

**APEEJAY SURRENDRA PARK HOTELS LIMITED**

**05-02-2024 TO 07-02-2024**

**Industry: Hotels & Resorts**

**Price Band: ₹147 -155**

**Recommendation: Subscribe for long term**

**Post Implied Market Cap: ₹3,168-3,307 Cr**

### Key Data

Issue Size (₹ Cr)	920
Fresh (₹)	600
OFS (₹)	320.00
No of shares offered	62,619,045 - 59,385,351
Face Value (₹ /share)	1
Bid Lot	96

### About the Company

Apeejay Surrendra Park Hotels Limited (ASPH) is a prominent player in the Indian hospitality industry, ranking 8th in terms of chain-affiliated hotel room inventory. With over 55 years of experience, ASPH owns and operates hotels under brands like "THE PARK", "THE PARK Collection", "Zone by The Park", "Zone Connect by The Park" and "Stop by Zone", catering to upscale and upper mid-scale segments. They also own the iconic retail brand "Flurys" in the food and beverage sector. Currently operating 30 hotels and 81 dining establishments nationwide, ASPH offers diverse hospitality experiences across India.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	8/2/2024
Refunds/Unblocking ASBA Fund	9/2/2024
Credit of equity shares to DP A/c	9/2/2024
Trading commences	12/2/2024

### Investment Rationales

- Built successful hospitality brands through product innovation and service excellence to attract customer through a diversified and holistic offering:** The company operates its own hospitality brands, recognized for excellence and innovation, offering curated experiences across diverse price points. With a focus on expansion, they have grown "Zone by the Park" to 11 cities and "Zone Connect by The Park" to 7 cities. Recent additions include Someplace Else in Mumbai and revamped venues like THE SHACK in Vizag and The Tap Room in Bangalore, showcasing their commitment to developing new offerings.
- Diversified Pan India portfolio of owned, leased and managed hotels that are strategically located across metros and emerging cities:** The company operates 30 hotels with 2,298 rooms nationwide and has expanded by opening 13 managed and leased hotels in the last 3 years, adding 686 rooms. They own hotels in 6 out of 7 mega cities, focusing on leveraging brand equity for growth and adopting an asset-light model for scalability and brand presence.
- High occupancy rate and RevPAR with a strong financial and operational track record:** Park Hotels demonstrates a robust operating track record with consistently high occupancy rates, competitive room rates, and RevPAR across their properties. With an average occupancy level of 92.76%, 91.50%, and 91.55% for owned hotels, they emphasize portfolio optimization, ensuring competitiveness and strong financial performance. Their diverse hotel categories enable tailored offerings to their target customer base.
- High F&B and Entertainment contributions which adds to stable and non-cyclical earnings while complementing the hotel business:** The food, beverage, and entertainment segment is integral to the company's business, offering stability and resilience to earnings. With a portfolio of diverse outlets within their hotels, they cater to local and international customers. As of September 30, 2023, they operate 81 restaurants, nightclubs, and bars.
- "Flurys" is an iconic brand with a successful and profitable track record of industry leading EBITDA margins:** "Flurys" is a renowned retail food and beverage brand with 73 outlets across various formats. Operating on an asset-light model, it provides resilience and scalability. With 72 outlets on leased premises, the brand intends to capitalize on domestic consumption growth, emphasizing quality and differentiation in its offerings.

### Shareholding (No. of shares)

Pre-Issue	174,661,760
Post Issue (Lower price band)	215,478,087
Post Issue (Higher price band)	213,371,437

### Shareholding Pattern

Promoters	%
Pre Issue	47.24%
Post Issue	38.66%
<b>Promoters Group:</b>	
Pre Issue	46.95%
Post Issue	29.48%
<b>Public-Investor Selling S/H:</b>	
Pre Issue	5.82%
Post Issue	4.04%
<b>Public - Others:</b>	
Pre Issue	0.00%
Post Issue	27.83%

### Issue Breakup

QIB	75%
NIB	15%
Retail	10%

### Other Details

**BRLMs:** Axis Capital, JM Financial, ICICI

**Securities**

**Registrar:** Link Intime India Pvt. Ltd.

**Listing:** BSE & NSE

### Research Analyst

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### Risk

- 1) Higher Dependency on online travel agents and intermediaries for hotel bookings.
- 2) Higher Dependency of corporate accounts and leisure customers in revenue.

