

## Good times ahead...

**About the stock:** With room inventory of 19,425 rooms, Indian Hotels occupies a diversified position in the hotel industry through brands such as Taj, Vivanta, SeleQtions and Ginger brands.

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

### Company update:

- The company is witnessing strong traction in room demand in the leisure destinations. Revenue per occupied room (RevPAR) in some leisure destinations has already crossed pre-pandemic levels reflecting the encouraging trend along with the increase in average length of stay to five to seven days vs. two to four days earlier
- Corporate segment, which has remained a laggard so far due to work from home culture till Q1FY22, is also seeing good traction from Q2 onwards. International destinations such as US, UK and Dubai are bouncing back with demand reaching 55-60% of pre-Covid levels during Q2 vs. 39% in Q1FY22
- Daily domestic air traffic has now reached 76% of pre-Covid levels in October 2021 with the government allowing airlines to operate at 85% capacity vs. 72.5% earlier. Also, doors are now open for foreign tourists from November 2021 onwards to visit India. This would drive revenues of the premium segment hotel rooms sooner than expected earlier
- We expect healthy 62.9% revenue CAGR over FY21-23E. Expect business to recover to 93% of pre-Covid levels in FY23E with EBITDA surpassing pre-Covid levels in FY23; margins seen at over 24% in FY23E that has potential to further expand to 30%+. Improved cash flows, equity infusion and divestment of non-core assets to help manage debt at comfortable levels

**What should investors do?** The balance-sheet provides strong levers to growth while efficient operations would drive healthy margin expansion.

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

**Target Price and Valuation:** We value IHCL at ₹ 240 i.e. 31x FY23E EV/EBITDA

**Alternate Stock Idea:** Apart from Indian Hotels, in our hotel sector coverage, we also like Oriental Hotels.

- It is a premium segment key domestic hotel player. Like IHCL, its properties are strategically located in South India. It has a strong b/s
- BUY with a target price of ₹ 55/share



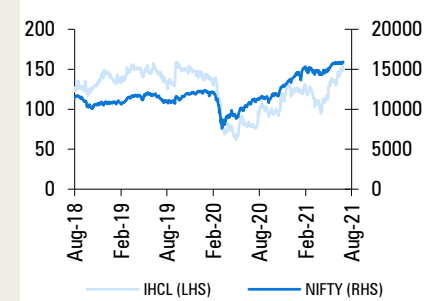
### Particulars

Particular	Amount
Market Cap	₹ 24593 crore
Debt (FY21)	₹ 3592 crore
Cash (FY21)	₹ 152 crore
EV	₹ 28033 crore
52 week H/L	158/62
Equity capital	₹ 118.9 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	40.75	40.75	40.75	40.75
FII	10.50	12.51	12.27	12.56
DII	31.50	29.59	29.16	27.99
Others	17.25	17.15	17.82	18.70

### Price Chart



### Key risks

- Any further stringent lockdown on likely third/fourth wave could hamper business
- Companies adopting work from home policy beyond FY22 could delay the recovery in business hotel segment

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### Key Financial Summary

	FY18	FY19	FY20	FY21	3 Year CAGR (%)	FY22E	FY23E	2 Year CAGR (%)
Net Sales	4,104	4,512	4,463	1,575	(27.3)	2,753	4,182	62.9
EBITDA	670	830	968	(362)	PL	517	1,028	LP
EBITDA (%)	16.3	18.4	21.7	(23.0)		18.8	24.6	
Net Profit	101	287	259	(720)	PL	(198)	335	LP
EPS (₹)	0.8	2.4	2.7	(7.2)		(1.8)	2.8	
EV/EBITDA	39.4	32.4	28.1	(77.5)		54.7	27.1	
RoNW	2.2	6.5	7.3	(23.3)		(6.3)	8.9	
RoCE	5.5	7.4	7.0	(6.1)		2.0	7.7	

## Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Total operating income</b>	<b>4,463.1</b>	<b>1,575.2</b>	<b>2,753.2</b>	<b>4,182.0</b>
Growth (%)	-1.1	-64.7	74.8	51.9
Raw Material Expenses	370.6	143.8	200.6	330.4
Employee Expenses	1,494.6	894.0	960.1	1,276.6
Power & Fuel Exp	0.0	0.0	0.0	0.0
Other Exp	1,630.5	899.1	1,075.7	1,547.3
Total Operating Exp	3,495.6	1,936.9	2,236.3	3,154.3
<b>EBITDA</b>	<b>967.5</b>	<b>-361.8</b>	<b>516.8</b>	<b>1,027.6</b>
Growth (%)	16.6	-137.4	-242.9	98.8
Depreciation	404.2	409.6	421.4	430.3
Interest	341.1	402.8	439.0	370.1
Other Income	132.4	164.7	108.1	167.3
<b>PBT</b>	<b>354.6</b>	<b>-1,009.5</b>	<b>-235.5</b>	<b>394.5</b>
Others/Minority Int	-18.7	-336.9	-51.3	38.6
Total Tax	44.8	-155.3	-12.0	71.0
<b>Adjusted PAT</b>	<b>354.4</b>	<b>-815.1</b>	<b>-197.7</b>	<b>334.9</b>
Growth (%)	23.6	-330.0	-75.7	-269.4
<b>Adjusted EPS (₹)</b>	<b>3.0</b>	<b>-6.9</b>	<b>-1.7</b>	<b>2.8</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	354.4	-720.1	-197.7	334.9
Add: Depreciation	404.2	409.6	421.4	430.3
(Inc)/dec in Current Assets	-1.5	237.7	-201.7	-20.4
Inc/(dec) in CL and Provisions	-87.1	186.9	177.7	-68.8
<b>CF from operating activit</b>	<b>670.0</b>	<b>114.1</b>	<b>199.8</b>	<b>676.0</b>
(Inc)/dec in Investments	4.7	3.7	0.0	0.0
(Inc)/dec in Fixed Assets	-569.6	-787.9	-565.4	-412.3
Others	-61.8	-192.2	124.3	176.3
<b>CF from investing activiti</b>	<b>-626.7</b>	<b>-976.3</b>	<b>-441.1</b>	<b>-236.0</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	377.1	688.5	300.0	-400.0
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
<b>CF from financing activiti</b>	<b>57.1</b>	<b>698.5</b>	<b>300.0</b>	<b>-400.0</b>
Net Cash flow	100.4	-163.7	58.7	40.0
Opening Cash	215.0	315.5	151.7	210.4
<b>Closing Cash</b>	<b>315.5</b>	<b>151.7</b>	<b>210.4</b>	<b>250.4</b>

