

Lemon Tree Hotels | BUY



In-line performance; growth story intact

Lemon Tree Hotels (LTH) reported a slight miss on margins (down 80bps YoY; adjusted for renovation expenses, and pre-operative expenses for Aurika MIAL) in 2QFY24. Occupancies recorded a strong uptick (+542bps YoY) and portfolio ARR grew 7% YoY, resulting in a robust RevPAR growth of 16%. On 5th Oct'23, LTH commissioned operations at its flagship Aurika, MIAL hotel (669 keys). LTH remains well poised to deliver superior earnings growth led by Aurika (MIAL), rapid scale up of the O&M (fee) business and ARR growth on the back of continued strength in hotel room demand. We expect LTH to deliver a Revenue/EBITDA/PAT CAGR of 20%/20%/33% over FY23A-26E and ROE to improve from 14% in FY23 to 20% by FY26E. We maintain our estimates for FY24E/FY25E, and roll forward to a Mar'25 TP of INR 125.

- Robust RevPAR growth led by strong uptick in occupancies:** In FY24, LTH has focused on increasing occupancies across its portfolio. In 2QFY24, occupancies grew by 542bps YoY and 143bps QoQ to 71.7%. Portfolio gross ARR came in at INR 5,268 which increased by 7% YoY and 1% QoQ (lowest amongst our coverage universe). Consequently, RevPAR stood at INR 3,775 with YoY and QoQ growth recorded at 16% and 3% respectively. Occupancies improved across regions except for Delhi due to the shutdown during G-20 Summit. ARR growth was led by the cities of Delhi (+17% YoY) & Mumbai (+10% YoY).
- Inline quarter, with slight miss on margins:** LTH, in 2QFY24, reported inline revenues of INR 2.3bn (+16% YoY; +2% QoQ) with lower-than-expected EBITDA of INR 1.0bn (4% miss on JMFe; 45% margin; +9% YoY; down 3% QoQ). EBITDA margins declined 276bps YoY and 218bps QoQ due to increase in renovation expenses above that spent in 2QFY23, pre-operative expenses of Aurika, MIAL and higher employee costs. Adjusted for renovation and pre-operative expenses, EBITDA stood at INR 1.06bn with margins of 46.8% (down 80 bps YoY). Fees from management & franchised contracts for 3rd party owned hotels stood at INR 104mn in 2QFY24 (+58% YoY) and total management fees came in at INR 240mn (+29% YoY).
- Portfolio update:** Total network revenue stood at INR 6.9bn (+17% YoY) in 1HFY24 versus INR 5.9bn in 1HFY23, with the managed and franchised portfolio recording a YoY revenue growth of 21% (compared to 15% for the LTH owned portfolio). During the quarter, LTH signed 11 new management and franchise contracts which added 639 rooms to the pipeline. The LTH portfolio has 95 operational hotels with 8,760 keys and a development pipeline of 4,092 keys across 52 properties. The management expects the operational inventory to cross 100 hotels and 10,000 rooms by FY24E. The Aurika, MIAL was opened on 5th Oct'23 and is expected to operate at occupancies of 200 rooms per day with an ARR of INR 8,500 in 3QFY24, before improving further in 4QFY24.
- Maintain BUY, Mar'25 TP of INR 125:** We expect LTH to deliver a Revenue/EBITDA/PAT CAGR of 20%/20%/33% over FY23A-26E and RoE to improve from 14% in FY23 to 20% by FY26E. We maintain our estimates for FY24E/FY25E, and roll forward to a Mar'25 TP of INR 125; valuing LTH at 20.0x Mar'26 consolidated EBITDA.

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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 125 |
| Upside/(Downside) | 10.5% |
| Previous Price Target | 115 |
| Change | 8.7% |

Key Data – LEMONTRE IN

| | |
|--------------------------|---------------------|
| Current Market Price | INR113 |
| Market cap (bn) | INR89.6/US\$1.1 |
| Free Float | 56% |
| Shares in issue (mn) | 791.6 |
| Diluted share (mn) | 791.6 |
| 3-mon avg daily val (mn) | INR1,006.6/US\$12.1 |
| 52-week range | 127/70 |
| Sensex/Nifty | 64,905/19,425 |
| INR/US\$ | 83.3 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|------|------|
| Absolute | -6.1 | 23.9 | 23.9 |
| Relative* | -4.1 | 18.5 | 18.0 |

* To the BSE Sensex

| Financial Summary | (INR mn) | | | | |
|------------------------|----------|-------|--------|--------|--------|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E |
| Net Sales | 4,022 | 8,750 | 10,611 | 13,209 | 14,932 |
| Sales Growth (%) | 59.8 | 117.5 | 21.3 | 24.5 | 13.0 |
| EBITDA | 1,187 | 4,476 | 5,216 | 6,698 | 7,596 |
| EBITDA Margin (%) | 29.5 | 51.2 | 49.2 | 50.7 | 50.9 |
| Adjusted Net Profit | -874 | 1,146 | 1,312 | 2,145 | 2,697 |
| Diluted EPS (INR) | -1.1 | 1.4 | 1.7 | 2.7 | 3.4 |
| Diluted EPS Growth (%) | 0.0 | 0.0 | 14.5 | 63.5 | 25.8 |
| ROIC (%) | 0.4 | 9.0 | 9.3 | 12.0 | 14.1 |
| ROE (%) | -10.0 | 13.6 | 14.3 | 19.6 | 20.2 |
| P/E (x) | -102.2 | 78.1 | 68.2 | 41.7 | 33.2 |
| P/B (x) | 10.8 | 10.5 | 9.1 | 7.5 | 6.1 |
| EV/EBITDA (x) | 94.1 | 25.1 | 21.4 | 16.3 | 13.8 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2023

