



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Q1 FY24 consolidated revenues came in at ₹69 Cr, up 15% YoY and down 5.7% QoQ.
- Op Profit for Q1FY24 stood at ₹18 Cr, down 16.6% YoY and down 22.2% QoQ.
- Op margins for Q1FY24 came at 26%, down 900 bps YoY and down 400 bps QoQ.
- PAT for Q1FY24 stood at ₹11 Cr, down 9.09% YoY and down 18.18% QoQ.

2. MANAGEMENT COMMENTARY:

- Company saw 5% decline in EBITDA due to increase in salaries of employees to control attrition rate.
- Management is planning to implement ESOP scheme to retain and motivate key employees.
- Management is planning to split the stock so that it becomes easier for investors to compare with peers and value the company.

3. CONCALL SUMMARY

- Management aims to operate 100 hotels by the end of CY23 with new hotels in India as well as abroad.
- Opened 13 new hotels with 755 keys during the quarter, including company's first international hotel in Sri Lanka.
- Increase in Revenue per available room to increase by 7%-10% due to increase in Average Room Rent.
- Management is aiming to reach 6500 rooms by the end of FY24 and the aim is to add 8000 rooms by the end of FY25.
- Management's focus is on increasing banquet revenue and revenue from conference business.
- Company does 60% of its business in Q3 and Q4 so management expects good occupancy rate from October onwards which will ultimately result in gaining back lost EBITDA and PAT margin for the quarter.
- CAPEX plan for Goa is facing permission delay but according to management this will not be a long term issue.

4. VALUATION AND OUTLOOK:

Company posted muted results on QoQ basis but the tourism sector is expected to see good demand in H2FY24 due to events like cricket world cup, wedding season and trend of workations and staycations. We initiate "BUY" rating on the stock and value the stock at 12.5x FY24E earnings to arrive at the target price of 391.

RECOMMENDATION - BUY

CMP – 326

TARGET – 391 (20%)

Industry	Hotel
NSE CODE	ROHLTD
BSE CODE	532699
Market Cap (₹ Cr)	880.90
Shares Outstanding (in Cr)	2.74
52 wk High/Low (₹)	385 / 206.4
P/E	19.29
P/BV	4.81
Face Value (₹)	10.00
Book Value (₹)	66.79
EPS (FY23) (₹)	17.15
Dividend Yield (%)	0.00
Debt / Equity	0.44
Interest Coverage	4.95

SHAREHOLDING PATTERN

	Jun 23	Mar 23	Dec 22
Promoters	63.60	63.60	63.60
MF/ DII	0.00	0.00	0.00
FII/FPI	4.65	4.84	4.72
Retail & Others	31.75	31.56	31.68
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

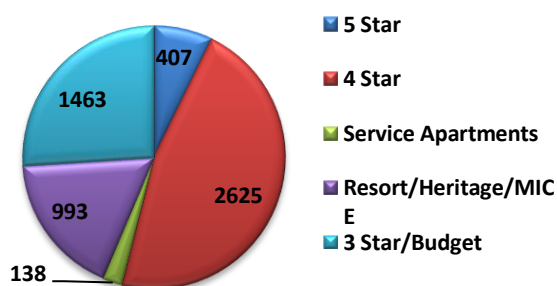
Y/E March	2023A	2024E	2025E
Crore			
Sales	236.55	400	493
Sales Gr. (%)	90.26	51.77	23.25
EBITDA	81.94	132	172.55
EBITDA %	37	33	35
PAT	47.03	85.5	115.91
EPS (₹)	17.15	31.20	42.30
EPS Gr. (%)	60.14	81.92	35.57
Ratios			
RoE (%)	31.49	49.42	44.83
RoCE (%)	35.13	34.24	36.95
Valuation			
P/E (x)	15.79	10.44	7.70

Historical & Industrial Val Ratios

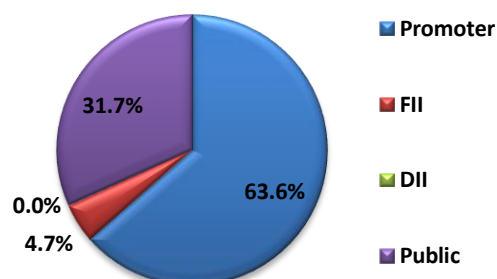
Historical P/E	19.29
Industry P/E	46.23
Historical P/B	4.81
Industry P/B	6.28

