

Retail Research	IPO Note
Sector: Hospitality	Price Band (Rs): 413 - 435
22 <sup>nd</sup> May 2025	

## Schloss Bangalore Ltd.

### Company Overview:

**Schloss Bangalore Ltd. (Leela Hotels)**, operates and manages luxury hotels and resorts across India under “The Leela” brand. Company’s portfolio comprises of 3,553 keys across 13 operational hotels under the brands of The Leela Palaces, The Leela Hotels and The Leela Resorts, placing the company among the largest luxury hospitality players in India. Out of the total portfolio, 5 properties are owned and managed by the company, 7 are managed properties and 1 is a franchised property. This enables the company to have an asset-light business model with minimal capital investment and enhances brand’s reach. As of Dec’24, its portfolio was present in all 7 top business markets and 3 of the top 5 leisure markets of India, accounting for nearly 18% of the total existing luxury keys across these markets.

### Key Highlights:

**1. Leading luxury hospitality brand with global appeal:** The Leela brand is widely associated with luxury and is established as a leading hospitality brand in the world. The company’s properties are widely recognized for superior quality of service. For FY25, RevPAR across the company’s owned portfolio was 1.4x of the overall luxury hotel segment average in India, reflecting Leela’s premium market positioning and brand strength in luxury hospitality industry.

**2. Strong portfolio presence in key markets:** The company enjoys a strategic presence across top business and leisure destinations in India such as Bangalore, Chennai, New Delhi, Jaipur and Udaipur. The owned hotels are situated in prime locations where acquiring large land parcels is challenging. Developing new hotels in these areas requires a considerable gestation period for site development and achieving operational stability, thereby creating significant barriers for new competitors. Between FY19 and FY24, company’s owned portfolio RevPAR grew at ~12% CAGR, higher from ~9% CAGR of the overall luxury hospitality sector in India.

**3. Comprehensive luxury ecosystem:** The company has a comprehensive luxury ecosystem that caters to evolving customer preferences by providing luxurious accommodation, curated experiences, and food & beverage venues. As of Mar’25, the company operates 72 restaurants, bars and cafes across its portfolio brands. Portfolio properties are equipped with facilities designed to host a range of activities such as corporate conferences, weddings and social gathering, aimed at capturing the premium market share in the MICE sector in India. In FY25, the company derived ~57% of room revenue from retail and leisure guests, ~17% from corporate bookings and ~26% from group bookings, demonstrating strength of the diverse customer cohort.

**4. Expansion plans:** The company plans to expand its portfolio by adding 7 new hotels, aggregating approximately 678 keys or ~19% of existing keys through 2028. These new properties are currently in various stages of acquisition and development. The growth pipeline comprises of modern palaces, hotels and resorts including expansion in new segments such as wildlife, spiritual and heritage tourism, diversifying the company’s geographical footprint across additional cities and tourist destinations.

**Valuation:** The company is valued at FY25 EV/EBITDA multiple of 26.3x at post issue capital of upper price band. The company’s Revenue/EBITDA have grown at a CAGR of 23%/25% respectively over the last 2 years while on a net basis, the business has turned profitable in FY25. The company’s presence in luxury space offers high growth opportunities as the luxury segment within the hospitality sector is likely to grow at a higher pace. The company will repay its debt from the IPO proceeds which will result in lower D/E from the current 1.1x and improved profitability.

Issue Details	
Date of Opening	26 <sup>th</sup> May 2025
Date of Closing	28 <sup>th</sup> May 2025
Price Band (Rs)	413 - 435
Offer for Sale (Rs cr)	1,000
Fresh Issue (Rs cr)	2,500
Issue Size (Rs cr)	3,500
No. of shares	8,04,59,770 - 8,47,45,763
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	13,919 - 14,527
BRLMs	JM Financial, BofA Securities, Morgan Stanley, JP Morgan, Kotak Mahindra Capital, Axis Capital, Citi, IIFL Capital, ICICI Securities, Motilal Oswal, SBI Capital Markets
Registrar	KFin Technologies Ltd.
Bid Lot	34 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Repayment/pre-payment, in full or in part, of certain outstanding borrowings availed by the company and its subsidiaries	2,300
General corporate purpose* <sup>^</sup>	-
<b>Total proceeds from fresh issue</b>	<b>2,500</b>

