

Hotels



4Q Preview: Strong quarter led by buoyant demand

With sustained momentum in demand, the hotel industry recorded a robust Feb'25 as pan-India RevPAR grew c.20% YoY to INR 7,446. Occupancy was up 200-400bps YoY to 72-74%, while ARR grew c.15% YoY to INR 10,200 (source: HVS Anarock). As demand remains buoyant, we expect a strong quarter for our hospitality coverage universe led by low-to-mid double digit RevPAR growth and stable occupancies. We have marginally reduced estimates for IHCL to align them with our 4Q numbers, and for SAMHI we have cut our growth/margin assumptions. For our coverage companies, we expect core hospitality revenue in 4QFY25 to grow by c.15% YoY and forecast EBITDA growth of c. 23% YoY for the same period (ex- Taj SATS). Our preferred pick in the space is Lemon Tree Hotels. Any moderation in ARR growth (as rates are up 35-40% up from pre-Covid levels) and an unexpected sharp slowdown in the broader economy remain key risks to our call.

- **Demand for rooms remains buoyant:** According to HVS Anarock, pan-India occupancy rates witnessed steady year-on-year growth in Feb'25 across all major markets. Average daily room rates (ARR) crossed the INR 10,000 level and maintained their upward momentum to grow 14-16% YoY, highlighting the sector's strong pricing power. In the previous month (Jan'25), pan-India RevPAR was up c.14% to INR 6,164, as occupancy moved up 200-400bps YoY to 66-68%, and ARR grew c.11% YoY to INR 9,200. In Feb'25, Mumbai recorded the highest occupancy at c.85%, followed by New Delhi at 83-85%. These two markets also witnessed the highest ARR in the country supported by strong corporate, MICE and live events demand. ARR growth was led by Bengaluru (37-39%), followed by the cities of New Delhi (25%-27%), and Gurgaon (22%-24%). Domestic air traffic also grew 11% YoY in Feb'25 to 14.0mn passengers (4% decline MoM).
- **Strong quarter led by double-digit RevPAR growth:** The sector has multiple tailwinds, namely, strong seasonality in 2H, increasingly higher contribution from weddings and MICE events, and growing preference for branded rooms, leading to robust domestic demand. As demand remains buoyant, we expect a strong quarter for our hospitality coverage universe led by low-to-mid double digit RevPAR growth and marginal uptick in occupancies. For our coverage companies, we expect core hospitality revenue to grow by c. 15% YoY with same-store RevPAR growth of 12-14% and higher contribution from F&B/MICE. Within our coverage universe, we expect Indian Hotels (IHCL) to deliver the highest YoY revenue growth of 30% (ex-Taj SATS: 20%) followed by Chalet Hotels (20%) and Lemon Tree Hotels (13%). Lemon Tree's growth is expected to be led by better-than-expected performance of Aurika, MIAL while Chalet benefits from its presence in high-growth cities (Mumbai and Hyderabad).
- **Higher RevPAR and cost rationalisation to drive margin:** We expect our coverage universe to record c. 27% growth in reported EBITDA (Lfl growth: 22%). In 4QFY24, Chalet had one-time expenses related to Dukes' de-capitalisation, acquisition cost of Aravali Resort, and other costs related to the Bengaluru residential project. We expect margin to recover to 46% (+ c. 240 bps) in 4QFY25. The margin performance for Juniper Hotels, which was impacted in 9MFY25 due to the renovation work at Grand Hyatt, Mumbai, is expected to recover to the steady-state EBITDA margin of c. 40%. For Lemon Tree, we expect EBITDA margin to further improve to 53-54% led by MIAL Aurika ramp-up and higher fee income. SAMHI can deliver c. 600bps uptick in margin aided by better performance due to conversion of the ACIC portfolio to managed contracts and lower base (one-time ACIC integration costs in 4QFY24).
- **Maintain a constructive outlook for the sector:** We build in single-digit ARR growth (7-8%) and 100bps improvement in occupancies each year over FY25E-27E for our coverage companies. Aided by brownfield expansions, greenfield developments in pipeline and growth in the fee business, we are forecasting 12-15% growth in revenue over FY25-FY27E. We estimate 18-22% EBITDA growth for coverage companies in the same period,

