

Q3FY23 Quarterly Preview:

AlcoBev, Hotel, Media, Retail and Telecom

Risk-reward turning a bit-favorable!

Demand healthy, inflation a headwind but peaking out!

Q3FY23 is a tale of two halves viz. healthy demand momentum during festive month of Oct and moderation of the same in Nov/Dec viz. annual phenomenon in our view. Global geo-political tensions played spoilsport exaggerating the already spiraling input costs. Q3FY23 to continue to see the effects of this with erosion in margins on YoY basis. These is further exaggerated by rising costs in absence of rent concessions and higher SG&A spend.

For Q3FY23 in our coverage sectors, we expect Hotels to report the healthiest performance vs. pre-covid, followed by Telecom and Retail. AlcoBev companies are expected to see a modest top-line growth, but subdued bottom-line due to high RM prices. Media companies are likely to register struggle on both top-line and margins.

- **AlcoBev:** IMFL as a category is likely to register healthy P&A volume growth whereas Popular segment to register de-growth. UNSP/RDCK/UBL revenue to grow by ~1.6/6.3/5.8% YoY (+11.9/24.1/15.1% vs. Q3FY20). But, increase in RM across line-items viz. ENA, barley, glass-bottles and other packaging materials to significantly strain gross margin pulling down EBITDA viz. -6.6/-16.5/-2.7% YoY (+5.4/-3/-15.8% vs. Q3FY20).
- **Hotels:** Buoyant demand from both corporate and leisure travel, necessary reset of ARR and costs optimization during covid are likely to drive strong operating performance for most Hotel companies. Outlook too remains upbeat. We estimate IHCL/LT/Chalet/MHRIL to report revenues ~16.3/13.4/3.5/19.5% vs. Q3FY20 and EBITDA to grow by 30.5/40.6/8.9/26.5%.
- **Media:** Zee and Sun to report tepid performance driven by subdued advertising and subscription revenues. We estimate Zee/Sun (ex IPL) revenue to fall by ~1.3/17.3% YoY (+1/-1.1% vs. Q3FY20). Sun's fall is higher on account of 'Annathe' movie in base quarter. Zee's EBITDA to decline by 39.6% YoY on account of persistent investments but with limited tangible benefits being visible in revenue traction. Sun's EBIT to decline by 18.6% YoY. Adjusted for 'Annathe' impact too, EBIT would decline ~10% YoY due to weak revenues.
- In **Retail**, comparison with pre-covid wouldn't be meaningful due to significant store additions. For most retailers except Trent, we expect the companies to report SSS de-growth vs. pre-covid. On YoY basis, we expect Dmart/Trent/ABFRL/Nykaa and Vmart to report revenue growth of 30.7/41.4/12.6/33.0/21.1% and EBITDA growth of 31.1/15.8/-0.7/43.7/31.2% YoY. Trent and ABFRL EBITDA growth to be subdued due to high base and increase in rent and steep rise in SG&A expenses YoY.
- **Telecom:** In absence of tariff increase, we expect Bharti/Jio to register moderate ARPU growth QoQ driven by upgrade to 4G and higher data usage. We expect Bharti/Jio's India wireless revenue to grow by ~2.7/4.1% QoQ and Indus' service revenue to decline by ~14% QoQ due to one-offs in base quarter. Telcos to benefit from lower SUC charges for full quarter (vs. part in Q2FY23) but off-set by higher opex on 5G roll-out. Margin's thus to remain broadly flat QoQ especially for Bharti. Provision for doubtful debts would be key to watch-out in case of Indus. We estimate Rs 15bn (similar to H1FY23 trend).

Himanshu Shah
VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia
Associate

+9122 4096 9740

yashv@dolatcapital.com

Margin headwinds to continue

Volume and Revenue growth outlook

- We expect the overall revenue for UNSP/RDCK/UBL to grow by ~1.6/6.3/5.8% YoY whereas EBITDA to decline by -6.6/-16.5/-2.7% YoY.
- We estimate P&A volumes of UNSP/RDCK to grow by 11/15.5% YoY and revenues by 19.2/20.1%. UBL volumes/revenue to grow by 8.5/5.8%. RTM changes in Punjab, Delhi, favourable effect of WB to be part of base and stoppage of sales in Kerala for few days are likely to impact the quarter off-set by strong premiumisation trends.
- Popular segment of UNSP is not comparable YoY on account of sale of business and franchising/curtailment by RDCK to protect margins.

Raw material trend

- The inflationary pressure on key raw materials viz. ENA, barley and glass bottles in trailing 12m is expected to continue to dampen margins. ENA prices have inched up marginally QoQ, whereas glass bottle prices are up ~10% QoQ. We thus estimate gross margin for UNSP/RDCK/UBL to contract by ~325/350/400bps YoY and +155/50/-70bps QoQ. Improvement in gross margin QoQ is on account of seasonality and sale of Popular business by UNSP.

Key things to watch-out for

- (1) Demand outlook especially in P&A segment (2) Mgmt comments on quantum of potential price hikes from state governments and for RDCK in country liquor segment (3) Respite, if any, on RM costs pressure.

Our View

- AlcoBev companies especially UNSP/RDCK are witnessing strong growth in P&A segment driven by premiumization. This is positive. Sustenance of this growth trends in P&A is key.
- Yet, steep RM pressure impacted margins and thus earnings. Thus, price increases from state governments would be key in upcoming excise policies between Jan-Mar'23. RM inflation hopefully is topping out. Any moderation in it would be additional positive. In above backdrop, we remain positive on AlcoBev space.
- Stock performances partly captures the above optimism/set-up but as triggers play-out, we expect further re-rating to take place. RDCK remains our preferred pick from medium-term perspective driven by new brand launches and superior execution.

Stock performance (%)

Company	1m	3m	6m
UNSP	(5.9)	4.2	15.5
RADICO	(4.4)	(3.1)	16.0
UBL	0.8	(0.4)	17.0
GLOBUS	1.4	(1.7)	(8.2)
GM BREW	5.5	1.5	6.7
ASSOC. ALC	(3.0)	(18.1)	(5.1)

Himanshu Shah
VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia
Associate

+9122 4096 9740

yashv@dolatcapital.com

Quarterly Estimates

(Rs mn)	Sales		EBIDTA		EBITDA Margin (%)		PAT		EPS (Rs)	Key Assumptions
Companies	Q3FY23E	YoY (%)	Q3FY23E	YoY (%)	Q3FY23E	YoY (bps)	Q3FY23E	YoY (%)	Q3FY23E	
United Spirits*	28,893	1.6	4,468	(6.6)	15.5	(135)	2,968	0.1	4.1	<ul style="list-style-type: none"> Volume: -22.1% YoY (P&A +11%, Popular -64%) Realization: +30.4% YoY (P&A +7.5%, Popular +26%). Gross margin: 41% (-325bps YoY), due to high RM inflation. EBITDA margin: 15.5% (-130bps YoY) Steep decline in Popular business is due to partial sale of it
Radico Khaitan	8,041	6.3	994	(16.5)	12.4	(337)	593	(22.7)	4.5	<ul style="list-style-type: none"> Volume: -6.3% YoY (P&A +15.5%, Popular -17.5%) Realization: +11.6% YoY (P&A +4%, Popular +3%). Gross margin: 42% (-350bps YoY), due to high RM inflation. EBITDA margin: 12.4% (-336bps YoY)
United Breweries	16,724	5.8	1,859	(2.7)	11.1	(97)	1,052	16.2	4.0	<ul style="list-style-type: none"> Volume: +8.5% YoY Realization: -2.5% YoY due to adverse state mix Gross margin: 46% (-400bps YoY), due to high RM inflation. EBITDA margin: 11.1% (-100bps YoY)
Sector Total	53,658	3.5	7,321	(7.1)	13.6	(157)	4,613	(0.5)		

Source: DART; * UNSP's numbers excludes the Popular business sold in Sep'22. Thus numbers are not comparable YoY/QoQ

