

Retail Research	IPO Note
Sector: Travel & Tourism	Price Band (Rs): 875 - 920
08th May 2024	Recommendation: Subscribe for Long Term Investment Horizon

TBO Tek Limited

Company Overview:

TBO Tek Limited is a top travel distribution platform operating in 100+ countries. The company's platform connects suppliers (hotels, airlines, car rentals, cruises, etc.) and buyers (travel agencies, tour operators, etc.) through a two-sided technology platform. The company simplify the business of travel by allowing suppliers to display and market their inventory to a large global buyer base. Buyers can easily discover and book travel for various segments such as leisure, corporate, and religious travels etc. The company is committed to provide buyers with a comprehensive travel inventory according to the needs of their customers.

Key Highlights:

1. Revenue model:

(A)B2B Rate Model: The company receive inventory from suppliers at a special B2B rate. The company apply a certain mark-up on this rate and pass this price on to Buyers.

(B) Commission Model: The company's suppliers fix the price at which they want to sell to the end traveller. The company receive commission on each such transaction from the supplier, part of which they retain and part of which they share with the buyer.

2. Platform creating value for both buyers and suppliers: The platform seeks to address various issues experienced while making travel bookings which provides sticky revenue source. It gives real time access to global travel inventory (hotels and airline) to buyers at the same time suppliers get instant access to a global buyer base without making any additional investments in technology or manpower.

3. Platform creating network effect with interlinked flywheels to enhance the value proposition for partners: The company's platform provides instant access to a global network of partners for suppliers and buyers. As the buyer base grows, the company conducts more transactions, attracting more suppliers. This leads to better pricing, wider product ranges and higher supply volumes. By analyzing search data, the company prioritizes onboarding suppliers from the most interesting destination markets to their source markets. This creates a virtuous cycle of network effects, resulting in more transactions and an enhanced partner base.

4. Capital efficient business model with a combination of sustainable growth: The Company has developed a capital efficient business model with operating leverage and strong cash generation. The company has been generating positive operating cash flow for FY22/FY23/9MFY24 at Rs 48.1 cr/ Rs 204.4 cr/ Rs 200.6 cr respectively. The company generates RoE and RoCE of ~42% and ~50% respectively as of FY23. The fixed asset turnover ratio is in double digit (15x for FY23).

Valuation: The company is valued at a P/E multiple of 70.7x of its upper price band based on FY23 earnings on post issue capital while on 9MFY24 annualised adjusted EPS, the company is valued at 46.0x. The company plans to raise Rs 400 crore through fresh issue, for investment in technology, data solutions, and sales and marketing infrastructure. The company's revenue has registered a CAGR of 174% from FY21 to FY23. Global Tourism industry is expected to grow at the CAGR of 8.2% from FY23 to FY27, which will give an edge to the company's growth. While comparing the valuation with its close peer (Rategain Travel), the company looks fairly priced. We recommend to subscribe the issue for long-term investment horizon.

Issue Details	
Date of Opening	8 th May 2024
Date of Closing	10 th May 2024
Price Band (Rs)	875 - 920
Offer for sale (Equity shares)	1,25,08,979
Fresh Issue (Rs cr)	400
Issue Size (Rs cr)	1,550 @ Upper band
No. of shares	1,70,80,408 – 1,68,56,805
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	9,520 – 9,990
BRLMs	Axis Capital Limited, Jefferies India Private Limited
Registrar	KFin Technologies Limited
Bid Lot	16 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Growth and strengthening of our platform by adding new Buyers and Suppliers	260.0
Unidentified inorganic acquisitions	40.0
General corporate purposes*	-*
Total proceeds from fresh issue	400.0

*To be determined after finalisation of the Offer Price and updated in the Prospectus prior to filing with the RoC.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	5,34,33,436	51.3
Public & Others	5,08,06,525	48.7
Total	10,42,39,961	100.0

Post Issue @ Lower Price Band	No. of Shares	%
Promoter & Promoter Group	4,82,21,436	44.3
Public & Others	6,05,89,954	55.7
Total	10,88,11,390	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	4,82,21,436	44.4
Public & Others	6,03,66,351	55.6
Total	10,85,87,787	100.0

