

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs316	8.6	Hold	Rs420	33%

\*as on 19th Nov, 2024

### 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 date, there are 109+ hotels across India. 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.

### Results: Quick Glance:

- The net sales for the quarter grew by 5.7% to Rs704mn as compared to Rs666mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 16.3% as compared to 23.2% in Q2FY24
- The net profit after the share of associates came in at Rs75mn as against Rs77mn in the comparative quarter
- The EPS for the quarter ending Sept, 2024 stands at Rs2.73 as against Rs2.49 in the comparative quarter
- For H1FY25, the revenues came in at Rs1,434mn as compared to Rs1,355mn; growth of 5.9% while the PAT stood at Rs162mn as against Rs184mn. The EPS came in at Rs5.94

### Conference Call Highlights:

- The key count as on Sept, 2024 stood at 6,556+ and the company presently operates 109+ hotels. ROHL added 91 keys with 2 hotels in Q2FY25. The Management has indicated of opening ~21+ hotels with a key count of ~1,600+; out of the 21 hotels, around 16 hotels are expected to be operational over the next 4-5 months. The Management expects ~3 new hotels to be opened in Dec'24 while around 6 are likely to get pushed in Q1FY26
- The consolidated revenue breakup for Q2FY25 stood as: Owned: Rs270mn, Lease/Revenue share: Rs297mn, JV/ Associates: Rs154mn and Managed hotels: Rs60mn
- For Q2FY25, the average occupancy for JLO stood at: 70% while that for managed: 57%; the average room rate for JLO came in at Rs5,114 while that for managed properties stood at Rs3,672
- The room revenue breakup (inclusive of managed hotels) for Q2FY25 came in as: ROHL website at ~2.7%, Online Travel Agents (OTAs) at ~28.3%, regional sales office at ~23.5%, direct at ~44.6% and others at ~0.74%. The segment wise room revenue (inclusive of managed hotels) for Q2FY25 came in as: business at ~60.7%, leisure at ~29.0%, bleisure at ~5.8% and pilgrimage at ~4.3%
- The overall drag on the Ebitda margins and profitability was on account of increased employee expenses (~Rs6.6mn), refurbishment (repairs & maintenance) charges (~Rs12.8mn) and launch of new loyalty program which incurred a cost to the tune of Rs5.7mn undertaken by ROHL. The Management expects the impact of refurbishments to continue for the next couple of quarters as well
- As far as the Mumbai hotel (300 rooms) is concerned; the Management expects by end of Dec'24 major part of this hotel to be ready. As the property is on a lease agreement, ROHL has already given a refundable deposit worth Rs400mn in Q1FY25. The Management expects the costs on this property to be incurred from Q3FY25 onwards; the monthly cost is expected to be at ~Rs30mn while the cost to be incurred in March is expected to be ~Rs15mn
- For Surat property (288 keys), over the next 12 months most of the rooms for this managed property is expected to be completed. For Gurgaon, ROHL has already given a deposit of Rs6.1mn and expects additional Rs3mn to be given in Q3FY25. The property is expected to commence operations in April. The overall capex for the Gurgaon property is chalked at Rs50mn
- In terms of guidance, the Management expects an overall topline to the tune of Rs5,000mn in FY26E whereas for FY27E the growth would be higher by ~20% as compared to the base of FY26E
- For the SEBI related order pertaining to accounting treatment and sale of shares by the promoters, for the former order as on date, ROHL is contesting with SAT and has got a stay on the order as of now while for the latter, SEBI has erased all the allegations made against the promoters

**Financials:**

Performance (Q2FY25)									
Q2FY25 Result (Rs mn)	Sept-24	Sept-23	y-o-y	Jun-24	q-o-q	H1FY25	H1FY24	y-o-y	FY25E
Total Revenue	704	666	5.7%	730	(3.6%)	1434	1355	5.9%	3328
EBITDA	115	155	(25.9%)	166	(31.2%)	281	336	(16.3%)	782
Other Income	79	35	-	47	70.1%	126	83	51.4%	197
Interest	43	45	(5.4%)	43	0.1%	86	91	(6.4%)	180
Depreciation	53	49	7.7%	53	(0.9%)	106	96	9.7%	215
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	30	21	45.7%	32	(5.6%)	62	54	14.3%	105
Share of Asso.	7	2	-	2	-	9	7	21.8%	35
Net Profit	75	77	(2.0%)	85	(11.8%)	162	184	(11.7%)	514

**Outlook and Recommendations:**

ROHL has reported decent set of numbers for the quarter under review. The revenues have reported more or less a growth of ~5.7% for both Q2FY25 as well as H1FY25; this was on account of disruptions led by heavy monsoons which impacted the overall business performance. The company continues to incur refurbishment costs/charges in a phased manner in order to be in line with the industry competition. During Q2FY25, the R&M charges surged by ~Rs12.8mn and the Management further anticipates renovation cost of roughly Rs30-40mn to be accounted for in H2FY25; thereafter there would be minimal renovation charges in the books as most of the keys/hotels are nearing the completion of this activity. The addition of new keys/hotels is expected to start contributing to the overall business from ~Q4FY25. Once these hotels are fully matured the same will lead to an overall boost to the ARR which currently appears to be at slightly lower levels. ROHL intends to add ~1,600+ keys with 21 hotels; of this ~16 are expected to be operational over the next 4-5 months. The Mumbai property is expected to contribute significantly in terms of ARR once its operational with further scale up post the stabilisation phase. The Ebitda margins would continue to observe some drag over the next couple of quarters attributed to the minimal refurbishment expenses; however, from a long term perspective brand building, expanding its reach and scalability, and addition of new hotels positions the company for a sustained expansion the effect of which are expected to fructify to the PnL in a gradual and phased manner. We thus continue to maintain a Hold on the stock for a target of Rs420.

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