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IPO ANALYSIS AND OVERVIEW

# JUNIPER HOTELS

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# HIGHLIGHTS :

- Juniper Hotels is coming out with a 100% book building; initial public offering (IPO) of 5,26,31,578 shares of Rs 10 each in a price band Rs 342-360 per equity share.
- Not more than 75% of the issue will be allocated to Qualified Institutional Buyers (QIBs), including 5% to the mutual funds. Further, not less than 15% of the issue will be available for the non-institutional bidders and the remaining 10% for the retail investors.
- The issue will open for subscription on February 21, 2024 and will close on February 23, 2024.
- The shares will be listed on BSE as well as NSE.
- The face value of the share is Rs 10 and is priced 34.20 times of its face value on the lower side and 36.00 times on the higher side.
- Book running lead managers to the issue are JM Financial, CLSA India Private and ICICI Securities.
- Compliance Officer for the issue is Sandeep L. Joshi.

# PROFILE OF THE COMPANY

Juniper Hotels is a luxury hotel development and ownership company, and are the largest owner, by number of Keys of “Hyatt” affiliated hotels in India as of September 30, 2023. It has a portfolio of seven hotels and serviced apartments and operate a total of 1,836 keys as of September 30, 2023. It benefits from a unique and longstanding partnership of over 40 years between Saraf Hotels (including erstwhile and current affiliates, collectively referred to as the “Saraf Group”), a hotel developer with a strong and well established track record in India, and affiliates of a globally recognized premier hospitality brand, Hyatt Hotels Corporation (HHC) (collectively with its affiliates “Hyatt”). It is the only hotel development company in India with which Hyatt has a strategic investment. It owns 19.6% of Hyatt group affiliated hotel rooms and apartments in India as on September 30, 2023 and has extensive experience in identifying opportunities in hospitality destinations, developing high-end hotels in these locations and nurturing them through active asset management. It is also focused on providing quality guest experience, while operating its assets efficiently.

The company’s hotels and serviced apartments are present across the luxury, upper upscale and upscale category of hotels and are established landmarks in Mumbai, Delhi, Ahmedabad, Lucknow, Raipur and Hampi. Besides Grand Hyatt Mumbai Hotel and Residences being the largest luxury hotel in India, the Hyatt Regency Lucknow and Hyatt Regency Ahmedabad are the largest upper upscale hotels in their respective markets and Hyatt Raipur is the only upper upscale hotel in Raipur.


The company is jointly held by Saraf Hotels and its affiliate, Juniper Investments and Two Seas Holdings (an indirect subsidiary of HHC). The partnership between its key stakeholders has been built over several decades. Saraf Group, led by Arun Kumar Saraf, have over 40 years of industry experience and have developed a number of hotels across South Asia. HHC is a global hospitality company with widely recognized, industry-leading brands and a tradition of innovation developed over 65 years, with a hotel portfolio consisting of 1,310 hotels and 313,257 rooms, across full service hotels and resorts, all-inclusive resorts, select service hotels, lifestyle hotels and other properties, as of September 30, 2023. It benefits from the experience of its key shareholders and are able to leverage their long-standing brand heritage, in-depth market understanding, operational experience, and the World of Hyatt loyalty program with approximately 42 million members as of September 30, 2023.

# PROCEED IS BEING USED FOR:

1

Repayment/ prepayment/ redemption, in full or in part, of certain outstanding borrowings availed by the company and its recent acquisitions, namely CHPL and CHHPL.