United Spirits – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Volumes (Mn cases)	21.5	21.3	22.1	20.7	18.5	22.2	17.2	(22.1)	(22.5)	(19.7)
- P&A	11.4	11.4	12.3	10.9	10.0	13.0	13.7	11.0	5.6	20.5
- Popular	10.1	9.9	9.8	9.8	8.6	9.3	3.5	(63.8)	(61.8)	(64.9)
Realization (Rs/case)	1,176	1,156	1,267	1,172	1,141	1,295	1,652	30.4	27.5	40.4
- P&A	1,573	1,552	1,724	1,617	1,556	1,740	1,854	7.5	6.5	17.9
- Popular	730	697	690	677	662	673	870	26.0	29.2	19.2
IMFL Revenue	25,250	24,620	28,050	24,300	21,170	28,810	28,484	1.5	(1.1)	12.8
- P&A	17,880	17,740	21,290	17,660	15,480	22,570	25,404	19.3	12.6	42.1
- Popular	7,370	6,880	6,760	6,640	5,690	6,240	3,079	(54.4)	(50.6)	(58.2)
Other Operating Inc.	575	267	390	51	523	-20	410	5.0	LTP	(28.8)
Revenue	25,825	24,887	28,447	24,351	21,693	28,797	28,893	1.6	0.3	11.9
Gross Profit	11,459	11,102	12,602	10,166	8,882	11,375	11,861	(5.9)	4.3	3.5
EBITDA	4,240	3,838	4,782	4,267	3,002	4,459	4,468	(6.6)	0.2	5.4
APAT	2,588	2,299	2,964	2,862	1,887	2,667	2,968	0.1	11.3	14.7
Margin %										
GP %	44.4	44.6	44.3	41.7	40.9	39.5	41.0	(325)	155	(333)
EBITDA %	16.4	15.4	16.8	17.5	13.8	15.5	15.5	(135)	(3)	(96)
APAT %	10.0	9.2	10.4	11.8	8.7	9.3	10.3	(15)	102	26
Per case (Rs)										
Revenue	1,176	1,156	1,267	1,172	1,141	1,295	1,652	30.4	27.5	40.4
Gross Profit	534	521	569	490	479	511	688	20.8	34.5	28.9
EBITDA	197	180	216	206	162	200	259	19.9	29.2	31.2
APAT	121	108	134	138	102	120	172	28.6	43.5	42.8

Source: DART; * UNSP's numbers excludes the Popular business sold in Sep'22. Thus numbers are not comparable YoY/QoQ

Radico Khaitan – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Volume (Mn cases)	6.5	6.5	7.0	7.1	6.3	6.2	6.5	(6.3)	6.3	1.4
- P&A	1.9	2.0	2.4	2.2	1.9	2.3	2.7	15.5	17.0	43.5
- Popular	4.6	4.5	4.6	5.0	4.5	3.8	3.8	(17.5)	(0.2)	(16.2)
Realization (Rs/case)	827	862	901	927	936	979	1,006	11.6	2.7	21.7
- P&A	1,405	1,440	1,483	1,690	1,598	1,550	1,542	4.0	(0.5)	9.7
- Popular	585	604	604	593	659	631	623	3.0	(1.4)	6.4
IMFL Revenue	5,332	5,592	6,291	6,608	5,933	6,100	6,658	5.8	9.1	24.8
- P&A	2,670	2,881	3,499	3,667	2,989	3,611	4,203	20.1	16.4	57.4
- Popular	2,662	2,711	2,792	2,941	2,944	2,411	2,373	(15.0)	(1.6)	(10.9)
Non-IMFL Revenue	1,147	1,250	1,274	1,490	1,596	1,513	1,466	15.0	(3.1)	27.8
Revenue	6,479	6,842	7,566	8,125	7,574	7,614	8,041	6.3	5.6	24.1
Gross Profit	3,141	3,476	3,446	3,470	3,299	3,164	3,381	(1.9)	6.9	7.6
EBITDA	1,025	1,246	1,190	796	925	901	994	(16.5)	10.4	(3.0)
APAT	643	805	767	464	583	518	593	(22.7)	14.4	(7.8)
Margin %										
GP %	48.5	50.8	45.5	42.7	43.6	41.6	42.0	(351)	50	(644)
EBITDA %	15.8	18.2	15.7	9.8	12.2	11.8	12.4	(337)	54	(346)
APAT %	9.9	11.8	10.1	5.7	7.7	6.8	7.4	(277)	57	(256)
Per case (Rs)										
Revenue	827	862	901	927	936	979	1,006	11.6	4.6	21.7
Gross Profit	487	536	494	487	520	514	517	4.8	(1.1)	6.2
EBITDA	159	192	170	112	146	146	152	(10.8)	0.4	(4.3)
APAT	100	124	110	65	92	84	91	(17.5)	(8.3)	(9.0)

Source: DART

United Breweries – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Volume (Mn cases)	35.0	29.7	35.4	42.5	60.3	43.5	38.4	8.5	(11.9)	9.7
Revenue	14,533	12,897	15,809	17,069	24,367	16,796	16,724	5.8	(0.4)	15.1
Gross Profit	7,656	6,948	7,899	8,310	10,784	7,837	7,687	(2.7)	(1.9)	0.4
EBITDA	2,208	1,965	1,911	2,603	2,651	2,191	1,859	(2.7)	(15.2)	(15.8)
APAT	1,064	944	1,080	1,630	1,617	1,342	1,052	(2.6)	(21.6)	(1.1)
Margin %										
GP %	52.7	53.9	50.0	48.7	44.3	46.7	46.0	(401)	(70)	(672)
EBITDA %	15.2	15.2	12.1	15.3	10.9	13.0	11.1	(98)	(194)	(408)
APAT %	7.3	7.3	6.8	9.5	6.6	8.0	6.3	(55)	(170)	(103)
Per case (Rs)										
Revenue	416	434	447	402	404	386	436	(2.5)	13.0	4.9
Gross Profit	219	234	223	196	179	180	200	(10.3)	11.3	(8.5)
EBITDA	63	66	54	61	44	50	48	(10.3)	(3.7)	(23.3)
APAT	30	32	31	38	27	31	27	(10.2)	(11.0)	(9.9)

Source: DART

Valuation matrix

Company	CMP (Rs)	Mcap (Rs bn)	TP (Rs)	Upside/ (Downside) (%)	P/E (x)		EV/EBITDA (x)		EV/Sales (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
United Breweries #	1,700	448	1,830	8	51.9	43.0	32.5	26.8	5.1	4.6
United Spirits #	878	629	977	11	47.7	40.8	31.7	27.1	5.6	5.0
Radico #	1,012	137	1,030	2	37.4	30.8	23.6	20.2	3.9	3.5
Globus Spirits *	840	25	NR	NA	8.1	7.1	4.8	4.1	1.0	0.9

* Source: Bloomberg; # Source: DART

Stellar performance to continue

Overview

- We estimate IHCL/Lemon Tree (LT)/Chalet/MHRIL to report revenue growth of ~16.3/13.4/3.5/19.5% vs. Q3FY20 (pre-covid) and EBITDA to grow by 30.5/40.6/8.9/26.5%. YoY performance is not comparable due to low base impacted by Covid.
- IHCL/LT/Chalet and MHRIL QoQ revenue to grow by 29.6/15.1/17.9/6.3% and EBITDA by 89.0/22.0/29.1/7.8%.
- Similar to past quarters, IHCL's performance to be one of the strongest amongst peer-set especially on QoQ basis.

Stock performance (%)

Company	1m	3m	6m
INDHOTEL	(0.9)	(3.9)	41.5
LEMONTRE	(15.1)	(1.3)	40.3
CHALET	(6.7)	(1.6)	10.5
MHRIL	(7.1)	(3.7)	25.7
EIH	(0.9)	(5.3)	42.0
EIH Assoc.	(7.8)	(9.7)	16.3
Taj GVK	(8.0)	53.4	53.4
Oriental	(15.9)	(1.3)	31.3
Royal Orch.	(15.9)	(5.3)	94.5

Key things to watch out:

- (1) Demand and ARR outlook and sustenance/risks especially in the leisure segment (4) Costs pressure in backdrop of strong revival in industry (3) Impact, if any from recent covid scare and (4) Outlook on inbound and outbound foreign travel.

