

EIH Ltd.**BUY****CMP****₹423.65****Target****₹ 500**

Profile: EIH is primarily engaged in owning and managing premium luxury hotels and cruisers under the luxury Oberoi, Trident and Maidens brands. The Company is also engaged in flight catering, airport restaurants, project management and corporate air charters.

Latest Data (12.07.24)

FV (₹)	2.00
M. Cap (₹ Cr)	26,468.54
52 Wk High (NSE)	502.20
52 Wk Low (NSE)	205.05
Book Value (₹ Cr)	63.00
P/B	6.72
TTM EPS (₹)	10.22
TTM P/E	41.42

Share Holding Pattern

	Dec-23	Mar-24
Promoters	32.85	32.85
FIIs	3.71	5.25
DIIIs	14.16	13.77
Public	49.29	48.13

Financials (₹ Cr)

	FY23	FY24	FY25E	FY26E
Revenue	2018.8	2511.3	3056.6	3591.7
EBITDA	599	927	1225.2	1546.3
EBITDA Margin (%)	29.67%	36.91%	40.08%	43.05%
PAT	329	678	845.6	1069.5
EPS (₹)	5.0	10.2	13.5	17.1

Source: Capitaline, Consensus Estimates

3-year Price Chart

	Keys	Locations
Domestic	497	Marrakech, Nile Cruiser, Egypt, Al Zorah, Mauritius, Bali, Lombok
International	3772	23

Investment Rationale

❖ **Strong Promoter Pedigree:** The Oberoi group was founded by Late Rai Bahadur M.S. Oberoi in 1930s. Under the leadership of 'Padma Vibhushan' Mr Prithvi Raj Singh Oberoi, son of Late Rai Bahadur M.S. Oberoi, the group has expanded its operations to 5 countries. His nephew, Mr Arjun Singh Oberoi has been an executive director of the company for over two decades and has over 30 years of experience in the hotel industry. Mr Vikramjit Singh Oberoi, son of Mr Prithvi Raj Singh is the MD & CEO of EIHL, also has over 30 years of experience in the hospitality industry. Promoter and promoter group, together, held 32.85% of shareholding as on March 2024, unchanged for the last 5 quarters.

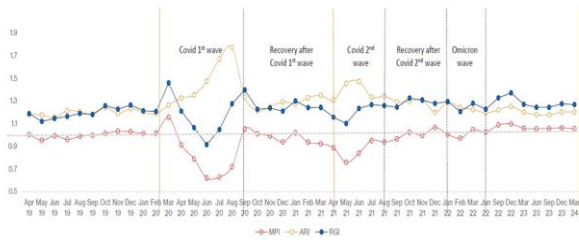
❖ **Pioneer in Luxury Hotels in India:** The group has been in luxury hospitality business for 6+ decades in India and has expanded into international destinations viz. Indonesia, Mauritius, Egypt, and the UAE. As of Q4FY24, the group owns 4269 keys.

❖ **Hotel Brands:**

- **Oberoi Hotels** – In this brand, company operates 18 Hotels & Resorts, and a luxury River Nile cruiser in Egypt. It has 1513 keys under this brand.
- **Trident Hotels** – In this brand, company operates 10 Hotels with 2204 keys across 9 cities in India.
- **Maiden Hotel** – Established in 1903 as one of the first hotels in Delhi, Maiden hotel is a single hotel operated by a company in Delhi with 55 Rooms.

❖ **Asset Light model:** The company has been following Asset light model by signing operations and management contracts with the third parties and the business model has helped the company in keeping their Debt at lower levels.

EIH maintains consistent RevPAR Leadership (127%) over STR Competition Set
All Domestic Hotels including Managed



