

## Healthy performance during seasonally weak quarter

**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 brands.

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

**Q2FY23 Results:** Revenue growth was healthy. However, margins & profitability remained marginally below our estimates.

- Revenues grew 69.2% YoY to ₹ 1232.6 crore (vs. I-direct estimate: ₹ 1190.1 crore). It was also up 22.4% vs. pre-Covid levels (i.e. Q2FY20)
- EBITDA margins expanded 800 bps from pre-Covid levels to 23.9% (lower than our estimated margin of 27.8%). It declined 590 bps QoQ. Despite lower than expected margins, it remained one of the highest ever margins so far reported in the past 10 years during Q2
- Net profit was up 70.5% from pre-Covid levels to ₹ 121.6 crore

**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 ₹ 380 i.e. 26.5x FY24E EV/EBITDA.

**Key triggers for future price performance:**

- Revival in foreign tourists, wedding season, G20 summit 2023 to provide further fillip to leisure and business hotel room demand, going forward
- Under AHVAAN 2025, the company plans to have 300+ hotel room portfolio with zero net debt status. The company also aims to achieve 33%+ margins (35% for new businesses) through cost efficiencies
- Expect revenue CAGR of 41.8% during FY22-24E. Business to recover fully to pre-Covid levels while EBITDA to surpass pre-Covid levels in FY23E; margins seen at close to 33% in FY24E
- Improved cash flows and divestment of non-core assets to help the company grow faster

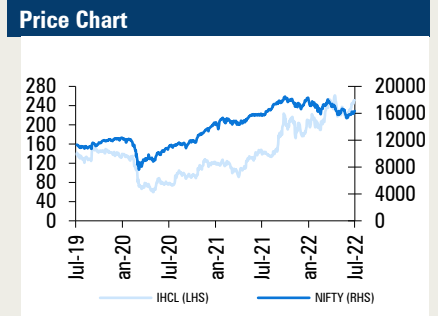
**Alternate Stock Idea:** In our hotel sector coverage we also like EIH.

- It is the premium segment key domestic hotel player. Like Taj, it also has strong hotel brands like Oberoi and Trident. It has a strong balance sheet
- BUY with a target price of ₹ 240/share



Particulars	
Particular	Amount
Market Cap	₹ 44032 crore
Debt (FY22)	₹ 1985 crore
Cash (FY22)	₹ 1188 crore
EV	₹ 44829 crore
52 week H/L	311/143
Equity capital	₹ 142 crore
Face value	₹ 1

Shareholding pattern				
(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	41.02	38.19	38.19	38.19
FII	15.19	16.03	15.07	16.25
DII	25.30	28.64	29.69	29.32
Others	18.49	17.14	17.05	16.24



- 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)	5,447	6,146	41.8
EBITDA	830	968	(362)	405	(21.3)	1,681	2,014	123.1
EBITDA (%)	18.4	21.7	(23.0)	13.2		30.9	32.8	
Net Profit	287	354	(720)	(248)	PL	844	1,049	LP
EPS (₹)	2.0	2.2	(6.0)	(1.8)		5.9	7.4	
EV/EBITDA	55.9	48.2	(131.3)	110.8		26.4	21.4	
RoNW	6.6	7.4	(23.3)	(3.7)		10.8	12.0	
RoCE	7.4	7.0	(6.2)	1.3		11.9	14.2	
ROE	6.6	7.4	(23.3)	(3.7)		10.8	12.0	

