

About the Industry: The hospitality industry is a subset of the larger enterprise known as the travel and tourism industry. *The word hospitality predates the use of the word tourism and is defined as a broad group of businesses that focuses on providing unique and satisfactory services to the customers.* This industry is a large umbrella that contains several business divisions such as (i) food and beverages, (ii) air and land travel (iii) entertainment such as movies/theaters/sports and (iv) hotel industry.

Hotels: can be categorised depending upon multiple characteristics such as size, location, star classification, length of stay, basis of plan, etc. *Grading* is one of the prominent characteristic that enables the customer in deciding over the amenities offered by multiple hotels. In India, hotels are classified by The Hotel and Restaurant Approval and Classification Committee (HRACC) and are graded from one (lowest rating) to five-star (highest rating) ratings. Some of the top international hotel brands are Hyatt, Marriot International, InterContinental Hotels Group, Accor Hospitality Company, Radisson Hotels Group, Four Seasons Hotels Inc., Westin Starwood, Carlson Rezidor; while those in the domestic include Taj Hotels, The Oberio Group, ITC Hotels, Lemon Tree Hotels, Bharat Hotels, Royal Orchid Hotels, Park Hotels, Pride Hotels. As per Tourism & Hospitality Skills Sector Report 2020, hotels can be classified on the basis of **location** (airport hotels, forest hotels, resorts, city hotels, suburban hotels and motels), **service** (upscale hotels, mid-market hotels and economy hotels) and **themes** (spa hotels, heritage hotels, ecotels, boutique hotels).

Exhibit 01: Hotel Categories

Category	Location	Target Customers
Five Star Deluxe & Five Star	Restricted to the four metros and major cities like Bangalore and Hyderabad	Foreign business and leisure travellers, senior business executives and top govt. officials
Three Star & Four Star	Located in all major cities as well as tourist destinations	Middle level business executives and leisure travellers
One Star & Two Star	Located in major cities and small cities and tourist destinations	Domestic tourists
Heritage	Heritage hotels comprise old palaces, havelis, castles, forts and residences, converted into hotels largely located in leisure tourist destinations like Jaipur,	Primarily foreign leisure travellers

Source: Royal Orchid RHP, Progressive Research

Hotel Structure/Operating Models:

(i) Ownership Model:

Self Owned: the owner owns the hotel building and the land on which the hotel is situated on a long-term lease. The owner manages and operates the hotel

Joint Venture: in this 2 or more corporates collaborate in order to set up a hotel venture. The decision making powers and profits are shared jointly under this structure

Franchise Owned: It is one of the most popular ownership models. Here, the property owner pays a fee to the corporate chain of hotels for using the logo, name and management protocols

Management Contract: A new investor of a hotel property may hire a management company in order to handle the daily operations of the hotel. The management fee could be a percentage of revenue/ gross operating profit/ combination of both

Lease & License Arrangement: The lessor or licensor (the owner of the hotel property) leases or licenses the hotel property to a lessee or licensee for a specified duration. The lessee incurs the entire capital expenditure for renovating the hotel. Generally, a 'lease rental' or 'license fee' is a proportion of the gross revenue, and is paid to the lessor

SNAPSHOT				
52 week H / L		Mcap (INR mn)		
380/78		7,698		
Face value: 10				
BSE Code		NSE CODE		
532699		ROHLTD		
Annual Performance				
(Rs mn)	FY20	FY21	FY22	FY23E
Total Revenue	2,050	809	1,385	2,648
EBITDA	306	(111)	230	794
EBITDA (%)	14.9	(13.7)	16.6	30.0
Other Income	147	80	174	175
Interest	156	163	161	173
Depreciation	190	193	194	199
PBT	107	(387)	48	598
PAT*	51	(400)	268	428
Equity (Rs mn)	274	274	274	274
EPS (INR)	1.8	(11.8)	10.7	17.1
Quarterly Performance				
Parameters (Rs mn)	Sept-21	Dec-21	Mar-22	Jun-22
Sales (Net)	319	528	395	604
EBITDA	45	167	68	210
EBITDA (%)	14.1	31.6	17.3	34.8
Other Income	42	24	74	30
Interest	38	38	39	40
Depreciation	53	48	46	43
PAT	6	57	318	120
Equity (Rs mn)	274	274	274	274
Ratio Analysis				
Parameters (Rs mn)	FY20	FY21	FY22	FY23E
EV/EBITDA (x)	27.4	(76.6)	36.2	10.3
EV/Net Sales (x)	4.1	10.5	6.0	3.1
M Cap/Sales (x)	3.8	9.5	5.6	2.9
M Cap/EBITDA (x)	25.1	-	33.5	9.7
Debt/Equity (x)	0.7	1.0	0.7	0.6
ROCE (%)	7.9	-	6.9	24.7
Price/Book Value (x)	4.4	5.5	6.1	4.7
P/E (x) (TTM)	21.6	-	-	18.0
Shareholding Pattern as on 30th June, 2022				
Parameters	No of Shares	%		
Promoters	18,561,308	67.68		
Institutions	1,038,572	3.79		
Public	7,825,335	28.53		
TOTAL	27,425,215	100.00		

