

Apr-Jun'24 Earnings Preview

July 8, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Chalet Hotels	Acc	850	902
InterGlobe Aviation	Acc	4,322	4,667
IRCTC	REDUCE	1,026	811
Lemon Tree Hotels	BUY	148	162
Safari Industries (India)	BUY	2,166	2,364
V.I.P. Industries	HOLD	481	529

Source: PL Acc=Accumulate

Hotels & luggage witness demand slump

The overall travel environment was sluggish during the quarter amid severe heat wave and general elections inhibiting recreational spends. In hospitality, all-India average occupancy stood at 61-63% in Apr'24, but declined to 59-61% in May'24. Occupancy levels were lower by 100-200 bps YoY, indicating demand has taken a backseat. For luggage sector, there was an additional dampener coming in the form of lower number of auspicious wedding days. Rising competition has resulted in a price war, especially on e-com, which is likely to put margins under pressure. In contrast, aviation sector has bucked the trend with domestic traffic increasing 2.4%/4.4% YoY to 13.2mn/13.8mn in Apr/May'24.

Overall, we expect luggage stocks in our universe to report modest performance with single-digit growth in top-line. Margin headwinds would emerge given the rising competitive intensity and freight cost inflation. Within hospitality, we expect mid-single-digit ARR growth for both Chalet and Lemon Tree with EBITDA margin of 40.3% and 44.9%, respectively. As for aviation, IndiGo is expected to report 10.8% YoY growth in top-line to Rs185bn with EBITDAR margin of 26.4% (adjusted for forex impact) aided by capacity addition and marginal improvement in yields.

Luggage – Demand environment weakens: For our luggage universe, we foresee modest performance in 1QFY25 given lower number of auspicious wedding days, heat wave and general elections. We expect VIP/Safari to report revenues of Rs6.5bn (up 2.0% YoY)/Rs4.6bn (up 8.0% YoY). Further, we expect GM of 49.0%/47.0% for VIP/Safari as rising competitive intensity in a weak demand environment is likely to result in a price war/discounting.

For VIP, we have cut our FY25E/FY26E EPS estimates by 4.1%/5.0% as we fine-tune our growth assumptions in the light of weak demand. Our revised TP stands at Rs529 (33x FY26E EPS; no change in target multiple) and we retain 'HOLD' on the stock. In case of Safari, we maintain 'BUY' with a revised TP of Rs2,364 (earlier Rs2,225) as we increase our target multiple to 43x (earlier 40x) as timely operationalization of the new plant at Jaipur will bring in cost competitiveness, ensuring the market share gain journey continues. In addition, we believe Safari's premiumization journey has been fast tracked post new launches under brands "Urban Jungle" and "Safari Select" (business collection).

Hotels – ARR growth slows down: For Chalet, we expect ARR to increase 4.0% YoY to Rs10,730 with an occupancy of 70%. Overall, we expect Chalet to report 18.6% YoY growth in revenue led by addition of 158 rooms post-acquisition of Courtyard by Marriott with an EBITDA margin of 40.3%. We maintain our 'ACCUMULATE' rating on Chalet as the deleveraging process has begun and we expect commercial annuity business to gather momentum from 2QFY25E. Our revised SOTP-based TP stands at Rs902 (earlier Rs830) as we increase our EV/EBITDA multiple for hotel business to 23x (earlier 21x). Our target multiple is now at 23% discount to IHCL and at par with Lemon Tree.

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For Lemon Tree, we expect ARR to increase 7.0% YoY to Rs5,604 led by Aurika, Mumbai, (operates at higher pricing) with an occupancy of 68%. We expect Lemon Tree to report 19.2% YoY growth in revenue with EBITDA margin declining 210bps YoY to 44.9% as higher renovation cost and weaker occupancy is likely to impact profitability. We maintain 'BUY' rating on the stock with SOTP-based TP of Rs162 (earlier Rs155) as we increase our EV/EBITDA multiple to 24x (earlier 23x). Deleveraging timeline and performance of Aurika, Mumbai, will be key factors to watch out in the near term.

Aviation – Yields to remain firm: We expect IndiGo to report a load factor of 87.3% with a yield of Rs5.3 (up 2.5% YoY). IndiGo is expected to report revenues of Rs185bn (up 10.8% YoY) with an EBITDAR margin of 26.4% (adjusted for forex impact) supported by capacity addition and marginal improvement in yields.

We expect ASKM/RPKM to increase by 10.0%/8.3% YoY to 35.9bn/31.4bn. We expect RASK of Rs5.14 and gross spread (RASK less fuel CASK) of Rs3.46. We retain 'ACCUMULATE' with a TP of Rs4,667 after assigning EV/EBITDA multiple of 9.5x (no change in target multiple) to FY26E EBITDA.

