

Retail Research	IPO Note
Sector: E-Commerce (Travel Aggregator)	Price Band (Rs): 88-93
07th June 2024	Recommendation: Subscribe for Long Term Investment Horizon

Le Travenues Technology Limited

Company Overview:

La Travenues Technology (Ixigo) Ltd is a technology company focused on empowering Indian travelers to plan, book and manage their trips across rail, air, buses and hotels. Its Online Travel Agency (OTA) platforms allow travelers to book train tickets, flight tickets, bus tickets and hotels, while providing travel utility tools and services developed using in-house proprietary algorithms and crowd-sourced information, including train PNR status and confirmation predictions, train seat availability alerts, train running status updates and delay predictions, alternate route or mode planning, flight status updates, automated web check-in, bus running status, pricing and availability alerts, deal discovery, destination content, personalized recommendations, instant fare alerts for flights, AI-based travel itinerary planner and automated customer support services.

Key Highlights:

1. Leading online travel agency ("OTA"): Ixigo is the leading OTA for the 'next billion users' with the highest Monthly Active Users for mobile apps across all key OTAs as of Sept'23. The number of transactions booked through its OTA platforms has increased at a CAGR of 139.4% from 8.56 mn in FY21 to 49.1 mn in FY23, and to 42.0 mn and 36.5 mn in 9MFY23 and 9MFY22 respectively.

2. Artificial intelligence ("AI") and technology driven operations: Ixigo is a technology-focused company. Technology forms the basis for its operating leverage and is instrumental in achieving significant efficiencies in its business processes and operations. The company uses artificial intelligence, data science and machine learning to transform its travel information and crowd-sourced data into business intelligence that enhances its travel offerings and improves its operating efficiency. It has developed advanced and scalable technology platforms allowing it to address the requirements and problems of travelers.

3. Diversified business model: The company's business model consists of a comprehensive mix of product and service offerings with presence across trains, flights, buses and hotels businesses, which comprehensively addresses the online travel market in India allowing it to monetize all aspects of its OTA platforms.

4. Established consumer travel brands built with user-first approach: Ixigo group apps were one of the highest rated apps among OTAs, with a rating of 4.6 on the Google Play Store as of Nov'23, and its apps had the highest usage and engagement among all key OTA players and standalone transactional train mobile apps in India in Sept'23 in terms of Monthly Active Users and sessions per user per month. Its brand presence and loyalty amongst users is evident from the growth in Monthly Active Users, which has increased from 21.6 mn in Mar'21 to 44.2 mn in Mar'22, 62.8 mn in Mar'23 and were 77.0 mn and 62.0 mn in Dec'23 and Dec'22, respectively.

Valuation: The company is valued at annualized FY24 P/E multiple of 100.1x based on the upper price band on the post-issue capital. Ixigo is the leading OTA for the 'next billion users' with the highest Monthly Active Users for mobile apps across all key OTAs as of Sept'23. The company recorded a strong Revenue CAGR of 350% between FY20-FY23 and Revenue per employee for FY23 stood at 9.2 mn. We recommend to subscribe the issue for long-term investment horizon.

Issue Details	
Date of Opening	10 th June 2024
Date of Closing	12 th June 2024
Price Band (Rs)	88 - 93
OFS	6,66,77,674 equity shares
Fresh Issue (Rs cr)	120
Issue Size (Rs cr)	706 - 740
No. of shares	8,03,14,038 - 7,95,80,900
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	3,416 – 3,603
BRLMs	Axis capital, DAM Capital, JM Financial
Registrar	Link Intime India Pvt Ltd
Bid Lot	161 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Part-funding of working capital requirements	45.0
Investments in cloud infrastructure and technology	25.8
Funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes [^]	-
Total proceeds from fresh issue	-

[^] The cumulative amount to be utilized towards inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes shall not exceed 35% of the Gross Proceeds. Further, the amount utilized for funding inorganic growth through acquisitions and other strategic initiatives shall not exceed 25% of the Gross Proceeds. In addition, the amount to be utilized towards general corporate purposes alone shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	37,45,19,945	100.0
Total	37,45,19,945	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	38,81,56,309	100.0
Total	38,81,56,309	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	38,74,23,171	100.0
Total	38,74,23,171	100.0

Source: RHP, SSL Research

Key Financials

	FY21	FY22	FY23	9MFY24
Revenue from operation (Rs cr)	136	380	501	491
EBITDA (Rs cr)	3	-12	29	28
Profit (Rs cr)	8	-21	23	66
EBITDA Margin (%)	2.4	-	5.7	5.8
Net Profit Margin (%)	5.6	-	4.7	13.4
EPS	0.2	-0.6	1.0	1.0*
ROE (%)	25.2	-	10.1	8.9*
ROCE (%)	9.5	-	9.5	5.6*
Total Debt / Equity	0.5	0.0	0.0	0.1*

