ICICI direct.com
On-line Share Trading

Initiating Coverage

Indian Hotels (INDHOT)

Current Price	Target Price
Rs 59	Rs 77
Potential upside	Time Frame
30.5%	12 months

OUTPERFORMER

Expansions to check in cheer…

Indian Hotels (IHCL), better known as the Taj Group of hotels, is the largest and most diversified hotel company in terms of number of rooms in India. With travel & tourism demand expected to grow faster at 8.2% per annum over the next 10 years in India compared to other regions, IHCL is well poised to reap this benefit through its long-term expansion plans. The plan entails a capital outlay of over Rs 2,100 crore spread over four years. We are initiating coverage on the company with an OUTPERFORMER rating and a price target of Rs 77.

- **Room expansions to drive revenue growth**

  IHCL has laid down capex plans to double its room base from10,300 to 19,200 rooms under its various segments over the next four years. By FY11E, we expect the company to add around 3,522 rooms to its total room portfolio. With these additions along with re-opening of its US and Mumbai hotel property, we believe the company would be able to clock FY09-11E revenue CAGR of 14.3% (i.e. 13.0% by volume, 1.0% by value) to Rs 3,508 crore.

- **Well diversified room portfolio**

  Among peer companies, IHCL has a very well diversified room portfolio in India with rooms available at various price points. It is poised to benefit from a revival in the economy over the longer term.

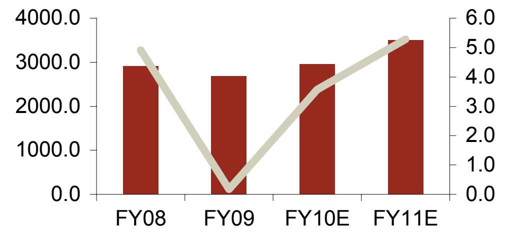
- **Valuations**

  The stock is currently available at 11.6x and 9.1x EV/EBIDTA of FY10E and FY11E, respectively, while its global peers are trading at 11.9x and 11.2x its EV/EBITDA of FY10E and FY11E, respectively. Keeping in mind India's continuing high growth trajectory, the stock commands a premium compared to its global peers. However, considering the strain on profitability of its international properties and recent expensive acquisitions, we value the stock at a discount to its global peers i.e. 10.5x its FY11E EV/EBITDA to arrive at a target price of Rs 77 per share. We are initiating coverage with an **OUTPERFORMER** rating on the stock. Our DCF-based methodology also justifies this valuation.

Analysts' Name

Rashesh Shah
rashes.shah@icicidirect.com

Sales & EPS trend



Stock Metrics

Bloomberg Code	IH.IN
Reuters Code	IHTL.BO
Face value (Rs.)	1.00
Promoters Holding (%)	29.6
Market Cap (Rs. Cr.)	4170.5
52 Week H/L	93/34
Sensex	13,398
Average Volume	152,602

Comparative return metrics(/%)

Stock Return (%)	3M	6M	12M
Indian Hotels	10.9	28.1	-33.7
EIH	-7.6	0.2	-14.0
Hotel Leela	10.5	37.5	-12.0

Price Trend

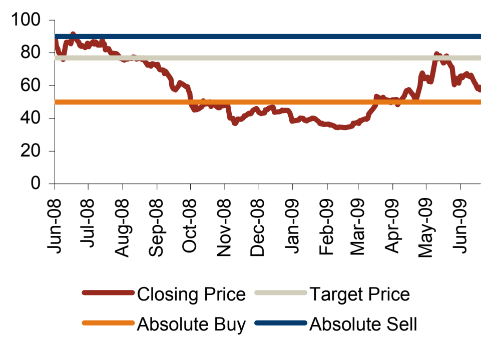


Exhibit 1: Key Financials

					Rs. Crore
Year to March 31	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Sales (Net)	2506.3	2920.0	2686.4	2958.5	3508.1
Net Profit	370.3	355.0	12.5	258.3	342.0
Diluted EPS (Rs)	5.1	4.9	0.2	3.6	5.3
P/E (x)	28.7	22.8	334.7	16.1	10.9
Price/Book (x)	4.1	2.8	1.2	1.1	1.0
EV/EBITDA	14.7	11.2	14.9	11.5	9.0
RoCE (%)	14.8	12.5	4.7	7.1	8.8
RoNW (%)	17.7	15.0	0.4	7.1	9.5

Source: ICICIdirect.com Research

Company background

The Indian Hotels Company (IHCL) better known as the Taj group of Hotels set up in the early twentieth century has since emerged as one of the leading players in the domestic hospitality sector in India with a strong presence overseas.

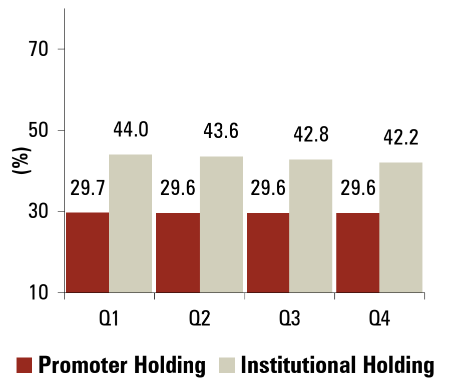
The Taj Group is one of the largest hotel chains in South Asia. Operations cover over 97 hotels with about 11,546 rooms in 52 destinations spread across 12 countries and more than 200 food and beverage outlets in India and abroad. Of these, 90 hotels are present in locations across India while an additional seven international hotels are in the US, UK, Sri Lanka, Maldives, Mauritius, Seychelles and the Middle East. Taj group has seven palaces, six private islands, 12 personal spas, three private jets and two luxury yachts in their exquisite property portfolio.

Taj group has introduced a chain of budget hotels in June 2004 by launching 'Smart Basics' concept, indiOne, at Bangalore through its wholly owned subsidiary, Roots Corporation Ltd. Later the company renamed the budget hotel brand to 'Ginger' with currently around 1,709 rooms. It plans to have around 3,500 rooms across 25 locations under this brand. The company has also launched its exclusively developed 'Jiva Spa'. This is based on traditional Indian ayurvedic and yogic systems, set in an internationally contemporary ambience. This is currently operational in five hotels. Further rollouts are in progress.

