

RateGain Travel Technologies Limited

IPO Note

Business Overview

Company Profile:

- Rate Gain Travel Limited 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. They offer 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.
- They are one of the largest aggregators of data points in the world for the hospitality and travel industry. The company began operations in 2004 with the introduction of a competitive intelligence price comparison product for hotels and have over the last 15 years, expanded their product portfolio to include artificial intelligence and machine learning capabilities that leverage their in-house data lake to offer products in the areas of rate intelligence, cognitive revenue management, smart distribution and brand engagement.

Product/Services:

- They offer a suite of inter-connected products that manage the revenue creation value chain for their customers by leveraging their big-data capabilities and integration with other technology platforms helping hospitality and travel providers acquire more guests, retain them via personalized guest experiences and seek to maximize their margins.
- In a highly fragmented landscape of travel technology providers, the company offers a platform that bridges the data gap across the hospitality and travel industry. They provide inter-operable products that leverage data across internal and external sources, unlock value through integration and enable better, faster and automated decision making. Their 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.



Issue Details

Fresh Issue Up to [●] Equity Shares, aggregating up to ₹3,750 million & Offer for sale of Up to 22,605,530 Equity Shares

Issue size: ₹ 1,290 – 1,335 Cr

No. of shares (in '000): 107,182 – 106,746 Shares

Face value: ₹ 1/-

Employee Reservation: Equity Shares Aggregating up to ₹ 5 Cr

Price band: ₹ 405 – 425

Bid Lot: 35 Shares and in multiple thereof

Employee Discount: ₹ 40 per share

Post Issue Implied Market Cap: ₹ 4,341 – 4,537 Cr

BRLMs: Kotak Mahindra Capital Company Ltd, IIFL Securities Ltd, Nomura Financial Advisory and Securities (India) Private Ltd
Registrar: KFin Technologies Pvt Ltd

Indicative Timetable

| Activity | On or about |
|------------------------------------|-------------|
| Issue Opens | 07-12-2021 |
| Issue Closes | 09-12-2021 |
| Finalization of Basis of Allotment | 14-12-2021 |
| Refunds/ Unblocking ASBA Fund | 15-12-2021 |
| Credit of equity shares to DP A/c | 16-12-2021 |
| Trading commences | 17-12-2021 |

Listing: BSE & NSE

Issue Break Up

| Retail | QIB | NII |
|--------|-----|-----|
| 10% | 75% | 15% |

Shareholding- Basis upper price band

| | Pre Issue | Post Issue |
|-------------------------------|-------------|----------------|
| Promoter & Promoter Group | 67.29% | 56.58% |
| Public – Investor Selling S/H | 23.30% | 5.34% |
| Public - Others | 9.41% | 38.07% |
| Total | 100% | 100.00% |

*Computed using data given on pages 67, 92 and 104 of RHP

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Competitive Strengths

Marquee global customers with long-term relationships

The company has a global and diverse customer base with whom they have long-standing relationships. As of September 30, 2021, their 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, tour operators and wholesalers. Their 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).

Innovative AI driven industry relevant SaaS solutions

They offer a comprehensive platform of industry-specific solutions with growth and monetization capabilities. Product and technology innovation is at the core of their success. Given the fragmented nature of the hospitality and travel industry, they have developed products that are inter-operable and integrate across a single platform allowing customers to maximize their revenues while also resulting in cost savings. They have built their proprietary AI algorithms and applied it in connection with their SaaS products to provide their customers with next generation of product features.

Diverse and comprehensive portfolio of revenue maximization and business critical solutions

They have 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. They have, over the years grown their operations and the scale of their operations allows customers globally to streamline their operations and increase revenues. They 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 (Source: Phocuswright Report).

Strong financial performance with track record of successful acceleration post acquisitions

They have maintained focus on capital efficiency and have grown without incurring material indebtedness, their conservative approach of operating with low debt has enabled them to remain in a good position during the COVID- 19 crisis. Their balance sheet position enables them to make strategic investments by acquiring stakes in certain companies, and consolidate their position by acquiring brands, complementary technologies and product lines.

Global and diverse management team with relevant technology and domain expertise and focus on employee welfare

The company benefits from the vision and experience of its senior management team. Key members of the senior management team include Bhanu Chopra, Promoter and executive Chairman of the board who has over 20 years of experience and has been profiled on "Young Turks" by CNBC-TV18 and is a member of Delhi chapter of Young Presidents Organisation. Harmeet Singh, Chief Executive Officer, was the former President of j2 Global Incorporated. Tanmaya Das, Chief Financial Officer, has extensive experience in consulting and has been associated with PricewaterhouseCoopers in the past, Their Global Head of Corporate Development, Yogeesh Chandra has experience in hospitality industry and has been associated with Taj Hotels, The Spencer on Byron Hotel, New Zealand and Kingsgate Hotel, Parnell, Auckland.