IRCTC – Ticketing volumes to be at ~116mn: We expect online ticket booking figure to reach ~116mn, resulting in ticketing revenue of Rs2.2bn in 1QFY25E. Catering revenue is expected to increase 7.0% YoY to Rs5.1bn, and tourism business by 11.0% YoY. Overall, we expect IRCTC's revenues to increase 11.2% YoY to Rs11.1bn with EBITDA margin of 35.3%. We maintain 'REDUCE' with a TP of Rs811 after assigning a multiple of 47.5x (unchanged) over FY26E EPS.

Exhibit 2: Q1FY25 Result Preview (Rs mn)

Company Name		Q1FY25E	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	Remark
Chalet Hotels	Sales	3,688	3,108	18.7	4,183	(11.8)	For Chalet, we expect ARR's to increase 4.0% YoY to Rs10,730 with an occupancy of 70%. Hotel revenue is likely to be at Rs3.3bn with an EBITDA margin of 41.0% while annuity income is expected to rise 22.7% YoY to Rs350mn with an EBITDA margin of 80.0%. Overall, we expect Chalet to report 18.7% YoY growth in revenue with EBITDA margin of 40.3%.
	EBITDA	1,486	1,098	35.3	1,829	(18.8)	
	Margin (%)	40.3	35.3	496 bps	43.7	(343 bps)	
	PBT	756	372	103.2	990	(23.6)	
	Adj. PAT	567	467	21.5	825	(31.3)	
InterGlobe Aviation	Sales	1,84,785	1,66,831	10.8	1,78,253	3.7	We expect Indigo to report revenues of Rs185bn (up 10.8% YoY) with a load factor of 87.3% and yield of Rs5.3. We expect RASK of Rs5.14 and gross spread (RASK less fuel CASK) of Rs3.46 with EBITDAR margin of 26.4% (excluding forex adjustments) for the quarter.
	EBITDAR	48,783	51,690	(5.6)	43,795	11.4	
	Margin (%)	26.4	31.0	(458 bps)	24.6	183 bps	
	PBT	21,173	30,907	(31.5)	17,710	19.6	
	Adj. PAT	21,152	30,906	(31.6)	18,948	11.6	
Indian Railway Catering and Tourism Corporation	Sales	11,142	10,018	11.2	11,548	(3.5)	We expect 11.2% YoY growth in top-line to Rs11.1bn. We expect ticketing volumes of ~116mn for the quarter with internet ticketing revenues Rs3.3bn. Catering revenue is expected to increase 7.0% YoY to Rs5.1bn. Overall, EBITDA margin is expected to be at 35.3%.
	EBITDA	3,934	3,430	14.7	3,624	8.5	
	Margin (%)	35.3	34.2	107 bps	31.4	392 bps	
	PBT	4,071	3,644	11.7	3,741	8.8	
	Adj. PAT	3,033	2,841	6.7	2,763	9.8	
Lemon Tree Hotels	Sales	2,649	2,223	19.2	3,273	(19.1)	For Lemon Tree, we expect ARR's to increase 7.0% YoY to Rs5,604 led by Aurika, Mumbai that operates at better pricing. Occupancy is expected to decline 200bps YoY to 68%. Overall, we expect Lemon Tree to report 19.2% YoY growth in revenue with EBITDA margin of 44.9%.
	EBITDA	1,189	1,045	13.8	1,715	(30.6)	
	Margin (%)	44.9	47.0	(212 bps)	52.4	(749 bps)	
	PBT	411	359	14.3	892	(54.0)	
	Adj. PAT	219	235	(6.5)	670	(67.2)	

Company Name		Q1FY25E	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	Remark
Safari Industries (India)	Sales	4,608	4,267	8.0	3,654	26.1	We expect revenues to increase 8% YoY in 1QFY25 as demand has taken backseat due to lower number of auspicious wedding days, heat wave and elections. Rising competitive intensity and freight cost inflation is likely to put pressure on profitability and accordingly we expect EBITDA margin to decline 80bps YoY to 17.7%.
	EBITDA	816	790	3.2	669	22.0	
	Margin (%)	17.7	18.5	(82 bps)	18.3	(59 bps)	
	PBT	700	658	6.5	559	25.3	
	Adj. PAT	525	499	5.2	432	21.6	
V.I.P. Industries	Sales	6,489	6,361	2.0	5,163	25.7	We expect revenues to increase 2% YoY in 1QFY25 as demand has taken backseat due to lower number of auspicious wedding days, heat wave and elections. VIP has ~Rs3bn of slow moving SL inventory on BS and we do not rule out higher discounting to off-load the stock. In addition, rising competitive intensity and freight cost inflation is likely to put pressure on profitability and accordingly we expect EBITDA margin to decline 190bps YoY to 10.8%.
	EBITDA	698	806	(13.5)	78	790.8	
	Margin (%)	10.8	12.7	(192 bps)	1.5	923 bps	
	PBT	295	516	(42.8)	(333)	NA	
	Adj. PAT	230	320	(28.0)	(239)	NA	

