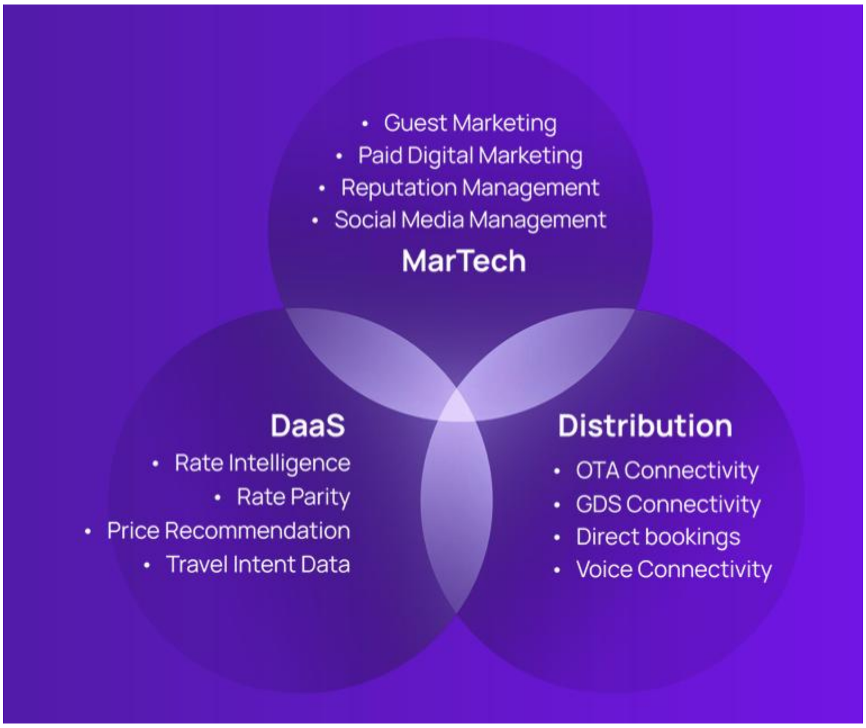
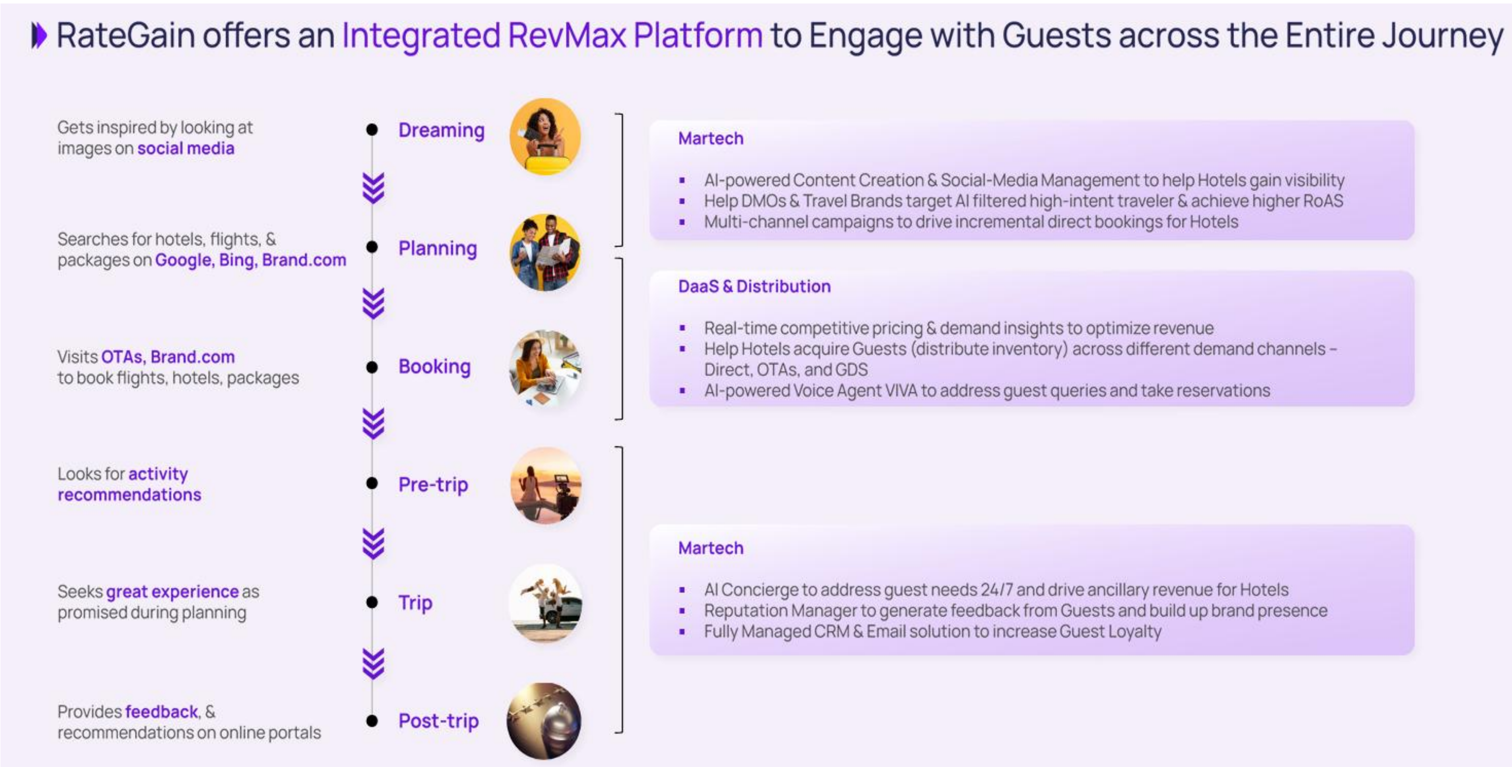
Rategain Travel Technologies Ltd. - Investment BUY Call