Source: Annual Report, Progressive Research

Note: Data calculated as on 27th Sept, 2022, *FY22 PAT is post exceptional items

About the Industry (contd.):

(ii) Distribution Model:

Global Distribution System (GDS): It is a network of electronic reservation systems used by buyers (travel agents and public) and sellers (hotels, airlines, car rental companies, etc.) to exchange travel-related services. Globally, these systems account for majority of the hotel reservations but their usage is relatively lower in India

Central Reservation System (CRS): This system is primarily used by hotel chains with properties in different locations, whereby the common central system is used for reservations in all the properties

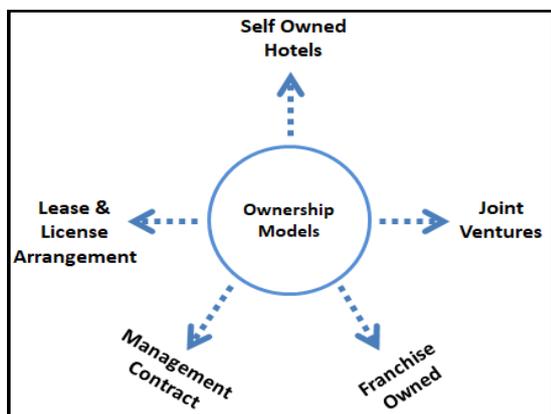
Travel Agent: these act as intermediaries between the traveler and the hotel

Marketing Alliances: Major hotels are often associated with marketing alliances. These alliances provide the hotel direct access to reservation network, promotion and internet coverage. Major marketing alliances include leading hotels of the world, leading small hotels of the world and airline tie-ups

Online Travel Agencies (OTAs): this is a popular choice adopted by majority of guests for reservation. They even provide comprehensive packages with travel, accommodations etc

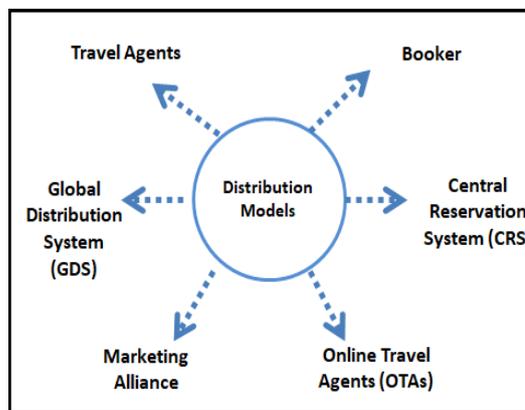
Booker: guests have an access to direct bookings with hotels either on walk-in/through the hotel website/call/e-mail

Exhibit 02: Ownership Model



Source: Western India Regional Council of ICAI Report, Progressive Research

Exhibit 03: Distribution Model



Source: Western India Regional Council of ICAI Report, Progressive Research

Business Seasonality: is considered as an important part of the lodging industry. The seasonal trends indicate the demand fluctuation for guest rooms, other services such as food & beverages and recreational facilities. In terms of seasonality of the hotel business; Q1 and Q2 (April-September) are the weak season for the hotel sector while Q3 and Q4 combined together (October-March) generate over 60% of total revenues. Hence, few of the check points that can enable the industry/hotel owners to understand the seasonality of the regions that they operate in, in order to run the operations in a smooth and effective manner involves, customer segmentation, demand forecasting and yield management.

Revenue Structure: The concept of Key Performance Indicators (KPIs) has off late become one of the most frequently used term in the hospitality business development and management which further enables to understand the key financial drivers i.e. accommodation (generates the maximum revenue for hotels) and food & beverages. The Hotels revenue split has room revenues contributing ~50-55% of total hotel revenues, food and beverages (~25-30%), meetings, incentives, conferences and exhibitions (MICE) (~10-15%) while bar, spa/gymnasium and rentals from commercial space accounting for the balance share.

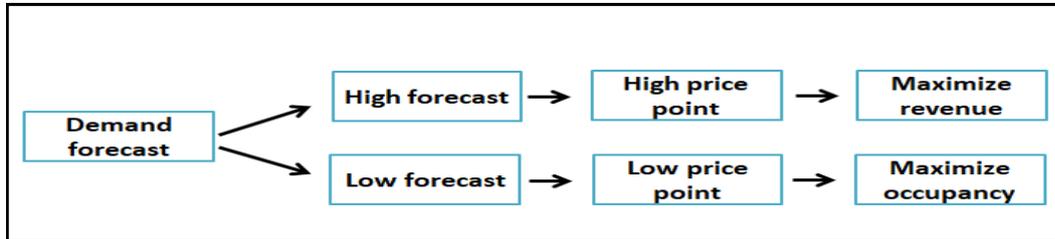
Exhibit 04: Revenue Structure

Parameter	Reasoning
Room Revenue	(i) A direct function of room and occupancy rates, (ii) Total room revenue= Room nights sold*ARR
F&B	(i) Income generated from in-house restaurants and café serves as the second highest source of overall revenue, (iii) Revenue is generally dependent on occupancy rates, proximity of hotel from popular chains and menu prices as compared to peers
Banquets	Source of income for business hotels via MICE. Depending upon the season it also generates considerable revenues for leisure hotels through weddings, etc.
Others	Other sources of income include (i) spa, (ii) mini-bar, (iii) tie-ups with local attractions, (iv) in-city tour packages, etc.

