

## Jan-Mar'24 Earnings Preview

April 12, 2024

### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Chalet Hotels	Acc	860	888
InterGlobe Aviation	Acc	3,795	4,079
IRCTC	HOLD	1,023	825
Lemon Tree Hotels	BUY	141	153
Safari Industries (India)	BUY	1,971	2,268
V.I.P. Industries	BUY	540	603

Source: PL      Acc=Accumulate

### Hotels and aviation on strong footing

*The overall travel environment remained buoyant during the quarter represented by healthy growth in hotels, luggage and aviation sector. In hospitality, all India average occupancy stood at ~66-68% in Jan-24 and increased to ~72-74% in Feb-24. Occupancy levels are higher by ~200 bps YoY indicating demand momentum is intact. Even within aviation, artificial fleet scarcity arising from higher AoG has resulted in improved pricing power. Further, ATF prices are down by 8.2% on YoY basis supporting gross spreads. For luggage, while demand from modern trade witnessed minor hiccup due to a massive fire at Reliance mall in Jamnagar (inventory stocking plan of the retailer was revisited leading to an impact on primary sales for luggage players), growth in the e-com channel continues to remain robust.*

*Overall, we expect luggage stocks in our universe to report decent performance as VIP is expected to clock double digit growth in top-line after 3 quarters while Safari's market share gain journey will continue. Within hospitality, we expect double digit ARR growth for both Chalet and Lemon Tree with EBITDA margin of 46.0%/49.7% respectively. As for aviation, IndiGo is expected to report 18.7% YoY growth in top-line to Rs168bn with EBITDAR margin of 23.0% (adjusted for forex impact) aided by improvement in yield and lower ATF prices.*

**Top picks:** *While there could be near term concerns on growth amid lower number of auspicious wedding days in 1QFY25 and renewed strategy of VIP to gain back market share, Safari remains our preferred pick in the travel & tourism space.*

**Luggage – RM prices continue to remain benign:** For our luggage universe, we foresee satisfactory performance in 4QFY24E. We expect VIP/Safari to report revenues of Rs5.2bn (up 16.3% YoY) and Rs3.9bn (up 27.2% YoY) respectively. Further, we expect GM of 54.7%/47.9% for VIP/Safari as RM prices continue to remain benign (Index value of key RM's namely PC/PP/Polyester is down 10%/7%/1% on YoY basis).

For VIP, our FY24E EPS has undergone a cut of 7% as we take into account the severance pay impact from retrenchment of employees at Bangladesh plant. However, our TP remains unchanged at Rs603 (33x FY26E EPS) and we retain 'BUY' on the stock. In case of Safari, we maintain 'BUY' with a revised TP of Rs2,268 (earlier 2,271) as we cut our target multiple to 40x (earlier 45x) as we roll forward our valuation to FY26E.

**Hotels – ARR's inch northwards:** For Chalet, we expect ARR's to increase 16.4% YoY to Rs13,161 with an occupancy of 72%. Overall, we expect Chalet to report 36.6% YoY growth in revenue with EBITDA margin of 46.0%. We have incorporated Aravali Resort's acquisition into our projections. In addition, Chalet recently raised Rs10bn via QIP. We assume funds will be utilized for debt repayment and have accounted for the dilution impact. We maintain our 'ACCUMULATE' rating on Chalet as deleveraging process has begun and demand environment continues to remain robust. Our revised SOTP based TP stands at Rs888 (earlier Rs820).

For Lemon Tree, we expect ARR's to increase 12.8% YoY to Rs6,570 with an occupancy of 72%. Excluding Aurika, we expect single digit hike in ARR with occupancy being a replica of 4QFY23. We expect Lemon Tree to report 26.9% YoY growth in revenue with EBITDA margin of 49.7%. We have marginally cut our EPS estimates by 1.7%/1.1% for FY25E/FY26E respectively, but maintain 'BUY' rating on the stock with SOTP based TP of Rs153 (earlier 155).

**Aviation – Yields to remain firm:** We expect Indigo to report a load factor of 88.5% with a yield of Rs5.0 (up 2.9% YoY) aided by artificial fleet scarcity resulting in enhanced pricing control. Indigo is expected to report revenues of Rs168bn (up 18.7% YoY) with an EBITDAR margin of 23.0% (adjusted for forex impact) supported by better yields and benign ATF prices.

