

Strong ARR, occupancy aid operational performance

About the stock: With room inventory of 178 hotels with 20,826 rooms, Indian Hotels has 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
- The company enjoys strong support from its promoter Tata Sons and is also an important strategic business for the Tata Group.

Q4FY23 Results: IHCL reported strong revenue growth in Q4FY23 on a favourable base.

- Revenue grew 86% YoY to ₹ 1625 crore (I-direct estimate: ₹ 1585 crore) and was up 52% vs. pre-Covid levels (Q4FY20) led by strong performance from the domestic segment
- EBITDA margin also expanded 1330 bps from pre-Covid levels to 32.9%
- This led to a sharp rebound in PAT, which was up 4.4x from pre-Covid levels to ₹ 328.3 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 ₹ 405 i.e. 23x FY25E 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
- The company plans to have a 300+ hotel room portfolio with zero net debt status. IHCL also aims to achieve 33%+ margins (35% for new businesses) through cost efficiencies
- We expect revenue CAGR of 10.7% in FY23E-25E on a higher base. The domestic business has now recovered fully. Now, growth is expected to be driven by foreign tourists and rebound in international business; margins are expected at ~ 33% in FY24E, FY25E
- Improved cash flows and divestment of non-core assets to strengthen b/s

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

Key Financial Summary

Key Financials	FY20	FY21	FY22	FY23P	3 year CAGR (%)	FY24E	FY25E	2 year CAGR (%)
Net Sales	4463	1575	3056	5810	9.2	6510	7115	10.7
EBITDA	968	-362	405	1805	23.1	2142	2355	14.2
EBITDA (%)	21.7	-23.0	13.2	31.1		32.9	33.1	
PAT	354	-720	-248	1003	41.4	1191	1361	16.5
EPS (₹)	2.9	-5.8	-1.6	6.8		8.4	9.6	
EV/EBITDA	45.2	-123.4	123.4	27.1		22.4	19.8	
D/E	0.7	1.0	0.3	0.1		0.1	0.1	
RoNW (%)	8.2	-19.7	-3.5	12.6		13.2	13.1	
RoCE (%)	9.6	-8.3	1.7	15.8		17.5	17.3	



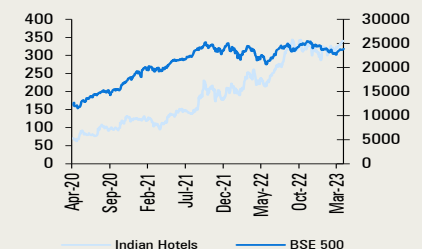
Stock data

Particulars	Amount
Market Capitalisation (₹ crore)	49,328.0
Total Debt (FY22E) (₹ crore)	818.3
Cash (FY22E) (₹ crore)	1,053.4
EV (₹ crore)	49,092.8
52 Week H / L	207 / 349
Equity Capital (₹ crore)	142.0
Face Value (₹)	1.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	38.2	38.2	38.2	38.2	38.2
FII	16.0	15.1	16.3	19.0	18.2
DII	28.6	29.7	29.3	26.7	27.6
Others	17.1	17.1	16.2	16.1	16.0

Price Chart



Key risks

- Any further stringent lockdown or disruption due to fourth or fifth Covid wave may hamper business
- Higher inflation/talent crunch to remain key concern, going ahead

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Key performance and conference call highlights

- Average occupancies for the domestic segment were at 71% (vs. 59% during Q4FY20) while average room rates (ARR) surged sharply by 34% from pre-Covid levels to ₹ 11559/room nights
- Within domestic segments, leisure room portfolio reported ARR growth of 42% while ARR of the business and economy segment grew 28% and 39%, respectively, from pre-Covid levels
- In terms of international segment, average occupancy recovered to 88% of pre-Covid levels to 57% while room rates were up 17% leading to RevPAR growth of 3% from pre-Covid levels. In terms of regions, Maldives and Dubai reported RevPAR growth of 27% and 44%, respectively, vs. pre-Covid while RevPAR of UK grew 4% vs. pre-Covid levels. The US, which had crossed pre-Covid level in Q3FY23, reported de-growth of ~3%
- EBITDA margins expanded 1330 bps from pre-Covid levels to 32.9%. The same was in line with our expectation of 33% as healthy growth in the room rates and controlled fixed cost led to such higher delta during the quarter
- The company is planning to add 9899 rooms with 75 hotels over the next four years of which over 7200 rooms will be added under management contract. IHCL plans to add 20 hotels (2300+ rooms) in FY24. Further, the company aspires to open 3000+ rooms in FY25E. Overall, the company has 73 hotels under development which can open over the next three years
- The management indicated that the April 2023 performance has been better than April 2022 and the room bookings trend for May is also strong
- On the EBITDA margin front, the management reiterated its guidance of margin in the range of ~33% with Q3 and Q4 having higher margins

