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Thematic Report

HOTEL SECTOR

Hotels

India's hotel industry has witnessed a robust turnaround in demand after the pandemic, led by the rising discretionary spending on tours and travels, revenge tourism, improving economic environment fuelling corporate travels and revival of mega wedding season and other cultural events. Furthermore, with demand outpacing supply, which the latter is unlikely to catch over the next 2-3 years, we expect both average room rates (ARRs) and occupancies to remain strong, leading to higher RevPar for the industry. The current trend is very similar to the last upcycle the sector witnessed from 2004 to 2008, which commanded improved margins and multiples for listed entities. With international travel yet to pick up and corporate events gradually gaining pace, we believe that domestic hotel players having strong hotel pipelines and healthy balance sheets are in a very sweet spot to seize the opportunity that the upcycle in the sector would throw up.

We initiate coverage on Indian Hotel with an ADD rating and a TP of INR345 (22x FY25 EV/EBITDA) and Lemon Tree Hotel (LTH) with a BUY rating and a TP of INR108 (17xFY25 EV/EBITDA), considering a discount to the average two-year forward multiple of the past five years. Both companies have a strong pipeline of room additions based on an asset-light model. This, along with sustainable cost reduction initiatives undertaken during the pandemic is likely to drive their toplines and spur margins without leveraging their balance sheets. Rather, the improving RoCE and strong cash flow would help both IHCL and LTH bring down their net D/E significantly by FY25E-FY26E to -0.3% and 0.9% respectively.

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Hotels

On a strong wicket

India's hotel industry has witnessed a robust turnaround in demand after the pandemic, led by the rising discretionary spending on tours and travels, revenge tourism, improving economic environment fuelling corporate travels and revival of mega wedding season and other cultural events. Furthermore, with demand outpacing supply, which the latter is unlikely to catch over the next 2-3 years, we expect both average room rates (ARRs) and occupancies to remain strong, leading to higher RevPar for the industry. The current trend is very similar to the last upcycle the sector witnessed from 2004 to 2008, which commanded improved margins and multiples for listed entities. With international travel yet to pick up and corporate events gradually gaining pace, we believe that domestic hotel players having strong hotel pipelines and healthy balance sheets are in a very sweet spot to seize the opportunity that the upcycle in the sector would throw up.

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Strong pipeline to complement the robust demand

India's tourism sector's contribution to the GDP is expected to grow to USD250bn by FY30 vs USD178bn in FY21, according to the ministry of tourism. This is backed by the fact that rising urbanisation in several tier-2 and tier-3 cities will drive the demand for hotels in different segments. Factoring this in, the industry is expected to witness a robust room addition (42,000 rooms) by FY27, which will increase total supply by 28% to almost two lakh rooms (source: Hotelivate). Of this, IHCL is targeting to add ~8,700 rooms (+42% from FY22 inventory level), while LTH is aiming to add 2,600 rooms by FY26 (+31% over the FY22 inventory level). Accordingly, both companies are better placed with a strong pipeline to benefit from the upcycle in the sector.

Cost reduction and debt repayment bode well for margin enhancement

Hoteliers undertook various sustainable cost-reducing initiatives during the pandemic like multitasking workforce, reducing staff/room ratio, lowering overhead expenses, etc., which are yielding a high margin now, aided by improved demand and ARR. IHCL and LTH have been witnessing ~1.5x improvement in margins in H1FY23, compared to FY19-FY20 level. Further, shifting focus to asset-light management contracts and repayment of debt through fundraising has helped make their balance sheets lean in FY22. With the rights issue and QIP, IHCL's net D/E has reduced from 1.0x in FY21 to 0.1x in FY22 and it is expected to become net cash positive in FY23. Lemon Tree's net D/E is likely to decline from 2.0x in FY22 to 1.7x in FY23, before falling to 0.9x in FY25E. Hence, we expect that the RoCE for both IHCL/LTH will enhance from 7.2%/3.9% in FY20 (pre-COVID) to 12.4%/11.1% in FY25. The RoE is expected to escalate to 14.2%/23.8% in FY25E, from 7.7%/1.1% in FY20.

Company	Reco	TP	Upside (%)
IHCL	ADD	345	18%
LTH	BUY	108	44%

FY25E	EV/EBITDA (x)	PER (X)
IHCL	16	28
LTH	12	18

Particulars	FY25E		
	Revenue (INR Mn)	EBITDA (INR Mn)	PAT (INR MN)
IHCL	64,577	21,986	14,099
LTH	12,970	6,347	3,318

Particulars	FY22-25E CAGR		
	Revenue	EBITDA	PAT
IHCL	28%	76%	272%
LTH	48%	68%	238%

Particulars	FY25E		
	EV/EBITDA	ROE %	ROCE %
IHCL	16	14.2	12.4
LTH	12	23.8	11.1

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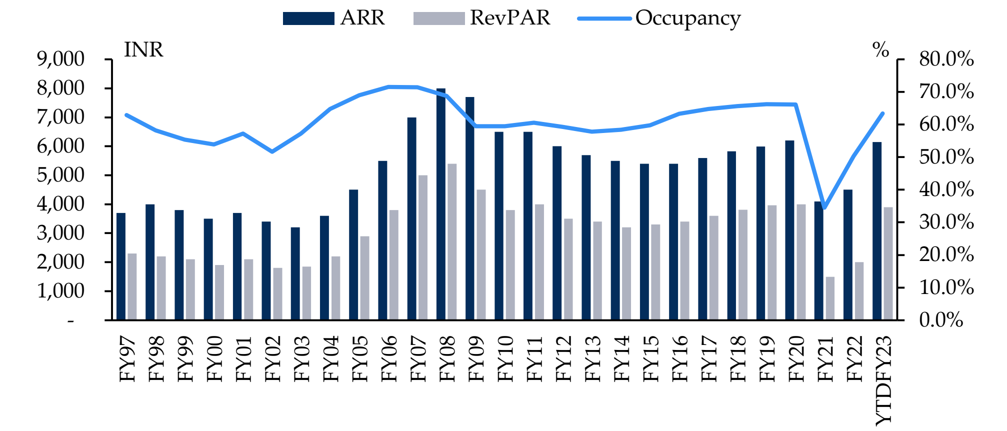
New cycle came out swinging

Industry occupancy has reached pre covid level of ~65% range

Albert Einstein quoted: "In the midst of every crisis lies great opportunity." The pandemic, which was an unforeseen crisis in the world and which became one of the most challenging times in the history of mankind, forced hoteliers to adopt changes and innovate to stay afloat. This included a slew of changes like optimisation of operations, streamlining of service delivery, clustering of roles and multi-skilling the line staff, and integration of technology and digital services on the cost side to diversify revenue streams. From food delivery, luxury dining and bar at home to expanding into workation, staycation and bleisure segments, the industry has reconceptualised its services. Although the mainstream still remains the same and will continue to do so, these changes have given a strong push to rapid recovery, creating long-term benefits for the industry.

Domestic travel is driving recovery and travel operators have enjoyed significant RevPAR growth until now, wherein industry occupancy is in the 63-65% range, almost touching the pre-COVID levels. As demand aligns with that of the pre-pandemic level, H2FY23 and FY24 look promising. The growth in RevPAR is largely driven by Average Room Rates (ARRs), which are higher currently than the FY20 level. The new cycle has begun on a promising note, with FY23 acting as a transition year, and FY24 expected to benefit from international arrivals picking up and stability in geopolitical events and global economy, which should support the hotel RevPAR growth.

Exhibit 1: Recovery witnessed post pandemic



Source: HVS, Hotelivate, HSIE Research

Capacity addition grew at a CAGR of 10% over FY06-16; outpacing demand

A peek into the past industry cycles

Before crystal gazing the future, let's look at past industry cycles

Pandemic forced hoteliers to undertake sustainable measures to lower operating expenses

The Indian hospitality industry witnessed a boom period during 2002-2008, led by strong domestic travel trends and a positive economic and investment environment. This was led by a series of ambitious economic reforms aimed at deregulating the country, which has led to a strong inflow of foreign investment (betting on skilled managerial and technical manpower with a highly-educated and huge middle class population). The phase saw rapid economic growth, which fueled the domestic travel industry (both tourism and corporate travels), which was contributing a miniscule 2% of GDP in FY04. Accordingly, the industry witnessed a structural shift and saw massive investment in the hotel sector, with greater focus on building the mid-scale segment to fulfill the requirement of the growing middle-class segment.

However, the recession phase of 2008 significantly impacted the segment, which was then impacted by the double whammy of a fall in demand for hotel rooms and a strong supply addition in the segment. For a prolonged period between FY06 and FY16, hoteliers in India added capacity at a CAGR of over 10%, outpacing demand. This impacted the occupancy and ARR across the industry, thus impacting RevPar of the companies. While the sector witnessed some revival after 2014 with moderate demand growth until 2020, it was significantly impacted during the pandemic, eroding profits across segments.

The lockdown phase forced hoteliers to undertake certain permanent/temporary measures to bring down their overhead expenses, which became necessary for its survival. While the sector also witnessed shutting down and exit of many unorganised and small players, the branded entities with lean balance sheets managed to survive this down-cycle. On the contrary, their cost-cutting efforts have begun to pay off well during the post-pandemic era, which is seeing robust demand revival and limited room supply in the market. The current phase seems to be very similar to the 2004-2008 era, which saw a strong uptrend in the hotel industry and which will last for another 3-4 years. The upcycle could normalise with moderation in demand and huge supply addition hitting the market post 2026-27.

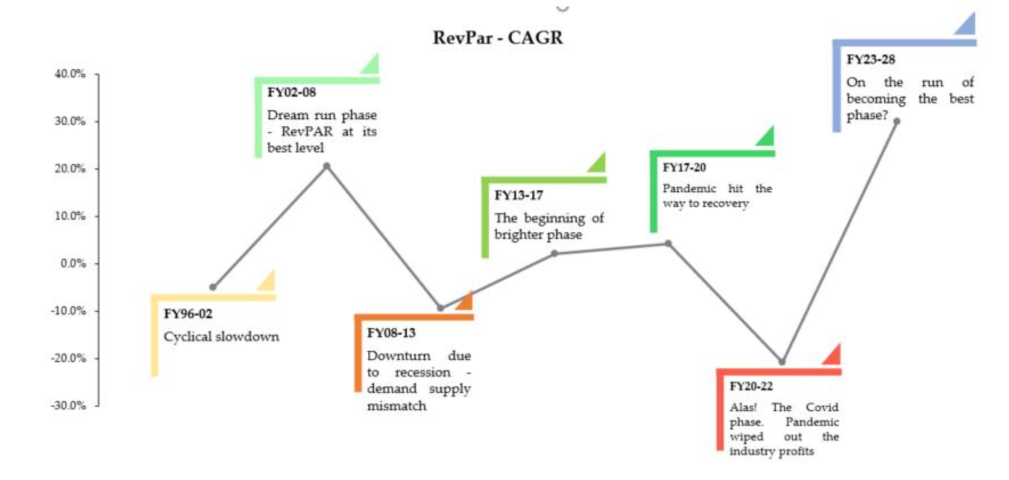


Exhibit 2: Cycles in the hotel industry

CAGR	Period	Room Supply	Occupancy	Room Demand	ARR	RevPAR
Phase 1	FY96-02	6.9%	-3.9%	3.1%	-1.2%	-5.1%
Phase 2	FY02-08	7.6%	4.9%	12.5%	14.9%	20.6%
Phase 3	FY08-13	16.7%	-3.4%	13.3%	-6.3%	-9.5%
Phase 4	FY13-17	6.7%	2.6%	9.3%	-0.4%	2.1%
Phase 5	FY17-20	6.4%	0.7%	8.2%	1.7%	4.2%
Covid Phase	FY20-22	4.2%	-12.8%	-5.8%	-11.5%	-20.8%

Source: HVS, Hotelivate, HSIE Research

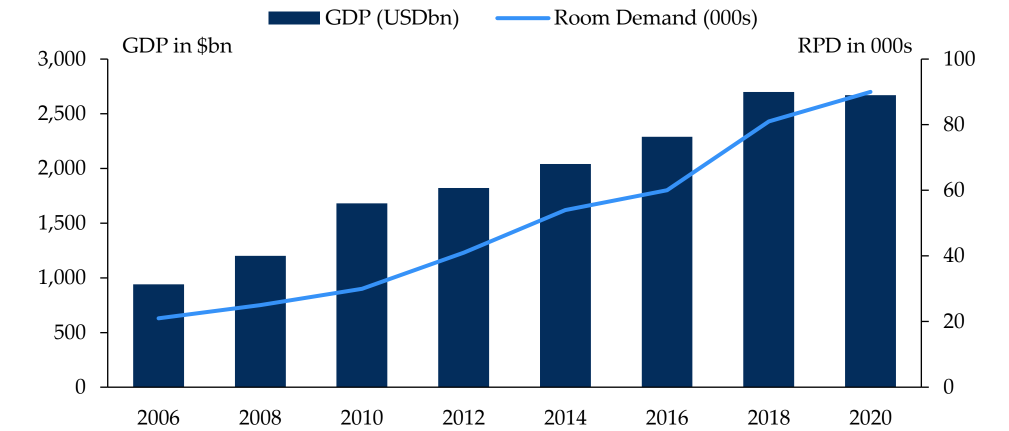
Clean sweep on the cards for India

IMF projects that the Indian GDP will grow 7.4% in FY22-23 and 6.1% in FY23-24, which would make it the fastest-growing country during this period. India is turning out to be the safest (largely immune to the impact of rising fuel prices) and most efficient hub for industrial investments and travel as most global biggies are fighting a war against recession and inflation.

With economic recovery and growth, the demand for hotel rooms went up from 25,000 rooms/day to 90,000 rooms/day

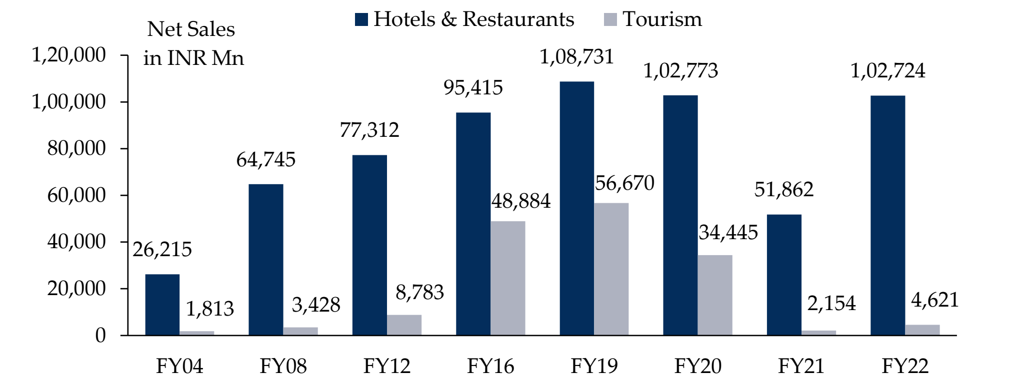
Economic growth has a material benefit in creating demand for hotels. With an increase in GDP (at current prices) from $1,200bn in 2008 to $2,670bn for 2020, the demand for hotel rooms has increased from approximately 25,000 rooms/day in 2008 to 90,000 rooms/day for 2020. According to Invest India, by 2030, the contribution of India's tourism sector towards its GDP is expected to grow to USD250bn by FY30 vs USD178bn in FY21.

Exhibit 3: Comparison of demand for hotel rooms (RPD growth) with GDP levels for India (CY)



Source: World Bank, Horwarth HTL, HSIE Research

Exhibit 4: Tourism business has reached just 8.2% of its FY19's revenue



Source: CMIE Outlook, HSIE Research

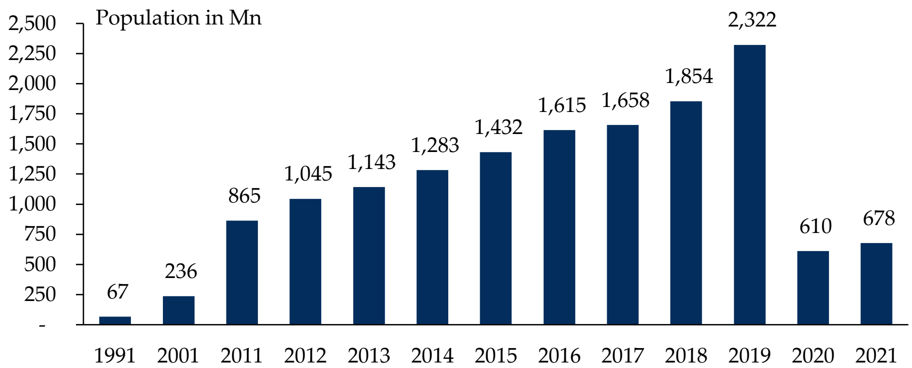
Domestic travel is the game

Domestic travel has started witnessing a sustainable uptrend after the pandemic. We believe that this uptrend can be very similar to the one witnessed during the 2004-2008 period, which is considered to be the best phase for the Indian hospitality sector. Our assessment is based on the trend seen in the rising discretionary spends (especially on tour and travel) by the increasing Indian population, higher per capita incomes, revenge tourism after the pandemic, and improving corporate and wedding events that are leading to a revival of hotel demand.

