

**BUY** Lemon Tree Hotels**Aurika, managed portfolio to drive growth**

Hotels ▶ Result Update ▶ November 11, 2023

**TARGET PRICE (Rs): 130**

**Lemon Tree Hotels (LTH)'s Q2 margin missed estimates owing to higher employee/other expenses on account of renovations, though revenue was broadly in line with Consensus/our estimates. We remain positive on LTH's earnings and margin trajectory, prompted by: i) the opening of Aurika, Mumbai Skycity in Oct-2023; ii) further acceleration in the managed and franchise portfolios; iii) improvement in gross ARR and occupancy. We now incorporate Aurika's revenue from Q3FY24 (vs. from Q1FY25, earlier). RoE is likely to reach 24% by FY26E vs. 14% in FY23. More hotels under management contracts and revenue from Aurika would help LTH to deleverage FY25 onwards. We cut our FY24/25 margin due to continued renovation expenses. We maintain BUY, with target price of Rs130/share (20x Sep-25E EV/EBITDA) vs. Rs141/share earlier.**

**Lemon Tree Hotels: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	4,022	8,750	10,528	13,150	14,668
EBITDA	1,187	4,524	5,365	7,108	8,054
Adj. PAT	(874)	1,193	1,656	2,814	3,569
Adj. EPS (Rs)	(1.1)	1.5	2.1	4.0	4.5
EBITDA margin (%)	29.5	51.7	51.0	54.0	54.9
EBITDA growth (%)	93.7	281.2	18.6	32.5	13.3
Adj. EPS growth (%)	0.0	0.0	38.7	92.3	12.1
RoE (%)	(10.0)	14.2	17.7	24.3	24.2
RoIC (%)	0.4	9.1	10.7	15.0	17.7
P/E (x)	(102.5)	75.1	54.1	28.1	25.1
EV/EBITDA (x)	88.1	23.1	19.5	12.7	12.0
P/B (x)	10.8	10.5	8.8	6.1	5.4
FCFF yield (%)	0.5	2.2	1.2	4.7	5.7

Source: Company, Emkay Research

**Q2FY24 results: Beat on revenue, with RevPAR up 16%YoY; margin miss**

LTH managed to drive up occupancy in Q2 (by 6ppts YoY at 71.7%), with less increase in ARR (7% YoY) vs the industry (16% YoY). This led to RevPAR increasing 16% YoY, in line with the industry. Revenue from operations was up 15.5% YoY, missing Consensus estimate by 2%, and beating ours by 2%. Margin disappointed, impacted by higher employee costs (28% YoY) and other expenses (20% YoY). 'Other expenses' include renovation outlays and pre-operative overheads regarding *Aurika, Mumbai* (a 2ppt margin impact). Adjusted PAT stood at Rs226mn for Q2FY24 (+35% YoY; -3.5% QoQ).

**Revenue/margin to pick up in H2; renovation to aid ARR improvement**

LTH is investing in renovations, with the aim of repricing (up) its portfolio, to help in improving the ARR. Moreover, revenue and margin will pick up pace in H2, which is seasonally strong; this is likely to lead to higher revenue vs. H1, though costs in H2 will not increase proportionally, thus aiding margin improvement. However, occupancy may optically be deflated in H2, owing to lower occupancy in *Aurika, Mumbai*. LTH has guided to occupancy average of over 200 rooms a day in Q3 for *Aurika, Mumbai* and ARR of over Rs8,500.

**Deleveraging on the cards, returns to improve; maintain BUY**

We expect LTH to log revenue/EBITDA CAGR of 19%/21% over FY23-26E, led by: i) the opening of *Aurika* hotel in Mumbai; ii) opening of more hotels under management contracts. Addition of hotels under management contracts and revenue from *Aurika, Mumbai* will help LTH to deleverage from FY25E on. RoE is likely to reach 24% by FY26E vs. 14% in FY23. We have incorporated revenue from *Aurika, Mumbai* from Q3FY24 onwards (vs. Q1FY25), thus driving up FY24/25/26E revenue by 3/1/0.5%, respectively. We cut FY24/25E margin by 140/40bps, due to renovation expenses. We maintain BUY, with target price of Rs130/share (20x Sep-25E EV/EBITDA) vs. Rs141/share earlier.

