


Indian Hotels Company Ltd. (IHCL)

Challenges faced by the company

IHCL was facing several challenges in 2012. Expensive overseas acquisitions, including the Pierre were bleeding and the Sea Rock project had capital blocked and losing value. As capital was stuck in cash guzzling assets, there had been almost no investment to support the domestic market – which was at a critical juncture, being flooded by MNC competition (with global brands, loyalty programs and distribution) with very aggressive expansion plans. In addition, there was litigation risk on several flagship assets, including the Taj Mansingh in Delhi.

Strategic Priorities

- 1. Setting Leadership and Strategy right.** This involved bringing in a leader having strong domain experience having served with a global hotel chain for over 35 years. It also involved redefining and reenergizing the apex leadership team of the company
- 2. Developing a long term pragmatic view of assets** that continued to generate negative returns with no turnaround in sight. Notably, the sale of Taj Boston for \$ 125 mn while retaining a management contract to ensure brand presence. The company also divested Blue (Sidney) for AUD 32 mn, and its shareholding in Orient Express for approx. \$ 50 mn. The divestment proceeds were used to retire debt and infuse liquidity in the Company. This money would help in the renovation and upgradation of flagship properties in India
- 3. Simplify the holding structures and repatriate cash.** All offshore holdings were transferred to IHOCO BV, a wholly owned subsidiary of the Company in Netherlands and the USA assets shifted to a subsidiary of IHOCO BV. This restructuring helped in creating a healthier balance sheet. The Company also re-acquired direct ownership of Sea rock companies in Oct 2015. This has helped reflect the appropriate value of the asset and has helped the company refinance it at competitive rates. The company is working hard to secure all approvals and will soon be in a position to take an appropriate decision on developing the Sea Rock project.
- 4. Improving the Brand and building global partnerships.** The management recently launched “Tajness”, a brand philosophy that touches all aspects of business. Improving the guest experience across touchpoints was a key focus for the management. In addition, improving revenue management through disciplined analytics to optimize product availability and price was also undertaken.



You might be aware that the company recently announced a loyalty partnership program with Shangri La, a globally reputed hotel chain. This strategic step between two of the world's best brands will help customers by combining the best of both loyalty programs.

- 5. Renovation of existing assets:** Improving asset quality was emphasised – investing in maintenance, upkeep and modernisation which is sorely needed, with minimal operational disruption. A multi-year renovation program, funded through some of the strategic initiatives described above is underway.

At a consolidated level for IHCL, these efforts resulted in

- Strengthening of the balance sheet
- Reducing risks of further losses and future impairments
- Strengthened operations and quality of assets
- Improving profitability and dividend paying capability
- Creating assets and options for building some of the best hotels in future

The company continues to seek avenues to unravel its crossholding in group companies and exit strategically from unrelated businesses. Earlier, your company divested its stake in Tata Projects, a group entity in an unrelated line of business.

While several of the initiatives taken up will bear fruit only in the future, there has already been improvement in the stock performance, which during the period 22nd Oct 2012 – 21st Oct 2016 fared better than the BSE Sensex.



The thousands of associates who delight our guests every day are the flagbearers of the Taj brand and our company’s most valuable asset. An integral part of the strategy going forward is to further invest in our people as that will always be our true differentiator.