Indian Hotels Co. Ltd

ISIN :INE053A01029 | NSE :INDHOTEL

Price: 753
Recommendation: Buy
Industry: Hotels & Resorts
Sector: Consumer Discretionary
Report Date: 17-Mar-2025

The Indian Hotels Company Limited (IHCL) has achieved record performance for 11 consecutive quarters, driven by strategic initiatives and growth momentum. With a historic milestone of quarterly EBITDA surpassing INR 1,000 crores, IHCL reported a 29% revenue growth and an 80 basis points margin expansion. The company focuses on a capital-light growth strategy, digital transformation, and sustainability, with plans to open 25 hotels this year and 30 next year, ensuring continued strong growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4782 Cr	Operating Profit(Year)	1940 Cr	Operating Profit Margin	40.6 %
Previous Year	3704 Cr	Operating Profit(Quarter)	682 Cr	EBITDA Margin	39.15 %
Current Quarter	1474 Cr	PAT (Year)	1128 Cr	Net Profit Margin	25.6 %
Previous Quarter	1035 Cr	PAT (Quarter)	469 Cr	EPS	9.14
Revenue (QYoY)	1281 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	80.4	Sales Growth	14.0 %	Sales Growth	42.42 %
PEG Ratio	2.59	PAT Growth	34.45 %	Sales Growth QYoY	15.07 %
EV/EBITDA	49.7	EPS Growth	18.86 %	PAT Growth	82.49 %
P/B	10.3	Dividend Yield	0.22	PAT Growth QYoY	23.42 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	11.9 %	Promoter	38.1 %	Debt/Equity	0.11
RoA	9.19 %	FII	27.8 %	Debt	1175 Cr
RoCE	15.2 %	DII	18.4 %	Market Cap	107184 Cr
RoIC	29.2 %	Public	15.5 %	Enterprise value	107161 Cr
		No of Shares	142 Cr	Cash Equivalents	1198 Cr

source : Company filings

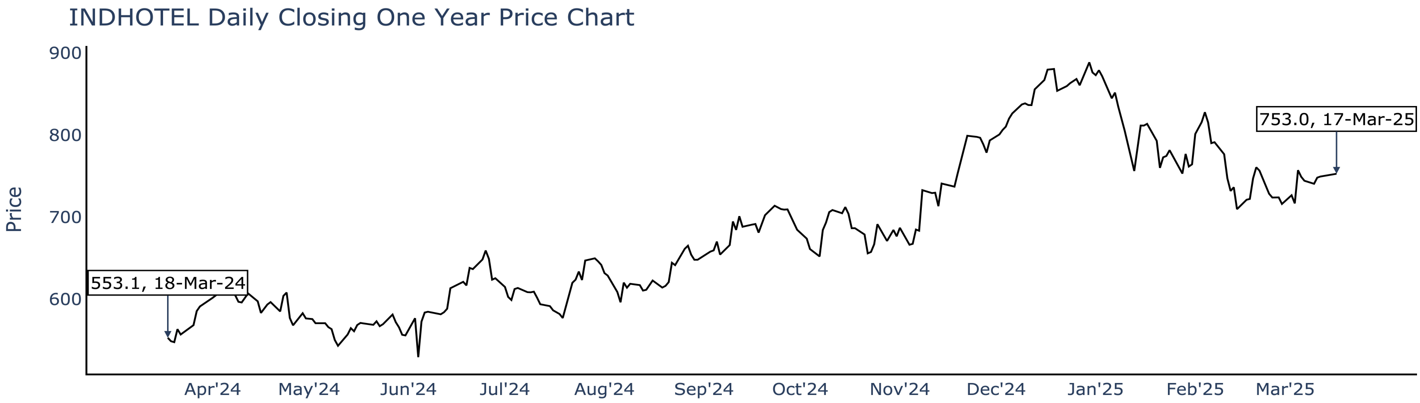
Company's Overview Based on Recent Concall and Performance:

The Indian Hotels Company Limited (IHCL) has reported a record performance for the 11th consecutive quarter, driven by strategic initiatives and growth momentum. The company achieved a historic milestone with its quarterly EBITDA surpassing INR 1,000 crores, marking a 29% revenue growth and an 80 basis points margin expansion. This was despite the consolidation of TajSATS, which has lower margins than the hotel segment. The consolidated revenue reached INR 2,592 crores, with an EBITDA margin of 39.4% and a profit after tax of INR 582 crores, the highest in IHCL's history. The hotel segment alone saw a 16% revenue growth and a 230 basis points increase in EBITDA margin to 40.9%.

