

**ASPH**

**APEEJAY  
SURRENDRA  
PARK HOTELS**



**Sector: IT - Software**

**Issue Opens - February 5, 2024 to February 7, 2024**

**Price Band  
₹147 to ₹155**

**Face Value  
₹1**

**Lot Size  
96 Shares**

**Issue Size  
₹920.00 Cr**

**Issue Type  
Book Built**

[research@ganeshstock.com](mailto:research@ganeshstock.com)

# Important Events



**Issue Size**

aggregating up to ₹920.00 Cr

**Fresh Issue**

aggregating up to ₹920.00 Cr

**Offer for Sale**

N/A

**Basis of Allotment**

Thursday, February 8, 2024

**Initiation of Refunds**

Friday, February 9, 2024

**Credit of Shares to Demat**

Friday, February 9, 2024

**Apeejay Surr. Park Listing Date**

Monday, February 12, 2024

## Promoters

- **Karan Paul ( Non – Executive Director)**
- **Priya Paul (Chairman and Executive Director)**
- **Vijay Dewan (Managing Director)**
- **Debanjan Mandal (Independent Director)**

Promoters collectively hold 68.13% (Post Issue) of the Equity Share.

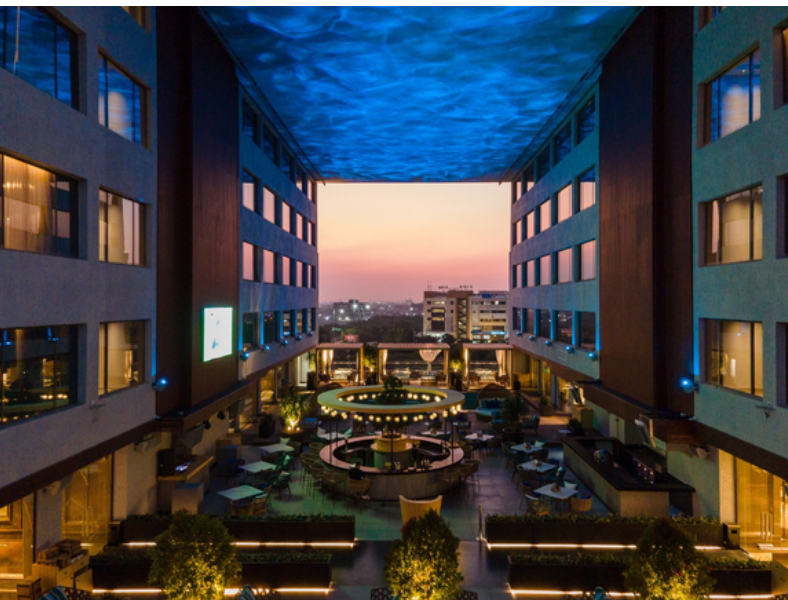
# About The Company



Apeejay Surrendra Park, the expert in Indian hospitality, creates unique experiences in their hotels. With over 55 years of know-how, they own and run "THE PARK" and "Zone" brands, serving both luxury and upper-midscale guests. Their hotels, found in key Indian cities, each have their own character, filled with design, art, and exceptional service. What sets Apeejay Surrendra Park apart is their ability to craft special experiences through events, entertainment, and creative food & beverage outlets like Zen and Tantra. Besides hotels, they also please taste buds with their "Flurys" retail brand. Focused on making a profit and ensuring guest satisfaction, Apeejay Surrendra Park is still expanding, captivating travelers with their passion for creating lasting experiences.

## Description of Their Business

They're the 8th biggest hotel chain in India that owns its properties (Source: Horwath HTL Report). They manage hotels under their own brands like "THE PARK", "THE PARK Collection", "Zone by The Park", "Zone Connect by The Park", and "Stop by Zone". With over 50 years of experience in the hotel business, their first hotel was launched on Park Street in Kolkata under the brand "THE PARK". They're also present in the food and beverage industry with their brand 'Flurys'. They introduced the idea of luxury boutique hotels in India through "THE PARK" and "THE PARK Collection", and in the upper-midscale category with "Zone by The Park" and "Zone Connect by The Park".



**THE  
PARK  
Hotels**





“THE PARK” brand is positioned as an upscale brand with a luxury boutique offering, with a brand philosophy that concentrates on design, style, and service to create differentiated and unique experiences at each hotel.

- “THE PARK Collection” brand encompasses small luxury properties located at selected travel destinations targeted at the luxury hotel category delivering personalized guest experiences. 189.
- “Zone by The Park” brand is positioned at the upper midscale level. It is designed for the price conscious and design conscious customers.
- “Zone Connect by The Park” is an upper midscale brand that channels its spirit and design philosophy from Zone by The Park.
- “Stop by Zone” is an economy motel brand which aims at providing convenient accommodation with easy access to parking, free Wi-Fi along with food services.

