

# Travel Food Services Ltd.

Recommendation: SUBSCRIBE

## Food Service

Travel Food Services Ltd. (TFS) is a leading player in the high entry-barrier airport Travel Quick Service Restaurant (QSR) and lounge industry. It has a strong presence across Indian airports and select international locations, operating an extensive network of QSRs and lounges. TFS distinguishes itself through a diverse brand portfolio, comprising both partnered and in-house offerings, and its operational expertise in the demanding airport environment. The company enjoys strong relationships with airport operators and maintains a robust financial position, reinforcing its leadership in both the travel food services and lounge segments.

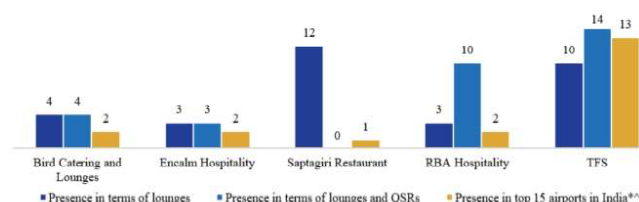
### Issue Snapshot

Particulars	Details
Issue Details	
Opening Date	7th July 2025
Closing Date	9th July 2025
Price Band	Rs. 1,045 - Rs. 1,100
Bid Lot	13
Issue Size	Rs. 2,000 crores
Face Value	Rs. 1
Exchanges	BSE & NSE
BRLM	Kotak Mahindra Capital Company Ltd, HSBC Securities and Capital Markets (India) Pvt. Ltd, ICICI Securities Ltd, Batlivala & Karani Securities India Pvt. Ltd.
Registrar	MUFG Intime India Pvt Ltd
Offer Structure	
Fresh Issue	Nil
OFS Share	Rs. 2,000 crores (1.82 crore shares at upper price band)

### Capital Structure

Pre-Issue Equity Shares	13.16 crore
Post-Issue Equity Shares	13.16 crore
Stake Sale by OFS (in % and/or shares)	~13.81% (1.82 crore shares at upper price band)
Market Capitalisation at upper band	Rs.14,485 crores

Presence in terms of airports



## Investment Rationale

### Diversified Brand Portfolio in Travel QSR:

As of FY25, a robust portfolio of 127 brands-spanning domestic, international, and proprietary labels-positions the company as a leader in airport food and beverage operations. Strategic brand placements, guided by technical evaluations of site suitability, optimize customer reach and operational efficiency. Sixteen years of airport expertise underpin seamless execution, fostering a 94% concession renewal rate (8-9 years) among multi-port operators. This high renewal rate reflects strong airport authority partnerships, ensuring long-term revenue stability. By aligning brand offerings with airport partners' objectives, the company strengthens its competitive edge in the travel QSR market, leveraging operational excellence to drive sustained growth.

### Ease in International Expansion:

Backed by its promoter, SSP-a UK-based global leader in travel F&B with a 49% pre-IPO stake-the company gains unparalleled access to international expertise. Operating across 38 countries, SSP provides proven operational practices, advanced technology, and established airport relationships, simplifying global market entry. This partnership fuels expansion in the lounge segment under the proprietary "ARAYA" brand, targeting high-growth APAC and Middle East markets (excluding Egypt). SSP's franchise fee for leveraging ARAYA's branding and lounge expertise creates a mutually beneficial synergy. This strategic alliance enhances scalability, streamlines international operations, and positions the company as a credible global player in travel F&B.

### Expansion into Highway Travel QSRs:

India's expanding expressway infrastructure unlocks new growth avenues, with over 1000 wayside amenities (WSAs) planned by 2029. The company is capitalizing on this opportunity by developing innovative QSR formats and multi-brand food courts at 29 operational highway outlets, offering diverse dining options and high-quality amenities. Drawing on 16 years of airport operational expertise, this pivot ensures proficiency in the highway segment. By adapting its proven capabilities to meet evolving consumer demands, the company is well-positioned to dominate India's highway travel QSR market, complementing its airport dominance and driving diversified revenue streams for long-term growth.

### Outlook & Valuation

As a market leader in Travel QSR and airport lounges, and benefiting from a first-mover advantage, the company is well-positioned for sustained growth. Increasing airport infrastructure, fleet expansions, and rising passenger arrivals will boost its QSR and lounge segments. Additionally, the largely untapped road-based QSR market, supported by government-backed WSA site awards, offers further growth potential. With promoters like SSP providing global expertise and K.Hospitality's established reputation and cost efficiencies, this zero-debt entity is primed for success. Valued at an FY25 EV/EBITDA of 16.58x at the upper price band of Rs.1,100 on post-issue capital, it shows strong growth prospects in the coming years. We recommend **SUBSCRIBE** for long-term investors.