Our View

- Customers' propensity to spend on travel & tourism continues to remain strong. Consistently strong leisure demand with revival in corporate, MICE and wedding demand and the necessary reset of much-needed ARR continue to remain the key driving forces for hospitality industry.
- G20 summit, revival in corporate and foreign inbound travel are additional triggers in FY24 which may partly be off-set by moderation in leisure demand. Demand-supply mis-match may likely drive-up the ARR further as pan India occupancies are close to optimum level of ~70%.
- IHCL/LT/Chalet/MHRIL have run up ~41.5/40.3/10.5/25.7% in the trailing 6 months. Stock performances partly captures the above optimism. We are positive on the hospitality industry for the medium-term (1-1.5 years). However, post the sharp recent upmove in stock prices, we expect stocks to go through time correction in the near term. On high base, Q1FY24 performance would be key for the participants viz. make or break quarter from incremental re/de-rating perspective.
- Chalet Hotel and MHRIL remain our preferred picks in the space.

Himanshu Shah
VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia
Associate

+9122 4096 9740

yashv@dolatcapital.com

Quarterly Estimates

(Rs mn)	Sales		EBITDA		EBITDA Margin (%)		PAT		EPS (Rs)	Key Assumptions
Companies	Q3FY23E	YoY (%)	Q3FY23E	YoY (%)	Q3FY23E	YoY (bps)	Q3FY23E	YoY (%)	Q3FY23E	
Indian Hotels	15,969	43.7	5,556	72.7	34.8	584	3,145	196.1	2.6	Standalone <ul style="list-style-type: none"> Occupancy: 76.6% vs 66.6% YoY ARR: Rs 14,185 vs. Rs 11,348 (+25% YoY) RevPAR: Rs 10,864 vs. Rs 7,558 (+43.8% YoY)
Lemon Tree	2,265	57.6	1,142	80.4	50.4	637	256	LTP	0.3	<ul style="list-style-type: none"> Rooms: flat YoY/QoQ (owned/leased) Occupancy: 69.1% vs. 57.6% YoY ARR: Rs 5,364 vs. Rs 3,901 (+37.5% YoY) RevPAR: Rs 3,708 vs. Rs 2,247 (+65% YoY)
Chalet Hotels	2,878	75.3	1,098	171.7	38.2	1,354	297	LTP	1.4	<ul style="list-style-type: none"> Rooms: flat YoY/QoQ Occupancy: 73.5% vs. 60% YoY ARR: Rs 8,971 vs. Rs 5,078 (+76.7% YoY) RevPAR: Rs 6,591 vs. Rs 3,035 (+117% YoY)
Mahindra Holidays*	3,014	12.8	699	3.3	23.2	(212)	344	(4.5)	1.7	<ul style="list-style-type: none"> Rooms: 4,815 (+10.5% YoY) Occupancy: 86% vs. 80% YoY Decline in PAT YoY is on account of higher employee, D&A and finance expense on new rooms additions.
Sector Total	24,126	43.1	8,496	72.3	35.2	597	4,041	208.0		

Source: DART; * Standalone

Indian Hotels – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Standalone										
Revenue	8,548	4,087	7,409	5,936	7,612	7,503	10,044	35.6	33.9	17.5
EBITDA	3,171	480	2,609	1,634	2,605	2,128	4,003	53.4	88.1	26.2
APAT	1,690	(386)	1,274	1,209	1,494	1,168	2,513	97.3	115.3	48.8
Subsidiaries										
Revenue	5,179	1,511	3,704	2,785	5,048	4,823	5,926	60.0	22.9	14.4
EBITDA	1,086	(648)	608	(44)	1,174	812	1,553	155.4	91.3	43.0
APAT	454	(1,226)	(212)	(656)	405	5	631	LTP	NA	39.1
Consolidated										
Revenue	13,727	5,599	11,112	8,721	12,661	12,326	15,969	43.7	29.6	16.3
EBITDA	4,257	(167)	3,218	1,590	3,779	2,940	5,556	72.7	89.0	30.5
APAT	2,144	(1,613)	1,062	552	1,900	1,173	3,145	196.1	168.2	46.7
Margin %										
Standalone										
EBITDA	37.1	11.7	35.2	27.5	34.2	28.4	39.9	464	1,150	276
APAT	19.8	(9.4)	17.2	20.4	19.6	15.6	25.0	783	947	526
Subsidiaries										
EBITDA	21.0	(42.9)	16.4	(1.6)	23.2	16.8	26.2	979	938	524
APAT	8.8	(81.2)	(5.7)	(23.6)	8.0	0.1	10.7	LTP	1,055	189
Consolidated										
EBITDA	31.0	(3.0)	29.0	18.2	29.8	23.9	34.8	584	(600)	378
APAT	15.6	(28.8)	9.6	6.3	15.0	9.5	19.7	1,014	(549)	408

Source: DART; LTP is Loss to Profit

Lemon Tree – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Rooms (No)	5,192	5,192	5,192	5,192	5,090	5,090	5,090	(2.0)	-	(2.0)
ARR (Rs)	4,644	2,528	3,901	4,093	4,822	4,917	5,364	37.5	9.1	15.5
Occupancy (%)	71.3	42.4	57.6	46.1	65.1	66.2	69.1	1,152	292	(218)
RevPAR (Rs)	3,311	1,072	2,247	1,887	3,139	3,255	3,708	65.0	13.9	12.0
Room Revenue (Rs Mn)	1,366	501	1,050	882	1,452	1,491	1,698	61.8	13.9	24.3
Non-Room Revenue (Rs Mn)	630	183	387	314	468	476	566	46.5	18.9	(10.2)
Total Revenue (Rs Mn)	1,996	684	1,437	1,195	1,920	1,967	2,265	57.6	15.1	13.4
EBITDA	812	201	633	368	924	936	1,142	80.4	22.0	40.6
APAT	122	(312)	(19)	(94)	139	168	256	LTP	52.7	109.9
Margin %										
EBITDA	40.7	29.4	44.1	30.8	48.1	47.6	50.4	637	283	974
APAT	6.1	(45.7)	(1.3)	(7.8)	7.2	8.5	11.3	LTP	279	520

Source: DART

Chalet Hotels – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Hotels Business										
Rooms (No)	2,331	2,554	2,554	2,554	2,554	2,554	2,554	-	-	9.6
ARR (Rs)	9,201	4,023	5,078	5,429	7,457	7,930	8,971	76.7	13.1	(2.5)
Occupancy (%)	74.6	33.0	60.0	55.0	78.0	71.0	73.5	22.5	247	(1.5)
RevPAR (Rs)	6,863	1,318	3,035	2,973	5,794	5,650	6,591	117.2	16.7	(4.0)
Room Revenue (Rs Mn)	1,472	310	713	683	1,347	1,328	1,549	117.2	16.7	5.2
Non-Room Revenue (Rs Mn)	1,029	315	707	580	951	906	1,084	53.3	19.7	5.4
Total Revenue (Rs Mn)	2,500	625	1,420	1,263	2,298	2,233	2,633	85.4	17.9	5.3
EBITDA	945	-64	229	170	836	653	905	294.5	38.5	(4.3)
EBITDA %	37.8	-10.2	16.1	13.5	36.4	29.2	34.4	1,821.1	512.4	(343.5)
Commercial Business										
Revenue	281	226	221	216	231	244	245	11.0	0.5	(12.7)
EBITDA	178	168	175	144	183	198	194	10.7	(2.1)	8.9
EBITDA %	63.3	74.3	79.2	66.7	79.2	81.1	79.0	(19)	(215)	1,565
Consolidated										
Revenue	2,781	851	1,641	1,479	2,529	2,477	2,878	75.4	16.2	3.5
EBITDA	1,123	104	404	314	1,019	851	1,098	171.7	29.1	(2.2)
EBITDA %	40.4	12.2	24.6	21.2	40.3	34.3	38.2	1,353	382	(221)

