Park Hotels (Apeejay Surrendra Park Hotels) Ltd. – Investment Update – SELL Recommendation

Dear Bajaj Capital Investors,

We, Bajaj Capital’s Research Team, **had recommended Park 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 195, implying an upside potential of ~18%.**

As per the overall trends prevailing in the hotel industry, we expect the company's Q1FY27 performance to deteriorate, particularly on the margin and profitability front, on both a QoQ and YoY basis. The anticipated moderation in operating performance is likely to be driven by softer demand, normalization of occupancy and average room rates (ARRs) and continued cost pressures, which may adversely impact earnings.

In light of the expected weaker-than-anticipated operating performance, limited near-term earnings visibility and the absence of meaningful growth catalysts in Q1FY27 quarter, **we have reassessed our investment thesis. Accordingly, we are revising our recommendation to SELL at the CMP of 130 (as of 16 July 2026), representing 21% downside from our recommended price.**

We maintain a SELL view on The Park Hotels 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 across India during Q1FY27, have significantly increased operating costs and placed additional pressure on margins. These factors are expected to adversely impact profitability across the sector during the quarter.

As a result, Q1FY27 is expected to remain 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 The Park Hotels, with investors considering reallocating capital to sectors offering stronger earnings visibility and a more favorable risk-reward profile.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team