Yatra's Fiscal First Quarter 2018 Financial Results Conference Call Prepared Remarks

Manish Hemrajani: Thank you, Good morning everyone. Welcome to Yatra's Fiscal First Quarter 2018 financial results for the period ending June 30th 2017 conference call. I'm pleased to be joined on the call today by Dhruv Shringi, Yatra's CEO and Co-Founder and Alok Vaish, our CFO.

The following discussion, including responses to your questions, reflects management's views as of today, Aug 7, 2017 only. We do not undertake any obligation to update or revise the information.

As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we expect, we believe, we anticipate or similar statements. Please refer to company's filings with the SEC for information about factors, which could cause our actual results to differ materially from these forward-looking statements.

Additional information concerning these statements is contained in the Risk Factors section of the Company's Annual Report on Form 20-F filed with the SEC on June 30, 2017. Copies of this and other filings are available from the SEC or on the investor relations section of our website.

With that, let me turn the call over to Dhruv.

Dhruv Shringi: Thank you, Manish. Q1 has been a very exciting quarter for us. We launched our first mass media branding campaign with Bollywood superstar Ranbir Kapoor and the response has been terrific. On the business front, we registered our highest growth rate of 33.8% on Revenue Less Service cost over the last 5 quarters. We expect this momentum to continue for the remainder of the 2018 fiscal year. As most of you may know, we also recently announced the acquisition of Air Travel Bureau Limited ('ATB') and the same was closed on August 4th. ATB is one of the largest corporate travel companies in India and the largest independent corporate travel company. The combination of Yatra's existing corporate travel business and ATB's business, we believe, makes us the largest corporate travel platform in India by gross bookings, servicing over 650 of some of India's largest corporations. On the back of the strength in our organic growth rate and the acquisition of ATB, we are raising our Revenue less Service cost growth guidance for FY18 from prior 30% - 35% to 35% - 40%.

The travel industry in India is witnessing a period of sustained growth, and we're very excited to be a leading player in the sector

Revenue from our Air ticketing business grew 25.6 % in the first quarter largely driven by higher growth in our B2C and corporate businesses, which was partially offset by lower growth in B2B.

On the standalone hotel front, our room night growth accelerated significantly delivering 70.5% growth in room nights over the same quarter last year.

Mobile traffic also scaled up rapidly and during this quarter, 73% of our traffic came from mobile devices. We expect to see this trend accelerate further in the coming quarters, as the cost of mobile data in India continues to drop sharply thereby significantly expanding the market.

I am pleased to announce that our organic mobile app downloads have now crossed the 10 Million mark as we added over 1.0 Million new installs in the quarter.

Now on the branding front. We have run a very successful campaign with India's biggest youth icon Ranbir Kapoor as our brand ambassador. I believe that this association has come at the right time.

Just like Ranbir, our brand is, now, more contemporary, youthful and technologically advanced. This campaign helped us drive up our direct and unpaid traffic significantly leading to a 67% increase YoY in the quarter in direct and unpaid traffic.

On the product development front, we launched a beta an exciting new product towards the end of the quarter that we are calling “Xplore the World”. This product allows customers to find the cheapest air fare for travel to any region in the world over the next 12 months using a new and intuitive user interface. We expect this to help us further drive the growth of our international flights business.

We continue to be the leading platform for domestic hotels and home-stay options with over 65,000 properties being available to the customers at the end of the quarter, a sizeable lead over our closest competitor. We are starting to see early signs of acceleration on the hotel front given our new brand positioning, the largest hotel inventory and the cross sell initiatives that we have recently launched.

Let me now talk about our Corporate travel business where we are now the largest Corporate travel provider in India in Gross Bookings with the recently announced acquisition of ATB. Corporate travel in India is projected to grow at over 12% per annum between 2015 and 2020 making India the fastest growing corporate travel market in the world according to KPMG research.

In an emerging market with limited disposable income, business travel is generally the first form of travel undertaken by consumers. The combined entity of Yatra and ATB now has the potential to access a captive consumer base of over 4.0 million people who are employed in the over 650 large and medium scale enterprise customers that the entity will service. According to Facebook, 85million Indians evince an interest in undertaking travel and assuming an average family size of 4 in India, the employees of the organizations that the combined entity will service, would translate into over 16M consumers to whom leisure travel services can then be cross sold.

