

Hotel Leela Venture Ltd.

CMP Rs. **44.60**

Market Cap (Rs. Cr) **328.75**

52 Week-H/L(Rs)

88.80 / 37.40

Target Price Rs. **52/60**

Bloomberg **LELA IN**

Reuters

HTLE.BO

BSE **500193**

NSE **HOTELEELA**

Investment Arguments

Hotel leela is one of leading hotel player with premium properties in liesure as well as business segments. Right now it operates hotels in Bangalore, Mumbai, Goa and Kovalam with total room capacity of 1086 rooms. It is adding more rooms [101] in Bangalore and refurbishing rooms[133] at Mumbai, looking to high potential. **Company has a very good brand image and average room rents are one of the best in industry.** It is also developing an IT Park at Chennai and also developing hotels at Chennai, Pune, Delhi, Udaipur and Hyderabad. The IT Park will come in to operation in April'08 and other properties will come in to operation in next 2-3 years, adding 1500 more rooms by then. Demand for rooms is rising steadily since last three years, following strong foreign tourist flows, business travellers and rising domestic business & liesure travelling. With rising incomes many guests are now using star hotels, leading to more demand for star hotel rooms. Not only average room rents are rising, the uses of Food and Beverages business is also rising; leading to better revenue from both the segments.

In Q-1, the performance of the company as well as industry suffered due to a sharp spike in RUPEE, leading to dent in margins, but we think is short term in nature. Industry is taking corrective steps by - Quoting rupee Tarriffsor readjusting the Dollar tarriffs, which will protect its margins. Further, looking to strong demand, industry as well as company has raised the Tarriff rates for room for coming season [Oct.'07 onwards] by 15-20%. This will boost the revenue and profits in second half, which is prime revenue earner for industry.

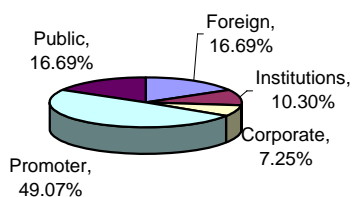
Looking to the overall trend, we think that company will be able to perform extremely well in second half and would be able to report better results for FY'08. **We expect the company to report EPS close to Rs 3.90 for FY 08, and expect the market to discount it by at least 15 times. This gives us a target of around Rs 60 in medium term. BUY with short term target of Rs 52 and medium term target of Rs 60.**

Financials for the year ended (in Rs. Crores)

Latest result update (in Rs. Crores)

PARTICULARS	FY 06	FY 07	Mar 08 E	PARTICULARS	Q1 2007-08	Q1 2006-07	% change
Gross Sales	336.00	393.00	475.00	Gross Sales	100.18	80.83	23.94
PBIDT	177.11	253.42	280.00	PBIDT	52.29	87.09	(39.96)
Interest	33.12	30.16	30.00	Net Profit	30.16	62.78	(51.96)
Depreciation	32.45	33.75	35.00	Equity	74.06	74.06	0.00
PAT Exclud. Extr.Income]	74.55	98.55	144.50	EPS	0.81	8.48	(90.39)
EPS (in Rs)	10.11	2.66	3.90	Technical Trend:-			
CEPS (in Rs)	14.52	3.57	4.85				
Book Value (in Rs)	76.92	18.50	22.15				
Face Value (in Rs)	10	2	2.00				
Dividend (in%)	20	23	25.00				
Deividend Yeild (%)	4.48	1.03	1.12				
Net Worth	566.97	684.91	820.15				
Debt	1056.07	952.79					
Equity Capital	73.71	74.06	74.06				
P.E. (x)	4.41	16.76	11.43				
NPM %	22.19	25.08	30.42				
EBIDTA Margin %	52.71	64.48	58.95				
RoCE %	10.91	15.47	34.1%				

Shareholding Pattern



After making a top of Rs 86 [post split basis] in May'06, the stock went in to a deep correction and recently tested a low of Rs 37.50, during Aug'07 amrket panic.

Around these levels, it has taken support of 200 D Maand is now looking ripe for a strong pull back. This can touch Rs 52-54 levels during this phase.

Post stabilising and consolidating around these levels for couple of months, it can even move up further to touch Rs 58-60.

One can buy stock with stop loss of Rs 42 and 40, and look for