

Q1FY25 REVIEW

SECTOR UPDATE

A pit-stop quarter

Weak Q1FY25 results on aggregate masked the strong sub-segment flavours. TAJ business hotels outperformed with double-digit RevPAR growth ([exhibit 8](#)). Chalet's F&B excelled too.

We posit that Q2 would offset Q1 weakness. IHCL in particular guided for a strong Jul-24 performance (20% YoY growth) and momentum carrying into August. Other players hummed the same tune, but refrained from quantifying the Q2 strength. Despite a weaker-than-expected performance, IHCL, Lemon Tree and Park reaffirmed their revenue targets. Renovations and higher labour costs eroded margins at Lemon Tree and EIH; we remain optimistic of a rebound post-renovation. Hotels are having a good going.

Temporary headwinds make Q1 less pleasurable

Growth took a back step this quarter owing to multiple momentary industry headwinds. Extreme heatwaves led to either the Leisure group deferring their trips or travelling abroad—evident in the Indian national departures growth in May of 14% YoY, out of which the share for the leisure group increased ~10% versus Jan-May-24. Meanwhile, fewer wedding days during the quarter, which is seasonally strong for weddings, hit the MICE segment. These two factors combined with elections led to softness in the growth for the hotel universe. Although most companies in the listed universe reported growth, growth velocity decelerated vis-à-vis Q1FY24, the base quarter.

The industry's RevPAR stayed stable YoY driven by a 3% increase in ARR. Occupancies contracted 2pp YoY to 61% in Q1FY25.

Margins take a hit

Margins either contracted or were flat for most companies due to lower productivity in Q1FY25. Lemon Tree's margin contracted 5% YoY driven by increased spending toward renovation, in line with its guidance.

Samhi had one-time expenses related to ESOP charges and a few other expenses that depressed its margins in Q1FY24; adjusting for that, Q1FY25 margins were flat YoY. Similarly, Chalet had pre-opening expenses for Westin Hyderabad and a GST payment of INR107mn; adjusting for these, its margins were down a relatively modest 115bp YoY.

IPO, QIP funds bring down debt and lift PBT

IHCL displayed the best control on costs, helping it report double-digit PBT growth despite subdued demand. Doubling of Chalet's PBT is attributable to one-off expenses in base (Q1FY24). Adjusting for these, EBITDA growth works out to 11% YoY. Debt repayment utilising the QIP money also helped lower the interest cost. Samhi's and Park Hotels' PBT growth is entirely due to lower interest outgo, courtesy IPO proceeds.

Performance by micro market

Hyderabad led the pack with an impressive 11.9% YoY RevPAR increase in Q1FY25. Delhi and Bengaluru were close behind, registering YoY growth of 11.8% and 10.4%, respectively. ARR in most key markets, except Goa, contributed significantly to the overall RevPAR improvement. All markets—except Goa and Kolkata—benefited from an ARR increase (YoY) in Jun-24, led by Hyderabad and Mumbai.

Foreign Tourist Arrivals (FTA) remained subdued through the quarter, an important driver to support rates incrementally. FTA stood at ~88% of its monthly peak in Q1FY25. Medical tourism from Bangladesh used to form a significant part of FTA in India ([exhibit 22](#)). For example, ~20% of FTA in India during Jan–May’24 were from Bangladesh. In light of the political turmoil in Bangladesh, FTA from this neighbouring country is likely to see a downtick.

Outlook and valuation

We anticipate headwinds in the MMR portfolio with the launch of Fairmont (near Terminal 2 by Shrem group). Akin to Q1FY25, we may see companies accelerating their renovation schedules, which should help reprice their product ([exhibit 24](#)). The ongoing thumb rule is to recover the entire renovation capex in two years as stated by Lemon Tree’s management and the ongoing trend in Taj Mansingh.

With Q2 expected to offset Q1’s weakness, the expectation is normalcy would return in the busy wedding season in Q3 and MICE activity would accelerate. Renovations of marquee assets are expected to be a major growth lever going ahead.

Cost control is resurfacing as a key focus, as evident in IHCL and Samhi's results and management commentary. However, retaining talent might squeeze margins, a concern echoed by EIH. While overall margin expansion in FY25 appears to be challenging, reduced interest costs following debt repayment through IPO/QIP could offer some relief.

Exhibit 1: Valuation comps (consensus)

	M Cap (INR bn)	FY24-26E Sales CAGR (%)	FY24- 26E PAT CAGR (%)	FY24E EBITDA margin (%)	P/E (x)				EV/EBITDA (x)			
Company Name					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Domestic companies												
Indian Hotels Co Ltd	885	13.3	19.0	31.9	84.1	66.6	54.6	47.0	49.7	41.6	33.8	30.0
EIH Ltd	234	12.8	25.6	36.9	68.9	34.5	27.6	21.8	38.4	24.8	20.6	17.7
Chalet Hotels Ltd	168	27.5	38.6	44.7	91.6	60.4	43.7	31.4	43.4	33.6	24.1	19.7
Lemon Tree Hotels Ltd	95	19.5	30.5	48.9	67.5	52.2	43.7	30.7	27.6	23.6	18.8	15.8
SAMHI Hotels Ltd	43	17.8	NA	27.8	(65.5)	(18.3)	39.6	23.6	229.1	21.8	13.4	11.6
Juniper Hotels Ltd	86	25.2	306.9	38.0	(5743.9)	361.3	28.7	21.8	34.6	30.3	20.1	17.0
Apeejay Surrendra Park Hotels Ltd	38	21.2	62.8	33.2	78.2	54.6	24.5	20.6	23.9	19.7	NA	NA
TAJGVK Hotels & Resorts Ltd	20	NA	NA	31.6	20.9	21.0	NA	NA	16.7	15.4	NA	NA
Oriental Hotels Ltd	24	NA	NA	24.9	44.7	48.9	NA	NA	23.2	26.6	NA	NA
Royal Orchid Hotels Ltd	9	16.3	14.8	25.9	19.0	18.4	19.9	14.0	13.4	14.5	13.4	10.3
Average		19.2	71.2	34.4	(533.4)	70.0	35.3	26.4	50.0	25.2	20.6	17.4
Median		18.6	30.5	32.6	56.1	50.5	34.2	22.7	31.1	24.2	20.1	17.0

Source: Bloomberg, Nuvama Research

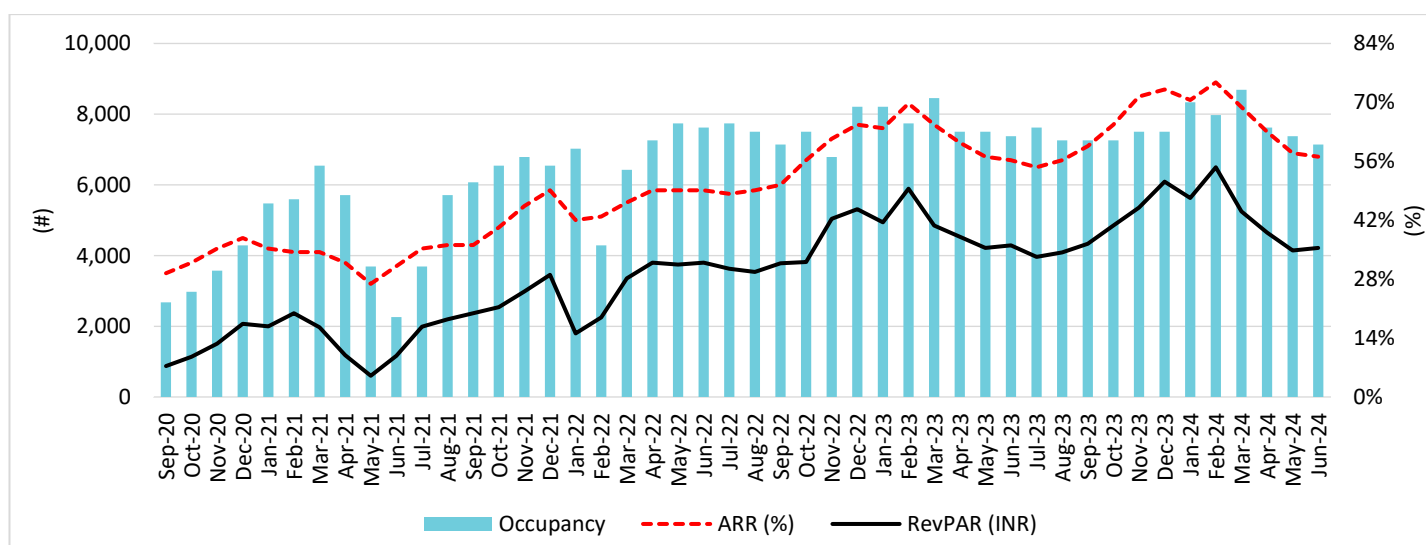
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Exhibit 2: Global valuation comps (consensus)

