

Price: 363

Recommendation: Buy

Industry: Hotels & Resorts

Sector: Consumer Discretionary

Report Date: 17-Mar-2025

ElH Limited is set for growth with plans to expand its footprint through 19 new properties, including hotels and luxury boats, both domestically and internationally. The company is investing in renovations and focusing on premium positioning in the hospitality sector. By leveraging management contracts, ElH aims to enhance profitability without heavy capital investment. The company is optimistic about increased profitability through strategic pricing and occupancy management.

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	36.6	Sales Growth	10.2 %	Sales Growth	33.4 %
PEG Ratio	1.24	PAT Growth	64.12 %	Sales Growth QYoY	6.6 %
EV/EBITDA	23.0	EPS Growth	11.04 %	PAT Growth	90.52 %
P/B	6.15	Dividend Yield	0.33	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	22729 Cr
RoIC	22.3 %	Public	48.0 %	Enterprise value	22309 Cr
		No of Shares	62.5 Cr	Cash Equivalents	585 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

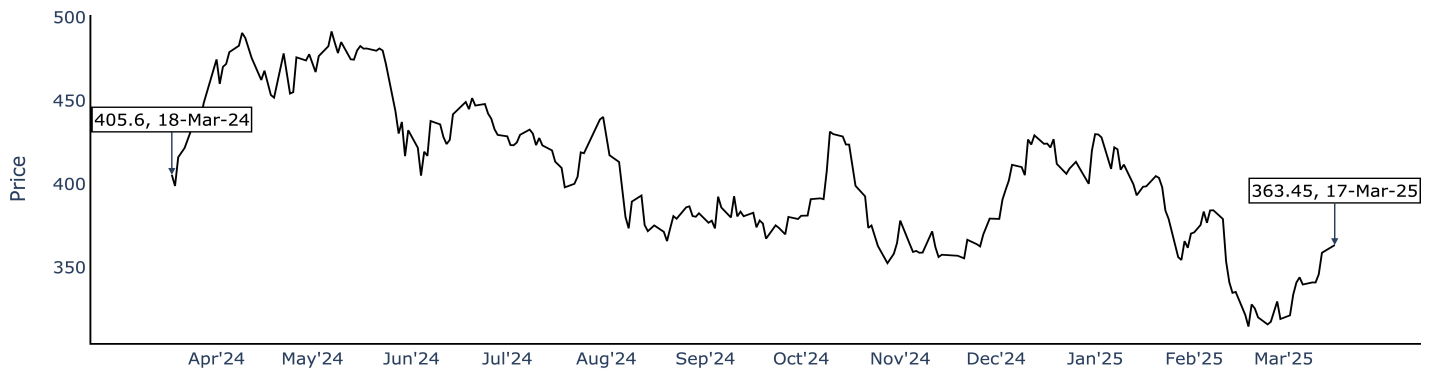
In the recent meeting, ElH Limited outlined several new initiatives and business strategies aimed at enhancing growth and profitability. The company is focusing on expanding its footprint with 19 new properties in the pipeline, including 13 hotels, 3 Trident hotels, and 3 luxury boats and Nile cruisers. This expansion is set to increase their presence both domestically and internationally, with 10 new domestic and 9 international properties. The company is also investing in renovations, such as the Oberoi Grand in Calcutta, which is expected to reopen in about 18 months. These efforts are part of a broader strategy to maintain a premium positioning in the hospitality sector, with a strong emphasis on driving average room rates (ARR) and revenue per available room (RevPAR).

The company's diversification schemes include a mix of owned and managed properties, with 8 owned and 11 managed out of the 19 new projects. This approach allows ElH to leverage management contracts to expand its brand presence without the capital intensity of owning all properties. The company is also exploring opportunities for mixed-use developments in key cities like Pune, despite a recent project cancellation. ElH's strategy is to focus on high-demand areas and capitalize on the growing travel and tourism sector, both domestically and internationally. The company is optimistic about the potential for increased profitability through strategic pricing and occupancy management.

Looking ahead, ElH is poised for significant growth, driven by its robust expansion plans and strategic focus on premium segments. The company anticipates continued strong demand, particularly in the luxury hotel segment, which is expected to drive higher ARR and RevPAR. ElH's international operations have shown a 20% growth in RevPAR, indicating a recovery from past disruptions and a positive outlook for future performance. The company is also enhancing its direct revenue channels, which have shown faster growth compared to other segments. This focus on direct sales is expected to further boost profitability and market share.

