

Leela Palaces Hotels & Resorts (THELEELA) - ADD

Company Update

Current Market Price (CMP) Rs.432	Fair Value (FV) Rs.485
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Rationale:

- Leela's operational performance during the quarter remains healthy.
- City hotels within the owned portfolio lead RevPAR growth for Leela.
- Leela has approved the acquisition of a 25% stake in a 546-key luxury resort in Dubai at 12.8x CY25 (7x on CY30) EV/EBITDA.
- BKC restructuring—office to be demerged; Leela to only own 50% stake in the hotel.
- We expect earnings per share (EPS) of Rs10.2 in FY26E and Rs12.8 in FY27E.
- Maintain ADD with a revised DCF-based FV of Rs485 (Rs475 earlier), as we roll forward to September 2027E.

👍 Positives:

- Leela reported consolidated Q2FY26 revenue of Rs311 cr (+9% yoy, +13% qoq).
- EBITDA was Rs138 cr (+12% yoy, +36% qoq).
- PAT was Rs77.1 cr (Rs50.9 cr loss in Q2FY25 and Rs8.6 cr profit in Q1FY26).
- ARR: 7% yoy increase to Rs19,290/day; Occupancy: 380 bps yoy improvement to 69%.
- Healthy earnings growth on the back of 13% yoy RevPAR growth.

👎 Negatives:

- Net debt increased to Rs400 cr as of Sep 2025, from Rs230 cr as of June 2025.
- We marginally lower our margin assumptions.

(RevPar: Revenue Per Available Room; EV: Enterprise Value; EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; ARR: Average Room Rate; PAT: Profit After Tax; DCF: Discounted Cash Flow)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months