



TBO Tek Limited  
Q4 & FY26 Earnings Conference Call  
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**MANAGEMENT:** MR. ANKUSH NIJHAWAN - CO-FOUNDER AND JOINT MD  
MR. GAURAV BHATNAGAR - CO-FOUNDER AND JOINT MD  
MR. AKSHAT VERMA - WHOLE TIME DIRECTOR AND CTO  
MR. VIKAS JAIN - CHIEF FINANCIAL OFFICER  
MR. PRAMENDRA TOMAR - GENERAL COUNSEL  
MR. SHRESHTH MAHAJAN - ASSOCIATE DIRECTOR, INVESTOR RELATIONS

**MODERATOR:** MS. VANESSA FERNANDES - ADFACTORS PR: INVESTOR RELATIONS

**Vanessa Fernandes:** Good afternoon, everyone. This is Vanessa Fernandes from the Investor Relations team at Adfactors PR. On behalf of TBO Tek Limited, I would like to welcome you all to the Earnings Conference Call for Q4 & FY2026.

Today on the 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. Vikas Jain – Chief Financial Officer, Mr. Akshat Varma – Whole-Time Director and Chief Technology Officer, Mr. Pramendra Tomar – General Counsel, and Mr. Shreshth Mahajan – Associate Director -Investor Relations.

We will begin the call with 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 risks and uncertainties that could cause the actual results or projections to differ materially from those statements. TBO Tek will hold no responsibility for any such actions taken based on such statements and undertakes no obligations to publicly update these forward- looking statements.

I will now hand over the call to Mr. Gaurav Bhatnagar for his opening remarks. Over to you, sir.

**Gaurav Bhatnagar:** Thank you, Vanessa, and good afternoon, everyone. We have already shared a detailed Shareholder Letter yesterday, so I will not go through the detailed results in my opening remarks, but rather I will just give a high-level commentary on how we have viewed the last quarter and what is the impact of all the geopolitical tensions on the business and how we react to it.

As a company, Q4 saw disruptions, which we are all aware of, but overall, we believe that we had a satisfactory response to the disruptions. I think the advent of the war at the end of Feb also tested the resilience of our business and which is shown through in our results. In spite of the fact that our largest source market, which is the Middle East market, and Israel, which is one of our Top 7 source markets as a country, were very severely impacted, on a year-on-year basis, we were still able to demonstrate growth both on the top line and the bottom line.

Apart from that, we have also seen that the recovery in the business corresponding to the changing circumstances of the war is quite sharp. In pockets, whenever there has been positive news, for example, when the ceasefire was announced in the Middle East in April, we saw a sharp uptick in business at that point in time. So, we remain hopeful that while the war has a short-term impact, the long-term impact will be minimal and depending on when a favorable outcome happens on this war, the business will start to come back quickly.

Just to recap the three pillars of our strategy for the previous year:

- The first one was our increasing investment into market development activities and that played out quite well for us. We had an increasing spend on SG&A in the beginning two or three quarters of the year. But that spend started to taper off by Q4 and we have shown data in our shareholders letter, you will see that in Jan and Feb, we were seeing very strong operating leverage, margin expansion, as well as EBITDA growth on a year-on-year basis for these two months, compared to the same period last year. Of course, March was a complete washout for us because of the war. Hence, on a full quarter basis, the operating leverage did not flow through. But we are starting to see that similar sentiment in the current quarter as well. The whole hypothesis of accelerating investment into market development, focusing on adding new travel agencies and getting them to the first 5th and 10th transaction has worked quite well for us. If you see, the number of monthly transacting buyers on a year-on-year basis has grown very dramatically in the last one year. So, that is where all the investment that we made has gone in and we will start to see the results from it in the coming year.
- The second big focus we have been increasingly talking about is anchoring around the luxury end of the spectrum. This is important from two perspectives. One is that I think the luxury business is far more resilient to all the geopolitics and rising costs compared to the premium or the budget end of the spectrum. Secondly, as AI becomes more prominent, especially in the travel booking workflows, we still believe that the complex connected itineraries at the luxury end of the spectrum will still largely be booked via travel advisors and travel agencies. In that direction, we made significant progress this year. We have created a new AI-first tool called Voya. We shared some more details about it in the shareholder letter as well. I must admit the tool has come out well. The whole business that is being built around Voya is to allow travel advisors to get access to ultra-luxury supply on the platform, use AI tools to create these complex itineraries, share these itineraries with their travelers, and create an AI-led workflow with them to quickly get those itineraries to closure. We believe this is a very important, I would not say pivot, but an adjacency to our current business where we will start anchoring more around building complex itineraries as and when standalone hotels and flight bookings.
- The third big news for us last year was the acquisition of Classic Vacations. We had a stated intent to grow in the North America market, and some of our previous attempts had not been successful. The Classic Vacations business is now more than six months into our fold, and we are happy to report that the integration process is well on its way. We are integrating across platforms, across supply, and across demand channels. While we are, I would say we are probably about halfway through the integration process, but we intend to complete the integration by the end of Q3, by the end of this Calendar Year.

Finally, just our view on how Q1 is shaping up because there has been a fair bit of uncertainty because of the war. We are pleased with the way business has started to recover, especially in markets which are not directly impacted by the war. So, the initial

reaction right immediately after the start of the war was that business has started to slow down pretty much in every source market. Since then, we have seen strong recovery across markets which are not directly impacted by the war.

