

Retail Research	IPO Note
Sector: Hospitality	Price Band (Rs): 342 - 360
20th February 2024	Recommendation: Subscribe for long Term Horizon

Juniper Hotels Limited

Company Overview:

Juniper Hotels Limited is the largest owner of Hyatt-affiliated hotels in India, operating 7 hotels and serviced apartments with 1,836 rooms as of 1HFY24. The Saraf Group, a prominent hotel developer in India has a long standing partnership with the Hyatt Hotels Corporation. The company owns 19.6% of the Hyatt group-affiliated hotel rooms and apartments in India, and has extensive experience in identifying opportunities for high-end hotels in hospitality destinations.

Key Highlights:

1. Hotel business portfolio: The company owns seven hotels and serviced apartments in six Indian cities - Mumbai, Delhi, Ahmedabad, Lucknow, Raipur and Hampi. The hotel properties fall under three segments: luxury, upper upscale and upscale. As per the Horwath Report, the company has the largest inventory of upper-tier branded serviced apartments in Mumbai and New Delhi. The company's significant presence in Mumbai and Delhi provides them with a strategic advantage for both international and domestic travel. The Hyatt Regency Ahmedabad and Lucknow are present in the emerging business destinations of Gujarat and Uttar Pradesh, respectively. The Hyatt Raipur benefits from the industrial growth in Chhattisgarh's capital city while the Hyatt Place Hampi caters to tourists visiting the UNESCO World Heritage Site and business travelers visiting nearby manufacturing facilities.

2. Increasing returns by having multiple revenue streams and complementary offerings: The company introduced complementary revenue-generating streams at the hotels including serviced apartments, restaurants, MICE services and more. This ensures optimal resource utilization. During COVID-19, the occupancy at the serviced apartments remained strong while hotel occupancy decreased. These diverse offerings attract a mix of customers thus enhancing Average Room Rates. The company constantly monitors space usage and adapts to meet market demands.

3. Unique partnership between asset owner and operator brand backed by strong parentage: The Saraf Group and Hyatt have had a longstanding relationship of over 40 years, dating back to the opening of the first Hyatt hotel in India, namely, Hyatt Regency, Delhi, in 1982. This continuing relationship has led both partners to have a deep understanding and alignment on the business goals, company values and working culture, which has led to the success of the Company, driving high EBITDA margins.

Valuation: The company is valued at FY24 annualised EV/EBITDA multiple of 18.5x at the upper price band on post-issue capital. The company is planning to expand its Grand Hyatt Mumbai hotel with 293 additional rooms and 24 serviced apartments within the next three years (by FY27). This expansion will contribute to the company's revenue growth. The MICE (Meetings, Incentives, Conferences, and Exhibitions) area of Grand Hyatt Mumbai will also be increased from 50,000 sq.ft to 100,000 sq.ft, which is expected to be operational from 1HFY25. The company's RevPAR/ARR has increased to Rs 7,479/9,875 in FY23 from Rs 3,345/6,222 in FY22. It plans to reduce its debt substantially from IPO proceeds which will turn the business profitable. We recommend investors to SUBSCRIBE to the issue for the long term investment horizon.

Issue Details	
Date of Opening	21 st February 2024
Date of Closing	23 rd February 2024
Price Band (Rs)	342 - 360
Fresh Issue (Rs cr)	1,800
Issue Size (Rs cr)	1,800
No. of shares	5,26,31,579 – 5,00,00,000
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	7,699 – 8,010
BRLMs	JM Financial Limited, CLSA India Private Limited, ICICI Securities Limited
Registrar	KFin Technologies Limited
Bid Lot	40 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Repayment/ prepayment, in full or in part of certain outstanding borrowings availed by the company and recent acquisitions, namely CHPL and CHHPL [^]	1,500
General corporate purposes*	-
Total	-

[^]CHPL (including its subsidiary CHHPL) was acquired by the Company on September 20, 2023, pursuant to which CHPL became the wholly-owned direct Subsidiary and CHHPL became indirect Subsidiary.

