INDIAN HOTELS INDUSTRY

Consumer confidence low; revival contingent on global environment

QUARTERLY REVIEW | March 2012

ICRA RATING FEATURE

- ICRA expects the Indian Hotels industry to finish 2011-12 on a weaker note with subdued pricing power eroding margins. Although some revival in operational metrics was witnessed during late 2010-11, the industry continued to lack the pricing power to drive out of its current stagnancy.
- Globally weak macroeconomic scenario, the European sovereign debt crisis, geo-political turmoil in the Arab countries, high interest rates, inflation and a muted domestic corporate performance during the current fiscal (year to March 31, 2012) have sapped the industry's ability to sustain inflation adjusted Average Room Realizations (ARRs).
- Muted ARRs and high costs have led to one of the weakest nine month (9M) periods (April-December-11) in over five years.
- With uncertainty continuing to cloud the near term, wavering business/consumer confidence and a sluggish economy, there is no significant trigger for the industry during the next two-three quarters. While the start of the next season (in Q3, 2012-13) may bring some relief to the industry in some specific markets, we expect real traction to return to the industry only by 2013-14; overall, we expect this to be a slow and long slog to recovery.
- We expect ARR growth during the current fiscal to be limited to around 5%, followed by around 5-8% during 2012-13. In the current inflationary environment, RevPAR growth of around 6-7% is required to maintain profitability levels.
- All the same, we remain optimistic on the long term growth story for the Indian hospitality industry. The improving demographics, rising affluence and the current under penetration throw up significant growth opportunities for the hospitality sector. This is further reinforced by the India-centric growth strategy several global hotel majors are following.

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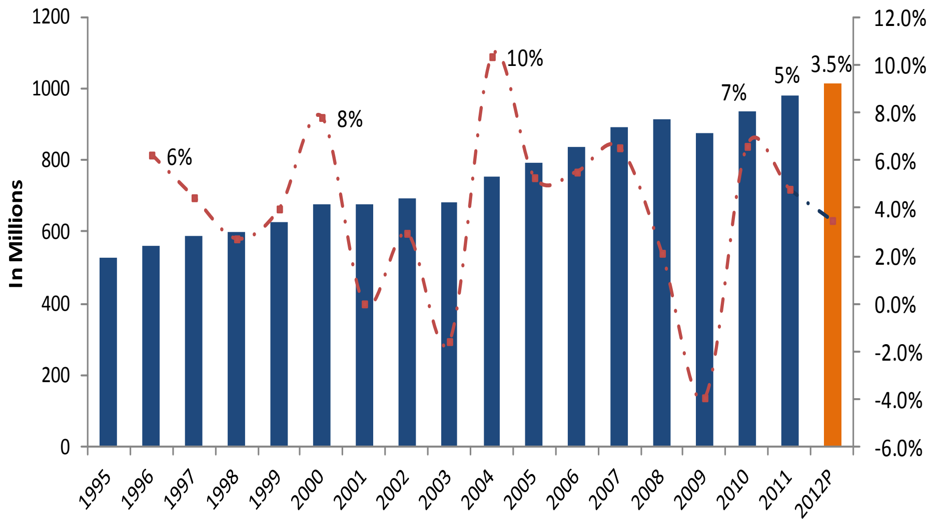
An uneasy calm prevails in the global markets; consumer confidence low

Over the past few quarters, the global economy has been affected by various natural, social and economic headwinds; the earthquake in Japan during March-2011, the floods in Thailand during October-2011 or the civil unrest in the Arab countries and most importantly the ongoing economic crisis in the EU. Despite these upheavals, foreign tourist arrivals (FTA) to India grew by 8.8% to 62.9 lakh tourists while international tourist arrivals grew by 4.4% to 980 million travellers during CY2011 (Calendar year - Period ending December-11). The pace was however significantly slower than the 11.8% (FTA) and 7.0% (international travellers) of the previous year. Growth in arrivals to Africa and the Middle East was weak while arrivals to Europe, Asia, the Pacific and Americas led the international traveller growth during CY2011. With strengthening regional business ties, South and South-East of Asia witnessed strong intra-regional demand during the period.

As is the case with industries that depend on discretionary spending, the performance of the hotels industry is intrinsically knit with the economic growth. However, we have in the past witnessed periods of decoupling between the hotels industry and GDP growth; particularly during periods of recession and the early phases of recovery. During the economic down cycle, the faster pace of deceleration in the hotels industry, as witnessed during 2009, can take the industry to deep troughs. While the climb during the initial phases of recovery is faster than the economic revival, a strong underlying economy is a perquisite for a sustained recovery.

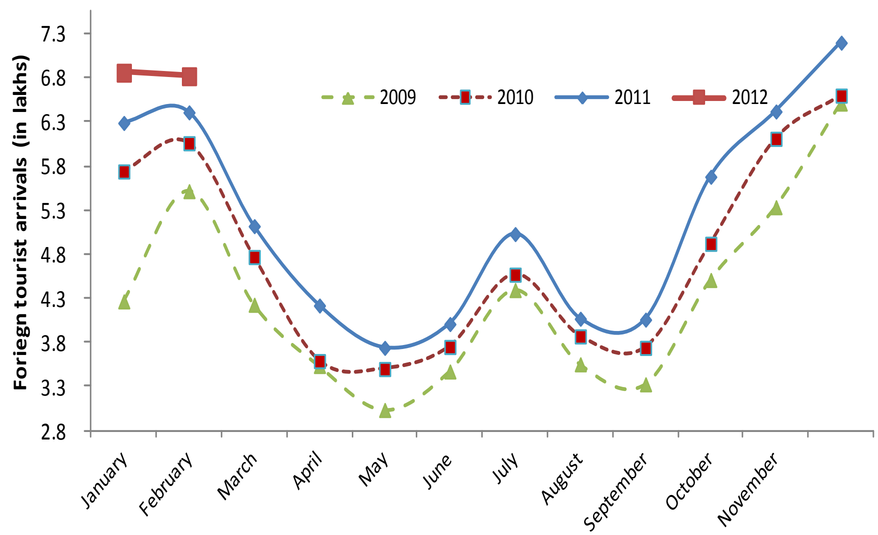
The lodging industry outlook for CY2012 is clouded by the European debt crisis and uncertain economic outlook. Global consumer sentiment is currently wavering with many in a cash-conservation and wait-and-watch mode. Discretionary corporate spend has been pared down and cost cutting efforts have been stepped up in view of weak corporate results. UNWTO has projected a slower rate of 3-4% growth for travellers during CY2012.

Chart 1: International Tourist Arrivals and growth rate



Source: UNWTO and ICRA Estimates

Chart 2: Foreign Tourist Arrivals into India



Source: Ministry of Tourism , Government of India, and ICRA Estimates

Domestic demand continues to be relatively healthier; Visa on Arrival (VoA) eases travel to India

As witnessed during the previous fiscal, domestic travel continued to support demand across the Indian sub-continent during the current fiscal also. With a weaker rupee undermining pricing power in the Indian subcontinents, cost of outbound travel has increased by over 12% during the past twelve months alone. This would have supported intra-regional travel to an extent. Additionally, this is expected to have driven higher inbound traffic into the country. Despite incremental room inventory in several markets, occupancies sustained at previous year levels during YTD December-11 for some markets, while certain heavily supplied markets like the National capital Region (NCR) witnessed a 5-10% decline in occupancy.

Certain measures like the VoA scheme by the GoI has a long term positive impact on drawing travellers. At present , India has extended the VoA facility to nationals of 13 countries including Finland, Japan, Luxembourg, new Zealand and Asian countries of Singapore, Cambodia, Indonesia, Vietnam, the Philippines, Laos and Myanmar. Contemplation on adding over 14 new countries including Malaysia, Thailand, Brunei, Spain, France, Germany, Sweden, Russia, Ukraine, Kazakhstan, Brazil and South Africa to this scheme is also underway. Since this facility was introduced in January 2010 (and the list expanded in January 2011), over 6,500 VoA's have been issued in 2010 and over 12,000 VoA's in 2011. This has facilitated easy travel and planning at short notices for tourists.

Table 1: Supply pipeline in key cities in India (Premium segment)

	Current estimated supply	Addition expected by 2015-16
Mumbai	~10,400	~4,000
NCR	~14,000	Over ~5,000
Bangalore	~4,900	~3,700
Pune	~3,700	~1,000
Chennai	~3,100	~3,300
Hyderabad	~3,800	~2,500
Goa	~4,000	~500
Kolkata	~1,700	~3,000

Source: ICRA Estimates

Supply pipeline continues to be strong

Supply creates its own demand in the hotel industry. The presence of a large meeting area with the ability to house (through neighbouring hotels) long-stay convention guests would have to be in place before any large conventions are drawn to the city. However, initial periods of any major supply additions can create significant demand supply imbalance. During the peak of the last hotel cycle in 2008, India had an extremely large pipeline inventory. Over the past three years a number of these projects have materialised with particularly heavy supply being added in Pune, the National Capital region (NCR), Bangalore and Hyderabad. The NCR, Hyderabad, Kolkata and Chennai, in particular still continue to have a large pipeline inventory which based on current estimates of commissioning schedule over the next four years, is likely to impact occupancies and ARRs. Apart from these plans there are announcement by several global hotel majors like Marriott, Accor, Best Western and Carlson to significantly increase their portfolio of hotels by 2015/16. While we believe some of these announcements only reflects the broad intent and may undergo significant changes before actually being finalized, on an overall basis, India is likely to see significant additions of international brands over the next four to five years.