In the markets like the Middle East and Israel, where we have a more direct impact of the war, we are starting to see increasing recoveries to the extent that in pockets we are seeing volumes which are similar to the pre-war volumes, not exceeding those levels though. As a whole, we would still expect Q1 to be better than Q4, and we would also expect Q1 to be better than same period last year.

That's the broad summary. If the top line plays out as we are anticipating it to be, we continue to have a moderate SG&A growth, and hence we should see some green shoots of operating leverage play out in Q1 as well. So, those are the high-level comments from our side. We will open for questions now.

**Vanessa Fernandes:**

Thank you, Gaurav. We will now begin the question-and-answer session. Participants are requested to raise their hands virtually to ask questions. We request you to introduce yourself and the firm you represent before going ahead. We shall wait for a minute before the question queue assembles.

We have a first question from the line of Mr. Karan Uppal. I request you to introduce yourself, please.

**Karan Uppal:**

Hi, this is Karan Uppal from Phillip Capital. Thanks for the opportunity and congratulations to the entire team on a very strong set of numbers despite so much uncertainty as well as the recent war. Gaurav just wanted to understand the hotels and ancillary growth. The growth has been very strong despite geopolitical shocks as well as elevated fuel prices.

Can you attribute some reasons as to the kind of strong performance? Is it the new KAMs which have been added, they are more productive or they have added high-quality large agents or maybe the end clients of TBO are premium or luxury so they are immune to basically changes in the environment. Any reasons you can attribute to the strong performance?

**Gaurav Bhatnagar:**

Yes, thanks Karan. Look, I think it is a mix of both the factors that you are talking about. But primarily, we were anticipating and we have talked about on our previous calls as well that we were anticipating Q4 to be extremely strong in terms of year-on-year growth.

The reason was that when we started doing market development investments in January of 2025 onwards and to spend the next 6-9 months onboarding a new sales team and then signing up new travel agents, there is a lag when you start onboarding travel agencies and when they start to become meaningfully productive for you because these are small businesses. That is why our T1, T5, and T10 journey is so important. We were expecting this to happen that by the time we come to Q4, all the effort that has gone into onboarding

these new customers will start to pay off. Q4 we were also with a little bit of timing that some of our large partners also went live in that one quarter.

Of course March was impacted and even in spite of the March impact you could see the growth that we have delivered. If March was not impacted then the growth would have been much higher and we are hoping that at some point in the next few quarters as things settle down to pre-war area, we will start to see stronger growth. So, while the numbers look good standalone, from our perspective if the war had not happened the numbers would have been much stronger than what they are. Majority of it is just our gain of market share in the market that we have been investing.

We believe in the resilience of our business model that the demand impact of wars or pandemics or geopolitical events or inflation is relatively less at the premium to luxury end of the spectrum and that also shows through because even in a market like the Middle East we have started to see demand come back fairly quickly. Now that may not be true for the budget or the premium end of the spectrum, but the high value bookings have already started to happen.

**Karan Uppal:** Thanks, Gaurav, for the explanation. On EBITDA to GTV ratio, if we look at it for last three years, that has been stable at 1%. Now with SG&A growth tapering down shall one expect this ratio to move up starting FY27?

**Gaurav Bhatnagar:** I think that's a reasonable assumption and it's a function of two things. One yes, absolutely as SG&A growth tapers down margins should expand and secondly the saliency mix will also help as our hotels business, which is higher margin business grows faster than the air GTV.

**Karan Uppal:** One question to Vikas sir. Cash flow from operations has been negative even though the FCF has been negative this year. You have mentioned in the shareholder records the reasons for the same. Now from go forward perspective shall we assume that the cash flows will return to its normalcy? Let's say in FY24-25 levels we saw, let's say 90% CFO-to-PAT ratio or FCF-to-PAT was also above 100%. Can we expect similar levels in FY27?

**Vikas Jain:** We are working towards the same thing only. As I explained in detail the reasons for the negative movement in the current year but some of these things are primarily timing in nature be it related to the Brazil anticipation or be it some trade receivables getting delayed collections due to the war and other situations. So, those timing issues are getting resolved as we speak and obviously by the end of the year, we will revert to the original EBITDA-to-cash flow conversion percentages.

**Karan Uppal:** Just last question on Classic. The take rate at the time of the acquisitions was around 23%. Now we are operating at 25%. Even EBITDA to GTV numbers are higher. Can you explain the reasons for the same and how we shall think about Classic in terms of the growth as well as the take rates and the margins?

