

BUY Indian Hotels**Robust outlook; H2 boost on anvil**Hotels ▶ Result Update ▶ **October 29, 2023****TARGET PRICE (Rs): 455**

Indian Hotels Company (IHCL) delivered in-line consolidated revenue, aided by standalone occupancy of 75.9% (vs. 69.8% in Q2FY23) and ARR/RevPAR growth of 18% YoY/28% YoY, though consol. margin disappointed. IHCL's growth outlook on H2 remains robust, with business on books staying strong and Ginger RevPar expected to grow over 20% YoY. We like IHCL's diversified topline, operational efficiency and debt-free balance sheet. IHCL has a pipeline of 82 hotels, and is set to add ~11k rooms (~8.8k room-adds over FY24-26E). This will aid consol. revenue/EBITDA CAGR of 13%/16% over FY23-26E, amid margin expansion. We have cut consol. EBITDA by 4%/7% for FY25E/FY26E, as we reduce margin expectation due to the margin miss. We maintain BUY on IHCL, with TP of Rs455/sh (Rs485 earlier), ascribing 23x Sep-25E EV/EBITDA.

Indian Hotels: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	30,562	58,099	66,905	75,401	84,555
EBITDA	4,048	18,046	21,661	24,966	28,402
Adj. PAT	(2,805)	10,495	13,578	16,729	20,622
Adj. EPS (Rs)	(2.0)	7.4	9.6	11.8	14.5
EBITDA margin (%)	13.2	31.1	32.4	33.1	33.6
EBITDA growth (%)	0.0	345.8	20.0	15.3	13.8
Adj. EPS growth (%)	0.0	0.0	29.4	23.2	23.3
RoE (%)	(5.2)	14.0	15.7	16.5	17.2
RoIC (%)	0.0	12.3	14.2	17.0	19.6
P/E (x)	(189.6)	50.7	39.2	31.8	25.8
EV/EBITDA (x)	130.7	28.8	23.5	19.7	16.6
P/B (x)	7.5	6.7	5.7	4.9	4.1
FCFF yield (%)	(0.1)	1.6	3.1	3.8	4.8

Source: Company, Emkay Research

Q2 performance broadly in-line; Standalone RevPAR up 28%YoY

Consol. revenue was broadly in-line (16% YoY growth), while margins were lower (up 90bps YoY; a 90bps miss on our estimate). Standalone occupancy was 75.9% (vs. 69.8% in Q2FY23) and ARR was up 18% YoY, with the IHCL delivering RevPAR growth of 28% YoY and revenue growth of 19% YoY (a 3% beat on our est.). International business EBITDA is down ~28% YoY, with margin of 8.4% (vs. 12.5% in Q2FY23) due to challenges in San Francisco and New York. IHCL's air catering business TajSATS clocked revenue growth of 48% YoY, while the management fee income grew 14% YoY. Ginger ARR was up only 1%YoY in Q2, though occupancy improved by 7pps YoY to 65%. Higher ARR in SeleQtions (15% YoY) led to a dip in occupancy (-2pps YoY).

H2 performance to be robust; Ginger ARR to improve at fast pace

IHCL expects robust demand from the structural shift in consumers' behavioral mindset. H2 performance would improve, with double-digit YoY growth in Q3 RevPaR, as: i) October has been considerably strong; ii) business on the books is quite strong; and iii) foreign tourist arrival expected to pick-up. Ginger ARR would improve at a fast pace post renovation of rooms, leading to RevPar growing at over 20% YoY (14% YoY in Q2). TajSATS has levers for growth with increase in number of airports/flights and increase in non-aviation revenue for TajSATS. Investments by company will be India-centric.

FY23-26E EBITDA CAGR to clock at 16%; BUY

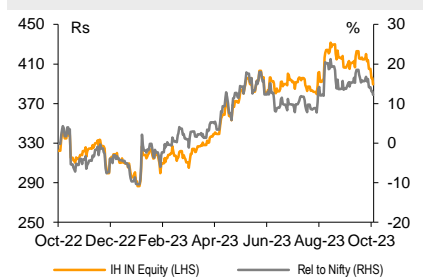
Company continues to focus on diversification of topline with new brands. Renovation will help in mid- & long-term revenue growth. Robust demand will aid RevPAR CAGR of 10% and consol. revenue/EBITDA CAGR of 13%/16% over FY23-26E, amid margin expansion. We have cut our consol. EBITDA by 1%/4%/7% for FY24E/FY25E/FY26E, as we reduce margin expectation amid the margin miss. We maintain BUY on the stock, with TP of Rs455/share (Rs485 earlier), ascribing 23x Sep-25E EV/EBITDA.

