

November 17, 2016

Q2FY17 Result Update

The Byke Hospitality Ltd

On-track growth

Buy

The Byke Hospitality Ltd (Byke) for Q2FY17, reported good set of numbers with strong growth in revenue (18% to ₹54 crore) and EBITDA (20% to ₹12 crore). Byke maintained excellent occupancy levels at ~56% in spite of seasonally weak quarter and has sold ~1.3 lakh room nights in room-chartering business registering a growth of 14% YoY. Net profit has grown by 19% YoY to ₹6 crore. Byke has added 2 new properties in the quarter at Mumbai (40 rooms) and Jaipur (80 rooms) taking its hotel room portfolio to 797 rooms with 11 properties. The management in its post result conference call has maintained its guidance of for adding 8 properties (addition ~400-500 rooms) by FY18. It has also maintained its target of selling 7 lakh room-nights in chartering business and EBITDA margins of 24% in FY17.

Valuation and View: Post Q1FY17 results, we had a buy rating on the stock. In line with our expectations stock has outperformed the market with a return of ~10% since the last update. At the CMP, the stock is trading at 13.3x its FY18E EPS. Byke's strong expansion plans and increasing focus on value added segments like F&B are key growth drivers in the long run. We expect Byke to command higher valuation on the back of its strong growth trajectory along with healthy financials. We maintain BUY on Byke on the back of good growth, strong financials and attractive valuations with a target price of ₹241, valuing it at 18x its FY18E EPS.

Q2FY17 Result Summary

Y/E Mar (₹ Cr.)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Revenue	53.6	45.4	18.0	61.9	(13.4)
EBITDA	12.2	10.1	20.4	12.9	(5.6)
Margin (%)	22.7	22.2	50bps	20.8	190bps
PAT	5.8	4.9	19.2	6.4	(9.2)
EPS (₹)	1.5	1.2		1.6	

Source: Company, Centrum Wealth Research

On-track expansion plans: Byke has added two new properties in the current quarter 'The Byke Grassfield Riviera, Jaipur' and 'The Byke Hotel Delotel, Mumbai' and plans to add 3 properties in FY17 and 5 in FY18, keeping its expansion well in line. In spite of seasonally weak quarter Byke's revenue have grown by 18% on the back of improved occupancy and a higher ARR. The company has managed to improve its margins by 50 bps to 22.7% in Q2FY17. The company reiterated its plan to take its Owned & Leased hotel portfolio to 25 by FY20 (from 11 currently) and achieve a top-line of ₹500 crore by FY19. We expect hotel and F&B revenues to register a 34% CAGR over FY16-18E on the back of the new hotels addition.

Room chartering growth trend on track: During Q2FY17, Byke sold ~1.3 lakh room nights growing at ~14% YoY and targets to sell 7 lakh room nights in FY17. For Q3FY17, Byke has invested ₹37 crore for Room chartering (close to 2 lakh room nights) and has substantially increased its focus on weekend business which is margins accretive. We expect room chartering revenues to report a 33% CAGR over the next two years.

Risk factors: 1) Short term demand contraction due to currency de-monetization 2) Any delay in commissioning of new property, 3) Decrease in tourist travel due to any natural or Man-made calamity.

Financial Summary

Y/E Mar (₹ Cr.)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	YoY (%)	EPS (₹)	P/E (x)	EV/EBITDA (x)	RoE (%)
FY14A	156	54.3	29	18.3	16	104.2	4.0	44.9	11.3	20.2
FY15A	181	16.5	37	20.5	20	26.1	5.0	35.6	19.4	21.7
FY16A	232	27.6	53	22.7	26	29.5	6.5	27.5	13.7	23.4
FY17E	307	32.5	69	22.6	36	38.1	8.9	19.9	10.3	26.5
FY18E	416	35.5	97	23.4	54	50.1	13.4	13.3	7.2	31.4

Source: Company, Centrum Wealth Research

Key Data

Current Market Price (₹)	178
Target Price (₹)	241
Potential upside	36%
Sector Relative to Market	Underperform
Stock Relative to Sector	Outperform

Stock Information

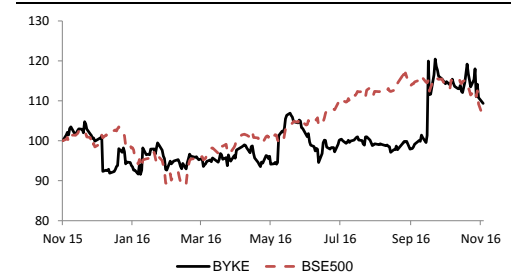
BSE Code	531373
NSE Code	BYKE
Face Value (₹/Share)	10.0
No. of shares (Cr.)	4.0
Market Cap (₹ Cr.)	712
Free float (₹ Cr.)	399
52 Week H / L (₹)	200 / 148
Avg. Daily turnover (12M, ₹ Cr.)	1.7

