

Domestic leisure leads QoQ recovery; international business to start seeing traction, going forward...

IHCL's Q4FY21 performance broadly remained ahead of our estimates led by a better performance from leisure segment and prudent cost management leading to positive EBITDA for the quarter. Consolidated revenue improved ~10% QoQ to ₹ 615 crore (vs. I-direct estimate: ₹ 542.1 crore) while it was down 42.1% YoY. Domestic occupancy improved to 72% vs. 52% last quarter due to traction in the leisure segment. Revenue per room (RevPAR) was up 29.3% QoQ to ₹ 3329/room. Domestic leisure destination led the recovery with destinations like Goa, Rajasthan reporting healthy occupancy in Q4FY21. Business destinations continue to stay affected with Mumbai, Delhi and Bengaluru reporting average occupancy of ~35-38%. Total operating expenditure declined 36.4% YoY to ₹ 543.7 crore. As a result, IHCL managed to report EBITDA of ₹ 71.3 crore (vs. I-direct estimate: EBITDA loss of ₹ 31.1 crore). Consolidated net loss came in at ₹ 91.3 crore (vs. net loss of ₹ 118.9 crore in Q3). The company signed 17 hotels in the current fiscal, adding over 2,200 rooms to its portfolio.

Cost optimisation drive to lead healthy recovery in margins...

After achieving ~75% target set in Aspire 2020, the focus has shifted to R.E.S.E.T 2020. Under this, IHCL is maximising the revenue potential through initiatives. Further, the company is focusing more on improving cost efficiency through various measures. Visible fixed cost per month reduced from ₹ 163 crore to ₹ 118 crore leading to average savings of ₹ 135 crore per quarter. The key levers are 1) decline in staff to room ratio from 1.53 in FY20 to 1.14 in FY21 through redeployment in new properties and multiskilling, 2) lease rental waivers of ₹ 49 crore, 3) savings of ₹ 67 crore through prudence in all other corporate expenditure. We believe these initiatives will bode well in the long term as business returns to normal.

Liquidity profile to gradually improve, going forward

The company raised ~₹ 1000 crore of long term debt in FY21 to maintain the liquidity. Gross debt is now at ₹ 3633 crore with net D/E ratio of 0.73x. Average cost of debt is at 6.5% (down 50 bps from March 2020). However, going forward, recovery in the international segment, deferral of capex, reduced opex provide us comfort on the liquidity front.

Valuation & Outlook

The second wave of pandemic has again started impacting domestic demand, which is likely to delay the further recovery till the time situation stabilise. On the other hand, the company is hopeful of demand recovery in US, UK in the next three to four months with the situation now gradually coming under control. Overall, we expect tourism to witness a sharp recovery in FY23E. Given IHCL's strong parentage and brand visibility along with meaningful cost optimisation measures, concerns with respect to liquidity are now being negated. Hence, we continue to maintain **BUY** rating with an unchanged target price of ₹ 150 (i.e. 22x FY23E EV/EBITDA).



Stock Data

Particular	Amount
Market Cap	₹ 13200 crore
Debt (FY21P)	₹ 3592 crore
Cash (FY21P)	₹ 152 crore
EV	₹ 16640 crore
52 week H/L	158/62
Equity capital	₹ 118.9 crore
Face value	₹ 1

Key Highlights

- Average occupancy in domestic market improved to 57.1% vs. 47.4% in Q3FY21. Average room rates were also up ₹ 237 QoQ to ₹ 8537/room
- Signed 17 hotels in the current fiscal, adding over 2,200 rooms to its portfolio
- Achieved 36% cost reduction during the quarter
- Maintain BUY with unchanged TP of ₹ 150 per share

Key Risks to our call

- Any further imposition of restriction on travel (domestic + International) could further delay recovery in tourist destinations
- Companies adopting work from home policy beyond FY22 could delay the recovery in business hotel segment

Research Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Key Financial Summary

