RNM India

RNM capital advisors

VALUATION MULTIPLE SERIES
INDUSTRY FOCUS -HOSPITALITY

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Methodology for Estimating Valuation Multiples

This Report's goal is to explain how the business valuation, financial performance, and corresponding valuation multiples for companies operating in the Hospitality Industry have changed over time.

The market basis its future growth projections & prospects, business valuation, and associated valuation multiples for enterprises on past financial performance.

India's tourism and hospitality industry is one of the country's largest service sectors and a significant contributor to economic growth and employment. According to the World Travel & Tourism Council (WTTC), the sector's contribution to India's GDP is projected to increase from US$ 256 billion in CY24 to US$ 523 billion by CY34. Foreign tourist arrivals reached 10 million in CY24, reflecting the continued recovery and expansion of the sector. India's diverse tourism offerings, including leisure, heritage, spiritual, wellness, medical and eco-tourism, continue to attract both domestic and international travelers, supported by improving infrastructure and connectivity.
Source:Indian Brand Equity Foundation

The Government of India continues to promote the tourism and hospitality sector through initiatives focused on destination development, infrastructure enhancement and visitor experience improvement. Programs such as Swadesh Darshan and PRASHAD are strengthening tourism circuits and creating world-class attractions across the country. Tourism-related foreign exchange earnings stood at US$ 35.01 billion in CY25, highlighting the sector's growing economic significance. Recent policy measures emphasizing thematic tourism trails, heritage conservation, eco-tourism and regional connectivity are expected to further strengthen India's position as a leading global tourism destination and support long-term growth in the hospitality industry.
Source: Indian Brand Equity Foundation

We have identified Hospitality as the key sector, with value creation flowing to and from related sectors, that has a significant influence on the overall economy. Further, we have identified 05 companies ("Representative Companies") that fairly represents the technical dynamics of the Hospitality Industry.

As a part of this research, we have derived cash operating margin (EBITDA Margin) and net profit margin (PAT Margin) for Representative Companies in Hospitality Industry. Along with various other multiples-Enterprise Value to Sales, Enterprise Value to EBITDA, Enterprise Value to Room, Occupancy Rate % and P/E Ratio.

This Report is providing the information of the Representative Companies, namely:

IHCL

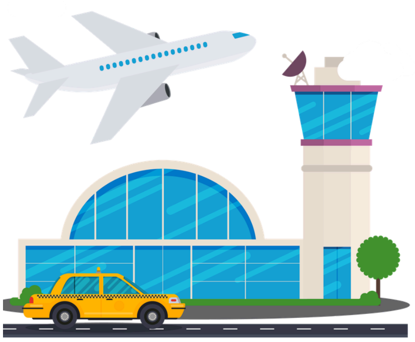
The Indian Hotels Company Limited (IHCL) was incorporated in 1899 and is headquartered in Mumbai, India. It has over 51,000 employees. IHCL is one of India’s leading hospitality companies and operates a diversified portfolio spanning the luxury, upscale, upper-upscale, lean luxury, and midscale segments. The company manages its hospitality business through a range of brands including Taj, SeleQtions, Vivanta, Gateway, Ginger, Claridges Collection, Tree of Life, amã Stays & Trails, Brij, Clarks, and Atmantan. Its operations extend across four continents, multiple countries, and over 100 cities, catering to both business and leisure travelers. With more than 630 hotels and an extensive portfolio of amã Stays & Trails villas, the company manages over 33,000 rooms and continues to expand its footprint through new hotel signings and openings. Through its diversified brand portfolio and strong presence across hospitality segments, IHCL has established itself as one of the largest and most recognized hospitality companies in India.

