

# Lemon Tree Hotels

**Estimate change**

**TP change**

**Rating change**

**CMP: INR19**
**TP: INR25 (+33%)**
**Buy**

## Cost rationalization to support operating performance

### In-line revenue; EBITDA above estimates

Bloomberg	LEMONTRE IN
Equity Shares (m)	786
M.Cap.(INRb)/(USDb)	14.9 / 0.2
52-Week Range (INR)	77 / 14
1, 6, 12 Rel. Per (%)	8/-52/-58
12M Avg Val (INR M)	80

### Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	6.7	3.5	5.9
EBITDA	2.4	1.1	2.4
PAT	-0.1	-1.4	-0.3
EBITDA (%)	35.6	30.1	41.2
EPS (INR)	(0.1)	(1.7)	(0.4)
EBITDA Gr. (%)	41.2	(55.8)	131.1
BV/Sh. (INR)	10.5	8.8	8.4

### Ratios

Net D/E	1.9	2.0	2.1
RoE (%)	(1.1)	(18.0)	(4.3)
RoCE (%)	4.7	(0.2)	4.1
Payout (%)	-	-	-

### Valuations

P/E (x)	(147.5)	(10.4)	(48.3)
EV/EBITDA (x)	15.4	34.8	15.0
Div Yield (%)	-	-	-
FCF Yield (%)	(32.3)	11.4	12.0

### Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	31.2	31.2	30.9
DII	17.1	17.1	9.0
FII	23.7	24.0	13.9
Others	28.0	27.6	46.3

- Lemon Tree Hotels (LEMONTRE)'s revenue grew 17% YoY, with like-for-like EBITDA (adj. for Ind-AS) growing 13%, largely driven by new hotel additions (absent in the base quarter) and the Keys Hotels acquisition. COVID-19 dented performance, reflected in decline in occupancy by 13pp YoY (to 65%) during the quarter. This led to decline of 13% in RevPAR; thus, on a same-hotel basis, EBITDA declined 22% YoY, restricting consolidated EBITDA growth.
- MoM improvement at LEMONTRE's operational hotel is quite impressive; operational hotels generated hotel-level GOP of INR22m in May'20 (v/s INR1m in April'20).
- Factoring in near-term weakness in demand, we cut our revenue estimates by 28%/24% for FY21/FY22 and EBITDA estimates by 1%/16% for FY21/FY22.

### EBITDA performance driven by new hotels and Keys acquisition

- Revenue stood at INR1,761m (est.: INR1,837m) in 4QFY20, up 17% YoY, led by a 45% increase in owned/leased room inventory (to 5,192), 3% YoY increase in ARR (to INR4,530), and the Keys Hotels acquisition. On the other hand, this was offset by 16.5pp decline in occupancy (to 61%).
- On a same-hotel basis (excluding hotels commissioned in the past 12 months), ARR grew 4.5% YoY (to INR4,604), offset by 12.7pp decline in occupancy (to 64.9%); thus, RevPAR declined 13% YoY (to INR2,988).
- Reported EBITDA stood at INR639m (est.: INR552m), up 31% YoY. However, like-for-like EBITDA (adj. for the Ind-AS 116 impact) stood at INR552m, up 13% YoY. Like-for-like EBITDA margins contracted 120bp to 31.4%.
- On a same-hotel basis, EBITDA declined 22% YoY (to INR380m), EBITDA from new hotels (RFH Chandigarh, LTP Mumbai, LTP Kolkata, and Aurika Udaipur) stood at INR124m, and EBITDA from Keys Hotels was INR46m, thus totaling pre-Ind-AS EBITDA of INR552m.
- Keys Hotels generated revenue of INR175m, with EBITDA of INR46m (operated at an occupancy of 52.4%, with an ARR of INR2,571 during the quarter).
- Of the 5,183 owned/lease rooms of LEMONTRE, 66% were operational in April'20, which increased to 78% in May'20. Occupancy (on operational room inventory) for April declined 43.9pp YoY (to 33.4%), with 28% YoY decline witnessed in ARR (to INR2,881). This translated to 76% decline in revenue (to INR108m), with hotel-level GOP of INR1m (down 99.5% YoY).
- **However, in May'20, occupancy improved 611bp MoM to 39.6% (down 38pp YoY), but ARR declined 9% MoM to INR2,625 (down 34% YoY). This translated to MoM revenue growth of 25% to INR135m (down 71% YoY). In May, the company generated hotel-level GOP of INR22m, up 22x MoM (16% margin v/s 0.9% in April), which is quite impressive, in our view. This is primarily driven by cost-cutting measures deployed.**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Highlights from management commentary**

- Demand for rooms is currently witnessed from: quarantined guests, healthcare staff (doctors and nurses), and some customers staying at hotels as part of their employer's business continuity plan.
- 75–76% of the company's total expenses are fixed in nature; the company has managed to reduce this by 60% and variable cost by 35%. It expects to achieve breakeven at 27–30% of normal revenue.
- APG has agreed to invest INR3b in Fleur (a subsidiary of LEMONTRE) through Compulsorily Convertible Preference Shares, which would be converted into equity after 30 months. The company has drawn down INR1.75b initially. LEMONTRE would inject an additional 100% in owned assets in Fleur at the end of 30 months to retain current majority ownership. This is aligned with the company's asset monetization plan / asset light strategy.
- Currently, it is only executing Aurika, the Mumbai hotel. Capex of INR300–350m is expected in FY21 and INR1b in FY22.
- Some cost-cutting measures shall also persist post COVID-19, which would increase the EBITDA margin by 500–700bps.