Source: Western India Regional Council of ICAI Report, Progressive Research

About the Industry (contd.):

Exhibit 05: Demand v/s Strategy



Source: <https://www.altexsoft.com/blog/business/hotel-revenue-management-solutions-best-practices-revenue-managers-role/>, Progressive Research

Performance Statistics: After the long struggle of over two years due to Covid outbreak and containment measures that had resulted in severe drop in foreign and domestic travel across both business and leisure segments; the travel and hospitality sector showed signs of strong revival led by higher occupancy, increased ARR and spurt in M&A deals. As per HVS Anarock report, domestic leisure travel is the driving force behind the road to recovery coupled with an increase in business travel and with most organizations gradually resuming to a full or hybrid work-from-office model. As per the Indian Hospitality Report 2022, all the major markets witnessed a surge in the RevPAR in 2021-22.

A Turnaround: Much before the pandemic happened; India's hotel sector was witnessing a prolonged period of demand-supply mismatch, where the huge supply overhang led to the tepid performance of the domestic hotel sector over 2010-2015. There was growth revival led by the slower new supply over 2015-2020, but the pandemic and the resultant lockdowns over the past two years affected almost every industry the impact on the hospitality sector however was catastrophic. Reversion in activities has enabled tourism and thus the hotel industry to bounce back. A robust demand was witnessed during April-June quarter (which was earlier restricted) wherein the business travel picked up significantly on account of multiple conferences and events as well as government delegations. The air travel also picked up pace which was further aided by better occupational metrics due to IPL season. Due to travel restrictions in the past (2020 and 2021), staycations too gained immense popularity where bookings for homestays increased by 70% at popular tourists spots. Industry experts say occupancy and ARR would return to pre-pandemic levels (66% and Rs6,000) by end-CY22 and mid-CY23 respectively. By CY24 occupancy would hit ~70% as per estimates.

Q1FY23 Performance: FY23 started on a strong note both with regard to growth as well as margin expansion led by the economic re-opening and the corporate demand; with add-on from the MICE and leisure segment. The average room rates increased by 20-25% when compared to pre-covid levels, leading to revenue growth and this was without hampering the demand. The pandemic phase was used by most of the players to become leaner on costs seen in the highest ever Ebitda margins reported over a decade. The robust performance seen in the seasonally weak quarter, further boosts the outlook for H2FY23 which would have foreign tourists' contribution to the business as well. Overall, multiple factors such as increased vaccination rates, changing market dynamics, consumer preferences and the ability of the destinations and the businesses to adapt to dynamic changes would determine the performance of the sector and thus influence its re-emergence.

Exhibit 06: Top 10 Cities Inventory Data

Cities	FY16	FY17	FY18	FY19	FY20	FY21	FY25-26
Bengaluru	11,539	11,995	12,594	13,366	13,691	13,901	17,911
Chennai	7,585	8,332	9,061	9,099	9,657	9,655	9,967
Goa	5,574	6,400	6,386	5,979	6,772	7,039	9,069
Mumbai	13,054	13,494	13,524	13,568	14,070	14,330	17,445
New Delhi	14,142	14,296	14,450	14,952	15,027	15,181	15,892
Gurugram	5,117	5,263	5,890	5,538	5,589	5,643	7,635
Hyderabad	5,992	6,254	6,846	6,672	7,393	7,420	7,825
Jaipur	4,931	5,058	5,352	5,285	5,553	5,714	7,298
Kolkata	2,701	3,199	3,652	3,742	4,579	4,933	5,444
Pune	6,108	6,445	6,353	6,460	6,712	6,915	7,178
Total Keys	76,744	80,737	84,109	84,662	89,044	90,732	1,05,664

Source: Indian Hotel Sector Market Reports, Progressive Research

About the Industry (contd.):

