Horwath HTL

Hotel, Tourism and Leisure

Industry Report –

Upper Tier Hotels, India

Prepared for:
Chalet Hotels Ltd.

Horwath HTL™

Hotel, Tourism and Leisure

Crowe Horwath HTL Consultants Pvt. Ltd.

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23 March 2024

Mr. Sanjay Sethi
Managing Director and Chief Executive Officer
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Block G, Plot No. C-30
Bandra Kurla Complex (BKC)
Bandra (E)
Mumbai - 400 051

Dear Mr. Sethi,

We were retained by your Company to prepare an industry report comprising (a) an overview of the Indian hospitality industry, and (b) perspectives on the future outlook for the industry in general, with more specific focus on cities and markets in which the Company owns or operates hotels or intends to pursue projects in the medium term. Accordingly, this report concentrates on Luxury, Upper Upscale and Upscale Hotels in India. We understand that the Company intends to use data from this industry report in connection with the proposed Qualified Institutional Placement (QIP) offering of the Company.

We have issued a report titled Industry Report – Upper Tier Hotels, India ("Report") on 23 March 2024. This Report covers the following key aspects:

- Overview of the Indian hospitality industry including insights on market size, historical performance of key markets, and segmental composition with its impact on market-wide rates.
- Overview of impact of Covid-19 pandemic related challenges on the sector, and the recovery therefrom, to the extent relevant to provide a fuller understanding of market conditions.
- Overview of several key factors that impact hotel sector demand and performance
- Supply analysis of chain-affiliated hotels, with stress on segments that are relevant to the Company.
- Analysis of current demand and expectations of future demand
- Analysis on the future supply over the next four years and its impact on the overall performance.
- Future outlook for key cities / micro-markets relevant to the Company

In this Report, we have examined various general and specific aspects relating to India's hospitality industry. The focus is on the Luxury, Upper Upscale and Upscale segments, as these are relevant to the Company; other segments are discussed only to the extent this is relevant to provide a more comprehensive overview of the industry. Hotel inventory and other data used for this Report is as on 31 December 2023. We have updated this data based on information available to us as at 15 February 2024; we have not updated this for any events occurring after that date notwithstanding that in some cases the Report may contain a comment on a material event after that date. Further, we have no obligation to update the information and our comments for changes and events that occur after 15 February 2024.

Information herein is based on our research and knowledge of the market; it is possible that corporate plans and other confidential information, which are not within our knowledge may provide an understanding that may be different from the statements and conclusions herein.

For sake of making the Report meaningful, we have been selective in the data included herein; we have sought to avoid providing a mass of data that may be less comprehendible – however, it is possible that additional data may cause a reader to reach a different conclusion.

As is typical of such reports, our estimates / projections / outlook and statements that may be regarded as forward-looking statements cannot be guaranteed in any manner; these have, however, been prepared after conscientious research and analysis.

We shall be pleased to provide any further clarifications or assistance as may be required.

Thank you and with regards,

Yours truly,

For Crowe Horwath HTL Consultants Pvt. Ltd.

Vijay Thacker
Managing Director

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Our statements and opinions are based on information available to us at the time of preparation of the report and economic, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. Should circumstances change significantly, or additional information become available, after the issuance of this report, the statements and opinions expressed herein may require revision. There is no requirement for CHHTL to update this report in any such circumstances. The statements and opinions expressed in this report are made in good faith and in the belief that such statements and opinions are not false or misleading. Recipients should make their own enquiries and evaluations they consider appropriate to verify the information contained in the Industry Report. This Industry Report does not purport to provide all of the information the recipient may require in order to arrive at a decision.

Forward-Looking Statements

This Industry Report contains estimates / projections / outlook and statements that may be regarded as forward-looking statements. These statements are based on a number of assumptions, expectations and estimates which, while considered by us to be reasonable, are inherently subject to significant uncertainties and contingencies many of which are beyond the control of ourselves or Chalet Hotels Ltd. (on whose behalf this report has been prepared) or which may reflect future business decisions which are subject to change. Recipients of this information are advised that the estimates / projections / outlook may be regarded as inherently tentative. Due to the subjective judgments and inherent uncertainties of statements about future events, there can be no assurance that the future results, or subsequent estimates / projections / outlook will not vary significantly from the estimates / projections / outlook and other statements set out in Industry Report.

This disclaimer must accompany every copy of this Industry Report, which is an integral document and must be read in its entirety".

HORWATH HTL CREDENTIALS

Horwath HTL India is a member of Crowe Global. Crowe Global is currently the eighth largest accounting and consulting network worldwide. Crowe Global member firms engaged in the field of consulting to the Hotel, Tourism and Leisure industry, under the name and style of Horwath HTL, are recognised as being the premier consultants to this industry, providing practical and well-reasoned professional advice to their clients.

The consulting experience of Horwath HTL India covers over 150 Indian cities, towns and destinations and over 20 international destinations. Assignments have been undertaken for hotel chains, promoters, development companies, private equity investors, international lenders, including several major international and domestic hotel chains and their associates.

Our hospitality consulting practice has advised on significant and diverse projects and the principal services provided by us are market and financial feasibility studies, strategic planning for hotel chains, operator search and management contract negotiations, valuation of hotel companies and hotel properties, structuring financial bids, operational reviews, efficiency audits and service audits and systems design and reviews for hotels.

Abbreviations

Abbreviation	Full Form	Abbreviation	Full Form
AAI	Airports Authority of India	H1	First Half of referred year
ADR	Average Daily Rate	H2	Second Half of referred year
BFSI	Banking, Financial Services and Insurance	HAI	Hotel Association of India
BKC	Bandra Kurla Complex	IHCL	Indian Hotels Company Limited
CAGR	Compound Annual Growth Rate	IMF	International Monetary Fund
CBD	Central Business District	INR	Indian Rupees
CHL	Chalet Hotel Ltd.	IT	Information Technology
Covid	Coronavirus Disease	ITeS	Information Technology Enabled Services
CY	Calendar Year	k	Thousand
DIPP	Department of Industrial Policy & Promotion	MRO	Maintenance, Repair & Overhaul
DMRC	Delhi Metro Rail Corporation	NMACC	Nita Mukesh Ambani Convention Centre
EBITDA	Earnings Before Interest Taxes Depreciation & Amortization	ORR	Outer Ring Road
Eco	Economy Class	PLI	Production Linked Incentive
E-Visa	Electronic Visa	PMI	Purchasing Manager's Index
F&B	Food & Beverage	PRICE	People Research on India's Consumer Economy
FDI	Foreign Direct Investment	R&D	Research & Development
FHRAI	Federation of Hotel and Restaurant Associations of India	RBI	Reserve Bank of India
FTA	Foreign Tourist Arrivals	REIT	Real Estate Investment Trust
FY	Financial Year	SEZ	Special Economic Zone
GDP	Gross Domestic Product	WFH	Work from Home
GOP	Gross Operating Profit	WTTC	World Travel & Tourism Council
GST	Goods and Services Tax	YTD	Year to Date
GVA	Gross Value Added		

1. Overview of Key Market Characteristics

Some key characteristics of India's hospitality industry, relevant for a better understanding of the market and more particularly the upper-tier and upscale segments, are briefly set out herein.

1.1. India has 183k chain affiliated hotel rooms, across segments, as at 31 December 2023. Supply at independent hotels is widely fragmented and substantially of midscale and lower positioning.

1.2. India's share of global tourism is limited, with Foreign Tourist Arrivals (FTA) between 10.2 mn and 10.6 mn for FY18-FY20 *(Source: Ministry of Tourism, Govt of India)*. India had only 0.73% of global tourist arrivals for 2019 *(Source: Ministry of Tourism, Govt of India and UNWTO World Tourism Barometer, January 2020)*. On the other hand, the domestic travel industry in India has been robust and has grown materially with 2.3 bn visits in 2019 and a sharp post-Covid recovery to 1.7 bn visits in 2022 *(Source: Ministry of Tourism, Govt of India)*.

1.3. Chain affiliated supply has evolved over the years although the aggregate inventory appears modest for a country of India's size and potential - (a) about 159k rooms have been added between April 2001 and December 2023, including nearly 100k rooms in the last 10 years; (b) rooms supply has greater depth and better balance across different segments, having initially been more heavily weighted towards luxury and upper upscale hotels; (c) rooms supply is spreading outside the top 10 markets, with 58% of new supply since FY19 being outside the Key Markets (top 10 markets); (d) hotel investment and ownership has widened and is now materially led by private sector developers and investors, and some institutional investors; the share of chain or chain-led ownership has declined from 71% as at FY01 to 26% at end Dec-23; (e) supply share of international chains have increased from 21% in FY01 to 46% at end Dec-23, although this share has remained at about 46-48% for the last nine years; (f) more structured resolution of debt stress cases, resulting in acquisition and consolidation transactions and opportunities that have been gainfully used by ownership groups to strategically widen their portfolio; (g) guest preferences have evolved with greater appreciation of lifestyle and boutique hotel offerings, well-curated F&B experiences, leisure, recreation and entertainment.

1.4. Per WTTC estimates, the overall travel and tourism sector contributed ₹15.7 trillion to India's economy in 2022, with expected increase to ₹16.5 trillion for 2023 and ₹37 trillion over the next ten years. The sector is expected to employ 39 million persons by end 2023. Hotel Association of India's "Vision 2047- Indian Hotel Industry - Challenges & The Road Ahead" report estimates the GDP contribution of the hotel sector at USD40 billion in 2022, with projected increase to USD68 billion by 2027 and USD one trillion by 2047.

1.5. Thus, the hotel sector materially contributes to India's economy by way of GDP, asset and credit growth, employment, FDI, foreign exchange earnings and tax revenues. The multiplier effect of developing a new hotel is significant.

The need and demand for hotel rooms and services will benefit from and, in turn support, growth oriented macroeconomic policies, business development initiatives and investments across multiple sectors as India moves towards becoming the 3rd largest global economy. Infrastructure and air/road access enhancements help create new markets and growth of business, leisure and MICE travel.

1.6. 12 states have granted industry status to hotels, enabling benefits such as industrial rates for energy, water, property tax incentives etc. Nation-wide grant of industry status for the hotel sector would be materially beneficial.

1.7. The hotel sector has recovered very strongly from the deep challenges due to Covid-19 lockdowns, gaining demand, notably higher room rates, growth in F&B and banquet revenues. Weddings and social demand, recovery of MICE demand with higher rates afforded, and increased number of sports and other events have boosted hotel revenues and profits. More fuller recovery and growth of inbound travel would be beneficial in the future.

1.8. Positive long-term elements for India's hotel sector include (a) robust domestic travel across several purposes - business, leisure, MICE, weddings and social events; (b) newer demand from various international and national events for sports and entertainment including various sports leagues, music, dance, drama and film festivals; demand will also be fostered by the new convention centres in Mumbai, Delhi and Jaipur, encouraging performing arts based events in other cities as well; (c) growing demand from international political and business delegations; (d) continued urbanisation and infrastructure growth creating new travel destinations and hotel micro-markets; (e) changing demographics, with millennials and younger travellers seeking experiences and willing to spend on entertainment, recreation, wellness and lifestyle. Increased demand arising from the new convention centres will likely create additional MICE demand at upper tier hotels with large function and meeting spaces.

2. India – Macro Economic Overview

2.1. India GDP

In FY23, India was the fifth largest global economy with Gross Domestic Product (GDP) at current prices of United States Dollars (USD) 3.42 trillion *(Source: World Development Indicators Database, World Bank, 21 February 2024), with 7% GDP growth (Source: National Statistics Office, Ministry of Statistics & Programme Implementation - MoSPI, Govt of India)*.

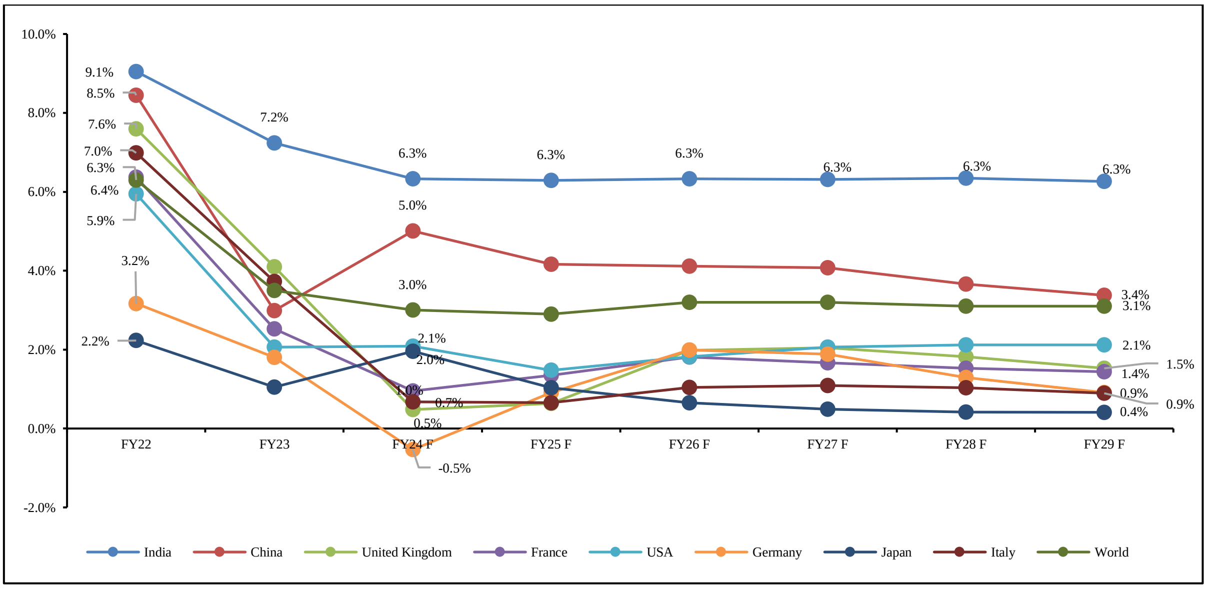
India's economy grew by 9% in FY22, against -5.8% decline caused by coronavirus pandemic in FY21.

IMF's World Economic Outlook Report (October 2023) forecasts India's GDP growth at 6.3% per annum for FY24-FY29 and per capita GDP growth at 8.9% CAGR between FY23-FY29. IMF increased the GDP forecast for India from 5.9% in April 2023 to 6.1% in July 2023 and further to 6.3% in October 2023.

In its announcement on October 6, 2023, Reserve Bank of India (RBI) had projected FY24 and FY25 GDP growth at 6.5% each year; this forecast has been revised upwards to 7.3% and 7% respectively in RBI's announcement on February 22, 2024 . India is considered among the lead global growth engines for the coming decade, as it works towards the USD 5 trillion GDP mark.

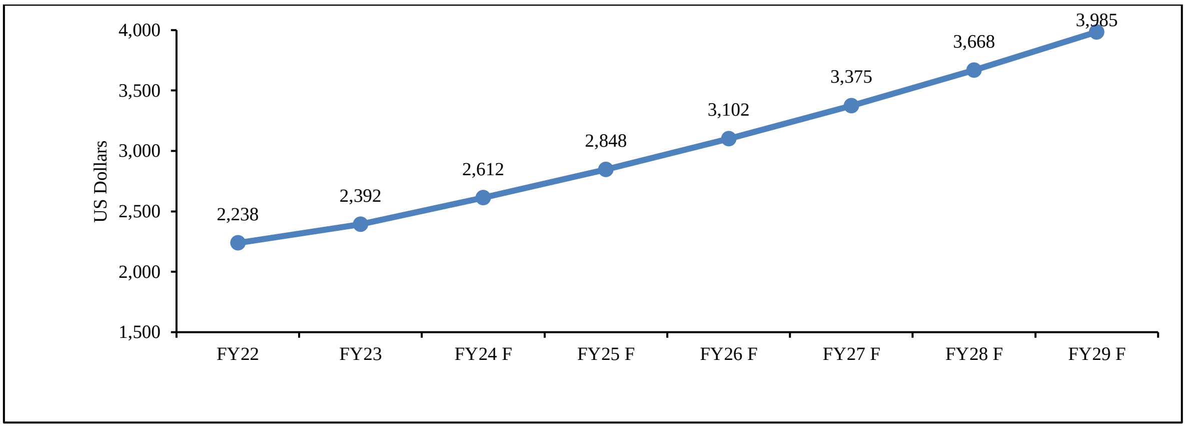
Chart 1 provides IMF forecast for GDP growth rate (at constant prices) for India and the top seven global economies through FY29. Chart 2 provides India's per capita GDP forecast through FY29.

