

5 December 2024

ElH Ltd – BUY

CMP : Rs. 395
Target Price : Rs. 495
Upside : 25.41%
Stop Loss : Rs. 348 (Closing basis)

Investment Thesis

- ElH Limited is primarily engaged in owning and managing luxury hotels and cruisers under the brands Oberoi and Trident. ElH is also engaged in flight catering, airport restaurants, project management and corporate air charters.
- It primarily owns/manages approx. 20 hotels under the luxury brand Oberoi Hotels & Resorts and approx. 10 five-star properties under the Trident Hotels brand. Its brand portfolio of owned and managed hotels include Clarkes Hotel, Shimla; Maidens Hotel, New Delhi; luxury motor vessel in Kerala and two luxury river Nile cruisers in Egypt.
- ElH's robust growth potential is underpinned by its strong pipeline projects, which comprise 20 properties with 1,350 keys, which are estimated to be operational by 2029 (11 domestic and 9 international).
- ElH has shown strong growth with a Sept'24 occupancy rate of 72% (up 4% YoY) and an Average Room Rate (ARR) of Rs. 14,973 (up 3% YoY). Revenue Per Available Room (RevPar) for owned hotels grew 15% YoY, while all domestic hotels, including managed properties, saw a 14% YoY increase. These metrics indicate a rising demand for more hospitality supply.
- ElH boasts a strong capital structure with high net worth and low debt, ensuring financial stability and flexibility. As of September '24, the Net Cash Flow is a robust Rs. 771 Cr.
- A GBP £69mn investment (approximately Rs. 700 Cr) is planned for a luxury hotel with 21 rooms in Mayfair, London, and it will be funded through a structure of 50% debt and 50% equity, reducing ElH's exposure to below GBP £18mn.
- ElH's growth is also driven by industry tailwinds with domestic air passenger traffic grew by 6% YoY. Occupancy rates in the hospitality industry have increased by 2% to 4% compared to the previous year.
- The pan-India premium hotel occupancy is estimated to reach decadal highs of approximately 70-72% in FY24 and FY25, after recovering to 68-70% in FY23.

Financials

- ElH's revenue has grown at a healthy pace by 24.4% YoY in FY24. EBITDA and PAT portrayed stellar growth by 73.5% and 106% respectively on the back of higher RevPar and efficient operations.

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (Rs in Crs)	985	2,019	2,511	2,963	3,496	4,126
EBITDA (Rs in Crs)	66	615	1,068	1,037	1,224	5,570
Adj. PAT (Rs in Crs)	-95	329	678	681	804	949
Adj. EPS (Rs.)	-1.56	5.03	10.22	10.90	12.87	15.18
PE Multiple (x)	-243.2	75.4	38.6	34.8	29.5	25.0
RoE (%)	-3.3	10.1	17.8	15.4	15.7	15.9

Stock Data

Market Cap (Rs. Crs)	24,753
Market Cap (\$ Mn)	2,921
Shares O/S (in Mn)	625
Avg. Volume (3 month)	807,920
52-Week Range (Rs.)	566 / 222

Shareholding Pattern

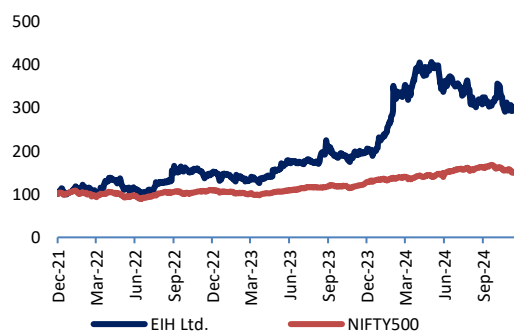
Promoters	32.85%
FII's	4.56%
Institutions	14.61%
Public	47.99%

Key Ratios

Div Yield	0.30%
TTM PE	38.6x
ROE	17.8%
TTM EPS (Rs.)	10.22

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	9.1%	(2.9%)	66.0%
NIFTY500	2.6%	13.7%	25.2%



- Consolidated Revenue for Q2FY25 stood at Rs. 623 Cr (up by 13% YoY). EBITDA and PAT were up by 26% and 41% YoY at Rs. 208 Cr and Rs. 133 Cr respectively.
- ARR grew by approximately 3% YoY, but significantly more (31-33%) compared to pre-COVID levels.
- RevPAR growth highlights increasing demand in the hospitality sector.