Occupancies lag while ARRs lack conviction

Charts 2 and 3 below*,* map the monthly ARR and occupancy trends for India over the past four years. After witnessing a recovery for eight months (between September'10-May'11), country wide blended occupancies have been marginally declining (on a y-o-y basis) for the past several months. ARRs also have been largely subdued at previous year levels. On inflation adjusted basis Revenue-per-available-room (RevPARs) are likely to be ~3-5% lower in 2011-12 as compared to the previous year. Further, the weak global economic scenario has constrained hotel majors from pushing through rate hikes in the coming season.

Chart 3: Monthly ARR Trends in Indian Premium Hotels

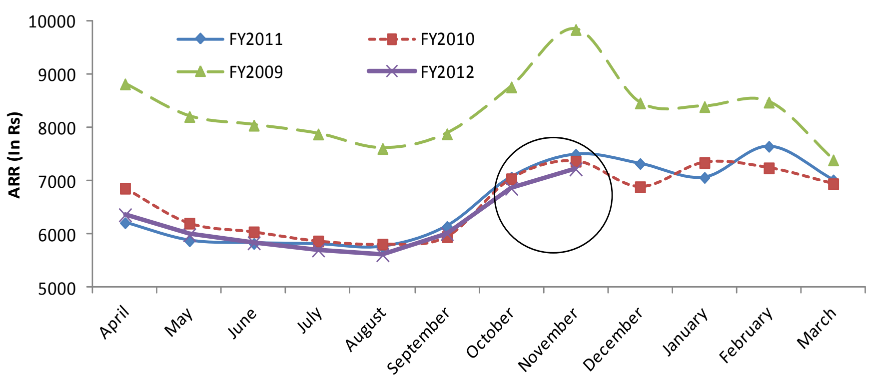
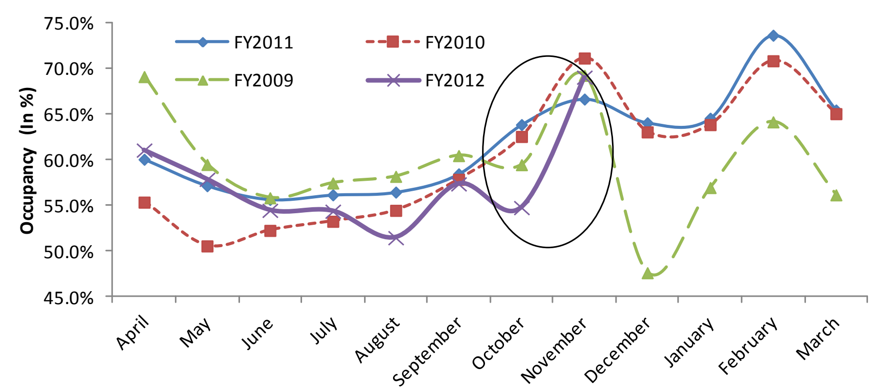


Chart 4: Monthly Occupancy Trends in Indian Premium Hotels



Source: Smith Travel Research and ICRA Estimates

Our market survey indicates that transient demand has made a stronger rebound than group demand. Hotels are pushing for more and more low hanging group contracts like crew traffic which assures minimum rooms per day (RPD), albeit at discounted tariffs (almost as high as 50%), and allows hotels to proactively manage rates. Best-available-rates (BAR) are the norm of the day. The booking window- a leading indicator of recovery, has not seen any material improvement during the past two quarters.

Large Global brands remain committed to India

With 740 million domestic travellers (in 2011) and over 6.3 million FTAs, India, after China, is considered one of the most lucrative hotel markets in the world and has the second largest construction pipeline in Asia. Growing affluence and the increasing role India is expected to play in the global economy are likely to drive both leisure and business travel in the coming years. For most global hotel majors a significant part of their hotel pipeline is centred on faster growing developing markets like India. India has an estimated 1, 70,000 hotel rooms of which around 60,000 are branded. Even with the expected addition of another 60,000 hotel rooms (across segments) over the next three to five years, the industry is expected to fall short of meeting the long term demands of an economy growing at 7-9% p.a.

India has often been cited as one of the most lucrative albeit difficult markets to develop properties in. Bureaucratic red tape, corruption, multiple licenses, complex approval procedures, exorbitant land cost, all of which leads to a long development cycle of 3-5 years adds to the cost. The average development cycle for India in the premium segment is around 0.5-1 year longer than for the general Asia pacific region[1]. Despite which, India houses all the big hotel groups (top ten hotel majors listed in the table below) in the world under multiple brands/prices. Of the top twenty global brands (in terms of number of hotels), around 18 brands are already present in India.

For a global hotel major, a local developer with hands on experience in navigating the Indian real estate market is a positive. For bulk of the development international hotel majors are banking on a seasoned local developer with whom they have developed properties in the past. IHG however recently took a 24% stake (around 30 million USD) in Duet India Hotels Group to build 19 Holiday Inn Express hotels over the next five years. Carlson bought out its long term local development partner RHW Hotel Service while the Choice group proposes to consolidate its position in India by buying out its Indian development JV partners. From the perspective of the Indian property owner/developer, particularly with a number of first time hotel developers entering the market, the association with a strong management partner from the planning stages is imperative. A brand tie up in the early planning stages provides clear cut plans for construction, room specifications, floor plans, dining facility and a globally appealing décor. Further, for an inexperienced developer, the presence of a reputed management partner provides experience and a global distribution reach. The hotel, being part of a global brand, provides an international traveller an expectation yard stick with which to judge rooms prior to booking them. Some of the recent announcements by global hotel majors for their proposed expansion plans in India are captured in the table below.

Table 2: Expansion plans for global hotel majors in India

	Brands present in India	Existing hotels	Planned hotels (Est.)	By	Some of the development partners for India	Expansion Category	New brands being launched in India
InterContinental Hotels Group	Holiday Inn Hotels & Resorts, Crowne Plaza, Intercontinental	12	~150	2020	Deut Hotels (with equity infusion), Nama Hotels	Mid market	Holiday Inn express
Wyndham Hotels	Ramada, Days Inn, Dream	14	~60-70	2017	Chatwal group, non-exclusive	Mid	Howard Johnson

[1] Cushman and Wakefield

	Brands present in India	Existing hotels	Planned hotels (Est.)	By	Some of the development partners for India	Expansion Category	New brands being launched in India
Group					development agreement with Unique Mercantile India Private Limited	market	
Marriott International	Courtyard, Renaissance, JW Marriott, Marriott, Marriott Hotels and Convention Centre, Marriott resort & Spa, Marriott executive apartments	18	~80-100	2015	SAMHI Hotels Private Limited-a hotel and investment company	Across segments	Fairfield, Ritz
Hilton Worldwide	Hilton Hotels & Resorts, Hilton Garden Inn, Double Tree by Hilton, Hampton by Hilton	8	~50-60	2016	Eros Resorts & Hotels	Luxury/ premium and mid market	Hilton's full-service brands-Hilton and Double Tree, as well as its mid-market, focused-service Hilton Garden Inn and Hampton. The company also plans to introduce its luxury Conrad and Waldorf Astoria brands
Accor Group	Ibis, Mercure and Novotel	13	~90-100	2015	Exclusive agreement with Interglobe Enterprises Limited (with equity infusion) for Ibis properties. Formule 1 properties to be owned by Accor. Non exclusive agreements with Shree Naman developers and Brigade group	Luxury, mid scale and budget	Formule 1, Sofitel and Pullman
Choice Hotels International	Quality, Comfort, Clarion	27	~100	Next 5-7 yrs	Royal Indian Raj International Corporation (RIRIC)	Mid market	Sleep Inn, Cambria Suites, Econo Lodge
Best Western international	Best Western, Best Western Plus	34	~66	2017	-	3/ 4 and 5 star	Best Premier
Starwood Hotels	ITC luxury Collections, Le Meridian, Westin, Four Points by Sheraton, Sheraton Hotels & Resorts, Aloft	33	~50-60	2015	Non-Exclusive Master Agreement with D.I.H (Cyprus) Limited (an affiliate of Duet India Hotels Ltd.) and JHM Interstate Hotels India Pvt. Ltd, Jaguar Buildcon Private Limited	Across segments	St. Regis, W
Carlson group	Radisson Blu, Country Inn & Suites, Park Inn, Park Plaza	46	100 hotels (20% of the group's contracted pipeline)	2015	Country Development and Management Services (CDMS), a joint venture between Carlson and Chanakya Hotels; Real estate firm Pioneer Urban Land and Infrastructure	Mid market and premium	Regent
Hyatt Hotels Corporation	Hyatt Regency, Grand Hyatt, Park Hyatt	8	~50	-	-	Premium	Hyatt Place, Hyatt House (extended stay)

Source: Industry and ICRA Estimates

With India's burgeoning middle class, a pickup in demand from the domestic traveller, one would rightly expect significant supply targeted at the mid market or economy segment. While over 50% of the incremental supply (of ~60,000 rooms) is coming under midmarket brands such as Aloft, Holiday Inns, Quality Inns, Ramada, among others, another niche segment which is emerging is the super luxury property. St. Regis from Starwood, an uber-luxury product is set to be launched in Noida (the NCR) by 2015. Other hoteliers in the pipeline include Manderin Oriental, Lebua, MGM and Jumeriah. Commanding tariffs well in excess of 1,000 USD, these properties provide highly customized service, with personalised butlers/chefs, luxury transportation and individual food and consumable (bed linen/toiletries) preferences.

