

## Strong B/S to help weather Covid storm...

ElH Ltd reported a weak set of Q4FY20 numbers mainly due to the lockdown impact. However, numbers were better than estimates. Standalone revenue for the quarter fell 18.5% YoY to ₹ 351 crore (vs. I-direct estimate of ₹ 316 crore). The decline is mainly attributable to loss of hotel business from March onwards due to nationwide imposition of lockdown. Overall occupancy levels fell to 63.7% vs. 78% reported last year (LY). Average room rates broadly remained steady in the domestic market. At the consolidated level (including international business), occupancy levels fell to 58% vs. 74% reported LY. As a result, RevPAR of both domestic, international fell 19%, 18.4% respectively. Lower revenues led to a decline in EBITDA margins by 481 bps YoY to 19.5%. However, they were above I-direct estimate of 14.8%. On an absolute basis, EBITDA fell 34.7% YoY to ₹ 68.5 crore. PAT, however saw growth of 34.5% YoY as last year ElH incurred exceptional loss of over ₹ 84 crore in its flight catering business.

## FY21E to remain challenging, recovery expected in FY22E

While in FY19, the company's flight catering business faced a setback with the grounding of Jet Airways, FY21 has brought in new challenges to operate in the pandemic environment. During the first full quarter of lockdown, most of ElH's property remained closed with 85-88% dip in the business during April-May. With almost 60-70% of cost being fixed in nature, we expect a sharp fall in EBITDA for FY21E. To cope with these challenges, ElH has entered the food delivery segment, with salary cuts being taken by top executives and directors. The company has launched "The Oberoi Centre of Excellence" programme, which aims to bring more efficiency in the system that will bring perpetual benefit to company (measures include, channelling collective resources, focus on solar panel to bring down power costs, expertise driven services in finance and data management). Taking these into account, we expect margins to recover only post FY22E.

## Major capex curtailed; strong B/S to provide liquidity support

Out of five upcoming domestic destinations, the company has suspended its plan at two locations including Khajuraho, MP and Gir, Gujarat while room additions plans at Bandhavgarh (to be commissioned by Q3FY21E), Goa and Bengaluru got delayed. This move will enable the company to maintain debt/EBITDA at 2.0x, same as FY20. Also, D/E ratio is below 0.2 providing strong liquidity support if needed in future due to a delay in recovery.

## Valuation & Outlook

Strong B/S of ElH and strategic property locations across key business and leisure destinations also give us strong visibility for the company for the future. However, hospitality being the worst affected sector of Covid with high uncertainty in the timeline of its recovery, we downgrade the stock to **HOLD** rating with a revised TP of ₹ 73/share (i.e. @ 14x FY22E EV/EBITDA).



### Stock Data

Particulars	Amount
Market Capitalization (₹ Crore)	3,715.1
Total Debt (FY20) (₹ Crore)	620.3
Cash and investments (FY20) (₹ crore)	229.3
EV (₹ Crore)	4,106.1
52 week H/L	188 / 54
Equity capital	114.3
Face value	₹ 2

### Key Highlights

- Occupancy levels declined from 78% to 63.7% during Q4FY20
- RevPAR de-growth of 18.4% for ElH network hotels
- To postpone capex programme with an aim to improve liquidity
- Downgrade from BUY to HOLD with reduced target price of ₹ 73 (₹ 95 earlier)

