

Price: 377

Recommendation: Buy

Industry: Hotels & Resorts

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

EIH Limited, a prominent player in the hospitality sector, is focused on enhancing its market position and driving growth. The company reported strong Q3 performance, with significant revenue and profit growth. EIH is expanding with 19 new properties, including hotels and luxury boats, across domestic and international markets. The company is investing in key projects and renovations, aiming to maintain premium positioning and capitalize on high demand to boost profitability.

| Sales | | Profit & Loss | | Profitability Matrix | |
|--------------------|---------|---------------------------|---------|-------------------------|----------|
| Current Year | 2321 Cr | Operating Profit(Year) | 821 Cr | Operating Profit Margin | 35.4 % |
| Previous Year | 1774 Cr | Operating Profit(Quarter) | 303 Cr | EBITDA Margin | 39.25 % |
| Current Quarter | 695 Cr | PAT (Year) | 581 Cr | Net Profit Margin | 26.5 % |
| Previous Quarter | 521 Cr | PAT (Quarter) | 221 Cr | EPS | 9.25 |
| Revenue (QYoY) | 652 Cr | | | | |
| Valuation Matrix | | Growth(YoY) | | Growth(QoQ) | |
| Trailing P/E | 37.9 | Sales Growth | 10.2 % | Sales Growth | 33.4 % |
| PEG Ratio | 1.29 | PAT Growth | 64.12 % | Sales Growth QYoY | 6.6 % |
| EV/EBITDA | 23.9 | EPS Growth | 11.04 % | PAT Growth | 90.52 % |
| P/B | 6.39 | Dividend Yield | 0.32 | PAT Growth QYoY | 8.87 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 17.4 % | Promoter | 32.8 % | Debt/Equity | 0.04 |
| RoA | 14.2 % | FII | 5.33 % | Debt | 165 Cr |
| RoCE | 22.4 % | DII | 13.9 % | Market Cap | 23570 Cr |
| RoIC | 22.3 % | Public | 48.0 % | Enterprise value | 23150 Cr |
| | | No of Shares | 62.5 Cr | Cash Equivalents | 585 Cr |

source : Company filings

Company's Overview Based on Recent Concall and Performance:

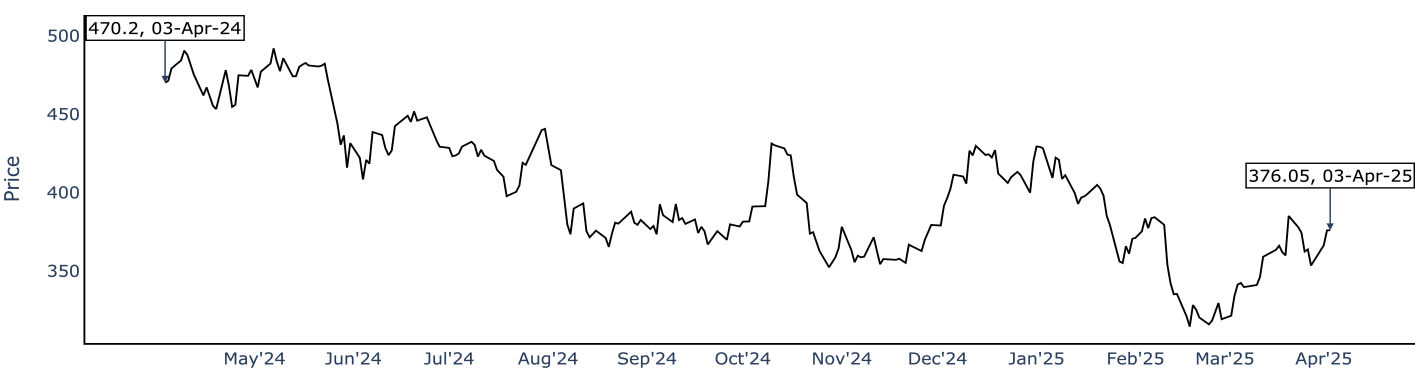
In the recent meeting, EIH Limited outlined several strategic initiatives aimed at enhancing its market position and driving growth. The company reported a robust performance in Q3, with revenue growth of 6% on a standalone basis, and 11% when excluding the impact of the Oberoi Grand renovation. The EBITDA grew by 7%, and PAT increased by 18%. On a consolidated basis, the growth was even more pronounced, with a 21% increase in PAT, driven by strong performance in subsidiaries and international operations. The company emphasized its premium positioning, particularly for Oberoi Hotels, which has shown significant ARR and RevPAR growth. The management reiterated their focus on the premium segment, highlighting the strong opportunity for growth in average room rates and occupancies.

EIH Limited is actively pursuing expansion plans, with 19 properties in the pipeline, including 13 hotels, 3 Trident hotels, and 3 luxury boats and Nile cruisers. The expansion is spread across domestic and international markets, with 10 domestic and 9 international projects. The company is also focusing on management contracts, with two new contracts signed for hotels in India. The management expressed optimism about the substantial upside in rates and occupancies, driven by strong demand and India's ongoing growth story. They are committed to driving ARR, even at the cost of occupancy, to enhance profitability.

