August 20, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001, Maharashtra, India
Scrip Code: 544174

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051, Maharashtra, India
Scrip Symbol: TBOTEK

Sub: Transcript of Earnings Conference Call

Dear Sir/ Madam,

Please find attached the transcript of Earnings Conference Call held on August 13, 2024, in relation to the financial results of the Company for the quarter ended June 30, 2024.

Kindly take the same on record.

Thanking you,

Yours faithfully
For and on behalf of TBO Tek Limited

NEERA CHANDAK
Digitally signed by NEERA CHANDAK
Date: 2024.08.20 13:56:58 +05'30'

Neera Chandak
Company Secretary

“TBO Tek Limited
Q1 FY25 Earnings Conference Call”

August 13th, 2024

MANAGEMENT: **MR. ANKUSH NIJHAWAN - CO-FOUNDER AND JOINT MD**
MR. GAURAV BHATNAGAR - CO-FOUNDER AND JOINT MD
MR. VIKAS JAIN - CHIEF FINANCIAL OFFICER
MR. ANIL BERERA - PRESIDENT- STRATEGY

MODERATOR: **MR. SNIGHTER A. – ADFACTORS PR – INVESTOR RELATIONS**

TBO Tek Limited
Q1 FY25 Earnings Conference Call
August 13th, 2024

Snighter Albuquerque: Good evening, everyone. I am Snighter A. from Adfactors IR. On behalf of the Company, I would like to welcome you all to the Earnings Conference Call for Q1 FY25.

Today on this call, we have with us from the management, Mr. Ankush Nijhawan – Co-Founder and Joint Managing Director, Mr. Gaurav Bhatnagar - Co-Founder and Joint Managing Director, Mr. Vikas Jain – Chief Financial Officer, and Mr. Anil Berera – President, Strategy. We will begin the call with brief opening remarks from the management followed by a Q&A session.

Please note that certain statements made during this call may be forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause the actual results or projections to differ materially from those statements. TBO Tek will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements.

I would like to now hand over the call to Mr. Gaurav Bhatnagar for his opening remarks. Thank you and over to you, Gaurav.

Gaurav Bhatnagar: Thank you, Snighter. Good evening, everyone. We are pleased to share our results for Q1 FY25. We had a very good quarter with all KPIs showing healthy growth. Our active agent base grew to 35,194 travel agents at an enterprise Level. Our GTV was up by 14%, while revenue grew by 21% compared to Q1 FY24. The Company delivered a net profit of INR 61 Crores compared to INR 47 Crores for the same period last year.

Before delving into the results further, I will take just a few minutes to quickly recap our business model:

TBO operates in the global outbound travel space. We aggregate outbound travel demand via travel agents, tour operators, OTAs across the world by providing them an online platform which allows them to book global travel supply, including airlines, hotels, transfers, rail and other products seamlessly. Our platform solves for discovery, trust, payment and service for both the buyers and travel suppliers globally. Our travel agent base is spread across more than 100 countries. Our platform supports almost a dozen languages. We transact in more than 50 currencies, and we have our commercial teams based in more than 47 countries.

The global travel and tourism industry is about $1.9 trillion in 2023 and is expected to grow at a CAGR of 8.2% reaching $2.6 trillion by 2027.

The key highlight for this quarter was the increasing share of our higher margin non-air business. We continue to grow our hotels business at a faster pace compared to our air business. The share of non-airline business grew from 46% in Q1 FY24 to 57% in Q1 FY25. This was primarily driven by increasing share of hotels' GTV of both our international and India businesses. To remind everyone once more, our international business caters to travel agents based outside of India, though they may be booking destinations anywhere in the world.

The strong growth in our international business was driven by robust growth across all regions, led by high double-digit growth in APAC and Europe-source markets. The cumulative number of transacting buyers in the quarter reached more than 12,000 for the first time. Our average monthly transacting buyers grew to 9,449, which is 24% growth over the same period last year.

For the organic business without including Jumbo Online, growth was 20%. Interestingly, the number of bookers within these travel agencies using the platform grew faster at 22%, indicating strong engagement with our travel agent base. The number of bookings per booker also increased to more than 37 bookings in the quarter compared to 34.6 bookings in Q1 of last year. This is strong evidence of increasing loyalty to the platform.

Over the past year, we have made several platform enhancements to improve our booking experience. This resulted in an improvement in our hotel look-to-book ratios. In Q1 for the international business, our look-to-book ratio stood at 8.72% compared to 8.07% a year ago. We showed robust GTV growth across all international source markets. Overall, GTV grew by 47% compared to Q1 of FY24. Part of this growth can be attributed to the acquisition of Jumbonline, which has now started to contribute meaningfully to both top line and revenue of the business. We saw strong organic growth as well, with GTV growing by 17%, excluding the GTV contribution of Jumbo Online.

