



## IPO Note

# Saj Hotels Limited

Recommendation: **NEUTRAL!**

### Company Background -

- **Incorporation:** Saj Hotels Limited was originally incorporated in the year 1981. The registered office is located at Satara, Maharashtra.
- **Industry:** The company operates in the Hospitality Industry
- **Business Model:** The company operates through B2B, B2B2C, and B2C model.
- The company had 144 fulltime employees as of September 12, 2024.

### Objects of the Issue -

- Capital Expenditure Requirements towards the Expansion of existing resort properties.
- Funding of working capital requirements of the Company.
- General Corporate Expenses.

### Promoters Name -

Rahul Maganlal Timbadia, Kartik Maganlal Timbadia and Karna Kartik Timbadia

### Rationale for recommendation -

- ✓ The company's P/E is highly priced
- ✓ The company has seen a sustainable increase in the top line of its financials over the years
- ✓ The company has Positive CFO for three years
- ✓ The company's management overview is satisfactory
- ✓ The company has good objective
- ✓ The company has resort affiliated with club Mahindra resorts.

### IPO Details

Opening Date	Sep 27, 2024
Closing Date	Oct 01, 2024
Allotment Date	Oct 03, 2024
Listing Date	Oct 07, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹65
Issue Size	27.63 Cr.
Fresh Issue	27.63 Cr.
Offer for Sale	-
Application Amt	₹ 1,30,000 (2,000 shares)

### INDUSTRY - Hospitality Industry

P/E Average of Peers - 27.25 times

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,283.25	1,271.37	1,425.77
EBITDA	412.25	692.43	652.57
Net Profit	132.02	347.99	345.40
RoCE	3.17%	5.26%	4.80%
ROE	1.61%	4.06%	3.88%
P/E	53.72	21.67	22.41

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
84.13%	61.95%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	2.90	2.14
BVPS	75.02	72.38
P/E	22.41	30.35
P/BV	0.87	0.90
Mkt Cap (In Cr)	77.19	104.81

### Lead Managers -

Corpwis Advisors Private Limited

### Registrar -

Satellite Corporate Services Private Limited

## Business Overview -

Saj Hotels Limited was originally incorporated in the year 1981 indicating a vast experience. The company operates in the Hospitality Industry. The company offers traditional resort accommodation to villa rentals restaurants and bar properties. The company generates revenue majorly from other revenues contributing to 89.07% and 10.93% from online travel agents.

## Business Model -

The company operates through three types of business models such as -

- B2B – Business to Business
- B2B2C – Business to Business to Customer
- B2C - Business to Customer

## Business Operations

### Direct Ownership

- In this segment the company has direct ownership and management of resort properties.
- There are three resorts currently the company operates.

#### 1. Saj on the Mountain, Mahabaleshwar (SOTM)

- The resort is located in Satara, Maharashtra
- The resort is a Club Mahindra Affiliate Resort
- The company currently has 78 rooms.

#### 2. Saj by the Lake, Malshej

- The resort is located in Pune, Maharashtra
- The resort was acquired by the company in the year 2016
- The company currently has 39 rooms and has further expansion plans of 20 rooms, Current construction admeasuring is 2,038.97 sq mts.

#### 3. Saj in the Forest

- The resort is located in Pench, Madhya Pradesh
- The resort has 17 rooms divided into “Mahua”, “Palash”, and “Sal”.
- The company currently has construction admeasuring of 55,138 sq mts.
- The company has further expansion plans of 26 rooms.

#### 4. Saj Villas, Goa

- This project is currently undergoing development.
- The place has 2BHK and 4BHK accommodations options

### Managed by third-party

- Some of the resorts and restaurant properties developed by the company and are leased out to various parties under operation
- During 2018, Saj took restaurants cum bar properties that are currently operated by a third party and Saj earns rental income and other fees.
- Investment in an associate company hotel named “Morjam Retreat” in which Saj has a 50% shareholding in Goa.



