

## Set for further gain from expansion projects

Hotels ▶ Result Update ▶ May 14, 2024

TARGET PRICE (Rs): 850

**Chalet's Q4 revenue/EBITDA/adj. EBITDA growth was healthy at 24%/20%/25% YoY. Revenue was in line, though there was miss on margin due to higher other expenses. We see Chalet charting an EBITDA CAGR of 31% over FY24-26E and its net debt reducing further over FY25-FY26E as it initiates a slew of expansion projects, which would engender a 9% room-count CAGR over FY24-26E. Demand is likely to outstrip supply for the next 2-3 years, leading to further improvement in ARR. Leasing of commercial assets provides partial hedge against cyclical nature of the hospitality industry. We cut FY25E/26E EBITDA by 1.6%/4.2% on margin miss. We maintain our ADD recommendation on Chalet, with SOTP-based TP of Rs850/share vs. Rs900/share earlier (SOTP-based Mar-26E EV/EBITDA of 20.5x for hotels and of 16x for rental assets).**

### Chalet Hotels: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	4,940	11,285	14,173	18,352	21,283
EBITDA	821	4,528	5,846	8,565	10,394
Adj. PAT	(752)	1,833	2,782	3,658	5,104
Adj. EPS (Rs)	(3.7)	8.9	13.5	16.8	23.4
EBITDA margin (%)	16.6	40.1	41.2	46.7	48.8
EBITDA growth (%)	1,812.4	451.8	29.1	46.5	21.4
Adj. EPS growth (%)	0.0	0.0	51.4	23.9	39.5
RoE (%)	(5.5)	12.7	16.4	14.4	14.7
RoIC (%)	(0.8)	7.1	15.1	13.7	14.4
P/E (x)	(214.9)	88.2	58.2	47.0	33.7
EV/EBITDA (x)	222.5	40.4	30.7	21.4	17.8
P/B (x)	12.1	10.5	8.8	5.3	4.6
FCFF yield (%)	0.2	1.7	1.5	(0.6)	0.2

Source: Company, Emkay Research

### Q4FY24: Revenue in line with RevPAR up 7% YoY; one-off impacts margin

Revenue/EBITDA growth were healthy at +24%/20% YoY. Hospitality segment revenue improved by 24% YoY, Retail and Commercial (rental biz.) portfolios reported revenue increase of 26% YoY (+18% QoQ). Though the revenue was in line with our estimate, margin came below expectation (45.7%; +56bps YoY; +123bps QoQ) due to one-time expenses of Rs81mn toward Dukes decapitalization and acquisition cost of Aravali Resort. Average room rates or ARR growth was 5% YoY, while same store ARR was Rs12,159, up 8% over Q4FY23. Though MMR ARR was up only 2% YoY due to focus on occupancy and market share for many hotels, the Hyderabad ARR was up 20% YoY and Bengaluru ARR was up 26% YoY.

### Expansion projects to aid growth; rates and occupancies to grow further; ADD

Chalet has 870 rooms under development that are primed to spur its room count by 9% p.a. over FY24-26E. Moreover, Chalet is augmenting its commercial real-estate portfolio from the current size of 1.2mn sq ft to 3.2mn sq ft. Demand is expected to outstrip supply for the next 2-3 years, leading to further improvement in ARR from a high base. Moreover, Company remains positive on margin expansion. Chalet can continue to grow ARR and optimize occupancies, as Company believes that there is headroom for growth in ARR/occupancies, given the strong domestic demand and still subdued foreign business travel. Planned capex of Rs150bn over FY25-FY26E will be met from internal accruals. De-leveraging to continue with net debt/EBITDA declining to 1.7x by FY27E from 4.7x at the end of FY24. We expect Chalet to post revenue/EBITDA CAGR of 23%/31% over FY24-26E. Moreover, benefits related to Airoli and Delhi International Airport projects are expected only from FY27. We cut our FY25/FY26E EBITDA by 1.6%/4.2%, on margin miss. We maintain our ADD recommendation on Chalet, with SOTP-based TP of Rs850/share vs. Rs900/share earlier (SOTP-based Mar-26E EV/EBITDA of 20.5x for hotels and of 16x for rental assets).

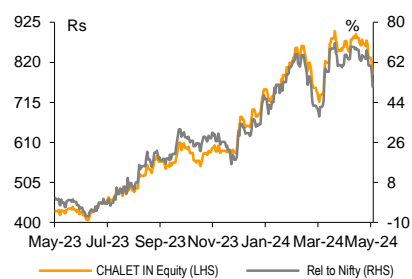
Target Price – 12M	Mar-25
Change in TP (%)	(5.6)
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	7.8
CMP (14-May-24) (Rs)	788.6

Stock Data	Ticker
52-week High (Rs)	959
52-week Low (Rs)	401
Shares outstanding (mn)	218.1
Market-cap (Rs bn)	172
Market-cap (USD mn)	2,059
Net-debt, FY25E (Rs mn)	11,478
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	351.9
ADTV-3M (USD mn)	4.2
Free float (%)	-
Nifty-50	22,218
INR/USD	83.5
<b>Shareholding, Apr-24</b>	
Promoters (%)	67.5
FPIs/MFs (%)	6.8/21.4