## Food Service

### Peer Comparison

Name of the Company	Face value (Rs. per share )	Revenue FY25 (in Rs. Crores)	PE Ratio	EPS	EV/EBITDA	Net Asset Value Per Share	RoNW (%)	EBITDA Margin (%)	PAT Margin (%)	ROE (%)	No. of Brand Partners (FY25)
Travel Food Services	1	1688	~39.88*	27.58	16.58x	79.62	34.64	40.07	21.54	35.47	127
<b>Listed Peers</b>											
Jubilant FoodWorks Limited	2	8142	205.81	3.41	34.57x	31.87	10.02	19.30	2.64	10.50	5
Devyani International Limited	1	4951	2097.13	0.08	23.78x	9.07	0.84	17.00	-0.14	-0.50	4
Sapphire Foods India Limited	2	2882	548.00	0.60	19.73x	43.53	1.38	17.10	0.57	1.20	3
Westlife Foodworld Limited	2	2474	955.26	0.78	39.70x	38.70	2.01	13.20	0.48	2.00	1

\*Estimated P/E based on FY25 earnings. Official value not disclosed.

### Revenue contribution from Contracts with Customers - Travel QSR

(values in crores)

Particulars	FY25	Contribution	FY24	Contribution	FY23	Contribution
Partner brands	474	54%	399	54%	291	54%
In-house brands	398	46%	334	46%	248	46%
Total Revenue from contracts with customers - Travel QSR	872	100%	733	100%	539	100%

### Revenue from Contracts with Customers (Total Sale of Products and Services)

(values in crores)

Particulars	FY25	Contribution	FY24	Contribution	FY23	Contribution
Travel QSR	872	52%	733	53%	539	51%
Lounge services	758	45%	623	45%	492	46%
Management and other services	57	3%	39	3%	35	3%
Total sales	1688	100%	1395	100%	1066	100%

## Financials

### Balance Sheet

Particulars (In Crs)	FY25	FY24	FY23
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	160	145	102
Intangible Assets	251	265	257
Non-Current Financial Assets	178	198	135
Other Non-Current Assets	366	343	211
<b>Total Non- Current Assets</b>	<b>954</b>	<b>951</b>	<b>705</b>
<b>CURRENT ASSETS</b>			
Inventories	9	12	11
Trade Receivables	106	105	114
Cash & Bank Balances	38	179	134
Current Financial Assets	769	427	354
Other Current Assets	27	23	15
<b>Total - Current Assets</b>	<b>949</b>	<b>745</b>	<b>628</b>
<b>Total Assets</b>	<b>1903</b>	<b>1696</b>	<b>1332</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	13	4	4
Other Equity	1040	870	652
Non-controlling interest	17	14	10
<b>Total - Equity</b>	<b>1070</b>	<b>888</b>	<b>665</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Non-Current Borrowings	0	0	0
Non-Current Lease Liabilities	218	266	286
Provisions	7	7	6
Other Non-Current Liabilities	6	11	10
<b>Total Non - Current Liabilities</b>	<b>231</b>	<b>342</b>	<b>324</b>
<b>CURRENT LIABILITIES</b>			
Current Borrowings	0	0	0
Current Lease Liabilities	115	86	66
Trade Payables	339	275	178
Other Current Financial Liabilities	90	51	35
Provisions	31	26	24
Current Tax Liabilities (Net)	5	4	10
Other Current Liabilities	21	20	21
<b>Total - Current Liabilities</b>	<b>602</b>	<b>467</b>	<b>343</b>
<b>Total Equity and Liabilities</b>	<b>1903</b>	<b>1696</b>	<b>1332</b>

### Income Statement

Particulars (In Crs)	FY25	FY24	FY23
<b>Revenue</b>	<b>1688</b>	<b>1396</b>	<b>1067</b>
Growth %	21%	31%	174%
Other Income	75	66	36
<b>Total Income</b>	<b>1763</b>	<b>1462</b>	<b>1104</b>
Raw Material Expenses	296	285	210
Employee Benefits Expense	277	230	159
Other Expenses	561	470	323
Operating Expenses	1134	984	692
<b>EBITDA</b>	<b>629</b>	<b>478</b>	<b>411</b>
Depreciation and Amortisation Expense	126	111	83
<b>EBIT</b>	<b>503</b>	<b>367</b>	<b>328</b>
Finance Costs	46	52	48
Share of profit of associates and JVs, net of tax	47	72	48
<b>PBT</b>	<b>504</b>	<b>387</b>	<b>328</b>
Tax	125	89	76
<b>PAT</b>	<b>380</b>	<b>298</b>	<b>252</b>

### Cashflow Statement

Particulars (In Crs)	FY25	FY24	FY23
Cash Inflow From Operating Activities	515	353	322
Cash Flows From Investing Activities	-191	-155	-197
Cash Flows From Financing Activities	-343	-172	-104
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>-19</b>	<b>26</b>	<b>21</b>
Cash And Cash Equivalents At The Beginning Of The Period	68	42	21
Cash and Cash Equivalents At The End of Period	25	68	42
<b>Free Cash Flow</b>	<b>575</b>	<b>430</b>	<b>360</b>

