

CMP (INR): (Nov 06, 2017)	142.30
Revised Target (INR)	188.00
Upside(%)	32.00%
Recommendation :	Strong Buy

BSE Code	532699
NSE Code	ROHLTD
Reuters Ticker	ROHL.BO
Bloomberg Ticker	ROHL.IN

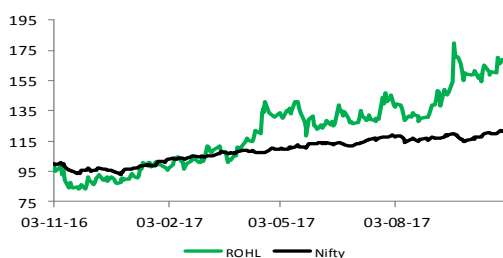
Stock Scan

Market cap (INR Cr.)	385.50
Paid-up Eq. Capital (INR Cr.)	272.00
Outstanding Shares (Cr.)	2.72
Face Value (INR)	10.00
Dividend Yield(%)	0.71
P/E (x)	156.38
Industry P/E (x)	81.52
Debt/Equity	0.54
Beta vs. Sensex	1.57
52 Week High/ Low (INR)	150.50/67.10
Avg. Daily Volume (NSE)	70641

Shareholding Pattern (%)

	Sept-2017	June-2017	Mar-2017
Promoters	70.53	70.80	70.80
Institutions	5.15	0.06	0.02
Non-institutions	24.33	29.14	29.19

ROHL vs. Nifty



Source: NSE

Research Analyst: Aditya Jaiswal
Email: aditya.jaiswal@smifs.com

Company Overview

Royal Orchid Hotel Limited (ROHL) is the flagship company of the Royal Orchid Group of Hotels. The hotel chain has been in the business since the past 30 years, it comprises 5 and 4 star properties for business and leisure travellers and has an inventory of 3,159 rooms spread across 47 operational properties pan India.

Q2 FY2018: ROHL reports stellar results!

- Royal Orchid reported stellar standalone results in Q2 FY18. Its revenues from operations grew 27% YoY to INR24.72 crores, on the back of increase in occupancy levels (75%) in Q2 FY18.
- Its employee benefit expenses increased 20% YoY on the back of implementation of minimum wage rules.
- Its EBITDA grew 75% YoY to INR4.06 crore, while the EBITDA margin expanded by 447 bps YoY to 16.42%.
- Its interest cost declined 10.60% YoY to INR1.35 crore on the back of re-negotiated interest rates.
- Its PAT increased 66% YoY to INR3.14 crore, while its PAT margin expanded 296 bps YoY to 12.70%.
- The Company declared a strategic partnership with Bespoke Hotels Ltd. Bespoke Hotels manages over 200 properties worldwide, with over 50 represented hotels in India, and stands as the UK's Largest Independent Hotel Group. This partnership will enable ROHL the ability to offer its guests hundreds of hotel options across multiple global markets.

Financial Performance at a glance (consolidated)

Particulars (INR Cr)	FY 2015	FY 2016	FY 2017	FY 2018E	FY 2019E
Revenue from operations	147.75	158.53	162.53	175.53	193.09
Growth (%)	4.02%	7.30%	2.52%	8.00%	10.00%
EBITDA (inc. other income)	22.41	24.70	27.47	29.82	34.03
EBITDA Margins (%)	15.17%	15.58%	16.90%	16.99%	17.63%
Net Profit	-6.77	-3.63	1.44	3.94	9.74
Net Profit Margins (%)	-4.58%	-2.29%	0.89%	2.24%	5.04%
Net Profit Growth (%)	N/A	N/A	-60.33%	173.61%	147.21%
EPS (INR)	-1.42	-0.47	0.92	1.82	3.95
BVPS	57.42	57.42	59.28	60.20	62.34
P/E	N/A	N/A	124.00	59.89	27.60
P/BV	0.67	1.20	1.84	1.81	1.75
EV/EBITDA	8.03	9.93	13.24	11.69	8.18
ROE (%)	N/A	N/A	0.90%	2.46%	6.10%