### Price Performance

(%)	1M	3M	12M
Absolute	(10.0)	(5.4)	88.9
Rel. to Nifty	(8.7)	(7.0)	55.7

### 1-Year share price trend (Rs)



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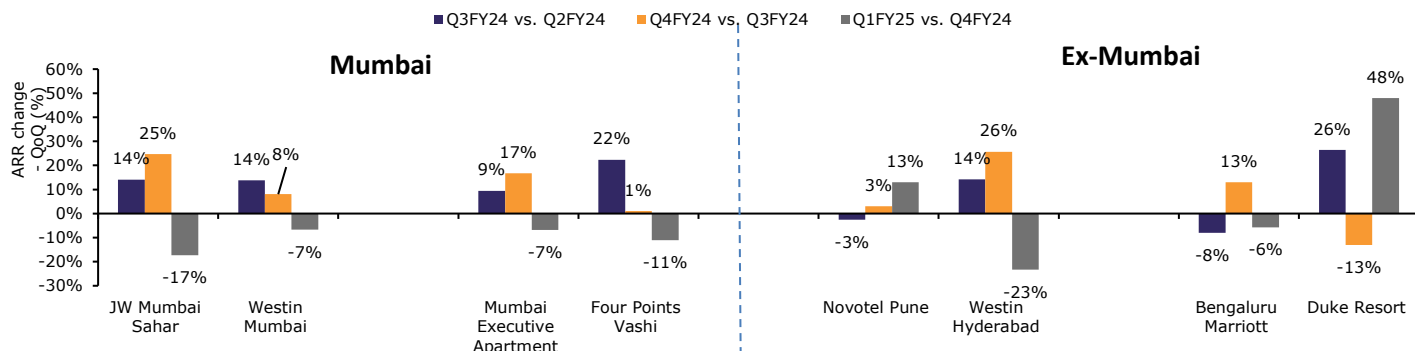
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**Chalet – Momentum in room rates to sustain**

While Q3 and Q4 are the best quarters for business for Chalet, we see some rate moderation QoQ in Q1, due to seasonality. However, on YoY basis, rates based on online rates check indicate an increase of 16% YoY for Chalet in Q1FY25, for our sample set. The non-Mumbai region is likely to see faster YoY growth vs. the Mumbai region.

**Exhibit 1: QoQ change in rates for Chalet**



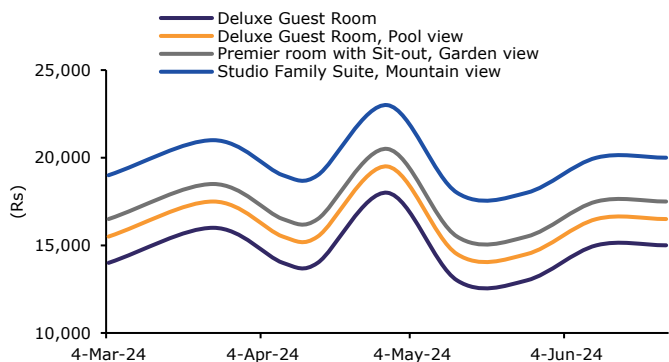
Source: Company, Emkay Research

**Exhibit 2: Average room rate (ARR\*) for Marriott Aravali Resort**

Date of check-in	Date of check-out	Deluxe Guest Room	Deluxe Guest Room, Pool view (Rs)	Premier room with Sit-out, Garden view (Rs)	Studio Family Suite, Mountain view (Rs)
4-Mar-24	5-Mar-24	14,000	15,500	16,500	19,000
25-Mar-24	26-Mar-24	16,000	17,500	18,500	21,000
8-Apr-24	9-Apr-24	14,000	15,500	16,500	19,000
15-Apr-24	16-Apr-24	14,000	15,500	16,500	19,000
29-Apr-24	30-Apr-24	18,000	19,500	20,500	23,000
13-May-24	14-May-24	13,000	14,500	15,500	18,000
27-May-24	28-May-24	13,000	14,500	15,500	18,000
10-Jun-24	11-Jun-24	15,000	16,500	17,500	20,000
24-Jun-24	25-Jun-24	15,000	16,500	17,500	20,000

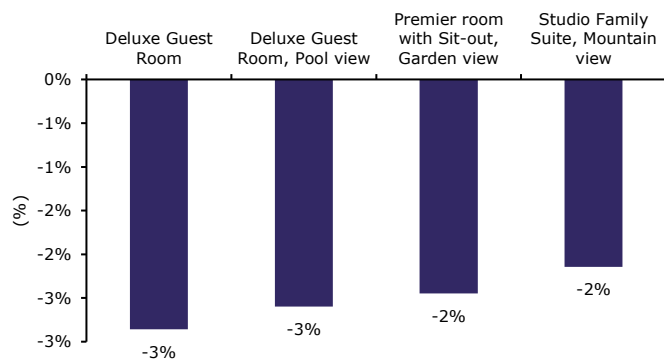
Source: Company, Emkay Research; Note: \*Rates without taxes

