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IPO Note

Juniper Hotels Ltd

Rating: SUBSCRIBE

Industry: Hospitality & Tourism

Date: 20th February, 2024

ISSUE HIGHLIGHTS

- Juniper Hotels IPO is a book-built issue of Rs 1,800.00 crores. The issue is entirely a fresh issue of 5 crore shares. The price band is set at Rs. 342 to Rs. 360 per share.
- **Objects of the Offer are:** The net proceeds of the issue, i.e., gross proceeds of the issue less the issue related expenses are proposed to be utilised in the following manner:

Particulars	Amount (Rs. Cr)
Repayment/ prepayment/ redemption, in full or in part, of certain outstanding borrowings availed by the Company and their recent acquisitions, namely CHPL and CHHPL^	1500.00
General corporate purposes*	[●]
Total	**[●]**

^ CHPL (including its subsidiary CHHPL) was acquired by the Company on September 20, 2023, pursuant to which CHPL became our wholly-owned direct Subsidiary and CHHPL became our indirect Subsidiary.
* To be finalised upon determination of the Issue Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Net Proceeds

OUTLOOK

- Tourism and hotel industry experiencing robust growth.
- Anticipated revenue CAGR of 15% over the next 3-4 years.
- Listing gains expected, presenting a constructive opportunity for investors.

KEY INDICATORS & METRICS

Market Cap (Rs. Crores) – Post Issue	8010
ROE% (FY23)	-0.42%
Promoter Shareholding Pre-Issue	100.00%
Promoter Shareholding Post Issue	77.53%

ISSUE DETAILS	
Price Band	Rs. 342 to Rs. 360 per share
Face Value	Rs. 10 per share
Total Offer Size	5,00,00,000 shares (aggregating up to ₹1,800.00 Cr)
Fresh Issue	5,00,00,000 shares (aggregating up to ₹1,800.00 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	40 shares
Issue Opens	Wednesday, February 21, 2024
Issue Closes	Friday, February 23, 2024
Listing on	NSE, BSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	Monday, February 26, 2024
Unblocking of Funds	Tuesday, February 27, 2024
Credit of shares to Demat Account	Tuesday, February 27, 2024
Listing on exchange	Wednesday, February 28, 2024

IPO Reservation	
QIB Shares	Not less than 75% of the Net Issue
HNI Shares	Not more than 15% of the Net Issue
Retail Shares	Not more than 10% of the Net Issue

LOT SIZE

Application	Lots	Shares	Amount
Retail (Min)	1	40	₹14,400
Retail (Max)	13	520	₹187,200
S-HNI (Min)	14	560	₹201,600
S-HNI (Max)	69	2,760	₹993,600
B-HNI (Min)	70	2,800	₹1,008,000