	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	4,512	4,463	1,575	2,745	4,017	59.7%
EBITDA	830	968	(362)	364	937	LP
EBITDA (%)	18.4	21.7	(23.0)	13.3	23.3	
Net Profit	287	259	(720)	(201)	237	LP
EPS (₹)	2.4	2.7	(7.2)	(1.7)	2.0	
EV/EBITDA	18.7	16.3	(46.0)	46.3	17.9	
RoNW	6.5	7.3	(23.3)	(5.8)	6.4	
RoCE	7.4	7.0	(6.1)	0.5	6.6	
ROE	6.5	7.3	(23.3)	(5.8)	6.4	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Total Operating Income	615.0	542.1	1,063.0	-42.1	559.9	9.9	Average occupancy in domestic market improved to 57.1% vs. 47.4% in Q3FY21. Average room rates also recovered to ₹ 8537/room vs. ₹ 8,300/room during Q3 & ₹ 5424/room in Q2
Other Income	11.5	53.0	38.0	-69.9	54.7	-79.1	
Raw Material Expenses	56.9	54.2	83.7	-32.0	56.0	1.6	
Employee Expenses	208.0	245.0	368.5	-43.6	242.0	-14.1	
Other Expenses	278.9	274.0	402.9	-30.8	278.7	0.1	
EBITDA	71.3	-31.1	207.9	-65.7	-16.7	-526.0	Total operating expenditure declined 36.4% YoY to ₹ 543.7 crore. To contain the impact of slowdown leading to operating profits
EBITDA Margin (%)	11.6	-5.7	19.6	NA	-3.0	NA	
Interest	106.1	112.1	84.8	25.2	112.1	-5.3	
Depreciation	104.3	98.0	103.1	1.2	102.3	2.0	
PBT	-102.3	-188.1	98.2	PL	-148.4	PL	
Exceptional	-25.4	0.0	-40.1	-36.8	-28.0	-9.6	
Less: Tax	-12.4	-62.1	31.4	-139.6	-30.7	-59.6	
PAT	-91.3	-120.6	74.3	-222.8	-118.9	-23.2	

Source: Company, ICICI Direct Research

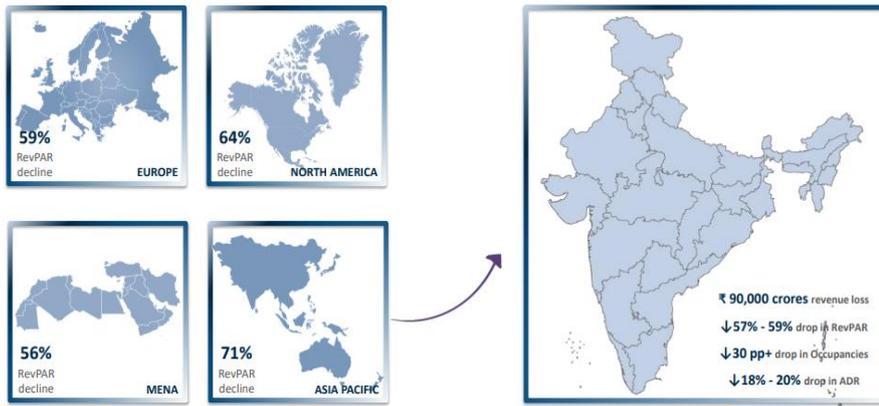
Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,824.2	2,744.8	-2.8	NA	4,016.8	NA	With beginning of the vaccination drive, we expect FY22 to be the year of major recovery in international market followed by strong domestic recovery from FY23E onwards.
EBITDA	428.9	364.5	-15.0	NA	936.6	NA	
EBITDA Margin (%)	15.2	13.3	-191 bps	NA	23.3	NA	
PAT	128.2	-148.1	NA	NA	306.4	NA	
EPS (₹)	1.1	-1.2	NA	NA	2.6	NA	

