

# Hotels Earnings Preview Q3FY24

## Stellar quarter, priced-in, FY25 key!

### Overview

- Hospitality industry is expected to report another robust quarter with industry RevPAR growth of ~17-18% driven by ARR. Historically, listed players have done well vs. industry due to their superior brand positioning, pricing power, S&M engine and execution skill-set. However, as the smaller / unorganized / unlisted players' catch-up we expect the listed company's performance to be at par with industry average. This is partly on account of higher base. Overall revenue growth to be 14-15% on account of marginally lower growth rate in F&B / other operating income similar to past few quarters trend.
- We estimate IHCL/Lemon Tree (LT)/Chalet/MHRIL to report revenue growth of ~14.9/14.6/24.3/8.2%. YoY. EBITDA is expected to grow by 17.1/8.9/34.4/(0.6)% YoY. Chalet's Hotel business revenue/EBITDA growth would be robust ~24.4/38% YoY.
- For Lemon Tree, EBITDA to trail revenue growth on account of higher R&M costs for ~900-1000 rooms (~20% of the portfolio) which is under renovation. For MHRIL, EBITDA to trail revenue growth on account of higher S&M spend and rent costs on new rooms additions.

### Outlook

- FY23 had been a healthy growth year and so shall be FY24 for the hospitality industry. Stock prices and valuations broadly captures this optimism. **Sustenance of RevPAR growth in FY25 (we estimate high single-digit) is key for the current valuations and optimism to sustain. These is especially as growth starts to moderate on high base – key risk in our view.**
- As per our discussion with industry leaders, during national elections there is bit of moderation in business occupancies and thus in ARR. We are unable to establish the same from data. Further, there also remains a risk of shift in IPL outside of India. During 2009 elections, IPL was held in South Africa and during 2014 it was held jointly in India & UAE. In the most recent 2019 elections, the IPL was held in India only. We guess the IPL may be held in India only. But if it is held outside India, it would be negative for Indian hospitality companies.
- Lastly, Chalet has highest salience in Mumbai city (especially in Airport cluster viz. JW Marriott and Westin Powai). With newly opened hotels of Aurika by Lemon Tree (largest in India with 670 rooms) and Ginger Santacruz (371 rooms) in recent months and upcoming Fairmont next year, we believe the occupancy and thus ARR for Chalet could be under pressure for its largest JW Marriott, Mumbai.
- **We find MHRIL, SAMHI and EIH (not in coverage) to be better positioned from risk-reward perspective in the Hospitality space.**

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## Valuation matrix

Company	Mcap	CMP	TP*	+ /(-)	Reco	P/E (x)			EV/EBITDA (x)			P/B (x)		
	Rs bn	Rs	(Rs)	%		FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Indian Hotels	622	436	435	(0.3)	Acc.	46.9	37.5	32.7	29.1	24.1	21.4	9.2	8.0	7.3
Lemon Tree	94	119	115	(3.1)	Reduce	70.6	49.8	39.3	31.6	23.8	20.6	14.2	13.1	13.9
Chalet Hotels	135	687	610	(11.3)	Acc.	63.9	43.3	32.6	27.6	22.0	18.2	11.8	9.9	8.4
MHRIL	76	387	430	11.1	Acc.	48.5	46.1	37.5	21.1	18.6	15.0	4.8	4.3	3.7