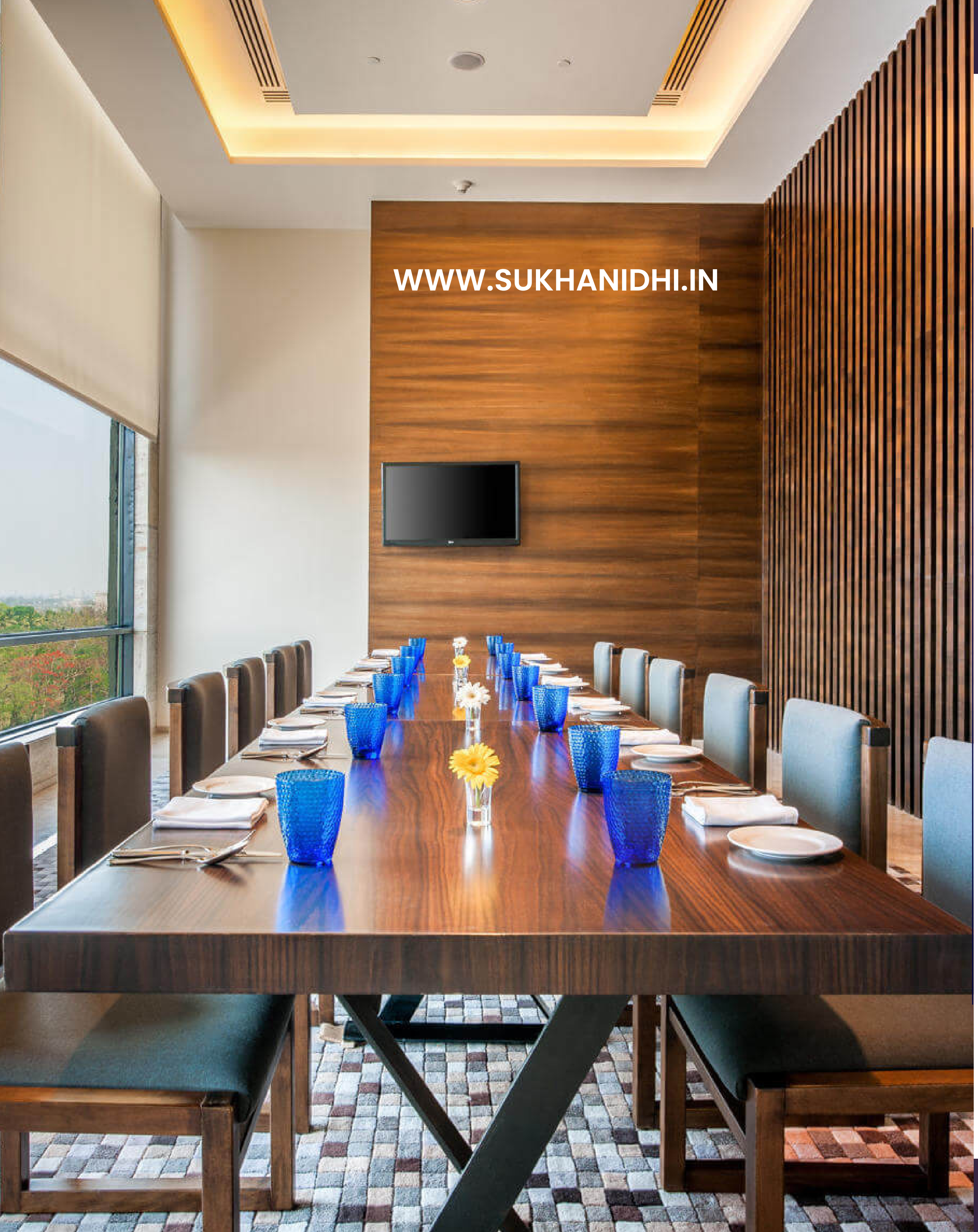
2

General corporate purposes.

# INDUSTRY OVERVIEW



The hotel sector had a difficult period from late 2008, mainly because expected demand growth did not occur to match supply created in anticipation of demand growth. The economy and investment climate were not supportive of demand growth; security issues occurred in some years. During this period, supply growth was 44k rooms while demand grew by 25k rooms. Slowing occupancy invariably leads to softer ADR thereby impacting RevPAR levels. Rates were impacted by the dual factor of slower demand and occupancy generally, and diversification of supply profile so that wider options of quality and price points became available; this appealed well to the growing domestic demand. Rate revival often lags occupancy revival; rates are pushed higher only once hotel managements have greater confidence of business levels. Simultaneously, constraints on bookings push a reluctant demand side to pay higher room rates. Further, a positive business climate creates more positivity in travel and draws a wider profile of international and domestic business travellers - this also helps to improve the rate sentiment. Thus, limited occupancy revival in 2010 was not supported by ADR growth.




