

Hospitality | India

IPO | 04 February 2024

Apeejay Surrendra Park Hotels Limited

A Pan India Branded Hospitality



About the Company

Apeejay Surrendra Park Hotels Limited (ASPHL) is the 8th largest hotel chain amongst hotel chains with asset ownership in India and operates 30 hotels, which are spread across different categories such as luxury boutique upscale, and upper midscale in cities like, New Delhi, Chennai, Hyderabad, Kolkata, Bangalore, Mumbai, Coimbatore, Indore, Goa, Jaipur, Jodhpur, Jammu, Navi Mumbai, Visakhapatnam, Port Blair, and Pathankot, offering a total of 2,298 rooms as of Jan'24. ASPHL is also engaged in the business of retail food and beverage industry through its retail brand 'Flurys'. 'Flurys' operates 73 outlets pan India under multiple formats such as restaurants, cafés, and kiosks.

Pan India Presence with diversified Portfolio

ASPHL has a pan India presence offering their customers with their diversified portfolio operating hotels under following four brands, namely "THE PARK, (upscale brand with luxury boutique) "THE PARK Collection" (small luxury properties), "Zone Connect by The Park" (upper midscale brand) and have recently launched and economy brand, "Stop by Zone" (economy motel brand) in respective categories with strong product innovation and service excellence offering a diversified holistic offering across metros and emerging cities.

High F&B and Entertainment revenues increases margins

As per Horwath HTL Report, "THE PARK" hotels' food and beverage contribution to total revenue is higher compared to peers and believes that their restaurants, clubs, and bars not only cater to guests residing in their hotels, but attract local patrons owing to the quality of the food service and ambience. ASPHL capabilities and their product offerings increase the resilience of their business model and the sustained achievement of their differentiated business strategy which helps to increase and sustain margins with an upward trajectory. A retail brand Flurys operates 73 outlets with multiple formats leveraging the brand on a revenue sharing basis adopting a asset light business model.

Expansion to drive growth

ASPHL has a strong pipeline with an expansion of two of its existing owned hotels in Visakhapatnam and Navi Mumbai, and development of its embedded land bank at Pune, aggregating to 380 rooms. It has also entered into agreements to open three leased and licensed hotels representing 122 rooms and entered term sheets to open 15 managed hotels, to further strengthen its reach in tier 2 and tier 3 cities representing 1,334 rooms. India GDP per Capita is expected to increase from USD 2,238 in FY22 to USD 3,985 in FY29 and rise in individual incomes is expected to create additional discretionary spending will keep the demand levels at more than 11% and recovery in strong tourism over the next few years will drive superlative growth for the industry.

Financials in Brief

On the financial front, the company reported a turnover of Rs 190 Crs, Rs 268 Crs and Rs 524 Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted ebitda of Rs23 Crs, Rs58 Crs and Rs177 Crs respectively for the aforementioned period. While the company's top-line continued to grow, registering 1.6X growth over FY22-23, its bottom line reported better net profit with improved margins consistently increasing over the past few years with better occupancy at 92% and higher share of F&B revenues.

Our View

ASPHL is an well-established player in the Indian hotel industry with a portfolio of 30 hotels spread across attractive locations in key geographies in India, has a strong operating track record of high occupancy, competitive average room rates and RevPAR for its properties, its share of revenue from the F&B segment has been historically high for the company relative to its peers. We believe the asset light model, repayment of debt, strong industry tailwinds, and development of new owned and managed properties with improved operational efficiency to achieve superior performance. **Hence we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	147-155
Face Value (Rs)	1
Issue Open/Closing Date	05-Feb-24/07-Feb-24
Fresh Issues (Crs)	600
OFS (Crs)	320
Total Issue (Crs)	920
Minimum Bid Qty. (Nos)	96
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs Crs)*	3,307

*At higher band

Object of the Issue

- ▶ Repayment of certain borrowings.
- ▶ General Corporate purposes.