Under construction properties face cost overrun and liquidity constraints

During the past few quarters, several under construction hotel projects, particularly from first time developers have run into time and cost overruns. With interest rates at least 300-400 bps higher than during the planning phase and significantly higher construction costs, several developers have suffered from a liquidity crisis. With project delays eating into the moratorium period, several loans have come up for restructuring and refinancing. With the relatively muted outlook for the industry over the next few quarters, lending appetite has contracted significantly. ICRA's portfolio of underdevelopment hotels has seen significant downgrades during the current fiscal owing to liquidity constraints. While over the past 2-3 years, there has been a trend towards long tenure borrowings (around 10 years) with sufficient moratorium (about two-three years post Commercial Operation Date (COD)), the need of the hour appears to be longer tenure step-up loans with extended moratorium.

Quarterly trends show revenues improving but operating profits continue to be pared by higher customer servicing costs and heavy interest burden

The hotels industry is characterised by seasonality, with the industry peaking during the second half of the fiscal. An analysis of the quarterly results of major listed hospitality companies in the country reveals that barring Hyderabad centric hotels, most other hotels have posted a 5-8% y-o-y revenues growth during Q3, FY12 supported by marginal improvement in RevPARs and higher F&B revenues. The muted RevPAR growth has been on account of subdued ARRs, while occupancies remained stable despite the incremental supply in several markets. While this trend shows demand generation and absorption of new supply albeit at a slower than expected pace, the lack of pricing power in a seasonally strong quarter is a concern and has impacted margins. The operating margins also suffered on account of pre-operating expenses related to launch of new properties for a few companies like IHCL and TAJGVK, among others. With the industry in a capex mode during the past three-four years, the industry's balance sheet has become significantly leveraged driving up interest costs. With the commissioning of new properties, charging off of interest costs has dented net profits.

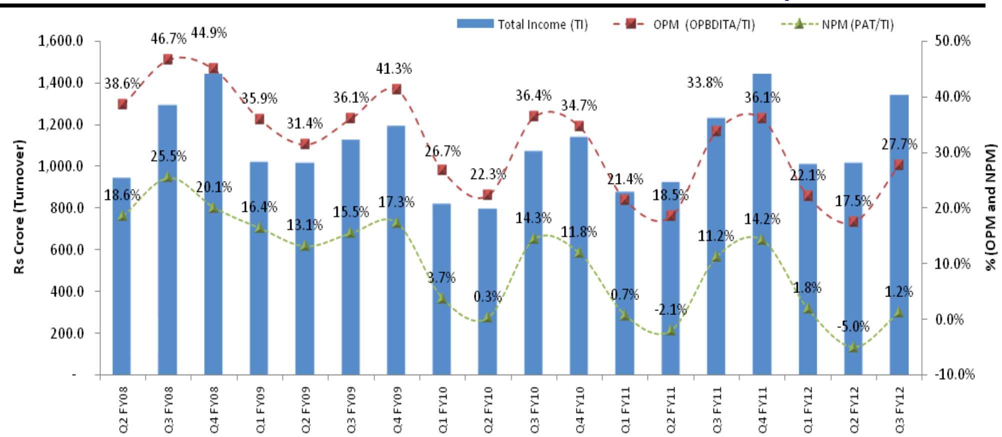
Table 3: Snapshot of Key Financials for the Indian hotels industry (9M, 2011-12)

Parameters	9M FY11	9M FY12	y-o-y growth
Total Income	3,023.3	3,358.0	11%
OPBDITA	772.9	770.8	0%
PAT	108.3	(14.4)	-113%
OPBDITA %	*25.6%*	*23.0%*	
PAT %	*3.6%*	*-0.4%*	
OPBDITA/interest & Finance charges	2.32	1.75	

Note: Amounts in Rs. crore;

Source: Published results of the companies, Capitaline Database and ICRA Estimates

Chart 5: Trends in Revenues and Profits for the Indian Hotels Industry



For the 9M period ending December-11, the industry reported an 11% aggregate growth in revenues as compared to the same period in 2010-11; operating profits however remained flat. Industry wide operating margins declined from 25.6% in 9M, 2010-11 to 23.0% in 9M, 2011-12. The high interest burden has taken its toll on net profits; the industry posted a loss of Rs. 14.4 crore as against Rs.108.3 crore profits during the previous year. Consequently interest coverage (OPBDITA/Interest and finance charges) for the industry deteriorated to 1.75 times as compared to 2.32 times last year.

The 2013 story-Coming quarters expected to be muted

ICRA expects a mild recovery in the Indian hotels industry's operating metrics with the start of the next season in Q3, 2012-13, supported by improving economic activity. With inflation expected to moderate in the coming quarters, ICRA expects the industry to post margin improvement supported by ARR growth of ~5-8%. ICRA further expect sustained traction in the industry to return by 2013-14. However, we expect the heavy supply pipeline in markets like the NCR, Chennai, Hyderabad and Kolkata to pressure tariffs over the next two-three years. Also, any unexpected adverse development in the global economy would have a direct bearing on discretionary corporate and leisure travel from overseas, besides also impacting the domestic economic growth. Over the medium term we expect a structural change, with supply in the industry diversifying across price points. Further with the entry of international brands in the economy segment standardisation of product offerings is expected. The market is expected to move towards a sustainable value-for-money proposition.

Subdued RevPAR growth across majority of markets in a seasonally strong quarter

Fact Sheet		
Key Brands/Segments	Taj (5-star Deluxe), Vivanta by Taj (upper upscale), The Gateway (upscale), Ginger (economy)	
No. of Hotels	112	
Room Inventory	13,606 (December 2011)	
(Consolidated)	**FY10**	**FY11**
Revenues	2,516.5	2,891.7
OPBDITA	393.5	481.6
PAT	(136.9)	(87.3)
Net Worth	2,538.6	2,882.0
Total Debt	4,460.7	4,258.4

(Standalone)	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**485.3**	**521.5**	**357.6**
Net Sales Growth (%) - YoY	*-11%*	*7%*	*9%*
OPBDIT	**144.3**	**140.8**	**38.7**
Less: Depreciation	29.8	26.5	27.9
Less: Interest Charges	32.7	30.4	24.7
Other Income	3.1	8.6	17.6
Exceptional Gain/(Loss)	(2.6)	(14.8)	9.6
PBT	82.3	77.7	13.2
PAT	**50.3**	**50.5**	**8.1**
OPBDIT/OI (%)	**29.7%**	**27.0%**	**10.8%**
PAT/OI (%)	**10.4%**	**9.7%**	**2.3%**

Revenue Growth – At the standalone level, IHCL reported a 7% y-o-y growth in revenues in Q3, 2011-12 driven by a combination of increase in inventory across key markets, such as the newly re-launched heritage wing in Taj Mahal Mumbai and the Falaknuma Palace in Hyderabad, and moderate RevPAR growth in a few markets. While Bangalore, Kolkata and Jaipur reported increase in occupancies, markets such as North Mumbai, Bangalore, Hyderabad and Goa reported ARR growth. Overall Goa, Jaipur and Bangalore remained the best performing markets during the 9M, 2011-12. However on the whole, for a seasonal peak, the ARR/Occupancy growth across a majority of the markets remained fairly muted owing to the uncertain economic environment. Further the performance of key markets for the company such as NCR and Chennai has been impacted by new supply.

Profitability – Despite the revenue growth, the company (standalone) reported a 2.4% decline in operating profits owing to one-time expenses related to opening of the Vivanta at Bangalore and higher employee costs. Further the company reported extraordinary forex losses and under-recovery on insurance claims for the 26/11 attacks on Taj Mahal Mumbai leading to stagnant profits after tax (PAT). The company's consolidated performance is likely to be furthur impacted by the muted performance of its overseas properties.

Capex – IHCL's capital commitments over the near term remain limited with only two ongoing projects (Dwarka and Guwahati), both of which would be funded with internal accruals. The company does not propose to raise any further debt over the next 18 months. However the group continues to rapidly expand its portfolio through management contracts and new projects in associates/JVs.