\*The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

<sup>^</sup>To be finalised upon determination of the Issue Price and updated in the Prospectus prior to filing with the RoC.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	27,64,86,614	100.0
Public & Others	-	-
<b>Total</b>	<b>27,64,86,614</b>	<b>100.0</b>

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	25,22,73,539	74.9
Public & Others	8,47,45,763	25.1
<b>Total</b>	<b>33,70,19,302</b>	<b>100.0</b>

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	25,34,98,108	75.9
Public & Others	8,04,59,770	24.1
<b>Total</b>	<b>33,39,57,878</b>	<b>100.0</b>

Source: RHP, SSL Research

**Note:** SBI Capital Markets Ltd. is the BRLM to the issue and hence as per compliance led restrictions, SBI Securities Ltd. cannot assign any rating to the issue. IPO note can be used to understand the business model and decode the key operational and financial metrics.

## Key Financials

Particulars (Rs cr)	FY23	FY24	FY25
Revenue from operation	860	1,171	1,301
EBITDA	380	545	594
PAT	(62)	(2)	48
EBITDA Margin (%)	44.2	46.5	45.7
PAT Margin (%)	(7.2)	(0.2)	3.7
ROE (%)	2.5	0.1	1.3
ROCE (%)	25.2	31.9	7.5
EV/EBITDA (x)*	40.7	29.2	26.3

Source: RHP, SSL Research

\*Note: Pre-issue EV/EBITDA based on upper price band

## Risk Factors

- **Mortgage on assets:** The company has granted security interests over certain assets. Failure to satisfy borrowing obligations may lead to invocation of security interest, resulting in forced sale or seizure of such assets.
- **Delay in renovation and refurbishment:** Any delay in the renovation and refurbishment of existing hotels in the company's owned portfolio may have an adverse effect on company's business operations.
- **Delay in completion of new projects:** The company has undertaken several initiatives to expand its portfolio to service the growing industry demand. Any inability to identify or acquire strategically located properties or parcels of land on acceptable terms or other construction related exigencies may lead to loss of potential business.
- **Deterioration of brand:** Company's ability to attract guests across portfolio largely depends on the perception of "The Leela" brand. Any negative factor may tarnish the brand and affect the company's revenues and future collaborations.

## Growth Strategies

- Improve same-store revenue growth and profit margins through enhancement in existing portfolio and improvement in cost structure.
- Expand portfolio and footprint through acquisitions, development and new hotel management agreements.
- Focus on asset-light business model led by hotel management agreements with third-party hotel owners.
- Build a strong bouquet of luxury services

## Portfolio Operational Metrics

Metrics	FY23	FY24	FY25
<b>Overall Portfolio</b>			
Number of cities	10	10	11
Number of hotels	12	12	13
Number of keys	3,382	3,382	3,553
Average occupancy (%)	61%	63%	65%
ARR (Rs)	12,820	15,213	16,409
RevPAR (Rs)	7,828	9,592	10,696
<b>Owned Portfolio</b>			
Number of hotels	5	5	5
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
<b>Managed Portfolio</b>			
Number of hotels	7	6	6
Number of keys	1,772	1,772	1,931
<b>Franchised Portfolio</b>			
Number of hotels	1	1	1
Number of keys	394	394	398

