

Internet - India

Expert call takeaways: Assessing OTA market growth potential

Industry Overview

Structural tailwinds and demand led boost for travel

We hosted an independent travel expert from VIDEDEC for a call and remain optimistic on India's travel market continued growth. **Key points from our discussion:** **1)** Indian online travel market est. at \$19bn in FY23 is likely to reach \$31bn by FY26. OTA's capture a lion's share of online distribution and likely to be \$21bn mkt by FY26; **2)** Domestic air market is up 30% vs. FY20 on the back of demand driven high airfares, despite absolute passenger count still trailing; **3)** International air GBV has seen marginal growth, but passenger count is lower than pre-Covid due to network/capacity headwinds, visa issues etc. However, recovery and growth going ahead would be faster; **4)** Indian air carriers have an order book of c.1.1K aircrafts, expected to be delivered in next 3-5 years and bodes well for growth; **5)** Hotel mkt (domestic, inbound/outbound) is likely to grow from \$12bn in FY23, to \$18bn by FY26. In FY23, domestic ADRs have risen by 15-25% for branded chains, while ADRs for independent/unbranded hotels are up 12-18% vs pre-Covid levels; **6)** While local OTAs dominate online domestic segment, global OTAs command a higher share in inbound and outbound category; **7)** Intercity bus mkt is c.85% of rail category size but remains highly under-penetrated at 19% vs rail at 82%. The intercity bus category is hugely fragmented with a 100K services daily, operated by 4.5K+ private bus operators and 25+ state road transport corporations (SRTCs).

Hotels: Capacity increase likely in coming years...

In FY23, the total room supply in India was estimated at 2mn rooms. Of these, branded chain supply (Taj Hotels, Marriott, Accor, ITC Hotels etc.) was est. at c.175K rooms while branded budget chain (OYO, Fab, Treebo etc.) supply was c. 200K rooms; Given the long gestation period of hotel projects, organized players are increasing capacity by asset-light techniques (like hotel management contracts) to enhance supply. Branded chains are signing up more mid-size hotels that have better penetration in Tier 2/3 markets; On the hotels side, MMYT has unparalleled reach and offer 78K+ domestic properties on the platform. Per VIDEDEC, average length of stay for outbound trips is 3-4 nights. In outbound hotel category, global OTAs dominate, contributing over half the total OTA bookings.

Bus: Online penetration rising; MMYT best placed OTA

Even the penetration of online bus is gradually rising. The total commercial bus fleet is estimated at 375-400K per VIDEDEC. Of these, 65-70K buses ply on the intercity routes, evenly split between private operators and SRTCs; Paytm and Amazon are the top e-com marketplaces in indirect online for bus bookings, which is a low-value, high-volume travel product. Intrcity and zingbus are emerging bus aggregators; MMYT owned Redbus remains the dominant operator in the online bus segment. RedBus continues to increase govt.-controlled bus inventory, and on RedRail is acquiring new customers in Tier 2/3 towns, scaling up acquisition, seasonal demand and driving organic growth by leveraging RedBus user base. We find MMYT well placed to benefit from increasing demand led travel use cases and maintain our Buy rating on the name.

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Glossary at the end of report

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Key exhibits & other takeaways from call

Exhibit 1: India travel market landscape (\$bn)

Based on VIDEDEC's estimates

	FY22	FY23	FY24E	FY25E	FY26E	% CAGR - FY24-26E
Overall Online						
Online Travel Market	10.9	19	22.5	26.8	31.1	18%
OTA	6.4	12.4	15	18.1	21.2	19%
Supplier-direct Online	4.5	6.6	7.5	8.7	10	15%
Air market						
Online Air (domestic)	3.6	6.6	7.5	8.8	10.1	16%
Online Air (int'l)	1.0	3.0	3.5	4.5	5.3	24%
Total Hotel Market						
Total Online Hotel Market	1.7	3.3	4	4.8	5.7	19%
OTA	1.4	2.8	3.3	4	4.7	19%
Supplier-direct Online	0.3	0.5	0.7	0.8	0.9	13%
Total Rail Bookings	5.1	7.7	8.4	9.2	10	9%
IRCTC Online Rail Bookings	4	4.9	5.8	6.6	7.5	14%
OTA	0.9	1.2	1.5	1.8	2.2	21%
Supplier-direct Online (IRCTC)	3.1	3.7	4.3	4.8	5.3	11%
Total Intercity Bus Market	3.4	6.7	7.2	7.9	8.6	9%
Online Intercity Bus Market	0.5	1.2	1.5	1.8	2.2	21%
OTA	0.5	1.1	1.3	1.6	1.9	21%
Supplier-direct Online	0.06	0.15	0.19	0.24	0.28	21%