Source: Company, ICICI Direct Research

## Key performance highlights

- Consolidated revenues recovered sharply led by corporate demand. It grew 69% YoY to ₹ 1232.6 crore (vs. I-direct estimate: ₹ 1190.1 crore). Revenues were also up 22.4% vs. pre-Covid levels (i.e. Q2FY20)
- Average occupancy increased 100 bps from pre-Covid levels to 66%. Average room rate saw an increase of 31% to ₹ 8049 vs. pre-Covid levels leading to revenue per room (RevPAR) growth of 34% from Q2FY20. However, on a sequential basis, occupancy levels declined 440 bps QoQ due to seasonality
- Domestic leisure segment continued to stay strong with RevPAR of 167% vs. pre-Covid levels on a like-to-like basis. The business segment rebounded sharply from Q1 onwards. During Q2 business segment RevPAR was up 126% vs. pre-Covid levels. RevPAR of the economy segment (Ginger) was at 113% of pre-Covid levels. Overall, occupancy and ARR of domestic segment reached 102% and 131%, respectively, leading to RevPAR increase of 134% vs. pre-Covid levels
- In terms of international performance, while occupancy levels in the US and UK reached 92% and 96% of pre-Covid levels, revenue was at 101% and 112% of pre-Covid levels, respectively. Occupancy in Maldives and Dubai was at 118% and 135% of pre-Covid levels, respectively
- Q3FY23 is also expected to follow the same trend and outperform Q3FY20 by a significant margin. The current booking trend suggests 400 bps expansion in occupancy levels to 70% for Q3. Based on growth trends in the three quarters, we expect FY23 to end higher on room rates by 8-10%
- New businesses contributing significantly to scale and margin expansion. 1) Ginger reported EBITDA margin of 39% and positive PBT in Q2 as well. The full year EBITDA of FY20 was achieved in H1FY23 only with reported EBITDA of ₹ 56 crore, 2) Qmin, IHCL's culinary platform, achieved the ₹ 125 crore GMV within two years of its inception, 3) The amā Stays & Trails homestay portfolio grew to over 100 bungalows across the country
- Under AHVAAN 2025, the company plans to have 300+ hotel room portfolio with zero net debt status. The company also aims to achieve 33%+ margins (35% for new businesses) through cost efficiencies

Exhibit 1: Quarterly financial performance

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Q2FY20	As % of Pre-covid level
Total Operating Income	1,232.6	1,190.1	728.4	69.2	1,266.1	-2.6	1,007.4	122.4
Other Income	25.0	29.8	23.9	4.4	27.1	-8.0	21.1	
Raw Material Expenses	103.0	101.2	62.8	64.0	103.9	-0.9	84.8	
Employee Expenses	376.4	359.6	278.8	35.0	359.6	4.7	365.2	
Other Expenses	459.3	368.9	314.0	46.3	424.7	8.2	397.0	
Total Expenditure	938.6	829.7	655.5	43.2	888.2	5.7	847.0	110.8
EBITDA	294.0	330.7	72.8	303.6	377.9	-22.2	160.5	183.2
EBITDA Margin (%)	23.9	27.8	10.0	NA	29.8	NA	15.9	
Interest	60.0	62.4	113.9	-47.3	62.4	-3.8	86.8	
Depreciation	102.6	104.6	101.8	0.8	102.6	0.0	99.9	
PBT	168.7	193.4	-129.7	PL	230.9	PL	-5.4	
Exceptional	-12.3	0.0	10.8	-213.9	9.1	-235.2	0.3	
Less: Tax	44.3	55.1	-11.3	-490.9	64.8	-31.6	-85.5	
PAT	121.6	143.8	-120.6	-200.8	170.0	-28.5	71.3	170.5

Source: Company, ICICI Direct Research

## Financial story in charts

Exhibit 2: Q2FY23 remains best ever so far comparing with Q2 of last 10 years...

