

# Lemon Tree Hotels

Estimate change ↔

TP change ↔

Rating change ↔

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Bloomberg	LEMONTRE IN
Equity Shares (m)	786
M.Cap.(INRb)/(USD\$)	74.6 / 0.9
52-Week Range (INR)	103 / 58
1, 6, 12 Rel. Per (%)	5/-2/31
12M Avg Val (INR M)	471

## Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	8.7	10.1	14.3
EBITDA	4.5	5.1	7.1
PAT	1.18	1.41	2.66
EBITDA (%)	51.7	50.9	49.9
EPS (INR)	1.5	1.8	3.4
EBITDA Gr. (%)	237.8	13.3	39.1
BV/Sh. (INR)	10.9	12.7	16.1

## Ratios

Net D/E	2.0	1.8	1.2
RoE (%)	14.0	15.3	23.6
RoCE (%)	9.4	10.5	14.5
Payout (%)	-	-	-

## Valuations

P/E (x)	62.2	52.0	27.6
EV/EBITDA (x)	21.3	18.9	13.4
Div Yield (%)	-	-	-
FCF Yield (%)	3.0	2.3	5.9

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	23.6	23.6	24.0
DII	10.6	10.1	12.2
FII	24.5	26.9	28.9
Others	41.2	39.4	35.0

**CMP: INR94**

**TP: INR115 (+22%)**

**Buy**

## OR and ARR continue to inch up; outlook remains robust

- LEMONTRE posted a strong revenue growth of 2.1x YoY in 4QFY23 (up 43% from 4QFY20 levels), led by improvement in occupancy (up 6pp QoQ/12.6pp vs. 4QFY20). ARR remained stable sequentially (up 29% from 4QFY20 levels). RevPAR improved 11% QoQ to INR4,286.
- We maintain our FY24/FY25 EBITDA estimates and reiterate **BUY** on the stock.

## Highest-ever operating margin

- 4QFY23 revenue surged 2.1x YoY (up 8% QoQ and 43% vs. 4QFY20) to INR2.5b (in line), led by higher ARR (up 29% vs. 4QFY20 levels) at INR5,824.
- Occupancy stood at 73.6% vs. 67.6%/46.1%/61% in 3QFY23/4QFY22/4QFY20. RevPAR surged 2.3x YoY to INR4,286 vs. INR3,879/INR1,888/INR2,764 in 3QFY23/4QFY22/4QFY20.
- EBITDA jumped 2.2x from 4QFY20 levels (up 3.8x YoY and 11% QoQ) to INR1.4b (est. INR1.47b). EBITDA margin stood at 55.4% (est. 57%).
- Adjusted PAT stood at INR440m in 4QFY23 (est. INR523m) vs. a net loss of INR132m in 4QFY22.
- In 4QFY23, Keys Hotels generated revenue of INR182m (up 2% QoQ and 2.3x YoY), with EBITDA of INR75m (up 1.6x QoQ and 6.8x YoY). It operated at 55.6% occupancy (up 23.6pp YoY), with ARR of INR3,264 (up 37% YoY).
- In FY23, revenue/EBITDA grew 2.2x/3.4x YoY to INR8.6b/INR4.5b, while adj. PAT was INR1.2b vs. a loss of INR760m in FY22. EBITDA margin in FY23 hit the record high of 51.7% (up 18.4pp YoY).
- CFO/FCFF in FY23 stood at INR3.8b/INR2.2b vs. INR1.4b/INR1.4b in FY22. Net debt stood at INR17.2b, up from INR16.4b in FY22.

## Highlights from the management commentary

- Guidance:** EBITDA margin is expected to be lower than FY23 levels as the company will invest in renovations, resulting in an increase in expenses by ~2-2.5% of revenue in FY24. It expects to sustain long-term EBITDA margins at 50%. LEMONTRE standalone and Fluer are expected to be debt free by FY26 and FY28, respectively, with major repayments beginning from FY25.
- Five-year roadmap:** It targets to operate 300+ hotels with a 20,000+ room network (including pipeline) by CY28, of which the share of managed/franchised rooms will be over 70%.
- The company will be **simplifying the group structure** by: i) merging Carnations into Lemon Tree; and ii) transferring entire owned/leased assets to Fluer, thereby unlocking cash, followed by the listing of Fluer via IPO/REIT/INVIT by CY28.

**Valuation and view**

- We expect the strong momentum to continue going forward, led by: i) further improvement in occupancy on the back of a resilient demand scenario; ii) an increase in ARR with the addition of Aurika MIAL; and iii) strong addition of hotels under management contracts.
- We expect LEMONTRE to deliver a revenue/EBITDA/Adj. PAT CAGR of 28%/26%/50% over FY23-25 and RoE to improve to 23.6% by FY25.
- We maintain our FY24/FY25 EBITDA estimates and reiterate **BUY** on the stock with a TP of INR115 (valued at 16x FY25E EV/EBITDA).

**Consolidated Quarterly Performance**

(INR m)

