



## Improvement in Occupancies & Stable Realizations

**Est. Vs. Actual for Q4FY24:** Revenue – **BEAT**; EBITDA Margins – **BEAT**; PAT – **BEAT**

**Changes in Estimates post Q4FY24:** FY25E/FY26E: Revenue: 9.4%/9.9%; EBITDA Abs.: 8.6%/9.5%; PAT: 8.9%/9.6%

### Recommendation Rationale:

Indian Hotels (IHCL) reported consolidated revenue growth of 17.2% YoY which stood above our expectations.

The Q4 is seasonally a strong quarter and this growth was mainly due to the increase in RevPAR to Rs 13,887, up 9.9% YoY in standalone domestic hotels. IHCL' RevPAR in international assets (US) declined by 3.0% YoY but increased by 1% YoY in the UK respectively.

The company reported consolidated EBITDA margins of 34.6%, up 169bps YoY. This was impacted by EBITDA losses of 9.9% in the US operations.

### Sector Outlook: Positive

**Company Outlook & Guidance:** It is expected that the Hospitality Industry upcycle to be a long and sustained one. As per Horwath HTL prediction, demand will grow at a rate of over 10% annually for the next 3-4 years, while supply will continue to lack demand. Most of the future supply is expected to come outside of the key markets of non-Tier 1 cities.

**Current Valuation:** PE 48x for FY26 earnings (Earlier Valuation:PE 45x)

**Current TP:** Rs 671/share (Earlier TP: Rs 520/share)

**Recommendation:** BUY

### Financial Performance

Indian Hotels (IHCL) reported consolidated revenue growth of 17.2% YoY which stood above our expectations. The Q4 is seasonally a strong quarter and this growth was mainly due to the increase in RevPAR to Rs 13,887, up 9.9% YoY in standalone domestic hotels. IHCL' RevPAR in international assets (US) declined by 3.0% YoY but increased by 1% YoY in the UK respectively. The company reported consolidated EBITDA margins of 34.6%, up 169bps YoY. This was impacted by EBITDA losses of 9.9% in the US operations.

The company's PAT stood at Rs 439 Cr, up 29.4% YoY, led by revenue growth and strong operating leverage. The standalone business reported a 440bps YoY improvement in occupancies to 79.1% and a 3.8% YoY increase in realizations to Rs 17,556 compared to Q4FY23.

The company reported the highest-ever consolidated annual revenue, an all-time high and industry-leading EBITDA margin, and PAT of over Rs 439 Cr – a historic first for the company. This performance was led by four consecutive quarters of sustained high demand, which was further supported by IHCL, demonstrating RevPAR leadership across its brand landscape in all key markets.

**Outlook:** In FY24, standalone occupancies and realizations reached 76.6% and Rs 15,313 respectively. The Hospitality Industry upcycle is expected to be a long and sustained one. As per Horwath HTL prediction, demand will grow at over 10% annually for the next 3-4 years, while the supply will continue to lag demand. The majority of future supply is anticipated to emerge outside of the key markets of Tier 1 cities. Additionally, upcoming events such as the Women's World Cup hockey or Kabaddi championships could enhance occupancies in the upcoming quarters. The leisure segment is already driving business in the hotel industry, leading us to believe that the aforementioned factors will benefit IHCL in the coming quarters. Consequently, we are **upgrading our rating on the company from HOLD to BUY.**

### Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,905	-3.0	17.2	1850	3.0
EBITDA	660	-9.9	23.2	650	1.5
EBITDA Margin	34.6%	-266	169	35.1%	-
Net Profit	439	-8.1	29.4	400	9.6
EPS (Rs)	3.1	-8.1	29.4	2.8	9.6

Source: Company, Axis Research

(CMP as of 24 Apr 2024)

CMP (Rs)	610
Upside /Downside (%)	10%
High/Low (Rs)	622/330
Market cap (Cr)	74,000
Avg. daily vol. (6m)Shrs.	60,00,000
No. of shares (Cr)	142.0

### Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	38.2	38.1	38.1
FII's	22.2	23.3	24.5
MFs / UTI	18.2	17.2	15.9
Others	21.5	21.4	21.5

### Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	6,769	7,691	8,529
EBITDA	2,156	2,517	2,835
Net Profit	1,330	1,660	1,950
EPS (Rs.)	9.3	11.7	13.7
PER (x)	65.3	52.2	44.4
EV/EBITDA (x)	40.8	34.3	29.8
P/BV (x)	9.2	7.8	6.7
ROE (%)	14.1	15.0	15.1