**Exhibit 3: ARR room rates are in the Rs15k-20k range, as of end-June-2024**



Source: Company, Emkay Research

**Exhibit 4: QoQ change in ARR (Q1FY25E vs. Q4FY24E) – Moderation due to seasonality**



Source: Company, Emkay Research

## Earnings call key takeaways

- **Healthy demand trend in the industry:** The Indian hospitality industry continues to benefit from healthy tailwinds, leading to decadal-high ARR with robust occupancies, aided by continuous rise in air traffic. Moreover, Management expects the demand-supply mismatch to remain in their favor for another 3-4 years.
- **ARR:** Company achieved a same-store ARR growth of 8% YoY in Q4 and 17% YoY in FY24. Company is well entrenched to continue growing the rates in line with the industry (double-digits growth expectation) and at the same time optimize occupancies.
- **Moderation in ARR growth for MMR region:** Despite a 9% YoY ARR growth registered by the Marriott Sahar hotel, the overall MMR region's ARR growth moderated to 2% YoY in Q4. The properties at Powai, Vashi, and Lonavala have been dragging the ARR for MMR. The management has planned to address it by forming a specific strategy for each hotel. For Westin Powai, it aims to increase the occupancies with an increased focus on MICE business. With an increase of supply in Vashi, Management aims to retain market share at the Vashi property. The Dukes, Lonavala property is expected to see an improved traction in rates and occupancy, once renovation is completed by end-CY24.
- **Improved traction in Bangalore and Hyderabad:** Among the last to recover post pandemic, the Bangalore region is now outpacing the pre-pandemic trend with a healthy RevPAR growth of 20% YoY in Q4, led by ARR growth (26% YoY). Occupancies, however, are yet to pick up owing to slower pickup in the IT space. Similarly, Hyderabad region is witnessing good traction, posting strong RevPAR growth of 33%. With no planned supply in its region of operation in Hyderabad, Company is expected to reap the benefits going ahead.
- **Healthy outlook for Courtyard, Aravali property:** The recently acquired property in the NCR region is fully operational (158 rooms) and is in its ramp-up phase. It primarily caters to 3 segments: weekend getaways, MICE, and weddings. The property, being a resort, is expected to have some seasonal impact. It is competing with 2-3 properties in its region of operation and the management believes to have positioned it at a good price point. The property also has 6 acres of unused land, which Management aims to utilize for expansion going ahead. The management has plans to reposition the brand as a more premium brand, which will aid in achieving higher ARRs.
- **One-off and higher other expense lowers margin:** Company incurred a one-off expense of Rs81mn in Q4, led by: i) decapitalization of some assets relating to Lonavala property on account of renovation, ii) acquisition of Aravali property, and iii) write-off on non-usable inventory from Koramangala residential property. Additionally, the increase in other expenses in Q4 is attributed to increase in royalty and management fees in commercial business, due to rise in sale volume.
- **Project update**
  - **CIGNUS Powai® commercial towers:** The construction of the second commercial tower at the Western Powai Complex is progressing as per schedule and is expected to be completed in FY27. The project is likely to span an area of 1.4lakh sq ft. Leasing activity has picked up pace in Powai and the company is in the final stages of closing three tenancy deals.
  - **Residential project at Bangalore:** The company now has **occupancy certificate (OC) for nine residential buildings**. It sold 34 units during this quarter. The project has unsold inventory of 117 flats measuring 0.29mn sq ft (1/3<sup>rd</sup> of total area) and Company is expecting a rate of over Rs20,000 (Rs18,839 average rate for flats sold) for the unsold inventory. Chalet Hotels will be handing over possession for the sold flats in Q1FY25. Hence, this will lead to higher collections (including Rs3bn in receivables from 180 flats) and revenue recognition, effect of which is to be seen majorly in Q2FY25. Construction for two new residential buildings is in full swing, and is expected to be completed by FY25.

## Exhibit 5: Real-estate development in Bengaluru

As of Mar'24	(Msf)	No. of Units	Avg sales price (psf)
<b>Residential (A+B)</b>	<b>0.85</b>	<b>321</b>	
Sold in FY24	0.29	121	18,839
Total sales till date (A)	0.57	204	
Unsold (B)	0.29	117	
<b>Commercial</b>	<b>0.15</b>		



<b>9</b>	<b>2</b>	<b>Rs. 3,196 Mn</b>	<b>1</b>
Residential Towers close to completion 10 Floors each	New Residential Towers 11 Floors each	Receivables (March 2024) For existing sales	Commercial Tower For Strata Sale

Source: Company

- **Duke's Retreat:** Ongoing renovation and inventory addition is on schedule. Renovation likely to be completed by Q3FY25.
  - **Taj, New Delhi airport:** Construction underway (structural work is ongoing) and is expected to be ready by FY26.
  - **Hyatt Regency, Airoli:** Will begin work in October (after monsoon) after receipt of the revised construction approvals.
- The management has planned a total **capex of Rs15bn over the next two years**. Of this, Rs6.5-7bn will be toward the new commercial tower being built at Powai and the balance will be toward Dukes renovation, Bangalore commercial towers (phase 2), and hotel renovations.
- **Others**
- Management expects a temporary slowdown in hospitality during election days as travelling is reduced.
  - Four Points by Sheraton at Vashi is due for renovation and the level of capex is yet to be finalized by the management.
  - Company is facing zero impact from water shortage in Bangalore.

