

The Byke Hospitality Ltd (TBHL)

Sector: Hotel

Good set of numbers; Maintain BUY

 9th August, 2016

The Byke Hospitality reported a good set of numbers for 1QFY17 with a 29% growth in revenue at Rs.619 mn vs Rs.481.4 mn YoY. The company reported ~46bps expansion in EBITDA margin to 32% YoY in this quarter. PAT increased by 37% to Rs.64mn from Rs.47mn YoY. The strong revenue performance of the company was supported by growth of 20% in F&B (Foods & Beverages) segment, increasing no. of hotels under asset light model, better utilization of capital through room chartering business and strong sales network.

Revenue grew by 29% YoY: Revenue for 1QFY17 increased by 29% to Rs.619mn from Rs.481.4mn YoY led by increase in room revenue in lease business and F&B (foods & beverages) segment. F&B segment grew by 20%. Revenue contribution from owned & leased hotel and room chartering increased by 22%/36% YoY respectively. We believe, the Company would grow at 20% CAGR over FY16p-18e backed by growing domestic tourism industry, increasing no. of hotels under asset light model and better utilization of capital through room chartering business.

EBITDA margins expanded by 46 bps: The Company's EBITDA grew by 32% YoY with margin expansion of 46bps led by reduction in operational cost and other expenses. We expect the Company's EBITDA to grow at a CAGR of ~22% with the margin expansion of 107 bps over FY16p-18e due to higher margins contribution from food & beverages segment, owned & leased and optimum utilization resources.

PAT increased by 37% YoY: The Company's PAT grew by 37% in 1QFY17 to Rs.64mn vs Rs.47mn YoY led by strong growth in EBITDA and reduction in interest cost from 4mn to 3mn YoY.

Room revenue growth: The company has increased its total no. of rooms from 501 in 1QFY16 to 677 in 1QFY17. Under lease business model the company's rooms/food & beverages revenue grew at 22%/20% to 132mn/153mn YoY respectively. In room chartering segment, the Company has sold 1.42 lacs room nights in 1QFY17 against 1.01 lacs in 1QFY16. Revenue from room chartering business has grown at 36% to Rs.334mn YoY.

Growing across India: Currently, the Company has presence in 6 cities with fully operational properties at 9 locations. Recently, it has acquired 20,000 sq. ft. of wedding garden next to The Byke Suraj Plaza, Thane in Maharashtra to tap the growing demand for events such as weddings, birthdays, and corporate events. Also, the company's Byke Vijaya, Puri, (54 rooms) became operational in 1QFY17.

The Company is focusing to grow its lease portfolio by adding 8 more properties at strategically identified locations which include Lonavala, Mahabaleshwar, Chandigarh, Dalhousie, Jodhpur, Udaipur, Darjeeling, Gangtok in the next couple of years to build a pan India presence.

Valuation: At CMP Rs.162, the stock is trading at around 25x FY16p PE. We expect, the company's revenue to grow at ~20% CAGR and EBITDA to grow ~22% CAGR over FY16p-FY18e due to high margin from F&B segment and growing owned & leased hotel along with room chartering business. We valued the stock at 30x FY18 EPS and maintain BUY rating with target price of Rs.306.

Exhibit 1: Financial summary (Rs mn)

Y/E March	FY13	FY14	FY15	FY16p*	FY17e	FY18e
Net sales	1,009	1,557	1,814	2,315	2,637	3,321
Growth (%)	105.5	54.3	16.5	27.6	13.9	25.9
PAT	78	159	200	259	311	409
EPS (Rs)	3.9	7.9	5.0	6.5	7.7	10.2
P/E(x)	41.9	20.4	32.5	25.0	20.9	15.9
ROE (%)	11.1	20.2	21.6	23.4	23.9	26.5
ROCE (%)	10.5	17.8	19.7	21.4	22.1	24.8
Debt/equity (x)	0.24	0.14	0.10	0.07	0.05	0.04
P/Bv (x)	4.5	3.8	6.5	5.4	4.7	3.8

Source: Company, BOBCAPS, *Provisional

Price	Price Target	Up/Down (%)
Rs.162	Rs.306	89%

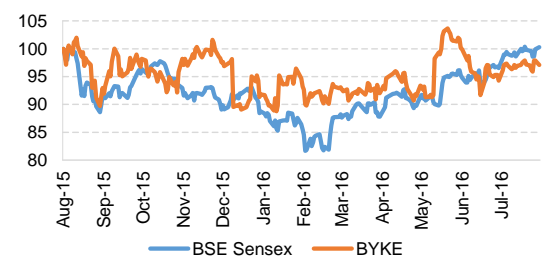
Bloomberg Code	Reuters Code
BYKE IN	TBKH.NS

Share Holding (%)	As on June 2016
Promoters	44.46
Public	0.38
Others	8.73

Stock Data	
Nifty	8,711
Sensex	28,183
52 week high/low	174/148
Market Cap (Rs. Bn)	6.5

Price performance (%)	1M	3M	6M	1Y
Absolute	2.6	3.5	3.7	-4.8
Relative to Sensex	-0.7	-5.6	-12.9	-4.0

