Dated: 30 Sep 2025

Leela Palaces Hotels & Resorts (THELEELA) - ADD

Initiating Coverage

Current Market Price (CMP)	Fair Value (FV)
Rs.415	**Rs.475**

Rationale:

- Leela Palaces Hotels & Resorts (erstwhile Schloss Bangalore) is one of largest pure-play luxury hospitality companies in India, has 3,553 keys across 13 operational hotels.
- In FY25, the ARR and RevPAR across Leela's owned portfolio outperformed that of the luxury hospitality sector in India by 1.4x.
- Leela is expanding its portfolio through the addition of 513 owned & 203 managed keys to be delivered by June 2028E.
- Net debt/EBITDA will remain manageable (closer to 1.5x) over the next three years, despite the aggressive capex plans.
- Leela will likely deliver a healthy 19% attributable EBITDA CAGR over FY25-30E.
- We initiate coverage on Leela Hotels with an ADD rating and FV of Rs475.

Positives:

- The hospitality industry in India remains on a firm footing, with demand exceeding the supply of new branded hotel keys.
- Leela's margins are among the highest in the industry, partly aided by the luxury ARRs and a commensurately controlled cost structure.
- Leela has a geographically diversified portfolio, which it plans to enhance through the addition of new keys.

Negatives:

- Execution-related challenges, cyclicality of business, asset concentration are key risks.
- We highlight that Leela has a lower RoCE in comparison with peers.

(ARR: Average Room Rate; RevPar: Revenue Per Available Room; EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; CAGR: Compound Annual Growth Rate; RoCE: Return on Capital Employed)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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