

We assume coverage on Indian Hotels Company (IHCL) with an ADD recommendation and upside of 6.4%. IHCL's Q1FY25 consol. revenue growth of 5.7% YoY was slower than that in previous quarters, impacted by multiple headwinds, given General Elections, fewer wedding days, and heat wave. EBITDA margin improved by 103bps YoY, aided by operational efficiencies. The company opened 6 new hotels in Q1, and aims to add another 19 in remaining-FY25. Management fee growth was strong at 17% YoY. Despite a weak start to the year, the management is confident of reporting double-digit revenue growth in FY25. We cut our FY25/26 EBITDA by 0-3%, factoring in the Q1 performance, and introduce FY27 estimates. IHCL's diversified revenue stream, operational efficiency, and strong balance sheet keep the company in good stead. However, valuations are rich which limits the upside. We maintain ADD on IHCL, and TP of Rs615/sh (roll over to 26x Jun-26E EV/EBITDA).

### Indian Hotels: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	58,099	67,688	77,246	87,371	96,303
EBITDA	18,046	21,571	26,968	31,189	34,258
Adj. PAT	10,495	13,302	17,947	22,096	25,045
Adj. EPS (Rs)	7.4	9.3	12.6	15.5	17.6
EBITDA margin (%)	31.1	31.9	34.9	35.7	35.6
EBITDA growth (%)	345.8	19.5	25.0	15.7	9.8
Adj. EPS growth (%)	0.0	26.7	34.9	23.1	13.3
RoE (%)	14.0	15.3	17.4	18.0	17.1
RoIC (%)	12.3	13.9	17.8	20.5	22.2
P/E (x)	78.4	61.8	45.8	37.2	32.8
EV/EBITDA (x)	44.9	37.1	29.2	24.6	21.7
P/B (x)	10.3	8.7	7.3	6.1	5.2
FCFF yield (%)	1.0	1.5	2.2	2.8	3.3

Source: Company, Emkay Research

### Results Summary

Q1 consolidated revenue grew 5.7% YoY to Rs15.5bn, but fell slightly short of Consensus estimates. EBITDA margin expanded by 103bps YoY to 29% in Q1FY25, due to lower RM costs. Consolidated EBITDA grew 9.6% YoY to Rs4.4bn. Standalone revenue grew 4.6% YoY, with EBITDA margin of 35.1%, up 212bps YoY. Standalone occupancy stood at 76%, up by 120 bps YoY. ARR grew 2% YoY to Rs12,906, while RevPAR grew 4% YoY to Rs9,810. SA Room revenue grew 10% YoY to Rs4.1bn, while F&B revenue declined 5% YoY to Rs3bn. Management Fee saw growth of 17% YoY. New business revenue growth was strong at 37% YoY. The company opened 6 new hotels in Q1, and signed for opening another 16 hotels. Free cash flow tripled YoY in Q1 to Rs1.5bn. As of 30-Jun, the company has 224 operational hotels with 24,519 rooms.

### Earnings Call KTAs

1) After a subdued Q1, Jul-24 has seen a growth of 20% YoY and Aug-24 is also seeing a good trend. Though Q2 is typically weaker than Q1, management expects Q2 to be stronger than Q1, in FY25. Also, growth in Q1 was impacted by lesser MICE revenue due to lower number of weddings. Occupancy for cities like Mumbai, Delhi, and Goa was >80%; for Bengaluru, Kolkata, and Chennai, it was between 75% and 80%, whereas it was weaker for cities in Rajasthan. 2) Long-term tailwinds are intact for the industry, with supply continuing to lag demand. In upcoming years, demand is expected to grow 10%, while supply should increase 6%. Customers still continue to spend on leisure. 3) IHCL will now consolidate Taj SATS as a subsidiary, effective 1-Aug-24. Taj SATS continues with its market leadership of 59%, with EBITDA margin of 24%. 4) The company has ventured into the new segment of Taj branded residences, with the first to be opened in Chennai. For this, the company will receive brand fee while providing services to apartment owners. This helps it diversify its revenue streams and leverage the strong brand equity of Taj. 5) The company is on track to open 25 hotels in FY25, with a current portfolio of >325 hotels (operational + pipeline).

