Stock Update

Result Update

MIRAE ASSET Sharekhan

Indian Hotels Company Ltd

Stellar Q3; Strong outlook ahead

Consumer Discretionary	Sharekhan code: INDHOTEL
Reco/View: Buy ↔	CMP: Rs. 814
	Price Target: Rs. 976 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Indian Hotels Company Ltd's (IHCL's) Q3FY25 numbers were strong with domestic like-for-like (LFL) RevPAR growth at 13% y-o-y, management fees rising 32% y-o-y and new businesses seeing 40% y-o-y growth. Consolidated revenue/adjusted PAT (including Taj SATS) rose 29%/40% y-o-y, respectively.
- Strong momentum set to continue in Q4 led by large-scale regional events, weddings and continued business and leisure demand. IHCL maintained guidance of double-digit LFL revenue growth in FY25.
- With 55 signings and 20 openings in 9MFY25 (20 signings and 8 openings in Q3), IHCL is on track to reach 700 hotels by 2030 (360 hotels at Q3FY25-end), with a strong focus on capital-light expansion.
- We maintain a Buy with a revised PT of Rs. 976. Stock trades at 36x/29x/24x its FY25E/26E/27E EV/EBIDTA, respectively.

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

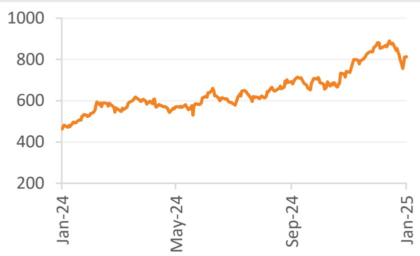
Company details

Market cap:	Rs. 1,15,839 cr
52-week high/low:	Rs. 895/451
NSE volume: (No of shares)	39.9 lakh
BSE code:	500850
NSE code:	INDHOTEL
Free float: (No of shares)	88.1 cr

Shareholding (%)

Promoters	38.1
FII	28.6
DII	18.6
Others	14.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.6	18.3	39.7	75.4
Relative to Sensex	-2.5	23.8	45.5	67.8

Source: Mirae Asset Sharekhan Research, Bloomberg

(IHCL's Q3FY2025 performance is strictly not comparable with previous periods due to consolidation of Taj SATS.)

IHCL's Q3FY25 numbers were strong with consolidated revenues growing by 29% y-o-y to Rs. 2,533 crore (versus expectation of Rs. 2,514 crore) driven by growth across all businesses, operating EBITDA margin rising 70 bps y-o-y to 38% (against 39% expected) and adjusted PAT growing by 40% y-o-y to Rs. 614 crore (versus expectation of Rs. 628 crore). The hotel segment's revenue grew by 16% y-o-y, with operating EBITDA margin at 39.4% (up 210 bps y-o-y), while TajSATS (air & institutional catering business) grew by 18% y-o-y, with operating EBITDA margin at 25.7% (up 70 bps y-o-y). Domestic same store hotels posted 13% consolidated RevPAR growth to Rs. 15,996 per night, consolidated management fee income grew by 32% y-o-y to Rs. 177 crore and new businesses reported consolidated revenue growth of 40% to Rs. 164 crore. IHCL signed 20 hotels and opened 8 hotels in Q3FY25, taking the total to 360 hotels (237 operational and 123 in pipeline) as of Q3FY25-end.

Key positives

- Domestic RevPar grew by 13% y-o-y, with robust RevPAR growth across all segments.
- New business revenues grew by 40% y-o-y, Ginger consolidated revenue grew by 45%.
- The Pierre in New York reported strong performance, with y-o-y RevPar growth of 25%.
- Hotel business' operating EBIDTA margins improved by 210 bps y-o-y to 39.4%.

Key management commentary

- Management expects Q4 to be strong, driven by multiple demand drivers such as large scale events & concerts, higher wedding dates, peak travel season for spiritual tourism, continued momentum of domestic tourism and recovery in foreign tourists.
- IHCL maintained its guidance for double-digit LFL revenue growth for FY2025 despite a weak Q1FY2025. Consolidation of Taj SATS will lead to strong double-digit growth in H2.
- New businesses (including Ginger, Q-min and Amma) are expected to grow by over 30%+. Ginger at Mumbai airport registered occupancy of over 85% and ARR of over Rs. 6,750 in Q3.
- Loyalty contribution to enterprise revenues stood at 40% in 9MFY25. Repeat customer rate is good. IHCL eyes to reach 10 million customers in the near term from 8 million currently.
- Management has indicated opening total 25 hotels in FY2025, 30 in FY2026, and higher in future years. It eyes a portfolio of 700 hotels by 2030.
- In 9MFY2025, gross cash generation stood at Rs. 2,823 crore, with cash flow conversion at 71%. IHCL focuses on prudent capital allocation strategy to drive growth in the coming years.

Revision in earnings estimates - We have raised our earnings estimates for FY2025, FY2026, FY2027 to factor in consolidation of Taj SATS and strong management outlook.