Revenge tourism, improving corporate & cultural events, wedding season and hosting global events are boosting domestic travel

Even after removal of international travel restrictions, domestic travel remains the preferred choice for Indian nationals. Travel is not limited to pilgrimages only anymore and to places of one's relatives as travellers are now more inclined to visit leisure and holiday destinations. Corporate travel has taken a new leap in the country, factoring in the growing economic activities. In fact, the pandemic has evolved a new work-cum-travel option in the form of workations, staycations and bleisure travel, which has further aided the domestic travel and hotel industry. Nearly two years of travel restrictions during the pandemic have led to revenge travel at present, with more people opting for leisure tours in FY23. Also, the increasing urge of exploring offbeat places is opening up opportunities for both new and old businesses. The young generations have started to inculcate the habit of saving money for travel; millennials take their travel breaks more seriously than the previous generations did and social media has increased the awareness of offbeat locations. India has several fledgling tourist places that can be developed into perfect destinations. Pre-COVID, Indians travelling abroad were on an average of 2.3x of foreign tourists arrivals. Where inbound tourism has not picked up yet, the gap is expected to be fulfilled by domestic tourism.

Exhibit 5: Domestic tourists visits across the country during 1991-2021



Source: India Tourism Statistics 2022, HSIE Research

Leisure market—yet to be explored to full potential

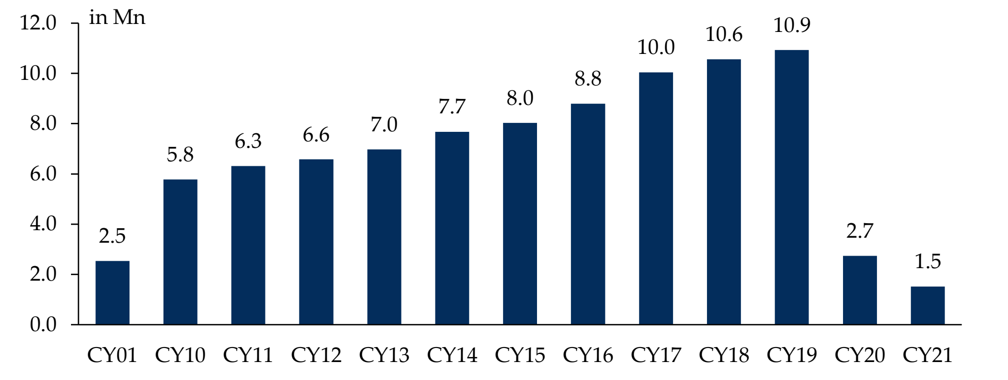
India has always attracted tourists from across the world because of its diverse landscape, rich heritage, and cultural diversity. As popular destinations are becoming the most-crowded places, tourists go beyond the regular destinations and have started to explore the lesser-known destinations. Leisure hotels have enjoyed a healthy market but the segment has still not tapped full potential. Many destinations still lack proper connectivity, good infrastructure and good quality hotels for which GoI is undertaking fresh initiatives to promote and improve connectivity. Branded hotels play an important role in establishing these unexplored destinations as leisure destinations. States are also actively promoting these unique destinations, which if developed and positioned intelligently, can add to growth of the overall sector. According to Hotelivate, of the total proposed supply, ~20,000 (33% of future supply) is planned for leisure locations.

International travel—yet to boom

India is expected to witness 13.3mn inbound tourists in 2024 (+22% over 2019 level)

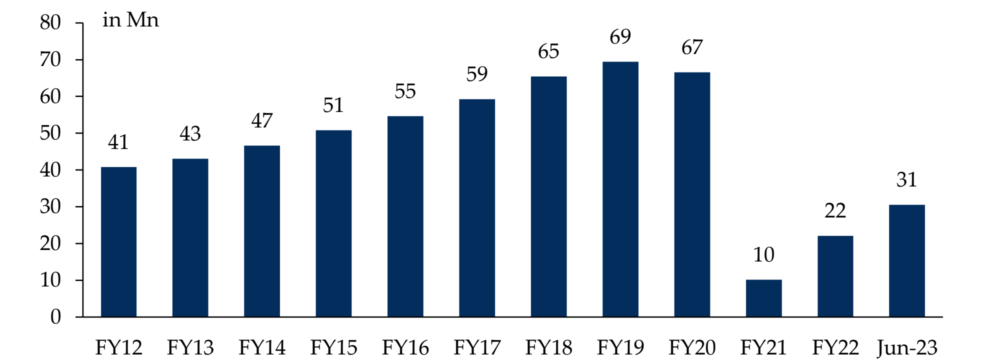
Currently, of the total tourist volume in India, only 8-10% is inbound travel. As per the 'Asia Pacific Destination Forecasts 2022-2024', India is expected to witness 13.3mn inbound tourists by 2024, 22% more than the level in 2019. During the pandemic, corporate travel was severely affected as people started preferring video conferencing over in-person meetings. The pandemic was followed by the Russia-Ukraine conflict which further affected both the leisure and business travel. And the current inflationary environment that has reduced the disposable income in the hands of tourists has also added on to the slow pace of recovery in inbound tourism. Corporate budgets were constrained, which affected the travel sector. However, with all the pandemic-related travel restrictions gone, revival of business-related travel, and increase in leisure demand across markets, inbound tourism is expected to recover.

Exhibit 6: Foreign tourist arrivals



Source: India Tourism Statistics 2022, HSIE Research

Exhibit 7: International air passenger traffic in India still below the pre-COVID level



Source: India Tourism Statistics 2022, HSIE Research

Sector to stay in sweet spot with series of key events

G20, flourishing wedding season post pandemic, cricket world cup and other cultural events to drive hotel demand in 2023

G-20 Presidency: After two long years of absolute stalling, the G20 event has come as an excellent opportunity for the tourism and hospitality industry. The country is expected to host over 200 meetings at 56 locations, which not only include heritage sites like Udaipur, Agra, Varanasi, Hampi but also other lesser known destinations. Lasting until November 2023, this event will draw a welcome spotlight on several lesser-known destinations, bringing them to the forefront. This is also a perfect opportunity for the industry to rewrite the recovery plan for inbound tourism, which has been slow to recover post the pandemic. G20 delegates and diplomats will gain exposure to a unique Indian experience through state-wide range of tourist offerings. The ministry of tourism has already started implementing necessary initiatives such as visa reforms and traveler-friendly immigration facilities at airports to not miss the chance to promote India as a major destination.

Wedding season: The wedding business for hotels is almost back at the pre-COVID level. While weddings after the pandemic generally have fewer guests, the expenditure ranges more or less in the same range as that at pre-COVID. With numerous travel restrictions during the pandemic, the wedding business was undeniably affected. Since people didn't get to enjoy the big fat Indian weddings during the pandemic, the wedding business would keep the hotels running during the season. The wedding season involves domestic travel for family weddings, destination weddings and other celebrations. A hotel which has multiple banquets and venues, will benefit from wedding business

Cricket World Cup: Sports tourism in India is also on an upswing and these events have turned out to be an accelerator for driving the demand for travel. With rising disposable incomes and growing awareness of social media, Indian sport fans are flying to various destinations to watch matches. According to the Future Market Insights (FMI), the total spending in the Indian sports tourism market that was pegged at $9.5bn in 2022 is expected to rise to $37.6 bn in 2032 at a CAGR of 14.8%; during this period, the number of sports tourists will go up from 37.2 mn to 213.3 mn. Of this, the inbound market has a growth prediction of 9.4%, while outbound would nearly double at 17.4%. With India hosting the upcoming Cricket World Cup in CY23, inbound tourism is expected to benefit.

MICE: MICE is globally focused and the countries with better infrastructure, necessary convention facilities, safety and efficient branding become the prerequisites for MICE event to be held. Domestic MICE has started to pick up since Sep 2022 and business locations like Delhi, Mumbai, and Gurgaon have revived in this segment. Mumbai particularly experienced a sustained recovery, primarily fueled by revival in corporate travel and large ticket conferences and events. The city's occupancy has surpassed 70% and Oct YTD average rates were 3-5% lower than the pre-pandemic Oct YTD average. However, inbound MICE still has a long way to go. Indian MICE has less than 1% share in estimated global MICE business despite the natural and cultural advantages and being the fastest-growing economy. However, with the help of government initiatives, stronger connectivity, upskilling people, and the G20 event, Indian cities have a golden chance to increase the MICE business. The country is continuously identifying cities that has potential todevelop and become top MICE destinations.

All these events and measures would lead to improved occupancy and better ARRs across the hotel industry, which should accelerate its operating metrics, going ahead, as well. We believe that organised players with a strong pipeline of hotels/rooms and lean balance sheets are in a sweet spot to benefit from this rising demand trend as supply from new entrants will take at least 3-4 years to add into the system.

India's urban population is expected to reach 38% by 2036 which are the major drivers for travel industry

Rising Urbanisation: India's urban population share went upto 34% in FY18 (Per World Urbanisation Prospectus Report) from 27% in 2001 and is expected to reach 38% by 2036 (Per Population Projections for India and States 2011-2035 Report). Increased urbanisation across India has been a driver of demand in the industry. This is expected to create multiple opportunities for the hoteliers given the new preferences of tourists to explore the unexplored and budget places. Hotels in mid-price segment have specifically benefitted from this. Further, several such places have and are expected to continue to evolve to create upscale hotel potential market.

Increasing sustainable margins: After the pandemic, hotels have witnessed an increase in operational expenses due to high inflationary pressure, supply chain disruptions, and the rising exchange rate. However, hoteliers learned and made bold changes that helped in sustainable cost optimisation. Switching the worforce from restaurants to reception to housekeeping, automating the check-in process, online booking, controlling of electricity & water costs and optimising overhead costs have helped hoteliers to cut down costs in a sustainable manner.

Nearly 68% of travel and tourism booking was made online in FY22

Moving online: Zooming on the hotel industry, many strings that held the market together snapped under the impact of the virus. The internet has revolutionised the hotel industry to another level; whether it is advertising the hotel or acquiring reservations, digital platforms have their back. This has attracted the broader range of customer set, providing convenience, personalised experiences, as well as alternatives to traditional offline channels. Online travel agents like MMT, Ease My Trip, Agoda, and Booking.com saw increased traction in these years. 68% of the travel and tourism booking was made online in FY22. MMT saw 150% rise in hotel bookings in FY22.

India's hotel playbook lags the world's

Exhibit 8: India's penetration of room supplies amongst the lowest in the world

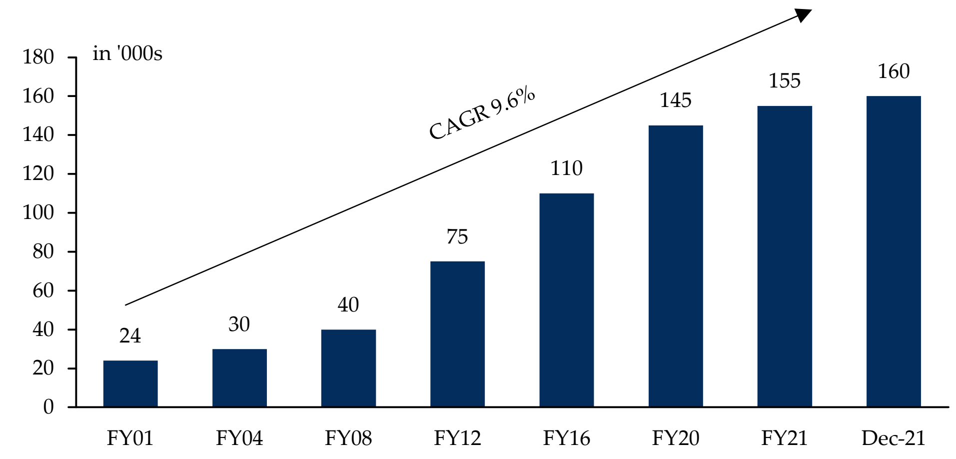
Region	Room Supply (mn)	Population (mn)	Penetration (Rooms/1,000 people)
India	0.15	1,418	0.11
USA	5.40	338	15.96
China	4.00	1,426	2.81
World	17.00	7,836	2.17

Source: US Census Bureau, STR, HSIE Research

Chain-affiliated hotel rooms in India have increased from 23,751 in 2001 to about 160,000 in 2021

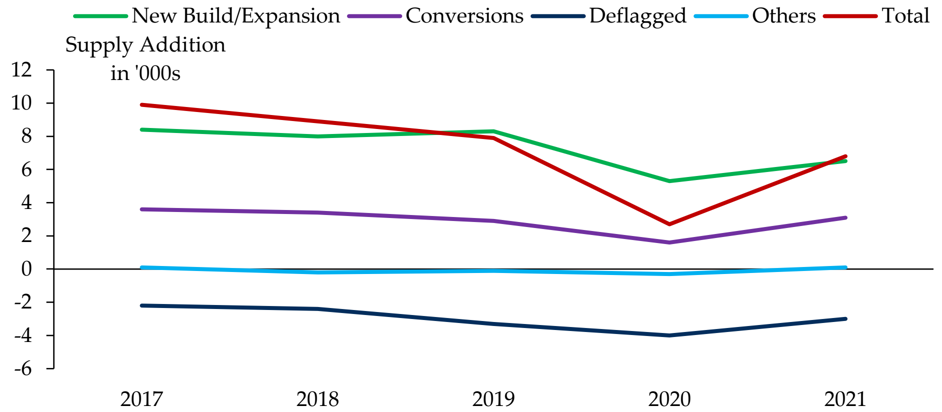
Chain-affiliated hotels expansion giving way to viable economics: In India, the chain affiliated hotel business has evolved; however, it still remains small. The pace of growth of independent hotels has considerably slowed over the years, relative to chain-affiliated hotels. Thus, the past and current performances of chain-affiliated hotels and competition with the available supply of independent hotels are adequate reflections of the competitive ability and environment for chain-affiliated hotels. Chain-affiliated hotel rooms in India have increased from 23,751 in 2001 to about 160,000 in 2021.

Exhibit 9: Chain-affiliated rooms supply growth in India from FY01-Dec21



Source: Horwarth HTL, Company Decks, HSIE Research

Exhibit 10: Pandemic saw consolidation across many unorganized players



Source: Horwarth HTL, HSIE Research

Shift from luxury to balanced supply: While we can see spurts of consolidation of independent hotels into chain-affiliated hotels, the phase beginning from 2003 (Lemon Tree and IHCL - Ginger coming into the picture) marks an era of exploration across the midscale-economy segment so as to capture the huge market and sync with profitability.

The share of luxury-upper upscale segment in the overall room supply has reduced from 56% in 2001 to 35.5% in December 2021

Moving from luxury supply to a more balanced supply, the midscale-economy segment has gained material supply share, almost trebling its supply relevance between FY01 (when it had a fledgling share) and 2021. The supply concentration has reduced in the luxury-upper upscale segment, from 56% in 2001 to 35.5% in December 2021 in spite of 44k new rooms being added in this segment.

The trend for the coming 2-4 years is broadly expected to be the same, with the luxury-upper scale supply share continuing to gradually decline with gains in other segments.