They own the registered name and mark “THE PARK” under various classes provided for under the Trade Marks

# Objects of The Offer



The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Repayment/ prepayment, in full or in part of certain outstanding borrowings availed by the Company; and
2. General corporate purposes

## Track Record Of Financial Performance

### Operating and Financial Metrics

	Year ended March 31,		
	2023	2022	2021
<b>Revenue from Contracts with customers excluding Management fees</b>			
Revenue from Contracts with customers excluding Management fees (A)	4,970.90	2,497.30	1,760.90
Revenue from Contracts with customers excluding Management fees to Total Income (%)	94.79%	93.24%	92.54%
<b>Management Fees</b>		(in ₹ lakhs, except percentages and ratios)	
Income from Management Fees (B)	90.40	52.90	27.40
Income from Management Fees to Total Income (%)	1.72%	1.98%	1.44%
<b>Other Income</b>			
Other Income (C)	183.00	128.10	114.60
Other Income to Total Income (%)	3.49%	4.78%	6.02%
<b>Total Income (D=A + B + C)</b>	5,244.30	2,678.30	1,902.90
EBITDA <sup>(1)</sup> (₹ in million) (E)	1,770.95	582.93	228.46
EBITDA Margin (%) (F=E/D)	33.77%	21.76%	12.01%
Restated Profit/ (Loss) before tax	654.67	(417.89)	(868.04)
Restated Profit/ (Loss) for the year	480.62	(282.02)	(758.84)

### F&B and Total Revenue – Select Listed Hotel Companies (in ₹ million)

	Fiscal 2021	Fiscal 2022	Fiscal 2023
<b>Select Listed Companies<sup>#</sup></b>			
Rooms (in '000s)	25	26	17
Total Revenue (in ₹ million)	31,041	56,868	90,733
F&B Revenue (in ₹ million)	9,337	18,223	32,303
% (F&B to Total Rev)	30%	32%	36%
<b>Apeejay Surrendra Park Hotels Limited</b>			
Total Revenue <sup>^</sup> (in ₹ million)	1,728	2,435	4,866
F&B Revenue <sup>^</sup> (in ₹ million)	623	883	1,902
% (F&B to Total Rev)	36%	36%	39%

**Revenue and EBITDA - Select Listed Hotel Companies (in ₹ million)**

Company#	FY21			FY22			FY23		
	Revenue	EBITDA	%	Revenue	EBITDA	%	Revenue	EBITDA	%
IHCL	17,399	-1,970	-11%	32,114	5,599	17%	59,488	19,435	33%
ITC Hotels	6,639	-675	-10%	13,477	3,466	26%	26,891	8,520	32%
EIH	5,470	-230	-4%	10,440	574	6%	20,964	6,750	32%
Chalet Hotels	2,021	-1,170	-58%	4,100	-307	-7%	10,281	3,383	33%
Lemon Tree Hotels	2,650	745	28%	4,163	1,327	32%	8,786	4,511	51%
ITDC	1,938	-278	-14%	3,037	130	4%	4,805	924	19%
Taj GVK	968	-5	-0.5%	2,283	521	23%	4,124	1,477	36%
Oriental Hotels	1,231	-248	-20%	2,264	305	13%	4,080	1,261	31%
Kamat Hotels	675	104	15%	1,456	378	26%	2,990	1,127	38%
Royal Orchid Hotels	888	-31	-4%	1,559	404	26%	2,797	980	35%
<b>Total / Avg<sup>@</sup></b>	<b>37,679</b>	<b>-5,759</b>	<b>-15.3%</b>	<b>70,345</b>	<b>8,911</b>	<b>12.7%</b>	<b>137,002</b>	<b>45,630</b>	<b>33.3%</b>
ASPHL	1,903	228	12%	2,678	583	21.8%	5,256	1,771	33.7%

The following table sets forth certain information of our Company for the years indicated below:

*(₹ in million, unless otherwise specified)*

	As at and for the year ended March 31, 2023	As at and for the year ended March 31, 2022	As at and for the year ended March 31, 2021
<b>Operational Metrics</b>			
Average Occupancy rate (in %) <sup>(1)</sup>	91.77	79.10%	67.26%
RevPAR (in ₹) <sup>(2)</sup>	5,571.00	3,009.05	2,186.61
Average Room Revenue (in ₹) <sup>(3)</sup>	6,070.51	3,804.27	3,250.90
No of Hotels <sup>(4)</sup>	25	21	17
Inventory (No. of Operating rooms) <sup>(5)</sup>	2,009	1,865	1,612
Inventory growth <sup>(6)</sup>	7.72%	15.69%	NA
<b>Financial Metrics</b>			
Total Income <sup>(7)</sup> (A)	5,244.30	2,678.30	1,902.90
Total Income Growth <sup>(8)</sup> (Y-o-Y)	95.81%	40.75%	-
EBITDA <sup>(9)</sup> (B)	1,770.95	582.93	228.46
EBITDA Margin <sup>(10)</sup> (C = B/A)	33.77%	21.76%	12.01%
Restated profit/(loss) for the year (D)	480.62	(282.02)	(758.84)
Restated profit/(loss) for the year Margin <sup>(11)</sup> (E=D/A)	9.16%	(10.53%)	(39.88%)
Net debt <sup>(12)</sup> (F)	5,500.10	6,137.59	5,834.00
Total Equity <sup>(13)</sup> (G)	5,554.62	5,083.30	5,362.02
Net Debt – Equity Ratio (H=F/G)	0.99	1.21	1.09
Net debt / EBITDA (I=F/B)	3.11	10.53	25.54
Revenue from contracts with customers	5,061.30	2,550.20	1,788.30
Total assets <sup>(14)</sup>	13,617.90	12,751.76	12,803.39