IHCL's expansion strategy is robust, with 20 hotels signed and 8 new hotels opened in Q3. For the financial year from April to December, 55 new hotels were signed and 20 opened, setting a new benchmark with 85 signings and 40 openings in 2024. The portfolio now includes 360 hotels with a pipeline of 123 hotels. The company is focusing on a capital-light growth strategy, which has been a key margin driver, with management fees increasing by 32% to INR 177 crores. New business verticals like Reimagined Ginger, Qmin, and amã Stays & Trails have shown a 40% growth in consolidated revenue, with Ginger's revenue growing 43% year-on-year.

The company is committed to digital transformation and cost optimization, which has led to a notable improvement in operating EBITDA margins. The digital journey includes new websites for Taj Hotels and amã Stays & Trails, with upcoming launches for Ginger and Vivanta. The collaboration with Tata Neu has expanded the loyalty platform to 8 million members, contributing 40% to enterprise-level revenue. IHCL is also investing in talent development through scholarships and training programs, ensuring future readiness. The sustainability initiative, Paathya, focuses on renewable energy and water recycling, with goals set for 2030.

Looking ahead, IHCL expects continued strong growth with sustained margins and portfolio expansion. The company is on track to open 25 hotels in the current financial year, with plans to increase to 30 in the following year. The focus remains on scaling new businesses and optimizing margins through strategic initiatives. The positive outlook is supported by robust demand in both business and leisure segments, with large-scale events and a strong wedding season anticipated to drive growth. However, the company acknowledges potential headwinds but remains confident in its strategic positioning and competitive advantage.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mahindra Holiday	5946.38	44.19	24.03%	1.14%	6.87%	203.48%	230.86%
ITC Hotels	34953.27					39.62%	
EIH	22728.91	32.31	17.62%	35.85%	7.95%	102.47%	12.43%
Ventive Hospital	16916.60	102.50	65.74%	20.73%	23.14%	59.29%	-23.65%
Chalet Hotels	16821.04	166.31	16.36%	21.41%	22.51%	169.69%	36.68%

Aspect	Commentary
Revenue	The company experienced a significant increase in revenue, with a year-over-year growth of 29%. This growth is attributed to strategic initiatives and a strong market presence, indicating robust demand and effective business strategies.
Profit & Loss	Operating profit margins are strong, with a notable increase in profit after tax. This reflects efficient cost management and revenue growth, contributing to overall financial health and shareholder value.
Profitability Matrix	The company maintains high profitability with strong operating and net profit margins. This indicates effective cost control and pricing strategies, enhancing shareholder returns and financial stability.
Valuation Matrix	The valuation metrics suggest a high market valuation, with a trailing P/E ratio of 80.4. This reflects investor confidence and growth potential, though it may also indicate overvaluation risks.
Growth (YoY)	Year-over-year growth is robust, with significant increases in sales and profit after tax. This demonstrates the company's ability to expand and capture market opportunities effectively.
Growth (QoQ)	Quarter-over-quarter growth is impressive, with substantial increases in sales and profit after tax. This indicates strong operational performance and market demand in the short term.
Capital Allocation	The company demonstrates efficient capital allocation with strong returns on equity and capital employed. This reflects effective investment strategies and operational efficiency.
Holdings	The ownership structure shows a balanced mix of promoters, institutional investors, and public shareholders, indicating diversified interest and confidence in the company's prospects.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and a strong balance sheet, which provides flexibility for future investments and growth.

Analyst viewpoint: The Indian Hotels Company Limited has demonstrated consistent growth momentum underpinned by a robust strategy and effective market execution. Notable is the company's 29% revenue growth year-on-year, coupled with a significant quarter-on-quarter sales increase of 42.42%, demonstrating IHCL's strong market presence and demand for its offerings. The strategic focus on capital-light growth is evident in an admirable EBITDA margin of 39.4%, supported by a meticulous cost optimization strategy. The company's digital transformation initiatives and a strong portfolio expansion plan, with 25 new hotels expected this year, further bolster IHCL's competitive edge in the fast-evolving hospitality industry. On a peer comparison scale, IHCL stands out with a leading EBITDA surpassing INR 1,000 crores in recent quarters, marking a historic operational performance milestone.

From a valuation perspective, the company's current metrics such as a trailing P/E of 80.4 reflect investor confidence and perceived growth potential, although it hints at a possible overvaluation risk which warrants careful monitoring. Financial stability is reinforced by strategic capital allocation with return on equity at an impressive 11.9% and low debt-to-equity ratio of 0.11, indicating fiscal prudence. While the company remains well-positioned in terms of market strategy and operational performance, and despite some potential sector-specific headwinds, the overall outlook remains bullish. However, stakeholders should remain cautiously optimistic and aware of these market dynamics as they observe IHCL's continued trajectory.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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