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	9.4%	9.9%
EBITDA	8.6%	9.5%
PAT	8.9%	8.6%

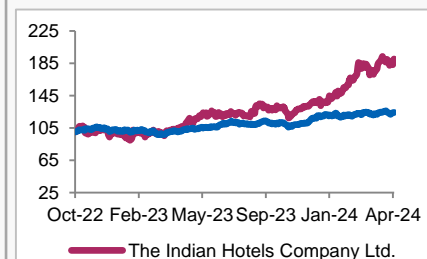
### ESG disclosure Score\*\*

Environmental Disclosure	N.A.
Social Disclosure Score	N.A.
Governance Disclosure Score	N.A.
Total ESG Disclosure Score	N.A.
Sector average	N.A.

Source: Bloomberg, Scale: 0:1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures

### Relative performance:



Source: AceEquity, Axis Securities

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### Key Risks to our Estimates and TP

- The economic slowdown in India may impact the demand for the travel Industry.
- An increase in supply could impact the realizations of the company.
- Negative operating leverage is a big hurdle to sustaining EBITDA margins.

### Change in Estimates (Rs Cr)

	New		Old		% Change		
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	
Sales	7,691	8,529	7,029	7,762	-	9.4%	9.9%
EBITDA	2,517	2,835	2,319	2,590	-	8.6%	9.5%
PAT	1,660	1,950	1,525	1,795	-	8.9%	8.6%

Source: Company, Axis Securities

## Results Review

Particulars (Rs Cr)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Net Sales	1,625	1,466	1,433	1,964	1,905	17.2	-3.0
Growth (YoY %)	86.4%	15.8%	16.3%	16.5%	17.2%		
Total Expenditure	1,090	1,056	1,078	1,231	1,245	14.3	1.1
Raw Material	126	115	112	153	140	11.4	-8.7
% of sales	7.7%	7.9%	7.8%	7.8%	7.3%		
Gross margins (%)	92.3%	92.1%	92.2%	92.2%	92.7%	39	46
Employee Expenses	422	429	441	469	467	10.8	-0.3
% of sales	26.0%	29.2%	30.7%	23.9%	24.5%		
Other Expenses	543	512	526	610	638	17.6	4.7
% of sales	33.4%	34.9%	36.7%	31.0%	33.5%		
<b>EBITDA</b>	<b>535</b>	<b>410</b>	<b>355</b>	<b>732</b>	<b>660</b>	23.2	-9.9
<b>EBITDAM (%)</b>	<b>32.9%</b>	<b>28.0%</b>	<b>24.8%</b>	<b>37.3%</b>	<b>34.6%</b>	169	-266
Interest	57	57	59	53	52		
Depreciation	108	109	111	114	120	11.3	4.7
Other Income	29	49	48	40	46		
<b>PBT</b>	<b>400</b>	<b>294</b>	<b>232</b>	<b>605</b>	<b>535</b>	33.7	-11.6
Tax	98	83	72	167	142		
Tax (%)	24.5%	28.3%	31.1%	27.6%	26.5%		
Reported PAT	302	211	160	438	393	30.2	-10.2
Associate Profit	37	25	19	39	45		
<b>PAT after EoI</b>	<b>339</b>	<b>236</b>	<b>179</b>	<b>477</b>	<b>439</b>	29.4	-8.1

Source: Company, Axis Securities

## Geographical Breakup

Particulars (Rs Cr)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Occupancy %	74.7	74.7	75.9	76.8	79.1
ARR (Rs)	16,915	12,614	12,972	18,111	17,556
RevPAR (Rs)	12,634	9,428	9,840	13,909	13,887
Room Revenue	499	377	400	575	600
F & B Revenue	417	320	315	457	471
Other Revenue	250	99	147	290	312

