

Best ever performance in Q1 so far...

About the stock: With room inventory of 178 hotels with 20,826 rooms, Indian Hotels (IHCL) occupies a diversified position in the hotel industry through brands such as Taj, Vivanta, SeleQtions and Ginger.

- The company also has a selective presence in luxury segment in the US, UK, Africa, UAE and Maldives through owned/managed properties
- The company enjoys strong support from its promoter Tata Sons and is also an important strategic business for the Tata Group

Q1FY23 Results: IHCL's performance was far ahead of our estimates led by a sharp recovery in corporate demand.

- Revenue grew 45.2% QoQ to ₹ 1,266.1 crore (vs. I-direct estimate: ₹ 1040.6 crore). It was also up 24% vs. pre-Covid levels (i.e. Q1FY20)
- EBITDA margin expanded 1284 bps from pre-Covid levels to 29.8% (I-direct estimate: 23.8%). It improved 1162 bps on a sequential basis
- Net profit was up 129% QoQ to ₹ 170 crore on strong demand and better operating margins vs. loss of ₹ 277 crore in the same period last year

What should investors do? Along with the improved outlook, the company is also focusing on driving more efficiencies through cost optimisation

- We remain positive on the company and retain our **BUY** rating

Target Price and Valuation: We value IHCL at ₹ 330 i.e. 23x FY24E EV/EBITDA.

Key triggers for future price performance:

- Opening doors fully for foreign tourists (FTAs) from March 2022 to provide further fillip to leisure and business hotel room demand from FY23 onwards
- Under AHVAAN 2025, the company plans to have 300+ hotel room portfolio with zero net debt status. IHCL also aims to achieve 33%+ margins (35% for new businesses) through cost efficiencies
- Expect revenue CAGR of 40.9% during FY22-24E. Business to recover fully to pre-Covid levels while EBITDA to surpass pre-Covid levels in FY23E; margins seen at over 32% in FY24E, which has the potential to further expand by ~100 bps thereafter
- Improved cash flows, equity infusion and divestment of non-core assets to make the company net debt free in FY23E

Alternate Stock Idea: In our hotel sector coverage we also like EIH.

- It is the premium segment key domestic hotel player. Like Taj, it also has strong hotel brands like Oberoi & Trident. It has a strong balance sheet
- BUY with a target price of ₹ 185/share



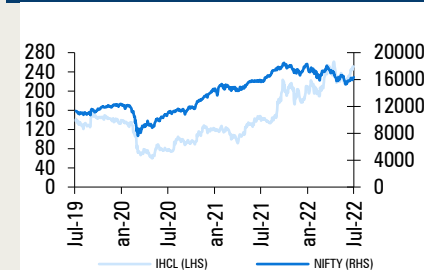
Particulars

Particular	Amount
Market Cap	₹ 38493 crore
Debt (FY22)	₹ 1985 crore
Cash (FY22)	₹ 1188 crore
EV	₹ 39290 crore
52 week H/L	269/129
Equity capital	₹ 142 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	40.75	41.02	38.19	38.19
FII	13.48	15.19	16.03	15.07
DII	27.07	25.30	28.64	29.69
Others	18.70	18.49	17.14	17.05

Price Chart



Key risks

- Any further stringent lockdown on likely fourth or fifth wave could hamper business
- Higher inflation/talent crunch to remain key concern, going ahead

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Key Financial Summary

	FY19	FY20	FY21	FY22	3 Year CAGR (%)	FY23E	FY24E	2 Year CAGR (%)
Net Sales	4,512	4,463	1,575	3,056	(12.2)	5,376	6,066	40.9
EBITDA	830	968	(362)	405	(21.3)	1,707	1,985	121.4
EBITDA (%)	18.4	21.7	(23.0)	13.2		31.7	32.7	
Net Profit	287	354	(720)	(248)	PL	857	1,027	LP
EPS (₹)	2.0	2.2	(6.0)	(1.8)		6.1	7.2	
EV/EBITDA	49.2	42.5	(116.0)	97.1		22.7	19.0	
RoNW	6.6	7.4	(23.3)	(3.7)		11.0	11.8	
RoCE	7.4	7.0	(6.2)	1.3		12.1	14.0	
ROE	6.6	7.4	(23.3)	(3.7)		11.0	11.8	

