



SUBSCRIBE

IPO Report

08th June '24

Snapshot

Company is a technology company focused on empowering Indian travellers to plan, book and manage their trips across rail, air, buses and hotels. Company's OTA platforms allow travellers to book train tickets, flight tickets, bus tickets and hotels, while providing travel utility tools and services developed using in-house proprietary algorithms and crowd-sourced information, including train PNR status and confirmation predictions, train seat availability alerts, train running status updates and delay predictions, alternate route or mode planning, flight status updates, automated web check-in, bus running status, pricing and availability alerts, deal discovery, destination content, personalized recommendations, instant fare alerts for flights, AI-based travel itinerary planner and automated customer support services..

VALUATION

Company is bringing the issue at price band of Rs 88-93 per share at p/e multiple of 75x on post issue annualized 9 months ended FY24 PAT (excluding exceptional item) basis.

Company is a leading OTA for the 'next billion user' with the highest Monthly Active Users for mobile apps across all key OTAs. Being technology-focused, company have established consumer travel brands built with user-first approach. Company with diversified business model & high operating leverage and organic flywheel have an experienced management team with lean organization structure. Hence, looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	88-93
Opening date of the issue	10th June '2024
Closing Date of the issue	12th June '2024
No of shares pre issue	3,74,519,945 Eq Shares
Issue Size	Rs 707-740 Cr
No of shares	80,314,037-79,580,900 Shares
Fresh issue	Rs 120 Cr
Offer For Sale	66,677,674 Eq Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	161

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 59,685,676 Eq Shares)
Non-Institutional	15% of the offer (Approx 11,937,135 Eq Shares)
Retail	10% of the offer (Approx 7958089 Eq Shares)
Lead managers	Axis Capital, DAM Capital, JM Financial
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

Leading online travel agency ("OTA"), with significant penetration in the underserved 'next billion user' market segment

Company was the second largest OTA in India in terms of consolidated revenue from operations in Fiscal 2023. Company is also the fastest growing OTA in India, in terms of revenue from operations between Fiscal 2020 and Fiscal 2023. The number of transactions booked through company's OTA platforms has increased at a CAGR of 139.43% from 8.56 million in Fiscal 2021 to 49.07 million in Fiscal 2023, and to 42.00 million and 36.47 million in the nine months ended December 31, 2023 and December 31, 2022, respectively. Ixigo and ConfirmTkt, collectively had a market share of around 51%, in terms of rail bookings, among OTAs, as of March 31, 2023.

Diversified business model with significant operating leverage and organic flywheel

Company's business model consists of a comprehensive mix of product and service offerings with presence across trains, flights, buses and hotels businesses, which comprehensively addresses the online travel market in India allowing company to monetize all aspects of company's OTA platforms. Company's Gross Transaction Value was ₹ 75,929.25 million and ₹ 54,625.81 million in the nine months ended December 31, 2023 and December 31, 2022, respectively, and has grown at a CAGR of 86.04% from Fiscal 2021 to Fiscal 2023.

Experienced management team with lean organization structure

Company's Chairman, Managing Director and Group Chief Executive Officer, Alope Bajpai holds a bachelor of technology degree in electrical engineering from the Indian Institute of Technology, Kanpur and a masters' degree in business administration from INSEAD, and its Director and Group Co-Chief Executive Officer, Rajnish Kumar holds a bachelor of technology degree in computer science and engineering from the Indian Institute of Technology, Kanpur. They have worked with Amadeus SAS in France and possess over 22 years of experience in travel technology.