Occupancies between April 2023 and September 2023 were in the range of 61% to 63% except in June 2023 when it touched 64%. ADRs during this period have increased by 15% to 18% compared to the corresponding period of 2022. Luxury Upper Upscale ADRs for 2022 for Mumbai and New Delhi were the highest for those markets since 2008 and 2012 respectively. Luxury Upper Upscale ADRs for Mumbai and Delhi have continued to grow through year to-date September 2023, by 25% and 37%, respectively over 2022, 2022 Occupancy for Lucknow, at 61.8%, crossed 2019 occupancy and further increased to about 65% for year-to-date September 2023. Market-wide ADR and Occupancy for Ahmedabad for 2022 was the highest since 2008 (in this period, supply grew from 624 rooms to 5,171 rooms). For year-to-date September 2023, while the occupancy for Ahmedabad was marginally below the 2022 occupancy, ADR during this period increased by about 16% as compared to the 2022 ADR. Business recovery and gains are clearer when 2022 performance is compared with 2019 performance on a 'same store' basis, i.e., considering 2022 performance for the hotels that were operating in 2019 and participated in data reporting.

The Delhi market is expected to be in a positive mode with demand and rate growth creating higher earnings opportunities for hotels. Fiscal 2024 will benefit from G20 related events and travel, and the wider resumption of inbound travel. Additionally, the supply pipeline is only 1.4k rooms through Fiscal 2027, of which 1.2k rooms are in the Luxury Upper Upscale segment with openings only from Fiscal 2027. Moreover, New supply is largely in north Mumbai and will serve the needs of the continued growth of commercial activities in the area; BKC as an expanding financial district (10.7 million sq. ft. of commercial and 234k sq. ft. under development) and with the convention centre lacks sufficient hotel supply and will likely create material overflow demand to north Mumbai hotels. Thus, hotels in the vicinity of BKC, such as the Trident, Sofitel and the Grand Hyatt Mumbai Hotel and Residences will benefit from the increasing business travel and large demand generation from the convention centre. Occupancy and ADR levels can expect to remain very positive. MICE and weddings demand and spends are also expected to remain positive over the next three to five years.

# PROS AND STRENGTHS

- **EXPERTISE IN SITE SELECTION AND IDENTIFYING OPPORTUNITIES TO DEVELOP HOTELS:**

The company has demonstrated a strong track record in establishing its presence across key cities. Its hotels and serviced apartments are located in: (a) established markets such as Delhi and Mumbai; (b) emerging business destinations such as Ahmedabad, Lucknow and Raipur; and (c) growing tourist destinations such as Hampi. In Raipur and Hampi, its hotels were the first international chain affiliated hotels. It identifies micro-markets and locations within the cities based on their proximity to airports, central business districts, areas with concentrated industrial catchment and areas with high tourism activities. It aligns the appropriate Hyatt sub-brand with each development. The right sub-brand, along with the right size of development in the optimal location in the chosen city, allows it to cater to the high-end traveler and maximize long-term returns. It has developed its hotels at locations with high barriers to entry.

- **ROBUST ASSET MANAGEMENT CAPABILITIES**

The company has established specialized asset management teams with asset managers at each of its hotels. It has formed functional clusters - operations, finance, human resources (HR), procurement and a dedicated sales team. This cluster-based approach provides it with the ability to apply best practices and maximize results. Its operations cluster enables it to review all revenue strategies implemented in driving business across its hotels and its finance cluster gives it the ability to analyze real-time financial and accounting MIS from a central location, giving the asset team a sharper insight on its cost structure, leading to better internal controls. Its centralized approach enables standardization of products and the economies of scale provides increased negotiating power. Each hotel has a dedicated asset manager, which gives it the ability to monitor asset upkeep by prudent and timely expenditure on resources and management to ensure the upkeep of its hotels, which is crucial to drive revenues and to also maintain or grow asset values.