Key performance highlights

- Q1FY23 performance remained the best ever so far in the past 11 years in terms of margins with the company reporting EBITDA margin of ~30%
- Average occupancy was at 70.4% vs. 58.4% last quarter. Average room rates were at ₹ 11,397 vs. ₹ 10569/room (up 8% QoQ). Compared to pre-Covid, occupancy, room rates both were up 700 bps, 24.7%, respectively
- Domestic leisure segment continued to stay strong with RevPAR of 183% vs. pre-Covid levels on a like to like basis. Business segment also rebounded sharply from Q1 with RevPAR 130% vs. pre-Covid levels. RevPAR of economy segment (Ginger) also reached 120% of pre-Covid levels. Overall, occupancy and ARR of domestic segment reached 109% and 131%, respectively, leading to RevPAR increase of 142% vs. pre-Covid levels
- In terms of international performance, occupancy levels in US and UK reached 69% and 84% of pre-Covid levels, respectively, while occupancy in Maldives and Dubai was at 108% and 115% of pre-Covid, respectively. Room rates across all international destinations were 10% higher than pre-Covid levels. Overall, RevPAR of international hotels almost reached pre-Covid levels (i.e. 98%) during Q1FY23
- Oriental Hotels, an associate company, has emerged as the highest bidder for the lease renewal of the iconic Taj Malabar Resort & Spa, Kochi
- New businesses contributing significantly to scale and margin expansion. 1) Ginger achieved an EBITDA margin of 41% and positive PBT in Q1. 2) Qmin, IHCL's culinary platform, achieved the ₹ 100 crore revenue mark within two years of its inception 3) The amā Stays & Trails homestay portfolio grew to over 90 bungalows across the country 4) Revenue from Chambers increased 62.5% YoY to ₹ 26 crore
- The company earned management fees of ₹ 81 crore that saw growth of 72% on a YoY basis
- In terms of fixed costs, manpower cost rationalised through redeployments, multitasking and cluster approach. In terms of staff to room ratio, manpower of Taj, Palaces, SeleQtions, Vivanta reduced from 2.17, 2.93, 1.95, 1.48 to 1.8, 2.24, 1.41, 1.1, respectively
- Under AHVAAN 2025, the company plans to have 300+ hotel room portfolio with zero net debt status. IHCL also aims to achieve 33%+ margins (35% for new businesses) through cost efficiencies

Exhibit 1: Quarterly financial performance

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Q1FY20	As % of Pre-covid level
Total Operating Income	1,266.1	1,040.6	344.6	267.5	872.1	45.2	1,020.0	124.1
Other Income	27.1	22.0	25.8	5.3	82.8	-67.2	37.1	
Raw Material Expenses	103.9	91.2	28.1	270.3	69.0	50.6	84.9	
Employee Expenses	359.6	318.2	248.6	44.6	310.2	15.9	370.6	
Other Expenses	424.7	361.5	216.7	96.0	333.9	27.2	391.0	
Total Expenditure	888.2	770.9	493.4	80.0	713.1	24.6	846.6	104.9
EBITDA	377.9	247.7	-148.8	-353.9	159.0	137.7	173.4	217.9
EBITDA Margin (%)	29.8	23.8	-43.2	NA	18.2	NA	17.0	
Interest	62.4	24.2	109.7	-43.2	79.2	-21.3	84.7	
Depreciation	102.6	105.6	102.5	0.1	101.9	0.7	100.4	
PBT	230.9	139.9	-315.0	PL	77.1	PL	27.7	
Exceptional	9.1	0.0	-20.3	-144.9	-16.4	-155.8	-2.3	
Less: Tax	64.8	26.3	-45.0	-244.1	-2.6	-2,554.9	17.6	
PAT	170.0	109.0	-277.3	-161.3	74.2	129.2	5.7	2,993.5

Source: Company, ICICI Direct Research

Financial story in charts

Exhibit 2: Q1FY23 performance remains best ever so far...