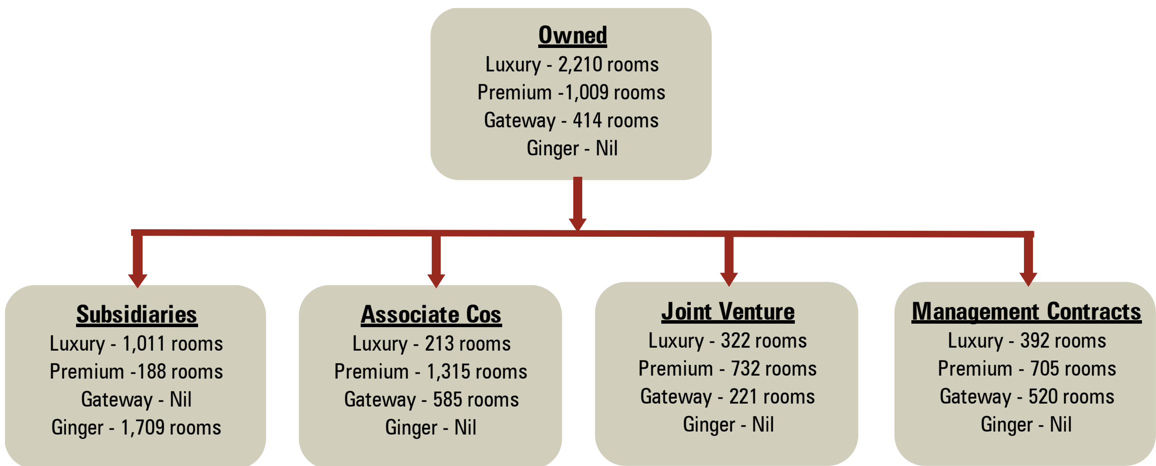
Shareholding pattern (Q4FY09)

Shareholder	% holding
Promoters	29.5
Institutional investors	42.0
Other investors	7.4
General public	21.1

Promoter & institutional holding trend (%)



Total room base (March 2009)



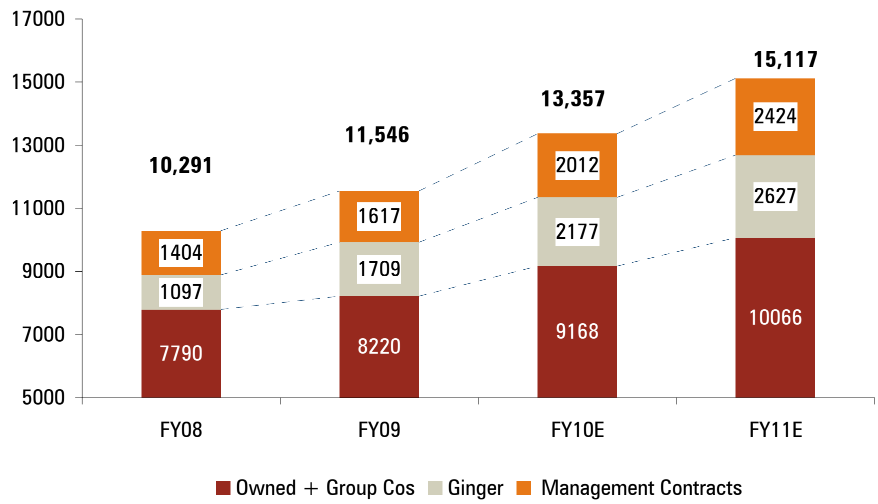
Investment rationale

Indian Hotels (IHCL), better known as Taj Group of hotels, is the largest and most diversified company in terms of number of rooms in India. With the Indian travel & tourism demand expected to grow faster at 8.2% per annum over the next 10 years compared to other regions, IHCL is well poised to reap this benefit through its long-term expansion plans. The plan entails a capital outlay of over Rs 2,100 crore spread over four years. The company is not only expanding its reach geographically but also strengthening its presence at various price points.

- **Room expansions to drive revenue growth**

  IHCL has laid down capex plans to almost double its room base from11,546 to 19,200 rooms under its various segments (owned – 2,006 rooms, managed — 2,548 and Ginger — 3,100) over the next three to four years. By FY11E, we expect the company to add around 3,072 new rooms to its total room portfolio. With these additions along with re-opening of its US hotel property "Pierre" (201 rooms) and Mumbai property "Taj Mahal Palace" (298 rooms), we believe the company would be able to clock FY09-11E revenue CAGR of 14.3% (i.e. 13.0% by volume, 1.0% by value) to Rs 3,508 crore.

Exhibit 2: New room additions



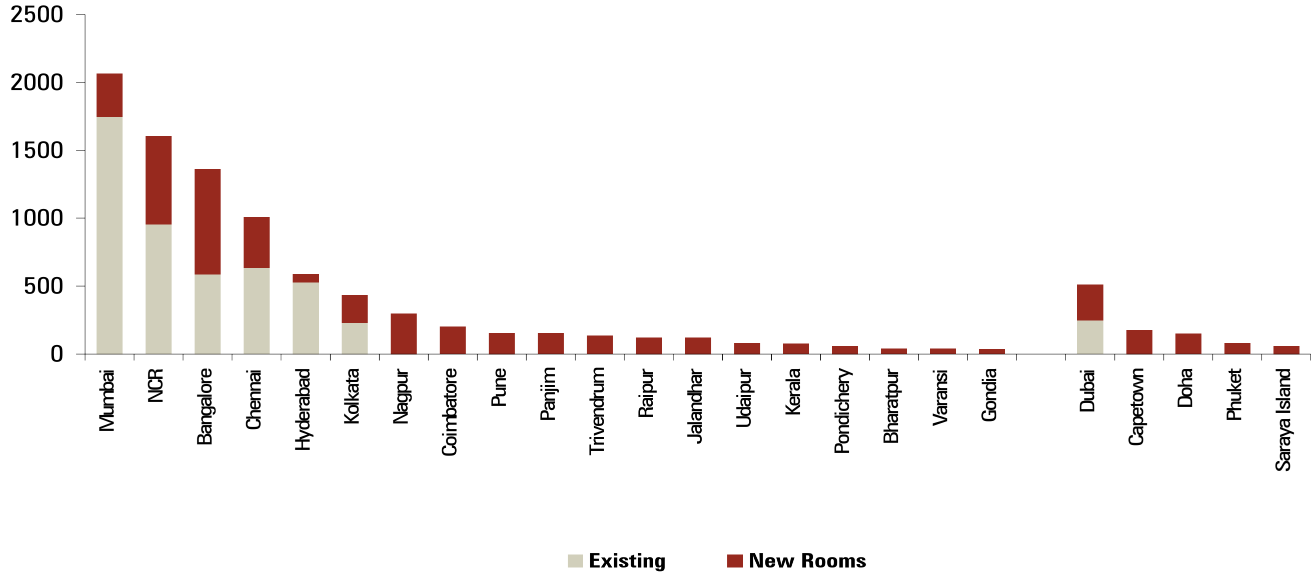
Source: Company, ICICIdirect.com Research

