

On path to gradual recovery...

EIH's operational performance in Q3FY21 improved sequentially with the pick-up in domestic travel. EIH's revenues for the quarter grew ~157.9% QoQ to ₹ 155.9 crore (vs. I-direct estimate of ₹ 114.8 crore). However, on YoY basis, revenue declined 63.1% as foreign tourist arrivals continued to remain affected by Covid induced restricted travel. The company managed to curtail operating expenditure by over 39% YoY to ₹ 183.2 crore. The major reduction was in other expenses that were down 44.4% YoY to ₹ 84.5 crore. This helped restrict EBITDA losses to ₹ 27.3 crore vs. EBITDA loss of ₹ 42.9 crore in Q2FY21. Net loss came in at ₹ 41.5 crore for the quarter vs. net loss of ₹ 115.2 crore in Q2FY21. EIH is well placed on the liquidity front post fund raising of ₹ 349.7 crore through rights issue in October 2020.

Efforts to bring more efficiency to get visible from FY22E onwards

With the vaccination drive launched by many developed countries including India, we expect FY22E to be a year of strong recovery after severe challenges faced by hotel companies in FY21 due to Covid. To cope up with these ongoing challenges, the company has initiated major steps to bring down costs and come out stronger and more efficient. During the quarter, the company managed to reduce fixed overhead by 30% major being salary and admin related. It has also resorted to process efficiency like back-office automation, using AI, paperless processing, focus on solar panel to bring down power cost, etc, expertise driven services in finance and data management. With over 20% of total cost reduction done in 9MFY21 being sustainable, we expect over 5-6% reduction in total costs on sustainable basis. Hence, in our view, while FY22E would see cost led margin expansion, it would accelerate further with traction in room rates post FY22E.

Strong b/s to help weather medium-term challenges

On the liquidity front, the net debt on books as of December 2020 was at ₹ 250 crore, down from ₹ 577 crore as of Q2FY21 with D/E of 0.08x. The recent fund raising of ₹ 349.7 crore through rights issue in October 2020 has helped the company bring down net debt by ₹ 327 crore. This, along with undrawn facility of ₹ 482 crore from banks makes it comfortably placed in terms of liquidity.

Valuation & Outlook

The company has initiated various steps to revitalise itself during this challenging times. This would not only help it to endure but also flourish when business returns to normalcy. With a strong b/s and strategic property locations across key destinations, the company is best positioned to ride on tourism growth story. At the CMP of ₹ 93, stock trading at adjusted EV/room of ₹ 1.9/room (at 60% of its fair value). Hence, we maintain **BUY** with a revised TP of ₹ 125/share (@ 28x FY22E EV/EBITDA) (earlier TP ₹ 95).



Stock Data

Particulars	Amount
Market Capitalization (₹ Crore)	5,815.8
Total Debt (FY20) (₹ Crore)	620.3
Cash and investments (FY20) (₹ crore)	212.2
EV (₹ Crore)	6,223.8
52 week H/L	188 / 54
Equity capital (post rights issue)	125.1
Face value	₹ 2

Key Highlights

- Pick-up in the leisure travel led to QoQ growth in revenues
- Operating expenditure down 39% YoY
- Lower fixed expenses help to narrow down losses
- Weighted average cost of debt is down from 8.7% last year to 7.8% as of December 2020
- D/E now at 0.08x from 0.21x earlier
- Maintain BUY with revised target price of ₹ 125/share

Key Risks to our call

- Any further imposition of restriction on travel (domestic + International) could further delay recovery in tourist destinations
- Companies adopting work from home policy beyond FY21 could further delay the recovery in business hotel segment

Research Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Key Financial Summary

