

Recommendation	Subscribe	
Price Band	Rs 875-920	
Bidding Date	08-10 May, 2024	
Book Running Lead Manager	Axis Capital, Goldman Sachs, Jefferies, JM Financial	
Registrar	KFin Technologies	
Sector	IT Software	
Minimum Retail Application- Detail at Cut off Price		
Number of Shares	16	
Minimum Application Money	14,720	
Payment Mode	ASBA	
Consolidated Financials (Rs Cr)	FY22	FY23
Total Income	483	1,065
EBITDA	32	182
Adj PAT	42	151
Valuations (9MFY24 Annualized)	Upper Band	
Market Cap (Rs Cr)	9,990	
Adj EPS	18.05	
PE	51	
EV/ EBITDA	37	
Enterprise Value (Rs Cr)	9448	
Post Issue Shareholding Pattern		
Promoters	44.4%	
Public	55.6%	
Offer structure for different categories		
QIB (Including Mutual Fund)	75%	
Non-Institutional	15%	
Retail	10%	
Post Issue Equity (Rs Cr)	10.9	
Issue Size (Rs Cr)	1551	
Face Value (Rs)	1	
Kavita Vempalli Research Analyst (+91 22 6273 8034) kavita.vempalli@nirmalbang.com		

BACKGROUND

TBO Tek is a leading B2B travel distribution platform in the global travel and tourism industry providing a wide range of offerings operating in over 100 countries. It simplifies travel business for suppliers like hotels, airlines, etc and also for retail and enterprise buyers like travel agencies, tour operators, online travel co's and others. Instead of dealing with multiple platforms and systems, Buyers and Sellers can use TBO's single platform to conduct transactions. TBO Tek's strong one stop platform brings suppliers and buyers together and offers an entire gamut of services. Their direct tie-up with Euro Rail and Ministry of Hajj and Umrah has eased travelling experience for its clients. With Travel industry evolving wherein travellers are looking for newer destinations, the industry is expected to see robust growth.

Objects and Details of the Issue:

Total issue size is Rs 1,551 Cr comprising of Rs. 400 Cr from Fresh Issue and Rs. 1151 Cr from Offer for Sale.

Net Proceeds from the Fresh Issue shall be utilized towards:

- Growth and strengthening of the platform by adding new Buyers and Suppliers.
- Inorganic Acquisitions.
- General Corporate Purposes.

Investment Rationale:

- Growth in Travel Industry backed by focus on emerging markets.
- Strategy to improve Gross Transaction Value (GTV).
- Changes in Product and Geographical Mix.

Valuation and Recommendation:- TBO Tek is a prominent player in the Global Travel distribution industry providing a strong B2B platform for its users. Post Covid, Travel Industry is seeing robust growth and is expected to grow at CAGR of 8.3% to reach US\$2.6tn by 2027 (from current US\$1.9 tn). TBO Tek offers wide gamut of travel offerings to its users and thus is seeing robust growth. The stock is available at an annualized FY24 EV/EBITDA of 37x and P/E of 51x which seems fair given growing industry. We give a 'Subscribe' rating to the IPO citing its good growth prospects in future.

Financials	FY21	FY22	FY23	9MFY24
Net Revenues	142	483	1,065	1,024
Growth (%)	-	240.8%	120.3%	30.7%
EBITDA	-23	32	182	193
EBITDA Margin (%)	-16.0%	6.6%	17.1%	18.8%
PBT	-30	46	174	174
Adjusted PAT	-63	42	151	147
Adj EPS	-5.84	3.83	13.94	13.54
ROCE	-28.2%	24.5%	53.6%	45.7%
EV/Sales	66.6	19.5	8.9	6.9
EV/EBITDA	-416.4	295.0	51.9	36.8
P/E	-157.5	240.3	66.0	51.0

Company Background

Incorporated in 2006 as 'Tek Travels Private Limited', Company changed its name to TBO Tek Ltd in 2021. TBO Tek is a leading travel distribution platform in the global travel and tourism industry providing a wide range of offerings operating in over 100 countries. It simplifies the business of travel for –

1. **Suppliers** such as hotels, airlines, car rentals, transfers, cruises, insurance, rail and others,
2. **Retail buyers** such as travel agencies and independent travel advisors
3. **Enterprise buyers** that include tour operators, travel management companies, online travel companies, super - apps and loyalty apps.

TBO'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, the 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.

