

### The Issue

Type of Issue	Issue size Rs. Bn
Fresh Issue	25
Offer for Sale	10
<b>Total</b>	<b>35</b>
<b>Post issue mkt cap*</b>	<b>145</b>
<b>Lot size</b>	<b>34</b>

\*At Upper Price Band

### Issue Break-Up

Reservation for	% of Issue
QIB	75%
NIB	15%
Retail	10%
<b>Total</b>	<b>100%</b>

### Indicative Offer Timeline

Indicative Date
Bid/Offer Opening Date
May 26,2025
Bid/Offer Closing Date
May 28,2025
Finalization of the Basis of Allotment
May 29,2025
Initiation of refunds
May 30,2025
Credit of shares
May 30,2025
Listing Date
June 02,2025

### Use of Proceeds

Repayment of Debt	<b>Rs.23bn</b>
General Corporate Purposes	-

**Manager:** JM Financial, Bofa, Morgan Stanley, J.P.Morgan, Kotak, Axis Capital, Citi, IIFL, ICICI, Motilal Oswal, SBI caps  
**Registrar:** KFin Technologies Ltd

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### Premier hospitality brand with deleveraging on the cards

- ⇒ **Schloss Bangalore Ltd (Leela Hotels)** is one of the largest hospitality companies in India, owning, operating, managing, and developing luxury hotels and resorts under “**The Leela**” brand.
- ⇒ **The Leela brands** founded in **1986**, was later sold to **Brookfield** in **2019**. At the time of acquisition, the company has grown the keys from 2,495 keys in 2019 to 3,553 keys.
- ⇒ As of March 2025, the company operates 13 hotels comprising 3,553 keys across 10 key business and leisure destinations in India. These locations cover 80% of international air traffic and 59% of domestic air traffic in the country. The company’s portfolio includes **The Leela Palaces, The Leela Hotels, and The Leela Resorts**.
- ⇒ Schloss Bangalore Ltd conducts its business primarily through **direct hotel ownership and hotel management agreements with third-party owners**.
- ⇒ Its owned portfolio includes five hotels located in India’s top luxury hospitality destinations, such as *Bengaluru, Chennai, New Delhi, and Rajasthan*. These owned properties have an average ARR (Average Room Rate) of Rs22,545 and a RevPAR (Revenue Per Available Room) of Rs 15,306 i.e. 1.4x higher than the average for the luxury hospitality segment in India.
- ⇒ In addition to its owned properties, includes *seven operational luxury hotels and resorts* managed under hotel management agreements with third-party owners and one operational luxury hotel which is owned and operated by a third-party owner under a franchise arrangement. Similar to owned portfolio, the ARR of managed portfolio are at 1.3x higher than the industry average.
- ⇒ Company’s NPS that is Net promoter score, a key metric used to measure customer loyalty and satisfaction stands at 85.11.

**Valuation and Outlook:** At the upper price band of Rs 435, Schloss Bangalore Ltd is valued at a post-issue P/B of 3.3x and EV/EBITDA of 24.6x, implying a ~34% and ~10% discount, respectively, to the industry average - indicating attractive relative valuation given its premium brand positioning. The company owns and operates the “Leela” brand, a marquee name in Indian luxury hospitality, with a portfolio of 13 properties across 11 cities, totaling 3,553 keys. Its owned asset base includes 5 hotels with an ARR 1.4x the industry luxury average, reflecting strong pricing power and brand equity. The company plans to scale operations to 4,231 keys, with upcoming properties strategically located across spiritual, wildlife, business, and leisure destinations—aligning with rising domestic and international demand across diversified travel themes. As of Mar-25, Schloss Bangalore carries a sizable debt of Rs.39bn; however, a significant portion of IPO proceeds is earmarked for deleveraging, which is expected to materially improve the company’s balance sheet and profitability metrics. Structurally, the Indian luxury hotel industry remains underpenetrated, with ARR levels significantly trailing global benchmarks. Coupled with a persistent demand-supply imbalance, the long-term growth outlook remains robust. **Therefore on robust expansion, deleveraging on cards and positive industry factors, we assign SUBSCRIBE rating on the issue.**

# Schloss Bangalore Ltd (Leela Hotels)

## Financial Summary

Particulars (Rs.mn)	FY23	FY24	FY25
Revenue	8,601	11,715	13,006
EIBTDA	3,804	5,450	5,944
EBITDA margin	44.2%	46.5%	45.7%
PAT	-617	-21	478
PAT Margin	-7.2%	-0.2%	3.7%
ROCE	22%	28%	6%

