

December 7, 2021

Play on growing thrust on tech spending in hospitality and travel industry ...

About the Company: RateGain Travel Tech (RTTL) 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.

- It operates through three business units of DaaS, Distribution and MarTech
- The clients include some of the leading global airlines, hotel chains, cruises, car rental companies etc

Key triggers/Highlights:

- The company has global and diverse customer base with whom it has long standing relationships
- The customer base of 1,462 clients includes 8 fortune 500 companies comprised both travel suppliers and travel intermediaries including airlines, hotels, cruise lines, car rental companies, online travel agents, tour 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, tour operators and wholesalers, all leading car rental companies, all large cruise lines, and the largest travel management companies
- The company serve a large and rapidly growing total addressable market. Third party travel and hospitality technology is estimated to be a US\$ 5.91 billion market in 2021 growing to an estimated US\$ 11.47 billion in 2025 at a CAGR of 18%. Enterprise applications focused on guest acquisition, distribution, revenue maximization and wallet share expansion in the hospitality and travel industry have a serviceable addressable market size of \$4.34 billion in 2021, growing to an estimated US\$ 8.45 billion in 2025.
- This is a large and rapidly growing addressable market opportunity for a vertical specific platform company like RateGain. The travel technology segment is further favoured by industry tailwinds of digitization in the post COVID times.

What should investors do? RateGain is the largest Software as a Service (SaaS) company in India in hospitality and travel industry in India, which is expected to benefit thrust on technology spending in the space. At the upper end of the price band, it is valued at 15x Mcap/Sales in FY21

- We assign **UNRATED** rating to the IPO

Key risk & concerns

- Covid-19 impact on the business is uncertain
- Market of SaaS solutions in the hospitality & travel industry is new and evolving
- Company may not derive anticipated benefits from strategic investments and acquisitions

Key Financial Summary

| Key financials (₹ crore) | FY19 | FY20 | FY21 | 5MFY22 | FY19-21 CAGR % |
|--------------------------|-------|--------|--------|--------|----------------|
| Revenue | 262 | 399 | 251 | 125 | (2.1) |
| EBITDA | 22 | (25) | 6 | 5 | (46.8) |
| EBITDA (%) | 8.3 | (6.3) | 2.5 | 3.6 | |
| PAT | 11 | (20) | (29) | (8) | |
| EPS (₹) | 1.2 | (2.3) | (3.1) | (0.9) | |
| P/E (x) | 158.9 | (86.8) | (63.8) | | |
| RoE (%) | 7.7 | (14.6) | (11.7) | | |
| RoCE (%) | 6.6 | (3.2) | (4.5) | | |

Source: RHP, ICICI Direct Research

IPO Details

Issue Details

| | |
|----------------------------------|-------------------|
| Issue Opens | December 07, 2021 |
| Issue Closes | December 09, 2021 |
| Issue Size | ₹ 1335 crore |
| Fresh Issue | ₹ 375 crore |
| OFS | ₹ 960 crore |
| Price Band | ₹ 405-425 |
| No of shares on offer | 2.26 crore |
| QIB(%) | 75 |
| Non-Inst bidders (%) | 15 |
| Retail (%) | 10 |
| Minimum Lot Size (no of shares) | 35 |

Shareholding pattern

| | Pre-issue | Post-issue |
|-----------------|-----------|------------|
| Promoter | 79 | 56 |
| Public & Others | 21 | 44 |

Objects of the issue

Objects of Issue

Repayment/prepayment of indebtedness availed by RateGain UK
 Payment of deferred consideration for acquisition of DHISCO
 Strategic investments, acquisitions and inorganic growth
 Investment in technology innovation, artificial intelligence and other organic growth initiatives
 Purchase of certain capital equipment for our Data Center
 General corporate purposes

Research Analyst

Sameer Pardikar
 sameer.pardikar@icicisecurities.com

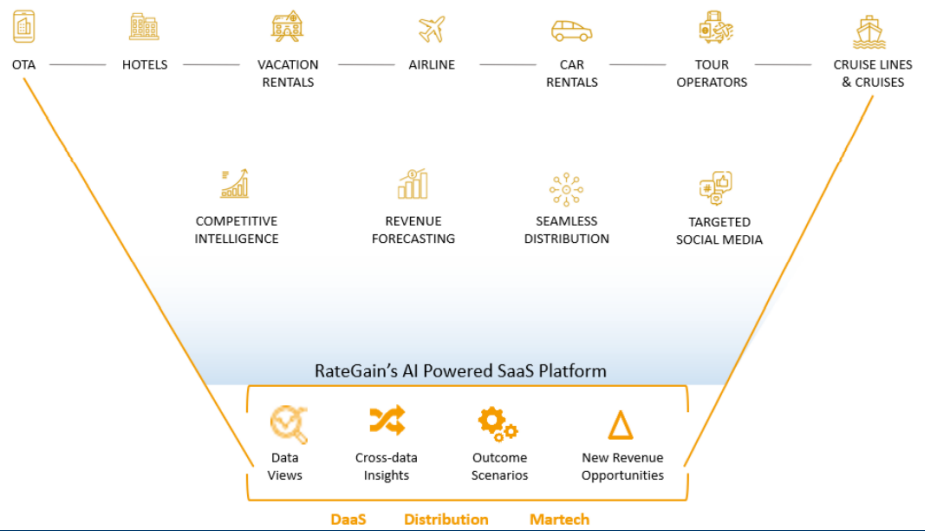
Company Background

RateGain Travel Tech began its operations in 2004 with the introduction of a competitive intelligence price comparison product for hotels. It 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. It 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, travel management companies, cruises and ferries. It is one of the largest aggregators of data points in the world for the hospitality and travel industry. (Source: Phocuswright Report)

It has diversified its product offering to revenue optimization, distribution solutions and marketing technology solutions as well as expanded to adjacent segments within the hospitality and travel industry. It 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. The products are developed in-house through a centralized group of software development, product management and data science talent which creates a high operating leverage.

