



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Travel And Tourism Industry
Offer for sale (Shares)	12,508,797
Fresh Issue (Shares)	4,347,826
Net Offer to the Public	16,856,623
Issue Size (Rs. Cr.)	1474.95-1550.81
Price Band (Rs.)	875-920
Offer Date	May 8, 2024
Close Date	May 10, 2024
Face Value	1
Lot Size	16 Shares

Issue Composition

	In shares
Total Issue for Sale	16,856,623
QIB	12,642,467
NIB	2,528,493
Retail	1,685,662

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	51.26%	44.41%
QIB	15.00%	26.04%
NIB	31.43%	25.78%
Retail	2.31%	3.77%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

- Investment in technology and data solutions by its Company
- Investment in its Material Subsidiary, Tek Travels DMCC, for onboarding platform users through marketing and promotional activities; and hiring sales and contracting personnel for augmenting its Supplier and Buyer base outside India.
- Investment in sales, marketing and infrastructure to support organization's growth plans in India
- Unidentified inorganic acquisitions
- General corporate purposes

Book Running Lead Manager

- Axis Capital Limited
- Jefferies India Private Limited

Name of the registrar

- KFin Technologies Limited

About the company

Established in 2006, TBO Tek Limited, formerly known as Tek Travels Private Limited, is a travel distribution platform that offers travel inventory according to the needs of its customers and supports a wide range of currencies along with forex help. The company simplifies the travel business for suppliers such as hotels, airlines, car rentals, transfers, cruises, insurance, rail companies, and others, as well as for retail customers such as travel agencies and independent travel consultants, and corporate customers such as tour operators, travel management companies, online travel companies, super apps and loyalty apps through its two-sided technology platform that enables suppliers and customers to connect seamlessly. The company operates two main platforms: TBO Holidays, a global travel distribution platform, and Travel Boutique Online, catering specifically to travel buyers in India. The company's platform enables sellers to show and market their inventory and set prices for buyers. For buyers, the platform is an integrated, multi-currency, and multi-lingual, one-stop solution that helps them discover and book travel to destinations around the world, across various travel segments such as leisure, business and religious travel. As at December 31, 2023, the company had sold over 7,500 destinations in more than 100 countries and employed over 2,000 people.

Strength

Platform creating network effect with interlinked flywheels to enhance value proposition for partners: The company's platform creates a win-win situation for both suppliers and buyers. As more buyers join, it creates more demand for suppliers, attracting them to the platform. This wider supplier base offers buyers better prices and more options. The company analyzes user data to further improve the experience - buyers get better search results and targeted deals, while suppliers can optimize their offerings. This cycle of increasing value keeps both buyers and suppliers engaged on the platform, leading to its continued growth and success.

Modular and scalable proprietary technology platform allowing addition of new lines of business, markets, and travel products: The Company's platform is built to be adaptable, allowing them to create solutions for different types of buyers and suppliers. The company can quickly launch new offerings by using existing features like supplier/buyer modules, payment systems, and data analysis. This modularity is efficient, requiring minimal investment for new features. For example, its Zamzam platform quickly onboarded many agents, and their airline partner solution easily adapted to new regulations. This adaptability lets them develop a global strategy, using their core platform with minor adjustments for different languages, payment methods, and local needs.

Ability to generate and leverage large data assets: The Company treats data as its key asset, managing it responsibly with a secure data warehouse. The company analyses vast amounts of categorized data (searches, bookings etc.) to ensure accuracy before using it to improve the platform for both suppliers and buyers. For example, hotels are displayed based on traveller profiles, and search filters help educate buyers on new destinations. By analyzing user behaviour, it generates valuable insights (shared via dashboards) that help partners increase bookings.

Data driven decision making across the enterprise: The Company has democratized access to data from the frontline sales executive to the product manager and encourages all its decisions to be data driven. It has also developed sales forecasting models based on recurrent neural networks that record events happening in the distant past and recent past. Dynamic pricing decisions are guided by the model predictions and hotels are grouped using clustered algorithms to arrive at the concept of similar hotels. It continues to work on

marketing analytics and personalization exercises as its future projects are aimed at disruptions with Buyers in real-time.