**Valuation and view**

- The Hotel sector has been the first hit due to COVID-19 and would be the last one to recover; demand recovery would happen in a phased manner.
- Near-term demand would remain under pressure as passenger movement in airways and railways would be partially restricted or people would avoid traveling. Business travel would be done only in the utmost necessary situation and MICE/exhibition demand would not exist as large gatherings would be restricted.
- However, LEMONTRE operates at the mid-priced market, which is likely to witness demand recovery at a faster pace.
- One of the key concerns on the stock is high debt has been addressed through funds raised from APG; additionally, the company has deployed several cost-cutting measures, which would aid in generating cash flows.
- Factoring near-term weakness in demand, we cut our revenue estimates by 28%/24% for FY21/FY22 and EBITDA estimates by 1%/16% for FY21/FY22.
- We value the stock on an SOTP basis and arrive at a target price of INR25. Maintain **Buy**.

**Reported Cons. Quarterly Perf.**

(INR m)

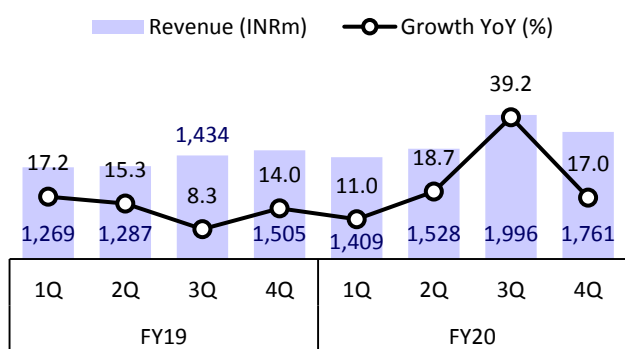
Y/E March	FY19				FY20				FY19	FY20	FY20	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE		(%)
<b>Gross Sales</b>	<b>1,269</b>	<b>1,287</b>	<b>1,434</b>	<b>1,505</b>	<b>1,409</b>	<b>1,528</b>	<b>1,996</b>	<b>1,761</b>	<b>5,495</b>	<b>6,694</b>	<b>1,837</b>	<b>-4</b>
YoY Change (%)	17.2	15.3	8.3	14.0	11.0	18.7	39.2	17.0	13.5	21.8	22.0	
Total Expenditure	921	927	943	1,016	962	1,043	1,184	1,122	3,807	4,311	1,285	
<b>EBITDA</b>	<b>348</b>	<b>360</b>	<b>490</b>	<b>489</b>	<b>448</b>	<b>484</b>	<b>812</b>	<b>639</b>	<b>1,688</b>	<b>2,383</b>	<b>552</b>	<b>16</b>
Margins (%)	27.4	28.0	34.2	32.5	31.8	31.7	40.7	36.3	30.7	35.6	30.1	
Depreciation	131	132	135	143	172	196	227	277	541	872	250	
Interest	197	198	214	238	309	325	452	487	847	1,573	450	
Other Income	19	59	27	40	21	9	32	4	145	67	39	
<b>PBT before EO expense</b>	<b>40</b>	<b>89</b>	<b>168</b>	<b>148</b>	<b>-12</b>	<b>-27</b>	<b>165</b>	<b>-121</b>	<b>445</b>	<b>5</b>	<b>-109</b>	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>40</b>	<b>89</b>	<b>168</b>	<b>148</b>	<b>-12</b>	<b>-27</b>	<b>165</b>	<b>-121</b>	<b>445</b>	<b>5</b>	<b>-109</b>	
Tax	20	28	34	-194	7	1	46	56	-111	109	-31	
Rate (%)	51.4	31.8	20.5	-131.0	-59.7	-2.2	27.6	-45.8	-25.0	2215.8	28.0	
MI & P/L of Asso. Cos.	-4	4	9	18	-2	-6	-3	2	27	-9	1	
<b>Reported PAT</b>	<b>23</b>	<b>57</b>	<b>125</b>	<b>325</b>	<b>-17</b>	<b>-22</b>	<b>122</b>	<b>-179</b>	<b>529</b>	<b>-95</b>	<b>-79</b>	<b>NA</b>
<b>Adj PAT</b>	<b>23</b>	<b>57</b>	<b>125</b>	<b>325</b>	<b>-17</b>	<b>-22</b>	<b>122</b>	<b>-179</b>	<b>529</b>	<b>-95</b>	<b>-79</b>	<b>NA</b>
YoY Change (%)	-196.7	-228.3	38.1	185.5	NA	NA	-2.1	NA	272.6	NA	NA	
Margins (%)	1.8	4.4	8.7	21.6	-1.2	-1.4	6.1	-10.2	9.6	-1.4	-4.3	

