, their business will be affected.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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