There were two major holidays of Eid Al Fitr and Eid Al Adha in Q1, which typically lead to slowdown in sales, especially in the middle east market. Otherwise, we would have seen even stronger growth. We expect to see stronger organic growth in International Business in Q2 FY25 compared to Q2 FY24.

I would like to share some color on the Jumbonline business:

Jumbonline based in Palma, Spain, aggregates hotel inventory across the Mediterranean Coast and sells to tour operators and travel agencies across Europe. The business generated a GTV of INR 814 Crores and a revenue of INR 32 Crores. Our integration efforts to realize synergies with Jumbonline are progressing well. A part of TBO's inventory is now available on the Jumbonline platform and vice versa. We expect to complete a significant part of the integration before the end of this financial year.

Finally, I am very pleased to share that Mr. Gerardo Del Rio has joined as the President for International Business based in Dubai. With over 20 years of experience in global management, finance and business development across hospitality, travel and consulting sectors, he will be responsible for driving the overall P&L for our International Business. I will now hand over to Ankush to shed some light on the India business.

Ankush Nijhawan: Thank you, Gaurav. Thank you everyone for joining us today.

We are excited to share with you an in-depth promising trajectory of the aviation industry, particularly in relation to the expanding outbound travel market from India.

We are on brink of significant growth in the aviation sector, and this is demonstrated by large aircraft orders by the Indian Airlines. This momentum is driven by a combination of factors that are reshaping global travel trends. Central to this growth is the growth growing outbound travel market from India, which is set to become a major force in global tourism.

India's outbound travel market is on a remarkable growth trajectory. Outbound airline sales from India are projected to reach $19.6 billion by 2027. Additionally, the number of outbound air passengers is expected to soar to 42 million by 2027, reflecting a compound annual growth of approximately 6% from 2023. The increase in overseas travel spending is equally noteworthy, with figures reaching $17 billion in FY24, an impressive 24.5% increase from the previous year. This growth is not only substantial, but also aligns with the OECD's view of India's outbound travel as a key driver for global tourism.

Several demographic and economic factors are fueling this growth. Rising incomes and the younger generation, more adventurous population are driving increased spending on travel. The urban lifestyle is also a significant factor, with more people from urban areas opting for international travel. Furthermore, enhanced air connectivity, the digitization revolution and visa liberalization are making travel more accessible and convenient.

We are also witnessing the growth of niche travel segments. Luxury travel, study abroad programs, adventure tourism, cruise vacations, sports tourism, MICE, destination weddings and musical tourism are all gaining popularity. Each of these segments represents a unique opportunity and reflects the diverse interest of Indian travelers.

Looking ahead, India's strong GDP growth of over 6% annually will drive a projected 9% annual increase in travel spending. Airlines are responding to the surging demand by expanding their networks and increasing flight frequencies. Flexible payment options, such as EMI, are democratizing international travel, making it accessible to a broader range of consumers. Additionally, the rising aspiration in Tier-2 and 3 cities present a vast untapped market. Finally, the fact that a significant portion of the Indian population still does not have passports represents a substantial growth opportunity for the outbound travel industry.

The outlook for the aviation Industry, driven by the growing outbound travel market from India is incredibly promising. With the continued infrastructure development, increasing connectivity and a growing diverse traveller base, India is set to become a central player in the global travel market. This dynamic environment presents exciting opportunities for growth and innovation.

Now let us talk about an update of the performance for Q1 FY25.

Firstly, we saw a growth in IATA/BSP India participating carriers for International Air Business which increased from by 6.6% Q1 FY24 versus Q1 FY25. This is given that the overall international sales from BSP India or IATA India participating carriers decreased by 4.4% according to the IATA data. Additionally, our market share on IATA/BSP Airlines has significantly grown over the previous year. On a more positive note, our business in North India saw double digit growth, while West India also showed single-digit growth, and we are optimistic about a strong performance in South and East India markets in the coming quarters. We have implemented strategic measures and enhanced our talent acquisition efforts to capture potential market share, particularly in South and East India regions.

In our Hotel and Ancillaries Business, we achieved a 2.3% growth in GTV despite market de-growth. However, we faced some challenges this quarter including the impact of general elections and disruptions of the Maldives business, which notably affected our performance. Without these challenges, we believe our growth could have reached double digit growth.

Regarding active transacting buyers, we had an all-time high of active transacting buyers reaching 23,283 in Q1 of FY25. We have also enrolled new transacting buyers this quarter and their contribution has been significant. The GTV from these new buyers increased by 30% on a quarter-over-quarter basis. This reflects a successful focus on higher spending potential customers.

In a cross-sell initiative, the monthly average of active hotels and ancillaries buyers increased by 7% from Q1 FY24 to Q1 FY25. As a result of this initiative, the share of non-air active buyers among total active buyers improved from 46% to 49%. This growth is a direct result of our efforts to expand the reach and engagement of our non-air agent base.

