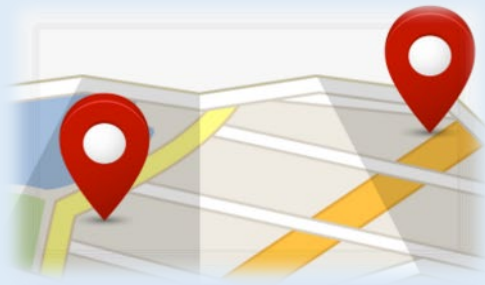
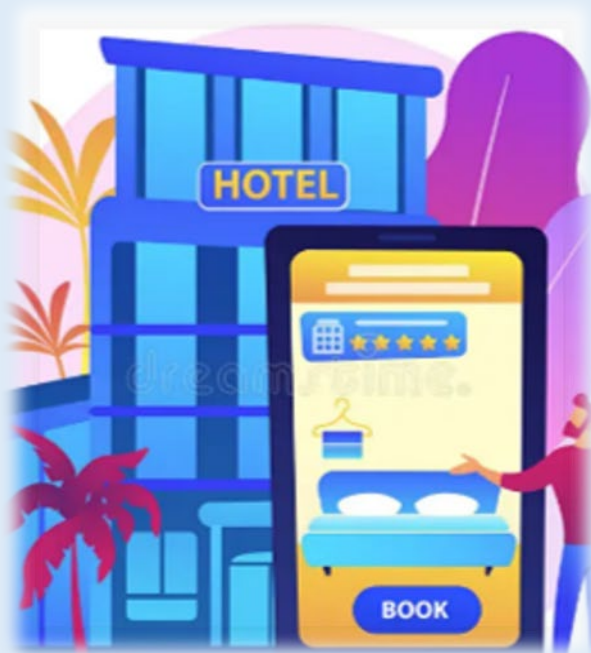
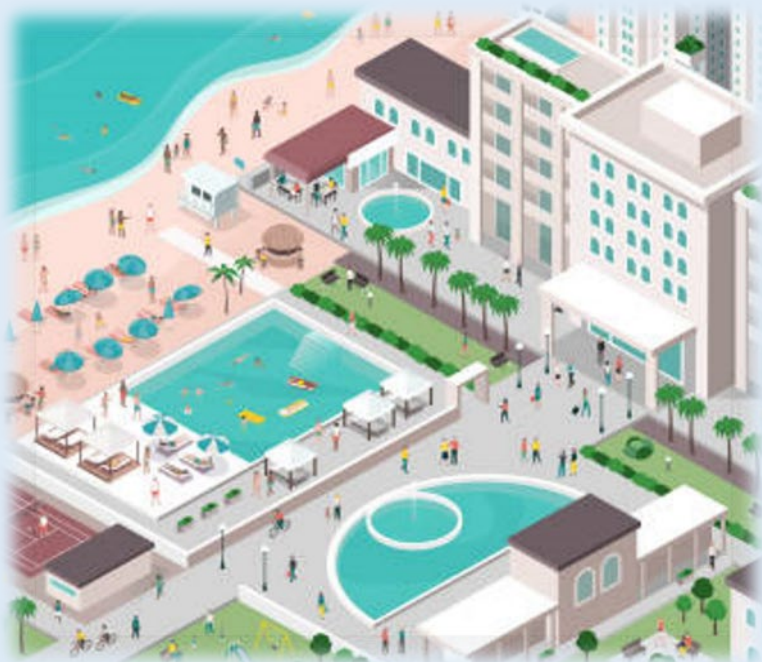


# IHCL

## Unlocking Growth Amid Evolving Travel Trends



# IHCL

**Buy Range** ₹670 – 700

**Target** ₹810 – 840

**Recommendation** Buy

**Highlights**

- FY24 was pivotal for the Indian hospitality sector as it continued to grow fuelled by favorable demographics, robust domestic demand, increased investments and hosting international events. The contribution of the travel and tourism industry to the GDP of India is expected to be \$512 billion by 2028 with 53 million new jobs by 2029. Historically, there has been a high correlation between the increase in foreign tourist arrivals and hotel occupancies.
- The supply of branded rooms in India will grow at a CAGR of 5-6% over the next five years from around 165,000 rooms to 220,000 rooms by FY28. However the demand is expected to outpace with growth anticipation of 8-10% CAGR over the same period.
- The Indian Hotel Company Ltd (IHCL) is a perfect play in the hospitality sector as its portfolio is spread across segments with a presence in luxury (Taj brand), upscale and upper upscale (Seleqtions/Vivanta) and midscale/lean luxury (Ginger). This helps the company capture a wide range of customers, including those traveling for leisure as well as business.
- IHCL has presence in approximately 150 locations across 13 countries, giving it a competitive edge over competitors, as achieving this scale of presence would require significant capital expenditure.
- **IHCL well placed to capitalise on demand across segments** - This enables the company to offer customers a diverse range of pricing options in each city, a distinctive capability that we believe is unrivaled by competitors.
- The share of inventory of managed hotels in its portfolio enhanced from just 10% in FY18 to 14% in FY24. This has been one of the key drivers in EBIDA margin from 16% in FY18 to 32% in FY24. We expect IHCL to print a ~33-33.5% EBITDA margin in FY25E.
- AHVAAN 2025 introduced in FY22 to re-engineer margins, re-imagine brandscape and re-structure portfolio. Guided by the vision of AHVAAN 2025, the company aims to sustain growth momentum to reach a portfolio of 300 hotels and continue to stay focused on profitability with a target to achieve a 33% EBITDA margin by FY 2025-26. Further AHVAAN 2025 will strengthen the balance sheet with a focus on free cash flows and be a zero net debt company.
- The Indian hospitality sector faced multiple headwinds in Q1FY25 ranging from an election period to extreme heat wave and fewer wedding dates. However, IHCL's strong brand equity, customer trust and focus on performance helped the company remain resilient and outperform the industry in all key markets driving a RevPAR premium well above the industry average in the domestic market.
- We estimate revenue CAGR at ~17% over the period FY24-26E. EBITDA and PAT are expected to increase by ~19% and ~23% CAGR over the same period. Strong earnings growth would also translate into an improvement in return ratios for the company during the period. We recommend BUY on IHCL at the current valuation and see a gradual re-rating towards ₹840.

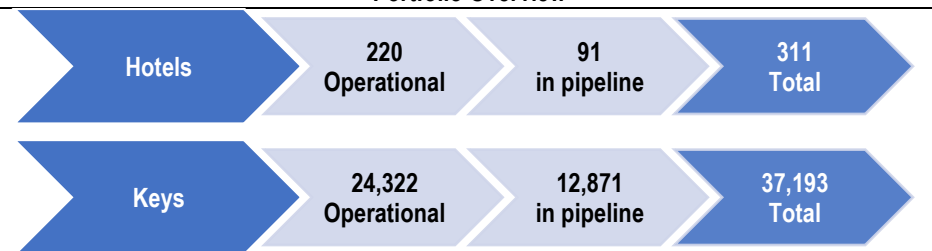
## Indian Hotels Co. Ltd. (INDHOTEL)

### Company Background

Incorporated in 1899 by Mr. Jamsetji Tata, the founder of the Tata Group, IHCL opened its first hotel, The Taj Mahal Palace, Mumbai, in 1903. Over a timeline extending more than 120 years, IHCL built an unrivaled reputation and established irrefutable leadership. With a powerful portfolio of compelling brands — Taj, SeleQtions, Vivanta, Ginger, and amā Stays & Trails — the company is on a journey to optimize opportunities in hospitality across diverse customer segments and landscapes. IHCL's portfolio spans 4 continents, 13 countries, and over 150 locations.

Taj, the iconic brand for the most discerning travelers, has been awarded as the World's Strongest Hotel Brand 2024 and India's Strongest Brand 2024 by Brand Finance. SeleQtions is a curated collection of hotels, Vivanta represents sophisticated upscale hotels, and Ginger is revolutionizing the lean luxe segment.