- **INCREASING RETURNS BY HAVING MULTIPLE REVENUE STREAMS AND COMPLEMENTARY OFFERINGS:**

The company has introduced complementary revenue generating streams at its hotels, and benefit from revenue contribution from areas such as serviced apartments, restaurants, MICE services and other services, to ensure optimal utilization of available resources. For instance, during the COVID-19 pandemic, the Average Occupancy, the Grand Hyatt Mumbai Hotel and Residences decreased by 64.70% in Fiscal 2021 from the previous year, while Average Occupancy at its serviced apartments at the Grand Hyatt Mumbai Hotel and Residences and Hyatt Delhi Residences, remained strong, with a decrease in Average Occupancy by 26.06% and 9.42%, respectively, in Fiscal 2021 from the previous year. Its complementary offerings also result in a mix of customers and guests staying at its properties, which improves its ARRs. Further, it consistently monitors the usage of available space at its hotels and aims to enhance its customer offering by adapting the available real estate space in its hotels to meet the ever-changing demands of the market.

- ## WELL POSITIONED TO BENEFIT FROM INDUSTRY TRENDS

In Fiscal 2022, India was the fifth largest global economy with GDP at current prices of $3.18 trillion. The International Monetary Fund’s World Economic Outlook Report (October 2023) forecasts India’s per capita GDP to grow at a CAGR of 8.3% between Fiscal 2023 and Fiscal 2028, and estimates India to have the highest GDP in the next few years (followed by China and other global economies). In addition to impressive economic growth, the Indian hotel industry benefits from other factors such as an increased population and individual incomes. The average annual household disposable income is forecasted to increase to approximately Rs 2 million at 2020-2021 prices. Additionally, India’s population will reach 1.66 billion by 2047, with the rich and middle class population being approximately 28% and 61%, respectively.

# RISKS AND CONCERNS



- **MAXIMUM REVENUE COMES FROM THREE HOTELS/SERVICED APARTMENTS IN MUMBAI AND NEW DELHI:**

Three hotels/serviced apartments, namely Grand Hyatt Mumbai Hotel and Residences in Mumbai, Maharashtra and Andaz Delhi and Hyatt Delhi Residences in New Delhi out of the company's portfolio of four hotels/ serviced apartments contribute to a significant portion of the company's revenues. The company garnered 90.13%, 88.55% and 90.09% of total revenue in FY23, FY22 and FY21. Any decrease in its revenues from these hotels, including due to increased competition and supply or reduction in demand in the regions in which these hotels operate, may have an adverse effect on its business, results of operation, cash flows, and financial condition.

## • SUBSTANTIAL PORTION OF REVENUE COMES FROM ROOMS ATTRIBUTABLE TO CERTAIN CATEGORIES OF CUSTOMERS:

The company derives a substantial portion of its revenue from rooms attributable to certain categories of customers. The ‘transient’ category includes individuals who may be travelling for business or pleasure; and who may book rooms through online travel agents, other travel agents or directly with the hotels. This category also includes corporate travellers, wherein the corporate organisations with which such travellers are associated with have accounts with its hotels at negotiated rates for a threshold number of room nights for a given period. Further, the ‘group’ category typically encompasses guests who are travelling as part of any group (such as tours, corporates, organizations, religious groups etc.) and book hotel rooms as a group. The company’s customers under ‘contracts’ category include customers typically on a guaranteed room nights basis (comprising majorly of customers in the airline sector). Unlike the ‘group’ and ‘transient’ categories, its customers under ‘contracts’ category provide it fixed demand and have a significant contribution to its revenue from rooms. The loss of one or more of any category of customers or a reduction in the amount of business it obtains from them could have an adverse effect on its business, and thus its results of operations, financial condition and cash flows.

