INITIATING COVERAGE

Apeejay Surrendra Park Hotels BUY

Poised for sustainable earnings growth

Summary

We initiate coverage on Apeejay Surrendra Park Hotels Ltd. (ASPHL) with a BUY rating and TP of Rs245, valuing it at 19x EV/EBITDA on FY27E. We like ASPHL in domestic mid-segment hotels space considering 1) Strong positioning in mid-segment branded hotels in key cities, 2) Robust pipeline of hotels in next 4 years, 3) Focus on expansion of Flurys business, 4) Superior performance on operating metrics compared to industry peers, and 5) Management pedigree. Its track record of delivering the highest occupancy compared to peers, healthy high single digit growth in ADR and higher revenue contribution from Flurys paves the way for handsome shareholder returns in mid-term. We anticipate consistent performance on a high base of FY24 and have penciled in modest CAGR of 11%/11%/26% in net sales/EBITDA/PAT over FY24-27E.

Key Highlights and Investment Rationale

- **Diversified pan India presence across metros and emerging cities:** ASPHL operates 34 hotels with 2,410 keys, including properties owned, leased, and managed, under five distinct brands and has aggressive expansion slate lined for upcoming years. Considering the current projects under development, we estimate ASPHL to be present over 45 cities with 61 hotels operating cumulatively 5,048 keys by FY29E.

- **Superior performance compared to peers on room occupancy:** ASPHL has a strong operating track record of high occupancy, competitive average room rates and RevPAR compared to organized peers. Further, the company's strong focus on sweating portfolio through emphasis on occupancy levels, ARR and RevPAR has enabled it to stay competitive, maintain a strong financial and operating track record and ensure a high return on capital employed.

- **Flurys- In a sweet spot:** Flurys is an established retail food and beverages brand of ASPHL and it is an asset light, diversified, resilient, and scalable business model. The number of stores has increased multifold from 19 in FY17 to 95 in November, 24. Further, the management has guided to take total number of Flurys stores to 120 by end of FY25E and add 40 stores each year thereafter.

TP	Rs245
CMP	**Rs193**
Potential upside/downside	+27%

Price Performance (%)

	-1m	-3m	-12m
Absolute	26.3	12.8	NA
Rel to Sensex	23.8	12.9	NA

V/s Consensus

EV/EBITDA (x)	FY26E	FY27E
IDBI Capital	16.7	14.6
Consensus	--	--
% difference	--	--

Key Stock Data

Bloomberg / Reuters	PARKHOTE IN/ASPHL.BO
Sector	Hotels
Shares o/s (mn)	213
Market cap. (Rs mn)	41,096
3-m daily avg Trd value (Rs mn)	--
52-week high / low	Rs235 / 138
Sensex / Nifty	81,508 / 24,619

Shareholding Pattern (%)

Promoters	68.1
FII	5.6
DII	11.9
Public	14.4

Financial snapshot (Rs mn)

Year	FY2023	FY2024E	FY2025E	FY2026E	FY2027E
Revenue	5,105	5,790	6,369	7,124	7,835
Change yoy, %	*100.2*	*13.4*	*10.0*	*11.9*	*10.0*
EBITDA	1,631	1,925	2,049	2,367	2,652
Change yoy, %	*258.6*	*18.0*	*6.4*	*15.5*	*12.0*
EBITDA Margin(%)	*32.0*	*33.2*	*32.2*	*33.2*	*33.8*
Adj.PAT	480	688	1,193	1,242	1,392
EPS (Rs)	2.7	3.2	5.6	5.8	6.5
Change yoy, %	*(270.3)*	*17.2*	*73.5*	*4.2*	*12.0*
PE(x)	69.8	59.6	34.3	33	29
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	23.5	21.0	19.6	16.7	14.6
RoE (%)	9.0	7.8	9.5	9.0	9.2
RoCE (%)	10.1	11.1	10.6	10.8	11.1

Source: IDBI Capital Research

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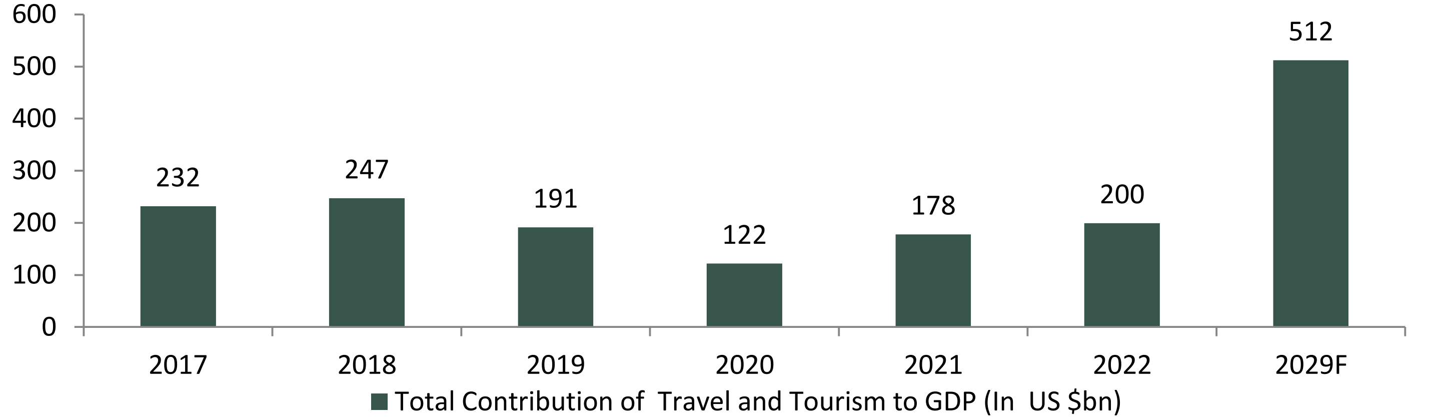
Domestic Hotel Industry-In a sweet spot

After a knee-jerk impact on operations during Covid-19 and being the worst hit industry, hospitality sector revived and bounced to earlier trajectory in FY24. The industry witnessed robust growth on key operating metrics aided by sharp increase in domestic as well as corporate travel, higher spending on MICE, weddings and steady increase in foreign travellers.

The total contribution of the sector to the country's GDP stood at US$191bn in CY19, which was roughly 7% of the pie. After declining in CY20, total contribution improved in subsequent years. As per IBEF report, the industry is expected to witness healthy CAGR of 14.3% over CY22-CY29E to touch total contribution to GDP to US$512bn.

The key growth levers behind growth of domestic hospitality industry are 1) expected increase in per capita income, 2) rising urbanization, leading to higher spend on consumption, 3) various government initiatives to promote domestic tourism, 4) thrust on improving infrastructure for better commuting and 5) increase in foreign tourists arrival in both business as leisure segment.