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	<b>(7.8)</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	14.9
CMP (10-Nov-23) (Rs)	113.1

Stock Data	Ticker
52-week High (Rs)	127
52-week Low (Rs)	70
Shares outstanding (mn)	792.2
Market-cap (Rs bn)	90
Market-cap (USD mn)	1,075
Net-debt, FY24E (Rs mn)	14,982
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	1,004.7
ADTV-3M (USD mn)	12.1
Free float (%)	-
Nifty-50	19,425
INR/USD	83.3
<b>Shareholding, Sep-23</b>	
Promoters (%)	23.3
FPIs/MFs (%)	24.8/13.4

**Price Performance**

(%)	1M	3M	12M
Absolute	(4.2)	18.2	27.2
Rel. to Nifty	(2.9)	19.0	18.1

**1-Year share price trend (Rs)****Santosh Sinha**santosh.sinha@emkayglobal.com  
+91 22 6624 2414

## Q2FY24 Results: Beat on revenue; miss on margin

### KPIs improve YoY, though growth soft vs. Indian Hotels/Chalet

- **Gross ARR up 7% YoY** (+0.6% QoQ) to Rs5,268, at a 1% beat on our estimate. In comparison, Q2 ARR was up 18%/21% YoY for Indian Hotels/Chalet.
- **Occupancy was up 6ppts YoY at 71.7%** (vs. 70.2% in Q1FY24; 66.2% in Q2FY23) vs. our est. of 70.2%. Occupancy was 76% (up by 6ppts YoY)/73% (up by 2ppts YoY) for Indian Hotels/Chalet, in Q2.
- **RevPAR up 16%YoY** (+2.6% QoQ) to Rs3,775, at a 3% beat on our estimate. RevPAR was up 28%/24.5%YoY for Indian Hotels/Chalet.

### Financial performance

- **Revenue from operations was up 15.5% YoY** at Rs2,272mn (up 2.2% QoQ), missing Consensus estimate by 2% and beating our estimate by 2%. Fees from managed and franchised contracts for third-party-owned hotels stood at Rs104mn in Q2FY24, up 58% YoY from Rs66mn in Q2FY23. Total management fee was up 29% YoY.
- **Margin miss:** EBITDA (excl. OI) stood at Rs1,019mn, at +8.8% YoY/-2.5% QoQ (7%/4% miss on Consensus/our estimate). EBITDA margin (excl. OI) was down by 276bps/218bps YoY/QoQ to 44.8%, at ~300bps miss on Consensus/our estimates. The margin miss was due to higher employee cost (+28% YoY) and other expenses (+20% YoY). This was attributed to planned increase in renovation expenses above that spent in Q2FY23 and pre-operative expenses of Aurika, Mumbai Skycity. These two incremental expenses accounted for a total increase in expense of Rs44mn (beyond Q2FY23), which translates into a reduction in EBITDA margin by 1.9ppts. **Adjusting for this, margin would have declined by only 80bps YoY to 46.8%.**
- **Cash Profit came in at Rs490mn** vs. Rs444mn (Q2FY23), though it is down from the Rs503mn in Q1FY24.
- **Finance cost is down 1.7% QoQ**, albeit up 6.2% YoY due to higher debt.
- Adj. PAT at Rs226mn for Q2FY24 (+35% YoY; -3.5%QoQ).