**Key Performance Indicators**

Y/E March	FY19				FY20				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Occupancy (%)	76.8	78.3	72.8	77.6	77.5	74.8	71.3	61.0	76.3	73.1
ARR (INR)	3,899	3,939	4,465	4,405	4,002	4,133	4,644	4,530	4,180	4,556
Change (%)	15.5	8.6	4.8	4.0	2.6	4.9	4.0	2.8		9.0
RevPAR (%)	2,955	3,083	3,249	3,416	3,103	3,090	3,311	2,764	3,189	3,332
Change (%)	17.7	11.8	(0.1)	4.4	5.0	0.2	1.9	(19.1)		4.5
<b>Cost Break-up</b>										
F&B Cost (% of sales)	9.4	9.2	8.8	8.9	8.8	8.7	8.4	8.3	9.1	8.5
Staff Cost (% of sales)	23.0	23.0	20.9	21.1	23.9	24.0	21.1	24.3	21.9	23.2
Rent (% of sales)	5.8	5.7	5.3	4.6	1.2	1.4	1.1	1.1	5.3	1.2
Power and fuel (% of sales)	10.7	10.5	9.0	8.4	10.5	10.5	8.0	8.2	9.6	9.2
Other Cost (% of sales)	23.7	23.6	21.8	24.5	23.8	23.8	20.8	21.7	23.4	22.3
Gross Margins (%)	90.6	90.8	91.2	91.1	91.2	91.3	91.6	91.7	90.9	91.5
EBITDA Margins (%)	27.4	28.0	34.2	32.5	31.8	31.7	40.7	36.3	30.7	35.6
EBIT Margins (%)	17.1	17.7	24.8	23.0	19.6	18.9	29.3	20.6	20.9	22.6

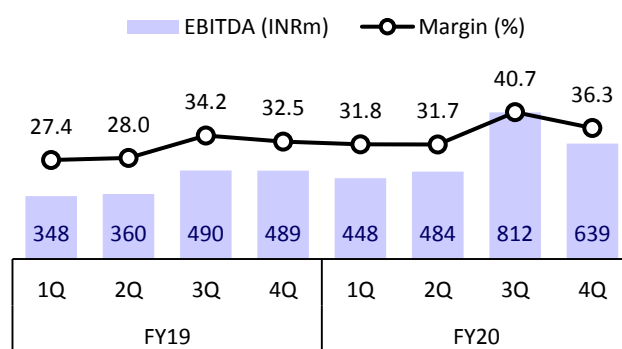
**Key Exhibits**

**Exhibit 1: Consolidated revenue trend**



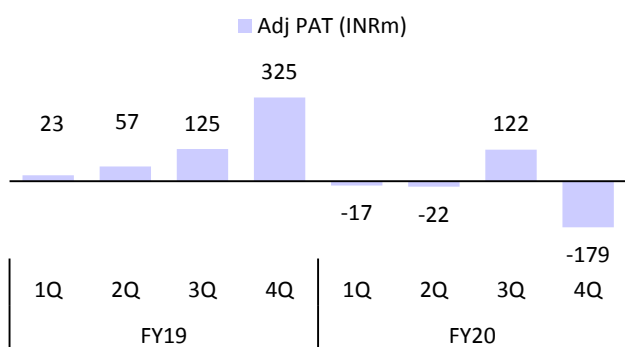
Source: Company, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