Source: RHP, SSL Research

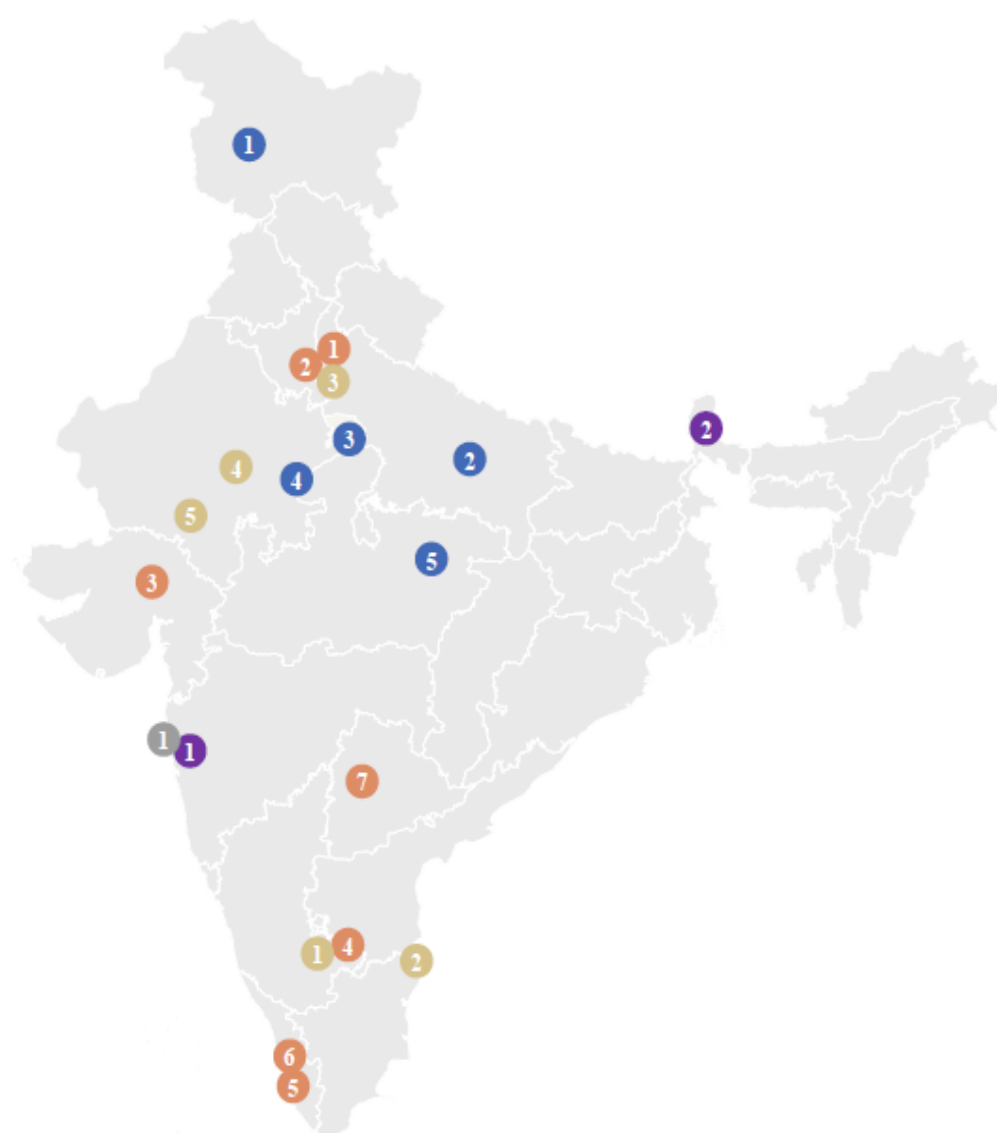
\*TRevPAR is calculated as total revenue from owned hotels portfolio during a given year divided by the total available room nights in the particular year

## Expansion Plans

Name and location of the property	Segment	Expected no of keys	Acquisition/New Development	Expected FY of Commencement	ARR for luxury properties during FY25
The Leela Palace Agra	Heritage and Grandeur	99	New Development	2028	46,000-51,000
The Leela Palace Srinagar	Hill Station	170	Development of existing property	2028	28,000-33,000
The Leela Ayodhya	Spiritual	100	Acquisition and subsequent development	2028	18,000-23,000
The Leela Ranthambore	Heritage and Grandeur	76	Acquisition and subsequent development	2028	49,000-54,000
The Leela Bandhavgarh	Wildlife	30	Acquisition and subsequent development	2028	48,000-53,000

Source: RHP, SSL Research

## Geographical Presence



### Owned Hotels (1,224 keys)

- 1 The Leela Palace Bengaluru
- 2 The Leela Palace Chennai
- 3 The Leela Palace New Delhi
- 4 The Leela Palace Jaipur
- 5 The Leela Palace Udaipur

### Managed Hotels (1,931 keys)

- 1 The Leela Ambience Convention Hotel, Delhi
- 2 The Leela Ambience Gurugram Hotel & Residences
- 3 The Leela Gandhinagar
- 4 The Leela Bhartiya City, Bengaluru
- 5 The Leela Kovalam, A Raviz Hotel
- 6 The Leela Ashtamudi, A Raviz Hotel
- 7 The Leela Hyderabad