Source: Company, ICICI Direct Research

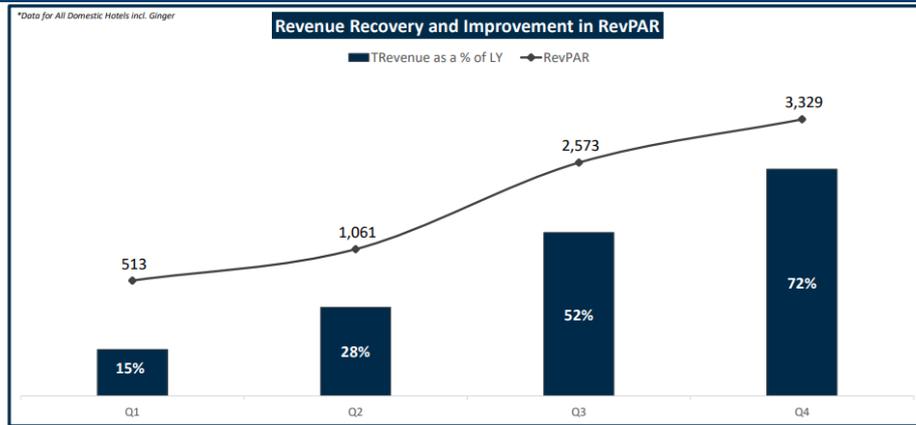
Financial story in charts

Exhibit 3: RevPAR trend across globe in FY21



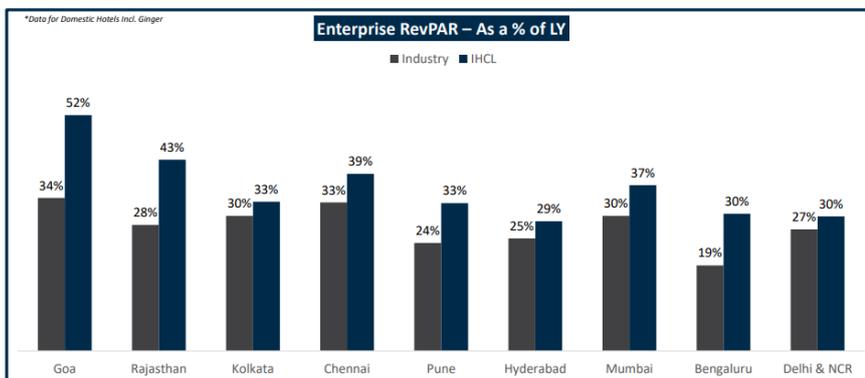
Source: Company, ICICI Direct Research

Exhibit 4: Domestic market trend



Source: Company, ICICI Direct Research

Exhibit 5: Company delivering well on cost front



Source for Industry RevPAR for FY 2020/21: Indian Hospitality The Stats & Pulse Report – Hotelivate ^{#Jaipur used as proxy for Rajasthan industry RevPAR}

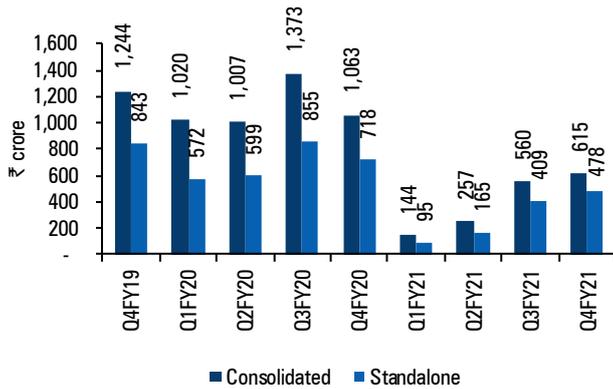
Source: Company, ICICI Direct Research

Exhibit 6: Improving ARR, occupancy trends across domestic segment

Particulars	Jan	Feb	Mar	Q4	Q3	Q2
Occupancy %	56.0	61.8	54.0	57.1	47.4	32.3
ARR in ₹	8,453	8,700	8,457	8,537	8,300	5,424
RevPAR in ₹	4,733	5,379	4,567	4,877	3,936	1,751
	(₹/ crores)					
Room Revenue	66	68	67	201	160	71
F & B Revenue	54	62	57	173	161	48
Other Revenue	31	36	37	104	113	96
Total Revenue	151	166	161	478	434	215

