

Oct-Dec'23 Earnings Preview

January 5, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Chalet Hotels	BUY	680	753
InterGlobe Aviation	Acc	2,996	3,053
IRCTC	HOLD	902	749
Lemon Tree Hotels	BUY	130	141
Safari Industries (India)	BUY	1,932	2,375
V.I.P. Industries	HOLD	588	674

Source: PL Acc=Accumulate

Demand tepid for luggage but hotels to blossom

Luggage: Our checks revealed soft demand environment in the traditional dealer-distribution channel, however, uptick in online format has been good. Backed by festivities and seasonality (travel & wedding) we expect VIP/Safari to report 5%/25% growth in top-line. Further, competitive pricing is likely to offset benefit of benign RM prices and result in GM of 52%/45% for VIP/Safari.

Hotels: In a seasonally strong quarter, we expect Chalet/Lemon Tree to report ARR of Rs11,185/Rs6,406 respectively. While Chalet would stand to benefit from operationalization of 88 rooms at Novotel, Pune; Lemon Tree's performance would get a boost from inauguration of 669 rooms at Aurika, Mumbai. Overall, we expect Chalet and Lemon Tree to report top-line growth of 22.6%/19.6% with EBITDA margin of 43.4%/47.9% respectively.

Aviation: We expect Indigo to report load factor of 85.1% and yield of Rs5.3 (in-line with 3QFY23) buoyed by festivities and World Cup. We expect gross spread of Rs3.19 (RASK less fuel CASK) aided by 5.9% YoY fall in ATF prices (up 10.8% QoQ to Rs113 per litre in 3QFY24). Overall, we expect Indigo to report revenues of Rs181bn (up 21.3% YoY) with EBITDAR margin of 24.8% (adjusted for forex impact).

Top picks: Lemon Tree remains our preferred pick in the travel & tourism space given its crown jewel asset Aurika, Mumbai has just started operations. In luggage space, we prefer Safari Industries given recent correction provides a good entry point.

Luggage-Competitive pricing to offset benefit of benign RM prices: For our luggage universe, we foresee modest performance in 3QFY24. We expect VIP/Safari to report revenues of Rs5.5bn (up 5.0% YoY) and Rs3.8bn (up 25.0% YoY) respectively. Further, we expect GM of 52.0%/45.0% for VIP/Safari as benefit of benign RM prices is expected to be offset by competitive pricing.

For VIP we cut our FY24E/FY25E EPS estimates by 10%/2%, as we realign our indirect cost assumptions. Consequently, our TP stands revised to Rs674 (earlier Rs689). Retain 'HOLD' rating on the stock. In case of Safari, we maintain our positive bias with a TP of Rs2,375 (bonus adjusted) and retain 'BUY' rating.

Hotels-ARR's inch northwards: For Chalet, we expect ARR's to increase 10.0% YoY to Rs11,185 with an occupancy of 69%. Overall, we expect Chalet to report 22.6% YoY growth in revenue with EBITDA margin of 43.4%. Current quarter performance will get an additional boost from operationalization of 88 rooms at Novotel, Pune and leasing of commercial tower in Bangalore. We maintain our positive bias on Chalet and retain 'BUY' rating with an SOTP based TP of Rs753 (earlier Rs650), as we roll forward our valuation to FY26E.

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For Lemon Tree, we expect blended ARR (including Aurika, Mumbai) to increase 11.6% YoY to Rs6,406 with an occupancy of 67%. Overall, we expect Lemon Tree to report 19.6% YoY growth in revenue with EBITDA margin of 47.9%. We have marginally cut our EPS estimates by 1.5-2% over FY24E-FY26E as we have realigned our employee cost assumptions (staff to room ratio) but maintain 'BUY' rating on the stock with SOTP based TP of Rs141.