Exhibit 1: Quarterly financial performance

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	1625.4	1584.7	872.1	86.4	1685.8	-3.6	Healthy occupancy ratio and firm average room rates aid strong revenue performance
Raw Material Expense	125.5	139.4	69.0	81.9	140.5	-10.6	
Employee Expenses	421.8	374.0	310.2	36.0	424.4	-0.6	
Other Expenses	542.6	548.3	333.9	62.5	523.7	3.6	
EBITDA	535.5	522.9	159.0	236.8	597.2	-10.3	
EBITDA Margin (%)	32.9	33.0	18.2	1471 bps	35.4	-248 bps	EBITDA margin improved by 1471 bps YoY and 1330 bps compared to pre-covid levels
Depreciation	107.6	107.4	101.9	5.6	103.3	4.2	
Interest	57.0	58.9	79.2	-28.0	56.7	0.5	
Other Income	29.1	50.7	82.8	-64.8	57.7	-49.6	
PBT before Exceptional item	400.0	407.3	60.7	558.8	494.9	-19.2	
Exceptional Item	0.0	0.0	-16.4	-	-0.1	-	
PBT	400.0	407.3	77.1	418.9	495.0	-	
Tax Outgo	98.0	106.0	-2.6	-	116.1	-15.6	
PAT Before Minority int & other items	302.0	301.3	79.7	278.8	378.9	-20.3	
Others	26.3	8.4	-5.5	-	3.8	593.1	
PAT	328.3	309.7	74.2	342.5	382.7	-14.2	

Source: Company, ICICI Direct Research

Financial story in charts

Exhibit 2: Domestic business – Occupancy, ARR & RevPAR trend vs. pre Covid levels

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%
Business	77%	62%	124%	11,087	8,632	128%	8,526	5,351	159%
Leisure	66%	54%	122%	16,825	11,818	142%	11,086	6,361	174%
Palaces	61%	56%	109%	45,325	37,045	122%	27,802	20,771	134%
Ginger	62%	59%	105%	3,220	2,313	139%	1,990	1,364	146%
Total Domestic	71%	59%	119%	11,559	8,594	134%	8,184	5,112	160%

Source: Company, ICICI Direct Research

Exhibit 3: All-round healthy performance across business & leisure destinations

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%
Mumbai	88%	69%	127%	14,959	11,544	130%	13,096	7,968	164%
Delhi & NCR	76%	66%	116%	9,446	7,145	132%	7,200	4,695	153%
Bengaluru	68%	55%	126%	11,074	7,869	141%	7,585	4,290	177%
Goa	84%	73%	116%	20,873	14,394	145%	17,618	10,489	168%
Chennai	74%	60%	123%	8,399	6,188	136%	6,192	3,705	167%
Rajasthan	61%	53%	115%	27,945	21,974	127%	17,006	11,606	147%
Hyderabad	67%	57%	117%	9,475	7,447	127%	6,316	4,235	149%
Kolkata	69%	57%	121%	8,448	6,972	121%	5,859	4,006	146%
Kerala	68%	58%	116%	10,275	7,577	136%	6,982	4,430	158%
Grand Total	71%	59%	119%	11,554	8,594	134%	8,184	5,112	160%