Source: Company, Axis Securities

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>5,810</b>	<b>6,769</b>	<b>7,691</b>	<b>8,529</b>
<b>Growth (%)</b>	<b>90.1%</b>	<b>16.5%</b>	<b>13.6%</b>	<b>10.9%</b>
Total Expenditure	4,005	4,612	5,174	5,694
Raw Material Consumed	473	521	642	711
Gross margins (%)	<b>91.9%</b>	<b>92.3%</b>	<b>91.7%</b>	<b>91.7%</b>
Employee Expenses	1,582	1,806	2,014	2,210
% of sales	27.2%	26.7%	26.2%	25.9%
Other Expenses	1,950	2,286	2,518	2,773
% of sales	33.6%	33.8%	32.7%	32.5%
<b>EBIDTA</b>	<b>1,805</b>	<b>2,156</b>	<b>2,517</b>	<b>2,835</b>
<b>EBITDAM (%)</b>	<b>31.1%</b>	<b>31.9%</b>	<b>32.7%</b>	<b>33.2%</b>
Depreciation	416	454	457	471
% of GB	3.6%	3.6%	3.5%	3.5%
EBIT	1,389	1,702	2,061	2,365
EBITM (%)	23.9%	25.1%	26.8%	27.7%
Interest	236	220	213	170
Other Income	139	183	199	223
Share of P/L of Associates	81	129	138	149
PBT	1,376	1,794	2,185	2,566
<b>Tax Rate (%)</b>	<b>23.7%</b>	<b>23.7%</b>	<b>24.0%</b>	<b>24.0%</b>
Tax	323	464	524	616
<b>Reported PAT</b>	<b>1,053</b>	<b>1,330</b>	<b>1,660</b>	<b>1,950</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Share Capital	142	142	142	142
Reserves & Surplus	7,840	9,314	10,910	12,795
Net Worth	7,982	9,457	11,052	12,937
Total Loan funds	3,139	2,736	2,503	2,003
Deferred Tax Liability	157	144	157	157
Long Term Provisions	107	98	107	107
Other Long Term Liability	37	16	37	37
<b>Capital Employed</b>	<b>13,668</b>	<b>14,855</b>	<b>16,455</b>	<b>18,027</b>
Gross Block	11,675	12,647	13,047	13,447
Less: Depreciation	2,857	3,311	3,768	4,238
Net Block	8,818	9,336	9,279	9,209
Investments	757	724	757	757
Sundry Debtors	446	476	590	654
Cash & Bank Bal	1,053	1,485	2,746	4,094
Loans & Advances	6	9	6	6
Inventory	109	116	169	187
Other Current Assets	217	257	308	341
Total Current Assets	2,119	1,998	2,460	2,646
CurrLiab&Prov	2,590	3,068	4,576	6,040
Net Current Assets	471	1,070	2,116	3,394
<b>Total Assets</b>	<b>13,668</b>	<b>14,856</b>	<b>16,455</b>	<b>18,027</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
PBT	1,376	1,794	2,185	2,566
Add: depreciation	416	454	457	471
Add: Interest	236	220	213	170
Cash flow from operations	2,028	2,468	2,854	3,207
Change in working capital	1,267	256	45	108
Taxes	323	464	524	616
Net cash from operations	438	1,748	2,285	2,483
Capital expenditure	(958)	(871)	(493)	(400)
Net cash from investing	252	(837)	(526)	(400)
Increase/Decrease in debt	(749)	(403)	(233)	(500)
Dividends	(64)	(65)	(65)	(65)
Proceedings from equity	0	0	(0)	0
Interest	(236)	(220)	(213)	(170)
Others	225	209	13	(0)
Net cash from financing	(824)	(479)	(498)	(735)
Net Inc./ (Dec.) in Cash	(135)	432	1,261	1,348
Opening cash balance	1,188	1,053	1,485	2,746
Closing cash balance	1,053	1,485	2,746	4,094