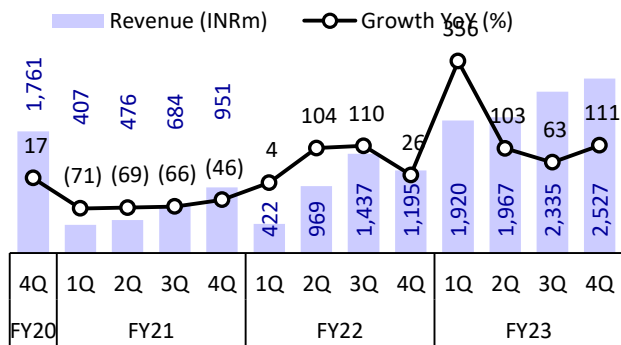
Y/E March	FY22				FY23				FY22	FY23	FY23E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	
Gross Sales	422	969	1,437	1,195	1,920	1,967	2,335	2,527	4,022	8,750	2,573	-2
YoY Change (%)	3.7	103.6	110.1	25.7	355.6	103.0	62.6	111.4	59.8	117.5	115.3	
Total Expenditure	422	630	804	827	997	1,031	1,071	1,128	2,683	4,226	1,106	
EBITDA	-1	339	633	368	924	936	1,265	1,399	1,339	4,524	1,468	-5
Margins (%)	-0.2	35.0	44.1	30.8	48.1	47.6	54.2	55.4	33.3	51.7	57.0	
Depreciation	262	262	254	265	245	250	236	235	1,043	966	230	
Interest	432	446	438	424	429	446	445	452	1,740	1,772	470	
Other Income	21	19	24	76	3	7	6	20	140	36	10	
PBT before EO expense	-673	-351	-36	-245	252	247	590	732	-1,304	1,822	778	
Extra-Ord expense	0	0	0	153	48	0	0	0	153	48	0	
PBT	-673	-351	-36	-397	204	247	590	732	-1,456	1,774	778	-6
Tax	-75	-14	20	-3	71	56	106	143	-72	377	156	
Rate (%)	11.2	4.1	-56.2	0.7	34.9	22.7	18.0	19.6	5.0	21.3	20.0	
MI & P/L of Asso. Cos.	-196	-128	-37	-148	-5	23	84	149	-510	251	99	
Reported PAT	-401	-208	-19	-246	138	168	400	440	-874	1,146	523	
Adj PAT	-401	-208	-19	-132	174	168	400	440	-760	1,193	523	-16
YoY Change (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Margins (%)	-95.2	-21.5	-1.3	-11.0	9.1	8.5	17.1	17.4	-18.9	13.6	20.3	

**Key Performance Indicators**

Y/E March	FY22				FY23				FY22	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Occupancy (%)	29.6	51.0	57.6	46.1	65.1	66.2	67.6	73.6	50.3	70.8
ARR (INR)	2,362	3,028	3,901	4,093	4,822	4,917	5,738	5,824	3,216	5,697
Change (%)	(10.1)	14.1	54.3	54.2	104.1	62.4	47.1	42.3	19.1	77.1
RevPAR (INR)	700	1,544	2,246	1,888	3,138	3,255	3,879	4,286	1,618	4,032
Change (%)	(7.8)	79.7	109.3	27.5	348.3	110.8	72.7	127.0		
<b>Cost Break-up</b>										
F&B Cost (% of sales)	7.6	6.7	6.8	7.0	6.0	6.2	5.6	5.1	6.9	5.7
Staff Cost (% of sales)	41.3	23.8	19.5	24.1	18.0	18.3	16.3	16.2	24.2	17.1
Power and fuel (% of sales)	18.0	12.2	9.2	9.4	9.4	9.2	7.1	6.3	10.9	7.9
Other Cost (% of sales)	33.3	22.3	20.5	28.7	18.5	18.6	16.8	17.0	24.7	17.6
Gross Margins (%)	92.4	93.3	93.2	93.0	94.0	93.8	94.4	94.9	93.1	94.3
EBITDA Margins (%)	-0.2	35.0	44.1	30.8	48.1	47.6	54.2	55.4	33.3	51.7
EBIT Margins (%)	-62.2	7.9	26.4	8.6	35.3	34.9	44.1	46.0	7.4	40.7

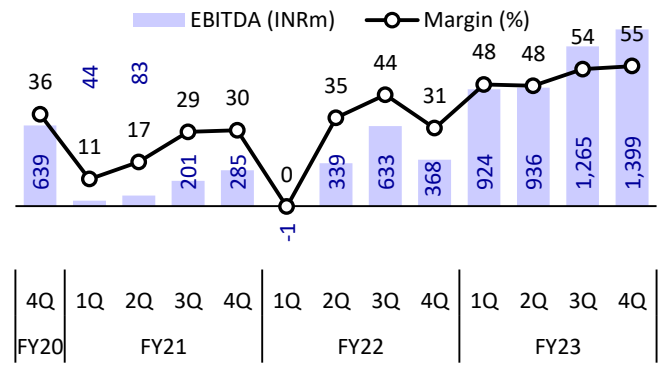
## Key Exhibits

Exhibit 1: Consolidated revenue trend



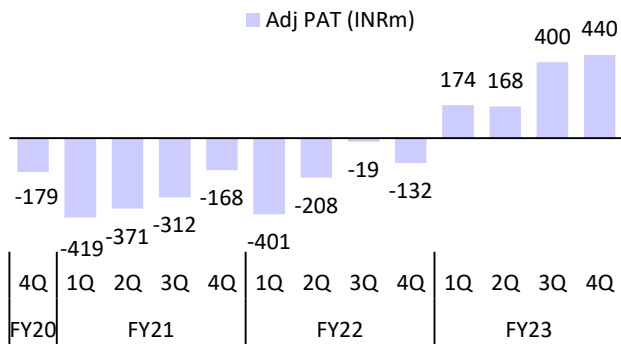
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



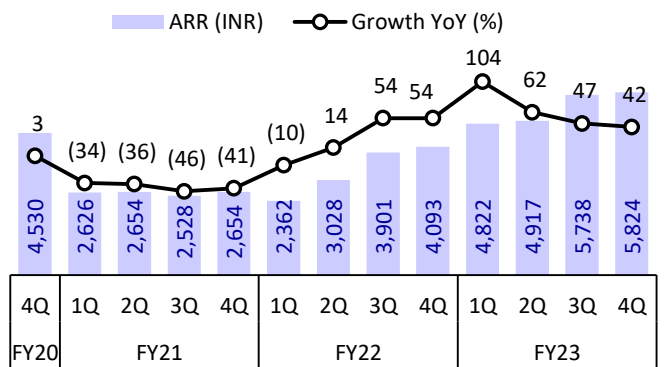
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