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

■ Conference Call Highlights

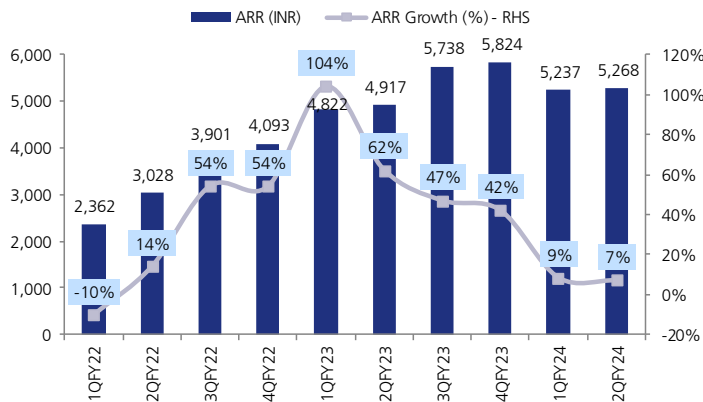
- The EBITDA margin of the company in 2QFY24 declined by 225bps to 45.5% (down 225bps; down 203bps QoQ), mainly owing to planned increase in renovation expenses (INR 50mn) and pre-operative expenses of Aurika, Mumbai Skycity (INR 14mn).
- Hotels in New Delhi were impacted due to many parts of the city being closed down during the G20 summit, and most of the business was being diverted to 5-star deluxe hotels.
- Lemon Tree started revamping its website and loyalty program and as a result booking from its own website has increased from 2% to 7% QoQ.
- Launched Aurika Skycity, Mumbai on 5th Oct'23. The hotel currently has c. 100 rooms occupied a day, which is 15% occupancy in October. Retail traffic here is slow at the moment due to a lack of retail feedback yet. However, the company has c. 200 rooms for airline crew at this hotel and LTH has started building a base at this hotel with the airline crew. By 3QFY23, this hotel should close at over 200 rooms a day average occupancy and ARR will likely be above INR 8,500.
- LTH will spend another INR 500mn on capex in 2HFY24 and INR 1,000mn in FY25. No significant capex post this, as company is looking to sweat all the newly added assets.

Exhibit 1. Financial snapshot

| INR mn | 2QFY24 | 2QFY23 | YoY | 1QFY24 | QoQ | 1HFY23 | 1HFY24 | YoY |
|-------------------------|--------|--------|---------|--------|---------|--------|--------|--------|
| Revenue from operations | 2,272 | 1,967 | 15% | 2,223 | 2% | 3,888 | 4,495 | 16% |
| Cost of sales | 132 | 123 | 7% | 124 | 6% | 239 | 256 | 7% |
| Gross margin (%) | 94% | 94% | 44bps | 94% | -21bps | 94% | 94% | 44bps |
| Employee expenses | 463 | 361 | 28% | 426 | 9% | 706 | 889 | 26% |
| Other expenses | 658 | 547 | 20% | 627 | 5% | 1,130 | 1,286 | 14% |
| EBITDA | 1,019 | 936 | 9% | 1,045 | -3% | 1,812 | 2,064 | 14% |
| EBITDA margin (%) | 45% | 48% | -276bps | 47% | -218bps | 47% | 46% | -70bps |
| Depreciation | 226 | 250 | -10% | 228 | -1% | 495 | 454 | -8% |
| Interest costs | 473 | 446 | 6% | 481 | -2% | 875 | 955 | 9% |
| Other income | 29 | 7 | 306% | 24 | 24% | 10 | 53 | 443% |
| PBT | 348 | 247 | 41% | 359 | -3% | 451 | 707 | 57% |
| Profit from associates | 2 | 2 | -19% | 3 | -36% | 5 | 5 | -2% |
| Tax | 86 | 56 | 54% | 87 | -1% | 127 | 173 | 36% |
| Minority Interest | 37 | 26 | 45% | 41 | -8% | 23 | 78 | 238% |
| Adjusted PAT | 226 | 168 | 35% | 235 | -3% | 306 | 461 | 51% |
| Extraordinary Income | 0 | 0 | NM | 0 | NM | 0 | 0 | NM |
| PAT | 226 | 168 | 35% | 235 | -3% | 306 | 461 | 51% |

