

Schloss Bangalore Ltd.

Nifty: 24,853 | Sensex: 81,721

IPO Note | 23rd May 2025

Sector: Hospitality

Price Range: ₹413 - ₹435

A pioneer in the luxury hospitality sector...

Schloss Bangalore Ltd, established on March 20, 2019, is a luxury hospitality company operating under "The Leela" brand in India. It owns, operates, manages, and develops luxury hotels and resorts, offering premier accommodations and personalised services inspired by Indian hospitality. The company is deeply rooted in the Indian hospitality ethos of "Atithi Devo Bhava" (The Guest is God).

- ♦ The Indian hospitality sector is expected to deliver strong growth in the coming years as India's GDP is projected to nearly double from \$3.6 trillion in 2023 to \$6.8 trillion in 2030 and the demand for luxury rooms is estimated to grow at a CAGR of 10.6% over FY24 to FY2028.
- ♦ As of March 31, 2025, The Leela ranks among India's largest luxury hospitality companies, comprising 3,553 keys across 13 operational hotels.
- ♦ The company's portfolio includes 5 owned hotels ("Owned Portfolio"), 7 hotels that are managed by the company through hotel management agreements ("Managed Portfolio") and 1 hotel which is owned and operated by a third-party under a franchise arrangement.
- ♦ The company's Average Room Rate ('ARR') and Revenue Per Available Room ('RevPAR') across its owned portfolio amounted to ₹22,545 and ₹15,306, respectively in FY25, which were both 1.4x the luxury hospitality segment average in India.
- ♦ The Leela's revenue grew at a CAGR of 23% between FY23 and FY25, reaching ₹1,300.6cr, driven by improved occupancy rates (68%) and a ~14% CAGR rise in Average Room Rates (ARR) over the period.
- ♦ At the upper price band of ₹435, Schloss Bangalore (The Leela) is valued at an FY25 EV/EBITDA of 27.5x, which appears fairly priced. Considering its strong brand, luxury positioning, planned tech integration, portfolio expansion, and favourable industry dynamics, we recommend a Subscribe rating for long-term investment.

Purpose of IPO

The issue is primarily an Offer for Sale (OFS) of up to 2,29,88,505 equity shares totalling ₹1,000cr and fresh issue of up to 5,74,71,264 equity share totalling ₹2,500cr. The objective of the issue is repayment/ prepayment/ redemption, in full or in part, of certain outstanding borrowings availed by: (a) the Company, (b) certain of our Subsidiaries, namely, Schloss Chanakya, Schloss Chennai, Schloss Udaipur and TPRPL, through investment in such Subsidiaries.

Key Risks

- ♦ The company plans to add seven new hotels totalling 678 keys through either ownership or management. Any delays in this execution could impact future growth.
- ♦ A significant portion of the total income is derived from the five hotels any adverse developments affecting such hotels or regions could have an adverse effect on business, results of operations and financial condition.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Schloss Bangalore Ltd	14,527	1,301	45.7	3.7	1.4	1.3	303.6	27.5	4.0	11.2	435
The Indian Hotels Company Ltd	1,10,031	6768.7	31.9	18.6	8.6	14.4	89.7	39.6	11.6	16.3	773
EIH Ltd	23,335	2511	36.9	25.4	10.3	17.5	35.9	29.7	6.5	9.3	370
Chalet Hotels Ltd	19,251	1308	44.7	21.3	13.6	16.4	65.2	35.7	9.9	14.7	889
Juniper Hotels Ltd	6,631	817.6	38.1	2.9	1.4	1.6	208.4	39.7	2.5	8.1	301

Source: Geojit Research, Bloomberg; Valuations of Schloss Bangalore Ltd are based on upper end of the price band (post issue), Financials as per FY24 consolidated.

Subscribe

Issue Details	
Date of opening	May 26 , 2025
Date of closing	May 28, 2025
Total No. of shares offered (cr.)	8.05
Post Issue No. of shares (cr)	23.35
Face Value	₹10
Bid Lot	34 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,790
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,270
Listing	BSE,NSE
Employee Discount	-
Lead Managers	Jm Financial Limited, Bofa Securities India Limited, Morgan Stanley India Company Pvt Ltd, J.P. Morgan India Private Limited, Kotak Mahindra Capital Company Limited, Axis Capital Limited, Citigroup Global Markets India Private Limited, Iifl Securities Ltd, Motilal Oswal Investment Advisors Limited, SBI Capital Markets Limited
Registrar	Kfin Technologies Limited

