

February 17, 2025

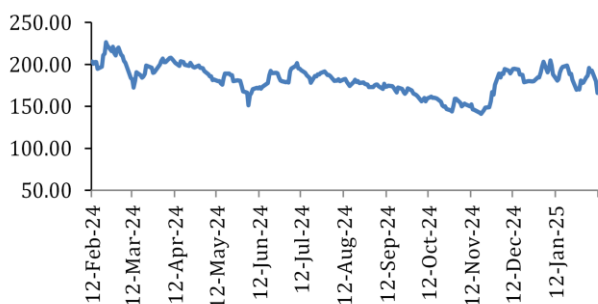
APEEJAY SURRENDRA PARK HOTELS LTD. (ASPHL)

Industry	Hotel, Resort & Restaurants
No. of Shares (Crore)	21.34
Face value (Rs.)	1.00
Mkt. Cap (Rs. Crore)	3426.79
Price (14/02/2025)	160.60
Book Value (Rs)	58.95
P/BV	2.72
BSE Code	544111
NSE Code	PARKHOTELS
Bloomberg	PARKHOTE IN
Reuters	APEJ.BO
Avg. Weekly Volume (NSE)	5,41,161
52 W H/L (Rs)	234.50/138.20
Shareholding Pattern	%
Indian Promoters	68.14
Institutions	15.31
Non- Institutions	16.55
Total	100.00

(As on December 31, 2024)

Recommendation
BUY

Apeejay Surrendra Park Hotels Ltd.


About the Company

ASPHL is a luxury and upscale brand in the hospitality sector having over five decades of expertise in owning and operating hotels. Since its inception in 1967, with the opening of its first property in Kolkata, under the renowned brand "THE PARK" the company has expanded to 23 cities across India. ASPHL operates 36 hotels including properties owned leased and managed along with five distinct brands: THE PARK, THE PARK collection, Zone Connect by the Park, zone by the 'Park', and Stop by the Zone. They cater to both business and leisure travelers seeking a luxurious experience in prime urban locations.

Investment Rationale

- The company currently operates diversified business model with 36 hotels totaling 2495 keys in Q3FY25 with 44% owned, 44% managed and 11% leased and over next five years the total number of keys are expected to double by 5048 keys. The Capex guidance by the management for Q4FY25 is approx.Rs.30 crs & for FY26 is expected to be around Rs.150 to Rs,160 crs which would be supported by internal accruals.
- The Flurys brand has delivered exceptional performance in Q3FY25 by posting 39% YoY growth to Rs.22crs. Flurys has reached significant milestone with the opening of its 100th outlet in Banjara Hills, Hyderabad. ASPHL aims to open 200 Flurys store by FY27, which coincides with its centenary year.
- The company has achieved highest occupancy in India at 91%. In Q3FY25 the F&B Segment accounted for 44% of total revenue. Flurys grew by 37.5% YoY to Rs.22 crs in Q3FY25. 14 more Tea Room, Café and Kiosk are under development. ASPHL plans to earn Rs.1 cr revenue per each store with ~18%-20% margins and it takes 6-7 months for a new store to mature.
- Flurys plans to develop a commissary in Delhi-NCR region with ~20,000 sq.ft and cold storage facility that would meet the demand of whole North India from a central kitchen.
- The ARR of Palace properties which includes; The Lotus Palace Chettinad & The Ran Baas the Palace Patiala were at Rs.14000 and 35000 respectively.
- The net debt was significantly reduced from the high of Rs.614 crs in FY22 to Rs.5 crs as on Dec 2024, indicating a balanced growth approach without overleveraging. The net Debt to equity stood at zero in 9MFY25.

Recommendation

India's hospitality sector is set for strong growth over the next decade, driven by segments like spiritual and wildlife tourism. ASPHL with over 50% hotel expansion planned in next four years is well positioned to meet this rising demand. The company's focus on growing its F&B segment, particularly Flurys, along with superior operating metrics and high occupancy rates (91%-94%), gives it an edge over industry peers. Given its almost debt free status and strong balance sheet, we recommend a **BUY at CMP of Rs.160 with a target price of Rs209 (▲30%) for next 9-12 months.**