PARTICULARS (₹ CR)	Q1 22-23	Q1 21-22	Q1 20-21	Q1 19-20	Q1 18-19	Q1 17-18	Q1 16-17	Q1 15-16	Q1 14-15	Q1 13-14	Q1 12-13	Q1 11-12	Q1 10-11
Revenue	1,293	370	175	1057	995	920	962	922	954	928	866	724	627
EBITDA	405	(123)	(234)	210	126	99	108	115	97	125	115	100	78
EBITDA (%)	31.3%	- ve	- ve	19.9%	12.6%	10.8%	11.2%	12.5%	10.2%	13.5%	13.3%	13.8%	12.4%
PBT	231	(315)	(336)	28	(4)	(26)	(168)	(58)	(23)	5	(9)	(10)	(31)
PAT	170	(277)	(280)	6	15	(25)	(169)	(72)	(35)	(19)	(33)	(22)	(40)

Source: Company, ICICI Direct Research

Exhibit 3: RevPAR at enterprise levels up 39% vs. pre-Covid levels

Particulars	Standalone		Enterprise	
	Q1 2022/23	Q1 2019/20	Q1 2022/23	Q1 2019/20
Occupancy %	70.4	63.4	65.2	61.8
ARR in ₹	11,397	9,141	8,315	6,299
RevPAR in ₹	8,021	5,795	5,424	3,893
	(₹/ crores)			
Room Revenue	325	228	859	529
F & B Revenue	281	234	757	536
Other Revenue*	181	146	265	214
Total Revenue	788	608	1881 #	1,279 #

Source: Company, ICICI Direct Research

Exhibit 4: All round performance with all domestic segment crossing pre-Covid levels in terms of RevPAR

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q1 2022	Q1 2019	%	Q1 2022	Q1 2019	%	Q1 2022	Q1 2019	%
Business	76%	66%	116%	7,982	7,086	113%	6,096	4,683	130%
Leisure	63%	54%	117%	14,285	9,186	156%	8,970	4,915	183%
Palaces	34%	36%	94%	24,689	17,243	143%	8,452	6,269	135%
Ginger	58%	65%	89%	3,004	2,243	134%	1,741	1,455	120%
Total Domestic	68%	62%	109%	8,423	6,438	131%	5,727	4,021	142%

Source: Company, ICICI Direct Research

Exhibit 5: Key business destinations (Mumbai, Delhi, Bengaluru) now back in business...

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q1 2022	Q1 2019	Recovery%	Q1 2022	Q1 2019	Recovery%	Q1 2022	Q1 2019	Recovery%
Mumbai	82%	75%	109%	10,567	8,666	122%	8,625	6,468	133%
Delhi & NCR	67%	70%	96%	6,960	5,548	125%	4,646	3,856	120%
Bengaluru	77%	68%	113%	7,554	6,964	108%	5,816	4,753	122%
Goa	80%	68%	117%	14,801	10,378	143%	11,807	7,077	167%
Chennai	70%	57%	123%	6,496	5,614	116%	4,551	3,209	142%
Rajasthan	37%	41%	92%	15,009	9,878	152%	5,598	4,015	139%
Hyderabad	69%	56%	123%	6,863	6,031	114%	4,732	3,376	140%
Kolkata	76%	55%	138%	6,056	6,341	95%	4,601	3,499	132%
Kerala	65%	58%	111%	8,012	6,207	129%	5,211	3,623	144%
Grand Total	68%	62%	109%	8,423	6,438	131%	5,727	4,021	142%