### Key Ratios

Particulars	FY25	FY24	FY23
Current Ratio	1.58	1.60	1.83
Quick Ratio	1.56	1.57	1.80
EBITDA Margin (%)	37.26%	34.24%	38.52%
PAT Margin (%)	22.51%	21.35%	23.62%
ROA (%)	19.97%	17.57%	18.92%
ROE (%)	35.51%	33.56%	37.89%
Debt-to-Equity Ratio	0.31	0.40	0.53
Total Debt to Assets	0.17	0.21	0.26
Interest Coverage	10.93	7.06	6.83

**Analyst Certification of Independence:** The analyst(s) for this report certifies that all the views expressed in this report accurately reflect his or her personal views about the subject company(ies) or issuers and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Arete Securities Limited, and have no bearing whatsoever on any recommendation that they have given in the Research Report. Disclaimer and Disclosures as required under SEBI (Research Analyst) Regulations, 2014: Arete Securities Limited (hereinafter refer as Arete Securities) and its affiliates are engaged in investment banking, investment advisory, stock broking, institutional equities, Mutual Fund Distributor and insurance broking. Arete Securities is a SEBI registered securities broking Company having membership of NSE and BSE for Equity, Future & Option, Currency Derivatives segment and Wholesale Debt Market. The Company is focused primarily on providing securities broking services to institutional clients and is empanelled as an approved securities broker with all the major Nationalised, Private and Co-operative banks, Corporate houses, Insurance Companies, Financial Institutions, Asset Management Companies and Provident Fund Trusts. Details of affiliates are available on our website i.e. <http://www.aretesecurities.com>. Arete Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. Vide SEBI Reg. No. INH00002615.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in the last five years. We have not been debarred from doing business by any Stock Exchange/SEBI or any other authorities, nor has our certificate of registration been cancelled by SEBI at any point of time.

**General Disclosures:** This Research Report (hereinafter called "report") has been prepared by Arete Securities and is meant for sole use by the recipient and not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, (as defined under section 2(h) of securities Contracts (Regulation) Act, 1956, through Arete Securities nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments.

This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Arete Securities to be reliable, although its accuracy and completeness cannot be guaranteed. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. Any review, retransmission or any other use is prohibited.

The information, opinions, views expressed in this Research Report are those of the research analyst as at the date of this Research Report which are subject to change and do not represent to be an authority on the subject. While we would endeavour to update the information herein on a reasonable basis, we are under no obligation to update the information. Also, there may be regulatory, compliance or other reasons that prevent us from doing so. Hence all such information and opinions are subject to change without notice.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

This Research Report should be read and relied upon at the sole discretion and risk of the recipient. If you are dissatisfied with the contents of this complimentary Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report. Neither Arete Securities nor its affiliates or their respective directors, employees, agents or representatives shall be responsible or liable in any manner, directly or indirectly, for the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Arete Securities may have issued other reports in the past that are inconsistent with and reach different conclusion from the information presented in this report.

Arete Securities, its affiliates and employees may, from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report.

The user should consult their own advisors to determine the merits and risks of investment and also read the Risk Disclosure Documents for Capital Markets and Derivative Segments as prescribed by Securities and Exchange Board of India before investing in the Indian Markets.

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com) and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject Arete Securities or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of Arete Securities.

**List of Associates as per SEBI (Research Analyst) Regulations, 2014**

**Statements on ownership and material conflicts of interest, compensation - Arete and Associates**

Disclosure of interest statement	Yes/No
Arete Securities/its Affiliates/Analyst/his or her Relative financial interest in the company	No
Arete Securities/its Affiliates/Analyst/his or her Relative actual/beneficial ownership of more than 1% in subject company at the end of the month. Immediately preceding the date of the publication of the research report or date of public appearance	No
Investment banking relationship with the company covered	No
Any other material conflict of interest at the time of publishing the research report	No
Receipt of compensation by Arete Securities or its Affiliated Companies from the subject company covered for in the last twelve months:	
• Managing/co-managing public offering of securities	
• Investment banking/merchant banking/brokerage services	
• products or services other than those above	No
• in connection with research report	
Whether Research Analyst has served as an officer, director or employee of the subject company covered	No
Whether the Research Analyst or Research Entity has been engaged in market making activity of the Subject Company;	

For statements on ownership and material conflicts of interest, compensation, etc. for individual Research Analyst(s), please refer to each specific research report.

Arete Securities Ltd: Mittal Court, A-Wing, 10th Floor, Nariman Point, Mumbai - 400 021, Tel. No. : +91-022-4289 5600, Fax: +91 (22) 2657 3708/9

For More Information Visit Us At : [www.aretesecurities.com](http://www.aretesecurities.com)

Arete Securities Ltd.

ARETE SECURITIES LTD	SEBI Reg. Nos.
NSE Capital Market	INZ000241036
NSE Future & Option	INZ000241036
NSE Currency Derivatives	INZ000241036
NSE Future & Option	INZ000241036
BSE Cash	INZ000241036
BSE Wholesale Debt Market	INZ000241036
BSE Currency Derivatives	INZ000241036
NSDL DP	DP ID IN303680
Research Analyst	INH100002615
Merchant Banker	INM000012740
Investment Advisor	INA000014614