### Franchised Hotel (398 keys)

- 1 The Leela Mumbai

### New Development Pipeline (475 keys)

- 1 The Leela Palace Srinagar
- 2 The Leela Ayodhya
- 3 The Leela Palace Agra
- 4 The Leela Ranthambore
- 5 The Leela Bandhavgarh

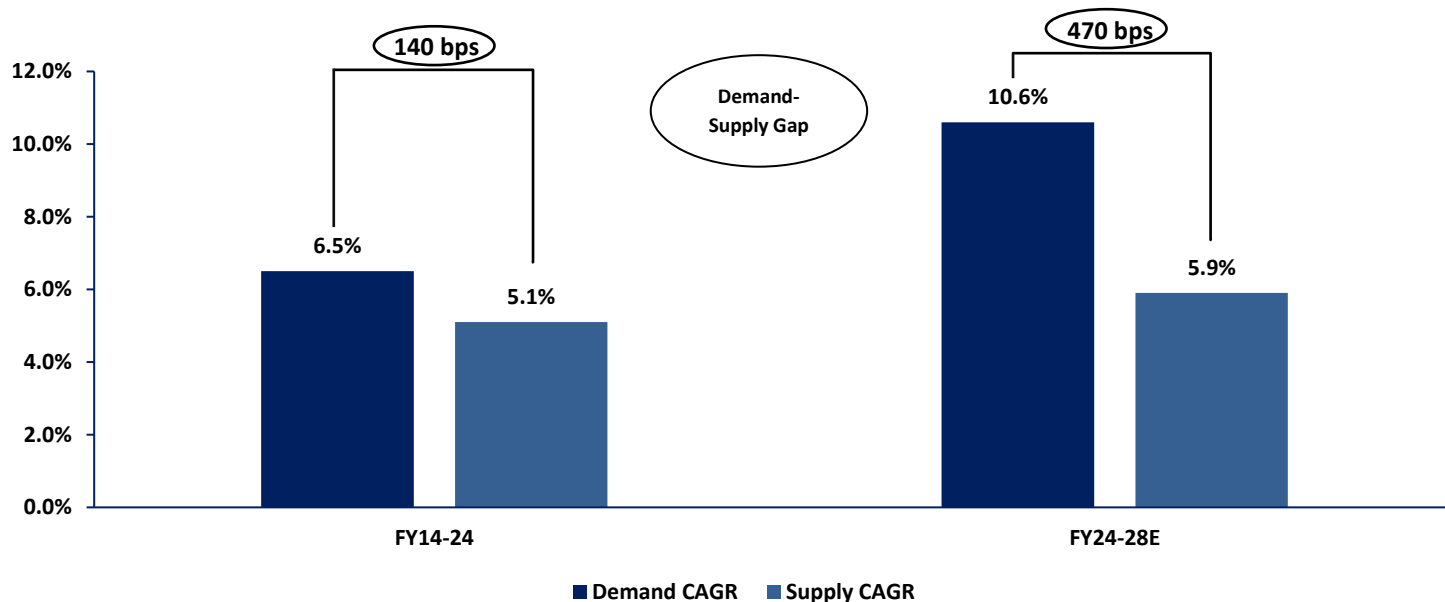
### Hotel Management Agreements (203 keys)

