

OYO

# CASE STUDY

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# WHAT IS OYO

OYO is an Online booking hotel accommodation booking platform. Users can book accommodations by selecting preferred rooms and providing destination, user details, payment details, preferred dates, and more. The platform provides a hotel and house booking service with sanitized stays in various locales. It empowers entrepreneurs and small businesses with hotels and homes by providing full stack technology that increases earnings and eases operations.

## VALUE PROPOSITION

- **Simplicity**- Customer Friendly, no information overflow.
- **Convenience**- Users can explore list of events in a click.
- **Speed**- Quick Navigation & Personalized Results.
- **Design**- Modern and adaptive.
- **Reliability**- Customer's confidentiality is of utmost priority.

## MARKET PRESENCE

Oyo has a global footprint with operations concentrated in Core Growth Markets, where it predominantly manages hotels and vacation homes. The company benefits from local network effects, operating leverage, and a strong brand reputation, making it a competitive player in the short-stay accommodation market.

## MAJOR COMPETITORS



Oyo leverages a full-stack technology suite with over 40 integrated products and services across various operational stages. The flagship applications, Co-OYO and OYO OS, enable Patrons to manage their properties efficiently and maintain a significant digital presence across Oyo's distribution network

# Technology and Integration

**PATRONS** - Property owners list their accommodations on Oyo's platform, benefiting from its technology for digital sign-up, onboarding, revenue management, and daily operations. This helps transform underutilized assets into branded, digital storefronts, often with exclusive distribution rights and significant pricing control.

Oyo acquires new properties through three main channels

The OYO 360 self-signup model allows property owners to list their properties independently

# B2B BUSINESS MODEL

## Two-Sided Platform

## Patron Acquisition Channels

**CUSTOMERS** - Travelers book accommodations through Oyo's direct channels or third-party online travel agencies (OTAs). Oyo offers a seamless digital experience, including discovery, booking, pre-stay assistance, digital check-ins, and post-stay services

The OYO Saathi re-seller model partners with local entrepreneurs to facilitate listings

The business development model involves direct engagement with potential Patrons by business development managers.

# Marketing and Distribution

Oyo employs a cohesive marketing strategy that includes traditional media, digital marketing, and social media to educate both Patrons and Customers about its platform. It has a strong brand presence, recognized with several awards, and focuses on customer retention and expansion through targeted campaigns and influencer partnerships

acquisitions  
7  
including the  
Europe-based  
leisure group for  
\$4.15 million in May  
2019

lead investors  
10  
including Giants  
Softbank ,lightspeed  
and sequoia and  
broker airbnb

Investors  
68

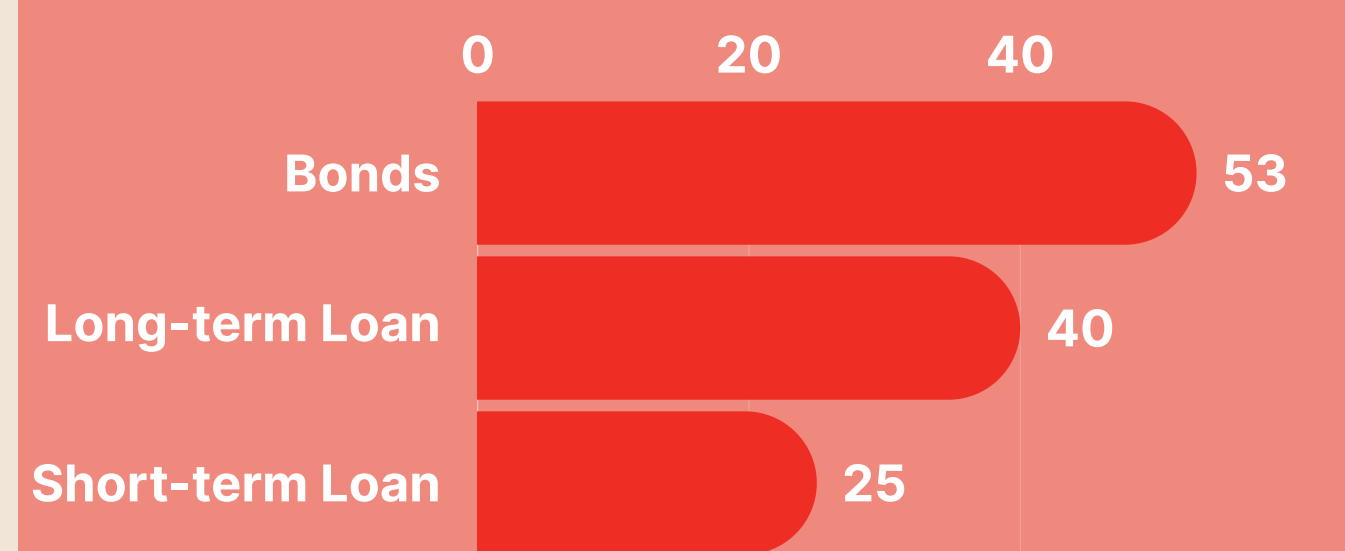
latest funding round  
March 2024 funds  
raised \$24.2 million