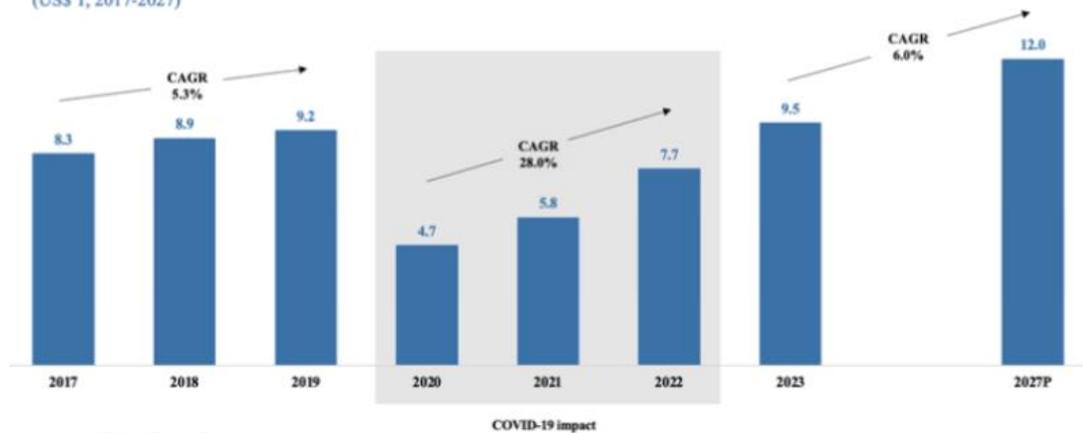
TBO has two key revenue models for every transaction – 1. **B2B Rate Model** where it receives inventory from Suppliers on which the company applies a certain mark - up and pass on to the Buyers and 2. **Commission Model** where the Suppliers fix the price at which they want to sell to the end traveller on which receive commission from the Supplier part of which TBO retains and part of which it shares with the Buyer.



Industry

In 2023 the travel and tourism industry recovered ,growing 18.2% year – on - year from 2022 to reach US\$ 1.9 trillion, and expected to grow at a CAGR of 8.2% to reach US\$ 2.6 trillion in 2027. New age travel distribution platforms, connect a large and heterogenous audience of retail and enterprise travel buyers to a diverse group of travel suppliers (hotels, airlines, transfers amongst others) enabling a comprehensive range of transactions between the retail and enterprise travel buyers on the platform . Travel distribution platforms provide a large audience of buyers to the supplier community while providing global inventory reach to travel buyers.

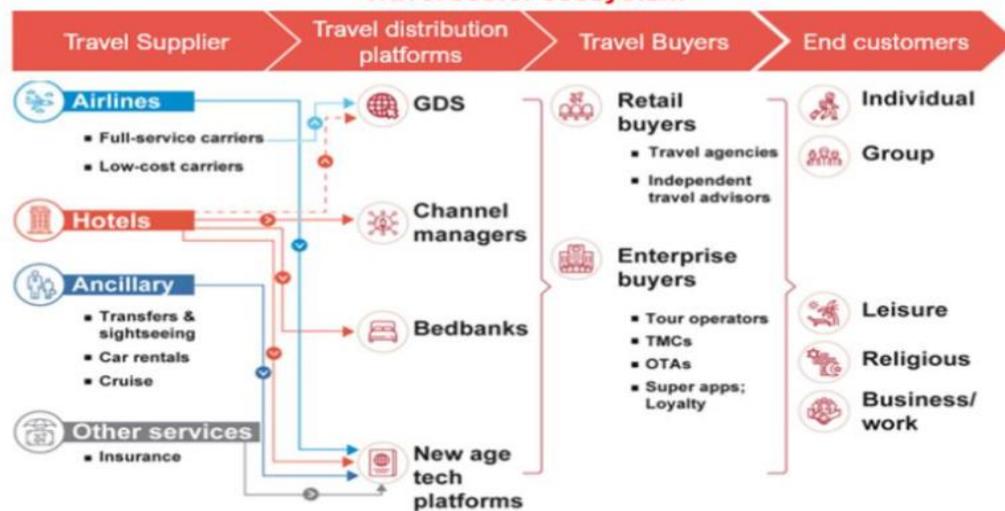
Global travel and tourism contribution to GDP (US\$ T, 2017-2027)