- Vikas Jain:** Early days to say but the changes are not very material as we speak. At times, it is because of the mixed impact in the business be it between the groups and the FIT business and between Air and Hotel so and so forth. There is no material change we have made from the increasing our margins. So, we think that the margins that we are operating that would operate in these ranges only. Currently we are not looking at optimizing margins per se.
- Karan Uppal:** How shall we think about the growth in Classic business?
- Gaurav Bhatnagar:** See, Karan very-very early days. The way we are thinking of growth in the North America business, because we have Classic and TBO North America. Internally we view it as one business. We are absolutely anticipating significant growth in that business. I would hate to quantify into a number right now but on a year-on-year basis absolutely the business will grow. In certain ways those businesses are already optimized in terms of SG&A. So, the flow through of operating leverage on those businesses will be higher. These businesses can add meaningfully to the bottom-line growth need not grow very highly on the top line.
- Karan Uppal:** Okay cool. Thanks. Thanks a lot.
- Vanessa Fernandes:** Thank you Karan. We have our next question from the line of Mr. Manish Adukia. I request you to kindly introduce yourself.
- Manish Adukia:** Good afternoon, this is Manish Adukia from Goldman Sachs. Thank you for taking my questions and commendable disclosures you have made. Quite appreciated.
- I have a few questions and most of them follow on to Karan's question and Gaurav what you spoke in the opening remarks. Firstly, on growth from a near term perspective you mentioned that the June quarter should be better both YoY and QoQ which is encouraging to know. When I look at the month of March where you had implied GTV being down I think mid-single digit and GP being down about 10% and despite June quarter having like the full quarter impact of travel you are suggesting that on a YoY basis both GTV and GP should be up. You are not quantifying that but it's safe to assume that maybe in the single digit range? Would that be fair to say?
- Gaurav Bhatnagar:** Yes, we are not quantifying it Manish, but where things are and with always a caveat that things are at status quo right. If things were to change for the worse, in terms of the just geopolitics, then who knows what happens but let's assume that there is no good news and no bad news beyond what is today. We would expect to see both the YoY growth from Q1 of last year as well as QoQ growth from Q4 of last year.
- Manish Adukia:** Very clear thank you. My second question is on the GP growth in Jan and March which was like high 20s or mid-to-high 20s which seemed like a very strong print, and you talked about of course the investments you have made in the business in the last few quarters and the goodness of the sales investments etc.

Now that let's say, you are coming off that investment cycle and that investment will reap benefit now let's assume that tomorrow if you were to go back to normal completely at least from a foreseeable future standpoint has the growth of the business been reset to like mid-to-high 20s given just the investments you have made and then maybe at some point time you will have to start making investments again. But for now I would have thought that the business may be closer to 20% growth but it looks like it's a higher growth business.

Just want to see if Jan-Feb were there like one-offs that drove the growth higher than the trend line growth is or is the trend line growth closer to that mid-to-high 20s number?

**Gaurav Bhatnagar:**

See, Manish I think the aspiration as we have always talked about is to grow in that range right at least, I will not say mid-to-high 20s but early-to-mid 20s. That remains the aspiration for the business.

Look, the investments have already happened and that is starting to pay off and I will continue to pay off because these are not one-off investments in the sense that the sales people we have hired will continue to add more to the business. What remains to be seen is large markets like Israel and Middle East when they come back and to what level do they come back from where they used to be.

Early signs are still, I would say, look encouraging, but we really can't comment on them until we have gone through at least two quarters of just normal normalcy. It's not very clear what happens because if there has been some outward migration from the Middle East and does it impact outbound travel from the Middle East. Inbound travel is also impacted right now so very hard to say where that lands but yes, the whole business plan was anchored around this growing north of 20%. We do believe that unless some serious downward movement happens in the base of where normalcy sets in, we should continue to grow in that range.

**Manish Adukia:**

Thank you very clear. My other question was on AI and again thanks for all the color in the shareholder letter in terms of let's see your conversations with your suppliers as well as buyers. What they are doing around AI? Is there anything that suppliers are doing differently or buyers want to do differently which may concern you or any trends that you can call out that potentially could actually be beneficial to TBO. So, any thoughts around that would be helpful.

**Gaurav Bhatnagar:**

Manish, I think there is a lot of conversation around AI and that maybe is beyond the travel industry as well. So, there's a lot of conversation around AI. I also feel that there is a fair bit of work everybody is doing around productivity but which is more internal to the organizations to say how can I drive more sales productivity, more CX productivity, more developer productivity but from a change of business model perspective we have not seen anything substantially different like the obvious stuff is happening right people have

written some MCPs to show their results in Chat GPT or on Clout but I don't think there is any evidence as yet that that's meaningfully driving business for anybody.

There are voice or AI chatbots people are introducing in their apps which is all I kind of like expected but I don't think anything materially has moved either on the supply side or on the demand side yet for us to either see it as a massive, big opportunity or a massive threat.

**Manish Adukia:**

Very clear. Thank you. Just last question to Vikas and to follow on to Karan's question and again thanks for all the reasoning in the shareholder letter around the cash flow and the working capital, but when I look at let's not just the full year number but even on a six month basis six month FY26 the disclosures you had made the working capital was like a large drag and that drag has only worsened for the six months ending March.

So, I am just trying to understand that why should that be the case. I understand the explanation for March or the six-month ending March, but why should it have been worse in September and then it's only gotten worse in March. I am not fully clear on that part.

**Vikas Jain:**

Manish, couple of things here. The Brazil anticipation impact started somewhere in Q2 itself and that had impacted our September numbers. From that perspective September numbers were also impacted. The worsening is primarily happening there are two or three things here. When I mentioned the performance-linked bonus incentives, generally these performance-linked bonus incentives are from the financial year especially for the airline separate to March or let's say for the hotels it is with from January to December.

Because of the growth in the business the PLB balances have increased. The recovery for these balances starts happening between Q1 and Q2. So, that is kind of dragging the March numbers per se.

