



IPO Note

Travels & Rentals Limited

Recommendation: **APPLY!**

Company Background -

- Travels & Rentals Limited was originally formed and incorporated on September 23, 1996. The registered office is located at West Bengal, India.
- The company offers a comprehensive range of travel-related products and services for end-to-end travel solutions.
- The company range of products and services includes Air Ticketing, Packaged Tours, Hotel Reservation, and other specialized services.
- The company had 58 permanent employees as of March 31, 2024.

Objects of the Issue -

- To meet the Working Capital Requirements.
- General Corporate Expenses.

Promoters Name -

Devendra Bharat Parekh, Karuna Parekh, Anupama Singhi, and Tushar Singhi

Rationale for recommendation -

- ✓ The company's P/E is 15.11 times, and the industry P/E is 35.4 times
- ✓ The company has a sustaining top line.
- ✓ The company operates in a growing industry.
- ✓ The company operates on a good margin.
- ✓ The company's management overview is satisfactory.
- ✓ The company also operates in the franchise model with Lufthansa City Center International GmbH (LCCI)

IPO Details

Opening Date	Aug 29, 2024
Closing Date	Sep 02, 2024
Allotment Date	Sep 03, 2024
Listing Date	Sep 05, 2024
Stock Exchange	BSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹40
Issue Size	12.24 Cr.
Fresh Issue	12.24 Cr.
Offer for Sale	-
Application Amt	₹ 1,20,000 (3,000 shares)

INDUSTRY - Tourism and Hospitality

P/E Average - 35.4

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	285.31	567.05	752.83
EBITDA	157.49	238.00	434.79
Net Profit	69.01	150.64	296.55
RoCE	14.56%	20.85%	24.50%
ROE	14.06%	20.32%	20.06%
P/E	35.71	18.69	10.99

Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.48%	62.86%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.64	2.65
BVPS	18.16	24.12
P/E	10.99	15.11
P/BV	2.20	1.66
Mkt Cap (In Cr)	32.57	44.81

Lead Managers -

Finshore Management Services Limited

Registrar -

Cameo Corporate Services Limited

Business Overview -

Travels & Rentals Limited offers a comprehensive range of travel-related products and services for end-to-end travel solutions. Travels & Rentals Limited has also taken franchisee of Lufthansa City Center International GmbH (LCCI) since 2010 and has been granted the right to operate under “Business Plus Lufthansa City Center” in India in the year 2013.

The company is a business travel partner for large, medium and small enterprises in India and has managed several large and small cities for over 3 decades. The company believes they have expertise in the fields of flight booking, hotel reservation, car rentals and travel documentation services both for domestic travel and international trips.

Recently this year, the company has entered into a Sales and Marketing Agreement with Group Voyagers Inc. for the sale of the Globus family of brand's travel products in India.

Range of Products/Services -

Air ticketing – (Domestic and International Flights)

The company obtains inventory from these airlines through various service providers or through direct connections to the airline’s booking systems by bulk bookings. The company earns from the airline tickets booked by the customers through the company’s platform in the form of commissions and incentives.

Marketing strategies used by the company -

The company utilises several marketing strategies such as i) Web presence and information ii) Social Media Channels iii) Digital Campaigns iv) Emailers v) Newsletters vi) Presentations & Webinars vii) Events.

Revenue Bifurcation for the Period ended FY 2022, 2023, and 2024 are as follows -

(Amt in Lakhs)

Particulars	FY 2022	%	FY 2023	%	FY 2024	%
Air Tickets (Domestic & Internationals)	242.12	84.86	234.93	41.43	326.64	43.39
Hotel Packages & Other Ancillary Services	43.19	15.14	332.12	58.57	426.19	56.61
Total	285.31	100.00	567.05	100.00	752.83	100.00

Tour Packages -

The company’s tour package offerings consist of pre-packaged/ fixed tours designed by the in-house team as well as customizable plans, depending on the preference of the customer. The tour packages cover most of the essential requirements for travel, such as, flights, hotels, meals, local pickup and drop, sightseeing, transport and tickets for activities and attractions

Hotel Booking -

The company offers its customers to book hotel reservations in India and abroad. The in-house sales representatives are responsible for contracting with various hotels and negotiating the rates and promotions.