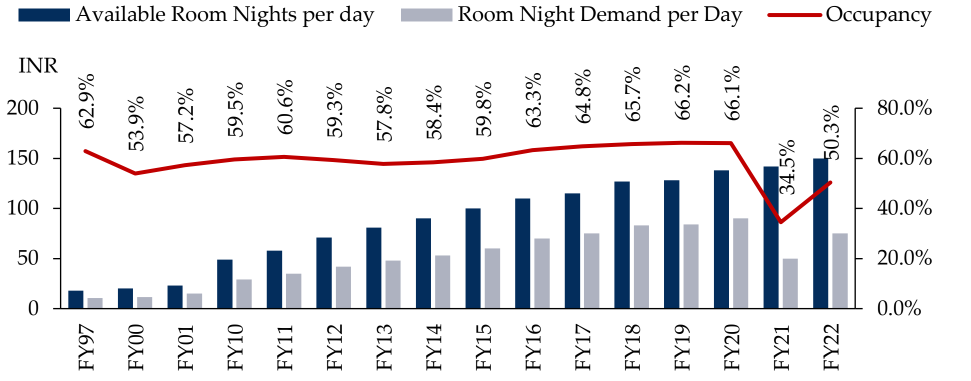
Exhibit 11: The share of midscale-economy increased substantially to 25.6% as at Dec-21 from 8.3% in FY01

Segmental Growth (Inventory in '000)						CAGR		
Category	**FY01**	**FY08**	**FY15**	**FY21**	**Dec-21**	**FY01-08**	**FY08-15**	**FY15-Dec21**
Luxury	6	10	17	25	26	6.9%	7.8%	6.3%
% of total	25.0%	25.0%	15.7%	16.1%	16.3%			
Upper Upscale	7	10	25	30	31	6.2%	13.5%	2.9%
% of total	29.2%	25.0%	23.1%	19.4%	19.4%			
Upscale	5	8	22	31	33	5.7%	16.3%	6.4%
% of total	20.8%	20.0%	20.4%	20.0%	20.6%			
Upper Midscale	4	7	20	28	29	9.7%	16.1%	5.8%
% of total	16.7%	17.5%	18.5%	18.1%	18.1%			
Midscale-Economy	2	5	24	41	41	17.1%	24.2%	8.6%
% of total	8.3%	12.5%	22.2%	26.5%	25.6%			
Total	24	40	108	155	160			

Source: Horwarth HTL, STR, HSIE Research

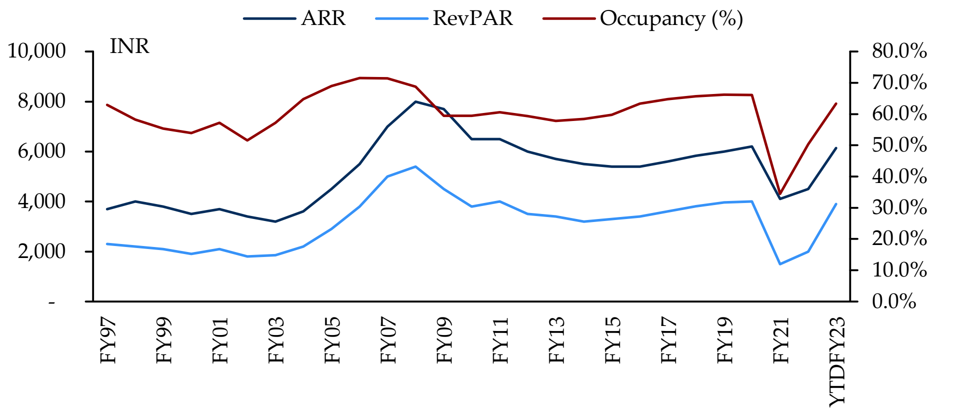
Key Industry Charts

Exhibit 12: Demand, supply and occupancy levels



Source: Hotelivate, HSIE Research

Exhibit 13: ARR and RevPAR trend



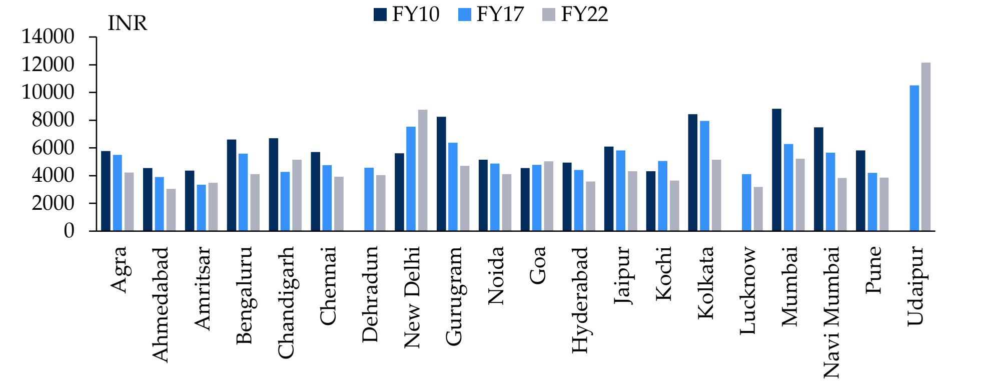
Source: Hotelivate, HVS Anarock HSIE Research

Exhibit 14: Current Room Supply and Proposed Room Supply across India

	FY10	FY17	FY22	CAGR(FY10-17)	CAGR(FY17-22)	Proposed Supply	Increase in Supply %
Agra	1439	2092	2209	5%	1%	495	22%
Ahmedabad	1521	3117	3586	11%	3%	1,380	38%
Amritsar			1736			1,165	67%
Bengaluru	5597	11995	14022	12%	3%	6,802	49%
Chandigarh			2676			316	12%
Chennai	3806	8332	9763	12%	3%	841	9%
Dehradun			624			1,016	163%
New Delhi	8129	14296	15082	8%	1%	2,810	34%
Gurugram	1980	5263	6151	15%	3%	2,323	38%
Noida	300	1422	1569	25%	2%	2,979	40%
Goa	3288	6400	8244	10%	5%	3,268	60%
Hyderabad	3782	6254	7450	7%	4%	302	12%
Jaipur	2472	5058	5478	11%	2%	853	17%
Kochi			2585			1,300	69%
Kolkata	1520	3199	4878	11%	9%	5,409	41%
Lucknow			1884			642	46%
Mumbai	9877	13494	13217	5%	0%	1,852	12%
Navi Mumbai			1395			1,268	81%
Pune	2672	6445	6689	13%	1%	506	8%
Udaipur			1953			1,065	55%
Other Cities	15412	31852	41754	11%	6%	22,646	55%
Total	**61795**	**119219**	**152945**	**10%**	**5%**	**59238**	**39%**

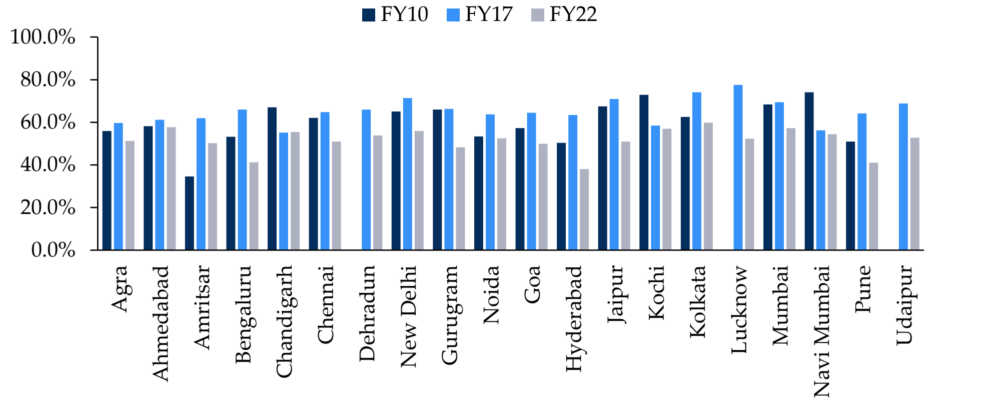
Source: Hotelivate, HVS Anarock HSIE Research

Exhibit 15: ARR trend across states



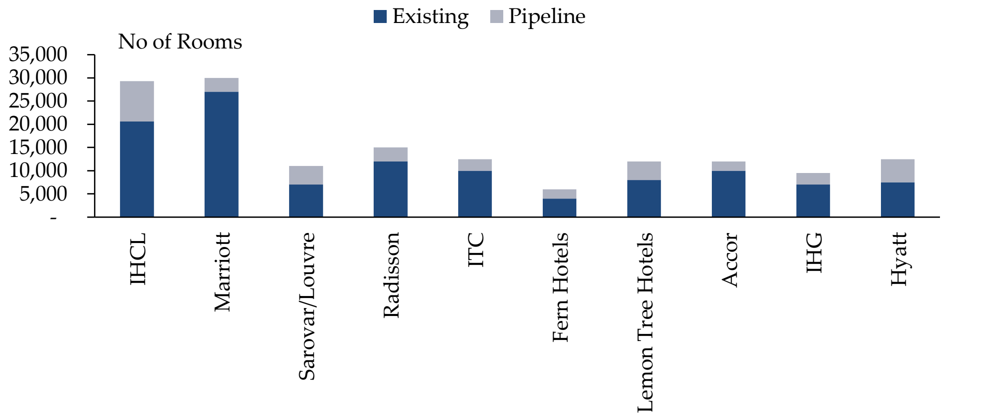
Source: Hotelivate, HVS Anarock HSIE Research

Exhibit 16: Occupancy trend across states



Source: Hotelivate, HVS Anarock HSIE Research

Exhibit 17: Top 10 hotel chains existing and upcoming pipeline



Source: Hotelivate, HVS Anarock HSIE Research

Indian Hotel Company

Levelling up with asset-light strategy; keeping the desi charm intact

(TP INR 345; ADD)

With 182 hotels and 21,094 rooms, The Indian Hotel Company Ltd (IHCL) is a perfect play in the hospitality sector as its portfolio straddles across some of the best properties, locations and multiple income groups. It boasts of an unparalleled market share of 11.6% by inventory in Indian market with a presence in 77 cities. Given the industry needs, this portfolio is capital intensive but IHCL is in the middle of restructuring its portfolio to achieve a 50:50 mix between its owned/leased and managed hotels (FY22 mix – 45:55). This will help improve cash generation and scale-up of the margin. Furthermore, demand has been strong in the past few quarters, outpacing the organised supply, resulting in a steep rise in tariffs and thus ARR across hotels. This has led to a strong margin expansion, which went up by 1.5x to 25-30% vs the pre-covid level of 15-17%.

IHCL plans to add 8700 rooms over FY23-26 period

IHCL is strongly placed to benefit from this strong demand and limited upcoming supply trend, as the company plans to add ~8,700 rooms (+42% from FY22 inventory level) over FY23-FY26 period. The underpinnings of IHCL's success lies in: (1) pricing power due to increased demand and reduced supply in market, (2) strong pipeline, (3) an asset-light strategy, (4) rejuvenation of Ginger, and (5) increasing contributions from ancillary businesses and services like Qmin, ama, Chambers, among others.

We expect IHCL's consolidated revenue/EBITDA/PAT to grow at CAGRs of 28%/76%/272% over FY22-FY25E. EBITDA margin is expected enhance to 34% in FY25E from 13.2% in FY22. We expect RoCE to improve to 12.4% vs 1.4% in FY22 and 7.2% in FY20. We initiate coverage on IHCL with ADD recommendation and a TP of INR345 by ascribing a targeted FY25 EV/EBITDA multiple of 22x.

Consolidated Financial Summary

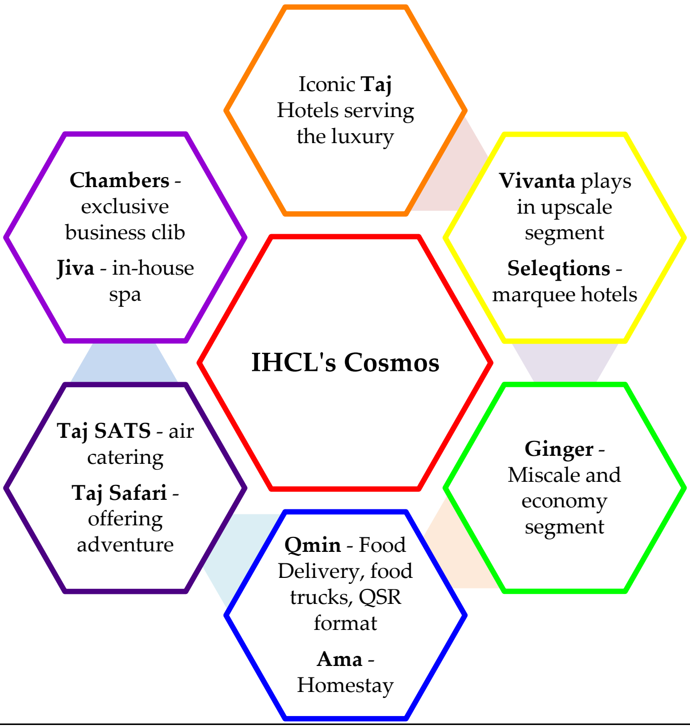
(INR mn, Mar YE)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	41,036	45,120	44,631	15,752	30,562	53,221	58,183	64,577
EBITDA	6,704	8,297	9,675	-3,618	4,048	16,692	18,519	21,986
EBITDAM (%)	16.3	18.4	21.7	-23.0	13.2	31.4	31.8	34.0
APAT	867	2,912	3,330	-9,156	-2,767	10,109	11,468	14,099
AEPS (INR)	0.7	2.4	2.8	-7.7	-1.9	7.1	8.1	9.9
EV/EBITDA (x)	22.1	24.1	11.4	-45.1	72.5	26.2	22.3	18.1
P/E (x)	242.6	75.9	25.8	-18.5	-153.3	45.6	38.7	31.3
RoE (%)	2.1	6.8	7.7	-22.9	-5.2	13.4	13.3	14.2

Source: Company, HSIE Research

Investment rationale:

Best placed on assortment; peers to play catch up

Exhibit 18: IHCL Brands Portfolio

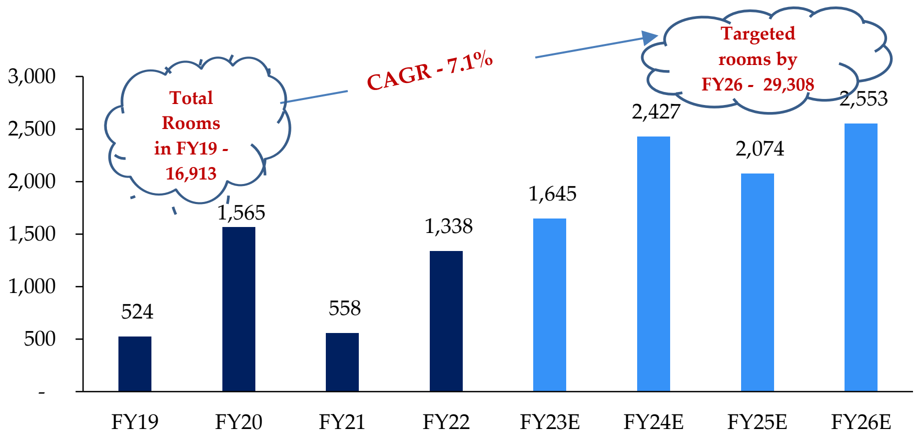


Standalone sales are expected to grow at CAGR of 23.1% over FY22-FY25E; while other entities to grow at 37% CAGR

IHCL sports a denser network vs peers. From an iconic Taj Mahal Palace to becoming a multi-brand company, IHCL evolved from a hotel-only brand to a comprehensive hospitality ecosystem. As IHCL started focusing on adding business beyond the iconic luxury segment, it is able to attract its offerings to a larger target group. The Taj brand name, which became a synonym for trust for consumers, acted as a cog in company's flywheel and explains why IHCL found acceptance across channels. We expect IHCL to continue milking the game in the luxury segment with the added attention in lean luxe model across Ginger and other ancillary services. We expect IHCL standalone (which includes Taj, Vivanta and SeleQtions) to clock a revenue CAGR of 23.1% over FY22-FY25E and we expect CAGR of 37% over the same period in other entities of IHCL group (which includes Ginger, Foreign Hotels, ama stays, and Qmin).

Stepping up on expansion

Exhibit 19: Annual room capacity addition target



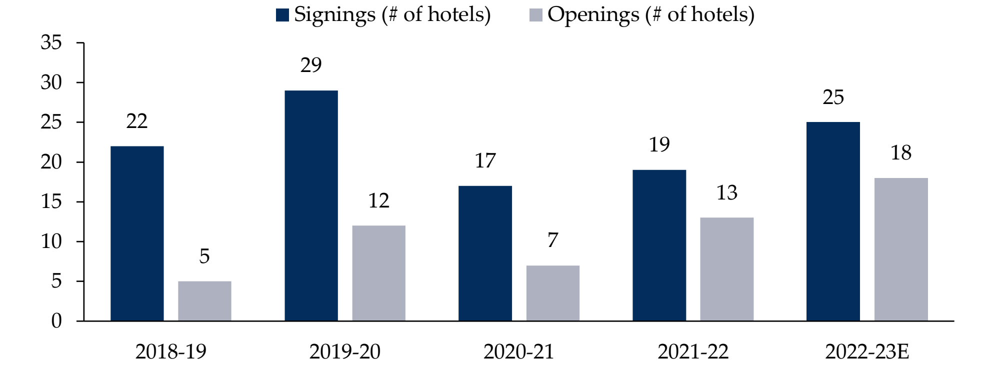
Source: Company, HSIE Research

Under AHVAAN 2025, IHCL target to scale up its hotel portfolio to 300 hotels with ~29,500 rooms

IHCL has smartly stepped up its expansions to benefit from the revival in the hospitality sector and enhance its market share. It added over 5,000 rooms at group level in the last six years at a CAGR of 6%. With these expansion, the company has reached over 25 new destinations with a continued focus on maintaining an asset-light strategy. These expansions and reach-out to new cities complemented IHCL along with the recovery of the sector post-Covid. Further, with its new and reimagined businesses like Ginger, Qmin, Chambers and ama Stays & Trails have also given the group an edge over its peers. Under AHVAAN 2025 (IHCL's strategic roadmap), the company targets to reach a portfolio of 300 hotels having approximately 29,500 rooms on a consolidated level up from 21,094 rooms as on Q2FY23. Ginger is expected to scale up to 125 hotels from 59 hotels and ama Stays and Trails will have over 500 properties, up from 80 in FY22.

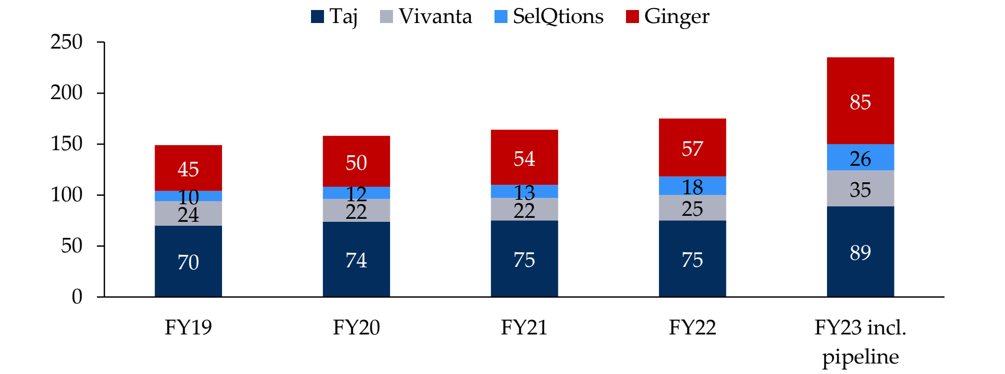
The company has increased its sign-ups significantly in past 4-5 years to capitalise on the growing hotel market. In YTD FY23, the company has already signed 16 hotels and it is expected to sign nine more hotels this year.