Key Financials	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	1529	1599	1811	1596	406	1233	-12.1%
EBITDA	261	299	406	290	-277	272	-3.2%
EBITDA (%)	17.1	18.7	22.4	18.2	-68.1	22.0	
PAT	128	179	194	163	-299	121	-13.9%
EPS (₹)	2.2	3.1	3.1	2.6	-4.8	1.9	
EV/EBITDA	23.1	20.4	15.1	21.4	-21.5	22.0	
D/E	0.1	0.2	0.2	0.2	0.1	0.1	
RoNW (%)	4.6	6.2	6.5	5.2	-9.5	3.7	
RoCE (%)	6.5	8.2	9.6	5.7	-10.1	5.1	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Net Sales	155.9	114.8	422.0	-63.1	60.4	157.9	Leisure destination is now showing traction with upsurge in the revenue demand post sharp reduction in the covid cases. However, business hotels is yet to see a visible pick-up
Other income	11.6	12.0	27.1	-57.2	9.1	28.2	
Raw Material Expenses	24.6	19.8	49.1	-50.0	10.4	136.0	
Employee cost	74.2	78.0	102.0	-27.3	76.5	-3.1	
Other Exp	84.5	72.0	151.9	-44.4	68.7	23.1	
EBITDA	-27.3	-42.9	119.1	-123.0	-95.2	-71.3	Expenditure dropped by 40% YoY (₹ 120 crore) helping to contain losses, to some extent
EBITDA Margin (%)	NA	NA	28.2	NA	-157.5	NA	
Interest	9.7	11.2	13.2	-26.9	12.2	-20.8	Cost of debt is also down by 80 bps YoY leading to fall in interest expenses
Depreciation	29.7	32.1	34.1	-12.8	30.9	-3.9	
PBT and Exceptional exp	-55.1	-90.2	98.9	NA	-129.2	PL	
Exceptional exps	0.0	0.0	0.0	NA	20.2	0.0	
PBT	-55.1	-90.2	98.9	NA	-149.4	PL	
Tax Expenses	-13.5	-19.8	23.9	-156.7	-34.2	NA	
PAT	-41.5	-70.4	75.0	NA	-115.2	PL	
EPS	-0.7	-1.2	1.3	NA	-2.0	PL	

Source: Company, ICICI Direct Research

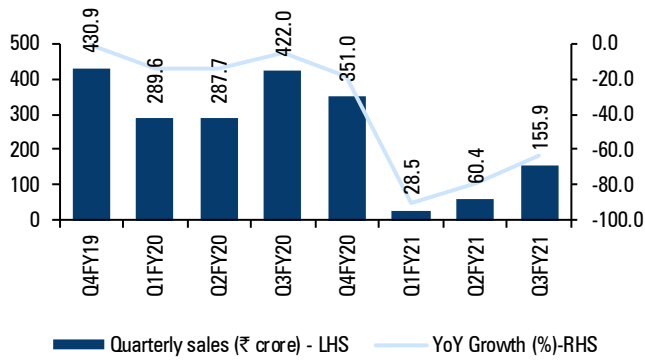
Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	406.4	406.4	0.0	1,233.2	1,233.2	0.0	NA
EBITDA	-300.2	-276.7	-7.8	257.1	271.8	5.7	NA
EBITDA Margin (%)	-73.9	-68.1	NA	20.8	22.0	119 bps	

Source: Company, ICICI Direct Research

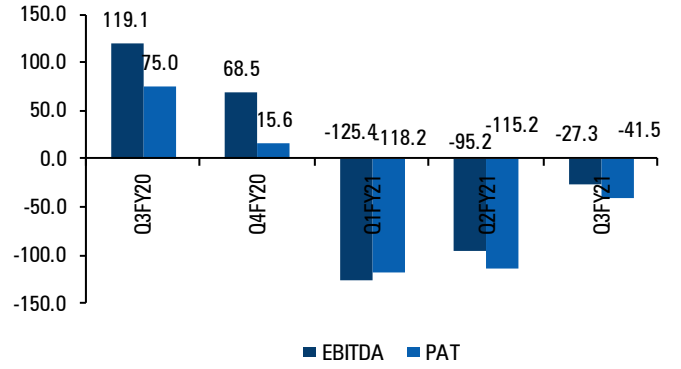
Financial Story in Charts

Exhibit 3: Revenues decline 63% YoY in Q3FY21



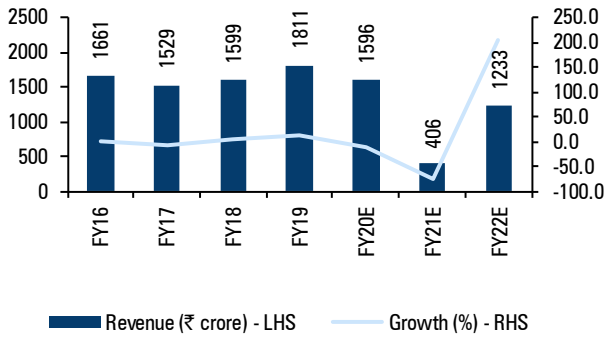
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA loss narrows down sharply in Q3FY21



