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## RATEGAIN TRAVEL TECHNOLOGIES LIMITED

December 06, 2021

# RateGain

SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

### Issue Highlights

Industry	SAAS
Offer for sale (Shares)	22,605,530
Fresh Issue (Shares)	8,823,529
<b>Net Offer to the Public</b>	<b>31,429,059</b>
Issue Size (Rs. Cr.)	1272-1136
Price Band (Rs.)	405-425
Employee Discount	40
Offer Date	7-Dec-21
Close Date	9-Dec-21
Face Value	1
Lot Size	35

### Issue Composition

	In shares
Total Issue for Sale	31,429,059
QIB	23,571,795
NIB	3,142,906
Retail	4,714,359

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	67.29%	56.73%
QIB	32.71%	35.91%
NIB	0.00%	2.94%
Retail	0.00%	4.42%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The IPO aims to utilize the net proceed towards the following purposes;

- Repayment and/or prepayment of indebtedness availed by Rategain UK.
- Make payment of deferred consideration for acquisition of DHISCO.
- Strategic investments, acquisition, and inorganic growth.
- To make investment in technology innovation, artificial intelligence, and other organic growth initiatives.
- Purchase capital equipment for the company's data center, and
- Meet general corporate purposes.

### Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- IIFL Securities Limited
- Nomura Financial Advisory and Securities (India) Private Limited

### Name of the registrar

- KFin Technologies Private Limited

### About the company

Rategain Travel Technologies is one of the leading distribution technology companies globally and the largest Software as a Service (SaaS) provider in the travel and hospitality industry in India. The firm offers travel and hospitality services across different verticals like hotels, airlines, online travel agents, meta-search companies, package providers, car rentals, cruises, and ferries. The business provides inter-connected products to manage the revenue creation value chain leveraging big data capabilities and integration and over the period, expanded product portfolio to artificial intelligence and machine learning capabilities. Rategain Travel delivers travel and hospitality technology solutions through the SaaS platform through 3 business units; 1. Data as a Service (DaaS), 2. Distribution, and 3. Marketing Technology (MarTech). As of June 30 2021, the business serves over 1400 customers including 8 Global Fortune 500 Companies. Six Continents Hotels, InterContinental Hotels Group, Kessler Collection, Lemon Tree Hotels, Oyo Hotels, and Homes Pvt Ltd are some of the marquee customers served by the company.

### Strength

**Marquee global customers with long-term relationships:** The company has global and diverse customer base with whom the company has long-standing relationships. As of September 30, 2021, its customer base of 1,462 customers including eight Global Fortune 500 companies comprised both travel suppliers and travel intermediaries including airlines, hotels, cruise lines, car rental companies, online travel agents, tix operators and wholesalers. Its customers include 25 out of the top 30 OTAs, several of the world's fastest-growing airlines, 23 of the top 30 hotel chains, tix operators and wholesalers, all leading car rental companies, all large cruise lines, and the largest travel management companies. In the hotel segment, the company works primarily with large and mid-size chains including the InterContinental Hotels Group, Kessler Collection, a luxury hotel chain, Lemon Tree Hotels Limited and Oyo Hotels and Homes Private 167 Limited along with independent hotels. Besides hotels, the company also works with leading OTAs such as GroupOn. The company also works with a number of airlines.

**Innovative AI driven industry relevant SaaS solutions:** The company offers a comprehensive platform of industry-specific solutions with growth and monetization capabilities. Product and technology innovation is at the core of its success. Given the fragmented nature of the hospitality and travel industry, the company has developed products that are inter-operable and integrate across a single platform allowing customers to maximize their revenues while also resulting in cost savings. The company has built its proprietary AI algorithms and applied it in connection with its SaaS products to provide its customers with next generation of product features. Its suite of products for rate intelligence include OPTIMA, Parity+, AirGain, CarGain and FerryGain that offer customers competitive pricing intelligence leveraging an AI-powered data platform while tracking real-time parity with features such as advanced dashboards, identification of key violators and reasons, revenue leakage.

**Diverse and comprehensive portfolio of revenue maximization and business critical solutions:** The company has developed a comprehensive product portfolio that caters to the technology ecosystem for the hospitality and travel industry and in particular, to

enterprise and mid-market customers for revenue management decision support, competitive intelligence, distribution and social media marketing, online reputation and brand engagement. The company offer a wide range of travel and hospitality solutions across the spectrum of verticals: hotels, airlines, OTAs and METAs, vacation rentals, package providers, car rentals, rail, travel management companies, cruises and ferries. The company has diversified its products to offer revenue optimization, distribution solutions and marketing technology solutions as well as expanded to adjacent segments within the hospitality and travel industry. The company has 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 its existing pricing insights and competitive intelligence products.