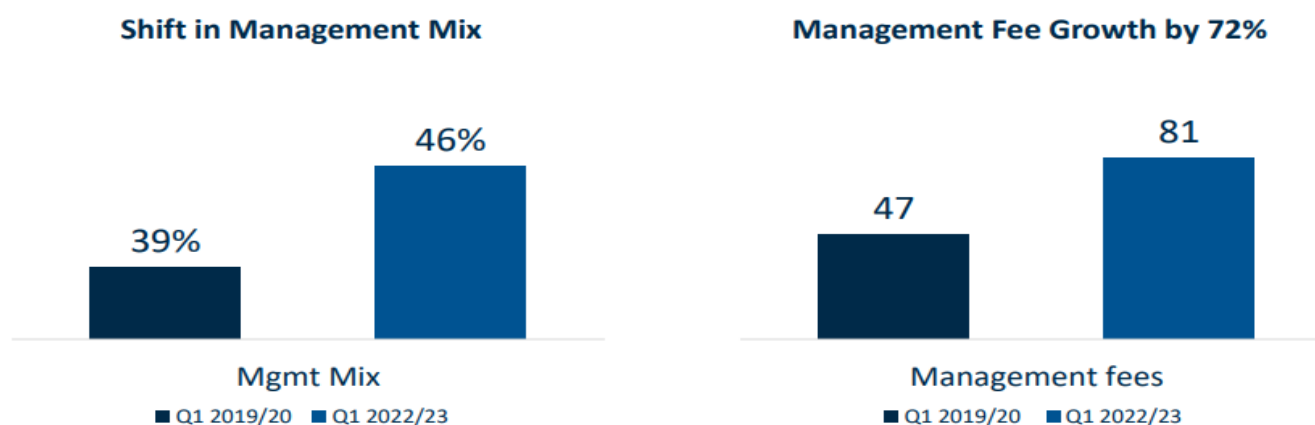
Source: Company, ICICI Direct Research

Exhibit 6: International hotels also reach almost pre-Covid levels i.e. 98% in terms of RevPAR

International Hotels - LFL	Occ %			ARR in \$			RevPAR in \$		
	Q1 2022	Q1 2019	%	Q1 2022	Q1 2019	%	Q1 2022	Q1 2019	%
USA	59%	85%	69%	660	511	129%	387	435	89%
UK	74%	88%	84%	419	354	118%	311	313	99%
Maldives	65%	60%	108%	601	543	111%	391	328	119%
Dubai	81%	71%	115%	186	160	116%	151	114	133%
Others	38%	43%	88%	92	112	82%	35	48	72%
Total	55%	61%	89%	306	278	110%	167	171	98%