Source: RHP, SSL Research

Key Financials

	FY21	FY22	FY23	9MFY24
Revenue from operation (Rs cr)	142	483	1,065	1,024
EBITDA (Rs cr)	(23)	32	182	193
PAT (Rs cr)	(34)	34	144	156
Adjusted PAT (Rs cr)	(5)	26	141	163
EBITDA Margin (%)	(16.0)	6.6	17.1	18.8
Adjusted PAT Margin (%)	(3.4)	5.4	13.3	15.9
Adjusted EPS (Rs)	(0.5)	2.5	13.6	15.6
ROE (%)	(16.7)	14.5	42.4	30.8
Adjusted ROE (%)	(2.4)	11.2	41.5	32.2
ROCE (%)	0.5	19.2	51.5	36.8
Total Debt / Equity (x)	-	0.0	0.0	0.0

** Not Annualized*

Source: RHP, SSL Research

Risk Factors

- **Relationship with suppliers:** The company's business depends on 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.
- **Pricing pressure:** The company's business is exposed to pricing pressure from suppliers who may modify arrangements, including reducing or eliminating compensation. This could adversely affect operations.
- **Technology-driven:** The company's proprietary technology is critical to its operations, and failure to properly maintain or promptly upgrade it may lead to service disruptions or lower quality. This may affect the operation of the business.
- **Competitive industry:** The company operates in a highly competitive industry and any inability to compete effectively may adversely affect the business and results of operations.

Growth Strategy

- Expanding Buyer and Supplier base.
- Continue to amplify the value of the platform.
- Growing operations through selective acquisitions.
- Use data as a corporate currency.

Performance Parameters

Particulars	FY21	FY22	FY23	9MFY23	9MFY24
Monthly Transacting Buyers (number) (1)					
- India	8,558	15,349	17,897	17,779	18,606
- International	1,843	4,029	6,633	6,500	7,830
Total	10,401	19,378	24,530	24,279	26,436
GTV (Rs cr) - Source Market (2)					
- India	2,491	6,865	13,408	9,841	11,019
- International	595	3,392	8,916	6,316	8,006
Total	3,086	10,257	22,324	16,157	19,025
GTV Mix (%) - Source Market (3)					
- India	80.72%	66.93%	60.06%	60.91%	57.92%
- International	19.28%	33.07%	39.94%	39.09%	42.08%
GTV (Rs cr) - Product (4)					
- Air	2,346	6,305	12,360	9,076	9,865
- Hotels and Ancillary	739	3,951	9,963	7,081	9,160
Total	3,086	10,257	22,324	16,157	19,025
GTV Mix (%) - Product (5)					
- Air	76.03%	61.47%	55.37%	56.18%	51.85%
- Hotels and Ancillary	23.97%	38.53%	44.63%	43.82%	48.15%
Revenue from operation (Rs cr) - Product (6)					
- Air	85.6	193.6	320.5	239.5	259.6
- Hotels and Ancillary	50.6	275.5	722.2	529.3	741.9
- Others	5.6	14.2	21.9	14.3	22.3
Total	141.8	483.3	1064.6	783.2	1023.8
Take Rate (%) - Product (7)					
- Air	3.65%	3.07%	2.59%	2.64%	2.63%
- Hotels and Ancillary	6.84%	6.97%	7.25%	7.48%	8.10%
Total	4.60%	4.71%	4.77%	4.85%	5.38%
Gross Profit (Rs cr) - Product (8)					
- Air	59	109	190	146	130
- Hotels and Ancillary	42	203	524	387	511
- Others	5	13	18	12	20
Total	106	325	733	545	661
Revenue from operations (Rs cr)					
- India	97	225	398	296	339
- International	45	258	666	487	684
Total	142	483	1,065	783	1,024
Take Rate (%) - Source Market (10)					
-India	3.88%	3.27%	2.97%	3.01%	3.08%
-International	7.57%	7.62%	7.47%	7.71%	8.55%
Total	4.60%	4.71%	4.77%	4.85%	5.38%
Gross Profit (Rs cr) - Source Market (11)					
-India	64	126	235	178	179
-International	42	199	497	367	492
Total	106	325	733	545	671

Source: RHP, SSL Research

(1) Monthly Transacting Buyers are the average number of Buyers with net positive sales (which is calculated as fresh bookings minus cancellations) during each month computed for the relevant year / period from Buyers in a particular source market.