Company Overview (Q1 FY24)

Asset Portfolio (Q1FY24)



Shareholding Pattern (Q1FY24)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22		FY23				FY24		FY23	FY24E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	53	40	60	58	72	73	69	91	264	400
YoY change (%)	76.40%	19.75%	320.96	82.29%	37.34%	83.53%	13.96%	31.88	90.26	51.77
Total Expenditures	36	33	39	43	49	51	51	67	182	268
EBITDA	17	7	21	15	24	22	18	24	82	132
Margins (%)	32%	17%	35%	26%	33%	30%	26%	26%	37%	33%
Other income	1	34	3	5	4	4	5	5	16	17
Interest	4	4	4	4	4	5	5	5	16	16
Depreciation	5	5	4	4	4	5	5	5	18	19
PBT	9	33	16	12	19	16	14	19	64	114
Rate (%)	34%	3%	26%	26%	27%	26%	25%	25%	26%	25%
Adjusted PAT	6	32	12	9	15	13	11	14	47	86
EPS in Rs	1.61	11.59	4.03	3.22	5.27	4.62	3.53	5.2	17.15	31.20

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The hotel industry kicked off FY24 with a strong performance in the April-June quarter, riding on high demand that has continued into the new financial year. As supply trails demand, the market dynamics are allowing hotels to raise room rates.
- All eyes are on the seasonally stronger H2FY24, as occupancies are expected to rise due to the wedding season and as inbound international travel recovers to pre-covid levels. Also, events such as the ICC Men's Cricket World Cup and Miss World competition will boost overall demand.
- Data from HVS Anarock shows that occupancy rates fell by 200 bps YoY across the industry in Q1FY24.
- Hotels are preparing to make the most of the ongoing upcycle, which is expected to last for a few years. The industry anticipates rising demand from both domestic and international travellers. Given these favourable market dynamics, hoteliers will be able to charge premium rates without sacrificing occupancies, especially during high-demand seasons.
- According to the India Hospitality Industry Overview 2022 by HVS Anarock, industry level occupancies, which recovered to 60% in CY22, are estimated to reach 66% in CY23, 68% in CY24 and 70% in CY25. At the same time, industry ARR which stood at INR6,100 in CY22 is estimated to reach INR7,106 in CY23, INR7,639 in CY24 and INR7,983 in CY25.