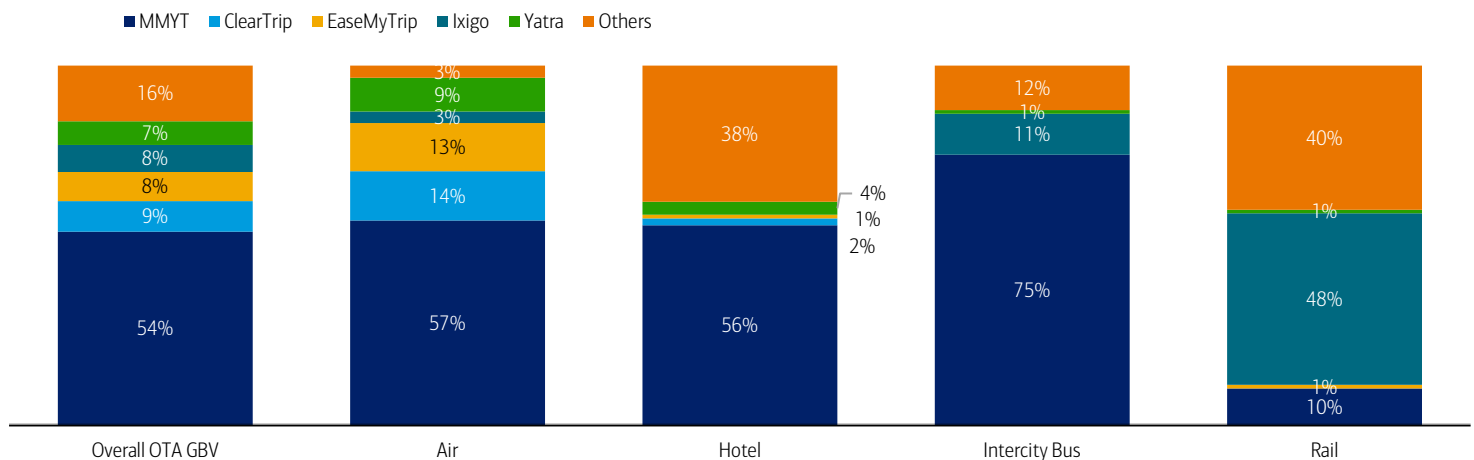
Source: VIDEDEC

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- The no. of operational airports has grown to 141 in 2023, double of that in 2013. 80 new airports are expected the next 5 years. 21 greenfield airports have been given an in-principal approval (incl. Navi Mumbai, Jewar, NCR);
- OTA competitive landscape: MakeMyTrip** Group: MakeMyTrip & Goibibo are the two full-service OTA brands, redBus is the largest OTA for the bus category in India; **Cleartrip** is air-heavy OTA; **EaseMyTrip**: Air-heavy OTA; **ixigo** owns confirmTkt and AbhiBus; ground-heavy, market leader in the rail category; **Yatra**: full-service OTA with the biggest non-B2C business mix. Other prominent OTAs include hotels-heavy global brands such as Booking.com/Agoda, Expedia/hotels.com & local air-heavy brands like SastiTicket, akbartravelsonline, via.com etc.

