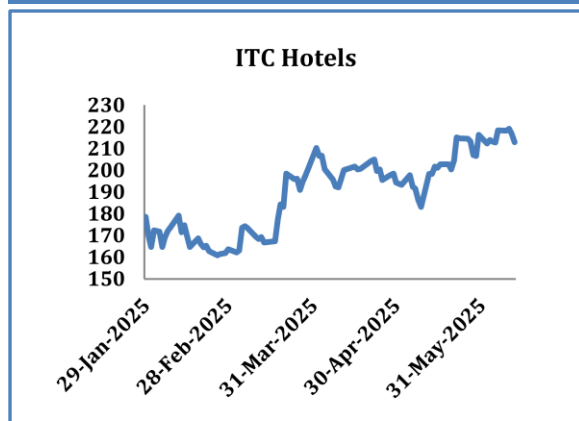


June 14, 2025

ITC HOTELS LTD	
Industry	Hotels
No. of Shares (Crore)	208.12
Face value (Rs.)	1.00
Mkt. Cap (Rs. Crore)	44,433.62
Price (13/06/2025)	213.50
Book Value (Rs)	51.37
P/BV	4.16
BSE Code	544325
NSE Code	ITCHOTELS
Bloomberg	ITCHOTEL IN
Reuters	ITCT.BO
Avg. Weekly Volume (NSE)	44,40,652
52 W H/L (Rs)	222.60 / 158.00
Shareholding Pattern	%
Indian Promoters	39.88
Institutions	47.00
Non- Institutions	13.12
<b>Total</b>	<b>100.00</b>
<b>(As on March 31, 2025)</b>	
Recommendation	
<b>BUY</b>	



### Company Background

ITC Ltd entered the Hotels business in 1975, with the opening of a Hotel in Chennai. Over the years, it has expanded to 140 properties across the country and has ~13,300 rooms in 90+ destinations. ITC Hotels operates under various brands including ITC Hotels and Mementos (luxury), Storii (boutique), Welcomhotel (upscale), Fortune (midscale), and WelcomHeritage (heritage).

### Investment Rationale

➤ ITC Hotels' market position in the industry is strongly supported by the strategic business/leisure locations of all its assets in metros, tier I cities and key tourist hubs. It also has presence across the value chain from luxury to mid-scale.

➤ ITC Hotels has a robust portfolio of owned properties in metros and tier I cities and key tourist hubs. This has enabled scaling up of revenues from Rs 1,498 Cr in FY18 to Rs3,560 Cr in FY25. Operating profitability has also increased with EBITDA at Rs 1,211 Cr as compared to Rs 320 Cr in FY18.

➤ ITC Hotels has healthy financial profile comprising of a Net Worth of Rs 10,484 Cr and a debt free balance sheet post demerger from its parent ITC Ltd. Its current expansion projects are planned primarily via managed route, the capex commitment (~8-10% of revenue) is expected to be relatively lower going forward.

➤ ITC Hotels's Average Room Rent (ARR) and Revenue Per Available Room (RevPAR) improved from Rs 8,000 and Rs 5,200 respectively in FY20 to Rs 12,500 and Rs 9,100 in FY25.

➤ Strong demand and limited supply over the medium term is expected to help the company sustain its healthy operating performance in fiscal 2026. ~20% of room inventory is in stabilization phase and is expected to reach full potential in the next few years

➤ ITC Hotels has healthy inventory addition pipeline and there is scope for sweating the current asset portfolio, driving growth for the company. Its balance sheet and a healthy cash flow generation are expected to provide opportunities to tap inorganic growth prospects.

➤ ITC Hotels remains a strategically important entity for ITC, reflected in 40%shareholding and board representation where strategic inputs will be provided. Over the years, ITC has built up its Hotel portfolio and has now demerged into a separate entity to enable the hotels business to chart its own growth path. While expansion will be primarily via managed route and accruals are expected to be comfortable compared to capex requirements, ITC will be a strong anchor shareholder in any of the growth plans / strategies that ITC Hotels seeks to execute.

### Recommendation

ITC Hotels has a significant presence in India, with hotels across 90+ destinations and over 140 properties. Adoption of an asset light model in the form of managed hotels is expected to keep its balance sheet less leveraged with significant liquidity. By 2030, ITC Hotels aims to cross the 20,000-key mark, While the hotel industry growth in FY25 was driven by pricing (industry rates grew 8% YoY), ITC Hotels lagged with a pricing growth of 4%, implying a scope to increase rates in future. We would recommend a BUY with a target price of Rs 262 in the next 9-12 months' time period, thus implying a rise of 23% from the current levels.

