

# TBO Tek Ltd

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TBO Tek serves as a crucial intermediary, facilitating travel distribution by connecting over 750 airlines and approximately 1 million hotels worldwide with buyers such as travel agencies and independent travel advisors. Its modular structure allows for tailored solutions, while its asset-light model ensures scalability. This platform's ability to introduce new offerings fosters a network effect, enhancing its market presence and efficiency. Between fiscal years 2019 and 2023, Travel Boutique Online (TBO Tek) achieved impressive compounded annual growth rates (CAGRs) of 24.7% in revenue and 43.7% in EBITDA.

The company's robust business model addresses key challenges in the travel industry, including discovery, reliability, transactions, and service, by consolidating global travel supply and demand on a single platform. This platform seamlessly facilitates transactions between buyers and suppliers, addressing the highly fragmented landscape in both segments. In addition to hotels and airlines, ancillary services like car transfers and sightseeing exhibit similar fragmentation, further complicating the market dynamics.

With an estimated 1.5 to 2 million buyers, including travel agencies and independent travel advisors, the market remains highly dispersed. This fragmentation is expected to persist, leading to increased market friction.

Rather than disrupting the travel supply and buyer ecosystem, the company acts as a synergistic enabler. Airlines and hotels see the company as an extension of their distribution network, aiding them in expanding their reach into smaller, high-growth markets. Similarly, travel agents benefit from the platform by digitizing their operations, gaining visibility into inventory, and accessing deals comparable to larger enterprises.

At the IPO price of INR 920 (upper price band), TBO Tek is valued at PE multiple of 69.3 times.

**Key Financial Data (INR Cr, unless specified)**

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	ROCE (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	141.8	(21.4)	(34.1)	(15.1)	(24.1)	(3.1)	18.8	(16.7)	(18.4)	N/A	68.1	N/A
FY22	483.3	35.1	37.0	7.3	7.7	3.1	21.4	14.5	6.2	296.3	19.6	270.1
FY23	1,064.59	189.0	148.5	17.7	14.0	13.3	31.3	42.4	40.4	69.3	8.8	49.4

Industry	Travel Agency
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**Issue Details**

Listing	BSE & NSE
Open Date	8 <sup>th</sup> May 2024
Close Date	10 <sup>th</sup> May 2024
Price Band	INR 875-920
Face Value	INR 1
Market Lot	16 shares
Minimum Lot	1 Lot

**Issue Structure**

Fresh Issue(%)	26
Issue Size (INR cr)	INR 1,550.81
Issue Size (Shares)	1,68,56,623
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15 %
Retail Share (%)	≥ 35 %
Pre issue sh (nos)	10,42,39,961
Post issue sh (nos)	10,85,87,787
Post issue MCap (INR cr)	9990.1

Shareholding (%)	Pre (%)	Post (%)
Promoter	51.3	46.3
Public	48.7	53.7
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Go to Market Strategies

### Supplier Onboarding

Their platform boasts integration with major airline GDS systems like Amadeus and Travelport, along with several low-cost carrier host platforms such as Navitaire. They utilize various airline APIs, content aggregator APIs, and NDCs to ensure direct and real-time access to airline content, inventory, and booking functionalities. With this infrastructure in place, their platform enables users to search and book from a vast network of over 750 airlines, spanning more than 285,000 origin-destination combinations as of June 30, 2023.

In terms of hotel connectivity, they establish direct API integration with large hotel chains, while regional chains and independent hotels are connected through channel managers. For hotels interested in providing custom contracts with static rates, they offer an extranet platform for direct rate loading. Additionally, they integrate with third-party suppliers to enhance their hotel inventory. Similar connectivity platforms are employed to gather content for transfer providers, car rental companies, rail services, sightseeing tours, insurance services, and other categories

### Buyer Onboarding

Their Buyer acquisition strategy capitalizes on the strengths of their platform, resulting in the onboarding of an impressive average of over 22, 49, 59, and 69 new Buyers daily across Fiscal Years 2021, 2022, 2023, and the three months ending June 30, 2023. This concerted effort has propelled their platform to accommodate over 147,000 Buyers as of June 30, 2023.

The Buyer onboarding process encompasses three essential steps. Firstly, leads on potential Buyers are generated through marketing initiatives such as website searches, participation in travel trade shows, or outbound communication by their sales team. Secondly, leads are converted into onboarded Buyers through an automated matching system with local account managers. This step is facilitated free of charge for all Buyers and involves a KYC verification process along with structured platform training conducted by the sales and support teams. Finally, onboarded Buyers are nurtured to achieve booking milestones through the platform and are incentivized through the 'TBO+' loyalty program. This final step is driven by platform data and closely monitored by a central sales effectiveness team in collaboration with local account managers.

## Key Risks and Concerns

- The top five suppliers contributed about 60% of GTV in Q1FY24.
- High concentration risks in the hotels segment. A single customer accounts for 36% segment revenue.