Source(s): WTTC, ILattice analysis

Broadly there are four (4) categories of players in travel distribution viz. GDS, Bedbanks, Channel Managers and new age tech platforms. Globally there are three major GDS which are Amadeus, Sabre, Travelport. These platforms primarily act as a distribution channel for full service carriers (flight tickets). Bed banks primarily distribute hotel content; their model primarily relies on wholesale buying and selling of hotel rooms. Two large Bedbanks on global level are Hotelbeds and Webbeds. Channel managers provide dynamic connectivity and multi- channel distribution platform for hotels and accommodation providers. There are channel managers like Siteminder and RateGain, which solves for the specific needs of hotels and accommodation providers. Lastly, there are new age tech platforms like TBO which distribute multiple travel products across their network

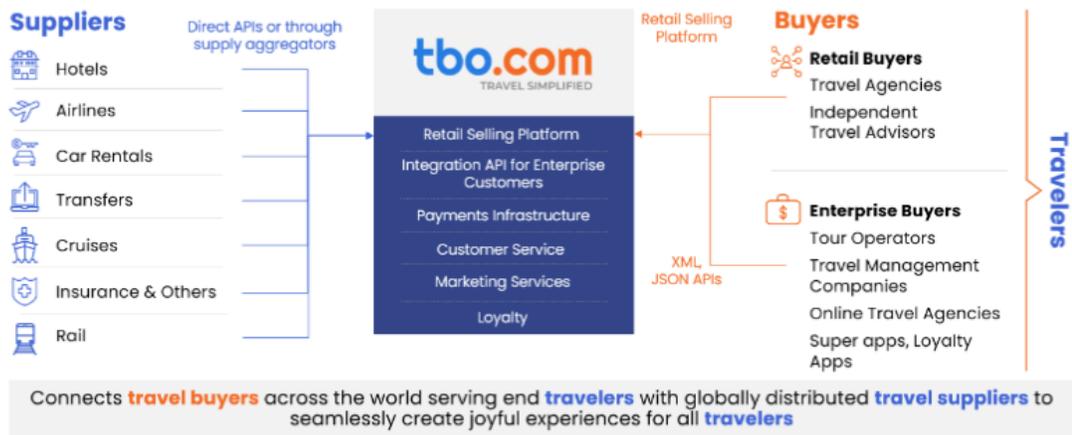
Travel sector ecosystem



INVESTMENT RATIONAL

Growth in Travel Industry with focus on emerging markets

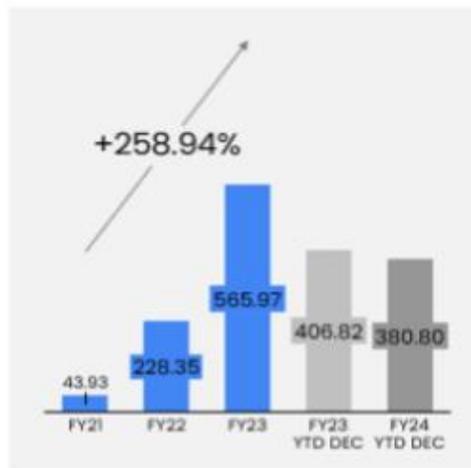
Travel and Tourism Industry is expected to grow at a CAGR of 8.3% to reach to US\$2.6 tn in 2027 from US\$1.9 tn in 2023. The industry has evolved with experienced travellers traditionally favouring USA and Europe, while the new Gen Z is exploring new destinations like Northern Lights and Seven Wonders.



For Instance, Saudi Arabia is the fastest growing tourist destination market in Middle East. Historically, Saudi Arabia was accessible primarily to individuals holding business visas, religious pilgrims, and expatriate workers. However, the country is making significant strides to transform with the aim of repositioning itself as a compelling travel option that can compete with its Gulf counterparts such as Dubai, Oman, and Abu Dhabi. Due to the 'Vision 2030 initiative', Saudi Arabia is actively working to welcome global visitors with ambitious investment plans of US\$ 810 bn in the coming ten years. This forward - looking strategy has already boosted Saudi Arabia's appeal as a tourist hotspot.

