nuvama institutional equities

INDIAN HOTELS CO

COMPANY UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Neutral
Price (INR)	747
12 month price target (INR)	648
52 Week High/Low	895/599
Market cap (INR bn/USD bn)	1,064/12.1
Free float (%)	0.0
Avg. daily value traded (INR mn)	2,586.2

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	38.12%	38.12%	38.12%
FII	27.18%	26.96%	27.78%
DII	18.39%	19.05%	18.44%
Pledge	0%	0%	0%

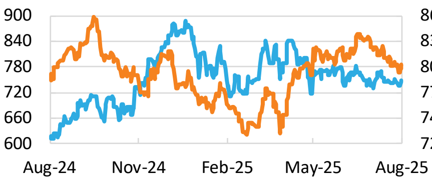
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	83,345	97,762	1,07,638	1,18,613
EBITDA	27,693	34,144	38,327	42,803
Adjusted profit	16,050	20,846	23,264	26,007
Diluted EPS (INR)	11.3	14.6	16.3	18.3
EPS growth (%)	59.7	65.6	44.9	24.8
RoAE (%)	15.6	17.3	16.7	16.2
P/E (x)	66.9	51.5	46.1	41.3
EV/EBITDA (x)	31.7	25.3	22.1	19.3
Dividend yield (%)	0.2	0.3	0.3	0.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	97,762	1,07,638	0.0%	0.0%
EBITDA	34,144	38,327	0.0%	0.0%
Adjusted profit	20,846	23,264	0.0%	0.0%
Diluted EPS (INR)	14.6	16.3	0.0%	0.0%

PRICE PERFORMANCE



Kicks off growth through acquisition

Indian Hotels (IHCL) is set to acquire a 51% stake in ANK Hotels and Pride Hospitality, operators of the Clarks Hotels' properties. This move will significantly expand IHCL's presence in the midscale segment, adding 135 properties and 6,800 rooms. The deal, valued at INR2.4bn at a forward EV/EBITDA of approximately 12x FY27E EBITDA, is expected to close in the latter half of FY26.

Even though the acquisition substantially increases the company's room count, its initial impact on overall EBITDA shall be minimal. That said, the takeover signals a potential strategy for inorganic growth in the future. We are maintaining 'REDUCE' on the stock with an unchanged TP of INR648 owing to its high valuation.

Key takeaways

- IHCL has announced the acquisition of a 51% stake in ANK Hotels Private Limited and Pride Hospitality Private Limited, significantly expanding its footprint in the midscale hotel segment.
- The partnership is expected to double IHCL's midscale presence to over 240 hotels, enhancing its leadership position.
- Existing management teams of ANK and Pride will continue, ensuring operational continuity and future growth.
- IHCL has also entered into a distribution and marketing agreement with Brij Hospitality, a boutique hotel group with 19 properties (ten operational, nine in pipeline).
- The acquisition adds 135 hotels and 6,800 keys across 100-plus locations, with 70% of the portfolio in new geographies, boosting the Ginger brand's equity.

Transaction details

- IHCL will invest INR2,040 mn (primary INR1,590mn and secondary INR940mn) in the target companies:
  - INR1.34bn upfront, with the remaining due by June 2026.
  - Investment split: INR110mn in ANK, INR940mn in Pride.
- The transaction includes branding and distribution arrangements for the acquired portfolio.
- 85–90% of the acquired hotels will migrate to the Ginger brand, and a few may be transitioned from management contracts to revenue-sharing model.
- IHCL expects to unlock city-level synergies with a 30% market overlap, supported by its sales, distribution, procurement capabilities and Tata Neu loyalty program.
- Total enterprise value is INR2,400mn.