Data Source: Company filings & CSEC Research

COMPANY OVERVIEW

- **Established Legacy:** Juniper Hotels Limited, founded in September 1985, stands as a premier luxury hotel development and ownership entity. As of September 30, 2023, it operates a diverse portfolio of seven hotels and serviced apartments, encompassing a total of 1,836 rooms, marking its significant footprint across India's luxury hospitality landscape.
- **Strategic Alliances:** The company is a collaborative venture between Saraf Hotels and Two Seas Holdings, an affiliate of the global hospitality titan, Hyatt Hotels Corp. This alliance underlines Juniper Hotels' strategic positioning, owning 20% of all Hyatt-affiliated keys in India, showcasing a strong partnership with an international hospitality leader.
- **Distinguished Portfolio:** Juniper Hotels prides itself on being the largest owner of Hyatt-affiliated hotels in India by number of keys, with its holdings spread across major cities including Mumbai, Delhi, Ahmedabad, Lucknow, Raipur, and Hampi. The portfolio includes landmarks in the luxury, upper upscale, and upscale categories, with notable properties like Grand Hyatt Mumbai Hotel and Residences, India's largest luxury hotel, and Hyatt Regency Lucknow and Hyatt Regency Ahmedabad, leading upper upscale hotels in their markets.
- **Award-Winning Excellence:** The company's commitment to excellence has been recognized with several prestigious awards, including "Best Luxury Business Hotel in Delhi" for Andaz Delhi at the Today's Traveller Awards in 2022, and "Best 5 Star Hotel in Gujarat" for Hyatt Regency Ahmedabad at the Gujarat Tourism Awards in 2022.
- **Operational Efficiency:** As of September 30, 2023, Juniper Hotels boasted an average occupancy rate of 76% in FY23, a testament to its operational excellence and market demand. The company employs a total of 1,993 individuals, including the CHPL Group, showcasing its role as a significant employer in the hospitality industry.
- **Growth and Expansion Strategy:** Juniper Hotels is well-positioned to leverage the growth opportunities in India's burgeoning hospitality market, with plans for strategic acquisitions and expansion. The company aims to increase its market share by focusing on select geographies presenting high-growth opportunities, including acquisitions like CHPL that added 430 keys to its portfolio.
- **Experienced Leadership:** Led by founder Arun Kumar Saraf, the company benefits from over five decades of industry experience. The management team's expertise and strategic vision have been pivotal in scaling operations, enhancing customer experiences, and driving financial performance, setting a solid foundation for future growth.
- **Revenue Growth:** Demonstrating robust financial growth, the company's revenue from operations soared from ₹166.35 Crores in FY21 to ₹666.85 Crores in FY23. Despite facing challenges, the net losses have significantly decreased from Rs. 199 Cr in FY21 to Rs. 1.49 Cr in FY23, indicating a promising trend towards profitability.

RISKS

1) **Historical Losses:** Juniper Hotels Limited and its subsidiary, MHPL, have faced financial challenges, incurring losses in past financial periods. Continued losses could negatively impact the company's consolidated results of operations, cash flows, and overall financial health, raising concerns about its long-term sustainability.
2) **Loan Repayment Delays by CHPL:** The wholly-owned subsidiary, CHPL, experienced delays in loan repayments, primarily due to the adverse impacts of the COVID-19 pandemic on its operations. Although a loan restructuring proposal has been accepted by the consortium of lenders, these financial struggles highlight vulnerabilities in liquidity and debt management that could affect the parent company's financial stability.
3) **Increasing Debt Burden:** As of the first half of FY24, Juniper Hotels' total borrowings reached ₹2,252.74 crore. This high level of debt increases financial risk, including interest rate exposure and the necessity for significant cash flows for debt servicing, potentially constraining operational flexibility.
4) **Dependence on Key Properties:** A significant portion of Juniper Hotels' revenue is heavily reliant on two luxury hotels and residences, Grand Hyatt Mumbai and Andaz Delhi, which accounted for nearly 90% of total revenue. This high dependency on a limited number of properties exposes the company to increased risk if these properties underperform or face market-specific challenges.
5) **Seasonal and Cyclical Vulnerabilities:** The company's earnings and cash flow are subject to seasonal and cyclical fluctuations, which can lead to variability in financial performance. This inherent industry risk necessitates effective planning and strategy to mitigate potential downturns during off-peak periods.

FINANCIALS

Income Statement Extract

Particulars (Rs. Cr)	H1 FY24	FY23	FY22	FY21
Revenue from Operations	336	667	309	166
Other Income	1	50	35	27
Total Income	**337**	**717**	**344**	**193**
Expenses	213	395	242	171
EBITDA	**125**	**322**	**101**	**22**
Depreciation	39	82	100	105
EBIT	86	241	2	-83
Finance Cost	132	266	216	186
PBT	-47	-26	-214	-269
Tax	-20	-24	-26	-70
PAT	**-27**	**-1**	**-188**	**-199**
EPS (In Rs.)	**-1.82**	**-0.10**	**-13.08**	**-13.88**