### Exhibit 1: Q2FY24 results

(Rs mn)	2QFY23	1QFY24	2QFY24	QoQ	YoY
Rooms (no. of)	5,090	5,090	5,090	0.0%	0.0%
ARR (Rs)	4,917	5,237	5,268	0.6%	7.1%
Occupancy (%)	66.2	70.2	71.7	2.1%	8.3%
RevPAR (Rs)	3,255	3,678	3,775	2.6%	16.0%
Room Revenue	1,491	1,685	1,729	2.6%	16.0%
Other Revenue	476	538	543	0.9%	14.0%
<b>Total Revenue</b>	<b>1,967</b>	<b>2,223</b>	<b>2,272</b>	<b>2.2%</b>	<b>15.5%</b>
Total RM Cost	123	124	132	6.1%	7.3%
Employee Benefit Expense	361	426	463	8.7%	28.4%
Other Expenses	547	627	658	5.0%	20.3%
<b>Total Expenses</b>	<b>1,031</b>	<b>1,178</b>	<b>1,253</b>	<b>6.4%</b>	<b>21.6%</b>
<b>EBITDA</b>	<b>936</b>	<b>1,045</b>	<b>1,019</b>	<b>-2.5%</b>	<b>8.8%</b>
D&A	250	228	226	-0.8%	-9.7%
Finance Cost (net)	446	481	473	-1.7%	6.2%
PAT	168	235	226	-3.5%	35.1%
EPS (Rs)	0.2	0.3	0.3	-3.5%	35.1%
<b>% of revenue</b>					
Total RM Cost	6.2	5.6	5.8	21 bps	-44 bps
Employee Benefit Expense	18.3	19.2	20.4	122 bps	204 bps
Other Expenses	27.8	28.2	29.0	75 bps	116 bps
EBITDA Margin	47.6	47.0	44.8	-218 bps	-276 bps

Source: Company, Emkay Research

### Other highlights

- **New contract signings:** During Q2, Company signed 11 new management and franchise contracts (vs. 6 in Q1), which added 639 rooms (vs. 548 in Q1) to the pipeline. As of 30-Sep-23, LTH's operational inventory comprises of 95 hotels with 8,760 rooms, and the pipeline includes 52 hotels with 4,092 rooms.
- **Net debt increase in Q2:** Net debt ex-lease liability is up, from Rs17.2bn to Rs18.9bn at end-Q2FY24. The increase in debt was primarily due to the unplanned acquisition of the CCPS from APG.
- **Share of room-nights sold online** has increased, from 2% in Q2FY23 to 7% in Q2FY24.
- **Margin decline YoY** was due to fall in margin for Keys and *Aurika, Mumbai*.

### Key takeaways from the earnings call

- **Aurika Mumbai update:** Aurika booked ~100 rooms a day, which is ~15% occupancy in October. The ARR was low, as retail traffic was subdued in October. Also, there are about 200 rooms for airline crew in Aurika, but that is a low rate business, typically logging room rate of ~Rs7,000 a night. Company has guided to occupancy average of over 200 rooms a day in Q3 for Aurika, and ARR may be of over Rs8,500.
- **Drop in Delhi occupancy:** Closures of public/private institutions, etc in New Delhi during the G20 Summit impacted LTH's occupancy in the city, with the business of the event being largely diverted to five-star deluxe hotels. Mumbai and Gurugram saw the highest improvement in occupancy YoY.
- **Renovation:** The Keys portfolio saw a drop in EBITDA margin by ~5ppts YoY, due to a significant increase in investment and renovation during Q2FY24. Company is investing in renovation, as it aims to reprice (up) its portfolio fairly significantly every year, for the next four years. Company expects to recover this cost within a year of renovations. In FY24, Company's spend on renovations would be Rs500mn in FY24 and Rs1bn in FY25. Company has already invested Rs300mn in Shimla, with ~Rs200mn still pending. Capex for Aurika Mumbai capex will now be ~Rs9bn.
- **Improvement in LTH occupancy YoY was higher** vs. the industry, while improvement in gross ARR YoY was lower. RevPAR improvement was in line with the industry.
- **Company strategy to drive growth:** The company targets improving occupancy in its hotels with low occupancy, e.g. 49% occupancy for Aurika. And for its hotels where occupancy has already peaked, the company aims to drive weekend occupancies and higher ARR during weekdays. Company is also removing anomalies and the lower price tag. In Q2FY24, LTH's focus was on increasing occupancy and maximizing RevPAR. Company increased occupancy via lower price hikes than competitors, but achieved the improvement target in RevPAR. Last year, the company had focused on increasing prices.
- **Demand proportional to air traffic:** Airline seat capacity will more than double in the next few years, whereas hotel capacity will probably increase by only 15%. This will lead to mismatch in terms of demand-supply for hotels. The next 4-5 years will be extremely beneficial for the hotel industry and across sectors.
- **Company's employee cost has increased,** with augmentation in bonus payouts, from 8% to 20%. Company also hired more people in some departments that are linked to either revenue or business development. Further, Company has done fitment of wages.
- **Aurika Udaipur, highly seasonal:** Revenue in winters is at least 2x that in summers. As Aurika is a new brand, it entails a catch-up lag. Its average daily rate is >Rs11,000 a room in the summers, with occupancy at ~50%. Aurika's ARR is at a 10% premium to the industry.
- **Debt-to-EBITDA, a little over 3x.** Company intends to bring it down to 2x and then 1x, in the next few years.
- **LTH is looking at expanding the Keys portfolio** via the franchise route to those hotels where company feels the more stringent brand standards of Lemon Tree cannot be applied.
- **Kolkata ARR dropped,** on drive to increase occupancy. But Oct-23 has seen an ARR rise.