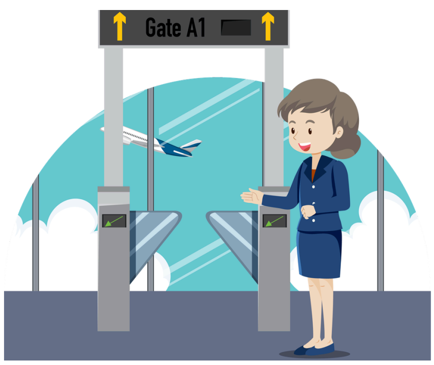
EIH Limited
A MEMBER OF THE OBEROI GROUP

EIH Limited was incorporated in May 1949 and is headquartered in Kolkata, India. It has over 9,448 employees. EIH Limited is the flagship company of the Oberoi Group, founded by the late Rai Bahadur M.S. Oberoi, and operates luxury and premium hotels under the Oberoi, Trident, and Maidens brands. The company provides a diverse range of hospitality services, including luxury hotels, resorts, leisure destinations, and business accommodations, complemented by luxury boat and cruise experiences. With a portfolio spanning key domestic and international destinations and over 4,200 rooms under operation, EIH has established a strong presence in the hospitality industry through its focus on delivering premium guest experiences and world-class service standards.

Lemon Tree Hotels Limited was incorporated in 1992 and is headquartered in New Delhi, India. It has over 7,455 employees. The company is the largest mid-priced hotel chain and the third-largest overall hotel chain in India, operating across the upscale, upper-midscale, midscale, and economy segments. It offers differentiated hospitality services with a strong value-for-money proposition, catering to both business and leisure travelers. The company has a presence across more than 80 cities in India and operates an extensive portfolio of hotels with over 11,800 rooms, enabling it to serve a diverse customer base through its wide-ranging hospitality offerings.

Chalet Hotels Limited was incorporated in 1986 and is headquartered in Mumbai, India. It has over 3,433 employees. Part of the K Raheja Corp Group, the company is an owner, operator, developer, and asset manager of high-end hotels and hotel-led mixed-use developments across key metropolitan markets including Mumbai, the National Capital Region, Hyderabad, Bengaluru, Pune, Rishikesh, and Khandala. Its hospitality portfolio comprises premium properties operated under globally recognized brands such as Marriott, JW Marriott, Westin, Sheraton, Novotel, and Marriott Executive Apartments, and includes over 3,300 rooms. The company focuses on driving business efficiencies and sustainable growth throughout the asset lifecycle, from pre-development to operations, while maximizing returns from its hospitality and mixed-use real estate portfolio.





Royal Orchid Hotels Limited was incorporated in 1986 and is headquartered in Bengaluru, India. It has over 8,500 employees. The company operates and manages hotels, resorts, and related hospitality services through a diversified portfolio of hotel properties across India and Nepal. It manages its hospitality assets through various ownership models, including owned, leased, managed, franchised, joint venture, and subsidiary-operated hotels. The company operates under multiple brands, including Royal Orchid, Royal Orchid Central, Royal Orchid Suites, Regenta Central, Regenta Resort, Regenta Place, and Regenta Inn, catering to luxury, upscale, serviced apartment, resort, heritage, and budget segments. With a presence across more than 80 locations, over 120 operational hotels, and more than 7,500 operational rooms, Royal Orchid Hotels has established a strong footprint in the Indian hospitality industry while continuing to expand its portfolio through upcoming properties.

