

## Company Overview

Juniper Hotels Ltd. is a luxury hotel development and ownership company. The company is the largest owner of hotels by number of keys of Hyatt-affiliated hotels in India. Benefiting from a unique and longstanding partnership of over 40 years between Saraf Hotels and Hyatt Hotels Corporation, the company has built a portfolio of over seven hotels and serviced apartments and operates over 1,800 room keys. The company has extensive experience in identifying opportunities in hospitality destinations, developing high-end hotels in these locations, and nurturing them through active asset management to provide quality guest experience while operating their assets efficiently. The company has hotels and serviced apartments across the luxury, upper upscale, and upscale categories of hotels around established landmarks in Mumbai, Delhi, Ahmedabad, Lucknow, Raipur, and Hampi. The business model of the company allows it to identify and acquire sites to develop its hotels and serviced apartments. Moreover, its expertise in development allows it to move swiftly from a capital deployment phase to a revenue generation phase by making its assets operational. The company is the flagship entity for the Saraf Group, through ownership of a unique portfolio of luxury, upper upscale, and upscale hospitality assets, located in highly desirable locations across key locations. The company's continued strategy is to expand on its current ownership of marquee assets across India, bringing in more luxury and upscale hotels and serviced apartments into the portfolio by consolidating the interests of Saraf Hotels and its affiliates in entities incorporated in India or through new opportunities.

## Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/ prepayment/ redemption, in full or in part, of certain outstanding borrowings availed by the company and its recent acquisitions, namely CHPL and CHHPL; and
- ⇒ General corporate purposes.

## Investment Rationale

### Expertise in site selection and identifying opportunities to develop hotels

The company identifies micro-markets and locations within cities based on their proximity to airports, central business districts, areas with concentrated industrial catchments, and areas with high tourism activities. The company aligns the appropriate Hyatt sub-brand with each development. The right sub-brand, along with the right size of development in the optimal location in the chosen city, allows the company to cater to the high-end traveler and maximize long-term returns. The company has demonstrated a strong track record in establishing its presence across key cities. Its hotels and serviced apartments are located in (a) established markets such as Delhi and Mumbai; (b) emerging business destinations such as Ahmedabad, Lucknow, and Raipur; and (c) growing tourist destinations such as Hampi. In Raipur and Hampi, its hotels were the first international chain-affiliated hotels. The company believes that its foresight in identifying key locations to establish its hotels and serviced apartments has been key to the company's success.

### Increasing returns by having multiple revenue streams & complementary offerings

The company has introduced complementary revenue-generating streams at its hotels and benefits from revenue contribution from areas such as serviced apartments, restaurants, MICE services and other services to ensure optimal utilization of available resources. The company's complementary offerings also result in a mix of customers and guests staying at its properties which improves its ARR. Further, the company consistently monitors the usage of available space at its hotels and aims to enhance its customer offering by adapting the available real estate space in its hotels to meet the ever-changing demands of the market. Guests at its serviced apartments consist a mix of expatriates and Indians and primarily comprise corporate employees. The average occupancy of its serviced apartments was 74.3%, 74.6%, 75.3%, 55.6%, and 47.2% in the six months ended September 30, 2023, and September 30, 2022, and Fiscals 2023, 2022, and 2021, respectively. The company's hotels feature an aggregate of 22 renowned restaurants and bars, including several award-winning establishments. The company's F&B offerings provide a dining experience that caters to a broad upscale demographic and its restaurants have developed a strong brand image and customer loyalty which has become an independent and significant business stream. The company also offers meetings, conferences, and banqueting spaces which are used to target customers for events, exhibitions, and meetings as well as for weddings and marquee social events such as G20 conference.