Chart 1 - India and Top 7 Global economies GDP Forecast



Source: World Economic Outlook, IMF, October 2023

Chart 2 - India Per Capita GDP Forecast



Source: World Economic Outlook, IMF, October 2023

Increased individual incomes, which can reasonably be expected to create additional discretionary spending, will be beneficial for hotels particularly hotels with strong F&B offerings.

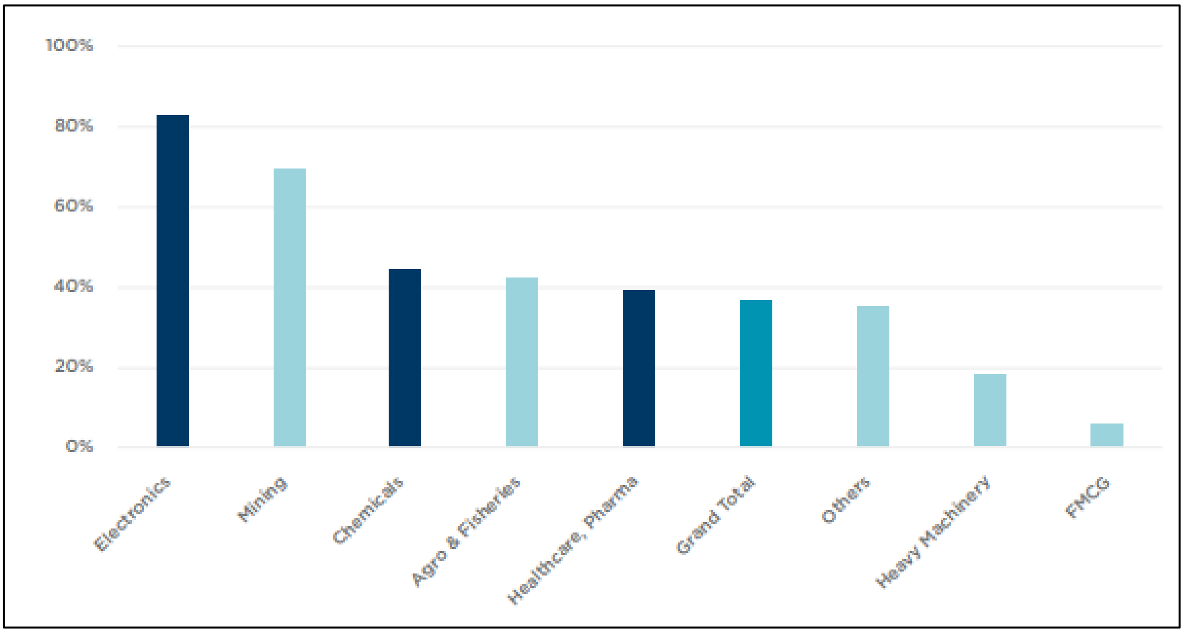
2.2. India – Manufacturing and Service Sectors

2.2.1. Manufacturing Sector

Manufacturing GVA has almost doubled between FY12 and FY24, more recently benefitting from initiatives such as Make In India and the Production Linked Incentive (PLI) programs.

Production Linked Incentive (PLI) schemes was introduced by the Indian government to push domestic manufacturing and employment opportunities in 14 key sectors. 600+ firms have been selected in the past 2 years, across the 14 sectors, to achieve a minimum production target of over Rs. 41 lakh crores. The success of the scheme is evident through increased exports in and post growth trends in several of the 14 key sectors.

Chart 3: Growth of exports in 2022 over 2019 across certain segments



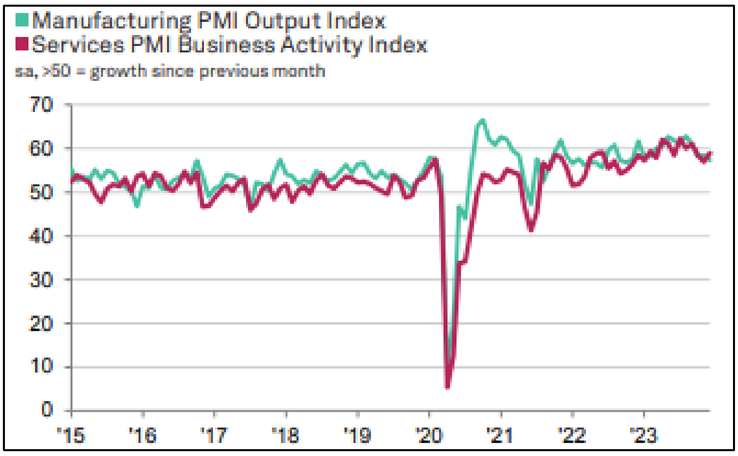
Source: Ministry of Commerce and Industries, Government of India

2.2.2. Services Sector

Services sector is among the fastest growing in the Indian economy. Between FY16 and FY20, the CAGR for trade, hotels, transport, communication and services related to broadcasting was 11%; and CAGR for financial, real estate and professional services was 11.7%.

The PMI Services Business Activity Index for the same period, also indicated growth primarily due to a positive demand environment and gain of new business and output volumes.

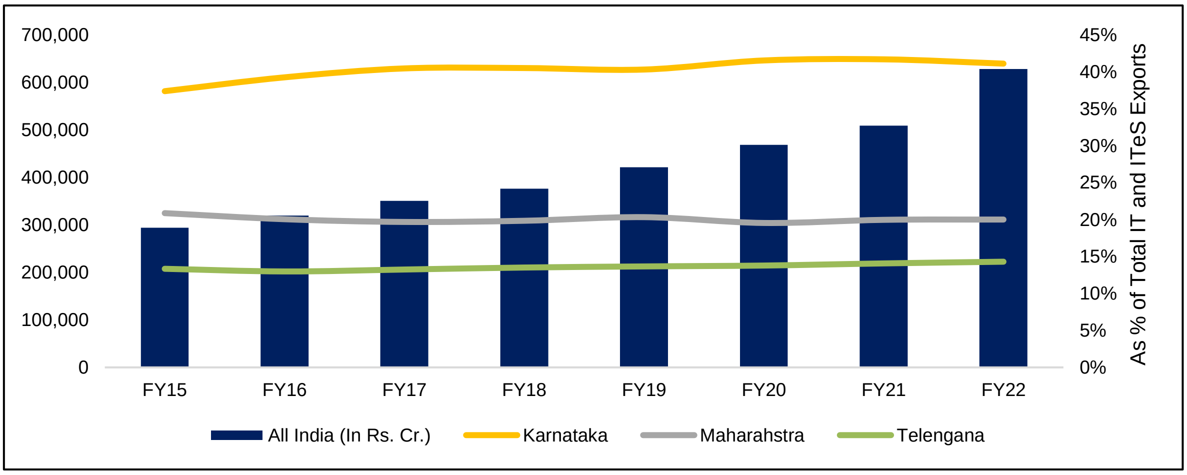
Chart 4: Services and Manufacturing PMI – 2015 to 2023



Source: S&P Global PMI, MoSPI via S&P Global Market Intelligence

India is a software hub for exports. Maharashtra, Karnataka and Telangana contribute about three-fourth of India's IT and ITeS exports, with operations primarily driven from Mumbai and Pune, Bengaluru, and Hyderabad respectively.

Chart 5 – India and Select States – IT and ITeS Exports – FY15 to FY22

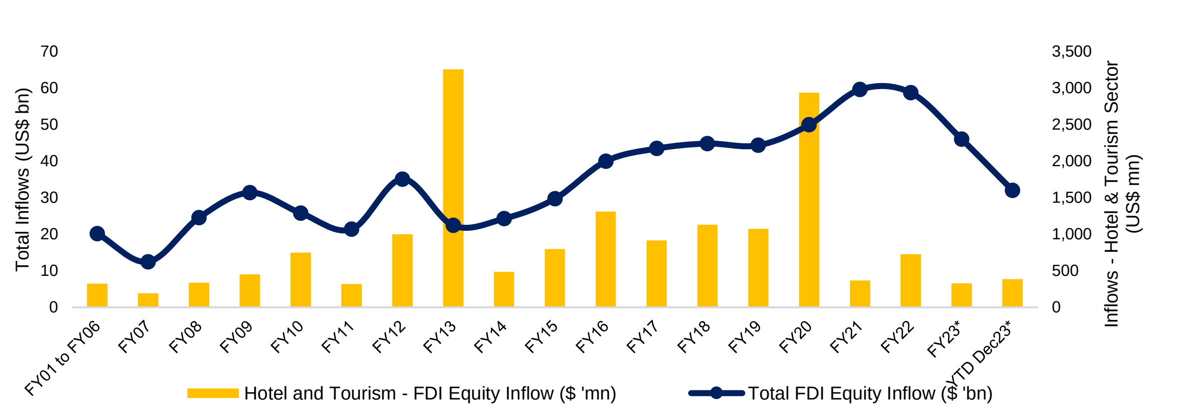


Source: STPI

2.3. Foreign Direct Investment

Foreign Direct Investment (FDI) equity inflow in the hotel and tourism sector has aggregated USD 17 billion between April 2000 to December 2023, being only 2.6% of USD 667 billion total FDI equity inflows into India during the same period. FDI equity inflows at the total level and in the hotel and tourism sector is summarised in Chart 6 below:

Chart 6 - FDI Equity inflow – Total and Hotel & Tourism Sector – FY06 to YTD Dec23



*Source: Department of Industrial Policy and Promotion (DIPP); *FY23-YTD Dec23 figures are provisional*

Although foreign exchange regulations permit 100% FDI in the hotel sector, actual inflow has been limited. In our view, this is mainly on account of (a) uncertainties and absence of expected return on investment due to project delays and other factors; (b) limitation of scale either by way of good portfolio of assets with an investment case or credible business partners with investment capability and appetite; and (c) limitation of exit routes.

FDI can meaningfully contribute towards the equity funding needs of this capital-intensive sector with large funding needs.

2.4. Key Demographic Aspects

2.4.1. **Increased Urbanisation:**

There is a clear and growing trend towards increased urbanisation. India's urban population increased from 27.8% in 2001 to 31.2% in 2011 and was projected to increase further to 34.4% by 2021. Urban population grew by 91 million (mn) between 2001-2011 and was projected to grow by 92 mn between 2011-2021; corresponding rural population growth was 90 mn and 60 mn respectively. Census data for 2021 is not available.

Source: Census of India 2011 and Population Projections for India and States 2011 – 2036, July 2020

Urbanisation creates the need for jobs and is, in turn, enabled by investments and job creation. This leads to investments in and development of multiple business sectors, including manufacturing, services and real estate. Business growth due to increased urban-led activity is evidenced by increase in air traffic, wider real estate activity, and increased hotel supply in several existing and newer markets in metro cites, primary and secondary cities and towns.

2.4.2. **United Nations' World Urbanisation Prospects Report (The 2018 Revision):**

India has 5 megacities - Mumbai, Delhi National Capital Region (Delhi NCR), Bengaluru, Kolkata and Chennai – which are urban agglomerations with population > 10 mn. Ahmedabad and Hyderabad (presently with 7 to 9.5 mn inhabitants) are expected to become megacities by 2030, while Pune with current population estimated at 7.2 mn (materially higher from 5.1 mn in 2011) is expected to grow into a metro city.

2.4.3. **Population Projections for India and States 2011-2036 Report (July 2020)** of Technical Group constituted by the National Commission on Population (NCP) under the Ministry of Health and Family Welfare

India's urban population is projected to increase from 377 mn in 2011 (31.1% share) to 594 mn in 2036 (39.1% share) by 2036, with the growth materially arising from existing and new urban areas.

Tamil Nadu, Kerala, Maharashtra, Karnataka and Gujarat are expected to have more than 50% urban population by 2036.

2.4.4. Cities / urban agglomerations with population exceeding 1 mn increased from 35 in 2001 to 53 in 2011. Cities and towns have expanded, often creating multiple micro-markets and business districts and opening new opportunities for hotels. (Source: Census 2011)

2.4.5. **Middle Class Population:**

"The Rise of India's Middle Class" Report published in November 2022 by People Research on India's Consumer Economy (PRICE) estimates India's middle-class population at 432 mn in FY21, 715 mn in FY31 and 1,015 mn by FY47, moving ahead of US and China within this decade. The middle class spans a wide economic segment, with sections of the middle class slowly graduating to the upper class creating demand potential for different services (rooms, F&B, functions, entertainment) at upper tier hotels.

Per the report (a) average annual household disposable income is set to rise to about ₹2 million (USD 27,000) at 2020-2021 prices; and (b) India's population is projected at 1.66 billion by 2047, with the rich and middle-class population being approximately 28% and 61%, respectively. Such growth will provide strong demand drivers for upper tier hotels in India.

2.4.6. **Young Population (15-29 Years):**

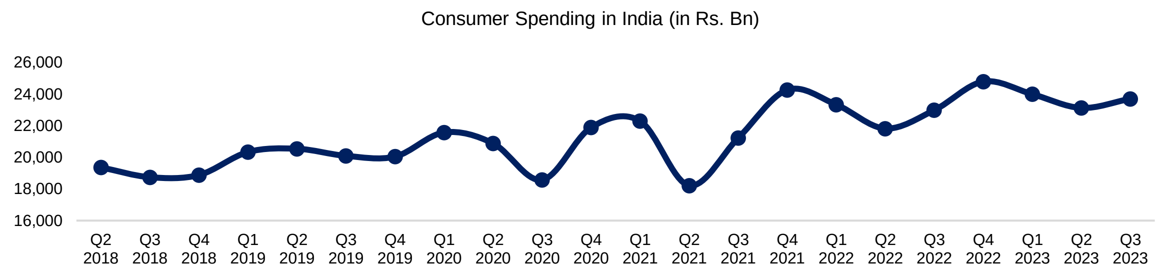
Per Youth in India Report 2022, published by MoSPI

- The young population has increased from 223 mn in 1991 to 333 mn in 2011, 360 mn in 2016, and 371 mn in 2021 (27.2% of total population).
- India is experiencing a demographic window of opportunity - a "youth bulge" (growth in youth as a share of total population) in the working-age population, expected to last till 2055.
- The large working age population will require jobs, placing importance on employment creation – the hotel and tourism sector has substantial ability to create jobs, directly and as a multiplier effect, if the sector is sufficiently enabled. A large working population also carries enhanced discretionary spend propensity on lifestyle aspects, which could benefit the hotel sector.

2.4.7. Increased Consumer spending:

India has seen an increase in consumer spending in the last 5 years (refer Chart 7 below), gaining from factors such as a larger and younger workforce, increase in double income families, a trend towards consumerism and lesser savings, and willingness to take credit card and other unsecured debt for consumer spending. Consumer spending in India is estimated at INR 23.7 trillion for Q3-23 reflecting a positive trend compared to INR 22.98 trillion for Q3-22. Urban average monthly consumption expenditure per person has increased by Rs. 3,829 (146%) between FY12 and FY23 per the latest Household Consumption Expenditure Service of MoSPI. Increased spend patterns auger well for travel and F&B spends at hotels in India.

Chart 7 – Consumer Spending in India – Q2 2018 to Q3 2023



Source: Trading Economics; MOSPI via Statista

3. Demand Overview and Characteristics

3.1. Key Demand Drivers

Demand for hotels arises for various purposes. The key demand drivers are briefly described herein:

a. Business Travel comprises inbound and domestic visitation for business related purposes, including travel on corporate account and by individual business travellers. Demand typically predominates between Monday and Thursday, slowing towards the weekend or public holidays; domestic business travellers at upscale and mid-priced hotels often stay through till Saturday. Business travel also slows during vacation periods.

