

Yatra Online Limited

Revolutionizing Travel Solutions



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Revolutionizing Travel Solutions

Yatra Online Limited (YOL) is India's largest corporate travel service provider and the third-largest online travel company. They offer integrated travel solutions to corporate clients as well as direct consumers. YOL has an impressive client base with approximately 813 major corporate clients and around 49,800 MSME clients, boasting a remarkable 98% retention rate.

YOL has an extensive network of hotel tie-ups, including 1,05,600 domestic hotels and more than 2 million international hotels, making it a leader among online travel agency (OTA) players. They also collaborate with over 7 domestic and 400+ international carriers. Airline and hotel bookings are the primary revenue drivers, contributing 84% and 12% of gross booking revenue for FY23, respectively. Additionally, YOL offers other services like train, cab, bus bookings and ancillary services.

The company aggregates corporate demand by integrating with client's software, enhancing user-friendliness, personalized services through data analytics and scalability for clients and creating switching costs. They provide services through a mobile application with over 26 million downloads and a website with 184 million+ visitors in FY23. The corporate business creates an opportunity to build direct consumer market through cross selling.

The bookings for Air Passengers have grown at a CAGR of 46% from 2.6mn in FY21 to 5.6mn in FY23 whereas the hotels room nights bookings grew from 0.5mn in FY 21 to 1.7mn in FY23. In terms of financial performance, YOL generated revenue of 380 Cr. for FY23 and achieved an EBITDA of 670 Cr. with a blended margin of 17.62%. Segment-wise margins are 7.6% for air ticketing, 13% for hotels, and 6.3% for other services.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	Adj BVPS (₹)	RoE (%)	EV/EBITDA (X)	P/E (X)
FY21	125	-22	-118	-17.5	-94.1	-7.5	7.9	-96.1	-95.2	-18.8
FY22	198	-9	-35	-4.5	-17.7	-2.0	6.4	-30.5	-237.3	-72.0
FY23	380	37	8	9.7	2.1	0.4	10.8	3.9	61.6	321.7

Source: Ventura Research

Industry Travel Agency

Issue Details

Listing	BSE & NSE
Open Date	15 th Sep 2023
Close Date	20 th Sep 2023
Price Band	INR 135-142
Face Value	INR 1
Market Lot	105 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	77.68%
Fresh Issue	22.32%
Issue Size (Amt)	INR 775 cr
Issue Size (Shares)	5,45,77,465
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	11,45,21,827
Post issue sh (nos)	15,69,16,193
Post issue M Cap	2,228.21 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	98.59	64.46
Public	1.41	35.54
TOTAL	100	100

Industry Analysis

Overview

The Indian travel industry experienced significant growth in fiscal 2023, reaching an estimated value of Rs 2,825-2,845 billion (Air, Hotel and Railway sharing ratio of 50:30:20). This growth can be attributed to several factors, including a thriving economy, diverse geographical and industry maintained a compound annual growth rate (CAGR) of 6-8%. Looking ahead, the momentum in the travel industry is expected to persist, with an anticipated annual growth rate of 9-11%. By fiscal 2028, it is projected to expand to Rs 4,540-4,560 billion (Air, Hotel and Railway sharing ratio of 60:25:15). This growth will be driven by various factors, such as the development of tourism infrastructure, increasing income levels leading to higher discretionary spending on travel and tourism, a rise in both business and leisure travel.

The OTA penetration is currently 49-50% which is expected to reach 73-75% by FY28, hence the OTA industry is poised to grow at a CAGR of 15% FY23-FY28. Also, the corporate (B2B) share which is currently at ~38% is expected to grow up-to ~45%.

Key Growth Drivers of OTA Industry in India

1. OTAs are providing a one-stop solution to corporates with increased focus on technology which provides convenience in bookings and comparison of competitive pricing.
2. The shift of small and medium enterprises to digital platforms is expected to support OTA growth.
3. Evolution of FITs has resulted into cost consciousness and emphasis on experience enhancement which is facilitated by OTA services.
4. Adoption of technology by OTAs has enabled them to serve clients with more personalized experience by simplifying the search process and ensuring repeat clientele. Similarly, for the B2B segment, integration of APIs with the enterprise's internal ERP software will aid adoption and growth of OTAs.