We expect ASKM/RPKM to increase by 12.0%/17.7% YoY to 34.0bn/30.1bn respectively. We expect RASK of Rs4.9 and gross spread (RASK less fuel CASK) of Rs3.2 aided by 8.2% YoY fall in ATF prices. We maintain 'ACCUMULATE' on the stock with a revised TP of Rs4,079 (previously Rs3,961), maintaining our EV/EBITDA multiple of 8.5x.

**IRCTC – Top line expected to pick-up:** We expect online ticket booking figure to be at ~115mn resulting in ticketing revenue of Rs3.2bn in 4QFY24E. Catering revenue is expected to increase 25.3% YoY to Rs5.0bn, while tourism business is expected to increase by 8.6% YoY. Overall, we expect IRCTC's revenues to increase 17.2% YoY to Rs11.3bn with EBITDA margin of 34.2%. Retain 'HOLD' rating on IRCTC with TP of Rs825 (unchanged).

## Exhibit 2: Q4FY24 Result Preview – (Rs mn)

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Chalet Hotels	Sales	4,615	3,379	36.6	3,737	23.5	For Chalet, we expect ARR's to increase 16.4% YoY to Rs13,161 with an occupancy of 72%. Hotel revenue is likely to be at Rs4.3bn with an EBITDA margin of 46.5% while annuity income is expected to rise 19.8% YoY to Rs337mn with an EBITDA margin of 83.0%. Overall, we expect Chalet to report 36.6% YoY growth in revenue with EBITDA margin of 46.0%.
	EBITDA	2,125	1,524	39.4	1,660	28.0	
	Margin (%)	46.0	45.1	94 bps	44.4	161 bps	
	PBT	1,346	899	49.7	887	51.8	
	Adj. PAT	1,015	552	84.1	706	43.8	
InterGlobe Aviation	Sales	1,68,106	1,41,606	18.7	1,94,521	(13.6)	We expect Indigo to report revenues of Rs168bn (up 18.7% YoY) with a load factor of 88.5% and yield of Rs5.0. We expect RASK of Rs4.9 and gross spread (RASK less fuel CASK) of Rs3.2 with EBITDAR margin of 23.0% (excluding forex adjustments) for the quarter.
	EBITDAR	38,704	28,938	33.7	54,484	(29.0)	
	Margin (%)	23.0	20.4	259 bps	28.0	-499 bps	
	PBT	14,501	9,198	57.7	29,985	(51.6)	
	Adj. PAT	14,431	9,192	57.0	29,981	(51.9)	
Indian Railway Catering and Tourism Corporation	Sales	11,308	9,650	17.2	11,183	1.1	We expect 17.2% YoY growth in top-line to Rs11.3bn. We expect ticketing volumes of ~115mn for the quarter with internet ticketing revenues Rs3.2bn. Overall, EBITDA margin is expected to be at 34.2%.
	EBITDA	3,862	3,246	19.0	3,940	(2.0)	
	Margin (%)	34.2	33.6	52 bps	35.2	-108 bps	
	PBT	4,111	3,488	17.9	4,209	(2.3)	
	Adj. PAT	3,065	2,530	21.2	3,145	(2.5)	
Lemon Tree Hotels	Sales	3,207	2,527	26.9	2,887	11.1	For Lemon Tree, we expect ARR to increase 12.8% YoY to Rs6,570 with an occupancy of 72%. Overall, we expect Lemon Tree to report 26.9% YoY growth in revenue with EBITDA margin of 49.7%.
	EBITDA	1,595	1,399	14.0	1,397	14.2	
	Margin (%)	49.7	55.4	-561 bps	48.4	134 bps	
	PBT	801	732	9.3	552	45.0	
	Adj. PAT	751	440	70.8	354	112.1	



Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Safari Industries (India)	Sales	3,851	3,027	27.2	3,883	(0.8)	Safari's top-line is expected to grow 27.2% YoY to Rs3.9bn. Further, we expect GM/EBITDA margin of 47.9%/17.5% in 4QFY24E. PAT is expected to increase 9.3% YoY to Rs416mn.
	EBITDA	672	583	15.4	682	(1.4)	
	Margin (%)	17.5	19.3	-179 bps	17.6	-11 bps	
	PBT	566	496	14.1	566	0.1	
	Adj. PAT	416	381	9.3	429	(3.0)	
V.I.P. Industries	Sales	5,238	4,506	16.3	5,464	(4.1)	VIP's top-line is expected to grow 16.3% YoY to Rs5.2bn. Further, we expect GM/EBITDA margin of 54.7%/8.8% in 4QFY24. Adjusted PAT is expected to decline 73.6% YoY to Rs113mn.
	EBITDA	463	643	(28.0)	523	(11.4)	
	Margin (%)	8.8	14.3	-543 bps	9.6	-73 bps	
	PBT	128	408	(68.6)	132	(2.9)	
	Adj. PAT	113	430	(73.6)	72	58.7	