Total funds  
raised \$3.2  
billion

Funding rounds  
17

Valuation (May  
2024)  
\$3 billion

Asset partners  
43,000+ hotels and  
50,000+ vacation  
homes in 60+  
countries



### DEBT INSTRUMENTS AND THEIR COSTS(IN LACS)

Financials	
FY 2023 IN Rs. crores	
revenue	5463.9(1.14x2022revenue)
Operating Expenses in Rs millions	31372(1.09x2022 Operating Expenses)
Net Loss in Rs. Crore	1286.5(0.66x FY 2022)

### Notable Aquisitions





# OYO

## PROBLEM STATEMENT

High indebtedness and restrictive credit agreements limit OYO'S operational flexibility and growth.

IMPACTS

SOLUTIONS



CLEAR  
FINANCIAL  
STRATEGY

DEBT  
PRIORITIZATION  
SYSTEM



COMPREHENSIVE  
FINANCIAL FAQ



FLEXIBLE  
FINANCING  
OPTIONS

TRANSPARENT  
FINANCIAL  
REPORTING

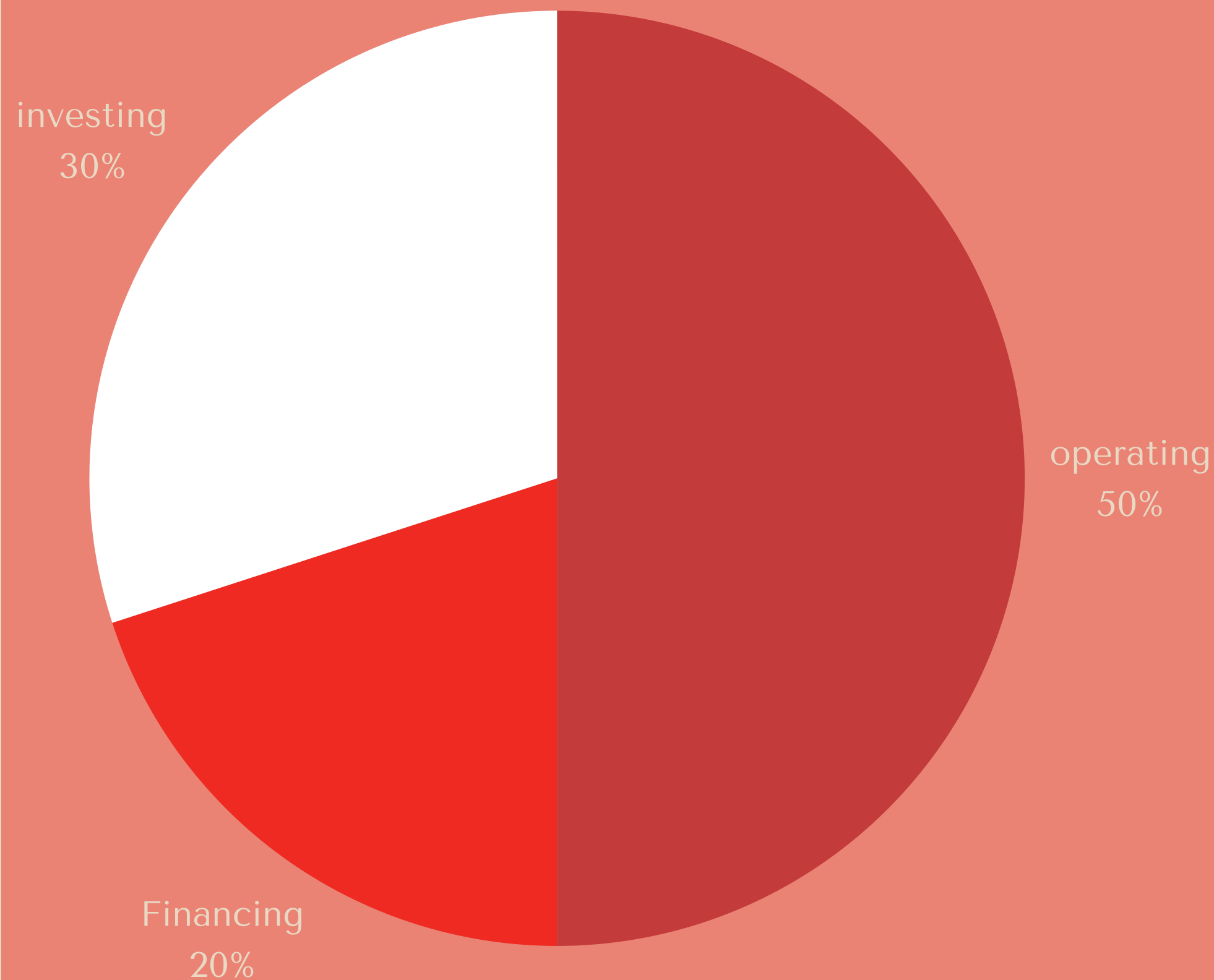


# 1) CASH FLOW ALOCATION

- OYO's operating cash flows were negative for fiscal years 2019, 2020, and 2021, with cash used in operations amounting to ₹23,792.95 million, ₹66,873.75 million, and ₹19,846.67 million respectively
- The company's interest expense significantly affects its cash flow, with interest on borrowings alone being ₹2,894.94 million in 2021
- Due to high debt, a substantial portion of cash flows from operations is dedicated to making debt payments, reducing the funds available for other investments such as working capital, capital expenditures, and acquisitions