   The services sector (IT, BFSI, and professional services) and manufacturing sector are significant drivers for business travel.

b. Leisure Travel is discretionary in nature and comprises long and short stay vacations, staycations at city hotels and for recreation and entertainment, leisure attached to a business trip or to a trip for weddings and meetings. Greater affordability, changing lifestyle attitudes and improved connectivity have encouraged staycations and weekend stays at hotels with good F&B, recreation and entertainment facilities.

c. MICE comprises corporate, government, institution and association events (conventions, conferences, retreats, incentives and promotions, training programs, customer-facing events, staff events etc). Corporate and government demand is mainly during the working week or on Saturday; institution and association demand can be on weekends. MICE demand occurs through the year, barring main holiday periods and the months from March through May. Cities with international convention centres are able to attract large international events.

d. Weddings and Social demand involve destination weddings, locally sourced residential and non-residential weddings, and other social / celebratory events.

e. Diplomatic Travel comprises government leaders and representatives of other countries, often accompanied by large trade delegations, and diplomats using upper-tier hotels during the transition period on postings to India.

f. Airline Crew helps create a core of demand at hotels, albeit at significantly discounted pricing. Airlines also generate limited demand for layovers when flights are significantly delayed.

g. Transit Demand comprises persons on overnight transits during air or road travel to a domestic or international destination.

Each demand segment attracts domestic and inbound travel of varying measures, depending upon the hotel and destination character. Demand quantum, profile and rate paying capacity are also impacted by seasonality factors which may apply differently to business and leisure hotels.

3.2. MICE Demand

MICE demand provides accommodation, F&B and other revenues arising from various business and social events such as weddings and social celebrations; corporate, institutional and government sponsored meetings, conferences and conventions; sports related events; performing arts based events; and other events. Several hotels recognise weddings revenue as a separate category from other MICE revenue. Varied segments may apply to different hotels and markets to provide increased room occupancy and other incomes from events held. New convention centres will create varied events demand and related rooms demand, and create potential for additional MICE demand at upper tier hotels that have sizeable function spaces.

Weddings and MICE events have contributed to the growth of F&B revenues to 34% share and Rs. 33.4 bn in 2023 for certain listed companies (Refer Table 18).

The G20 events from December 22 to September 23 took international visitors to multiple destinations and provided occupancy, rate and revenue boost to hotels. The success of those events creates the potential to host varied delegations with international standard offerings and service.

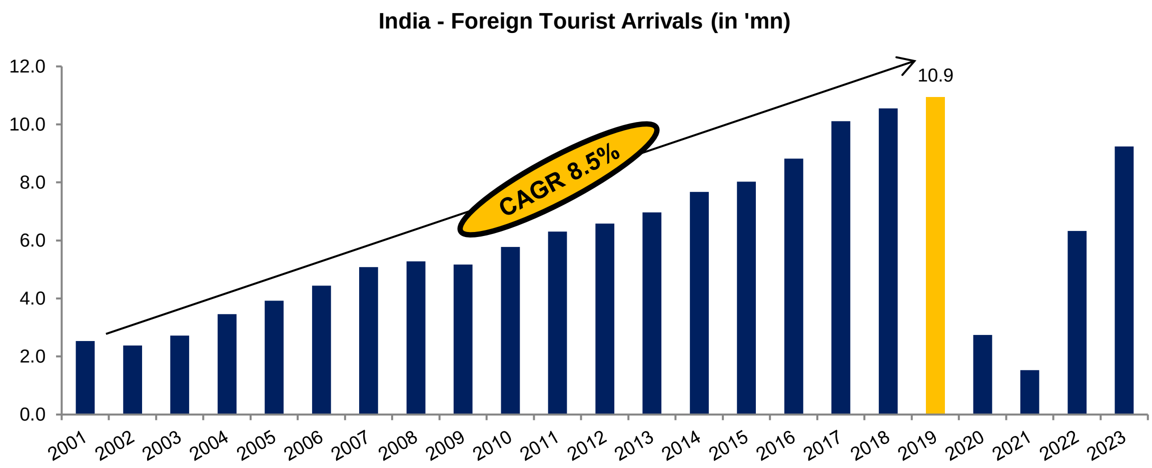
The trend for hosting weddings in city hotels or as destination weddings is expected to continue, in fact gaining momentum as the practice percolates to the mid-market segment. City hotels also benefit from destination wedding concepts. Similarly, the trend for greater importance to various celebratory occasions (anniversaries and landmarks) creates demand at city and leisure hotels and resorts.

Sport based demand has gained momentum and will likely add more demand strength in the future – international, national, and league events across various sports including cricket, hockey, kabaddi, and football are creating sizeable demand, across various price segments. Newer leagues are starting up, including for women. Demand comprises for team members, officials and support staff and visiting spectators, and includes demand for training in the lead up to the tournaments.

3.3. Foreign Tourist Arrivals (FTA)

FTA was reported at 10.1 mn, 10.6 mn and 10.9 mn for Calendar Year 2017 (CY17), CY18 and CY19 respectively (Source: Ministry of Tourism, Govt. of India), crossing the 10 mn mark for the first time in CY17. After the Covid period decline, FTA for CY22 recovered well to 6.3 mn, (notwithstanding that the normally very busy months of January and February 22 were slow due to Omicron wave). Recovery has continued in CY23,with FTA of 9.2 mn which is 84% of CY19 arrivals.

Chart 8 – India – Foreign Tourist Arrivals (mn)



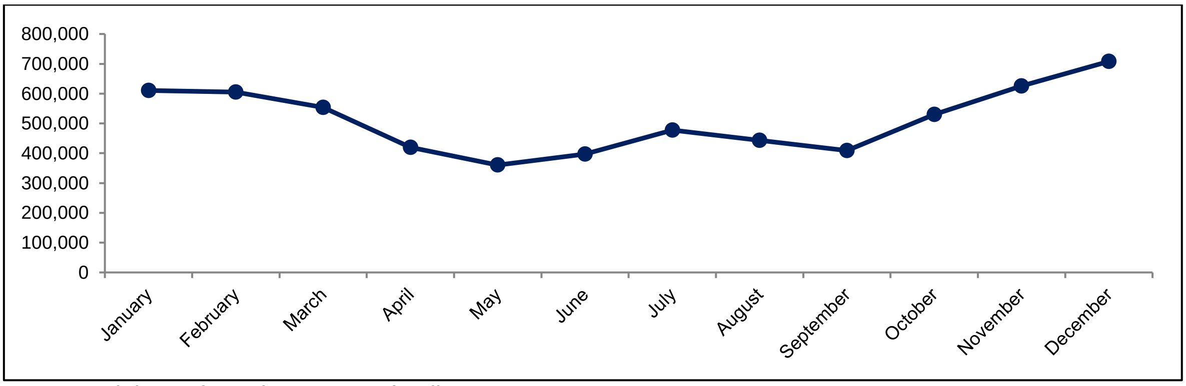
Source: Ministry of Tourism, Govt. of India

Cross-border travel is impacted by several factors including security, political and economic issues at the destination or source market. Thus, FTA declined in FY09 due to the terror attacks in Mumbai on 26 November 2008, and global financial crisis. Travel from Russia and Europe was impacted at different times due to economy related issues. Business failure of major tour operators in Europe materially constrained short-term demand in charter destinations such as Goa.

India's FTA numbers include arrivals from SAARC nations – these comprised 28.2% of total FTA for the years 2016-2021. (Source: Ministry of Tourism, Govt. of India)

Seasonality of FTA is reflected in Chart 9. The winter months are clearly preferred for travel into India, for leisure and MICE events, for leadership level business travel and high end destination weddings. Inbound travel in the summer and monsoon periods is slower, mainly comprising routine business travel, upscale and mid-sector leisure, and more selective travel for destination weddings and MICE.

Chart 9 – FTA Seasonality (2001-2019)



Source: Ministry of Tourism, Govt. of India

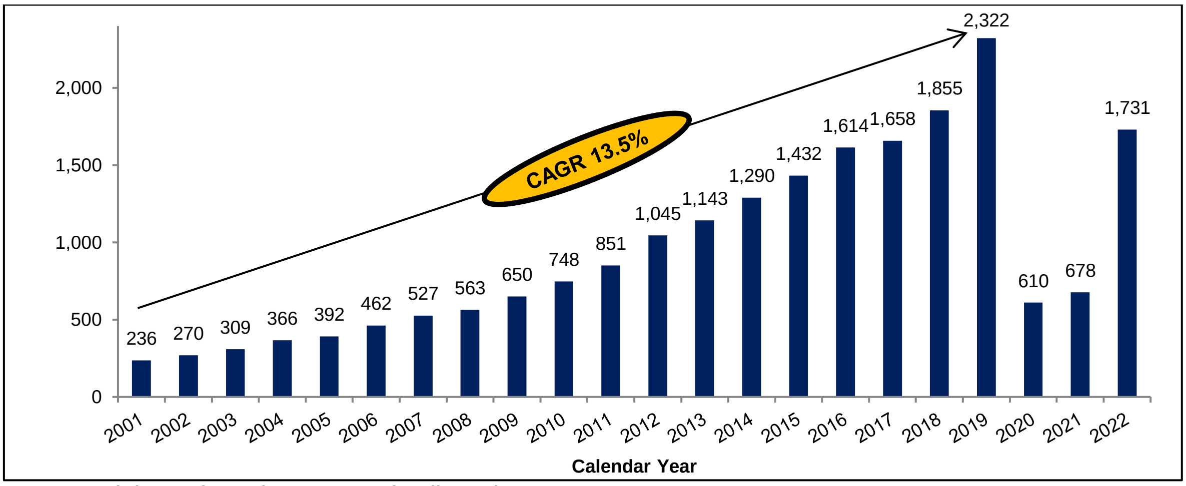
3.4. E-visa

Electronic Visa (E-visa) scheme made available effective November 2014 has successfully enabled inbound visitors to come in with short lead-time. FTA using E-visas increased from 0.7 mn in FY16 to 2.86 mn in FY20.

3.5. Domestic Tourism

Domestic travel numbers have grown nearly 10 times, from 236.5 mn visits in 2001 to 2.32 billion visits in 2019, reflecting 13.5% CAGR. Domestic travel numbers for 2022 at 1.7 billion reflects a strong recovery post Covid, at 75% of 2019 travel numbers.

Chart 10– India – Domestic Tourists (mn)



Source: Ministry of Tourism, Govt. of India estimates

Per estimates, about 2% of domestic visits result in hotel stays. This trend is gradually changing with the development of chain affiliated hotels, across varied price points, in second and third tier markets and pilgrim centres. Increase of hotel use during domestic visits, even for 0.5% of domestic visits, would provide 70% occupancy for about 50,000 new rooms.

In the Covid pandemic period, domestic leisure, staycations, remote working from resorts, and weddings demand were the mainstay of demand revival for the hotel sector. Domestic travel is expected to maintain strong growth, particularly as a large middleclass population, young working population, and overall increased individual incomes drive more discretionary travel. The domestic sector has become a key demand generator, with leisure, recreation, weddings and MICE demand driving weekend and off-season occupancies and enabling hotels and resorts to achieve significantly higher occupancies and room rates than earlier years.

Changes in stay patterns for domestic visits will also arise as nuclear families have smaller homes and stay for family events, or even for family visits, will need hotel accommodation to a greater degree than previously.

Table 1 reflects the demand contribution by foreign and domestic visitors at different hotel segments.

Table 1 – Hotels – Domestic vs Foreign Guests

Composition (%)	Five Star Deluxe		Five Star		Four Star		All India Average	
	FY19	FY14	FY19	FY14	FY19	FY14	FY19	FY14
Domestic Guests	65.6%	51.9%	71.1%	63.3%	76.3%	68.4%	79.3%	75.6%
Foreign Guests	34.5%	48.1%	28.9%	36.7%	23.8%	31.4%	20.7%	24.4%

Source: India Hotel Survey 2018-19 published by Federation of Hotel and Restaurant Associations of India (FHRAI), Horwath HTL & STR; India Hotel Survey 2013-14 published by FHRAI & HVS

Five Star and Five Star deluxe hotels have greater demand share from foreign guests while the Four Star and lower hotels attract a larger share of domestic visitors. The seeming decline in relative share for foreign guests is due to a combination of factors such as (a) substantial domestic travel growth, compared to inbound travel growth; (b) spread of hotels to second-tier and other markets which materially attract domestic travel; and (c) MICE and weddings related demand growth, predominantly from domestic guests.

3.6. Domestic Spend value on Tourism

As per a report by Booking.com and McKinsey, Indians are projected to take 5 billion visits by 2030. With growing household earnings and a median age of 27.6 years (about 10 years younger than most countries) the spend on tourism is projected to rise to $410 bn, up 170% from $150 bn spent in 2019. New Delhi, Bengaluru, Mumbai, Pune and Hyderabad rank at 1, 2, 3, 5 and 6 among the top 10 visited destinations within India, by the domestic market. Per a report on Vision 2047 prepared by HAI, India needs to prepare for 15 bn domestic visits and FTA of 100 mn annually by 2047.

4. Access Infrastructure

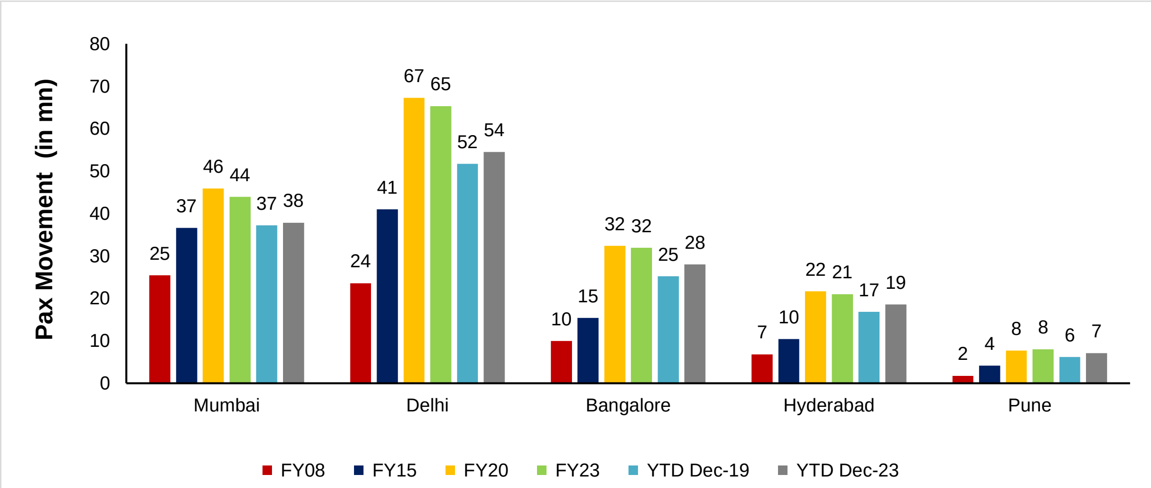
Better roads and airport infrastructure have enabled easier domestic and inbound travel, growth of established markets and development of newer markets including second and third-tier cities and towns. Highway and expressway linkages between metro cities, regional cities and destinations, development of new airports, airport expansions and upgrades, and opening of several regional airports through Ude Desh ka Aam Nagrik (UDAN) initiatives have each widened the business, leisure, destination weddings and MICE location options. The benefit is seen at Key Markets and numerous other destinations, such as Dehradun, Rishikesh, hill stations in Uttarakhand and Himachal Pradesh, Varanasi, Indore, Udaipur, Jodhpur, Jaisalmer, Pushkar, Coorg, Hampi, etc.

4.1. Air Traffic

Growth in air travel for Select Markets[1] is summarised in Chart 11. FY20 travel suffered a slowdown in inbound travel starting late January 20, and lockdown from 25 March 2020. However, complete recovery and growth over FY20 is expected in FY24.