Our Call

View – Retain Buy with revised PT of Rs. 976: IHCL delivered yet another quarter of strong performance in Q3FY25, with double-digit revenue growth and margin expansion. The company has exceled its performance in last five years by delivering consistent growth ahead of industry, strong uptick margins and strengthening its balance sheet by becoming net cash positive. We expect the next five years' journey to be good for IHCL on back of industry tailwinds and its strategic initiatives. We expect revenues and PAT to grow at CAGR of 18% and 29% respectively over FY2024-27. The stock trades at 36x, 29x and 24x its FY2025E/26E/27E EV/EBIDTA. IHCL remains one of our top picks in the hospitality space. We retain a Buy with a revised price target of Rs. 976 (rolling over to FY27 earnings).

Key Risks

Any slowdown in corporate travel or a slower recovery in inbound and the outbound tourism industry would act as a key risk to our earnings estimates.

Valuation (consolidated) Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,810	6,769	8,326	9,991	11,190
EBITDA margin (%)	31.1	31.9	33.1	34.1	35.6
Adjusted PAT	968	1,202	1,646	2,128	2,596
Adjusted EPS (Rs.)	7.4	9.3	12.3	15.8	19.2
P/E (x)	-	87.1	66.3	51.5	42.5
P/B (x)	13.4	11.4	9.9	8.4	7.1
EV/EBIDTA (x)	56.5	45.7	35.6	28.7	24.0
RoNW (%)	11.9	12.8	15.1	16.7	17.2
RoCE (%)	13.0	14.8	17.6	20.1	21.5

Source: Company; Mirae Asset Sharekhan estimates

Key business highlights

- Domestic same-store hotels delivered a 13% consolidated RevPAR growth to Rs. 15,996 per night driven by 11% y-o-y growth in the ARR to Rs. 20,440 and 100 bps y-o-y rise in the occupancy to 78%.
- Hotel segment's domestic revenue growth of 15% y-o-y to Rs. 1,474 crore was led by 16% y-o-y growth in the room revenue to Rs. 669 crore, 29% y-o-y growth in management fees to Rs. 175 crore, a 10% y-o-y increase in the F&B revenue to Rs. 505 crore and 12% rise in the other operating income.
- International consolidated portfolio reported an occupancy of 78%, up 400 bps y-o-y, resulting in a y-o-y RevPAR growth of 9% led by 25% RevPAR growth in The Pierre, New York.
- Consolidated management fee income grew by 32% y-o-y Rs. 177 crores driven by 13% y-o-y net unit growth in managed hotel rooms and 41% y-o-y net unit growth in Ama managed bungalows (not LFL growth).
- Air & Institutional Catering business segment (TajSATS) registered 18% y-o-y growth to Rs. 275 crore with operating EBITDA margin at 25.7% (up 70 bps y-o-y).
- New businesses comprising Ginger, Qmin and amã Stays & Trails reported an enterprise revenue of Rs. 218 crore, registering y-o-y growth of 38% and consolidated revenue of Rs. 164 crore, reporting y-o-y growth of 40%. Enterprise revenue of Ginger stood at Rs. 186 crore with a strong EBITDAR margin at 46% and a portfolio of 102 hotels with 72 in operations. Qmin has grown to 59 outlets and amã Stays & Trails has reached a milestone of 250 bungalows in its portfolio with 119 in operations.
- For 9MFY2025, total loyalty-led revenue grew by 27% y-o-y, with loyalty contribution to enterprise revenue at 40%.
- IHCL signed 20 hotels and opened 8 hotels in Q3FY25. During 9MFY25, the company signed 55 hotels and opened 20 hotels, with 85% of these signings being capital light. Its current portfolio consists of 360 hotels with 237 operational and 123 in pipeline (as on December 31, 2024).
- IHCL acquired a 55% shareholding in Rajscape Hotels in January 2025, the brand holding company of Tree of Life. It will form a part of IHCL consolidated financials from Q4FY25.
- In 9MFY2025, gross cash generation stood at Rs. 2,823 crore, with cash flow conversion at 71%. IHCL focuses on prudent capital allocation strategy to drive growth in the coming years.

Results (Consolidated) — Rs cr

Particulars	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Net Sales	**2,533.1**	**1,963.8**	**29.0**	**1,826.1**	**38.7**
Foods & Beverage consumed	250.5	153.2	63.5	174.0	43.9
Employee cost	579.5	468.6	23.6	522.5	10.9
Other operating & general expenses	741.4	609.6	21.6	628.3	18.0
Total expenditure	**1,571.4**	**1,231.5**	**27.6**	**1,324.9**	**18.6**
EBITDA	**961.7**	**732.4**	**31.3**	**501.3**	**91.8**
Other income	58.7	39.8	47.4	64.1	-8.5
Interest cost	52.4	53.2	-1.4	52.2	0.3
Depreciation	133.9	114.3	17.2	124.9	7.2
PBT	**834.0**	**604.7**	**37.9**	**388.2**	**-**
Tax	220.2	166.7	32.1	60.9	-
Adjusted PAT	**613.8**	**438.0**	**40.1**	**327.3**	**87.5**
Share of profit from associates	18.7	38.9	-52.0	9.5	96.9
Adjusted PAT after MI	632.5	476.9	32.6	336.8	87.8
Extraordinary item	0.0	0.0	-	245.9	-
Reported PAT	**632.5**	**476.9**	**32.6**	**582.7**	**8.5**
EPS (Rs.)	4.3	3.1	40.1	2.3	87.5
			bps		**bps**
GPM (%)	90.1	92.2	-209	90.5	-36
EBITDA margin (%)	38.0	37.3	67	27.5	-
NPM (%)	24.2	22.3	193	17.9	631
Tax rate (%)	26.4	27.6	-117	15.7	-