GTV

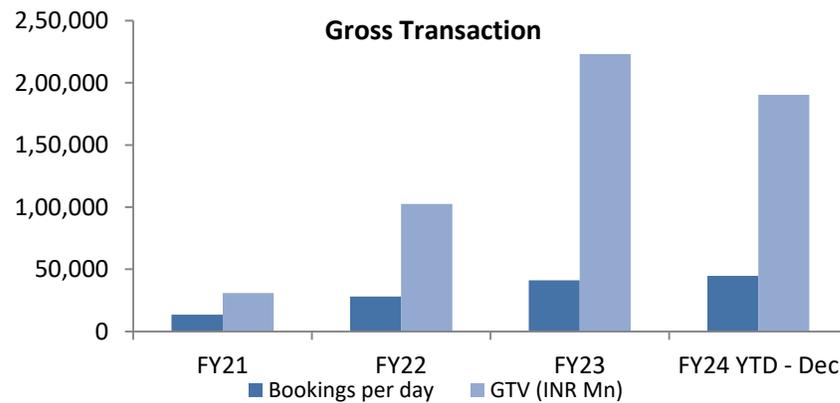
Middle East & Africa



Improvement in GTV

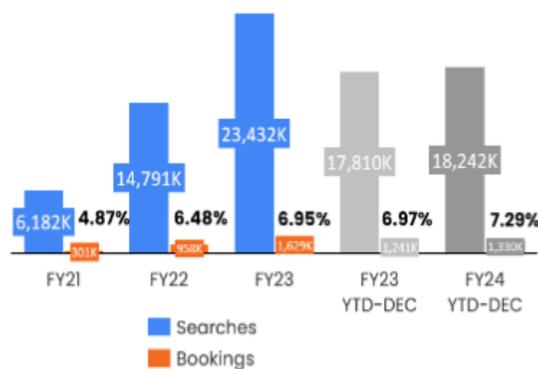
One of the key drivers of TBO’s revenues is the GTV (Gross Transaction Value) that is processed on their platforms. GTV is the total sales net of cancellations during a particular period. The growth in GTV is driven by the ability to attract new Buyers as well as retain and increase the engagement and transactions by existing Buyers on their platform.

TBO’s GTV was adversely affected in FY21 due to Covid restrictions, however, subsequently; post Covid, there is an increase in GTV during Fiscals 2022 and 2023, primarily due to an increase in transactions by Buyers on the platform. In addition, company has diversified buyer concentration and reduced its reliance on top 10, top 100 and top 50 Buyers. This has resulted in stability and reduced vulnerability to market fluctuations while expanding the revenue stream.



More bookings for every 100 searches

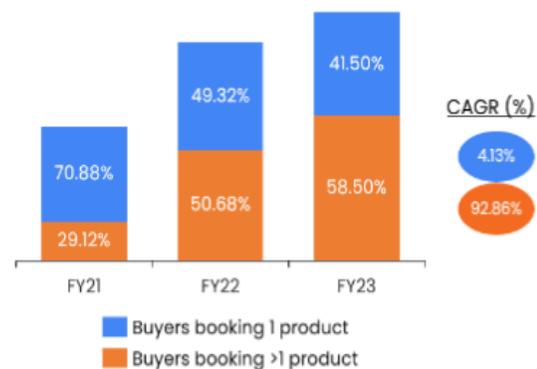
searches and bookings



L2B(Conversion) data for retail buyers on TBO core platform for hotels. Data does not include BookaBed, ZamZam and Jumbo details as they occur on a different platform.

Improved cross-sell

yearly transacting buyers



Cross-sell data for TBO core platform. Data does not include BookaBed, ZamZam and Jumbo details as they occur on a different platform.

Changes in Product and Geographical Mix

TBO's operating results depend on the product and geography mix of their sales. Currently, it offers a range of travel - related products and services, including hotels, air, packages, car rental and transfers. The company generates a higher take rate, which is defined as a combination of the mark - up for hotels and commissions for airlines, on faster growing hotels and ancillaries business.

Client Wise	FY21	FY22	FY23	9MFY24
Top supplier	30.0	30.4	27.5	28.1
Top 5	69.7	61.2	57.4	57.7
Top 10	80.7	73.1	68.2	68.9
Geography-wise				
India	68.2%	46.5%	37.4%	33.1%
Middle East, Africa	17.4%	26.9%	32.0%	26.3%
Europe	3.7%	7.6%	13.8%	19.2%
Latin America	3.3%	8.5%	8.8%	9.3%
North America	2.6%	6.6%	4.8%	6.7%
Asia Pacific	4.8%	3.9%	3.2%	5.4%

Source: Company

In collaboration with Rail Europe, TBO offers wide range of European Rail products with direct connections to European railroad inventories. It offers an online booking platform for travel buyers with easy access to the large Rail Europe inventory. Company benefits from its expertise and distribution tools to provide European rail products to the travel buyers across the globe through easy ways.