PARTICULARS (₹ CR)	Q2 22-23	Q2 21-22	Q2 20-21	Q2 19-20	Q2 18-19	Q2 17-18	Q2 16-17	Q2 15-16	Q2 14-15	Q2 13-14	Q2 12-13	Q2 11-12	Q2 10-11
Revenue	1,258	752	324	1029	981	864	898	928	958	924	835	771	622
EBITDA	319	97	(83)	182	116	67	82	91	36	67	60	92	44
EBITDA (%)	25.4%	12.9%	-ve	17.7%	11.8%	7.8%	9.1%	9.8%	3.8%	7.2%	7.1%	12.0%	7.1%
PBT	169	(130)	(263)	(5)	(57)	(73)	(13)	(121)	(92)	(69)	(42)	(34)	(69)
PAT	122	(121)	(230)	71 *	(5)	(58)	(27)	(152)	(98)	(433)	(57)	(48)	(70)

Source: Company, ICICI Direct Research

Exhibit 3: RevPAR at domestic levels up 34% vs. pre-Covid levels

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q2 2022	Q2 2019	%	Q2 2022	Q2 2019	%	Q2 2022	Q2 2019	%
Business	76%	70%	109%	7,977	6,907	115%	6,069	4,835	126%
Leisure	54%	50%	108%	12,505	8,082	155%	6,738	4,039	167%
Palaces	43%	46%	93%	26,247	16,362	160%	11,341	7,581	150%
Ginger	58%	68%	85%	2,857	2,153	133%	1,668	1,473	113%
<b>Total Domestic</b>	<b>66%</b>	<b>65%</b>	<b>102%</b>	<b>8,049</b>	<b>6,130</b>	<b>131%</b>	<b>5,347</b>	<b>3,983</b>	<b>134%</b>

Source: Company, ICICI Direct Research

Exhibit 4: All round healthy performance across business & leisure destinations

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q2 2022	Q2 2019	Recovery%	Q2 2022	Q2 2019	Recovery%	Q2 2022	Q2 2019	Recovery%
Mumbai	81%	75%	108%	10,064	8,455	119%	8,182	6,381	128%
Delhi & NCR	73%	78%	93%	6,684	5,204	128%	4,886	4,076	120%
Bengaluru	73%	68%	106%	8,083	7,174	113%	5,866	4,898	120%
Goa	73%	71%	102%	14,407	9,832	147%	10,480	7,012	149%
Chennai	74%	65%	113%	6,820	5,574	122%	5,029	3,643	138%
Rajasthan	45%	49%	93%	14,953	9,764	153%	6,766	4,745	143%
Hyderabad	68%	63%	108%	7,437	6,106	122%	5,040	3,820	132%
Kolkata	72%	59%	122%	6,041	6,017	100%	4,366	3,551	123%
Kerala	60%	61%	98%	8,334	5,510	151%	5,019	3,372	149%
<b>Grand Total</b>	<b>66%</b>	<b>65%</b>	<b>102%</b>	<b>8,049</b>	<b>6,130</b>	<b>131%</b>	<b>5,347</b>	<b>3,983</b>	<b>134%</b>