Finally, let us talk about our wallet share enhancement initiative. We have introduced a comprehensive strategy to increase business from both air and non-air agents. A key element of this strategy is our Raffle scheme, designed to foster competition and excitement. The scheme rewards agents who generate higher volumes of business with increased chances of winning significant prizes. For every increment of additional business beyond the entry level, multiple Raffle Tickets are issued, which has significantly boosted agent engagement. These results have been remarkable, and we observed substantial impact with 66 air agents contributing INR 315 Crores and 191 non-air buyers contributing INR 101 Crores of GTV. This brings total additional business from 257 buyers to INR 416 Crores of GTV in the last financial year. The effectiveness of our incentive scheme in boosting performance is clear. We have relaunched the scheme with modifications in the current financial year, including reduced minimum business criteria to encourage wider participation and drive further growth.

Now handing over back to Gaurav to share some tech initiatives.

Gaurav Bhatnagar: Thank you, Ankush. I will now share some of the key platform enhancements that we delivered in Q1:

We launched a new cloud-native platform that significantly reduces customer latency for our API customers who purchase hotels from us. This led to a reduction in latency for our largest customer from an average of 3.1 seconds to 1.9 seconds.

We made several platform enhancements to support multi-tenancy. This functionality allows several of our group entities to operate and invoice from the same platform. This would be a key enabler for rapid integration of current and any new acquisitions. We also invested in improving the self-serve features on the India platform for international ticketing. This led to a 9% increase in the number of international ticketing transactions, which required no manual intervention. This led to an improvement in customer experience while increasing our operational efficiencies. Finally, we also launched several cross-sell initiatives on the platform. We saw an increase of 33% in our GTV from selling transfers within the international market and a 15% GTV increase within the India market.

In the current quarter, we are evaluating several AI-driven voice bot technologies to drive better customer experience while reducing operational costs. These initiatives are still in early stages, but we expect them to make meaningful impact few quarters from now.

I will now hand over to Vikas to share a commentary on our financials.

Vikas Jain: Thanks, Gaurav. Good evening and a very warm welcome to everyone on this call. I am delighted to present the financial performance of TBO for the quarter ended 30th June 2024.

In the quarter ended 30th June 2024, at an enterprise level, our monthly transacting buyer base grew by 7%, which led to an overall increase in GTV by 14% year on year. Our revenue from operations surged to INR 418 Crores, marking a growth of 21% year on year. Our enterprise take rate improved from 4.96% to 5.27% year on year. Airline business take rate improved from 2.49% to 2.63% year on year. However, there is a decrease in hotels and ancillary business take rate from 7.662% to 7.13% year on year, primarily due to consolidation of the jumbo numbers in Q1 FY25.

In the case of Jumbo, it works primarily on markup model and with minimal incentive parting to the buyers and thus the take rate and gross profits are similar. Gross profits as a percentage of GTV for the quarter improved from 3.22% to 3.52% on year on year basis. This was largely driven by increasing share of the GTV of hotels and ancillaries business from 46% to 57% year on year.

Our adjusted EBITDA increased to INR 85 Cr, growth of 23% year on year, while our PAT reached INR 61 Cr, demonstrating a growth of 29% year on year. Adjusted EBITDA margins and PAT margins for the quarter stood at 20.33% and 14.56%, respectively.

Just on one off items, our Q1 FY25 numbers includes amount of INR 2.88 Cr of share issue expense pertaining to fresh issue of shares in IPO. Our Q1 FY24 numbers included exceptional expense item of INR 7.7 Cr, primarily pertaining to advances written off for Go Air.

Income tax is applicable on our wholly owned subsidiary in UAE from current financial year and our current quarter tax expense includes provision for the said expense.

Thank you, everyone and now we would like to open the floor for questions.

Snighter A: Thank you, Vikas. We will now begin the Q&A session. Participants are requested to raise their virtual hand to ask a question. Request you to introduce yourself and the firm you represent before going ahead with your question. We will wait for the question queue to assemble and accordingly I will unmute, and you can go ahead and unmute yourself and then ask your question. We can start with Karan Uppal. Please introduce yourself and the firm you represent and go ahead with your question.

Karan Uppal: This is Karan Uppal from Phillip Capital. Couple of questions from my side. Firstly, on the organic business, what was the organic growth? I missed that comment, if you can clarify that.

Vikas Jain: So, the international business GTV on an organic basis without including the Jumbonline business grew by 17% year on year.

Karan Uppal: 17% Y-o-Y and in terms of the revenue, how much was the revenue growth, organic?

Vikas Jain: So, as mentioned by Gaurav, Jumbo contributed INR 32 CR in overall revenue of the enterprise.

Karan Uppal: Okay and second question is in terms of the seasonality in the business, so if you can clarify, how should we model the seasonality with respect to, India and International markets?

Gaurav Bhatnagar: So, Karan, because we have a significant presence in the Middle East Market, the seasonality of International Business has two components. One is the summer holidays, which is typically going to be largely in July, August, September, so in the current quarter. However, the dates of the two Eids and Ramadan also have an impact. So, like I talked about it because this quarter both the Eid, unlike last year, both the Eids fell in the same quarter, so typically for Eid the most of the region will shut down for about a week or 10 days and hence, there is a slight slowdown in business over that period of time. So, when we are looking at seasonality and that is why we made the comment that we expect the Q2 growth from Q2 of last year for the international business to be higher just because of the seasonality and timing effect of the festivals.