Particulars (In Rs. Crs)	Q4FY25	Q4FY24	Var%	FY25	FY24**	Var%
Net Sales	1,060.62	907.31	16.90	3,559.81	2,224.40	60.03
PBIDT (Excluding OI)	412.29	322.25	27.94	1,210.88	749.67	61.52
Net Profit	256.90	182.48	40.78	634.57	421.72	50.47
PBIDTM% (Excluding OI)	38.87	35.52	9.43	34.02	33.70	0.95
PATM%	23.89	19.85	20.35	17.47	18.66	-6.38
Equity	208.12	83.00	150.75	208.12	83.00	150.75
EPS (Rs.)	1.23	0.88	39.77	3.05	2.03	50.25

\*\*FY24 figures are from July 2023 to March 2024

\*Source: Company, Ace Equity, AUM Research

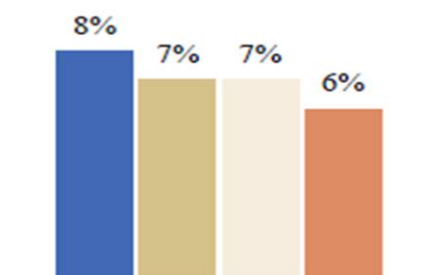
## Sector Overview

### Snapshot of Hospitality Segments in India

Segment	Luxury	Premium (upper upscale and upscale)	Economy and Midscale
Segment Description	Typically includes iconic and marquee hotels, positioned in the topmost tier. They usually offer larger room sizes, multiple and differentiated fine dining options, spas, recreational facilities, large and opulent public areas with personalized services.	Upper upscale hotels are typically well positioned, full-service hotels. Typically, priced lower than luxury and offer smaller public areas and facilities	Economy and midscale hotels offer functional accommodations and limited services, while being focused on price consciousness

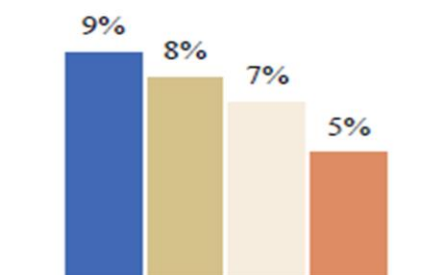
	Luxury	Premium (upper upscale and upscale)	Economy and Midscale
Service Level	Full	Full	Select / Limited
# of Restaurants	3-4	1-3	0 -1
Other Typical Amenities	Gym, Spa, Swimming Pool, Wellness Services	Gym, Spa, Swimming Pool	Gym
Service Highlights	Opulent & large rooms, multiple & typically theme based dining options, multiple amenities, personalized services (e.g., butler services)	Well-designed rooms, multiple dining options, multiple amenities	Functional rooms, limited dining options
Primary Income Streams	Room sales, sizeable F&B revenues, MICE & banqueting	Room sales, F&B revenues, MICE & banqueting	Room sales & limited F&B
Typical Gross Floor Area per room (sq. ft)	1,200 and above	800 – 1,200	400 – 800
Typical Area per Room	38 sqm and above	28 – 38 sqm	15 – 28 sqm
Key Location Attributes	Marquee Locations in Central and Key Business Districts	Premium Locations	Multiple Locations

(FY2019 to FY2024 ARR CAGR)



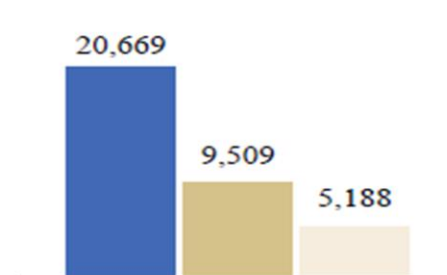
■ Luxury ■ Upper Upscale ■ Upscale ■ All

(FY2019 to FY2024 RevPAR CAGR)



■ Luxury ■ Upper Upscale ■ Upscale ■ All

(2024 TRevPAR, ₹)



■ Luxury ■ Upper Upscale ■ Midscale

### 1) Organized and Branded Hotels

India's hospitality industry has an inventory of approximately 3.4 million keys as of March 31, 2024, of which the organized sector, which includes branded, aggregators, and quality independent hotels, represents only approximately 11% or approximately 375,000 keys. The organized hotel stock is further segmented into branded and independent hotels, of which branded hotels constitute approximately 45% of the keys, i.e., approximately 170,000 keys.

### 2) Mode of ownership

Hospitality in India is typically undertaken through Owner, Manager and Franchiser business models and any combinations of these. The business model of an Owner-Manager combines asset ownership and management and provides alignment with an optimal focus on asset level profitability, brand progression and management fee growth.

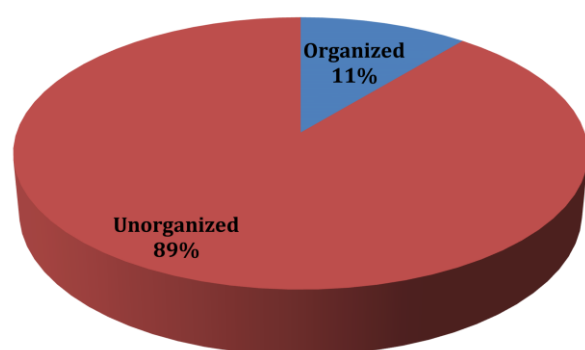
### 3) Segments

The hospitality industry comprises luxury, premium (upper upscale and upscale), economy and midscale segments, which provide a wide range of offerings, services, and experiences. Luxury hospitality segment has larger room sizes, high-quality amenities with best-in-class services and are typically characterized by multiple banquets, restaurants and meeting rooms depending on the target segment and thus are able to command higher ARR's compared to other segments.

