

RESULT UPDATE

MID CAP

Share Data

Reuters code	IHTL.BO
Bloomberg code	IH IN
Market cap. (US\$ mn)	1,119
6M avg. daily turnover (US\$ mn)	4.5
Issued shares (mn)	723
Target price (Rs)	47

Performance (%)	1M	3M	12M
Absolute	(6)	5	59
Relative	1	2	(10)

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs.)	0.6	2.6
+/- (%)	166.5	304.6
PER (x)	114.6	28.3
PBV (x)	1.6	1.5
Dividend/Yield (%)	2.1	2.5
EV/Sales (x)	3.5	2.9
EV/EBITDA (x)	20.4	13.5

Major shareholders (%)

Promoters	30
FII's	14
MF's	4
BFSI's	22
Public & Others	30

Financial highlights

(Rs. mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY08	FY09	YoY (%)	FY10E	YoY (%)	FY11E	YoY (%)
Net Sales	3,678	3,072	(16.5)	7,447	5,921	(20.5)	29,200	26,861	(8.0)	26,162	(2.6)	31,942	22.1
EBITDA	899	511	(43.2)	2,066	856	(58.6)	8,920	5,118	(42.6)	4,530	(11.5)	6,856	51.3
EBITDA Margin (%)	24.4	16.6	-	27.7	14.5	-	30.5	19.1	-	17.3	-	21.5	-
Other Income	316	225	(28.8)	527	316	(40.0)	926	705	(23.9)	773	9.7	896	15.9
Interest	(225)	(378)	68.1	(460)	(754)	64.1	(2,023)	(2,305)	13.9	(2,657)	15.3	(2,882)	8.5
Depreciation	(226)	(252)	11.4	(429)	(503)	17.2	(1,676)	(1,885)	12.5	(1,929)	2.3	(1,985)	2.9
PBT	764	105	(86.2)	1,704	(85)	(105.0)	6,147	1,633	(73.4)	718	(56.0)	2,886	302.1
(before extraordinary)													
Extraordinary income (94)		82	(187.3)	(154)	515	(434.3)	(542)	(48)	(91.2)	-	-	-	-
PBT	670	187	(72.0)	1,550	430	(72.3)	5,605	1,585	(71.7)	718	(54.7)	2,886	302.1
Tax	(163)	(69)	(57.9)	(431)	(69)	(84.1)	(2,426)	(1,520)	(37.4)	(269)	(82.3)	(1,082)	302.1
Reported PAT	507	119	(76.6)	1,119	283	(74.7)	3,179	65	(97.9)	449	585.8	1,803	302.1
Adj. PAT	601	37	(93.9)	1,273	(232)	(118.2)	4,135	210	(94.9)	459	118.3	1,857	304.6
(After extraordinary)													
EPS (Rs.)	0.8	0.1	(93.9)	1.8	(0.3)	-	6.9	0.3	(95.8)	0.6	118.3	2.6	304.6

Indian Hotels

Maintain Underperformer

Price: Rs 73

BSE Index: 15,896

03 November 2009

2QFY10 Result – Valuations still at a premium

Indian Hotels' (IHCL) results were marginally above expectations with a 17% decline in revenues at Rs 3.07 bn and adjusted PAT at Rs 37 mn. Revenues included Rs 213 mn towards insurance claims for business interruption from terrorist attacks, excluding which revenues declined by 22% and the company reported an adjusted loss of Rs 175 mn.

Occupancies during the quarter have improved to 60% (from 52% in 1QFY10) resulting in a 7% sequential improvement in RevPAR's. Though room rents continue to remain low, with the onset of peak season, company has seen a significant improvement in occupancies across most cities. The opening of Pierre in New York and the Taj Mahal in Mumbai is further expected to improve overall performance from 2HFY10E. To factor in the weak 1HFY10 performance our estimates stand revised downwards by 74% for FY10E and 27% for FY11E. Though the domestic demand scenario is likely to improve in the future, valuations at 28x revised FY11E estimates look too rich. We hence maintain our Underperformer rating on the stock with a target price of Rs 47.

Highlights

- For the quarter ARR's declined by 23% to Rs 7453 while occupancies were down from 64% to 60%. Though RevPAR's were down by 28% YoY, they improved by 7% from 1QFY10 levels resulting from higher occupancies of 60% in 2Q against 52% in 1Q.
- With the opening of Vivanta in Bangalore and the expansion of Taj Lands End the company has added 325 rooms to its standalone room inventory in the first half.
- Despite a higher room inventory staff costs declined by 5% due to various measures including redeploying existing staff to new properties, cut in variable payments etc.

- With the completion of Falaknuma Palace (60 rooms) in Feb 2010 and expansion in Fishermans Cove in Dec 09, IHCL will be adding another 120 rooms to its standalone room inventory. Taj Palace Cape Town with 172 rooms is expected by Dec 09.
- IHCL has management contracts with 2200 rooms in pipeline for its Vivanta and Gateway brands and another 2000 rooms for its Taj brand.
- The Sea Rock acquisition has been completed and IHCL enjoys a FSI of 5.5 for the project.
- Its consolidated net debt position currently stands at Rs 45 bn.
- Exceptional items for the quarter include profit booked on sale of hotel project of Rs 68.2 mn and refund of annuity pension premium of Rs 19 mn.