Global companies	M Cap (USD bn)	CY23-25E Sales CAGR (%)	CY23-25E PAT CAGR (%)	CY23 EBITDA margin (%)	P/E (x)				EV/EBITDA (x)			
					CY22	CY23	CY24E	CY25E	CY22	CY23	CY24E	CY25E
Marriott International Inc/MD	62.1	5.8	(3.3)	18.1	26.3	20.1	23.3	21.5	19.4	17.6	15.2	14.2
Hilton Worldwide Holdings Inc	52.4	8.9	29.2	24.3	41.7	45.5	30.5	27.3	26.4	25.1	18.4	17.0
InterContinental Hotels Group PLC	15.5	(22.2)	0.4	23.8	31.7	15.9	17.3	15.8	18.7	12.8	11.9	11.0
Accor SA	9.5	6.9	(2.3)	20.1	22.5	13.5	15.3	14.1	16.0	11.6	10.6	9.7
Hyatt Hotels Corp	14.4	2.4	40.8	13.4	31.7	65.7	31.4	33.1	16.4	18.7	14.4	13.3
Wyndham Hotels & Resorts Inc	6.0	3.2	11.8	41.8	16.8	20.6	17.5	16.5	13.0	14.2	12.1	11.6
Choice Hotels International Inc	5.8	2.4	10.8	31.4	17.6	22.6	18.8	18.4	13.5	15.8	13.1	12.9
Melia Hotels International SA	1.5	3.8	2.4	24.9	11.6	10.7	10.9	10.2	8.3	8.4	7.6	7.5
Average		2.3	11.3	26.2	9.4	34.4	26.2	23.8	40.9	28.7	23.4	22.1
Median		4.1	10.7	24.3	17.7	20.6	18.2	17.4	16.4	15.8	13.1	12.9
Vacation Ownership												
Wyndham Hotels & Resorts Inc	6.0	3.2	11.8	41.8	16.8	20.6	17.5	16.5	13.0	14.2	12.1	11.6
Marriott Vacations Worldwide	2.5	3.8	8.5	14.9	6.4	9.9	10.1	8.4	5.7	7.7	7.5	6.8
Hilton Grand Vacations Inc	3.7	15.8	9.6	21.7	10.6	11.9	7.7	9.9	9.6	9.9	7.5	6.9
Mahindra Holidays & Resorts	1.0	(22.6)	23.3	20.1	118.9	70.6	69.3	46.4	31.0	20.4	21.3	30.2
Average		0.1	13.3		38.1	28.3	26.2	20.3	14.8	13.0	12.1	13.9
Median		3.5	10.7		13.7	16.2	13.8	13.2	11.3	12.0	9.8	9.3
Global Hotel REIT's												
Host Hotels & Resorts Inc	11.6	5.3	(4.1)	28.7	18.0	15.4	16.4	16.7	11.0	10.4	9.6	9.3
Park Hotels & Resorts Inc	3.0	0.3	33.3	24.2	17.3	28.3	18.3	15.9	11.1	10.1	9.7	9.6
Ryman Hospitality Properties Inc	6.1	6.3	(2.1)	31.7	45.0	17.7	21.6	18.5	17.1	13.8	12.6	11.9
Pebblebrook Hotel Trust	1.5	3.0	(13.6)	18.9	(18.0)	(20.6)	(26.2)	(27.6)	17.7	17.6	13.3	13.0
Average		3.2	26.2		15.6	10.2	7.5	5.9	14.3	13.0	11.3	11.0
Median		3.0	(2.1)		17.6	16.6	17.3	16.3	14.1	12.1	11.2	10.8

Source: Bloomberg, Nuvama Research

Exhibit 3: Industry occupancy, ARR and RevPAR trend



Source: HVS Anarock, Nuvama Research

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Occupancies, which reached a peak of 68% in Mar-24, took a breather in Q1FY25 owing to the impact of severe heatwaves, fewer wedding days and softer MICE-related business, and the influence of union elections.

On average like-for-like (LFL) RevPAR growth across listed players ranged from 0–5% (exhibit 11). The bulk of the revenue increase is attributable to an uptrend in ARR (exhibit 5) while occupancy has either plateaued or edged down (exhibit 7).

The non-LFL business drove the revenue for most. Examples aplenty: Ginger Santacruz in case of IHCL, Aurika Mumbai for Lemon Tree, Westin Hyderabad and Courtyard Faridabad for Chalet, and flight services business at EIH (which is catching up on a low base).

Exhibit 4: Quarterly revenue trends

Revenue INR mn	Q1FY19	Q1FY21	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Growth (%)
IHCL	9,797	1,436	3,446	12,661	12,326	16,858	16,254	14,664	14,332	19,638	19,053	15,502	6%
IHCL (Standalone)	5,646	952	2,074	7,612	7,503	10,616	11,311	8,904	8,929	12,806	13,417	9,313	5%
EIH	3,883	297	959	3,943	4,011	5,864	6,371	4,981	5,306	7,413	7,413	5,265	6%
EIH (S)	3,350	285	793	3,424	3,557	5,122	5,634	4,268	4,652	6,521	6,493	4,559	7%
Chalet	2,353	526	676	2,530	2,478	2,897	3,379	3,108	3,145	3,737	4,183	3,610	16%
Lemon Tree	1,279	407	422	1,920	1,967	2,335	2,527	2,242	2,272	2,887	3,273	2,680	20%
TajGVK	726	33	248	855	891	1,054	1,036	916	894	1,111	1,158	928	1%
Benares Hotels	100	6	39	199	177	283	275	255	259	336	356	230	-10%
EIH Associated	473	30	127	601	585	1,106	1,078	669	588	1,267	1,325	645	-4%
Oriental Hotels	815	43	247	886	888	1,057	1,114	926	910	1,021	1,075	820	-11%
Roots Corporation			300	700	730	820	820	780	840	1,040	1,040	1,000	28%
Samhi				2,185	2,238	2,428	2,637	2,410	2,450	2,692	2,812	2,499	4%
Juniper						1,786	1,940	1,677	1,685	2,363	2,453	1,997	19%
Park						1,404	1,441	1,306	1,349	1,589	1,557	1,351	3%
ITC	3,614	249	1,337	5,807	5,604	7,393	8,087	6,249	6,750	8,725	9,310	7,133	14%
Phoenix Mills				959	1,007	1,390	1,395	1,352	1,212	1,652	1,739	1,396	3%

Source: Company, Nuvama Research

Note: Samhi's number includes ACIC impact across quarters and hence is comparable. Reported growth is 22% YoY.

