

DALALBYTES RESEARCH

Benares Hotels

A Palace Company at a Crossroads

Taj Ganges and Taj Nadesar Palace, a debt-free balance sheet,
and the 100-room tower that must earn its keep

NSE: BENARAS · BSE: 509438

October 5, 2026

Reference: Rs 10,200, NSE close of October 5, 2026

(NSE was shut October 2, 2026 for Gandhi Jayanti).

Founding story, hotels, flywheel, financials, competition,
management, valuation vs peers, risks, and FY2029 scenarios.

01 BLUNT VERDICT FIRST

68 / 100 : Selective Positive

Benares Hotels is a wonderful business in an awkward package. The assets are genuinely irreplaceable: Taj Ganges, the flagship luxury hotel of Varanasi, and Taj Nadesar Palace, a heritage palace hotel ranked among India's best, owned by an IHCL subsidiary with zero debt, 42-44% operating margins, and 30% ROCE. The Kashi Vishwanath Corridor has structurally lifted Varanasi tourism, and the new 100-room tower at Taj Ganges, operational since February 2026 and funded entirely from internal accruals, is the biggest growth bet in the company's history. Q1 FY27 showed it working: revenue up 31-35% on the new inventory.

The awkward part is the wrapper. FY26 was a flat year (revenue +2.7%, PAT unchanged at Rs 43.24 cr) after the post-Covid rebound, ROCE is declining as the equity base grows, and roughly 95% of revenue comes from one city. IHCL itself is adding hotels in Varanasi outside BHL, including a 101-key Ginger and a SeleQtions property. And the stock's plumbing is hostile: 13 lakh shares, ~6,700 shareholders, negligible institutional holding, and days when the entire NSE volume is 82 shares. At Rs 10,200, about 30x earnings and 6.3x book, the market prices in a smooth tower ramp. FY27 is the proving year: the tower must fill at Taj rates to earn its keep.

Rs 10,200

Reference price
NSE close, Oct 5 2026

**Rs 1,326
cr**

Market cap

**Rs 139.14
cr**

FY26 revenue
(+2.7% YoY)

**Rs 43.24
cr**

FY26 PAT
(flat YoY)

Rs 7,400

FY2029 bear

Rs 11,700

FY2029 base

Rs 17,300

FY2029 bull

30.3x

TTM P/E
6.26x book

02 SNAPSHOT: WHAT BENARES HOTELS IS

Item	Detail
Founded	1971, Varanasi; Tata group plus royal family of Benares
Ownership	IHCL (Taj group) subsidiary since May 2011; promoters 62.58%, zero pledging

Item	Detail
Portfolio	Taj Ganges Varanasi (230 rooms), Taj Nadesar Palace (14 keys, heritage), Ginger Gondia
Scale	FY26 revenue Rs 139.14 cr; Q1 FY27 Rs 33.88 cr (+35.5%); 13,00,000 shares, Rs 10 face value
Economics	OPM 42-44% (3 yrs); PAT margin ~31%; ROCE ~30%
Balance sheet	Zero debt every year FY22-26; Rs 48.7 cr operating cash flow in FY26
Dividend	Rs 25/share for FY24, FY25 and FY26 (payout ~7.5% of EPS)

03 FOUNDING STORY: THE TATAS AND THE MAHARAJA OF BENARES

Benares Hotels was set up in 1971 as a collaboration between the Tata group's Taj Hotels and the royal family of Benares, to build a five-star hotel around the historic Nadesar Palace in Varanasi. The palace itself dates to 1835, built in the East India Company era and later bought by the Benares Naresh; it has hosted royalty, statesmen and celebrities for nearly two centuries. That dual Tata/royal-family character persists: the chairman today is Dr. Anant Narain Singh of the royal family (holding 1.85% of the company), and royal-family members hold another ~4.6% as promoter-group shareholders.