Financial Performance of Representative Companies

Revenue

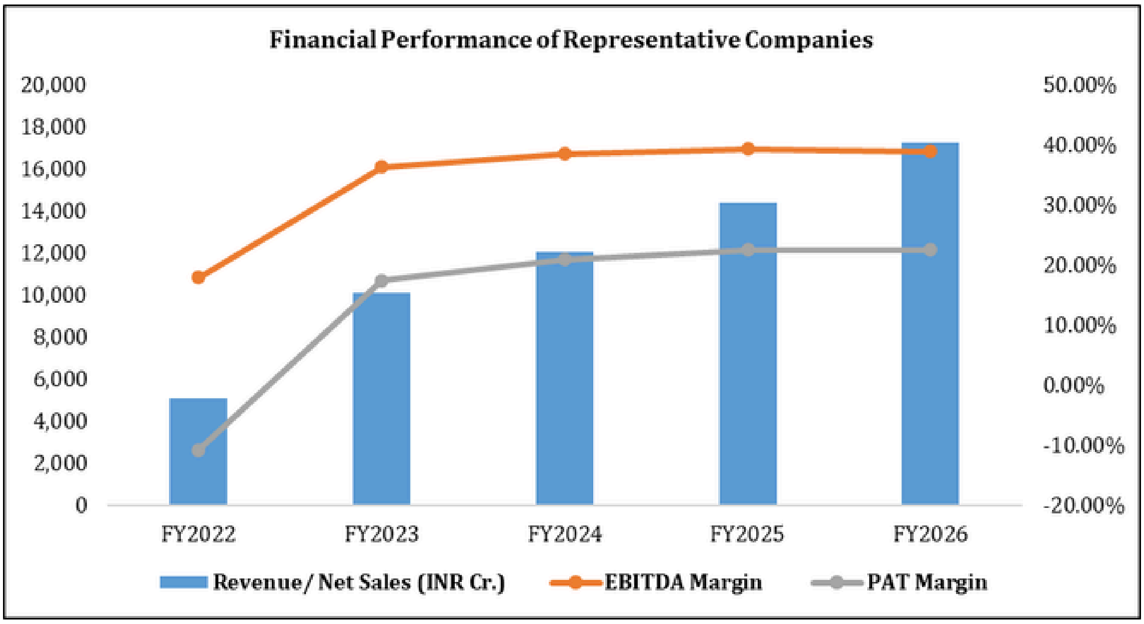
Revenue is the money generated from normal business operations, calculated as the average sales price times the number number of units sold.

EBITDA Margin

EBITDA margin is a profitability ratio that measures how much earnings a company is generating before interest, taxes, depreciation and amortization, as a percentage of revenue. EBITDA Margin = EBITDA/Revenue. It is also referred to as 'Cash Operating margin'.

PAT Margin

Profit After Tax refers to the amount that remains after a company has paid off all of its operating and non operating expenses, interest and taxes.
PAT Margin = PAT/Revenue.