## Revenue Bifurcation -

*Amt in lakhs*

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Revenue from online travel agents	72.77	8.49	132	17.43	155.77	10.93
Other revenue	784.11	91.51	625.47	82.57	1270	89.07
<b>Total</b>	<b>856.88</b>	<b>100.00</b>	<b>757.47</b>	<b>100.00</b>	<b>1,425.77</b>	<b>100.00</b>

## Net Proceeds Utilization –

The company is utilizing its net proceeds are as follows –

Particulars	Amount in Lakhs
Capital Expenditure requirements towards expansion of existing resort properties	Rs. 1,700.00
Funding of Working Capital requirements	Rs. 400.00
General Corporate Expenses	Rs.332.50
<b>Total</b>	<b>Rs. 2,432.50</b>

## Competition -

**Market Competition: High**, the hotel industry is intensely competitive with numerous players, both multinational and local, competing on pricing, quality, and service.

**Barriers to entry: Low**, the fast-growing market and relatively low entry barriers lead to a constant influx of new small and big players, intensifying competition.

**Bargaining Power of Suppliers: Low**, while there are many suppliers for services and goods, the need for unique or high-quality suppliers in certain locations can increase their bargaining power.

**Bargaining Power of Buyers: High**, Customers have a wide variety of options and can easily switch between hotels based on price, location, and quality, increasing their leverage.

**Threat of Substitutes: Moderate**, Alternative accommodation options such as short-term rentals, homestays, and vacation rentals pose a significant threat to traditional hotel offerings.

## Strategies -

- The company aims to introduce the exceptional hospitality experiences to new horizons. This strategy involves the acquisition or development of properties that resonate with the brand ethos.
- The company aims to leave the least carbon footprint possible while also ensuring that the impact on the local habitat and natural environment is positive along with providing guests with an immersive experience that harmonizes with nature.
- The company actively engage with guests on social media platforms to build brand awareness, share promotions, and respond to inquiries and reviews.
- The company's strategy of Dynamic pricing, often referred to as revenue management, involves the real-time adjustment of room rates based on a multitude of factors such as demand fluctuations, seasonality, local events, competitor rates, and even historical booking data.

## Risk Factors -

The company had loss during the FY 2021.

The company has certain legal proceedings amounting to Rs. 119.15 lakhs.

The company has contingent liabilities amounting to Rs. 3,601.25 lakhs as of March 2024.

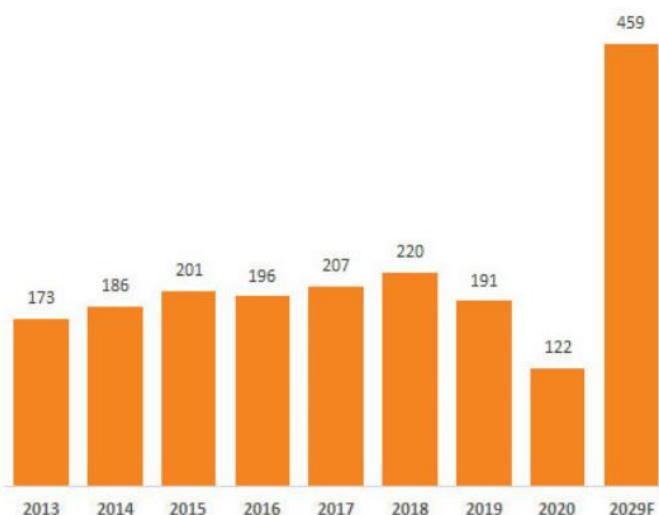
**PEER ANALYSIS**

Particulars	Saj Hotels Limited			Royale Manor Hotels			Jindal Hotels		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	10.29%	27.37%	24.23%	6.41%	16.41%	16.80%	-7.9%	4.9%	5.5%
EBITDA Margin	32.13%	54.46%	45.77%	22.55%	29.46%	29.58%	21.9%	27.5%	27.1%
RoCE	3.17%	5.26%	4.80%	4.44%	10.44%	10.23%	2.32%	9.12%	9.57%
ROE	1.61%	4.06%	3.88%	2.01%	7.34%	7.25%	-14.29%	10.92%	11.28%
EPS (INR)	1.21	3.00	2.90	0.53	2.07	2.18	-3.52	2.94	3.43
P/E	53.72	21.67	22.41	44.72	13.43	19.62	-14.32	13.84	17.64