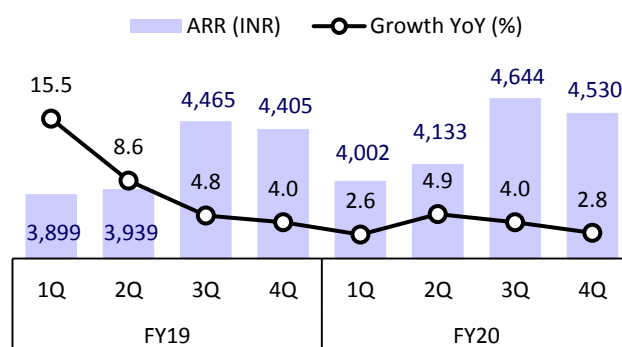
Source: Company, MOFSL

**Exhibit 3: Consolidated adj PAT trend**



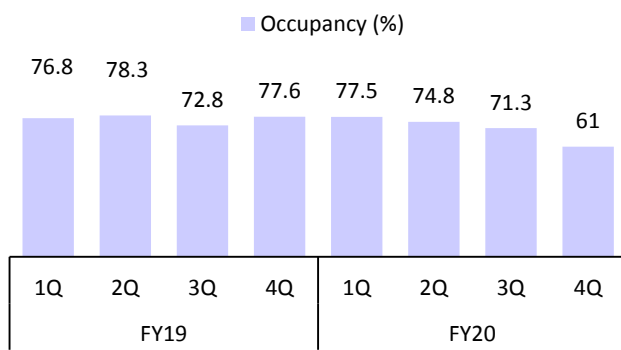
Source: Company, MOFSL

**Exhibit 4: ARR trend**



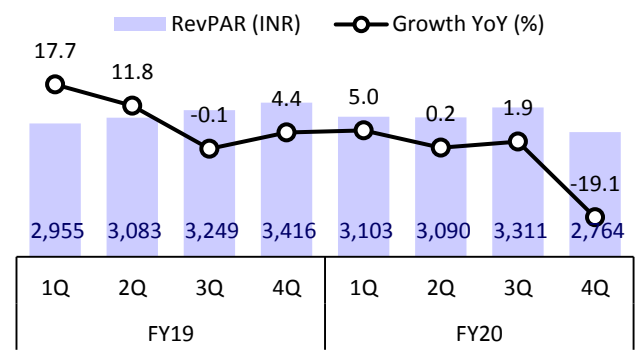
Source: Company, MOFSL

Exhibit 5: Occupancy trend



Source: Company, MOFSL

Exhibit 6: RevPAR trend



Source: Company, MOFSL

Exhibit 7: Portfolio break-up as on 15<sup>th</sup> May, 2020 – Operational

Operational Portfolio	Owned		Leased		Managed/ Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
<b>15.05.2020</b>								
Aurika	1	139	-	-	-	-	1	139
Lemon Tree Premier	7	1,442	2	161	6	604	15	2,207
Lemon Tree Hotels	13	1,241	4	321	18	1,084	35	2,646
Red Fox Hotels	5	759	2	193	5	471	12	1,423
Keys Prima	-	-	-	-	1	115	1	115
Keys Select	7	936	-	-	7	493	14	1,429
Keys Lite	-	-	-	-	2	47	2	47
<b>Total</b>	<b>33</b>	<b>4,517</b>	<b>8</b>	<b>675</b>	<b>39</b>	<b>2,814</b>	<b>80</b>	<b>8,006</b>

Source: Company, MOFSL

Exhibit 8: Portfolio break-up as on 15<sup>th</sup> May, 2020 – Pipeline

In Pipeline	Owned		Leased		Managed/ Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
<b>15.05.2020</b>								
Aurika	1	669	-	-	-	-	1	669
Lemon Tree Premier	-	-	-	-	5	417	5	417
Lemon Tree Hotels	1	79	-	-	19	1,412	20	1,491
Red Fox Hotels	-	-	-	-	1	80	1	80
Keys Prima	-	-	-	-	1	40	1	40
Keys Select	-	-	-	-	-	-	-	-
Keys Lite	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>748</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>1,949</b>	<b>28</b>	<b>2,697</b>

Source: Company, MOFSL

Exhibit 9: COVID-19 – Performance summary (Owned/Leased Rooms)

In INRm	Apr-20	YoY Change %	May-20	YoY Change %	MoM Change %
Total Inventory (nos)	5,183	41.1%	5,183	41.1%	0.0%
Operational Inventory (Nos)	3,397	-4.8%	4,048	13.7%	19.2%
Occupancy (on operational Inventory)	33.4%	(4325)bps	39.6%	(3813)bps	611bps
ARR (INR)	2,881	-27.7%	2,625	-33.5%	-8.9%
<b>Revenue</b>	<b>108</b>	<b>-76.3%</b>	<b>135</b>	<b>-70.8%</b>	<b>24.7%</b>
<b>Expenses</b>	<b>107</b>	<b>-58.1%</b>	<b>113</b>	<b>-57.4%</b>	<b>5.6%</b>
<b>Hotel Level GOP</b>	<b>0.1</b>	<b>-99.5%</b>	<b>2.2</b>	<b>-88.9%</b>	<b>1966.3%</b>
<b>Operating Cash Flow</b>	<b>(29)</b>		<b>(8)</b>		

Source: Company, MOFSL

**Exhibit 10: Brand-wise operating performance trend**

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
<b>Lemon Tree Premier</b>								
Occupancy (%)	82.1%	84.8%	74.4%	76.3%	85.4%	86.5%	79.1%	66.0%
ARR (INR)	4,770	4,833	5,587	5,337	4,835	4,921	5,839	5,501
Hotel level EBITDAR/room (INRm)	0.23	0.21	0.26	0.25	0.20	0.23	0.28	0.20
Hotel level EBITDAR Margin (%)	46.3%	39.6%	49.2%	48.1%	44.9%	44.7%	49.7%	46.4%
<b>Lemon Tree Hotels</b>								
Occupancy (%)	73.9%	73.2%	73.0%	77.3%	77.4%	72.7%	72.9%	65.6%
ARR (INR)	3,804	3,835	4,341	4,364	3,920	3,948	4,514	4,455
Hotel level EBITDAR/room (INRm)	0.11	0.11	0.18	0.17	0.13	0.12	0.20	0.15
Hotel level EBITDAR Margin (%)	31.0%	30.0%	43.7%	41.0%	35.0%	34.5%	46.9%	41.4%
<b>Red Fox Hotels</b>								
Occupancy (%)	76.1%	80.4%	78.7%	79.8%	76.3%	78.8%	79.6%	62.1%
ARR (INR)	2,903	2,946	3,384	3,265	3,013	3,044	3,676	3,596
Hotel level EBITDAR/room (INRm)	0.10	0.11	0.15	0.14	0.09	0.11	0.17	0.10
Hotel level EBITDAR Margin (%)	43.3%	44.0%	52.8%	47.8%	39.6%	41.2%	55.2%	42.8%

