

EIH Ltd (Q4 FY08)

June 23, 2008

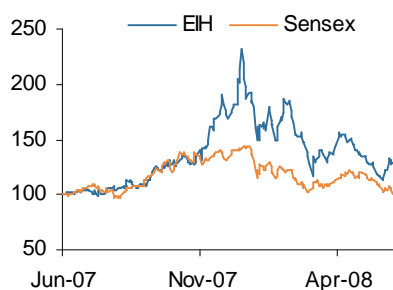
Stock data

Sensex:	14,571
CMP (Rs):	131
Target price (Rs):	126
Downside (%):	3.7
52 Week h/l (Rs):	248/99
Market cap (Rs cr)	5,140
6m Avg vol BSE&NSE ('000 nos):	336
No of o/s shares (mn):	393
FV (Rs):	2
Bloomberg code:	EIH IN
Reuters code:	EIHO.BO
BSE code:	500840
NSE code	EIHOTEL

Shareholding pattern

March 2008	(%)
Promoters	46.3
FIs & institutions	19.3
Non promoter corp hold	20.4
Public & Others	14.0

Share price trend



- Q4 sales increase 13.1% yoy as ARR's witness steady growth in key properties
- Operating margins improve by 450bps yoy as decline in other expenses nullify staff and fuel costs rise
- PAT growth lower at 9.7% yoy due to higher tax outgo and exceptional items; FY08 consolidated PAT increases 12.2% yoy
- Earnings likely to improve in FY10 as Trident is commissioned in Mumbai; Upgrade to Market Performer

Sales rise 13.1% on steady ARR increase; OPM improves 450bps

EIH witnessed a 13.1% growth in Q4 sales as ARR's in key properties like Mumbai and Delhi have likely witnessed steady room rate growth as compared to last year. Operating margins improved 450bps yoy in the quarter as decline in other expenses nullified the increase in staff costs. F&B costs, however, remained under control in the quarter.

Q4 profit growth came in lower at 9.7% yoy on account of higher tax outgo and exceptional expenses.

Mumbai property to start by end CY08

The company would commission a 440 room Trident Hotel in North Mumbai (Bandra-Kurla complex) by November/December 2008. The full impact of which would be visible from FY10 onwards. We have factored in ARR's of Rs10,000 and occupancy rate of 60% in the first year of operation for the hotel.

Mgmt contract to increase presence in Gurgaon and Bangalore

EIH would enter Hyderabad market through a management contract whereby it will invest 16% equity in a 334 room hotel being developed by a local partner. It would, in a JV with L&T, invest 26% equity in a 320 room Trident hotel in Bangalore, which would be the closest luxury hotel to the new Bangalore international airport.

Quarterly financials

Period	03/08	03/07	% yoy	03/08	03/07	% yoy
(Rs mn)	(3)	(3)		(12)	(12)	
Sales	3,399	3,004	13.1	11,580	10,042	15.3
Expenditure	(1,868)	(1,788)	4.5	(7,679)	(6,873)	11.7
Operating profit	1,531	1,217	25.8	3,901	3,169	23.1
Other income	181	153	18.3	1,326	1,101	20.4
Interest	(194)	(299)	(35.1)	(904)	(1,147)	(21.2)
Depreciation	(133)	(126)	5.6	(653)	(602)	8.5
PBT	1,385	945	46.6	3,670	2,521	45.6
Adj. PAT	654	596	9.7	2,215	1,974	12.2
OPM (%)	45.0	40.5		33.7	31.6	
EPS* (Rs)	6.7	6.1	-	5.6	5.0	-

Source: Company

*Annualized; full year figures are consolidated

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Earnings to improve in FY10E; Valuations appear reasonable: MP

On the back of commissioning of 440 room Mumbai property by end CY08, we believe earnings growth are likely to improve in FY10 while management contracts in Bangalore and Hyderabad would provide a steady revenue stream.

Although margins have improved on a consolidated basis in the just ended fiscal, these are likely to be under pressure as moderate ARR growth and higher staff costs are likely to act as a dampener. EIH is expected to witness a CAGR of 15% and 17% in sales and earnings respectively over FY08-10E and we expect healthy cash flows from FY10 onwards as ongoing capex tapers off. We upgrade our rating on the stock to MP with a price target of Rs126

Financials

y/e March, Rs mn	FY07	FY08P	FY09E	FY10E
Revenues	10,042	11,580	13,009	15,270
yoy growth (%)	23.4	15.3	12.3	17.4
Operating profit	3,169	3,901	4,215	4,902
OPM (%)	31.6	33.7	32.4	32.1
PAT	1,974	2,215	2,444	3,011
Pre-exceptional PAT	2,016	2,272	2,515	3,099
yoy growth (%)	1.1	12.2	10.4	23.2
EPS (Rs)	5.0	5.6	6.2	7.7
P/E (x)	26.0	23.2	21.0	17.1
P/BV (x)	4.6	4.1	3.6	3.2
EV/EBITDA (x)	18.9	15.8	14.9	12.5
ROE (%)	17.6	17.6	17.2	18.5
ROCE (%)	17.9	19.7	19.1	22.0

Source: Company, India Infoline Research

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