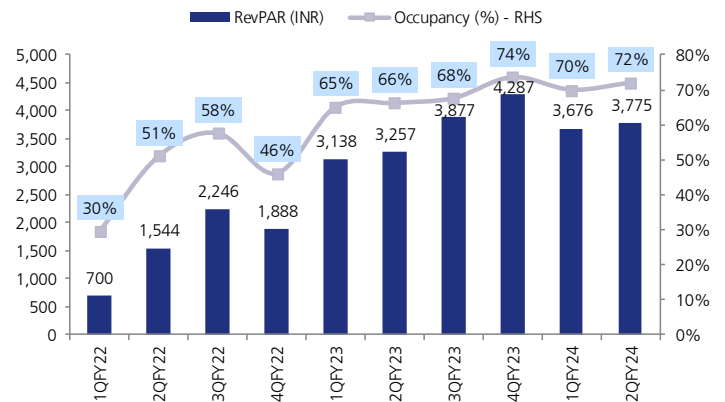
Source: Company, JM Financial

Exhibit 2. Steady ARR growth



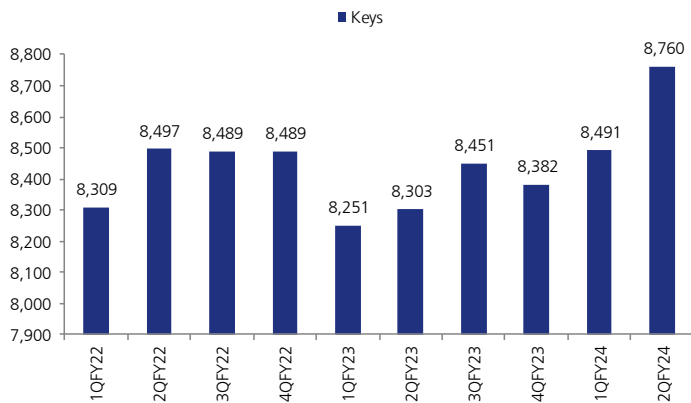
Source: Company, JM Financial

Exhibit 3. Healthy occupancy levels



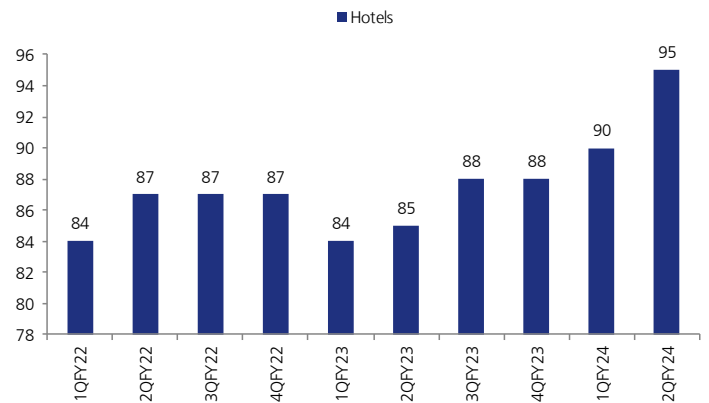
Source: Company, JM Financial

Exhibit 4. 269 keys added in 2QFY24...



Source: Company, JM Financial

Exhibit 5. ... across 5 hotels



Source: Company, JM Financial

Exhibit 6. Operational portfolio break-up

| Operational Portfolio | Owned (including leased land) | | Leased | | Managed/Franchised | | Total | |
|----------------------------------|-------------------------------|--------------|----------|------------|--------------------|--------------|-----------|--------------|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Aurika Hotels & Resorts | 1 | 139 | 0 | 0 | 1 | 55 | 2 | 194 |
| Lemon Tree Premier | 7 | 1,442 | 2 | 161 | 9 | 911 | 18 | 2,514 |
| Lemon Tree Hotels | 13 | 1,241 | 4 | 321 | 31 | 1,787 | 48 | 3,349 |
| Red Fox by Lemon Tree Hotels | 5 | 759 | 1 | 91 | 5 | 440 | 11 | 1,290 |
| Keys Prima by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 2 | 82 | 2 | 82 |
| Keys Select by Lemon Tree Hotels | 7 | 936 | 0 | 0 | 4 | 287 | 11 | 1,223 |
| Keys Lite by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 3 | 108 | 3 | 108 |
| Total | 33 | 4,517 | 7 | 573 | 55 | 3,670 | 95 | 8,760 |

Source: Company, JM Financial

Exhibit 7. Pipeline portfolio break-up

| Pipeline Portfolio | Owned (including leased land) | | Leased | | Managed/Franchised | | Total | |
|----------------------------------|-------------------------------|------------|----------|----------|--------------------|--------------|-----------|--------------|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Aurika Hotels & Resorts | 1 | 669 | 0 | 0 | 2 | 242 | 3 | 911 |
| Lemon Tree Premier | 0 | 0 | 0 | 0 | 6 | 479 | 6 | 479 |
| Lemon Tree Hotels | 1 | 69 | 0 | 0 | 36 | 2,392 | 37 | 2,461 |
| Red Fox by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Keys Prima by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Keys Select by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 2 | 88 | 2 | 88 |
| Keys Lite by Lemon Tree Hotels | 0 | 0 | 0 | 0 | 4 | 153 | 4 | 153 |
| Total | 2 | 738 | 0 | 0 | 50 | 3,354 | 52 | 4,092 |

Source: Company, JM Financial

Exhibit 8. Managed and franchised hotels opened in 2QFY24

| Hotels | States | Rooms | Opening Dates |
|--|------------------|------------|---------------|
| Lemon Tree Hotel, Manali (Franchised) | Himachal Pradesh | 34 | Jul-23 |
| Lemon Tree Hotel, Rajkot | Gujarat | 45 | Aug-23 |
| Peninsula Suites operated by Lemon Tree Hotels | Karnataka | 101 | Sep-23 |
| Lemon Tree Hotel, Haridwar | Uttarakhand | 50 | Sep-23 |
| Lemon Tree Hotel, McLeod Ganj (Franchised) | Himachal Pradesh | 39 | Sep-23 |
| Total | | 269 | |

Source: Company, JM Financial

Exhibit 9. Managed and franchised hotels signed in 2QFY24

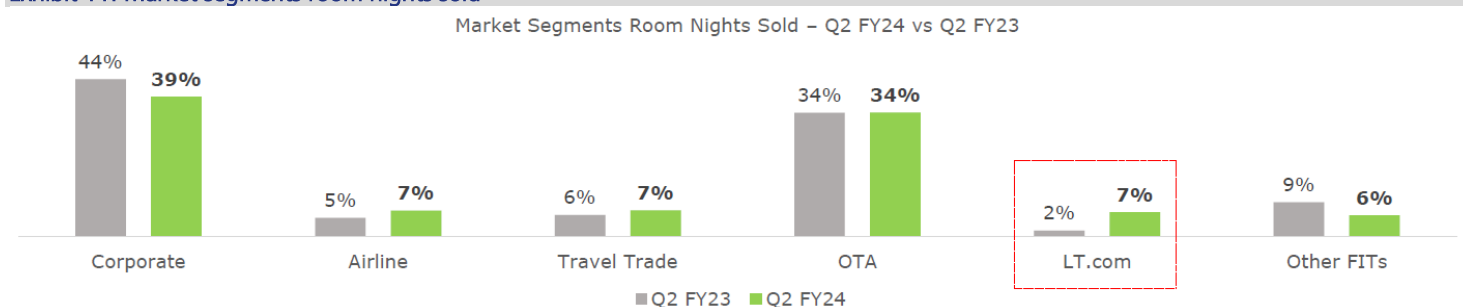
| Hotels | States | Rooms | Opening Dates |
|---|------------------|------------|---------------|
| Keys Select by Lemon Tree Hotels, Udaipur | Rajasthan | 48 | FY24 |
| Lemon Tree Hotel, Hissar | Haryana | 50 | FY24 |
| Tiger land Safari, A Lemon Tree Resort, Chitwan | Nepal | 35 | FY24 |
| Lemon Tree Hotel, Bhubaneswar | Odisha | 60 | FY25 |
| Lemon Tree Premier, Dehradun | Uttarakhand | 80 | FY25 |
| Lemon Tree Hotel, Junagadh | Gujarat | 64 | FY25 |
| Lemon Tree Resort, Somnath | Gujarat | 52 | FY25 |
| Lemon Tree Hotel, Gomti Nagar, Lucknow | Uttar Pradesh | 72 | FY26 |
| Lemon Tree Hotel, Mashobra | Himachal Pradesh | 48 | FY26 |
| Lemon Tree Mountain Resort, Kasauli | Himachal Pradesh | 50 | FY26 |
| Lemon Tree Hotel, Zirakpur | Punjab | 80 | FY27 |
| Total | | 639 | |

