

Indian Hotels

₹ 49

Time to Check In !

Accumulate



Oct 18, 2013

Company Background

The Indian Hotels Company Limited (IHCL) and its subsidiaries are collectively known as Taj Hotels Resorts and Palaces and is recognised as one of Asia's largest and finest hotel company. Incorporated in 1903 IHCL completed its centenary year in 2003. Taj Hotels Resorts and Palaces comprises 93 hotels in 55 locations across India with additional international hotels in the Maldives, Malaysia, Australia, UK, USA, Bhutan, Sri Lanka, Africa and the Middle East. Spanning the length and breadth of the country, gracing important industrial towns and cities, beaches, hill stations, historical and pilgrim centres and wild-life destinations, each Taj hotel offers the luxury of service, the apogee of Indian hospitality, vantage locations, modern amenities and business facilities. IHCL operate in the luxury, premium, mid-market and value segments of the market through its various brands like The Taj (which operates luxury full-service hotels, resorts and palaces at iconic properties), Taj Exotica (the resort and spa brand), Taj Safari (wildlife lodges), Vivanta (for work hard business travellers), The Gateway (midmarket full service hotels) and Ginger (economy hotels)

Key Highlights

- ➔ IHCL has taken a very aggressive growth path over the last year. In the last year IHCL opened or arranged a contract with a new hotel every third week.
- ➔ IHCL is planning to add nearly 1,575 rooms during this fiscal. Of the total room additions, ~62% would be added under management contracts.
- ➔ During FY13, the company launched two Vivanta by Taj hotels at Madikeri, Coorg and Gurgaon, launched Taj Palace Marrakech, Morocco under a management contract and also opened four Gingers in Faridabad, Chennai (Vadapalani), Mumbai (Andheri) and Bangalore (Kormangla). In Q1FY14, the company opened one Gateway Hotel in Hubli & one Ginger in Noida, Sec 63. The current inventory of IHCL stood at 14506 rooms with 120 hotels.
- ➔ IHCL organised a strategic initiative targeted towards retaining and growing its market share of the luxury weddings segment in India. A new identity "Timeless Weddings at Taj" was created which encompasses weddings, renewal of vows, anniversaries, honeymoons and more.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	17,725.1	19,201.0	19,793.0
Rev. growth (%)	10.11	8.33	3.08
EBITDA (INR mn)	5,073.8	5,017.6	4,790.5
Net profit (INR mn)	1,412.5	1,453.5	(2,766.1)
Shares outstanding (mn)	759.5	759.5	807.5
EPS (INR)	1.9	1.9	(3.4)
EPS growth (%)	(12.11)	2.90	(278.99)
P/E (x)	45.3	33.4	(15.6)
RONW (%)	4.5	4.7	(8.0)
ROCE (%)	2.5	2.6	(4.5)

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Info Codes

Reuters	: IHTL.BO
Bloomberg	: IH@IN
NSE	: INDHOTEL
BSE	: 500850

Market Data

52 Wk Range (₹)	: 38 / 72
Shares in Issue (mn)	: 807.5
Mkt. Cap (₹ bn)	: 40.05
BSE 2 Wk Avg Vol	: 468000

Share Holding Pattern (%)

Promoters	: 37.53
DII's	: 21.07
FII's	: 15.96
Others	: 25.44

Investment Theme

Trying to benefit through the 5.4% growth in the overall tourism industry and a 21.8% growth in foreign exchange earnings by it, the Taj Group is aggressively pursuing newer opportunities by opening up a new property almost in every third week. The Group has also positioned itself to capture the maximum benefit from the industry boom in India. The Company continued its focus on consolidating past commitments in terms of project completion, opening of new hotels and growth through management contracts in the Domestic and International markets. Targetting almost every segment in the hotel industry the Group is pursuing the completion of on-going projects in a time bound manner, both in the domestic and international market, under various brands to achieve sustainable and profitable growth. The future appears to be bright for IHCL.

A New Hotel every month !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	16734.5	18087.3	8.08	18758.6	3.71
Other Income	935.8	1017.8	8.76	799.3	(21.47)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	3919.2	4460.0	13.80	4488.7	0.64
Indirect Taxes	274.9	269.8	(1.86)	290.4	7.64
Other Exp.	8470.3	9385.6	10.81	10034.0	6.91
Operating Exp.	12664.4	14115.4	11.46	14813.1	4.94
Operating Profit	4070.1	3971.9	(2.41)	3945.5	(0.66)
Total Interest	1588.5	1568.7	(1.25)	1490.9	(4.96)
Gross Profit	3417.4	3421.0	0.11	3253.9	(4.88)
Net Dep.	1256.2	1121.8	(10.70)	5239.6	367.07
Total Taxation	748.7	845.7	12.96	780.4	(7.72)
Net Profit/Loss	1412.5	1453.5	2.90	(2766.1)	(290.31)

4 Years Balance Sheet

(₹ mn)