KEY PLAYERS IN HOTEL INDUSTRY



PEER PERFORMANCE

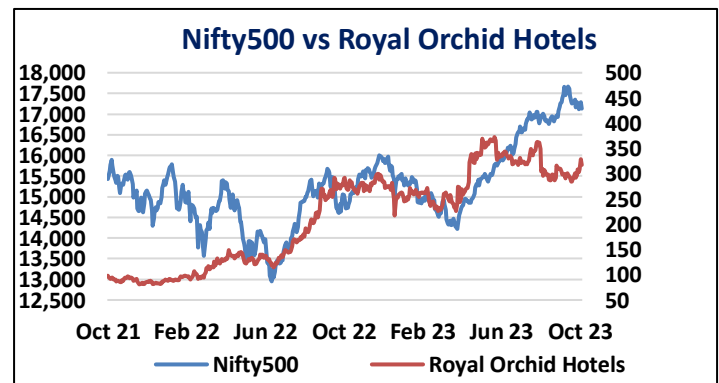
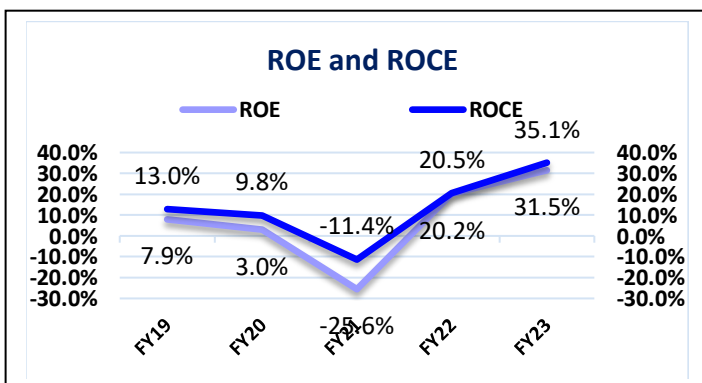
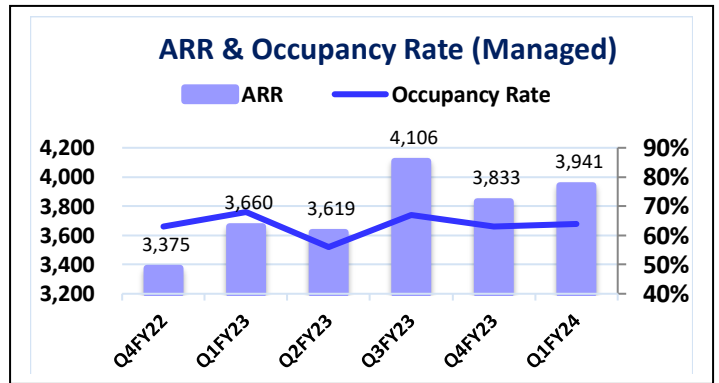
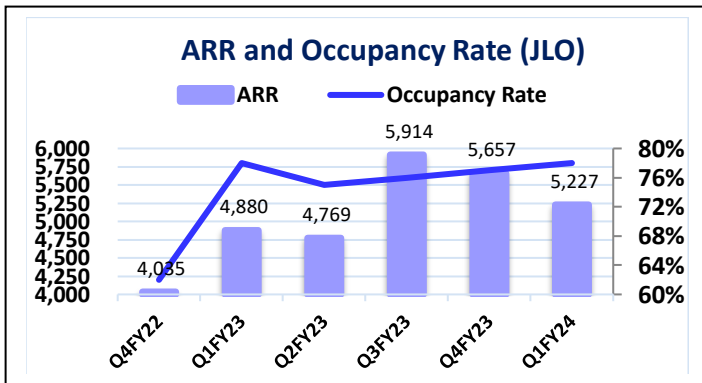
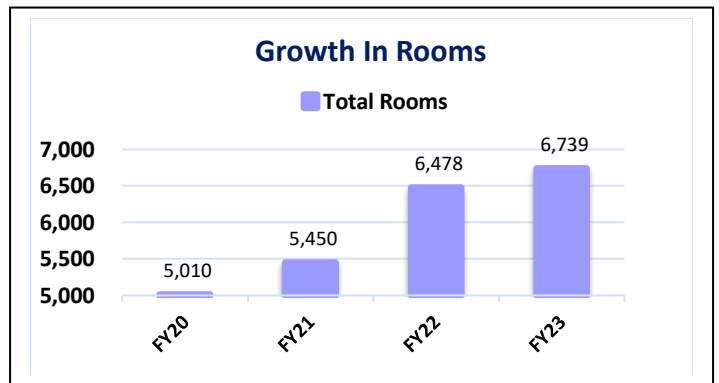
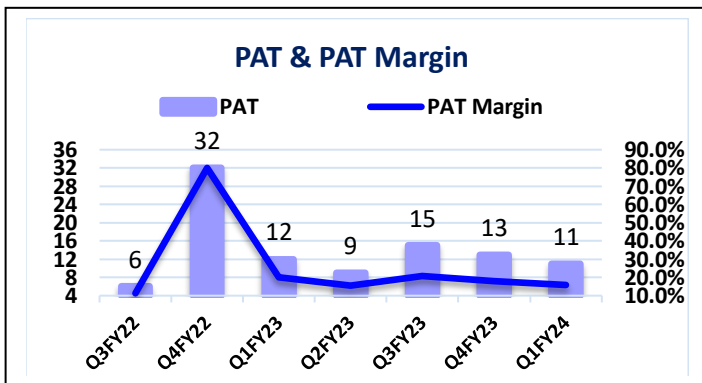
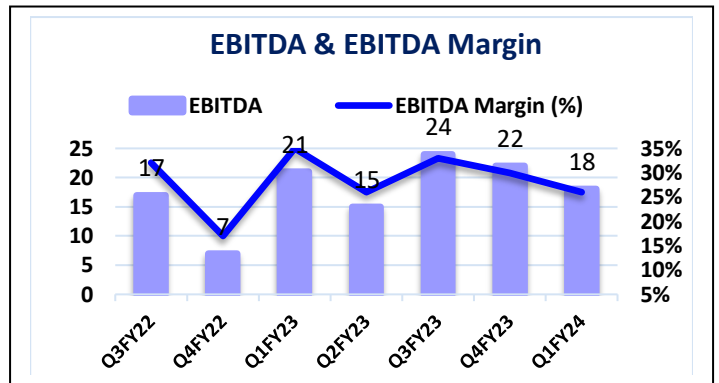
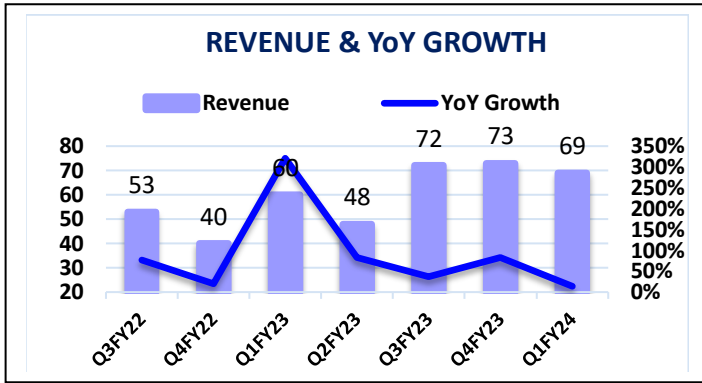
(₹ Cr)

