8 August 2025

RateGain Travel Technologies

Good Q1 contract wins to aid topline revival from H2; upgrading to Buy

Rating: **Buy**
Target price (12-mth): Rs. 550
Share price: Rs.439

With robust ~37.7% y/y, 27.9% q/q, growth in new contract wins (NCWs) to ~Rs817m (the highest in six quarters), RateGain's Q1 revenue grew ~5% y/y to ~Rs2.7bn (~5/~1.1% above ARe/Street). EBITDA came flat y/y at ~Rs 497m with the margin contracting ~94bps y/y to ~18.2% (in line with ARe/Street). Though we expect a similar overall Q2 performance, robust recovery in NCWs this quarter (vs. flat-to-down in the last 2-3 quarters) is expected to boost revenue growth from H2 and provide ample assurance for FY27 as well. FY26 margins would hover ~15-17% due to the ongoing GTM investments but would lead to operating leverage in FY27 resulting in swift margin recovery. Factoring this in, we introduce FY28e and upgrade the stock to a Buy, with a higher TP of Rs 550, 26x Sep'27e EPS.

Q1 highlights. Segment-wise DaaS slid ~3.1% y/y, Distribution ~9.2% y/y while MarTech grew ~16.5% y/y. The order pipeline fell ~7.7% y/y, ~0.7% q/q, to ~Rs5.12bn. The number of customers was 3,201 (down 98 y/y and 23 q/q), as longtail customers saw some churn. Wr.t. GTM, headcount rose to ~55 from ~15 a year ago resulting in ~22.3% y/y revenue growth in APAC and robust, ~37.7% y/y, growth in overall new contract wins.

Outlook. While the company maintains its ~6-8% y/y revenue growth guidance for FY26, with ~15-17% margins, it aims to revive its y/y organic revenue growth trajectory from FY27, on vigorous GTM investments and steady contracts. Hence, we expect revenue to register a 13.9% CAGR over FY25-28 with margins contracting to 17% in FY26 (from 21.6% the year prior) followed by steady recovery to 20% in FY28, resulting in a 10.2% EPS CAGR. **Risks:** Slowdown in travel demand, keener competition, hoteliers/OTAs creating and offering their own solutions.

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	9,570	10,767	11,520	13,248	15,897
Net profit (Rs m)	1,454	2,089	1,856	2,145	2,795
EPS (Rs)	12.8	17.7	15.7	18.2	23.7
P/E (x)	35.6	24.8	27.9	24.2	18.5
EV / EBITDA (x)	22.2	18.1	21.5	17.4	13.2
P / BV (x)	3.6	3.1	2.8	2.5	2.2
RoE (%)	13.5	13.3	10.5	10.9	12.6
RoCE (%)	10.2	9.5	6.8	7.7	9.2
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	-0.7	-0.7	-0.7	-0.7	-0.8

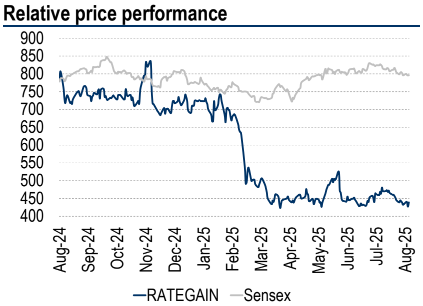
Source: Company, Anand Rathi Research

Key data	RATEGAIN IN / RATE.BO
52-week high / low	Rs.854 / 413
Sensex / Nifty	80,623 / 24,596
Market cap	Rs.50bn
Shares outstanding	118m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	48.2	48.2	48.2
- of which, Pledged	-	-	-
Free float	51.8	51.8	51.8
- Foreign institutions	5.5	7.6	8.3
- Domestic institutions	23.6	23.0	22.6
- Public	22.7	21.2	20.9

Estimates revision (%)	FY26e	FY27e
Revenue	-	-
EBITDA	6.3	-
PAT	8.0	0.9

Relative price performance



Source: Bloomberg

Shobit Singhal
Research Analyst

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Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	9,570	10,767	11,520	13,248	15,897
Growth (%)	*69.3*	*12.5*	*7.0*	*15.0*	*20.0*
Direct costs	3,799	3,988	4,493	5,034	6,041
Gross profit	5,771	6,779	6,912	8,214	9,856
Gross margins (%)	*60.3*	*63.0*	*60.0*	*62.0*	*62.0*
SG&A	3,874	4,459	5,069	5,802	6,677
EBITDA	**1,897**	**2,321**	**1,958**	**2,411**	**3,179**
EBITDA margins (%)	*19.8*	*21.6*	*17.0*	*18.2*	*20.0*
Depreciation	-410	-349	-351	-404	-485
Other income	416	764	824	800	960
Interest expenses	-14	-13	-13	-13	-13
PBT	1,889	2,722	2,418	2,794	3,642
Effective tax rate (%)	*-23.0*	*-23.3*	*-23.3*	*-23.3*	*-23.3*
+Associates / (Minorities)	-	-	-	-	-
Net income	1,454	2,089	1,856	2,145	2,795
WANS	113	118	118	118	118
FDEPS (Rs)	12.8	17.7	15.7	18.2	23.7