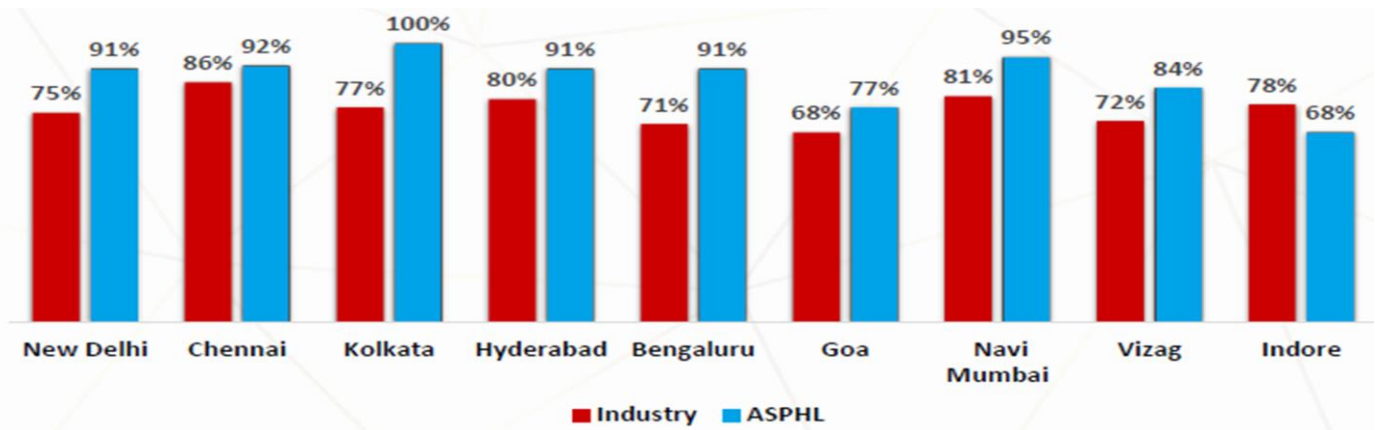
Particulars (In Rs. Crs)	Q3FY25	Q3FY24	Var%	9MFY25	9MFY24	Var%
Net Sales	177.49	160.05	10.90	454.13	426.54	6.47
PBIDT (Excluding OI)	114.16	102.99	10.85	310.70	284.40	9.25
Consolidated Net Profit	32.16	27.42	17.29	57.03	50.34	13.29
PBIDTM% (Excluding OI)	35.68	35.65	0.08	31.58	33.32	-5.22
PATM%	18.12	17.13	5.78	12.56	11.81	6.35
Equity	21.34	17.47	22.15	21.34	17.47	22.15
EPS (Rs.)	1.51	1.57	-3.82	2.67	2.88	-7.29

*Source: Company, Ace Equity, AUM Research

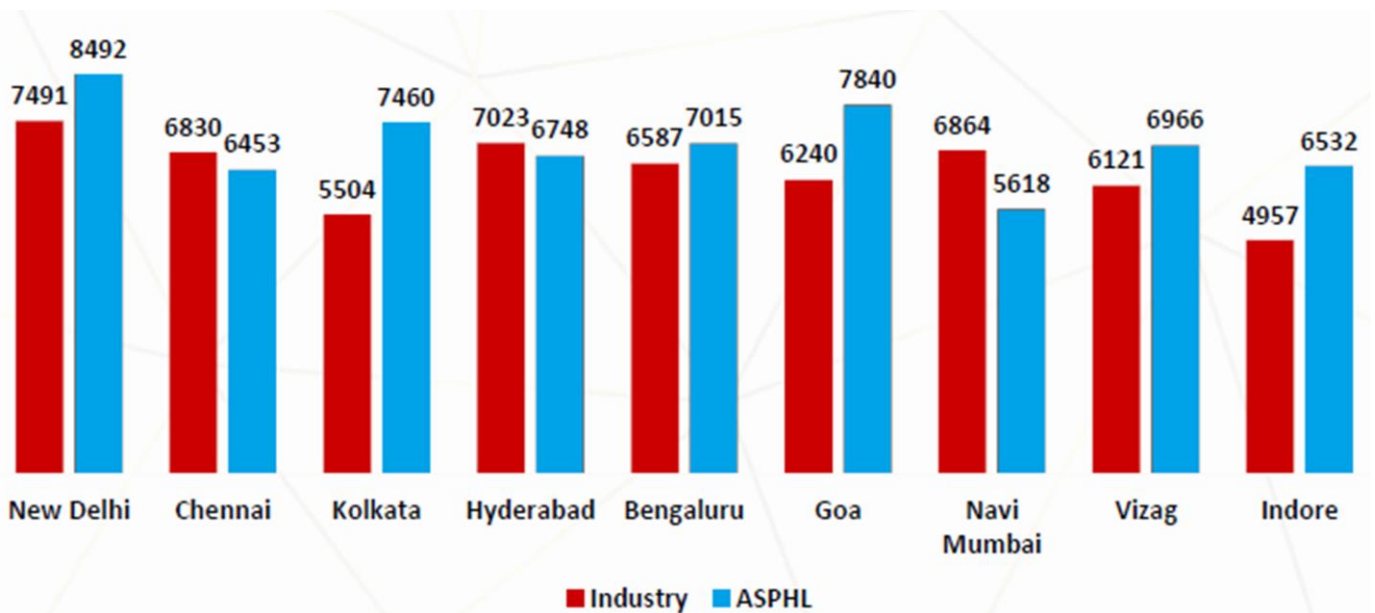
Company Overview

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ASPHL has consistently outperformed industry occupancy averages, with cities like Kolkata, Navi Mumbai and Chennai achieving occupancy rates of 100%, 95% and 92% respectively compared to the industry average of 77%, 81% and 86% respectively. The strong occupancy levels are driven by its strategic locations, high quality service offerings and effective demand management.



