

Indian Hotel

BSE SENSEX

75,418

S&P CNX

22,968

IHCL

Stock Info

Bloomberg	IH IN
Equity Shares (m)	1423
M.Cap.(INRb)/(USD\$)	807.9 / 9.7
52-Week Range (INR)	623 / 368
1, 6, 12 Rel. Per (%)	-9/19/28
12M Avg Val (INR M)	1639
Free float (%)	61.9

Financials Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	67.7	79.4	87.5
EBITDA	21.6	27.2	31.5
Adj. PAT	12.6	15.9	18.9
EBITDA Margin (%)	31.9	34.2	36.0
Cons. Adj. EPS (INR)	8.9	11.2	13.3
EPS Gr. (%)	25.9	26.0	19.2
BV/Sh. (INR)	66.6	76.9	89.5

Ratios

Net D:E	(0.2)	(0.3)	(0.4)
RoE (%)	14.4	15.6	16.0
RoCE (%)	13.6	15.4	15.7
Payout (%)	9.0	7.2	6.0

Valuations

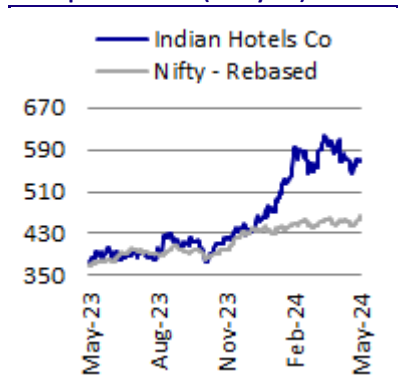
P/E (x)	64.0	50.8	42.6
EV/EBITDA (x)	36.7	28.7	24.2
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	1.3	1.5	2.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	38.1	38.1	38.2
DII	20.8	22.3	27.6
FII	24.5	23.3	18.2
Others	16.6	16.3	16.0

FII Includes depository receipts

Stock performance (one-year)


CMP: INR568
TP: INR680 (+20%)
Buy

TajSATS : The 'Taj' of IH's new and reimagined businesses

TajSATS – a joint venture (JV) between IH and SATS Ltd. – is one of the fastest-growing business segments of Indian Hotels (IH). It contributed ~57% to IH's new and reimagined business revenue as of FY24. We have highlighted how it is successfully pioneering the air-catering market in India while diversifying into the QSR supply chain/corporate catering business.

- TajSATS witnessed a revenue/EBITDA growth of ~40%/82% YoY in FY24, led by scaling up of business with Air India and Vistara, higher air passenger traffic, improved utilization, and a better product mix.
- Currently, the Indian aviation sector is at an inflection point, with the number of airports expected to reach ~230-240 by CY30 from ~148 in CY23. Airplanes (outstanding order of ~1,620 planes) and air passengers (to reach ~420m by CY30E from ~152m in CY23) are likely to spurt over the next few years.
- In order to tap into the rising air-catering market (~13% CAGR over CY24-CY29E), TajSATS is expanding its footprints and is expected to launch new kitchens in Gurgaon and southern markets.
- The improved kitchen network, coupled with healthy growth from international airlines (fueled by the re-entry of international airlines post-Covid) and the expansion plan of Air India, will lead to healthy revenue growth for TajSATS' airline catering business going forward.
- Further, the non-airline segment of TajSATS (catering to corporates and QSR) is expected to grow at a faster rate, led by higher demand and the addition of clients within the segment.
- We expect TajSATS to clock a 25%/27%/30% revenue/EBITDA/PAT CAGR over FY24-26.

Improved frequency from international airlines and Air India's expansion to drive growth

- In FY24, TajSATS' revenue/EBITDA grew 40%/82% YoY to INR9.0b/INR2.3b. The incremental business from Air India (post-acquisition by Tata Group) and Vistara (on an expansion spree) coupled with higher air passenger traffic (up 14% YoY to ~154m passengers in FY24) have helped TajSATS scale up its business.
- Further, the growing air-catering market, improved utilization (utilizing the existing capacity to serve its non-air catering business), and a better mix (premiumization of meals) have aided the growth trajectory of TajSATS.
- Going forward, management expects TajSATS' air-catering segment to witness healthy growth led by growth from international airlines (fueled by the post-Covid re-entry of Qantas, American Airlines, and Lot Polish, et al.) and strong domestic growth from Air India's expansion plan.
- Apart from this, TajSATS is also expanding its footprint with a new facility in Gurgaon and exploring micro kitchens (these are relatively smaller, lower-investment facilities that are ideal for testing new markets) in South India, especially in Bangalore and Chennai.