New room additions over the next two years to largely drive revenue growth

- **Expansions more concentrated towards key metro cities in India**

  Of the total addition of 4,554 rooms (owned — 2,006 rooms and managed — 2,5,48 rooms), nearly half of new room additions are concentrated towards six key metro cities with highest room additions being made in Bangalore. This shows the management's long-term vision of India's growth prospects. As India and China are perceived as fastest growing economies, we believe all these upcoming room supplies in key metro cities would easily be absorbed by new demand coming in from all sectors in India, which are still untapped.

Exhibit 3: City-wise room additions

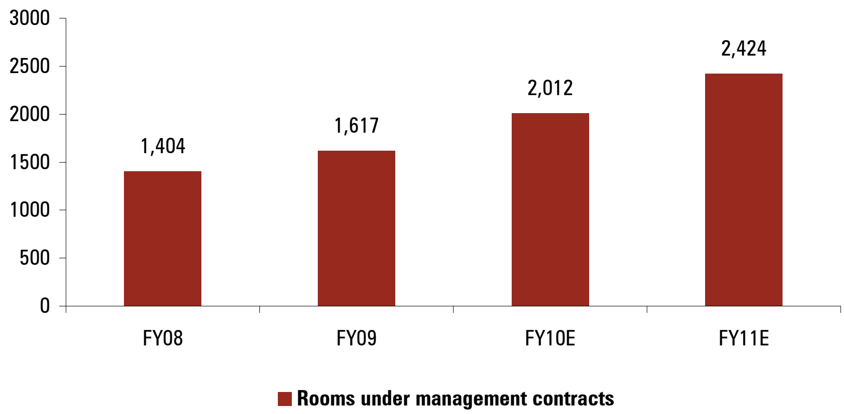


Source: Company, ICICIdirect.com Research

- **Increased focus on management contracts**

  As a part of the de-risking model, IHCL is leveraging its brand and service quality record to secure management contracts with a view to expand its presence without much investment. The company has a current inventory of 1,617 rooms under management contracts. It plans to ramp up its total room base to 2,424 rooms over the next two years. With these additions, we expect the company to earn management fees of Rs 56.7 crore in FY10E and Rs 70 crore in FY11E. This would constitute 15.2% and 13.3% of the company's pre-tax profits for FY10E and FY11E, respectively.

Exhibit 4: Rooms under management contract



Rooms under management contract to increase by 50% over the next two years

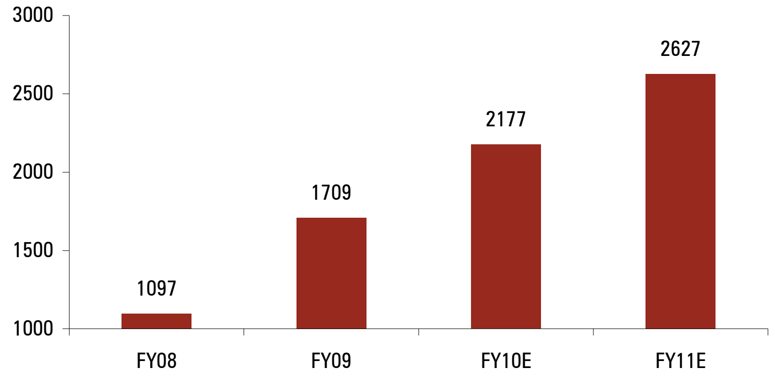
Source: Company, ICICIdirect.com Research

This management contract does not require additional capital. At the same time, it provides stable flow of revenues, thereby helping to improve return on equity.

- **Tapping the opportunity in economy segment through "Ginger" brand**

The company is diversifying geographically and simultaneously expanding its reach in the economy segment. Currently, there are 17 Ginger hotels in this segment with 1,709 rooms operating across key destinations in India. Business travellers frequently visit these destinations. The company has aggressive plans to set up 30 hotels in Tier-II and Tier-III cities across the country under the 'Ginger' brand over the next three years. This expansion would the cost company around Rs 120 crore. In FY09, the company added over 600 rooms under this category.

Exhibit 5: Room additions under economy segment



Source: Company, ICICIdirect.com Research

We expect revenues from this segment to increase to Rs 98 crore (i.e. 2.8% of consolidated revenues) by FY11E from Rs 26 crore in FY08, representing a CAGR of 55.6% over FY08-11E

In our forecast period of FY09-11E, we expect the room base to increase further by around 918 rooms to 2,627 rooms, representing a CAGR of over 24.0%. With these additions, we expect revenues from this segment to increase to Rs 98 crore (i.e. 2.8% of consolidated revenues) by FY11E from Rs 26 crore in FY08, representing CAGR of 55.6% over FY08-11E.

- **Revenue per room (RevPAR) to recover marginally**

In Q1 and Q2FY09, the company recorded growth of 13% and 8% in RevPAR, respectively. This was mainly on account of improvement in ARRs, though occupancy levels continued to remain downbeat. After the terror attack in Mumbai in November 2008, its RevPAR fell sharply by 12% and 36% in Q3 and Q4FY09 due to a sharp decline in foreign tourist arrivals (FTAs). However, from April 2009 onwards, the FTA data has started showing some improvements. We can attribute this to passage of time after the terrorist attacks and withdrawal of travel advisories. We also believe FTAs will gradually improve in the coming months fuelled by demand from business segments over the next two years. In our forecast period of FY09-11E, we expect the RevPAR to improve led by growth in occupancy levels. We expect average occupancy levels to improve by 130 bps to 63.6%. We expect ARRs to remain stagnant at the current prevailing levels over the next two years.