Exhibit 20: Signings and openings of hotels over the years



Source: Company, HSIE Research

Exhibit 21: Brand-wise pipeline—number of hotels

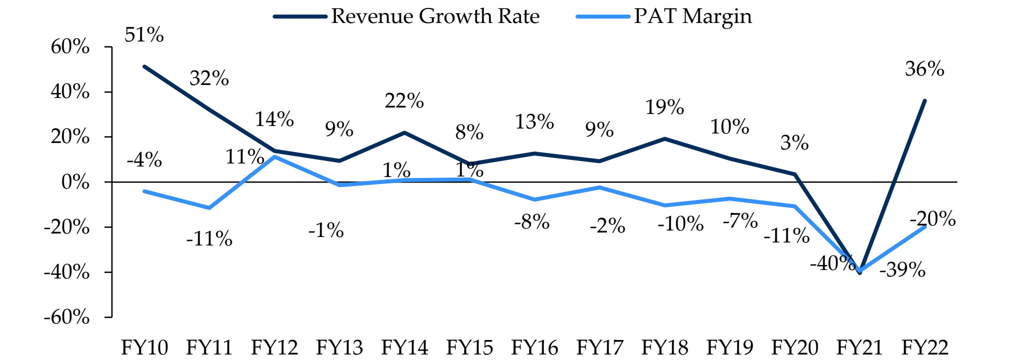


Source: Company, HSIE Research

Ginger–old segment reborn with a new face

Ginger, established in 2004 under the Roots Corporation Ltd (a 100% subsidiary of IHCL), is a mid-scale or budget hotel chain. Launched as a Smart Basic self-service hotel, the hotel was aimed to meet the growing requirement of mid-budget travellers who had limited options available between the premium category hotels and low-budget hotels. However, the segment couldn't scale up to high margins (hovering at 7%-15%) due to its placement in the economy class segment which restricted a steep price rise. Also, the emergence of many unorganized players in the segment, posed stiff competition in the category. As a result, the subsidiary has been incurring losses since FY15.

Exhibit 22: Ginger's earnings history



Source: Company, HSIE Research

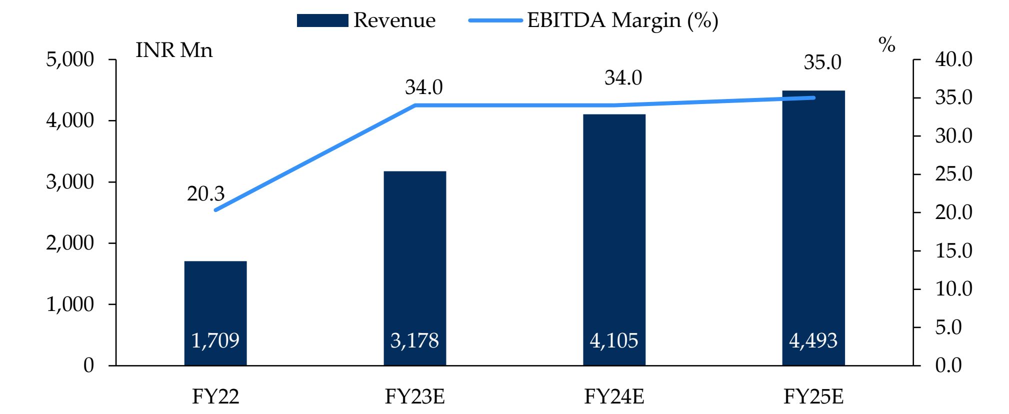
IHCL targets to scale up Ginger's presence to 125 hotels, from 59 hotels as of Dec 2022

However, the company is now in the process of upgrading Ginger from an economy to a lean luxe segment. Ginger is also adding/linking up with Qmin for its F&B and catering services which should add value to the category. This should add to the total revenue per room. Further, the company undertook various cost-cutting initiatives during the pandemic, which along with the transformation to a lean lux model has begun to yield the desired fruit in the current fiscal.

Root Corporation's revenue to grow at a CAGR of 38% over FY22-FY25E with margin escalating to 35%

The segment's EBITDA margin scaled up to 39% in H1FY23 vs the 10-12% range during FY17-FY18. IHCL targets to scale up Ginger's presence to 125 hotels, from 57 Hotels as of FY22 end and 59 hotels as of Dec 2022. The hotel addition in Ginger is the highest across the new pipeline by brands and thus the contribution from Ginger could be much higher than that from Taj, going ahead. Accordingly, we expect Ginger's performance to improve significantly with various cost-saving initiatives, a lean lux model, Qminization, a strong pipeline and increasing disposable incomes and travel. We expect Root Corporation's revenue to grow at a CAGR of 38% over FY22-FY25E. The EBITDA margin is expected to escalate to 35% by FY25 vs 20% in FY22.

Exhibit 23: Ginger EBITDA margin to stay strong between 33-36% over the explicit period



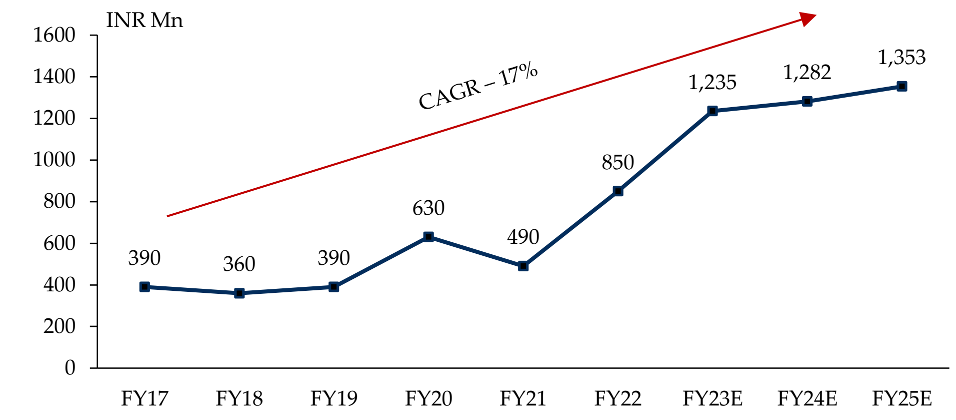
Source: Company, HSIE Research

Share of asset-light high-margin business in revenue/EBITDA to increase from 10%/22% in FY20 to 25%/35% by FY26E

Focusing on new business ventures that provide stability across profitability

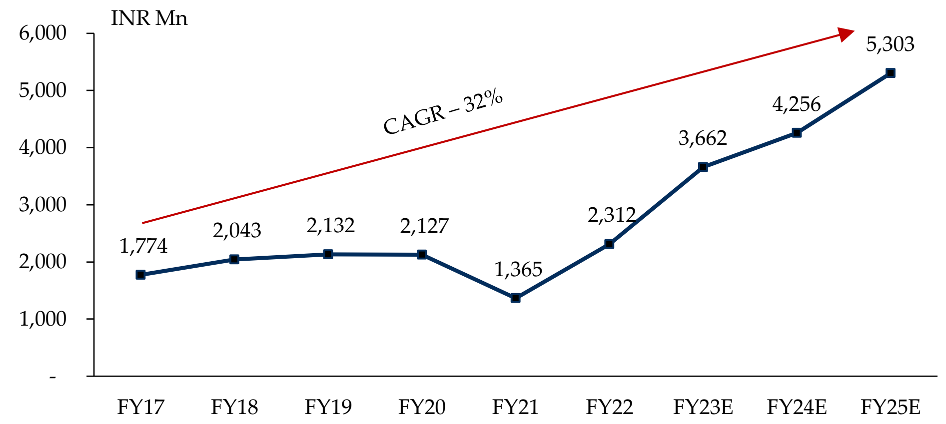
IHCL is becoming a comprehensive hospitality ecosystem with a whole new range of brands across different hotel segments. These new businesses include Qmin, ama stays and trails, 7Rivers, niu&nau, among others. These businesses are expected to complement the mainstream hotel revenue and are relatively less vulnerable to the cyclicality of the hospitality industry. Furthermore, enhancing the proportion of management contracts to its portfolio not only enhances the consolidated margin but also acts as a cushion during a down cycle as these contracts don't have any fixed payment commitments towards operation, maintenance, interest and salary of employees. This will provide stable growth in earnings profitability. Under AHVAAN 2025, ama stays & trails is expected to rise up to a portfolio of 500 properties by FY25E-26E and Qmin is expected to expand to 25 cities. Among its existing business, apart from relaunching Ginger, the company is targeting 3000+ members under Chambers. Management targets to enhance the share of these asset-light high-margin business ventures in the overall revenue/EBITDA from 10%/22% in FY20 to 25%/35% by FY26E. This along with a steep reduction in overhead expenses by the company during the pandemic is expected to scale up the consolidated EBITDA margin to 34% in FY25E.

Exhibit 24: We expect Chambers revenue to increase at a CAGR of 17% over FY22-FY25E



Source: Company, HSIE Research

Exhibit 25: We expect Management fees to record INR5.3bn by FY25E



Source: Company, HSIE Research

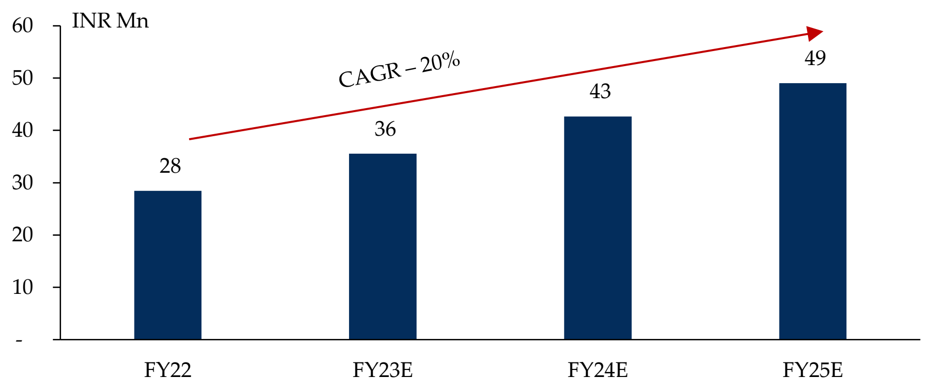
QMIN

- Gourmet delivery platform offering the food from IHCL's portfolio of restaurantsand cloud kitchens across hotels. Extended culinary experiences with Qmin Shop, Qmin Truck, Qmin Cafe.
- Launched during pandemic to benefit from growing demand for food delivery platforms.
- Present in 20 cities and targets to scale upto 25 cities by FY26.
- We expect QMIN revenue to grow at a CAGR of 20% over FY23E to FY25E.

ama stays & trails

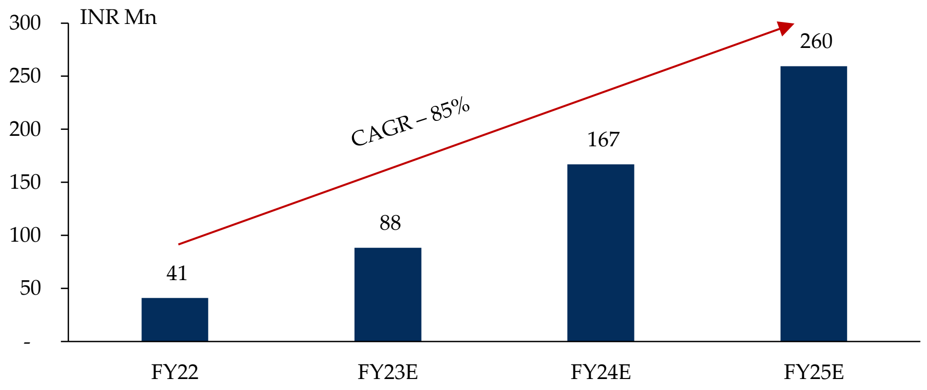
- A collection of heritage villas, plantation bungalows, colonial houses, havelis and quaint private residences in local markets.
- Managed properties where as per the contract IHCL gets around 18% of revenue from the property.
- Company is looking to expand to 500 properties by FY26.
- The strategy is to develope properties within driving distance of existing hotels to share management, resources and costs.
- Occupancy stays around 30-40% and tariffs range between INR50,000 to INR80,000 per night.
- We expect ama revenue to grow at a CAGR of 85% over FY23E to FY25E.

Exhibit 26: Qmin revenue forecast over FY22-FY25E



Source: Company, HSIE Research

Exhibit 27: ama revenue forecast over FY22-FY25E



Source: Company, HSIE Research

RoCE/RoE expected to enhance to 12.4%/14.2% in FY25E vs 7.2%/7.7% in FY20

Margin expected to enhance to 34% in FY25 vs 13.2% in FY22

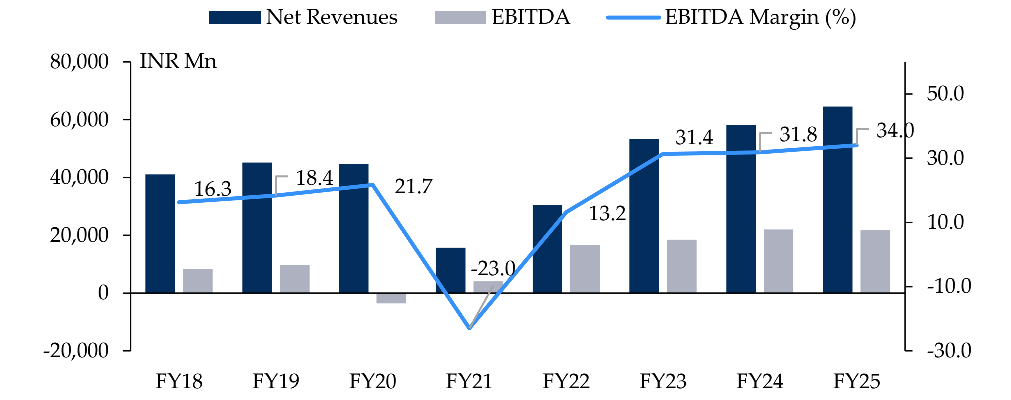
Fundraising and improved operational metrics strengthen cash flow

We expect IHCL to generate FCF of ~INR40.8bn over FY23-FY26 (an average of INR10.2bn p.a) after incurring a Capex of INR32.2bn over the same period (an average of INR8.0bn p.a). Furthermore, the company is looking to monetise assets worth INR10bn under AHVAAN by offloading stakes across selected hotels and land banks. This could further improve its cash flow when it materialises. IHCL's D/E has improved from 1.0x in FY21 to 0.1x in FY22, led by fundraising through QIP (INR20.0bn) and right issue (INR20.0bn). IHCL is now a net debt zero company and seems primed to step up expansion.

Improved profitability and lower D/E is expected to improve IHCL's RoE to ~14.2% in FY25 vs 7.7% in FY20. RoCE is expected to enhance from 7.2% in FY20 to 12.4% in FY25. The company is expected to incur 5% of revenues for normal capex and 10% of revenue as capex for expansion projects annually.

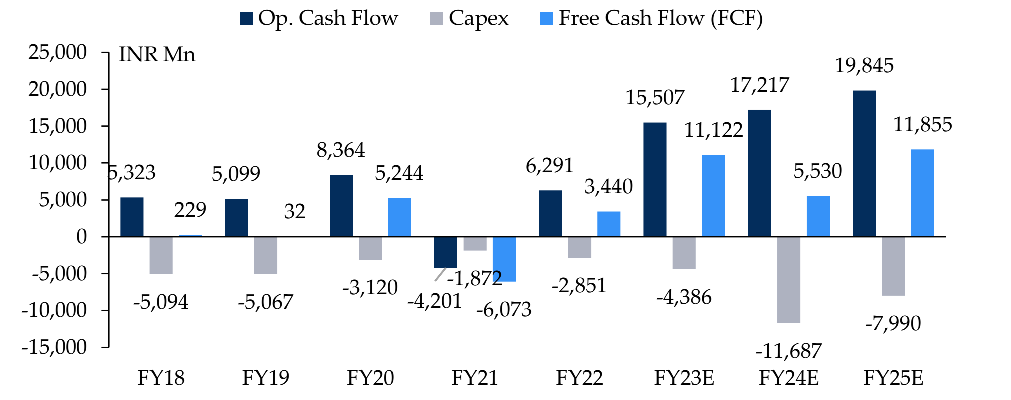
We expect IHCL's consolidated revenue to grow at a CAGR of 28.2% over FY22-FY25E to reach INR64.6bn in FY25E led by improved ARR, better occupancy and room additions. EBITDA, however, is expected to grow more significantly at a CAGR of 75.8% to INR21.9bn over the same period led by sustainable cost reduction initiatives and higher contributions from new high-margin businesses. The EBITDA margin is expected to escalate from 13.2% in FY22 to 34.0% in FY25E. PAT is expected to increase at a robust CAGR of 272% over FY22-FY25E to INR14.1bn, led by improved operational performance and lower interest expenses from debt repayments.

