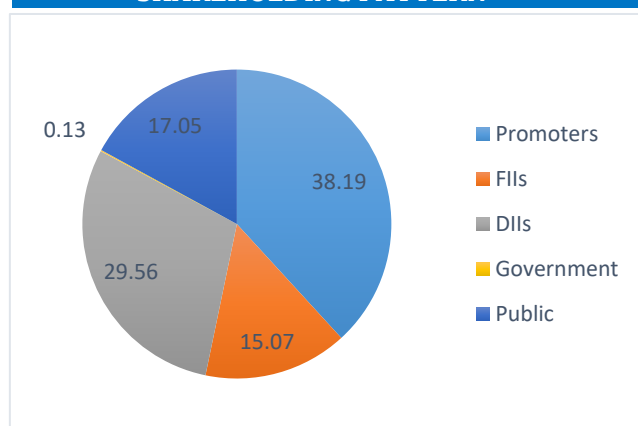


August 2022

## VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	39,842
52-Week High/Low	282/135
EPS (TTM)	1.38
P/E Ratio (TTM)	196
Book Value per share (Rs)	49.7
Industry P/E	36.9
P/B Ratio (calc at CMP)	5.72
Dividend Yield (%)	0.14
Enterprise value (Rs in Cr)	42,542

## SHAREHOLDING PATTERN



## FINANCIAL PERFORMANCE

	FY22	FY23E	FY24E
Sales (Rs. Cr)	3,056.20	5351.1	5956.2
Growth (%)	94%	75%	11.4%
Expenditures	2,651.50	3,669	3,999
EBITDA (Rs. Cr)	404.8	1,682	1958
EBITDA margin	13.2%	31%	33%
Depreciation	406.1	430	446
PAT (Rs. Cr)	-259.4	762.5	966.1
EPS (Rs)	-1.74	5.5	7
RoE (%)	-4.8	10.5	12.1
RoCE (%)	1.3	10.7	12.9
P/BV (x)	5.4	5	4.5
EV/EBITDA (x)	96.2	22.8	19
P/E (x)	-45.8	50.4	40

**Best quarter ever - growth momentum to continue...**

**Our Recommendation:** *IHCL reported best quarterly results ever with strong revenue and profit growth in Q1FY23 led by strong demand in leisure segment and business travel. Prudent cost-cutting measures taken and raising management fees improved EBITDA margins. We expect this momentum to continue in FY23 and FY24 aided by improvement in ARR and occupancy, higher income from management contracts by raising fees, and signings more hotels under Taj and Ginger brands. Thus, we recommend BUY in price range Rs. 250-270 with target price Rs 325 (upside 20%).*

## Investment Rationale:

**About Company:** Indian Hotels Company deals in the business of owning, operating and managing hotels, resorts, and palaces in India and around the world. IHCL is a part of renowned Tata Group which owns 100+ companies with 113 billion revenues. IHCL has world famous brands under its portfolio which includes Taj, SeleQtions, Vivanta, The Gateway, Ginger, Expressions, and TajSATS. Revenue from rooms constitutes 45%, F & B 40% and rest 15% from other services. The company was rated the Strongest Hotel brand in the world by Brand Finance.

**Q1FY23 Results:** IHCL delivered best quarterly performance led by strong demand in leisure segment and business travel.

- Consolidated revenues shot up 267.5% from Rs. 344.6 in Q1FY22 to Rs. 1266 crores in Q1FY23.
- Consolidated EBITDA stood at Rs. 377.9 crores compared to negative EBITDA of Rs. -148 crores in Q1FY22.
- EBITDA margins have improved to 29.8% QoQ from 18.2% in fourth quarter FY22.
- Consolidated PAT stood at Rs 170 crores that was Rs. -277.3 crores in same quarter in a year-ago period. On sequential basis, PAT rose by 129% from Rs. 74.2 crores in Q4FY22.

**Best quarterly results ever:** Strong demand in leisure segment and strong recovery in business travel post COVID restrictions aided net sales improvement. Margins rose substantially led by higher management fees, new businesses, cost efficiency, and greater ARR and occupancy. In domestic hotel portfolio, ARR was 31% higher than pre-Covid levels. RevPAR is 42% higher than pre-COVID levels with demand surge in Delhi/ NCR/Mumbai/Bengaluru.

