Indian Hotels Co. Ltd

ISIN :INE053A01029 | NSE :INDHOTEL

Price: 831
Recommendation: Buy
Industry: Hotels & Resorts
Sector: Consumer Discretionary
Report Date: 03-Apr-2025

The Indian Hotels Company Limited (IHCL) has shown strong performance, achieving its 11th consecutive growth quarter. With a record EBITDA of INR 1,000 crores and a 39.4% margin, IHCL's revenue rose by 29%. The company plans to expand its portfolio to 360 hotels by 2024, focusing on digital transformation and sustainability. IHCL aims to open 25 hotels this year, leveraging robust demand in business and leisure segments.

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	88.7	Sales Growth	14.0 %	Sales Growth	42.42 %
PEG Ratio	2.85	PAT Growth	34.45 %	Sales Growth QYoY	15.07 %
EV/EBITDA	54.9	EPS Growth	18.86 %	PAT Growth	82.49 %
P/B	11.4	Dividend Yield	0.21	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	118244 Cr
RoIC	29.2 %	Public	15.5 %	Enterprise value	118221 Cr
		No of Shares	142 Cr	Cash Equivalents	1198 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

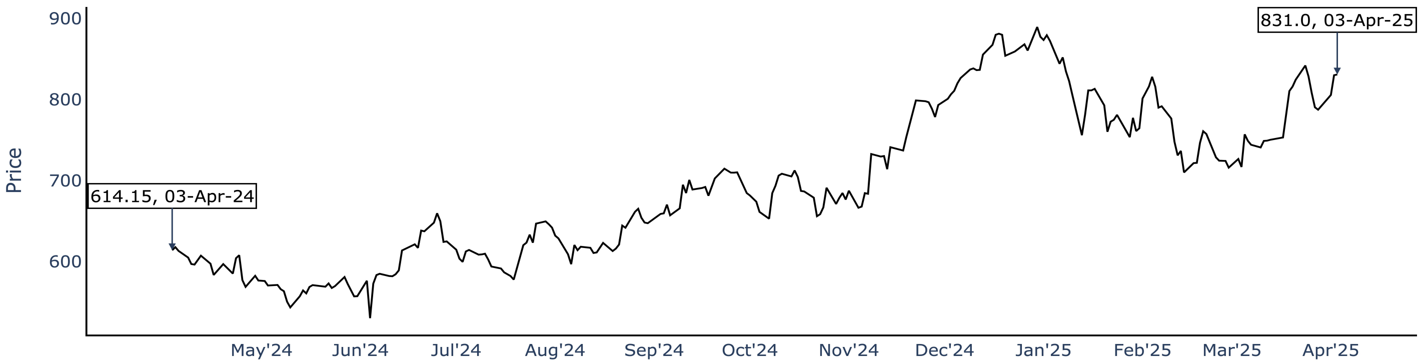
The Indian Hotels Company Limited (IHCL) has demonstrated a robust performance in the recent quarter, marking its 11th consecutive quarter of growth. The company achieved a record quarterly EBITDA of INR 1,000 crores, with a consolidated revenue of INR 2,592 crores and an EBITDA margin expansion to 39.4%. This growth was driven by a 29% increase in revenue and an 80 basis points margin expansion, despite the consolidation of TajSATS, which has lower margins. The hotel segment alone showcased a 16% revenue growth and an EBITDA margin expansion of 230 basis points to 40.9%. The company also reported a profit after tax of INR 582 crores, the highest in its history. This strong financial performance is attributed to the company's strategic initiatives and asset management efforts, which have allowed it to maintain a RevPAR premium of 78% over the industry.

IHCL's expansion momentum is evident with the signing of 20 hotels and the opening of 8 new hotels in Q3. For the financial year from April to December, the company signed 55 new hotels and opened 20, setting a new growth benchmark with 85 signings and 40 openings planned for 2024. This will expand their portfolio to 360 hotels with an industry-leading pipeline of 123 hotels by the end of 2024. The company's capital-light growth strategy has been a key margin driver, with management fees in Q3 increasing by 32% over the previous year. This strategy is complemented by the growth of new businesses, which saw a 40% increase in Q3 consolidated revenue. The acquisition of Tree of Life further strengthens this portfolio.

The company is also focusing on digital transformation and cost optimization. The launch of new websites for Taj Hotels and amã Stays & Trails, along with the upcoming websites for Ginger and Vivanta, are part of this digital journey. Significant progress is being made in upgrading core systems, including the migration to SAP for finance and HR functions. The company's collaboration with Tata Neu has resulted in a loyalty-led contribution to revenue rising to 40% of enterprise-level revenue. IHCL's commitment to sustainability is reflected in its use of 37% renewable energy and recycling 48% of water, with goals to increase these figures by 2030.