## Exhibit 6: Hospitality — Key Metrics

	Q4FY24	Q4FY23	YoY%	FY24	FY23	YoY%
<b>ADR (Rs.)</b>						
MMR	12,173	11,976	2%	11,121	9,741	14%
Others*	11,474	10,228	12%	10,188	8,277	23%
<b>Combined</b>	<b>11,862</b>	<b>11,304</b>	<b>5%</b>	<b>10,718</b>	<b>9,169</b>	<b>17%</b>
<b>Occupancy (%)</b>						
MMR	81%	77%	4 pp	77%	74%	3 pp
Others*	70%	70%	1 pp	68%	69%	-1 pp
<b>Combined</b>	<b>76%</b>	<b>74%</b>	<b>2 pp</b>	<b>73%</b>	<b>72%</b>	<b>1 bp</b>
<b>RevPAR (Rs.)</b>						
MMR	9,815	9,208	7%	8,513	7,211	18%
Others*	8,079	7,136	13%	6,915	5,724	21%
<b>Combined</b>	<b>8,984</b>	<b>8,363</b>	<b>7%</b>	<b>7,776</b>	<b>6,605</b>	<b>18%</b>

MMR: Mumbai Metropolitan Region; NCR: National Capital Region

Source: Company

### Q4FY24 Result highlights

- **Chalet reported highest-ever revenue and EBITDA in Q4FY24.** Revenue/EBITDA growth were healthy at +24%/20% YoY. Revenue was in line with our estimate, while reported EBITDA missed our/consensus estimate by 5%/10%, respectively, primarily due to lower margin for commercial portfolios (rental/annuity biz.).
- **Net sales increased 24% YoY (+11.9% QoQ)** to Rs4,183mn. The YoY revenue growth at 24% remained elevated though it has moderated vs. revenue growth of 29%/27% in Q3/Q2 respectively. Revenue growth YoY was led by: i) Acquisition of Courtyard by Marriott Aravalli. ii) Launch of 168 rooms 'The Westin Hyderabad HITEC City' at Mindspace, Hyderabad, and (iii) Increase in capacity by 88 rooms in Novotel Pune to 311 rooms over the last 1 year. Growth was also supported by RevPAR increasing 7% YoY in Q4 (2% beat on our estimate) vs. 18% YoY in Q3. RevPAR was up 7% YoY for MMR and 13% YoY for other regions.
- **Miss on margin:** EBITDA was up 20% YoY (up 10% QoQ) to Rs1,829mn, 5%/10% below our/consensus est. Q4FY24 EBITDA had one-time expense of Rs81mn toward Dukes decapitalization and acquisition cost of Aravali Resort, along with unusable stock of Bangalore Residential. This led to an increase in other expenses by +34% YoY and +20% QoQ. Adjusted for these, adj. EBITDA margin was 45.7% (+56bps YoY; +123bps QoQ; 23bps miss on our estimate).
- PBT (before EO) was Rs990bn, up 10% YoY (12% miss on our estimate). The company reported net profit of Rs824mn vs. Rs366mn in Q4FY23 (including exceptional item).
- **ARR growth was 5% YoY** (moderated from 8% YoY/21% YoY/38.4% YoY growth in Q3/Q2/Q1). Same-store ARR was at Rs12,159, up by 8% over Q4FY23. Hyderabad ARR was up 20% YoY and Bengaluru ARR was up 26% YoY. MMR ARR was up only 2% YoY as the focus was on occupancy and market share for many hotels.
- **Occupancies increased by 2pp YoY to 76%**, driving 7% YoY RevPAR growth. Occupancy was driven by MMR occupancy, up 4pp YoY to 81%, as Company focused on occupancy for many hotels in Mumbai.
- **Chalet's hospitality segment revenue improved by 24% YoY** to Rs3,830mn. Room revenue growth was strong at 23.8% YoY, and non-room revenue growth also was strong at 23.4% YoY. This was aided by 16% YoY increase in room count (2,634 to 3,052), besides YoY increase in ARR and occupancy. Margin for hospitality segment was down 15bps YoY in Q4, led by higher other expenses.
- **Retail and Commercial (rental biz.)** portfolios reported revenue increase of 26% YoY (+18% QoQ) to Rs354mn, 8% above our estimate. Margin was down 1,570bps YoY to 77% (5pp below our estimate), leading to an overall miss on margin.
- **Leverage is down for the company:** QIP fund raised on 3<sup>rd</sup> April was used for paring down debt by Rs9bn. Overall net debt is down from Rs24.4bn/Rs25bn at end-Q3/Q4FY24 to Rs14.6bn at the end of Apr-2024.