### MView

We believe Apeejay Surrendra Park Hotels Ltd. IPO gives investors an opportunity to invest in 8th largest hotel chain with asset ownership in India. We like the company's diversified portfolio while strategically positions itself in key markets, leveraging an asset-light model which focuses on scalability and brand presence across diverse geographies. We also like the company's impressive occupancy rates and RevPAR figures, reflecting its operational efficiency and portfolio optimization strategies. We believe the F&B and entertainment segment form an integral part of ASPH business, which offers stability and resilience to earnings. By looking at the financials the company has shown a strong growth in FY2022 and FY 2023 with 42.6%/98.5% in revenue from operations and strong recovery in net profit from loss of ₹28.2 Cr in FY 2022 to profit of ₹ 48.06 Cr in FY 2023. On valuation parse at the upper band of ₹155/-, the issue is asking for a Market Cap of ₹3307/- Cr. Based on annualised FY24 earnings and fully diluted post-IPO paid up capital, Given the company's historic losses and recovering back to profitability, relying solely on P/E valuation may not be a practical approach. Instead, if we analyse it based on Price to Book Value, which stands at ~3x of FY24 annualized, compared to the industry average of ~5-8x which seems this IPO is reasonably priced to its peers. Hence, considering industrial and company's future growth rationales along with the primary objective of reducing the debt which could lighten interest burdens which can improve the bottom lines in coming years. With its established brands, strategic growth initiatives, and resilient business model the company is well-positioned to capitalize on emerging market trends. Hence, we recommend investors to "SUBSCRIBE" the Apeejay Surrendra Park Hotels Ltd. IPO for long term perspective.



### CONSOLIDATED FINANCIAL TABLES

#### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30		As at March' 31		
	2023 (06)	2022(06)	2023	2022	2021
Equity Share Capital	17.47	17.47	17.47	17.47	17.47
Reserve & Surplus	561.24	509.44	538.22	491.05	518.81
Net worth	578.71	526.91	555.68	508.51	536.28
Revenue from Operations	264.41	226.00	506.13	255.02	178.83
Revenue Growth	17.0%	-	98.5%	42.6%	-
EBITDA	90.91	80.33	177.10	58.29	22.85
EBITDA Margin (%) as stated	33.38%	33.69%	33.77%	21.76%	12.01%
Profit before Tax	33.64	25.64	65.47	-41.79	-86.80
Net Profit for the year	22.95	18.51	48.06	-28.20	-75.88
Net profit Margin	8.43%	7.76%	9.16%	-10.53%	-39.88%
EPS	1.31	1.06	2.75	-1.61	-4.34
RONW	3.97%	3.51%	8.65%	-5.55%	-14.15%
Net Asset Value (X) as stated	33.13	30.17	31.81	29.11	30.70

Source: Company RHP

#### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	NAV (in Cr.)	EPS	NAV (₹ per share)	P/B	P/E	RONW
Apeejay Surrendra Park Hotels Ltd.	Consolidated	3307	1	1201.66	2.15	56.32	2.8	72	8.65%
Chalet Hotels Ltd.	Consolidated	15,610	10	1,544.49	9.06	75.2	9.21	64.6	12.03%
Lemon Tree Hotels Ltd.	Consolidated	11,008	10	853.73	1.45	10.78	12.8	84.7	16.46%
Indian Hotels Company Ltd.	Consolidated	69,463	1	7,981.96	7.06	56.2	8.32	63.1	13.19%
EIH Ltd.	Consolidated	20,315	2	3,374.57	5.03	53.96	5.77	44.4	9.75
SAMHI Hotels Ltd.	Consolidated	4,281	1	54.73	-47.48	2.51	3.96	Na	Na

Date as on 31st March 2023, Cline Mcap,PE, PB calculated as on 01-02-2024

Apeejay Surrendra Park Hotels Ltd. EPS/PE. P/B.NAV calculated on annualised basis post money



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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