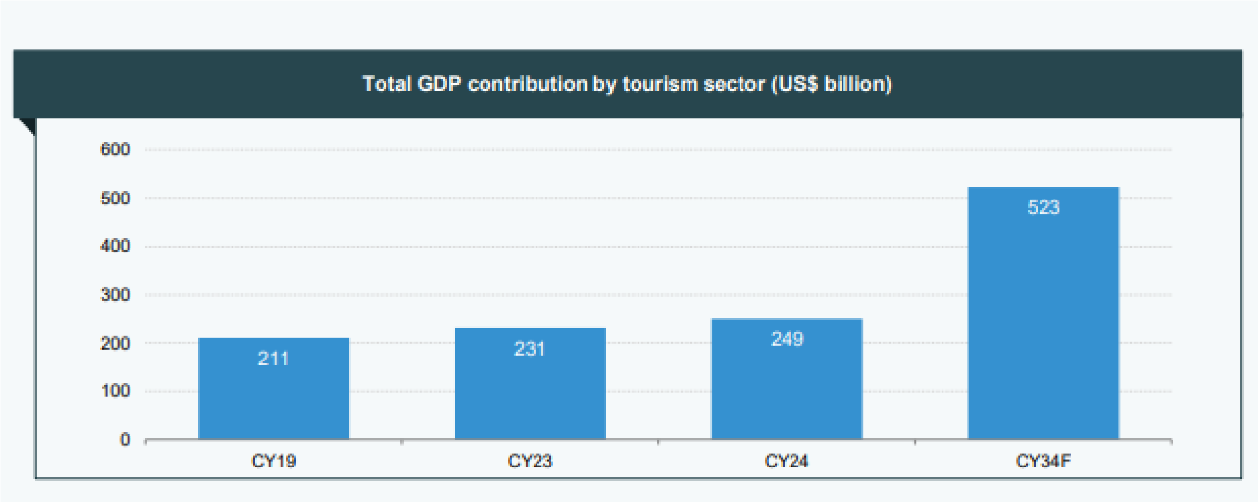


Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
Revenue/ Net Sales (INR Cr.)	5,090	10,096	12,062	14,401	17,227
EBITDA Margin	17.89%	36.35%	38.50%	39.29%	38.93%
PAT Margin	-10.85%	17.38%	20.88%	22.51%	22.47%
No of Rooms	40,646	41,564	47,427	51,114	60,079

The Hospitality Industry has witnessed strong growth over the last 5 years, with revenue growing at a CAGR of 35.64% from FY2022 to FY2026, supported by rising travel demand, improved occupancy levels and higher average room rates.

- The revenue figures increased significantly from INR 5,090 crores in FY2022 to INR 10,096 crores in FY2023. Revenue further grew to INR 12,062 crores in FY2024, followed by an increase to INR 14,401 crores in FY2025 and reaching INR 17,227 crores in FY2026.
- The EBITDA margin improved substantially from 17.89% in FY2022 to 36.35% in FY2023. It continued its upward trend, increasing to 38.50% in FY2024 and 39.29% in FY2025. In FY2026, the margin moderated marginally to 38.93%, while remaining at a robust level.
- The PAT margin improved significantly from a negative 10.85% in FY2022 to 17.38% in FY2023, reflecting a strong recovery in profitability. It further increased to 20.88% in FY2024 and 22.51% in FY2025. In FY2026, the PAT margin remained stable at 22.47%, indicating sustained earnings performance and operational efficiency.

Industry Trends & Key Statistics



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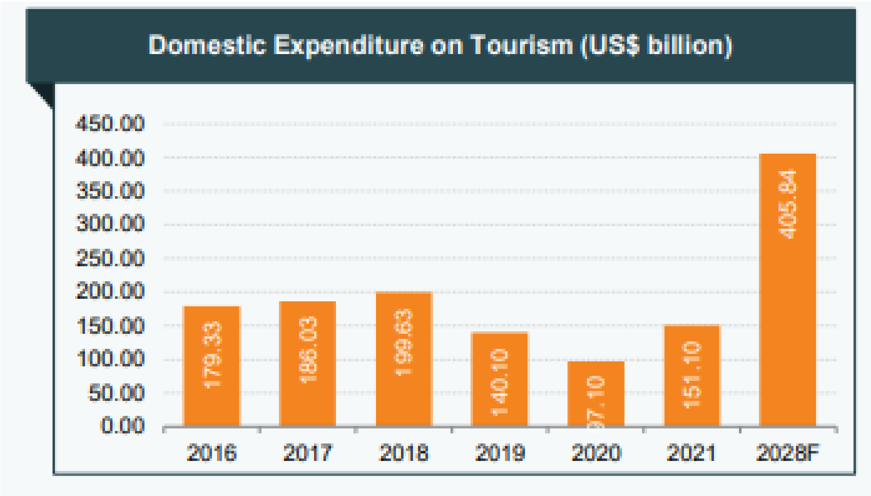

