

## Another strong 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.

**Q3FY23 Results:** IHCL reported strong growth in revenues in Q3.

- Revenue grew 51.7% YoY to ₹ 1685 crore. The same was up 22.8% vs. pre-Covid levels led by strong performance from the domestic segment
- EBITDA margin also expanded 441 bps from pre-Covid levels to 35.4% on a consolidated basis
- This led to a sharp rebound in net profit that was up 88% from pre-Covid levels to ₹ 382.7 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 ₹ 390 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 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 7.8% 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 seen at close to 33% in FY24E
- 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
- BUY with a target price of ₹ 240/share



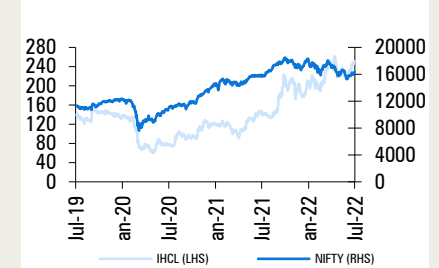
### Particulars

Particular	Amount
Market Cap	₹ 44885 crore
Debt (FY22)	₹ 1985 crore
Cash (FY22)	₹ 1188 crore
EV	₹ 45681 crore
52 week H/L	311/143
Equity capital	₹ 142 crore
Face value	₹ 1

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	38.19	38.19	38.19	38.19
FII	16.03	15.07	16.25	19.00
DII	28.64	29.69	29.32	26.55
Others	17.14	17.05	16.24	16.26

### Price Chart



### Key risks

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

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### Key Financial Summary

	FY20	FY21	FY22	FY23E	3 Year CAGR (%)	FY24E	FY25E	2 Year CAGR (%)
Net Sales	4,463	1,575	3,056	5,946	10.0	6,521	6,906	7.8
EBITDA	968	(362)	405	1,961	26.6	2,177	2,320	8.8
EBITDA (%)	21.7	(23.0)	13.2	33.0		33.4	33.6	
Net Profit	354	(720)	(248)	1,091	45.5	1,181	1,334	10.6
EPS (₹)	2.2	(6.0)	(1.8)	7.7		8.3	9.4	
EV/EBITDA	49.1	(133.7)	112.9	22.9		20.0	18.4	
RoNW	7.4	(23.3)	(3.7)	13.5		13.0	12.8	
RoCE	7.0	(6.2)	1.3	14.2		15.2	15.0	
ROE	7.4	(23.3)	(3.7)	13.5		13.0	12.8	

## Key performance highlights

- Average occupancies for the domestic segment were at 71% (vs. 70% during pre-Covid) while average room rates surged sharply by 27% from pre-Covid levels to ₹ 10,737/room nights
- Within domestic segments, leisure room portfolio reported ARR growth of 44% while ARR of business and economy segment grew 17% and 32%, respectively, from pre-Covid levels
- In terms of international segment, average occupancy recovered to 84% of pre-Covid levels to 60% while room rates were up 23% leading to RevPAR growth of 3% from pre-Covid levels. Region wise, Maldives and Dubai reported RevPAR growth of 26% and 35%, respectively, vs. pre-Covid while RevPAR of UK and US crossed pre-Covid level reporting growth of over 1%
- EBITDA margins expanded 441 bps from pre-Covid levels to 35.4%. The same was far higher than our estimated margin of 31.3% as healthy growth in room rates and controlled fixed cost led to such higher delta during the quarter
- The company signed four new hotels in Q3FY23. This will add another 349 rooms over the next two months in its total room portfolio. The company is planning to add 8,854 rooms with 67 hotels over the next five years of which over 6200 rooms will be added under management contract

### Industry data

- For 9MFY23, total industry room demand grew 5.4% while supply growth remained at 3.5%
- The daily domestic air passenger traffic crossed the 4 lakh mark (i.e. pre-Covid levels) in December 2022 while growth in foreign tourist arrivals remained a laggard with total expected arrival of 6 million vs. 11 million during the pre-Covid era. Nevertheless, the same is now likely to contribute strongly in the revenues of premium segment hotel rooms during CY23 aided by key events like ongoing G20 summit, cricket world-cup, etc