Source: DART

Mahindra Holidays – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
No. of members (Nos.)	254,988	263,952	2,62,250	2,65,808	269,445	273,488	277,638	5.9	1.5	8.9
Net additions (Nos.)	3,564	2,997	3,435	3,558	3,465	4,043	4,150	20.8	2.6	16.4
Annual Subscription Fee (ASF) per member (Rs)	11,799	11,431	11,903	11,963	11,736	12,430	12,555	5.2	1.0	6.4
No. of rooms (Nos.)	3,652	3,776	4,356	4,568	4,617	4,715	4,815	10.5	2.1	31.8
Net additions (Nos.)	43	154	123	212	49	98	100	(18.7)	2.0	132.6
Occupancy (%)	77	75	80	77	89.0	79	86	600	700	900
Vacation Ownership (VO) income (Rs mn)	855	888	1,023	1,036	1,080	1,110	1,128	10.2	1.6	32.0
Resorts income (Rs mn)	665	446	700	569	840	678	827	18.1	22.1	24.5
ASF income (Rs mn)	747	750	778	790	786	844	865	11.2	2.5	15.8
Interest & Others (Rs mn)	256	182	171	196	173	205	194	13.1	(5.3)	(24.4)
Total Revenue (Rs mn)	2,522	2,266	2,673	2,591	2,879	2,836	3,014	12.8	6.3	19.5
EBITDA (Rs mn)	552	637	677	525	678	649	699	3.3	7.8	26.6
APAT (Rs mn)	249	406	360	445	336	309	344	(4.5)	11.2	37.8
Margins (%)										
EBITDA	21.9	28.1	25.3	20.3	23.6	22.9	23.2	(212)	33	131
APAT	9.9	17.9	13.5	17.2	11.7	10.9	11.4	(206)	50	151

Source: DART

Valuation matrix

Company	CMP (Rs)	Mcap (Rs bn)	TP (Rs)	Upside/ (Downside) (%)	P/E (x)		EV/EBITDA (x)		EV/Sales (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Indian Hotels#	319	451	290	(9)	47.1	41.6	25.2	22.8	7.7	7.1
Lemon Tree#	86	67	84	(2)	53.5	46.1	22.5	19.5	11.4	10.7
Chalet Hotels#	348	73	426	23	39.4	24.2	16.8	13.0	7.3	6.1
MHRIL#	270	54	377	40	40.2	34.4	15.4	13.4	3.4	3.0
EIH*	177	120	NR	NA	41.1	-	25.4	-	6.8	-

* Source: Bloomberg ; #Source: DART

Lackluster performance to continue!

- Q3FY23 despite being a seasonally strong quarter, we estimate Zee/Sun's total revenue to fall by ~1.3/22% YoY. Sun's revenue to fall by 17.3% excluding IPL. These is on account of lower movie revenues as Q3FY22 included revenues from Rajnikant's 'Annatthhe'. Adjusted for it, Sun's revenue to decline by ~2.8% YoY.
- Domestic advertisement revenue of Zee/Sony to decline by 11%/2.5% YoY (-7.2%/+6.7% vs. Q3FY20) led by weak sentiments, loss of viewership share to FTA and shift to digital.
- Subscription revenues to show tepid performance with +3/-2.8% YoY for Zee/Sun TV on account of decline in linear TV business. These is on account of higher-end subs switching to OTT and lower-end to FreeDish. Lack of price increases on account of NTO 2.0 has been another factor restraining growth.

Stock performance (%)

Company	1m	3m	6m
ZEE	(9.3)	(7.0)	12.1
SUN	(1.0)	(4.4)	18.0
TV18	(0.3)	(2.0)	(4.9)
TVTODAY	(0.7)	(11.1)	(4.0)
PVR	(7.0)	(3.8)	(7.6)
INOX	(7.4)	(2.3)	(1.7)

Margins

- We estimate EBITDA margin for Zee at 13.9% (+80/-880bps QoQ/YoY). Zee's margin contraction will continue due to higher content costs, fall in ad revenue and higher A&P spends. While Zee's investments in both broadcast and digital continue to remain high, we are yet to see the tangible benefits of the same through higher revenue growth.
- Sun's EBIT margin (ex IPL) shall be ~54.8% (-162/-84bps QoQ/YoY). Margin decline would be higher YoY adjusted for 'Annatthe' impact.

Key things to watch out:

- Outlook on advertising revenue growth, subscription growth with clarity on implementation of NTO 2.0 and traction/reduction in losses in digital business for Zee. Further, Zee-Sony merger has seen obstruction on account of intervention application by lenders and an operational creditor with NCLT. Management commentary of Zee on merger timelines will be key.

Our View

- We expect the advertising revenues to revive in FY24 led by moderation in inflation, elections and higher growth in digital. With clarity on NTO 2.0, broadcast business subscription revenue too shall inch-up.
- Potential merger of Zee-Sony is the key re-rating trigger though it may get pushed back vs. earlier expectation of closure in Jan'23 and re-listing of Zee's share (as Sony) by Mar'23. Sun's approach to business continues to remain tactical and short-term, leading to its losing market share in broadcast business. It runs the risk of being a laggard in OTT with lack of investments despite sitting on healthy C&CE of ~Rs 45bn.
- Supportive valuation drives our positive bias for both Zee and Sun. Our preference remains for Zee.

Himanshu Shah

VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia

Associate

+9122 4096 9740

yashv@dolatcapital.com

Quarterly Estimates

(Rs mn)	Sales		EBIDTA		EBITDA Margin (%)		PAT		EPS (Rs)	Key Assumptions
Companies	Q3FY23E	YoY (%)	Q3FY23E	YoY (%)	Q3FY23E	YoY (bps)	Q3FY23E	YoY (%)	Q3FY23E	
Zee Ent	20,851	(1.3)	2,894	(39.6)	13.9	(880)	1,573	(50.8)	1.6	<ul style="list-style-type: none"> Advertising: -10.4% YoY (domestic -11%) Subscription: +3% YoY (domestic +1%)
Sun TV (ex-IPL)	8,061	(22.0)	5,154	(28.6)	63.9	(593)	3,886	(15.0)	9.9	Broadcast business: <ul style="list-style-type: none"> Advertising: -2.5% YoY Subscription: -2.8% YoY IPL <ul style="list-style-type: none"> Nil vs. Rs 579mn in Q3FY22
Total	28,912	(8.1)	8,049	(33.0)	27.8	(1,035)	5,459	(29.7)		

Source: DART

Zee Entertainment – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg YoY (%/bps)	vs. Q3FY20 (%/bps)
Category-wise revenue										
Advertisement	12,308	13,020	12,608	11,198	9,763	10,128	11,295	(10.4)	11.5	(8.2)
Subscription	7,137	8,419	7,902	8,549	7,717	8,219	8,136	3.0	(1.0)	14.0
Other operating revenues	1,042	342	617	3,482	977	1,937	1,420	130.2	(26.7)	36.3
Total	20,487	21,782	21,126	23,229	18,457	20,284	20,851	(1.3)	2.8	1.8
Geographic revenue split										
Domestic										
Advertisement	11,570	12,443	12,061	10,733	9,257	9,610	10,734	(11.0)	11.7	(7.2)
Subscription	6,317	7,328	7,084	7,401	6,643	7,159	7,154	1.0	(0.1)	13.3
Other operating revenues	935	159	481	3,274	738	1,742	1,250	160.0	(28.2)	33.8
Total	18,822	19,931	19,625	21,408	16,638	18,511	19,139	(2.5)	3.4	1.7
International										
Advertisement	738	577	547	465	506	518	561	2.5	8.2	(24.0)
Subscription	820	1,091	818	1,148	1,074	1,060	982	20.0	(7.4)	19.7
Other operating revenues	107	183	136	208	239	195	170	25.0	(12.8)	58.9
Total	1,665	1,851	1,501	1,821	1,819	1,773	1,712	14.1	(3.4)	2.8
Overall Summary P&L										
Revenue	20,487	21,782	21,126	23,229	18,457	20,284	20,851	(1.3)	2.8	1.8
EBITDA	6,034	6,375	4,793	4,136	2,358	2,653	2,894	(39.6)	9.1	(52.0)
APAT	4,267	4,037	3,197	1,890	1,215	1,276	1,573	(50.8)	23.3	(63.1)
Margin %										
EBITDA	29.5	29.3	22.7	17.8	12.8	13.1	13.9	(880)	80	(1,557)
APAT	20.8	18.5	15.1	8.1	6.6	6.3	7.5	(759)	125	(1,329)