In million

2019		23.5
2020		66.8
2021		19.8



Impact # 1

Impact # 2

Impact # 3

solution #1

solution #2

solution #3

solution #4

solution #5

## 2) OPERATIONAL FLEXIBILITY

### RESTRICTIONS IMPOSED BY CREDIT AGREEMENTS

#### ASSET SECURITY

**Restrictions on creating security over assets**

#### FUNDAMENTAL CHANGES

**Restrictions on mergers, consolidations, and asset sales**

#### INVESTMENTS AND LOANS

**Restrictions on making investments and providing loans**

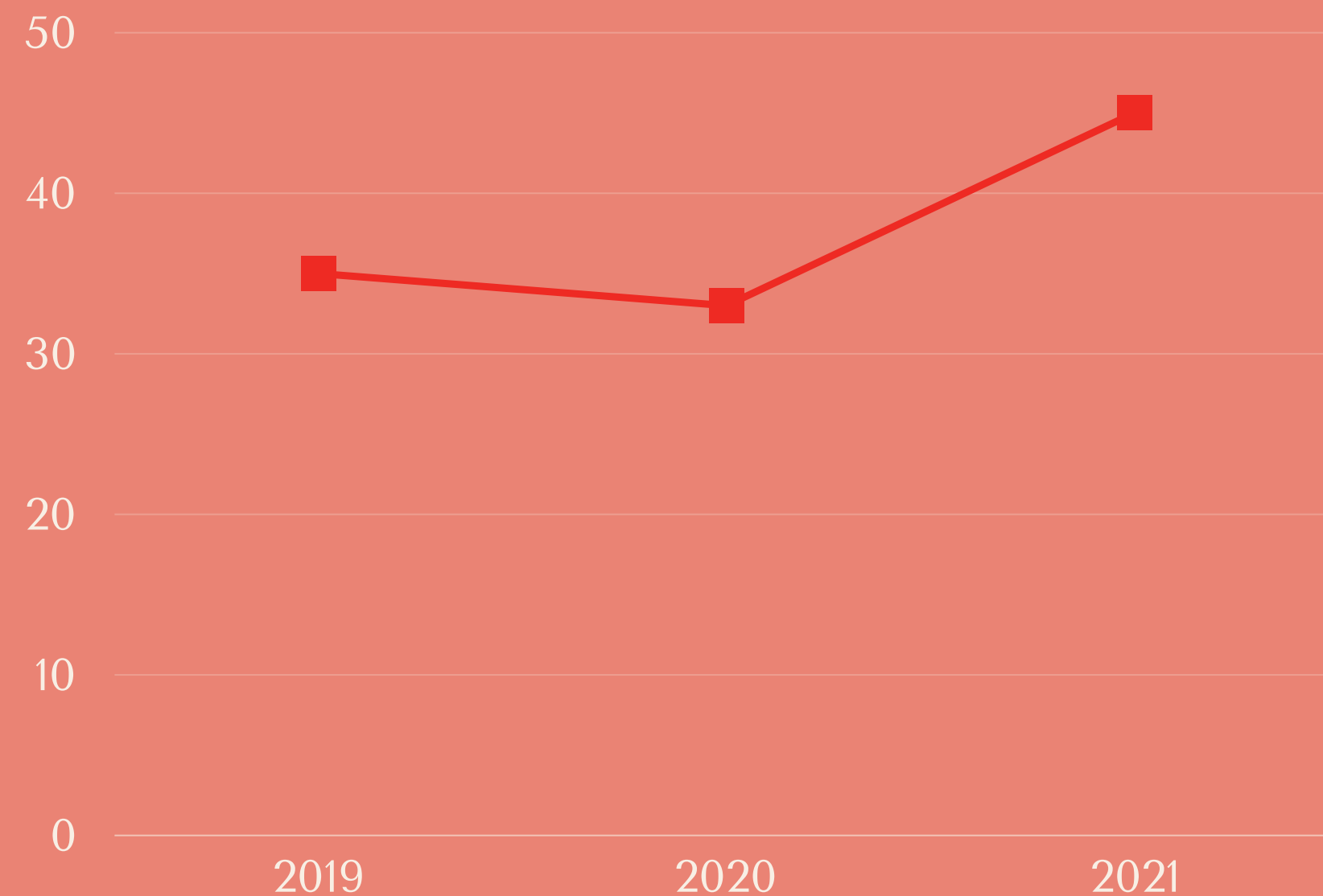
#### DIRECTORSHIP CHANGES

**Consent required for changes in directorship**

## 3) WEAK TO ECONOMIC CHANGE

High debt makes OYO more susceptible to economic fluctuations and adverse conditions. OYO's debt obligations include variable interest rates . The company's financial performance, affected by external economic factors, determines its ability to service debt and access additional funds

Fiscal Year	Interest Expenses (₹ in million)	Additional Cost Due to 100 bps Increase (₹ in million)
2019	1,111.66	0
2020	7,411.55	102
2021	5,599.42	316.60



From the graph we can see that the gear ratio has been increasing with a slight drop from 35% to 33% in 2020. But from 2020 to 2021 , the gearing ratio has increased from 33% to 45 %