Non-aviation catering business to diversify revenue stream; aid growth

- Currently, around 15% of TajSATS' revenue is coming from its non-air catering business. This includes various brands such as ANUKA (a multi-cuisine restaurant in Qmin App), ANUKA Comfort (high volume catering for events and large corporates) and ASA/ISHRI (confectionery brands of exclusive artisanal products and Indian sweets).
- Some of the large corporate clients of TajSATS include Citibank, Deloitte, Westside, Cipla, Cognizant, Barclays, etc.
- TajSATS also serves various Quick Service Restaurants (QSR), including the top names such as Starbucks, Pret a Manger, and Chaayos. Currently, it serves over 10,000 food products daily at over 100 outlets.
- Apart from these, TajSATS provides other services such as storage services (offering facilities for storage of equipment, perishables, and other key items for international airlines) and laundry services, which currently form a very minor part of the business.
- Going forward, the non-air catering business is expected to grow faster than the air-catering business and form ~20% of the total revenue generated by TajSATS (up from the current levels of ~15%).

Rising civil aviation sector and adoption of in-flight catering by low-cost carriers to drive air-catering industry growth

- The domestic air-catering market is estimated to have a market size of ~USD184m in CY24, and the same is expected to reach USD341m by CY29, clocking ~13.2% CAGR over the period (Source: Mordor Intelligence).
- The rising emphasis on customer-centric food menus is currently driving the market, as most airlines are focusing on adding new items to their menus and providing better quality food to passengers by keeping their preferences in mind.
- Further, the Indian civil aviation sector is currently at an inflection point. The Ministry of Civil Aviation expects India to have 230-240 airports by CY30 (up from ~148 airports as of CY23). Further, the Indian airline companies currently have an order book of close to 1,620 aircraft, which is expected to reach ~2,000 by Mar'25, with over 150 aircraft expected to arrive in CY24.
- All these will lead to a significant surge in air passenger traffic, which is expected to reach ~420m by CY30 (from ~152m in CY23). Accordingly, the in-flight catering market in India will be a key beneficiary of this mega change.
- Further, apart from the improving macros, the adoption of air catering by Low Cost Carriers (LCC) will be a key growth driver for the industry, as majority of LCC are expected to show remarkable growth over CY24-CY29.

Valuation and view

- Going forward, IH is likely to sustain double-digit consolidated revenue growth in FY25, with its new and reimagined business likely to grow at a much higher pace. TajSATS being an integral part of its new and reimagined business portfolio is likely to aid the growth momentum on the back of strong industry tailwinds.
- We expect the strong momentum for IH to continue in FY25, led by: 1) an increase in ARR due to healthy demand, asset management strategy (upgrades in hotels), and corporate rate hikes; 2) sustaining higher occupancy levels led by favorable demand-supply dynamics; 3) a strong room addition pipeline until FY28 in both owned/leased (2,779 rooms) and management hotels (10,174); 4) higher income from management contracts; and 5) value unlocking by scaling up reimagined and new brands.
- We reiterate our BUY rating with an SoTP-based TP of INR680.

Exhibit 1: Valuation methodology

Particulars	Methodology	Metrics	FY26E	Multiple (x)	Value (INRm)	Value/ share (INR)
IHCL- ex JV/ Associate						
EV	EV/EBITDA (x)	EBITDA	31,533	27	8,51,399	599
Less: Net Debt					48,200	34
Less: Minority Interest					-6,721	(5)
Sub Total					8,92,879	629
JV/Associate						
Taj GVK (IHCL's share - 25.5%) - JV	20% discount to Mcap	Attributable Mcap	5,969	80%	4,775	3
Oriental Hotel (IHCL's share - 35.7%) - Associate	20% discount to Mcap	Attributable Mcap	8,541	80%	6,833	5
TajSATS	P/E	PAT (51% holding)	1,348	45	60,682	43
Sub Total					72,290	51
Target Price					9,65,168	680

Source: MOFSL

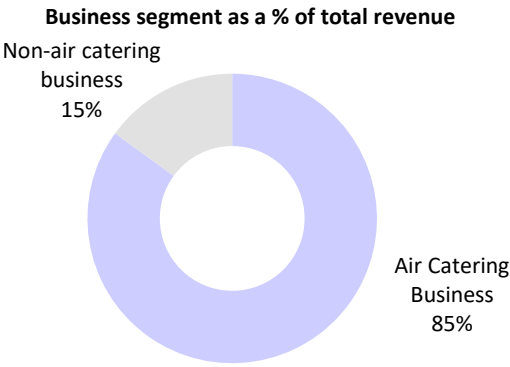
TajSATS

- TajSATS is a JV between IH and SATS Ltd (a food solution enterprise), which has been at the forefront on the Indian air-catering industry over the last couple of decades.
- Around 85% of the TajSATS revenue is generated from air catering business while rest 15% comes for non-air catering business.
- TajSATS has seven kitchens with capacity of serving ~1,85,000 meals per day. These kitchens cater to the air catering as well as non-air catering businesses of the company.