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building in improvement in margins led by increasing contribution of higher margin/asset light business and positive operating leverage. Our preferred pick in the space is Lemon Tree Hotels. While we also like the business model of Chalet and prefer to look at it from a 3-year view (when a large part of its pipeline would be commissioned). Juniper and SAMHI also offers a good risk-reward opportunity at CMP, but would need to demonstrate robust earnings growth for re-rating of multiples. Any moderation in ARR growth and unexpected sharp slowdown in the broader economy remain key risks to our call.

Exhibit 1. 4QFY25E estimates for hotel companies

INR mn	4QFY25E	4QFY24	YoY (%)	3QFY25	QoQ (%)	Comments
Asset Owners						
Chalet Hotels						
Occupancy (%)	75.0%	76.0%	-100bps	70.0%	500bps	<ul style="list-style-type: none"> As per our channel checks, the properties of Chalet in Mumbai and Bengaluru should report 10-12% YoY growth in ARR ARRs for its Hyderabad portfolio to grow at c.15-16%. We expect YoY revenue growth of c.20% led by strong growth in both the hospitality and annuity segments. We expect a c.12% growth in F&B revenues and Chalet's consolidated EBITDA margin to come in at c.46% in 4QFY25. 4QFY24 margins were impacted by one-time expenses related to Dukes de-capitalisation, acquisition cost of Aravali Resort and expenses related to the residential project. Office portfolio ramp-up should continue in 4QFY25 as well.
ADR (INR)	13,495	11,862	13.8%	12,944	4.3%	
RevPAR (INR)	10,121	8,984	12.7%	9,090	11.3%	
Total Revenues	5,010	4,183	19.8%	4,578	9.4%	
Hospitality	4,406	3,830	15.0%	4,005	10.0%	
Office	605	354	70.9%	577	4.9%	
EBITDA	2,306	1,829	26.1%	2,047	12.7%	
Hospitality	2,106	1,832	15.0%	1,847	14.0%	
Office	454	272	66.8%	455	-0.3%	
EBITDA margin (%)	46.0%	43.7%	231bps	44.7%	132bps	
Hospitality	47.8%	47.8%	-3bps	46.1%	169bps	
Office	75.0%	76.8%	-184bps	78.9%	-386bps	
SAMHI						
Occupancy (%)	75.0%	76.0%	-100bps	72.0%	300bps	<ul style="list-style-type: none"> We expect SAMHI to report a 12% YoY growth in revenues, aided by healthy growth in ARR (10% YoY). ESOP expenses reduces from a quarterly run-rate of INR 115mn to INR 45mn We expect a significant improvement in EBITDA margins from 31% in 4QFY24 to 36% in 4QFY25 driven by reduction in ESOP costs, conversion of ACIC to managed contracts and lower base (one time ACIC integration costs in 4QFY24)
ADR (INR)	6,885	6,279	9.7%	6,574	4.7%	
RevPAR (INR)	5,164	4,830	6.9%	5,088	1.5%	
Total Revenues	3,118	2,792	11.7%	2,958	5.4%	
EBITDA	1,132	854	32.4%	1,103	2.6%	
EBITDA margin (%)	36.3%	30.6%	568bps	37.3%	-99bps	
Juniper Hotels						
Occupancy (%)	78.0%	80.0%	-200bps	75.0%	300bps	<ul style="list-style-type: none"> For Juniper, we estimate a 7% revenue growth in 4QFY25 We expect occupancies to come in at 78%, while our expectation for portfolio wide ARR growth is c.8%. Expect EBITDA margin to improve to c. 41%, a significant improvement on a YoY basis
ADR (INR)	11,999	11,110	8.0%	11,714	2.4%	
RevPAR (INR)	9,359	8,850	5.8%	8,760	6.8%	
Total Revenues	2,629	2,453	7.2%	2,525	4.1%	
EBITDA	1,076	911	18.2%	928	15.9%	
EBITDA margin (%)	41.0%	37.1%	381bps	36.8%	418bps	
Brand owners						
Indian Hotels (IHCL)						
Occupancy (%)	78.0%	79.1%	-110bps	78.0%	0bps	<ul style="list-style-type: none"> We forecast IHCL's standalone RevPAR to grow by 11% YoY, led by ARR growth of 13% YoY to INR 19,725. Excluding the effect of consolidation of Taj SATS, L-f-L growth is expected to be in the 19-20% range for the IHCL consolidated entity Our expectations of IHCL's EBITDA margin is c.35%, marginally higher than what was achieved same quarter, last year.
ADR (INR)	19,725	17,456	13.0%	20,440	-3.5%	
RevPAR (INR)	15,386	13,885	10.8%	15,996	-3.8%	
Total Revenues	24,680	19,053	29.5%	25,331	-2.6%	
EBITDA	8,631	6,598	30.8%	9,617	-10.2%	
EBITDA margin (%)	35.0%	34.6%	34bps	38.0%	-299bps	
Lemon Tree Hotels						
Occupancy (%)	74.5%	72.0%	250bps	74.2%	30bps	<ul style="list-style-type: none"> We forecast a significant improvement in occupancy for Lemon Tree (250 bps) and ARR growth of c. 8% YoY. We expect revenues to grow at 13%YoY, led by Aurika MIAL and ~30% growth in the fee business (2 managed assets were opened in 4QFY25). Expect EBITDA margin to improve on a YoY basis to come in at c. 54%, mostly due to positive operating leverage led by ramp-up of Aurika MIAL.
ADR (INR)	7,110	6,605	7.6%	6,763	5.1%	
RevPAR (INR)	5,297	4,754	11.4%	5,018	5.6%	
Total Revenues	3,703	3,273	13.1%	3,552	4.3%	
EBITDA	1,999	1,715	16.6%	1,842	8.5%	
EBITDA margin (%)	54.0%	52.4%	159bps	51.9%	211bps	