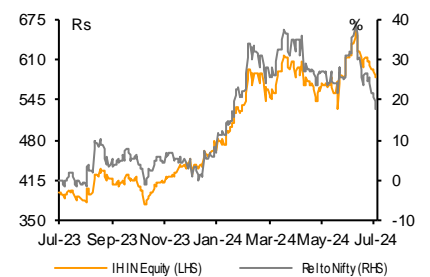
Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	6.4
CMP (19-Jul-24) (Rs)	577.9

Stock Data	Ticker
52-week High (Rs)	663
52-week Low (Rs)	371
Shares outstanding (mn)	1,423.4
Market-cap (Rs bn)	823
Market-cap (US\$ mn)	9,833
Net-debt, FY12E (Rs mn)	0
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	2,506.7
ADTV-3M (US\$ mn)	30.0
Free float (%)	-
Nifty-50	24,531
INR/US\$	83.7
<b>Shareholding, Mar-24</b>	
Promoters (%)	38.1
FPIs/MFs (%)	24.5/20.8

### Price Performance

(%)	1M	3M	12M
Absolute	(6.3)	(3.2)	44.4
Rel. to Nifty	(10.2)	(12.6)	16.7

### 1-Year share price trend (Rs)



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**Exhibit 1: Consolidated quarterly financial snapshot**

Consolidated P&L (Rs mn)	Q1FY24	Q4FY24	Q1FY25	Chg YoY %	Chg QoQ %
Revenue	14,664	19,053	15,502	5.7	(18.6)
Costs of RM	1,155	1,398	1,143	(1.0)	(18.3)
Employee costs	4,287	4,674	4,605	7.4	(1.5)
Fuel, Power & Light	800	760	820	2.5	7.9
Other Expenses	4,321	5,623	4,439	2.7	(21.1)
Total Expenses	10,562	12,455	11,006	4.2	(11.6)
EBITDA	4,102	6,598	4,496	9.6	(31.9)
D&A	1,091	1,197	1,173	7.6	(2.0)
EBIT	3,011	5,401	3,323	10.4	(38.5)
Other Income	493	461	460	(6.7)	(0.2)
Finance Costs	565	515	499	(11.8)	(3.2)
PBT before Xo	2,939	5,347	3,285	11.8	(38.6)
Exceptional gain/(loss)	(0)	-	-		
PBT after Xo	2,939	5,347	3,285	11.8	(38.6)
Tax	833	1,416	943	13.1	(33.4)
Profit/(loss) of JV/Associate	254	452	260	2.2	(42.6)
PAT	2,360	4,383	2,602	10.3	(40.6)
APAT	2,360	4,383	2,602	10.2	(40.6)

% of Revenue	Q1FY24	Q4FY24	Q1FY25	Chg YoY (bps)	Chg QoQ (bps)
Revenue	100.0	100.0	100.0	-	-
Cost of RM	7.9	7.3	7.4	(50)	3
Employee costs	29.2	24.5	29.7	47	517
Fuel, Power & Light costs	5.5	4.0	5.3	(17)	130
Admin & Other Expenses	29.5	29.5	28.6	(83)	(88)
Total Expenses	72.0	65.4	71.0	(103)	563
EBITDA	28.0	34.6	29.0	103	(563)
D&A	7.4	6.3	7.6	13	128
EBIT	20.5	28.3	21.4	90	(691)

Source: Company, Emkay Research

**Exhibit 2: Standalone quarterly financial snapshot**

Standalone P&L (Rs mn)	Q1FY24	Q4FY24	Q1FY25	Chg YoY %	Chg QoQ %
Revenue	8,904	13,417	9,313	4.6	(30.6)
Cost of RM	702	937	669	(4.8)	(28.6)
Employee costs	2,019	2,340	2,162	7.1	(7.6)
Fuel, Power & Light costs	510	460	520	2.0	13.0
Admin & Other Expenses	2,733	3,819	2,691	(1.5)	(29.5)
Total Expenses	5,965	7,555	6,042	1.3	(20.0)
EBITDA	2,939	5,861	3,271	11.3	(44.2)
D&A	541	603	604	11.7	0.3
EBIT	2,398	5,259	2,667	11.2	(49.3)
Other Income	446	415	404	(9.3)	(2.6)
Finance Costs	300	258	249	(16.9)	(3.3)
PBT before Xo	2,543	5,416	2,822	10.9	(47.9)
Exceptional gain/(loss)	-	-	-		
PBT after Xo	2,543	5,416	2,822	10.9	(47.9)
Tax	661	1,326	734	10.9	(44.7)
PAT	1,882	4,090	2,088	10.9	(48.9)
APAT	1,882	4,090	2,088	10.9	(48.9)

Source: Company, Emkay Research

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**Exhibit 3: Standalone operating performance**

Standalone Operating Performance (Rs mn)	Q1FY24	Q4FY24	Q1FY25	Chg YoY %	Chg QoQ %
Occupancy (%)	74.7	79.1	76.0	130 bps	-310 bps
ARR (Rs)	12,614	17,546	12,906	2.3	(26.4)
RevPAR (Rs)	9,428	13,885	9,810	4.1	(29.3)
Revenue Break-up					
Room Revenue	3,770	6,000	4,130	9.5	(31.2)
F&B Revenue	3,200	4,710	3,040	(5.0)	(35.5)
Other Revenues	1,934	2,707	2,143	10.8	(20.8)
Total	8,904	13,417	9,313	4.6	(30.6)

