



MSEARCH

INITIAL PUBLIC OFFER (IPO)

08-05-2024

TBO TEK LTD

08-05-2024 - 10-05-2024

Industry: Global Travel and Tourism
Recommendation: Subscribe for listing gain

Price Band: ₹875-920
Post Implied Market Cap: – ₹9,521 - ₹9,990 Cr

Key Data

Issue Size (₹ Cr)	1,495 - 1,551
Fresh (₹)	400
OFS (₹)	1,151
No. of shares offered	17,080,225 - 16,856,623
Face Value (₹ /share)	1
Bid Lot	16

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	13-05-2024
Refunds/Unblocking ASBA Fund	14-05-2024
Credit of equity shares to DP A/c	14-05-2024
Trading commences	15-05-2024

Shareholding (No. of shares)

Pre-Issue	104,239,961
Post Issue (Lower price band)	108,811,389
Post Issue (Higher price band)	108,587,787

Shareholding Pattern

Promoter:	
Pre Issue	51.26%
Post Issue	44.41%
Promoter Group:	
Pre Issue	0.00%
Post Issue	0.00%
Public -Investor Selling S/h:	
Pre Issue	30.59%
Post Issue	22.65%
Public - Others:	
Pre Issue	15.84%
Post Issue	30.73%
Employee Trust:	
Pre Issue	2.31%
Post issue	2.22%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: Axis Capital, Jefferies India, Goldman Sachs (India), JM Financial.

Registrar: KFin Technologies.

Listing: BSE & NSE

Research Analyst

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About the Company

TBO Tek is a leading global travel distribution platform, offering a wide range of travel services across over 100 countries. They simplify travel for both suppliers and buyers, including hotels, airlines, and travel agencies, through a two-sided technology platform. This platform enables seamless transactions and provides buyers with a comprehensive inventory tailored to their needs. TBO Tek's platform is multi-currency and multi-lingual, offering an integrated solution for discovering and booking travel across leisure, corporate, and religious segments.

Investment Rationales

- Platform creating network effect with interlinked flywheels to enhance value proposition for partners:** The company's platform fosters a network effect, benefiting both suppliers and buyers by providing instant access to a global network of partners. As the buyer base expands, more transactions occur, attracting additional suppliers and leading to better pricing and a wider range of products. This results in increased Gross Transaction Value (GTV) over time, with GTV generated by buyers in their 6th year being 5.29 times that of their 1st year. This highlights the platform's stickiness and the correlation between increased platform engagement and higher transaction volumes.
- Modular and scalable proprietary technology platform allowing addition of new lines of business, markets, and travel products:** The company's modular platform design enables efficient development and launch of solutions tailored to specific buyer and supplier segments. Leveraging scalability, they have a go-to-market playbook executed in Middle East, Latin America, and APAC. Growth in Gross Transaction Value (GTV) stems from attracting new buyers and increasing engagement and transaction volume of existing ones. Monthly Transacting Buyers grew at a CAGR of 53.57%, from 10,401 in Fiscal 2021 to 24,530 in Fiscal 2023, reaching 26,436 for the 9 months ended December 31, 2023.
- Ability to generate and leverage large data assets:** The company prioritizes good data governance and utilizes a comprehensive data warehouse to segment data for various purposes. They view data as a valuable asset, leveraging it to enhance their platform for partners and provide additional insights. Web analytics and clickstream analysis aid in understanding user behavior, while real-time analytics monitor supplier performance, crucial for their business reliant on APIs.
- Data driven decision making across the enterprise:** TBO Tek promotes a data-driven culture across all levels, from frontline sales executives to product managers. They employ sales forecasting models based on recurrent neural networks, incorporating historical and recent data for dynamic pricing decisions. Using clustered algorithms, they group hotels to identify similarities and refine pricing strategies. Future projects focus on marketing analytics and real-time personalization to enhance buyer experiences.
- Capital efficient business model with a combination of sustainable growth:** The company operates a capital-efficient business model with strong cash generation and operating leverage. They strategically acquire and integrate complementary travel assets to expand their partner network and capabilities while being prudent with investments. Acquisitions like Island Hopper and Gemini Tours and Travel bolster their presence in specific markets, such as the Maldives, while the acquisition of BookaBed provides access to the Irish and UK markets, enabling them to offer their services to a broader range of buyers and integrate them into their platform.

