Apeejay Surrendra Park Hotels Limited

Nifty: 25,228 CMP: Rs. 103 Target Price: Rs. 112 Rating: HOLD

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Hotel

Apeejay Surrendra Park Hotels (ASPHL) reported a healthy operating performance in Q2FY27, with revenue growing 7.4% YoY (+7.7% QoQ) to Rs.179.7 cr, while operating EBITDA increased 10.8% YoY (+16% QoQ) to Rs.54.3 cr, translating into a ~94 bps YoY expansion in EBITDA margin to 30.2%. However, higher finance costs, which more than doubled YoY to Rs.10.8 cr due to acquisition-led borrowings, and a 30% YoY increase in depreciation to Rs.22.9 cr weighed on earnings, resulting in a 21.4% YoY decline in pre-exceptional PBT to Rs.22.0 cr. Consequently, reported PAT declined 9.7% YoY (+27% QoQ) to Rs.14.6 cr (EPS: Rs.0.69), with ETR moderating to 33.4% from 43.1% in Q1FY27. Operationally, owned hotels maintained strong occupancy at 94% (Q2FY26: 93%), while ARR grew 3.8% YoY to Rs.8,085 and RevPAR increased 5.3% YoY to Rs.7,584, indicating that operating growth was primarily ARR-led.

Key Highlights

H2 set-up strong; earnings recovery rests on seasonality

The company expects ARR growth in Q3-Q4 to exceed what it has delivered so far, citing the demand-supply gap (ICRA: demand +7-9% vs supply +5-6% in FY27), with 36 of the 52 wedding dates in FY27 falling between now and March (bulk in Dec-Feb), MICE events, winter leisure and faith tourism. Patiala (Michelin key retained) is positioned for a strong H2. The company expects Q3-Q4 EBITDA to offset higher depreciation and interest; the latter increased largely due to Rs.188 cr paid for a 90% stake in the Juhu asset and ~Rs.21 cr for the Kerala property, which lifted gross debt from ~Rs.150 cr to ~Rs.300 cr. ROCE is currently sub-10%; the company expects it to cross 20% as the new properties open in 2030-31

Asset-light expansion drives the roadmap

ASPHL operates 43 hotels (2,729 keys) and targets 100 hotels/ 7,500 keys by FY31, with managed hotels the larger share. Additions are seven hotels (321 keys) in FY27 and 11 (558 keys) in FY28, including Manali, Ayodhya and Darjeeling; Zone Connect Mathura (42 rooms) has opened. Managed keys are expected to increase from 1,278 to 3,627, taking fee income from ~2% of revenue (~Rs.7cr in H1) to ~4% in three years.

Owned pipeline: Juhu awaits NOC, Vizag starts, EM Bypass self-funds

Of 400+ owned keys under development (Kolkata 220, Juhu 80, Vizag 100), Juhu has received the fire NOC, with BMC NOC awaited and completion targeted by end-CY27, while construction of Vizag's Rs.150 cr, 100-room hotel is scheduled to commence in 7-10 days with a Rs.10-20 cr state subsidy. At EM Bypass, ~100% of launched apartments are sold at ~Rs.19,500/sq.ft, Phase II launches are scheduled in Feb-Mar 2027 at a minimum 15% premium and so far Rs.38.5 cr of the Rs.325 cr three-year share has been received. H2 capex is ~Rs.100 cr (EM Bypass spend funded by apartment inflows) and FY28 capex is planned at Rs.150-200 cr, while Flurys capex of Rs.30-40 cr will depend on the number of outlets and commissaries.

Flurys Update

Flurys has 112 outlets (Green Park marks its Delhi entry) with ~28 more guided in FY27, including Jaipur, Lucknow and Bangalore; ~20 outlets are already signed. The company acknowledged that ~140 outlets by year-end is aggressive, but cited a new COO-led team and expects revenue to cross Rs.100 cr in FY27. Q2 revenue was Rs.20.9 cr (+10% YoY) at an 8% EBITDA margin (H1: ~9%), with the company guiding for a margin of ~12% by year-end as Q3-Q4 are seasonally stronger. Same-store growth is 9-10% and the long-term target is 250-300 outlets by 2030.

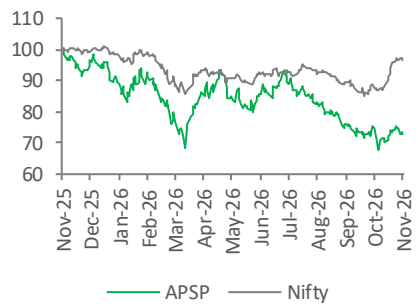
Outlook and Valuation

We estimate FY27E/FY28E revenue of Rs.760 cr/Rs.830 cr (+7.4%/ +9.2% YoY), EBITDA of Rs.233 cr/Rs.254 cr (margin 30.6% in both years) and PAT of Rs.70 cr/Rs.78 cr (EPS Rs.3.29/Rs.3.65). Growth is expected to be ARR-led (+5-6%), supported by the Patiala ramp-up and Flurys, while margins are expected to remain flat as higher employee costs (+11.5% YoY in H1) offset operating leverage; Juhu is factored from FY29 (BMC NOC pending). PAT growth is expected to remain muted at +6.7% in FY27E as higher depreciation and finance cost absorb the EBITDA gain, before improving to +11% in FY28E on a lower ETR.

