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IPO Review

Business of the Company

The Company is in the business of running **Hotels, Leasing commercial Properties** and developing **Real Estate projects**. However, the main revenue comes from Hotel segment.

Hotels Managed by the Company

(i) **Renaissance Mumbai Hotel and Convention Centre, Powai** (5-star Deluxe; 600 keys).

(ii) **Lakeside Chalet, Powai** (Executive Apartments; 170 keys).

(iii) **Four Points by Sheraton, Navi Mumbai** (4-star; 152 keys).

(iv) **Westin, Hyderabad** (5-star Deluxe; 427 keys)

(v) **JW Marriott, Sahar, Mumbai** (5-star Deluxe; 585 keys)

(vi) **Bengaluru Marriott Hotel, Whitefield** (5-star; 324 keys + 64 keys).

All the hotels are run under management contracts/franchisee with Marriott. Apart from hotels, CHPL also has two ongoing real estate projects – a residential project at Madhapur, Hyderabad and another residential project at Koramangala, Bengaluru.

Key Performance Parameter of the Hotel

Hotels Managed by third party		Industry Average(Luxury Upper Scale)
Average Daily Rate	7978	8223
Average Occupancy	71.70%	65.00%
RevPar	5720	5345
Operating Revenue	7883	
Operating Expense	4704	
Hotels Managed by company		Industry Average(UpScale and Upper Midscale)
Average Daily Rate	6435	4496
Average Occupancy	88.01%	66.00%
RevPar	5669	2967
Operating Revenue	511	

(1) ADR represents revenue from room rentals at hotels divided by the total number of room nights sold (including keys that were available for only a certain portion of a period).

(2) Average occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel or group of hotels.

(3) RevPAR is calculated by multiplying ADR and average occupancy.

(4) Total operating revenue comprises of revenue from the hotel including room revenue, food, and beverage revenue and other income from hotel operations.

(5) Operating expenses comprise of expenses towards food and beverage consumed, operating supplies, employee benefit cost, and other expenses.

The staff per room ratio is the important operational parameter in the hotel industry which is calculated by (dividing total staff by number of available Rooms) ,was 1.21 as of March 31, 2018 and 1.25 as of March 31, 2017 for the hotels in the luxury-upper upscale segment.

The Staff per room ratio was 1.40 as of March 31, 2018 and 1.38 as of March 31, 2017 for the hotel in the upscale segment.

The average staff per room ratio of all hotels in India was 2.0 for the five star deluxe segment and 1.8 for the five star segment, as of March 31, 2017, according to the Horwath Report.

Key Risk in the Company

1. High geographical concentration on the North Mumbai market. Out of the six operational hotel properties under CHPL, four are located in Mumbai (including one in Navi Mumbai). CHPL derived 60.33% of its FY2018 hospitality segment revenues from these four properties in Mumbai.

2. The residential project at Koramangala, Bengaluru is the subject matter of litigation with Hindustan Aeronautics Limited. HAL initially granted a NOC to construct 17th Floor comprise of height of 62 Meters Residence project but later on cancelled as the structure was in the vicinity of the aerodrome. The case went to Karnataka High Court, they have passed an interim order dated October 23, 2013 directing company not to modify/alter/renovate/develop the Property above 40 meters from ground level. However, the matter is still pending in Karnataka High Court. Any adverse order in relation to this litigation may adversely affect the ability to complete the project.

3. The Company has very high D/E ratio of 4.8 as on FY18.

Financial Highlights

1. The Company has clocked a Revenue of 929 Cr in FY18 with a CAGR growth of 14.85% in the last 45 years.
2. The company was in losses till 2016 due to very high Finance cost which was exceeding EBITDA. However, the company is generating a profit from FY17 onwards due to marked improvement in EBITDA.
3. The Company has high D/E ratio of close to 4.8.
4. The Company has Current Ratio of 0.76.
5. The EBITDA margins in the last 5 years have improved from 24% to 37%.

Peers Comparison

As per DRHP the company has shown **Lemon Tree**, **EIH** and **Indian Hotel** as peers to compare.

1. The Lemon tree runs hotel business from its own hotels or by taking hotel on lease or by managing rooms of other hotels. Operating rooms include 2,796 owned, 481 leased and 1,721 managed rooms. Lemon Tree targets economy hotel segment, midscale hotel segment, and upper-midscale hotel segment typically comparable to 4-star and sometimes 3-star.

2. EIH Limited, under the aegis of The Oberoi Group, operates hotels and cruisers in five countries under the luxury 'Oberoi' and five-star 'Trident' brands.

3. The Indian Hotels Company Limited is **South Asia's largest** hospitality-focussed enterprise with Indian origins having businesses ranging from iconic luxury to upscale and budget stopovers as well as in-flight catering. IHCL's pioneering leadership is backed by a rich 115-year legacy. IHCL runs hospitality through all its vivid brands - Taj, SeleQtions, Vivanta, The Gateway, Ginger, Expressions, and TajSATS.

Taj [49 hotels, 7563 Keys and 50 Destinations]

Vivanta [24 hotels, 3494 Keys and 22 Destinations]

4. Chalet Hotels target Luxury Segment and its hotels are run under management contracts/franchisee with Marriott.

Company	Revenue(Cr)	EBITDA	OPM	D/E	EV(Cr)	EV/EBITDA
Lemon Tree	492	144	29.30%	0.81	6292	43.69
Chalet Hotel	929	351	37.8%	4.8	8432	24.02
EIH	1704	405	24%	0.13	10672	26.35
Indian Hotel	2639	686	25%	0.35	17907	26.10

The Tentative price of **Rs. 300** is taken for Chalet Hotel. At **Rs. 300**, the valuation parameter **EV/EBITDA** is close to **24** which is in line with Peers such as EIH and Indian Hotel. All Calculations were done by taking financial of FY18.