Ankush Nijhawan: Karan regarding India, the latter obviously peaks from the summer holidays, which is basically Q1 of the FY. This quarter, currently you will have a lot of corporate MICE business plus the long weekend which is now the August 15th which will also see some leisure traffic. Diwali is on 31st of October, so the booking period, which was October last year, which now will shift to September for the Dusshera-Diwali breaks and then followed by the New Year's/Christmas and then January-February batch, when school goes back, I mean, people go back to corporate travel and the booking start happening for the summer as well. So, that is the typical season. The only shift we see this year is the Diwali moving from November to October.

Karan Uppal: So, just to summarize your comments, basically you are saying that Q2 and Q3 of this year you are looking at strong quarters per say.

Gaurav Bhatnagar: I think see the India peak season will be usually Q1 because that is where India summer happens. But rest of the world, the European, Northern Hemisphere, summer is typically Q2, so we would expect Q1 to be very India heavy; Q2 to be more international and typically between Q1 and Q2 you would see the heaviest traffic travel happen.

Karan Uppal: Okay. The other question I had was on the international expansion. So, in your annual report, you have mentioned that you want to expand your sales presence to more than 47 countries in which you already have a presence. So, which are the markets you are looking at in terms of regions like Middle East, US, Europe, APAC where you want to expand both from the supply as well as from the demand side.

Gaurav Bhatnagar: See on the source markets, which is demand side, we are significantly investing in the APAC market and for the APAC, we include all the way from China to Australia. So, within APAC, Indonesia and Australia are two markets, we have made significant investments in the last one year. The other investment is happening in building out the European source market, which is a large market. So, we typically look at Europe as three different segments. We look at UK, Ireland separately. We look at Eastern Europe and the Dutch countries as one group and then we look at Southern Europe and Israel as one group. So, we are making investments in creating feet on street sales team and enhancing supply to service this demand quite aggressively. Also, because we did the Jumbonline acquisition, which also gives us good, differentiated supply to service that market. So, those are the 2 regions we expect to see significant demand grow from. From a supply perspective, the strategy is fairly global because our focus is as we have talked in the past as well, our focus is on building out the luxury slightly premium travel. More than looking at just a region or a destination, we look at specific hotels and chains that we want to work with globally. So, there while the spectrum of hotels will run into a few thousand hotels like 7, 8, 10 thousand hotels. Those would be spread across the globe wherever the demand is travelling to.

Karan Uppal: Okay. Got it. The last question from my side is if you can share a typical CAC to acquire a travel agent, let us say in India or and in international markets, ballpark figures.

Gaurav Bhatnagar: Karan, we do not do CAC calculations, and I will explain why. Because it is very hard to articulate CAC. The way our business works is that there is typically, when an acquisition is happening through a feet-on-street sales team, there is a salesperson who will go out and acquire a travel agency. But if you look at and we have shared our cohorts in the past, the stickiness of a travel agent is quite high. So, they will stick on the platform for many years, and they will increasingly do more business every year. So, the way we look at sales efficiency is that we have the cost of a salesperson on the ground, but he is doing two functions; he is acquiring new customers, but he is also managing existing relationships. So, the revenue per salesperson is typically, the number that we want to optimize for, but it does not necessarily translate into a CAC because we do not know what portion of that salesperson's cost should we allocate to acquiring a new customer vis-a-vis what portion should we allocate to account management. Hence, CAC is not a good metric to measure the business on, but long-term agent retention and increasing share of wallet are the two numbers that make more sense.

Snighter A: Participants, please raise your hand if you need to ask a question. We will accordingly unmute you. You can unmute yourself, introduce yourself and go ahead and ask your question. The next question is from Swapnil Potdukhe. Swapnil, please go ahead and introduce yourself and the firm you represent and ask a question.

Swapnil Potdukhe: This is Swapnil from JM Financial. I had one obvious question actually starting with, so the air ticketing GTV has meaningfully declined on Y-o-Y basis and the other thing is we are hearing from the OTAs that the outbound business seems to be doing quite well for them. So, there seems to be some disconnect over here, if you can help with that Ankush.

Ankush Nijhawan: So, Swapnil regarding the domestic air, we shied away from our low margin business which we were selling in domestic air and it’s actually low margin business and high volume business we gave it up because we wanted to maintain net retention margins, which I think are healthier than our previous quarter. So, that is on the domestic air side.

On the international, we have out-beaten the market. If you see, the market kind of shrunk by 4.4%, but we grew almost 6.5%. We also gained our market share. What you are seeing on the OTAs, they are also serving other segments, it is just not the B2B business which they are looking at. They are also serving the corporate/B2C markets. So, to compare, it will not be fair because they are also catering to other segments as well where we are only servicing to the offline travel assisted market. But on the international side, I think we have gained our share versus last year and obviously out beat the market by almost 11%.

