



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- RateGain Q3FY25 consolidated revenues came in at ₹278.70 Cr, up 10.59% YoY and up +0.52% QoQ.
- Op Profit for Q3FY25 stood at ₹61.47 Cr, up 19.91% YoY and up 2.08% QoQ.
- Op margins for Q3FY25 came at 22.06%, +172 bps YoY and +34 bps QoQ.
- PAT for Q3FY25 stood at ₹56.54 Cr, up 39.87% YoY and up 8.30% QoQ.

2. MANAGEMENT COMMENTARY:

- Projecting a 12-13% revenue growth for FY25 and single-digit revenue growth in Q4 FY25.
- Margins may see some pressure in short term but confident to achieve 25-30% margins in long term.

3. SEGMENTAL ANALYSIS:

- Q3FY25 Revenue Breakup: Subscription (22.8%), Transaction (42.2%), Hybrid (35.0%).
- Q3FY25 Geographical Revenue Breakup: North America (54.4%), Europe (31.6%), Asia Pacific (13.3%), Others (0.7%).

4. CONCALL SUMMARY

- Revenue grew by 10.59% YoY and 0.52% QoQ to ₹278.7 crore.
- EBITDA grew by 19.91% YoY and 2.08% QoQ to Rs 61.47 cr with margin at 22.1%
- 14.2 LTV To CAC Compared to 14.9x in 9MFY24
- 836 Employees +10.7% YoY and +0.7% QoQ. The company's attrition rate hit a new low at 9.6%.
- Signed a significant deal with a major software company, poised to enhance growth in the distribution segment.
- Revenue growth in FY25 is expected to be slower than in previous years, primarily due to delays in securing large deals and a more cautious approach to enterprise spending.
- The M&A pipeline continues to be robust, with a consistent flow of inbound opportunities since the start of the year.
- The company is investing in AI to equip hotels with agentic AI and no-code platforms, strengthening their ability to drive direct bookings.

5. OTHER DEVELOPMENTS:

- In Q3, the company introduced Demand Booster, a digital marketing solution aimed at helping hotels increase direct bookings and enhance their return on ad spend.

6. VALUATION AND OUTLOOK:

Overall we believe Co is poised to grow and outperform in long term led by solid demand in the sector and a healthy deal pipeline.

We can also see margin expansion led by positive operating leverage.

We maintain a "BUY" rating on the stock and value the stock at 30x FY26E earnings to arrive at the target of ₹620.

RECOMMENDATION - BUY

CMP – 528

TARGET – 620 (17%)

Industry	IT - Software
NSE CODE	RATEGAIN
BSE CODE	543417
Market Cap (₹ Cr)	5892.78
Shares Outstanding (in Cr)	11.79
52 wk High/Low (₹)	859 / 475
P/E	28.87
P/BV	3.65
Face Value (₹)	1.00
Book Value (₹)	136.85
EPS (FY24) (₹)	12.34
Dividend Yield (%)	0.00
Debt / Equity	0.00
Interest Coverage	68.12

SHAREHOLDING PATTERN

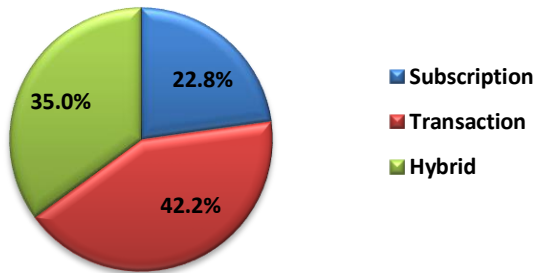
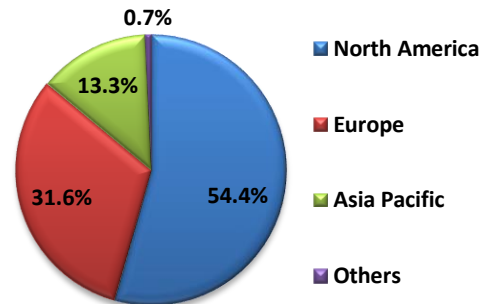
	Dec 24	Sep 24	Jun 24
Promoters	48.22	48.22	48.25
MF/ DII	21.00	18.77	18.24
FII/FPI	8.27	10.21	9.54
Retail & Others	20.90	21.02	20.55
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Creole			
Sales	957	1081	1254
Sales Gr. (%)	69%	13%	16%
EBITDA	188	229	279
EBITDA %	19.65	21.16	22.25
PAT	145	205	244
EPS (₹)	13.01	17.36	20.68
EPS Gr. (%)	106	33	19
P/E (x)	39.6	29.6	24.9