Aviation-Yield performance eyed: We expect Indigo to report revenues of Rs181bn with a load factor of 85.1% and yield of Rs5.3. We expect ASKM/RPKM to improve 2.0%4.3% on QoQ basis to 36.0bn/30.6bn respectively. We expect RASK of Rs5.0 and gross spread (RASK less fuel CASK) of Rs3.2 with EBITDAR margin of 24.8% (excluding forex adjustments). Given 19% appreciation in the last 2 months we downgrade the rating to 'ACCUMULATE' (earlier BUY) with a revised TP of Rs3,053 (earlier Rs2,816) as we raise our EV/EBITDAR multiple to 8.0x (7.5x earlier).

IRCTC-Top line expected to pick-up: We expect online ticket booking figure to be at 110.9mn resulting in ticketing revenue (including non-convenience fee) of Rs3.2bn in 3QFY24. Catering revenue is expected to increase 10.5% YoY to Rs4.3bn, while tourism business is expected to increase by 25.0% YoY due to seasonality impact. Overall, we expect IRCTC's revenues to increase 12.9% YoY to Rs10.3bn with EBITDA margin of 36.0%. Retain 'HOLD' rating on IRCTC with revised TP of Rs749 (earlier Rs709), as we roll forward our valuation to FY26E.

Exhibit 2: Q3FY24 Result Preview – (Rs mn)

Company Name		Q3FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Chalet Hotels	Sales	3,552	2,897	22.6	3,145	12.9	For Chalet we expect ARR's to increase 10.0% YoY to Rs11,185 with occupancy of 69%. Hotel revenue will likely be at ~Rs3.2bn with EBITDA margin of 46%, while annuity income is expected to rise 31.3% YoY to Rs320mn with EBITDA margin of 79%. Overall, we expect revenue growth of 22.6% YoY with EBITDA margin of 43.4%.
	EBITDA	1,543	1,135	35.9	1,260	22.5	
	Margin (%)	43.4	39.2	426 bps	40.0	339 bps	
	PBT	729	806	(9.5)	445	64.0	
	Adj. PAT	547	418	30.7	364	50.1	
InterGlobe Aviation	Sales	1,81,207	1,49,330	21.3	1,49,439	21.3	We expect Indigo to report revenues of Rs181bn (up 21.3% YoY) with load factor of 85.1% and yield of Rs5.3. We expect RASK of Rs5.0 and gross spread (RASK less fuel CASK) of Rs3.2 with EBITDAR margin of 24.8% (excluding forex adjustments) for the quarter.
	EBITDAR	44,988	31,878	41.1	23,958	87.8	
	Margin (%)	24.8	21.3	348 bps	16.0	879 bps	
	PBT	24,494	14,233	72.1	1,891	1,195.3	
	Adj. PAT	24,469	14,226	72.0	1,889	1,195.1	
Indian Railway Catering and Tourism Corporation	Sales	10,367	9,181	12.9	9,953	4.2	We expect 12.9% YoY growth in top-line to Rs10.3bn led by catering and tourism business. We expect ticketing volumes of ~111mn for the quarter with convenience fee income of Rs2.1bn. EBITDA margin is expected to be at 36.0%.
	EBITDA	3,736	3,258	14.7	3,666	1.9	
	Margin (%)	36.0	35.5	55 bps	36.8	-79 bps	
	PBT	3,933	3,413	15.2	3,952	(0.5)	
	Adj. PAT	2,950	2,542	16.0	2,947	0.1	
Lemon Tree Hotels	Sales	2,792	2,335	19.6	2,272	22.9	We expect ARR's to increase 12.0% YoY to Rs6,406 with an occupancy of 67%. Overall, we expect Lemon Tree to report 19.6% YoY growth in revenue with EBITDA margin of 47.9%.
	EBITDA	1,338	1,265	5.8	1,019	31.3	
	Margin (%)	47.9	54.2	-625 bps	44.8	306 bps	
	PBT	645	590	9.4	348	85.2	
	Adj. PAT	394	400	(1.5)	226	73.9	
Safari Industries (India)	Sales	3,788	3,031	25.0	3,700	2.4	Safari's top-line is expected to grow 25.0% YoY to Rs3.8bn. Further, we expect GM/EBITDA margin of 45.0%/17.6% in 3QFY24. PAT is expected to increase 19.9% YoY to Rs413mn.
	EBITDA	667	550	21.2	635	5.1	
	Margin (%)	17.6	18.1	-55 bps	17.2	45 bps	
	PBT	551	455	21.0	519	6.2	
	Adj. PAT	413	345	19.9	398	4.0	