Exhibit 28: Revenue, EBITDA and EBITDA margin



Source: Company, HSIE Research

Exhibit 29: We expect IHCL to generate FCF of ~INR40.8 bn over FY23-FY26



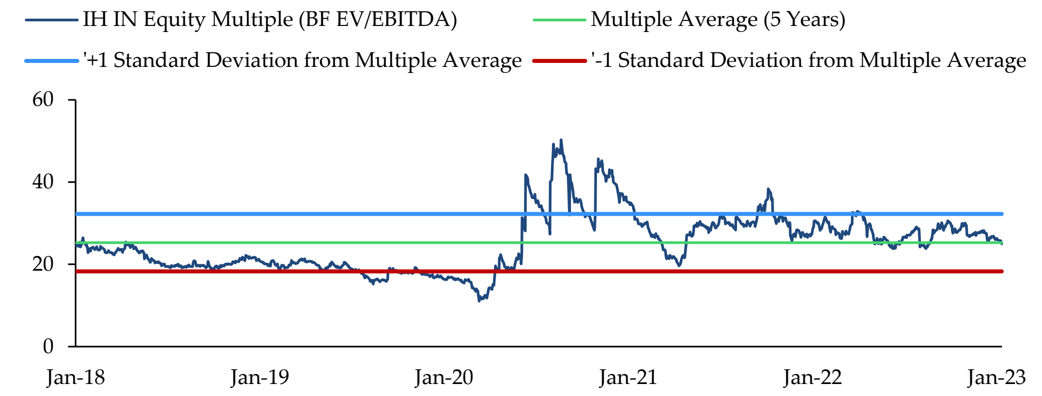
Source: Company, HSIE Research

Initiate with an ADD rating and TP of INR 345/share with an upside potential of 18% from the CMP;

Valuation

We initiate coverage on IHCL with ADD recommendation and a TP of INR345 by ascribing a targeted FY25 EV/EBITDA multiple of 22x, which is still discount to the past five-year average two year forward EV/EBITDA multiple range of 25x-26x. The conservative stance is primarily to factor in the rising inflationary concern and slight moderation across the rapid spur witnessed across the segment post pandemic.

Exhibit 30: IHCL forward EV/EBITDA trend over 2018-2022



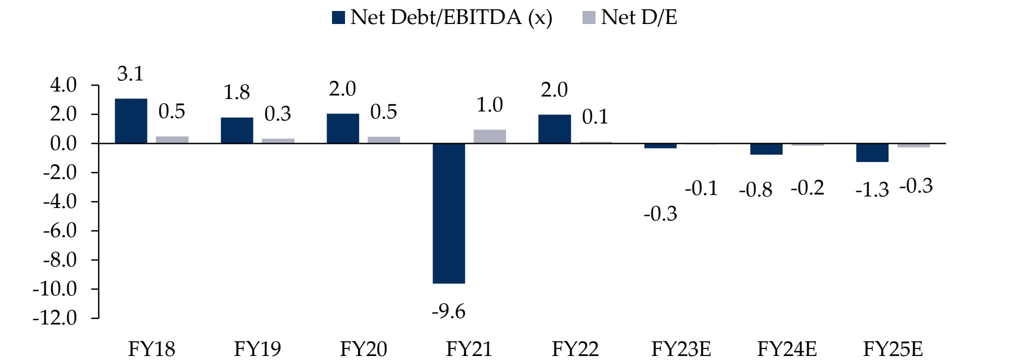
Source: Company, HSIE Research

As at September 30, 2022, the company's liquidity profile is strong, aided by:

Cash and Cash Equivalents - INR11667mn

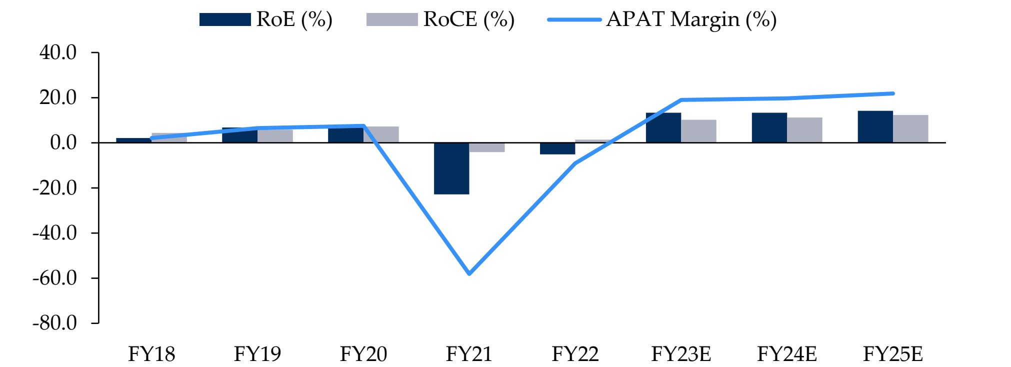
Term loan and working capital facilities - INR7687mn

Exhibit 31: Leverage position remains comfortable; IHCL goes net debt zero



Source: Company, HSIE Research

Exhibit 32: Adjusted return profile to improve and get much better



Source: Company, HSIE Research

Key Risks

Relatively weak performance of overseas subsidiaries: IHCL's consolidated margins and profitability has been affected historically because of subdued performance of some of its key overseas properties and the sizeable investment in Sea Rock property. Overseas investment acts more like sunk advertisement cost which helps the company to bring in foreigners to a familiar name in India. Significant improvement in operating performance of overseas subsidiaries and adequate sweating of Sea Rock asset would be critical for its consolidated profitability going forward.

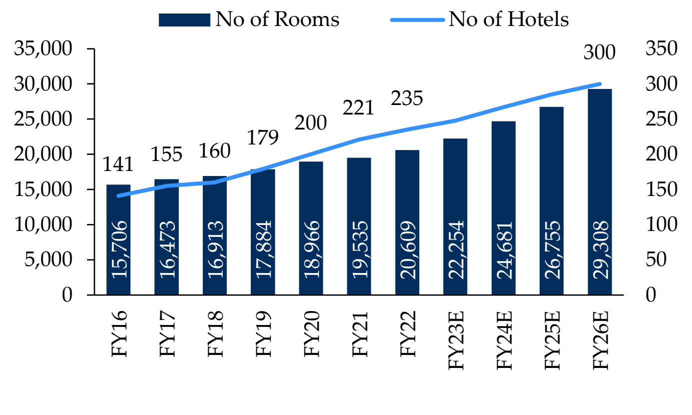
Global Recession: Although India is in sweet spot and current rising demand has brought some cheer to the sector, rising cost of materials, high manpower costs, increasing borrowing costs due to rising interest rates might hurt hotel operations and margins. However, since the demand is outpacing supply in the current cycle, we believe hoteliers have the upper hand and can pass on some of these rising costs to the customers in the form of higher ARR.

Cyclical industry: Operating performance of the company remains vulnerable to industry cyclicality/seasonality, macro-economic cycles and exogenous factors. However, given the diverse presence of its portfolio has partially mitigated the risk and company will able to withstand any demand vulnerability in a particular/micro segment.

Key Charts

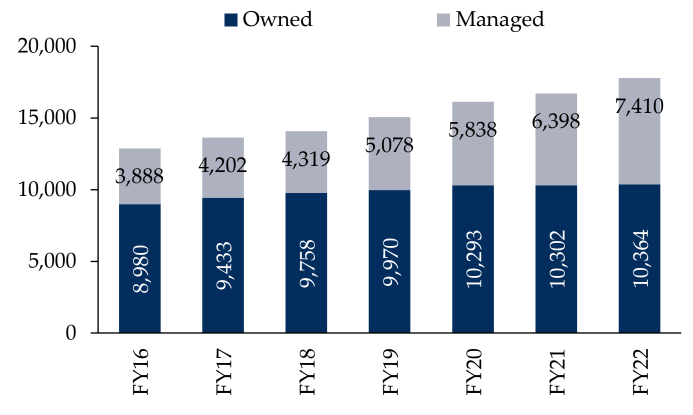
Steady and smart addition in room portfolio is helping IHCL to shine in the most opportune time

Exhibit 33: IHCL Consolidated portfolio (incl. JV/Associates)



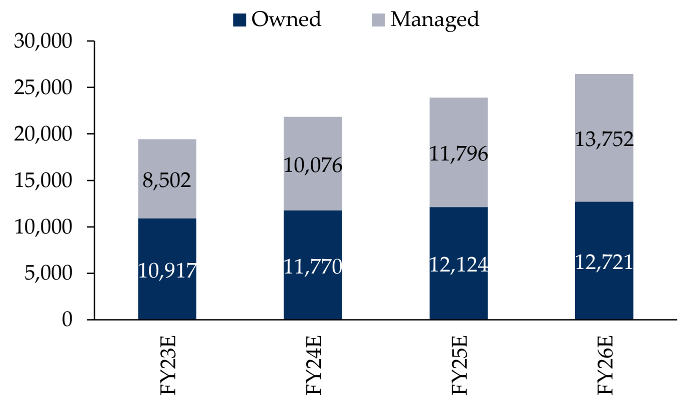
Source: Company Presentation, HSIE Research

Exhibit 34: Since FY19, over 85% of the room addition was in managed hotels (excl JV/Associates)



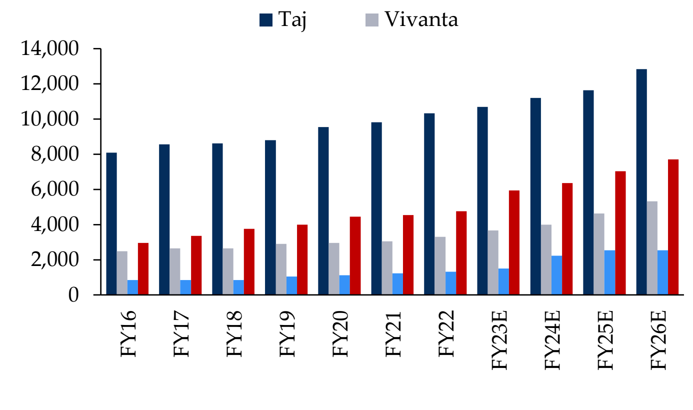
Source: Company Presentation, HSIE Research

Exhibit 35: IHCL continues to grow it pipeline and aims to maintain 50% of its portfolio in managed hotels



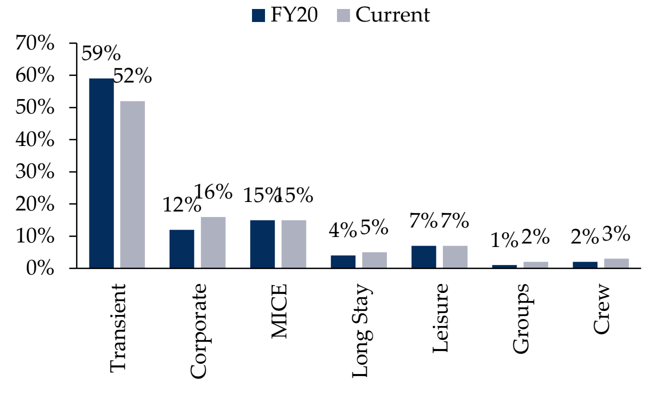
Source: Company Presentation, HSIE Research

Exhibit 36: Portfolio addition across different brands – actual and expected (No of Rooms)



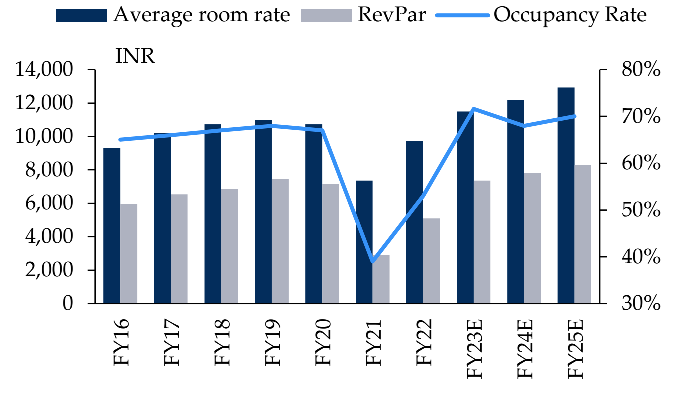
Source: Company Presentation, HSIE Research

Exhibit 37: Market segment room revenue share



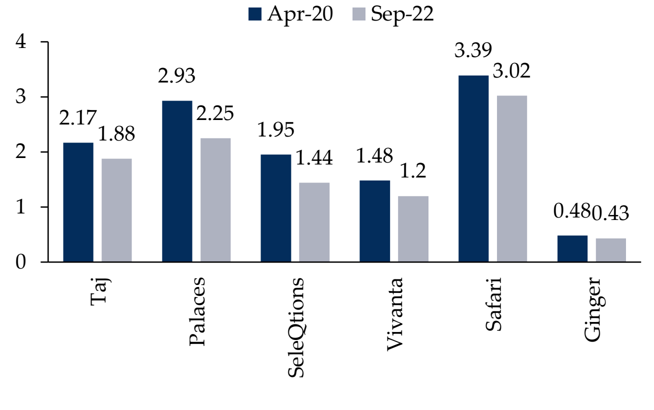
Source: Company Presentation, HSIE Research

Exhibit 38: With the cycle boom, productivity is expected to increase (IHCL Standalone)



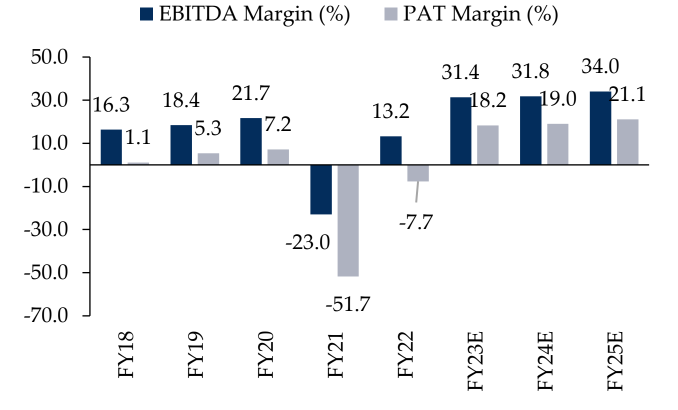
Source: Company Presentation, HSIE Research

Exhibit 39: Employee to Room ratio declined post covid



Source: Company Presentation, HSIE Research

Exhibit 40: Margin to improve significantly due to sustainable cost savings (IHCL Group)



Source: Company, HSIE Research

INCOME STATEMENT

INR mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**41,036**	**45,120**	**44,631**	**15,752**	**30,562**	**53,221**	**58,183**	**64,577**
Growth (%)	***2.1***	***10.0***	***-1.1***	***-64.7***	***94.0***	***74.1***	***9.3***	***11.0***
Food and beverages consumed	3,764	4,041	3,706	1,438	2,572	4,748	5,236	5,812
Employees Cost	13,466	14,708	14,946	8,940	11,502	11,386	12,531	13,750
Power & Fuel Cost	2,591	2,736	2,699	1,729	2,248	2,360	2,478	2,602
License Fees	2,544	2,758	1,459	603	841	920	1,012	1,113
Other Expenses	11,967	12,580	12,147	6,659	9,351	17,116	18,407	19,313
EBITDA	**6,704**	**8,297**	**9,675**	**-3,618**	**4,048**	**16,692**	**18,519**	**21,986**
EBITDA Margin (%)	***16.3***	***18.4***	***21.7***	***-23.0***	***13.2***	***31.4***	***31.8***	***34.0***
EBIDTA Growth (%)	***10.0***	***23.8***	***16.6***	***-137.4***	***-211.9***	***312.4***	***10.9***	***18.7***
Depreciation	3,012	3,279	4,042	4,096	4,061	4,222	4,480	4,672
EBIT	**3,692**	**5,019**	**5,633**	**-7,714**	**-13**	**12,469**	**14,039**	**17,313**
Other Income (Including EO Items)	842	900	1,734	3,247	1,708	1,362	1,494	1,632
Interest	2,690	1,901	3,411	4,028	4,277	885	810	772
PBT	**1,843**	**4,017**	**3,955**	**-8,495**	**-2,582**	**12,947**	**14,722**	**18,173**
Tax	1,211	1,571	448	-1,553	-358	3,237	3,681	4,543
RPAT	**632**	**2,446**	**3,508**	**-6,942**	**-2,224**	**9,710**	**11,042**	**13,630**
EO (Loss) / Profit (Net of Tax)	168	49	307	1,200	117	-	-	-
Share in Profit of Associates/JV	403	515	130	-1,014	-426	398	426	469
APAT	**867**	**2,912**	**3,330**	**-9,156**	**-2,767**	**10,109**	**11,468**	**14,099**
APAT Growth (%)	*331.1*	*235.9*	*14.4*	*-374.9*	*-69.8*	*-465.3*	*13.4*	*22.9*
AEPS	**0.7**	**2.4**	**2.8**	**-7.7**	**-1.9**	**7.1**	**8.1**	**9.9**
EPS Growth (%)	*331.1*	*235.9*	*14.4*	*-374.9*	*-74.7*	*-465.3*	*13.4*	*22.9*