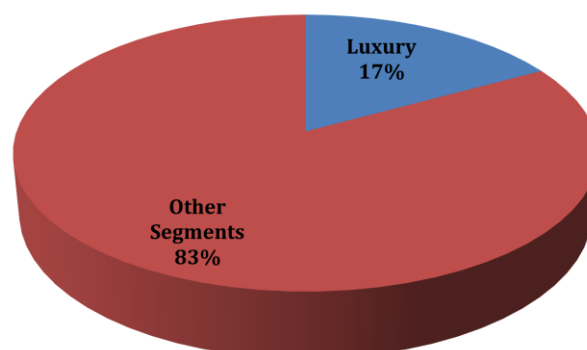
### Operations of the Hospitality Industry in India

Model	Function	Economics
Owner	<ul style="list-style-type: none"> <li>Owner or developer of the underlying real estate</li> <li>Asset manager (appointed by Owners to oversee the hotel performance)</li> </ul>	<ul style="list-style-type: none"> <li>Top-line revenue</li> <li>Bottom-line, property level economics (i.e., hotel EBITDA, asset valuation)</li> </ul>
Manager	<ul style="list-style-type: none"> <li>Promotes the brand</li> <li>Sets the SOPs</li> <li>Runs day-to-day operations</li> </ul>	<ul style="list-style-type: none"> <li>Base fee: 2-4% of total revenue</li> <li>Incentive fee: 6-10% of gross operating profit</li> </ul>
Franchiser	<ul style="list-style-type: none"> <li>Promotes the brand</li> <li>Sets brand standards</li> </ul>	<ul style="list-style-type: none"> <li>Base Franchise fee: 4% - 6% of the total revenue</li> </ul>