\*Domestic Like for Like

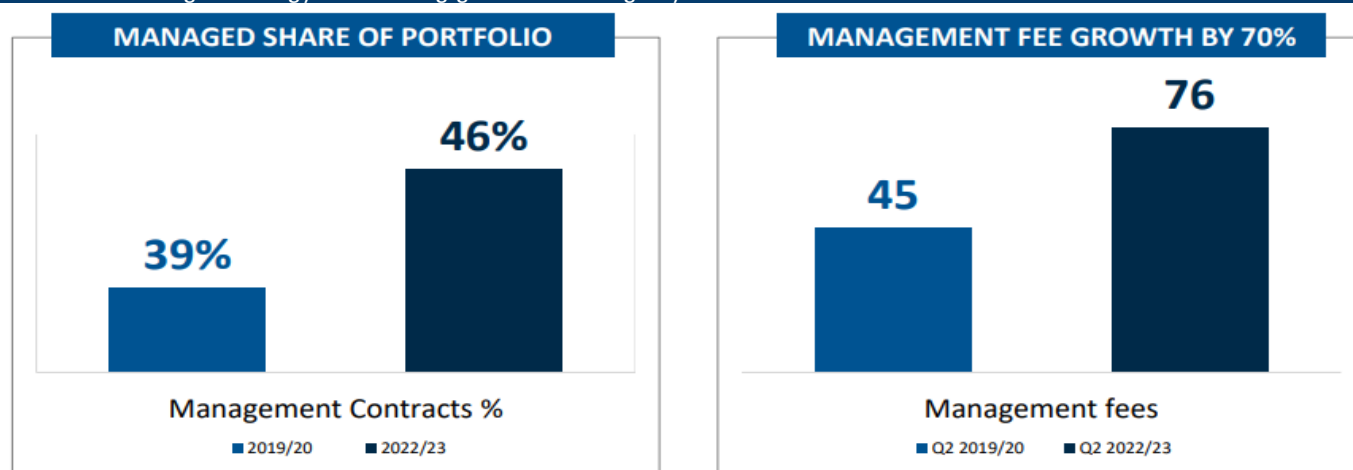
Source: Company, ICICI Direct Research

Exhibit 5: RevPAR at international hotels reaches 94% of pre-Covid levels

International Hotels - LFL	Occ %			ARR in \$			RevPAR in \$		
	Q2 2022	Q2 2019	%	Q2 2022	Q2 2019	%	Q2 2022	Q2 2019	%
USA	59%	82%	73%	641	509	126%	380	415	92%
UK	76%	91%	84%	416	362	115%	317	329	96%
Maldives	54%	50%	108%	526	480	109%	283	241	118%
Dubai	82%	78%	106%	154	120	128%	126	93	135%
Others	38%	57%	66%	89	98	91%	34	56	61%
<b>Total</b>	<b>54%</b>	<b>69%</b>	<b>79%</b>	<b>290</b>	<b>245</b>	<b>118%</b>	<b>157</b>	<b>168</b>	<b>94%</b>

Source: Company, ICICI Direct Research

Exhibit 6: Asset light strategy also driving growth meaningfully



Source: Company, ICICI Direct Research

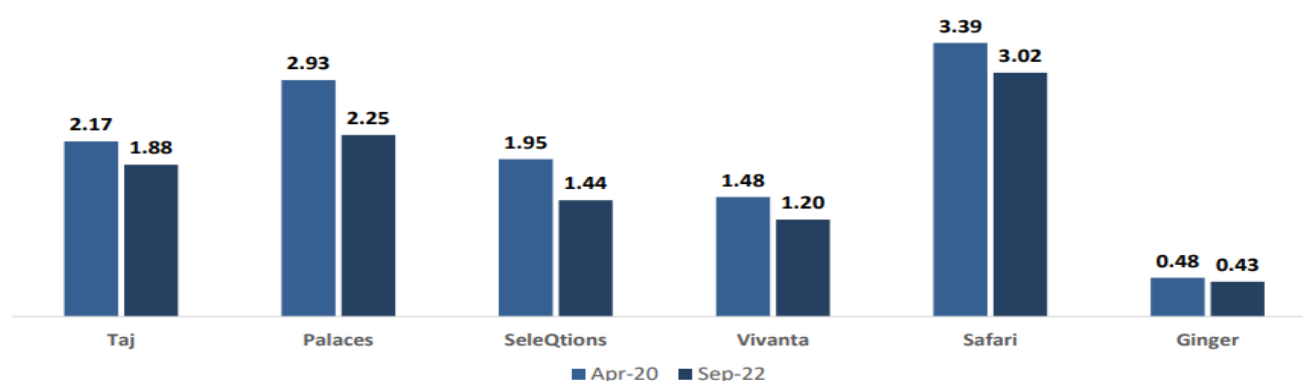
Exhibit 7: Chambers

Chambers	Q2 FY 23	Q2 FY 22
Initiation Fees	12	15
Renewal Fees	13	10
<b>Total Income</b>	<b>24</b>	<b>25</b>
<b>Total No. of Chambers members</b>	<b>2,500+</b>	<b>2,300+</b>

₹ /crores

Source: Company, ICICI Direct Research

Exhibit 8: Manpower to room ratio rationalised



Manpower Rationalized Through

- Redeployments – 504 Associates
- Reimagine ways of working - Multiskilling, Cluster Approach, Shared Services