Note 1 – Select Markets refer to Mumbai, Delhi NCR, Bengaluru, Hyderabad and Pune

Chart 11 - Passenger (Pax) Movement in mn for Select Markets



Source: Airports Authority of India (AAI)

Between FY08 and FY20, passenger movement (domestic + international) at these Select Markets and on all-India basis grew at 8.3% and 9.5% CAGR respectively.

Table 2 - Pax Movement in mn

Year	Select Markets	All India	Select Market Share
FY08	68	115	58.7%
FY15	108	191	56.5%
FY19	182	348	52.2%
FY20	175	343	51.0%
FY23	170	332	50.8%
YTD Dec23	**146**	***279***	***52.3%***
CAGR (FY08-20)	***8.3%***	***9.5%***	
CAGR (FY15-23)	***5.9%***	***7.2%***	

Source: AAI

- On calendar year (CY) basis, all India passenger movement (domestic + international) for CY19 was 349 million. Due to Covid-19 it declined to 143 million and 180 million respectively for CY20 and CY21 and recovered to 299 million for CY22. For CY23 the passenger movement was highest ever at 370 million.
- The Select Markets represent 52% of air travel in India as of YTD December 2023.
- New Delhi airport is the only airport in India with four runways and is slated for further growth with a fifth runway and additional terminal capacities to be developed. The airport handed 65 million passengers in FY 2023 and 54 million passengers from April to December 2023.
- Mumbai airport is the second busiest airport in India with two terminals but constrained for further growth by runway capacity. The airport handled 43.9 million passengers in FY 2023 and 38.9 million passengers from April to December 2023. A new airport is being developed

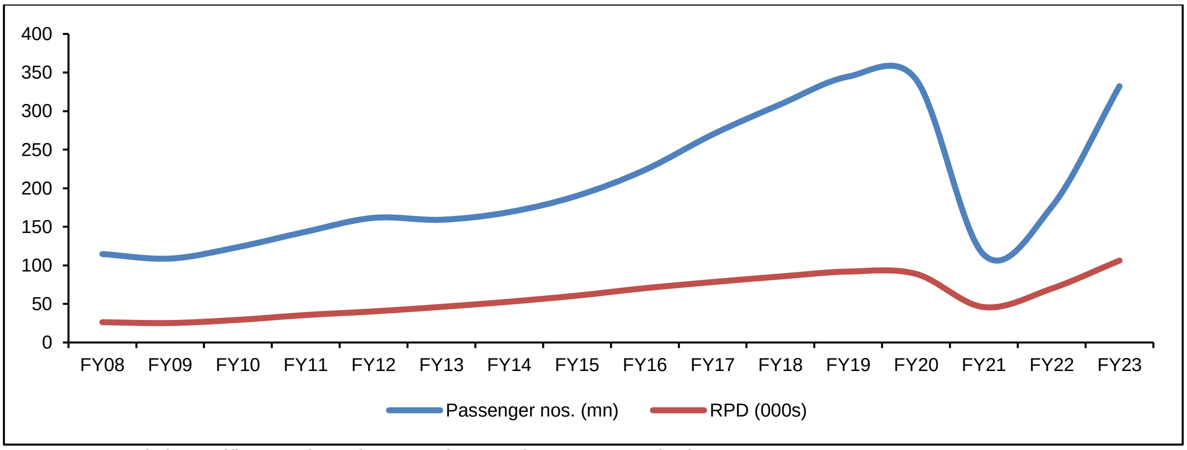
at Navi Mumbai, expected to be operational by Q1-2025; this will add to the air travel capacity of the city and will not see any material decline in the operations at the existing international airport.

- Bengaluru airport has seen rapid traffic growth, and opened a second terminal in November 2022; the airport has 2 runways. The airport handled 28.8 million passengers in FY19, 31.9 million passengers in FY23 and 28 million passengers from April to December 2023, regaining its FY20 levels in FY23.
- Hyderabad airport was recently expanded. The existing terminal is expanded on the eastern side increasing the total capacity from 12 mn to 34 mn passengers per year. The airport handed 21 million passengers in FY 2023 and 18.6 million passengers from April to December 2023.
- Pune airport is relatively smaller than demand. Its expansion was recently completed increasing the capacity from 7 mn to 12 mn passengers. The city gets substantial travel through the Expressway with Mumbai (this is being expanded) and expressway / highway connections with several major towns in the region which make Pune as a business and travel hub. The city will also benefit from the new airport at Navi Mumbai.
- As a destination, Goa is an excellent example of strong gain from air capacity increase by opening of a new airport at Mopa (>125 domestic flight arrivals per day).

4.2. Airline passenger movement vs Hotel rooms demand

Chart 12 below compares airline passenger movement and hotel rooms demand since FY08. Hotel rooms demand as a % to airline passenger movement, at 32% for FY23 was similar to FY15, and higher than 27% for FY19.

Chart 12 – Airline passenger movement vs Hotel rooms demand



Source: AAI (Air Traffic Data) and Horwath HTL (Rooms per day)

5. Industry size – chain affiliated hotels

5.1. The overview of supply and demand herein focuses on the upper tier segment in which Chalet Hotels Limited (“CHL”) has its hotels.

5.2. Data is separately presented on all India basis, for Key Markets and for Select Markets. For this purpose, Key Markets comprise the six metro cities (Mumbai metropolitan area, Delhi NCR, Bengaluru, Chennai, Hyderabad and Kolkata), Ahmedabad, Pune, Jaipur and Goa – these are the top ten markets in India in terms of hotel room inventory.

5.3. Select Markets are markets where CHL has an operating hotel - Mumbai metropolitan area, Delhi NCR, Bengaluru, Hyderabad, Pune and Lonavala. These hotels are:

- One luxury hotel – JW Marriott Sahar Mumbai
- Five upper upscale hotels – Westin Powai Lake and Marriott Executive Apartments in Mumbai, Bengaluru Marriott Whitefield, and Westin Hitec City and Westin Mindspace in Hyderabad
- Two upscale hotels – Four Point by Sheraton Navi Mumbai and Novotel Pune
- The Dukes Retreat, an independent resort (presently of upscale standards) in Lonavala that is operating for more than 40 years thereby becoming a landmark in the area. This was acquired by CHL in March 2023, will undergo renovation and is intended to be expanded by 70 keys by H2-FY25. Upon renovation and expansion, the resort is intended to be positioned as an upper upscale resort.
- 158 room Courtyard by Marriott Aravalli an upscale resort in NCR that was acquired by CHL in March 2024. This is not included in the CHL ownership inventory data for this report, as the report is as of 31 December 2023.

CHL hotels are located within or in proximity to major business districts in the respective Select Markets. All hotels, except the Lonavala resort, are managed by or affiliated with global hospitality chains under different brands.

5.4. In this report CAGR between a financial year (start year) and another financial year or 31 December 2023 (end year / date) is calculated from 31 March of the start year to 31 March of the end year or 31 December 2023, as the case maybe.

5.5. The analysis of hotel supply and demand principally deals with chain-affiliated hotels, i.e. hotels that are either (i) owned and operated by hotel chains, (ii) operated by hotel chains on behalf of other owners or (iii) operated under franchise from hotel chains. For this purpose, all recognised international chains operating in India and domestic hotel chains that are generally considered as operating under common branding have been included; other domestic chains are considered if they have five or more hotels operating at least regionally in India. For clarity, groups with multiple hotels only within one state are not considered unless these are generally regarded as hotel chains by the market. Companies that primarily operate time-share facilities, one star hotels and hotels under aggregators (such as Oyo, Treebo and FabHotels) are excluded. Note that STR data from CY 2020 includes participating units of the aggregators; to the extent these units provided data for earlier periods, it is also included in the updated data available from STR for earlier periods.

5.6. Classifications: The hotels are segmented into the Luxury and Upper Upscale (Lux-UpperUp) Segment, Upscale segment, Upper Midscale segment (Up-Mid), Midscale Segment and Economy Segment. These segments are based on intended positioning of the hotels and the room rate structures. Over and above the rooms, the hotels also offer additional facilities such as restaurants, bars, and function facilities for meetings and events. Each segment will include entry-level hotels in that segment besides hotels that are more fully of segment standards. These are the industry terms used for classifying, categorising and segmenting hotels and are explained below.

- Luxury and Upper Upscale segment typically comprise top tier hotels; in India, these are generally classified as 5 star, deluxe and luxury hotels. Several brands classify themselves as luxury hotel brands, based on certain criteria (e.g., room size) without having the service standards and consistent guest profile typically associated with true luxury hotels.
- Upscale segment comprises hotels which are more moderately positioned and priced, generally with smaller room sizes than the top tier hotels. In India, upscale hotels are generally classified as 4 or 5 star hotels (typically carrying entry level 5 star quality).
- Upper Midscale segment (Up-Mid) comprises full service or select service hotels, typically with lesser public areas and facilities and smaller room sizes, which are more moderately positioned and priced than upscale hotels. In India, these would generally be classified as 4 star and sometimes 3 star hotels.

- Midscale segment typically are 3 star hotels with distinctly moderate room sizes, quality and pricing, and a lower standard of services; domestic brand midscale hotels often offer more services than select service international branded midscale hotels.
- Economy segment (Eco) are typically 2 star hotels providing functional accommodation and limited services, being focussed on price consciousness.

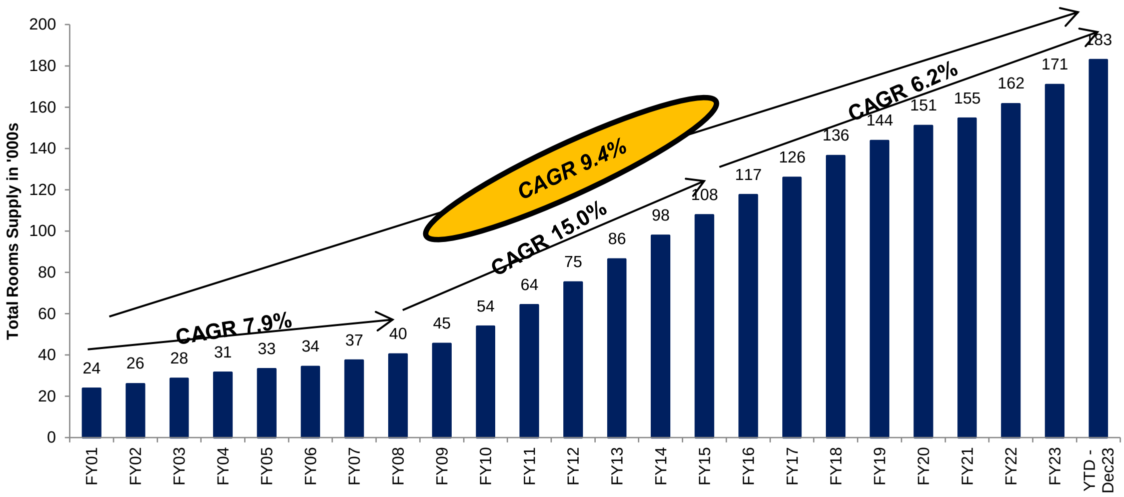
  Segmental classifications are essentially based on the intended positioning and overall rate structure of respective hotel brands; actual standards of individual properties may vary, but adjustment is not made on subjective basis. If a chain has modified the positioning of a brand, such change would be reflected in current and previous period data.

5.7. This report generally does not cover independent hotels, except to the extent that some independent hotels may have participated in collection of any reported data.

Other Independent hotels have been excluded due to – (a) lack of sufficiently co-ordinated, reliable and consistent data for independent hotels; (b) increasingly challenged competitiveness of several independent hotels against growing presence of chain-affiliated hotels, (c) longer-term constraints on independent hotel growth as hotel chains grow into second-tier markets and smaller towns; (d) general reluctance of banks to finance large projects unless these have access to suitable chain marketing and management systems. We believe that an analysis based mainly on chain-affiliated hotels (while also competing with any independent hotels in the relevant catchment area) is adequate reflection of the overall market conditions.

5.8. Charts 13 and 14 below reflect All India Chain affiliated hotel room supply and hotel room supply in the Luxury, Upper Upscale and Upscale segments.

Chart 13 - All India Chain Affiliated Rooms Supply

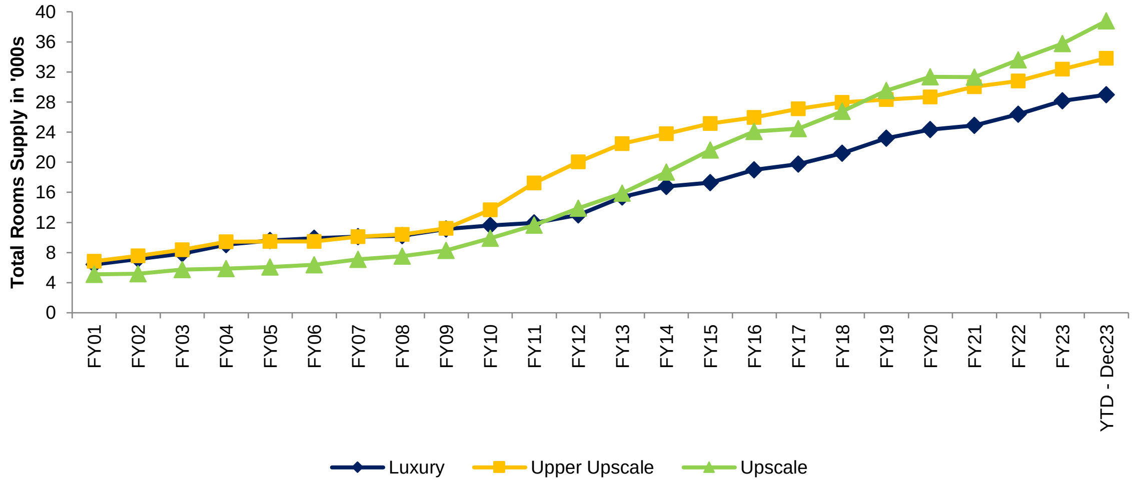


Source: Horwath HTL

Major supply growth occurred between FY08-FY15, fuelled by strong business conditions from FY05 through initial months of FY09 when occupancies and Average Daily Rate (ADR) were strong in most markets. On the other hand, declining demand and economic activity from FY10 through FY14 was not supportive of new development commitments, leading to slower supply growth for FY16-FY23; this was exacerbated by the Covid pandemic. Yet, overall Compound Annual Growth Rate (CAGR) of 9.4% over 22 years reflects material supply addition, although off a small supply base as at FY01.

About 62,000 rooms were added in the years FY10-FY15 and about 20,000 rooms between FY21-FY23; the latter was lesser than earlier projections but actually represents reasonable growth in view of the severe restrictions and challenges from Covid-19 pandemic. 12k rooms have been added between April and December 2023.

Chart 14 - All India Chain Affiliated Rooms Supply – Luxury, Upper Upscale and Upscale Segment



Source: Horwath HTL

Segmental supply has evolved significantly since FY01, and continues to do so, as reflected in Table 3 below:

Table 3 – Segmental Composition (Inventory in 000s)

Category	FY01	FY08	FY15	YTD Dec23	FY27	CAGR FY01-08	CAGR FY08-15	CAGR FY15-YTD Dec23	CAGR FY YTD Dec23-27
Luxury	6	10	17	29	34	6.9%	7.8%	6.1%	5.4%
Upper Upscale	7	10	25	34	43	6.2%	13.5%	3.4%	7.4%
Upscale	5	8	22	39	52	5.7%	16.3%	6.9%	9.3%
Upper Midscale	4	7	20	33	44	9.7%	16.1%	6%	9.4%
Midscale-Economy	2	5	24	48	68	17.1%	24.2%	8.5%	11.3%
Total	**24**	**40**	**108**	**183**	**241**	7.9%	15.0%	6.2%	8.9%
% of Total									
Luxury	27.0%	25.4%	16.1%	15.8%	14.2%				
Upper Upscale	28.8%	25.8%	23.4%	18.5%	17.7%				
Upscale	21.5%	18.6%	20.1%	21.2%	21.5%				
Upper Midscale	15.5%	17.4%	18.5%	18.1%	18.4%				
Midscale-Economy	7.2%	12.9%	21.9%	26.3%	28.2%				

Source: Horwath HTL

Supply composition has evolved towards greater segmental balance, with lesser concentration of the Luxury segment in particular and the Upper-Upscale segment, and increased supply share and footprint for upscale, upper midscale and Midscale & Economy (M-E) segments. A similar trend is broadly expected for the next 3-5 years, as more inventory is added in the Upscale and M-E segments than in the Lux-UpperUp segment; this is an inevitable and expected outcome of supply creation across markets and particularly in tier 2 and tier 3 markets.