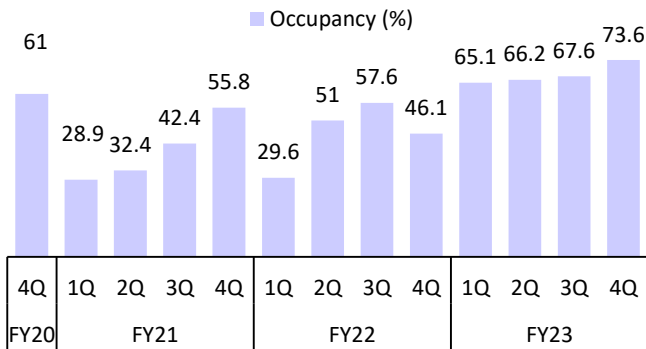
Source: Company, MOFSL

Exhibit 4: ARR trend



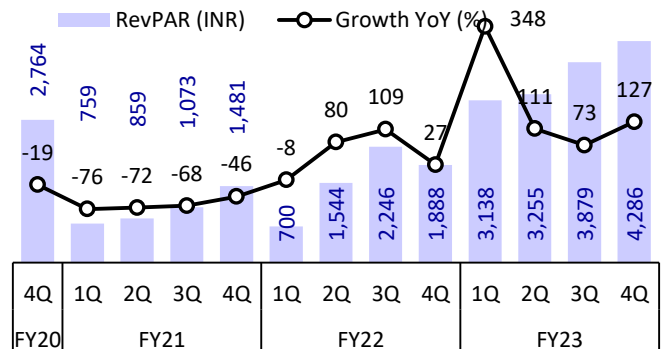
Source: Company, MOFSL

Exhibit 5: Occupancy trend



Source: Company, MOFSL

Exhibit 6: RevPAR trend



Source: Company, MOFSL

**Exhibit 7: Portfolio breakup as of 31<sup>st</sup> Mar'23 – operational**

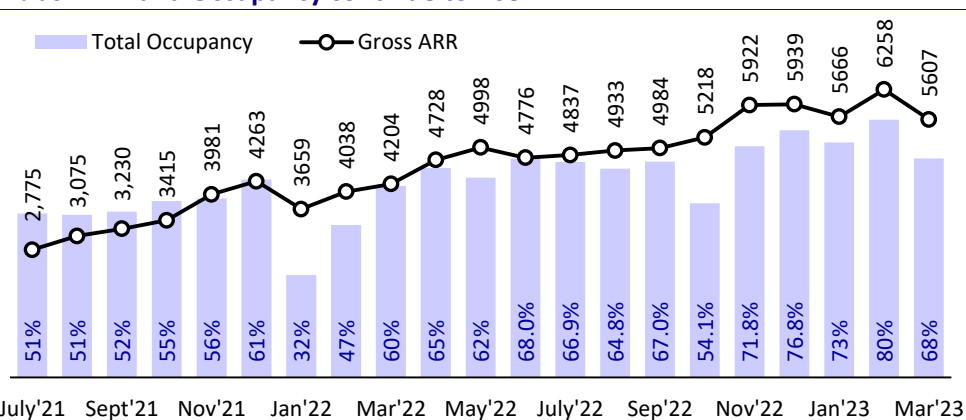
Operational portfolio	Owned		Leased		Managed/ Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	139	0	0	1	55	2	194
Lemon Tree Premier	7	1,442	2	161	9	911	18	2,514
Lemon Tree Hotels	13	1,241	4	321	24	1,409	41	2,971
Red Fox Hotels	5	759	1	91	5	440	11	1,290
Keys Prima	0	0	0	0	2	82	2	82
Keys Select	7	936	0	0	4	287	11	1,223
Keys Lite	0	0	0	0	3	108	3	108
<b>Total</b>	<b>33</b>	<b>4,517</b>	<b>7</b>	<b>573</b>	<b>48</b>	<b>3,292</b>	<b>88</b>	<b>8,382</b>

Source: Company, MOFSL

**Exhibit 8: Portfolio breakup as of 31<sup>st</sup> Mar'23– pipeline**

In pipeline	Owned		Leased		Managed/Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	669	0	0	2	242	3	911
Lemon Tree Premier	0	0	0	0	2	95	2	95
Lemon Tree Hotels	1	69	0	0	31	2,017	32	2,086
Red Fox Hotels	0	0	0	0	0	0	0	0
Keys Prima	0	0	0	0	0	0	0	0
Keys Select	0	0	0	0	1	40	1	40
Keys Lite	0	0	0	0	4	153	4	153
<b>Total</b>	<b>2</b>	<b>738</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>2,547</b>	<b>42</b>	<b>3,285</b>

Source: Company, MOFSL

**Exhibit 9: ARR and Occupancy continue to rise**

Source: Company, MOSL

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

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
<b>Lemon Tree Premier</b>										
Occupancy (%)	63.4	39.9	46.0	55.9	71.7	45.7	65.0	68.0	59.0	71.0
ARR (INR)	5,683	3,257	2,846	2,492	2,624	2,480	3,212	4,199	4,452	5,896
Hotel level EBITDAR/room (INR m)	0.20	0.05	0.05	0.06	0.06	0.03	0.10	0.16	0.12	0.27
Hotel level EBITDAR Margin (%)	48.1	39.6	39.0	35.2	28.3	20.5	43.0	48.0	40.0	56.0
<b>Lemon Tree Hotels</b>										
Occupancy (%)	65.6	27.5	27.0	38.9	56.8	24.0	50.0	62.0	48.0	68.0
ARR (INR)	4,455	2,467	2,498	2,799	2,791	2,527	2,910	3,755	3,965	4,751
Hotel level EBITDAR/room (INR m)	0.15	0.01	0.01	0.05	0.06	0.00	0.07	0.13	0.06	0.19
Hotel level EBITDAR Margin (%)	41.4	9.2	14.0	37.0	34.3	2.6	36.0	47.0	27.0	49.0
<b>Red Fox Hotels</b>										
Occupancy (%)	62.1	23.1	30.0	39.7	52.0	25.7	49.0	53.0	36.0	64.0
ARR (INR)	3,504	2,095	2,296	1,808	1,951	2,075	2,213	3,005	3,159	3,712
Hotel level EBITDAR/room (INR m)	0.10	0.01	0.06	0.02	0.06	0.01	0.04	0.08	0.02	0.11
Hotel level EBITDAR Margin (%)	43.4	12.0	9.0	28.0	52.0	11.7	34.0	44.0	20.0	47.0
<b>Aurika</b>										
Occupancy (%)	29.4	0.0	19.0	29.2	45.1	3.8	54.0	52.0	36.0	37.0
ARR (INR)	14,041	0	7,780	10,652	10,195	8,754	10,430	15,468	16,108	11,207
Hotel level EBITDAR/room (INR m)	0.22	0.00	0.06	0.22	0.38	-0.02	0.39	0.69	0.46	0.26
Hotel level EBITDAR Margin (%)	40.5	0.0	34.0	56.4	61.7	-29.9	61.0	68.0	64.0	48.0