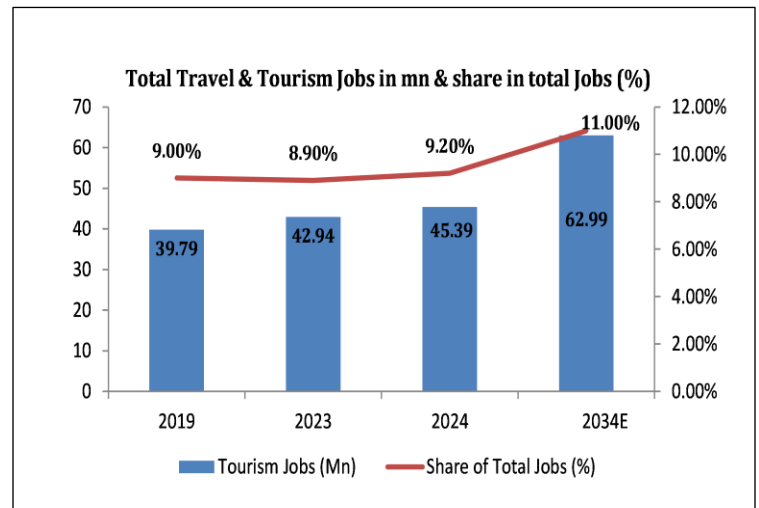
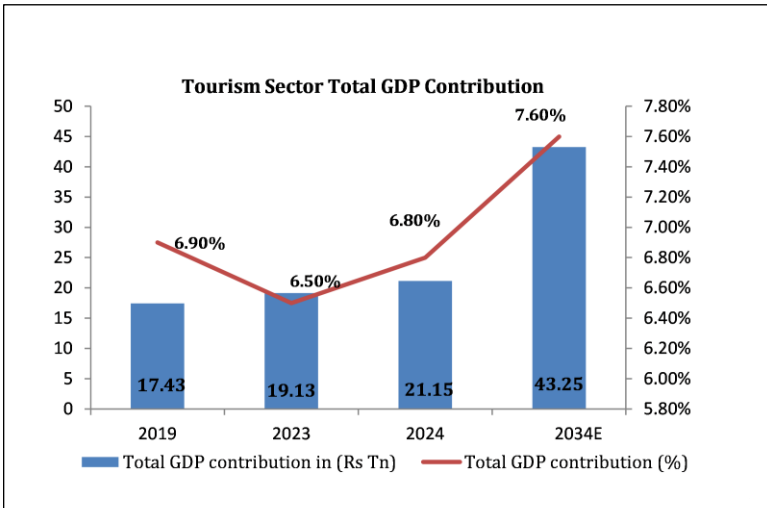
ASPHL has displayed strong performance in Average Room Rate (ARR) across key cities, significantly outperforming industry benchmarks. In cities like Kolkata, Indore and Goa, ASPHL achieved ARR of Rs.7460, Rs.6532 and Rs.7840 respectively surpassing industry averages of Rs.5504, Rs.4957 and Rs.6240. The ARR reflects company’s strategic pricing, premium positioning and consistent demand across its properties. The strong brand recall and high occupancy rates enable ASPHL to command superior room rates reinforcing its leadership in upscale and upper midscale segments.