Secondly, as I explained related to the trade receivables per se because of one geopolitical tension in Middle East due to the war coupled with the fact that there was Eid holidays in the last fortnight of March, there leads to delays in some collections from our long-standing partners and which leads to a temporary I would say build up during the quarter and that has also kind of impacted.

Third, we didn't have any actual bank deposits which are more than 12 months period in the last year. They also as per accounting, get classified as other financial assets, etc and they are also getting clubbed under the working capital change movement. These things are kind of impacting and leading to some worsening in March.

**Manish Adukia:**

Thank you so much very clear. All the best.

**Vanessa Fernandes:**

Thank you Manish. We have our next question from the line of Manik Taneja. Please go ahead.

**Manik Taneja:** Thank you for the opportunity. I had couple of questions. With regards to competitive intensity, given what we have seen from some of your global peers talking about resetting their take rates to a much lower number, would love to get your thoughts as to how do you see that playing out? That's question number one.

Additionally, while you were mentioning that Q1 may be a positive growth quarter both on a sequential and YoY basis, given some of the impacts around pricing and some airlines also reducing their connectivity; how do you see this playing out with regards to the Q2 of your financial year which typically is the best quarter that you enjoy?

Lastly, a clarification question on cash flow. Vikas, basically while you have called out multiple factors impacting your cash flow, would love to understand how does the dynamics around the changes in Brazil, etc. impact your traditional cash generation capability?

**Gaurav Bhatnagar:** I think our peers and competitors have talked about some lowering of take rates. Now, you must see it in the context that we have started from traditionally the most competitive and most price sensitive market which is like India and Middle East and then we have progressively moved to higher take rate markets like North America and Europe.

While there is always this pressure around take rates. For us, it's one balances off from our perspective that we are starting from markets where the average take rate is lower than markets where the average take rate is higher. You will see that our growth is largely driven by higher take rate markets.

Secondly, we fundamentally operate our business at a certain margin and a certain EBITDA margin, which allows us to remain competitive at the take rates that we operate at today. So, we are not anticipating any immediate, right? When I say immediate, I mean short to midterm downward pressure on take rates. We absolutely intend to maintain them at the current levels. We are also not trying to improve our take rate from where they are, because we have always been clear that it's an aggregation business. You must take market share. We should be leaving money on the table for our travel agents. There is no effort to improve our take rates. But there is also no downward pressure on the take rates as it stands today.

**Ankush Nijhawan:** On the supply side, on the airlines, there are some cuts which are happening. One, I think it is temporary, because as the oil hopefully comes down, if the war settles down these inventories, which the airlines have cancelled, will come back very quickly. The other thing is that the supply might have reduced in domestic, but the fares have gone up, but the passengers are still traveling because this is a peak of summer holidays as well within India.

Secondly, international routes, which we heard have been cut by Air India, etc.; will obviously pass through a subsidiary to another European airline or somebody traveling to Asia Pacific, etc. What we have seen is the shift of business happened, especially, hardly anybody traveling into Dubai still, but the business is either into Asia Pacific and, for example, Japan has been the flavor for a lot of HNIs, and obviously, the ultra-HNI still continue to travel to Europe. We are seeing these trends.

Keeping in mind, because of the summer season, which obviously most of us are on, the kids are on leave, I think travel is something which will continue to happen in spite of a little crunch in the inventory on the airline sites.

**Vikas Jain:** On your question related to the cash flow on the Brazil anticipation, just to refresh again in Brazil, we generally collect payment from customers to credit cards, where the payments are being made in installments, but with no recourse to us.

Earlier, we used to anticipate or discount the payment we used to receive the payments upfront by paying certain charges. However, in Q2 of last year, we tried to do some kind of experiment to see if we don't anticipate any positive impacts in the business sense, whether we are able to drive business up by lowering the margins, which we have increased due to cover this anticipation cost.

We ran that experiment for a couple of months. But we saw that there was not a very measurable increase in our business. So, we reverted to our old position somewhere in mid-December. But what this led to is basically during that period, the customers' receivable we had not discounted for, those monies we would be receiving, I believe majority of the payment will recover by Q2 of this current financial year. So, that impact will go down after Q2.

**Manik Taneja:** Any thoughts on what our CFO-to-EBITDA or FCF-to-EBITDA ratios should be with the way our business mix is progressing?

**Vikas Jain:** Historically, as well, we have been delivering more than 100% per se and that's what we would strive to do by end of this financial year as well.

**Manik Taneja:** Great. Thank you and all the best for the future. Thank you, Manik.

**Vanessa Fernandes:** We have a next question from the line of Mr. Prateek Kumar. Kindly introduce yourself.

**Prateek Kumar:** Congrats on the great results. This is Prateek from Jefferies. First question is on what quantum of EBITDA is you think you would have lost in Q4 based on the run rate you were thinking for March from Jan-Feb levels versus the Rs. 110 crores EBITDA which you have reported for the quarter?

**Gaurav Bhatnagar:** Prateek, it's a very hypothetical question., which we have talked about and limited about enough internally. I don't want to give a specific number, but I think the one easy way to look at it is that given our costs are what they were, right? So, there was no material change in cost from Feb to March, given that that was just the start of the war.