Exhibit 5: Management fee per key trend

(Rs per key)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
IHCL	69,864	63,572	98,104	98,906	77,562	66,595	1,03,196	1,10,826	78,091
Lemon Tree	27,523	20,542	29,158	32,503	31,592	28,338	37,933	36,660	31,823

Source: Company, Nuvama Research

EIH does not share standalone RevPAR details, but adjusting for the flight services business (up 22% YoY and formed 20% of the top line), RevPAR grew merely 2% YoY. RevPAR for EIH's domestic portfolio increased 6% YoY, implying either the MICE segment shrunk or the standalone business has grown materially below the domestic network's RevPar growth.

Samhi's performance captures the best-performing markets in Q1FY25, namely Hyderabad and Bengaluru, as is seen in JLL's data.

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Exhibit 6: RevPAR trends

RevPAR	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Growth (%)
Industry	3,290	3,353	981	3,784	3,648	4,724	5,229	4,348	4,129	5,433	5,780	4,334	0%
IHCL (Standalone)		5,795	1,992	8,021	7,681	11,137	12,634	9,428	9,840	13,918	13,885	9,810	4%
EIH Domestic - Owned	6,624	6,506	1,567	8,850	9,196	13,332	15,284	10,236	11,268	16,962	16,940	10,801	6%
Chalet	5,937	6,070	1,252	5,794	5,650	6,640	8,363	7,182	7,034	7,838	8,984	7,361	2%
Lemon Tree	2,994	3,102	699	3,134	3,255	3,879	4,286	3,676	3,777	4,173	4,756	3,810	4%
Samhi				3,320	3,407	3,708	4,122	3,813	3,918	4,231	4,772	4,276	13%
Juniper							7,977	6,699		8,244	8,850	6,832	2%
Ginger		1,455		1,741	1,668	1,959	1,990	2,002	1,902	2,194			
Phoenix Mills				7,191	7,173	10,306	12,390	9,866	8,913	12,876	14,366	9,630	-2%

Source: Company, Nuvama Research

Exhibit 7: ARR trends

ARR	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Growth (%)
Industry	5,278	5,394	3,567	5,850	5,867	7,233	7,867	6,900	6,767	8,300	8,500	7,100	3%
IHCL (Standalone)	0	9,141	7,024	11,397	11,003	15,456	16,915	12,614	12,972	18,111	17,546	12,906	2%
EIH Domestic Owned & Managed	10,014	9,942	8,197	11,451	11,467	16,737	17,963	13,350	13,736	19,985	19,713	13,771	3%
Chalet	7,875	8,078	3,523	7,457	7,930	10,168	11,304	10,317	9,610	10,974	11,862	10,446	1%
Lemon Tree	3,899	4,002	2,362	4,822	4,917	5,738	5,824	5,237	5,268	6,333	6,605	5,686	9%
Samhi				4,583	4,804	5,333	5,570	5,197	5,441	5,959	6,279	5,669	9%
Juniper							10,283	9,048		10,983	11,110	9,667	7%
Ginger		2,243		3,004	2,857	3,186	3,220	3,034	2,886	3,282			
Phoenix Mills				9,284	9,134	12,853	14,866	12,534	11,515	15,516	16,325	12,382	-1%

Source: Company, Nuvama Research

Exhibit 8: Occupancy trends

Occupancy	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY change PP
Industry	62%	62%	27%	65%	62%	65%	66%	63%	61%	65%	68%	61%	-2
IHCL (Standalone)		63%	28%	70%	70%	72%	75%	75%	76%	77%	79%	76%	1
EIH Domestic - Owned & Managed	63%	63%	22%	72%	69%	77%	80%	70%	67%	79%	81%	70%	0
Chalet	75%	75%	36%	78%	71%	65%	74%	70%	73%	71%	76%	71%	1
Lemon Tree	77%	78%	30%	65%	66%	68%	74%	70%	72%	66%	72%	67%	-3
Samhi				72%	71%	70%	74%	70%	72%	71%	76%	74%	4
Juniper							78%	74%		75%	80%	71%	-3
Ginger		65%		58%	58%	61%	62%						
Phoenix Mills				77%	79%	80%	83%	79%	77%	83%	88%	78%	-1

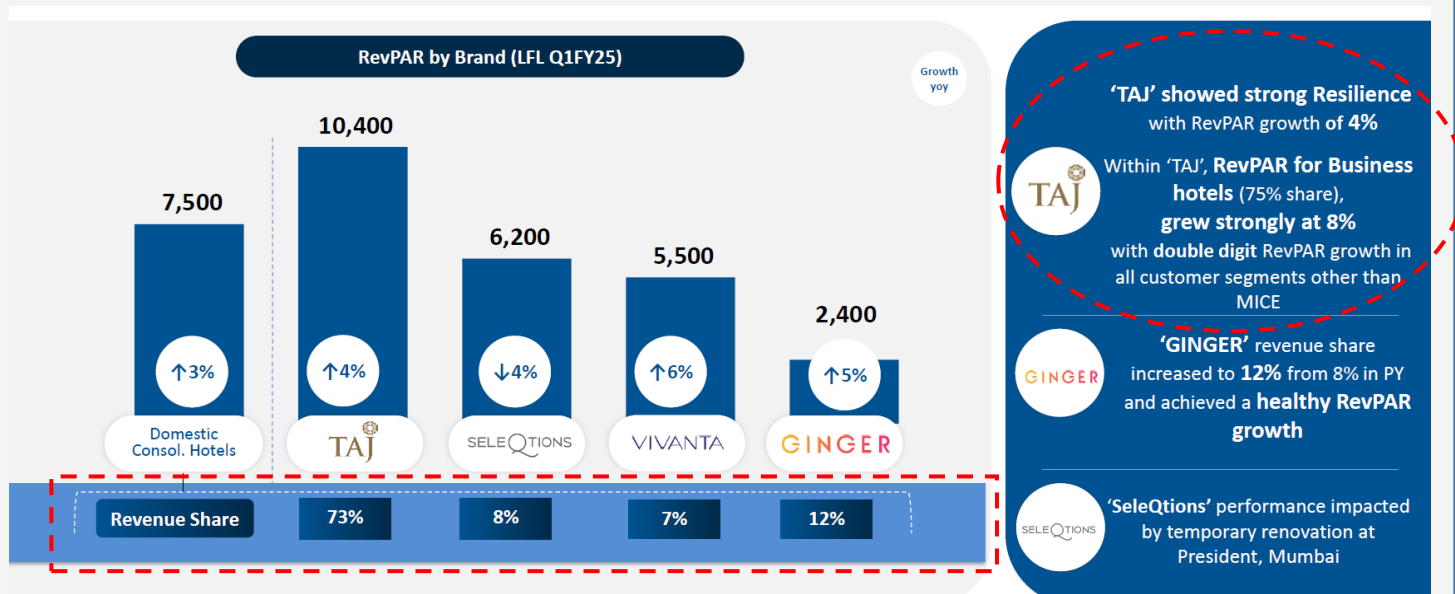
Source: Company, Nuvama Research

MICE and leisure drag performance

We attempt to elaborate hotel industry's muted LFL performance using IHCL as an example:

1. RevPAR for the TAJ business hotels (75% share) grew 8% YoY versus overall RevPAR growth of 4% YoY, implying leisure TAJ portfolio (25% share) must have contracted 8% YoY. The MICE segment in particular contracted the most. Similarly, Chalet's hospitality business recorded 9% same store revenue growth helped by newly renovated restaurants.