Challenges of OTA Industry in India

1. Increasing focus on direct bookings by hotel companies.
2. Limited presence in the holiday package segment which is still dominated by TTAs.
3. Competition from global OTAs and new entrants.

Company Highlights

- The company is largest corporate travel service provider with approx. 50,000+ clients and 3rd largest OTA in India.
- 14 mn cumulative customers excluding ~813 marquee corporates employing over 7 million people & 50,000+ total corporate clients.
- Network of ~105k+ domestic hotel tie ups, 2mn+ international hotels, 7 domestic and 400+ international carriers and ~30k travel agents across 1,000 cities.

Investment Rationale

- Leveraging its existing network of corporate clients to potentially fuel its B2C business growth. This involves enticing them with loyalty programs, eCash incentives, and enhancing product features to encourage personal travel usage.
- Focusing on organic growth within the corporate client sector by bolstering backend systems and integration technology. This strategic move aims to expand profit margins and capture a larger share of existing clients' spending.
- Pursuing inorganic growth through acquisitions, specifically targeting client acquisition and expanding into Tier II & Tier III cities.
- Successfully entering the freight industry by capitalizing on its existing capabilities, securing a valuable first-mover advantage.
- Envisioning the introduction of supplementary value-added services that synergize with the company's existing portfolio.

Key Concerns

- Competition risk by existing peers, foreign OTAs and new entrants.
- The company has made losses in FY21 & FY22 and has negative operating cashflows for FY23 and FY22.
- Any fluctuation in the commission rates or any restriction on fares or tariffs of flights and hotels may adversely affect the company's business.
- Failure of technology may disrupt a company's operations.

Issue Structure and Offer Details

The proposed issue size of YOL is INR 775 Cr. (OFS- 602 Cr Fresh Issue- 173 Cr) and the price band for the issue is in the range of INR 135-142 and the bid lot is 105 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 75% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 10% of the Offer

Number of shares based on a higher price band of INR 142
Source: Company Reports

Objects of the issue	
Objects	Amount (in Cr.)
Strategic investments, acquisitions and inorganic growth	1,500
Investment in customer acquisition and retention, technology, and other organic growth initiatives	3,920
General Corporate purposes	-

Source: Company Reports

Note: Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale

after deducting their proportion of Offer related expenses and relevant taxes thereon. The proceeds of the Offer for Sale shall be received by the Selling Shareholders and will not form part of the Net Proceeds. Our Company will not receive any proceeds from the Offer for Sale.

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
THCL Travel Holding Cyprus Limited	Not more than 166.87 Cr	1,17,51,739
Pandara Trust	Not more than 6.13 Cr	4,31,360