Target Price – 12M	Sep-24
Change in TP (%)	(6.2)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	21.5
CMP (27-Oct-23) (Rs)	374.6

Stock Data	Ticker
52-week High (Rs)	436
52-week Low (Rs)	280
Shares outstanding (mn)	1,420.4
Market-cap (Rs bn)	532
Market-cap (USD mn)	6,391
Net-debt, FY12E (Rs mn)	0
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	1,349.7
ADTV-3M (USD mn)	16.2
Free float (%)	-
Nifty-50	19,047
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	38.2
FPIs/MFs (%)	22.2/23.3

Price Performance

(%)	1M	3M	12M
Absolute	(9.3)	(2.7)	16.3
Rel. to Nifty	(6.2)	0.4	8.3

1-Year share price trend (Rs)**Santosh Sinha**santosh.sinha@emkayglobal.com
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Key takeaways from the earnings call

- **Demand to stay robust; Cyclicity to reduce:** Company expects robust demand from the structural shift in consumers' behavioral mind-set along with factors like government push for infrastructure and short-term domestic triggers like G-20, ICC cricket World Cup and Mice. As the Indian economy grows, length of the hotel sector cycle will start changing.
- **Outlook positive; H2 performance to improve:** RevPAR growth remains substantially strong and business on the books is quite robust, as per the company. The first 26 days of October have been extremely sturdy for the company, which expects the trend to continue. The management expects occupancy to stay elevated in key cities, which are not seeing inflow of much supply; foreign tourist arrival (FTA) will also help occupancy. Normally, IHCL sees a 30% jump between Q2 and Q3 in RevPAR. Company expects double-digit YoY RevPAR growth in Q3 as well.
- **Investments to be India-centric:** Company has no strategic intent to invest in international markets from its own pocket, though it remains open to signing management contracts. Regarding its international business, Company will be highly selective, and focus on the *Taj* brand. As IHCL continues to generate FCF, Company is looking to expand via: i) organically adding capacity; and ii) inorganic opportunities at the right price.
- **Ginger ARR to improve at fast pace:** 70% of the Ginger portfolio has been renovated and repositioned. When a hotel is undergoing renovation, there is no improvement in ARR; this has led to lower YoY ARR improvement for Ginger in Q2. The management expects significant increase in Ginger ARR in the next one year from hereon. RevPar growth for Ginger can exceed 20% YoY (from 14% YoY in Q2). Ginger Santa Cruz (with 371 rooms) will open soon and add Rs1bn in annual revenue for the company. It should operate north of Rs6,500 in ARR terms. Company is awaiting some licenses, cleaning up of the facade and access road.
- **TajSATS has levers for growth:** Company's air catering business TajSATS clocked revenue of Rs2.13bn, a 48% YoY growth (vs. 55% YoY growth in Q1 at Rs2.05bn). It recorded EBITDA margin of 24.4% with 9pps margin expansion YoY. It commands 60% market share in the Indian Airline catering segment. Company has signed a new concession agreement for an outlet at the Noida International Airport, which should start operations by end of next year. IHCL commenced operations at Goa's Mopa airport which are beginning to stabilize. Growth levers for TajSATS include: i) increase in number of airports and flights; ii) increase in non-aviation revenue; iii) airlines catering from only limited number of vendors. Revenue from TajSATS can grow to Rs10bn by next year.
- **New Chambers launched:** Company has launched the refurbished Chambers at Taj Lands End and also opened The Chambers at Taj West End in Bengaluru, this month.
- **FNB revenue growth ~10% in Q2.** Company expects this growth to pick up and does not foresee any stress from inflation. Higher number of weddings in Q3 will also help the FNB segment.
- **EBITDA from International down YoY.** San Francisco is seeing challenges due to macroeconomic factors, and it may be 3-5 quarters before the city recoups its earlier numbers. New York has still not seen a rebound to pre-Covid levels, though inflation has caused increase in costs. The management believes its hotel in London is doing well, but could do better. Maldives is a bit soft and Sri Lanka is recovering.
- **Renovation update:** Company has shut down its hotel at Malabar for renovation. Taj Mansingh in Delhi is back on the company's portfolio and is performing well. Renovation is also helping improve revenue, as renovated rooms come in a new style, with jump in revenue. Renovation leads to reduction in functional rooms in the short-term. However, it also takes care of mid-and long-term revenue growth.
- **Company acquires equity shares of Piem Hotels** held by New Vernon Pvt. Equity (6.80% of the paid-up equity) and TICL (0.28% of the paid-up equity share), through combination of share swap and cash. Presently, IHCL holds 51.57% stake in Piem Hotels that will increase to 58.6%. Total cost of acquisition is expected to be Rs1.33bn. This will help further simplify the holding structure of the company.

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- **Ankur Dalwani appointed CFO (Designate) with effect from 1-Dec-2023.** Mr Dalwani would take over as whole-time CFO from Giridhar Sanjeevi, effective 1-Jul-2024.. Ankur Dalwani, aged 49 years, is currently the SVP at Group CFO's Office -Tata Sons Pvt. He has about 26 years of experience in Corporate Finance & Strategy, Investment Banking & M&A, and Leading roles. He has worked with Enron India, DSP Merrill Lynch, IDFC Capital, Jefferies India Private, and L&T Financial Services (LTFS) earlier. He is an MBA (Finance) from SP Jain and a BE from NIT, Rourkela.

