

02 June 2022

Easy Trip Planners – BUY

CMP : Rs.388.0
Target Price : Rs.477.0
Upside : 23%+
Stop Loss : Rs.329.0 (Closing basis)

Investment Thesis

Recently, the stock price of Easy Trip Planners Ltd. (Easy Trip Planners) corrected by ~18% from 52-week high of Rs.476.50 as the company has reported below expected margin due to lower business volumes amid omicron wave in the month of January 2022.

Easy Trip Planners is the fastest growing online travel portal in India. It offers a comprehensive range of travel-related products & services for end-to-end travel solutions, including airline tickets, hotels and holiday packages, rail tickets and bus tickets. Easy Trip Planners not only has the largest agent network in the Indian OTA industry, it also ranks 2nd in terms of air ticket volume and third in terms of gross booking revenue and number of registered customers. It earned 94.0% of revenue from air ticketing, while hotels and other services contributed 5.4% and 0.6% of revenues, respectively. Based on sales volume, Easy Trip Planners earns performance-linked bonuses, commissions and incentives from Global Distribution System service providers, select airlines as well as credit card companies on a periodic basis. It also earns revenue from convenience fees, cancellation services, rescheduling and advertisement revenue.

Easy Trip Planners has achieved industry leading organic customer growth due to its unique selling point of 'No Convenience Fee' if a customer does not use any promo-code/cashback facility. This strategy has also led to increased customer stickiness, which is reflected in repeat transaction rate of 85.95% for the company's B2C channel. We believe 'No Convenience Fee' strategy has allowed Easy Trip Planners gain market share and grow at a faster pace. The company is consistently gaining market share and is now well placed to withstand any competition, which may appear in future given the strong liquidity and its improving brand visibility in the domestic air ticketing segment.

Financials

- During the past 5 years, revenue of Easy Trip Planners grew at a CAGR of 18.0% while PAT grew at a CAGR of 39.4% in the same period.

Consol. (Rs.Mn.)	FY20	FY21	FY22	FY23E	FY24E
Revenue	1,414	1,067	2,354	2,707	3,113
EBITDA	102	435	1,325	1,457	1,676
% growth	-194.7	325.2	204.3	10.0	15.0
PAT	330	610	1,059	1,218	1,397
EPS (INR)	3.0	5.6	4.9	5.6	6.43
P/E (x)	127.8	69.1	79.6	69.2	60.3
RoE (%)	32.1%	36.9%	44.2%	47.0%	49.7%

- Easy Trip Planners has reported 1.7% YoY de-growth in revenue in Q4FY22 to Rs.985mn mainly led by omicron induced restrictions in the month of January 2022 while GBR was up 29% YoY to Rs.11,708mn.

Stock Data

Market Cap (Rs. Mn)	83,393
Market Cap (\$ Mn)	1,073.1
Shares O/S (in Mn)	217.3
Avg. Volume (3 month)	6,48,000
52-Week Range (Rs.)	476.50 / 41.10

Shareholding Pattern

Promoters	74.90%
FIIIs	2.80%
Institutions	1.09%
Others (incl. body corporate)	21.21%

Performance (%)	1M	6M	1Yr
Absolute	-6.5%	54.9%	114.5%
BSE 500	-3.9%	-5.1%	6.8%

Key Ratios

Div Yield	0.3%
TTM PE	79.6x
ROE	44.2%
TTM EPS (Rs.)	4.9/-

- Easy Trip Planners' air segment booking grew 13% YoY to 20.49 lakh for Q4FY22 while for FY22, air segment booking was up 57% YoY to 70.85 lakh on healthy rebound after lifting restriction post Covid-19.
- Easy Trip Planners' EBITDA declined by 29.0% YoY in Q4FY22 to Rs.294mn as net commissioned (after discounts) dipped to 5.2% of GBR against 7.3% in Q4FY21 due to lower business volumes amid omicron wave. As a result, EBITDA margin has also declined by 1,147bps YoY to 29.9% in Q4FY22.

Key Business Highlights

- Easy Trip Planners is 2nd largest online travel agency in India in terms of gross revenue. It offers of travel products & services as well as end-to-end travel solutions including airline tickets, rail tickets, bus tickets, taxis, holiday packages, hotels, travel insurance, visa processing, etc.
- Easy Trip Planners offers its products & services through websites, android and iOS based mobile applications, where travellers can research, plan, and book a wide range of travel services and products in India as well as overseas.
- After focusing on the B2B2C distribution channel, Easy Trip Planners is now focused on expanding its B2C and B2E businesses.