### Changes in estimate and valuation

We have incorporated revenue from Aurika Mumbai from Q3FY24 onwards (vs. Q1FY25), driving up the FY24E/FY25E/FY26E revenue by 3%/1%/0.5%. We have cut our margins for FY24/FY25 by 140bps/40bps, on account of renovation expenses. We maintain our BUY recommendation, with target price of **Rs130/share (20x Sep-25E EV/EBITDA)** vs. Rs141/share earlier.

We have changed the valuation methodology to take proportionate EBITDA/debt for valuation by excluding Fleur APG stake from the consol. numbers. Almost all of LTH's debt is attributable to Fleur. We have used 20x EV/EBITDA to derive our valuation (18x earlier), as we have used ex-Fleur APG numbers.

#### Exhibit 2: Change in estimates

	FY24E			FY25E			FY26E		
	New	Old	Chg	New	Old	Chg	New	Old	Chg
Rooms (no. of)	5,759	5,090	13%	5,828	5,828	0%	5,828	5,828	0%
ARR (Rs)	5,791	5,763	0%	6,339	6,288	1%	6,782	6,734	1%
Occupancy (%)	71.3	72.3	-1%	74.3	74.3	0%	75.5	75.3	0%
RevPAR (Rs)	4,129	4,168	-1%	4,712	4,674	1%	5,124	5,074	1%
Room Revenue (Rs mn)	7,985	7,661	4%	9,812	9,621	2%	10,779	10,682	1%
Other Revenue (Rs mn)	2,543	2,566	-1%	3,339	3,403	-2%	3,889	3,918	-1%
Revenue (Rs mn)	10,528	10,226	3%	13,150	13,024	1%	14,668	14,599	0.5%
EBITDA (Rs mn)	5,365	5,359	0%	7,108	7,091	0%	8,054	7,897	2%
EBITDA Margin (%)	51.0	52.4	-144 bps	54.0	54.4	-40 bps	54.9	54.1	82 bps
APAT (Rs mn)	1,656	1,614	3%	2,814	2,770	2%	3,569	3,427	4%
AEPS (Rs)	2.1	2.0	3%	3.6	3.5	2%	4.5	4.3	4%