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	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E
Chalet Hotels	C Acc	850	902	174.6	11,285	14,173	17,488	20,450	4,528	5,846	7,728	9,176	1,410	2,386	3,592	4,573	6.9	11.6	16.5	21.0	9.8	14.1	14.3	13.5	123.5	73.2	51.6	40.5
InterGlobe Aviation*	S Acc	4,322	4,667	1,668.2	544.5	689.0	762.4	865.3	68.2	173.9	193.6	205.8	-3.1	81.7	84.5	84.0	-7.9	211.7	219.0	217.6	5.0	NA	135.8	57.3	NA	20.4	19.7	19.9
IRCTC	S Reduce	1,026	811	821.0	35,415	42,702	47,647	50,676	12,762	14,660	16,657	17,678	9,787	11,696	12,959	13,655	12.2	14.6	16.2	17.1	44.9	41.0	36.0	31.4	83.9	70.2	63.4	60.1
Lemon Tree Hotels	C BUY	148	162	117.3	8,750	10,711	13,337	14,874	4,476	5,232	6,868	7,888	1,146	1,485	2,351	3,080	1.4	1.9	3.0	3.9	13.6	16.3	21.8	23.2	102.4	79.0	49.9	38.1
Safari Industries (India)	C BUY	2,166	2,364	105.6	12,120	15,504	18,178	22,883	1,969	2,775	3,236	4,096	1,251	1,758	2,072	2,712	52.8	36.1	42.5	55.6	34.4	28.1	22.5	23.7	41.1	60.1	51.0	38.9
V.I.P. Industries	C HOLD	481	529	68.3	20,823	22,450	24,335	26,764	3,138	1,936	3,358	4,122	1,846	285	1,553	2,273	13.0	2.0	10.9	16.0	30.7	4.3	21.0	25.4	36.9	239.6	44.0	30.1

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					
	C	P	C	P	% Chng.	FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Chalet Hotels	Acc	Acc	902	830	8.7%	17,488	17,488	0.0%	20,450	20,450	0.0%	3,592	3,592	0.0%	4,573	4,573	0.0%	16.5	16.5	0.0%	21.0	21.0	0.0%
InterGlobe Aviation	Acc	Acc	4,667	4,667	0.0%	7,62,353	7,62,353	0.0%	8,65,268	8,65,268	0.0%	84,542	84,542	0.0%	84,001	84,001	0.0%	219.0	219.0	0.0%	217.6	217.6	0.0%
IRCTC	REDUCE	REDUCE	811	811	0.0%	47,647	47,647	0.0%	50,676	50,676	0.0%	12,959	12,959	0.0%	13,655	13,655	0.0%	16.2	16.2	0.0%	17.1	17.1	0.0%
Lemon Tree Hotels	BUY	BUY	162	155	4.7%	13,337	13,337	0.0%	14,874	14,874	0.0%	2,351	2,351	0.0%	3,080	3,080	0.0%	3.0	3.0	0.0%	3.9	3.9	0.0%
Safari Industries (India)	BUY	BUY	2,364	2,225	6.2%	18,178	18,178	0.0%	22,883	22,883	0.0%	2,072	2,072	0.0%	2,712	2,712	0.0%	42.5	42.5	0.0%	55.6	55.6	0.0%
V.I.P. Industries	HOLD	HOLD	529	557	-5.0%	24,335	24,713	-1.5%	26,764	27,590	-3.0%	1,553	1,619	-4.1%	2,273	2,393	-5.0%	10.9	11.4	-4.1%	16.0	16.9	-5.0%

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	830	789
2	Imagicaaworld Entertainment	BUY	111	78
3	Indian Railway Catering and Tourism Corporation	Reduce	811	1,025
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	4,667	4,257
6	Lemon Tree Hotels	BUY	155	140
7	Navneet Education	Accumulate	167	155
8	Nazara Technologies	Hold	878	913
9	PVR Inox	Accumulate	1,431	1,285
10	S Chand and Company	BUY	307	238
11	Safari Industries (India)	BUY	2,225	2,019
12	V.I.P. Industries	Hold	557	528
13	Zee Entertainment Enterprises	Hold	160	141

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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