Exhibit 2: TajSATS has a serving capacity of ~1,85,000 meals per day across seven locations

Source: Company, MOFSL

Exhibit 3: Non-air catering business accounts for ~15% of TajSATS’ revenue in FY24.



Source: Company, MOFSL

Air-catering business

- TajSATS serves over 40 domestic and international airlines, including Vistara, Air India, IndiGo, Spice Jet, Singapore Airlines, etc. Currently, it is an exclusive air-caterer for Vistara and Akasa Air.
- TajSATS currently caters to over 370,000 flights in a year with ~54m+ meals served throughout the year.
- TajSATS provides a comprehensive suite of in-flight catering services including:
 1. Meal preparation: designing menus, preparing and cooking meals specific to the airline requirements.
 2. Specialized services: catering to dietary restrictions, Jain meals, etc.
 3. Ground handling: storage of airline equipment, perishables and non-perishables, and customs liaison for import/export of the airline stock.
 4. Laundry services: collection, laundering, packing, and dispatch of linen used onboard. It even manages staff uniform services for airlines.

Exhibit 4: Key air-catering clientele of TajSATS



Source: Company, MOFSL

Exhibit 5: Air-catering market in India to clock ~13% CAGR over the next five years

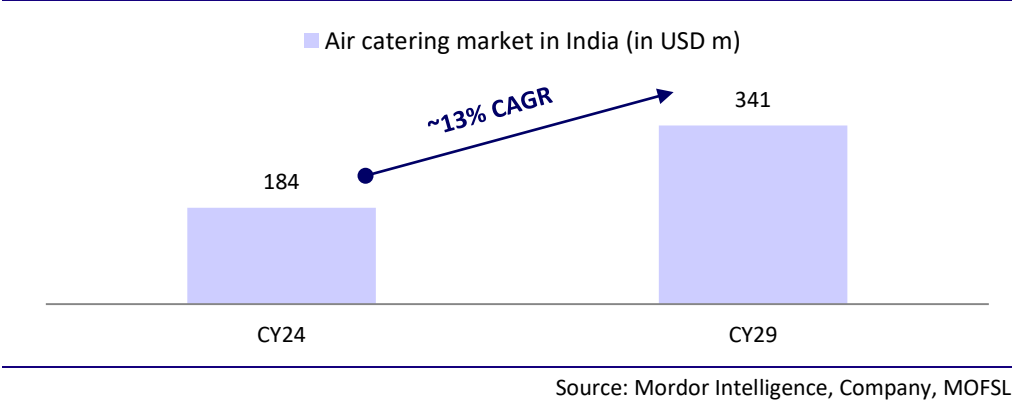


Exhibit 6: Increasing no. of airports in India

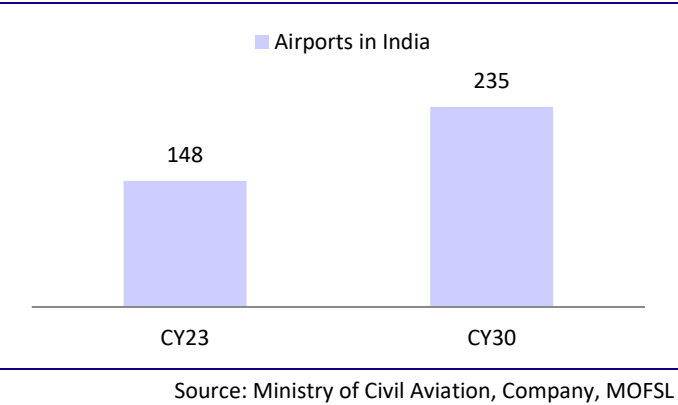
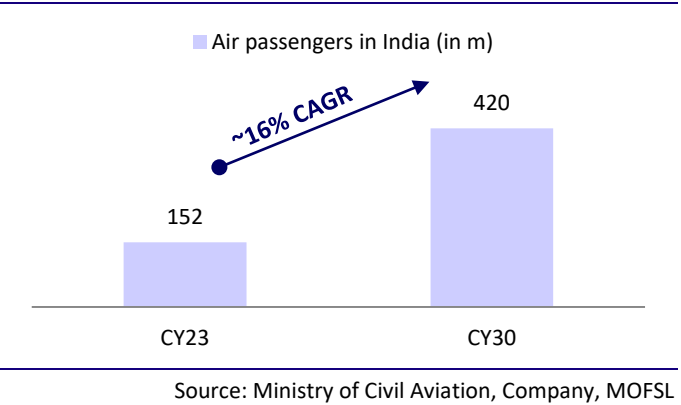