$$\text{GEARING RATIO} = \text{TOTAL DEBT} / \text{EQUITY}$$



Impact # 1

Impact # 2

Impact # 3

solution #1

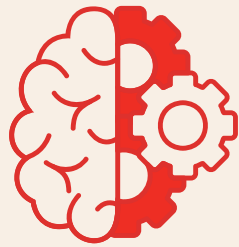
solution #2

solution #3

solution #4

solution #5

# CLEAR FINANCIAL STRATEGY



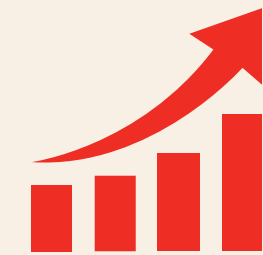
## Reason for Implementing

OYO's high debt and complex credit agreements can be confusing for employees and managers, making it hard to make the right decisions.



## Solution Overview

Create a clear and easy-to-follow training program about OYO's financial strategies. This program should explain how to manage debts, understand financial rules, and implement new financial plans step-by-step.



## User Benefit

Employees and managers will better understand OYO's financial plans, reducing confusion and helping everyone work together more effectively. This will make decision-making easier and improve overall efficiency.

Impact # 1

Impact # 2

Impact # 3

solution #1

solution #2

solution #3

solution #4

solution #5

# DEBT PRIORITIZATION SYSTEM



## Reason for Implementing

OYO needs to decide which debts to pay off first to manage its finances better and meet important obligations.