EBITDAR – Earnings before interest, taxes, depreciation, amortization, and rent

Source: Company, MOFSL

**Exhibit 11: Consolidated profit and loss break-up in 4QFY23**

INR m	Total without Keys Hotels					Key Hotels					Total				
	4Q FY23	3Q FY23	4Q FY20	QoQ Change	YoY change	4Q FY23	3Q FY23	4Q FY20	QoQ Change	YoY change	4Q FY23	3Q FY23	4Q FY20	QoQ Change	YoY change
Inventory	4,154	4,154	4,256	0%	-2%	936	936	936	0%	0%	5,090	5,090	5,192	0%	-2%
ARR	6,237	6,094	4,586	2%	36%	3,264	3,512	2,751	-7%	19%	5,738	4,917	4,644	17%	24%
Occupancy	77.7%	71.4%	62.9%	630 bp	1480 bp	55.6%	50.6%	52.4%	500 bp	320 bp	67.6%	66.2%	71.3%	140 bp	-370 bp
RevPAR	4,844	4,349	3055	11%	59%	1,815	1,778	1441	2%	26%	3,877	3,257	3311	19%	17%
Revenue from operations	2,345	2,156	1587	9%	48%	182	179	175	2%	4%	2335	1,967	1996	19%	17%
Total expenses	1016	916	1000	11%	2%	112	154	122	-27%	-8%	1071	1,031	1184	4%	-10%
EBITDA	1,329	1,240	587	7%	126%	70	25	53	180%	32%	1,264	936	812	35%	56%
EBITDA margin (%)	56.7%	57.5%	37.0%	-84 bp	1969 bp	38.5%	14.0%	30.3%	2450 bp	818 bp	54.1%	47.6%	40.7%	655 bp	1345 bp
PBT	714	621	-113	15%		19	-29	-21			734	592	-135	24%	

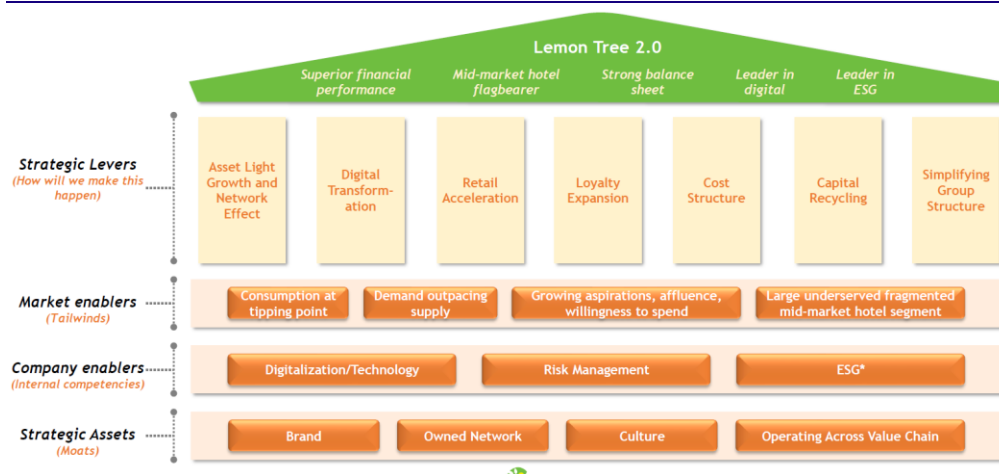
Source: Company, MOFSL

**Exhibit 12: Operational performance by region**

Parameters	Occupancy rate (%)					Average daily rate (INR)				
by region (rooms)	4QFY23	3QFY23	4QFY20	Change YoY* (bps)	Change QoQ (bps)	4QFY23	3QFY23	4QFY20	Change YoY* (%)	Change QoQ (%)
Delhi (636)	88%	81%	72%	1,538	700	6,352	6,090	5,169	23%	4%
Gurugram (529)	77%	68%	65%	1,284	900	5,412	5,286	4,537	19%	2%
Hyderabad (663)	77%	74%	64%	1,314	300	6,459	6,245	4,780	35%	3%
Bengaluru (874)	63%	54%	57%	584	900	5,050	5,205	3,941	28%	-3%
Mumbai (303)	84%	79%	59%	2,504	500	9,064	8,473	6,800	33%	7%
Pune (426)	72%	69%	61%	1,143	300	4,857	4,978	4,190	16%	-2%
Rest of India (1,659)	70%	64%	57%	1,256	600	5,341	5,317	4,102	30%	0%