Organized & Unorganized

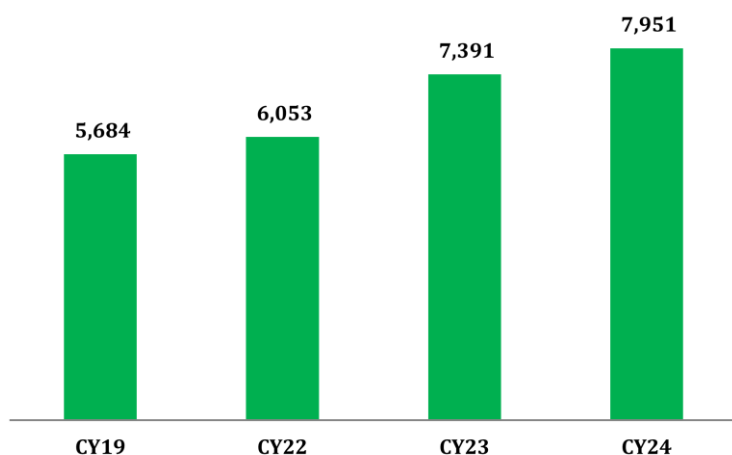


Luxury & Other Segments

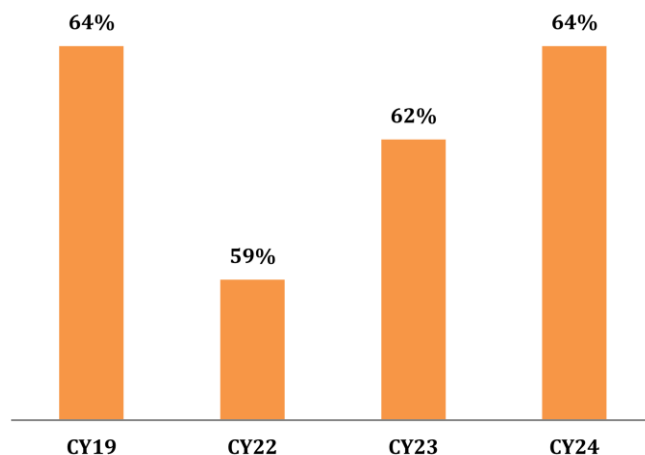


\*Source: AUM Research

**Average Room Rent In INR**

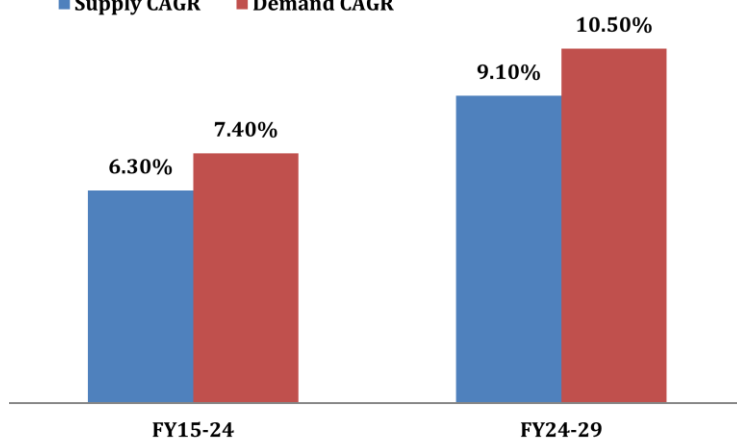


**Occupancy %**

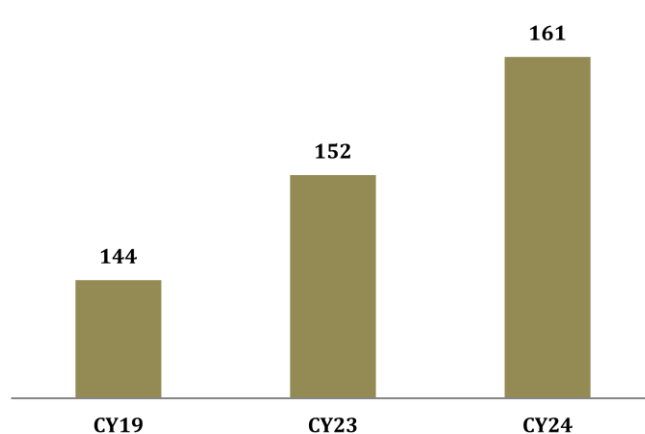


**Supply & Demand Growth %**

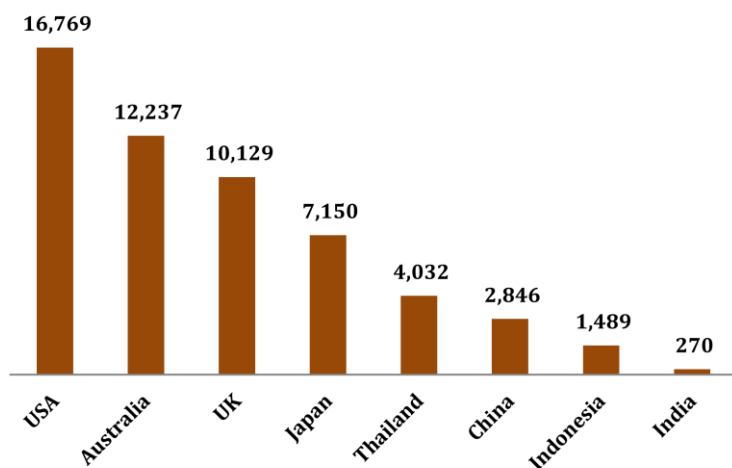
■ Supply CAGR ■ Demand CAGR



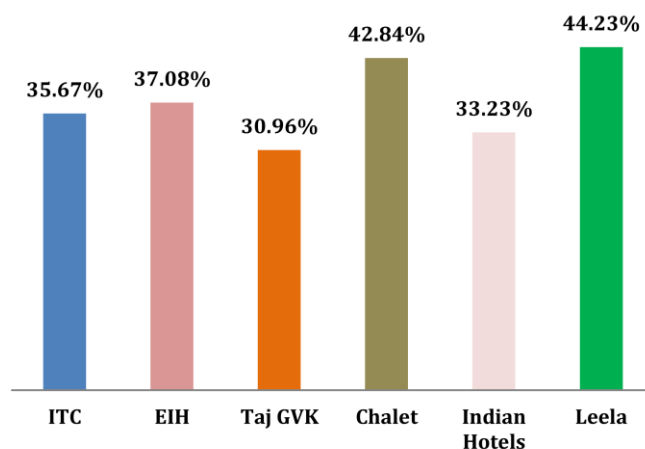
**Domestic Air Passenger Traffic In Mn**



**Keys Per Million Population**









**EBIDTA Margins%**

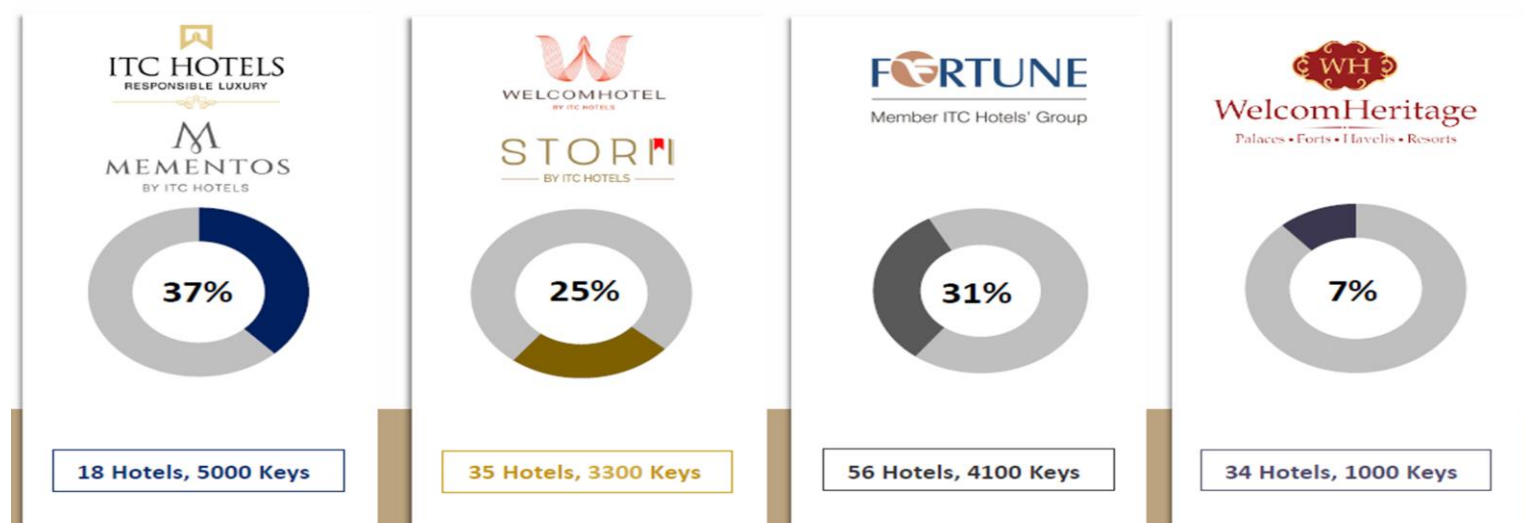
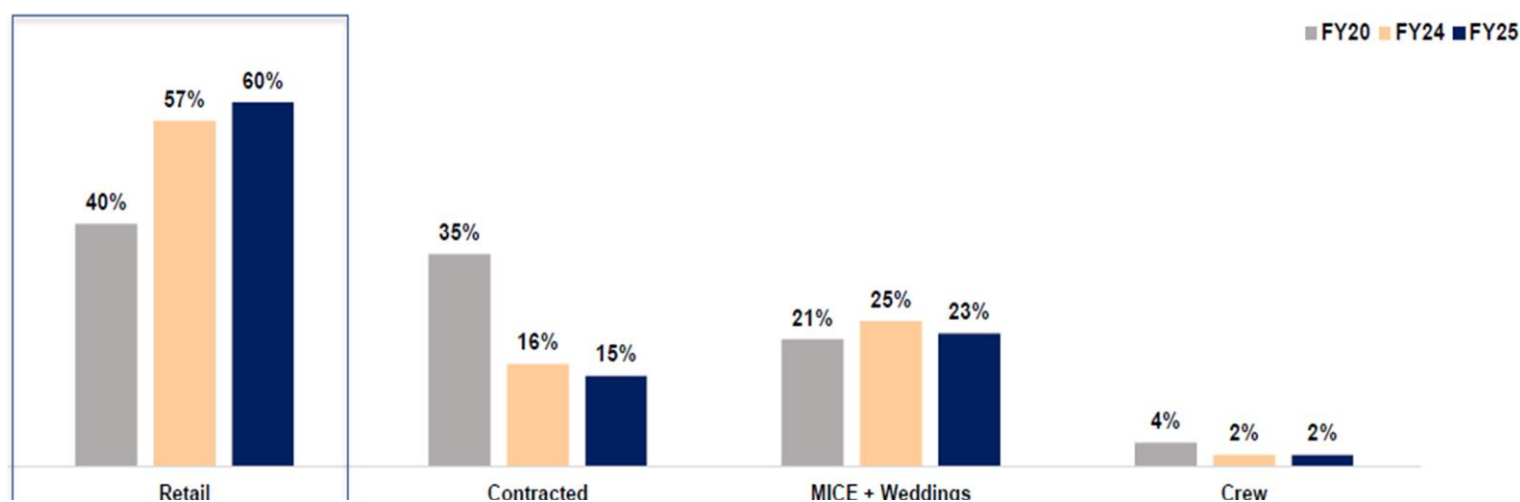