Source: Company, JM Financial

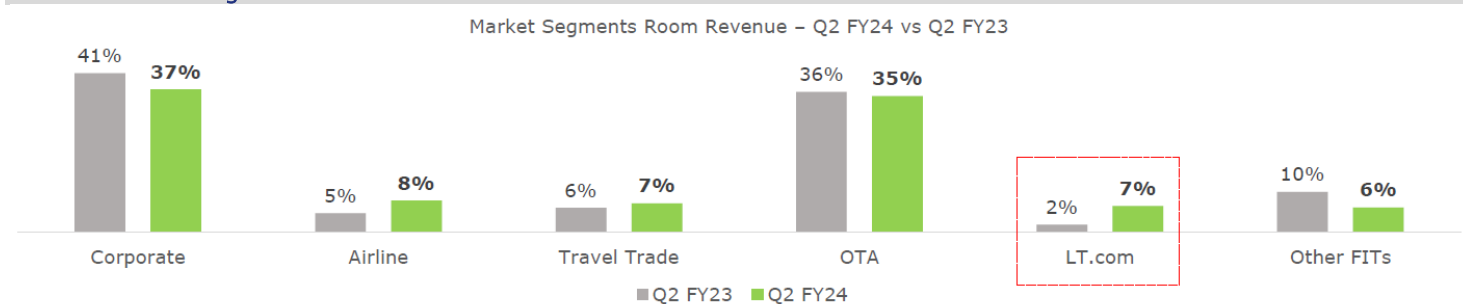
Exhibit 10. Consolidated P&L 2QFY24 versus 2QFY23

| Consolidated P&L (INR mn) | 2QFY24 | 2QFY23 | Delta (INR mn) |
|--------------------------------|--------------|--------------|----------------|
| Total Revenue | 2,301 | 1,974 | 327 |
| RMC | -132 | -123 | -9 |
| Payroll Expenses | -463 | -361 | -102 |
| HPL | -191 | -181 | -10 |
| Other Expenses | -403 | -346 | -57 |
| Renovation Expenses | -50 | -20 | -30 |
| Aurika Mumbai Pre-Ops Expenses | -14 | 0 | -14 |
| EBITDA | 1,048 | 943 | 105 |
| Stamp Duty | 0 | 0 | 0 |
| Finance Cost | -483 | -455 | -28 |
| Finance Income | 9 | 9 | 0 |
| Depreciation | -226 | -250 | 24 |
| Share of Associates | 2 | 2 | 0 |
| PBT | 350 | 250 | 100 |
| Tax | -86 | -56 | -30 |
| PAT | 264 | 194 | 70 |
| Depreciation | 226 | 250 | -24 |
| Cash Profit | 490 | 444 | 46 |

Source: Company, JM Financial

Exhibit 11. Market segments room nights sold

Source: Company, JM Financial

Exhibit 12. Market segments room revenue

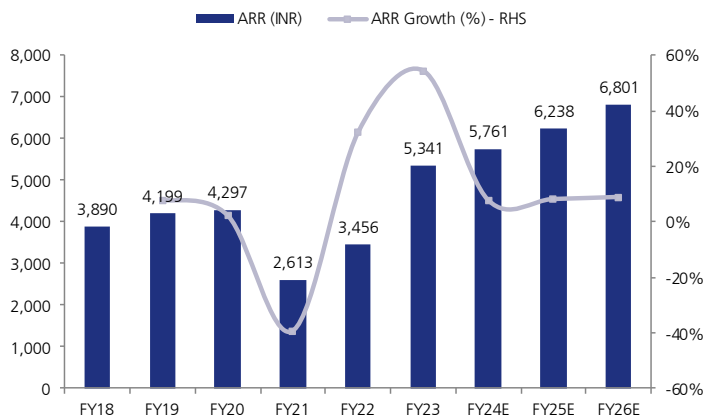
Source: Company, JM Financial

Exhibit 13. Expansion Plans –Pipeline of managed & franchised contracts by opening