## Exhibit 7: Consolidated Quarterly Financials

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Revenue from operations</b>	<b>3,379</b>	<b>3,108</b>	<b>3,145</b>	<b>3,737</b>	<b>4,183</b>	<b>23.8</b>	<b>11.9</b>
Real Estate Development	21	21	21	21	21	-	0.0
Changes in inventories of finished goods and CWIP	-	-	-	-	-		
Food and Beverages	256	246	238	283	288	12.6	1.9
Operating Supplies	104	115	83	96	104	0.0	7.8
Employee Costs	413	467	475	488	516	25.0	5.7
Other Exps	1,061	1,161	1,068	1,188	1,425	34.2	19.9
<b>Total Expenses</b>	<b>1,855</b>	<b>2,010</b>	<b>1,886</b>	<b>2,077</b>	<b>2,354</b>	<b>26.9</b>	<b>13.4</b>
<b>EBITDA</b>	<b>1,524</b>	<b>1,098</b>	<b>1,260</b>	<b>1,660</b>	<b>1,829</b>	<b>20.0</b>	<b>10.2</b>
<b>Adj. EBITDA</b>	<b>1,524</b>	<b>1,262</b>	<b>1,260</b>	<b>1,660</b>	<b>1,910</b>	<b>25.3</b>	<b>15.0</b>
D&A	298	310	350	353	371	24.4	5.1
EBIT	1,225	788	910	1,307	1,457	19.0	11.5
Finance Costs	405	454	501	482	529	30.4	9.6
Other Income	79	38	36	62	61	(22.3)	(1.2)
PBT (before EO)	899	372	445	887	990	10.2	11.7
EO (loss)/gain	(184)	-	-	-	-	(100.0)	
PBT (after EO)	715	372	445	887	990	38.6	11.7
Tax	348	(515)	80	180	166	(52.4)	(7.9)
<b>PAT</b>	<b>366</b>	<b>887</b>	<b>364</b>	<b>706</b>	<b>824</b>	<b>125.1</b>	<b>16.7</b>
<b>Margin (%)</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>Chg YoY (bps)</b>	<b>Chg QoQ (bps)</b>
EBITDA	45.1	35.3	40.0	44.4	43.7	(137)	(70)
Adj. EBITDA	45.1	40.6	40.0	44.4	45.7	56	123
EBIT	36.3	25.4	28.9	35.0	34.8	(142)	(13)
PBT (before EO)	26.6	12.0	14.1	23.7	23.7	(293)	(5)
PAT	10.8	28.5	11.6	18.9	19.7	887	81

Source: Company. Emkay Research

## Exhibit 8: Operational performance

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Hotel business</b>							
Rooms (no. of)	2,634	2,634	2,634	2,894	3,052	15.9	5.5
ARR (Rs)	11,304	10,317	9,610	10,974	11,862	4.9	8.1
Occupancy (%)	74.0	70.0	73.0	71.0	76.0	200 bps	500 bps
RevPAR (Rs)	8,363	7,182	7,034	7,838	8,984	7.4	14.6
<b>Room revenue (Rs mn)</b>	<b>1,922</b>	<b>1,747</b>	<b>1,813</b>	<b>2,054</b>	<b>2,379</b>	<b>23.8</b>	<b>15.8</b>
Non-room revenue (Rs mn)	1,175	1,075	1,032	1,383	1,450	23.4	4.9
Total revenue (Rs mn)	3,097	2,822	2,845	3,437	3,829	23.6	11.4
EBITDA (Rs mn)	1,264	871	1,023	1,409	1,557	23.2	10.5
EBITDA Margin (%)	40.8	30.9	35.9	41.0	40.7	-15 bps	-34 bps
<b>Commercial business</b>							
Revenue (Rs mn)	281	285	300	301	354	26.0	17.6
EBITDA (Rs mn)	260	227	237	251	272	4.6	8.4
EBITDA Margin (%)	92.5	79.6	79.0	83.4	76.8	-1569 bps	-655 bps
<b>Consolidated</b>							
Revenue (Rs mn)	3,378	3,107	3,145	3,738	4,183	23.8	11.9
EBITDA (Rs mn)	1,524	1,098	1,260	1,660	1,829	20.0	10.2
EBITDA Margin (%)	45.1	35.3	40.1	44.4	43.7	-139 bps	-70 bps

Source: Company. Emkay Research

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**Exhibit 9: Change in estimates**

Change in estimates	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
<b>KPIs</b>						
Rooms (no. of)	3,252	3,252	-	3,642	3,642	-
Occupancy (%)	73.3	74.3	103 bps	74.5	75.4	99 bps
ARR (Rs)	11,354	11,269	(0.7)	11,829	11,686	(1.2)
RevPAR (Rs)	8,319	8,373	0.6	8,807	8,817	0.1
<b>Consolidated</b>						
Revenue (Rs mn)	<b>18,338</b>	<b>18,352</b>	<b>0.1</b>	<b>21,507</b>	<b>21,283</b>	<b>(1.0)</b>
EBITDA (Rs mn)	8,702	8,565	(1.6)	10,847	10,394	(4.2)
EBITDA margin (%)	47.5	46.7	-79 bps	50.4	48.8	-160 bps

