



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- RateGain Q4FY24 consolidated revenues came in at ₹255.81 Cr, up 39.84% YoY and up +1.50% QoQ.
- Op Profit for Q4FY24 stood at ₹54.25 Cr, up 68.46% YoY and up 5.83% QoQ.
- Op margins for Q4FY24 came at 21.21%, +360 bps YoY and +87 bps QoQ.
- PAT for Q4FY24 stood at ₹50.02 Cr, up 48.06% YoY and up 23.75% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management expects FY25E organic revenue growth of 20% (~26% including acquisitions) and EBITDA Margin increase of 100-200 bps.
- Revenue growth would be led by distribution segment, strong growth in DaaS and improvement in social media & adara business. Margin improvement would be led by improved revenue mix from higher margin segment.

### 3. SEGMENTAL ANALYSIS:

- Q4FY24 Revenue Breakup: DaaS (35%), Distribution (22%), Martech (44%).
- Q4FY24 Geographical Revenue Breakup: North America (45.3%), Europe (37.6%), Asia Pacific (15.1%), Others (2.0%).

### 4. CONCALL SUMMARY

- Q4FY24 Revenues grew 40% YoY led by DaaS and Distribution verticals. Martech decreased 2.3% due to seasonality in Adara business.
- Op Margins expanded 87 bps QoQ due to lower employee costs.
- LTV to CAC ratio at 14.1 in FY24. It is expected to remain in 12-15x range.
- Headcount stood at 770, +15 QoQ. Attrition rate decreased at 11.2% from 12% in Q3FY24.
- FY24 New contract wins at Rs 284.7 Cr (2.2x in FY23). Deal pipeline of Rs 486.2 Cr.
- The demand has been broad-based across OTAs, car rentals, cruise liners and airlines.
- Receivable days decreased from 100 days to 73 days during FY24.

### 5. OTHER DEVELOPMENTS:

- Co did ~6 Bn QIP in Nov-23.
- Promoter Megha Chopra offloaded ~2.1% holding on 28 March 2024.

### 6. VALUATION AND OUTLOOK:

Co posted very strong numbers in FY24 and with solid demand in the sector and a healthy deal pipeline, we believe Rategain is likely to outperform in the coming years too.

Also the management is very optimistic and guiding 20% organic growth guidance with 100-200 bps expansion in OPM for FY25.

We initiate a “BUY” rating on the stock and value the stock at 43x FY26E earnings to arrive at the target of ₹858.

## RECOMMENDATION - BUY

**CMP – 733**

**TARGET – 858 (17%)**

Industry	IT - Software
NSE CODE	RATEGAIN
BSE CODE	543417
Market Cap (₹ Cr)	9109.11
Shares Outstanding (in Cr)	11.78
52 wk High/Low (₹)	921.7 / 392.35
P/E	59.4
P/BV	5.96
Face Value (₹)	1.00
Book Value (₹)	123.08
EPS (FY24) (₹)	12.34
Dividend Yield (%)	0.00
Debt / Equity	0.00
Interest Coverage	139

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sep 23
Promoters	51.25	51.27	55.72
MF/ DII	14.41	15.04	15.61
FII/FPI	10.49	8.67	5.42
Retail & Others	20.95	21.29	21.06
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
<b>Crete</b>			
Sales	957	1206	1519
Sales Gr. (%)	69%	26%	26%
EBITDA	188	253	327
EBITDA %	19.65	21	21.5
PAT	145	185	235
EPS (₹)	13.01	15.66	19.95
<b>Ratios</b>			
RoE (%)	13.5	13.8	15.2
RoCE (%)	17.3	18.2	19.5
<b>Valuation</b>			
P/E (x)	56.34	46.80	36.74

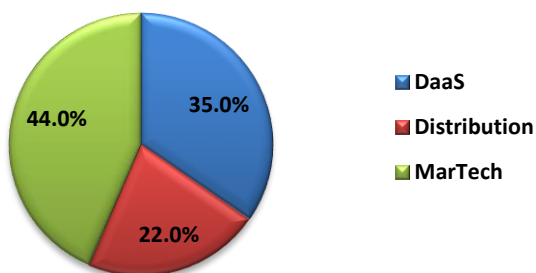
## Historical & Industrial Val Ratios

Historical P/E	76.4
Industry P/E	32.9
Historical P/B	6.1
Industry P/B	3.59

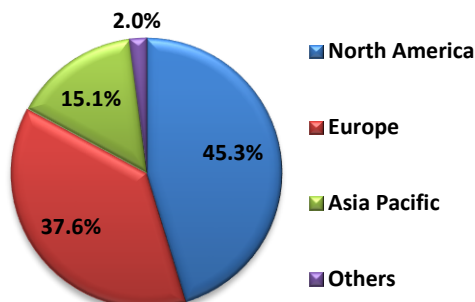


## REVENUE SPLIT (Q4 FY24)

Vertical Mix (Q4 FY24)