Shareholding Pattern (%)*

	Sep-16	Jun-16
Promoters	44.9	44.6
Insurance Cos.	7.0	7.0
FPIs	5.6	5.6
Others including Public	42.5	42.8

*Note: As per the new format reported to exchanges

1 year Indexed Price Performance



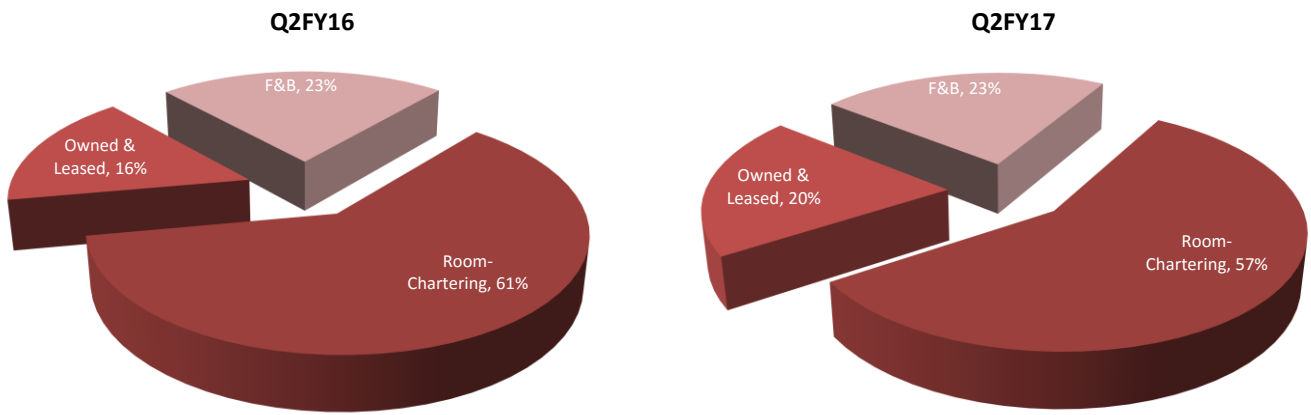
Price Performance (%)