- 1 The Leela Serviced Residences, Mumbai
- 2 The Leela Sikkim

Source: RHP, SSL Research

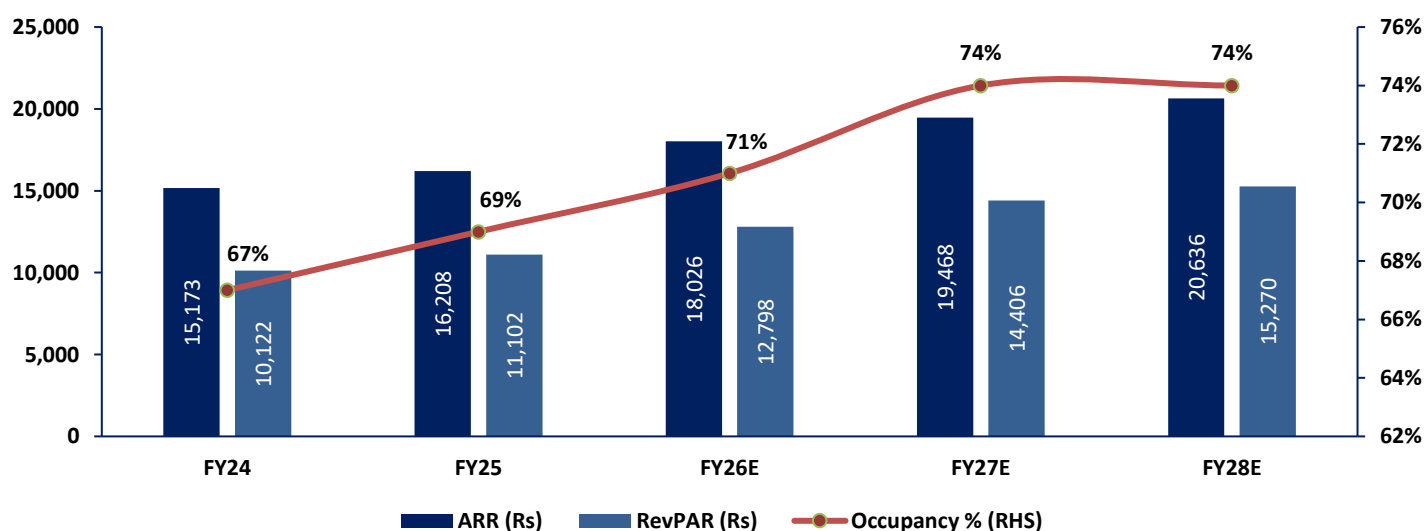
## Industry Overview

### Widening Demand-Supply Gap in the Luxury Hospitality Industry



Source: RHP, SSL Research

### Luxury Hospitality segment RevPARs expected to become nearly 1.5 times that of FY24 by FY28E



Source: RHP, SSL Research

## Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY23	FY24	FY25
<b>Revenue from Operations</b>	<b>860</b>	<b>1,171</b>	<b>1,301</b>
<b>YoY growth (%)</b>	<b>-</b>	<b>36.2%</b>	<b>11.0%</b>
Cost Of Revenues (incl Stock Adj)	67	85	95
<b>Gross Profit</b>	<b>793</b>	<b>1,086</b>	<b>1,206</b>
<b>Gross margin (%)</b>	<b>92.2%</b>	<b>92.7%</b>	<b>92.7%</b>
Employee Cost	173	234	273
Other Operating Expenses	240	307	338
<b>EBITDA</b>	<b>380</b>	<b>545</b>	<b>594</b>
<b>EBITDA margin (%)</b>	<b>44.2%</b>	<b>46.5%</b>	<b>45.7%</b>
Other Income	43	55	106
Interest Exp.	359	433	458
Depreciation	125	148	140
<b>PBT</b>	<b>-61</b>	<b>19</b>	<b>102</b>
Tax	1	22	54
<b>PAT</b>	<b>-62</b>	<b>-2</b>	<b>48</b>
<b>PAT margin (%)</b>	<b>-7.2%</b>	<b>-0.2%</b>	<b>3.7%</b>
<b>EPS</b>	<b>-2.2</b>	<b>-0.1</b>	<b>1.7</b>

BALANCE SHEET			
Particulars (Rs cr)	FY23	FY24	FY25
<b>Assets</b>			
Net Block	4,534	5,257	5,335
Capital WIP	27	39	131
Intangible Assets	314	535	512
Right of use assets	242	251	260
Other Non-current Assets	366	447	1,487
<b>Current Assets</b>			
Inventories	26	31	27
Trade receivables	70	73	89
Cash and Bank Balances	255	375	288
Other Current Assets	41	54	137
<b>Total Current Assets</b>	<b>392</b>	<b>533</b>	<b>541</b>
<b>Current Liabilities &amp; Provisions</b>			
Trade payables	44	60	61
Other current liabilities	94	5,097	134
Short-term provisions	1	3	2
<b>Total Current Liabilities</b>	<b>139</b>	<b>5,160</b>	<b>197</b>
<b>Net Current Assets</b>	<b>253</b>	<b>-4,627</b>	<b>344</b>
<b>Total Assets</b>	<b>5,737</b>	<b>1,902</b>	<b>8,069</b>
<b>Liabilities</b>			
Share Capital	20	20	276
Reserves and Surplus	-2,532	-2,846	3,280
<b>Total Shareholders' Funds</b>	<b>-2,512</b>	<b>-2,826</b>	<b>3,557</b>
Minority Interest	0	0	48
<b>Total Debt</b>	<b>3,696</b>	<b>4,242</b>	<b>3,909</b>
Long Term Provisions	5	10	11
Lease Liabilities	187	211	233
Other Long-Term Liabilities	4,259	7	8
Net Deferred Tax Liability	102	258	303
<b>Total Liabilities</b>	<b>5,737</b>	<b>1,902</b>	<b>8,069</b>