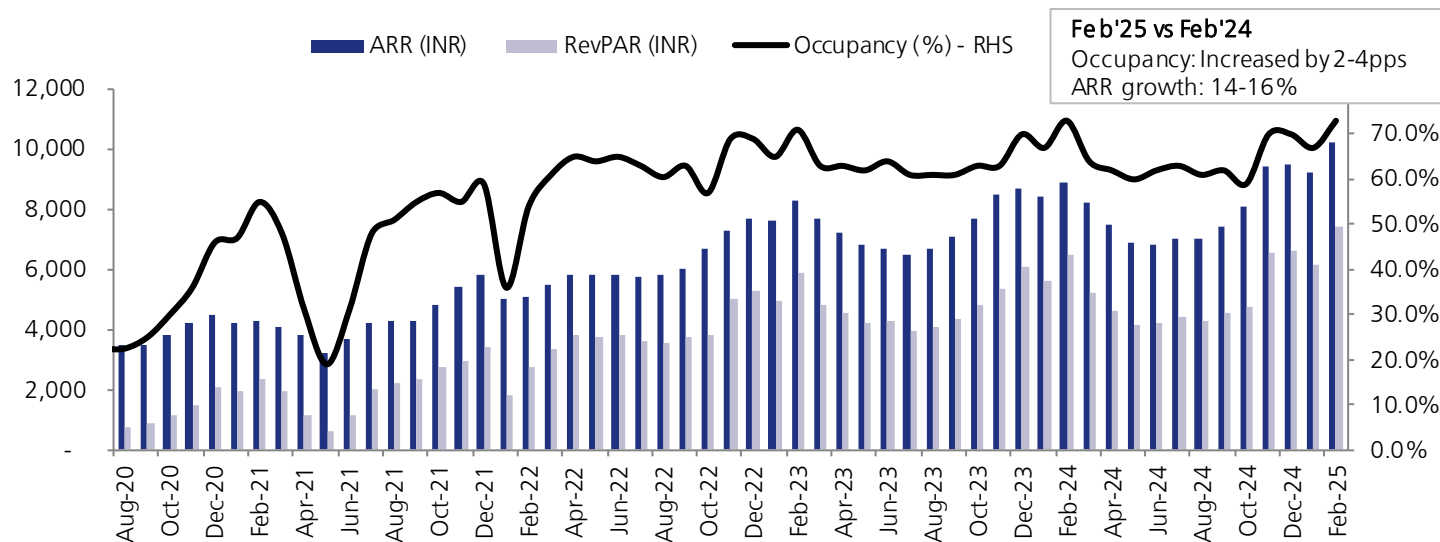
Source: Company, JM Financial

Exhibit 2. 4QFY25E quarterly performance trend

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25E	YoY	QoQ
Reported revenue (INR mn)	18,797	18,516	25,784	26,147	21,898	23,634	31,303	31,754	24,291	27,531	38,943	39,140	23%	1%
Chalet	2,530	2,478	2,897	3,379	3,108	3,145	3,737	4,183	3,610	3,771	4,578	5,010	20%	9%
SAMHI	1,686	1,745	1,907	2,048	1,904	2,200	2,678	2,792	2,499	2,655	2,958	3,118	12%	5%
IHCL	12,661	12,326	16,858	16,254	14,664	14,332	19,638	19,053	15,502	18,261	25,331	24,680	30%	-3%
Lemon Tree	1,920	1,967	2,335	2,527	2,223	2,272	2,887	3,273	2,680	2,844	3,552	3,703	13%	4%
Juniper Hotels	-	-	1,786	1,940	-	1,685	2,363	2,453	1,997	2,145	2,525	2,629	7%	4%
Reported EBITDA (INR mn)	6,200	5,257	9,710	9,843	6,698	6,936	12,197	11,907	8,497	9,381	15,537	15,144	27%	-3%
Chalet	1,019	851	1,135	1,524	1,098	1,260	1,660	1,829	1,402	1,495	2,047	2,306	26%	13%
SAMHI	527	530	621	699	453	508	850	854	821	922	1,103	1,132	32%	3%
IHCL	3,779	2,940	5,972	5,355	4,102	3,548	7,324	6,598	4,496	5,013	9,617	8,631	31%	-10%