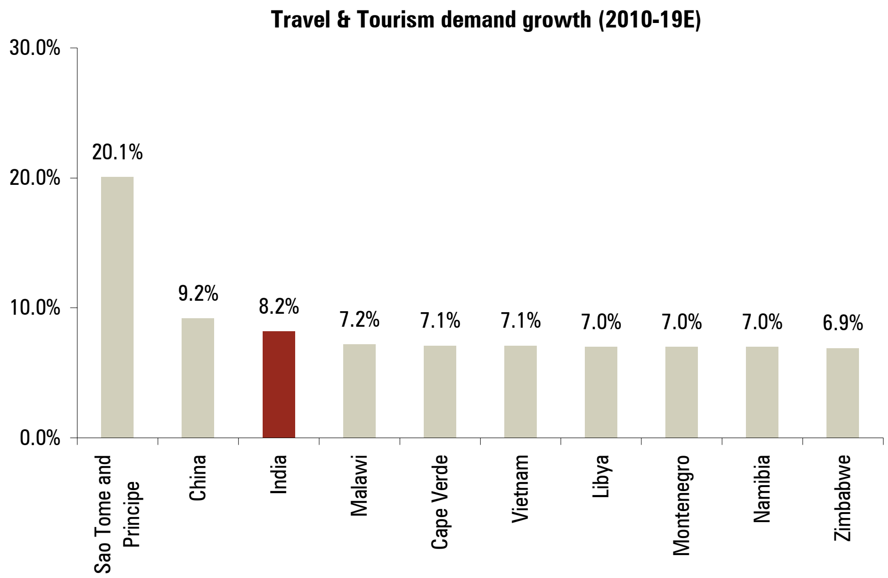
- **Industry outlook**

  India lags far behind countries like China and Singapore in terms of room availability. At present, in India there are around 1,10,000 rooms available compared to China where Shanghai alone has more than 1,35,000 rooms. Singapore, a country smaller than the size of Delhi, has nearly half of India's total capacity.

  Estimates indicate that India would need at least 60,000 additional rooms to cater to the projected tourist arrivals over the next few years. However, the negative sentiments prevalent globally especially in the US & UK and the upcoming monsoon season in India are likely to affect the hotel industry's business in the near term. Rising influx of swine flu also poses a risk to the entire hotel industry in the short to medium term. Being one of the largest hoteliers in India, IHCL is bound to get affected.

  However, our long-term view on the company remains positive given India's continuing high growth trajectory and lesser room availability compared with other Asian countries like China, Singapore, etc. Post revival in the economy, we expect the demand for hotel rooms to increase faster in India compared to other regions over the longer term.

Exhibit 6: Travel & tourism demand growth



According to the WTTC report, India stands third in terms of future T&T demand growth and it is expected to grow annually at 8.2% over the next 10 years

Source: WTTC, ICICIdirect.com Research

According to the latest WTTC research on the world's strongest travel & tourism (T&T) performing countries, India stands third in terms of future T&T demand growth. We expect it to grow annually at 8.2% over the next 10 years.

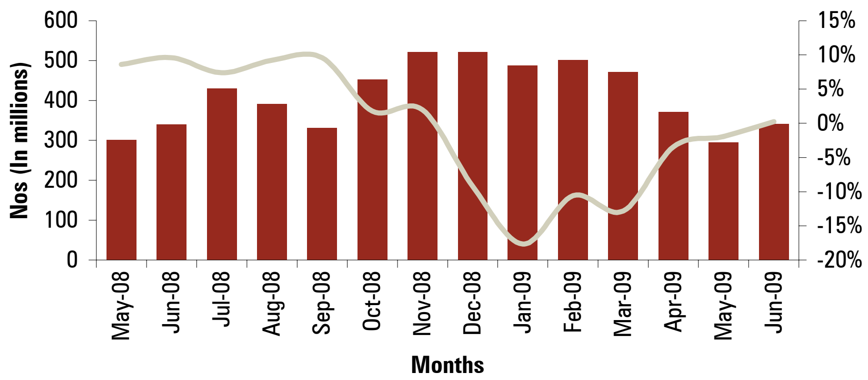
- **Positive triggers**

  Revival in growth of foreign tourist arrivals (FTAs)

  The fourth quarter of FY09 saw a sharp decline in FTAs in India post the terror attacks in Mumbai. FTAs during this period recorded negative growth in double digits with highest negative growth recorded in January 2009. However, from April 2009 onwards, the FTA data has started showing some improvements recording a marginal YoY decline of -3.4%, -1.9% and growth of 0.2% in FTAs in April, May and June 2009, respectively. This was as against an average decline of over -12% during the December-March period, suggesting an improvement in sentiments.

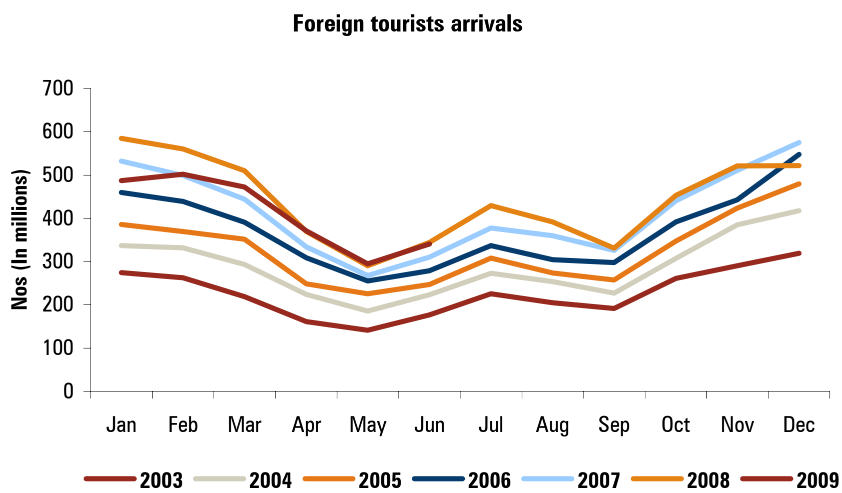
  We can attribute this to passage of time after the terrorist attacks and withdrawal of travel advisories. We also believe FTAs will gradually improve in the coming months fuelled by demand from business segments due to easing of liquidity issues and revival in macro economic environment. However, the upcoming monsoon season would act as a hindrance to growth in FTAs over the short-term as we generally see lesser FTAs during June-September.

