



TBO Tek Limited  
Q1 FY26 Earnings Conference Call  
**August 04<sup>th</sup>, 2025**

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**Aashvi Shah:**

Good evening, everyone. I am Aashvi Shah from Adfactors PR, Investor Relations. On behalf of TBO Tek Limited, I would like to welcome you all to the Earnings Conference Call for Q1 FY26. Today on this call, we have with us from the management, Mr. Ankush Nijhawan - Co-Founder and Joint Managing Director; Mr. Gaurav Bhatnagar - Co-Founder and Joint Managing Director; Mr. Akshat Verma - Whole-time Director and Chief Technology Officer; Mr. Vikas Jain - Chief Financial Officer; Mr. Anil Berera - President-Strategy; Mr. Pramendra Tomar - General Counsel and Mr. Shreshth Mahanjan - Associate Director: Investor Relations.

We will begin the call with the brief opening remarks from the management followed by a Q&A session. Please note that certain statements made during this call may be forward looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause the actual results or projections to differ materially from those statements. TBO Tek Limited will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements.

I would like to now hand over the call to Mr. Gaurav Bhatnagar for his opening remarks. Thank you and over to you Sir.

**Gaurav Bhatnagar:**

Thank you, Aashvi. Welcome everyone to our Q1 FY26 earnings call. Basis past feedback and past experience with these calls, we have changed the format a little bit. What we have done this time differently is that we have created a fairly detailed commentary on our financials and uploaded it on our Investor Relations section on the website a couple of hours before. Those of you who had a chance to review the document, you would have seen that we have a lot more disclosure this time, specifically around expenses. There was a request from several analysts last time that they wanted to understand the nature of our SG&A. So, we have gone ahead and made that disclosure.

We have also continued to provide region-wise KPIs as well on how various regions are performing and we have also included a very detailed FAQ. The idea is to use the hour that we have with all of you, more for Q&A and little bit more color on questions that you may have. I will just spend five minutes talking about the high-level numbers and a couple of things that we want to share in a little bit more detail, and then we will quickly open for questions.

Just to summarize the numbers, in case you have not had a chance to look at the financials uploaded, this was a tough quarter and that's true for the entire industry. We saw several headwinds through the quarter starting with the India - Pakistan conflict; then the Iran - Israel conflict, and then the very unfortunate Air India crash. This caused repeated disruptions in a very important quarter from the travel industry's perspective. Q1 is peak summer season for India, so there was impact, but the good news is that in spite of these headwinds, the business has shown resilience, and we have continued to grow. Our monthly transacting buyers grew by 5% to touch more than 29,500 monthly transacting buyers. Our GTV grew by over 2%, the revenue grew by 22% and GP grew by 19%. Now the faster growth in revenue and GP is because the saliency of the hotels and ancillary business continues to grow at a fast clip and that helped grow our GP and revenue much faster than our GTV.

On a like-to-like basis, the EBITDA was flat and there is a marginal growth in PAT. As you all know, we have been investing quite heavily in our international markets for growth and new market expansion. So, if that investment was not there, then probably we would have seen positive EBITDA. If the headwinds for the past quarter had not been there, then we would have also seen meaningful growth in EBITDA. Having said that, we do want to spend a little bit time just giving you some color on how the investments are panning out and these are still early days. Now you may remember, it was Jan-Feb, when we started to accelerate our hiring in international markets and there are some early numbers that we want to share to give you comfort that these investments are playing out well. As you may remember, monthly active agents is a North Star metric for our business. Active's definition is that, at least one transaction in that month. Now I am sharing numbers only on the international business because most of the investment is going over there. Starting Feb, when we started making these investments, there is a very sharp uptick in monthly active agents. An year ago, in the April- May- June, quarter of last year you would see this number was trending between 8,600 to about 9,000 monthly active agents. Starting Feb, this number has started to grow very meaningfully, and we are touching close to 11,000 monthly active agents in June. Now this is a very leading metric, because these are the travel agents who over the course of time become meaningfully productive.

The way we measure the growth of our active agents is by three important milestones that a new travel agent has to pass to become what we think of as a sticky customer for us. The first one is T1, which is when how many travel agents are doing their first transaction in a month. The second milestone is T5, which is when they get to a fifth transaction, and then a T10, is when they have done 10 transactions on the platform. Our data shows that a travel agent achieving 10 transactions on the platform becomes fairly sticky and churn drops quite drastically at that point in time. As you will see from the graph that we have shared here, our T1s were trending at between 300-340 in Jan. This number has more than doubled, and we have hit nearly 750 T1s in June. Similarly, the T5 number has been growing and the T10 number has also been growing in a similar manner. Now, the T10 will always have a lag on T1 because these are new travel agents trying out a platform for the first time and they will take some time before they start becoming comfortable with the platform. The T10 numbers will start to accelerate over a period of time as these T1 slowly convert to T5s and T10s. So, what we wanted to highlight here was that there is a very marked uptick in our T1, T5, and T10 numbers in Q1, compared to the previous quarter, which is largely driven by sales efficiency initiatives and adding new KAMs or key account managers in different geographies, which is where most of the investment has been going.

