

Equity Research Desk



ALPHA

08 JUN 2022

Easy Trip Planners Ltd. – Revenge Tourism Is On

Market Data	
CMP	Rs. 382
Date	08-Jun-22
Target Price	Rs. 450
Upside Potential	18.00%
52 Week High/Low	477/178
Sector	Travel Services
Rating	Buy

Incorporated in 2008, Easy Trip Planners or Easemytrip.com (EMT) was founded as a B2B2C portal providing travel agents access to its website to book domestic travel airline tickets. Subsequently, the company diversified into the business to customer (B2C) distribution channel in 2011 by primarily focusing on the growing Indian middle class population's travel requirements. EMT now offers a comprehensive range of travel-related products and services for end-to-end travel solutions like online ticket bookings as well as ancillary value-added services such as travel insurance, visa processing and tickets for activities and attraction. EaseMyTrip provides its users with access to more than 400 international and domestic airlines, over 1 million hotels as well as train/bus tickets and taxi rentals for major cities in India. EaseMyTrip has offices across various Indian cities, including Noida, Bengaluru, and Mumbai. Its international offices (as subsidiary companies) are in the Philippines, Singapore, Thailand, the UAE, the UK, and the USA.



Products & Services: The company's products and services are organised primarily in the following segments.

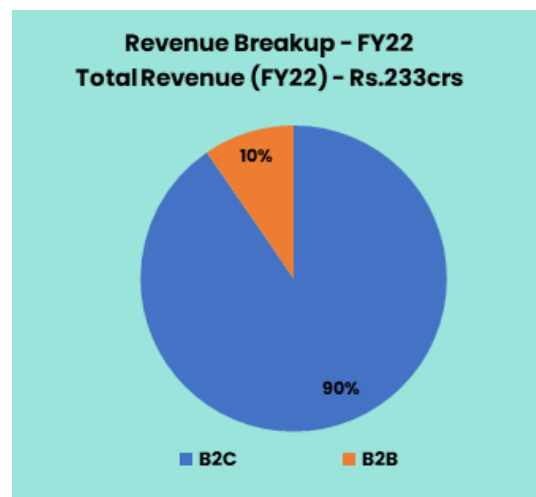
Airline tickets – It includes sale of airline tickets as well as airline tickets sold as part of the holiday packages.

Hotels and holiday packages – It consist of standalone sales of hotel rooms as well as travel packages (which may include hotel rooms, cruises, travel insurance and visa processing)

Other services – It consists of rail tickets, bus tickets, taxi rentals and ancillary value-added services such as travel insurance, visa processing and tickets for activities and attractions.

SHP	Mar - 22 (%)	Dec - 21 (%)	Change
Promoters	74.90	74.90	0.00
FPI	2.80	1.89	0.91
DII	1.09	1.44	-0.35
Public & Others	21.21	21.77	-0.56
Pledged	0.00	0.00	0.00

Subsidiaries: As on 31st Mar 2022, the company has a total of 6 subsidiaries.



Margins - FY22	
EBITDA	56%
EBIT	62%
PAT	45%



Key Rationale

- **Strong Market Position** – EasyTrip's focused, capital-light, low-cost, and no-frills approach sets it apart from rest of the online travel agency (OTA) business, in terms of profitability and cash flow. The company's zero convenience charge policy is a game-changer putting its unprofitable competitors in a state of trouble. Its near-mono linefocus (air bookings) and a no-frills strategy have kept it grounded in a very competitive world. The underlying airline business is quite concentrated, more manageable, and thus more profitable for EaseMyTrip. The company's mantra from the very beginning has been to follow an extremely asset-light, lean cost structure and focus more on technology. This has enabled the company to remain profitable even in challenging times, especially when peers (including industry leaders) have suffered losses. EMT's market share is more than 10% in the travel market and over 20% in the online travel market.
- **Airline Ticket Segment** – The company provides airline tickets for domestic travel within India, international travel from and to India and international travel from and to other countries. EMT earns from the airline tickets booked by customers through its platforms in the form of commissions and incentives. Commissions and incentive payments, such as performance linked bonus, are primarily received from GDS service providers, certain airlines as well as credit card companies on a periodic basis, and are generally based on volume of sales generated by the company. In addition, EMT also earns revenue from convenience fee, cancellation service charges, rescheduling charges and advertisement revenue that it may charge along with travel booking. Air Segments for the quarter were up by 13% and for FY22 were up by 57%. The company has launched an industry-first, free of charge, full refund medical policy through which one can claim a complete refund on domestic air ticket cancellations caused due to medical emergencies.
- **Other Segments** – After establishing a key foothold in the air segment, the company focused on expanding its non-air businesses where it has strengthened its hotels business by achieving a CAGR of 70% during the FY20-FY22 period in terms of room nights. Hotel nights booking in FY22 was up by 136% to 1.3 lacs from 55k in FY21. The company's Train, Buses & Other segment in FY22 together have seen a booking of 5.6 Lacs up by 157% from 2.9 Lacs in FY21.
- **Financial Performance** – The company has generated a Revenue and PAT CAGR of 18% and 40% over the period of FY18-22. For the first time, EaseMyTrip profit crosses Rs.100 crs in FY22, growing at 78% CAGR in the last 3 years. The company's Debt-to-equity ratio stands very low at 0.2x. The cash and cash equivalents stand at Rs.144crs. It has acquired an online B2B travel platform (listing by all regional travel agents) called Traviete to make more hotels and holiday transactions.

