

SAILANI TOURS N TRAVELS LIMITED

A REVIEW REPORT ON SAILANI TOURS N TRAVELS LIMITED IPO

IPO Details

Opening Date	June 27, 2022
Closing Date	June 30, 2022
Stock Exchange	BSE SME
Lot Size	8000 shares
Issue Price	₹ 15 per share
Issue Size	12,64,000 Equity Shares
Application Amount	1,20,000

IPO Objective

- To meet working capital requirements
- General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	16,95,000	49.27%
Public	17,45,000	50.73%

Company Background

- Incorporated in September 2019, it mainly deals in providing tourism and travel services in the form of packages and bundles to individual and corporate clients.
- Its business can be broadly categorised as Leisure Travel, Corporate Travel, Forex and Visa Processing.
- It Provided end to end travel solutions including land, air and cruise bookings, hotel bookings, in-transit arrangements, local sightseeing, visa, passport and medical insurance assistance and such other destination management services
- Within Leisure Travel it has 2 sub-segments i.e., Outbound Travel and Domestic Travel.

Promoter of the Company

1. Mr. Krishna Kumar Chanani
2. Ms. Sunita Chanani

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Company Overview

Company has evolved through its 3 years' journey and started to make a name for its self in travel industry and is one of the recognised holiday brands that cater to the overall travel needs of an Indian and International traveller in the city of Kolkata. Company's business can be broadly categorized as Leisure Travel, Corporate Travel, Forex and Visa Processing. Company design travel packages for both individuals and groups for their domestic and international leisure travel. Company makes travel arrangements for corporate clients to cater to their business meetings, conferences, events and as an incentive for their employees and business partners. Company provides end to end travel solutions including land, air and cruise bookings, hotel bookings, in-transit arrangements, local sightseeing, visa, passport and medical insurance assistance and such other destination management services. Besides, Company provides travel related foreign exchange & payment solutions.

Analysis

The company is into the business of travel and tourism. Although the industry has not performed well in recent years due to COVID-19, the industry is expected to do well in coming years with restrictions being removed globally. However, the company is very small in size and has net profit margin ratio 0.95% only. Competing in such a competitive market where there are many organized and unorganized players providing the same services would be very difficult for the company. The company has not been able to provide good profit margins over the years and with these mere numbers raising money through IPO seems to be quite surprising.

Industry Charts

Exhibit 1: Indian Travel Market expected to grow at a CAGR of 7.57% from FY 20 to FY 27

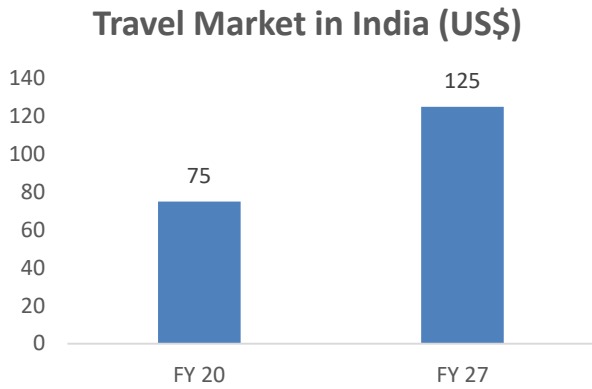


Exhibit 2: Travel and Tourism’s total contribution to GDP

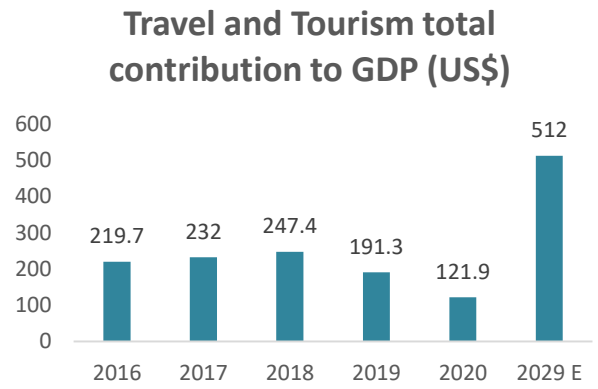


Exhibit 3: Purpose wise Foreign Tourist Arrivals in 2020 (000’s)