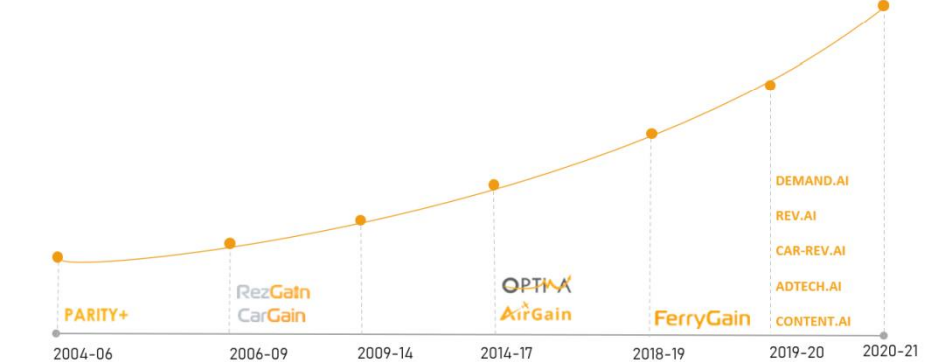
In a highly fragmented landscape of travel technology providers, it offers a platform that bridges the data gap across the hospitality and travel industry. It provides interoperable products that leverage data across internal and external sources, unlock value through integration and enable better, faster and automated decision making. Its solutions help hospitality and travel and 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.

Exhibit 1: RateGain offering across hospitality sector



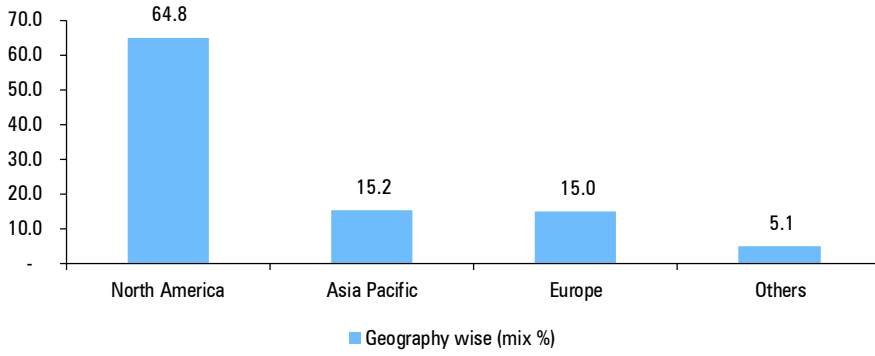
Source: RHP, ICICI Direct Research

Exhibit 2: Product development over the years



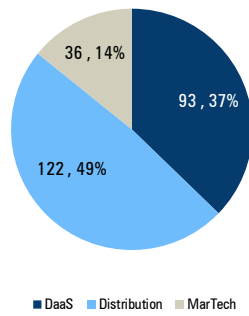
Source: RHP, ICICI Direct Research

Exhibit 3: North America contributes 65% of revenues in FY21



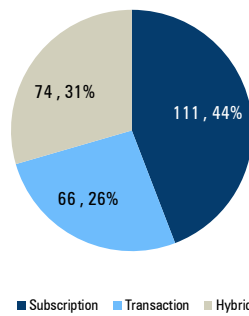
Source: RHP, ICICI Direct Research

Exhibit 4: Service offering wise revenue mix FY21



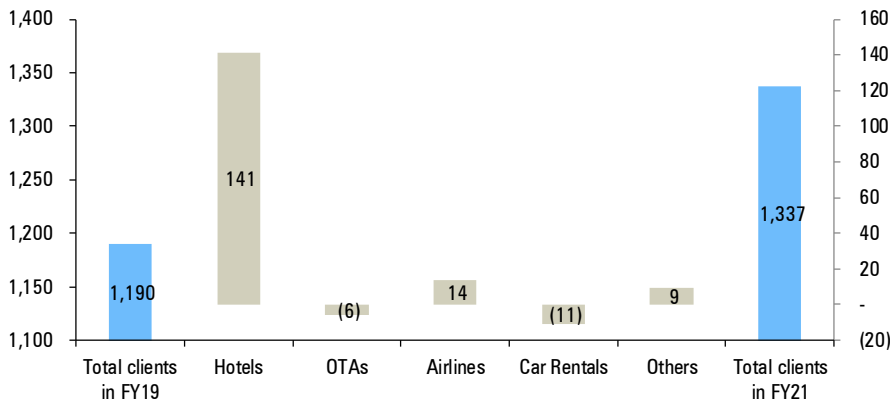
Source: RHP, ICICI Direct Research

Exhibit 5: Revenue by engagement type



Source: RHP, ICICI Direct Research

Exhibit 6: Client addition/ (loss) bridge over FY19-21 across sectors



Source: RHP, ICICI Direct Research

The company operates through three strategic business units (BUs)

- Data as a Service (DaaS)
- Distribution

- Marketing Technologies (MarTech)

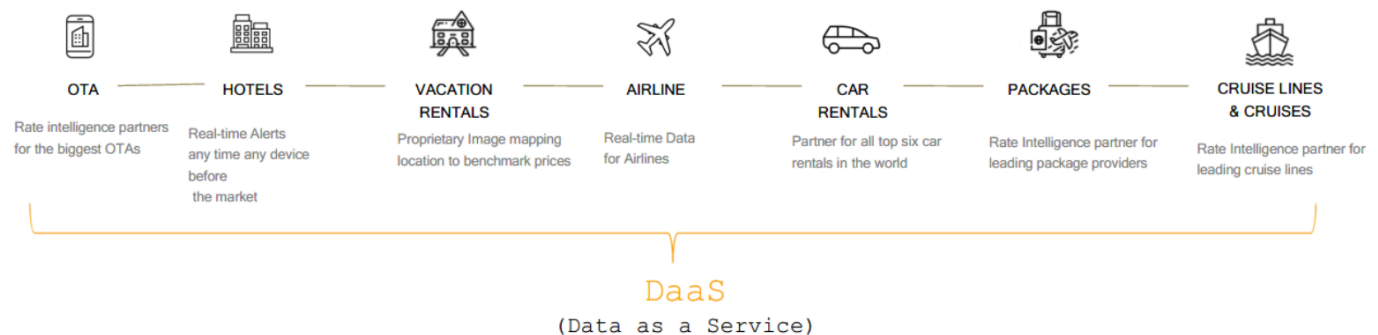
Data as a Services (DaaS)

In the DaaS BU, the company operates through subscription model where in the hospitality sector subscribes to its DaaS products such as Optima and Parity for a period. For its OTA (Online travel agents) customers and airline, car rental and vacation packages customers, it operates on a hybrid model where it charges a minimum subscription fees for use of its products and pay per use charges for accessing additional data. Its competitive intelligence products tracked over 3.61 billion price points across over 2,900 hotels, OTAs, airlines, cruise lines and car rentals and covers points such as pricing, ratings, rankings, availability, room descriptions, cancellation policy, payment policy, discounting and package inclusions etc.