In absolute numbers, the Luxury, Upper-Up and Upscale segments added about 23k rooms, 27k rooms and 34k rooms respectively between FY01-YTD Dec23. (Note: inventory decline in some years is mainly due to brand re-classification). The Upper Upscale segment ceded its lead position beginning FY19, as the widening supply outside the Key Markets is creating strong growth momentum for the upscale and upper midscale segments.

Lux-UpperUp hotels remain extremely relevant to the hotel sector, as reflected by its materially larger contribution to rooms revenue, due to its superior pricing and quality. Refer Table 4 for segmental revenue share in CY23. This relevance, particularly in major metro cities, and the slower growth rate by way of new supply due to entry barriers will be beneficial to existing hotels and pipeline hotels that get completed.

Table 4 – Segmental Revenue Share

Positioning	Supply Share	Revenue Share
Lux-UpperUp	34%	55%
Up-UpMid	39%	34%
M-E	26%	11%

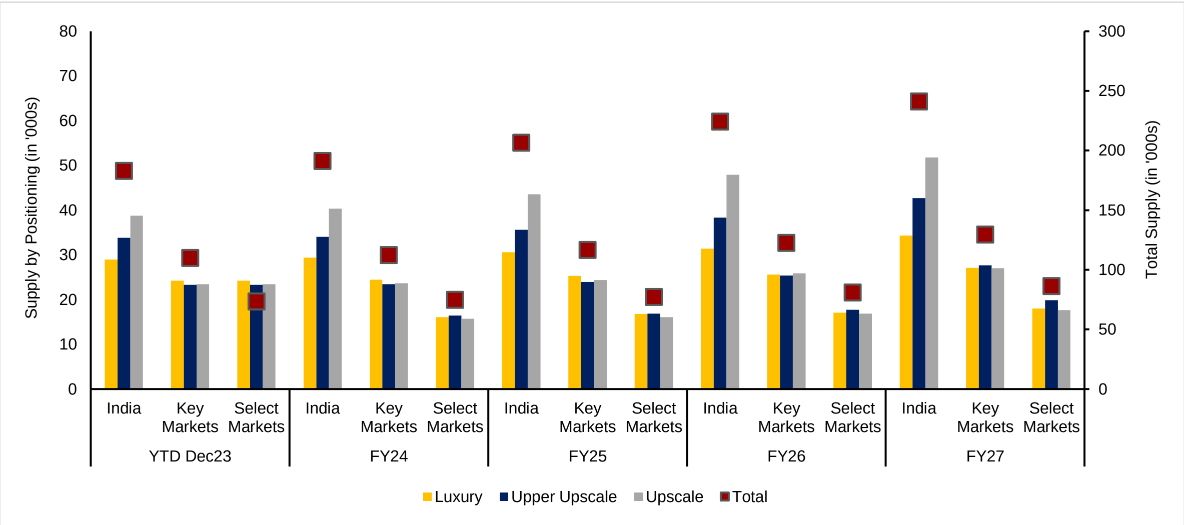
Source: Horwath HTL

5.9. Supply growth includes from conversion of hotels, with 6k rooms (net) added to chain affiliated supply between FY15 and YTD Dec23 - about 28k rooms at independent hotels were converted into chain affiliated hotels; while about 22k chain-affiliated rooms were de-flagged.

5.10. Per current data, 58k rooms are expected to be added between January 2024 and March 2027 and a further 10k rooms between April-Dec 27. Given the past track record of materialised supply being at a slower rate, actual inventory growth may be smaller. It is also possible that growth may happen somewhat speedily if more conversions occur as these need a slower lead time to fruition.

5.11. Chart 15 indicates the expected supply through FY27, on an all-India basis, for Key Markets and Select Markets and relevant segments. Limited supply may not be operational for some periods, during insolvency resolution processes – such cases will be nominal in the overall context.

Chart 15: Expected Supply (Inventory in 000s)



Source: Horwath HTL

22% of new supply between 1 Jan 24 and 31 March 27 will occur in the Select Markets; 33% will occur in Key Markets (including relevant Select Markets) and 67% will occur outside the Key Markets. With the wider spread of new supply across multiple markets outside the Key Markets, the supply will likely satisfy latent demand or generate new demand; the impact of supply creation on occupancies in Select Markets will likely be limited, if any.

About 24% of new supply will be in the Lux-UpperUp segment, 22% and 19% in the Upscale and Upper-Midscale segments respectively and 34% in the Midscale-Economy segment. Sizeable supply expansion outside the Key Markets and segmental spread of supply reflects increasing market maturity and potential for wider demand growth.

6. Supply Spread

6.1. The Key Markets have nearly 60% of rooms supply as at YTD Dec23; declining from 69% supply share at end FY15. Hotel rooms supply across market categories is summarised in Table 5 below.

Table 5 – Supply Distribution

Market Category	Room Count ('000)				% Share			
	FY01	FY15	YTD Dec23	FY27	FY01	FY15	YTD Dec23	FY27
3 Main Metros	9.5	41.2	58.1	69.7	40.0%	38.3%	31.8%	28.9%
3 Other Metros	3.4	15.4	22.9	25.2	14.3%	14.3%	12.5%	10.4%
Other Key Markets	2.9	18.2	29.0	34.6	12.2%	16.9%	15.9%	14.3%
Other Markets	7.9	32.9	72.8	111.7	33.4%	30.5%	39.8%	46.3%
Total	**23.8**	**107.7**	**182.8**	**241.2**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Select Markets	**10.8**	**52.9**	**73.5**	**86.3**	**45.4%**	**49.2%**	**40.2%**	**35.8%**

Source: Horwath HTL; Note: Other Key Markets are Pune, Ahmedabad, Jaipur and Goa

- Supply at the 3 Main Metros is nearly 2.5 times the Other Metros; other Key Markets have larger inventory than the Other Metros. Among all Key Markets, supply growth over the next 4 years will mainly be at the 3 Major Metros [Delhi NCR, Mumbai and Bengaluru – 4.4k, 4.2k and 3.1k rooms respectively] and Other Key Markets.
- Supply spread to Other Markets is an important evolution of the industry with 65k rooms added between FY01 and YTD Sep-23 and another 39k expected to be added by FY27.
- The Key Markets led supply creation between FY01-FY15; in the last 8 years, increased urbanisation and improved air / road infrastructure have encouraged supply creation in Other Markets enabling between 40% to 68% supply share for the Other Markets during this period. Hotels in Other Markets tend to be smaller and concentrated at the mid-priced and upscale levels.
- Sizeable supply expansion outside the Key Markets and segmental spread of supply reflects increasing market maturity and potential for wider demand growth. At the same time, the changing supply composition causes market wide rates to be at lower levels due to a larger share of mid-priced hotels.
- All Chalet hotels, (other than the recently acquired Dukes Retreat) are in 5 of the Key Markets.

Table 6a – Room Supply by Market and Segment

Room Count ('000)	Luxury			Upper Upscale			Upscale		
	FY01	YTD - Dec23	FY27	FY01	YTD - Dec23	FY27	FY01	YTD - Dec23	FY27
Top 3 Metros	3	14	16	3	13	15	2	12	14
Other Key Markets	2	10	12	2	11	12	0	11	13
Other Markets	1	5	7	1	11	15	3	15	25
Total	**6**	**29**	**34**	**7**	**34**	**43**	**5**	**39**	**52**
Select Markets	**4**	**16**	**18**	**4**	**16**	**20**	**2**	**16**	**18**

Source: Horwath HTL

Table 6b – Room Supply - share by Market Category

Segmental Share	Luxury			Upper Upscale			Upscale		
	FY01	YTD - Dec23	FY27	FY01	YTD - Dec23	FY27	FY01	YTD - Dec23	FY27
Top 3 Metros	55%	48%	45%	48%	37%	36%	38%	32%	28%
Other Key Markets	34%	36%	34%	30%	32%	29%	7%	28%	24%
Other Markets	11%	16%	21%	22%	31%	35%	56%	40%	48%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Select Markets	**66%**	**56%**	**52%**	**52%**	**49%**	**47%**	**38%**	**40%**	**34%**

Source: Horwath HTL

- Among Upper-tier hotels, Upscale segment had the largest supply growth between FY01-YTD Dec23.
- Of 12k and 13k rooms added in Select Markets in the Luxury and Upper Upscale segment respectively between FY01 and YTD Dec23, 5% and 13% were added by CHL.
- Change in supply composition for each market was inevitable considering the top-heavy nature of the market and modest supply levels in FY01. While acknowledging the better segmental balance within cities, the impact on overall ADR levels in cities must also be recognised – city-wide ADR will move downward, as a natural result of more mid-tier and lower-tier hotels in the city.

6.2. Between FY01-YTD Dec23, Foreign chains have gained material supply share through multiple brands and diversified hotel development investment and ownership which suits the management / franchise model sought by foreign chains.

Table 7: Foreign & Domestic Chain Affiliated Supply

	FY01		FY08		FY15		YTD Dec23		FY27	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Overall	**80%**	**20%**	**73%**	**27%**	**55%**	**45%**	**54%**	**46%**	**53%**	**47%**
Lux	100%	0%	80%	20%	66%	34%	66%	34%	63%	37%
Up-Ups	60%	40%	56%	44%	36%	64%	27%	73%	29%	71%
Ups	91%	9%	76%	24%	41%	59%	38%	62%	38%	62%
Up-Mid	74%	26%	81%	19%	67%	33%	52%	48%	48%	52%
Mid-Eco	55%	45%	80%	20%	70%	30%	78%	22%	80%	20%

Source: Horwath HTL

- At end Dec 23, foreign chains operate / franchise about 46% of the chain affiliated hotel rooms in India; their ownership share is very limited. Their market share has remained at 46% to 48% for the last about nine years, with no significant change through FY27.
- Foreign chains expanded by aggressively pursuing management contracts, offering multiple brands and supporting the development of hotels with larger rooms inventory and function spaces.

- Several domestic chains were initially asset heavy and have gradually shifted to an asset-light or hybrid model (combination of owned properties and management contracts) to enable chain expansions. Domestic chains have added brand range and successfully positioned products and brands in the Upscale, Up-Mid and M-E segments – these have enabled domestic chains to gain larger share of new supply in the Upscale, Up-Mid and M-E segments since FY15.

6.3. Supply Analysis by Size

An analysis of hotels by size is summarised below:

Table 8a – Analysis by inventory size

Inventory Size	Hotels#	%	Rooms (in 000s)	%
<100	1,229	*65%*	64	*35%*
100-250	540	*29%*	81	*44%*
250-400	85	*5%*	26	*14%*
400-500	16	*1%*	7	*4%*
500 +	9	*0%*	5	*3%*
Total	**1,879**	*100%*	**183**	*100%*

 # include chain affiliated serviced apartments

Source: Horwath HTL

Size analysis for the upper tier segments is presented below:

Table 8b – Upper tier segment analysis by inventory size (Rooms in 000s)

Inventory Size	Luxury			Upper Upscale			Upscale		
Hotels	H	R	Avg R / H	H	R	Avg R / H	H	R	Avg R / H
<100	53	3	56	59	4	60	138	8	59
100-250	60	10	172	113	19	165	157	23	145
250-400	32	10	306	26	8	298	20	6	312
400-500	8	3	437	5	2	433	1	0	400
500 & above	4	2	591	3	2	562	1	1	610
Total	**157**	**29**	**185**	**206**	**34**	**164**	**318**	**39**	**122**

H = Hotels; R= Rooms

Source: Horwath HTL

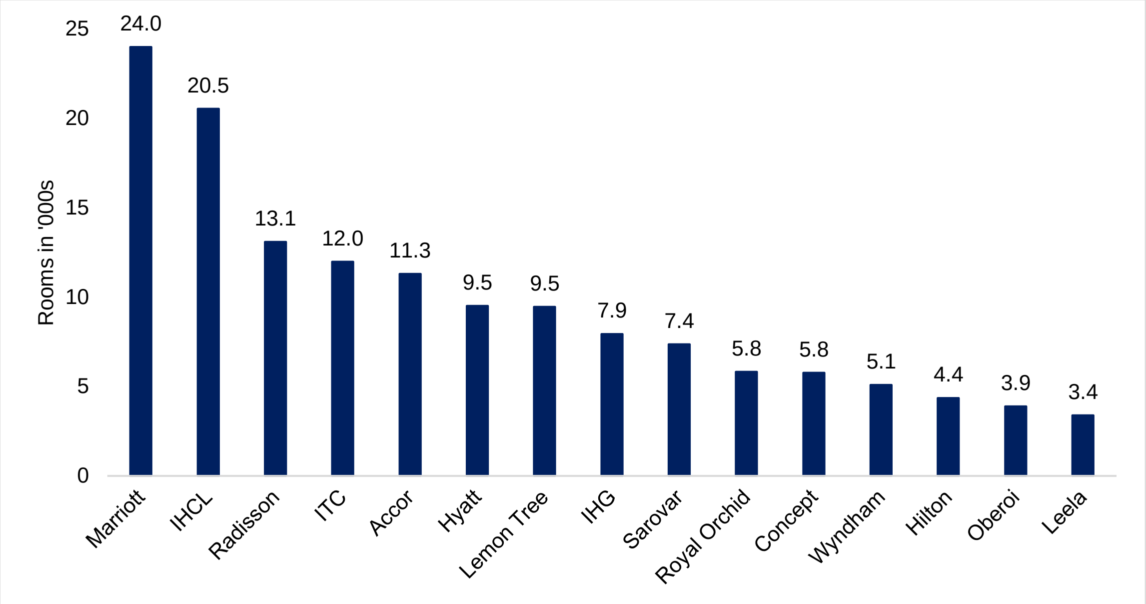
- The average rooms inventory per hotel, across all classifications is 97 rooms. All CHL hotels are materially larger than average inventory. CHL hotels are also materially larger than the segmental average size of hotels.
- The inventory of hotels and rooms includes units that are either operating as stand-alone serviced apartments (such as Chalet's Marriott Executive Apartments, Mumbai, Wellington Mews in Mumbai and Chennai, Marriott Suites Pune, Hyatt Residences, Delhi Aerocity, Somerset and Citadines in Chennai) or have serviced apartments that are part of a hotel inventory (such as at ITC Grand Chola, ITC Royal Bengal, Grand Hyatt Mumbai, Leela Gurugram etc). The total inventory of serviced apartment units (keys) is 3.2k, with 0.7k, 1k and 0.9k units in the Luxury, Upper Upscale and Upscale segments; the average inventory at serviced apartment facilities is 132. CHL has one serviced apartment facility with 173 units, comprising 17% supply share in the Upper Upscale serviced apartments space, and a little under 6% share in the overall supply of chain affiliated serviced apartments

6.4. Supply and Ownership Analysis

6.4.1 Supply composition – Hotel Chains

Inventory of top 15 chains as at 31 December 2023 is summarised in Chart 16 below:

Chart 16: Rooms Inventory of Top 15 Chains (in 000s)



Notes: (a) Marriott excludes hotels under franchise with ITC Hotels; these are included under ITC Hotels; (b) Louvre Group includes Sarovar

Source: Horwath HTL

- About 78% of total inventory is controlled by the top 15 chains
- Six hotel chains – Marriott, IHCL, Radisson Hotel Group, ITC, Accor and Hyatt – each have 5% or greater inventory share by number of rooms; in aggregate, these chains have 49% share of total supply of hotel rooms.