**Growth momentum to continue:** IHCL has rebounded strongly after COVID-19 which negatively affected 8 quarters. The company now focuses on revenue growth and cost optimization. Per management, occupancy and rooms rates recorded in April-June quarters are trending at same levels up to the first week of August 22. Leisure segment would continue its current pace and business travel pace to pick up in second half of FY23.

**Key Highlights from con-call:** Robust growth in signings, with company signing 10 hotels under Taj and Ginger brands. In first quarter, IHCL's RevPAR for domestic hotels in Mumbai, Bengaluru and Delhi are back to pre-covid levels at 133%/122%/120% respectively. Management fees has grown by 72% compared to pre-Covid at Rs 810mn.

## Financials and Valuations

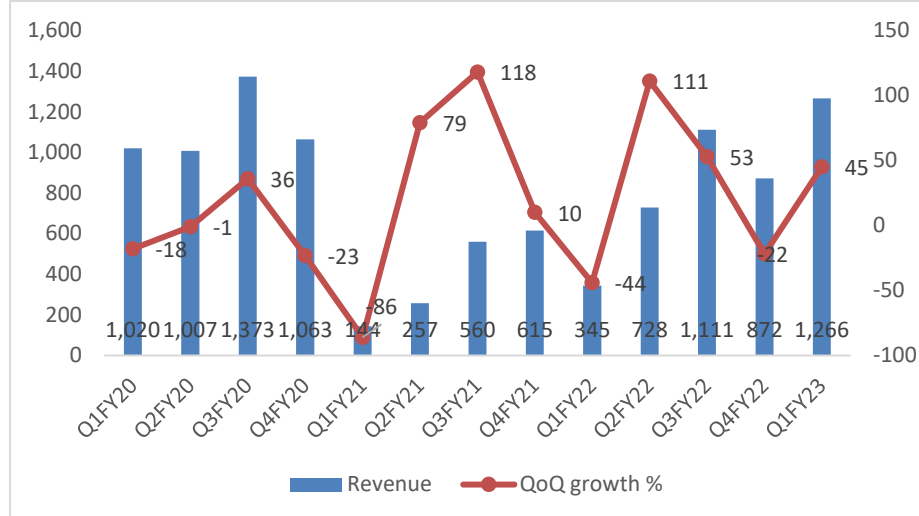
### Q1FY23 Quarterly financials standalone (Rs in Cr)

Particulars	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)
<b>Net Revenue</b>	<b>761.2</b>	<b>207.4</b>	<b>593.6</b>	<b>267</b>	<b>28.2</b>
F& B Cost	65.2	17.5	46.2	271.6	41
Personnel Cost	170.3	147.4	161.2	15.5	5.7
Other Expenses	265.3	139.0	222.8	90.9	19.1
<b>Total Operating Expenses</b>	<b>500.7</b>	<b>303.9</b>	<b>430.2</b>	<b>64.8</b>	<b>16.4</b>
<b>Expenses as % of Sales</b>					
<i>F&amp; B Cost</i>	8.6	8.5	7.8		
<i>Personnel Cost</i>	22.4	71.1	27.2		
<i>Other Expenses</i>	34.8	67	37.5		
<b>Total Operating Expenses</b>	<b>65.8</b>	<b>146.5</b>	<b>72.5</b>	<b>-55.4</b>	<b>-9.2</b>
<b>EBITDA</b>	<b>260.5</b>	<b>-96.5</b>	<b>163.4</b>	-	<b>59.5</b>
<i>EBITDA margin (%)</i>	34.2	-46.5	27.5	-	9.12
Interest	32.2	81.2	48.3	-60.4	-33.3
Depreciation	50.8	50.9	51.6	-0.3	-1.6
Other Income	26.8	18.9	81	41.9	-66.9
Exceptional items	-2	-10.6	-35.3	NM	NM
<b>Profit Before Tax</b>	<b>202.4</b>	<b>-220</b>	<b>109</b>	-	<b>85.2</b>
Taxation	54.9	-30.1	23.7	-	132
<b>PAT before MI/Associate</b>	<b>147.4</b>	<b>-190</b>	<b>85.6</b>	-	<b>72.2</b>
MI/Associate share	-	-	-	NM	NM
<b>Reported PAT</b>	<b>147.4</b>	<b>-190.2</b>	<b>85.6</b>	-	<b>72.2</b>
<i>Net margin (%)</i>	19.4	-91.7	14.4	-	34.3