Active Customers in its DaaS business have grown from 945, as of March 31, 2019 to 1,083 Active Customer, as of March 31, 2020 and to 1,160 Active Customers, as of March 31, 2021 while as of September 30, 2021, it had 1,406 Active Customers. DaaS product is being offered under 2 categories

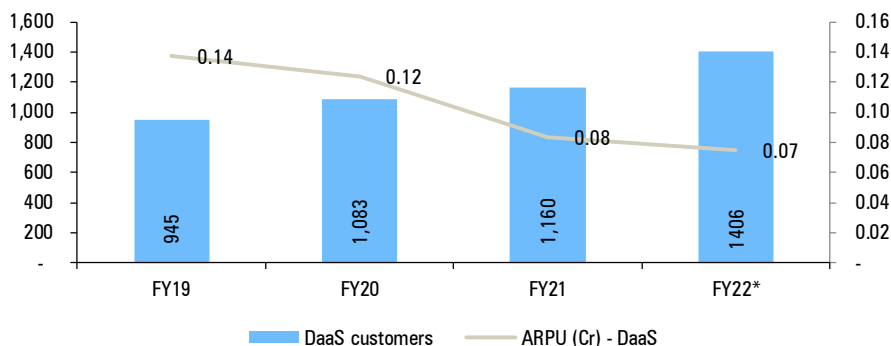
- Market intelligence:** This provides access to pricing and availability data at scale along with analytics to present trends, opportunities and market developments.
- Dynamic pricing recommendations:** It serve certain segments within the travel industry that have traditionally used a flat pricing or a seasonal pricing structure with its proprietary dynamic pricing technology to help them maximize revenue.

Exhibit 7: DaaS (Data as a Service)



Source: RHP, ICICI Direct Research

Exhibit 8: DaaS KPIs



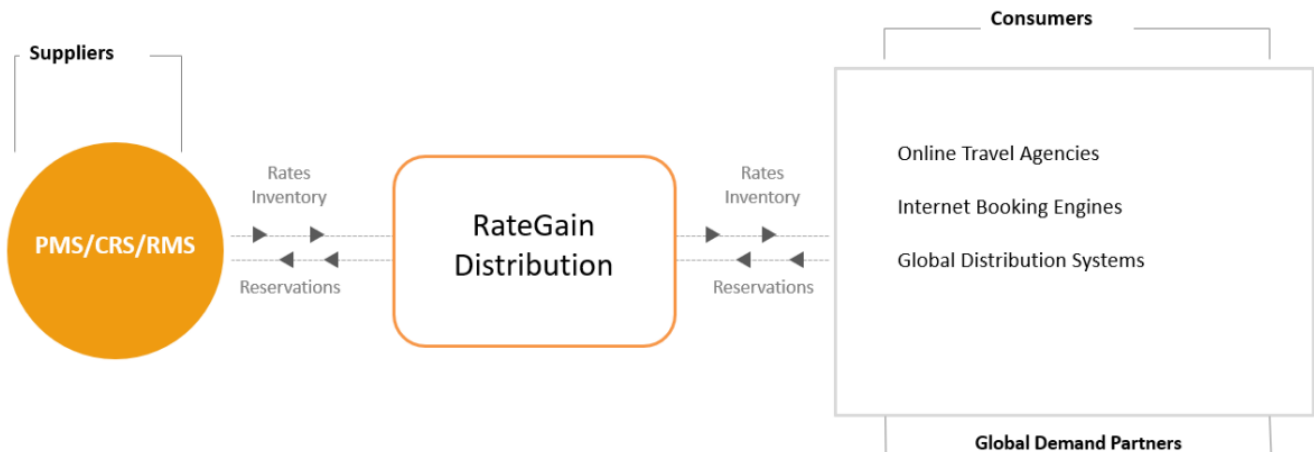
Source: RHP, ICICI Direct Research, *annualised 5M number for calculation

Distribution

It provides technology infrastructure that helps both hotel chains and demand partners such as online travel agents, GDS providers and corporate travel agents communicate availability, rates, inventory as well as process bookings. Company’s distribution platform helps hotels to sell the right product at the right price on the right channel by serving the right content through demand partners. The company operates distribution through 2 products i.e **RezGain and DHISCO**. **RezGain operates**

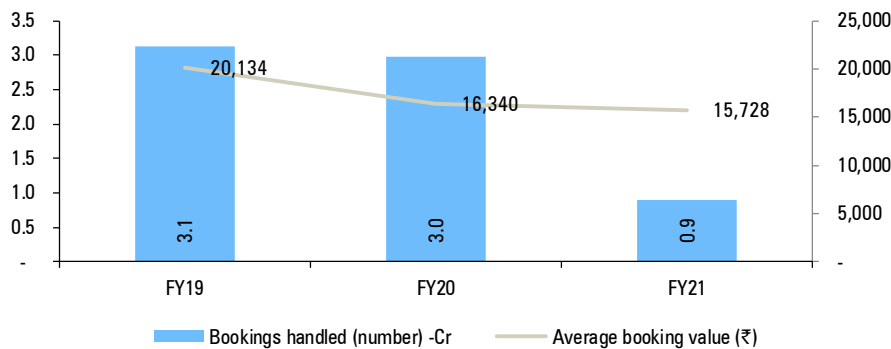
on subscription basis and targeted to mid-market while DHISCO operates on transaction model where it generates revenues on bookings done by OTA and GDS operators. These connections are available through multiple flow architectures including various combinations and conduct distribution of availability, rates, inventory, negotiated rates, cancellation policy, amenities, attributes, images and description, all in multiple languages.