Source: Company, ICICI Direct Research

Exhibit 9: Upcoming hotels in FY23

Hotel Name	Ownership	Inventory
Manali - IHCL SeleQtions	Managed	33
Jaagir Lodge, Dhudhwa - IHCL SeleQtions	Managed	20
Norbu Dharamshala - IHCL SeleQtions	Managed	50
Ginger Bharuch	Managed	55
Ginger Aurangabad, Jalgaon Road	Group Co	64
Taj Amer, Jaipur	Managed	245
Ginger Noida, Sector 133	Group Co	114
Ginger Siruseri, OMR Chennai	Group Co	99
Ginger Coimbatore, Avinashi Road	Managed	72
Devi Ratn Phase II (expansion)	Managed	82

Source: Company, ICICI Direct Research

Exhibit 10: Room pipeline as of October 2022

Brands	Nov 2022 to March 24	2024-25	2025-26	2026-27	Pipeline Rooms	No. of Hotels
<b>Taj</b>	<b>862</b>	<b>438</b>	<b>1,201</b>		<b>2,501</b>	<b>13</b>
IHCL					-	-
Management Contracts	862	438	1,201		2,501	13
<b>SeleQtions</b>	<b>872</b>	<b>308</b>	<b>-</b>		<b>1,180</b>	<b>14</b>
IHCL					-	-
Management Contracts	872	308			1,180	14
<b>Vivanta</b>	<b>549</b>	<b>649</b>	<b>600</b>	<b>80</b>	<b>1,878</b>	<b>13</b>
IHCL			125		125	1
Management Contracts	549	649	475	80	1,753	12
<b>Ginger</b>	<b>1,417</b>	<b>679</b>	<b>672</b>		<b>2,768</b>	<b>25</b>
Owned/Leased	1,228*	354	472		2,054	19
Management Contracts	189	325	200		714	6
<b>Grand Total</b>	<b>3,700</b>	<b>2,074</b>	<b>2,473</b>	<b>80</b>	<b>8,327</b>	<b>65</b>

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 11: Profit and loss statement					
	₹ crore				
(Year-end March)	FY20	FY21	FY22	FY23E	FY24E
<b>Total operating income</b>	<b>4,463.1</b>	<b>1,575.2</b>	<b>3,056.2</b>	<b>5,447.1</b>	<b>6,145.9</b>
Growth (%)	-1.1	-64.7	94.0	78.2	12.8
Raw Material Expenses	370.6	143.8	257.2	457.5	497.8
Employee Expenses	1,494.6	894.0	1,150.2	1,480.4	1,606.2
Other Exp	1,630.5	899.1	1,244.0	1,827.8	2,028.2
Total Operating Exp	3,495.6	1,936.9	2,651.5	3,765.7	4,132.2
<b>EBITDA</b>	<b>967.5</b>	<b>-361.8</b>	<b>404.8</b>	<b>1,681.4</b>	<b>2,013.7</b>
Growth (%)	16.6	-137.4	-211.9	315.4	19.8
Depreciation	404.2	409.6	406.1	416.5	443.1
Interest	341.1	402.8	427.7	242.4	247.7
Other Income	132.4	164.7	155.2	125.8	153.6
<b>PBT</b>	<b>354.6</b>	<b>-1,009.5</b>	<b>-273.8</b>	<b>1,148.3</b>	<b>1,476.5</b>
Others/Minority Int	-18.7	-336.9	-75.4	112.0	155.1
Total Tax	44.8	-155.3	-35.8	325.2	420.8
<b>Adjusted PAT</b>	<b>354.4</b>	<b>-720.1</b>	<b>-342.7</b>	<b>843.5</b>	<b>1,049.2</b>
Growth (%)	23.6	-303.2	-52.4	-346.1	24.4
<b>Adjusted EPS (₹)</b>	<b>2.5</b>	<b>-5.1</b>	<b>-1.7</b>	<b>5.9</b>	<b>7.4</b>