Now, looking at the same data with another lens of seeing how much new business has come in this year. So, how much of business is organic growth of the travel agents who were already active on the platform last year, and how much business has been contributed by new travel agents added in the same financial year. If we look at the numbers for Q1 of last year and Q1 of this year, you will see roughly 2.2% of the business in Q1 last year was contributed by the travel agents added in Q1 itself. Just to be clear, out of the \$361 Mn of GTV that we did in the international business organic, last year \$7.8 Mn came from travel agents which were also added in April, May and June of 2024. Now looking at April-May-June, 2025 out of the \$435 Mn of GTV that we have done, \$18 million or 4.2% of GTV has been contributed by new travel agents added in the same year. This is very significant for us because of our cohort analysis and how the stickiness grows with time. Typically, travel agents will take time to become fully productive on the platform. If the 4% of our business in Q1 itself is being contributed by travel agents added within the same quarter, by the time we start to get to Q3 and Q4, these travel agents will start to add significantly more volume to the business. While the old cohort, which has been active on the platform till last year, that is also going at a fast clip. If the cohort that we are adding this year adds meaningfully more business in the same financial year, then you will see

significant operating leverage play out in the latter half of the year and probably towards the end of the year.

Finally, some data to give you color on how we are measuring KAM effectiveness and efficiency of new CAMs. Several initiatives have been taken up and investment has been made in making our existing CAMs more effective and effectiveness here is really how many new travel agents are they onboarding on the platform at this point in time. Our data is showing that existing KAMs, that is KAMs that were hired before Q4 of last year, till December of last year, in Q1 they have shown 22% higher efficiency in just net new travel agent edition. If they were adding say, as an example, one travel agent in a quarter, they are now adding 1.22, these are not actual numbers just to show you the increase in efficiency. Interestingly, the efficiency of the newer KAMs is higher than the efficiency of older KAMs, which does make sense because the newer KAMs are being added in markets where we are under penetrated. I showed you the numbers on T1s and how many new T1s are happening every month. 41% of those T1s are being contributed by the new CAMs which have been added since February onwards. So, the fact that within three or four months of adding new key account managers, they are starting to meaningfully move the needle for the organization is very heartening for us. What this is leading to is, on a YoY basis there is a 69% growth in new customer addition. Just to be clear, it is not that the total number of customers have grown by 69% but the rate at which we are adding new customers has grown by 69% and 21% of the business is now being handled by the new key account managers. The caveat here is that this is not necessarily new business because we showed that the new business is about 4%, but we have also been able to shift some of the existing accounts to these new key account managers which frees up the bandwidth for existing key account managers to farm their large accounts.

These are some of the numbers that we want to share with you to give you confidence that the investment we have been doing are being very carefully monitored. We are building a strong view and conviction that as the year progresses, we will start to see more efficiency come through both from our existing KAMs and from new customer edition via new KAMs. Our hope also is that we continue to believe in the previous hypothesis that by Q4 we should start to see a lot more operating leverage flow through in this part of the business. With that, we will take a pause here and open for questions.

**Aashvi Shah:** Thank you, sir. We will now begin the Q&A session. We have the first question from Mr. Manish Adukia. Sir, please unmute yourself and go ahead with question.

**Manish Adukia:** My first question is on the demand. Clearly you called out a lot of headwinds in the June quarter, if you can maybe give us some flavor as to how are you seeing things progress post June in the month of July and the question is specific to the three key geographies of India, Middle East and Europe. A related question is, when I look at the June quarter, surprisingly a Middle East growth was quite resilient at North of 20% but Europe was quite weak, and Europe actually saw a meaningful slowdown versus what you were growing organically until now. You can also maybe help us understand that dynamic.

**Gaurav Bhatnagar:** Manish, you are right. The Middle East saw a very improved growth, and this is in spite of the fact that we lost significant days of sale in Q1. Part of it is timing as well and when Ramadan happens, and then summer holiday starts. So, a little bit of it is timing but a lot of it is also just the fundamental initiatives around new customer addition and just improving our customer service. We have been investing in creating a new customer operations set up in Egypt, which has helped us improve our quality of service, so that's one. Europe has slowed down in Q1, part of that slowdown is because we count Israel as part of Europe, and Israel is a top 10 source market for us and that is one market that went to zero in fact negative sales for the period of that time and a little bit of a trickle down happened post the end of the conflict as well. Having said that, at least in Europe and the Middle East, July

has been very positive. We have seen a very quick recovery and that is a secular pattern now in travel that we see that while business gets impacted by disruptions, it tends to come back very quickly. Our hope is that this quarter is going to be significantly better than last quarter, especially for Europe and the Middle East, and demand is pretty much normalized to where we expected it to be, if these headwinds had not happened in Q1.

