

### Quarterly update

Sector	Hotels
Recommendation	BUY
Upside	22%

### Stock Data

Sensex	38,694
52 Week h/l (₹)	232 / 131
Market cap (₹ Cr)	9,865
BSE code	500840
NSE code	ElHHOTEL
FV (₹)	2
Div yield (%)	0.52

### Shareholding Pattern (%)

	Dec-17	Mar-18	Jun-18
Promoters	35.25	35.25	35.25
DII+FII	19.12	19.47	19.43
Individuals	45.63	45.28	45.32

Source: ACE equity, www.bseindia.com

### Valuation matrix

	FY19E	FY20E
EV per room (₹)	2.0	1.8
EV/EBITDA (x)	29	22

Prices as on 27/08/2018

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### Key highlights

- ✧ ElH Limited posted a strong set of quarterly performance in Q1FY19. The standalone revenue increased by 17.9% yoy with an increase in EBITDA margin by 459bps during the quarter.
- ✧ The strong operating performance is backed by reopening of The Oberoi, New Delhi, which was under renovation during the corresponding quarter previous year. The rise in EBITDA margin is on account of higher occupancy and rising average room rent.
- ✧ The standalone net profit, however, came below our estimate on account of lower other income and increase in finance cost.
- ✧ The management stated that it would now focus on management contracts following an asset light strategy.

### Investment rationale

- ✧ Our rationale for ElH continues to remain intact based on improvement in the operating performance coupled with reopening of The Oberoi, New Delhi.
- ✧ ElH's presence across key market areas with a stable financial position augurs well for the company.

### Outlook & Valuation

We remain positive on the stock and make adjustments for ElH's operating performance based upon FY18 and Q1FY19 performance in our estimates. We maintain **BUY** rating on the stock and valuation of an enterprise value of ₹2.2cr per room in FY20 with target of ₹211.

### Summary of estimate changes

Particulars (₹cr)	FY19E			FY20E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,828	1,828	-	2,142	2,142	-
*EBITDA margin (%)	19.0	16.7	226	20.5	19.6	90
Adjusted PAT	192	129	48.6	246	186	32.1
Adjusted EPS	3.4	2.3	48.6	4.3	3.3	32.1

\*EBITDA margin change is bps

### Financial summary

Consolidated ₹Cr.	FY18	FY19E	FY20E
Revenue	1,598	1,828	2,142
YoY growth (%)	4.7	14.4	17.2
EBITDA Margin (%)	18.7	19.0	20.5
PAT	179	192	246
PAT growth (%)	68.8	6.7	28.4
RoE (%)	6.2	6.6	8.4

Source: Company, IIFL Research

## Quarterly update

Sector	Hotels
Recommendation	BUY
Upside	41%

## Stock Data

Sensex	38,694
52 Week h/l (₹)	161 / 101
Market cap (₹ Cr)	15,008
BSE code	500850
NSE code	INDHOTEL
FV (₹)	1
Div yield (%)	0.32

## Shareholding Pattern (%)

	Dec-17	Mar-18	Jun-18
Promoters	44.64	44.64	44.65
DII+FII	28.02	28.97	28.70
Individuals	27.35	26.39	26.65

Source: ACE equity, www.bseindia.com

## Valuation matrix

	FY19E	FY20E
EV per room (₹)	2.2	2.2
EV/EBITDA (x)	19	16

Prices as on 27/08/2018

## Key highlights

- Indian Hotels Company Ltd (IHCL) reported stable earnings performance broadly in-line with the estimates for Q1FY19.
- The consolidated revenue increased by 7.5% yoy with an EBITDA margin expansion of ~136bps, which was majorly driven by growth in the overall industry and market share gains.
- The improvement in EBITDA margin in a seasonally slower first quarter was backed by higher occupancy levels and rise in average room rent (ARR). IHCL reported an adjusted consolidated net profit of ₹15.26cr in Q1FY19 vs. net loss of ₹24.96cr in Q1FY18.

## Investment rationale

- Our rationale for IHCL continues to remain intact based on improvement in the operations and strategy for expansion of market share in the midst of stable financial position.
- IHCL has signed 10 new properties in FY19 YTD with expected inventory addition of ~1,284 rooms.

## Outlook & Valuation

We remain positive on the stock and make adjustments for IHCL's new signings made in FY19 YTD in our estimates. We reiterate **BUY** on the stock with target of ₹178. We maintain our valuation of FY20E enterprise value of ₹3.2cr per room for IHCL's standalone hotels and relatively value its subsidiaries, joint ventures and associates.