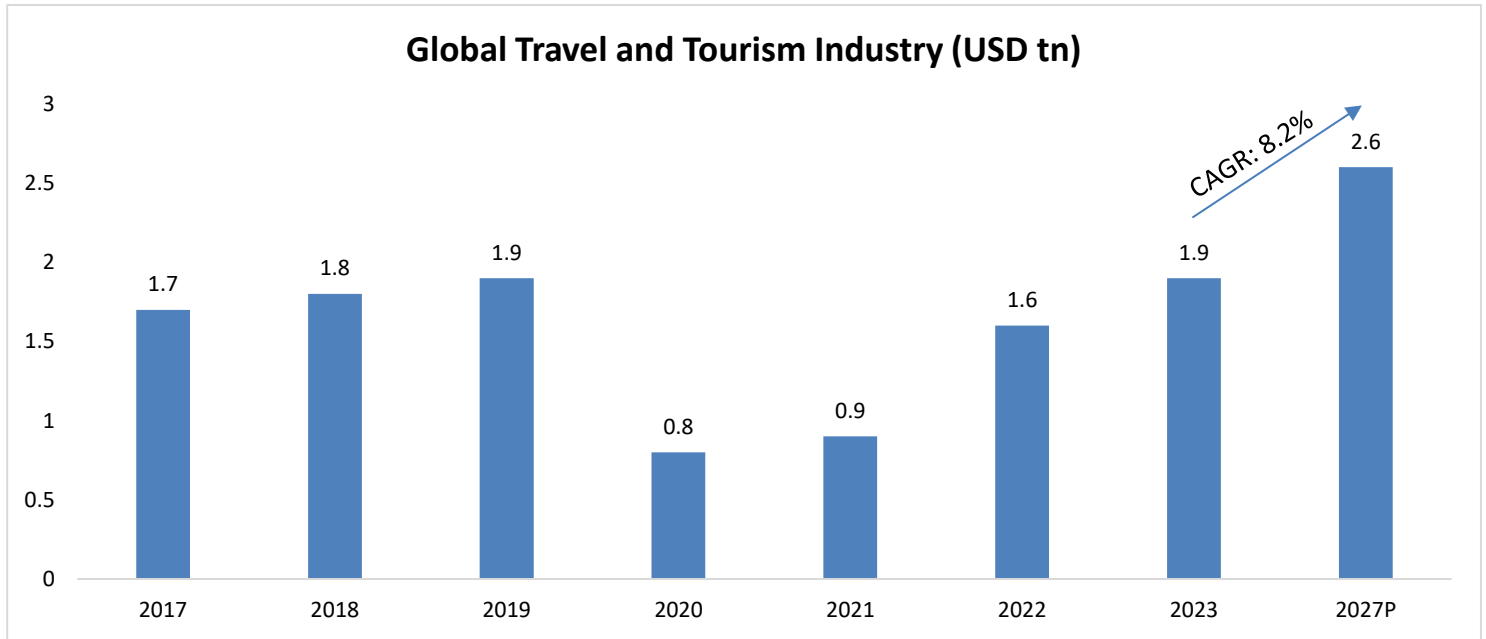
(2) GTV - Source Market is computed as total transaction value net of cancellations during the year / period generated from a particular source market.

- (3) GTV Mix % - Source Market is computed as GTV of a particular source market divided by total GTV for the relevant year / period.*
- (4) GTV – Product is computed as total transaction value net of cancellations during the year / period generated from sale of airline tickets and hotel and ancillary bookings on all our platforms.*
- (5) GTV Mix % - Product is computed as a particular product GTV divided by total GTV for the relevant year / period.*
- (6) Revenue from Operations - Product means revenue recognized on (a) sale of airline tickets (b) Hotel and Ancillary bookings and (c) other miscellaneous products like TBO Academy and white label services, on all our platforms.*
- (7) Take Rate % - Product is computed as revenue from operations from particular product divided by such product's GTV for the relevant year / period.*
- (8) Gross Profit - Product is computed as revenue from operations from the product less service fee for the relevant year / period.*
- (9) Revenue from Operations - Source Market means revenue recognized on sale of airline, hotel and ancillary bookings created by buyers in the relevant source market.*
- (10) Take Rate % - Source Market is computed as revenue from operations from a particular source market divided by GTV from such source market for the relevant year.*
- (11) Gross Profit - Source Market is computed as revenue from operations from a particular source market less service fee for the relevant year / period.*

Industry Overview

Global travel and tourism industry

The global travel and tourism market was USD 1.7 tn in 2017. In 2023 the travel and tourism industry recovered, growing 18.2% YoY from 2022 to USD 1.9 tn, and expected to grow at a CAGR of 8.2% to reach USD 2.6 tn in 2027.