Risks to Investment

1. The worldwide travel and tourism industry is **highly sensitive** to general economic conditions and trends, including trends in consumer and business confidence, interest and exchange rates, fuel prices, unemployment levels and the cost of travel.
2. TBO's business depends on its **relationships** with a limited range of Suppliers, and any adverse changes in such relationships, or inability to enter into new relationships, could adversely affect the business and results of operations.

Peers

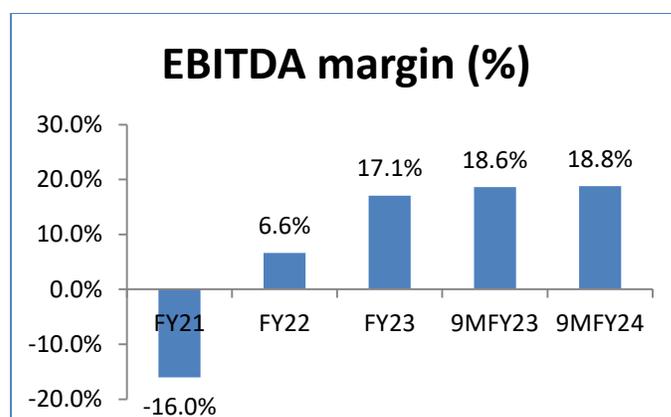
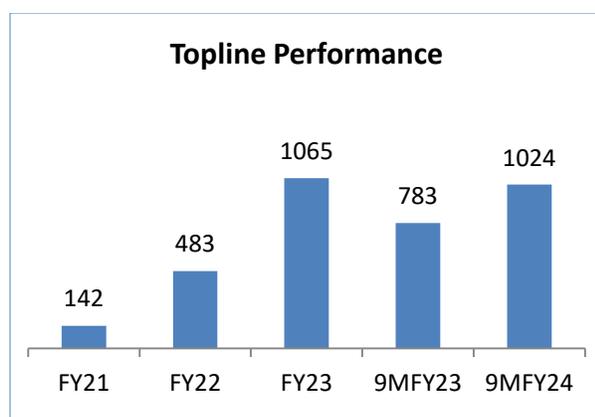
FY24 #	Rategain	Webjet (AUD \$)	Travel CTM (USD \$)	Average	TBO Tek
Revenue	935	471	497	634	1,024
CAGR (FY20-23) *	19%	24%	18%	20%	37%
EBITDA Margin	19.3%	39.8%	28.9%	29.3%	18.8%
ROE	22.0%	12.5%	10.6%	15.0%	39.1%
EV/EBITDA	42.3	15.0	10.7	22.7	36.8
P/E	58.1	25.3	18.3	33.9	51.0

Rate gain and TBO Tek numbers are 9MFY24 Annualised

Webjet and Travel CTM are FY24 consensus estimates

Valuation and Recommendation

TBO Tek is a prominent player in the Global Travel distribution industry providing a strong B2B platform for its users. Post Covid, Travel Industry is seeing robust growth and is expected to grow at CAGR of 8.3% to reach US\$2.6tn by 2027 (from current US\$1.9 tn). TBO Tek offers wide gamut of travel offerings to its users and thus is seeing robust growth. The stock is available at an annualized FY24 EV/EBIDTA of 37x and P/E of 51x which seems fair given growing industry. We give a 'Subscribe' rating to the IPO citing its good growth prospects in future.



Financials

P&L (Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Revenue from operations	142	483	1,065	783	1,024
<i>% Growth</i>		241%	120%		31%
Employee Cost	60	133	228	168	199
<i>% of Revenues</i>	42.0%	27.5%	21.5%	21.4%	19.4%
Service Fee	36	159	332	238	353
<i>% of Revenues</i>	25.4%	32.8%	31.2%	30.4%	34.4%
Share issue expense	0	5	12	11	2
<i>% of Revenues</i>	0.0%	1.0%	1.1%	1.4%	0.2%
Net imp loss on Fin assets	7	4	9	5	7
<i>% of Revenues</i>	4.7%	0.8%	0.9%	0.7%	0.7%
Other expenses	62	151	301	216	271
<i>% of Revenues</i>	43.9%	31.2%	28.3%	27.6%	26.5%
EBITDA	-23	32	182	146	193
EBITDA Margin	-16.0%	6.6%	17.1%	18.6%	18.8%
Depreciation	11	16	25	18	21
Other Income	35	29	21	15	16
Interest	1	4	7	5	7
Share of P/L in JV		-3	-0	-0	
Exceptional item	29	-8	-3	-2	7
PBT	-30	46	174	141	174
Tax	5	12	26	20	19
<i>Tax rate</i>	<i>-16%</i>	<i>27%</i>	<i>15%</i>	<i>14%</i>	<i>11%</i>
PAT	(34)	34	148	120	154
Adj. PAT (norm. Tax)	(63)	42	151	123	147
<i>% Growth</i>		-166%	264%		20%
Adj EPS (Post Issue)	-5.84	3.83	13.94	11.31	13.54