**Indian Tourism and Hospitality Industry -****Market Overview –**

India is geographically diverse and offers a variety of cultures that come with its own experiences, making it one of the leading countries in terms of international tourism expenditure. According to WTTC, the contribution of India's travel and tourism sector to India's economy was worth Rs. 15.9 trillion (US\$ 191.25 billion) in 2022. According to WTTC, over the next decade, India's Travel & Tourism's GDP is expected to grow at an average of 7.8% annually. The country's big coastline is dotted with attractive beaches. India offers geographical diversity, world heritage sites and niche tourism products like cruises, adventure, medical, ecotourism, etc. Incredible India has spurred growth in tourist arrivals and employment. In 2021, the Government of India announced 40,000 e-tourist visas out of 500,000 free regular visas to the tourist, to ensure a geographical spread of the incentive to important source markets globally.

**Total Contribution of Travel and Tourism to GDP  
at Real 2019 Prices (US\$ billion)**



Source: RHP

**Hotel Leasing in India -**

Hotel investments are capital intensive and have a long gestation period. While the investor is expected to meet 100% of the investment (via equity and debt in a ratio acceptable to the brand), very often the absence of any guaranteed return reduces the investor universe considerably. Return-focused investors are increasingly seeking fixed or operating leases in hotels. As a result, over the last few years, hotel leasing has gained traction where hotel management companies assume the role of a lessee and participate in the development risk by investing capital in hotel projects. Most hotel lease contracts are negotiated for warm shell or fully fitted out structures. Having said that, investors always seek skin in the game from lessees in the form of capital commitments. The commercial terms of a hotel lease may vary based on the capital contribution of the investor and the lessee.

**Capacity Additions in Hotel Industry -**

Capacity additions in hotels industry is likely to be at four-year high in the ongoing year 2023-24. They are likely to be almost at par with the capacity additions witnessed in the preCovid year 2019-20. The industry is witnessing a healthy increase in demand for hotel rooms driven by robust domestic travel demand and a recovery in international leisure and business travel. However, the growth in supply of hotel rooms has remained slower than the growth in demand. The demand-supply mismatch is expected to persist, keeping the occupancy and average room rates high over the next few years. This will encourage hotel companies to add new rooms and cash in on the rising demand.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Rahul Maganlal Timbadia</b>
<b>Age</b>	73
<b>Designation and No. of years of experience</b>	Promoter, Non- Executive Director and Chairman, experience of over 3 decades in Hospitality and Real Estate Industry and over 1 decade in Metal Trading Industry.
<b>Qualification</b>	Bachelor of Science from University of Bombay
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	My Own Rooms Dot In Private Limited, Ira Latim Farms LLP

<b>Key Management Persons Name -</b>	<b>Karna Kartik Timbadia</b>
<b>Age</b>	42
<b>Designation and No. of years of experience</b>	Promoter and Managing Director with experience of over 1 decade in Hospitality and Real Estate Industry.
<b>Qualification</b>	Higher Diploma in Hotel Management
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Perhaps Foods Private Limited, Latim Realty LLP

<b>Key Management Persons Name -</b>	<b>Kartik Maganlal Timbadia</b>
<b>Age</b>	71
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 3 decades of experience in Hospitality and Real Estate Industry and 2 decades in Metal Trading Industry.
<b>Qualification</b>	Bachelor of Commerce from Bombay University
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	La Tim Metal & Industries Limited, La Tim Life Style and Resorts Limited