Excludes performance LTP Mumbai, RFH Chandigarh, LTP Kolkata, Aurika, Udaipur, Keys | EBITDAR – Earnings before interest depreciation amortization rent

Source: Company, MOFSL

**Exhibit 11: Consolidated profit and loss breakup – 4QFY20**

INRm	Same Hotels			New Hotels	Total without Key Hotels			Key Hotels		Total	
	4QFY19	4QFY20	YoY Change	4QFY20	4QFY19	4QFY20	YoY Change	4QFY20	4QFY19	4QFY20	YoY Change
Inventory	3,570	3,570	0.0%	686	3,570	4,256	19.2%	936	3,570	5,192	45.4%
ARR	4,405	4,604	4.5%	6,467	4,405	4,856	10.2%	2,751	4,405	4,530	2.8%
Occupancy	77.6%	64.9%	(1,266)	52.6%	77.6%	62.9%	(1,464)	52.4%	77.6%	61.0%	(1,653)
RevPAR	3,416	2,988	-12.5%	3,404	3,416	3,055	-10.6%	1,441	3,416	2,764	-19.1%
<b>Revenue from Operations</b>	<b>1,505</b>	<b>1,320</b>	<b>-12.3%</b>	<b>267</b>	<b>1,505</b>	<b>1,587</b>	<b>5.4%</b>	<b>175</b>	<b>1,505</b>	<b>1,761</b>	<b>17.0%</b>
Total expenses	1,016	940	-7.5%	142.0	1,016	1,082	6.5%	129.0	1,016	1,211	19.2%
<b>EBITDA</b>	<b>489</b>	<b>380</b>	<b>-22.4%</b>	<b>124</b>	<b>489</b>	<b>504</b>	<b>3.0%</b>	<b>46</b>	<b>489</b>	<b>550</b>	<b>12.4%</b>
EBITDA margin (%)	32.5%	28.8%	(372)	46.6%	32.5%	31.8%	(72)	26.3%	32.5%	31.2%	(127)
<b>PBT</b>	<b>143</b>	<b>-</b>	<b>-100.2%</b>	<b>(610)</b>	<b>1,430</b>	<b>(61)</b>	<b>-143.0%</b>	<b>(28)</b>	<b>143</b>	<b>(89)</b>	<b>-162.7%</b>

New Hotels include: RFH Chandigarh, LTP Mumbai, LTP Kolkata & Aurika Udaipur

Source: Company, MOFSL

**Exhibit 12: Operational Performance by Region**

Parameters	Occupancy Rate (%)			Average Daily Rate (INR)			Hotel level EBITDA/room (INRm)			Hotel level EBITDAR Margin		
	4QFY19	4QFY20	Change (bps)	4QFY19	4QFY20	Change (%)	4QFY19	4QFY20	Change (%)	4QFY19	4QFY20	Change (bps)
By Region (#Rooms)												
Delhi (636)	86.8%	72.1%	(1,468)	4,901	5,169	5.4%	0.24	0.2	-18.5%	46.5%	44.2%	(230)
Gurugram (529)	79.2%	64.6%	(1,461)	4,272	4,537	6.2%	0.18	0.15	-14.3%	39.3%	40.5%	117
Hyderabad (663)	83.1%	64.3%	(1,884)	4,178	4,780	14.4%	0.2	0.19	-1.9%	47.8%	52.6%	474
Bengaluru (493)	79.2%	63.4%	(1,582)	4,770	4,504	-5.5%	0.22	0.13	-42.8%	48.7%	37.0%	(1,169)

Excludes performance LTP Mumbai, RFH Chandigarh, LTP Kolkata, Aurika, Udaipur and Keys | EBITDAR – Earnings before interest depreciation amortization rent

Source: Company, MOFSL



## Conference call highlights

- The historical trend related to past pandemics suggests it would take approximately two to three years for normalcy to return.
- **Industry demand and supply:** In India, of the 160k branded hotel rooms, 60k are currently operational. Demand reduced to 50k rooms in April from 150k hotel rooms.

