

March 6, 2021

Easy Trip Planners (ETP), an online travel agency, was founded in 2008. The company offers a comprehensive range of travel-related products and services for end-to-end travel solutions, including airline tickets, hotels and holiday packages, rail tickets, bus tickets and taxis as well as ancillary value added services such as travel insurance, visa processing and tickets for activities and attractions. The company's products and services are organised primarily in the following segments: (i) airline tickets (94% of revenues); (ii) hotels & holiday packages (5% of revenues) and (iii) other services (0.6% of revenue).

Huge opportunity in hotel, corporate, Tier II, Tier III cities

Online penetration of hotels is expected to increase from 21-26% in FY20 to 29-31% in FY23E. Further, margins in the hotel & holiday packages business are higher compared to airline ticketing. Hence, in order to capture this, the company intends to focus on direct tie-ups with hotels & hotel suppliers and expand its presence in hotels outside India. Further, ETP aims to utilise the services of traditional travel agents to tap corporates and Tier II & Tier III cities that are still utilising offline booking channels. Further, we believe the company's strategy of providing an option of no-convenience fees to customers will further drive repeat customers and, in turn, revenues.

Lean, cost efficient operations

The company has developed a streamlined, efficient and lean organisation structure relative to the size of its business operations. ETP's advanced technology infrastructure and operating systems focused on optimal human resource allocation, minimising operational & systemic errors and enhancing customer satisfaction have resulted in reducing person/personnel and administration costs while increasing employee productivity and improving operating efficiencies. The company had the lowest number of employees among the key online travel agencies in India as of March 31, 2020. We believe this has enabled ETP to maintain healthy profitability in the past few years.

Key risk & concerns

- Covid 19 has and could continue to have adverse impact on travel
- Intense competition in online travel segment
- Promoters have interest in ventures similar to company's business

Priced at P/E of 61.5x FY20 PAT on upper band

Taking cognisance of the huge growth opportunities for EaseMyTrip and a lean cost of operations that would aid flow of profitability to the bottomline, we recommend **SUBSCRIBE** rating to the issue. The company is available at a P/E of 61.5x on FY20 PAT.



Particulars

Issue Details

Issue Opens	8th March 2021
Issue Closes	10th March 2021
Issue Size (₹ crore)	~ ₹ 510 crore
Issue Type	OFS
Price Band	₹ 186-187
Market Lot	80
Face Value	₹ 2

Shareholding

	Shareholding %	
	Pre-issue	Post-issue
Promoters	100%	75%
Public	0%	25%
Total	100%	100%

Objects of issue

Objects of the issue

The company will not receive any proceeds from the offer. The listing will enhance visibility of the company and will provide liquidity to existing shareholders

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Key Financial Summary

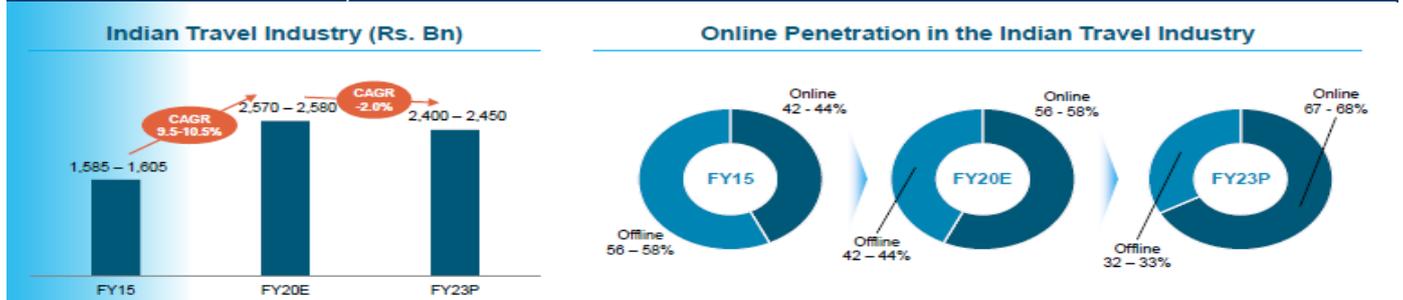
₹ crore	FY18	FY19	FY20	9MFY21	CAGR FY18-20
Revenue	104.5	131.2	164.1	70.0	25.3
EBIDTA	3.2	24.9	33.0	31.9	220.8
EBIDTA margin	3.1%	19.0%	20.1%	45.5%	
Net Profit after discontinued operation	0.0	24.0	33.0	30.5	NA
EPS (₹) (Post issue)	0.0	2.2	3.0	2.8	
PE (x) (Post issue)	NA	84.6	61.5	NA	
RoCE (%)	26.8	43.2	33.1	NA	
RoE (%)	0.1	35.3	32.6	NA	