- **BUSINESS IS SUBJECT TO SEASONAL AND CYCLICAL VARIATIONS:**

The hotel and hospitality industry in India is subject to seasonal variations. The periods during which its hotels experience higher revenues vary from property to property, depending principally on their location and the guests they serve. The company's revenues are generally higher during the second half of each fiscal year. The winter months are preferred for travel into India, particularly for discretionary travel. This seasonality can result in quarterly fluctuations in revenue, profit margins and earnings. As a result of such seasonal and cyclical fluctuations and in the supply of hotel rooms, including periods of excess supply, its room rates, sales, cash flows and results of operations of a given period of the financial year may not be reliable indicators of the sales, cash flows or results of operations of the remaining period of the financial year or of its future performance. Further, its past financial results may not be indicators of the sales, cash flows or results of operations of its future performance.

- ## CUSTOMERS ALSO USE ONLINE TRAVEL AGENTS AND INTERMEDIARIES FOR HOTEL BOOKINGS:

The company's guests can use various channels to book their stay at its hotels and serviced apartments, including the Hyatt website portal. Hyatt engages with travel agents, online travel agents and other distribution channels to facilitate the process for customers to make hotel reservations and bookings. Such agents and intermediaries offer a wide breadth of services, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices when compared to its direct booking channels. Some of them also have strong marketing budgets and aims to create brand awareness and brand loyalty among customers and may seek to commoditize hotel brands through price and attribute comparison. In the event that such agents and intermediaries continue to gain market share, they may impact its profitability, undermine its direct booking channels and online web presence and may be able to increase commission rates and negotiate other favorable contract terms.

# OUTLOOK

Juniper Hotels is a luxury hotel development and ownership company. As of September 30, 2023, the company operates seven hotels and serviced apartments with a total of 1,836 rooms. The company's hotels and serviced apartments in Mumbai, Delhi, Ahmedabad, Lucknow, Raipur, and Hampi are landmarks in the luxury, upper upscale and upscale categories. The company has been honored with several awards, including the 'Best Luxury Business Hotel in Delhi' at the Today's Traveller Awards in 2022 for Andaz Delhi, and the 'Best 5 Star Hotel in Gujarat' at the Gujarat Tourism Awards in 2022 for Hyatt Regency Ahmedabad. On the concern side, a significant portion of revenue from operations (90.48% in the six months ended September 30, 2023) is derived from three hotels/serviced apartments in Mumbai (Maharashtra) and New Delhi out of the portfolio of four hotels/serviced apartments of the company, and any adverse developments affecting these hotels/serviced apartments or the regions in which they operate, could have an adverse effect on its business, results of operation, cash flows and financial condition.


The company is coming out with an IPO of 5,26,31,578 equity shares of face value of Rs 10 each. The issue has been offered in a price band of Rs 342-360 per equity share. The aggregate size of the offer is around Rs 1800 crore to Rs 1894.74 crore based on lower and upper price band respectively. On performance front, the company's total income significantly increased by 108.66% from Rs 3,437.55 million in Fiscal 2022 to Rs 7,172.88 million in Fiscal 2023. Moreover, the restated loss for the year decreased by 99.20% from Rs 1,880.31 million in Fiscal 2022 to Rs 14.97 million in Fiscal 2023.

India has only 178k chain-affiliated hotel rooms, across segments, as of September 30, 2023. Supply at independent hotels is widely fragmented, with approximately 80% of midscale and lower positioning. The fragmented ownership structure points to a possibility of ownership consolidation in the future. The company intends to increase its market share and focus on select geographies which present high-growth opportunities. It intends to continue evaluating opportunities for acquisition of hotel assets and will seek to expand its portfolio opportunistically based on economies of the acquisition costs, by identifying assets which would be value accretive, and if they are consistent with the positioning and parameters of its existing hotels: (i) distressed assets in metro and tier 1 cities; (ii) development of greenfield projects at strategic locations such as close proximity to new upcoming airports; (iii) assets which are located in emerging business and industry growth regions within the country; and/or (iv) assets which are located in upcoming tourist destinations. In addition to the acquisition of hotel assets, it intends to continue to strengthen and expand its portfolio to newer geographies across India, through greenfield projects.

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