

BUZZING

STOCK

Oriental Hotels Ltd.

CMP – Rs.395

Analyst

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Key Stock Data

Sensex	14209
Nifty	4102
Sector	Hotels - Medium
Bloomberg	OTH@IN
Reuters	ORTH@BO
No. of shares (m)	18
Market Cap (Rs m)	7064
Market Cap (US\$ m)	160
52-week H/L	Rs.450/277

Shareholding Pattern (%)

Promoters	56.39
Mutual Funds	18.90
FII's	4.20
Corporate Bodies	1.01
Pubic & Others	19.50

Background: OHL was jointly promoted in 1971 by Mr. D. Subbarama Reddy and Indian Hotels Company Ltd. (IHCL). IHCL is a part of Tata Group and is one of the leading hotel companies operating a chain of hotels both in India and abroad under the brand 'Taj'. OHL hotels are marketed as a part of Taj group of hotels under the agreement entered into by OHL and IHCL.

Business: OHL operates primarily in the 5-star and 5-star deluxe segment of the hotel industry. OHL has a portfolio of seven hotels spread across the various locations in South India with the total room strength of 671. The critical success factors in this segment are the location of the hotel, high standards of customer service, and part of chain of hotels, brand image and wide access to tour operators. OHLs strategy has been to establish high quality hotels and has focused only on the southern India for its core operations.

Hotel Units	Segment	Rooms
Taj Coromandel, Chennai	Luxury - 5 Star Deluxe	225
Taj Fisherman's Cove, Chennai	Leisure - 5 Star Deluxe	70
Taj Malabar, Kochi	Leisure - 5 Star Deluxe	100
Taj Residency, Vizag	Business - 5 Star	95
Taj Garden Retreat, Madurai	Leisure - 5 Star	NA
Taj Garden Retreat, Coonoor	Leisure - 2 Star	NA
Manjarun, Mangalore	Business - 4 Star	NA

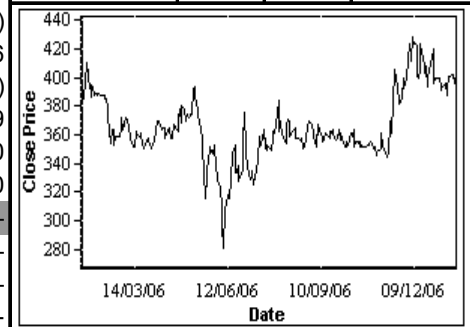
ORR & ARRs: OHL's two properties in Chennai Taj Coromandel and Fisherman's Cove together accounts for the major portion of the total revenues. Taj Coromandel continues to command amongst the highest ARR and OR in the city. OHL has placed a greater thrust on income from Food & Beverage segment (F&B). Amalgamation of CBHL into OHL and renovations at the Fisherman's Cove, Taj Malabar and Taj Garden Retreat has helped the company withstand pressure on Occupancy rates and ARRs. The company's strong brand equity on account of its association with the Taj Group is expected to enable it to maintain its market position and keep the OR and ARR on the higher note.

Client Concentration: OHL has access to diversified customer base. It provides services to 7 broad market segments, namely - Corporate/Business, Leisure, Longstayers, Groups/Conferences, Crew, Events and Packages. As a result does not face any significant risk as there is no excessive concentration of business with any particular client segment.

Valuation: The Company has reported good numbers for Q2FY07. Total revenues at Rs. 413m is up by 14% YoY. EBITDA margins improved by 80 basis points and EBITDA grew by 18% YoY at Rs.125m. PAT at Rs.64m is up by 29% YoY. The stock is currently trading at 27.8x its Q2 annualised EPS of Rs. 14.2.

Financial Snapshot

Oriental Hotels Ltd.							Rs.m		Ratios (%)		
Financial Year End: March	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)	
Net Sales	405	354	14	1632	1324	23	Debt -Equity	0.0	0.0	(25)	
Other Income	9	7	18	53	29	81	PBIDTM	36.0	28.9	25	
Total Income	413	361	14	1685	1353	25	PBDTM	36	29	26	
Total Expenditure	288	255	13	1100	974	13	RoCE	21	12	78	
PBIDT	125	106	18	585	379	54	RoNW	13	7	82	
Interest	0	1	(50)	3	5	(36)					
PBDT	124	105	18	582	374	56					
Depreciation	28	30	(7)	119	126	(6)					
Tax	37	29	27	182	108	69					
Reported Profit After Tax	64	49	29	291	153	90					
Extra -ordinary Items	0	0	0	12	0	0					
Adj. Profit After Extra-ordinary item	64	49	-	279	153	-					
No. of shares (m)	18	18	-	18	18	-					
EPS (annualised.) (Rs.)	14.2	11.0	-	16.3	8.6	-					
P/E	27.8	35.8	-	24.2	46.0	-					



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