Swapnil Potdukhe: Got it and Ankush any guidance as to how should we model this thing going ahead, the air segments specifically?

Ankush Nijhawan: So, Swapnil, I think the trend will follow because our story is outbound travel is what our main theme of the Company is. So, we will continue to build on our hotel, ancillary and our international airline business and domestic air for us is important because it is a hook, right? But is it a big margin revenue contributor? Yes, but I think the saliency for the bottom line remains in the Hotel/ International Air business. So, that trend will continue.

Swapnil Potdukhe: Okay, got it and with respect to the recent tensions in the Middle East, any comment on that, will there be an impact on our business and how do we see that? I mean if the tensions grow?

Gaurav Bhatnagar: Swapnil we are not seeing any immediate softness because of the political situation in the Middle East. Historically, we have seen that unless some very-very adverse event happens, like what happened October 7 last year, which caused a temporary blip in the Israel source market. In general, we have seen that so far travel, especially from the Middle East region, has been fairly resilient to broader macroeconomic situations.

Swapnil Potdukhe: Okay and I think while you have mentioned some of the source markets in Europe and APAC, China as growing in double digit, you have not mentioned North America, which I think was one of our key markets to target in terms of growth going ahead. Any particular reason why that market may not have grown at the same rate as the other markets?

Gaurav Bhatnagar: So, to be fair Swapnil**,** the market is growing and if I looked at the order in which the size of the market as they stand today, it is a smaller market for us. There are investments planned in H2 in North America, which we also believe will probably have some impact by Q4 of this year. But for Q1, North America was not a big focus for us. We will be absolutely investing in this market later this year.

Swapnil Potdukhe: Okay and any guidance on the tax rate going ahead because 19% I think was something which was significantly higher than what we were expecting at the time of the IPO?

Vikas Jain: So, yes, the current quarter, the tax rate is coming at 19%, but on a full-year basis, we project it at around 17.5%. One of the key reasons is basically the Jumbonline business also gets taxed at a higher rate which is at around 25%. So, overall effective tax rate for the full year should be around 17.5%.

Swapnil Potdukhe: So, if I got it right, you mentioned the GTV of around INR 814 Crores for Jumbo versus the revenue of INR 52 Cr. If those numbers were right?

Vikas Jain: Yes.

Swapnil Potdukhe: So, if I were to use those numbers then your take rate in Jumbo seems to be significantly higher than what used to be at the time of acquisition. Any particular reason for that?

Vikas Jain: Take rate is coming at around 4% which was the take rate, which was the similar take rate when we had acquired Jumbonline.

Snighter A: Thank you, Swapnil. The next question is from Anirudh Agarwal. Anirudh, please unmute yourself, introduce yourself and go ahead and ask your question.

Anirudh Agarwal: This is Anirudh from Valuequest. I had a few questions. The first one, Gaurav was on the international business. So, this 25% growth in international agents, should we take it as a lead indicator for the kind of organic growth that one can expect in the international GTV going ahead?

Gaurav Bhatnagar: Yes Anirudh, I do not want to comment on this as a guidance, but yes, we do believe that with some lag, active agent growth is the strongest indicator of future growth and that is why we think of it as a North Star metric. That is the number that we focus and invest in increasing. So, like I said, just the organic growth in active agents was almost 20%, not the 20% this quarter. So, that combined with active booker growth as well, which was about 22%, is an indicator that yes, we are increasing engagement, and a lot of these travel agents would have joined us for the first time. So, if you see our cohort, you will see that travel agents do typically if they do $1.00 business in year 1, they will do more than double of that business year 2 historically, right. So, not to say that this will continue, but yes, I would agree that just directionally, the active agent growth is a lead indicator of future GTV growth.

Anirudh Agarwal: Got it. The second question was on the regional event of growth. So, while you alluded to the fact that Middle East was weaker, if you are comfortable sharing, what the growth was like in Europe and APAC specifically where we put in a lot of investments, was it significantly higher than the 17% international growth that we have seen organically?

Gaurav Bhatnagar: See Anirudh, just like to just to clarify on Middle East as well, Middle East has shown high teens growth in spite of the fact that there was on the core business, in spite of the fact that there were the two Eid holidays. But yes, APAC and Europe coming from a smaller base, are growing significantly higher. I do not think we have split our numbers basis geographies at this point in time, but yes I would say significantly higher than the average growth of 17%.

Anirudh Agarwal: Got it. Thanks. The final thing was on Jumbo. So, jumbo if you could just you know you mentioned the INR 800 Crores of GTV and INR 30 Crores of revenue on a like-to-like basis, what would that growth have been versus Jumbo's own numbers last year?

Vikas Jain: So, we cannot comment on those numbers. Because one, that were not part of the consolidation that we did and the numbers at the kind of diligence are very high level numbers that we get to know. So, we will not be able to comment on their growth, but we can just say that there is good growth and is in line with our organic business.