Exhibit 9: TAJ business hotels reported double-digit RevPAR growth



Source: Company

2. **Strong growth in F&B in subsidiaries:** Qmin is the standout contributor to the 13% YoY F&B boost in subsidiaries. Ginger's F&B revenue skyrocketed 65% (enterprise) and 78% (consolidated), complemented by stronger US F&B performance.
3. Assuming 20% of Ginger Mumbai Airports' total revenue of INR214mn (or INR43mn) comes from F&B, the LFL F&B for the standalone entity decreased 6.3% YoY.
4. Excluding Ginger Mumbai Airport, revenue from room and F&B income was flat YoY.
5. **Exceptional item in Q2FY25:** Management indicated Q2FY25 would have an exceptional gain owing to the TajSATs integration; this will stem from JV-based accounting (one-line consolidation) versus subs accounting (line-by-line consolidation). Exceptional gain would be the difference in the fair value of TajSATs versus book value of the investment carried in the book.
6. A significant part of the consensus earnings upgrade (including ours) is due to TajSATs consolidation.

Exhibit 10: IHCL's Q1FY25 numbers: Key observations

(in Rs mn)				
Room Revenue	Q1FY25	Q1FY24	Difference	Growth
Standalone	4,130	3,755	375	10%
Consol	7,760	7,252	508	7%
Subs	3,630	3,498	132	4%
F&B	Q1FY25	Q1FY24	Difference	Growth
Standalone	3,040	3,200	(160)	-5%
Consol	5,340	5,235	105	2%
Subs	2,300	2,035	265	13%
Room revenue + F&B	Q1FY25	Q1FY24	Difference	Growth
Standalone	7,170	6,955	215	3%
Consol	13,100	12,488	612	5%
Subs	5,930	5,533	397	7%
Management Fee	1080	980	100	10%
Ginger Mumbai Airport	214		214	
Total Revenue excluding Ginger Mumbai	Q1FY25	Q1FY24	Difference	Growth
Standalone	6,956	6,955	1	0%
Consol	12,886	12,488	398	3%
Subs	5,930	5,533	397	7%

Source: Company, Nuvama Research

Chalet continues to catch up with IHCL as the absolute rate difference in the Mumbai Metropolitan Region (MMR) has not been narrowing lately. This could potentially be due to a drag from Four Point Sheraton Vashi, which has been facing intense competitive pressure from nearby newly constructed assets. Westin (Powai) renovation seems to be negated by Taj Lands' End renovations and a commensurate price increase.

Exhibit 11: RevPAR comparison: Chalet versus IHCL by market

RevPAR	Jun '19	Sep '19	Dec '19	Mar '20	Dec '22	Mar '23	Jun '23	Sep '23	Dec '23	Mar '24	Jun '24	Remarks
IHCL (Mumbai) – (1)	6,468	6,381	8,936	7,698	11,151	13,096	10,502	10,101	14,400	14,672	11,000	
Chalet (MMR) – (2)	5,805	5,577	6,840	5,540	7,405	9,208	7,976	7,288	8,977	9,815	8,210	
Chalet's RevPAR Discount%	10%	13%	23%	28%	34%	30%	24%	28%	38%	33%	26%	
Chalet's RevPAR Discount (Rs)	663	804	2,096	2,158	3,746	3,888	2,526	2,813	5,423	4,857	2,890	The gap expanded here YoY
Pre-Covid Discount (Rs) – (3)					2,096	2,158	663	804	2,096	2,158	663	
Chalet potential upside (1-2-3)/2 from current RevPAR					22%	19%	23%	28%	37%	28%	25%	

Source: Company, Nuvama Research

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Samhi has been the best performer in the hotels pack with ~111bp improvement in the asset level EBITDA margin. Corporate-level EBITDA margin improvement for Samhi was also due to high ESOP related and other one-time expenses in base quarter elimination of which contributed to 620bp improvement.

Roots Corporation stood out during the quarter on the back of inventory addition, surge in F&B income owing to Qminization of Ginger, 5% RevPAR growth and scale up of its recently renovated portfolio.

Exhibit 12: Quarterly EBITDA trends

EBITDA (INR mn)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Growth (%)
IHCL	1,107	1,287	-1,488	3,779	2,940	5,972	5,355	4,102	3,548	7,324	6,598	4,496	10%
IHCL (Standalone)	851	411	-1,265	1,795	1,368	3,201	3,543	1,959	1,868	4,244	4,351	2,191	12%
EIH	570	291	-1,015	995	847	2,090	2,042	1,555	1,429	3,244	3,041	1,349	-13%
EIH (S)	483	249	-971	792	779	1,805	2,259	1,257	1,241	2,805	2,574	1,089	-13%
Chalet	768	795	-90	1,019	851	1,135	1,524	1,098	1,260	1,660	1,829	1,402	28%
Lemon Tree	348	372	-1	876	936	1,265	1,399	1,065	1,019	1,397	1,715	1,151	8%
TajGVK	128	184	-36	295	309	331	254	262	216	404	409	267	2%
Benares Hotels	14	21	-12	75	51	123	112	94	100	159	158	88	-6%
EIH Associated	45	40	-133	111	66	449	321	105	5	523	501	48	-54%
Oriental Hotels	84	41	-125	247	233	323	320	225	201	285	268	117	-48%
Roots Corporation		110	-10	270	260	320	300	270	280	400	400	340	26%
Samhi				727	668	789	775	598	561	863	875	821	37%
Juniper						717	866	631	602	966	911	627	-1%
Park						506	446	397	443	559	536	385	-3%

Source: Company, Nuvama Research

Margins contract

Margins in Q1FY25 either contracted or were flat for most companies due to lower productivity.

- **Lemon Tree** reported contraction of 5% YoY driven by increased spending towards renovation, in line with its guidance.
- **Samhi** had one-time expenses related to ESOP charges and a few other expenses that depressed margins in Q1FY24, adjusting for which the margins were flat YoY in Q1FY25.
- **Chalet**, similarly, had pre-opening expenses pertaining to Westin Hyderabad and a GST payment of INR107mn, adjusting for which margins slid 115bp YoY.
- **Oriental Hotels'** revenue and margins in Q1 were impacted by a delayed reopening (by a quarter) of the first phase of Taj Malabar Resort & Spa (Cochin) and the recommissioning of Gateway Coonoor (after a three quarter gap).

Q1FY25 REVIEW

Exhibit 13: Quarterly EBITDA margin trends

EBITDA (%)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Change pp
IHCL	11%	13%	-43%	30%	24%	35%	33%	28%	25%	37%	35%	29%	1
IHCL (Standalone)	15%	8%	-71%	26%	20%	34%	35%	25%	23%	36%	32%	24%	-1
EIH	15%	9%	-106%	25%	21%	36%	32%	31%	27%	44%	41%	26%	-6
EIH (S)	14%	9%	-122%	23%	22%	35%	40%	29%	27%	43%	40%	24%	-6
Chalet	33%	33%	-13%	40%	34%	39%	45%	35%	40%	44%	44%	39%	4
Lemon Tree	27%	26%	0%	46%	48%	54%	55%	47%	45%	48%	52%	43%	-5
TajGVK	18%	25%	-15%	35%	35%	31%	24%	29%	24%	36%	35%	29%	0.2
Benares Hotels	14%	18%	-31%	38%	29%	44%	41%	37%	39%	47%	45%	39%	2
EIH Associated	10%	8%	-104%	18%	11%	41%	30%	16%	1%	41%	38%	7%	-8
Oriental Hotels	10%	6%	-51%	28%	26%	31%	29%	24%	22%	28%	25%	14%	-10
Roots Corporation		22%	-3%	39%	36%	39%	37%	35%	33%	38%	38%	34%	-1
Samhi				33%	30%	32%	29%	25%	23%	32%	31%	33%	8
Juniper							45%	38%	36%	41%	37%	31%	-6
Park							31%	30%	33%	35%	34%	29%	-2

Source: Company, Nuvama Research

IHCL displayed the best control on costs (during the quarter), which helped it report double-digit PBT growth in a subdued demand environment.