**Ratios - FY22**

ROE	45%
ROCE	51%
Div. Yield	0.26%
PE Ratio	78.00
Face Value	2.00
EPS	Rs. 4.87

Industry Analysis

India was globally the third largest in terms of investment in travel and tourism with an inflow of US\$ 45.7 billion in 2018, accounting for 5.9% of the total investment in the country. By 2028, Indian tourism and hospitality is expected to earn US\$ 50.9 billion as visitor exports compared with US\$ 28.9 billion in 2018. The travel market in India is projected to reach US\$ 125 billion by FY27. The Indian airline travel market was estimated at ~US\$ 20 billion and is projected to double in size by FY27 due to improving airport infrastructure and growing access to passports. The Indian hotel market including domestic, inbound and outbound was estimated at ~US\$ 32 billion in FY20 and is expected to reach ~US\$ 52 billion by FY27, driven by the surging demand from travelers and sustained efforts of travel agents to boost the market. Online penetration, defined as a share of bookings done through online captive websites for the service provided or OTAs, in the Indian travel industry was 56–58% of total revenue for FY20. The OTA industry is expected to expand at a CAGR of 9–11% by FY25.

Growth Drivers

Increased adoption of internet platforms in under-penetrated segments such as hotels, international travel and bus (online volume penetration <20% in each of these segments) will be a key growth driver in the near future.

The hotel & tourism sector received cumulative FDI inflow of US\$ 15.89 billion between April 2000 and June 2021.

Increased air connectivity to Tier II and III cities at fairly competitive fares, particularly offered by low-cost carriers, prompted Indian consumers to consider air travel as a viable option along with business and leisure travel to such cities, which also had a positive effect on online bookings.



Peer Analysis

Competitors: Thomas Cook (Listed), Make My trip (Unlisted), etc.

The market size of the top two players was at 14x of EMT in FY18, which has now declined to 3.1x of EMT as of FY21. In the Listed space, it is clear that Easy trip easily wins over Thomas cook in terms of Fundamentals. In the overall space (Both listed and unlisted), EMT has the highest gross booking revenue growth CAGR of 47% while comparing with its competitors. Despite entering the industry at a later stage Easy Trip has a greater number of hotels as compared to the market leader – Make My Trip.

Company	GBR CAGR (FY18-20)	Empl. cost as a % of GBR (FY20)	Ad cost as a % of Adj. Rev. (FY20)	Number of Hotels (In Mn)
Easy Trip	47.00%	0.7%	0.8%	1.09
Make My Trip	20.00%	2.1%	2.7%	0.77

Company	CMP	Mcap.	ROE	ROCE	PAT Margin
Easy Trip	382	8337	45.0%	51.0%	45.0%
Thomas Cook	63	2775	-14.0%	-11.0%	-12.0%

Outlook

Easy Trip Planners is the fastest growing and profitable company in OTA space in India and is ranked second in the domestic air ticketing space. "Lean cost model" and "No convenience fee strategy" remain key pillars supporting such rapid, profitable growth. This has also led to stickiness by customers with healthy repeat transaction rate of ~86% in the B2C channel. The management believes this is the best time for travel and tourism in India due to the strong pent-up demand. Despite the increase in fares, flight and hotel bookings are in full swing. With the anticipated new airports and aircraft, OTAs are becoming increasingly popular compared with direct captive websites or travel agents. Furthermore, the management opines the OTA industry would benefit from COVID-19 in the long term as customers are being used to doing things online rather than visiting travel agents. The company focused on expanding its non-air verticals from FY23. It strategically pursued inorganic growth by acquiring innovative companies across diverse travel segments and by evolving into a complete travel ecosystem.



Valuation

Despite its expensive valuation, superior execution should stand the company in good stead. The sector in general and this company in particular stands to benefit from post pandemic revenge travel and travel as a key discretionary expense of the younger generation. At CMP, the stock trades at 38x of FY24E EPS. We recommend a BUY rating in the stock with the target price (TP) of Rs.450, 45x FY24E EPS.

Risks

- **Travel restriction Risk** – For the past 2 years, the world has seen many kinds of restrictions and ban on travelling, staying out, etc. due to the covid outbreak. Any new lockdown restrictions in the future will affect the company financially.
- **Competitive Risk** – Higher discounts and promotional activity can drive healthy growth but may lead to fall in margins and profitability. The competitors may adopt aggressive discounts/promotions to drive their market share. If the company also chooses to pedal on growth through promotions/discounts, the profitability may get affected.
- **Consumer behaviour Risk** – The company is highly dependent on factors that affect consumer spending. Prolong muted consumer sentiments can have a huge impact on the company.

Source – Tickertape, Company's Website, BSE Website.

Thanks & Regards

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