6.4.2 Ownership Analysis

Chain ownership of hotel rooms has reduced from 71% at end FY01 to 26% at end Dec-23. Private sector (other than hotel chains) and institutional capital have been instrumental in asset creation over the last about 20 years.

Table 9 – Ownership Pattern – as at 31 December 2023

	Hotels	%	Rooms('000)	%
Chain Owned / Leased	409	*22%*	47.2	*26%*
Developer / Investor	1,470	*78%*	135.6	*74%*
Total	**1,879**		**182.8**	

Source: Horwath HTL

Hotels that have majority ownership/control with private developers are not considered as chain-owned. For clarity, hotels with investments by affiliate / group entity of Accor, Hyatt and Radisson are not considered as chain-owned as the hotel chains do not have controlling interest in the respective companies.

6.4.3 The ownership pattern is further analysed in Table 10:

Table 10 – Ownership Pattern by Category – as at 31 December 2023

Ownership Structure	Hotels	Rooms (in 000s)	Avg Size
Chain Owned	409	47	115
Major Private[1]	151	31	207
Other Private[2]	1,283	98	77
Institutions	36	6	167
Total	**1,879**	**183**	**97**

1 - Major private comprises group companies owning more than 500 rooms

2 - Other Private comprises Group companies owning less than 500 rooms

3 - Institutions comprises hotels where a majority is owned by institutional investors

Source: Horwath HTL

Major private investors have invested in some large format assets; the average hotel size at over 200 rooms for this ownership category is reflective of the changed vision and opportunity in India. Thus, five of the nine hotels with over 500 rooms are owned by major private investors; similarly nine of fifteen hotels with 400 to 499 rooms inventory are owned by major private investors. On the other hand, several chains have also invested significantly in the mid-priced and economy segments where hotels typically have lesser inventory. Among institutional investors, SAMHI Hotels has the largest inventory with 4.8k rooms, and has successfully concluded a public offering.

An asset-ownership based model has several merits particularly in terms of (a) asset appreciation; (b) larger earnings gains under strong market conditions, as the gross revenue and profits belong to the hotel chain; (c) advantage in creating better returns, if land banks are available at historical costs; (d) the ability to create and showcase the value and profitability of differentiated products. Undoubtedly, situations such as the Covid pandemic create cash flow stress from asset ownership, to cover fixed costs and debt service burdens. However, when business recovers, the full flow through of revenues is also an advantage

6.4.4 Several of the hotel chain entities and some developer/investor controlled entities are listed companies. Analysed on that basis, the ownership pattern emerges as:

Table 11 – Ownership by listed/unlisted companies – as at Dec-23

Ownership	Listed companies		Unlisted companies		Total	
	Hotels	Rooms (000s)	Hotels	Rooms (000s)	Hotels	Rooms (000s)
Hotel Chains	249	33	160	14	409	47
Developer / Investor	81	17	1,389	119	1,470	136
Total	**330**	**50**	**1,549**	**133**	**1,879**	**183**

Source: Horwath HTL

Listed companies comprise (a) hotel companies which are listed companies or subsidiaries of listed companies; and (b) other large listed companies which inter alia have a dedicated hotel portfolio. Listed companies which may inter alia own a hotel asset have generally not been included and are grouped in the table above under unlisted companies. Two other hotel company listings have occurred between 31 Dec 23 and the date of this report.

6.4.5 Table 12 summarises the hotel ownership of the top ten major private investors, who have developed or otherwise own hotels.

Table 12– Ownership by Major Private Investors

Group Company	Hotels	Rooms (000s)	Remarks
Interglobe Hotels	20	3.7	JV with private shareholding
Chalet Hotels@	8	2.8	Four cities – Listed Company
Saraf Group	10	2.5	Six cities (includes Juniper Hotels Ltd in six cities; 1.8k rooms which listed in February 24)
Triguna	7	1.7	JV with private and institution shareholding
Brigade Group	8	1.5	Part of Listed Company; substantial growing pipeline
Panchshil Group	8	1.4	Pune based – has institution ownership share
Prestige Group	7	1.3	Part of Listed Company; five cities
IHHR	8	1.2	Eight cities – owner and chain managed hotels
Embassy REIT	4	1.1	Hotels only in Bengaluru
Dangayach Group	4	0.9	Three cities – substantial growth pipeline
Total	**84**	**18.2**	

Source: Horwath HTL @ excludes one independent hotel acquired by the Company in March 2023.

The top ten major private investors have 13% share of guest rooms that are not chain-owned; the fragmented ownership structure points to a possibility of ownership consolidation in the future.

Tables 13 reflects the top five major private investors for Lux-UpperUp hotels.

Table 13 – Lux-Upper Up Hotels and Rooms – Top 5 Major Private Investors

Major Private Investor	Hotels	Rooms (000s)
Chalet Hotels	6	2.3
Saraf Group	8	2.3
Prestige Group	7	1.3
IHHR	6	1.0
Asian Hotels (West)	2	0.9

Source: Horwath HTL

6.5 Future Demand

In this section we have projected future demand. Our estimates of future demand are based on demand achieved in FY19, growth in domestic demand over FY19 and gradual recovery in foreign demand. Our estimates of the pace of recovery and subsequent demand growth are given in Table 14:

Table 14 – Demand Recovery / Growth estimates

Year	Projected Foreign Demand Recovery (relative to FY19)	Projected Domestic Demand Growth (YoY Growth)	Projected Growth – Overall Demand (YoY Growth)
FY24	87.5%	12%	15%
FY25	100%	8%	9%
FY26	115%	11%	12%
FY27	130%	11%	11%

Source: Horwath HTL

- **Foreign Demand** – For FY23, FTA recovery from the top ten countries (excluding SAARC nations) was at 66%. Having regard to FTA for CY23, we have assumed recovery of 87.5% for FY24 and full recovery in FY25; material foreign arrivals through H1-FY24 due to G20 summit are a single major event based occurrence and we have not considered this as offering a stable \long-term basis. A sizeable portion of foreign travel demand is from the IT sector which remains slow in parts, and unlike other sectors sizeable workforce is still working remotely. Hence the overall foreign travel recovery is expected to be gradual. Growth of 15% and 30% (over FY 2019 demand) in FY 2026 and FY 2027 respectively has been assumed.
- **Domestic Demand** – FY 2023 witnessed significant growth over FY19 demand and this was driven mainly by pent-up corporate and MICE travel demand. Strong growth has been reported for first three quarters of FY24 and is expected to continue to be achieved in Q4-FY24Growth may partially slow down in early FY 2025 for the elections. Growth for FY 2026 and 2027 is assumed at 11%. Growth assumption is based on (a) long term CAGR of 9.8% between FY 2008 and FY 2023 and (b) further new supply is planned and expected to occur over the longer term which will enable future demand growth.

In Table 15, we have summarised the supply and demand CAGR

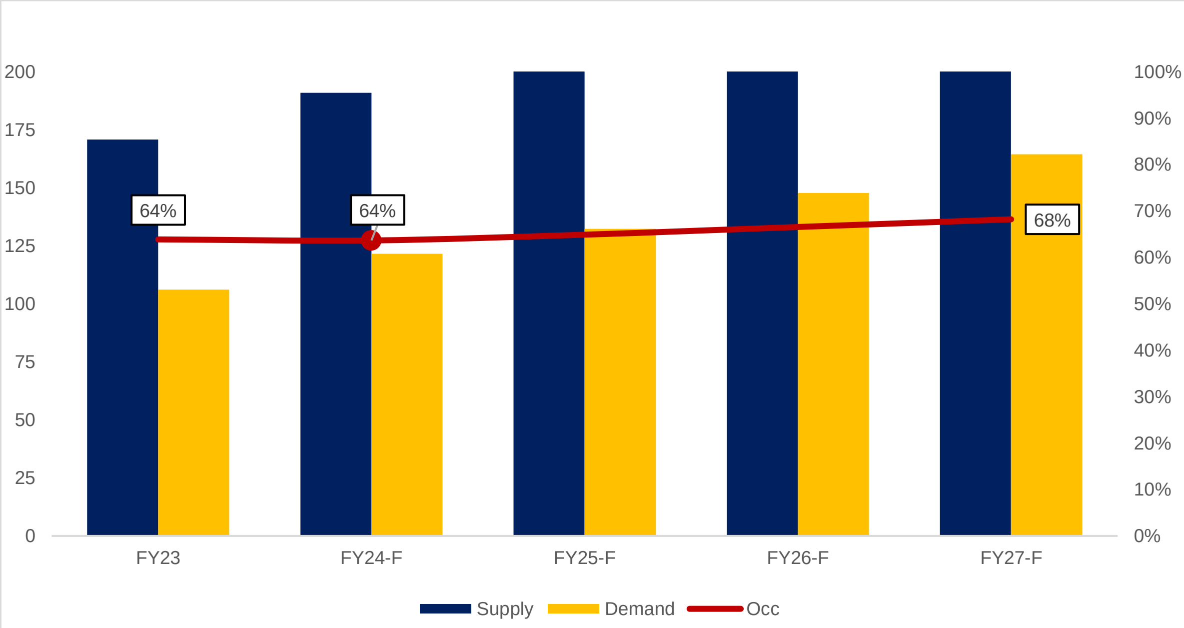
Table 15 – Supply and Demand CAGR

CAGR	FY16-FY23	FY24-27
Supply CAGR	5.5%	8.1%
Demand CAGR	6.2%	10.6%

Source: Horwath HTL

Based thereon, and with reference to our estimates of Future Supply described earlier, the occupancy estimates upto FY27 evolve as reflected in Chart 17.

Chart 17: All India – Rooms Supply vs Demand and Occupancy Estimates – (FY23–FY27)



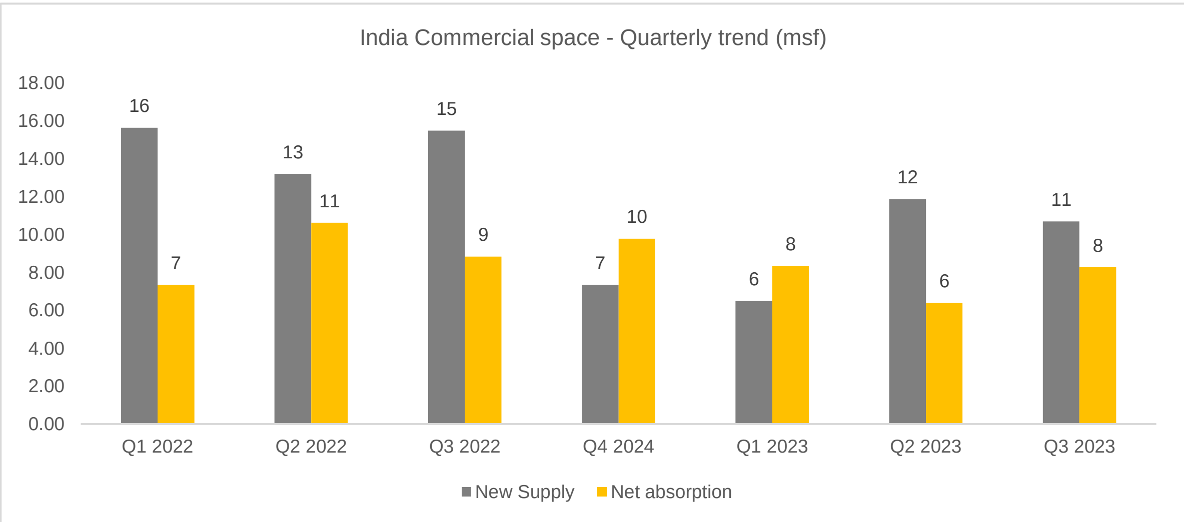
Source: Horwath HTL

7. Commercial Space

In this section we have provided a broad overview of commercial office space at an all-India level and for Mumbai and Bengaluru, where Chalet has commercial spaces. Data points for this section are sourced from Cushman and Wakefield Office Beat Reports.

7.1 India

Chart 18: India Office Space Metrics

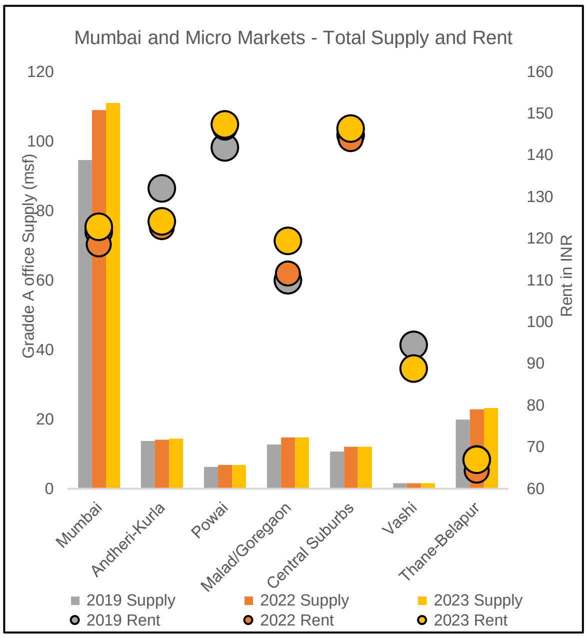


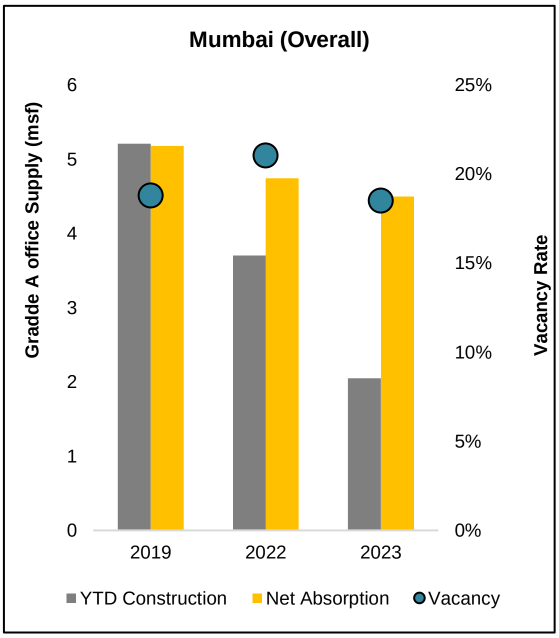
Source: Cushman and Wakefield

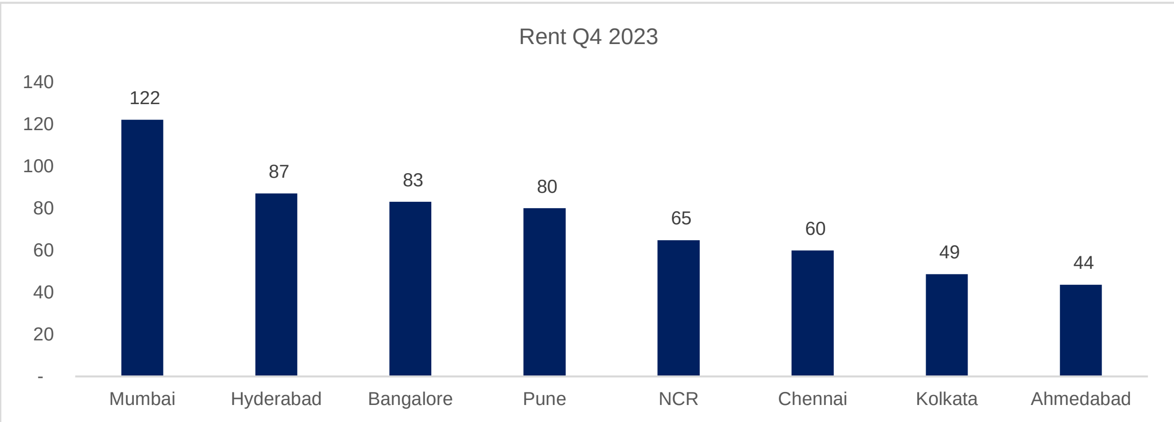
7.2 Mumbai

Chart 19: Mumbai Office Space Metrics

- Mumbai supply increased to 111 msf in 2023, growing at 4% CAGR (CY2019 – 23).







