

Company Overview

Le Travenues Technology Ltd. is a technology-focused travel planning company which focuses on empowering Indian travelers to plan, book, and manage their trips across rail, air, buses, and hotels. With a vision to become the most customer-centric travel company, the company's OTA platforms allow travelers to book train tickets, bus tickets, and hotel booking in a seamless manner which is driven by technology and a culture of innovation. The company's focus is to provide customer experience by providing an uninterrupted booking experience and providing other travel utilities such as PNR status and confirmation predictions, pricing and train seat availability alerts, alternate route planning, flight status updates, AI-based travel itinerary planner, etc. Over the years, the company has also been able to cross-sell and upsell tickets and value-added services or other ancillary services to booking services such as ixigo assures, Assured Flex, Abhi assured, seat selection, visa processing, and many more. Such value-added services accounted for 31% of the total bookings sold. The company also endeavors that its OTA platforms can build significant user adoption and engagement by offering convenience, utility, and value-added customer-centric solutions for travel-related issues. The company also has the highest app usage and engagement among all key OTA players and standalone transactional train mobile apps in India as of September 2023 in terms of Monthly Active Users and sessions per user per month.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Part funding working capital requirements of the company;
- ⇒ Investment in cloud infrastructure and technology; and
- ⇒ Funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

Investment Rationale

Leading online travel agency ("OTA"), with significant penetration in the underserved 'next billion user' market segment

'Next billion users' refers to an existing as well as anticipated market of "new to Internet" users that includes all non-Tier I market demand i.e. all travel demand originating from and/or concluding in Tier II, III and rural areas in India as well as "new to Internet" users emerging from middle- and lower-income groups of Tier I cities. The company is the leading OTA for the 'next billion users' with the highest Monthly Active Users for mobile apps across all key OTAs as of September 2023 and also the second largest OTA in India in terms of consolidated revenue from operations in FY23. The number of transactions booked through the company's OTA platforms increased at a CAGR of 139.4% to 49.07 million in FY2021-23 period. The company's OTA platforms target the 'next billion user' travel market in India and focus on growing organically in this segment through its travel utility products, Value-Added Services, investment in social media marketing, and word-of-mouth marketing. Moreover, as the number of people accessing the internet is increasing on a daily basis in India, especially in rural areas, the overall rural subscribers are expected to increase at a CAGR of 18% in future. As a result, it is expected that additional travel booking and value chain would move from offline mode to online mode.

Diversified business model with significant operating leverage and organic flywheel

The company's business model consists of a comprehensive mix of product and service offerings with a presence across trains, flights, buses, and hotel businesses which comprehensively addresses the online travel market in India, thereby allowing the company to monetize all aspects of its OTA platforms. The company's Gross Transaction Value stood at Rs 75,929 million in December 2023 which grew at a CAGR of 86% over two years. The company's Gross Take Value has also been increasing and stood at 7.71% and 8.14% as on December 2023 and March 2023, respectively. Consecutively, the company's revenue and profit margins have also been on an increasing trend. The main reason for such growth of the company can be attributed to its technology-driven operations and low operational costs that results in comparatively enhanced operating margins that are improving with scale. The company relies on utility and crowd-sourced driven use cases to acquire users organically and as more users utilize the OTA platform, more additional information gets added to the company's proprietary algorithms. These activities in turn improve the utility and effectiveness of its services as well as enables the company to offer an enhanced customer experience.

Issue Details

Offer Period	10 th June 2024 - 12 th June 2024
Price Band	Rs. 88 to Rs.93
Bid Lot	161
Listing	BSE & NSE
Issue Size (no. of shares in mn)	79.5
Issue Size (Rs. in bn)	6.2
Face Value (Rs.)	1

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	Axis Capital Ltd., DAM Capital Advisors Ltd., JM Financial Ltd
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	-	-
Public	100.00	100.00
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Le Travenues Technology Ltd.

Valuation

With the GDP growth for India being quite strong post the COVID era and the forecast GDP figures being even stronger, the contribution of services sector among the core sectors is set to grow to 67% by FY30. Due to this, the contribution of hotels and transport sector to the real GDP is set to increase to 22% by FY30 mainly due to the growing population which is supported by increased income levels and discretionary spending. Such increasing consumption patterns have led to an increase in mobile and internet penetration, with the rural subscriber segment growth set to outpace urban growth. The overall rural subscribers are set to grow at a CAGR of 18% during FY2023-28 along with the mobile penetration percentage to increase from the current 89% to 95% by 2024. Due to such high rural penetration and growth prospects, the “Next Billion Internet Users” are a highly anticipated consumer class that will determine the consumption in many internet-based industries. One of the beneficiaries of such a trend is the travel and hotel industry. As of FY23, the online penetration for ticket booking stood highest for rail travel at 81% followed by air travel booking and hotel booking at 70% and 32%, respectively, thereby depicting a shift from offline booking to online booking systems. Also, the increasing air traffic among the Tier 2 and 3 cities, the introduction of new railway routes, better and upgraded experience of train travel, and the government’s increased focus on improving the road infrastructure across the country will be the major factors driving the travel industry as a whole. These macro factors coupled with an increasing spending power of the consumer are set to benefit the company’s overall growth in the near future. **Considering the financial performance, the company’s Revenue/EBITDA/PAT grew at a CAGR of 92.3%/194.9%/76.2% during the FY2021-23 period. On the upper price band, the issue is valued at a P/E of 163.2x based on FY2023 earnings. Though the valuations are rich, we believe that the nature of the platform business (high pass-through of revenues) and large industry opportunity size would be the key factors to drive sustained and high earnings growth in future. We, therefore, recommend a “Subscribe” rating for the issue.**