ICRA Ratings

Long Term	[ICRA]AA+
Short Term	[ICRA]A1+
Outlook	Stable

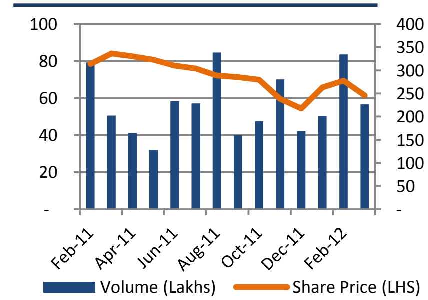
Shareholding Pattern

Indian Promoters	33.58%
FIIs	13.00%
DIIs	24.37%
Non- Institutions	29.01%
Custodians	0.04%

Price Performance (%)

	3M	12M
BSE	13%	-27%
CNX Nifty	12%	-11%

Stock Movement



Market Capitalization-Rs. 4,663.2 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*48.65x*	*27.42x*
Price/Sales	*1.43x*	*1.30x*
Price/BV	*1.58x*	*1.54x*

Source: Bloomberg Consensus Estimates

(Standalone)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	328.7	328.5	485.3	530.9	369.5	357.6	521.5
Net Sales Growth (%) - YoY	*25%*	*15%*	*-11%*	*-46%*	*12%*	*9%*	*7%*
OPBDIT	53.4	36.6	144.3	185.6	68.1	38.7	140.8
PAT	3.3	(6.3)	50.3	93.9	20.3	8.1	50.5
OPBDIT/OI (%)	16.2%	11.2%	29.7%	35.0%	18.4%	10.8%	27.0%
PAT/OI (%)	1.0%	-1.9%	10.4%	17.7%	5.5%	2.3%	9.7%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

INDIAN HOTELS COMPANY LIMITED – Performance Overview (Pg 2 of 2)

Outlook – Over the medium term, at the standalone level, with inventory growth primarily coming from management contracts, revenue growth is likely to be largely from improved operational metrics while margins are expected to be furthur supported by mangement income. However over the immediate term, the industry's ability to raise tarriffs remains constrained owing to a combination of economic instability and oversupply situation across key markets. Continued pressure on pricing and an occupancy led growth could impact margins in the immediate term. Furthermore, at the consolidated level, IHCL's international portfolio remains a concern with marginal improvement visibile. The performance of these hotels especially 'The Pierre' remains significantly lower than competition. The company's near term focus would be on turning around the international portfolio.

BUSINESS PROFILE

Incorporated, in 1902, by Jamshed N. Tata of the Tata group, Indian Hotels Company Limited (IHCL) is India's largest hospitality company. IHCL and its subsidiaries are collectively known as the 'Taj Hotels, Resorts and Palaces'. Taj Hotels Resorts and Palaces comprises of ~112 hotels (excluding Ginger properties) with 13,606 rooms at over 55 locations across India and globally (in the Maldives,Malaysia, United Kingdom, United States of America, Bhutan, Sri Lanka, Africa, the Middle East and Australia). The company proposes to increase its inventory to ~15,843 rooms across 130 hotels by the end of 2012-13. With the promoter group holding 33.6% stake in the company, IHCL is listed on the BSE and NSE.

The Taj Hotels Resorts and Palaces is grouped into four distinct business segments - Luxury (Taj Mahal/Exotica), Upper Upscale (Vivanta), Upscale (Gateway), and economy/budget (Ginger) categories to provide consistency across the different hotels and standardise offerings. Of these, the luxury properties in metro and key leisure destinations are largely in the books of IHCL while the rest are held through subsidiaries and associates. The Group also operates a number of properties on pure management contracts. During 2010-11 the company reported a 15% growth in operating income to Rs. 2,891.7 crore at the consolidated level with net losses (after minority interest) of Rs. 87.3 crore. The same at the standalone level stood at Rs. 1,673.5 crore and a profit of Rs. 141.3 crore.

EIH LIMITED – Performance Overview (Pg 1 of 2)

Reduction in interest burden continues to support bottom-line even as operating margins trim

Fact Sheet		
Key Brands/Segments	The Oberoi (5-star Deluxe), Trident (5-star), Maidens (4-star)	
No. of Hotels	24	
Room Inventory	3,721 (March 2011)	
(Consolidated)	**FY10**	**FY11**
Revenues	1,038.3	1,288.0
OPBDITA	294.4	301.3
PAT	66.3	(5.2)
Net Worth	1,394.8	2,546.4
Total Debt	1,435.7	1,068.3

(Standalone)	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**301.1**	**313.8**	**237.2**
Net Sales Growth (%) - YoY	*27%*	*5%*	*9%*
OPBDIT	**104.6**	**101.6**	**29.4**
Less: Depreciation	22.2	23.6	23.7
Less: Interest Charges	40.3	11.6	11.9
Other Income	0.9	0.7	9.7
Exceptional Gain/(Loss)	-	-	11.2
PBT	43.0	67.2	14.7
PAT	**28.4**	**42.3**	**16.6**
OPBDIT/OI (%)	**34.7%**	**32.4%**	**12.4%**
PAT/OI (%)	**9.4%**	**13.5%**	**7.0%**

Revenue Growth – EIH, at the standalone level, reported a subdued 5% y-o-y growth in revenues for Q3, 2011-12 in the absence of any room additions, a marginal improvement in RevPARs across its key hotels. The muted revenue growth remains largely in line with the industry trends with several hoteliers indicating an inability to increase rates owing to the uncertain economic environment in general and oversupply situation in a few markets.

Profitability – Sluggish revenue growth overlaid with inflated operating costs eroded margins. With operating expenses growing in the range of 6-13% and revenues by 5%, operating profits declined by 3% while margins declined by 230 bps to 32.4%, again largely in line with the industry trend. However, with the company having retired a large chunk of its debt utilizing funds raised from a rights issue in March 2011, a sharp fall in interest expense has boosted PAT margins which improved to 13.5%.

Capex – Over the next 2-3 years the company expects majority of the new hotel additions to take place through the management contracts route. The company proposes to invest in owned properties on land parcels it owns in Goa and Bangalore. At Goa, EIH owns a 55 acre beach front site on which the company proposes to set up a luxury hotel while at Bangalore it is planning a 250 room luxury propery with 65 luxury branded residences.

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

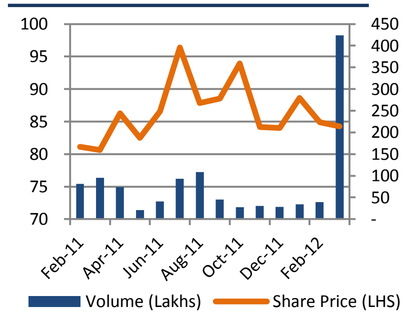
Shareholding Pattern

Indian Promoters	34.93%
FII	2.09%
DII	12.99%
Non Institutions	49.93%
Custodians	0.06%

Price Performance (%)

	3M	12M
BSE	0%	4%
CNX Nifty	12%	-11%

Stock Movement



(Standalone)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	204.3	216.9	301.1	322.3	246.6	237.2	313.8
Net Sales Growth (%) - YoY	*24%*	*28%*	*27%*	*22%*	*22%*	*9%*	*5%*
OPBDIT	25.1	12.2	104.6	93.8	47.8	29.4	101.6
PAT	(15.9)	(15.0)	28.4	67.1	15.5	16.6	42.3
OPBDIT/OI (%)	12.3%	5.6%	34.7%	29.1%	19.4%	12.4%	32.4%
PAT/OI (%)	-7.8%	-6.9%	9.4%	20.8%	6.3%	7.0%	13.5%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Market Capitalization-Rs. 4,815.5 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*36.95x*	*28.56x*
Price/Sales	*3.47x*	*3.25x*
Price/BV	*1.89x*	*1.88x*

Source: Bloomberg Consensus Estimates

Outlook – EIH's revenues growth over the medium term would remain restricted in the absence of any major owned inventory additon, however inventory would be added under margin accretive management contracts. Further, the current improvement in capital structure is expected to enable the company to comfortably fund its upcoming Bangalore and Goa projects.

BUSINESS PROFILE

EIH Limited, founded in 1949 by Mr. P.R.S Oberoi, is the third largest hospitality company in India after Indian Hotels Company Limited and the ITC Welcome Group. It is the flagship company of the 1934 founded Oberoi Group which owns/manages luxury hotels across five countries under *The Oberoi* brand in the 5-star Deluxe category and the *Trident* brand in the 5-star category. EIH has a portfolio of 24 luxury hotels with an inventory of 3,721 rooms (March-11), three luxury cruises, Oberoi printing press and Oberoi Flight Services (a division that provides commercial in-flight catering and operates airport lounges and restaurants in India, Mauritius, Egypt and Indonesia). EIH's associated businesses include Mercury Car Rentals for car rental operations, Corporate Air Charters and Mercury Travels for travel agency operations. The promoter group holds 34.9% stake in the company. EIH Limited is listed on the BSE and NSE in India. During 2010-11 the company reported a 24% growth in operating income to Rs. 1,288.0 at the consolidated level with net loss (after minority interest) of Rs. 5.2 crore. The same at the standalone level stood at Rs. 1,044.6 crore and a profit of Rs. 64.5 crore.

