IDBI capital

Indian Hotels Company BUY

In-line quarter, outperformance to continue

Summary

IHCL reported yet another healthy quarterly results which were in-line with our expectations. The management reiterated that the current upcycle in Indian hospitality is structural which is supported by sustained growth in domestic travel, MICE, weddings, spiritual tourism and premiumisation, with demand continuing to outpace supply in key markets. Further, supply additions remain calibrated across major cities and leisure destinations, supporting sustained pricing power and healthy RevPAR growth. The company guided for 12–14% revenue growth in Q4FY26 and reiterated confidence in delivering double-digit revenue growth in FY27, driven by RevPAR growth, new hotel openings and ancillary revenues. New business verticals, including Ginger, Qmin, Ama and Tree of Life, are expected to deliver 25%+ revenue growth, supported by scale benefits and integration of recent acquisitions. We roll over to FY28E and reiterate BUY with a TP of Rs877, assigning 28x EV/EBITDA to FY28E.

Key Highlights and Investment Rationale

- **Healthy RevPAR growth aided earnings momentum**: IHCL reported yet another strong quarterly performance driven by strong like-for-like performance, ARR-led RevPAR growth and contribution from new business verticals. The hotel segment's revenue stood at Rs28.4bn witnessing a growth of 12.2%. Prudent cost optimization measures supported EBITDA to grow at 11.9% over Q3FY25. Net before exceptional items grew by 7.3% YoY. Overall RevPAR grew ~9% YoY during the quarter, largely driven by ~7% ARR growth, with Taj at ~8%, Vivanta/Selections/Gateway at ~10%, and Ginger at ~9%.
- **Positive industry dynamics to drive healthy earnings growth:** We have been positive on IHCL in domestic hospitality space given its superior revenue growth outlook, cost optimization measures, increasing contribution of new initiatives in net sales as well as EBITDA and healthy balance sheet. We anticipate healthy double digit net sales growth and operating margin expansion in near term. BUY with a TP of Rs877.

TP	Rs877
CMP	**Rs712**
Potential upside/downside	23%
Previous Rating	BUY

Key Stock Data	
Bloomberg / Reuters	IH IN / IHTL.BO
Sector	Hotels
Shares o/s (mn)	1,423
Market cap. (Rs mn)	10,12,914
3-m daily avg Trd value(Rs mn)	41.4
52-week high / low	Rs85 / 627
Sensex / Nifty	83,675 / 25,807

Price Performance (%)

	-1m	-3m	-12m
Absolute	3.1	0.7	(2.8)
Rel to Sensex	3.4	1.6	(12.7)

V/s Consensus

EPS (Rs)	FY26E	FY26E	FY27E
IDBI Capital	13.1	17.4	20.0
Consensus	13.9	16.5	19.0
% difference	*(5.9)*	*5.1*	*5.2*

Shareholding Pattern (%)

Promoters	38.1
FII	25.1
DII	16.3
Public	20.5

Financial snapshot (Rs mn)

Year	FY24	FY25	FY26E	FY27E	FY28E
Revenue	67,688	83,345	97,095	1,10,202	1,23,427
Change (yoy, %)	*16.5*	*23.1*	*16.5*	*13.5*	*12.0*
EBITDA	21,571	27,693	32,021	37,949	42,982
Change (yoy, %)	*19.5*	*28.4*	*15.6*	*18.5*	*13.3*
EBITDA Margin(%)	*31.9*	*33.2*	*33.0*	*34.4*	*34.8*
Adj.PAT	13,302	17,333	18,577	24,710	28,471
EPS (Rs)	9.4	12.2	13.1	17.4	20.0
Change (yoy, %)	*26.7*	*30.3*	*7.2*	*33.0*	*15.2*
PE(x)	76.0	58.3	54.4	40.9	35.5
Dividend Yield (%)	0.2	0.3	0.4	0.6	0.7
EV/EBITDA (x)	46.5	36.0	30.9	25.9	22.6
RoE (%)	15.3	16.8	15.5	18.1	18.4
RoCE (%)	13.1	15.2	15.3	16.9	17.8

Source: IDBI Capital Research

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Concall Highlights

Industry

- Management reiterated that the current upcycle in Indian hospitality is structural, not cyclical, supported by sustained growth in domestic travel, MICE, weddings, spiritual tourism and premiumisation, with demand continuing to outpace supply in key markets.
- Supply additions remain calibrated across major cities and leisure destinations, supporting sustained pricing power and healthy RevPAR growth, which management expects to normalise in the 8.5–10% range over the medium term.
- International markets are recovering unevenly, with New York and San Francisco showing strong improvement, London expected to rebound post-renovation, and Sri Lanka and Maldives remaining relatively volatile.