Doubling of Chalet's PBT is attributable to one-off expenses in the base quarter towards GST payments on ineligible input tax credits and pre-opening expenses of Westin Hyderabad Hitec City. Adjusting for these, EBITDA growth would have been 11% YoY. Debt repayment by utilising the QIP proceeds too helped lower the interest cost.

Similarly, Samhi's and Park Hotels' PBT growth is entirely driven by reduced interest outgo, thanks to IPO proceeds.

Exhibit 14: PBT trends

PBT (INR mn)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY growth (%)
IHCL	-37	388	-3,150	2,309	1,687	4,950	4,000	2,939	2,322	6,047	5,347	3,285	12%
IHCL (Standalone)	-297	431	-2,203	2,024	1,505	3,765	4,096	2,543	2,119	5,146	5,017	2,822	11%
EIH	250	23	-1,275	932	297	1,855	1,358	1,419	1,261	2,900	3,256	1,281	-10%
EIH (S)	160	-123	-1,226	567	404	1,361	2,034	1,202	1,139	2,510	2,070	1,144	-5%
Chalet	-297	205	-694	389	213	1,411	715	372	445	887	990	777	109%
Lemon Tree	40	28	-673	204	247	590	732	359	348	552	892	291	-19%
TajGVK	30	84	-123	227	484	258	208	194	159	346	351	228	18%
Benares Hotels	4	5	-30	61	40	111	101	85	91	151	154	86	2%
EIH Associated	29	25	-169	81	36	425	307	97	-12	508	494	48	-50%
Oriental Hotels	-51	-66	-236	161	156	228	258	131	114	223	210	22	-83%
Samhi				-1,031	-925	-812	-907	-851	-1,022	-828	106	35	NM
Juniper						26	103	-192	-274	29	69	131	NM
Park						248	151	122	214	287	263	246	102%

Source: Company, Nuvama Research

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Exhibit 15: PBT margin trends

PBT Margin (%)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Change PP
IHCL	-0.4%	3.8%	-91.4%	18.2%	13.7%	29.4%	24.6%	20.0%	16.2%	30.8%	28.1%	21.2%	1.1%
IHCL (Standalone)	-5.3%	7.5%	-106.2%	26.6%	20.1%	35.5%	36.2%	28.6%	23.7%	40.2%	37.4%	30.3%	1.7%
EIH	6.4%	0.7%	-132.9%	23.6%	7.4%	31.6%	21.3%	28.5%	23.8%	39.1%	43.9%	24.3%	-4.2%
EIH (S)	4.8%	-4.3%	-154.5%	16.6%	11.3%	26.6%	36.1%	28.2%	24.5%	38.5%	31.9%	25.1%	-3.1%
Chalet	-12.6%	8.5%	-102.7%	15.4%	8.6%	48.7%	21.1%	12.0%	14.1%	23.7%	23.7%	21.5%	9.6%
Lemon Tree	3.1%	2.0%	-159.6%	10.6%	12.6%	25.3%	29.0%	16.0%	15.3%	19.1%	27.2%	10.9%	-5.2%
TajGVK	4.1%	11.6%	-49.4%	26.6%	54.3%	24.5%	20.0%	21.2%	17.8%	31.2%	30.3%	24.6%	3.4%
Benares Hotels	3.6%	4.6%	-78.7%	30.6%	22.5%	39.2%	36.9%	33.2%	35.2%	45.0%	43.2%	37.4%	4.2%
EIH Associated	6.2%	5.4%	-132.6%	13.4%	6.1%	38.4%	28.5%	14.5%	-2.0%	40.1%	37.3%	7.5%	-7.0%
Oriental Hotels	-6.3%	-9.9%	-95.7%	18.2%	17.5%	21.5%	23.2%	14.1%	12.6%	21.8%	19.5%	2.7%	-11.4%
Samhi				-47.2%	-41.3%	-33.4%	-34.4%	-35.3%	-41.7%	-30.7%	3.8%	1.4%	36.7%
Juniper						1.4%	5.3%	-11.4%	-16.2%	1.2%	2.8%	6.6%	18.0%
Park						17.6%	10.5%	9.3%	15.9%	18.1%	16.9%	18.2%	8.9%

Source: Company, Nuvama Research

PAT performance has been disappointing across the board, barring IHCL. Chalet had a write-back of deferred tax asset of INR584mn in the base quarter, which hides the otherwise stable PAT performance. This was on account of a merger of Belaire Hotels Private Limited and Seapearl Hotels Private Limited with the holding company.

Exhibit 16: PAT trends

PAT (INR mn)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Change (%)
IHCL	152	167	-2,773	1,701	1,216	3,827	3,283	2,224	1,669	4,520	4,178	2,484	12%
IHCL (Standalone)	-166	273	-1,902	1,474	1,135	2,832	2,989	1,882	1,572	3,804	3,691	2,088	11%
EIH	128	15	-1,132	628	246	1,428	844	1,038	931	2,193	2,229	922	-11%
EIH (S)	102	-82	-931	424	272	1,039	1,466	900	852	1,869	1,588	854	-5%
Chalet	-227	139	-420	286	157	1,024	392	887	364	706	824	606	-32%
Lemon Tree	23	18	-401	139	168	400	440	235	226	354	670	198	-16%
TajGVK	45	56	-90	160	321	173	144	132	111	242	259	127	-4%
Benares Hotels	3	4	-23	45	30	83	76	63	68	113	116	64	2%
EIH Associated	19	18	-98	57	26	302	262	72	-9	379	368	36	-51%
Oriental Hotels	-34	-46	-168	115	111	150	180	88	79	169	165	16	-82%
Samhi				-1,031	-919	-812	-896	-851	-1,018	-744	113	42	NM
Juniper						12	148	-109	-156	35	468	117	NM
Park						188	107	81	148	274	184	-19	NM

Source: Company, Nuvama Research

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Exhibit 17: PAT margin trends

PAT Margin (%)	Q1FY19	Q1FY20	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Change PP
IHCL	1.5%	1.6%	-80.5%	13.4%	9.9%	22.7%	20.2%	15.2%	11.6%	23.0%	21.9%	16.0%	0.9
IHCL (Standalone)	-2.9%	4.8%	-91.7%	19.4%	15.1%	26.7%	26.4%	21.1%	17.6%	29.7%	27.5%	22.4%	1.3
EIH	3.3%	0.5%	-118.0%	15.9%	6.1%	24.4%	13.2%	20.8%	17.5%	29.6%	30.1%	17.5%	-3.3
EIH (S)	3.0%	-2.8%	-117.3%	12.4%	7.6%	20.3%	26.0%	21.1%	18.3%	28.7%	24.5%	18.7%	-2.4
Chalet	-9.7%	5.8%	-62.1%	11.3%	6.4%	35.3%	11.6%	28.5%	11.6%	18.9%	19.7%	16.8%	-11.7
Lemon Tree	1.8%	1.3%	-95.2%	7.2%	8.5%	17.1%	17.4%	10.5%	10.0%	12.3%	20.5%	7.4%	-3.1
TajGVK	6.2%	7.8%	-36.1%	18.7%	36.0%	16.4%	13.9%	14.4%	12.4%	21.8%	22.3%	13.7%	-0.7
Benares Hotels	2.6%	3.2%	-59.2%	22.9%	16.8%	29.3%	27.6%	24.7%	26.4%	33.6%	32.6%	28.0%	3.2
EIH Associated	4.0%	3.8%	-76.8%	9.5%	4.4%	27.3%	24.3%	10.8%	-1.6%	29.9%	27.8%	5.6%	-5.3
Oriental Hotels	-4.1%	-6.9%	-68.0%	12.9%	12.4%	14.2%	16.2%	9.5%	8.6%	16.5%	15.4%	2.0%	-7.5
Samhi				-47.2%	-41.1%	-33.4%	-34.0%	-35.3%	-41.5%	-27.6%	4.0%	1.7%	NM
Juniper							7.6%	-6.5%	-9.3%	1.5%	19.1%	5.8%	NM
Park							7.4%	6.2%	11.0%	17.3%	11.8%	-1.4%	NM