Exhibit 7: Air passenger trend in India



Non-air catering business

- TajSATS has been expanding its footprint into non-air catering through its brand ANUKA, which caters to a diverse clientele including corporate offices (Citibank, Ikea) and retail chains (Tata Starbucks).
- TajSATS offers flexible catering solutions depending on the client's infrastructure:
 1. Full-service catering: delivering completely prepared meals to locations without on-site kitchens.
 2. Hub-and-spoke model: preparing and pre-cooking meals in a central kitchen with final touches done at the client's finishing kitchen.
- TajSATS caters to some of the marquee corporates, such as Citibank, Deloitte, and Barclays. It has also partnered with F&B chains, such as Tata Starbucks and Pret a Manger.

Exhibit 8: Key non-air catering clientele of TajSATS

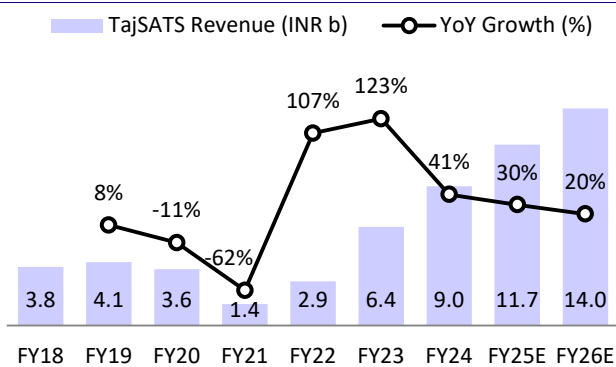


Source: Company, MOFSL

Expect TajSATS to clock 25%/27%/30% revenue/EBITDA/ PAT CAGR over FY24-26

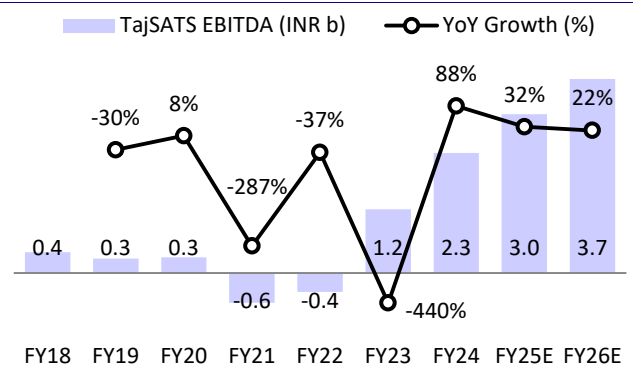
- Overall, the improved kitchen network, coupled with healthy growth from international airlines (fueled by the re-entry of international airlines post-Covid) and the expansion plan of Air India, will lead to healthy revenue growth for TajSATS' airline catering business going forward.
- Further, the non-airline segment of TajSATS (catering to corporates and QSR) is expected to grow at a faster rate, led by higher demand and the addition of clients within the segment.
- Hence, we expect TajSATS to clock a 25%/27%/30% revenue/EBITDA/PAT CAGR over FY24-26.