**Strong financial performance with track record of successful acceleration post acquisitions:**

Its balance sheet position enables it to make strategic investments by acquiring stakes in certain companies, and consolidate its position by acquiring brands, complementary technologies and product lines. The company has established a track record of successful inorganic growth through strategic acquisitions to supplement its product offerings, diversify its revenue streams, and integrate such acquired businesses to further strengthen its portfolio. The company has historically introduced operating efficiencies, revenue growth and/or increased profitability in its acquired businesses, resulting in increased operating margins.

### Strategy

**Continue to scale DaaS and Distribution offerings through cross-sell and geographical expansion in existing and adjacent verticals:**

The company intends to expand its existing product offerings into segments of the hospitality and travel industry that the company expects to grow following greater normalization of travel as COVID-19 recedes. The company intends to leverage its portfolio of products and products under development to provide additional solutions to its existing customers. The interoperability of its products allows it to displace point solutions and offer bundled offerings to its customers. For example, to assist customers that require both rate intelligence and distribution capabilities, the company has launched Demand.AI that provides an aggregated, real-time view of demand based on data-mining across various silos including internet searches, flight activity, local COVID-19 lockdown rules, booking engine inventory and pricing data. Using this tool, its hotel customers can gauge predicted demand for a particular property. Customers are also able to generate granular information to manage demand fluctuations in its vicinity and for similar category of hotel rooms. The company also expects to benefit from innovations made to AirGain, an airfare pricing intelligence product created for the airlines industry.

**Focus on MarTech solutions for the hospitality and travel sector:**

Its strategy to grow the MarTech vertical is aimed at creating customer value at a time when guest traveller engagement with travel suppliers is being re-invented in the post COVID-19 scenario. The company offers end-to-end social media management for its customers. The company intends to extend to additional and more upscale and luxury hotels in key geographies so that social media interactions by users with customers do not go unengaged. The company intends to extend to additional and more upscale and luxury hotels in key geographies so that social media interactions by users with customers do not go unengaged. The company aims to leverage its data lake to prepare ad campaigns based on city demand, prevailing rates and source markets where demand is originating from. The company intends to expand its channel coverage based on new social platforms that gain traction and become a viable means of social media communication for its target segment.

**Continue to leverage unique data assets to create new AI product offerings:**

The company intends to continue to leverage its extensive data assets through introduction of additional product offerings based on latest technologies. The company has launched Demand.AI that provides its hotel

customers with data experience that is personalized, contextual, and relevant and allows users to apply data to daily activities and operations and addresses issues related to inventory management. Its focus will be to enhance its cross-product uses cases such as Market Drone, Demand.AI and Smart Distribution. To grow its product development capabilities, the company has set up RateGain Labs, an in-house incubator that will leverage its existing expertise to solve current travel industry problems through data, proximity to clients and business experience. As of September 30, 2021, RateGain labs had 17 full-time employees and are led by its Promoter, Bhanu Chopra. The company expects to continue to innovate for the travel and hospitality industry through this initiative. With access to enterprise clients and domain expertise the company is well positioned to introduce new product lines with product value proposition for the global travel and hospitality industry.

**Pursue strategic investment and acquisition opportunities:** Given the scale of its operations, balance sheet position, agile and innovative product offerings and track record of successful acquisitions, inorganic opportunities present viable growth opportunities. The company intends to selectively pursue strategic acquisitions and investments and other strategic alliance partnerships that are complementary to its growth strategy, particularly those that can help us enrich its offerings, enhance its technologies and products, and expand its customer base.

### **Risk factors**

- The market for SaaS solutions in the hospitality and travel industry is new and evolving.
- Its business depends on its customers renewing their contracts and on its expanding its sales to existing customers.
- The company derives a significant portion of its revenues from operations from a limited number of markets.

### **Peer comparison**

As per RHP, there are no listed companies in India that engage in a business similar to that of the Company. Accordingly, it is not possible to provide an industry comparison in relation to the company.

### **Valuation**

The Company has negative earnings so valuation cannot be done on P/E basis. Therefore, we are considering the EV/EBIDTA ratio valuation of actual FY20, on the upper end of the price band of Rs. 425, the stock is priced at post issue, EV/EBIDTA of 231.06x on its FY21 EV of Rs. 4495.79 and EBIDTA of Rs19.46.

### **Industry overview**

The outlook for the global economy continues to improve as the world looks forward to the end of the COVID19 pandemic. The International Monetary Fund (IMF) in its World Economic Outlook (WEO) issued in April 2021 noted that though uncertainty around the pandemic's path continues to cast a shadow, a way out of the crisis is emerging. And it pointed to extended fiscal support in large economies, adaptation to new ways of working as well as the increasing reach of vaccines as drivers of the recovery. By the IMF's estimates, growth will moderate to 4.4% in 2022, 3.5% in 2023 and in 2025, we will see global GDP growth at 3.3%. The online portion of the travel market has grown from 26% in 2010 to nearly 52% in 2020. The pandemic accelerated the shift and online is further estimated to reach 56% by 2024. Mobile part of the online travel market and has grown from a miniscule 0.2% to nearly 47% in 2020 as travellers adopted technology across the travel lifecycle.

