ANANDRATHI

India I Equities

Hospitality

Result Update

Change in Estimates ☑ Target ☑ Reco ☐

22 July 2026

Indian Hotels Company

Strong performance despite global uncertainty; strong momentum to persist in Q2; maintain BUY

Rating: **BUY**
Target Price (12-mth): Rs.845
Share Price: Rs.732

Indian Hotels Company (IHCL) reported a resilient performance in Q1FY27 with consolidated revenue growing by a strong ~14.6% y/y. Despite global macroeconomic headwinds and West Asia conflicts, which impacted international business and flight connectivity, the company maintained strong momentum through a resilient domestic travel market, with standalone revenue growing by ~17.9% y/y during the quarter. The management expects the strong momentum to continue in Q2FY27 as well as FY27. Currently, we believe the hotel industry is transitioning from a hypergrowth phase to a stable yet sustainable growth, with IHCL mirroring this trend, resulting in ~8-10% y/y RevPAR growth (LFL basis), with incremental growth from renovation-led ARR expansion (~Rs20bn spent over last ~2 years, completing upgrades across major properties in Delhi, Mumbai and Goa etc.) and acquisitions (strong ~Rs44.4bn cash position). Factoring in the strong quarterly performance, we increase our EBITDA estimate by 3.7% and 9% for FY27 and FY28, respectively. Accordingly, we continue to maintain BUY rating on the stock with a revised TP of Rs845 (from Rs765 earlier), valuing it at ~26x FY28e EBITDA.

Strong Quarterly Performance Despite Macro Headwinds: The company's standalone/consolidate revenue grew by ~17.9/14.6% y/y to ~Rs12.3/23.4bn, (which was ~2.3% above ours and 1.8% above street estimates), led by ~14% y/y growth in RevPAR to ~ Rs11,800 with occupancy increasing by ~600bps y/y to ~82%. Reported consolidated EBITDA grew by ~16.8% y/y to ~Rs6.7bn with margin improving by ~60bps y/y to ~28.8% (in-line with estimates). For hotel segment, absolute EBITDA grew by ~21% to Rs6.9bn. For TajSATS segment, margin stood at ~20.6%.

Renovation Cycle Largely Completed with Visible Benefits in Q1FY27: Over the last two years, the company has done significant renovation (~Rs20bn) most of which has been completed with major upgrades undertaken in Oct-25 across multiple properties including Taj Palace Hotels (New Delhi), Taj Fort Aguada (Goa), President Hotel (Mumbai), Taj Bengal (Kolkata) and Taj West End (Bengaluru). We started to see the positive impacts of these renovations in Q1FY27 with RevPAR growth of ~14%.

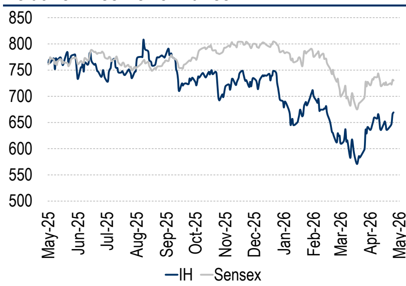
Outlook and Valuation – Revenue-led Operating Leverage to Aid Margin Expansion: We expect the company's revenue to clock ~15% CAGR over FY26-28e with ~72.1% occupancy in FY28e and 8-10% ARR growth. As majority operating leverage from reduction in employee expense, Power & Fuel cost already played out over FY20-25 (leading to ~1,155bps expansion in EBITDA margin to ~33.2% in FY25), we expect only revenue-led leverage to kick-in, with margin expanding to ~35.5% by FY28e (vs. ~32.6% in FY26), leading to ~21.4% EPS CAGR over FY26-28. Hence, we continue to maintain BUY rating on IHCL with a revised TP of Rs845, valuing the stock at ~26x FY28e EBITDA. **Key Risks:** (a) Lower demand due to slowdown in economy; and (b) external factors including terrorist attacks and epidemics etc.

Key Data	IH IN / IHTL.BO
52-week high / low	Rs822 / 565
Sensex / Nifty	76015 / 23816
Market cap	Rs965bn
Shares outstanding	1423m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	38.1	38.1	38.1
- of which, Pledged	-	-	-
Free float	61.9	61.9	61.9
- Foreign institutions	21.7	23.2	25.1
- Domestic institutions	24.6	22.6	20.7
- Public	15.6	16.1	16.1