### Portfolio Overview



As on April 30, 2024 Source: Company, Way2Wealth

- Taj:** "Taj" is a flagship brand used by palace hotels, landmark hotels, resorts and safaris and leisure destinations across the globe. As of June 30, 2024, under the "Taj" brand the company has a portfolio of 114 hotels, of which 81 hotels are in operation and 33 hotels are in the pipeline.
- SeleQtion:** is the brand under which it includes a collection of marquee hotels in, and around, key cities across India. As of June 30, 2024, under the "SeleQtions" brand has a portfolio of 36 hotels, of which 23 hotels are in operation and 13 hotels are in the pipeline.
- "Vivanta"** is the brand under which constitute hotels in business and leisure centres across India and South East Asia. Under the "Vivanta" brand the company has a portfolio of 52 hotels, of which 30 hotels are in operation and 22 hotels are in the pipeline.
- Ginger-** brand caters to budget travelers, offering hotels in around 50 cities across India, managed by its subsidiary, Roots Corporation Limited. As of Jun 30, 2024, the "Ginger" portfolio included 92 hotels, with 66 operational and 26 under development.
- Gateway:** Full-service hotel offering in the upscale segment, an ideal fit to capture growth opportunities in emerging micro markets in metros and Tier II and Tier III cities.
- "amā Stays & Trails"** is a homestay brand for exclusive and longer duration stays in unexplored destinations. As of June 30, 2024, under the "amā Stays & Trails" brand company has a portfolio of 100 bungalow. (amā managed Bungalows)
- Air Catering Business** undertakes the business of catering to airlines under the brand "TajSATS" through its subsidiary, Taj SATS Air Catering Limited. The flight kitchens are located in Bengaluru, Chennai, Delhi, Goa, Kolkata, and Mumbai, and it is one of the market leaders in this business. Apart from airline catering, these kitchens also provide institutional catering and outdoor catering. In the recent past, TajSATS launched a multi-cuisine offering of Indian, pan-Asian, and comfort food called "Anuka," which can also be availed through home delivery via the Qmin mobile application. This enables them to reach city locations that cannot be catered to by hotels.

### Important Data

Nifty	25,938
Sensex	84,905

### Key Stock Data

CMP	₹712.3
Market Cap (₹)	₹1.01tn
52W High/Low	₹721//371
Shares o/s (crs)	142.3
Daily Vol. (3M NSE Avg.)	37,63,611
BSE Code	500850
NSE Code	INDHOTEL
Bloomberg Code	IH:IN

### Shareholding Pattern (%) – Jun'24

Promoter	38.12
DII	18.29
FII	27.19
Public	16.40

### Financials

Particulars	FY22	FY23	FY24
Revenue	3056.22	5809.91	6768.75
EBITDA	404.75	1804.56	2159.51
EBITDA Margin (%)	13%	31%	32%
Net Profit	-222.4	971.43	1201.59
PAT Margin	-7%	17%	18%
EPS (₹)	-1.6	6.8	8.4
RoE (%)	-3%	12%	13%
RoCE (%)	2%	14%	15%
P/E (x)	-152.32	47.43	70.03
EV/EBITDA (x)	90.37	26.69	39.54
P/BV (x)	4.80	5.77	8.90

Source: Company Data, Way2Wealth

### Relative Performance

Absolute Return (%)	1Yr	3Yr	5Yr
INDHOTEL	74	298	375
Nifty50	32	48	119
Sensex	29	45	119

Source: Company, Way2Wealth

Ashwini Sonawane

ashwinisonawane@way2wealth.com

91-22-4019 2913



Key Management Team	
<b>Mr. Puneet Chhatwal</b> (Chairman and Managing Director)	MBA in Hospitality from ESSEC, Paris and Advanced Management Programme from INSEAD. He has four decades of leadership experience at highly acclaimed international hotel groups in Europe and North America
<b>Mr. Ankur Dalwani</b> (CFO-Designate)	He was appointed as the CFO (Designate) of the company, effective Dec'23 who took subsequently take over as whole-time CFO and KMP from Mr. Giridhar Sanjeevi, effective July 01, 2024. He brings in a wealth of experience, having worked for ~26 years in Corporate Finance, Strategy, and Mergers & Acquisitions.
<b>Mr. Rohit Khosla</b> (Vice President-Operations)	He is the Executive Vice President - Operations, North and West India and is a part of the Executive Committee, of the Company. In his ~30 years of experience with the Company, he has held several leadership positions within the Group in India
<b>Mr. Parveen Chander</b>	He is the Senior Vice President – Sales and Marketing. In his ~35 years of experience in operations, he has been involved in various leadership roles within the company
<b>Mr. Beejal Desai</b> (Sr Vice President Corp Affairs & CS, Compliance Officer)	He has been associated with the Company since 2011 and in his current role he is responsible for Corporate Affairs for the Company. He has won several National and International awards, notably Best Company Secretary..

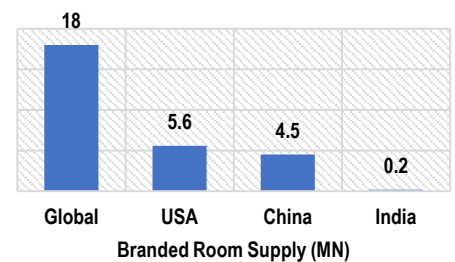
Source: Company, Way2Wealth

## Investment Rationale

### 1. Indian hospitality sector continued to grow fuelled by favourable events

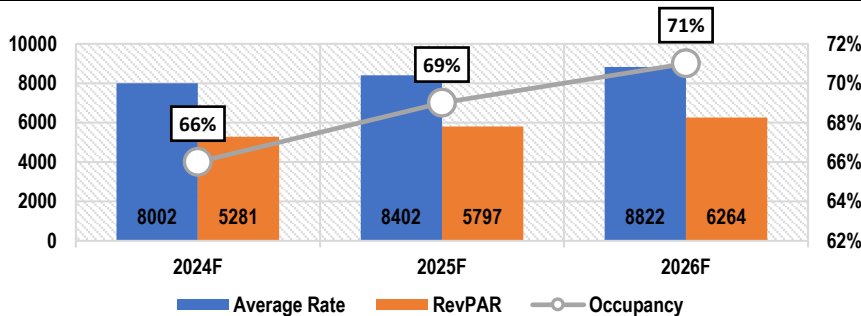
- (i) FY24 was pivotal for the Indian hospitality sector as it continued to grow fuelled by favorable demographics, robust domestic demand, increased investments and hosting international events.
- (ii) The contribution of the travel and tourism industry to India's GDP is expected to reach \$512 billion by 2028, with 53 million new jobs projected by 2029. Historically, there has been a high correlation between the increase in foreign tourist arrivals and hotel occupancies.
- (iii) With Foreign Tourist Arrivals (FTAs) each every month and nearing pre-COVID levels, there is further potential for occupancies in the hospitality to rise and surpass pre-COVID levels. The total air traffic in CY23 grew by 26% over CY22 with domestic and international air traffic increasing by 24% and 36%, respectively.
- (iv) The development of big convention centres like Pragati Maidan and Yashobhoomi International Convention Centre in New Delhi and the Jio World Convention Centre in Mumbai have positioned India as a country for hosting large-scale corporate events. The government is dedicated to making India a top 5 global tourist destination by 2030 and aims to catapult the country into a \$1trn tourism economy by 2047.