Risk

- 1) High dependency on hotels and air ticketing in revenue contribution.
- 2) Dependent on a limited range of Suppliers.

MView

We believe TBO Tek Ltd IPO gives investors a unique opportunity to invest in a leading player in the global travel and tourism industry which offers a comprehensive platform that creates significant value for both suppliers and buyers. We think TBO Tek's platform operating on a network effect model, benefiting both suppliers and buyers by granting instant access to a global partner network. As the buyer base grows, transactions increase, attracting more suppliers and enhancing pricing, range, and supply volume across various products. This creates a mutually beneficial ecosystem, boosting the platform's value proposition. We also think company has intelligently designed its platform to be modular, allowing for efficient development and launch of solutions tailored to specific buyer and supplier segments. Leveraging core capabilities like supplier and buyer modules, payment infrastructure and robust data analytics, TBO Tek can swiftly deploy solutions, enabling rapid market entry and scalability with minimal investment. We also believe TBO Tek has developed a capital-efficient business model with strong cash generation, bolstered by strategic acquisitions such as Island Hopper and BookaBed which have enabled them to expand its partner network, enhance capabilities and consolidate its position in key markets, such as the Maldives and the United Kingdom. By looking at the financials the company has shown a substantial growth post pandemic in revenue from operations and Net Profit by 240%/120% & 256%/278% in FY2022 and FY 2023. On valuation parse at the upper band of ₹ 920/-, the issue is asking for a Market Cap of ₹ 9990/- Cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a PE of 48.6x which seems reasonable by looking at industry growth. With innovative platform, strategic approach to data utilization and commitment to fostering a collaborative ecosystem solidifying their position in the dynamic travel and tourism industry with significant growth potential. Hence, considering all the parameter, we are recommending investors to "SUBSCRIBE" the issue for listing gain only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Dec' 31		As at March' 31		
	2023 (09)	2022(09)	2023	2022	2021
Equity Share Capital	10.42	10.42	10.42	10.42	1.9
Reserves	478.43	277.2	317.57	214.08	195.58
Net worth as stated	501.21	309.32	337.19	231.90	204.07
Revenue from Operations	1,023.75	783.18	1,064.59	483.27	141.81
Revenue growth (%) as stated	30.72%	-	120.29%	240.79%	-
Adj. EBITDA as stated	200.51	159.85	198.96	27.42	-22.69
Adj. EBITDA Margin (%) as stated	19.59%	20.41%	18.69%	7.74%	-16.00%
Profit/Loss before Tax	173.62	140.67	174.20	46.03	-29.53
Net Profit for the Year	154.18	120.28	148.49	33.72	-34.14%
Net Profit (%) as stated	15.06%	15.36%	13.95%	6.98%	-24.07%
EPS - Basic (₹)	15.30	11.58	14.21	3.32	-3.28
RONW (%)	30.76%	38.88%	44.04%	14.54%	-16.73%
NAV (₹)	49.31	30.47	33.22	22.85	19.58

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Consolidated /Standalone	Mcap (in Cr)	FV	Revenue from operation FY 2023 (in Cr)	EPS	Net Worth	NAV	P/E	RoNW
TBO Tek Ltd	Consolidated	9,990	1	1,064.59	18.93	952.60	87.7	48.6	44.04%
Listed Indian Peers									
Rategain Travel Technologies	Consolidated	7,894	1	565.13	6.29	709.74	65.67	61.2	9.64%
Listed Global Peers									
Travel CTM	Consolidated	-	Na	3,463.03	28.14	6,215.24	425.2	-	6.62%
Webjet Ltd	Consolidated	-	Na	1,931.32	2.01	4,421.26	115.96	-	1.74%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 06-05-2024

TBO Tek Ltd, Revenue EPS/PE, NAV, Network calculated on annualised basis post money



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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