Valuation

- Easy Trip Planners is focused on developing in-house advanced technology infrastructure and software, which has enabled it to continuously strengthen its scalable technology infrastructure, support customer-focused initiatives, introduce innovative services and solutions, and improve products and service delivery. All these initiatives have resulted in increased market presence and lower expenses related to employees and infrastructure for the company.
- Easy Trip Planners also offers hotel booking services to customers. This helped the company to create custom packages by combining two or more travel products (such as airline tickets and hotel or airline tickets and car rental or hotel and car rentals) that can be booked in a single transaction. Easy Trip Planners' platform offered customers the ability to search, compare and book reservations at more than 73,400 hotels in India and more than 10,23,000 hotels outside India.
- Online travel market in India is expected to grow to US\$31.0bn by FY25, growing at 14.1% CAGR. In line with the industry trend, we also expect Easy Trip Planners' GBR to grow to over Rs.80,000mn by FY25E from Rs.42,047mn in FY20 at a CAGR of ~16%. Easy Trip Planners is expected to grow at a robust pace going ahead on lower base of FY21 that was impacted due to Covid-19 with FY21 witnessing sharp de-growth of 49% in GBR. We believe the low cost model and no convenience fee strategy would strongly support the company in gaining market share further from competitors, going ahead.
- With fastest growing online travel portal in India, unique selling point of 'No Convenience Fee', in-house advanced technology infrastructure, custom packages by combining two or more travel products and online travel market in India to grow at 14.1% CAGR, we value Easy Trip Planners at 74.2x FY24E EPS of Rs.6.43 to arrive at target price of Rs.477.00, an upside of ~23%.

Risk & Concern

- Covid-19 has severely impacted domestic air traffic. Any Covid-19 like situation in future may have adverse impact on business of Easy Trip Planners.
- Higher discounts and promotional activity can drive healthy growth but lead to fall in margins. Any aggressive discounts/promotions may impact margin of the company.
- Entry of large players like Flipkart/Amazon may increase competition and lower market share of the company in future.

Graphs & Charts

Figure 1: Net Sales Trend

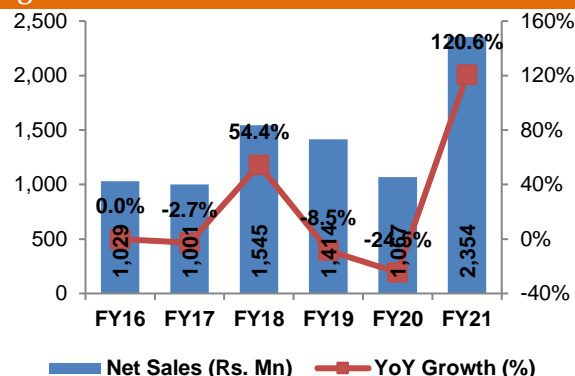


Figure 2: EBITDA & EBITDA Margin Trend

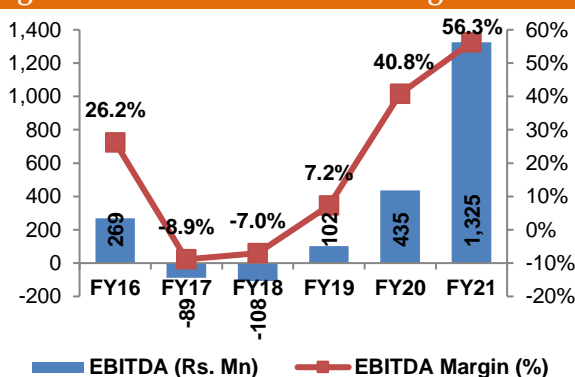


Figure 3: PAT Trend

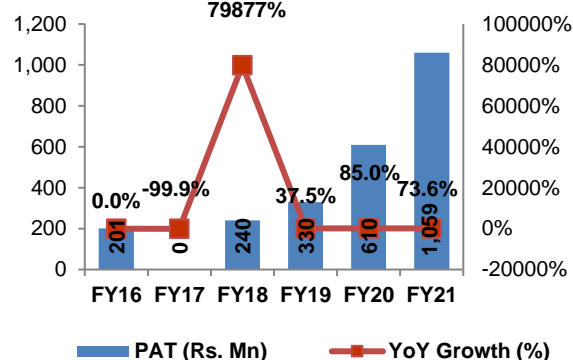
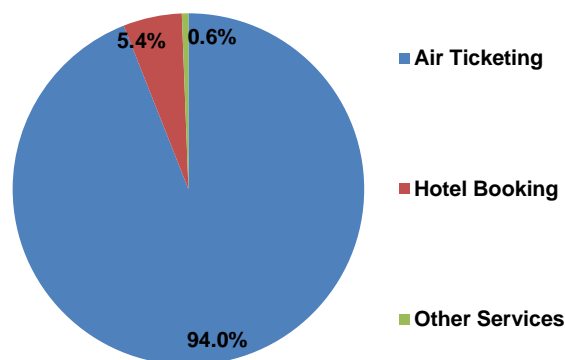


Figure 4: Segment-wise Revenue (Q4FY22)



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