**Ankush Nijhawan:**

Manish, this was one of the toughest quarters probably post COVID and I must say that in spite of that, if you remember our GTV de-growth was about 11% of Q4 FY25. We de-grew by about 9%, we actually gained 2% in spite of what we saw as a real tough quarter. So, this reflects the underlying strength of our platform and obviously the early stages of recovery. On the good side, that we still grew 4% on a hotel business YoY and keeping in mind the peak of summer, India literally was badgered for about 45 days, with the airports being shut in North India and obviously the Air India crash. So, to be fair to rate ourselves, we did well in the quarter, keeping in mind the situation we all were facing. For this Q2, we do kind of anticipate some GTV growth and some turnaround, which we can already see, but obviously the margin pressure on the airline business remains.

**Manish Adukia:**

Thank you for answering that question. My second question is about the mismatch between GTV and revenue growth. I understand the mix shift towards hotel but even, within the hotels segment, low teens, GTV growth translating over 30% revenue growth and last quarter also the difference between the GTV and the revenue growth was quite stark. So, when we think about, let's say the TBO business and from a forward growth perspective, in the past you have talked about wanting to grow at least North of 20%-25%, should we think about that growth in terms of GTV, or should we think about that from a revenue perspective and why should those two numbers not let's say, trend in line over the medium term?

**Gaurav Bhatnagar:**

That's a fair question Manish and in the medium term, the two numbers will trend in line unless we find meaningful unlocks on take rate expansion on the hotels business standalone. Right now, what's happening is that a fair bit of saliency mix is changing at a very fast clip. Every quarter there are 3% to 5% points improvements in saliency towards the hotel's business, and that is disproportionately improving our enterprise margins and that is the reason you see our hotels, the revenue grows faster than GTV. There are a couple of other unlocks that we did in this quarter, Manish and specifically on certain parts of our business there is income that was dependent on a third-party vendor. Let me not disclose too much detail on that and we brought that technology in-house, which had a meaningful improvement in our retention of that revenue within our business, otherwise it was sitting as a cost with the vendor. So, that is one change that happened. Other than that, is there anything else Vikas that you want to add?

**Vikas Jain:**

Primarily, as we highlight that in hotels business also there is a list of suppliers, some suppliers work on the net rate models but there are some suppliers on the commissionable model as well. So while on the revenue side when the mix shifts towards the commissionable model suppliers, the revenue increase looks higher, but correspondingly on the expense side, there is a parting to the travel agent, and that's the reason you will not see similar growth on the GP side, and that's what is reflected in the numbers as well.

**Manish Adukia:**

Got it, thank you. Just my last question on the cost and the margin profile and you mentioned in the shareholder letter that starting Q4 of this year revenue should grow faster than the SG&A. When we think about this, it is the margin path and of course, the quarter, June quarter, was impacted by headwinds on demand as well. But again, is there room for margins to deteriorate a little bit more in the near term, given just the investments before it starts recovering or would you say that now we are broadly at this is a low point of margin from here on, they shouldn't deteriorate further and by Q4, we should start seeing EBITDA growth maybe faster than revenue growth?

- Gaurav Bhatnagar:** It's a little bit difficult to predict very accurately because, and we have talked about it, about a 2/3 of our investment and hiring has happened. 1/3 is left, which will get timed over the next two quarters. There was a plan to accelerate and get it done in Q2 but at the same time, because of various reasons, including just the ability to find the right talent at the right time, it can spill over to Q3 as well. But by Q4 we are hoping that if you were to start comparing our SG&A growth in the same quarter YoY then you would start to see the growth slowdown. Hopefully by Q4 we would have finished our investment, and that is where we should be able to stabilize margins.
- Aashvi Shah:** Thank you. The next question is from Mr. Swapnil Potdukhe. Sir, please unmute yourself and go ahead with your question.
- Swapnil Potdukhe:** My first question is on your GTV that you reported this quarter. I understand there are a lot of one offs that that were there affecting the GTV, but if I were to just take a guesstimate from you, how much incremental GTV would you have done had none of this one offs been there?
- Gaurav Bhatnagar:** This is very hypothetical, Swapnil. We also have to bifurcate GTV between airline GTV and hotel GTV, because the revenue impact of the two is very different. One way to look at it, and I know there is no perfect science to it, is that the Iran-Israel conflict was 12 days of war and probably had a spillover effect before and after. Maybe there were like 20 days of serious headwinds in about 40% of our business, thumb rule I am just saying. That is one way to project and say maybe that is the portion of business we genuinely lost coming into the high season. India had a similar issue. There were two complete weeks of clear headwinds in the peak of the season. India saw it was even worse, because huge cancelations happened because of it. Second bit of cancelations happened because of the Air India crash as well. So very, very hazardous to guess what it would have been had these issues not happened.
- Swapnil Potdukhe:** Understood. The second question is with respect to your gross take rates in the hotels business. You mentioned that there were some changes in your technology thing that you have mentioned and because of that the take rates have increased now 8.3%. Going ahead, do you see those take rates staying there or like, will there be any volatility on that side because ultimately your gross margins also took a dip, there was associated cost with that. Just wanted to get a sense, what will be the steady state numbers over there?
- Gaurav Bhatnagar:** Just to clarify, the take rate is looking higher, mostly because of the fact that there are suppliers who are commissionable in nature and if the share of business increases for these suppliers, the take rate goes up. But as Vikas mentioned, correspondingly gross profit will not grow in a similar manner because of the fact that once you receive the commission, we share part of that commission with the travel agents. So, the increased take rate is largely driven by the fact that we share shifted some of the business to commissionable supply vis-à-vis net rate supply, am I right Vikas?
- Vikas Jain:** Yes. I would like to add Swapnil is that, if you see, the overall gross profit of the hotel business is around 5.56 so versus last year's same quarter it may look high versus 5.06. But if we take out, iron out the things and we see the yearly average, we were at a 5.5. As it has been a stated strategy as well that whatever benefits we will try to get on the supply side, we will try to pass on the agency side, and we are able to grow business faster. Basis that only if you see that the improvement of the GP compared to the yearly average is nominal only.
- Swapnil Potdukhe:** Understood. Sir, will it be fair to say that instead of looking at the revenue growth, one should focus on your gross profit growth because that is.