BALANCE SHEET

INR mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCES OF FUNDS								
Share Capital	1,189	1,189	1,189	1,189	1,420	1,420	1,420	1,420
Reserves	40,622	42,291	42,379	35,295	69,202	79,311	90,778	1,04,877
Total Shareholders' Funds	**41,811**	**43,480**	**43,568**	**36,484**	**70,623**	**80,731**	**92,199**	**1,06,298**
Minority Interest	7,774	7,999	7,649	6,346	5,930	6,000	6,000	6,000
Long-term Debt	23,292	16,875	21,258	22,238	13,879	3,109	845	621
Short-term Debt	50	357	1,663	14,090	5,969	3,348	1,583	690
Total Debt	**23,342**	**17,232**	**22,921**	**36,328**	**19,848**	**6,457**	**2,428**	**1,311**
Deferred tax liability	3,563	3,768	1,869	781	876	876	876	876
Lease Liabilities	0	0	18,426	18,464	18,604	18,604	18,604	18,604
Other Non-Current Liabilities	3,371	2,822	3,405	1,334	1,347	1,419	1,491	1,512
TOTAL SOURCES OF FUNDS	**79,861**	**75,300**	**97,837**	**99,737**	**1,17,227**	**1,14,087**	**1,21,598**	**1,34,600**
APPLICATION OF FUNDS								
Net Block	**49,780**	**52,332**	**52,707**	**57,280**	**57,259**	**57,706**	**65,113**	**68,530**
CWIP	1,953	1,159	2,432	1,650	1,933	1,650	1,450	1,350
Investments	11,809	11,239	9,903	10,345	10,643	9,043	7,443	5,843
Other Non-Current Assets	18,009	19,519	35,770	34,313	34,319	35,191	35,864	36,783
Total Non-current Assets	**81,550**	**84,250**	**1,00,811**	**1,03,588**	**1,04,155**	**1,03,590**	**1,09,870**	**1,12,507**
Inventories	857	804	936	929	1,008	1,060	1,105	1,150
Debtors	3,286	3,214	2,900	2,198	2,553	2,705	2,810	2,918
Cash & Equivalents	2,703	2,409	3,156	1,536	11,878	11,996	16,503	29,243
ST Loans & Advances	91	34	48	167	63	63	63	63
Current Investments	3,305	2,112	4,362	4,486	9,025	7,025	4,525	2,825
Other Current Assets	1,953	3,014	2,971	2,222	2,213	2,262	2,281	2,399
Total Current Assets	**12,195**	**11,588**	**14,373**	**11,539**	**26,741**	**25,110**	**27,286**	**38,597**
Creditors	3,513	3,253	3,893	3,178	3,873	4,123	4,373	4,623
Provisions	1,384	1,476	1,545	1,708	1,958	2,098	2,238	2,378
Current Tax liabilities	246	328	338	350	347	347	347	347
Other Current Liabilties	8,742	15,481	11,570	10,155	7,490	8,045	8,600	9,155
Total Current Liabilities	**13,884**	**20,538**	**17,346**	**15,391**	**13,669**	**14,614**	**15,559**	**16,504**
Net Current Assets	**-1,689**	**-8,950**	**-2,973**	**-3,852**	**13,072**	**10,496**	**11,727**	**22,093**
TOTAL APPLICATION OF FUNDS	**79,861**	**75,300**	**97,838**	**99,736**	**1,17,227**	**1,14,086**	**1,21,597**	**1,34,600**

Source: Company, HSIE Research

CASH FLOW STATEMENT

INR Mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	2,021	4,532	4,085	-9,510	-3,008	13,345	15,148	18,642
Non-operating & EO Items	675	0	221	-740	784	327	300	286
Interest Expenses	2,073	1,068	1,842	2,485	2,691	557	511	486
Depreciation	3,012	3,279	4,042	4,096	4,061	4,222	4,480	4,672
Working Capital Change	-1,033	-2,208	235	-767	1,212	292	459	302
Tax Paid	-1,425	-1,571	-2,062	234	551	-3,237	-3,681	-4,543
OPERATING CASH FLOW (a)	**5,323**	**5,099**	**8,364**	**-4,201**	**6,291**	**15,507**	**17,217**	**19,845**
Capex	-5,094	-5,067	-3,120	-1,872	-2,851	-4,386	-11,687	-7,990
Free Cash Flow (FCF)	*229*	*32*	*5,244*	*-6,073*	*3,440*	*11,122*	*5,530*	*11,855*
Investments	-1,462	2,614	-2,222	670	-5,174	2,750	3,250	2,450
Non-operating Income	912	834	323	5	-8,400	1,924	1,164	903
INVESTING CASH FLOW (b)	**-5,644**	**-1,619**	**-5,019**	**-1,197**	**-16,425**	**289**	**-7,272**	**-4,637**
Debt Issuance/(Repaid)	-9,498	-1,010	2,227	7,124	-16,558	-13,391	-4,029	-1,117
Interest Expenses	-4,089	-1,901	-1,555	-2,321	-2,806	-885	-810	-772
Other Financing activity	-7	378	-2,567	-1,397	-2,986	72	72	21
Share Capital Issuance	14,999	0	-1	-2	39,462	0	0	0
Dividend	-447	-725	-757	-601	-524	0	0	0
FINANCING CASH FLOW (c)	**957**	**-3,258**	**-2,654**	**2,804**	**16,588**	**-14,204**	**-4,767**	**-1,868**
NET CASH FLOW (a+b+c)	**636**	**221**	**692**	**-2,594**	**6,454**	**1,592**	**5,177**	**13,340**
Opening cash balance	2,471	2,704	1,946	2,523	956	7,835	9,428	14,605
Closing Cash & Equivalents	**3,107**	**2,925**	**2,638**	**-72**	**7,410**	**9,428**	**14,605**	**27,945**

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
PROFITABILITY (%)								
GPM	84.5	85.0	85.7	79.9	84.2	86.6	86.7	87.0
EBITDA Margin	16.3	18.4	21.7	-23.0	13.2	31.4	31.8	34.0
EBIT Margin	9.0	11.1	12.6	-49.0	0.0	23.4	24.1	26.8
APAT Margin	2.1	6.5	7.5	-58.1	-9.1	19.0	19.7	21.8
RoE	2.1	6.8	7.7	-22.9	-5.2	13.4	13.3	14.2
RoCE	4.4	5.8	7.2	-4.1	1.4	10.2	11.2	12.4
Core RoCE	3.7	5.1	5.7	-7.3	0.0	10.5	11.9	14.4
EFFICIENCY								
Tax Rate (%)	65.7	39.1	11.3	18.3	13.9	25.0	25.0	25.0
Asset Turnover (x)	0.5	0.6	0.5	0.2	0.3	0.5	0.5	0.5
Inventory (days)	8	7	8	22	12	7	7	7
Debtors (days)	29	26	24	51	30	19	18	16
Payables (days)	31	26	32	74	46	28	27	26
Cash Conversion Cycle (days)	6	6	0	-1	-4	-2	-3	-3
Net Debt/EBITDA (x)	3.1	1.8	2.0	-9.6	2.0	-0.3	-0.8	-1.3
Net D/E	0.5	0.3	0.5	1.0	0.1	-0.1	-0.2	-0.3
Interest Coverage	2.5	4.4	2.8	-0.9	0.9	18.9	22.8	28.5
PER SHARE DATA								
EPS (Rs/sh)	0.5	2.1	2.9	-5.8	-1.6	6.8	7.8	9.6
CEPS (Rs/sh)	3.3	5.2	6.2	-4.3	0.9	10.1	11.2	13.2
DPS (Rs/sh)	3.6	4.6	6.0	5.0	3.3	3.3	5.0	7.5
BV (Rs/sh)	42.3	36.6	36.6	30.7	59.4	56.8	64.9	74.8
VALUATION								
P/E	242.6	75.9	25.8	-18.5	-153.3	45.6	38.7	31.3
P/BV	3.1	4.3	2.1	3.5	4.0	5.5	4.6	4.0
EV/EBITDA	22.1	24.1	11.4	-45.1	72.5	26.2	22.3	18.1
OCF/EV (%)	3.6	2.5	7.6	-2.6	2.1	3.5	4.2	5.0
FCF/EV (%)	0.2	0.0	4.8	-3.7	1.2	2.5	1.3	3.0
Dividend Yield (%)	**2.8**	**3.0**	**7.9**	**4.6**	**1.4**	**1.1**	**1.7**	**2.5**

Source: Company, HSIE Research

Lemon Tree Hotels

Well-placed to benefit from rising mid-segment category and corporate travel

(TP INR 108; BUY)

Strong pipeline, cost saving initiatives and rising demand from mid category segment are the key triggers

With 85 hotels and 8,303 rooms, LTH is well-poised to benefit from the expected uptick in the hotel business cycle, owing to its strong presence in the midscale and upper-midscale segments. Also, the robust surge in demand for rooms in the mid and upper-mid-scale categories and limited incremental supply available over the next 2-3 years will continue to drive ARRs and occupancy for LTH. Furthermore, its strong pipeline of inventory addition, rising focus on an asset-light business strategy, foraying into both low economic (key hotels) and premium (Aurika—Udaipur and Mumbai) segments and various cost-saving initiatives during the pandemic would act as key catalysts for earnings growth, going ahead. Also, its partnership with APG ventures in Fleur will ease off any liquidity concerns over the expansion plan, going ahead.

Key risks are rising COVID cases globally, which could restrict travel and impact occupancies and ARRs in Q4FY23. However, as the sector has already lived out three COVID waves in the past two years and pulled through strongly on each occasion, we believe any potential correction in the price should be considered an opportunity to invest in the LTH stock. We expect the company to clock net sales/EBITDA/PAT CAGRs of 48%/68%/238% over FY22-25E. EBITDA margin is expected enhance to 48.9% in FY25E from 24.3% in FY22. We expect RoCE to improve to 11.1% vs 0.6% in FY22 and 4.0% in FY20. We initiate coverage on Lemon Tree Hotels (LTH) with a BUY rating and target price of INR108/share, valuing it at 17x FY25E EV/EBITDA.

Consolidated Financial Summary

(INR mn, Mar YE)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	4,843	5,495	6,695	2,517	4,023	8,916	11,107	12,970
EBITDA	1,362	1,688	2,434	613	1,339	4,186	5,386	6,347
EBITDAM (%)	28.1	30.7	36.4	24.3	33.3	46.9	48.5	48.9
APAT	141	556	-104	-1,825	-1,269	1,591	2,395	3,318
AEPS (INR)	0.2	0.7	-0.1	-2.3	-1.6	2.0	3.0	4.2
EV/EBITDA (x)	45.9	44.3	33.8	53.4	34.2	18.1	14.1	11.5
P/E (x)	374.2	114.2	-650.0	-9.4	-23.1	37.1	24.7	17.8
RoE (%)	1.7	6.6	-1.1	-19.1	-14.5	17.5	21.6	23.8

Source: Company, HSIE Research

Investment rationale

Room inventory is expected to scale up to 10,908 rooms by FY25 vs current level of 8,303

Diverse presence and strong pipeline/sign-up to benefit LTH: Lemon Tree operates under seven different brands, catering to both leisure and business segments. LTH is India's largest chain in the mid-priced hotel sector with a 15% share in mid-market blended supply in India and a 5.4% share of total inventory in India. Traditionally, the company has had a strong presence in the prime business hubs of Bangalore, Hyderabad, and Gurugram, where almost 40% of LTH's inventory is located. With the changing demographics of the country's travel and tourism, LTH is steadily increasing its presence in holiday/staycation locations. Catering to short-stay leisure travel, the company has planned an upcoming expansion of its portfolio majorly in the tier-2 and tier-3 locations. LTH is expected to build a portfolio of 10,908 rooms with 115 hotels by FY25 from the current inventory of 8,303 rooms in 85 hotels (+2,605 rooms & +30 hotels). Of these planned additions, 58% of inventory will come under its forte in the midscale segment under the brand Lemon Tree Hotel.

Aurika is expected to contribute 17%/18.5% towards FY25E consolidated revenue/EBIDTA

Aurika to contribute 17%/18.5% of FY25E sales/EBITDA: Keeping the cost strategy the same, the company ventured into the upscale brand Aurika in 2019. And now, to enlarge its presence in the agile Mumbai market, LTH is building another hotel under the Aurika brand. The upcoming hotel situated near the Mumbai International Airport will have 669 rooms and is expected to commence operations by December 2023. This property is expected to act as a game changer in the company's portfolio, given its prime location (situated close to Mumbai Airport), which should lead to higher ARR and strong occupancies over the years. LTH already has a 303-room Lemon Tree Premier property at Andheri, Mumbai, near the airport and commands high ARRs (~INR7,500) and occupancy (above 70%). Thus, with Aurika, the property would be competing in the upscale market, which generally does 80% of occupancy and ARR of ~INR12,000. We have assumed occupancy of 60% and ARR of INR15,000 for Aurika Mumbai, which should contribute 17% toward consolidated FY25E revenue and 18.5% toward consolidated FY25E EBITDA.

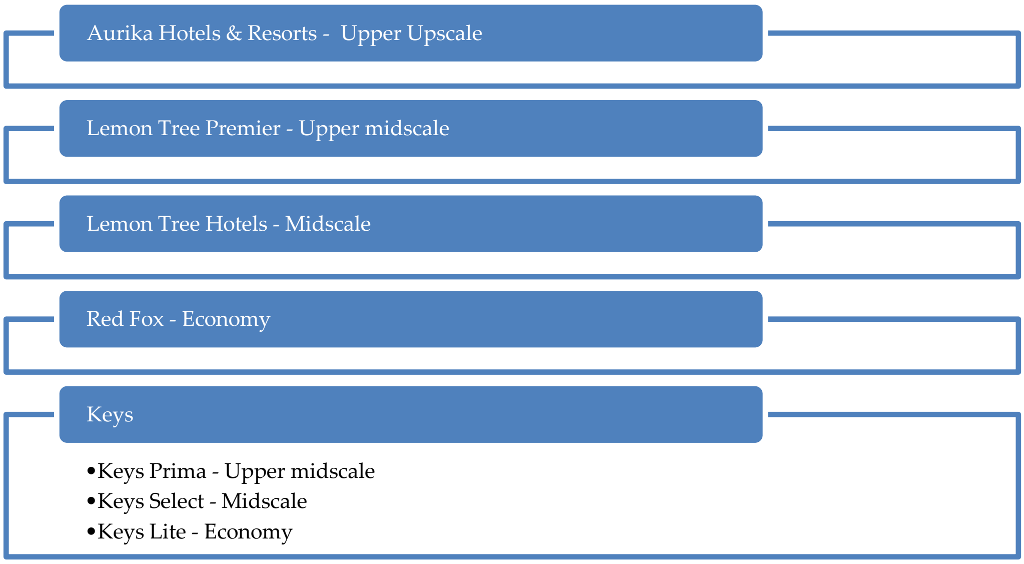
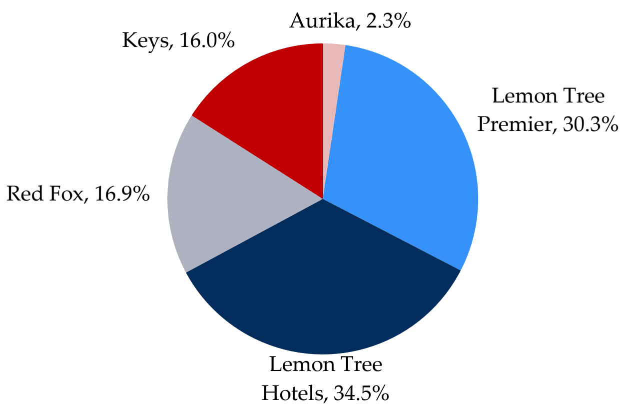
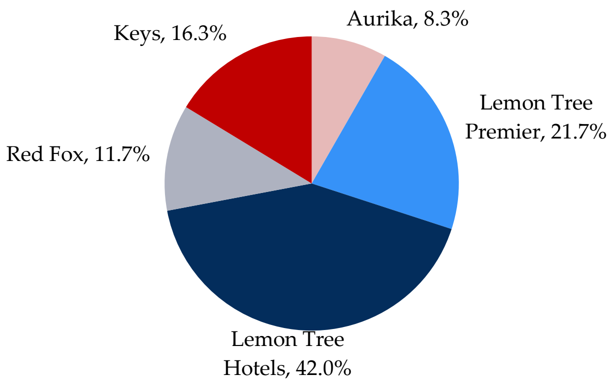


Exhibit 41: Current break-up of portfolio (inventory-wise)



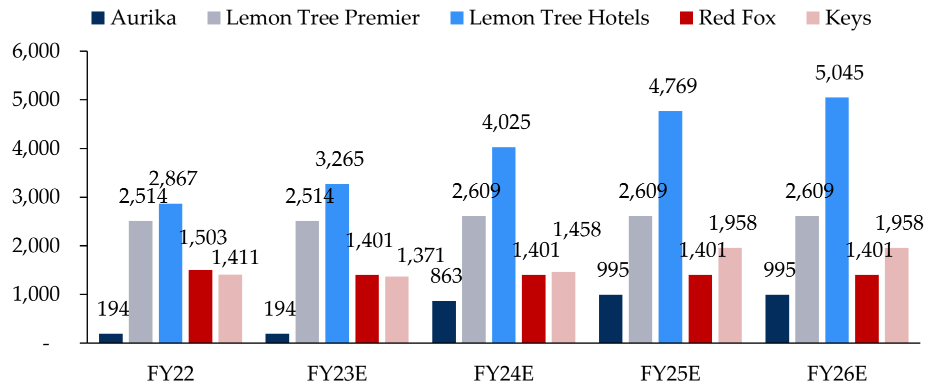
Source: Company, HSIE Research

Exhibit 42: The proportion of Aurika and Lemon Tree hotel will widen by FY26E



Source: Company, HSIE Research

Exhibit 43: Room addition over the years



Source: Company, HSIE Research

Focus on an asset-light model to escalate margin: Taking a determined shift to an asset-light model, LTH's expansion plans include more hotels under management contracts and in locations where the company might have limited or no presence. Managed hotels are light on the balance sheet, with almost nil operating expenses, yielding better margins. It will help LTH to reduce its debt over time. As the management contract model involves lesser risk for both hotel brands as well as asset owners, it acts as a win-win model and helps the hotelier to expand quickly and cheaply. Given the rising demand from the emergence of business hubs and a growing number of middle-class tourists, the strong pipeline of managed hotels is in the right direction for LTH (80% of the upcoming pipeline is managed hotels) and will act as a cog in its flywheel.