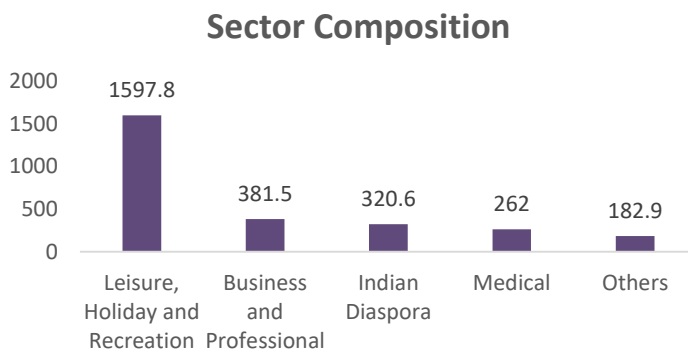
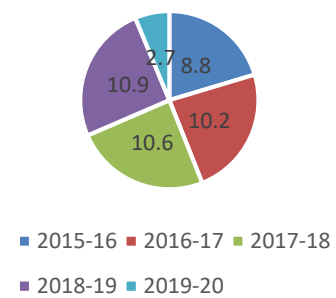


Exhibit 4: Foreign Tourists Arriving in India (in million)

Trend in Foreign Tourist (in Million)



(Source: ibef.org)

Investment Overview

Tourism and Hospitality Industry

Emerging as one of the key drivers of growth in past few years before COVID, the Indian Travel Market is expected to reach US \$ 125 billion in FY 2027. International Tourist Arrival in India is expected to reach 30.5 million by 2028. From the above infographics it can be seen that the market has been significantly hit by the outbreak of COVID-19 disease and thereafter though the market has rebounded, but the previous target level seems hard to be achieved. People have become more reluctant to travel than ever before. The foreign exchange earnings from travel and hospitality grew at a CAGR of 7% but dipped in 2020 due to the pandemic. In 2020, the Indian tourism sector accounted for 39 million jobs in the country which is 8% of the total employment of the country.

Although the industry prospect shows a decent number in the coming years, but those with greater share of market seems to be more beneficial than those with less control over the market.

(Source: ibef.org)

Addressable Market for Sailani Tours N Travels Limited

Company is located in Kolkata and is working on franchise model in the areas within India where there is a huge scope for tourism. Being in a service industry providing travel services to its clients the company would most likely to have its presence only in the India market.

Competition

The industry, also mentioned by company in their prospectus, is very competitive. The company faces competition from a large number of organized and unorganized companies in its segment providing wide range of services to its clients. There are numerous service providers operating in the local vicinity dealing with customers personally and providing them with packages and services as per their needs.

Peer Analysis

As mentioned in the prospectus, the peers of the company are International Travel house Limited and Easy Trip Planners Limited.

The key measures of these companies have been highlighted in the table below –

Company	Sailani Tours n Travels Limited**	International Travel house Limited	Easy Trip Planners Limited
Net Profit	0.03	-10.70	105.92
EBITDA	0.13	-4.34	109.21
Return on Capital Employed	5.41%	-10.91%	52.45%
Return on Equity	3.32%	-11.24%	44.71%
EPS	0.19	-13.38	4.93
P/E*	77.32	-	78.36

*P/E has been calculated as on 24/06/2022

** Figures as on 31/12/2021

Promoters' Profile

Mr. Krishna Kumar Chanani



- **Mr. Krishna Kumar Chanani** is the Promoter and Non-Executive Director of the Company.
- He is a member of the Institute of Chartered Accountants of India since 1992.
- He has more than Two decade of experience in the field of Finance, Auditing and Taxation services.
- He ventured into travel and tourism Business since 2019

Ms. Sunita Chanani



- **Ms. Sunita Chanani** is the promoter and Executive Director of the Company
- She has completed Bachelor in Arts from University of Calcutta in the year 1994.
- She has Expertise of more than 9 years across sectors in Infrastructure.

Analysis on the Company's Promoter and Board of Directors

The Managing Director of the company, **Mr. Durgadaas Ghosh**, has more than 4 years of experience in the sales and tourism Industry. He has completed his Bachelor in Business Administration in Tourism and Hospitality Management.

Apart from him none of the Executive Directors are from the field in which the business operates. There is no or less evidence of promoters being connected or related to the tourism industry as Mr Krishna Kumar Chanani is a Chartered Accountant with expertise in fields of finance. Mrs Sunita Chanani however having a Bachelors in Arts represent some correlation between the industry they are serving however no proper experience record has been provided to form a proper judgement.