Exhibit 7: Last one year trend in FTAs growth



Source: Company, ICICIdirect.com Research

Exhibit 8: Trends in foreign tourists arrivals



Foreign tourist arrivals in April-September are lower as compared to October-March due to the summer and monsoon season

Source: Company, ICICIdirect.com Research

Opening of "*Pierre*" and "*Taj Heritage wing*"

IHCL had completely shut down its New York property 'The Pierre' for renovation in January 1, 2008. It spent about US$80 million on the renovation of Pierre. The company had also incurred an expenditure of Rs 54 crore as employee severance cost during the year, which put further pressure on its bottomline. We expect this hotel to re-open from August 2009 with expected ARRs of ~US$700-750/per room night from the erstwhile US$550-600/per room night. This, in turn, should boost the revenue growth in FY10E and FY11E. In addition, we expect the Taj Heritage wing in Mumbai to re-open from December 2009 onwards. Earlier this was completely shut down post terror attack on 26/11. Hence, we expect the re-opening of both these prestigious hotels to provide a boost to revenue growth by 2.5% and 5.4% in FY10E and FY11E, respectively.

Commonwealth Games 2010 – a major booster to the hotel industry

We expect the Commonwealth Games in 2010 to cause a spurt in the demand for hotel rooms mainly in Northern India, as this would require approximately 30,000 hotel rooms in Delhi and NCR. This would help the company to stabilise its earnings from this region. We believe this event would also drive demand for hotel rooms across India especially at heritage and leisure locations. IHCL, being the largest player in this segment, would be a key beneficiary of the same. The company has strong expansion plans in India. It expects to add about 3,500 rooms to its current room inventory of 11,546 rooms by FY11E, in a phased manner, to capture the potential demand. Our long-term view on the company remains positive, as we believe India's growth story will continue. This will have a positive effect on the tourism and hotel industry over the longer term.

Risks & Concerns

Profitability of US hotel properties under strain due to global slowdown

IHCL's subsidiary companies registered negative revenue de-growth of -9.7% to Rs 997 crore in FY09 as compared to Rs 1,104 crore in FY08. The subsidiaries constitute around 37% of consolidated revenues. The profitability of these companies is under strain mainly due to properties in the US, which are incurring losses due to the subdued economic environment. Hence, unless we see some signs of economic recovery in the US, its overall profitability would continue to remain under pressure compared with its other Indian peers.

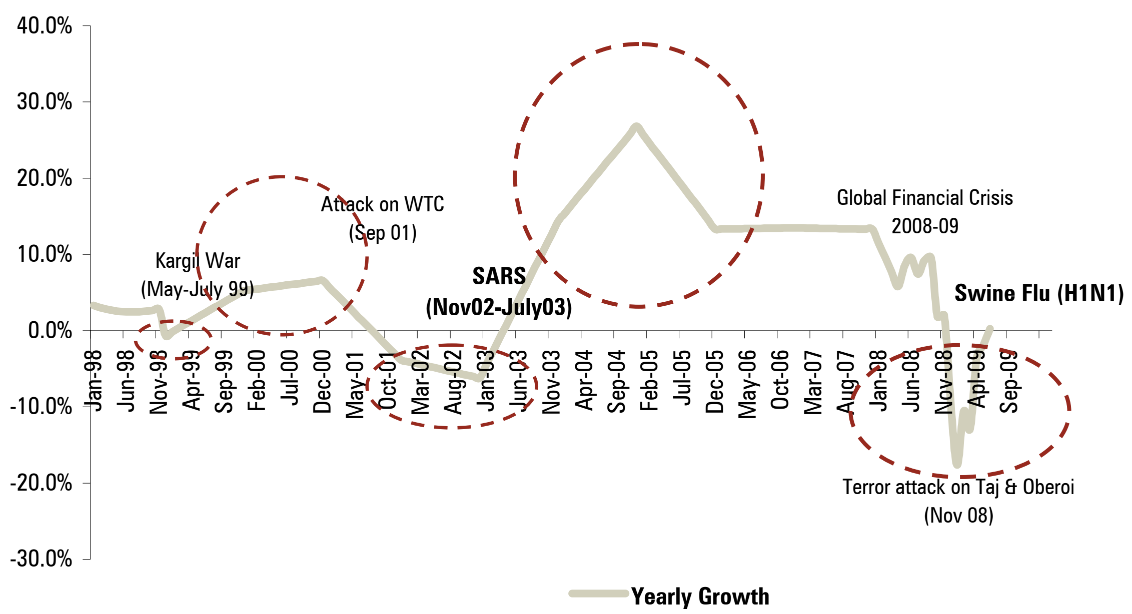
Terrorist activities

The travel and tourism industry is also highly sensitive to risks arising from terrorist activities. A recent example is the 26/11 terror attack in Mumbai. Post this attack, FTAs to India have reduced drastically. These terrorist attacks make travelling, especially leisure travelling, more difficult resulting in delays and cancellations by tourists.

Swine flu – Another short term, but major concern

The travel & tourism industry is highly sensitive to risks arising from global pandemic. The World Health Organization has recently declared 'swine flu' a global pandemic. So far, travel authorities have not reported any major impact of swine flu on tourism on the rest of the world. However, looking at the past data, it still poses a risk to the entire tourism industry at least for the next six to eight months period.

Exhibit 9: FTAs growth (Past 10 years trend)



Source: Company, ICICIdirect.com Research

Delays in execution of projects

Since future revenue projections are based on new room additions, any further delays in upcoming properties would impact its revenue estimates, thereby affecting profitability.

