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High Check-in provides room for consistent growth...

About the stock: ITC, established in 1975, is the second largest hotel company in India with 13,382 keys in 90+ destinations. Post its demerger into separate entity, the company got listed on bourses in Feb,25. It has strong financial background with revenues and EBITDA growing at CAGR of 13% and 23% over FY20-25. It has a strong cash kitty of Rs1,750crore which can utilise for organic and inorganic initiatives.

Investment Rationale

- **Strong Q1 with double digit RevPar growth; momentum to sustain in H2:** Consolidated revenues witnessed 15.5% YoY growth to Rs.815.5cr. India business grew by 14.4% YoY in Q1FY26 to Rs.743.6cr. RevPAR grew by 13% YoY to Rs.7900/night driven by 9% YoY growth in average room rental (ARR) and 275bps YoY improvement in occupancy to 73% in Q1FY26. Consolidated EBITDA witnessed 19% YoY growth to Rs.244.7cr while margins grew by 85bps to 30% in Q1FY26. Steady operating performance coupled with higher other income led to 53.4% YoY growth in PAT to Rs.133.7cr. Demand for luxury hotels will sustain in India with strong demand from domestic leisure travel and higher demand from higher foreign tourist arrivals in H2FY26. Hence, we expect double digit RevPar growth momentum to sustain with occupancy ratio expected to improve by 100-200bps while ARR to grow by 8-10%.
- **Focus on sweating of assets:** ITC hotels' average occupancy rate for owned domestic properties stood at 73% in FY25, which is relatively lower compared to 78-80% occupancy rate driven by large hotel companies in the luxury space. Approximately 20% of the owned/licensed assets (1,089 rooms), launched over the last 5 years, operates at less than 75% occupancy rates. Its first international property – ITC Ratnadipa, Sri Lanka (352 rooms) which was launched in FY25, will incrementally add to the room revenues. Room revenues are expected to grow at CAGR of 12% over FY25-28E. The company derives ~40% of its revenues from Food & Beverages (F&B) business, highest amongst the listed peers with F&B revenue contribution of 13-35%. F&B business revenues are expected to grow at a CAGR of 19% over FY25-28E.
- **Operating efficiencies to drive margins ahead:** ITC Hotels consolidated EBITDA margins improved by 85bps yoy to 35.3% in Q1FY26. Double digit RevPar growth in the domestic operations and scale-up in ITC Ratnadipa, Sri Lanka will help the EBITDA margins to consistently improve in the near term. Higher contribution from F&B business (40% contribution to revenues) will further add to the profitability. We expect consolidated EBITDA margins to improve by 320BPS to 37% over FY25-27E.

Rating and Target Price

We expect its revenues/EBIDTA/PAT to grow at CAGR of 15%/20%/29% over FY25-28E. ITC Hotels stock price has corrected by 12% from its recently high providing good entry opportunity. Stock currently trades at 31x/25x/21x its FY26E/27E/28E EV/EBIDTA. **We recommend Buy with price target of Rs282 (based on 32x its FY27E EV/EBIDTA).**

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	YoY %	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	3034.0	3559.8	17.3	4163.7	4796.3	5419.1	15.0
EBITDA	1005.0	1210.9	20.5	1477.6	1784.6	2086.7	19.9
EBITDA Margins(%)	33.1	34.0		35.5	37.2	38.5	
Adjusted PAT	550.0	634.6	15.4	884.7	1134.3	1374.5	29.4
EPS (Rs.)	2.6	3.0		4.3	5.5	6.6	
PE (x)	86.7	75.1		53.9	42.0	34.7	
EV to EBITDA (x)	47.5	38.2		30.7	25.0	21.0	
RoE (%)	12.9	6.5		7.9	9.7	11.0	
RoCE (%)	16.2	8.6		10.2	12.4	14.2	
RoIC(%)	9.5	8.7		12.0	15.6	18.7	

Source: Company, ICICI Direct Research



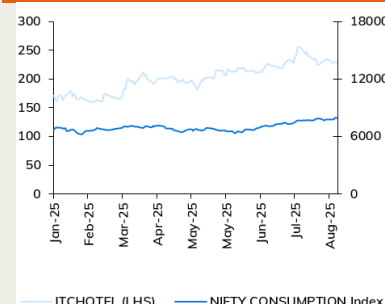
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	47,659
Debt (FY25) - ₹ crore	261
Cash (FY25) - ₹ crore	1827
EV (Rs crore)	46,093
52 week H/L (₹)	246 / 158
Equity capital (₹ crore)	208.1
Face value (₹)	1.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	-	-	39.9	39.9
FII	-	-	25.4	25.4
DII	-	-	21.6	20.6
Others	-	-	13.2	14.2

Price Chart



Key risks

- Global macro and political uncertainties might impact domestic hospitality sector.
- BAT holds 14.55% stake in ITC hotels, which it might reduce to create value for its shareholders.

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Reduce: -15% to -5%;

Sell: <-15%



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