Key Performance Indicators

Particulars	H1 FY24	FY23	FY22	FY21
Inventory/ Keys	1836	1406	1406	1406
No. of hotels & serviced apartments	7	4	4	4
Average room rate (Rs.)	10,139.85	9,875.12	6,221.98	5,656.77
Average occupancy	74.84%	75.74%	53.76%	34.23%

Balance Sheet

Particulars (Rs. Cr)	H1 FY24	FY23	FY22	FY21
EQUITY AND LIABILITIES				
Share Capital	172.5	143.7	143.7	143.7
Reserves	687.2	210.8	212.7	400.2
Borrowings	2,790.8	2,536.8	2,589.1	2,281.7
Other Liabilities	187.4	128.9	124.4	230.0
TOTAL EQUITY AND LIABILITIES	**3,837.8**	**3,020.3**	**3,069.9**	**3,055.5**
ASSETS				
Fixed Assets	3,473.5	2,738.9	2,829.6	2,904.6
CWIP	69.8	48.8	44.2	-
Cash & Cash Equivalents	13.1	9.8	14.9	22.2
Other Assets	281.6	222.7	181.2	128.7
TOTAL ASSETS	**3,837.8**	**3,020.3**	**3,069.9**	**3,055.5**

Notable Ratios & Metrics

Particulars	H1 FY24	FY23	FY22	FY21
EBITDA Margin (%)	37.07%	48.34%	32.87%	13.35%
Net Profit Margin (%)	-7.88%	-0.22%	-60.91%	-119.92%
Return on Net Worth (RONW%)	-3.08%	-0.42%	-52.76%	-36.68%

PEER COMPARISON

Company	Market Cap (Rs. Cr)	PE Ratio	RoNW% (FY23)	EBITDA Margin % (H1FY24)	FY23 EBITDA/ Room (Rs.)	Inventory (Keys) as on 30 Sept 23	No. of hotels & serviced apartments as 30 Sept 23	FY23 Avg Room Rate (Rs.)	FY23 Average occupancy
Juniper Hotels	8010	-	-0.42%	36.92%	2292.76	1,836	7	9,875.12	75.74%
Chalet Hotels	17,326	71.6	11.89%	38.43%	1936.41	2890	9	9,169.00	72.00%
Lemon Tree Hotels	10,941	87.2	9.94%	46.78%	540.95	8,760	95	5,340.00	68.00%
Indian Hotels Co.	78,154	66.9	12.18%	28.76%	919.61	4,269	192	13,736.00	72.00%
EIH Ltd	24,764	45.2	9.48%	32.07%	1516.72	4,269	30	-	-

INDUSTRY OUTLOOK

As of September 30, 2023, India's hospitality and tourism sector comprises 178k chain-affiliated hotel rooms, with luxury and upper upscale segments representing 20% of total hotels and 35% of rooms. Notably, 74% of hotel rooms are owned by non-chain entities, reflecting the sector's diversified ownership and a shift towards lifestyle and boutique offerings. The supply from international chains has grown to 47%, demonstrating a balanced segment distribution. Fiscal 2023 saw substantial recovery in the industry, driven by strong domestic demand, increased business and leisure travel rates, and demand for weddings and MICE events, contributing ₹15.7 trillion to India's GDP in 2022, with an upward trend projected. Approximately 60,000 rooms are expected to be added by March 2027, catering to diverse demands across segments. This expansion aligns with India's economic policies and infrastructure development, leveraging an urban population projected to reach 543 million by 2025 and a growing middle class. The 2024 Union Budget boosts the sector further by allocating ₹2,449.62 crore to tourism, a 44.7% increase from the previous fiscal, focusing on domestic tourism, including infrastructure enhancements in regions like Lakshadweep. Despite a 97% reduction in overseas promotion funds, indicating a strategic pivot towards domestic tourism, the sector's growth potential remains robust. With an anticipated CAGR of 11.6% between Fiscal 2023 and Fiscal 2027 and the sector's significant contribution to India's economy, infrastructure, and employment, the hospitality and tourism industry in India is poised for significant growth and diversification, capitalizing on demographic shifts and economic advancements.

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