| Hotels Pipeline | States | Rooms | Expected Opening |
|--|------------------|--------------|------------------|
| Lemon Tree Hotel, Hubli | Karnataka | 65 | FY24 |
| Lemon Tree Hotel, Dapoli | Maharashtra | 50 | FY24 |
| Keys Lite by Lemon Tree Hotels, Dapoli | Maharashtra | 20 | FY24 |
| Lemon Tree Resort, Kumbhalgarh (Franchised) | Rajasthan | 59 | FY24 |
| Lemon Tree Hotel, Sonmarg | Kashmir | 40 | FY24 |
| Lemon Tree Hotel, Jamshedpur | Jharkhand | 42 | FY24 |
| Lemon Tree Hotel, Malad, Mumbai | Maharashtra | 93 | FY24 |
| Lemon Tree Hotel, Anjuna, Goa | Goa | 51 | FY24 |
| Lemon Tree Premier, Kanha | Madhya Pradesh | 15 | FY24 |
| The Spectrum, operated by Lemon Tree Hotels, Gurugram | Haryana | 260 | FY24 |
| Lemon Tree Premier, Budhanilkantha (Franchised) | Nepal | 102 | FY24 |
| Keys Select by Lemon Tree Hotels, Udaipur | Rajasthan | 48 | FY24 |
| Lemon Tree Hotel, Hissar | Haryana | 50 | FY24 |
| Tiger land Safari, A Lemon Tree Resort, Chitwan | Nepal | 35 | FY24 |
| Lemon Tree Premier, Biratnagar, Nepal | Nepal | 80 | FY25 |
| Lemon Tree Hotel, Tapovan, Rishikesh | Rishikesh | 102 | FY25 |
| Lemon Tree Resort, Thimphu, Bhutan | Bhutan | 38 | FY25 |
| Keys Select by Lemon Tree Hotels, Chirang | Assam | 40 | FY25 |
| Keys Lite by Lemon Tree Hotels, Jaipur | Rajasthan | 47 | FY25 |
| Lemon Tree Hotel, Erode | Tamil Nadu | 64 | FY25 |
| Bhangeri Durbar Resort, operated by Lemon Tree Hotels, Nepal | Nepal | 51 | FY25 |
| Lemon Tree Hotel, Chandausi | Uttar Pradesh | 70 | FY25 |
| Keys Lite by Lemon Tree Hotels, Banswara | Rajasthan | 54 | FY25 |
| Lemon Tree Hotel, Kharar | Punjab | 60 | FY25 |
| Lemon Tree Resort, Mussoorie | Uttarakhand | 40 | FY25 |
| Lemon Tree Resort, Lumbini (Franchised) | Nepal | 81 | FY25 |
| Keys Lite by Lemon Tree Hotel, Dehradun(Franchised) | Uttarakhand | 32 | FY25 |
| Lemon Tree Hotel, Bhubaneshwar | Odisha | 60 | FY25 |
| Lemon Tree Premier, Dehradun | Uttarakhand | 80 | FY25 |
| Lemon Tree Hotel, Junagadh | Gujarat | 64 | FY25 |
| Lemon Tree Resort, Somnath | Gujarat | 52 | FY25 |
| Lemon Tree Hotel Sri Ganganagar | Rajasthan | 60 | FY26 |
| Lemon Tree Hotel, Rajahmundry | Andhra Pradesh | 60 | FY26 |
| Lemon Tree Hotel, Thiruvananthapuram | Kerala | 100 | FY26 |
| Lemon Tree Premier Hotel Tirupati | Andhra Pradesh | 120 | FY26 |
| Lemon Tree Hotel, Darjeeling | Darjeeling | 55 | FY26 |
| Lemon Tree Hotel, Tejpur | Assam | 42 | FY26 |
| Lemon Tree Hotel, Jabalpur | Madhya Pradesh | 75 | FY26 |
| Lemon Tree Hotel, Gomti Nagar, Lucknow | Uttar Pradesh | 72 | FY26 |
| Lemon Tree Hotel, Mashobra | Himachal Pradesh | 48 | FY26 |
| Lemon Tree Mountain Resort, Kasauli | Himachal Pradesh | 50 | FY26 |
| Aurika, Rishikesh | Uttarakhand | 132 | FY27 |
| Lemon Tree Premier Gomti Nagar, Lucknow | Uttar Pradesh | 82 | FY27 |
| Aurika, Kasauli | Himachal Pradesh | 110 | FY27 |
| Lemon Tree Hotel, Zirakpur | Punjab | 80 | FY27 |
| Lemon Tree Hotel, Bharuch | Gujarat | 83 | TBD |
| Lemon Tree Hotel, Gulmarg | Kashmir | 35 | TBD |
| Lemon Tree Hotel, Bokaro | Jharkhand | 70 | TBD |
| Lemon Tree Hotel, Kathmandu | Nepal | 75 | TBD |
| Lemon Tree Hotel, Ludhiana | Punjab | 60 | TBD |
| Total | | 3,354 | |

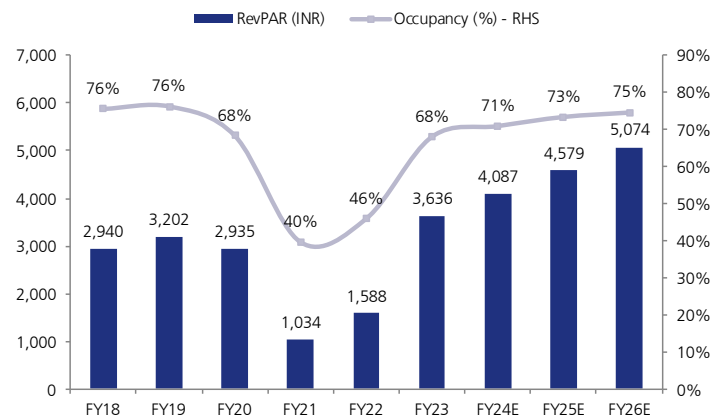
Source: Company, JM Financial

Exhibit 14. Steady ARR growth...