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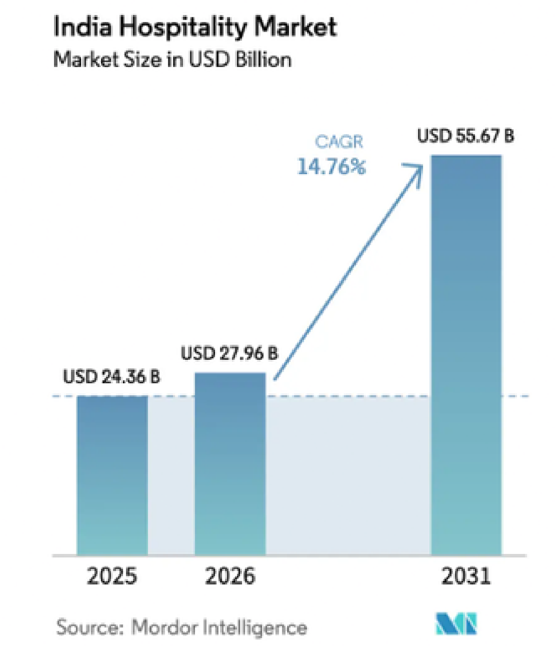
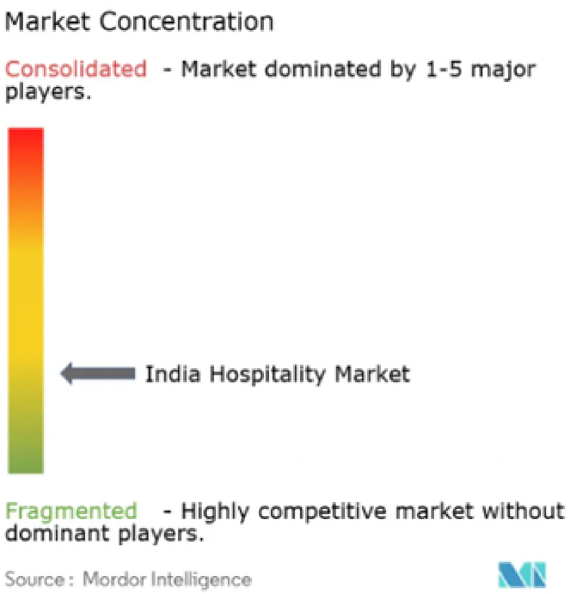
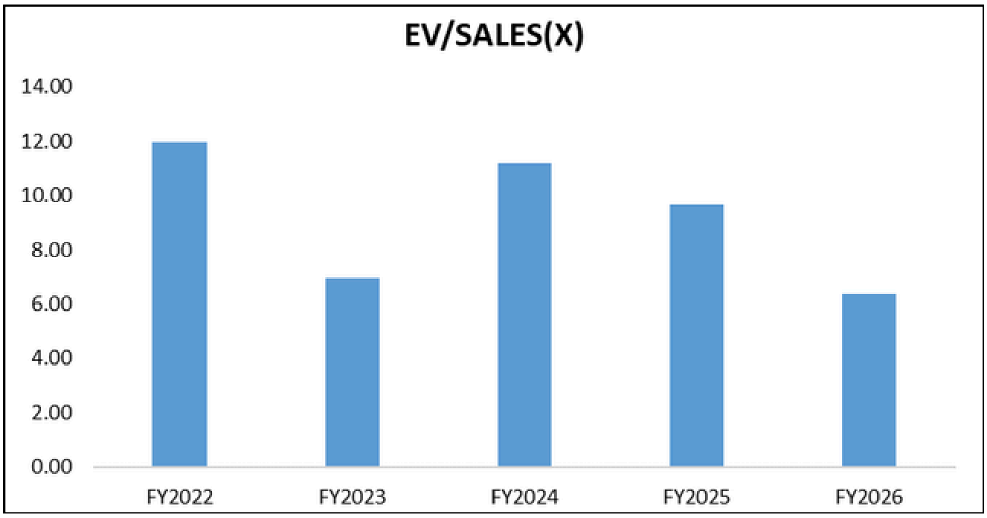




Multiples: HOSPITALITY

EV/SALES

Enterprise value-to-sales (EV/sales) is financial valuation measure that compares the enterprise value (EV) of a company to its annual sales. The EV/sales multiple gives a quantifiable metric of how to value a company based on its sales while taking account of both the company's equity and debt.