Exhibit 9: TajSATS – revenue trend



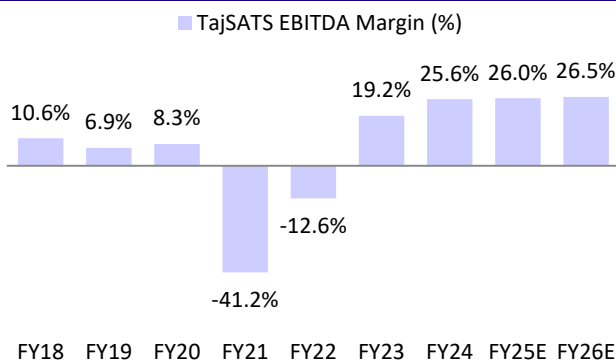
Source: Company, MOFSL

Exhibit 10: EBITDA trend



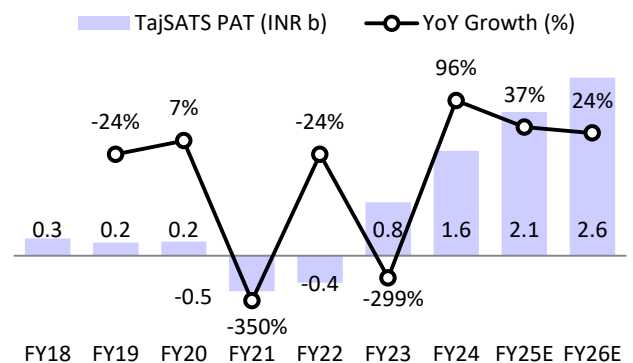
Source: Company, MOFSL

Exhibit 11: EBITDA margin trend



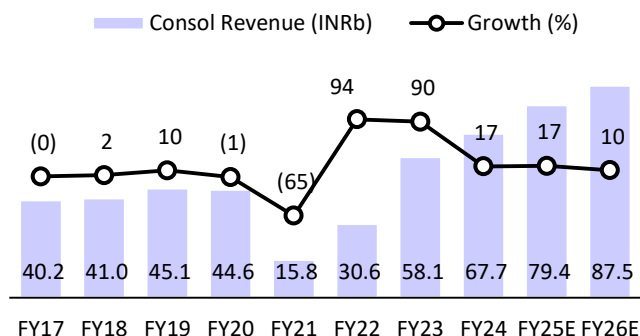
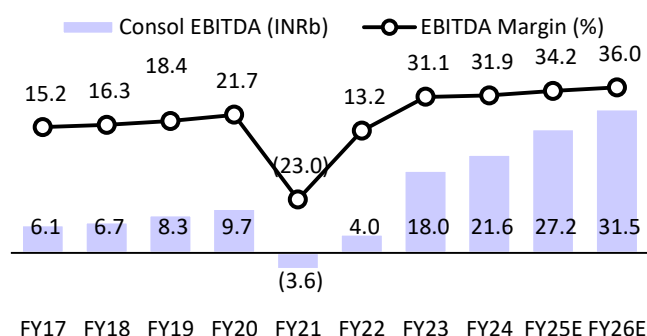
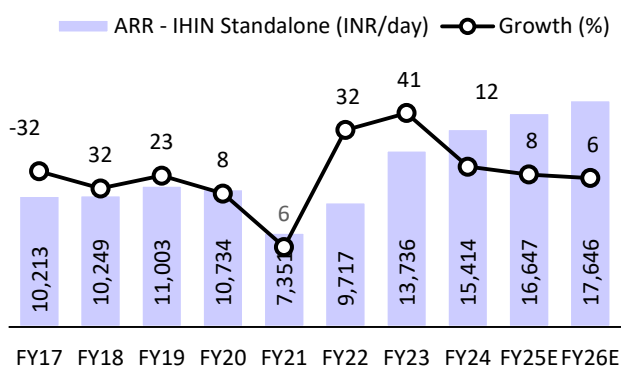
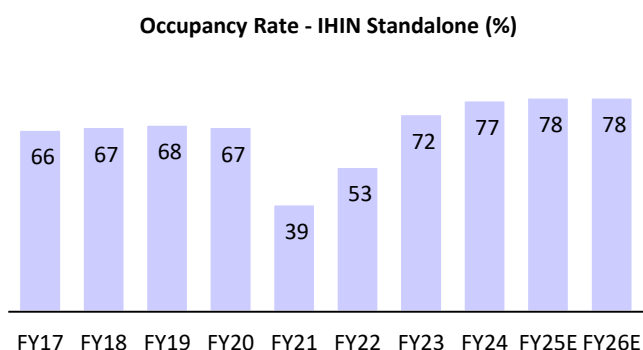
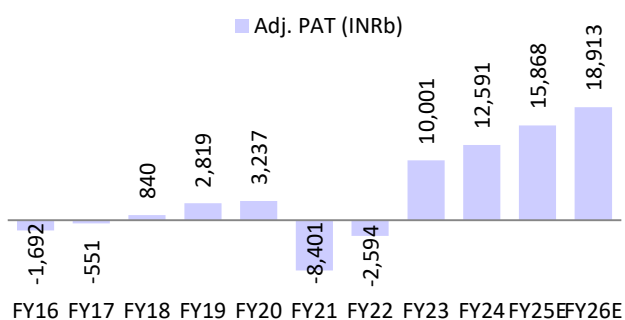
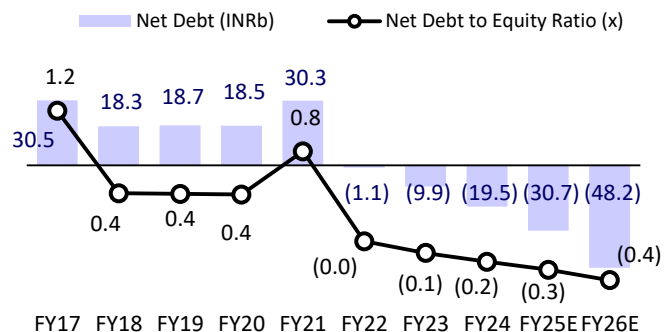
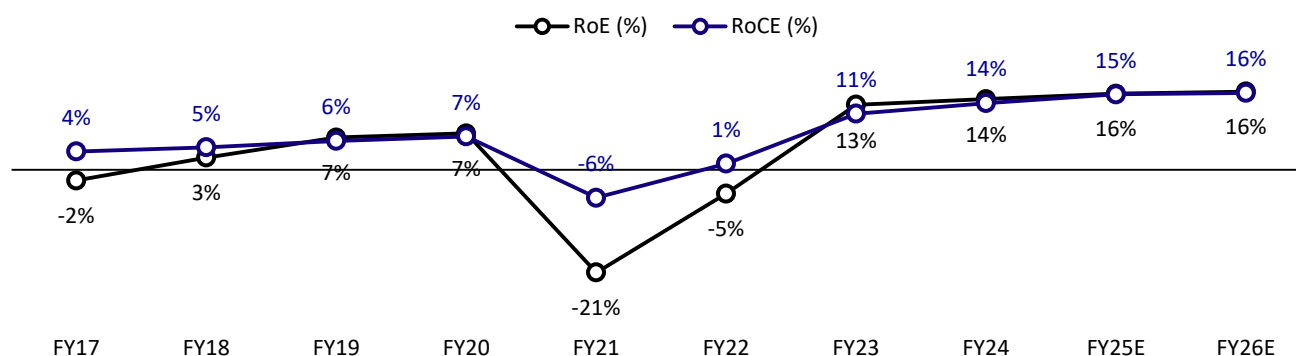
Source: Company, MOFSL

