

**Price:** 337

**Recommendation:** Buy

**Industry:** Hotels & Resorts

**Sector:** Consumer Discretionary

**Report Date:** 22-Mar-2025

Kamat Hotels (India) Limited has shown strong performance in Q3 FY25, focusing on expanding its geographical presence and improving operational efficiency. The company is opening new properties, like the Orchid Hotel in Goa, and upgrading existing ones, such as Pune Orchid. This is part of the KHIL 3.0 strategy to boost average room rates and revenue. Kamat Hotels is also enhancing customer loyalty through partnerships and digital marketing, aiming for sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	262 Cr	Operating Profit(Year)	71.1 Cr	Operating Profit Margin	27.1 %
Previous Year	224 Cr	Operating Profit(Quarter)	33.9 Cr	EBITDA Margin	34.05 %
Current Quarter	84.8 Cr	PAT (Year)	19.2 Cr	Net Profit Margin	8.60 %
Previous Quarter	65.0 Cr	PAT (Quarter)	25.2 Cr	EPS	13.0
Revenue (QYoY)	62.8 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	26.0	Sales Growth	17.6 %	Sales Growth	30.46 %
PEG Ratio	-4.87	PAT Growth	-71.04 %	Sales Growth QYoY	35.03 %
EV/EBITDA	11.2	EPS Growth	-25.71 %	PAT Growth	119.13 %
P/B	2.96	Dividend Yield	0.00	PAT Growth QYoY	129.09 %
Capital Allocation		Holdings		Leverage	
RoE	7.09 %	Promoter	57.8 %	Debt/Equity	0.41
RoA	3.12 %	FII	0.00 %	Debt	137 Cr
RoCE	15.5 %	DII	4.53 %	Market Cap	993 Cr
RoIC	44.4 %	Public	37.7 %	Enterprise value	1116 Cr
		No of Shares	2.95 Cr	Cash Equivalents	14.6 Cr

source : Company filings

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

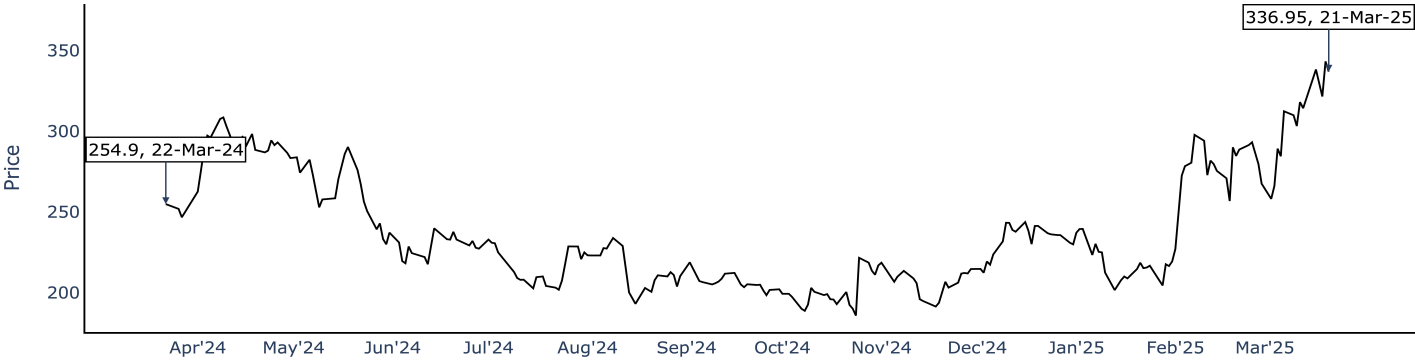
Kamat Hotels (India) Limited has demonstrated a robust performance in the third quarter of FY25, with strategic initiatives aimed at expanding its geographical footprint and enhancing operational efficiencies. The company has opened new properties, such as the Orchid Hotel in Goa, and is upgrading existing ones like the Pune Orchid, which is set to increase its room capacity from 410 to 500 over the next 12 to 15 months. This expansion is part of the KHIL 3.0 strategy, which aims to increase the average room rate (ARR) and overall revenue. The company is also focusing on reducing costs through technological enhancements and maintaining a customer-centric approach, which has resulted in a high repeat customer rate of 34%.

The company's diversification strategy includes a mix of new and legacy properties, with new properties contributing 35% to the revenue, indicating a shift towards reducing dependency on traditional core hotels. This balance is expected to reach a 50-50 contribution in the near future. Kamat Hotels is also exploring partnerships to expand its rewards program, aiming to include benefits with banks and other firms, thereby enhancing customer loyalty and engagement. The company is leveraging digital media and online marketing to drive sales, with approximately 150 crore in revenue coming from digital streams.