Strengths

- ▶ Diversified pan India portfolio of owned, leased and managed hotels.
- ▶ Presence across metros and emerging cities.
- ▶ Highest occupancy rate compared to peers.
- ▶ Higher F&B and entertainment business contributions helps to increase margins.

Key Risk

- ▶ Intense competition in hospitality and seasonality affects revenues.
- ▶ Delay in expansion of new hotels could affect cash flows.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	94.2	68.1
Others	5.8	31.9

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	H1FY24(6)
Occupancy (%)	79	92	93
Rooms Keys	1,865	2,009	2,123
ARR (Rs.)	3,804	6,070	6,059
Revenue	268	524	272
Adjusted EBITDA	58	177	91
EBITDA Margin (%)	21.7	33.8	33.4
PAT	(28)	48	23
PAT Margin (%)	(10.5)	9.2	8.4
EPS (Rs)	(1.6)	2.8	1.3*
RoE (%)	(5.4)	9.1	4.0*
Networth	509	556	579
Total Borrowings	623	567	597

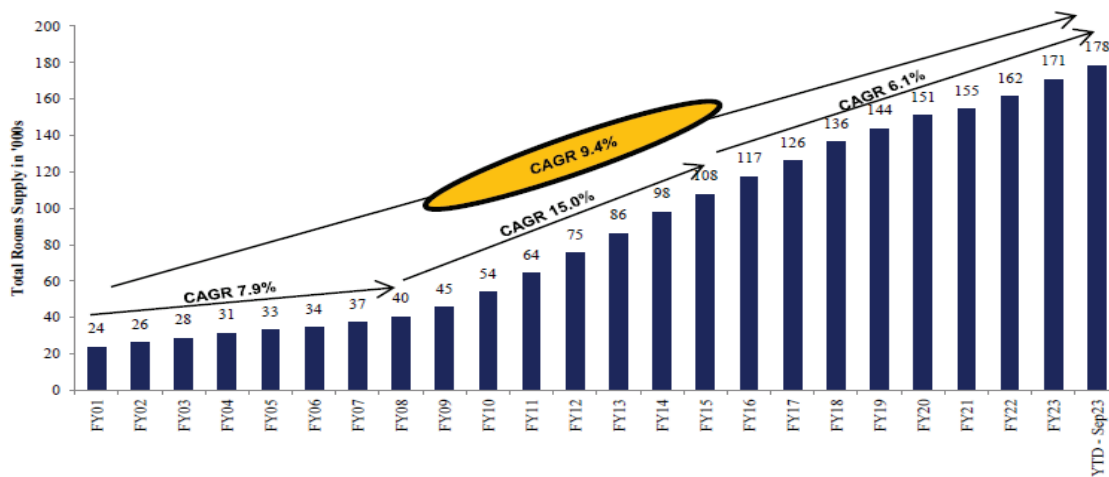
Source: RHP, Note: * Not Annualised

Senior Research Analyst:

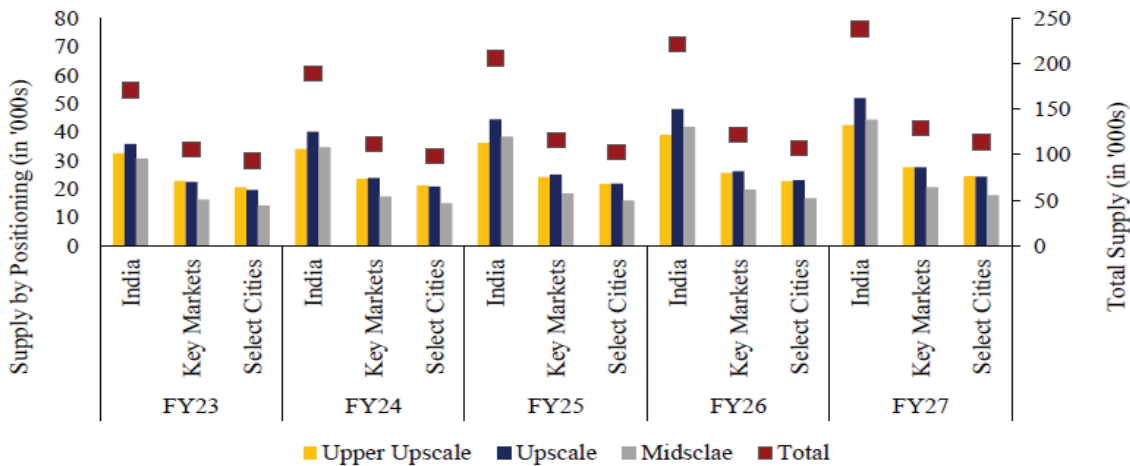
Vikas Jain

Contact : (022) 41681371

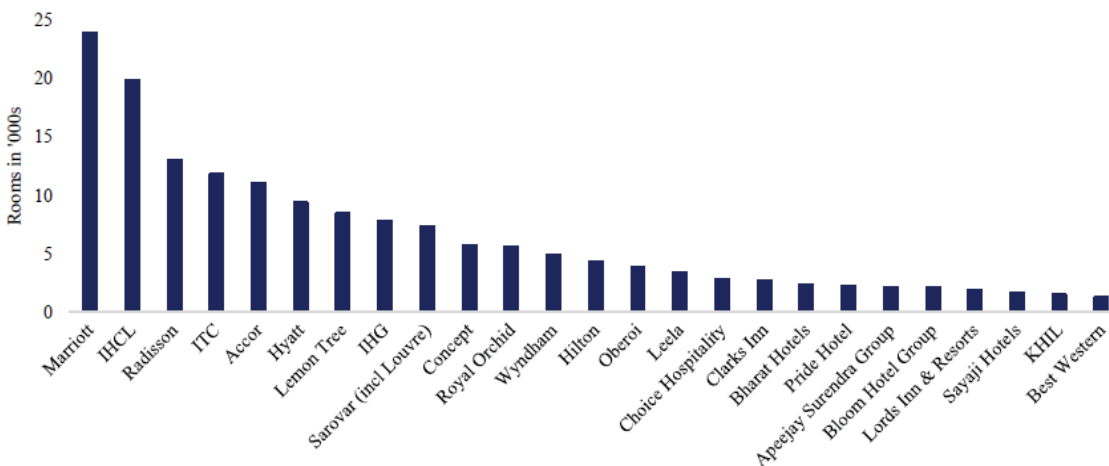
Email : vikas.i.jain@relianceada.com

Exhibit 1: All India Chain Affiliated Rooms Supply


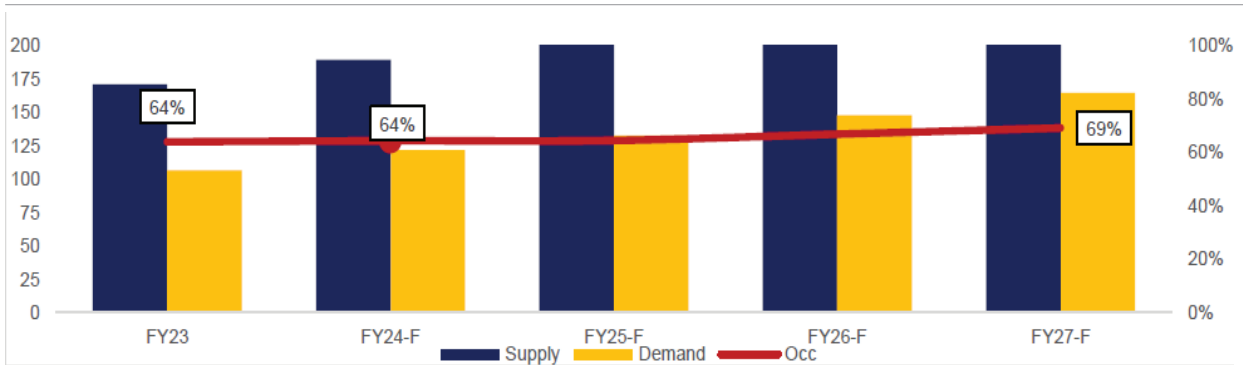
Source: RHP, Horwath HTL

Exhibit 2: Expected Supply (Inventory in 000s)