\*YoY Change is v/s 4QFY20

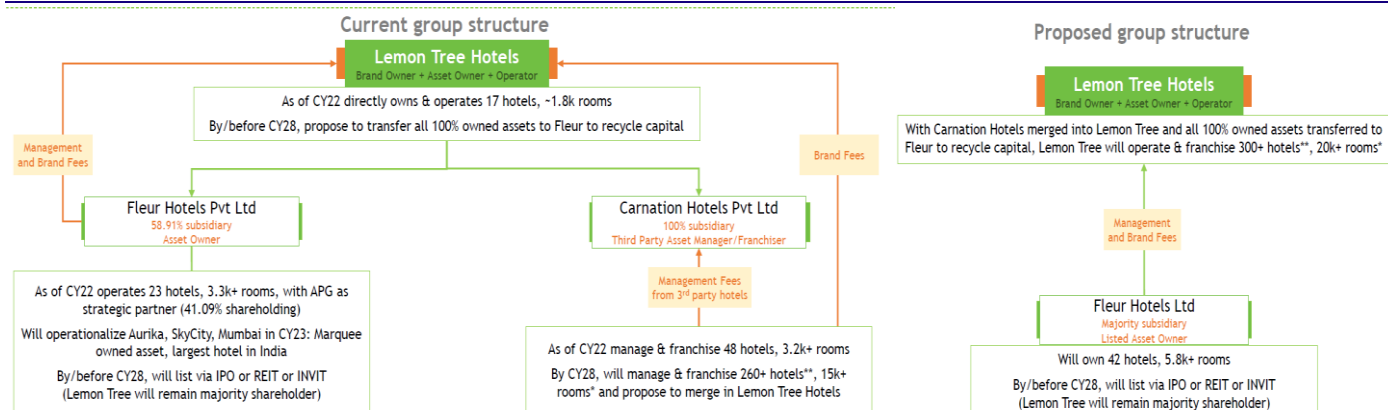
Source: Company, MOFSL

**Exhibit 13: Roadmap for next five years: CY24 to CY28**

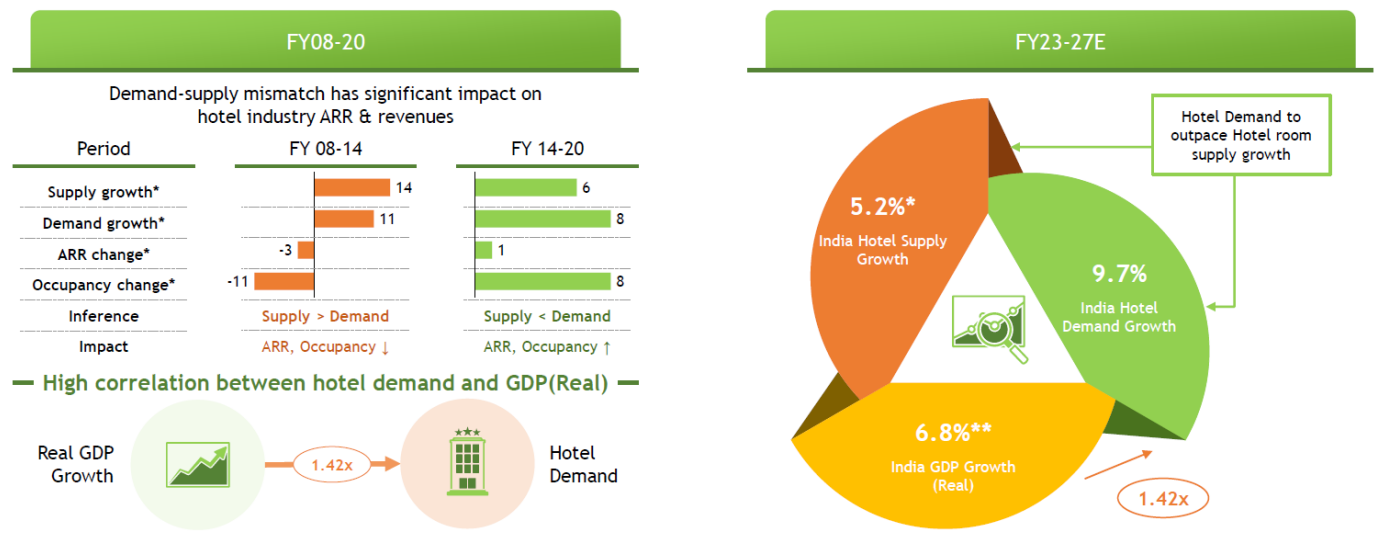
Source: Company

**Exhibit 14: Guidance and outcomes expected by CY28**

Source: Company

**Exhibit 15: Simplifying group structure**

Source: Company

**Exhibit 16: Demand-supply dynamics remain favorable over the next five years****High demand period expected in next 5 years, to drive strong growth in ARR and occupancy %****Highlights from the management commentary****Operational highlights:**

- In 4QFY23, employee benefits/F&B/power & fuel/other expenses as a percentage of revenue declined 820bp/320bp/200bp/590bp vs. 4QFY20 levels, leading to an expansion in EBITDA margin by 19.3pp (vs. 4QFY20) to 55.7%.
- During the quarter, the company signed nine new management and franchise contracts, adding 538 new rooms to its pipeline.
- The current operational inventory includes 88 hotels and 8,382 rooms, with 3,285 rooms and 42 hotels in the pipeline.
- LEMONTRE's RevPAR grew 55% vs. 4QFY20, while the industry saw 41% growth for the same period.
- The company recovered faster than the industry in 4QFY23 vs. 4QFY20 in Mumbai, Hyderabad, Delhi and Pune.
- Fees from managed hotels grew 74% to INR358m in FY23 v/s INR205 in FY20. Managed rooms, as a percentage of total inventories, stood at 39.8% in FY23, up 410bp from 35% in FY20.
- Current occupancy in Mumbai (1QFY24) is higher than 4QFY23 level, indicating a strong demand scenario.

**Roadmap for next 5 years:**

- LEMONTRE targets to have over 20,000 rooms and over 300 hotels by CY28 (including the pipeline).
- It is planning a rapid expansion at negligible costs through its asset-light growth model. Accordingly, it expects over ~70% of hotels to be managed/franchised properties.
- The company expects ROCE of ~20% and aims to be a debt-free company in the next five years.
- EBITDA margins will be sustained at 50% levels in the next five years.
- The company will leverage four separate revenue streams without increasing the cost:



- Improving OR and ARR in LTH and Red Fox
- Renovation in Keys and old Lemon Tree hotels will command higher ARR from H2FY24
- Management fee is expected to see a significant hike in FY24 and FY25
- Operationalization of Aurika MIAL will drive strong revenue and margin growth, as it will contribute ~40% of total EBITDA.

### Simplifying Group structure

- The company plans to simplify its group structure by merging Carnations into Lemon Tree and transferring all owned/leased properties from standalone to Fluer.
- Through this transfer, the company will be diluting its ownership in the owned portfolio (while retaining majority shareholding) through public markets / strategic investors, which will help to monetize/unlock cash.
- Further, the company plans to list Fluer via IPO/REIT/INVIT by CY28.