Source: Emkay Research

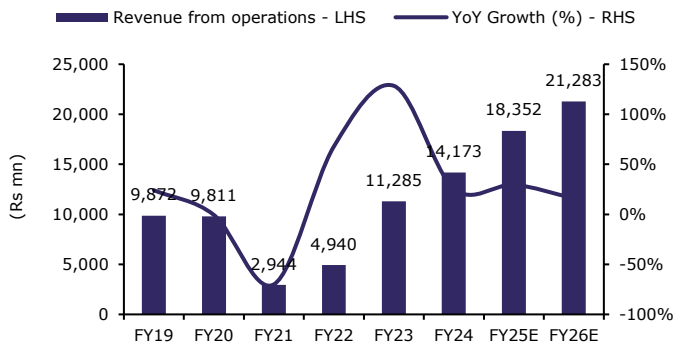
**Exhibit 10: SOTP-based valuation**

Valuation snapshot (SOTP)	Mar-26E
<b>Real Estate</b>	
EBITDA (Rs mn)	2,283
EV/EBITDA (x)	16.0
EV (Rs mn)	36,525
<b>Hotel</b>	
EBITDA (Rs mn)	8,112
EV/EBITDA (x)	20.5
EV (Rs mn)	166,288
<b>Residential</b>	
Residential EV (Rs mn)	3,699
<b>Consol.</b>	
EBITDA (Rs mn)	10,394
EV/EBITDA (x)	19.9
EV (Rs mn)	206,512
(-) Net debt (Rs mn)	22,034
Equity Value (Rs mn)	184,479
<b>Value per share (Rs)</b>	<b>850</b>

Source: Emkay Research

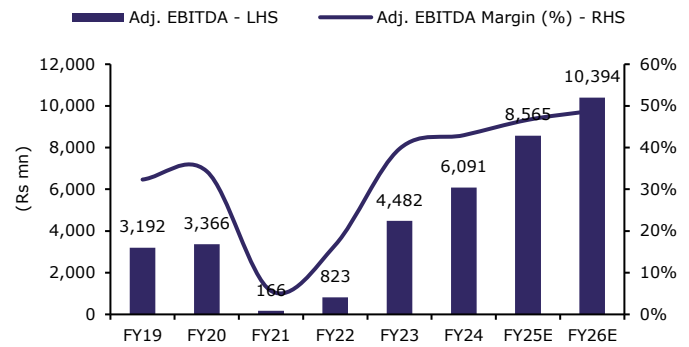


Exhibit 11: Chalet to post revenue CAGR of 23% over FY24-26E...



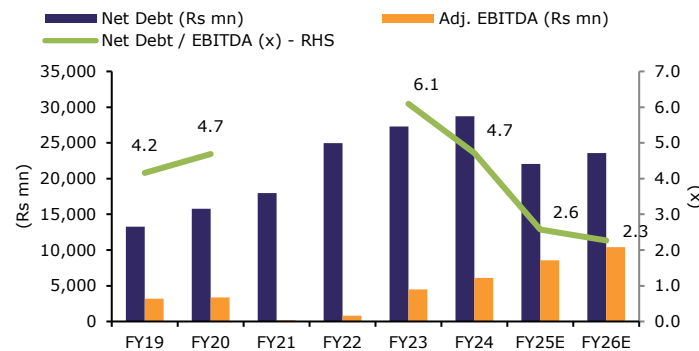
Source: Company, Emkay Research

Exhibit 12: ...and EBITDA CAGR of 31% over the same period



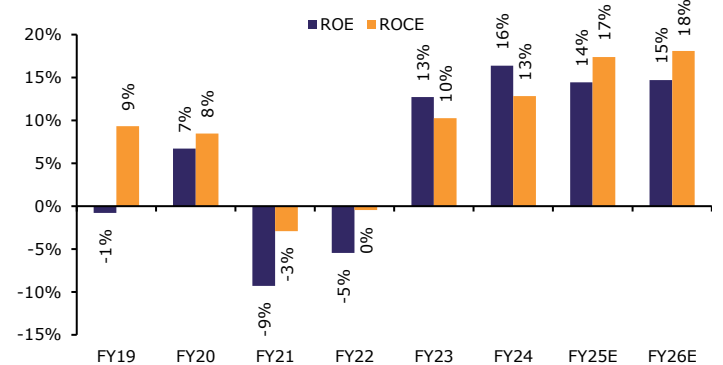
Source: Company, Emkay Research

Exhibit 13: Net Debt-to-EBITDA to decline



Source: Company, Emkay Research

Exhibit 14: Returns to improve for Chalet



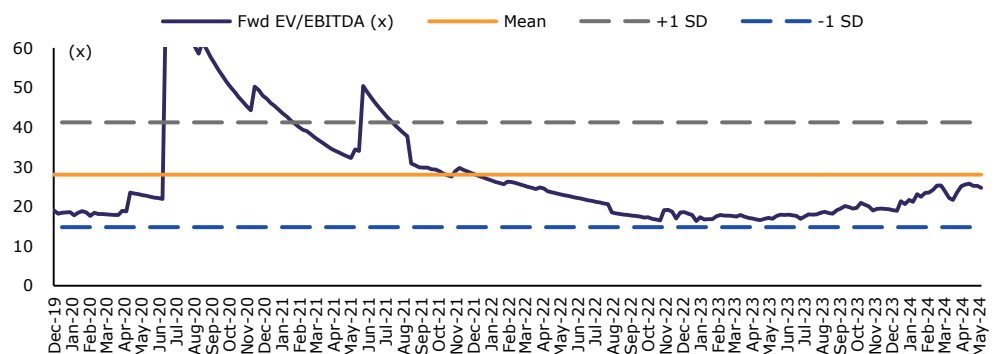
Source: Company, Emkay Research

Exhibit 15: Project pipeline

Project Name	New Rooms/ Leasable area	Location	Completion update
The Dukes Retreat Renovation & Expansion Existing rooms – 80	65 New	Lonavala	Q3 FY25
Bengaluru Marriott Hotel Whitefield Expansion Existing rooms – 391	125-130 rooms	Bengaluru	FY25
Taj at Delhi International Airport	385-390 rooms	New Delhi	FY26
Hyatt Regency at Airoli, Navi Mumbai	~280 rooms	Mumbai	FY27
CIGNUS Powai® Tower II	0.9 msf	Mumbai	FY27