Particulars	Royal Orchid Hotels Ltd	Indian Hotels Ltd	EIH Ltd	Lemon Tree Hotels Ltd
Market Cap	883	58,968	14,418	9,424
Net Sales	263.5	5,809.9	2,018.8	875.0
EBITDA	81.9	1,804.4	597.4	447.6
PAT	47.0	1,002.6	314.6	114.6
EPS(₹)	17.1	7.1	5.0	1.4
EBITDA MARGIN %	37.2	33.5	33.4	52.2
PAT MARGIN %	17.8	16.7	16.8	16.1
ROCE %	35.1	17.2	14.7	14.1
ROE %	31.5	12.9	10.6	16.7
P/E TTM	19.3	56.1	40.9	75.3
P/B TTM	4.8	7.2	4.2	10.6
EV/EBITDA	9.97	30.6	18.6	25
Dividend Yield %	0.6	0.2	0.5	-

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- The hotel sector was severely impacted during the COVID-19 pandemic. FY22 witnessed a faster-than-expected recovery on the back of revenge travel and an aversion towards international destinations. Business travel started to pick up gradually in FY22. Occupancy improved dramatically to 50.3% in FY22 from 34.5% in FY21. Demand remained strong in H1FY23 as the trend of staycations and workations caught on. Business travel, MICE demand, and the wedding segment have seen a significant recovery in FY23.
- As of Q1FY24, company had an inventory of 5,626 rooms spread across 60+ locations. A majority of its more than 94+ hotels are spread across South, West, and North India, primarily in Tier II and III cities and covers the entire budget spectrum with seven sub-brands offering five-star hotels, four-star hotels, service apartments, heritage resorts, MICE hotels, and budget/three-star hotels.
- Owing to favorable demand-supply dynamics and company's prominent presence in the leisure segment in tier-2 and tier-3 cities and increasing occupancy rate and ARR will result in increased topline and bottom line.

RISK / NEGATIVE FACTORS:

- Slower ramp up of newly added properties.
- Delay in room inventory addition by ROHL
- Quicker than expected addition in supply of rooms in the industry
- Global macroeconomic concerns