### Significantly Underpenetrated Indian Market



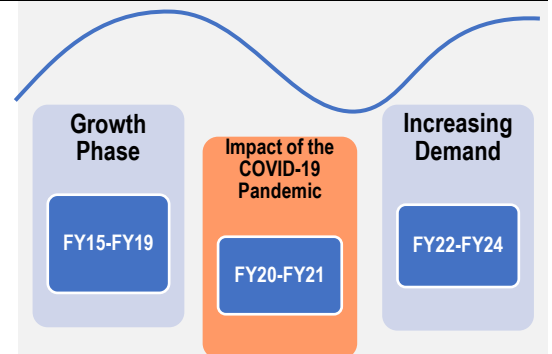
Source: US Consensus Bureau

### Indian Hotel Industry- Performance Outlook



Source: Company, Way2Wealth

### Indian Hotel Industry- Business Cycle



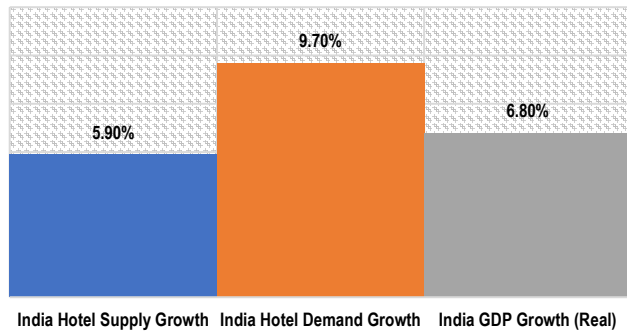
### 2. Hotel Demand to outpace Hotel Room Supply Growth

- (i) The sector is well-positioned to capitalise on an upcycle, driven by the demand-supply gap, market penetration opportunities in Tier II and Tier III markets, and strong demand drivers such as MICE, spiritual tourism, the rebound in foreign tourist arrivals and destination weddings. This evolving landscape is marked by a heightened consumer

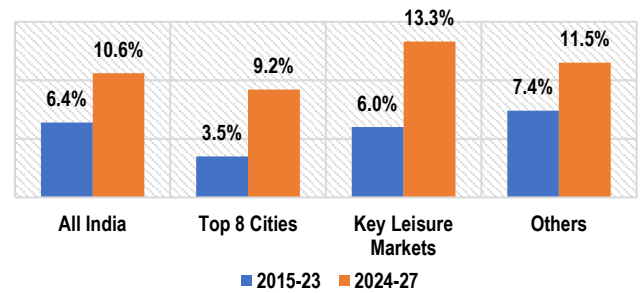
awareness and a stronger preference for brands. The positive sentiment in the industry is reflected in a growing pipeline.

- (ii) According to estimates by Hotelivate, the supply of branded rooms in India is expected to grow at a CAGR of 5-6% over the next five years, increasing from around 165,000 rooms to 220,000 rooms by FY28. However the demand is expected to outpace with growth anticipation of 8-10% CAGR over the same period. The limited supply of rooms is anticipated to drive strong demand and expansion in the industry.

Hotel Demand Supply Growth (2023-28E)



Industry's Demand Growth



Source: Horwath HTL

Top 8 Cities : Delhi NCR, Mumbai, Bengaluru, Kolkata, Chennai, Hyderabad, Ahmedabad & Pune  
Key Leisure Markets : Goa, Uttarakhand, Rajasthan, Kerala, Himachal Pradesh

Source: Company, Way2Wealth

Industry Performance Summary

Year	Occupancy%	ADR ₹	RevPAR ₹
YTD May'25	61	7100	4300
2023	63.6	7479	4757
2022	59.6	6135	3654
2021	43.1	4448	1917
2019	64.5	5684	3664

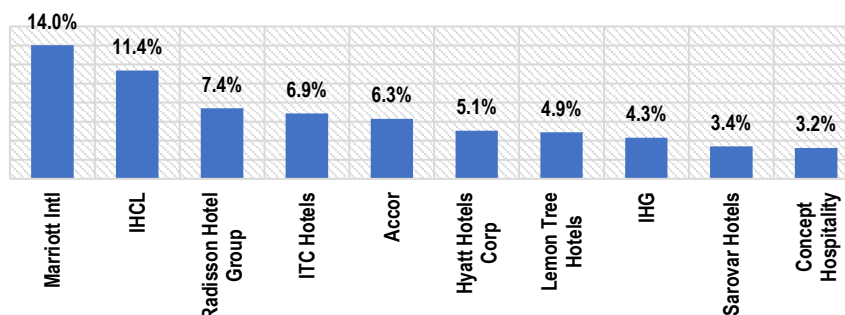
Impacted by Election and Heatwaves

Source: Company, Way2Wealth

### 3. Strong and Well-Established Brand in the Hospitality Industry, Backed by Service Excellence

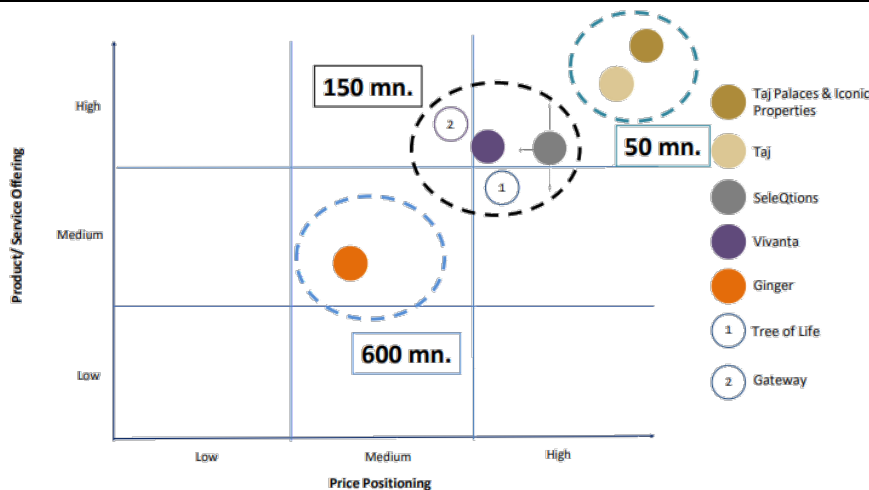
- (i) Indian Hotel Company Ltd. is one of the oldest hotel chains in India with flagship brand "Taj". We believe that the company derive significant reputational benefit as a result of being a Tata Enterprise.
- (ii) The Tata group holds 38.1% stake in IHCL through Tata Sons (35.7% stake) and other group companies. Tata Sons has demonstrated its financial support to IHCL over the years, by subscribing to various equity-raising activities of the company.
- (iii) As of Aug'23, Marriott International had a market share of about 14% in India based on inventory. It was followed by IHCL with a share of 11.37% in the Indian market.

Share of hotel inventory in India



Source: statista ITC Hotels includes Fortune Hotels and WelcomHeritage

➤ IHCL Well Placed to capitalise on demand across segments



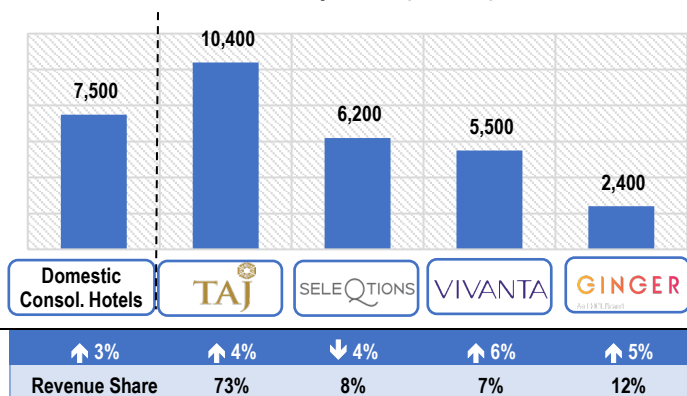
Source: Company, Way2Wealth

4. Diverse and Expansive Locations of Hotel Properties, of which some are situated in Iconic Buildings

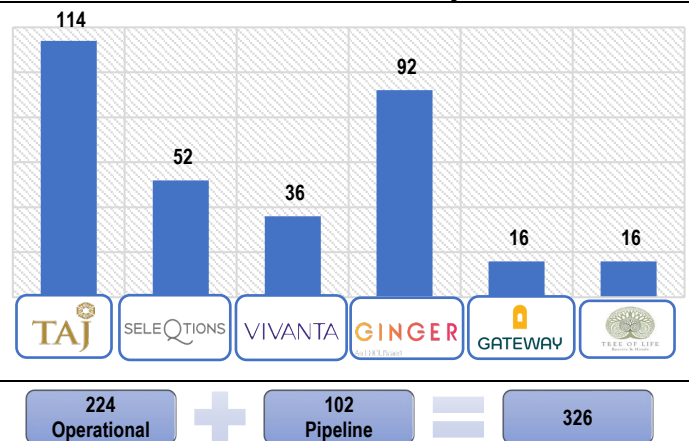
- (i) IHCL has a presence in approximately 150 locations across 13 countries, giving it a competitive edge over its competitors, as achieving this scale of presence would require significant capital expenditure.
- (ii) The company has also undertaken selective expansion, both domestically and internationally, in locations such as in Goa, Kerala, Rajasthan, Andamans and Maldives. The company has the ability to service a diverse customer base as each of hotels cater to distinct price points and customer requirements.

