

Company Update

The Byke Hospitality Ltd

Bloomberg Code: BYKE IN

India Research - Stock Broking

BUY

Strong Performance Continuing....

Strong performance continued during H1FY17: The Byke Hospitality Ltd continues to sustain its growth during H1FY17 registering 23.5% increment on the topline with Rs. 1155 Mn compared to Rs. 935 Mn during H1FY16. EBITDA during H1FY17 stood at Rs. 250 mn compared to Rs. 199 mn registering a growth of 25.8%, EBITDA Margins for H1FY17 stood at 21.7% an increase of 41 bps (basis points) over H1FY16. Net Profit for H1FY17 stood at Rs. 122 Mn compared to Rs. 95 Mn in H1FY16.

Commenced Operation at Puri property, added 2 new properties during H1FY17: BHL's Owned & Leased (O&L) portfolio continues to grow during H1FY17 with start of operations at "Byke Vijaya, Puri" property along with the long-term lease contracts for two new properties in Mumbai and Jaipur, increasing the total room capacity to 797 rooms in 11 properties for FY17E. The Mumbai property is expected to commence operation by the end of FY17E, with operations already started at Jaipur property during Oct-16.

Room rental revenues continue to witness a strong growth during Q2FY17: During the quarter, room rental revenues registered a growth of 44.6% YoY with Rs. 107 Mn in Q2FY17 compared to Rs. 74 Mn in Q2FY16, with F&B (Food & Beverage) segment clocking a growth of 17.5% with Rs. 121 Mn during Q2FY17 compared to Rs. 103 Mn in Q2FY16.

Chartering segment witnessed a modest growth of 11.2% during Q2FY17: Room Chartering segment's revenue during Q2FY17 stood at Rs. 308 Mn compared to Rs. 277 Mn in Q2FY16 registering a modest growth of 11.5%. It sold ~129 thousand room nights during the quarter compared to ~112 thousand room nights same quarter last year.

Valuation and Outlook

BHL's continued addition of leased room inventory and restaurants along with increasing room nights sold in chartering segment will aid to grow its revenue with continuing improvement in the operating margins. We maintain a "BUY" rating on "The Byke" assigning P/E multiple of 19.7x to FY18E EPS with a target price of Rs. 207 with an upside potential of 16% for a period 12-15 months.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	1557	1814	2315	2763	3549
EBITDA	286	372	526	595	792
EBITDA Margin (%)	18.3	20.5	22.7	21.5	22.3
Adj. Net Profit	159	200	259	298	422
EPS (Rs.)	4.0	5.0	6.5	7.4	10.5
RoE (%)	20.2	21.7	23.4	22.5	26.4
PE (x)	40.4	32.2	24.2	24.0	17.0

Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price

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Recommendation (Rs.)

CMP (as on Nov 11, 2016)	179
Target Price	207
Previous Target Price	207
Upside (%)	16

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	7165 / 106
52-wk High/Low (Rs.)	200 / 148
3M Avg. daily volume (mn)	0.2
Beta (x)	0.8
Sensex/Nifty	26819 / 8296
O/S Shares(mn)	40.1
Face Value (Rs.)	10.0

Shareholding Pattern (%)

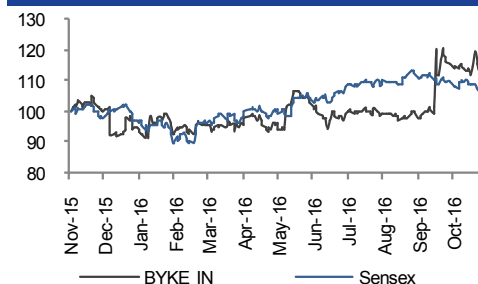
Promoters	45.0
FII	5.8
DII	7.9
Others	41.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	11	15	9
Relative to Sensex	(1)	16	9	4