### Exhibit 1: Quarterly financial performance

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Q3FY20	As % of Pre-covid level
Total Operating Income	1,685.8	1,443.4	1,111.2	51.7	1,232.6	36.8	1,372.7	122.8
Other Income	57.7	28.9	22.7	154.2	25.0	131.2	36.2	
Raw Material Expenses	140.5	122.7	97.4	44.3	103.0	36.4	117.2	
Employee Expenses	424.4	371.0	312.6	35.8	376.4	12.8	390.3	
Other Expenses	523.7	469.1	379.5	38.0	459.3	14.0	439.5	
Total Expenditure	1,088.6	962.8	789.5	37.9	938.6	16.0	947.0	115.0
EBITDA	597.2	451.7	321.8	85.6	294.0	103.1	425.7	140.3
EBITDA Margin (%)	35.4	31.3	29.0	647.12	23.9	1157.6	31.0	441.3
Interest	56.7	60.0	124.9	-54.6	60.0	-5.5	84.9	
Depreciation	103.3	102.6	99.9	3.4	102.6	0.7	100.8	
PBT	495.0	318.0	109.4	PL	168.7	PL	275.0	
Exceptional	-0.1	0.0	10.2	-101.0	-12.3	-99.2	1.2	
Less: Tax	116.1	90.6	23.2	400.9	44.3	161.8	81.3	
PAT	382.7	223.3	76.0	403.6	121.6	214.8	203.1	188.4

Source: Company, ICICI Direct Research

## Financial story in charts

Exhibit 2: Q3FY23 remains best ever so far comparing with Q3 of last 10 years...

PARTICULARS (₹ CR)	Q3 22/23	Q3 21/22	Q3 20/21	Q3 19/20	Q3 18/19	Q3 17/18	Q3 16/17	Q3 15/16	Q3 14/15	Q3 13/14	Q3 12/13	Q3 11/12	Q3 10/11
REVENUE	1,744	1,134	615	1,409	1,338	1,217	1,146	1,185	1,235	1,169	1,074	1,027	838
EBITDA	655	344	38	462	350	300	280	274	266	247	223	225	194
EBITDA (%)	37.6%	30.4%	6.2%	32.8%	26.2%	24.7%	24.5%	23.1%	21.5%	21.1%	20.8%	21.9%	23.2%
PBT	495	109	(148)	275	259	169	146	92	130	116	106	103	52
PAT	383	76	(119)	203	162	108	93	13	62	60	50	49	19

Q3 PAT exceeds highest ever full year PAT

Source: Company, ICICI Direct Research

Exhibit 3: RevPAR at domestic levels up 28% vs. pre-Covid levels

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q3 2022	Q3 2019	%	Q3 2022	Q3 2019	%	Q3 2022	Q2 2019	%
Business	77%	73%	105%	9,777	8,354	117%	7,560	6,138	123%
Leisure	65%	66%	99%	16,818	11,659	144%	10,934	7,638	143%
Palaces	57%	61%	94%	46,522	38,041	122%	26,608	23,169	115%
Ginger	61%	66%	93%	3,186	2,411	132%	1,959	1,596	123%
<b>Total Domestic</b>	<b>71%</b>	<b>70%</b>	<b>101%</b>	<b>10,737</b>	<b>8,471</b>	<b>127%</b>	<b>7,588</b>	<b>5,917</b>	<b>128%</b>

Source: Company, ICICI Direct Research

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

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q3 2022	Q3 2019	Recovery%	Q3 2022	Q3 2019	Recovery%	Q3 2022	Q3 2019	Recovery%
Mumbai	84%	81%	104%	13,334	11,068	120%	11,151	8,936	125%
Delhi & NCR	76%	79%	95%	8,702	7,027	124%	6,578	5,568	118%
Bengaluru	66%	66%	101%	9,143	8,087	113%	6,061	5,333	114%
Goa	80%	83%	96%	21,730	14,553	149%	17,394	12,077	144%
Chennai	72%	67%	108%	7,557	6,085	124%	5,457	4,059	134%
Rajasthan	59%	63%	93%	27,193	22,038	123%	16,063	13,931	115%
Hyderabad	74%	70%	105%	8,285	6,915	120%	6,130	4,850	126%
Kolkata	75%	65%	116%	7,575	7,150	106%	5,706	4,630	123%
Kerala	70%	71%	99%	10,430	7,772	134%	7,287	5,484	133%
<b>Grand Total</b>	<b>71%</b>	<b>70%</b>	<b>101%</b>	<b>10,737</b>	<b>8,471</b>	<b>127%</b>	<b>7,588</b>	<b>5,917</b>	<b>128%</b>

