

IPO NOTE

Issue Details

Price Band: ₹ 875 to ₹ 920

Issue Opens on: May 8, 2024

Issue Closes on: May 10, 2024

Lot Size: 16 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 1,550.81 Cr.

No of Shares: 16,856,623

Face Value: ₹ 1

Offer Structure

| Issuance | ₹ in Cr. |
|----------------|-----------------|
| Fresh Issue | 400.00 |
| Offer for Sale | 1,150.81 |
| Total | 1,550.81 |

Issue Breakup

| Reservation for | % of Issue | ₹ in Cr. (at upper band) |
|-----------------|------------|--------------------------|
| QIB | 75 | 1,160.86 |
| HNI | 15 | 232.17 |
| Retail | 10 | 154.78 |
| Employee | - | 3.00 |
| Total | 100 | 1,550.81 |

Listing

BSE & NSE

Lead Managers

- Axis Capital Limited
- JM Financial Limited
- Jefferies India Private Limited
- Goldman Sachs (India) Securities Private Limited

Registrar

KFin Technologies Limited

ANALYST

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COMPANY OVERVIEW

In 2006, TBO Tek conceptualized the TBO platform as a technology tool to simplify the process for travel agents to book airline tickets across multiple airlines. The company has grown into a business with global presence and serviced Buyers and Suppliers in over 100 countries as of December 31, 2023. They provide buyers with a comprehensive travel inventory according to the needs of their customers; and supporting a wide range of currencies along with forex assistances.

They simplify the business of travel for suppliers such as hotels, airlines, car rentals, transfers, cruises, insurance, rail and others (collectively, "Suppliers"), and retail buyers such as travel agencies and independent travel advisors ("Retail Buyers"); and enterprise buyers that include tour operators, travel management companies, online travel companies, super-apps and loyalty apps ("Enterprise Buyers", together with Retail Buyers, "Buyers") through their two-sided technology platform that enables Suppliers and Buyers to transact seamlessly with each other.

The company has two key revenue models for their transaction, i.e., B2B Rate Model where they receive inventory from Suppliers on which they apply a certain mark-up and pass on to the Buyers and Commission Model where Suppliers fix the price at which they want to sell to the end traveller on which receive commission from the Supplier part of which the company retain and part of which is shared with the Buyer.

HIGHLIGHTS

1. Platform creating network effect with interlinked flywheels to enhance value proposition for partners
2. Modular and scalable proprietary technology platform allowing addition of new lines of business, markets, and travel products
3. Ability to generate and leverage large data assets
4. Data driven decision making across the enterprise
5. Capital efficient business model with a combination of sustainable growth

OBJECTS OF THE ISSUE

1. Investment in technology and data solutions by the Company (₹ 135 Cr.)
2. Amplification of value of their platform by adding new lines of businesses (₹ 100 Cr.)
3. Investment in sales, marketing and infrastructure to support organization's growth plans in India (₹ 25 Cr.); and
4. Unidentified inorganic acquisitions (₹ 40 Cr.)

Offer for sale up to 12,508,797 equity shares by the selling shareholders. The company will not receive any proceeds from the Offer for sale.

OUR VIEW

TBO TEK one of the leading travel distribution platform in the global travel and tourism industry in terms of GTV and revenue from operations for Fiscal 2023 providing a wide range of offerings operating in over 100 countries. TEK TBO's achievements include 7500+ destinations sold across 100 countries and 41,000+ bookings per day through the platform (as of FY 23).

The opportunity lies in how the Travel and tourism have evolved, with travellers now engaging in travel to offbeat Insta-Worthy destinations, adventure trips, spending on experiences. TBO TEK's Strategies include expanding Buyer and Supplier base, grow the operations through selective acquisitions.

The company operates in a highly competitive industry. A major portion of the business is derived from air, hotels and ancillary bookings whose contribution has significantly increased from 35.69% of the revenue from operations for Fiscal 2021 to 67.83% for Fiscal 2023. The business is exposed to pricing pressure from the Suppliers who may withhold inventory or modify the terms of arrangements, including for a reduction or elimination of commission.

The revenue CAGR for the period FY21-23 stood at about 174%. The company operated on an EBITDA margin of 18.69% and PAT margin of 13.94% for year ended FY23. The numbers were 19.59% and 15.06% respectively for 9MFY24. Generating an ROE of 44.04% for FY23.

The issue is priced at a P/BV of 18.66 based on its NAV of ₹ 49.31 as at 9MFY24 and is asking for a PE multiple of 65.4x on the upper end of the price band and PE of 45.5x annualizing diluted EPS for 9MFY24 (₹ 15.15). The industry average PE is 118.3x. Looking at all the factors, risks, opportunities and valuation, investors may apply for the issue with a long-term view.

Brief Financials

| PARTICULARS | As at December 31, 2023 | ₹ in Million | | |
|-------------------|----------------------------|--------------|----------|----------|
| | | FY '23 | FY '22 | FY '21 |
| Total Income | 10,395.64 | 10,857.71 | 5,119.28 | 1,765.49 |
| Total Expenditure | 8,587.44 | 9,144.17 | 4,704.64 | 1,768.08 |
| EBITDA | (226.89) | 1,818.45 | 1,458.62 | 1,926.93 |
| Profit before Tax | 1,736.24 | 1,741.95 | 460.33 | (295.32) |
| Profit after Tax | 1,541.78 | 1,484.91 | 337.17 | (341.44) |
| E.P.S. (Diluted) | 15.15* | 14.07 | 3.32 | (3.28) |
| P/E (x) (Diluted) | - | 65.4 | - | - |
| RONW (%) | 30.76* | 44.04 | 14.54 | (16.73) |

* Not Annualised

PRICE CHART (@ ₹ 920) (Retail Category)

| LOT SIZE | Amount |
|----------|---------|
| 16 | 14,720 |
| 32 | 29,440 |
| 48 | 44,160 |
| 64 | 58,880 |
| 80 | 73,600 |
| 96 | 88,320 |
| 112 | 103,040 |
| 128 | 117,760 |
| 144 | 132,480 |
| 160 | 147,200 |
| 176 | 161,920 |
| 192 | 176,640 |
| 208 | 191,360 |

HNI Payment Chart

| Category | No. of Shares | Minimum Bid Lot Amount (Rs.) |
|-----------|---------------|------------------------------|
| Small HNI | 224 | 206,080 |
| Big HNI | 1,088 | 1,000,960 |

Indicative Time Table

| Tentative Events | Indicative Dates |
|---|------------------|
| Finalisation of Basis of Allotment with the Designated Stock Exchange | 13/05/2024 |
| Initiation of refunds/unblocking ASBA Fund | 14/05/2024 |
| Credit of Equity Shares to demat accounts of Allottees | 14/05/2024 |
| Commencement of trading of the Equity Shares on the Stock Exchanges | 15/05/2024 |

For more details, Please refer RHP,

https://www.sebi.gov.in/filings/public-issues/may-2024/tbo-tek-limited-rhp_83137.html

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