### Research Analyst

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### Key Financial Summary

Key Financials	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	1599	1811	1596	990	1542	-1.7%
EBITDA	299	406	290	42	309	3.2%
EBITDA (%)	18.7	22.4	18.2	4.2	20.0	
PAT	179	194	163	-96	114	-16.5%
EPS (₹)	3.1	3.4	2.9	-1.7	2.0	
EV/EBITDA	13.4	9.9	14.1	100.8	13.4	
D/E	0.2	0.2	0.2	0.2	0.2	
RoNW (%)	6.2	6.5	5.2	-3.2	3.7	
RoCE (%)	8.2	9.6	5.7	-1.5	5.9	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Net Sales	351.0	316.0	430.9	-18.5	422.0	-16.8	Occupany levels declined sharply from 78% last year to 63.7% during Q4FY20 due to impact of lockdown. However, ARR broadly remain flat YoY
Other income	16.5	19.6	39.2	-57.9	27.1	-39.2	
Raw Material Expenses	40.7	41.1	58.8	-30.8	49.1	-17.2	
Employee cost	102.0	95.6	106.2	-4.0	102.0	0.0	
Other Exp	139.9	132.7	161.1	-13.1	151.9	-7.9	
EBITDA	68.5	46.6	104.8	-34.7	119.1	-42.5	
EBITDA Margin (%)	19.5	14.8	24.3	-481 bps	28.2	-870 bps	
Interest	11.3	13.2	11.4	-0.6	13.2	-14.5	
Depreciation	32.5	32.0	30.3	7.3	34.1	-4.5	
PBT and Exceptional exp	41.1	21.0	102.3	-59.8	98.9	-58.4	
Exeptional exps	16.1	0.0	84.8	NA	0.0		Impairment in value of investments in subsidiary company led to exceptional loss of ₹16 crore
PBT	25.0	21.0	17.5	42.6	98.9	-74.7	
Tax Expenses	9.4	3.8	5.9	58.5	23.9	-60.7	
PAT	15.6	17.2	11.6	34.5	75.0	-79.2	
EPS	0.3	0.3	0.2	34.5	1.3	-79.2	

Source: Company, ICICI Direct Research

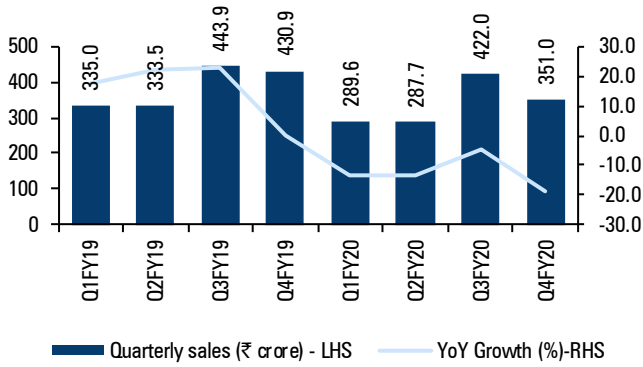
Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,333.0	990.4	-25.7	1,566.0	1,542.0	-1.5	With H1FY21E being majorly washout period, we adjust our earning estimates for FY21E accordingly. Recovery is visible only for FY22E
EBITDA	178.0	41.9	-76.5	303.0	309.1	2.0	
EBITDA Margin (%)	13.4	4.2	-912 bps	19.3	20.0	70 bps	
PAT	15.0	-96.2	-741.6	117.0	113.7	-2.8	
EPS (₹)	0.3	-1.7	-741.6	2.0	2.0	-2.8	

Source: Company, ICICI Direct Research

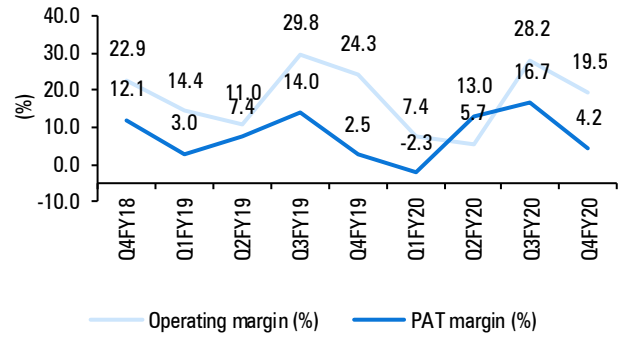
Financial story in charts

Exhibit 3: Revenues decline 18.5% YoY in Q4FY20



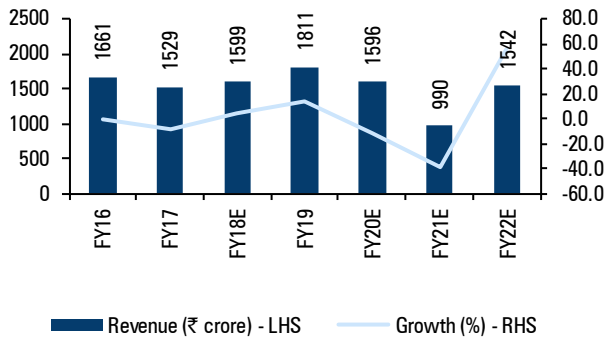
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margins decline 481 bps YoY in Q4FY20