Particulars (Rs Cr)	FY23	FY24	FY25
Cash flow from Operating Activities	318	539	553
Cash flow from Investing Activities	(85)	(786)	(5,730)
Cash flow from Financing Activities	(318)	147	5,236
Free Cash Flow	233	418	345

RATIOS			
	FY23	FY24	FY25
<b>Profitability (%)</b>			
Return on Capital Employed	25.2	31.9	7.5
Return on Equity	2.5	0.1	1.3
<b>Margin Analysis (%)</b>			
Gross Margin	92.2	92.7	92.7
EBITDA Margin	44.2	46.5	45.7
Net Profit Margin	(7.2)	(0.2)	3.7
<b>Short-Term Liquidity</b>			
Current Ratio (x)	2.8	0.1	2.8
Quick Ratio (x)	2.6	0.1	2.6
Avg. Days Sales Outstanding	30	23	25
Avg. Days Inventory Outstanding	140	133	105
Avg. Days Payables	241	257	234
Fixed asset turnover (x)	0.2	0.2	0.2
Debt-service coverage (x)	0.1	0.1	0.1
<b>Long-Term Solvency</b>			
Gross Total Debt / Equity (x)	(1.5)	(1.5)	1.1
Interest Coverage Ratio (x)	0.8	1.0	1.2
<b>Valuation Ratios</b>			
EV/EBITDA (x)	40.7	29.2	26.3
P/E (x)	-	-	252.4
P/B (x)	-	-	3.4
EV/Sales (x)	18.0	13.6	12.0

*\*Valuation ratios are based on pre-issue capital at the upper price band*

*Source: RHP, SSL Research*

## Peer Comparison – Financials (FY25)

Particulars (Rs cr)	Schloss Bangalore Ltd.	The Indian Hotels Company Ltd.	ElH Ltd.	Chalet Hotels Ltd.	Juniper Hotels Ltd.*	Ventive Hospitality Ltd.	ITC Hotels Ltd.
CMP (Rs)	435.0	771.0	371.0	892.0	301.0	761.0	204.6
Sales	1,300.6	8,335.0	2,743.0	1,718.0	818.0	1,605.0	3,560.0
EBITDA	594.4	2,769.0	1,017.0	736.0	311.0	745.0	1,211.0
Net Profit	47.8	1,691.0	760.0	142.0	23.5	123.0	635.0
Mkt Cap.	14,527.2	1,09,732.0	23,185.0	19,492.0	6,702.0	17,781.0	43,257.0
Enterprise Value	15,647.9	1,07,775.0	22,273.0	21,860.0	7,188.0	19,564.0	41,603.0
EBITDA Margin (%)	45.7	33.2	37.1	42.8	38.0	46.4	34.0
Net Margin (%)	3.7	20.3	27.7	8.3	2.9	7.7	17.8
RoE (%)	1.3	15.2	16.5	4.7	0.9	2.6	5.9
RoCE (%)	7.5	19.8	19.1	9.9	6.5	6.9	7.6
P/E (x)	304.8	64.9	30.5	137.3	281.3	147.8	67.1
EV/EBITDA (x)	26.3	38.9	21.9	29.7	23.1	26.3	34.4
EV/Sales (x)	12.0	12.9	8.1	12.7	8.8	12.2	11.7

\*Financial data for Juniper Hotels is for FY24

For Schloss Bangalore Ltd, the Market cap, P/E(x), and EV/EBITDA (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP of 21<sup>st</sup> May 2025

Source: RHP, SSL Research



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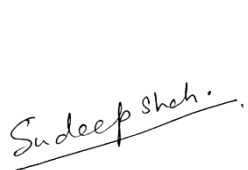
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