Exhibit 9: RateGain Distribution



Source: RHP, ICICI Direct Research

Exhibit 10: Distribution KPIs

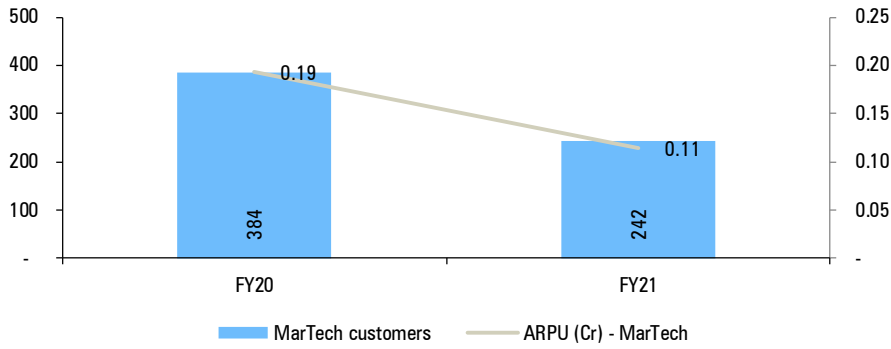


Source: RHP, ICICI Direct Research

MarTech

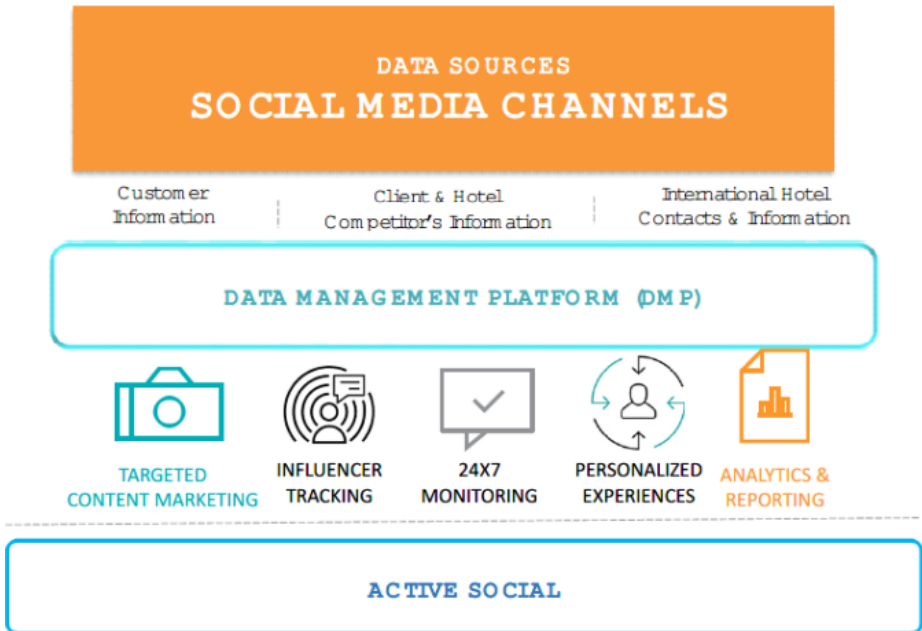
MarTech offering enhances brand experience to drive guest satisfaction, increase bookings and increases guest loyalty. It also manages social media for luxury travel suppliers allowing them to be responsive to social media engagements 24x7 as well as effectively manage their social media handles and run promotional campaigns. It is a 'single source provider' of social media management to leading hospitality and travel brands including well-known luxury properties. It offers real-time social listening and guest communication, active management of their social assets and campaign management through its AI based solution to increase awareness, engagement and sales that help in personalization of guest experience. It generates revenues from its MarTech solutions on a subscription basis. As of March 31, 2020 and 2021, It had 384 and 242 Active Customers in this vertical while as of September 30, 2021, It had 341 Active Customers.

Exhibit 11: MarTech KPIs



Source: RHP, ICICI Direct Research

Exhibit 12: MarTech offering

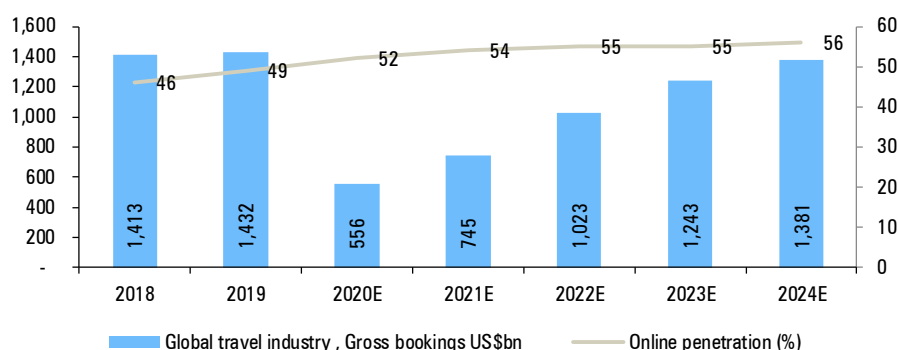


Source: RHP, ICICI Direct Research

Industry Overview

The global travel industry in terms of gross bookings is expected to reach US\$1,381bn in 2024, at CAGR of 25.5% over CY20-24, on benign base hit by covid19. 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.

Exhibit 13: Online penetration of global gross bookings will reach 56% by CY24



Source: RHP, ICICI Direct Research

Phocuswrite project total technology spend across all listed supplier types at US\$29.5bn in 2021 which is expected to grow at 18.1% CAGR over CY21-25 to reach at US\$57.3bn. The deloitte insight report estimates that average technology spends as a % of revenue. In their report, they mentioned that travel, media, and hospitality businesses spent, on average, 3.94% of revenue on technology overall.