*To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	17,25,02,384	100
Public & Others	-	-
Total	17,25,02,384	100.0

Post Issue @Lower Price Band		
	No. of Shares	%
Promoter & Promoter Group	17,25,02,384	76.6
Public & Others	5,26,31,579	23.4
Total	22,51,33,963	100.0

Post Issue @Upper Price Band		
	No. of Shares	%
Promoter & Promoter Group	17,25,02,384	77.5
Public & Others	5,00,00,000	22.5
Total	22,25,02,384	100.0

Source: RHP, SSL Research

Key Financials

Particulars	FY21	FY22	FY23	1HFY24
Revenue from operation (Rs cr)	166	309	667	336
EBITDA (Rs cr)	(4)	66	272	123
PAT (Rs cr)	(199)	(188)	(1)	(27)
EBITDA Margin (%)	(2.6)	21.5	40.8	36.7
PAT Margin (%)	(119.9)	(60.9)	(0.2)	(7.9)
EPS	(11.6)	(10.9)	(0.1)	(1.5)*
ROE (%)	(36.7)	(52.8)	(0.4)	(3.1)*
ROCE (%)	(3.5)	0.1	10.0	2.8*
Total Debt / Equity	3.4	6.0	5.8	2.6*

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- **Compliance:** The company is subject to several conditions and restrictions under financing agreements. Any breach of the terms under financing arrangements or any inability to meet the obligations, including financial and other covenants under the financing arrangements could adversely affect the business and financial condition.
- **Subsidiary:** The company recently acquired an entity, CHPL which is now a wholly owned subsidiary. CHPL has witnessed delays in repayment of loans in the past and has accordingly undertaken strategic debt restructuring. Any inability of CHPL to meet the terms of restructuring could adversely affect the business, financial condition, cash flows and results of operations.
- **Negative cash flow:** The company has witnessed negative operating cash flows in the past, and it is possible that the company may experience negative cash flows in the future.
- **Expenses:** Several expenses incurred in the operations are relatively fixed in nature, and any inability to effectively manage such expenses may have an adverse effect on the business, results of operations, cash flows and financial condition.

Growth Strategy

- **Enhancement of facilities at the existing assets.**
- **Development of new opportunities at the existing assets.**
- **Explore value accretive acquisition of assets and selective expansion.**
- **Continue to improve efficiencies including by enhancing utilization of space with a view to increase revenues.**

Key Operating and Financial Metrics

Key operational and financial metrics in relation to the hotels and serviced apartments owned by the Company prior to the CHPL Acquisition

Particulars	FY21	FY22	FY23	1HFY23	1HFY24
Total number of keys	1,406	1,406	1,406	1,406	1,406
Number of hotel rooms	1,161	1,161	1,161	1,161	1,161
Number of serviced apartments	245	245	245	245	245
Number of restaurants	15	15	15	15	15
Number of banquet and conference halls	8	8	8	8	8
Number of meeting rooms	21	21	21	21	21
Commercial space (Sq.ft)	1,43,841	1,43,841	1,43,841	1,43,841	1,43,841
MICE space (Sq.ft)	1,05,310	1,05,310	1,05,310	1,05,310	1,05,310
Average occupancy (%)	34.2	53.8	75.7	72.6	74.8
ARR (Rs)	5,657	6,222	9,875	8,818	10,140
Average staff per room ratio*	0.9	1.0	1.1	1.0	1.1
RevPAR (Rs)	1,936	3,345	7,479	6,401	7,588

^ Average staff per room ratio does not include corporate employees of our Company.