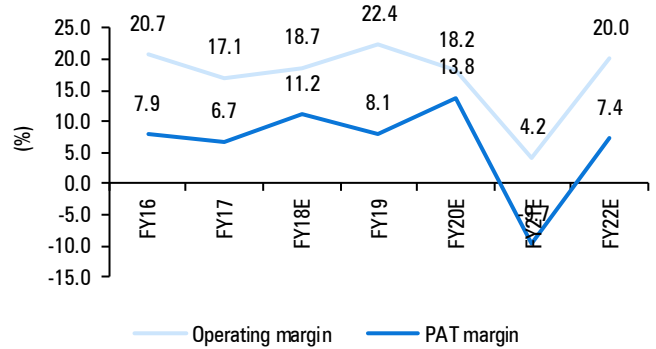
Source: Company, ICICI Direct Research

Exhibit 5: Revenues to recover only after FY21E



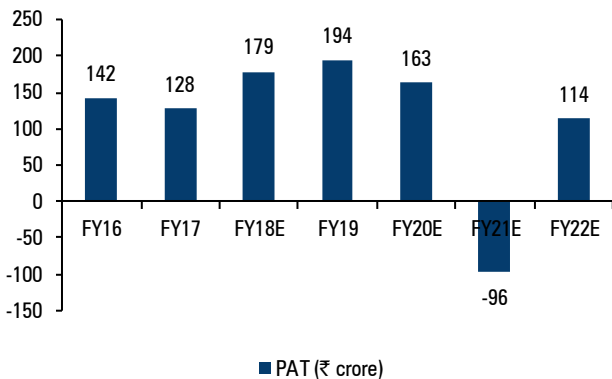
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA margins to rebound in FY22E