Issue size (upper price)	Rs.cr
Fresh Issue	2,500
OFS	1,000
Total Issue	3,500

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100.0	76.0
Public & others	-	24.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	350
Non-Institutional	15	525
QIB	75	2,625
Emp. Reservation	-	-
Total	100	3,500

Y.E March (Rs cr) Consol.	FY23	FY24	FY25
Sales	860.1	1,171.5	1,300.6
Growth YoY(%)	-	36.2	11
EBITDA	380.4	545	594.4
Margin(%)	44	47	46
PAT Adj.	-61.7	-2.1	47.8
Growth (%)	-	96.6	2,349.5
EPS	-1.8	-0.1	1.4
P/E (x)	-	-	303.6
EV/EBITDA (x)	48.4	34.8	27.5
P/BV(x)	-	-	4



Business Description:

Schloss Bangalore Limited owns, operates, manages and develops luxury hotels and resorts under “The Leela” brand. The company is one of the largest luxury hospitality companies by number of keys in India, comprising 3,553 keys across 13 operational hotels as on March 31,2025. The company’s portfolio of hotels includes The Leela Palaces, The Leela Hotels and The Leela Resorts. The company undertakes its business primarily through direct ownership of hotels and hotel management agreements with third-party hotel owners.

- The company’s portfolio includes 5 owned hotels (“Owned Portfolio”), 7 hotels that are managed by the company through hotel management agreements (“Managed Portfolio”) and 1 hotel which is owned and operated by a third-party owner under a franchise arrangement with the company. The company has strategic footprint across 10 key Indian business and leisure destinations, covering 80% of international air traffic and 59% of domestic air traffic in India in the FY2025.
- The Leela Owned Portfolio includes 5 iconic hotels located in the top luxury hospitality destinations in India. These hotels are designed as “modern palaces” and aim to blend traditional Indian architecture with contemporary world-class amenities and services. The company’s modern palace hotels in Bengaluru (Karnataka), Chennai (Tamil Nadu) and New Delhi (Delhi) are recognized hospitality landmarks and benefit from high barriers to entry.
- The company’s properties are a luxury ecosystem, comprising of luxurious accommodations, curated experiences, wellness programs and award-winning food and beverage (“F&B”) options. This has enabled the company to drive superior total revenue per available room, in comparison to the luxury hospitality segment in India
- The Leela plans to expand its Portfolio with 7 new hotels, aggregating ~678 keys or 19.08% of existing keys through 2028 that will be either developed, owned or managed by the company. The company plans to expand footprint across additional cities and tourist destinations, which include modern palace hotels in Agra (Uttar Pradesh) and Srinagar (Union Territory of Jammu and Kashmir), resorts in Ranthambore (Rajasthan) and Bandhavgarh (Madhya Pradesh) and serviced apartments in Mumbai’s (Maharashtra) international airport district. The company intends to develop existing land assets, pursuing accretive asset acquisition opportunities, hotel management agreements and pursue selective partnerships, acquisitions and development of brands that complement its Portfolio.

The following table sets forth the breakdown of total income by operating structure

Particulars	For the Financial Year					
	2025		2024		2023	
	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)	(₹ in million)	(% of total income)
Income from Owned Portfolio	13,145.78	93.46%	11,501.41	93.77%	8,231.59	91.13%
Income from hotels under hotel management agreements with third-party hotel owners ⁽¹⁾	606.82	4.31%	497.08	4.05%	606.18	6.71%
Income from other sources ⁽²⁾	312.96	2.22%	266.51	2.17%	194.90	2.16%
Total income	14,065.56	100.00%	12,265.00	100.00%	9,032.67	100.00%

Source: RHP, Geojit Research

Market Opportunity

The Indian luxury hospitality segment is witnessing high growth, driven by the sharp increase in affluence globally and a large and expanding base of travelers willing to spend on luxury travel options. Consumer spending is increasingly expanding beyond products to experiences and experience-based products. Luxury spends are expected to grow at a CAGR of nearly 5% over 2023 to 2026E, reaching US\$1.6 trillion in value. The hospitality industry is expected to be one of the key beneficiaries, with nearly US\$ 90 billion expected in incremental spends over the next five years. The Indian luxury hospitality segment is well positioned to continue its upward growth trajectory, basis global trends which include (1) increased global spending in favor of luxury hospitality, (2) close correlation between economic well-being and growth in the hospitality industry, a trend witnessed both in the US and Europe in the 1980s and, (3) significant headroom for ARR growth in the luxury hospitality segment – luxury ARR in Indian cities such as Bengaluru (US\$174) and New Delhi (US\$209) are significantly lower than ARR for the luxury hospitality segment in cities such as London (US\$799), Dubai (US\$786), Bali (US\$669), Singapore (US\$473), Bangkok (US\$382) and Hong Kong (US\$363).