### Market scenario:

- In 4QFY23, occupancy for Delhi/Gurugram/Hyderabad/Bengaluru/Mumbai/Pune improved 1,540bp/1,280bp/1,310bp/580bp/2,500bp/1,140bp/1,160bp to 88%/77%/77%/63%/84%/72%/70%.
- Further, occupancy for Aurika hotels and resorts/Lemon Tree premier/ Lemon Tree hotels/Red Fox/Keys improved 3,990bp/1,800bp/850bp/1,580bp/320bp to 69%/81%/74%/78%/56%.
- Demand-supply dynamics remain favorable, with demand growing by 9.7% (i.e. 1.42x of India real GDP growth) and supply expected to grow only 5.2% over FY23-27.
- The strong demand is attributed to an expected increase in the average household (HH) income by ~1.4x to INR0.732m p.a. by CY30, along with growth of affluence, especially in Tier 2/3/4 towns.

### Management guidance:

- The company will be investing significantly in renovations, especially the Keys portfolio. Accordingly, its operating expenses are likely to increase by ~2-2.5% in FY24.
- In FY24, margins will be ~50%+, lower than FY23, mainly due to renovation expenses. Aurika MIAL will be stabilized in 4QFY24, which will have some impact on margins.
- The company expects RevPAR growth of 15-16% (excluding Aurika, MIAL).
- EBITDAR margins in Delhi are expected to be stable at ~60-62%.
- With FTA coming back to pre-Coivid levels, it can increase OR by 15%, which could lead to a 30% increase in ARR.
- **Debt:** Total debt as of FY23-end stood at INR17.5b (up 3% YoY).
- Lemon Tree standalone will be debt free by FY26 and Fluer by FY28.
- The company can start significant debt reductions from next year as no major capital is required after Aurika MIAL.



### Hotels signings

- Management hotels account for 1/6th of total owned EBITDA, while franchise hotels make up 1/9th.
- The company will majorly sign Lemon Tree hotels under management contracts, while most of the franchise contracts will be signed under Keys. Franchise signing growth is expected to be higher than management contracts.
- The company will end FY24 with ~10,600 operational rooms and ~115 hotels.
- By FY24-end, its owned portfolio will be ~54% (incl. pipeline it will be 46%) of total.
- The company is open to signing any type of hotel contract where there is very minimal capital deployment. However, the company will sign some hotels on lease if available at good deal.
- Recently the company has expanded its portfolio under the franchise model and for this, it has hired top management talent from Choice Hotels to grow the franchise model.

### Capex

- Currently, two hotels are under development viz. 'Lemon Tree Mountain Resort, Shimla' with 69 rooms and 'Aurika, Mumbai International Airport' (MIAL) with 669 rooms. The total estimated project cost is ~INR10b, out of which INR5.75b has already been incurred as of Mar'23.
- The company has deployed INR800-850m of capex so far, taking total capex to INR6.85b.
- The balance capex for this project is ~INR3-3.5b, of this ~INR1b is not to be paid immediately post opening the hotel. It is in form of performance guarantees, etc.
- Another capex will be for the renovation of Keys and old Lemon Tree rooms. Of this, 75% of the renovation will be in operating expenses, while capex will be only INR100-110m p.a. Total spending on renovation will be INR500-550m p.a.
- Renovation will take three years (to be done in H1 of each year) and the company will renovate ~3,500 rooms. It will have a payback period in the range of 12 to 18 months.
- In FY24, LEMONTRE will renovate ~1,000 rooms. At a given time, ~400 rooms will be renovated and it will be spread across two to six months and renovation will take two months.
- Keys renovation plan (will be done in three years): ~60% rooms are in locations where it can generate good business, so the company will invest INR500k per room, which will help it increase EBITDA by at least INR400-500m. For the balance rooms in Kochi, Ludhiana and Trivandrum, the company will invest only INR150k per room.

### Fluer Ltd

- By the time Fluer is listed, APG's stake will come down to 41% from 42%.
- Maximum debt for the consolidated company is in Fluer (~70-75%).
- During the listing, net EBITDA of Fluer (post restructuring) is expected to be over INR5b.

- Currently LEMONTRE holds a 58.91% stake in Fluer. At the time of listing, it will hold a ~51% share. The reduction will be due to primary issue (in range of 15-20%) of capital.
- In FY23, Fluer hotels generated EBITDA of ~INR3.7b (gross), while the standalone business generated ~INR1.75b (gross).

#### Other key Highlights

- The construction of LEMONTRE's largest hotel, Aurika, MIAL, is going as per schedule and the management expects to open it by Oct'23.
- Lemon Tree Premier in Mumbai competes with Radisson, Courtyard, Leela and Holiday Inn, while Aurika will compete with JW Marriott, ITC Maratha, etc.
- The company has terminated two hotels: one for brand standard and one hotel owner went to jail due to criminal activity.

#### Valuation and view

- We expect the strong momentum to continue going forward, led by: i) further improvement in occupancy on the back of a resilient demand scenario; ii) an increase in ARR with the addition of Aurika MIAL; and iii) strong addition of hotels under management contracts.
- We expect LEMONTRE to deliver a revenue/EBITDA/Adj. PAT CAGR of 28%/26%/50% over FY23-25 and RoE to improve to 23.6% by FY25.
- We maintain our FY24/FY25 EPS estimates and reiterate **BUY** on the stock with a TP of INR115 (valued at 16x FY25E EV/EBITDA).

#### Exhibit 17: Valuation methodology

Particulars		FY25
EBITDA (FY25E)	INR m	7,126
EV/ EBITDA multiple	x	16
EV	INR m	1,12,588
Less: Net debt (FY25E)	INR m	(15,573)
Less: Minority interest (FY25E)	INR m	(6,214)
Target value	INR m	90,801
No. of shares	m	786
<b>Target price</b>	<b>INR</b>	<b>115</b>

Source: MOFSL

#### Exhibit 18: Revisions to our estimates

Earnings Change (INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	10,145	14,219	10,072	14,276	-1%	0%
EBITDA	5,215	7,081	5,123	7,126	-2%	1%
Adj. PAT	1,469	2,567	1,414	2,664	-4%	4%