Historically, March is usually stronger than Feb. So, you could extrapolate yourselves to see that any incremental GTV, especially hotel GTV, would have largely translated to the bottom line. I leave it there. It's an easy calculation and it's a significant loss for us. From a margin expansion perspective, all the operating leverage expansion that would have happened got lost because of it.

**Prateek Kumar:** Because first two months were running at 50%-60%, it seems like you have lost like Rs. 30 crores to Rs. 50 crores in that month because the full quarter number has significantly come down, because of like at 5% to 7%.

**Vikas Jain:** As Gaurav mentioned, we can't give you an exact number, but by doing calculation you can derive it, these are the numbers we have already published.

**Prateek Kumar:** Okay. On this 16% SG&A growth, how are you looking at this growth? Are there any specific measures to control cost in this environment or how are you looking at SG&A cost for like-for-like basis in FY27?

**Gaurav Bhatnagar:** Pratik, the SG&A growth will not accelerate from where it is, it will slightly taper down as well. Hopefully, the gap between SG&A growth and GTV growth will increase, which will lead to operating leverage and expanding margins. We just want to be clear, while there is a strong focus on cost control and hiring increases in different parts of the business, we do recognize that our business model essentially works very well with expanding size of the Salesforce and adding salespeople where we didn't have salespeople before. That investment will continue. But that investment is not on the same scale as intensity as last year.

Hence, you will see SG&A will still grow. You will not see that SG&A has come flat compared to last year, because I think that will be a little bit too short-sighted. But the top line at this from here on, should definitely grow faster than the SG&A.

**Prateek Kumar:** On like-for-like basis, you said that you are growing YoY and QoQ, of course, SG&A growth will be still like a higher number, like let's say 15% growth run rate. So, on like-for-like basis, margins will still be lower right in Q1? Is that what we should think about?

**Gaurav Bhatnagar:** Given the uncertainties of the situation, it is very hard to say where it lands. But, we are just hopeful that we will show at least in dollar terms, both EBITDA growth from previous year as well as from Q4, but really don't want to comment beyond that.

**Prateek Kumar:** Okay, my other question is on impact of war on international travel, because clearly, there is like a lot of noise around high airfares, and amount of capacity which is being taken out. Indian companies definitely seem to be doing more but global companies are also taking out capacity. When you say that you are seeing normalization generally, is this something which doesn't impact or like more hotels are seeing better recovery, which are I don't know, which is how that is getting driven. But there is a lot of noise around high airfares and capacity withdrawn from the system.

**Gaurav Bhatnagar:** Prateek, I think corridors have shifted for sure that is one thing that we are seeing. Because Middle East as a destination is a large destination that has seen a big downturn.

Secondly, there is uncertainty around traveling on the Middle East carriers as well as at this point in time, especially from Europe to the East. So, corridors have shifted, I think that there's a bit more interregional business that we are seeing where typically, airfares don't impact so much because for example, if you are traveling within Europe, the airfares are still reasonable in at least in dollar terms, and definitely lower than say, if you were going to do long haul travel. That is one thing that is clearly visible. The corridors have become shorter.

The other thing that has happened is that the booking windows have also shrunk a little bit, which is why overall, the industry remains hopeful that if some resolution happens to the war in the next few days, we can still capture the June, July, August, September summer traffic. So, yes, I think there is there is an impact, we can't say there is no impact, like Ankush said, the consequence of that is that air fares are higher so from GTV perspectives, you probably need to sell less tickets to get the same amount of GTV.

And then the other bit is that the spectrum that we try to operate in, which is more premium and luxury, less sensitive to minor changes in airfares, but yes, more sensitive to the actual geopolitics of not choosing not to fly certain carriers or through certain transit points.

**Prateek Kumar:** Okay, in your case, because the business is like, accounted by the source of market. Middle East as a source of market, would have still being lower in terms of contribution in Q1, right? Other markets might have been doing much better.

**Gaurav Bhatnagar:** Yes, that is correct. I think Middle East continues to be below pre-war levels. But it is catching up.

**Prateek Kumar:** Okay, last question is on competition. Expedia reported 20% growth in B2B higher than their B2C segment. How should we look at their comments on growth? Is this a growing competition or because they are also one of your suppliers. Since they are your large supplier, is this sign of increasing competition or generally is the B2B market growing more now?

**Gaurav Bhatnagar:** In general, the B2B market is growing faster than the B2C market. There seems to be some level of saturation in whoever was going to book online and sell book is already there. Just finding new customers to book online is harder. It's hard to really comment on the source of growth for Expedia because they don't lay it out. But their core business is selling to partners like us or large loyalty banks airlines. So, they are not direct competitors for us from that perspective.

They also have a travel agent retail program. But our understanding is that it is not a very large program. It is strong in pockets, but probably not. We don't directly compete with them in many of the markets that we are growing in. So, I think I guess without knowing the color of their growth, it's hard to comment on where it is coming from. But from our perspective, we don't see Expedia as an immediate direct competitor for the most part, especially on the retail side of things.

**Prateek Kumar:** Thank you Gaurav, these were my questions.

**Vanessa Fernandes:** Thank you, Prateek. We have our next question from the line of Moez Chandani, request you to kindly introduce yourself.