Q2FY24 results: Consol. revenue broadly in-line; margin lower

- Consol. revenue was Rs14.3bn (+16%YoY), at 1% below Street and 2% above our expectations.
- EBITDA margin expanded by 90bps YoY (-322bps QoQ) to 24.8% (34bps below Consensus and 90bps below our estimates). Margin expansion was led by a 50bps decline in cost of raw material (as share of revenue). Company's focus on optimizing cost and revenue flow-through has helped expand margin.
- ARR of the group grew 11% YoY, to 8,826 at an occupancy level of 65.7% in Q2FY24 vs 63.3% in Q2FY23. Accordingly, RevPAR grew 16% YoY to Rs5,795.
- Finance cost was flattish at Rs0.6bn (-1.6% YoY), while depreciation increased 8.4% YoY to Rs1.1bn.
- EBITDA increase of 20.7% YoY led to increase in PAT by 38%YoY to Rs1.8bn (~5% above consensus/our estimate).

Exhibit 1: Consolidated results

Consolidated P&L (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY %	Chg QoQ %
Revenue	12,661	12,326	16,858	16,254	14,664	14,332	16.3	(2.3)
Costs of RM	1,039	1,030	1,405	1,255	1,155	1,124	9.1	(2.7)
Employee costs	3,596	3,764	4,244	4,218	4,287	4,405	17.0	2.8
Fuel, Power & Light	760	770	740	750	800	810	5.2	1.3
Other Expenses	3,487	3,823	4,497	4,676	4,321	4,445	16.3	2.9
Total Expenses	8,882	9,386	10,886	10,899	10,562	10,784	14.9	2.1
EBITDA	3,779	2,940	5,972	5,355	4,102	3,548	20.7	(13.5)
D&A	1,026	1,026	1,033	1,076	1,091	1,112	8.4	2.0
EBIT	2,753	1,914	4,939	4,279	3,011	2,436	27.3	(19.1)
Other Income	271	250	577	291	493	477	91.0	(3.4)
Finance Costs	624	600	567	570	565	591	(1.6)	4.5
PBT before Xo	2,401	1,564	4,949	4,000	2,939	2,322	48.5	(21.0)
Exceptional gain/(loss)	(91)	123	1	(0)	-	-		
PBT after Xo	2,310	1,687	4,950	4,000	2,939	2,322	37.6	(21.0)
Tax	648	443	1,161	980	833	723	63.0	(13.3)
Profit/(loss) of JV/Associate	147	52	246	368	254	191	265.8	(25.0)
PAT	1,809	1,296	4,036	3,388	2,360	1,790	38.1	(24.2)
APAT	1,900	1,173	4,035	3,389	2,360	1,790	52.6	(24.2)
% of Revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY (bps)	Chg QoQ (bps)
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	-	-
Cost of RM	8.2	8.4	8.3	7.7	7.9	7.8	(51)	(3)
Employee costs	28.4	30.5	25.2	26.0	29.2	30.7	20	150
Fuel, Power & Light	6.0	6.2	4.4	4.6	5.5	5.7	(60)	20
Admin & Other Expenses	27.5	31.0	26.7	28.8	29.5	31.0	0	155
Total Expenses	70.2	76.1	64.6	67.1	72.0	75.2	(90)	322
EBITDA	29.8	23.9	35.4	32.9	28.0	24.8	90	(322)
D&A	8.1	8.3	6.1	6.6	7.4	7.8	(56)	32
EBIT	21.7	15.5	29.3	26.3	20.5	17.0	147	(354)

Source: Company

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Standalone: Beat on revenue; margin in-line

- Standalone revenue was up 19% YoY, at Rs8.9bn (3.5% above our estimate). EBITDA margin expanded by 231bps YoY (-234bps QoQ) to 30.7% (Emkay: 30.9%).
- Standalone occupancy was 75.9% (vs. 69.8% in Q2FY23) with ARR of Rs12,972, up 18%YoY. RevPAR was up 28% YoY at Rs9,840 (a 13% beat on our estimate).

Other highlights

- EBITDA from International is down ~28% YoY, with margin at 8.4% (vs. 12.5% in Q2FY23).
- Management Fee income grew 14% YoY.
- Company's air catering business TajSATS clocked revenue of Rs2.13bn, at 48% YoY growth (vs. 55% YoY growth in Q1 at Rs2.05bn).
- IHCL signed 6 hotels in Q2 (vs. 11 in Q1), which include three Taj hotels in international markets, two SeleQtions hotels and one Ginger hotel.
- IHCL opened 3 new hotels in Q2 (vs. 5 new hotels in Q1).

