

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

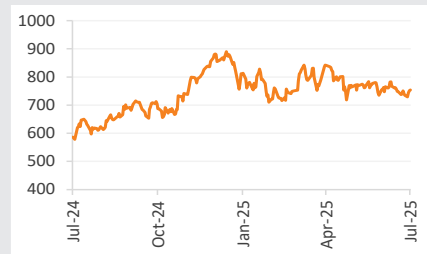
Company details

Market cap:	Rs. 1,07,334 cr
52-week high/low:	Rs. 894/571
NSE volume: (No of shares)	39.1 lakh
BSE code:	500850
NSE code:	INDHOTEL
Free float: (No of shares)	88.1 cr

Shareholding (%)

Promoters	38.1
FII	27.8
DII	19.2
Others	14.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.4	-10.4	-7.3	28.5
Relative to Sensex	-1.2	-15.1	-14.7	26.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Indian Hotels Company Ltd

Good Q1; momentum to sustain

Consumer Discretionary	Sharekhan code: INDHOTEL		
Reco/View: Buy	↔	CMP: Rs. 754	Price Target: Rs. 891
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Indian Hotels Company Ltd's (IHCL's) Q1FY26 numbers were good despite multiple headwinds, with revenue and adjusted PAT growing by 32% and 36% y-o-y, respectively.
- Consolidated EBITDA margin fell ~80 bps y-o-y to 28.2% owing to early wage hikes.
- Management is confident of a strong show in Q2FY26, despite a high base of Q2FY25 and has maintained guidance of double-digit revenue growth and opening of 30+ hotels for FY26.
- We maintain a Buy rating with a revised PT of Rs. 891. Stock trades at 27x/23x its FY26E/27E EV/EBIDTA, respectively.

(IHCL's Q1FY26 performance is not comparable with previous periods due to consolidation of Taj SATS)

IHCL reported a good start to FY26 delivering strong double-digit revenue and PAT growth. Consolidated revenues grew by 31.7% y-o-y to Rs. 2,041 crore beating ours and the average street's expectation of Rs. 1,992 crore and Rs. 1,980 crore, respectively. Cancellations on account of international geopolitical conflicts, Operation Sindoor and flight disruptions hit revenue growth by 2-2.5%. The hotel segment's revenue grew 14% y-o-y, with operating EBITDA margin stable at 29%, while TajSATS' (air & institutional catering business) revenue grew by 21% y-o-y, with operating EBITDA margin largely flat y-o-y at 23%. Domestic same store hotels delivered 11% y-o-y consolidated RevPAR growth, while international consolidated portfolio reported 13% y-o-y RevPAR growth. Management fee income grew by 17% y-o-y. New businesses' (Ginger, Qmin, amā Stays & Trails and Tree of Life) registered consolidated revenue growth of 27% y-o-y to Rs. 162 crore. EBITDA margins fell by 78 bps y-o-y to 28.2%, missing ours and the street's average expectation of 29.5%, mainly due to higher employee cost on account of change in increment cycle from July 1 to April 1. EBITDA grew by 28.1% y-o-y to Rs. 576 crore. This coupled with stable interest cost led to 36.4% y-o-y growth in the adjusted PAT to Rs. 319 crore, versus our and street's average expectation of Rs. 334 crore and Rs. 323 crore, respectively. Reported PAT stood at Rs. 329 crore. IHCL opened six hotels and signed 12 hotels in Q1, taking the portfolio to 392 hotels (249 operational; 143 pipeline) at Q1FY26-end.

Key positives

- New businesses' (Ginger, Qmin, amā Stays & Trails and Tree of Life) delivered 27% y-o-y consolidated revenue growth.
- International consolidated portfolio reported 460 bps y-o-y improvement in occupancy to 78%, resulting in a RevPAR growth of 13%.

Key negatives

- Cancellations due to Operation Sindoor and flight disruptions in June impacted revenue growth by 2-2.5%.

Management Commentary

- Management has guided for a strong performance in Q2FY26 despite a high base of Q2FY25 due to five auspicious wedding dates. Further, it maintained double-digit revenue growth guidance for FY26 aided by strong demand across all segments and by continued momentum in MICE activity, high profile diplomatic visits, and accelerated hotel openings.
- In international properties, London has shown a strong improvement in performance (~+20% in July) post-recent room renovations, while San Francisco has started to revive.
- IHCL had a gross cash balance of Rs. 3,073 crore at Q1-end. The management reiterated capex investment of Rs. 1,200 crore in FY26 towards assets under construction, renovations, expansions, and strong digital initiatives.
- The company plans to open ~30 hotels in FY26, including three owned hotels.

Revision in earnings estimates - We have fine-tuned our earnings estimates for FY26 and FY27 and will keenly monitor performance in coming quarters.