## Issue Details

Offer Period	21 <sup>st</sup> Feb 2024 - 23 <sup>rd</sup> Feb 2024
Price Band	Rs. 342 to Rs. 360
Bid Lot	40
Listing	BSE & NSE
Issue Size (no. of shares in mn)	50
Issue Size (Rs. in bn)	18
Face Value (Rs.)	10

## Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	JM Financial Ltd., CLSA India Pvt. Ltd., ICICI Securities Ltd.
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	100.0	77.0
Public	0.0	23.0
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

# Juniper Hotels Ltd.

## Valuation

Considering the current domestic environment, the hotel sector has much to contribute to India's economy by way of GDP, asset and credit growth, employment, FDI, foreign exchange earnings, and tax revenues. The multiplier effect of developing a new hotel is significant. As of 2022, the overall travel and tourism sector contributed Rs. 15.7 trillion to India's economy, with an expected increase to Rs. 16.5 trillion for 2023 and Rs. 37 trillion over the next 10 years. The sector is expected to employ 39 million persons by the end of 2023. The GDP contribution of the hotel sector was estimated at USD 40 billion in 2022, with a projected increase to USD 68 billion by 2027 and USD 1 trillion by 2047. The need and demand for hotel rooms and hotel services will benefit from and, in turn, support growth-orientated macroeconomic policies, economic development initiatives, and investments across multiple sectors as India moves towards becoming the third largest global economy. Infrastructure and air/road access enhancements have also helped the growth of leisure and will continue to enable further growth. Various factors such as increased use of hotels for leisure, weddings, and social travel; increased urbanization and access to infrastructure creating new travel destinations and micro-markets for hotels; changing demographics, with millennials and younger travelers seeking experiences and willing to spend on entertainment and recreation; and evolving attitudes towards recreation, entertainment, wellness, and lifestyle has created an opportunistic environment for the industry. These factors have provided a room for growth for asset-heavy business model companies like Juniper Hotels Ltd. to prosper in the longer run. **On the financial performance front, the company's revenue grew at a CAGR of 100.2% during the FY2021-23 period. The company's EBITDA stood at Rs. 2,719 million in FY23 compared to a negative EBITDA of Rs. 43 million in FY21. The company's net loss decreased to Rs. 15 million in FY23 from net loss of Rs. 1,995 million posted in FY21. However, considering the asset-heavy business model of the company, rising debt levels and continued loss-making status, we would recommend an "Avoid" rating for the issue. We would reconsider the company for further evaluation following sustained financial performance over the next few quarters.**

## Key Risks

- ⇒ Several expenses incurred in the company's operations are relatively fixed in nature, and the inability to effectively manage such expenses may have an adverse effect on the business, results of operations, cash flows, and financial condition.
- ⇒ The company has substantial indebtedness which requires significant cash flows to service and limits its ability to operate freely.
- ⇒ A significant portion of the company's revenue from operations is derived from three hotels/serviced apartments in Mumbai (Maharashtra) and New Delhi out of the portfolio of four hotels/serviced apartments of the company. Any adverse developments affecting these hotels/serviced apartments or the regions in which they operate could have an adverse effect on the business, results of operations, cash flows and financial condition.

# Juniper Hotels Ltd.

## Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
<b>Revenue</b>				
Revenue from Operations	1,664	3,087	6,669	3,361
<b>Total Revenue</b>	<b>1,664</b>	<b>3,087</b>	<b>6,669</b>	<b>3,361</b>
<b>Expenses</b>				
Food And Beverages consumed	143	271	504	265
Employee benefit expenses	581	756	989	587
Other expenses	982	1,396	2,456	1,277
<b>Total Operating Expenses</b>	<b>1,706</b>	<b>2,423</b>	<b>3,949</b>	<b>2,128</b>
<b>EBITDA</b>	<b>(43)</b>	<b>664</b>	<b>2,719</b>	<b>1,233</b>
Depreciation and Amortization expenses	1,054	999	815	390
Other income	265	351	504	13
<b>EBIT</b>	<b>(832)</b>	<b>15</b>	<b>2,408</b>	<b>856</b>
Finance costs	1,862	2,156	2,664	1,321
<b>PBT</b>	<b>(2,694)</b>	<b>(2,141)</b>	<b>(255)</b>	<b>(465)</b>
Deferred Tax charge/ (credit)	(650)	(261)	(240)	(200)
Short / (Excess) provision of earlier years	(49)	-	-	-
<b>Total tax</b>	<b>(699)</b>	<b>(261)</b>	<b>(240)</b>	<b>(200)</b>
<b>PAT</b>	<b>(1,995)</b>	<b>(1,880)</b>	<b>(15)</b>	<b>(265)</b>
<b>Diluted EPS</b>	<b>(13.9)</b>	<b>(13.1)</b>	<b>(0.1)</b>	<b>(1.8)</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash flow from operating activities	536	(364)	2,864	1,263
Cash flow from investing activities	(78)	(631)	277	(368)
Cash flow from financing activities	(415)	902	(3,108)	(903)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43</b>	<b>(93)</b>	<b>33</b>	<b>(9)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>115</b>	<b>157</b>	<b>65</b>	<b>98</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>157</b>	<b>65</b>	<b>98</b>	<b>118</b>