Source: Company, ICICI Direct Research

Exhibit 5: RevPAR at international hotels reaches 103% of pre-Covid levels

International Hotels - LFL	Occ %			ARR in \$			RevPAR in \$		
	Q3 2022	Q3 2019	Recovery %	Q3 2022	Q3 2019	Recovery %	Q3 2022	Q3 2019	Recovery %
USA	67%	83%	80%	758	603	126%	505	499	101%
UK	71%	84%	85%	401	330	121%	286	277	103%
Maldives	71%	66%	107%	662	559	118%	467	370	126%
Dubai	86%	89%	96%	293	209	140%	251	186	135%
Cape Town	72%	81%	89%	151	164	92%	109	133	82%
Others	41%	56%	73%	81	99	82%	33	55	60%
<b>Total</b>	<b>60%</b>	<b>71%</b>	<b>84%</b>	<b>335</b>	<b>273</b>	<b>123%</b>	<b>200</b>	<b>194</b>	<b>103%</b>

Source: Company, ICICI Direct Research

Exhibit 6: Domestic segment stays strong...international segment now in recovery mode

PARTICULARS (₹ CR)	DOMESTIC			INTERNATIONAL		
	9M 22-23	9M 21-22	9M 19-20	9M 22-23	9M 21-22	9M 19-20
Total Revenue	3,313	1,802	2,583	981	455	912
Total Expenditure	2,129	1,506	1,873	787	433	767
EBITDA	1185	296	710	194	22	144
EBITDA Margin	35.8%	16.4%	27.5%	19.8%	4.8%	15.8%
Profit/ (Loss) before tax	835	(220)	265	60	(115)	32
Profit/ (Loss) After Tax	638	(208)	275	36	(113)	5

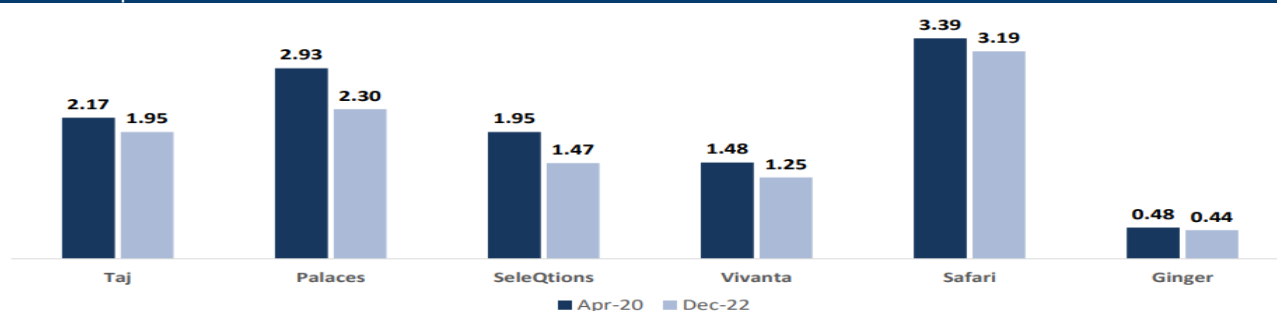
Source: Company, ICICI Direct Research

Exhibit 7: Chambers

Chambers	Q3 FY 23	Q3 FY 22	9M FY 23	9M FY 22
Initiation Fees	12	12	38	35
Renewal Fees	10	10	33	27
<b>Total Income</b>	<b>22</b>	<b>22</b>	<b>71</b>	<b>62</b>
<b>Total No. of Chambers members</b>	<b>2,550+</b>	<b>2,350+</b>	<b>2,550+</b>	<b>2,350+</b>

Source: Company, ICICI Direct Research

Exhibit 8: 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 9: Upcoming hotels in FY23