Revised Estimates

(Rs mn)	Old		Revised		Change %	
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Net Sales	28,836	33,268	26,162	31,942	(9.3)	(4.0)
EBITDA	6,491	7,975	4,530	6,856	(30.2)	(14.0)
EBITDA margin %	22.5	24.0	17.3	21.5	(23.0)	(10.6)
Adjusted PAT	1,773	2,546	459	1,857	(74.1)	(27.1)
EPS (Rs)	2.5	3.5	0.6	2.6	(74.6)	(26.7)

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net sales	29,200	26,861	26,162	31,942
Growth (%)	16.5	(8.0)	(2.6)	22.1
Operating expenses	(20,280)	(21,744)	(21,632)	(25,085)
Operating profit	8,920	5,118	4,530	6,856
EBITDA	8,920	5,118	4,530	6,856
Growth (%)	23.8	(42.6)	(11.5)	51.3
Depreciation	(1,676)	(1,885)	(1,929)	(1,985)
Other income	926	705	773	896
EBIT	8,170	3,937	3,375	5,767
Interest paid	(2,023)	(2,305)	(2,657)	(2,882)
Pre-tax profit	6,147	1,633	718	2,886
(before non-recurring)				
Non-recurring items	(542)	(48)	0	0
Pre-tax profit	5,605	1,585	718	2,886
(after non-recurring)				
Tax (current + deferred)	(2,426)	(1,520)	(269)	(1,082)
Net profit (before Minority Interest, Pref. Dividend etc.)	3,179	65	449	1,803
Prior period adjustments	(44)	(38)	0	0
Minority interests	414	97	10	53
Reported PAT	3,550	125	459	1,857
Adjusted net profit	4,091	172	459	1,857
Growth (%)	10.5	(95.8)	166.5	304.6

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Cash & Marketable securities	2,602	6,786	1,756	2,698
Other current assets	6,274	11,284	12,985	13,325
Investments	17,050	21,569	22,266	22,648
Net fixed assets	42,466	51,767	56,969	56,834
Other non-current assets	4	4	4	4
Total assets	68,397	91,410	93,980	95,509
Current liabilities	6,584	7,570	8,026	9,183
Total debt	34,905	46,707	50,678	50,678
Other non-current liabilities	1,489	1,605	1,605	1,605
Total liabilities	42,977	55,882	60,309	61,466
Share capital	603	723	723	723
Reserves & surplus	22,088	32,139	30,245	30,578
Less: Misc. expenditure	(92)	(76)	(38)	0
Shareholders' funds	22,599	32,786	30,930	31,302
Minorities interests	2,820	2,741	2,741	2,741
Total equity & liabilities	68,397	91,410	93,980	95,509
Capital employed	61,813	83,839	85,954	86,325

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	5,605	1,585	718	2,886
Depreciation	1,676	1,885	1,929	1,985
Change in working capital	(1,235)	(3,707)	(1,500)	563
Total tax paid	(2,380)	(1,395)	(269)	(1,082)
Cash flow from oper. (a)	3,666	(1,631)	877	4,352
Capital expenditure	(4,808)	(11,021)	(7,130)	(1,850)
Change in investments	(10,442)	(8,750)	3,303	(382)
Others	(632)	(150)	38	38
Cash flow from inv. (b)	(15,881)	(19,921)	(3,789)	(2,194)
Free cash flow (a+b)	(12,215)	(21,552)	(2,911)	2,158
Equity raised/(repaid)	193	9,360	(1,200)	0
Debt raised/(repaid)	14,201	11,802	3,971	0
Dividend (incl. tax)	(1,129)	(1,340)	(1,016)	(1,270)
Others	(245)	1,683	127	53
Cash flow from fin. (c)	13,020	21,505	1,882	(1,216)
Net change in cash (a+b+c)	805	(48)	(1,029)	942

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs)	6.8	0.2	0.6	2.6
Growth	10.5	(96.5)	166.5	304.6
Book NAV/share (Rs)	42.2	49.1	46.5	47.1
Dividend/share (Rs)	1.9	1.2	1.5	1.8
Dividend payout ratio	32.8	589.8	276.6	82.0
Tax	43.3	95.9	37.5	37.5
EBITDA margin	30.5	19.1	17.3	21.5
EBIT margin	28.0	14.7	12.9	18.1
RoCE	15.2	5.4	4.0	6.7
Net debt/Equity	127.1	112.4	145.3	140.9

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	10.7	305.4	114.6	28.3
PCE	7.6	25.6	22.0	13.7
Price/Book	1.7	1.5	1.6	1.5
Yield (%)	2.6	1.7	2.1	2.5
EV/Net sales	3.2	3.4	3.5	2.9
EV/EBITDA	10.4	18.1	20.4	13.5

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	14.0	0.6	1.8	5.8
Asset turnover	0.5	0.3	0.3	0.3
Leverage factor	2.5	2.6	2.7	2.8
Return on equity (%)	16.7	0.6	1.3	5.5

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