Anirudh Agarwal: Understood. Sure. On take rates Vikas, if you can just help us. I mean how should one look at take rates evolving going ahead given that Jumbo is obviously lower take rates, but as you know the business evolves over the next 2 or 3 quarters, are these the kind of take rates that you would expect or there is some room for take rates to kind of inch upwards, as Middle East does a little better, India does a little better over the next 2-3 quarters?

Vikas Jain: So, yes, as the mix of GTV changes and shifts from one particular region to other, there could be minor improvements in the take rate, but it would primarily be coming from the mix impact rather than we increasing our take rates or gross profits in any particular region. So, as we have mentioned earlier as well, our focus is primarily to maintain a similar kind of gross profit numbers rather than trying to optimize on the take rate and the gross profit numbers, but if you see in the current quarter as well, overall, the gross profit numbers have increased from 3.22% to 3.52%. This is primarily coming up because of the mix of the hotels and the air business and that is how the improvement would happen in future as well.

Snighter A: The next question is from Prateek Kumar. Pratik, please unmute yourself, introduce yourself and the firm you represent and go ahead with your question.

Prateek Kumar: This is Pratik from Jefferies. My first question is on the broad industry trend, like we have seen as I track travel industry. So, there is a global moderation in the growth in hotel industry in terms of ARRs across the world in many countries and because of the demand issue in general. It is something which also impacts on our growth in business because of the contraction in the ARRs. And then likely the way we grew across the world, in line with India also and likely to see it going forward. So, how does that impact?

Gaurav Bhatnagar: So, Prateek, I think there are two ways to look at it. If there are short-term headwinds because of softening of demand in different markets, it may have some marginal impact on our growth, but we have to keep in mind that one as in general our size compared to the overall size of the market is very small, right. So, from a share of market perspective, we are still so small. So, irrespective of whether the market goes or not, I think the headroom for growth is always there. Second is we are in the business of aggregating existing demand. So, until we start to saturate the source market, we will always have an opportunity to just aggregate the existing demand without having to rely on new demand to come in. Third, just because of the size of the market is so large it is almost $2 trillion, if you look at outbound travel. If it is growing at 6-7% even, it does not grow at 6%, it grows at 2% also, it is growing on such a large base that our growth hopefully does not get hampered by minor headwinds across the globe. Yes, if something significant happens, of course it can impact, but there is always some seasonality. There is always some softening of demand and which is very cyclic, that should not hamper us too much.

Prateek Kumar: Okay. My question was actually not from a demand perspective in general. My question was from a growth in pricing perspective across the world on both air and hotel segment. But I understand that you are saying that because the market is so large and our size is small and we can continue to grow at our own pace I guess. Another question is on like now you are listed for I think couple of months and your financials are now sufficiently available in public domain 2 quarter results are out, annual results. So, is there any change in like on the ground and competitive intensity from some of your listed and unlisted peers of India and maybe elsewhere in the world?

Ankush Nijhawan: Prateek not as much. Domestic here obviously is very competitive because everybody is trying to get a piece of that, be it offline or online. So, that sometimes can have comp pressure. But I think when it comes to the international air our shares increase so that it demonstrates that we are winning from competition and our outbound business also had decent growth, keeping in mind the general elections were there. We could have gone better, but I think from a comp set right now, posts listing and our results being out, I do not see any major pressures right now from our competition.

Prateek Kumar: Okay and one last question on inorganic. Can you just sort of talk about like some time of your last acquisition of which you are integrating and ramping up the Jumbo acquisitions. But how are we looking at inorganic strategy over the next 12 months for the Company?

Gaurav Bhatnagar: So, Prateek, we are constantly evaluating opportunities. It is a stated part of our strategy to look at opportunities that make sense and how we look at opportunities remain same. We are looking at complementary demand. So, source markets where we may not have significant presence ourselves, we may look at those markets from a demand network perspective or we will be looking at complementary supply opportunities where aggregating, getting access to supply which we may not have direct access to previously. Third is as there are solid technology or travel technology opportunities which are available. Those are kind of like the 3 buckets. So, constantly looking at opportunities, but nothing concrete to share right now.

Snighter A: Thanks Prateek. Anyone who has a question, request you to please raise your hand and introduce yourself and go ahead and ask your question. We have our next question from Karan Uppal once again. Please go ahead, Karan. Unmute yourself and ask your question.

Karan Uppal: Just one question in terms of the hotel segment, so out of the total hotels which we are transacting on the platform, how much is the direct sourcing?

Gaurav Bhatnagar: The direct sourcing is in the range of about ~35%, right. I do not have the exact number at hand, but it is about in the range of about 35%.

Karan Uppal: Okay and the international expansion which we are doing, so the strategy would be for direct sourcing only?