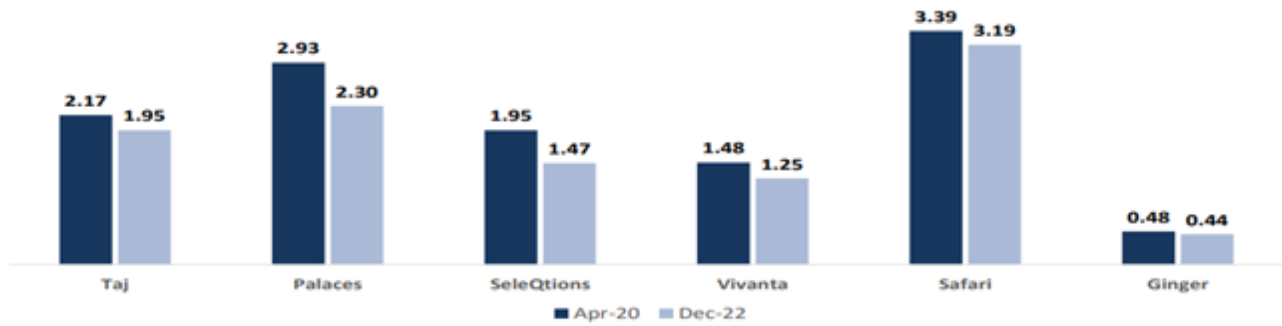
Source: Company, ICICI Direct Research

Exhibit 4: International hotels – Occupancy, ARR & RevPAR trend vs. pre-Covid levels

International Hotels - LFL	Occ %			ARR in \$			RevPAR in \$		
	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%	Q4 2022/23	Q4 2019/20	%
USA	50%	50%	99%	557	477	117%	277	241	115%
UK	61%	54%	112%	335	289	116%	204	157	130%
Maldives	79%	63%	124%	652	580	112%	515	368	140%
Dubai	87%	66%	132%	273	213	128%	238	140	170%
Cape Town	77%	77%	100%	167	170	98%	129	131	98%
Others	45%	49%	92%	89	105	85%	40	51	78%
Total	58%	55%	106%	274	236	116%	160	130	123%

Source: Company, ICICI Direct Research

Exhibit 5: Manpower to room ratio rationalised



Manpower Rationalized Through

- Redeployments – 554 Associates
- Reimagine ways of working - Multiskilling, Cluster Approach, Shared Services

Source: Company, ICICI Direct Research

Exhibit 6: Room pipeline as of March 2023

Brands	2023-24	2024-25	2025-26	2026-27	Pipeline Rooms	No. of Hotels
Taj	522	925	1113	825	3385	19
IHCL		167		220	341	3
Management Contracts	522	758	1113	605	2998	16
SeleQtions	405	477	104		986	10
IHCL					0	0
Management Contracts	405	477	104		986	10
Vivanta	391	704	670	870	2635	20
IHCL		125			125	1
Management Contracts	391	579	670	870	2510	19
Ginger	995	870	323	705	2893	26
Owned/Leased	861	545	323	425	2154	21
Management Contracts	134	325	0	280	739	5
Grand Total	2313	2976	2210	2400	9899	75

Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22A	FY23P	FY24E	FY25E
Net Sales	3,056.2	5,809.9	6,510.1	7,114.8
Growth (%)	(31.5)	90.1	12.1	9.3
Total Raw Material Cost	257.2	472.9	527.3	576.3
Gross Margins (%)	91.6	91.9	91.9	91.9
Employee Expenses	1,150.2	1,582.3	1,692.6	1,849.9
Other Expenses	1,244.0	1,950.2	2,148.3	2,333.7
Total Operating Expenditure	2,651.5	4,005.4	4,368.3	4,759.8
EBITDA	404.8	1,804.6	2,141.8	2,355.0
EBITDA Margin	13.2	31.1	32.9	33.1
Interest	427.7	236.1	201.1	181.5
Depreciation	406.1	416.1	432.4	449.3
Other Income	155.2	138.9	162.8	177.9
Exceptional Expense	(15.6)	(3.3)	-	-
Others	(25.3)	31.2	(6.5)	(6.5)
PBT	(283.5)	1,325.8	1,664.5	1,895.6
Total Tax*	(35.8)	323.2	473.5	534.4
Profit After Tax	(247.7)	1,002.6	1,191.0	1,361.2