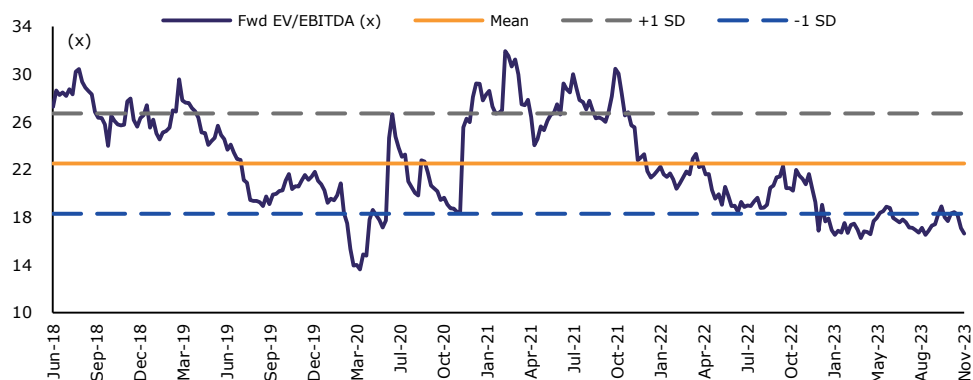
Source: Company, Emkay Research

#### Exhibit 3: Valuations

	<b>Sep-25E</b>
Consol. EBITDA (Rs mn)	7,581
<b>EBITDA, excl Fleur APG stake (Rs mn) – 75% of consol. EBITDA</b>	<b>5,686</b>
EV/EBITDA (x)	20.0x
<b>Enterprise Value (Rs mn)</b>	<b>1,13,716</b>
Consol. Net debt (Rs mn)	17,369
<b>Less: Debt, excl APG stake in Fleur - 58.9% of Consol. (Rs mn)</b>	<b>10,231</b>
Equity Value (Rs mn)	1,03,485
<b>Value per share (Rs)</b>	<b>130</b>

Source: Company, Emkay Research

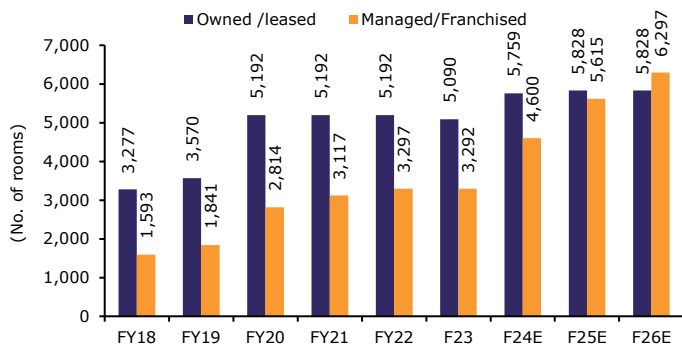
#### Exhibit 4: 1-year forward EV/EBITDA