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 3 Sept 2026

CMP -> 882
Buying Range -> 882 to 900
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 1015

What Company Do:





1. Business Model & Structural Transformation — From Travel-Tech Provider to AI-Powered Travel Operating System

1. Integrated travel technology platform: RateGain has evolved from a collection of travel technology products into an integrated AI-powered operating system for travel revenue growth, connecting demand generation, distribution and revenue optimization. The Sojern acquisition and subsequent integration of Adara under the Sojern brand have materially expanded the company's travel-intent data capabilities, while RateGain's existing distribution and pricing infrastructure provides the transaction and optimization layer. Management described FY26 as a structural inflection point and believes the combined platform has a differentiated position because it brings travel-intent data, distribution infrastructure and AI-powered commercial intelligence under one roof.

2. Three key business engines: The business is now primarily driven by Martech, Distribution and Data-as-a-Service (DaaS/DAS). Martech has become the dominant business, contributing more than 81% of revenue in Q1 FY27, with organic growth of approximately 18.2%; Distribution currently remains smaller and grew only 3.1% organically, but management expects new AI-led products to accelerate growth; while DAS remains a steady contributor, growing 22.7% YoY in Q1 FY27.

3. Diverse customer and industry exposure: RateGain serves 14,000+ customers across hotels/properties, destination marketing organizations, airlines, OTAs, car-rental companies and other travel-related enterprises. Its solutions address customer acquisition, direct bookings, marketing ROI, pricing intelligence, rate parity, distribution optimization, revenue management, connectivity, payments and travel-intent analytics. This diversified exposure makes the company a proxy for the broader digitization, revenue optimization and AI adoption trend across the global travel and hospitality ecosystem.

2. Q1 FY27 Financial Performance — Strongest Evidence of Scale, Integration & Profitability

1. Record revenue growth: Q1 FY27 operating revenue reached a record INR 785 crore, increasing 188% YoY and 9.7% QoQ, translating into an annualized revenue run-rate of approximately INR 3,140 crore. More importantly, the combined entity delivered 17.5% YoY organic growth in INR terms, demonstrating that the significant reported growth is not merely an acquisition-consolidation story. Management stated that organic growth could remain at the higher end of its 15–20% aspiration range, supported by pipeline strength and the completion of the initial integration phase.

