

**CMP: INR 464**

**Rating: Buy**

**Target Price: 580**

**Stock Info**

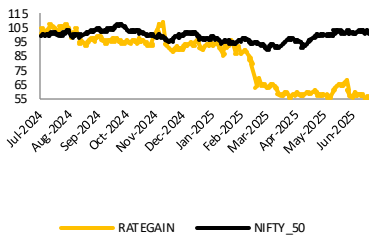
BSE	543417
NSE	RATEGAIN
Bloomberg	RATEGAIN:IN
Reuters	Rate.NS
Sector	IT
Face Value (INR)	1
Equity Capital (INR Cr)	12
Mkt Cap (INR Cr)	5,486
52w H/L (INR)	857 / 365
Avg Yearly Vol (in 000')	370

**Shareholding Pattern %**

(As on March, 2025)

Promoters	48.17
FII	7.60
DII	23.0
Public & Others	21.22

**RateGain Vs Nifty**



Source: Arihant Research

*RateGain Travel Technologies Ltd (RateGain) offers a broad portfolio of technology products that help travel and hospitality companies increase their revenue, optimize pricing, and improve customer experience. Amid ongoing global uncertainty and a cautious industry outlook, the company remains focused on driving operational efficiency and strategic business investments. Among its segments, Device-as-a-Service (DaaS) continues to perform strongly, buoyed by expansion in key accounts and new client acquisitions, while the distribution business has maintained stability for the third straight quarter. In the Martech segment, Adara stands out as a key growth catalyst, supported by strong contract wins and robust renewal rates. Additionally, inorganic growth continues to play a vital role in enhancing overall value. Segment-wise, DaaS remained steady at ~32% of total revenue, distribution/transaction-based services contributed 20%, and MarTech (including Adara) made up the balance (~48%). Geographically, the company generated about 54% from North America, 31–32% from Europe, and 13.7% from Asia-Pacific and Middle East combined, with the remainder (~0.8%) from other regions.*

**Investment Rationale:**

**Focused Investments in GTM for growth:** The company is ramping up go-to-market (GTM) investments, especially across APAC and the Middle East, to enhance sales engine efficiency and drive predictable new bookings. While FY26 growth is guided at 6–8%, the company expects this to accelerate to mid-to-high teens by FY27–28 as the lag effect of GTM investments kicks in.

**AI-First Strategy Driving Product and Operational Leverage:** The company is embedding AI across all function's product development, HR, marketing, and customer support leading to faster product rollouts, improved team productivity, and lower churn. These investments are expected to yield long-term EBITDA margin benefits, with FY26 margins temporarily moderating to 15–17% due to upfront costs.

**Strong Martech Momentum:** Martech, led by Adara, contributed 47.6% of revenue and is expected to maintain double-digit growth, aided by new contract wins and strong renewals. DaaS is also expected to grow in double digits despite short-term pricing adjustments, while Distribution may witness a decline due to a large OTA account sunset.

**long-term aspiration of scaling beyond INR 20bn:** While the earlier aspiration of INR 20Bn revenue by FY27 has been moderated, the company remains confident of achieving mid-teen organic growth in FY27–28. Execution improvements, leadership restructuring, and salesforce reorganization are expected to support this trajectory, with further updates likely in the next 1–2 quarters. With a cash balance of INR 12.67 Bn, RateGain is actively exploring value-accretive acquisitions, guided by strict IRR and payback criteria.

**Outlook and Valuation:** In FY26, the company expects modest growth of 6–8% as it ramps up investments in AI-driven products and global expansion, especially in APAC and the Middle East. Margins may soften due to higher spending, but productivity gains and a stronger sales engine are expected to drive growth from FY27 onwards. The demand environment shows improvement, particularly in the US, where domestic demand remains strong. International travel demand faces headwinds in select geographies, but overall sentiment is positive, supported by new contract wins in Q1FY26. The company remains focused on long-term scale through improved execution, new deals, and strategic acquisitions. **At a CMP of INR 464, RateGain is trading at a PE of 30x/24x to its FY26E/FY27E EPS of INR 15.5/19.3. We have a Buy rating on the stock with the TP INR 580 based of 30x of FY27e EPS of INR 19.3 and Upside of 25%.**

**Exhibit: 1 Financial**

	Year-end March			
(IN R Cr)	FY24	FY25	FY26E	FY27E
Net Sales	957	1,077	1,174	1,338
EBITDA	190	232	200	254
EBITDA Margin(%)	19.8%	21.5%	17.0%	19.0%
PAT	145	209	182	228
PAT Margin(%)	15.2%	19.4%	15.5%	17.0%
EPS	13.07	17.72	15.45	19.35
ROE(%)	10.00	12.41	9.77	10.90
ROCE(%)	7.88	8.90	6.41	7.60
PE(X)	35.50	26.18	30.03	23.98