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Hotel industry to benefit from demand supply gap

Higher demand from domestic leisure travellers, recovery in foreign tourist arrivals (FTAs) and a revival in corporate travels will keep room demand high for hotel companies (also help in achieving higher room rentals) in the short to medium term. Recent industry data shows that demand is expected to continue to grow in double digits (~12%). However, the supply is expected to grow by ~9% over the next 4-5 years. This augurs well for the industry because hotel performance in India is highly sensitive to supply and demand dynamics. Margins of hotel companies are likely to expand, aided by better operating leverage coupled with various cost-saving initiatives undertaken by companies.

Company Outlook – Strong growth over FY2024-27

With room demand expected to exceed supply, domestic performance would be strong in the coming years. This along with a likely recovery in international properties and higher contribution from new ventures, will aid revenues and PAT clock a CAGR of 18% and 29% over FY2024-27E. Cost-saving initiatives undertaken in FY2021 will help operating profit improve in coming years. We expect IHCL's EBIDTA margins to be over 35% in FY2027. Asset-light model will help in high free cash generation. Return ratios are expected to improve with RoE/RoCE expected to increase to ~17%/22% in FY2027 from 13%/15% in FY2024.

Valuation – Retain Buy with a revised PT of Rs. 976

IHCL delivered yet another quarter of strong performance in Q3FY25, with double-digit revenue growth and margin expansion. The company has exceled its performance in last five years by delivering consistent growth ahead of industry, strong uptick margins and strengthening its balance sheet by becoming net cash positive. We expect the next five years' journey to be good for IHCL on back of industry tailwinds and its strategic initiatives. We expect revenues and PAT to grow at CAGR of 18% and 29% respectively over FY2024-27. The stock trades at 36x, 29x and 24x its FY2025E/26E/27E EV/EBIDTA. IHCL remains one of our top picks in the hospitality space. We retain a Buy with a revised price target of Rs. 976 (rolling over to FY27 earnings).

Peer Comparison

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Lemon tree Hotels	61.1	47.6	34.6	21.5	17.4	14.8	11.1	12.6	14.7
Chalet Hotels	70.5	48.3	35.6	27.8	21.4	17.5	10.5	13.1	15.2
Indian Hotels Company	87.1	66.3	51.5	45.7	35.6	28.7	14.8	17.6	20.1

Source: Company; Mirae Asset Sharekhan Research

About the company

IHCL and its subsidiaries bring together a group of brands and businesses that offer a fusion of warm Indian hospitality and world-class service. These include Taj, the iconic brand for the most discerning travellers; SeleQtions, a named collection of hotels; Vivanta, sophisticated upscale hotels; and Ginger, which is revolutionising the lean luxe segment. Incorporated by the founder of the Tata Group, Jamsetji Tata, the Company opened its first hotel - The Taj Mahal Palace, in Bombay in 1903. IHCL currently has a portfolio of 360 hotels including 123 under development globally across 4 continents, 13 countries and in over 150+ locations.

Investment theme

The hotel industry's business fundamentals have recently improved with room demand outpacing room supply. Strong domestic travel coupled with recovery in foreign travel would help IHCL in posting better performance in the medium term. A strong focus on building an asset-light model, market share gains in key markets and scale-up in the new businesses will help IHCL to deliver strong growth in the coming years with strong growth in profitability. Further, the company is focusing on strengthening its balance sheet by a sustained reduction in debt, which augurs well from a long-term perspective.

Key Risks

- Any drop in room demand due to the emergence of any black swan event/sustained high inflationary environment or a significant increase in room supply in the coming years would be a key risk to our earnings estimates.
- Any delay in the launch of new hotels/rooms will impact profitability.
- Any disruption in the performance of international properties will affect the consolidated performance of IHCL in the coming years.

Additional Data

Key management personnel

N. Chandrasekaran	Chairman
Ankur Dalwani	Executive Vice President & Chief Financial Officer
Puneet Chhatwal	Executive Director, Chief Executive Officer & Managing Director
Beejal Desai	Executive Vice President - Corporate Affairs & Company Secretary (Group)

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Asset Management Co. Ltd.	3.33
2	Nippon Life India Asset Management Co. Ltd.	2.46
3	Blackrock Inc.	2.43
4	Vanguard Group Inc	2.38
5	Axis Asset Management Co. Ltd.	2.32
6	Jhunjhunwala Rekha	2.02
7	Canara Robeco Asset Management Co. Ltd.	1.28
8	Franklin Resources Inc.	1.25
9	HDFC Life Insurance Co. Ltd.	1.24
10	SBI Pension Funds Pvt. Ltd.	1.23

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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