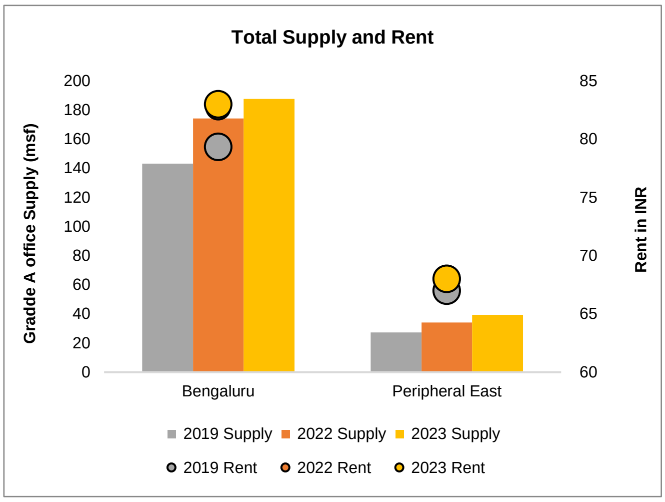
- Mumbai supply increased to 111 msf in 2023, growing at 4% CAGR (CY2019 – 23).

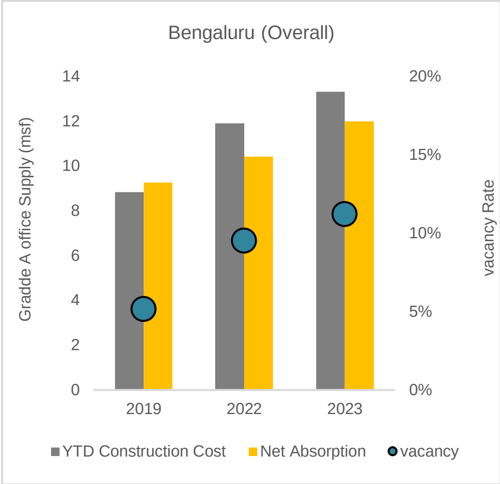
Source: Cushman & Wakefield

- The vacancy rate has decreased by 2% reflecting higher net absorption as % of total supply excluding renewals, One of the reasons of increased supply absorption is the depletion in new constructions.
- Mumbai has the highest rentals among Key Markets offering commercial spaces. Currently average rental in Mumbai is Rs 122 per sft.
- The rentals at Andheri-Kurla and Malad/Goregaon is in line with overall Mumbai rentals.

7.3 Bengaluru

Chart 20: Bengaluru Office Space Metrics





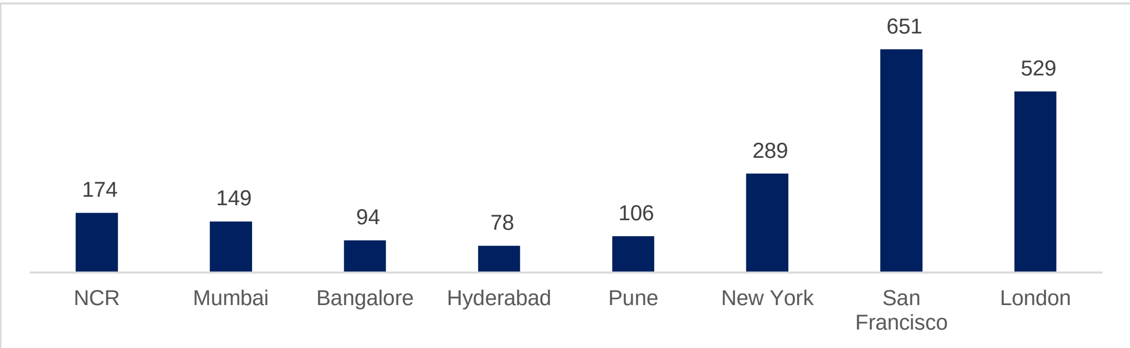
Source: Cushman and Wakefield

- At 187 msf, Bengaluru has the highest office supply among major cities in Asia Pacific region. Supply increased by 8% in 2023.
- Vacancy rate for 2023 is 11.2% compared to 9.5% for 2022, although Net absorption increased by 15% in 2023 compared to 2022. Vacancy rate in Peripheral East has increased by 4.3 pts compared to 2022 as inventory rose to 40 msf (+16%) in 2023.
- The city-wide rentals have remained unchanged since 2020, at 83 INR per sf per month. The rentals at Peripheral East are lower by 18% than average rental of the city and remained at 68 INR per sf per month.
- The premium rental sub-markets of Bengaluru include CBD and Suburban areas of ORR and Sarjapur with rental around 163 and 129 INR sft pm in 2023.

7.4 Number of Hotel key per Mn sq of office space (Dec 2023)

Chart 21 below provides a comparison of quantum of office space (msf) in certain Indian and international details and the available hotel key count in those cities. While underlying factors for each city may vary, the chart reflects growth potential for hotel supply in the Indian cities referred therein

Chart 21: Number of Hotel key per Mn sq of office space



Source: Cushman and Wakefield and Horwath HTL

8. Barriers to Entry

Development of hotels in India faces several challenges, principal among which are:

a. Land: Availability of land at suitable locations for hotels, high land cost of available land, and limited development entitlements - create limitations on hotel development, viability, and hotel size.

b. Regulatory Approvals: Hotel projects require multiple regulatory approvals and licenses, before project implementation and prior to opening. The process is time consuming, with timing uncertainties and delays – the resultant longer time to hotel opening causes project cost escalations, significant additional interest cost, debt-service pressures, and project quality impact.

c. Policy Changes: Policy changes by government can have a material impact on hotel development, operations and profitability. For example, (a) imposition of liquor prohibition; (b) substantial delay in completion of Delhi Aerocity hotels as security issues were not resolved in a time- bound manner; (c) recent requirement for drivers accommodation in Tamil Nadu.

d. Bank Financing: Cost and availability of debt, shorter loan tenures (8 to 10 years till 2015), and repayment structures which were inconsistent with the capital-intensive nature of hotels that typically need 2-4 years to stabilise operations. Bankers now provided extended tenures of 12-15 years which is more consistent with the industry needs and cash flow patterns.

e. Availability of Equity Capital: Shortage of sufficient long-term equity capital is a significant constraint towards capacity creation, particularly a portfolio of hotels or large hotels, and funding working capital shortages.

f. Manpower Shortages: Increasing manpower shortages - staff and managers with sufficient operating experience and skills – and high attrition across managerial and staff levels poses service limitations for hotels. Increased use of technology and larger talent pool of hotel chains will be sought.

Several of these barriers, particularly Land, Bank Financing and Availability of Equity Capital have greater implication for Lux-UpperUp hotels and hotels with large inventory and function spaces.

9. Operating Performance Parameters

9.1 Manpower to Rooms Ratio

Table 16 – Manpower to Rooms Ratio – Star Category Wise – FY15 to FY22

Year	India	5 Star Deluxe	5 Star	4 star	3 star
FY15	1.5	2.2	1.8	1.8	1.7
FY16	1.6	2.1	1.9	1.7	1.6
FY17	1.5	2.0	1.8	1.6	1.5
FY18	1.6	1.8	1.7	1.6	1.6
FY19	1.8	2.4	1.7	2	1.6
FY20	1.8	1.8	1.6	1.7	1.9
FY21	1.3	1.5	1.5	1.1	1.1
FY22	1.5	2.1	1.5	1.1	1.1

Source: FHRAI Reports

Payroll cost is among the large operating costs for hotels and has a material impact on operating margins. During and post Covid-19, hotels across segments have rationalised their staffing relative in response to reduced staff availability and higher payroll costs in order to improve margins. The data above reflects only participating hotels in the surveys for various years, Current trends among hotel companies is for luxury business hotels to be at or below 2.0 and for three-star hotels to be between 0.8 to 1.0

9.2 Operating Performance Comparison

Table 17 below provides a summary of operating performance and Table 18 provides F&B revenue of listed companies, that own 2k or more rooms, for FY2021-23. and nine months ended 31 December 2023.

Table 17 – Operating Performance - Select Listed Hotel Companies (Rs. Mn)

Company#	FY21			FY22			FY23			YTD Dec23		
	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%
IHCL	17,399	-1,970	-11%	32,114	5,599	17%	59,488	19,435	33%	42,943	13,789	32%
ITC Hotels$	6,639	-2,928	-44%	13,477	805	6%	26,891	8,520	32%	NA	NA	NA
EIH	5,470	-2,298	-42%	10,440	574	5%	20,964	6,750	32%	14,326	4,440	31%
Chalet$	2,021	-213	-11%	4,100	661	16%	10,281	4,327	42%	9,103	3,909	43%
Lemon Tree	2,650	745	28%	4,163	1,327	32%	8,786	4,511	51%	7,456	3,535	47%
SAMHI	1,793	-597	-33%	3,331	218	7%	7,614	2,606	34%	2,733	1,019	37%

Source: Listed Company annual reports / quarterly reports;

 # consolidated numbers unless otherwise stated; Revenue includes Other income

$ Company operates in multiple segments; revenue and EBITDA is only for the hospitality segment

NA – Not Available

Table 18 – F&B and Total Revenue - Select Listed Hotel Companies (Rs. Mn)

Company#	FY21			FY22			FY23		
	Rev	F&B	%	Rev	F&B	%	Rev	F&B	%
IHCL	17,399	5,454	31%	32,114	10,594	33%	59,488	21,348	36%
EIH	5,470	2,008	37%	10,440	3813	37%	20,964	7,569	36%
Chalet$	2,021	684	34%	4,100	1565	38%	10,281	3,386	33%
Lemon Tree	2,650	339	13%	4,163	581	14%	8,786	1,144	13%
SAMHI	1,793	510	28%	3,331	950	29%	7,614	1,820	24%

Source: Listed Company annual reports / quarterly reports

 # consolidated numbers unless otherwise stated; Revenue includes Other income

10. Market Performance Analysis

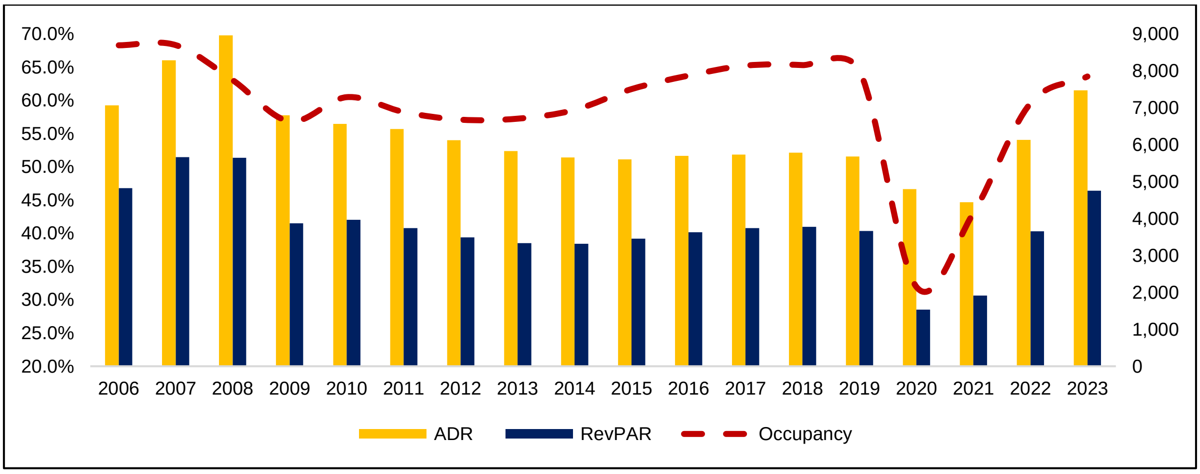
In this section we provide an analysis of the performance of hotels on all India basis and for Select Markets. Data is presented for the full market (comprising hotels of all positioning). As data availability varies from market to market based on extent of participation by hotels in different cities, data provided may cover different periods for various markets.

10.1 All India

a) Chart 22 shows all-India performance of chain-affiliated hotels from 2006 through 2023, across all segments.

b) Chart 23 provides monthly all-India monthly performance from January 2022 reflecting the strong recovery and business growth in 2022 and 2023 which are considered to be among the best performing years for the hotel sector.

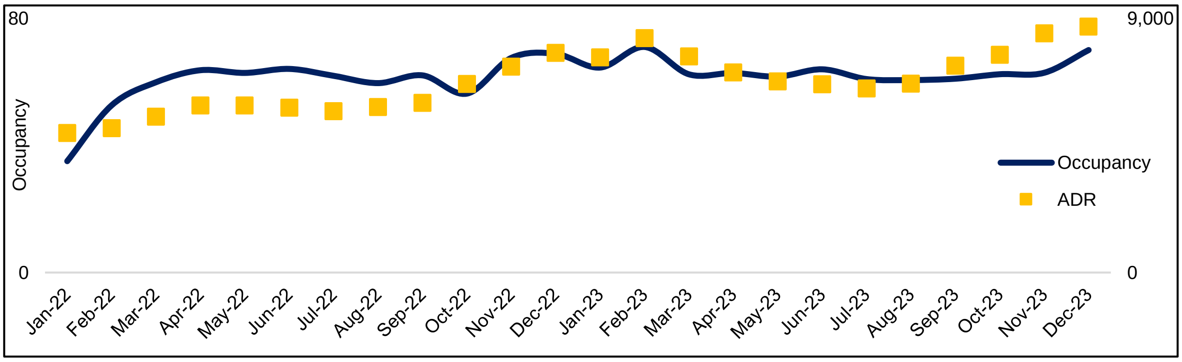
Chart 22- India Hotel Market Performance



Source: STR

Chart 23 - India Hotel Market Monthly Performance – January 2022 to December 2023

The data provided in the market reports contain a performance range for occupancy and ADR. The numbers presented in the chart are a simple average of the range provided in the report.



Source: Horwath HTL and STR

From a macro-perspective, the following elements emerge:

a. The hotel sector had a difficult period from late 2008, mainly because expected demand growth did not occur to match supply created in anticipation of demand growth. The economy and investment climate were not supportive of demand growth; security issues occurred in some years. All India occupancy stagnated at 57-58% between CY2011-14. During this period, supply grew by 41k rooms while demand grew by 28k rooms.

b. Typically, the industry sees changes in demand linked to macro-economic cycles. Down cycles see greater travel controls and needs, causing demand to slow or shift to lower hotel categories; a positive macro-economic situation and sentiment fuels travel and demand. Hotel occupancies decline or grow with such movements and in turn impact room rates; slowing occupancy invariably leads to softer room rates

   Rate revival often lags occupancy revival; rates are pushed higher only once hotel managements have greater confidence of business levels. On the other hand, in a positive macro-economic scenario, constraints on bookings push the demand side to pay higher room rates, creating the rate growth seen after the pandemic. Further, a positive business climate creates more positivity in travel and draws a wider profile of international and domestic business travellers – this also helps to improve the rate sentiment.

c. ADR between CY2009-15 was impacted by the dual factor of slower demand and occupancy generally, and diversification of supply profile so that wider options of quality and price points became available.

d. Occupancy revived since 2015 as demand conditions improved and new supply had slowed. The upward trend in RevPAR upto December 2019 was materially occupancy led, with improved occupancy gradually enabling ADR increases.