\*Source: Company, , AUM Research



## Company Profile

Brands	Operational Hotels   Keys	Pipeline Hotels   Keys	Total Hotels   Keys
 <b>ITC HOTELS</b> RESponsible Luxury	16   4789	-	16   4789
 <b>MEMENTOS</b> BY ITC HOTELS	2   181	2   420	4   601
 <b>WELCOMHOTEL</b> BY ITC HOTELS	28   3051	12   1592	40   4643
 <b>STORM</b> BY ITC HOTELS	7   229	11   615	18   844
 <b>FORTUNE</b> Member ITC Hotels' Group	56   4133	22   1765	78   5898
 <b>WelcomHeritage</b> Palaces • Forts • Havelis • Resorts	34   999	3   130	37   1129
<b>Total</b>	<b>143   13382</b>	<b>50   4522</b>	<b>193   17904</b>



\*Source: Company, AUM Research

## Rationale For Investment

### 1) Strong business risk profile with an established position in the hospitality industry:-

- **Large Portfolio:-** ITC Hotels' market position in the industry would be supported by the strategic business/leisure locations of all its assets in metros, tier I cities and key tourist hubs. It also has presence across the value chain from luxury to mid-scale with 6 brands (ITC Hotels, Welcomhotel, Mementos, Storii, Fortune and WelcomHeritage). It has a footprint of 140 hotels across 90+ destinations with ~13,300 keys.
- **Expansion via management contracts:-** ITC Hotels has adopted a strategy of expanding via management contract route. Currently, 57% of the keys are in the managed portfolio. Going forward, the target for the hotel chain is to reach over 18000 keys across 200+hotels over the next 5 years, primarily via management contract route. The share of luxury/premium rooms in the mix of managed portfolio is also expected to improve.