Estimates Revision (%)	FY27e	FY28e
Revenue	1.8	4.3
EBITDA	3.7	9.0
PAT	4.2	9.9

Relative-Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net revenue	67,688	83,345	94,617	1,08,818	125,140
Growth (%)	16.5	23.1	13.5	15.0	15.0
Occupancy (%)	*70.0*	*69.5*	*70.0*	*70.5*	*70.5*
Direct costs	36,131	43,909	50,440	56,587	63,047
Gross profit	31,556	39,437	44,177	52,231	62,093
Gross margin (%)	46.6	47.3	46.7	48.0	49.6
SG&A	9,985	11,744	13,378	15,648	17,715
EBITDA	**21,571**	**27,693**	**30,799**	**36,583**	**44,377**
EBITDA margin (%)	31.9	33.2	32.6	33.6	35.5
- Depreciation	4,543	5,182	5,800	6,671	7,671
Other income	1,829	2,305	2,800	2,800	2,800
Interest expenses	2,202	2,084	2,250	2,000	1,800
PBT	16,655	22,732	25,549	30,712	37,706
Effective tax rates (%)	27.9	23.9	23.9	23.9	23.9
+ Associates / (Minorities)	575	-537	-300	-500	-500
Net income	12,590	19,076	19,143	22,872	28,194
WANS	1,423	1,423	1,423	1,423	1,423
FDEPS (Rs)	8.8	13.4	13.4	16.1	19.8

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	1,423	1,423	1,423	1,423	1,423
Net worth	94,567	1,11,607	1,27,191	1,46,505	1,71,141
Debt (incl. Pref. shares)	2,605	2,247	2,247	2,247	2,247
Minority interest	6,721	12,549	13,280	13,280	13,280
DTL / (Assets)	1,437	1,475	1,475	1,475	1,475
Capital employed	**1,05,329**	**1,27,878**	**1,44,193**	**1,63,507**	**1,88,143**
Net tangible assets	61,397	70,859	77,489	81,662	85,192
Net intangible assets	5,390	5,750	5,170	4,503	3,736
Goodwill	6,623	7,108	7,335	7,335	7,335
CWIP (tang. & intang.)	22,259	31,791	32,546	33,301	34,056
Investments (strategic)	7,819	7,010	7,010	7,010	7,010
Investments (financial)	14,793	15,778	15,778	15,778	15,778
Current assets (excl. cash)	15,423	16,929	19,676	21,268	23,099
Cash	14,855	21,816	29,561	43,944	64,166
Current liabilities	43,229	49,161	50,371	51,294	52,228
Working capital	-27,807	-32,233	-30,695	-30,025	-29,129
Capital deployed	**1,05,329**	**1,27,878**	**1,44,193**	**1,63,507**	**1,88,143**

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
PBT	16,655	22,732	25,549	30,712	37,706
+ Non-cash items	5,427	5,556	5,250	5,871	6,671
Oper. prof. before WC	22,082	28,288	30,799	36,583	44,377
- Incr. / (Decr.) in WC	359	-533	-1,537	-670	-896
Others incl. taxes	3,089	5,811	6,106	7,340	9,012
Operating cash-flow	19,351	21,944	23,155	28,573	34,470
- Capex (tang. + intang.)	-6,370	-10,741	-11,850	-10,177	-10,434
Free cash-flow	12,982	11,203	11,306	18,396	24,036
- Div. (incl. buyback & taxes)	1,545	2,518	3,559	3,559	3,559
+ Equity raised	61	-5	-0	-0	-0
+ Debt raised	-5,715	-497	-	-	-
- Fin investments	-609	1,366	-204	500	500
- Misc. (CFI + CFF)	429	-9,273	-205	45	245
Net cash-flow	6,820	-2,455	7,746	14,382	20,222

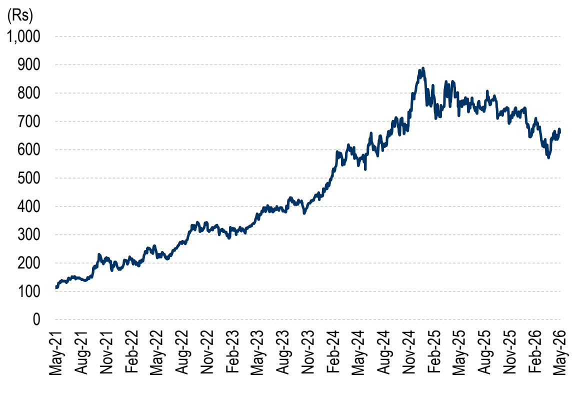
Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	82.8	54.6	54.4	45.6	37.0
EV / EBITDA (x)	47.0	36.6	32.9	27.7	22.8
EV / Sales (x)	15.0	12.2	10.7	9.3	8.1
P/B (x)	9.8	8.3	7.4	6.6	5.7
RoE (%)	13.8	19.0	16.3	17.1	18.1
RoCE (%) - after tax	9.8	11.9	11.5	12.4	13.6
RoIC (%) - after tax	10.3	12.2	12.0	13.7	16.4
DPS (Rs)	1.8	2.3	2.5	2.5	2.5
Dividend yield (%)	0.2%	0.3%	0.3%	0.3%	0.3%
Dividend payout (%) - incl. DDT	19.8%	16.8%	18.6%	15.6%	12.6%
Net debt / equity (x)	-0.3	-0.3	-0.3	-0.4	-0.4
Receivables (days)	26	29	35	35	35
Inventory (days)	6	6	6	6	6
Payables (days)	41	38	40	40	40
CFO: EBITDA (%)	89.7	79.2	75.2	78.1	77.7

