

BUY

The Byke Hospitality Ltd.

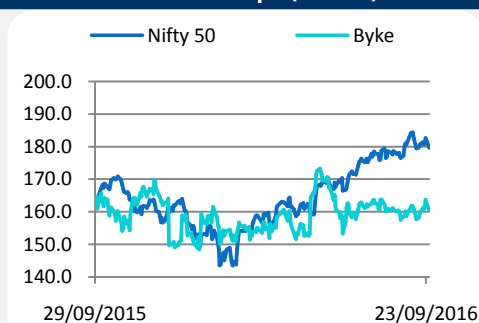
Stock Details

Price	Rs. 187
Target Price	Rs. 245
Upside Potential	+31%
Nifty 50 Index	8777
Sector	Hotels / Hospitality
BSE code	531373
Face Value	Re. 10
Shares outstanding	4,00,97,800
BVPS	Rs. 30.2
Market. Cap (Rs. Cr)	750
52 Week H/L (Rs.)	148 / 196
Group	BSE Small Cap

Share Holding (%)

Promoters	44.4
Foreign	0.0
Public	55.6

Share Price Graph (1 Year)



*Nifty 50 rebased

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One of the fastest growing Indian Hospitality Brand

Background – The Company

Incorporated in 1990, The Byke Hospitality is one of the fastest growing hospitality brands in India. Earlier aka Suave Hotels, after coming under Mr. Patodia management, it has considerably changed its business profile. It operates in 2 broad segments – Owning & Managing Properties & Room Chartering/Aggregating. Also it offers the unique value proposition of being India's only vegetarian brand.

Asset Light Business – Low Capital Requirements

Its unique Asset – Light Model allows the company to leverage high profitability from a low capital base. It currently operates 9 resorts across India on a long term lease & is in mode of major expansion in the next 5 years. Currently the company has holding of 677 keys, which it aspires to take it to 1000 keys by 2018. Also the management in the past has shown such strong growth & is competent to repeat it in future years.

Further Expansion – Pan-India

Byke aims to add 4 new properties in 2016-17 at about Lonavala, Mumbai, and Mahabaleshwar. Further expansion is expected at tentative locations being Dalhousie, Jodhpur, Udaipur, Chandigarh, and Darjeeling in 2017-18.

Room Chartering/Aggregation – B2B

Under room chartering/aggregation, it manages room inventory at various locations by booking of 3rd party hotel rooms (especially small hotels having no brand & lacking web booking capability) during peak seasons on bulk basis @ deep discount & subsequently letting them at retail level through agents. & to minimize the risk of refunds, it has in place strict quality checks. The occupancy remained at an attractive 94% in 2015-16 better than underlying industry.

Strong Brand

"BYKE" is coming up as one of the formidable brand in India. In 2016, it earned a spot on FORBES ASIA's best under a billion companies in India. In the article titled as "Budget Beds with Veg Buffets at India's Byke Resorts", Mr. Patodia had mentioned that if you buy large hotel properties, you'll never make money because of land costs. So he came up with a lease model, wherein he scouts for distressed hotels in leading tourism destination, take them on lease, renovates them at a low cost & run them under the "Byke" brand.

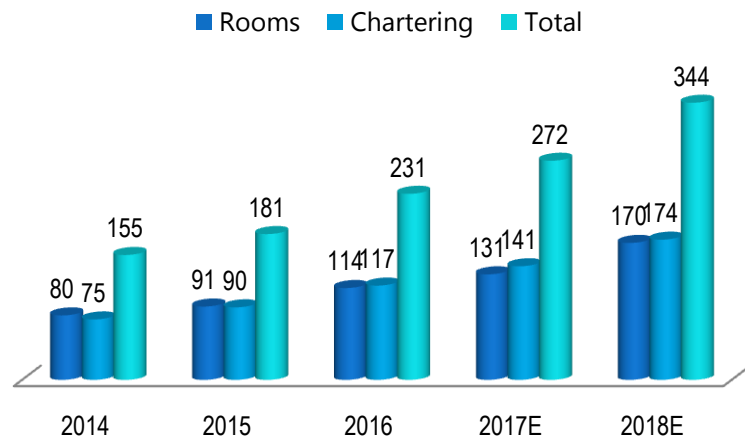
Boost in Tourism Sector

During the period 2000–2016, Tourism Sector attracted around \$9.2 billion in FDI & is expected to increase in the coming decade. Also, rising disposable income & affordable travel options is expected to increase traction for this sector. Recently, the Tourism ministry got a 70% hike in the Union Budget, towards enhancement of tourism in India.