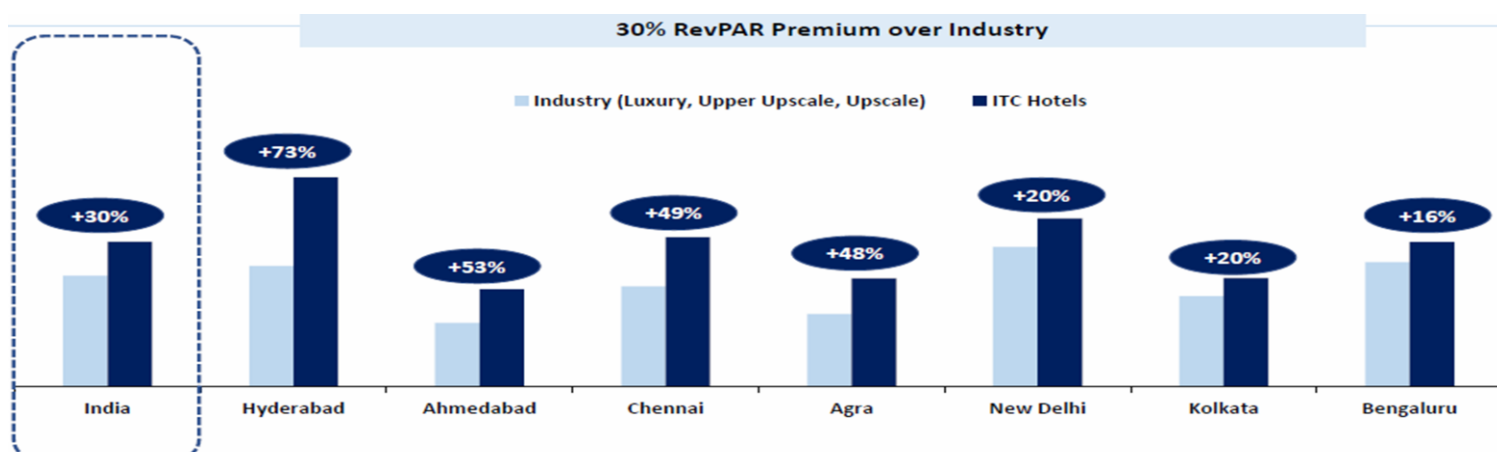
### 2) Healthy financial risk profile:-

- **Operating Performance:-** ITC Hotels has a robust portfolio of owned properties in metros and tier I cities and key tourist hubs. This has enabled scaling up of revenues from Rs 1,498 Cr in FY18 to Rs3,560 Cr in FY25. Operating profitability has also increased with EBITDA at Rs 1,211 Cr as compared to Rs 320 Cr in FY18.
- **Debt free status:-** ITC Hotels's Balance Sheet boasts of a Net Worth of Rs 10,484 Cr at the end of FY25 as well as being debt free. It plans to undertake the current expansions through the managed route through which the capex commitments is expected to be relatively lower going forward.
- **Liquidity:-** ITC Hotels had Cash & Bank balance worth ~Rs 1,653 Cr at the end of FY25. Net cash accrual are expected to be comfortable and is expected to support regular capital expenditure and greenfield and brownfield expansion as announced over the next 4-5years.

### 3) Scope to scale up occupancy:-

- **Healthy growth in the overall industry:-** ITC Hotels's occupancy for owned hotels at 73% and has room to sweat the existing properties. About 25% of the owned inventory is new (less than 5 years) and is operating at less than 70% occupancy, implying a scale-up in revenues. Moreover, with the hotel industry up-cycle sustaining, the company has the potential to enhance room rates. While the hotel industry growth in FY25 was driven by pricing (industry rates grew 8% YoY), ITC Hotels lagged with a pricing growth of 4%, implying a scope to increase rates in future.
- **Healthy pipeline:-** In order to effectively tap the industry up-cycle, ITC Hotels has a healthy inventory addition pipeline and aims to add 4,522 keys, which is nearly a 35% increase. The inventory addition is planned across various sub-segments and brands.
- **Target 2030:-** By 2030, ITC Hotels aims to cross the 20,000-key mark, thus strengthening its leading position in the Indian hospitality industry. Most of the inventory addition (about 94%) would be via the asset-light management contract route. The company aims to increase the share of keys under management contract from the current 57% to about 70%, and it is targeting 2.5x increase in the management fees by 2030.
- **Thrust on economic infrastructure the Union Government:-** The government's thrust on enhancing infrastructure & connectivity and developing new tourist spots is also aiding industry demand. An increase in foreign tourist arrivals, which are still 12% below the Pre-COVID level, is another important factor to drive demand. The Hotel Industry anticipates that the demand is expected to grow at 10.5% CAGR over the FY24-29 period.

### 4) Better than industry performance:-



\*Source: Company, AUM Research

**5) Augmenting its other revenue streams:-**

- **F&B and other segments:-** ITC Hotels is in the process of enhancing the app-based online food (comprising signature cuisines) delivery/takeaway business and is offering luxury dining programmes (with exclusive access across 140 hotels) to maximise F&B (food and beverage) revenues. It is also augmenting "Sleep by ITC Hotels", which comprises sleep products and accessories with exquisite product offerings. The company is also pushing the club business (business meetings and private dining) and destination weddings to augment revenues.

**6) Current key projects**

- **Plans to develop 200 keys greenfield property via own portfolio:-** ITC Hotels plans to develop a 200-key greenfield property at Visakhapatnam at an investment of Rs 330 Cr, fully funded via internal accruals. The property is likely to commence operations in 2029. Construction is underway for a new 118-key Welcom Hotel in Puri, to be operationalized by FY28, and 100-key expansion at Welcom Hotel Bhubaneswar.
- **Turnaround in its Colombo operations:-** ITC Ratnadipa in Colombo turned EBITDA positive in H2, highlighting strong operational performance. RevPAR has shown robust growth, doubling in Q4 versus Q1. With healthy occupancy and improving margins, ITC Ratnadipa is now a meaningful contributor to both revenue and EBITDA and is expected to remain a key growth driver, going forward.