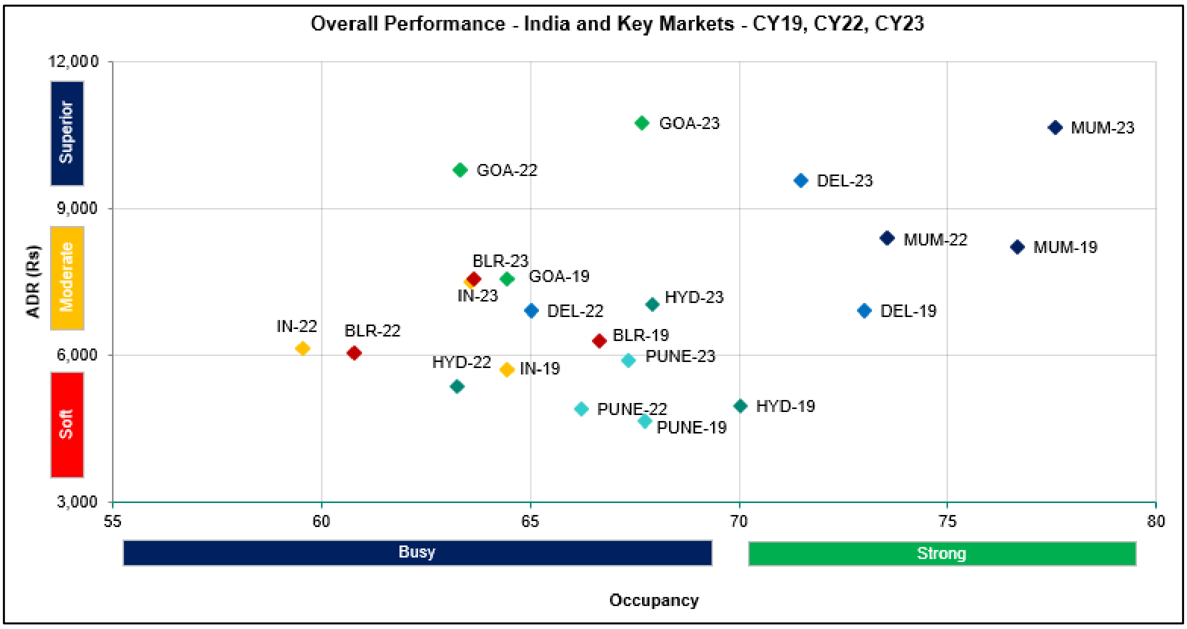
e. The Covid-19 pandemic was a major disruption with severe travel and operating restrictions causing material drop of occupancies and ADR. Demand recovery started in the late summer of 2020 and then gained momentum; recovery from wave 2 of Covid was much more rapid enabling a strong H2-21 performance. The Omicron wave was disruptive between mid-December 21 to February 22 but has then given way to strong performance through December 23. Strong occupancies and a recognition of stronger rate needs and potential, have enabled much higher ADR levels.

f. Occupancies between April 2023 and December 2023 were in the range of 61% to 70%, with December 2023 occupancy peaking to 70%. ADRs during this period have increased by 12% to 22% compared to 2022 average ADR. All-India and market-level ADRs were also impacted by changed supply composition, with increased supply share of upscale and lower priced hotels.

10.2 Performance of Key Markets

In order to provide a better understanding of the performance changes of certain key markets under normal operating conditions, presented below is the performance of these key markets for calendar years 2019, 2022 and 2023.

Chart 24 – Overall Performance – CY19, CY22 and CY23

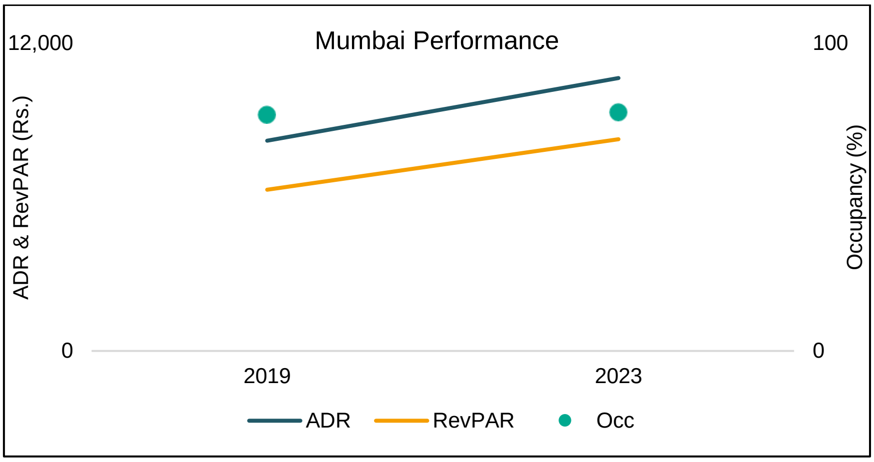


Source: India Hotel Review Market Report 2019, 2022 and 2023 published by Horwath HTL & STR

11 Performance and Outlook for Select Markets

11.1 Mumbai

Chart 25: Mumbai Performance Overall



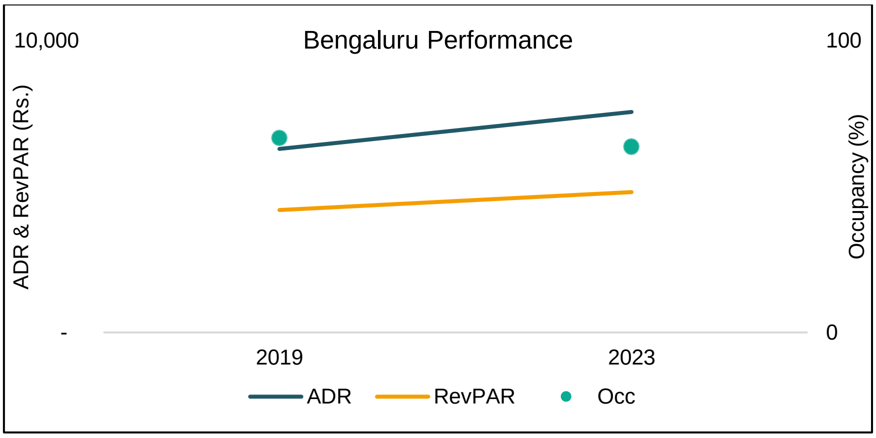
Source: Horwath HTL & STR

- Mumbai has bounced back strongly, achieving 74% occupancy and Rs.8.4k ADR in CY2022; CY23 was even better with 78% occupancy and Rs 10.6k ADR. The results were materially enabled by strong performance of the Lux-Upper Up segment with over Rs.10k and Rs 13.4k ADR, and 75% and 78% occupancy, for 2022 and 2023 respectively.

- Strong performance was seen across micro-markets, including south Mumbai, which expects a strong comeback once the Coastal Road is completed.
- Demand is led by business travel, MICE, weddings and crew and was materially supported by social and leisure travel and demand for sports related events. Each of these are in growth mode.
- The supply pipeline comprises 4.2k rooms by FY27 adding much needed capacity to a city that saw a burst of supply growth over ten years ago.
- New supply is reasonably expected to be absorbed by organic demand growth including increased inbound travel, major demand from the recently opened Jio World Convention Centre and NMACC, and the opening of Navi Mumbai international airport by Q1-CY2025.
- New supply is largely in north Mumbai and will serve the needs of the continued growth of commercial activities in the area; North Mumbai is an expanding business district (10.7 million sq. ft. of commercial and 234k sq. ft. under development); the financial district in BKC alongwith the convention centre lacks sufficient hotel supply and will likely create material demand for north Mumbai hotels. Occupancy and ADR levels can expect to remain very positive. MICE and weddings demand and spends are also expected to remain positive over the next three to five years.

11.2 Bengaluru

Chart 26: Bengaluru Performance Overall



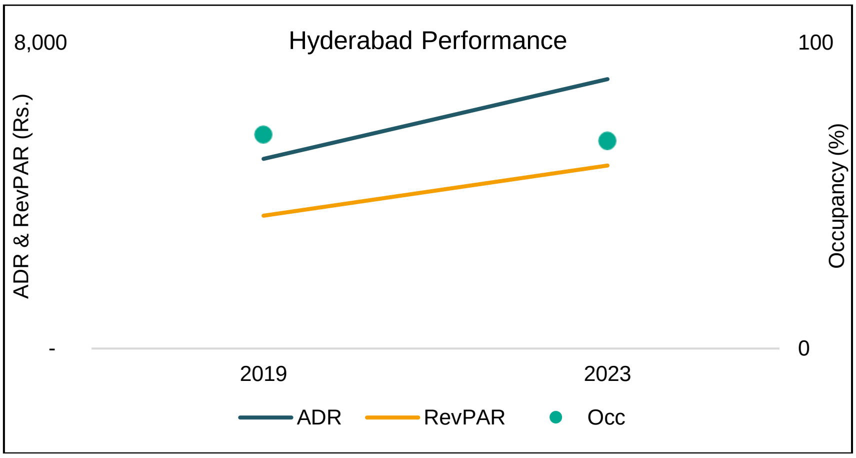
Source: Horwath HTL & STR

- The city with predominant IT sector focus also has the largest hotel room inventory in India (about 17k rooms) ; it also has the 187 msf commercial office space which is the largest among business cities in Asia.
- Bengaluru suffered very severely in the pandemic as lack of inbound travel and WFH impacted demand from the IT and ITeS sectors. Recovery has been gradual and gained momentum as travel restrictions were lifted, new joinees were inducted and MICE demand started reviving. The city has gained from growing activity in the aerospace sector with global companies setting up R&D and manufacturing bases in the Aerospace SEZ near Bengaluru airport.
- An important positive infrastructure is Bengaluru airport which opened a second runway in December 2019 and a second terminal in November 22. Passenger numbers are back to pre-Covid levels and higher, having achieved 28 mn passengers during April-December 23.
- The IT sector continues to materially work remotely, affecting domestic and inbound travel needs; a more fuller recovery of this sector will be additionally beneficial to hotels.

- ADR and RevPAR for 2023 are higher than full year 2019 by 20% and 15% respectively. Occupancy grew to 64% for this period. Further growth will ensue as IT parks regain occupancy.
- The city benefits from having six distinct micro-markets, with the Whitefield and ORR micro-market being among the most robust in terms of actual and potential demand growth.
- Bengaluru has a significant balance of supply share across various price points, thereby creating the likelihood for a lower city-wide ADR.
- Bengaluru demographics, with a growing workforce size and younger profile workforce, point to larger F&B spends at hotels with the requisite appeal and draw

11.3 Hyderabad

Chart 27: Hyderabad Performance Overall



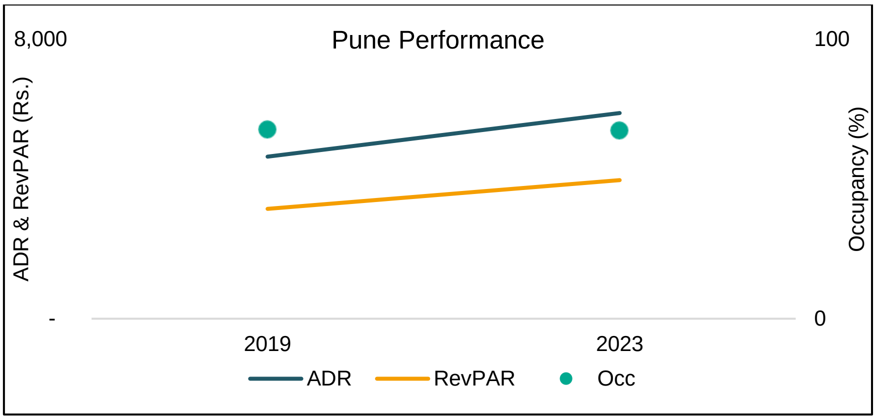
Source: Horwath HTL & STR

- The city has seen a resurgence of business since 2014, once the statehood matter was resolved. Hyderabad has doubled its commercial real estate from 48 msf to 97 msf between 2018 and 2023, while also increasing its hotel inventory by 2.5k rooms in the last 10 years.
- Demand is materially IT and ITeS focussed. However, some corporate demand arises from locally based companies and for professional services; demand is also supported by large retail spaces and the growth of F&B and entertainment spaces to support a growing working population with younger demographics and substantial spend power.
- The city benefits from the Hyderabad International Convention centre, the privately developed airport which is being expanded, the aerotropolis development with MRO and other operations and the excellent road infrastructure.

Occupancy levels for CY2023 have improved to 68% and have combined with strong ADR growth to enable 38% RevPAR growth for 2023 over 2019. The overall market ADR for 2023 was about Rs.7k while the luxury and upper upscale ADR crossed Rs.10k for the first time ever.

11.4 Pune

Chart 28: Pune Performance Overall

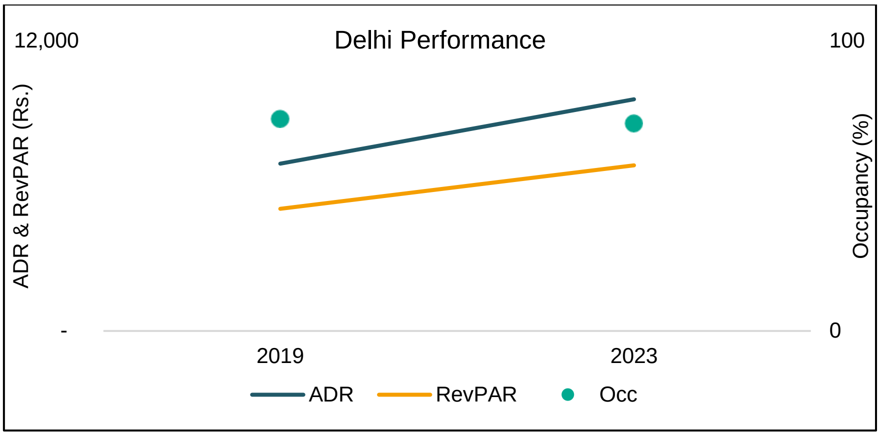


Source: Horwath HTL & STR

- Pune is a business city, with demand from manufacturing and the services sector. It has substantial presence in auto and auto ancillary manufacturing, and engineering products besides other sectors. The city has also grown into a major IT and services sector hub, with 67 msf commercial space, up nearly 40% from 48 msf at end 2018.
- This dual engine, and particularly the services sector have enabled the city to absorb about 6.4k growth of hotel rooms supply since 2007. Current demand is about 5k rooms per day yielding an average occupancy of 67% for 2023. Pune recovered well from supply surge between 2010-2014 benefitting from continued supply growth of commercial space.
- The city continues to maintain a reasonable growth momentum from the Covid pandemic, with occupancy levels holding in the high 60's while ADR for 2023 grew 27% over 2019 and 20% over 2022. Significant ADR growth at certain luxury hotels has created space for ADR growth across segments, considering that Pune has a reasonable segmental supply spread. For CY23 occupancy for upscale and upper midscale segment crossed 70% and was higher than the other segments, with ADRs of Rs.5.5k.
- Strong demand potential from business travel and for corporate MICE and substantial demand for residential weddings is a positive for upper tier hotels. Upscale hotels with commensurate meeting and function space are well placed to serve the Pune market, as sizeable demand in the market is at upscale pricing.
- Material foreign demand, and younger demographics will help create demand for quality F&B outlets and entertainment facilities.

11.5 New Delhi

Chart 29: New Delhi Performance Overall



Source: Horwath HTL & STR

- Strong occupancy recovery in Q3-21 has then stabilised at around 70% since Q2-22. ADR recover was initially slow, though Q4-2022 achieved Rs. 8.7k ADR.
- CY2023 occupancy crossed 70% and ADR was highest since 2010 at Rs.9.6k, benefitting particularly from over Rs 12k ADR for the Lux-UpperUp segment
- The Delhi market is expected to be in a positive mode with demand and rate growth creating higher earnings opportunities for hotels. FY 2024 will benefit from G20 related events and travel, and the wider resumption of inbound travel. Additionally, the supply pipeline for Delhi city is only 1.2k rooms through FY 2027, of which 1k rooms are in the Luxury Upper Upscale segment with openings only from FY 2027.
- The capacity and positioning of the Delhi Airport will be an advantage in the medium and long term as the airport expands; some demand shift may occur as Jewar airport is commissioned (projected as Q4-2024), although this should not materially hotels at Delhi airport and in the Aerocity area. The completion of Yashobhoomi Convention Centre on Dwarka Expressway and Bharat Mandapam at Pragati Maidan will also create significant demand basis for MICE growth in the city. City hotels will continue to benefit from weddings and MICE demand.