Company Name	Q3FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Sales	5,527	5,264	5.0	5,461	1.2	
EBITDA	702	730	(3.8)	529	32.7	VIP's top-line is expected to grow 5.0% YoY to Rs5.5bn.
V.I.P. Industries Margin (%)	12.7	13.9	-116 bps	9.7	302 bps	Further, we expect GM/EBITDA margin of 52.0%/12.7% in 3QFY24. PAT is expected to decline 24.8% YoY to Rs332mn.
PBT	442	509	(13.1)	193	129.5	
Adj. PAT	332	441	(24.8)	133	149.7	

Source: Company, PL

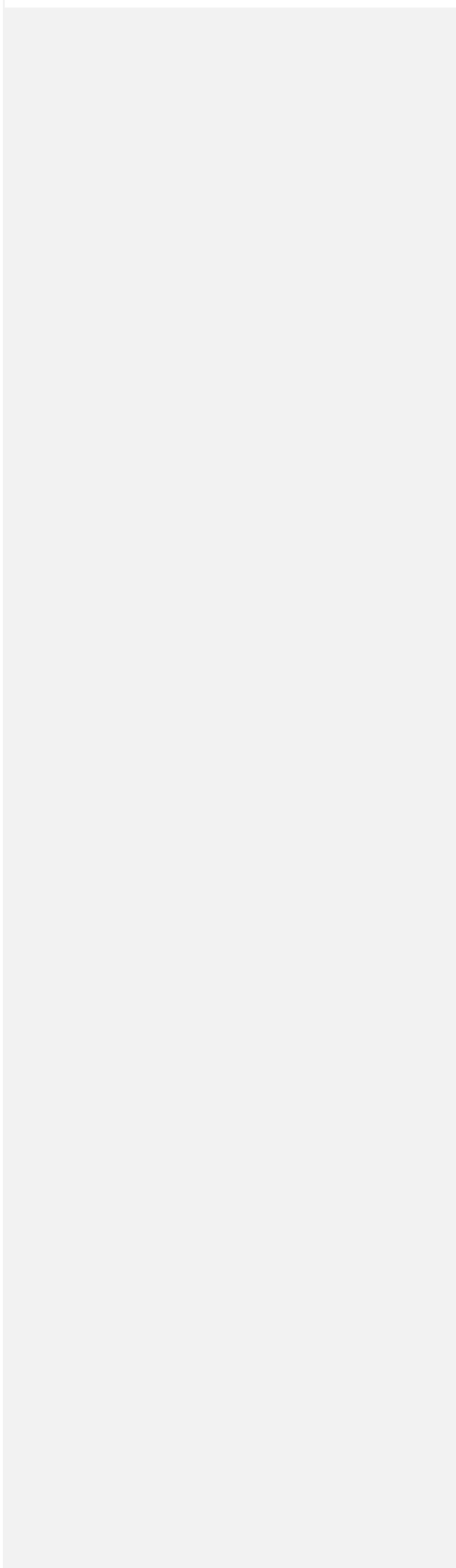


Exhibit 3: Valuation Summary

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)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Chalet Hotels	C BUY	680	753	139.4	11,285	14,531	17,399	19,696	4,528	6,134	7,754	8,677	1,410	2,589	3,609	4,215	6.9	12.6	17.6	20.6	9.8	15.2	17.9	17.8	98.8	53.8	38.6	33.1
InterGlobe Aviation*	S Acc	2,996	3,053	1,155.0	544.5	648.2	729.6	791.7	68.2	147.8	182.8	181.5	-3.1	65.3	82.6	65.8	-7.9	169.4	214.2	170.7	5.0	-219.1	187.1	55.6	-377.7	17.7	14.0	17.5
IRCTC	S HOLD	902	749	721.2	35,415	41,240	45,745	48,889	12,762	14,699	16,230	17,257	9,787	11,688	12,599	13,309	12.2	14.6	15.7	16.6	44.9	41.5	35.7	30.9	73.7	61.7	57.2	54.2
Lemon Tree Hotels	C BUY	130	141	102.6	8,750	10,900	13,224	14,670	4,476	5,237	6,653	7,553	1,146	1,491	2,215	2,845	1.4	1.9	2.8	3.6	13.6	16.1	20.0	21.2	89.6	68.8	46.3	36.1
Safari Industries (India)	C BUY	1,932	2,375	91.6	12,120	15,538	18,724	22,902	1,969	2,750	3,389	4,329	1,251	1,725	2,184	2,838	52.8	36.4	46.0	59.8	34.4	33.9	31.4	30.4	36.6	53.1	42.0	32.3
V.I.P. Industries	C HOLD	588	674	83.3	20,823	22,763	25,137	28,297	3,138	2,777	3,771	4,669	1,846	1,293	2,176	2,847	13.0	9.1	15.4	20.1	30.7	18.6	26.4	28.1	45.1	64.5	38.3	29.3