Exhibit 07: Industry Key Performance Statistics Across Cities

Category	Occupancy (%)						Average Rate (Rs)						RevPAR (Rs)					
	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22
Agra	59.6	66.2	68.3	66.7	35.0	51.3	5,508	5,316	5,800	6,204	4,112	4,220	3,281	3,517	3,960	4,139	1439	2,165
Ahmedabad	61.1	63.8	63.3	64.8	33.1	57.7	3,897	4,158	4,625	4,273	3,399	3,048	2,379	2,652	2,926	2,767	1125	1,759
Amritsar	61.9	63.0	65.4	64.6	26.0	50.2	3,345	3,946	4,054	4,053	3,452	3,479	2,071	2,486	2,651	2,618	898	1,746
Bengaluru	65.9	68.3	65.1	67.5	27.5	41.2	5,598	5,823	6,434	6,707	4,704	4,101	3,688	3,979	4,190	4,527	1294	1,690
Chandigarh	55.1	64.4	69.4	71.8	38.4	55.5	4,281	4,412	4,509	4,636	4,579	5,157	2,359	2,841	3,129	3,329	1758	2,862
Chennai	64.8	63.0	64.6	64.5	36.1	51.0	4,761	4,863	5,174	5,148	3,597	3,919	3,085	3,066	3,343	3,318	1299	1,999
Dehradun	66.0	67.1	69.1	72.6	39.0	53.8	4,567	4,680	4,418	4,421	3,717	4,032	3,014	3,140	3,053	3,210	1450	2,169
Goa	71.3	70.0	71.0	67.7	37.0	55.9	7,538	7,920	8,207	8,260	7,379	8,756	5,378	5,544	5,823	5,588	2730	4,895
Gurugram	66.3	67.9	68.4	70.2	31.5	48.2	6,382	6,113	6,455	6,592	5,372	4,709	4,230	4,152	4,414	4,627	1692	2,270
Hyderabad	63.7	66.3	69.9	70.3	33.7	52.5	4,787	4,924	5,377	5,654	3,979	4,102	3,107	3,264	3,760	3,972	1341	2,154
Jaipur	64.4	67.6	68.3	66.2	33.9	49.9	4,401	5,051	5,347	5,500	4,277	5,043	3,082	3,414	3,650	3,641	1450	2,516
Kochi	63.4	64.1	53.3	56.3	31.1	38.0	5,814	4,335	4,814	4,881	3,724	3,573	2,790	2,779	2,566	2,748	1158	1,358
Kolkata	70.9	70.2	69.8	66.7	30.2	50.9	5,062	5,904	5,830	5,934	4,258	4,330	4,121	4,143	4,067	3,957	1286	2,204
Lucknow	58.5	51.4	59.6	64.6	41.4	56.9	7,942	4,274	4,069	4,129	4,626	3,654	2,961	2,197	2,425	2,667	1915	2,079
Mumbai	74.1	75.3	77.0	76.6	42.9	59.8	4,118	8,066	4,671	8,487	5,270	5,153	5,885	6,074	6,450	6,501	2261	3,081
Navi Mumbai	77.6	79.1	79.3	72.7	43.0	52.3	6,292	4,318	7,063	4,748	3,381	3,192	3,196	3,416	3,704	3,452	1454	1,669
New Delhi	69.4	70.5	72.0	73.2	40.8	57.3	5,652	5,323	6,109	7,186	4,764	5,228	4,367	4,691	5,089	5,259	1944	2,996
Noida	56.2	54.9	60.0	64.5	33.1	54.4	4,195	4,484	4,943	6,375	4,454	3,830	3,175	2,921	3,668	4,114	1475	2,084
Pune	64.1	68.2	69.3	66.7	27.9	41.1	10,511	10,064	10,896	5,070	4,179	3,846	2,690	3,057	3,426	3,381	1166	1,581
Udaipur	68.8	67.9	72.0	62.1	37.2	52.8	5,508	5,316	5,800	11,298	9,562	12,143	7,232	6,833	7,845	7,016	3557	6,412

Source: Indian Hospitality 2022 Trends & Opportunities Report , Progressive Research

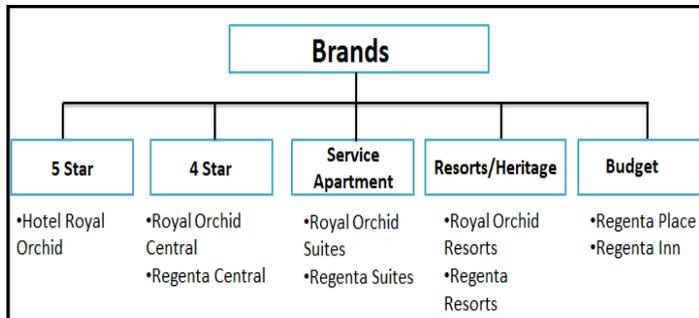
About the Company: Royal Orchid Hotels Limited (ROHL) was incorporated in Bangalore in January, 1986 as a public limited company under the name and style of University Resorts Ltd, later renamed to ROHL. The company is engaged in the business of managing hotels under flagship brands such as Royal Orchid, Royal Orchid Central, Royal Orchid Suites, Regenta Central, Regenta Resort, Regenta Place & Regenta Inn to name a few. The company primarily operates 5 and 4-star hotels, enabling it to target discerning business and leisure travelers. As of June, 2022 there are 73 hotels under the Royal Orchid and Regenta brand. With multiple hotel brands, ROHL has successfully captured the attention of the most judicious and demanding clientele in terms of luxury, comfort and value for money. It has received accolades by the Indian National Trust for Art and Cultural Heritage (INTACH), Best Oriental Restaurant 2006 by the Times Food Guide for Ginseng and Galileo Express Travel Award in 2008. The company is managed by a team of experienced and professional managers in the field of hospitality industry and currently Mr.Chander Baljee is the Managing Director and the Chairman of the company.

Investment Rationale:

(A) Business Structure: ROHL has properties of various categories across key business and leisure destinations which enable it to have access to different customer categories and thus provide a complete suite of offerings. The company had started its operations through the ownership model by setting up 2 hotels in Bangalore. However, over the past several years it has shifted its focus on expanding operations by undertaking the management contracts, lease and the JV route rather than owning the properties. *While the property owned by the company is Hotel Royal Orchid; the other properties are either leased viz; Royal Orchid Harsha and Royal Orchid Metropole or managed by the company viz; Royal Orchid Central to mention a few.* The proportion of managed & franchised hotels increased from 47% in FY14 to 76% of the total inventory in FY22. This unique strategy with an emphasis on having a low set up cost with the assistance and combination of ownership and asset light properties (leased) enables the company to have a lower payback period and reduce the impact of cyclical downturns, if any in the business.