Source: Company, ICICI Direct Research

Exhibit 3: 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	3,330.0	3,664.9
Total Shareholders funds	4,356.7	3,646.6	3,448.9	3,783.8
<b>Total Debt</b>	<b>2,903.4</b>	<b>3,591.9</b>	<b>3,891.9</b>	<b>3,491.9</b>
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
<b>Total Liabilities</b>	<b>9,995.9</b>	<b>9,878.3</b>	<b>9,981.9</b>	<b>9,918.0</b>
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
<b>Total Fixed Assets</b>	<b>5,514.7</b>	<b>5,893.0</b>	<b>6,037.0</b>	<b>6,019.0</b>
Investments	1,426.6	1,483.2	1,428.2	1,353.2
Goodwill on consolidation	1,204.9	1,180.0	1,180.0	1,180.0
Right-of-use-asset				
Inventory	93.6	92.9	118.3	133.7
Debtors	290.0	219.8	264.0	378.1
Loans and Advances	410.3	314.1	401.7	267.4
Cash	315.5	151.7	210.4	250.4
Other current assets	599.0	528.4	572.8	598.1
Total Current Assets	1,708.4	1,307.0	1,567.3	1,627.7
Current liabilities	389.3	352.8	452.6	458.3
Provisions	0.0	0.0	0.0	0.0
Total Current Liabilities	389.3	352.8	452.6	458.3
<b>Net Current Assets</b>	<b>1,319.1</b>	<b>954.2</b>	<b>1,114.8</b>	<b>1,169.4</b>
<b>Application of Funds</b>	<b>9,995.9</b>	<b>9,878.3</b>	<b>9,981.9</b>	<b>9,918.0</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	3.0	-6.1	-1.7	2.8
Cash EPS	6.4	-2.6	1.9	6.4
BV	36.6	30.7	29.0	31.8
DPS	0.5	0.0	0.0	0.0
Cash Per Share	6.4	-2.6	1.9	6.4
<b>Operating Ratios (%)</b>				
EBITDA Margin	21.7	-23.0	18.8	24.6
PBT / Total Operating income	8.9	-53.9	-7.8	9.4
PAT Margin	7.9	-45.7	-7.2	8.0
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
<b>Return Ratios (%)</b>				
RoE	8.1	-19.7	-5.7	8.9
RoCE	7.0	-9.8	1.2	7.5
RoIC	6.0	-8.1	1.0	6.3
<b>Valuation Ratios (x)</b>				
P/E	69.1	0.0	0.0	73.2
EV / EBITDA	28.0	-77.2	54.5	27.0
EV / Net Sales	6.1	17.7	10.2	6.6
Market Cap / Sales	5.5	15.6	8.9	5.9
Price to Book Value	5.6	6.7	7.1	6.5
<b>Solvency Ratios</b>				
Debt/EBITDA	3.0	-9.9	7.5	3.4
Debt / Equity	0.7	1.0	1.1	0.9
Current Ratio	1.2	0.8	0.9	0.9
Quick Ratio	1.0	0.7	0.7	0.8

Source: Company, ICICI Direct Research

Exhibit 5: ICICI Direct Coverage Universe (Hotels)

Sector/Company	CMP (₹)	Rating	M Cap (₹ Cr)	EPS			P/E (X)			EV/EBITDA			ROCE (%)			RoE (%)		
				FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Indian Hotel (INDHOT)	207	BUY	24500	-6.1	-1.7	2.8	NA	NA	73	NA	55	27	-9.8	1.2	7.5	-19.7	-5.7	8.9
EIH (EIH)	141	BUY	8817	-6.0	-0.8	3.3	-31	898	27	NA	NA	27	-9.9	-1.1	8.9	-9.9	-1.1	8.9
Lemon Tree Hotels	51	BUY	4426	-2.4	-1.2	-0.1	NM	NM	NM	97	38	23	-0.7	2.1	4.9	-21.4	-10.5	-1.2

Source: ICICIdirect.com Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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