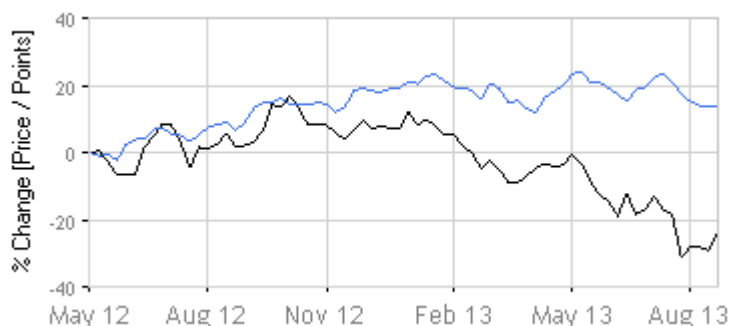
Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	53,439.9	55,704.8	60,565.3	58,300.5
Equity Share capital	723.5	759.5	759.5	807.5
Share Application Money	1.2	1.3	1.3	1.3
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	26,209.7	31,529.6	33,010.7	32,269.0
Long Term Loans	26,505.5	13,249.1	24,918.1	23,137.3
Short Term Loans	0.0	10,165.3	1,875.7	2,085.4
USES OF FUNDS	53,439.9	55,704.8	60,565.3	58,300.5
Gross Block	24,083.2	26,051.8	28,306.6	28,616.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	8,470.6	8,794.4	9,919.1	11,051.9
Net Block	15,612.6	17,257.4	18,387.5	17,564.6
Capital Work in Progress	3,701.2	3,360.6	2,296.1	3,092.3
Investments	33,217.9	30,267.8	36,221.9	33,691.4
Current Assets	13,862.6	18,327.6	18,480.1	19,739.1
Less : Current Liabilities	12,959.1	13,511.1	14,894.8	15,847.8
Total Net Current Assets	903.5	4,816.5	3,585.3	3,891.3
Misc. Expenses not written	4.7	2.5	74.5	60.9
NOTE				
Bk Val Unquoted Investments	32,131.2	23,207.3	35,336.1	32,805.6
Mkt Val. Quoted Investments	4,376.4	9,639.1	2,654.8	2,203.5
Contingent Liabilities	7,875.8	8,084.4	9,902.9	12,924.3
Dividend (%)	100	100	100	80

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 12	Dec 12	Mar 13	Jun 13
Net Sales	3,790.10	5,445.50	5,558.30	3,966.30
Cost Of Sales	3,325.10	3,538.10	3,552.00	3,219.50
Operating Profit	465.00	1,907.40	2,006.30	746.80
Recurring Income	257.80	61.00	96.00	212.50
Adjusted PBDIT	722.80	1,968.40	2,102.30	959.30
Financial Expenses	233.40	252.10	267.60	228.00
Depreciation	321.30	304.90	314.50	300.90
Other Write Offs	266.10	408.30	348.90	258.60
Adjusted PBT	(98.00)	1,003.10	1,171.30	171.80
Tax Charges	0.00	356.90	435.90	74.00
Adjusted PAT	(98.00)	646.20	735.40	97.80
Non Recurring Items	34.40	0.00	(3,848.90)	0.00
Other Non Cash Adjust	0.00	0.00	275.50	0.00
Net Profit	(63.60)	646.20	(3,389.00)	97.80

52 Week Index Relative Percentage Appreciation



IHCL vs SENSEX

Points to Ponder

The total market size of Indian tourism and hospitality sector stood at US\$ 117.7 billion and is expected to touch US\$ 418.9 billion by 2022. The foreign direct investment (FDI) inflows in hotel and tourism sector during April 2000 to July 2013 stood at US\$ 6,754.49 million, as per the data released by Department of Industrial Policy and Promotion (DIPP). Foreign tourist arrivals (FTA) during the Month of August 2013 stood at 4.74 lakh as compared to FTAs of 4.46 lakh during August 2012, registering a growth of 6.4 per cent. Indian tourism industry is thriving due to an increase in foreign tourist arrivals and greater number of Indians travelling to domestic destinations than before. In the past few years the real growth has come from within the domestic sector as around 30 million Indians travel within the country in a year. Strong growth in per capita income, rising young population coupled with changing lifestyles are leading to greater expenditure on leisure services.

Risks Associated

IHCL heavily depends on India's operations on foreign tourist arrivals, Foreign exchange earnings and visa on travels, etc, which makes it inclined to domestic economy. Moreover, its operations & earnings are essentially concentrated in key cities, mainly metro cities. IHCL has a portfolio of foreign currency debt, in respect of which it faces exposure to fluctuations in currency as well as interest rate risks. Luxury hotels contribute a significant proportion of the total revenue and earnings of the Company. This segment is affected by the international events and travel behavior and suffers from high operating leverage. Adverse development affecting these hotels or the cities in which they operate could have a materially adverse effect on IHCL. The success of Taj Group will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, brand recognition, service level, and convenience of location and to a lesser extent, the quality and scope of other amenities, including food and beverage facilities.

In a Nutshell

The Taj, a symbol of Indian hospitality was incorporated by the founder of Tata Group, Mr. Jamsetji N. Tata. IHCL and its subsidiaries are known as the Taj Hotels Resorts & Palaces. Today it has expanded into the largest hotel chain in India and is regarded as the finest in Asia. The company has hotels at almost all the prime locations across India as well as in global markets. IHCL operate in the luxury, premium, mid-market and value segments of the market. HCL runs hotels under many brands such as Taj, VIVANTA, Gateway & Ginger hotels. With more than 14,500 rooms it is the largest player in India. It owns and operates 90+ hotels, 7 palaces, 6 private islands and 12 resorts and spas, spanning 52 destinations in 12 countries across 5 continents and employs over 13000 people. It also owns private jets and yachts. The company's hotels offer resorts and palaces, safaris, suites, swimming pools, fitness centers, spa, business facilities, and conference services. It has diversified presence in the hospitality sector ranging from palaces to yachts to private jets & islands and offers a wide variety of services to its customers. It has significant capex with a new hotel being opened almost every third week. It is also restructuring its existing portfolio of hotel by restoring and rebranding some of its hotels. With the Indian hospitality sector as well as world economy reviving, we expect bright future for the industry and since IHCL has consistently enjoyed premium valuations compared to its peers we believe it would be the key beneficiary of the improvement business environment. Thus we recommend to invest in the stock with long term horizon.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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