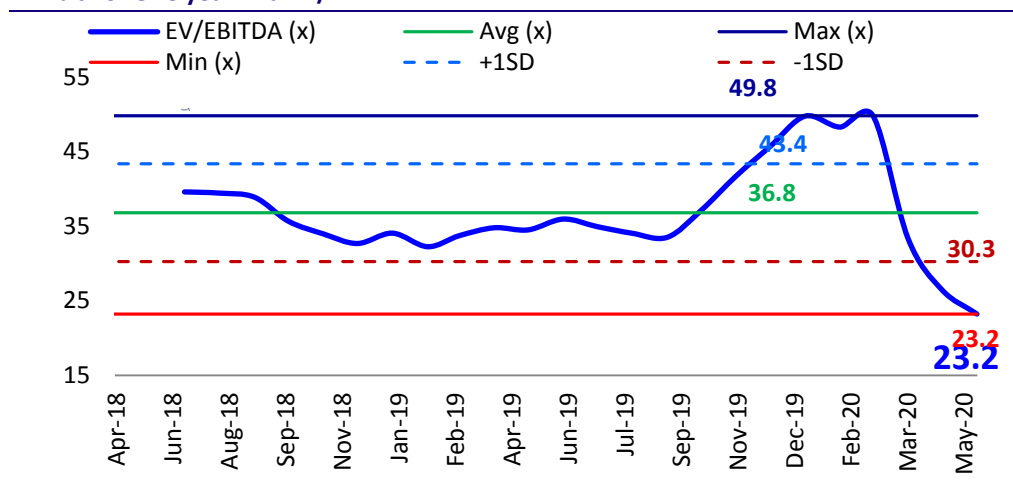
## Capital infusion

- APG has agreed to invest INR3b in Fleur (a subsidiary of LEMONTRE) through Compulsorily Convertible Preference Shares that would be converted into equity after 30 months. The company has drawn down INR1.75b initially. LEMONTRE would inject an additional 100% owned assets at the end of 30 months in Fleur to retain current majority ownership. This is aligned with the company's asset monetization plan / asset light strategy.
- Additionally, the BOD has given approval to raise up to INR1.5b as a precaution to provide an additional liquidity cushion, if required.
- **Employee cost:** Currently, the company employs 8,000 people, 7,000 of which are entry-level employees. The top 1,000 people account for ~45% of the total staff cost. They agreed to take a 50% pay cut; the senior management took a 66% pay cut and Mr Patu Keswani a 100% pay cut. Overall wage outflow reduced 25% due to this initiative. Another 10–15% of non-salary expense in staff cost was also reduced by 90%. Thus, overall employee cost was reduced by 50%.
- **Operations:** Currently, 80% of the company's owned/leased hotels in terms of rooms are operational and running at a 45% occupancy rate.
- Some of the cost-cutting measures shall persist post COVID-19 as well, which would increase the EBITDA margin by 500–700bps.
- **Occupancy guidance:** Due to the prolonged impact of COVID-19, the company expects a 30% occupancy rate for the next seven months.
- The management believes in the absence of vaccine, in two to three years, herd immunity would kick in and the Hotel industry would return to normalcy.
- Additional cost for maintaining hygiene and safety is very low.
- **Capex:** Currently, the company is only executing Aurika, the Mumbai hotel. Capex of INR300–350m is expected in FY21 and INR1b in FY22.
- Less than 15% of LEMONTRE's business comes from international conferences, meetings, and other corporate events. Demand for the same is expected to revive later on as this segment is the worst affected due to COVID-19.
- The company has planned to repay INR4b in debt, of which INR2.5b is toward interest cost and INR1.5b toward the principal.
- **Quarantine businesses:** These are expected to contribute more in the next few months (probably until Sept).
- **Pledge:** This is the advanced stage of raising money in a holding company in the form of four-year non-convertible debentures, which would reduce the pledge percentage.
- **Cost efficiency:** In India, staff per room is 0.95; the company managed to run 4,200 rooms with 1,800 people, reducing the staff-room ratio to 0.45.
- **Cost rationalization:** 75–76% of LEMONTRE's total expenses are fixed and contribute ~50% to normal revenue. The company managed to reduce fixed cost by 60%, which led to 20% reduction in revenue. Variable cost is 13–14% of revenue, which the company managed to reduce by 35% to 9–10% of the total revenue. The company expects to achieve breakeven at 27–30% of normal revenue.

### Valuation

- The Hotel sector was the first hit due to COVID-19 and would be the last one to recover; demand recovery would happen in a phased manner.
- Near-term demand would remain under pressure as passenger movement in airways and railways would be partially restricted / people would avoid traveling. Business travel would be done only in the utmost necessary situations and MICE/exhibition demand would not exist as large gatherings would be restricted.
- However, LEMONTRE operates at the mid-priced market, which is likely to witness demand recovery at a faster pace.
- One of the key concerns on the stock is that high debt has been addressed through funds raised from APG; additionally, the company has deployed several cost-cutting measures that would aid in generating cash flows.
- Factoring the near-term weakness in demand, we cut our revenue estimates by 28%/24% for FY21/FY22 and EBITDA estimates by 1%/16% for FY21/FY22.
- We value the stock on an SOTP basis and arrive at a target price of INR25. Maintain **Buy**.