# Statement of Profit and loss

(in ₹ lakhs, except percentages and ratios)



PARTICULARS	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Sales	379.78	415.99	414.94	169.8	243.45
Total Expenditure	309.37	335.59	334.61	159.8	200.14
Operating Profit	70.41	80.4	80.33	10.01	43.31
Other Income	7.73	12	11.96	11.89	11.18
Interest	41.73	49.53	51.04	56.14	59.33
Depreciation	29.93	29.77	33.31	36.16	38.31
Exceptional Items	0	0	0	-15.07	0
Profit Before Tax	6.48	13.1	7.94	-85.47	-43.15
Provision for Tax	14.58	2.48	-15.49	-10.49	-13.27
Net Profit	-8.1	10.62	23.43	-74.98	-29.88
Adjusted EPS (Rs.)	-0.05	0.06	0.13	-0.43	-0.17

## Balance Sheet (All Figures are in Crores.)

PARTICULARS	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
<b>Equity and Liabilities</b>					
Share Capital	17.47	17.47	17.47	17.47	17.47
Total Reserves	561.06	570.73	592.89	519.04	489.5
Borrowings	383.82	388.82	438.3	468.6	476.84
Other N/C liabilities	84.92	66.71	62.91	53.87	47.73
Current liabilities	161.32	178.23	211.11	206.11	227.71
Total Liabilities	1,208.59	1,221.96	1,322.68	1,265.09	1,259.25
<b>Assets</b>					
Net Block	1,068.16	1,065.06	1,163.45	1,145.64	1,131.01
Capital WIP	22.98	31.49	28.26	27.45	28.51
Intangible WIP	0	0	0	0	0
Investments	0.05	0.04	0.04	0.05	0.05
Loans & Advances	23.43	20.14	25.63	22.18	25.24
Other N/C Assets	15.6	4.2	16.58	3.78	3.91
Current Assets	78.37	101.03	88.72	65.99	70.53
Total Assets	1,208.59	1,221.96	1,322.68	1,265.09	1,259.25

\* Other Non-current Liabilities include Net deferred Liabilities



# Strengths

- The company saw a consistent rise in its average occupancy, reaching 91.77% in FY 2023 from 67.26% in FY 2021. This indicates the company's strong resilience in the hotel industry, as high average occupancy is a crucial indicator of business health.
- With a diverse portfolio of owned, leased, and managed hotels strategically placed in major cities and emerging locations throughout India, the company has the ability to attract a broader customer base.
- As part of its growth strategy, the company plans to focus on developing its existing land holdings and strategically allocating capital. This approach involves a balanced mix of owned, leased/licensed hotels, and asset-light contracts.

# Threats

- About 75% of the company's total revenue comes from its top 5 hotels. If there are negative changes in those locations, it could impact the overall business growth. The company is also susceptible to fluctuations in seasonal and cyclical activities, which can affect its financial results and cash flows.
- A considerable part of the company's room revenue comes from corporate accounts and leisure customers. Changes in traveler preferences, influenced by factors like increased use of telepresence equipment, travel costs, spending habits, and other variables, might impact the demand for hotel rooms.



# Valuation and Outlook

The cost of the shares is expected to be between ₹147 to ₹155 per share. If we look at the valuation, Apeejay Surrendra Park has a P/E ratio of 44.70x, which is calculated using a price above ₹155 and an FY23 EPS of ₹2.75. while the industry P/E is 73.60x.

## Peers Analysis.

Name of the company	Face Value per Equity Share	Revenue from operations (₹ in million)	EPS for the year ended March 31, 2023	NAV (₹ in million)	NAV per Equity Share for the year ended March 31,	P/E for the year ended March 31, 2023 (Closing price on	RoNW for the year ended March 31, 2023 (in %)	Market Cap/Total Income
Park Hotels Limited								
Chalet Hotels Limited	10	11,284.67	9.06	15,444.85	75.33	54.38	12.03	8.57
Lemon Tree Hotels Limited	10	8,749.90	1.45	8,537.27	10.78	65.3	16.46	8.54
Indian Hotels Company Limited	1	58,099.10	7.06	79,819.60	56.2	54.82	13.19	9.24
EIH Limited	2	20,188.10	5.03	33,745.70	53.96	41.75	9.75	6.26

This IPO belongs to a unique and leading segment with the highest occupancy, making it an attractive choice after listing. The main part of the funds raised will go toward reducing debts, improving the bottom line by lowering finance costs. The company's expansion plans add to its positive outlook. Lately, there's also growing interest in hospitality stocks. Investors might consider putting money here for potential medium to long-term gains.



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