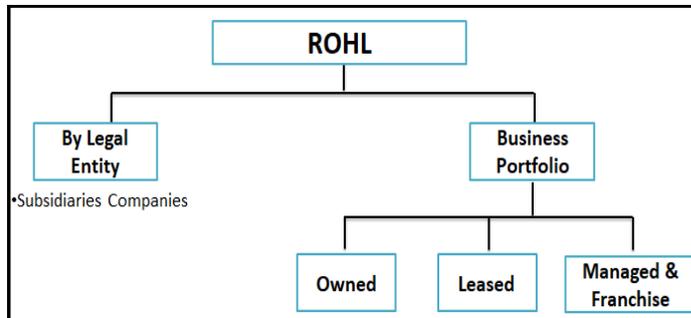
Investment Rationale (contd.):

Exhibit 08: ROHL Brands



Source: Q4FY22 ROHL PPT, Progressive Research

Exhibit 09: Business Structure



Source: Q4FY22 ROHL PPT, Progressive Research

(B) ROHL Branding: The company has a healthy mix of brands which caters to various customer segments. As mentioned earlier, the major brands for ROHL are Hotel Royal Orchid (5 star business hotels), Royal Orchid Central (4 star), Royal Orchid Suites (service apartments), Royal Orchid Resorts (resorts/heritage) and Regenta Place (budget). In the past, various group hotels were identified with different names, however, in order to emphasize on the Royal Orchid group identity, the company had established **Royal Orchid** as its flagship brand. Thus, all the premier business hotels carried the **Hotel Royal Orchid** brand name while others were operated under the **Royal Orchid Central** brand name. The brand **Regenta** is an extension of the Royal Orchid Hotel Group. It is designed for travelers whose watchword is value and convenience. It is categorized into Regenta, Regenta Central, Regenta Resort and Regenta Inn. ROHL's properties located in Bangalore and Mysore have easy access to airports, railway stations and main shopping destinations which essentially provide convenience ease to its customers. As per ICRA, as on March 2021, the five-star hotels (Royal Orchid brand) constituted 8% of keys, the four-star hotels (Royal Orchid Central/Regenta Central) constituted 55% of keys, 16% of keys were held in the economy/budget hotels (Regenta Inn) with the remaining 22% under resorts and service apartments. This helps the company to capture a wide range of customers, including those travelling for business and leisure and those preferring different price points.

Exhibit 10: Property Breakup With Rooms/Keys

Category	FY19	FY20	FY21	FY22	Q1FY23
Management/ Franchisee Contracts	2,287	2,881	2,759	3,431	3,454
JV	317	317	396	396	396
Owned (domestic)	195	195	195	195	195
Owned (overseas)	-	-	-	-	-
Leased	517	517	433	501	501
Total Keys	3,316	3,910	3,783	4,523	4,546

Source: ROHL Company Presentation, Progressive Research

(C) Ease of Access: ROHL's portfolio comprises of a wide range of hotels varying from businesses (27+), holiday destinations/leisure (20+), wildlife parks (3), wedding destinations, religious and historic sites (7+). Considering the seasonality of the industry and in order to provide ease of booking access to its clientele, the company rolls out various offers depending on the classification of clients. Few of the tailor made packages include, Monsoon season sale (ROHL offering 30% discounts on room bookings and has certain benefit inclusions under the same), Deal of the hour (which offers savings of upto 40% on room bookings every hour), Members' executive deal (offer of 10% additional discount on room bookings with sign-ups at company website). Apart from this, to lure the customers/clients; ROHL offers loyalty programs to its members to earn reward/points for utilizing the services/facilities of Royal Orchid. All these touchpoints has enabled the company to earn loyalty members which has increased from 51,704 in FY14 to reach at 2.6+ lakh as on June 2022.

(D) Near Term Expansion: There are 73 hotels under the Royal Orchid and Regenta brand as on June 2022. ROHL is present in 48+ locations across India with 4,546 number of keys and 2.6+lakh loyalty members. The company intends to expand its presence to other major cities across India which exhibit similar socio-economic and demographic profiles building on its vision to operate 100 hotels by 2023. Recently, the company has launched hotels at Manali and Shimla; taking the total count of ROHL hill station hotels to 9. ROHL intends to add ~17 hotels (1000+ keys) by 2023. Few of the upcoming destinations in the near term are Hyderabad (56 keys), Mahadevpura, Bangalore (49 keys), Hoskote, Bangalore (75 keys), Coorg (14 keys), Gulbarga (88 keys), Gangtok (35 keys), Digha-West Bengal (45 keys), Calangute, Goa (73 keys), Varanasi (106 keys), Dehradun (84 keys), Pushkar (50 keys), Vadodara (80 keys), Solapur (50 keys), Nanded (60 keys), Nellore (41 keys), Varanasi (24 keys).