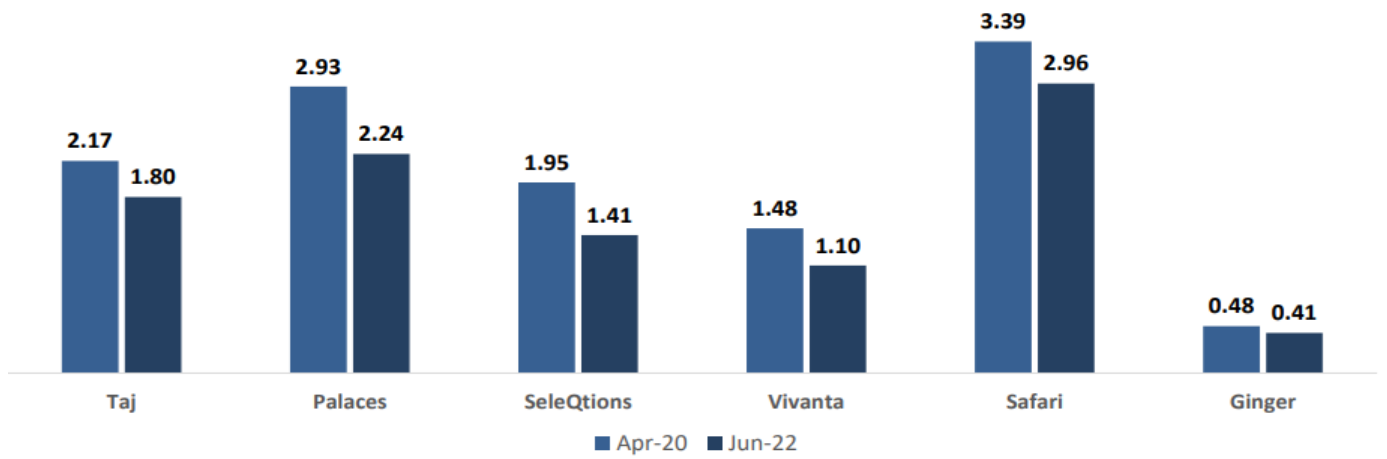
Source: Company, ICICI Direct Research

Exhibit 7: Asset light strategy also driving growth meaningfully



Source: Company, ICICI Direct Research

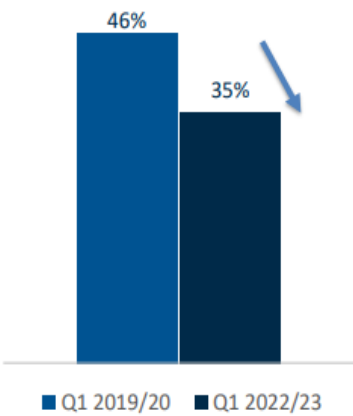
Exhibit 8: Manpower to room ratio rationalised across all segments



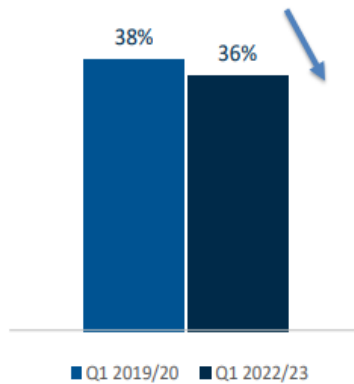
Source: Company, ICICI Direct Research

Exhibit 9: Productivity initiatives continue through Q1FY23

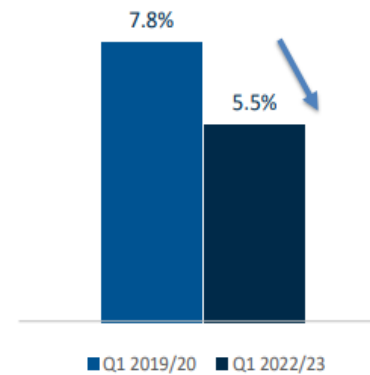
Fixed Costs as % of Revenue



Var. Costs as % of Revenue



Corp. Overheads as % of Rev.



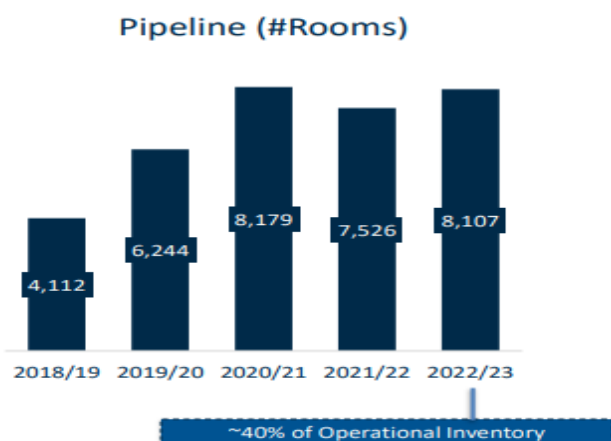
Source: Company, ICICI Direct Research

Exhibit 10: Productivity initiatives in detail

Payroll Expenses	Raw Material Costs	Fuel Power Light	Overhead Efficiencies	Marketing Effectiveness
27.8% of Revenue v/s 35.1% Pre-COVID	Lower as % of F&B Revenue Vs last year despite inflation	Renewable Sourcing Energy Efficiency	2.3 pp Drop in Corporate Overheads as % of Revenue	Smart Investments Focus on Impact