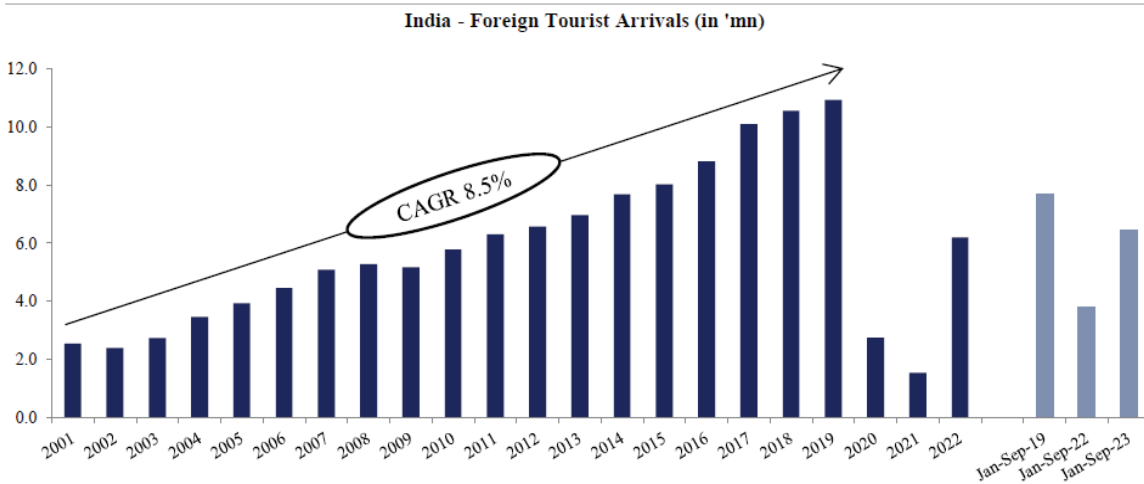
Source: RHP, Horwath HTL

Exhibit 3: Inventory of Top 25 Chains (in 000s)


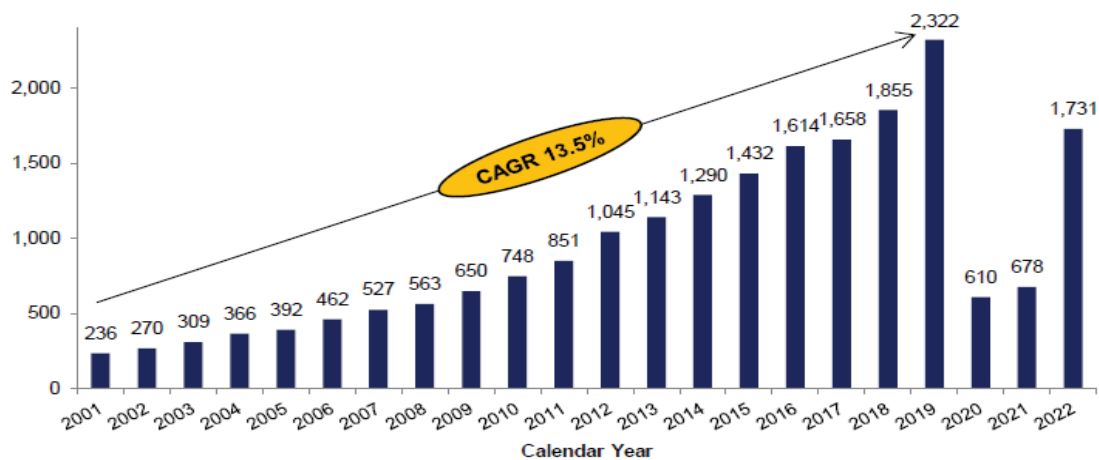
Source: RHP, Horwath HTL; Notes: (a) Marriott excludes hotels under franchise with ITC Hotels; these are included under ITC Hotels; (b) Louvre Group includes Sarovar

Exhibit 4: All India – Rooms Supply vs Demand and Occupancy Estimates – (FY23–FY27)