Heavy interest burden severely dents bottom-line

Fact Sheet		
Key Brands/Segments	The Leela (5-star deluxe)	
No. of Hotels	7	
Room Inventory	1,869 (December 2011)	
	FY10	**FY11**
Revenues	449.2	525.8
OPBDITA	124.3	155.1
PAT	41.0	37.8
Net Worth	2,054.0	2,102.7
Total Debt	2,878.7	3,803.1

	Q3 FY11	**Q3 FY12**	**Q2 FY12**
Total Income	**142.3**	**178.4**	**127.9**
Net Sales Growth (%) - YoY	*-19%*	*27%*	*23%*
OPBDIT	**55.6**	**33.7**	**12.4**
Less: Depreciation	12.2	25.1	21.4
Less: Interest Charges	20.1	111.6	57.4
Other Income	5.3	3.4	1.5
Exceptional Gain/(Loss)	-	-	-
PBT	28.6	(99.7)	(64.9)
PAT	22.0	(99.7)	(64.9)
OPBDIT/OI (%)	**39.1%**	**18.9%**	**9.7%**
PAT/OI (%)	**15.5%**	**-55.9%**	**-50.7%**

Revenue Growth – Leela reported a healthy 27% growth in revenues during Q3, 2011-12 driven largely by inventory additions. The company added 260 rooms to its inventory in Q1, 2011-12 with the launch of its Chanakyapuri, New Delhi property. The RevPAR growth for the company across business as well as leisure destinations remained subdued.

Profitability – Leela's operating margins dropped during Q3,2011-12 to 18.9% in the absence of any meaningful traction in operating metrics while costs increased sharply on account of the newly launched Delhi property. The New Delhi property is in the initial stages of operations with less than one full year of operations. High interest costs on borrowings for the New Delhi hotel have led to heavy losses for the company during the the last three quarters.

Capex - Leela's capex over the next year would be primarily towards the 326 room project at Chennai which is expected to be launched in 2013. The company has further plans to open new properties at Agra and Ashtamudi, Kerala. To support its severely strained balance sheet, the company sold its Kovalum property for Rs. 500 crore in August 2011. It would however continue to manage the hotel under a long term contract.

Outlook – Leela's growth going forward is expected to be derived from a mix of its business and leisure destinations. The new property in New Delhi provides the company with a presence in the national-capital-region. The current cash losses and stretched capital structure remains a concern. The board and its lenders have recently approved the restructuring of company's debt under the CDR mechanism. Under these circumstances the funding for the new projects could become challenging, however, steps such as the sale of the Kovalam hotel to raise funds is a positive.

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

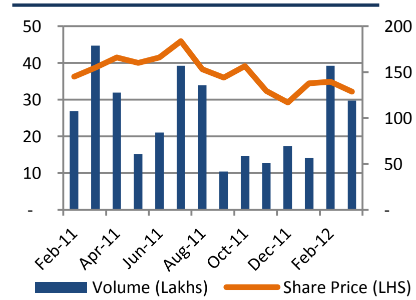
Shareholding Pattern

Indian Promoters	56.67%
FIIs	1.39%
DIIs	6.50%
Non Institutions	35.54%

Price Performance (%)

	3M	**12M**
BSE	10%	-17%
CNX Nifty	12%	-11%

Stock Movement



Market Capitalization-Rs.1,248.8 Crs

Valuations

	FY12e	**FY13e**
Price/Earnings	*-35.78x*	*19.52x*
Price/Sales	*1.96x*	*1.73x*
Price/BV	*0.57x*	*0.55x*

Source: Bloomberg Consensus Estimates

	Q1 FY11	**Q2 FY11**	**Q3 FY11**	**Q4 FY11**	**Q1 FY12**	**Q2 FY12**	**Q3 FY12**
Total Income	105.8	105.6	142.3	172.1	124.7	127.9	178.4
Net Sales Growth (%) - YoY	*25%*	*16%*	*-19%*	*32%*	*20%*	*23%*	*27%*
OPBDIT	31.6	24.3	55.6	43.6	20.6	12.4	33.7
PAT	9.2	(4.8)	22.0	11.3	(26.5)	(64.9)	(99.7)
OPBDIT/OI (%)	29.8%	23.0%	39.1%	25.4%	16.5%	9.7%	18.9%
PAT/OI (%)	8.7%	-4.5%	15.5%	6.6%	-21.2%	-50.7%	-55.9%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

HOTEL LEELAVENTURES LIMITED – Performance Overview (Pg 2 of 2)

Furthermore the company also expects income from the sale of residential property in Bangalore. The company entered into a joint development agreement with Bangalore based Prestige Estate Projects Limited in July 2011 for the development of owned land adjacent to its luxuty property in Bangalore.

BUSINESS PROFILE

Hotel Leelaventure Limited, founded by Capt. C. P. Krishnan Nair and headquarterd in Mumbai, owns the hotel chain The Leela Palaces, Hotels and Resorts which manages seven hotels in India with a total inventory of 1,869 keys including business hotels in Bangalore, Gurgaon, Mumbai, New Delhi and leisure properties in Goa, Kovalam and Udaipur. While the properties at Bangalore, Mumbai, New Delhi, Goa and Udaipur are owned by the company, Gurgaon is a management contract. The resort at Kovalam was also earlier owned by the company however it has been sold off in August 2011 while still remaining under a long term managmeent contract with Leela. Properties under development include Chennai followed by Agra, Jaipur and Ashtamudi, Kerala. The company is listed on the BSE and NSE with 56.6% shares still by promoter group.

The group has marketing alliances with US-based Preferred Hotels & Resorts and is a member of Global Hotel Alliance based in Switzerland. In February-12, Leela exited its 25 year alliance with Germany based Kempinski, intending to undertake its own distribution. Kempinski will still continue to market Leela hotels till the earlier agreement of 2015-16. During 2010-11 the company reported a 17% growth in operating income to Rs. 525.8 crore with net profit of Rs. 37.8 crore.

TAJGVK HOTELS & RESORTS LIMITED – Performance Overview (Pg 1 of 2)

New competition restricts pricing power for most of the properties

Fact Sheet		
Key Brands/Segments	Taj (5-star Deluxe), Vivanta by Taj (upper upscale), The Gateway (upscale)	
No. of Hotels	6	
Room Inventory	1,083 (March 12)	
	FY10	**FY11**
Revenues	229.3	260.7
OPBDITA	86.7	97.6
PAT	36.3	43.3
Net Worth	292.7	321.4
Total Debt	126.2	143.1

	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**70.2**	**66.3**	**59.2**
Net Sales Growth (%) - YoY	*-31%*	*-6%*	*-2%*
OPBDIT	**27.8**	**18.9**	**19.5**
Less: Depreciation	5.3	5.6	5.0
Less: Interest Charges	3.0	4.0	3.2
Other Income	-	-	-
Exceptional Gain/(Loss)	-	-	-
PBT	19.6	9.3	11.3
PAT	12.9	6.1	4.3
OPBDIT/OI (%)	**39.6%**	**28.6%**	**33.0%**
PAT/OI (%)	**18.4%**	**9.2%**	**7.3%**

Revenue Growth – TAJGVK reported a weak Q3, 2011-12 performance with revenues de-growing by 6% on account of falling occupancies and flat ARRs. The properties in Hyderabad were particularly impacted by the Telengana issue and intensified competition due to the supply overhang. Further competition for the company intensified in the hereto monopolistic Chandigarh market with the launch of the JW Marriott, effectively capping Taj Chandigarh's RevPARs.

Profitability – With revenues shrinking and operating costs rising, a drop in operating margins was inevitable. The operating profits were further impacted by the pre-operative expenses for the 181 room Vivanta at Begumpet which was launched in Q3,2011-12. The operating profits of the company fell by 32% while operating margins contracted sharply to 28.6% from a healthy 39.6% in the corresponding period in the previous year. The company's current debt burden remains moderate leading to low interest expense. The drop in PAT was in tandem with the lower operating profits.

Capex – The company's capex plans are focussed on ensuring both geographic as well as segmental diversification. New projects in the pipeline include a 275 room 5-StarD luxury property strategically located at the Mumbai domestic airport, expected to be launched by mid 2014. The company also proposes to enter the Bangalore market with a premium 150 room Vivanta at Yelahanka, Bangalore. It also intends to invest in consolidating its business in Hyderabad with the construction of banqueting and additional parking space at Taj Krishna. Further, in collaboration with its parent IHCL, the company is proposing to enter the budget segment through its maiden Ginger hotel near the International Airport in Shamshabad, Hyderabad.