COMPANY BACKGROUND

Company is the second largest OTA in India in terms of consolidated revenue from operations in Fiscal 2023. Company is also the leading OTA for the 'next billion users', and in September 2023, ixigo flights, ixigo trains, ConfirmTkt and AbhiBus have collectively seen the highest usage and engagement among all key OTA players and standalone transactional train mobile apps in India in terms of Monthly Active Users and sessions. Company is the largest Indian train ticket distributor in the OTA rail market and had the largest market share of around 51%, in terms of rail bookings, among OTAs, as of March 31, 2023. Company's market share in India in the OTA rail market was 46.15% in Fiscal 2023 and increased from 46.4% in the first half of Fiscal 2023 to 52.4% in the first half of Fiscal 2024. Company's bus-focused app, AbhiBus, was the second largest bus-ticketing OTA in India, with a 11.5% market share in online bus ticket bookings in Fiscal 2023 which increased further to 12.5% in the first half of Fiscal 2024. Company had a market share in India of nearly 5.2% of the total airline OTA market by volume in the first half of Fiscal 2024 up from 3.3% in Fiscal 2023. Company is also the fastest growing OTA in India, in terms of revenue from operations between Fiscal 2020 and Fiscal 2023. Company's revenue from operations have grown at a CAGR of 92.29% between Fiscal 2021 and Fiscal 2023, and its revenue from operations were ₹ 4,910.21 million and ₹ 3,643.08 million in the nine months ended December 31, 2023 and December 31, 2022, respectively, while company's revenue from operations were ₹ 5,012.50 million, ₹ 3,795.80 million and ₹ 1,355.66 million in Fiscals 2023, 2022 and 2021, respectively. Company's restated profit before tax was ₹ 485.03 million and ₹ 144.02 million in the nine months ended December 31, 2023 and December 31, 2022, respectively. Company's restated profit before tax was ₹ 206.74 million in Fiscal 2023, while its restated loss before tax was ₹ 176.00 million in Fiscal 2022 and restated profit before tax was ₹ 27.07 million in Fiscal 2021.

Company have the highest app usage among OTAs with 83 million Monthly Active Users cumulatively across its apps, as per data.ai in September 2023. Company was also the fastest growing OTA in terms of app downloads, with 4.9 million monthly app downloads as per data.ai in September 2023, which was more monthly app downloads than all other OTAs in that month. As of March 31, 2023, company had 429.38 million Annual Active Users and 49.07 million transactions were booked through its OTA platforms in Fiscal 2023. As of December 31, 2023, company had 213.21 million Registered Users, i.e., users who have provided their unique mobile number or email address, as applicable, on company's platforms as of the relevant date, and 42.00 million transactions were booked through company's OTA platforms in the nine months ended December 31, 2023. In 2022, ixigo trains app was the 8th most downloaded travel and navigation app globally as per data.ai (formerly App Annie). As per data.ai (formerly App Annie), in 2022, the *ixigo* trains app and ConfirmTkt app were also featured in the top 10 travel apps in India with the *ixigo* trains app ranked 2nd and ConfirmTkt ranked 7th, in terms of most downloaded travel apps.

Company have significant penetration in the 'next billion user' market. 'Next billion users' refers to an existing as well as anticipated market of "new to Internet" users that includes all non-Tier I market demand i.e., all travel demand originating from and/or concluding in Tier II, III and rural areas in India as well as "new to Internet" users emerging from middle and lower income groups of Tier I cities. In the next five years, it is expected that 20% of the 'next billion users' will come from Tier I cities, and a substantial 50% to come from Tier II and Tier III cities, and significantly, the rest of 30% will come from rural India. In 2023, the next billion users' comprised over 60%-65% of the overall travel market. In the nine months ended December 31, 2023 and December 31, 2022 and in Fiscals 2023, 2022 and 2021, the percentage of transactions booked through company's OTA platforms where either an origin or destination was a non-Tier I city (non-Tier I transactions), were 93.83%, 94.50%, 94.39%, 95.26% and 92.60%, respectively. Company's focus on addressing travel-related issues of the 'next billion users' has enabled improved engagement and customer satisfaction, a fact reflected by 23 monthly average sessions per user per month in September 2023, which was the highest engagement among all OTAs in India in such period. Company focus on solving travel utility needs as well as its transactional use-cases of its users in order to establish itself as a customer focused technology company in the online travel industry. By leveraging company's utility-focused OTA platforms, company have been able to enhance use of its offerings, and sell its travel services, such as tickets and bookings for trains, flights, buses and hotels, to its users. Over the lifecycle of company's users, company have been able to cross-sell and up-sell tickets and Value-Added Services or services ancillary to its booking offerings and include services such as ixigo Assured, ixigo Assured Flex, Abhi Assured, seat selection, in-flight meals, visa processing, travel insurance and car rental services to its user base in addition to providing free information and utility services. The Ancillary Attachment Rate for company's Value-Added Services (defined as Value-Added Services sold as a percentage of all bookings sold) was 31.65% and 27.96% and in the nine months ended December 31, 2023 and December 31, 2022, respectively, and was 28.87% in Fiscal 2023, 26.41% in Fiscal 2022, increasing from 15.43% in Fiscal 2021. Company's ability to monetize its user-base is also demonstrated by its Monthly Transacting Users to Monthly Active Users ratio which increased from 1.81% in March 2021 to 4.32% in March 2022 and was 3.40% in March 2023, while it was 3.22% and 3.39% in December 2023 and December 2022. Company is also able to cross-sell flight bookings to its next billion users-focused app users, or users of ixigo trains app, ConfirmTkt and AbhiBus.