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	118	118	118	118	118
Net worth	14,505	16,827	18,682	20,827	23,622
Debt (incl. Pref. shares)	-	-	-	-	-
Minority interest	-	-	-	-	-
Deferred tax liability	92	76	76	76	76
Lease & long-term liabilities	237	211	211	211	211
Capital employed	**14,833**	**17,113**	**18,969**	**21,114**	**23,909**
Net tangible assets	67	103	95	86	74
Net intangible assets	1,687	1,434	1,136	793	382
Goodwill	1,762	1,806	1,806	1,806	1,806
Right-of-use assets	147	135	135	135	135
CWIP (tang. & intang.)	-	-	-	-	-
Investments (strategic)	-	-	-	-	-
Investments (financial)	514	1,418	1,418	1,418	1,418
Current assets (excl. cash)	3,955	4,416	4,564	4,905	5,427
Cash	9,178	9,729	11,811	14,125	17,063
Current liabilities	2,477	1,928	1,997	2,154	2,396
Working capital	1,479	2,488	2,568	2,750	3,031
Capital deployed	**14,833**	**17,113**	**18,969**	**21,114**	**23,909**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	1,889	2,722	2,418	2,794	3,642
+ Non-cash items	160	-230	-460	-383	-463
Oper. prof. before WC	2,049	2,492	1,958	2,411	3,179
- Incr. / (decr.) in WC	374	373	80	183	280
Others including taxes	-156	-920	-562	-650	-847
Operating cash-flow	1,518	1,200	1,316	1,578	2,052
- Capex (tangible + intangible)	37	65	45	52	62
Free cash-flow	1,481	1,135	1,272	1,527	1,990
Acquisitions	-173	-	-	-	-
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	5,850	18	-	-	-
+ Debt raised	-	-	-	-	-
- Fin Investments	5,731	1,040	-	-	-
- Misc. items (CFI + CFF)	-5,736	-437	-811	-787	-947
Net cash-flow	7,163	551	2,082	2,314	2,938

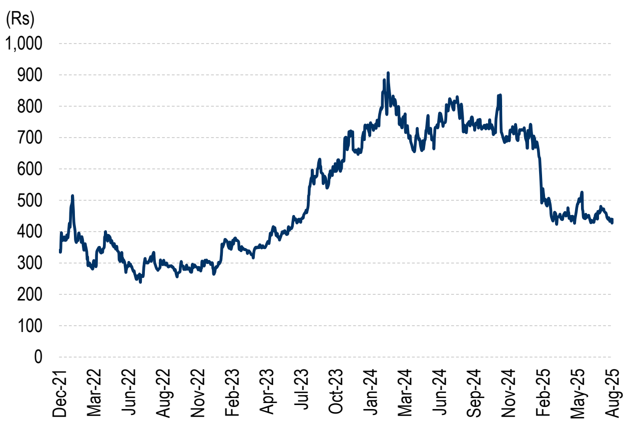
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	35.6	24.8	27.9	24.2	18.5
EV / EBITDA (x)	22.2	18.1	21.5	17.4	13.2
EV / Sales (x)	4.4	3.9	3.7	3.2	2.6
P/B (x)	3.6	3.1	2.8	2.5	2.2
RoE (%)	13.5	13.3	10.5	10.9	12.6
RoCE (%) - after tax	10.2	9.5	6.8	7.7	9.2
RoIC (%) - after tax	20.5	23.2	17.0	21.8	29.9
DPS (Rs)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	-0.7	-0.7	-0.7	-0.7	-0.8
Receivables (days)	78	72	72	72	72
Inventory (days)	-	-	-	-	-
Payables (days)	31	33	33	33	33
CFO: PAT (%)	104.4	57.4	70.9	73.6	73.4

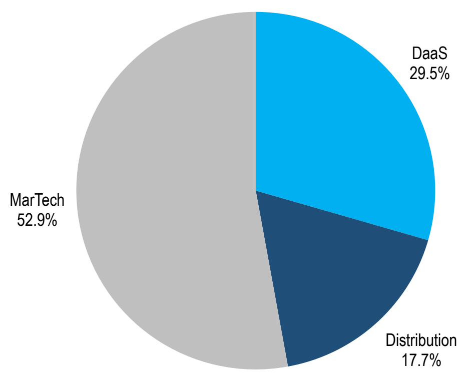
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