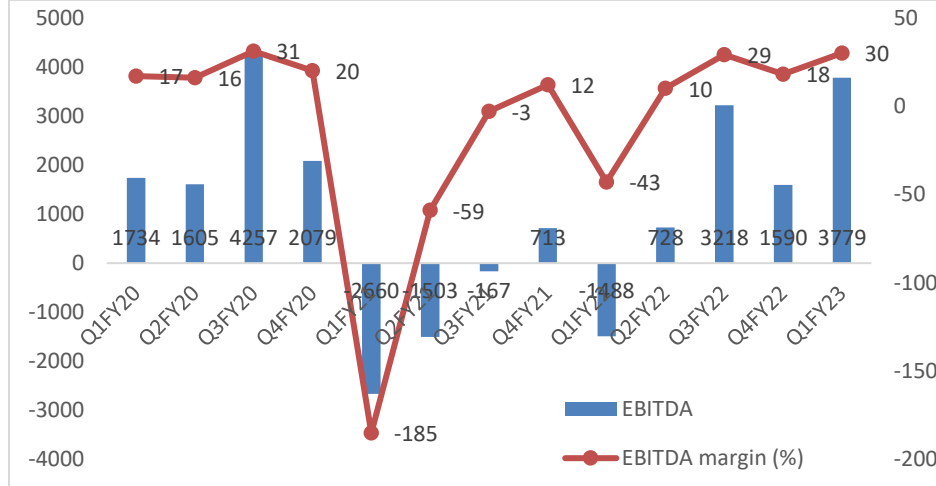
### Q1FY23 Quarterly financials consolidated (Rs in Cr)

Particulars	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)
<b>Total Operating income</b>	<b>1,266.1</b>	<b>344.6</b>	<b>872.1</b>	<b>267.5</b>	<b>45.2</b>
F& B Cost	103.9	28.1	69.0	270.3	50.6
Personnel Cost	359.6	248.6	310.2	44.6	15.9
Other Expenses	424.7	216.7	333.9	96	27.2
<b>Total Operating Expenses</b>	<b>888.2</b>	<b>493.4</b>	<b>713.1</b>	<b>80</b>	<b>24.6</b>
<b>Expenses as % of Sales</b>					
<i>F&amp; B Cost</i>	8.2	8.1	7.9		
<i>Personnel Cost</i>	28.4	72.2	35.6		
<i>Other Expenses</i>	33.5	62.9	38.3		
<i>Total Operating Expenses</i>	70.2	143.2	81.8		
<b>EBITDA</b>	<b>377.9</b>	<b>-148.8</b>	<b>159</b>	-	<b>137.7</b>
<i>EBITDA margin (%)</i>	29.8	-43.2	18.2		
Interest	62.4	109.7	79.2	-43.2	-21.3
Depreciation	103	102.5	101.9	0	0.7
Other Income	27.1	25.8	82.8	5.3	-67.2
Exceptional items	-9.1	20.3	16.4	NM	NM
<b>Profit Before Tax</b>	<b>231</b>	<b>-315.0</b>	<b>77.1</b>	-	<b>199.6</b>
Taxation	64.8	-45.0	-2.6	-	-
Profit After Tax before MI/Associate	166.1	-270.1	79.7	-	108.4
MI/Associate share	3.9	-7.3	-5.5	-	-
<b>Reported PAT</b>	<b>170.1</b>	<b>-277.3</b>	<b>74.2</b>	-	<b>129.2</b>
<i>Net margin (%)</i>	13.4	-80.5	8.5	-	57.9

