



IPO Report

07TH May '24

Snapshot

Company is one of the leading travel distribution platform in the global travel and tourism industry in terms of GTV and revenue from operations for Fiscal 2023 providing a wide range of offerings operating in over 100 countries by providing Buyers with a comprehensive travel inventory according to the needs of their customers; and supporting a wide range of currencies along with forex assistances. Company simplify the business of travel for suppliers such as hotels, airlines, car rentals, transfers, cruises, insurance, rail and others (collectively, “Suppliers”), and retail buyers such as travel agencies and independent travel advisors (“Retail Buyers”); and enterprise buyers that include tour operators, travel management companies, online travel companies, super-apps and loyalty apps (“Enterprise Buyers”, together with Retail Buyers, “Buyers”) through its two-sided technology platform that enables Suppliers and Buyers to transact seamlessly with each other.

VALUATION

Company is bringing the issue at price band of Rs 875-920 per share at p/e multiple of 49x on post issue annualized 9 months ended FY24 PAT basis.

Company’s platform creating network effect with interlinked flywheels to enhance value proposition for partners. Company has ability to generate and leverage large data assets. TBO tek is founders’ led company supported by experienced professional management team with deep travel and technology expertise and capital efficient business model with a combination of sustainable growth. Hence ,looking after all above we recommend “Subscribe” on issue.

Price Band (Rs./Share)	875-920
Opening date of the issue	08th May '2024
Closing Date of the issue	10th May '2024
No of shares pre issue	104,239,961 Eq Shares
Issue Size	Rs 1495-1551 Cr
No of shares	17,080,225-16,856,623 Eq Shares
Fresh issue	Rs 400 Cr
Offer For Sale	12,508,797 Eq Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	16

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 12,618,012 Eq Shares)
Non-Institutional	15% of the offer (Approx 2,523,602 Eq Shares)
Retail	10 % of the offer (Approx 16,82,401 Eq Shares)
Employee Reservation	Rs 3 Cr
Lead managers	Jefferies India, Goldman Sachs (India), JM Financial
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

Capital efficient business model with a combination of sustainable growth

Company have developed a capital efficient business model with operating leverage and strong cash generation. For Fiscal 2021, company generated an Adjusted EBITDA of ₹ (226.89) million, which grew to ₹ 374.20 million for Fiscal 2022 and was ₹ 1,989.61 million for Fiscal 2023. For the nine months ended December 31, 2022 and December 31, 2023, company generated Adjusted EBITDA of ₹ 1,598.45 million and ₹ 2,005.14 million, respectively.

Platform creating network effect with interlinked flywheels to enhance value proposition for partners

One of the key value propositions of company’s platform for both, Suppliers and Buyers is providing them instant access to a global network of partners on the other side of the transaction. As Buyer base grows, company channel additional demand and therefore conduct more transactions through its platform. This attracts more Suppliers, which in turn, enables company to offer better pricing, wider range, and higher volume of supply across both, existing and new products.

Modular and scalable proprietary technology platform allowing addition of new lines of business, markets, and travel products

Company have designed its platform to be modular which, enables company to develop and launch solutions that serve specific Buyer and Supplier segments efficiently. These improvements leverage company’s platform’s core capabilities including Supplier and Buyer modules, payment infrastructure, with data assets and analytics, to quickly go-to-market and scale with minimal investment. Examples of the modularity of company’s platform include Zamzam, Umrah travel was able to onboard 100 agents within the first 30 days of launch. Similarly, company’s partner model solution for airlines was easily customized for its airline partners allowing them to start selling quarantine packages that comply with government rules.



COMPANY BACKGROUND

Company's platform allows the large and fragmented base of Suppliers to display and market inventory to, and set prices for, the large and fragmented global Buyer base. For Buyers, company's platform is an integrated, multi-currency and multi-lingual one-stop solution that helps them discover and book travel for destinations worldwide, across various travel segments such as leisure, corporate and religious travel. Company have two key revenue models for its transaction, i.e., B2B Rate Model where company receive inventory from Suppliers on which it apply a certain mark-up and pass on to the Buyers and Commission Model where company's Suppliers fix the price at which they want to sell to the end traveller on which receive commission from the Supplier part of which it retain and part of which it share with the Buyer. Their and company's constant endeavour to empower the travel ecosystem with technology has contributed to its success. Company's founders are assisted by a leadership team that has extensive industry experience.