	1M	3M	6M	12M
BYKE	-4.7	10.2	16.2	9.4
BSE 500	-7.1	-5.7	5.1	5.9

Source: Bloomberg, Centrum Wealth Research

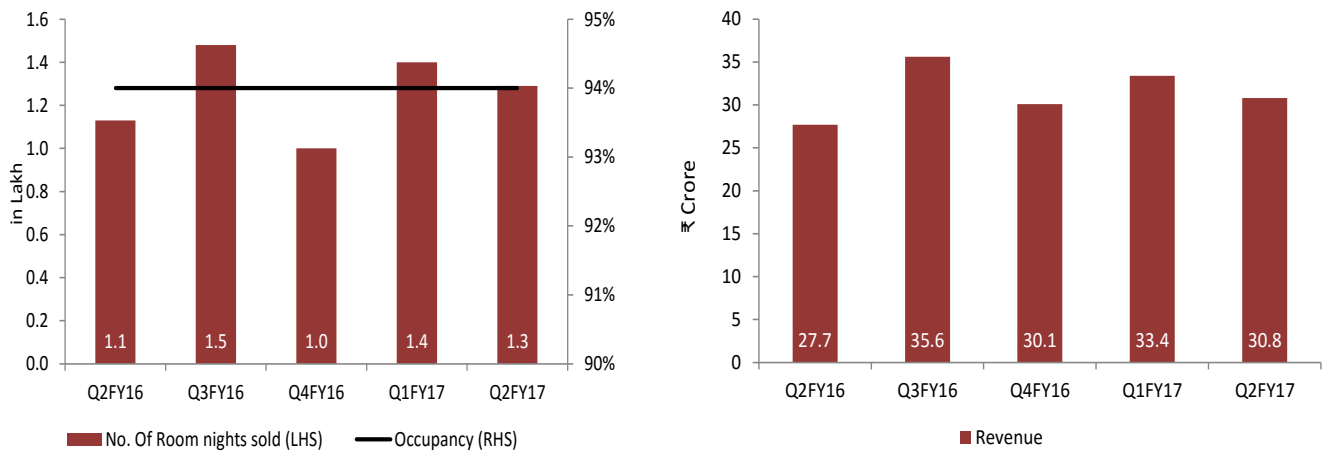
Siddhartha Khemka, Sr. VP Research

Exhibit 1: Revenue mix



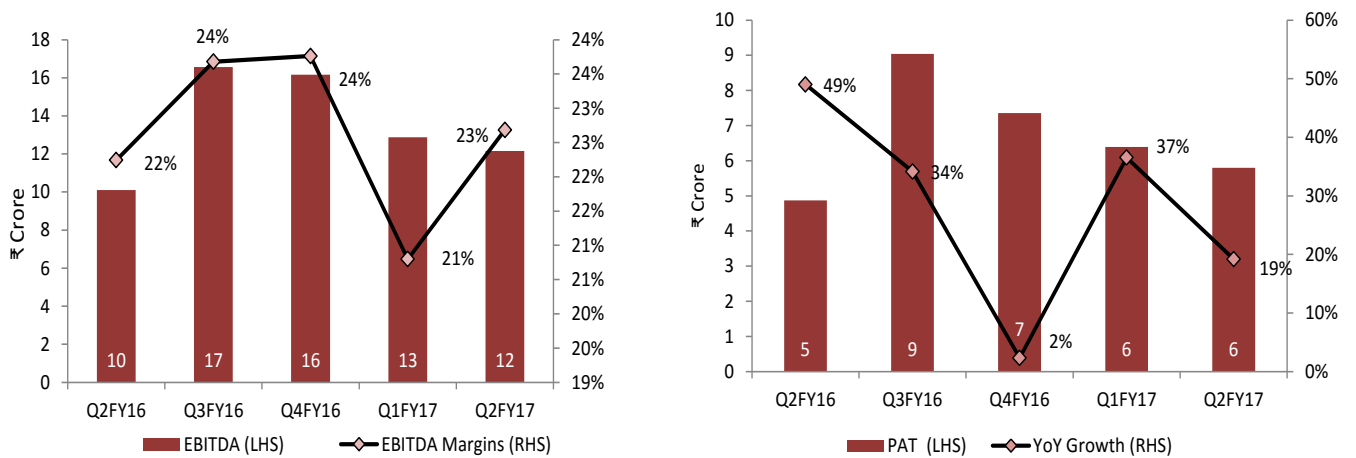
Source: Company, Centrum Wealth Research

Exhibit 2: Room-Chartering segment trends



Source: Company, Centrum Wealth Research

Exhibit 3: EBITDA and PAT Trends



Source: Company, Centrum Wealth Research

Exhibit 4: Quarterly Performance

Y/E Mar (₹ Cr.)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17
Revenue	45.4	70.0	68.0	61.9	53.6
YoY Growth %	25.5	22.7	19.4	28.6	18.0
Operational Cost	30.8	46.7	44.5	41.9	36.1
% of sales	67.8	66.8	65.5	67.6	67.3
Personnel expenses	1.4	1.9	1.9	2.2	2.2
% of sales	3.0	2.7	2.8	3.5	4.1
Other Exp.	3.1	4.8	5.4	5.0	3.2
% of sales	6.9	6.9	8.0	8.0	6.0
EBIDTA	10.1	16.6	16.2	12.9	12.2
EBIDTA margin %	22.2	23.7	23.8	20.8	22.7
Depreciation	2.3	2.4	4.6	2.8	3.0
Interest	0.4	0.3	0.4	0.3	0.3
Other Income	0.0	0.0	0.0	0.0	0.0
PBT	7.4	13.8	11.2	9.8	8.9
Provision for tax	2.6	4.8	3.9	3.4	3.1
Effective tax rate %	34.6	34.7	34.4	34.6	34.6
Net Profit	4.9	9.0	7.4	6.4	5.8
YoY Growth %	64.9	49.0	34.1	2.3	36.5
PAT margin %	10.7	12.9	10.8	10.3	10.8

Source: Company, Centrum Wealth Research

Technical View on The Byke Hospitality Ltd

- The Byke Hospitality is trading in a sideways trend with a positive overall bias within the consolidation setup.
- The scrip has been attempting to breakout of the range but has not been able to hold on at higher levels. The scrip though can be expected to make a move higher eventually possibly towards 205-220 range in the next 6 months.
- Long positions should be initiated with a stop loss below 155.

