

Price: 1,246

Recommendation: Buy

Industry: Tour, Travel Related

Sector: Consumer Discretionary

Report Date: 18-Mar-2025

In a recent meeting, the company outlined new strategies to boost market position and growth. Key initiatives include AI and automation to enhance business processes and customer engagement. The AI-powered smart search on the H-Next hotels platform and the TBO Platinum program for luxury hotel partnerships are notable. The company aims to diversify revenue and expand globally, targeting a 25% EBITDA increase. Challenges include forex losses and the need for innovation.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1660 Cr	Operating Profit(Year)	275 Cr	Operating Profit Margin	16.6 %
Previous Year	1065 Cr	Operating Profit(Quarter)	55.3 Cr	EBITDA Margin	17.23 %
Current Quarter	422 Cr	PAT (Year)	204 Cr	Net Profit Margin	14.6 %
Previous Quarter	451 Cr	PAT (Quarter)	46.7 Cr	EPS	20.2
Revenue (QYoY)	327 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	63.2	Sales Growth	27.2 %	Sales Growth	-6.43 %
PEG Ratio	1.37	PAT Growth	43.66 %	Sales Growth QYoY	29.05 %
EV/EBITDA	37.7	EPS Growth	4.12 %	PAT Growth	-22.3 %
P/B	12.6	Dividend Yield	0.00	PAT Growth QYoY	-8.07 %
Capital Allocation		Holdings		Leverage	
RoE	46.0 %	Promoter	44.4 %	Debt/Equity	0.20
RoA	5.50 %	FII	38.0 %	Debt	210 Cr
RoCE	42.9 %	DII	11.8 %	Market Cap	13529 Cr
RoIC	28.3 %	Public	3.60 %	Enterprise value	12367 Cr
		No of Shares	10.9 Cr	Cash Equivalents	1373 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

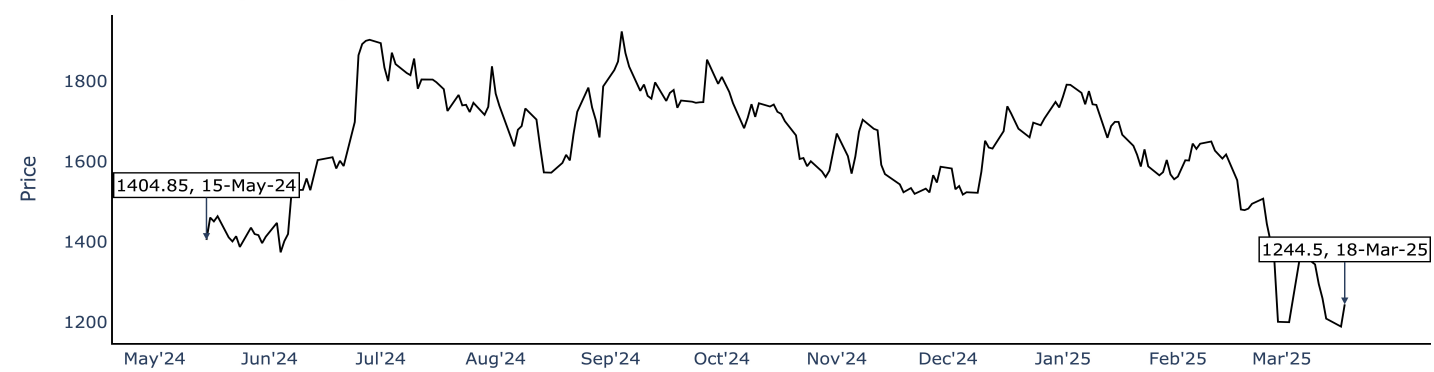
In the recent meeting, the company highlighted several new initiatives and strategies aimed at enhancing its market position and driving growth. A key focus is on the adoption of AI and automation to improve business processes and customer engagement. The introduction of AI-powered smart search on the H-Next hotels platform is a significant step, allowing travel agents to handle complex customer queries more efficiently. Additionally, the launch of the TBO Platinum program aims to create exclusive partnerships with luxury hotels, offering unique benefits to travel agents and their clients. These initiatives are expected to enhance the company's service offerings and strengthen its competitive edge.

The company's business strategy is centered around diversifying revenue streams and expanding its geographic footprint. While hotels and air travel remain core areas, investments are being made in other segments like attractions, car rentals, and rail services to provide a comprehensive platform for travel agents. Geographic expansion is a major pillar, with efforts to establish legal entities, hire local talent, and support local payment options in new markets. This strategic expansion is designed to tap into new customer bases and increase market share globally.