Source: Company

Exhibit 16: One-year forward EV/EBITDA



Source: Company, Emkay Research



## Chalet Hotels: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>4,940</b>	<b>11,285</b>	<b>14,173</b>	<b>18,352</b>	<b>21,283</b>
Revenue growth (%)	67.8	128.4	25.6	29.5	16.0
<b>EBITDA</b>	<b>821</b>	<b>4,528</b>	<b>5,846</b>	<b>8,565</b>	<b>10,394</b>
EBITDA growth (%)	1,812.4	451.8	29.1	46.5	21.4
Depreciation & Amortization	1,184	1,173	1,384	1,690	1,939
<b>EBIT</b>	<b>(364)</b>	<b>3,355</b>	<b>4,462</b>	<b>6,875</b>	<b>8,456</b>
EBIT growth (%)	0.0	0.0	33.0	54.1	23.0
Other operating income	0	0	0	0	0
Other income	220	235	198	220	232
Financial expense	1,444	1,545	1,967	2,084	1,696
<b>PBT</b>	<b>(1,588)</b>	<b>2,045</b>	<b>2,694</b>	<b>5,011</b>	<b>6,991</b>
Extraordinary items	0	0	0	0	0
Taxes	(720)	895	(88)	1,353	1,888
Minority interest	0	0	0	0	0
Income from JV/Associates	116	683	0	0	0
<b>Reported PAT</b>	<b>(752)</b>	<b>1,833</b>	<b>2,782</b>	<b>3,658</b>	<b>5,104</b>
PAT growth (%)	0.0	0.0	51.8	31.5	39.5
<b>Adjusted PAT</b>	<b>(752)</b>	<b>1,833</b>	<b>2,782</b>	<b>3,658</b>	<b>5,104</b>
<b>Diluted EPS (Rs)</b>	<b>(3.7)</b>	<b>8.9</b>	<b>13.5</b>	<b>16.8</b>	<b>23.4</b>
Diluted EPS growth (%)	0.0	0.0	51.4	23.9	39.5
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	16.6	40.1	41.2	46.7	48.8
EBIT margin (%)	(7.4)	29.7	31.5	37.5	39.7
Effective tax rate (%)	45.3	43.8	(3.3)	27.0	27.0
<b>NOPLAT (pre-IndAS)</b>	<b>(199)</b>	<b>1,886</b>	<b>4,608</b>	<b>5,019</b>	<b>6,173</b>
Shares outstanding (mn)	205.0	205.0	205.5	218.1	218.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	(1,588)	2,045	2,694	5,011	6,991
Others (non-cash items)	2,571	2,044	3,388	3,551	3,401
Taxes paid	38	31	(553)	(1,191)	(1,741)
Change in NWC	(452)	(35)	1,366	(941)	(847)
<b>Operating cash flow</b>	<b>685</b>	<b>4,769</b>	<b>6,894</b>	<b>6,430</b>	<b>7,804</b>
Capital expenditure	(396)	(1,715)	(4,277)	(7,500)	(7,500)
Acquisition of business	0	0	0	0	0
Interest & dividend income	56	29	199	220	232
<b>Investing cash flow</b>	<b>(4,563)</b>	<b>(6,037)</b>	<b>(6,385)</b>	<b>(7,651)</b>	<b>(7,647)</b>
Equity raised/(repaid)	500	251	135	10,000	0
Debt raised/(repaid)	4,913	1,936	283	(4,000)	(727)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,302)	(927)	(1,496)	(2,084)	(1,696)
Dividend paid (incl tax)	0	0	0	0	0
Others	(2)	0	0	(548)	(520)
<b>Financing cash flow</b>	<b>4,109</b>	<b>1,260</b>	<b>(1,078)</b>	<b>3,369</b>	<b>(2,944)</b>
Net chg in Cash	231	(8)	(569)	2,148	(2,787)
OCF	685	4,769	6,894	6,430	7,804
Adj. OCF (w/o NWC chg.)	1,137	4,804	5,528	7,372	8,651
FCFF	288	3,054	2,617	(1,070)	304
FCFE	(1,100)	1,539	850	(2,934)	(1,161)
OCF/EBITDA (%)	83.4	105.3	117.9	75.1	75.1
FCFE/PAT (%)	146.2	83.9	30.5	(80.2)	(22.7)
<b>FCFF/NOPLAT (%)</b>	<b>(145.0)</b>	<b>161.9</b>	<b>56.8</b>	<b>(21.3)</b>	<b>4.9</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	2,050	2,050	2,055	2,181	2,181
Reserves & Surplus	11,362	13,395	16,459	29,991	35,094