Exhibit 1: Travel and Tourism contribution to GDP



Source: IBEF, IDBI Capital Research

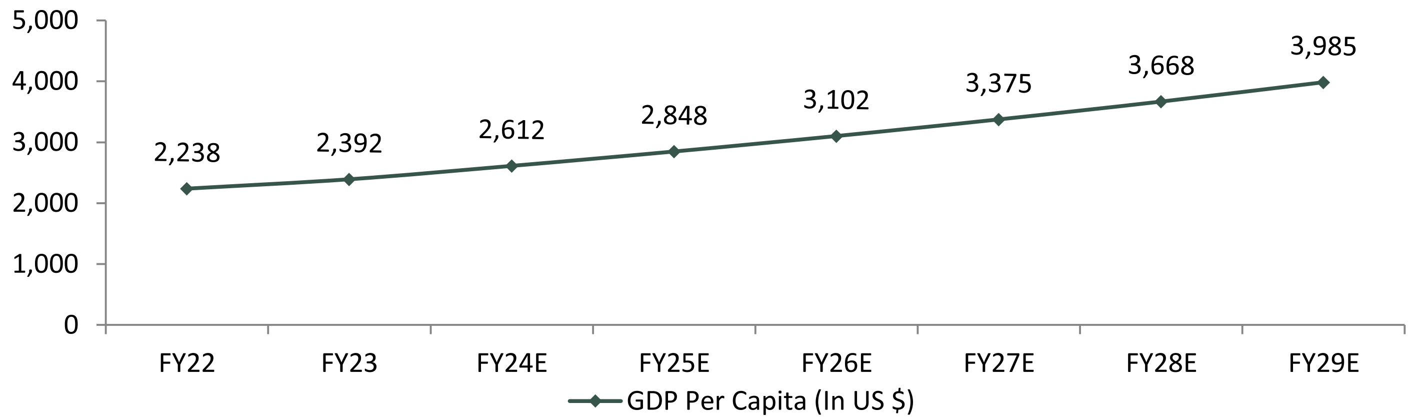
Multiple levers driving hospitality industry growth

The industry is expected to grow at a healthy rate, led by increasing urban population, higher per capita income and improvement in consumption spends. Unlike earlier, travel is not limited to pilgrimages and relatives places, and people prefer to explore new destinations. Also, corporates have increased spending on Meetings, Incentives, Conferences and Exhibitions (MICE) activities. Apart from domestic travellers, foreign tourists are also an integral part of hospitality and the Government is taking necessary initiatives to promote tourism for international travellers. All these factors would be key growth drivers of the domestic hospitality industry.

Incremental GDP per capita to aid travel spend

India is one of the fastest growing countries, backed by healthy growth in services sector. The country boasts of healthy working population ratio. Improved earnings also bring in aspiration of upgrading lifestyle and higher spending for the same. IMF's World Economic Outlook Report (April 2024) estimates per capita GDP growth at 8.7% CAGR between FY23-FY29. Increased individual income is expected to create additional discretionary spending, which would be beneficial for the hospitality sector.

Exhibit 2: GDP per capita



Source: World Economic Outlook, IMF, IDBI Capital Research

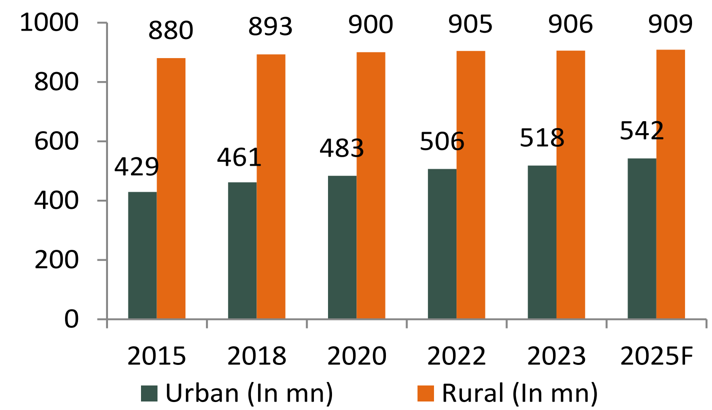
Rising urbanization to drive higher discretionary spending

With increasing awareness about higher education and white collar jobs in manufacturing and services industry, people shifted base from small villages to towns. Particularly the young generation is keen on getting the hands on industry experience and becoming part of the economic growth. This has promoted to small town to become reasonably big cities and big cities to be metro cities. This rapidly spreading urbanization bodes well for the growth of hospitality industry as it gives easy access to infrastructure like airports and railways, which in turn converts in increased tourism.

India's urban population share was 36.3% in CY23. At this level, urbanization is vastly under penetrated in India compared to USA (83%), UK (85%) and China (65%). Nevertheless, India's urban population is expected to increase to 37.4% in CY25E.

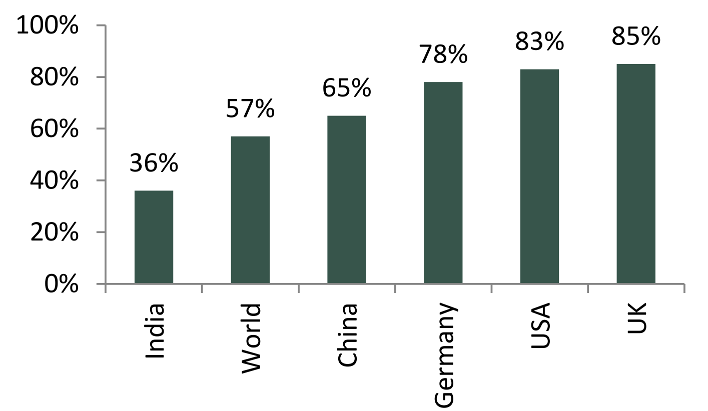
India currently has 5 megacities with population > 10mn. Additionally, Pune, Hyderabad and Ahmedabad are expected to become megacities by CY30. 10 Cities and towns have expanded, creating multiple micro-markets and business districts. Urbanization creates the need for jobs, thereby attracting investment and development of multiple business sectors. Growth in business and business opportunities due to increased urban-led activity is evidenced by increase in air traffic, wider real estate activity, and growth of hotels in several existing and newer markets.

Exhibit 3: Rising Urbanization



Source: World Urbanization Prospects 2018, United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects: The 2022 Revision, IDBI Capital Research

Exhibit 4: Urbanization (%) CY23

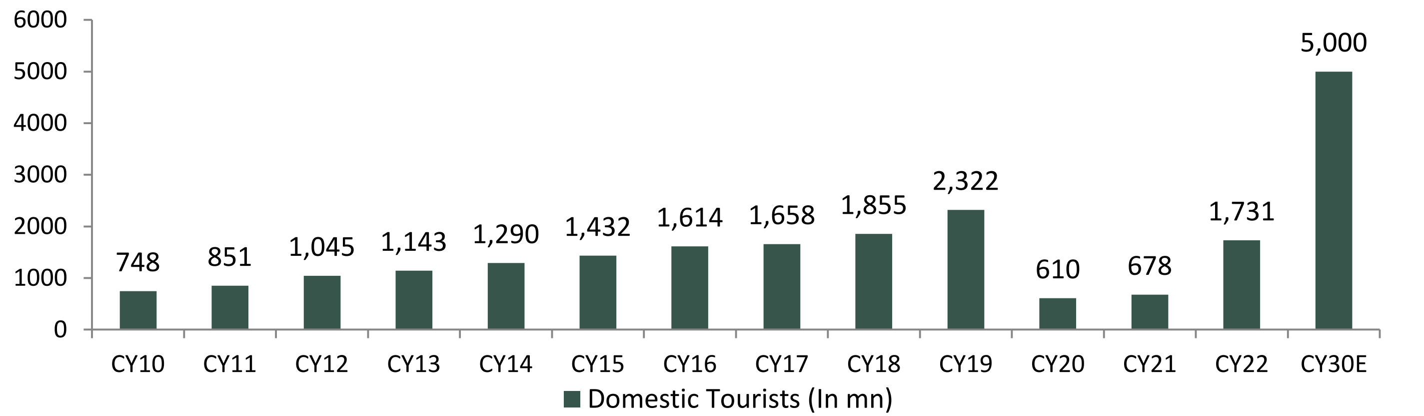


Source: World Urbanization Prospects 2018, United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects: The 2022 Revision, IDBI Capital Research

Domestic tourists visits in India gaining traction

Domestic travellers are backbone of domestic hospitality industry. The Central Government's various initiatives to promote tourism as well as the State Government's thrust on attracting more visitors has catapult growth trajectory. As per Ministry of Tourism, numbers of domestic tourist visits in India are on uptrend. The domestic travel industry has been robust and has grown materially. Domestic travel visits grew at 13.5% CAGR between CY01-CY19, from 236mn visits in CY01 to 2.3bn visits in CY19. Domestic travel numbers for CY22 at 1.7bn reflects strong recovery over Covid-19 affected CY20. The domestic sector has become a key demand generator with leisure, recreation, weddings and MICE demand driving weekend and off-season occupancies and enabling hotels and resorts to achieve significantly higher occupancies.