Source: Company, ICICI Direct Research

Exhibit 11: Rooms in pipeline



Source: Company, ICICI Direct Research

Exhibit 12: Ama Stays & Trails inventory & future plans

	Operational	Pipeline	Total
Maharashtra	10	8	18
Kerala	11	5	16
Karnataka	11	2	13
Haryana	1	9	10
Goa	9	1	10
Tamil Nadu	2	4	6
West Bengal	3	1	4
Rajasthan	2	2	4
Himachal Pradesh	1	2	3
Uttarakhand	1	3	4
Madhya Pradesh		1	1
Sikkim		1	1
Total	51	39	90

Source: Company, ICICI Direct Research

Exhibit 13: Upcoming hotels in FY23

Hotel Name	Ownership	Inventory
Vivanta Ahmedabad	Managed	176
Ginger Ahmedabad - Hotel Central Inn, RTO Circle	Group Co	111
Taj Resort, Wayanad, Kerala	Managed	62
Sawai Man Mahal, a Taj Palace	Managed	47
Ginger Hotel, Bharuch- Station Road	Managed	55
Ginger Aurangabad Jalgaon Road	Group Co	64
Vivanta Shillong, Meghalaya	Managed	100
Ginger Noida Sector 133	Group Co	55
Ginger Srinagar	Managed	62
Taj Amer, Jaipur	Managed	245
Ginger Hotel, Zirakpur	Group Co	110
Ginger Hotel, Coimbatore Avinashi Road	Managed	72
SeleQtions hotel in Manali	Managed	33
Vivanta Tawang	Managed	88
Total		1,280

Source: Company, ICICI Direct Research

Financial summary

Exhibit 14: Profit and loss statement					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Total operating income	4,463.1	1,575.2	3,056.2	5,376.3	6,066.0
Growth (%)	-1.1	-64.7	94.0	75.9	12.8
Raw Material Expenses	370.6	143.8	257.2	453.3	491.3
Employee Expenses	1,494.6	894.0	1,150.2	1,463.6	1,588.0
Other Exp	1,630.5	899.1	1,244.0	1,752.7	2,001.8
Total Operating Exp	3,495.6	1,936.9	2,651.5	3,669.6	4,081.1
EBITDA	967.5	-361.8	404.8	1,706.7	1,984.8
Growth (%)	16.6	-137.4	-211.9	321.7	16.3
Depreciation	404.2	409.6	406.1	416.5	443.1
Interest	341.1	402.8	427.7	249.4	247.7
Other Income	132.4	164.7	155.2	129.9	151.6
PBT	354.6	-1,009.5	-273.8	1,170.6	1,445.7
Others/Minority Int	-18.7	-336.9	-75.4	133.6	155.1
Total Tax	44.8	-155.3	-35.8	330.0	412.0
Adjusted PAT	354.4	-720.1	-342.7	857.0	1,027.2
Growth (%)	23.6	-303.2	-52.4	-350.0	19.9
Adjusted EPS (₹)	2.5	-5.1	-1.7	6.0	7.2