Geography Mix (Q4 FY24)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY24	FY25E*	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4			Q1E*
<b>Net sales</b>	<b>125</b>	<b>138</b>	<b>183</b>	<b>214</b>	<b>235</b>	<b>252</b>	<b>256</b>	<b>266</b>	<b>957</b>	<b>1206</b>
YoY change (%)	47.02%	39.67%	69.57%	79.78%	88.36%	82.24%	39.84%	24.41%	69%	26%
<b>Total Expenditures</b>	<b>107</b>	<b>115</b>	<b>151</b>	<b>177</b>	<b>188</b>	<b>201</b>	<b>202</b>	<b>209</b>	<b>767</b>	<b>953</b>
<b>EBITDA</b>	<b>18</b>	<b>23</b>	<b>32</b>	<b>38</b>	<b>46</b>	<b>51</b>	<b>54</b>	<b>57</b>	<b>190</b>	<b>253</b>
Margins (%)	<b>14%</b>	<b>17%</b>	<b>18%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>21%</b>	<b>22%</b>	20%	21%
Other income	7	1	5	6	4	11	21	10	42	42
Interest	0	0	0	0	0	0	0	0	1	1
Depreciation	8	8	11	11	10	10	10	10	41	47
<b>PBT</b>	<b>16</b>	<b>15</b>	<b>26</b>	<b>32</b>	<b>39</b>	<b>52</b>	<b>65</b>	<b>57</b>	<b>189</b>	<b>246</b>
Rate (%)	17%	10%	-31%	22%	24%	22%	24%	25%	23%	25%
<b>Adjusted PAT</b>	<b>13</b>	<b>13</b>	<b>34</b>	<b>25</b>	<b>30</b>	<b>40</b>	<b>50</b>	<b>43</b>	<b>145</b>	<b>185</b>
<b>EPS in Rs</b>	<b>1.2</b>	<b>1.22</b>	<b>3.12</b>	<b>2.3</b>	<b>2.77</b>	<b>3.43</b>	<b>4.24</b>	<b>3.64</b>	<b>12.34</b>	<b>15.66</b>

### Key Performance Indicators

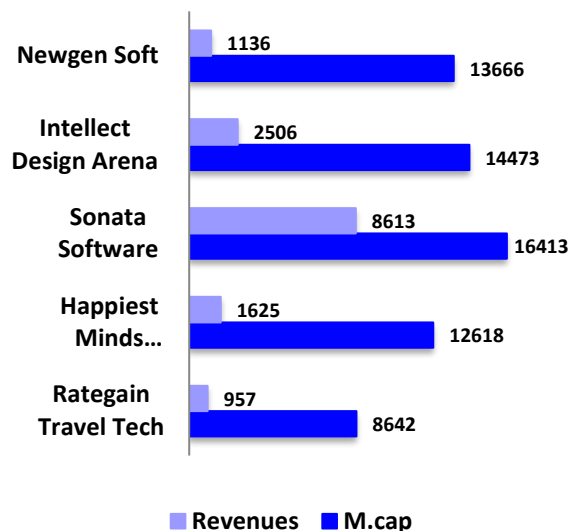
<b>Active Customers</b>	2557	2650	2942	3057	3104	3210	3279		
<b>Headcount</b>	640	628	713	727	746	755	770		
<b>Attrition%</b>	24	25	21	18	14	12	11		
<b>LTV to CAC (x)</b>	22.8	12.2	21.3	13.4	15.2	14.9	14.1		

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.
- Travel and tourism contribution to Gross Domestic Product (“GDP”) is expected to grow at a CAGR of 6% during 2023 to 2027.
- Global travel at 105% of 2023 levels; Growing traction in Asia Pacific
- Asia Pacific continues to trend 12% above 2023 levels; Japan registered growth of 17% (YoY), driven by the peak Cherry Blossom season
- 36 of 48 countries with hotel supply greater than 50,000 rooms recorded growth in Revenue per available room (RevPAR) versus 2023
- 
- 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