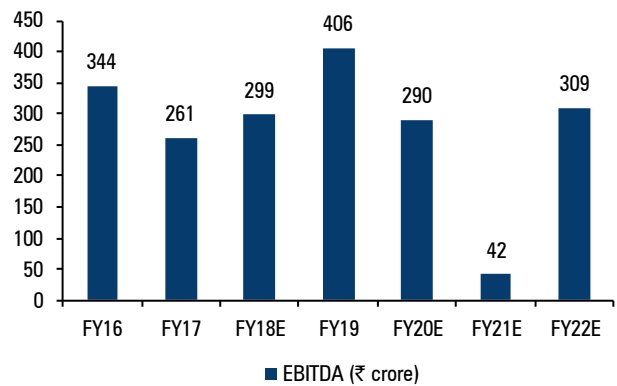
Source: Company, ICICI Direct Research

Exhibit 7: Profitability trend



Source: Company, ICICI Direct Research

Exhibit 8: EBITDA trend



Source: Company, ICICI Direct Research

Exhibit 9: EIH Group brand wise portfolio

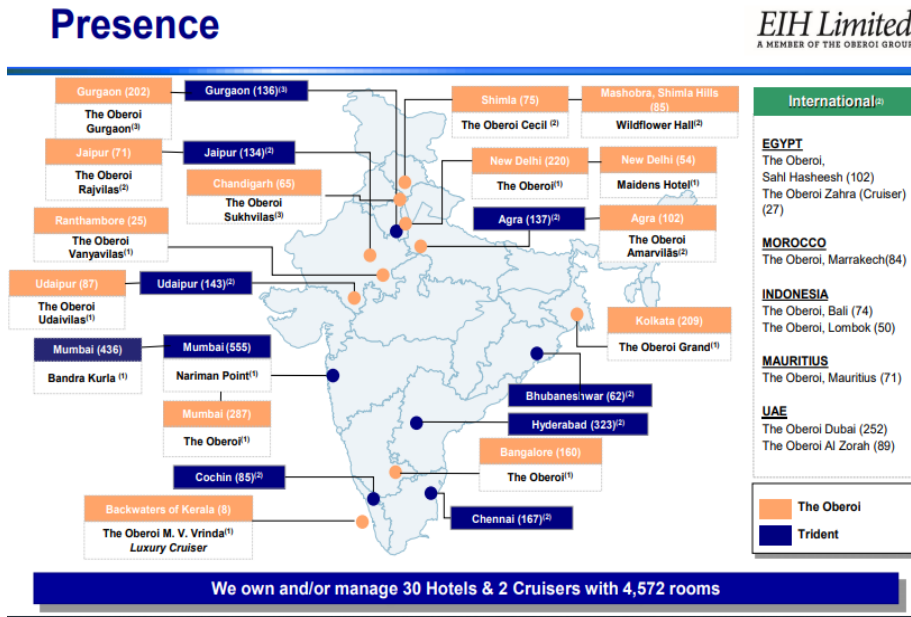


Out of total room portfolio of 4572 rooms, over 2300 rooms are operated under super luxury segment

\* Includes The Oberoi, Marrakech opened on 1<sup>st</sup> December 2019

Source: Company, ICICI Direct Research

Exhibit 10: Market leader in most micro markets where EIH has presence



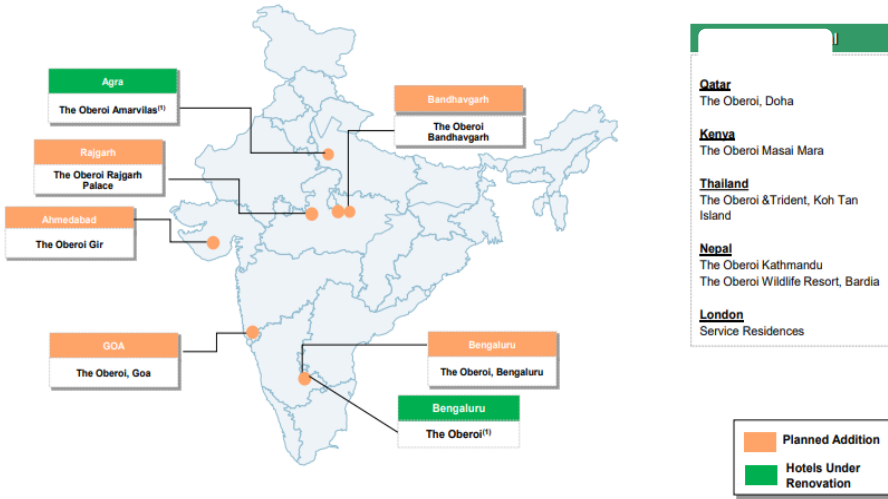
The company has balanced room portfolio across key business and leisure destinations in India

Source: ICICI Direct Research, Company

Exhibit 11: Future plans

# Business Expansion and Development *EIH Limited*

A MEMBER OF THE OBEROI GROUP



(1) Existing properties under renovation

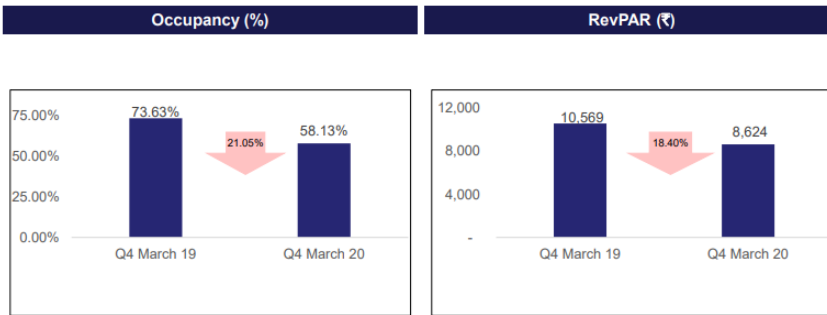
Source: Company, ICICI Direct Research

Exhibit 12: RevPAR of EIH network hotels decline 18.4% YoY

## Operational Statistics – Q4

Domestic + International (Owned & Managed)