<b>Key Management Persons Name -</b>	<b>Almitra Ballal Chandrachud</b>
<b>Age</b>	40
<b>Designation and No. of years of experience</b>	Non-Executive Woman Director, 12 years of experience in Compliance management.
<b>Qualification</b>	Bachelor of Laws from University of Mumbai
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Perhaps Food Private Limited

<b>Key Management Persons Name -</b>	<b>Biren Kishore Parekh</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 3 decades of experience in the field of Management Consultancy
<b>Qualification</b>	Chartered Accountant from the Institute of Chartered Accountants of India
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Dhruti Kashyap Shah</b>
<b>Age</b>	69
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, experience of over 4 decades in Fashion Designing
<b>Qualification</b>	Bachelor in Psychology and Literature from St. Xavier's College, Ahmedabad and Diploma in Fashion Designing from USA
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

**FINANCIAL SNAPSHOT****Statement of Profit and Loss** Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,283.25	1,271.37	1,425.77
Other Income	4.65	10.82	29.72
<b>Total Income</b>	<b>1,287.90</b>	<b>1,282.19</b>	<b>1,455.49</b>
<b>Expenses</b>			
Cost of Food and Beverages consumed	217.80	180.08	119.27
Employee Benefit Expenses	316.97	316.96	294.66
Finance Cost	60.24	21.99	9.21
Depreciation and Amortization Expenses	145.83	232.26	216.61
Other expenses	336.23	451.90	359.27
<b>Total Expenses</b>	<b>1,077.07</b>	<b>1,203.19</b>	<b>999.02</b>
<b>EBITDA</b>	<b>412.25</b>	<b>692.43</b>	<b>652.57</b>
<b>EBITDA Margin</b>	<b>32.13%</b>	<b>54.46%</b>	<b>45.77%</b>
<b>Profit/(Loss) before exceptional items and tax</b>	<b>210.83</b>	<b>79.00</b>	<b>456.47</b>
Exceptional Items	-	370.00	-
<b>Profit/(Loss) before tax</b>	<b>210.83</b>	<b>449.00</b>	<b>456.47</b>
<b>Tax Expense</b>			
Current tax	60.00	86.00	118.31
Deferred Tax	6.58	9.11	-8.57
(Excess)/ Short provisions of tax	-	-1.87	2.05
<b>Total Tax</b>	<b>66.58</b>	<b>93.24</b>	<b>111.79</b>
<b>Profit/(Loss) before Associate Concern</b>	<b>144.25</b>	<b>355.76</b>	<b>344.68</b>
Share in Profit/(Loss) of Associate Concern	-12.23	-7.77	0.72
<b>Profit/(Loss) for the year</b>	<b>132.02</b>	<b>347.99</b>	<b>345.40</b>
<b>Net Profit Margin</b>	<b>10.29%</b>	<b>27.37%</b>	<b>24.23%</b>

**Statement of Assets and Liabilities** Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	237.50	237.50	1,187.50
Reserves and surplus	7,977.20	8,325.19	7,721.71
<b>Total Equity</b>	<b>8,214.70</b>	<b>8,562.69</b>	<b>8,909.21</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	55.32	42.68	32.46
Deferred Tax Liabilities (Net)	-	6.28	-
Other long term liabilities	122.21	130.00	130.00
Long-term provisions	8.80	9.60	12.87
<b>Total Non-current liabilities</b>	<b>186.33</b>	<b>188.56</b>	<b>175.33</b>
<b>3. Current liabilities</b>			
Short-term borrowings	998.22	571.46	259.06
Trade Payables			
Total outstanding dues of MSME	-	8.54	7.90
Total outstanding dues of creditors other than MSME	69.22	42.62	25.68
Other Current Liabilities	141.13	487.00	384.28
Short-term provisions	16.85	31.66	47.00
<b>Total Current liabilities</b>	<b>1,225.42</b>	<b>1,141.28</b>	<b>723.92</b>
<b>Total Liabilities</b>	<b>1,411.75</b>	<b>1,329.84</b>	<b>899.25</b>
<b>Total Equity and Liabilities</b>	<b>9,626.45</b>	<b>9,892.53</b>	<b>9,808.46</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	8,880.44	9,321.07	9,163.12
Intangible Assets	0.15	0.13	0.70
Capital Work-In-Progress	310.72	80.42	131.98