Company aggregate supply from hotels, airlines, car rental companies, transfer providers, cruise companies and other via direct connectivity or through third party aggregators. Company classify Buyers into two broad categories, Retail Buyers and Enterprise Buyers. Retail Buyers are typically small businesses such as travel agencies or travel advisors operating independently. They use company's retail selling platform to search, book and pay for global travel supply. On the other hand, Enterprise Buyers comprise large travel businesses such as tour operators, travel management companies and online travel agencies, as well as digital native businesses such as ecommerce portals and super apps. Enterprise buyers usually use company's Extensible Markup Language ("XML") or JavaScript Object Notation ("JSON") application programming interface ("API") to transact through company's platform. Through its platform, hotels across the world are able to share live inventory and pricing information with company in multiple ways, including through XML feeds, JSON feeds or through company's extranet platform. Company's Supplier universal API engine aggregates hotel data from all sources and performs multiple data cleaning and consolidation processes. Once ready, company's analytical models assess the data and push pricing and personalization recommendations to the Retail Buyer interface of its platform. Company's Buyers, while searching to make bookings through the platform, view geo-centric recommendations personalized for them, which facilitates a fast-booking experience. The platform also settles payments on both, the Buyer and Supplier fronts, managing for multiple currencies at both ends.

Company's Go-To-Market Strategy

Company have a go-to-market strategy for both Supplier and Buyer onboarding. Company's Supplier onboarding is largely technology driven. Company have a built a technology stack with connectivity to most major sources of travel supply, such as GDS, airline host systems, new distribution capabilities ("NDCs") and channel managers. This allows company to onboard any new Supplier with limited incremental effort. Company's Buyer onboarding is driven by its global account management team which uses a combination of sales and marketing efforts to identify, onboard and nurture new Buyers. Company have been able to use its onboarding playbook globally to add both, Buyers and Supplier to company's platform.

Supplier Onboarding

Company's platform is integrated with all major airline GDS such as Amadeus and Travelport, as well as with a number of low-cost carrier host platforms, such as Navitaire. Company use a variety of airline APIs, content aggregator APIs and NDCs to facilitate direct and real-time access to airline content, inventory and booking capabilities. In all, company's platform creates access to search and book over 750 airlines, covering over 300,000 origin-destination combinations, as of December 31, 2023. Company's connectivity platform for hotels connects large hotel chains through direct API integration. Company connect with regional hotel chains and independent hotels through channel managers. For hotels that want to provide company customised contracts with static rates, company have an extranet platform where they can directly load their rates for company. Company also integrate with third-party Suppliers to augment its hotel supply. Company have similar connectivity platforms to acquire content for transfer providers, car rental companies, rail, sight-seeing, and insurance among other categories.

Buyer Onboarding

Company's Buyer onboarding process leverages the strengths of company's platform and has helped it to onboard an average of over 22, 49, 59, 57 and 62 new Buyers every day based on total Buyers onboarded during Fiscal 2021, 2022 and 2023 and the nine months ended December 31, 2022 and December 31, 2023. This has helped company reach over 159,000 Buyers on the platform, as of December 31, 2023. The Buyer onboarding process has three key steps. The first step is generating leads on new Buyers, which is a marketing driven process and is fulfilled through website searches, attending and exhibiting in travel trade shows or through outbound communication by company's sales team. The second step is converting the leads and onboarding the Buyers. Company's platform automatically matches new leads to its local account managers. This process is free for all Buyers, with a know-your-customer ("KYC") verification process and includes a structured platform training conducted by its sales and support teams. The third and final step is nurturing onboarded Buyers, guiding them to reach booking milestones through the platform and rewarding them through the 'TBO+' loyalty program. The last step is more platform and data driven and also monitored by a central sales effectiveness team in coordination with the local account manager.