**Gaurav Bhatnagar:** Absolutely, yes. GP is the number to focus on.

**Swapnil Potdukhe:** Just Q2 is typically a very strong quarter for us because Europe, since holidays are in Q2 generally is my understanding, correct me if I am wrong there. So, anything to call out here given that we are already one month down, there are any trends that you would like to highlight and how should we look at this quarter trending for you in terms of GTV as well as your gross profit?

**Gaurav Bhatnagar:** Swapnil it is trending in-line with our expectations for the European and basically Northern Hemisphere summer. We would expect it to be in line with what we were hoping to do in this quarter. What is hard to say right now is that will we be able to do some sort of catch up on Q1, unlikely given that the impact in Q1 is quite significant. But if you ask to look at Q2 standalone irrespective of what happened in Q1 then Q2 is pretty much in line with what we were budgeting for.

**Swapnil Potdukhe:** So, will it be fair to say that your GTV growth at least should come back to double digits this quarter YoY?

**Gaurav Bhatnagar:** Look, we don't want to do specific guidance on this Swapnil, especially given that we are in the midst of this quarter, but it would be fair to say that we should see GTV growth in-line with what we were expecting it to be before all the headwinds in Q1 happened.

**Aashvi Shah:** Next question is from Mr. Mann Maru. Sir, please unmute yourself and go ahead with your question.

**Mann Maru:** Hi, Sir. I wanted to know that the fees which you received from airlines or hotels is like how many days commission?

**Ankush Nijhawan:** When you say how many days what does it mean?

**Mann Maru:** As in, you get the fees which you get from airlines or hotels, the take rate. Is it like 5 days, 10 days, how many days you receive your commission?

**Vikas Jain:** In airline commission, there will be multiple types of commission that we receive from the airlines basically and other stuff. One is basically the commission which we get on cut and pay basis, which is on a transaction basis, which generally will get paid for at the time and will get reduced from the gross amount of the ticket as well. It is received at the time of the booking itself, because we will make the net payment to the airlines, but there will be some performance link incentives, etc., which is based on the targets. The targets would be quarterly, yearly, and those would only be received after the year is completed and the airline has completed the working for the calculations of the PLB, incentives, etc.

**Mann Maru:** Okay. So, is it like a combination of both?

**Vikas Jain:** Yes.

**Mann Maru:** Okay, got it sir. What growth do you expect further on revenue side?

**Gaurav Bhatnagar:** We don't provide specific guidance on revenue.

**Aashvi Shah:** Thank you. The next question is from Mr. Moez Chandani. Sir, please unmute yourself and go ahead with your question.

- Moez Chandani:** My first question was about your monthly active agents in the international market. That's been a sharp growth this quarter. Is there a particular geography that has driven this sharp growth?
- Gaurav Bhatnagar:** Moez the good news is that the growth is fairly secular. In fact, we have given monthly transacting numbers by regions as well in the commentary. We have not given growth numbers, but broadly it is very secular and the reason is that the playbook is pretty much the same that we run in every market, which is getting new sales team on the ground in cities or in countries where we were not present before and then start activating through a very tight sales efficient process with strong governance on it. We have seen growth come pretty much in every geography and really there are no exceptions to it.
- Moez Chandani:** All right, understood. My next question is about North America. So, that's grown at about 11% YoY for you this time and you have mentioned that this is probably the largest source market in the world, so obviously there is a lot of room to grow here. Can I understand how your progress has been in the American market because last quarter also you were talking about hiring a leader to lead this North American growth. What are your thoughts in terms of growth in that particular geography?
- Gaurav Bhatnagar:** Yes Moez, we hired Valerie to lead that region for us. It's been only a few weeks, so very early days. We are re-strategizing that market right now and we have also redone some of the sales team and brought in some new more sales feet on street as well. We do acknowledge that we should be growing faster in that market. At the same time, it is a tough market because of the way it is consolidated, but we remain very, very confident that we will find a solution for it within this year, and towards the end of this year we are hoping to show more growth in that market.
- Moez Chandani:** All right, great. Lastly on LATAM, there was some one offs, particularly with Brazil, which you mentioned, where there were new rules and regulations that came in. Is that market going to be somewhat structurally challenged, given that those taxes are typically permanent or do you think that there should be some growth recovery even for Q2, Q3 and Q4?
- Gaurav Bhatnagar:** Moez, in the short term, there is a structural challenge in that market, because this is a new tax, as currencies are volatile right now, foreign exchange is getting expensive for most of the developing world. So, there are some structural challenges in that market. We are reacting to it by taking various actions to see how we can bring the cost of sales in that market to a lower number, so that we can pass on the benefits to the customers and reduce our pricing in that market to gain a bit more demand share. I just want to be clear that this is specific to the market per say. I don't believe that we have lost share in that market, but the market itself has seen a bit of a headwind come in because of this unexpected tax that came up. They may be in the short term they may be a little bit more pain especially in Brazil. But having said that, in a medium to long term, it is a very large, very important high spending travel market, so we remain hopeful of full year growth in that market. But yes, for the next few months there is a structural challenge which we will have to overcome.
- Aashvi Shah:** Thank you. The next question is from Mr. Chirag Kachhadiya. Sir, please unmute yourself and go ahead with your question.
- Chirag Kachhadiya:** Sir, I have question on this SG&A expenses bifurcation which you have provided in the shareholders data and press release. If we look at the YoY chain, there is other expenses up by around 31% and mainly this hosting and bandwidth but if you look at the revenue growth that is not in-line. When can we see that it will go down or it will be in line with the revenue growth and what causes this increase disproportionately the other expenses?