Source: Company, Emkay Research

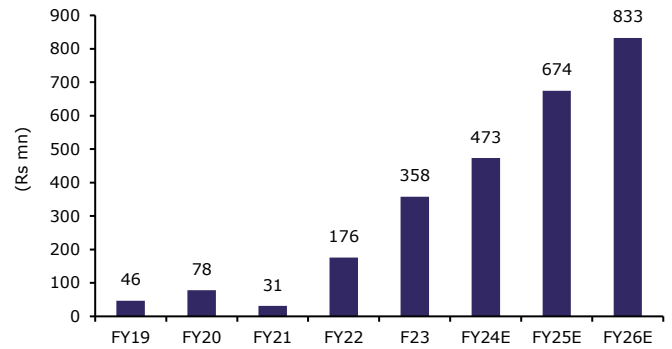
# Story in Charts

**Exhibit 5: Number of managed rooms to grow at a faster pace**



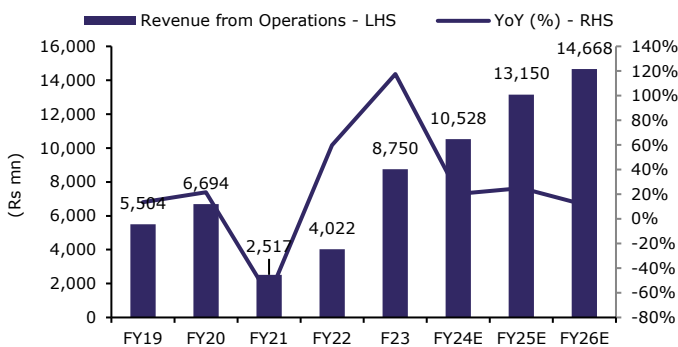
Source: Company, Emkay Research

**Exhibit 6: Revenue from management fees to aid growth**



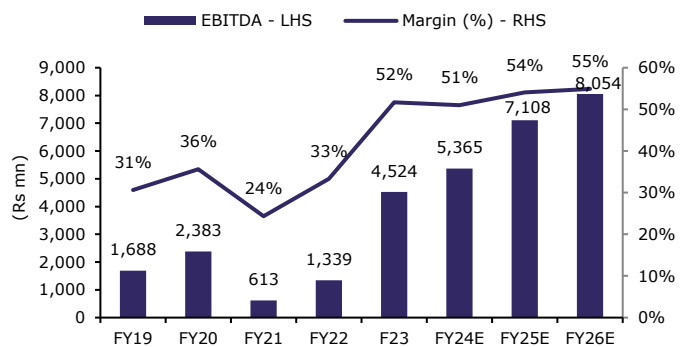
Source: Company, Emkay Research

**Exhibit 7: Revenue jump in FY25E to be led by Aurika, Mumbai Skycity**



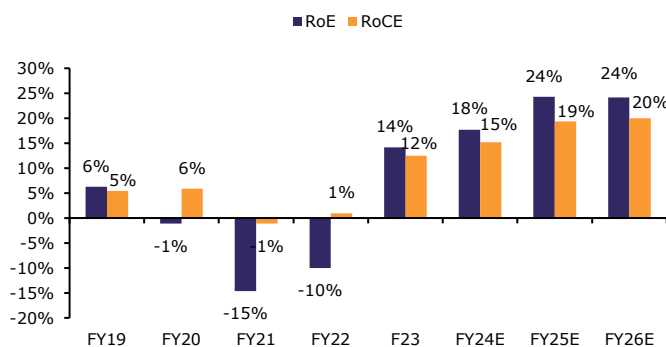
Source: Company, Emkay Research

**Exhibit 8: Margins to improve, led by pass-through of management fee**



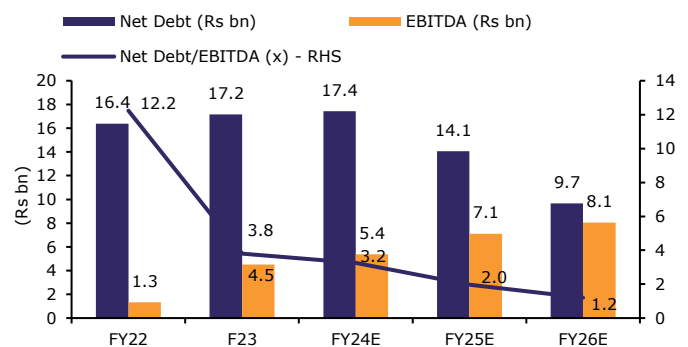
Source: Company, Emkay Research

**Exhibit 9: LTH set to clock RoE of ~24% by FY26E**



Source: Company, Emkay Research

**Exhibit 10: Net debt-to-EBITDA to decline for LTH**



Source: Company, Emkay Research

**Exhibit 11: Sensitivity for 5% decline in RevPAR**

	Units	FY25	FY26
Base RevPar	Rs	4,712	5,124
New RevPar	Rs	4,476	4,867
Change	%	-5	-5
Base Revenue	Rs mn	13,150	14,668
New Revenue	Rs mn	12,493	13,935
Change	%	-5	-5
Base EBITDA	Rs mn	7,108	8,054
New EBITDA	Rs mn	6,491	7,369
Change	%	-8.7	-8.5
Base PAT	Rs mn	2,814	3,569
New PAT	Rs mn	2,422	3,106
Change	%	-13.9	-13
Base RoE	%	24.3	24.2
New RoE	%	21.3	22
Change	bps	-302	-221
Base RoCE	%	19.3	20
New RoCE	%	17.5	18.4
Change	bps	-180	-155
Base Net Debt	Rs bn	14.1	9.7
New Net Debt	Rs bn	14.4	10.6
Change	%	2.8	9.6
Base Net Debt/EBITDA	x	2.0	1.2
New Net Debt/EBITDA	x	2.2	1.4
Change	%	12.6	19.7
<b>Base TP</b>	<b>Rs</b>	<b>130</b>	
<b>New TP</b>	<b>Rs</b>	<b>120</b>	
Change	%	-7.7	