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY22A	FY23P	FY24E	FY25E
Equity Capital	142.0	142.0	142.0	142.0
Reserve and Surplus	6,920.2	7,839.9	8,893.9	10,255.0
Total Shareholders funds	7,062.3	7,982.0	9,035.9	10,397.0
Total Debt	1,984.8	818.3	718.3	648.3
Non Current Liabilities	2,541.0	3,092.8	3,073.0	3,193.8
Source of Funds	11,588.0	11,893.0	12,827.2	14,239.1
Gross block	10,830.5	11,257.0	11,687.0	12,142.0
Less: Accum depreciation	5,104.6	5,520.7	5,953.1	6,402.3
Net Fixed Assets	5,725.9	5,736.4	5,733.9	5,739.7
Capital WIP	193.3	324.2	259.3	207.5
Goodwill	1,176.0	1,211.1	1,211.1	1,211.1
Investments	2,132.2	2,065.7	2,086.3	2,107.2
Inventory	100.8	109.2	178.4	194.9
Cash	1,187.8	1,053.4	1,835.3	3,142.5
Debtors	255.3	446.5	393.0	416.3
Loans & Advances & Other CA	646.6	682.0	983.6	1,075.0
Total Current Assets	2,190.6	2,291.1	3,390.3	4,828.7
Creditors	387.3	476.6	552.9	604.3
Provisions & Other CL	1,113.8	1,295.9	1,282.9	1,154.6
Total Current Liabilities	1,501.1	1,772.5	1,835.9	1,758.9
Net Current Assets	689.4	518.6	1,554.5	3,069.8
LT L& A, Other Assets	-	-	-	-
Other Assets	1,671.1	2,037.1	1,982.0	1,903.8
Application of Funds	11,588.0	11,893.0	12,827.2	14,239.1

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY22A	FY23P	FY24E	FY25E
Profit/(Loss) after taxation	-247.7	1,002.6	1,191.0	1,361.2
Add: Depreciation	406.1	416.1	432.4	449.3
Net Increase in Current Assets	-19.7	-234.9	-317.4	-131.2
Net Increase in Current Liabilities	-171.3	271.4	63.4	-76.9
others	703.8	164.3	120.0	130.0
CF from operating activities	671.1	1,619.4	1,489.5	1,732.3
(Inc)/dec in Investments	-476.8	66.5	-20.7	-20.9
(Inc)/dec in Fixed Assets	-432.2	-557.3	-430.0	-455.0
Others	-733.4	346.3	0.0	0.0
CF from investing activities	-1,642.5	-144.6	-450.7	-475.9
Inc / (Dec) in Equity Capital	23.1	0.0	0.0	0.0
Inc / (Dec) in Loan	-1,648.1	-1,166.5	-100.0	-70.0
Others	3,284.2	-442.7	-156.9	120.7
CF from financing activities	1,659.3	-1,609.2	-256.9	50.7
Net Cash flow	687.9	-134.4	781.9	1,307.2
Opening Cash	154.2	1,187.8	1,053.4	1,835.3
Closing Cash	1,187.8	1,053.4	1,835.3	3,142.5

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY22A	FY23P	FY24E	FY25E
Per share data (₹)				
EPS	-1.7	7.1	8.4	9.6
Cash EPS	1.3	9.8	11.5	12.8
BV	49.7	56.2	63.6	73.2
DPS	0.0	0.0	0.0	0.0
Cash Per Share	8.4	7.4	12.9	22.1
Operating Ratios (%)				
EBITDA margins	13.2	31.1	32.9	33.1
PBT margins	-9.3	22.8	25.6	26.6
Net Profit margins	-8.1	17.3	18.3	19.1
Inventory days	12.0	6.9	10.0	10.0
Debtor days	30.5	28.0	22.0	21.4
Creditor days	46.3	29.9	31.0	31.0
Return Ratios (%)				
RoE	-3.7	5.0	1.0	0.4
RoCE	-3.5	12.6	13.2	13.1
RoCE	1.7	15.8	17.5	17.3
Valuation Ratios (x)				
P/E	-198.4	49.0	41.3	36.1
EV / EBITDA	123.4	27.1	22.4	19.8
EV / Sales	16.3	8.4	7.4	6.6
Market Cap / Revenues	16.1	8.5	7.5	6.9
Price to Book Value	7.0	6.2	5.4	4.7
Solvency Ratios				
Debt / Equity	0.3	0.1	0.1	0.1
Debt/EBITDA	4.9	0.5	0.3	0.3
Current Ratio	0.6	0.7	0.7	0.8
Quick Ratio	0.6	0.6	0.7	0.8

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: < -15%



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