Exhibit 12: Net profit trend



Source: Company, MOFSL

Story in Charts

Exhibit 13: Consolidated revenue trend

Exhibit 14: Consolidated EBITDA trend

Exhibit 15: Standalone ARR trend

Exhibit 16: Standalone occupancy trend

Exhibit 17: Consolidated adjusted PAT trend

Exhibit 18: Trend in net debt-to-equity ratio

Exhibit 19: Consolidated RoE and RoCE trends


Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								(INRm)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	41,036	45,120	44,631	15,752	30,562	58,099	67,688	79,428	87,496
Change (%)	2.1	10.0	-1.1	-64.7	94.0	90.1	16.5	17.3	10.2
Food and beverages consumed	3,764	4,041	3,706	1,438	2,572	4,729	5,208	6,195	6,737
Employees Cost	13,466	14,708	14,946	8,940	11,502	15,823	18,052	20,224	22,264
Power & Fuel Cost	2,591	2,736	2,699	1,729	2,250	3,486	3,926	4,607	4,987
Licence Fees	2,544	2,758	1,459	756	1,681	3,486	3,858	4,210	4,550
Other Expenses	11,967	12,580	12,147	6,506	8,509	12,530	15,072	17,002	17,424
Total Expenditure	34,332	36,823	34,956	19,369	26,515	40,054	46,116	52,238	55,962
% of Sales	83.7	81.6	78.3	123.0	86.8	68.9	68.1	65.8	64.0
EBITDA	6,704	8,297	9,675	-3,618	4,048	18,046	21,571	27,190	31,533
Margin (%)	16.3	18.4	21.7	-23.0	13.2	31.1	31.9	34.2	36.0
Depreciation	3,012	3,279	4,042	4,096	4,061	4,161	4,543	4,955	5,177
EBIT	3,692	5,019	5,633	-7,714	-13	13,885	17,028	22,235	26,357
Int. and Finance Charges	2,690	1,901	3,411	4,028	4,277	2,361	2,202	2,256	2,256
Other Income	617	834	1,324	1,647	1,552	1,389	1,829	1,827	2,012
PBT bef. EO Exp.	1,618	3,951	3,546	-10,095	-2,738	12,914	16,655	21,807	26,114
EO Items	225	66	410	1,600	156	33	0	0	0
PBT after EO Exp.	1,843	4,017	3,955	-8,495	-2,582	12,946	16,655	21,807	26,114
Total Tax	1,211	1,571	448	-1,553	-358	3,232	4,639	6,542	7,834
Tax Rate (%)	65.7	39.1	11.3	18.3	13.9	25.0	27.9	30.0	30.0
Minority Interest	-376	-422	-37	259	253	-312	-575	-604	-634
Reported PAT	1,009	2,868	3,544	-7,201	-2,477	10,026	12,591	15,868	18,913
Adjusted PAT	840	2,819	3,237	-8,401	-2,594	10,001	12,591	15,868	18,913
Change (%)	NA	235.4	14.8	-359.5	-69.1	-485.5	25.9	26.0	19.2
Margin (%)	2.0	6.2	7.3	-53.3	-8.5	17.2	18.6	20.0	21.6