2. Strong profitability expansion: Adjusted EBITDA increased to approximately INR 193.4 crore, representing a record 24.6% margin, while reported EBITDA stood at INR 171.5 crore or 21.9% margin. Adjusted PAT reached INR 116.8 crore, up 148.8% YoY, with a 14.9% margin, while reported PAT was INR 94.9 crore, translating into a 12.1% margin. The improvement demonstrates substantial earnings scalability following the Sojern integration and provides evidence that the company can simultaneously absorb a larger revenue base while expanding profitability.

3. Q4 FY26 established the trajectory: Q4 FY26 revenue was already at a record INR 716 crore, +175% YoY, while FY26 revenue increased 69.4% YoY to INR 1,824 crore, ahead of management's revised post-acquisition guidance. Q4 operating margin was 20.5%, adjusted EBITDA margin 23.5% and PAT INR 70 crore, compared with INR 26.5 crore in Q3 FY26. The progression from Q4 FY26 into Q1 FY27, particularly the further improvement in adjusted EBITDA margin to 24.6%, strengthens the case for continued earnings operating leverage over the next 2–4 quarters.

3. Cash Flow Conversion & Debt Reduction — A Major Investment Strength

1. Exceptional Q1 FY27 free-cash-flow conversion: Cash generation is one of the strongest aspects of the current investment case. Q1 FY27 free cash flow was INR 135.2 crore, representing 78.8% conversion, the company's highest-ever quarterly conversion. Management expects full-year FY27 FCF conversion of approximately 75% or better, while noting that cash conversion historically improves as the year progresses. Strong conversion gives the company greater flexibility to simultaneously fund growth investments and accelerate acquisition-debt repayment.

2. Multi-year cash conversion track record: FY26 free cash flow was approximately INR 230 crore, including INR 82 crore in Q4 FY26. The company's CFO-to-PAT conversion was 120% in FY26, compared with a 60–120% range over the last three financial years, while CFO-to-operating-profit conversion was 83% in FY26, remaining within the 83–91% range over the last three years. These metrics indicate that reported profitability has translated into strong operating cash generation rather than being predominantly accounting-led. For a business undergoing a large acquisition and integration, this quality of earnings and cash conversion is particularly important.

3. Rapid deleveraging provides an earnings catalyst: RateGain has already repaid USD 47.5 million, equivalent to approximately 38% of the original acquisition debt, leaving USD 77.5 million outstanding. Net debt stood at INR 615.4 crore against cash and equivalents of INR 255.6 crore in Q1 FY27. Management has reiterated its objective to retire the remaining acquisition-related debt and become net-debt-free by FY28. As debt declines, the approximately INR 16.5 crore quarterly finance cost should progressively reduce, creating a direct positive impact on PAT and simultaneously strengthening the balance sheet.

4. Sojern Integration & Revenue Synergies — Phase 1 Complete, Monetization Now the Key Driver

1. Cost synergies delivered ahead of plan: The Sojern acquisition, completed in November 2025, was the most important strategic event for RateGain. Management reported that full cost synergies were delivered in Q4 FY26, while the Adara and Sojern brands and technology platforms were consolidated. Customer migration was targeted for completion by the end of Q2 FY27. The faster-than-expected integration reduces execution risk and allows management to shift resources from integration toward revenue generation and cross-selling.

2. Large cross-selling opportunity: Sojern generated approximately USD 172 million of CY24 revenue and brought a customer base of approximately 13,000+ largely non-overlapping customers into the combined platform. Management's FY27 priority is now to expand wallet share by selling RateGain's DaaS, distribution and revenue-optimization products into Sojern's customer ecosystem. The opportunity is strategically important because even modest penetration of the combined customer base can generate incremental revenue without requiring a proportionate increase in customer acquisition costs.

3. Margin and pricing synergies: Management indicated that the combination of Sojern and Adara has reduced internal competition and discounting, with the company stating that the “need to discount is much lesser” and that it can increasingly hold pricing. The strategy is to capture pricing power through broader solution bundles rather than simply raising prices. Management has also highlighted higher outcome-based fees in large property accounts, suggesting that the integrated platform could gradually support better monetization, improved revenue per customer and higher margins.