COMPANY RECAP

- Royal Orchid Hotels Limited is one of India's fastest-growing hospitality brands. It caters to business and leisure travelers who value comfort, great cuisine, distinctly warm Indian hospitality, and value for money. Its modern and fully equipped hotels, resorts, long-stay suites, and inns are what make its guests return time and time again to its properties in metro cities, holiday destinations, pilgrimage sites and wildlife parks.
- Company is promoted by experienced management team consisting of Mr Chander K Baljee, Mr. Keshav Baljee and Mr. Sunil Sikka.
- Company is increasing its footprint through leasing properties or entering into a management contract with property owners or franchisees.
- Despite having a presence across 60+ locations, the company has 42% of its keys in Karnataka, 13% in Rajasthan, and 11% in Maharashtra.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement						(₹ Cr)	
Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Revenue from operations	203.83	205.03	80.85	138.52	263.55	400	493
Growth YoY (%)	7.59	0.59	-60.57	71.33	90.26	51.77	23.25
Total Expenditure	169.59	174.35	91.85	114.80	181.61	268	320.45
(%) of sales	83.20	85.04	113.60	82.87	68.91	67	65
EBITDA	34.24	30.68	-11.00	23.73	81.94	132	172.55
EBITDA Growth (%)	25.82	-7.61	-106.59	1,466.50	138.43	61.09	30.71
EBITDA Margin (%)	24.27	22.29	-3.72	29.69	37.21	33	35
Depreciation	14.32	18.99	19.29	19.44	18.37	19	19
EBIT	35.16	26.72	-29.58	46.74	79.70	113	153.55
EBIT Growth (%)	40.86	-23.99	-210.69	258.03	70.51	41.78	35.88
Net Interest Expenses	13.87	16.03	16.44	16.87	16.10	16	16
Other Income	15.24	15.03	7.99	17.41	16.14	17	17
Earnings before Taxes	21.28	10.70	-46.02	29.87	63.60	114	154.55
EBT Margin (%)	10.44	5.22	-56.92	21.56	24.13	28.5	31.34
Tax-Total	8.17	5.62	-6.00	3.09	16.67	28.5	38.63
Rate of tax (%)	38.40	52.53	13.05	10.34	26.20	25	25
Net Profit	13.11	5.08	-40.01	26.78	46.94	85.5	115.91
PAT Growth (%)	443.51	-61.27	-888.04	166.94	75.24	82.14	40.49
PAT Margin (%)	6.43	2.48	-49.49	19.34	17.81	21.37	23.51
Minority Interest	-1.17	-0.17	7.54	2.58	-2.20	0.00	0.00
Adjusted PAT	11.94	4.91	-32.48	29.36	47.03	85.5	115.91
EPS	4.36	1.79	-11.84	10.71	17.15	31.20	42.30
EPS Growth (%)	254.85	-58.90	-761.13	190.42	60.14	81.92	35.57

Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	27	27	27	27	27
Reserves	150	146	113	98	146
Net Worth	177	173	140	125	173
Borrowings	102	152	163	149	158
Other Liabilities	124	124	115	89	93
Total Liabilities & Equity	403	449	419	362	423
Fixed Assets	264	307	243	193	206
CWIP	21	21	1	0	1
Investments	0	0	0	24	27
Other Assets	118	120	175	145	190
Total Assets	403	449	419	362	423

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2019	2020	2021	2022	2023
Profitability and return ratios					
Net profit margin (%)	6.43	2.48	-49.49	19.34	17.81
EBITDA margin (%)	24.27	22.29	-3.72	29.69	37.21
EBIT margin (%)	17.25	13.03	-36.59	33.74	30.24
ROE (%)	7.92	2.96	-25.58	20.19	31.49
ROCE (%)	12.99	9.84	-11.37	20.53	35.13
Working Capital & liquidity ratios					
Payables (Days)	91.20	506.64	1011.95	822.18	514.29
Inventory (Days)	4.17	4.09	9.27	5.02	2.89
Receivables (Days)	37.48	37.24	74.23	40.11	36.61
Current Ratio (x)	0.85	0.80	0.64	1.06	1.45
Valuations Ratios					
EV/sales (x)	1.88	0.83	2.94	2.66	2.83
EV/EBITDA (x)	7.76	3.71	-79.09	8.96	7.61
P/E (x)	27.10	22.89	0.00	11.42	15.79
P/BV (x)	1.91	0.65	1.23	2.68	4.29
Dividend Yield (%)	1.69	0.00	0.00	0.00	0.00
Leverage Ratio					
Debt/Equity (x)	0.60	0.56	0.78	0.64	0.44

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	
CF from Operating activities (A)	29	5	22	56	
CF from Investing Activities (B)	-16	-11	-3	-9	
CF from Financing Activities (C)	-28	-1	-13	-25	
Net Cash Flow	-15	-6	6	21	
Add: Opening Bal.	35	20	13	19	
Closing Balance	20	13	19	40	

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
11 October 2023	Buy	391

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