Source: RHP, BP Equities Research

# Juniper Hotels Ltd.

## Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
<b>Equity and Liabilities</b>				
Equity Share Capital	1,437	1,437	1,437	1,725
Other Equity	4,002	2,127	2,108	6,872
Non-controlling interest	-	-	-	0
<b>Total Equity</b>	<b>5,439</b>	<b>3,564</b>	<b>3,545</b>	<b>8,597</b>
<b>Non-Current Liabilities</b>				
Financial Liabilities				
(i)Long term Borrowings	17,686	20,570	20,090	7,635
(ii)Lease liabilities	3,527	3,677	3,831	3,932
Other Financial liabilities	384	401	637	721
Provisions	80	54	64	78
Deferred tax liabilities (net)	44	42	40	39
Other non Current liabilities	117	9	17	12
<b>Current Liabilities</b>				
Financial Liabilities				
(i)Short Term Borrowings	618	648	366	14,893
(ii)Lease liabilities	245	148	156	168
(iii)Trade Payable				
Due to micro and small enterprise	55	57	22	45
Due to other than micro and small enterprise	1,318	620	762	1,126
(iv)Other financial liabilities	356	447	288	558
Current tax liabilities (net)				
Provisions	68	100	118	134
Other current liabilities	619	363	265	439
<b>Total Current Liabilities</b>	<b>3,279</b>	<b>2,382</b>	<b>1,977</b>	<b>17,364</b>
<b>Total liabilities</b>	<b>25,116</b>	<b>27,135</b>	<b>26,658</b>	<b>29,782</b>
<b>Total Equity and Liabilities</b>	<b>30,555</b>	<b>30,699</b>	<b>30,203</b>	<b>38,378</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	24,682	24,032	23,226	28,264
Capital work in Progress	-	442	488	698
Goodwill	-	-	-	2,334
Right of Use assets	4,350	4,254	4,157	4,128
Intangible assets	13	10	6	9
Deferred tax assets(net)	539	795	1,036	1,137
<b>Financial Assets</b>				
(i)Investments	9	9	9	9
(ii)Other financial assets	77	149	155	202
Income tax assets(net)	42	116	216	281
Other non current assets	158	39	85	223
<b>Total Non current assets</b>	<b>29,871</b>	<b>29,845</b>	<b>29,377</b>	<b>37,285</b>
<b>Current Assets</b>				
Inventories	61	68	76	86
<b>Financial Assets</b>				
Investments	-	-	15	5
(i)Trade Receivables	239	296	448	459
(ii)Cash and cash equivalents	157	65	98	118
(iii)Other balances with bank	65	84	0	12
(iv)Other financial assets	22	91	14	18
Other current assets	141	250	175	396
<b>Total Current Assets</b>	<b>685</b>	<b>853</b>	<b>825</b>	<b>1,094</b>
<b>Total Assets</b>	<b>30,555</b>	<b>30,699</b>	<b>30,203</b>	<b>38,378</b>

Source: RHP, BP Equities Research



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