In addition, we believe that there is an opportunity to cross sell Yatra's hotel inventory (India's largest at over 65,000 properties) to the 400+ existing enterprise customers of ATB and the opportunity to implement Yatra's self-booking corporate travel platform and mobile app across ATB's customer base. In addition the recent introduction of a Goods and Service Tax by the government (gst) will help migrate an increasing number of SME's and corporate customers into the organized corporate travel management fold as they run the risk of losing out on the input credit if they deal with the informal sector

Overall, we delivered revenue less service cost growth of 33.8% for the first quarter. Our adjusted EBITDA loss was 610 Million Rupees for Q1 largely driven by an increase in marketing and sales promotion expenses.

Over the last year or two, the growth in the aviation sector has been faster in tier two, tier three markets than the metros and the new UDAN scheme launched by the government which subsidizes air travel to tier 2 and tier 3 markets will drive further growth in the sector. We think on the back of our high-brand recall and deep distribution network across India, and now our leadership position in Corporate travel, we are well positioned to strongly capitalize on this next wave of growth. I'm now going to hand it over to Alok to walk you through the details of financial performance of the quarter. Alok.

Alok Vaish: Thank you, Dhruv. As Dhruv mentioned in his opening remarks, we are obviously very pleased with our performance during the quarter ended June 30, 2017.

On an overall basis, the revenue less service cost improved by 33.8% year-over-year to INR 1.63 billion. Gross air passengers booked were 1.9 million representing year-over-year growth of 14.7% with a favorable mix towards international travel. Standalone hotel room night booked were 0.5 Million representing an increase of 70.5% year-over-year.

Revenue from our Air Ticketing business increased by 25.6% to INR 1.06 Billion in the three months ended June 30, 2017. This growth was driven by an increase in gross bookings by 25.8% to INR 17.4 billion in the three months ended June 30, 2017. Our Net Revenue Margins were flat at 6.1% on a YoY basis.

On the Hotels and Packages, our revenue less service cost for this segment increased by 38.8% to INR 438.5 million in the three months ended June 30, 2017. This growth was led largely by the strength in standalone hotels and a marked improvement in our Hotels and Packages Net Revenue Margins of 13% during the three months ended June 30, 2017 vs 10.9% in the year ago period. The increase in Net Revenue Margin is due to change in business mix and higher margins as negotiated from the suppliers.

On the expenses front, Marketing and sales promotion expenses increased by 248.7% to INR 1.2 Billion in the three months ended June 30, 2017 from INR 330.6 million in the three months ended June 30, 2016 primarily on account of increases due to marketing campaigns with our new Brand ambassador on TV and print media, consumer promotions and loyalty incentive programs. Our personnel expenses increased by 95.6% to INR 724.9 million in the three months ended June 30, 2017 from INR 370.6 million in the three months ended June 30, 2016 but were down sequentially. This increase was primarily on account of increase in employee share-based payment expense to INR 271.5 million in the three months ended June 30, 2017 from INR 3.6 million in the three months ended June 30, 2016. Excluding the employee share-based payment expense, our personnel expense growth would have been 23.5% for the three months ended June 30, 2017. This increase was on account of annual salary increments and increase in employee headcount primarily in technology and product development functions. On the other expenses, while there was an increase in legal and professional expenses due to being a public company and commission and payment gateway expenses due to increase in business volume, growth in Other expenses was lower than growth in Revenue less service cost indicating operating leverage. As a result of the higher marketing expense, our Adjusted EBITDA was a loss of INR 610.4 million in the three months ended June 30, 2017, compared to positive Adjusted EBITDA of INR 13 million for the three months ended June 30, 2016.

The other increase is the change in fair value of warrants. The increase in cost was on account of change in the market value of warrants by INR 2,180.1 million.

As of June 30, 2017, the balance of cash and cash equivalents and term deposits on our balance sheet was INR 4.3 billion as compared to INR 1.3 billion.

Guidance: We are quite bullish on the Indian macro environment, the growth in air and hotels industry and our strong presence both as a consumer brand and as a platform that we provide to our various B2C, B2E and B2B2C customers. Based on this overall favourable outlook for the travel industry, Inorganic contribution from ATB and our strong position as a market leading brand and value proposition, we are raising our FY18 guidance from 30-35% growth in Revenue less service to 35-40% growth.

This concludes our prepared remarks, and we can now open it up for Q&A.