Exhibit 5: Domestic tourists visits

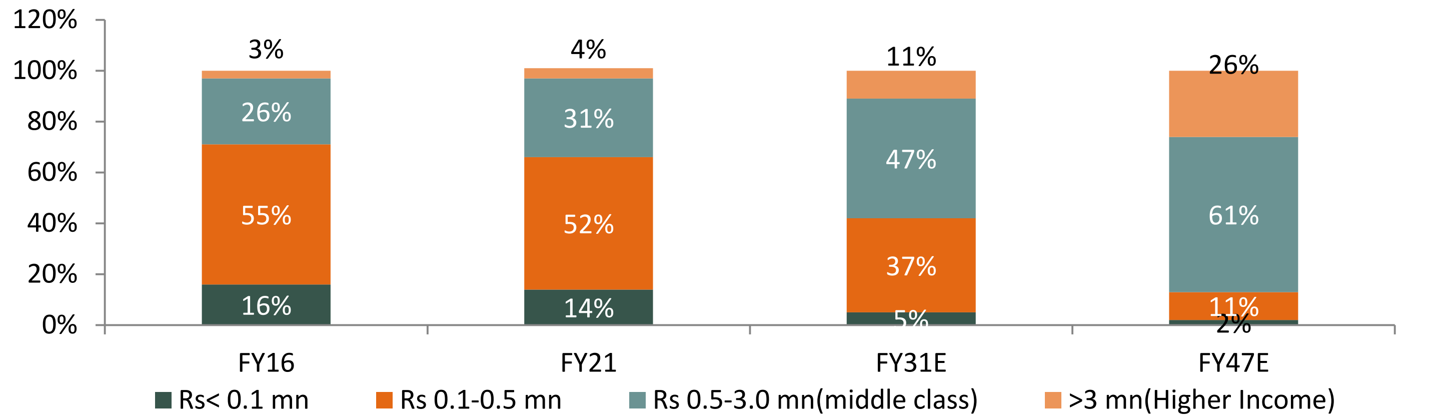


Source: Ministry of Tourism, Govt. of India, Booking.com and Mckinsey report, IDBI Capital Research

Rising Middle Class Population

As per "The Rise of India's Middle Class" report by People Research on India's Consumer Economy (PRICE), India's middle-class population is expected to grow at a rapid pace from current level. Middle-class population (income of Rs0.5mn to Rs3mn per annum) grew at 5% CAGR between FY16-21, increasing its share from 26% to 31% over the period. This segment is further projected to grow and is estimated to represent approximately 47% of the population by FY31E and 61% in FY47E. High-income households (income > Rs3mn) were 3% population in FY16 and is projected to be 26% of population in FY47. Rising middle class and high-income class population is an important demand driver for the hospitality sector, using midscale and upscale hotels and with aspirational demand for upper upscale hotels. Sections of the middle class are slowly graduating to the upper class due to attitudinal and lifestyle changes creating demand potential for different services (rooms, F&B, functions, entertainment) at upscale and luxury hotels.

Exhibit 6: India's rising middle class population

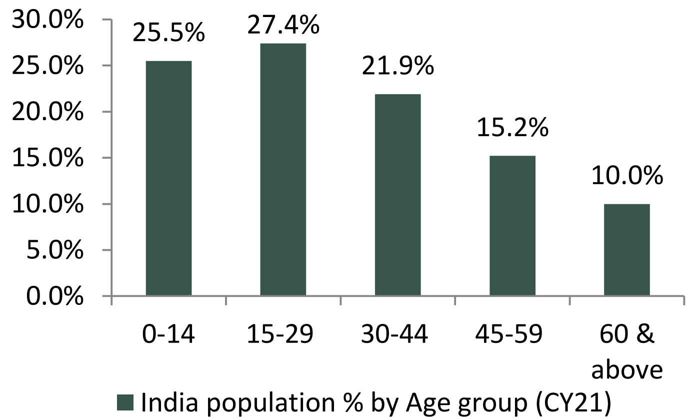


Source: "The Rise of India's Middle Class" Report published in November 2022 by People Research on India's Consumer Economy (PRICE), IDBI Capital Research

Largest youth population globally

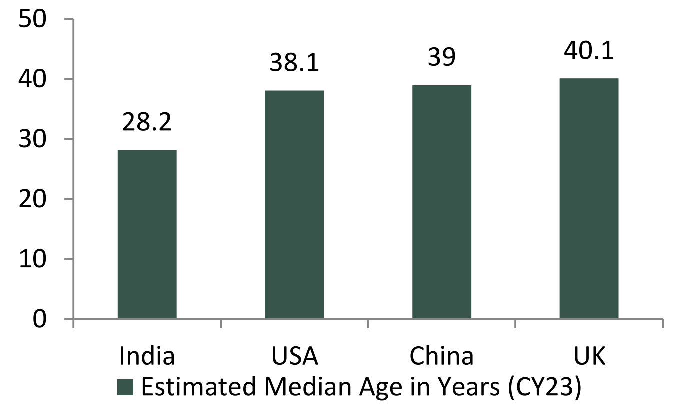
As per the report published by Ministry of Statistics and Programme, India has emerged as the world's most populous nation with an estimated population of 1.4bn in CY23. 27.4% of India's population of 1.4bn is in the age group of 15-29, making it the largest youth population globally. In 2023, the median age of India was estimated at 28.2 years which is over 10 years younger than the median age for developed countries viz USA, China and UK. Median age in India is projected to remain below 30 years, until 2030. The large working age population requires jobs, placing importance on employment creation – the hotel and tourism sector has substantial ability to create direct and ancillary jobs, if the sector is sufficiently enabled. A large working population also carries enhanced discretionary spend capacity and propensity to spend on lifestyle aspects, which could benefit the hotel sector.

Exhibit 7: Population by age group



Source: World Population Prospects: The 2022 Revision and Youth in India Report 2022, published by Ministry of Statistics and Programme Implementation (MoSPI), IDBI Capital Research

Exhibit 8: Estimated median age



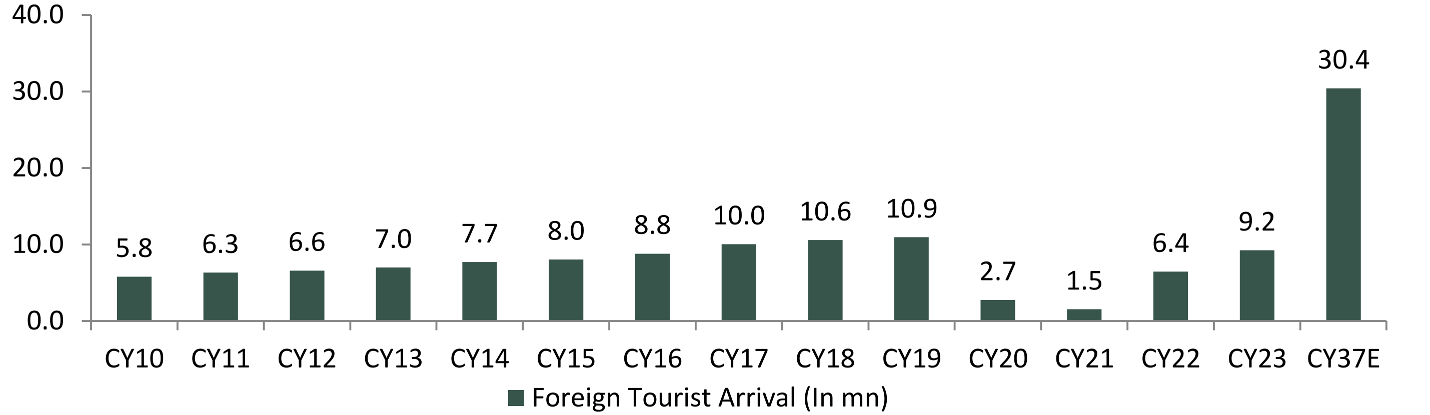
Source: United Nations, Department of Economic and Social Affairs, Population Division (2022).State of World Population Report 2023, IDBI Capital Research

Foreign tourist arrival on rise

Though India's share in Foreign Tourist Arrival (FTA) is miniscule, there has been consistent improvement over the years. As per Ministry of Tourism, FTA in CY18 was at 10.6mn, which was a CAGR of 8% over CY05-18. The Government of India has set a target to increase global FTA share from 0.7% in CY17 to 2% by CY25E.