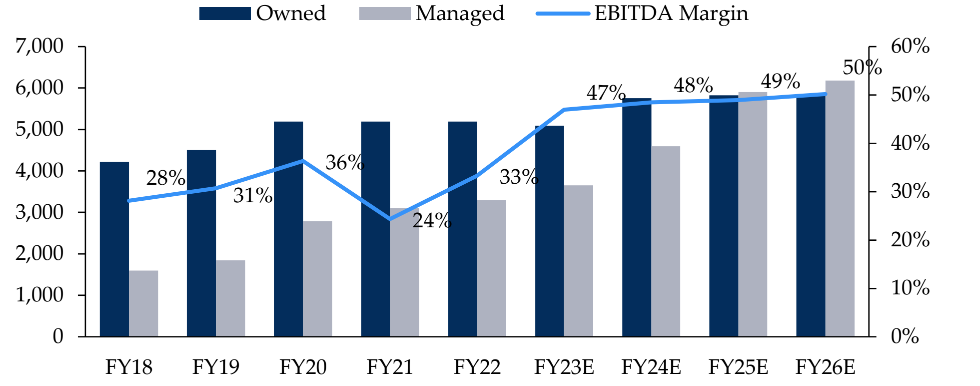
The share of managed hotels in its portfolio increased from 6% in FY14 to 39% as on date

LTH has been focusing on an asset-light strategy since FY17-18, as the share of inventory of managed hotels in its portfolio enhanced from just 6% in FY14 to 27% in FY18 and further to 39%, as of Q2FY23. Accordingly, the EBITDA margin too expanded from just 9% in FY14 to 28% in FY18 and further to 48% in Q2FY23. We expect LTH to print a ~50% EBITDA margin in FY25E. As per the current pipeline, the company has a roadmap to reach 11,000 rooms by FY25. But as per the management guidance, the company aims to reach 25,000 rooms by signing more management contracts.

While hotel demand has been growing at 5% in 1HFY23, supply is constrained at 3%

Due to the pandemic, many standalone hotel owners faced financial stress that gave rise to consolidation in the sector as projects were cancelled or abandoned. According to HVS Anarock, the supply, until FY24, is expected to increase at a very slow pace. STR global has also mentioned that the demand for hotel rooms have been growing at a run rate of 5% during 1HFY23, while supply growth is restricted to 3%. Taking this as an opportunity, the management of LTH plans to expand the company's footprint massively by scouting for distressed properties.

Exhibit 44: As managed portfolio share increases, EBITDA margin improves

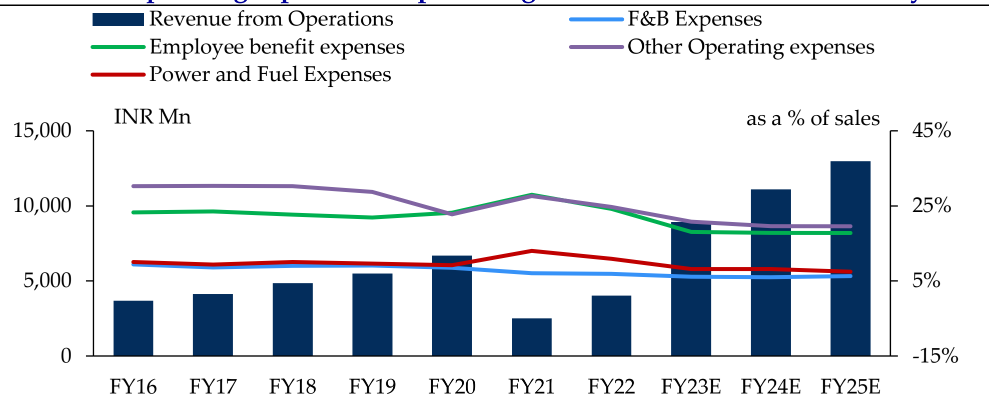


Source: Company, HSIE Research

Margins escalated to 44% in 1HFY23 vs 24% in FY21 and 31% in FY

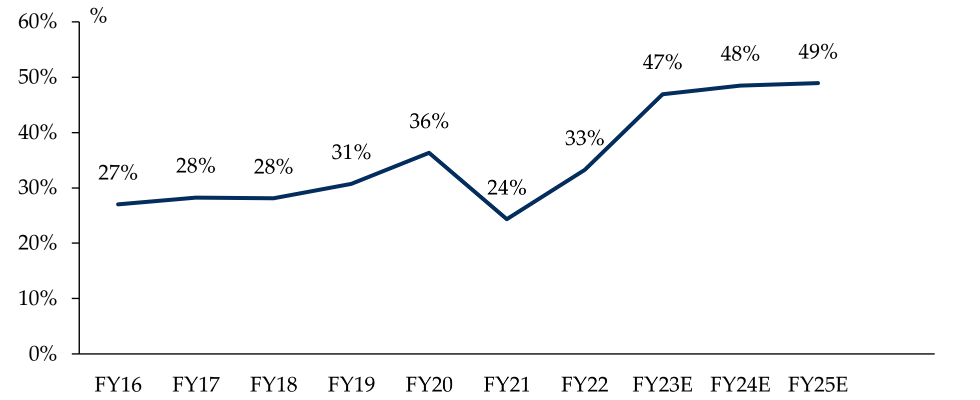
Margin expansion was also fueled by sustainable cost reduction initiatives during pandemic: During the pandemic, the margin was impacted significantly due to low occupancy and ARR. Accordingly, the situation forced the company to undertake various sustainable cost-saving initiatives like reducing headcount, multi-tasking employees, reducing overhead expenses, installations of solar rooftops across some properties, digitalisation of room menu and services, saving water and electricity charges, man management per room, etc. These initiatives are now yielding fruit, with margin expanding to 44% in H1FY23, vs 24% during the pandemic year FY21 and 31% during the pre-pandemic period of FY19.

Exhibit 45: Operating expenses as a percentage of sales has declined over the years



Source: Company, HSIE Research

Exhibit 46: EBITDA margin expanded from cost saving initiatives



Source: Company, HSIE Research

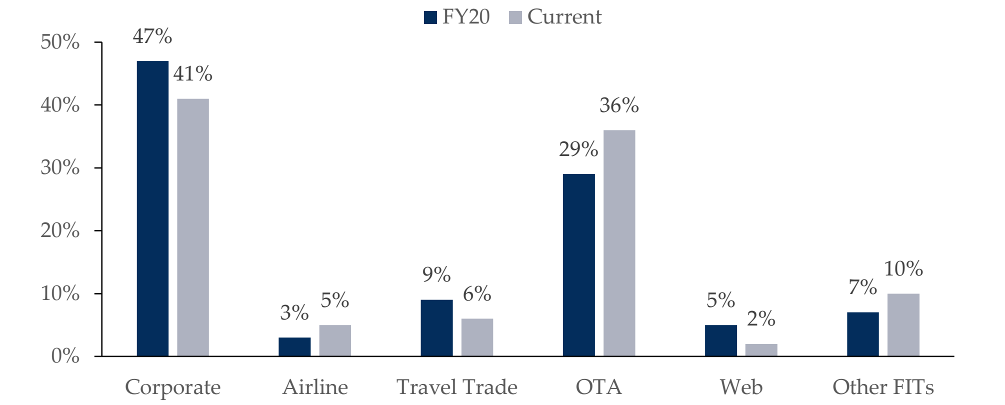
Over 60% of LTH's room inventory is located in Tier-1 cities

Dominance across the demand-dense mid-market segment in India: Over 60% of LTH's room inventory is located in India's tier-I cities, which typically command a higher share of demand along with higher ARRs. These include the cities of Gurugram (NCR), Hyderabad, New Delhi (NCR), Bengaluru, Mumbai, and Pune. Also, ~85% of LTH's customers comprise domestic travellers, owing to its presence in the midscale/economy and upper midscale segments.

The share of high margin retail booking inched up to 50% in 1HFY23 vs 35% in FY19

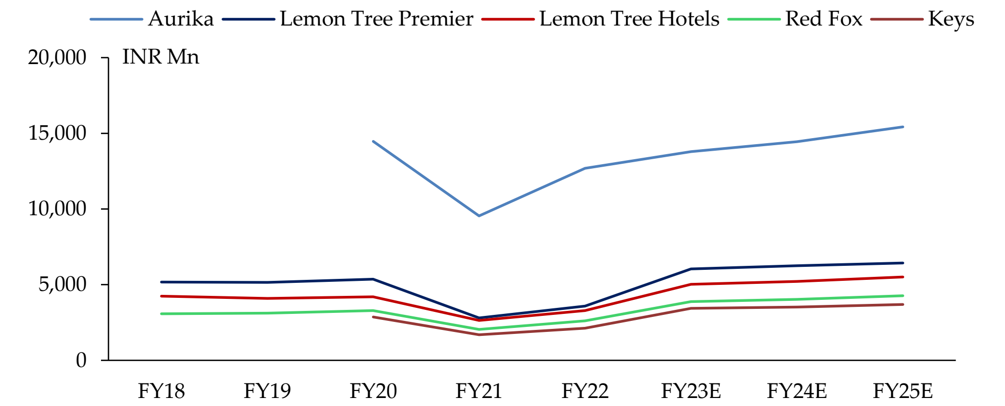
We believe that the above customer profile has enabled LTH to see a faster recovery in room occupancies after the pandemic. And with the resumption of economic activity, domestic travel will continue to flourish, especially the corporate segment, which accounts for ~40-45% of its room revenue share. Further, with increasing penetration of bookings via the OTA platform, LTH has been witnessing a rising proportion of bookings through this segment (36% in Q2FY23 vs 29% in Q2FY20). Also, the company has been witnessing a rising proportion of retail bookings in its portfolio, which commands better ARR and margins vis-a-vis corporate bookings. The bulk of retail bookings are made through OTA platforms and with the expectation of further penetration of OTA usage among the new generations, the management expects margins to remain high in the coming years. The share of retail bookings in the overall portfolio already inched up to ~50% in H1FY23 vs 35% in FY19 and management expects the same to remain at 50-60% in the long run.

Exhibit 47: Market Segment Room Revenue Share



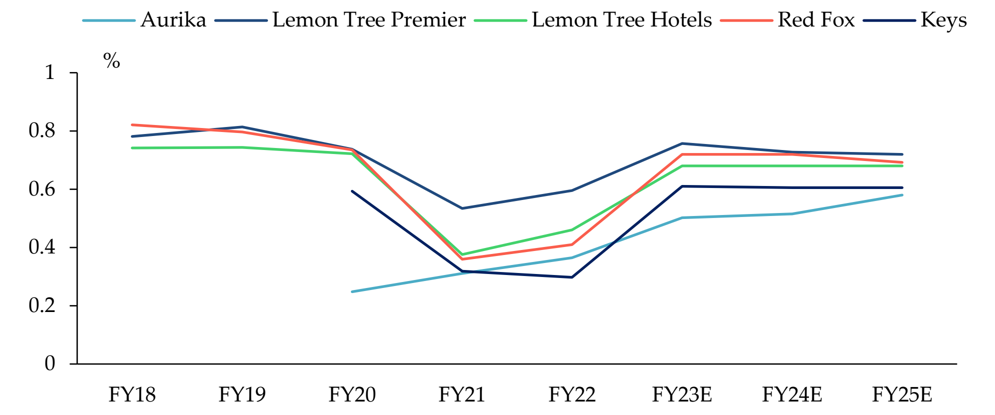
Source: Company, HSIE Research

Exhibit 48: ARR trend over the years



Source: Company, HSIE Research

Exhibit 49: Occupancy Rate trend over the years



Source: Company, HSIE Research

EBITDA margin is expected to expand from 33.3% in FY22 to 48.9% in FY25E

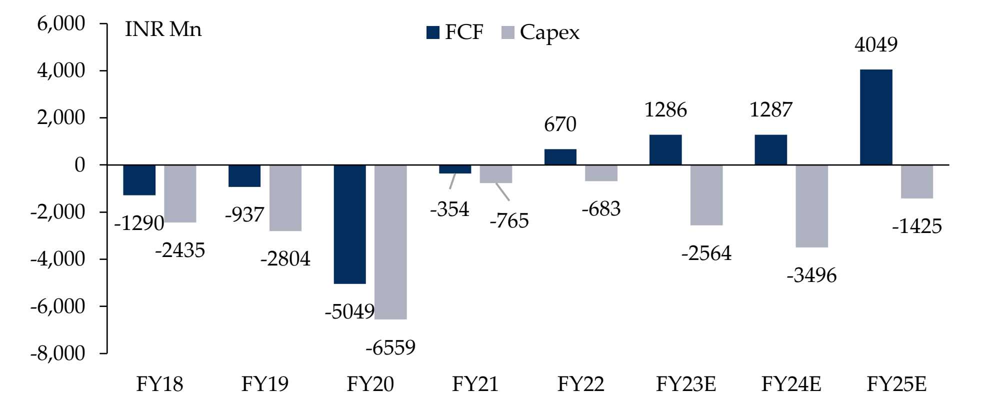
Expect 47.7%/68.0% CAGR in revenue/EBITDA over FY22-FY25E: We expect LTH's consolidated revenue to grow at a CAGR of 47.7% over FY22-FY25E to reach INR13bn in FY25E, led by improved ARR, better occupancy and room additions. EBITDA, however, is expected to grow more significantly at a CAGR of 68.0% to INR6.3bn over the same period, led by sustainable cost reduction initiatives and a shift to an asset-light strategy. Also, EBITDA growth will be driven by a higher contribution from retail booking and incremental income from the premium Aurika Mumbai property. The EBITDA margin is expected to escalate from 33.3% in FY22 to 48.9% in FY25E. PAT is expected to increase at a robust CAGR of 237.7% over FY22-FY25E to INR3.3bn, led by improved operational performance and reduced interest expenses due to phased debt repayments.

Internal cash flow enough to fuel future Capex; debt to reduce in phases from FY25

LTH to generate FCF of approximately INR6.9bn over FY23-FY25E after incurring a Capex of INR7.2bn

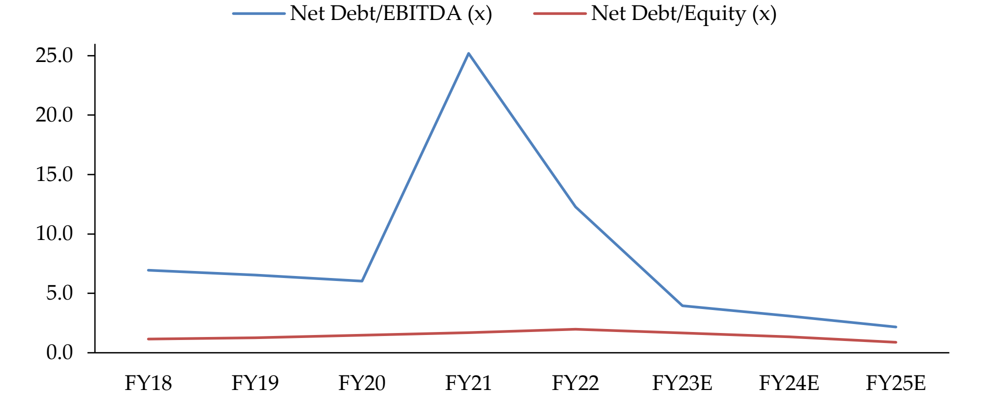
We expect internal accruals to be sufficient to meet the upcoming Capex requirements for LTH. We expect LTH to generate FCF of approximately INR6.9bn over FY23-FY25E after incurring a Capex of INR7.2bn over the same period. As LTH has no further plans to add inventory of owned hotels under its portfolio after Aurika and Shimla properties, we believe it would incur only maintenance Capex to the tune of INR300-INR350mn from FY26 onwards. We expect the company to maintain CFO/sales at around 43% over FY23E-FY25E. With decreasing Capex requirements, we expect LTH's FCF/sales to increase from 17% in FY22 to 32% in FY25E.

