

# Indian Hotels

₹ 94

## Some more Rooms for Growth! Accumulate



Nov 06, 2015

### 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 wildlife 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

- ➔ Despite India and the world economy still recovering from recession IHCL succeeded in signing four new management contracts and is also in active discussions for many opportunities that are likely to fructify in the next year.
- ➔ Performance wise is The Company is looking at various revenue enhancement and cost containment measures so that it can take advantage of the upswing as the business and economy recovers and the demand supply imbalance gets corrected.
- ➔ IHCL continues to drive focus for the resort destinations for domestic travelers through the Taj Holidays platform in line with the strategy to drive domestic dominance. Summer, Monsoon and Winter campaigns will be were launched this year to to target the domestic leisure segment which has been growing consistently since last year.
- ➔ The Company is renovating many properties, further all its properties are one of its kind, so competition of newer entrants in the field will be minimum.

### Key Financials

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	19,798.7	20,239.3	21,550.5
Rev. growth (%)	3.11	2.23	6.48
EBITDA (INR mn)	4,790.5	4,702.3	4,847.1
Net profit (INR mn)	(2,766.1)	(5,897.7)	(820.2)
Shares outstanding (mn)	807.5	807.5	807.5
EPS (INR)	(3.4)	(7.3)	(1.0)
EPS growth (%)	(278.99)	113.21	(86.09)
P/E (x)	(15.62)	(9.90)	(115.04)
RONW (%)	(7.96)	(19.66)	(3.53)
ROCE (%)	(4.47)	(10.51)	(1.67)

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### Info Codes

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

### Market Data

52 Wk Range (₹)	: 81 / 127
Shares in Issue (mn)	: 807.5
Mkt. Cap (₹ bn)	: 76.35
BSE 2 Wk Avg Vol	: 28000

### Share Holding Pattern (%)

Promoters	: 37.53
FII's	: 17.18
DII's	: 24.41
Others	: 20.88

### Past Performance

Recommended Accumulate @ 49 Rs on Oct 18, 2013 reached target in 19 days.

### Investment Theme

Trying to benefit through growth in the tourism industry in foreign exchange earnings, IHCL 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. It has continued its focus on past commitments in terms of project completion, opening of new hotels and growth through management contracts in Domestic and International markets. Targetting 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 global market, under various brands to achieve sustainable & profitable growth. The future appears to be bright for IHCL.

**Whatever Budget IHCL has a room.**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	18,758.6	19,295.1	2.9	20,243.8	4.9
Other Income	805.0	842.6	4.7	1,304.4	54.8
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	4,494.4	4,425.0	(1.5)	4,957.9	12.0
Indirect Taxes	290.4	367.6	26.6	458.0	24.6
Other Exp.	10,034.0	10,719.1	6.8	11,414.2	6.5
Operating Exp.	14,818.8	15,511.7	4.7	16,830.1	8.5
Operating Profit	3,939.8	3,783.4	(4.0)	3,413.7	(9.8)
Total Interest	1,490.9	1,527.8	2.5	1,479.1	(3.2)
Gross Profit	3,253.9	3,098.2	(4.8)	3,239.0	4.5
Net Dep.	5,239.6	8,251.6	57.5	3,220.2	(61.0)
Total Taxation	780.4	744.3	(4.6)	839.0	12.7
Net Profit/Loss	(2,766.1)	(5,897.7)	113.2	(820.2)	(86.1)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>60,565.3</b>	<b>58,300.5</b>	<b>53,845.0</b>	<b>58,241.9</b>
Equity Share capital	759.5	807.5	807.5	807.5
Share Application Money	1.3	1.3	0.6	0.5
Preference Share Capital	-	-	-	-
Reserves & Surplus	33,010.7	32,269.0	26,130.9	25,344.0
Long Term Loans	24,918.1	23,137.3	23,190.1	31,180.0
Short Term Loans	1,875.7	2,085.4	3,715.9	909.9
<b>USES OF FUNDS</b>	<b>60,565.3</b>	<b>58,300.5</b>	<b>53,845.0</b>	<b>58,241.9</b>
Gross Block	28,306.6	28,616.5	29,102.7	33,293.3
Less : Revaluation Reserves	-	-	-	-
Less : Accumulated Depreciation	9,919.1	11,051.9	12,128.6	13,175.3
Net Block	18,387.5	17,564.6	16,974.1	20,118.0
Capital Work in Progress	2,296.1	3,092.3	4,318.8	1,418.6
Investments	36,221.9	33,691.4	27,616.4	29,779.6
Current Assets	18,480.1	19,730.8	20,415.5	22,812.2
Less : Current Liabilities	14,894.8	15,839.5	15,527.5	15,921.1
Total Net Current Assets	3,585.3	3,891.3	4,888.0	6,891.1
Misc. Expenses not writtenoff	74.5	60.9	47.7	34.6
<b>NOTE</b>				
Bk Val Unquoted Investments	35,336.1	32,359.8	26,284.8	24,129.8
Mkt Val. Quoted Investments	2,654.8	2,203.5	2,922.2	7,652.1
Contingent Liabilities	9,902.9	12,924.3	14,277.5	13,494.6
Dividend (%)	100.0	80.0	0.0	0.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 14	Dec 14	Mar 15	Jun 15
Net Sales	4,156.6	6,001.5	6,107.7	4,534.8
Cost Of Sales	3,724.0	4,365.1	4,199.1	3,902.4
Operating Profit	432.6	1,636.4	1,908.6	632.4
Other Income	254.4	213.6	286.6	834.5
Adjusted PBDIT	687.0	1,850.0	2,195.2	1,466.9
Financial Expenses	249.5	200.9	197.7	212.6
Depreciation	295.0	294.2	291.9	295.0
Other Write Offs	274.9	378.6	390.4	291.8
Adjusted PBT	(132.4)	976.3	1,315.2	667.5
Tax Charges	0.0	457.7	487.4	170.0
Adjusted PAT	(132.4)	518.6	827.8	497.5
Non Recurring Items	56.6	0.0	(2,019.3)	13.3
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(75.8)	518.6	(1,191.5)	510.8

## 52 Week Index Relative Percentage Appreciation



IHCL vs SENSEX

## Risks Associated

A significant portion of IHCL's revenues are realised from its Indian operations, making it susceptible to domestic socio-political and economic conditions. Moreover, within India, the operations and earnings are primarily concentrated in hotel properties in five cities. The Company has made significant investments in hotel assets in the USA as also in acquiring a stake in an international hotel chain. Such investments are long term and strategic. Because of a slowdown in the overseas markets as well, such investments may need to be nursed over a longer gestation period. Luxury hotels contribute a significant proportion of the total revenue and earnings of IHCL. This segment is affected by the international events and travel behaviour and suffers from high operating leverage. Adverse development affecting these hotels or the cities in which they operate could have a materially adverse effect. The Indian subcontinent, South East Asia and Asia Pacific with high growth rates have become the focus area of major global chains. Several of these chains have announced their plans to establish hotels to take advantage of the demand supply imbalance. These entrants are expected to intensify the competitive environment. The success of Taj Group will be dependent upon its ability to compete in areas such as quality of accommodation, brand recognition, service level, convenience of location, the quality and scope of other amenities, including food and beverage facilities. Recent competitiveness in international airfares & strengthening financial health of Indian people resulted in destinations like Europe, US and Australia becoming more affordable to the average Indian traveller. This has increased outbound travel and presents a risk to the domestic segment for leisure resorts.

**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 93+ 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

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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