FTA was 9.2mn in CY23, reflecting 85% recovery compared to 10.9mn in CY19. HAI estimates FTA to grow materially, to cross 30mn by CY37E. Growth of FTA will further strengthen hotel ADRs, besides demand and occupancy, particularly for the upper-tier hotels. Inbound hotel demand (i.e. from FTA) is a significant contributor to the hotel sector.

Exhibit 9: Foreign Tourist Arrival

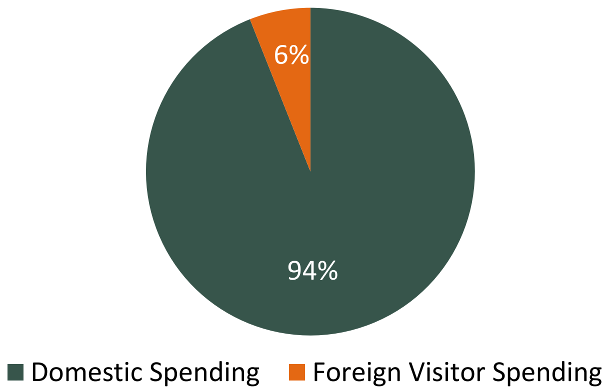


Source: Ministry of Tourism, IDBI Capital Research

Domestic consumers to lead the growth

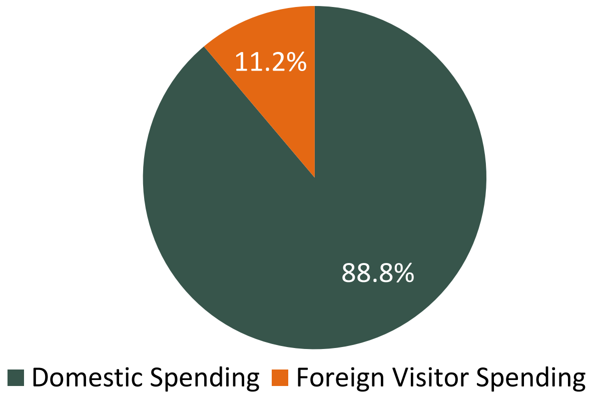
As per IBEF report on hospitality, the domestic tourist spending on travel was at 94% of the total in CY21. As the industry is expected to grow aided by increase in per capita income, rising urbanization, leading to higher spend on consumption, various government initiatives to promote domestic tourism and thrust on improving infrastructure for better commuting, we believe the share of domestic tourists will remain healthy in near term. As per the industry report, foreign visitor spending is expected to be ~11.2% of the total spending on travel, while domestic share would be at healthy 88.8% in CY28E.

Exhibit 10: Share of tourists by expenditure (CY21)



Source: IBEF, IDBI Capital Research

Exhibit 11: Expected share of tourists by expenditure (CY28E)

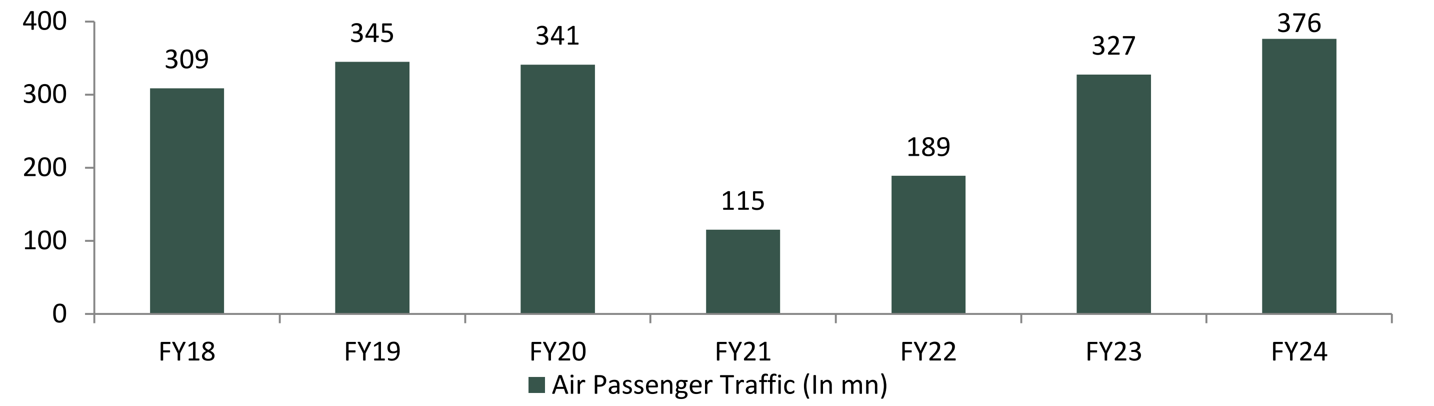


Source: IBEF, IDBI Capital Research

Healthy growth in Domestic Air Traffic

As at end 2023, India had 153 airports in the country of which 125 were operational. 20 domestic airports comprise 84% of aircraft movements and 82% of passenger movement. The domestic passenger movements increased by a CAGR of 3.3% over FY18-24 to reach ais passenger traffic to 376mn in FY24. This growth was driven by opening of new airports, capacity expansions at existing airports and improved connectivity particularly to cities and towns outsides the main destinations.

Exhibit 12: Domestic Air Traffic



Source: IBEF, IDBI Capital Research

Investment Rationale

Diversified pan India presence across metros and emerging cities

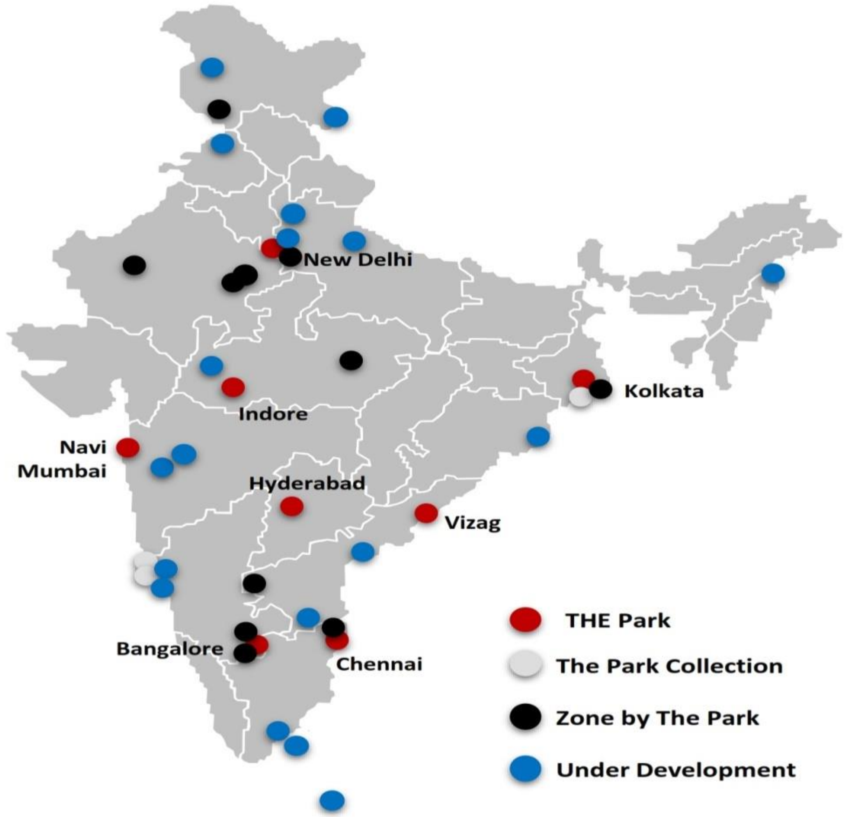
Since its inception in 1967, with the opening of its first property in Kolkata under the renowned brand "THE PARK", the Company has expanded its presence to 23 cities across India. At present, ASPHL operates 34 hotels with 2,410 keys, including properties owned, leased, and managed, under five distinct brands: THE PARK, THE PARK Collection, Zone Connect by The Park, Zone by The Park, and Stop by Zone.