Exhibit 50: FCF and Capex



Source: Company, HSIE Research

Exhibit 51: Net debt to EBITDA and net debt to equity



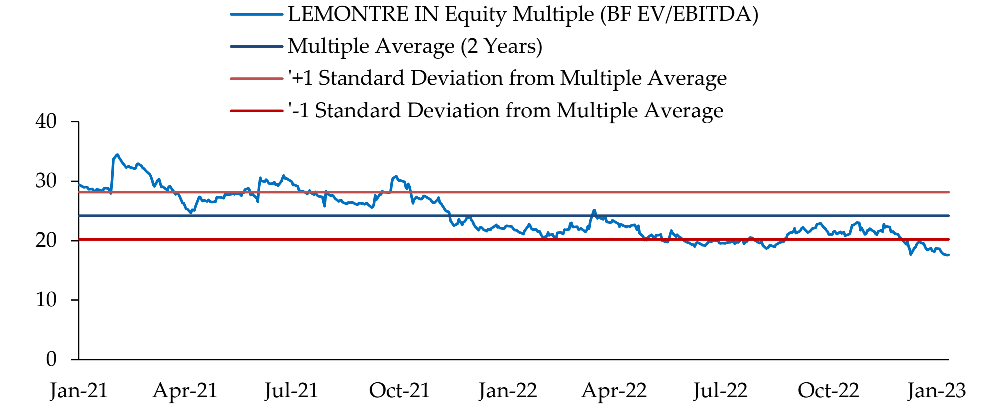
Source: Company, HSIE Research

Accordingly, management expects to begin debt repayment from FY25 onwards and its net debt to equity is expected to decline from 2.0x in FY22 to 0.9x in FY25. Net debt to EBITDA is expected to decline from 12.3x in FY22 to 2.2x in FY25E. Improved profitability and decreasing D/E are expected to improve LTH's RoE to 23.8% in FY25E vs -1.1% in FY20. The RoCE is expected to enhance from 4% in FY20 to 11.1% in FY25E.

Initiate with a BUY rating and TP of INR 108/share with an upside potential of 44% from the CMP;

Accordingly, we initiate coverage on Lemon Tree Hotels (LTH) with a BUY rating and a target price of INR108/share, valuing it at 17x FY25E EV/EBITDA which is at a discount to its past two-year average forward EV/EBITDA multiple of 24x. The conservative stance is primarily to factor in rising inflationary concern and end of an era of ultra-low interest rates.

Exhibit 52: LTH EV/EBITDA trend



Source: Company, HSIE Research

Key Risk

Global Recession: Although India is in sweet spot and current rising demand has brought some cheer to the sector, rising cost of materials, high manpower costs, increasing borrowing costs due to rising interest rates might hurt hotel operations and margins. However, since the demand is outpacing supply in the current cycle, we believe hoteliers have the upper hand and can pass on some of these rising costs to the customers in the form of higher ARR.

Cyclical industry: Operating performance of the company remains vulnerable to industry cyclicality/seasonality, macro-economic cycles and exogenous factors. However, given the diverse presence of its portfolio has partially mitigated the risk and company will able to withstand any demand vulnerability in a particular/micro segment.

Financials (Consolidated)

INCOME STATEMENT

INR mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**4,843**	**5,495**	**6,695**	**2,517**	**4,023**	**8,916**	**11,107**	**12,970**
Growth (%)	***2.1***	***13.5***	***21.8***	***-62.4***	***59.8***	***121.6***	***24.6***	***16.8***
Food and beverages consumed	436	498	570	178	279	546	666	813
Employees Cost	1,096	1,205	1,553	704	973	1,607	1,978	2,305
Power & Fuel Cost	485	527	613	327	438	727	903	967
Other Expenses	1,465	1,577	1,524	695	994	1,850	2,173	2,538
EBITDA	**1,362**	**1,688**	**2,434**	**613**	**1,339**	**4,186**	**5,386**	**6,347**
EBITDA Margin (%)	***28.1***	***30.7***	***36.4***	***24.3***	***33.3***	***46.9***	***48.5***	***48.9***
EBIDTA Growth (%)	***16.9***	***23.9***	***44.2***	***-74.8***	***118.5***	***212.5***	***28.7***	***17.8***
Depreciation	526	541	922	1,076	1,043	866	987	916
EBIT	**836**	**1,147**	**1,512**	**-463**	**296**	**3,320**	**4,399**	**5,430**
Other Income (Including EO Items)	78	99	58	133	-12	215	230	241
Interest	735	801	1,565	1,817	1,740	1,414	1,436	1,247
PBT	**178**	**445**	**5**	**-2,147**	**-1,456**	**2,121**	**3,194**	**4,424**
Tax	38	-111	109	-322	-72	530	798	1,106
RPAT	**141**	**556**	**-104**	**-1,825**	**-1,384**	**1,591**	**2,395**	**3,318**
EO (Loss) / Profit (Net of Tax)	-	-	-	-	-114	-	-	-
APAT	**141**	**556**	**-104**	**-1,825**	**-1,269**	**1,591**	**2,395**	**3,318**
APAT Growth (%)		*295.6*	*-118.6*	*1,659.5*	*-30.4*	*-225.3*	*50.6*	*38.5*
AEPS	**0.2**	**0.7**	**-0.1**	**-2.3**	**-1.6**	**2.0**	**3.0**	**4.2**
EPS Growth (%)		*294.2*	*-118.6*	*-1,659.3*	*30.5*	*225.3*	*50.6*	*38.5*

Source: Company, HSIE Research

BALANCE SHEET

INR mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCES OF FUNDS								
Share Capital	7,864	7,893	7,903	7,904	7,908	7,908	7,908	7,908
Reserves	284	857	1,986	1,272	404	1,995	4,391	7,709
Total Shareholders' Funds	**8,148**	**8,750**	**9,889**	**9,176**	**8,312**	**9,903**	**12,299**	**15,617**
Minority Interest	4,286	4,322	5,559	6,174	5,676	5,676	5,676	5,676
Long-term Debt	9,313	11,347	14,509	15,135	15,535	15,535	15,535	13,575
Short-term Debt	357	12	596	1,718	1,452	1,580	1,405	1,455
Total Debt	**9,670**	**11,360**	**15,105**	**16,853**	**16,986**	**17,115**	**16,940**	**15,030**
Deferred tax liability	42	0	0	37	20	20	20	20
Lease Liabilities	0	0	4,619	4,671	4,247	4,247	4,247	4,247
Other Non-Current Liabilities	302	380	24	29	26	28	32	34
TOTAL SOURCES OF FUNDS	**22,449**	**24,811**	**35,195**	**36,939**	**35,269**	**36,990**	**39,214**	**40,624**
APPLICATION OF FUNDS								
Net Block	**14,489**	**15,894**	**26,518**	**25,713**	**25,096**	**24,425**	**31,933**	**31,772**
CWIP	5,559	6,639	1,896	2,418	2,946	5,239	165	750
Investments	26	63	96	46	37	37	37	37
Other Non-Current Assets	3,126	3,157	7,645	7,706	6,963	6,994	7,024	7,052
Total Non-current Assets	**23,200**	**25,753**	**36,155**	**35,883**	**35,041**	**36,695**	**39,159**	**39,611**
Inventories	54	60	82	72	81	94	100	108
Debtors	525	844	503	308	291	435	485	525
Cash & Equivalents	213	314	408	1,411	543	589	314	1,265
Other Financial Assets	166	34	43	42	24	30	47	55
Current Investments	120	287	44	9	59	60	61	62
Other Current Assets	304	427	392	460	312	354	394	410
Total Current Assets	1,382	1,966	1,473	2,302	1,310	1,562	1,402	**2,426**
Creditors	811	958	842	774	585	717	757	796
Provisions	27	38	43	49	198	206	206	206
Current Tax liabilities	177	266	252	164	191	235	272	297
Other Current Liabilties	1,117	1,645	1,296	259	108	110	112	114
Total Current Liabilities	**2,132**	**2,907**	**2,432**	**1,246**	**1,081**	**1,267**	**1,346**	**1,412**
Net Current Assets	**-751**	**-942**	**-959**	**1,056**	**228**	**295**	**55**	**1,014**
TOTAL APPLICATION OF FUNDS	**22,449**	**24,811**	**35,195**	**36,939**	**35,269**	**36,990**	**39,214**	**40,624**

Source: Company, HSIE Research

CASH FLOW STATEMENT

INR Mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	183	453	-22	-2,187	-1,446	2,121	3,194	4,424
Non-operating & EO Items	-34	-40	19	-140	-41	0	0	0
Interest Expenses	737	800	1,571	1,890	1,786	1,414	1,436	1,247
Depreciation	526	541	922	1,076	1,043	866	987	916
Working Capital Change	-236	246	-967	-324	27	-21	-35	-7
Tax Paid	-32	-134	-13	96	-17	-530	-798	-1,106
OPERATING CASH FLOW (a)	**1,145**	**1,867**	**1,510**	**410**	**1,353**	**3,850**	**4,783**	**5,474**
Capex	-2,430	-2,800	-6,331	-644	-668	-2,464	-3,396	-1,305
Free Cash Flow (FCF)	*-1,284*	*-933*	*-4,821*	*-234*	*685*	*1,386*	*1,387*	*4,169*
Investments	-76	-192	208	45	-26	-23	-34	-36
Non-operating Income	-95	97	41	-57	240	-34	-22	-28
INVESTING CASH FLOW (b)	**-2,601**	**-2,895**	**-6,082**	**-656**	**-454**	**-2,521**	**-3,452**	**-1,369**
Debt Issuance/(Repaid)	2,124	1,845	2,415	598	134	129	-174	-1,909
Interest Expenses	-741	-776	-1,143	-969	-1,400	-1,414	-1,436	-1,247
Other Financing activity	-1	0	3,273	1,482	-372	2	4	2
Share Capital Issuance	108	62	22	2	8	0	0	0
Dividend	0	0	0	0	0	0	0	0
FINANCING CASH FLOW (c)	**1,490**	**1,132**	**4,567**	**1,112**	**-1,630**	**-1,283**	**-1,606**	**-3,154**
NET CASH FLOW (a+b+c)	**34**	**104**	**-6**	**866**	**-732**	**46**	**-275**	**951**
Opening cash balance	176	210	414	408	1,275	543	589	314
Closing Cash & Equivalents	**210**	**314**	**408**	**1,275**	**543**	**589**	**314**	**1,265**

Source: Company, HSIE Research

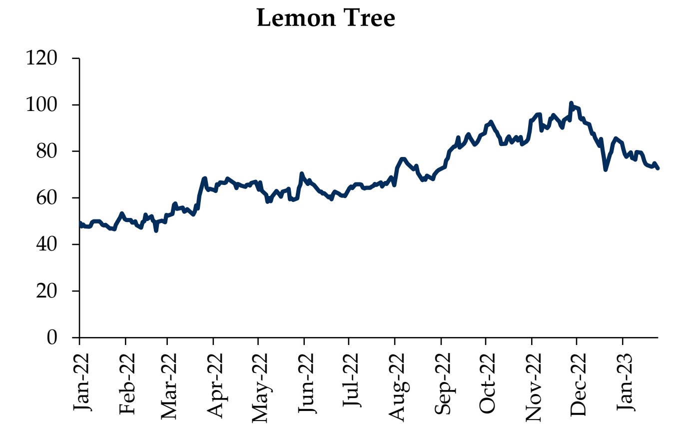
KEY RATIOS

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY (%)								
GPM	81.0	81.3	82.3	79.9	82.2	85.7	85.9	86.3
EBITDA Margin	28.1	30.7	36.4	24.3	33.3	46.9	48.5	48.9
EBIT Margin	17.3	20.9	22.6	-18.4	7.4	37.2	39.6	41.9
APAT Margin	2.9	10.1	-1.5	-72.5	-31.6	17.8	21.6	25.6
RoE	1.7	6.6	-1.1	-19.1	-14.5	17.5	21.6	23.8
RoCE	2.9	3.7	4.0	-0.7	0.6	7.8	9.6	11.1
Core RoCE	2.7	3.5	3.9	-1.1	0.7	7.4	9.2	10.9
EFFICIENCY								
Tax Rate (%)	21.2	-25.0	2,149.7	15.0	5.0	25.0	25.0	25.0
Asset Turnover (x)	0.2	0.2	0.2	0.1	0.1	0.2	0.3	0.3
Inventory (days)	4	4	4	10	7	4	3	3
Debtors (days)	40	56	27	45	26	18	16	15
Payables (days)	61	64	46	112	53	29	25	22
Cash Conversion Cycle (days)	-17	-4	-14	-57	-19	-8	-6	-5
Net Debt/EBITDA (x)	6.9	6.5	6.0	25.2	12.3	3.9	3.1	2.2
Net D/E	1.2	1.3	1.5	1.7	2.0	1.7	1.4	0.9
Interest Coverage	1.9	2.1	1.6	0.3	0.8	3.0	3.8	5.1
PER SHARE DATA								
EPS (Rs/sh)	0.2	0.7	-0.1	-2.3	-1.6	2.0	3.0	4.2
CEPS (Rs/sh)	0.8	1.4	1.0	-0.9	-0.3	3.1	4.3	5.4
DPS (Rs/sh)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BV (Rs/sh)	10.4	11.1	12.5	11.6	10.5	12.5	15.6	19.7
VALUATION								
P/E	374.2	114.2	-650.0	-9.4	-23.1	37.1	24.7	17.8
P/BV	6.5	7.3	6.8	1.9	3.5	6.0	4.8	3.8
EV/EBITDA	45.9	44.3	33.8	53.4	34.2	18.1	14.1	11.5
OCF/EV (%)	1.8	2.5	1.8	1.3	3.0	5.1	6.3	7.5
FCF/EV (%)	-2.1	-1.2	-5.9	-0.7	1.5	1.8	1.8	5.7
Dividend Yield (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: Company, HSIE Research

Particulars	IHCL					LTH					CHALET					EIH				
	FY20	FY21	FY22	FY23E	FY24E	FY20	FY21	FY22	FY23E	FY24E	FY20	FY21	FY22	FY23E	FY24E	FY20	FY21	FY22	FY23E	FY24E
Revenue in INR Mn	44,631	15,752	30,562	53,221	58,183	6,695	2,517	4,023	8,916	11,107	9,009	2,116	4,144	10,915	14,032	15,963	4,971	9,853	15,913	18,118
Revenue growth rate(%)	-1.08	-64.71	94.03	74.14	9.32	21.82	-62.40	59.79	121.64	24.57	-6.16	-76.51	95.83	163.37	28.56	-11.85	-68.86	99.64	61.51	13.86
EBITDA in INR Mn	9,675	-3,618	4,048	16,692	18,519	2,434	613	1,339	4,186	5,386	3,366	71	985	4,168	5,996	2,903	-2,919	-13	2,858	4,049
EBITDA growth rate (%)	16.61	-137.39	-211.88	312.39	10.94	44.23	-74.83	118.54	212.53	28.68	5.45	-97.91	1,296.44	323.21	43.88	-28.83	-200.56	99.55	22,534.85	41.66
EBITDA Margin (%)	21.68	-22.97	13.24	31.36	31.83	36.36	24.34	33.29	46.95	48.50	37.36	3.33	23.76	38.18	42.73	18.18	-58.72	-0.13	17.96	22.35
Adj PAT	3,330	-9,156	-2,767	10,109	11,468	-104	-1,825	-1,269	1,591	2,395	996	-1,391	-815	1,056	2,365	1,488	-3,697	-975	2,351	2,675
Adj PAT growth rate (%)	14.37	-374.93	-69.78	-465.35	13.45	-118.65	1,659.49	-30.43	-225.32	50.55	-1,406.23	-239.60	-41.38	229.50	-124.01	13.13	-348.43	73.64	341.24	13.78
Adj PAT Margin	7.46	-58.13	-9.05	18.99	19.71	-1.55	-72.49	-31.56	17.84	21.57	11.06	-65.72	-19.67	9.67	16.85	9.32	-74.38	-9.89	14.77	14.76
Net D/E	0.45	0.95	0.11	-0.07	-0.15	1.49	1.68	1.98	1.67	1.35	114.11	142.16	186.22	186.65	NA	14.54	10.83	5.11	2.02	NA
EV/EBITDA	11.38	-45.12	72.49	26.22	23.17	43.16	234.78	225.39	109.83	85.36	17.76	710.68	88.30	22.71	15.78	14.92	22.51	NA	28.66	24.27
P/E Ratio	25.77	-18.50	-153.28	45.64	40.14	-871.45	-70.38	-246.33	278.55	185.02	42.22	NA	NA	64.69	30.52	25.31	NA	NA	44.39	39.23
ROE %	7.65	-22.87	-5.17	13.36	13.26	-1.11	-19.14	-14.52	17.47	21.58	6.69	-9.36	-5.91	8.05	13.68	4.86	-11.85	-3.18	7.40	8.10
ROCE %	7.22	-4.08	1.35	10.21	11.22	4.00	-0.74	0.63	7.77	9.59	11.48	-3.6	NA	2.7	3.9	8.54	NA	NA	NA	NA

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

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