Passport, Visa Assistance & Travel Insurance -

The company’s Visa services are provided in the categories of Tourist visa, Transit visa, Business visa, Conference visa. The company offers travel insurance which covers various products like medical, baggage, lost documentation (passport, etc.), trip cancellation, etc. The company will sell this insurance directly to the client as a part of the tour. The company also sell it to individuals who require it for travelling abroad independently.

Competition -

Market Competition: The industry is highly competitive, with many unorganized players in the market with competition primarily based on pricing with budget-friendly options, and quality of service.

Geographic Competition:

Domestic Landscape: Numerous well-established agencies dominate the market with a strong local presence. There has been a noticeable trend in self-booking through global online platforms.

International Landscape: International agencies and global travel platforms intensify competition. Varying regulations and travel restrictions across countries may affect service delivery and market access.

Barriers to entry: Low barriers to entry due to the ease of starting new travel agencies

Bargaining Power of Buyers: The bargaining power is high with the customers due to several other players in the market.

Bargaining Power of Suppliers – Moderate due to hotels and airlines have some influence.

Business Strategies -

Online Presence: The company offers an additional channel of reaching out to the existing and potential (users) customers through their websites. The company believes this will have a rise in the number of internet users and it is well positioned to capture a whole new client base.

Invest in technology and product development capabilities: The Company intends to continue to focus on the research and development efforts on optimizing the technology infrastructure to improve reliability and provide enhanced user experience on the platforms.

Cost-effectiveness: The company believes that they have to concentrate on reducing costs in order to remain competitive in the industry.

Increase Brand Awareness: The company intends to focus on the use of targeted marketing initiatives such as digital and print advertisements, as well as marketing through traditional channels such as outdoor advertising

Risk Factors -

The Company, Promoter Group and Group Entities are parties to certain legal proceedings amounting to Rs. 2,097.37 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business.

The company has had negative operating cash flow for the FY 2024.

The group company has incurred losses in the past and may incur losses in the future.

PEER ANALYSIS

Particulars	Travels & Rentals Limited			Sailani Tours N Travels Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	24.2%	26.6%	39.4%	1.7%	1.7%	1.2%
EBITDA Margin	55%	42%	58%	4%	3%	4%
RoCE	15%	21%	24%	12%	9%	6%
ROE	14.06%	20.32%	20.06%	0.06%	0.14%	0.08%
EPS (INR)	1.12	2.14	3.64	1.11	1.41	0.63
P/E	35.71	18.69	10.99	-	18.47	40.49

Indian Tourism and Hospitality Industry -

Introduction -

With a total area of 3,287,263 sq. km extending from the snow-covered Himalayan heights to the tropical rain forests of the south, India has a rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. This provides a significant opportunity to fully exploit the potential of the tourism sector. India being one the most popular travel destinations across the globe has resulted in the Indian tourism and hospitality industry emerging as one of the key drivers of growth among the services sector in India. The tourism industry in India has significant potential considering that Tourism is an important source of foreign exchange in India similar to many other countries.

Market -

The travel market in India is projected to reach US\$ 125 billion by FY27 from an estimated US\$ 75 billion in FY20. The Indian airline travel market was estimated at ~US\$ 20 billion and is projected to double in size by FY27 due to improving airport infrastructure and growing access to passports.

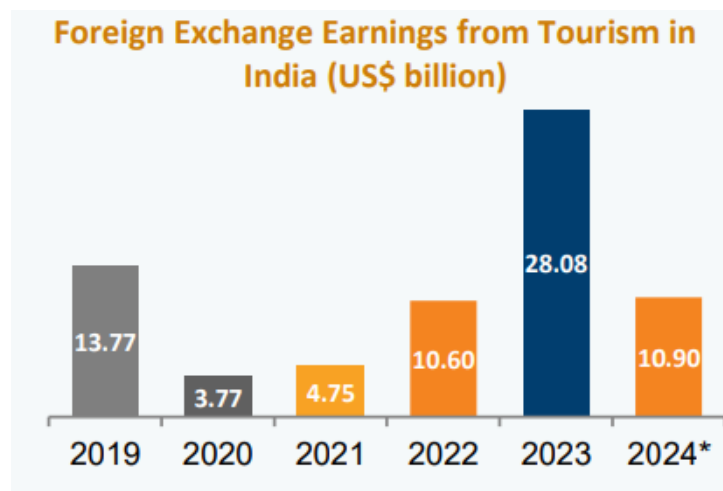
The Indian hotel market including domestic, inbound and outbound was estimated at ~US\$ 32 billion in FY20 and is expected to reach ~US\$ 52 billion by FY27, driven by the surging demand from travellers and sustained efforts of travel agents to boost the market