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	83,345	97,762	1,07,638	1,18,613
Gross profit	75,608	88,686	97,645	1,07,602
Employee costs	21,507	24,983	27,237	29,718
Other expenses	26,408	29,560	32,082	35,081
EBITDA	27,693	34,144	38,327	42,803
Depreciation	5,182	5,814	6,654	7,389
Less: Interest expense	2,084	2,231	2,519	2,807
Add: Other income	2,305	2,535	2,790	3,086
Profit before tax	23,501	29,535	32,936	36,788
Prov for tax	6,146	7,159	7,986	8,924
Less: Other adj	0	0	0	0
Reported profit	16,050	20,846	23,264	26,007
Less: Excp.item (net)	0	0	0	0
Adjusted profit	16,050	20,846	23,264	26,007
Diluted shares o/s	1,423	1,423	1,423	1,423
Adjusted diluted EPS	11.3	14.6	16.3	18.3
DPS (INR)	1.8	2.3	2.3	2.3
Tax rate (%)	26.2	24.2	24.2	24.3

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,423	1,423	1,423	1,423
Reserves	1,10,184	1,27,827	1,47,889	1,70,693
Shareholders funds	1,11,607	1,29,251	1,49,312	1,72,117
Minority interest	12,549	14,080	15,765	17,622
Borrowings	2,247	2,247	2,247	2,247
Trade payables	5,784	7,209	7,930	8,770
Other liabs & prov	14,557	16,673	18,317	20,251
Total liabilities	1,76,160	2,02,720	2,30,909	2,62,427
Net block	70,859	78,537	84,991	90,716
Intangible assets	13,425	12,941	12,842	12,737
Capital WIP	5,758	5,758	5,758	5,758
Total fixed assets	90,042	97,236	1,03,591	1,09,211
Non current inv	13,799	13,799	13,799	13,799
Cash/cash equivalent	21,816	34,293	51,948	73,534
Sundry debtors	6,509	9,401	10,350	11,406
Loans & advances	1,424	1,424	1,424	1,424
Other assets	11,951	16,957	21,196	25,461
Total assets	1,76,160	2,02,720	2,30,909	2,62,427

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
ARR growth (S) - (%)	11.7	5.9	3.9	7.0
Occupancy (S) - (%)	77.7	79.3	81.6	81.6
Employee exp. (S)-(% YoY)	19.2	18.4	17.9	17.3
EBITDA margin (%)	33.2	34.9	35.6	36.1
Net profit margin (%)	19.3	21.3	21.6	21.9
Revenue growth (% YoY)	23.1	17.3	10.1	10.2
EBITDA growth (% YoY)	28.4	23.3	12.2	11.7
Adj. profit growth (%)	27.5	29.9	11.6	11.8

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	16,050	20,846	23,264	26,007
Add: Depreciation	5,182	5,814	6,654	7,389
Interest (net of tax)	1,539	1,690	1,908	2,126
Others	0	0	0	0
Less: Changes in WC	0	0	0	0
Operating cash flow	28,916	35,509	39,812	44,445
Less: Capex	(18,580)	(11,999)	(12,000)	(12,000)
Free cash flow	10,336	23,510	27,812	32,445

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	85.0	85.0	85.0
Power (S) - (% YoY)	4.3	3.9	3.6	3.3
EBITDA margin - Sub (%)	21.6	22.8	24.3	25.8
Rooms managed (#)	15,169.0	18,447.0	21,411.0	23,390.0
Capex (INR mn)	(18,580.3)	(11,999.3)	(12,000.0)	(12,000.0)
Debt repaid (INR mn)	357.9	0	0	0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.6	17.3	16.7	16.2
RoCE (%)	21.6	22.7	22.0	21.4
Inventory days	58	71	72	87
Receivable days	24	26	29	32
Payable days	249	249	250	265
Working cap (% sales)	0.2	4.6	6.8	8.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.2)	(0.3)	(0.4)
Interest coverage (x)	10.8	12.7	12.6	12.6