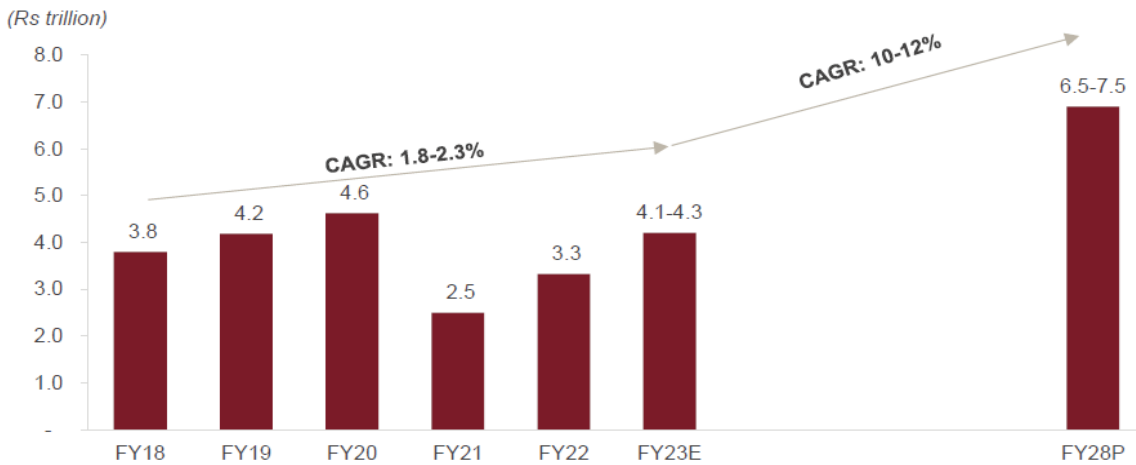
Source: RHP, Horwath HTL

Exhibit 5: India – Foreign Tourist Arrivals (mn)


Source: RHP, Ministry of Tourism, Govt. of India

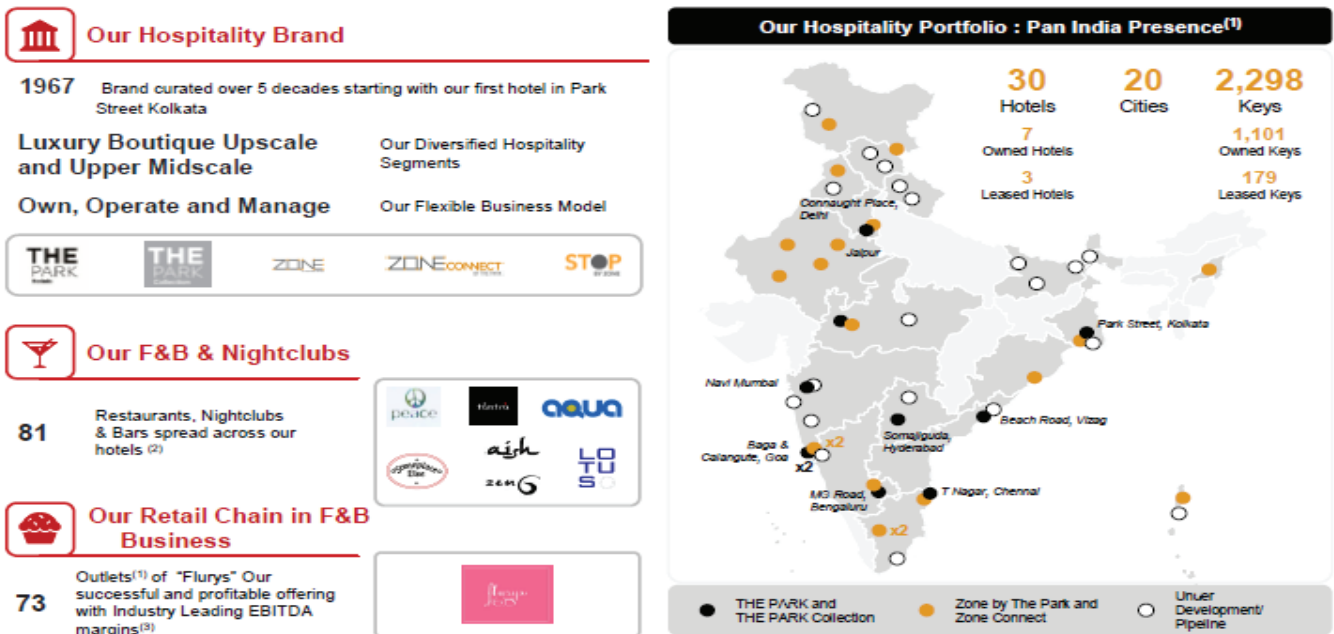
Exhibit 6: India – Domestic Tourists (mn)