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY25E			FY26E			FY27E
	Old	New	Chg	Old	New	Chg	Introduced
Revenue	78,204	77,246	(1.2)	89,148	87,371	(2.0)	96,303
EBITDA	27,024	26,968	(0.2)	31,928	31,189	(2.3)	34,258
EBITDA Margin (%)	34.6	34.9	36 bps	35.8	35.7	-12 bps	35.6
APAT	18,146	17,947	(1.1)	22,763	22,096	(2.9)	25,045
AEPS (Rs)	12.8	12.6	(1.1)	16.0	15.6	(2.9)	17.6

Source: Company, Emkay Research

## Indian Hotels: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>58,099</b>	<b>67,688</b>	<b>77,246</b>	<b>87,371</b>	<b>96,303</b>
Revenue growth (%)	90.1	16.5	14.1	13.1	10.2
<b>EBITDA</b>	<b>18,046</b>	<b>21,571</b>	<b>26,968</b>	<b>31,189</b>	<b>34,258</b>
EBITDA growth (%)	345.8	19.5	25.0	15.7	9.8
Depreciation & Amortization	4,161	4,543	4,776	4,983	5,203
<b>EBIT</b>	<b>13,885</b>	<b>17,028</b>	<b>22,192</b>	<b>26,205</b>	<b>29,055</b>
EBIT growth (%)	0.0	22.6	30.3	18.1	10.9
Other operating income	0	0	0	0	0
Other income	1,389	1,829	1,970	2,672	3,041
Financial expense	2,361	2,202	1,825	1,434	1,148
<b>PBT</b>	<b>12,914</b>	<b>16,655</b>	<b>22,337</b>	<b>27,444</b>	<b>30,948</b>
Extraordinary items	0	0	0	0	0
Taxes	3,232	4,639	5,941	7,208	8,135
Minority interest	0	0	0	0	0
Income from JV/Associates	814	1,287	1,550	1,860	2,232
<b>Reported PAT</b>	<b>10,529</b>	<b>13,302</b>	<b>17,947</b>	<b>22,096</b>	<b>25,045</b>
PAT growth (%)	0.0	26.3	34.9	23.1	13.3
<b>Adjusted PAT</b>	<b>10,495</b>	<b>13,302</b>	<b>17,947</b>	<b>22,096</b>	<b>25,045</b>
<b>Diluted EPS (Rs)</b>	<b>7.4</b>	<b>9.3</b>	<b>12.6</b>	<b>15.5</b>	<b>17.6</b>
Diluted EPS growth (%)	0.0	26.7	34.9	23.1	13.3
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	31.1	31.9	34.9	35.7	35.6
EBIT margin (%)	23.9	25.2	28.7	30.0	30.2
Effective tax rate (%)	25.0	27.9	26.6	26.3	26.3
<b>NOPLAT (pre-IndAS)</b>	<b>10,410</b>	<b>12,285</b>	<b>16,290</b>	<b>19,323</b>	<b>21,417</b>
Shares outstanding (mn)	1,423.4	1,423.4	1,423.4	1,423.4	1,423.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	12,914	16,655	22,337	27,444	30,948
Others (non-cash items)	6,488	6,745	6,601	6,417	6,350
Taxes paid	(3,232)	(4,639)	(5,941)	(7,208)	(8,135)
Change in NWC	672	671	70	783	712
<b>Operating cash flow</b>	<b>17,655</b>	<b>20,719</b>	<b>24,618</b>	<b>29,297</b>	<b>32,108</b>
Capital expenditure	(9,578)	(8,706)	(7,579)	(7,589)	(7,223)
Acquisition of business	314	1,034	2,573	3,222	3,619
Interest & dividend income	(3,781)	(4,863)	(5,423)	(5,863)	(6,169)
<b>Investing cash flow</b>	<b>(9,230)</b>	<b>(7,672)</b>	<b>(5,007)</b>	<b>(4,367)</b>	<b>(3,604)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(7,473)	(4,195)	(194)	24	166
Payment of lease liabilities	0	0	0	(1,483)	(1,483)
Interest paid	(2,361)	(2,202)	(1,825)	(1,434)	(1,148)
Dividend paid (incl tax)	(1,420)	(2,661)	(3,598)	(4,430)	(5,021)
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(11,253)</b>	<b>(9,058)</b>	<b>(5,616)</b>	<b>(5,839)</b>	<b>(6,003)</b>
Net chg in Cash	(2,828)	3,989	13,995	19,090	22,500
OCF	17,655	20,719	24,618	29,297	32,108
Adj. OCF (w/o NWC chg.)	16,983	20,048	24,548	28,513	31,396