Valuation Metrics

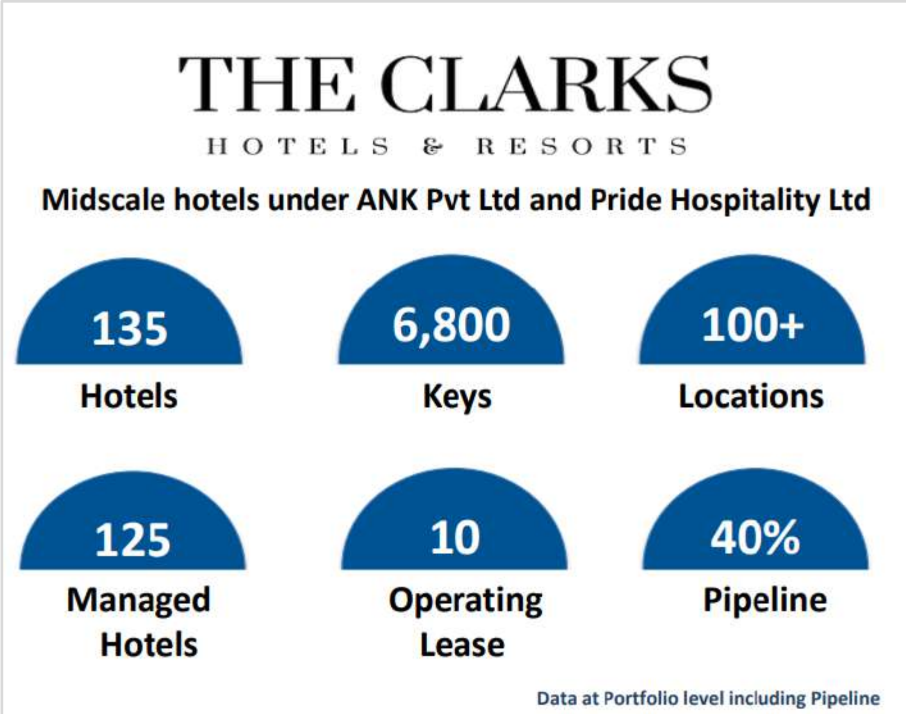
Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	66.9	51.5	46.1	41.3
Price/BV (x)	9.6	8.3	7.2	6.2
EV/EBITDA (x)	31.7	25.3	22.1	19.3
Dividend yield (%)	0.2	0.3	0.3	0.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	59.7	65.6	44.9	24.8
RoE (%)	15.6	17.3	16.7	16.2
EBITDA growth (%)	28.4	23.3	12.2	11.7
Payout ratio (%)	15.5	15.4	13.8	12.3