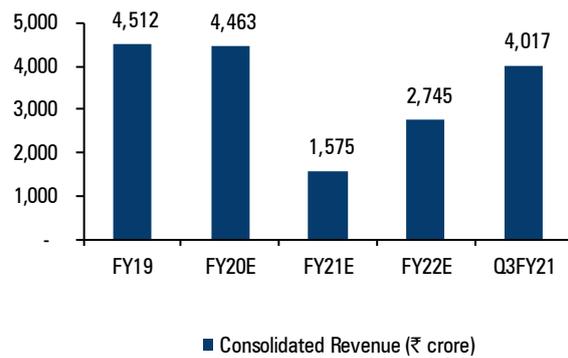
Source: Company, ICICI Direct Research

Exhibit 7: Domestic market sees good recovery in Q4FY21



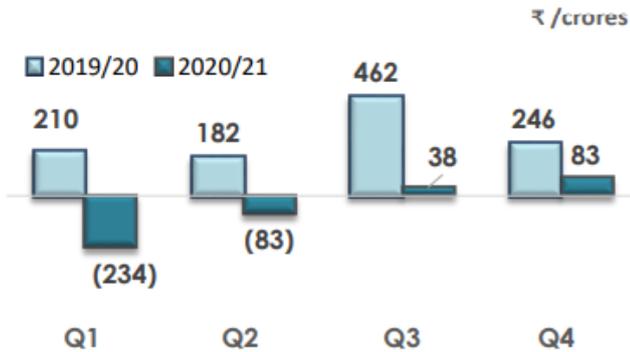
Source: Company, ICICI Direct Research

Exhibit 8: Sharp recovery expected from FY22E onwards



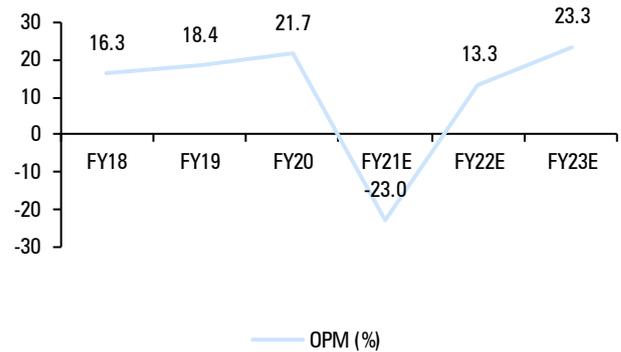
Source: Company, ICICI Direct Research

Exhibit 9: H2FY21 turns EBITDA positive mainly led by strong domestic recovery



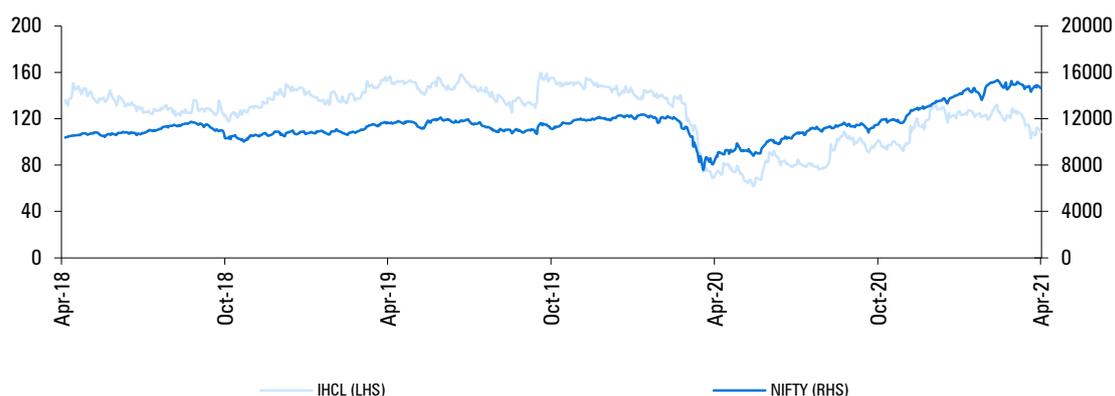
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA margins to cross 23% by FY23E



Source: Company, ICICI Direct Research

Exhibit 11: Three year price performance vs. Nifty



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 12: Top 10 shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Tata Sons Ltd	30-Jun-19	36.4	433.2	0.0
2	Reliance Capital Tru	31-Dec-19	7.6	90.7	7.7
3	Hdfc Asset Managemen	31-Dec-19	6.6	78.5	0.2
4	Franklin Resources	31-Dec-19	3.6	43.1	-1.2
5	Norges Bank	31-Dec-18	3.6	42.4	0.0
6	Icici Prudential Lif	30-Jun-19	2.8	33.3	15.9
7	Government Pension F	30-Jun-19	2.7	31.6	-10.8
8	Icici Prudential Ass	31-Dec-19	2.2	26.7	-0.1
9	Sbi Funds Management	31-Dec-19	2.2	25.5	-0.2
10	Life Insurance Corp	30-Jun-19	1.8	21.2	-22.3

Source: Company, Thomson Reuters, ICICI Direct Research

Exhibit 13: Shareholding Pattern

(in %)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	40.75	40.75	40.75	40.75	40.75
FII	11.61	11.31	10.50	12.51	12.27
DII	33.30	33.60	31.50	29.59	29.16
Others	14.34	14.34	17.25	17.15	17.82

Source: Company, Thomson Reuters, ICICI Direct Research

Financial summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating income	4,463.1	1,575.2	2,744.8	4,016.8
Growth (%)	-1.1	-64.7	74.3	46.3
Raw Material Expenses	370.6	143.8	233.3	317.3
Employee Expenses	1,494.6	894.0	911.9	1,276.6
Power & Fuel Exp	0.0	0.0	0.0	0.0
Other Exp	1,630.5	899.1	1,235.2	1,486.2
Total Operating Exp	3,495.6	1,936.9	2,380.4	3,080.2
EBITDA	967.5	-361.8	364.5	936.6
Growth (%)	16.6	-137.4	-200.7	157.0
Depreciation	404.2	409.6	423.4	430.3
Interest	341.1	402.8	403.4	396.6
Other Income	132.4	164.7	109.8	160.7
PBT	354.6	-1,009.5	-352.6	270.4
Others/Minority Int	-18.7	-336.9	15.1	34.3
Total Tax	44.8	-155.3	-116.3	48.7
Adjusted PAT	354.4	-815.1	-201.3	237.4
Growth (%)	23.6	-330.0	-75.3	-217.9
Adjusted EPS (₹)	3.0	-6.9	-1.7	2.0