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- **Limited operating experience as on OTA:** The company originally commenced operations as a meta-search website and subsequently transitioned to become an OTA. Accordingly, the company has limited operating history and experience as an OTA which could lead an adverse impact on its business and results of operations.
- **Performance of Technology Infrastructure:** Any failure of the company to maintain satisfactory performance of its technology infrastructure, including its OTA platforms, particularly those leading to disruptions in its services, could materially and adversely affect its business and reputation, and its business may be harmed if its technology infrastructure or technology is damaged or otherwise fails or becomes obsolete.
- **Risk of termination of agreement with IRCTC:** The company derives 46.83% (as of FY23) of gross ticketing revenue from Train ticketing and therefore its business is dependent on maintaining its arrangement with IRCTC. The termination of this agreement with IRCTC could preclude the company from undertaking its train ticketing services and could otherwise have a material adverse effect on its results of operations, cash flows, financial conditions and business prospects.
- **Non-exclusive arrangement with IRCTC:** The company's arrangement with IRCTC is on non-exclusive basis and IRCTC may engage with other distribution partners including the company's competitors. Further, IRCTC, itself operates an online website and mobile applications for sale of railway tickets, thereby providing a channel for direct distribution to customers.

Growth Strategy

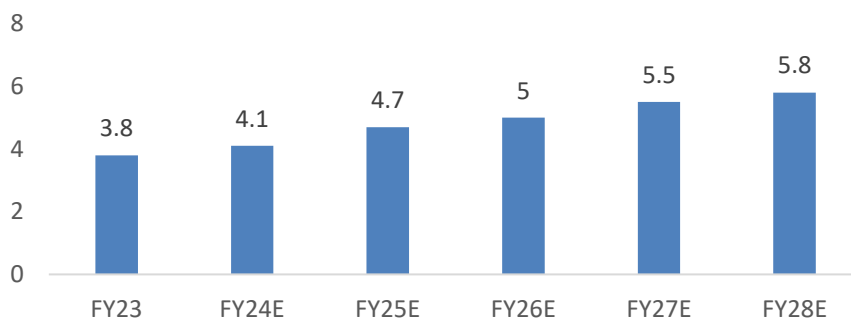
- **Continue to deepen penetration:** Continue to invest in online and offline brand building initiatives, particularly through creation of content with the objective of achieving virality, and media campaigns (online and offline) with the objective of building 'top-of-mind' awareness and recall among new and existing users.
- **Increase monetization through cross-selling and up-selling:** The company has focused on a multi-app, multi-brand approach to address their various travel use cases which provides it an opportunity to cross-sell and up-sell its service offerings with relatively low entry and user acquisition costs.
- **Improve operating leverage:** Continue to identify and anticipate the needs of users and deliver value-added products and services as well as improve operating leverage by using deep tech and artificial intelligence-based technologies.
- **Drive value creation through selective strategic partnerships and acquisitions:** Continue expanding its travel offerings beyond train, bus flight and hotels, to include tours, holiday packages, activities, experiences, travel insurance, and ancillary services related to the travel industry through strategic partnerships and acquisitions.

Industry Overview

Indian Travel Industry

In FY22, the Indian travel and tourism contribution to the Indian economy was Rs 15.7 tn and was Rs 16.5 tn in FY23. This is 3.5% less than pre-COVID levels, which indicates a strong recovery of this sector according to WTTC. The domestic travelers spending alone grew 86% to reach Rs 2.3 tn in FY22 compared to FY21. The total Indian travel market as represented by modes of air, rail, road and hotel is estimated at around Rs 3.8 tn in FY23 and expected to grow at a CAGR of around 9% to reach Rs 5.8 tn by FY28. In the overall Indian Travel market, 54% of all travel spends were made online in FY23. The online travel market is estimated at Rs 2,079 bn in FY23 and is anticipated to grow faster than the overall travel market at 13% CAGR for the forecast period of FY23 to FY28 and reach Rs 3,895 bn by FY28.

Growth of Indian Travel Market, India FY23 to FY28E
(INR Trillion)