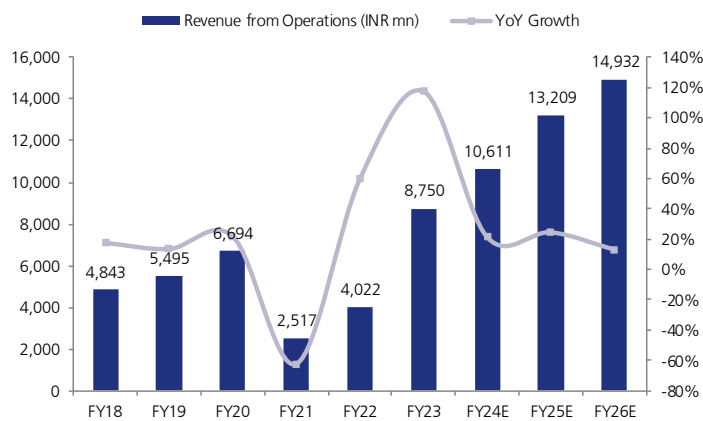
Source: Company, JM Financial

Exhibit 15. ...along with high occupancy resulting in higher RevPAR



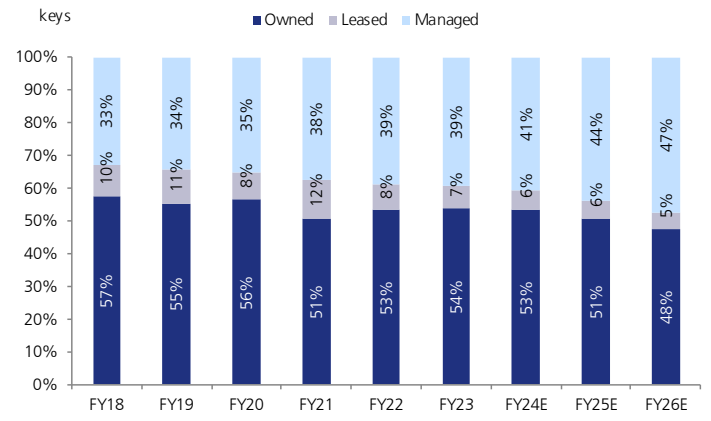
Source: Company, JM Financial

Exhibit 16. Revenue to almost double by FY26E



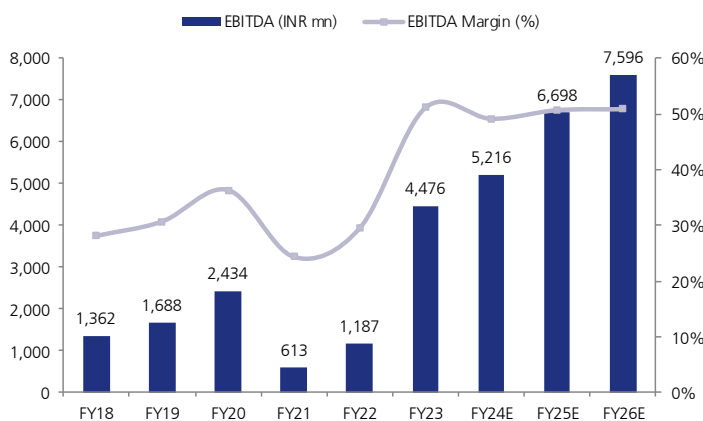
Source: Company, JM Financial

Exhibit 17. Well balanced portfolio



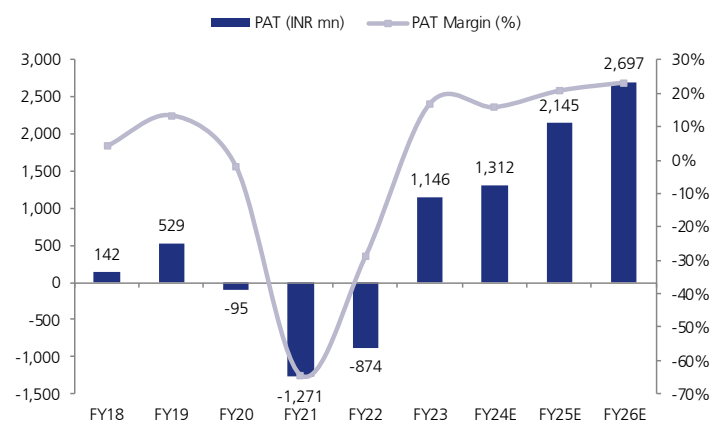
Source: Company, JM Financial

Exhibit 18. Management contracts to maintain high EBITDA margin...



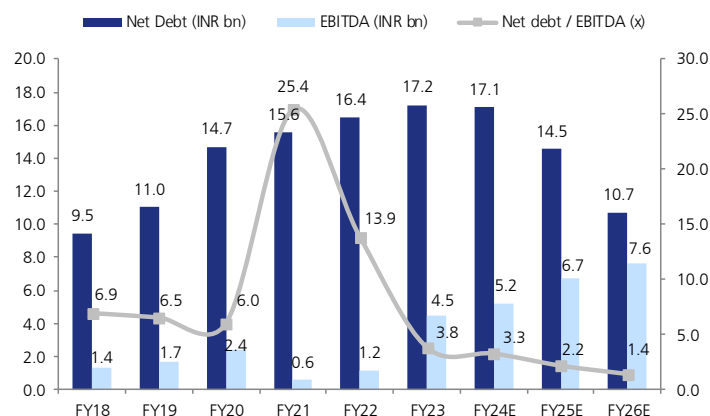
Source: Company, JM Financial
 Note: EBITDA as reported by company, not adjusted for Ind-AS 116 treatment of lease rentals

Exhibit 19. ...resulting in healthy PAT



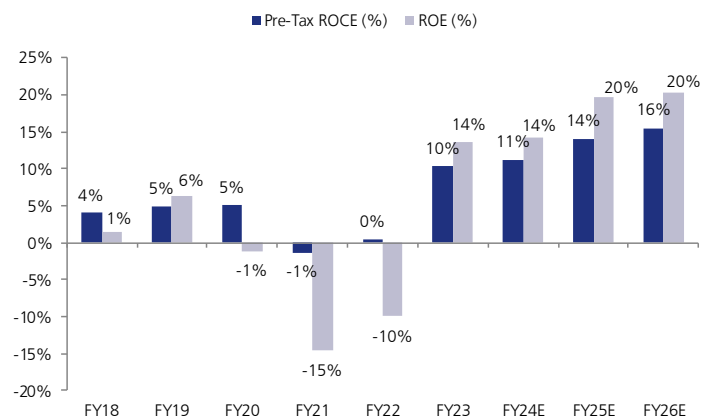
Source: Company, JM Financial

Exhibit 20. Net debt to gradually come down



Source: Company, JM Financial
 Note: EBITDA as reported by company, not adjusted for Ind-AS 116 treatment of lease rentals