Exhibit 2: VIDEDEC's estimate of Indian OTA's market share across categories by GBV – FY23

MMYT the leader

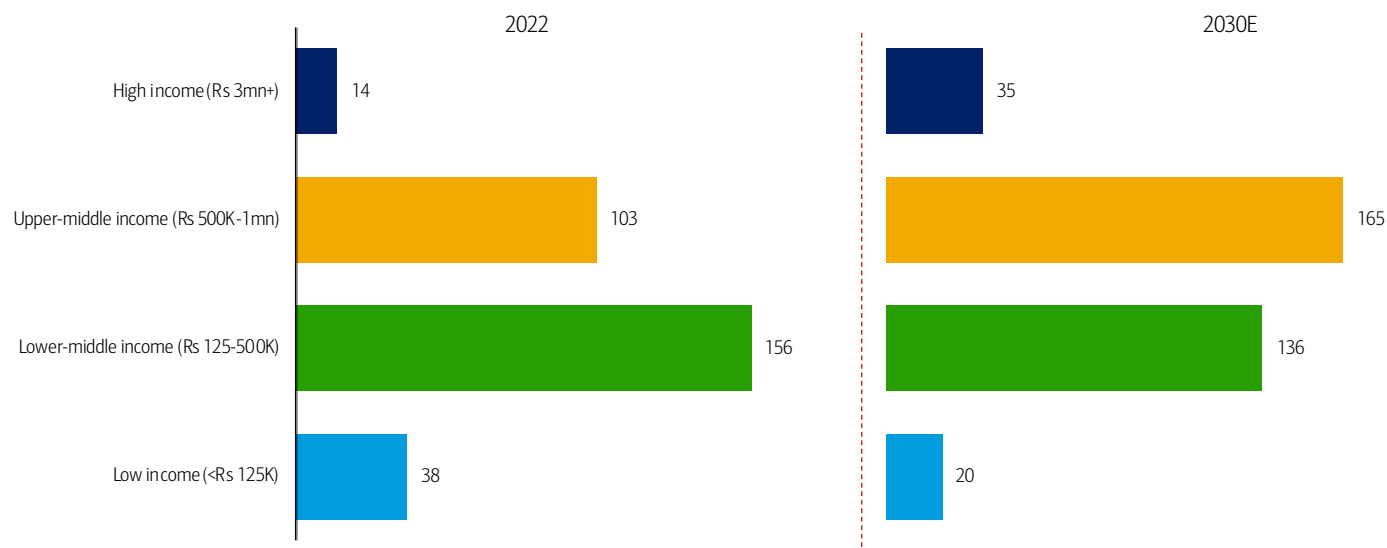


Source: VIDEDEC; MMYT refers to the overall group: MakeMyTrip, Golibibo, redBus etc

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Exhibit 3: Mapping Indian households by income bracket- 2022 vs 2030 (mn)

Shift likely towards upper middle income & high income



Source: Bain analysis, Google-Bain report

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Glossary:

GBV: Gross booking value

ADR: Average daily rate

OTA: Online travel agents

B2C: Business to consumer

MMYT: MakeMyTrip

IRCTC: Indian Railway Catering and Tourism Corporation

Exhibit 4: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
MMYT	MMYT US	MakeMytrip Limited	US\$ 49.53	B-1-9

Source: BofA Global Research

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Price objective basis & risk**Makemytrip Limited (MMYT)**

Our price objective is US\$60. We value MMYT using a 10-year discounted cash flow (DCF) model. We use a weighted-average cost of capital (WACC) of 10.4% and a TGR of 5%.

Downside risks: 1) Higher competition, 2) slower/delayed growth recovery in any segment

Upside risks: 1) Stronger-than-expected growth 2) a material reduction in competition, 3) faster margin uptake.