ICRA Ratings

Long Term	[ICRA]AA-
Short Term	[ICRA]A1+
Outlook	Stable

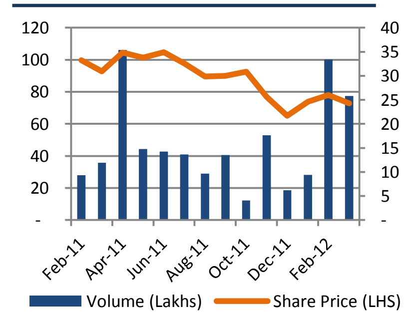
Shareholding Pattern

Indian Promoters	74.99%
FII	2.24%
DII	4.46%
Non Institutions	18.31%

Price Performance (%)

	3M	12M
BSE	12%	-21%
CNX Nifty	12%	-11%

Stock Movement



Market Capitalization-Rs. 456.5 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*14.86x*	*10.04x*
Price/Sales	*1.77x*	*1.51x*
Price/BV	*1.34x*	*1.22x*

Source: Bloomberg Consensus Estimates

	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	61.0	59.8	70.2	69.7	58.9	59.2	66.3
Net Sales Growth (%) - YoY	*27%*	*11%*	*-31%*	*-58%*	*-3%*	*-2%*	*-6%*
OPBDIT	22.8	19.3	27.8	27.7	20.5	19.5	18.9
PAT	10.1	7.4	12.9	12.9	12.0	4.3	6.1
OPBDIT/OI (%)	37.4%	32.3%	39.6%	39.7%	34.8%	33.0%	28.6%
PAT/OI (%)	16.6%	12.4%	18.4%	18.5%	20.4%	7.3%	9.2%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

TAJGVK HOTELS & RESORTS LIMITED – Performance Overview (Pg 2 of 2)

Expected to be launched in 2014, the 250 room Ginger hotel would widen TAJGVK's price point diversification in Hyderabad. TAJGVK enjoys the first right of refusal for owning Ginger hotels in Andhra Pradesh and over the long term intends to own a majority of the Ginger properties in the state.

Outlook – While the company has a strong position in the Hyderabad premium market with four properties in the Banjara Hills area, it has over the years reduced its dependence on the market-diversifing to Chennai and Chandigarh. Going forward, the company intends to diversify into the Bangalore and Mumbai markets while strengthening its Hyderabad foothold. Growth going forward would hence be driven both by accretion to inventory and improving operating metrics.

BUSINESS PROFILE

Incorporated in 2000, TAJGVK Hotels & Resorts Limited (TAJGVK) is a joint venture between Indian Hotels Company Limited (IHCL) and the Hyderabad based GVK Group. IHCL holds 25.5% stake in TAJGVK while the GVK group holds 49.5% stake; the balance is held by the public. TAJGVK currently has six 5-star/D properties with a cumulative inventory of 1,083 rooms. Of these four 5-star hotel properties are located in Hyderabad - an inventory of 717 rooms, viz. Taj Krishna, Taj Deccan, Taj Banjara and Vivanta by Taj Begumpet. The company also owns a 150 room hotel in Chandigarh (Taj Chandigarh) and a 220 room property in Chennai (Taj Club House) which opened in December 2008. The most recent addition to the inventory is the 181 key Vivanta at Begumpet launched in Q3,2011-12. During 2011-12 the company reported a 14% growth in operating income to Rs. 260.7 crore with net profits of Rs. 43.3 crore.

ORIENTAL HOTELS LIMITED – Performance Overview (Pg 1 of 2)

Lower operating profits; net profits further dented by high fixed costs

Fact Sheet		
Key Brands/Segments	Taj (5-star Deluxe), Vivanta by Taj (upper upscale), The Gateway (upscale)	
No. of Hotels	9	
Room Inventory	1,016 (December 2011)	
(Consolidated)	**FY10**	**FY11**
Revenues	223.6	279.3
OPBDITA	58.1	72.6
PAT	20.0	29.2
Net Worth	341.4	367.3
Total Debt	217.2	250.8

(Standalone)	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**65.0**	**71.0**	**56.7**
Net Sales Growth (%) - YoY	*-17%*	*8%*	*11%*
OPBDIT	**18.0**	**14.4**	**9.9**
Less: Depreciation	4.0	5.7	3.8
Less: Interest Charges	4.5	5.9	3.0
Other Income	0.4	0.2	0.5
Exceptional Gain/(Loss)	-	-	-
PBT	10.0	3.0	3.5
PAT	**6.6**	**2.0**	**2.4**
OPBDIT/OI (%)	**27.8%**	**20.2%**	**17.5%**
PAT/OI (%)	**10.2%**	**2.8%**	**4.2%**

Revenue Growth – Oriental Hotels reported a subdued 8% y-o-y growth in revenues during Q3, 2011-12 driven mainly by growth in RevPARs across a few smaller properties and an inventory addition. While the RevPARs in Chennai remained largely flat, the smaller properties at Vishakhapatnam and Trivandrum witnessed strong ARR growth. The room additions came from 12 rooms added at Fisherman's Cove, Chennai and the soft launch of the 180 key Vivanta by Taj at Coimbatore.

Profitability – The company's operating margins declined (y-o-y) significantly during Q3, 2011-12 to 20.2% partly due to the subdued RevPAR growth in the larger properties. The operating profit also declined due to the pre-operative expenses and initial phase of operations of the Coimbatore property which was launched in November 2011. The payroll expenses also grew owing to wage revisions. The company's PAT witnessed a steep decline due to a combination of supressed operating margins and increasing interest expenses. The debt funded capex over the last few years has resulted in significant increase in interest burden gradually over the last few quarters.

Capex – The company has significant capital expenditure (Rs. 180.0-200.0 crores) proposed for the next two years for rennovation and adding new properties. While the renovation capex would be largely towards Taj Coromandel, Chennai the company is expected to launch ~200 rooms at Bangalore in H2,2013-14. The company is also planning a 180 room Gateway property in Sriperumbudur over the medium term.

ICRA Ratings

Long Term	[ICRA]AA-
Medium Term	[ICRA]MAA-
Short Term	[ICRA]A1+
Outlook	Stable

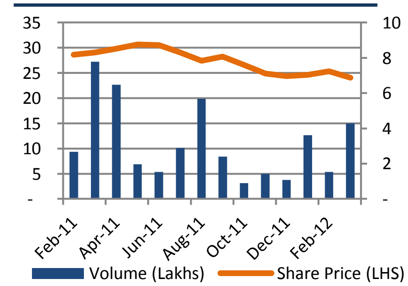
Shareholding Pattern

Indian Promoters	51.58%
Foreign Promoters	5.72%
FII	0.01%
DII	10.81%
Non Institutions	20.42%
Custodians	11.46%

Price Performance (%)

	3M	12M
BSE	-1%	-17%
CNX Nifty	12%	-11%

Stock Movement



(Standalone)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	48.3	50.9	65.0	71.5	55.0	56.7	71.0
Net Sales Growth (%) - YoY	*31%*	*22%*	*-17%*	*-23%*	*14%*	*11%*	*8%*
OPBDIT	7.8	8.4	18.0	23.5	9.8	9.9	14.4
PAT	1.7	2.0	6.6	12.0	3.3	2.4	2.0
OPBDIT/OI (%)	16.3%	16.5%	27.8%	32.9%	17.9%	17.5%	20.2%
PAT/OI (%)	3.5%	3.9%	10.2%	16.8%	5.9%	4.2%	2.8%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Market Capitalization-Rs. 429.5 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*NA*	*NA*
Price/Sales	*NA*	*NA*
Price/BV	*NA*	*NA*

Source: Bloomberg Consensus Estimates

ORIENTAL HOTELS LIMITED – Performance Overview (Pg 2 of 2)

Outlook – The company has over the years successfully expanded its portfolio strategically diversifying across geographies and segments, however the company continues to be largely South India centric. Going forward, the company's growth is expected to come from the newly opened 180 room Vivanta at Coimbatore which would be the third most important hotel for the company after Taj Coromandal and Fisherman's Cove. The hotel planned in Bangalore is also expected to be a significant contributor to growth over the long run.

BUSINESS PROFILE

Promoted by Mr. D.S. Reddy, a Chennai-based industrialist in 1970, Oriental Hotels Limited (Oriental Hotels) is an associate of Indian's largest hotel company Indian Hotels Company Limited (IHCL). IHCL is the largest shareholder with 34.4% stake followed by the Reddy family with 22.8% stake. OHL has a portfolio of nine hotels with a room inventory of 1,016 rooms, located in three states in South India. The portfolio has a mix of 5-star D, 5-star and 4-star properties targeting the higher end business and the leisure traffic. Besides these domestic properties, Oriental Hotels has interests in various overseas properties like Taj Samudra (Sri Lanka), Taj Coral Reef Resort (Maldives), Taj Exotica (Maldives), St. James Court (London), through investments in its overseas subsidiaries, associates and joint venture companies. Most of these JVs and associates are in collaboration with IHCL. During 2010-11 the company reported a 25% growth in operating income to Rs. 279.3 crore at the consolidated level with net profit (after minority interest) of Rs. 29.2 crore. The same at the standalone level stood at Rs. 235.7 crore and a profit of Rs. 22.3 crore.