Source: RHP, SSL Research

Global air travel market

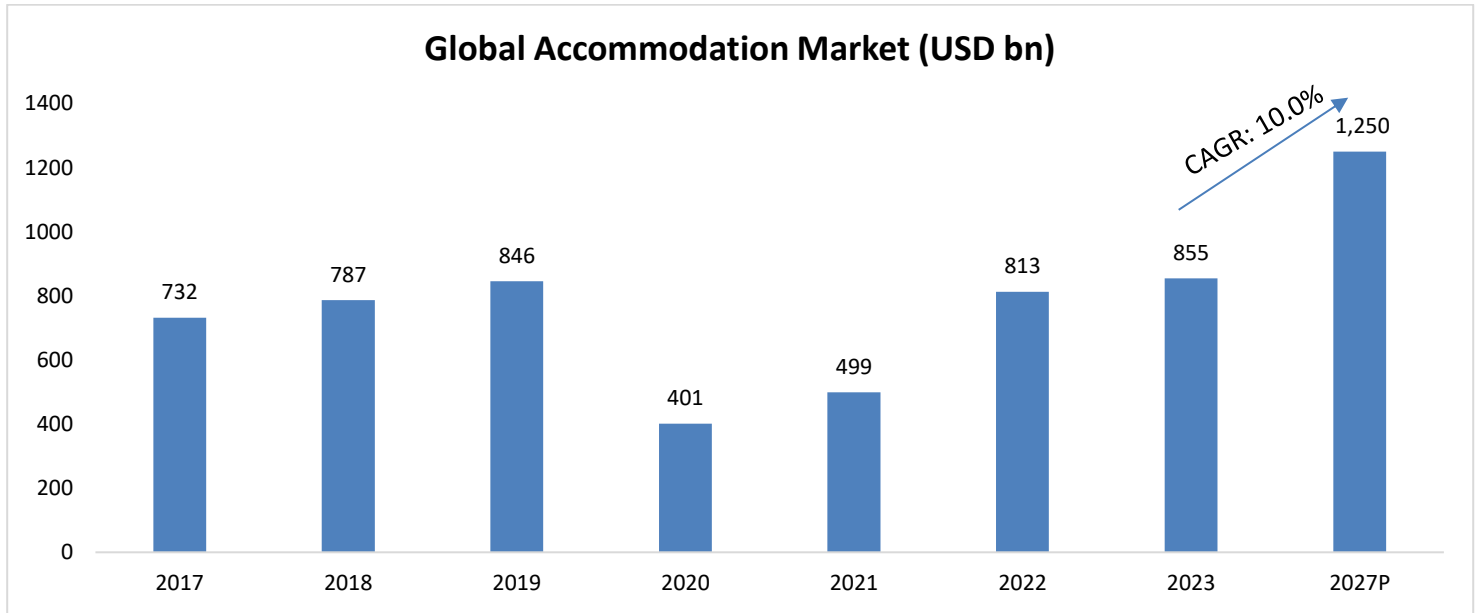
There are over 5,000 airlines across the world (estimate based on the global number of airlines after removing the airlines ceased / defunct or merged, Inclusive of all airlines (cargo, passenger, charter, and commercial)), out of which IATA represents about 300 member airlines, which carries 83% of the world’s traffic. The global air travel market (passenger market) was USD 740 bn in 2019 and reached at USD 709 bn in 2023. The air travel industry is expected to grow at 5.7% CAGR between 2023 and 2027 to reach USD 885 billion by 2027 at the back of increasing leisure travel and cross border trade and commerce.



Source: RHP, SSL Research

Global accommodation market

The accommodation industry is subdivision of the hospitality industry that specializes in providing customers with accommodation services. There are about 3.5 mn to 4 mn hotels estimated globally (estimate based on the total number of global hotels across regions using information from UNWTO, government websites) of which only 1.2% are affiliated to top 10 global or regional hotel chains in the world. The overall global accommodation market is at USD 855 bn in 2023. The global accommodation market has grown at CAGR of 7.5% over 2017 to 2019. In 2023, North America had the largest accommodation market share with 34% share of global accommodation, followed by Europe (32%) and Asia-Pacific (26%). The market, driven by strong economic fundamentals, is expected to growing at a CAGR of 10% rising from USD 855 bn in 2023 to USD 1,250 bn by 2027.



