

## Apr-Jun'23 Earnings Preview

July 7, 2023

### Exhibit 1: PL Universe – Travel & Tourism

Companies	Rating	CMP (Rs)	TP (Rs)
Chalet Hotels	BUY	443	504
InterGlobe Aviation	BUY	2,699	2,993
IRCTC	HOLD	632	679
Safari Industries (India)	BUY	2,937	3,202
V.I.P. Industries	BUY	610	866

Source: PL

### Luggage demand slump; aviation soaring high

**Luggage:** While demand environment was strong in April, secondary sales witnessed a slowdown in May and June. We expect Safari's top-line growth to be at ~2x of VIP despite sharp aggression shown by the market leader in launching promotional offers to boost sales in 1QFY24. Given steady RM environment which had a downward bias, we expect VIP/Safari to report GM of 51.5%/43.0% respectively.

**Hotels:** Overall demand environment remains robust and we expect Chalet to report ARR of Rs10,067 with an occupancy of 70%. Chalet's performance in 1QFY24 will get an additional boost from acquisition of Dukes Retreat (80 rooms property) and operationalization of 168 rooms at West-In 2 in Hyderabad (1-month impact as the property started operations in June).

**Aviation:** We expect Indigo to report a strong quarter with load factor of 88% and yield of Rs4.86 led by strong demand and bankruptcy of Go First (supply side constraints led to spike in airfares and resulted in market share gains for Indigo). Consequent to a ~15% decline in ATF prices on sequential basis we expect GM of Rs3.1 (RASK less fuel CASK). High load factor, better yields and declining crude prices is a perfect blend for Indigo to report sharp improvement in performance with revenues of Rs153bn (up 19.3% YoY) and EBITDAR margin of 25.3% (adjusted for forex impact).

**Top picks:** Safari and Chalet remain our top picks in travel & tourism space. Continued market share gains and rising pie of own manufacturing bodes well for Safari and we maintain our 'BUY' rating with a TP of Rs3,202. For Chalet, operationalization of lease assets in Mumbai and Bangalore and an upcoming 88 room property in Pune is expected to result in sales/EBITDA CAGR of 23%/29% respectively over FY23-FY25E. Retain 'BUY' with a SOTP based TP of Rs504.

**Luggage:** For our luggage universe, we foresee a demand slump in 1QFY24. We expect VIP/Safari to report revenues of Rs6.4bn (up 8.0% YoY) and Rs3.4bn (up 16.5% YoY) respectively. Further, we expect GM of 51.5%/43.0% for VIP/Safari, as RM prices continue to remain steady with a downward bias. Given yet another quarter of underperformance on growth front, **we cut our EPS estimates for VIP by 3%/5% for FY24E/FY25E and revise our TP to Rs866 (41x FY25E EPS).** In case of Safari, we maintain our positive bias with a TP of Rs3,202 (40x FY25E EPS).

**Hotels:** For Chalet, we expect ARR's to increase 35.0% YoY to Rs10,067 with an occupancy of 70%. Overall, we expect Chalet to report 26.0% YoY growth in revenue with EBITDA margin of 39.9%. We expect top-line of hospitality business to increase 27.5% YoY to Rs2.9bn with an EBITDA margin of 41% while annuity business is expected to report sales of Rs260mn with an EBITDA margin of 81.0%. Current quarter performance will get an additional boost from acquisition of Dukes Retreat (80 rooms property) and operationalization of West-In 2 in Hyderabad.

