



CMP	173	Rating	BUY
Target	221	Upside	28%

**Strong revenue growth-** For the qtr Byke reported a revenue growth of 12.5% YoY to Rs 787mn; this was driven by strong growth in both its segments. Leased Revenue (~51% of sales) reported a growth of 13.9% YoY to Rs 400.7mn and chartering business (~49% of sales) posted a healthy growth of 11% YoY to Rs 386mn.

**OPM Restricted due to increase in Employee expns:** Byke reported an OPM improvement of 40bps YoY to 24%. This was on back of decline in RMAT cost(-40bps YoY) and other expenses (-60bps YoY), however a 50bps YoY increase in employee expenses restrained the growth to a certain extent. EBITDA for the qtr stood at Rs 189mn up 14.7% YoY.

**Growth Trickle downs to PAT-** Net Profit for the qtr grew in line with EBITDA at 17.3% YoY to Rs 106.01mn. Increase in dep charge(+3.2% YoY) arrested the growth to certain extent.

STOCK DETAILS	
BSE Code	531373
NSE Code	BYKE
Market Cap (Rs.Bn)	7.7
Sector/ Index	Hotels/ Smallcap
Year End	March
52 w.High/Low	200/148
Avg Daily Turnover (Rs.Mn)	23.9
Shares in Issue (mn)	400.98
BSE Sensex	28156
NSE Nifty	8725

**About the company:** The Byke Hospitality Limited (Byke) is a rapidly growing hospitality company with a pan-India presence. The Company's unique 'asset-light' business model allows it to leverage high profitability from a low capital base. This model has helped the Company to register significant growth even during a downturn in the hospitality sector. The business can be broadly classified into three main segments: Owned & Leased (O&L), Room Chartering (RC) and F&B (incl. events).

CONSOLIDATED FINANCIALS				
Rs Mn.	FY15	FY16	FY17E	FY18E
Revenue	1,814	2,315	2,895	3,664
EBIDTA	372	526	672	865
EBIDTA(%)	20.5%	22.7%	23.2%	23.6%
PAT	200	259	367	492
EPS	5.0	6.5	9.1	12.3
P/E(x)	34.6	26.7	18.9	14.1

Result (Rs.mn)	Q3FY17	Q2FY17	Q3FY16	Y/Y(%)	Q/Q(%)
Revenue	787.0	535.9	699.7	12.5	46.9
EBITDA	189.2	121.6	165.6	14.2	55.6
EBITDA(%)	24.0	22.7	23.7	40bps	140bps
PAT	106.0	58.0	90.4	17.3	82.7
PAT(%)	13.5	10.8	12.9	60bps	260bps
EPS	2.6	1.4	2.2	17.3	82.7

#### Key I Takeaways:

**No effect of DEMO-** during the qtr despite DEMO initiatives of taken by the govt, the company has not been affected by large. The management believes DEMO will help the organized player in the hotel industry due to ease of alternative mode of payment. The company remains bullish on the industry with demand outwitting the current supply. The industry witnesses a supply growth of ~3% YoY from April 16 to December 16, while demand improved by 7.1% YoY during the same period.

**strong growth in leasing revenue-** during the qtr Byke reported a growth of 14% YoY in its leasing business. This can be attributed to strong growth in room rental growth which registered a growth of 14% YoY to Rs ~184mn, this was mainly on account of improvement in number of rooms (+21% YoY to 757rooms, (40 rooms of new property in Broivali not considered)). ARR declined by 3.8% YoY due to new inventory added in the portfolio.

**Chartering Business reports health growth-** Room Chartering segment's revenue grew by 11.% YoY to Rs 386mn. This growth was supported by 15.6% YoY improvement in number of nights sold at 1.27akhs. . The Occupancy levels during the quarter stood at an impressive 94%, however ARR witnessed a drop of ~5% in Q2FY17 to Rs 2218.

**2 new properties added-** The Company added two new properties during the qtr, The Byke Grassfield Riviera, Jaipur and The Byke Hotel Delotel, Mumbai both these hotels are on a long term lease business. The Jaipur has close 80 rooms, banquet halls, conference rooms and a party lawn. Primary target is Targets religious & leisure tourists. The Mumbai property has 40 rooms with banquet hall and conference room. Going forward the company plans to open 3 more properties by early next month. The three properties would add close to 147 new rooms.