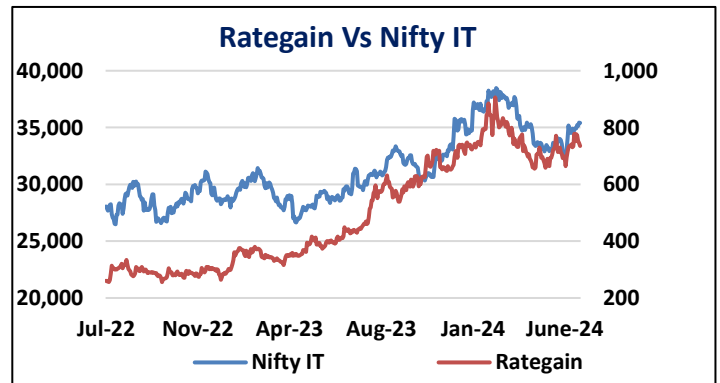
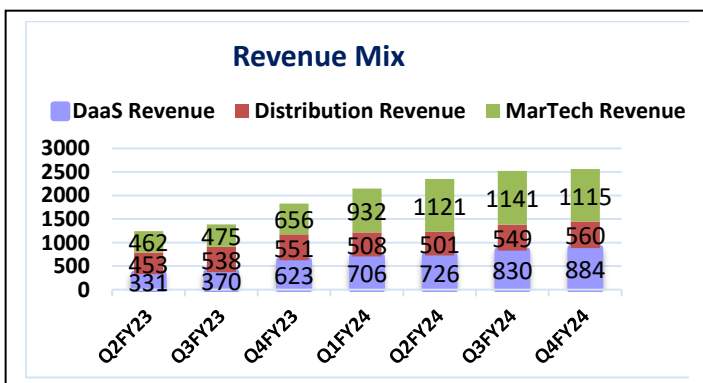
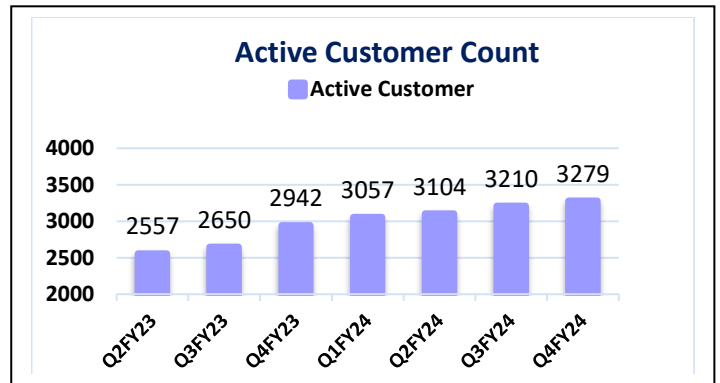
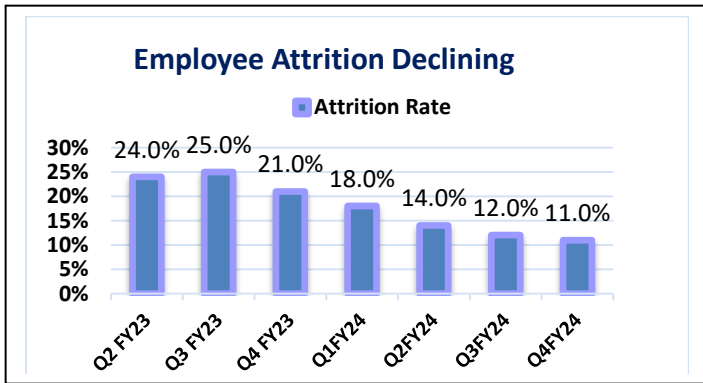