Exhibit 13: One year fwd EV/EBITDA



Source: MOFSL

**Exhibit 14: Valuation methodology**

Particulars		FY22
EBITDA (FY22)	INRm	2,434
EV/ EBITDA Multiple	x	16
EV	INRm	38,939
Add: Capex for Aurika, Mumbai hotel	INRm	3,200
Less: Net Debt (FY22)	INRm	(13,534)
Less: Minority Interest (FY22)	INRm	(8,895)
Target Value	INRm	19,710
No. of shares	Mn	786
<b>Target Price</b>	<b>INR</b>	<b>25</b>
<b>CMP</b>	<b>INR</b>	<b>19</b>
<b>Upside</b>	<b>%</b>	<b>32</b>

Source: MOFSL

**Exhibit 15: Change in estimates**

Earnings Change (INR m)	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	4,873	7,754	3,495	5,909	-28%	-24%
EBITDA	1,067	2,899	1,053	2,434	-1%	-16%
Adj. PAT	-1,565	-322	-1,356	-291	NA	NA

Source: MOFSL



## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>3,680</b>	<b>4,121</b>	<b>4,843</b>	<b>5,495</b>	<b>6,694</b>	<b>3,495</b>	<b>5,909</b>
Change (%)	26.7	12.0	17.5	13.5	21.8	-47.8	69.1
<b>Total Expenditure</b>	<b>2,668</b>	<b>2,955</b>	<b>3,481</b>	<b>3,807</b>	<b>4,311</b>	<b>2,442</b>	<b>3,476</b>
% of Sales	72.5	71.7	71.9	69.3	64.4	69.9	58.8
<b>EBITDA</b>	<b>1,012</b>	<b>1,166</b>	<b>1,362</b>	<b>1,688</b>	<b>2,383</b>	<b>1,053</b>	<b>2,434</b>
Margin (%)	27.5	28.3	28.1	30.7	35.6	30.1	41.2
Depreciation	522	510	526	541	872	1,170	1,216
<b>EBIT</b>	<b>490</b>	<b>656</b>	<b>836</b>	<b>1,146</b>	<b>1,512</b>	<b>-117</b>	<b>1,218</b>
Int. and Finance Charges	720	776	784	847	1,573	1,729	1,658
Other Income	58	118	126	145	67	35	71
<b>PBT bef. EO Exp.</b>	<b>-172</b>	<b>-2</b>	<b>178</b>	<b>445</b>	<b>5</b>	<b>-1,811</b>	<b>-369</b>
EO Items	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>-172</b>	<b>-2</b>	<b>178</b>	<b>445</b>	<b>5</b>	<b>-1,811</b>	<b>-369</b>
Total Tax	126	48	38	-111	109	-435	-89
Tax Rate (%)	-73.3	-2058.7	21.3	-25.0	2215.8	24.0	24.0
MI/ share of profit from associates	14	10	-2	27	-9	-20	10
<b>Reported PAT</b>	<b>-312</b>	<b>-61</b>	<b>142</b>	<b>529</b>	<b>-95</b>	<b>-1,356</b>	<b>-291</b>
<b>Adjusted PAT</b>	<b>-312</b>	<b>-61</b>	<b>142</b>	<b>529</b>	<b>-95</b>	<b>-1,356</b>	<b>-291</b>
Change (%)	NA	NA	NA	271.9	-118.0	1,322.0	-78.5
Margin (%)	-8.5	-1.5	2.9	9.6	-1.4	-38.8	-4.9

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	7,780	7,812	7,864	7,893	7,903	7,903	7,903
Total Reserves	319	274	284	857	327	-1,029	-1,320
<b>Net Worth</b>	<b>8,099</b>	<b>8,086</b>	<b>8,148</b>	<b>8,750</b>	<b>8,230</b>	<b>6,874</b>	<b>6,583</b>
Minority Interest	4,277	4,284	4,286	4,322	7,218	8,913	8,895
Total Loans	6,248	7,987	10,110	12,042	15,775	14,275	14,175
Lease Liability	0	0	0	0	4,619	4,619	4,619
Deferred Tax Liabilities	69	67	43	0	0	0	0
<b>Capital Employed</b>	<b>18,693</b>	<b>20,424</b>	<b>22,588</b>	<b>25,114</b>	<b>35,841</b>	<b>34,681</b>	<b>34,272</b>
Gross Block	12,823	15,114	16,044	18,068	33,074	33,774	33,774
Less: Accum. Deprn.	507	998	1,513	2,054	2,926	4,096	5,311
<b>Net Fixed Assets</b>	<b>12,316</b>	<b>14,116</b>	<b>14,531</b>	<b>16,014</b>	<b>30,148</b>	<b>29,678</b>	<b>28,462</b>
Goodwill on Consolidation	0	67	68	0	0	0	0
Capital WIP	2,593	3,508	5,591	6,639	1,896	1,546	2,546
<b>Total Investments</b>	<b>58</b>	<b>63</b>	<b>146</b>	<b>373</b>	<b>164</b>	<b>164</b>	<b>164</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,092</b>	<b>4,363</b>	<b>4,247</b>	<b>4,693</b>	<b>5,420</b>	<b>4,906</b>	<b>5,675</b>
Inventory	54	49	54	60	82	47	67
Account Receivables	245	314	525	844	503	479	890
Cash and Bank Balance	139	176	210	314	408	617	641
Loans and Advances	4,654	3,823	3,458	3,475	4,427	3,763	4,077
<b>Curr. Liability &amp; Prov.</b>	<b>1,366</b>	<b>1,694</b>	<b>1,994</b>	<b>2,605</b>	<b>1,786</b>	<b>1,613</b>	<b>2,575</b>
Account Payables	511	604	811	958	420	569	809
Other Current Liabilities	825	1,053	1,140	1,592	1,299	1,014	1,714
Provisions	29	36	43	55	67	31	52
<b>Net Current Assets</b>	<b>3,726</b>	<b>2,669</b>	<b>2,253</b>	<b>2,088</b>	<b>3,634</b>	<b>3,293</b>	<b>3,100</b>
Misc Expenditure	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>18,693</b>	<b>20,424</b>	<b>22,588</b>	<b>25,114</b>	<b>35,841</b>	<b>34,681</b>	<b>34,272</b>