<b>Net worth</b>	<b>13,413</b>	<b>15,445</b>	<b>18,513</b>	<b>32,172</b>	<b>37,275</b>
Minority interests	(3)	(4)	(5)	(5)	(5)
Deferred tax liability (net)	(2,146)	(1,276)	(1,623)	(1,461)	(1,315)
<b>Total debt</b>	<b>29,011</b>	<b>32,199</b>	<b>36,719</b>	<b>31,898</b>	<b>30,472</b>
<b>Total liabilities &amp; equity</b>	<b>40,275</b>	<b>46,364</b>	<b>53,604</b>	<b>62,603</b>	<b>66,427</b>
Net tangible fixed assets	0	0	0	0	0
Net intangible assets	21,707	23,493	28,141	34,160	39,971
Net ROU assets	590	525	460	460	460
Capital WIP	322	978	369	377	384
Goodwill	226	537	686	686	686
Investments [JV/Associates]	13,560	16,474	18,447	18,816	19,192
<b>Cash &amp; equivalents</b>	<b>1,061</b>	<b>1,288</b>	<b>1,417</b>	<b>3,567</b>	<b>782</b>
Current assets (ex-cash)	5,424	5,824	7,498	7,658	7,824
Current Liab. & Prov.	1,799	1,693	2,268	1,973	1,726
<b>NWC (ex-cash)</b>	<b>3,624</b>	<b>4,131</b>	<b>5,230</b>	<b>5,684</b>	<b>6,098</b>
<b>Total assets</b>	<b>40,275</b>	<b>46,364</b>	<b>53,604</b>	<b>62,603</b>	<b>66,427</b>
Net debt	20,958	21,337	17,627	11,478	13,535
Capital employed	33,284	36,790	35,929	45,750	50,272
<b>Invested capital</b>	<b>25,331</b>	<b>27,624</b>	<b>33,371</b>	<b>39,845</b>	<b>46,069</b>
BVPS (Rs)	65.4	75.3	90.1	147.5	170.9
Net Debt/Equity (x)	1.6	1.4	1.0	0.4	0.4
Net Debt/EBITDA (x)	25.5	4.7	3.0	1.3	1.3
Interest coverage (x)	(10.1)	0.4	0.4	0.3	0.2
<b>RoCE (%)</b>	<b>(0.5)</b>	<b>10.2</b>	<b>12.8</b>	<b>17.4</b>	<b>18.1</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	(214.9)	88.2	58.2	47.0	33.7
P/CE(x)	374.2	53.8	38.9	32.2	24.4
P/B (x)	12.1	10.5	8.8	5.3	4.6
EV/Sales (x)	37.0	16.2	12.7	10.0	8.7
EV/EBITDA (x)	222.5	40.4	30.7	21.4	17.8
EV/EBIT(x)	(502.2)	54.5	40.3	26.7	21.9
EV/IC (x)	7.2	6.6	5.4	4.6	4.0
FCFF yield (%)	0.2	1.7	1.5	(0.6)	0.2
FCFE yield (%)	(0.7)	1.0	0.5	(1.7)	(0.7)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(15.2)	16.2	19.6	19.9	24.0
Total asset turnover (x)	0.2	0.3	0.4	0.4	0.4
Assets/Equity (x)	2.3	2.4	2.1	1.6	1.4
<b>RoE (%)</b>	<b>(5.5)</b>	<b>12.7</b>	<b>16.4</b>	<b>14.4</b>	<b>14.7</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	(4.0)	16.7	32.5	27.3	29.0
IC turnover (x)	0.2	0.4	0.5	0.5	0.5
<b>RoIC (%)</b>	<b>(0.8)</b>	<b>7.1</b>	<b>15.1</b>	<b>13.7</b>	<b>14.4</b>
<b>Operating metrics</b>					
Core NWC days	94.4	35.2	22.8	21.8	24.7
<b>Total NWC days</b>	<b>267.8</b>	<b>133.6</b>	<b>134.7</b>	<b>113.1</b>	<b>104.6</b>
Fixed asset turnover	0.2	0.5	0.5	0.6	0.6
Opex-to-revenue (%)	83.6	59.9	58.8	53.3	51.2

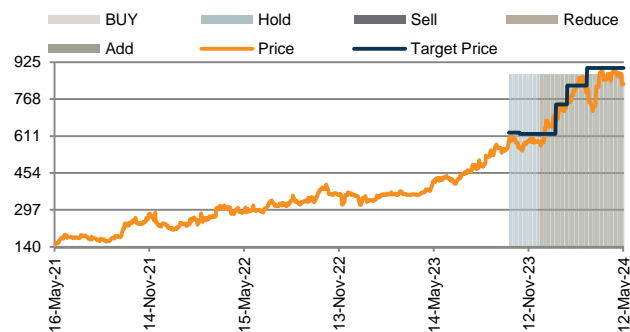
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
22-Mar-24	819	900	Add	Santosh Sinha
03-Mar-24	819	900	Add	Santosh Sinha
16-Feb-24	858	825	Add	Santosh Sinha
25-Jan-24	762	825	Add	Santosh Sinha
03-Jan-24	678	745	Add	Santosh Sinha
04-Dec-23	579	620	Add	Santosh Sinha
30-Nov-23	590	620	Add	Santosh Sinha
26-Oct-23	557	620	Hold	Santosh Sinha
05-Oct-23	593	625	Hold	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

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