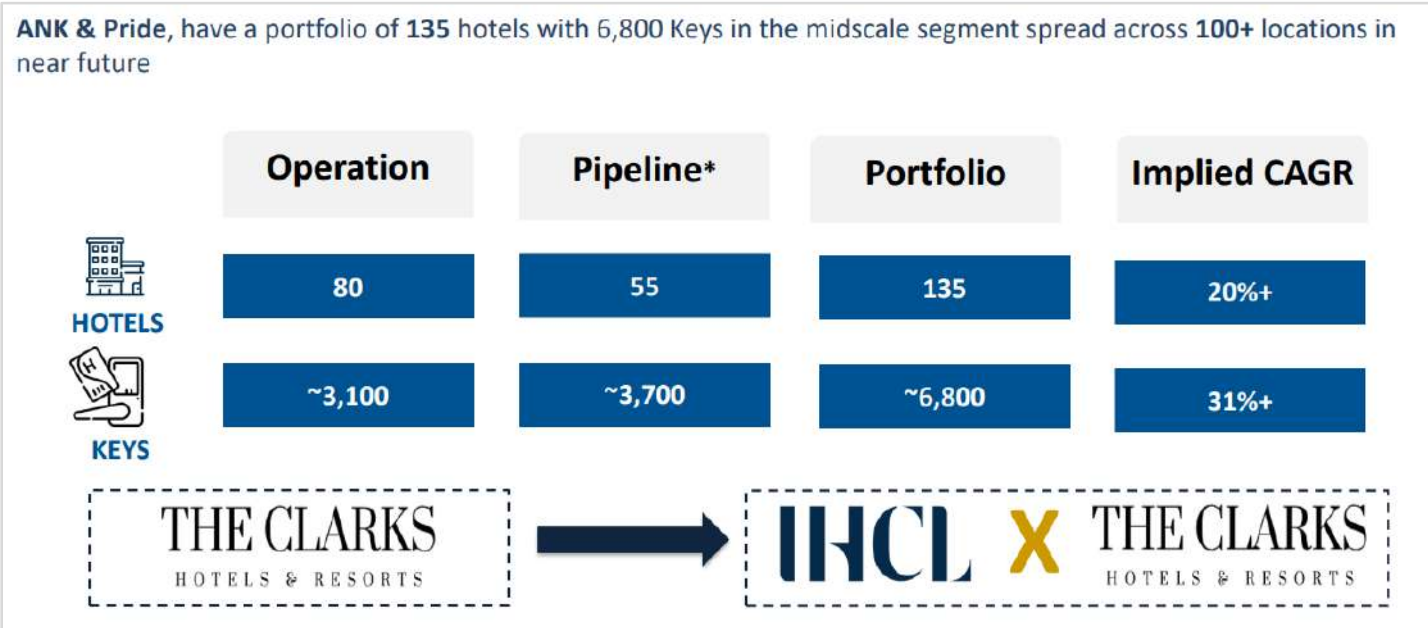
Source: Company and Nuvama estimates

Exhibit 1: The Clarks overview



Source: Company

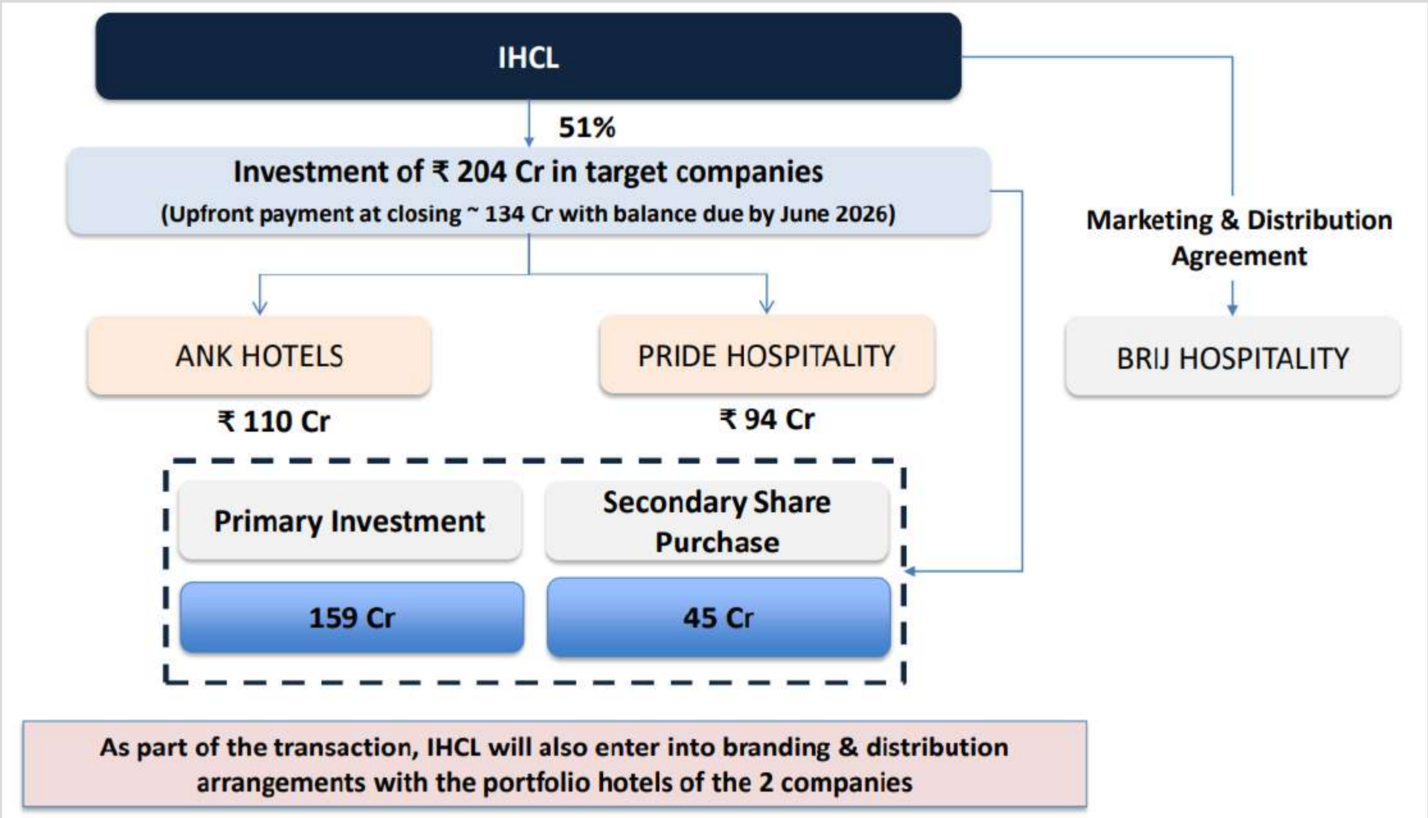
Exhibit 2: Overall portfolio of ANK and Pride