## Solution Overview

Develop a financial tool that helps OYO's management prioritize debts. This tool should categorize debts based on factors like interest rates, due dates, and importance to the company's strategy.



## User Benefit

Management can focus on paying off the most critical debts first, reducing financial pressure and improving cash flow management. This will help keep operations running smoothly.



Impact # 1

Impact # 2

Impact # 3

solution #1

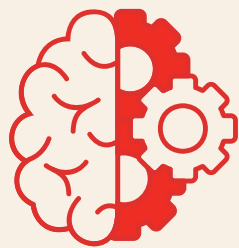
solution #2

solution #3

solution #4

solution #5

# FLEXIBLE FINANCING OPTIONS



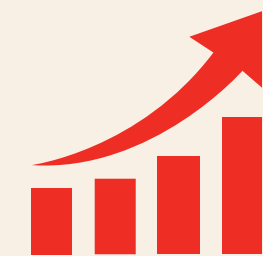
## Reason for Implementing

High operating costs are limiting OYO's ability to manage debt and invest in growth opportunities.



## Solution Overview

Implement strategies to improve operational efficiency and reduce costs. This can include optimizing supply chain management, automating repetitive tasks, and negotiating better rates with suppliers.



## User Benefit

Lower operating costs will free up more capital to pay off debt and invest in growth. This will enhance OYO's financial stability and make it easier to navigate restrictive credit agreements.

Impact # 1

Impact # 2

Impact # 3

solution #1

solution #2

solution #3

solution #4

solution #5

# TRANSPARENT FINANCIAL REPORTING



## Reason for Implementing

Lack of clear financial information can lead to mistrust among investors and stakeholders, making it harder to manage debt and raise new funds.



## Solution Overview

Improve financial reporting by making it more transparent and interactive. Provide tools that allow stakeholders to customize financial projections and see the effects of different debt management strategies.



## User Benefit

Clear financial information will build trust among stakeholders, leading to better investor relationships and potentially better terms in financial negotiations. It will also help the company make more informed decisions.



Impact # 1

Impact # 2

Impact # 3

solution #1

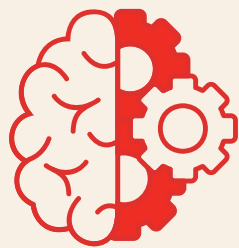
solution #2

solution #3

solution #4

solution #5

# COMPREHENSIVE FINANCIAL FAQ



## Reason for Implementing

Complex financial situations often lead to numerous questions and uncertainties among employees, investors, and other stakeholders.



## Solution Overview

Create an extensive FAQ section that answers common questions about OYO's debt structure, financial strategies, and new procedures. Ensure this information is easily accessible to everyone.