Source: DART, Company

Sun TV – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg YoY (%/bps)	vs. Q3FY20 (%/bps)
Segment-wise TV revenue										
Advertising (incl Broadcast rev)	3,460	3,090	3,784	3,371	3,432	3,425	3,689	(2.5)	7.7	6.6
Analogue	2,050	2,001	1,970	2,020	2,040	1,870	1,906	(3.2)	1.9	(7.0)
DTH	2,070	2,240	2,199	2,140	2,070	2,100	2,116	(3.7)	0.8	2.2
Domestic subscription	4,120	4,241	4,169	4,160	4,110	3,970	4,022	(3.5)	1.3	(2.4)
International	410	290	223	250	250	240	249	11.4	3.6	(39.3)
Subscription revenue	4,530	4,531	4,392	4,410	4,360	4,210	4,271	(2.8)	1.5	(5.7)
Others (incl. Sun Pictures)	160	8	1,576	259	1,717	324	101	(93.6)	(68.8)	(36.9)
IPL	-	2,095	579	289	2,430	5	-	(100.0)	(100.0)	-
Total revenue	8,150	9,723	10,331	8,330	11,939	7,964	8,061	(22.0)	1.2	(1.1)
Summary P&L (ex IPL)										
Revenue	8,150	7,629	9,752	8,041	9,509	7,959	8,061	(17.3)	1.3	(1.1)
EBITDA	5,804	5,209	6,959	5,398	6,723	5,244	5,154	(25.9)	(1.7)	(11.2)
EBIT	4,367	4,522	5,426	4,750	4,644	4,490	4,417	(18.6)	(1.6)	1.1
RPAT	3,735	4,418	4,574	4,044	4,917	4,007	3,886	(15.0)	(3.0)	4.1
Margin %										
EBITDA	71.2	68.3	71.4	67.1	70.7	65.9	63.9	(742)	(195)	(727)
EBIT	53.6	59.3	55.6	59.1	48.8	56.4	54.8	(84)	(162)	121
RPAT	45.8	57.9	46.9	50.3	51.7	50.3	48.2	130	(214)	238

Source: DART, Company

Valuation matrix

Company	CMP (Rs)	Mcap (Rs bn)	TP (Rs)	Upside/ (Downside) (%)	P/E (x)		EV/EBITDA (x)		EV/Sales (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sun TV #	487	192	535	10	11.2	10.8	5.7	4.8	3.4	2.9
Zee Ent #	240	231	315	31	23.2	18.2	13.6	10.6	2.5	2.2
PVR *	1,720	106	NR	NA	28.3	21.5	10.3	8.6	3.2	2.9
Inox Leisure *	500	61	NR	NA	25.0	18.3	10.7	8.9	3.4	2.9
TV18 *	37	65	NR	NA	17.1	14.0	11.4	9.8	1.2	1.2

* Source: Bloomberg; # Source: DART

Mixed-bag performance

- While inflation has been consistently high, the more financially affluent metros and tier I cities continue to do well. There has been some moderation post the festive season. The lower income population in the tier III/IV towns have been hit harder leading to constrained spending from them impacting the value retailers like Vmart.
- We expect most of the retailers in our coverage universe to report a healthy growth YoY led by soft-base and healthy store openings. However, margins would be a tad lower YoY on account of resumption of expenses and higher A&P spend.

Key things to watch-out:

- (1) Management commentary on demand trends given the current inflationary environment (2) guidance on store expansion and (3) outlook on working capital investments viz. inventory.

Our View

- We remain optimistic on the strong growth opportunity in large addressable retail industry. Led by growth and valuation support, ABFRL and Vmart remain our preferred picks. We do like Trent and Dmart but for their rich valuations which is a constraining factor.

Stock performance (%)

Company	1m	3m	6m
Vmart	1.7	1.2	14.4
Dmart	1.1	(7.2)	19.5
Trent	(8.2)	(4.8)	25.8
ABFRL	(8.5)	(17.6)	21.3
Nykaa	(10.1)	(27.0)	(34.0)
ShopStop	3.6	(5.2)	45.2
TCNS	(7.9)	(10.4)	(1.2)
Arvind Fashion	3.3	6.5	34.3
Go Fashion	(2.1)	(9.2)	20.5
Vedant Fashions	(2.2)	(5.0)	38.5

Himanshu Shah

VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia

Associate

+9122 4096 9740

yashv@dolatcapital.com

Quarterly Estimates

(Rs mn)	Sales		EBITDA		EBITDA Margin (%)		PAT		EPS (Rs)	Key Assumptions
Companies	Q3FY23E	YoY (%)	Q3FY23E	YoY (%)	Q3FY23E	YoY (bps)	Q3FY23E	YoY (%)	Q3FY23E	
ABFRL	32,340	12.6	5,516	(0.7)	17.1	(227)	1,557	(18.4)	1.5	Revenue <ul style="list-style-type: none"> Madura brand fashions: +10.7% YoY Pantaloon: +19.5% YoY Decline in EBITDA and APAT YoY on account of higher rent and A&P expenses
Dmart	118,499	30.7	11,383	31.1	9.6	3	7,652	30.6	11.8	<ul style="list-style-type: none"> Stores: +19.4% YoY Area: +25.6% YoY
Nykaa	14,612	33.0	992	43.7	6.8	50	360	23.7	0.1	<ul style="list-style-type: none"> Transacting Consumers: +39.5% YoY Avg. Order Value: Rs 2,353 (+6% YoY) GMV: +26.8% YoY
Trent	19,051	41.4	3,379	15.8	17.7	(391)	1,368	2.9	3.8	Westside <ul style="list-style-type: none"> Area (Mn Sq Ft): +8.1% YoY Rev/sq ft p.a. (Rs): 12,684 (+10% YoY) Rev (Rs Mn): +18.6% YoY Zudio <ul style="list-style-type: none"> Area (Mn Sq Ft): +80.2% Rev/sq ft p.a. (Rs): 14,126 (+8.3% YoY) Rev (Rs Mn): +101.5% YoY PAT flattish YoY on account of higher inventory and expansion costs
Vmart	8,619	24.6	1,897	40.2	22.0	245	876	53.4	44.3	<ul style="list-style-type: none"> Stores: +9.8% YoY Area: +12.7% YoY Healthy growth YoY due to soft comparables
Sector Total	192,879	27.9	23,045	20.1	11.9	(78)	11,721	17.7		

Source: DART, Company | LTL: Loss to Loss

ABFRL – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	Vs. Q3FY20 (%/bps)
Madura (A)	15,320	12,460	18,760	15,590	18,010	19,870	20,777	10.7	4.6	35.6
- Lifestyle	13,840	10,260	15,890	13,420	15,190	16,800	17,476	10.0	4.0	26.3
- Other businesses	1,480	2,200	2,870	2,170	2,820	3,070	3,301	15.0	7.5	123.0
Pantaloons (B)	10,830	8,110	10,660	6,750	10,270	10,940	12,736	19.5	16.4	17.6
Total	26,150	20,570	29,420	22,340	28,280	30,810	33,513	13.9	8.8	28.2
Less: Inter-segment	-520	20	(700)	(520)	-550	-1,280	(1,173)			
ABFRL Net Sales (A+B)	25,630	20,590	28,720	21,820	27,730	29,530	32,340	12.6	9.5	26.2
Mix (%)										
Madura (C)	59.8	60.5	65.3	71.4	64.9	67.3	64.2	(108)	(304)	447
- Lifestyle	54.0	49.8	55.3	61.5	54.8	56.9	54.0	(129)	(285)	4
- Other businesses	5.8	10.7	10.0	9.9	10.2	10.4	10.2	21	(19)	443
Pantaloons (D)	42.3	39.4	37.1	30.9	37.0	37.0	39.4	227	234	(287)
ABFRL Net Sales (C+D)	100.0	100.0	100.0	100.0	100.0	100.0				
Gross profit	13,323	10,767	15,440	11,909	15,218	15,935	17,534	14	10	32
Total EBITDA	4,091	4,113	5,553	3,713	4,751	4,435	5,516	(0.7)	24.4	34.8
PAT	-334	664	1,908	497	1,236	801	1,557	(18.4)	94.3	(566.7)
Margin %										
Gross profit	52.0	52.3	53.8	54.6	54.9	54.0	54.2	46	25	223
EBITDA Margin	16.0	20.0	19.3	17.0	17.1	15.0	17.1	(228)	204	110
PAT	-1.3	3.2	6.6	2.3	4.5	2.7	4.8	(183)	210	612