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated

* Indigo figures are in bn & 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	753	650	15.9%	14,531	14,857	-2.2%	17,399	17,439	-0.2%	2,589	2,708	-4.4%	3,609	3,630	-0.6%	12.6	13.2	-4.4%	17.6	17.7	-0.6%
InterGlobe Aviation	Acc	BUY	3,053	2,816	8.4%	6,48,167	6,48,167	0.0%	7,29,627	7,29,627	0.0%	65,311	65,311	0.0%	82,589	82,589	0.0%	169.4	169.4	0.0%	214.2	214.2	0.0%
IRCTC	HOLD	HOLD	749	709	5.6%	41,240	41,826	-1.4%	45,745	45,745	0.0%	11,688	11,859	-1.4%	12,599	12,599	0.0%	14.6	14.8	-1.4%	15.7	15.7	0.0%
Lemon Tree Hotels	BUY	BUY	141	140	0.9%	10,900	10,900	0.0%	13,224	13,224	0.0%	1,491	1,517	-1.7%	2,215	2,256	-1.8%	1.9	1.9	-1.7%	2.8	2.9	-1.8%
Safari Industries (India)	BUY	BUY	2,375	2,375	0.0%	15,538	15,538	0.0%	18,724	18,724	0.0%	1,725	1,725	0.0%	2,184	2,170	0.6%	36.4	36.4	0.0%	46.0	45.8	0.6%
V.I.P. Industries	HOLD	HOLD	674	689	-2.1%	22,763	22,504	1.2%	25,137	24,857	1.1%	1,293	1,444	-10.5%	2,176	2,230	-2.4%	9.1	10.2	-10.5%	15.4	15.7	-2.4%

Source: Company, PL

Acc=Accumulate / C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	650	560
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	709	677
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,816	2,509
6	Lemon Tree Hotels	BUY	140	113
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	195	140
9	Nazara Technologies	Hold	840	820
10	PVR Inox	BUY	1,984	1,745
11	S Chand and Company	BUY	338	248
12	Safari Industries (India)	BUY	4,752	4,232
13	V.I.P. Industries	Hold	689	613
14	Zee Entertainment Enterprises	BUY	314	263

PL's Recommendation Nomenclature

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

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