Capital efficient business model with a combination of sustainable growth: The company runs a cost-effective business model that generates strong profits. They've increased their earnings significantly over the past few years. For example, their adjusted EBITDA grew from Rs. -22.69 crore in 2021 to Rs. 2,00.51 crore in the first nine months of 2023. (Adjusted EBITDA is a profitability measure that considers operating expenses and non-cash items.) It has also shown they can acquire and integrate other travel businesses to expand their network and improve their services. This includes acquiring Island Hopper and BookaBed, which gave them a strong presence in the Maldives and UK/Ireland markets, respectively.

Strategy

Expand Buyer and Supplier base: The company plans to grow its buyer base in existing and new markets by expanding its sales team, including a focus on large enterprises. They'll also invest in online platforms to attract buyers, especially in mature markets. To support global operations, they'll strategically expand their supplier network in high-demand destinations while diversifying their offerings with products like accommodation and rail.

Continue to amplify the value of its platform: The company uses its platform to launch new businesses in large markets. It has Paxes for corporate travel and Zamzam for Umrah travel. The company sees promise in Saudi Arabia's growing tourism market, citing the Vision 2030 investment and increasing tourist numbers. The company even has a new brand, Kizan, focused on inbound tourism to Saudi Arabia.

Grow operations through selective acquisitions: The company will supplement its organic growth plans by actively sourcing potential strategic acquisitions using insights that it generates with data. For example, on March 31, 2022, it entered into a share purchase agreement to acquire 51% of the outstanding equity interest of BookaBed, a B2B accommodation supplier, through its Material Subsidiary, Tek Travels DMCC. Subsequently, it acquired the remaining 49% outstanding equity interest in BookaBed with effect from January 31, 2023. It believes that the synergies between BookaBed and themselves will help increase their overall market share in Ireland and the United Kingdom. In addition, its Material Subsidiary, Tek Travels DMCC entered into a share purchase agreement on October 26, 2023 with Jumbo Tours Espana S.L.U. ("Jumbo Tours") to acquire its online business, which was completed on December 18, 2023. Jumbo Tours is based out of Spain holding more than 40 years of experience in the tourism sector. Jumbo Tours primary lines of businesses, include online business which comprises of bedbank platform for travel agents and tour operators, distribution platform with direct connection to suppliers and channel managers and transfers platform. DMC business comprises of planning and implementing a wide range of services and experiences in certain destinations. It expects this acquisition to help us with expanding its operations in Europe and get access to direct supply of hotels.

Use data as a corporate currency: The Company built a data hub to analyze information from partners and its own operations. This data helps them make better decisions across all departments, from sales to product supply. The company use insights from searches, bookings, and support to understand traveller behaviour and buying patterns. This knowledge is then shared with suppliers to help them optimize their offerings and marketing to specific customers.

Risk factor

- **Heavy Reliance on Hotels:** The Company relies heavily on hotel and add-on service bookings, which could be risky if these bookings decline.
- **Limited Supplier Network:** Depending on a small number of suppliers could hurt the company if those relationships weaken or they can't find new ones.
- **Open Source Software Risks:** Using open-source software might limit the company's ability to offer services or lead to lawsuits.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Rategain Travel Technologies Limited	884.15	129.16	10.96	60.00	5.65	116.32	1	657.55	7749.14
TBO TEK Limited**	1365.00	205.57	18.93	48.60	10.49	87.73	1	920.00	9990.08

*Peer companies financials are TTM based

**TBO TEK Limited Estimated Annualised FY2024

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.920, the stock is priced at pre issue P/E of 46.65x on Estimated Annualised FY24EPS of Rs.19.72. Post issue, the stock is priced at a P/E of 48.60x on its EPS of Rs.18.93. Looking at the P/B ratio at Rs.920 pre issue, book value of Rs. 53.01 of P/Bvx 17.35x. Post issue, book value of Rs. 87.73 of P/Bvx 10.49x.

Considering the P/E valuation, on the lower end of the price band of Rs.875, the stock is priced at pre issue P/E of 44.37x on Estimated Annualised FY24EPS of Rs.19.72. Post issue, the stock is priced at a P/E of 46.22x on its EPS of Rs.18.93. Looking at the P/B ratio at Rs.875 pre issue, book value of Rs. 53.01 of P/Bvx 16.51x. Post issue, book value of Rs. 87.73 of P/Bvx 9.97x.