Exhibit 2: Standalone financial result

Standalone P&L (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY %	Chg QoQ %
Revenue	7,612	7,503	10,616	11,311	8,904	8,929	19.0	0.3
Cost of RM	652	658	907	829	702	708	7.6	0.8
Employee costs	1,703	1,800	1,992	2,122	2,019	2,140	18.9	6.0
Fuel, Power & Light	480	470	450	440	510	500	6.4	(2.0)
Admin & Other Expenses	2,173	2,447	2,875	3,148	2,733	2,843	16.2	4.0
Total Expenses	5,007	5,375	6,224	6,539	5,965	6,191	15.2	3.8
EBITDA	2,605	2,128	4,391	4,773	2,939	2,738	28.7	(6.8)
D&A	508	516	519	536	541	552	7.0	2.1
EBIT	2,097	1,612	3,873	4,237	2,398	2,186	35.6	(8.8)
Other Income	268	242	218	343	446	559	130.7	25.4
Finance Costs	322	316	325	320	300	314	(0.9)	4.5
PBT before Xo	2,044	1,537	3,765	4,260	2,543	2,431	58.1	(4.4)
Exceptional gain/(loss)	(20)	(33)	-	(164)	-	(312)	850.0	-
PBT after Xo	2,024	1,505	3,765	4,096	2,543	2,119	40.9	(16.7)
Tax	549	370	934	1,107	661	547	47.9	(17.3)
PAT	1,474	1,135	2,832	2,989	1,882	1,572	38.6	(16.5)
APAT	1,494	1,168	2,832	3,154	1,882	1,884	61.4	0.1
% of Revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY (bps)	Chg QoQ (bps)
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	-	-
Costs of RM	8.6	8.8	8.5	7.3	7.9	7.9	(84)	4
Employee costs	22.4	24.0	18.8	18.8	22.7	24.0	(2)	129
Fuel, Power & Light	6.3	6.3	4.2	3.9	5.7	5.6	(66)	(13)
Admin & Other Expenses	28.5	32.6	27.1	27.8	30.7	31.8	(78)	114
Total Expenses	65.8	71.6	58.6	57.8	67.0	69.3	(231)	234
EBITDA	34.2	28.4	41.4	42.2	33.0	30.7	231	(234)
D&A	6.7	6.9	4.9	4.7	6.1	6.2	(70)	11
EBIT	27.6	21.5	36.5	37.5	26.9	24.5	300	(245)

Source: Company

Exhibit 3: Standalone operational performance

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY %	Chg QoQ %
Occupancy (%)	70.4	70.0	72.1	74.7	74.7	75.9	591 bps	120 bps
ARR (Rs)	11,397	11,003	15,456	16,915	12,614	12,972	17.9	2.8
RevPAR (Rs)	8,023	7,681	11,144	12,636	9,428	9,840	28.1	4.4
Revenue Break-up (Rs mn)								
Room Revenue	3,250	3,180	4,520	4,990	3,770	4,000	25.8	6.1
F&B Revenue	2,810	2,840	4,000	4,160	3,200	3,150	10.9	(1.6)
Other Revenues	1,552	1,483	2,096	2,161	1,934	1,779	20.0	(8.0)
Total	7,612	7,503	10,616	11,311	8,904	8,929	19.0	0.3

Source: Company

Exhibit 4: Implied subsidiary performance

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY %	Chg QoQ %
Revenue	5,048	4,823	6,242	4,943	5,760	5,403	12.0	(6.2)
Costs of RM	388	372	498	426	452	416	11.8	(8.1)
Employee costs	1,893	1,964	2,253	2,097	2,267	2,265	15.3	(0.1)
Fuel, Power & Light	280	300	290	310	290	310	3.3	6.9
Admin & Other Expenses	1,314	1,375	1,621	1,528	1,588	1,603	16.5	0.9
Total Expenses	3,875	4,011	4,662	4,361	4,597	4,593	14.5	(0.1)
EBITDA	1,174	812	1,581	582	1,163	810	(0.3)	(30.4)
D&A	518	509	514	541	550	560	9.9	1.9
EBIT	656	303	1,067	42	613	250	(17.4)	(59.3)
Other Income	3	7	360	(52)	48	(82)	(1,209.5)	(272.5)
Finance Costs	302	284	243	250	265	277	(2.4)	4.5
PBT before Xo	357	26	1,184	(260)	396	(109)	(514.8)	(127.6)
Exceptional gain/(loss)	(71)	156	1	164	-	312	99.5	-
PBT after Xo	286	183	1,185	(96)	396	203	11.0	(48.9)
Tax	99	73	227	(127)	172	176	139.2	2.0
Profit/(loss) of JVs/Assoc.	147	52	246	368	254	191	265.8	(25.0)
PAT	334	161	1,204	399	478	218	34.9	(54.5)
APAT	405	5	1,203	235	478	(94)		
% of Revenue	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Chg YoY (bps)	Chg QoQ (bps)
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	-	-
Costs of RM	7.7	7.7	8.0	8.6	7.9	7.7	(1)	(16)
Employee costs	37.5	40.7	36.1	42.4	39.4	41.9	120	256
Fuel, Power & Light	5.5	6.2	4.6	6.3	5.0	5.7	(48)	70
Admin & Other Expenses	26.0	28.5	26.0	30.9	27.6	29.7	114	210
Total Expenses	76.8	83.2	74.7	88.2	79.8	85.0	185	520
EBITDA	23.2	16.8	25.3	11.8	20.2	15.0	(185)	(520)
D&A	10.3	10.6	8.2	10.9	9.5	10.4	(20)	82
EBIT	13.0	6.3	17.1	0.8	10.6	4.6	(165)	(602)

Source: Company

Changes in estimates**Exhibit 5: Changes in estimate**

Rs	FY24E			FY25E			FY26E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue (Rs mn)	66,339	66,905	0.9	74,526	75,401	1.2	83,158	84,555	1.7
EBITDA (Rs mn)	21,876	21,661	(1.0)	26,106	24,966	(4.4)	30,665	28,402	(7.4)
EBITDA Margin (%)	33.0	32.4	-60 bps	35.0	33.1	-192 bps	36.9	33.6	-329 bps
APAT (Rs mn)	13,561	13,578	0.1	17,200	16,729	(2.7)	21,904	20,622	(5.9)
AEPS (Rs mn)	9.5	9.6	0.1	12.1	11.8	(2.7)	15.4	14.5	(5.9)