Historical & Industrial Val Ratios

Historical P/E	28.87
Industry P/E	32.59
Historical P/B	3.65
Industry P/B	9.28

REVENUE SPLIT (Q3 FY25)
Engagement Mix (Q3 FY25)

Geography Mix (Q3 FY25)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY24				FY25				FY24	FY25E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
Net sales	214	235	252	256	260	277	279	265	957	1081
YoY change (%)	79.78%	88.36%	82.24%	39.84%	21.23%	18.12%	10.59%	3.68%	69%	13%
Total Expenditures	177	188	201	202	210	217	217	208	767	852
EBITDA	38	46	51	54	50	60	61	58	190	229
Margins (%)	18%	20%	20%	21%	19%	22%	22%	22%	20%	21%
Other income	6	4	11	21	18	17	20	18	42	73
Interest	0	0	0	0	0	0	0	0	1	0
Depreciation	11	10	10	10	9	9	8	9	41	35
PBT	32	39	52	65	58	68	73	67	189	267
Rate (%)	22%	24%	22%	24%	22%	24%	23%	24%	23%	23%
Adjusted PAT	25	30	40	50	45	52	57	51	145	205
EPS in Rs	2.3	2.77	3.43	4.24	3.85	4.43	4.79	4.31	12.34	17.36

Key Performance Indicators

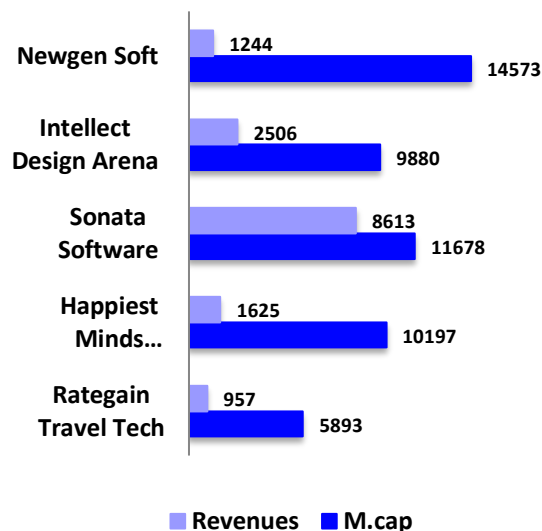
Active Customers	3057	3104	3210	3279	3299	3225	3244		
Headcount	727	746	755	770	801	830	836		
Attrition%	17.7	13.8	12.0	11.2	10.9	10.3	9.6		
LTV to CAC (x)	13.4	15.2	14.9	14.1	15.7	15.1	14.2		
New Contract Wins (INR Mn)	565	654.9	843.7	784.2	621	654.6	646.4		
Total Pipeline (INR Mn)	3613	4011	4215	4861	5553	4691	5076		
Top 10 Clients	28.4	24.8	27.7	28.3	31.1	26.3	28.6		

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The global travel and tourism market was US\$ 1.7 trillion in 2017. In 2023 the travel and tourism industry recovered, growing 18.2% year-on-year from 2022 to US\$ 1.9 trillion, and expected to grow at a CAGR of 8.2% to reach US\$ 2.6 trillion in 2027.
- According to Euromonitor, the global spending by travelers combining business and leisure will more than double by CY 2027 compared to CY 2021.
- Global Hotel Revenues Are on a Growth Trajectory; Focus on Revenue Predictability & Productivity. Global Hotel Revenues are expected to surpass \$1 Tn by 2025.
- Asia is expected to witness steady growth by CY 2025 as Chinese outbound travel recovers.
- The products and services offered by RateGain were part of a serviceable addressable market valued at USD 6.6 billion in CY 2023, which is expected to increase to USD 9.9 billion by CY 2027.
- Leading players in Indian IT Industry (Small Cap Space) includes Happiest Minds, Sonata Software, Intellect Design Arena, Newgen Software, Rategain Travel Tech.

