

## Tata Sons Creates Dedicated Asset Arm to Fuel Indian Hotels' Expansion



Tata Sons, the holding company of the Tata Group, has established a new, dedicated hospitality asset platform aimed at significantly bolstering the growth trajectory of its hospitality subsidiary, Indian Hotels Company Limited (IHCL). This strategic move, a first of its kind within the Tata Group's hospitality operations, will enable IHCL to expand its portfolio of hotels by operating properties directly acquired by Tata Sons, allowing IHCL to pursue a more capital-efficient growth strategy.

Traditionally, IHCL, which manages iconic brands like Taj, Vivanta, SeleQtions, and Ginger, has expanded its footprint through various models, including owning assets, building on leased land, and entering into management or franchise agreements. The creation of this new asset arm introduces a novel approach where Tata Sons will directly acquire and hold hotel real estate on its books. Once completed, these properties will then be operated by IHCL under a revenue-sharing lease agreement.

The debut project under this new platform is a 195-room Ginger hotel currently under construction near the Kolkata airport. Tata Sons recently purchased this asset, and its operation by IHCL upon completion will serve as a blueprint for future collaborations within the group. This structure is particularly beneficial as it allows IHCL to expand its presence without committing substantial capital or incurring the development risks typically associated with property ownership.

Puneet Chhatwal, Managing Director and CEO of IHCL, highlighted the strategic rationale behind this initiative during a recent post-earnings call. He stated, "Over time, this could potentially lead to the creation of an asset platform, which could become a big strategic enabler for IHCL." He further elaborated, "Instead of going with the third-party investors, if the deals have good fundamentals, why not keep it within the group?" This internal arrangement aligns with IHCL's "Accelerate 2030" strategy, which aims for a capital-light expansion, doubling its revenue, and growing its portfolio to over 700 hotels by 2030.

While IHCL maintains robust cash reserves and has earmarked an annual capital expenditure for renovations, digital transformation, and select new properties, the new asset arm frees up its balance sheet for operational excellence and brand building. This innovative structure by Tata Sons provides a stable and aligned source of capital for property acquisition, allowing IHCL to focus on its core strength of managing and operating hotels, enhancing the customer experience, and driving profitability through management fees and revenue share arrangements. The move is expected to accelerate IHCL's ambitious growth plans and reinforce its position as a leading hospitality player in India and beyond.