Operating Performance

- IHCL reported consolidated revenue of Rs28bn in Q3 FY26, up 12% YoY, driven by strong like-for-like performance, ARR-led RevPAR growth and contribution from new business verticals.
- Consolidated EBITDA grew 12% YoY to Rs10.76bn, with EBITDA margin at 37.9%, despite Rs0.20–0.25bn of one-off costs related to acquisitions, GST and marketing initiatives.
- Consolidated PAT before exceptional items rose 7% YoY to Rs6.58bn, marking the highest-ever quarterly profit in the company's history, supported by operating leverage and stable margins.
- Hotel segment EBITDA crossed Rs10bn for the first time, delivering a segment EBITDA margin of 40.7%, reflecting strong pricing, cost discipline and scale benefits.
- Standalone revenue increased 9% YoY to Rs16.54bn, while standalone EBITDA margin expanded by 40bps to 48.2%, driven by strong performance of owned luxury assets.
- Standalone PAT before exceptional items grew 13% YoY to Rs5.29bn, translating into a healthy PAT margin of ~32%.
- Overall RevPAR grew ~9% YoY during the quarter, largely driven by ~7% ARR growth, with Taj at ~8%, Vivanta/Selections/Gateway at ~10%, and Ginger at ~9%.

- Management fee income grew ~15% YoY, with management reiterating guidance of high-teens growth over the medium term, supported by a strong opening pipeline and asset-light expansion.
- TajSATS reported 17% YoY revenue growth with EBITDA margin of ~26%, aided by travel recovery, airport additions and diversification into non-aviation segments.

Portfolio growth

- IHCL operated 361 hotels with ~32,300 keys as of Q3 FY26, while the pipeline stood at 256 hotels with ~30,200 keys, providing strong multi-year revenue and earnings visibility.
- The portfolio remains predominantly asset-light, with ~68% of operational keys and ~94% of pipeline keys under management or revenue-share models, enhancing capital efficiency and return ratios.
- Mid-scale expansion accelerated meaningfully, with Ginger crossing 110 hotels and the combined Ginger plus ANK and Pride portfolio expected to exceed 250 hotels, giving ~24% share of branded mid-scale inventory.

Outlook and Guidance

- The company expects the positive impact of renovations to be seen partially in Q3 and fully in Q4, leading to improved guest experiences and higher yields.
- Management guided for 12–14% revenue growth in Q4 FY26 and reiterated confidence in delivering double-digit revenue growth in FY27, driven by RevPAR growth, new hotel openings and ancillary revenues.
- Management fee income is expected to grow in the high teens, supported by 60+ hotel openings in FY27 and increasing share of managed properties.
- New business verticals, including Ginger, Qmin, Ama and Tree of Life, are expected to deliver 25%+ revenue growth, supported by scale benefits and integration of recent acquisitions.
- Taj Bandstand remains a key long-term value driver, with stabilised annual revenue potential of ~Rs10bn and EBITDA margins close to 50%.

Exhibit 1: Financial snapshot

Particulars (Rs mn)	Q3FY26	Q2FY26	*QoQ (%)*	Q3FY25	*YoY (%)*
Total revenues	**28,420**	**20,409**	***39.3***	**25,330**	***12.2***
Total expenditure	17,661	14,708	*20.1*	15,713	*12.4*
EBIDTA	**10,758**	**5,701**	***88.7***	**9,617**	***11.9***
EBIDTA margin(%)	*37.9*	*27.9*	*992bps*	*38.0*	*-11bps*
Depreciation	1,503	1,447	*3.9*	*1,339*	*12.3*
Interest cost	558	561	*(0.4)*	523	*6.7*
Other income	583	834	*(30.1)*	586	*(0.6)*
PBT	9,280	4,527	*105.0*	8,341	*11.3*
Tax	2,691	1,365	*97.1*	2,202	*22.2*
Adj. net profit	**6,588**	**3,162**	***108.4***	**6,139**	***7.3***
Consolidated profit	**9,542**	**3,183**	***199.8***	**6,326**	***50.8***
EPS (INR)	6.7	2.2	*199.8*	4.5	*50.8*