Source: Company’s Presentation, Aum Research

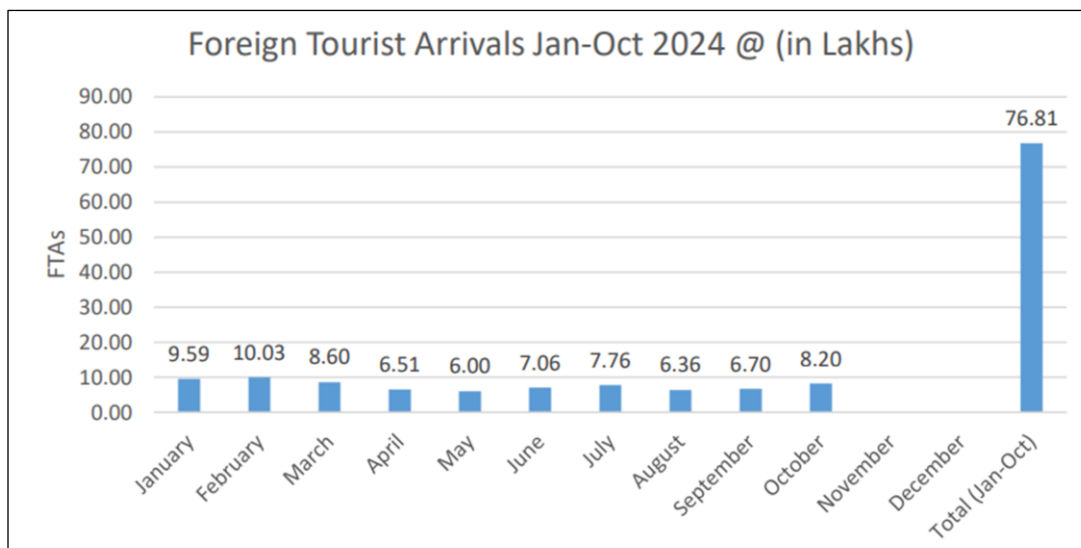
Industry Overview

With 43 properties listed on the UNESCO World Heritage List, India's tourism industry is becoming a global favorite, thanks to its rich legacy, cultural variety and stunning sites that offer a multitude of opportunities. With government initiatives like the @2047 Vision targeting 100 million inbound tourists by 2047, WTTC (World Travel and Tourism Council) projects the total earnings contribution through tourism to India's GDP to hit Rs. 21.15 Tn (USD 256.1 Bn) or 6.8% of GDP in 2024 and is expected to grow to Rs.43.25 Tn (USD 523.6 Bn) in 2034E. In 2019 (pre-Covid), the sector contributed Rs.17.43 Tn (USD 211.1 Bn) or 6.9% of GDP.



Source: WTTC, AUM Research

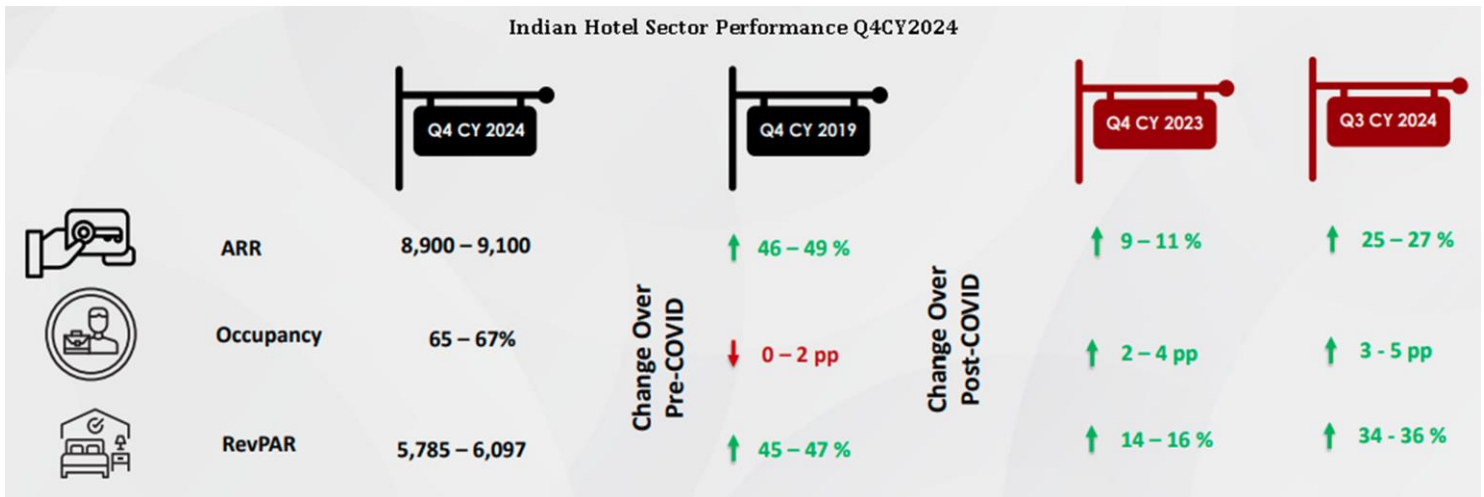
- ✚ The Government of India acknowledging the potential of this sector has allocated Rs.2479 crs in Budget FY24-25.
- ✚ The number of foreign tourist arrivals (FTAs) in India increased by 2.8% YoY during the period January-October, 2024 to 7.68 million from 7.47 million in the corresponding period previous year. According to provisional estimates, FTAs contributed Rs 2.2 lakh crores in Foreign Exchange Earnings (FEEs), which is a roughly 16.75% increase over Rs. 1.86 lakh crores in January-October, 2023.
- ✚ The Top 5, percentage share of FTAs during January – October, 2024 was from Bangladesh (20.10%), USA (17.01%), United Kingdom (10.05%), Canada (4.48%), Australia (4.37%).
- ✚ To promote tourism government has taken necessary measures like availability of e-visas and launching multilingual helpline for tourists. Also, on World Tourism Day 2024, 'Paryatan Didi and Paryatan Mitra' were launched to create a hospitable and memorable experience for tourists in India.