- Akshat Verma:** Essentially, what we have seen in this quarter is a very significant increase in what we call search traffic, especially for the wholesale business. We have seen close to more than 100% kind of growth in search traffic, and that's essentially ballooned the cost. Plus, we essentially made significant investments as far as the AI infrastructure is concerned. These two are the major factors that have increased the cost. We have also essentially been looking and in fact we started to see this trend. We have been looking at optimization in terms of how we serve this traffic, and that has led to what we call a metric called cost per search, how much cost we pay for every search, and that we have seen meaningful decrease. We are going to work on this going forward as well and we have started to see a little bit of moderation. So, while the traffic is increasing, the actual cost on hosting is essentially now moderated, trending slightly lower as opposed to going there.
- Chirag Kachhadiya:** So. in H2 it will be lower than H1?
- Akshat Verma:** Again, very hard to really say. See, the business may grow faster, the traffic may increase a lot. The metric that is completely in our control from an infrastructure perspective is again what I call cost per search. There we do expect to see meaningful improvement. If more traffic comes in, in some ways we consider that as a good thing, and we will try to serve the traffic as efficiently as possible and there we will make meaningful changes. But if the overall traffic increases significantly then that may or may not be, we may not be able to offset with just the efficiency improvements.
- Vikas Jain:** Chirag, just for the benefit of everyone, we would like to explain that the business support services which are part of the other expenses. is primarily the expense being incurred for the sales of the contracting personnel who are not on our pay rolls because we don't have legal entities all across the world. They are working as consultants or retainers with us. That cost, obviously as we have explained, we have been making investment in this field so that cost has grown by around 24% YoY.
- Aashvi Shah:** Thank you, Chirag. The next question is from Mr. Karan Uppal. Please unmute yourself and go ahead with your question.
- Karan Uppal:** Just a question on Europe. We are already within the summer travel season in Europe. Our understanding is that the bookings happen one quarter in advance. Going ahead for Q2, are you expecting Europe GTV to remain at these levels, or do you expect some slow down here? That's the first question.
- Gaurav Bhatnagar:** Karan, you are right. Europe does see bookings happen in advance. But a lot of travel agents confirm, or what we call voucher those bookings closer to the actual travel date, and that is when it converts into revenue for us. The booking may happen, which is more like a hold on a booking that yes, I am holding the room, but I am not really confirming or paying for them. In that period of time, we don't book it as revenue. That is one, so you should see that flow through happen in Q2. The second bit is that the actual booking windows have also shortened this year, and that's a secular trend across the world actually, because of all the uncertainties people have been holding off on booking their travel a little bit, so that will also show up in Q2. Compared to Q1 which was also impacted, because Israel business had gone down to zero, and we count Israel as part of Europe. So, that should also recover, so we should see some improvement in Europe as a source market in Q2 compared to Q1.
- Karan Uppal:** Okay. Thanks, Gaurav, for that. Secondly, on the Middle East market, the GTV growth rate has been very strong. Going ahead, what sort of growth are you baking in? Any color on the same would be very helpful?
- Gaurav Bhatnagar:** See, we try and not provide this level of granularity on growth rates. I will just point out that a lot of this growth is happening because of the initiative that we have been taking and

a bit of market timing that happens typically around this time of the year. We are hopeful that we will continue to see significant growth in that market, but I don't want to comment on is it going to be even higher than what it is already, or is it going to be significantly lower. But we should expect to see growth in the Middle East absolutely.