Current Locations

Name	State	Keys
The Byke Old Anchor	Goa	240
The Byke Suraj Plaza	Thane	122
The Byke Heritage	Matheran	80
The Byke Grassfield	Jaipur	54
The Byke Vijoya	Puri	54
The Byke Hidden Paradise	Goa	40
The Byke Neelkanth	Manali	40
The Byke Redwood	Matheran	25
The Byke Sunflower	Goa	22
TOTAL :		677

Revenues: Segmental Break-up



Risks & Concerns

- Industry Slowdown: Any slowdown in terms of occupancy & ARR would impact the margins of the company.
- Natural Calamities: Any calamities where Byke hotels are located could impact its business.
- Expansion plans, if not materialising would impact the growth of the company.

Outlook and Valuation

The Byke Hospitality Ltd. is likely to see robust growth in its business on the back of improving macro scenario, better per capita spending, improving lifestyle etc. Good earnings growth, huge profit margins, strong cash flows, will favourably impact valuations. Expecting margins to grow steadily @ 25-30% cagr in coming years, it is currently trading at a PE of 22.1 / 16.6 on EPS of 8.5 / 11.2 for FY 2017 & 2018. Thus, we have valued it at a PE of 22 on EPS of 11.2 for FY 2018 to arrive at 245/-. Thus, we recommend a **'BUY'** rating for the company, with a potential **31% appreciation** from its current price.

Financial Highlights

Balance Sheet

Rs. crore

	FY18E	FY17E	FY16	FY15	FY14
SOURCES OF FUNDS					
Share Capital	40	40	40	40	20
Reserves Total	156	112	81	60	65
Total Shareholders' Funds	196	152	121	100	85
Loans	6	9	11	12	15
Total Liabilities	202	161	132	113	99
APPLICATION OF FUNDS					
Gross Block	155	138	120	103	92
Less: Accum. Depreciation	56	45	36	24	14
Net Block	99	93	84	79	78
Net Deferred Tax	-8	-8	-7	-5	-5
Non Current Investment	0	0	0	0	0
Inventories	8	7	6	6	6
Sundry Debtors	24	21	18	14	11
Cash and Bank	39	17	3	2	2
Loans and Advances	54	41	35	26	19
Other Assets	14	12	10	7	6
Current Liabilities	29	24	21	19	21
Net Current Assets	95	62	41	30	17
Total Assets	202	161	132	113	99

Profit & Loss Statement

Rs. crore

	FY18E	FY17E	FY16	FY15	FY14
Total Income	345	272	232	182	156
Total Expenditure	262	208	179	144	127
PBIDT	82	65	53	37	29
Interest	1	1	2	2	2
PBDT	81	63	51	36	27
Depreciation	15	13	12	10	5
Profit Before Tax	66	50	40	25	21
Tax	21	16	12	5	4
PAT	45	34	26	20	16

Ratios

	FY18E	FY17E	FY16	FY15	FY14
Financial Ratios					
PBIDTM (%)	24%	24%	23%	21%	18%
PBITM (%)	28%	28%	28%	26%	22%
CPM (%)	14%	15%	12%	9%	13%
PATM (%)	13%	12%	11%	11%	10%
ROCE (%)	41%	40%	40%	33%	29%
ROE (%)	23%	22%	21%	20%	19%
PAT/PBIDT (%)	55%	52%	49%	53%	55%
PBDIT/Assets (%)	83%	69%	63%	47%	37%
Debt-Equity Ratio	0.03	0.06	0.09	0.12	0.17
Current Ratio	4.3	3.5	3.0	2.6	1.8
Sales/Net Assets	3.5	2.9	2.7	2.3	2.0
Net Assets/N.W	0.5	0.6	0.7	0.8	0.9
Debt Ratio	0.0	0.0	0.0	0.0	0.0

Valuation Ratios

EPS	11.2	8.5	6.3	4.8	3.8
P/E	16.6	22.1	29.7	39.0	49.2
Book Value	48.8	38.0	30.2	24.9	21.2
P/BV	3.8	4.9	6.2	7.5	8.8

Cash Flow

Rs. crore

	FY18E	FY17E	FY16	FY15	FY14
Cash from Operations	47	40	27	16	20
Cash from Investing	-17	-18	-18	-9	-9
Cash from Financing	-8	-8	-8	-7	-10
Net Cash Flow	22	14	1	0	1

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The ratings below have been prescribed on a potential returns basis with a timeline of up to 12 months. At times, the same may fall out of the price range due to market price movements and/or volatility in the short term. The same shall be reviewed from time to time by **SRE**. The addressee(s) decision to buy or sell a security should be based upon his/her personal investment objectives and should be made only after evaluating the stocks' expected performance and associated risks.

KEY RATINGS

Rating	Expected Return
Buy	> 15%
Accumulate	5 to 15%
Hold	-15 to 5%
Sell	< -15%
Not Rated	-

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