Exhibit 14: Technology spend is expected to grow at 18.1% CAGR

| (US\$ bn) | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR (CY21-25) |
|-------------------------|-------|-------|-------|-------|-------|----------------|
| Total Revenue | 749 | 1,023 | 1,229 | 1,365 | 1,455 | 18.1 |
| Industry mix | | | | | | |
| Hospitality | 307 | 406 | 479 | 522 | 554 | 15.9 |
| Airlines | 266 | 396 | 499 | 571 | 616 | 23.4 |
| Vacation Rentals | 71 | 85 | 95 | 101 | 104 | 10.0 |
| Holiday Parks | 45 | 51 | 54 | 56 | 57 | 6.1 |
| Car Rental | 36.0 | 43.0 | 49.0 | 53.0 | 56.0 | 11.7 |
| OTA | 17.0 | 23.0 | 28.0 | 32.0 | 34.0 | 18.9 |
| Cruise | 7.0 | 19.0 | 25.0 | 30.0 | 34.0 | 48.5 |
| Technology spend | | | | | | |
| at 3.94% | 29.5 | 40.3 | 48.4 | 53.8 | 57.3 | 18.1 |
| 3rd party spend @29% | 8.6 | 11.7 | 14.0 | 15.6 | 16.6 | 18.1 |
| Excluding hardware @31% | 5.9 | 8.1 | 9.7 | 10.8 | 11.5 | 18.1 |

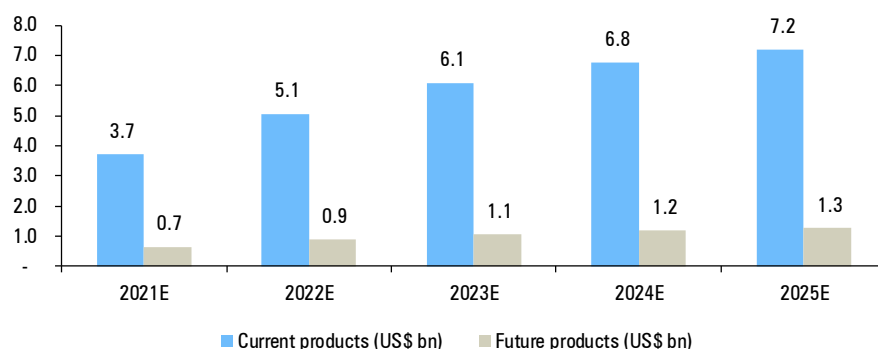
Source: RHP, ICICI Direct Research

Phocuswright believes these numbers will increase over the next few years because of advances in technology as well as from COVID-19 impacts. Technology impacts include cloud adoption because of the basic benefits of uptime, availability, and high level of support in the cloud, as well as the superior development environment for building applications and platforms that can auto-scale through micro-service architectures. After some initial scepticism, Phocuswright sees more companies migrating to the cloud and staying there (or operating in a hybrid mode), which reduces the need for a hardware footprint on premises or with a third-party provider.

Serviceable addressable market (SAM)

To calculate the SAM, Phocuswright approximates the total market for RateGain's products and services by calculating the number of customers who are likely to have a need and the ability to pay for RateGain's products and multiplying that by RateGain's current ACV for each customer type. The SAM answers the question: "If everyone who might be a customer for RateGain's products were to buy from RateGain only, and at RateGain's current ACV, what would that total be?"

Exhibit 15: Current and future products demand



Source: RHP, ICICI Direct Research

Travel tech competitors

Exhibit 16: DaaS competitors

| | OTA insight | Fornova | Paraty Tech | Rate-Highway |
|------------------|---|---|--|--|
| Product/offering | Market and price rate intelligence; tracking parity performance and PMS analytics | Competitive and distribution intelligence; e-commerce optimizer; revenue intelligence and operational analytics | Booking Engine; Revenue Management; Web and Online Marketing; Loyalty Clubs; Ring2Travel | Rate-Monitor, Car Rental revenue management, Rate-Monitor premium, |
| Verticals | Single/Multiple property | Hotel Group, OTAs, Car rental companies, Booking sites | Hotels | NA |
| Clients | 50,000 | 50,000 | over 3,000 | Unknown |
| Revenue | US\$22.2mn in 2019 | GBP 10.3 mn in 2018 | Unknown | US\$3.34mn in 2021 |
| Employees | 191 | 51-200 | 11-50 | 11-50 |
| Founding year | 2012 | 2010 | 2011 | 2003 |

Source: RHP, ICICI Direct Research

Distribution competitors

Exhibit 17: Distribution competitors

| | TravelClick | SiteMinder | DerbySoft | Infare |
|------------------|--|--|--|--|
| Product/offering | Media solutions; reservations & booking engine; integrated booking suite; central reservations system; | Channel manager; booking engine; website design; business insights; hotel metasearch hotel payment processing; | Streamlined connectivity; property connect; marketing services, WeChat Mini Program Provider | For Airlines, Altus – for airline network management and route planning; Pharos – for airline revenue management and pricing teams |
| Verticals | Hotels, gaming, exhibition, events and banquet | Independent and chain hotels | Hotels | Airlines, Airports, Travel Agencies |
| Clients | 52,000 | 35,000 | Top 10 global hotel groups | Over 250 airlines worldwide |
| Revenue | US\$373mn in 2017 | AUD 100mn in 2019 | Unknown | Estimated USD 19.4mn per year |
| Employees | 1001-5000 | 501-1000 | 251-500 | 51-200 |
| Founding year | 1999 | 2006 | 2002 | 2000 |

