Oriental Hotels Ltd. – Investment Update – SELL Recommendation

Dear Bajaj Capital Investors,

We, Bajaj Capital's Research Team, **had recommended Oriental Hotels Ltd stock as a BUY on 16 July 2025 at a price of 165, with a 12-month investment horizon and a target price of 205, implying an upside potential of ~24%.**

However, the company's Q1FY27 performance was materially below expectations, both relative to our estimates and management's prior guidance. Operating margins and PAT margins declined on both a QoQ & YoY basis. In light of the weaker-than-expected operating performance and limited near-term growth visibility, **we have reassessed our investment thesis and are revising our stance on the stock to SELL at CMP of 130 (as of 16 July 2026), representing 21% downside from our recommended price.**

We maintain a **SELL** view on **Oriental Hotels Ltd.** from a near- to medium-term perspective. The hotel industry is facing multiple near-term headwinds that are likely to weigh on revenue growth, occupancy levels and profitability.

The recent geopolitical tensions and war-related disruptions have adversely impacted both domestic and international travel sentiment, leading to weaker room demand and lower occupancy levels across several markets. Since the hotel business operates with a high fixed-cost structure (employee costs, maintenance, utilities, lease expenses and depreciation), even a modest decline in occupancy can result in a disproportionate impact on operating margins and profitability.

In addition, elevated food inflation has increased raw material and catering costs, putting pressure on food & beverage margins. Further, GST-related changes in recent quarters have affected pricing flexibility, demand and operating efficiency for the hospitality sector. The withdrawal of certain input tax benefits and changes in GST slabs for specific room tariff categories have also negatively impacted profitability and margin expansion in the near term.

Another key challenge during Q1FY27 has been the sharp increase in crude oil-linked energy costs and commercial LPG prices. The hospitality industry remains heavily dependent on commercial gas for kitchen operations and various hotel services. Higher commercial gas prices, coupled with intermittent gas cylinder availability issues in certain regions, have increased operating costs significantly and put additional pressure on margins. These factors are expected to adversely impact profitability across the sector during the quarter.

As a result, **Q1FY27 was a challenging quarter** for hotel companies, with pressure on occupancy, average room rates (ARRs), EBITDA margins,and earnings. Considering these near-term industry headwinds and the likelihood of subdued operating performance, we recommend a **SELL** stance on **Oriental Hotels Ltd.**, with investors considering reallocating capital to sectors offering stronger earnings visibility and a more favourable risk-reward profile.

Q1FY27 Results: -

	YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr	3.6%	-18.3%	111	136	108
Operating Profit Cr	-8.5%	-39.2%	23	39	26
OPM %			21.0	28.3	23.8
PAT Cr	2.7%	-67.6%	10	29	9
EPS ₹	-18.9%	-83.4%	0.3	1.8	0.4

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team