We value the hospitality business at 12x and Flurys at 18x FY27E EV/EBITDA (blended ~12.3x vs ~11.4x at CMP) and, after deducting FY27E lease-inclusive net debt of Rs.461 cr, arrive at a SoTP-based TP of Rs.112. The 12x multiple reflects sub-10% ROCE, rising leverage and PAT remaining below FY25 levels through FY28E. At ~9% upside, we rate the stock **HOLD.** Growth triggers: H2 ARR ramp-up, Patiala ramp-up, Flurys additions and margin recovery, fee income from asset-light signings, and the EM Bypass Phase II launch (Feb-Mar 2027). Key risks: slower H2 ARR ramp-up, Juhu/ Vizag delays and rising leverage.

Shareholding (%)	Sep-26	Jun-26	Mar-26
Promoters	68.2%	68.2%	68.2%
FIIs	4.1%	4.1%	4.0%
DIIs	8.8%	8.8%	8.5%
Others	18.9%	18.9%	19.3%

Relative Price Performance



Stock Data (as on August 18, 2026)	
Bloomberg Code:	PARKHOTE IN
NSE Code:	PARKHOTELS
CMP	103
Market Cap (in cr.)	2198
Outstanding Shares (in cr.)	21.34
52 weeks High/Low	144/93.2
2W Avg. Qty. NSE	1,52,685
Beta	1.1

(Rs. Cr.)	FY25A	FY26A	FY27E	FY28E
Revenue	631.5	707.3	760.0	830.0
Growth %	9.1%	12.0%	7.5%	9.2%
EBITDA	204.5	218.0	232.8	253.8
Margin %	32.4%	30.8%	30.6%	30.6%
PAT	83.6	65.7	70.1	77.9
NPM %	13.2%	9.3%	9.2%	9.4%
EPS	3.92	3.08	3.28	3.65

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Quarterly Income Statement (Cons.)

INR Crs.	Q2FY27	Q2FY26	YoY Change (%)	Q1FY27	QoQ Change (%)
Revenue from Operations	**179.7**	**167.4**	**7.4**	**166.8**	**7.7**
Food and Beverage Expenses	24.1	22.7	6.3	20.9	15.0
(Increase)/Decrease in inventories of finished goods	(0.3)	(0.3)	-	(0.1)	(180.0)
Employee Cost	43.2	38.3	12.9	40.6	6.5
Other Expenses	58.3	57.7	1.1	58.5	(0.2)
Total Expenses	**125.4**	**118.4**	**5.9**	**119.9**	**4.5**
EBITDA	**54.3**	**49.0**	**10.8**	**46.9**	**15.9**
Depreciation and Amortisation Expense	22.9	17.7	29.9	21.1	8.8
Other Income	1.4	1.2	13.3	4.8	(71.6)
EBIT	**32.7**	**32.5**	**0.6**	**30.6**	**7.0**
Finance Costs	10.8	4.6	134.7	10.4	3.7
EBT before exceptional items	**22.0**	**28.0**	**(21.4)**	**20.2**	**8.8**
Exceptional Gain/(Loss)	0.0	0.2	N/A	0.0	N/A
EBT after exceptional items	**22.0**	**27.8**	**(21.0)**	**20.2**	**8.8**
Tax Expense	7.3	11.6	(36.8)	8.7	(15.8)
PAT	**14.6**	**16.2**	**(9.7)**	**11.5**	**27.4**
Cash Profit	37.6	33.9	11.0	32.6	15.4

Key Metrics*	**Q2FY27**	**Q2FY26**	**YoY Change (%)**	**Q1FY27**	**QoQ Change (%)**
ARR	8,085.0	7,788.0	3.8	7,459.0	8.4
RevPAR	7,584.0	7,204.0	5.3	6,858.0	10.6
Reported Occupancy Rate (%)	94.0	93.0	100 bps	92.0	200 bps

values are only from owned properties

Financials

Income Statement

Rs in Cr.	FY25A	FY26A	FY27E	FY28E
Revenue	**631.5**	**707.3**	**760.0**	**830.0**
Food and beverages consumed	79.5	90.5	96.3	105.4
(Increase)/Decrease in inventories of finished goods	-0.2	0.1	-0.2	0.2
Employee benefit expenses	141.2	159.4	177.0	193.5
Other expenses	206.5	239.3	254.1	277.1
Total Expenditure	**426.9**	**489.3**	**527.2**	**576.2**
EBITDA	**204.5**	**218.0**	**232.8**	**253.8**
Depreciation	61.8	74.4	90.5	96.5
EBIT	**142.8**	**143.6**	**142.3**	**157.3**
Finance Costs	16.5	29.9	44.0	52.0
Other income	21.9	5.7	10.0	11.0
PBT (before exceptional item)	**148.1**	**119.5**	**108.3**	**116.3**
Exceptional Gain/(Loss)	0.0	3.9	0.0	0.0
PBT	**148.1**	**115.6**	**108.3**	**116.3**
Tax	64.5	49.9	38.2	38.4
PAT	**83.6**	**65.7**	**70.1**	**77.9**