Lemon Tree	876	936	1,265	1,399	1,045	1,019	1,397	1,715	1,151	1,307	1,842	1,999	17%	9%
Juniper Hotels	-	-	717	866	-	602	966	911	627	644	928	1,076	18%	16%
EBITDA margin (%)	33%	28%	38%	38%	31%	29%	39%	37%	35%	34%	40%	39%	120bps	-120bps
Chalet	40%	34%	39%	45%	35%	40%	44%	44%	39%	40%	45%	46%	231bps	132bps
SAMHI	31%	30%	33%	34%	24%	23%	32%	31%	33%	35%	37%	36%	568bps	-99bps
IHCL	30%	24%	35%	33%	28%	25%	37%	35%	29%	27%	38%	35%	34bps	-299bps
Lemon Tree	46%	48%	54%	55%	47%	45%	48%	52%	43%	46%	52%	54%	159bps	211bps
Juniper Hotels	NA	NA	40%	45%	NA	36%	41%	37%	31%	30%	37%	41%	381bps	418bps
Reported PAT	1,051	651	4,540	3,414	2,531	1,124	4,955	6,175	3,448	4,305	7,966	6,600	15%	-11%
Chalet	286	157	1,024	392	887	364	706	824	606	-1,385	965	640	-22%	-34%
SAMHI	-1,031	-920	-812	-736	-851	-1,018	-744	113	44	126	228	277	145%	22%
IHCL	1,660	1,220	3,830	3,020	2,220	1,670	4,520	3,930	2,480	5,546	5,823	4,488	14%	-23%
Lemon Tree	136	194	486	590	275	264	438	840	201	296	625	739	-12%	-18%
Juniper Hotels	-	-	12	148	-	-156	35	468	117	-278	325	457	-2%	41%