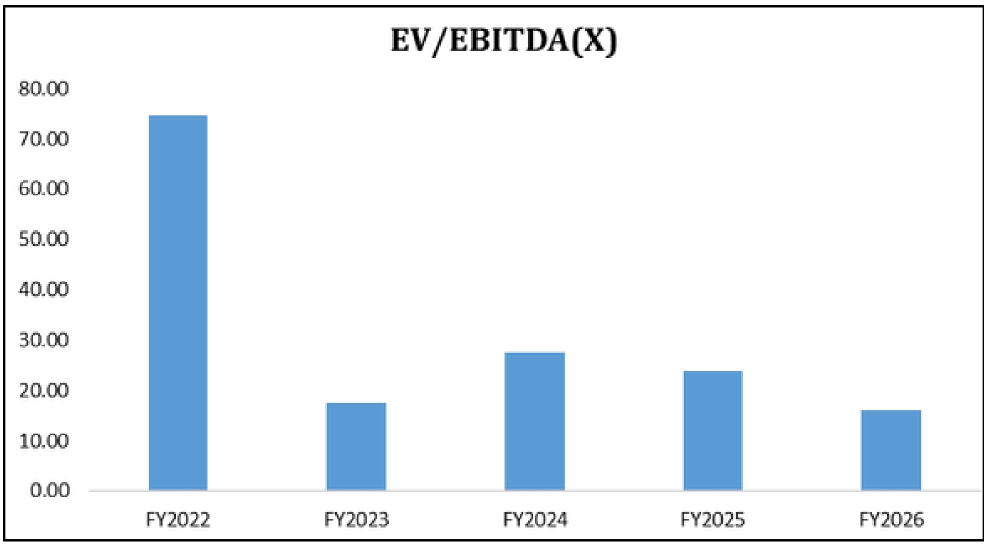


Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
EV/Sales	11.97	6.98	11.19	9.65	6.36

The EV/Sales multiple declines from 11.97x in FY2022 to 6.98x in FY2023, subsequently increases to 11.19x in FY2024, and then moderates to 9.65x in FY2025 before further declining to 6.36x in FY2026.

EV/EBITDA

EV/EBITDA multiple is used to project the Enterprise Value (EV) of a company in terms of the EBITDA.

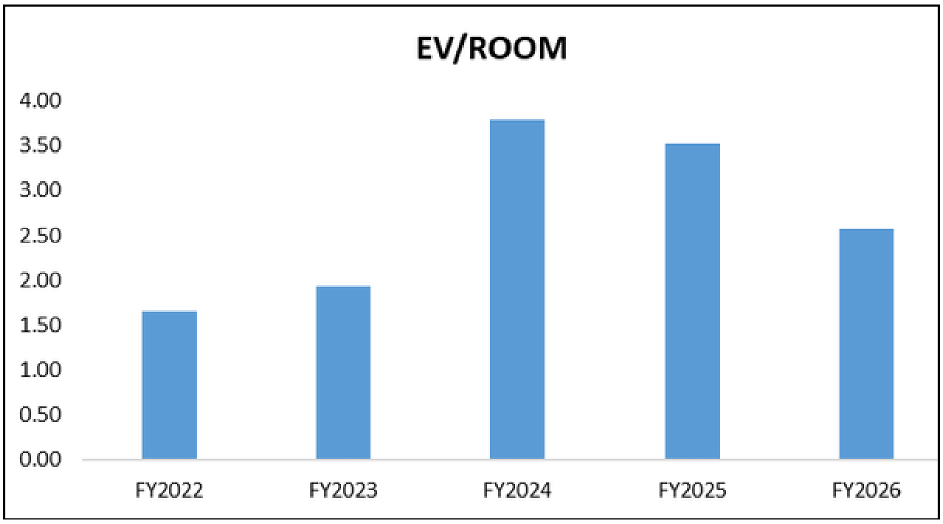


Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
EV/EBITDA	74.67	17.36	27.43	23.71	16.16

The EV/EBITDA multiple declines significantly from 74.67x in FY2022 to 17.36x in FY2023, indicating a substantial improvement in operating profitability relative to enterprise value. It subsequently increases to 27.43x in FY2024, before moderating to 23.71x in FY2025 and further declining to 16.16x in FY2026, reflecting a gradual normalization of valuation levels over the period.

