

26 May 2026**CALL CLOSED****CMP: Rs323****Royal Orchid Hotels Limited**

We had initiated coverage on Royal Orchid Hotels Limited on 28th Sept, 2022 at Rs281 for a target of Rs360. The stock had made a high of Rs594 (in Sept'25). We had initiated coverage betting on the new hotel additions which did happen to a large extent although with a lag, and led to lower than expected CF from the same. There have been steep declines in profits and PBT, impacted by rising interest costs and elevated employee expenses. In the recent quarters, there has been an operational disconnect witnessed where revenue growth is not translating into profits. Although the company works on asset light strategy, the capital efficiency has remained moderate to low. The core vision is highly dependent on the founder despite that the next generation has joined in as well. Definitely this would have a fresh outlook but the conversion will be long and gradual. We feel at the current juncture; the gestation and consolidation has gone beyond the expected timeframe with no clarity yet to bet on in terms of future triggers. We thereby close the call and recommend to book profits.

Recommendation:

We close the call on the stock.

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