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	142	483	1,065
YoY growth (%)	-	240.8	120.3
Cost Of Revenues (incl. Stock Adj.)	36	159	332
Gross Profit	106	325	733
Gross margins (%)	74.6	67.2	68.8
Employee Cost	60	133	228
Other Operating Expenses	62	156	313
EBITDA	(16)	36	191
EBITDA margins (%)	(11.3)	7.4	18.0
Other Income	35	29	21
Net Interest Exp.	1	4	7
Depreciation	11	16	25
Exceptional Items	(29)	8	3
PBT	(23)	53	184
Tax	5	12	26
Adj PAT	(5)	26	141
Adj. PAT margin (%)	(3.4)	5.4	13.3
Adj. EPS	(0.5)	2.5	13.6

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	10	67	71
Capital WIP	0	0	0
Intangible Assets	13	22	29
Intangible Assets under development	9	0	0.00
Right of use assets	0	0	0
Other Non-current Assets	10	15	52
Current Assets			
Trade receivables	120	531	1,566
Cash and Bank Balances	332	504	661
Short-term loans and advances	1	2	1
Other Current Assets	81	129	177
Total Current Assets	535	1,167	2,406
Current Liabilities & Provisions			
Trade payables	173	727	1,803
Other current liabilities	178	240	336
Total Current Liabilities	351	968	2,139
Net Current Assets	184	199	267
Total Assets	225	304	419
Liabilities			
Share Capital	2	10	10
Reserves and Surplus	202	221	330
Total Shareholders Funds	204	232	340
Minority Interest	0	0	-3
Total Debt	0	3	6
Lease Liabilities	8	61	64
Other Long Term Liabilities	13	8	11
Total Liabilities	225	304	419

Cash Flow (Rs)	FY21	FY22	FY23
Cash flow from Operating Activities	51	198	237
Cash flow from Investing Activities	-27	-31	-106
Cash flow from Financing Activities	-5	-16	-14
Free Cash Flow	50	192	231

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	(0.8)	2.0	5.5
Return on Capital (%)	0.5	19.2	51.5
Return on Equity (%)*	(2.4)	11.2	41.5
Margin Analysis			
Gross Margin (%)	74.6	67.2	68.8
EBITDA Margin (%)	(16.0)	6.6	17.1
Net Income Margin (%)	(3.4)	5.4	13.3
Short-Term Liquidity			
Current Ratio (x)	1.5	1.2	1.1
Quick Ratio (x)	1.5	1.2	1.1
Avg. Days Sales Outstanding	309	401	537
Avg. Days Inventory Outstanding	-	-	-
Avg. Days Payables	446	549	618
Fixed asset turnover (x)	14.8	7.3	15.0
Debt-service coverage (x)	(19.0)	5.1	13.4
Long-Term Solvency			
Total Debt / Equity (x)	-	0.0	0.0
Interest Coverage Ratio (x)	0.8	12.7	24.9
Valuation Ratios			
EV/EBITDA (x)	-	283.8	49.1
P/E (x)	-	370.8	67.8
P/B (x)	47.0	41.4	28.2
EV/Sales (x)	65.3	18.8	8.4

*Based on Adjusted PAT.

Source: RHP, SSL Research

Peer Comparison

	TBO Tek Limited		Rategain Travel Technologies Limited
	9MFY24 Annualised		
CMP	875.0	920.0	670.0
Sales (Rs cr)	1365.0	1365.0	565.0
EBITDA (Rs cr)	256.9	256.9	87.0
Net Profit (Rs cr)	217.0	217.0	68.0
M.Cap (Rs cr)	9521.0	9990.1	7911.0
Enterprise Value (Rs cr)	8578.6	9047.6	7634.0
EBITDA Margin (%)	18.8	18.8	15.4
Net Margin (%)	15.9	15.9	12.0
EV/Sales (x)	6.3	6.6	13.5
PE(x)	43.9	46.0	62.7
EV/EBITDA (x)	33.4	35.2	87.7
RoE (%)	24.0	24.0	10.2
RoCE (%)	27.5	27.5	10.2

The data is based on FY23 financial data.

For TBO Tek Limited the P/E, Market cap and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

**CMP as on 7th May 2024.*

Source: RHP, SSL Research

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