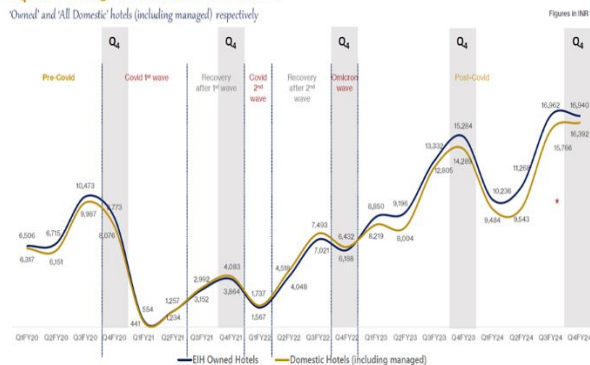
➤ **Owned Hotels - Q3FY24**

- ARR - Rs.19,985
- Occupancy % - 79%
- RevPAR - Rs.16,962

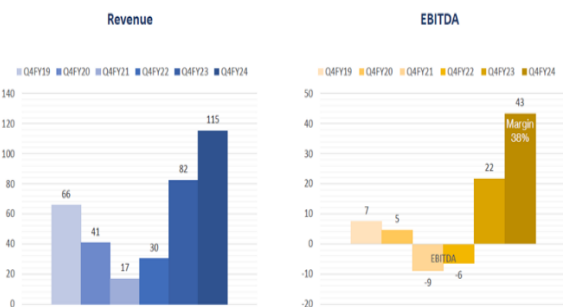
➤ **Managed Hotels - Q3FY24[6]**

- Average Daily Rate - Rs.15,766
- Occupancy % - 69
- RevPAR - Rs.15,766

Q4 RevPAR grew 11% and 15% Y-o-Y



Strong Bounce Back in Q4 Flight Catering & Airport Lounge Business



❖ **EIH Ltd-preferred destination for overseas travellers:** EIH is the key beneficiary of the resurgence in foreign travel that has been accompanied by the robust growth in domestic demand from premium customers. Demand is expected to remain strong, reinforced by increased demand for travel and sporting events. According to a report by Noesis, India’s leading Hotel Transaction advisory and consulting company, Foreign Tourist Arrivals (FTAs) is projected to grow by 19.59% YoY in 2024, breaching the 2019 peak, reaching an estimated 11.05 million by 2024-end as India emerges as a preferred destination for global travellers, due to rising uncertainty for Eastern Europe travel consequent upon the escalating geopolitical tensions in the Middle East and Eastern Europe, which have driven oil prices higher thus making transportation dearer and persuading tourists to seek more stable destinations. Also, tourism in China continues to decline following the pandemic. India presents the most attractive alternative destination for its rich culture and heritage coupled with safety and security. Thanks to the premium offerings of EIH (Oberoi and Trident), foreign tourists prefer EIH hotels (foreign room nights constituted about half of EIH’s business, pre-COVID). EIH will be among the largest beneficiaries of revival in foreign tourist arrivals.

❖ **Industry upcycle to sustain:** The demand for hotel industry is expected to remain strong given the robust demand for tourism reinforced by rising consumer incomes, their willingness to spend more on travel, preference for luxury and premium travel, increasing sporting and global events, as well as better connectivity and infrastructure. EIH has indicated that higher travel has reduced seasonality in the hotel industry and the trend will continue. EIH expects further upside in ARR (particularly in the premium and luxury segment) with revenue growth momentum set to continue.

❖ **ARR Expected to Rise Sharply:** ARR in India significantly lagging behind developed countries, such as the US, Europe and even South-East Asian counterparts (60-80%

Industry Outlook:

- ❖ Optimistic about India's long-term growth prospects.
- ❖ Demand increasing at 8-10% while supply growth remains low.
- ❖ Focus on driving Average Room Rates up.
- ❖ Long-term view remains positive despite short-term market softening.
- ❖ Encouragement to look at long-term growth rather than quarter-to-quarter fluctuations.

discount). ARR for Indian luxury hotels, like EIH, are at a significant discount, compared to global standards (developed markets as well as South-East Asian peers), despite similar service quality. Hence there is significant scope for improvement from the current levels, with industry demand exceeding supply. We expect the ARR of Indian hotels to catch up with global counterparts. Moreover, the hotel industry will be least affected by any shift in policy priorities or a slowdown in capex (as few are anticipating some populist measures in upcoming budget).

❖ **Other Businesses Picking Up:** Other businesses, such as flight catering and airport lounge services, are expected to gain traction as air travel demand surges. In fact, flight catering & airport lounge business has recovered strongly as depicted by the latest results.

❖ **Strong financials, balance sheet:** With strong demand momentum and margin improvement owing to operating leverage and cost-control initiatives, EIH turned net cash-positive since the beginning of FY23. Pricing growth is expected to be relatively better in the luxury and upper upscale segments where EIH primarily operates. Revenue/EBITDA/PAT CAGR for last 5 years are at 7%/18%/35%. However, the company and the industry as a whole battled through covid-19. PAT improved better than revenue/EBITDA CAGR on account of reduction in debt. EIH has been earning strong CFO of Rs 614 cr and Rs 712 cr in FY23 and FY24 respectively and has been Free cashflow positive despite capex.

❖ **Strong expansion plans:** With a healthy balance sheet (debt free), EIH has lined up aggressive expansion plans. EIH plans to more than double room inventory by FY2030 and will pursue both ownership and the management contract routes for the planned inventory addition. Apart from new inventory addition, EIH plans to renovate existing properties which will drive growth.

Expansion Plans:

- Opening Rajgarh and Vindya Vilas hotels later this year.
- Projects announced include Tirupati, Vizag, Gandikota, and Goa.
- Overseas openings include two boats on the Nile.
- Mumtaz Hotels and EIH associated involved in various projects.
- Construction underway for Vizag airport.
- Trident Bombay adding residences with positive guest feedback.

Outlook & Valuation:

Demand is expected to grow in the upper upscale and luxury segments by about 8%-10% over the next 10 years, with supply growing at a slower pace, indicating a positive outlook for Average Room Rates.

The company competes with established brands like Four Seasons and others, with a focus on providing exceptional service and maintaining high guest satisfaction levels. The management believes in the strength of their hotels in terms of service and product offerings, as evidenced by outperforming other brands in past studies. The company aims to achieve 50 additional hotels by 2030 and is working towards that goal. There are opportunities for growth in both city and leisure locations, with a focus on driving Average Room Rates up.

The company caters to both domestic and international airlines, with a significant portion of business coming from international airlines. The future outlook for this business is positive, with expectations of growth driven by a strong Indian economy and increasing affluence leading to more travel.

Based on consensus estimates, the company trades at 24.78x FY26E EPS of 17.10.

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