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The Indian Hotel Sector performance :

In Q4CY24, the Indian hotel sector exhibited positive performance, with key metrics showing steady growth. The sector’s occupancy rates ranged between 65% and 67% while Average Room Rates (ARR) for the quarter of CY2024 were between Rs.8900 and Rs.9100, reflecting a stable pricing environment. Revenue Per Available Room (RevPAR) improved to the range of Rs.5785 to Rs.6097 indicating strong demand. Cities such as Jaipur & Goa registered highest ARR growth of 73-75% & 45%-47% over Q3CY24 respectively. Mumbai recorded 22-24% growth while Bengaluru at 16-18%, reflecting the demand surge in these markets. Domestic air traffic movement also supported the hotel industry. The industry remains on track for sustained double digit growth, driven by foreign tourist arrival (FTAs), projected to increase from 9 million to 39 million by 2030, along side India’s anticipated GDP growth to \$5 trillion by FY27, reinforcing the sector’s long term potential.



Domestic Air Traffic Movement (Q4 CY2024)

Time Period	Total Domestic Air Traffic (Q4 CY 2024)	Change over Last Quarter	Change over Q4 CY 2023	Change over Q4 CY 2019
 Domestic Passenger Traffic	42.8 Mn	↑ 9%	↑ 9%	↑ 12%

Source: Company’s Presentation, Aum Research

Rationale For Investment

Unlocking growth opportunity

ASPHL is focused on achieving long term growth, with a goal to double its inventory to 5048 keys within the next five years by opening approximately 25 new hotels. The company is also making considerable progress in developing the mega project in Kolkata's EM Bypass. The company is developing 6, 00,000 sq.ft. Of which 3, 00,000 sq.ft is for service apartment and 3,00,000 for the Hotel. Before the festive season the sale of service apartment would begin with minimum rate of Rs.20000 per sq.ft. **The sale of Kolkata's EM Bypass apartment to generate approx...Rs.100 crs as cash flow starting next financial year over the next three years.** This would drive revenue growth while maintaining operational efficiency.

Debt - Free status and Robust Financial Position

After its successful IPO in February 2024, ASPHL has effectively cleared all its debt, marking a significant milestone in its financial journey. The annual operating cash flow is expected to be higher compared to the last year, the company is well-positioned to fund its capital expenditure needs through internal accruals. ASPHL expects to stay debt free in medium term and its robust balance sheet will provide the flexibility to pursue inorganic growth opportunities, thereby driving its future growth.

Buoyant Domestic Demand

The domestic travel industry has been robust and has grown materially. The total domestic Air Traffic (Q4CY24) stood at 42.8 million which was 9% QoQ growth and 9% change over Q4CY2023. Pilgrimage related travel has also grown significantly with spiritual tourism sector projected to expand at 9% CAGR from US\$ 60bn to US\$ 130 bn by 2032, also gaining from GOIs PRASAD scheme and Swadesh Darshan 2.0 programme. Air passenger movement for Varanasi has risen at 13% CAGR from FY15-FY24. The Maha Kumbh Mela 2025 in Prayagraj, UP is anticipated to attract approx. 40 cr visitors over the duration from January 13 to February 26, 2025. Despite having massive tents organized for accommodations significant demand for hotels in and around Prayagraj would shoot up during this period. ASPHL, already had launched Zone connect at Prayagraj with 40 rooms which would add to its revenue in Q4FY25. The ARR stood at ~Rs.40000 with 100% occupancy, for its Zone connect in Prayagraj.

Market Leadership in the Upscale and Upper midscale segments

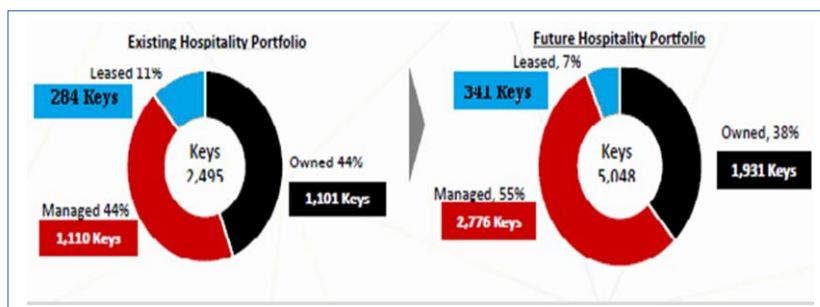
ASPHL recorded India's highest occupancy rate at 91% for Q3FY25 and retained its leadership position in RevPAR of Rs.7658 in upscale segment which surpassed the industry occupancy rate of 65-67% and RevPAR Rs.5785-6097 during Q4CY24, reflecting company's dominant position in hospitality industry.