South Asian competition

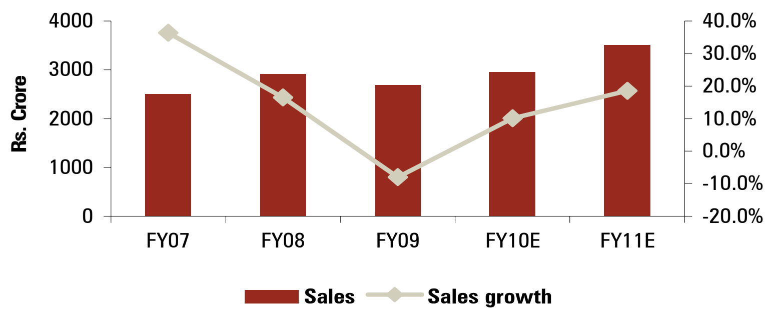
South Asian countries have been focusing on tourism incomes. They are fast being recognised as economic destinations for the tourism industry, thereby attracting guests from India and other parts of the world. These destinations pose competition for leisure hotels.

Financials

▪ Sales to pick up from FY10E lead by new room additions

The year 2009 was a very difficult one for the entire hotel industry and especially for the company. For the whole year, the industry suffered a lot. This was due to the economic slowdown coupled with soaring crude oil prices in H1FY09 and terror attack in H2FY09 resulting in sharp fall in its revenues. In the first half of FY10E, we may continue to see sluggish demand for hotel rooms lead by cut down in corporate travel budgets and rising influx of swine flu. However, with re-opening of US property "The Pierre" in August 2009, Mumbai property "The Taj Mahal Palace", heritage wing in December 2009 apart from new room additions and expected revival in business, we expect net sales to pick-up from H2FY10E. We expect hosting of Commonwealth Games 2010 to provide a further boost to demand for hotel rooms across various cities in India in FY11E. In our forecast period FY09-11E, we expect the company to register sales CAGR of 14.3% (i.e. 13.0% by volume, 1.1% by value) to Rs 3,508 crore.

Exhibit 10: Sales growth



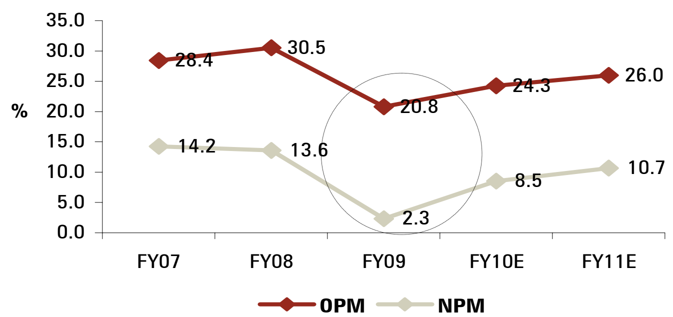
Source: Company, ICICIdirect.com Research

▪ Margins to improve from FY10E

Apart from improvement in sales, we also expect the company to adopt various cost control measures to cut down its other operating costs. As a result, we expect the operating margin to improve by 347 bps to 24.3% in FY10E and further by 173 bps to 26.0% in FY11E. We also expect an improvement in the net profit margin in FY10E to 8.5% and 10.4% in FY11E due to debt restructuring.

Company's margin declined sharply in FY09 due to following three major incidents. 1) Slowdown in global economy, 2) Closure of "The Pierre" in US for repairs, 3) Terror attack at its own property in Mumbai

Exhibit 11: Margin trends

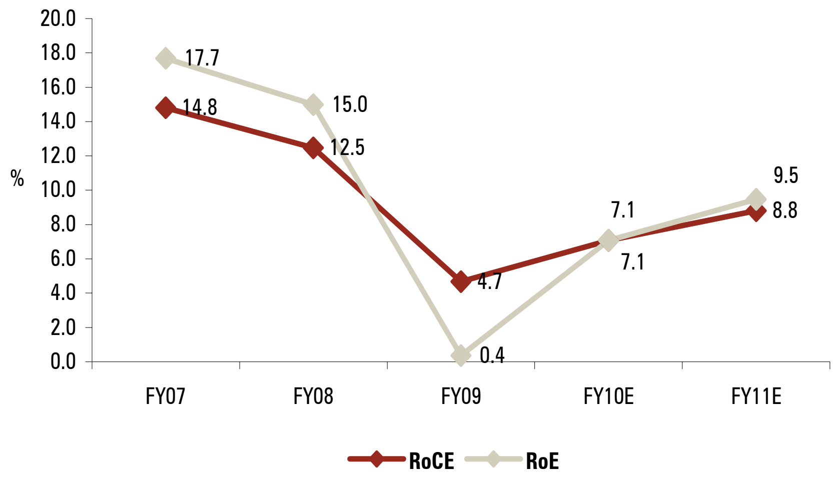


Source: Company, ICICIdirect.com Research

- **Return ratios to improve but at lower pace**

With an improvement in sales and operating margin, we expect returns ratios to improve from FY10E onwards but at a lower pace.

Exhibit 12: Returns ratios



Source: Company, ICICIdirect.com Research

Return ratios to improve from FY10E onwards but at a lower pace

This is due to the following reasons:

- **Equity dilution**

The company raised Rs 1,447 crore through rights issue of shares and NCDs (with detachable warrants) to fund its expansion plans, which resulted in equity dilution of over 20% in FY09. Since the hotel industry is a capital-intensive one, it would take a company around three to four years to start generating returns on the same.

- **OEH acquisition still remains earnings dilutive**

The company acquired an 11.5% stake in OEH for $247 million in 2007 (i.e. average cost of $51 per share) in order to form a strategic alliance to leverage global networks and build brand equity for both companies. IHCL funded this acquisition through offshore debt. However, due to the global financial meltdown, its market price fell sharply over 85% in the past one year. As a result, in May 2009 the company acquired another 2.25 million shares for $12.93 million, which reduced its average cost per share from $51 to $36. However, at a CMP of $7 per share, the company is still sitting on a notional loss of $210.2 million (i.e. ~Rs 1000 crore).