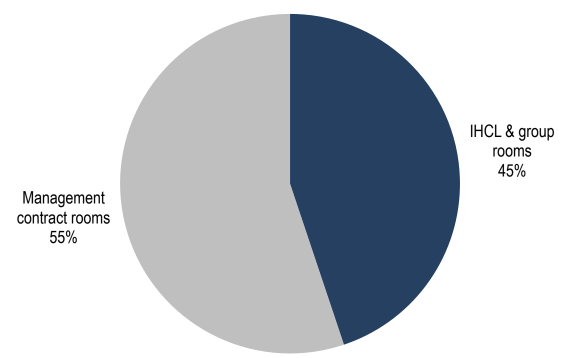
Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Operating Portfolio by Contract Type – Q1FY27 (%)



Source: Company

Fig 7 – Quarterly Performance

Particulars	Q1FY27	Q1FY26	YoY Change (%)	Q4FY26	QoQ Change (%)
Revenues	23,392	20,411	14.6	27,653	(15.4)
EBITDA	6,727	5,760	16.8	9,727	(30.8)
EBITDA margin (%)	28.8%	28.2%	54 bps	35.2%	-642 bps
EBIT	5,101	4,333	17.7	8,053	(36.7)
EBIT margin (%)	21.8%	21.2%	58 bps	29.1%	-731 bps
PBT	5,333	4,398	21.3	8,299	(35.7)
Net Profit	4,237	2,964	43.0	5,999	(29.4)

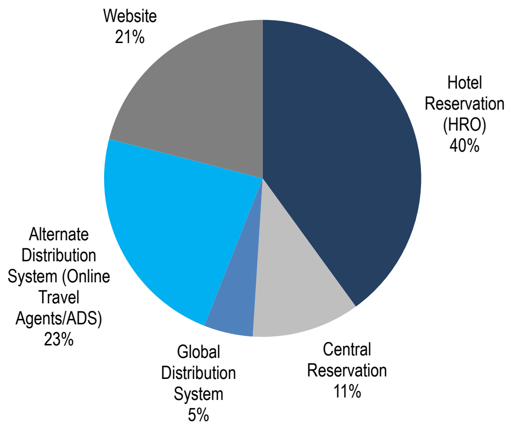
Source: Anand Rathi Research

Fig 8 – Operating inventory as of Q1 FY27; asset-light approach going forward

Brand	Owned (Standalone & Subsidiary)		JV/Associates		Management Contracts		Total Operational	
	Hotels	Keys	Hotels	Keys	Hotels	Keys	Hotels	Keys
Taj	30	5,124	13	1185	49	7,324	93	13,633
Claridges Collection	2	257	-	-	1	122	3	379
Gateway	3	211	4	154	7	783	14	1,148
SeleQtions	5	613	-	-	32	2,637	39	3,250
Vivanta	5	824	3	384	24	2,926	32	4,134
Tree of Life	11	180	-	-	12	243	23	423
Ginger	67	5,926	-	-	99	4,484	166	10,410
Brij	10	123	-	-	1	12	11	135
Atmantan	1	97			-	-	1	97
Total	**134**	**13,355**	**20**	**1,723**	**228**	**18,531**	**382**	**33,609**

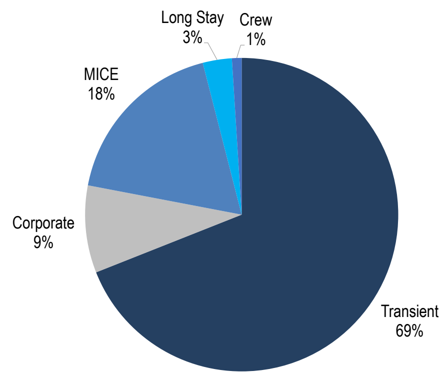
Source: Company

Fig 9 – Channel-wise Booking Bifurcation



Source: Company

Fig 10 – Customer Bifurcation (Q1 FY27); skewed towards, short-term, last-minute transient customers



Source: Company

Outlook and Valuation

We believe the hotel industry is transitioning from a hypergrowth phase to a stable yet sustainable growth, with IHCL mirroring this trend, resulting in ~8-10% y/y growth in RevPAR (on LFL basis), with incremental growth from renovation-led ARR expansion (~Rs20bn spent over last ~2 years, completing upgrades across major properties in Delhi, Mumbai and Goa etc.) and acquisitions (strong ~Rs44.4bn cash position).