The company is present in 5 metro markets viz Kolkata, Bengaluru, Navi Mumbai, Chennai and New Delhi through its owned hotels. Further, it has expanded its presence across key cities like Pune, Hyderabad, Jaipur, Indore etc. via owned/leased/managed hotels. The company's ability to accurately identify property location with growth potential, understanding of customer base, an analytical approach to site-selection that encompasses accessibility, local economy, potential for growth, demographics and socio-economic environment and adequate infrastructure has paved the way for robust hotel additions over the years.

The company has aggressive expansion slate lined for upcoming years. Considering the current projects under development, we estimate ASPHL to be present over 45 cities with 61 hotels operating cumulatively 5,048 keys by FY29E. Further on-going discussions on leased/managed hotels pave the opportunities for additional hotel/room inventory additions, as per the signings.

We believe ASPHL's pan India presence across metros and other key locations would drive sustainable RevPAR growth for the company in near term.

Exhibit 13: ASPHL present locations –Current and under development hotels



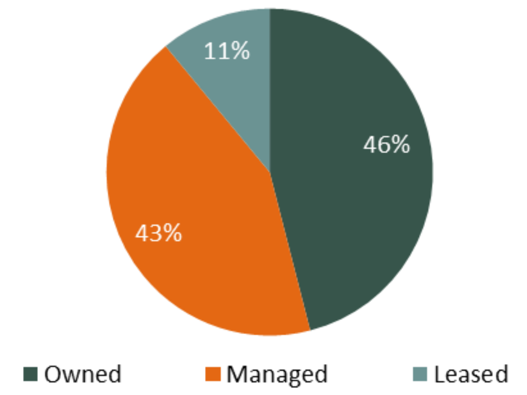
Source: Company data, IDBI Capital Research

Emphasis on asset light business model to be margin lucrative

Given the capital intensive nature of the business, major hospitality players are banking on inventory addition through asset light business model. Further, asset construction itself is a tedious task as it requires approvals from various regulators before the site development. Likely, ASPHL too has focused on aggressive inventory addition through managed hotels route as it aids sustainable sales growth as well as margin expansion, with minimal capital expenditure. Thus, the company is creating a high-quality diversified portfolio of hotels by entering into management contracts with property owners, and local or municipal government authorities, as applicable, to manage third party hotels under its brand name.

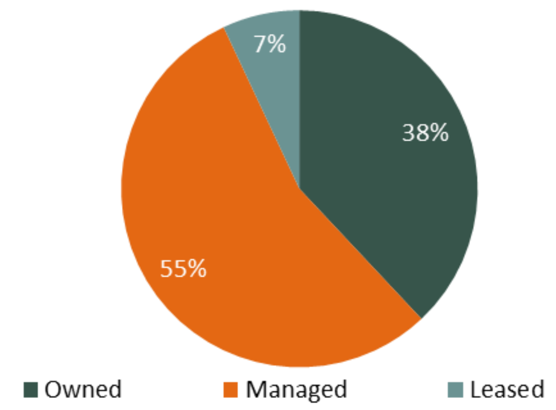
As the existing assets under development would be operational, the company's owned keys inventory will come down from 46% to 38% in FY29E, while managed keys will go up from 43% to 55% over the same period. ASPHL is targeting the mid-market category by adding higher inventory in ZONE BY THE PARK and ZONE COLLECTION. This will complement its existing presence in the luxury category by allowing securing a higher volume of room occupancy from a broader spectrum of potential customers while maintaining competitive rates.

Exhibit 14: Keys Mix-Existing



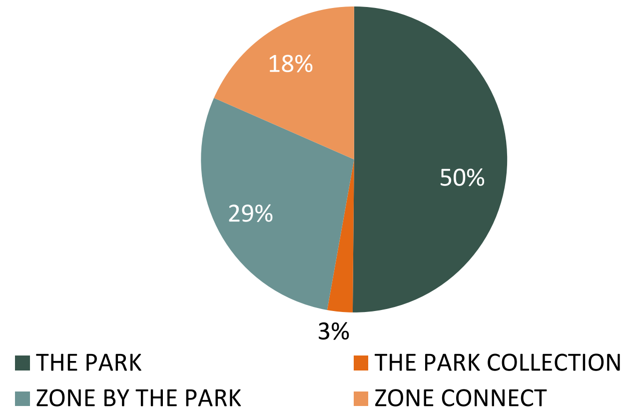
Source: Company data, IDBI Capital Research

Exhibit 15: Keys Mix- Post expansion



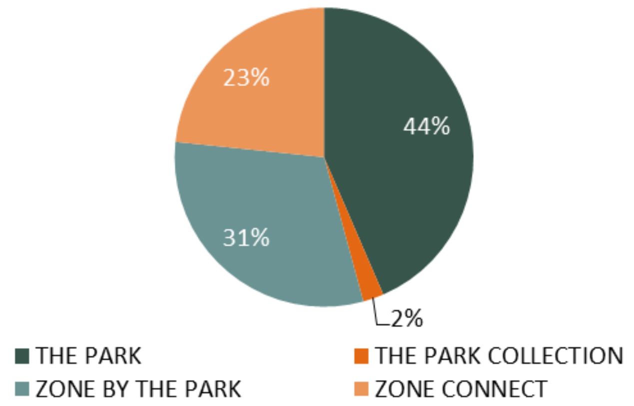
Source: Company data, IDBI Capital Research

Exhibit 16: Brand mix-Existing



Source: Company data, IDBI Capital Research

Exhibit 17: Brand Mix- Post expansion



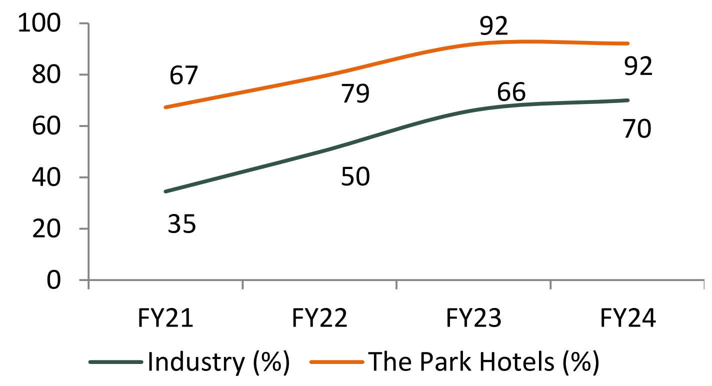
Source: Company data, IDBI Capital Research

Superior performance compared to peers on room occupancy

ASPHL has a strong operating track record of high occupancy, competitive average room rates and RevPAR compared to organized peers. The management attributes higher occupancy level to revenue and customer management system that manages reservation and billing processes. Further, the company's strong focus on sweating portfolio through emphasis on occupancy levels, ARR and RevPAR has enabled it to stay competitive, maintain a strong financial and operating track record and ensure a high return on capital employed.