Source: RHP, SSL Research

The company has acquired all of the equity share capital of CHPL as of 1HFY24. As a result, it has become a wholly-owned subsidiary. The following are some important operational metrics for the hotels owned by CHPL and its subsidiary, CHHPL. These hotels include Hyatt Regency Lucknow, Hyatt Raipur, and Hyatt Place Hampi, and the metrics are for the indicated periods/years

Particulars	FY21^	FY22^	FY23^	1HFY23^	1HFY24
Total number of keys	430	430	430	430	430
Number of restaurants	7	7	7	7	7
Number of banquet and conference halls	3	3	3	3	3
Number of meeting rooms	7	7	7	7	7
MICE space (Sq.ft)	22,009	22,009	22,009	22,009	22,009
ARR (Rs)	4,311.4	5,160.7	5,987.2	5,317.1	5,752.0
Average occupancy (Hotel) (%)	34.02	53.95	69.03	67.97	66.98
Average staff per room ratio*	0.68	0.75	0.81	0.78	0.82
RevPAR (Rs)	1,466.8	2,784.5	4,132.6	3,614.1	3,852.6

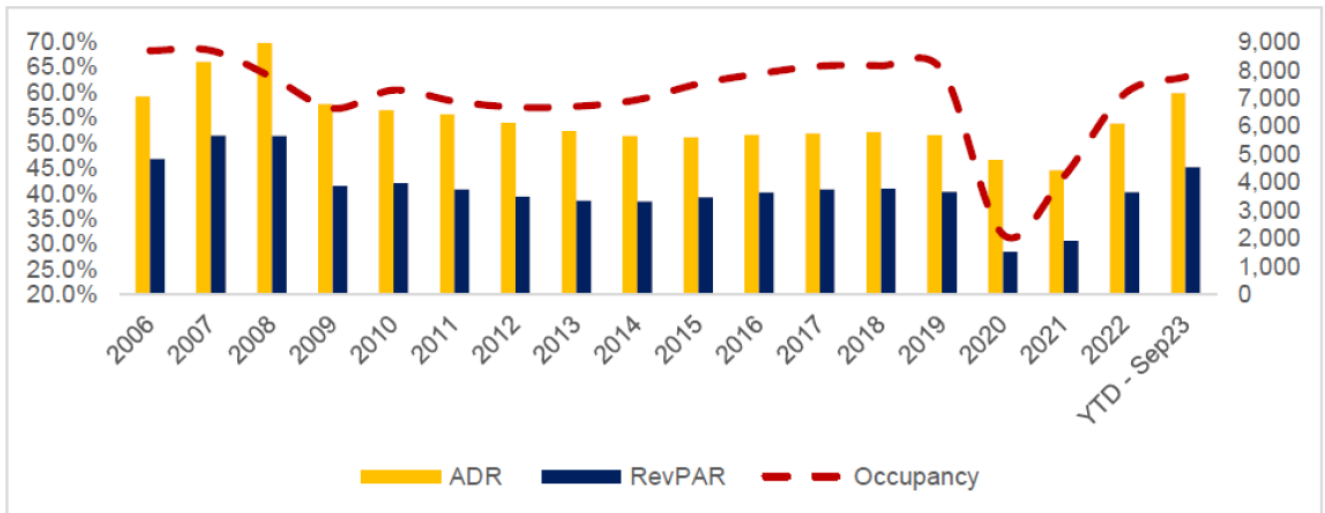
*Average staff per room ratio does not include corporate employees of CHPL and CHHPL.

^Pursuant to the CHPL Acquisition on September 20, 2023, CHPL is our wholly-owned Subsidiary and CHHPL is the indirect Subsidiary as on the date of the Red Herring Prospectus. The information relates to periods prior to CHPL and CHHPL becoming the Subsidiaries.