RevPAR Performance

RevPAR by Brand (Q1FY25)



IHCL Hotel Inventory



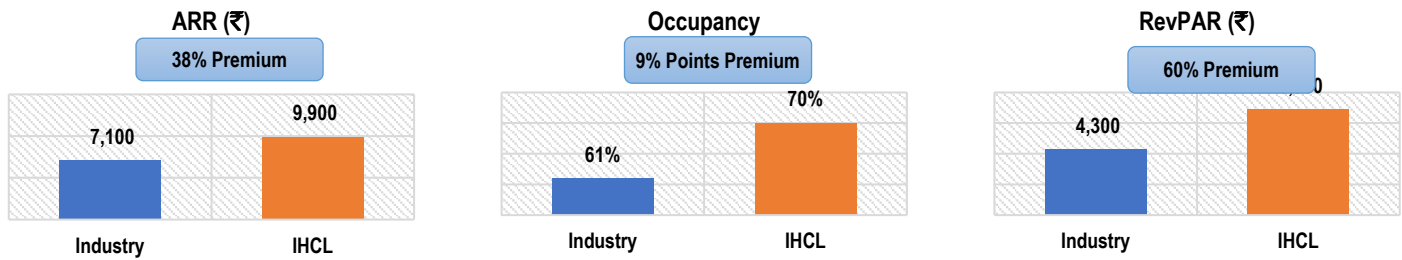
Source: Company, Way2Wealth

- (iii) This enables the company to offer customers a diverse range of pricing options in each city, a distinctive capability that we believe is unmatched by competitors. The table below highlights the number of operational hotels in key locations across India as of April 30, 2024.

Operational Hotels	Mumbai	Delhi NCR	Bengaluru	Chennai	Kolkata	Rajasthan	Goa
Luxury	5	5	5	6	3	14	5
Upper Upscale / Upscale	4	5	3	1	3	7	4
Midscale	4	6	3	4	1	3	6
<b>Total</b>	<b>13</b>	<b>16</b>	<b>11</b>	<b>11</b>	<b>7</b>	<b>24</b>	<b>15</b>

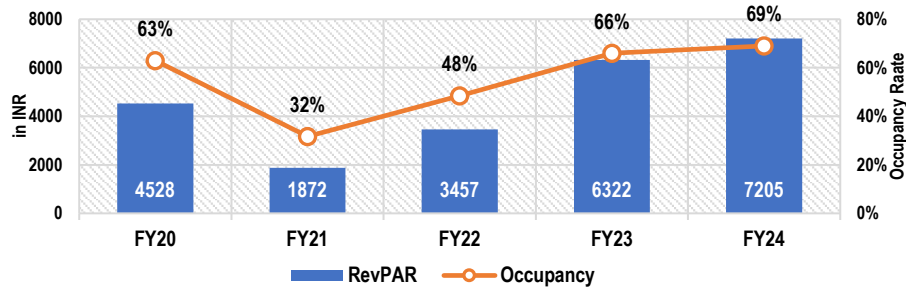
Source: Company, Way2Wealth

(iv) IHCL's industry leading metrics



Numbers reported for YTD May FY25

IHCL's strong brand equity, customer trust and focus on performance helped the company remain resilient and outperform the industry in all key markets driving a RevPAR premium well above the industry average in the domestic market.



Source: Company, Way2Wealth

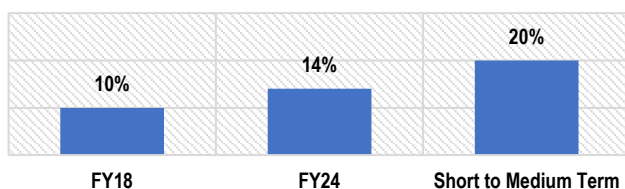
- (v) **Entry into the new segment of Taj Branded Residences** – IHCL has announced its entry into the new segment of Taj Branded Residences with the first development set to launch soon in Chennai. This is a highly lucrative market segment in India, with an aggregate market value exceeding ₹22,000crs and showcasing double-digit year-on-year growth.

This move helps IHCL further diversify its revenue streams and leverage the strong brand equity of Taj. In partnership with Chennai-based Ampa Group, a real estate player, it has announced the launch of Taj Sky View Hotels and Residences, an integrated development comprising 253 keys and 123 Taj-branded residences. This particular greenfield project is located on Nelson Manickam Road in central Chennai.

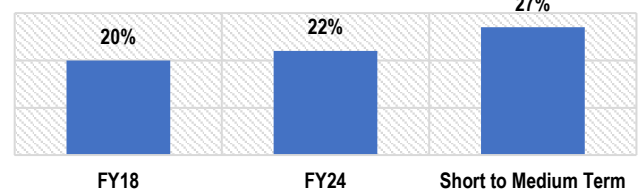
5. Portfolio growth largely through asset light strategy:

- (i) The Indian Hotel Company Ltd (IHCL) is an ideal player in the hospitality sector, with a portfolio spanning across segments, including luxury (Taj brand), upscale and upper upscale (Seleqtions/Vivanta) and midscale/lean luxury (Ginger). This diverse offering allows the company to cater to a wide range of customers, including both leisure and business travellers.
- (ii) Given the industry's demand, this portfolio is capital intensive. However, IHCL is in the middle of restructuring its portfolio to achieve a 50:50 mix between its owned/leased and managed hotels (FY24 mix – 60:40).
- (iii) The share of inventory of managed hotels in its portfolio increased from just 10% in FY18 to 14% in FY24. As a result, the EBITDA margin expanded from 16% in FY18 to 32% in FY24. We expect IHCL to achieve an EBITDA margin of approximately 33-33.5% FY25E. According to the current pipeline, the company aims to reach 2,198 rooms by FY25 through additional management contracts.

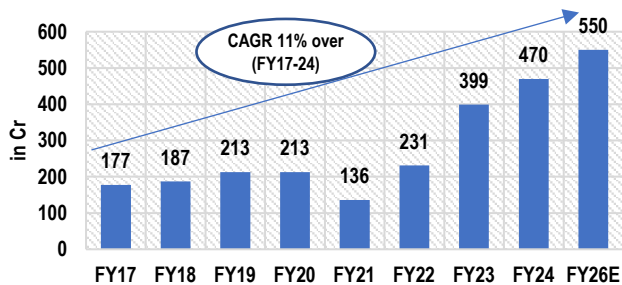
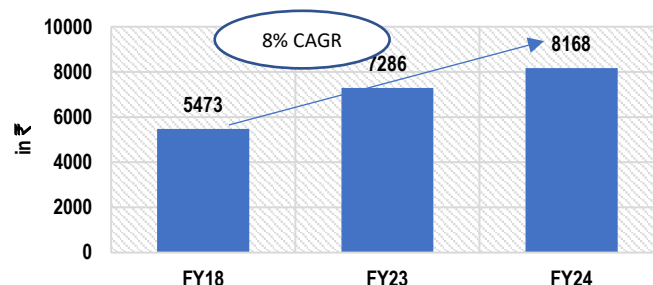
Share of Revenue from Capital Light Business



