

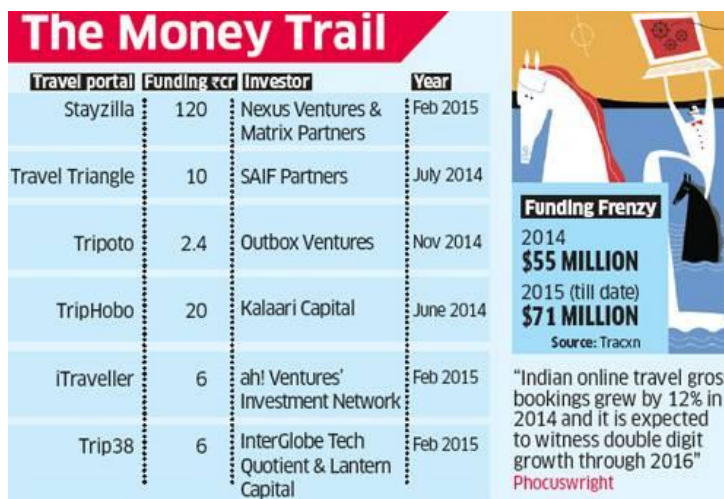
Next generation travel startups catch investors' eye with niche expertise

The Economic Times, 11th March 2015

http://articles.economictimes.indiatimes.com/2015-03-11/news/60008757_1_weareholidays-matrix-partners-tripoto

MUMBAI: Stayzilla, Travel Triangle, We Are Holidays, Tripoto, TripHobo, iTraveller, Trip38 and Tripvillas - all these next generation travel companies have caught the fancy of investors, with at least a dozen of them getting funded in the past one year itself.

After the success of first generation travel portals like Make-MyTrip and Yatra, investors see travel 2.0 startups in niches like tour planning and hotel bookings creating big value.



"First generation travel startups have mostly done flight bookings, but have quickly realized that margins are shrinking and all the airlines are competing directly with online travel agents (OTAs)," said Tarun Davda, director at Matrix Partners, which has invested in accommodation booking portal Stayzilla and customised holiday booking firm WeAreHolidays.

Orios Venture Partners' Rehan Yar Khan, for instance, is actively looking at investments in unorganized markets where smaller hotels get branded and standardised by startups like OYO Rooms. "There's an opportunity to do for hotels what companies like Ola have done in the cab space," he said.

The next generation startups are focusing on sub-segments like vacation planning, asset light hotels and travel related content which are expected to grow exponentially.

According to Chetan Kapoor, research analyst for Asia Pacific at Phocuswright, the Indian online travel gross bookings - the value of transactions done online - grew by 12% in 2014 and are expected to register double digit growth through 2016.

Startups in emerging segments like last minute hotel booking, alternate stays, travel itinerary discovery and software as a service (SaaS) products for hospitality industry are coming under the radar of VCs with \$71 million already invested in 2015, compared to \$55 million in all of 2014, according to start-up data provider Tracxn.

In June 2014, Kalaari Capital had invested Rs 20 crore in Pune-based TripHobo.com, a travel planning portal. "TripHobo currently has travel plans created by 70,000 registered users on the portal and caters to 400 cities worldwide," says Saket Newaskar, CTO, TripHobo. And the funding trail continues.

While Gurgaon-based travel itinerary portal Tripoto is closing a series A round with Bengalurbased investor, Bengaluru-based vacation rental player TripVillas is likely to mop up at

least Rs 25 crore led by a Mumbai-based investor. These new set of portals may also become investment or acquisition targets for larger OTAs, both in India and overseas.

Another reason for investments pouring in this space is the value created by similar models in mature markets like the US and China. Tour packages and hotel bookings have become the fastest growing business for online travel portals (OTAs), and are considered more profitable.