Relative Performance



Source:-Bloomberg

Exhibit 2: Income Statement

(Rs Mn)	1QFY17	1QFY16	YoY (%)	4QFY16	QoQ (%)
Net Sales	619.0	481.4	28.6	680.1	-9.0
Operational cost	418.7	328.5		445.3	
(%) of net sales	67.6	68.2		65.5	
Staff cost	21.7	11.3		19.0	
(%) of net sales	3.5	2.3		2.8	
Other Expenses	49.8	43.7		54.2	
(%) of net sales	8.0	9.1		8.0	
EBITDA	128.7	97.9	31.5	161.6	-20.3
Depreciation	28.2	22.6		46.1	
EBIT	100.5	75.3	33.5	115.5	-12.9
Interest	3.2	4.1		3.6	
Other Income	0.3	0.3		0.3	
PBT	97.7	71.6	36.5	112.2	-12.9
Less: Taxation	33.8	24.8		38.6	
Less: Minority Interest	0.0	0.0		0.0	
Recurring PAT	63.9	46.8	36.5	73.6	-13.2
Exceptional items	0.0	0.0		0.0	
Reported PAT	63.9	46.8	36.5	73.6	-13.2
Key Ratios (%)					
EBITDA Margin	20.8	20.3	45.7	23.8	
Tax / PBT	34.6	34.6	0.8	34.4	
NPM	10.3	9.7	60.0	10.8	
EPS	1.6	1.2		1.8	

Source: Company, BOBCAPS

Financials

Exhibit 3: Income Statement

Y/E Mar (Rsmn)	FY13	FY14	FY15	FY16p*	FY17e	FY18e
Net sales	1,009	1,557	1,814	2,315	2,637	3,321
<i>growth (%)</i>	105.5	54.3	16.5	27.6	13.9	25.9
COGS	74	94	142	177	201	249
Staff Cost	28	32	38	63	69	86
R&D Cost	-	-	-	-	-	-
SG&A Cost	732	1,146	1,262	1,549	1,748	2,195
EBITDA	175	286	371	526	619	790
<i>growth (%)</i>	239	63	30	42	18	28
Depreciation	42	54	102	116	134	156
EBIT	134	232	270	410	485	634
Other income	5	1	1	1	1	1
Interest paid	23	21	18	15	12	11
Extraordinary items	-	-	-	-	-	-
PBT	116	212	253	397	475	625
Tax	38	54	53	137	164	216
Minority interest	-	-	-	-	-	-
PAT	78	159	200	259	311	409
Non-recurring items	-	-	-	-	-	-
Adjusted PAT	78	159	200	259	311	409

Source: Company, BOBCAPSe

*Provisional

Exhibit 4: Balance sheet

Y/E Mar (Rsmn)	FY13	FY14	FY15	FY16p*	FY17e	FY18e
Cash & Bank balances	10	20	22	29	58	94
Other Current assets	327	374	477	607	729	955
Investments	-	-	-	-	-	-
Net fixed assets	758	820	806	874	925	1,009
Goodwill	-	-	-	-	-	-
Other non-current assets	41	40	55	86	78	101
Total assets	1,136	1,254	1,361	1,596	1,790	2,159
Current liabilities	197	234	211	232	268	329
Borrowings	176	121	98	82	69	63
Other non-current liabilities	39	50	51	70	67	67
Total	412	405	360	384	404	460
Share capital	200	200	401	401	401	401
Reserves & surplus	524	648	600	811	986	1,298
Shareholders' funds	725	848	1,001	1,212	1,387	1,699
Total liabilities	1,136	1,254	1,361	1,596	1,790	2,159

Source: Company, BOBCAPSe

*Provisional

Exhibit 5: Cash flow statement

Y/E Mar (Rsmn)	FY13	FY14	FY15	FY16p*	FY17e	FY18e
Profit after tax	78	159	200	259	311	409
Depreciation	41	54	102	116	134	156
Chg in working capital	2	(9)	(140)	(140)	(78)	(187)
Total tax paid	11	11	0	-	-	-
Cash flow from operations	132	215	161	235	366	377
Capital expenditure	(135)	(116)	(88)	(130)	(239)	(240)
Change in investments	-	-	-	-	-	-
Cash flow from investments	(135)	(116)	(88)	(130)	(239)	(240)
Free cash flow	(3)	99	73	105	127	138
Issue of shares	-	-	200	-	-	-
Net inc/dec in debt	17	(54)	(24)	(15)	(13)	(6)
Dividend (incl. tax)	(23)	(35)	(48)	(61)	(73)	(96)
Other financing activities	0	0	(200)	29	(63)	(0)
Cash flow from financing	(6)	(89)	(71)	(47)	(149)	(102)
Inc/(Dec) in Cash & Bank bal.	(9)	9	2	59	(22)	36

Source: Company, BOBCAPSe

*Provisional

Exhibit 6: Ratios

Y/E Mar	FY13	FY14	FY15	FY16p*	FY17e	FY18e
Per share data (Rs)						
EPS	3.9	7.9	5.0	6.5	7.7	10.2
CEPS	6.0	10.6	7.5	9.4	11.1	14.1
DPS	1.2	1.8	1.2	1.5	1.8	2.4
BV	36.1	42.3	25.0	30.2	34.6	42.4
Profitability ratios (%)						
Gross margins	89.9	91.9	90.0	89.6	89.8	89.9
Operating margins	17.4	18.3	20.5	22.7	23.5	23.8
Net margins	7.7	10.2	11.0	11.2	11.8	12.3
Valuation ratios (x)						
PE	41.9	20.4	32.5	25.0	20.9	15.9
P/BV	4.5	3.8	6.5	5.4	4.7	3.8
EV/EBITDA	19.5	11.7	17.7	12.4	10.5	8.2
EV/Sales	3.4	2.2	3.6	2.8	2.5	1.9
RoE	11.1	20.2	21.6	23.4	23.9	26.5
RoCE	10.5	17.8	19.7	21.4	22.1	24.8
RoIC	9	16	19	21	22	25

Source: Company, BOBCAPSe

*Provisional

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