*EIH Limited*  
A MEMBER OF THE OBEROI GROUP

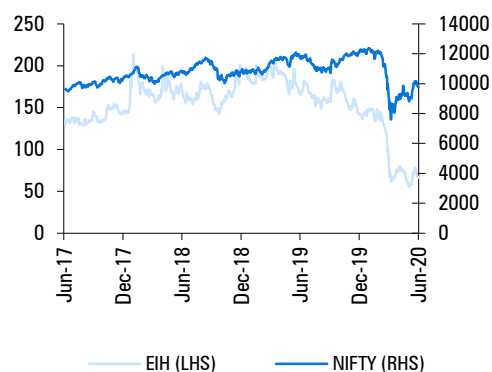


Note:

- 1) Includes managed properties and pure management contracts.
- 2) Q4 Mar 20 Includes The Oberoi, Marrakech started operations w.e.f. 1<sup>st</sup> December 2019

Source: Company, ICICI Direct Research

Exhibit 13: Three year price chart vs. Nifty



Source:

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	osition (m)	Change
1	Reliance Strategic B	23-Sep-19	18.5	105.91m	0.00m
2	Itc Ltd	31-Dec-19	15.0	85.62m	0.00m
3	Oberoi Hotels Pvt Lt	31-Mar-20	14.6	83.65m	0.00m
4	Oberoi Holdings Pvt	31-Mar-20	5.9	33.44m	0.00m
5	Oberoi Investments P	31-Mar-20	4.9	28.15m	0.00m
6	Reliance Capital Tru	15-Jun-20	3.9	22.36m	0.00m
8	Oberoi Building & In	31-Mar-20	3.2	18.06m	0.00m
8	L&T Mutual Fund	31-May-20	2.8	16.23m	(0.00)m
8	Hdfc Asset Managemen	31-May-20	1.9	11.08m	(0.12)m
8	Sundaram Asset Manag	30-Apr-20	1.6	9.30m	(0.12)m

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 15: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	35.25	35.25	35.25	35.25	35.25
FII	3.99	4.25	4.38	4.26	4.08
DII	15.11	14.55	16.05	16.11	16.29
Others	45.65	45.95	44.32	44.38	44.38

Source: Company, ICICI Direct Research, Thomson Reuters

## Financial summary

Exhibit 16: Profit and Loss Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Total operating income</b>	<b>1,810.8</b>	<b>1,596.3</b>	<b>990.4</b>	<b>1,542.0</b>
Growth (%)	13.3	-11.8	-38.0	55.7
Raw Material Expenses	244	199	144	208
Employee Expenses	481	469	399	439
Other Exp	680	637	406	586
Total Operating Expenditure	1,404.9	1,306.0	948.5	1,232.8
<b>EBITDA</b>	<b>405.9</b>	<b>290.3</b>	<b>41.9</b>	<b>309.1</b>
Growth (%)	35.8	-28.5	-85.6	638.1
Depreciation	132.6	146.5	137.1	137.4
Interest	50.4	55.6	77.5	77.5
Other Income	81.1	78.4	39.2	58.8
PBT	304.0	166.7	-133.6	153.0
Others	74.7	-54.8	-12.1	0.7
Total Tax	82.0	0.9	-25.2	38.6
<b>Adjusted PAT</b>	<b>194.4</b>	<b>163.2</b>	<b>-96.2</b>	<b>113.7</b>
Growth (%)	8.5	-16.0	-159.0	-218.2
<b>Adjusted EPS (₹)</b>	<b>3.4</b>	<b>2.9</b>	<b>-1.7</b>	<b>2.0</b>