Source: ICICI Direct Research, RHP

Industry Overview

The Indian travel industry is expected to reduce at a CAGR of 2.0% in FY20-23E. The industry was estimated at ~₹ 1,585-1,605 billion in FY15. The industry grew at a CAGR of ~10-11% to reach ~₹ 2,605-2,625 billion in FY20 on account of a growing economy, geographic and cultural diversity and various government initiatives. On account of the Covid-19 pandemic, the growth is expected to vanish and the travel industry is expected to reduce annually at ~2.0% to reach ~₹ 2,400-2,450 billion in FY23E. However, some positivity in the travel industry is expected, primarily expected to be driven by development of tourism infrastructure, increase in connectivity across means of transport, rising income levels translating to higher discretionary spending on travel & tourism, reforms in visa and passport allowing easier access to India (in case of foreign tourist arrivals) and other countries (in case of Indian passport holders) and frequency of travel for business and leisure purposes.

Exhibit 1: Indian travel industry & share of OTA



Source: Company, Crisil report, ICICI Direct Research

Online penetration of Indian travel market expected to reach ~67-68% in FY23E

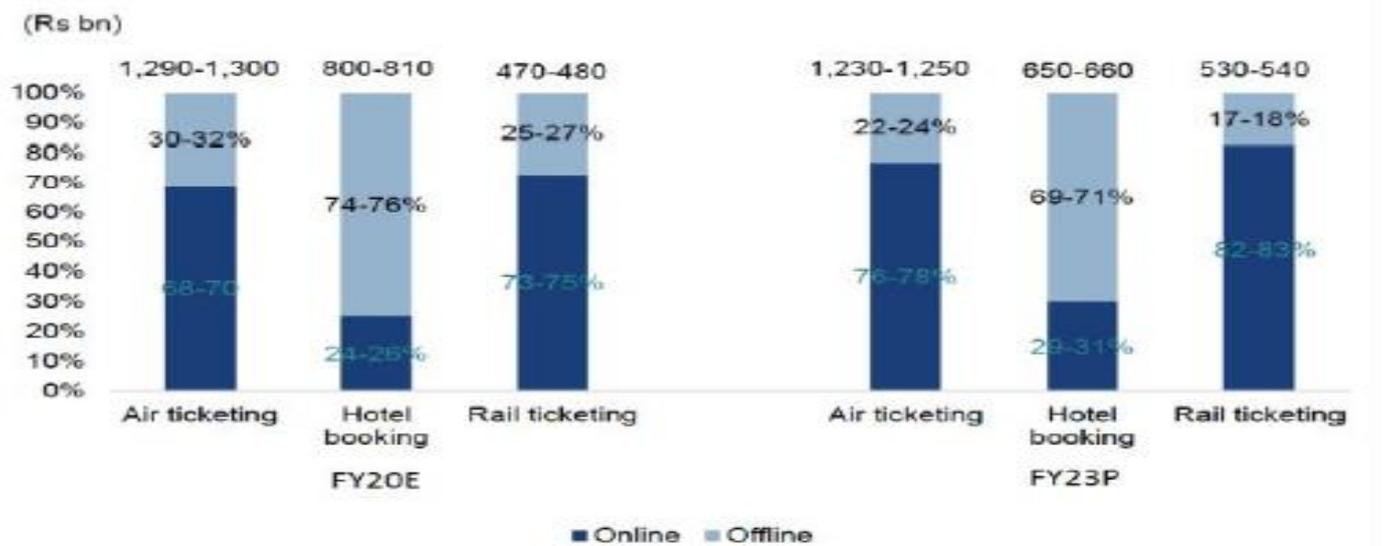
The Indian travel market is growing fast and has significantly evolved with digitisation. The global distribution system (GDS) was introduced for travel and hospitality service providers in India during the 1990s, when internet penetration was low. The trend in online travel bookings further increased with Indian Railway Catering and Tourism Corporation (IRCTC) launching its e-ticketing services in 2002. In addition, the emergence of online travel agencies (OTA) and online travel aggregators during early 2000s, who initially focused on airline ticketing, also helped in the growth of Indian online ticketing. Ticketing services across travel segments have undergone a significant change due to increased internet penetration, greater affordability of smart phones, user friendliness of online platforms, convenience in terms of comparison and varied modes of payment offered (credit cards, debit cards, net banking) and faster pace of service providers adopting digital platforms for their respective businesses. The online penetration, defined as share of bookings done online through captive websites of the service providers or through online travel agencies (OTAs), of the Indian travel industry accounted for ~56-58% in FY20. Further, the share of online penetration of the Indian travel industry is expected to increase to ~67-68% in FY23, supported by growth in online transactions due to the Covid-19 pandemic.