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Analyst Contact

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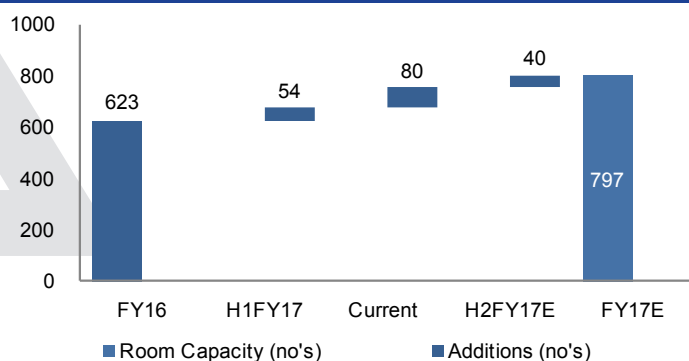
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Exhibit 2: Q2FY17

YE Mar (Rs. Mn)	Q2FY17	Q2FY16	QoQ (%)	H1FY17	H1FY16	YoY(%)
Income	536	454	18.0	1155	935	23.5
Operating Cost	361	308	17.0	779	637	22.4
Employee Cost	22	14	58.2	44	25	73.7
Others	32	31	2.5	82	75	9.2
Total Expense	414	353	17.4	905	737	22.8
EBITDA	122	101	20.4	250	199	25.8
Other Income	0	0	(11.7)	1	1	(7.0)
Depreciation	30	23	31.0	58	46	27.8
EBIT	92	78	17.1	193	154	25.1
Interest	3	4	(22.1)	6	8	(22.0)
PBT	89	74	19.2	186	146	27.7
Tax	31	26	19.2	65	51	27.7
PAT	58	49	19.2	122	95	27.7
EBITDA Margin (%)	22.7	22.2	44 bps	21.7	21.3	41 bps
EBIT Margin (%)	17.1	17.3	(14) bps	16.7	16.5	22 bps
Net Profit Margin (%)	10.8	10.7	11 bps	10.6	10.2	35 bps

Source: Company, Karvy Research

Commenced Operation at Puri property, added 2 new properties during H1FY17:
Exhibit 3: O&L Room Capacity Addition


Source: Company, Karvy Research

BHL's O&L portfolio continues to grow during H1FY17 with start of operations at "Byke Vijaya, Puri" property with 54 rooms, 4 conference rooms & a restaurant. It also entered into long-term lease contracts for two new properties in Mumbai and Jaipur consisting of 40 & 80 room capacities along with respective amenities, increasing the total room capacity to 797 rooms at 11 properties for FY17E. The Mumbai property is expected to commence operation by the end of FY17E, with operations already started at Jaipur property during Oct-16.

Room rental revenues continue to witness a strong growth during Q2FY17:

During the quarter, room rental revenues registered a growth of 44.6% YoY with Rs. 107 Mn in Q2FY17 compared to Rs. 74 Mn in Q2FY16, mainly on account of the improved occupancy rate and ARR (Average Room rate) over same quarter last year. The F&B segment clocked a growth of 17.5% with Rs. 121 Mn during Q2FY17 compared to Rs. 103 Mn in Q2FY16.

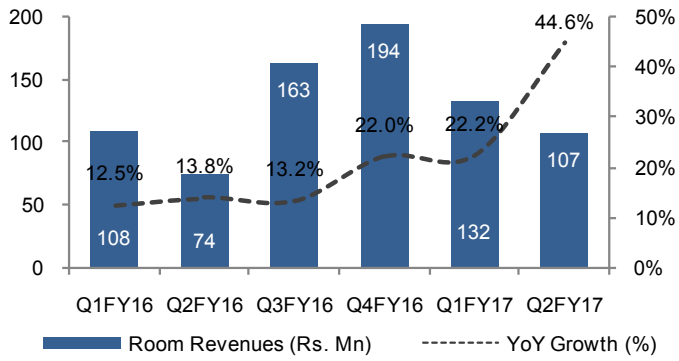
Chartering segment witnessed a modest growth of 11.2% during Q2FY17:

Room Chartering segment's revenue during Q2FY17 stood at Rs. 308 Mn compared to Rs. 277 Mn in Q2FY16 registering a modest growth of 11.5%. It sold ~129 thousand room nights during the quarter compared to ~112 thousand room nights same quarter last year. The Occupancy levels during the quarter improved, however ARR (Average Room Rate) witnessed a drop of 3% in Q2FY17.