Share of EBIDA from Capital Light Business



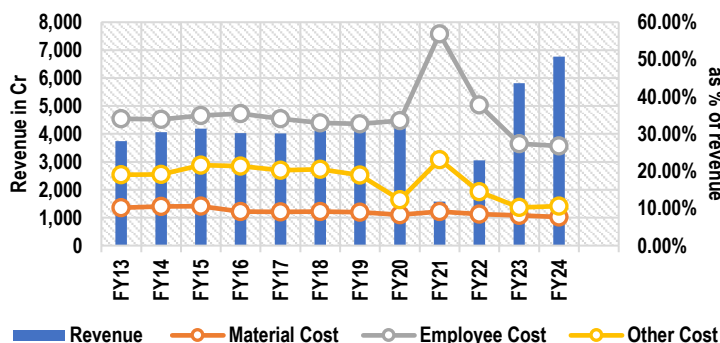
Source: Company, Way2Wealth

**Management Fee growth**

**Managed Asset RevPAR Growth**

**On track to reach Updated AHVAAN Target of ₹550Cr by FY26**

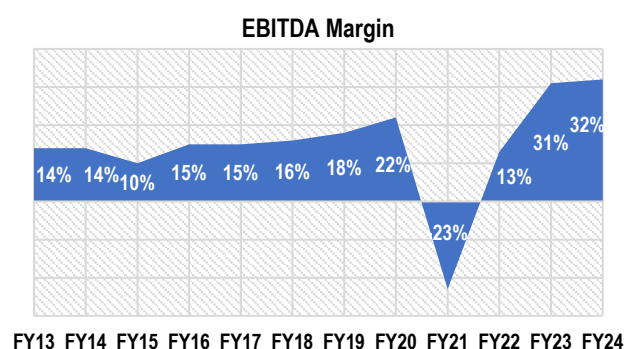
Source: Company, Way2Wealth

## 6. Margin expansion driven by cost efficiency and productivity improvement

IHCL's vision is to be 'The Most Iconic and Profitable Hospitality Company in South Asia'. The Company successfully executed its plans under Aspiration 2022 until Mar'20 when the Covid-19 pandemic impacted the global economy by contracting demand, restricting supply chains, mobility and significantly causing distress to lives and livelihoods. **The Company immediately deployed 'R.E.S.E.T. 2020'** which stood for Revenue growth, Excellence, Spend optimisation, Effective asset management and Thrift and financial prudence. RESET focused on multipronged tactical initiatives to capture market share in a competitive landscape, scale new businesses built during the pandemic and continue its fiscal prudence initiatives. These efforts are now yielding fruit, with margin expanding to 32% in FY24, vs -23% during the pandemic year FY21 and 18% during the pre-pandemic period of FY19.

**Operating expenses as a percentage of sales has declined over the years**


Source: Company, Way2Wealth

**EBITDA margin expanded from cost saving initiatives**


## 7. Geared for the future – AHVAAN 2025

- The company launched a strategic roadmap for profitable growth – Ahvaan 2025 in FY22 to re-engineer margins, re-imagine brandscape and re-structure portfolio. Guided by the vision of Ahvaan 2025, company aims to sustain growth momentum to reach a portfolio of ~300 hotels and continue to stay focused on profitability with a target to achieve a 33% EBITDA margin by FY 2025-26.
- Furthermore, AHVAAN 2025 will strengthen the balance sheet with focus on free cash flows, aiming to become a zero net debt company.
- The EBITDA margin at 33.7% saw an expansion of 100 bps exceeding the Ahvaan 2025 target of 33%. PAT increased by 26%, reaching ₹1,259 crores. The underlying strength of balance sheet is highlighted by the free cash flow of ₹1,162 crores
- The company has also expanded international footprint with signings in Frankfurt, Dhaka, Bhutan and Nepal. With 34 openings during the year and 53 signings, which translated to a new contract each week.



**Strategic Framework- AHVAAN 2025**

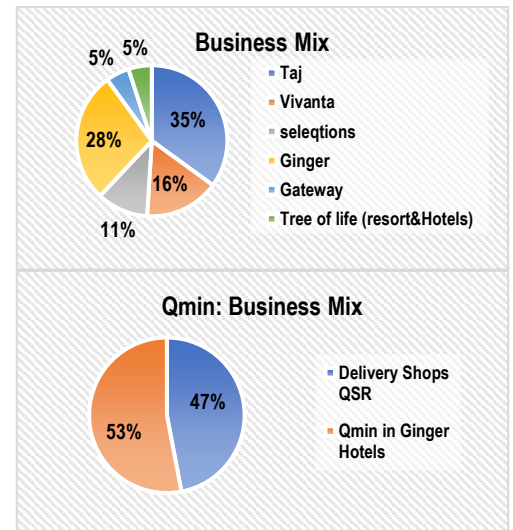
Strategic Initiatives	FY 2025-26 Performance Targets	FY 2023-24 Progress	Status
<b>Re-Engineer   Margins</b> <ul style="list-style-type: none"> <li>Sustain Revenue Growth</li> <li>Step-up Profitability</li> <li>Strengthen Balance Sheet</li> <li>Service Excellence</li> </ul>	<b>33%</b> EBIDTA Margin	<b>33.7 ↑ 1 pp</b> EBIDTA Margin	<b>↑</b>
	<b>ZERO</b> Net Debt	<b>2,200 crs+</b> Gross Cash	<b>↑</b>
<b>Re-imagin   Brandscape</b> <ul style="list-style-type: none"> <li>Scale Up</li> <li>Strengthen Brands</li> <li>Synergise - One IHCL</li> <li>Speed and Responsiveness</li> </ul>	<b>300</b> Hotel Portfolio	<b>311 ↑ 51</b> Hotel Portfolio	<b>↑</b>
	<b>100</b> TAJ	<b>110 ↑ 12</b> TAJ	<b>↑</b>
	<b>75</b> SELEQTIONS VIVANTA	<b>96 ↑ 19</b> SELEQTIONS VIVANTA	<b>↑</b>
	<b>125</b> GINGER	<b>91 ↑ 6</b> GINGER	<b>↕</b>
<b>Re-Structure   Portfolio</b> <ul style="list-style-type: none"> <li>Stimulate Growth</li> <li>Strategic Acquisitions</li> <li>Streamline Portfolio Mix</li> <li>Simplify Holding Structure</li> </ul>	<b>50-50</b> Hotel Portfolio	<b>60-40</b> Capital Light v/s Capital Heavy Operational Inventory	<b>↑</b>

↑ Increase (Y-o-Y) | ↓ on track | The portfolio number includes pipeline as on April 30, 2024

Source: Company, Way2Wealth

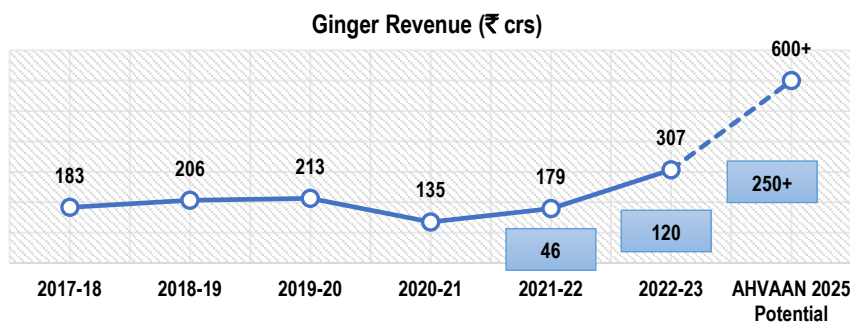
**8. Strategic Initiative to Re-launched New Business**

- (i) IHCL is strategically expanding its new and reimagined businesses, with unique value propositions under distinctive labels. This includes the nationwide expansion of Ginger Hotels, which will extend across all major districts.
- (ii) These brands continue to showcase strong growth at 37% YoY. Ginger grew 45% YoY enabled by the stellar performance of the flagship Ginger Mumbai Airport Hotel as well as a strong growth in food and beverage revenues driven by the customisation of Ginger hotels.
- (iii) Qmin – IHCL’s F&B jewel, The Chambers –premium exclusive club, and amā Stays & Trails – offering of private and exclusive homestays have exhibited record-breaking performance in FY24. TajSATS, the airline catering division, is projected to achieve an estimated revenue of ₹1,000crs in FY25.
- (iv) Qmin – the Qmin brand, IHCL’s extensive digital food delivery platform present across 27 cities- is now a multi-format F&B brand offering seamless food delivery and the highest standard of service.
- (v) Ginger Hotels, positioned as a value brand, will spearhead IHCL’s new business growth, underlining the company’s commitment to a reimagined, diversified and expansive portfolio.
- (vi) The reimagination and repositioning of the Ginger brand in the lean luxe segment have enabled a strong turnaround in the brand’s operating and financial performance. Ginger hotels reported a turnaround in FY23, led by a 50% Lean Luxe portfolio. The company achieved Revenue of ₹307crs, with an EBITDA margin of 39%.