## Issue Structure and Offer Details

The proposed issue of TBO Tek Ltd is a combination of both fresh issue of 43,47,826 shares aggregating to Rs 400 crores and OFS of 1,25,08,797 aggregating to Rs 1150.81 crores. The price band for the issue is in the range of INR 875-920 and the bid lot is 16 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75.00% of the Net offer
NIB	Not more than 15.00% of the Offer
Retail	Not more than 10.00% of the Offer

Source: Company Reports

## Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
Revenue	141.8	483.3	1,064.6	Adjusted EPS (INR)	(3.1)	3.1	13.3
<b>YoY Growth (%)</b>	<b>(75.2)</b>	<b>240.8</b>	<b>120.3</b>	Adjusted Cash EPS (INR)	(2.1)	4.5	15.5
Employee Cost	59.6	133.1	228.4	CFO Yield (%)	0.5	2.0	2.4
<b>Employee Cost to Sales (%)</b>	<b>42.0</b>	<b>27.5</b>	<b>21.5</b>	Adjusted FCF per share (INR)	4.2	18.0	22.3
Other Expenses	103.6	315.1	647.2	FCF Yield (%)	0.5	2.0	2.4
<b>Other Exp to Sales (%)</b>	<b>73.1</b>	<b>65.2</b>	<b>60.8</b>	<b>Solvency Ratio (X)</b>			
EBITDA	(21.4)	35.1	189.0	Total Debt to Equity	0.0	0.0	0.0
<b>Margin (%)</b>	<b>(15.1)</b>	<b>7.3</b>	<b>17.7</b>	Net Debt to Equity	(1.6)	(2.2)	(1.9)
<b>YoY Growth (%)</b>	<b>(124.5)</b>	<b>(264.0)</b>	<b>437.9</b>	Net Debt to EBITDA	15.5	(14.3)	(3.5)
Depreciation & Amortization	11.1	15.7	24.6	<b>Return Ratios (%)</b>			
EBIT	(32.5)	19.4	164.4	Return on Equity	(16.7)	14.5	42.4
<b>Margin (%)</b>	<b>(22.9)</b>	<b>4.0</b>	<b>15.4</b>	Return on Capital Employed	(18.4)	6.2	40.4
<b>YoY Growth (%)</b>	<b>(143.1)</b>	<b>(159.8)</b>	<b>745.5</b>	Return on Invested Capital	25.3	70.7	74.1
Other Income	34.7	28.7	21.2	<b>Working Capital Ratios</b>			
Bill discounting & other charges	2.5	6.6	14.2	Payable Days (Nos)	446	549	618
Fin Charges Coverage (X)	(13.2)	2.9	11.5	Inventory Days (Nos)	0	0	0
Exceptional Item	(29.3)	7.9	2.9	Receivable Days (Nos)	309	401	537
PBT	(29.5)	49.3	174.2	Net Working Capital Days (Nos)	-136	-148	-81
<b>Margin (%)</b>	<b>(20.8)</b>	<b>10.2</b>	<b>16.4</b>	Net Working Capital to Sales (%)	(37.4)	(40.6)	(22.2)
<b>YoY Growth (%)</b>	<b>(133.5)</b>	<b>(267.0)</b>	<b>253.3</b>	<b>Valuation (X)</b>			
Tax Expense	4.6	12.3	25.7	P/E	(292.6)	296.3	69.3
<b>Tax Rate (%)</b>	<b>(15.6)</b>	<b>25.0</b>	<b>14.8</b>	P/BV	49.0	43.1	29.4
PAT	(34.1)	37.0	148.5	EV/EBITDA	(451.0)	270.1	49.4
<b>Margin (%)</b>	<b>(24.1)</b>	<b>7.7</b>	<b>14.0</b>	EV/Sales	68.1	19.6	8.8
<b>YoY Growth (%)</b>	<b>(146.8)</b>	<b>(208.4)</b>	<b>301.5</b>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.0	(3.3)	(4.3)	PBT	(29.5)	49.3	174.2
Net Profit	(34.1)	33.7	144.3	Adjustments	13.0	18.0	48.3
<b>Margin (%)</b>	<b>(24.1)</b>	<b>7.0</b>	<b>13.5</b>	Change in Working Capital	70.8	143.3	40.6
<b>YoY Growth (%)</b>	<b>(146.8)</b>	<b>(198.7)</b>	<b>327.8</b>	Less: Tax Paid	(4.6)	(12.3)	(25.7)
<b>Balance Sheet</b>				Cash Flow from Operations	49.7	198.3	237.4
Share Capital	1.9	10.4	10.4	Net Capital Expenditure	(7.3)	(7.9)	(7.0)
Total Reserves	202.2	221.5	329.9	Change in Investments	(18.6)	(22.7)	(99.2)
Shareholders Fund	204.1	231.9	340.3	Cash Flow from Investing	(25.9)	(30.6)	(106.2)
Long Term Borrowings	0.0	2.7	5.6	Change in Borrowings	(2.6)	(9.0)	0.2
Deferred Tax Assets / Liabilities	(3.7)	(6.9)	(11.8)	Less: Finance Cost	(2.5)	(6.6)	(14.2)
Other Long Term Liabilities	10.3	56.4	59.5	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	7.6	8.4	10.9	Dividend Paid	0.0	0.0	0.0
Total Liabilities	218.2	292.6	404.5	Cash flow from Financing	(5.1)	(15.7)	(14.1)
Net Block	22.7	92.2	135.9	Net Cash Flow	18.6	152.0	117.2
Capital Work in Progress	0.1	0.2	0.0	Forex Effect	(1.7)	3.8	11.8
Intangible assets under developmer	8.5	0.0	0.0	Opening Balance of Cash	252.2	269.1	424.9
Non Current Investments	0.0	0.1	0.0	Closing Balance of Cash	269.1	424.9	553.9
Long Term Loans & Advances	0.9	5.2	3.0				
Other Non Current Assets	5.3	0.0	1.1				
Net Current Assets	180.7	195.0	264.4				
Total Assets	218.2	292.6	404.5				

Source: Ventura Research

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