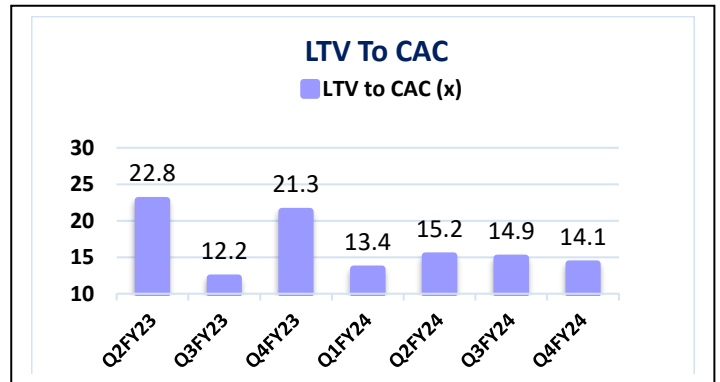
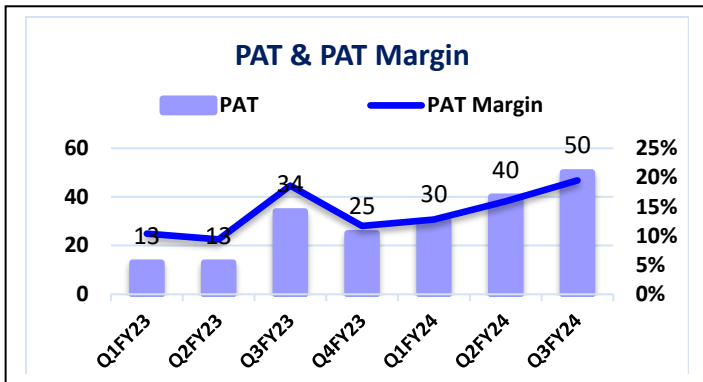
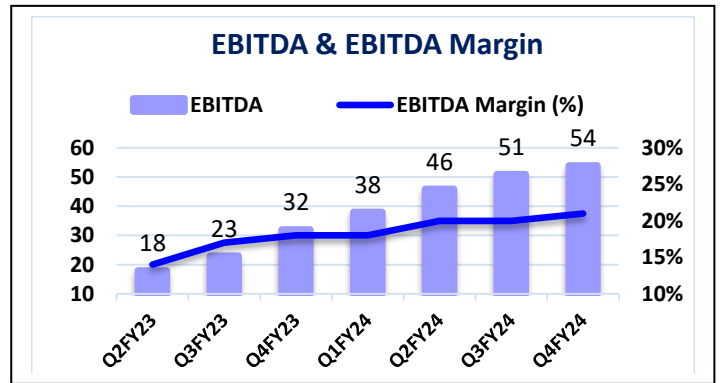
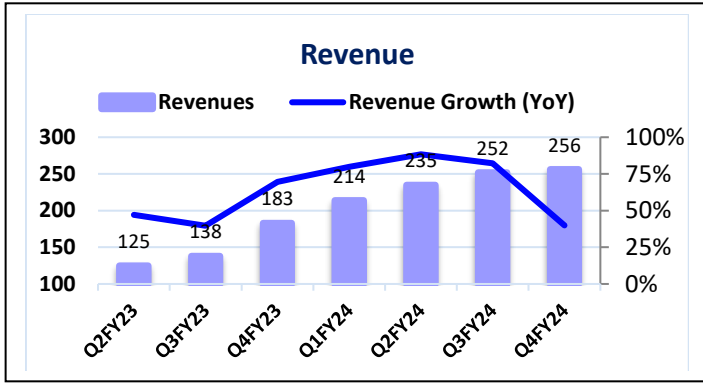
(₹ Cr)