Source: RHP, ICICI Direct Research

MarTech competitors

Exhibit 18: MarTech competitors

| | Destination Think | Lodging Interactive | Casual Fridays | Pandemic Labs |
|------------------|---|--|---|---|
| Product/offering | Destination strategy; Destination branding; Creative platforms; Tourism Sentiment Index | HotelSiteXPRESS – hotel websites; Commingle Engage – social media marketing and reputation management; | Digital Marketing Strategy; Social Media Ads; Social Media & Reputation Management; Content Marketing | Full-service digital marketing including digital strategy; content production; measurement & analytics; social media management |
| Verticals | DMOs, NTOs, CVBs and events | Hotels, restaurants, spas, management companies | Hospitality; tourism; non-profit; education; entertainment | Lodging; cruises; DMOs; non-hospitality brands |
| Clients | Over 100 | Over 65 hotel management companies and nearly 700 hospitality properties worldwide | Unknown | Global client roster includes some of the most well-known brands in the world, especially in the travel industry |
| Revenue | US\$5mn | US\$1.8mn | US\$5.5mn in 2021 | USD 860,514 |
| Employees | 11-50 | 51-200 | 11-50 | 11-50 |
| Founding year | 2009 | 2001 | 2009 | 2007 |

Source: RHP, ICICI Direct Research

Exhibit 19: RateGain advantage

| | RateGain | OTAInsight | Fornova | TravelClick | SiteMinder | DerbySoft |
|--------------|----------|------------|---------|-------------|------------|-----------|
| DaaS | Y | Y | Y | Y | Y | |
| Distribution | Y | | | Y | Y | Y |
| MarTech | Y | | | | | |

Source: RHP, ICICI Direct Research

Investment Rationale

Marquee global customers with long term relationships

It has global and diverse customer base with whom it has long-standing relationships. As of September 30, 2021, its customer base of 1,462 customers includes 8 Global Fortune 500 companies comprised both travel suppliers and travel intermediaries including airlines, hotels, cruise lines, car rental companies, online travel agents, tour 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, tour operators and wholesalers, all leading car rental companies, all large cruise lines, and the largest travel management companies (Source: Phocuswright Report).

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 Limited along with independent hotels. Besides hotels, it also works with leading OTAs such as GroupOn. It also works with a number of airlines. It also works with seven global car rental companies and major cruise lines.

The company's customer base has increased over the years and it added 272 Active Customers in the last three Fiscals and in the six months ended September 30, 2021. The customer base grew from 1,190 Active Customers as of March 31, 2019 to 1,274 Active Customers as of March 31, 2020 and to 1,337 Active Customers as of March 31, 2021 and it had 1,462 Active Customers as of September 30, 2021, as a result of their sales and marketing efforts. The company serves customers in over 110 countries, as of September 30, 2021 including in other parts of Asia, Europe and the United States.

The company derives a majority of its revenues from enterprise customers, i.e., customers that generated revenues of over ₹4.00 million in any Fiscal and such customers accounted for 82.98%, 85.47%, 78.88%, 66.80% and 73.89% of its total revenue from operations in Fiscals 2019, 2020 and 2021 and in the five months ended August 31, 2020 and August 31, 2021, respectively. The company's AI enabled platform and technology focused offerings have led to consistent customer retention rates. For example, certain of its key customers including Sabre Global Inc., have been associated with the company since 2003. As of September 30, 2021, seven of its top 10 customers (by revenue in Fiscal 2021) have been associated with it for over 10 years. Revenue contributed from ten major customer groups was ₹ 1,102.74 million, ₹1,766.60 million, ₹928.13 million, ₹350.87 million and ₹501.90 million, and represented 42.16%, 44.31%, 37.01%, 35.93% and 40.19% of its revenue from operations in Fiscals 2019, 2020 and 2021 and in the five months ended August 31, 2020 and August 31, 2021, respectively.

The company offers customer support through its global support and implementation team that results in a quicker resolution of issues. It has a specialised centre of excellence for certain products and solutions to guide and train customers on best practices for effective and quick implementations. It has a customer feedback mechanism including automated NPS surveys, onboarding customer satisfaction surveys, business reviews and customer advisory boards for various geographies. The company conducts annual advisory meetings with industry leaders to gain perspective on the hospitality and travel industry.

Innovative AI driven industry relevant SaaS solutions

The company offer 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, It 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. It 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. its revenue optimization products, Rev.AI offer revenue management through historical pricing insights. its products are enabled with an intuitive user interface, offer a high degree of personalisation at a subscriber level and break down market rate and pricing strategy into logical insights

The company is focused on developing applications that use data science, artificial intelligence and machine learning. Through RateGain Labs, its in-house incubator, it develops data and AI driven products for the travel. its ability to track large volume of proprietary data across various categories of travel enables their artificial intelligence models to predict and forecast demand accurately and on a real-time basis. The company work across the hospitality and travel industry to ensure that it is constantly innovating and enhancing our products and platform offerings. its architecture is scalable and flexible to meet the demands of its customers and can be deployed at scale to support vast amounts of data. its platform is designed to comply with the highest standards of security to serve our customers globally. The company has a security framework that is PCI DSS compliant and its data privacy measures are designed to meet the requirements set forth under the GDPR. its continuous innovation, as well as strategic acquisition of technological capabilities, helps it to continued expansion and extension of the addressable market, giving it a competitive advantage.

Strong financial performance with track record of successful acceleration post acquisition

The company has maintained focus on capital efficiency and have grown without incurring material indebtedness, its conservative approach of operating with low debt has enabled it to remain in a good position during the COVID19 crisis. It has demonstrated strong financial performance and its revenue from operations were ₹2,615.74 million, ₹3,987.14 million, ₹2,507.93 million, ₹978.97 million and ₹1,252.70 million in Fiscals 2019, 2020 and 2021 and in the five months ended August 31, 2020 and August 31, 2021, respectively. its Adjusted EBITDA was ₹373.03 million, ₹317.67 million, ₹236.73 million, ₹183.75 million and ₹123.88 million in Fiscals 2019, 2020 and 2021 and in the five months ended August 31, 2020 and August 31, 2021, respectively, while its Adjusted EBITDA Margin was 14.26% and 7.97% in Fiscals 2019 and 2020, respectively, while it was 9.44% in Fiscal 2021, despite the impact of COVID-19 and was 18.77% and 9.89% in the five months ended August 31, 2020 and August 31, 2021, respectively. The company believe that its operating leverage, which impacts its EBITDA margins and cash flow generation, is driven by its efficient business model which promotes continuity in subscriptions and cash flows. Net cash generated from operating activities have been positive in all periods and were ₹362.14 million, ₹191.36 million, ₹206.04 million, ₹129.62 million and ₹70.47 million in Fiscals 2019, 2020 and 2021 and in the five months ended August 31, 2020 and August 31, 2021, respectively