Online penetration of air, hotel, rail to improve over FY20-23E

Air ticketing has the highest online penetration among travel segments of ~68-70% in FY20 as air ticketing was among the earliest segments to adopt online channels. Railway tickets also adopted online channels relatively earlier and had an online penetration of ~73-75% in FY20. Online penetration for both segments, airline ticketing and railways ticketing, is expected to improve to ~76-78%, and 82-83%, respectively, in FY23E, primarily on account of the convenience offered by online channels compared to offline channels.

In case of hotels, online penetration is expected to increase from 21-26% in FY20 to 29-31% in FY23E primarily on account of supply expansion as more players, particularly from smaller Tier I, II and III cities shift to online platforms. Further, due to deeper penetration of internet, wider smartphone usage and social media influences together with a youth population, which has rapidly adapted to the digital era, consumers' preference for online travel booking across segments is expected to increase in the medium to long term.

Exhibit 2: Segment wise share in online penetration in India



Source: RHP, Crisil Research, ICICI Direct Research

Competitive landscape

The competition in the travel segment is intense. Travellers have a range of options, both online and offline, to research, find, compare, plan and book air, packages, hotels and other travel product. Competition varies by market, geographic areas and type of product. Success depends upon ability to compete effectively against numerous established and emerging competitors, including other online travel agencies, traditional offline travel companies, travel research companies, payment wallets, search engines and meta-search companies, both in India and abroad. The key players in the domestic online travel agency market include Cleartrip Pvt Ltd, MakeMyTrip Ltd and Yatra Online, Inc.

Exhibit 3: Competitive landscape

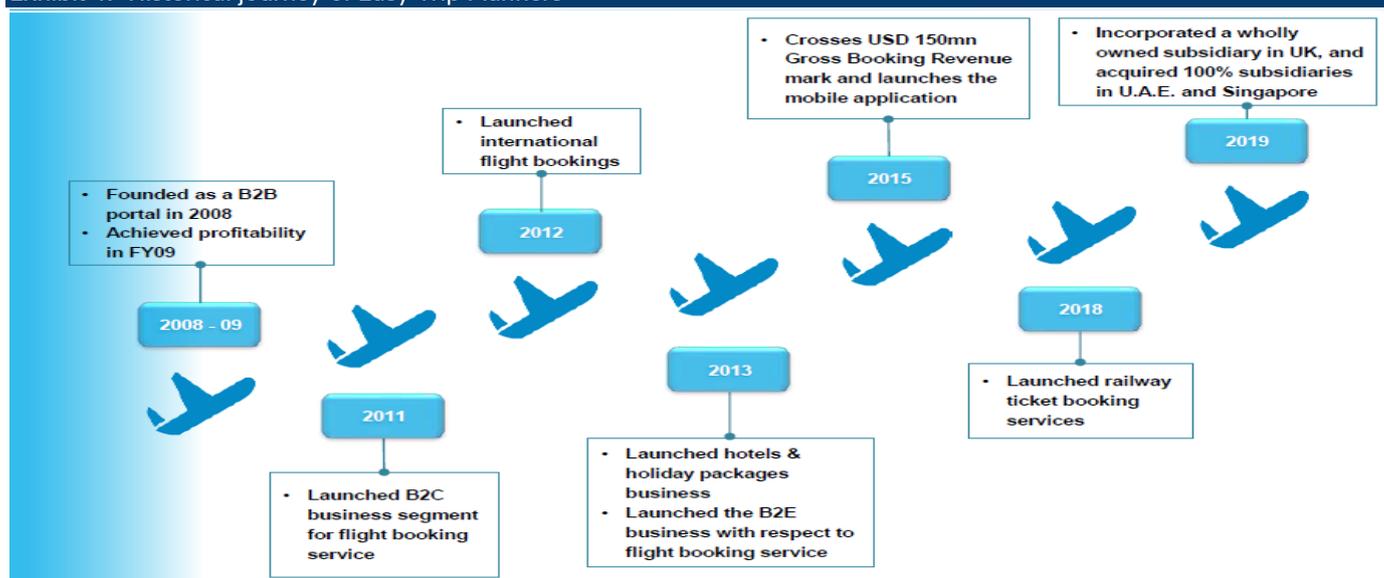
Players	Year of commencement of business	Company headquarters	Number of Customers ¹ as of March 31, 2019 (million)	Number of Customers as of March 31, 2020 (million)	Number of Agents as of March 31, 2020 (nos.)	Employee Count as of March 31, 2020 (nos.)
Cleartrip Private Limited	2005	Mumbai, Maharashtra	NA ²	NA ²	NA ²	NA ²
Easy Trip Planners Limited	2008	New Delhi	8.1	9.65	55,981	480
MakeMyTrip Limited	2000	Gurugram, Haryana	39.0	46.0 ³	Approximately 3,200 ⁵	3,960 ⁷
Yatra Online, Inc.	2005	Gurugram, Haryana	9.7	11.1 ⁴	Approximately 26,000 ⁶	2,000 ⁷