5. Martech & AI-Led Monetization — Principal Near-Term Growth Engine

1. Martech provides the strongest organic-growth profile: Martech has emerged as the company's principal growth engine, accounting for more than 81% of Q1 FY27 revenue and delivering approximately 18.2% organic growth. Within properties, Sojern Commission recorded accelerated new wins, while the introduction of email marketing provides an additional channel for customer engagement and wallet-share expansion. Management also highlighted upgraded ML-based bidding technology using the enlarged travel-intent dataset, which is intended to improve bookings and revenue per property.

2. APMEA is demonstrating the Phase 2 GTM opportunity: The company's APMEA go-to-market organization expanded substantially during FY26, with the team increasing from approximately 15 to 85 people. Q1 FY27 delivered the strongest-ever quarter for new customer wins in the region, up 200% YoY, alongside record new property additions for the commission business. Management explicitly described this as the clearest early proof of Phase 2 go-to-market synergies, making APMEA one of the most important geographic growth catalysts over the next several quarters.

3. AI products can create higher-value monetization: RateGain is moving from conventional software tools toward semi-autonomous and eventually autonomous AI agents covering revenue management, distribution and marketing. AI Concierge, already deployed across 700+ Red Roof properties, has delivered management-reported improvements of up to 300% in ancillary revenue and approximately 80% automation of guest queries. The company is also deploying AI price visibility, next-generation Parity Plus and conversational analytics, creating opportunities for subscription, transactional and outcome-based monetization.

6. Distribution, RG Pay & Product Innovation — Significant Operating-Leverage Opportunity

1. Distribution is currently weak but has substantial recovery potential: Distribution organic growth was only 3.1% YoY in Q1 FY27, making it the principal underperforming segment. However, management believes the business has reached an inflection point as customers increasingly seek optimization of profitability and automation rather than basic connectivity. Agentic ARI is reportedly delivering 30–40% optimization in ARI traffic, while RateIQ identifies missing inventory, parity breaks and underperforming OTA connections and quantifies the associated revenue leakage. Management expects Distribution to reach double-digit growth by fiscal year-end.

2. RateIQ and Agentic ARI can improve revenue quality: These products shift RateGain's proposition from a connectivity provider toward a higher-value commerce optimization platform. RateIQ's ability to identify revenue leakage and prioritize corrective actions creates a clear economic ROI for hotel chains, while Agentic ARI reduces unnecessary traffic and improves rate accuracy. Management has also indicated that it is close to signing a large Middle East customer, which could provide an important validation point for the new product portfolio.

3. RG Pay adds transaction-led monetization: RG Pay was launched in March 2026 with payment ecosystem partners including Juspay, Razorpay, Easebuzz and Cashfree, while BoxPay contributes more than 350 payment methods and has processed over USD 2.5 billion through its platform. Management cites the potential for approximately 15% revenue uplift and 2–4% lower revenue leakage for hotels. Payments therefore expand RateGain deeper into the transaction layer of the hotel ecosystem and provide a potentially higher-frequency, transaction-linked revenue stream that can complement SaaS and outcome-based revenue.

7. Growth Catalysts & Operating Leverage — FY27 Guidance Provides Significant Visibility

1. Raised FY27 guidance creates a strong earnings framework: Management has increased confidence toward the upper end of its earlier FY27 outlook, with revenue guidance now approximately INR 3,100 crore, implying around 70% YoY growth, while adjusted EBITDA margin guidance has been raised to 22.5–23.5% from 21.5–22.5%. Importantly, the CEO stated that INR 3,100 crore “should definitely be beaten”, while organic growth is expected toward the higher end of the 15–20% aspiration range. Q1 organic growth of 17.5% provides an encouraging starting point.

2. Multiple levers can drive margin expansion: Operating leverage can emerge through higher utilization of the enlarged Sojern platform, cost synergies already achieved, cross-selling into the 14,000+ customer base, improved pricing discipline, higher-value AI products and greater contribution from outcome-based and transaction-based offerings. The upward revision of adjusted EBITDA margin guidance despite the company's stated willingness to reinvest for growth indicates that management sees sufficient efficiency and revenue visibility to support both growth investment and margin expansion.