## User Benefit

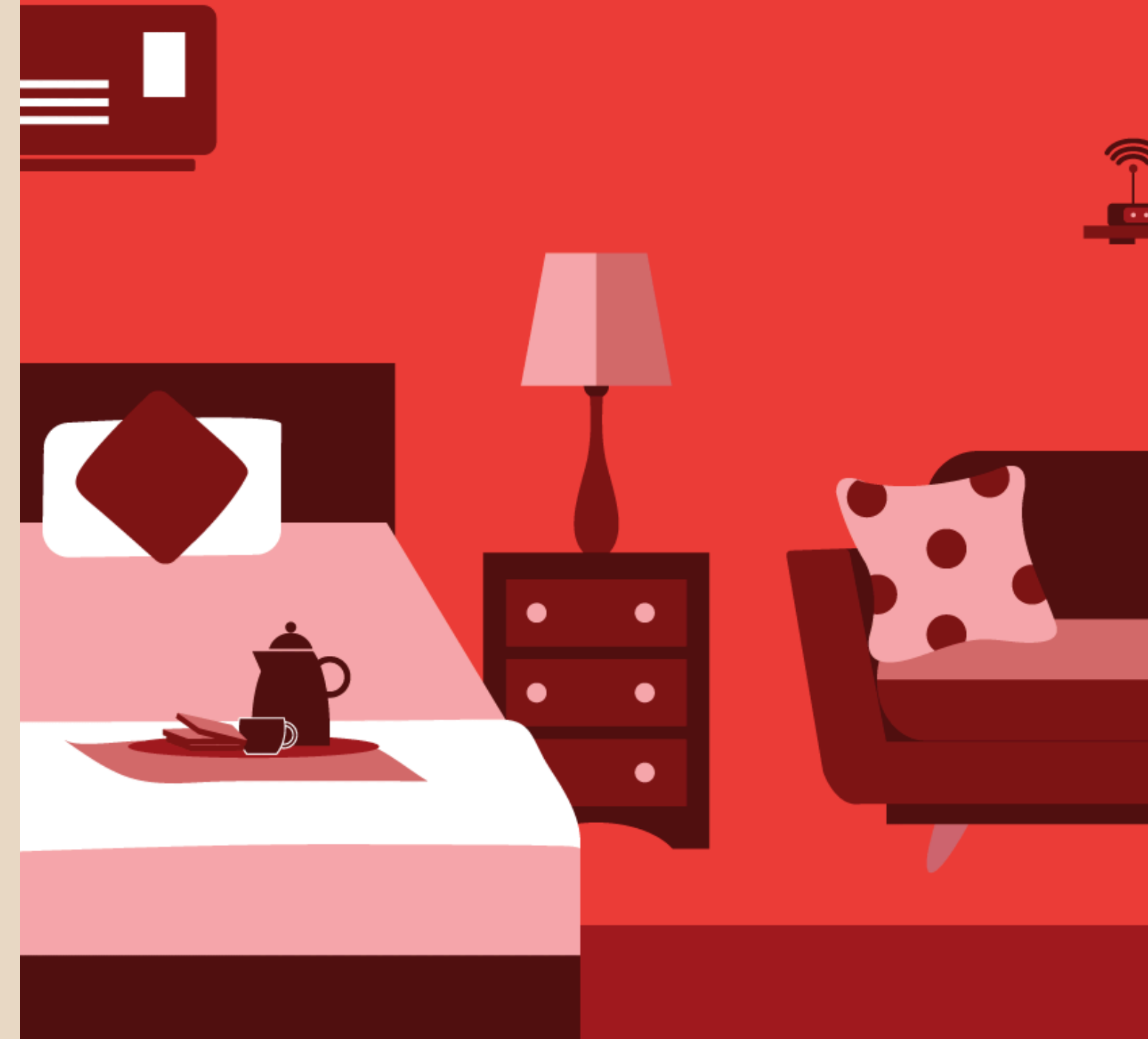
By quickly addressing common questions, the FAQ section will reduce confusion and anxiety among stakeholders. This will make it easier to implement new financial strategies and improve overall confidence in the company.

# METRICS TO MEASURE SUCCESS

- 01 **Clear Financial Guidance:** Better employee understanding of financial strategies, reduced time needed for training.
- 02 **Debt Prioritization System:** More effective debt prioritization, improved cash flow management.
- 03 **Operational Cost Efficiency:** Better employee understanding of financial strategies, reduced time needed for training.
- 04 **Clear Financial Guidance:** Increased stakeholder trust, better terms in financial negotiations.
- 05 **Comprehensive Financial FAQ:** Fewer repetitive questions, quicker resolution of stakeholder concerns.