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### Key Highlights

- The demand environment shows improvement, particularly in the US, where domestic demand remains strong. International travel demand faces headwinds in select geographies, but overall sentiment is positive, supported by new contract wins in Q1FY26.
- Growth Outlook: Anticipates muted growth in the coming quarter, attributed to the annual nature of the new contracts signed last year. However, growth is expected to improve in H2FY26, driven by strategic initiatives implemented over the past three months.
- Margin expected at 15-17% for FY26 and soft H1 growth may face pressure. However, improving demand and order book strength could drive up in H2.
- Order Book Strength: The company reported a strong quarter in terms of new contract wins, indicating robust order book momentum. Larger orders are expected to contribute to growth, with no significant pricing pressure observed, suggesting stable revenue realization.
- Margins are expected to face pressure due to a \$5 mn investment in sales and marketing to bolster geographic expansion and hiring.
- The company is actively pursuing acquisitions, with a healthy pipeline of potential targets.
- \$5 mn investment in growth initiatives (including hiring and geographic expansion) is progressing well, with early signs of positive traction in Q1FY26.
- Growth in Western markets may remain subdued, while emerging markets are expected to grow at a healthy pace, providing a balanced demand outlook.
- The company focuses on expanding sales teams, securing new contracts, and pursuing acquisitions, positioning it for a potential rebound in H2FY26.
- Margin pressures, execution risks in hiring and geographic expansion, and delays in finalizing acquisitions could impact performance. Additionally, headwinds in select international markets may pose challenges.

**Consolidation**

<b>Income Statement</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
Revenue (In INR Cr)	565	957	1,077	1,174	1,338
Revenue Growth (%)	54%	69%	13%	9%	14%
Cost of sales	140.72	229.69	247.63	258.18	294.33
Gross Margins	424.41	727.34	829.03	915.37	1,043.53
Gross Margin (%)	75.10	76.00	77.00	78.00	78.00
Few Key costs-					
Employee Benefit Expenses	253	380	399	459	527
YoY %	32%	50%	5%	15%	15%
Others	228	387	446	515	556
YoY %	57%	70%	15%	16%	8%
EBITDA	84.66	189.72	231.97	199.50	254.19
EBITDA Margin (%)	14.98	19.82	21.55	17.00	19.00
EBITDA Growth %	177%	124%	22%	-14%	27%
Depreciation	35.81	41.04	34.94	42.33	45.00
EBIT / Operating Profit	48.85	148.68	197.03	157.17	209.19
EBIT Margin (%)	8.64	15.54	18.30	13.39	15.64
Other Income	19.94	41.56	76.41	84.05	92.45
Finance cost	1.52	1.37	1.26	1.60	1.60
Extra ordinary Item	-	-	-	-	-
Pretax profits	67	189	272.2	239.6	300.0
Tax	(1.04)	43.48	63.34	57.51	72.01
Tax Rate %	-2%	23%	24%	24%	24%
Profit after Tax	68	145	208.8	182.1	228.0
PAT Margin (%)	12.09	15.19	19.40	15.52	17.04
Number of Shares	10.80	11.12	11.78	11.78	11.78
EPS (INR)	6.3	13.07	17.7	15.5	19.3

<b>Balance sheet (INR crs)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
Total equity	710	1,453	1,683	1,865	2,093
Borrowings	-	-	-	-	-
Other Non-Current Liabilities	43	33	29	30	32
Total liabilities and equity	753	1,486	1,711	1,895	2,124
Tangible Fixed Assets	23	21	24	26	28
Intangible	374	345	324	318	311
Investments	2	2	116	116	116
Other long-term assets	18	27	26	32	38
Cash, Bank and Investments	341	1,097	1,178	1,343	1,572
Inventories	-	-	-	-	-
Receivables	161	208	210	257	286
Other Current Assets	26	34	26	28	29
Creditors	82	80	98	110	119
Other Current Liabilities	110	167	94	113	136
Net Current Assets	(5)	(5)	43	61	60
Total assets	753	1,486	1,711	1,895	2,124
<b>Cash Flow</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
Opening Cash	410	341	1,097	1,178	1,343
Cash profit	104	186	244	224	273
(-) working cap	17	0	(49)	(18)	1
% of sales	-3%	0%	5%	2%	0%
(-) Capex & Acquisition	(211)	(10)	(17)	(38)	(41)
Free cashflow pre dividend	(90)	177	178	169	234
(-) Others	21	(21)	(90)	(4)	(5)
(-) IPO proceeds/ QIP	-	600	-	-	-
Free cash flow pre dividend	(69)	756	89	165	229
(-) Dividend	-	-	-	-	-
Free cash flow after dividend	(69)	756	89	165	229
Closing Cash	341	1,097	1,185	1,343	1,572

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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