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. it 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. It has historically introduced operating efficiencies, revenue growth and/or increased profitability in its acquired businesses, resulting in increased operating margins

Key Risk

Covid-19 impact on the business is uncertain

The outbreak of the COVID-19 pandemic, its continuing impact and recent developments, as well as government measures to reduce the spread of COVID-19, have had a substantial impact on the business of its customers and consequently it impacted its business and operations since early 2020. In response to the pandemic, governments around the world have implemented measures such as travel restrictions, quarantines, shelter-in-place orders, border closures and other measures that have had, and will continue to have, a significant negative impact on the travel and hospitality sector. Such travel bans and quarantine measures have significantly and adversely affected the hospitality and travel industry. In particular, these measures have impacted and continue to impact travel, hotel bookings, flight scheduling, air bookings and cancellations, and ability of passengers to access airline services, car rental, cruises, etc., thereby adversely impacting hospitality and travel industry businesses such as hotels and airlines, leading to, in certain cases, even bankruptcy of some of these operators. Europe's travel market was devastated by the coronavirus pandemic in 2020, with losses in every travel segment. Europe's recovery has been hit by multiple waves of COVID-19. The COVID-19 pandemic eviscerated the U.S. air travel segment in 2020, with second quarter bookings down 91% compared to the prior year. In India, a stalled economy and lockdown restrictions crippled several industries nationwide, including travel and tourism. India travel revenue shrunk 67% from US\$30.2 billion in 2019 to US\$9.9 billion in 2020.

The company's business is dependent on the ability of consumers to travel, and their prospects are therefore contingent on a timely recovery of global travel and hospitality industry to, or near to, pre-COVID-19 pandemic levels. Due to the COVID-19 pandemic, it was unable to meet certain covenants included in its credit agreement with Silicon Valley Bank, such breach was eventually waived by the bank and set aside the current covenant requirements until the three months ended June 30, 2021. The bank has included a fresh set of financial covenants using forecasts that take into account the impact of COVID-19 until the three months ended June 30, 2021. Additionally, principal amount payable for the three months ended June 30, 2020 and six months ended September 30, 2020 have been deferred until the term loan maturity date, i.e., June 2024

Market of SaaS solutions in the hospitality & travel industry is new and evolving

The company generate, and expect to continue to generate, a large majority of its revenue from contracts in relation to its SaaS products. The company believe that its success and growth will depend to a large extent on the widespread acceptance and adoption of SaaS solutions in general, and of its DaaS, Distribution and MarTech products in particular. its advertisement and sales promotion expenses towards its SaaS products were ₹46.83 million, ₹65.05 million, ₹5.49 million, ₹3.72 million and ₹50.86 million and represented 1.79%, 1.63%, 0.22%, 0.38% and 4.06% respectively, of its total revenue from operations in Fiscals 2019, 2020 and 2021, the five months ended August 31, 2020 and August 31, 2021, respectively.

The market for SaaS solutions in the hospitality and travel industry is relatively new and rapidly evolving, and if this market fails to grow or grows more slowly than its anticipation, demand for its SaaS products could be adversely affected. The travel SaaS solutions market is subject to rapidly changing user demand and trends and as a result it is difficult to predict enterprise adoption rates and demand for its SaaS products, the future growth rate and size of our market or the impact of competitive solutions

The company may not derive anticipated benefits from strategic investments and acquisitions

As part of its growth strategy, it has in the past and intend to continue to invest in and acquire stake in companies that are complementary to its business and technology offerings. For example, in Fiscal 2019, it acquired DHISCO, a hotel distribution technology company. It also acquired 100% stake in BCV Social, a marketing technology company, in Fiscal 2020 to focus on social media management for the hospitality sector. The company has recently completed the acquisition of Myhotelshop, a company which offers reporting, bid management and campaign intelligence platform for metasearch publishers and other travel products that enables hotel suppliers, OTAs, and agency clients to reach more customers at higher returns. It is currently evaluating potential opportunities and targets for acquisition. There can be no assurance that its investments and acquisitions will achieve its anticipated benefits. its investments and acquisitions may subject it to uncertainties and risks, including potential ongoing and unforeseen or hidden liabilities, diversion of management resources and cost of integrating acquired businesses. it may also experience difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business and retaining suppliers and customers of the acquired business.

Exhibit 20: Net proceed deployment plan

| Objects of Issue (₹Cr) | Amount which will be financed from Net Proceeds | Amount to be deployed | |
|--|---|-----------------------|---------------|
| | | Fiscal 2022 | Fiscal 2023 |
| Repayment/prepayment of indebtedness availed by RateGain UK, one of our Subsidiaries, from Silicon Valley Bank | 85 | 85 | |
| Payment of deferred consideration for acquisition of DHISCO | 25 | 25 | |
| Strategic investments, acquisitions and inorganic growth | 80 | | 80 |
| Investment in technology innovation, artificial intelligence and other organic growth initiatives | 50 | | 50 |
| Purchase of certain capital equipment for our Data Center | 41 | 41 | |
| General corporate purposes | To be decided | To be decided | To be decided |

Source: RHP, ICICI Direct Research

Financial summary

| Exhibit 21: Profit and loss statement | | | |
|---------------------------------------|--------------|---------------|---------------|
| | ₹ crore | | |
| (Year-end March) | FY19 | FY20 | FY21 |
| Total operating Income | 261.6 | 398.7 | 250.8 |
| Growth (%) | | 52.4 | (37.1) |
| Employee benefit expenses | 120.8 | 205.8 | 151.3 |
| Other expenses | 119.0 | 218.0 | 93.4 |
| Total Operating Expenditure | 239.8 | 423.8 | 244.6 |
| EBITDA | 21.8 | (25.0) | 6.2 |
| Depreciation | 20.2 | 42.7 | 35.9 |
| Finance cost | 3.2 | 8.9 | 8.2 |
| Other Income | 11.1 | 58.9 | 13.3 |
| Exceptional items | - | - | - |
| PBT | 9.5 | (17.8) | (24.6) |
| Total Tax | (1.5) | 2.3 | 3.9 |
| PAT | 11.0 | (20.1) | (28.6) |
| Basic EPS (₹) | 1.2 | (2.3) | (3.1) |
| Diluted EPS (₹) | 1.2 | (2.3) | (3.1) |