## Pre-issue and post-issue holding structure

Shareholding pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	100.0%	75.9%
Public	-	24.1%
Total	100.0%	100.0%

\* At upper price band

## Risks

- **Contingent Liabilities:** As of March 2025, the company reports contingent liabilities amounting to Rs.4,941mn, representing approximately **14% of its net worth**.
- **Seasonality and Cyclical:** The Indian hospitality sector is inherently seasonal and cyclical. Revenue performance across the company's portfolio varies by property, largely influenced by location and guest profiles. Typically, **occupancy rates and room tariffs are higher in the second half of the financial year**, driven by increased domestic and international leisure travel. Additionally, the sector is sensitive to macroeconomic cycles, which directly affect demand, occupancy levels, and average room rates.
- **Occupancy Levels:** As of March 2025, the company's **occupancy rate stands at 65.2%**, which is **lower than industry peers** such as IHCL and Chalet Hotels, indicating potential headroom for operational improvement.

## Schloss Bangalore Ltd (Leela Hotels)

### Strengths

#### Marquee Owned Hotels in Markets with High Barriers to Entry:

- Owned Portfolio includes 5 hotels comprising 1,224 keys as of Mar-25, across top business and leisure destinations in India-Bengaluru (Karnataka), Chennai (Tamil Nadu), New Delhi (Delhi), Jaipur (Rajasthan) and Udaipur (Rajasthan).
- These hotels are strategically positioned in prime locations where acquiring large land parcels is difficult and new of well-established market leaders, reflected in their ARR, which was 1.4 times the average of the luxury hotel segment in FY2025.

#### Diversified Revenue Streams

- Company's portfolio have a comprehensive luxury ecosystem that caters to evolving customer preferences, by providing luxurious accommodation, curated experiences, F&B venues and several other amenities.
- This ecosystem has enabled them to attract a diverse clientele spanning leisure travelers, business travelers and groups, while also diversifying their revenue base across non-room revenue sources such as F&B, MICE and banqueting venues.
- For FY25, the company derived 57% of their income from retail and leisure guests, 17% from corporate bookings and 26% from group bookings. Apart from that their non room revenue stood at 51.7% in the same period.

#### Prudent Asset Management Approach

- Company drives operational efficiencies through their structured and disciplined approach to asset management. Through their prudent asset management the company is able to increase its ARR from 1.2x to 1.4x, as compared to luxury hotels segment in India.
- As part of their asset management initiatives, the company have invested in their assets towards refurbishment, upgrading and repurposing of underutilized spaces. Since April 1, 2021, substantially all the hotels in their Owned Portfolio were renovated, and the company have implemented a Rs.6.55 bn capex plan, 65.37% of which has been incurred as of Mar-25, across their Owned Portfolio that has helped enhance the performance of their Portfolio.

# Schloss Bangalore Ltd (Leela Hotels)

## Strategies

### Improve same-store growth and profit margins

- The company plans to invest in their Owned Portfolio by upgrading rooms, expanding premium F&B offerings, and adding luxury amenities such as members-only clubs, globally recognized spas, and high-end retail outlets.
- Additionally, the company aims to drive profitability through focused marketing initiatives and by optimizing operational efficiencies across their portfolio.
- Subject to local regulations, the company intend to expand their properties by densifying under-utilized areas, repurposing ancillary spaces, or acquiring adjacent land parcels to unlock further value.
- The company in 2021 has laid out a capex plan of Rs.6.54bn, where the company would take property improvement initiatives. So far the company has utilized 65.4% of the capex planned and the remaining would be spent in the coming 12-18 months.

**Expansion of their portfolio through acquisitions and developments:** The company plans to expand its footprint by acquiring and developing hotels. It is currently advancing five projects in Agra, Srinagar, Ayodhya, near Ranthambore, and near Bandhavgarh, adding 475 keys with an estimated Rs.11,315 million in capital expenditure.

### Expand their footprint through new hotel management agreements

- In addition to expanding their owned portfolio, the company will continue to grow through hotel management agreements with third-party owners, enabling brand expansion with minimal capital investment.
- Recently the company has signed agreements for two new properties — a hotel in Gangtok (Sikkim) and luxury serviced apartments in Mumbai (Maharashtra). These two agreement are set to add 203 keys.