Source: Company

- The acquisition adds 135 hotels and 6,800 keys across 100+ locations, with 70% of the portfolio in new geographies, boosting the Ginger brand's equity.
- This move aligns with IHCL's 2030 vision of achieving a 700-hotel portfolio, up from the current 550-plus hotels.

Exhibit 3: Transaction structure of the deal



Source: Company

FY30 EBITDA (excluding potential benefit of conversion to revenue share model from management contract model) is INR600mn, which is small considering FY25 reported EBITDA of INR28bn. Given that the transaction happened at 12x EV/EBITDA valuation (which assumes 80% revenue increase from current levels of INR330mn), prima facie, the transaction is value-accretive as IHCL trades at significant premium.

Exhibit 4: Projected financials of target companies

All Figures in ₹ Cr	FY27	FY28	FY30	5 Yr. CAGR
Total Revenue	60	75	100	25%
EBITDAR	19	30	50	50%
EBITDAR Margin	*30%*	*38%*	*50%*	*+30pp*
EBITDA	10	20	40	68%
EBITDA Margin	*17%*	*25%*	*40%*	*+31pp*
Incremental Fee to IHCL	10	15	20	32%*
IHCL Consolidated EBITDA Impact	20	35	60	60

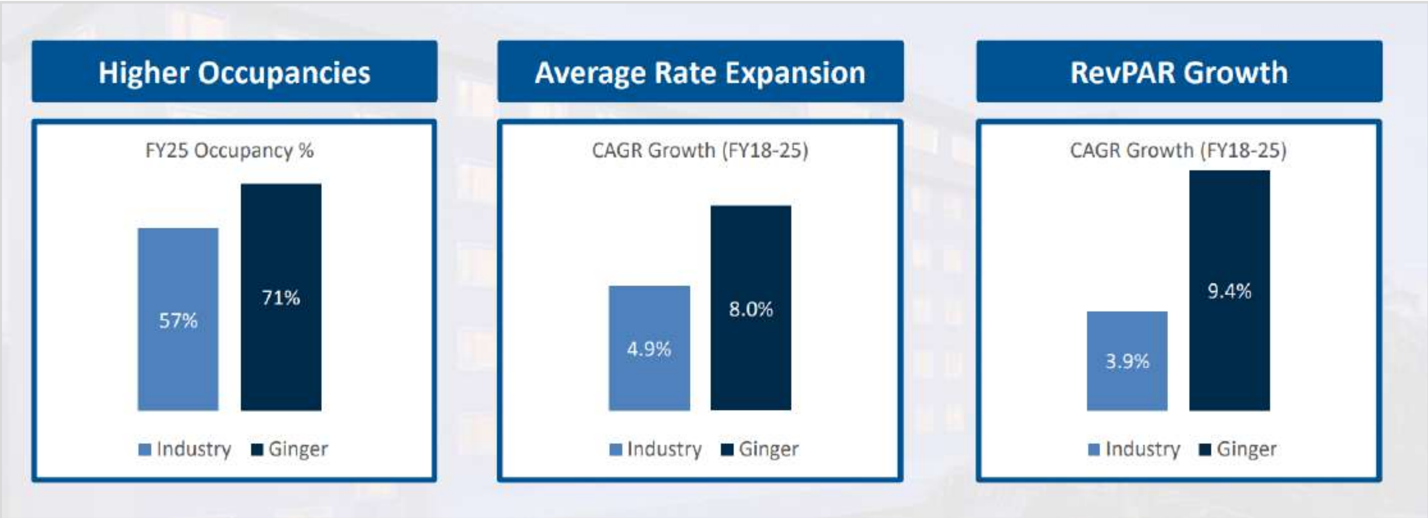
Source: Company

Exhibit 5: Portfolio of Brij Hotels

Source: Company

- IHCL has entered into a distribution and marketing agreement with BRIJ hospitality. It is the boutique hospitality company of the same promoter group with 19 hotels in the portfolio.