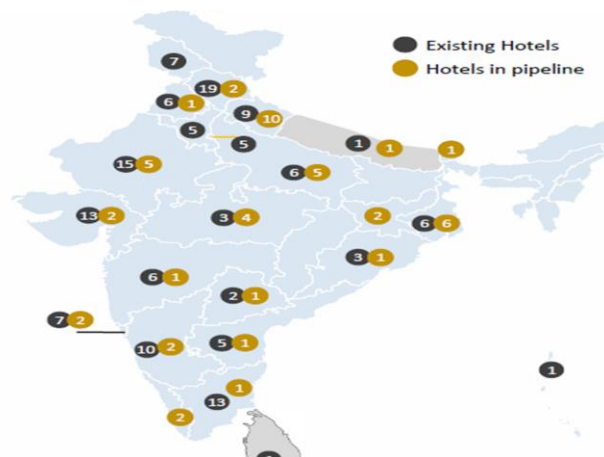
**7) PAN India presence**

**Current Operating Footprint**

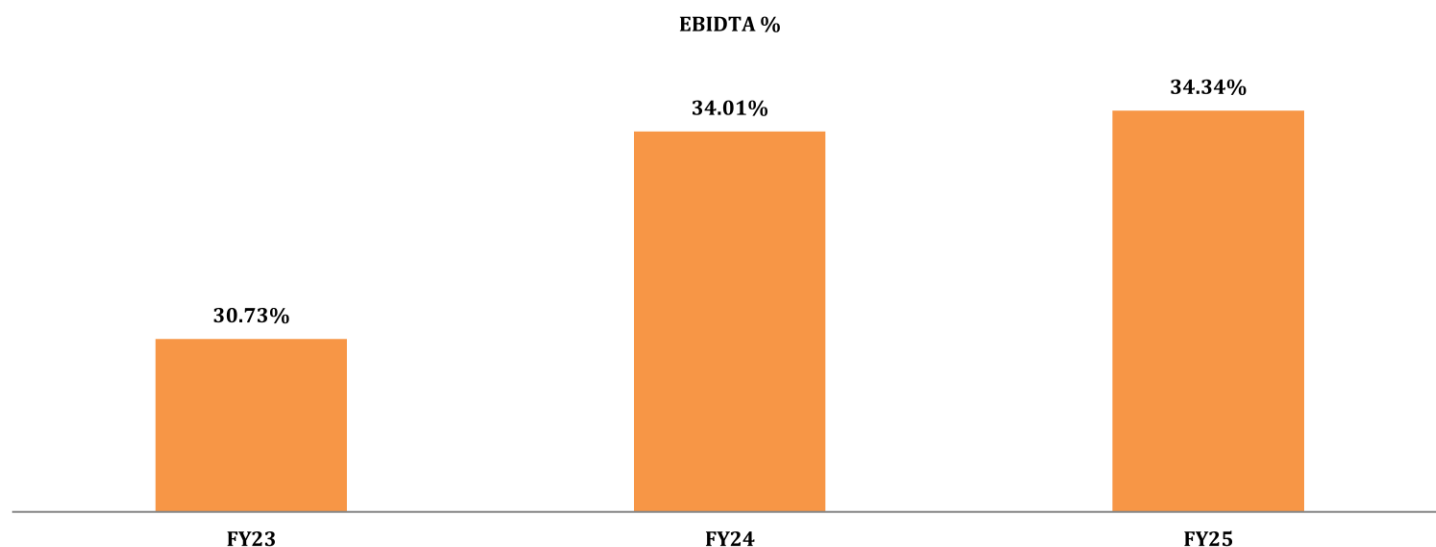
**140+ Hotels**  
**13,300+ Keys**  
(Owned / Managed Mix By % Keys : 42% / 58% )