Key Risks

- ⇒ The company’s train ticketing services depend on its agreement with IRCTC and any termination of such agreement with IRCTC could preclude the company from undertaking train ticketing services and could otherwise have a material adverse effect on the company’s results of operations, cash flows, financial condition and business prospects.
- ⇒ Any failure to maintain satisfactory performance of its technology infrastructure such as the unavailability or slowdown of the mobile applications, websites, or other systems and the disruption in the company’s services, or those of its partners, including the OTA platforms, could materially and adversely affect the business and reputation, and the business may be harmed if the technology infrastructure or technology is damaged or otherwise fails or becomes obsolete.
- ⇒ The company is subject to privacy regulations, and non-compliance with these regulations could impose significant compliance burdens on the company which might affect the functioning of the company.

Le Travenues Technology Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Revenue				
Revenue from Operations	1,356	3,796	5,013	4,910
Total Revenue	1,356	3,796	5,013	4,910
Expenses				
Employee benefit expenses	348	952	1,263	1,064
Other expenses	975	2,967	3,463	3,564
Total Operating Expenses	1,323	3,919	4,725	4,628
EBITDA	33	(123)	287	282
Depreciation and Amortization expenses	19	78	108	103
Other income	28	54	163	61
EBIT	43	(148)	342	240
Finance costs	16	28	9	24
Exceptional Item	-	-	(126)	297
Share of Profit(Loss) of associate	-	-	-	(28)
PBT	27	(176)	207	485
Current tax	3	55	77	1
Deferred Tax charge/ (credit)	(51)	(20)	(104)	(173)
Total tax	(48)	35	(27)	(172)
PAT	75	(211)	234	657
Diluted EPS	0.3	(0.7)	0.6	1.8

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Cash Flow from operating activities	(152)	(343)	307	154
Cash flow from investing activities	135	2,579	(22)	(52)
Cash flow from financing activities	135	2,579	(22)	(52)
Net increase/(decrease) in cash and cash equivalents	(118)	19	505	(635)
Cash and cash equivalents at the beginning of the period	319	201	220	726
Cash and cash equivalents at the end of the period	201	220	726	87

Source: RHP, BP Equities Research

Le Travenues Technology Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Equity and Liabilities				
Equity Share Capital	0	370	371	373
Other Equity	(2,027)	3,057	3,366	3,998
Instruments Entirely Equity in nature	2,326	-	-	-
Non-controlling interest	0	0	134	0
Total Equity	299	3,427	3,871	4,371
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings	98	-	-	-
(ii) Lease Liabilities	43	31	63	34
Other Financial liabilities	311	507	296	-
Provisions	19	28	41	53
Deferred tax liabilities (net)	37	29	25	-
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	51	27	5	434
(ii) Lease liabilities	9	12	32	36
(iii) Trade Payable				
Due to micro and small enterprise	3	5	13	5
Due to other than micro and small enterprise	193	440	348	586
(iv) Other financial liabilities	643	701	745	754
Provisions	13	27	43	56
Contract Liabilities	41	52	91	116
Other current liabilities	90	98	285	345
Total Current Liabilities	1,043	1,363	1,563	2,330
Total liabilities	1,551	1,958	1,988	2,417
Total Equity and Liabilities	1,851	5,385	5,859	6,788
Assets				
Non-Current Assets				
Property, plant and equipment	4	16	17	17
Capital WIP	-	-	29	-
Goodwill	817	2,541	2,585	2,483
Right of Use assets	33	25	71	35
Intangible assets under development	-	-	48	0
Other Intangible Assets	142	304	247	200
Investment in Associates	-	-	-	364
Non current tax asset (net)	79	89	104	158
Deferred tax assets(net)	51	5	159	311
Financial Assets				
(i) Investments	3	6	-	-
(ii) Other financial assets	10	66	107	59
Other non current assets	7	4	1	-
Total Non current assets	1,146	3,056	3,367	3,627
Current Assets				
Investments	22	398	477	807
(i) Trade Receivables	263	86	119	327
(ii) Cash and cash equivalents	201	247	731	520
(iii) Loans and Advances	-	-	26	1
(iv) Balances other than cash and cash equivalents	104	798	195	322
(v) Other financial assets	10	114	118	145
Other current assets	104	685	827	1,039
Total Current Assets	705	2,329	2,493	3,161
Total Assets	1,851	5,385	5,859	6,788

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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