EV/Room

EV/Room measures the enterprise value of a hospitality company relative to the total number of rooms owned, leased, or managed by it. It is a commonly used valuation metric in the hospitality industry to assess the value attributed to each room and facilitates comparison among hotel companies with different sizes and operating scales.

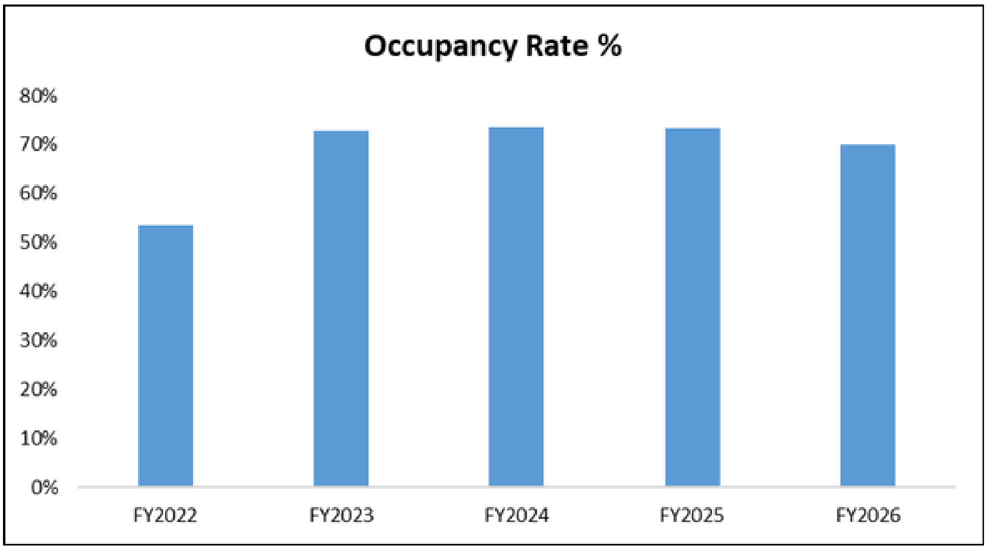


Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
EV/Room	1.66	1.93	3.79	3.52	2.57

The EV/Room increased from 1.66x in FY2022 to 1.93x in FY2023, indicating an improvement in the valuation attributed to each room. It subsequently rose sharply to 3.79x in FY2024, reflecting a significant enhancement in market valuation and operating performance. Thereafter, the metric moderated to 3.52x in FY2025 and further to 2.57x in FY2026, while remaining above FY2022 and FY2023 levels.

Occupancy Rate %

Occupancy Rate (%) measures the proportion of available rooms that are occupied during a given period. It is a key operating metric in the hospitality industry used to evaluate a hotel's capacity utilization, demand levels and operational performance. A higher occupancy rate generally indicates stronger demand and better utilization of available room inventory.