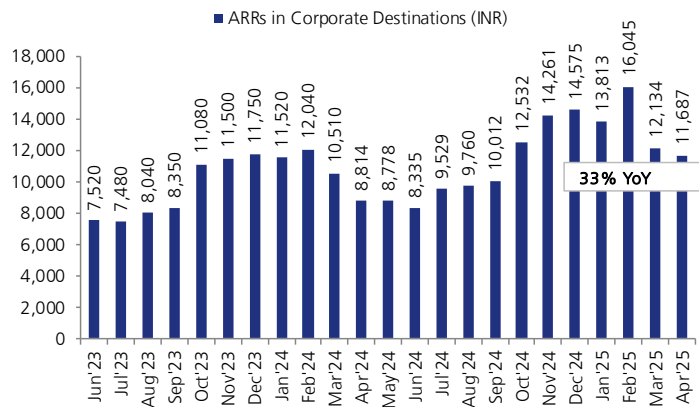
Source: Company, JM Financial

Exhibit 3. Pan-India occupancy and ARR



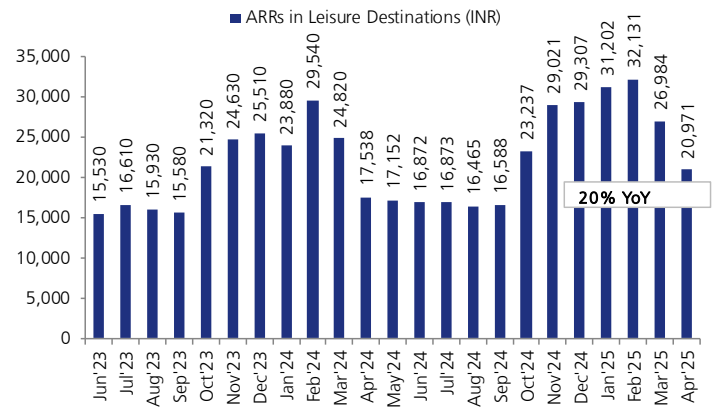
Source: HVS Anarock, JM Financial

Exhibit 4. Room rates remain elevated on YoY basis...