Growth in Retail F&B Brand (Flurys)

ASPHL is seeing a positive response to its confectionery and café business under the Flurys brand. The Flurys business registered 33.5% YoY growth in 9MFY25 to Rs.47 crs as against Rs.35crs in 9MFY24, with total F&B (Food and Beverage) revenue contributing 42% or Rs.197crs of the total revenue. The company has opened 23 new Flury's stores during the quarter Q3FY25, and further plans to open 100 stores by FY27. The total Tea Rooms, Café, Kiosk at the end of third quarter of current financial year stood at 100 registering a CAGR of 24% during the period between FY17-Q3FY25. The Flurys business is expected to deliver EBIDTA margins ranging from 18-20% for the full fiscal year. In terms of revenue contribution, Flurys accounted for 9.93% of ASPHL's total sales in 9MFY25 and 12.29% in Q3FY25. Moving forward, ASPHL aims to increase Flurys' revenue contribution to 10-12% of total sales in FY25.

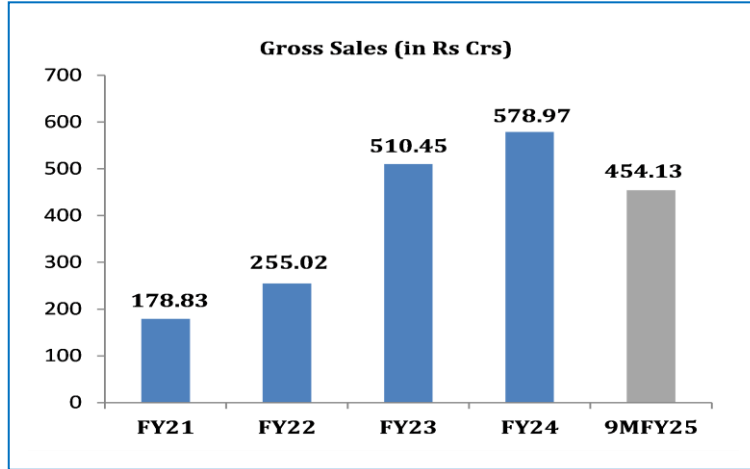
Strategic expansion and Asset Light Model

Recently ASPHL has opened a luxury palace in Patiala named The Ran Baas palace adding 25 rooms to the portfolio. The future planned key projects across different locations includes; The Park Pune with 200 rooms, expected to be completed by April 2027, The Park Vizag- 100 rooms, expected to be completed by September 2027, Navi Mumbai 250 rooms by March 2029 and The Park EM Bypaas, Kolkata - 250 rooms along with 100 serviced apartments to be completed by April 2028 and being executed jointly by Ambuja Housing. Commencement of sale of apartments to be started from October 2025. This aligns with the company's focus on asset-light models through management contracts while retaining ownership in key strategic location.