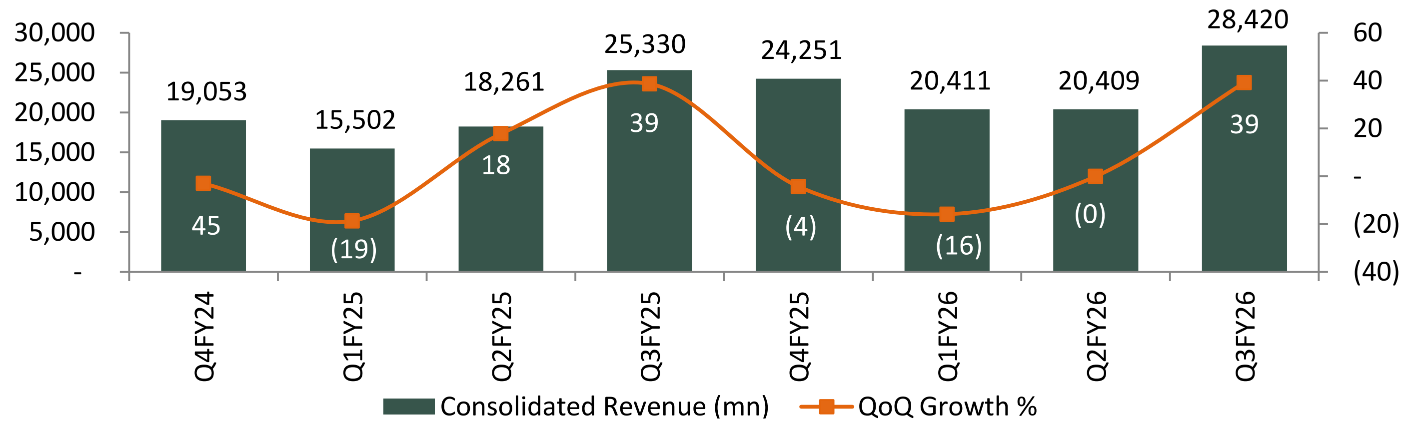
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs Estimates

Particulars (Rs mn)	Q3FY26A	Q3FY26E	*Variance (%)*
Net Sales	**28,420**	**27,483**	*3.4*
EBITDA	**10,758**	**10,037**	*7.2*
EBITDA Margin (%)	*37.9*	*36.5*	*134bps*
Net Profit	**9,542**	**6,660**	*43.3*
EPS, Rs	6.7	4.7	*43.3*