Exhibit 5: Technical Chart



Source: Company, Centrum Wealth Research

Financials

Income Statement

Y/E Mar (₹ Cr)	FY14	FY15	FY16	FY17E	FY18E
Revenue	156	181	232	307	416
Growth %	54.3	16.5	27.6	32.5	35.5
Operational Cost	9	14	16	19	26
% of sales	6.0	7.9	6.8	6.3	6.3
Personnel expenses	3.2	3.8	6.3	6.8	9.3
% of sales	2.1	2.1	2.7	2.2	2.2
Other Exp.	115	126	157	211	283
% of sales	73.6	69.5	67.7	68.8	68.1
EBIDTA	29	37	53	69	97
EBIDTA margin %	18.3	20.5	22.7	22.6	23.4
Depreciation	5	10	12	14	16
Interest	2.1	1.8	1.5	1.0	0.8
Other Income	0.1	0.1	0.1	0.1	2
PBT	21	25	40	55	82
Provision for tax	5	5	14	19	28
Effective tax rate %	25.2	21.0	34.6	34.5	34.5
Net Profit	16	20	26	36	54
Growth %	-	26.1	29.5	38.1	50.1
PAT margin %	10.2	11.0	11.2	11.7	12.9

Source: Company, Centrum Wealth Research

Balance Sheet

Y/E Mar (₹ Cr)	FY14	FY15	FY16	FY17E	FY18E
Share capital	20	40	40	40	40
Reserves & surplus	65	60	81	110	153
Shareholder's fund	85	100	121	150	193
Loan fund	12	10	8	6	5
Deferred tax liability	5	5	7	7	7
Total cap. employed	102	115	136	163	205
Net fixed assets	82	81	87	96	105
Investments	-	-	-	-	-
Cash and bank	2	2	3	3	13
Inventories	6	6	6	9	12
Debtors	11	14	18	25	37
Loans and advances	25	33	45	73	97
Total current assets	43	55	72	111	160
Current lia. and prov.	23	21	24	44	61
Net current assets	20	34	49	66	99
Total assets	102	115	136	163	205

Source: Company, Centrum Wealth Research

Cash Flow

Y/E Mar (₹ Cr)	FY14	FY15	FY16	FY17E	FY18E
Net Profit BeforeTax	21	25	40	55	82
Depreciation	5	10	12	14	16
Others	2	2	1	1	(1)
Change in working capital	(4)	(16)	(14)	(17)	(24)
Tax expenses	(5)	(5)	(14)	(17)	(29)
Cash flow from Ops	20	16	25	35	45
Capex	(9)	(9)	(15)	(26)	(25)
Other investing activities	(0.2)	0.0	0.1	0.1	2
Cash flow from Invest	(9)	(9)	(15)	(26)	(23)
Borrowings	-	-	-	-	-
Dividend paid	(5)	(2)	(2)	(2)	(1)
Interest paid	(2)	(4)	(5)	(7)	(10)
Cash flow from financing	(2.1)	(1.6)	(1.5)	(1.0)	(0.8)
Net Cash Flow	(10)	(7)	(8)	(10)	(12)

Source: Company, Centrum Wealth Research

Key Ratios

Y/E Mar	FY14	FY15	FY16	FY17E	FY18E
Return ratios (%)					
RoE	20.2	21.7	23.4	26.5	31.4
RoCE	24.8	26.2	34.3	39.0	45.9
Turnover Ratios (days)					
Inventory	14.1	12.1	9.7	9.2	9.5
Debtors	26.5	24.9	25.0	25.1	27.2
Creditors	18.2	13.1	10.3	12.9	15.9
Fixed asset turnover (x)	1.8	1.9	2.1	2.3	2.6
Solvency Ratio (x)					
Debt-Equity	0.1	0.1	0.1	0.0	0.0
Interest coverage	11.2	15.0	27.4	54.4	101.7
Per share (₹)					
EPS	4.0	5.0	6.5	8.9	13.4
BVPS	20.4	20.1	21.8	24.0	26.2
CEPS	17.2	22.6	28.8	39.3	57.8
Dividend Ratios					
DPS (₹)	0.8	1.0	1.0	1.6	2.2
Dividend Yield (%)	0.4	0.6	0.6	0.9	1.2
Dividend Payout (%)	22.1	20.1	18.2	20.5	19.1
Valuation (x)					
P/E	44.9	35.6	27.5	19.9	13.3
P/BV	8.7	8.9	8.2	7.4	6.8
EV/EBIDTA	25.3	19.4	13.7	10.3	7.2
EV/Sales	4.6	4.0	3.1	2.3	1.7

Source: Company, Centrum Wealth Research

Appendix

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