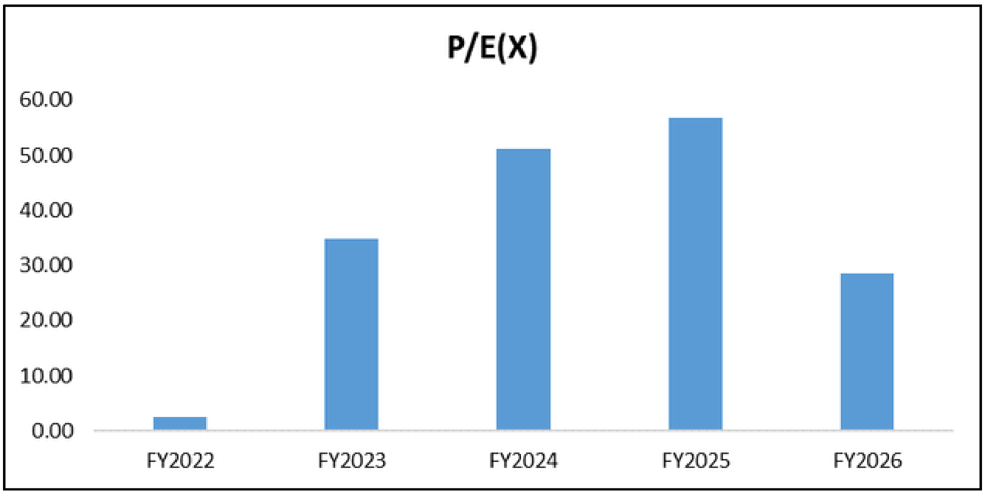


Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
Occupancy Rate %	54%	73%	74%	73%	70%

The Occupancy Rate increased significantly from 54% in FY2022 to 73% in FY2023, reflecting a strong recovery in travel demand and hotel operations. It further improved marginally to 74% in FY2024, before moderating slightly to 73% in FY2025 and 70% in FY2026, while remaining at healthy levels indicative of sustained demand and efficient capacity utilization.

P/E

Price to earnings ratio measures the company's current share price relative to its earnings per share. P/E ratios are used to determine the relative value of a company's shares.



Particulars	FY2022	FY2023	FY2024	FY2025	FY2026
P/E	2.50	34.88	51.03	56.84	28.57

The P/E multiple increases significantly from 2.50x in FY2022 to 34.88x in FY2023, further rising to 51.03x in FY2024 and 56.84x in FY2025, before declining to 28.57x in FY2026

Conclusion

The Indian Hospitality Industry has undergone a remarkable transformation over the last few years, emerging as one of the strongest beneficiaries of rising disposable incomes, increasing domestic tourism, improving air connectivity and growing demand for leisure, business, wellness and experiential travel. The sector has also benefited from supportive government initiatives aimed at strengthening tourism infrastructure, promoting destination development and enhancing the overall visitor experience.

The analysis of representative hospitality companies indicates a strong recovery and expansion phase during FY2022–FY2026. Industry revenue grew at a CAGR of 35.64%, supported by improving occupancy levels, higher average room rates, expanding room inventories, and increasing demand across both leisure and corporate travel segments. This growth translated into a substantial improvement in operating performance, with EBITDA margins improving from 17.89% in FY2022 to 38.93% in FY2026, while PAT margins strengthened from a loss position of (10.85%) to 22.47% over the same period. Operational indicators further highlight the industry's resilience. Occupancy levels improved significantly from 54% in FY2022 to consistently remain around the 70% range in subsequent years, reflecting sustained demand and efficient utilization of hospitality assets. The improvement in occupancy, coupled with better pricing power, has enabled hotel operators to enhance profitability and generate stronger cash flows.

Revenue has grown in line with the increase in room inventory, while both EBITDA and PAT margins have remained relatively stable despite ongoing capital expenditure investments. This underscores the industry's ability to scale operations and expand capacity without compromising profitability, reflecting strong operational efficiency and disciplined cost management.

From a valuation perspective, market participants have increasingly recognized the sector's long-term growth potential. Although valuation multiples have experienced periodic fluctuations due to shifts in market sentiment and earnings normalization, metrics such as EV/Room have remained significantly above FY2022 levels, indicating a higher value attribution to hospitality assets. Any moderation in certain valuation multiples is largely attributable to the substantial growth in earnings and profitability achieved by hospitality companies during the period, rather than a weakening of industry fundamentals or operating performance. Together, these trends highlight the sector's ability to deliver profitable growth while continuing to attract strong investor confidence.

According to the World Travel & Tourism Council (WTTC), India's travel and tourism sector is projected to more than double in size over the next decade, highlighting the significant long-term potential of the industry. As demand for leisure, business, wellness and experiential travel continues to expand, hospitality companies are expected to benefit from higher occupancy levels, improved operating performance, and enhanced profitability. Consequently, the sector remains well-positioned for sustained growth and long term value creation.

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