3. Debt repayment provides a second earnings lever: The combination of strong FCF generation and falling finance costs creates an additional operating-to-PAT conversion opportunity. Management's 75%+ FY27 FCF conversion target, together with the repayment of USD 47.5 million of acquisition debt already completed, should allow the company to reduce interest costs progressively. As the remaining debt is retired toward the FY28 net-cash objective, a greater portion of EBITDA should ultimately flow through to PAT and equity cash generation.

8. Strategic Developments, Geographic Expansion & Long-Term Growth Opportunities

1. Travel-intent data creates a structural competitive advantage: The combined Sojern-Adara platform now incorporates approximately 320 data partners and more than 1.5 billion graph IDs, while the addressable travel audience has increased by 14.5% YoY. Management believes this scale enables better AI models, smarter bidding, improved targeting and stronger measurement capabilities. The FIFA World Cup 2026 Market Pulse initiative, based on travel-intent data across 16 host cities, generated approximately USD 2.5 million of campaign revenue in Q1 FY27, demonstrating the commercial value of this data asset beyond traditional hotel technology.

2. Geographic expansion remains underpenetrated: Following the significant APMEA GTM investment, management intends to replicate the model across Europe and Latin America. The Philippine Airlines partnership further strengthens RateGain's Southeast Asian airline position, while multi-year OTA relationships and growing car-rental opportunities create additional cross-selling vectors. The geographical expansion opportunity is therefore not limited to hotels; airlines, OTAs, car rental and destination customers provide multiple avenues for monetizing the integrated platform.

3. Strategic collaborations and disciplined M&A: Recent initiatives include the Sojern acquisition, Adara consolidation, RG Pay partnerships and multiple airline/OTA relationships. Management's current priority is monetizing the combined platform rather than pursuing another acquisition in FY27, with the next potential M&A event indicated as more likely in 2027. This capital-allocation discipline is positive because the company can focus on deleveraging and extracting revenue synergies before undertaking another major transaction.

9. Short-Term Risks, Industry Headwinds & BUY Conclusion — Compelling for 6 to 9 Months.

1. Key short-term risks: The immediate earnings risk is that Q1 FY27 benefited from approximately USD 2.5 million of FIFA-related revenue, which management expects to normalize marginally in Q2. Distribution growth also remains weak at 3.1% and the anticipated acceleration toward double-digit growth depends on successful commercialization of RateIQ, Agentic ARI and the Direct Stack. In addition, the company continues to carry acquisition debt and incurs approximately INR 20–22 crore of quarterly Sojern deferred consideration, while acquisition-related amortization was INR 33.8 crore in Q1 FY27 versus INR 6.8 crore a year earlier.

2. Geopolitical, regulatory and macro uncertainty: RateGain remains exposed to the global travel ecosystem, making geopolitical conflict, wars, travel restrictions, government policy changes, regulatory actions and economic slowdowns important short-term variables. Management has already highlighted the impact of Middle East disruption, with the region representing approximately 4% of total revenue and the affected revenue run-rate declining from around USD 970,000 per month to USD 425,000 per month. Hotel and destination budgets can be postponed during geopolitical disruptions, although management believes such spending can represent pent-up demand when conditions normalize. The non-discretionary nature of revenue optimization technology provides some resilience because customers may increasingly need technology to protect revenue during weaker demand conditions.

3. BUY conclusion for 6–9 months: The investment case is supported by a combination of 17.5% organic growth, record INR 785 crore quarterly revenue, 24.6% adjusted EBITDA margin, 14.9% adjusted PAT margin, 78.8% Q1 FCF conversion, 120% FY26 CFO-to-PAT conversion, 83% CFO-to-operating-profit conversion and rapid debt repayment. More importantly, the next phase of the story is increasingly driven by monetization rather than integration: Sojern cross-selling, APMEA expansion, AI agents, RateIQ, Agentic ARI, RG Pay, pricing power and Distribution recovery provide multiple catalysts over the next 2–4 quarters. With management raising FY27 adjusted EBITDA margin guidance to 22.5–23.5% and indicating that the INR 3,100 crore revenue target should be beaten, the combination of organic growth, margin expansion and deleveraging provides a favourable risk-reward profile for a BUY call over a 6–9 months medium-term horizon, subject to monitoring Distribution acceleration, post-FIFA normalization and geopolitical disruptions.