Source: Company, Axis Securities

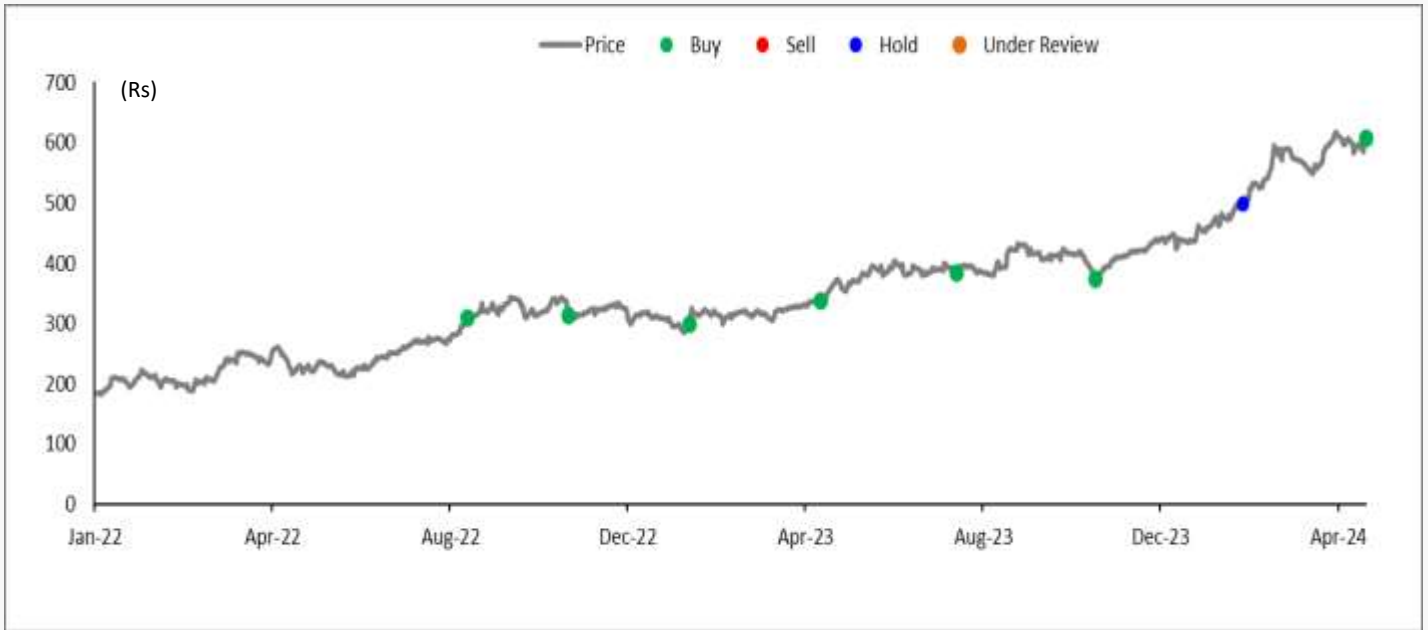
**Ratio Analysis**

(%)

Y/E March	FY23	FY24E	FY25E	FY26E
<b>Sales growth</b>	<b>90.1</b>	<b>16.5</b>	<b>13.6</b>	<b>10.9</b>
<b>OPM</b>	<b>31.1</b>	<b>31.9</b>	<b>32.7</b>	<b>33.2</b>
Oper. profit growth	345.8	19.5	16.7	12.6
COGS / Net sales	8.1	7.7	8.3	8.3
Overheads/Net sales	60.8	60.4	58.9	58.4
<b>Depreciation / G. block</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>
Effective interest rate	23.7	23.7	24.0	24.0
Net wkg.cap / Net sales	0.2	0.2	0.2	0.2
Net sales / Gr block (x)	0.5	0.5	0.6	0.6
<b>RoCE</b>	<b>15.0</b>	<b>17.7</b>	<b>21.2</b>	<b>24.4</b>
Debt / equity (x)	0.4	0.3	0.2	0.2
Effective tax rate	23.7	23.7	24.0	24.0
<b>RoE</b>	<b>13.2</b>	<b>14.1</b>	<b>15.0</b>	<b>15.1</b>
Payout ratio (Div/NP)	45.3	45.7	45.8	45.8
<b>EPS (Rs.)</b>	<b>7.4</b>	<b>9.3</b>	<b>11.7</b>	<b>13.7</b>
EPS Growth	(500.0)	26.3	24.9	17.5
CEPS (Rs.)	10.3	12.5	14.9	17.0
DPS (Rs.)	0.5	0.5	0.5	0.5

Source: Company, Axis Securities

## Indian Hotels Price Chart and Recommendation History



Date	Reco	TP	Research
06-Sep-22	BUY	360	Initiating Coverage
14-Nov-22	BUY	360	Result Update
01-Feb-23	BUY	370	Result Update
02-May-23	BUY	385	Result Update
28-Jul-23	BUY	450	Result Update
30-Oct-23	BUY	415	Result Update
05-Feb-24	HOLD	525	Result Update
25-Apr-24	BUY	671	Result Update

Source: Axis Securities

**About the analyst****Analyst:** Ankush Mahajan**Contact Details:** ankush.mahajan@axissecurities.in**Sector:** Midcaps/ Pharma Sector**Analyst Bio:** Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector**Disclosures:**

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