Looking ahead, Kamat Hotels plans to open several new properties, including hotels in Hyderabad, Bhavnagar, Dehradun, and Gwalior, by the end of the year. The company is targeting a 60-65% occupancy rate for these new properties in their first year, with an expected EBITDA margin of around 30%. The focus on technology and social media is expected to drive traffic and increase ARR, positioning the company for sustainable growth. The management is confident in achieving a 100 crore EBITDA, supported by a strong team and strategic initiatives.

While the company has shown impressive growth, there are areas for improvement. The occupancy rate for some properties, like the Mahodadhi Palace, has decreased due to ongoing project work, affecting ARR. The company acknowledges these challenges and is working towards resolving them. Additionally, while the current EBITDA margin is close to 40%, the company aims to maintain a standard benchmark of 35% as it continues to streamline operations and expand its portfolio. Overall, Kamat Hotels is well-positioned for future growth, with a clear strategy and a focus on enhancing customer experience and operational efficiency.

KAMATHOTEL 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
Kamat Hotels	992.89	25.95	7.09%	30.44%	35.05%	119.27%	128.84%
Mahindra Holiday	6605.96	49.09	24.03%	1.14%	6.87%	203.48%	230.86%
ITC Hotels	41392.41					39.62%	
EIH	24085.90	34.24	17.62%	35.85%	7.95%	102.47%	12.43%
Ventive Hospital	18523.35	112.21	65.74%	20.73%	23.14%	59.29%	-23.65%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a significant rise in both annual and quarterly figures. This growth indicates strong market demand and effective sales strategies, contributing to the company's financial health and potential for future expansion.
Profit & Loss	Operating profit and PAT figures reveal a mixed performance, with a strong quarterly PAT but a decline in annual PAT. This suggests effective cost management in the short term but highlights challenges in sustaining profitability over the year.
Profitability Matrix	The company maintains healthy profitability margins, with a notable operating profit margin. However, the net profit margin indicates room for improvement in cost efficiency and revenue management to enhance overall profitability.
Valuation Matrix	Valuation metrics suggest the company is reasonably valued, with a moderate P/E ratio. The negative PEG ratio indicates potential growth challenges, while the EV/EBITDA and P/B ratios reflect a balanced market perception.
Growth (YoY)	Year-over-year growth metrics show a positive sales trend but a significant decline in PAT and EPS growth. This disparity highlights the need for strategic adjustments to convert sales growth into sustainable profit increases.
Growth (QoQ)	Quarter-over-quarter growth is strong, with impressive sales and PAT growth. This indicates effective short-term strategies and operational improvements, positioning the company well for continued quarterly performance gains.
Capital Allocation	The company demonstrates efficient capital allocation, with a strong RoIC and RoCE. These metrics suggest effective use of capital to generate returns, supporting long-term financial stability and shareholder value.
Holdings	The ownership structure is stable, with a majority held by promoters. The absence of FII indicates limited foreign interest, while public and DII holdings suggest a balanced domestic investment base.
Leverage	The company's leverage is moderate, with a manageable debt-to-equity ratio. This indicates a prudent approach to debt management, ensuring financial flexibility and reducing risk associated with high leverage.

**Analyst viewpoint:** Kamat Hotels (India) Limited is poised for substantial growth, with an impressive quarterly sales increase of 30.44% and PAT growth of 119.27%. This reflects the company's adeptness in capitalizing on robust market demand, coupled with strategic initiatives such as the launch of new properties like the Orchid Hotel in Goa and the expansion of existing ones like the Pune Orchid. The company's KHIL 3.0 strategy is designed to enhance average room rates and bolster overall revenues, positioning Kamat Hotels for continued success in the competitive hospitality sector. The operational margins remain strong, evidenced by a 34.05% EBITDA margin, and the focus on digital marketing and partnerships is expected to further enhance customer loyalty and engagement.

Despite the promising short to mid-term outlook, Kamat Hotels should address the declining occupancy rates at properties like Mahodadhi Palace. This concern, alongside a downward annual PAT, albeit mitigated by a strong quarterly performance, signals areas for operational improvement as the company works toward sustaining its ambitious growth trajectory. With a solid foundation anchored by a well-rounded capital allocation, including a high RoCE of 15.5% and stable debt-to-equity ratio of 0.41, Kamat Hotels is well-positioned to achieve its strategic objectives while remaining aware of areas needing enhancement.

Please read detailed disclosure on next page.