Source: RHP, ICICI Direct Research

Company background

The company was incorporated as 'Easy Trip Planners Pvt Ltd' on June 4, 2008. ETP offers a comprehensive range of travel-related products and services for end-to-end travel solutions, including airline tickets, hotels and holiday packages, rail tickets, bus tickets and taxis as well as ancillary value added services such as travel insurance, visa processing and tickets for activities and attractions. The company was founded as a business to business (B2B) portal providing travel agents access to its website to book domestic travel airline tickets in order to cater to the offline travel market in India. Subsequently, ETP diversified into the business to customer (B2C) distribution channel in 2011 by primarily focusing on the growing Indian middle class population's travel requirements. In 2013, the company also commenced a business to enterprise (B2E) distribution channel with the aim of providing end-to-end travel solutions to corporates.

Exhibit 4: Historical journey of Easy Trip Planners



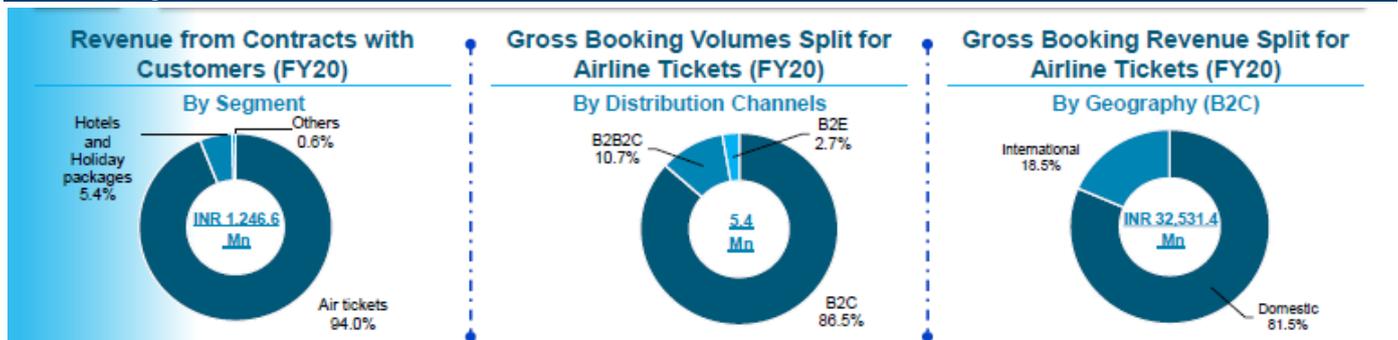
Source: Company, ICICI Direct Research

The company is ranked second among key OTAs in India in terms of booking volume in the nine months ended December 31, 2020 and third among the key OTAs in India in terms of gross booking revenues in FY20. ETP's registered customers in the B2C channel increased at a CAGR of 28.2% from 5.9 million customers as of March 31, 2018 to 9.7 million customers as of March 31, 2020, and further increased to 10.32 million customers as of December 31, 2020. Further, its gross booking volumes increased 54.4% from 2.4 million in FY18 to 3.7 million in FY19 and by 48.4% from 3.7 million in FY19 to 5.4 million in FY20. Gross booking volumes were 1.8 million in the nine months ended December 31, 2020. The company's market share in the total Indian online travel agency industry in terms of gross booking revenues and gross booking revenues for airline ticketing segment was ~4.6%, and 5.5-6.5%, respectively, in FY20.