IHCL became the majority owner in May 2011, converting BHL into a listed subsidiary (49.53% held by IHCL directly, plus IHCL-group entities, totaling 62.58%). What the structure gives BHL is the Taj brand, IHCL's sales and loyalty machinery, and world-class operating standards. What it takes away is independence: brand, systems, board, and strategy all flow from the parent. Public communication runs through the chairman's quarterly statements; there are no analyst calls and no investor presentations.

04 THE THREE HOTELS

Taj Ganges, Varanasi: the flagship, 230 rooms. The company's economic engine. Originally The Gateway Hotel Ganges (130 rooms), renovated in phases 2017-2020, plus a 7,700 sq ft banquet hall added in FY19. The defining capex: a new 100-room tower constructed in FY25-FY26, operational around February 2026, taking inventory from 130 to 230 rooms, a ~77% capacity addition. Q1 FY27's 31% revenue growth came from the tower. It hosted the PM-level India-Mauritius bilateral and a BRICS delegation in June 2026.

Taj Nadesar Palace, Varanasi: the jewel, 14 keys. The heritage palace hotel: originally 10 suites (each named after a celebrity guest of the Maharaja), expanded to 14 keys in FY20. Set in gardens and mango orchards with a tented Jiva Spa. Ranked No. 3 in Conde Nast Traveller Readers' Choice Awards 2025 for Best Hotels in India. The company is exploring additional inventory on its premises. This is the irreplaceable asset: there is no way to build another 1835 palace in Varanasi.

Ginger, Gondia (Maharashtra): the footnote. Formerly The Gateway Hotel Gondia, rebranded to Ginger effective April 1, 2023, reaching break-even in FY 2023-24. A small midscale property and the only asset outside Varanasi. Its contribution is marginal and not separately disclosed; roughly 95%+ of revenue comes from Varanasi (estimate).

05 THE FLYWHEEL: ONE CITY, COMPOUNDING TOURISM

BHL's strategy is simple: own the best hotels in the city where India's spiritual tourism is structurally growing:

- **Destination demand:** the Kashi Vishwanath Corridor (December 2021) transformed the city's tourist capacity; footfall hit record levels in 2025. Weddings, MICE (G20, PM-level bilaterals, BRICS), and Ganga Aarti tourism are the demand pillars.
- **Taj brand premium:** India's Strongest Brand and the World's Strongest Hotel Brand 2025 (Brand Finance). Pricing power shows in 6% RevPAR growth in Q3 FY26 led by rate, and sustained 42-44% OPMS.
- **Reinvestment:** the 100-room tower is the biggest bet in company history, funded internally with zero debt and zero dilution.
- **IHCL ecosystem:** Taj InnerCircle/NeuPass loyalty, central reservations, and corporate MICE/wedding sales flow from the parent.

What is NOT in the strategy: no new cities, no new brands for BHL itself, no asset-light management contracts. Notably, IHCL itself signed a 101-key Ginger Varanasi with a third-party owner and opened a SeleQtions property in the city: the parent is both BHL's brand engine and a source of intra-city supply growth.

06 SEASONALITY AND THE QUARTERLY ARC

Seasonality is pronounced: Q3 (December) and Q4 (March) are the strong quarters (wedding season, winter tourism, New Year); Q1 and Q2 are structurally weak.

Quarter	Sales (cr)	PAT (cr)	EPS (Rs)
Q4 FY24	36	12	89.2
Q1 FY25	23	6	49.5
Q2 FY25	24	7	55.4
Q3 FY25	39	14	104.3
Q4 FY25	49	16	123.5

Quarter	Sales (cr)	PAT (cr)	EPS (Rs)
Q1 FY26	25	8	58.3
Q2 FY26	24	6	46.8
Q3 FY26	42	14	109.5
Q4 FY26	48.60	15.35	118.05
Q1 FY27	33.88	8.24	63.45

Q1 FY27 (announced July 14, 2026): income from operations Rs 33.88 cr (+35.5% YoY); PBT Rs 11.07 cr (+8.6%); PAT Rs 8.24 cr (+8.7%); EBITDA margin 39%; net margin 23.4%. The pattern that matters: revenue grew 31-35% on the new tower, but PAT grew only ~9% because expenses (staffing up 30%, materials up 38%, depreciation on the new wing) are front-loaded. Whether the tower delivers operating leverage as occupancy builds is the key FY27 watch item.

