

**Price:** 334

**Recommendation:** Buy

**Industry:** Hotels & Resorts

**Sector:** Consumer Discretionary

**Report Date:** 18-Mar-2025

EIH Associated Hotels Limited is strategically expanding in the hospitality sector, leveraging domestic tourism and corporate travel, including MICE. Key growth areas include inbound tourism, weddings, sports, luxury wellness, and food and beverage. The Trident Visakhapatnam project and leasing of Trident Cochin highlight their growth commitment. Financially, they reported strong revenue and EBITDA, focusing on cost management and operational efficiency for sustained growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	401 Cr	Operating Profit(Year)	116 Cr	Operating Profit Margin	28.9 %
Previous Year	337 Cr	Operating Profit(Quarter)	53.8 Cr	EBITDA Margin	31.42 %
Current Quarter	133 Cr	PAT (Year)	80.6 Cr	Net Profit Margin	21.0 %
Previous Quarter	70.8 Cr	PAT (Quarter)	39.9 Cr	EPS	13.5
Revenue (QYoY)	127 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	23.7	Sales Growth	11.3 %	Sales Growth	87.85 %
PEG Ratio	1.53	PAT Growth	24.19 %	Sales Growth QYoY	4.72 %
EV/EBITDA	15.0	EPS Growth	1.5 %	PAT Growth	616.34 %
P/B	4.53	Dividend Yield	1.79	PAT Growth QYoY	5.28 %
Capital Allocation		Holdings		Leverage	
RoE	18.8 %	Promoter	75.0 %	Debt/Equity	0.01
RoA	15.1 %	FII	13.8 %	Debt	4.13 Cr
RoCE	25.1 %	DII	0.00 %	Market Cap	2035 Cr
RoIC	24.8 %	Public	11.2 %	Enterprise value	1992 Cr
		No of Shares	6.09 Cr	Cash Equivalents	47.4 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

The recent concall of EIH Associated Hotels Limited highlighted several strategic initiatives and business strategies aimed at capitalizing on the growing demand in the hospitality sector. The company is focusing on expanding its footprint by leveraging the increasing domestic tourism and corporate travel, including the Meetings, Incentives, Conferences, and Exhibitions (MICE) segment. Key growth drivers identified include inbound tourism, the grandeur of the wedding market, sports tourism, luxury wellness resorts, and the growing cultural importance of food and beverage. The company is also emphasizing sustainable tourism and exploring new horizons in emerging regions and tourism segments. "The sector is poised for significant expansion, fueled by ongoing growth in domestic tourism and corporate travel."

In terms of diversification, EIH Associated Hotels is actively pursuing new projects and partnerships to enhance its market presence. The upcoming Trident Visakhapatnam project, with a planned investment of 160 crores and 125 keys, is a testament to their commitment to growth. The company is also focusing on enhancing its existing properties, such as leasing the Trident Cochin to Fern Hotels, effective November 2024. This strategic move is expected to optimize operational efficiency and improve financial performance. The management noted, "The ongoing growth in RevPAR highlights the demand for new hotels in the country," indicating a positive outlook for future expansion.

The company's future growth and scaling perspectives are promising, with a strong emphasis on increasing average rates and occupancy levels. The Q3 FY25 performance showed a notable year-on-year increase in average rates across all regions, with occupancy rates stabilizing between 65-67%. The RevPAR growth of Oberoi and Trident Hotels consistently outperformed the industry, reflecting the company's robust operational strategies. The management is optimistic about maintaining this momentum, driven by strong room revenue tailwinds across corporate, direct, leisure, and MICE segments. "Average Rates (ARR) continued its upward trajectory, with the year-on-year growth rate now starting to stabilize."

From a financial perspective, the company reported a solid performance with revenue from operations reaching 133 crores, up from 126.7 crores in the previous year. The EBITDA margin improved to 57.9 crores, reflecting efficient cost management and operational excellence. However, there is room for improvement in administrative and other expenses, which increased to 45.9 crores. The company's strong balance sheet, with increasing net worth and fund position, provides a solid foundation for future investments and growth initiatives. The management's focus on strategic expansion and operational efficiency positions the company well for sustained growth, though continued attention to cost control and market dynamics will be crucial for maximizing profitability.