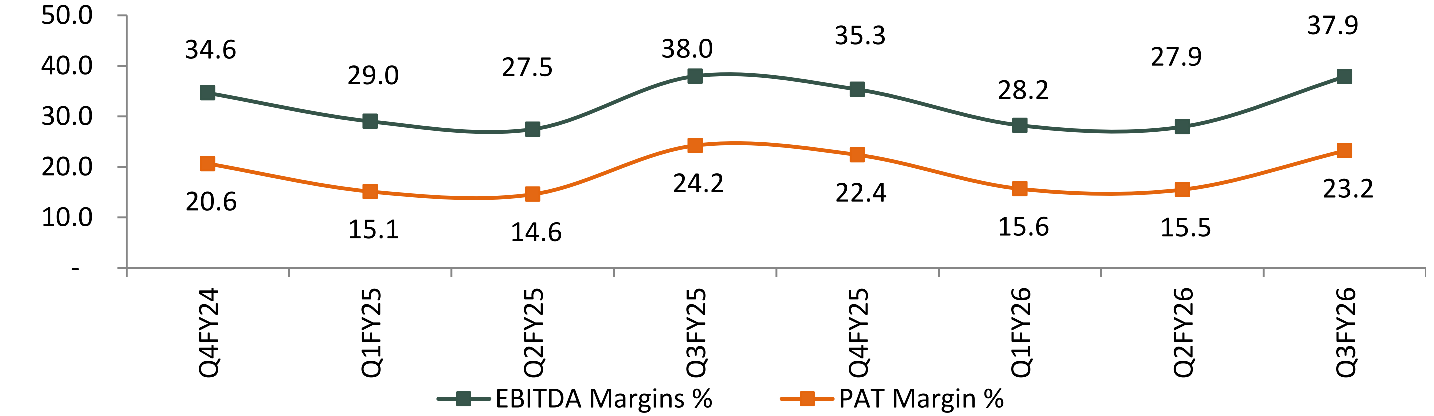
Source: Company; IDBI Capital Research

Exhibit 3: Consolidated revenue



Source: Company; IDBI Capital Research

Exhibit 4: EBITDA Margin/PAT Margin



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**58,099**	**67,688**	**83,345**	**97,095**	**1,10,202**	**1,23,427**
Change (yoy, %)	*90*	*17*	*23*	*16*	*14*	*12*
Operating expenses	(40,054)	(46,116)	(55,652)	(65,073)	(72,254)	(80,445)
EBITDA	**18,046**	**21,571**	**27,693**	**32,021**	**37,949**	**42,982**
Change (yoy, %)	*346*	*20*	*28*	*16*	*19*	*13*
Margin (%)	*31.1*	*31.9*	*33.2*	*33.0*	*34.4*	*34.8*
Depreciation	(4,161)	(4,543)	(5,182)	(6,018)	(6,618)	(7,218)
EBIT	**13,885**	**17,028**	**22,512**	**26,003**	**31,331**	**35,764**
Interest paid	(2,361)	(2,202)	(2,084)	(2,442)	(1,959)	(1,659)
Other income	1,389	1,829	2,305	2,650	2,915	3,207
Pre-tax profit	**12,946**	**16,655**	**25,781**	**28,967**	**32,287**	**37,312**
Tax	(3,232)	(4,639)	(6,168)	(7,291)	(8,127)	(9,391)
Effective tax rate (%)	*25.0*	*27.9*	*23.9*	*25.2*	*25.2*	*25.2*
Minority Interest	814.0	1,286.5	768.4	(344.0)	550.0	550.0
Net profit	**10,528**	**13,302**	**20,381**	**21,332**	**24,710**	**28,471**
Exceptional items	33	-	3,048	2,755	-	-
Adjusted net profit	**10,495**	**13,302**	**17,333**	**18,577**	**24,710**	**28,471**
Change (yoy, %)	*(474)*	*27*	*30*	*7*	*33*	*15*
EPS	7.4	9.4	12.2	13.1	17.4	20.0
Dividend per sh	1.0	1.8	2.3	3.0	4.0	5.0
Dividend Payout (%)	*16.5*	*22.8*	*22*	*28*	*28*	*30*

Balance Sheet (Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' funds	**79,820**	**94,567**	**1,11,607**	**1,28,085**	**1,45,313**	**1,64,570**
Share capital	1,420	1,423	1,423	1,423	1,423	1,423
Reserves & surplus	78,399	93,143	1,10,184	1,26,661	1,43,890	1,63,146
Total Debt	**12,816**	**7,504**	**7,491**	**8,139**	**6,531**	**5,528**
Other liabilities	25,144	26,355	30,297	29,215	28,010	26,614
Curr Liab & prov	**12,307**	**13,413**	**15,095**	**16,295**	**17,641**	**19,057**
Current liabilities	9,048	10,014	11,169	12,121	13,216	14,337
Provisions	3,259	3,400	3,926	4,174	4,425	4,720
Total liabilities	**50,267**	**47,271**	**52,883**	**53,648**	**52,182**	**51,199**
Total equity & liabilities	**1,36,688**	**1,48,558**	**1,77,039**	**1,94,282**	**2,10,044**	**2,28,318**
Net fixed assets	60,605	63,707	76,617	83,002	88,754	93,928
Investments	18,910	22,612	22,788	25,240	27,763	30,067
Other non-curr assets	38,816	38,696	44,831	45,189	45,623	46,100
Current assets	**18,356**	**23,543**	**32,803**	**40,851**	**47,905**	**58,223**
Inventories	1,092	1,164	1,355	1,477	1,610	1,738
Sundry Debtors	4,465	4,765	6,509	7,095	7,662	8,352
Cash and Bank	10,534	14,855	21,816	28,833	34,846	43,917
Loans and advances	2,265	2,759	3,124	3,446	3,787	4,216
Total assets	**1,36,688**	**1,48,558**	**1,77,039**	**1,94,282**	**2,10,044**	**2,28,318**