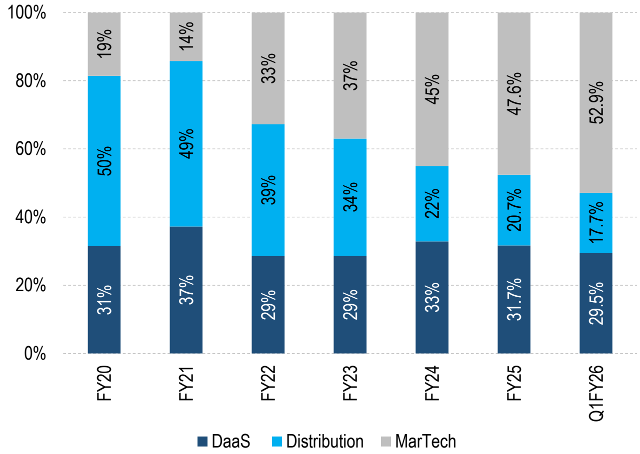
Fig 6 – Revenue break-up, Q1 FY26



Source: Company

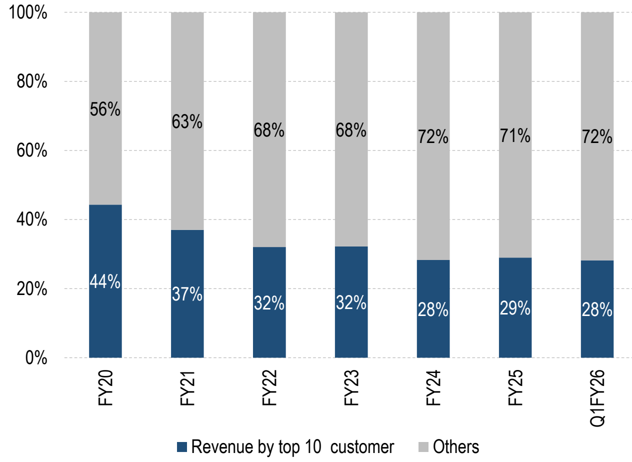
Q1 performance, Call highlights

Fig 7 – Increasing rev. share of Adara-led MarTech segment



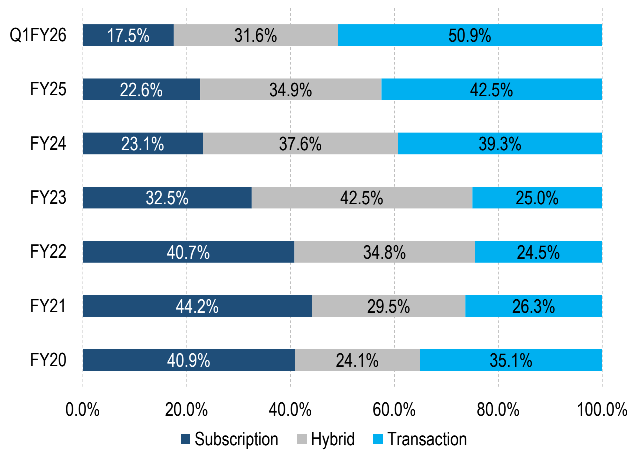
Source: Company

Fig 8 – Gradual reduction in rev. share of Top-10 customers



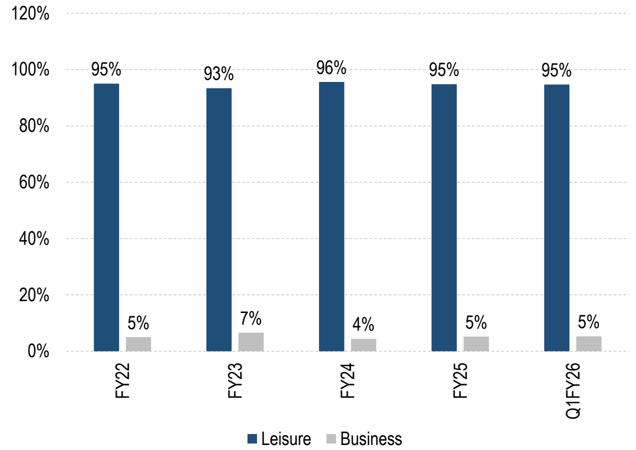
Source: Company

Fig 9 – Revenue by engagement; transaction segment mainly centred around Adara



Source: Company

Fig 10 – Revenue by travel type; continued skewness towards business segment



Source: Company

- **DaaS decelerates.** The division decelerated ~3.1% y/y on the company's decision to transition the Adara DaaS business to Adara MarTech; excl. Adara, however, DaaS grew ~5.9% y/y.
- **Pricing re-negotiation in DaaS.** The company does not anticipate any further re-pricing of past contracts (which it was faced with the prior quarter) and is implementing CPI-level price hikes.
- **Martech.** Of ~Rs 1.44bn revenue, ~65% arises from Adara, <5% from social media and the rest from paid digital media
- **New contracts.** DaaS-based NCWs grew ~68% y/y (incl. onboarding one large travel tech company in the quarter) while Distribution-based NCWs grew ~65% y/y.
- **Transactions,** making-up ~51% of revenue in Q1, mainly centred around Adara, now has a 35%+ renewal run rate (functions at ~17-18% EBITDA margins).