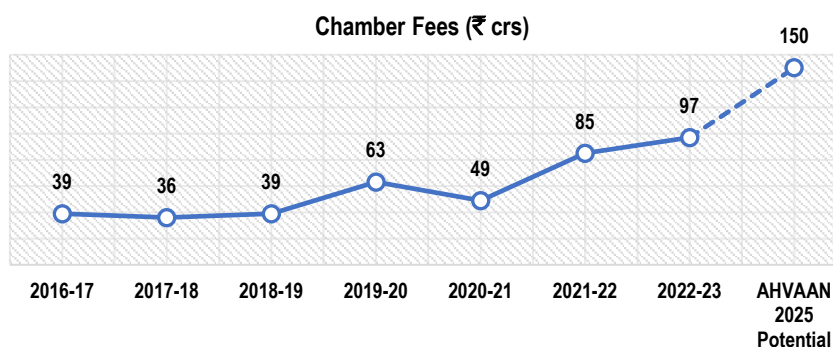
Source: Company, Way2Wealth

Ginger Hotel Inventory is expected to 250+ from 46 in FY22



Source: Company, Way2Wealth

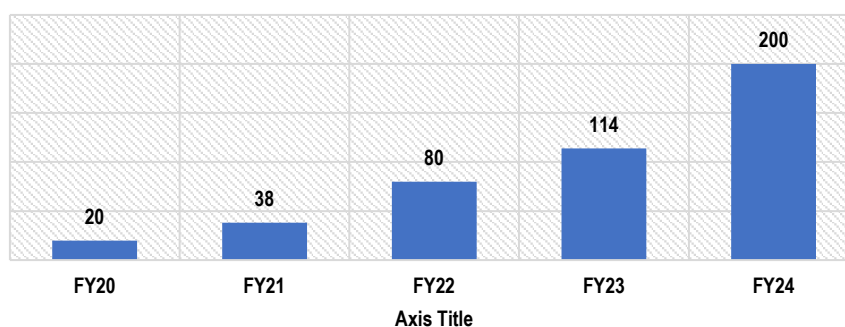
(vii) **Chambers** – The Chambers strengthened to become an even more ideal address for globetrotters, who can avail the benefits of The Chambers Global Membership Programme across seven domestic and two international destinations. IHCL aims to double the membership at the Chambers from 2,000 to over 3,000 by 2025.



Source: Company, Way2Wealth

(viii) **Ama on a growth journey**

Ama- Stays and Trails – No of hotels (Operational and Pipeline)



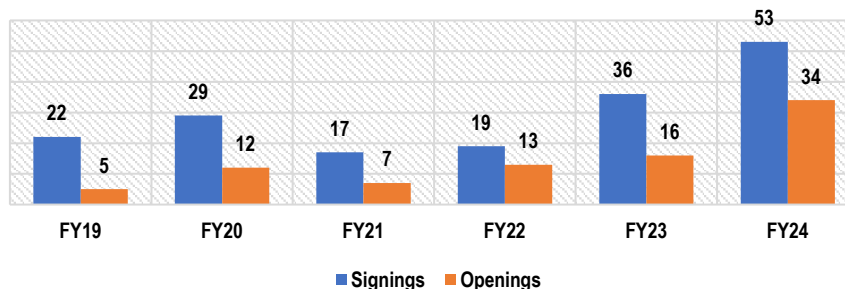
Source: Company, Way2Wealth

9. Strong pipeline/sign-up to meet the robust demand and growth to be led by asset light route

- (i) The company has significantly increased its sign-ups in the past 4-5 years to capitalize on the growing hotel market. With greenfield projects in Lakshadweep and new signings in Ekta Nagar, Gujarat, IHCL is set to offer exceptional experiences to travelers while supporting the government's mission to showcase India's diverse heritage and natural beauty on the global stage.
- (ii) The intent is to boost local economies through tourism in alignment with IHCL's vision of developing iconic destinations in a sustainable manner. IHCL has set foot in

Lakshadweep and signed up for two Taj-branded resorts in the picturesque islands of Suheli and Kadmat in Lakshadweep. These greenfield projects are slated to open their doors in 2026.

- (iii) In 2023, the direct contribution of tourism & hospitality industry to India's GDP was over \$231bn, which is forecasted to reach \$523bn by 2034. India had the second highest tourism GDP contribution in Asia-Pacific region, supported by the demand for unique travel experiences in offbeat destinations, including in Tier II and III cities.

**Signings and Openings of hotels over the years**


Source: Company, Way2Wealth

**INVENTORY BRANDSCAPE AS ON 30TH JUNE 2024**

Brands	Operational Hotels (Rooms)	Pipeline Hotels (Rooms)	Total Hotels (Rooms)
Taj	81 (12,127)	33 (5,529)	114 (17,656)
Vivanta	30 (4,057)	22 (3,141)	52 (7,198)
SeleQtions	23 (1,717)	13 (1,484)	36 (3,201)
Ginger	66 (5,882)	26 (3,183)	92 (9,065)
Gateway	8 (531)	8 (1179)	16 (1710)
Tree of Life	16 (205)	-	16 (205)
<b>Total</b>	<b>224</b> <b>(24,519)</b>	<b>102</b> <b>(14,516)</b>	<b>326</b> <b>(39,035)</b>

Ownership	Operational	Pipeline	Total
IHCL & Group	117 (13,994)	25 (2,898)	142 (16,892)
Management Contract	107 (10,525)	77 (11,618)	184 (22,143)
<b>Total</b>	<b>224</b> <b>(24,519)</b>	<b>102</b> <b>(14,516)</b>	<b>326</b> <b>(39,035)</b>

Source: Company, Way2Wealth

**Portfolio Pipeline**

Growth to be led by majorly through the asset-light route

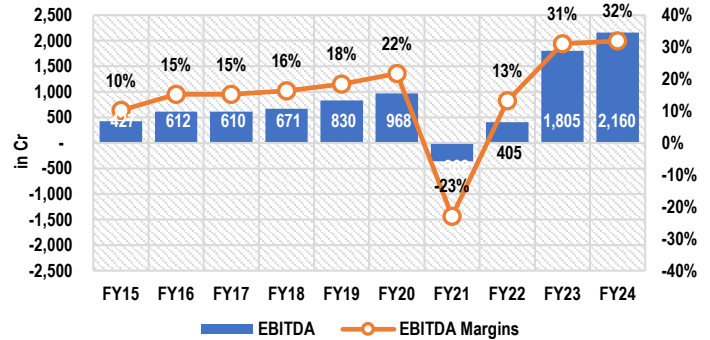
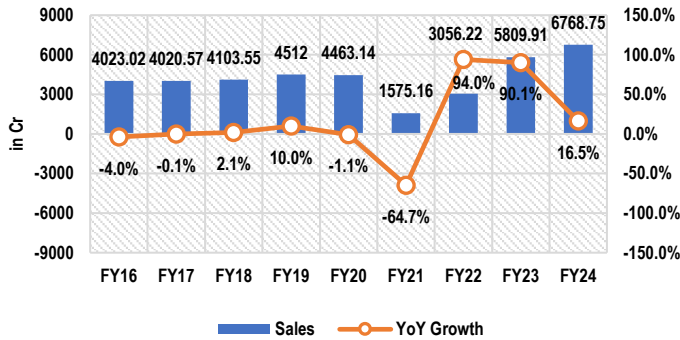
	FY25	FY26	FY27	FY28	FY29	Total
<b>Total Owned Pipeline</b>	649	409	312	861	667	2898
<b>Mix</b>	30%	9%	11%	29%	32%	20%
<b>Total Managed Pipeline</b>	1549	4029	2531	2091	1418	11618
<b>Mix</b>	70%	91%	89%	71%	68%	80%