Q1FY27 Financial Performance:

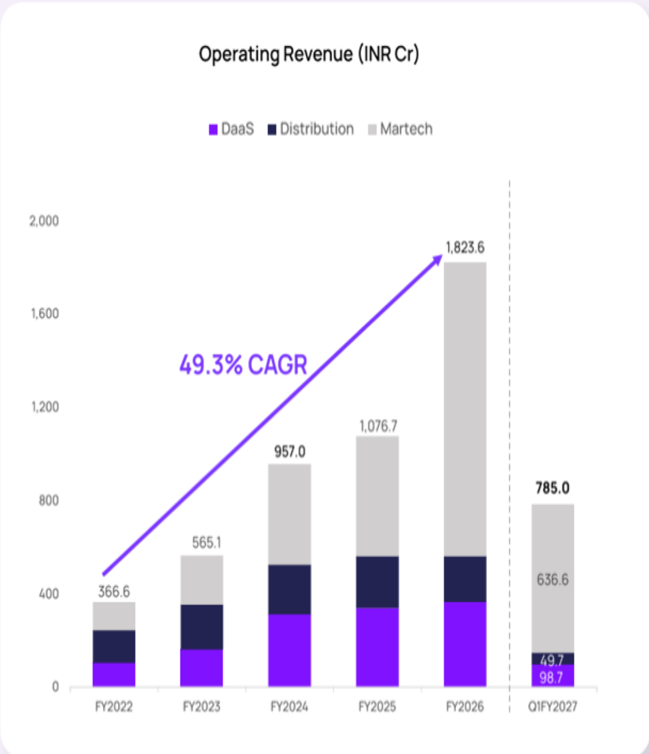
	YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr	187.6%	9.7%	785	716	273
Operating Profit Cr	245.3%	16.7%	172	147	50
OPM %			21.9	20.6	18.2
PAT Cr	102.2%	35.6%	95	70	47
NPM %			12.1	9.8	17.2
EPS ₹	101.8%	35.4%	8.0	5.9	4.0

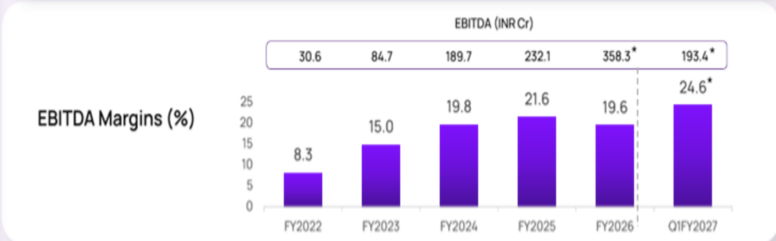
Q1FY27 & FY26 Consolidated Results:

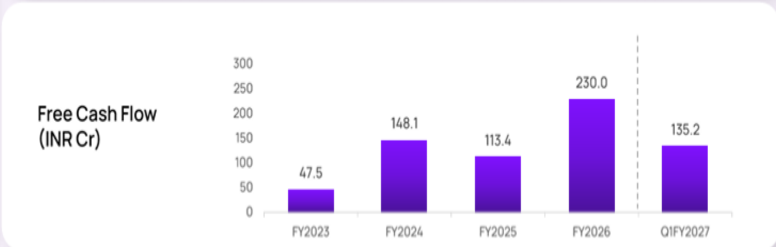
Particulars (INR Cr)	Q1 FY27	Q1 FY26	YoY	Q4 FY26	QoQ	FY26	FY25	YoY
Revenue	**785.0**	**272.9**	**187.6%**	**715.5**	**9.7%**	**1,823.6**	**1,076.7**	**69.4%**
Employee Expenses	294.8	109.1	170.1%	269.5	9.4%	711.7	398.8	78.5%
Other Expenses	318.7	114.1	179.3%	299.0	6.6%	774.4	445.9	73.7%
Total Operating Expense	**613.5**	**223.2**	**174.8%**	**568.5**	**7.9%**	**1,486.1**	**844.6**	**76.0%**
EBITDA	**171.5**	**49.7**	**245.4%**	**147.0**	**16.7%**	**337.5**	**232.1**	**45.4%**
EBITDA %	**21.9%**	**18.2%**		**20.5%**		**18.5%**	**21.6%**	
Add: Sojern – Deferred Consideration	*21.9*			*20.9*		*20.9*		
Adj. EBITDA	***193.4***	***49.7***	***289.3%***	***167.9***	***15.2%***	***358.3***	***232.1***	***54.4%***
Adj. EBITDA %	***24.6%***	***18.2%***		***23.5%***		***19.6%***	***21.6%***	
Depreciation	3.7	1.9	100.2%	2.6	41.7%	11.4	6.7	69.1%
Amortization of Acquisition cost	33.8	6.8	393.9%	32.4	4.4%	69.3	28.2	145.9%
Finance Costs	16.5	0.3	5451.3%	18.4	-10.3%	31.5	1.3	2380.2%
Exceptional Expenses	-	-	-	-	-	34.6	-	NA
Other Income	3.1	20.7	-85.1%	2.6	19.9%	61.3	76.4	-19.7%
Profit/(Loss) Before Tax	**120.6**	**61.3**	**96.6%**	**96.2**	**25.3%**	**252.0**	**272.2**	**-7.4%**
Tax	25.7	14.4	78.2%	26.2	-2.1%	57.6	63.3	-9.1%
Profit/(Loss) After Tax	**94.9**	**46.9**	**102.2%**	**70.0**	**35.6%**	**194.4**	**208.9**	**-7.0%**
PAT %	**12.1%**	**17.2%**		**9.8%**		**10.7%**	**19.4%**	
Adj. Profit/(Loss) After Tax	***116.8***	***46.9***	***148.8%***	***90.9***	***28.5%***	***249.9***	***208.9***	***19.6%***
Adj. PAT %	***14.9%***	***17.2%***		***12.7%***		***13.7%***	***19.4%***	

Note: Adjusted EBITDA & PAT – Adjusted for Deferred Deal Consideration related to the Sojern Acquisition . This expense is to be incurred for 3 years ending Q3FY29. For FY26, Adj. PAT accounts for Deferred Deal Consideration and One-time exceptional expense incurred in Q3FY26.

Historical Operational Highlights:







Note: ***-** Adjusted EBITDA-EBITDA is Adjusted for Deferred Deal Consideration related to the Sojern Acquisition. This expense is to be incurred for 3 years ending Q3FY29.

Recommendation Timeline & Performance Summary:

1. 11 Dec 2025 – Initial BUY Recommendation: The BUY call was initiated at a price of 660 with a target price of 800, implying an upside potential of ~21% over a 12-month investment horizon.

2. 1 June 2026 – Target Achieved: The stock achieved our target price of 800 on 1 June 2026 within 6 months of our recommendation. The stock price further appreciated to 802 on the same day, delivered a return of 21.5% from the recommendation price within 6 months, significantly ahead of our envisaged 12-month investment horizon.

3. 8 June 2026 – Re-Initiation of BUY Call: We have re-initiate the BUY call at the CMP of 755 with a target price of 853, indicating an envisaged upside potential of 13% over the next 6 months.

4. 17 June 2026 – Target Achieved: The stock achieved our target price of 853 on 17 June 2026 and delivered a return of 15% (CMP is 870 as of 17 June 2026) within 2 weeks of our re-initiated BUY recommendation, significantly ahead of our envisaged 6-months investment horizon. Furthermore, the **stock delivered an impressive 32% from our initial BUY recommendation over a period of six months,** significantly outperforming our envisaged investment horizon of 12 months.

5. **18 June 2026 – Sell Recommendation (Profit Booking):** We advised investors book profits and SELL all holdings in Rategain Travel Technologies at CMP of 890 as of 18 June 2026, implying realized gains of 35% from the initial recommendation within 6 months and a 18% from the re-initiated BUY recommendation within a span of 3 weeks respectively, substantially outperforming the original investment timeline.

6. 3 Sept 2026 – Re-Initiation of BUY Call: We have re-initiate the BUY call at the CMP of 882 with a target price of 1015, indicating an envisaged upside potential of 15 % over the next 6 to 9 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team