Hotel Name	Ownership	Inventory
Ginger Aurangabad, Jalgaon Road	Group Co	64
Ginger Noida, Sector 133	Group Co	114
Ginger Siruseri, OMR Chennai	Group Co	99
Ginger Coimbatore, Avinashi Road	Managed	72

Source: Company, ICICI Direct Research

Exhibit 10: Room pipeline as of December 2022

Brands	Dec 2022 to March 24	2024-25	2025-26	2026-27	2027-28	Pipeline Rooms	No. of Hotels
<b>Taj</b>	<b>765</b>	<b>438</b>	<b>1,181</b>	<b>0</b>	<b>389</b>	<b>2,773</b>	<b>14</b>
IHCL			220		73	293	2
Management Contracts	765	438	961		316	2,480	12
<b>SeleQtions</b>	<b>625</b>	<b>423</b>	<b>104</b>	<b>0</b>	<b>19</b>	<b>1,171</b>	<b>13</b>
IHCL						0	0
Management Contracts	625	423	104		19	1,171	13
<b>Vivanta</b>	<b>297</b>	<b>893</b>	<b>494</b>	<b>280</b>	<b>26</b>	<b>1,990</b>	<b>14</b>
IHCL			125			125	1
Management Contracts	297	893	369	280	26	1,865	13
<b>Ginger</b>	<b>1,133</b>	<b>729</b>	<b>573</b>	<b>325</b>	<b>160</b>	<b>2,920</b>	<b>26</b>
Owned/Leased	999*	404	573	255		2,231	21
Management Contracts	134	325		70	160	689	5
<b>Grand Total</b>	<b>2,820</b>	<b>2,483</b>	<b>2,352</b>	<b>605</b>	<b>594</b>	<b>8,854</b>	<b>67</b>

\* Includes Ginger, Santacruz which will be housed in IHCL.

The opening schedule is indicative and may change in the future.

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Total operating income</b>	<b>3,056.2</b>	<b>5,946.1</b>	<b>6,520.9</b>	<b>6,906.0</b>
Growth (%)	94.0	94.6	9.7	5.9
Raw Material Expenses	257.2	497.1	528.2	559.4
Employee Expenses	1,150.2	1,533.8	1,664.2	1,747.4
Other Exp	1,244.0	1,953.7	2,151.9	2,279.0
Total Operating Exp	2,651.5	3,984.7	4,344.3	4,585.8
<b>EBITDA</b>	<b>404.8</b>	<b>1,961.5</b>	<b>2,176.6</b>	<b>2,320.2</b>
Growth (%)	-211.9	384.6	11.0	6.6
Depreciation	406.1	416.5	430.4	454.1
Interest	427.7	235.8	247.7	163.7
Other Income	155.2	153.8	163.0	172.7
<b>PBT</b>	<b>-273.8</b>	<b>1,463.0</b>	<b>1,661.4</b>	<b>1,875.1</b>
Others/Minority Int	-75.4	120.4	155.1	155.1
Total Tax	-35.8	388.1	473.5	534.4
<b>Adjusted PAT</b>	<b>-247.7</b>	<b>996.2</b>	<b>1,181.4</b>	<b>1,334.2</b>
Growth (%)	-65.6	-502.1	18.6	12.9
<b>Adjusted EPS (₹)</b>	<b>-1.7</b>	<b>7.7</b>	<b>8.3</b>	<b>9.4</b>

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	-247.7	1,091.2	1,181.4	1,334.2
Add: Depreciation	406.1	416.5	430.4	454.1
(Inc)/dec in Current Assets	-19.7	-726.7	390.6	-516.3
Inc/(dec) in CL and Provisions	-170.8	265.9	4.7	104.7
<b>CF from operating activit</b>	<b>-32.2</b>	<b>1,046.9</b>	<b>2,007.1</b>	<b>1,376.7</b>
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-432.2	-500.0	-550.0	-550.0
Others	-514.6	259.3	101.3	101.3
<b>CF from investing activiti</b>	<b>-946.8</b>	<b>-240.7</b>	<b>-448.7</b>	<b>-448.7</b>
Issue/(Buy back) of Equity	23.1	0.0	0.0	0.0
Inc/(dec) in loan funds	-1,648.1	-600.0	-500.0	-300.0
Dividend paid & dividend tax	-68.5	-102.8	-137.0	0.0
Inc/(Dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	3,707.0	0.0	0.0	0.0
<b>CF from financing activiti</b>	<b>2,013.5</b>	<b>-702.8</b>	<b>-637.0</b>	<b>-300.0</b>
Net Cash flow	1,034.5	103.4	921.4	628.0
Opening Cash	153.6	1,188.1	1,291.5	2,212.9
<b>Closing Cash</b>	<b>1,188.1</b>	<b>1,291.5</b>	<b>2,212.9</b>	<b>2,840.9</b>