Valuation

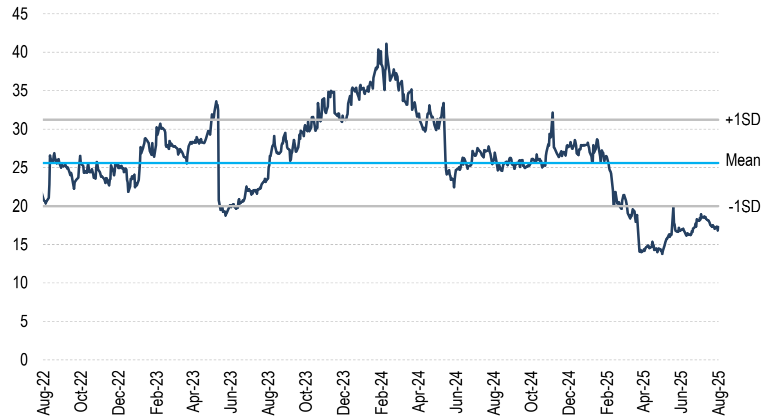
Though we expect a similar overall Q2 performance, robust recovery in NCWs this quarter (vs. flat-to-down in the last 2-3 quarters) is expected to boost revenue growth from H2 and provide ample assurance for FY27 as well. FY26 margins would hover ~15-17% due to the ongoing GTM investments but would lead to operating leverage in FY27 resulting in swift margin recovery. Factoring this in, we introduce FY28e and upgrade the stock to a Buy, with a higher TP of Rs 550, 26x Sep'27e EPS.

Fig 11 – Change in estimates

	FY26e			FY27e		
(Rs m)	New	Old	% Chg	New	Old	% Chg
Revenues	11,520	11,520	-	13,248	13,248	-
EBITDA	1,958	1,843	6.3	2,411	2,411	-
EBITDA margins %	*17.0*	*16.0*	*100 bps*	*18.2*	*18.2*	*0 bps*
EBIT	1,607	1,469	9.4	2,007	1,981	1.3
EBIT margins %	*14.0*	*12.8*	*120 bps*	*15.2*	*15.0*	*20 bps*
PBT	2,418	2,240	7.9	2,794	2,769	0.9
Net profit	1,856	1,719	8.0	2,145	2,125	0.9

Source: Company, Anand Rathi Research

Fig 12 – SD chart



Source: Bloomberg, Anand Rathi Research

Key risks

- Recessionary pressures and slowdown in travel could curb the pace of digitisation, ultimately leading to a drop in tech spends and budgetary cuts in hoteliers' marketing.
- Keener competition could lead to customer losses as the sector is highly fragmented and competitors come up with niche solutions to cater to specific needs, requiring the company to continuously innovate.
- Large-chain hoteliers, OTAs creating indigenous solutions could win the company's enterprise customers, who bring ~80% to its revenue.

Appendix

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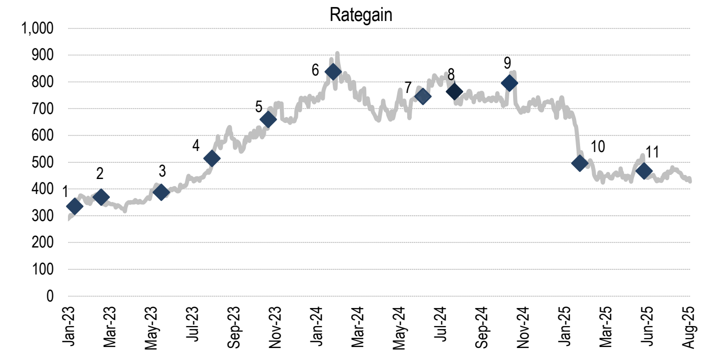

	Date	Rating	TP (Rs)	Share Price (Rs)
1	10-Jan-23	**Buy**	415	307
2	13-Feb-23	**Buy**	450	380
3	19-May-23	**Buy**	500	412
4	08-Aug-23	**Buy**	700	516
5	02-Nov-23	**Buy**	900	659
6	04-Feb-24	**Buy**	1,050	841
7	21-May-24	**Buy**	970	770
8	12-Aug-24	**Buy**	935	763
9	04-Nov-24	**Buy**	1,050	795
10	16-Feb-25	**Hold**	640	625
11	03-Jun-25	**Hold**	470	440

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