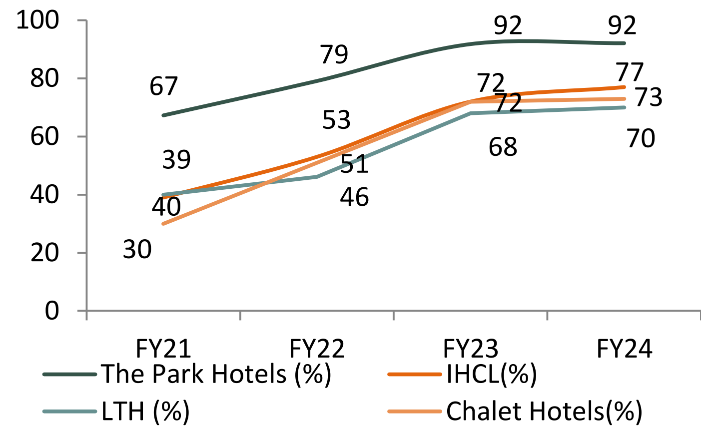
Our occupancy analysis between ASPHL and the industry as well as its peers suggest that the company has always outperformed by a wide margin, which resonates the company's ability to sweat the asset for maximizing revenues. We believe ASPHL's higher occupancies in the respective business segments ensures sustainable earnings growth in near term.

Exhibit 18: Occupancy-ASPHL Vs Industry analysis



Source: Company data, IDBI Capital Research

Exhibit 19: Occupancy-ASPHL Vs Organized peers

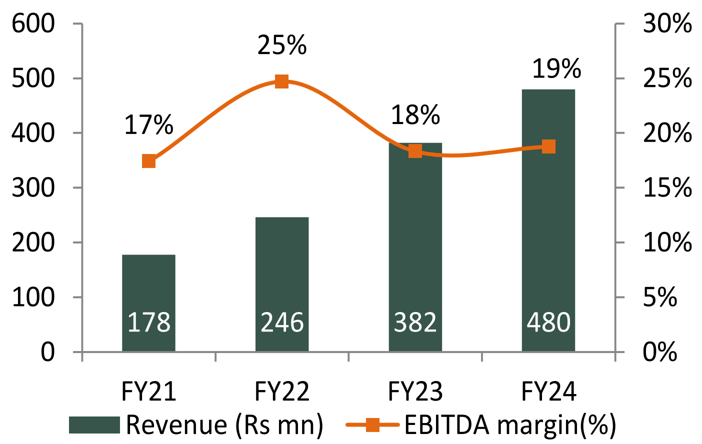


Source: Company data, IDBI Capital Research

Flurys- In a sweet spot

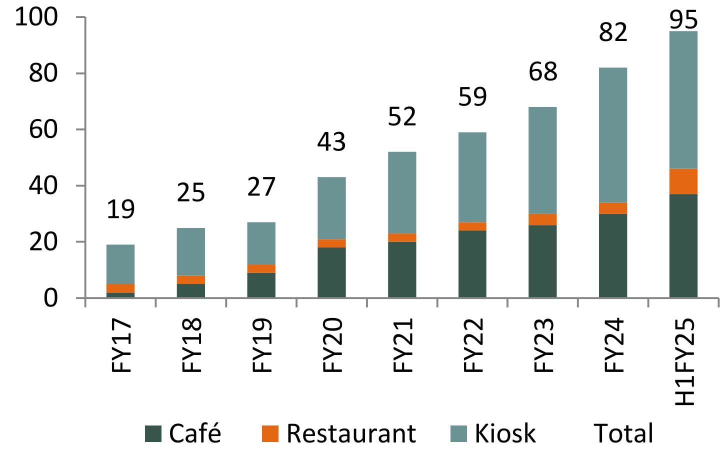
Flurys is ASPHL's established retail food and beverage brand under which the company operates 95 outlets with multiple formats such as kiosk format, café format and restaurant format. Being asset light business model, it provides a diversified, resilient, and scalable business model to the company. Thus, the number of stores has increased multifold from 19 in FY17 to 95 in November, 24. Further, the management has guided to take total number of Flurys stores to 120 by end of FY25E and add 40 stores each year thereafter.

Exhibit 20: Flurys revenue growth



Source: Company data, IDBI Capital Research

Exhibit 21: Number of stores

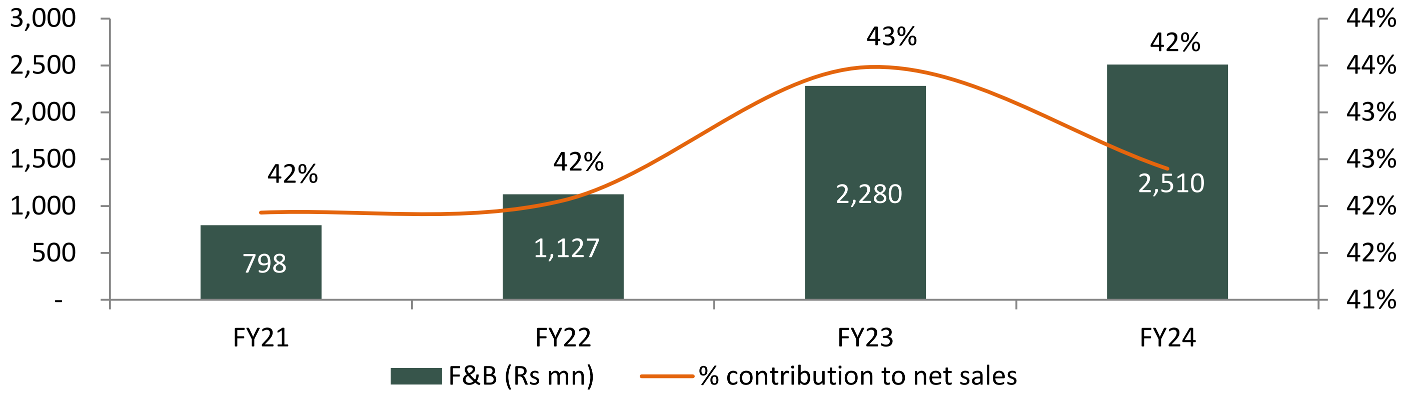


Source: Company data, IDBI Capital Research

High F&B revenue contribution drives stable earnings growth

The company has popular restaurant offerings include, among others, Zen, Lotus, Aish, Saffron, Fire, Italia, 601, The Bridge, The Street, Verandah, Vista, Bamboo Bay, Monsoon, Mist, Love and Bazaar etc. The food, beverage, and entertainment business has been a cornerstone of its business since its establishment as it adds a non-cyclical element to the seasonal and cyclical hospitality industry, thereby providing added stability and resilience to earnings. The company's food and beverage offerings provide a diversified and holistic offering to the customers and have gained popularity with the local community and international customers. ASPHL also offer indoor and outdoor banquet and conference spaces spread across hotel properties in order to strengthen F&B revenue. For ASHPL, F&B revenue contribution has been in the range of ~42%-43% of net sales during FY21-FY24. We believe healthy contribution from F&B will provides cushion to earnings during weak demand/lower occupancies.