KEY PLAYERS in Small Cap IT Space



PEER PERFORMANCE

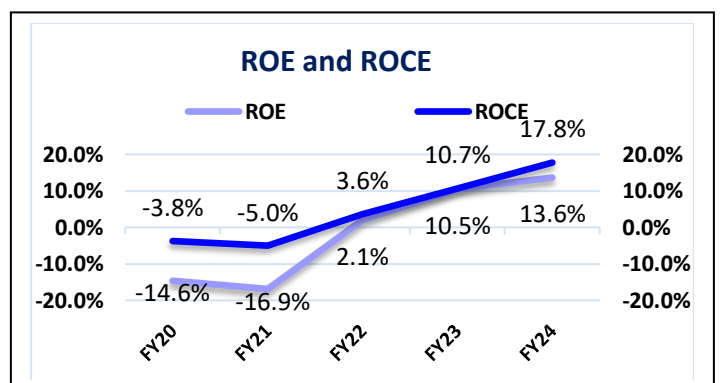
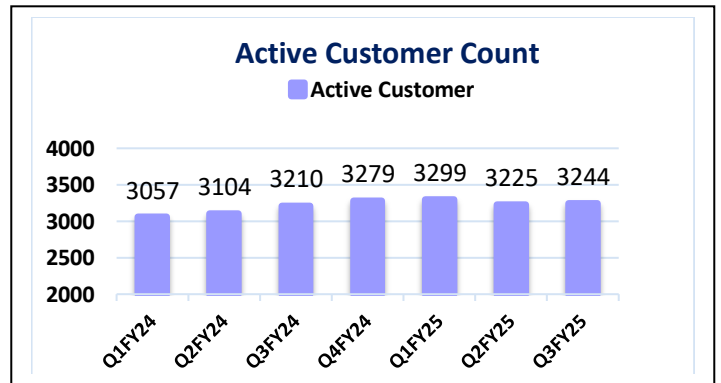
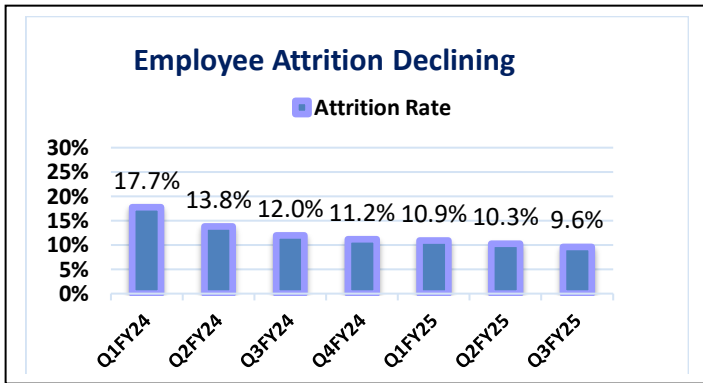
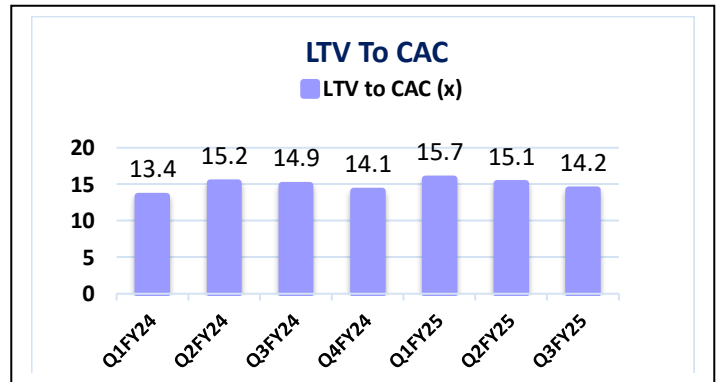
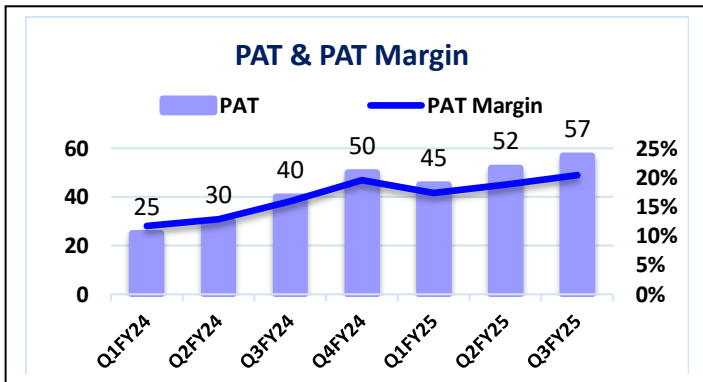
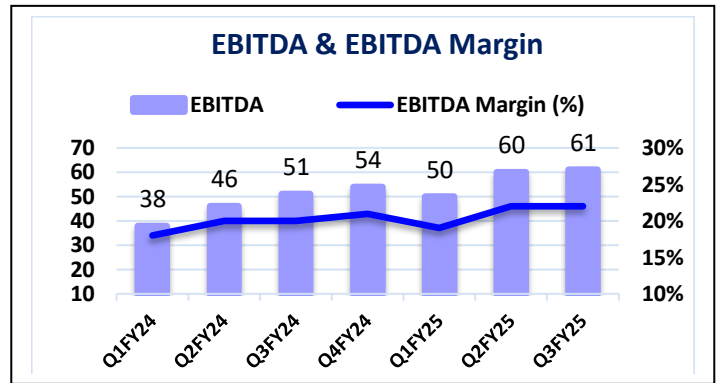
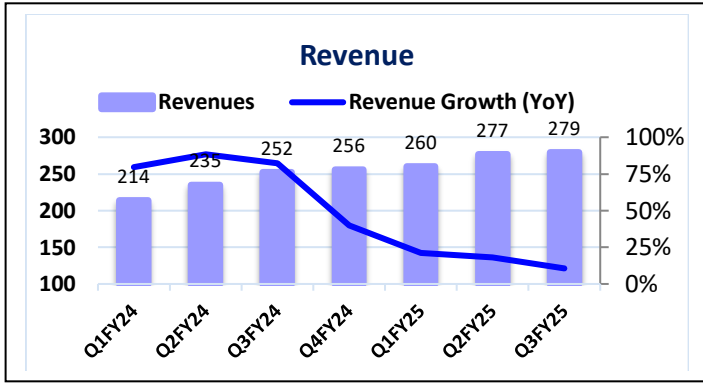
(₹ Cr)