The company is also investing in key projects, with significant capital expenditure in London and ongoing projects in Tirupati, Rajgarh, and Gandikota. Renovations are underway at several properties, including the Trident Nariman Point. The management highlighted the potential for growth in international markets, with hotels like Bali and Marrakech offering considerable upside. The company is also exploring opportunities for mixed-use developments in cities like Pune, despite the recent cancellation of a project there. The focus remains on maintaining high service levels and premium positioning while driving growth through various avenues, including joint ventures and management opportunities.

Looking ahead, EIH Limited is optimistic about its growth prospects, with plans to continue expanding its footprint and enhancing its service offerings. The management is confident in sustaining ADR growth and sees considerable opportunity to enhance ADRs further. They are focused on leveraging the high demand and quality of their hotels to drive rates and profitability. The company is also working on strategies to grow its leisure business, including incentivizing domestic guests and capitalizing on foreign travel. While the company has made significant progress, the management acknowledges the need for continued effort to drive growth and deliver value to stakeholders.

EIHOTEL Daily Closing One Year Price Chart



| Name | Mar Cap (Rs. Cr.) | P/E | ROE | Sales(G) QoQ | Sales(G) QYoY | PAT(G) QoQ | PAT(G) QYoY |
|------------------|-------------------|--------|--------|--------------|---------------|------------|-------------|
| Mahindra Holiday | 6181.64 | 45.94 | 24.03% | 1.14% | 6.87% | 203.48% | 230.86% |
| ITC Hotels | 42982.40 | | | | | 39.62% | |
| EIH | 23569.98 | 37.91 | 17.38% | 33.54% | 6.64% | 90.85% | 8.75% |
| Chalet Hotels | 19106.27 | 188.95 | 16.36% | 21.41% | 22.51% | 169.69% | 36.68% |
| Ventive Hospital | 16908.16 | 102.42 | 65.74% | 20.73% | 23.14% | 59.29% | -23.65% |

| Aspect | Commentary |
|----------------------|--|
| Revenue | The company shows a strong revenue increase, with a significant rise from the previous year and quarter. This growth indicates effective market strategies and increased demand for its services, reflecting positively on its financial health and market position. |
| Profit & Loss | The profit and loss statement reveals a robust operating profit and PAT, both annually and quarterly. This suggests efficient cost management and strong revenue streams, contributing to the company's overall profitability and financial stability. |
| Profitability Matrix | High operating and net profit margins indicate strong cost control and pricing power. The EPS reflects solid earnings performance, enhancing shareholder value. These metrics underscore the company's profitability and competitive advantage. |
| Valuation Matrix | The valuation metrics, including P/E and PEG ratios, suggest the company is valued fairly with growth potential. The EV/EBITDA and P/B ratios indicate market confidence in the company's future earnings and asset utilization. |
| Growth (YoY) | Year-over-year growth metrics show impressive sales and PAT growth, highlighting the company's ability to expand its market share and improve profitability. The dividend yield, though modest, adds to shareholder returns. |
| Growth (QoQ) | Quarter-over-quarter growth figures demonstrate strong sales and PAT growth, indicating effective short-term strategies and market responsiveness. This growth trajectory supports the company's ongoing expansion and profitability goals. |
| Capital Allocation | The capital allocation metrics, such as RoE, RoA, and RoCE, reflect efficient use of capital and strong returns on investments. These figures indicate the company's ability to generate value from its assets and equity. |
| Holdings | The holdings structure shows a balanced distribution among promoters, FIIs, DIIs, and the public, suggesting a stable ownership base. This diversity in holdings can provide stability and support for the company's strategic initiatives. |
| Leverage | The low debt/equity ratio and manageable debt levels indicate a conservative leverage strategy, reducing financial risk. The strong market cap and cash equivalents position the company well for future investments and growth opportunities. |

Analyst viewpoint: EIH Limited is poised for robust growth in the short to mid-term, backed by its impressive financial performance and strategic initiatives. The company reported a significant quarter-over-quarter revenue growth of 33.4%, demonstrating the effectiveness of its market strategies and the rising demand for its services. Additionally, the PAT growth of 90.5% showcases EIH's excellent cost management and revenue streams, further contributing to its overall profitability and financial stability. The valuation metrics suggest that EIH is reasonably valued with the potential for future growth, supported by a trailing P/E ratio of 37.9 and a PEG ratio of 1.29. Furthermore, the company's focus on capital allocation is evident in strong RoE and RoCE figures of 17.4% and 22.4% respectively, indicating its efficient use of capital to generate substantial returns.

EIH's commitment to expanding its market presence is highlighted by its ambitious expansion plans, including 19 properties under development across domestic and international markets. The strategic emphasis on the premium segment, particularly for Oberoi Hotels, aligns with EIH's goal to enhance its premium positioning and raise ADR. The company's adeptness at leveraging high demand to drive profitability further solidifies its growth trajectory. However, it is worth noting mildly that EIH's expansive plans come with significant capital expenditure, which could pose a risk if market conditions shift unexpectedly. Nevertheless, with strong fundamentals and a diverse portfolio, EIH is well-equipped to sustain its upward momentum in the competitive hospitality sector.

Please read detailed disclosure on next page.

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|-----------------------------------|--|
| Investment Rating | Expected Return (over 12-month) |
| BUY | >=15% |
| SELL | <-10% |
| NEUTRAL | >-10% to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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