KAMAT HOTELS (INDIA) LIMITED – Performance Overview (Pg 1 of 2)

Expansion at Mumbai increases room inventory; interest cost eats up bottom-line

Fact Sheet		
Key Brands/Segments	The Orchid (5-star), VITS (4-star). Lotus (resorts), Gadh (heritage)	
No. of Hotels	16	
Room Inventory	1,149 (December 2011)	
(Consolidated)	**FY10**	**FY11**
Revenues	107.8	127.7
OPBDITA	30.4	38.4
PAT	(9.4)	(10.2)
Net Worth	156.7	171.6
Total Debt	581.7	614.9

(Standalone)	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**32.5**	**34.7**	**29.8**
Net Sales Growth (%) - YoY	*-24%*	*5%*	*3%*
OPBDIT	**11.5**	**11.6**	**8.4**
Less: Depreciation	3.1	3.4	3.1
Less: Interest Charges	5.8	9.2	5.6
Other Income	0.6	1.5	0.4
Exceptional Gain/(Loss)	-	(1.2)	-
PBT	3.2	(0.6)	0.2
PAT	2.4	(0.0)	0.2
OPBDIT/OI (%)	**35.2%**	**33.5%**	**28.3%**
PAT/OI (%)	**7.4%**	**-0.1%**	**0.5%**

Revenue Growth – Kamat Hotels reported a lackluster 5% y-o-y growth in revenues during Q3, 2011-12 despite the additional 127 keys added to Orchid, Mumbai- the largest property in Kamat's standalone portfolio. RevPARs for the company remained subdued on account of passive business travel owing to the uncertain economic environment.

Profitability – The company's operating margins declined marginally (y-o-y) to 33.5% (PY 35.2%) on account of poor revenue growth and increasing expenses. The company reported a net loss for the seasonally strong quarter as interest expense eroded margins. The company's interest expense increased substantially with the charging off of interest on the additional inventory in Mumbai.

Capex – A majority of the company's inventory expansion going forward would be conducted through the management contract route. However the company owns land at Mumbai, Baddi, Raipur, Nagpur, Coimbatore, Kottayam-Kerala, and Amravati on which hospitality projects could be planned. Further the company is developing Fort Mahodadhi Palace,Puri into a heritage hotel through one of its wholly owned subsidiary.

Outlook – In the absence of any major expansion plan over the medium term, the prospects of the company would continue to depend upon the Mumbai hospitality market which currently contributes to majority of its revenues. Further the company's plans to amalgamate Kamat Restaurants, Lotus Resort Murud (40 rooms) and Lotus Resort Goa (48 rooms) into Kamat Hotels would help consolidate the group's hospitality business while providing segmental diversification. During the current fiscal, the company converted FCCBs worth Rs. 18 million into equity shares, strengthen its balance sheet and enabling it to raise funds for future expansion purposes.

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

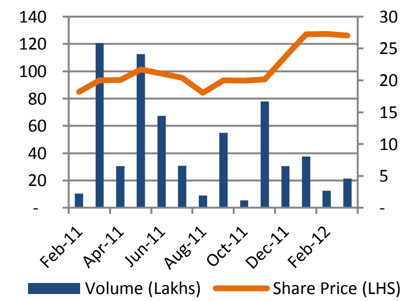
Shareholding Pattern

Indian Promoters	57.59%
FII	1.80%
DII	0.09%
Non Institutions	40.52%

Price Performance (%)

	3M	12M
BSE	14%	35%
CNX Nifty	12%	-11%

Stock Movement



Market Capitalization- Rs. 240.9 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*-52.56x*	*21.75x*
Price/Sales	*1.60x*	*1.33x*
Price/BV	*1.45x*	*1.36x*

Source: Bloomberg Consensus Estimates

(Standalone)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	28.5	28.0	32.5	32.9	30.3	29.8	34.7
Net Sales Growth (%) - YoY	*37%*	*23%*	*-24%*	*3%*	*6%*	*3%*	*5%*
OPBDIT	9.5	9.4	11.5	9.8	9.0	8.4	11.6
PAT	0.2	0.2	2.4	(1.4)	0.4	0.2	(0.0)
OPBDIT/OI (%)	33.4%	33.4%	35.2%	29.7%	29.8%	28.3%	33.5%
PAT/OI (%)	0.6%	0.5%	7.4%	-4.1%	1.2%	0.5%	-0.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

KAMAT HOTELS (INDIA) LIMITED – Performance Overview (Pg 1 of 2)

BUSINESS PROFILE

Kamat Hotels (India) Limited (Kamat Hotels), incorporated in 1986 by the late Mr. Venkatesh Krishna Kamat is a hospitality company engaged in running hotels, restaurants and resorts. The company has established four hotel brands viz. The Orchid – An Ecotel Hotel in the 5-Star segment and VITS - Luxury Business Hotel in the 4-Star segment, Gadh Hotels and Lotus Resorts. The company currently has 16 hotels with a total inventory of 1,149 rooms spread across these four brands.Majority of these properties are either under franchisee or management contracts. The company is listed on the BSE and NSE with 57.59% shares held by the promoters as on December 31, 2011. During 2010-11, the company reported a 18.5% growth in operating income to Rs. 127.7 crore at the consolidated level with net losses (after minority interest) of Rs. 10.2 crore. The same at the standalone level stood at Rs. 122.0 crore and a profit of Rs. 1.4 crore.

Jaipur/NCR launch provides geographic diversification; Interest cost dents net margins

Fact Sheet		
Key Brands/Segments	Royal Orchid (5-star), Regenta (4-star), Royal Orchid Central (4-star), Royal Orchid Suites (4-star long-stay), Central Blue (3-star), Ramada (economy) and Royal Orchid Resorts (leisure)	
No. of Hotels	20	
Room Inventory	1,724 (February 2012)	
(Consolidated)	**FY10**	**FY11**
Revenues	120.4	152.1
OPBDITA	27.4	39.4
PAT	7.0	12.2
Net Worth	210.6	218.2
Total Debt	217.8	235.3

(Consolidated)	Q3 FY11	Q3 FY12	Q2 FY12
Total Income	**41.0**	**43.5**	**35.8**
Net Sales Growth (%) - YoY	*-22%*	*6%*	*4%*
OPBDIT	**12.1**	**10.4**	**4.6**
Less: Depreciation	3.3	3.3	3.3
Less: Interest Charges	2.9	4.9	4.0
Other Income	0.5	0.5	0.4
Exceptional Gain/(Loss)	-	-	-
PBT	6.5	2.7	(2.4)
PAT	4.3	2.1	(2.6)
PAT (less MI)	**4.4**	**2.5**	**(2.2)**
OPBDIT/OI (%)	**29.5%**	**24.0%**	**12.7%**
PAT/OI (%)	**10.2%**	**5.8%**	**-6.2%**

Revenue Growth – Royal Orchid reported a subdued 6% y-o-y growth in revenues during Q3, 2011-12, owing to flat ARRs and some improvement in occupancies in its Bangalore properties.

Profitability – In line with the indsutry, Royal Orchid also witnessed a y-o-y decline in operating margins; OPM declined from 29.5% to 24.0% owing to inflated cosumables costs and other expenses. Increase in interest expenses furthur dented the bottom line with the company''s net margins falling to 5.8%.

Capex – The company is currently in the midst of an aggressive expansion phase to add ~1,400 rooms over the next three years of which ~650 (Tanzania, Mumbai and Hyderabad) are expected under direct ownership (including subsidiaries). Bulk of the expansion is however through management contracts (37% of pipeline) and leased properties (16% of pipeline) which limits the company's investments to around Rs. 200.0 crore.

Outlook – The heavy dependance of the company on the Bangalore market exposes the company to city specific issues. However the current expansion into Hyderabad and Mumbai markets with relatively larger hotels is expected to provide the company with geographic diversification and an entry into the gateway city of Mumbai. We expects susbstantial scale up in the company's revenues during the coming years with the addition of these owned and leased proerties. Properties under management contracts are expected to provide some support to margins. The company's capital structure is however expected to be impacted by this aggressive expansion.