Strong operating performance during the quarter:

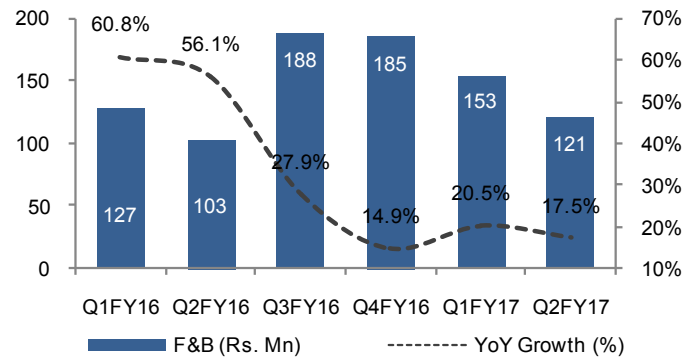
EBITDA during the quarter stood at Rs. 122 Mn witnessing a growth of 20.4% over same quarter last year at Rs. 101 Mn. EBITDA Margins witnessed an increase in 44 bps, currently standing at 22.7% when compared to 22.2% in Q2FY16. The net profit of the company also witnessed a growth of 19.2% at Rs. 58 Mn in Q2FY17 compared to Rs. 49 Mn in Q2FY16.

Exhibit 4: O&L Room Revenues witnessed High Growth in Q2FY17



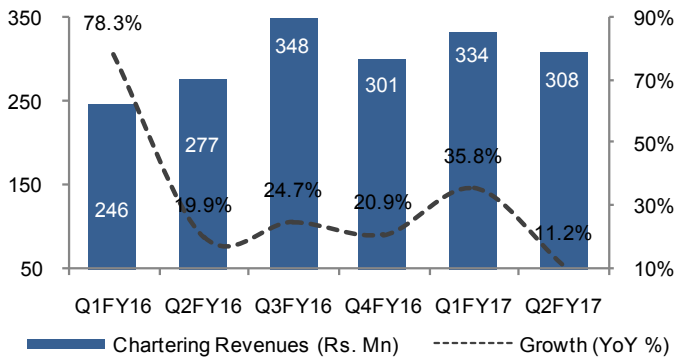
Source: Company, Karvy Research

Exhibit 5: F&B Revenues witnessed Good Growth in Q2FY17



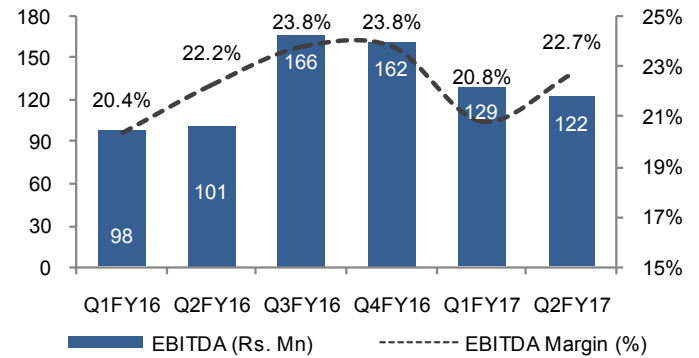
Source: Company, Karvy Research

Exhibit 6: Modest growth in Chartering Room Revenues in Q2FY17



Source: Company, Karvy Research

Exhibit 7: EBITDA Margins Continue to Improve in Q2FY17



Source: Company, Karvy Research

Financials

Exhibit 8: Income Statement

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Revenues	1557	1814	2315	2763	3549
Growth (%)	54.3	16.5	27.6	19.4	28.4
Operating Expenses	1271	1442	1789	2168	2757
EBITDA	286	372	526	595	792
Growth (%)	62.8	30.3	41.3	13.1	33.1
Depreciation & Amortization	54	102	116	126	144
EBIT	233	272	412	471	649
Other income	1	1	1	1	1
Interest Expenses	21	18	15	12	0
PBT	213	254	397	459	649
Tax	54	53	137	161	227
Adjusted PAT	159	200	259	298	422
Growth (%)	104.9	26.1	29.5	15.1	41.3

Source: Company, Karvy Research

Exhibit 9: Balance Sheet

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Cash & Cash Equivalents	20	23	29	27	35
Trade receivables	107	140	177	166	213
Inventory	60	60	62	97	124
Loans & Advances	228	314	438	470	605
Net Block	820	806	874	1064	1145
Other current assets	18	17	17	17	18
Total Assets	1254	1361	1596	1840	2140
Current Liabilities	234	211	232	271	331