Source: Company, Emkay Research

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Valuation

Exhibit 6: Valuation

Valuation snapshot (Consolidated)	Sep-25E
EBITDA (Rs mn)	26,684
Target multiple (x)	23
Enterprise Value (Rs mn)	6,13,742
Less: Minority Interests	10,443
Less: Net Debt (Rs mn)	(25,092)
Equity Value (Rs mn)	6,28,391
O/s shares (mn)	1,420
Value per share (Rs)	442
Add: Value of IHCL stake in TajGVK/Oriental	7
Add: Others (Rs)	6
Value per share (Rs)	455

Source: Company, Emkay Research

Exhibit 7: Sensitivity for 5% decline in RevPAR

		FY25	FY26
Base RevPar	Rs	12,372	13,032
New RevPar	Rs	11,753	12,380
Change	%	-5.0	-5
Base Revenue	Rs mn	75,401	84,555
New Revenue	Rs mn	71,854	80,568
Change	%	-4.7	-4.7
Base EBITDA	Rs mn	24,966	28,402
New EBITDA	Rs mn	21,702	24,732
Change	%	-13.1	-12.9
Base PAT	Rs mn	16,729	20,622
New PAT	Rs mn	14,362	17,895
Change	%	-14.2	-13.2
Base RoE	%	16.5	17.2
New RoE	%	14.3	15.4
Change	bps	-217	-181
Base RoCE	%	18.5	18.4
New RoCE	%	15.7	16
Change	bps	-281	-241
Base Net Debt	Rs bn	-39.3	-59.7
New Net Debt	Rs bn	-37.0	-54.7
Change	%	-5.9	-8.4
Base Net Debt/EBITDA	x	-1.6	-2.1
New Net Debt/EBITDA	x	-1.7	-2.2
Change	%	8.3	5.2
Base TP	Rs	455	
New TP	Rs	396	
Change	%	-12.9	

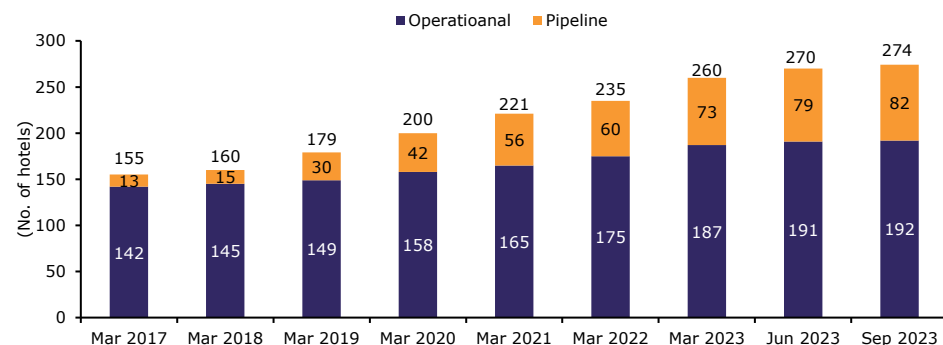
Source: Emkay Research

Exhibit 8: IHCL has pipeline of 11k rooms

Brands	Current		Pipeline		Total	
	No. of Hotels	No. of Rooms	No. of Hotels	No. of Rooms	No. of Hotels	No. of Rooms
Taj	82	12,042	21	3,701	103	15,743
Vivanta	28	3,891	21	2,856	49	6,747
SeleQtions	23	1,567	13	1,358	36	2,925
Ginger	59	4,965	27	3,147	86	8,112
Total	191	22,465	82	11,062	273	33,527