Source: Company, DART

## Q3FY24 Earnings Preview Summary

Particulars (Rs in Mn)	Q3FY23	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)	9MFY23	9MFY24E	Chg YoY%/bps
<b>Indian Hotels (Consolidated)</b>								
Revenue	16,858	14,332	19,371	14.9	35.2	13,948	16,122	15.6
EBITDA	5,972	3,548	6,995	17.1	97.2	4,230	4,882	15.4
APAT	4,035	1,790	4,501	11.5	151.5	2,369	2,884	21.7
EBITDA Margin%	35.4	24.8	36.1	69 bps	(1,135 bps)	30.3	30.3	(5 bps)
<b>Lemon Tree</b>								
Revenue	2,335	2,272	2,677	14.6	17.8	6,223	7,172	15.2
EBITDA	1,265	1,019	1,377	8.9	35.1	3,125	3,441	10.1
APAT	400	226	379	(5.3)	67.7	706	840	19.0
EBITDA Margin%	54.2	44.9	51.4	(274 bps)	(659 bps)	50.2	48.0	(224 bps)
<b>Chalet Hotels (Consolidated)</b>								
Revenue	2,899	3,144	3,603	24.3	14.6	7,906	9,854	24.6
EBITDA	1,135	1,266	1,526	34.4	20.5	3,005	4,053	34.9
APAT	407	336	544	33.7	61.9	854	1,279	49.8
EBITDA Margin%	39.2	40.3	42.4	320 bps	(209 bps)	38.0	41.1	312 bps
<b>Mahindra Holidays</b>								
Revenue	3,151	3,077	3,409	8.2	10.8	8,865	9,762	10.1
EBITDA	789	736	784	(0.6)	6.5	2,122	2,254	6.2
APAT	353	346	372	5.4	7.5	1,004	1,135	13.0
EBITDA Margin%	25.0	23.9	23.0	(204 bps)	92 bps	23.9	23.1	(85 bps)
<b>Total</b>								
Revenue	25,243	22,825	29,060	15.1	27.3	36,942	42,910	16.2
EBITDA	9,161	6,569	10,682	16.6	62.6	12,482	14,630	17.2
APAT	5,195	2,698	5,796	11.6	114.8	4,933	6,138	24.4
EBITDA Margin%	36.3	28.8	36.8	46.7 bps	(798 bps)	33.8	34.1	31 bps

Source: Company, DART

## Q3FY24 Earnings preview

### Indian Hotels – Key Assumptions

Particulars	Q3FY23	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)	9MFY23	9MFY24E	Chg YoY%/bps
<b>Operating performance (Standalone)</b>								
ARR (Rs)	15,456	12,972	17,233	11.5	32.9	12,619	14,273	13.1
Occupancy (%)	72.1	75.9	75.3	324 bps	(55.6) bps	71	75	448 bps
RevPAR (Rs)	11,144	9,846	12,984	16.5	31.9	8,956	10,751	20.0
<b>Financial performance</b>								
<b>Standalone</b>								
Revenue	10,616	8,929	12,411	16.9	39.0	8,577	10,081	17.5
EBITDA	4,391	2,738	5,256	19.7	91.9	3,041	3,644	19.8
APAT	2,832	1,884	3,461	22.2	83.7	1,831	2,409	31.5
<b>Subsidiaries</b>								
Revenue	6,242	5,403	6,960	11.5	28.8	5,371	6,041	12.5
EBITDA	1,581	810	1,740	10.0	114.9	1,189	1,237	4.1
APAT	1,203	(94)	1,040	(13.5)	LTP	538	475	(11.7)
<b>Consolidated</b>								
Revenue	16,858	14,332	19,371	14.9	35.2	13,948	16,122	15.6
EBITDA	5,972	3,548	6,995	17.1	97.2	4,230	4,882	15.4
APAT	4,035	1,790	4,501	11.6	151.5	2,369	2,884	21.7
<b>Margin %</b>								
				bps	bps			bps
<b>Standalone</b>								
EBITDA	41.4	30.7	42.3	98	1,168	35.5	36.1	69
APAT	26.7	21.1	27.9	121	679	21.3	23.9	255
<b>Subsidiaries</b>								
EBITDA	25.3	15.0	25.0	(33)	1,001	22.1	20.5	(165)
APAT	19.3	(1.7)	14.9	(432)	LTP	10.0	7.9	(215)
<b>Consolidated</b>								
EBITDA	35.4	24.8	36.1	69	1,136	30.3	30.3	(5)
APAT	23.9	12.5	23.2	(70)	1,075	17.0	17.9	90

## Lemon Tree Hotels– Key Assumptions

Particulars	Q3FY23	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)	9MFY23	9MFY24E	Chg YoY%/bps
Rooms (No)*	5,090	5,090	5,090	-	-	5090	5090	-
ADR (Rs)	5,738	5,268	6,226	8.5	18.2	5,159	5,577	8.1
Occupancy (%)	68%	72%	71%	3.7	(0.4)	66%	71%	4.8
RevPAR (Rs)	3,879	3,777	4,442	14.5	17.6	3,424	3,965	15.8
Room Revenue (Rs Mn)	1,777	1,730	2,035	14.5	17.6	4,720	5,449	15.4
Non-Room Revenue (Rs Mn)	559	542	643	15.0	18.6	1,503	1,723	14.6
Total Revenue (Rs Mn)	2,335	2,272	2,677	14.6	17.8	6,223	7,172	15.2
EBITDA	1,265	1,019	1,377	8.9	35.2	3,125	3,441	10.1
APAT	400	226	379	(5.1)	67.4	706	840	19.0
Margin %								
EBITDA	54.2	44.8	51.4	(273)bps	659 bps	50.2	48.0	(224)bps
APAT	17.1	10.0	14.2	(295) bps	419 bps	11.3	11.7	37 bps