Exhibit 21. Healthy return ratios



Source: Company, JM Financial
 Note: EBITDA as reported by company, not adjusted for Ind-AS 116 treatment of lease rentals

Exhibit 22. Mar'25 TP of INR 125

| Particulars | Unit | Mar-25 | Per Share | Comments |
|--------------------------------------|---------------|----------------|--------------|------------------------------------|
| Consolidated EBITDA (Mar'26E) - FY+1 | INR mn | 7,596 | | |
| Adjustment for Fleur APG stake | 41% | 2,279 | | Lemon Tree share of EBITDA - 70% |
| Lemon Tree share of EBITDA | INR mn | 5,317 | | |
| Valuation Multiple | xx | 20.0x | | |
| Enterprise Value | | 106,350 | | |
| Less: Net Debt (Mar'25E) | INR mn | 8,571 | | Majority of the debt sits on Fleur |
| Less: Minority Interest | INR mn | - | | |
| Equity Value | INR mn | 97,779 | 123.5 | |
| Target Price | INR | 97,779 | 125.0 | |
| CMP | INR | 90,243 | 114.0 | |
| Upside | % | 10% | | |

Source: Company, JM Financial

Financial Tables (Consolidated)

| Income Statement | | (INR mn) | | | | |
|-----------------------------|--------------|--------------|---------------|---------------|---------------|--|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E | |
| Net Sales | 4,022 | 8,750 | 10,611 | 13,209 | 14,932 | |
| Sales Growth | 59.8% | 117.5% | 21.3% | 24.5% | 13.0% | |
| Other Operating Income | 0 | 0 | 0 | 0 | 0 | |
| Total Revenue | 4,022 | 8,750 | 10,611 | 13,209 | 14,932 | |
| Cost of Goods Sold/Op. Exp | 279 | 499 | 628 | 929 | 1,045 | |
| Personnel Cost | 973 | 1,497 | 1,797 | 2,066 | 2,273 | |
| Other Expenses | 1,584 | 2,278 | 2,970 | 3,516 | 4,018 | |
| EBITDA | 1,187 | 4,476 | 5,216 | 6,698 | 7,596 | |
| EBITDA Margin | 29.5% | 51.2% | 49.2% | 50.7% | 50.9% | |
| EBITDA Growth | 93.7% | 277.2% | 16.5% | 28.4% | 13.4% | |
| Depn. & Amort. | 1,043 | 966 | 1,273 | 1,585 | 1,792 | |
| EBIT | 143 | 3,510 | 3,943 | 5,113 | 5,805 | |
| Other Income | 210 | 88 | 91 | 95 | 98 | |
| Finance Cost | 1,809 | 1,823 | 1,911 | 1,934 | 1,849 | |
| PBT before Excep. & Forex | -1,456 | 1,774 | 2,123 | 3,273 | 4,054 | |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 | |
| PBT | -1,456 | 1,774 | 2,123 | 3,273 | 4,054 | |
| Taxes | -72 | 377 | 534 | 824 | 1,020 | |
| Extraordinary Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 | |
| Assoc. Profit/Min. Int.(-) | -489 | 268 | 295 | 324 | 356 | |
| Reported Net Profit | -874 | 1,146 | 1,312 | 2,145 | 2,697 | |
| Adjusted Net Profit | -874 | 1,146 | 1,312 | 2,145 | 2,697 | |
| Net Margin | -21.7% | 13.1% | 12.4% | 16.2% | 18.1% | |
| Diluted Share Cap. (mn) | 790.8 | 791.6 | 791.6 | 791.6 | 791.6 | |
| Diluted EPS (INR) | -1.1 | 1.4 | 1.7 | 2.7 | 3.4 | |
| Diluted EPS Growth | 0.0% | 0.0% | 14.5% | 63.5% | 25.8% | |
| Total Dividend + Tax | 0 | 0 | 0 | 0 | 0 | |
| Dividend Per Share (INR) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |

Source: Company, JM Financial

| Cash Flow Statement | | (INR mn) | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E | |
| Profit before Tax | -1,446 | 1,782 | 2,123 | 3,273 | 4,054 | |
| Depn. & Amort. | 1,043 | 966 | 1,273 | 1,585 | 1,792 | |
| Net Interest Exp. / Inc. (-) | 1,786 | 1,773 | 1,911 | 1,934 | 1,849 | |
| Inc (-) / Dec in WCap. | 27 | -403 | -71 | 238 | 306 | |
| Others | -41 | -63 | -277 | -305 | -336 | |
| Taxes Paid | -16 | -207 | -534 | -824 | -1,020 | |
| Operating Cash Flow | 1,353 | 3,849 | 4,425 | 5,902 | 6,645 | |
| Capex | -668 | -1,618 | -2,500 | -1,500 | -1,000 | |
| Free Cash Flow | 686 | 2,231 | 1,925 | 4,402 | 5,645 | |
| Inc (-) / Dec in Investments | -26 | 50 | 0 | 0 | 0 | |
| Others | 240 | -1,264 | 250 | 192 | 182 | |
| Investing Cash Flow | -454 | -2,832 | -2,249 | -1,308 | -818 | |
| Inc / Dec (-) in Capital | 8 | 17 | -286 | -314 | -346 | |
| Dividend + Tax thereon | 0 | 0 | 0 | 0 | 0 | |
| Inc / Dec (-) in Loans | -239 | 92 | 261 | 272 | -2,217 | |
| Others | -1,400 | -1,432 | -1,911 | -1,934 | -1,849 | |
| Financing Cash Flow | -1,631 | -1,323 | -1,935 | -1,977 | -4,412 | |
| Inc / Dec (-) in Cash | -732 | -306 | 240 | 2,617 | 1,415 | |
| Opening Cash Balance | 1,275 | 543 | 237 | 477 | 3,094 | |
| Closing Cash Balance | 543 | 237 | 477 | 3,094 | 4,508 | |