Exhibit 6: Ginger performance vs Industry



Source: Company

- Ginger has outperformed industry benchmarks in ADR, RevPAR, and occupancy:
  - FY25 occupancy: 71% vs industry average of 57%.
  - RevPAR CAGR (FY18–25): 9.4% versus industry 3.9%.
- Ginger's unit economics are strong across diverse markets with EBITDAR margins ranging from 51% to 55%.

Exhibit 7: Overall portfolio of IHCL as on date

	Hotels			Rooms		
Total Portfolio	**Operating**	**Pipeline**	**Total**	**Operating**	**Pipeline**	**Total**
Taj	87	48	135	13,001	8,154	21,155
Claridges Collection	3		3	379		379
SeleQtions	28	18	46	2,091	1,611	3,702
Gateway	10	26	36	748	3,643	4,391
Vivanta	29	23	52	3,780	3,418	7,198
Tree of Life	18	4	22	251	84	335
Brij	10	9	19	130	230	360
Midscale (Ginger + ANK Pride)	154	87	241	9,756	7,805	17,561
Grand Total	**339**	**215**	**554**	**30,136**	**24,945**	**55,081**
	Hotels			**Rooms**		
Domestic Portfolio	**Operating**	**Pipeline**	**Total**	**Operating**	**Pipeline**	**Total**
Taj	74	36	110	10,692	6,327	17,019
Claridges Collection	3		3	379		379
SeleQtions	27	18	45	2,008	1,611	3,619
Gateway	10	26	36	748	3,643	4,391
Vivanta	26	22	48	3,416	3,288	6,704
Tree of Life	18	4	22	251	84	335
Brij	10	8	18	130	208	338
Midscale (Ginger + ANK Pride)	151	87	238	9,732	7,805	17,537
Grand Total	**319**	**201**	**520**	**27,356**	**22,966**	**50,322**

Source: Company

Exhibit 8: Valuation – Sum of the parts

	Label	Criteria	Factor	Ownership/ Shares Held	Value (INR mn)	2yr Fwd Valuation (INR mn)	Per share value
Owned Asset	A	18 x EBITDA	EBITDA		21,350	3,84,302	270
Managed Asset	B	22 x EBITDA	EBITDA		6,132	1,34,907	95
New Businesses	C	20 x EBITDA	EBITDA		2,972	59,441	42
Piem Hotels	D	18 x EBITDA	EBITDA	58.7%	2,862	30,230	21
Benares Hotels	E	30% discount to (Debt+Market value of investments)		51.7%	13,568	4,908	3
Oriental Hotels	F	Market Value		39.1%	28,942	11,313	8
TajGVK Hotels & Resort	G	Market Value		25.5%	26,989	6,888	5
TajSATS	H	20 x EBITDA	EBITDA	51.0%	3,303	33,693	24
Roots Corporation	I	20 x EBITDA	EV	100.0%	2,594	51,879	36
St James Court	J	16 x EBITDA	EBITDA	76.9%	1,459	17,937	13
Other International Subs	K	Book Value				28,182	20
US subs cash loss	L	OCF			355	2,700	1.9
Tata Sons stake	M	30% discount to (NW+Market value of investments)		1.1%	91,06,069	1,01,392	71
EV (Rs. m)	N=Sum (A:M)					8,67,773	
Net Debt (Rs. m)	O					(55,239)	-39
Valuation of Equity (Rs. m)	P=N-O					9,23,011	
Number of Shares Outstanding (m)	Q					1,423	
Fair Value	R=P/Q					648	
CMP	S					747	
Upside	T=R/S-1					-13.2%	

Source: Company, Nuvama Research

Company Description

IHCL, incorporated in 1902, is among India's largest hotel operators with a presence in the luxury, business and leisure hotel segments. The company manages ~18,000 rooms (~150 properties) across India and international locations. It entered the budget hotel segment with Ginger in 2004 and also has a presence in adventure tourism with wildlife lodges. In international markets, IHCL is present via operations in Maldives, the US, South Africa, the Middle East, UK and Malaysia. International operations contribute ~30% to group sales (~15% of inventory).