## Summary of estimate changes

Particulars (₹cr)	FY19E			FY20E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	2,807	2,705	3.8	3,156	2,948	7.0
*EBITDA margin (%)	25.3	22.9	238	27.2	25.4	182
Adjusted PAT	272	250	9.0	352	336	4.6
Adjusted EPS	2.3	2.1	9.0	3.0	2.8	4.6

\*EBITDA margin change is bps

## Financial summary

Consolidated ₹Cr.	FY18	FY19E	FY20E
Revenue	2,584	2,807	3,156
YoY growth (%)	8.1	8.6	12.4
EBITDA Margin (%)	24.3	25.3	27.2
PAT	203	272	352
PAT growth (%)	43.7	33.9	29.3
RoE (%)	5.9	6.1	7.4

Source: Company, IIFL Research

## Quarterly update

Sector	Hotels
Recommendation	BUY
Upside	44%

## Stock Data

Sensex	38,694
52 Week h/l (₹)	69 / 32
Market cap (₹ Cr)	758
BSE code	500314
NSE code	ORIENTHOT
FV (₹)	1
Div yield (%)	-

## Shareholding Pattern (%)

	Dec-17	Mar-18	Jun-18
Promoters	44.64	44.64	44.65
DII+FII	28.02	28.97	28.70
Individuals	27.35	26.39	26.65

Source: ACE equity, www.bseindia.com

Valuation matrix	FY19E	FY20E
EV per room (₹)	0.82	0.80
EV/EBITDA (x)	14	12

Prices as on 27/08/2018

## Key highlights

- ✧ Oriental Hotels Ltd (OHL) reported strong set of operating performance during Q1FY19. The standalone revenue increased marginally by 3.6% yoy during the first quarter. However, the EBITDA margin expanded significantly by ~292bps yoy.
- ✧ The standalone net loss narrowed down significantly to ₹3.6cr in Q1FY19 vs. ₹5.3cr in Q1FY18.
- ✧ It has completed renovation of three floors (76 rooms) of Taj Coromandel and 48 rooms of Taj Fisherman's Cove.

## Investment rationale

- ✧ OHL is expected to witness improvement in occupancy on account of completion of renovation across its key properties.
- ✧ OHL remains a key beneficiary across south Indian market with strong brands like Taj, Vivanta and The Gateway Hotel.

## Outlook & Valuation

We remain positive on the stock and make adjustments for OHL's quarterly performance in our estimates. We maintain our **BUY** rating on the stock. However, we trim our valuation considering the drawdown in the stock. We revise our valuation to ₹1cr FY20E enterprise value per room for standalone properties and relatively value its subsidiaries and other financial assets. We revise our target price to ₹61.

## Summary of estimate changes

Particulars (₹cr)	FY19E			FY20E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	383	382	0.2	409	408	0.3
*EBITDA margin (%)	17.5	17.5	-	18.8	18.8	-
Adjusted PAT	15	15	2.2	23	22	3.3
Adjusted EPS	0.9	0.8	2.2	1.3	1.2	3.3

\*EBITDA margin change is bps

## Financial summary

Consolidated ₹Cr.	FY18	FY19E	FY20E
Revenue	357	383	409
YoY growth (%)	7.0	7.2	7.0
EBITDA Margin (%)	15.4	17.5	18.8
PAT	6	15	23
PAT growth (%)	277.8	152.9	47.7
RoE (%)	2.4	6.1	8.5

Source: Company, IIFL Research

### Quarterly update

Sector	Hotels
Recommendation	BUY
Upside	54%

### Stock Data

Sensex	38,694
52 Week h/l (₹)	239 / 105
Market cap (₹ Cr)	373
BSE code	532699
NSE code	ROHLTD
FV (₹)	10
Div yield (%)	0.73

### Shareholding Pattern (%)

	Dec-17	Mar-18	Jun-18
Promoters	70.80	69.53	69.35
DII+FII	5.15	5.70	7.20
Individuals	24.33	24.69	23.45

Source: ACE equity, www.bseindia.com

### Valuation matrix

	FY19E	FY20E
EV/EBITDA (x)	10	7

Prices as on 27/08/2018

### Key highlights

- ✧ Royal Orchid Hotels (ROHL) has delivered stable earnings performance in Q1FY19 with maintenance of expansion strategy through the management contracts.
- ✧ The standalone revenue increased by 18.1% yoy with an EBITDA margin expansion of ~692bps on account of increase in revenue per available room and new management contracts.
- ✧ ROHL has 48 properties as on June 30, 2018 and expects 15 hotels under management contracts in FY19. It is also planning to add few hotels under revenue share/lease model in FY19.

### Investment rationale

- ✧ Our investment rationale for ROHL based on expansion through asset light strategy and de-leveraging of financial position continues to remain intact.
- ✧ ROHL continues to remain attractively positioned across tier-II and tier-III markets with implementation of its new brand.
- ✧ ROHL aims to have a portfolio of 75 hotels by 2020.

### Outlook & Valuation

We remain positive on the stock and make adjustments for ROHL's quarterly performance and management guidance. We reiterate **BUY** on the stock and revise our target valuation to ~10x FY20E EV/EBITDA considering the recent correction in the stock price. We revise our target price from ₹264 to ₹211.

### Summary of estimate changes

Particulars (₹cr)	FY19E			FY20E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	219	209	4.9	258	250	3.1
*EBITDA margin (%)	18.8	17.3	153	22.7	22.4	35
Adjusted PAT	14	14	1.8	28	28	-
Adjusted EPS	5.2	5.1	1.8	10.3	10.3	-

\*EBITDA margin change is bps

### Financial summary

Standalone ₹Cr.	FY18	FY19E	FY20E
Revenue	189	219	258
YoY growth (%)	16.6	15.7	17.6
EBITDA Margin (%)	15.5	18.8	22.7
PAT	1	14	28
PAT growth (%)	(40.7)	868.5	96.4
RoE (%)	1.0	9.1	16.3

Source: Company, IIFL Research