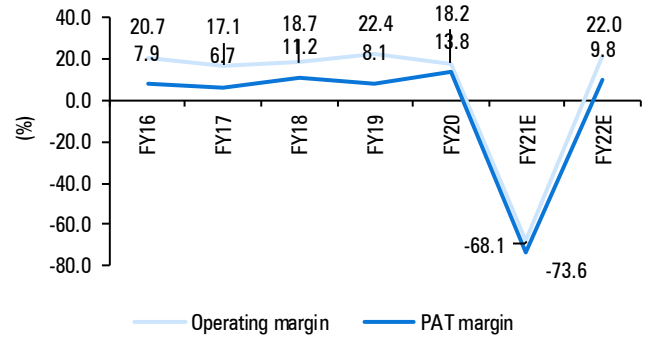
Source: Company, ICICI Direct Research

Exhibit 5: Revenues to recover from FY22E onwards



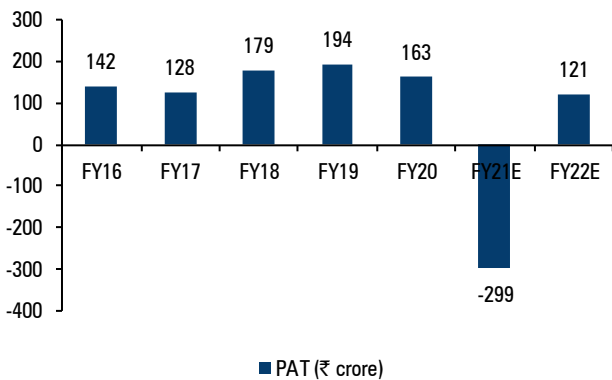
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA margins to rebound in FY22E