07 FINANCIALS: THE POST-COVID ARC THROUGH A FLAT FY26

Year	Sales (cr)	OPM %	PAT (cr)	EPS (Rs)	CFO (cr)
FY22	49.8	29.11	5.65	43.48	16.2
FY23	93.3	38.74	23.38	179.85	27.8
FY24	120.56	42.41	36.04	277.25	40.6
FY25	135.47	43.79	43.25	332.69	41.9
FY26	139.14	42.27	43.24	332.61	48.7

FY22 was still Covid-depressed (Rs 49.8 cr vs Rs 63.6 cr pre-Covid in FY20); FY22-FY26 shows 29% revenue CAGR and 66% EPS CAGR, but that is rebound math. FY26 is the honest baseline: sales +2.7%, PAT flat, margins plateaued at OPM ~42-44% and PAT margin ~31%. ROE FY26: 22.44% (from 31.1% in FY24). ROCE FY26: 30.34% (from 41.64% in FY24; the 10-year series: 10.7 / 35.6 / 41.6 / 38.3 / 30.3). ROCE fell because capital employed rose (the tower's asset build) while operating profit stayed flat. Total income FY26 was Rs 144.90 cr including Rs 6.57 cr of other income. Total assets jumped to Rs 256.79 cr in FY26 from Rs 195.39 cr in FY25 on the tower capitalization.

08 BALANCE SHEET, CASH FLOW, CAPITAL ALLOCATION

Fortress balance sheet

Zero interest-bearing borrowings every year FY22-FY26. Rs 48.7 cr of operating cash flow in FY26 against Rs 43.24 cr PAT. The biggest capex in company history was funded from internal accruals: assets grew Rs 61 cr YoY in FY26 while debt stayed at zero and the share count stayed at 13 lakh. Promoters at 62.58% for a decade with zero pledging. Book value compounded from Rs 598.8 (FY22) to Rs 1,635.6 (FY26).

Dividends have been paid every year since the FY22 resumption: Rs 10 (FY22), Rs 20 (FY23), Rs 25 (FY24-FY26), a payout of ~7.5% of EPS in FY26. Low payout, consistent with funding capex internally. The FY26 dividend ex-date was July 16, 2026, paid August 2026. No acquisitions or divestments in the last five years; no equity dilution; no SEBI action; auditor PKF Sridhar & Santhanam LLP issued an unmodified FY26 opinion.

Public float is 37.4% (4,86,517 shares), but effective float is ~30% after large individual holders (Aditya Deorah 2.87%, IEPF Authority 2.37%). FII and DII holdings are negligible (0.01-0.05%); there is no mutual fund holding and no analyst coverage. Liquidity is extremely thin: on October 5, 2026 the NSE volume was 82 shares and the BSE volume was 2 shares.

09 COMPETITION: ONE CITY, MANY ENTRANTS

Taj Ganges competes with other luxury and upper-upscale hotels in Varanasi (Radisson Varanasi, BrijRama Palace, independent luxury properties; most are unlisted). Its edge is the Taj brand, the flagship position, and now the only 230-room luxury inventory in the city.

The intra-brand wrinkle

IHCL itself is expanding in Varanasi outside BHL: a 101-key Ginger signed with a third-party owner and a SeleQtions property opened (per IHCL's Q3 FY26 update). These sit at midscale and upscale tiers rather than BHL's luxury tier, but they add branded supply in the same catchment and could cap BHL's pricing power at the edges, particularly for weddings and MICE where IHCL's own sales teams now have intra-brand alternatives. In Gondia, the Ginger competes with local midscale hotels; it is immaterial to the thesis.