Source: MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>4,121</b>	<b>4,843</b>	<b>5,495</b>	<b>6,694</b>	<b>2,517</b>	<b>4,022</b>	<b>8,750</b>	<b>10,072</b>	<b>14,276</b>
Change (%)	12.0	17.5	13.5	21.8	-62.4	59.8	117.5	15.1	41.7
F&B Consumed	353	436	498	570	178	279	499	604	857
Employees Cost	969	1,096	1,205	1,553	704	973	1,497	1,662	2,356
Other Expenses	1,633	1,949	2,104	2,137	1,022	1,432	2,230	2,683	3,938
<b>Total Expenditure</b>	<b>2,955</b>	<b>3,481</b>	<b>3,807</b>	<b>4,260</b>	<b>1,905</b>	<b>2,683</b>	<b>4,226</b>	<b>4,949</b>	<b>7,151</b>
% of Sales	71.7	71.9	69.3	63.6	75.7	66.7	48.3	49.1	50.1
<b>EBITDA</b>	<b>1,166</b>	<b>1,362</b>	<b>1,688</b>	<b>2,434</b>	<b>613</b>	<b>1,339</b>	<b>4,524</b>	<b>5,123</b>	<b>7,126</b>
Margin (%)	28.3	28.1	30.7	36.4	24.3	33.3	51.7	50.9	49.9
Depreciation	510	526	541	922	1,076	1,043	966	1,042	1,187
<b>EBIT</b>	<b>656</b>	<b>836</b>	<b>1,146</b>	<b>1,512</b>	<b>-463</b>	<b>296</b>	<b>3,557</b>	<b>4,081</b>	<b>5,939</b>
Int. and Finance Charges	776	784	847	1,565	1,817	1,740	1,772	2,084	1,942
Other Income	118	126	145	58	133	140	36	121	143
<b>PBT bef. EO Exp.</b>	<b>-2</b>	<b>178</b>	<b>445</b>	<b>5</b>	<b>-2,147</b>	<b>-1,304</b>	<b>1,822</b>	<b>2,118</b>	<b>4,139</b>
EO Items	0	0	0	0	0	153	-48	0	0
<b>PBT after EO Exp.</b>	<b>-2</b>	<b>178</b>	<b>445</b>	<b>5</b>	<b>-2,147</b>	<b>-1,456</b>	<b>1,774</b>	<b>2,118</b>	<b>4,139</b>
Total Tax	48	38	-111	109	-322	-72	377	533	1,042
Tax Rate (%)	-2058.7	21.3	-25.0	2220.8	15.0	5.0	21.3	25.2	25.2
MI/ share of profit from associates	10	-2	27	-9	-555	-510	251	171	434
<b>Reported PAT</b>	<b>-61</b>	<b>142</b>	<b>529</b>	<b>-95</b>	<b>-1,271</b>	<b>-874</b>	<b>1,146</b>	<b>1,414</b>	<b>2,664</b>
<b>Adjusted PAT</b>	<b>-61</b>	<b>142</b>	<b>529</b>	<b>-95</b>	<b>-1,271</b>	<b>-760</b>	<b>1,182</b>	<b>1,414</b>	<b>2,664</b>
Change (%)	NA	NA	271.9	-118.0	1,232.4	-40.2	-255.5	19.7	88.4
Margin (%)	-1.5	2.9	9.6	-1.4	-50.5	-18.9	13.5	14.0	18.7