Source: RHP, Ministry of Tourism, Govt. of India

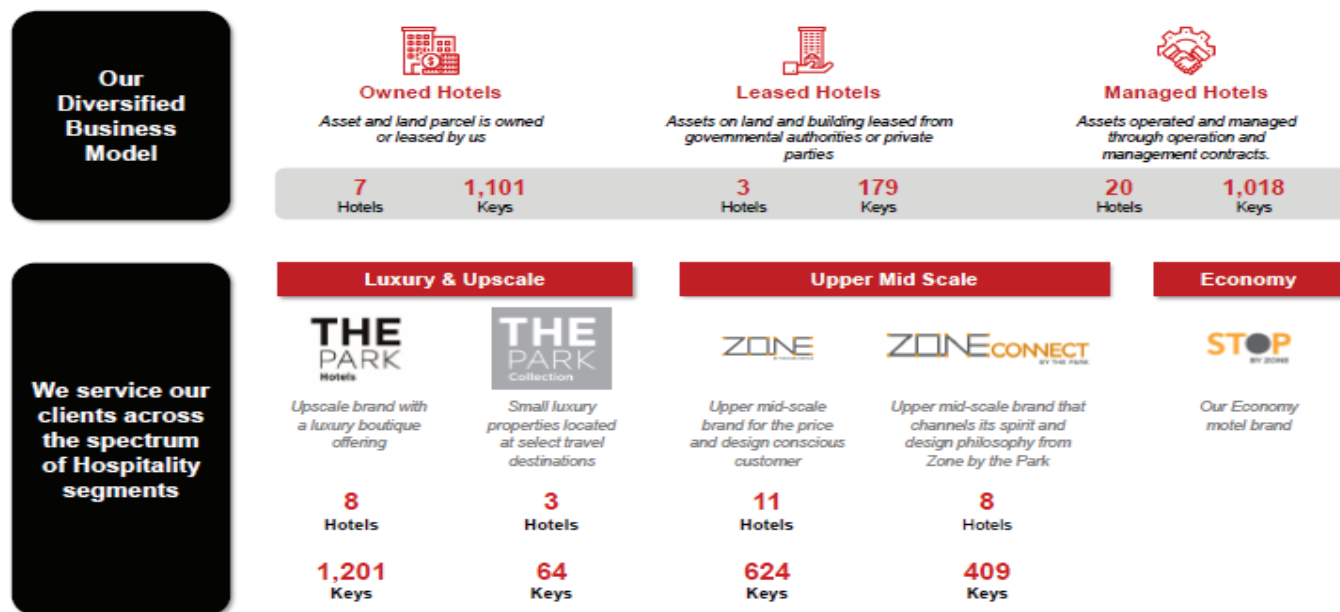
Exhibit 7: Growth set to spurt significantly for restaurants


E-Estimated, P-Projected

Source: RHP, CRISIL MI&A Research

Exhibit 8: ASPHL : A Pan India Branded Hospitality Company


Note: RHP, Cut off date as September 30, 2023; Crisil Report.

Exhibit 9: Our Hotel Brands : Product innovation and service excellence attracting customer through a diversified and holistic offering


Note: RHP

Exhibit 10: Strong F&B and Entertainment Brands coupled with our Iconic Retail F&B chain...


Note: RHP.

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