Particulars	FY 22	FY 23	FY 24
Non-current investments	7.77	-	0.72
Deferred Tax Assets (Net)	3.23	-	2.29
Long term Loans and Advances	126.60	131.60	132.00
Other Non- current Assets	41.75	28.28	37.99
<b>Total Non-Current assets</b>	<b>9,370.66</b>	<b>9,561.50</b>	<b>9,468.80</b>
<b>2. Current assets</b>			
Inventories	10.31	6.82	12.76
Trade Receivables	10.92	3.49	12.45
Cash & Cash equivalents	28.58	11.86	62.27
Short term loans and advances	64.04	261.89	195.06
Other Current Assets	141.94	46.97	57.12
<b>Total Current assets</b>	<b>255.79</b>	<b>331.03</b>	<b>339.66</b>
<b>Total Assets</b>	<b>9,626.45</b>	<b>9,892.53</b>	<b>9,808.46</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	332.47	767.15	474.91
Net Cash Flow from Investing Activities	-440.68	-598.14	-92.67
Net Cash Flow from Financing Activities	54.79	-174.70	-331.83

### Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	1.21	3	2.9	EV/EBITDA	22.41	13.24	14.00
BV per share	3,458.82	3,605.34	75.02	Market Cap / Sales	8.17	8.24	7.35
<b><u>Operating Ratios</u></b>				P/E	53.72	21.67	22.41
EBITDA Margins	32.13%	54.46%	45.77%	Price to Book Value	0.02	0.02	0.87
PAT Margins	10.29%	27.37%	24.23%	<b><u>Solvency Ratios</u></b>			
Inventory days	2.93	1.96	3.27	Debt / Equity	0.13	0.07	0.03
Debtor days	3.11	1.00	3.19	Current Ratio	0.21	0.29	0.47
Creditor days	131.88	110.14	111.27	Quick Ratio	0.20	0.28	0.45
<b><u>Return Ratios</u></b>				Asset Turnover	0.13	0.13	0.15
RoCE	3.17%	5.26%	4.80%	Interest Coverage Ratio	4.42	20.93	47.34
RoE	1.61%	4.06%	3.88%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Corpwis Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Corpwis Advisors Private Limited-**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Jeyyam Global Foods Limited	81.94	61.00	Sep 09, 2024	65.5
2.	Aluwind Architectural Limited	29.70	45.00	Apr 09, 2024	67

The company has handled 2 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 27<sup>th</sup> Sep 2024.

As per the offer document, the above-mentioned mandate both mandates have opened at a premium on the listing day.



## Recommendation -

Saj Hotels Limited has been in the industry since 1981 and has very vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 30.35 times which makes it highly priced by looking at the performance of the company and compared to its peer companies.

The company operates in a competitive industry. The company has slightly less revenue compared to its years of experience in the industry. But after COVID-19, the company has seen a sustainable and good increase in the top line of its financials over the years. Along with the cash flow from operations being positive, the company's financial overview is satisfactory.

The company is utilizing its net proceeds for expansion within the existing resorts by constructing additional rooms which we believe will help in the growth and expansion plans. The company also has a Resort under the Club Mahindra Affiliation adding to the brand value.

Concern about the highly-priced valuation so we suggest waiting and look for investment opportunities if the company justifies its valuation in the future.

Thus, we have a **NEUTRAL** opinion of this IPO.

## Disclaimer

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