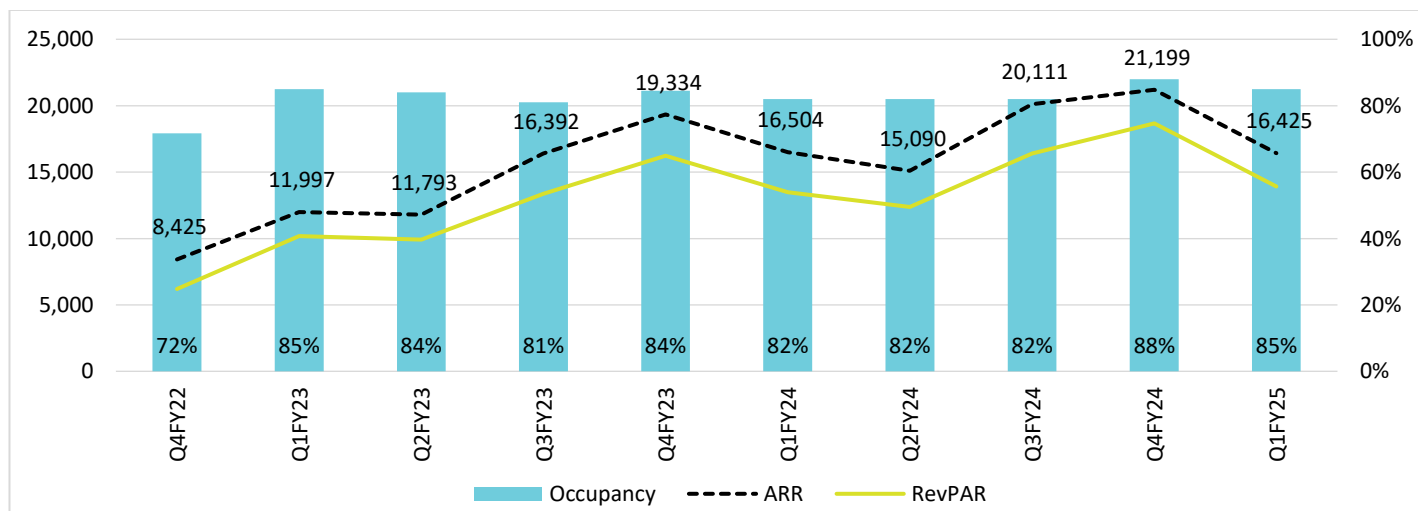
Source: Company, Nuvama Research

Exhibit 18: Room count trend

Rooms	Q1FY19	Q1FY20	Q1FY21	Q1FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY Growth (%)
IHCL	17,145	17,823	18,867	19,425	20,581	20,581	21,146	21,686	22,036	22,465	23,168	24,136	24,519	11%
IHCL(S)	4,423	4,322	4,545	4,485	4,476	4,476	4,476	4,476	4,476	4,476	4,807	4,807	4,807	7%
EIH (S)	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	0%
Chalet		2,331	2,554	2,554	2,554	2,554	2,554	2,554	2,802	2,802	2,894	3,052	3,052	9%
Lemon Tree (Owned)	3,278	3,975	5,192	5,192	5,090	5,090	5,090	5,090	5,090	5,090	5,759	5,759	5,759	13%
Samhi					3,839	3,839	3,839	3,839	4,590	4,801	4,801	4,801	4,801	5%
Juniper								1,836	1,406	1,836	1,895	1,895	1,895	35%
Phoenix Mills					588	588	588	588	588	588	588	588	588	0%

Source: Company, Nuvama Research

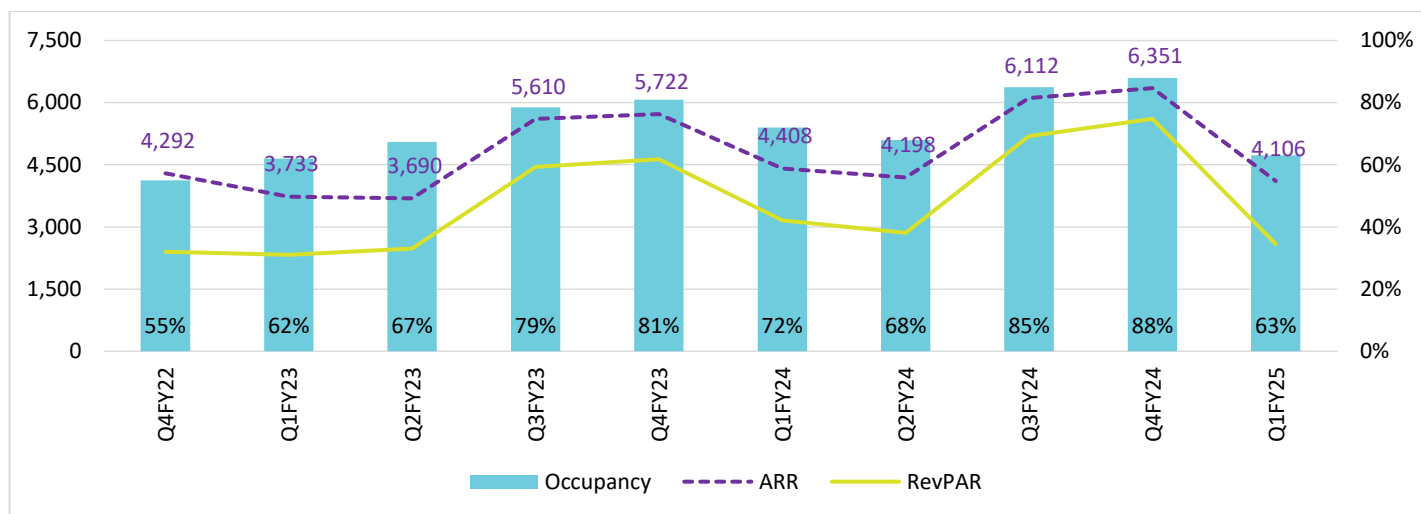
Exhibit 19: St. Regis Hotels and Resorts (Mumbai) moderated on all fronts in this quarter in line with the industry