Source: Company, Emkay Research

## Lemon Tree Hotels: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>4,022</b>	<b>8,750</b>	<b>10,528</b>	<b>13,150</b>	<b>14,668</b>
Revenue growth (%)	59.8	117.5	20.3	24.9	11.5
<b>EBITDA</b>	<b>1,187</b>	<b>4,524</b>	<b>5,365</b>	<b>7,108</b>	<b>8,054</b>
EBITDA growth (%)	93.7	281.2	18.6	32.5	13.3
Depreciation & Amortization	1,043	966	939	991	1,022
<b>EBIT</b>	<b>143</b>	<b>3,557</b>	<b>4,427</b>	<b>6,117</b>	<b>7,032</b>
EBIT growth (%)	0.0	2,386.1	24.4	38.2	15.0
Other operating income	0	0	0	0	0
Other income	140	36	81	85	90
Financial expense	1,740	1,772	1,923	1,783	1,516
<b>PBT</b>	<b>(1,456)</b>	<b>1,822</b>	<b>2,585</b>	<b>4,420</b>	<b>5,606</b>
Extraordinary items	0	0	0	0	0
Taxes	(72)	377	663	1,152	1,461
Minority interest	(499)	260	275	465	589
Income from JV/Associates	10	9	9	11	13
<b>Reported PAT</b>	<b>(874)</b>	<b>1,193</b>	<b>1,656</b>	<b>2,814</b>	<b>3,569</b>
PAT growth (%)	0.0	0.0	38.7	69.9	26.8
<b>Adjusted PAT</b>	<b>(874)</b>	<b>1,193</b>	<b>1,656</b>	<b>2,814</b>	<b>3,569</b>
<b>Diluted EPS (Rs)</b>	<b>(1.1)</b>	<b>1.5</b>	<b>2.1</b>	<b>4.0</b>	<b>4.5</b>
Diluted EPS growth (%)	0.0	0.0	38.7	92.3	12.1
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	29.5	51.7	51.0	54.0	54.9
EBIT margin (%)	3.6	40.7	42.0	46.5	47.9
Effective tax rate (%)	5.0	20.7	25.6	26.1	26.1
<b>NOPLAT (pre-IndAS)</b>	<b>136</b>	<b>2,821</b>	<b>3,292</b>	<b>4,523</b>	<b>5,199</b>
Shares outstanding (mn)	792.2	792.2	792.2	792.2	792.2