Gaurav Bhatnagar: No. So, Karan see, we are because we are a two-sided platform; as a platform, we remain open to working with third party suppliers as well. The reality of travel business is that supply is extremely fragmented right? There are at least I would say roughly 2 million plus properties across the globe that could potentially be sold to travel agents on the other side. We do not intend to aggregate all of that inventory ourselves. In fact, we believe that our ability to combine direct sourcing with third party supplies efficiently is one of our key unique selling points. Just from perspective, diversity of supply that we are able to bring on board. So, while we continue to invest in building our direct supply, that is not the only channel to increase our supply base.

Karan Uppal: No, I understand that, but my question was mainly if we are increasing our focus on direct supply then it might positively impact the take rates for the hotel segment. That is where I was coming from.

Gaurav Bhatnagar: No that is true Karan. So, it does give us pricing advantage, but then how we use that pricing advantage is either to grow the top line by just being more price competitive or by keeping that margin for ourselves, increasing the margin, then it will improve our bottom line. Given that we are in the growth phase right now, the broad objective is that use the price competitiveness to pass on the basic benefits to the travel agents and continue to grow and invest in growing the top line and then drive operating leverage to drive EBITDA margins.

Snighter A: Thank you, Karan. The next question is from Swapnil. Swapnil, please go ahead. Unmute yourself and ask your question.

Swapnil Potdukhe: This is more of a modeling question. So, if I see your depreciation and amortization expense, last quarter it was around INR 15 Crores. This quarter it is INR 12.4 Crores. I would just like to understand how should we look at this expense line item going ahead and any reason for the variation in the quarter-to-quarter?

Vikas Jain: Yes Swapnil, so the decrease is primarily because of some intangible block getting depreciated fully, amortized fully out and that was the reason. However, on a full year basis, on the expected capitalization that we are looking at in the current year, the overall depreciation and amortization expense for the full year should be around INR 55 Crore.

Swapnil Potdukhe: Okay, got it and just one more basic question again. What is the difference between active agents and active bookers?

Gaurav Bhatnagar: Okay. Thanks for asking this question, Swapnil. I did not realize that we did not clarify it. Look, a travel agency will typically have more than one booker, right? So, when we look at active agents, we count 1 travel agency working with us as 1 active agent, but if there are 3 bookers within the travel agency using the platform then they count as 3 three active bookers. This ratio of growth at which active bookers is increasing or the average number of bookers per agency is an important metric because it is an easy growth lever by making sure that all the bookers in the travel agency are using the platform. It also is an indication that if a travel agency was trying out the platform and saying okay let us one or two bookers use it, but then they start telling everybody else in the travel agency to use the platform, that is a very strong indication of engagement and hence, we are tracking the 2 numbers separately.

Snighter A: Thank you, Swapnil. The next question is from Anirudh Agarwal. Anirudh, please go ahead and unmute yourself and ask your question.

Anirudh Agarwal: Just one question on the other income number. It seems much higher this year versus last year. So, is that just on account of the treasury income from the cash we raised during IPO or is there something else too?

Vikas Jain: Primarily, it is the increase is driven by both increase in the treasury income generated through the funds in IPO and plus there were some old liabilities which were written back in the current quarter.

Snighter A: Thanks Anirudh. To all participants, if you have a question, please raise your hand. We will unmute you. You can go ahead and introduce yourself and ask your question. The next question is from Pranay Shah. Pranay, Please go ahead, unmute yourself, introduce yourself and ask your question.

Pranay Shah: Hi this is Pranav from Anand Rathi. Sir my question is in terms of Airline GTV and take rate. So I think I might have missed, if you can explain the decline in the GTV which has been caused but simultaneously we have seen an increase in our take rates in terms of airlines, so what is the thing? What is the downside here, like some markets which are affecting or some airline contracts we have been not going ahead with?

Vikas Jain: So, decrease in GTV was due to the reasons which Ankush has explained earlier in the call. This is primarily to let go some of the high-volume low margin domestic air business. The overall increase in the take rate is primarily again because of the mixed impact as our international year outbound business increases wherein, we again receive incentives, commissions more from the airlines as compared to the domestic business. So, that is the reason for the marginal increase in the take rates for the airline business.

Ankush Nijhawan: And to answer this last thing, we have not lost any contract with any airline, be it domestic or international. Just to answer your second point.

Pranay Shah: Okay, also on second thing in terms of hotels and ancillaries where we see the service cost being decreased as compared to last quarter. So, it is the Quarter 1 phenomenon which like we have the service cost increase and then at the Quarter 4 we see the decline in the service cost. So, it is the seasonality being played out over here or how is it?

Vikas Jain: So, it is not more a factor of seasonality. It again depends on the mix of the suppliers that we are working with in the hotels and ancillary business; wherein some suppliers or hotels work on a net model wherein we mark it up and thus there is no further service fee or parting to the travel agent. However, there are suppliers who give us commission and out of that commission, we part some commission to the travel agent and so depending on the mix of the suppliers, you may see an increase or decrease in the service fees accordingly.