Investment Rationale (contd.):

(E) Future Growth Triggers: As the pandemic and associated uncertainty struck the hospitality industry; the sector underwent a massive damage led by lockdowns and economic slowdown; the sector recorded its lowest RevPAR of Rs1,597 in the last 22 years; representing a drop of 60.4% over the last year; an overall weighted average occupancy of 34.4% and a weighted average rate of Rs4,630 (as per Hotelivate Indian Hospitality Report 2022). The two-star hotels recorded the lowest decline of 48.6% in RevPAR, while the five-star deluxe hotels witnessed a 62.7% decline in RevPAR. After the multiple waves of the pandemic, finally demand for the industry is back which is evident through the jump in occupancies and ARRs especially in luxury hotels and resort destinations. As per ICRA report, the occupancy in premium hotels stood at 32-34% in the 5MFY22 and 13-15% for 5MFY21. In comparison, the occupancy level was 46-48% in Q4FY21. The rising occupancies are still to reflect in the ARRs (at a pan-India level). ARRs stood in the range of Rs3,850-3,950 range for 5MFY22, which were 25-30% lower than their pre-covid levels. As per JLL's Hotel Momentum India (HMI), the Indian hospitality sector witnessed a rapid and strong recovery in Q2FY22, primarily driven by the demand for weddings, events and corporate travels. After the hard hit of the second wave; the RevPAR has witnessed an exponential growth of 339% as compared to Q2FY21. Domestic leisure continued to be an important segment during the same period, driven by pent up demand of revenge travel. All six key markets witnessed exponential growth in RevPAR levels in Q2FY22 as compared to Q2FY21, due to the low base witnessed last year during the second wave of the pandemic coupled with the stellar performance of the sector this year; wherein Bengaluru emerged as the RevPAR growth leader in Q2FY22, registering a growth of 660.1% over same quarter last year, followed by Goa and Hyderabad with y-o-y growth of 564% and 326%, respectively. Additionally, the total number of hotel signings in Q2FY22 stood at 47 hotels with 4,010 keys. The hotel signings witnessed a significant increase of 90.9% as compared to signings in Q2FY21. Domestic operators dominated signings over international operators with a ratio of 52:48 in terms of inventory volume. The renewed optimism would reflect in the demand as well as the performance going forward. All the rationales above augurs well for the upcoming growth of the industry, ROHL being no exception to it.

Exhibit 11: Industry Operational Parameters

Category	Occupancy (%)						Average Rate (Rs)						RevPAR (Rs)					
	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22
Five Star Deluxe	65.0	66.5	66.8	66.5	31.7	49.2	10,099	10,260	10,660	10,679	8,293	8,890	6,560	6,825	7,125	7,103	2,645	4,374
Five Star	64.1	65.9	65.8	67.2	32.7	50.1	6,051	6,088	6,280	6,451	5,166	5,151	3,876	4,015	4,132	4,334	1,679	2,581
Four Star	66.0	66.9	66.9	66.8	37.8	52.7	4,505	4,635	4,713	4,827	3,694	4,085	2,975	3,099	3,151	3,223	1,393	2,153
Three Star	65.2	65.1	67.3	64.6	35.0	50.0	3,016	3,200	3,371	3,474	2,703	2,944	1,965	2,083	2,268	2,245	938	1,472
Two Star	62.7	59.1	61.5	60.4	36.0	45.2	2,049	2,245	2,524	2,589	2,080	2,451	1,285	1,327	1,553	1,563	803	1,108

Source: Hotelivate 2022 Report, Progressive Research

Financials:

Revenue Performance: Room nights (total number of rooms a planner commits to occupy at the hotel in exchange for a specific contracted rate) is the key revenue indicator accounting for ~55-60% of the overall revenues over the past financial years. This is followed by the growth coming from F&B; the contribution of which stands at 31-37%; and then the balance categorised into other services and management consultancy services. The average occupancy rate for the JLO (JV, Leased and Owned) business structure stood at 57% in FY22 as against 46% in FY21; whereas the average occupancy for managed business structure stood at 44% in FY22 as compared to 35% in FY21. The management has indicated that at blended levels the occupancy across all hotels stood at ~78%.

Asset Light Model-The Focus: As reiterated earlier, the company has shifted its focus on undertaking expansions via the asset light model approach which involves management contracts, lease based contracts and the JV route rather than owning the properties. The proportion of managed and franchised hotels has increased from 47% in FY14 to 76% of the total inventory in FY22. This unique strategy with an emphasis on having a low set up cost with the assistance and combination of ownership and asset light properties (leased) enables the company to have a lower payback period and reduce the impact of cyclical downturns, if any in the business.