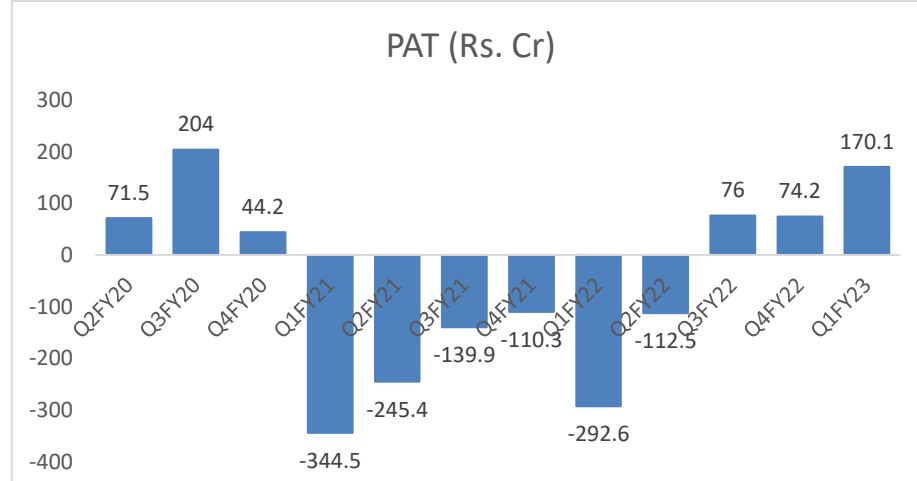
**Revenue trend QoQ (Rs. Cr)**



**EBITDA trend QoQ (Rs. Cr)**



**PAT trend QoQ (Rs. Cr)**



## Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Total Income from Operations</b>	<b>4,103.6</b>	<b>4,512.0</b>	<b>4,463.1</b>	<b>1,575.2</b>	<b>3,056.2</b>
<i>Change (%)</i>	2.1	10	-1.1	-64.7	94
Total Expenditure	3,433.2	3,682.3	3,495.6	1,936.9	2,651.5
<i>% of Sales</i>	83.7	81.6	78.3	123	86.8
<b>EBITDA</b>	<b>670.4</b>	<b>829.7</b>	<b>967.5</b>	<b>-361.8</b>	<b>404.8</b>
<i>Margin (%)</i>	16.3	18.4	21.7	-23	13.2
Depreciation	301.2	327.9	404.2	409.6	406.1
<b>EBIT</b>	<b>369.2</b>	<b>501.9</b>	<b>563.3</b>	<b>-771.4</b>	<b>-1.3</b>
Int. and Finance Charges	269.0	190.1	341.1	402.8	427.7
Other Income	61.7	83.4	132.4	164.7	155.2
<b>PBT before EO Exp.</b>	<b>161.8</b>	<b>395.1</b>	<b>354.6</b>	<b>-1,009.5</b>	<b>-273.8</b>
EO Items	22.5	6.6	41.0	160.0	15.6
<b>PBT after EO Exp.</b>	<b>184.3</b>	<b>401.7</b>	<b>395.5</b>	<b>-849.5</b>	<b>-258.2</b>
Total Tax	121.1	157.1	44.8	-155.3	-35.8
<i>Tax Rate (%)</i>	65.7	39.1	11.3	18.3	13.9
Minority Interest	-37.6	-42.2	-3.7	25.9	25.3
<b>Reported PAT</b>	<b>100.9</b>	<b>286.8</b>	<b>354.4</b>	<b>-720.1</b>	<b>-247.7</b>
<b>Adjusted PAT</b>	<b>84.0</b>	<b>281.9</b>	<b>323.7</b>	<b>-840.1</b>	<b>-259.4</b>
<i>Change (%)</i>	NA	235.4	14.8	-359.5	-69.1
<i>Margin (%)</i>	2	6.2	7.3	-53.3	-8.5

## Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	119	119	119	119	142
Total Reserves	4,062	4,229	4,238	3,530	6,920
<b>Shareholder's Equity</b>	<b>4,181</b>	<b>4,348</b>	<b>4,357</b>	<b>3,648</b>	<b>7,062</b>
Minority Interest	777	800	765	635	593
Total Loans	2,427	2,326	2,602	3,633	1,985
Lease Liability	0	0	1,899	1,846	1,860
Deferred Tax Liabilities	356	377	187	78.1	87.6
<b>Capital Employed</b>	<b>7,742</b>	<b>7,851</b>	<b>9,809</b>	<b>9,840</b>	<b>11588</b>
Gross Block	6,336	6,905	7,332	8,177	8,566
Less: Accum. Depre.	739	1,066	1,471	1,880	2,286
<b>Net Fixed Assets</b>	<b>5,597</b>	<b>5,839</b>	<b>5,861</b>	<b>6,297</b>	<b>6,279</b>
Goodwill on Consolidation	566	584	615	611	623
Right to use assets	0	0	1,583	1,530	1,513
CWIP	197	116	244	165	193
<b>Total Investments</b>	<b>1,597</b>	<b>1,335</b>	<b>1,427</b>	<b>1,483</b>	<b>1,967</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>1,418</b>	<b>1,710</b>	<b>1,789</b>	<b>1,427</b>	<b>2,514</b>
Inventory	85.7	80.4	93.6	92.9	101
Account Receivables	329	321	290	220	255
Cash and Bank Balance	270	241	316	154	1,188
Loans and Advances	734	1,068	1,090	961	970
Curr. Liability & Prov.	1,633	1,733	1,709	1,672	1,502
Account Payables	351	325	389	318	387
Other Current Liabilities	1,035	1,158	1,044	1,092	823
Provisions	247	250	276	263	291
<b>Net Current Assets</b>	<b>-214</b>	<b>-22.9</b>	<b>79.8</b>	<b>-246</b>	<b>1,012</b>
<b>Appl. of Funds</b>	<b>7,742</b>	<b>7,851</b>	<b>9,809</b>	<b>9,840</b>	<b>11588</b>