Debt	121	98	82	80	0
Other Liabilities	50	51	70	51	51
Total Liabilities	405	360	384	402	382
Shareholders Equity	200	401	401	401	401
Reserves & Surplus	648	600	811	1037	1357
Total Networkth	848	1001	1212	1438	1758
Total Networkth & Liabilities	1254	1361	1596	1840	2140

Source: Company, Karvy Research

Exhibit 10: Cash Flow Statement

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
PBT	213	254	397	459	649
Depreciation	54	102	116	126	144
Net Interest flow	19	17	14	10	(1)
Tax Paid	(50)	(45)	(137)	(161)	(227)
Inc/dec in Net WC	(36)	(163)	(123)	(36)	(151)
Cash flow from operating activities	200	164	266	399	414
Inc/dec in capital expenditure	(90)	(88)	(183)	(316)	(225)
Others	(2)	1	1	1	1
Cash flow from investing activities	(92)	(87)	(182)	(314)	(224)
Inc/dec in borrowings	(53)	(24)	(15)	(2)	(80)
Dividend paid	(25)	(35)	(48)	(72)	(102)
Interest paid	(21)	(16)	(15)	(12)	(0)
Cash flow from financing activities	(99)	(74)	(78)	(86)	(182)
Net change in cash	9	3	6	(2)	8

Source: Company, Karvy Research

Exhibit 11: Key Ratios

YE Mar	FY14	FY15	FY16	FY17E	FY18E
EBITDA Margin (%)	18.3	20.5	22.7	21.5	22.3
EBIT Margin (%)	15.0	15.0	17.8	17.0	18.3
Net Profit Margin (%)	10.2	11.0	11.2	10.8	11.9
Dividend Payout Ratio (%)	18.9	20.0	20.0	20.0	20.0
Net Debt/Equity (x)	0.1	0.1	0.0	0.0	(0.0)
RoE (%)	20.2	21.7	23.4	22.5	26.4
RoCE (%)	24.3	25.6	34.0	33.4	39.6

Source: Company, Karvy Research

Exhibit 12: Valuation Parameters

YE Mar	FY14	FY15	FY16	FY17E	FY18E
EPS (Rs.)	4.0	5.0	6.5	7.4	10.5
DPS (Rs.)	0.8	1.0	1.3	1.5	2.1
BVPS (Rs.)	21.2	25.0	30.2	35.9	43.8
PE (x)	40.4	32.2	24.2	24.0	17.0
P/BV (x)	7.6	6.5	5.2	5.0	4.1
EV/EBITDA (x)	22.9	17.6	12.0	12.1	9.0
EV/Sales (x)	4.2	3.6	2.7	2.6	2.0

Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: <5%

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