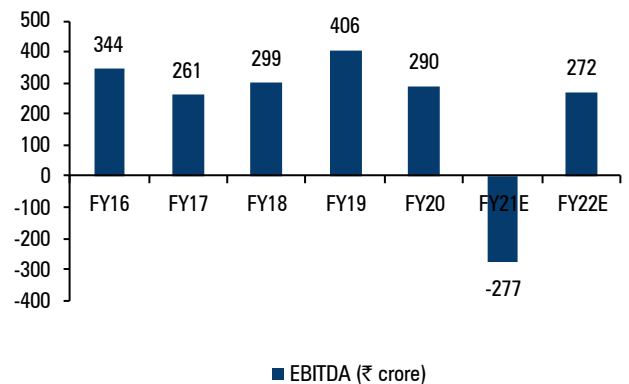
Source: Company, ICICI Direct Research

Exhibit 7: Profitability trend



Source: Company, ICICI Direct Research

Exhibit 8: EBITDA trend over FY20-22E



Source: Company, ICICI Direct Research

Exhibit 9: EIH Group brand wise portfolio

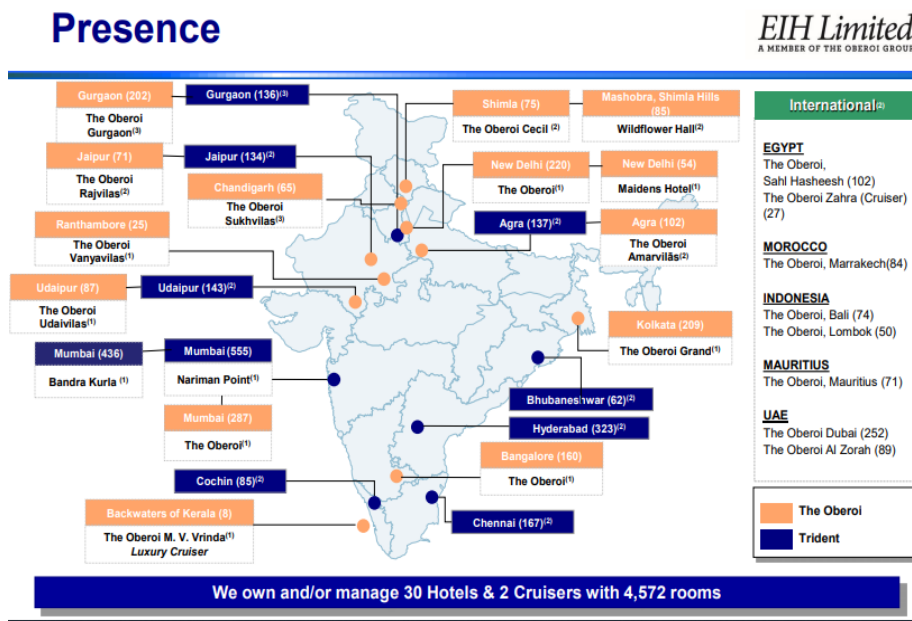


Out of total room portfolio of 4572 rooms, over 2719 rooms are operated under super luxury segment

* Includes The Oberoi, Marrakech opened on 1st December 2019

Source: Company, ICICI Direct Research

Exhibit 10: Market leader in most micro markets where EIH has presence



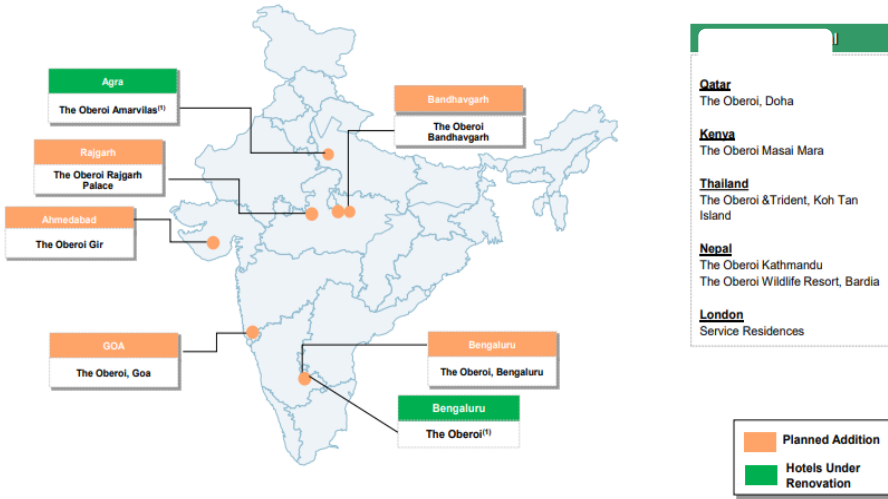
The company has balanced room portfolio across key business and leisure destinations in India