Products and services

The company's products and services are organised primarily in the following segments: (i) airline tickets, which consists of the sale of airline tickets as well as airline tickets sold as part of the holiday packages; (ii) hotels and holiday packages, which consists of standalone sales of hotel rooms as well as travel packages (which may include hotel rooms, cruises, travel insurance and visa processing); and (iii) other services, which consists of rail tickets, bus tickets, taxi rentals and ancillary value added services such as travel insurance, visa processing and tickets for activities and attractions.

Exhibit 5: Segment wise contribution



Source: Company, ICICI Direct Research

Airline ticket

The company provides airline tickets for domestic travel within India, international travel from and to India and international travel from and to other countries. ETP provided customers with access to airline tickets of two full service airlines and six low-cost airlines operating in India, and more than 400 full service airlines and nine low-cost airlines operating in other countries, including domestic airlines, such as, Indigo, Go Airlines (India) Ltd and SpiceJet, and international airlines, such as Etihad Airways PJSC. ETP obtains inventory from these airlines either through GDS service providers, including InterGlobe Technology Quotient Pvt Ltd, or through direct connections to the airlines' booking systems via API service providers primarily in the case of low cost airlines. The company earns from the airline tickets booked by customers through its platforms in the form of commissions and incentives. Commissions and incentive payments, such as performance linked bonus, are primarily received from GDS service providers and certain airlines as well as credit card companies on a periodic basis and are generally based on the volume of sales generated by the company. In addition, ETP also earns revenue from convenience fee, cancellation service charges, rescheduling charges and advertisement revenue that it may charge along with the travel booking.

Hotels and holiday packages

The company offers the ability to search, compare and book reservations at more than 73,400 hotels in India and more than 1,023,000 hotels outside India, as of December 31, 2020. ETP typically does not assume inventory risk and receives commissions from their hotel suppliers on a periodic basis or before/ after the customer checks out.

Other travel products & services

It consists of rail tickets, bus tickets, taxi rentals and ancillary value added services such as travel insurance, visa processing and tickets for activities and attractions.

Investment Rationale

Focus on expanding hotel and rail operations

Strong growth in foreign and domestic travellers, strong GDP growth, emergence of corporate hubs in India, development of smart city programme, growth in online hotel bookings and government initiatives, are expected to benefit the overall Indian hospitality industry. In addition, online penetration for hotel is expected to increase from 21-26% in FY20 to 29-31% in FY23E. Further, the margins in the hotel and holiday packages business are higher in comparison to airline ticketing. Hence, to capture this the company intends to focus on direct tie-ups with hotels & hotel suppliers and expand its presence in hotels and holiday packages outside India. In order to capitalise on this growth opportunity, the company has incorporated a subsidiary in the United Kingdom, Easemytrip UK Ltd. In addition, it has also acquired Singapore Arrivals Pte Ltd and Easemytrip Middleeast DMCC in Singapore and United Arab Emirates, respectively. This will help the company to get competitive rates as well as better support to customers during an international holiday.

Online penetration of the railways ticketing segment is expected to increase to ~82-83% by FY23 (from 73-75% in FY20) due to the convenience provided by online channels in comparison to offline channels. In order to tap this opportunity, the company has entered into two agreements with the Indian Railway Catering and Tourism Corporation (IRCTC) for the sale of train tickets. ETP intends to increase the penetration in rail ticket booking by providing customers with the option to book the 'last-mile' travel solution on platforms for cities where air travel is not an option.

Leverage travel agent network to grow Tier II, Tier III cities, corporate business

A considerable number of customers in India, especially from Tier II and Tier III cities, still utilise and are expected to continue to utilise the services of traditional travel agents. However, instead of investing in their own digital platforms, smaller traditional travel agents chose to collaborate with online travel agencies to reduce their operational costs and continue to function in the digital marketplace. As a result, the company intends to leverage its existing travel agents network to cater to this growing demand and also help with procuring and on-boarding local hotels in such cities. ETP also intends to increase the number of travel agents and provide platforms in various vernacular languages to tap growth in Tier II & Tier III cities.