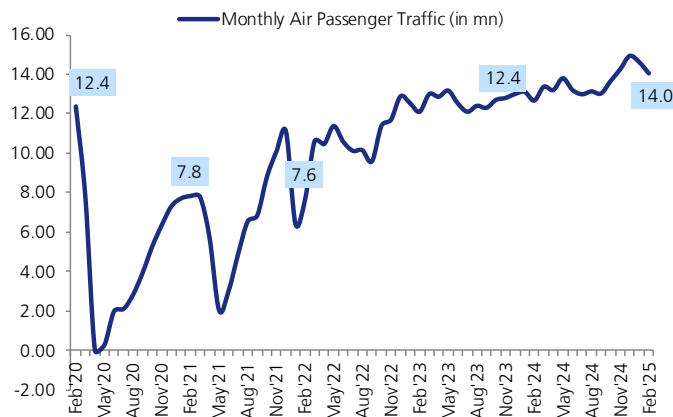
Source: Booking.com, JM Financial

Exhibit 5. ...but growth is relatively soft in leisure locations



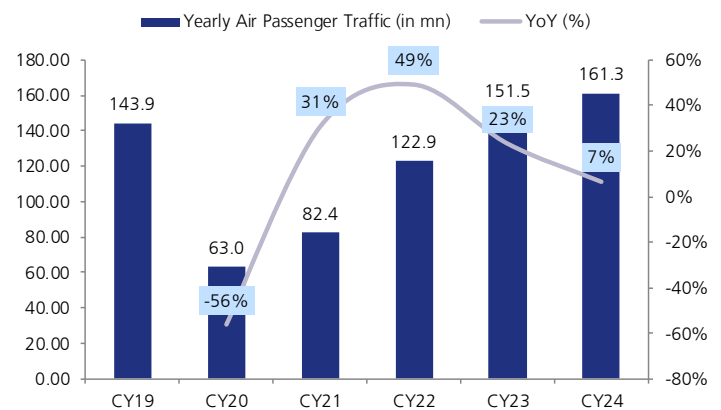
Source: Booking.com, JM Financial

Exhibit 6. Monthly air passenger traffic for Feb'25 increased by 11% YoY



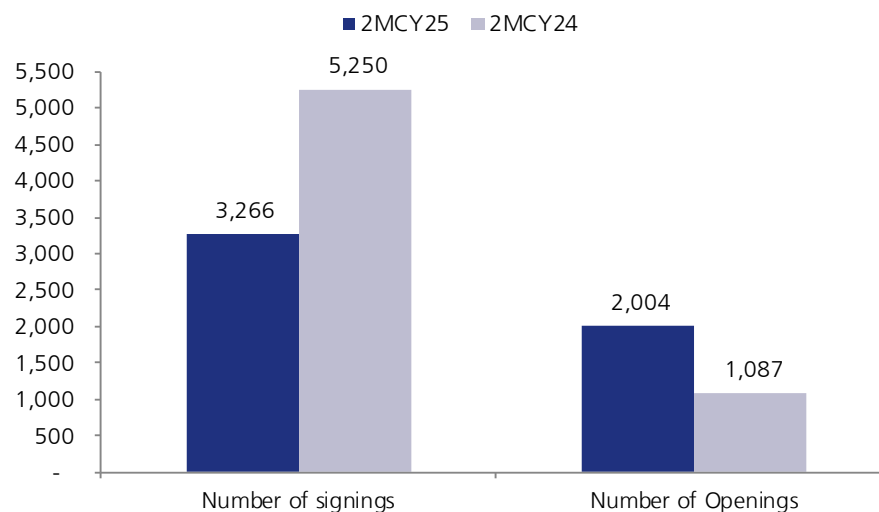
Source: DGCA, JM Financial

Exhibit 7. CY24 air passenger traffic came in at 161.3mn



Source: DGCA, JM Financial

Exhibit 8. Branded hotel market signings and openings for 2MCY25



Source: HVS Anarock, JM Financial

Exhibit 9. Valuation comps

Company	CMP	Shares o/s	Mcap	TP (INR/sh)	Upside	Reco	FY24-FY27E CAGR		
		(mn)	(INR bn)				Sales	EBITDA	PAT
Asset Owners									
Chalet	800	218	174	955	19%	BUY	22%	26%	28%
SAMHI	145	218	32	240	66%	BUY	14%	25%	NM
Juniper Hotels	262	223	58	410	56%	BUY	16%	20%	140%
Asset/Brand Owners									
Indian Hotels	768	1,423	1,093	755	-2%	HOLD	17%	20%	15%
Lemon Tree	137	792	108	170	24%	BUY	14%	16%	27%

Company	EV/Sales			EV/EBITDA			P/E		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Asset Owners									
Chalet	11.6x	9.3x	7.7x	27.0x	21.1x	16.8x	61.3x	43.0x	30.1x
SAMHI	4.7x	4.1x	3.7x	13.1x	11.3x	10.1x	48.4x	22.6x	15.4x
Juniper Hotels	7.0x	5.8x	5.1x	19.8x	14.6x	12.1x	94.0x	26.3x	18.0x
Asset/Brand Owners									
Indian Hotels	12.5x	10.5x	9.7x	37.8x	30.9x	28.2x	71.6x	61.2x	56.7x
Lemon Tree	9.7x	8.4x	7.8x	19.7x	16.7x	15.3x	60.1x	42.5x	35.7x