For further details, refer to 'Strengths' page 166 of RHP

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Business Strategies

Going forward, their growth levers to include the following: New product development capabilities, land and expand. Penetration and go-to-market at scale

Continue to scale DaaS and Distribution offerings through cross-sell and geographical expansion in existing and adjacent verticals: Over the last 15 years, they have introduced various products that provide access to rate intelligence to customers in the hospitality and travel industry that gives them a real-time and accurate view of the market. They intend to expand their existing product offerings into segments of the hospitality and travel industry that they expect to grow following greater normalization of travel as COVID-19 recedes.

Focus on MarTech solutions for the hospitality and travel sector: Their strategy to grow the MarTech vertical is aimed at creating customer value at a time when guest traveler engagement with travel suppliers is being re-invented in the post COVID-19 scenario.

Continue to leverage unique data assets to create new AI product offerings: They are one of the largest aggregator of travel pricing data in the world (Source: Phocuswright Report). They use their data lake for storage and modelling travel related data. They have over the years been able to leverage their large data assets to offer their customers rate intelligence, cognitive revenue management and distribution products. The scale of their operations and strength in analytics have helped them grow operations and monetize their offerings. They intend to continue to leverage their extensive data assets through introduction of additional product offerings based on latest technologies.

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

For further details, refer to 'Strategies' page 170 of RHP

Object of the Offer

The object of the Offer for Sale is to allow the Selling Shareholders to sell up to 22,605,530 Equity Shares held by them aggregating up to Rs. [●] million. The Company will not receive any proceeds from the Offer for Sale. The net proceeds of the Fresh Issue, i.e. gross proceeds of the Fresh Issue less the offer expenses apportioned to the Company in relation to Fresh Issue ("Net Proceeds") are proposed to be utilised in the following manner:

| Particulars | Amount (Rs. In Million) |
|----------------------------------------------------------------------------------------------------------------|-------------------------|
| Repayment/prepayment of indebtedness availed by RateGain UK, one of the Subsidiaries, from Silicon Valley Bank | 852.61 |
| Payment of deferred consideration for acquisition of DHISCO | 252.00 |
| Strategic investments, acquisitions and inorganic growth | 800.00 |
| Investment in technology innovation, artificial intelligence and other organic growth initiatives | 500.00 |
| Purchase of certain capital equipment for company's Data Center | 407.73 |
| General Corporate Purposes* | [●] |
| Total Net Proceeds | [●] |

**To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Net Proceeds of the Fresh Issue.*

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Profile of Directors

Bhanu Chopra is the Chairman and Managing Director of the Company. He is also one of the Promoters of the Company and has been a member on the Board since incorporation. He is an entrepreneur with experience of over 15 years and has been actively involved in the day-to-day running of the Company since incorporation. He holds a bachelor's degree of science in business from Indiana University, after which he began his career with Deloitte in 1998.

Megha Chopra is an Executive Director of the Company. She is also one of the Promoters of the Company and has been a member on the Board since incorporation. She is an entrepreneur with more than eight years of experience in the Company and has been actively involved in the day-to-day running of the Company. She holds a post graduate diploma in family business management from Narsee Monjee Institute of Management Studies, Mumbai. Prior to her directorship in the Company she was associated with HCL Infosystems Limited.

Nishant Kanuru Rao is a Non-Executive Nominee Director of the Company and a nominee of Avataar. He holds a bachelor's degree in computer science from University of Texas, Austin, United States and a master's degree in business administration from Massachusetts Institute of Technology, Cambridge, USA and is a venture capitalist by profession. Previously, he has been associated with LinkedIn Corporation USA, Freshdesk Technologies Private Limited and Sirion Labs Private Limited. Currently, he is a partner at Avataar Venture Partners, which was founded by him in 2019.

Girish Paman Vanvari is an Independent Director of the Company. He was appointed on the Board of the Company on June 29, 2021. He holds a bachelor's degree in commerce from Shri Narsee Monjee College of Commerce and Economics, University of Bombay and is an associate member of the Institute of Chartered Accountants of India. Previously, he has been associated with KPMG, India as the national head of tax. Currently, he is a partner at Transaction Square, which was founded by him in 2018.

Aditi Gupta is an Independent Director of the Company. She was appointed on the Board of the Company on July 15, 2021. She is a member of Institute of Company Secretaries of India and has an experience of over 10 years as a company secretary. She holds a bachelor's degree in commerce and a bachelor's degree in law from Chaudhary Charan Singh University, Meerut and a master's degree in commerce from Indira Gandhi National Open University.

EC Rajakumar Konduru is an Independent Director of the Company. He was appointed on the Board of the Company on July 15, 2021. He is a venture capitalist with an experience of over 13 years in equity investments. He holds a bachelor's degree in science and a master's degree in science and a master's degree in philosophy from Sri Venkateswara University, Tirupati. Previously, he has served as an officer of the Indian Revenue Services and as the regional director of SEBI. Currently, he is the managing director of Ascent Capital Advisors India Private, which he founded in 2008.