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	7,812	7,864	7,893	7,903	7,904	7,908	7,916	7,916	7,916
Eq. Share Warrants & App. Money	0	0	0	0	0	0	0	0	0
Preference Capital	0	0	0	0	0	0	0	0	0
Total Reserves	274	284	857	1,986	1,272	404	621	2,035	4,699
<b>Net Worth</b>	<b>8,086</b>	<b>8,148</b>	<b>8,750</b>	<b>9,889</b>	<b>9,176</b>	<b>8,312</b>	<b>8,537</b>	<b>9,951</b>	<b>12,615</b>
Minority Interest	4,284	4,286	4,322	5,559	6,174	5,676	<b>5,597</b>	5,775	6,214
Total Loans	7,987	10,110	12,042	15,775	16,850	16,986	17,457	17,907	15,807
Lease Liability	0	0	0	4,619	4,671	4,247	4,253	4,253	4,253
Deferred Tax Liabilities	67	43	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>20,424</b>	<b>22,588</b>	<b>25,114</b>	<b>35,841</b>	<b>36,870</b>	<b>35,223</b>	<b>35,844</b>	<b>37,886</b>	<b>38,889</b>
Gross Block	15,114	16,044	18,068	35,073	35,016	34,637	34,666	34,816	44,316
Less: Accum. Deprn.	998	1,513	2,054	2,977	4,052	5,096	6,062	7,104	8,291
<b>Net Fixed Assets</b>	<b>14,116</b>	<b>14,531</b>	<b>16,014</b>	<b>32,097</b>	<b>30,964</b>	<b>29,542</b>	<b>28,605</b>	<b>27,713</b>	<b>36,026</b>
Goodwill on Consolidation	67	68	0	951	951	951	951	951	951
Capital WIP	3,508	5,591	6,639	1,896	2,418	2,968	4,822	7,772	72
<b>Total Investments</b>	<b>63</b>	<b>146</b>	<b>373</b>	<b>164</b>	<b>79</b>	<b>114</b>	<b>73</b>	<b>73</b>	<b>73</b>
Current Investment	63	120	287	44	91	59	10	0	0
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,363</b>	<b>4,247</b>	<b>4,693</b>	<b>2,521</b>	<b>3,737</b>	<b>2,776</b>	<b>2,873</b>	<b>3,226</b>	<b>4,412</b>
Inventory	49	54	60	82	72	81	105	122	176
Account Receivables	314	525	844	503	308	291	560	635	860
Cash and Bank Balance	176	210	314	408	1,411	543	275	254	234
Loans and Advances	3,823	3,458	3,475	1,528	1,945	1,861	1,933	2,216	3,141
<b>Curr. Liability &amp; Prov.</b>	<b>1,694</b>	<b>1,994</b>	<b>2,605</b>	<b>1,786</b>	<b>1,278</b>	<b>1,128</b>	<b>1,479</b>	<b>1,848</b>	<b>2,644</b>
Account Payables	604	811	958	842	788	585	668	881	1,273
Other Current Liabilities	1,053	1,140	1,592	877	412	319	730	826	1,171
Provisions	36	43	55	67	78	224	81	141	200
<b>Net Current Assets</b>	<b>2,669</b>	<b>2,253</b>	<b>2,088</b>	<b>734</b>	<b>2,459</b>	<b>1,648</b>	<b>1,394</b>	<b>1,378</b>	<b>1,768</b>
<b>Appl. of Funds</b>	<b>20,424</b>	<b>22,588</b>	<b>25,114</b>	<b>35,841</b>	<b>36,870</b>	<b>35,223</b>	<b>35,844</b>	<b>37,886</b>	<b>38,889</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>-0.1</b>	<b>-1.6</b>	<b>-1.0</b>	<b>1.5</b>	<b>1.8</b>	<b>3.4</b>
Cash EPS	0.6	0.9	1.4	1.1	-0.2	0.4	2.7	3.1	4.9
BV/Share	10.4	10.4	11.2	12.7	11.7	10.6	10.9	12.7	16.1
DPS	0.0	0.0	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	0.0	0.0
<b>Valuation (x)</b>									
P/E	-1,211.8	517.3	139.1	-771.1	-57.9	-96.8	62.2	52.0	27.6
Cash P/E	163.5	110.0	68.7	88.9	-376.8	259.4	34.2	29.9	19.1
P/BV	9.1	9.0	8.4	7.4	8.0	8.8	8.6	7.4	5.8
EV/Sales	20.8	18.1	16.3	14.1	37.8	23.8	11.0	9.6	6.7
EV/EBITDA	73.4	64.3	52.9	38.8	155.2	71.4	21.3	18.9	13.4
EV/Room (INRm)	30.2	26.7	25.0	22.2	22.3	22.5	20.0	20.1	19.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-1.4	-2.4	-1.5	-9.5	-1.5	0.9	2.9	2.1	5.5
<b>Return Ratios (%)</b>									
RoE	-0.7	1.8	6.3	-1.0	-13.3	-8.7	14.0	15.3	23.6
RoCE	3.4	3.8	4.4	4.5	-0.9	1.1	9.4	10.5	14.5
RoIC	3.0	3.8	5.0	4.4	-1.0	0.7	8.6	10.1	13.0
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	0.3	0.3	0.3	0.2	0.1	0.1	0.3	0.3	0.3
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.3	0.4
Inventory (Days)	4	4	4	4	10	7	4	4	5
Debtor (Days)	28	40	56	27	45	26	23	23	22
Creditor (Days)	54	61	64	46	114	53	28	32	33
<b>Leverage Ratio (x)</b>									
Current Ratio	2.6	2.1	1.8	1.4	2.9	2.5	1.9	1.7	1.7
Interest Cover Ratio	0.8	1.1	1.4	1.0	-0.3	0.2	2.0	2.0	3.1
Net Debt/Equity	1.0	1.2	1.3	1.5	1.7	2.0	2.0	1.8	1.2

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	-25	178	445	5	-2,147	-1,446	1,782	2,118	4,139
Depreciation	510	526	541	922	1,076	1,043	966	1,042	1,187
Interest & Finance Charges	704	658	702	1,507	1,685	1,786	1,773	1,963	1,799
Direct Taxes Paid	-40	-38	111	-109	322	-17	-207	-533	-1,042
(Inc)/Dec in WC	133	450	25	-754	-1,009	27	-403	-5	-409
<b>CF from Operations</b>	<b>1,282</b>	<b>1,775</b>	<b>1,824</b>	<b>1,572</b>	<b>-74</b>	<b>1,394</b>	<b>3,912</b>	<b>4,585</b>	<b>5,675</b>
Others	-66	-629	43	-62	-635	-41	-63	185	445
<b>CF from Operating incl EO</b>	<b>1,216</b>	<b>1,145</b>	<b>1,867</b>	<b>1,510</b>	<b>-709</b>	<b>1,353</b>	<b>3,849</b>	<b>4,770</b>	<b>6,119</b>
(Inc)/Dec in FA	-2,343	-3,012	-3,004	-8,969	-465	-668	-1,618	-3,100	-1,800
<b>Free Cash Flow</b>	<b>-1,127</b>	<b>-1,867</b>	<b>-1,138</b>	<b>-7,459</b>	<b>-1,174</b>	<b>685</b>	<b>2,231</b>	<b>1,670</b>	<b>4,319</b>
(Pur)/Sale of Investments	-3	-82	-228	210	85	132	8	0	0
Others	54	495	337	2,677	-276	-56	-1,222	121	143
<b>CF from Investments</b>	<b>-2,292</b>	<b>-2,600</b>	<b>-2,895</b>	<b>-6,082</b>	<b>-656</b>	<b>-591</b>	<b>-2,832</b>	<b>-2,979</b>	<b>-1,657</b>
Issue of Shares	1	52	29	10	1,750	8	17	0	0
Inc/(Dec) in Debt	1,739	2,124	1,931	3,733	1,075	134	471	450	-2,100
Interest Paid	-737	-784	-847	-1,565	-1,817	-1,400	-1,432	-2,084	-1,942
Dividend Paid	0	0	0	0	0	0	0	0	0
Others	110	97	18	2,488	1,361	-372	-379	-178	-439
<b>CF from Fin. Activity</b>	<b>1,113</b>	<b>1,489</b>	<b>1,131</b>	<b>4,667</b>	<b>2,368</b>	<b>-1,630</b>	<b>-1,323</b>	<b>-1,812</b>	<b>-4,481</b>
<b>Inc/Dec of Cash</b>	<b>37</b>	<b>35</b>	<b>103</b>	<b>94</b>	<b>1,003</b>	<b>-869</b>	<b>-306</b>	<b>-21</b>	<b>-19</b>
Opening Balance	139	176	211	314	408	1,411	543	275	254
<b>Closing Balance</b>	<b>176</b>	<b>211</b>	<b>314</b>	<b>408</b>	<b>1,411</b>	<b>543</b>	<b>275</b>	<b>254</b>	<b>234</b>

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Investment Rating	Expected return (over 12-month)
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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