**Valuation and View:** We believe that Byke is well placed to capitalize on the opportunities provided by the increase in leisure and religious tourism spending and the increase in share of domestic tourists in total tourism space. Further, the company's strategy to expand its revenue stream by adding more properties and increase more value added segment like F&B is likely to be beneficial in the long run. **We expect the Owned and Leased room revenues to grow at a CAGR of 28.6% over FY16-18E led by a 31% growth in number of room addition and a 24.3% growth in F&B revenue (incl. events). The chartering business is expected to grow by 22.9% CAGR over FY16-18E led by the increase in number of nights. Overall a revenue growth could be to the tune of 26% CAGR over FY16-FY18E to ~Rs 3.66bn.**

Looking at current performance and its growth driver going ahead, we have retained our earning estimates. At the CMP of Rs.173 the stock is trading at 18.9x and 14.1x on our FY17E & FY18E earnings of Rs.9.1 and Rs.12.3 respectively. The company's robust expansion plans along with the industry tailwinds are likely to benefit Byke and could drive earnings growth ahead. We have maintained our PE multiple of 18x (based on its historical PE band) and hence on our FY18E earnings of Rs. 12.3 we arrive at a target price of Rs 221, which implies an upside of 28% from current levels. We assign a BUY rating on the Company.

Source: Company, Indsec Research

SUMMARY INCOME STATEMENT						
Fiscal Year Ending						
(in mn)	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Income	1,009.3	1,557.1	1,814.2	2,315.2	2,895.1	3,664.3
Cost Of Revenues	74.0	93.9	1,224.6	1,549.1	1,928.1	2,418.5
<b>Gross Profit</b>	<b>935.3</b>	<b>1,463.3</b>	<b>589.6</b>	<b>766.2</b>	<b>967.0</b>	<b>1,245.9</b>
Employee Cost	27.6	32.0	38.3	62.9	84.0	113.6
Other Operating Expenses	<b>732.2</b>	<b>1,145.6</b>	<b>178.9</b>	<b>177.1</b>	<b>211.3</b>	<b>267.5</b>
<b>EBITDA</b>	<b>175.4</b>	<b>285.6</b>	<b>372.3</b>	<b>526.2</b>	<b>671.7</b>	<b>864.8</b>
Other Income	5.0	1.5	1.1	1.4	2.9	3.7
Net Interest Exp.	23.0	20.8	18.0	15.0	10.0	5.2
Depreciation	41.9	53.8	101.7	116.0	140.7	159.7
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>115.6</b>	<b>212.5</b>	<b>253.7</b>	<b>396.6</b>	<b>523.9</b>	<b>703.6</b>
Tax	38.0	53.6	53.3	137.3	157.2	211.1
Profit After Tax	77.6	158.9	200.3	259.4	366.7	492.5
<b>Net Profit</b>	<b>77.6</b>	<b>158.9</b>	<b>200.3</b>	<b>259.4</b>	<b>366.7</b>	<b>492.5</b>
EPS	1.9	4.0	5.0	6.5	9.1	12.3

SUMMARY BALANCE SHEET						
Fiscal Year Ending						
(in mn)	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Assets</b>						
Net Block	727	784	791	874	983	1,023
Capital WIP	31	36	15	0	0	0
Long Term Loans & Advances	41	40	55	86	87	88
Non-current assets	14	16	16	16	17	18
Investment	0	0	0	0	0	0
<b>Current Assets</b>						
Inventories	60	60	60	62	79	100
Trade Receivables	119	107	140	177	206	251
Cash and Bank Balance	10	20	22	29	99	405
Other Current Assets	1	2	1	0	1	1
Loans and Advances	133	188	260	352	428	532
<b>Total Current Assets</b>	<b>324</b>	<b>378</b>	<b>484</b>	<b>620</b>	<b>813</b>	<b>1,289</b>
<b>Current Liabilities &amp; Provisions</b>						
Current Liabilities	136	161	138	145	127	151
Provision	61	73	73	87	56	70
<b>Total Current Liabilities</b>	<b>197</b>	<b>234</b>	<b>211</b>	<b>232</b>	<b>182</b>	<b>221</b>
<b>Net Current Assets</b>	<b>126</b>	<b>144</b>	<b>273</b>	<b>388</b>	<b>631</b>	<b>1,068</b>
<b>Total Assets</b>	<b>939</b>	<b>1,020</b>	<b>1,149</b>	<b>1,364</b>	<b>1,718</b>	<b>2,197</b>
<b>Liabilities</b>						
Share Capital	200	200	401	401	401	401
Reserves and Surplus	524	648	600	811	1,178	1,670
<b>Total Shareholders Fund</b>	<b>725</b>	<b>848</b>	<b>1,001</b>	<b>1,212</b>	<b>1,579</b>	<b>2,071</b>
<b>Total Debt</b>	<b>176</b>	<b>121</b>	<b>98</b>	<b>82</b>	<b>67</b>	<b>52</b>
Long Term Provisions	0	1	1	1	2	3
Other Long Term Liabilities	0	0	1	2	3	4
Net Deferred Tax Liability	39	49	50	66	66	66
<b>Total Liabilities</b>	<b>939</b>	<b>1,020</b>	<b>1,149</b>	<b>1,364</b>	<b>1,718</b>	<b>2,197</b>