Source: Company, ICICI Direct Research

| Exhibit 22: Cash flow statement | | | |
|--|--------------|----------------|---------------|
| | ₹ crore | | |
| (Year-end March) | FY19 | FY20 | FY21 |
| Profit after Tax | 9.5 | (17.8) | (24.6) |
| Add: Depreciation | 20.2 | 42.7 | 35.9 |
| Others | (0.9) | 23.5 | 17.8 |
| (Inc)/dec in Current Assets | (0.8) | (11.8) | 13.0 |
| Inc/(dec) in CL and Provisions | 10.7 | (13.9) | (19.2) |
| Taxes paid | (2.5) | (3.7) | (2.3) |
| CF from operating activities | 36.2 | 19.1 | 20.6 |
| Inc/(dec) in investing activities | (1.3) | (106.9) | (81.0) |
| (Inc)/dec in Fixed Assets | (2.0) | (5.5) | (0.7) |
| CF from investing activities | (3.4) | (112.3) | (81.7) |
| Interest expenses | (2.3) | (6.1) | (6.9) |
| Proceeds/Repayment of borrowings | - | 85.7 | (2.2) |
| Payment of interest portion of lease liabilities | - | - | - |
| Others | (4.1) | (6.8) | 102.0 |
| CF from financing activities | (6.3) | 72.8 | 92.9 |
| Net Cash flow | 26.5 | (20.4) | 31.8 |
| Exchange difference | 0.5 | 1.8 | 1.0 |
| Opening Cash | 12.6 | 39.6 | 21.0 |
| Closing Cash | 39.6 | 21.0 | 53.8 |

Source: Company, ICICI Direct Research

| Exhibit 23: Balance sheet | | | |
|-------------------------------|--------------|--------------|--------------|
| | ₹ crore | | |
| (Year-end March) | FY19 | FY20 | FY21 |
| Equity Capital | 0.7 | 0.7 | 0.7 |
| Reserve and Surplus | 142.5 | 137.0 | 244.1 |
| Total Shareholders funds | 143.2 | 137.7 | 244.9 |
| Total Debt | 24.4 | 115.8 | 111.8 |
| Long term provisions | 3.1 | 3.0 | 3.3 |
| Lease liabilities | 21.3 | 18.0 | 2.6 |
| Total non current liability | 24.5 | 21.0 | 5.9 |
| Total Liabilities | 192.1 | 274.5 | 362.6 |
| Assets | | | |
| Property, plant and equipment | 17.1 | 13.1 | 7.9 |
| Intangibles | 58.0 | 146.3 | 118.6 |
| Right of use | 21.6 | 19.7 | 4.6 |
| Other assets | 20.6 | 47.2 | 41.5 |
| Cash | 44.8 | 24.4 | 57.3 |
| Investments | 40.7 | 44.9 | 129.0 |
| Trade receivables | 63.3 | 77.7 | 66.9 |
| Loans | 0.9 | 0.2 | 0.2 |
| Other current assets | 17.8 | 23.6 | 13.8 |
| Total Current Assets | 167.5 | 170.8 | 267.3 |
| Trade payables | 19.3 | 38.6 | 24.3 |
| Lease liability | 8.6 | 10.0 | 2.7 |
| Other Financial liabilities | 32.2 | 29.3 | 10.5 |
| Provisions | 0.2 | 0.2 | 0.2 |
| Other current liability | 32.6 | 44.5 | 39.4 |
| Total Current Liabilities | 92.8 | 122.6 | 77.2 |
| Net Current Assets | 74.7 | 48.2 | 190.1 |
| Application of Funds | 192.1 | 274.5 | 362.6 |

Source: Company, ICICI Direct Research

| Exhibit 24: Key ratios | | | |
|-----------------------------|---------|---------|---------|
| | ₹ crore | | |
| (Year-end March) | FY19 | FY20 | FY21 |
| Per share data (₹) | | | |
| EPS | 1.2 | (2.3) | (3.1) |
| Cash EPS | 3.5 | 2.6 | 0.8 |
| BV | 16.1 | 15.6 | 26.5 |
| DPS | - | - | - |
| Cash Per Share | 5.0 | 2.7 | 6.2 |
| Operating Ratios (%) | | | |
| EBITDA margin | 8.3 | (6.3) | 2.5 |
| EBIT margin | 0.6 | (17.0) | (11.9) |
| PAT Margin | 4.2 | (5.0) | (11.4) |
| Debtor days | 88 | 71 | 97 |
| Unbilled revenue | 24 | 41 | 65 |
| Creditor days | 27 | 35 | 35 |
| Return Ratios (%) | | | |
| RoE | 7.7 | (14.6) | (11.7) |
| RoCE | 6.6 | (3.2) | (4.5) |
| RoIC | 1.4 | (33.0) | (16.9) |
| Valuation Ratios (x) | | | |
| P/E | 342.7 | (187.2) | (137.5) |
| EV / EBITDA | 177.8 | (158.8) | 626.0 |
| EV / Net Sales | 14.8 | 10.0 | 15.4 |
| Market Cap / Sales | 15.0 | 9.9 | 15.7 |
| Price to Book Value | 26.4 | 27.3 | 16.0 |
| Solvency Ratios | | | |
| Debt/EBITDA | 1.1 | (4.6) | 18.2 |
| Debt / Equity | 0.2 | 0.8 | 0.5 |
| Current Ratio | 0.9 | 0.8 | 1.0 |
| Quick Ratio | 0.9 | 0.8 | 1.0 |

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruvi Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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