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>-0.4</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>-0.1</b>	<b>-1.7</b>	<b>-0.4</b>
Cash EPS	0.3	0.6	0.9	1.4	1.0	-0.2	1.2
BV/Share	10.4	10.4	10.4	11.2	10.5	8.8	8.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>							
P/E	NA	NA	98.9	26.6	-147.5	-10.4	-48.3
Cash P/E	67.1	31.3	21.0	13.1	18.1	-75.6	15.2
P/BV	1.7	1.7	1.7	1.6	1.7	2.0	2.1
EV/Sales	6.6	6.3	5.8	5.4	5.5	10.5	6.2
EV/EBITDA	24.1	22.4	20.7	17.7	15.4	34.8	15.0
EV/Room (INRm)	8.7	9.2	8.6	8.4	8.6	8.6	8.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-0.8	-1.4	-2.4	-1.5	-5.8	2.0	2.2
<b>Return Ratios (%)</b>							
RoE	-3.8	-0.7	1.8	6.3	-1.1	-18.0	-4.3
RoCE	2.6	3.4	3.8	4.4	4.7	-0.2	4.1
RoIC	5.4	86.9	4.0	8.3	-125.0	-0.3	2.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	0.3	0.3	0.3	0.3	0.2	0.1	0.2
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	0.1	0.2
Inventory (Days)	5	4	4	4	4	5	4
Debtor (Days)	24	28	40	56	27	50	55
Creditor (Days)	51	54	61	64	23	59	50
<b>Leverage Ratio (x)</b>							
Current Ratio	3.7	2.6	2.1	1.8	3.0	3.0	2.2
Interest Cover Ratio	0.7	0.8	1.1	1.4	1.0	-0.1	0.7
Net Debt/Equity	0.7	1.0	1.2	1.3	1.8	2.0	2.0

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	-173	-25	178	445	5	-1,811	-369
Depreciation	523	510	526	541	872	1,170	1,216
Interest & Finance Charges	667	704	658	702	1,507	1,694	1,587
Direct Taxes Paid	-122	-40	-38	111	-109	435	89
(Inc)/Dec in WC	-297	133	450	25	-730	550	216
<b>CF from Operations</b>	<b>598</b>	<b>1,282</b>	<b>1,775</b>	<b>1,824</b>	<b>1,545</b>	<b>2,038</b>	<b>2,738</b>
Others	83	-66	-629	43	-62	-89	-45
<b>CF from Operating incl EO</b>	<b>681</b>	<b>1,216</b>	<b>1,145</b>	<b>1,867</b>	<b>1,483</b>	<b>1,948</b>	<b>2,693</b>
(Inc)/Dec in FA	-1,320	-2,343	-3,012	-3,004	-6,019	-350	-1,000
<b>Free Cash Flow</b>	<b>-639</b>	<b>-1,127</b>	<b>-1,867</b>	<b>-1,138</b>	<b>-4,536</b>	<b>1,598</b>	<b>1,693</b>
(Pur)/Sale of Investments	271	-3	-82	-228	209	0	0
Others	21	54	495	337	-246	35	71
<b>CF from Investments</b>	<b>-1,028</b>	<b>-2,292</b>	<b>-2,600</b>	<b>-2,895</b>	<b>-6,056</b>	<b>-315</b>	<b>-929</b>
Issue of Shares	25	1	52	29	10	1,750	0
Inc/(Dec) in Debt	847	1,739	2,124	1,931	3,733	-1,500	-100
Interest Paid	-687	-737	-784	-847	-1,573	-1,729	-1,658
Dividend Paid	0	0	0	0	0	0	0
Others	0	110	97	18	2,496	55	18
<b>CF from Fin. Activity</b>	<b>185</b>	<b>1,113</b>	<b>1,489</b>	<b>1,131</b>	<b>4,667</b>	<b>-1,424</b>	<b>-1,741</b>
<b>Inc/Dec of Cash</b>	<b>-162</b>	<b>37</b>	<b>35</b>	<b>103</b>	<b>94</b>	<b>209</b>	<b>23</b>
Opening Balance	301	139	176	211	314	408	617
<b>Closing Balance</b>	<b>139</b>	<b>176</b>	<b>211</b>	<b>314</b>	<b>408</b>	<b>617</b>	<b>641</b>

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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