Source: Company, Way2Wealth

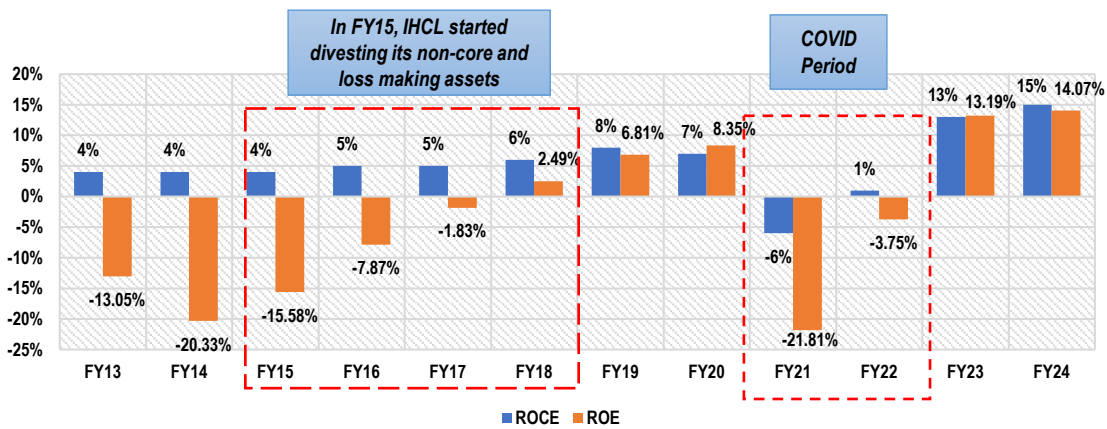
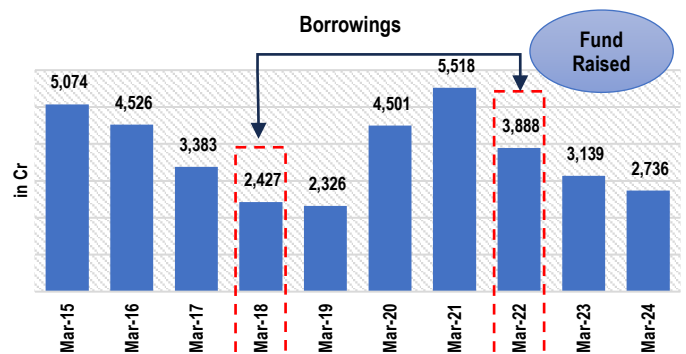
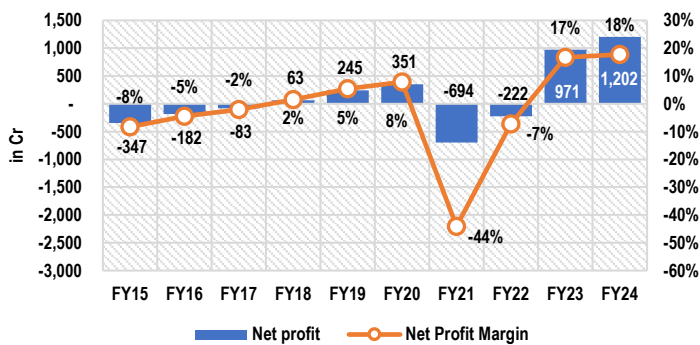
### 10. Profitability improves due to operating leverage

Revenue is expected to grow ~17% over FY24-26E

EBITDA is expected to grow ~19% over FY24-26E



### Improved profitability and lower D/E is expected to improve return ratios



Source: Company, Way2Wealth

### Peer Comparison

Company	CMP	Mcap (Cr)	PE (x)			EV/EBITDA (x)			RoE (%)		
			FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Indian Hotels Company	712	10331	84.3	66.6	55.8	39.5	37.8	32.2	13%	14%	15%
EIH	375	23448	36.8	29.8	25.9	24.8	20.7	17.8	17.5	18.8	19.7
Lemon Tree Hotels	126	9977	67.1	46.5	32.3	24.6	19.6	16.4	16.3	18.9	21.6
Chalet Hotels	888	19367	65.8	50.7	36.1	37.8	27.2	22.2	16.4	15.9	17.4

Company	Revenue (Cr)			EBITDA (Cr)			EBITDA Margin		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Indian Hotels Company	6769	7920	9240	2160	2613	3068	32	33	33
EIH	2511	2871	3195	926	1112	1293	37	39	40
Lemon Tree Hotels	1071	1333	1529	523	654	780	49	49	51
Chalet Hotels	1417	1809	2125	584	811	998	41	45	47

Source: Company, Way2Wealth, Bloomberg estimates



**Risks**

- Seasonality is a significant risk factor for the hospitality industry in India, impacting various aspects of hotel operations and profitability
- A slowdown in India's economic growth could negatively affect the hospitality business, affecting both operational and financial performance.
- Delay in launching the new project could also impact the profitability of the company

**View**

IHCL has transformed from a branded house to a house of brands, offering a portfolio that includes luxury, upscale, lean luxe segments and homestays.

The sector is well-positioned to capitalise on an upcycle, driven by the demand-supply gap, market penetration opportunities in Tier II and Tier III markets, strong demand drivers such as MICE (Meetings, Incentives, Conferences, and Exhibitions), spiritual tourism, the rebound in foreign tourist arrivals and destination weddings and government's continued focus on infrastructure with the Noida and Navi Mumbai Airports expected to open next year.

IHCL's key strengths in terms of its extensive reach, strong brands, and exceptional talent bodes well for the company to maintain its market leading position and to garner major pie of evolving travel and tourism market in India. In summary, IHCL is a powerhouse institution with differentiated and diverse offerings in the market that will only strengthen its competitive advantage in the coming years.

We estimate revenue CAGR at ~17% over the period FY24-26E. EBITDA and PAT are expected to increase by ~19% and ~23% CAGR over the same period. Strong earnings growth would also translate in return ratio improvement for the company over the medium term.

**At CMP ₹712.3 the stock is currently trading at 33.3x FY26 EV/EBITDA. We recommend BUY on Indian Hotel Company Ltd. (IHCL) and expect a gradual re-rating towards ₹840.**

**Quarterly Performance**

The Indian hospitality sector faced multiple headwinds in Q1FY25 ranging from an election period to extreme heat wave and fewer wedding dates. However, IHCL's strong brand equity, customer trust and focus on performance helped the company remain resilient and outperform the industry in all key markets driving a RevPAR premium well above the industry average in the domestic market.