Particulars	Peer Companies				
	Rategain Travel Tech	Happiest Minds Technologies	Sonata Software	Intellect Design Arena	Newgen Soft
Market Cap	8642	12618	16413	14473	13666
Net Sales	957	1625	8613	2506	1136
EBITDA	190	336	727	542	269
PAT	145	248	308	323	237
EPS(₹)	12.34	16.31	11.00	23.47	16.92
EBITDA MARGIN %	20	21	8	22	24
PAT MARGIN %	15	15	4	13	21
ROCE %	17.3	21.6	35.5	20.3	26.9
ROE %	13.5	20.6	30.3	14.7	23.0
P/E TTM	59.4	52.9	40	43.9	57.6
P/B TTM	5.96	8.52	11.7	5.92	11.9
EV/EBITDA	35.8	28.0	19.1	23.7	42.8
Dividend Yield %	0.00	0.69	1.35	0.33	0.41
MCap/ Sales TTM	9.03	7.77	1.91	5.77	12.0

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Co has shown a very strong financial numbers for FY24. Revenue grew 69% while Pat grew 116% in FY24.
- 3Y Revenue and PAT CAGR growth at 56% and 87% respectively.
- FY25 Organic revenue growth guidance at 20% (~26% with acquisitions) and improvement of 100-200 bps in OPM.
- For Q4, the company recorded new contract wins of Rs. 75.6 Cr and has a very healthy pipeline of Rs 486.2 Cr.
- The demand has been across 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.
- 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 3279 customers (+337 in FY24), 770 Employees, LTV to CAC of 14.1, Healthy pipeline of Rs 486.2 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
<b>Revenue from operations</b>	<b>398.71</b>	<b>250.79</b>	<b>366.59</b>	<b>565.13</b>	<b>957.03</b>	<b>1205.86</b>	<b>1519.38</b>
Growth YoY (%)	52.43	-37.10	46.17	54.16	69.35	26	26
<b>Total Expenditure</b>	<b>422.84</b>	<b>243.53</b>	<b>334.50</b>	<b>478.51</b>	<b>769.01</b>	<b>952.63</b>	<b>1192.71</b>
(%) of sales	106.05	97.10	91.25	84.67	80.35	79.00	78.50
<b>EBITDA</b>	<b>-24.12</b>	<b>7.26</b>	<b>32.09</b>	<b>86.62</b>	<b>188.02</b>	<b>253.23</b>	<b>326.67</b>
EBITDA Growth (%)	2.61	-40.87	136.40	119.19	117.06	34.68	29.00
EBITDA Margin (%)	8.72	8.20	13.26	18.85	19.65	21	21.50
Depreciation	42.70	35.88	30.06	35.81	41.04	47	53
<b>EBIT</b>	<b>-7.92</b>	<b>-15.32</b>	<b>17.60</b>	<b>70.74</b>	<b>146.98</b>	<b>206.23</b>	<b>273.67</b>
EBIT Growth (%)	-157.92	-93.46	214.92	301.82	107.77	40.31	32.70
Net Interest Expenses	9.84	9.31	6.77	3.48	1.36	1.36	1.36
Other Income	58.90	13.30	16.52	19.93	41.55	41.55	41.55
<b>Earnings before Taxes</b>	<b>-17.76</b>	<b>-24.63</b>	<b>10.84</b>	<b>67.26</b>	<b>188.87</b>	<b>246.42</b>	<b>313.86</b>
EBT Margin (%)	-4.45	-9.82	2.96	11.90	19.74	20.44	20.66
Tax-Total	2.34	3.95	2.42	-1.14	43.47	61.61	78.46
Rate of tax (%)	-13.19	-16.03	22.31	-1.70	23.02	25	25
<b>Net Profit</b>	<b>-20.10</b>	<b>-28.58</b>	<b>8.42</b>	<b>68.40</b>	<b>145.39</b>	<b>184.82</b>	<b>235.39</b>
PAT Growth (%)	-282.20	-42.14	129.46	712.46	112.56	27.12	27.37
PAT Margin (%)	-5.04	-11.39	2.30	12.10	15.19	15.33	15.49
Minority Interest	0.00	0.00	0.00	0.00	0	0	0
<b>Adjusted PAT</b>	<b>-20.10</b>	<b>-28.58</b>	<b>8.42</b>	<b>68.40</b>	<b>145.39</b>	<b>184.82</b>	<b>235.39</b>
<b>EPS</b>	<b>-2.56</b>	<b>-3.64</b>	<b>0.78</b>	<b>6.31</b>	<b>13.01</b>	<b>15.66</b>	<b>19.95</b>
EPS Growth (%)	-282.21	-42.13	121.58	704.93	106.18	20.39	27.37

### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	1	1	1	11	11
Reserves	142	137	244	608	699
Preference Capital	0	0	0	0	0
Borrowings	54	144	117	18	18
Other Liabilities	87	116	78	140	208
<b>Total Liabilities &amp; Equity</b>	<b>285</b>	<b>397</b>	<b>440</b>	<b>777</b>	<b>936</b>
Fixed Assets	106	216	168	222	396
CWIP	0	0	0	0	1
Investments	41	45	129	165	140
Other Assets	138	136	143	390	399
<b>Total Assets</b>	<b>285</b>	<b>397</b>	<b>440</b>	<b>777</b>	<b>936</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
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
<b>Working Capital &amp; liquidity ratios</b>					
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
<b>Valuations Ratios</b>					
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
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.88	0.54	0.00	0.00	0.00

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>19</b>	<b>21</b>	<b>17</b>	<b>52</b>	<b>152</b>
<b>CF from Investing Activities (B)</b>	<b>-111</b>	<b>-81</b>	<b>-276</b>	<b>16</b>	<b>-568</b>
<b>CF from Financing Activities (C)</b>	<b>73</b>	<b>93</b>	<b>240</b>	<b>-2</b>	<b>581</b>
<b>Net Cash Flow</b>	<b>-19</b>	<b>33</b>	<b>-20</b>	<b>66</b>	<b>165</b>

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
26 June 2024	Buy	858

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Name of the Research Analyst: ABHISHEK SHARDA

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1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.