Our Call

View - Retain Buy with revised PT of Rs. 891: IHCL's Q1FY26 numbers were good with double-digit revenue and PAT growth despite multiple headwinds. The company has excelled its performance in the past five years by delivering consistent growth ahead of industry, strong uptick margins and strengthening its balance sheet by becoming net cash positive. We expect the next five years' journey to be good for IHCL led by industry tailwinds and its strategic initiatives. We expect revenues and PAT to clock a CAGR of 14% and 22% respectively over FY25-27. The stock trades at 27x and 23x its FY26E and FY27E EV/EBIDTA, respectively. IHCL remains one of our top picks in the hospitality space. We retain a Buy with a revised price target of Rs. 891.

Key Risks

Any slowdown in corporate travel, a slower recovery in inbound and the outbound tourism industry or delay in room addition would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	5,810	6,769	8,335	9,835	10,917
EBITDA margin (%)	31.1	31.9	33.2	34.4	35.5
Adjusted PAT	968	1,202	1,717	2,098	2,542
Adjusted EPS (Rs.)	6.8	8.4	12.1	14.7	17.9
P/E (x)	-	80.7	59.8	48.4	40.2
P/B (x)	12.4	10.6	8.6	7.5	6.5
EV/EBIDTA (x)	52.6	42.4	32.9	26.8	23.3
RoNW (%)	11.9	12.8	15.2	15.8	16.6
RoCE (%)	13.0	14.8	16.7	17.9	19.3

Source: Company; Mirae Asset Sharekhan estimates

Key business updates of Q1FY26

- Consolidated room and F&B revenue both increased by 13% y-o-y to Rs. 877 crore and Rs. 604 crore, respectively.
- Standalone revenue grew by 12.2% y-o-y to Rs. 1,045 crore with an EBITDA margin of 34.7% (down by 40 bps y-o-y). Standalone ARR rose to Rs. 14,552 per night (up 12.3% y-o-y), with occupancy declining by 90 bps y-o-y to 74.3%, resulting in standalone RevPAR growth of 10.9% y-o-y to Rs. 10,810 per night.
- Enterprise revenue of Ginger stood at Rs. 180 crore with a strong EBITDAR margin of 40% with a portfolio of 105 hotels including a pipeline of 31 hotels.
- Qmin has grown to 93 outlets across multiple formats, amã Stays & Trails has reached a portfolio of 309 bungalows with 138 in operation and Tree of Life is at a 21 resorts portfolio with 18 in operation.
- During Q1FY26, Hyderabad, Rajasthan, Kolkata, and Delhi, saw the strongest RevPAR growth, while growth in Goa was relatively weaker.
- Key legal entities such as UOH Inc (USA), St. James (UK), and PIEM Hotels reported revenue growth of 16%, 5%, and 11% y-o-y, respectively. UOH reported EBITDA margin of 7.8% versus 4.8% in Q1FY25. PIEM expanded its margins by 250 bps y-o-y to 24.7%, while St. James margins contracted by 100 bps y-o-y to 29.2%.
- Acquisition of Ginger Kolkata during the quarter further strengthened IHCL's mid-scale portfolio.
- IHCL signed 12 hotels across its brandscape with a) 5 Taj hotels including 3 Luxury Wildlife Lodges in Kruger National Park, South Africa, b) 2 SeleQtions and Ginger hotels each and c) one hotel each under Gateway, Vivanta and Tree of Life brands.
- The company opened 6 new hotels in Q1 including a Taj in Alibaug, 2 SeleQtions resorts in Lakshadweep, a Gateway in Coorg and a Ginger in Dehradun.

Results (Consolidated)

Particulars	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	Rs cr q-o-q (%)
Net Sales	2,041.1	1,550.2	31.7	2,425.1	-15.8
Foods & Beverage consumed	208.2	114.3	82.1	234.9	-11.4
Employee cost	597.6	460.5	29.8	588.2	1.6
Other operating & general expenses	659.3	525.9	25.4	745.2	-11.5
Total expenditure	1,465.1	1,100.6	33.1	1,568.4	-6.6
EBITDA	576.0	449.6	28.1	856.8	-32.8
Other income	61.1	46.0	32.7	61.6	-0.9
Interest cost	54.6	49.9	9.4	53.9	1.2
Depreciation	142.8	117.3	21.7	142.0	0.5
PBT	439.8	328.5	33.9	722.5	-39.1
Tax	120.4	94.3	27.7	180.6	-33.3
Adjusted PAT	319.4	234.2	36.4	541.9	-41.1
Share of profit from associates	9.9	26.0	-61.9	22.7	-56.3
Adjusted PAT after MI	329.3	260.2	26.6	564.6	-41.7
Extraordinary item	0.0	0.0	-	-1.9	-
Reported PAT	329.3	260.2	26.6	562.7	-41.5
EPS (Rs.)	2.2	1.6	36.4	3.8	-41.1
			bps		bps
GPM (%)	89.8	92.6	-282	90.3	-51
EBITDA margin (%)	28.2	29.0	-78	35.3	-711
NPM (%)	15.6	15.1	54	22.3	-670
Tax rate (%)	27.4	28.7	-133	25.0	238