Key strengths:

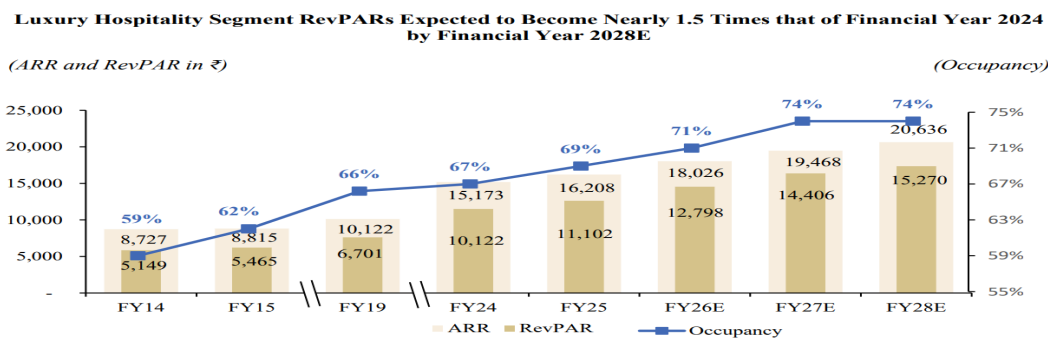
- ◆ Leading Luxury Hospitality Brand with Rich Heritage and Global Appeal.
- ◆ Marquee Owned Hotels in Markets with High Barriers to Entry.
- ◆ Comprehensive Luxury Ecosystem Resulting in Diversified Revenue Sources.
- ◆ Track Record of Driving Operational Efficiency by the Active Asset Management Approach.

Key strategies:

- ◆ Improve same-store growth and profit margins through proactive asset management.
- ◆ Expansion of Portfolio through acquisitions and developments, including through identified assets.
- ◆ Expand the footprint through new hotel management agreements.

Industry Outlook

The hospitality industry comprises luxury, premium (upper upscale and upscale), midscale and economy segments, which provide a wide range of offerings, services, and experiences. Luxury hospitality segment has larger room sizes, high-quality amenities with best-in-class services and are typically characterized by multiple banquets, restaurants and meeting rooms depending on the target segment and thus are able to command higher ARR's compared to other segments. The Indian hospitality sector is expected to deliver strong growth in the coming years as India's GDP is projected to nearly double from \$3.6 trillion in 2023 to \$6.8 trillion in 2030 and the demand for luxury rooms is estimated to grow at a CAGR of 10.6% over Financial Year 2024 to Financial Year 2028 (Source: HVS Report). ARR for the luxury hospitality segment grew at 5.7% CAGR over Financial Year 2014 to Financial Year 2024, compared to the India hospitality industry that grew only 3.1% CAGR over the same period. Expected rise in disposable income, widening demand-supply gap, evolving consumer preference towards premium experiences, improving infrastructure and limited inventory of luxury hotels in India are expected to continue driving ARR growth and occupancy for the luxury segment



Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the company are Project Ballet Bangalore Holdings (DIFC) Pvt Ltd, BSREP III Joy (Two) Holdings (DIFC) Limited, BSREP III Tadoba Holdings (DIFC) Pvt Ltd, Project Ballet Chennai Holdings (DIFC) Pvt Ltd, Project Ballet Gandhinagar Holdings (DIFC) Pvt Ltd, Project Ballet HMA Holdings (DIFC) Pvt Ltd and Project Ballet Udaipur Holdings (DIFC) Pvt Ltd.

Brief Biographies of directors

- **Deepak Parekh** is the Chairman and Independent Director on the Board. He has over 46 years of experience in the banking and financial services sector. He is on the board of several companies across diverse sectors including HDFC Life Insurance Company Ltd.
- **Anuraag Bhatnagar** is the Whole-time Director and Chief Executive Officer of the Company. He has over 29 years of experience in the hospitality sector.
- **Ankur Gupta** is a Non-executive Director on the Board. He is a managing partner and head of Asia Pacific and Middle East for Brookfield's real estate business and country head for Brookfield in India.
- **Ananya Tripathi** is a Non-executive Director on the Board. She has over 8 years of experience in consultancy, strategy and the real estate sector.
- **Ashank Kothari** is a Non-executive Director on the Board. He has over 10 years of experience in the real estate sector.
- **Shai Zelering** is a Non-executive Director on the Board. He has over 10 years of experience in the hospitality sector.
- **Mukesh Butani** is an Independent Director on the Board. He has been a qualified chartered accountant for over 38 years.
- **Apurva Purohit** is an Independent Director on the Board. She has over 32 years of experience in the advertisement, media and communications sector.
- **Ravi Shankar** is the Head - Asset Management and CFO. He has been associated with Leela group since January 2, 2020.
- **Jyoti Maheshwari** is the Company Secretary and Compliance Officer. She has been associated with Leela group since October 7, 2021