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**Aviation:** We expect Indigo to report revenues of Rs153bn with a load factor of 88% and yield of Rs4.86. We expect ASKM/RPKM to improve 5.0%/9.7% on QoQ basis. We expect RASK of Rs4.8 and spread (RASK less fuel CASK) of Rs3.1 with EBITDA margin of 24.4% (excluding forex adjustments). Given strong load factors in 1QFY24 and correction in ATF prices by ~15% odd on sequential basis, **we increase our EBITDAR estimates by 9%/11% for FY24E/FY25E and raise our TP to Rs2,993 (7x EV/EBITDAR over Dec-24E). Maintain 'BUY'.**

**IRCTC:** Excluding last 11-days of June, the cumulative non-suburban PRS traffic stood at 162mn. Assuming in the 3<sup>rd</sup> bucket period of June, passenger traffic settles down at 20mn (similar to bucket 1 & 2 of June), collective passenger traffic for the quarter would stand at ~182mn. Given 1.7-1.8x passengers travel per e-ticket, we expect online bookings of ~100mn in 1QFY24 resulting in convenience revenue of Rs1.9bn. Overall, we expect IRCTC's revenues to increase 9.3% YoY to Rs9.3bn with an EBITDA margin of 36.1%. **We retain 'HOLD' on IRCTC with a TP of Rs679 (45x Sep-24E EPS).**

**Exhibit 2: Q1FY24 Result Preview – (Rs mn)**

Company Name		Q1FY24E	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	Remark
Chalet Hotels	Sales	3,189	2,530	26.0	3,379	(5.6)	For Chalet, we expect ARR to increase 35.0% YoY to Rs10,067 with an occupancy of 70%. Hotel revenue is likely to be at Rs2.9bn with an EBITDA margin of 41% while annuity top-line is likely to be at Rs260mn with an EBITDA margin of 81%. Overall, we expect Chalet to report 26.0% YoY growth in revenue to Rs3.1bn with an EBITDA margin of 39.9%.
	EBITDA	1,271	1,019	24.8	1,524	(16.6)	
	Margin (%)	39.9	40.3		45.1		
	PBT	617	399	54.6	899	(31.3)	
	Adj. PAT	463	296	56.7	577	(19.7)	
InterGlobe Aviation	Sales	1,53,337	1,28,553	19.3	1,41,606	8.3	We expect INDIGO to report a 19.3% YoY increase in sales led by a load factor of 88% and yield of Rs4.86. Decrease in ATF prices (~15% on QoQ basis) will cushion margins. We expect EBITDAR margin of 25.3% for the quarter.
	EBITDAR	38,849	6,639	485.2	28,938	34.2	
	Margin (%)	25.3	5.2		20.4		
	PBT	17,611	(10,642)	NA	9,198	91.5	
	Adj. PAT	17,593	(10,642)	NA	9,192	91.4	
IRCTC	Sales	9,322	8,526	9.3	9,650	(3.4)	We expect 9.3% YoY growth in top-line to Rs9.3bn led by catering and tourism business. We expect ticketing volumes of ~100mn for the quarter with convenience fee income of Rs1.9bn. EBITDA margin is expected to be at 36.1%.
	EBITDA	3,367	3,209	4.9	3,246	3.7	
	Margin (%)	36.1	37.6		33.6		
	PBT	3,493	3,293	6.1	3,488	0.1	
	Adj. PAT	2,620	2,455	6.7	2,530	3.6	
Safari Industries (India)	Sales	3,416	2,932	16.5	3,027	12.8	Safari's top-line is expected to grow 16.5% YoY to Rs3.4bn. Further, we expect GM of 43% in 1QFY24 versus 38.4% in 1QFY23 as RM environment is steady with a downward bias. We expect EBITDA margin of 17% for the quarter.
	EBITDA	581	417	39.2	583	(0.4)	
	Margin (%)	17.0	14.2		19.3		
	PBT	499	354	40.9	496	0.6	
	Adj. PAT	374	266	40.6	381	(1.8)	
V.I.P. Industries	Sales	6,379	5,906	8.0	4,506	41.6	VIP's top-line is expected to increase 8% YoY to Rs6.4bn. Further, we expect GM of 51.5% in 1QFY24 versus 49.9% in 1QFY23 as RM environment is steady with a downward bias. We expect EBITDA margin of 18% for the quarter.
	EBITDA	1,148	1,026	11.9	643	78.6	
	Margin (%)	18.0	17.4		14.3		
	PBT	912	851	7.2	408	123.6	
	Adj. PAT	711	541	31.5	430	65.7	