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	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	CAR Group	CRSLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XVWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
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	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Michael Li
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	Hundsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	HYBE	XBGOF	352820 KS	Susie Lee
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kingsoft Corporation	KSFTF	3888 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang
	Naver Corporation	NHNCF	035420 KS	Susie Lee
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Alice Lei, CFA
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	Plan B Media PCL	XMKTF	PLANB TB	Thititthep Nophaket
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR-Inox Ltd	PVRLF	PVRINOX IN	Sachin Salgaonkar
	REA Group	RPGRF	REA AU	Sriharsh Singh
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XWFWF	1698 HK	Lei Zhang
	Tongcheng Travel	TNGCF	780 HK	Janet Yang
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	TUHU Car	XTCRF	9690 HK	Miranda Zhuang, CFA
	Venustech	XVCGF	002439 CH	Daley Li, CFA
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Xero Limited	XROLF	XRO AU	Sriharsh Singh
	YG Entertainment	XYEIF	122870 KS	Susie Lee
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
	YY	YY	YY US	Lei Zhang
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar
NEUTRAL	AfreecaTV	WNTHF	067160 KS	Susie Lee
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Coupang	CPNG	CPNG US	Susie Lee
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	GoTo Group	GTOFF	GOTO IJ	Sachin Salgaonkar

APR - Internet, Media and Software Coverage Cluster

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	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Kingsoft Cloud	KC	KC US	Daley Li, CFA
	Kingsoft Cloud	KCLHF	3896 HK	Daley Li, CFA
	Krafton	XKINF	259960 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	PropertyGuru	PGRU	PGRU US	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seek Limited	SKLTF	SEK AU	Sriharsh Singh
	Seven West Media	WANHF	SWM AU	Alice Lei, CFA
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	WiseTech Global Limited	WTCHF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang

UNDERPERFORM

	Altium Limited	ALMFF	ALU AU	Ware Kuo
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	CJ ENM	CJHOF	035760 KS	Susie Lee
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart InterMesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kakao Games	XKKGF	293490 KS	Susie Lee
	Kingsoft Office	XBKOF	688111 CH	Daley Li, CFA
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	NavInfo	XWLHF	002405 CH	Daley Li, CFA
	Netmarble	XLGHF	251270 KS	Susie Lee
	Pearl Abyss Corp	XEPAF	263750 KS	Susie Lee
	Ping An Healthcare and Technology	PANHF	1833 HK	Miranda Zhuang, CFA
	Qi An Xin	XQTFD	688561 CH	Daley Li, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	ThunderSoft	XSTS F	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo

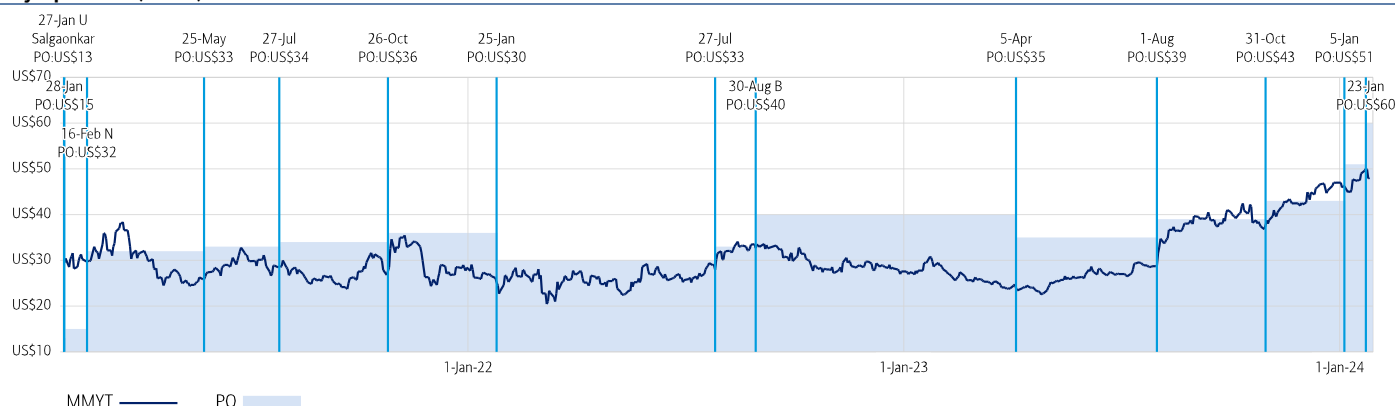
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Makemytrip Limited (MMYT) Price Chart



MMYT — PO B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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Sell	807	22.84%	Sell	383	47.46%

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