FCFF	8,078	12,013	17,039	21,708	24,884
FCFE	1,936	4,948	9,791	14,411	17,568
OCF/EBITDA (%)	97.8	96.0	91.3	93.9	93.7
FCFE/PAT (%)	18.4	37.2	54.6	65.2	70.1
<b>FCFF/NOPLAT (%)</b>	<b>77.6</b>	<b>97.8</b>	<b>104.6</b>	<b>112.3</b>	<b>116.2</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,420	1,423	1,423	1,423	1,423
Reserves & Surplus	78,399	93,143	1,10,730	1,32,384	1,56,927
<b>Net worth</b>	<b>79,820</b>	<b>94,567</b>	<b>1,12,154</b>	<b>1,33,807</b>	<b>1,58,350</b>
Minority interests	6,601	6,721	7,057	7,409	7,780
Deferred tax liability (net)	(15)	213	291	356	408
<b>Total debt</b>	<b>32,829</b>	<b>28,500</b>	<b>28,434</b>	<b>28,608</b>	<b>28,923</b>
<b>Total liabilities &amp; equity</b>	<b>1,19,234</b>	<b>1,30,000</b>	<b>1,47,935</b>	<b>1,70,180</b>	<b>1,95,461</b>
Net tangible fixed assets	850	1,059	0	0	0
Net intangible assets	7	9	95,977	98,395	1,00,603
Net ROU assets	(315)	(539)	20,097	20,499	20,909
Capital WIP	3,242	2,310	2,495	2,682	2,496
Goodwill	6,536	6,623	6,623	6,623	6,623
Investments [JV/Associates]	14,084	15,060	15,813	16,604	17,434
<b>Cash &amp; equivalents</b>	<b>15,360</b>	<b>22,407</b>	<b>36,417</b>	<b>55,523</b>	<b>78,041</b>
Current assets (ex-cash)	14,155	14,199	15,349	16,729	18,276
Current Liab. & Prov.	15,871	17,334	18,116	19,754	21,388
<b>NWC (ex-cash)</b>	<b>(1,716)</b>	<b>(3,136)</b>	<b>(2,768)</b>	<b>(3,025)</b>	<b>(3,112)</b>
<b>Total assets</b>	<b>1,19,234</b>	<b>1,30,000</b>	<b>1,47,935</b>	<b>1,70,180</b>	<b>1,95,461</b>
Net debt	(12,051)	(21,939)	(36,183)	(55,407)	(77,982)
Capital employed	89,716	1,01,968	1,19,735	1,41,689	1,66,597
<b>Invested capital</b>	<b>86,548</b>	<b>90,223</b>	<b>93,209</b>	<b>95,371</b>	<b>97,491</b>
BVPS (Rs)	56.1	66.4	78.8	94.0	111.2
Net Debt/Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)	(0.5)
Net Debt/EBITDA (x)	(0.7)	(1.0)	(1.3)	(1.8)	(2.3)
Interest coverage (x)	0.2	0.1	0.1	0.0	0.0
<b>RoCE (%)</b>	<b>15.5</b>	<b>17.8</b>	<b>20.0</b>	<b>20.0</b>	<b>18.8</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	78.4	61.8	45.8	37.2	32.8
P/CE(x)	56.1	46.1	36.2	30.4	27.2
P/B (x)	10.3	8.7	7.3	6.1	5.2
EV/Sales (x)	14.0	11.8	10.2	8.8	7.7
EV/EBITDA (x)	44.9	37.1	29.2	24.6	21.7
EV/EBIT(x)	58.4	47.0	35.4	29.3	25.6
EV/IC (x)	9.4	8.9	8.4	8.0	7.6
FCFF yield (%)	1.0	1.5	2.2	2.8	3.3
FCFE yield (%)	0.2	0.6	1.2	1.8	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	18.1	19.7	23.2	25.3	26.0
Total asset turnover (x)	0.6	0.7	0.7	0.7	0.6
Assets/Equity (x)	1.2	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>14.0</b>	<b>15.3</b>	<b>17.4</b>	<b>18.0</b>	<b>17.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	17.9	18.1	21.1	22.1	22.2
IC turnover (x)	0.7	0.8	0.8	0.9	1.0
<b>RoIC (%)</b>	<b>12.3</b>	<b>13.9</b>	<b>17.8</b>	<b>20.5</b>	<b>22.2</b>
<b>Operating metrics</b>					
Core NWC days	(12.8)	(11.4)	(11.2)	(11.1)	(11.3)
<b>Total NWC days</b>	<b>(10.8)</b>	<b>(16.9)</b>	<b>(13.1)</b>	<b>(12.6)</b>	<b>(11.8)</b>
Fixed asset turnover	0.7	0.7	0.8	0.9	1.0
Opex-to-revenue (%)	60.8	60.4	57.6	56.8	57.0

Source: Company, Emkay Research

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