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	FY25
Sales	860.1	1,171.5	1,300.6
% change	-	36.2	11
EBITDA	380.4	545	594.4
% change	-	43	9
Depreciation	125	148	139.9
EBIT	255.4	397	454.4
Interest	359.1	432.6	458.2
Other Income	43.2	55	106
Exceptional items	-	-	-
PBT	-60.6	19.4	102.3
% change	-	132	426.3
Tax	1.1	21.6	54.4
Tax Rate (%)	-2	111	53
Reported PAT	-61.7	-2.1	47.8
Adj	-	-	-
Adj. PAT	-61.7	-2.1	47.8
% change	-	96.6	2349.5
Post issue No. of shares (cr)	33.4	33.4	33.4
Adj EPS (Rs)	-1.8	-0.1	1.4
% change	-	96.6	2349.5

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	FY25
PBT Adj.	-60.6	19.4	102.26
Non-operating & non cash	480.8	564.5	517.4
Changes in W.C	-91	-15.8	-56.1
C.F. Operating	318.3	538.8	553.1
Capital expenditure	-85.8	-545.5	-4,926.7
Change in investment	-	-	-14.3
Sale of investment	0.7	1.1	0.2
Other invest.CF	0.5	-241.6	-788.9
C.F - investing	-84.7	-786	-5,729.73
Issue of equity	-	-	7.3
Issue/repay debt	-71.8	-112.56	-317.6
Dividends paid	-	-	-
Other finance.CF	-246	259.6	5,546.1
C.F - Financing	-318	147	5,235.89
Change. in cash	-84.1	-100.2	59.2
Opening Cash	255.3	171.2	71
Closing cash	171.2	71	130.2

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	FY25
Cash	254.9	374.9	288
Accounts Receivable	70.2	72.9	88.7
Inventories	25.6	31	27.2
Other Cur. Assets	41.1	54.3	137.4
Investments	0.0	0.0	14.2
Deff. Tax Assets	-	-	-
Net Fixed Assets	4,533.7	5,257.3	5,335.2
CWIP	27.5	39.2	160.5
Intangible Assets	556.1	785.6	772.1
Other Assets	366.4	446.6	1,442.9
Total Assets	5,876	7,062	8,266
Current Liabilities	117.8	4,815.9	153.7
Provisions	4,366	277.4	324.8
Debt Funds	3,883.3	4,453.1	4,141.5
Other Fin. Liabilities	20	341.2	41.2
Deferred Tax liability	-	-	-
Equity Capital	20.2	20.2	276.5
Reserves & Surplus	-2,532.1	-2,845.9	3,280.4
Shareholder's Fund	-2,512	-2,825.7	3,605
Total Liabilities	5,876	7,062	8,266
BVPS (Rs)	-75.2	-84.6	107.9

RATIOS

Y.E March	FY23	FY24	FY25
Profitab. & Return			
EBITDA margin (%)	44.2	46.5	45.7
EBIT margin (%)	29.7	33.9	34.9
Net profit mgn.(%)	-7.2	-0.2	3.7
ROE (%)	2.5	0.1	1.3
ROCE (%)	36.7	23.6	9.3
W.C & Liquidity			
Receivables (days)	30	22	23
Inventory (days)	140	122	112
Payables (days)	19	19	17
Current ratio (x)	0.1	0.1	1.2
Quick ratio (x)	2.8	0.1	2.5
Turnover & Levq.			
Net asset T.O (x)	0.2	0.2	0.2
Total asset T.O (x)	0.1	0.2	0.2
Int. covge. ratio (x)	0.7	0.9	1.0
Adj. debt/equity (x)	-1.5	-1.6	1.1
Valuation ratios			
EV/Sales (x)	21.4	16.2	14.4
EV/EBITDA (x)	48.4	34.8	31.4
P/E (x)	-	-	303.6
P/BV (x)	-	-	4.0



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