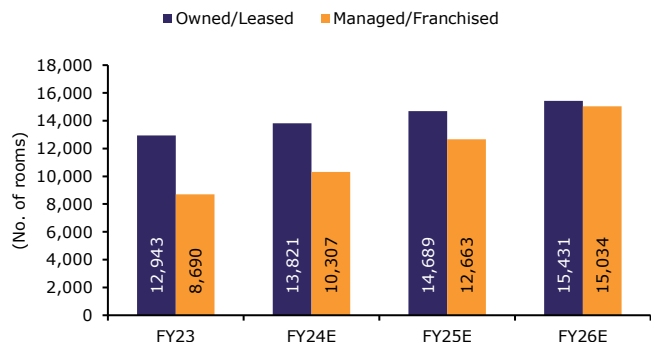
Source: Company

Exhibit 9: Pipeline of 82 hotels



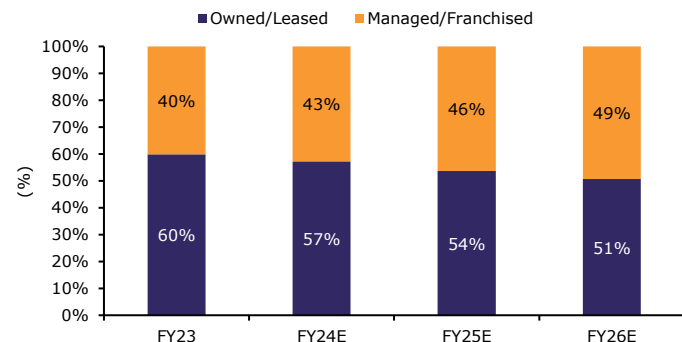
Source: Company, Emkay Research

Exhibit 10: Managed-room addition to happen at fast pace



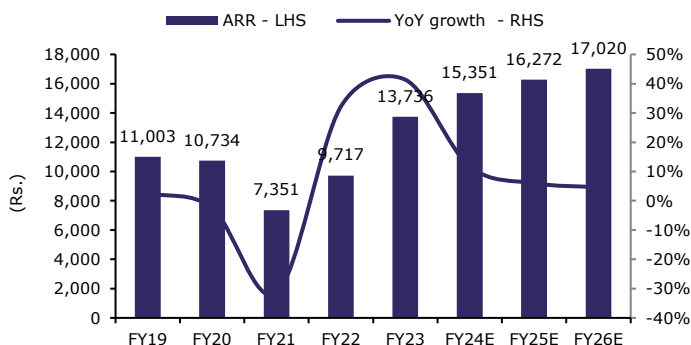
Source: Company, Emkay Research

Exhibit 11: Share of managed rooms to be ~50% by FY26E



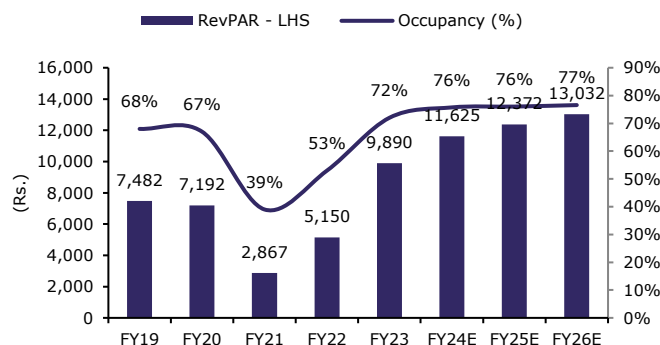
Source: Company, Emkay Research

Exhibit 12: ARR to lock at 7% CAGR over FY23-26E



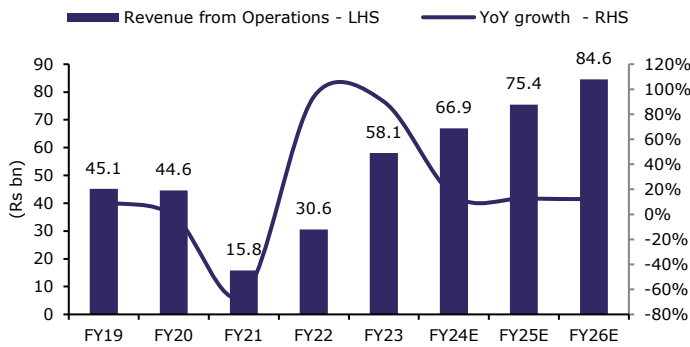
Source: Company, Emkay Research

Exhibit 13: RevPAR to register 10% CAGR over FY23-26E



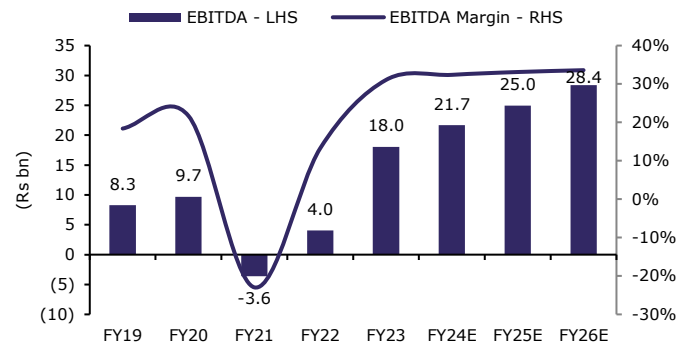
Source: Company, Emkay Research

Exhibit 14: Revenue to register 13% CAGR over FY23-26E



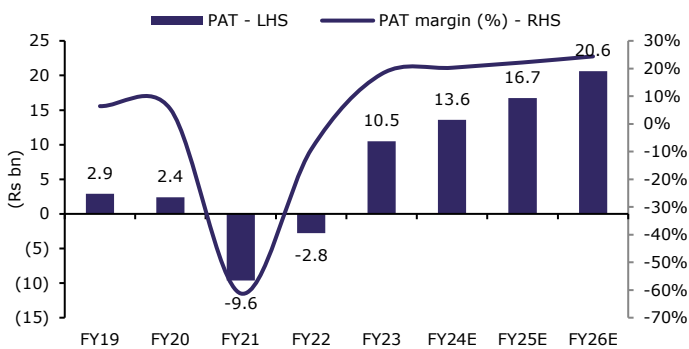
Source: Company, Emkay Research

Exhibit 15: EBITDA to register 16% CAGR over FY23-26E



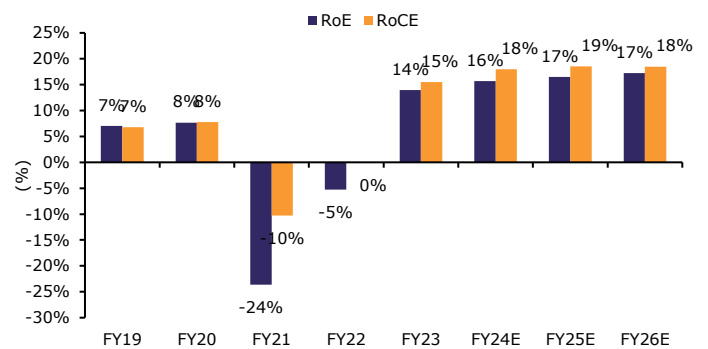
Source: Company, Emkay Research

Exhibit 16: PAT to register at Rs20.6bn by FY26E



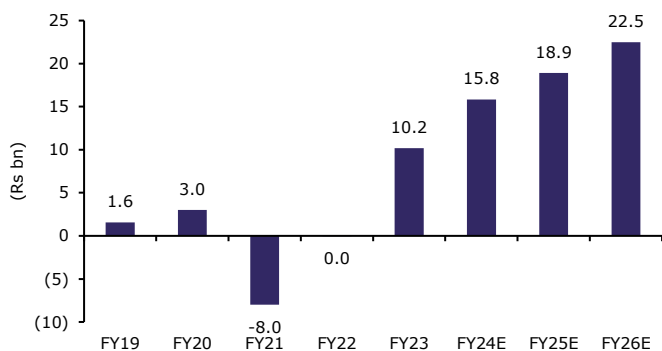
Source: Company, Emkay Research

Exhibit 17: RoE to register at 17% by FY26E



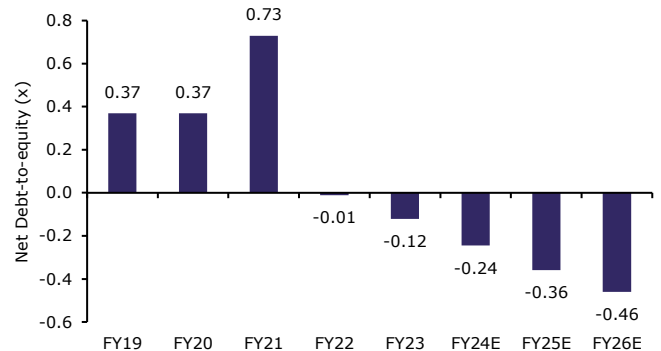
Source: Company, Emkay Research

Exhibit 18: Over Rs50bn of FCF to be generated in 3 years



Source: Company, Emkay Research

Exhibit 19: Net debt-to-equity position to improve



Source: Company, Emkay Research

Indian Hotels: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	30,562	58,099	66,905	75,401	84,555
Revenue growth (%)	94.0	90.1	15.2	12.7	12.1
EBITDA	4,048	18,046	21,661	24,966	28,402
EBITDA growth (%)	0.0	345.8	20.0	15.3	13.8
Depreciation & Amortization	4,061	4,161	4,458	4,644	4,832
EBIT	(13)	13,885	17,203	20,322	23,571
EBIT growth (%)	0.0	0.0	23.9	18.1	16.0
Other operating income	0	0	0	0	0
Other income	1,552	1,389	2,018	1,928	2,699
Financial expense	4,277	2,361	2,244	1,883	1,425
PBT	(2,738)	12,914	16,978	20,367	24,845
Extraordinary items	0	0	0	0	0
Taxes	(358)	3,232	4,705	5,408	6,642
Minority interest	0	0	0	0	0
Income from JV/Associates	(426)	814	1,305	1,770	2,419
Reported PAT	(2,649)	10,529	13,578	16,729	20,622