Looking ahead, IHCL is confident in its ability to deliver strong growth with sustained margins. The company plans to open 25 hotels in the current financial year, with a target of 30 hotels in the following year. The focus remains on scaling new businesses and optimizing margins through strategic initiatives. The company is well-positioned to capitalize on the robust demand in both business and leisure segments, with a strong pipeline and a competitive advantage in the hospitality sector. However, there is room for improvement in further enhancing digital capabilities and expanding the reach of new business ventures to ensure continued growth and market leadership.

INDHOTEL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mahindra Holiday	6181.64	45.94	24.03%	1.14%	6.87%	203.48%	230.86%
ITC Hotels	42982.40					39.62%	
EIH	23569.98	33.51	17.62%	35.85%	7.95%	102.47%	12.43%
Chalet Hotels	19106.27	188.95	16.36%	21.41%	22.51%	169.69%	36.68%
Ventive Hospital	16908.16	102.42	65.74%	20.73%	23.14%	59.29%	-23.65%

Aspect	Commentary
Revenue	The company experienced a significant increase in revenue, with a year-over-year growth of 14% and a quarter-over-quarter growth of 42.42%. This indicates strong sales performance and effective market strategies, contributing to the company's robust financial health and expansion capabilities.
Profit & Loss	The company reported a substantial operating profit of 1940 Cr for the year and 682 Cr for the quarter. The profit after tax (PAT) also showed strong figures, reflecting efficient cost management and operational efficiency, which are crucial for sustaining profitability.
Profitability Matrix	The company maintains a healthy profitability profile with an operating profit margin of 40.6% and a net profit margin of 25.6%. These metrics suggest strong operational efficiency and effective cost control, enhancing shareholder value and competitive positioning.
Valuation Matrix	The valuation metrics indicate a high trailing P/E of 88.7 and a PEG ratio of 2.85, suggesting the stock might be overvalued relative to its earnings growth. However, the EV/EBITDA of 54.9 and P/B of 11.4 reflect investor confidence in the company's future growth prospects.
Growth (YoY)	Year-over-year growth metrics are impressive, with sales growth at 14% and PAT growth at 34.45%. This indicates strong business expansion and market penetration, supported by strategic initiatives and effective management practices.
Growth (QoQ)	Quarter-over-quarter growth is robust, with sales growth at 42.42% and PAT growth at 82.49%. This reflects the company's ability to capitalize on market opportunities and adapt to changing business environments effectively.
Capital Allocation	The company demonstrates prudent capital allocation with a RoE of 11.9% and RoCE of 15.2%. These figures indicate efficient use of capital to generate returns, supporting long-term growth and sustainability.
Holdings	The company's shareholding pattern shows a balanced distribution with promoters holding 38.1%, FII at 27.8%, and DII at 18.4%. This diversified ownership structure can provide stability and support strategic decision-making.
Leverage	The company maintains a low debt-to-equity ratio of 0.11, indicating a conservative approach to leverage. This financial prudence ensures lower financial risk and enhances the company's ability to invest in growth opportunities.

Analyst viewpoint: The Indian Hotels Company Limited (IHCL) has consistently maintained a trajectory of growth, reflected by an impressive quarter-over-quarter revenue increase of 42.42% and a profit after tax surge of 82.49%. These figures underline the company's robust financial positioning and effective market strategies. IHCL's strategic focus on digital transformation and sustainability has fueled this growth, with plans to expand its portfolio to 360 hotels by 2024. The company's commitment to a capital-light growth strategy has been instrumental in driving margin expansion, as evidenced by the impressive 39.4% EBITDA margin achieved. Furthermore, its competitive edge is reinforced by maintaining a RevPAR premium of 78% over the industry, highlighting IHCL's strong market presence.

From a valuation perspective, IHCL's trailing P/E ratio stands at 88.7, with a PEG ratio of 2.85, suggesting rich valuations that reflect investor confidence in future growth prospects. The company remains well positioned against peers like Mahindra Holiday and EIH, exhibiting superior growth metrics. However, while the fundamentals appear strong, further enhancement of digital capabilities could bolster IHCL's competitive positioning in an ever-evolving market landscape. As IHCL continues to capitalize on opportunities in the hospitality sector, it is poised for substantial performance improvements through strategic expansion and operational excellence.

Please read detailed disclosure on next page.

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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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony

Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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