

18 Aug 2016

Initiating Coverage (BUY)

THE BYKE HOSPITALITY

CMP

INR 161

Target Price

INR 187

Stock Details	
Industry	Hospitality
Bloomberg Code	BYKE:IN
BSE Code	531373
Face Value (Rs.)	10.00
Market Cap. (Rs. Mn)	6477.8
52wk. High/Low (Adjusted) ((Rs.)	174.25 / 148

Shareholding Pattern Jun '15	
Promoter (%)	44.46
FII (%)	3.86
DII (%)	8.10
Public - Other (%)	43.59
No. of Share Outstanding (mn)	40.09

Valuation Summary				
	FY 15A	FY 16E	FY 17P	FY 18P
P/E (x)*	32.06	24.98	25.00	26.00
EV/EBITDA (x)	17.3	12.26	11.32	11.48
P/BV (x)	6.42	5.34	6.10	5.67

*TTM for Current Year

Based on Market Price as on 1st Apr is taken for Each FY

Key Financial				
Rs. Mn	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	1814	2315	2808	3145
EBITDA	372	526	557	607
Net Profit	200	259	266	288
EPS (Rs.)*	5.0	6.5	6.6	7.2

*Un adjusted

Key Ratios				
	FY 15A	FY 16E	FY 17P	FY 18P
EBITDA Margin (%)	20.5	22.8	20	19.5
EBIT Margin (%)	14.9	17.8	15.3	14.8
Net Pro. Margin (%)	11.0	11.2	9.5	9.2
Debt/Equity (x)	0.04	0.02	0.00	0.00
RoNW (%)	21.7	23.4	23.1	23.9
RoCE (%)	19.6	21.7	21.6	22.6

One Year Price / Volume



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We recommend 'BUY' on The BYKE Hospitality for a target of INR 187 - valuing the company at P/E of 26x FY18E Earning.

INVESTMENT RATIONALE:

- Unique and asset-light model business model.
- The company operates 9 of the company's 11 properties are on long-term leases, it leases out promising 2-3 star properties in popular tourist destinations.
- Strong growth in chartering business helping drive the revenue.
- Strong marketing and distribution network of agents.
- Domestic Middle Class Leisure tourism set to grow at a faster pace.
- Experienced Management and Professional team.
- Low Cost and faster rollout of hotels.
- Successfully turning around properties.
- Low capital employed.
- Efficient risk mitigation due to pan India presence.
- Flexibility to quickly expand depending on tourist trend.

VALUATIONS AND VIEW:

It is a fast emerging name in the hospitality sector with luxury resorts and boutique hotels under its banner. The group employs a team of highly skilled staff, who display efficiency and competence. An asset-light business model, adequately capitalized balance sheet, robust cash flows, exciting growth prospects & a capable management inspire confidence in its prospects over the next two years. **We value the business at 26x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 187 per share.**

RISK & CONCERNS:

- **Online aggregators:** Increase in competition from online companies like Oyo Rooms could impact Byke's growth in the long term.
- **Execution risk:** Slower pace in addition of leased properties could impact the earnings of the company.

COMPANY BACKGROUND:

The Byke Hospitality Ltd. is a fast emerging name in the hospitality sector with luxury resorts and boutique hotels under its banner. Equipped with years of experience, the group is committed towards quality and excellence, providing its patrons with the finest of holiday experiences. Each of their properties harnesses best-in-class technology in tune with global trends, so that they can deliver service as per international standards. The group employs a team of highly skilled staff, who display efficiency and competence. The Byke group serves exclusive multi cuisine vegetarian cuisine enriched with natural and authentic flavours.

Properties

- The Byke Old Anchor, Goa
- The Byke Heritage, Matheran
- The Byke Suraj Plaza, Thane
- The Byke Grassfield, Jaipur
- The Byke Neelkanth, Manali
- The Byke Vijoya, Puri

INDUSTRY OVERVIEW:

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. The second-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly US\$ 295.7 billion or 19.2 per cent to the Gross Domestic Product (GDP) in 2015-16, while growing at 8.9 per cent year-on-year. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

The industry is expected to generate 13.45 million jobs! across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). The Ministry of Tourism plans to help the industry meet the increasing demand of skilled and trained manpower by providing hospitality education to students as well as certifying and upgrading skills of existing service providers.

India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index@. Tourism Australia expects Indian tourist's arrivals in Australia to increase 12 per cent year-on-year to reach 245,000 visitors during FY 2015-16, thus making India the eighth largest source market for tourism in Australia.

India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism. Total outbound trips increased by 8.7 per cent to 19.9 million in 2015. Inbound tourist volume grew at a Compound Annual Growth Rate (CAGR) of 6.8 per cent during 2010-15.