Source: RHP, SSL Research

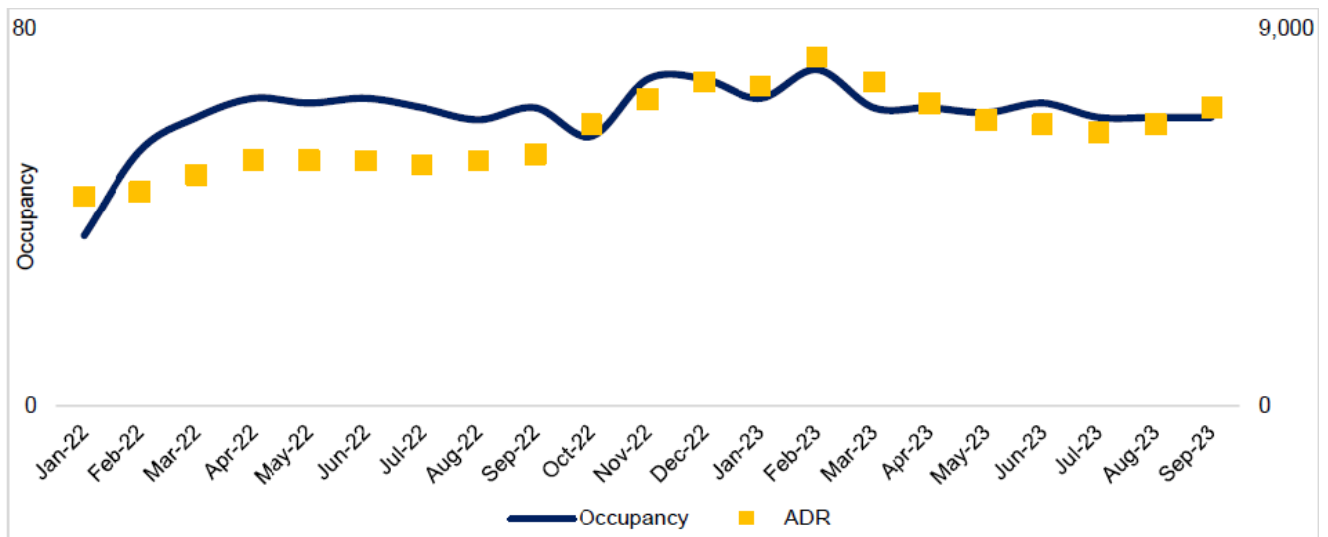
Industry Overview

India Hotel Industry – ADR, RevPAR & Occupancy Trend



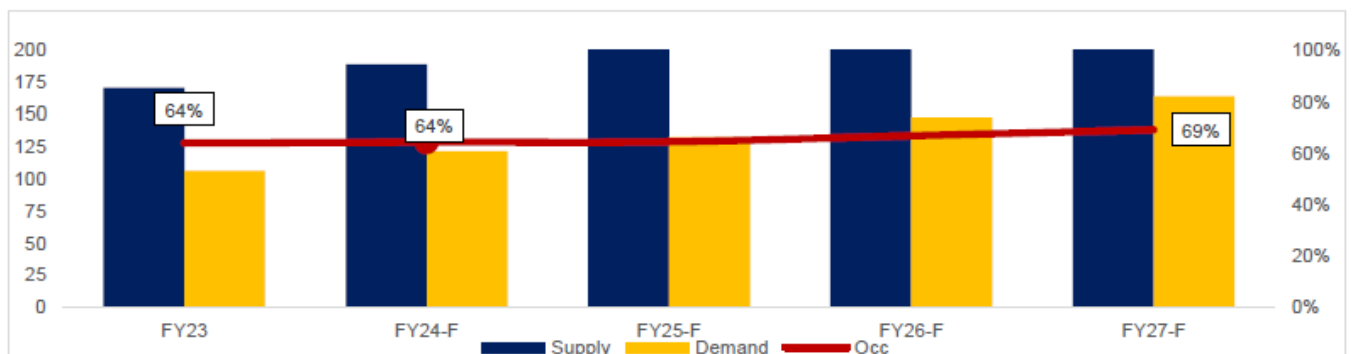
Source: RHP, SSL Research

India Hotel Industry Market Monthly Occupancy ADR Trend (Jan'22 – Sep'22)



Source: RHP, SSL Research

All India – Rooms Supply vs Demand and Occupancy Estimates – (FY23–FY27)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	166	309	667
YoY growth (%)	-	85.6	116.0
Cost Of Revenues (incl Stock Adj)	14	27	50
Gross Profit	152	282	616
Gross margins (%)	91.4	91.2	92.4
Employee Cost	58	76	99
Other Operating Expenses	98	140	246
EBITDA	(4)	66	272
EBITDA margins (%)	(2.6)	21.5	40.8
Other Income	27	35	50
Net Interest Exp.	186	216	266
Depreciation	105	100	82
Exceptional Items	0	0	0
PBT	(269)	(214)	(26)
Tax	-70	-26	-24
Adj PAT	(199)	(188)	(1)
Adj. PAT margin (%)	(119.9)	(60.9)	(0.2)
Adj. EPS	(11.6)	(10.9)	(0.1)