Source: Company, Nuvama Research

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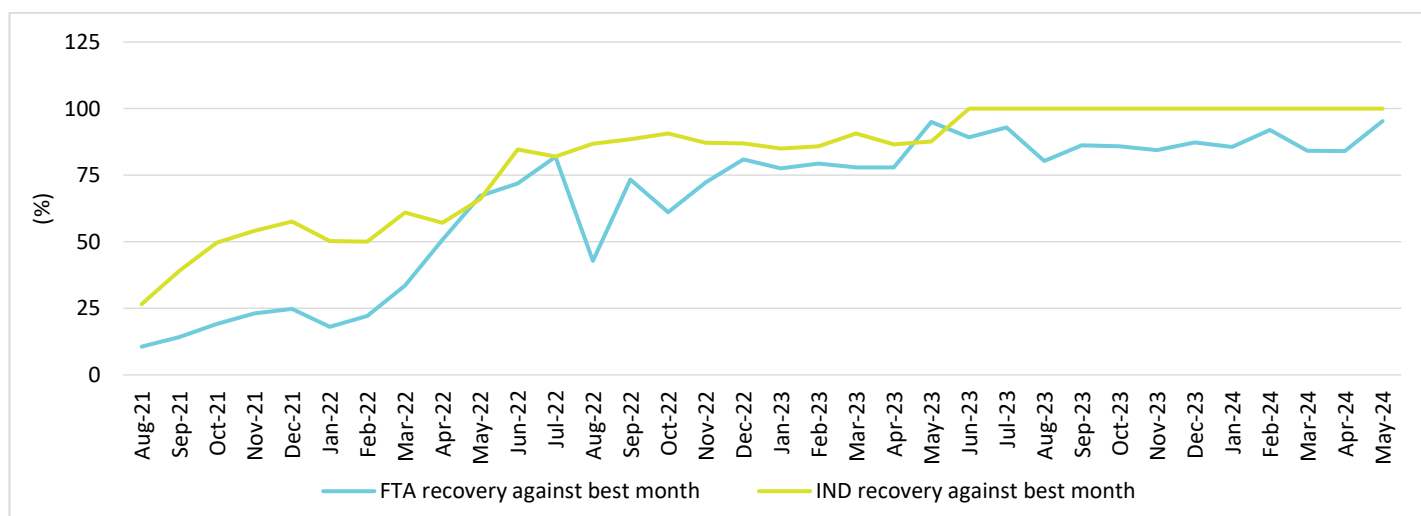
Exhibit 20: Courtyard by Marriott (Agra) following industry trends



Source: Company, Nuvama Research

While the Indian National Departures (INDs) have recovered to their pre-covid monthly peaks, foreign tourist arrivals (FTAs) have still not crossed these levels. The pace of recovery for FTAs has been slower.

Exhibit 21: FTA and IND recovery versus respective monthly peaks



Source: Nuvama Research, Ministry of Tourism

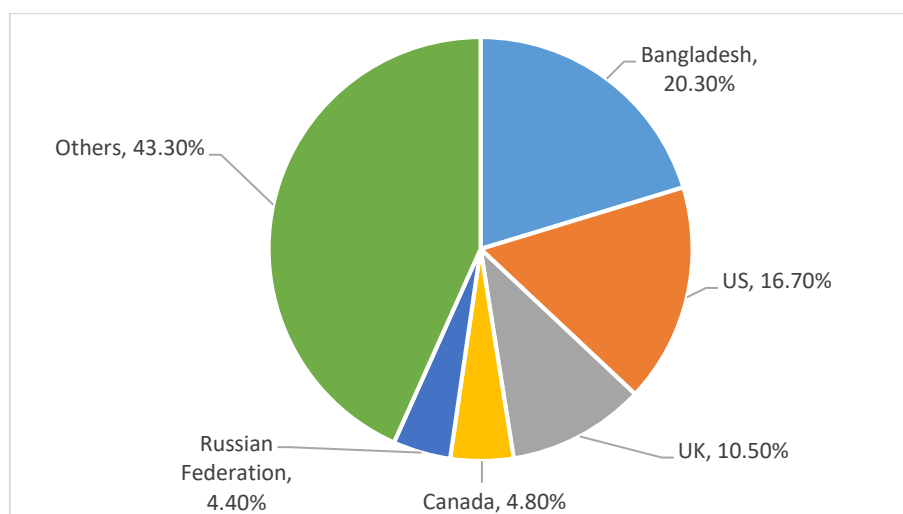
The Indian diaspora visiting family and friends back home has been the fastest-growing segment in the FTA pool. Leisure holidays and business segment are still materially below their pre-covid peaks.

Exhibit 22: Foreign Tourist Arrivals (FTAs) recovery by purpose of travel

Monthly average	2018	2019	2022	2023	YTD May'24	2024 over 2023	2024 over 2019
Leisure holiday and recreation	5,49,015	5,19,738	1,89,475	3,51,973	3,95,667	12%	-24%
Indian diaspora	1,18,777	1,15,406	1,09,532	2,04,118	1,99,626	-2%	73%
Business and Professional	1,43,413	1,33,806	52,949	79,123	85,926	9%	-36%
Medical	53,670	58,113	38,414	52,877	59,130	12%	2%
Others	14,957	83,799	1,28,739	81,586	74,116	-9%	-12%
Total	8,79,831	9,10,863	5,19,110	7,69,676	8,14,466	6%	-11%

Source: Nuvama Research, Ministry of Tourism

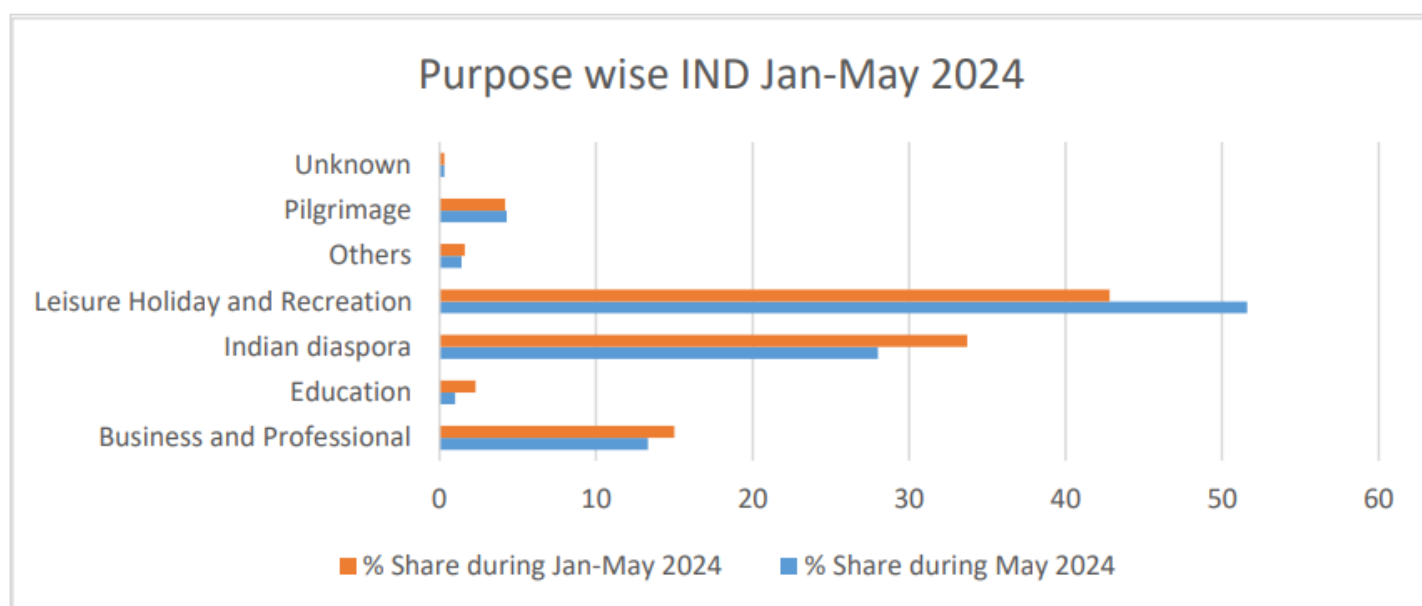
Exhibit 23: FTA traffic by country (YTD Mar-24)



Source: Company, Nuvama Research

The contribution of Leisure, Holiday and recreation outbound travellers picked up in May as visible in the exhibit below.