While the company's growth prospects are promising, there are areas for improvement. ElH could benefit from further diversifying its geographic presence to mitigate risks associated with regional economic fluctuations. Additionally, while the focus on premium pricing is a strength, the company should ensure that it remains competitive in terms of service offerings to justify higher rates. The company's ability to maintain high occupancy rates while increasing ARR will be crucial in sustaining its growth trajectory. Overall, ElH's strategic initiatives and expansion plans position it well for future success, provided it continues to adapt to market dynamics and customer preferences.

ElHOTEL 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	5946.38	44.19	24.03%	1.14%	6.87%	203.48%	230.86%
ITC Hotels	34953.27					39.62%	
EIH	22728.91	36.60	17.38%	33.54%	6.64%	90.85%	8.75%
Ventive Hospital	16916.60	102.50	65.74%	20.73%	23.14%	59.29%	-23.65%
Chalet Hotels	16821.04	166.31	16.36%	21.41%	22.51%	169.69%	36.68%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with a significant rise from the previous year and quarter. This growth indicates effective sales strategies and market demand, positioning the company well for future expansion. The quarterly year-over-year growth further underscores the company's robust performance in capturing market opportunities.
Profit & Loss	The company demonstrates solid profitability with a high operating profit and PAT, both annually and quarterly. This reflects efficient cost management and strong revenue generation. The substantial quarterly PAT growth highlights the company's ability to enhance profitability, suggesting a positive outlook for sustained financial health.
Profitability Matrix	The company maintains strong profitability metrics, with high operating and EBITDA margins, indicating efficient operations and cost control. The net profit margin and EPS are also robust, reflecting effective revenue conversion into profits. These metrics suggest a well-managed company with a focus on maximizing shareholder value.
Valuation Matrix	The company's valuation metrics, including a high P/E ratio and PEG ratio, suggest market confidence in its growth prospects. The EV/EBITDA and P/B ratios indicate a premium valuation, reflecting investor optimism. These metrics highlight the company's perceived potential for future earnings growth and market leadership.
Growth (YoY)	Year-over-year growth metrics show impressive sales and PAT growth, indicating strong market performance and operational efficiency. The EPS growth further supports the company's ability to enhance shareholder value. These growth figures suggest a positive trajectory, driven by strategic initiatives and market demand.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal significant sales and PAT increases, highlighting the company's ability to capitalize on market opportunities. The consistent growth in these areas suggests effective business strategies and operational execution, positioning the company for continued success in the competitive landscape.
Capital Allocation	The company exhibits strong capital allocation efficiency, with high RoE, RoA, and RoCE, indicating effective use of resources to generate returns. The RoIC further underscores the company's ability to invest capital profitably. These metrics reflect a disciplined approach to capital management, enhancing shareholder value.
Holdings	The company's ownership structure shows a balanced distribution among promoters, FIIs, DIIs, and the public, indicating diverse investor confidence. The significant public holding suggests broad market interest. This structure supports stability and potential for future capital raising, aligning with strategic growth objectives.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low leverage risk. The manageable debt level and substantial market cap reflect financial stability and investor confidence. These factors position the company well for future growth initiatives without significant financial constraints.

Analyst viewpoint: EIH Limited demonstrates robust growth potential in the short to mid-term, supported by impressive financial metrics and strategic expansion initiatives. The company's recent quarterly results showcase a notable 33.54% sales growth and a 90.85% increase in PAT QoQ, signaling strong market demand and effective sales strategies. EIH's capital allocation remains efficient, with high RoE and RoCE, indicating an optimal use of resources. The company maintains a minimal debt-to-equity ratio, offering a stable platform for future growth without significant financial risk. Through management contracts and strategic pricing, EIH is positioned to enhance profitability without heavy capital investment. The recent concall highlighted ambitious plans for 19 new properties that will bolster its domestic and international presence, alongside renovations of iconic hotels enhancing its premium market position.

The company's valuation metrics, with a P/E ratio of 36.60 and a PEG ratio of 1.24, reflect market confidence in its growth trajectory. EIH's commitment to increasing ARR and RevPAR further enhances its competitive edge in the luxury hotel segment. Despite this optimism, EIH should focus on broadening its geographic footprint to mitigate regional economic risks. While its premium pricing underscores its market strength, maintaining competitive service offerings will be vital to justify premium rates and sustain high occupancy levels. Overall, EIH's strategic vision and operational efficacy underpin our bullish outlook, though continuous adaptation to customer and market dynamics will be key to sustained success.

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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Research Analyst Details:

Name: Robin Arya

Email: 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

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