## Cash Flow statement (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>PBT bf. EO Exp.</b>	<b>161.8</b>	<b>401.7</b>	<b>395.5</b>	<b>-1,009.5</b>	<b>-273.8</b>
Depreciation	301.2	327.9	404.2	409.6	406.1
Interest & Finance Charges	207.3	106.8	208.7	238.1	272.5
Taxes	-142.5	-157.1	-44.8	155.3	35.8
(Inc)/Dec in WC	-103.3	32.3	-140.2	-272.2	215.5
<b>CashFlow from Operations</b>	<b>424.6</b>	<b>711.5</b>	<b>823.5</b>	<b>-478.6</b>	<b>656.0</b>
Others	67.5	0.0	0.0	160.0	15.6
<b>CF from Operating incl EO</b>	<b>492.0</b>	<b>711.4</b>	<b>823.5</b>	<b>-318.7</b>	<b>671.6</b>
(Inc)/Dec in FA	-509.4	-506.7	-585.5	-762.9	-428.6
<b>Free Cash Flow</b>	<b>-17.4</b>	<b>204.8</b>	<b>238.0</b>	<b>-1,081.6</b>	<b>243.1</b>
Sale/(Pur) of Investments	-146.2	261.4	-91.5	-56.6	-483.6
Others	91.2	-142.8	175.0	699.8	-730.3
<b>CashFlow from Investing</b>	<b>-564.4</b>	<b>-388.2</b>	<b>-501.9</b>	<b>-119.7</b>	<b>-1,642.5</b>
Issue of Shares	1,499.9	0.0	0.0	0.0	23.1
Inc/(Dec) in Debt	-949.8	-101.0	276.0	1,030.8	-1,648.1
Interest Paid	-408.9	-190.1	-341.1	-402.8	-427.7
Dividend Paid	-44.7	-72.5	-72.5	-69.3	-69.3
Others	-0.7	11.0	-109.3	-282.3	4,127.0
<b>CF from Fin. Activity</b>	<b>95.7</b>	<b>-352.7</b>	<b>-247.0</b>	<b>276.4</b>	<b>2,005.0</b>
<b>Inc/Dec of Cash</b>	<b>23.3</b>	<b>-29.4</b>	<b>74.6</b>	<b>-162.0</b>	<b>1,034.2</b>
Opening Balance	247.1	270.4	240.9	315.6	153.6
<b>Closing Balance</b>	<b>270.4</b>	<b>240.9</b>	<b>315.6</b>	<b>153.6</b>	<b>1,187.8</b>

## Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	0.82	2.34	2.89	-5.87	-1.74
BV/Share	29.4	30.6	30.7	25.7	49.7
DPS	0.2	0.4	0.4	0.4	0.4
Dividend Payout (%)	42%	25%	21%	9.6%	-28%
<b>Valuation Ratios</b>					
P/E	-697	457.5	136.4	118.8	-45.8
P/BV	9.2	8.8	8.8	10.5	5.4
EV/EBITDA	61.2	49.6	42.4	-116.4	96.2
<b>Return Ratios (%)</b>					
RoE	2.5%	6.6%	7.4%	-21.0%	-4.8%
RoCE	4.6%	5.9%	6.8%	-5.7%	1.3%
<b>Leverage Ratio (x)</b>					
Current Ratio	0.9	1	1	0.9	1.7
Quick Ratio	0.81	0.52	0.71	0.36	1.31
Interest Cover Ratio	1.4	2.6	1.7	1.9	0.4
Net Debt/Equity	0.4	0.4	0.4	0.8	0

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**Disclosure:**

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