**Moez Chandani:** Yes. Hi. Thank you for taking my question. This is Moez Chandani from Ambit. My first question was on the Middle East. At the first two months of this quarter, how deep is the cuts in demands? Are you maybe 30% to 40% below the expected level that that you might have reached let's say last year in 1Q of FY26 or has the cut in demand been much more severe?

**Gaurav Bhatnagar:** Yes, Moez, I think there are two ways to look at it. If you were to just look at it from, say, where those numbers were before the beginning of the war, the numbers are actually better than 30%, 40%. They are slightly better than that. But if you were to look at it from a perspective, that is also when the volume starts to increase. This is a high season now for bookings. From that perspective, yes, we are still seeing significant loss of GTV because of the war. If the war had not been there, the numbers would have been significantly higher.

**Moez Chandani:** Ok, understood. How are hotels in the Middle East and how are governments in the Middle East approaching this based on your interactions with them? As these things ease, is there a plan to maybe be very aggressive in terms of marketing, in terms of incentives to make sure that tourism recoveries happen faster or has there been, let's say, a significant economic impact because of the war and things might take a little longer to recover in terms of tourism there?

**Gaurav Bhatnagar:** No, Moez, I think there is a very strong resolve to bring things back to normal and more across the region. The Tourism Boards that we have interacted with are absolutely looking to reinvest in building out the market. We are already engaging with them on plans on how and when that happens. So, I think the sentiment on the whole still remains very cautiously optimistic.

Of course, the region has suffered. There is no doubt about it. But I think there is a strong sense on the ground that once we put this behind, the recovery will be strong. I think especially markets like UAE take a lot of hope from how they delivered through and post the pandemic as well. So, they have playbooks in place. We still remain very confident that eventually the region will come back to where it used to be and probably even show growth on top of that.

**Moez Chandani:** Understood. Looking at the markets, ex-Middle East, right? Firstly, was there any, did you see, say, slightly better than expected demand because maybe there were travelers who reprioritized or changed plans and decided to go somewhere else or planning to go to the Middle East and decided to go somewhere else.

Also in terms of operating leverage, ex-Middle East, has that played out to your expectations? Are the other margins ex-Middle East at the levels that what you were expecting at because of the changes that you have done in your SG&A costs, etc.?

**Gaurav Bhatnagar:** On the first one, I think demand diversion has happened. What it triggers is that other destinations become more expensive, especially in Europe and Southern Europe, which as a platform, we are fairly agnostic to it in the sense we have a supply available for Europe as well as for Middle East. So, if the demand moved from, say, Middle East to Europe we would still be able to sell and that we have seen in the numbers.

On your second question on what is the operating leverage looking like ex-Middle East our view would be, yes, we are seeing it, but I would caveat that ultimately these analyses are a little bit hypothetical, right? Ultimately, we need to deliver operating leverage as a business, as a full enterprise, which would obviously start to show up only when our GTV growth surpasses our SG&A growth. But yes, if you were to carve out one region out and say that, okay let's look at our cost structures and our growth ex of it, we would see improving margins, absolutely.

**Moez Chandani:** Okay, got it. That were my questions. Thank you so much.

**Vanessa Fernandes:** Thank you, Moez. We have a next question from the line of Mr. Swapnil Potdukhe. Please introduce yourself.

**Swapnil Potdukhe:** Hi, this is Swapnil from JM. Thanks for the opportunity. My first question is with respect to the benefit that we got because of rupee depreciation. It will be great if you can quantify what percentage of GTV at a consol level and possibly at a hotel's level came because of rupee depreciation.

**Vikas Jain:** Swapnil, basically, while we do not convert our numbers at a constant currency, but we have done some type of calculation, because we are dealing with multiple operating entities, dealing in multiple foreign currencies, etc. But the back of the NF calculation, if we

see the overall impact would be in the range of on a YoY basis for the full year would be around 4 to 5%.

**Swapnil Potdukhe:** Okay, this is at a consol level, and it will be slightly higher for hotels. Is that understanding, correct?

**Vikas Jain:** No, I am talking about the impact in the change in the exchange rate. So, that impact would flow specifically because when the foreign currency thing that is impacting primarily the hotel GTV. This is primarily for the hotel GTV.

**Swapnil Potdukhe:** Okay, got it. Vikas, will it not be fair to say that you should start reporting constant currency numbers as well, given the nature of our business? I mean, a decent proportion of your profits as well as GTV comes from globally. So, will it not be fair to say that it will be great if we can start reporting those numbers on a QoQ basis as well? Just a Suggestion.

**Vikas Jain:** Yes, great suggestion. We will discuss this internally and then see how transparently we can share disclosures around it.

**Swapnil Potdukhe:** Thanks. The second question is with respect to the capitalization which is happening on our some of the tech costs, I am presuming. Can you give some color on the nature of these investments? What is the amortization period of this cost? Also, a related question to that is like, how are you amortizing Classic vacations, the intangibles from that business?

**Vikas Jain:** Okay, the intangibles as part of the purchase price allocations for the Classic vacations have been recognized now fully in the books. Primarily, the amortizable asset, there is the supplier relationship asset, which is around 50 million in cost, and that would get amortized over a period of 15 years.