INVESTMENT RATIONALE

<p><i>Platform creating network effect with interlinked flywheels to enhance value proposition for partners</i></p>	<p>One of the key value propositions of its platform for both, Suppliers and Buyers is providing them instant access to a global network of partners on the other side of the transaction. As company’s Buyer base grows, company channel additional demand and therefore conduct more transactions through company’s platform. This attracts more Suppliers, which in turn, enables company to offer better pricing, wider range, and higher volume of supply across both, existing and new products. By analyzing company’s search data, company prioritize efforts to onboard Suppliers from the destination markets (markets where Buyers need hotels) that are of most interest to company’s source markets (markets where Buyers are) worldwide. This attracts more Buyers to the platform, which in turn attracts more Suppliers. This first flywheel of network effects is a virtuous cycle that results in more transactions completed on its platform and continuously enhances the breadth of its partner base across Buyers and Suppliers.</p>
<p><i>Modular and scalable proprietary technology platform allowing addition of new lines of business, markets, and travel products</i></p>	<p>Company have designed its platform to be modular which, enables company to develop and launch solutions that serve specific Buyer and Supplier segments efficiently. These improvements leverage company’s platform’s core capabilities including Supplier and Buyer modules, payment infrastructure, with data assets and analytics, to quickly go-to-market and scale with minimal investment. Examples of the modularity of its platform include Zamzam, its Umrah travel was able to onboard 100 agents within the first 30 days of launch. Similarly, company’s partner model solution for airlines was easily customized for its airline partners allowing them to start selling quarantine packages that comply with government rules.</p>
<p><i>Ability to generate and leverage large data assets</i></p>	<p>Since company’s platform generates large volumes of data, company follow the principles of good data governance and have developed an enterprise-wide data warehouse that segments data into various subject areas such as searches, bookings, invoices, and payments. Data received on company’s platform is curated and verified for accuracy before being subjected to data analytics. Company also endeavor to protect data through company’s privacy and data security practices. Company consider data as its corporate currency, and company monetize it by advancing and refining its platform for company’s partners as well as by including additional insights to its platform. For instance, search results for hotels are displayed based on the end-traveller profile, nationality, and the source market. This has led company to include filters that can narrow search results, which has helped educate new Buyers about unexplored markets. Company continuously analyses data to find ways to increase bookings by fulfilling requirements. Company mine data to gather actionable insights that are shared with its Supplier and Buyer partners in form of dashboards</p>



OBJECTS OF OFFER

The Offer for Sale

Each Selling Shareholder shall be entitled to its respective portion of the proceeds of the Offer for Sale, net of their proportion of Offer-related expenses and the relevant taxes thereon

Fresh Issue

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the “Objects”):

- Expansion of the Supplier and Buyer base;
- Amplification of value of company’s platform by adding new lines of businesses;
- Inorganic growth through selective acquisitions and building synergies with its existing platform; and
- Leveraging data procured to offer bespoke travel solutions to its Buyers and Suppliers.

RISKS

Company’s revenue is substantially dependent on the hotels and ancillary bookings whose contribution has significantly increased from 35.69% of company’s revenue from operations for Fiscal 2021 to 67.83% for Fiscal 2023 and was 67.59% and 72.47%, respectively, for the nine months ended December 31, 2022 and December 31, 2023. In addition, all of company’s GTV is entirely dependent on its air and hotels and ancillary bookings in the last three Fiscals and in the nine months ended December 31, 2022 and December 31, 2023, respectively. Factors that may negatively impact company’s hotels and ancillary bookings could have an adverse effect on company’s business, prospects, results of operations and financial condition..

Source:RHP

INDUSTRY OVERVIEW

India outbound market growth drivers

- Growing first time travelers looking to create the travel experience: travel has a unique way of attracting people for experiences that create a mental shift within them which cannot be found by any other means. This unique offering of travel experience has led to increasing number of first-time travelers and younger demographic with more propensity to spend on travel. In line with the rising demand the supply is also expected to match with increase in aircraft inventory in the coming years. Recently, Indigo placed order for 500 aircrafts, making it the largest ever single aircraft purchase by an airline, followed by a similar size order of 470 aircrafts from Air India. Additionally, government is spending significant amount of money on building airports and infrastructure to facilitate growth in travel and tourism sector.