\*Rooms include only owned/leased

## Chalet Hotels – Key Assumptions

Particulars	Q3FY23	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)	9MFY23	9MFY24E	Chg YoY%/bps
<b>Hotels Business</b>								
Rooms (No)	2,554	2,890	2,855	11.8	(1.2)	2,554	2,855	11.8
ADR (Rs)	10,168	9,610	11,439	12.5	19.0	8,518	10,455	22.7
Occupancy (%)	65.0	73.2	66.6	163 bps	(657) bps	71.4	69.9	(148) bps
RevPAR (Rs)	6,640	7,034	7,621	14.8	8.3	6,028	7,292	21.0
Room Revenue (Rs Mn)	1,560	1,813	2,002	28.3	10.4	4,234	5,562	31.3
Non-Room Revenue (Rs Mn)	1,095	1,032	1,301	18.8	26.1	2,953	3,407	15.4
<b>Total Revenue (Rs Mn)</b>	<b>2,656</b>	<b>2,845</b>	<b>3,303</b>	<b>24.4</b>	<b>16.1</b>	<b>7,187</b>	<b>8,969</b>	<b>24.8</b>
EBITDA	942	1,029	1,301	38.0	26.4	2,431	3,364	38.4
EBITDA %	35.5	36.2	39.4	389 bps	322 bps	33.8	37.5	368 bps
<b>Commercial Business</b>								
<b>Revenue</b>	<b>244</b>	<b>300</b>	<b>300</b>	<b>23.1</b>	<b>0.0</b>	<b>719</b>	<b>885</b>	<b>23.1</b>
EBITDA	193	237	225	16.8	(5.1)	574	689	20.1
EBITDA %	79.0	79.0	75.0	(400) bps	(401) bps	79.8	77.9	(195) bps
<b>Consolidated</b>								
<b>Revenue</b>	<b>2,899</b>	<b>3,144</b>	<b>3,603</b>	<b>24.3</b>	<b>14.6</b>	<b>7,906</b>	<b>9,854</b>	<b>24.6</b>
EBITDA	1,135	1,266	1,526	34.4	20.5	3,005	4,053	34.9
EBITDA %	39.1	40.2	42.3	320 bps	210 bps	38.0	41.1	312 bps

Source: DART

## Mahindra Holidays – Key Assumptions

Particulars	Q3FY23	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)	9MFY23	9MFY24E	Chg YoY%/bps
No. of members (Nos.)	2,77,221	2,89,688	2,94,388	6.2	1.6	2,77,221	2,94,388	6.2
Net additions (Nos.)	3,733	3,649	4,700	25.9	28.8	11,241	12,568	11.8
No. of rooms (Nos.)	4,684	5,005	5,130	9.5	2.5	4,684	5,130	9.5
Net additions (Nos.)	(31)	-	125	NTP	0	116	190	63.8
Occupancy (%)	85	77	84	(100) bps	700 bps	84.3	83.7	(67) bps
VO income (Rs mn)*	1,155	1,222	1,257	8.8	2.8	3,345	3,706	10.8
Resorts income (Rs mn)	910	700	955	5	36.5	2,428	2,580	6.3
ASF income (Rs mn)	873	949	972	11.4	2.5	2,502	2,813	12.5
Interest & Others (Rs mn)	213	206	224	5.4	9	591	662	12.1
Total Revenue (Rs mn)	3,151	3,077	3,409	8.2	10.8	8,865	9,762	10.1
EBITDA (Rs mn)	789	736	784	(0.6)	6.6	2,122	2,254	6.2
APAT (Rs mn)	353	346	372	5.5	7.7	1,004	1,135	13
Margins (%)				bps	bps			bps
EBITDA	25.0	23.9	23	(203)	(91)	23.9	23.1	(85)
APAT	11.2	11.2	10.9	(28)	(32)	11.3	11.9	(243)

Source: Company, DART, \*VO: Vacation Ownership

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

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