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	2,468	2,403	2,323
Capital WIP	0	44	49
Intangible Assets under development	436	426	416
Other Non current Assets	82	111	150
Current Assets			
Current Investment	0	0	2
Inventories	6	7	8
Trade receivables	24	30	45
Cash and Bank Balances	22	15	10
Other Current Assets	16	34	19
Total Current Assets	68	85	83
Current Liabilities & Provisions			
Trade payables	137	68	78
Other current liabilities	98	81	55
Short-term provisions	31	25	27
Total Current Liabilities	266	173	161
Net Current Assets	(198)	(88)	(79)
Total Assets	2,789	2,897	2,859
Liabilities			
Share Capital	144	144	144
Reserves and Surplus	400	213	211
Total Shareholders Funds	544	356	355
Total Debt	1,830	2,122	2,046
Long Term Provisions	8	5	6
Other Long Term Liabilities	403	409	449
Net Deferred Tax Liability	4	4	4
Total Liabilities	2,789	2,897	2,859

(Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	54	(36)	286
Cash flow from Investing Activities	(8)	(63)	28
Cash flow from Financing Activities	(41)	90	(311)
Free Cash Flow	45	(93)	257

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	(6.5)	(6.1)	(0.0)
Return on Capital (%)	(3.5)	0.1	10.0
Return on Equity (%)	(36.7)	(52.8)	(0.4)
Margin Analysis			
Gross Margin (%)	91.4	91.2	92.4
EBITDA Margin (%)	(2.6)	21.5	40.8
Net Income Margin (%)	(119.9)	(60.9)	(0.2)
Short-Term Liquidity			
Current Ratio (x)	0.2	0.4	0.4
Quick Ratio (x)	0.2	0.3	0.4
Avg. Days Sales Outstanding	52	35	24
Avg. Days Inventory Outstanding	13	8	4
Avg. Days Payables	301	80	43
Fixed asset turnover (x)	0.1	0.1	0.3
Debt-service coverage (x)	(0.0)	0.0	0.1
Long-Term Solvency			
Total Debt / Equity (x)	3.4	6.0	5.8
Interest Coverage Ratio (x)	(0.4)	0.0	0.9
Valuation Ratios			
EV/EBITDA (x)	-	125.3	30.3
P/E (x)	-	-	-
P/B (x)	11.4	17.4	17.5

Source: RHP, SSL Research

Peer Comparison

	Juniper Hotels Limited	Chalet Hotels Ltd	Lemon Tree Hotels Ltd	Indian Hotels Company Ltd	Elh Ltd
CMP	360.0	839.0	137.0	542.0	405.0
Sales (Rs cr)	666.9	1,128.0	875.0	5,810.0	2,019.0
EBITDA (Rs cr)	271.9	453.0	448.0	1,805.0	599.0
Net Profit (Rs cr)	(1.5)	183.0	141.0	1,053.0	329.0
M.Cap (Rs Cr)	8,010.1	17,239.0	10,838.0	77,214.0	25,315.0
Enterprise Value (Rs cr)	10,045.9	20,120.0	10,838.0	78,981.0	25,068.0
EBITDA Margin (%)	40.8	40.2	51.2	31.1	29.7
PAT Margin (%)	(0.2)	16.2	16.1	18.1	16.3
M.cap/Sales	12.0	15.3	12.4	13.3	12.5
PE(x)	-	94.2	76.9	73.3	76.9
EV/EBITDA	36.9	44.4	24.2	43.8	41.8
RoE (%)	(0.4)	10.9	13.6	12.7	11.4
RoCE (%)	10.0	9.2	10.1	12.6	15.6

The data is based on FY23 financial data.

For Juniper Hotels Limited the Market cap and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 19th February 2024.

Source: RHP, SSL Research

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