Source: Company, ICICI Direct Research

Exhibit 16: Balance sheet					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
Equity Capital	118.9	118.9	142.0	142.0	142.0
Reserve and Surplus	4,200.4	3,529.5	6,920.2	7,674.4	8,564.5
Total Shareholders funds	4,319.4	3,648.4	7,062.3	7,816.5	8,706.6
Total Debt	2,903.4	3,632.8	1,984.8	1,384.8	884.8
Deferred Tax Liability	110.4	78.1	87.6	77.6	67.6
Minority Interest / Others	2,625.5	2,481.0	2,453.4	2,464.7	2,476.0
Total Liabilities	9,958.6	9,840.3	11,588.0	11,743.5	12,134.9
Gross Block	9,559.6	10,426.6	10,830.5	11,359.2	11,909.2
Less: Acc Depreciation	4,288.9	4,698.6	5,104.6	5,521.1	5,964.2
Net Block	5,270.7	5,728.0	5,725.9	5,838.1	5,945.0
Capital WIP	244.1	165.0	193.3	164.6	164.6
Total Fixed Assets	5,514.7	5,893.0	5,919.2	6,002.7	6,109.6
Investments	1,426.6	1,655.4	2,132.2	2,132.2	2,132.2
Goodwill on consolidation	1,204.9	1,180.0	1,176.0	1,176.0	1,176.0
Right-of-use-asset					
Inventory	93.6	92.9	100.8	164.3	134.8
Debtors	290.0	219.8	255.3	383.0	365.6
Loans and Advances	410.3	16.7	6.3	79.7	17.3
Cash	278.2	153.6	1,188.1	1,125.3	1,701.2
Other current assets	599.0	653.7	640.3	865.1	833.4
Total Current Assets	1,671.1	1,136.7	2,190.8	2,617.4	3,052.4
Current liabilities	389.3	317.8	387.3	515.5	515.2
Provisions	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	389.3	317.8	387.3	515.5	515.2
Net Current Assets	1,281.8	818.9	1,803.5	2,101.9	2,537.2
Application of Funds	9,958.6	9,840.3	11,588.0	11,743.5	12,134.9

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	-720.1	-247.7	857.0	1,027.2
Add: Depreciation	409.6	406.1	416.5	443.1
(Inc)/dec in Current Assets	409.9	-19.7	-489.3	140.9
Inc/(dec) in CL and Provisions	226.7	-170.8	96.5	50.5
CF from operating activit	326.1	-32.2	880.7	1,661.6
(Inc)/dec in Investments	3.7	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-787.9	-432.2	-500.0	-550.0
Others	-445.1	-514.6	259.3	101.3
CF from investing activiti	-1,229.3	-946.8	-240.7	-448.7
Issue/(Buy back) of Equity	0.0	23.1	0.0	0.0
Inc/(dec) in loan funds	729.5	-1,648.1	-600.0	-500.0
Dividend paid & dividend tax	0.0	-68.5	-102.8	-137.0
Inc/(Dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	49.2	3,707.0	0.0	0.0
CF from financing activiti	778.7	2,013.5	-702.8	-637.0
Net Cash flow	-124.5	1,034.5	-62.8	575.8
Opening Cash	278.2	153.6	1,188.1	1,125.3
Closing Cash	153.6	1,188.1	1,125.3	1,701.2

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	-5.1	-1.7	6.0	7.2
Cash EPS	-2.2	1.1	9.0	10.4
BV	25.7	49.7	55.0	61.3
DPS	0.0	0.4	0.0	0.0
Cash Per Share	-2.2	1.1	9.0	10.4
Operating Ratios (%)				
EBITDA Margin	-23.0	13.2	31.7	32.7
PBT / Total Operating income	-53.9	-8.4	21.6	23.8
PAT Margin	-45.7	-8.1	15.9	16.9
Inventory days	21.6	11.6	9.0	9.0
Debtor days	50.9	30.5	26.0	22.0
Creditor days	73.6	46.3	35.0	31.0
Return Ratios (%)				
RoE	-19.7	-3.51	11.0	11.8
RoCE	-9.7	-0.01	13.2	15.1
RoIC	-8.1	-0.01	12.3	15.0
Valuation Ratios (x)				
P/E	0.0	0.0	44.9	37.5
EV / EBITDA	-116.0	97.1	22.7	19.0
EV / Net Sales	26.6	12.9	7.2	6.2
Market Cap / Sales	24.4	12.6	7.2	6.3
Price to Book Value	10.6	5.5	4.9	4.4
Solvency Ratios				
Debt/EBITDA	-10.0	4.9	0.8	0.4
Debt / Equity	1.0	0.3	0.2	0.1
Current Ratio	0.7	1.5	1.6	1.9
Quick Ratio	0.6	0.7	0.9	0.8

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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