Industry Outlook

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. (Source: 1Lattice Report) 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.

Outlook

TBO Tek is a major player in the global travel industry, boasting high Gross Transaction Value (GTV) and revenue in fiscal 2023. The company offers a vast travel inventory across over 100 countries, catering to the specific needs of travel buyers' customers. Its platform supports various currencies and even provides forex assistance. The company's asset-light model allows for easy scaling without significant capital expenditure (Capex). This ensures strong EBITDA margins and positions them for future growth. With the tourism industry showing positive trends, TBO Tek presents an attractive opportunity for long-term investors.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	8-May-24
BID/ISSUE CLOSES ON	10-May-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	13-May-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	14-May-24
Credit of Equity Shares to Demat Accounts of Allottees	14-May-24
Commencement of trading of the Equity Shares on the Stock Exchanges	15-May-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-23 (9 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	1023.75	1064.59	483.27
Total expenditure	831.06	882.69	451.24
Operating Profit	192.69	181.89	32.02
OPM%	1.88	1.71	0.66
Other Income	15.81	21.18	28.66
Total Net Income	208.50	203.08	60.68
Interest	6.53	7.17	3.54
PBDT	201.97	195.91	57.15
Depreciation	21.15	24.56	15.68
Profit before share of loss of joint venture, tax, and exceptional items	180.82	171.35	41.46
Share of loss of joint ventures	0.00	-0.05	-3.28
Restated profit /(loss) before tax and exceptional items	180.82	171.31	38.18
Exceptional items (net)	7.20	-2.89	-7.85
Re-stated Profit / (Loss) after exceptional items before Tax	173.62	174.20	46.03
Tax	19.45	25.70	12.32
PAT	154.18	148.49	33.72

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	8.83	9.63	6.10
Capital work-in-progress	3.51	0.00	0.17
Other intangible assets	182.87	28.94	22.33
Goodwill	89.99	36.12	3.26
Intangible assets under development	16.99	0.00	0.00
Right-of-use asset	69.72	61.21	60.48
Investment accounted for using equity method	0.00	0.00	0.05
Financial assets			
i. Investments	2.03	0.03	0.03
ii. Loans	0.00	0.00	3.01
iii. Other financial assets	3.95	3.12	2.19
Deferred tax assets (net)	14.48	11.85	6.90
Other non-current assets	0.66	0.97	0.00
Total non-current assets	393.03	151.86	104.51
Current asset			
Financial Assets			
Investments	0.00	0.20	0.14
Trade receivables	2608.75	1566.16	531.09
Cash and cash equivalents	466.36	563.39	424.89
Other bank balances	79.01	97.90	79.38
Loans	1.10	1.44	2.17
Other financial assets	66.99	60.95	56.63
Current tax assets (net)	1.41	0.65	0.70
Other current assets	137.41	115.37	71.91
Total current assets	3361.02	2406.06	1166.92
Total Assets	3754.05	2557.93	1271.43
Non-current liabilities			
Borrowings	2.93	5.62	2.69
Lease liabilities	70.83	59.16	56.43
Other financial liabilities	40.92	0.00	0.00
Employee benefit obligations	13.82	10.90	8.44
Deferred tax liabilities (net)	2.30	0.00	0.00
Other non-current liabilities	0.00	0.35	0.00
Total Non- Financial liabilities	130.81	76.03	67.56
Current liabilities			
Financial Liabilities			
Borrowings	0.00	0.74	0.00
Lease Liability	6.65	5.10	4.28
Trades Payable - MSME	2.62	2.58	1.07
Trades Payable - MESE	2719.48	1800.38	726.26
Other financial liabilities	128.64	81.30	85.28
Employee benefit obligations	11.42	9.40	6.49
Contract Liabilities	213.63	201.72	131.52
Other current liabilities	30.89	35.84	17.06
Current tax liabilities (net)	8.70	7.64	0.00
Total Financial liabilities	3122.03	2144.71	971.96
Total	3252.83	2220.73	1039.52
Net worth represented by:			
Equity Share Capital	10.42	10.42	10.42
Other equity	495.31	329.86	221.48
Non-controlling interests	-4.52	-3.09	0.00
Net Worth	501.21	337.19	231.90

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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