Exhibit 22: F&B revenue contribution to net sales



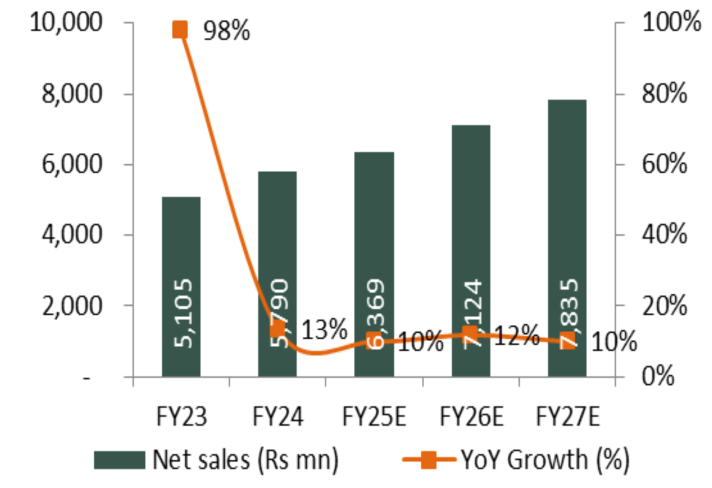
Source: Company, IDBI Capital Research

Financial analysis

Sustainable earnings growth on cards

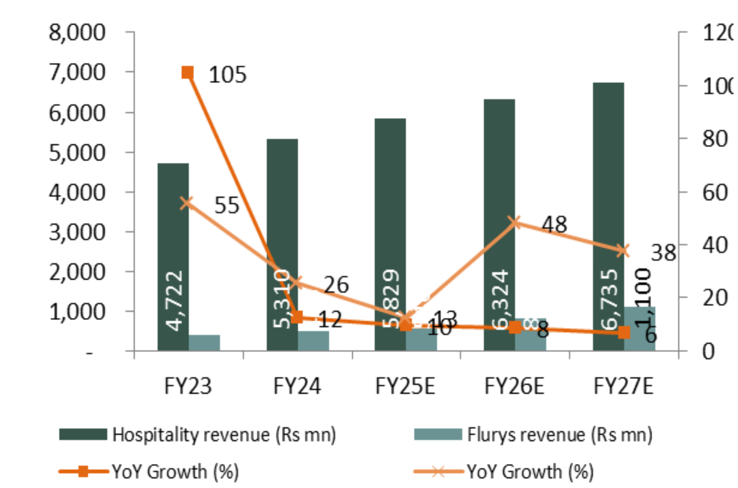
After a robust sales growth post Covid-19, we anticipate double digit net sales growth over FY25E-FY27E, supported by higher RevPAR for hospitality business as well as incremental revenue from Flurys. We forecast hospitality revenue to grow at a CAGR of 8% over FY24-FY27E, while Flurys to report robust CAGR of 32% over same period. This will lead to revenue contribution of hospitality business to come down from 92% in FY24 to 86% in FY27E, while Flurys revenue contribution to total sales will increase from 8% in FY24 to 14% in FY27E. Cumulatively net sales is expected to grow at a CAGR of 11% over FY24-FY27E.

Exhibit 23: Net sales analysis



Source: Company data, IDBI Capital Research

Exhibit 24: Segment revenue breakup

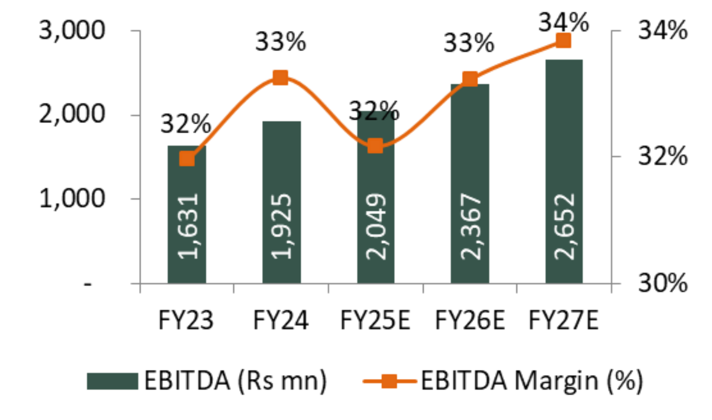


Source: Company data, IDBI Capital Research

Impressive margins improvement aided by Flurys and incremental revenue from management contract

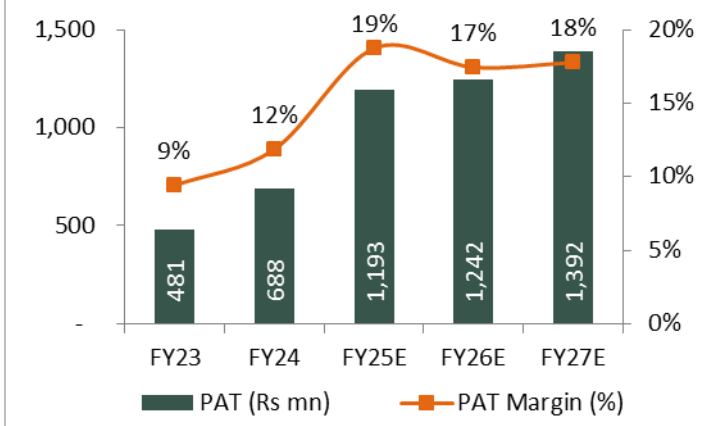
As the company focuses more on high margin management contracts and Flurys segment, we believe ASHPL is poised to benefit in terms of improved margins in future. The company's prudent working on adding more room inventory on management contract will take room inventory on management contract from 43% in H1FY25 to 55% in FY29E. Similarly, Flurys enjoys healthy operating margin, compared to peers. As this business reaches scale, we anticipate push to operating margin at a company level. We forecast EBITDA margin to increase by 100bps from 33% in FY24 to 34% in FY27E, while PAT margin to expand by 600bps from 12% in FY24 to 18% in FY27E.

Exhibit 25: EBITDA and EBITDA Margin analysis



Source: Company data, IDBI Capital Research

Exhibit 26: PAT and PAT Margin analysis



Source: Company data, IDBI Capital Research

Valuation and Outlook

We forecast net sales CAGR of 11% over FY24-FY27E, supported by CAGR of 8% in hospitality business and CAGR of 32% in Flurys over same period. Increased share of managed room inventory and higher revenue from Flurys will drive improved EBITDA margin. We anticipate EBITDA to grow at a CAGR of 11% over FY24-27E, while PAT will grow at a healthy CAGR of 26% over the same period.

We have done relative valuation to arrive at target price of ASPHL. The average EV/EBITDA for listed hotels for FY27E stands at 19x (as per Bloomberg estimates). We recommend BUY on the stock with a target price of Rs245/share, assigning 19x EV/EBITDA to FY27E.

Exhibit 27: Peer comparison

Companies	CMP	EPS (Rs)			EV/EBITDA (x)			RoE(%)		
	(Rs)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Chalet hotels ltd	929	14.8	23.7	34.2	29.7	24.0	18.9	11.3	15.6	16.6
Indian Hotels Company	837	11.7	14.6	17.4	42.8	35.3	30.3	15.9	17.1	17.6
Lemon Tree Hotels Ltd	141	2.5	3.6	4.7	21.9	18.2	15.6	17.3	21.1	22.2
EIH Ltd	410	11.4	11.6	13.2	25.6	25.1	22.8	NA	NA	NA
Samhi Hotels Ltd	196	4.1	7.7	11.4	14.9	12.7	11.0	8.7	13.7	16.4
Juniper Hotels Ltd	372	4.6	10.2	15.0	25.6	19.6	16.1	3.7	7.6	10.1
Average EV/EBITDA (x)					26.8	22.5	19.1			

Source: Bloomberg Estimates, IDBI Capital Research

About the company

Apeejay Surrendra Park Hotels Limited (ASPHL) is a leading hospitality company and it is the 8th largest asset owning hotel chain in India. Since its inception in 1967, with the opening of its first property in Kolkata under the renowned brand "THE PARK," the Company has expanded its presence to 23 cities across India. At present, ASPHL operates 34 hotels with 2,410 keys, including properties owned, leased, and managed, under five distinct brands: THE PARK, THE PARK Collection, Zone Connect by The Park, Zone by The Park, and Stop by Zone. Alongside its core hospitality offerings, the company has a diverse portfolio in food and beverage (F&B) and entertainment, with restaurants, nightclubs, and bars, which enables synergistic cross-selling opportunities. The company also has a well-established footprint in the retail food and beverage sector through its iconic retail brand 'Flurys,' which includes outlets featuring various formats including kiosks, cafes, and restaurants. Flurys had 95 operational outlets till November, 24.