Source: ICICI Direct Research, Company

Exhibit 11: Future plans

Business Expansion and Development *EIH Limited*

A MEMBER OF THE OBEROI GROUP

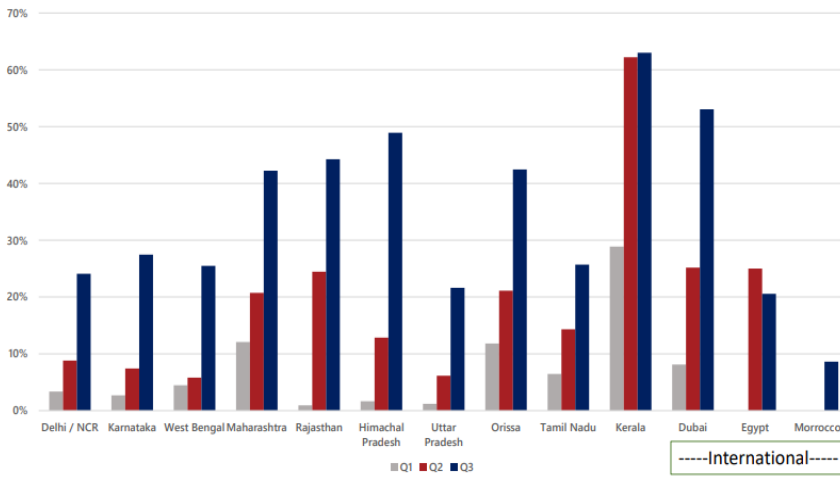


(1) Existing properties under renovation

Source: Company, ICICI Direct Research

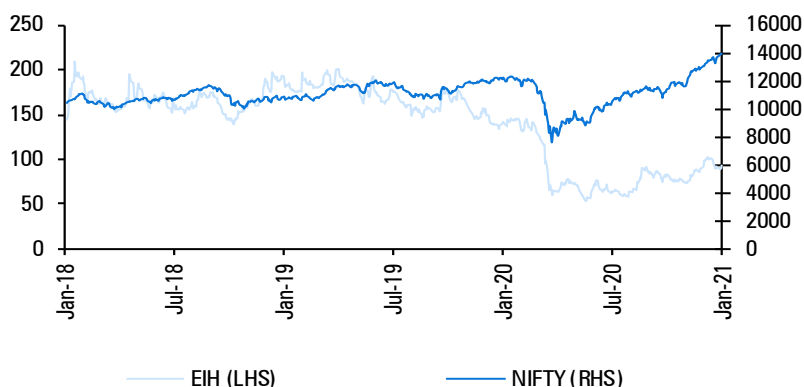
Exhibit 12: Leisure destination witness sharp uptick in occupancy during Q3FY21

Public Use
Geography-wise Occupancy Growth QoQ



Source: Company, ICICI Direct Research

Exhibit 13: Three year price chart vs. Nifty



Source:

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	osition (m)	Change
1	Reliance Strategic B	23-Sep-19	18.5	105.91m	0.00m
2	Itc Ltd	31-Dec-19	15.0	85.62m	0.00m
3	Oberoi Hotels Pvt Lt	31-Mar-20	14.6	83.65m	0.00m
4	Oberoi Holdings Pvt	31-Mar-20	5.9	33.44m	0.00m
5	Oberoi Investments P	31-Mar-20	4.9	28.15m	0.00m
6	Reliance Capital Tru	15-Jun-20	3.9	22.36m	0.00m
8	Oberoi Building & In	31-Mar-20	3.2	18.06m	0.00m
8	L&T Mutual Fund	31-May-20	2.8	16.23m	(0.00)m
8	Hdfc Asset Managemen	31-May-20	1.9	11.08m	(0.12)m
8	Sundaram Asset Manag	30-Apr-20	1.6	9.30m	(0.12)m

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 15: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	35.25	35.25	35.25	35.25	35.74
FII	4.26	4.08	3.43	2.27	2.40
DII	16.11	16.29	15.67	14.23	13.98
Others	44.38	44.38	45.65	48.25	47.88

Source: Company, ICICI Direct Research, Thomson Reuters

Financial summary

Exhibit 16: Profit and Loss Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating income	1,810.8	1,596.3	406.4	1,233.2
Growth (%)	13.3	-11.8	-74.5	203.4
Raw Material Expenses	244	199	59	166
Employee Expenses	481	469	352	370
Other Exp	680	637	272	425
Total Operating Expenditure	1,404.9	1,306.0	683.2	961.5
EBITDA	405.9	290.3	-276.7	271.8
Growth (%)	35.8	-28.5	-195.3	-198.2
Depreciation	132.6	146.5	137.1	137.4
Interest	50.4	55.6	34.8	29.5
Other Income	81.1	78.4	39.2	58.8
PBT	304.0	166.7	-409.4	163.7
Others	74.7	-54.8	-32.9	1.4
Total Tax	82.0	0.9	-77.4	41.3
Adjusted PAT	194.4	163.2	-299.2	121.0
Growth (%)	8.5	-16.0	-283.3	-140.4
Adjusted EPS (₹)	3.1	2.6	-4.8	1.9