Source: Company data, SMIFS Research

Financial Analysis for the quarter ending September 30, 2017 (standalone)

Particulars (in INR Crore)	Quarter Ended					Half year ended		
	Q2 FY18	Q2 FY17	YoY %	Q1 FY18	QoQ %	H1 FY18	H1 FY17	YoY
Income from operations	24.72	19.41	27.36%	22.17	11.50%	46.89	39.14	19.80%
Cost of materials	2.51	2.44	2.87%	2.44	2.87%	4.95	5.11	-3.13%
Employee benefit expenses	5.26	4.37	20.37%	5.13	2.53%	10.39	8.54	21.66%
Rent	2.75	2.28	20.61%	2.69	2.23%	5.44	4.63	17.49%
Power & fuel	2.60	1.95	33.33%	2.89	-10.03%	5.49	4.18	31.34%
Other expenses	7.54	6.05	24.63%	6.91	9.12%	14.45	13.39	7.92%
Total Expenses	20.66	17.09	20.89%	20.06	2.99%	40.72	35.85	13.58%
EBITDA	4.06	2.32	75.00%	2.11	92.42%	6.17	3.29	87.54%
EBITDA margin (%)	16.42%	11.95%	447 bps	9.52%	690 bps	13.16%	8.41%	475 bps
Other income	2.31	2.83	-18.37%	2.06	12.14%	4.37	3.91	11.76%
Depreciation & ammortization	1.13	1.07	5.61%	1.06	6.60%	2.19	2.25	-2.67%
EBIT	5.24	4.08	28.43%	3.11	68.49%	8.35	4.95	68.69%
EBIT Margin (%)	21.20%	21.02%	18 bps	14.03%	717 bps	17.81%	12.65%	516 bps
Interest cost	1.35	1.51	-10.60%	1.54	-12.34%	2.89	2.93	-1.37%
Profit before tax	3.89	2.57	51.36%	1.57	147.77%	5.46	2.02	170.30%
PBT margin (%)	15.74%	13.24%	250 bps	7.08%	866 bps	11.64%	5.16%	648 bps
Tax	0.75	0.68	10.29%	0.43	74.42%	1.18	0.68	73.53%
Profit after tax	3.14	1.89	66.14%	1.14	175.44%	4.28	1.34	219.40%
PAT margin (%)	12.70%	9.74%	296 bps	5.14%	756 bps	9.13%	3.42%	571 bps
EPS	1.16	0.69	68.12%	0.42	176.19%	1.58	0.50	216.00%

Source: Company data

No of keys	Q2FY17	Q2FY18
Management contracts	1768	2292
JV	396	396
Owned (Domestic)	195	195
Leased	456	386
Total keys	2815	3269

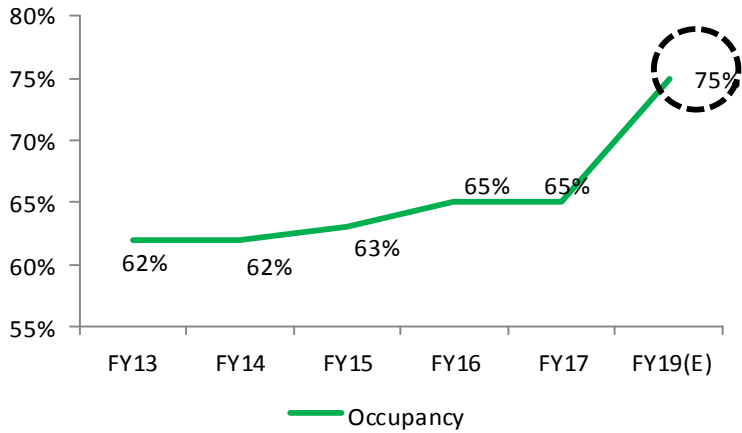
Source: Company data

Operational metrics (snapshot)	Q2FY17	Q2FY18
Average occupancy rate	69%	76%
Average Room rate	INR3493	INR3543
Average occupancy rate (Managed)	66%	62%
Average Room rate (Managed)	INR2931	INR2682