(₹ Crs)

Narration	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
<b>Sales</b>	<b>1,625</b>	<b>1,466</b>	<b>1,433</b>	<b>1,964</b>	<b>1,905</b>	<b>1,550</b>
Growth YOY	86%	16%	16%	16%	17%	6%
Growth QoQ	-4%	-10%	-2%	37%	-3%	-19%
Expenses	1,090	1,056	1,078	1,231	1,246	1,101
<b>Operating Profit</b>	<b>535</b>	<b>410</b>	<b>355</b>	<b>732</b>	<b>660</b>	<b>450</b>
Growth YOY	237%	9%	21%	23%	23%	10%
Growth QoQ	-10%	-23%	-14%	106%	-10%	-32%
Other Income	29	49	48	40	46	46
Depreciation	108	109	111	114	120	117
Growth YOY	6%	6%	8%	11%	11%	8%
Growth QoQ	4%	1%	2%	3%	5%	-2%
Interest	57	57	59	53	52	50
Growth YOY	-28%	-9%	-2%	-6%	-10%	-12%
Growth QoQ	0%	-1%	4%	-10%	-3%	-3%
<b>Profit before tax</b>	<b>400</b>	<b>294</b>	<b>232</b>	<b>605</b>	<b>535</b>	<b>328</b>
<b>PBT Margin</b>	<b>25%</b>	<b>20%</b>	<b>16%</b>	<b>31%</b>	<b>28%</b>	<b>21%</b>
Tax	98	83	72	167	142	94
<b>Net profit</b>	<b>328</b>	<b>222</b>	<b>167</b>	<b>452</b>	<b>418</b>	<b>248</b>
Growth YOY	342%	31%	37%	18%	27%	12%
Growth QoQ	-14%	-32%	-25%	171%	-8%	-41%
<b>OPM</b>	<b>33%</b>	<b>28%</b>	<b>25%</b>	<b>37%</b>	<b>35%</b>	<b>29%</b>
<b>Net Profit Margin</b>	<b>20%</b>	<b>15%</b>	<b>12%</b>	<b>23%</b>	<b>22%</b>	<b>16%</b>

Source: Company, Way2Wealth

FINANCIALS & VALUATION

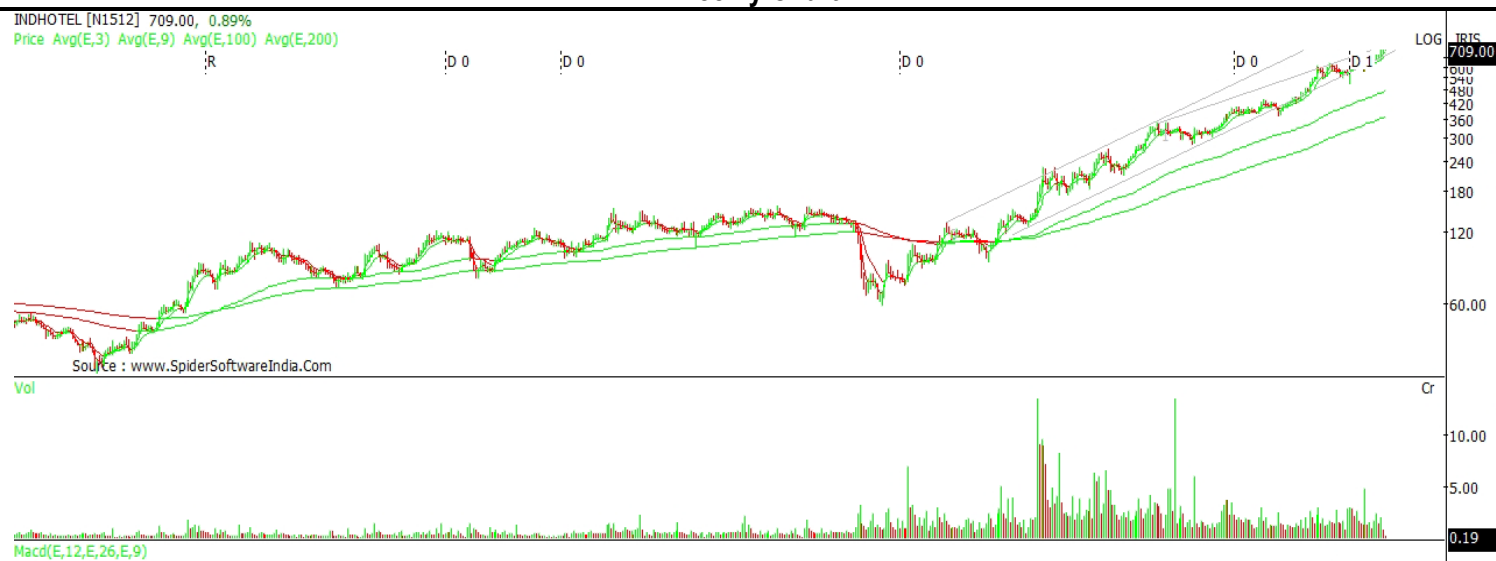
(₹ Crs)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	CAGR (FY24-26)
Revenue	4463.1	1575.1	3056.2	5809.9	6768.8	7920	9240	16.8%
Expenses	3495.6	1936.9	2651.5	4005.3	4609.2	5306.4	6172.32	
EBITDA	967.5	-361.8	404.7	1804.6	2159.5	2613.6	3067.68	19.2%
EBITDA Margin	22%	-23%	13%	31%	32%	33%	33%	
PBT	395.5	-849.5	-258.1	1294.6	1665.5	2075.04	2462.46	
Tax	44.8	-155.338	-35.8	323.2	463.9	554.4	646.8	
PAT	350.8	-694.2	-222.4	971.4	1201.6	1520.64	1815.66	22.9%
PAT Margin	8%	-44%	-7%	17%	18%	19%	20%	
EPS	2.7	-5.3	-1.6	6.8	8.4	10.7	12.8	
ROE	8%	-19%	-3%	12%	13%	14%	15%	
ROCE	8%	-5%	2%	14%	15%	17%	18%	
Debt/Equity	1.03	1.51	0.8	0.4	0.3	0.25	0.25	
Net Debt/ Equity	0.96	1.4	0.4	0.3	0.1	0.05	0.05	
Enterprise Value (EV)	13796	19568	36577	48156	85395	101928	101895	
EV/EBITDA	14.23	-54.1	90.4	26.7	39.5	39.0	33.2	
Price/Earnings	27.4	-20.5	-152.3	47.4	70.0	64.6	54.1	
Price/Sales	2.1	9.0	11.1	7.9	12.4	66.6	55.8	
Price/Book Value	2.2	3.9	4.8	5.8	8.9	9.5	8.3	

Source: Company, Way2Wealth

TECHNICAL VIEW

Weekly Chart



INDHOTEL has displayed strong momentum over the past four months, consistently forming higher highs and higher lows on the daily chart. Recently, the stock experienced a positive breakout from a symmetrical triangle chart pattern on the price chart which is a bullish continuation pattern. Also, INDHOTEL retested the breakout levels around 640-650 and bounced back with substantial volume growth, creating fresh record highs and surpassing the 700 key level, further reinforcing bullish sentiment. Long-term investors view the stock favourably as it trades above its 100-day and 200-day moving averages, signalling confidence in its trajectory. Additionally, the momentum indicator Relative Strength Index (RSI) has confirmed the upward move with the formation of higher tops and higher bottoms, suggesting a buy-on-dips strategy. Sustaining above 705 could push the stock towards the 770/820/888 levels in the medium-term scenario. Downside support is expected at 670/635/595 levels. Based on these observations, we recommend investors to buy INDHOTEL and accumulate on dips for medium to long-term gains.

Technical Indicators/Overlays

Bollinger Bands (Upper - Lower)	773 / 632
Short Term - 20 & 50 Days EMA	449 & 325
Long Term - 100 & 200 Days EMA	262 & 180
Annualised Volatility	36.87
ADX	56.98
MACD	103.4
RSI	85.07
Average True Range(ATR)	86.23
AD Line	146.22 Cr
Standard Deviation	119.49
Pivot Levels - R1, R2	726 & 751
Pivot Point	687
Pivot Levels - S1, S2	623 & 662
ROC (%)	68.26

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**Disclosure of Interest Statement The Indian Hotel Company Ltd (IHCL) as on 24<sup>th</sup> September 2024**

Name of the Security	The Indian Hotel Company Ltd (IHCL)
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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