Listed-peer valuation (verified, early October 2026): IHCL at ~42-54x earnings (ROE ~16%), EIH (Oberoi) at ~28-29x (ROE ~13.7%), Chalet Hotels at ~44x. TajGVK, the other listed IHCL affiliate, at ~20x underlying earnings (reported multiples are distorted by exceptional gains; promoter 71% with 30.3% pledged, a sharp contrast to BHL's zero pledge). Sector P/E ranges 25-40x depending on the aggregator. Lemon Tree has derated ~35% in a year at midscale, a caution on the segment below BHL.

10 STRENGTHS

- **Irreplaceable assets:** a flagship 230-room Taj in Varanasi and a heritage palace hotel ranked among India's best, in one of the world's highest-footfall spiritual destinations.
- **Taj brand and IHCL operating platform:** India's strongest hotel brand, central sales and loyalty, proven MICE execution (G20, BRICS, PM-level bilaterals).
- **Zero debt, high margins (OPM 42-44%, PAT margin ~31%), 30% ROCE,** and growing operating cash flow (Rs 48.7 cr in FY26).
- **Promoter stability:** IHCL group at 62.58% for a decade, zero pledging, Tata governance, clean audit.
- **Structural demand tailwind:** Kashi Vishwanath Corridor, record spiritual tourism, weddings and MICE; a 100-room tower to monetize it.
- **Consistent dividends:** Rs 25/share for three straight years, paid on time.

11 WEAKNESSES AND RISKS

- **Single-city concentration:** ~95%+ of revenue from Varanasi. Any city-specific shock hits the whole company.
- **Growth plateau:** FY26 revenue +2.7%, PAT flat. FY22-25 was post-Covid rebound, not a compounding machine. ROE and ROCE are declining.
- **Tower execution risk:** Q1 FY27 revenue +31-35% but PAT +9%. Costs are front-loaded; the tower must fill at Taj rates through FY27-28.
- **IHCL dependence:** brand, systems, board, and strategy flow from the parent. IHCL's own Varanasi expansion adds competing branded supply, and BHL has no independent growth engine.
- **Micro-structure:** 13 lakh shares, ~6,700 shareholders, negligible institutional holding, dozens-of-shares daily volume. Entry and exit move the price.
- **Valuation leaves little room:** ~30x earnings and 6.3x book on a flat year prices in a smooth tower ramp.
- **No analyst coverage and minimal disclosure** (quarterly press releases only): surprises come unanalyzed.

12 MANAGEMENT AND GOVERNANCE

Chairman Dr. Anant Narain Singh (royal family of Benares) is long-serving and holds 24,000 shares (1.85%), genuine skin in the game. IHCL executives sit on the board; in April 2026 Beejal Desai resigned as director and Rajendra Misra and Anupam Chaturvedi were appointed. Independent directors include Moiz Miyajiwala and Puneet Raman. CFO Thomas Kunjukunju took office July 14, 2026 (30+ years of hospitality finance experience). Auditor PKF Sridhar & Santhanam LLP issued an unmodified FY26 opinion. No SEBI action, no related-party red flags surfaced, and IHCL's own subsidiary-accounts disclosures show clean reporting lines.

Assessment: high-quality, conservative stewardship with the Tata governance halo. The honest flip side is passivity: BHL has not used its balance sheet to diversify beyond Varanasi in 15 years as an IHCL subsidiary.

The entire growth story is one asset plus one palace.

13 VALUATION VS PEERS

At Rs 10,200 (Oct 5, 2026): TTM P/E ~30.3, P/B 6.26, EV/EBITDA ~22-23x (estimate from market cap and EBITDA; not separately disclosed), dividend yield 0.24%.

