



INDIAN HOTEL INDUSTRY

Industry witnesses a strong bounce back in FY2023; better than earlier expectations

MARCH 2023



1 Demand Dynamics



2 Trend In Operating Metrics



3 Inventory Addition Over The Last Few Months



4 Credit Rating Movements



5 ICRA Ratings In Hospitality



Industry sustains healthy performance in the last several months.

ICRA expects the demand to remain healthy in FY2024 as well, stemming from sustenance of domestic leisure travel and MICE demand, and increase in business travel/FTAs. The industry is likely to benefit from the G20 summit and the ICC world cup 2023.



- **ICRA estimates pan-India premium hotel occupancy at ~68-70% in FY2023**, similar to pre-Covid levels. Aided by healthy demand, the pan-India premium hotel average room rate (ARR) stood at ~Rs. 5,800-5,900 in FY2023 and was broadly comparable to the pre-Covid levels. Some high-end hotels and leisure/gateway destinations saw the ARR spike to higher than the pre-Covid levels.
- **The overall recovery has been better than expected**, aided by recovery in leisure demand, pent-up demand from MICE (including weddings) and gradual pick-up in business travel and foreign tourist arrivals (FTAs).
- **FTA recovery to pre-Covid levels could be some time away**, although FTAs have been reasonably healthy in FY2023, **and domestic tourism will be the prime demand driver over the next few months**. The pace of recovery in FTAs over the next few months is likely to be weighed in by the challenging economic environment and discovery of new variants in Covid cases, if any.
- **ICRA has a Stable outlook on the Indian hotel industry**. About 97% of ICRA's ratings have a Stable outlook at present. There is improvement in the credit ratio since H2 FY2022 and upgrades have been higher than downgrades in 11M FY2023.
- **ICRA estimates pan-India premium hotel occupancy at ~70-72% in FY2024, higher than pre-Covid levels**. Sustenance of domestic leisure travel, demand from MICE and business travel, along with increase in FTAs would support operating metrics. The industry is likely to benefit from the G20 summit and the ICC world cup 2023. The pan-India premium hotel average room rate (ARR) is expected to be ~Rs. 6,000-6,200 in FY2024. The revenues are likely to grow by 13% in FY2024 for ICRA's sample and improved operating leverage will support the margins further.



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