INVESTMENT RATIONALE

<p><i>Experienced management team with lean organization structure</i></p>	<p>Company is led by an experienced leadership team with significant industry experience. Company’s Chairman, Managing Director and Group Chief Executive Officer, Alope Bajpai holds a bachelor of technology degree in electrical engineering from the Indian Institute of Technology, Kanpur and a maste degree in business administration from INSEAD, and company’s Director and Group Co-Chief Executive Officer, Rajnish Kumar holds a bachelor of technology degree in computer science and engineering from the Indian Institute of Technology, Kanpur. They have worked with Amadeus SAS in France and possess over 22 years of experience in travel technology. They have been instrumental in the growth of company’s business. Company’s Board includes a combination of management executives and independent members who add significant business experience including in the areas of travel, ecommerce, hospitality and finance. Company’s leadership team’ s domain knowledge, industry relationships, and experience in identifying, evaluating and completing acquisitions provide company with opportunities to grow organically and through strategic acquisitions that complement or expand company’s existing operations. Company is supported by its senior management team and as of December 31, 2023, company had a team of 486 full-time employees. Company consider its entrepreneurial culture and flat organizational structure as factors in company’s success, and in containing its operating expenses, while maintaining its growth.</p>
<p><i>Established consumer travel brands built with user-first approach</i></p>	<p>ixigo Group apps were one of the highest rated apps among OTAs, with a rating of 4.6 on the Google Play Store as of November 2023, and its apps had the highest usage and engagement among all key OTA players and standalone transactional train mobile apps in India in September 2023 in terms of Monthly Active Users and sessions per user per month .Company’s brand presence and loyalty amongst users is evident from the growth in Monthly Active Users, which has increased from 21.59 million in March 2021 to 44.20 million in March 2022, 62.83 million in March 2023 and were 77.04 million and 62.01 million in December 2023 and December 2022, respectively. Company had a Repeat Transaction Rate of 86.06% and 85.14% in the nine months ended December 31, 2023 and in Fiscal 2023, respectively.</p>
<p><i>Artificial intelligence ("AI") and technology driven operations</i></p>	<p>Company is a technology-focused company. Technology forms the basis for company’s operating leverage and is instrumental in achieving significant efficiencies in company’s business processes and operations. Company use artificial intelligence, data science and machine learning to transform its travel information and crowd-sourced data into business intelligence that enhances company’s travel offerings and improves its operating efficiency. Company have developed advanced and scalable technology platforms allowing company to address the requirements and problems of travellers. Company’s proprietary search, caching, train PNR prediction and crowd-sourcing algorithms help company in improving its customer experience and leveraging information from company’s own users to provide accurate and meaningful information to solve user pain areas. Company have recently launched ixigo PLAN, an intelligent AI-based trip planner that delivers detailed itineraries and real-time destination information to help travellers plan their journeys. In addition, company have also launched its generative AI plugin, enabling conversational interactions with ixigo PLAN.</p>



OBJECTS OF OFFER

Offer for Sale

The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their proportion of Offer expenses and relevant taxes thereon.

Fresh issue

Company proposes to utilize the Net Proceeds towards funding the following objects :

1. Part-funding working capital requirements of Company;
2. Investments in cloud infrastructure and technology; and
3. Funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

RISKS

Company originally commenced operations as a meta search website and subsequently transitioned to become an OTA. Company have limited experience of operating as an OTA. Company's market share of the overall OTA market by GTV was 6.52% and 5.88% in the nine months ended December 31, 2023 and December 31, 2022, respectively, while it was 6.01%, 11.72% and 9.24% in Fiscal 2023, 2022 and 2021, respectively, on account of company's limited operating history as an OTA.

Source:RHP

INDUSTRY OVERVIEW

Online vs. Offline Travel Booking: India

In Fiscal 2023, the railway sector leads the online penetration amongst all travel sectors in India with a penetration rate of 81% in reserved train ticketing. Online rail tickets are booked via both direct IRCTC route and routed through OTAs. In Fiscal 2023 online penetration of the air segment stood at 70% of all air travel. Share of online hotel booking is low at 32% and only 19% of the bus segment was penetrated with online bookings in Fiscal 2023. Increasing digitization of inventory in general and the COVID pandemic in particular have increased online uptake across all travel modes. The overall travel industry is expected to grow by 9% during the forecast period Fiscal 2024 to Fiscal 2028, but the growth rate of the online segment of the travel industry is expected to be even higher at 13%. The growth in the online segments of the bus at 18% and air at 15% will lead the online travel market growth.