Key Business Highlights

- Elh Ltd. is a flagship company of the Oberoi group founded by the Late Rai Bahadur M.S.Oberoi in 1,949. Elh operates luxury and premium hotels under the Oberoi and Trident brands.
- Their offerings include luxury resorts, leisure destinations and business accommodations, supplemented by luxury boats and cruise services.
- Elh operates in additional businesses, offering Air Charter services and Car Rental (through a JV – Avis India mobility solutions). It also provides Mixed-use developments, including retail and F&B spaces (~11.71 lakh sq. ft.).
- Elh has 3 Indian subsidiaries which are also JVs: Mumtaz Hotels Limited, Mashobra Resort Limited, and Oberoi Kerala Hotels & Resorts Limited. Elh's overseas subsidiaries are Elh International Ltd., BVI, Elh Holdings Ltd., BVI, PT Widja Putra Karya, Indonesia, PT Waka Oberoi Indonesia, Indonesia and PT Astina Graha Ubud, Indonesia.
- Elh is also engaged in other businesses across the luxury hospitality value chain, including The Oberoi Vrinda, Oberoi Flight Services, Avis India, Elh Aviation, Elh Press and Oberoi Airport Services.
- Margins generated by the company in the leisure hotel are significantly higher compared to any other hotels.
- As of H1FY25, Elh has a total of 3,772 keys across Oberoi, Trident, and Maidens brands on the domestic front. On the international front, Elh operates 497 keys under the Oberoi brand.
- The introduction of spiritual tourism, weddings in India, a resurgent M.I.C.E (Meetings, Incentives, Conferences, and Exhibitions) tourism surrounding recent and planned convention facilities and rising wildlife tourism all provide new locations and circuits, providing a strong incentive for expansion for the overall hospitality sector.

Valuation

We believe Elh is a long-term player with stable profit growth and improved return ratios coupled with its robust expansion pipeline.

Elh is currently trading at a PE of 38x, which is at par with its industry PE of 38x, indicates that the company is fairly valued. Elh's healthy growth momentum and strong execution efficiency translate into its strong financial performance. The ROE / ROCE stands strong at 18% / 24%, respectively.

We are ascribing a **BUY** rating for Elh Ltd. with a **Target Price of Rs. 495** translating into an **upside of 25.41%**.

Risk & Concern

- The MENA (Middle East and North Africa) region's performance has been muted due to geopolitical tensions, particularly related to the Israel conflict.
- Any disruptions in extending leases may impact the operations and revenue.
- The industry is exposed to changes in the macro-economic factors, government policies and competition, which lead to cyclicality.

Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Cr)

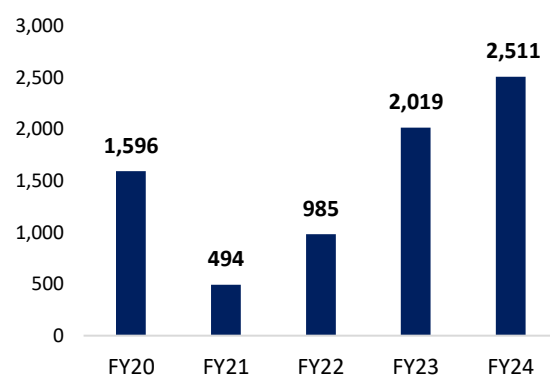


Figure 2: EBITDA & EBITDA Margin Trend

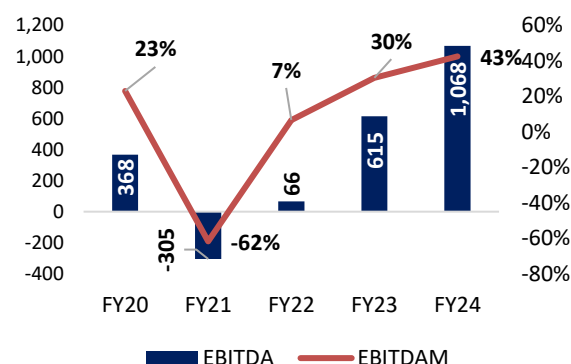


Figure 3: ROE & ROCE Trend

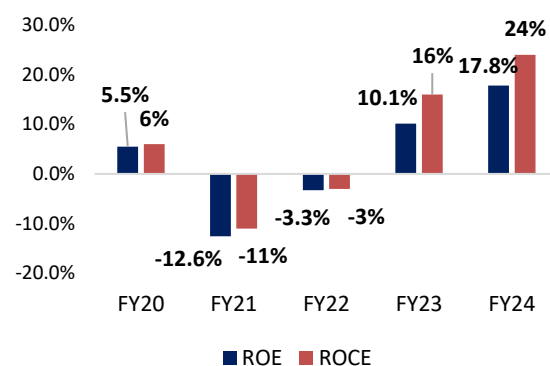
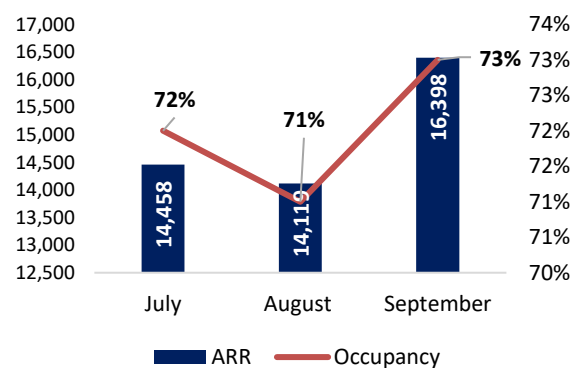


Figure 4: ARR & Occupancy Trend (FY25)



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