(source: ibef.org)

Market Size-

According to WTTC, India is ranked 10th among 185 countries in terms of travel & tourism's total contribution to GDP in 2019. According to WTTC, the contribution of India's travel and tourism sector to India's economy was worth Rs. 15.9 trillion (US\$ 191.25 billion) in 2022. According to WTTC, over the next decade, India's Travel & Tourism GDP is expected to grow at an average of 7.8% annually. In 2020, the Indian tourism sector accounted for 39 million jobs, which was 8% of the total employment in the country.



(source: ibef.org)

Notable trends in the tourism industry in India -

- According to statistics published in May 2021 by Travel Trends Today, India has seen an annual increase in corporate travel expenditures of 11.4%.
- The Indian hotel market including domestic, inbound and outbound was estimated at ~US\$ 32 billion in FY20 and is expected to reach ~US\$ 52 billion by FY27.
- In the last five years, the number of airline passengers increased from 60 million in 2013-14 to 145 million, and 400 million passengers are expected to travel by 2027.
- Travel booking channels would continue to be dominated by the presence of agents, whose market share is expected to be maintained at a consistent 50%+ between FY20-27, translating into a cumulative booking value of US\$ 65 billion in FY27.
- India's travel market was US\$ 75 billion in size pre-pandemic, expected to cross US\$ 125 billion by FY27.

Key Management -

Key Management Persons Name -	Devendra Bharat Parekh
Age	53
Designation and No. of years of experience	Promoter and Managing Director, 30+ Years of experience in general management, specializing in business development and project management.
Qualification	MBA from Henley Management College
Roles and Responsibility	-
Other Ventures	Egbert Andrews Auction Mart, an auction company in India since 2008
Key Management Persons Name -	Tushar Singhi
Age	54
Designation and No. of years of experience	Promoter and Executive Director, 30 years of experience in the field of Textile Industry.
Qualification	Degree of Bachelor of Commerce from the University of Calcutta
Roles and Responsibility	-
Other Directorships	Hindustan Cotton Mills
Key Management Persons Name -	Anupama Singhi
Age	55
Designation and No. of years of experience	Promoter and Non-Executive Director, 24+ years of experience.
Qualification	
Roles and Responsibility	Outbound Department.
Others	chairperson of the Nomination and Remuneration Committee and Stakeholder Relationship Committee and a member of the Audit Committee
Key Management Persons Name -	Ballari Bhattacharya Sengupta
Age	42
Designation	Independent Director
Qualification	Master's degree in political science, bachelor's degree in political science, Diploma in Secretarial Vocational Training.
Roles and Responsibility	-
Other Directorships	
Key Management Persons Name -	Sailendra Kumar Das
Age	49
Designation and No. of years of experience	Independent Director, with 20 years of expertise across various sectors in the corporate world
Qualification	Postgraduate degree in History and a Diploma in Tourism Management
Roles and Responsibility	-
Other Ventures	

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	285.31	567.05	752.83
Other Income	5.28	12.01	50.71
Total Income	290.59	579.06	803.54
Expenses			
Employee Benefit Expenses	82.17	174.92	199.53
Finance Cost	66.79	29.35	60.72
Depreciation and Amortisation	5.26	7.00	5.65
Other expenses	45.65	154.13	118.51
Total Expenses	199.87	365.40	384.41
EBITDA	157.49	238.00	434.79
EBITDA Margin	55.20%	41.97%	57.75%
Profit/(Loss) before tax	90.72	213.66	419.13
Tax Expense			
Current tax	20.49	61.39	118.22
Earlier Year Taxes	-	1.32	5.28
Deferred Tax	1.22	0.31	-0.92
Total Tax	21.71	63.02	122.58
Profit/(Loss) for the year	69.01	150.64	296.55
Net Profit Margin	24.19%	26.57%	39.39%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	176.19	201.19	814.27
Reserves and surplus	314.69	540.33	664.21
Total Equity	490.88	741.52	1,478.48
3. Non-current liabilities			
Long-term borrowings	551.74	346.64	263.83
Long term provisions	3.12	4.79	6.04
Other long term liabilities	-	14.96	3.52
Total Non-current liabilities	554.86	366.39	273.39
4. Current liabilities			
Short -term borrowings	203.67	214.33	207.11
Trade Payables			
(i) Total outstanding dues of MSME			
(ii) Total outstanding dues of creditors other than MSME	26.01	195.42	147.11
Other Current Liabilities	41.87	72.00	263.22
Short-term provisions	16.99	57.46	100.52
Total Current liabilities	288.54	539.21	717.96
Total Liabilities	843.40	905.60	991.35
Total Equity and Liabilities	1,334.28	1,647.12	2,469.83
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	47.99	41.40	35.86
Non Current Investments	69.80	58.61	58.61
Deferred Tax Assets (Net)	3.97	3.66	4.57
Long term loans and advances	341.31	548.07	624.40
Other Non- current Assets	22.16	30.40	34.06
Total Non-Current assets	485.23	682.14	757.50
2. Current assets			
Inventories			
Trade Receivables	598.95	876.27	1,345.91
Cash & Cash equivalents	34.72	35.02	41.75