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	354.4	-720.1	-201.3	237.4
Add: Depreciation	404.2	409.6	423.4	430.3
(Inc)/dec in Current Assets	-1.5	237.7	-194.7	-96.6
Inc/(dec) in CL and Provisions	-87.1	186.9	172.2	-132.1
CF from operating activit	670.0	114.1	199.6	439.0
(Inc)/dec in Investments	4.7	3.7	0.0	0.0
(Inc)/dec in Fixed Assets	-569.6	-787.9	-567.4	-412.3
Others	-61.8	-192.2	124.3	101.3
CF from investing activiti	-626.7	-976.3	-443.1	-311.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	377.1	688.5	250.0	-100.0
Dividend paid & dividend tax	-71.7	0.0	0.0	0.0
Inc/(Dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-248.3	10.0	0.0	0.0
CF from financing activiti	57.1	698.5	250.0	-100.0
Net Cash flow	100.4	-163.7	6.6	28.0
Opening Cash	215.0	315.5	151.7	158.3
Closing Cash	315.5	151.7	158.3	186.3

Source: Company, ICICI Direct Research

Exhibit 16: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	118.9	118.9	118.9	118.9
Reserve and Surplus	4,237.8	3,527.7	3,326.4	3,563.8
Total Shareholders funds	4,356.7	3,646.6	3,445.3	3,682.7
Total Debt	2,903.4	3,591.9	3,841.9	3,741.9
Deferred Tax Liability	110.4	78.1	68.1	58.1
Minority Interest / Others	2,625.5	2,561.7	2,573.0	2,584.3
Total Liabilities	9,995.9	9,878.3	9,928.3	10,066.9
Gross Block	9,559.6	10,426.6	10,860.9	11,352.0
Less: Acc Depreciation	4,288.9	4,698.6	5,089.5	5,497.5
Net Block	5,270.7	5,728.0	5,771.3	5,854.4
Capital WIP	244.1	165.0	265.7	164.6
Total Fixed Assets	5,514.7	5,893.0	6,037.0	6,019.0
Investments	1,426.6	1,483.2	1,428.2	1,428.2
Goodwill on consolidation	1,204.9	1,180.0	1,180.0	1,180.0
Right-of-use-asset				
Inventory	93.6	92.9	117.7	124.4
Debtors	290.0	219.8	263.2	363.2
Loans and Advances	410.3	314.1	399.6	403.8
Cash	315.5	151.7	158.3	186.3
Other current assets	599.0	528.4	569.5	555.2
Total Current Assets	1,708.4	1,307.0	1,508.3	1,632.9
Current liabilities	389.3	352.8	451.2	440.2
Provisions	0.0	0.0	0.0	0.0
Total Current Liabilities	389.3	352.8	451.2	440.2
Net Current Assets	1,319.1	954.2	1,057.0	1,192.7
Application of Funds	9,995.9	9,878.3	9,928.3	10,066.9

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	3.0	-6.1	-1.7	2.0
Cash EPS	6.4	-2.6	1.9	5.6
BV	36.6	30.7	29.0	31.0
DPS	0.5	0.0	0.0	0.0
Cash Per Share	6.4	-2.6	1.9	5.6
Operating Ratios (%)				
EBITDA Margin	21.7	-23.0	13.3	23.3
PBT / Total Operating income	8.9	-53.9	-12.8	6.7
PAT Margin	7.9	-45.7	-7.3	5.9
Inventory days	7.1	21.6	14.0	11.0
Debtor days	23.7	50.9	35.0	33.0
Creditor days	31.8	81.7	60.0	40.0
Return Ratios (%)				
RoE	8.1	-19.7	-5.8	6.4
RoCE	7.0	-9.8	-0.7	6.3
RoIC	6.0	-8.1	-0.6	5.2
Valuation Ratios (x)				
P/E	32.9	0.0	0.0	49.1
EV / EBITDA	14.7	-41.7	42.1	16.2
EV / Net Sales	3.2	9.6	5.6	3.8
Market Cap / Sales	2.6	7.4	4.2	2.9
Price to Book Value	2.7	3.2	3.4	3.2
Solvency Ratios				
Debt/EBITDA	3.0	-9.9	10.5	4.0
Debt / Equity	0.7	1.0	1.1	1.0
Current Ratio	1.2	0.8	0.8	1.0
Quick Ratio	1.0	0.7	0.7	0.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Rashesh Shah (CA) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavor to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.