**By 2030**

**220 Hotels**  
**20,000+ Keys**  
(Owned / Managed Mix By % Keys : 30% / 70%)

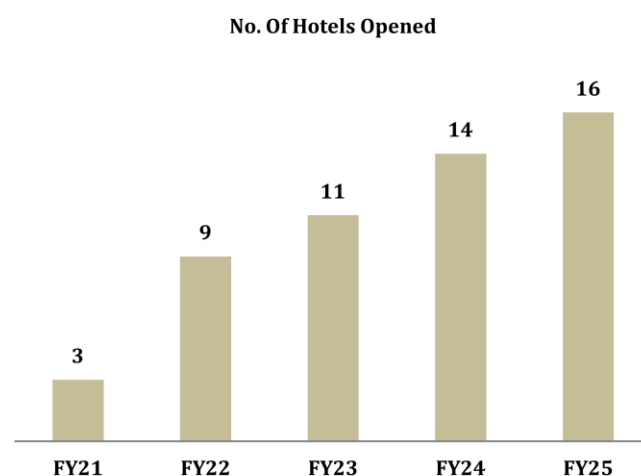
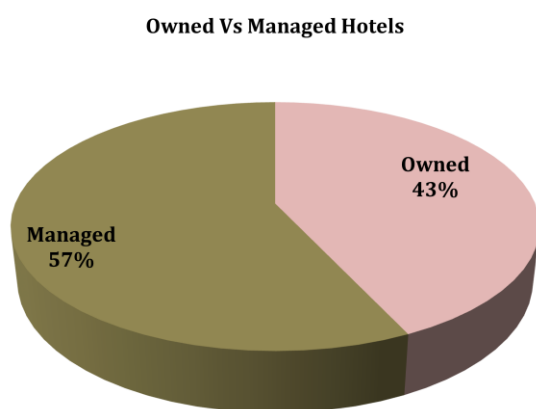
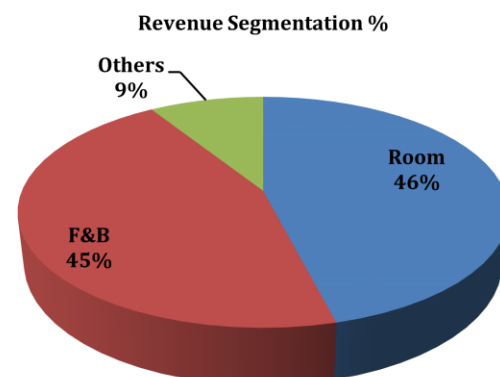
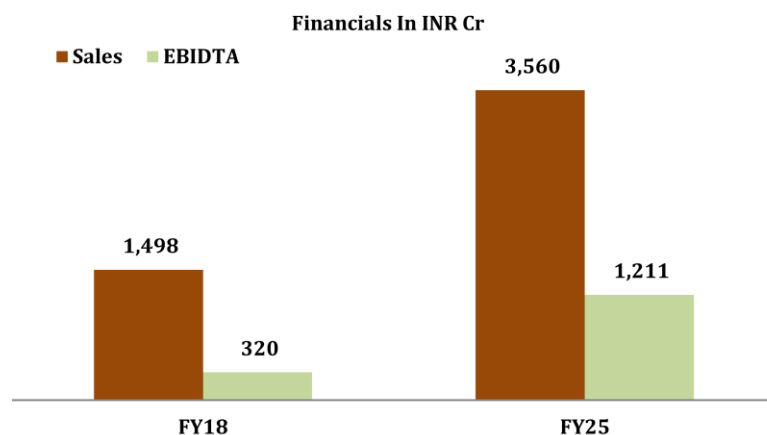


**8) Healthy Operating margins**



\*Source: Company, AUM Research

June 14, 2025



## Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q4FY25	Q4FY24	Var%	FY25	FY24**	Var%
Net Sales & Other Operating Income	1,060.62	907.31	16.90	3,559.81	2,224.40	60.03
Total Expenditure	648.33	585.06	10.81	2,348.93	1,474.73	59.28
PBIDT (Excl OI)	412.29	322.25	27.94	1,210.88	749.67	61.52
Other Income	38.19	-0.19	-	66.30	12.38	435.54
Operating Profit	450.48	322.06	39.87	1,277.18	762.05	67.60
Interest	1.68	1.87	-10.16	6.64	4.64	43.10
PBDT	448.80	320.19	40.17	1,270.54	757.41	67.75
Depreciation	99.80	75.90	31.49	402.35	201.39	99.79
PBT	349.00	244.29	42.86	868.19	556.02	56.14
Tax	95.67	64.19	49.04	246.42	140.85	74.95
Net Profit	253.33	180.10	40.66	621.77	415.17	49.76
Minority Interest	-0.95	-1.23	-	-3.07	-2.15	-
Share of Associates	4.52	3.61	25.21	15.87	8.70	82.41
Adjusted Net Profit	256.90	182.48	40.78	634.57	421.72	50.47
Equity	208.12	83.00	150.75	208.12	83.00	150.75
Adjusted EPS (Rs.)	1.23	0.88	39.77	3.05	2.03	50.25

\*\*FY24 figures are from July 2023 to March 2024

\*Source: Company, Ace Equity, AUM Research



June 14, 2025

Particulars	FY25	FY24**
<b>Sources of Funds</b>		
<b>Share Capital</b>	<b>208.12</b>	<b>83.00</b>
Reserves & Surplus	10,484.05	8,414.85
<b>Shareholder's Funds</b>	<b>10,692.17</b>	<b>8,497.85</b>
Minority Interest	36.27	33.25
Long Term Borrowing	-	-
Secured Loans	-	-
Unsecured Loans	-	-
Other Long Term Liabilities	133.55	257.46
Long Term Trade Payables	-	-
Long Term Provisions	27.80	21.41
<b>Total</b>	<b>10,889.79</b>	<b>8,809.97</b>
<b>Application of Funds</b>		
Total Net block	7,807.79	6,061.19
Goodwill	16.98	16.98
Capital Work in Progress	155.97	1,766.66
Investments	502.48	128.46
Long Term Loans & Advances	-	0.04
Other Non Current Assets	532.21	667.90
Current Investments	173.68	75.94
Inventories	1,241.16	1,036.62
Sundry Debtors	201.77	144.52
Cash and Bank	1,653.56	197.46
Other Current Assets	186.58	91.90
Loans and Advances	0.21	0.36
<b>Total Current Assets</b>	<b>3,456.96</b>	<b>1,546.80</b>
Trade Payables	421.43	433.29
Other Current Liabilities	728.91	532.90
Provisions	10.40	15.92
Total Current Liabilities	1,160.74	982.11
<b>Net Current Assets</b>	<b>2,296.22</b>	<b>564.69</b>
Deferred Tax Assets / Liabilities	-421.86	-395.95
Deferred Tax Assets	3.87	3.78
Deferred Tax Liability	425.73	399.73
<b>Total Assets</b>	<b>10,889.79</b>	<b>8,809.97</b>

\*\*FY24 figures are from July 2023 to March 2024

\*Source: Company, Ace Equity, AUM Research Research

### **Aum Capital RESEARCH DESK**

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