Apart from Tier II & Tier III cities, a significant part of business travel bookings is dominated by offline bookings as corporates prefer the offline booking channels for negotiating rates, rescheduling and cancellations and customer support. Hence, the company intends to strengthen its presence among corporates by leveraging its existing travel agent network and also by integrating its travel software with corporate customer's IT systems to act a 'one-stop' solution for all of their travel requirements.

Option of no-convenience fees help in driving customer base

The company offers a comprehensive range of travel-related products and services for end-to-end travel solutions, including airline tickets, hotels and holiday packages, rail tickets, bus tickets and taxis as well as ancillary value added services such as travel insurance, visa processing and tickets for activities and attractions. ETP provides these services with an option to customers of no-convenience fee, such that customers are not required to pay any service fee in instances where there are no alternate discount or promotion coupon being availed. This helps in avoiding any hidden cost and developing and strengthening its customer base. As a result, the company has healthy repeat transaction rate of 85.95% in the B2C channel.

Lean, cost efficient operations

The company has developed a streamlined, efficient and lean organisation structure relative to the size of its business operations. ETP's advanced technology infrastructure and operating systems focused on optimal human resource allocation, minimising operational and systemic errors and enhancing customer satisfaction have resulted in reducing personnel and administration costs while increasing employee productivity and improving operating efficiencies. The company had the lowest number of employees among key online travel agencies (OTA) in India as of March 31, 2020. In addition, in FY20, the company incurred the lowest per employee cost and lowest employee expense as a percentage of gross booking revenues among key OTAs in India.

Exhibit 6: Cost comparison as a percentage of gross booking revenues

Company	Easy Trip Planners Ltd	MakeMyTrip Ltd	Yatra Online, Inc
Customer Promotion Expense ³ as % of Gross Booking Revenue	3.0%	5.93%	1.74%
MSP ¹ expense as % of Gross Booking Revenue	0.83%	2.73%	0.96%
Employee Expense ² as % of Gross Booking Revenue	0.72%	2.13%	2.08%
Other Operating Expense ⁴ as % of Gross Booking Revenue	0.27%	0.60%	1.01%

Source: Company, Crisil report, ICICI Direct Research

Key Risk

Covid-19 pandemic has had, may further have material adverse effect on travel industry, company's business

The Covid-19 pandemic has severely restricted the travel & tourism sector. Domestic and international travel restrictions imposed in India materially disrupted the company's revenues. Such restrictions have continued for the greater part of the nine months ended December 31, 2020 with only some domestic travel and government approved international travel operations commencing in June 2020. This has resulted in a reduction in the company's gross booking revenue and gross booking volumes. The Covid-19 pandemic could continue to impede global economic activity, even as restrictions are lifted, leading to reduced per capita income and disposable income, which could significantly reduce discretionary travel and spending by individuals and businesses. In turn, that could have a negative impact on demand for company's service and may adversely impact the company's financials.

Intense competition in online travel space

The Indian travel market is intensely competitive. The company has to compete with numerous established and emerging competitors, including other online travel agencies, traditional offline travel companies, travel research companies, payment wallets, search engines and meta-search companies, both in India and outside India. Further, travel suppliers, including certain airlines & hotels, are also reducing reliance on distribution intermediaries by promoting direct distribution channels. Increased competition may result in reduced margins, as well as loss of customers, transactions and brand recognition.

Loan write offs

The company has provided financial assistance to movie producers and other branding companies for advertisement and branding of travel, tour and ticketing business during the making and release of movies and award functions as well as provided loans for business operations to certain companies. These loans included loans provided to certain related parties as well. The company had written off some of these advances, which were considered as no longer receivable. The company may continue to provide such loans and may be compelled to write off these loans.

Has not made any dividend payment in past, future payouts contingent

Although the company has been profitable in the past, no dividends have been declared on the equity shares of the company during the last three fiscals and in the nine months ended December 31, 2020. Further, the company's ability to pay dividends in the future will depend on its earnings, financial condition, working capital requirements, capital expenditures and restrictive covenants of financing arrangements.

Promoters have interest in ventures that are in business similar to company

A conflict of interest may occur between the company's business and the business of such ventures in which the promoters directors and related entities are involved with, which could have an adverse effect on the company's operations.