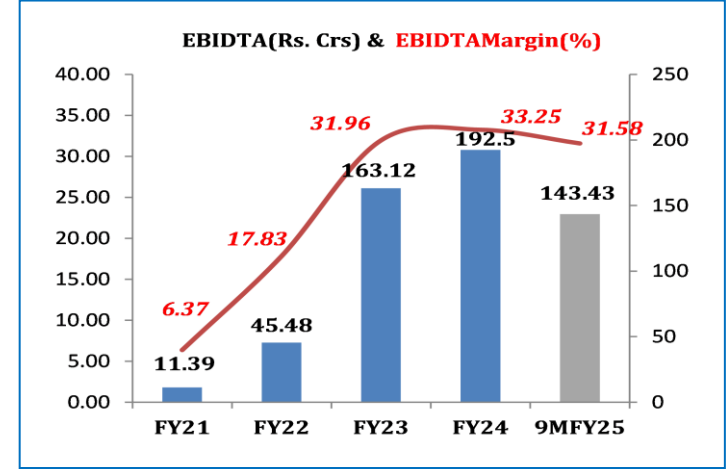


Key Highlights

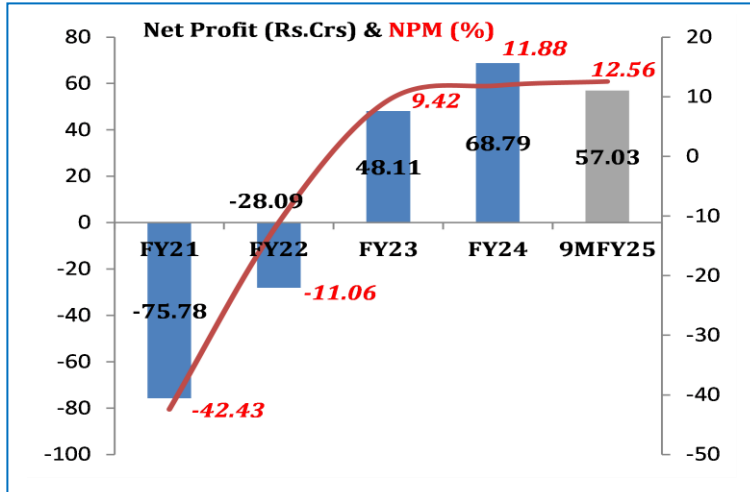
Consistent Topline Performance (Rs. Crs)



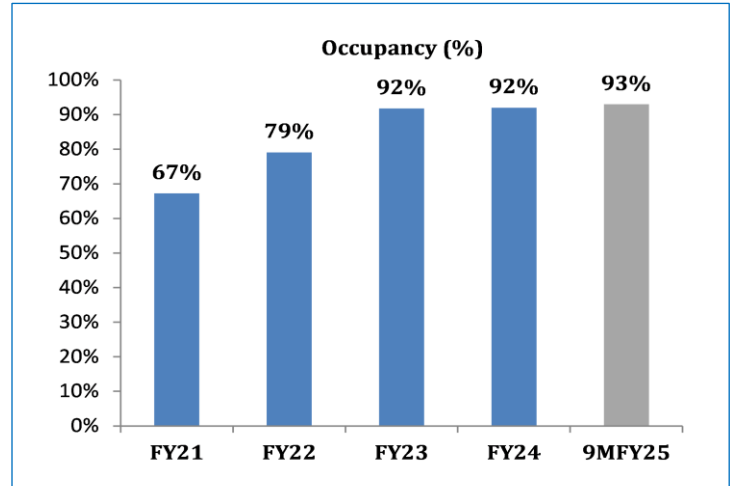
EBIDTA (Rs Crs) EBIDTA Margin (%)



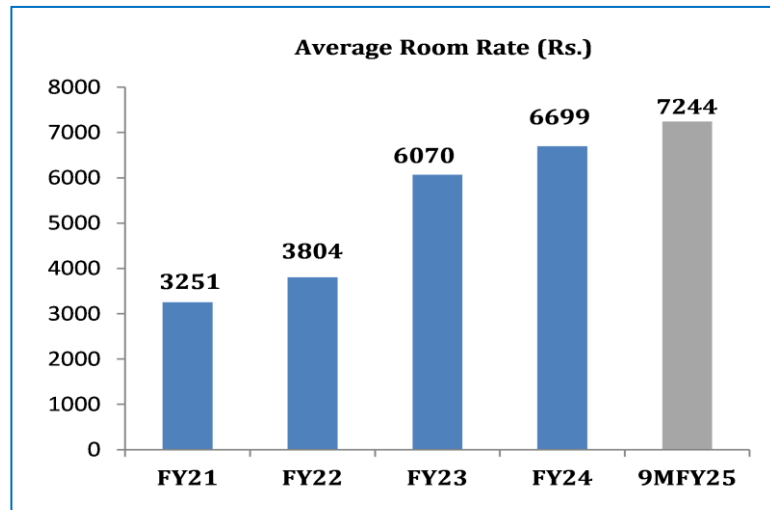
Profit After Tax (Rs. Crs) & Net Profit Margin (%)



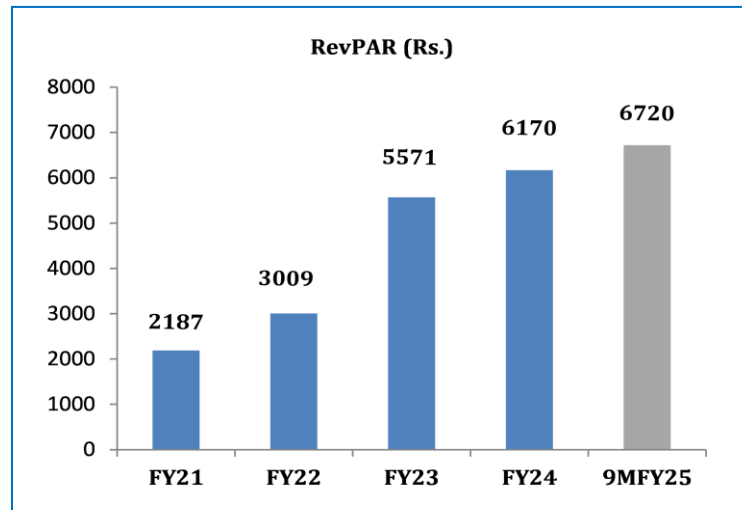
Occupancy Rate (%)



Average Room Rate (Rs.)