- New destinations and unique experiences: although business, holiday and visiting friends and family has remained the key areas within outbound tourism, people are increasingly opting for a variety of holidays, such as sports vacations, luxury holidays, adventure trips, honeymoon packages and cruises. Destination weddings are also a hugely growing trend among the more affluent households. The growing trends of visiting new destinations such as northern lights and seven wonders are gaining more traction leading to increased overall demand for such travel tours.

- Religious trips such as Umrah / holy land: pilgrim travelers across the globe undertake religious tourism for reasons of spiritual purposes. The religious travel market has always been more resilient to global challenges such as recessions and has always attracted repeat business than general leisure travel. People of diverse faith travel to their respective holy lands to pay their respects. Jews and Christians travel to Israel and Vatican, Hindus travel to various places of worship within India and Muslims travel to Mecca and Madina for Hajj and Umrah.

AIRLINES FIND DIFFICULTY IN SELLING ON ACCOUNT OF LIMITED REACH WITH TRAVEL BUYERS

Airlines are required to partner with online marketing tools to increase their scale of operations and expand their reach

The airlines need to strategically plan their sales and must rely on offline and digital platforms for their sales which require them to invest money as well as manpower to track the updates. GDS system has also not been highly effective in driving sales. As a result, airlines end up spending almost two per cent of their revenue (US\$ 10.3 billion in 2022), globally in order to market themselves to the global audience.

Managing diverse set of travel buyers Airlines, apart from direct sales, sell a huge amount of their inventory through travel agents. As a result, they need to manage various sales channels such as travel agents, OTAs, tour operators, TMCs and super applications amongst others. Managing these diverse set of buyers is a complex task for the airlines and hence need an intermediary who can be a one-point contact.

Cross payment transaction issues The travel buyers prefer to pay in their local currency, which becomes difficult to accept for the airlines. Working directly with hundreds of buyers across the chain effectively means having to receive hundreds of small overseas payments in dozens of currencies, in turn becoming expensive and fraught with risk.

Cross sell of value-added services Airlines are not able to realize their full potential in the sales of value-added services such as extra baggage and seat selection. As a result, they are enabled to enhance their revenue through targeted promotion.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	9months ended FY24
Total Revenue (A)	1443.26	4918.78	10727.38	10228.09
Total Expenditure (B)	1644.95	4512.44	8826.93	8310.6
EBIDTA	-201.69	406.34	1900.45	1917.49
EBIDTA Margin	-13.97	8.26	17.72	18.75
Other Income	322.23	200.50	130.33	167.55
Depreciation	111.20	156.81	245.57	211.50
EBIT	9.34	450.03	1785.21	1873.54
Interest	11.93	35.39	71.67	65.34
PBT	-2.59	414.64	1713.54	1808.20
Share of profit in Asso	0.00	-32.83	-0.49	0.00
PBIT	-2.59	381.81	1713.05	1808.20
Exceptional	292.73	-78.52	-28.90	71.96
PBT	-295.32	460.33	1741.95	1736.24
Tax	46.12	123.16	257.04	194.46
PAT	-341.44	337.17	1484.91	1541.78
NPM	-23.66	6.85	13.84	15.07
ROE%	-16.73	14.54	44.04	30.76
EPS	-3.28	3.32	14.21	15.30
Eq Cap	18.95	1,024.24	104.24	104.24
Net Worth	2,040.71	3,239.04	3,402.86	5,057.33

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>TBO Tek Limited</i>	<i>NA</i>	<i>10645.87</i>	<i>14.21</i>	<i>33.22</i>	<i>44.04</i>
Peers					
Rategain Travel Technologies Limited	113.31	5651.28	6.29	65.67	9.64
Listed Global Peers*					
Travel CTM	28.34	34630.31	28.14	425.20	6.62
Webjet Ltd.	213.16	19313.20	2.01	115.95	1.74

(Source: RHP)



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