Source: Company data

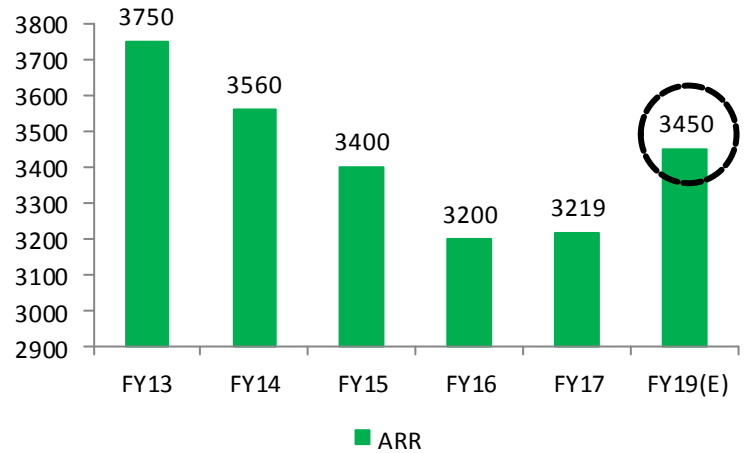
Operational Highlights

Occupancy above 70% would yield higher room rents



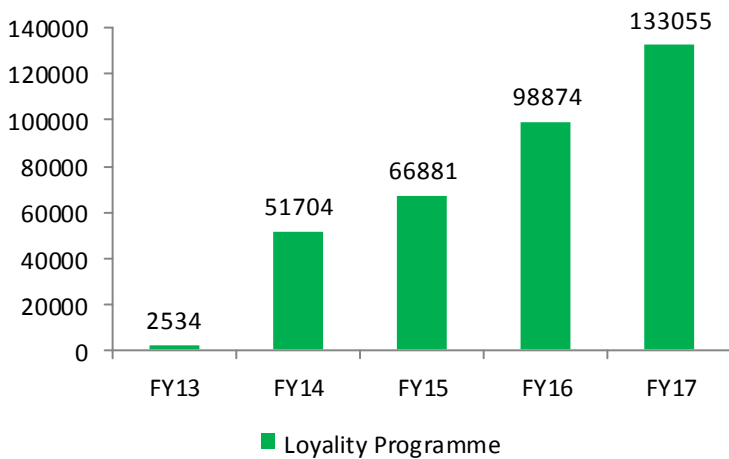
Source: Company data

Average room is inching up after bottoming out in FY16



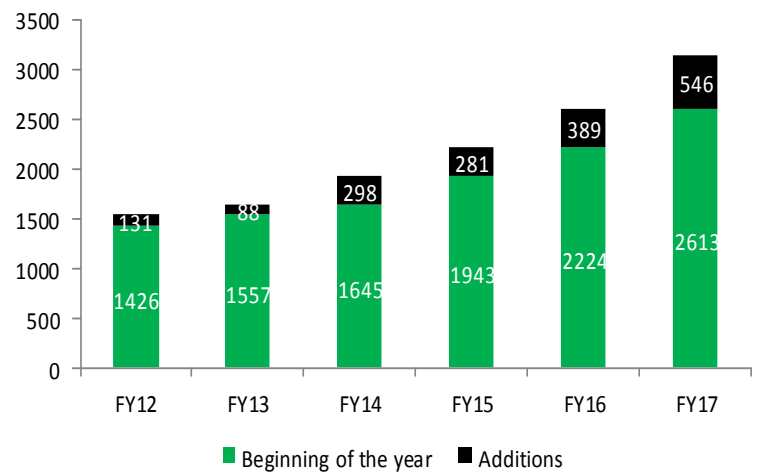
Source: Company data

ROHL has build a good base of loyal customers through its loyalty program



Source: Company data

Growth – Rooms & Properties



Source: Company data

Q2 FY18 Concall Highlights and Valuation

Q2 FY18 conference call Highlights

On operational front:

- Occupancy levels in Q2FY18 stood at over 76% Vs 69% in Q2FY17.
- Average room rates (ARR) currently stand at INR3,543 Vs INR3,493 in Q2FY17.
- It expects 10% growth in ARR over the next two years.

Expansion plans:

- The company currently has an inventory of 3269 rooms. It plans to add 300 rooms this year and 1000 new rooms in FY19. It has already identified 700 rooms for this expansion.
- The Company currently has 47 hotels Vs 42 hotels in last year.

Land parcels:

- Management has guided that it should be able to sell-off the Mumbai land parcel (valued around INR60 crore) by the end of FY18.
- Tanzania land to be sold off soon.

On industry:

- The management confirms the fact that there the hospitality industry is going through an up cycle.
- The industry is expected to flourish in the next two years.

Partnership With UK's Bespoke Hotels:

- Bespoke Hotels manages over 200 properties worldwide, with over 50 represented hotels in India, and stands as the UK's Largest Independent Hotel Group.
- ROHL now has the ability to offer its guests hundreds of hotel options across multiple global markets.

Valuation: Asset light business model, rapid expansion of properties, favorable taxation structure under GST, turnaround in business operations coupled with ever increasing foreign tourist arrival and robust air passenger traffic bodes well for the company. We take into consideration the fact that the asset value of the current properties including (joint ventures) stands at INR500 Crore approximately. We estimate that ROHL would generate a cash flow from operations of INR40 Crores by FY19(E). In Q2 FY18 conference call, the management guided that it plans to sell-off the Mumbai land parcel (valued at around INR60 crore) by the end of FY18.

We value the company based on the above estimates and upgrade our target price to INR188 (INR161 earlier) i.e 32% upside from the CMP of INR142.30.

Research & Development Strategies

Mr. Ashwini Kumar Tripathi
Director
aswin.tripathi@smifs.com
+91 33 30515415 / 40115415
Mobile: +91 9831155058

Mr. Ajay Jaiswal
President: Strategies and Head Research
ajaiswal@smifs.com
+91 33 30515408 / 40115408
Mobile: +91 9836966900

Mr. Monal Desai
Sr. VP—Institutional Sales
monal.desai@smifs.co.in
+91 2242005555
Mobile: +91 9821137303

Mr. Shivaji Roy
Sr. VP – Retail Sales
shivaji.roy@smifs.co.in
+91 33 30515400/40115400
Mobile: +91 9830173200

Mr. Vishal Prabhakar
Sr. VP – PMS & PCG
vishal.prabhakar@smifs.com
+91 33 30515400 / 40115400
Mobile: +91 9831554477

Fundamental Research

Mr. Ajay Srivastava
Associate VP—Research
ajay.srivastava@smifs.co.in
+91 33 30515400

Mr. Saurabh Ginodia
Associate VP – Research & Strategies
saurabh.ginodia@smifs.com
+91 33 30515407

Mr. Dipanjan Basuthakur
Research Analyst
dipanjan.basuthakur@smifs.com
+91 33 30515486

Ms. Sutapa Biswas
Research Analyst
Economy
sutapa.biswas@smifs.com
+91 9836020612

Mr. Aditya Jaiswal
Research Analyst
Aviation and Hospitality
aditya.jaiswal@smifs.com
+91 33 30515433 / 30515468

Mr. Pratim Roy
Research Analyst
Oil & Gas/Textiles
pratim.roy@smifs.co.in
+91 33 30515468