Exhibit 24: Indian National Departures (INDs) by purpose



Source: Ministry of Tourism, Nuvama Research

Renovations galore

With occupancies at all-time highs, a key lever has almost maxed out. Going ahead, hotels across the board have turned to renovating their key big-box assets and sprucing up older assets to reprice and increase RevPAR growth going forward.

Renovation at IHCL: Following the renovation over last few years, hotels such as IHCL have managed to jack up ARR and asset-level EBITDA.

Among the important pillars of IHCL's growth, reinvesting in the core portfolio and driving growth via effective asset management has been a standout pillar. Over the past six years, IHCL upgraded about 24 Vivanta's to Taj and the contribution of these hotels has started touching INR12bn. Furthermore, Taj Mansingh, which was due for renovation, had a steep lease payout to the New Delhi Municipal Corporation (NDMC). It has started clocking ~30% EBITDA margin (post-Ind AS), which is great considering 33% of the revenue needs to be paid as commission to NDMC (part of it is above the EBITDA line item as well). This implies it has become profitable after renovation, partly helped by the upcycle as well. At this rate, we expect this asset to recover the entire renovation capex in less than two years.

We showcase the incremental operating margins in some of these assets, which became fully operational after major renovation. Taj Mansingh specifically has seen its revenue double and EBITDA triple YoY in Q3FY24.

Renovation at Lemon Tree: Renovations in the Keys portfolio have been bearing fruit, which was visible from the upticks in ARR(+21%) and RevPar (+35%) in Q4FY24 in the Keys Select Hotel at Pimpri, Pune.

The company is embarking on a new renovation phase, representing a significant investment of approximately 6% of its total renovation budget. These are 3,200 room (= 5,900 minus 1,500 new rooms minus 900 Keys minus 300 renovated last year). This renovation will be completed by the end of next year (Q3–Q4FY26). At any given time, 600–700 rooms would be shut.

The first round of renovation would be over by mid-Sep-24, and the entire process shall be complete by FY26. Summer FCF will be used for renovation and winter capex. The company plans to continue with renovation in winter (H2FY25) too.

At its peak, 700–800 of the total 5,759 rooms were under renovation; 500 from the older legacy portfolio of 3,500 rooms and the balance is ~250 rooms under Keys brand. Furthermore, 10% of 3,500 are shut for minor timely renovations. 15% of the renovated rooms shall be operational by end of September.

Newly renovated rooms are fetching 7% higher ARR on a same store basis.

Renovation at EIH: The Oberoi Grand Kolkata shall be renovated over the next 30 months. It would launch 50 rooms of the 200 rooms, suites, all restaurants, and banqueting after 18 months. The hotel contributed INR1.1bn revenue in FY24.

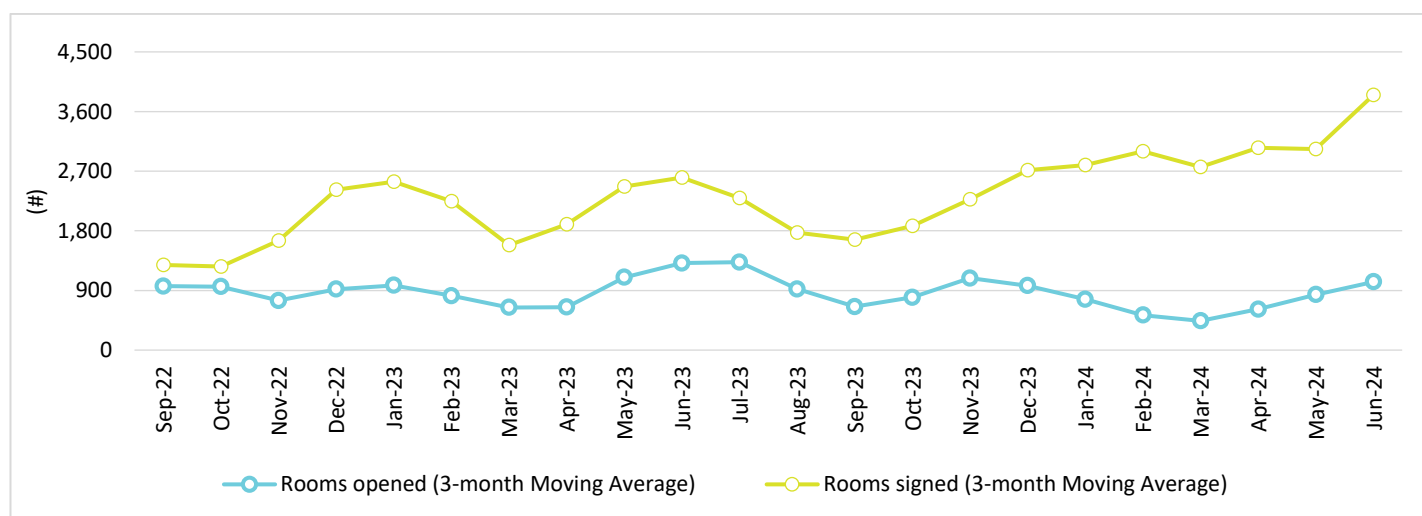
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Exhibit 25: Effective asset management reflects in operating leverage

(Rs mn)	Q2FY23	Q3FY23	Q2FY24	Q3FY24
Taj Mahal, Mumbai				
Revenue	1,160	1,727	1,380	2,090
EBITDA	391	748	500	980
EBITDA Margin	34%	43%	36%	47%
Taj Palace, New Delhi				
Revenue	719	963	970	1,050
EBITDA	155	267	270	310
EBITDA Margin	22%	28%	28%	30%
Taj Lands End, Mumbai				
Revenue	838	1,198	930	1,450
EBITDA	270	541	330	720
EBITDA Margin	32%	45%	35%	50%
St James Court, London				
Revenue	1,170	1,120	1,430	1,260
EBITDA	350	250	470	380
EBITDA Margin	30%	22%	33%	30%
Taj Mahal, New Delhi (Taj Mansingh)				
Revenue	340	404	680	800
EBITDA	39	74	210	230
EBITDA Margin	12%	18%	31%	29%
Incremental EBITDA Margin			Q2FY24	Q3FY24
Taj Mahal, Mumbai			50%	64%
Taj Palace, New Delhi			46%	49%
Taj Lands End, Mumbai			65%	71%
St James Court, London			46%	93%
Taj Mahal, New Delhi (Taj Mansingh)			50%	39%

Source: Company, Nuvama Research

Exhibit 26: Rooms opened versus rooms signed up



Source: Nuvama Research, HVS

International commentary

Hilton Q2CY24 conference call: Takeaways

Christopher Nassetta

“The rest of Asia Pacific is quite strong, particularly led by Korea and Japan, and we haven't seen any real signs of weakening in those markets.

I should say, India, for that matter, no real signs of weakening. And those are the real APAC ex-China markets that are driving performance. Coming to EMEA, again, sort of a bit of a tale of two cities. The Middle East remains quite strong pretty much across the board. Europe, I would say, is still very, very strong in an absolute sense, but a touch weaker than what we had seen a quarter ago, led by what you're talking is implied in your question, which is some of the leisure business.”

Lodging Econometrics

“Countries with the most projects in the APEC construction pipeline at Q2 are led by India with a record-high 610 projects with 75,280 rooms and accounting for 30% of the projects in the total APEC pipeline. Following at a distance are Vietnam with 247 projects/85,760 rooms, Indonesia with 181 projects/31,550 rooms, Thailand with 163 projects/38,350 rooms, and Japan with 162 projects/30,122 rooms.

LE forecasts India would dominate the APEC region's new hotel openings forecast over coming years, claiming 25% of total openings in 2024 and leading with the largest number of new opens through year-end 2026.”

All price charts cannot be included given the large of number of companies in our coverage. Specific charts may be available upon request

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