Factoring in the strong quarterly performance, we increase our EBITDA estimate by 3.7% and 9% for FY27 and FY28, respectively. Accordingly, we continue to maintain BUY rating on IHCL with a revised TP of Rs845 (from Rs765), valuing the stock at ~26x FY28e EBITDA.

Fig 11 – Valuation

Particulars	Methodology	Multiple (x)	FY28e	Value (Rs m)	Value/share (Rs)
IHCL (ex JV/associates)	EV/EBITDA	26	44,377	11,71,562	823
Less: Net debt				(44,390)	(31)
Less: Minority Interest				13,280	9
TP				**1,089,550**	**845**
CMP					**732**
Upside (%)					***15.4***

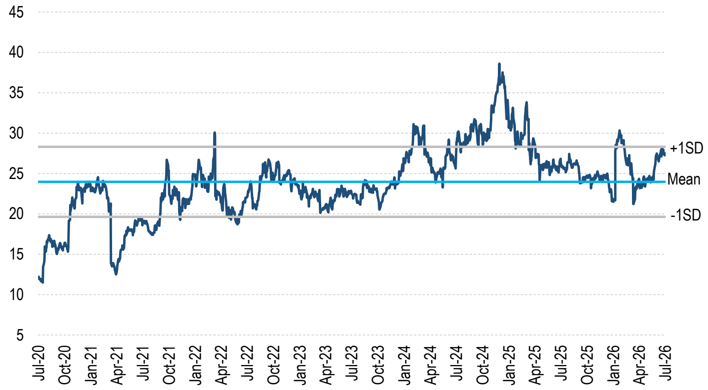
Source: Anand Rathi Research

Fig 12 – Change in Estimates

(Rs m)	FY27e			FY28e		
	New Estimates	Old Estimates	Change (%)	New Estimates	Old Estimates	Change (%)
Revenue	1,08,818	1,06,930	1.8	1,25,140	1,19,929	4.3
EBITDA	36,583	35,269	3.7	44,377	40,720	9.0
EBITDA margin (%)	*33.6*	*33.0*	*64 bps*	*35.5*	*34.0*	*151 bps*
EBIT	29,912	28,714	4.2	36,706	33,368	10.0
EBIT margin (%)	*27.5*	*26.9*	*64 bps*	*29.3*	*27.8*	*151 bps*
PBT	30,712	29,514	4.1	37,706	34,369	9.7
Net Profit	22,872	21,960	4.2	28,194	25,655	9.9

Source: Anand Rathi Research

Fig 13 – EV / EBITDA



Source: Bloomberg, Anand Rathi Research

Key Risks

- Lower demand due to slowdown in the economy.
- External factors such as terrorist attacks and epidemics etc.

Appendix

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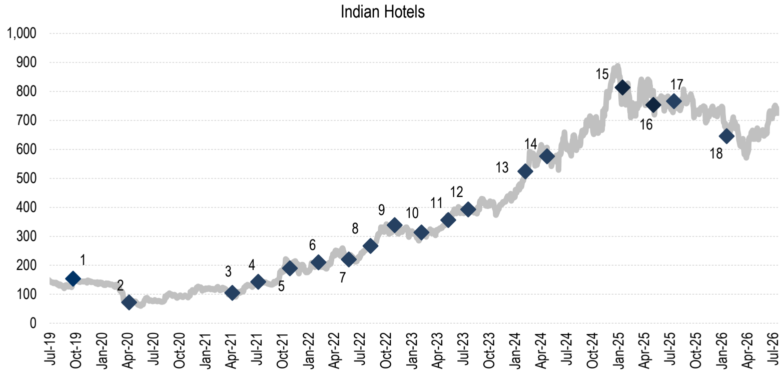

	Date	Rating	TP (Rs)	Share Price (Rs)
5	22-Oct-21	Buy	237	205
6	04-Feb-22	Buy	254	216
7	26-May-22	Buy	260	222
8	10-Aug-22	Buy	320	268
9	14-Nov-22	Buy	360	315
10	02-Feb-23	Buy	400	318
11	02-May-23	Buy	425	348
12	30-Jul-23	Buy	450	391
13	02-Feb-24	Buy	600	500
14	25-Apr-24	Hold	600	577
15	19-Jan-25	Hold	840	814
16	06-May-25	Sell	800	802
17	21-Jul-26	Hold	800	771
18	29-Jan-26	Buy	765	656

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Additional information on recommended securities/instruments is available on request.

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