Cash Flow Statement (Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	12,946	16,655	25,781	28,967	32,287	37,312
Depreciation	4,161	4,543	5,182	6,018	6,618	7,218
Tax paid	(2,543)	(4,412)	(5,786)	(8,385)	(9,346)	(10,800)
Chg in working capital	(112)	462	(621)	315	480	399
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**14,453**	**17,249**	**24,555**	**26,915**	**30,040**	**34,129**
Capital expenditure	(5,573)	(7,645)	(18,092)	(12,403)	(12,370)	(12,392)
Chg in investments	758	(3,702)	(176)	(2,452)	(2,523)	(2,305)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(4,816)**	**(11,346)**	**(18,268)**	**(14,855)**	**(14,892)**	**(14,697)**
Equity raised/(repaid)	-	3	-	-	-	-
Debt raised/(repaid)	(10,812)	(5,312)	(12)	648	(1,608)	(1,002)
Dividend (incl. tax)	(1,733)	(3,033)	(3,899)	(5,199)	(6,932)	(8,664)
Chg in minorities	1,485	1,406	6,597	(344)	550	550
Other financing activities	80	5,354	(2,013)	(147)	(1,145)	(1,246)
Cash flow from financing (c)	**(10,980)**	**(1,582)**	**672**	**(5,042)**	**(9,135)**	**(10,363)**
Net chg in cash (a+b+c)	**(1,344)**	**4,321**	**6,960**	**7,018**	**6,013**	**9,070**

Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (Rs)	56	67	79	90	102	116
Adj EPS (Rs)	*7.4*	*9.4*	*12.2*	*13.1*	*17.4*	*20.0*
Adj EPS growth (%)	*-474*	*27*	*30*	*7*	*33*	*15*
EBITDA margin (%)	*31.1*	*31.9*	*33.2*	*33.0*	*34.4*	*34.8*
Pre-tax margin (%)	*22.3*	*24.6*	*30.9*	*29.8*	*29.3*	*30.2*
Net Debt/Equity (x)	*0.0*	*-0.1*	*-0.1*	*-0.2*	*-0.2*	*-0.2*
ROCE (%)	*11*	*13*	*15*	*15*	*17*	*18*
ROE (%)	*14*	*15*	*17*	*16*	*18*	*18*
DuPont Analysis						
Asset turnover (x)	0.4	0.5	0.5	0.5	0.5	0.6
Leverage factor (x)	1.8	1.6	1.6	1.5	1.5	1.4
Net margin (%)	*18.1*	*19.7*	*20.8*	*19.1*	*22.4*	*23.1*
Working Capital & Liquidity ratio						
Inventory days	7	6	6	6	5	5
Receivable days	28	26	29	27	25	25
Payable days	43	41	38	35	35	34

Valuations

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
PER (x)	96.4	76.0	58.3	54.4	40.9	35.5
Price/Book value (x)	12.7	10.7	9.1	7.9	7.0	6.1
EV/Net sales (x)	17.4	14.8	12.0	10.2	8.9	7.9
EV/EBITDA (x)	56.2	46.5	36.0	30.9	25.9	22.6
Dividend Yield (%)	*0.1*	*0.2*	*0.3*	*0.4*	*0.6*	*0.7*

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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Most Important Terms and Conditions

1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).

   Note:

   2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.

   2.2. The fee limit does not include statutory charges.

   2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA’s research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client’s own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,

    Step 1: the client should first contact the RA using the details on its website or following contact details:

    (RA to provide details as per ‘Grievance Redressal / Escalation Matrix’)

    Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI’s SCORES platform at www.scores.sebi.gov.in

    Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at https://smartodr.in
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client’s login credentials and OTPs for the client’s Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.