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	-720.1	-247.7	843.5	1,049.2
Add: Depreciation	409.6	406.1	416.5	443.1
(Inc)/dec in Current Assets	409.9	-19.7	-518.8	162.4
Inc/(dec) in CL and Provisions	226.7	-170.8	117.6	51.1
<b>CF from operating activit</b>	<b>326.1</b>	<b>-32.2</b>	<b>858.8</b>	<b>1,705.9</b>
(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
<b>CF from investing activiti</b>	<b>-1,229.3</b>	<b>-946.8</b>	<b>-240.7</b>	<b>-448.7</b>
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
<b>CF from financing activiti</b>	<b>778.7</b>	<b>2,013.5</b>	<b>-702.8</b>	<b>-637.0</b>
Net Cash flow	-124.5	1,034.5	-84.7	620.1
Opening Cash	278.2	153.6	1,188.1	1,103.4
<b>Closing Cash</b>	<b>153.6</b>	<b>1,188.1</b>	<b>1,103.4</b>	<b>1,723.6</b>

Source: Company, ICICI Direct Research

Exhibit 13: 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	7,661.0	8,573.1
Total Shareholders funds	4,319.4	3,648.4	7,062.3	7,803.0	8,715.2
<b>Total Debt</b>	<b>2,903.4</b>	<b>3,632.8</b>	<b>1,984.8</b>	<b>1,384.8</b>	<b>884.8</b>
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
<b>Total Liabilities</b>	<b>9,958.6</b>	<b>9,840.3</b>	<b>11,588.0</b>	<b>11,730.1</b>	<b>12,143.5</b>
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
<b>Total Fixed Assets</b>	<b>5,514.7</b>	<b>5,893.0</b>	<b>5,919.2</b>	<b>6,002.7</b>	<b>6,109.6</b>
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	167.8	135.3
Debtors	290.0	219.8	255.3	388.0	370.4
Loans and Advances	410.3	16.7	6.3	80.8	17.5
Cash	278.2	153.6	1,188.1	1,103.4	1,723.6
Other current assets	599.0	653.7	640.3	884.9	835.9
Total Current Assets	1,671.1	1,136.7	2,190.8	2,625.0	3,082.7
Current liabilities	389.3	317.8	387.3	522.3	522.0
Provisions	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	389.3	317.8	387.3	522.3	522.0
<b>Net Current Assets</b>	<b>1,281.8</b>	<b>818.9</b>	<b>1,803.5</b>	<b>2,102.7</b>	<b>2,560.7</b>
<b>Application of Funds</b>	<b>9,958.6</b>	<b>9,840.3</b>	<b>11,588.0</b>	<b>11,730.1</b>	<b>12,143.5</b>

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	-5.1	-1.7	5.9	7.4
Cash EPS	-2.2	1.1	8.9	10.5
BV	25.7	49.7	54.9	61.4
DPS	0.0	0.4	0.0	0.0
Cash Per Share	-2.2	1.1	8.9	10.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	-23.0	13.2	30.9	32.8
PBT / Total Operating income	-53.9	-8.4	21.1	24.0
PAT Margin	-45.7	-8.1	15.5	17.1
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
<b>Return Ratios (%)</b>				
RoE	-19.7	-3.51	10.8	12.0
RoCE	-9.7	-0.01	12.9	15.4
RoIC	-8.1	-0.01	12.1	15.3
<b>Valuation Ratios (x)</b>				
P/E	0.0	0.0	52.2	42.0
EV / EBITDA	-131.3	110.8	26.4	21.4
EV / Net Sales	30.2	14.7	8.1	7.0
Market Cap / Sales	28.0	14.4	8.1	7.2
Price to Book Value	12.1	6.2	5.6	5.1
<b>Solvency Ratios</b>				
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	1.8
Quick Ratio	0.6	0.7	0.9	0.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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