ICRA Ratings

Long Term	[ICRA]BBB+
Short Term	NA
Outlook	Stable

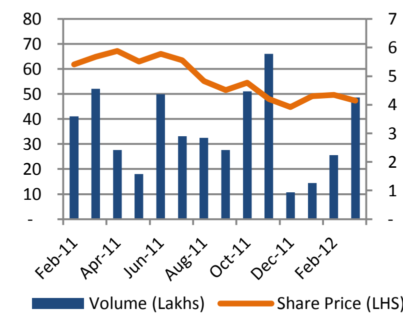
Shareholding Pattern

Indian Promoters	70.20%
DII	8.83%
Non Institutions	20.97%

Price Performance (%)

	3M	12M
BSE	6%	-27%
CNX Nifty	12%	-11%

Stock Movement



Market Capitalization-Rs. 129.1 Crs

Valuations

	FY12e	FY13e
Price/Earnings	*32.69x*	*18.96x*
Price/Sales	*0.77x*	*0.63x*
Price/BV	*0.58x*	*0.56x*

Source: Bloomberg Consensus Estimates

(Consolidated)	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Total Income	31.3	34.3	41.0	(13.8)	35.6	35.8	43.5
Net Sales Growth (%) - YoY	*21%*	*30%*	*-22%*	*-137%*	*14%*	*4%*	*6%*
OPBDIT	5.2	8.7	12.1	(5.5)	6.6	4.6	10.4
PAT	1.0	2.0	4.4	2.2	0.2	(2.2)	2.5
OPBDIT/OI (%)	16.6%	25.3%	29.5%	40.3%	18.5%	12.7%	24.0%
PAT/OI (%)	3.2%	5.9%	10.7%	-16.3%	0.6%	-6.2%	5.8%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ROYAL ORCHID HOTELS LIMITED – Performance Overview (Pg 2 of 2)

BUSINESS PROFILE

Incorporated in 1986, Royal Orchid Hotel Limited (Royal Orchid) is the flagship company of the Royal Orchid Group of Hotels. The group, comprises of 14 subsidiaries, five joint ventures and one associate company, with an inventory of 1,724 rooms and 20 operational properties pan India. The flagship five star property of the company, Hotel Royal Orchid is located in Bangalore. Historically skewed towards the Bangalore market, the company in the last few years has been setting its foothold in other cities (viz.) Mysore, Pune, Jaipur, Goa, Ahmedabad, Mumbai, Mussorie, Gurgaon Shimoga, Vadodara and Hospet. The company is listed on the BSE and NSE with 70.2% shares held by the promoters as on December 31, 2011. During 2010-11, the company reported a 27.9% growth in operating income to Rs. 154.2 crore at the consolidated level with net profits of Rs. 12.2 crore.

Annexure- ICRA's Ratings in the Hotels Industry (as on March 29th, 2012)

Company	Long Term	Outlook	Short Term
Adyar Gate Hotels	[ICRA]A-	Stable	[ICRA]A2+
Alcon Resorts Holdings Limited	[ICRA]BB+	Stable	
Amethyst Hospitality Private Limited	[ICRA]D		
Anurag Resort Private Limited	[ICRA]B+		
Apeejay Surrendra Park Hotels Limited	[ICRA]A+	Stable	
Aria Hotels and Consultancy Services Private Limited	[ICRA]BBB-	Stable	
Asian Hotels (West) Limited	[ICRA]BBB+	Stable	
Associated Hotels Private Limited	[ICRA]B		[ICRA]A4
BAHDL Hospitality Private Limited	[ICRA]BBB-	Stable	[ICRA]A3
BD & P Hotels (India) Private Limited	[ICRA]D		
Bestech Hospitalities Private Limited	[ICRA]BB+	Stable	
Caddie Hotels Private Limited	[ICRA]BBB-	Stable	
Celsia Hotels Private Limited	[ICRA]BBB-(SO)		
Chalet Hotels Private Limited	[ICRA]BBB+	Stable	[ICRA]A2
City Heart Hotels Private Limited	[ICRA]D		
Cosmos Premises Private Limited	[ICRA]BBB+(SO)	Stable	
Cyberhills Developers Private Limited	[ICRA]BBB-(SO)		
Daaj Hotels and Resorts Private Limited	[ICRA]B+		
DS (Assam) Hospitality India Limited	[ICRA]BB+	Stable	
DS Hotels & Resorts (India) Limited	[ICRA]BBB-	Stable	
Eros Resorts & Hotels Limited	[ICRA]BBB-	Stable	[ICRA]A3
Fruitful Buildcon Private Limited	[ICRA]BB	Stable	
GMR Hotels and Resorts Limited	[ICRA]BBB(SO)		
Gayatri Hi-Tech Hotels Limited	[ICRAD		
Godavari Shilpkala Limited	[ICRA]BBB-	Stable	
Golden Jubilee Hotels Limited	[ICRA]BB+	Stable	[ICRA]A4+
Golden Tree Hotels Private Limited	[ICRA]B		
Goldfinch Hotels Private Limited	[ICRA]D		
HB Estate Developers Limited	[ICRA]BB	Stable	
Hotel Airport Kohinoor Private Limited	[ICRA]BB	Stable	
Hotel Excelsior Limited	[ICRA]A-	Stable	
Hotel Imperial Palace (I).	[ICRA]B+		
Hotel Polo Towers Private Limited	[ICRA]BB	Stable	
Hotel Raj Park Private Limited	[ICRA]BB	Stable	
Hotel Sukhamaya Private Limited	[ICRA]D		
Icon Hospitality Private Limited	[ICRA]BBB	Stable	
IHHR Hospitality Private Limited	[ICRA]BBB+	Stable	
Indian Hotels Company Limited	[ICRA]AA+	Stable	[ICRA]A1+
Innmar Tourism and Hotels Private Limited	[ICRA]BBB-	Stable	

Company	Long Term	Outlook	Short Term
Interglobe Hotels Private Limited	[ICRA]BBB-	Stable	
JOP Hotels Limited	[ICRA]BB+	Stable	
JR Recreation Clubs and Resorts Limited	[ICRA]BB+	Stable	
JSK Hotels Private Limited	[ICRA]BBB-	Stable	[ICRA]A3
Jaksons Developers Private Limited	[ICRA]BB	Stable	
Kandhari Hotels Private Limited	[ICRA]BB+	Stable	[ICRA]A4+
KBJ Hotel & Restaurants Limited	[ICRA]D		
KGA Hotels & Resorts Private Limited	[ICRA]BB	Stable	
Kohinoor Elite Hotel Private Limited	[ICRA]BB-	Stable	[ICRA]A4
Ksheer Sagar Developers Private Limited	[ICRA]BBB+(SO)	Stable	
Maberest Hotels Private Limited	[ICRA]BB	Stable	[ICRA]A4+
Malabar Hotels Private Limited	[ICRA]D		[ICRA]D
Maris Hotels & Theatres Private Limited	[ICRA]BB+	Stable	
Maruti Comforts and Inn Private Limited	[ICRA]BBB-	Stable	
Middle East Hotel Company Private Limited	[ICRA]BB	Stable	
Muthoot Hotels and Infrastructure Ventures Private Limited	[ICRA]BB+	Stable	[ICRA]A4+
Muthoot Hotels Private Limited	[ICRA]BB+	Stable	[ICRA]A4+
N Y Hospitalities and Holdings Private Limited	[ICRA]B+		
Nama Hotels Private Limited	[ICRA]BBB+(SO)	Stable	
Neesa Leisure Limited	[ICRA]B		[ICRA]A4
Nehru Place Hotels Limited	[ICRA]A-	Negative	
Ninaniya Estates Limited	[ICRA]B		
Nitesh Residency Hotels Private Limited	[ICRA]BB-	Stable	
Oriental Hotels Limited	[ICRA]AA-	Stable	[ICRA]A1+
Piccadily Holiday Resorts Limited	[ICRA]BBB	Stable	
Poppys Hotel Private Limited	[ICRA]B+		
R S Kalyaani Hotels Private Limited	[ICRA]BB-	Stable	
R.K. Associates	[ICRA]D		
Rockland Hotels Limited	[ICRA]BB	Stable	
Roots Corporation Limited	[ICRA]BBB+	Stable	
Royal Orchid Ahmedabad Private Limited	[ICRA]BBB+(SO)	Stable	
Royal Orchid Hotels Limited	[ICRA]BBB+	Stable	
S. P. Jaiswal Estates Private Limited	[ICRA]BBB+	Stable	[ICRA]A2+
Saakar Hospitality	[ICRA]BB	Stable	
Saptarishi Hotels Private Limited	[ICRA]BB-	Stable	[ICRA]A4
Satya Prakash Hotels Private Limited	[ICRA]D		
Sayaji Hotels Limited	[ICRA]BB	Stable	
Seabird Resorts Private Limited	[ICRA]BB	Stable	[ICRA]A4
Serveall Land Developers Private Limited	[ICRA]BB	Stable	
Seven India Hospitality Private Limited	[ICRA]D		
Shipra Hotels Limited	[ICRA]B+		
Shirdi Country Inns Private Limited	[ICRA]D		

Company	Long Term	Outlook	Short Term
Siesta Hospitality Services Limited	[ICRA]BBB-	Stable	
Spank Hotels Private Limited	[ICRA]BB+	Stable	[ICRA]A4+
St Laurn Hotels Limited	[ICRA]B+		[ICRA]A4
Sunair Hotels Limited	[ICRA]BBB+	Stable	[ICRA]A2+
Supreme Real Estate Developers Private Limited	[ICRA]BB-	Stable	
TAJ GVK Hotels & Resorts Limited	[ICRA]AA-	Stable	[ICRA]A1+
Techpark Hotels Private Limited	[ICRA]BBB-	Stable	
Triton Hotels & Resorts Private Limited	[ICRA]BB+	Stable	
Tuli Hotels Private Limited	[ICRA]B		
Velacity	[ICRA]D		
Viorica Properties Private Limited	[ICRA]BB-	Stable	[ICRA]A4
Vishnupriya Hotels & Resorts Private Limited	[ICRA]D		[ICRA]D
Westside Hotels and Resorts Private Limited	[ICRA]D		

ICRA Limited

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