SUMMARY CASH FLOW STATEMENT						
	Fiscal Year Ending					
(in mn)	FY13	FY14	FY15	FY16E	FY17E	FY18E
PBT	116	213	254	397	524	704
Depreciation & Amort., Total	42	54	102	116	141	160
After other adjustments						
(Inc) / Dec in Working Capital	(18)	(36)	(163)	(139)	(172)	(131)
Taxes	(4)	(50)	(45)	(137)	(157)	(211)
Others	22	20	17	15	10	5
<b>Cash from Ops.</b>	<b>157</b>	<b>200</b>	<b>164</b>	<b>251</b>	<b>345</b>	<b>526</b>
Capital Expenditure & investments	(145)	(92)	(87)	(183)	(250)	(200)
<b>Cash from Investing</b>	<b>(145)</b>	<b>(92)</b>	<b>(87)</b>	<b>(183)</b>	<b>(250)</b>	<b>(200)</b>
Net Borrowings	17	(53)	(24)	(15)	(15)	(15)
Others	(16)	(25)	(35)	-	-	-
Issuance of Dividend	(23)	(21)	(16)	(15)	(10)	(5)
<b>Cash from Financing</b>	<b>(21)</b>	<b>(99)</b>	<b>(74)</b>	<b>(30)</b>	<b>(25)</b>	<b>(20)</b>
Extraordinary receipts/payment	-	-	(0)	(31)	-	-
<b>Net Change in Cash</b>	<b>(9)</b>	<b>9</b>	<b>2</b>	<b>6</b>	<b>70</b>	<b>306</b>
BF Cash	20	10	20	22	29	99
END Cash	<b>10</b>	<b>20</b>	<b>22</b>	<b>29</b>	<b>99</b>	<b>405</b>

SUMMARY RATIOS						
	Fiscal Year Ending					
	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Profitability</b>						
Return on Assets	6.8%	12.7%	14.7%	16.3%	19.3%	20.4%
Return on Capital	14.8%	23.9%	24.6%	31.7%	32.3%	33.2%
Return on Equity	10.7%	18.7%	20.0%	21.4%	23.2%	23.8%
<b>Margin Analysis</b>						
Gross Margin	92.7%	94.0%	32.5%	33.1%	33.4%	34.0%
EBITDA Margin	17.4%	18.3%	20.5%	22.7%	23.2%	23.6%
Net Income Margin	7.7%	10.2%	11.0%	11.2%	12.7%	13.4%
<b>Short-Term Liquidity</b>						
Current Ratio	1.1x	1.3x	1.8x	2.1x	3.4x	4.7x
Quick Ratio	0.9x	1.1x	1.6x	1.9x	3.1x	4.4x
Avg. Days Sales Outstanding	43	25	28	28	26	25
Avg. Days Inventory Outstanding	22	14	12	10	9	8
Avg. Days Payables	33	15	13	10	11	12
<b>Long-Term Solvency</b>						
Total Debt / Equity	0.2x	0.1x	0.1x	0.1x	0.0x	0.0x
EBITDA / Interest Expense	7.6x	13.7x	20.7x	35.2x	67.2x	165.1x
<b>Valuation Ratios</b>						
EV/EBITDA	39.8x	24.5x	18.8x	13.3x	10.3x	7.6x
PER	89.4x	43.6x	34.6x	26.7x	18.9x	14.1x
P/B	9.6x	8.2x	6.9x	5.7x	4.4x	3.3x

## INDSEC Rating Distribution

**BUY** : Expected total return of over 25% within the next 12 months.

**ACCUMULATE** : Expected total return between 10 to 25% within the next 12 months.

**REDUCE** : Expected total return below 10% within the next 12 months.

**SELL** : Expected total return is below the market return within the next 12 months.

**NEUTRAL**: No investment opinion on the stock under review.

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