Given above is the abstract of data on directors seen on page 203 of the RHP

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Financials (Restated Consolidated)

(Rs. In Millions)

| Particulars | Five months period ended 31 August 2021 | Year Ended 31 March 2021 | Year Ended 31 March 2020 | Year Ended 31 March 2019 |
|------------------------------|-----------------------------------------|--------------------------|--------------------------|--------------------------|
| Equity Share Capital | 78.61 | 6.55 | 6.55 | 6.55 |
| Other Equity | 2,361.92 | 2,441.18 | 1,369.84 | 1,424.89 |
| Net Worth | 2,442.01 | 2,449.21 | 1,377.24 | 1,432.29 |
| Total Borrowings | 1,092.82 | 1,117.93 | 1,158.08 | 244.19 |
| Revenue from Operations | 1,252.70 | 2,507.93 | 3,987.14 | 2,615.74 |
| EBITDA | (1.90) | 61.59 | 287.02 | 217.58 |
| Adjusted EBITDA | 123.88 | 236.73 | 317.67 | 373.03 |
| Profit/Loss Before Tax | (93.70) | (246.28) | (177.62) | 94.87 |
| Net Profit/Loss for the year | (83.37) | (285.75) | (201.04) | 110.34 |
| Basic EPS | (0.86) | (3.09) | (2.27) | 1.24 |

Note: Above data obtained from pages 21, 70-71 and 508-509 of RHP

Comparison with peers

There are no listed companies in India that engage in a business similar to that of this Company. Accordingly, it is not possible to provide an industry comparison in relation to the Company.

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Key Risk Factors

- The cost of acquisition of the Equity Shares by Avataar and Wagner, the Investor Selling Shareholder, pursuant to conversion of the Series A CCCPS and Series B CCCPS held by them may be below the Offer Price.
- Substantially all of company's 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.
- The COVID-19 pandemic has had a significant adverse effect on their business and operations, and its future impact on their business, operations and financial performance is uncertain.
- The company has issued Equity Shares during the preceding twelve months at a price which may be below the Offer Price.
- Their business depends on their customers renewing their contracts and on the company expanding their sales to existing customers. Any decline in their customer contract renewals or expansion or any impairment of their long-term relationships with the customers would adversely affect the business operations and financial performance.
- If they are unable to attract new customers in a manner that is cost-effective and assures customer success, then their business, results of operations and financial condition would be adversely affected.
- The company derives, have derived and expect to continue to derive, the substantial majority of their revenue from contracts in relation to their Distribution products. Any failure of their Distribution products to satisfy customer demands, achieve increased market acceptance or adapt to changing market dynamics would adversely affect the business, results of operations, financial condition and growth prospects.
- Their funding requirements and the proposed deployment of Net Proceeds are not appraised by any independent agency, which may affect their business and results of operations.
- The company derives a significant portion of their revenues from operations from a limited number of markets and any adverse developments in these markets could adversely affect the business.
- The company is required to comply with certain restrictive covenants under their financing agreement. Any noncompliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect their business, results of operations, financial condition and cash flows.
- The Pro-forma Consolidated Financial Information included in this Red Herring Prospectus is not indicative of their future financial condition or results of operations.
- The company may be subject to certain liability as part of their contracts with customers.
- They have in the past been non-compliant with certain provisions of the Companies Act, 2013, in relation to allotment of equity shares. While they have filed applications for the compounding of these offences with relevant of authorities, they cannot assure you that the compounding application will be resolved in their favour or they will not be penalised for any of the contraventions.
- Exchange rate fluctuations may adversely affect the results of operations as a portion of their revenues and expenditures are denominated in foreign currencies.
- The deployment of Net Proceeds towards their inorganic growth initiatives may not take place within the period currently intended, and may be reduced or extended.
- They have a history of net losses and we anticipate increased expenses in future. Any loss in future periods could adversely affect their operations and financial conditions and the trading price of the Equity Shares.
- There are outstanding litigation proceedings against the Company and its Promoter. Any adverse outcome in such proceedings may have an adverse impact on their reputation, business, financial condition, results of operations and cash flows.
- The company has in the past entered into, and may, in future, enter into agreements with their customers that include exclusivity arrangements or unique contractual or pricing terms, which may result in significant risks or liabilities to them.
- They have certain contingent liabilities that have not been provided for in their financial statements, which if they materialise, may adversely affect their financial condition.
- The market for SaaS solutions in the hospitality and travel industry is new and evolving, and if this market develops more slowly than they expect or declines, or develops in a way that they do not expect, the business could be adversely affected.

(Please read carefully the Risk Factors given in detail in section II (page 27 onwards) in RHP)

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