Source: Company, PL



## Exhibit 3: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Chalet Hotels	C BUY	443	504	90.8	5,078	11,285	15,295	17,202	985	4,528	6,372	7,496	-771	1,436	2,525	3,405	-3.8	7.0	12.3	16.6	-5.6	10.0	15.1	17.5	-117.8	63.2	35.9	26.7
InterGlobe Aviation*	S BUY	2,699	2,993	1,040.4	259.3	544.5	661.4	738.0	8.6	68.2	176.5	217.6	-61.6	-3.1	70.5	93.4	-159.9	-7.9	182.8	242.3	208.3	5.0	-258.9	170.7	NA	NA	14.8	11.1
IRCTC	S HOLD	632	679	505.8	18,786	35,415	40,571	43,690	8,735	12,762	15,125	16,319	6,636	9,787	11,631	12,502	8.3	12.2	14.5	15.6	39.7	44.9	41.1	35.2	76.2	51.7	43.5	40.5
Safari Industries (India)	C BUY	2,937	3,202	69.6	7,057	12,120	14,363	16,816	552	1,969	2,456	2,892	316	1,251	1,583	1,898	14.1	52.8	66.8	80.0	10.9	34.4	31.7	28.6	207.7	55.7	44.0	36.7
V.I.P. Industries	C BUY	610	866	86.4	12,895	20,823	22,770	25,408	1,444	3,138	3,962	4,675	669	1,846	2,451	2,993	4.7	13.0	17.3	21.1	12.4	30.7	33.5	31.8	128.9	46.8	35.2	28.9

Source: Company, PL

S=Standalone / C=Consolidated

\* Indigo figures are in bn &amp; EBITDA is EBITDAR

## Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Chalet Hotels	BUY	BUY	504	504	-0.1%	15,295	15,295	0.0%	17,202	17,202	0.0%	2,525	2,525	0.0%	3,405	3,405	0.0%	12.3	12.3	0.0%	16.6	16.6	0.0%
InterGlobe Aviation	BUY	BUY	2,993	2,565	16.7%	6,61,439	6,34,102	4.3%	7,37,998	6,90,482	6.9%	70,479	55,848	26.2%	93,409	73,948	26.3%	182.8	144.9	26.2%	242.3	191.8	26.3%
IRCTC	HOLD	HOLD	679	679	0.0%	40,571	40,571	0.0%	43,690	43,690	0.0%	11,631	11,631	0.0%	12,502	12,502	0.0%	14.5	14.5	0.0%	15.6	15.6	0.0%
Safari Industries (India)	BUY	BUY	3,202	3,202	0.0%	14,363	14,363	0.0%	16,816	16,816	0.0%	1,583	1,583	0.0%	1,898	1,898	0.0%	66.8	66.8	0.0%	80.0	80.0	0.0%
V.I.P. Industries	BUY	BUY	866	913	-5.1%	22,770	23,343	-2.5%	25,408	26,419	-3.8%	2,451	2,513	-2.5%	2,993	3,153	-5.1%	17.3	17.7	-2.5%	21.1	22.3	-5.1%

Source: Company, PL

C=Current / P=Previous

### Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	504	401
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	679	644
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,565	2,257
6	Music Broadcast	Hold	18	11
7	Navneet Education	BUY	152	125
8	Nazara Technologies	BUY	804	726
9	PVR Inox	BUY	1,704	1,372
10	S Chand and Company	BUY	257	191
11	Safari Industries (India)	BUY	3,202	2,884
12	V.I.P. Industries	BUY	913	621
13	Zee Entertainment Enterprises	BUY	236	183

### PL's Recommendation Nomenclature

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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