## Outlook

RateGain is the only travel technology company powering every segment of the travel and hospitality industry with real-time intelligence, and help its customers to increase their revenue through customer acquisition, retention and wallet share expansion. However, now with the emergence of the new covid variant, there is a sense of uncertainty. Moreover the issue looks very expensive. A long term investor with high risk appetite may opt the issue.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	Dec 07, 2021
Bid/Offer Closing Date	Dec 09, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Dec 14, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about Dec 15, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about Dec 16, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Dec 17, 2021

## Consolidated Financials

### Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Aug-21 (5 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	125.27	250.79	398.71
Total expenditure	120.73	244.63	423.75
<b>Operating Profit</b>	<b>4.54</b>	<b>6.16</b>	<b>-25.04</b>
OPM%	3.62	2.46	-6.28
Other Income	5.95	13.30	58.90
<b>PBDIT</b>	<b>10.49</b>	<b>19.46</b>	<b>33.86</b>
Depreciation	12.96	35.88	42.70
<b>PBIT</b>	<b>-2.47</b>	<b>-16.42</b>	<b>-8.84</b>
Interest	2.17	8.20	8.93
<b>PBT</b>	<b>-4.64</b>	<b>-24.63</b>	<b>-17.76</b>
Exceptional items	4.73	0.00	0.00
<b>Restated profit before tax</b>	<b>-9.37</b>	<b>-24.63</b>	<b>-17.76</b>
Tax	-1.03	3.95	2.34
<b>Profit After Tax</b>	<b>-8.34</b>	<b>-28.58</b>	<b>-20.10</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Aug-21	As on 31-Mar-21	As on 31-Mar-20
<b>Non-current assets</b>			
Property, plant and equipment	5.65	7.90	13.11
Right-of-Use Assets	1.86	4.56	19.73
Goodwill	36.75	36.86	36.84
Other intangible assets	108.52	118.56	146.27
<b>Financial Assets</b>			
Loans	0.00	0.00	0.00
Others	0.84	0.78	5.47
Income tax assets (net)	1.03	0.79	1.05
Deferred tax assets (net)	4.69	2.99	3.79
Other non-current assets	0.19	0.05	0.10
<b>Total non-current assets</b>	<b>159.54</b>	<b>172.50</b>	<b>226.35</b>
<b>Current assets</b>			
<b>Financial Assets</b>			
Investments	131.19	129.02	44.91
Trade receivables and contract assets	64.06	66.91	77.67
Cash and cash equivalents	55.05	53.76	20.96
Other bank balances	3.63	3.58	3.39
Loans	0.35	0.21	0.22
Other	2.16	2.62	3.93
Other current assets	12.21	11.20	19.68
<b>Total current assets</b>	<b>268.65</b>	<b>267.30</b>	<b>170.76</b>
<b>Total Assets</b>	<b>428.19</b>	<b>439.80</b>	<b>397.11</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	95.05	98.07	100.75
Lease Liabilities	0.31	2.62	17.98
Other	0.00	0.00	20.32
Provisions	3.55	3.29	3.03
Other non-current liabilities	0.00	0.00	0.00
<b>Total financial liabilities</b>	<b>98.91</b>	<b>103.99</b>	<b>142.08</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	14.23	13.72	15.06
Lease liabilities	2.00	2.71	10.01
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	0.07	0.01	0.12
Total outstanding dues of creditors other than micro enterprises and small enterprises	23.31	24.28	38.45
Other	8.67	10.53	9.01
Other current liabilities	33.96	36.98	42.66
Provisions	0.23	0.21	0.20
Income tax liabilities (net)	2.60	2.44	1.79
<b>Total current liabilities</b>	<b>85.08</b>	<b>90.89</b>	<b>117.30</b>
<b>Total</b>	<b>183.99</b>	<b>194.88</b>	<b>259.38</b>
<b>NET Worth</b>	<b>244.20</b>	<b>244.92</b>	<b>137.72</b>
Net worth represented by:			
Share capital	7.86	0.66	0.66
Instrument entirely equity in nature	0.15	0.15	0.09
Other Equity	236.19	244.12	136.98
<b>Net Worth</b>	<b>244.20</b>	<b>244.92</b>	<b>137.72</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: [smc.care@smcindiaonline.com](mailto:smc.care@smcindiaonline.com)



Moneywise. Be wise.

**Corporate Office:**  
11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**  
Lotus Corporate Park, A Wing 401/402, 4th Floor,  
Graham Firth Steel Compound, Off Western  
Express Highway, Jay Coach Signal, Goreagon  
(East) Mumbai - 400063  
Tel: 91-22-67341600, Fax: 91-22-67341697

**Kolkata Office:**  
18, Rabindra Sarani, Poddar Court, Gate No-4,  
5th Floor, Kolkata - 700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

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