Company	P/E	P/B	Note
Benares Hotels	30.3x	6.26x	13 lakh shares, illiquid
IHCL (parent)	42-54x	-	ROE ~16%
EIH	28-29x	-	ROE ~13.7%
Chalet Hotels	~44x	-	-
TajGVK	~20x (underlying)	-	Exceptionals distort reported; 30.3% pledge

BHL trades at a discount to IHCL and Chalet, roughly in line with EIH, and at a premium to TajGVK's underlying multiple. The discount to the parent reflects single-city concentration, no growth pipeline beyond the one tower, and the liquidity discount of a 13-lakh-share stock. The 6.26x book multiple reflects high ROCE (~30%) and zero-debt compounding. Moneyworks4me rates it "somewhat overvalued" on historical multiples. At Rs 10,200 the stock is 11% below its 52-week high of Rs 11,429.85 and the 1-year return is only ~8-11%, the signature of an illiquid stock marking time while FY27 plays out.

14 FY2029 SCENARIOS (INR)

Built off FY26 sales of Rs 139.14 cr and PAT of Rs 43.24 cr (EPS Rs 332.61); 13,00,000 shares; assumptions explicit.

	Bear: Rs 7,400	Base: Rs 11,700	Bull: Rs 17,300
Revenue CAGR FY26-29	5%	12%	18%
FY29 revenue	Rs 161 cr	Rs 196 cr	Rs 228 cr
PAT margin	27%	30%	33%
Exit P/E	22x	26x	30x

Bear: the tower fills slowly, Varanasi demand normalizes, and new IHCL supply in the city pressures pricing; margin compresses on cost inflation and depreciation; de-rating toward a no-growth microcap. **Base:** the

tower ramps through FY27-28, RevPAR grows on rate plus occupancy, weddings and MICE compound; operating leverage as the tower fills, offset by depreciation; modest multiple compression from ~30x. **Bull:** the tower fills at Taj rates quickly, Varanasi tourism keeps breaking records, Nadesar Palace inventory expansion is confirmed; full operating leverage; premium multiple sustained on compounding ROCE. Base-case FY29 implies EPS of ~Rs 451, so Rs 11,700 is ~26x FY29E earnings: a quality-hotel multiple for a company growing low-teens with 30% ROCE.

15 WHY IT MATTERS

Benares Hotels is the purest listed play on the Kashi Vishwanath tourism boom: a debt-free company owning the two best hotels in Varanasi, backed by the Taj brand, paying steady dividends. The 100-room tower is the largest investment the company has ever made, and it converts BHL from a 130-room flagship into a 230-room one at the exact moment the city's tourism is at record levels. If the tower fills at Taj rates through FY27-28, the FY26 plateau reads as the base of the next leg. If it does not, the stock's 30x multiple and 6.3x book leave no cushion, and the illiquid share structure makes any exit expensive. At 68/100 Selective Positive, the verdict is: wonderful assets, fortress balance sheet, honest management. The setup rewards patience: the assets deserve a premium, but the price already assumes the tower works.

16 SOURCES

Company quarterly press releases and results filings (BSE/NSE archives): Q2 FY26, Q3 FY26, Q4 FY26, Q1 FY27; FY26 audited results; dividend and corporate-action timeline. FY24 annual report (director's report, tower construction note); IHCL subsidiary financials FY25-26 (ir.ihcltata.com). smart-investing.in (standalone P&L, EPS/ROCE series); screener.in (shareholding pattern); moneyworks4me.com (10-year x-ray); blinkx.in (quarterly and annual P&L); scanx.trade (FY26 audited results); tickertape.in (peer multiples, scorecard); finnhub.io (price snapshot). IHCL press updates (Varanasi Ginger signing, SeleQtions opening); travelbizmonitor.com, outlooktraveller.com (Varanasi tourism data); Brand Finance (Taj brand rankings 2024/2025). Full citations with URLs and dates in the research memos filed with this report.