### Expanding the reach of Leela brands.

The company have taken various initiatives to extend the reach of the brand by creating new and expanding on existing touchpoints. These initiatives include:

1. **The Leela Clubs**
2. **The Leela branded serviced residences**
3. **The Leela branded serviced apartments**

## Schloss Bangalore Ltd (Leela Hotels)

### KPI's

Overall Portfolio	2023	2024	2025
Number of cities	10	10	11
Number of hotels	12	12	13
<b>Number of keys</b>	<b>3,382</b>	<b>3,382</b>	<b>3,553</b>
Average occupancy (%)	61%	63%	65%
ARR (Rs.)	12,820	15,213	16,409
RevPAR	7,828	9,592	10,696

Owned Portfolio	2023	2024	2025
Number of keys	1,216	1,216	1,224
Average occupancy	67%	67%	68%
ARR (Rs.)	17,248	20,966	22,545
RevPAR (Rs.)	11,475	14,030	15,306
TRevPAR (Rs.)	22,665	26,218	29,575
Managed Portfolio	2023	2024	2025
Number of cities	7	7	8
Number of hotels	7	7	8
number of keys	2,166	2166	2329
Franchised Hotels	2023	2024	2025
Inventory/ Keys	394	394	398
Number of hotels	1	1	1

# Schloss Bangalore Ltd (Leela Hotels)

## KPI's

### Overall Portfolio

Hotel name	Location	Room size (sqm)	Total Keys	% of the Total	Opening Date
<b>Owned Portfolio</b>					
The Leela Palace Bengaluru	Bengaluru, Karnataka	61.6	357	12.61%	August 2001
The Leela Palace Chennai	Chennai, Tamil Nadu	57.96	325	9.23%	January 2013
The Leela Palace New Delhi	New Delhi, Delhi	57.24	254	7.09%	April 2011
The Leela Palace Jaipur	Jaipur, Rajasthan	71.8	200	9.00%	May 2021
The Leela Palace Udaipur	Udaipur, Rajasthan	58.71	88	13.64%	May 2009
<b>Managed Portfolio</b>					
The Leela Ambience Convention Hotel Delhi	Shahdara, Delhi	38.44	480	5.21%	December 2015
The Leela Ambience Gurugram Hotel & Residences	Gurugram, Haryana	58.68	412	7.04%	July 2009
The Leela Gandhinagar	Gandhinagar, Gujarat	37.86	318	3.77%	September 2021
The Leela Bhartiya City Bengaluru	Bengaluru, Karnataka	47	281	8.19%	September 2021
The Leela Kovalam, A Raviz Hotel	Kovalam, Kerala	48.71	188	7.45%	August 2022
The Leela Ashtamudi, A Raviz Hotel	Ashtamudi, Kerala	44.98	96	10.42%	July 2023
The Leela Hyderabad	Hyderabad, Telangana	45.41	156	19.23%	November 2024
<b>Franchise Portfolio</b>					
The Leela Mumbai	Mumbai, Maharashtra	28.48	398	11.31%	November 1986

### Revenue Mix

Particulars	Revenue (Rs.mn)					
	FY23	% of Total	FY24	% of Total	FY25	% of Total
Room income	4118	48%	6151	53%	6800	52%
Revenue from food and beverages	3306	38%	4317	37%	4782	37%
Management and other operating fees	666	8%	595	5%	698	5%
Other allied services	387	5%	489	4%	539	4%
Manpower services	124	1%	164	1%	187	1%
<b>Total Revenue from operations</b>	<b>8601</b>	<b>100%</b>	<b>11714</b>	<b>100%</b>	<b>13006</b>	<b>100%</b>