- Karan Uppal:** In the base quarter in Q4 there was Ramadan, which was there, which was not in Q1 so that would have also contributed to this sort of a growth rate, is it a right assumption?
- Gaurav Bhatnagar:** Yes, that's the timing I am talking about.
- Karan Uppal:** Okay. Lastly on margins, between the reported EBITDA margins and the adjusted EBITDA margins, I believe that that is mainly driven by ESOP cost. By when these costs would settle down, can you please provide that clarification?
- Vikas Jain:** ESOP cost is obviously dependent on the balance left and if there are any new grants given during the year it would be an additional cost. But having said that, based on the grant that we have given till 30th of June, the expense that is had in the quarter was around Rs. 6.8 Cr, and we expect that overall, for the full year, it should be in the range of around Rs. 25 to Rs. 28 Cr depending if there is no further grants, obviously the further grants would be issued, the overall cost will increase.
- Karan Uppal:** Vikas are you expecting, this ESOP cost to continuing even in FY27?
- Gaurav Bhatnagar:** Yes, ESOP is a very important tool for attracting talent, and really as shareholders this is one cost we should build some comfort with because this does allow us to bring in the right talent for the amount of growth that we are aspiring for. While there is no immediate commitment to any additional ESOPs, we would expect that as we hire people, as senior people start to have a lot of their ESOPs vest, there is going to be an incremental cost that will come in over a course of time.
- Vikas Jain:** Just to clarify, the ESOP cost gets amortized over a period of four years, and it depends on the vesting period and the percentages which get vested every year.
- Aashvi Shah:** Thank you. The next question is from Mr. Prateek Kumar. Sir, please unmute yourself and go ahead with your question.
- Prateek Kumar:** My first question is on this SG&A expense schedule which has been given, most of the line items are sort of increasing upwards of 20% to 90% depending on the base. You said that you are expecting slower growth of expenses versus revenue from Q4; so which particular line item are we talking about here, or are all these line items sort of expected to go slower like incrementally?
- Gaurav Bhatnagar:** The two big line items that contribute most to the SG&A are payroll and personnel cost essentially and the hosting and bandwidth. On payroll, we know what our plan is and most of the investment, as we had discussed previously, was front loaded into Q4 and Q1 and hence we have seen the spike happen. We are expecting to wrap up the rest of the investment for this year between Q2 and Q3. That is one cost that on a YoY basis should slow start to slow down on a QoQ basis and then on a YoY basis as well. Hosting and bandwidth, like Akshat talked about, it is very hard for this cost and dollar value come down, because it is somewhat direct in nature, in the sense it is linked to the amount of traffic that we are serving. But we are building efficiencies over here. This cost should hopefully not grow at the same pace as the traffic growth and hence, booking growth. For what we call a wholesale enterprise part of the business, growth should start to outpace this cost, that's the way I would think of it.

- Prateek Kumar:** Okay, but this ballpark, this 29% growth, can it come down to a low double digit growth, low teens growth. That's when the margin expansion will happen, so how are we looking at because that's where your top line has gone right now?
- Gaurav Bhatnagar:** It is hard to put numbers on it and that's the reason we showed the data that we showed in our presentation right now. What should play out is that, all this new travel agent addition that we have started to do through the last four or five months, they should start to meaningfully contribute to the business by Q4 because these are travel agents, small businesses they are trying our platform right now but a lot of them, thousands of them are trying our platform as we speak. If we can retain them and nurture them, then by Q4 all of these should start to become productive, which will mean that from a KAM efficiency perspective that how many travel agents are active per key account manager or how much GTV is being driven by per salesperson, that metric should start to increase by Q4. This should outpace the growth in SG&A. I don't want to be very precise on exactly how much of outpacing is going to happen, because it's early days also very hard to say how much investment will happen in in Q2, Q3 and if there is going to be some spillover in Q4 but broadly, the hypothesis is that we are working against is that on one side, our investments are slowing down now because the investments have happened. On the other side, the return on those investments will start to happen and both should converge in Q4.
- Prateek Kumar:** Sure. I understand my next question is on air segment which obviously had external factors impact this quarter, but is that something which we expect to return to growth this year on a quarterly basis?
- Ankush Nijhawan:** We saw some 2% improvement in the air business even in Q1 despite all the headwinds we are facing. So, we do kind of believe that we will have some kind of growth in Q2 and let's see how it plays out. But as we said we can't give you any guidance, that would be my answer to your question.
- Prateek Kumar:** Sorry, 2% growth, I said it's 11% decline.
- Management:** We have a recovery of 2% growth in Q1, de-growth was lesser in Q1 in spite of the challenges, what we faced in the last quarter.
- Prateek Kumar:** We have discussed about like ballpark 30% kind of GTV growth in hotel segment and, around 25% EBITDA growth of full year. Where do we stand on these numbers after Q1 performance?
- Gaurav Bhatnagar:** Given the headwinds that we have seen, obviously Q1 was behind the budget. It is hard to predict at this point in time what kind of recovery and catch-up can happen on what we lost in Q1 over Q2, Q3 for top line. For bottom line growth, it's a tossup between holding back investments and driving higher EBITDA and also seeing how we pace the investment. It's very early days for us to kind of be able to give some kind of a view on how that will play out, because on one side we have seen very promising results on the investment we have made so far. We are very hesitant to kind of pull back on investments when it's going so well. But given what we have seen in Q1, it will be we will have to take a call on it. But as of now it's very hard to say what the full year numbers are going to look like.
- Aashvi Shaa:** Thank you. The next question is from Mr. Ravi Purohit. Please unmute yourself and go ahead with your question.
- Ravi Purohit:** I don't have any quarter specific question but just wanted to kind of understand our business a little bit more so, especially on the hotel side. How do we approach onboarding new hotel properties, or building inventories for new hotel properties? Is there any specific area that we focus on, the kind of hotels that we focus on, given the difference in take rates