The independent directors are also not associated with the travel and tourism industry.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st December, 2021
Profit and Loss			
Revenue from operation	427.65	109.91	312.37
Other income	1.66	2.65	1.71
Total Revenue	429.31	112.56	314.08
Expenses	415.89	91.27	288.17
Depreciation and Amortisation Cost	4.50	16.79	18.42
Finance Cost	1.51	0.33	0.88
Total Expenses	421.90	108.39	307.47
PBT	7.41	4.17	6.61
EBITDA	13.42	21.29	25.91
EBITDA Margin	3.14%	19.37%	8.29%
Net Profit	5.39	3.14	2.97
Net Profit Margin	1.26%	2.86%	0.95%
Balance Sheet			
Total Borrowings	220.25	254.12	307.91
Net Worth	76.39	161.53	162.50
Fixed Assets	84.02	102.38	107.35
Net Working Capital	-30.10	61.04	81.00
Financial Measures			
Receivables Turnover Ratio	5.44	23.14	23.36
Payables Turnover Ratio	1.01	3.14	12.59
Fixed Assets Turnover Ratio	5.09	1.07	2.91
Return on Capital Employed	3.00%	12.00%	5.41%
Return on Equity	3.32%	1.94%	1.83%
Debt-Equity Ratio	2.88	1.57	1.89

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 13.42 lacs in 2020 to 25.91 lacs in Dec'21 growing at a CAGR of 39%. The EBITDA margin of the company is at 8.29% showing a decent performance in terms of percentage but is very low if we look at the size of its peers in absolute terms.

Net Profit

The net profit of the company has down come from Rs. 5.39 lacs in 2020 to Rs. 2.97 lacs in Dec'21 depicting a negative growth even if we convert the numbers to full year basis.

Finance Cost.

The finance cost of the company has come down despite of increase in borrowing. All the loans are unsecured and it seems the company has been paying them interest inconsistently.

Financial Measures/Ratios

The RoCE is around 5% which is not considered to be a good number if we look at the broader perspective. One of its peer has an RoCE of around 52%

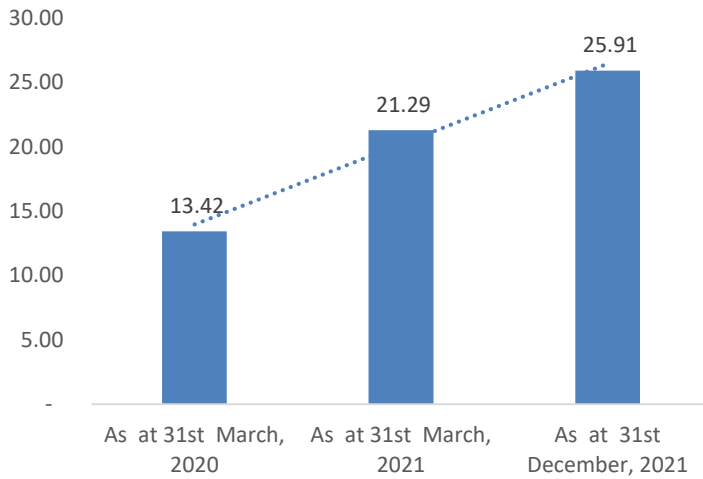
The ROE of the company also has come down from 3.32% in FY 2020 to 1.83% in Dec'21. The company has not been able to provide with good and sustainable returns to its shareholders.

The Receivables turnover ratio of the company is around 23 times showing that it has been able to manage its receivables quite properly.

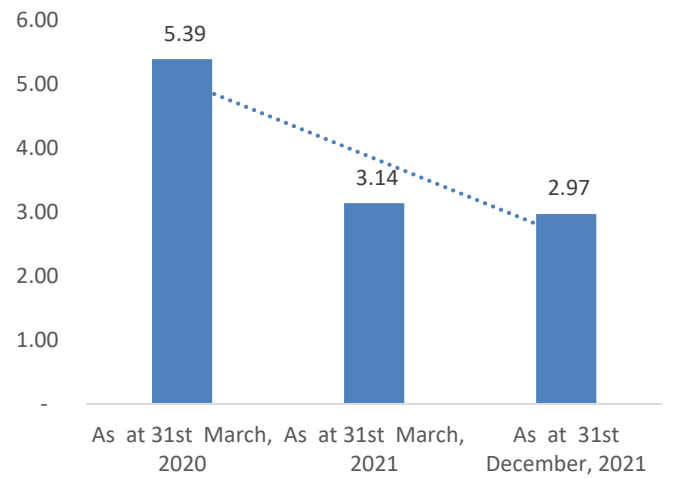
The Payables turnover ratio of the company is around 12.59 times and is increasing consistently over the years depicting poor payables management.