Brands:

- **THE PARK** brand is positioned as an upscale brand with a luxury boutique offering, with a brand philosophy that concentrates on design, style, and service to create differentiated and unique experiences at each hotel.
- **THE PARK Collection** brand encompasses small luxury properties located at selected travel destinations targeted at the luxury hotel category delivering personalized guest experiences.
- **Zone by The Park** brand is positioned at the upper midscale level. It is designed for the price conscious and design conscious customers.
- **Zone Connect by The Park** is an upper midscale brand that channels its spirit and design philosophy from Zone by The Park.
- **Stop by Zone** is an economy motel brand which aims at providing convenient accommodation with easy access to parking, free Wi-Fi along with food services.

Exhibit 28: No of hotels and keys

Brands	No of hotels	No of keys
THE PARK	8	1,201
THE PARK Collection	4	79
Zone by The Park	12	689
Zone Connect	10	441
Total	34	2,410

Source: Company data, IDBI Capital Research

Key Employees

Exhibit 29: Key management persons

Name	Designation	Details
Ms. Priya Paul	Chairperson and Executive Director	She is one of the promoters of the company. She has completed the President Management Program at Graduate School of Business Administration, Harvard University, USA. She has 35 years of experience in the hospitality sector. Ms Priya Paul received Padma Shri award from president of India in 2012.
Mr. Karan Paul	Non-executive Director	He is one of the promoters of the company. He holds a bachelor degree in arts from Brown University, USA. He joined the company in 1992 and was appointed on the Board in 2005. In 2006; Karan Paul was awarded one of Italy's highest honors, 'The Order of the Star of Italian Solidarity' by the President of Italy.
Mr. Vijay Dewan	Managing Director	He holds a master's degree in Organic Chemistry from the Garhwal University, Uttrakhand and has a post graduate diploma in hotel management from the Oberoi school of Hotel Management. He has 32 years of experience in hospitality Industry and joined the company in 1991.
Mr. Atul Khosla	CFO	He holds a bachelors' degree in commerce from the University of Delhi. He is a fellow member of Institute of Chartered Accountants of India and Institute of Chartered Financial Analysis of India. He has approximately 28 years of experience in the finance sector. Mr Khosla joined the company in 1994 as accounts manager.

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	2,550	5,105	5,790	6,369	7,124	7,835
Change (yoy, %)	*42.6*	*100*	*13*	*10*	*12*	*10*
Operating expenses	(2,095)	(3,473)	(3,865)	(4,320)	(4,757)	(5,183)
EBITDA	455	1,631	1,925	2,049	2,367	2,652
Change (yoy, %)	*299.5*	*259*	*18*	*6*	*16*	*12*
Margin (%)	*17.8*	*32.0*	*33.2*	*32.2*	*33.2*	*33.8*
Depreciation	(401)	(493)	(505)	(547)	(683)	(758)
EBIT	54	1,138	1,420	1,502	1,685	1,894
Interest paid	(600)	(623)	(660)	(147)	(168)	(192)
Other income	128	140	127	240	144	158
Pre-tax profit	(418)	655	887	1,594	1,660	1,860
Tax	136	(174)	(199)	(401)	(418)	(468)
Effective tax rate (%)	*32.5*	*26.6*	*22.4*	*25.2*	*25.2*	*25.2*
Minority Interest	-	(0.4)	-	-	-	-
Net profit	(282)	480	688	1,193	1,242	1,392
Exceptional items	-	-	-	-	-	-
Adjusted net profit	(282)	480	688	1,193	1,242	1,392
Change (yoy, %)	*(53.6)*	*(270)*	*43*	*73*	*4*	*12*
EPS	(1.6)	2.7	3.2	5.6	5.8	6.5
Dividend per sh	-	-	-	-	-	-
Dividend Payout (%)	-	-	-	-	-	-

Balance Sheet (Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	**5,085**	**5,557**	**11,980**	**13,173**	**14,415**	**15,807**
Share capital	175	175	213	213	213	213
Reserves & surplus	4,910	5,382	11,767	12,959	14,202	15,594
Total Debt	**4,780**	**5,010**	**68**	**75**	**82**	**92**
Other liabilities	531	1,509	1,497	1,648	1,808	1,992
Curr Liab & prov	**2,357**	**1,544**	**1,219**	**1,330**	**1,450**	**1,581**
Current liabilities	2,271	1,441	1,080	1,184	1,295	1,416
Provisions	87	103	139	146	155	166
Total liabilities	**7,669**	**8,063**	**2,784**	**3,053**	**3,340**	**3,666**
Total equity & liabilities	**12,752**	**13,618**	**14,761**	**16,223**	**17,753**	**19,471**
Net fixed assets	8,775	8,767	9,124	10,111	10,971	11,759
Investments	1,684	2,076	2,056	2,056	2,056	2,056
Other non-curr assets	1,624	1,847	2,092	2,122	2,159	2,202
Current assets	**668**	**928**	**1,490**	**1,933**	**2,566**	**3,453**
Inventories	101	135	152	168	183	203
Sundry Debtors	190	261	335	362	395	426
Cash and Bank	93	172	618	991	1,542	2,335
Loans and advances	285	360	384	412	447	489
Total assets	**12,752**	**13,618**	**14,761**	**16,223**	**17,753**	**19,471**

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	(418)	655	887	1,594	1,660	1,860
Depreciation	291	263	300	547	683	758
Tax paid	1	(47)	(145)	(281)	(293)	(328)
Chg in working capital	213	(919)	(418)	69	72	79
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**87**	**(47)**	**623**	**1,929**	**2,123**	**2,369**
Capital expenditure	(138)	(256)	(656)	(1,534)	(1,543)	(1,546)
Chg in investments	27	(392)	20	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(111)**	**(647)**	**(636)**	**(1,534)**	**(1,543)**	**(1,546)**
Equity raised/(repaid)	-	-	39	-	-	-
Debt raised/(repaid)	84	230	(4,942)	7	7	10
Dividend (incl. tax)	-	-	-	-	-	-
Chg in monorities	(1)	(1)	(0)	-	-	-
Other financing activities	(70)	545	5,363	(29)	(36)	(40)
Cash flow from financing (c)	**13**	**774**	**459**	**(22)**	**(29)**	**(30)**
Net chg in cash (a+b+c)	**(11)**	**80**	**446**	**372**	**552**	**793**

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	29.1	32	56	62	68	74
Adj EPS (Rs)	*-1.6*	*2.7*	*3.2*	*5.6*	*5.8*	*6.5*
Adj EPS growth (%)	*-53.6*	*-270*	*17*	*73*	*4*	*12*
EBITDA margin (%)	*17.8*	*32.0*	*33.2*	*32.2*	*33.2*	*33.8*
Pre-tax margin (%)	*-16.4*	*12.8*	*15.3*	*25.0*	*23.3*	*23.7*
Net Debt/Equity (x)	*0.9*	*0.9*	*0.0*	*-0.1*	*-0.1*	*-0.1*
ROCE (%)	*0.5*	*10*	*11*	*11*	*11*	*11*
ROE (%)	*-5.4*	*9*	*8*	*9*	*9*	*9*
DuPont Analysis						
Asset turnover (x)	0.2	0.4	0.4	0.4	0.4	0.4
Leverage factor (x)	2.4	2.5	1.6	1.2	1.2	1.2
Net margin (%)	*-11.1*	*9.4*	*11.9*	*18.7*	*17.4*	*17.8*
Working Capital & Liquidity ratio						
Inventory days	14	10	10	10	9	9
Receivable days	27	19	21	21	20	20
Payable days	77	59	46	45	45	44

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	-118.9	69.8	59.6	34.3	33.0	29.4
Price/Book value (x)	6.6	6.0	3.4	3.1	2.8	2.6
EV/Net sales (x)	15.0	7.5	7.0	6.3	5.5	4.9
EV/EBITDA (x)	84.1	23.5	21.0	19.6	16.7	14.6
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

Source: Company; IDBI Capital Research

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