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	142.0	142.0	142.0	142.0
Reserve and Surplus	6,920.2	7,908.6	8,953.0	10,287.1
Total Shareholders funds	7,062.3	8,050.6	9,095.0	10,429.2
<b>Total Debt</b>	<b>1,984.8</b>	<b>1,384.8</b>	<b>884.8</b>	<b>584.8</b>
Deferred Tax Liability	87.6	77.6	67.6	57.6
Minority Interest / Others	2,453.4	2,464.7	2,476.0	2,487.3
<b>Total Liabilities</b>	<b>11,588.0</b>	<b>11,977.7</b>	<b>12,523.4</b>	<b>13,558.8</b>
Gross Block	10,830.5	11,359.2	11,909.2	12,459.2
Less: Acc Depreciation	5,104.6	5,521.1	5,951.5	6,405.6
Net Block	5,725.9	5,838.1	5,957.7	6,053.6
Capital WIP	193.3	164.6	164.6	164.6
<b>Total Fixed Assets</b>	<b>5,919.2</b>	<b>6,002.7</b>	<b>6,122.3</b>	<b>6,218.2</b>
Investments	2,132.2	2,132.2	2,132.2	2,132.2
Goodwill on consolidation	1,176.0	1,176.0	1,176.0	1,176.0
Right-of-use-asset				
Inventory	100.8	192.4	129.2	211.4
Debtors	255.3	423.6	393.0	416.3
Loans and Advances	6.3	88.8	15.5	95.0
Cash	1,188.1	1,291.5	2,212.9	2,840.9
Other current assets	640.3	1,024.7	801.2	1,132.5
Total Current Assets	2,190.8	3,021.0	3,551.8	4,696.0
Current liabilities	387.3	570.2	553.8	586.5
Provisions	0.0	0.0	0.0	0.0
Total Current Liabilities	387.3	570.2	553.8	586.5
<b>Net Current Assets</b>	<b>1,803.5</b>	<b>2,450.8</b>	<b>2,997.9</b>	<b>4,109.5</b>
<b>Application of Funds</b>	<b>11,588.0</b>	<b>11,977.7</b>	<b>12,523.4</b>	<b>13,558.8</b>

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	-1.7	7.7	8.3	9.4
Cash EPS	1.1	10.6	11.3	12.6
BV	49.7	56.7	64.0	73.4
DPS	0.4	0.0	0.0	0.0
Cash Per Share	1.1	10.6	11.3	12.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	13.2	33.0	33.4	33.6
PBT / Total Operating income	-8.4	24.7	25.5	27.2
PAT Margin	-8.1	18.4	18.1	19.3
Inventory days	11.6	9.0	9.0	9.0
Debtor days	30.5	26.0	22.0	22.0
Creditor days	46.3	35.0	31.0	31.0
<b>Return Ratios (%)</b>				
RoE	-3.5	13.55	13.0	12.8
RoCE	0.0	15.39	16.5	16.0
RolC	0.0	14.68	17.2	17.7
<b>Valuation Ratios (x)</b>				
P/E	0.0	42.4	39.2	34.7
EV / EBITDA	116.4	23.7	20.7	19.0
EV / Net Sales	15.4	7.8	6.9	6.4
Market Cap / Sales	15.2	7.8	7.1	6.7
Price to Book Value	6.6	5.8	5.1	4.4
<b>Solvency Ratios</b>				
Debt/EBITDA	4.9	0.7	0.4	0.3
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	1.5	1.7	2.0	2.5
Quick Ratio	0.7	1.0	0.8	1.0

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours 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%



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## ANALYST CERTIFICATION

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