Financial Graph

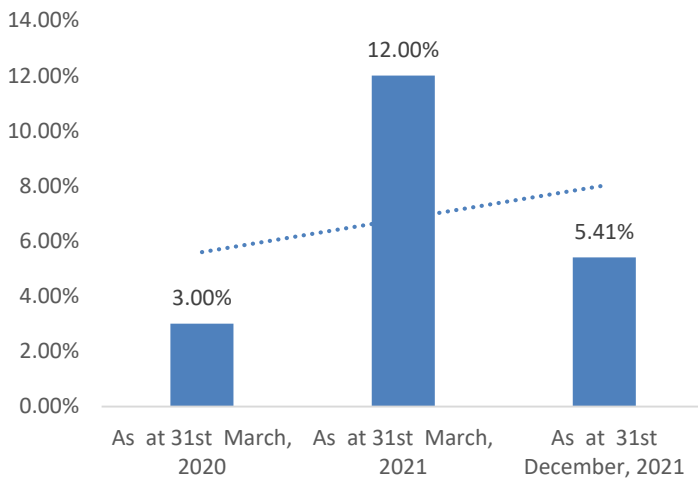
EBITDA (In Lacs)



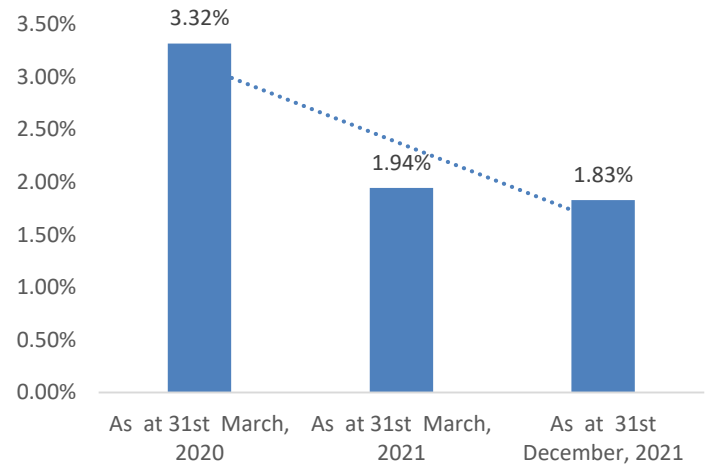
Net Profit (In Lacs)



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are outstanding legal proceedings of Rs. 20 lacs involving the Company, Promoters and Directors. Any adverse decision in such proceeding may have a material adverse effect on its business, results of operations and financial condition.
2. The company has not received consent from its Banker. Any objection from IDFC First Bank against us for using its name in the Prospectus could result in delaying the operations of its business.
3. The company operates in a highly competitive market.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Gretex Corporate Services Limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1	B & B Triplewall Containers Limited	19.99	36	October 15, 2018	222.00
2	BCPL Railway Infrastructure Limited	17.01	35	October 29, 2018	34.35
3	Misquita Engineering Limited	1.93	27	October 04, 2019	27.80
4	Anuroop Packaging Limited	2.64	13	November 21, 2019	21.85
5	Billwin Industries Limited	2.46	37	June 30, 2020	23.00
6	G M Polyplast Limited	8.09	159	October 14, 2020	238.10
7	Niks Technology Limited	2.01	201	March 31, 2021	200.00
8	PlatinumOne Business Services Limited	3.89	82	September 16, 2021	124.15
9	Markolines Traffic Controls Limited	39.99	78	September 27, 2021	96.00
10	Clara Industries Limited	3.02	43	December 29, 2021	100.25

#CMP is taken as on 24th June 2022

Since 2017 the Lead Manager has made 24 IPO Listings 20 IPOs had positive listing and 4 IPOs had negative listing.

Recommendation

Based on the Business track record, Products/Services, Competitive Scenario, Management Background and Experience, Financial Measures, Peer Analysis and Industry Outlook, we would like to state that one **must avoid** applying in the IPO. The business is not very well established in the market, and the revenue of the company although increasing does not compete with the industry peers.

The management of the company has only one personnel in its team having related experience and education. The company lacks team of highly experienced employees in the field of its business operations giving a negative outlook of the company.

Moreover, the financial numbers of the company do not show a good picture and coming out with a P/E of 77.32 times makes the issue highly overpriced

To conclude, one should **avoid** applying in the IPO.

Disclaimer

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