Ms. Mononita Mitra
Research Analyst
Agro & Agro Chemicals
m.mitra@smifs.com
+91 33 30515468

Mr. Harshit Mantri
Research Analyst
BFSI
harshit.mantri@smifs.com
+91 33 30515433 / 30515468

Mr. Kapil Joshi
Research Analyst
Infrastructure/Power
kapil.joshi@smifs.com
+91 33 30515468

Mr. Abhishek Roy
Research Analyst
FMCG/Retail
abhishek.roy@smifs.com
+91 33 30515468

Mr. Sarthak Mukherjee
Research Analyst
Logistics and Media - Broadcasting
sarthak.mukherjee@smifs.co.in
+91 33 30515468

Mr. Anupam Goswami
Research Analyst
Building Products/Capital Goods/
Construction Equipment
anupam.goswami@smifs.co.in
+91 33 30515433

Mr. Anmol Das
Research Analyst
Metals and Mining
anmol.das@smifs.co.in
+91 33 30515468

Mr. Debjit Maji
Research Analyst
IT-Telecom/Pharmaceuticals /
Auto & Auto Ancillary
debjit.maji@smifs.co.in
+91 33 30515468

Technical Research

Mr. Jaydeb Dey
Technical Analyst Equities
jaydeb.dey@smifs.com
+91 33 30515433

Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

Investor Relations and Data Support

Ms. Debjani Sen
Officer – Investor Relations
debjani.sen@smifs.com
+91 33 30515401

Ms. Sulagna Mukherjee
Executive – Customer Care
sulagna.mukherjee@smifs.com
+91 33 30515436

Mr. Deepankar Saha
Research Assistant
deepankar.saha@smifs.co.in
+91 33 30515468

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

Contact Details

REGISTERED OFFICE
Mr. Sandipan Chatterjee
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 30515400 / 40115400
Fax No: +91 9748899161

MUMBAI
Mr. Monal Desai
Office No. 5G, New Marine Lines, Court
Chamber, Mumbai - 400 020,
Maharashtra, India
Phone: +91-9821137303

NEW DELHI
Mr. Taj Mohammad
6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
Phone: +91 9818754786

BANGALORE
Mr. S. Srikanth
No.153, 2nd Floor, Sheela Arcade, 7th Block
Koramangala, (Opp.—Sai Baba Mandir)
Bangalore - 560095, India.
Phone: +91 9845020017

CHENNAI
Mr. K.K.Raja Gopalan
New No.4/2, Bajaj Apartments,
Seethamal Colony, 1st Cross Corner, Alwarpet,
Chennai – 600018, India.
Phone: +91 9383931590

LUCKNOW
Mr. Ashish Verma
6 Park Road, UGF 4, Hazratganj,
Lucknow - 226001, Uttar Pradesh, India.
Phone: +91 9870398545

BHUBANESHWAR
Mr. Jaydeep Pattanayak
Plot No. 15-B, Bapuji Nagar,
Unit-1, Ashok Nagar,
Bhubaneswar - 751009, Odissa, India.
Phone: +91 9583099025

PATNA
Mr. Ram Singh
606/A, Ashiana Plaza, Budha Marg,
Patna – 800001, Bihar, India.
Phone: +91 9570507409

KANPUR
Mr. Amit Kumar Gupta
Office No.212 - 213, 2nd Floor, KAN Chamber,
Adjacent to UP Stock Exchange, 14/113, Civil
Lines, Kanpur - 208001, Uttar Pradesh, India.
Phone: +91 9151104767

DHANBAD
Mr. Vinay Kumar Singh
Room No. 308, 3rd Floor, Shriram Plaza Bank
More, Dhanbad - 826001, Jharkhand, India.
Phone: +91 9835351951

BALASORE
Mr. Jyoti Bhusan Das
Plot No. 891/1632, Bhaskarganj – A, Station
Chhak, Municipality Holding No. 648 (32),
Balasore – 756001, Odissa, India.
Phone: +91 9776265566