## Schloss Bangalore Ltd (Leela Hotels)

### Expansion Plan

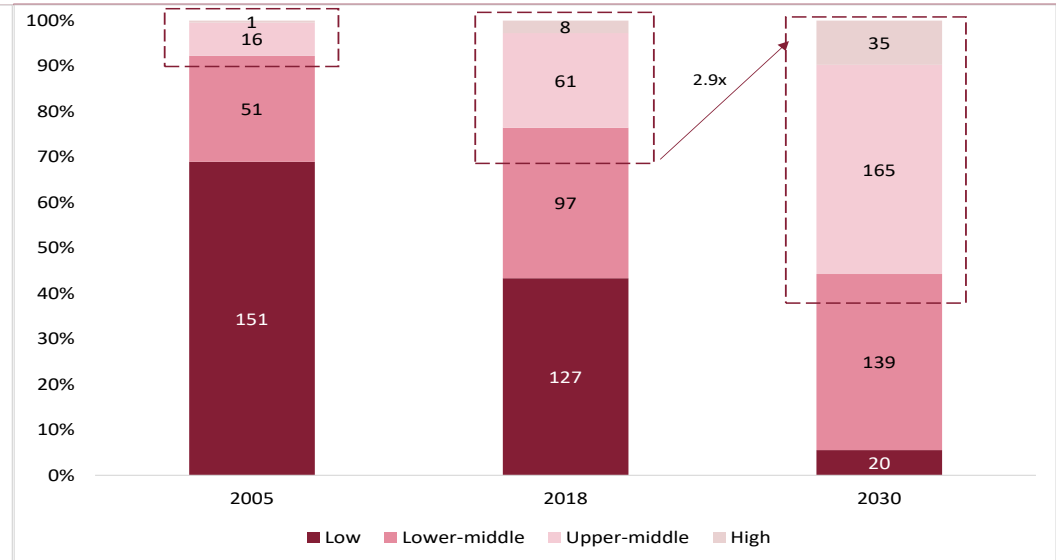
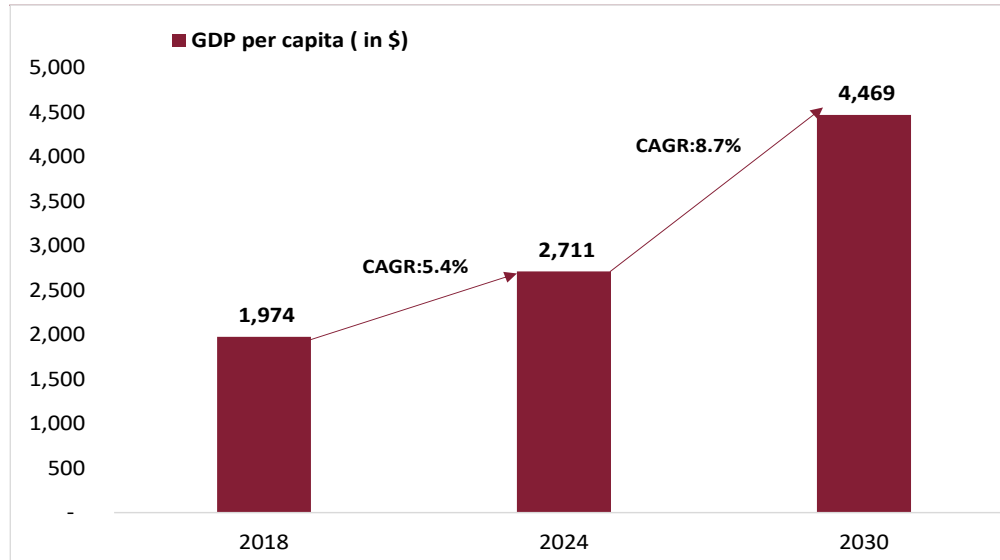
Name and Location of the Property	Segment	Keys	Capex planned (Rs.)	Acquisition/New Development	% Ownership	Year of Completion	ARR (Rs.)
The Leela Palace Agra, U.P.	Heritage & Grandeur	99	4,419	New Development	100%	2028	46,000-51,000
The Leela Palace Srinagar, J&K	Hill station	170	1,899	Development of a hotel pursuant to concession agreement	50%	2,028	28,000-33,000
The Leela Ayodhya, U.P.	Spiritual	100	2,997	Acquisition and subsequent development of hotel	76%	2028	18,000-23,000
The Leela Ranthambore, Rajasthan	Heritage & Grandeur	76	1,280	Acquisition and subsequent development of hotel	51%	2028	49,000-54,000
The Leela Bandhavgarh, M.P.	Wildlife	30	720	Acquisition and subsequent development of hotel	74%	2028	48,000-53,000

Name of the property	Segment	Keys	Year of Completion	ARR (Rs.)
The Leela Luxury Residences and Club, Mumbai, Maharashtra	Business	63	2026	Rs.12,000 – 18,000
The Leela Sikkim, Gangtok, Sikkim	Hill Station	140	2026	Rs.22,000 – 27,000

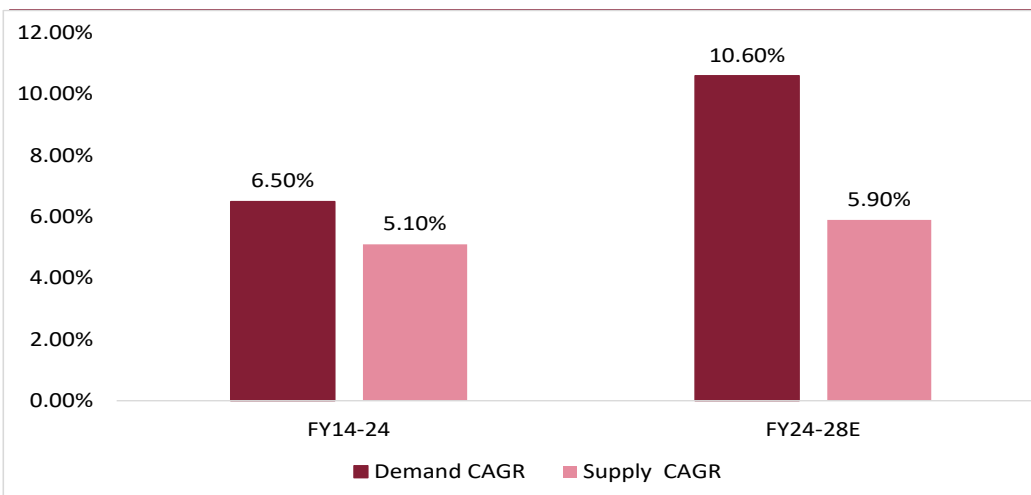
# Schloss Bangalore Ltd (Leela Hotels)