Dmart – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
No of stores	196	221	263	284	294	302	314	19.4	4.0	60.2
Sq ft (mn)	7.0	8.2	10.3	11.5	12.1	12.4	12.9	25.6	4.4	84.9
Size/Store (Sq ft)	35,714	36,968	39,163	40,493	41,156	41,060	41,210	5.2	0.4	15.4
Sales/Sqft/Qtr (Computed) (Rs)	10,003	9,109	9,184	7,895	8,311	8,477	9,353	1.8	10.3	-6.5
Revenue	67,519	74,327	90,650	86,061	98,069	103,847	118,499	30.7	14.1	75.5
Gross Profit	10,127	11,231	13,495	12,343	15,510	15,049	17,937	32.9	19.2	77.1
EBITDA	5,931	6,914	8,682	7,420	10,079	8,949	11,383	31.1	27.2	91.9
APAT	3,943	4,702	5,858	4,664	6,796	5,897	7,652	30.6	29.8	94.1
Margin %										
Gross Profit	15.0	15.1	14.9	14.3	15.8	14.5	15.1	25	65	14
EBITDA	8.8	9.3	9.6	8.6	10.3	8.6	9.6	3	99	82
APAT	5.8	6.3	6.5	5.4	6.9	5.7	6.5	0	78	62

Source: DART, Company

Nykaa – Key Assumptions

Particulars	Q3FY21	Q4FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)
Orders	6.5	5.9	9.2	8.9	10.2	10.2	11.7	26.9	14.2
BPC	5.8	5.4	7.7	7.3	8.4	8.7	10.0	30.0	14.6
Fashion	0.7	0.5	1.4	1.3	1.6	1.5	1.7	25.0	11.9
AOV (Rs)	2,114	2,103	2,219	2,031	2,116	2,293	2,353	6.0	2.6
BPC	1,976	1,750	1,967	1,716	1,780	1,872	1,918	(2.5)	2.4
Fashion	2,905	3,967	3,558	3,616	3,732	3,940	4,092	15.0	3.9
GMV (Rs Mn)	13,741	12,409	20,429	17,979	21,558	23,457	27,493	34.6	17.2
BPC	11,587	9,645	15,105	12,587	14,888	16,301	19,146	26.8	17.5
Fashion	2,154	2,619	4,841	4,827	5,820	5,991	6,959	43.8	16.2
Revenue	8,080	7,405	10,984	9,733	11,484	12,308	14,612	33.0	18.7
GP	3,378	3,047	5,088	4,253	5,099	5,577	6,637	30.5	19.0
EBITDA	1,070	447	691	386	460	611	992	43.7	62.4
PAT	689	179	291	76	56	56	360	23.7	540.9
Margins (%)									
GP	41.8	41.2	46.3	43.7	44.4	45.3	45.4	(90bps)	11bps
EBITDA	13.2	6.0	6.3	4.0	4.0	5.0	6.8	50bps	183bps
PAT	8.5	2.4	2.6	0.8	0.5	0.5	2.5	(19bps)	201bps

Source: DART, Company

Trent Standalone – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
No. of stores	231	278	383	442	459	499	543	41.8	8.8	135.1
Westside	160	171	197	200	207	205	213	8.1	3.9	33.1
Zudio	66	100	177	233	242	284	319	80.2	12.3	383.3
Sq ft (mn)	3.2	3.6	4.7	5.1	5.3	5.6	6.0	27.2	6.9	84.6
Westside	2.8	3.0	3.4	3.5	3.6	3.6	3.7	8.1	3.9	33.1
Zudio	0.4	0.7	1.2	1.6	1.7	2.0	2.2	80.2	12.3	420.5
Sales/Sqft/p.a (Computed) (Rs)	11,091	8,151	11,903	9,658	12,657	13,321	13,212	11.0	(0.8)	19.1
Westside	10,570	7,872	11,521	9,718	13,443	13,047	12,684	10.1	(2.8)	20.0
Zudio	14,869	9,498	13,047	9,513	10,972	13,857	14,126	8.3	1.9	(5.0)
Revenue	8,697	7,254	13,478	11,853	16,529	18,136	19,051	41.4	5.0	119.1
Gross Profit	4,403	4,089	6,906	5,822	8,151	8,517	9,475	37.2	11.2	115.2
EBITDA	1,735	1,800	2,917	1,523	3,041	2,676	3,379	15.8	26.3	94.7
APAT	557	797	1,329	750	1,306	1,945	1,368*	2.9	(29.7)	145.4
Margin %										
Gross Profit	50.6	56.4	51.2	49.1	49.3	47.0	49.7	(150)	277	(89)
EBITDA	20.0	24.8	21.6	12.9	18.4	14.8	17.7	(391)	298	(222)
APAT	6.4	11.0	9.9	6.3	7.9	10.7	7.2	(268)	(354)	77

Source: DART. Company; Decline in PAT QoQ on account of lower other income viz. dividend from subsidiaries / JVs

LTP: Loss to Profit

V-Mart – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
No. of stores	257	274	377	380	391	405	414	9.8	2.2	61.1
Sq ft (mn)	2.1	2.3	3.3	3.3	3.4	3.6	3.7	12.7	3.3	77.1
Size/Store (Sq ft)	8,171	8,350	8,753	8,747	8,696	8,889	8,986	2.7	1.1	10.0
Sales/Sqft/Month (Computed) (Rs)	914	698	730	462	583	482	763	7.5	58.3	(16.5)
Revenue	5,622	4,700	6,920	4,588	5,878	5,062	8,378	21.1	65.5	49.0
Gross Profit	2,041	1,725	2,561	1,602	2,192	1,837	3,184	24.3	73.3	56.0
EBITDA	1,168	1,038	1,353	503	887	536	1,775	31.2	231.3	52.0
APAT	582	479	571	(26)	204	(131)	785	37.4	LTP	34.8
Margin %										
Gross Profit	36.3	36.7	37.0	34.9	37.3	36.3	38.0	100	170	170
EBITDA	20.8	22.1	19.6	11.0	15.1	10.6	21.2	164	1,060	41
APAT	10.4	10.2	8.3	(0.6)	3.5	(2.6)	9.4	111	LTP	(99)

Source: DART, Company

LTP: Loss to Profit

Valuation matrix

Company	CMP (Rs)	Mcap (Rs bn)	TP (Rs)	Upside/ (Downside) (%)	P/E (x)		EV/EBITDA (x)		EV/Sales (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Dmart #	4,069	2,636	4,170	3	76.6	62.2	50.7	41.2	4.8	4.0
Vmart #	2,843	56	4,050	43	39.3	34.4	13.4	12.3	2.1	1.8
Trent #	1,351	480	1,385	3	59.4	46.0	32.9	26.3	5.1	4.1
ABFRL #	288	292	443	54	47.2	32.2	13.1	10.9	2.2	1.9
Nykaa #	155	441	237	53	151.3	71.8	72.7	40.8	6.1	4.6
TCNS Clothing *	1,402	33	NR	NA	NA	NA	NA	NA	2.2	NA
Arvind Fashion *	548	46	NR	NA	21.4	16.0	8.9	7.6	1.0	0.9
Go Fashion *	289	63	NR	NA	49.3	36.3	21.4	16.5	7.1	5.6
Shoppers Stop *	998	78	NR	NA	48.9	36.7	13.4	11.9	2.2	1.9
Vedant Fashions *	535	330	NR	NA	60.0	58.3	41.8	34.4	19.8	16.3

* Source: Bloomberg; # Source: DART

Growth + defensive play – Stable performance!