PAT growth (%)	0.0	0.0	29.0	23.2	23.3
Adjusted PAT	(2,805)	10,495	13,578	16,729	20,622
Diluted EPS (Rs)	(2.0)	7.4	9.6	11.8	14.5
Diluted EPS growth (%)	0.0	0.0	29.4	23.2	23.3
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	13.2	31.1	32.4	33.1	33.6
EBIT margin (%)	0.0	23.9	25.7	27.0	27.9
Effective tax rate (%)	13.1	25.0	27.7	26.6	26.7
NOPLAT (pre-IndAS)	(11)	10,410	12,435	14,927	17,269
Shares outstanding (mn)	1,420.4	1,420.4	1,420.4	1,420.4	1,420.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	(2,738)	12,914	16,978	20,367	24,845
Others (non-cash items)	8,181	6,488	6,702	6,527	6,257
Taxes paid	358	(3,232)	(4,705)	(5,408)	(6,642)
Change in NWC	(1,744)	672	(46)	772	697
Operating cash flow	3,631	17,655	20,234	24,029	27,576
Capital expenditure	(4,122)	(9,578)	(4,409)	(5,092)	(5,074)
Acquisition of business	36,539	314	1,829	2,345	2,915
Interest & dividend income	(4,871)	(3,781)	(4,960)	(5,230)	(5,550)
Investing cash flow	32,573	(9,230)	(2,580)	(2,747)	(2,159)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(16,609)	(7,473)	(2,226)	(1,182)	(594)
Payment of lease liabilities	0	0	0	0	(1,483)
Interest paid	(4,277)	(2,361)	(2,244)	(1,883)	(1,425)
Dividend paid (incl tax)	(595)	(1,420)	(2,716)	(3,347)	(4,126)
Others	0	0	0	0	0
Financing cash flow	(21,480)	(11,253)	(7,186)	(6,412)	(6,144)
Net chg in Cash	14,724	(2,828)	10,468	14,869	19,273
OCF	3,631	17,655	20,234	24,029	27,576
Adj. OCF (w/o NWC chg.)	5,376	16,983	20,280	23,256	26,879
FCFF	(491)	8,078	15,825	18,937	22,502
FCFE	(9,639)	1,936	8,621	11,824	15,526
OCF/EBITDA (%)	89.7	97.8	93.4	96.2	97.1
FCFE/PAT (%)	343.6	18.4	63.5	70.7	75.3
FCFF/NOPLAT (%)	4,346.7	77.6	127.3	126.9	130.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,420	1,420	1,420	1,420	1,420
Reserves & Surplus	69,202	78,399	91,705	1,08,100	1,28,309
Net worth	70,623	79,820	93,125	1,09,520	1,29,730
Minority interests	5,930	6,601	6,931	7,277	7,641
Deferred tax liability (net)	(704)	(15)	27	53	62
Total debt	40,226	32,829	30,687	29,655	29,211
Total liabilities & equity	1,16,074	1,19,234	1,30,771	1,46,505	1,66,644
Net tangible fixed assets	641	850	1,059	0	0