EIHAHOTELS 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
<b>Mahindra Holiday</b>	6116.06	45.43	24.03%	1.14%	6.87%	203.48%	230.86%
<b>ITC Hotels</b>	36691.07					39.62%	
<b>EIH</b>	22953.96	32.70	17.62%	35.85%	7.95%	102.47%	12.43%
<b>EIH Assoc.Hotels</b>	2035.27	23.70	18.76%	87.76%	5.02%	616.52%	5.36%
<b>Ventive Hospital</b>	16885.04	102.31	65.74%	20.73%	23.14%	59.29%	-23.65%

Aspect	Commentary
<b>Revenue</b>	The company shows a strong revenue performance with a significant increase in the current year and quarter. This growth is indicative of effective sales strategies and market demand, positioning the company well for future expansion. The quarterly year-on-year growth further underscores the company's robust market presence and operational efficiency.
<b>Profit &amp; Loss</b>	The profit and loss statement reflects a healthy financial position with substantial operating profit and PAT both annually and quarterly. This indicates strong operational management and cost control, contributing to the company's profitability. The consistent profit margins suggest a stable and efficient business model.
<b>Profitability Matrix</b>	The profitability matrix highlights strong operating and net profit margins, indicating efficient cost management and pricing strategies. The high EBITDA margin further supports the company's ability to generate earnings before interest, taxes, depreciation, and amortization, showcasing operational strength.
<b>Valuation Matrix</b>	The valuation metrics suggest a fair market valuation with a moderate P/E ratio and a reasonable PEG ratio, indicating balanced growth expectations. The EV/EBITDA and P/B ratios reflect the company's market position and asset valuation, suggesting potential for investment attractiveness.
<b>Growth (YoY)</b>	Year-on-year growth metrics show positive trends in sales and PAT, reflecting the company's ability to expand its market share and improve profitability. The modest EPS growth indicates steady earnings performance, while the dividend yield suggests shareholder value creation.
<b>Growth (QoQ)</b>	Quarter-on-quarter growth figures reveal significant improvements in sales and PAT, highlighting the company's ability to capitalize on short-term market opportunities. The strong quarterly performance underscores effective management strategies and operational agility.
<b>Capital Allocation</b>	The capital allocation metrics demonstrate efficient use of resources with high returns on equity, assets, and capital employed. This indicates strong financial management and strategic investment decisions, contributing to the company's overall financial health and growth potential.
<b>Holdings</b>	The holdings structure shows a high promoter stake, indicating confidence in the company's prospects. The presence of foreign institutional investors suggests international interest and potential for global market expansion. The public holding provides liquidity and market stability.
<b>Leverage</b>	The leverage metrics indicate a low debt-to-equity ratio, reflecting prudent financial management and a strong balance sheet. The minimal debt levels suggest low financial risk, while the substantial market capitalization and enterprise value highlight the company's market strength and investment potential.

**Analyst viewpoint:** EIH Associated Hotels Limited has demonstrated impressive growth metrics and robust financial health, making it a strong candidate for investment in the short to mid-term. The company's sales growth of 87.85% quarter-on-quarter is a clear indicator of its effective expansion strategies and market demand capitalization. Additionally, EIH's PAT growth of over 616% in the same period showcases their efficient cost management and operational excellence, which are crucial for maintaining profitability in the competitive hospitality sector. Valuation ratios, including a trailing P/E of 23.7 and a PEG ratio of 1.53, further solidify its promising position by suggesting fair market valuation with balanced growth expectations. The company's strategic capital allocation is evidenced by high returns on equity and capital employed, affirming their sound financial strategies and robust asset utilization, which indicate a potential for sustained shareholder value.

Peer comparisons enhance the bullish outlook with EIH outperforming competitors like Mahindra Holidays and Ventive Hospital in sales and earnings growth metrics. Recent strategic initiatives such as the Trident Visakhapatnam project and partnerships for expanding the existing property portfolio corroborate their growth commitment and operational agility in adapting to market trends. While EIH is well-positioned to capitalize on industry tailwinds like growing domestic tourism and MICE, it remains essential to monitor their administrative expenses which have shown notable increases, ensuring this doesn't impact future profitability margins negatively. Overall, the company's well-rounded operational and financial metrics make it an attractive buy in the present market scenario.

Please read detailed disclosure on next page.

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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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**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

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