Particulars	Peer Companies				
	Rategain Travel Tech	Happiest Minds Technologies	Sonata Software	Intellect Design Arena	Newgen Soft
Market Cap	5,892.8	10,197.1	11,678.3	9,879.8	14,572.5
Net Sales	957.0	1,624.7	8,613.1	2,506.4	1,243.8
EBITDA	191.2	335.9	727.4	542.2	288.3
PAT	145.4	248.4	308.5	321.2	251.6
EPS(₹)	12.3	16.6	11.1	23.5	18.0
EBITDA MARGIN %	24.3	25.9	9.9	24.0	27.0
PAT MARGIN %	15.2	15.3	3.6	12.9	20.2
ROCE %	17.7	23.3	28.2	20.8	27.9
ROE %	13.6	21.5	23.0	15.2	23.5
P/E TTM	28.9	45.8	27.3	36.5	46.7
P/B TTM	3.7	6.5	7.3	3.7	10.5
EV/EBITDA	19.7	22.7	15.5	18.5	35S
Dividend Yield %	0.0	0.9	1.9	0.5	0.4
MCap/ Sales TTM	5.5	5.3	1.2	4.1	10.2

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- India's Largest SaaS company in the hospitality and travel industry helping the industry to Improve Guest Acquisition with the Power of AI
- 3Y Revenue and PAT CAGR growth at 56% and 87% respectively.
- TTM Revenue and PAT growth at 21% and 58% respectively.
- Strong Financial Metrics with a proven acquisition playbook (9MFY2025)
- The demand has been across all segments such as OTAs, car rentals, cruise liners and airlines.
- Co is well positioned to grow led by broader set of offerings.
- Co is targeting strong business at reasonable valuations for its acquisitions.
- The company is committed to long-term, scalable growth by boosting revenue from large enterprises, aiming for more predictable growth. It is also in the advanced stages of negotiations with major brands across multiple sectors.
- Experience Promoter and Management team.

RISK / NEGATIVE FACTORS:

- A lot of startups, niche players and existing large players in adjacent industries are looking to enter travel making it critical for existing players to respond fast.
- Climate Change may impact this industry.
- The inflation would impact not just travelers but also the tourism industry. Hotels, bars, and restaurants are dealing with high food and energy costs, whereas aircraft are dealing with high fuel costs.
- The fragmentation of technology and data in the hospitality industry is another significant challenge and barrier to progress that the industry faces today.
- Majority of the revenue comes from America and Europe region, any geopolitical issue may impact Co.