between, let's say, five-star hotels or three-star hotels? Secondly, how do we make our platform attractive for offline agents from the point say, a good spread of inventory geographically or helping them with the right kind of hotels for their customers. A lot of OTAs provide these ratings and feedback and reviews. So, from our agent's point of view, how does this kind of become a very, very attractive platform for them. If you could just share some insights on that and connected to this is also if you could help us understand the entire payment cycle; right from a customer making a booking on offline agent's page or the offline agent making a booking for the customer, and the customer making the payment to the offline agent who will make the payment to you. When do you make the payment to the hotel? If you could take a very, very rudimentary example for our simplicity's sake and explain how this entire cycle and chain works. That may be very helpful. Thanks, those were my two questions.

**Gaurav Bhatnagar:**

Ravi, I will answer your question on how we look at supply. Then I will pass on to Akshat to just talk a little bit about platform hooks and how do we make the platform more attractive for a travel agent to discover the right supply. Maybe Vikas can spend a minute on just explaining the payment cycle.

The business is focused on the outbound premium traveler. This is somebody who is traveling from their country to some other country and likely to book premium to luxury travel. Our supply strategy is also anchored around it. We look at hotels, typically five-star hotels, maybe four-star, high end of the four-star hotels that we do want to work with directly. These hotels would typically be in attractive, inbound destinations, large destinations where a lot of international travel happens to you can think of like Dubai, London, Paris, parts of Spain, Italy, etc. Our model of onboarding is that we have a fit on street supply contracting team on the ground, combined with a team which is focused on for smaller hotels, doing more of remote contracting. We have a fairly sophisticated tech stack which allows us to rapidly onboard a new hotel. The commercial negotiation needs to happen with a hotel on the ground, but once a hotel has been on-boarded, getting their supply inventory and rates on the platform happens fairly through automated process which allows us to continue to add inventory fairly quickly. We also work directly with chains, with several chains directly, which is more of a tech connectivity combined with commercial negotiations. Akshat, do you want to discuss the tech, the platform itself?

**Akshat Verma:**

Coming to essentially how does an agent discover the hotel with the right value for their customer. It's not very different from the way B2C platforms approach this problem. We also have a review rating that agents can look at and look at hotels that would make sense for them. In general, anyway we do not offer a lot of really low rated properties in any case. So that's on the hotel selection part, but what is very crucial for travel agents is this, are their comparable properties that are getting better value, either in terms of exclusives that TBO provides to them, or in terms of rate and all. We have essentially what is called a standard sequencing algorithm, which order ratio voters for every search and there, we take all of these factors into consideration. We also run digital campaigns, educating customers on what would be the relevant inventory that they should add a lot of value on. In a nutshell, we have to do exactly the same kind of things you have to do on B2C, with the caveat that in our case, we can actually talk about things which are slightly more difficult for a B2C customer to understand. Exclusives things like early check-in, late check-out and those kinds of things are something that B2C does not highlight as much, whereas in our case, we essentially need to highlight those in a much better fashion. That's how we help the customers discover the right value for them.

**Vikas Jain:**

On the payment cycles basically, especially in the hotel business it is a highly negative working capital business, but it means we work with travel agents, either on the advance model or on the credit model. In the case of advance model, a travel agent would have to maintain some funds with us, against which we will be able to make the bookings. On a

credit model as well, we may be giving up fortnightly, weekly, monthly credits based on bookings or check ins. However, on the supply side generally we would be making either payment near to the check-ins or when we are working with third party suppliers, etc we make payment to them on a monthly basis or a fortnightly basis, based on the check-ins. That results in very good negative working capital for our hotel bills.