Exhibit 12: Revenue Statistics Across FYs

Revenue Statistics	FY19	FY20	FY21	FY22
Room Nights	1,177	1,138	407	693
F&B	691	716	325	525
Other Services	60	77	22	42
Management and Consultancy	111	119	55	125
Total Revenue (Rs in mn)	2,038	2,050	809	1,385

Source: ROHL Annual Reports, Progressive Research

Exhibit 13: Business Structure Trend

Category	FY19	FY20	FY21	FY22
Management/Franchisee Contracts	69%	74%	73%	76%
JV	10%	8%	10%	9%
Owned (domestic)	6%	5%	5%	4%
Leased	16%	13%	11%	11%

Source: ROHL Annual Reports, Progressive Research

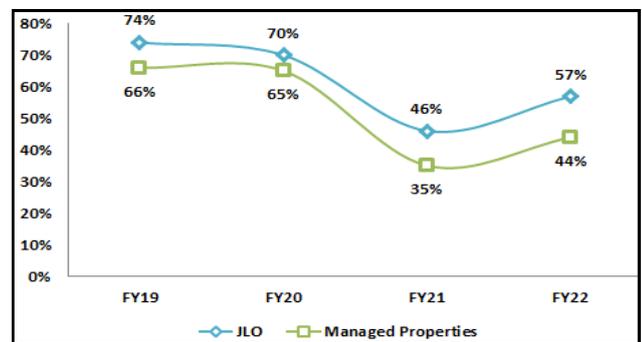
Financials (contd.):

Comparative Analysis: As per the AR2022, a comparative analysis done across all the markets where ROHL has its presence indicated that the company has outperformed almost in all the markets based on the occupancy levels (with number 1 being considered as the base for the analysis). The Revenue Generation Index (RGI) has almost crossed the benchmark statistical level of above 1 for all the markets except a few which essentially indicate that the hotel RevPAR is greater than the average RevPAR of the competitive set.

Subsidiaries: ROHL along with its subsidiary company Royal Orchid Goa Private Limited (ROGPL) entered into share purchase agreement with Vascon Engineers Limited (VEL), and Conamore Resorts Private Limited (Related Party of Promoter of VEL) and acquired the remaining 50% stake in Cosmos Premises Pvt. Ltd (CPPL) thus making CPPL a 100% subsidiary of ROHL in lieu of selling 100% stake in Rivershore Developers Pvt. Ltd (RSDPL) and settling of liabilities in the books of RSDPL. ROHL has been impromptu in capitalizing on lucrative opportunities to add value assets to its kitty indicated by the Goa subsidiary takeover.

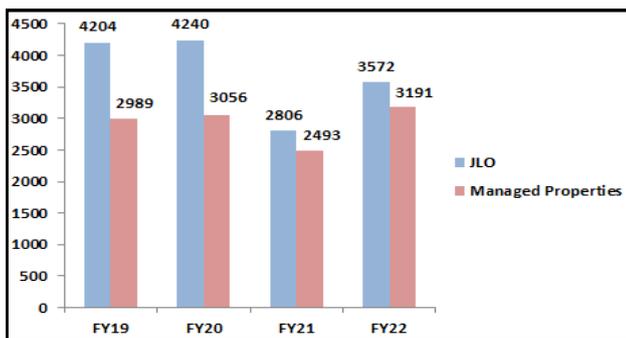
Emergency Credit Line Guarantee Scheme (ECLGS): In order to assist the businesses like hotel, aviation and tour operators that were hit by the second wave; the government had launched the ECLGS scheme in May, 2020. Under the scheme, banks can provide fresh lending support to hotels, restaurants, tourism and travel operators, adventure and heritage facilities, aviation ancillary services (ground handling and supply chains) and other services that include private bus operators, car repair services, rent-a-car services providers, event/conference organizers, spa clinics and beauty parlours and saloons. The on-tap liquidity window of Rs15,000cr for contact-intensive sectors is a material liquidity boost to companies operating in the hospitality, travel and tourism, and aviation ancillary services sectors. During the Union Budget 2022-23, the government has extended (upto March 2023) the ECLGS thereby providing additional credit to more than 130 lakh MSMEs and the guarantee cover will be expanded by Rs50,000cr to total cover of Rs51k-cr, with the additional amount being earmarked exclusively for the hospitality and related enterprises. The company had availed Rs106mn (ECLGS 1.0) and Rs35mn (ECLGS 3.0) in FY21 and YTD FY22, and is eligible for additional Rs130mn under ECLGS 3.0 scheme (ICRA report 2021).

Exhibit 14: JLO and Managed Average Occupancy Rates



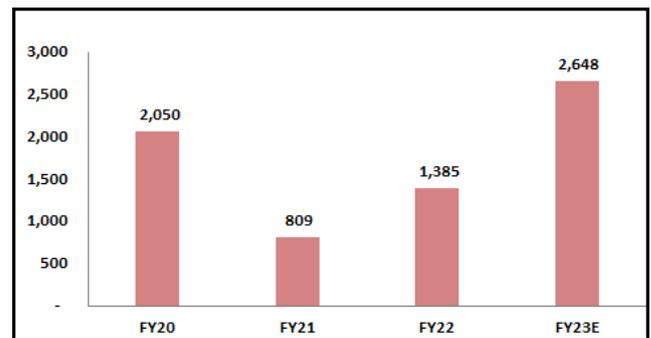
Source: ROHL Company Presentation, Progressive Research

Exhibit 15: ARR Trend (Rs in mn)