The number of Foreign Tourist Arrivals (FTAs) has grown at a CAGR of 3.7 per cent to 5.29 lakh year-on-year in May 2016. Foreign Exchange Earnings (FEEs) during the month of May 2016 grew at a rate of 8.2 per cent year-on-year to Rs 10,285 crore (US\$ 1.52 billion).

The number of tourists arriving on e-Tourist Visa during June 2016 reached a total of 36,982 tourists registering a year-on-year growth of 137.7 per cent.

Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/ BV
EIH	114	63.5	6,498.5	0.97	(12.2)	(48.13)	276.2	(8.26)	2.65
Mahindra Holiday	166	20.3	659.0	1.21	NaN	NaN	NaN	NaN	5.24
I T D C	205	44.3	1,754.4	0.98	9.0	397.79	105.9	9.24	4.94
EIH Assoc.Hotels	327	25.9	995.6	1.22	2.1	3.47	46.9	5.16	4.12
Mac Charles(l)	400	15.5	523.5	2.00	5.1	39.01	16.2	0.93	1.92
Country Club Hos	13	7.4	207.6	-	5.2	7.60	122.6	4.23	0.20
The Byke Hospi.	161	23.3	644.2	0.62	6.4	36.54	61.9	28.58	5.04

*TTM

FINANCIAL OVERVIEW

(in Million)	Q4 FY16 Performance Highlight						
	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	48.14	45.40	69.97	68.01	61.90	28.58%	-8.98%
Other Income	0.03	0.04	0.04	0.03	0.03		
Total Income	48.18	45.44	70.01	68.04	61.93	28.54%	-8.98%
Expenditure	-38.35	-35.30	-53.40	-51.85	-49.02		
As a % of Sales	79.66%	77.75%	76.32%	76.24%	79.19%		
Interest	-0.41	-0.4	-0.33	-0.36	-0.32	-21.95%	-11.11%
PBDT	9.42	9.74	16.27	15.83	12.59		
As a % of Sales	19.57%	21.45%	23.25%	23.28%	20.34%		
Depreciation	-2.26	-2.29	-2.43	-4.62	-2.82		
PBT	7.16	7.44	13.85	11.22	9.77	36.45%	-12.92%
As a % of Sales	14.87%	16.39%	19.79%	16.50%	15.78%		
Tax	-2.48	-2.58	-4.81	-3.86	-3.38	36.29%	-12.44%
Net Profit	4.68	4.87	9.04	7.36	6.39	36.54%	-13.18%
As a % of Sales	9.72%	10.73%	12.92%	10.82%	10.32%		
Equity	40.1	40.1	40.1	40.1	40.1	0.00%	0.00%
EPS (Rs)	1.17	1.21	2.25	1.84	1.59	35.90%	-13.59%
CEPS (Rs)	1.73	1.79	2.86	2.99	2.3		
OPM %	20.41	22.32	23.74	23.8	20.85		
NPM %	9.72	10.72	12.92	10.82	10.32		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	491	1,009	1,557	1,814	2,315	2,808	3,145
Other Operating Income	-	-	-	-	-	-	-
Expenditure	439	834	1,271	1,442	1,789	2,251	2,538
EBITDA	51	175	286	372	526	557	607
Depreciation	11	42	54	102	116	132	145
EBIT	40	134	232	271	410	425	461
Interest Expenses	5	23	21	18	15	23	23
PBT	35	111	211	253	395	402	438
Tax	12	38	54	53	137	141	153
Other Income	0	5	1	1	1	5	3
Extraordinary Items	-	-	-	-	-	-	-
Net Income Before Adjustment	24	78	159	200	259	266	288
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
Adjusted PAT	24	78	159	200	259	266	288

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	200	200	200	401	401	401	401
Reserves & surplus	470	524	648	600	811	691	921
Share Warrants	-	-	-	-	-	-	-
Misc Expenditure	-	-	-	-	-	-	-
Net worth	670	725	848	1,001	1,212	1,092	1,322
Minority Interest	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Loan Funds	96	83	60	38	22	-	10
Net deferred tax liability	28	39	49	50	66	66	66
Other Long-term Liabilities	-	0	0	1	3	1	2
Long-term Provisions	7	0	1	1	-	-	-
Total Liabilities	802	848	960	1,091	1,304	1,161	1,401
Net block	664	758	819	806	873	881	874
Investment, Loan & Adv.	40	55	56	71	102	114	125
Total Current Assets	235	324	378	484	620	848	1,104
Current Liabilities & Provisions	137	290	295	271	293	684	704
Net Current Assets	98	34	83	213	327	164	401
Total Assets	802	848	959	1,091	1,303	1,161	1,401

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
Operating Cash Flow	164	276	437	421
Cash Flow from Investments	(87)	(200)	(150)	(149)
Cash Flow from Financing	(74)	(78)	(13)	(56)
Net Changes in Cash	3	(2)	274	216
Opening Cash	20	23	21	295
Closing Cash Balance	23	21	295	511

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