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	114.3	114.3	125.1	125.1
Reserve and Surplus	2,867.5	3,005.3	3,034.6	3,155.6
Total Shareholders funds	2,981.8	3,119.6	3,159.6	3,280.6
Total Debt	531.0	620.3	370.3	320.3
Deferred Tax Liability	98.5	76.1	76.1	76.1
Minority Interest / Others	88.5	99.7	99.7	99.7
Total Liabilities	3,700	3,916	3,706	3,777
Assets				
Gross Block	3,812.5	4,309.5	4,329.9	4,329.9
Less: Acc Depreciation	1,642.5	1,788.9	1,926.1	2,063.5
Net Block	2,170.0	2,520.5	2,403.8	2,266.4
Capital WIP	78.6	130.4	110.0	100.0
Total Fixed Assets	2,248.6	2,651.0	2,513.8	2,366.4
Goodwill on consolidation	339.9	370.1	370.1	370.1
Investments	579.8	613.0	613.0	563.0
Inventory	59.8	61.0	-0.8	102.2
Debtors	248.0	205.7	74.6	168.9
Loans and Advances	367.6	149.6	53.6	193.0
Other Current Assets	70.9	93.0	-11.7	184.4
Cash	230.2	212.2	237.3	158.3
Total Current Assets	976.4	721.5	353.0	806.8
Creditors	306.0	296.2	69.0	209.5
Provisions	146.2	151.4	82.8	127.8
Total Current Liabilities	452.2	447.5	151.9	337.3
Net Current Assets	524.2	274.0	201.1	469.6
Others Assets	7.2	7.7	7.7	7.7
Application of Funds	3,700	3,916	3,706	3,777

Source: Company, ICICI Direct Research

Exhibit 17: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	147.3	220.6	-299.2	121.0
Add: Depreciation	132.6	146.5	137.1	137.4
(Inc)/dec in Current Assets	-83.4	236.9	393.6	-532.8
Inc/(dec) in CL and Provisions	-15.0	-4.7	-295.6	185.4
CF from operating activit	181.4	599.3	-64.1	-89.0
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-1.6	-549.3	0.0	10.0
Others	-28.3	-41.3	0.0	0.0
CF from investing activit	-29.9	-590.7	0.0	10.0
Issue/(Buy back) of Equity	0.0	0.0	10.8	0.0
Inc/(dec) in loan funds	75.0	89.3	-250.0	-50.0
Dividend paid & dividend tax	-66.2	-66.2	0.0	0.0
Inc/(dec) in Sec. premium	0.0	0.0	338.9	0.0
Others	23.7	-16.5	-10.5	0.0
CF from financing activit	32.5	6.6	89.2	-50.0
Net Cash flow	61.2	-17.9	25.1	-79.0
Opening Cash	169.0	230.2	212.2	237.3
Closing Cash	230.2	212.2	237.3	158.3

Source: Company, ICICI Direct Research

Exhibit 19: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	3.1	2.6	-4.8	1.9
Cash EPS	4.5	5.9	-2.6	4.1
BV	47.7	49.9	50.5	52.5
DPS	0.9	0.9	0.0	0.0
Cash Per Share	3.7	3.4	3.8	2.5
Operating Ratios (%)				
EBITDA Margin	22.4	18.2	-68.1	22.0
PBT / Total Operating income	8.1	13.8	-73.6	9.8
PAT Margin	8.1	13.8	-73.6	9.8
Inventory days	11.2	13.8	27.0	15.0
Debtor days	50.0	47.0	67.0	50.0
Creditor days	61.7	67.7	62.0	62.0
Return Ratios (%)				
RoE	6.5	5.2	-9.5	3.7
RoCE	9.6	5.7	-10.1	5.1
RoIC	9.0	4.5	-13.9	4.3
Valuation Ratios (x)				
P/E	39.5	26.4	0.0	48.1
EV / EBITDA	15.1	21.4	-21.5	22.0
EV / Net Sales	3.4	3.9	14.6	4.8
Market Cap / Sales	3.2	3.6	14.3	4.7
Price to Book Value	2.0	1.9	1.8	1.8
Solvency Ratios				
Debt/EBITDA	1.3	2.1	-1.3	1.2
Debt / Equity	0.2	0.2	0.1	0.1
Current Ratio	1.7	1.1	0.8	1.9
Quick Ratio	1.5	1.0	0.8	1.6

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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