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 Acc	860	888	176.2	11,285	14,605	18,409	21,393	4,528	6,142	8,153	9,583	1,410	2,496	3,825	4,849	6.9	12.2	17.6	22.3	9.8	14.7	15.2	14.2	125.0	70.6	48.9	38.6
InterGlobe Aviation*	S Acc	3,795	4,079	1,463.3	544.5	678.9	748.6	851.7	68.2	168.8	175.8	188.6	-3.1	77.2	74.4	72.9	-7.9	200.3	192.9	189.2	5.0	-323.6	143.2	58.1	-478.5	19.0	19.7	20.1
IRCTC	S HOLD	1,023	825	818.4	35,415	42,572	47,201	50,320	12,762	15,006	16,704	17,827	9,787	12,108	13,107	13,889	12.2	15.1	16.4	17.4	44.9	42.9	36.8	31.8	83.6	67.6	62.4	58.9
Lemon Tree Hotels	C BUY	141	153	111.3	8,750	10,588	13,170	14,653	4,476	5,056	6,760	7,753	1,146	1,354	2,287	2,972	1.4	1.7	2.9	3.8	13.6	14.7	20.8	22.2	97.2	82.2	48.7	37.5
Safari Industries (India)	C BUY	1,971	2,268	95.8	12,120	15,701	18,779	22,969	1,969	2,779	3,380	4,226	1,251	1,743	2,158	2,765	52.8	35.8	44.4	56.9	34.4	27.9	23.3	23.9	37.4	55.0	44.4	34.7
V.I.P. Industries	C BUY	540	603	76.5	20,823	22,524	25,109	28,235	3,138	2,320	3,591	4,461	1,846	637	1,880	2,592	13.0	4.5	13.3	18.3	30.7	9.6	24.9	28.1	41.4	120.0	40.7	29.5

Source: Company, PL

Acc=Accumulate / 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	Acc	Acc	888	820	8.3%	14,605	14,242	2.5%	18,409	17,426	5.6%	2,496	2,360	5.8%	3,825	3,670	4.2%	12.2	11.5	5.8%	17.6	17.9	-1.8%
InterGlobe Aviation	Acc	Acc	4,079	3,961	3.0%	6,78,897	6,68,376	1.6%	7,48,586	7,44,335	0.6%	77,207	67,959	13.6%	74,385	71,566	3.9%	200.3	176.3	13.6%	192.9	185.6	3.9%
IRCTC	HOLD	HOLD	825	825	0.0%	42,572	42,572	0.0%	47,201	47,201	0.0%	12,108	12,108	0.0%	13,107	13,107	0.0%	15.1	15.1	0.0%	16.4	16.4	0.0%
Lemon Tree Hotels	BUY	BUY	153	155	-0.9%	10,588	10,725	-1.3%	13,170	13,304	-1.0%	1,354	1,394	-2.9%	2,287	2,327	-1.7%	1.7	1.8	-2.9%	2.9	2.9	-1.7%
Safari Industries (India)	BUY	BUY	2,268	2,271	-0.1%	15,701	15,701	0.0%	18,779	18,779	0.0%	1,743	1,743	0.0%	2,158	2,158	0.0%	35.8	35.8	0.0%	44.4	44.4	0.0%
V.I.P. Industries	BUY	BUY	603	603	0.0%	22,524	22,524	0.0%	25,109	25,109	0.0%	637	687	-7.2%	1,880	1,880	0.0%	4.5	4.8	-7.2%	13.3	13.3	0.0%

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	Accumulate	820	762
2	Indian Railway Catering and Tourism Corporation	Hold	825	929
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	3,961	3,482
5	Lemon Tree Hotels	BUY	155	138
6	Navneet Education	BUY	182	142
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,663	1,385
9	S Chand and Company	BUY	315	245
10	Safari Industries (India)	BUY	2,271	2,045
11	V.I.P. Industries	BUY	603	465
12	Zee Entertainment Enterprises	Hold	164	150

## 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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