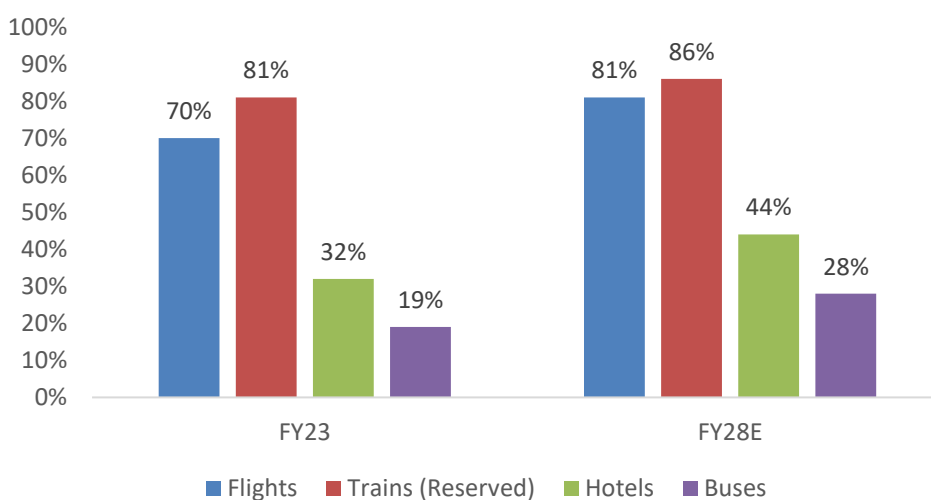


Source: RHP, SSL Research

Online Penetration Across Different Segments

An expanding and evolving travel market, coupled with greater internet, smartphone and other mobile device penetration, is expected to drive robust growth in online travel bookings in India. The online travel market in India is forecasted to grow at a CAGR of 13% between FY23 and FY28, faster than the overall travel market. It is expected that the Indian OTA market will outpace the growth of the overall online travel market, growing at a CAGR of 18% between FY23 and FY28.

Growth in Online Penetration Across Different Segments



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	136	380	501
% YoY growth	-	180.0%	32.1%
Employee Cost	35	95	126
Other Operating Expenses	97	297	346
EBITDA	3	-12	29
EBITDA margin (%)	2.4	-	5.7
Other Income	3	5	16
Net Interest Exp.	2	3	1
Depreciation	2	8	11
Exceptional Items	0	0	-13
PBT	3	-18	21
Tax	-5	3	-3
PAT	8	-21	23
PAT margin (%)	5.6	-	4.7
EPS	0.2	-0.6	0.6

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	0	2	2
Right of Use Assets	3	3	7
Capital WIP	0	0	3
Intangible Assets under development	14	30	30
Other Non-current Assets	97	271	295
Current Assets			
Current Investment	2	40	48
Trade receivables	26	9	12
Cash and Bank Balances	31	105	93
Short-term loans and advances	0	0	3
Other Current Assets	11	80	94
Total Current Assets	70	233	249
Current Liabilities & Provisions			
Trade payables	20	45	36
Other current liabilities	77	85	112
Short-term provisions	1	3	4
Total Current Liabilities	98	132	153
Net Current Assets	-28	101	97
Total Assets	87	406	433
Liabilities			
Share Capital	233	37	37
Reserves and Surplus	-203	306	337
Total Shareholders' Funds	30	343	374
Minority Interest	0	0	13
Total Debt	15	3	1
Long Term Provisions	2	3	4
Lease Liabilities	5	4	9
Other Long-Term Liabilities	31	51	30
Net Deferred Tax Liability	4	3	3
Total Liabilities	87	406	433

Cash Flow (Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	-15	-34	31
Cash flow from Investing Activities	-10	-221	22
Cash flow from Financing Activities	14	258	-2
Free Cash Flow	-15	-36	25

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Capital (%)	9.5	-	9.1
Return on Equity (%)	25.2	-	6.3
Margin Analysis			
EBITDA Margin (%)	2.4	-	5.7
Net Income Margin (%)	5.6	-	4.7
Short-Term Liquidity			
Current Ratio (x)	0.7	1.7	1.6
Quick Ratio (x)	0.7	1.7	1.6
Avg. Days Sales Outstanding	71	8	9
Avg. Days Payables	53	43	26
Fixed asset turnover (x)	342.3	234.3	289.2
Debt-service coverage (x)	0.2	-	19.4
Long-Term Solvency			
Total Debt / Equity (x)	0.5	0.0	0.0
Interest Coverage Ratio (x)	2.7	-	36.1
Valuation Ratios			
EV/EBITDA (x)	1045.4	-	117.6
P/E (x)	460.5	-	148.3
P/B (x)	115.9	10.1	9.3

Source: RHP, SSL Research

Peer Comparison

	Le Travenues Technology Ltd	Easy Trip Planners Ltd	Yatra Online Ltd
CMP	93.0	41.3	127.0
Sales (Rs cr)	501.3	591.0	422.0
EBITDA (Rs cr)	28.7	210.0	15.0
Net Profit (Rs cr)	23.4	103.0	-5.0
M.Cap (Rs Cr)	3,603.0	7,319.0	1,994.0
Enterprise Value (Rs cr)	3,511.0	7,236.0	1,677.0
EBITDA Margin (%)	5.7	35.5	3.6
PAT Margin (%)	4.7	17.4	-
PE(x)	100.1	71.1	-
EV/EBITDA	122.2	34.5	111.8
RoE (%)	10.1	31.2	-
RoCE (%)	9.5	40.1	3.6

The data is based on FY23 financial data.

For La Travenues Technology Limited the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 06th June, 2024.

Source: RHP, SSL Research

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