Sector Overview

- We expect Bharti/Jio's India wireless revenue to grow by ~2.7/4.1% and Indus' service revenue to decline by ~13.9% QoQ due to one-off's in base quarter. ARPU for Bharti/Jio to grow by ~2.5/2.3% QoQ to Rs 194.5/181.1.
- We expect Jio to report stronger subscriber growth with net subscriber additions of ~7.5mn (vs. +7.7/+9.7/-10.8 in trailing 3 quarters) than Bharti which is expected to add ~1.5mn (vs. +0.5/+1.3/+3.1mn).
- Telcos will have full-quarter (vs. part in Q2FY23) benefit from reduction in spectrum usage charges (SUC). These is on account of nil SUC on spectrum acquired in latest auction held in Q1FY23 which forms bulk of the spectrum. These would partly be off-set by investments in 5G roll-out. We thus expect margins to be broadly flat QoQ especially for Bharti.
- For Indus, we estimate the bad debt provision to be Rs 15bn in Q3FY23E viz. similar to H1FY23 (Rs 30bn) run-rate.

Key things to watch-out:

- (1) Tariff hikes in 2G and 4G (2) Growth outlook of non-wireless business segments (3) Capex outlook and 5G monetisation and (4) Bad debt provisions by Indus for VIL and status on recovery of the same.

Our View

- Telecom remains a structural and longer-term compounding story. We expect the industry to witness a 3-4% subscriber and ~8-12% ARPU CAGR over the next 2-3 years. As wireless matures, we should see growth acceleration in non-wireless business. That said, investments in 5G and moderate pick-up may pose a margin challenge in the short-term.
- From an industry structure, balance sheet and cash flow viewpoint, telcos remain one of the best positioned and a defensive play to navigate through the market uncertainties, if any. Potential tariff hike is the key trigger.
- While Indus' business today is more stable compared to 6-9 months back with successful rental renegotiation for 10 years, government package and tariff increases; high provisions on account of substantial receivables and delay in payment from VIL is a concern. VIL's weak business and financial position is a key overhang for Indus.
- Bharti remains a preferred pick in the sector.

Stock performance (%)

Company	1m	3m	6m
Bharti	(5.0)	0.8	17.7
Indus	(5.0)	(3.5)	(8.9)
Reliance	(6.7)	7.1	(1.9)
VIL	(4.2)	(10.2)	(6.0)
Sterlite Tech	(0.8)	6.6	18.4
Tata Comm.	(2.0)	10.7	39.4
HFCL	(7.3)	1.2	33.6
Tejas Net	(11.9)	(14.2)	28.3

Himanshu Shah
VP - Research

+9122 4096 9737

himanshu.shah@dolatcapital.com

Yash Visharia
Associate

+9122 4096 9740

yashv@dolatcapital.com

Quarterly Estimates

(Rs mn)	Sales		EBIDTA		EBITDA Margin (%)		PAT		EPS (Rs)	Key Assumptions
Company	Q3FY23E	YoY (%)	Q3FY23E	YoY (%)	Q3FY23E	YoY (bps)	Q3FY23E	YoY (%)	Q3FY23E	
Bharti Airtel	356,768	19.5	182,311	24.0	51.1	187	24,808	199.0	4.8	India Wireless <ul style="list-style-type: none"> Net adds: +1.5mn QoQ Subscribers: +0.5% QoQ ARPU: Rs 194.5 (+2.5% QoQ) Africa <ul style="list-style-type: none"> Subscribers: +2.2% QoQ ARPU: \$3.1 (+0.5% QoQ)
Reliance Jio	234,407	21.2	122,227	28.5	52.1	297	48,485	34.1	1.1	<ul style="list-style-type: none"> Net adds: +7.5mn QoQ Subscribers: +1.8% QoQ ARPU: Rs 181.1 (+2.3% QoQ) Net Revenue: +21.4/+3.3% YoY/QoQ EBITDA: +28.5/+4.8% YoY/QoQ
Indus Tower	68,627	(0.9)	20,610	(44.3)	30.0	(2,336)	3,364	(78.6)	1.2	<ul style="list-style-type: none"> Towers: +2.4% YoY Tenants: +1.7% YoY Revenue/tower/month: -5.2% YoY Revenue/tenant/month: -4.5% YoY EBITDA/tower/month: -60.3% YoY EBITDA/tenant/month: -60% YoY Decline in EBITDA YoY due to bad debt provision of Rs 15bn
Sector Total	659,802	17.5	325,148	16.5	49.3	(44)	76,657	27.4		

Source: DART

Bharti Airtel – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%)	Chg QoQ (%)	vs. Q3FY20 (%)
India Wireless KPIs										
Customers (Mn)	283.0	307.9	322.9	326.0	327.3	327.8	329.3	2.0	0.5	16.3
Net Adds (Mn)	3.6	14.2	(0.6)	3.1	1.3	0.5	1.5	NA	206.0	(58.4)
Reported ARPU (Rs)	134.9	166.1	162.5	178.3	183.2	189.8	194.5	19.7	2.5	44.2
Computed/Overall ARPU (Rs)	132.3	163.7	166.0	181.0	185.9	192.9	197.5	19.0	2.4	49.2
Data KPIs										
Data subs (Mn)	138.4	174.7	203.0	208.4	213.3	219.1	220.8	8.8	0.8	59.5
- MBB	123.8	165.6	195.5	200.8	205.3	210.3	212.1	8.5	0.9	71.3
As % of Total	48.9	56.7	62.8	63.9	65.2	66.8	67.1	421	22	37.1
Total MBs (Mn GBs)	5,547	8,454	11,312	11,849	12,561	13,485	13,903	22.9	3.1	150.6
GBs/month	13.9	16.8	18.7	19.2	19.9	20.8	21.1	12.5	1.5	51.3
DTH										
Customers (Mn)	16.3	17.9	18.1	17.6	17.4	17.5	17.6	(2.6)	0.6	7.8
Net Adds (000s)	101	485	79	(508)	(136)	66	100	26.9	52.5	(1.2)
ARPU (Rs)	162	149	161	157	158	155	157	(2.2)	1.5	(3.2)
Africa										
Customers (Mn)	107.1	118.9	125.8	128.4	131.6	134.7	137.6	9.4	2.2	28.4
Net Adds (000s)	3.3	2.5	3.1	2.7	3.1	3.1	3.0	(3.4)	(4.6)	(9.1)
ARPU (USD)	2.8	2.9	3.3	3.2	2.9	3.1	3.1	(5.6)	0.5	8.4

Source: DART

Bharti Airtel – Key Assumptions

Particular	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%)	Chg QoQ (%)	vs. Q3FY20 (%)
Revenue break-up (Rs bn)										
Mobile	111.7	147.8	160.9	176.2	182.2	189.6	194.6	21.0	2.7	74.3
Home	5.5	5.7	8.0	8.8	9.3	9.9	10.4	30.0	4.7	86.8
Digital	7.9	7.9	7.9	7.6	7.5	7.3	8.3	4.6	13.5	4.5
Business	33.2	36.2	41.1	41.8	43.7	46.6	47.8	16.4	2.5	44.1
India	158.3	197.6	217.9	234.3	242.6	253.4	261.1	19.8	3.0	64.9
South Asia	1.2	1.1	1.0	1.0	0.7	0.7	0.7	(27.7)	1.5	(38.9)
Africa	62.7	76.4	91.1	91.9	97.0	104.5	108.4	19.1	3.8	73.0
(-) Intersegment	(8.7)	(9.9)	(11.2)	(12.1)	(12.2)	(13.3)	(13.5)	20.0	1.3	54.5
Consolidated Total	213.4	265.2	298.7	315.0	328.0	345.3	356.8	19.5	3.3	67.2
EBITDA (Rs Bn)										
Mobile	40.1	64.6	79.4	89.2	93.3	99.3	102.8	29.5	3.6	156.4
Home	3.3	3.2	4.4	4.8	4.9	5.0	5.5	25.3	9.5	65.3
Digital	5.4	5.3	5.3	5.0	4.8	4.4	4.9	(7.1)	13.5	(9.2)
Business	12.1	14.0	15.8	16.5	17.0	18.3	18.7	18.4	2.4	54.5
Others	(1.3)	(1.2)	(0.9)	(1.0)	(1.2)	(0.8)	(1.0)	LTL	LTL	(24.6)
India	59.6	85.9	104.1	114.4	118.8	126.1	131.0	25.8	3.9	119.6
South Asia	0.1	0.0	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(31.5)	1.7	(234.9)
Africa	28.3	35.9	45.2	45.9	47.4	51.3	52.6	16.3	2.6	85.6
(-) Intersegment	(0.9)	(1.2)	(2.0)	0.3	(0.8)	(1.2)	(1.1)	NA	NA	19.0
Consolidated Total	87.2	120.5	147.0	160.4	165.3	175.9	182.3	24.0	3.6	109.2