LYONS RANGE
Mr. Deepak Gupta
7, Lyons Range, CSEA Building, 3rd Floor,
Kolkata - 700001, India.
Phone: +91 9674793553

NOIDA
Mr. Prakash Srivastava
1st, Floor, Wave Silver Tower, Sector-18,
Noida - 201301, Uttar Pradesh, India.
Phone: +91 9910497783

PATHANKOT
Ms. Anuradha Marwaha
SCO G - 69, Netaji Market,
Opp. Hindu Co.op. Bank, Dalhousie Road,
Pathankot - 145001, Punjab, India.
Phone: 0186 - 2222201/ 2222205

MANALI
Mr. Sachin Jolly
Village & Post Office - Bahang, Tehsil Manali,
Rohtang Pass Road, District - Kullu,
Pin - 175103, Himachal Pradesh, India
Phone: +91 9816036136

PORT BLAIR
Mr. Gulam Hassan
24, S.J.Lane, 8/3, Sahajeevan Housing,
Co-operative, P.O. Haddo,
Port Blair 744102, India.
Phone: 233-175 Mobile No.
9932081381/9933236406

Website: www.smifs.com | Email: investors@smifs.com

Members: NSE | BSE | MCX | NCDEX | NSDL | CDSL | Repository
(For Disclosures and Disclaimers please follow the page below)

Disclaimer

Any document, including this report, which is prepared by the research team of Stewart & Mackertich Wealth Management Ltd. (SMIFS) is circulated for the purpose of information only to the intended recipient and should not be replicated or quoted or circulated to any person/corporate or legal entities in any form. This document/ documents/ reports/ opinion should not be interpreted as an Investment/ taxation/ legal advice. While the information contained in the report has been procured in good faith, from sources considered/ believed to be reliable, all/ part of the statement/ statements/ opinion/ opinions/ view/ views in the report may not be considered to be complete or accurate. Therefore, it should only be relied upon at the recipients own risk.

Research Analysts/ Economists/ Advisors/ Investment Strategists or any other spokes persons of the company (SMIFS) are often sought after for expressing their views on print/ electronic/ web media. The views expressed are purely based on their assumption/ understanding on fundamental approach/ technical and historic facts on the subject. The views expressed should not be construed as an offer to buy/ sell or hold equity/ commodity/ currencies or their derivatives. The views/ opinions expressed is for information purpose only, and may change due to underlying factors, related or unrelated or other market conditions and may or may not be updated.

Stewart & Mackertich Wealth Management Ltd, its subsidiaries, or any of its directors, employees, agents, and representatives shall not be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information/ research reports/ opinions expressed.

Disclosure: Clients/ associates of SMIFS Group may be holding positions in equities or their derivatives on which the research report is made or opinion is formed or views are expressed in print or electronic media. We ensure all compliance is adhered to with this report/ reports/ opinion or views expressed.

Analyst ownership of the stock – NIL

Analyst's dependent relatives' ownership in the stock – NIL

Analyst Certification: *The matter related to the report has been taken from sources believed reliable and the views expressed about the subject or issues in this report accurately reflect the personal views of the analyst/ analysts. Stewart & Mackertich Wealth Management Ltd. does not compensate partly or in full, directly or indirectly, related to specific recommendations or views expressed by the research analysts/ market strategists/ Portfolio Managers.*

REGISTRATION as required under SEBI (Research Analyst) Regulation 2014 has been granted by Securities & Exchange Board of India (SEBI), registration number being INH300001474.

Stewart & Mackertich Wealth Management Ltd.
Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Tel.: +91 33 3051 5408 /, Fax: 91 33 22893401
Website: www.smifs.com

For queries related to compliance of the report, please contact:
Sudipto Datta, Compliance Officer
Contact No.: +91 33 30515414 / 4011 5414
Email Id.: compliance@smifs.com / sudipta@smifs.com