Airlines: This segment is the earliest mode of transport to adopt OTA channels for bookings and has given it the majority share of the value of bookings due to the high-ticket sizes. However, in terms of value, its penetration is at ₹ 1,162 billion as offline purchases through traditional travel agents and direct airline website purchases are still important. OTA penetration is expected to increase to 80% by Fiscal 2028. Compared to a CAGR of 12% forecasted for Fiscal 2028 of the overall Indian airline industry, the OTA component of the airline industry will grow at an accelerated pace of 18% for the same period. Thus, both the online penetration within air ticketing and the share of OTAs within online ticketing are set to increase by Fiscal 2028.

Rail: Major source for rail ticketing is IRCTC, introduced to the market in 2002. About 81% of reserved rail tickets were booked online in Fiscal 2023 and the online booking share is expected to increase to 86% by Fiscal 2028. The value of bookings is expected to increase as IRCTC & OTAs offer a better value proposition and take shares away from offline and the average fare for tickets has been rising recently as the share of AC tickets sold has improved. Compared to the moderate growth or CAGR of 6% forecasted for the years Fiscal 2023 to Fiscal 2028 for the overall Indian rail industry, the online component of the reserved rail industry will grow at 8% in terms of value by 2028. The OTA market in Fiscal 2023 accounts to ₹ 100 billion and is expected to grow to ₹ 202 billion by Fiscal 2028 at a CAGR of 15%. The key drivers for the OTA are gaining share due to various add on features and convenience provided by OTAs.

Hospitality: The online penetration in this segment was about 32% in the overall hotel market by values in Fiscal 2023. This is because fewer hotels operate online. The online penetration is low as many Tier II and Tier III hotels do not provide online services and it proves challenging for an OTA to coordinate among all the hotels. Its online penetration by volumes is expected to increase to 44% by Fiscal 2028. Compared to CAGR of 7% forecasted for the years Fiscal 2023 to Fiscal 2028 for the overall Indian hospitality industry, the online component of the hospitality industry will grow at double that pace, at a CAGR of 14% between Fiscal 2023 and Fiscal 2028. The OTA market in Fiscal 2023 accounts to ₹ 238 billion and is expected to grow to ₹ 517 billion by Fiscal 2028 at a CAGR of 17%.

Bus: Online penetration of the bus segment is one of the fastest growing segments. The online penetration was low at 19%, for the intercity bus segment and is expected to grow to 28% by Fiscal 2028. Bus ticketing is still in Growth of OTAs. The rise of OTAs providing bus ticketing services has further increased the convenience of buses and driven more existing and new users, driving up the overall market size.

Ticketing Mode (Online vs. Offline)

The offline mode of ticketing includes the proportion of passengers who purchase their tickets from offline modes (travel agents or bus stations) and make payments in cash. Primarily, the mode of ticketing varies with the category of buses, which include long-range buses (intercity), medium-range buses (intercity), and intracity buses.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	9months ended FY24
Total Revenue (A)	1355.66	3795.80	5012.50	4910.21
Total Expenditure (B)	1322.63	3918.95	4725.28	4627.8
EBIDTA	33.03	-123.15	287.22	282.41
EBIDTA Margin	2.44	-3.24	5.73	5.75
Other Income	28.40	53.61	163.23	60.76
Depreciation	18.85	78.43	108.15	103.09
EBIT	42.58	-147.97	342.30	240.08
Interest	15.51	28.03	9.49	23.94
PBT	27.07	-176.00	332.81	216.14
Share of profit in Asso	0.00	0.00	0.00	-28.32
PBIT	27.07	-176.00	332.81	187.82
Exceptional	0.00	0.00	-126.07	297.21
PBT	27.07	-176.00	206.74	485.03
Tax	-48.26	34.94	-27.22	-172.09
PAT	75.33	-210.94	233.96	657.12
NPM	5.56	-5.56	4.67	13.38
ROE%	24.13	-7.15	5.74	15.26
EPS	0.25	-0.66	0.58	1.80
Eq Cap	0.43	369.75	371.20	372.97
Net Worth	299.38	3,426.86	3,871.19	4,371.27

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Le Travenues Technology Limited</i>	NA	5175.73	0.57	9.79	5.74
Peers					
Easy Trip Planners Limited	54.96	4641.98	0.77	2.13	36.21
Yatra Online Limited	187.83	3974.65	0.69	14.80	4.50

(Source: RHP)



DISCLAIMER

HEM Securities Limited ("Research Entity or HSL") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.