Revenue Per Available Room (RevPAR)



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Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q3FY25	Q3FY24	Var%	9MFY25	9MFY24	Var%
Net Sales & Other Operating Income	177.49	160.05	10.90	454.13	426.54	6.47
Total Expenditure	114.16	102.99	10.85	310.70	284.40	9.25
PBIDT (Excl OI)	63.33	57.06	10.99	143.43	142.14	0.91
Other Income	1.10	3.56	-69.10	19.02	9.38	102.77
Operating Profit	64.43	60.62	6.29	162.45	151.52	7.21
Interest	4.50	17.85	-74.79	11.55	51.23	-77.45
PBDT	59.93	42.77	40.12	150.90	100.29	50.46
Depreciation	14.55	14.08	3.34	41.99	37.97	10.59
PBT	45.38	28.69	58.17	108.91	62.32	74.76
Tax	13.22	1.27	940.94	51.89	11.96	333.86
Net Profit	32.16	27.42	17.29	57.02	50.36	13.22
Minority Interest	-0.01	-0.02	50.00	0.01	-0.02	150.00
Consolidated Net Profit	32.16	27.42	17.29	57.03	50.34	13.29
Equity	21.34	17.47	22.15	21.34	17.47	22.15
EPS (Rs.)	1.51	1.57	-3.82	2.67	2.88	-7.29

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
Net sales	578.97	510.45	255.02
Total Expenditure	386.47	347.33	209.54
Operating Profit (Excl OI)	192.50	163.12	45.48
Other Income	12.74	13.98	12.81
Operating Profit	205.24	177.10	58.29
Interest	66.04	62.33	60.01
PBDT	139.20	114.77	-1.72
Depreciation	50.54	49.30	40.07
Profit Before Tax	88.66	65.47	-41.79
Provision for Tax	19.89	17.40	-13.59
Net Profit	68.77	48.07	-28.20
Minority Interest	0.02	0.04	0.11
Consolidated Net Profit	68.79	48.11	-28.09
Equity	21.34	17.47	17.47
EPS (Rs.)	3.22	2.75	-1.61

* Stock split and bonus issue of shares

Source: Company, Ace Equity, AUM Research

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Consolidated Balance Sheet (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
EQUITY AND LIABILITIES			
Share Capital	21.34	17.47	17.47
Share Warrants Outstanding	3.05	0.00	0.00
Total Reserves	1173.60	538.23	491.05
Shareholder's Funds	1197.99	555.70	508.51
Minority Interest	-0.24	-0.22	-0.18
Secured Loans	5.45	496.86	472.94
Unsecured Loans	1.34	4.16	5.07
Deferred Tax Assets / Liabilities	37.13	31.74	19.00
Other Long Term Liabilities	72.39	43.89	26.85
Long Term Provisions	7.51	7.03	7.25
Total Non-Current Liabilities	123.82	583.68	531.11
Trade Payables	48.45	56.59	44.41
Other Current Liabilities	68.10	136.21	122.35
Short Term Borrowings	24.00	19.51	60.29
Short Term Provisions	13.99	10.32	8.69
Total Current Liabilities	154.54	222.63	235.74
Total Liabilities	1476.11	1361.79	1275.18
ASSETS			
Gross Block	1299.02	1226.50	1194.93
Less: Accumulated Depreciation	261.74	215.82	193.51
Net Block	1037.28	1010.68	1001.42
Capital Work in Progress	57.48	34.56	29.23
Asset in transit	180.60	181.49	140.68
Non-Current Investments	0.02	0.02	0.02
Long Term Loans & Advances	46.99	33.87	34.76
Other Non Current Assets	4.78	8.38	2.27
Total Non-Current Assets	1327.15	1269.00	1208.38
Inventories	15.24	13.48	10.06
Sundry Debtors	33.53	26.10	19.02
Cash and Bank	61.78	17.22	9.25
Other Current Assets	18.66	20.23	13.32
Short Term Loans and Advances	19.75	15.76	15.15
Total Current Assets	148.96	92.79	66.80
Net Current Assets (Including Current Investments)	-5.58	-129.84	-168.94
Total Current Assets Excluding Current Investments	148.96	92.79	66.80
Total Assets	1476.11	1361.79	1275.18

*Source: Company, Ace Equity, AUM Research

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Aum Capital RESEARCH DESK

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