Pranay Shah: Okay and sir continuing the previous participant question on terms of active bookers, so you said that you are tracking in terms of the travel agency. If there are 3 people who are booking from the same agency, you consider this as active bookers, but your code and everything will be the same. So, how the stacking will happen? So, if you can explain the process?

Gaurav Bhatnagar: Well, the way our system works is that every travel agency has a log in and then they create sub-users in the system. So, if a travel agent has three bookers, they will have their own logins and they will be attached to the same travel agency, so we are able to track how many distinct travel agents within the travel agency are using the platform.

Snighter A: Thanks Pranay. Anyone who has questions please raise your hand. We will go ahead and unmute you and you can ask a question. Mitesh, we will unmute you. Please unmute yourself, introduce yourself and ask your question.

Mitesh: I just wanted to ask you, can we develop a platform like booking.com for a B2C category of business?

Gaurav Bhatnagar: So, Mitesh technically we can, but it would be a very different business from what we do, so it is not on the horizon for us to enter the B2C business.

Mitesh: Okay, but any long-term plans, any thinking on those lines?

Gaurav Bhatnagar: No Mitesh, I think our view is that we are building a travel distribution platform. B2C business is more of an online travel agency business so, no short term or long-term plans around it.

Snighter A: Thank you, Mitesh. Anyone who has a question please raise your hand. We will go ahead and unmute you and you can ask a question. Yes, Pranay, please go ahead unmute yourself and ask a question.

Pranay Shah: Sir just a follow up on that active booker so when we said that we have registered buyers and in that monthly transacting, so that includes a travel agent only, right. It does not include a bookers for it?

Gaurav Bhatnagar: No. So, when we talk of active travel agents, even if there are 3 bookers in a travel agency that counts as one. When we are talking about active travel bookers, then we will count those as 3.

Snighter A: Thank you, Pranay. Yes, Swapnil please go ahead and ask your question.

Swapnil Potdukhe: Yes, just one more clarification. In the India air business, what would be the share of domestic and outbound, now that we are focusing more on the outbound side?

Vikas Jain: So, the outbound is around 70% and domestic is around 30%.

Swapnil Potdukhe: And just to expand that point like what would be the growth rate on a Y-o-Y basis, let us just say on the outbound side and domestic side, if you could just bifurcate that?

Vikas Jain: Outbound was mentioned on the international light of full cost carriers, we grew by 6.6% and on the domestic side we de-grew and that is the reason for the overall decline in the GTV of airline business

Ankush Nijhawan: Giving up that high volume low margin business, which we kind of gave it up. Therefore, that degrowth which you have seen in the domestic air, but we increased our GP on the domestic business what we sold this quarter.

Snighter A: Thanks Swapnil. We will take our last question from Karan. Karan, please go ahead and mute yourself and ask your question.

Karan Uppal: Yes. Thanks for the follow up again. Just the last question on the wage hikes. When are you planning to give wage hikes in this year?

Vikas Jain: So, our increment cycle works from July to June, so increments happen in the month of July. So, that gets effective from July month.

Karan Uppal: Okay. So, in Q2, we will see the wage hike in that.

Vikas Jain: Yes.

Snighter A: Thanks, Karan. We will take our last participant. Before we hand it over to the management for their closing remarks. Jeet Shah, please go ahead, unmute yourself, introduce yourself and ask your question.

Jeet Shah: I am Jeet Shah from Alchemist Star. Just going ahead, do you expect the GTV growth more towards volume driven or more price driven? Just a sense on how what you are expecting the market to play out in the next 2-3 years?

Gaurav Bhatnagar: Jeet did not understand the question. What do you mean by volume driven or price driven?

Jeet Shah: So, the bookings you get, so your GTV increase, right? Will be more like the way hotels will increase their prices because see in the last 3 years post-Corona the prices had declined drastically. So, there is going to be a value component, like price rise, they might have increased, right?

Gaurav Bhatnagar: Yes, I got it. I think Jeet, our view is that at this point it is going to be more volume driven than just the average transaction value driven because there are already some correction starting to happen in pricing, right. We saw much higher pricing last summer and last to last summer, which was post-COVID revival. But at this time, I think when pricing softens, demand increases. So, we would expect the future growth to be more demand driven than just price driven.

Jeet Shah: Ok and just want to say you expect this trend to be more like a long-term trend, right?

Vikas Jain: Yes, look very hard to break what happens in the future, but yes, I think for the foreseeable at least for the medium term, that is what it looks like.

Snighter A: Thank you, Jeet. That was the last question. With that, we conclude the Q1 FY25 Earnings Call of TBO Tek. With that I would hand it over to Ankush for his closing remarks.

Ankush Nijhawan: So, thank you everyone for joining this evening and spending time with the management here. The deck and everything are loaded on the websites. If anybody has any questions, feel free to please write to one of us and happy to revert back and see you next quarter and thank you so much.

Snighter A: Thank you everyone for participating in this call. We look forward to you participating at the next quarterly call.

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