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	(1,456)	1,822	2,585	4,420	5,606
Others (non-cash items)	2,788	2,676	2,772	2,677	2,435
Taxes paid	(17)	(207)	(685)	(1,175)	(1,484)
Change in NWC	27	(403)	(285)	89	(6)
<b>Operating cash flow</b>	<b>1,200</b>	<b>3,896</b>	<b>4,396</b>	<b>6,023</b>	<b>6,564</b>
Capital expenditure	(668)	(1,618)	(3,098)	(1,251)	(1,075)
Acquisition of business	0	0	0	0	0
Interest & dividend income	81	57	81	85	90
<b>Investing cash flow</b>	<b>(454)</b>	<b>(2,832)</b>	<b>(3,067)</b>	<b>(1,215)</b>	<b>(1,035)</b>
Equity raised/(repaid)	8	17	0	0	0
Debt raised/(repaid)	2,604	1,776	(152)	(150)	(149)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,400)	(1,432)	(1,923)	(1,783)	(1,516)
Dividend paid (incl tax)	0	0	0	0	0
Others	(2,842)	(1,684)	502	541	583
<b>Financing cash flow</b>	<b>(1,630)</b>	<b>(1,323)</b>	<b>(1,573)</b>	<b>(1,392)</b>	<b>(1,082)</b>
Net chg in Cash	(884)	(258)	(244)	3,415	4,447
OCF	1,200	3,896	4,396	6,023	6,564
Adj. OCF (w/o NWC chg.)	1,173	4,299	4,681	5,933	6,570
FCFF	533	2,279	1,297	4,772	5,489
FCFE	(1,126)	564	(545)	3,074	4,063
OCF/EBITDA (%)	101.2	86.1	81.9	84.7	81.5
FCFE/PAT (%)	128.8	47.2	(32.9)	109.2	113.8
<b>FCFF/NOPLAT (%)</b>	<b>391.8</b>	<b>80.8</b>	<b>39.4</b>	<b>105.5</b>	<b>105.6</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	7,908	7,916	7,916	7,916	7,916
Reserves & Surplus	404	621	2,268	5,071	8,626
<b>Net worth</b>	<b>8,312</b>	<b>8,537</b>	<b>10,184</b>	<b>12,987</b>	<b>16,542</b>
Minority interests	5,676	5,597	5,872	6,337	6,927
Deferred tax liability (net)	(685)	(515)	(537)	(560)	(583)
<b>Total debt</b>	<b>21,532</b>	<b>22,404</b>	<b>22,818</b>	<b>23,279</b>	<b>23,790</b>
<b>Total liabilities &amp; equity</b>	<b>34,836</b>	<b>36,024</b>	<b>38,337</b>	<b>42,043</b>	<b>46,676</b>
Net tangible fixed assets	0	0	0	0	0
Net intangible assets	30,533	29,704	28,938	28,069	27,156
Net ROU assets	4,299	4,036	4,036	4,036	4,036
Capital WIP	2,946	4,691	7,616	8,745	9,711
Goodwill	951	951	951	951	951
Investments [JV/Associates]	37	45	45	45	45
<b>Cash &amp; equivalents</b>	<b>602</b>	<b>285</b>	<b>40</b>	<b>3,455</b>	<b>7,902</b>
Current assets (ex-cash)	1,527	2,047	2,522	2,636	2,862
Current Liab. & Prov.	809	749	825	909	1,002
<b>NWC (ex-cash)</b>	<b>718</b>	<b>1,298</b>	<b>1,697</b>	<b>1,727</b>	<b>1,861</b>
<b>Total assets</b>	<b>34,836</b>	<b>36,024</b>	<b>38,337</b>	<b>42,042</b>	<b>46,675</b>
Net debt	14,933	14,890	14,982	11,417	6,821
Capital employed	28,838	28,794	30,542	33,636	37,609
<b>Invested capital</b>	<b>31,251</b>	<b>31,002</b>	<b>30,635</b>	<b>29,797</b>	<b>29,017</b>
BVPS (Rs)	10.5	10.8	12.9	18.6	20.9
Net Debt/Equity (x)	1.8	1.7	1.5	0.9	0.4
Net Debt/EBITDA (x)	12.6	3.3	2.8	1.6	0.8
Interest coverage (x)	6.1	0.5	0.4	0.3	0.2
<b>RoCE (%)</b>	<b>1.0</b>	<b>12.5</b>	<b>15.2</b>	<b>19.3</b>	<b>20.0</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	(102.5)	75.1	54.1	28.1	25.1
P/CE(x)	529.9	41.5	34.5	20.8	19.5
P/B (x)	10.8	10.5	8.8	6.1	5.4
EV/Sales (x)	26.0	11.9	9.9	6.9	6.6
EV/EBITDA (x)	88.1	23.1	19.5	12.7	12.0
EV/EBIT(x)	730.5	29.4	23.6	16.5	13.7
EV/IC (x)	3.3	3.4	3.4	3.4	3.3
FCFF yield (%)	0.5	2.2	1.2	4.7	5.7
FCFE yield (%)	(1.3)	0.6	(0.6)	3.4	4.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(21.7)	13.6	15.7	21.4	24.3
Total asset turnover (x)	0.1	0.3	0.4	0.4	0.4
Assets/Equity (x)	3.4	3.4	3.2	2.8	2.4
<b>RoE (%)</b>	<b>(10.0)</b>	<b>14.2</b>	<b>17.7</b>	<b>24.3</b>	<b>24.2</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	3.4	32.2	31.3	34.4	35.4
IC turnover (x)	0.1	0.3	0.3	0.4	0.5
<b>RoIC (%)</b>	<b>0.4</b>	<b>9.1</b>	<b>10.7</b>	<b>15.0</b>	<b>17.7</b>
<b>Operating metrics</b>					
Core NWC days	(45.2)	(15.3)	(8.9)	(5.0)	(4.2)
<b>Total NWC days</b>	<b>65.2</b>	<b>54.2</b>	<b>58.8</b>	<b>47.9</b>	<b>46.3</b>
Fixed asset turnover	0.1	0.3	0.4	0.5	0.5
Opex-to-revenue (%)	63.6	42.6	43.2	39.7	38.6

Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
05-Oct-23	118	141	Buy	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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