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Hotel industry to benefit from demand supply gap

Higher demand from domestic leisure travellers, recovery in foreign tourist arrivals (FTAs) and a revival in corporate travels will keep room demand high for hotel companies (also help in achieving higher room rentals) in the short to medium term. Recent industry data shows that demand is expected to continue to grow in double digits (~12%). However, room supply is expected to grow by ~9% over the next 4-5 years. This augurs well for the industry because hotels' performance in India is highly sensitive to supply and demand dynamics. Margins of hotel companies are likely to expand, aided by better operating leverage and various cost-saving initiatives.

■ Company Outlook – Strong growth seen over FY25-27

With room demand expected to exceed supply, domestic performance would be strong in the coming years. This along with a likely recovery in international properties and higher contribution from new ventures, will aid revenues and PAT clock a CAGR of 14% and 22% over FY25-27E. Multiple cost-saving initiatives and operating leverage will aid improvement in margins. We expect IHCL's EBIDTA margins to be over 35% in FY27. Asset-light model will help in high free cash generation. RoE/RoCE are expected to increase to ~17%/19% in FY27 from ~15%/17% in FY25.

■ Valuation – Retain Buy with a revised PT of Rs. 891

IHCL's Q1FY26 numbers were good with double-digit revenue and PAT growth despite multiple headwinds. The company has excelled its performance in the past five years by delivering consistent growth ahead of industry, strong uptick margins and strengthening its balance sheet by becoming net cash positive. We expect the next five years' journey to be good for IHCL led by industry tailwinds and its strategic initiatives. We expect revenues and PAT to clock a CAGR of 14% and 22% respectively over FY25-27. The stock trades at 27x and 23x its FY26E and FY27E EV/EBITDA, respectively. IHCL remains one of our top picks in the hospitality space. We retain a Buy with a revised price target of Rs. 891.

Peer valuation

Companies	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Lemon tree Hotels	50.3	37.5	28.0	19.5	16.2	13.7	12.7	15.4	17.8
Chalet Hotels	55.9	40.5	31.1	25.8	19.7	16.2	11.0	13.9	16.6
Indian Hotels Company	59.8	48.4	40.2	32.9	26.8	23.3	16.7	17.9	19.3

Source: Company; Mirae Asset Sharekhan Research

About company

IHCL and its subsidiaries bring together a group of brands and businesses that offer a fusion of warm Indian hospitality and world-class service. These include Taj, the iconic brand for the most discerning travellers; Claridges Collection, a curated set of boutique luxury hotels merging elegance with historical charm; SeleQtions, a named collection of hotels; Tree of Life, private escapes in tranquil settings; Vivanta, sophisticated upscale hotels; Gateway, full-service hotels designed to be your gateway to exceptional destinations and Ginger, which is revolutionising the lean luxe segment. Incorporated by the founder of the Tata Group, Jamsetji Tata, IHCL opened its first hotel - The Taj Mahal Palace, in Bombay in 1903. It currently has a portfolio of 392 hotels including 249 operational and 143 under development globally across 4 continents, 14 countries and in over 150+ locations.

Investment theme

The hotel industry's business fundamentals have improved with room demand outpacing room supply. Strong domestic travel coupled with recovery in foreign travel would help IHCL in posting better performance in the medium term. A strong focus on building an asset-light model, market share gains in key markets and scale-up in the new businesses will help IHCL to deliver strong revenue growth in the coming years with strong growth in profitability. Further, the company is focusing on strengthening its balance sheet by a sustained reduction in debt, which augurs well from a long-term perspective.

Key Risks

- Any drop in room demand due to the emergence of any black swan event/sustained high inflationary environment or a significant increase in room supply in the coming years would be a key risk to our earnings estimates.
- Any delay in the launch of new hotels/rooms will impact company's performance.
- Any disruption in the performance of international properties will affect the consolidated performance of IHCL in the coming years.

Additional Data

Key management personnel

Name	Designation
N. Chandrasekaran	Chairman
Ankur Dalwani	Executive Vice President and Chief Financial Officer
Puneet Chhatwal	Chief Executive Officer and Managing Director
Beejal Desai	Senior Vice President - Corporate Affairs, Company Secretary (Group) and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC AMC Ltd.	2.70
2	Nippon Life India AMC Ltd.	2.44
3	Vanguard Group Inc.	2.41
4	Blackrock Inc.	2.41
5	Axis AMC Ltd.	2.26
6	Jhunjhunwala Rekha	2.02
7	NPS Trust A/c Uti Retirement Solutions Ltd.	1.61
8	SBI Pension Funds Pvt Ltd.	1.55
9	Canara Robeco AMC Ltd.	1.47
10	Franklin Resources Inc.	1.19

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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