Particulars	FY 22	FY 23	FY 24
Short term loans and advances	215.39	53.68	273.74
Other Current Assets	-	-	50.96
Total Current assets	849.06	964.97	1,712.36
Total Assets	1,334.29	1,647.11	2,469.86

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	170.15	302.13	-241.72
Net Cash Flow from Investing Activities	-15.03	13.77	46.56
Net Cash Flow from Financing Activities	-150.75	-315.59	201.89

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	1.12	2.14	3.64	EV/EBITDA	7.69	5.33	4.39
BV per share	6.03	9.11	18.16	Market Cap / Sales	15.71	7.90	5.95
<u>Operating Ratios</u>				P/E	35.71	18.69	10.99
EBITDA Margins	55.20%	41.97%	57.75%	Price to Book Value	6.64	4.39	2.20
PAT Margins	24.19%	26.57%	39.39%	<u>Solvency Ratios</u>			
Inventory days	-	-	-	Debt / Equity	1.54	0.76	0.32
Debtor days	766.24	564.04	652.55	Current Ratio	2.94	1.79	2.39
Creditor days	-	-	-	Quick Ratio	2.94	1.79	2.39
<u>Return Ratios</u>				Asset Turnover	0.21	0.34	0.30
RoCE	14.56%	20.85%	24.50%	Interest Coverage Ratio	2.28	7.87	7.07
RoE	14.06%	20.32%	20.06%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Finshore Management Services Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Finshore Management Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Solve Plastic Products Limited	11.85	91.00	August 21, 2024	87.1
2.	Sylvan Plyboard (India) Limited	28.05	55.00	July 01, 2024	108
3.	Mayank Cattle Food Limited	19.44	108.00	February 05, 2024	203
4.	HRH Next Services Limited	9.57	36.00	January 03, 2024	53.9
5.	Presstonic Engineering Limited	23.20	72.00	December 18, 2023	119
6.	Holmarc Opto-Mechatronics Limited	11.40	40.00	September 25, 2023	112
7.	Alphalogic Industries Limited	12.88	96.00	July 14, 2023	270
8.	ITCONS E-Solutions Limited	8.67	51.00	March 13, 2023	417
9.	Indong Tea Company Limited	13.01	26.00	February 21, 2023	30.6
10.	Arham Technologies Limited	9.58	42.00	December 15, 2022	137

*CMP for the above-mentioned companies is taken as of 29th August 2024.

As per the offer document, Finshore Management Services Limited has had 36 mandates in the last three fiscal years (including the current year). For Finshore Management Services Limited above-mentioned mandates 2 have opened at discounts, and the remaining mandates have opened at premiums on the listing day.

Recommendation -

Travel & Rentals Limited has been in the industry since 1996 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 15.11 times which makes it slightly low priced by looking at the performance of the company and sector. The industry average P/E is 35.4 times.

The company operates in a competitive and very growing tourism and hospitality industry. The company has seen consistency in the increase of its top line and bottom line of its financials. The company has performed better compared to its peer companies. The company also operated in a franchise model for the Lufthansa City Center International GmbH (LCCI) since 2010 indicating a strong brand recognition for the company and has recently entered into an agreement with Group Voyagers Inc. which we believe will add to the already growing revenue.

The company provides all the major services required to the current customer base in the tourism and hospitality sectors. The company has had good long-standing experience and has performed better than its peers. Thus, one can **APPLY** to this IPO for long-term investment.

Disclaimer

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