On your question related to tech related capitalizations, primarily, whenever there is any new feature, new product line, anything which would have future economic benefits as per the relevant accounting standards, etc., all those things only get capitalized. We have kind of separate cost located for the maintenance, etc., which goes directly into our operating expense. Only the developments which are happening for which would be able to generate any future benefits, that cost gets capitalized and the amortization period for the same varies from 3 to 5 years, depending upon project-to-project.

**Swapnil Potdukhe:** Got it, Vikas. The other question is with respect to the cash flow. Earlier, there were some comments about some of the reasons why our working capital was negative this time around. My understanding of Classic business was that it is a significantly cash-generating business from that perspective, because the lead times are longer than our normal course of business. So, the consolidation itself should have benefited us from a working capital standpoint is my understanding. Any color as to why that did not play out?

- Vikas Jain:** Swapnil, that would play out now onwards, because what happens basically at the time of acquisition, when you consolidate and prepare your cash flows, the opening negative working benefit gets subsumed in the cash flow from investing activities only, in the net impact which is coming in the investing activities only. We don't get benefit from that negative working capital in our cash flow when we acquired that out. Only in the future when the negative working capital goes more negative, that will benefit us from the consolidation perspective.
- Swapnil Potdukhe:** Got it. Just the last one regarding the efficiency benefits through Classic vacation itself. My understanding is like the cost that you are reporting for the last two quarters has been around Rs. 110 crores for Classics specifically. This is the SG&A cost that I am talking about. Any measures to see this cost going down, going ahead, or it will be more of an uplift story on the Classic side, so that the margins improve that business specifically?
- Gaurav Bhatnagar:** Swapnil, early days to comment on it for several reasons. One, we are doing a full platform migration exercise right now. Only when the platforms are successfully migrated, will we truly start to see where does productivity sit.
- Secondly, like I said earlier, we are looking at it as consolidated as a TBO North America business. So, some of the costs may be relevant for the growth of the overall business in North America as well. If you were to look at it, if you were to club together the TBO North America and Classic as one entity per se, at that level, we will start to see operating efficiencies. Now, will the dollar value cost come down or not? We don't want to comment on it as yet.
- Swapnil Potdukhe:** Understood. Very clear. Thanks a lot for the opportunity and all the best.
- Vanessa Fernandes:** Thank you, Swapnil. We have our next question from the line of Mr. Samarth Patel. I request you to kindly introduce yourself.
- Samarth Patel:** Samarth Patel from Equirus Securities. Thanks for providing me with the opportunity. My first question is, if you can help me break down Q4 growth for Europe into, let's say, deeper penetration of existing source market versus new geographical expansion.
- A follow up to that question is, what's the typical maturity curve for a new European source market in terms of penetration?
- Gaurav Bhatnagar:** See, Samarth, it is very the way we look at the business is from the unit economics of the key account manager that we put on the ground. So, bifurcating this into what's coming from a new source market and what's coming from existing source markets is a little bit tricky, because in large countries, you may add more people within the same country and which will be like just in a way, from our perspective, that will be fresh growth. But from our perspective, did we open a new country or not? It's hard for us to think of business from that perspective.

Secondly, on the maturity curve of an average market or an average key account manager starting to deliver meaningful productivity, it remains like we have talked about in the past, right remains about a six to nine month window where they start to become meaningfully productive and meaningful productive in the sense that it is starting to almost break even on cost and then there is profitability after that.

**Samarth Patel:** Understood. That's really helpful. My second question is about Brazil anticipation discontinued in Q3 and then IOF tax plus currency headwinds there. How should we think about FY27 and FY28 LATAM growth in particular?

**Gaurav Bhatnagar:** LATAM will see moderate growth compared to the overall enterprise because of the fact that there are significant headwinds which go beyond just our own business over there and you articulated them already.

As there is more volatility across the world, those currencies also face those structural challenges and then it impacts travel very, very sharply. Our own view remains that we will see moderate growth in those markets for this year. Having said that, from a saliency perspective, it is important for us, but it is not amongst our top three large source markets.

**Samarth Patel:** Understood. Now my third question is on the Classic vacation side. What percentage of Classic buyers have already started consuming, let's say, TBO inventory and what proportion of TBO's hotel inventory is now accessible to a Classic ecosystem? If you can, just help me with those numbers.

**Gaurav Bhatnagar:** Samarth, the way we operate is that we create connectivity between platforms so that TBO supply can be consumed by Classic. The connectivity is already established. However, we are not opening the entire TBO supply into the Classic ecosystem as yet. Part of it is because Classic sits in a different area. The brand promise of Classic is very different, and it is largely focused around high-curation and high-value luxury hotel. So, we are only opening that part of the supply right now on Classic. It is starting to become a meaningful share of Classic's overall business and all the travel advisors who use the Classic platform get access to the supply.

There is no separate channel that needs to be created for travel advisors to consume. So, everybody who's on the Classic platform gets access to that supply and it is starting to become a fair share of Classic's overall business.

**Samarth Patel:** Understood. That was really helpful. Last question is just a bookkeeping question. At the peak of disruption for ME, what was the booking-to-cancellation ratio for directly affected EMEA agents? in particular for March.

**Gaurav Bhatnagar:** I don't have the numbers offhand, but I do recall that at one point for certain source markets, there were more cancellations than bookings.