Consolidated - Balance Sheet								(INRm)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,189	1,189	1,189	1,189	1,420	1,420	1,423	1,423	1,423
Eq. Share Warrants & App. Money	0	0	0	0	0	0	0	0	0
Preference Capital	0	0	0	0	0	0	0	0	0
Total Reserves	40,622	42,291	42,379	35,295	69,202	78,399	93,143	1,07,875	1,25,652
Net Worth	41,811	43,480	43,568	36,484	70,623	79,820	94,567	1,09,298	1,27,075
Minority Interest	7,774	7,999	7,649	6,346	5,930	6,601	6,721	6,721	6,721
Total Loans	24,270	23,260	26,020	36,328	19,848	8,183	2,605	2,605	2,605
Lease Liability	0	0	18,987	18,464	18,604	22,760	24,247	24,247	24,247
Deferred Tax Liabilities	3,563	3,768	1,869	781	876	1,567	1,437	1,437	1,437
Capital Employed	77,418	78,506	98,093	98,403	1,15,880	1,18,930	1,29,576	1,44,308	1,62,085
Gross Block	63,356	69,051	73,316	81,772	85,655	89,962	98,598	1,03,696	1,09,416
Less: Accum. Deprn.	7,385	10,663	14,706	18,802	22,863	27,023	31,566	36,521	41,698
Net Fixed Assets	55,971	58,388	58,610	62,970	62,792	62,939	67,032	67,175	67,718
Goodwill on Consolidation	5,655	5,835	6,146	6,110	6,229	6,536	6,623	6,623	6,623
Right-of-Use assets			15,833	15,297	15,134	18,789	19,703	19,703	19,703
Capital WIP	1,970	1,162	2,441	1,650	1,933	3,242	2,310	3,712	3,492
Total Investments	15,965	13,351	14,266	14,832	19,668	18,910	22,611	22,611	22,611
Current Investment	3,305	2,112	4,362	4,486	9,025	7,573	7,242	7,242	7,242
Curr. Assets, Loans&Adv.	14,184	17,102	17,887	14,269	25,139	26,271	30,279	47,825	67,472
Inventory	857	804	936	929	1,008	1,092	1,164	1,574	1,687
Account Receivables	3,286	3,214	2,900	2,198	2,553	4,465	4,765	5,876	6,472
Cash and Bank Balance	2,703	2,409	3,156	1,536	11,878	10,534	14,855	26,078	43,564
Loans and Advances	7,338	10,675	10,895	9,605	9,700	10,180	9,495	14,297	15,749
Curr. Liability & Prov.	16,328	17,331	17,090	16,724	15,016	17,757	18,983	23,342	25,535
Account Payables	3,513	3,253	3,893	3,178	3,873	4,766	5,194	5,868	6,286
Other Current Liabilities	10,349	11,579	10,441	10,921	8,233	9,732	10,389	13,503	14,874
Provisions	2,465	2,500	2,756	2,625	2,909	3,259	3,400	3,971	4,375
Net Current Assets	-2,143	-229	798	-2,456	10,123	8,514	11,296	24,483	41,936
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	77,418	78,507	98,093	98,403	1,15,880	1,18,930	1,29,576	1,44,308	1,62,085