## Industry Overview

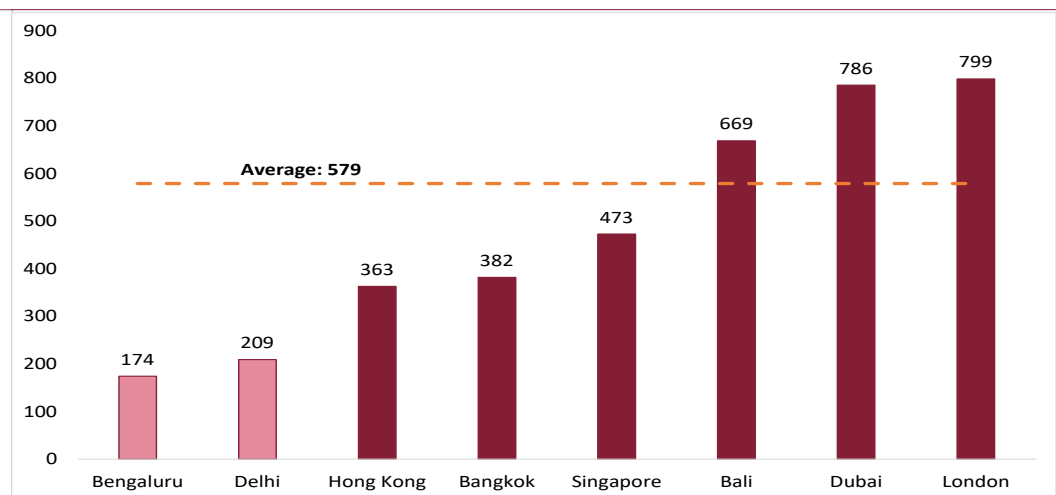
India's higher GDP growth in future to aid hospitality sector..... ..as India High-upper middle class are expected to be grow by 2.9x



### Widening Demand-Supply gap in the luxury hospitality Industry



### India has immense growth potential to grow its ARR's (in \$)





## Schloss Bangalore Ltd (Leela Hotels)

### Peers

Peers	Revenue	EBITDA	EBITDA margins	Occupancy Rate (%)	ARR (Rs.)	RevPAR (Rs.)	Segment	Business Model	P/Bx	EV/EBITDA
Schloss Bangalore Ltd (The Leela)	13,006	5,944	45.7%	65%	15,212.8	9,592	Luxury	Brand+ Asset Owners	3.34	24.6
IHCL	83,345	27690	33.2%	78%	15,414.0	11,821	All segments	Brand+ Asset Owners	9.81	37
EIH	27430	10170	37.1%	79%	18,705.0	16,392	Luxury +UpperUpscale	Brand+ Asset Owners	5.03	18.8
Chalet Hotels	17180	7360	42.8%	73%	10,718.4	7,776	Luxury, UpperUpscale, Upscale	Pure-play asset owners	6.52	28.8
Juniper Hotels	9120	3110	34.1%	75%	10,165.0	7,645	Luxury, UpperUpscale, Upscale	Pure-play asset owners	2.57	24.7
Ventive Hospitality	16050	7450	46.4%	72%	19,976.0	11,881	Luxury, UpperUpscale, Upscale	Pure-play asset owners	3.75	24.8
ITC Hotels	35600	12110	34.0%	73%	12,000.0	-	Luxury, UpperUpscale, Upscale	Brand + Asset Owners	4.22	33.6

Financials as of Mar-25.

ARR and RevPAR as of FY24

## INDSEC Rating Distribution

**BUY :** Expected total return of over 15% within the next 12-18 months.

**HOLD :** Expected total return between 0% to 15% within the next 12-18 months.

**SELL :** Expected total return is negative within the next 12-18 months.

**NEUTRAL:** No investment opinion, stock under review.

**Note:** Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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