COMPANY RECAP

- RateGain was founded in 2004 and has its headquarters in Noida, Uttar Pradesh, is one of the world's largest processors of electronic transactions and price points for the travel and hospitality industries.
- RateGain Travel Tech is India's first listed software as a service player exclusively focused on the travel vertical.
- It offers product and services across right pricing (DaaS), distribution channels (DHISCO, RezGain), and digital marketing (Martech).
- Offers travel and hospitality solutions to many verticals including hotels, airlines, car rental companies, online travel agents (OTAs), vacation rentals, package providers, and travel management companies.
- Company currently has 3244 customers, 836 Employees, LTV to CAC of 14.2, Healthy pipeline of Rs 507.6 Cr across segments.
- Management includes experienced persons such as Bhanu Chopra (Chairman and MD), Tanmaya Das (CFO).



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	398.71	250.79	366.59	565.13	957.03	1081.41	1254.44
Growth YoY (%)	52.43	-37.10	46.17	54.16	69.35	13.00	16
Total Expenditure	422.84	243.53	334.50	478.51	769.01	852.55	975.32
(%) of sales	106.05	97.10	91.25	84.67	80.35	78.84	77.75
EBITDA	-24.12	7.26	32.09	86.62	188.02	228.86	279.11
EBITDA Growth (%)	2.61	-40.87	136.40	119.19	117.06	21.72	21.96
EBITDA Margin (%)	8.72	8.20	13.26	18.85	19.65	21.16%	22.25
Depreciation	42.70	35.88	30.06	35.81	41.04	35.00	38
EBIT	-7.92	-15.32	17.60	70.74	146.98	194	241
EBIT Growth (%)	-157.92	-93.46	214.92	301.82	107.77	31.90	24.37
Net Interest Expenses	9.84	9.31	6.77	3.48	1.36	0	0
Other Income	58.90	13.30	16.52	19.93	41.55	73	80
Earnings before Taxes	-17.76	-24.63	10.84	67.26	188.87	267	321
EBT Margin (%)	-4.45	-9.82	2.96	11.90	19.74	24.68	25.60
Tax-Total	2.34	3.95	2.42	-1.14	43.47	62.05	77.07
Rate of tax (%)	-13.19	-16.03	22.31	-1.70	23.02	23.25	24.00
Net Profit	-20.10	-28.58	8.42	68.40	145.39	204.81	244.05
PAT Growth (%)	-282.20	-42.14	129.46	712.46	112.56	40.87	19.15
PAT Margin (%)	-5.04	-11.39	2.30	12.10	15.19	18.94	19.45
Minority Interest	0.00	0.00	0.00	0.00	0	0	0
Adjusted PAT	-20.10	-28.58	8.42	68.40	145.39	204.81	244.05
EPS	-2.56	-3.64	0.78	6.31	13.01	17.36	20.68
EPS Growth (%)	-282.21	-42.13	121.58	704.93	106.18	33.41	19.15

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	0.65	0.66	11	11	12
Reserves	137	244	608	699	1,439
Borrowings	144	117	18	18	17
Other Liabilities	116	78	140	208	255
Total Liabilities & Equity	397	440	777	936	1,722
Fixed Assets	216	168	222	396	364
CWIP	0	0	0	1	2
Investments	45	129	165	140	179
Other Assets	136	143	390	399	1,177
Total Assets	397	440	777	936	1,722

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	-5.04	-11.39	2.30	12.10	15.15
EBITDA margin (%)	8.72	8.20	13.26	18.85	19.85
EBIT margin (%)	-1.99	-6.11	4.80	12.52	15.36
ROE (%)	-14.60	-16.90	2.09	10.54	13.5
ROCE (%)	-3.76	-5.02	3.61	10.65	17.3
Working Capital & liquidity ratios					
Payables (Days)	0.00	0.00	0.00	0.00	0.00
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	64.51	105.21	83.37	84.40	78
Current Ratio (x)	1.46	2.94	4.08	2.62	5.30
Valuations Ratios					
EV/sales (x)	0.23	0.22	9.11	6.22	8.63
EV/EBITDA (x)	2.65	2.69	68.72	32.98	35.7
P/E (x)	0.00	0.00	425.94	54.33	59.4
P/BV (x)	0.00	0.00	5.98	5.32	5.94
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
Return on Assets (%)	0.23	0.22	9.11	6.22	10.9
Leverage Ratio					
Debt/Equity (x)	0.88	0.54	0.00	0.00	0.00

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
CF from Operating activities (A)	19	21	17	52	152
CF from Investing Activities (B)	-111	-81	-276	16	-566
CF from Financing Activities (C)	73	93	240	-2	581
Net Cash Flow	-19	33	-20	66	168

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
20 Feb 2025	Buy	620

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Name of the Research Analyst: ABHISHEK SHARDA

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