Financial summary

Exhibit 7: Profit and loss statement					₹ crore
₹ crore	FY18	FY19	FY20	9MFY21	
Revenue	104.5	131.2	164.1	70.0	
Other Income	9.1	19.9	16.9	11.5	
Total Income	113.6	151	181	81	
% Growth		33%	20%		
Service cost	-	-	3.8	-	
Employees expenses	15.9	22.0	30.2	14.8	
Depreciation and amortisation	0.2	0.5	0.7	0.5	
Finance cost	1.5	3.2	3.3	1.6	
Other expenses	85.4	84.3	97.2	23.3	
EBIDTA	3.2	25	33	32	
EBIDTA %	3%	19%	20%	46%	
PBT	10.5	41	46	41	
Exceptional Items					
Tax	3.9	11.8	12.9	10.7	
PAT	6.6	29.3	33.0	30.5	
PAT after discontinued operations	0.0	24.0	33.0	30.5	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement					₹ crore
₹ crore	FY18	FY19	FY20	9MFY21	
PBT	1.18	38	46	41	
Add					
Depreciation	0.24	0	1	0	
Finance costs	29.31	3	3	1	
Other	4.04	(34)	(27)	(30)	
CFO before WC changes	34.8	6.6	22.5	13.3	
Changes in WC	(14.6)	75	11	35	
Cash from operations	20.2	81.5	33.4	48.6	
Tax	(7.4)	(11)	(6)	(2)	
Net CFO	12.8	70.2	27.7	46.2	
Purchase of Assets	(0.2)	(1)	(3)	(0)	
Changes in investment	(0.2)	(46)	(59)	(31)	
Other	5.1	5	8	7	
Net CFI	4.7	(42.0)	(54.5)	(24.5)	
Lease liability			(0)		
Borrowings	(10.4)		7		
Finance costs	(1.8)	(2)	(0)	(0)	
Net CFF	(12.2)	(2)	6.2	(0)	
Net increase/decrease in cash	5	26	(20.7)	21	
Exchange diff				0	
Opening cash balance	2.4	8	34	13	
Closing cash	7.7	34.1	13.4	34.9	

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet					₹ crore
₹ crore	FY18	FY19	FY20	9MFY21	
Non Current Assets	24.5	18.3	36.7	85.6	
Fixed Assets	6.3	7.1	7.8	7.7	
Intangibles	0.0	0.0	0.5	0.5	
Goodwill	-	-	1.6	1.6	
Other Non-current Assets	18.2	11.1	27	76	
Current Assets	155.8	225	253	288	
Inventory	3.1	-	-	-	
Trade Receivables	43.1	41.8	58.2	19.6	
Cash & Bank	9.0	86.0	131.2	141.4	
Other Current Assets	100.6	96.9	63.7	127.4	
Total Assets	180.3	243.1	289.9	374.1	
Equity	44.0	67.9	101.3	132.1	
Equity Share Capital	7.2	21.7	21.7	21.7	
Other Equity / Reserves	36.7	46.2	79.5	110.4	
Non-Current Liabilities	1.0	34.7	40.4	28.6	
Current Liabilities	135.3	140.4	148.2	213.4	
Borrowings			6.8	17.1	
Trade Payables	15.1	28.5	26.6	18.9	
Contract liabilities	5.7	39.8	23.0	33.6	
Other Current Liabilities	114.5	72.2	91.8	143.8	
Total Liabilities	180.3	243.1	289.9	374.1	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios			
Year end March	FY18	FY19	FY20
EPS	0.01	2.21	3.04
EPS (Post issue)	0.01	2.21	3.04
BV	12.14	6.26	9.33
Cash per share	2.48	7.93	12.09
EBIDTA Margin (in %)	3.1	19.0	20.1
PAT Margin (in %)	0.0	18.3	20.1
RoE (in %)	0.1	35.3	32.6
RoCE (in%)	26.8	43.2	33.1
PE (Post issue)	NA	85	62
EV/EBITDA	624.38	77.63	56.89
Mcap/Sales	19.42	15.47	12.36
Debt/Equity	-	-	0.07
Debt/Ebitda	-	-	0.20
Current Ratio	1.1	1.0	0.9
Quick ratio	1.1	1.0	0.9
Debtor Days	151	116	129
Creditor Days	52.79	79.27	59.24
Inventory days	10.99	-	-

Source: Company, ICICI Direct Research, Calculated

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