Net intangible assets	4	7	9	89,421	89,480
Net ROU assets	(301)	(315)	(539)	19,548	19,939
Capital WIP	1,933	3,242	2,275	2,483	2,667
Goodwill	6,229	6,536	6,536	6,536	6,536
Investments [JV/Associates]	14,502	14,084	14,789	15,528	16,304
Cash & equivalents	17,044	15,360	25,691	40,416	59,538
Current assets (ex-cash)	11,681	14,155	15,292	16,662	18,194
Current Liab. & Prov.	13,242	15,871	16,457	18,004	19,538
NWC (ex-cash)	(1,561)	(1,716)	(1,165)	(1,342)	(1,344)
Total assets	1,16,074	1,19,234	1,30,771	1,46,505	1,66,644
Net debt	(3,165)	(12,051)	(24,036)	(39,589)	(59,124)
Capital employed	89,728	89,716	1,01,738	1,17,678	1,37,846
Invested capital	82,595	86,548	88,016	88,078	88,135
BVPS (Rs)	49.7	56.2	65.6	77.1	91.3
Net Debt/Equity (x)	0.0	(0.2)	(0.3)	(0.4)	(0.5)
Net Debt/EBITDA (x)	(0.8)	(0.7)	(1.1)	(1.6)	(2.1)
Interest coverage (x)	2.8	0.2	0.1	0.1	0.1
RoCE (%)	0.0	15.5	18.0	18.5	18.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	(189.6)	50.7	39.2	31.8	25.8
P/CE(x)	423.8	36.3	29.5	24.9	20.9
P/B (x)	7.5	6.7	5.7	4.9	4.1
EV/Sales (x)	17.3	8.9	7.6	6.5	5.6
EV/EBITDA (x)	130.7	28.8	23.5	19.7	16.6
EV/EBIT(x)	(40,680.4)	37.4	29.5	24.2	20.1
EV/IC (x)	6.4	6.0	5.8	5.6	5.4
FCFF yield (%)	(0.1)	1.6	3.1	3.8	4.8
FCFE yield (%)	(1.8)	0.4	1.6	2.2	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(9.2)	18.1	20.3	22.2	24.4
Total asset turnover (x)	0.4	0.6	0.7	0.7	0.7
Assets/Equity (x)	1.6	1.2	1.1	1.1	1.1
RoE (%)	(5.2)	14.0	15.7	16.5	17.2
DuPont-RoIC					
NOPLAT margin (%)	0.0	17.9	18.6	19.8	20.4
IC turnover (x)	0.4	0.7	0.8	0.9	1.0
RoIC (%)	0.0	12.3	14.2	17.0	19.6
Operating metrics					
Core NWC days	(22.1)	(12.8)	(11.6)	(11.5)	(11.5)
Total NWC days	(18.6)	(10.8)	(6.4)	(6.5)	(5.8)
Fixed asset turnover	0.4	0.7	0.8	0.8	0.9
Opex-to-revenue (%)	78.3	60.8	59.7	58.9	58.5

Source: Company, Emkay Research

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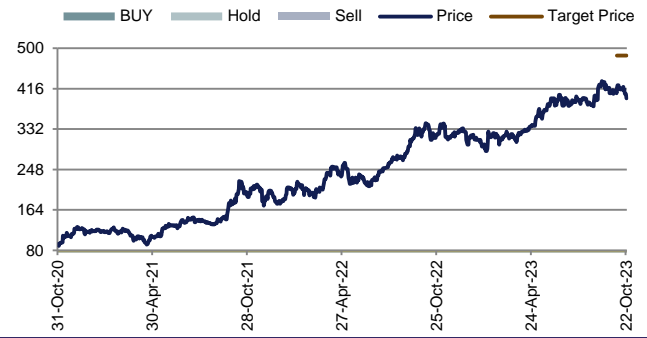
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Date	CMP (INR)	TP (INR)	Rating	Analyst
05-Oct-23	418	485	Buy	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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