The amount is based on a higher price band of INR 142

Source: Company Reports



YOL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	125.5	198.1	380.2	Adjusted EPS (INR)	(7.5)	(2.0)	0.4
YoY Growth (%)	(81.4)	57.9	91.9	Adjusted Cash EPS (INR)	(4.2)	(0.2)	1.6
Raw Material Cost	2.0	15.2	64.5	Adjusted BVPS (INR)	7.9	6.4	10.8
RM Cost to Sales (%)	1.6	7.7	17.0	Adjusted CFO per share (INR)	6.7	(5.3)	(9.7)
Employee Cost	73.6	97.6	109.0	CFO Yield (%)	4.7	(3.7)	(6.9)
Employee Cost to Sales (%)	58.7	49.3	28.7	Adjusted FCF per share (INR)	6.9	(5.3)	(9.7)
Other Expenses	72.2	94.1	170.0	FCF Yield (%)	4.8	(3.7)	(6.9)
Other Exp to Sales (%)	57.6	47.5	44.7	Solvency Ratio (X)			
EBITDA	(22.0)	(9.0)	37.0	Total Debt to Equity	0.1	0.4	0.9
Margin (%)	(17.5)	(4.5)	9.7	Net Debt to Equity	(1.1)	(0.9)	0.3
YoY Growth (%)	(51.6)	(59.1)	(511.1)	Net Debt to EBITDA	6.1	10.2	1.4
Depreciation & Amortization	52.3	28.1	18.3	Return Ratios (%)			
EBIT	(74.3)	(37.1)	18.7	Return on Equity	(96.1)	(30.5)	3.9
Margin (%)	(59.2)	(18.7)	4.9	Return on Capital Employed	(57.9)	(28.2)	3.6
YoY Growth (%)	(31.0)	(50.1)	(150.5)	Return on Invested Capital	705.6	(419.5)	8.3
Other Income	18.2	20.7	17.3	Working Capital Ratios			
Bill discounting & other charges	10.2	9.9	23.4	Payable Days (Nos)	292	271	133
Fin Charges Coverage (X)	(7.3)	(3.7)	0.8	Inventory Days (Nos)	0	0	0
Exceptional Item	(45.0)	(7.3)	(0.1)	Receivable Days (Nos)	284	358	276
PBT	(111.4)	(33.6)	12.5	Net Working Capital Days (Nos)	-8	86	143
Margin (%)	(88.8)	(16.9)	3.3	Net Working Capital to Sales (%)	(2.2)	23.7	39.2
YoY Growth (%)	69.1	(69.9)	(137.3)	Valuation (X)			
Tax Expense	6.6	1.5	4.5	P/E	(18.8)	(72.0)	321.7
Tax Rate (%)	(6.0)	(4.5)	36.3	P/BV	18.0	22.1	13.1
PAT	(118.0)	(35.1)	8.0	EV/EBITDA	(95.2)	(237.3)	61.6
Margin (%)	(94.1)	(17.7)	2.1	EV/Sales	16.7	10.8	6.0
YoY Growth (%)	69.0	(70.3)	(122.7)	Cash Flow Statement			
Min Int/Sh of Assoc	(0.2)	4.1	(1.0)	PBT	(111.4)	(33.6)	12.5
Net Profit	(118.2)	(30.9)	6.9	Adjustments	118.7	0.4	(54.2)
Margin (%)	(94.3)	(15.6)	1.8	Change in Working Capital	103.9	(48.9)	(106.4)
YoY Growth (%)	75.4	(73.8)	(122.4)	Less: Tax Paid	(6.6)	(1.5)	(4.5)
Balance Sheet				Cash Flow from Operations	104.5	(83.5)	(152.7)
Share Capital	11.1	11.2	11.5	Net Capital Expenditure	(7.2)	(9.8)	(14.5)
Total Reserves	112.4	89.7	158.1	Change in Investments	(13.9)	1.4	(2.2)
Shareholders Fund	123.5	100.9	169.5	Cash Flow from Investing	(21.1)	(8.4)	(16.7)
Long Term Borrowings	0.3	0.4	24.0	Change in Borrowings	(13.0)	21.8	99.8
Deferred Tax Assets / Liabilities	(0.0)	0.2	(0.3)	Less: Finance Cost	(10.2)	(9.9)	(23.4)
Other Long Term Liabilities	99.1	29.6	20.3	Proceeds from Equity	29.7	8.3	62.0
Long Term Trade Payables	3.5	4.3	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	5.2	3.4	4.1	Dividend Paid	0.0	0.0	0.0
Total Liabilities	231.6	138.7	217.6	Cash flow from Financing	6.5	20.1	138.4
Net Block	191.5	157.5	159.7	Net Cash Flow	89.9	(71.9)	(31.0)
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.2	0.4	2.4
Intangible assets under development	1.7	3.6	4.2	Opening Balance of Cash	57.6	147.2	75.9
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	147.6	75.7	47.2
Long Term Loans & Advances	49.0	46.1	54.7				
Other Non Current Assets	2.5	0.1	0.7				
Net Current Assets	(13.1)	(68.5)	(1.7)				
Total Assets	231.6	138.7	217.6				

Source: Ventura Research

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