- Ankush Nijhawan:** But overall, we never had a negative day.
- Gaurav Bhatnagar:** As an enterprise, we did not have negative sales. Yes, I think Israel we did. There were certain pockets where the sale and the cancellations completely in a way netted-off. But as we have shared in our commentary also, now it has started to improve. The drag that was coming because of all the prior bookings getting cancelled is slowly starting to taper off.
- Samarth Patel:** Understood. That is helpful. Thanks for providing me with the opportunity and best of luck. Thank you so much.
- Vanessa Fernandes:** Thanks so much. We have our next question from the line of Pranaya Jain.
- Pranaya Jain:** Thank you for the opportunity. I have a few questions. May to start with. Could you give us some sense of what percentage of the new agents that you onboarded in, FY25, who did more than 10 transactions, did 10 transactions this year as well? Just to understand what kind of stickiness are we having?
- Gaurav Bhatnagar:** Pranaya, it's a good question, but I don't have the data handy, but it's a fair question. On the whole, what does happen is that travel agents signed up in one year, the cohort that is signed up in a specific year, will roughly double its business in the subsequent year. So, that that math normally works out. But at this specific question, I don't have the exact numbers.
- Pranaya Jain:** Okay, got it. My second question is, is there any seasonality in the number of transacting agents in North America? The number has grown from 4,800 last quarter to 6,000 this quarter, which is a pretty good growth. Is there any bit of seasonality or is it just naturally like the business is gaining traction over there?
- Gaurav Bhatnagar:** Jan, Feb, March is the very, very heavy booking period for North America because their booking windows are long. Typically, North America would book in Jan and Feb for their summer bookings. So, yes, there is an element of seasonality as well.
- Pranaya Jain:** Understood. Now, my third question is on this data that you provide on GTV driven by new and old agents. Over there, when we look at the growth, overall, there is like 22% growth and 15% or thereabouts is being contributed by new agents that got added in FY26, which means roughly 7% to 8% of growth was from the agents that were on boarded up until FY25. Is this the growth rate for agents that have been added previously? Will this growth rate sustain or are we anticipating this number to improve?
- Gaurav Bhatnagar:** This specific year, this number got depressed a little bit because our Middle East is our oldest market. The old cohorts are heavily dominated by the Middle East travel agencies and they saw a very massive hit in their business in March. So, that has depressed the numbers somewhat, we would expect this to be a little bit higher from where it was this year.

- Pranaya Jain:** Understood. My last question is on the debt that we have on our books, by when do we plan to bring it down?
- Vikas Jain:** We have a debt for a period of five years. So, we have a moratorium on repayment for one year. A repayment would start from Q3 of this year and would be, would remain there for another four years. Unless in future we decide to repay, but that's the current agreement that we have signed.
- Pranaya Jain:** Got it, got it. Those were my questions. Thank you so much for the opportunity and all the best to the team.
- Vanessa Fernandes:** Thank you, Pranaya. We have a follow-up question from the line of Mr. Karan Uppal. Karan, kindly proceed.
- Karan Uppal:** Yes, thanks for the follow-up. Gaurav, can you give the data on our business mix of retail versus API at the moment?
- Vikas Jain:** At an enterprise level for the hotel business, would roughly sit around, 50:50.
- Gaurav Bhatnagar:** So, about 50:50 on GTV and probably higher for retail on GP
- Karan Uppal:** Okay, got it. Another question was on APAC. So, for last five to six quarters, APAC has done really well, and I believe that it is all organic. Could you provide some color in terms of which countries are contributing the most and how's the outlook in APAC geography?
- Gaurav Bhatnagar:** So Karan, I think we started Australia and did some serious investments in that market and that has started to deliver well for us. We also have some large API partners who are based out of APAC, though they may be selling globally. That also contributes to growth. On the Whole, we do believe this market is obviously a promising market. It's a large, growing travel market. But we are also starting on a small base over here. Having said that, it is a very price competitive market compared to Europe and North America. So, that is a factor to play in. But yes, we remain quite optimistic about this market overall.
- Karan Uppal:** Okay, thanks. Another question was on air. So, the air GTV is now back to Rs. 3,400 crore level on an organic basis. So, with domestic and international capacity being cut though on a short-term basis, but how should we think about the air GTV growth from here on?
- Ankush Nijhawan:** I can't give qualitative guidance, but what I can say that the trajectory for Q1 is definitely a shade better than Q4. And hopefully, we will continue the momentum as we move into this financial year.
- Karan Uppal:** Last is on ETR, how much should we expect the ETR for the FY27?

**Vikas Jain:** The expected tax rate for ETR would be similar in the range of in the Q4, which would be around 18% to 18.5%.

**Karan Uppal:** Okay, got it. Thanks and all the best.

**Vanessa Fernandes:** Thank you, Karan. That was the last question for today. Thank you everyone for participating in the call. I now hand over the call to Mr. Ankush Nijhawan for his closing remarks.

**Ankush Nijhawan:** Thank you everyone for joining our Earnings Call. I think some very nice, interesting questions. We are glad that we could answer everyone. If anybody has any follow-up questions, feel free to reach anyone from TBO and more than happy to answer any query you might have any follow-up questions as well. Thank you so much and see you next quarter.

**Vanessa Fernandes:** Thank you, Ankush. On behalf of TBO Tek Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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