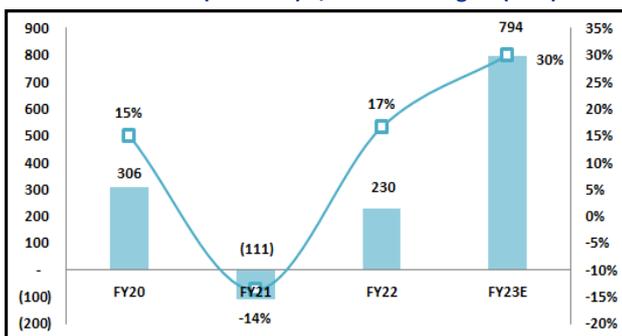
Source: ROHL Company Presentation, Progressive Research

Exhibit 16: Revenue Trend (Rs in mn)



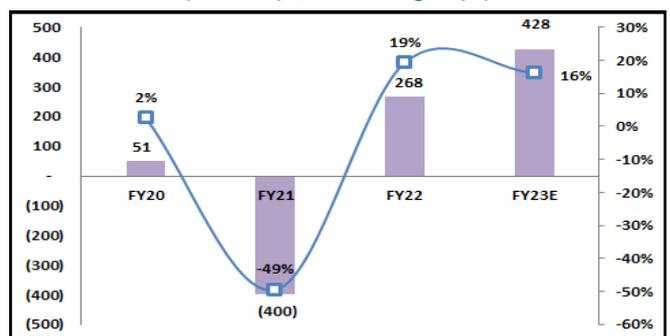
Source: Annual Reports, Progressive Research

Exhibit 17: Ebitda (Rs in mn) v/s Ebitda Margins (in %)



Source: Annual Reports, Progressive Research

Exhibit 18: PAT (Rs in mn) v/s PAT Margins (%)



Source: Annual Reports, Progressive Research

Exhibit 19: Comparative Analysis

Hotels (Apr-March 2022)	Occupancy	ARR	RevPAR
	MPI	ARI	RGI
Hotel Royal Orchid Bangalore	1.72	0.78	1.34
Royal Orchid Central Bangalore	1.42	0.70	1.00
Regenta Place Bangalore	1.01	0.49	0.50
Royal Orchid Resort & Convention Centre Bangalore	2.04	0.83	1.70
Royal Orchid Metropole Mysore	1.35	1.06	1.43
Royal Orchid Brindavan Garden Mysore	1.54	1.28	1.97
Royal Orchid Central Kireeti, Hampi	0.70	0.88	0.61
Royal Orchid Central Pune	1.57	0.75	1.18
Royal Orchid Beach Resort & Spa Goa	1.12	0.77	0.86
Hotel Royal Orchid Jaipur	1.37	0.66	0.90
Regenta Central Hotel & Convention Centre Nagpur	1.64	0.66	1.08

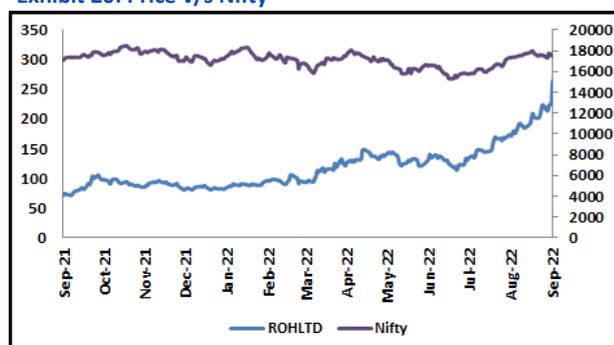
Source: Annual Report 2022, Progressive Research

Risks and Concerns:

- Slowdown in the economy and changes in the industry trends
- Delay in execution of projects
- Lower occupancy rates may hamper the performance across major revenue generating cities
- Conservative approach by the clients/customers
- Any changes in the tenure of business structure (managed/franchise contracts, lease or JV)
- Another covid wave can dampen business demand further
- Softening of room rates due to demand normalization and return of cost to pre-covid levels

Outlook and Recommendations: ROHL is the flagship company of the Royal Orchid Group of Hotels catering to primarily 5 and 4 star properties for business and leisure travellers. Being engaged in a cyclical industry, in order to mitigate the downturns, the company has adopted an asset light model approach wherein ROHL benefits from the lower set up cost (capex requirements being at minimal levels of ~Rs20mn, majorly maintenance), thus enabling the company to have a lower payback period and reduce the impact of any industrial headwinds. Revenue sharing model has been the attraction with minimal investment and maximum addition to the revenues and profits as well. The company has indicated of this being the business model going forward as well, with owned hotels taking the backseat. The company continues to focus on its clientele by providing them easy access in terms of reservations for all its hotels via a CRS system. ROHL has its vision set to operate 100 hotels by 2023; with a target of another 30-40 properties to be added in FY24/25E. Financially, the company has adequate liquidity in its books coupled with healthy FCF generations made over the past financial years. While the operational cashflow would be used for expansion of business, surplus cash would be deployed for dividends and debt repayments. The management anticipates an increase of about ~10-15% from the current levels of the ARR in the ensuing quarters, and indicates it to be the major revenue contributor as occupancy beyond 80% gets a bit challenging. With the ongoing revival hints at the industry level, the number of hotels signing with domestic operators surpassing the international operators in terms of total inventory volumes add to the optimism to the overall hospitality industry. We initiate a **BUY** on the stock for a target of Rs360 over a 12 months horizon.

Exhibit 20: Price v/s Nifty



Source: Ace Equity, Progressive Research

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