Ratios & Others	FY21	FY22	FY23	9MFY23	9MFY24
Debt / Equity	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	-16.0%	6.6%	17.1%	18.6%	18.8%
PAT Margin (%)	-44.7%	8.6%	14.2%	15.7%	14.4%
ROE (%)	-31.1%	17.9%	44.9%	52.9%	39.1%
ROCE (%)	-28.2%	24.5%	53.6%	47.1%	45.7%

Turnover Ratios	FY21	FY22	FY23	9MFY23	9MFY24
Debtors Days	309	401	537	431	698
Creditor Days	446	549	618	492	728
Asset Turnover (x)	0.2	0.4	0.4	0.5	0.4

Valuation Ratios	FY21	FY22	FY23	9MFY23	9MFY24
Price/Earnings (x)	-157.5	240.3	66.0	61.0	51.0
EV/EBITDA (x)	-416.4	295.0	51.9	48.6	36.8
EV/Sales (x)	66.6	19.5	8.9	9.0	6.9
Price/BV (x)	49.0	43.1	29.6	32.3	19.9

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Share Capital	2	10	10	10	10
Other Equity	202	221	327	299	491
Networth	204	232	337	309	501
Total Loans	0	3	6	6	3
Other non-curr liab.	18	65	70	70	128
Trade payable	173	727	1,803	1,408	2,722
Other Current Liab	181	245	341	364	400
Total Equity & Liab.	576	1,271	2,558	2,157	3,754
Property, Plant and Equipment	2	6	10	9	9
CWIP	0.1	0.2	0	0	4
Right of use assets	8	60	61	61	70
Non Current Financial assets	6	5	3	3	6
Other non Curr. assets	25	33	78	81	305
cash and cash equivalents	332	504	661	592	545
Investments & Loans	1	2	2	2	1
Trade receivables(debtor)	120	531	1,566	1,233	2,609
Other Current assets	81	129	177	176	206
Total Assets	576	1,271	2,558	2,157	3,754
Cash Flow (Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Profit Before Tax	-30	46	174	141	174
Provisions & Others	18	2	30	20	27
Op. profit before WC	-12	48	204	161	201
Change in WC	66	167	56	-41	-137
Less: Tax	4	16	23	17	22
CF from operations	51	198	237	103	42
Purchase of fixed assets	-1	-6	-7	-5	-7
Interest & Dividend received	9	7	7	5	9
Payment for acquisitions	0	-6	-92	-35	-128
Investments	-204	-356	-156	52	-263
Purchase of intangible assets	-7	-2	-0	-0	-21
Proceeds	177	340	137	-82	283
Loans to employees & JV	-1	-7	-1	-0	-0
Repayment of loans given		0	6	0	1
CF from Investing	-27	-31	-106	-65	-127
Proceeds from ESOP		3			0
Payable to Credit card comp	0	-0	-1	-0	1
Repayment of loans			-0	-0	-4
Purchase of Treasury shares		-9			
Payment of lease liabilities	-4	-6	-6	-4	-3
other interest payments	-1.193	-3	-7	-5	-6
Interest paid on loan					-1
CF from Financing	-5	-16	-14	-9	-12
Net Change in cash	19	152	117	28	(97)
Cash & Bank at beginning	252	269	425	425	563
Cash of acquired companies			10	10	
Effect of FOREX	-2	4	12	20	-1
Cash & Bank at end	269	425	563	483	466

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Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
Opp. Peninsula Corporate Park
Off. Ganpatrao Kadam Marg
Lower Parel (W), Mumbai-400013
Board No. : 91 22 6723 8000/8001
Fax. : 022 6723 8010