- Ravi Purohit:** What's the typical length of this negative working cycle and like you mentioned an important point earlier that there is a difference of number of days between booking and the voucher creation. When does the customer make the payment? Let's say if I am standing on day zero and I am a customer who wants to kind of make an overseas booking for a hotel, and I confirm to the agent to the area I would like to take this whatever; can you go ahead and make the booking for me. Could you explain in days or make it very simple to kind of understand that sense?
- Vikas Jain:** Sure. In terms of the payment terms which a travel agent offers to each customers will vary again, from his whatever relationship he has with his customers or not. There might be some walking customers where he might be charging up front before booking a package and there might be some repeat customers he might be offering some credit. For example, but I can explain you let's say for example, there is a booking which is for a check-in of let's say we are sitting on 4<sup>th</sup> of August, and their booking is, check-in is happening on September per say. In our model basically, if a travel agent is working on an advance model, he would have to pay upfront before he can voucher the booking and in case a travel agent is working let's say on a credit period of monthly bookings kind of thing, he will be making 1<sup>st</sup> to 30<sup>th</sup> of month payment by next month or by 5<sup>th</sup> or 10<sup>th</sup>. We would be paying to the supplier in the month of check-in. It would be at the time of check-in if it's a VCC supplier, which is a virtual credit card supplier, or if it is a third-party supplier and we really enjoy a fortnightly or a monthly credit, we will be making payment of the September check-ins in the month of October. To give a perspective on the number of days per se, at an overall enterprise level, we would generally be sitting on a negative working capital of 3 to 4 days of GTV.
- Aashvi Shah:** Thank you. The next question is from Mr. Nitin Sharma. Sir, please unmute yourself and go ahead with your question.
- Nitin Sharma:** Firstly, how one should see your airline GTV over the next few years, but what I mean is what percentage of GTV do you see is coming from the airlines since there has been kind of the growth has been slowing. What's the thought process there?
- Vikas Jain:** For airline GTV, overall, it is currently in this quarter was contributed around 38% in terms of the GTV and 62% was contributed on hotels and ancillary. However, the gross profit numbers there in the airline business would be contributing around 11% to 12% and hotel business contributes more than 85% per say.
- Nitin Sharma:** Is it where to expect it to remain, is it a comfortable number or could it go down further as a percentage of revenue?
- Ankush Nijhawan:** Nitin, obviously as a hotel business keeps growing as an enterprise, the absolute percentage of the airline business will obviously shrink. But, historically below our air business have grown about 10% to 12%. Yes, we have had some de-growth in the last three quarters. But we are confident that going forward we should maintain the same levels of growth. But in the overall scheme of the GTV obviously our focus remains on hotels and ancillaries which will keep growing in other markets as well as an enterprise. So, to be fair you will see some growth in the air business, but overall GTV would probably remain in the same line what we anticipated.

- Nitin Sharma:** Understood and the second question on the hotel take rate. Are there any factors that you want to point out that could drive your hotel take rates up from here over the next 12 to 24 months?
- Gaurav Bhatnagar:** Nitin that's not a focus area for us right now, because it's hard to drive top line growth as well as margin expansion at the same time. There is obviously significant effort and investment going on to improve the quality of our supply which will often lead to just better pricing, but at least in the short term our view is that let's continue to pass on the benefits of that pricing to the customer or the travel agent to remain competitive.
- Aashvi Shah:** Thank you. The next question is from Mr. Mohit Motwani. Please unmute yourself and go ahead with your question.
- Mohit Motwani:** My first question is on, as you spoke about how a large part of your investments should be done by Q4. Can you share with us how long does it set you up in terms of growth, maybe let's say for next 2 to 3 years given that you have a sense of which market has what type of opportunity, and you have been investing in markets like Australia. You are already investing in having more sales agents, and ultimately you expect to extract a lot of efficiency out of them. With the investment that you are doing right now, what kind of result and how long do you expect to get growth from that as the investment you made in terms of the subsequent years?
- Gaurav Bhatnagar:** Mohit, one way to look at it is to see how the old cohorts typically perform in the business, and we have seen that it takes roughly two years plus to truly start deriving full value out of a specific year's cohort. Because for any given year, the full year cohort is only active in the business only for half of the year; so, we usually see them double their business the next year, but then they have significantly outpaced the overall growth in the subsequent year as well, and then they start to plateau out a little bit. That is purely from travel agents or this key account manager salespeople that we are adding this year, we would expect to see at least two to three years of runway of fresh growth because of these KAMs.
- Having said that, there is also work happening on KAM efficiency, which should make our existing KAMs also more efficient which will also drive some uptake. Now, having said that, it is important to kind of take a pause and look at the size of the market and how large or small we are in context of that market. It's a hundred of billions of dollars of KAM. Once, collectively the management has built the conviction on the fact that adding new sales drives disproportionate value, we might continue to invest in building new markets or building depth in existing markets, in the subsequent years as well. But, it is reasonable to expect that, because the size of the business will be larger and there will be a trickledown effect, or roll on effect of the fact that this year, new agent edition is strong, in subsequent years these quantum of investment compared to the quantum of growth we expect from the investment should be lesser, and hence we should see some margin improvement happen.
- Mohit Motwani:** Sure, thank you for the detailed color on that. My second question is, you spoke briefly about how you lost 20 days in this quarter of April to June, where there was Iran Israel war, there were disruption for India as well. Now, given that hotels GTV is primarily international in nature, and this is basis source of demand. Can you give us a color how are the months of April and May will see a good growth in those months? I am assuming that there will be a sharp decline in June, on a YoY basis. So, how are the months of April and May if you can share some color?
- Gaurav Bhatnagar:** I don't have the numbers top of my mind, but we were seeing North of 20% growth in April and May; unfortunately, June saw the headwind it saw which was just bad luck.

**Aashvi Shah:** Thank you. That will be the last question for today, I would like to now hand it over to Mr. Gaurav for his closing remark.

**Gaurav Bhatnagar:** Thank you, Aashvi, and thank you everyone for the detailed Q&A. Would love to get feedback on this format and as well as any incremental feedback on the format of the shareholder letter. Thank you, everyone.

*This Transcript has been slightly edited at few places for clarity and accuracy and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.*