Financials and valuations

Ratios									
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)									
EPS	0.6	2.0	2.3	-5.9	-1.8	7.0	8.9	11.2	13.3
Cash EPS	2.7	4.3	5.1	-3.0	1.0	10.0	12.1	14.7	17.0
BV/Share	29.4	30.6	30.7	25.7	49.7	56.2	66.6	76.9	89.5
DPS	0.2	0.4	0.4	0.4	0.4	0.6	0.8	0.8	0.8
Payout (%)	41.9	25.3	20.5	-9.6	-28.0	8.5	9.0	7.2	6.0
Valuation (x)									
P/E	961.8	286.7	249.7	-96.2	-311.5	80.8	64.2	50.9	42.7
Cash P/E	209.8	132.6	111.0	-187.8	551.2	57.1	47.2	38.8	33.5
P/BV	19.3	18.6	18.6	22.2	11.4	10.1	8.5	7.4	6.4
EV/Sales	20.3	18.5	18.7	53.6	26.6	13.9	11.8	9.9	8.8
EV/EBITDA	124.4	100.6	86.2	-233.5	200.9	44.6	36.9	28.8	24.3
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FCF per share	-0.1	1.4	1.7	-7.6	1.7	7.4	7.5	8.6	12.8
EV/ Adj Rooms (INRm)	85.3	83.5	80.9	81.9	77.6	76.3	74.0	67.2	62.1
EBITDA/ Room (INR)	4,341	5,193	6,039	-7,214	4,344	10,396	11,380	12,305	13,230
Return Ratios (%)									
RoE	2.5	6.6	7.4	-21.0	-4.8	13.3	14.4	15.6	16.0
RoCE	4.6	5.9	6.8	-5.7	1.3	11.5	13.6	15.4	15.7
RoIC	2.3	5.2	7.1	-7.9	0.0	12.4	14.0	17.1	20.0
Working Capital Ratios									
Fixed Asset Turnover (x)	0.6	0.7	0.6	0.2	0.4	0.6	0.7	0.8	0.8
Asset Turnover (x)	0.5	0.6	0.5	0.2	0.3	0.5	0.5	0.6	0.5
Inventory (Days)	8	7	8	22	12	7	6	7	7
Debtor (Days)	29	26	24	51	30	28	26	27	27
Creditor (Days)	31	26	32	74	46	30	28	27	26
Leverage Ratio (x)									
Current Ratio	0.9	1.0	1.0	0.9	1.7	1.5	1.6	2.0	2.6
Interest Cover Ratio	1.4	2.6	1.7	-1.9	0.0	5.9	7.7	9.9	11.7
Net Debt/Equity	0.4	0.4	0.4	0.8	0.0	-0.1	-0.2	-0.3	-0.4

Consolidated - Cash Flow Statement									(INRm)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	1,618	4,017	3,955	-10,095	-2,738	12,914	16,655	21,807	26,114
Depreciation	3,012	3,279	4,042	4,096	4,061	4,161	4,543	4,955	5,177
Interest & Finance Charges	2,073	1,068	2,087	2,381	2,725	972	373	429	243
Direct Taxes Paid	-1,425	-1,571	-448	1,553	358	-3,232	-4,639	-6,542	-7,834
(Inc)/Dec in WC	-1,033	323	-1,402	-2,722	2,155	1,633	1,539	-1,964	32
CF from Operations	4,246	7,115	8,235	-4,786	6,560	16,447	18,471	18,685	23,731
Others	675	0	0	1,600	156	33	0	0	0
CF from Operating incl EO	4,920	7,114	8,235	-3,187	6,716	16,480	18,471	18,685	23,731
(Inc)/Dec in FA	-5,094	-5,067	-5,855	-7,629	-4,286	-5,922	-7,792	-6,500	-5,500
Free Cash Flow	-174	2,048	2,380	-10,816	2,431	10,557	10,679	12,185	18,231
(Pur)/Sale of Investments	-1,462	2,614	-915	-566	-4,836	758	-3,701	0	0
Others	912	-1,428	1,750	6,998	-7,303	3,719	1,829	1,827	2,012
CF from Investments	-5,644	-3,882	-5,019	-1,197	-16,425	-1,446	-9,663	-4,673	-3,488
Issue of Shares	14,999	0	0	0	231	0	3	0	0
Inc/(Dec) in Debt	-9,498	-1,010	2,760	10,308	-16,481	-11,665	-5,578	0	0
Interest Paid	-4,089	-1,901	-3,411	-4,028	-4,277	-2,361	-2,202	-2,256	-2,256
Dividend Paid	-447	-725	-725	-693	-693	-852	-1,136	-1,136	-1,136
Others	-7	110	-1,093	-2,823	41,270	-1,500	4,427	604	634
CF from Fin. Activity	957	-3,527	-2,470	2,764	20,050	-16,378	-4,487	-2,788	-2,758
Inc/Dec of Cash	233	-294	746	-1,620	10,342	-1,344	4,321	11,223	17,486
Opening Balance	2,471	2,704	2,409	3,156	1,536	11,878	10,534	14,855	26,078
Closing Balance	2,704	2,409	3,156	1,536	11,878	10,534	14,855	26,078	43,564

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NOTES

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