Exhibit 13: OEH's financial summary

(Million in $s)

Year to December 31	2008	2007	2006
Sales (Net)	550.7	578.4	479.4
% Growth	-4.8	20.7	13.8
Net Profit	-26.6	33.6	39.8
Dilluted EPS	-0.61	0.8	1.0

Source: US filing, ICICIdirect.com Research

- **Longer pay back period for Sea Rock acquisition**

The company recently announced the acquisition of an 85% stake in ELEL hotels, which holds a long-term sub-lease for the land on which the Sea Rock Hotel is located in Bandra, North Mumbai, for a consideration of Rs 680 crore. The deal values this hotel at Rs 800 crore. This works out to Rs 1.8 crore on a per-room basis. Considering its strategic location, its valuation seems justified at this price. However, the company would shell out another Rs 500 crore for its renovation. We expect this to take another three years to be complete. This, in turn, would not only increase Sea Rock's per room cost to ~Rs 3 crore but also would lead to an extended payback period, which makes this deal unattractive.

Exhibit 14: Value per room

Particulars	Rs.Crore
Amount invested for 85% stake	680
Value of Sea Rock	800
Amount to be invested further	500
(For repairs & renovation)	
Total	**1,300**
No of rooms	**440**
Value per room	**2.95**

Source: Company, ICICIdirect.com Research

Exhibit 15: Payback period

Particulars	Rs. Crore
Estimated revenue per room*	0.41
Estimated EBITDA per room*	0.16
Payback period	**Years**
At Revenue level	7
At EBITDA level	18
***Key Assumptions**	
Expected Room Rate per Day (Rs.)	15,000.00
Occupancy level (%)	75.0
No of days	365
EBITDA Margin (%)	40.0

Source: Company, ICICIdirect.com Research

Valuations

In the first half of FY10E, we may continue to see sluggish demand for hotel rooms, lead by a cut down in corporate travel budgets and outbreak of a swine flu. However, with the re-opening of US property “The Pierre” in August 2009, the Mumbai property “The Taj Mahal Palace”, heritage wing in December 2009 apart from new room additions, we expect net sales to pick-up from H2FY10E. We expect the hosting of Commonwealth Games 2010 to provide a further boost to demand for hotel rooms across various cities in India in FY11E.

We expect sales and earnings to grow at a CAGR of 14.3% and 150.9%, respectively, over FY09-11E. Volume expansion and moderate ARR growth in key markets will primarily drive this.

The stock is currently available at 11.6x and 9.1x EV/EBIDTA of FY10E and FY11E, respectively, while its global peers are trading at 11.9x and 11.2x their EV/EBITDA of FY10E and FY11E, respectively. Keeping in mind India’s continuing high growth trajectory and lesser rooms availability compared with other Asian countries, the stock commands a premium compared to its global peers. However, considering the strain on profitability of its international properties, high debt to equity and recent expensive buyouts, we are valuing the stock at a discount to its global peers i.e. 10.5x its FY11E EV/EBITDA to arrive at a target price of Rs 77 per share. We are initiating coverage with an **OUTPERFORMER** rating on the stock. Our DCF-based methodology also justifies this valuation.

Exhibit 16: Global hotel valuation comparables

Name	M Cap (US$)	EV/EBITDA*			P/E*			P/B*		
		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E
US**										
Marriott International	691.6	7.7	11.9	11.4	12.6	21.9	20.9	4.6	4.4	3.8
Starwood	368.6	6.8	9.6	9.5	9.5	25.0	27.4	1.8	2.0	1.9
Orient Express Hotels	53.4	10.2	16.6	15.7	8.8	224.1	115.8	0.3	0.6	0.6
Europe**										
Accor	432.8	5.5	6.7	6.6	10.3	17.1	16.8	1.7	1.8	1.7
Asia										
Shangri-La Asia**	417.8	12.7	14.6	12.7	16.8	24.9	21.9	1.0	1.0	1.0
Indian Hotels (IHCL)	87.1	15.1	11.6	9.1	342.6	16.5	11.2	1.3	1.2	1.1
Global Peer Average (Excl IHCL)		**8.6**	**11.9**	**11.2**	**11.6**	**17.8**	**21.8**	**1.9**	**2.0**	**1.8**

All figures are in crores except per share data
** As of July 13th 2009 , ** Year ending December 31.*

Source: Bloomberg, ICICIdirect.com Research

At the CMP of Rs 59, the stock is available at 1.1x its FY11E book value compared to its five-year average P/BV of 2.4x. This makes it even further attractive for long-term investments at current levels.

Exhibit 17: DCF-based valuation

Rs in Crore (except per share data)	
WACC	10.4%
Revenue CAGR over FY98-08	17.2%
Expected Revenue CAGR over FY09-18E	12.3%
Present Value of Cash Flow till FY19E	3,850.3
Terminal Growth	4.5%
Present Value of terminal cash flow	6,584.0
Total present value of the firm	10,434.3
Less: Current Debt	4,646.9
Total present value of the Equity (excluding current cash)	5,787.4
Number of Equity Shares outstanding	72.3
DCF - Target price (Rs)	80.00

Source: Company, ICICIdirect.com Research

Profit & Loss

Rs Crore	FY06	FY07	FY08	FY09	FY10E	FY11E
Net Sales	1837.3	2506.3	2920.0	2686.4	2958.5	3508.1
Other Income	37.4	94.9	92.6	70.5	74.0	77.7
Total Expenditure	1338.5	1794.1	2028.0	2128.0	2240.9	2596.4
Operating Profit	498.8	712.2	892.0	558.3	717.6	911.7
Interest	104.4	122.2	202.3	230.5	224.2	223.9
Depreciation	127.4	160.7	167.6	188.3	200.6	240.9
Profit Befor Tax	314.1	532.6	614.7	210.1	366.7	524.6
Tax	90.4	196.5	247.0	155.8	127.6	182.6
Net Profit	223.7	336.0	367.7	54.3	239.1	342.0
Share of Profit in Asso	39.5	54.4	64.2	25.5	39.7	69.5
Minority Interest	14.4	20.1	22.7	15.8	20.5	29.3
Adjusted Net Profit	248.7	370.3	409.1	64.0	258.3	382.2
Extra ordinary Item	0.0	0.0	54.2	51.6	0.0	0.0
NP after extra ordinary	248.7	370.3	355.0	12.5	258.3	382.2
Operating Margin (%)	27.2	28.4	30.5	20.8	24.3	26.0
Net Profit Margin (%)	13.3	14.2	13.6	2.3	8.5	10.7
Outstanding Shares (In	5.7	58.7	60.3	72.3	72.3	72.3
Adjusted EPS (Rs)	4.4	6.3	5.9	0.2	3.6	5.3
Diluted EPS (Rs.)	3.4	5.1	4.9	0.2	3.6	5.3