Source: DART

Bharti Airtel – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (bps)	Chg QoQ (bps)	vs. Q3FY20 (bps)
Margin %										
Mobile	35.9	43.7	49.4	50.6	51.2	52.4	52.8	347	48	1,691
Home	59.5	55.5	54.7	54.5	53.2	50.3	52.7	(201)	233	(687)
Digital	68.7	67.0	67.2	65.6	63.9	59.7	59.7	(751)	-	(897)
Business	36.5	38.7	38.5	39.4	39.0	39.2	39.2	64	(4)	263
India	37.7	43.5	47.8	48.8	49.0	49.7	50.2	239	41	1,249
South Asia	9.2	3.7	(21.4)	(16.3)	(16.2)	(20.3)	(20.3)	111	(3)	(2,947)
Africa	45.2	46.9	49.6	49.9	48.8	49.1	48.5	(115)	(58)	329
Blended	40.8	45.5	49.2	50.9	50.4	51.0	51.1	187	14	1,026

Source: DART

Reliance Jio – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Closing Subs (Mn)	370.0	410.8	421.0	410.2	419.9	427.6	435.1	3.3	1.8	17.6
Gross Adds (Mn)	37.1	25.1	34.6	35.5	35.2	32.7	26.9	(22.2)	(17.7)	(27.5)
Churn (Mn)	22.3	19.9	43.1	46.3	25.5	25.0	19.4	(55.0)	(22.4)	(13.0)
Net Adds (Mn)	14.8	5.2	(8.5)	(10.8)	9.7	7.7	7.5	NTP	(2.6)	(49.3)
Monthly Churn (%)	2.05	1.63	3.38	3.71	2.05	1.97	1.50	(187.8)	(46.7)	(26.8)
ARPU (Rs)	128.4	151.0	151.7	167.6	175.7	177.2	181.1	19.4	2.3	41.1
Data Usage (Mn GB)	12,080	15,860	23,400	24,600	25,900	28,200	29,892	27.7	6.0	147.5
Data Usage/Sub (GB/Month)	11.1	13.0	18.3	19.7	20.8	22.2	23.1	25.9	4.1	108.0
Minutes of Usage (Bn Mins)	826	975	1,150	1,200	1,250	1,230	1,283	11.6	4.3	55.3
MOU/Sub (Mins)	760	796	901	962	1,004	968	992	10.0	2.5	30.5
Revenue	139,680	184,920	193,470	209,010	218,730	225,210	234,407	21.2	4.1	67.8
EBITDA	55,830	81,140	95,140	105,100.0	109,640	114,890	122,227	28.5	6.4	118.9
EBITDA Margin (%)	40.0	43.9	49.2	50.3	50.1	51.0	52.1	297	113	1,217
PAT	15,270	32,910	36,150	41,730.0	43,350	45,180	48,485	34.1	7.3	217.5

Source: DART

Indus Towers – Key Assumptions

Particulars	Q3FY20	Q3FY21	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23E	Chg YoY (%/bps)	Chg QoQ (%/bps)	vs. Q3FY20 (%/bps)
Total Towers	167,120	175,510	184,748	185,447	186,474	187,926	189,244	2.4	0.7	13.2
Net tower additions	1,378	3,416	1,286	699	1,027	1,452	1,318			
Total Co-locations	309,246	318,310	335,106	335,791	336,382	338,128	340,887	1.7	0.8	10.2
Net Additions	1,570	4,204	2,555	685	591	1,746	2,759			
Average sharing factor	1.850	1.820	1.810	1.810	1.810	1.800	1.800			
Closing sharing factor	1.850	1.810	1.810	1.810	1.800	1.800	1.801			
Revenue/tower/month(Rs)	80,412	82,732	79,609	85,445	75,688	84,841	75,455	(5.2)	(11.1)	-6.2
Revenue/Co-location/month(Rs)	42,555	44,845	43,904	47,148	41,879	47,093	41,913	(4.5)	(11.0)	-1.5
EBITDA/tower/month(Rs)	-	-	67,639	63,820	40,844	32,042	26,871	(60.3)	(16.1)	-
EBITDA/Co-location/month(Rs)	-	-	37,303	35,216	22,599	17,786	14,926	(60.0)	(16.1)	-
Sharing Revenue	38,397	39,135	42,119	41,691	41,938	47,554	42,689	1.4	(10.2)	11.2
Exit charges	1,752	4,002	1,850	283	287	291	-	(100.0)	(100.0)	-100.0
Energy reimbursements	24,283	24,224	25,305	23,716	26,748	31,821	25,938	2.5	(18.5)	6.8
Revenue from Operations	64,432	67,361	69,274	65,690	68,973	79,666	68,627	(0.9)	(13.9)	6.5
EBITDA	32,724	35,524	36,987	35,147	22,619	28,112	20,610	(44.3)	(26.7)	-37.0
EBITDA Ex-Energy	32,687	36,086	37,358	35,439	22,786	23,468	20,675	(44.7)	(11.9)	-36.7
Energy Spread	37	(562)	(371)	(292)	(167)	4,644	(65)	LTL	PTL	-275.3
Margin %										
EBITDA	50.8	52.7	53.4	53.5	32.8	35.3	30.0	(2,336)	(525)	(2,076)
EBITDA Ex-Energy	50.7	53.6	53.9	53.9	33.0	29.5	30.1	(2,380)	67	(2,060)

Source: DART

Valuation matrix

Company	CMP (Rs)	Mcap (Rs bn)	TP (Rs)	Upside/ (Downside) (%)	P/E (x)		EV/EBITDA (x)		EV/Sales (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Bharti Airtel #	806	4,699	850	5	26.3	16.9	7.6	6.2	3.9	3.3
Indus Tower *	190	512	NR	-	8.9	8.0	5.0	4.8	2.5	2.4
Reliance Industries *	2,411	17,428	NR	NA	20.2	18.8	12.8	12.0	2.0	2.0
Sterlite Technologies *	145	71	NR	NA	12.0	9.7	7.9	6.7	1.2	1.1
Tata Communications *	1,000	376	NR	NA	20.1	16.5	9.2	8.3	2.0	1.8

* Source: Bloomberg; # Source: DART

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
--------------------	--------------------------	--------------------------------	------------------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
--------------------------	-------------------------	------------------------------	------------------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9623
Anjana Jhaveri	VP - FII Sales	anjanaj@dolatcapital.com	+9122 4096 9758
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: "This Report is considered independent third-party research and was prepared by Dolat Capital Market Private Limited, with headquarters in India. The distribution of this Research is provided pursuant to the exemption under Rule 15a-6(a) (2) and is only intended for an audience of Major U.S. Institutional Investors (MUSIIs) as defined by Rule 15a-6(b)(4). This research is not a product of StoneX Financial Inc. Dolat Capital Market Private Limited has sole control over the contents of this research report. StoneX Financial Inc. does not exercise any control over the contents of, or the views expressed in, any research reports prepared by Dolat Capital Market Private Limited and under Rule 15a-6(a) (3), any U.S. recipient of this research report wishing to affect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through StoneX Financial Inc. Please contact Gene Turok at +1 (212) 379-5463 or email gene.turok@stonex.com. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through the Dolat Capital Market Private Limited."



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Unit no PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