Source: Company, JM Financial

| Balance Sheet | | (INR mn) | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E March | FY22A | FY23A | FY24E | FY25E | FY26E | |
| Shareholders' Fund | 8,312 | 8,537 | 9,849 | 11,994 | 14,691 | |
| Share Capital | 7,908 | 7,916 | 9,228 | 11,372 | 14,070 | |
| Reserves & Surplus | 404 | 621 | 621 | 621 | 621 | |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 | |
| Minority Interest | 5,676 | 5,597 | 5,311 | 4,997 | 4,651 | |
| Total Loans | 16,986 | 17,457 | 17,549 | 17,644 | 15,242 | |
| Def. Tax Liab. / Assets (-) | -461 | -365 | -365 | -365 | -365 | |
| Total - Equity & Liab. | 30,515 | 31,227 | 32,344 | 34,269 | 34,220 | |
| Net Fixed Assets | 33,479 | 34,395 | 35,371 | 35,095 | 34,121 | |
| Gross Fixed Assets | 29,792 | 30,191 | 36,441 | 37,691 | 37,691 | |
| Intangible Assets | 5,250 | 4,987 | 4,737 | 4,545 | 4,363 | |
| Less: Depn. & Amort. | 4,508 | 5,475 | 6,748 | 8,333 | 10,125 | |
| Capital WIP | 2,946 | 4,691 | 941 | 1,191 | 2,191 | |
| Investments | 37 | 45 | 45 | 45 | 45 | |
| Current Assets | 2,374 | 2,518 | 3,035 | 5,913 | 7,520 | |
| Inventories | 81 | 105 | 106 | 132 | 149 | |
| Sundry Debtors | 291 | 560 | 743 | 925 | 1,045 | |
| Cash & Bank Balances | 543 | 237 | 477 | 3,094 | 4,508 | |
| Loans & Advances | 59 | 10 | 10 | 10 | 10 | |
| Other Current Assets | 1,400 | 1,606 | 1,700 | 1,752 | 1,807 | |
| Current Liab. & Prov. | 5,375 | 5,732 | 6,108 | 6,784 | 7,466 | |
| Current Liabilities | 4,853 | 4,956 | 5,307 | 5,956 | 6,611 | |
| Provisions & Others | 523 | 775 | 801 | 827 | 855 | |
| Net Current Assets | -3,001 | -3,214 | -3,073 | -871 | 54 | |
| Total - Assets | 30,515 | 31,227 | 32,344 | 34,269 | 34,219 | |

Source: Company, JM Financial

| Dupont Analysis | | FY22A | FY23A | FY24E | FY25E | FY26E |
|---------------------|--|--------|-------|-------|-------|-------|
| Y/E March | | | | | | |
| Net Margin | | -21.7% | 13.1% | 12.4% | 16.2% | 18.1% |
| Asset Turnover (x) | | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 |
| Leverage Factor (x) | | 4.1 | 4.2 | 4.0 | 3.5 | 3.0 |
| RoE | | -10.0% | 13.6% | 14.3% | 19.6% | 20.2% |

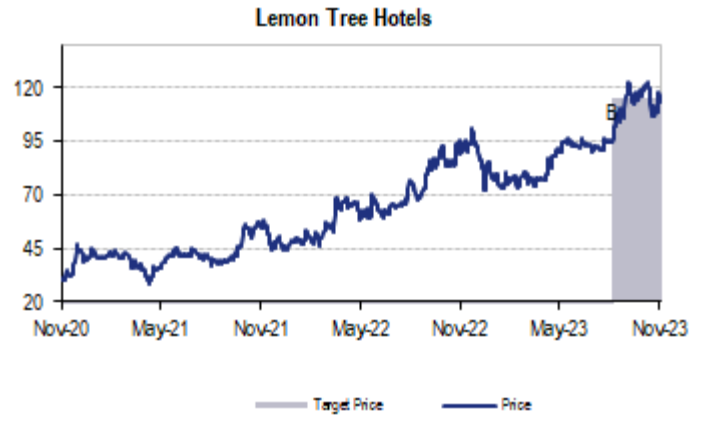
| Key Ratios | | FY22A | FY23A | FY24E | FY25E | FY26E |
|---------------------|--|--------|-------|-------|-------|-------|
| Y/E March | | | | | | |
| BV/Share (INR) | | 10.5 | 10.8 | 12.4 | 15.2 | 18.6 |
| ROIC | | 0.4% | 9.0% | 9.3% | 12.0% | 14.1% |
| ROE | | -10.0% | 13.6% | 14.3% | 19.6% | 20.2% |
| Net Debt/Equity (x) | | 2.0 | 2.0 | 1.7 | 1.2 | 0.7 |
| P/E (x) | | -102.2 | 78.1 | 68.2 | 41.7 | 33.2 |
| P/B (x) | | 10.8 | 10.5 | 9.1 | 7.5 | 6.1 |
| EV/EBITDA (x) | | 94.1 | 25.1 | 21.4 | 16.3 | 13.8 |
| EV/Sales (x) | | 27.7 | 12.8 | 10.5 | 8.3 | 7.0 |
| Debtor days | | 26 | 23 | 26 | 26 | 26 |
| Inventory days | | 7 | 4 | 4 | 4 | 4 |
| Creditor days | | 75 | 57 | 57 | 74 | 89 |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 16-Aug-23 | Buy | 115 | |

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

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Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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| Definition of ratings | |
|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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