Balance Sheet

Rs in Cr.	FY25A	FY26A	FY27E	FY28E
Property, Plant & Equipment	1284.6	1605.0	1747.0	1932.0
Intangible Assets	46.9	47.0	48.8	49.8
Investments	0.0	0.0	0.0	0.0
Loans & Financial Assets	69.3	85.7	95.0	102.0
Total Non-Current Assets	1400.9	1737.7	1890.8	2083.8
Inventories	111.8	114.0	120.0	130.0
Trade Receivables	38.5	41.4	46.0	52.0
Cash & Bank Balances	21.4	24.2	43.0	45.0
Advances & Assets	101.6	136.9	163.2	171.2
Total Current Assets	273.3	316.5	372.2	398.2
Total Assets	**1674.1**	**2054.3**	**2263.0**	**2482.0**
Equity & Liabilities				
Share Capital	21.3	21.3	21.3	21.3
Reserves & Surplus	1262.8	1321.0	1375.1	1435.0
Non-Controlling Interest	-0.2	-0.2	-0.2	-0.2
Total Equity	1283.9	1342.1	1396.2	1456.1
Long-Term Borrowings & Leases	113.3	293.1	405.0	495.0
Provisions & Tax Liabilities	105.6	161.2	168.3	175.6
Total Non-Current Liabilities	**218.9**	**454.3**	**573.3**	**670.6**
Short-Term Borrowings & Leases	54.4	79.8	99.0	111.0
Trade Payables	51.1	54.7	62.0	68.0
Provisions & Liabilities	66.0	123.3	132.5	176.3
Total Current Liabilities	**171.4**	**257.8**	**293.5**	**355.3**
Total Liabilities	**390.3**	**712.1**	**866.8**	**1025.9**
Total Equity & Liabilities	**1674.1**	**2054.3**	**2263.0**	**2482.0**

Key Ratios

Y/E	FY25A	FY26A	FY27E	FY28E
EPS	3.9	3.1	3.3	3.7
Price to Cash Earnings Ratio	15.1	15.7	13.7	12.6
EV/EBITDA	11.5x	11.7x	11.4x	10.9x
P/E Ratio	26.3x	33.4x	31.4x	28.2x
Profitability Ratios				
EBITDA Margin	32.4%	30.8%	30.6%	30.6%
PAT Margin	13.2%	9.3%	9.2%	9.4%
Cash Profit Margin	23.0%	19.8%	21.1%	21.0%
Return on Capital Employed	11.5%	8.8%	8.1%	8.3%
Return on Equity	6.7%	5.2%	5.1%	5.5%
Leverage Ratios				
Debt to Equity	0.13x	0.28x	0.36x	0.42x
Net Debt to EBITDA	0.72x	1.60x	2.05x	2.28x
Interest Coverage Ratio	8.63x	4.81x	3.23x	3.03x
Efficiency Ratios				
Asset Turnover Ratio	0.40x	0.38x	0.35x	0.35x
Fixed Asset Turnover Ratio	0.50x	0.49x	0.45x	0.45x

Cash Flow

Rs in Cr.	FY25A	FY26A	FY27E	FY28E
PBT	**148.1**	**115.6**	**108.3**	**116.3**
Non-Cash Adjustments	219.2	218.2	236.0	259.2
Working Capital Changes	-31.2	-5.6	11.7	35.0
Taxes Paid	-30.4	-31.1	-30.0	-34.0
Net Cash from Operations (A)	**157.6**	**181.5**	**217.7**	**260.2**
Capital Expenditure	-147.8	-286.6	-169.7	-229.7
Investments & Loans	-54.5	-19.7	-15.0	-10.0
Deposits & Interest Received	6.7	2.9	-30.8	-1.0
Net Cash Used in Investing (B)	**-195.6**	**-303.5**	**-215.5**	**-240.7**
Net Borrowings	44.6	178.5	90.0	90.0
Equity Issuance	-12.2	-1.7	0.0	0.0
Lease & Finance Costs Paid	-28.2	-61.7	-91.0	-112.0
Net Cash Used in Financing (C)	**4.2**	**115.1**	**-1.0**	**-22.0**
Net Increase in Cash (A+B+C)	**-33.8**	**-6.9**	**1.1**	**-2.6**
Cash at Beginning	44.5	10.7	3.8	4.9
Cash at End	10.7	3.8	4.9	2.4

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