Company	Sales. (INR mn)			EBITDA (INR mn)			Adjusted PAT (INR mn)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Asset Owners									
Chalet	16,969	20,987	25,570	7,251	9,273	11,702	2,848	4,061	5,812
SAMHI	11,230	12,893	14,266	3,977	4,616	5,155	658	1,408	2,067
Juniper Hotels	9,296	11,126	12,670	3,276	4,438	5,358	620	2,220	3,244
Asset/Brand Owners									
Indian Hotels	83,774	1,00,128	1,08,744	27,757	34,005	37,182	15,267	17,854	19,285
Lemon Tree	12,779	14,868	16,019	6,299	7,432	8,104	1,804	2,549	3,033

Source: Company, JM Financial

Exhibit 10. IHCL: Change in estimates

Old TP 760				New TP 755				Change in TP -1%			
INR mn	FY25E	FY26E	FY27E	INR mn	FY25E	FY26E	FY27E	Change	FY25E	FY26E	FY27E
Net Sales	86,302	1,01,350	1,09,364	Net Sales	83,774	1,00,128	1,08,744	Net Sales	-3%	-1%	-1%
EBITDA	28,294	34,668	37,431	EBITDA	27,757	34,005	37,182	EBITDA	-2%	-2%	-1%
EBITDA Margin (%)	33%	34%	34%	EBITDA Margin (%)	33%	34%	34%	EBITDA Margin (%)	35bps	-24bps	-3bps
Adj Net Profit	15,178	18,938	20,131	Adj Net Profit	15,267	17,854	19,285	Adj Net Profit	1%	-6%	-4%

Source: Company, JM Financial

Exhibit 11. SAMHI: Change in estimates

Old TP 245				New TP 240				Change in TP -2%			
INR mn	FY25E	FY26E	FY27E	INR mn	FY25E	FY26E	FY27E	Change	FY25E	FY26E	FY27E
Net Sales	11,732	13,125	14,525	Net Sales	11,230	12,893	14,266	Net Sales	-4%	-2%	-2%
EBITDA	4,074	4,602	5,232	EBITDA	3,977	4,616	5,155	EBITDA	-2%	0%	-1%
EBITDA Margin (%)	35%	35%	36%	EBITDA Margin (%)	35%	36%	36%	EBITDA Margin (%)	68bps	74bps	11bps
Adj Net Profit	887	1,447	2,134	Adj Net Profit	658	1,408	2,067	Adj Net Profit	-26%	-3%	-3%

Source: Company, JM Financial

Exhibit 12. Indian Hotels EV/EBITDA chart



Source: Bloomberg, JM Financial

Exhibit 13. Chalet EV/EBITDA chart



Source: Bloomberg, JM Financial

Exhibit 14. Lemon Tree EV/EBITDA chart

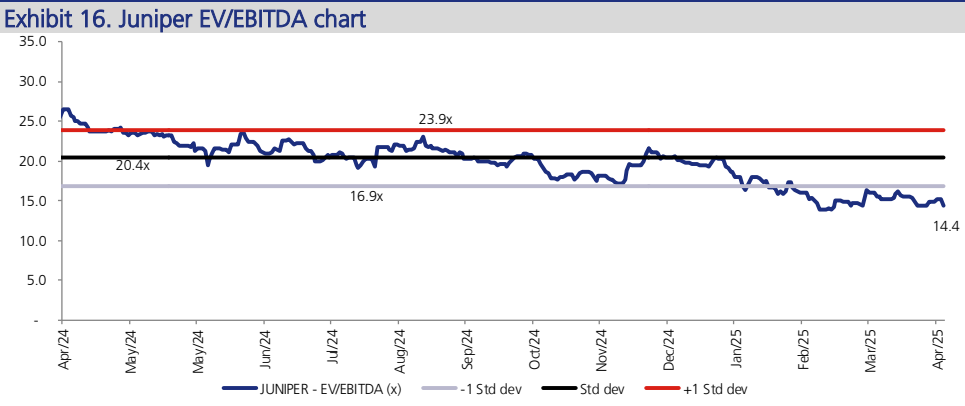


Source: Bloomberg, JM Financial

Exhibit 15. SAMHI EV/EBITDA chart



Source: Bloomberg, JM Financial



APPENDIX I

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