

FUND-RAISING

Online travel companies attract renewed interest from investors

BY P.R. SANJAI &
SHRADDHA NAIR

MUMBAI

As airlines continue to report higher passenger numbers, online travel firms are seeing renewed interest from investors. At least three Indian online travel firms—**IxiGO.com**, **Yatra.com**, and **Cleartrip.com**—are in the process of securing investment through initial public offers (IPOs), private equity or venture capital funding.

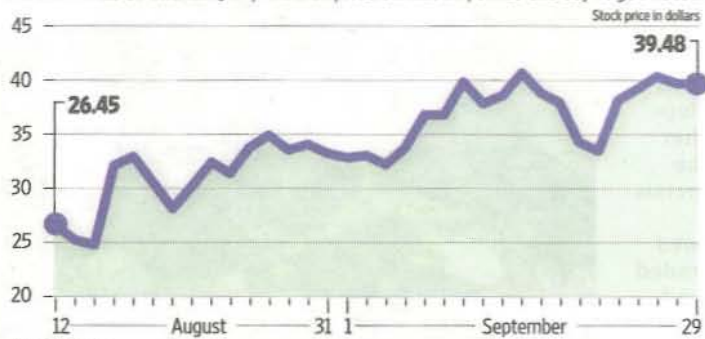
The renewed interest in online travel firms, that went through a rough patch when a global economic slowdown hit the travel industry, is being driven largely by the successful listing of Indian online travel firm **MakeMyTrip Ltd**, that runs **Makemytrip.com**, on Nasdaq in August, and whose stock soared to three times its IPO price of \$14 each.

"The entire profile of online travel firms has risen with **MakeMyTrip's** listing and 20% passenger growth fuelled by overall economic growth," said Dhruv Shringi, chief executive officer and co-founder of **Yatra.com**.

"We have been contacted by a few financial and strategic investors in the last few weeks for our growth capital needs," said Alok

RISING VALUATION

Performance of **MakeMyTrip's** stock price on Nasdaq since the day it got listed.



Source: Bloomberg

AHMED RAZA KHAN/MINT

Bajpai, founder and chief executive officer of **IxiGO.com**, an online travel meta-search company that is looking to raise between \$7 million (₹31.4 crore) and \$10 million for new product development, brand building and expansion into new markets.

"Some of this interest could be due to the 200% year-on-year growth we experienced in fiscal 2010, but one can't ignore the effect of the recent validation of the underlying fundamentals of the online travel industry's market size and growth," he added.

According to data from online travel market research firm **PhoCusWright**, the Indian online travel market will be \$6 billion by

the end of 2010.

MakeMyTrip raised \$80.5 million through its IPO. It has raised \$39 million in venture capital since its founding in 2000.

Suvir Sujan, co-founder and managing director of **Nexus Venture Partners**, said other firms opting for IPOs will be successful but may not get the same valuation as **Makemytrip**, which got a premium by virtue of being the market leader with a 50% share.

"Venture capital investors are now looking to invest in meta search. We have also looked at a player in this space," Sujan said. **Nexus Venture Partners** invested \$2 million in **MagicRooms Solu-**

tions (India) Pvt. Ltd, which provides an Internet-enabled reservation system for hotels in India and overseas. According to him, there are two to three good companies in the meta search space that could attract funding, adding that venture capital firms can expect returns as high as 20 times on such investments.

Alok Mittal, managing director of **Canaan India**, which has invested \$7 million in online shopping firm **Naaptol.com**, predicted that multiple online travel agents could go for an IPO as the travel market bounces back. "There is a significant shift of business to online travel agents from offline travel firms, though the competition is healthy," he said. Many industry representatives feel that **Yatra.com** and **Cleartrip.com** will shortly go for an IPO given the market conditions. However, Dhruv Shringi, said the company had no immediate plans to go public as it is well funded. "We will examine the right time to do that."

Sandeep Murthy, partner, **Sherpalo Ventures**, which is invested in **Cleartrip.com**, is also looking at the right time to go public, saying public markets seem to have understood the potential of this space more than the private ones. However, he added that there would have to be a unique proposition to get funding.

"The suppliers or the ancillaries and support services to such companies like hotel aggregators will attract investments," he said.

p.sanjai@livemint.com