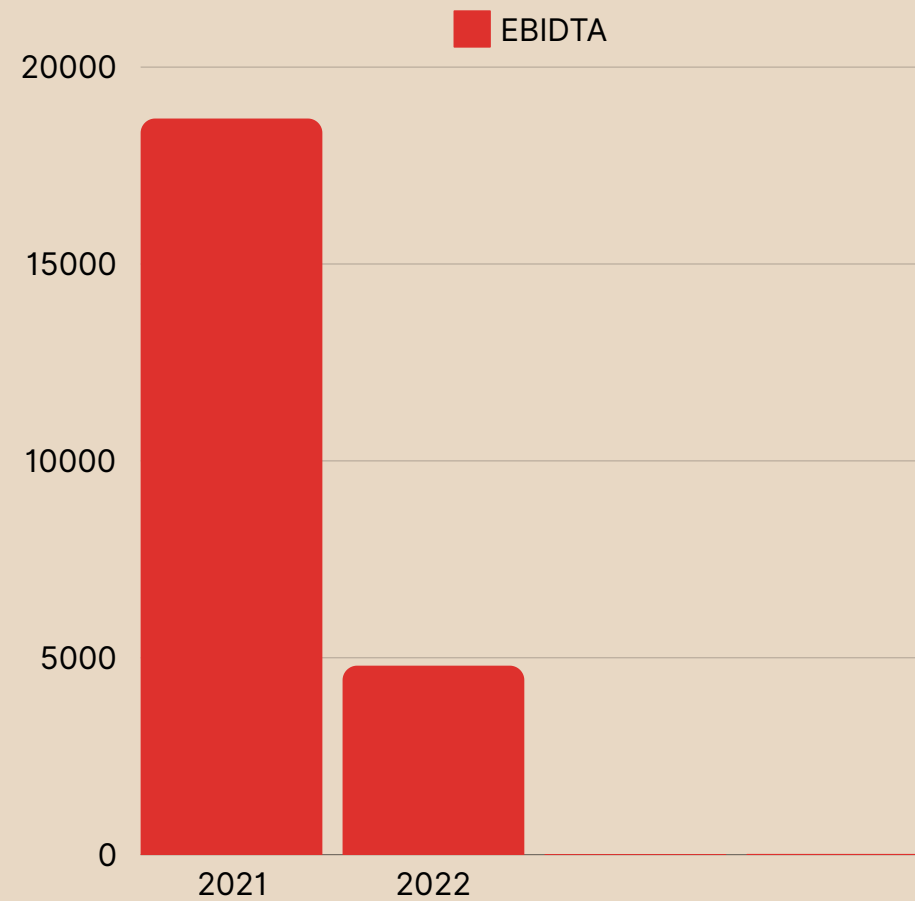
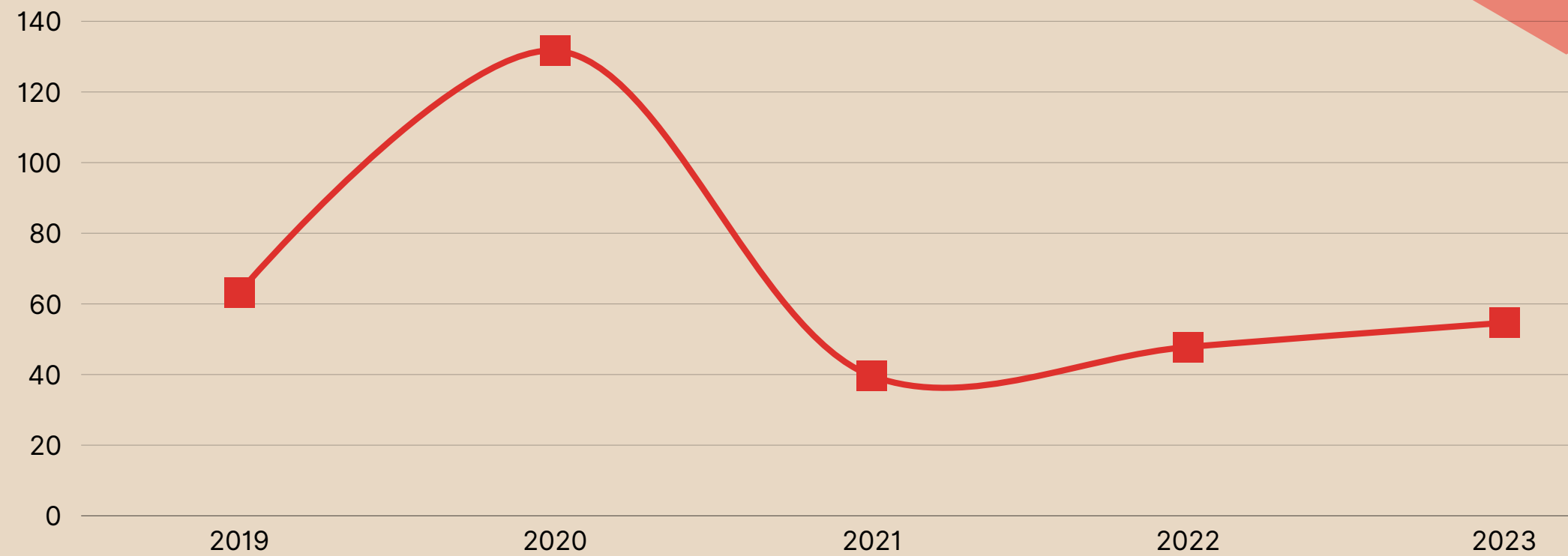
DELIGHTFUL STAYS





# Appendix

## Revenue Growth



EBIDTA AS PER  
2021-2022 DATA