Balancesheet

Rs Crore	FY06	FY07	FY08	FY09	FY10E	FY11E
Equity Share Capital	58.4	60.3	60.3	72.3	72.3	72.3
Share Application Mor	0.0	0.0	20.0	0.0	0.0	0.0
Preference Share Capi	0.0	0.0	0.0	120.0	120.0	120.0
Reserves & Surplus	1873.7	2036.8	2188.8	3207.1	3465.3	3847.5
Loan Funds	1501.0	2055.1	3466.8	4646.9	4396.9	4146.9
Long Term Deposits	33.4	15.3	23.6	23.8	23.8	23.8
Minority Interest	239.9	275.8	282.0	274.1	294.7	323.9
Deferred Tax Liability	71.9	146.6	148.5	160.5	211.6	285.1
Total Liabilities	**3778.3**	**4590.0**	**6190.1**	**8504.7**	**8584.6**	**8819.5**
Fixed Assets	2458.8	3556.6	3949.5	4815.4	5676.2	6526.3
Investments	581.9	514.3	1541.9	2407.7	1907.7	1407.7
Other Long Term Asse	446.6	463.8	462.7	518.7	518.7	518.7
FCNR Account	0.0	0.0	0.0	11.6	5.8	0.0
Net Current Assets	280.4	42.5	226.7	743.7	468.5	359.1
Misc. Expense not w/	10.5	12.7	9.2	7.6	7.6	7.6
Total Assets	**3778.3**	**4590.0**	**6190.1**	**8504.7**	**8584.6**	**8819.5**

Cash Flow

Rs Crore	FY06	FY07	FY08	FY09E	FY10E	FY11E
Opening Cash	471.4	389.9	177.2	357.6	688.8	331.0
Profit After Tax	223.7	336.5	313.6	2.7	239.1	342.0
Depreciation	127.4	160.7	167.6	188.3	200.6	240.9
Dividend Paid & Others	0.0	0.0	116.5	134.0	0.0	0.0
Cash Profit	351.1	497.2	364.6	57.0	439.8	583.0
Changes in WC	88.6	249.3	-123.4	225.2	118.3	118.3
Cash Flow after chang	439.6	746.5	241.2	282.3	558.1	701.3
Cash Flow from investi	-267.4	-1097.8	-1591.8	-1975.8	-561.4	-696.0
Cash Flow from financ	-253.8	138.6	1531.0	2024.7	-250.0	-250.0
Net Cash inflow for the	-81.6	-212.7	180.5	331.2	-253.4	-244.7
Closing Cash	389.9	177.2	357.6	688.8	331.0	120.5

Ratio Analysis

	FY06	FY07	FY08	FY09	FY10E	FY11E
Adjusted EPS	0.4	6.3	5.9	0.2	3.6	5.3
Diluted EPS (Rs.)	0.3	5.1	4.9	0.2	3.6	5.3
Cash EPS (Rs.)	6.6	9.1	8.7	2.8	6.3	8.6
Book Value (Rs.)	34.1	35.7	39.3	47.0	50.6	55.8
Operating Margin(%)	27.2	28.4	30.5	20.8	24.3	26.0
Net Profit Margin(%)	13.5	14.8	11.8	0.5	8.5	10.7
RoNW(%)	12.9	17.7	15.0	0.4	7.1	9.5
RoCE(%)	11.4	14.8	12.5	4.7	7.1	8.8
Debt / Equity	0.8	1.0	1.5	1.4	1.2	1.0
Fixed Asset Turnover F	0.7	0.7	0.7	0.5	0.5	0.5
Enterprise Value (Rs. C	9163.9	10501.9	9952.1	8421.4	8334.1	8294.5
EV/EBITDA	18.4	14.7	11.2	15.1	11.6	9.1
Sales to Equity	32.4	42.7	48.4	37.1	40.9	48.5
Market Capitalisation (	8052.8	8623.9	6742.9	4268.2	4268.2	4268.2
Market Cap to Sales	4.4	3.4	2.3	1.6	1.4	1.2
Price to Book Value	4.2	4.1	2.8	1.3	1.2	1.1

Key assumption sheet

Exhibit 18: Key assumptions

Expected room additions	FY08	FY09	FY10E	FY11E
Owned	3,434	3,633	4,144	4,787
Group Companies	4,356	4,587	5,024	5,279
Ginger	1,097	1,709	2,177	2,627
Management contracts	1,404	1,617	2,012	2,424
Total	**10,291**	**11,546**	**13,357**	**15,117**

Expected ARRs of key cities	FY08	FY09	FY10E	FY11E
South Mumbai	12,774.0	12,474.0	11,527.2	12,100.0
North Mumbai	11,950.0	11,535.0	11,400.0	11,600.0
Delhi	12,572.0	12,236.0	11,910.7	12,550.0
Bangalore	12,023.0	11,506.0	11,550.0	11,700.0
Chennai	8,229.0	8,507.0	8,100.0	8,400.0
Hyderabad	7,655.0	6,754.0	6,900.0	6,700.0
Kolkata	7,341.0	7,585.0	7,425.0	7,500.0
Goa	7,558.0	7,553.0	7,250.0	7,350.0
Average ARRs	**10,012.8**	**9,768.8**	**9,507.9**	**9,737.5**

Expected occupancy levels of key cities	FY08	FY09	FY10E	FY11E
South Mumbai	68.0	59.0	60.0	68.0
North Mumbai	76.0	65.0	66.0	67.0
Delhi	73.0	62.0	60.0	70.0
Bangalore	70.0	59.0	55.0	57.0
Chennai	71.0	65.0	62.0	61.0
Hyderabad	69.0	59.0	59.0	59.0
Kolkata	75.0	69.0	65.0	68.0
Goa	71.0	60.0	57.0	59.0
Average Occupancy	**71.6**	**62.3**	**60.5**	**63.6**

Source: ICICIdirect.com Research

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicidirect.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
7th Floor, Akruti Centre Point,
MIDC Main Road, Marol Naka,
Andheri (E)
Mumbai – 400 020

research@icicidirect.com

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