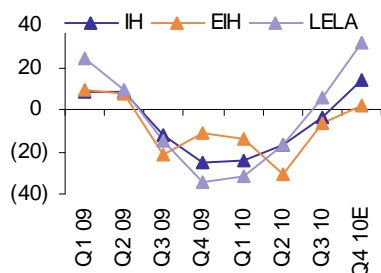


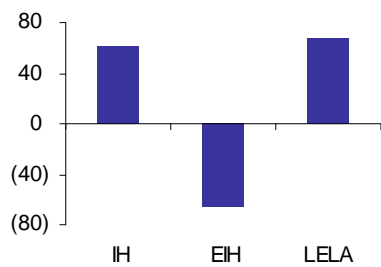
## Hotels – Q4 FY10

### Trend in revenue growth (% yoy)



Source: India Infoline Research

### 1-yr performance vs. Sensex (%)



Source: India Infoline Research

Hospitality industry is set to report improved sequential performance as occupancies inch up at least 300-400bps across major cities. Average Room Rates (ARRs), however, still remain under pressure yoy. Indian Hotels and Hotel Leela could witness 14-31% yoy gain in revenues primarily led by higher occupancies. On a qoq basis, the addition of the 436-keys 'Trident' hotel at BKC, Mumbai in Dec' 09 would help EIH post ~30% jump in Q4 revenues. EBIDTA margins should also recover up to 274bps qoq for the coverage stocks while EIH would lead the PAT growth with >100% qoq jump in net profit.

The recovery in occupancies has so far not translated in to robust growth for ARR's across business and leisure destinations. Retain SELL on Indian Hotels and EIH and MP on Hotel Leela.

- ⊕ Tourist arrivals in the country jumped 16.4% and 9.9% in Jan and Feb 2010 respectively
- ⊕ Q4 occupancies across major cities has likely improved at least 300-400bps on qoq basis as domestic travel market rebounds from troughs reached in H2 FY09
- ⊕ EIH would post a ~30% qoq jump in revenues upon addition of the 436-room 'Trident' property in BKC, Mumbai. In our view, Indian Hotels and Hotel Leela sequential revenue increase of 8.9% and 4.9% is largely driven by higher occupancies.
- ⊕ EBIDTA margins for the coverage universe are expected to recover qoq led by 274bps improvement in operating margin at EIH. The company should also report >100% qoq surge in net profits. However, ARR's still remain under pressure yoy leading to a 29-46% fall in net profit for EIH and Hotel Leela

### Q4 FY10 Estimates

(Rs m)	Revenues	(% ) growth		OPM (%)	Change (bps)		PAT*	(% ) growth	
		yoy	qoq		yoy	qoq		yoy	qoq
Indian Hotels	4,767	14.0	8.9	35.0	715	48	810	112.0	24.8
EIH	3,092	2.2	29.8	35.5	(1,178)	274	479	(29.4)	114.8
Hotel Leela	1,340	31.4	4.9	41.5	2,796	148	362	(46.0)	25.3

Source: Companies, India Infoline Research; \*Pre-exceptional PAT

**Recommendation parameters for fundamental reports:**

**Buy** – Absolute return of over +10%

**Market Performer** – Absolute return between -10% to +10%

**Sell** – Absolute return below -10%

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