Looking ahead, the company is optimistic about its growth prospects, driven by strong performance in international markets and strategic investments in technology and market expansion. The company is targeting a 25% increase in adjusted EBITDA, with a focus on maintaining healthy margins while reinvesting in growth opportunities. The expansion into new countries and cities, along with the integration of alternate payment methods, positions the company well for sustained growth. The management is confident in its ability to maintain this growth trajectory, supported by a robust platform and strategic initiatives.

While the company is making significant strides, there are areas for improvement. The impact of forex losses and the need for a more robust hedging strategy were noted as challenges. Additionally, the company is aware of the competitive landscape and the need to continuously innovate and enhance its offerings. The focus on maintaining a balance between growth and profitability is crucial, and the company is committed to refining its strategies to ensure long-term success. Overall, the company's proactive approach to innovation and expansion bodes well for its future growth and market leadership.

TBOTEK Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Le Travenues	5024.65	106.64	9.32%	17.09%	41.75%	24.16%	-48.44%
Easy Trip Plann.	4515.20	28.48	31.90%	2.49%	-17.92%	20.58%	-34.43%
TBO Tek	13529.48	63.16	46.05%	-6.32%	29.17%	-22.25%	-8.03%
Yatra Online	1103.25	40.91	-1.00%	-0.48%	113.21%	37.12%	844.34%

Aspect	Commentary
Revenue	The company experienced a significant revenue increase, with current year sales at 1660 Cr compared to 1065 Cr the previous year, indicating strong growth. However, a slight decline in quarterly revenue from 451 Cr to 422 Cr suggests potential seasonal or market fluctuations.
Profit & Loss	Annual operating profit reached 275 Cr, with a quarterly figure of 55.3 Cr. The PAT for the year was 204 Cr, and 46.7 Cr for the quarter, reflecting solid profitability despite quarterly variations.
Profitability Matrix	Operating profit margin stands at 16.6%, with an EBITDA margin of 17.23% and a net profit margin of 14.6%. These figures indicate efficient cost management and strong profitability.
Valuation Matrix	The trailing P/E ratio is 63.2, suggesting high market expectations. A PEG ratio of 1.37 indicates growth potential, while EV/EBITDA of 37.7 and P/B of 12.6 reflect premium valuation.
Growth (YoY)	Year-over-year sales growth is 27.2%, with PAT growth at 43.66% and EPS growth at 4.12%. These metrics highlight robust annual performance and effective growth strategies.
Growth (QoQ)	Quarter-over-quarter sales declined by 6.43%, with PAT decreasing by 22.3%. However, sales growth QYoQ is 29.05%, indicating strong year-over-year quarterly performance.
Capital Allocation	Return on Equity is 46.0%, Return on Assets is 5.50%, and Return on Capital Employed is 42.9%. These metrics demonstrate effective capital utilization and strong returns.
Holdings	Promoter holding is 44.4%, with significant FII at 38.0% and DII at 11.8%. Public holding is minimal at 3.60%, indicating strong institutional confidence.
Leverage	The debt/equity ratio is 0.20, with total debt at 210 Cr. The market cap is 13529 Cr, and enterprise value is 12367 Cr, reflecting a strong financial position with manageable leverage.

Analyst viewpoint: TBO Tek Limited shows strong growth potential from a short to mid-term perspective, underpinned by its robust market strategy and technological advancements. With year-over-year sales growth of 27.2% and a projected 25% increase in adjusted EBITDA, the company exhibits significant revenue upsurge driven by strategic expansion into new markets and innovative offerings such as AI-powered smart searches. The trailing P/E ratio of 63.2, coupled with a return on equity of 46%, underscores investor confidence and indicates a premium valuation aligned with expected growth performance. Furthermore, the company's commitment to diversifying its revenue streams through AI and luxury partnerships positions it well within the competitive landscape, enhancing its market share while ensuring efficient capital allocation as reflected by a return on capital employed of 42.9%. Institutional confidence remains strong with a promoter holding of 44.4% and significant foreign institutional investments.

Despite the encouraging outlook, a modest decline in quarterly sales by 6.43% highlights potential short-term fluctuations that require monitoring. TBO Tek's competitive strategy, focusing on maintaining healthy margins while reinvesting in growth opportunities through geographic and product line expansion, is supported by innovation-driven enhancements. The company's ability to capture and sustain international market performance is transformational, positioning it for ongoing success. As it navigates challenges such as forex fluctuations, its strategic approach toward balancing profitability and expansion underlines its potential for delivering value to stakeholders.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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