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Liabilities</b>				
Equity Capital	114.3	114.3	114.3	114.3
Reserve and Surplus	2,878.9	3,022.4	2,915.7	2,968.8
Total Shareholders funds	2,993.2	3,136.7	3,030.0	3,083.2
Total Debt	531.0	620.3	620.3	620.3
Deferred Tax Liability	98.5	76.1	76.1	76.1
Minority Interest / Others	88.5	99.7	99.7	99.7
<b>Total Liabilities</b>	<b>3,711</b>	<b>3,933</b>	<b>3,826</b>	<b>3,879</b>
<b>Assets</b>				
Gross Block	3,812.5	4,309.5	4,329.9	4,329.9
Less: Acc Depreciation	1,642.5	1,788.9	1,926.1	2,063.5
Net Block	2,170.0	2,520.5	2,403.8	2,266.4
Capital WIP	78.6	130.4	110.0	100.0
Total Fixed Assets	2,248.6	2,651.0	2,513.8	2,366.4
Goodwill on consolidation	339.9	370.1	370.1	370.1
Investments	579.8	613.0	613.0	613.0
Inventory	59.8	61.0	85.6	83.4
Debtors	248.0	205.7	181.8	211.2
Loans and Advances	367.6	149.6	207.0	348.2
Other Current Assets	70.9	93.0	105.0	110.8
Cash	241.5	229.3	112.2	190.2
Total Current Assets	987.8	738.6	691.6	943.8
Creditors	306.0	296.2	168.2	261.9
Provisions	146.2	151.4	201.9	159.8
Total Current Liabilities	452.2	447.5	370.1	421.7
Net Current Assets	535.6	291.1	321.5	522.1
Others Assets	7.2	7.7	7.7	7.7
<b>Application of Funds</b>	<b>3,711</b>	<b>3,933</b>	<b>3,826</b>	<b>3,879</b>

Source: Company, ICICI Direct Research

Exhibit 17: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	147.3	220.6	-96.2	113.7
Add: Depreciation	132.6	146.5	137.1	137.4
(Inc)/dec in Current Assets	-83.4	236.9	-70.1	-174.3
Inc/(dec) in CL and Provisions	-15.0	-4.7	-77.4	51.6
<b>CF from operating activit</b>	<b>181.4</b>	<b>599.3</b>	<b>-106.6</b>	<b>128.5</b>
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-1.6	-549.3	0.0	10.0
Others	-28.3	-41.3	0.0	0.0
<b>CF from investing activit</b>	<b>-29.9</b>	<b>-590.7</b>	<b>0.0</b>	<b>10.0</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	75.0	89.3	0.0	0.0
Dividend paid & dividend tax	-60.5	-60.5	0.0	-60.5
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	23.7	-16.5	-10.5	0.0
<b>CF from financing activit</b>	<b>38.2</b>	<b>12.3</b>	<b>-10.5</b>	<b>-60.5</b>
Net Cash flow	66.9	-12.2	-117.1	78.0
Opening Cash	174.7	241.5	229.3	112.2
<b>Closing Cash</b>	<b>241.5</b>	<b>229.3</b>	<b>112.2</b>	<b>190.2</b>

Source: Company, ICICI Direct Research

Exhibit 19: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
Adjusted EPS	3.4	2.9	-1.7	2.0
Cash EPS	4.9	6.4	0.7	4.4
BV	52.4	54.9	53.0	53.9
DPS	0.9	0.9	0.0	0.0
Cash Per Share	4.2	4.0	2.0	3.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	22.4	18.2	4.2	20.0
PBT / Total Operating income	8.1	13.8	-9.7	7.4
PAT Margin	8.1	13.8	-9.7	7.4
Inventory days	11.2	13.8	27.0	20.0
Debtor days	50.0	47.0	67.0	50.0
Creditor days	61.7	67.7	62.0	62.0
<b>Return Ratios (%)</b>				
RoE	6.5	5.2	-3.2	3.7
RoCE	9.6	5.7	-1.5	5.9
RoIC	9.0	4.5	-3.0	5.3
<b>Valuation Ratios (x)</b>				
P/E	25.2	16.8	0.0	32.7
EV / EBITDA	9.9	14.1	100.8	13.4
EV / Net Sales	2.2	2.6	4.3	2.7
Market Cap / Sales	2.1	2.3	3.8	2.4
Price to Book Value	1.2	1.2	1.2	1.2
<b>Solvency Ratios</b>				
Debt/EBITDA	1.3	2.1	14.8	2.0
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	1.7	1.1	1.6	1.8
Quick Ratio	1.5	1.0	1.3	1.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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