Investment Theme

The hotel sector merrily sprang towards a faster-than expected full recovery in FY23 and a record Q1FY24 driven by: i) sustained domestic leisure travel demand, reviving domestic corporate and a strong wedding season in H1FY23; and ii) potential full recovery for the international business and leisure travel in H2FY23. IHCL has stronger immediate triggers — leisure demand, wedding season and a buoyant Mumbai market.

Key Risks

Any earlier-than-expected resurrection in the industry or sale of noncore assets to pare debt may prompt a relook at our view/assumptions.

Additional Data

Management

CEO	Puneet Chhatwal
CFO	Ankur Dalwani
COO	
Other	
Auditor	BSR & Co.

Holdings – Top 10*

	% Holding		% Holding
HDFC AMC	2.89	SBI Pension	1.51
Nippon	2.47	Canara Robeco A	1.37
Vanguard	2.41	Franklin resour	1.18
Blackrock	2.41	ICICI Pru Life	0.71
Axis AMC	2.30	Motilal Oswal A	0.57

**Latest public data*

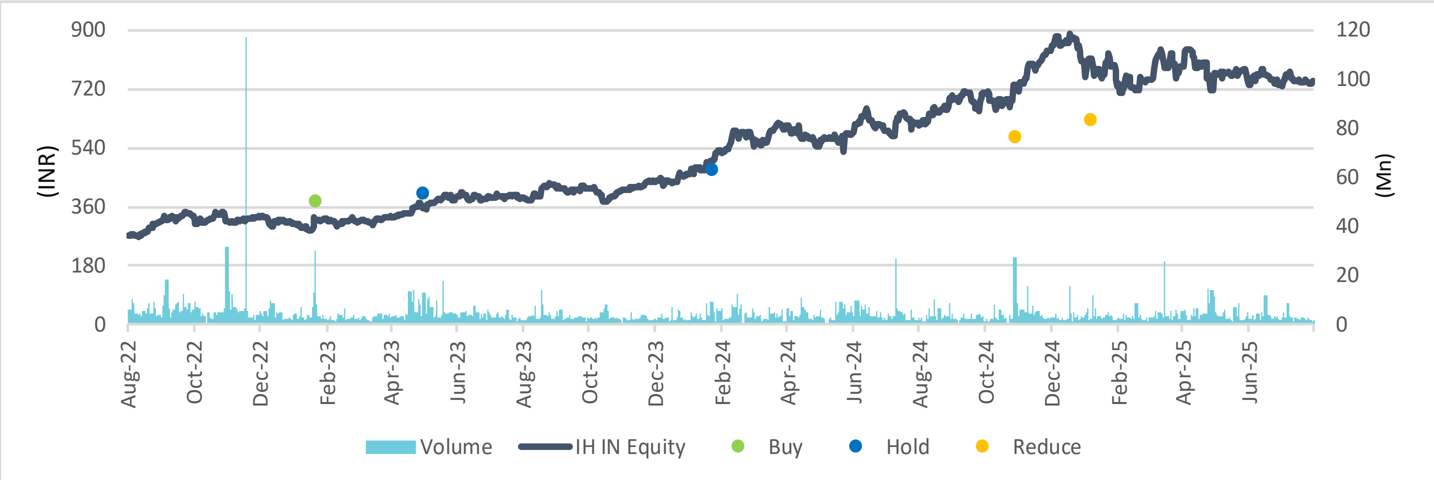
Recent Company Research

Date	Title	Price	Reco
18-Jul-25	Strong showing; measured optimism; *Result Update*	754	Reduce
06-May-25	Strong performance even as base catching; *Result Update*	801	Reduce
17-Jan-25	Mid-teen growth with double-digit opex ; *Result Update*	811	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
11-Aug-25	LEMON TREE HOTEL	Strong showing across segments; *Result Update*
13-Jun-25	Leisure & Hotels	RevPAR climbs in another strong quarter; *Sector Update*
31-May-25	LEMON TREE HOTEL	Robust growth; INR9bn EBITDA in sight; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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